

TO SHAREHOLDERS OF PAMODZI HOTELS PLC

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

- The definitions and interpretation commencing on page 6 of this Circular apply throughout this Circular, including this cover page (unless specifically defined where used or the context indicates a contrary intention).
- If you are in any doubt as to the action you should take, please consult your broker, banker, legal advisor, accountant, or other professional advisors.







Incorporated in the Republic of Zambia, Company registration number: **119950034267**

Share Code: PAMODZI HOTELS PLC
ISIN: ZM0000000177
("Pamodzi" or the "Company")

CIRCULAR TO SHAREHOLDERS

regarding

- A mandatory offer from ASB Hospitality LLC ("ASB Hospitality") to the minority shareholders in Pamodzi to purchase the ordinary shares of Pamodzi at a price of K **4.62**; and incorporating
- a summary of the valuation report on Pamodzi conducted and prepared by the Independent Financial Advisor; and
- the opinion of the Independent Financial Advisor as to whether the offer by ASB Hospitality is, or is not, fair, and reasonable.

<p>Sponsoring Broker: Stockbrokers Zambia Limited</p> 	<p>Independent Financial Advisor:</p> 
<p>Legal Advisor: Chalwe and Kabalata Legal Practitioners</p> 	<p>Transfer Agent: ShareTrack Zambia</p> 

Date of Issue: 22 April 2024

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CORPORATE INFORMATION

Company Secretary BDO Zambia Limited Gallery Office Park Lagos Road Rhodes Park PO Box 35139 Lusaka, Zambia	Sponsoring Broker Stockbrokers Zambia Limited 32 Lubu Road Long Acres P.O. Box 38956 Lusaka
Independent Financial Advisors Longhorn Associates Limited Ground Floor Office Park, Plot 1146 / 15, Lagos Road, Rhodespark Lusaka	Legal Advisor Chalwe and Kabalata Legal Practitioners Villa 4 (Togo), Plot No.6953 Millennium Village, Birdcage Walk, Longacres P. O Box 35780 Lusaka Zambia
Transfer Secretary ShareTrack Zambia Spectrum House Stand 10, Great East Road Jesmondine Lusaka	

ACTION REQUIRED BY SHAREHOLDERS

The definitions commencing on page 6 of this Circular apply to this section.

This Circular is important and requires your immediate attention. Please take careful note of the following provisions regarding the actions required by shareholders.

If you have disposed of all your Pamodzi Shares, then this Circular should be forwarded to the broker, banker, or agent through whom you disposed of such Pamodzi Shares except that this Circular should not be forwarded or transmitted by you to any person in any territory other than Zambia, unless the Circular can lawfully be distributed to such person or in such territory.

THE OFFER BY ASB HOSPITALITY TO PAMODZI SHAREHOLDERS

Shareholders of Pamodzi are referred to the separate Offering Document to Pamodzi Shareholders sent to them by ASB Hospitality (the “**Offer Document**”) stating the details of the mandatory offer (“**Mandatory Offer**” or the “**Offer**”) that ASB Hospitality has made to the Pamodzi shareholders in compliance with the Securities Act.

In terms of that Offer, as set out in the separate Offer Document, the options available to Pamodzi Shareholders are the following:

- to accept the Offer in respect of all your shares;
- to accept the Offer in respect of part of your shares; or
- to reject the Offer.

If you wish to reject the Offer, you do not need to take any further action.

If you wish to accept the Offer, you must do so in the manner prescribed in the Offer Document.

NOTE:

Pamodzi does not accept responsibility and will not be held liable for any act of, or omission by, any Custodian or Broker, including, without limitation, any failure on the part of the Custodian or Broker or any registered holder of Pamodzi Shares to notify the holder of any beneficial interest in those Pamodzi Shares of the Offer as set out in the Offer Document and this Circular.

IMPORTANT LEGAL NOTES

Disclaimer

Pamodzi accepts responsibility for the information contained in this Circular and has taken all reasonable care to ensure that this Circular; is true and correct in all material respects, does not contain any untrue statement of a material fact, is not misleading and does not omit to state any material fact -the result of which would make the statements, opinions, and intentions herein, in the context in which they are made, misleading in any material respect.

SBZ, the Sponsoring Broker, and Chalwe and Kabalata Legal Practitioners, the Legal Advisor, have not separately verified the information contained in this Circular. Accordingly, no representation, warranty or undertaking, express or implied is made and no responsibility is accepted by the Sponsoring Broker and the Legal Advisor as to the accuracy or completeness of the information contained in this Circular or any other information provided by Pamodzi. The Sponsoring Broker and the Legal Advisor do not accept any liability in relation to the information contained in this Circular or any other information provided by Pamodzi in connection with the Offer. The statements made in this paragraph are without prejudice to the responsibilities of Pamodzi.

No person has been authorised by Pamodzi to give any information or to make any representation not contained in or not consistent with this Circular and, if given or made, such information or representation must not be relied upon as having been authorised by Pamodzi or the Sponsoring Broker and the Legal Advisor. Neither the delivery of this Circular nor any subscription made in connection herewith shall, under any circumstances, create any implication that there has been no change in the affairs of Pamodzi since the date hereof, or that any other financial statement or other information supplied in connection with the Circular is correct at any time subsequent to the date indicated in the document containing the same.

Forward-looking Statements

This Circular includes certain “forward-looking statements”. All statements other than statements of historical fact are, or may be deemed to be, forward-looking statements, including, without limitation those concerning: Pamodzi’s strategy; expected or future financial results, growth prospects and outlook of Pamodzi’s operations, individually or in the aggregate; outlook for the industry; Zambian economy; Pamodzi’s liquidity and financial position. These forward-looking statements are not based on historical facts, but rather reflect Pamodzi’s current expectations concerning future results and events and generally may be identified by the use of forward-looking words or phrases such as “believe”, “aim”, “expect”, “anticipate”, “intend”, “foresee”, “forecast”, “likely”, “should”, “planned”, “may”, “estimated”, “potential”, “will”, “will likely result”, “will continue” or similar words and phrases. Similarly, statements that describe Pamodzi’s objectives, plans or goals are or may be forward-looking statements.

These forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause Pamodzi’s actual results, performance, or achievements to differ materially from the anticipated results, performance or achievements expressed or implied by these forward-looking statements. Although Pamodzi believes that the expectations reflected in these forward-looking statements are reasonable, no assurance can be given that such expectations will prove to have been correct.

Pamodzi Shareholders should review carefully all information included in this Circular. The forward-looking statements included in this Circular are made only as of the Last Practicable Date. The delivery of this Circular does not at any time imply that the information contained herein is correct at any time subsequent to the Last Practicable Date or that any other information supplied in connection with this Circular is correct as of any time subsequent to the date indicated in the document containing the same.

Pamodzi undertakes no obligation to update (whether publicly or otherwise) or to release any revisions to these forward-looking statements to reflect events or circumstances after the date of this Circular or to reflect the occurrence of unanticipated events. All forward-looking statements in this Circular and all subsequent written and oral forward-looking statements attributable to Pamodzi or any person acting on its behalf have not been reviewed and reported on by Pamodzi’s auditors.

SALIENT DATES AND TIMES

Shareholders must refer to and take note of the “Important Dates and Times” as declared in the Offer Document.

