8 November 2019

ABN 49 109 078 257. ACN 109 078 257

EXPLANATORY MEMORANDUM AND INDEPENDENT EXPERT'S REPORT

SeaLink Travel Group Limited (ASX:SLK) (**SeaLink**) refers to its ASX announcement on 8 October 2019 in relation to the proposed acquisition by SeaLink of the Transit Systems Group (**Acquisition**). SeaLink now provides for information the Explanatory Memorandum, which incorporates the Notice of Meeting and Independent Expert's Report from Grant Thornton Corporate Finance Pty Ltd (**Grant Thornton**). The Explanatory Memorandum will be despatched to SeaLink shareholders on or about 15 November 2019.

The General Meeting will be held at 9.30am (Adelaide time) on Wednesday, 18 December 2019 at Adelaide Town Hall, 128 King William Street, Adelaide, SA 5000.

The Independent Expert's Report contained in the Explanatory Memorandum is in the same form as the Independent Expert's Report lodged with the ASX on 8 October 2019, except that it has been updated to reflect the recent share price performance of SeaLink and other transaction events to 23 October 2019. There has been no change to the Independent Expert's opinion or the basis of its conclusions. In the 23 October 2019 report, the independent expert continues to conclude that the Acquisition is fair and reasonable to SeaLink shareholders who are not associated with the vendors of the Transit Systems Group (**Vendors**).

As the contents of the Independent Expert's Report were potentially material price sensitive information in relation to SeaLink and the Acquisition, the Independent Expert's Report was lodged with the ASX on 8 October 2019, prior to lodgement of the Explanatory Memorandum with the Australian Securities and Investments Commission for its review.

The Independent Expert's Report has been prepared by Grant Thornton and Grant Thornton takes responsibility for that report. Grant Thornton has given, and has not withdrawn as at the date of this announcement, its written consent to the publication of the Independent Expert's Report. None of SeaLink, the Vendors, the joint lead managers[1] nor any of their respective subsidiaries, directors, employees, representatives or advisers assume any responsibility for the accuracy or completeness of the Independent Expert's Report.

FURTHER INFORMATION

For general enquiries, please contact:

Jeff Ellison, Chief Executive Officer and Managing Director, +61 407 407 123

Andrew Muir, Chief Financial Officer, +61 423 027 745

[1] Being Macquarie Capital (Australia) Limited ACN 123 199 548), Ord Minnett Limited (ACN 002 733 048) and Taylor Collison Limited (ACN 008 172 450).

NOTICE OF GENERAL MEETING AND EXPLANATORY MEMORANDUM

SeaLink Travel Group Limited
ACN 109 078 257

For the reasons set out in section 1.7 of this Explanatory Memorandum, the Directors unanimously recommend that Shareholders, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Proposed Acquisition is fair and reasonable (or not fair but reasonable) to Non-Associated Shareholders

VOTE IN FAVOUR

of the Proposed Acquisition at the General Meeting

To be held at 9.30am (Adelaide time) on Wednesday, 18 December 2019 at Adelaide Town Hall, 128 King William Street, Adelaide, SA 5000

The Independent Expert has determined that the Proposed Acquisition is fair and reasonable, in the absence of a Superior Proposal

IMPORTANT NOTICE

Important information

The Notice of Meeting, Explanatory Memorandum, Independent Expert's Report and Proxy Form are all important documents and require your immediate attention. They should be read carefully and in full before you make a decision on how to vote at the General Meeting. In particular, it is important that you consider the potential risks of the Proposed Acquisition, as set out in section 6 of this Explanatory Memorandum, and the views of the Independent Expert set out in the Independent Expert's Report contained in Annexure A to this Explanatory Memorandum.

If you are in doubt as to what you should do, please contact your stockbroker, accountant, lawyer or investment, taxation or other professional adviser.

Purpose of this document

This Explanatory Memorandum, which forms part of the Notice of Meeting, has been prepared as at 8 November 2019 (the '**Preparation Date**') except where otherwise stated, in connection with the General Meeting to be held at 9.30am (Adelaide time) on Wednesday, 18 December 2019 at Adelaide Town Hall, 128 King William Street, Adelaide, SA 5000. The purpose of this Explanatory Memorandum is to provide Shareholders with information that the Board believes to be material to deciding on whether and how to vote on the Resolutions as detailed in the Notice of Meeting.

Defined terms, times and dates

Capitalised terms used in this Explanatory Memorandum are defined in section 10.

All times and dates referred to in this Explanatory Memorandum are times and dates in Adelaide, Australia, unless otherwise indicated.

No investment advice

This Explanatory Memorandum has been prepared without reference to the investment objectives, financial or taxation situation or particular needs of any Shareholder or any other person. The information and recommendations contained in this Explanatory Memorandum do not constitute, and should not be taken as, financial product advice and should not be relied upon solely in determining how to vote on the Resolutions. SeaLink is not licensed to provide financial product advice in relation to SeaLink securities or any other financial products. The Board encourages you to seek independent financial and taxation advice before making any investment decision and any decision as to whether or not to vote in favour of the Resolutions.

Not an offer document

This Explanatory Memorandum is not intended to be an offer for subscription, invitation, recommendation or sale with respect to any SeaLink securities in any jurisdiction.

Forward looking statements

Some of the statements appearing in this Explanatory Memorandum may be in the nature of forward looking statements. Forward-looking statements generally may be identified by the use of forward-looking words such as "anticipate", "expect", "should", "could", "may", "predict", "plan ", "project", "will", "believe", "opinion", "forecast", "aim", "estimate", "outlook", "guidance", "potential", "target", "likely", "intend", "propose" and other similar expressions.

Forward looking statements or statements of intent in relation to future events in this Explanatory Memorandum (including in the Independent Expert's Report) should not be taken to be forecasts or predictions that those events will occur. You should be aware that such statements are only opinions and are subject to inherent risks and uncertainties. Those risks and uncertainties include factors and risks specific to the industry in which the parties operate, as well as general economic conditions, prevailing exchange rates and interest rates, and conditions in financial markets. Actual events or results may differ materially from the events or results expressed or implied in any forward looking statement and deviations are both normal and to be expected.

The forward looking statements in this Explanatory Memorandum reflect views held only as at the date of this Explanatory Memorandum. Subject to any continuing obligations under law or the ASX Listing Rules, SeaLink and the Vendors have no obligation to disseminate, after the date of this Explanatory Memorandum, any updates or revisions to any forward looking statements to reflect any change in expectation in relation to those statements or any change in events, conditions or circumstances on which any such statement is based.

None of SeaLink, the Vendors or their respective officers, directors, employees, contractors, agents or advisers or any person named in this Explanatory Memorandum or involved in the preparation of this Explanatory Memorandum makes any representation or warranty (either express or implied) as to the accuracy or likelihood of fulfilment of any forward looking statement, or any events or results expressed or implied in any forward looking statement. Accordingly, you are cautioned not to place undue reliance on those statements.

Foreign jurisdictions

The release, publication or distribution of this Explanatory Memorandum in jurisdictions other than Australia may be restricted by law or regulation in such other jurisdictions and persons outside Australia who come into possession of this Explanatory Memorandum should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable laws or regulations.

This Explanatory Memorandum has been prepared in accordance with the laws of the Commonwealth of Australia and the information contained in this Explanatory Memorandum may not be the same as that which would have been disclosed if this Explanatory Memorandum had been prepared in accordance with the laws and regulations of a jurisdiction outside Australia.

Responsibility for information

The information contained in this Explanatory Memorandum (except for the Independent Expert's Report, the Transit Systems Information and the Tower Transit Information) ('**SeaLink Information**') has been prepared by SeaLink and is the responsibility of SeaLink. None of the Vendors, nor any of their related entities, directors, officers, employees, contractors, advisers or agents assume any responsibility for the accuracy or completeness of the SeaLink Information.

The Transit Systems Information has been prepared and provided by the Transit Systems Vendors and is the responsibility of the Transit Systems Vendors. Neither SeaLink, the Tower Transit Vendors nor any of their respective related bodies corporate, nor their respective directors, officers, employees, contractors, agents or advisers, assume any responsibility for the accuracy or completeness of the Transit Systems Information.

The Tower Transit Information has been prepared and provided by the Tower Transit Vendors and is the responsibility of the Tower Transit Vendors. Neither SeaLink, the Transit Systems Vendors nor any of their respective related bodies corporate, nor their respective directors, officers, employees, contractors, agents or advisers, assume any responsibility for the accuracy or completeness of the Tower Transit Information.

Grant Thornton has prepared the Independent Expert's Report (as set out in Annexure A to this Explanatory Memorandum) and has given, and has not withdrawn as at the date of this Explanatory Memorandum, its written consent to the inclusion of the Independent Expert's Report and the references to that report in the form and context in which they are included in this Explanatory Memorandum. Grant Thornton takes responsibility for that report but is not responsible for any other information contained in this Explanatory Memorandum. None of SeaLink, the Vendors, or any of their respective subsidiaries, directors, officers, employees, contractors, agents or advisers assumes any responsibility for the accuracy or completeness of the Independent Expert's Report.

ASIC and ASX

A copy of this Explanatory Memorandum was lodged with ASIC for the purposes of ASIC Regulatory Guide 74 and section 260B(5) of the Corporations Act, and provided to ASX in accordance with ASX Listing Rule 15.1.

Neither ASIC, ASX nor any of their respective officers takes any responsibility for the contents of this Explanatory Memorandum.

Enquiries

If you have any questions in relation to the subject matter of this Explanatory Memorandum, please contact your stockbroker, accountant, lawyer or investment, taxation or other professional adviser.

Date

This Explanatory Memorandum is dated 8 November 2019.

Key Dates

Date of this Explanatory Memorandum	8 November 2019
Deadline for returning Proxy Form	9.30am (Adelaide time) on Monday, 16 December 2019
Record time and date for determining eligibility to vote at the General Meeting	6.30pm (Adelaide time) on Monday, 16 December 2019
Time and date of the General Meeting	9.30am (Adelaide time) on Wednesday, 18 December 2019
Venue of the General Meeting	Adelaide Town Hall, 128 King William Street, Adelaide, SA 5000
If the Acquisition Resolutions are approved by Shareholders and the other conditions precedent to Completion are satisfied or waived	
Completion	On or about January 2020

All dates in the above timetable are indicative only and subject to change. SeaLink may vary any or all of these dates and times (subject to the terms and conditions of the Securities Sale Agreements in respect of the timing of Completion) and will provide reasonable notice of any such variation. Any changes will be announced by SeaLink to ASX.

Contents

Letter from the Chairman

8 November 2019

Dear Shareholder

On behalf of SeaLink Travel Group Limited ('**SeaLink**'), I am delighted to invite you to a General Meeting of Shareholders to be held at 9.30am (Adelaide time) on Wednesday, 18 December 2019.

On Tuesday, 8 October 2019, SeaLink announced that it had entered into binding agreements to acquire 100% of Transit Systems Pty Ltd, Tower Transit Group Ltd and their broader group of entities (including trusts) (together the '**Transit Systems Group**') (the '**Proposed Acquisition**') and that it proposed to conduct an associated capital raising comprising a fully underwritten placement of SeaLink Shares and a fully underwritten pro rata, accelerated, non-renounceable entitlement offer of SeaLink Shares to raise in aggregate approximately A$154 million ('**Equity Raising**').

The purpose of this General Meeting is to vote on the Acquisition Resolutions and certain Ancillary Resolutions which relate to, or are necessary or prudent because of, the Proposed Acquisition.

Summary of Proposed Acquisition

- Subject to the satisfaction of certain conditions precedent, SeaLink will acquire 100% of the Transit Systems Group for an enterprise value of A$635 million plus an earn-out component of up to A$63 million, comprising:
  - **Upfront Consideration** comprising A$269 million in SeaLink Shares issued to the Scrip Vendors at a price of A$3.69[1] per SeaLink Share, A$118 million cash,[2] and assumed Transit Systems Group debt and debt-like items of approximately A$211 million (largely being refinanced);
  - **Deferred Consideration** comprising A$37 million of non-contingent cash consideration paid in three equal instalments over three years; and
  - **Earn-out Consideration** comprising up to A$63 million of contingent cash consideration based on Transit Systems Group FY20 pro forma normalised EBITDA (straight line sliding scale from A$79 million to A$86 million), also paid in three equal instalments over three years.
- As announced to the ASX on 9 October 2019 and on or about 1 November 2019, SeaLink has now successfully completed the Equity Raising. In aggregate, SeaLink has raised approximately A$154 million through the Equity Raising.

[1] Rounded to 2 decimal places.
[2] Less certain adjustments referred to in section 7.1.1, plus a cost of capital charge.

- The proceeds of the Equity Raising will be used to partly fund the Proposed Acquisition and pay transaction costs associated with the Equity Raising and Proposed Acquisition.

- At Completion of the Proposed Acquisition, the Scrip Vendors will become substantial holders of SeaLink and are expected to hold in aggregate approximately 33.4% of SeaLink Shares.

- Deferred Consideration and Earn-out Consideration, to the extent paid, will be funded from operating cash flow and available debt capacity.

Overview of Transit Systems Group

Transit Systems Group is Australia's largest private operator of metropolitan public bus services and an established international bus operator in London and Singapore. The business was founded in Perth in 1995 after winning the first competitively tendered public to private bus contract in Australia.

Today, Transit Systems Group operates approximately 2,366 buses across Australia, 396 buses in London and 367 buses in Singapore largely on behalf of governments and transport authorities as contract counterparties. The contract portfolio currently consists of 16 contracts in Australia, 23 contracts in London and 31 routes under 1 contract in Singapore.

Combined, SeaLink and the Transit Systems Group will create a large Australian marine and bus multi-modal transport provider, with established international operations. The key strategic advantages of the Proposed Acquisition for SeaLink include:

- creation of a leading Australian integrated land and marine passenger transport business, with enhanced scale and capabilities to compete for large government contracts and ability to provide multi-modal solutions;

- diversification of SeaLink's end-market exposure, growing the contribution from resilient passenger transport earnings, with an enhanced domestic footprint and scalable platform for significant international expansion from established businesses in Singapore and the United Kingdom;

- significantly increased exposure to long term government contracted revenues and reinforcing SeaLink's position as a trusted counterparty to governments, with a strong track record of delivering long term services reliably and safely;

- greater ability to benefit from the extensive pipeline opportunities both domestically and internationally by leveraging combined expertise, client relationships and geographical presence;

- realisation of synergies through delivery of potential cost savings of A$4.0 - A$4.6 million[3] per annum, largely from the removal of cost duplication and scale benefits; and

- combination of two highly skilled and experienced management teams with complementary expertise and capabilities across bus and passenger management operations.

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[3] Presented on an ongoing net basis post 2-year implementation period and excluding one-off implementation costs. For the purposes of the transaction multiple calculation, the midpoint of the A$4.0 – A$4.6 million range is used.

Impact of the Proposed Acquisition and Equity Raising

The Proposed Acquisition and Equity Raising are expected to deliver FY19A pro forma EPS accretion of over 20%[4], pre-synergies, pre-bonus adjustment and before transaction and implementation costs and more than 30% post synergies.[5]

New SeaLink CEO

Subject to Completion of the Proposed Acquisition, Clint Feuerherdt, current Group CEO of Transit Systems Group, has agreed to lead SeaLink as Group CEO following Jeff Ellison's retirement. Clint is well credentialed to lead SeaLink going forward and the SeaLink Board considers Clint's previous experience as ideal for this role. Further details of Clint's experience are set out in section 5.4.2.

Jeff will retire as CEO following Completion of the Proposed Acquisition and has agreed to provide ongoing executive support to Clint to ensure a smooth transition of leadership, following which he will become a non-executive Director on the SeaLink Board. Neil Smith, current Chairman of Tower Transit Group and founding shareholder of Transit Systems Group, will join the SeaLink Board as a non-executive Director of SeaLink immediately upon Completion of the Proposed Acquisition.

Independent Expert

SeaLink has obtained an Independent Expert's Report from Grant Thornton to assist SeaLink Shareholders in deciding whether or not to approve Resolutions 1 and 2 (as set out in the Notice of Meeting). Resolution 1 relates to the acquisition by the Scrip Vendors of an aggregate approximate 33.4% interest in SeaLink Shares at Completion, approval of which is a condition precedent to the Proposed Acquisition. Resolution 2 relates to the acquisition by SeaLink of approximately a 33.4% interest in SeaLink Shares by virtue of it entering into escrow arrangements with the Scrip Vendors in relation to their SeaLink Shares.

A copy of the Independent Expert's Report was originally provided to ASX on 8 October 2019, and an amended copy is set out in this Explanatory Memorandum in Annexure A. The Independent Expert's Report has been updated to reflect the recent share price performance of SeaLink and other transaction events to 23 October 2019.

In its report, the Independent Expert has concluded that the Proposed Acquisition of Transit Systems Group and the issue of SeaLink Shares to the Scrip Vendors is **fair and reasonable** to Non-Associated Shareholders. The Independent Expert's Report is set out in Annexure A, which you should read in full.

Further Information

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[4] Increase in EPS of SeaLink assuming the Proposed Acquisition had come into effect from 1 July 2018. Calculated before the amortisation of any identifiable intangible assets, excluding transaction costs and prior to applying the adjustment factor to take in account the bonus element of the Entitlement Offer consistent with AASB 133. Restating SeaLink standalone EPS based on this bonus element adjustment factor would increase SeaLink EPS accretion by ~3%. The bonus element of the Entitlement Offer is calculated to reflect the discount to the theoretical ex-rights price ("**TERP**") (excluding the Placement) and is based on SeaLink's last traded price at 4 October 2019 of A$3.91 per share. TERP includes shares issued under the institutional and retail component of the Entitlement Offer, and excludes the Placement and SeaLink Shares issued to the Scrip Vendors.

[5] For the purposes of the post-synergies EPS calculation, the mid-point of the A$4.0 – A$4.6 million range is used presented on an ongoing net basis after two years and excluding one-off implementation costs.

This Explanatory Memorandum sets out further details of the Proposed Acquisition.

Whilst the Directors unanimously recommend that you vote in favour of the Acquisition Resolutions, there are a number of potential disadvantages and risks associated with them as set out in detail in Sections 1.5 and 6. Please read this Explanatory Memorandum in full before making your decision and voting on the Acquisition Resolutions at the General Meeting.

The Directors consider that the Proposed Acquisition represents an attractive opportunity to transform SeaLink into a leading global multi-modal transport and tourism company and encourage you to support the Proposed Acquisition. If you wish the Proposed Acquisition to proceed, it is important that you vote in favour of the Acquisition Resolutions.

