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ELIOR GROUP

A French *société anonyme* (public limited company) with a board of directors and share capital of €1,724,442.29
9-11, allée de l'Arche
92032 Paris La Défense Cedex
Nanterre RCS n° 408 168 003

**Contribution Appraisers' report
on the consideration for the contribution
by DERICHEBOURG SA
to ELIOR GROUP**

*Order of the Presiding Judge of the Nanterre Commercial Court
of 12 January 2023*

Dear Sir or Madam,

Pursuant to the assignment entrusted to us, at the request of ELIOR GROUP, by order of the President of the Nanterre Commercial Court on 12 January 2023 concerning the contribution by DERICHEBOURG SA of all the shares of DERICHEBOURG MULTISERVICES HOLDING to ELIOR GROUP, we have prepared a report on the value of the contribution, as provided for in Article L. 225-147 of the French Commercial Code.

As the ELIOR GROUP's shares are admitted to trading on a regulated market, this report on the consideration for the contribution has been established in reference to position-recommendation no. 2020-06 of the Autorité des Marchés Financiers (hereinafter the "AMF"). The order of the President of the Nanterre Commercial Court of 12 January 2023 has therefore extended our assignment to include assessing the fairness of the proposed consideration for the contribution. This report is intended for the benefit of the persons stated in the AMF's position-recommendation, i.e., the ELIOR GROUP's shareholders.

The consideration for the contribution was set out in the contribution in kind agreement signed by the representatives of the companies concerned on 3 March 2023 (hereinafter the "**Contribution Agreement**").

Our role is to express an opinion on the fairness of the consideration for the contribution. To this end, we have performed procedures in accordance with the professional standards laid down by the Compagnie Nationale des Commissaires aux Comptes (CNCC) that apply to the work of the contribution appraiser tasked with assessing the fairness of the consideration for the contribution. These professional standards require us to perform procedures to verify that the relative valuations attributed to the contributions and to the shares of the transferee are appropriate, and also to analyse the positioning of the proposed consideration with regard to the relative valuations that are deemed appropriate.

No particular advantages are stipulated within the framework of the transaction.

As this report marks the completion of our assignment, it is not our responsibility to update it to take account of any facts or circumstances subsequent to signing off.

At no time did we find ourselves in a situation that was incompatible, prohibited or should have disqualified us under French law.

Please find below our observations and conclusion presented in the following order:

1. Presentation of the planned transaction and description of the contribution
2. Verification of the appropriateness of the relative valuations of the shares contributed and the shares of the transferee
3. Assessment of the fairness of the proposed consideration
4. Conclusion

1. Presentation of the planned transaction and description of the contribution

1.1 Nature and purpose of the transaction

Founded in 1996, ELIOR GROUP (hereinafter “**ELIOR**” or the “**Transferee**”) is an international contract catering and services group. Its business comprises:

- Contract catering for businesses and government agencies, educational establishments and healthcare establishments; and
- Cleaning, reception, concierge, maintenance, ground maintenance and other services.

With operations in France, Spain, Italy, the United Kingdom and the United States, the company has around 97,000 employees.

On 20 December 2022, ELIOR and DERICHEBOURG SA (hereinafter “**DERICHEBOURG**” or the “**Transferor**”)—world market leader in environmental services for businesses and local authorities—announced the signing of a non-binding memorandum of intent to create a new French market leader in contract catering and multiservices.

Within this context, the parties signed a binding memorandum of understanding (hereinafter the “**Memorandum of Understanding**”) on 3 March 2023 setting out the terms of the strategic merger between ELIOR and DERICHEBOURG’s multiservices business (hereinafter the “**Transaction**”).

It is planned that DERICHEBOURG will transfer to ELIOR all the shares of its subsidiary in charge of its outsourced services to businesses, industrials and commercial entities, public bodies and local authorities—DERICHEBOURG MULTISERVICES HOLDING (hereinafter “**DMS**” or the “**Transferred Company**”)—in exchange for ELIOR shares to be issued for its benefit (hereinafter the “**Contribution**”).

DERICHEBOURG would then refocus on its environmental business, while holding a strategic 48.4% stake in the new entity, which generated 2021-22 pro forma consolidated revenues of €5.2 billion¹ and EBITDA margin of 4.2%² during the period ended September 2022, with around 134,000 employees.

¹ This excludes Preferred Meals (PMC) for ELIOR and SNG (urban display division) for DMS over the full 2021/22 financial year.

² Including the impact of synergy.

This newly formed entity would offer an enhanced range of contract catering services (around 70% of revenues) and multiservices (around 30% of revenues), primarily in soft facility management (cleaning, reception, ground maintenance), hard facility management (energy efficiency, public lighting), safety and HR and temporary employment services, as well as aerospace outsourcing.

In addition to this strategic fit in terms of the product mix, the new entity would have i) an enlarged customer portfolio (large companies, SMEs and public sector) in other countries (United States, Spain and Portugal, Italy, United Kingdom, Germany, China, etc.), which could be reinforced in growth markets; and ii) an improved financial profile, ELIOR would step up its pace of recovery by becoming more resilient and more profitable, its financial leverage would thanks to the Transaction decrease from 8.3x to 6.2x pro forma at the end of September 2022. The Transaction would also allow for significant value creation as a result of synergies, estimated by the parties at full-year EBITDA of around €30 million by 2026.