Below is a salient summary of the Pamodzi Mandatory Offer Timeline:

Firm Intention Announcement released on LuSE SENS	Monday, 25 March 2024
Firm Intention Announcement published in the press	Tuesday, 26 March 2024
Record Date: Share Register record date to be used for posting the Circular	Wednesday, 17 April 2024
Circular Document posted to Pamodzi Shareholders	Monday, 22 April 2024
Offer Document posted to Pamodzi Shareholders	Monday, 22 April 2024
Notice of posting of this Circular released on LuSE SENS	Monday, 22 April 2024
Mandatory Offer to Pamodzi Shareholders opens at 08:00	Monday, 22 April 2024
Last day to trade in Pamodzi shares in order to be eligible to participate in the Mandatory Offer	Wednesday, 08 May 2024
Shares trade “ex” the Offer	Thursday, 09 May 2024
Offer to Pamodzi Shareholders closes at 17:00	Monday, 13 May 2024
Record date: to determine which shareholders may participate in the Mandatory Offer Trade	Monday, 13 May 2024
Last day for receipt of postal acceptances, postmarked on or before Monday, 13 May 2024 to be received by 17:00	Friday, 17 May 2024
Date on which share transfers will be traded on the LuSE (T+0)	Monday, 20 May 2024
Settlement Date (T+3)	Thursday, 23 May 2024
Payment made to shareholders by their respective LuSE member brokers	Thursday, 23 May 2024
Results of the Offer released on LuSE SENS	Friday, 24 May 2024
Results of the Offer published in the press	Monday, 27 May 2024

Notes:

- The above dates and times are based on information contained in the Offer Document. The above dates and times are subject to amendment at the discretion of the Offeror (ASB Hospitality), which discretion includes the ability to extend the Closing Date of the Offer, subject to the prior written approval of the LuSE and the SEC being obtained, any change will be released on the LuSE SENS and will be published in the Zambian press.*
- The abovementioned dates and times are Zambian dates and times. All references to days are to Calendar Days.*
- Payment of the Offer Price will be made within 10 Calendar Days of the Closing of the Offer.*
- Although the salient dates and times are subject to change, such statement may not be regarded as consent or dispensation for any change to the time period which may be required in terms of the Takeovers and Mergers Rules, where applicable, and any such consent or dispensation must be specifically applied for and approved by the LuSE and the SEC*

DEFINITIONS AND INTERPRETATIONS

The following definitions apply throughout this Circular unless otherwise stated or the context requires otherwise. In this Circular, unless otherwise indicated, the words or phrases in the left-hand column bear the meaning stipulated in the right-hand column. Words in the singular shall include the plural and vice versa, words importing natural persons shall include juristic persons (whether corporate or unincorporated and vice versa) and words in the masculine shall import both the feminine and neuter.

“Acceptance”	Acceptance of the Offer by a Minority Shareholder, subject to the terms and conditions of the Offer;
“Albwardy ”	Albwardy Investment LLC a United Arab Emirates-based holding company with 99% shareholding in ASB Hospitality;
“ASB Hospitality LLC” or “ASB Hospitality”	ASB Hospitality LLC, a company incorporated in the United Arab Emirates under commercial license number 811098;
“Board”	The Board of Directors of Pamodzi;
“Broker”	Any person registered as a broking member (equities) in terms of the Rules of the LuSE made in accordance with the provisions of the Securities Act;
“Business Day”	Any day of the week, excluding Saturdays, Sundays, and all official Zambian public holidays;
“Cautionary Announcement”	The announcement published on LuSE SENS by Pamodzi on 31 July 2023;
“Pamodzi” or “Company”	Pamodzi Hotels Plc, a public company incorporated in accordance with the laws of Zambia and listed on the LuSE with company registration number 119950034267 ;
“ Pamodzi Shareholders”	Registered holders of Pamodzi Shares;
“Pamodzi Shares”	Ordinary shares in the capital of Pamodzi with a par value of ZMW 0.01;
“Circular”	This circular document to Pamodzi Shareholders dated 22 April 2024 regarding the views and recommendation of the Independent Financial Advisor on the Offer from ASB Hospitality;
“Closing Date”	The date on which the Offer closes for acceptance by Pamodzi Shareholders, in accordance with the terms of the Offer;
“Companies Act”	The Companies Act No. 10 of 2017 of the Laws of Zambia;
“Directors” or “Board”	The Board of Directors of Pamodzi;
“Form of Acceptance”	The form of acceptance and authority relating as set out in the Offer Document dated 22 April 2024 which has been sent by the Offeror, to Pamodzi Shareholders for use by Pamodzi Shareholders in responding to the Offer;
“GRZ”	Government of the Republic of Zambia;
“Independent Financial Advisor” or “IFA”	The independent financial advisors to the Select Committee of the Board with respect to the Offer, being Longhorn Associates Limited;
“Last Practicable Date”	Friday, 19 April 2024, being the last practicable date prior to the finalisation of this Circular;
“Legal Advisor”	The legal advisor to the Company with respect to the Offer, being Chalwe and Kabalata Legal Practitioners;
“LuSE”	The Lusaka Securities Exchange Plc, a company incorporated in Zambia with registration number 120120030495 and licensed to operate a stock exchange under the Securities Act;
“L CSA”	The Lusaka Clearing and Settlement Agency, a company incorporated in Zambia with registration number 119960036617, whose functions are to serve as custodian of the LuSE tradable securities and to hold such securities in electronic form in its central depository on behalf of the beneficial owners and to provide clearing and settlement services to the LuSE;
“LuSE SENS”	The stock exchange news service of the LuSE;

“Mandatory Offer” or the “Offer”	The cash offer by the Offeror to acquire any of the Pamodzi Ordinary Shares described in the Offer Document on the terms and subject to the Conditions to set out in the Offer Document and in the Form of Acceptance and where the context so arises, any subsequent revision, variation, extension, or renewal thereof;
“Minority Shareholders”	All the remaining shareholders , excluding ASB Hospitality , whose combined shareholding in Pamodzi is 10 % and to whom this Mandatory Offer is being made by the Offeror to acquire their entire combined shareholding at the Offer Price .
“Offer Price”	The price of ZMW4.62 per Pamodzi Share as set out in the Offer Document;
“Offer Document”	The formal Offer Document sent by the Offeror to the Pamodzi Shareholders in accordance with the Takeovers and Mergers Rules;
“Offer Period”	The period of time the Offer is open to the Minority Shareholders, being from 08:00 hours Monday 22 April 2024 to 17:00 Hours Monday 13 May 2024;
“Offeror”	ASB Hospitality LLC;
“Record Date 1”	The last date on which a Minority Shareholder must be registered to be in receipt of the offer document in the Offer being 17:00 hours on Wednesday 17 April 2024;
“Record Date 2”	The date to determine which shareholders may participate in the Mandatory Offer Trade being Monday, 13 May 2024;
“SBZ” or “Sponsoring Broker”	Stockbrokers Zambia Limited, a company incorporated in Zambia (registration number 120030052224), a member of the LuSE and licensed by the Securities and Exchange Commission as a dealer and sponsoring broker to the Company;
“SEC”	the Securities and Exchange Commission of Zambia, a statutory body established under the Securities Act;
“Securities Act” or “The Act”	The Securities Act No. 41 of 2016 of the laws of Zambia;
“Settlement Date”	The date when settlement of the Offer Price takes place in accordance with Section 7 (“Settlement”) of this Circular;
“Select Committee of the Board”	A committee of the board of independent directors, established in compliance with Rule 9(6) of the Takeover and Mergers Rules to discharge the duties of the Board with regard to the Offer comprising the following Directors of the Company; Mr. Larry Kalala, Dr Chiara Chiumya;
“Takeovers and Mergers Rules”	The Securities (Takeovers and Mergers) Rules, Statutory Instrument No. 170 of 1993, issued pursuant to the Securities Act;
“Transaction”	The transaction contemplated by the Offer as described in the Offer Document;
“Transfer Secretary”	ShareTrack Zambia;
“USD”	The lawful currency of the United States of America;
“Zambia”	The Republic of Zambia;
“ZMW”	The lawful currency of the Republic of Zambia;

1. LETTER FROM THE SELECT COMMITTEE OF THE BOARD

Select Committee of the Board of Pamodzi Hotels Plc

Mr. Larry Kalala (Chairman)

Dr Chiara Chiumya

22 April 2024

To: All Shareholders of Pamodzi Hotels Plc

Dear Shareholders,

OFFER BY ASB HOSPITALITY LLC TO MINORITY SHAREHOLDERS OF PAMODZI HOTELS PLC

BACKGROUND

Shareholders are referred to the Cautionary Announcement first issued by Pamodzi on 31 July 2023, on SENS, and the Further Cautionary Announcement issued on 29 February 2024; and the Announcement of the Terms of the Mandatory Offer by ASB Hospitality to the Minority Shareholders of Pamodzi issued on Monday, 25 March 2024 (together the “**Announcements**”)

All the Announcements were issued in compliance with the provisions of the Takeovers and Mergers Rules under the Securities Act.