Yours sincerely

Andrew McEvoy
Chairman

1. Overview of the Proposed Acquisition

1.1 KEY TERMS OF THE PROPOSED ACQUISITION

1.1.1 Acquisition consideration

If the Acquisition Resolutions are passed by Shareholders, the other conditions precedent to the Proposed Acquisition are satisfied or waived and the Proposed Acquisition proceeds to Completion, SeaLink will acquire 100% of the shares or units (as applicable) in each of the Transit Sale Entities and will thereafter own the Transit Systems Group in return for:

- *Completion Cash Consideration*: the payment of approximately A$118 million in cash, less certain adjustments referred to in section 7.1.1 (plus a cost of capital charge), to the Vendors on Completion;

- *Share Consideration*: the issue of 72,869,945 fully paid ordinary shares in SeaLink to the Scrip Vendors at a price of A$3.69 per share[6], representing approximately 33.4% of the total SeaLink Shares on issue immediately following Completion, on the terms of the Securities Sale Agreements (a summary of which is set out in section 7.1). The Consideration Shares will be issued as fully paid shares, free from all encumbrances, subject to SeaLink's Constitution and on the basis that they rank equally in all respects with the SeaLink Shares currently on issue;

- *Assumed debt*: assumed Transit Systems Group debt and debt-like items of approximately A$211 million (largely being refinanced);

- *Non-contingent Deferred Consideration*: the payment of A$37 million in cash to the Vendors over three equal instalments on:

    - 3 business days after the deferred consideration accounts of the Transit Sale Entities are finalised and the announcement of SeaLink's FY20 results is made (expected to be in August 2020);

    - 30 April 2021; and

    - 31 August 2022,

    (together, the '**Instalment Dates**'); and

- *Contingent Deferred Consideration*: subject to the Transit Systems Group achieving the Earn Out Target, the payment of an additional A$63 million in cash to the Vendors over three equal instalments on the Instalment Dates. If the FY20 pro forma normalised EBITDA of the Transit Systems Group is less than the Earn Out Target, the Contingent Deferred Consideration will be reduced on a straight line basis such that no Contingent Deferred Consideration will be payable if the shortfall is equal to or greater than A$7 million. For example, if the FY20 pro forma normalised EBITDA of the Transit Systems Group is A$79 million or less, the Contingent Deferred Consideration will be nil. If the FY20 pro forma normalised EBITDA of the Transit Systems Group is A$86 million or more, the Contingent Deferred Consideration will be the full A$63 million. If the FY20 pro forma normalised EBITDA of the Transit Systems Group is between

[6] Rounded to 2 decimal places for the purpose of this Explanatory Memorandum.

A$79 million and A$86 million, the Contingent Deferred Consideration will be paid on a straight line sliding scale basis.

1.1.2 Conditions precedent to Completion of the Proposed Acquisition

The Proposed Acquisition is subject to a number of conditions precedent to Completion, including:

- the passing of the Resolutions 1 and 3 at the General Meeting;
- no SeaLink Material Adverse Change occurring;
- no Transit Material Adverse Change occurring;
- obtaining change of control consents under certain key Transit Systems Group contracts and regulatory authorisations; and
- the Scrip Vendors receiving FIRB Approval.

Completion of the Proposed Acquisition cannot occur unless and until all conditions precedent to the Proposed Acquisition are either satisfied or waived. If all conditions precedent are not satisfied or waived by the Sunset Date (except those relating to material adverse change which, by their nature, cannot be satisfied until the date of Completion), either SeaLink or the Vendors will be able to terminate the Proposed Acquisition, subject to the terms and conditions of the Securities Sale Agreements.

1.1.3 Board and management

If Completion of the Proposed Acquisition occurs:

- Jeffrey Ellison, the current Chief Executive Officer of SeaLink, will retire from his position as Chief Executive Officer and Managing Director of SeaLink, as previously announced by SeaLink on 22 August 2018;
- Clinton Feuerherdt, current Group Chief Executive Officer of the Transit Systems Group, will replace Jeffrey Ellison as Group Chief Executive Officer of SeaLink on the terms set out in section 7.4. A profile of Mr Feuerherdt is set out in section 5.4.2; and
- Neil Espie Smith will be appointed by the Board as an additional non-executive Director of SeaLink on the terms set out in section 7.5. A profile of Mr Smith is set out in section 5.3.2.

Following Completion, Jeffrey Ellison has agreed to remain in an executive director role for a short period of time to provide support to Clinton Feuerherdt and ensure a smooth transition of leadership. Following that period, Mr Ellison is expected to remain on the SeaLink Board as a non-executive Director of SeaLink.

SeaLink does not currently expect any other board or management changes to SeaLink to be effected on Completion. However, for a period of four years following Completion, and provided at the relevant time Neil Espie Smith directly or indirectly holds more than 15% of the SeaLink Shares, if Neil Espie Smith resigns from his position as non-executive Director of SeaLink (other than retirement as required by SeaLink's Constitution), the Board will consult with him to agree another nominee to be appointed by the Board. The nominee will be subject to re-election at the subsequent annual general meeting.

1.1.4 Voluntary escrow arrangements

The Scrip Vendors must each enter into a Voluntary Escrow Deed on Completion, pursuant to which:

- the Consideration Shares issued to the Scrip Vendor on Completion ('**Escrowed Shares**') will be subject to escrow, with 50% of the Escrowed Shares to be released one year after the date of Completion and the remaining 50% to be released two years after the date of Completion (subject to certain exceptions); and

- for one year after the date of Completion, the Scrip Vendor (and the person that Controls it (if any)) will be subject to Standstill undertakings.

The terms of the Voluntary Escrow Deeds are summarised in section 7.2.

1.1.5 Restricted actions

For two years following Completion or until the Scrip Vendors hold in aggregate less than 20% of the voting shares in SeaLink (whichever is earlier), the Scrip Vendors have agreed to not take certain joint actions. These include:

- entering into an agreement or arrangement to vote in the same way on SeaLink shareholder resolutions (including against SeaLink Board recommended control transactions); or

- jointly requisitioning a general meeting of SeaLink (or requesting a resolution) relating to the composition of SeaLink's Board.

1.2 SOURCES OF FUNDING

The Completion Cash Consideration will be funded by:

- the Equity Raising (see section 1.2.1); and

- the New Financing Facilities (see section 1.2.2).

The Deferred Cash Consideration, to the extent paid, is expected to be sourced from operating cash flow and available debt capacity of the Post-Completion SeaLink Group.

1.2.1 Equity Raising

On Tuesday, 8 October 2019, the Company announced its intention to undertake:

- a fully underwritten institutional placement of SeaLink Shares at an offer price of A$3.50 per share to certain institutional Shareholders and other investors to raise approximately A$65 million ('**Placement**'); and

- a fully underwritten pro rata accelerated, non-renounceable entitlement offer of 1 share per 4 SeaLink Shares to certain eligible Shareholders at an offer price of A$3.50 to raise approximately A$89 million ('**Entitlement Offer**'),

together, the '**Equity Raising**'.

The Placement and the institutional component of the Entitlement Offer were completed on 8 October 2019. The Placement was undertaken within SeaLink's placement capacity under ASX Listing Rule 7.1, calculated by reference to the number of SeaLink Shares on issue immediately after completion of the Entitlement Offer in accordance with a waiver to ASX Listing Rule 7.1 granted by the ASX.

The retail component of the Entitlement Offer closed on Tuesday, 29 October 2019.

A total of approximately A$154 million (excluding costs of the Equity Raising) was raised and 44 million SeaLink Shares issued (representing approximately 30% of the SeaLink Shares on issue as at the Preparation Date) pursuant to the Equity Raising.

1.2.2 New Financing Facilities

SeaLink has received commitments from the Lenders to provide the New Financing Facilities, comprising new senior secured debt facilities of up to A$470 million to partially fund the Completion Cash Consideration and implementation costs of the Proposed Acquisition, to refinance existing debt and to fund net working capital, on terms to be negotiated prior to Completion of the Proposed Acquisition. These New Financing Facilities will replace all existing SeaLink and Transit Systems Group debt facilities (excluding certain existing asset level financing facilities) so that the Post Completion SeaLink Group will have a single financing package after Completion.

As at the Preparation Date, subject to certain completion adjustments, SeaLink anticipates that it will draw down approximately A$234 million of the New Financing Facilities on Completion.

A summary of the key terms and conditions expected to apply to the New Financing Facilities is set out in section 7.3.

To support the New Financing Facilities, certain members of the Post Completion SeaLink Group will provide:

- security in respect of all of the assets and undertakings of SeaLink and each borrower (which includes members of the Transit Systems Group), including direct shares and units in the Transit Systems Group;
- security in respect of all of the assets and undertakings of each guarantor (which includes members of the Transit Systems Group), other than certain assets which cannot be charged without third party consent; and
- real property mortgages over certain freehold property and certain leasehold property.

1.3 IMPACT OF THE PROPOSED ACQUISITION

On Completion, the Scrip Vendors will be issued 72,869,945 fully paid ordinary shares in SeaLink and all other SeaLink Shareholders will continue to hold their SeaLink Shares. SeaLink will remain listed on the ASX.

The table below shows the number of Consideration Shares and the percentage holding of each Scrip Vendor on the Preparation Date and after Completion.

	As at Preparation Date		Post-Completion	
Shareholder	Number of SeaLink Shares	% of total	Number of SeaLink Shares	% of total[2]
Neil Espie Smith[1]	0	0.0	33,444,556	15.3
Graham Alexander Leishman[1]	0	0.0	23,728,408	10.9
Lance William Francis[1]	0	0.0	9,210,194	4.2

	As at Preparation Date		Post-Completion	
Shareholder	Number of SeaLink Shares	% of total	Number of SeaLink Shares	% of total[2]
Clinton Feuerherdt[1]	0	0.0	5,744,171	2.6
TTAH Individuals	0	0.0	742,616	0.3

Note 1: The registered shareholder(s) will be an entity or entities controlled by this individual or trustees of trusts of which this individual is a beneficiary.
Note 2: Rounded to one decimal place. This includes the SeaLink Shares issued pursuant to the institutional component of the Entitlement Offer allotted on 18 October 2019, and the retail component of the Entitlement Offer allotted on 6 November 2019.

1.4 ADVANTAGES OF THE PROPOSED ACQUISITION

The Directors anticipate that the Proposed Acquisition will deliver significant benefits to SeaLink. These include:

- **Enhanced scale and multi-modal capabilities:** The Proposed Acquisition is expected to create a leading integrated land and marine passenger transport business, with enhanced scale to compete for large contracts. SeaLink will be able to provide multi-modal solutions to local governments and compete with other global integrated multi-modal providers.

- **Diversified operations:** The Proposed Acquisition will diversify SeaLink's end-market exposure, and is expected to lead to growth in contribution from resilient passenger transport earnings. The Proposed Acquisition will enhance SeaLink's domestic footprint while also expanding into Singapore and the UK markets.

- **Long term contracts as trusted counterparty to governments:** SeaLink will be a trusted service delivery counterparty for land and marine public commuter and logistics transport services. The Proposed Acquisition significantly increases SeaLink's exposure to long term government contracted revenues. These counterparties are considered low risk, with typically long term, and CPI indexed (no fare box risk) contracts in place.

- **Strong domestic and international growth:** SeaLink believes there is an extensive pipeline of opportunities in domestic and international markets. The expansion of SeaLink's footprint into Singapore and the UK via the Proposed Acquisition will provide a platform for further growth into existing and new international markets. The Proposed Acquisition brings together complementary tendering expertise and government relationships in each operating region to best position SeaLink for winning competitive tendering processes. The Proposed Acquisition will also create an opportunity for targeted marketing of SeaLink's existing tourism operations in international markets and to enhance its global brand profile.

- **Synergies:** SeaLink considers potential net cost synergy benefits will be approximately A$4.0-A$4.6 million per year (excluding one-off implementation costs) on an ongoing net basis after two years from Completion, largely arising from removal of cost duplication and scale procurement benefits. These potential synergies are itemised as follows:

    - opportunities to combine state office operating sites to reduce fixed rental and overhead costs;

- opportunities to combine SeaLink bus depot operations in Adelaide with Transit Systems Group to reduce rental, site overhead, bus fleet management and maintenance costs;
- reduction of the overall cost of fuel, other engine operating fluids, spare parts, maintenance inputs and tyres due to increased scale;
- other procurement cost-saving opportunities in utilities, safety equipment and uniforms, telephony and technology; and
- insurance cost savings (e.g. workers' compensation and business insurance), only partially quantified.

There is also the additional potential to cross-sell and market opportunities through increased scale and selling, and co-ordination of routes (currently not factored into quantified assessment of potential synergies stated above).

- **Experienced management team:** The complementary management teams of SeaLink and the Transit Systems Group are expected to bring strong experience in both domestic and international bus and passenger management operations.
- **Financial impacts:** The Proposed Acquisition is expected to result in FY19A pro forma EPS accretion of more than 20%, before synergies, before any bonus adjustment and before transaction and implementation costs.[7]

1.5 DISADVANTAGES OF THE PROPOSED ACQUISITION

The SeaLink Directors have identified the following disadvantages of the Proposed Acquisition:

- **The risk profile of SeaLink will change:** Shareholders are currently exposed to certain risks by virtue of having an equity interest in SeaLink. If the Proposed Acquisition proceeds, Shareholders will maintain a level of exposure to these risks and will become exposed to additional risks specific to the Proposed Acquisition and the Post Completion SeaLink Group that includes the Transit Systems Group.

  These risks are described in more detail in section 6.

- **Shareholding and voting power in SeaLink will be diluted by the Consideration Shares to be issued to the Scrip Vendors:** Upon Completion of the Proposed Acquisition, the Scrip Vendors will be issued with 72,869,945 SeaLink Shares, but the shareholdings of existing Shareholders will not change. Consequently, existing Shareholders' interests in SeaLink will be diluted from holding 100% of SeaLink Shares on issue to approximately 66.6% of SeaLink Shares on issue.[8]

[7] Increase in EPS of SeaLink assuming the Proposed Acquisition had come into effect from 1 July 2018. Calculated before the amortisation of any identifiable intangible assets, excluding transaction costs and prior to applying the adjustment factor to take in account the bonus element of the Entitlement Offer consistent with AASB 133. Restating SeaLink standalone EPS based on this bonus element adjustment factor would increase SeaLink EPS accretion by ~3%. The bonus element of the Entitlement Offer is calculated to reflect the discount to the theoretical ex-rights price ("**TERP**") (excluding the Placement) and is based on SeaLink's last traded price at 4 October 2019 of A$3.91 per share. TERP includes SeaLink Shares issued under the institutional and retail component of the Entitlement Offer, and excludes the Placement and SeaLink Shares issued to the Scrip Vendors.

[8] This includes the SeaLink Shares issued pursuant to the retail component of the Entitlement Offer, allotted on 6 November 2019.

- **Combined group debt will be significantly greater:** SeaLink net debt as at 30 June 2019 was A$83.9 million, reflecting approximately 1.75x FY19 underlying EBITDA. Upon Completion of the Proposed Acquisition, the Post Completion SeaLink Group is expected to have net debt of approximately A$318 million prior to completion adjustments, reflecting approximately 2.5x of pro forma FY19A normalised EBITDA.[9]

- **General risks:** Changes in economic conditions, general market risks and changes in the regulatory and legal environment may negatively impact the Post Completion SeaLink Group. These risks are set out in greater detail in section 6.

- **Specific risks:** Reliance on information provided by the Vendors, contractual restrictions on change of control, the assumption of Transit Systems Group liabilities, demand risk, commercial and operational risks, foreign exchange risk, industry competition, reliance on key personnel, technology risks, loss of reputation or brand risk, litigation and legal risk, and risks relating to the existence of significant shareholders may also negatively impact the Post Completion SeaLink Group. These risks are set out in greater detail in section 6.

1.6 INDEPENDENT EXPERT'S CONCLUSIONS

The Independent Expert, engaged by SeaLink to review and opine on the Proposed Acquisition for the purpose of Resolutions 1 and 2, has concluded that **the Proposed Acquisition is fair and reasonable to the Non-Associated Shareholders**.

A copy of the Independent Expert's Report was originally provided to ASX on 8 October 2019, and an amended copy is set out in this Explanatory Memorandum in Annexure A. The Independent Expert's Report has been updated to reflect the recent share price performance of SeaLink and other transaction events to 23 October 2019. This is an important document which you should read in full. It contains important qualifications and assumptions relevant to the opinions expressed.

1.7 RECOMMENDATION BY THE BOARD

The Board unanimously recommends that you vote in favour of the Acquisition Resolutions, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Proposed Acquisition is fair and reasonable (or not fair but reasonable) to Non-Associated Shareholders.

In making its recommendation, the Board has considered:

- the advantages of the Proposed Acquisition (as set out in section 1.4) and the disadvantages of the Proposed Acquisition (as set out in section 1.5);

- the key risks associated with the Proposed Acquisition (as set out in section 6);

- the implications if the Proposed Acquisition does not proceed (as set out in section 1.9); and

- the reasoning and conclusions of the Independent Expert (as set out in the Independent Expert's Report at Annexure A).

Each of the Directors who are SeaLink Shareholders intends to vote the SeaLink Shares they hold or control in favour of all of the Acquisition Resolutions in the absence of a Superior Proposal and subject to

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[9] The Locked Box Date for the Proposed Acquisition is 31 March 2019, with certain completion adjustments applicable from that date to Completion. Net debt is inclusive of the non-contingent deferred cash consideration of A$37 million and exclusive of the contingent deferred cash consideration of A$63 million.

the Independent Expert continuing to conclude that the Proposed Acquisition is fair and reasonable (or not fair but reasonable) to Non-Associated Shareholders.

The Directors recommend that you carefully read this Explanatory Memorandum and the Independent Expert's Report in Annexure A in deciding how to vote on the Acquisition Resolutions.

1.8 INTERESTS OF DIRECTORS IN THE RESOLUTIONS

None of the Directors have any personal interest in the Proposed Acquisition proceeding or the Resolutions, other than as set out in this section 1.8.

The Directors' relevant interests in SeaLink Shares as at the Preparation Date are as follows:

	Number of Shares	% of Shares	Number of Options
Andrew McEvoy	124,474	0.09	-
Chris Smerdon	6,486,875	4.46	-
Jeffrey Ellison	6,249,769	4.30	-
Terry Dodd	5,786,578	3.98	-
Andrea Staines	-	0.00	-
Fiona Hele	22,500	0.02	-

Note: This table includes the SeaLink Shares issued pursuant to the institutional component of the Entitlement Offer allotted on 18 October 2019, and the retail component of the Entitlement Offer allotted on 6 November 2019.

1.9 IMPLICATIONS IF THE PROPOSED ACQUISITION DOES NOT PROCEED

If the Proposed Acquisition does not proceed (whether because the Acquisition Resolutions are not approved or otherwise):

- SeaLink will continue to exist as an independent, standalone entity listed on ASX;
- SeaLink will not issue the Consideration Shares to the Scrip Vendors in connection with the Proposed Acquisition;
- the benefits of the Proposed Acquisition will not be realised;
- the SeaLink Share price may fall lower than the share price at the time of the announcement of the Proposed Acquisition (this risk may also be impacted by equity market volatility);
- SeaLink will need to consider alternative uses for the proceeds from the Equity Raising including returning or distributing them to shareholders; and
- Jeffrey Ellison still intends to step down as Chief Executive Officer and Managing Director of SeaLink, and accordingly SeaLink will need to identify and recruit a new SeaLink Chief Executive Officer.

SeaLink will also have incurred various costs associated with the Proposed Acquisition, which will not be reimbursed.

In addition, in some circumstances (not including a decision of the Shareholders to vote against the Acquisition Resolutions), SeaLink will be required to pay a break fee of A$5 million (in aggregate) to Graham Alexander Leishman, Lance William Francis, Clinton Feuerherdt and Neil Espie Smith (as controllers of certain Vendors). Further information on this break fee is set out in section 7.1.10.