Within the context of the Transaction, a five-year governance agreement will also be signed between DERICHEBOURG and ELIOR (hereinafter the “**Governance Agreement**”)³, the main terms of which are summarised in the draft exemption document of 3 March 2023, to be submitted to the AMF (hereinafter the “**Draft Exemption Document**”). It is planned that:

- Daniel DERICHEBOURG will be appointed Chairman and Chief Executive Officer of ELIOR for a period of four years and stand down from all his operating roles at DERICHEBOURG in order to dedicate himself entirely to the development of ELIOR;
- The Board of Directors will consist of 12 members, including five proposed by DERICHEBOURG⁴, five independent members and two employee representatives;
- DERICHEBOURG cannot account for more than 30% of votes on resolutions at any general shareholders’ meetings relating to (i) the appointment, reappointment or dismissal of independent members of the Board of Directors, and (ii) changes to this requirement of the Articles of Association;
- DERICHEBOURG undertakes to (i) keep its stake in ELIOR for a period of five years, and (ii) not to increase its stake during this period.

³ Extended to eight years for certain stipulations.

⁴ This number may change if DERICHEBOURG’s stake in ELIOR is reduced.

The rules of procedure of ELIOR's Board of Directors will also be amended, as detailed in the Draft Exemption Document, from the date of the Contribution, to allow for:

- an increased majority, requiring a majority of eight out of twelve directors and including the vote of at least three independent directors for the most strategic decisions (in particular material acquisitions or disposals, capital increases, IPOs of subsidiaries), which will require the prior agreement of the Board of Directors before they can go ahead;
- a qualified majority requiring a simple majority, which must include at least one member appointed by DERICHEBOURG, for decisions relating to the annual budget, the strategic plan and ELIOR's guiding principles;
- any transactions between directors connected to an ELIOR shareholder holding more than 10% of share capital and voting rights, and companies belonging to the ELIOR group, to be subject to the prior authorisation of the Board of Directors, with no exceptions to this rule, even for usual transactions conducted under normal conditions.

The Contribution will be submitted to shareholders for approval at ELIOR's combined meeting on 18 April 2023, it being specified that DERICHEBOURG will not be able to take part in the vote.

As a reminder, some shareholders, representing around 24.5% of ELIOR's share capital and voting rights, have made an undertaking to vote in favour of resolutions relating to the Contribution.

1.2 About the companies concerned

1.2.1 ELIOR GROUP, the transferee

ELIOR is a *société anonyme* (public limited company) with a board of directors, registered office 9-11, allée de l'Arche, Paris La Défense Cedex (92032). It has been registered with the Nanterre Trade and Companies Register (RCS) since 13 September 2016 under number 408 168 003.

In accordance with the terms of Article 6 of its Articles of Association dated 23 September 2021, its share capital stands at €1,724,442.29, divided into 172,444,229 shares each with a par value of €0.01, all fully paid up and in the same category.

ELIOR's shares are admitted to trading in Compartment A of the Euronext Paris market under ISIN code FR0011950732.

ELIOR has set up stock option and performance share plans for its executives and employees. On 30 September 2022, these plans represented a potential maximum issue of 1,875,959 additional shares.

According to its Articles of Association, ELIOR's purpose is "*directly and indirectly and in any and all countries, to:*

- *provide contract and commercial catering services worldwide, as well as to carry out any activities that are similar to, associated with or complementary to catering services;*
- *acquire, subscribe for, hold, manage, sell or otherwise transfer shares, bonds, notes or other financial securities or corporate rights of any kind in any company or other entity (including exercising the role of managing partner or legal manager of any company); acquire direct or indirect interests in any existing or future company, enterprise or other entity, by any means (including through the formation of new companies, asset contributions, share subscriptions, purchases or exchanges of shares, bonds, notes, warrants or other corporate rights or assets, mergers, joint ventures, inter-company partnerships, or otherwise, as well as by granting short-term or long-term shareholder loans and advances); acquire, use, sell, or transfer to any company, any movable or immovable assets; take part in any transactions or operations for the purpose of operating, managing and administering any business or entity; and purchase or lease any real estate required for the Company to achieve its corporate purposes;*
- *lead and coordinate the entities of the Elior group by actively participating in the implementation of their strategies and providing them with specific services, notably for administrative, legal, accounting, financial or real estate matters;*
- *more generally, on its own behalf or on behalf of a third party, and acting either alone or in conjunction with a third party, directly or indirectly conduct any and all transactions or operations of a legal, economic, financial, trading or non-trading nature that are directly or indirectly related to the corporate purposes set out above or to any similar, associated or complementary purposes that could contribute to the implementation or furtherance of said corporate purposes."*

ELIOR's financial year-end date is 30 September of each year.

1.2.2 DERICHEBOURG MULTISERVICES HOLDING, whose shares are being contributed

DMS is a *société par actions simplifiée* (simplified joint stock company), registered office 119, avenue du Général Michel Bizot, Paris (75012). It has been registered with the Paris Trade and Companies Register (RCS) since 5 October 2007 under number 444 529 531.

In accordance with Article 7 of its Articles of Association dated 4 October 2016, its share capital stands at €30,000,000, divided into 30,000,000 shares each with a par value of €1.00, all fully subscribed, paid up and in the same category.

DMS's shares are not admitted to trading on a regulated market and the transferor, DERICHEBOURG, holds all of its share capital.

According to the Articles of Association, DMS's purpose is "*in France and abroad:*

- *acquisition, subscription and management of any marketable securities;*
- *acquisition of stakes or interests in any commercial, industrial, financial or real estate companies or undertakings;*
- *provision of any administrative, financial, accounting or management services for the benefit of the company's subsidiaries or any other companies in which it holds a stake;*
- *acquisition, operation, management and administration by lease, rental agreement or otherwise, of any buildings whether constructed or not constructed;*
- *and, generally, any transactions concerning movable or immovable, commercial, industrial or financial assets relating directly or indirectly to this purpose or any similar or associated purpose that may facilitate the operation and development thereof;*
- *all of which, for itself and for any third parties or affiliates, in any form whatsoever, by means of the creation of a company, subscription, partnership, merger, absorption, advance, buying or selling of shares and rights, buying, selling or rental of movable and immovable rights and assets or by any other means".*

DMS's financial year-end date is 30 September of each year.

