3 October 2024

Private and confidential

Dear Shareholder,

Compulsory acquisition under Part 6A.2 Corporations Act | Navalo Financial Services Group Limited

1. Introduction

1.1 On 7 June 2024, Navalo Financial Services Group Limited ACN 605 753 535 (**Navalo**) announced a capital raising to raise approximately A$10 million via a pro rata non-renounceable entitlement offer (**Entitlement Offer**).

1.2 On 11 July 2024, being the closing of the Entitlement Offer, Metrics Business Finance Holdings Pty Ltd ACN 638 490 776 (**MBFH**) acquired shares in Navalo resulting in MBFH, together with a related body corporate, MCH Investment Management Services Pty Ltd ACN 630 333 649 (as trustee for MCP Credit Trust 1 ABN 58 677 623 104) (**MCP**), becoming a '90% holder' in relation to the ordinary shares of Navalo. The full beneficial ownership interest of the Navalo shares held by MCP is held by Metrics Credit Holdings Pty Ltd ACN 150 647 091 (**MCH**), a related body corporate of MBFH.

1.3 As at the date of this letter, Navalo has 55,142,545 ordinary shares (**Shares**) on issue, of which MBFH, together with MCH, holds full beneficial ownership interest in 53,542,507 Shares, comprising approximately 97.10% of the Company's issued share capital.

1.4 The remaining shareholders of Navalo together hold 1,600,038 Shares (**Minority Shares**), comprising approximately 2.90% of Navalo's issued share capital.

1.5 As MBFH, together with its related bodies corporate, holds full beneficial interests in at least 90% of the Shares, MBFH has the right under Part 6A.2 of the *Corporations Act 2001* (Cth) (**Act**) to compulsorily acquire all of the Minority Shares that it does not already own. MBFH has decided to exercise this right.

1.6 MBFH is seeking to compulsorily acquire the remaining Minority Shares in Navalo in accordance with the provisions of Part 6A.2 of the Act (**Compulsory Acquisition**).

1.7 As required by the Act, following a request by MBFH under section 667AA(1) of the Act, ASIC nominated BDO Corporate Finance Australia Pty Ltd ACN 050 038 170 (**Independent Expert**) as the independent expert under section 667AA(2) of the Act as a firm which MBFH may engage to prepare the an independent expert's report to opine on the fair value of the Minority Shares (**Independent Expert's Report**).

1.8 As required by section 664C(2)(b) of the Act, please find enclosed:

(a) a copy of the Australian Securities and Investments Commission (**ASIC**) form 6024 (**Compulsory Acquisition Notice**) lodged with ASIC which MBFH is required to give you under the Act to exercise its right of compulsory acquisition in respect of the Minority Shares, at **Annexure A**;

(b) a copy of the Independent Expert's Report prepared by the Independent Expert commissioned by MBFH. A copy of the Independent Expert's Report is enclosed at **Annexure B**. The Independent Expert has concluded that offer price of A$0.194 per Minority Share represents fair value for the Minority Shares; and

(c) a copy of an objection form provided to allow (if required) a Navalo shareholder to object to the proposed Compulsory Acquisition (**Objection Form**), at **Annexure C**. More information in respect of your right to object to the proposed Compulsory Acquisition and the Objection Form is set out in paragraph 3(a) below.

2. Offer terms

In accordance with Part 6A.2 of the Act, details of the cash consideration proposed to be paid to you in relation to the Compulsory Acquisition are set out below:

Term	Outline
Consideration per Minority Share	The cash sum offered per Minority Share is **A$0.194**.

3. Your rights

Under the Act, you have a number of rights in relation to the proposed Compulsory Acquisition, which are set out below:

(a) **Objection**:

(i) You have a right to object to the proposed Compulsory Acquisition by signing and returning the Objection Form. Any objection must relate to all of your Minority Shares and once submitted cannot be withdrawn. As required under the Act, the objection period will remain open for one month after the date of the Compulsory Acquisition Notice. This means you have until 6 November 2024 to lodge your Objection Form.

(ii) If Navalo shareholders who hold at least 10% of the Minority Shares object before the end of the objection period, MBFH will need to apply to the Court for approval of the proposed Compulsory Acquisition.

(iii) MBFH must bear the costs that a person incurs on the legal proceedings in relation to the application unless the Court is satisfied that the person acted improperly, vexatiously or otherwise unreasonably. Accordingly, if you sign and return an Objection Form (which, once submitted, cannot be withdrawn), you may be liable for your own costs in respect of the legal proceedings if the Court is satisfied that you acted improperly, vexatiously or otherwise unreasonably.

(iv) If you wish to object to the proposed Compulsory Acquisition, you will need to return the completed Objection Form to the physical address or by email, as set out in the Objection Form, by no later than 6 November 2024.

(b) **Contact details**:

You have a right to obtain the names and addresses of each Navalo shareholder from the company register. If you wish to obtain those details, please contact corporate.actions@automicgroup.com.au.

(c) **Consideration details**:

(i) You have a right to be informed of the details of any consideration paid by MBFH (or its associates) to purchase any Navalo Shares within the last 12 months. Those details are set out below:

(A) on 29 February 2024, on the closing of a placement of Navalo Shares, MBFH acquired 1,790,014 Navalo Shares and paid A$0.2838 per Share, for an aggregate consideration of A$508,005.97; and

(B) on 11 July 2024, on the closing of the Entitlement Offer, MBFH and MCP acquired (in aggregate) 45,748,838 Navalo Shares and paid A$0.194 per Share, for an aggregate consideration of A$8,875,274.57.

(ii) The amount paid by MBFH (and MCP) per Share in connection with the Entitlement Offer corresponds with the consideration to be paid out to you under the proposed Compulsory Acquisition in relation to your Minority Shares.

(d) **Disclosure**:

(i) MBFH must disclose to you any information that is known to it, material to deciding whether to object to the proposed Compulsory Acquisition, and not contained in the Independent Expert's Report.

(ii) MBFH confirms that, as at the date of this letter, there is no such additional information to disclose.

4. Next steps

4.1 If no objections, or insufficient objections, are received, MBFH will proceed with the proposed Compulsory Acquisition at the close of the objection period (ie after 6 November 2024).

4.2 MBFH is required to pay the total cash payable for the proposed Compulsory Acquisition to Navalo. You will then be sent a written notice from Navalo seeking instructions on how to deal with the cash amount payable to you. In the meantime, Navalo is required to hold the cash amount in trust for you.

4.3 If you have any questions about the proposed Compulsory Acquisition, please contact Andrew Lockhart at andrew.lockhart@metrics.com.au.

Yours faithfully

Metrics Business Finance Holdings Pty Ltd

Metrics Business Finance Holdings Pty Ltd

Annexure A – Compulsory Acquisition Notice

Please see attachment.

Annexure B – Independent Expert's Report

Please see attachment.

Annexure C – Objection Form

Please see attachment.

Australian Securities &
Investments Commission

Form 6024
Corporations Act 2001
664C(1)

Notice of compulsory acquisition

Notice

To each holder of:

Description of class of securities	Class of securities ('the class') Ordinary Shares
	in
Name of target company	Name ('the Company') Navalo Financial Services Group Limited
	ACN/ARBN/ARSN 605 753 535
Insert name of 90% Holder	**1.** Metrics Business Finance Holdings Pty Ltd ACN 638 490 776 ('the 90% holder')
Tick one box	☒ holds either alone or with a related body corporate, full beneficial interests in at least 90% of the securities (by number) in the class. ☐ has voting power of at least 90% in the Company and holds, either alone or with a related body corporate, full beneficial interests in at least 90% by value of all securities of the Company that are either shares or convertible into shares.
	2. Under subsection 664A(3) of the Corporations Act 2001 ('the Act') the 90% Holder may compulsorily acquire all the
Description of class of securities	Ordinary shares
	if less than 10% by value of holders in that class have objected to the acquisition by the end of the objection period set out in this notice or the Court approves the acquisition under section 664F of the Act.
	3. The 90% Holder hereby gives notice that it proposes to compulsorily acquire
Description of class of securities	Ordinary shares
	that you hold for the cash amount of
Cash amount for the securities. This may be expressed as an amount per security.	$0.194 per share
	A notice sent by post to you is taken to be given to you 3 days after it is posted.
	4. Under section 664E of the Act, you, (or anyone who acquires the securities during the objection period) have the right to object to the acquisition of your securities by completing and returning the objection form that accompanies this notice within
Period during which holders may return the objection form. The period must be at least one month.	One month
	of receipt of this notice. The objection cannot be withdrawn.
	5. You have the right to obtain the names and addresses of everyone else who holds securities in the class from the Company register.
	6. Under section 664F of the Act, if 10% of holders of securities covered by this compulsory acquisition notice have objected to the acquisition before the end of the objection period, the 90% Holder may, within one month after the end of the objection period, apply to the Court for approval of the acquisition of the securities covered by this notice.
	7. During the last 12 months the 90% Holder or an associate has purchased securities of the same class for
Details of the consideration given for the securities	$0.194 per share pursuant an entitlement offer which completed on 11 July 2024. $0.2838 per share pursuant to a placement which completed on 29 February 2024.

Continued… **Notice**

Include any information that is known to the 90% Holder or any related bodies corporate that is material to deciding whether to object to the acquisition and has not been disclosed in an expert's report under section 667A of the Act. **8**.

8.

Nil

Signature

Name of person signing

Graham Leslie McNamara

Capacity

Director

Signature

Date signed

0 1 / 1 0 / 2 4

[D D] [M M] [Y Y]

INDEPENDENT EXPERT REPORT

Metrics Business Finance Holdings Pty Ltd

Independent expert report in relation to the compulsory acquisition of all the shares in Navalo Financial Services Group Limited that Metrics Business Finance Holdings Pty Ltd (together with a related body corporate) does not already hold full beneficial interests in

24 September 2024

Tel: +61 2 9251 4100
Fax: +61 2 9240 9821
www.bdo.com.au

Level 11, 1 Margaret Street
Sydney NSW 2000
Australia

FINANCIAL SERVICES GUIDE

Dated: 24 September 2024

This Financial Services Guide (**FSG**) helps you decide whether to use any of the financial services offered by BDO Corporate Finance Australia Pty Ltd (**BDO Corporate Finance, we, us, our).**

The FSG includes information about:

- Who we are and how we can be contacted
- The services we are authorised to provide under our Australian Financial Services Licence, Licence No: 247420
- Remuneration that we and/or our staff and any associates receive in connection with the financial services
- Any relevant associations or relationships we have
- Our complaints handling procedures and how you may access them.

FINANCIAL SERVICES WE ARE LICENSED TO PROVIDE

We hold an Australian Financial Services Licence which authorises us to provide financial product advice to retail and wholesale clients about securities and certain derivatives (limited to old law securities, options contracts and warrants). We can also arrange for customers to deal in securities, in some circumstances. Whilst we are authorised to provide personal and general advice to retail and wholesale clients, we only provide *general* advice to retail clients.

Any general advice we provide is provided on our own behalf, as a financial services licensee.

GENERAL FINANCIAL PRODUCT ADVICE

Our general advice is typically included in written reports. In those reports, we provide general financial product advice that is prepared without taking into account your personal objectives, financial situation or needs. You should consider the appropriateness of the general advice having regard to your own objectives, financial situation and needs before you act on the advice. Where the advice relates to the acquisition or possible acquisition of a financial product, you should also obtain a product disclosure statement relating to the product and consider that statement before making any decision about whether to acquire the product.

FEES, COMMISSIONS AND OTHER BENEFITS THAT WE MAY RECEIVE

We charge fees for providing reports. These fees are negotiated and agreed to with the person who engages us to provide the report. Fees will be agreed on an hourly basis or as a fixed amount depending on the terms of the agreement. In this instance, Metrics Business Finance Holdings Pty Ltd has agreed to pay us up to $50,000 (excluding GST and other levies) for preparing the Report.

Except for the fees referred to above, neither BDO Corporate Finance, nor any of its directors, employees or related entities, receive any pecuniary benefit or other benefit, directly or indirectly, for or in connection with the provision of general advice.

All our employees receive a salary. Our employees are eligible for bonuses based on overall company performance but not directly in connection with any engagement for the provision of a report.

REFERRALS

We do not pay commissions or provide any other benefits to any person for referring customers to us in connection with the reports that we are licensed to provide.

ASSOCIATIONS AND RELATIONSHIPS

BDO Corporate Finance is a member firm of the BDO network in Australia, a national association of separate entities (each of which has appointed BDO (Australia) Limited ACN 050 110 275 to represent it in BDO International). The general financial product advice in our report is provided by BDO Corporate Finance and not by BDO or its related entities. BDO and its related entities provide services primarily in the areas of audit, tax, consulting and financial advisory services.

We do not have any formal associations or relationships with any entities that are issuers of financial products. However, you should note that we and BDO (and its related entities) might from time to time provide professional services to financial product issuers in the ordinary course of business.