2. Questions and Answers

This section answers some questions you may have about the Proposed Acquisition.

It is not intended to address all relevant issues for Shareholders. This section 2 should be read together with all other parts of this Explanatory Memorandum.

Question	Answer	More information
Why have I received this Explanatory Memorandum?	SeaLink is proposing to acquire 100% of the Transit Systems Group, to refresh its placement capacity under ASX Listing Rule 7.4, and to increase its non-executive Director fee pool. The information set out in this Explanatory Memorandum will assist you, as a Shareholder, to decide how you wish to vote on the Resolutions relating to the Proposed Acquisition, the Placement Ratification and the NED Fee Pool Resolution.	N/A
What is the Proposed Acquisition?	If Shareholders pass the Acquisition Resolutions and the other conditions in the Securities Sale Agreements are satisfied or waived, SeaLink will acquire 100% of the shares and units (as applicable) in each of the Transit Sale Entities and will directly or indirectly control the Transit Systems Group. In return, SeaLink will issue the Consideration Shares (being 72,869,945 new SeaLink Shares) to the Scrip Vendors so that they will collectively hold approximately 33.4% of the SeaLink Shares immediately following Completion. SeaLink will also pay the Completion Cash Consideration and the Deferred Cash Consideration to the Vendors and assume Transit Systems Group debt and debt-like items of approximately A$211 million (largely being refinanced).	See section 1.
What is the Transit Systems Group?	The Transit Systems Group is a passenger transport group of companies operating in the bus segment, which is currently owned and operated by the Vendors. It is Australia's largest private operator of metropolitan public bus services and has established international operations in London and Singapore.	See section 4.
Who are the Vendors?	The Vendors are: • Graham Alexander Leishman; • Lance William Francis; • Neil Espie Smith; • Clinton Feuerherdt; and • the TTAH Individuals,	See section 10.

Question	Answer	More information
	or entities controlled by them or of which they are a beneficiary.	
What are the Securities Sale Agreements?	The Securities Sale Agreements are the agreements between SeaLink and the Vendors setting out the terms and conditions on which the parties will undertake the Proposed Acquisition. There is one agreement relating to the sale of Transit Systems Sale Entities operating in Australia and a separate agreement relating to the sale of the Tower Transit Sale Entities predominantly operating in London, Singapore and the United States. The two Securities Sale Agreements are interdependent and one agreement cannot Complete unless the other agreement Completes at the same time.	See section 7.1.
What are the Acquisition Resolutions?	SeaLink is seeking the following 3 resolutions in relation to the Proposed Acquisition: • approval for the Scrip Vendors to acquire the Consideration Shares, for the purposes of item 7 of section 611 of the Corporations Act; • approval for SeaLink to acquire a relevant interest in the Consideration Shares as a result of the Voluntary Escrow Deeds, for the purposes of item 7 of section 611 of the Corporations Act; and • approval for financial assistance to be provided by certain Transit Systems Group entities in connection with the Proposed Acquisition, as guarantors of the New Financing Facilities as described at section 7.3 for the purposes of section 260B(2) of the Corporations Act. Under the Corporations Act, the item 7, section 611 resolutions require passage by way of ordinary resolution and the financial assistance resolution requires passage by way of special resolution.	See the Notice of Meeting in section 9.
Does the Board recommend the Proposed Acquisition?	Yes. The Board unanimously recommends that SeaLink Shareholders vote in favour of the Acquisition Resolutions, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Proposed Acquisition is fair and reasonable (or not fair but reasonable) to Non-Associated Shareholders. In addition, each of the Directors who are SeaLink Shareholders intends to vote the SeaLink Shares they hold or control in favour of all of the Acquisition	See section 1.7.

Question	Answer	More information
	Resolutions in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Proposed Acquisition is fair and reasonable (or not fair but reasonable) to Non-Associated Shareholders.	
What has the Independent Expert said?	The terms and conditions of the Proposed Acquisition have been reviewed by the Independent Expert. The Independent Expert has concluded that the Proposed Acquisition is fair and reasonable to the Non-Associated Shareholders.	See Annexure A.
When will the Proposed Acquisition be completed?	SeaLink currently expects that Completion will occur on or around January 2020.	See the section entitled 'Key Dates'.
How will the Company pay for the Proposed Acquisition?	The consideration to be paid on Completion will be sourced from the proceeds of the Equity Raising and the New Financing Facilities and otherwise satisfied through the issue of the Consideration Shares to the Scrip Vendors. The Deferred Cash Consideration, to the extent paid, is expected to be sourced from operating cash flow and available debt capacity of the Post-Completion SeaLink Group.	See section 1.2.
What is the rationale for the Proposed Acquisition and what are the key benefits of it?	The Proposed Acquisition will create enhanced scale and multi-modal capabilities for SeaLink, and will diversify its operations, among other potential benefits. Further details of the advantages of the Proposed Acquisition are described in section 1.4.	See section 1.4.
What are the potential disadvantages and risks of the Proposed Acquisition?	SeaLink Shareholders will be exposed to new risks associated with the Transit Systems Group, to which they are not currently exposed, and their shareholdings will be diluted by the issue of the Consideration Shares, among other potential disadvantages. Further details of the potential disadvantages and risks of the Proposed Acquisition are described in sections 1.5 and 6.	See sections 1.5 and 6.
What happens if the Acquisition Resolutions are not approved?	If the Acquisition Resolutions are not approved then the Proposed Acquisition will not proceed. The benefits of the Proposed Acquisition will not be realised, SeaLink would have incurred costs in connection with the Proposed Acquisition and, in	See sections 1.9 and 7.1.10.

Question	Answer	More information
	some circumstances, it may be required to pay a A$5 million (in aggregate) break fee to certain Vendors.	
What changes to the Board and management will be made as a result of the Proposed Acquisition?	On Completion: • Neil Espie Smith will be appointed by the Board as an additional non-executive Director; • Clinton Feuerherdt will replace Jeffrey Ellison as Group Chief Executive Officer of SeaLink; and • Jeffrey Ellison will resign from his position as Managing Director (although he will provide executive services support to Clinton Feuerherdt to ensure a smooth transition of leadership, following which he is expected to transition to a non-executive director role). SeaLink does not currently anticipate any other changes to the Board or the executive team of SeaLink to be effected by the Proposed Acquisition.	See section 5.3.
What are the tax implications of the Proposed Acquisition for Shareholders?	The acquisition by SeaLink of the Transit Systems Group for cash and the issue of the Consideration Shares does not give rise to an Australian taxing event for the existing Shareholders, nor should it change the character of the SeaLink Shares for Australian tax purposes.	N/A
If I wish to support the Proposed Acquisition, what should I do?	If you wish to support the Proposed Acquisition, you should vote in favour of the Acquisition Resolutions by one of the following methods: • voting in person at the General Meeting; • completing and returning a personalised Proxy Form (enclosed with this Explanatory Memorandum); or • appointing an attorney or, if you are a body corporate, a representative to vote for you.	See the instructions in the Notice of Meeting in section 9.
If I wish to vote against the Proposed Acquisition, what should I do?	If you wish to vote against the Proposed Acquisition, you should vote against the Acquisition Resolutions by one of the methods set out in the box above.	See the instructions in the Notice of Meeting in section 9.
What are the Ancillary Resolutions?	In addition to the Acquisition Resolutions, SeaLink is also seeking the following two resolutions in relation to matters ancillary to the Proposed Acquisition: • The Placement Ratification, which seeks Shareholder approval to the issue of 18,642,724 SeaLink Shares to certain institutional investors, pursuant to the	See sections 1.2.1, 8.4 and 8.5.

Question	Answer	More information
	Placement. If Resolution 4 is approved, the SeaLink Shares issued pursuant to the Placement will be deemed to have been issued with Shareholder approval for the purpose of calculating SeaLink's placement capacity under ASX Listing Rule 7.1. • The NED Fee Pool Resolution, which seeks Shareholder approval to increase the aggregate amount of fees available per annum to be paid to non-executive Directors from \$750,000 to \$1,250,000.	
Does the Board recommend the Ancillary Resolutions?	The Board unanimously recommends that Shareholders vote in favour of the Placement Ratification (Resolution 4). As the non-executive Directors have an interest in the NED Fee Pool Resolution (Resolution 5), the Board has not made a recommendation to Shareholders on Resolution 5.	See sections 8.4 and 8.5.
What happens if the Ancillary Resolutions are not approved?	The Placement was undertaken within SeaLink's placement capacity under ASX Listing Rule 7.1, calculated by reference to the number of SeaLink Shares on issue immediately after completion of the Entitlement Offer in accordance with a waiver to ASX Listing Rule 7.1 granted by the ASX. If Resolution 4 is not approved, the issue of the SeaLink Shares pursuant to the Placement remains valid, but SeaLink will be required to take into account the SeaLink Shares issued pursuant to the Placement when calculating its placement capacity under ASX Listing Rule 7.1. This would reduce SeaLink's flexibility in raising funds for the 12 months following the issue of those SeaLink Shares. If the NED Feel Pool Resolution is not approved, the fees SeaLink can pay to its non-executive Directors will be limited to an aggregate of \$750,000 notwithstanding that there will be an additional two non-executive Directors joining the Board at, or shortly after, Completion of the Proposed Acquisition. This may impact SeaLink's ability to competitively remunerate its non-executive Directors, especially in light of the increased responsibilities of those Directors in light of the Proposed Acquisition. However, passage of Resolutions 4 and 5 is not required for the Proposed Acquisition to proceed to Completion.	N/A

Question	Answer	More information
If I wish to support the Ancillary Resolutions, what should I do?	If you wish to support the Ancillary Resolutions, you should vote in favour of Resolutions 4 and 5 by one of the following methods: • voting in person at the General Meeting; • completing and returning a personalised Proxy Form (enclosed with this Explanatory Memorandum); or • appointing an attorney or, if you are a body corporate, a representative to vote for you.	See the instructions in the Notice of Meeting in section 9.
If I wish to vote against the Ancillary Resolutions, what should I do?	If you wish to vote against one or both of the Ancillary Resolutions, you should vote against Resolution 4 and / or 5 by one of the methods set out in the box above.	See the instructions in the Notice of Meeting in section 9.
What if I cannot or do not wish to attend the General Meeting?	Shareholders who cannot or do not wish to attend the General Meeting may complete a personalised Proxy Form (enclosed with this Explanatory Memorandum) or alternatively appoint an attorney or, if you are a body corporate, a representative to vote on your behalf.	See the instructions in the Notice of Meeting in section 9.
Is voting compulsory?	Voting is not compulsory.	N/A
Further questions	If you are in doubt as to what you should do, please contact your stockbroker, accountant, lawyer or investment, taxation other professional adviser.	N/A

3. Information About SeaLink

3.1 BUSINESS OVERVIEW

SeaLink is an established transport and tourism company with the largest ferry operations in Australia. SeaLink operates a fleet of 78 ferries and 76 coaches and touring vehicles across South Australia, Western Australia, Northern Territory, Queensland, Tasmania and New South Wales.

3.2 PRINCIPAL ACTIVITIES

SeaLink's core competency of passenger and freight transport is delivered by a fleet of 50 passenger ferries, 16 vehicle and freight ferries and 12 dining vessels. Further activities delivered under a range of tourism-focused brands include coach, mini bus and 4x4 vehicle operations and resort and land operating assets. SeaLink's tourism exposure is integrated with passenger and freight ferry operations to capture additional margin and offer packaged services.

3.3 BOARD

Brief profiles of the Directors of SeaLink as at the Preparation Date are as follows:

Andrew J. McEvoy (MA Int. Comms, B. Arts) – Chair

Mr McEvoy was appointed a Director on 1 February 2015 and was appointed Chair on 1 July, 2015. Mr McEvoy holds a Bachelor of Arts Degree from the University of Melbourne and a Masters in Communications from City University in London.

Mr McEvoy has extensive experience in the tourism sector, and is a previous Managing Director and CEO of both Tourism Australia and the South Australian Tourist Commission. Most recently he was Managing Director, Life Media & Events at Fairfax Media, where he managed the new business portfolio, including events and the key lifestyle titles. Mr McEvoy is Chair of advocacy group Tourism and Transport Forum and a director of Lux Group Ltd, Ingenia Communities Group and Voyages Indigenous Tourism Australia.

Andrew is a member of the Company's Remuneration and Nominations Committee.

Jeffrey R. Ellison (B. Acc, FCA, FAICD) – Managing Director and Chief Executive Officer

Mr Ellison holds a Bachelor of Arts Degree in Accounting from the University of South Australia, is a Fellow of the Chartered Accountants Australia and New Zealand and the Australian Institute of Company Directors. He has held the position of Chief Executive Officer since 1997 and was appointed Managing Director in 2008. Mr Ellison is a member on the Tourism Australia Board and the South Australian Botanic Gardens and State Herbarium board. Mr Ellison is a former Board member of the South Australian Tourism Commission, Tourism and Transport Forum Australia and the Adelaide Convention Centre.

In August 2018, Mr Ellison gave notice of his intention to retire as CEO and Managing Director of SeaLink effective from SeaLink's annual general meeting in October 2019. The Board has requested Mr Ellison to remain in his role as CEO and Managing Director for an extended period of time during the negotiation of the Proposed Acquisition and to remain actively involved and available during a post-Completion transition period. It is expected that Mr Ellison will retire as CEO and Managing Director at Completion, but will provide executive services as an executive Director to SeaLink for a short period of time and then transition to a non-executive Director on the SeaLink Board during the first half of calendar year 2020.

Christopher D. Smerdon (MAICD) – Non Executive Director

Mr Smerdon has extensive experience in the information technology and cyber security field. He is currently Managing Director of Vectra Corporation, a company that provides specialist cyber security services to organisations handling sensitive data, financial information and large volumes of credit card transactions. Its clients include banks, telcos, utilities and large retailers.

Mr Smerdon was previously Managing Director of Protech Australasia Pty Ltd a national information technology and systems integrator. Other directorships currently held by Mr Smerdon are with Aquaport Corporation and Environmental Energy Australia.

Mr Smerdon joined the Board in 2002 and is a member of the Company's Audit and Risk Committee.

Terry J. Dodd – Non Executive Director

Mr Dodd has extensive experience in business management and the marine industry. After qualifying as a commercial diver in the USA and working as a commercial diver in the onshore and offshore oil and gas industry, he successfully established a recreational diving business and a travel agency in North Queensland.

Mr Dodd is Managing Director of Pacific Marine Group Pty Ltd, one of Australia's largest marine construction and commercial diving companies. Mr Dodd was previously Managing Director of Sunferries, a ferry transport business based in Townsville, prior to its sale to SeaLink in March 2011 when Mr Dodd joined the Board of SeaLink.

Mr Dodd is a member of the Company's Remuneration and Nominations Committee.

Andrea J.P. Staines OAM (MBA, B.Ec, FAICD) – Non Executive Director

Ms Staines has extensive experience in the transport sector and is a former CEO of Qantas subsidiary, Australian Airlines (mk II) which she co-launched. Ms Staines currently sits on the boards of UnitingCare, NDIA, Freightways (NZ) and Landmark White Limited.

Ms Staines has been a professional non-executive director for over a decade, and has held previous directorships with a range of entities in the transport, tourism and care sectors, including Tourism Australia, Aurizon, Australian Rail Track Corporation, Gladstone Ports Corporation and North Queensland Airports.

Ms Staines joined the Board in 2016 and is Chair of the Company's Remuneration and Nominations Committee and a member of the Company's Audit and Risk Committee.

Fiona Hele (B.Com, FCA, FAICD) – Non Executive Director

Ms Hele is a non-executive Director and an experienced audit & risk chair with a strong commercial and finance background. Ms Hele is a Chartered Accountant with over 25 years' experience in both the private and public sectors specialising in strategic business advisory, mergers and acquisition, risk management and corporate governance.

Ms Hele is a Fellow of Chartered Accountants Australia and New Zealand, and a Fellow of the Australian Institute of Company Directors.

Ms Hele is also a director of Adelaide Venue Management Corporation, Celsus Securitisation Pty Ltd and South Australian Water Corporation. Past directorships include the South Australian Tourism Commission and the Adelaide Fringe Festival.

Ms Hele joined the Board in 2016 and is Chair of the Company's Audit and Risk Committee.

3.4 SEALINK SENIOR EXECUTIVES

Brief profiles of the senior executives of SeaLink as at the Preparation Date are as follows:

Jeffrey R. Ellison – Managing Director and Chief Executive Officer

Please refer to section 3.3 above.

Andrew Muir (B.Ec, MBA) – Chief Financial Officer and Company Secretary

Mr Muir was appointed Chief Financial Officer of the Company in January 2017 and Company Secretary on 1 June 2018. Mr Muir has also held a number of similar positions with other ASX listed and private companies. Mr Muir began his career as a Chartered Accountant with Arthur Andersen in their Corporate Finance and Advisory practice in Adelaide. Mr Muir has more than 20 years' experience in senior finance roles across corporate finance, mergers & acquisitions, tax and accounting with both public and large private companies across. He has worked across a diverse range of industry sectors including building & construction, manufacturing, wholesaling & distribution, mining & resources and agriculture. Mr Muir holds a Bachelor of Economics and a Master of Business Administration from the University of Adelaide.

Joanne McDonald (LLB, B.Ec, GAICD) – General Counsel and Company Secretary

Ms McDonald has over 25 years' experience in commercial and corporate law including holding senior legal and commercial positions with other listed and statutory corporations including Beach Energy Limited, following her time in private practice in Melbourne. Prior to joining SeaLink as General Counsel and Company Secretary, Ms McDonald was Executive Manager Corporate Governance and Company Secretary for ElectraNet Pty Ltd. She holds a Bachelor of Laws (Hons) and Bachelor of Economics from the University of Adelaide, is a Graduate of the Australian Institute of Company Directors and Fellow of the Australian Governance Institute.

Donna Gauci – Chief Operating Officer

Ms Gauci joined SeaLink in 2005 and was appointed as Chief Operating Officer in May 2019. Ms Gauci has over 20 years' experience working in the travel, tourism and transport industries. Her experience includes retail travel agencies, wholesale, destination marketing, inbound tour operations, domestic and international sales and marketing and operational management. Ms Gauci has previously successfully lead SeaLink New Zealand's operations, SeaLink's operations in South Australia including strategic development of assets, tourism product development and marketing initiatives.

Chris Benson (BSc) – Chief Information Officer

Mr Benson has a diverse technology background from application programmer through to leading complex organisational technology change programs across geographical boundaries. Prior to joining SeaLink as Chief Information Officer, Mr Benson worked for JPMorgan Chase Bank for 16 years in various roles in Sydney and London with his last role as Executive Director, Head of Equities Technology Australia. He holds a Bachelor of Science (Applied Mathematics and Computer Science) from the University of Adelaide, Graduate Diploma, International Business Administration from Flinders University and a Graduate Certificate, Applied Finance from Securities Institute of Australia.

Michael Niemann (Dip Man, M<35, MED 1) – National Marine Fleet Manager

Mr Niemann joined the Company in 2012 and has over 30 years' experience in the operation, management and strategic planning of domestic commercial vessels both in Australia and overseas. Prior to joining SeaLink, Mr Niemann was an Advisor to the Abu Dhabi Department of Transport, following a role with the Brisbane Ferries Operation and Maintenance contractor as both Contract and Risk & Compliance Manager. Mr Niemann has strong skills in business development including taking leading roles in a number of bid teams on a range of successful tender contracts. He has formal qualifications in domestic commercial vessel operations which are further supported by a Diploma in Management, Risk Management and ISM/QMS/Environment Lead Auditor certificates.

