



KPMG Services Proprietary Limited
KPMG Crescent
85 Empire Road, Parktown, 2193,
Private Bag 9, Parkview, 2122, South Africa
Telephone +27 (0)11 647 7111
Fax +27 (0)11 647 8000
Docex 472 Johannesburg
Web <http://www.kpmg.co.za>

Private and confidential

The Directors
Grand Parade Investments Limited
11th Floor, 33 on Heerengracht
Heerengracht Street
Cape Town
8001

Your ref F&R opinion

Our ref 1606264070

12 December 2022

Dear Sirs

Independent fair and reasonable opinion regarding the mandatory offer to acquire all of the ordinary shares in Grand Parade Investments Limited not already held by GMB Liquidity Corporation Proprietary Limited for a purchase consideration of R3.33 per ordinary share, in terms of section 123 of the Companies Act

Introduction

It was announced on 9 November 2022 on SENS that Grand Parade Investments Limited (“GPL” or “the Company”) had received a notification from GMB Liquidity Corporation Proprietary Limited (“GMB” or “the Offeror”) that GMB had acquired additional GPL shares in the Company, such that GMB’s total beneficial interest had surpassed 35% of the Company’s issued ordinary share capital (net of treasury shares).

As such, the Offeror has proceeded with a mandatory offer to all GPL shareholders to acquire their ordinary shares in GPL as contemplated in section 123 of the Companies Act (“the Mandatory Offer”), for a cash consideration of R3.33 per mandatory offer share (“the Mandatory Offer Consideration”) (collectively “the Transaction”).

The Mandatory Offer is an affected transaction as defined in section 117 of the Companies Act. Therefore, the Mandatory Offer is regulated by the Companies Act, the Companies Regulations and the Takeover Regulation Panel (“TRP”).

Scope

An independent fair and reasonable opinion is required to be obtained by the board of directors of GPL in terms of section 117 of the Companies Act.

KPMG Services (Proprietary) Limited (“KPMG”) has been appointed by the GPL Independent Board as the independent professional expert to advise on whether the terms and conditions of the Transaction are fair and reasonable to the shareholders of GPL.



Grand Parade Investments Limited

Independent fair and reasonable opinion regarding the mandatory offer to acquire all of the ordinary shares in Grand Parade Investments Limited not already held by GMB Liquidity Corporation Proprietary Limited for a purchase consideration of R3.33 per ordinary share, in terms of section 123 of the Companies Act

12 December 2022

Responsibility

The compliance with the Companies Act is the responsibility of the GPL Independent Board. Our responsibility is to report on the terms and conditions of the Transaction in compliance with the related provisions of the Companies Act.

We confirm that our fair and reasonable opinion has been provided to the GPL Independent Board for the sole purpose of assisting the GPL Independent Board in forming and expressing an opinion for the benefit of GPL shareholders.

Definition of the terms “fair” and “reasonable”

A transaction will generally be considered fair to a company’s shareholders if the benefits received by the shareholders, as a result of the transaction, are equal to or greater than the value surrendered by the shareholders.

The assessment of fairness is primarily based on quantitative issues. The Mandatory Offer may be considered fair if the fair value of the ordinary shares in GPL is considered to be equal to or less than the value of the Mandatory Offer Consideration made by GMB in terms of the Mandatory Offer.

The assessment of reasonableness is generally based on qualitative considerations surrounding the transaction. Hence, even though the quantifiable benefits received by GPL shareholders may be less than the value surrendered by GPL shareholders, the entire Transaction may still be reasonable in certain circumstances after considering other significant qualitative factors.

Information utilised and procedures performed

Key fairness considerations

In arriving at our opinion we have undertaken the following procedures in evaluating the fairness of the Transaction:

- Obtained an understanding of the structure of the Transaction;
- Considered the terms and conditions of the Mandatory Offer;
- Considered the audited financial statements of the portfolio assets¹ for the financial years ended 31 December 2018 to 2021 and the unaudited management accounts for the year-to-date period ended 31 October 2022;
- Held discussions with the directors and management of GPL to establish its strategy and considered such other matters as we consider necessary, including assessing the prevailing economic, legal and market conditions in the gambling industry;
- Evaluated the risks and expected returns associated with the portfolio assets;

¹ The portfolio assets consist of Sun Slots (RF) Proprietary Limited, Sunwest International Proprietary Limited, Worcester Casino Proprietary Limited and Infiniti Gaming Africa Group Proprietary Limited