COMPLAINTS RESOLUTION

We are committed to meeting your needs and maintaining a high level of client satisfaction. If you are unsatisfied with a service we have provided you, we have avenues available to you for the investigation and resolution of any complaint you may have.

To make a formal complaint, please use the Complaints Form. For more on this, including the Complaints Form and contact details, see the **BDO Complaints Policy** available on our website.

BDO Corporate Finance is a member of AFCA (Member Number 11843). Where you are unsatisfied with the resolution reached through our Internal Dispute Resolution process, you may escalate this complaint to the Australian Financial Complaints Authority (**AFCA**) using the below contact details:

Australian Financial Complaints Authority
GPO Box 3, Melbourne VIC 3001
Email: info@afca.org.au
Phone: 1800 931 678
Fax: (03) 9613 6399
Interpreter service: 131 450
Website: http://www.afca.org.au

COMPENSATION ARRANGEMENTS

BDO Corporate Finance and its related entities hold Professional Indemnity insurance for the purpose of compensating retail clients for loss or damage suffered because of breaches of relevant obligations by BDO Corporate Finance or its representatives under Chapter 7 of the Corporations Act 2001. These arrangements and the level of cover held by BDO Corporate Finance satisfy the requirements of section 912B of the Corporations Act 2001.

CONTACT DETAILS

You may provide us with instructions using the details set out at the top of this FSG or by emailing - cf.ecp@bdo.com.au

BDO Corporate Finance Australia Pty Ltd ABN 70 050 038 170 AFS Licence No. 247420 is a member of a national association of independent entities which are all members of BDO Australia Ltd ABN 77 050 110 275, an Australian company limited by guarantee. BDO Corporate Finance Australia Pty Ltd and BDO Australia Ltd are members of BDO International Ltd, a UK company limited by guarantee, and form part of the international BDO network of independent member firms. Liability limited by a scheme approved under Professional Standards Legislation.

SUMMARY OF FINDINGS

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Level 11, 1 Margaret Street
Sydney NSW 2000
Australia

The Directors
Metrics Business Finance Holdings Pty Ltd
2 Ridge Street
North Sydney NSW 2060

24 September 2024

Dear Directors,

Independent expert report in relation to the compulsory acquisition of all the shares in Navalo Financial Services Group Limited that Metrics Business Finance Holdings Pty Ltd (together with a related body corporate) does not already hold full beneficial interests in

1 Introduction and purpose

Metrics Business Finance Holdings Pty Ltd (**Metrics**), together with a related body corporate MCH Investment Management Services Pty Ltd (as trustee for MCP Credit Trust 1) (**MCH Investment Management**) (collectively, **Metrics Group**), currently holds full beneficial interests in c.97.10% of the shares in Navalo Financial Services Group Limited (**Navalo** or **the Company**).

Metrics intends to compulsorily acquire all the shares in Navalo which Metrics Group does not already hold full beneficial interests in (**Minority Shares**), pursuant to Part 6A.2 of the *Corporations Act 2001* (Cth) (the **Act**) (**Compulsory Acquisition**). The offer price under the Compulsory Acquisition is cash consideration of $0.194 per Minority Share (**Offer**). We have defined Navalo shareholders excluding Metrics Group as **Minority Shareholders**.

BDO Corporate Finance Australia Pty Ltd (ABN 70 050 038 170) (**BDOCF**, **we**, **us** or **our**) has been nominated by the Australian Securities and Investments Commission (**ASIC**) and engaged by the directors of Metrics (**Directors**) to prepare an independent expert report (**Report** or **IER**). Consistent with Section 667A of the Act, the purpose of the IER is to state whether or not, in our opinion, the terms of the Compulsory Acquisition give a fair value for the Minority Shares, and set out the reasons for forming our opinion.

A copy of the IER is to be included in the notice of compulsory acquisition (**Notice of Compulsory Acquisition**).

2 Approach

In preparing our IER, we have considered the requirements of:

- ASIC Regulatory Guide 10 *Compulsory acquisitions and buyouts* **(RG 10**)
- ASIC Regulatory Guide 111 *Content of expert reports* (**RG 111**)
- ASIC Regulatory Guide 112 *Independence of experts* (**RG 112**)
- Accounting Professional & Ethical Standards Board (**APESB**) professional standard APES 225 *Valuation Services* (**APES 225**).

RG 111 establishes guidelines in respect of independent expert reports under the Act. This regulatory guide provides guidance as to what matters an independent expert should consider to assist securityholders to make informed decisions about transactions.

This engagement is a Valuation Engagement as defined by APES 225. A Valuation Engagement is defined by APES 225 as:

> *"An Engagement or Assignment to perform a Valuation and provide a Valuation Report where the Valuer is free to employ the Valuation Approaches, Valuation Methods, and Valuation Procedures that a reasonable and informed third party would perform taking into consideration all the specific facts and circumstances of the Engagement or Assignment available to the Valuer at that time."*

BDO Corporate Finance Australia Pty Ltd ABN 70 050 038 170 AFS Licence No. 247420 is a member of a national association of independent entities which are all members of BDO Australia Ltd ABN 77 050 110 275, an Australian company limited by guarantee. BDO Corporate Finance Australia Pty Ltd and BDO Australia Ltd are members of BDO International Ltd, a UK company limited by guarantee, and form part of the international BDO network of independent member firms. Liability limited by a scheme approved under Professional Standards Legislation.

2.1 Fair value

In undertaking our assessment of fair value, we have had regard to Section 667C of the Act, which stipulates the IER must state whether or not, in our opinion, the Offer as outlined in the Notice of Compulsory Acquisition gives a fair value for the Minority Shares, and outline the reasons for our opinion.

Section 667C of the Act states that to determine what "fair value" is:

- First, assess the value of the company as a whole
- Then allocate that value among the classes of issued securities in the company (taking into account the relative financial risk, voting, and distribution rights of the classes)
- Then allocate the value of each class pro rata among the securities in that class (without allowing a premium or applying a discount for particular securities in that class).

Additionally, Section 667C of the Act states:

> *"Without limiting subsection (1), in determining what is fair value for securities for the purposes of this Chapter, the consideration (if any) paid for securities in that class within the previous 6 months must be taken into account."*

Although the Act provides a procedure to calculate "fair value," it does not define the term "fair value." As such, we have formed our opinion in reference to the standard definition, which is:

> *"The price that would be negotiated in an open and unrestricted market between a knowledgeable, willing but not anxious buyer and a knowledgeable, willing but not anxious seller acting at arm's length."*

The Offer will give a fair value for the Minority Shares if the consideration under the Offer is equal to or greater than the fair value of a Navalo share.

3 Summary of opinion

We consider the Offer as outlined in the Notice of Compulsory Acquisition to provide fair value for the Minority Shares.

A summary of our analysis in forming the above opinion is provided below. This summary should be read in conjunction with our full IER which sets out the purpose, scope, basis of evaluation, limitations, information relied upon, analysis and our findings.

3.1 Assessment of fair value

In undertaking our assessment of fair value, we have had regard to RG 111.

Our analysis has been performed by comparing the:

- Fair value of a Navalo share
- Value of the Offer.

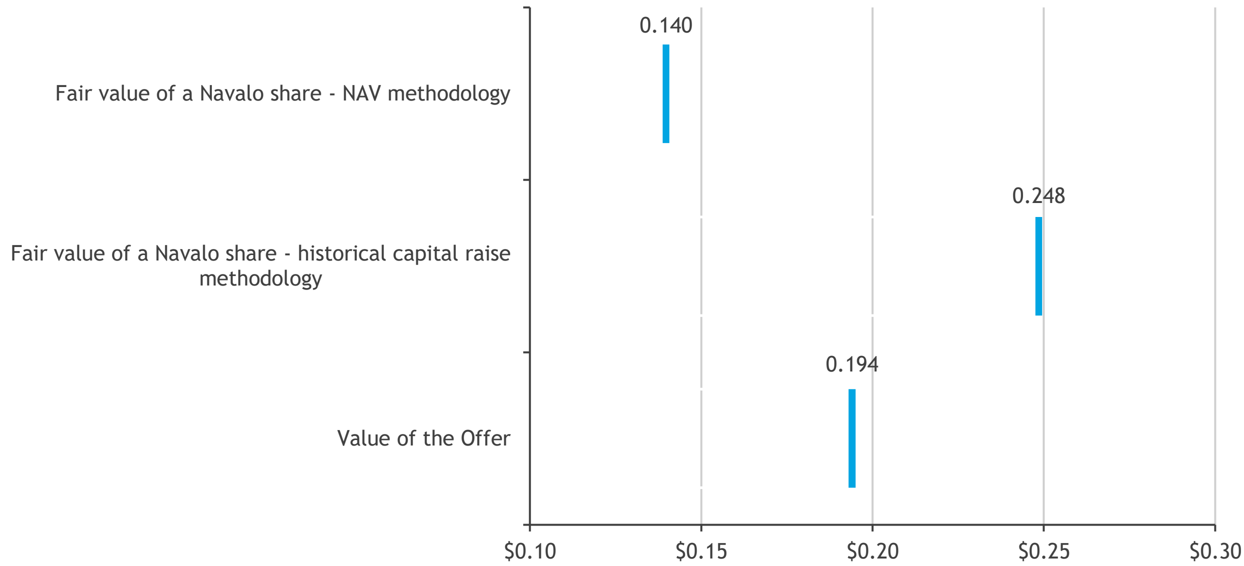
The results of our analysis are set out below and on the following page.

Table 1: Comparison of the fair value of a Navalo share and the value of the Offer

	Ref.	$
Fair value of a Navalo share - COE methodology	7.4	nil
Fair value of a Navalo share - NAV methodology	8	0.140
Fair value of a Navalo share - historical capital raise methodology	9	0.248
Value of the Offer	1.2	0.194

Source: BDOCF analysis

Figure 1: Comparison of the fair value of a Navalo share and the value of the Offer



Source: BDOCF analysis

In determining whether the Offer provides fair value for the Minority Shares, we have considered:

- The Offer of $0.194 falls between the fair value of a Navalo share determined under the NAV (c.$0.140) and historical capital raise (c.$0.248) methodologies.
- The COE valuation is prepared on a going concern basis. Under this methodology, the fair value of a Navalo share is nil.
- Under an orderly realisation scenario (i.e. the NAV methodology), the fair value of a Navalo share is c.$0.140. The NAV only became positive in July 2024 as a result of the Entitlement Offer, under which c.98.95% of the funds received were contributed by Metrics Group (see Section 3.7.3).
- As required by Section 667C, we have considered acquisitions of Navalo shares in the last six months. We have placed reduced reliance on the historical capital raise methodology, as the Entitlement Offer had minimal participation by non-Metrics Group shareholders (i.e. only 10.68%), which may indicate the Entitlement Offer price was above the fair value of a Navalo share.

Therefore, we consider the Offer as outlined in the Notice of Compulsory Acquisition to provide fair value for the Minority Shares.

Our opinion is based on economic, market and other conditions prevailing at the date of this IER. Such conditions can change significantly over relatively short periods of time. Changes in those conditions may result in any valuation or other opinion becoming quickly outdated and in need of revision. We reserve the right to revise any valuation or other opinion, in light of material information existing at the date of this Report that subsequently becomes known to us.

4 Other matters

4.1 Securityholders' individual circumstances

Our analysis has been undertaken, and our conclusions are expressed, at an aggregate level. Accordingly, BDOCF has not considered the effect of the Compulsory Acquisition on the particular circumstances of individual Minority Shareholders. Some individual Minority Shareholders may place a different emphasis on various aspects of the Compulsory Acquisition from those adopted in this IER. Accordingly, individual Minority Shareholders may reach different conclusions as to whether or not the Compulsory Acquisition gives a fair value for the Minority Shares in their individual circumstances.

The decision of an individual Minority Shareholder in relation to the Compulsory Acquisition may be influenced by their particular circumstances, and accordingly, Minority Shareholders are advised to seek their own independent advice.

The decision to object to the Compulsory Acquisition is a matter for individual Minority Shareholders based on their expectations as to the expected value, future prospects, and market conditions, together with their particular circumstances, including risk profile, liquidity preference, portfolio strategy, and tax position. Minority Shareholders should carefully consider the Notice of Compulsory Acquisition. Minority Shareholders who are in doubt as to the action they should take in relation to the Compulsory Acquisition should consult their professional advisor.

4.2 General requirements in relation to the IER

In preparing this IER, ASIC requires the independent expert when deciding on the form of analysis for a report, to bear in mind the main purpose of the report is to adequately deal with the concerns that could reasonably be anticipated by those persons affected by the Compulsory Acquisition. In preparing this IER, we considered ASIC regulatory guides and commercial practice.

