

BMIT Technologies p.l.c.

Independent valuation of Intangible Assets related to the Transaction between BMIT Technologies p.l.c. and GO p.l.c.

Reliance Restricted

31 July 2023



Ernst & Young Limited
Regional Business Centre
Achille Ferris Street
Msida, MSD1751, Malta

Reliance Restricted

Mr Christian Sammut
Chief Executive Officer
BMIT Technologies plc
SCM02, Level 2, SmartCity Malta
Kalkara SCM1001,
Malta

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31 July 2023

Dear Mr. Sammut,

In accordance with our Engagement Letter dated 26 January 2023 (the “Engagement”) between EY (“we” or “Ernst & Young Limited”) and BMIT Technologies p.l.c. (“BMIT”, the ‘Client’ or “Company”), we are pleased to present the following valuation report (“Report”) related to the estimation of intangible asset valued linked to the transaction between BMIT and GO p.l.c. (“GO”) on the leasing of telecom towers (the “towers” or “underlying asset/s”) to GO, with a special focus on the Master Service Agreement (“MSA”).

Purpose of our Report

The purpose of this Report is to assist the Client in estimating the fair value of intangible assets (emerging from the transaction linked to the leasing of telecom towers) under International Valuation Standards (“IVS”). Such Report will accompany a Company Circular that will be published in line with the Capital Markets Rules (the “Purpose”). The valuation date is set at 31 December 2022 (“Valuation Date” or “Effective Transaction Date”).

Disclosure of our Report

This Report was prepared on the specific instructions of the Client for the Purpose described above and may not be used or relied upon for other purposes. We assume no responsibility whatsoever in respect of or arising out of or in connection with the contents of this Report to parties other than the Company. If other parties choose to rely in any other way on the contents of this Report they do so entirely at their own risk.

Limitation of our scope

We have not performed any management functions or made any management decisions in the process of undertaking this valuation. The Services do not constitute an audit in accordance with generally accepted auditing standards, or a review, examination or other assurance engagement in accordance with auditing and assurance standards issued by the International Auditing and Assurance Standard Board or similar bodies. None of the Services or reports constitute any legal opinion or advice.

We appreciate the opportunity to assist you.

Yours sincerely,
Ernst & Young Ltd.

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The background image shows a man in a dark suit standing on a wooden balcony, looking out at a city skyline at night. A large white tripod structure is positioned in the foreground on the right side. The text '1 Introduction and Background' is overlaid on the left side of the image.

1 Introduction and Background

Company and Transaction Background

This valuation report is being prepared on the basis of the following context:

- ▶ BMIT Technologies p.l.c. (“BMIT” or the “Lessor”), a Maltese registered public company, provides data center, hosting, cloud, and managed IT services in Malta. The company was incorporated in 2009 and is based in Kalkara, Malta. BMIT Technologies p.l.c. is a 51% subsidiary of GO p.l.c. (“GO” or the “lessee”). GO p.l.c., together with its subsidiaries, provides integrated telecommunications services in Malta and Cyprus. The company offers fixed-line and mobile telephony, and cable and digital television services, as well as broadband, internet services, and other business communication solutions. Both entities are listed on the Malta Stock Exchange.
- ▶ As part of the operational restructuring, GO has transferred its passive telecoms infrastructure across Malta and Gozo, which is used to provide mobile phone connectivity across the Maltese Islands, as well as corresponding maintenance functions, employees and related agreements, to GO Infrastructure Services Limited (“GISL”), a wholly owned special purpose vehicle.
- ▶ BMIT and GO are entering into a Transaction to transfer the right of use of a number of passive telecom infrastructure (the “underlying asset/s” or “sites”). Specifically:
 - ▶ Subject to obtaining the necessary approvals of the proposed transaction, BMIT shall be acquiring 283 existing passive telecom infrastructure from GISL; in return, BMIT will provide services back to GO in relation to the purchased infrastructure, for which GO will be paying a predetermined service fee per annum.
 - ▶ An Asset Purchase Agreement is being entered into, subject to various conditions precedent including but not limited to: the perfection of the transfer by GISL to BMIT of the sites, including the novation and assignment of lease agreements currently in place between GO and the respective site owners, and the parties obtaining all regulatory approvals, amongst other conditions.
 - ▶ A Master Service Agreement (“MSA”) has been entered into by and between GO and GISL and assigned and novated in favour of BMIT, to regulate the provision of hosting, colocation and maintenance services over a thirty-year period in respect of GO’s former telecommunications assets so as to enable GO to operate its active cellular equipment onto the passive network infrastructure transferred to BMIT. The MSA also sets out the required service levels through a Service Level Agreement forming part of the MSA.
 - ▶ A Transitional Services Agreement has also been entered into by and between GO and BMIT to provide service continuity for a period post transaction to support operations.
 - ▶ GO released an official public statement on 6 April 2023, announcing it was in discussion with BMIT for a potential assignment and transfer of certain lease rights and obligations currently enjoyed by GO as well as the passive infrastructure used for hosting telecommunications equipment.