In the Announcements, Pamodzi Shareholders were informed that ASB Hospitality had entered into a Share Sale and Purchase Agreement with Tata International Singapore Pte Ltd (“TISPL”), in respect of the sale and purchase of their 90% of the issued share capital (the “Shares”) of Pamodzi which transaction was completed on 28 February 2024 (the “**Transaction**”).

Furthermore, on Wednesday, 20 March 2024, Pamodzi Shareholders were advised that the Board received formal notification from ASB Hospitality of its intention to make a Mandatory Offer to the Minority Shareholders of Pamodzi (the “**Offer**”) in compliance with section XVI, Rule 56 of the Takeovers and Mergers Rules issued pursuant to the Securities Act.

In compliance with section XVI, Rule 56 of the Takeovers and Mergers Rules issued pursuant to the Securities Act, ASB Hospitality has prepared an Offer Document setting out details of the Offer and incorporating a Form of Acceptance. This Offer Document dated 22 April 2024 has been sent to all Pamodzi shareholders alongside this Circular document.

DIRECTORS OF PAMODZI

As per shareholder disclosure requirements pertaining to the Offer, the Board of Directors of Pamodzi as at the Last Practicable Date was as follows:

PAMODZI BOARD OF DIRECTORS	
NAME	DESIGNATION
Mr. Larry Kalala	Board Chairperson – Non-Executive
Dr Chiara Chiumya	Non-Executive Director
Mr. Heddo Siebs	Non-Executive Director
Mr. Pradeep Surana	Non-Executive Director

DIRECTORS’ INTEREST IN PAMODZI

As at the Last Practicable Date, the interests of Directors in the Company’s shares as recorded in the Shareholders’ Register were as follows:

Name	Number of Ordinary Shares	Holding (%)
Mr. Larry Kalala	0	0%
Dr Chiara Chiumya	0	0%
Mr. Heddo Siebs	0	0%
Mr. Pradeep Surana	0	0%

SELECT COMMITTEE OF THE BOARD

Two of the Directors of the Company were nominated to the Board by ASB Hospitality which may give rise to a potential conflict of interest when evaluating the Offer, for the purposes of this Circular document, leaving two directors to represent the minority shareholders.

As a result, the Board could not form an Independent Committee of the Board in compliance with Section II, Rule 5(3) of the Third Schedule of the Takeovers and Mergers Rules. Accordingly, in compliance with Section II, Rule 9(6) of the Third Schedule of the Takeovers and Mergers Rules, the Board appointed a Select Committee of the Board (“SCB”) comprising the following two Directors:

- Mr. Larry Kalala
- Dr Chiara Chiumya

THE ROLE OF THE SELECT COMMITTEE OF THE BOARD

In light of the above and in order to comply with Rule 9 of Section II of the Third Schedule of the Takeovers and Mergers Rules, the role of the Select Committee of the Board was limited to the general oversight of the Mandatory Offer process including the review of the Opinion of the Independent Financial Advisor.

Accordingly, the responsibility for representing the interest of the minority shareholders resided in the Independent Financial Advisor (“IFA”) as stipulated under Rule 9(7) of the Takeovers and Mergers Rules. Therefore, the views and recommendation are outlined in Section 4 of this Circular.

THE OFFEROR

The Offeror is ASB Hospitality, a firm based in UAE. It is a subsidiary of Albwardy Investment LLC (“Albwardy Group”) a holding company based in the UAE and was founded in the mid-1970s. As of 31 December 2023. The Group has grown to have a global reach, operating in over 20 countries, with a combined workforce of over 10,000.

ASB Hospitality, being part of Albwardy Investment, entered the hospitality sector more than two decades ago, achieving notable success. Currently, ASB Hospitality boasts a remarkable collection of 17 properties situated across four continents including countries such as South Africa, Seychelles, and Argentina. Their portfolio comprises a blend of properties obtained through acquisition, renovation, and new construction. The key to their success lies in strategic branding, as they have formed strong partnerships with some of the most esteemed and globally recognized hotel chains and operators.

ANALYSIS OF THE OFFER

Pursuant to the Takeovers and Mergers Rules, the Board contracted an Independent Financial Advisor to analyse the Offer and advise the minority shareholders and the Board as to whether the Offer is, or is not, fair, and reasonable, and the reasons for those conclusions. The Independent Financial Advisor’s report is included in Annexure A.

BOARD RECOMMENDATION

Some directors of Pamodzi have a relationship with ASB Hospitality which may affect their determination of the Offer. For this reason, the Board appointed the Special Committee of the Board to discharge the responsibilities of the Board with regard to the Offer but not make a recommendation. The views of the independent financial advisor are outlined in section 4 of this Circular “Independent Financial Advisor’s View of the Offer”.

ACTIONS TO BE TAKEN BY SHAREHOLDERS

The options open to shareholders and the actions they must take, depending on the option selected, are included in section 5 of this Circular, "Actions to be taken by shareholders."

In this regard, we would like to emphasise several points.

- Most importantly, shareholders are free to choose what they would like to do with regard to their shares in Pamodzi;
- Having reviewed this Circular and the separate Offering Document from ASB Hospitality, each shareholder, at his or her sole discretion, is free to sell some or all of the shares he or she owns, or simply to retain all of his or her shares;
- No shareholder is in any way being compelled to sell some or all of his or her shares;
- Each shareholder must make his or her own decision based on the options explained in section 6 of this Circular; and
- Any shareholder having questions should contact his or her broker or the Sponsoring Broker, or seek advice from his or her banker, attorney, accountant, or other professional advisors.

Yours faithfully,

Select Committee of the Board

Dated at Lusaka this ___19___ day of _April_ 2024

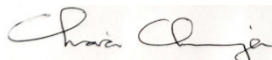
Mr. Larry Kalala



NAME

SIGNATURE

Dr. Chiara Chiumya



NAME

SIGNATURE

2. THE OFFER

This section of the Circular provides a summary of the Offer made by ASB Hospitality, through the Board of Pamodzi, to the minority shareholders of Pamodzi.

2.1 Terms of the Offer

ASB Hospitality is offering to buy the 10,000,000 (10.0%) shares of Pamodzi which it does not currently own at a price per share of K4.62 to be settled at the close of the Offer Period.

At their sole discretion, shareholders registered as members as at the date of the Offer may choose to sell some, all or none of the shares they own in Pamodzi.

The Offer is merely an opportunity for minority shareholders to indicate their preference and decide on the Offer given that there has been a change in control of Pamodzi.

2.2 Conditions of the Offer

There are no Conditions applicable to the Offer, nor are there any other arrangements in relation to the shares of ASB Hospitality or Pamodzi which are material to the Offer.

3. ANALYSIS OF THE OFFER

In order to comply with the provisions of Section II, Rule 5(1) of the Third Schedule of the Takeovers and Mergers Rules, the Board retained an Independent Financial Advisor to advise the Board as to whether the Offer is, or is not, fair, and reasonable and to render its reasons for this advice.

Annexure A at the end of this document provides the report on the Offer prepared by the Independent Financial Advisor, Longhorn Associates Limited, the conclusion of which is that the Offer is, in their opinion, fair and reasonable.

4. INDEPENDENT FINANCIAL ADVISOR'S VIEW OF THE OFFER

In accordance with Rule 5(2) of Section II of the Third Schedule to the Securities (Takeovers and Mergers) Rules, an Independent Committee of the Board, if established, holds the responsibility of presenting its opinion to independent shareholders concerning the acceptance of the Offer.

Given the absence of such a committee, and in line with our obligation under Rule 9(7) of Section II of the Third Schedule to the Securities (Takeovers and Mergers) Rules, we, Longhorn Associates Limited, serving as Independent Financial Advisor to Pamodzi Hotels Plc, affirm that the Offer is fair and reasonable.

Our assessment is grounded in the details provided in our comprehensive fairness opinion addressed to the Board of Pamodzi Hotels Plc, a copy of which is included in this Circular. While we take no responsibility for the other contents of this Circular, we emphasize that each shareholder holds the discretion to decide whether to sell some or all of their shares in Pamodzi Hotels Plc or to retain their entire shareholding, considering all pertinent factors and market conditions, including the price of the Ordinary Shares on the Lusaka Securities Exchange.