This IER also includes the following information and disclosures:

- Particulars of any relationship, pecuniary or otherwise, whether existing presently or at any time within the last two years, between BDO Group Holdings Limited or BDOCF and any of the parties to the Compulsory Acquisition.
- The nature of any fee or pecuniary interest or benefit, whether direct or indirect, that we have received or will or may receive for or in connection with the preparation of the IER.
- That we have been appointed as independent expert for the purposes of providing an IER in relation to the Compulsory Acquisition. A copy of the IER is to be included in the Notice of Compulsory Acquisition.
- That we have relied on information provided by the management of Metrics (**Management**), noting some of this information has been provided by third parties, and we have not carried out any form of audit or independent verification of the information provided.
- That we have received representations from Management in relation to the completeness and accuracy of the information provided to us for the purpose of our IER.

4.3 Current market conditions

Our opinion is based on economic, market, and other conditions prevailing at the date of this IER. Such conditions can change significantly over relatively short periods of time.

Changes in those conditions may result in any valuation or other opinion becoming quickly outdated and in need of revision. We reserve the right to revise any valuation or other opinion, in the light of material information existing at the date of this Report which subsequently becomes known to us.

4.4 Glossary

Capitalised terms used in this IER have the meanings in the glossary set out in Appendix 1.

4.5 Sources of information

Appendix 2 to this IER sets out details of information referred to and relied on by us while preparing this IER and forming our opinion. The statements and opinions contained in this IER are given in good faith and are based on our consideration and assessment of information provided by Management.

Under the terms of our engagement, Metrics agreed to indemnify BDOCF, BDO Group Holdings Limited, and their partners, directors, employees, officers and agents (as applicable) against any claim, liability, loss or expense, costs or damage, arising out of reliance on any information or documentation provided, which is false or misleading or omits any material particulars, or arising from failure to supply relevant documentation or information.

4.6 Limitations

This IER has been prepared at the request of the Directors, in accordance with the process required under the Act, for the sole benefit of the Minority Shareholders. This IER is to accompany the Notice of Compulsory Acquisition to be sent to the Minority Shareholders to consider the Compulsory Acquisition, and was not prepared for any other purpose.

Accordingly, this IER and the information contained herein may not be relied upon by anyone other than the Minority Shareholders without our written consent. We accept no responsibility to any person other than the Minority Shareholders in relation to this IER.

This IER should not be used for any other purpose, and we do not accept any responsibility for its use outside this purpose. Except in accordance with the stated purpose, no extract, quote or copy of our IER, in whole or in part, should be reproduced without our written consent as to the form and context in which it may appear.

We have consented to the inclusion of this IER within the Notice of Compulsory Acquisition. Apart from this IER, we are not responsible for the contents of the Notice of Compulsory Acquisition, or any other document associated with the Compulsory Acquisition. We acknowledge this IER may be lodged with regulatory authorities.

4.7 Summary

This summary should be read in conjunction with our full Report, which sets out in detail the purpose, scope, basis of evaluation, limitations, information relied upon, analysis and findings of our work.

4.8 Financial service guide

BDOCF holds an Australian Financial Services Licence (**AFSL**) which authorises us to provide reports for the purposes of acting for and on behalf of clients in relation to proposed or actual mergers, acquisitions, takeovers, corporate restructures or share issues. A financial services guide is attached to this IER.

Yours faithfully
BDO CORPORATE FINANCE AUSTRALIA PTY LTD

David McCourt
Director

Adam Myers
Director

INDEPENDENT EXPERT REPORT

TABLE OF CONTENTS

1 Purpose and background

1.1 Purpose

Chapter 6A of the Act gives a person a right to compulsorily acquire securities under certain circumstances, depending on the level of a person's interest in the relevant class of securities or the relevant entity overall.

There are two types of compulsory acquisition under Chapter 6A of the Act:

- Compulsory acquisition following a takeover bid under Part 6A.1 of the Act (post-bid compulsory acquisition)
- General compulsory acquisition under Part 6A.2 of the Act.

The Compulsory Acquisition will be undertaken as a general compulsory acquisition under Part 6A.2 of the Act.

Pursuant to Section 664A of the Act, once a shareholder (either alone or with a related body corporate) holds full beneficial interests in at least 90% of a particular class of shares in a company (**90% Holder**), they are able to compulsorily acquire the remaining shares in that class.

Pursuant to Section 664C of the Act, the 90% Holder must prepare a notice of compulsory acquisition to lodge with ASIC and provide to the minority shareholders. Pursuant to Section 667A of the Act, the notice must be accompanied by an expert's report that states whether or not, in the expert's opinion, the terms proposed in the notice give a fair value for the relevant shares.

We were nominated by ASIC and have been engaged by the Directors of Metrics to prepare an IER stating whether or not, in our opinion, the terms of the Compulsory Acquisition as outlined in the Notice of Compulsory Acquisition give a fair value for the Minority Shares. A copy of this IER is to be included in the Notice of Compulsory Acquisition.

A summary of the Compulsory Acquisition is set out below.

1.2 Overview of the Compulsory Acquisition

As at the date of this Report, Metrics Group holds full beneficial interests in c.97.10% of the shares in Navalo. Pursuant to Section 664A of the Act, Metrics is entitled to compulsorily acquire the remaining Navalo shares in which it does not already hold full beneficial interests in.

Metrics has decided to exercise its rights pursuant to Part 6A.2 of the Act to acquire all the Minority Shares, for cash consideration of $0.194 per Minority Share.

A summary of the sequence of share transactions leading up to the Compulsory Acquisition is included at Section 3.7 of this Report.

1.3 Basis of evaluation

Pursuant to Section 667C of the Act, the IER must state whether or not, in our opinion, the terms of the Compulsory Acquisition, as outlined in the Notice of Compulsory Acquisition, give a fair value for the Minority Shares and outline the reasons for our opinion.

Section 667C of the Act states that to determine what "fair value" is:

- First, assess the value of the company as a whole
- Then allocate that value among the classes of issued securities in the company (taking into account the relative financial risk, voting, and distribution rights of the classes)
- Then allocate the value of each class pro rata among the securities in that class (without allowing a premium or applying a discount for particular securities in that class).

Additionally, Section 667C of the Act states that,

> *"Without limiting subsection (1), in determining what is fair value for securities for the purposes of this Chapter, the consideration (if any) paid for securities in that class within the previous 6 months must be taken into account."*

The Act does not define the term "fair value." As such, we have formed our opinion in reference to the standard definition, which is:

> *"The price that would be negotiated in an open and unrestricted market between a knowledgeable, willing but not anxious buyer and a knowledgeable, willing but not anxious seller acting at arm's length."*

In determining whether the Offer gives a fair value for the Minority Shares, we have also had regard to RG 10, RG 111, and RG 112.

In particular, RG 111 establishes guidelines in respect of independent expert reports under the Act.

RG 111.11 indicates that an offer is 'fair' if the value of the offer price or consideration is equal to or greater than the value of the securities the subject of the offer. The value of the securities the subject of the offer is determined assuming:

- A knowledgeable and willing, but not anxious, buyer and a knowledgeable and willing, but not anxious, seller acting at arm's length
- 100% ownership of the target company, irrespective of the percentage holding of the bidder or its associates in the target company.

2 Scope and limitations

2.1 Scope

The scope of the procedures we undertook in forming our opinion on whether the Offer gives a fair value for the Minority Shares has been limited to those procedures we believe are required to form our opinion. Our procedures did not include verification work nor constitute an audit or assurance engagement in accordance with Australian Auditing and Assurance Standards.

Our assessment involved determining the fair value of various securities, assets and liabilities. For the purposes of our opinion, the term fair value is defined as the price that would be negotiated in an open and unrestricted market between a knowledgeable, willing, but not anxious purchaser and a knowledgeable, willing, but not anxious seller, acting at arm's length.

2.2 Summary of regulatory requirements

Chapter 6A of the Act prescribes the steps an expert must take in reaching an opinion for compulsory acquisitions and buy-outs. Section 667A(1) of the Act requires an expert to:

- Provide an opinion on whether the proposed terms in the buy-out or acquisition notice give a 'fair value' for the securities
- Set out the reasons for its opinion.

RG 111.48 states that to determine what 'fair value' is, Section 667C of the Act requires that an expert:

- First assess the value of the entity as a whole
- Then allocate that value among the classes of issued securities in the company (taking into account the relative financial risk, voting, and distribution rights of the classes)
- Then allocate the value of each class pro rata among the securities in that class (without allowing any premium or applying a discount for particular securities or interest in that class).

RG 111.49 states that in determining the fair value for securities, an expert must also take into account the prices paid for securities in that class in the previous six months (Section 667C(2) of the Act).

RG 111 suggests that where the transaction is a control transaction, the expert should focus on the substance of the control transaction rather than the legal mechanism to effect it. RG 111 suggests that where a transaction is a control transaction, it should be analysed on a basis consistent with a takeover bid.

In our opinion, the Compulsory Acquisition is a control transaction as defined by RG 111 and we have therefore assessed the Compulsory Acquisition as a control transaction to consider whether, in our opinion, it offers a fair value for the Minority Shares.

2.3 Basis of assessment

The Offer gives a fair value for the Minority Shares if the consideration offered by Metrics is equal to or greater than the fair value of a Navalo share. We have calculated the fair value of the Minority Shares in accordance with Section 667C of the Act.

2.4 General requirements in relation to the IER

In preparing this IER, ASIC requires the independent expert when deciding on the form of analysis for a report, to bear in mind the main purpose of the report is to adequately deal with the concerns that could reasonably be anticipated by those persons affected by the Compulsory Acquisition. In preparing this IER, we considered ASIC regulatory guides and commercial practice.

This IER also includes the following information and disclosures:

- Particulars of any relationship, pecuniary or otherwise, whether existing presently or at any time within the last two years, between BDO Group Holdings Limited or BDOCF and any of the parties to the Compulsory Acquisition.
- The nature of any fee or pecuniary interest or benefit, whether direct or indirect, that we have received or will or may receive for or in connection with the preparation of the IER.
- That we have been appointed as independent expert for the purposes of providing an IER in relation to the Compulsory Acquisition. A copy of the IER is to be included in the Notice of Compulsory Acquisition.

- That we have relied on information provided by Management, noting some of this information has been provided by third parties, and we have not carried out any form of audit or independent verification of the information provided.
- That we have received representations from Management in relation to the completeness and accuracy of the information provided to us for the purpose of our IER.

2.5 Special value

We have not considered special value in forming our opinion. Special value is the amount that a potential acquirer may be prepared to pay for a business in excess of the fair value. This premium represents the value to the particular potential acquirer of potential economies of scale, reduction in competition, other synergies and cost savings arising from the acquisition under consideration not available to likely purchasers generally. Special value is not normally considered in the assessment of fair value as it relates to the individual circumstances of special purchasers.

2.6 Reliance on information

This Report is based upon financial and other information provided by Management. BDOCF has considered and relied upon this information. BDOCF believes the information provided to be reliable, complete, and not misleading, and has no reason to believe that any material facts have been withheld. The information provided was evaluated through analysis, inquiry, and review for the purpose of forming an opinion as to whether the Offer gives a fair value for the Minority Shares.

Under the terms of our engagement, Metrics agreed to indemnify BDOCF, BDO Group Holdings Pty Ltd, and their partners, directors, employees, officers and agents (as applicable) against any claim, liability, loss or expense, costs or damage, arising out of reliance on any information or documentation provided, which is false or misleading or omits any material particulars, or arising from failure to supply relevant documentation or information.

BDOCF does not warrant that its inquiries have identified or verified all of the matters which an audit, extensive examination or “due diligence” investigation might disclose. In any event, an opinion as to whether an offer gives a fair value to the minority shareholders is in the nature of an overall opinion rather than an audit or detailed investigation. Preparation of this Report does not imply that BDOCF has audited in any way the financial accounts or other records of Navalo.

It is understood the accounting information provided to BDOCF was prepared in accordance with generally accepted accounting principles and except where noted, prepared in a manner consistent with the method of accounting used in previous accounting periods.

An important part of the information base used in forming an opinion of the kind expressed in this Report are the opinions and judgement of Management. This type of information was also evaluated through analysis, inquiry, and review to the extent practical. However, such information is often not capable of external verification or validation.

2.7 Limitations

This IER has been prepared at the request of the Directors, in accordance with the process required under the Act, for the sole benefit of the Minority Shareholders. This IER is to accompany the Notice of Compulsory Acquisition to be sent to the Minority Shareholders to consider the Compulsory Acquisition, and was not prepared for any other purpose.

Accordingly, this IER and the information contained herein may not be relied upon by anyone other than the Minority Shareholders without our written consent. We accept no responsibility to any person other than the Minority Shareholders in relation to this IER.

This IER should not be used for any other purpose, and we do not accept any responsibility for its use outside this purpose. Except in accordance with the stated purpose, no extract, quote or copy of our IER, in whole or in part, should be reproduced without our written consent as to the form and context in which it may appear.