Company and Transaction Background (continued)

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- ▶ This transaction is being defined as a “Class 2” Transaction, in line with the Capital Markets Rules (Class 2 transaction defined as a situation where any of the tests mentioned in the Capital Markets Rule 5.151 amount to thirty-five percent (35%) or more). As per the Capital Markets Rule 5.157, the consideration test is calculated by taking the consideration for the transaction as a percentage of the aggregate Market Value of all the ordinary shares of the Issuer. The figure used to determine market capitalisation is the aggregate Market Value of all the ordinary shares of the Issuer at the close of business on the last day before prior to the date when the transaction has been agreed to.
 - ▶ The Asset purchase agreement was executed on 7th August 2023, with a purchase consideration of €47.085 mln for an existing 283 sites, based on a multiple of 15x on Gross Profit (revenue less ground rent, insurance and transport costs).
 - ▶ It is understood that, as at the Transaction Date, 283 existing sites are likely to be transferred.
 - ▶ Additionally, there would be 30 Built-to-Suit (“BTS”) sites that would be built and leased out over a period of 8 years, with a separate payment paid when such sites are built based on a multiple of 10x on Gross Profit (payment estimated at around €3.54mln). These BTS sites are not covered in the consideration or in any intangible assets considered in this Report.
 - ▶ This valuation report looks at fair values of intangible assets (“intangibles”) emanating from the Transaction, including the MSA, in order to assess the purchase consideration.

Source of information and Scope of work

The valuation exercise has been based on the following information sources:

| Documents Received | Date Received |
|--|-----------------------------|
| ▶ Master Service Agreement – Draft | ▶ 26 January 2023 |
| ▶ Projections - Draft | ▶ 14 February 2023 |
| ▶ Revised base case – Draft (“Management projections”) | ▶ 4 April 2023, 6 July 2023 |
| ▶ BMIT Class 2 Transaction circular to shareholders - Draft | ▶ 4 April 2023 |
| ▶ Technical Inputs related to passive infrastructure and portfolio of leases | ▶ 25 July 2023 |
| ▶ Transaction class determination workings | ▶ 26 July 2023 |
| ▶ Discussions with Client and Advisors | ▶ Various |
| ▶ Publicly available information | ▶ N/A |

Scope of Work

We understand that this Transaction will involve the transfer of an asset/s, not a business consideration. The purpose of our engagement, as detailed in the Engagement Agreement, is the advisory fair valuation of such intangible assets, as at the Valuation Date, for accompanying a Circular for a Class 2 Transaction that would be published in line with the Capital Markets Rules.

The appropriate basis of valuation for this exercise is the **Market Value** for Valuation Advisory. According to International Valuation Standards this is defined as the:

"... estimated amount for which an asset should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently, and without compulsion."

Our approach included the following steps:

(A) Identification and determination of the intangible assets emerging from the Transaction, in terms of whether they can be separately identified

(B) Once identified, these assets were considered for measurement. The valuation methodologies applied were considerate of the Capital Markets Rules issued by the Malta Financial Services Authority in accordance with the provisions of the Financial Markets Act.

Wireless infrastructure (towers) provides an important element for the operations of wireless network services, including mobile networks, fixed wireless access broadband, emergency services, TV and radio broadcast, internet of things, and private mobile radio networks. The largest user segment of towers are the mobile network operators (MNOs). Over the last couple of decades, tower ownership has increasingly been transferred from MNOs to separate tower companies (TowerCos). In fact, outsourcing of wireless infrastructure to TowerCos is a growing trend, including in Europe.