Paul Victory (MA, Grad Dip Bus, BA) – General Manager, Growth & Innovation

Mr Victory joined SeaLink in Adelaide in 2003 and has since led a number of business units, including as General Manager Queensland and Northern Territory Operations, and SeaLink's National and International sales. He has extensive regional tourism sales and industry board experience and has been very active internationally, including leading the initial team into the China market. Mr Victory has worked extensively in remote tourism development and led establishment of SeaLink's Reconciliation Action Plan in 2018.

Brooke Martlew – Chief People Officer

Ms Martlew was appointed to the role of Chief People Officer (CPO) for SeaLink in April 2018. Ms Martlew is an experienced adviser in the tourism and transport industry specialising in human resources and recruitment including employee attraction and engagement, diversity, training and development, compensation and benefits, as well industrial relations and employee relations. Ms Martlew began her SeaLink career in 2001. Prior to her role as CPO for SeaLink, she was engaged as People and Culture Manager for SeaLink South Australia.

3.5 FINANCIAL INFORMATION

Historical FY19A financial information in relation to SeaLink on a standalone basis and relating to the Post Completion SeaLink Group on a pro forma basis are set out in section 5.6 (including details of the basis of preparation).

4. Information about Transit Systems Group

4.1 BUSINESS OVERVIEW

Transit Systems Group is Australia's largest private operator of metropolitan public bus services and is an established international bus operator in London and Singapore.

The globally recognised Group currently operates approximately 3,129 buses across 40 contracts in Australia, London and Singapore on behalf of governments and transport authorities. Transit Systems Group carries approximately 344 million passengers annually on its services.

In Australia, Transit Systems Australia operates metropolitan bus services in Perth (operating as Swan Transit), Adelaide (Torrens Transit), Sydney (Transit Systems NSW), Victoria (Sita Group) and Darwin (Territory Transit).

Internationally, the Transit Systems Group operates significant urban bus services in the Transport for London (TfL) network (Tower Transit), and in Singapore (Tower Transit Singapore), making them a global transport provider – bringing world best practice to local operations.

Transit Systems Australia won the first tender for bus public transport operations in Perth, the Midland Bus Contract in 1995 and continues to operate this contract 24 years later.

After four years of operations in Perth, Transit Systems Australia expanded to Adelaide by securing the East West and City Free urban bus contract in 2000, followed by the North South and Outer North East bus contracts in 2005.

In 2005, Transit Systems Australia entered the marine passenger transport market through the acquisition of a commuter ferry service operating in Moreton Bay, Queensland. Over the next 10 years the marine operations were expanded, and by 2015 Transit Systems Australia was the largest private ferry operator in Australia, with a fleet of 33 vessels providing passenger and vehicular ferry services to Curtis Island (Gladstone, Queensland), Stradbroke Island and the Southern Moreton Bay Islands (Brisbane, Queensland). In November 2015, Transit Systems Australia announced the A$125 million sale of its marine operations to SeaLink Travel Group.

In 2012, Transport for NSW awarded Transit Systems Australia the contract to operate the Sydney Metropolitan Bus Services Contract for the Liverpool, Fairfield and Holroyd regions (Region 3). This contract was part of the NSW State Government's competitive tendering program for Sydney's bus services. Transit Systems Australia was the only non-incumbent operator to be awarded one of these highly competitive contracts. In Region 3, Transit Systems Australia operates a modern fleet of over 220 vehicles that is one of the youngest bus fleets in metropolitan Sydney and was the first fully wheelchair accessible large-scale bus fleet in New South Wales.

2013 marked the Group's first international expansion when Tower Transit acquired part of the London bus operations of First Group Plc. The Transit Systems Group now operates 396 double and single deck buses from two depots in London and employs 1,450 people.

In 2014, Transit Systems Australia, successfully secured the Darwin Urban Bus Services contract from the Northern Territory Government for the provision of urban and school bus services and Transit Systems Australia currently operates approximately 40% of the Darwin region's public transport network, operating as Territory Transit.

In May 2015, Tower Transit was awarded the inaugural tender under the Singapore Land Transport Authority's (LTA) Bus Contracting Model. Tower Transit employs approximately 900 staff and since May 2016, operates 31 bus routes with 367 buses in Singapore.

In June 2018, Transit Systems Australia acquired Adelaide's North South and Outer North East bus contract and successfully transitioned approximately 370 buses and 700 employees into its existing Adelaide operations. The services had previously been operated by Transit Systems Australia between 2005 and 2011 and returned Transit Systems Australia's market share of Adelaide's bus public transport market to over 70%.

Transit Systems Australia continued its growth in NSW when, in 2018, it won the Sydney Region 6 bus contract, covering Sydney's inner west. Region 6, which was previously operated by the government, was the largest public bus contract ever tendered in Australia and includes the integration of on demand public buses and traditional buses, as well as a trial of electric buses.

In April 2019, Transit Systems Australia expanded into the Melbourne bus market, acquiring the Sita Group. The acquisition added approximately 168 buses, 250 employees and 3 million passengers to the Transit Systems Australia network.

4.2 PRINCIPAL ACTIVITIES

The principal activity of the Transit Systems Group is operating bus public transport services under long term contracts to State and Territory governments in Australia and government Transport Authorities internationally.

Transit Systems Group is a highly scalable operating platform, with a strong track record of contract wins and renewals and an experienced management team operating typically long term, low risk, CPI indexed government service contracts.

The major contracts held by the Transit Systems Group are set out below.

4.2.1 Perth, Western Australia

The Transit Systems Group holds five Bus Service Contracts with the Public Transport Authority of Western Australia:

- Contract for the Midland area – First commenced operations in 1996 with the current contract expiring in 2024
- Contract for the Canning area – First commenced operations in 1996 with the current contract expiring in 2020
- Contract for the Southern River area – First commenced operations in 1996 with the current contract expiring in 2020
- Contract for the Claremont area – First commenced operations in 2002 with the current contract expiring in 2020
- Contract for the Marmion area – First commenced operations in 2011 with the current contract expiring in 2020.

In October 2019, Transit Systems Group entered contracts to continue to operate the Claremont and Marmion bus services for a further 10 years (commencing in January 2020) and was awarded new 10 year contract to operate bus services in the Joondalup contract area (commencing in January 2020).

4.2.2 South West region of Western Australia

The Transit Systems Group holds three Regional Bus Service Contracts with the Public Transport Authority of Western Australia:

- Contract for the Bunbury area – First commenced operations in 2015 with current contract expiring in 2024
- Contract for the Busselton area – First commenced operations in 2015 with current contract expiring in 2024
- Contract for the Albany area – First commenced operations in 2017 with current contract expiring in 2027.

4.2.3 Adelaide, South Australia

The Transit Systems Group holds two Bus Passenger Transport Service Contracts with the South Australian Government's Minister for Transport:

- Contract for Adelaide's East West bus region – First commenced operations in 2000 with current contract expiring in 2020
- Contract for Adelaide's North South and Outer North East bus regions –Commenced operations under current contract in 2018 with this contract expiring in 2020. Transit Systems Group previously operated bus services in these contract regions from 2005 to 2011.

4.2.4 Sydney, New South Wales

The Transit Systems Group holds two Sydney metropolitan bus services contracts with Transport for New South Wales

- Sydney Metropolitan Bus Services Contract 03 covering the Liverpool, Fairfield and Holroyd regions of Sydney – First commenced operations in 2013 with current the contract expiring in 2021
- Sydney R6BSP Services Contract covering the inner west region of Sydney – First commenced operations in 2018 with the current contract expiring in 2026 (inclusive of three year option period).

4.2.5 Darwin, Northern Territory

The Transit Systems Group holds the Darwin Bus Service Contract with the Northern Territory Government, which first commenced operations in 2014 with the current contract expiring in 2021.

4.2.6 Melbourne, Victoria

The Transit Systems Group holds a Metropolitan Bus Services Contract with the Public Transport Development Authority of Victoria. Transit Systems Group first commenced operations in 2019, following the acquisition of the Sita Group, with the current contract expiring in 2028 (inclusive of two year option period).

4.2.7 London, United Kingdom

The Transit Systems Group holds 23 contracts for bus route services under a Framework Agreement with Transport for London. Each contract has a term of five years with a two year extension option. Transit Systems Group's existing contracts expire between 2020 and 2025 (inclusive of two year option period).

4.2.8 Singapore

The Transit Systems Group holds the Bus Service Contract for the Bulim region with Singapore's Land Transport Authority. Transit Systems Group commenced operations under this contact in 2015, with the contract expiring in 2021. The Transit Systems Group expects that this contract will be tendered in the lead up to this expiry date.

Further information regarding Transit Systems Group is contained in Section 5 of the Independent Expert's Report in Annexure A.

4.3 TRANSIT SYSTEMS GROUP HISTORIC PRO FORMA FINANCIAL INFORMATION

4.3.1 Basis of preparation and presentation

The Transit Systems Group pro forma historical financial information has been prepared and presented in accordance with recognition and measurement principles of Australian Accounting Standards ('**AAS**'), although it is presented in an abbreviated form insofar as it does not include all of the disclosures, statements or comparative information as required by Australian Accounting Standards applicable to annual financial reports prepared in accordance with the Corporations Act.

The Transit Systems Group pro forma historical financial information has been prepared as follows:

- Transit Systems Group pro forma historical financial information for the year ended 30 June 2019 (**FY19A**) has been derived from unaudited management financial reports for the financial year ended 30 June 2019 for Transit Systems Australia and Sita Group and twelve months unaudited management financial reports to 30 June 2019 for Tower Transit Group with an AUD:GBP exchange rate of 0.5344 and AUD:SGD exchange rate of 0.9578 applied. The reported financial performance and position as per these unaudited management financial reports have been adjusted by SeaLink for certain pro forma adjustments, to remove specific assets and operations excluded from the Proposed Acquisition perimeter, normalisations identified during SeaLink's due diligence and assuming Sita Group was owned by Transit Systems Group from 1 July 2018;

- Transit Systems Group pro forma historical financial information for the years ended 30 June 2017 (**FY17A**) and 2018 (**FY18A**) has been derived from FY17A and FY18A audited financial statements for Transit Systems Australia and Sita Group and twelve months unaudited management financial reports for Tower Transit Group to 30 June 2017 and 2018 which reconcile to the audited Tower Transit Group financial statements for the respective financial years ended 31 March 2017, 2018 and 2019 with an AUD:GBP exchange rate of 0.5344 and AUD:SGD exchange rate of 0.9578 applied. The reported financial performance as per these financial reports have been adjusted by SeaLink for certain pro forma adjustments, to remove specific assets and operations excluded from the Proposed Acquisition perimeter, normalisations identified during SeaLink's due diligence and assuming Sita Group was owned by Transit Systems Group from 1 July 2016; and

- All amounts disclosed in the tables are presented in Australian dollars and, unless otherwise noted, are rounded to the nearest million dollars

Transit Systems Group uses certain measures to manage and report on its business that are not recognised under AAS or IFRS. These measures are collectively referred to in this section as 'non-IFRS financial information' under Regulatory Guide 230 'Disclosing non-IFRS financial information' published by ASIC. The principal non-IFRS financial measures that are referred to in this Explanatory Memorandum are as follows:

- EBITDA is earnings before interest, taxation, depreciation and amortisation;
- EBIT is earnings before interest and taxation.

As non-IFRS financial measures are not defined by recognised standard setting bodies, they do not have a prescribed meaning. Therefore, the way in which Transit Systems Group calculates these measures may be different to the way other companies calculate similarly titled measures. Although these non-IFRS financial measures provide useful information about Transit Systems Group's financial performance, Shareholders are cautioned not to place undue reliance on any non-IFRS measures and should consider the measures as supplemental to, as opposed to replacement for, financial information presented in accordance with AAS.

4.3.2 Pro forma revenue – FY17A, FY18A, FY19A

The pro forma revenue for the Transit Systems Group for FY17A, FY18A and FY19A are set out below:

A$ million	FY17A	FY18A	FY19A
Australia (excluding Region 6 and Sita Group)	267	287	358
Region 6[1]	-	-	185
Sita Group	41	44	44
United Kingdom	195	184	171
Singapore	121	127	137
Total	**623**	**642**	**895**

Note 1: The Region 6 contract commenced in FY19.

4.3.3 Pro forma normalised EBITDA – FY17A, FY18A, FY19A

The pro forma normalised EBITDA for the Transit Systems Group for FY17A, FY18A and FY19A are set out below:

A$ million	FY17A	FY18A	FY19A
Pro forma normalised EBITDA of the Transit Systems Group	69	74	78

4.3.4 Pro forma summary statement of financial position and summary statement of financial performance

Pro forma summary statement of financial performance and pro forma summary statement of financial position of the Transit Systems Group are set out in sections 5.6.2 and 5.6.3 respectively.

5. Information about the Post Completion SeaLink Group

5.1 OWNERSHIP STRUCTURE

On Completion of the Proposed Acquisition:

- the entities in the Transit Systems Group will become wholly-owned by SeaLink; and
- 72,869,945 SeaLink Shares will be issued to the Scrip Vendors, which will give them a combined interest of approximately 33.4% of the SeaLink Shares on issue immediately after Completion.

The table below shows how shareholdings in SeaLink will be affected by the issue of the Consideration Shares to the Scrip Vendors on Completion:

	As at Preparation Date		Post-Completion	
Shareholder	**Number of SeaLink Shares**	**% of total**	**Number of SeaLink Shares**	**% of total[1]**
Scrip Vendors	0	0.0	72,869,945	33.4
Other Shareholders	145,529,103	100.0	145,529,103	66.6
Total	**145,529,103[2]**	**100.0**	**218,399,048**	**100.0**

Note 1: Rounded to one decimal place.
Note 2: This includes the SeaLink Shares issued pursuant to the retail component of the Entitlement Offer, allotted on 6 November 2019. The above table excludes the 30,000 unlisted performance rights issued to certain SeaLink key management personnel. Subject to satisfying the relevant performance hurdles, 15,000 performance rights vests in January 2020 and the other 15,000 vests in March 2020.

As set out in section 1.1.4 above, at Completion each Scrip Vendor will enter into a Voluntary Escrow Deed that will prevent the sale or disposal of half the Consideration Shares they hold until the first anniversary of Completion and the remaining half until the second anniversary of Completion (subject to certain exceptions). The terms of the Voluntary Escrow Deed are summarised in section 7.2.

5.2 BUSINESS STRUCTURE

Following Completion of the Proposed Acquisition, the Post Completion SeaLink Group will have business operations in commuter passenger and freight transport (marine and land based) and tourism sectors, with enhanced scale to compete for large contracts. The Post Completion SeaLink Group will have diversified operations in both Australian and international markets, with an end-market exposure more greatly weighted toward public land based commuter transport than SeaLink's current commuter and tourism end-market exposures.

The Proposed Acquisition will significantly increase SeaLink's exposure to long term government contracted revenues and will reinforce its position as a trusted counterparty to governments, with a strong track record of delivering long term services reliably and safely.

The Post Completion SeaLink Group will have over 8,000 employees and business operations in all Australian states, the Northern Territory, London and Singapore.

5.3 BOARD

5.3.1 Appointment of additional non-executive Director

On Completion:

- Jeffrey Ellison will resign from his role as CEO and Managing Director of SeaLink, but will provide executive services to SeaLink during a short transition period and then remain as a non-executive Director of SeaLink; and
- the Board will appoint Neil Espie Smith (the current Chairman of the Transit Systems Group) as an additional non-executive Director of SeaLink.

For four years following Completion and provided at the relevant time Neil Espie Smith directly or indirectly holds more than 15% of the SeaLink Shares on issue, if Neil Espie Smith resigns from his position as non-executive Director of SeaLink (other than retirement as required by SeaLink's Constitution), the Board will consult with him to agree another nominee to be appointed as a non-executive Director of SeaLink by the Board. This nominee will be subject to re-election by SeaLink Shareholders at the subsequent annual general meeting.

5.3.2 Profile of Neil Espie Smith

Neil is one of the founding shareholders and current Chairman of the Transit Systems Group and has over 30 years of commuter transport operations experience.

Neil commenced his career within the Sydney bus industry, before acquiring a number of bus operations in rural NSW and then Queensland. In 1995, Neil joined with Graham Leishman and Lance Francis to found Transit Systems and in 2013, was a founding shareholder of Tower Transit.

Neil's expertise in the areas of transport planning, industrial relations and urban transport management are globally recognised and he has been appointed to a number of panels to advise on the future of passenger transport, including the Independent Panel for Public Transport for Perth, the body responsible for the preparation of the 2031 Transport Plan. Neil has lectured extensively on passenger transport operations at a number of Australian and international institutions, including the University of Sydney, Pontificia Universidad Catolica de Chile and the Massachusetts Institute of Technology (MIT).

Neil has passion for public transport and its role in enabling physical and social mobility. His other passion is building human capacity in local communities by supporting projects such as the construction of training centres, particularly in Africa.

Neil holds a Bachelor of Arts Degree and a Masters of Transport Management from the University of Sydney and is a Fellow of the Chartered Institute of Transport and Logistics.

5.4 MANAGEMENT

5.4.1 Appointment of new Chief Executive Officer

On Completion, Clinton Feuerherdt, the current Chief Executive Officer of the Transit Systems Group, will replace Jeffrey Ellison as the Group Chief Executive Officer of SeaLink. Jeffrey Ellison has agreed to provide support to Clinton Feuerherdt as an executive Director for a short post-Completion transition period to ensure a smooth transition of leadership, and will then remain as a non-executive Director of SeaLink.

5.4.2 Profile of Clinton Feuerherdt

Clinton has been with Transit Systems Group for 10 years and, under his guidance, Transit Systems Australia has been entrusted with more franchised bus service contracts than any other company in Australia, growing revenue by over 400%. In 2012-2013 Clinton led the expansion of Transit Systems Group into the United Kingdom, making Transit Systems Group the only Australian owned multinational public transport operator and further expanding into Singapore in 2015.

Clinton was also instrumental in building Transit Systems Group's marine operations, becoming a large private operator of passenger and vehicle ferries in Australia, before divestment of the marine business to SeaLink in 2015.

Clinton has significant experience managing a large commuter transport business, developing and fostering strong government relationships, tendering for large scale public transport contracts, successful international growth and a strong focus on employee and commuter safety and service excellence.

Clinton graduated from the University of Queensland with an Honours Degree in Commerce and was awarded the University Medal. Clinton previously worked in investment banking. He is married to Marielle Smith (Neil Espie Smith's daughter) and has four children.

5.4.3 Other management changes

No other significant changes to the composition of the senior management team of the Post Completion SeaLink Group are expected as a result of the Proposed Acquisition. The management structure of the Post Completion SeaLink Group will evolve post Completion as the businesses are integrated.

5.5 STRATEGY OF THE POST COMPLETION SEALINK GROUP

Following Completion of the Proposed Acquisition, the Post Completion SeaLink Group will be a leading Australian marine and land passenger transport business, with enhanced scale to compete for large contracts. The strategy of the Post Completion SeaLink Group as at the Preparation Date will be to continue to focus on delivering services to its customers safely and reliably whilst seeking to grow in its focus areas of both transport and tourism.