We have consented to the inclusion of this IER within the Notice of Compulsory Acquisition. Apart from this IER, we are not responsible for the contents of the Notice of Compulsory Acquisition, or any other document associated with the Compulsory Acquisition. We acknowledge this IER may be lodged with regulatory authorities.

2.8 Assumptions

In forming our opinion, we have made certain assumptions and outline these in our IER including:

- Assumptions outlined in the valuation sections
- That matters such as title to all relevant assets, compliance with laws and regulations and contracts in place are in good standing, and will remain so, and there are no material legal proceedings, other than as publicly disclosed

- Information sent out in relation to the Compulsory Acquisition to Minority Shareholders or any regulatory or statutory body is complete, accurate and fairly presented in all material respects
- Publicly available information relied on by us is accurate, complete and not misleading
- If the Compulsory Acquisition is implemented, that it will be implemented in accordance with the stated terms
- The legal mechanisms to implement the Compulsory Acquisition are correct and effective
- There are no undue changes to the terms and conditions of the Compulsory Acquisition or material issues unknown to us.

2.9 Current market conditions

Our opinion is based on economic, market, and other conditions prevailing at the date of this IER. Such conditions can change significantly over relatively short periods of time.

Changes in those conditions may result in any valuation or other opinion becoming quickly outdated and in need of revision. We reserve the right to revise any valuation or other opinion, in the light of material information existing at the date of this Report which subsequently becomes known to us.

2.10 Sources of information

Appendix 2 to this IER sets out details of information referred to and relied on by us while preparing this IER and forming our opinion. The statements and opinions contained in this IER are given in good faith and are based on our consideration and assessment of information provided by Management.

3 Profile of Navalo

3.1 Overview

Navalo offers Buy Now-Pay Later (**BNPL**) consumer finance products across Australia and New Zealand. The Company was incorporated in 2015 and was listed on the Australian Securities Exchange (**ASX**) until 28 July 2023 (ASX:PYR), when it was delisted.

Navalo engages directly with merchant stores to offer a point-of-sale finance solution. Where a customer elects to use finance as a method of settling their purchase, an application is made with Navalo via a merchant specific online portal. Navalo then settles the transaction directly with the merchant, typically net of an agreed merchant service fee.

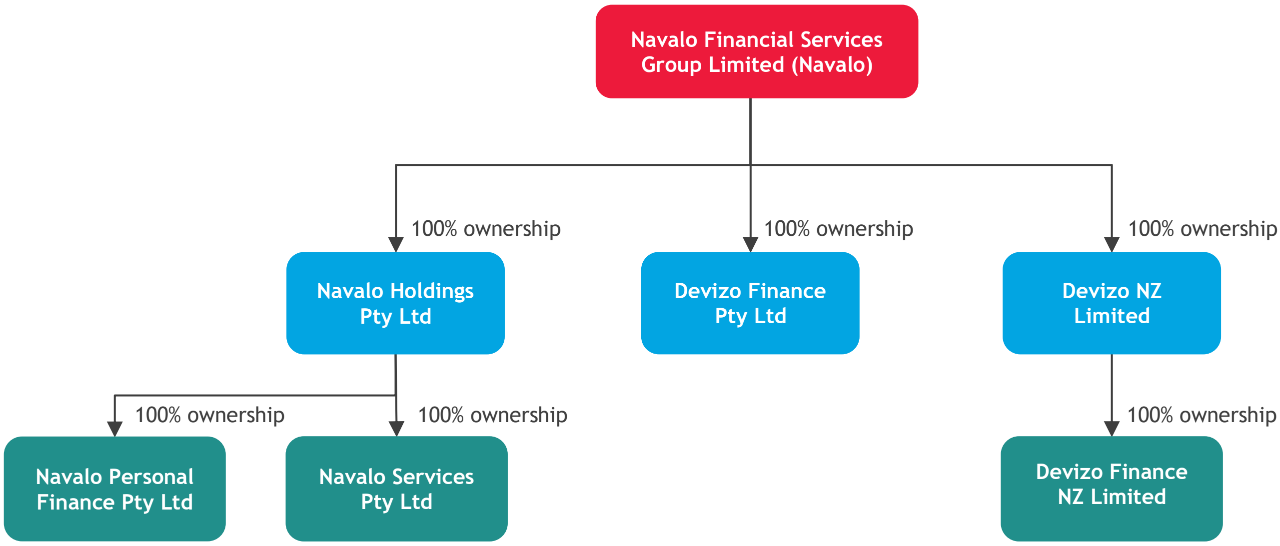
The Company focuses on large-ticket purchases, with transaction values typically ranging between $1,000 to $20,000. Navalo primarily serves merchants in the home improvement, education, retail, health and beauty, photography, education, dental, and automative sectors.

Navalo was formerly known as Payright Limited and changed its name to Navalo Financial Services Group Limited on 29 June 2023.

3.2 Corporate structure

Navalo's corporate structure is set out below.

Figure 2: Navalo's corporate structure



Source: Management information

3.3 Directors and management

Navalo's current board of directors and management are listed below and on the following page.

Table 2: Navalo's current board of directors

Name	Position
Andrew Lockhart	Chairman and Non-Executive Director
Allan Griffiths	Non-Executive Director
Matthew Pringle	Non-Executive Director
Lisa Davis	Director
Mark Licciardo	Non-Executive Director

Source: Management information

Table 3: Navalo's current management

Name	Position
Stewart Creighton	Interim CEO
Saara Mistry	General Counsel & Chief Risk Officer
Myles Redward	Co-Founder and Managing Director
Piers Redward	Co-Founder and Managing Director

Source: Management information

3.4 Financial performance summary

Navalo's consolidated historical statement of profit or loss for the financial years ended 30 June 2022 (**FY22**), 30 June 2023 (**FY23**), and 30 June 2024 (**FY24**) is presented below.

Navalo's financial performance for FY22 and FY23 is sourced from the audited financial statements. Navalo's financial performance for FY24 is sourced from management accounts.

Table 4: Navalo's historical statement of profit or loss

$'000		FY22	FY23	FY24
Fee income		15,929	18,071	19,880
Other income		386	816	2,686
Finance income		0	89	-
Total revenue	A	**16,315**	**18,977**	**22,566**
Administration costs		(1,625)	(1,951)	(2,183)
Consulting & professional fees	B	(1,941)	(2,700)	(4,002)
Depreciation		(176)	(125)	(21)
Employee benefits expenses	B	(10,241)	(7,518)	(7,555)
Expected credit loss		(4,791)	(5,144)	(6,388)
Marketing & advertising		(543)	(189)	(84)
Rent & occupancy		(62)	(69)	-
Other expenses	C	(1,002)	(888)	(928)
Operating profit/(loss)		**(4,066)**	**393**	**1,405**
Finance costs	D	(9,734)	(10,128)	(13,336)
Gain/(loss) on revaluation of embedded derivative		1,138	(391)	853
Loss before tax		**(12,662)**	**(10,126)**	**(11,078)**
Income tax benefit/(expense		-	-	15
Loss for the year		**(12,662)**	**(10,126)**	**(11,063)**
Foreign currency translation movements		(126)	3	-
Total comprehensive loss for the year		**(12,788)**	**(10,123)**	**(11,063)**
KPIs				
Fee income growth		*39.1%*	*13.5%*	*10.0%*
Expected credit loss as a % of fee income		*(30.1%)*	*(28.5%)*	*(32.1%)*

Source: Navalo's FY23 annual report, Management information, BDOCF analysis

Notes:

A

Total revenue

A breakdown of total revenue over FY22 to FY24 is set out below.

Table 5: Summary of total revenue

$'000	FY22	FY23	FY24
Customer fees	5,700	6,415	6,695
Merchant fees	10,229	11,657	13,185
Late payment fees	226	302	355
Recoveries	160	65	216
Operating income	**16,315**	**18,438**	**20,451**
R&D government grant income	-	449	-
Debt sale income	-	-	1,843
Secondment income	-	-	42
Finance income	0	89	230
Total revenue	**16,315**	**18,977**	**22,566**

Source: Navalo's FY23 annual report, Management information, BDOCF analysis

B

Consulting & professional fees and employee benefits expense

Consulting & professional fees increased from c.$1.9 million in FY22 to c.$4.0 million in FY24. This increase was partly offset by a reduction in employee expenses, from c.$10.2 million in FY22 to c.$7.6 million in FY24, due to a c.35% reduction in headcount.

C

Other expenses

Other expenses comprises merchant fees and bank charges related to payment processing, security trustee agent fees, credit check fees, and other miscellaneous expenses.

D

Finance costs

Management advises finance costs comprise product and non-product related expenses. Below is a breakdown of finance costs over FY22 to FY24.

Table 6: Summary of finance costs

$'000	FY22	FY23	FY24
Finance costs (product)	(8,255)	(8,225)	(11,048)
Finance costs (non-product)	(1,479)	(1,903)	(2,289)
Total finance costs	**(9,734)**	**(10,128)**	**(13,336)**

Source: Navalo's FY23 annual report, Management information, BDOCF analysis

We have determined Navalo's historical earnings before interest, tax, depreciation and amortisation (**EBITDA**). We have calculated EBITDA based on Navalo's reported operating profit/(loss), and applied adjustments for finance income, finance costs (product), and depreciation. A summary of our calculation of Navalo's EBITDA is set out on the following page.

Table 7: Navalo's historical EBITDA

$'000	FY22	FY23	FY24
Operating income	**16,315**	**18,438**	**20,451**
Operating profit/(loss)	**(4,066)**	**393**	**1,405**
Add/(Less)			
Finance income	(0)	(89)	(230)
Finance costs (product)	(8,255)	(8,225)	(11,048)
Depreciation	176	125	21
EBITDA	**(12,145)**	**(7,796)**	**(9,852)**
EBITDA margin	(74.4%)	(42.3%)	(48.2%)

Source: Navalo's FY23 annual report, Management information, BDOCF analysis

3.4.1 Normalised EBITDA

To determine Navalo's normalised EBITDA, we enquired about abnormal or non-commercial items in Navalo's financial results. Based on discussions with Management and other information available to us, we have made the following adjustments.

Table 8: Navalo's normalised EBITDA

$'000	Ref.	FY22	FY23	FY24
Operating income	**3.4**	**16,315**	**18,438**	**20,451**
EBITDA		**(12,145)**	**(7,796)**	**(9,852)**
Normalisation adjustments				
Consulting & professional fees		47	91	148
Marketing		10	34	-
Legal & compliance		27	357	740
Other		-	77	195
Normalised EBITDA		**(12,062)**	**(7,237)**	**(8,769)**
Normalised EBITDA margin		(73.9%)	(39.2%)	(42.9%)

Source: Management information, information provided by the management of Navalo, BDOCF analysis

3.5 Financial position summary

Navalo's consolidated historical statement of financial position as at 30 June 2022, 30 June 2023, 30 June 2024, and 31 July 2024 is presented on the following page.

Navalo's financial position as at 30 June 2022 and 30 June 2023 is sourced from the audited financial statements. Navalo's financial position as at 30 June 2024 and 31 July 2024 is sourced from management accounts.

Table 9: Navalo's historical statement of financial position

$'000		30-Jun-22	30-Jun-23	30-Jun-24	31-Jul-24
Cash & cash equivalents	A	12,683	9,640	12,218	15,434
Receivables		54,591	63,896	69,013	68,728
Prepayments & other current assets	B	877	1,627	1,413	486
Total current assets		**68,151**	**75,163**	**82,644**	**84,649**
Receivables		40,989	48,705	51,420	51,445
Property, plant & equipment		47	12	27	34
Right-of-use assets		80	-	-	-
Other non-current assets	C	980	1,567	48	48
Total non-current assets		**42,096**	**50,284**	**51,496**	**51,528**
Total assets		**110,247**	**125,448**	**134,140**	**136,177**
Trade & other payables		(4,605)	(2,501)	(4,159)	(2,203)
Loans & borrowings	D	(4,558)	-	(23,206)	(18,713)
Lease liabilities		(91)	-	-	-
Employee liabilities		(621)	(544)	(626)	(636)
Total current liabilities		**(9,875)**	**(3,045)**	**(27,991)**	**(21,552)**
Loans & borrowings	D	(92,826)	(110,516)	(106,456)	(106,636)
Derivative liability		(462)	(853)	-	-
Employee liabilities		(162)	(220)	(279)	(284)
Total non-current liabilities		**(93,450)**	**(111,589)**	**(106,735)**	**(106,920)**
Total liabilities		**(103,325)**	**(114,634)**	**(134,726)**	**(128,472)**
Net assets		**6,922**	**10,813**	**(586)**	**7,704**
Issued capital	E	45,895	59,723	59,260	68,158
Other reserves		408	598	724	726
Accumulated losses		(39,381)	(49,507)	(60,570)	(61,180)
Total equity		**6,922**	**10,813**	**(586)**	**7,704**

Source: Navalo's FY23 annual report, Management information, BDOCF analysis

Notes:

A	**Cash & cash equivalents** Cash & cash equivalents includes restricted cash. Restricted cash is the cash balance Navalo is required to hold under the terms of the warehouse loan facility. Restricted cash increased from $1.5 million as at 30 June 2022 to $2.1 million as at 30 June 2024, due to the extension of the warehouse facility. As at 30 June 2024 and 31 July 2024, cash & cash equivalents includes a liquidity facility of c.$1.8 million and c.$1.9 million, respectively. Previously, the liquidity facility was recorded in other non-current assets. Cash & cash equivalents increased from c.$12.2 million as at 30 June 2024 to c.$15.4 million as at 31 July 2024, mainly due to proceeds received from the Company completing an entitlement offer (see Section 3.7.3).
B	**Prepayments & other current assets** Prepayments & other current assets declined from c.$1.4 million as at 30 June 2024 to c.$486k as at 31 July 2024. The decrease was mainly driven by a change in classification in the management accounts, with certain assets being recorded net of corresponding liabilities.