According to EY-Parthenon's report on *The economic contribution of the European tower sector* (February 2022), the past few years have seen the share of towers directly owned by MNOs decline, while the share of towers controlled by TowerCos growing significantly from 13% (in 2014) to 35% in 2021, with an acceleration in the last two years. According to the same report, the TowerCos trend delivers a number of benefits to MNOs, the wider wireless sector and ultimately, the consumer. A number of observations emerge from this report:

- 1** TowerCos specialize in operating neutral host, "passive" wireless network infrastructure, such as mobile towers. Sharing of towers with multiple tenants reduces overall cost for mobile operators, helps improve coverage and reduces consumer prices
- 2** Long-term international investors in European infrastructure value the benefits of the TowerCo model, resulting in an active M&A market
- 3** TowerCos make it easier and cheaper to roll out new networks.
- 4** Outsourcing to TowerCos releases capital, which MNOs can reinvest in their networks, such as to improve coverage and accelerate 5G rollouts. Since 2018, Independent TowerCos have helped release c.€15b in capital via acquisition of various tower portfolios from MNOs.
- 5** The new European Electronic Communications Code (EECC) reflects the pro-competitive nature of TowerCos and is expected to benefit TowerCos through increased certainty for the wholesale infrastructure sector.
- 6** There is a trend of MNO-controlled TowerCos being created throughout Europe, which could be seen as an interim step toward full independence of their tower portfolios

TowerCos develop, acquire and operate mobile network towers. They invest in mobile network towers, small cell networks and associated utility and real estate rights for the purpose of providing wholesale access to MNOs and other network operators on a shared basis. For MNOs, outsourcing passive wireless infrastructure to TowerCos helps to free up capital.

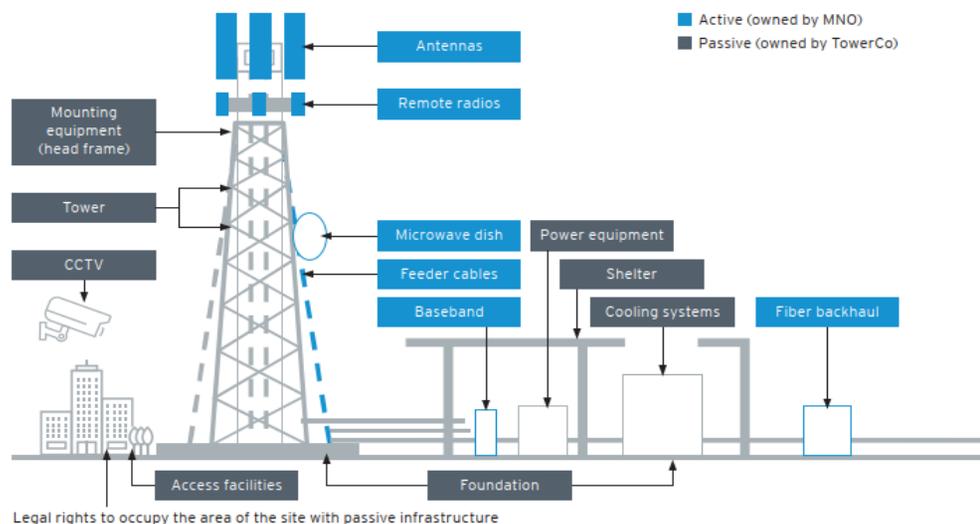
When offering passive infrastructure services to MNOs, TowerCos' responsibilities typically include:

- ▶ Provision of the physical site/rooftop and maintenance of related real estate contracts.
- ▶ Installation and management of passive infrastructure, including tower structure, civil works, fences, shelters and possibly power supply and cooling system
- ▶ Health and safety compliance at the site
- ▶ Access to infrastructure space and provision of services to MNOs and other network operators.

MNOs and other network operators' responsibilities include:

- ▶ Rental of passive infrastructure from TowerCos to install active equipment, including radio units, baseband units and other equipment
- ▶ Ownership of the feeder cables connecting antennas with radio equipment and the fiber connection to the backhaul/core network.

Illustration of active and passive equipment on a typical tower site



Source: EY-Parthenon (2022), *The economic contribution of the European tower sector*

The background image shows a man in a dark suit standing on a wooden balcony, looking out at a city skyline at night. A white tripod structure is visible in the foreground on the right. The scene is lit with warm interior lights and cool blue city lights.

2 Methodology

Recognition Process for Intangible Assets

Definition of Intangible Assets:

The analysis of acquired intangible assets was performed in accordance with IAS 38. IAS 38 defines an intangible asset as "an identifiable non-monetary asset without physical substance". The cost of that intangible asset is its fair value as at the acquisition date which can be measured using suitable valuation approaches (e.g. Market, Income, Cost approaches). If the measurement of fair value involves uncertainty in estimates with a range of possible outcomes with different probabilities, the uncertainty must be included in the measurement of the asset's fair value.