1.2.3 DERICHEBOURG, the transferor

DERICHEBOURG is a *société anonyme* (public limited company) with a board of directors, registered office 119, avenue du Général Michel Bizot, Paris (75012). It has been registered with the Paris Trade and Companies Register (RCS) since 28 September 2006 under number 352 980 601.

In accordance with the terms of Article 6 of DERICHEBOURG's Articles of Association dated 27 January 2022, its share capital stands at €39,849,372.25, divided into 159,397,489 shares each with a par value of €0.25, all fully subscribed and paid up.

DERICHEBOURG's shares are admitted to trading in Compartment B of the EURONEXT PARIS market under ISIN code FR0000053381.

According to the Articles of Association, DERICHEBOURG's purpose is "*in France and in all countries:*

- *acquisition, subscription and management of any marketable securities;*
- *acquisition of stakes or interests in any commercial, industrial, financial or real estate companies or undertakings;*
- *provision of any administrative, financial, accounting or management services for the benefit of the company's subsidiaries or any other companies in which it holds a stake;*
- *acquisition, operation, management and administration by lease, rental agreement or otherwise, of any buildings whether constructed or not constructed;*
- *and, generally, any transactions concerning movable or immovable, commercial, industrial or financial assets relating directly or indirectly to this purpose or any similar or associated purpose that may facilitate the operation and development thereof;*
- *all of which, for itself and for any third parties or affiliates, in any form whatsoever, by means of the creation of a company, subscription, partnership, merger, absorption, advance, buying or selling of shares and rights, buying, selling or rental of movable and immovable rights and assets or by any other means.*

It can carry out any transactions that are compatible with this purpose, relate to it and contribute to its being achieved."

DERICHEBOURG's financial year-end date is 30 September of each year.

1.2.4 Shareholding ties between the parties concerned by the transaction

As of the date of this report, DERICHEBOURG holds:

- All of DMS's share capital;
- 42,001,000 ELIOR shares, representing around 24.4% of the company's share capital and voting rights. In relation to this stake, it has two seats on ELIOR's Board of Directors.

1.3 Description of the transactions

The general terms of the Contribution, which are presented in detail in the Contribution Agreement, to which reference should be made, can be summarised as follows.

1.3.1 Main characteristics of the Contribution

Effective date

The Contribution will take place on the day that the last of the conditions precedent listed below (section 1.3.2) is met, as noted by a decision by ELIOR's shareholders attesting to the finalisation of the ELIOR capital increase in consideration for the Contribution (hereinafter the "**Contribution Date**").

The Contribution will also take effect in terms of taxation on the Contribution Date.

Legal framework

In terms of the legal framework, the Contribution will be subject to ordinary law arrangements for benefits in kind pursuant to Article L. 225-147 of the French Commercial Code and will be approved by ELIOR's shareholders, with the exception of DERICHEBOURG, which cannot take part in the vote.

Tax regime

In reference to the provisions of Article 810-1 of the French Tax Code, as this is a straightforward transfer between companies subject to tax, the parties agree that the Contribution will be registered for free.

In terms of corporation tax, the parties agree that the Contribution will be subject to favourable tax treatment as stated in Article 210 A of the French Tax Code, pursuant to Article 210 B of the French Tax Code, as it is a partial contribution of assets that can be regarded as a complete business segment, giving the Transferee control of DMS.

1.3.2 Conditions precedent

The Contribution is subject to the conditions precedent set out in the Memorandum of Understanding being met or, if applicable, their being waived by the party for the benefit of which the conditions precedent are stipulated.

The main conditions precedent are:

- (i) DERICHEBOURG must obtain the required merger control authorisations from the European Commission;
- (ii) Derichebourg must obtain exemption from the AMF from the requirement to submit a public takeover bid for the ELIOR shares, as the Transaction will result in DERICHEBOURG exceeding the thresholds of 30% of ELIOR's share capital and voting rights;
- (iii) DERICHEBOURG must carry out the prior carve-out transactions required at the level of the Transferred Company consisting of (i) the acquisition by DERICHEBOURG from the Transferred Company of all POLY-ENVIRONNEMENT shares and (ii) the assignment by DERICHEBOURG of 80% of LSL shares to the Transferred Company;
- (iv) DERICHEBOURG must obtain a bank waiver from the creditors concerned;
- (v) an exemption document must be provided for ELIOR's shareholders with a view to the admission to trading of the ELIOR shares issued as consideration for the Contribution;
- (vi) approval must be obtained for any resolutions contributing to the Transaction being finalised at ELIOR's general meeting, in particular (i) approval of the Contribution; (ii) the issuing of shares issued as consideration for the Contribution; (iii) changes to the Articles of Association as set out in the Governance Agreement to be signed between the parties; and (iv) the appointment of directors proposed by DERICHEBOURG.

If the above conditions precedent are not met by midnight (Paris time) on 31 May 2023 and unless the parties agree to extend this deadline, the Contribution Agreement will be deemed null and void on this date, with no compensation on either side, without prejudice to any claims by the non-defaulting party against the other party that prevented one of the conditions precedent from being met due action, omission or inaction on their part, and excluding the stipulations of Articles 5 to 9 of the Contribution Agreement, which will remain in force for five years.

1.4 Presentation and valuation of the Contribution

Under the terms of the Contribution Agreement, the Transferor has made an irrevocable commitment to assign to the Transferee, subject to the conditions precedent being met, full ownership of 30,000,000 DMS shares representing all of the company's share capital.