In essence, no minority shareholder is compelled to divest any portion of their shares in Pamodzi Hotels Plc.

Yours sincerely,



Brian Chintu

For and on behalf of **Longhorn Associates Limited**

Signed at Lusaka this 19 day of April 2024

5. ACTIONS TO BE TAKEN BY SHAREHOLDERS

The Minority Shareholders have several options available to them. Depending on the option selected, there may or may not be actions that a Minority Shareholder will have to undertake. These are described in detail below:

5.1 A MINORITY SHAREHOLDER MAY DO NOTHING

A Minority Shareholder may choose to do nothing. Taking no action will confirm that a Minority Shareholder does not wish to sell any of the Ordinary Shares he/ she currently owns. In this case, a Minority Shareholder will simply retain his or her existing Ordinary Shares in the Company, subject to the Companies Act and the LuSE Listing Rules.

5.2 A MINORITY SHAREHOLDER MAY SELL A PORTION OF HIS/HER ORDINARY SHARES IN THE COMPANY – PARTIAL SELL DOWN OPTION

As part of the Mandatory Offer being made by ASB Hospitality under the Takeovers and Mergers Rules, a Minority Shareholder may elect to sell a portion of the Ordinary Shares he or she currently owns to ASB Hospitality (“Partial Sell Down Option”).

If a Minority Shareholder elects to take this Partial Sell Down Option, he or she should contact their broker or the Sponsoring Broker and tender the Ordinary Shares he or she wishes to sell at the Offer Price of ZMW 4.62 per share by completing the Form of Acceptance. This tender of Ordinary Shares by Minority Shareholders wishing to sell only a portion of their Ordinary Shares in the Company must be completed, in writing, during the Offer Period as indicated in the timetable on page 5 of this Circular and will be conducted as a normal trade over the LuSE on the trade date at the close of the Offer Period.

Unless otherwise advised by an announcement in the press, offers to sell Ordinary Shares by the Minority Shareholders must be received no later than 17:00 hours on the Closing Date of the Offer Period, namely, Monday, 13 May 2024. Postal acceptances postmarked on or before the above date must be received no later than 17:00 hours on Friday, 17 May 2024. Any changes in these dates will be communicated to Minority Shareholders via an announcement on SENS and in the daily Zambian press, which will appear on consecutive days in at least two Zambian national newspapers.

5.3 A MINORITY SHAREHOLDER MAY SELL ALL OF HIS/ HER ORDINARY SHARES IN THE COMPANY – FULL SELL DOWN OPTION

As part of the Offer being made by ASB Hospitality, and as required under the Takeovers and Mergers Rules, a Minority Shareholder may elect to sell all of the Ordinary Shares he/she currently owns to ASB Hospitality (“Full Sell Down Option”).

If a Minority Shareholder elects the Full Sell Down Option, he/she should contact their broker or the Sponsoring Broker and tender the Ordinary Shares he/she wishes to sell at the Offer Price by completing the Form of Acceptance attached to the Offer Document. This tender of Ordinary Shares by Minority Shareholders wishing to sell all of their Ordinary Shares in the Company must be completed, in writing, during the Offer Period as indicated in the timetable on page 5 of this Circular and will be conducted as a normal trade over the LuSE on the trade date at close of the Offer Period.

Unless otherwise advised by an announcement in the press, offers to sell Ordinary Shares by the Minority Shareholders must be received in writing not later than 17:00 hours on the Closing Date of the Offer Period, namely, Monday, 13 May 2024. Postal acceptances postmarked on or before the above date must be received no later than 17:00 hours on Friday, 17 May 2024. Any changes in these dates will be communicated to Minority Shareholders via an announcement on SENS and in the Zambian daily press, which will appear on consecutive days in at least two Zambian national newspapers.

5.4 NOTE FOR SHAREHOLDERS HOLDING ORDINARY SHARE CERTIFICATES

The trading, clearing and settlement arrangements at the LuSE are based on the LuSE CSD system which does not use share certificates. Accordingly, those Shareholders holding physical share certificates and intending to participate in the Offer are advised to deposit the share certificates evidencing their Ordinary Shares into the LuSE CSD prior to accepting the Offer by contacting any one of the member broking firms of the LuSE.

5.5 ACCEPTANCES ARE IRREVOCABLE

All valid acceptances of the Offer received by your broker on or prior to the Closing Date shall be irrevocable.

5.6 TRANSACTION RECEIPTS

The Company or your broker or the Sponsoring Broker will issue no receipts for Forms of Acceptance, surrender, and transfer, other than stamping the same in the receipt portion of the application form, if tendered in person, unless specifically requested to do so, in writing, by the Minority Shareholder in question.

5.7 ACCEPTANCES OF THE MANDATORY OFFER BY NOMINEE COMPANIES AND REPRESENTATIVE

Such nominee companies and custody accounts may submit in aggregate or in respect of each Minority Shareholder represented, acceptances of the Offer by recognized nominee companies. Any such representative accepting the Offer warrants that it is duly authorized to do so.

5.8 NO AMENDMENT OR VARIATION OF THE MANDATORY OFFER

No amendment or variation of the Offer shall be valid unless made in writing and signed by ASB Hospitality after the necessary regulatory approvals.

5.9 TREATMENT OF INCOMPLETE FORMS OF ACCEPTANCE

ASB Hospitality reserves the right, at its discretion, to:

- i) Treat as invalid, Forms of Acceptance, that are incomplete or illegible; and
- ii) Require proof of the authority of the person signing the Form of Acceptance, surrender and transfer where such proof has not yet been lodged with or recorded by the broker.

5.10 GENERAL

The Minority Shareholders may accept the Offer in respect of all or part of their Ordinary Shares. Minority Shareholders who do not wish to accept the Offer **need not** take any further action and will be deemed to have declined the Offer.

The Minority Shareholders who accept the Offer to sell their Ordinary Shares will be responsible for any taxes or costs, including brokerage, LuSE, LuSE CSD and SEC trade commission fees that may be levied on such sale. Neither ASB Hospitality nor Pamodzi shall be responsible or liable for any tax liability of any Minority Shareholder on the Ordinary Shares acquired under the Offer from such Minority Shareholder.

6. SETTLEMENT AND PAYMENT TO MINORITY SHAREHOLDERS

Settlement of the Offer Price to the Minority Shareholders will take place in accordance with the normal arrangements for trades conducted on the LuSE. Payment of the Offer Price by ASB Hospitality to the Minority Shareholders for the Ordinary Shares acquired shall be made in accordance with the normal LuSE Trading Procedures.

On the first business day following the last day for the receipt of postal acceptances all Ordinary Shares that have been tendered by Minority Shareholders will be traded over the LuSE. Settlement will occur thereafter, three working days after the trades on the LuSE are conducted (on T + 3) in accordance with prevailing LuSE Trading Procedures. On T + 3, Minority Shareholders who have tendered Ordinary Shares in the Offer may collect the payment to which they are entitled from their respective LuSE member broker.

Shareholders are reminded to provide their up-to-date bank account details and forwarding addresses to the Transfer Secretary in order to facilitate efficient and expedient payment. In the event that your details have changed, kindly complete a Shareholder Account Detail Form, and return it to the Transfer Secretary. The Shareholder Account Detail Form can be collected from the Transfer Secretary's offices, details are as provided below:

Transfer Secretary: ShareTrack Zambia
Address: Spectrum House, Stand No. 10 Jesmondine, Great East Road, P. O Box 37283
Tell: +260 211 374 791/92/93
Email: sharetrack@scs.co.zm
Website: www.sharetrackzambia.com

Thereafter, and unless instructed by a Minority Shareholder, all payments not collected shall, at the Minority Shareholder's risk, be sent to the address of the Minority Shareholder recorded in the Register.

Minority Shareholders wishing to participate in the Offer and tender some (Partial Sell Down Option) or all (Full Sell Down Option) of their Ordinary Shares, should complete the Form of Acceptance attached to the Offer Document and submit it to their LuSE member broker, or the Sponsoring Broker.