In order to determine which intangible assets should be recognized and valued, we have first listed the potential intangible assets based on our understanding of the facts and circumstances of the transaction, using as a basis paragraph 9 of IAS 38 which lists common examples of items that meet the definition of an intangible asset. We have then tested whether these items can be recognised as intangible assets by checking whether they satisfy the definition of an intangible asset, and recognition criteria outlined by IAS 38. These criteria are described below.

Identifiability Criteria (IAS 38 Paragraphs 11-12):

An asset is **identifiable** if it either:

- i. Is **separable**, i.e. is capable of being separated or divided from the entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable asset or liability, regardless of whether the entity intends to do so; or
- ii. Arises from **contractual or other legal rights**, regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

Recognition Criteria (IAS 38 Paragraphs 21-23):

An asset shall be **recognised** if, and only if:

- i. It is **probable** that the expected future economic benefits that are attributable to the asset will flow to the entity. The probability of these expected future economic benefits has to be assessed using reasonable assumptions based on management's best estimates; and
- ii. The cost of the asset can be **measured reliably**.

Identification of Intangible Assets

On the basis of our understanding of the Transaction, the following intangible assets have been separately identified:

- **Portfolio of leases** – this relates to the leases with property owners (mainly rooftops) which have been entered into over the years by GO, based on GO's network plans/designs. These are being transferred to BMIT. This intangible is being measured through a replacement cost approach, which was based on Management assumptions.
- **Master Service Agreement** – the main agreement being entered into between the two parties. This agreement governs the provision of hosting, colocation and maintenance services over a thirty-year period in respect of GO's former telecommunications assets so as to enable GO to operate its active cellular equipment onto the passive network infrastructure transferred to BMIT. The MSA also sets out the required service levels through a Service Level Agreement forming part of the MSA. As part of this asset, the following intangible assets are linked to it:
 - **Co-location business** – the MSA allows BMIT the opportunity to earn revenue through the possibility of co-location, i.e. a single structure can support multiple equipment operated by different carriers (e.g. mount/ deploy mobile telecommunications antennas belonging to more than one provider within a single location). Though clearly linked to the MSA, these assets have been separately measured for the purposes of this Report.

Identification of Property, Plant and Equipment (“PPE”)

On the basis of our understanding of the Transaction, the following has been separately identified:

- **Passive infrastructure** – refers to the physical infrastructure installed on each site. It is being assumed that the carrying value of the passive infrastructure of €578.1k is a close approximation of its fair value as at the Valuation Date.

Valuation Approach

Our valuation is based on internationally accepted valuation methods and standards used in valuing intangible assets, as per International Valuation Standards (“IVS”). IVS 1 defines market value as follows: *“The estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion”.*

Valuation Approach – Portfolio of Leases

The portfolio of leases was valued through a replacement cost approach, based on Management inputs, whereby the method looks at costs needed if one had to hypothetically replicate the utility of the asset (not the exact physical properties of the asset).

Valuation Approach – MSA and co-location business

There are several valuation approaches for the assessment of the “market value”. Our primary approach for the valuation of the MSA was the Income Approach through the Multi-Period Excess Earnings Method. This method uses the discounted cash flow technique to determine fair value as at the Valuation Date. This approach is based on the prospective financial information linked to the respective asset, with the projections used being those guiding the Transaction.

The Multi-Period Excess Earnings Method (“MEEM”) is generally accepted as the most comprehensive valuation technique for such an asset since it takes into account the unique, dynamic nature of what is being valued. This method is based on projected cash flows and the premise that the value of an asset is equal to the present worth of future benefits from rights on such asset (i.e. the present value of future cash flows discounted at a rate which reflects the expected rate of return on an asset adjusted for potential risk).

Specifically, the MEEM is based on the concept that projected cash flows attributable to the asset analysed are available after deducting costs and expenses associated with the asset as well as a return on the other assets employed in the “production” of the asset – the latter being the Contributory Asset Charge (“CAC”). The present value of those residual after-tax cash flows represents the estimated fair value of the intangible asset.

As explained above, the application of this approach requires the determination of an appropriate discount rate with which future cash flows are discounted to their present value. The discount rate must reflect the time value of money and the risk associated with projected future cash flows. It is derived on the basis of the expected return on, and the price of, the best alternative use for the capital invested in such an asset, assuming it is not invested in the asset to be valued.

