

UEM EDGENTA BERHAD (“UEM EDGENTA” OR “THE COMPANY”)

PROPOSED ACQUISITION OF 60% EQUITY INTEREST IN KAIZEN OWNER ASSOCIATION MANAGEMENT SERVICES L.L.C (“KOA”) AND KAIZEN AMS PROPERTY SUPERVISION L.L.C (“KAMS”) (COLLECTIVELY REFERRED TO AS “KAIZEN GROUP”) (“PROPOSED ACQUISITION”)

- ADDITIONAL INFORMATION

Reference is made to the Company’s announcement dated 4 December 2023 in relation to the Proposed Acquisition (“**Initial Announcement**”). Unless otherwise defined, the definitions used in this announcement shall have the same meaning as those defined in the announcement dated 4 December 2023.

The Board of UEM Edgenta wishes to announce the following additional information relating to the Proposed Acquisition:

1. INFORMATION OF THE PARTIES

In FY2022, NA of KAMS¹ and KOA were AED2.0 million and AED7.8 million, respectively.

2. DETAILS OF THE PROPOSED ACQUISITION

Initial Consideration

The acquisition of KAIZEN Group include both KOA and KAMS. The Initial Consideration has taken into account of the combined performance of KOA and KAMS as their businesses are interconnected and complementary in delivering services to property management and owner association clients. The apportionment of the value would be based on the EBITDA performance of both entities. It has been agreed by EII and NW Kaizen that the maximum consideration shall be AED70.2 million (“**Maximum Consideration**”), which comprises Adjusted Consideration and Earn-Out Payment, where the latter will be dependent on the combined performance of KAMS and KOA in the future.

Pursuant to Clause 3.2.3 of the SPA, following Completion and the finalisation of the Adjustment Statement, the Initial Consideration shall be adjusted in accordance with Clauses 3.3 and 3.5 of the SPA (such adjusted Initial Consideration being the “**Adjusted Consideration**”) as elaborated below:

Under Clause 3.3 of the SPA, in the event:

- (a) the Actual Cash exceeds the Actual Debt, the Initial Consideration shall be increased by the amount by which the Actual Cash exceeds Actual Debt; or
- (b) the Actual Cash is less than the Actual Debt, the Initial Consideration shall be reduced by the amount by which the Actual Cash is less than the Actual Debt; and
- (c) the Actual Working Capital
 - (i) is less than the Proportionate Target Working Capital, the Initial Consideration shall be reduced by the amount by which the Actual Working Capital is less than the Proportionate Target Working Capital; or
 - (ii) exceeds the Proportionate Target Working Capital, the Initial Consideration shall be increased by the amount by which the Actual Working Capital exceeds the Proportionate Target Working Capital.

¹ FY22 audited statement includes financials related to Kaizen Property Services LLC, of which transfer of its business and staff to KAMS is a Condition Precedent.

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Under Clause 3.5 of the SPA, following the determination of the Actual EBITDA, which will be set out in the Adjustment Statement, the Initial Consideration shall be further adjusted (the "**EBITDA Adjustment**") as follows:

- (a) if the Actual EBITDA exceeds the Baseline EBITDA, EII shall, subject to the Maximum Consideration, make a payment on the Determination Date to NW KAIZEN of an amount to be calculated as follows:

$$\text{EBITDA Adjustment Amount} = (\text{Actual EBITDA} - \text{Baseline EBITDA}) \times 10; \text{ or}$$

- (b) if the Actual EBITDA is less than the Baseline EBITDA, NW KAIZEN shall make a payment on the Determination Date to EII of an amount to be calculated as follows:

$$\text{EBITDA Adjustment Amount} = (\text{Baseline EBITDA} - \text{Actual EBITDA}) \times 10$$

For the avoidance of doubt, the following words and expressions have the following meaning:

- (a) "**Actual Cash**" means sixty per cent (60%) of the cash as at the Adjustment Date, calculated in accordance with the SPA;
- (b) "**Actual Debt**" means sixty per cent (60%) of the debt as at the Adjustment Date, calculated in accordance with the SPA;
- (c) "**Actual EBITDA**" means sixty per cent (60%) of the EBITDA as at the Adjustment Date, calculated in accordance with the SPA;
- (d) "**Actual Working Capital**" means sixty per cent (60%) of the Working Capital as at the Adjustment Date, calculated in accordance with the SPA;
- (e) "**Adjustment Date**" means 31 December 2023;
- (f) "**Adjustment Statement**" means the statement prepared by the Seller in accordance with the SPA which shall (i) set out the Actual EBITDA, Actual Cash, Actual Debt and Actual Working Capital of KAIZEN Group as at the Adjustment Date; and (ii) enclose a copy of the FY2023 accounts;
- (g) "**Baseline EBITDA**" means AED4.32 million, being sixty per cent (60%) of the estimated EBITDA for FY2023 of AED7.2 million;
- (h) "**Determination Date**" means the date which is one (1) business day after the draft Adjustment Statement is deemed the Adjustment Statement under the SPA; and
- (i) "**Proportionate Target Working Capital**" means AED3.24 million.

All the adjustments made for the Adjusted Consideration and EBITDA Adjustment above are based on the combined financial performance and financial position of KAIZEN Group, which include both KOA and KAMS.

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Earn-Out

For KAIZEN Group to deliver the intended growth trajectory and to ensure the alignment of interests between Seller and the Company, an earn-out payment has been structured upon achievement of a performance target (threshold EBITDA) for the KAIZEN Group.

Pursuant to Clause 3.6 and Schedule 3 of the SPA, the Earn-Out Payment will be determined within a period of twenty-four (24) months from the Earn-Out Start Date (defined below), based on the following principle:

- (a) if the cumulative EBITDA for the period of twenty-four (24) months after the Earn-Out Start Date is less than the threshold EBITDA, NW KAIZEN is not entitled to any Earn-Out Payment;
- (b) If the cumulative EBITDA is more than the threshold EBITDA, NW KAIZEN is entitled to an Earn-Out Payment subject to the Maximum Consideration as stated in Clause 3.7 of the SPA.

For the avoidance of doubt, Earn-Out Start Date means: (i) if the Completion Date falls on or before the fifteenth (15th) day of the month, the first day of that month; or (ii) if the Completion Date falls after the fifteenth (15th) day of the month, from the first day of the following month.

Earn-Out payment will be made seven (7) days after the final agreement or determination in accordance with the earn-out statement for that period or, if such day is not a business day, the next business day.

The determination of the Maximum Consideration is derived from the maximum valuation cap of AED117 million (capping the maximum payout payable to NW KAIZEN at AED70.2 million) based on the forecast EBITDA projection of the KAIZEN Group and the expected returns to be generated by the shareholders in this Proposed Acquisition.

Conditions Precedent

In relation to the Condition Precedent stipulated in Section 3.1.4(b) of the Initial Announcement, there was an internal reorganization exercise undertaken in July 2023 for KAMS and KOA to be wholly owned by NW Kaizen, whereby Mr. Ghalib Abdula Mohammed Sarhan Alghfeli (“**Mr. Ghalib**”) had sold all of his shares in KAMS and KOA (51%) respectively to NW KAIZEN (“**Reorganisation**”). The share transfers will only be legally effective once amended commercial licences of KAMS and KOA have been issued by the Department of Dubai Economic Development to reflect the updated shareholding. This Condition Precedent will be fulfilled when EII receives the amended commercial licences and other related documents reflecting the implementation of the Reorganisation.

In relation to the Conditions Precedent stipulated in Sections 3.1.4(c) and (d) of the Initial Announcement, as the subsequent phase of the Reorganization, all employees and contracts of Kaizen Property Services LLC (“**KPS**”) (previously an affiliate of KAIZEN Group) will be transferred to KAMS. The Conditions Precedent involve the transfer of employees and consultants and settlement of intercompany receivables and payables due from KPS to KAIZEN Group post-Reorganisation.