On the Contribution Date, each share transferred will be fully paid up, fully tradable and free of any form of security right, any real accessory right, privilege, delegation, fiduciary assignment or assignment by way of security, right of retention, retention of ownership or any claims, as well as options, promises, other real or personal rights, or other measures or obligations restricting in any way the full ownership or tradability of the asset or right concerned.

The Contribution will be made at the market value of the DMS shares, as determined in accordance with the methodology described in appendix 3.1 (a) of the Contribution Agreement.

On this basis, the parties have determined the total value of the 30,000,000 shares as €452,885,818.30, equal to around €15.096 per DMS share.

1.5 Consideration for the Contribution

Consideration for the Contribution has been set in relation to the market values of DMS and ELIOR in accordance with the principles described in appendix 3.1 (a) of the Contribution Agreement.

On this basis, consideration for the Contribution will be by means of the allocation of 80,156,782 new shares with a par value of €0.01 to be issued by the Transferee, which will increase its share capital by €801,567.82.

The difference between (i) the total value of the Contribution, i.e. €452,885,818.30, and (ii) the total increase in the Transferee's share capital, i.e. €801,567.82, will constitute a contribution premium in the amount of €452,084,250.48.

The new ELIOR shares issued as consideration will vest on the Contribution Date and be assimilated with all other existing shares. They will be subject to all provisions of the Articles of Association and decisions made by shareholders of the Transferee. Ownership of the ELIOR shares issued as consideration will be established by means of registration in the individual shareholder account opened by ELIOR in the name of DERICHEBOURG on the Contribution Date.

2. Verification of the appropriateness of the relative valuations of the shares contributed and the shares of the Transferee

2.1 Procedures implemented

We performed the procedures we deemed necessary with reference to the professional standards set by the Compagnie Nationale des Commissaires aux Comptes (French national association of statutory auditors) to assess the consideration for the Contribution and in particular the appropriateness of the relevant values attributed to the Contribution and the shares of the Transferee, as well as the fairness of the consideration in relation to these relative valuations.

Our role is to inform ELIOR's shareholders about the consideration for the Contribution paid by the Transferor. Consequently, it is not an audit or a limited review. Nor does it involve validation of the tax regime applicable to the transaction. It cannot be regarded as a due diligence assignment performed on behalf of a lender or a buyer and does not include all the work required for such an assignment. Our report therefore cannot be used in this context.

Similarly, our work is not the same as to that of an independent expert appointed by the governing or controlling body of one of the parties.

Within this framework, our work included the following:

- we talked to representatives of ELIOR and DERICHEBOURG and their advisors to familiarise ourselves with the proposed Transaction and its background, as well as to analyse the planned accounting, financial and legal arrangements;
- we familiarised ourselves with the process leading to the Transaction;
- we reviewed the Contribution Agreement and its appendices dated 3 March 2023;
- we reviewed legal and financial documentation in connection with the acquisition of DMS by ELIOR, including the Memorandum of Understanding and its appendices, the draft Governance Agreement and the Draft Exemption Document;
- we reviewed legal documentation relating to DMS and the Transferee;
- we familiarised ourselves with ELIOR's consolidated financial statements for the period ended 30 September 2022, reviewed the statutory auditors' reports prepared within the framework of their audit of ELIOR's consolidated annual financial statements for this financial year, and made sure that these did not present any reservations;
- we familiarised ourselves with DMS's combined financial statements and the associated summary notes for the period ended 30 September 2022 prepared within the context of the Transaction, about which the statutory auditors ERNST & YOUNG AUDIT did not express any reservations during their certification process;

- we familiarised ourselves with the due diligence reports (accounting, financial, tax, legal, strategy, etc.) compiled within the framework of the Transaction relating to DMS;
- we reviewed the projections made by DMS and ELIOR and talked to the people concerned to discuss the appropriateness of the assumptions made;
- we reviewed appendix 3.1 (a) of the Contribution Agreement, which defines the value of the Contribution Agreement and its consideration;
- we analysed and reviewed with ELIOR's financial advisor (Morgan Stanley) the information used to value DMS and ELIOR provided in the Draft Exemption Document, as well as the valuation report forming the basis of this analysis;
- we familiarised ourselves with the valuation report prepared by ROTHSCHILD & CO, appointed by ELIOR's ad hoc committee to prepare a fairness opinion on the financial terms of the Transaction, and talked to its representatives;
- we analysed the appropriateness of the valuation approaches applied by the parties and the parameters used, then implemented similar or alternative valuation methods and performed sensitivity tests on the consideration for the Contribution for each of the valuation methods used using criteria deemed to be pertinent;
- we familiarised ourselves with the methods used to determine the amount of synergies expected from the transaction as communicated to the market.

We obtained a letter of representation from the Transferor and ELIOR concerning in particular the significant information used within the framework of our assignment.

2.2 Relative valuations applied by the parties

As stated in appendix 3.1 (a) of the Contribution Agreement, the terms of the Contribution and its consideration are the result of free negotiation between independent parties, based primarily on a multicriteria valuation of the Contribution and the ELIOR shares issued as consideration according to the following criteria.

2.2.1 Valuation of DMS shares

At the end of negotiations, the value of the DMS shares transferred was set by the parties at €452,885,818.30, equal to around €15.096 per DMS share.

The parties carried out a multicriteria valuation of DMS based on:

- Discounted cash flow;
- An analogical approach based on listed peer comparisons;
- An analogical approach based on peer transactions.

The parties excluded:

- Reference to net book value and net asset value;
- The discounted dividend method (DDM).