Acceptance of the Offer may have an effect on an individual Minority Shareholder's tax position. Minority Shareholders are advised to consult their professional advisors about their personal tax positions.

7. OTHER INFORMATION PERTINENT TO THE OFFER

7.1 PAMODZI LISTING ON THE LUSE

It is ASB Hospitality's intention to delist Pamodzi from the LuSE, subject to the approval of any minority shareholders that do not exercise their rights to sell under the mandatory offer. The decision to delist is influenced by strategic considerations and business objectives.

ASB Hospitality's primary objective is to develop hotels that align with the vision and values of renowned brands. We aim to deliver unparalleled guest experiences while maintaining a strong commitment to sustainability and community engagement. Create employment opportunities, contribute to taxes, empower local employees, and expose them to international hotel standards and enhance tourism industry in Zambia.

7.2 FINANCIAL ASSURANCE

The Select Committee of the Board of Pamodzi believes that ASB Hospitality has the financial capacity to complete the Offer as described in this Circular.

7.3 COSTS OF THE OFFER

The total estimated costs of the Offer incurred by Pamodzi amount to about ZMW 1,580,833.60 which includes payments to the various advisors and other third-party service providers. Brokerage and LuSE commissions are the responsibility of the buyer and sellers of shares in the Offer.

DETAILS	ZMW
Sponsoring Broker	250,000
Independent Financial Advisor	750,000
Legal Advisors	375,000
Printing, Posting and Public Relations	50,000
Transfer Agent Fees	100,000
SEC Scrutiny Fees	33,333.60
LuSE Scrutiny Fees	22,500
Total	1,580,833.60

7.4 TAX IMPLICATIONS OF THE OFFER

There are no capital gains or property transfer tax on the sale of listed securities in Zambia. Proceeds from the sale of Pamodzi shares, however, may be taxed in the hands of the recipient. Shareholders who sell some or all of their shares in this offer, therefore, may wish to consult with their accountant, tax advisor or other professional advisors on any tax liability.

8. EXPERTS' CONSENT

SBZ, Chalwe and Kabalata Legal Practitioners and Longhorn Associates Limited have given, and not withdrawn, their consents to the issue of this Circular with the inclusion of their names and report(s) in the forms and contexts in which they appear.

9. DOCUMENTS AVAILABLE FOR INSPECTION

The following documents, or copies thereof, will be available for inspection during normal business hours at the registered office of Pamodzi Church Road, Lusaka, Zambia, or at the office of the Sponsoring Broker, from 08.00hrs to 17.00hrs Monday through Friday during the Offer Period:

- 1.1** The Articles of Association of Pamodzi;
- 1.2** The audited financial statements of Pamodzi for each of the past three financial years up to 31 March 2023;
- 1.3** The Report of the Independent Financial Advisor on the Offer;
- 1.4** A signed copy of this Circular;
- 1.5** A signed copy of the Offer Document; and
- 1.6** The consent of all the appointed advisors of Pamodzi.



**FAIRNESS OPINION IN RESPECT OF ASB HOSPITALITY LLC - TISPL
SALE & PURCHASE TRANSACTION**

Submitted to:

The Board of Directors

Pamodzi Hotels Plc
Stand No.11864, Church Road

LUSAKA

I. FAIRNESS OPINION

25 March 2024

The Board of Directors

Pamodzi Hotels Plc
Stand No.11864, Church Road
LUSAKA

FAIRNESS OPINION IN RESPECT OF ASB HOSPITALITY LLC MANDATORY OFFER TO PAMODZI HOTELS PLC MINORITY SHAREHOLDERS

Longhorn Associates Limited (“Longhorn”) in association with Three Eclipse Capital Advisors Limited (“3e Capital”), has been retained by Pamodzi Hotels Plc (“PHP”) as Independent Financial Advisor (“IFA”) to provide assurance to the Minority Shareholders of PHP as to the fairness of the terms of the Mandatory Offer by ASB Hospitality LLC.

We have undertaken our assurance procedures in accordance with the prescriptions of Statutory Instrument 170 of 1993, Securities (Takeovers and Mergers) Rules and complied with Schedule 5 of the LuSE Harmonised Listing Requirements in our role as IFA to the Minority Shareholders of PHP in the Mandatory Offer occasioned by the acquisition of 90% of the shareholding in PHP by ASB Hospitality LLC from Tata International Singapore Pte Limited (“TISPL”).

Our assessment considered various factors including, but not limited to, the following:

- (i) **Valuation Analysis:** We performed a comprehensive valuation analysis of the PHP’s shares to assess the fairness of the Mandatory Offer price. This analysis included evaluating PHP financial performance, future growth prospects, comparable valuations, and applying Discounted Cashflow analyses.
- (ii) **Market Conditions:** We considered prevailing market conditions, industry trends, and the competitive landscape to determine whether the Mandatory Offer price reflects fair value to the Minority Shareholders.
- (iii) **Premium Offered:** We evaluated the premium presented by the Mandatory Offer relative to the historical trading price of PHP shares, as well as results from alternative valuation methodologies applied.
- (iv) **Strategic Rationale:** We assessed the strategic rationale behind the underlying transaction and implications of subsequent processes on the Minority Shareholders.

We recognize the implications of our advice on the decisions of the Minority Shareholders in respect of the Mandatory Offer and as such have applied the highest standards of care and professional judgement in planning and executing procedures required to attain reasonable assurance as to the fairness of the terms being proposed in the Mandatory Offer.

We have obtained unfettered access to all key data inputs from PHP, which we have combined with our proprietary methods, alongside reliance on credible third-party inputs to arrive at our opinion. We believe that our opinion represents, in all material respects, a fair interpretation of the terms of the Mandatory Offer insofar as they affect the standing and rights of the Minority Shareholders. Our detailed assessments and analyses are provided in the enclosed Report.

In view of the foregoing, we opine that the terms of the Mandatory Offer by ASB Hospitality LLC to the Minority Shareholders of PHP are fair. We believe that the offer price represents a reasonable and equitable consideration for the shares of the Minority Shareholders. Our opinion is underpinned by the fact that the Offer is on terms that are not less favourable than those extended in the underlying transaction and that the Offer price of ZMW4.62 is approximately 2.69 times higher than the highest value attributed to each ordinary share of PHP based on the assurance procedures undertaken.

1. INTRODUCTION

The majority shareholder, Tata International Singapore Pte Limited (“TISPL”), disposed of 90,000,000 shares representing 90% of the issued shares of Pamodzi Hotels Plc (“PHP”) to ASB Hospitality LLC (“ASB Hospitality”) via a trade conducted on the Lusaka Securities Exchange (“LuSE”) at a price of ZMW 4.62 per share, hereinafter referred to as (“the Underlying Transaction”).

Accordingly, ASB Hospitality has informed the Board of PHP of its intention to acquire all the issued share capital of PHP not already owned by ASB Hospitality (“the Mandatory Offer”) from the Minority Shareholders of PHP for a cash consideration of ZMW 4.62 per share (“the Offer Price”). The Offer Price matches the price at which ASB Hospitality secured the majority stake in PHP. The Mandatory Offer to Minority Shareholders of PHP has been triggered by the thresholds attained in the underlying transaction as contemplated under Rule 56 of the Third Schedule of the Securities (Takeovers and Mergers) Rules, Statutory Instrument No. 170 of 1993 (“the Takeovers Rules”) issued pursuant to the Securities Act No. 41 of 2016.

Longhorn Associates Limited (“Longhorn”), in association with, Three Eclipse Capital Advisors Limited (“3e Capital”), has been retained by the Board of PHP as Independent Financial Advisor (“IFA”) to provide an independent opinion and assurance as to the fairness of the Offer Price.

The assurance procedures undertaken are in compliance with the Harmonised Listing Requirements of the Lusaka Securities Exchange (“LuSE”), with the fairness opinion conforming with the prescriptions of the Takeovers Rules, which require that an Independent Financial Advisor be retained to render advice to the Board of Directors on whether or not the terms of the Mandatory Offer are fair.