C	**Other non-current assets** Other non-current assets decreased from c.$1.6 million as at 30 June 2023 to c.$48k as at 30 June 2024. The decline was driven by the reclassification of a c.$1.9 million liquidity reserve from other non-current assets to cash & cash equivalents.

D — Loans & borrowings

Total loans & borrowings increased from c.$97.4 million as at 30 June 2022 to c.$125.3 million as at 31 July 2024. A summary of the components of loans & borrowings is set out below.

Table 10: Summary of loans & borrowings

$'000	30-Jun-22	30-Jun-23	30-Jun-24	31-Jul-24
Secured - notes payable	(4,558)	-	-	-
Intercompany loan - Metrics	-	-	(23,206)	(18,713)
Current loans & borrowings	**(4,558)**	**-**	**(23,206)**	**(18,713)**
Secured - secured loans	(86,984)	(104,301)	(99,346)	(99,427)
Unsecured - convertible note	(5,842)	(6,215)	(7,110)	(7,209)[1]
Non-current loans & borrowings	**(92,826)**	**(110,516)**	**(106,456)**	**(106,636)**
Total loans & borrowings	**(97,383)**	**(110,516)**	**(129,662)**	**(125,349)**

Source: Navalo's FY23 annual report, Management information, BDOCF analysis

[1]The convertible note liability as at 31 July 2024 represents the outstanding balance of the convertible notes (including accrued and unpaid interest) only

E — Issued capital

Issued capital increased from c.$45.9 million as at 30 June 2022 to c.$68.2 million as at 31 July 2024, primarily driven by the Company completing various entitlement offers. See Section 3.7 for details of Navalo's recent share issues and transactions.

3.5.1 Net working capital

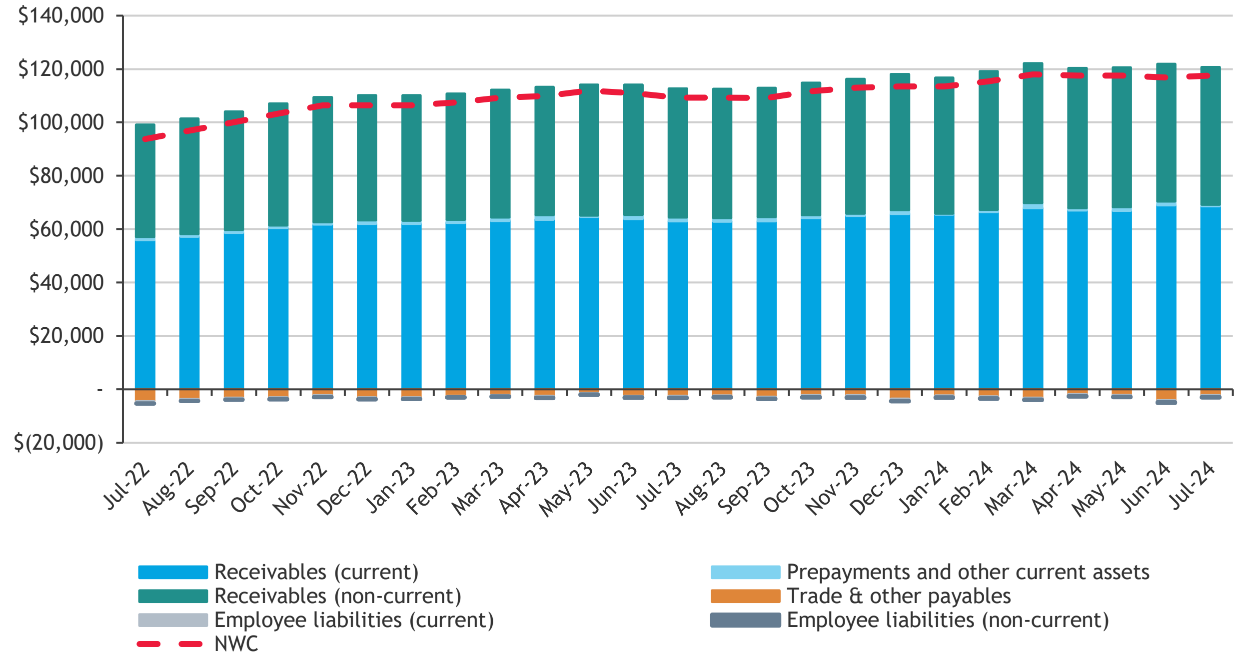
We have analysed Navalo's historical net working capital (**NWC**) levels, as set out below and on the following page.

Table 11: Historical NWC analysis

$'000	30-Jun-23	30-Jun-24	31-Jul-24	30-Jun-23 12m Avg	30-Jun-24 12m Avg	31-Jul-24 12m Avg
Receivables (current)	63,896	69,013	68,728	61,365	65,597	65,699
Prepayments and other current assets	1,513	1,413	486	1,150	1,211	1,181
Receivables (non-current)	48,705	51,420	51,445	46,262	50,478	50,420
Trade & other payables	(2,436)	(4,159)	(2,203)	(2,826)	(2,678)	(2,627)
Employee liabilities (current)	(544)	(626)	(636)	(530)	(616)	(612)
Employee liabilities (non-current)	(220)	(279)	(284)	(185)	(259)	(258)
NWC	**110,914**	**116,783**	**117,537**	**105,236**	**113,732**	**113,803**

Source: Management information, BDOCF analysis

Figure 3: Historical NWC analysis



Source: Management information, BDOCF analysis

Navalo's average NWC for the 12 months to 30 June 2023 and 30 June 2024 was c.$105.2 million and c.$113.7 million, respectively. As at 31 July 2024, Navalo held NWC of c.$117.5 million.

Based on our NWC analysis above, we consider Navalo's NWC position as at 31 July 2024 to be materially consistent with the NWC levels observed in prior periods. Therefore, we have assumed Navalo's NWC as at 31 July 2024 is reflective of 'normal levels'.

3.6 Capital structure

3.6.1 Shareholders

As at the date of this Report, Navalo had 55,142,545 shares outstanding. Metrics Group holds full beneficial interests in c.97.10% of the shares in Navalo.

A summary of Navalo's shareholders is set out below.

Table 12: Summary of Navalo's shareholders

Shareholder	Shares (#)	Shares (%)
MCH Investment Management	41,245,110	74.80%
Metrics	12,297,397	22.30%
Total Metrics Group	**53,542,507**	**97.10%**
Other shareholders	1,600,038	2.90%
Total Navalo shares outstanding	**55,142,545**	**100.00%**

Source: Management information, BDOCF analysis

As at the date of this Report, MCH Investment Management also holds 14,545,454 convertible notes issued by Navalo (see Section 3.6.2).

3.6.2 Other securities on issue

A summary of Navalo's share options, warrants, and convertible notes on issue as at the date of this Report is set out on the following page.

Table 13: Summary of other securities on issue

Security	Number on issue (#)	Exercise price ($)	Expiry date
ESOP director options	33,000	260.91	23-Dec-24
ESOP employee options	6,188	77.16	23-Dec-24
Total options	**39,188**		
Convertible notes	35,555,560	1.38	13-May-26
Warrants	21,713	4.54	29-Sep-27

Source: Management information, BDOCF analysis

The exercise prices of the options and warrants, and the conversion price of the convertible notes, are significantly higher than our assessed value of a Navalo share (see Section 10). Therefore, we consider the options, warrants and conversion feature of the convertible notes to have immaterial value, and are not a class we consider value should be apportioned to.

3.7 Recent share issues and transactions

Set out below is a summary of Navalo's share movements from 1 July 2022 to 31 July 2024. Also shown is Metrics Group's full beneficial interests in Navalo at each date.

Table 14: Navalo's share movements from 1 July 2022 to 31 July 2024

Date	Description	Share increase/ (decrease) (#)	Total Navalo shares on issue (#)	Navalo shares Metrics Group holds full beneficial interests in (#)	Metrics Group's full beneficial ownership interest in Navalo (%)
1-Jul-22	**Opening balance**		**78,173,400**	**9,270,295**	**11.86%**
6-Dec-22	Placement and Institutional Entitlement Offer	41,696,123	119,869,523	48,299,750	40.29%
12-Dec-22	Entitlement Offer	27,162	119,896,685	48,299,750	40.28%
9-Jan-23	Mandatory escrow period expired	19,220,096	139,116,781	48,299,750	34.72%
12-Jan-23	Entitlement Offer	70,321,028	209,437,809	110,042,654	52.54%
20-Mar-23	Entitlement Offer	352,700,814	562,138,623	462,743,468	82.32%
21-Mar-23	Entitlement Offer	63,773	562,202,396	462,743,468	82.31%
12-Apr-23	Entitlement Offer	318,641,976	880,844,372	750,456,781	85.20%
6-Jul-23	Capital consolidation	(873,797,235)	7,047,137	6,003,655	85.19%
23-Dec-23	Employee share issues	343	7,047,480	6,003,655	85.19%
29-Feb-24	Placement @ $0.2838 per share	1,790,014	8,837,494	7,793,669	88.19%
26-Apr-24	Share buy-back @ $0.2838 per share	(60,238)	8,777,256	7,793,669	88.79%
11-Jul-24	Entitlement offer @ $0.194 per share	46,365,289	55,142,545	53,542,507	97.10%
31-Jul-24	**Closing balance**		**55,142,545**	**53,542,507**	**97.10%**

Source: Management information, BDOCF analysis

3.7.1 Placement - February 2024

On 29 February 2024, Navalo raised $508,000 through the issue of 1,790,014 shares to Metrics Group, at $0.2838 per share (**Placement**).

Following the Placement, Metrics Group held full beneficial interests in 7,793,669 shares in Navalo, being c.88.19% of the Company's issued share capital.

3.7.2 Buy-back – April 2024

On 20 March 2024, Navalo announced an equal access buy-back of up to 704,748 shares, at a price per share of $0.2838 (**Buy-Back**).

The Buy-Back was completed on 26 April 2024, with 60,238 shares being bought back from shareholders. Metrics Group did not participate in the Buy-Back.

Upon completion of the Buy-Back, Navalo had 8,777,256 shares on issue, and Metrics Group held full beneficial interests in c.88.79% of Navalo's shares.

3.7.3 Entitlement offer – July 2024

On 7 June 2024, Navalo announced a pro rata non-renounceable entitlement offer of new fully paid shares, at an offer price of $0.194 (**Entitlement Offer**). Under the Entitlement Offer, eligible shareholders were entitled to subscribe for 5.87 new shares for every one existing share held as at 7:00pm on 13 June 2024 (**Entitlement Offer Record Date**).

Proceeds from the Entitlement Offer were primarily intended to repay short-term borrowings and fund working capital requirements.

As at the Entitlement Offer Record Date, Metrics Group held full beneficial interests in c.88.79% of Navalo's shares on issue.

On 11 July 2024, Navalo issued 46,365,289 new shares at $0.194 per new share, for gross proceeds of $8,994,866. Metrics Group took up 100.0% of its entitlements under the Entitlement Offer for c.$8.9 million (being c.98.95% of the gross proceeds).

If Metrics Group's shares are excluded from analysis of the Entitlement Offer, only c.10.68% of Navalo's shares participated in the Entitlement Offer.

Following completion of the Entitlement Offer, Metrics Group held full beneficial interests in 53,542,507 shares in Navalo, being c.97.10% of the issued share capital.

4 Timeline of Metrics Group’s full beneficial interests in Navalo

As at the date of this Report, Metrics Group held full beneficial interests in 53,542,507 Navalo shares.

A summary of the recent changes in Metrics Group’s full beneficial interests in Navalo shares is presented below.