The Post Completion SeaLink Group will have diversified operations in both Australian and international markets, with an end-market exposure more greatly weighted toward commuter land based transport than SeaLink's current commuter and tourism end-market exposures. The currently identified pipeline of opportunities for the Post Completion SeaLink Group are also more greatly weighted towards land based commuter transport than marine transport. It follows that the Post Completion SeaLink Group strategy is expected to also initially be more focused on opportunities in the land based passenger transport area than prior to the Proposed Acquisition.

SeaLink does not currently anticipate any change in its strategy to also grow its tourism business and will continue to seek new marine based opportunities. Rather, the strategy of the Post Completion SeaLink Group is expected to evolve to reflect opportunities to grow using the combined resources and market opportunities, reflect the relative size of the segments of the Post Completion SeaLink Group and diversified geographical locations. The Post Completion SeaLink Group will be well positioned to benefit from the extensive pipeline of opportunities in domestic and international markets by leveraging combined expertise, client relationships and geographical presence.

The existing businesses of SeaLink and Transit Systems Group are complementary and share some common requirements in terms of operations. Accordingly, it is expected that the process of integrating the two businesses will result in some changes to both SeaLink's and the Transit Systems Group's businesses as described in section 8.2.3(e).

Other than the changes described above, SeaLink does not have any current intentions to change the business of SeaLink, inject further capital into SeaLink or implement any proposal where assets will be transferred within the SeaLink group.

The Directors intend to maintain the current target dividend payout ratio of 50% to 70% of NPAT.

5.6 POST COMPLETION SEALINK GROUP FINANCIAL INFORMATION

This section contains pro-forma historical financial information relating to the Post Completion SeaLink Group, which is comprised of the following:

- summary Post Completion SeaLink Group pro forma historical statement of financial performance for the year ending 30 June 2019, as set out in section 5.6.2; and
- summary Post Completion SeaLink Group pro forma historical statement of financial position as at 30 June 2019, as set out in section 5.6.3.

Also summarised in this section is the basis of preparation of the Post Completion SeaLink Group pro forma historical financial information.

The information in this section should be read in conjunction with other information set out elsewhere in this Explanatory Memorandum, including the risks in section 6 and the Independent Expert's Report.

All amounts disclosed in the tables are presented in Australian dollars and, unless otherwise noted, are rounded to the nearest million dollars.

5.6.1 Basis of preparation

The Post Completion SeaLink Group pro forma historical financial information has been prepared and presented in accordance with recognition and measurement principles of Australian Accounting Standards ('**AAS**'), although it is presented in an abbreviated form insofar as it does not include all of the disclosures, statements or comparative information as required by Australian Accounting Standards applicable to annual financial reports prepared in accordance with the Corporations Act.

The Post Completion SeaLink Group pro forma historical financial information has been prepared based on:

- SeaLink's historical statement of financial performance for the year ended 30 June 2019 and statement of financial position as at 30 June 2019 has been derived from the SeaLink audited financial statements for the year ended 30 June 2019. The SeaLink audited historical statement of financial performance has been adjusted to remove non-cash impairment of UWAI investment (A$1.6 million) and one-off transaction costs (A$0.4 million);
- Transit Systems Group pro forma historical statement of financial performance for the year ended 30 June 2019 has been derived from unaudited management financial reports for the financial year ended 30 June 2019 for Transit Systems Australia and Sita Group and twelve months unaudited management financial reports to 30 June 2019 for Tower Transit Group with an AUD:GBP exchange rate of 0.5344 and AUD:SGD exchange rate of 0.9578 applied. The

reported financial performance as per these financial reports have been adjusted by SeaLink for certain pro forma adjustments, to remove specific assets and operations excluded from the Proposed Acquisition perimeter, normalisations identified during SeaLink's due diligence and assuming Sita Group was owned by Transit Systems Group from 1 July 2018;

- Transit Systems Group pro forma historical statement of financial position as at 31 March 2019 has been derived from unaudited management financial reports for the period ended 31 March 2019 for Transit Systems Australia, unaudited completion accounts as at 31 March 2019 prepared for the acquisition of Sita Group and audited financial statements for the financial year ended 31 March 2019 for Tower Transit with an AUD:GBP exchange rate of 0.5344 and AUD:SGD exchange rate of 0.9578 applied. The reported financial position as per these financial reports have been adjusted by SeaLink for certain pro forma adjustments to remove specific assets and operations excluded from the Proposed Acquisition perimeter and to reflect the acquisition of the Sita Group as at 31 March 2019; and

- certain pro forma adjustments applied to the combination of the SeaLink historical financial information and the Transit Systems Group pro forma historical financial information to reflect the acquisition of 100% of Transit Systems Group on a cash-free, debt-free basis for the purchase consideration of A$487 million[10], and assuming the funding structure as set out in section 5.6.4.

The purchase price accounting for the Proposed Acquisition has been presented on an illustrative basis by allocating the difference between the purchase consideration and the carrying value of assets and liabilities in the 31 March 2019 pro forma Transit Systems Group statement of financial position to intangibles. The pro forma adjustments to reflect the estimated financial effect of the accounting for the business combination are illustrative only. AAS require the fair value of assets and liabilities acquired to be determined including intangible assets. SeaLink will undertake a formal allocation of its acquisition subsequent to the date when the transaction completes. Accordingly that allocation may give rise to material differences in values allocated to certain balance sheet items and may also give rise to additional assets and liabilities being recognised at their fair values.

The Post Completion SeaLink Group pro forma historical financial information has been prepared for illustrative purposes only on the assumption that the Proposed Acquisition occurred on 1 July 2018 (in the case of the pro forma historic statement of financial performance) and as at 30 June 2019 (in the case of the pro forma historical statement of financial position). This information is not intended to reflect the financial position or performance that would have actually resulted had the Proposed Acquisition been implemented on that date, or that may be reflected in the future. If the Proposed Acquisition had occurred in the past, the Post Completion SeaLink Group financial position would likely to have been different from that presented in the pro forma historical financial information.

Due to the nature of pro forma information, it may not give a true picture of the Post Completion SeaLink Group actual financial position. The pro forma historical financial information does not reflect the financial impact of:

- any potential changes in revenues, costs or other changes arising from the Proposed Acquisition;

- any synergies expected to arise from the Proposed Acquisition;

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[10] Comprised of the Completion Cash Consideration of A$118 million, the Share Consideration of A$269 million worth of SeaLink Shares, and the Deferred Cash Consideration of A$100 million.

- the impact of identifying and determining the fair value of intangible assets acquired or determining other fair value adjustments that may arise from the application of business combinations which may affect future depreciation and/or amortisation charges; or
- any associated taxation implications or the impact of changes in the tax profile of the Post Completion SeaLink Group arising from the Proposed Acquisition.

5.6.2 Post Completion SeaLink Group FY19A pro forma historical statement of financial performance

The summary FY19A pro forma historical statement of financial performance of the Post Completion SeaLink Group was prepared based on the aggregation of the SeaLink historical statement of financial performance and the Transit Systems Group pro forma historical statement of financial position as described above.

The summary pro forma historical statement of financial performance of the Post Completion SeaLink Group excludes the benefit of synergies expected to arise, excludes one-off costs associated with the Proposed Acquisition and excludes any amortisation of intangibles associated with the Proposed Acquisition.

A$ million	SeaLink	Transit Systems Group	Adjustments for Proposed Acquisition	Pro forma Post Completion SeaLink Group
Revenue	**251**	**895**		**1,147**
EBITDA	**48**	**78**		**125**
Depreciation and amortisation	(16)	(16)[1]		(33)
EBIT	**32**	**61**		**93**
NPAT	**23**	**45**[2]	**(5)**[3]	**63**
Basic underlying EPS ($/ per SeaLink Share)	**0.23**			**0.29**[4,5]

Note 1: Reflects the current depreciation and amortisation charges recognised by Transit Systems Group. On Completion a formal purchase price allocation exercise will be completed, which may give rise to a material change in actual depreciation and amortisation costs.
Note 2: Assumes no interest and a 30% tax rate for Australia earnings, 19% tax rate for UK earnings and 17% tax rate for Singapore earnings.
Note 3: Estimated incremental interest expense (post-tax) on additional A$152 million drawn to fund the Proposed Acquisition.
Note 4: EPS of pro forma combined group assuming the Proposed Acquisition had come into effect from 1 July 2018. Calculated before the amortisation of any identifiable intangibles, excluding transaction costs and stated prior to applying the adjustment factor to take in account the bonus element of the Entitlement Offer consistent with AASB 133. Restating SeaLink standalone EPS based on this bonus element adjustment factor would decrease initial SeaLink EPS by ~2%. The bonus element of the Entitlement Offer is calculated to reflect discount to the TERP (excluding the Placement) and is based on SeaLink's last traded price at 4 October 2019 of A$3.91 per share. TERP includes shares issued under the institutional component of the Entitlement Offer and the retail component of the Entitlement Offer, and excludes the Placement and SeaLink Shares issued to the Scrip Vendors.
Note 5: Basic pro forma EPS for the combined group calculated using the weighted average number of shares on issue for FY19 (as reported by SeaLink), plus the new SeaLink Shares issued under the Placement and the Entitlement Offer and SeaLink Shares issued to the Scrip Vendors at A$3.69 per share (rounded to 2 decimal places for the purpose of this Explanatory Memorandum).

5.6.3 Post Completion SeaLink Group pro forma historical statement of financial position

The summary pro forma historical statement of financial position of the Post Completion SeaLink Group was prepared to reflect the acquisition of 100% of Transit Systems Group on a cash-free, debt-free basis for the purchase consideration of A$487 million[11], and assuming the funding structure as set out in section 5.6.4.

A$ million	SeaLink *30 June 2019*	Transit Systems Group *31 March 2019*	Adjustments[1]	Pro forma Post Completion SeaLink Group
ASSETS				
Cash and cash equivalents	12	12	(12)	12
Trade and other receivables	12	82	-	94
Inventories	5	10	-	15
Property, plant and equipment	201	198	-	399
Intangible assets	53	110	417	580
Other assets	18	53	(32)	38
Total assets	**301**	**464**	**373**	**1,138**
LIABILITIES				
Trade and other payables	14	63	(0)	77
Provisions[2]	13	69	(1)	82
Borrowings	96	201	(4)	293
Capitalised borrowing costs	-	(1)	(2)	(3)
Non-contingent deferred cash consideration	-	-	37	37
Contingent deferred cash consideration	-	-	63	63
Other financial liabilities	4	8	(8)	4
Other liabilities	18	53	(46)	25
Total liabilities	**144**	**393**	**40**	**577**
Net assets	**158**	**70**	**333**	**561**
Net debt	84			281
Leverage (Net Debt / PF FY19 EBITDA excluding synergies)[3]	***1.7x***			***2.2x***
Leverage (Net Debt / PF FY19 EBITDA excluding synergies, including Deferred Cash Consideration)[3]	***n.a.***			***2.5x***

Note 1: Adjustments reflect the acquisition of 100% of Transit Systems Group on a cash-free, debt-free basis for the purchase consideration of A$487 million (comprised of the Completion Cash Consideration of A$118 million, the Share Consideration of A$269 million worth of SeaLink Shares, and the Deferred Cash Consideration of A$100 million), and assuming the funding

[11] Comprised of the Completion Cash Consideration of A$118 million, the Share Consideration of A$269 million worth of SeaLink Shares, and the Deferred Cash Consideration of A$100 million.

structure as set out in section 5.6.4. The purchase price accounting for the acquisition has been shown on an illustrative basis by allocating the difference between the purchase consideration and the carrying value of assets and liabilities in the 31 March 2019 consolidated balance sheet of Transit Systems Group to intangibles. The pro forma adjustments to reflect the estimated financial effect of the accounting for the business combination are illustrative only. Australian Accounting Standards require an allocation of fair value of assets and liabilities acquired. SeaLink will undertake a formal allocation of its acquisition subsequent to the date when the transaction completes. Accordingly that allocation may give rise to material differences in values allocated to the above balance sheet line items and may also give rise to fair value being allocated to other balance sheet items.

Note 2: SeaLink is assuming responsibility for certain Transit Systems Group employee entitlements, long-service leave, annual leave and sick leave.

Note 3: Calculated as net debt post Proposed Acquisition divided by FY19A pro forma normalised EBITDA of the combined group pre-synergies and before transaction and implementation costs.

5.6.4 Pro forma net debt of the Post Completion SeaLink Group

SeaLink has entered into binding, credit approved commitment letters for its New Financing Facilities, with full form documents to be executed prior to Completion. The New Financing Facilities comprise new senior secured debt facilities of up to A$470 million to partially fund the Completion Cash Consideration and the implementation costs of the Proposed Acquisition, to refinance existing Transit Systems Group and SeaLink debt and to fund working capital of the Post Completion SeaLink Group. These New Financing Facilities are summarised in section 7.3.

As at the Preparation Date, subject to certain completion adjustments, SeaLink anticipates that it will draw down approximately A$234 million of the New Financing Facilities at Completion. At Completion, it is anticipated that the Post Completion SeaLink Group will have net debt of approximately A$318 million prior to completion adjustments,[12] reflecting approximately 2.5x of pro forma FY19A normalised EBITDA, with an expected medium term net debt / Last Twelve Months (LTM) EBITDA target of <2.0x (calculated as net debt post Proposed Acquisition divided by FY19A pro forma normalised EBITDA of the Post Completion SeaLink Group pre synergies and before transaction and implementation costs. Net debt is inclusive of the non-contingent deferred cash consideration of A$37 million and exclusive of the contingent deferred cash consideration of A$63 million).

5.6.5 Other pro forma financial metrics of the Post Completion SeaLink Group

The Proposed Acquisition is expected to deliver FY19A pro forma EPS accretion of over 20%, pre synergies, before transaction and implementation costs and before any bonus adjustments and over 30% FY19A pro forma EPS accretion post synergies.[13]

Net synergies of between A$4.0 million and A$4.6 million per annum (excluding one-off implementation costs) on an ongoing net basis are expected to be realised after two years from Completion with minimal implementation costs expected. There is the risk that these cost synergies will not be achieved. For more information, please refer to section 6.1.13.

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[12] The Locked Box Date for the Proposed Acquisition is 31 March 2019, with certain completion adjustments applicable from that date to Completion.

[13] Increase in EPS of SeaLink assuming the Proposed Acquisition had come into effect from 1 July 2018. Calculated before the amortisation of any identifiable intangible assets, excluding transaction costs and stated prior to applying the adjustment factor to take in account the bonus element of the Entitlement Offer consistent with AASB 133. Restating SeaLink standalone EPS based on this bonus element adjustment factor would increase SeaLink EPS accretion by approximately 3%. The bonus element of the Entitlement Offer is calculated to reflect discount to the theoretical ex-rights price (TERP) (excluding the Placement) and is based on SeaLink's last traded price at 4 October 2019 of $3.91 per SeaLink Share. TERP includes SeaLink Shares issued under the Entitlement Offer, and excludes the Placement and SeaLink Shares issued to the Scrip Vendors. For the purposes of the post-synergies EPS calculation, the midpoint of the A$4.0 – A$4.6 million range is used presented on an ongoing net basis after two years and excluding one-off implementation costs.

6. Key Risks

This section discusses some of the key risks that existing Shareholders may be exposed to if the Proposed Acquisition is implemented, as well as general risks that may also apply. These risks include:

- risks specific to the Proposed Acquisition;
- risks specific to the Post Completion SeaLink Group; and
- general risks that may apply to SeaLink and the Post Completion SeaLink Group.

These risks may affect the future operating and financial performance of the Post Completion SeaLink Group and the value of SeaLink Shares.

The risks and the uncertainties described below:

- are not, and should not be considered to be or relied on as, an exhaustive list of the risks that existing Shareholders may face if the Proposed Acquisition is implemented; and
- are general in nature and regard has not been had to the investment objectives, financial situation, tax position or particular needs of any individual existing Shareholder.

Shareholders should note that the occurrence or consequences of many of the risks described in this section are partially or completely outside the control of SeaLink and the Post Completion SeaLink Group, its directors and management. Further, Shareholders should note that this section focuses on the key risks and does not purport to list every risk that SeaLink may have now or in the future. It is also important to note that there can be no guarantee that SeaLink will achieve its stated objectives or that any forward looking statements, expectations, illustrations or forecasts contained in this Explanatory Statement will be realised or otherwise eventuate.

6.1 RISK FACTORS SPECIFIC TO THE PROPOSED ACQUISITION

6.1.1 Acquisition risk

SeaLink and its advisers have undertaken financial, operational, legal, tax and other analyses in respect of Transit Systems Group in order to determine its attractiveness to SeaLink and whether to pursue the Proposed Acquisition. It is possible that such analysis, and the best estimate assumptions made by SeaLink and its advisers, draws conclusions and forecasts which are inaccurate or which are not realised in due course (whether because of flawed methodology, misinterpretation of economic or other circumstances or otherwise). To the extent that the actual results achieved by Transit Systems Group are weaker than those indicated by SeaLink's analysis, there is a risk that there may be an adverse impact on the financial position and performance of SeaLink.

6.1.2 Non-renewal of key contracts

The non-renewal or termination of a major contract could have a material impact on the profitability of Transit Systems Group. Key contracts which have or are expected to come up for tender during FY20 include:

Contract	Maturity Date	FY19 revenue contribution
Adelaide East West, SA	June 2020	7.6%
Adelaide North South / Outer North East, SA	June 2020	7.8%
Canning, WA	April 2020	4.2%
Southern River, WA	April 2020	2.1%
25 / N25, London[1]	May 2020	3.4%
Other London contracts		1.6%
Total		**26.7%**

Note 1: Transit Systems Group has been informed that another party has been awarded this contract from May 2020 onwards.

In addition, many of Transit Systems Group's contracts are terminable for convenience and are non-exclusive.

6.1.3 Scrip Vendors' interests in SeaLink

The consideration payable by SeaLink for the Transit Systems Group includes the issue of SeaLink Shares to the Scrip Vendors. This will result in the Scrip Vendors holding in aggregate approximately 33.4% of the issued share capital of SeaLink.

The Scrip Vendors' interests may not be aligned with those of the Non-Associated Shareholders in respect of shareholder resolutions, and the voting of the Scrip Vendors' shares may determine whether or not a particular resolution is passed (even if the Scrip Vendors do not have an arrangement to vote in the same way, including due to the restrictions described in section 7.1.4).

The Scrip Vendors' interest in SeaLink may also mean that their support for any proposal by a third party to acquire all of the SeaLink Shares may potentially be important for that proposal to be successful. In addition, the sale (or the possibility of the sale) of SeaLink Shares in the future by the Scrip Vendors (after the relevant escrow period referred to in section 7.2.1) may have an impact on the price of SeaLink Shares.

6.1.4 Key person risk

The successful operation of Transit Systems Group's business relies on its ability to retain experienced and high-performing key management and operating personnel with the company. Post-Completion, Transit Systems Group entities which are subsidiaries of SeaLink may not successfully retain existing, and / or attract new, key management personnel. The unexpected loss of any key members of management or operating personnel may prevent or delay Completion of the Proposed Acquisition and / or may have a material adverse effect on the financial performance of Transit Systems Group and SeaLink after Completion of the Proposed Acquisition.