The ultimate objective of this process is to opine on whether the consideration bases supporting the underlying transaction are reasonable for purposes of determining the terms of the Mandatory Offer to Minority Shareholders.

2. CONFIRMATION OF INDEPENDENCE

The Independent Financial Advisor reaffirms its independence in relation to the underlying transaction and subsequent Mandatory Offer processes. In providing professional assurance as well as ensuring legal and regulatory compliance with respect to foregoing, the IFA confirms the following:

- (a) No persons who form part of the staff of the IFA or who are otherwise directly or indirectly involved in the activities of the IFA, in relation to the underlying transaction, have any interest in any class of share, debt or loan capital of the Issuer, related parties to the Issuer or any other party involved in the transaction who may benefit from the transaction.
- (b) Neither the IFA nor any entity funds under the management of the IFA, has any interest in any class of share, debt, or loan capital of the Issuer and/or any other company which is one of the Issuer’s related parties and/or any other party involved in the transaction who may benefit from the transaction.
- (c) No staff of the IFA, or any subsidiary or associate company of the IFA or any company in the IFA’s holding company’s group is a Director of the Issuer, or a of a company which is one of the Issuer’s related parties or any other party involved in the transaction or who may benefit from the transaction.
- (d) The IFA (and all subsidiary, associate companies, and related parties of the IFA) has not provided the Issuer, and/or the Issuer’s related parties, with services during the last 24 months.
- (e) The Issuer is not a material client of the IFA’s holding company, or any company in the IFA’s holding company’s group.
- (f) No staff of the Issuer, or any subsidiary or associate company of the Issuer, or the Issuer’s holding company, or any company in the Issuer’s holding company’s group is a Director of the IFA or any related parties of the IFA or any other party involved in the transaction or who may benefit from the transaction.
- (g) Neither the fees (nor other benefit) to be paid for providing the fairness opinion nor any other fees (or other benefit) receivable from the Issuer or the Issuer’s related parties or any other party, are contingent upon the outcome of the transaction.

3. ASSURANCE PROCEDURES

The procedures undertaken by the IFA to obtain requisite assurance as to the fairness of the consideration associated with the underlying transaction and, subsequently, the Mandatory Offer to Minority Shareholders have been informed by international best practice. The scope, timing and extent of the procedures undertaken by the IFA in order to provide requisite assurance to Minority Shareholders have been informed by the prescriptions of the LuSE Harmonised Listing Requirements and the Securities (Takeovers and Mergers) Rules. Furthermore, requisite standard of care expected of independent professional advisers has been applied and been complemented by appropriate professional judgement in arriving at the final Fairness Opinion.

3.1. Objective

The principal objective of the assurance procedures deployed has been to determine whether the consideration accompanying the Mandatory Offer to Minority Shareholders is equitable, fair and in alignment with clause 58 of the Securities (Takeovers and Mergers) Rules which stipulates that ***“Offers made under clause 56 must, in respect of each class or equity share capital involved, be in cash or be accompanied by a cash alternative at not less than the highest price paid by the offeror or any person acting in concert with it for voting rights of the offeree within the preceding six months”***. In view of the foregoing, the procedures and Fairness Opinion thereof seek to render a professional and independent view as to whether the values associated with the underlying transaction have been determined on bases that are no less than those that would have otherwise been associated with an arm’s length transaction and that as a result, the terms extended to Minority Shareholders under the subject Mandatory Offer do not in any way disadvantage this class of shareholders.

3.2. Approach

The approach utilised by the IFA in providing requisite assurance and rendering an appropriate opinion has been informed by international best practices. In this regard, we ensured that sufficient, appropriate evidence was adduced from the Issuer’s state of historical financial position, LuSE market performance, third-party assessments, expected future financial performance and relative local and international benchmarked positions in arriving at a range of values that would inform an arm’s length sale and purchase transaction of a controlling interest in the Issuer’s business.

The approach also incorporated best practice prudent risk management assessments that included the review of possible uncertainties whose drivers are known but cannot be quantified with reasonable certainty. This was particularly with respect to potential legal, taxation and operational liabilities that are tied to uncertain triggers. Furthermore, the review and assessment of subsisting obligations, including prior charge capital as well as operational liabilities were assessed as part of the process of ascribing appropriate values to the shares of the Issuer.

3.3. Data Sources

We utilised data from a plethora of sources which was incorporated into the assurance procedures and ultimately the Fairness Opinion. We utilised data from internal, intermediate and third-party sources with each data source seeking to either provide specific assurance, complement an already existing set of inputs, or confirm assumptions supporting defined variables. We also relied on inputs from proprietary valuation methodologies that were complemented with unique market experience having undertaken assignments of a similar nature in the past.

Specifically, the data sources utilised included, but were not limited to, the following:

- (i) Issuer’s financial, operational, legal, taxation and compliance information.
- (ii) Information pertaining to the underlying transaction together with associated constitutive agreements.
- (iii) Historical market information regarding share price movements, volumes of trade, corporate actions and announcements made on the LuSE.
- (iv) Asset valuations undertaken by independent third parties.
- (v) Historical and future capital expenditure plans.
- (vi) Outputs from due diligence processes undertaken by other independent advisors.
- (vii) Legal and Regulatory framework in Securities Act and LuSE Harmonised Listing Requirements.
- (viii) Regional and international markets for relative valuation benchmarking.
- (ix) Industry reports and journals.
- (x) Domestic, regional, and international economic reports to guide underlying assumptions in cashflow forecasts.
- (xi) Third Party confirmations.

3.4. *Compliance*

In the approach deployed to arrive at a Fairness Opinion that guides Minority Shareholders, we have taken due care to ensure that the prescriptions and expectations of Clause 58 of the Takeovers Rules and Schedule 5 of the LuSE Listing Requirements are adhered to.

We confirm that all the procedures have been undertaken without any limitation or interference of independence and that the assurance procedures have been both sufficient and appropriate to enable a professional opinion on the fairness of the underlying transaction imperatives as well as the ensuing Mandatory Offer.

The ultimate opinion has taken into consideration both quantitative and qualitative factors within the overarching context of arm's length expectations, information symmetry and best practice valuation methodology.

4. **ENTERPRISE VALUATION**

At the heart of the Fairness Opinion is our professional assessment of the valuation of the 90% ordinary shares of Pamodzi Hotels Plc in the underlying transaction and how this compares with the enterprise value determined from best practice estimates. The aforementioned assessment requires the use of internationally recognized methods of enterprise valuation that require to be adapted to the specific circumstances in question. This also requires the use of professional judgement in determining which valuation methodologies are best applicable for purposes of ascribing enterprise value in the subject circumstances. Ultimately, the appropriateness of valuation bases will be largely influenced by the overall objective of providing an opinion to the Minority Shareholders as to the fairness of the price consideration accompanying the Mandatory Offer and values ascribed to the ordinary equity of PHP.

The true test of fairness in this regard is determined by assessing whether the valuation associated with the underlying transaction is one that would fall within a range of enterprise values assessed based on the historical, current, and future state of PHP as a going concern and through the use of best practice valuation methodologies.

The subsections that follow present the methods of valuation utilised as part of our assurance procedures and have ultimately informed the opinion on the fairness of the terms of the Mandatory Offer to Minority Shareholders.

4.1. *Market Valuation – LuSE Capitalisation*

This basis of enterprise valuation is determined by the current market capitalization of the Pamodzi Hotels Plc stock on the LuSE. Market capitalization is a product of the number of shares in issue and the stock share price as at the reference date. This method of valuation is considered the closest reflection of how a listed stock is perceived by the market, including its shareholders. It must be appreciated however, that the output of this valuation method may not always give you a true reflection of the inherent value of an enterprise due to a number of factors such as the reference date and how it relates to historical share price movements, the liquidity associated with the stock i.e. how much of the stock is available for trade on the stock market - otherwise referred to as free float, the trade activity related to the shares of the enterprise, and the extent of influence of extenuating circumstances on the stock price including sector peaks and troughs.