Table 15: Timeline of Metrics Group’s full beneficial interests in Navalo

Date	Description	Navalo shares Metrics Group holds full beneficial interests in (#)	Total Navalo shares on issue (#)	Metrics Group's full beneficial ownership interest in Navalo (%)
28-Jul-23	Delisting	6,003,655	7,047,137	85.19%
29-Feb-24	Placement	7,793,669	8,837,494	88.19%
26-Apr-24	Buy-Back	7,793,669	8,777,256	88.79%
11-Jul-24	Entitlement Offer	53,542,507	55,142,545	97.10%

Source: Management information, BDOCF analysis

5 Industry analysis

5.1 Overview

BNPL operators provide payment solutions, allowing consumers to purchase goods and services immediately, and make interest-free repayments in instalments over a specified period of time.

Below is an overview of the BNPL industry in Australia.

5.2 Current industry performance

Technology is disrupting the way consumers manage their finances and pay for goods. In this shifting landscape, BNPL services have emerged to challenge traditional credit card financing and short-term loans. Convenient BNPL services have been well integrated into the buying cycle, as consumers, particularly younger demographics, embrace paying in instalments when making purchases.

An increase in online shopping has driven further growth in both merchant and consumer uptake of BNPL platforms. Total industry revenue increased at a compound annual growth rate (**CAGR**) of c.29.3% over 2018-23, to reach c.$1.1 billion in 2023.

The ease by which consumers can switch between BNPL platforms has increased industry competition, as firms struggle with fluid market share. Banks and financial services firms have also entered the market, offering BNPL services alongside their established suite of payment options. In a tight market, larger providers (such as Afterpay and Zip) have looked to create a global footprint, while others have opted to consolidate their presence domestically.

5.3 Key external drivers

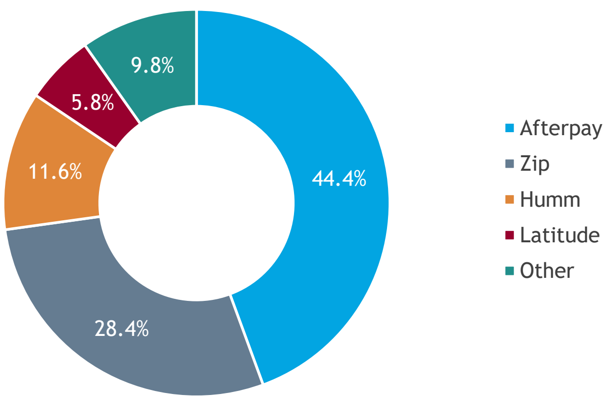
The industry's key external drivers are:

- **Consumer sentiment index**: the consumer sentiment index measures how consumers feel about their financial situation and the economy. A higher consumer sentiment index translates into more purchases using BNPL methods, since they are more confident in their ability to pay the debt later.
- **Demand from online shopping**: many consumers are becoming increasingly wary of credit card debts and are using BNPL services to make online shopping purchases. As demand from online shopping increases, merchants will process an increased value and volume of transactions.
- **Demand from department stores**: department stores have an advantage over online operators, as consumers can physically inspect products, receive face-to-face customer service and acquire products instantly. Many department stores, including Myer, David Jones and Kmart, now offer BNPL services.
- **Demand from credit card issuance**: demand for credit cards influences demand for BNPL services. A higher number of credit card accounts means consumers can access credit without using BNPL services. Conversely, declining demand for credit cards boosts the number of consumers using BNPL services.

5.4 Major players

The major players in Australia's BNPL industry are depicted below.

Figure 4: Major players in 2023



Source: IBISWorld Industry Report

5.5 Regulatory environment

Historically, BNPL providers have been exempt from the need to hold a credit license or comply with responsible lending obligations (e.g. verifying income and checking consumers' existing debts). In May 2023, the Australian Treasury announced the Federal Government's intention to regulate BNPL providers.

In June 2024, the Australian Government introduced new consumer protection legislation for the BNPL industry, which will see BNPL regulated as consumer credit. The new legislation amends the *National Consumer Credit Act* (**Credit Act**), to require BNPL providers to hold an Australian credit license and comply with responsible lending obligations. Consequently, operators will need to comply with existing credit laws which are regulated by ASIC. A new category of 'low-cost credit' has also been established under the Credit Act, to reflect the lower risk and cost of BNPL compared to other regulated forms of credit. However, BNPL providers will still need to consider whether a product is suitable and affordable for consumers.

Looking forward, tighter regulation will likely challenge BNPL providers and have a material impact on the overall performance of the BNPL industry.

5.6 Future industry performance

Despite strong revenue growth, industry players are facing a reassessment of the business model that has disrupted traditional payment systems. These firms have emphasised revenue growth, often operating at a loss to expand their respective customer bases and dominate the market.

As interest rates rise, BNPL providers will need to navigate more expensive credit. Moreover, these firms will have to navigate changing consumer sentiment and business confidence, as consumers and investors struggle with rising inflation.

Total industry revenue is forecast to rise at a CAGR of c.8.2% from 2023-28, to reach c.$1.7 billion in 2028.

6 Assessment of fair value and valuation methodologies

6.1 Assessment of fair value

In undertaking our assessment of fair value, we have had regard to Section 667C of the Act, which stipulates the IER must state whether or not, in our opinion, the Offer, as outlined in the Notice of Compulsory Acquisition, gives a fair value for the Minority Shares, and outline the reasons for our opinion.

Section 667C of the Act states that to determine what "fair value" is:

- First, assess the value of the company as a whole
- Then allocate that value among the classes of issued securities in the company (taking into account the relative financial risk, voting, and distribution rights of the classes)
- Then allocate the value of each class pro rata among the securities in that class (without allowing a premium or applying a discount for particular securities in that class).

Additionally, Section 667C of the Act states:

> *"Without limiting subsection (1), in determining what is fair value for securities for the purposes of this Chapter, the consideration (if any) paid for securities in that class within the previous 6 months must be taken into account."*

Although the Act provides a procedure to calculate "fair value," it does not define the term "fair value." As such, we have formed our opinion in reference to the standard definition, which is:

> *"The price that would be negotiated in an open and unrestricted market between a knowledgeable, willing but not anxious buyer and a knowledgeable, willing but not anxious seller acting at arm's length."*

The Offer will give a fair value for the Minority Shares if the consideration under the Offer is equal to or greater than the fair value of a Navalo share.

The valuation methodologies commonly used for the above analyses are set out below.

6.2 Valuation methodologies

Detailed descriptions of common methodologies for valuing businesses and assets are included at Appendix 3. The principal methodologies which can be considered are:

- Discounted cash flow (**DCF**)
- Capitalisation of earnings (**COE**)
- Net asset value (**NAV**)
- Quoted market price (**QMP**)
- Historical capital raisings.

Set out below is a discussion of the valuation methodologies we considered in our assessment of the value of a Navalo share.

6.3 Selected valuation methodologies for a Navalo share

We consider the COE, NAV, and historical capital raise methodologies to be the most appropriate methodologies for valuing a Navalo share. A summary of our assessment of the applicability of each valuation methodology is set out on the following page.

Table 16: Selected valuation methodologies for a Navalo share

Methodology	Appropriate?	Explanation
DCF	X	The DCF approach is appropriate where the business' cash flows are expected to fluctuate and where earnings are capable of being forecast for a reasonable period (preferably five to 10 years) with reasonable accuracy. We have not been provided with the forecast financial information required to adopt the DCF methodology for Navalo.
COE	✓	We have adopted the COE methodology (using revenue metrics) to value a Navalo share. A revenue-based valuation approach is appropriate as Navalo is generating a negative EBITDA (on a normalised basis) and net profit. Additionally, Navalo has a record of historical revenue growth, and a range of comparative information is available to select an appropriate multiple.
NAV	✓	The NAV approach is usually appropriate where the majority of assets consist of cash or passive investments, or where the business is under performing. All assets and liabilities of the entity are valued at fair value under this methodology, and the combined fair value forms the basis for the entity's valuation.
QMP	X	We do not consider the QMP methodology to be appropriate as Navalo's shares are not listed in a regulated and observable market.
Historical capital raise	✓	The historical capital raise methodology is based on the price paid for shares in recent capital raisings and other share transactions. The historical capital raise methodology is a relevant approach for valuing a Navalo share, as it represents an actual transaction price for a share in the Company.

Source: BDOCF analysis

6.4 Future events

The business of Navalo assumed in our valuation is that which existed as at the date of this Report.

Growth potential, which may result from new activities, business initiatives, acquisitions, and the like (which are not capable of estimation), is not within the scope of our valuation.

6.5 APES 225

This engagement has been conducted in accordance with professional standard APES 225, as issued by the APESB.

6.6 Control premium

Section 667C of the Act states that the first step in determining "fair value" is to assess the value of the company as a whole.

Where values are minority values (e.g. ASX trading data for comparable entities and recent Navalo share issues), we have applied a control premium to derive the value of Navalo as a whole.

To determine an appropriate control premium, we have researched the control premiums observable on the ASX over the last 10 years. In 2024, the average control premium was c.25.0%. A summary of our control premium analysis is included in Appendix 4.

The comparable transactions in Appendix 4 include buyer specific synergies. We have not included buyer specific synergies in our analysis. Additionally, the target companies of the comparable transactions are generally larger than Navalo, so attract higher control premiums.

Based on market observations, we consider a control premium of 20.0% to be appropriate for Navalo.

7 Valuation of a Navalo share - COE methodology

We have assessed the fair value of a Navalo share using the COE methodology.

To perform our valuation, we:

- Assessed Navalo's maintainable revenue, based on analysis of the Company's historical revenue
- Applied a capitalisation multiple, using a market based multiple, to determine Navalo's enterprise value
- Added surplus assets and deducted surplus liabilities from the enterprise value to determine Navalo's equity value
- Divided the equity value by the number of shares on issue, to determine the fair value of a Navalo share.

Our valuation of a Navalo share using the COE methodology is set out below.

7.1 Assessed maintainable revenue

A revenue-based valuation approach is most appropriate, as Navalo is generating a negative EBITDA on a normalised basis (see Section 3.4.1).

To determine Navalo's maintainable revenue, we have considered the Company's operating income from FY22 to FY24 (see Section 3.4). A summary of our calculations is presented below.

Table 17: Navalo's operating income

$'000	FY22	FY23	FY24
Customer fees	5,700	6,415	6,695
Merchant fees	10,229	11,657	13,185
Late payment fees	226	302	355
Recoveries	160	65	216
Operating income	**16,315**	**18,438**	**20,451**

Source: Navalo's FY23 annual report, Management information, BDOCF analysis

Based on the above analysis, we have determined Navalo's maintainable revenue to be c.$20.5 million.

7.2 Trading multiples analysis

The appropriate valuation multiple is assessed by collecting market evidence with respect to the multiples of companies with operations that are broadly comparable to those of the entity being valued. Such multiples are usually derived from share market prices of broadly comparable listed entities.

We have researched companies in the BNPL industry which are broadly comparable to Navalo, both in Australia and internationally. Descriptions of the comparable companies we identified are included in Appendix 5.

An overview of the EV/revenue multiples for the comparable companies is set out below. The financial data for each entity is sourced as at 30 June 2024. The market capitalisation is calculated as at 13 September 2024. The market capitalisations, enterprise values, and multiples below include a 20.0% control premium (see Section 6.6).

Table 18: Comparable company EV/revenue multiples

Ticker	Company name	Currency	Market cap[1] (millions)	Enterprise value[1] (millions)	Revenue (millions)	NPAT (millions)	EV/ Revenue[1]
ASX:ZIP	Zip Co Limited	AUD	3,508.7	5,640.8	868.0	5.7	6.5x
ASX:HUM	Humm Group Limited	AUD	455.0	4,850.7	619.3	7.1	7.8x
NasdaqCM: SEZL	Sezzle Inc.	USD	1,010.0	1,014.9	192.7	41.9	5.3x
ASX:B4P	Beforepay Group Limited	AUD	48.7	65.9	35.3	3.9	1.9x
ASX:QFE	QuickFee Limited	AUD	25.5	71.4	20.3	(4.7)	3.5x

Source: S&P Capital IQ as at 13 September 2024, BDOCF analysis

[1] The market capitalisations, enterprise values, and multiples above include a 20.0% control premium

7.3 Selected multiple range

We consider an appropriate EV/revenue multiple for Navalo to be between 2.00x and 4.00x, on a control basis.

In determining the selected multiple range, we:

- Focused our analysis on Beforepay Group Limited and QuickFee Limited, as these entities are of a more similar size to Navalo (based on revenue).
- Considered Navalo generated losses before tax of c.$11.1 million in FY24, which is substantially below the NPAT of the other comparable companies in Table 18.
- Considered larger entities generally trade at higher multiples than smaller entities, due to higher levels of diversification and lower levels of risk. Therefore, we applied a size discount to better reflect a multiple consistent with the size of Navalo.