Though this method is generally well received and rarely disputed, the main difficulty in its application comes from the uncertainty about the future development of the asset under valuation, and hence Management’s accuracy in forecasting and projecting future cash flows. In this case, however, the future cash flows are predominantly determined by the MSA and, hence, represent a lower risk profile than, say, other intangibles (e.g. brand) or the operations of a business.

The assumptions related to the cash flows emanating from Management’s projections and used for the MSA valuation, including revenue streams, capital and operational costs, are explained in more detail in the next section. In addition, in applying this valuation method, we conducted a sensitivity analysis on key valuation parameters and assessed the effects of such adjustments to value, and provide a valuation range for values.

Valuation Approach – Passive infrastructure (PPE)

As previously mentioned, the basis of measurement is the present net book value in GO’s financial system, which as at the Valuation Date stood at €578.1k.

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Valuation Estimates

Financial Projections

Management's Transaction Projections are mostly driven by the MSA, which incorporates cash flow projections for a period of 30 years (i.e. initial 25-year term of the MSA, along with an automatic extension of an additional 5 years). These are then used for the valuation of the MSA.

Transaction – financial projections

| Tower Co business P&L (€000) | FY23F | FY24F | FY25F | FY26F | FY27F | FY52F |
|------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|
| MSA revenue | 4,009 | 4,127 | 4,247 | 4,370 | 4,496 | 6,531 |
| 3rd party colocation revenue | 32 | 32 | 33 | 33 | 33 | 43 |
| Total revenue | 4,041 | 4,159 | 4,280 | 4,403 | 4,529 | 6,573 |
| Ground rent costs | (891) | (909) | (926) | (943) | (961) | (1,122) |
| Insurance costs | (6) | (6) | (6) | (6) | (6) | (8) |
| Transportation costs | (5) | (5) | (5) | (5) | (5) | (7) |
| Gross profit | 3,139 | 3,240 | 3,343 | 3,449 | 3,557 | 5,436 |
| <i>Margin %</i> | <i>77.67%</i> | <i>77.89%</i> | <i>78.11%</i> | <i>78.32%</i> | <i>78.53%</i> | <i>82.70%</i> |
| Opex | (191) | (193) | (195) | (197) | (199) | (255) |
| EBITDA | 2,948 | 3,047 | 3,148 | 3,252 | 3,358 | 5,181 |
| <i>Margin %</i> | <i>72.94%</i> | <i>73.25%</i> | <i>73.55%</i> | <i>73.85%</i> | <i>74.15%</i> | <i>78.82%</i> |

Source: Management projections

Revenue assumptions

- ▶ **MSA:** The main revenue item relates to fees payable by GO. As indicated in the Circular, such service fees are at an arm's length price representative of market rates, in line with the range of prices charged for similar offerings in Europe, resulting in a market margin for BMIT. Specifically, each site is expected to generate €14,168 pa and grow by 1.5% pa.

- ▶ **Third party colocation revenue:** revenue of €32,000 is expected annually for colocation, with an escalation of 1% pa.

The above leads to a revenue of around €4mIn in 2023, projected to increase to €6.5mIn by Year 30.

Cost assumptions

- ▶ **Ground rent:** the computation of the ground rent expenses is performed by reference to the lease agreements governing the relevant sites. This entails deriving an average rent per site (2023: €3,150; 2024: €3,166), which is projected to increase by 0.5% pa.
- ▶ **Insurance and transportation costs:** Insurance cost and transportation cost of €6k and €5k pa, respectively, are assumed, increasing by 1% pa.
- ▶ **Opex:** Costs amounting to €191,000 pa are assumed, increasing by 1% pa. These include payroll and other operating costs.

Gross Profit

- ▶ Based on the above assumptions, the gross profit, defined as total revenue less ground rent, insurance and transportation costs, equates to €3.1mIn in 2023, up to €5.4mIn in Year 30.
- ▶ The GP margin ranges between 77.7% and 82.7%.

EBITDA Margin

- ▶ Based on the above assumptions, the EBITDA margin ranges between 72.9% to 78.8%. The EBITDA margin of guideline public companies for Next Fiscal Year (NFY) (see **Appendix 1**) range between 7.0% to 91.0%, with a median of 62%.