The value of DMS was also subject to a multicriteria valuation as set out in the Draft Exemption Document. This analysis gives the following valuations of DMS that underpin the contribution value applied by the parties:

| Approach | Enterprise value (€m) | | Equity value (€m) | |
|---|--------------------------|------|----------------------|------|
| | Min. | Max. | Min. | Max. |
| Discounted cash flow (DCF) | 430 | 530 | 433 | 533 |
| 2023 EBITDA multiples of comparable listed companies | 420 | 460 | 423 | 463 |
| Comparable transaction multiples | 430 | 470 | 433 | 473 |

2.2.2 Valuation of the Transferee's shares

To determine the number of ELIOR shares to be issued as consideration for the Contribution, at the end of their negotiations, the parties applied a per share value of €5.65.

In this context, the parties used a multicriteria valuation approach based on the following valuation approaches and benchmarks:

Firstly:

- An intrinsic approach based on ELIOR’s discounted cash flow;
- An analogical approach in reference to a sample of comparable listed companies.

Secondly:

- Reference to ELIOR’s share price on the basis of the weighted average share price between 23 November 2021 and 23 November 2022 (inclusive);
- Reference to the target prices published by research analysts.

As a reminder, the parties excluded:

- Reference to net book value and net asset value;
- The discounted dividend method (DDM);
- The analogical approach based on peer transactions.

As a reminder, the results of the multicriteria valuation of ELIOR as presented in the Draft Exemption Document are as follows:

| Approach | Equity value (€m) | | Equity value per share (€ per share) | |
|--|-------------------|-------|--------------------------------------|------|
| | Min. | Max. | Min. | Max. |
| <i>Main valuation methods:</i> | | | | |
| Discounted cash flow (DCF) | 769 | 1,199 | 4.5 | 7.0 |
| 2023 EBITDA multiples of comparable listed companies | 779 | 1,029 | 4.5 | 6.0 |
| <i>Secondary valuation methods:</i> | | | | |
| Valuation of Elior’s share price for different periods | 414 | 535 | 2.4 | 3.1 |
| Research analysts’ target prices | 345 | 759 | 2.0 | 4.4 |

2.2.3 Consideration for the Contribution

On the basis of the comparison of the relative valuations used, i.e. €452,885,818.30 for the Contribution and €5.65 for the ELIOR share price, the consideration for the Contribution of 30,000,000 DMS shares will be 80,156,782 new ELIOR shares issued at a unit price of €5.65.

As a reminder, this consideration is within the range obtained from the approaches used on a primary basis in the valuations detailed in the Draft Exemption Document:

| Approach | Implicit value of the Transferred Company (€m) | Elior's implicit per share value (€) | Implicit number of Elior shares (million) |
|--|--|--------------------------------------|---|
| Main assessment method: | | | |
| Discounted cash flow (DCF) | 433 - 533 | 4.5 - 7.0 | 62.2 - 119.5 |
| 2023 EBITDA multiples of comparable listed companies | 423 - 463 | 4.5 - 6.0 | 70.9 - 102.4 |
| Other valuation benchmarks ⁽¹⁾: | | | |
| Valuation of share price for different periods | 453 | 2.4 - 3.1 | 145.9 - 188.5 |
| Financial analysts' target prices | 453 | 2.0 - 4.4 | 102.9 - 226.5 |

⁽¹⁾ It being specified that as DMS is not listed, there is no direct basis for comparison with stock market benchmarks.

2.2.4 Other valuations within the framework of the Transaction

As described in the Draft Exemption Document, on 24 February 2023, ROTHSCHILD & CO, appointed by the ad hoc committee of ELIOR's Board of Directors, attested to the fairness of the financial terms of the Transaction for ELIOR shareholders.

2.3 Assessment of the appropriateness of the relative valuations

Our observations based on our assessment of the relative valuations by the parties are as follows:

- As regards assessment of the consideration in the context of negotiation between independent third parties, the parties and their advisors assessed the consideration on the basis of what we consider to be common and suitable criteria in view of the respective operations and characteristics of the companies concerned;

- The approaches used on a primary basis by the parties are based on uniform methods and assumptions to value ELIOR and DMS, which we believe are consistent with regard to the two companies' business sectors;
- As regards the benchmarks used on a secondary basis, the parties assessed the consideration by reconciling the negotiated value of the Contribution with (i) ELIOR's share price, and (ii) the target prices of analysts covering the company. These benchmarks are based on different approaches, primarily on the basis of a majority valuation of DMS (acquisition price of 100% of share capital) and a minority valuation of ELIOR (stock market references). We would note that there are no stock market references for DMS allowing for a direct comparison. However, we believe that reference to stock market data is justified as the transaction involves a listed company with liquid shares and which is covered on regular basis by several analysts;
- The relative valuations used within the framework of the approaches carried out by the parties are based on data prior to the date the Transaction was announced, i.e. 20 December 2022. Although this approach seems consistent given the parties' needs within the framework of setting the amount of consideration, it does not take account of any events that may have occurred since this date that could impact the relative valuations used. However, we have not identified any events since this date that could call into question the parameters and data used by the parties to determine the amount of consideration. Furthermore, the management teams of DERICHEBOURG and ELIOR confirmed in a letter of representation that there were no such events.

As part of our assignment, we also used alternative or similar valuation approaches to those used by the parties with our own parameters, in reference to updated figures to a recent date, and carried out sensitivity analysis.

We conducted a multicriteria valuation of DMS and ELIOR based on the following approaches:

Firstly:

- An approach based on the intrinsic valuation of DMS and ELIOR on the basis of discounted cash flow (DCF). This approach, based on our own discounting parameters, determined in the same way for DMS and ELIOR, was carried out on the basis of projections provided to use by both companies' management teams;

Secondly:

- An analogical approach based on investment multiples for companies considered comparable to DMS and ELIOR, depending on the case.

For information:

As ELIOR is a listed company with liquid shares and regularly covered by analysts, we believe that ELIOR's stock market valuation benchmarks are essential even if there is no equivalent criterion for DMS. We therefore believe that reference to the analogical method on the basis of peer comparisons was the most suited to this approach as it is based on stock market analysis.