7.4 Fair value of a Navalo share

Based on our selected maintainable revenue of c.$20.5 million, and multiple range of 2.00x to 4.00x, we have determined Navalo's enterprise value to range between c.$40.9 million and c.$81.8 million.

To determine Navalo's equity value, we have added surplus assets and deducted surplus liabilities from the enterprise value. We have determined the equity value adjustments with reference to Navalo's balance sheet as at 31 July 2024, being the latest available information. We have considered the book value of Navalo's assets and liabilities as being reflective of their fair value.

Using the COE methodology, we have calculated the fair value of a Navalo share to be nil. Below is a summary of our valuation calculation.

Table 19: Fair value of a Navalo share - COE methodology

$'000		Low	Mid	High
Maintainable revenue		20,451	20,451	20,451
EV/Revenue multiple		2.00x	3.00x	4.00x
Enterprise value		**40,903**	**61,354**	**81,806**
Add/(Less): surplus assets/(liabilities)				
Cash & cash equivalents	A	15,434	15,434	15,434
Loans & borrowings	B	(125,349)	(125,349)	(125,349)
Equity value		**(69,012)**	**(48,561)**	**(28,109)**
Fair value of a Navalo share ($)			**nil**	

Source: Management information, BDOCF analysis

Notes:

A	**Cash & cash equivalents** As at 31 July 2024, Navalo held cash & cash equivalents of c.$15.4 million (see Section 3.5).
B	**Loans & borrowings** As at 31 July 2024, Navalo held loans & borrowings of c.$125.3 million, comprised of: ▸ A loan to Metrics of c.$18.7 million ▸ Secured loans of c.$99.4 million ▸ Convertible notes of c.$7.2 million (being the outstanding balance on the convertible notes, including accrued and unpaid interest). See Section 3.5 for details.

8 Valuation of a Navalo share – NAV methodology

We have assessed the fair value of a Navalo share using the NAV methodology. The NAV represents 100.0% of the equity value and typically represents a controlling interest value.

We have calculated the NAV based on Navalo's balance sheet as at 31 July 2024, being the latest available information. We have considered the book value of Navalo's assets and liabilities as being reflective of their fair value.

We have determined the fair value of a Navalo share to be c.$0.140 using the NAV methodology, as set out below.

Table 20: Fair value of a Navalo share – NAV methodology

	Ref.	
Navalo's NAV ($'000)	3.5	7,704
Navalo shares on issue ('000)	3.6.1	55,143
Fair value of a Navalo share - NAV methodology ($)		**0.140**

Source: BDOCF analysis

9 Valuation of a Navalo share – historical capital raise methodology

We have assessed the fair value of a Navalo share using the historical capital raise methodology.

Pursuant to RG 111.49, we have considered the price paid for a Navalo share over the previous seven months. The following transactions have occurred:

- Placement on 29 February 2024
- Buy-Back on 26 April 2024
- Entitlement Offer on 11 July 2024.

A summary of the above transactions is set out below. See Section 3.7 for further details.

Table 21: Summary of Navalo's recent share transactions

Description	Ref.	Price per share ($)	Shares issued/bought back (#)	Total value ($)
Placement	3.7.1	0.284	1,790,014	508,006
Buy-Back	3.7.2	0.284	60,238	17,096
Entitlement Offer	3.7.3	0.194	46,365,289	8,994,866

Source: Management information, BDOCF analysis

The Entitlement Offer occurred at a discount of c.31.64% to the Placement and Buy-Back price. The Entitlement Offer ratio was 5.87 new shares for every 1 existing Navalo share held. Therefore, the Entitlement Offer may have been dilutive.

To determine the fair value of a Navalo share as at the date of this Report, we have considered the Placement price, alongside the shares which could have been acquired under the Entitlement Offer.

- If one Navalo share was purchased under the Placement, the consideration paid would have been c.$0.284.
- Under the Entitlement Offer, the shareholder would have been entitled to acquire an additional 5.87 shares, for total consideration of c.$1.139 (5.87 x $0.194).
- Post-Entitlement Offer, the shareholder would hold 6.87 shares, for total consideration of c.$1.423.
- The average price paid per share would be c.$0.207, which we consider to be a minority value.

Table 22: Average price per share post-Entitlement Offer

	Shares acquired (#)	Consideration per share ($)	Total consideration ($)
Pre-Entitlement Offer	1.00	0.284	0.284
Shares acquired under the Entitlement Offer	5.87	0.194	1.139
Post-Entitlement Offer	**6.87**	**0.207**	**1.423**

Source: BDOCF analysis

The average price paid per share of c.$0.207 is heavily influenced by the Entitlement Offer price.

As the Entitlement Offer was offered to all shareholders, we consider the offer price to be representative of a minority interest. To determine the fair value of a Navalo share (assuming 100.0% ownership), we have applied a control premium of 20.0% (see Section 6.6). A summary of our calculations is set out below.

Table 23: Fair value of a Navalo share - historical capital raise methodology

	Ref.	
Fair value per share post-Entitlement Offer ($)	9	0.207
Plus: control premium (%)	6.6	20.0%
Fair value of a Navalo share (assuming 100.0% ownership) ($)		**0.248**

Source: BDOCF analysis

Based on the above, we have determined the fair value of a Navalo share to be c.$0.248 using the historical capital raise methodology.

However, participation of non-Metrics Group shareholders in the Entitlement Offer was low at only c.10.68%. The low take-up may be an indication the Entitlement Offer was above fair value. Therefore, we have placed reduced reliance on the historical capital raise methodology.

10 Overall opinion

Our analysis has been performed by comparing the:

- Fair value of a Navalo share
- Value of the Offer.

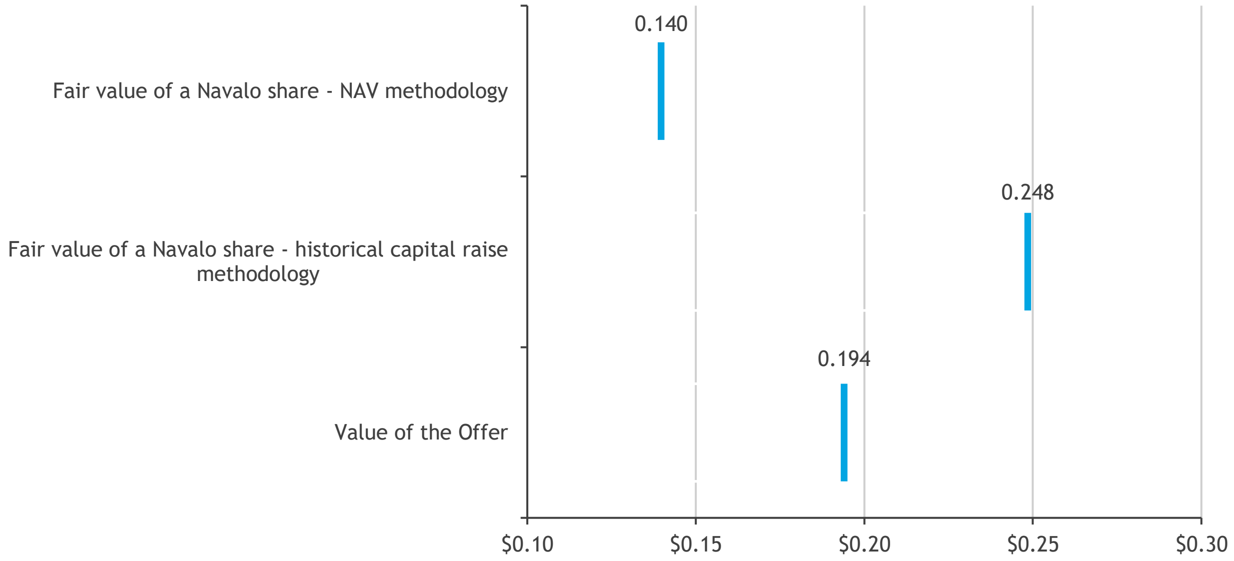
The results of our assessment of fair value are set out below.

Table 24: Comparison of the fair value of a Navalo share and the value of the Offer

	Ref.	$
Fair value of a Navalo share - COE methodology	7.4	nil
Fair value of a Navalo share - NAV methodology	8	0.140
Fair value of a Navalo share - historical capital raise methodology	9	0.248
Value of the Offer	1.2	0.194

Source: BDOCF analysis

Figure 5: Comparison of the fair value of a Navalo share and the value of the Offer



Source: BDOCF analysis

In determining whether the Offer provides fair value for the Minority Shares, we have considered:

- The Offer of $0.194 falls between the fair value of a Navalo share determined under the NAV (c.$0.140) and historical capital raise (c.$0.248) methodologies.
- The COE valuation is prepared on a going concern basis. Under this methodology, the fair value of a Navalo share is nil.
- Under an orderly realisation scenario (i.e. the NAV methodology), the fair value of a Navalo share is c.$0.140. The NAV only became positive in July 2024 as a result of the Entitlement Offer, under which c.98.95% of the funds received were contributed by Metrics Group (see Section 3.7.3).
- As required by Section 667C, we have considered acquisitions of Navalo shares in the last six months. We have placed reduced reliance on the historical capital raise methodology, as the Entitlement Offer had minimal participation by non-Metrics Group shareholders (i.e. only 10.68%), which may indicate the Entitlement Offer price was above the fair value of a Navalo share.

Therefore, we consider the Offer as outlined in the Notice of Compulsory Acquisition to provide fair value for the Minority Shares.

11 Qualifications, declarations and consents

11.1 Qualifications

BDOCF is the licensed corporate finance arm of BDO Group Holdings Limited, Chartered Accountants and Business Advisers. BDOCF provides advice in relation to all aspects of valuations and has extensive experience in the valuation of corporate entities and provision of expert's reports.

Mr David McCourt, B.Bus, CA, is a director of BDOCF. Mr McCourt is also a partner of BDO Group Holdings Limited. Mr McCourt has been responsible for the preparation of this IER.

Mr McCourt has over 20 years of experience in a number of specialist corporate advisory activities including company valuations, financial modelling, preparation and review of business feasibility studies, accounting, advising on mergers and acquisitions and advising on independent expert reports. Accordingly, Mr McCourt is considered to have the appropriate experience and professional qualifications to provide the advice offered.

Mr Adam Myers is a Fellow of Chartered Accountants Australia & New Zealand and a committee member of the Joint Ore Reserves Committee. Mr Myer's career spans over 25 years in the audit and assurance and corporate finance areas. Mr Myers is a CA BV Specialist and has considerable experience in the preparation of independent expert reports and valuations for companies in a variety of industry sectors. Accordingly, Mr Myers is considered to have the appropriate experience and professional qualifications to provide the advice offered.

Mr Myers is a partner of BDO Group Holdings Limited and performed the concurring review of this IER.

11.2 Independence

BDOCF is not aware of any matter or circumstance that would preclude it from preparing this IER on the grounds of independence, either under regulatory or professional requirements. In particular, we have had regard to the provisions of applicable pronouncements and other guidance statements relating to professional independence issued by Australian professional accounting bodies and ASIC.

BDOCF considers itself to be independent in terms of RG 112, issued by ASIC.

BDOCF was not involved in advising on, negotiating, setting, or otherwise acting in any capacity for Metrics in relation to the Compulsory Acquisition. Further, BDOCF has not held and, at the date of this IER, does not hold any unitholding in, or other relationship with Metrics or Navalo that could be regarded as capable of affecting its ability to provide an unbiased opinion in relation to the Compulsory Acquisition.

BDOCF will receive a fee of up to $50,000 plus GST and other levies for the preparation of this IER. BDOCF will not receive any fee contingent upon the outcome of the Compulsory Acquisition, and accordingly, does not have any pecuniary or other interests that could reasonably be regarded as being capable of affecting its ability to give an unbiased opinion in relation to the Compulsory Acquisition.

A draft of this IER was provided to Metrics and their advisors for review of factual accuracy. Certain changes were made to the IER as a result of the circulation of the draft IER. However, no changes were made to the methodology, conclusions, or recommendations made to Minority Shareholders as a result of issuing the draft IER.

11.3 Disclaimer

This Report has been prepared at the request of Metrics for inclusion in the Notice of Compulsory Acquisition which will be sent to the Minority Shareholders. BDOCF has been nominated by ASIC and engaged by the Directors to prepare this IER which states whether or not, in our opinion, the terms of the Compulsory Acquisition give a fair value for the Minority Shares, and sets out the reasons for forming our opinion.

BDOCF hereby consents to this Report accompanying the Notice of Compulsory Acquisition. Apart from such use, neither the whole nor any part of this Report, nor any reference thereto may be included in or with, or attached to any document, circular resolution, statement or letter without the prior written consent of BDOCF.

BDOCF takes no responsibility for the contents of the Notice of Compulsory Acquisition other than this Report.