6.1.5 Assumed liabilities

Following Completion of the Proposed Acquisition, SeaLink will be required to account for any outstanding liabilities that the Transit Systems Group has incurred in the past, including any liabilities which were not identified during its due diligence or which are greater than expected, for which insurance may not be available, and for which SeaLink may not have post-completion recourse under the Securities Sale Agreements and which may include fines, penalties or other sanctions. These could include liabilities relating to current or future litigation, failure by the Transit Systems Group to hold required regulatory approvals, authorisations or licences, regulatory actions (including without limitation in relation to any such failure), health and safety claims (including in relation to accidents that occurred or will occur in the course of Transit Systems Group's operations), warranty or performance claims and other liabilities.

Such liabilities may adversely affect the financial performance or position of the Transit Systems Group post-acquisition and even put at risk the Transit Systems Group's capacity to carry on its business, either at all or from one or more of the geographic sites from which the group currently operates, which may be more costly than expected to remedy.

There is a risk that potential liabilities were not uncovered as part of SeaLink's due diligence review or that such liabilities may be larger or have more serious consequences than SeaLink anticipated and SeaLink may be required to account for these liabilities, which may materialise and have an adverse impact on its financial position, financial performance and its share price.

6.1.6 Warranty & indemnity insurance

SeaLink has obtained warranty and indemnity insurance to cover claims for breach of certain warranties and claims under certain indemnities contained in the Securities Sale Agreements, including a tax indemnity and an indemnity for breach of warranty. SeaLink's primary remedy for breach of warranties and claims under the relevant indemnities is to make a claim under the warranty and indemnity insurance policy with recourse to the Vendors in certain limited circumstances.

The warranty and indemnity insurance policy is subject to certain exclusions and limitations on liability. Accordingly, where such exclusions or limitations apply, there is a risk that SeaLink will not be able to fully recover losses arising from a breach of warranty or make claims under the relevant indemnity through the warranty and indemnity insurance, and SeaLink will have limited recourse to recover from the Vendors.

6.1.7 Financing risk

Under the terms of the New Financing Facilities which will be relied on by SeaLink to partially fund the Proposed Acquisition, each guarantor and borrower is required to ensure that, subject to Completion of the Proposed Acquisition, the Transit Sale Entities accede to the New Financing Facilities as guarantor and/or borrower and provide security to the Lenders in a manner which complies with Chapter 2J.3 of the Corporations Act.

There is a risk that a material default of certain terms of the New Financing Facilities could occur prior to financial close and Completion of the Proposed Acquisition, which would give the Lenders the right not to fund on financial close.

If the New Financing Facilities are terminated for any reason, or if the Lenders' obligation to provide funds under those documents is otherwise limited, then SeaLink may not be able to obtain funding under these arrangements, its financial position might change and it might need to take other steps to raise capital or to fund the Proposed Acquisition. While the Directors of SeaLink believe the Company has a number of alternatives to raise funding if this circumstance arose (which may include both debt and equity sources of funding), there can be no guarantee that SeaLink would be able to raise sufficient funding on acceptable terms or at all.

6.1.8 Bus public transport services

The Proposed Acquisition will result in SeaLink operating increased bus services and entering the bus public transport services market which differs from SeaLink's existing operations. There is a risk that differences in this market will affect the future performance and financial position of SeaLink.

6.1.9 Change of control

The Proposed Acquisition will result in a change of control of Transit Systems Group. There are a number of contractual arrangements that the Transit Sale Entities have with counterparties which are the subject to review, consent or termination rights on change of control. There is no guarantee that counterparties will not exercise their rights or negotiate reasonably with SeaLink in relation to these change of control events. This could have materially adverse consequences for SeaLink. If such rights are exercised by counterparties, SeaLink may incur costs, or loss of revenue, which could be material.

6.1.10 Brexit

Transit Systems Group has operations in the United Kingdom ('**UK**'), and these could be affected by disruption caused in the event of a disorderly UK exit from the European Union. Transit Systems Group's suppliers of spare parts and fuel have informed Transit Systems Group that they have adequate contingencies in place and do not forecast any significant disruption to the supply chain. Transit Systems Group employs a number of EU citizens in the UK, and the government has put in place a special registration scheme which will allow them to continue to work and live in the UK post-Brexit.

6.1.11 Due diligence risk

SeaLink undertook a due diligence process in respect of Transit Systems Group, which relied in part on the review of financial and other information provided by Transit Systems Group. While SeaLink considers the due diligence process undertaken to be appropriate, SeaLink is not able to verify the accuracy, reliability or completeness of all the information which was provided to it against independent data. Similarly, SeaLink has prepared (and made assumptions in the preparation of) the financial information included in this Explanatory Memorandum relating to Transit Systems Group on a stand-alone basis and also relating to SeaLink post-Proposed Acquisition in reliance on limited financial information and other information provided by Transit Systems Group. Some of this information was unaudited. SeaLink is unable to verify the accuracy or completeness of any of the information provided by or about Transit Systems Group. If any of the data or information provided to and relied upon by SeaLink in its due diligence process and its preparation of this Explanatory Memorandum proves to be incomplete, incorrect, inaccurate or misleading, there is a risk that the actual financial position and performance of SeaLink may be materially different to the financial position and performance expected by SeaLink and reflected in this Explanatory Memorandum.

Shareholders should also note that there is no assurance that the due diligence conducted was conclusive and that all material issues and risks in respect of the Proposed Acquisition have been identified and avoided or managed appropriately. Therefore, there is a risk that unforeseen issues and risks may arise, which might also have a material impact on SeaLink (for example, SeaLink may later discover liabilities or defects which were not identified through due diligence or for which there is no protection or recourse for SeaLink). This might adversely affect the operations, financial performance or position of SeaLink. Further, the information reviewed by SeaLink includes forward-looking information. While SeaLink has been able to review some of the foundations for the forward-looking information relating to Transit Systems Group, forward-looking information is inherently unreliable and based on assumptions that may not be achieved or satisfied in the future.

6.1.12 Future earnings risk

SeaLink has undertaken financial and business analysis of Transit Systems Group in order to determine its attractiveness to SeaLink and whether to pursue the Proposed Acquisition. To the extent that the actual results achieved by Transit Systems Group are weaker than those anticipated, or any unforeseen difficulties emerge in integrating the operations of SeaLink, there is a risk that the profitability and future earnings from the operations of SeaLink may differ in a materially adverse way from the pro forma performance as reflected in this Explanatory Memorandum. For example, if the upside potential for the expected improvement in Region 6 is not achieved.

6.1.13 Achievement of synergies

There is a risk that the realisation of synergies or benefits described in Explanatory Memorandum may not be achieved in a timely manner, at all or to the extent envisaged, or that the costs associated with achieving them may be higher than anticipated. Potential issues and complications influencing the achievement of targeted benefits include experiencing lower than expected cost savings, experiencing lower than expected productivity improvements, experiencing lower than expected increase in services, unanticipated losses of key employees, and changes in market conditions.

6.2 RISK FACTORS SPECIFIC TO THE POST COMPLETION SEALINK GROUP

6.2.1 Competition

The Post Completion SeaLink Group will operate in a competitive industry. The Post Completion SeaLink Group will compete on the basis of a number of factors, including the quality of its services and products, reputation and price. However, there is no assurance that competitors will not succeed in offering services or products that are more economic or otherwise more desirable than those being offered by the Post Completion SeaLink Group.

6.2.2 Changes in government policy

The Post Completion SeaLink Group will be exposed to changes in government policies and regulations which may limit its ability to determine and recover fees and charges for its services or may reduce or eliminate government subsidies presently paid to the Post Completion SeaLink Group. Each of the main product markets in which the Post Completion SeaLink Group provides services will be subject to varying degrees of government policy and regulation. There is a risk that governments may from time to time make changes to policy and regulation. These changes may relate to the fees and charges that are able to be raised by the Post Completion SeaLink Group from customers for the provision of services. In particular, governments may seek to introduce price controls which remove or limit the Post Completion SeaLink Group's ability to determine and implement pricing structures for its services. Changes to policies and regulations may also affect the level of government subsidies the Post Completion SeaLink Group receives in connection with some of its ferry services. Such changes may have the potential to adversely impact upon the Post Completion SeaLink Group's profitability and future growth prospects.

6.2.3 Business operating risks

In the performance of its business, the Post Completion SeaLink Group may be subject to conditions or operational risks, some of which are beyond its control, which can reduce sales of its products or services and/or increase costs of both current and future operations. These conditions or operational risks include, but are not limited to: lack of systemisation or standardisation within the business, changes in legislative requirements, variation in timing of regulatory approvals, abnormal or severe weather, environmental or climatic conditions including floods, fire, major cyclone, earthquake or other natural disasters, equipment failures, unexpected maintenance, technical problems, accidents leading to injury or death or property damage (whether suffered by the Post Completion SeaLink Group, its personnel, its customers or third parties), information technology system failures, lease renewals, damage by third parties, inadequate or inefficient operating systems, systems security breaches, site loss or damage, industrial disruption, widespread fleet recall and adverse regulatory action including fleet grounding.

An inability to secure ongoing supply of goods and services at prices assumed within targets could potentially impact the results of the Post Completion SeaLink Group's operations. A prolonged and unplanned interruption to the Post Completion SeaLink Group's operations could significantly impact its financial performance. In addition, there is a risk that the Post Completion SeaLink Group will not be able to respond adequately or in a timely manner to any business disruption, which could have an adverse effect on the Post Completion SeaLink Group, including through loss of revenue, reputational damage, regulatory, legal and financial exposure or loss of customers.

6.2.4 Failure to meet regulatory standards

SeaLink's operational vehicles, currently including ferries, buses and coaches, currently operate, and the Post Completion SeaLink Group's buses will in future operate, under licences and approvals issued by government agencies. The Post Completion SeaLink Group's operations could be adversely affected if:

- it is unable to maintain any licence or approval which it is required to obtain or maintain in order to conduct its operations;
- it breaches any applicable legislation or regulatory requirement;
- it is required to comply with new or additional legislative or regulatory requirements; or
- the cost of complying with the applicable legislation and regulations increases.

For example, a decision by a relevant government to increase security standards in respect of one or all sea going vessels or ports, or a significant material change in environmental legislation that was not reimbursed in contract costs, could have a material adverse effect on the business, financial condition and financial performance of the Post Completion SeaLink Group.

6.2.5 Loss of personnel

The Post Completion SeaLink Group operations will be dependent upon a stable workforce and the continued performance, efforts, abilities and expertise of its key management personnel and other skilled employees. The loss of services of such personnel, or the inability to attract suitably qualified additional personnel, could have a materially adverse effect on the operations of the Post Completion SeaLink Group as it may not be able to recruit suitable replacements for key personnel within a short timeframe. Possible consequences include disruption of the Post Completion SeaLink Group's normal business operations, loss of knowledge (including to competitors), inadequate mentoring, adverse impact on relationships with customers and suppliers, reputational damage and delays in implementing the Post Completion SeaLink Group's business strategy.

6.2.6 Health and safety

The Post Completion SeaLink Group's operations will involve health and safety risks to its personnel, its customers and third parties. These risks include (but are not limited to) injuries associated with the servicing and operation of marine fleet and road vehicles, fleet safety and training, marine and road traffic accidents, traffic management and related accidents, technical malfunctions, faulty equipment, equipment failure and collisions. Such incidents could potentially lead to serious injury or death of the Post Completion SeaLink Group personnel, its customers or third parties, and which could result in reputational damage, legal liability, loss of licences or permits and/or adverse operating impacts for the Post Completion SeaLink Group, with consequential adverse effects for its financial performance and position.

6.2.7 Industrial disputes

The Post Completion SeaLink Group's operations will be dependent upon a stable workforce. The Post Completion SeaLink Group will be exposed to the risk of industrial disputes arising from claims for higher wages or better conditions which could disrupt parts of the Post Completion SeaLink Group's business and may have an adverse impact upon its operating and financial performance, earnings and cashflows.

6.2.8 Diesel fuel cost increases

All of the Post Completion SeaLink Group's vessels and the majority of its buses are powered by diesel fuel. Any rises in the cost of fuel (through either increases in the direct cost of diesel or a weakening of the Australian dollar against the US dollar or other currency in which it may happen to be priced) could therefore have an adverse effect on the Post Completion SeaLink Group's financial position and performance. If fuel costs increase through either the cost of diesel or the weakening of the Australian dollar (or Singapore dollar or British pound in the case of operations in those jurisdictions post-Proposed Acquisition) compared to the US dollar, any subsequent fuel surcharge imposed by the Post Completion SeaLink Group to offset fuel increases could have a dampening effect on travel and result in lower profitability for the Post Completion SeaLink Group. It is also possible that the Post Completion SeaLink Group may not be able to impose a fuel surcharge sufficient to offset fuel increases. These risks are partially mitigated by fuel hedging arrangements which SeaLink has entered into.

6.2.9 Availability of fuel

SeaLink does not carry large fuel reserves and any major shortage of fuel (whether through strikes, worldwide shortage, or other causes) may affect the ability to continue to provide ferry and coach services. Such a disruption could have an adverse effect on SeaLink's financial position and performance.

In respect of contracted bus operations to be acquired under the Proposed Acquisition, generally three to six days of fuel reserves are held at each depot location. If there is a disruption to fuel supply, buses may need to obtain fuel at other locations, which could increase costs. It is also possible that a fuel disruption could prevent buses from operating. In practice, given the essential nature of bus services, these bus operations have been given priority access to fuel during periods of disrupted fuel supply. However, there is no contractual right that stipulates priority access to fuel.

6.2.10 Wage costs

Wages will be a major component of the Post Completion SeaLink Group's expense base. Any significant growth in wage costs may have a material adverse effect on the financial position and performance of the Post Completion SeaLink Group.

6.2.11 Foreign currency risk

SeaLink derives its revenue in Australian dollars, and the Post Completion SeaLink Group will also derive revenue in Singapore dollars and British pound sterling post-Proposed Acquisition. While the Post Completion SeaLink Group will pay for its fuel in the local currency of the relevant business, the price of fuel is also affected by the value of the United States dollar.

6.2.12 Insurance risk

SeaLink maintains insurance coverage as determined appropriate by the SeaLink Board and management, but no assurance can be given that the Post Completion SeaLink Group will continue to be able to obtain such insurance coverage at reasonable rates (or at all) for certain events, or that any coverage it obtains will be adequate and available to cover all claims, including (but not limited to) environmental losses, property damage, public liability or losses arising from business interruption, flood, war, riots and civil commotion. The level of self-insurance by the Post Completion SeaLink Group for certain risks that are considered to arise in the ordinary course of the business will be determined by the Post Completion SeaLink Group.

Any losses incurred due to uninsured risks, or a loss in excess of the insured amounts, could lead to a loss of some of the capital invested by the Post Completion SeaLink Group, and could adversely affect the financial performance of the Post Completion SeaLink Group. Additionally, if the Post Completion SeaLink Group is unable to maintain sufficient insurance cover in the future, the Post Completion SeaLink Group's financial performance may be adversely affected.

Increases in insurance premiums (whether as a result of insurance claims or otherwise) may also adversely affect the Post Completion SeaLink Group's financial performance.

6.2.13 Legal claims

The Post Completion SeaLink Group will be exposed to, and may be involved in, potential legal and other claims or disputes from time to time in the course of its businesses with its contractors, shareholders, sub-contractors, employees, former employees, government agencies or regulators, end-consumers, customers, vendors or suppliers and other parties. Such legal and other claims or disputes may include (but are not limited to) potential class actions, contractual disputes, property damage claims, personal liability claims, products and services liability claims or contractual and statutory penalties for failure to fulfil statutory and contractual obligations in relation to the quality of products and services, as well as governmental enquiries and investigations with respect to its operations. Litigation and disputes can be costly, including amounts payable in respect of judgments and settlements made against, or agreed to by, the Post Completion SeaLink Group. They can also take up significant time and attention from management and the SeaLink Board. Accordingly, the Post Completion SeaLink Group's involvement in litigation and disputes could have an adverse impact on its financial position and performance. In addition, regulatory actions, disputes and other legal claims may result in fines, penalties and other sanctions, as well as other costs and expenses (including adviser costs in defending or responding to the relevant claim and settlement payments).

6.2.14 Repayment risk

SeaLink currently utilises debt, and the Post Completion SeaLink Group will continue to utilise debt, to partially fund its business operations and may need to access additional debt financing to grow its operations. If the Post Completion SeaLink Group is unable to refinance, repay or renew its debt facilities or otherwise obtain debt finance on acceptable terms, the Post Completion SeaLink Group may not meet its growth targets, which may adversely impact its financial performance.

6.3 GENERAL RISK FACTORS

6.3.1 Economic growth and conditions

The Post Completion SeaLink Group will provide its services and products to individuals, companies and government agencies across a range of economic sectors. The state of the economy and the sectors of the economy to which the Post Completion SeaLink Group will be exposed materially impact future prospects and may have an adverse impact on the demand and pricing for the Post Completion SeaLink Group's services and products and its operating and financial performance. Factors which have impacted results in recent periods include increases and decreases in GDP and CPI in jurisdictions in which SeaLink currently operates and which the Post Completion SeaLink Group will operate post-Proposed Acquisition, foreign currency movements, and increases and decreases in the tourism sector activity. To the extent possible, SeaLink attempts to manage these risks by incorporating a consideration of economic conditions and future expectations into its corporate and financial plans and forecast, however there is no guarantee that such risk management will be successful.

6.3.2 General economic conditions

Any deterioration in the domestic and global economy may have a material adverse effect on the performance of the Post Completion SeaLink Group's businesses and its share price. It is possible that new risks might emerge as a result of Australian or global markets experiencing extreme stress, or existing risks, may manifest themselves in ways that are not currently foreseeable. The equity markets have in the past and may in the future be subject to significant volatility.

6.3.3 Taxation

Future changes in Australian, Singaporean or British taxation law, including changes in interpretation or application of the law by the courts or taxation authorities in Australia, Singapore or the United Kingdom may affect the taxation treatment of an investment in SeaLink Shares (in the Post Completion SeaLink Group) or the holding and disposal of those shares. Further, changes in tax law, or changes in the way tax law is expected to be interpreted, in the various jurisdictions in which the Post Completion SeaLink Group operates, may impact the future tax assets or liabilities of the Post Completion SeaLink Group. In addition, any change in tax rules and tax arrangements could have an adverse effect on the level of dividend franking and shareholder returns.

6.3.4 Government and regulatory factors

Changes in government legislation and policy in those jurisdictions in which the Post Completion SeaLink Group operates, in particular changes to taxation, workplace health and safety, chain of responsibility, intellectual property, customs, tariffs, property, environmental, franchising and competition laws, may affect the future earnings, asset values and the relative attractiveness of investing in SeaLink Shares. Further, Transit Systems Group operates in foreign jurisdictions where business may be affected by changes implemented by foreign governments.

6.3.5 Other external factors

Other external factors which may impact on the Post Completion SeaLink Group's performance include changes or disruptions to political, regulatory, legal or economic conditions or to the national or international financial markets including as a result of terrorist attacks or war or insurrection.