We therefore used the following approaches:

- An assessment of the consideration based on a hybrid approach between the valuations obtained using the analogical approach based on peer comparisons for DMS and the volume weighted average price (VWAP) of the ELIOR shares;
- A reconciliation of the values obtained using the analogical approach based on peer comparisons for DMS and target prices for ELIOR taken from analyst reports brought to our attention.

2.3.1 Methods not used

In the course of our work, we excluded the following valuation methods:

2.3.1.1 Net book value

Net book value is not usually considered to be representative of a company's intrinsic value as it does not factor in the outlook in terms of growth and profitability, or any capital gains on assets. We therefore did not use this criterion in our analysis.

2.3.1.2 Analogical approach based on transactions concerning comparable companies

We sought to use an approach based on multiples observed in transactions concerning the share capital of companies comparable to DMS and ELIOR. We identified a certain number of such transactions. However, in view of the unreliability of data that can be used to determine a relevant transaction multiple, the limited number of recent transactions and the impossibility of restating these figures reliably for IFRS 16, we did not use this approach.

2.3.2 Parameters common to the valuation methods used

Our valuations were carried out on the basis of the two companies' consolidated financial statements for the period ended 30 September 2022 (combined financial statements in the case of DMS).

The transitions from enterprise value to equity value used within the framework of our valuations are based on these financial statements and were assessed in the same way for both companies. These include primarily debt, from which cash and cash equivalents are deducted, miscellaneous adjustments that could have an impact on cash and debt, and, in the case of DMS, the impact of carve-outs prior to the Contribution.

The impact of dilutive instruments that the two companies may have was also taken into account in our work.

2.3.3 Intrinsic approach based on discounted cash flow

This method consists of determining the intrinsic value of a company by discounting cash flow from its business plan at a rate reflecting the rate of return that the market would require of the company, taking account of an exit value at the end of the plan.

This method is used to recognise the value attributable to the company's development prospects and we believe that it is particularly well suited to DMS's and ELIOR's situation, as well as their comparison.

Our work used the business plans prepared by the two companies' management teams for 2023-24 for ELIOR and 2023-26 for DMS, which, in the case of Elior, are in line with the outlook described for this period in its financial communications.

If applicable, the companies' business plans were restated in order to use the valuation approach based on cash flows determined in the same way and consistently with the information used in the transition from enterprise value to equity value.

Cash flows were discounted at the weighted average cost of capital (WACC), determined in the same way on the basis of the characteristics of each company. We compared the discount rates determined in this way with (i) rates mentioned in analyst reports on ELIOR brought to our attention, and (ii) rates applied within the framework impairment testing by both companies.

Our sensitivity testing on the basis of (i) the discount rate, (ii) normative growth and (iii) normative operating margin gives a range of ELIOR shares to be issued as consideration for the Contribution of between 71.6 million and 98.1 million shares.

2.3.4 Analogical approach based on listed companies' multiples

We also used an analogical approach based on comparable listed companies, which consisted of valuing a company in reference to investment multiples for companies with similar characteristics operating in the same business sector, and applying these multiples to relevant financial aggregates.

We used a sample made up of:

- For ELIOR, four international companies in the contract catering market;
- For DMS, seven international companies in the facility management market.

We would note that comparability between (i) ELIOR and DMS and (ii) their respective peer samples is limited, primarily on account of their geographical presence.

Furthermore, on the basis of the guidance announced in its financial communications, ELIOR's management expects strong growth in revenues and margins in 2023-24, which should bring it close to pre-Covid levels at the end of 2024. Analysis of the estimates of analysts covering comparable companies in the sample used for ELIOR shows that in 2023 these estimates should exceed the levels seen in 2019. It therefore seems that ELIOR is behind its peers in terms of returning to pre-Covid levels of profitability. We would also note that the EBITDA margin consensus estimate for analysts covering ELIOR is below management's guidance.

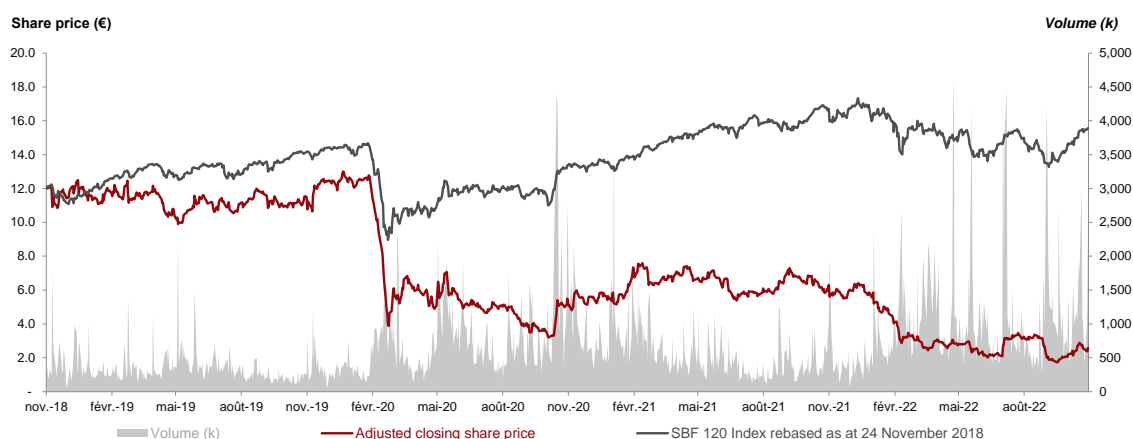
This approach was therefore used on a secondary basis and restricted to just reference to the 2023 aggregate for both companies.