Grand Parade Investments Limited

Independent fair and reasonable opinion regarding the mandatory offer to acquire all of the ordinary shares in Grand Parade Investments Limited not already held by GMB Liquidity Corporation Proprietary Limited for a purchase consideration of R3.33 per ordinary share, in terms of section 123 of the Companies Act

12 December 2022

- Reviewed the forecasts for Sun Slots (RF) Proprietary Limited and the basis of the assumptions therein including the prospects of the business. This review included an assessment of the recent historical performance to date as well as the reasonableness of the outlook assumed based on market research, analyst reports and discussions with GPL management;
- Reviewed the reasonableness of material assumptions in the forecast relating to:
 - The basis on which the forecast was prepared;
 - Growth rates in respective of revenue;
 - Profit margins;
 - Capital expenditure (“capex”) and depreciation; and
 - Working capital movements.
- Adjusted the forecast to reflect KPMG’s assumptions of revenue growth, capex and net working capital, where applicable;
- Adjusted the financial model to reflect KPMG’s assumptions of cost of capital, terminal growth rate and company specific risk;
- Stress tested the material assumptions applied which included, *inter alia*, the discount rate, terminal growth rate, other premiums and discounts and key economic parameters;
- Reviewed the budgets for Sunwest International Proprietary Limited and the basis of the assumptions therein including the prospects of the business. This review included an assessment of the recent historical performance to date as well as the reasonableness of the outlook assumed based on market research, analyst reports and discussions with GPL management;
- Based on the above, performed valuations of the portfolio assets. The discounted cash flow (“DCF”) methodology was the primary valuation methodology employed for Sun Slots (RF) Proprietary Limited. Key value drivers to the valuation are:
 - The discount rate applied;
 - The terminal growth rate assumed; and
 - The forecast cash flows used.
- As a reasonability test to the DCF, we also utilised the market approach based on the Enterprise value (“EV”) to earnings before interest, depreciation and amortisation (“EBITDA”) multiples from both comparable companies (i.e. trading multiples) and comparable transactions. This methodology was used as a primary valuation methodology for the portfolio assets other than Sun Slots (RF) Proprietary Limited;
- Reviewed certain publicly available information relating to GPL, including company announcements and media articles; and



Grand Parade Investments Limited

Independent fair and reasonable opinion regarding the mandatory offer to acquire all of the ordinary shares in Grand Parade Investments Limited not already held by GMB Liquidity Corporation Proprietary Limited for a purchase consideration of R3.33 per ordinary share, in terms of section 123 of the Companies Act

12 December 2022

- Compared the 12-month historical share price movement of GPL shares to shares of comparable companies in order to assess the relative trading activities, liquidity and volatility of GPL shares; and
- Considered any further material adjustments to value based on matters arising in the period from the date when forecasts were prepared to the date of this opinion.

Key qualitative considerations

In arriving at our opinion, we have also considered the following key qualitative considerations in evaluating the reasonableness of the Transaction:

- Consideration of the rationale for the Mandatory Offer and the benefits thereof to GPL as set out in the circular and based on discussions with members of the GPL Independent Board; and
- Consideration of the VWAP of the GPL shares for the 30 days prior to 8 November 2022 relative to the Mandatory Offer Consideration;

Valuation

KPMG performed a valuation of GPL using a sum of the parts approach to determine whether the Mandatory Offer Consideration represents fair value to GPL shareholders. The DCF valuation methodology was the primary valuation methodology employed on Sun Slots (RF) Proprietary Limited. This was supplemented with the market approach based on the EV to EBITDA multiples of comparable companies to assess the reasonableness of the results of our primary valuation methodology.

The EV to EBITDA methodology valuation methodology was the primary valuation methodology employed for Sunwest International Proprietary Limited, Worcester Casino Proprietary Limited and Infiniti Gaming Africa Group Proprietary Limited.

The valuation was performed taking cognisance of risk and other market and industry factors affecting GPL. Additionally, sensitivity analyses were performed considering key assumptions.

Key value drivers to the valuation included the discount rate, operating margins, maintainable earnings, market discounts and future growth in the business. Prevailing market and industry conditions were also considered in assessing the risk profile of GPL.

In undertaking the primary valuation exercise above, we determined a valuation range of GPL's shares of R3.16 to R3.58 per ordinary share with a most likely value of R3.37 per ordinary share.