7. Additional Information

7.1 SECURITIES SALE AGREEMENTS

On 8 October 2019, SeaLink entered into:

- a Securities Sale Agreement with the Transit Systems Vendors relating to the Transit Systems Sale Entities operating in Australia; and

- a Securities Sale Agreement with the Tower Transit Vendors relating to the Tower Transit Sale Entities predominantly operating in the United Kingdom, Singapore and the United States.

The Securities Sale Agreements set out the parties' obligations in connection with the sale of the shares or units (as applicable) in each Transit Sale Entity. A summary of the key terms and conditions of these agreements is set out below. Each of the Securities Sale Agreements is on materially the same terms and conditions and are interdependent. This means one Securities Sale Agreement cannot complete without the other Securities Sale Agreement completing at the same time.

7.1.1 Sale and purchase

SeaLink agrees to purchase, and the Vendors agree to sell, all of the shares or units (as applicable) in each of the Transit Sale Entities in consideration for:

- *Completion Cash Consideration*: the payment of approximately A$118 million, less transaction costs incurred by the Transit Systems Group relating to the Vendors, a portion of employee annual bonuses in respect to the Transit Systems Group the Vendors have agreed to fund and any notified leakage between the Locked Box Date and Completion (plus a cost of capital charge – see below), in cash to the Vendors on Completion;

- *Share Consideration*: the issue of 72,869,945 SeaLink Shares to the Scrip Vendors[14], representing approximately 33.4% of the total SeaLink Shares on issue immediately following Completion. The Consideration Shares to be issued as consideration under the Proposed Acquisition will be issued as fully paid shares, free from all encumbrances, subject to SeaLink's Constitution and on the basis that they rank equally in all respects with the SeaLink Shares currently on issue;

- *Assumed debt*: assumed Transit Systems Group debt and debt-like items of approximately A$211 million (largely being refinanced);

- *Non-contingent Deferred Consideration*: the payment of A$37 million in cash to the Vendors over three equal instalments on the Instalment Dates; and

- *Contingent Deferred Consideration*: subject to the Transit Systems Group achieving the Earn Out Target, the payment of an additional A$63 million in cash to the Vendors over three equal instalments on the Instalment Dates. If the FY20 pro forma normalised EBITDA of the Transit Systems Group is less than the Earn Out Target, the Contingent Deferred Consideration will be reduced on a straight line basis such that no Contingent Deferred Consideration will be payable if the shortfall is equal to or greater than A$7 million. For example, if the FY20 pro forma normalised EBITDA of the Transit Systems Group is A$79 million or less, the Contingent

[14] Being A$269 million worth of SeaLink Shares, with a deemed issue price of A$3.69 per SeaLink Share (rounded to 2 decimal places).

Deferred Consideration will be nil. If the FY20 pro forma normalised EBITDA of the Transit Systems Group is A$86 million or more, the Contingent Deferred Consideration will be the full A$63 million. If the FY20 pro forma normalised EBITDA of the Transit Systems Group is between A$79 million and A$86 million, the Contingent Deferred Consideration will be paid on a straight line sliding scale basis.

The Transit Systems Group has been valued on the basis of a locked box mechanism. The Locked Box Date is 31 March 2019, and subject to Completion of the Proposed Acquisition, SeaLink will receive certain economic benefits and risks from the operational performance of the Transit Systems Group from that date, subject to the specific terms of the Securities Sale Agreements. The Vendors are responsible for any 'leakage' that has occurred between the Locked Bock Date and Completion that has the effect of extracting value out of the Transit Systems Group for the benefit of the Vendors during that period. Any leakage notified by the Vendors to SeaLink before Completion will reduce the amount of the Completion Cash Consideration payable to the Vendors at Completion.

A cost of capital charge calculated based on the period between the Locked Box Date and the date of Completion, calculated at an interest rate of 4.75% per annum on the aggregate of the Completion Cash Consideration (less certain adjustments referred to above if those adjustments exceed A$5 million in aggregate), the Non-contingent Deferred Consideration and the value of the Consideration Shares, will be paid to the Vendors in cash as part of the Completion Cash Consideration.

7.1.2 Conditions precedent

Completion of the Proposed Acquisition will not occur unless the Shareholders pass Resolutions 1 and 3 at the General Meeting by the requisite majorities under the Corporations Act.

Other conditions precedent to the Proposed Acquisition which remain outstanding on the Preparation Date include:

- no SeaLink Material Adverse Change occurring;
- no Transit Material Adverse Change occurring;
- obtaining change of control consents under certain key Transit Systems Group contracts and regulatory authorisations; and
- the Vendors receiving FIRB Approval.

The Securities Sale Agreements may be terminated by either party if a condition precedent is not satisfied or waived by the Sunset Date (other than a condition precedent relating to material adverse change which, by its nature, cannot be satisfied until the date of Completion), or it becomes reasonably apparent that one or more conditions precedent will not be satisfied or waived by the Sunset Date, and SeaLink and the Vendors have been unable to reach an agreement as to the way forward.

7.1.3 Recommendation

SeaLink has agreed that the Board will do certain things with the view to implementing the Proposed Acquisition, including:

- subject to the Fiduciary Carve-Out (described in section 7.1.5), publicly recommending that Shareholders vote in favour of the Acquisition Resolutions in the absence of a Superior Proposal and subject to the Independent Expert concluding and continuing to conclude that the

Proposed Acquisition is fair and reasonable (or not fair but reasonable) to the Non-Associated Shareholders; and

- not changing, withdrawing or modifying this recommendation unless a Superior Proposal is made, the Independent Expert provides a report concluding that the Proposed Acquisition is not fair and not reasonable to the Non-Associated Shareholders, or there is a change in circumstances that has or is reasonably likely to have a material adverse impact on the Transit Systems Group or the Proposed Acquisition.

7.1.4 Restricted actions

For two years following Completion or until the Scrip Vendors hold in aggregate less than 20% of the voting shares in SeaLink (whichever is earlier), the Scrip Vendors must not take certain joint actions. These include:

- entering into an agreement or arrangement to vote in the same way on SeaLink shareholder resolutions (including against SeaLink Board recommended control transactions); or

- jointly requisitioning a general meeting of SeaLink (or requesting a resolution) relating to the composition of SeaLink's Board.

7.1.5 Exclusivity and non-solicitation arrangements applicable to SeaLink

SeaLink has given a 'no existing discussions' representation and warranty to the Vendors, which provides that, as at the date of the Securities Sale Agreements:

- neither itself nor its subsidiaries or any of their Related Persons:
  - is a party to any agreement with a third party entered into for the purpose of facilitating a SeaLink Competing Proposal; or
  - is participating in any discussions or negotiations with a third party that concern, or that could reasonably be expected to lead to, a SeaLink Competing Proposal;

- it has requested the return of the confidential information of SeaLink and its subsidiaries in accordance with the terms of any confidentiality agreement from all third parties conducting due diligence investigations on any SeaLink Competing Proposal; and

- it has withdrawn any electronic data room access granted to any third party prior to the date of the Securities Sale Agreements in connection with conducting due diligence investigations on any SeaLink Competing Proposal.

Until the earlier of the Sunset Date, the date of Completion and the date of termination of the Securities Sale Agreements ('**Exclusivity Period**'), SeaLink must also ensure that neither itself nor any subsidiary or any of their Related Persons:

- *no shop*: directly or indirectly solicit, invite, initiate or encourage any SeaLink Competing Proposal or any enquiries, negotiations or discussions with any third party in relation to, or that could reasonably be expected to lead to, a SeaLink Competing Proposal or communicate any intention to do any of these things;

- *no talk*: subject to the Fiduciary Carve-Out (described below), directly or indirectly negotiate or enter into or participate in negotiations or discussions with any person, or communicate any intention to do any of these things, in relation to, or that may reasonably be expected to lead to a SeaLink Competing Proposal, even if the SeaLink Competing Proposal was not directly or indirectly solicited, invited, encouraged or initiated by SeaLink, its subsidiaries or their respective representatives or if the SeaLink Competing Proposal has been publicly announced;

- *no due diligence*:
  - directly or indirectly solicit, invite, initiate or encourage or (subject to the Fiduciary Carve-Out described below) facilitate or permit any person (other than the Vendors) to undertake due diligence investigations of any SeaLink Group Entity or any of their businesses and operations, in connection with formulating, developing or finalising, or assisting in the formulation, development or finalisation of, a SeaLink Competing Proposal; or
  - subject to the Fiduciary Carve-Out (described below), directly or indirectly make available to any person (other than the Vendors) or facilitate or permit any such person to receive any non-public information relating to any SeaLink Group Entity or any of their businesses and operations in connection with formulating, developing or finalising, or assisting in the formulation, development or finalisation of, a SeaLink Competing Proposal; and
- *no solicit*: except with the consent of the Vendors or as contemplated by the Securities Sale Agreements, directly or indirectly solicit, incite, encourage or induce any management or executives of any entity in the Transit Systems Group to leave their employment with that entity or otherwise interfere with the relationship between that person and that entity.

During the Exclusivity Period, subject to the Fiduciary Carve-Out (described below), SeaLink must promptly notify the Vendors in writing of the fact of:

- any approach, inquiry or proposal made by any person to initiate or continue any negotiation or discussions or negotiations that concern, or that could reasonably be expected to lead to, any SeaLink Competing Proposal; or
- any request for information relating to SeaLink, any of its Related Persons or any representative of a SeaLink Group Entity for any information relating to any SeaLink Group Entity or any of their businesses and operations in connection with such persons formulating, developing or finalising, or assisting in the formulation, development or finalisation of, a SeaLink Competing Proposal.

SeaLink has a 'Fiduciary Carve-Out' in respect of some of its obligations, such that those obligations do not apply to the extent they restrict SeaLink or the Board from taking or refusing to take any action, or would require SeaLink or the Board to take any action, with respect to a bona fide SeaLink Competing Proposal (which was not solicited, invited, facilitated, encouraged or initiated by SeaLink or its Related Persons), provided that the Board, acting in good faith, determines:

- that the SeaLink Competing Proposal is a Superior Proposal or the steps which the Board proposes to take may reasonably be expected to lead to a Superior Proposal; and
- after receiving written legal advice from SeaLink's external legal advisers, that failing to respond to the SeaLink Competing Proposal may constitute a breach of its fiduciary or statutory duties.

7.1.6 Warranties

Prior to execution of the Securities Sale Agreements, SeaLink was provided with an opportunity to undertake comprehensive legal, tax and financial due diligence investigations in relation to the Transit Systems Group. SeaLink engaged external advisers to assist it with these investigations, and carefully considered the various findings of those due diligence investigations before finalising the terms of the Securities Sale Agreements.

The Vendors have given customary warranties in relation to title and capacity, the Transit Systems Group business and tax as at the date of the Securities Sale Agreements and Completion. SeaLink has given customary warranties in relation to title and capacity, the SeaLink business and tax as at the date of the Securities Sale Agreements and Completion. The warranties are subject to customary limitations, including qualifications for disclosure, knowledge and reliance.

Claims against the Vendors made under the Securities Sale Agreements (including with respect to a breach of warranty) are subject to customary financial threshold, financial limits and time limits, with the effect that:

- *Maximum aggregate liability*: The Vendors' maximum aggregate liability under the Securities Sale Agreements is:
    - in respect of title and capacity claims, up to 100% of the consideration actually received by the Vendors;
    - in respect of claims for leakage from the locked box mechanism, up to 100% of the consideration actually received by the Vendors;
    - in respect of all other warranty claims and claims under the tax indemnity, up to A$75 million as direct recourse against the Vendors to the extent not fully covered by the W&I Insurance Policies (in addition to the A$150 million of coverage under the W&I Insurance Policies); and
    - in respect of claims under specific indemnities given by the Vendors, up to A$75 million as direct recourse against the Vendors (being the same A$75 million claim cap referred to above, and not an additional amount).
- *Thresholds*: The Vendors have no liability for a claim for a breach of warranty unless:
    - the amount of the claim is A$737,000 or more; and
    - unless and until the aggregate of all claims of A$737,000 or more exceeds A$7,370,000,

  in which case SeaLink can claim for the full A$7,370,000 and not just the excess.

  These minimum claims thresholds do not apply to a claim under the tax indemnity or a claim under certain specific indemnities given by the Vendors. Claims under the W&I Insurance Policies count towards these thresholds.
- *Time limits*: The following time limits apply for notification of claims against the Vendors under the Securities Sale Agreements:
    - in respect of title and capacity claims, 5 years after Completion;

- in respect of tax claims under the Securities Sale Agreement relating to the Transit Systems Sale Entities, 5 years after Completion (however, under the W&I Insurance Policies, this time period is extended to 7 years for claims against the W&I Insurance Policies);
- in respect of tax claims under the Securities Sale Agreement relating to the Tower Transit Sale Entities, 7 years after Completion;
- in respect of specific indemnity claims (other than the tax indemnity), 24 months after Completion;
- in respect of all claims for leakage from the locked box mechanism, on or before 31 August 2020; and
- in respect of all other warranty claims, 18 months after Completion (however, under the W&I Insurance Policies, this time period is extended to 3 years for claims against the W&I Insurance Policies).

SeaLink's liability to the Vendors for breach of warranty are also subject to certain financial thresholds and time limits, with the effect that a claim may not be made by the Vendors, unless:

- the amount of the claim is at least 0.1% of the value of the Consideration Shares, and until the aggregate of all such claims exceeds 1.00% of the value of the Consideration Shares;
- in respect of title and capacity claims, notice of the claim is given within 5 years from Completion; and
- in respect of all other warranty claims, notice of the claim is given within 18 months from Completion.

The maximum liability of SeaLink in respect to warranty breaches is also subject to the following financial limits:

- in respect of title and capacity claims, up to 100% of the value of the Consideration Shares; and
- in respect of all other warranty claims and claims, up to 15% of the value of the Consideration Shares.

7.1.7 Indemnities

The Vendors and SeaLink have given each other reciprocal indemnities in relation to breach of the warranties given by the Vendors, and warranties given by SeaLink (respectively).

The Vendors have also provided a number of specific indemnities to SeaLink, including tax indemnities, for leakage under the locked box mechanism, environmental indemnities and indemnities in respect of certain pre-Completion liabilities.

7.1.8 W&I Insurance

SeaLink has taken out warranty and indemnity insurance. The W&I Insurance Policies cover SeaLink in respect of a breach by the Vendors of certain warranties and certain indemnities. The W&I Insurance Policies are intended to operate on the basis that, subject to the terms, conditions and exclusions of the policy, SeaLink can claim for its loss in respect of the certain insured warranties and indemnities against the insurer instead of the Vendors.

The maximum aggregate limit of the W&I Insurance Policies is A$150 million. In addition, SeaLink will have direct recourse against the Vendors for up to a further A$75 million to the extent certain warranties and certain indemnities are not fully covered by the W&I Insurance Policies.

The insurer will not have any liability under the W&I Insurance Policies unless the amount of the loss:

- exceeds A$642,000 (other than in respect of title and capacity warranties in which case the minimum claim amount is nil); and

- losses are in aggregate in excess of A$3,210,000 (other than in respect of title and capacity warranties in which case the retention is nil).

The W&I Insurance Policies expire three years following the date of Completion in respect of the general warranties and general indemnity of the Vendors set out in the Securities Sale Agreements and seven years following the date of Completion in respect of the tax warranties and tax indemnity of the Vendors set out in the Securities Sale Agreements.

7.1.9 Termination rights

Refer to section 7.1.2 for termination rights in relation to the conditions precedent to the Securities Sale Agreements.

In addition:

- SeaLink may terminate the Securities Sale Agreements if:

    - a Transit Material Adverse Change occurs which has not been remedied within 10 business days after a notice has been given to the Transit Systems Group; or

    - SeaLink receives a Superior Proposal; or

    - the Vendors breach a provision of a Securities Sale Agreement in a material respect, and do not remedy that breach within 5 business days after a notice has been given to the Vendors; and

- the Vendors may terminate the Securities Sale Agreements if:

    - a SeaLink Material Adverse Change occurs which has not been remedied within 10 business days of a notice being given to SeaLink; or

    - SeaLink breaches a provision of a Securities Sale Agreement in a material respect, and does not remedy that breach within 5 business days after a notice has been given to SeaLink.

7.1.10 Break fee

SeaLink has agreed to pay a break fee of A$5 million in aggregate to Graham Alexander Leishman, Lance William Francis, Clinton Feuerherdt and Neil Espie Smith (as controllers of certain Vendors) as a genuine and reasonable pre-estimate of the costs suffered by the Vendors if:

- during the Exclusivity Period SeaLink receives a Superior Proposal from a person other than the Vendors and prior to the date that is three months after the end of the Exclusivity Period, the SeaLink Board publicly recommends a Superior Proposal or the SeaLink Board announces that SeaLink has entered into binding documentation to implement the Superior Proposal;

- prior to Completion SeaLink terminates the Securities Sale Agreements because of a Superior Proposal;

- SeaLink has not held the general meeting to approve the Acquisition Resolutions by 24 December 2019, except due to matters outside SeaLink's reasonable control or in circumstances where the Vendors have not satisfied their obligations to assist SeaLink with the preparation of materials relating to the general meeting;

- any of the SeaLink Directors fail to recommend, or withdraw or adversely modify their recommendation of, the Proposed Acquisition except as the result of the Independent Expert providing a report (including a supplementary report) that the Proposed Acquisition is "not fair" and "not reasonable" to Non-Associated Shareholders; or

- the Vendors terminate the Securities Sale Agreements because SeaLink breaches a provision of a Securities Sale Agreement in a material respect.

The break fee is not payable if Completion occurs.

7.1.11 Governance

For four years following Completion and provided at the relevant time Neil Espie Smith directly or indirectly holds more than 15% of the SeaLink Shares, if Neil Espie Smith resigns from his position as non-executive Director of SeaLink (other than retirement as required by SeaLink's Constitution), the Board will consult with him to agree another nominee to be appointed as a non-executive Director of SeaLink by the Board. This nominee will be subject to re-election by SeaLink Shareholders at the subsequent annual general meeting.

7.1.12 Restraint

For a period of 3 years after Completion, within Australia, the United Kingdom and Singapore, the Vendors undertake that the Vendors and their Related Persons must not:

- engage (directly or indirectly) in a business or an activity that is the same or similar or in competition with the Transit Systems Group;

- solicit, canvass, approach or accept an approach from a customer of the Transit Systems Group with a view to obtaining their custom in a business to compete with the Transit Systems Group;

- solicit, canvass, encourage or induce an employee or contractor of the Transit Systems Group to leave their employment or engagement with the Transit Systems Group; or

- otherwise interfere to the detriment of the Transit Systems Group with the relationship between Transit Systems Group and any of its customers, employees or contractors.

7.2 VOLUNTARY ESCROW DEEDS

At Completion, SeaLink will enter into a Voluntary Escrow Deed with each of the Scrip Vendors and the individual that ultimately Controls it. Each Voluntary Escrow Deed is on materially the same terms and conditions.

7.2.1 Escrow

Under the Voluntary Escrow Deeds, the Scrip Vendor (and the individual that ultimately Controls it) undertakes that:

- in respect of half of the Escrowed Shares, for two years following Completion; and
- in respect of the remaining half of the Escrowed Shares, for one year following Completion,

it will not dispose of, create an encumbrance over or transfer effective ownership or control of the Escrowed Shares or a Relevant Interest in the Escrowed Shares.