Our preferred aggregate is EBITDA⁵, which reflects the companies’ operating profitability. We then applied the minimum and maximum enterprise value/EBITDA multiples for each of the samples for 2023 to projected aggregates (EBITDA) for both companies on the basis of their business plan for this financial year.

According to this approach, the number of ELIOR shares to be issued in consideration for the Contribution is within a range of 27.7 million to 114.4 million.

2.3.5 ELIOR’s volume-weighted average price on the basis of the analogical valuation based on DMS’s peer comparison

We set out below the comparative performance of ELIOR ’s share price and the SBF 120 index over the four years prior to the rumors about the Transaction.



This analysis shows that the Covid-19 health crisis had a very significant impact, affecting ELIOR’s business activity and share price.

We analysed ELIOR’s share price performance over the 12 months prior to the rumors about the Transaction, and also calculated its volume-weighted average price (hereinafter “VWAP”) over periods of various lengths.

⁵ Earnings before interest, taxes, depreciation and amortisation.

| € per share | VWAP | Trading volume (k) | | % of outstanding shares | |
|------------------------------------|------|--------------------|------------|-------------------------|------------------|
| | | Daily average | Cumulative | Average daily volume | Capital turnover |
| Spot closing price (23 Nov 2022) | 2.58 | 2,674 | 2,674 | 1.6% | 1.6% |
| 1-month VWAP | 2.48 | 1,226 | 28,196 | 0.7% | 16.4% |
| 60 trading day VWAP | 2.35 | 1,142 | 68,506 | 0.7% | 39.8% |
| 2-month VWAP | 2.21 | 1,336 | 57,430 | 0.8% | 33.3% |
| 3-month VWAP | 2.40 | 1,106 | 73,020 | 0.6% | 42.4% |
| 6-month VWAP | 2.55 | 1,086 | 143,355 | 0.6% | 83.2% |
| 12-month VWAP | 3.10 | 989 | 256,090 | 0.6% | 149.0% |
| 24-month VWAP | 4.26 | 797 | 411,186 | 0.5% | 239.0% |
| VWAP + 12-month low (12 Oct. 2022) | 1.71 | | | | |
| VWAP + 12-month high (6 Jan. 2022) | 6.41 | | | | |
| VWAP + 24-month low (12 Oct. 2022) | 1.71 | | | | |
| VWAP + 24-month high (9 Mar. 2021) | 7.58 | | | | |

Source: expert appraisers' analysis based on daily weighted average share prices taken from Capital IQ

As DMS is not listed, we were unable to use an observable market value for its valuation. We therefore attempted to assess its value using an analogical approach based on peer comparisons.

According to this approach, the number of ELIOR shares to be issued in consideration for the Contribution is within a range of 81.1 million to 242.7 million.

2.3.6 ELIOR's target price on the basis of the analogical valuation based on DMS's peer comparison

We also analysed the amount of consideration resulting from:

- a valuation of ELIOR based on the target prices of analysts covering the company's shares, published prior to the rumors about the Transaction ;
- a value of DMS based on an analogical foundation on the basis of peer comparisons.

According to this approach, the number of ELIOR shares to be issued in consideration for the Contribution is within a range of 62.8 million to 267.8 million.

2.3.7 Other assessments of the terms of the Transaction

The values used for the Contribution and the ELIOR shares within the framework of calculating the amount of consideration are the result of negotiations between independent parties, with an ad hoc committee comprising mainly independent members created by ELIOR's Board of Directors tasked with monitoring the merger leading to the Transaction.

The proposed consideration of 80,156,782 ELIOR shares is therefore based on a direct comparison of the values negotiated by the parties.

We would also note that the value per ELIOR share used to determine the amount of consideration for the Contribution, i.e. €5.65, corresponds to the price paid by DERICHEBOURG within the framework of the acquisition of a block of shares representing 14.7% of ELIOR's share capital on 18 May 2022. As a reminder, the terms of this acquisition provided for the possibility in particular of an earnout payment over a two-year period beginning on 1 January 2023 equal to 73% of the increase in the value of the shares on the basis of the base price paid of €5.65, with a maximum of €1.35⁶. It should be noted that a few months before this acquisition, ELIOR's share price was above €6, compared with €3.36 on 27 February 2023 (60-day VWAP).

We familiarised ourselves with the transfer agreement relating to this acquisition, in particular the earnout payment clause, the terms of which we do not believe call into question the value applied by the parties within the framework of the Transaction.

⁶ Source: DERICHEBOURG's interim results presentation on 25 May 2022.

3. Assessment of the fairness of the proposed consideration

3.1 Proposed consideration for the Contribution

The proposed consideration is based on the value of the Contribution and that of the ELIOR shares, as explained in section 2.2. This corresponds to the issuing of 80,156,782 ELIOR shares.

3.2 Procedures performed

We performed the procedures that we deemed necessary according to the professional standards set by the Compagnie Nationale des Commissaires aux Comptes (French national association of statutory auditors) to assess the fairness of the consideration for the Contribution.

In particular, we drew on the work described in section 2.3 above to verify the appropriateness of the relative valuations attributed to the shares contributed and the shares of Transferee.