In relation to the PHP stock, we have taken due care to address the possible distortion in the market capitalisation influenced by reference date, extenuating circumstances, as well as possible sector peaks and troughs by looking at historical points over a two-year period to identify any such trends. This is in cognizance of possible share price influences associated with the Covid Pandemic and its impact on the hospitality industry, the possible impact on share price attributed to market announcements with respect to the imminent acquisition of majority stake in Pamodzi Hotels Plc, and any possible unusual movements in the share price that would have fallen outside the range of reason.

We believe that though the market capitalisation method of valuation is apt for purpose, particularly when utilised within the context of possible outlier influences outlined in the preceding paragraph and requisite mitigation, it should be assessed and validated alongside other valuation methodologies. As

such, the outputs from this basis of valuation are further validated alongside other valuation methods summarized in Section 5.

The table below presents the reference dates selected for purposes of enterprise valuation via market capitalisation. These dates have been informed by what we believe would typically form significant reference points with some dates covering periods when recent market announcements were made in respect of the underlying transaction.

Table 1: Market Capitalisation Valuation Range

DATE	SHARES IN ISSUE	MARKET PRICE [ZMW]	MARKET CAP [ZMW]	RELEVANCE OF DATE
31.3.22	100,000,000	0.69	69,000,000	Year end – Post Covid
30.9.22	100,000,000	0.72	72,000,000	Mid-Year
31.3.23	100,000,000	0.71	71,100,000	Year end
31.7.23	100,000,000	0.71	71,000,000	First Market Announcement
22.9.23	100,000,000	0.71	71,000,000	Second Market Announcement
30.9.23	100,000,000	0.71	71,000,000	Mid-Year
20.12.23	100,000,000	0.71	71,000,000	Signing of SPA
13.3.24	100,000,000	0.80	80,000,000	Price at Reporting Close

Based on the historical reference points taken and summarized in the table above, the market capitalisation of PHP ranges from ZMW69 million to ZMW80 million with associated US\$ translation representing a range of between US\$3.2 million and US\$3.8 million.

4.2. Earnings Multiple

The earnings multiple valuation methodology assumes that the principal interest of any shareholder in a business is to participate in the future net earnings of an enterprise. The valuation method also assumes that the net earnings theoretically represent the highest possible distribution to shareholders from any given period of financial performance. Furthermore, this method assumes that the last available net earnings results are a fair representation of the expected future annual average earnings, save for instances where unusual trends are observed and require smoothing

The earnings multiple valuation method assumes that the value of an enterprise is best determined a multiple of its average future net earnings. The multiple in this regard is informed to a lesser extent by the payback period expected by shareholders and to a greater extent by best practice that is largely industry specific. Arguably, the valuation multiple is influenced by the period during which a shareholder would not expect any significant change in the assumptions that underpin net earnings projections as well as the long-term growth prospects attached to a particular stock. This entails that, in practice, more uncertain business sectors will employ lower multiples than their less uncertain counterparts.

We believe that the use of the earning multiple valuation methodology in the circumstances of PHP is apt. We take cognizance of the distortions to recent historical earnings that could have been influenced by Covid Pandemic factors. We however believe that the most recent 2023 net earnings

could be a reasonable proxy for expected future average net earnings based on the overarching going concern assumption and that the business is being valued on an as-is basis. Our application of this method, therefore, does not include expected earnings enhancements associated with the inputs of the new majority shareholder.

In applying this valuation method, we have utilised a best practice range of multiples that are cross-sectoral. This range of multiples extends between 7 and 12. Specifically, for businesses in the hospitality sector such as Pamodzi Hotels Plc that are considered capital intensive, variants such as the Enterprise Value (“EV”) – Earnings Before Interest Tax Depreciation and Amortisation (“EBITDA”) have been utilised with industry multiples in the recent past ranging from a high of 13 and median of 9. Some of the reasons for the recent decline in sector earnings valuation multiples include lower than expected Average Daily Rates (“ADR”) and occupancy rates.

The table below presents a summary of the PHP earnings multiple based on 31st March 2023 EV-EBITDA and net earnings multiple.

Table 2: Summary of Earnings Multiple Results

VALUATION BASIS	BASE [ZMW]	MULTIPLE HIGH		MULTIPLE MEDIAN	
Net Earnings	2,253,164	12	27,037,968	7	15,772,148
EBITDA	9,499,187	13	123,489,431	9	85,492,683

For purposes of valuing the equity of PHP, we believe that the EBITDA multiple method is more representative of the inherent value of the enterprise.

Based on the forgoing, the earnings multiple valuation of PHP ranges from ZMW85.493 million to ZMW123.489 million and US\$3.419 million to US\$4.940 million in US Dollar terms. For purposes of our final analysis, we have utilised the high end of the EBITDA multiple results i.e. ZMW123.489 million.

4.3. *Discounted Cashflows*

The Discounted Cashflow (“DCF”) valuation methodology is a basis of determining the valuation of an enterprise by discounting the future free cashflows of a business to present value. This considers the amount, timing and relative certainty of future unlevered free cash flows expected to be generated by the business. This method assumes that the best estimate of the valuation of an enterprise determined by looking at the future cashflows that the business will generate and that it is the extent of these cashflows that will drive an entity’s worth. This method also recognizes that forecast cashflows have to be validated by reasonable assumptions and that due care ought to be exercised in adopting assumptions, as well as their associated outputs.

The use of the DCF method as part of our assurance procedures is appropriate as this tool is meant to be assessed alongside other methods in evaluating the fairness of terms proposed to Minority Shareholders as part of a Mandatory Offer. The fact that the DCF method utilises forward looking assumptions makes it a useful proxy for estimating the most likely opportunity cost associated with the exit of the Minority Shareholders from the shareholding of PHP.

In ensuring relevance of this model, we have employed professional judgement in seeking to ascribe an enterprise valuation based on the pre-underlying transaction forecasted cashflows as this is what best represents opportunity cost in the context of the Mandatory Offer. We have utilised assumptions from management of Pamodzi Hotels Plc and associated cashflows in utilising the DCF model. We have also utilised a forecast period that is consistent with convention and is within a range of time during which

material deviation from expectations is unlikely. We have tested each material assumption to ensure reasonableness for purpose. We have equally relied on convention as well as best practice for all key inputs such as discount factor, terminal value and the treatment of debt.

The summary of the DCF assessment of Pamodzi Hotels Plc is presented below.

ZMW'Millions	Note	2024-25	2025-26	2026-27	2027-28	2028-29
Cash From Operations						
PBT Operations	a	6.70	7.40	8.00	8.50	9.20
Foreign Exchange (Gains)/Loss	b	3.50	3.30	3.50	3.60	3.55
Depreciation	c	5.10	5.35	5.55	6.00	6.25
EBITDA	d	15.30	16.05	17.05	18.10	19.00
Working Capital Changes	e	(3.15)	(3.60)	(3.45)	(3.69)	(3.60)
Total cashflow from Operations	f	12.15	12.45	13.60	14.41	15.40
Investing Activities						
Capex	g	(2.00)	(2.50)	(3.50)	(4.40)	(5.30)
Total Investing Activity		(2.00)	(2.50)	(3.50)	(4.40)	(5.30)
Financing Activities						
Interest	h	-	-	-	-	-
Total Financing Activity		0.00	0.00	0.00	0.00	0.00
Net Free Cashflows						
		10.15	9.95	10.10	10.01	10.10
Discount Factor	i	0.8482	0.7195	0.6103	0.5177	0.4392
Discounted Free Cashflow		8.61	7.16	6.16	5.18	4.44
Net Present Value of Free Cashflows						
	j	31.55				
Terminal Value	k	140.81				
Enterprise Value	l	172.36				
Equity Value	m	172.36				

Presented below are notes to all key inputs together with accompanying assumptions.