The valuation above is provided solely in respect of this fair and reasonable opinion and should not be used for any other purposes.

Opinion

KPMG has considered the terms and conditions of the Transaction and, based upon and subject to the conditions set out herein, is of the opinion that the terms and conditions of the Transaction are fair to the GPL shareholders.

Based on the qualitative considerations set out above, we are of the opinion that the terms and conditions of the Transaction are reasonable in the circumstances.



Grand Parade Investments Limited

Independent fair and reasonable opinion regarding the mandatory offer to acquire all of the ordinary shares in Grand Parade Investments Limited not already held by GMB Liquidity Corporation Proprietary Limited for a purchase consideration of R3.33 per ordinary share, in terms of section 123 of the Companies Act

12 December 2022

Our opinion is necessarily based upon the information available to us up to 2 December 2022, including in respect of the financial, regulatory, securities market and other conditions and circumstances existing and disclosed to us at the date thereof. We have furthermore assumed that all conditions precedent, including any material regulatory, other approvals and consents required in connection with the Transaction have been or will be timeously fulfilled and/or obtained.

Accordingly, it should be understood that subsequent developments may affect this opinion, which we are under no obligation to update, revise or re-affirm.

Limiting conditions

This opinion is provided to the GPL Independent Board in connection with and for the purposes of the Transaction for the sole purpose of assisting the GPL Independent Board in forming and expressing an opinion for the benefit of the GPL shareholders. This opinion is prepared solely for the GPL Independent Board for use in the indicated manner and therefore should not be regarded as suitable for use by any other party or give rise to third party rights. This opinion does not purport to cater for each individual shareholder's perspective, but rather that of the general body of GPL shareholders. Should a GPL shareholder be in doubt as to what action to take, he or she should consult an independent adviser.

An individual GPL shareholder's decision as to whether to vote in favour of any transaction may be influenced by his particular circumstances. The assessment as to whether or not the GPL Independent Board decides to recommend the Transaction is a decision that can only be taken by the GPL Independent Board.

We have relied upon and assumed the accuracy of the information used by us in deriving our opinion. Where practical, we have corroborated the reasonability of the information provided to us for the purpose of our opinion, whether in writing or obtained in discussion with management of GPL, by reference to publicly available or independently obtained information. While our work has involved an analysis of, *inter alia*, the annual financial statements, and other information provided to us, our engagement does not constitute, nor does it include, an audit conducted in accordance with generally accepted auditing standards.

Where relevant, the forecasts of GPL and/or its portfolio assets relate to future events and are based on assumptions that may or may not remain valid for the whole of the forecast period. Consequently, such information cannot be relied upon to the same extent as that derived from audited financial statements for completed accounting periods. We express no opinion as to how closely the actual future results of GPL and/or its portfolio assets will correspond to those projected. Where practicable, we compared the forecast financial information to past trends and third party estimates as well as discussing the assumptions inherent therein with the management of GPL. On the basis of these enquiries and such other procedures we consider appropriate to the circumstances, we believe that the forecasts have been prepared with due care and consideration.

We have also assumed that the Transaction will have the legal, accounting and taxation consequences described in discussions with, and materials furnished to us by, representatives and advisors of GPL and we express no opinion on such consequences. We have assumed that all agreements that will be entered into in respect of the Transaction will be legally enforceable.



Grand Parade Investments Limited

Independent fair and reasonable opinion regarding the mandatory offer to acquire all of the ordinary shares in Grand Parade Investments Limited not already held by GMB Liquidity Corporation Proprietary Limited for a purchase consideration of R3.33 per ordinary share, in terms of section 123 of the Companies Act

12 December 2022

Independence, competence and fees

We confirm that we have no direct or indirect interest in GPL shares or the Transaction. We also confirm that we have the necessary qualifications and competence to provide the fair and reasonable opinion on the Transaction.

Furthermore, we confirm that our professional fees of between R1 075 000 and R1 175 000 (excluding vat and outlays) are not contingent upon the success of the Transaction.

Consent

We consent to the inclusion of this letter and the reference to our opinion in the circular to be issued to the shareholders of GPL in the form and context in which it appears and in any required regulatory announcement or documentation.

Yours faithfully

A handwritten signature in black ink that reads 'Heather Carswell'. The signature is written in a cursive style with a horizontal line underneath.

Heather Carswell
Director
KPMG Services (Proprietary) Limited
KPMG Crescent
85 Empire Road
Parktown
2193