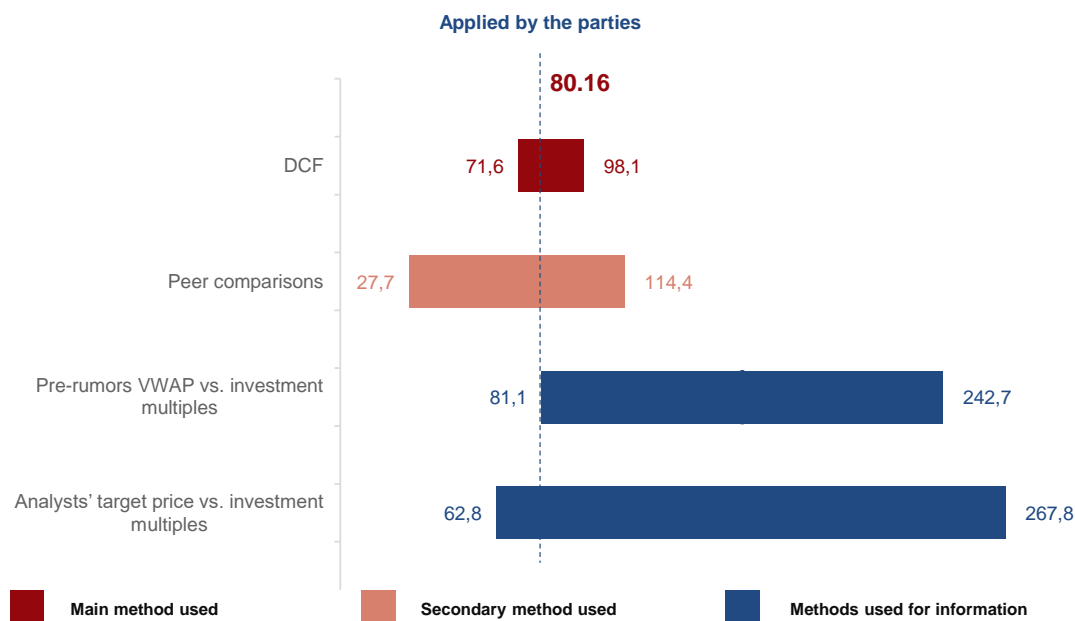
On this basis, we assessed the fairness of the proposed consideration.

3.3 Assessment and positioning of the proposed consideration

To assess the consideration determined by the parties, we calculated the number of ELIOR shares to be issued as consideration for the Contribution, using a multicriteria approach.

The chart below shows the ranges of the number of ELIOR shares to be issued (in millions) as consideration for the Contribution on the basis of our work.

Number of ELIOR shares to be issued as consideration for the Contribution



Within the framework of our assessment of the fairness of the proposed consideration, we would note that the consideration determined by the parties is within the range obtained from our primary approach and the analogical approach based on peer comparisons, and therefore appears fair for current ELIOR shareholders.

As regards approaches based on ELIOR's peer comparison, the proposed consideration is at the lower end of the range and is therefore very favourable for the company's shareholders. However, this analysis should be considered in the light of ELIOR's recent share price performance, which is well below that of the SBF 120 index, to which it belongs, as well as the performance of its closest peers against the backdrop of the difficulties experienced by the company due to the Covid-19 health crisis and its high level of debt.

3.4 Expected effects of the Contribution

DMS's activities present a very good fit with ELIOR's activities, which should help to streamline the new portfolio and increase profitability.

Synergies from the Contribution include in particular cost savings and acceleration in business momentum. The amount of these synergies has been estimated by the parties at full-year EBITDA of around €30 million by 2026.

These synergies were not taken into account in our assessments of the amount of consideration (section 3.1). They will broadly benefit all shareholders and represent a significant factor in assessing the fairness of the amount of consideration.

4. Summary — Key points

The Transaction will enable the ELIOR group to offer an enhanced and diversified range of contract catering services (around 70% of revenues) and multiservices (around 30% of revenues), primarily in soft facility management (cleaning, reception, ground maintenance), hard facility management (energy efficiency, public lighting), safety and HR and temporary employment services, as well as aerospace outsourcing.

In addition to this strategic fit in terms of the product mix, the new entity would have (i) an enlarged customer portfolio (large companies, SMEs and public sector) in other countries (United States, Spain and Portugal, Italy, United Kingdom, Germany, China, etc.), which could be reinforced in growth markets; and (ii) an improved financial profile thanks to its increased profitability and lower leverage ratio.

The two parties have independently negotiated the financial terms of the Transaction. The proposed consideration has been determined on the basis of a value of DMS of €453 million and a per share value of €5.65 for ELIOR, corresponding to the issuing of 80,156,782 ELIOR shares. We would make the following comments concerning these financial terms:

- The consideration determined by the parties is within the valuation range based on discounted cash flows, which we believe is the most relevant approach;
- The consideration determined by the parties is also within the valuation range based on the analogical approach on the basis of peer comparisons, which is presented on a secondary basis, primarily as the ELIOR group's financial performance since the health crisis has significantly lagged behind that of its listed competitors, which currently generate margins at least in line with those achieved before the crisis;
- Furthermore, the consideration determined by the parties is at the lower end of the range obtained from our valuations, on the basis of the ELIOR share price and analysts' target prices, which we have used for information purposes;
- Finally, we would note that the parties applied a value per ELIOR share of €5.65 to determine the amount of consideration for the Contribution, which corresponds to the price paid by the DERICHEBOURG group within the framework of the acquisition of a block of shares representing 14.7% of ELIOR's share capital on 18

May 2022, when ELIOR's share price averaged at €3.04⁷, compared with €2.47⁷ on the date the DMS acquisition was announced.

In addition, the Transaction should allow for significant value creation as a result of synergies, estimated by the parties at full-year EBITDA of around €30 million by 2026, which will benefit all shareholders.

⁷ 60-day VWAP.

5. Conclusion

In view of the context and terms of the Transaction described above, on the basis of our work and on the date of this report, we are of the opinion that the proposed consideration for the Contribution, corresponding to the issuing of 80,156,782 new ELIOR shares, is fair.

Paris, 3 March 2023

The Contribution Appraisers

ABERGEL & ASSOCIÉS

FINEXSI

Jean-Noël MUNOZ

Christophe LAMBERT

Statutory Auditors

Members of the Regional Company of Paris