Fair Value calculation of Portfolio of Leases

Fair value of Portfolio of Leases as at Valuation Date

EUR 1,652k

Based on the replacement cost approach previously explained, an estimate of the costs needed to replicate the utility of such an asset was determined. This includes the following assumptions:

- ▶ **Valuation date:** 31 December 2022
- ▶ **Human resource efforts:** based on an estimate of headcount needed for a team to replicate the acquisition of such site locations. This would include a team of 2 network designer engineers (at an estimated fully burdened salary of €47,250 pa), 4 lease negotiators (€36,750 pa) and 1 lawyer (€63,000 pa). This team would need to be in place for 3 years to replicate the current portfolio of leases.
- ▶ **Commissions payable:** in the process of site acquisition, an estimated €300k would be allocated for commissions payable to source such sites.
- ▶ **Travelling expenses:** given the need to travel in order to source such sites, it was estimated that around 7 vehicles would be needed for the above-mentioned team. Assuming the monthly lease cost and fuel expenses, a cost of €189,000 has been included.
- ▶ **Network Design:** in order to be able to locate and decide on the sites to ensure adequate coverage, a network design exercise would be needed. Based on an assumed third-party contractor cost, a charge of €250,000 was assumed.

Based on the above-mentioned assumptions, a value of **EUR1,652k** is derived. No estimates for any revenue foregone while “re-acquiring” the sites was included on the premise that, if one had to take, say, 3 years to reproduce such a portfolio, the MSA would only kick in after these sites are in place. Hence there would be a discounting difference, but no difference in the period that would be covered by the TowerCo-TelCo operator lease term (say, 30 years).

Fair Value calculation of MSA – existing sites

Fair value of MSA (existing sites) as at Valuation Date

→ **EUR 44.65 mln**

| (€000) | FY23F | FY24F | FY25F | FY26F | FY27F | FY52F |
|----------------------------|--------------|--------------|--------------|--------------|--------------|--------------|
| MSA revenue | 4,009 | 4,070 | 4,131 | 4,193 | 4,255 | 5,905 |
| Ground rent costs | (891) | (896) | (900) | (905) | (909) | (1,015) |
| Insurance costs | (6) | (6) | (6) | (6) | (6) | (7) |
| Transportation costs | (5) | (5) | (5) | (5) | (5) | (6) |
| Gross profit | 3,107 | 3,163 | 3,219 | 3,277 | 3,335 | 4,877 |
| Less: Opex | (189) | (191) | (193) | (195) | (197) | (253) |
| EBITDA | 2,918 | 2,971 | 3,026 | 3,082 | 3,138 | 4,624 |
| Tax on EBIT | (949) | (966) | (984) | (1,002) | (1,021) | (1,584) |
| Maintenance capex | (60) | (61) | (62) | (63) | (64) | (89) |
| Contributory Asset Charges | (80) | (81) | (83) | (84) | (85) | (118) |
| Net Cash Flow | 1,829 | 1,863 | 1,897 | 1,933 | 1,969 | 2,833 |
| | Fair Value | | | | | |
| WACC – 2.92% | 44,650.7 | | | | | |

Note 1: Contributory Asset Charges based on the following:

1. Passive infrastructure (applies to MSA and Co-location) – 0.42% weight based on post-tax return proxied by risk-free rate and corporate spread
2. Portfolio of leases (applies to MSA and Co-location) – 1.58% weight based on applicable discount rate and an additional 1% premium.
3. Net working capital – not applicable
4. MSA (applies to Co-location) – 31.79% weight based on applicable discount rate

Based on the MEEM approach, the adjacent table presents the valuation findings for the MSA (existing sites) intangible asset, as at the Valuation Date.

In estimating the fair value of the MSA, we relied on the MEEM under the Income approach. The following assumptions apply:

- ▶ **Valuation date:** 31 December 2022
 - ▶ **Forecasted period:** The cash flow projections are for a period of 30 years, considering the initial 25-year term of the MSA, along with an automatic extension of an additional 5 years.
 - ▶ **Basis of forecasts:** The forecasts are mainly based on Management's Transaction financial projections presented on the previous page.
 - ▶ **Revenue:** revenue from the MSA is included in this calculation.
 - ▶ **Costs:** costs include the ground rent payable on the leases, related insurance and transport costs, and other operating costs, as per the Transaction projections. Operating expenses have been apportioned according to the MSA revenue portion
 - ▶ **Tax calculation:** tax is based on the 35% Malta statutory rate, applied on EBIT
 - ▶ **Maintenance capex:** 1.5% of the MSA revenue has been considered for maintenance capital expenditure.
 - ▶ **CAC:** We have calculated a Contributory Assets Charge for the MSA taking into account the passive infrastructure and the portfolio of leases. There is no net working capital given the nature of the Transaction.
 - ▶ **Discount rate:** The discount rate used was based on the CAPM approach presented in **Appendix 2**.
- ▶ Based on the above-mentioned assumptions, the fair value of the MSA as at the Valuation date is **EUR 44.65mln**.