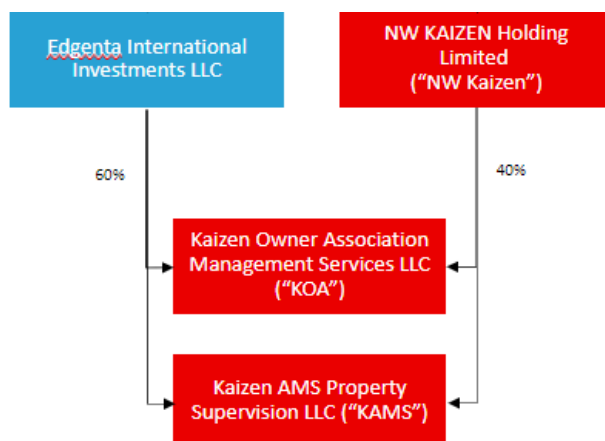
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Post-Completion Structure

Upon Completion, EII will hold 60% equity stake in KAMS and KOA, while NW Kaizen will hold 40% equity stake in KAMS and KOA, respectively. EII is a wholly-owned subsidiary of Edgenta (Singapore) Pte Ltd, which is in turn a wholly-owned subsidiary of UEM Edgenta. As such, post-completion of the Proposed Acquisition, both KAMS and KOA will be subsidiaries of UEM Edgenta.



Lock-Up Period

Pursuant to the Shareholders Agreement, neither EII nor NW Kaizen may transfer any of its shares in the KAIZEN Group within three (3) years from the date of Completion, other than to the permitted transferee or within a permitted event (“**Lock-up Period**”). A “permitted transferee” is a person demonstrated to the reasonable satisfaction of the board of directors of KAMS and KOA to be a permitted group company of the transferor (NW KAIZEN or EII). A permitted group company, in relation to (i) the Company, is an affiliate of the Company, and (ii) NW Kaizen, is an affiliate of NW Kaizen or any firm, company, partnership, or other corporation in which Mr. Fadi holds, or can exercise, more than fifty per cent (50%) of the voting power at a general meeting of the firm, company, partnership or other corporation. A “permitted event” is a share transfer with the prior written consent of the other shareholder or a transfer of shares by a defaulting shareholder to a non-defaulting shareholder due to occurrence of an event of default prescribed under the Shareholders Agreement. For the avoidance of doubt, the term “affiliate” has been defined in the Shareholders Agreement.

3. BASIS OF AND JUSTIFICATION OF THE TOTAL CONSIDERATION FOR THE PROPOSED ACQUISITION

Based on Discounted Cash Flow Method, the financial projection of KAIZEN Group was analysed, supported by internal sensitivity parameters based on KAIZEN Group’s earnings quality, industry growth prospects and its market positioning as the basis of the valuation.

To supplement the analysis, trading EV/EBITDA and PE multiples of global peers with presence in the Middle East have been taken as proxies, indicating EV/EBITDA trading multiple ranging between 6.3-10 times and PE multiples of 14-19 times. These trading multiples depend on the quality of earnings, growth potential and other factors that may not fully represent KAIZEN Group but provide an indicative valuation range that is acceptable in the market.

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4. RISK FACTORS IN RELATION TO THE PROPOSED ACQUISITION

Foreign Exchange Risk

The Proposed Acquisition will be funded by internal operating cashflow that has been earmarked at EII’s immediate holding company, Edgenta (Singapore) Pte. Ltd., to be extended to EII through shareholder advances. Given the minimal currency fluctuations between AED and SGD, the foreign exchange risk for the payments of Initial Consideration and Adjusted Consideration upon completion of the transaction is minimal. Going forward, any dividend upstreamed from KAMS and KOA in AED will be a natural hedge to any foreign exchange risk on the Earn-Out Payment payable to NW Kaizen, if any.

The operating and reporting currency of KAIZEN Group is denominated in AED. As the financial results of the Company are reported in RM, any fluctuation of the AED against RM may impact the profits or the financial position of the Company.

There can be no assurance that fluctuations in foreign exchange rates will not have a material and adverse effect on the Company’s financial performance. The Company will assess the need to utilize financial instruments to hedge its foreign exchange exposure to mitigate both transaction and/or translation exchange risk exposure.

This announcement is dated 7 December 2023.