- (a) Profit Before Tax ("PBT") estimates are based on management forecasts and assume that the current business model would continue to subsist for the foreseeable future. A year- on-year increase of 10% in revenues has been assumed in the cashflow projections.
- (b) Estimates of foreign exchange losses are based on historical experience and assume continued depreciation of the Local Currency Unit. For purposes of this forecast, expected exchange losses have been added back to PBT as they represent a notional cost.
- (c) Depreciation costs have been estimated based on forecasted carrying values of property, plant and equipment and prevailing accounting policies of PHP. Forecasted depreciation costs have been added back to PBT as these denote a notional cost that does represent actual cash outflow from the business.
- (d) Ensuing forecasts of Earning Before Interest, Tax, Depreciation and Amortisation ("EBITDA") represent the underlying cashflow earnings potential of the business.
- (e) Changes to working capital estimates have been discounted by 70% owing to the fact that management forecasts exceeded not only industry averages but also that which would be termed as prudent business practice. The expectation that underlying earnings will be driven by business underwritten on credit terms that exceed the payables cycle would be detrimental to the business.

- (f) Total cashflow from operations represent the cash generated from core operations of the business after the aforementioned adjustments.
- (g) The cashflow forecasts assumes no major capital expenditure investment over the period. The assumption that sustaining capital expenditure will be deployed to maintain operations at current state have been incorporated.
- (h) There are no interest expenses forecasted given that all debt had been extinguished as at reporting date.
- (i) The discount factor utilised in the DCF computations is based on what we believe is the closest proxy to the Weighted Average Cost of Capital. The ZMW cost of the shareholder loans from Tata to PHP has been used in determining the ZMW opportunity cost of equity by aggregating the interest charge of 3% per annum and the short term (3-Year) average depreciation rate of the ZMW/US\$ of 16.46%. The cost of debt has been estimated based on the last medium-term financing obtained by PHP which carried an interest rate of 16.75%. The proportions of the foregoing have been applied in arriving at a ZMW WACC of 17.89%.
- (j) The Discounted Cashflows return a Net Present Value of ZMW16.41 million.
- (k) The Terminal Value has been determined from Year-5 Net Cashflows and is based on a perpetual industry growth rate of 10%.
- (l) The Enterprise Value of ZMW172.36 million has been returned after aggregating the NPV and Terminal Value in (j) and (k) above.
- (m) The equity value is typically attained after subtracting the market value of debt in the business as at the reporting date. At the reporting date, both the Tata shareholder loan facility of US\$1.170 million and the outstanding balance on the IZB Loan of ZMW28.005 million had been fully settled resulting in an equity value that is equivalent to the enterprise value.

Based on the foregoing DCF valuation assessment, the equity value of PHP is estimated at ZMW172.36 million. The equity value translates to the equivalent of US\$6.89 million based on the exchange rate of ZMW25 as at the reporting date.

4.4. *Dividend Discount Model*

The Dividend Discount Model (“DDM”) is a method used to value an enterprise based on the present value of future expected distributions from net earnings. This model is utilised to value both minority and majority interests and is underpinned by the assumption that shareholders are driven by the expected return on their investments in the form of dividend payouts.

This model is most appropriate where an enterprise has an elaborate history of dividend payouts, has a clearly defined dividend policy, is in a mature stage of business lifecycle and has financial projections that are reliable alongside a history of meeting forecast expectations. The method is not suitable where the history of dividend payouts is inconsistent or where there exists a significant level of related party arrangements.

Our review of the records of Pamodzi Hotels Plc reveals that no dividends have been declared by the entity for the last four (4) years due to numerous factors. The lack of a historical basis of dividend distribution from which a prospective forecasts of net income distributions to shareholders would be made is a key limitation in utilising this method. Furthermore, we do not believe that it would be prudent to assume specific dividend payouts to shareholders based on financial forecasts presented by management. In any case, the enterprise is at the cusp of a new strategic direction given the introduction of a different majority shareholder. It would thus equally be disingenuous to utilise net earnings distributions from earnings driven by a business model whose results are yet to be tested.

It is for the aforementioned reasons, complemented by our professional judgement as well as the expected duty of care, that we have not proceeded to utilise this method for purposes of determining the value of the ordinary shares of PHP.

4.5. Net Asset Valuation

The Net Assets valuation method utilizes amounts recognized in financial statements as net assets of an enterprise to ascribe enterprise valuation. The net assets in this regard include total assets less liabilities of the business as measured using international accounting standards.

The net assets valuation typically represents the floor value of a business enterprise. This valuation method is a proxy for residual value attributed to ordinary shareholders in the event of winding up, disposal of all assets and liquidation of all obligations.

In respect of Pamodzi Hotels Plc, the net assets value as at 31st March 2023 was **negative ZMW24.848 million**. The fact that total liabilities exceeded total assets at this date entails that the enterprise of PHP would not have had sufficient assets to meet contracted liabilities in the event of liquidation at the said date. For purposes of our reporting, we have adjusted the Net Assets Value for the liabilities that have been waived and those that have been extinguished as at 29th February 2024. In this regard, we have added back the market values of the IZB Loan and Tata Shareholder loans of ZMW28.005 million and US\$1.170 million (ZMW29.250 million), respectively, to the negative NAV of **ZMW24.848** to arrive at a proxy value of ZMW32.407 million or US\$1.30 million.

5. ASSESSMENT OF RANGE OF FAIR VALUATION

Following the conclusion of the valuation assessments based on the methods articulated in the preceding Section, we have summarized the results and accompanying interpretation below.

Table 3: Summary of Valuation Results

VALUATION METHOD	VALUATION OUTPUT		APPLICABILITY	WEIGHTING
	ZMW	USD		
LuSE Market Capitalisation	80,000,000	3,200,000		25%
Earnings Multiple	123,489,431	4,939,577		25%
Discounted Cashflow	172,360,000	6,894,400		50%
Dividend Discount Model*	-	-		-
Net Assets**	32,407,000	1,300,000		-

****DDM has been excluded from the analysis due to the inadequacy of information required for the analysis to provide meaningful results***

*****The Net Assets Value has been articulated merely for purposes of determining the floor value as per convention.***

Weightings have been assigned to each valuation method based on applicability and appropriateness to the objectives associated with our Terms of Reference. In this regard, a higher weighting of 50% has been assigned to the DCF method while the balance of the weightings have been split in equal proportions between the other two applicable methods.

Based on the summary in the Table 3 above, the equity valuation of the PHP could be reasonably assessed as being in the range of ZMW80,000,000 [US\$3,200,000] and ZMW172,360,000 [US\$6,894,400]. Applying the weightings in the table above, the valuation of each PHP ordinary share is estimated at ZMW1.37 [with a high of ZMW1.72 and a low of ZMW0.8].

6. OUR OPINION / RECOMMENDATION

6.1. Recommendation

In accordance with Rule 5(2) of Section II of the Third Schedule of the Takeovers Rules, 1993, an Independent Committee of the Board, if established, holds the responsibility of presenting its opinion to independent shareholders concerning the acceptance of the Mandatory Offer. Given the absence of such a committee, and in line with our obligation under Rule 9(7) of Section II of the Third Schedule to the Securities (Takeovers and Mergers) Rules, 1993, we, 3e Capital, in association with Longhorn, serving as Independent Financial Advisers to Pamodzi Hotels Plc, affirm that the Offer is fair and reasonable.

Our opinion is underpinned by the fact that the Offer terms represent up to 2.69 times the highest value attributed to PHP ordinary shares based on the assurance procedures undertaken and presented in the foregoing sections. We further confirm that the Mandatory Offer is on terms that are not less favourable than those extended in the underlying transactions.

We have obtained unfettered access to all key data inputs from PHP, which we have combined with our proprietary methods, alongside reliance on credible third-party inputs to arrive at our opinion.

Notwithstanding our opinion, we emphasize that each shareholder holds the discretion to decide whether to sell some or all of their shares in Pamodzi Hotels Plc or to retain their entire shareholding, considering all pertinent factors and market conditions, including the price of the ordinary shares on the Lusaka Securities Exchange.

6.2. General Limitations Conditions

Our assurance procedures were devoid of any limitations that would materially impact our ultimate opinion and recommendation. The nature, timing and extent of our procedures were sufficient and appropriate for the purpose of meeting the objectives outlined in our Terms of Reference.

6.3. Consent

We hereby consent to the inclusion of this opinion in whole and references thereto, in the form and context in which they appear, in the Circular.

Yours faithfully



Brian Chintu
For and on behalf of Longhorn Associates Limited