Fair Value calculation of Co-location Business

Fair value of Co-location Business as at Valuation Date

→ EUR 203.7k

| (€000) | FY23F | FY24F | FY25F | FY26F | FY27F | FY52F |
|----------------------------|-------|-------|-------|-------|-------|-------|
| Revenue | 32 | 32 | 33 | 33 | 33 | 43 |
| Less: Opex | (2) | (2) | (2) | (2) | (2) | (2) |
| EBIT | 30 | 31 | 31 | 31 | 32 | 41 |
| Tax on EBIT | (11) | (11) | (11) | (11) | (11) | (14) |
| Contributory Asset Charges | (11) | (11) | (11) | (11) | (11) | (14) |
| Net Cash Flow | 9 | 9 | 9 | 9 | 9 | 12 |

Fair Value

WACC – 2.92%

203.7

The MSA allows BMIT to consider co-location opportunities. In this regard, the value of the co-location business can be considered to be part of the MSA. However, for the purposes of this Report, these have been split into separate assets. This page presents the results, as well as the assumptions applied:

- ▶ **Valuation date:** 31 December 2022
- ▶ **Basis of forecasts:** The forecasts are based on Management's Transaction financial projections.
- ▶ **Forecasted period:** The cash flow projections are for a period of 30 years, based on the MSA (i.e. initial 25-year term; automatic extension of an additional 5 years).
- ▶ **Revenue:** an amount of €32k in the first year, increasing by 1.0% pa, has been considered in the Transaction.
- ▶ **Costs:** operating costs as included in the Transaction projections has been apportioned according to the co-location revenue portion
- ▶ **Tax calculation:** tax is based on the 35% Malta statutory rate, applied on EBIT
- ▶ **CAC:** We have calculated a Contributory Assets Charge for the leases taking into account the passive infrastructure, the portfolio of leases and the MSA. There is no net working capital given the nature of the Transaction.
- ▶ **Discount rate:** The discount rate used was based on the CAPM approach presented in **Appendix 2**.

- ▶ Based on the above-mentioned assumptions the fair value is **EUR203.7k**.

4

Summary of values

The adjacent table presents the range of values emerging from the valuation estimates previously discussed. It is to be noted that:

Summary of values as at Valuation Date

| | (€000) | % |
|--------------------------------------|-----------------|--------|
| Consideration (Existing sites) | 47,085.0 | 100.0% |
| Intangible assets: | | |
| Portfolio of leases | 1,652.5 | 3.5% |
| MSA | 44,650.7 | 94.8% |
| Co-location business | 203.7 | 0.4% |
| Property, Plant and Equipment | | |
| Passive infrastructure | 578.1 | 1.2% |
| Total | 47,085.0 | |

Note: The BTS sites are not reflected in this consideration, or in any of the intangibles covered in this Report.

5 Appendix

APP 1. EBITDA margins and re-levered beta

Unlevered beta

- We have adopted the median and mean of unlevered beta of the below comparable peer companies, based on the observed 5 year weekly beta and the resulting unlevered beta range between 0.63 to 0.70

| Company name | Identifier | 5-Year Weekly Equity beta | R Square | Unlevered adjusted beta | Total debt / market equity | EBITDA Margin NFY |
|---|---------------|---------------------------|----------|-------------------------|----------------------------|-------------------|
| American Tower Corporation | NYSE:AMT | 0.82 | 0.38 | 0.73 | 33.3% | 61.8% |
| SBA Communications Corporation | NasdaqGS:SBAC | 0.84 | 0.35 | 0.70 | 45.5% | 67.3% |
| Crown Castle Inc. | NYSE:CCI | 0.79 | 0.34 | 0.71 | 36.1% | 62.3% |
| Cellnex Telecom, S.A. | BME:CLNX | 0.41 | 0.08 | 0.46 | 52.7% | 75.2% |
| Infrastrutture Wireless Italiane S.p.A. | BIT:INW | 0.32 | 0.06 | 0.47 | 20.7% | 91.1% |
| Vantage Towers AG | DB:VTWR | 0.66 | 0.19 | 0.71 | 12.1% | 82.5% |
| SysGroup plc | AIM:SYS | 0.27 | 0.02 | 0.47 | 13.1% | 16.1% |
| InfraCom Group AB (publ) | NGM:INFRA | 0.40 | 0.03 | 0.56 | 12.5% | 23.5% |
| Crexendo, Inc. | NasdaqCM:CXDO | 0.84 | 0.07 | 0.88 | 2.6% | 7.2% |
| | Mean | | | 0.63 | 25.4% | 54.1% |
| | Median | | | 0.70 | 20.7% | 62.3% |

Re-levered beta

- Re-levered beta is calculated by adjusting the unlevered beta with the debt to equity ratio of the comparable companies (net of tax).