We have no reason to believe any of the information or explanations supplied to us are false or that material information has been withheld. It is not the role of BDOCF acting as an independent expert to perform any due diligence procedures. The Directors are responsible for conducting appropriate due diligence in relation to Navalo. BDOCF provides no warranty as to the adequacy, effectiveness or completeness of the due diligence process.

The opinion of BDOCF is based on the market, economic and other conditions prevailing at the date of this Report. Such conditions can change significantly over short periods of time.

With respect to taxation implications, it is recommended that individual Minority Shareholders obtain their own taxation advice in respect of the Compulsory Acquisition, tailored to their own particular circumstances. Furthermore, the advice provided in this report does not constitute legal or taxation advice to the Minority Shareholders, or any other party.

The statements and opinions included in this Report are given in good faith and in the belief that they are not false, misleading or incomplete.

The terms of this engagement are such that BDOCF is required to provide a supplementary report if we become aware of a significant change affecting the information in this Report arising between the date of this Report and during the offer period.

Appendix 1: Glossary

Term	Definition
#	Number
$ or AUD	Australian Dollar
90% Holder	A shareholder (either alone or with a related body corporate) that holds full beneficial interests in at least 90% of a particular class of shares in a company
Act	*Corporations Act 2001* (Cth)
AFCA	Australian Financial Complaints Authority
AFSL	Australian Financial Services Licence
APES 225	APES 225 *'Valuation Services'*
APESB	Accounting Professional & Ethical Standards Board Limited
ASIC	Australian Securities and Investments Commission
ASX	Australian Securities Exchange
BDOCF, we, our or us	BDO Corporate Finance Australia Pty Ltd (ABN 70 050 038 170)
BNPL	Buy Now-Pay Later
Buy-Back	Equal access buy-back of up to 704,748 shares in Navalo at a price per share of $0.2838, completed on 26 April 2024
c.	Circa
CAGR	Compound annual growth rate
COE	Capitalisation of earnings
Compulsory Acquisition	Metrics' compulsory acquisition of all the shares in Navalo which Metrics Group does not already hold full beneficial interests in, pursuant to Part 6A.2 of the Act
Credit Act	*National Consumer Credit Act 2009* (Cth)
DCF	Discounted cash flow method
Directors	Directors of Metrics
EBITDA	Earnings before interest, tax, depreciation and amortisation
Entitlement Offer	Pro rata non-renounceable entitlement offer of new fully paid shares in Navalo, at an offer price of $0.194, completed on 11 July 2024
Entitlement Offer Record Date	The date Navalo shareholders qualify to participate in the Entitlement Offer, being 7:00pm on 13 June 2024
FSG	Financial Services Guide
FYXX	Financial year ended 30 June 20XX
GST	Goods and services tax
IBISWorld Industry Report	IBISWorld Industry Report titled *Buy Now Pay Later in Australia*, published in August 2023
k	Thousands
Licence	Australian Financial Services Licence No: 247420
m	Millions
Management	Management of Metrics
MCH Investment Management	MCH Investment Management Services Pty Ltd (as trustee for MCP Credit Trust 1)
Metrics	Metrics Business Finance Holdings Pty Ltd
Metrics Group	Metrics, together with a related body corporate MCH Investment Management
Minority Shareholders	Navalo shareholders, excluding Metrics Group
Minority Shares	All of the shares in Navalo which Metrics Group does not own
NAV	Net asset value
Navalo or the Company	Navalo Services Group Limited
Notice of Compulsory Acquisition	Notice of Compulsory Acquisition
NWC	Net working capital
Offer	The offer price under the Compulsory Acquisition, being cash consideration of $0.194 per Minority Share
p.a.	Per annum
Placement	The raising of $508,000 by Navalo on 29 February 2024, through the issue of 1,790,014 shares to Metrics Group, at a price of $0.2838 per share
QMP	Quoted market price
Ref.	Section reference in this IER
Report or IER	This independent expert's report, dated 24 September 2024
RG 10	ASIC Regulatory Guide 10 *Compulsory acquisitions and buyouts*
RG 111	ASIC Regulatory Guide 111 *Content of expert reports*
RG 112	ASIC Regulatory Guide 112 *Independence of experts*

Source: BDOCF analysis

Appendix 2: Sources of information

In preparing this IER, we had access to and relied upon the following principal sources of information:

- Draft Notice of Compulsory Acquisition
- Payright's annual report for the year ended 30 June 2022
- Navalo's annual report for the year ended 30 June 2023
- Navalo's interim report for the half-year ended 31 December 2023
- Navalo's management accounts from 1 July 2022 to 31 July 2024
- Normalisation adjustments for FY22, FY23, and FY24 prepared by the management of Navalo
- Navalo's register of members as at 17 July 2024
- Navalo's issued capital movement report as at 19 August 2024
- Navalo announcement *Completion of Share Buy-Back*, dated 26 April 2024
- Navalo announcement *Results of Entitlement Offer*, dated 10 July 2024
- Navalo's corporate structure diagram as at 26 August 2024
- IBISWorld Industry Report titled *Buy Now Pay Later in Australia*, published in August 2023
- Other Management information
- Information sourced from S&P Capital IQ and Bloomberg
- ASIC guidance notes and regulatory guides as applicable
- Other generally available public information.

Appendix 3: Valuation methodologies for businesses and assets

We considered the following common valuation methodologies in preparing this Report.

Discounted cash flow (DCF) methodology

The DCF methodology is based on the premise that the value of a business or any asset is represented by the present value of its future cash flows. It requires two essential elements:

- The forecast of future cash flows of the business asset for a number of years (usually five to 10 years)
- The discount rate that reflects the riskiness of those cash flows used to discount the forecast cash flows back to net present value (**NPV**).

DCF is appropriate where either:

- The businesses' earnings are capable of being forecast for a reasonable period (preferably 5 to 10 years) with reasonable accuracy
- Earnings or cash flows are expected to fluctuate significantly from year to year
- The business or asset has a finite life
- The business is in a 'start up' or in early stages of development
- The business has irregular capital expenditure requirements
- The business involves infrastructure projects with major capital expenditure requirements
- The business is currently making losses but is expected to recover.

Capitalisation of earnings (COE) methodology

This method involves the capitalisation of normalised earnings by an appropriate multiple. Normalised earnings are the assessed sustainable profits that can be derived by the vendor's business and exclude any one-off profits or losses. An appropriate earnings multiple is assessed by reference to market evidence as to the earnings multiples of comparable companies.

This method is suitable for the valuation of businesses with indefinite trading lives and where earnings are relatively stable or a reliable trend in earnings is evident.

Net asset value (NAV) methodology

Asset based valuations involve the determination of the fair value of an entity based on the net realisable value of the assets used.

Valuation of net realisable assets involves:

- Separating the business or entity into components which can be readily sold, such as individual business securities, or collections of individual items of plant and equipment and other net assets
- Ascribing a value to each based on the net amount that could be obtained for this asset if sold.

The net realisable value of a trading entity's assets will generally provide the lowest possible value for the business. The difference between the value of the entity's identifiable net assets (including identifiable intangibles) and the value obtained by capitalising earnings is attributable to goodwill.

The net realisable value of assets is relevant where an entity is making sustained losses or profits (but at a level less than the required rate of return), where it is close to liquidation, where it is a holding entity, or where all its assets are liquid. It is also relevant to businesses which are being segmented and divested, and to value assets that are surplus to the core operating business. The net realisable assets methodology is also used as a check for the value derived using other methodologies.

The NAV approach ignores the possibility that the entity's value could exceed the realisable value of its assets.

Quoted market price (QMP) methodology

The price that an entity's security trades on an exchange can be an appropriate basis for valuation where:

- The security trades in an efficient marketplace where 'willing' buyers and sellers readily trade the entity's security
- The market for the entity's security is active and liquid.

Appendix 4: Control premium analysis

Year	Transactions (#)	Average deal value (millions)	Average control premium (%)
2024	21	717.1	25.0%
2023	35	421.3	27.4%
2022	39	3,199.0	23.4%
2021	28	1,095.2	35.2%
2020	16	368.0	40.4%
2019	29	4,165.5	32.8%
2018	26	1,571.8	30.1%
2017	24	1,168.7	36.8%
2016	28	490.5	38.5%
2015	28	948.4	33.5%
2014	35	394.9	38.3%
Mean		**1,321.9**	**32.9%**
Median		**948.4**	**33.5%**

Source: Bloomberg as at 2 August 2024, BDOCF analysis

Appendix 5: Comparable company descriptions

Ticker	Company name	Description
ASX:ZIP	Zip Co Limited	Zip Co Limited engages in the provision of digital retail finance and payments solutions to consumers, and small and medium sized merchants (SMEs) in Australia, New Zealand, Canada, and the United States. The company offers Buy Now Pay Later services, which offer line of credit and installment products to consumers through online and in-store. It also provides unsecured loans and lines of credit to SMEs. The company was formerly known as ZipMoney Limited and changed its name to Zip Co Limited in December 2017. Zip Co Limited was incorporated in 2009 and is headquartered in Sydney, Australia.
ASX:HUM	Humm Group Limited	Humm Group Limited provides various financial products and services in Australia, New Zealand, Ireland, the United Kingdom, and Canada. The company operates through four segments: Point of Sale Payment Plans (PosPP), New Zealand Cards, Australia Cards, and Commercial. It offers long term interest free finance and everyday spend solutions under the humm90 brand; Q Mastercard, an interest free credit card; and FlexiCommercial, a business financing solution, which includes leasing and chattel mortgages for small and medium businesses. The company was formerly known as FlexiGroup Limited and changed its name to Humm Group Limited in November 2020. Humm Group Limited was founded in 1988 and is headquartered in Sydney, Australia.
NasdaqCM:SEZL	Sezzle Inc.	Sezzle Inc. operates as a technology-enabled payments company primarily in the United States and Canada. The company provides payment solution in-store and at online retail stores; and through proprietary payments solution that connects consumers with merchants. It also offers Sezzle Platform that provides a payments solution for consumers that extends credit at the point-of-sale allowing consumers to purchase and receive the ordered merchandise at the time of sale while paying in installments over time; Pay-in-Four, which allows consumers to pay a fourth of the purchase price up front and then another fourth of the purchase price every two weeks thereafter over a total of six weeks; Pay-in-Full that allows consumers to pay for the full value of their order up-front through the Sezzle Platform without the extension of credit; and Pay-in-Two and other alternative installment options, which allow consumer to pay half of the value of their order up-front and the second half in two weeks. In addition, the company provides Sezzle Virtual Card that allows consumers to access the Sezzle Platform in the form of close-end installment loans and shop with merchants that are not integrated with Sezzle; Sezzle Anywhere, a paid subscription service that allows consumers to use their Sezzle Virtual Card at any merchant online or in-store; Sezzle Premium, a paid subscription service that allows its consumers to access large, non-integrated premium merchants; and Sezzle Up, an opt-in feature of the Sezzle Platform. Further, it offers Long-Term Lending through collaboration with third-party lenders and Product Innovation. Sezzle Inc. was incorporated in 2016 and is headquartered in Minneapolis, Minnesota.
ASX:B4P	Beforepay Group Limited	Beforepay Group Limited provides finance to its customers by way of salary advances. The company was incorporated in 2019 and is based in Sydney, Australia.
ASX:QFE	QuickFee Limited	QuickFee Limited provides a suite of payment and lending offerings through an online portal to professional, commercial, and homeowner services providers in Australia and the United States. The company's integrated online payment platform and financing solutions enable merchants to accept payments by ACH/EFT or card, payment plan/loan, or a 'buy now, pay later' instalment plan through QuickFee Pay Now, QuickFee Finance, Financing or Pay Over Time, and Q Pay Plan solutions. It also offers CONNECT solution that automates client's invoice. QuickFee Limited was founded in 2009 and is based in Norwest, Australia.

Source: S&P Capital IQ

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NOTICE OF OBJECTION

Relating to the compulsory acquisition under section 664A of the *Corporations Act 2001* (Cth) of ordinary shares in Navalo Financial Services Group Limited ACN 605 753 535 (**Navalo**) by Metrics Business Finance Holdings Pty Ltd ACN 638 490 776 (**MBFH**) (**Compulsory Acquisition**).

Date	
Shareholder name	
Shareholder address	

I, the shareholder named above, hereby give notice of my objection to the Compulsory Acquisition of my ordinary shares in Navalo by MBFH.

I object to the Compulsory Acquisition on the following basis:

I understand that:

1. my objection relates to all of my ordinary shares, and once submitted, cannot be withdrawn;
2. if Navalo shareholders who hold at least 10% of the shares subject of the Compulsory Acquisition submit an objection before the end of the objection period, MBFH will need to apply to the Court for approval of the proposed Compulsory Acquisition; and
3. I may be liable for my own costs in respect of such legal proceedings if the Court is satisfied that I acted improperly, vexatiously or otherwise unreasonably.

Signature

Name