APP 2. Discount rate derivation

Discount rate/ WACC

- ▶ The returns required by both debt and equity investors, weighted by their respective contributions of capital. The conventional formula for deriving the WACC and the associated definitions are presented below:

▶ **WACC = $K_d * (1-t) * (\text{Gearing ratio}) + K_e * (1 - \text{Gearing ratio})$**

where:

- K_d = Pre-tax cost of debt
- t = Effective tax rate
- Gearing ratio = Debt as a percentage of total invested capital
- K_e = cost of equity
- Percent Equity = Equity capital as a percentage of the total invested capital

- ▶ **Cost of Debt:** In estimating the cost of debt for use in an WACC the objective is to arrive at an overall estimate of the weighted average cost of debt finance for the company as if it were refinancing all of its debt at the valuation date, consistent with the gearing assumption being used in the WACC calculation. The pre-tax cost of debt is multiplied by the interest-tax shield $(1-t)$ to determine the after-tax cost of debt. [consider the company's and the market participants' cost of borrowing]

▶ **After-tax cost of debt = $K_d * (1-t)$**

- ▶ **Cost of Equity:** The cost of equity capital is estimated using the Capital Asset Pricing Method (CAPM), which assumes the cost of equity is equal to the return on risk-free securities plus the ERP adjusted for the company's systematic risk (Beta). The general formula for the cost of equity is:

▶ **$K_e = R_f + \beta * (R_m - R_f) + \text{CSRP}$**

where:

- R_f = Risk-free rate of return
- β = systematic risk for the company's equity
- $R_m - R_f$ = Equity risk premium = the equity market's return premium over the risk-free return
- CSRP = company specific risk premium

APP 2. Discount rate derivation

Discount rate

The table presents the risk components which were used to derive the discount rate as at the Valuation Date.

Discount rate calculation

| | Low | Mid | High | EY Comments |
|----------------------------------|--------------|--------------|--------------|---|
| Government bond risk-free rate | 4.22% | 4.22% | 4.22% | Based on the long-term 30-year Maltese Government Bond yield as at the Valuation Date, obtained from Central Bank of Malta |
| Market risk premium | 5.50% | 6.00% | 6.50% | Equity risk premiums (ERP) of about 5.5% to 6.5% can be observed for mature markets with a substantial history of share trading and based on current expectations surrounding equity market risk. We applied a market risk premium of 6.0% in this analysis, which is in line with current studies ¹ |
| Unlevered beta | 0.70 | 0.70 | 0.70 | Based on comparable public guideline companies from Capital IQ. Refer to Appendix 1 |
| Re-levered beta | 0.80 | 0.80 | 0.80 | Calculation: unlevered beta \times (1+debt/equity \times (1-tax rate)) |
| Company risk premium | 4.39% | 4.79% | 5.19% | Calculation: Market risk premium \times re-levered beta |
| Specific risk premium | 0.00% | 0.00% | 0.00% | Given nature of the MSA, no additional risk premium was included. |
| Risk premia | 4.39% | 4.79% | 5.19% | Calculation: company risk premium + company specific risk premium |
| Cost of equity (post-tax) | 8.61% | 9.01% | 9.41% | This range would denote the expected rate of return for equity shareholders Calculation: risk free rate + risk premia |
| Pre-tax cost of debt | 4.22% | 4.72% | 5.22% | Pre-tax cost of debt is based on the risk-free rate and a corporate spread |
| Tax shield | 35.00% | 35.00% | 35.00% | Malta tax rate |
| Cost of debt (post-tax) | 2.74% | 3.07% | 3.39% | |
| Gearing | 100.00% | 100.00% | 100.00% | Based on our understanding of these type of transactions (i.e. typically executed through high gearing) |
| WACC (rounded) | 2.70% | 3.10% | 3.40% | |

Sources: Capital IQ, EY research

Notes: 1. EY Equity Risk Premium Study (Oct 2022 update)

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