There are customary exceptions to this escrow including, among other things:

- participation in a buyback or other return of capital undertaken by SeaLink; and
- participation in a takeover bid approved by the holders of at least 50% of the bid class securities that are not subject to escrow.

7.2.2 **Standstill**

Under the Voluntary Escrow Deeds, the Scrip Vendor (and the individual that ultimately Controls it (if any)) also undertakes not to, and to procure that each entity in its Control does not, for one year after Completion, without SeaLink's prior written consent:

- acquire, agree to acquire, offer to acquire, make an invitation or proposal to acquire, subscribe for, sell, transfer or otherwise deal in, any SeaLink securities or a Relevant Interest in SeaLink securities;
- procure, induce, encourage or cause another person to acquire, agree to acquire, offer to acquire, make an invitation or proposal to acquire, subscribe for, sell, transfer or otherwise deal in, any SeaLink securities or a Relevant Interest in any SeaLink securities; or
- enter into a written agreement with any person, which has the economic or beneficial effect of any of the actions described above,

(the '**Standstill**').

There are customary exceptions to this Standstill including, among other things:

- participation in a buyback or other return of capital undertaken by SeaLink;
- participation in a rights issue, placement, dividend reinvestment plan, security purchase plan or employee share plan;
- the acquisition of SeaLink Shares in consideration for the acquisition of assets by SeaLink; and
- participation in a takeover bid approved by the holders of at least 50% of the bid class securities that are not subject to escrow or in a scheme of arrangement.

7.3 **REFINANCED DEBT ARRANGEMENTS**

SeaLink has received commitments from the Lenders to provide the New Financing Facilities, comprising new senior secured debt facilities of up to A$470 million to partially fund the Completion Cash Consideration and the implementation costs of the Proposed Acquisition, to refinance existing Transit Systems Group and SeaLink debt and to fund working capital of the Post Completion SeaLink Group. Full form loan and security documentation will be negotiated prior to Completion of the Proposed Acquisition.

The New Financing Facilities will replace all existing SeaLink and Transit Systems Group debt facilities (excluding certain existing asset level financing facilities) so that the Post Completion SeaLink Group will have a single financing package after Completion.

As at the Preparation Date, subject to certain completion adjustments, SeaLink anticipates that it will draw down approximately A$234 million of the New Financing Facilities on Completion.

7.3.1 Facility limits and terms

According to the commitments given by the Lenders as at the Preparation Date, it is expected that the New Financing Facilities will comprise the following:

- *Facility A*: a multicurrency term loan facility with a limit of A$230 million and a term of 5 years from the date of the Facility Agreement, to fund the Proposed Acquisition, associated transaction costs and any repayment of debt of the Transit Systems Group;

- *Facility B1*: a multicurrency revolving credit facility with a limit of A$50 million and a term of 3 years from the date of the Facility Agreement, for general corporate purposes;

- *Facility B2*: a multicurrency revolving credit facility with a limit of A$130 million and a term of 5 years from the date of the Facility Agreement, for general corporate purposes; and

- *Facility C*: a multicurrency revolving letter of credit facility with a limit of A$60 million and a term of 5 years from the date of the Facility Agreement, for the provision of letters of credit for material contract performance (including the provision of new or refinanced performance bonds and bank guarantees).

7.3.2 Security

Subject to shareholder approval of the relevant Transit Systems Group entities and SeaLink Shareholders approving Resolution 3 in accordance with section 260B of the Corporations Act, it is expected that:

- SeaLink and certain guarantors (which includes members of the Transit Systems Group) will provide a guarantee and indemnity to the Lenders in respect of the New Financing Facilities;

- SeaLink and each borrower (which includes members of the Transit Systems Group), will provide security in respect of all of their respective assets and undertakings, including direct shares and units in entities within the Transit Systems Group;

- SeaLink and each guarantor (which includes members of the Transit Systems Group), will provide security in respect of all of their respective assets and undertakings, other than those which cannot be charged without third party consent; and

- SeaLink and certain guarantors (which includes certain members of the Transit Systems Group) will grant real property mortgages over its freehold real property (excluding the bus depot at Westbourne Park, UK) and certain leasehold property.

7.4 CEO EXECUTIVE SERVICES AGREEMENT

On Completion, SeaLink will enter into an executive services agreement with Clinton Feuerherdt to govern his employment with SeaLink as Group Chief Executive Officer. Mr Feuerherdt’s appointment commences on Completion.

Under this executive services agreement, Mr Feuerherdt will receive fixed remuneration of A$800,000 (including superannuation) per annum. At the discretion of the Board, he will also be eligible to participate in SeaLink's annual short term incentives ('**STI**') and long term incentives ('**LTI**') within SeaLink's remuneration frameworks. For FY2020, the Board intends to offer Mr Feuerherdt:

- an STI of up to A$800,000 which will be conditional on satisfaction of performance criteria relating to group profits (60%) and group projects (40%); and
- once the proposed Executive LTI rights plan has been approved by shareholders (to be sought at SeaLink's 2019 annual general meeting), an LTI of up to A$500,000 of performance rights.

Either party may terminate Mr Feuerherdt's employment contract by giving 6 months' notice in writing. SeaLink may elect to make a payment in lieu of notice. In the event of serious misconduct or other similar circumstances, SeaLink may terminate Mr Feuerherdt's executive services agreement immediately without notice.

Upon termination of Mr Feuerherdt's executive services agreement, he will be subject to a restraint of trade period of 6 months (reducing to 5 months in limited circumstances).

7.5 NEIL ESPIE SMITH'S DIRECTOR APPOINTMENT LETTER

On Completion, SeaLink will enter into a non-executive Director letter of appointment with Neil Espie Smith to govern his appointment as a non-executive Director of SeaLink. Mr Smith's appointment as a non-executive Director of SeaLink is subject to, and commences on Completion.

Mr Smith will be paid Director fees as applicable to all SeaLink Directors from time to time.

7.6 REGULATORY APPROVALS

7.6.1 ASX confirmation of ASX Listing Rule 11

A listed company has an obligation to notify ASX of a proposed significant change to the nature or scale of its activities under ASX Listing Rule 11.

ASX can exercise its discretion to require the listed company to obtain the approval of its security holders in relation to the change in the nature or scale of its activities (ASX Listing Rule 11.1.2), or to re-comply with ASX's admission requirements (ASX Listing Rule 11.1.3).

ASX has confirmed to SeaLink that ASX Listing Rules 11.1.2 and 11.1.3 do not apply to the Proposed Acquisition.

7.6.2 ASX waiver from ASX Listing Rule 7.1

ASX Listing Rule 7.1 provides that a company must not, subject to specified exceptions listed in ASX Listing Rule 7.2, issue or agree to issue shares during any 12 month period in excess of 15% of the number of shares on issue at the commencement of that 12 month period without shareholder approval.

The ASX has confirmed that, for the purpose of the Placement, SeaLink's placement capacity under ASX Listing Rule 7.1 could be calculated by reference to the number of SeaLink Shares on issue immediately after completion of the Entitlement Offer.

7.7 CONSENTS

The following persons have given, and have not before the date of issue of this Explanatory Memorandum withdrawn, their consent to be named in this Explanatory Memorandum in the form and context in which they are named:

- Clinton Feuerherdt;
- Neil Espie Smith;
- the Transit Systems Vendors;
- the Tower Transit Vendors; and
- Grant Thornton as Independent Expert.

The Transit Systems Vendors have each given, and have not before the date of issue of this Explanatory Memorandum withdrawn, their written consent to the inclusion of the Transit Systems Information.

The Tower Transit Vendors have each given, and have not before the date of issue of this Explanatory Memorandum withdrawn, their written consent to the inclusion of the Tower Transit Information.

Grant Thornton as Independent Expert has given, and has not before the date of issue of this Explanatory Memorandum withdrawn, its written consent to the inclusion of the Independent Expert's Report in Annexure A and references to that report in the form and context in which they are included in this Explanatory Memorandum.

Other than as specifically outlined in this Explanatory Memorandum, each party referred to in this section 7.7 has not caused or authorised the issue of this Explanatory Memorandum and does not make or purport to make any statement in this Explanatory Memorandum or any statement on which a statement in this Explanatory Memorandum is based and takes no responsibility for any part of this Explanatory Memorandum other than any reference to its name.

8. Further Information Relating to the Resolutions

8.1 RESOLUTION 1 – APPROVAL OF ISSUE OF CONSIDERATION SHARES PURSUANT TO ITEM 7 OF SECTION 611 OF THE CORPORATIONS ACT

Resolution 1 seeks the approval for the purposes of item 7 of section 611 of the Corporations Act of SeaLink Shareholders to the acquisition by the Scrip Vendors of the Consideration Shares, comprising 72,869,945 new SeaLink Shares and representing approximately 33.4% of SeaLink's issued share capital.

8.1.1 Overview of legal requirements concerning Resolutions 1 and 2

Section 606(1) of the Corporations Act provides that a person must not acquire a relevant interest in issued voting shares of a listed company if the person acquiring the interest does so through a transaction in relation to the securities entered into by or on behalf of the person and, because of the transaction, that person's or someone else's voting power in the listed company increases:

- from 20% or below to more than 20%; or
- from a starting point that is above 20% and below 90%.

Under section 608(1) of the Corporations Act, a person has a relevant interest in securities if they are the holder of the securities, have power to exercise, or control the exercise of, a right to vote attached to the securities or have power to dispose of, or control the exercise of a power to dispose of, the securities.

A person's voting power in a designated body is defined as all of the votes attaching to voting shares of the designated body in which that person and its Associates have a relevant interest, as a proportion of the total votes attaching to all of the voting shares in the designated body. For the purposes of Chapter 6 of the Corporations Act, a person (the first person) is an Associate of the relevant person if:

- both persons are Controlled by the same entity;
- the first person Controls or is Controlled by the relevant person;
- the first person is a person with whom the relevant person has or proposes to enter an agreement, arrangement or understanding for the purpose of controlling or influencing the composition of the designated body's board or the conduct of the designated body's affairs; or
- the first person is a person with whom the relevant person is acting or proposing to act in concert in relation to the designated body's affairs.

Section 606(1A) of the Corporations Act provides that a person may acquire a relevant interest under one of the exceptions set out in section 611 of the Corporations Act without contravening section 606(1). Under item 7 of section 611, an acquisition that is approved previously by a resolution passed at a general meeting of the company in which the acquisition is made will be exempt from section 606(1) if no votes are cast in favour of the resolution by the person proposing to make the acquisition and their Associates or the persons (if any) from whom the acquisition is to be made and their Associates.

8.1.2 Associate relationship of the Scrip Vendors

At Completion of the Proposed Acquisition, the Scrip Vendors are expected to hold in aggregate approximately 33.4% of SeaLink Shares. It is conceivable that the Scrip Vendors are 'Associates' for the purposes of section 606 of the Corporations Act in respect of the acquisition of the Consideration Shares at Completion.

8.1.3 Reason for seeking Resolution 1

It is conceivable that the Scrip Vendors are 'Associates' for the purposes of section 606 of the Corporations Act in respect of the acquisition of the Consideration Shares at Completion. In that circumstance each Scrip Vendor's voting power would be taken to include the voting power of all other Scrip Vendors such that each Scrip Vendor's voting power in SeaLink as a result of the issue of the Consideration Shares would be approximately 33.4%, based on SeaLink's share capital on issue immediately after Completion, such that Completion of the Proposed Acquisition will result in each Scrip Vendor's voting power in SeaLink increasing from below 20% to above 20% because each Scrip Vendor's voting power will increase from 0% to approximately 33.4% of SeaLink's issued share capital upon the issue of the Consideration Shares to them.

8.1.4 Information required by item 7 of section 611 of the Corporations Act

Item 7 of section 611 of the Corporations Act requires the following information to be provided to Shareholders in connection with Resolution 1.

Shareholders should also refer to the Independent Expert's Report attached as Annexure A to this Explanatory Memorandum.

(a) *The identity of the persons proposing to make the acquisition and their Associates*

On Completion, the Consideration Shares will be acquired by the Scrip Vendors.

(b) *The maximum extent of the increase in those persons' voting power in SeaLink that would result from the acquisition*

The maximum extent of the increase in the voting power of each Scrip Vendor in SeaLink that would result from the issue of the Consideration Shares will be an increase from 0% to approximately 33.4% voting power, based on SeaLink's share capital on issue immediately after Completion. It is conceivable that the Scrip Vendors are 'Associates' for the purposes of section 606 of the Corporations Act in respect of the acquisition of the Consideration Shares at Completion. In that circumstance each Scrip Vendor has the same voting power in SeaLink as the other Scrip Vendors irrespective of which Scrip Vendor is issued the Consideration Shares.

(c) *The voting power those persons would have as a result of the acquisition*

It is conceivable that the Scrip Vendors are 'Associates' for the purposes of section 606 of the Corporations Act in respect of the acquisition of the Consideration Shares at Completion. In that circumstance each Scrip Vendor's voting power would be taken to include the voting power of all other Scrip Vendors such that each Scrip Vendor's voting power in SeaLink as a result of the issue of the Consideration Shares would be approximately 33.4%, based on SeaLink's share capital on issue immediately after Completion.

(d) *The maximum extent of the increase in voting power of each of the acquirer's Associates that would result from the acquisition*

Same as section 8.1.4(b) above.

(e) *The voting power that each of the acquirer's Associates would have as a result of the acquisition*

Same as section 8.1.4(c) above.

8.1.5 Information required by ASIC Regulatory Guide 74

ASIC Regulatory Guide 74 requires that Shareholders should also be given the following additional information in relation to Resolution 1:

(a) *An explanation of the reasons for the proposed acquisition*

The reasons for the Proposed Acquisition are described in section 1.4 of this Explanatory Memorandum.

(b) *When the acquisition is to occur*

Completion and the issue of the Consideration Shares is anticipated on or about January 2020. However, this remains subject to change, including for the satisfaction or waiver of other conditions precedent of the Proposed Acquisition.

(c) *The material terms of the proposed acquisition*

The material terms of the Securities Sale Agreements are set out in section 7.1 of this Explanatory Memorandum.

(d) *Details of the terms of any other relevant agreement between the acquirer and the target entity (or any of their Associates) that is conditional on (or directly or indirectly depends on) Shareholder approval of Resolution 1*

Subject to Completion:

- Neil Espie Smith will be nominated by the Board as an additional non-executive Director of SeaLink. Refer to section 7.5 for a summary of the terms of his appointment; and
- Clinton Feuerherdt will be appointed as Group Chief Executive Officer of SeaLink. Refer to section 7.4 for a summary of the terms of his appointment.

(e) *A statement of the acquirers' intentions regarding the future of the target entity if Shareholders approve the acquisition*

The Scrip Vendors' intentions regarding the future of SeaLink if Resolution 1 is approved is consistent with the intentions of SeaLink set out in sections 5.5 and 8.2.3(e).

(f) *Any intention of the acquirers to significantly change the financial or dividend policies of the target entity*

The dividend policy of SeaLink is a matter for the SeaLink Board to determine at the relevant time and taking into account the circumstances and strategies at that time. The Scrip Vendors have no intention of influencing the financial or dividend policies of SeaLink.

(g) *The interests that any director has in the acquisition or any relevant agreement disclosed under sub-section (d) above*

The interests of each current SeaLink Director in the Proposed Acquisition are set out in section 1.8 of this Explanatory Memorandum.

The interests of Neil Espie Smith (as a proposed non-executive Director of SeaLink) in the Proposed Acquisition are set out in:

- section 5.1 in respect of his interest in the Consideration Shares; and
- section 7.5 in respect of the terms on which he will be appointed as a non-executive Director of SeaLink on Completion.

No Director nor any proposed Director of SeaLink has any other interest in the Proposed Acquisition nor any relevant agreement disclosed under section 8.1.5(d) above.

(h) *Details about any person who is intended to become a director if Shareholders approve the acquisition*

It is expected that Neil Espie Smith will be appointed by the Board as an additional non-executive Director of SeaLink on Completion. The experience and expertise of Neil Espie Smith are set out in section 5.3.2.

The interests of Neil Espie Smith (as a proposed Director of SeaLink) in the Proposed Acquisition are referred to in section 8.1.5(g).

8.2 RESOLUTION 2 – APPROVAL OF THE ACQUISITION OF A RELEVANT INTEREST IN ESCROW SECURITIES BY SEALINK

Resolution 2 seeks the approval for the purposes of item 7 of section 611 of the Corporations Act of SeaLink Shareholders to the acquisition by SeaLink of a relevant interest in the Escrowed Shares under the Voluntary Escrow Deeds. Refer to section 8.1.1 for an overview of item 7 of section 611 of the Corporations Act.

8.2.1 Reason for seeking Resolution 2

Under section 608(1) of the Corporations Act, a person has a relevant interest in securities if (among other things) they control the exercise of a power to dispose of the securities. Therefore, SeaLink will have a relevant interest in approximately 33.4% of its own issued share capital by virtue of its entry into the Voluntary Escrow Deeds with each of the Scrip Vendors on Completion, because SeaLink will be able to control the disposal of the Escrowed Shares under those deeds.

8.2.2 Information required by item 7 of section 611 of the Corporations Act

Item 7 of section 611 of the Corporations Act requires the following information to be provided to Shareholders in connection with Resolution 2.

(a) *The identity of the persons proposing to make the acquisition and their Associates*

On execution of the Voluntary Escrow Deeds, SeaLink will obtain a relevant interest in the Escrowed Shares.

(b) *The maximum extent of the increase in those persons' voting power in SeaLink that would result from the acquisition*

The maximum extent of the increase in SeaLink's voting power in SeaLink that would result from the entry into the Voluntary Escrow Deeds would be an increase from 0% to approximately 33.4% voting power, based on SeaLink's share capital on issue immediately after Completion.

(c) *The voting power those persons would have as a result of the acquisition*

SeaLink's voting power in SeaLink as a result of the entry into the Voluntary Escrow Deeds will be approximately 33.4%, based on SeaLink's share capital on issue immediately after Completion.

(d) *The maximum extent of the increase in voting power of each of the acquirer's Associates that would result from the acquisition*

Same as section 8.2.2(b) above.

(e) *The voting power that each of the acquirer's Associates would have as a result of the acquisition*

Same as section 8.2.2(c) above.

8.2.3 **Information required by ASIC Regulatory Guide 74**

ASIC Regulatory Guide 74 requires that Shareholders should also be given the following additional information in relation to Resolution 2:

(a) *An explanation of the reasons for the proposed acquisition*

The reasons for the Proposed Acquisition are described in section 1.4 of this Explanatory Memorandum. As part of the Proposed Acquisition, SeaLink and the Scrip Vendors will execute the Voluntary Escrow Deeds.

(b) *When the acquisition is to occur*

Execution of the Voluntary Escrow Deeds is anticipated on Completion of the Proposed Acquisition, on or about January 2020. However, this remains subject to change, including for the satisfaction or waiver of other conditions precedent of the Proposed Acquisition.

(c) *The material terms of the proposed acquisition*

The material terms of the Voluntary Escrow Deeds are set out in section 7.2 of this Explanatory Memorandum.

(d) *Details of the terms of any other relevant agreement between the acquirer and the target entity (or any of their Associates) that is conditional on (or directly or indirectly depends on) Shareholder approval of Resolution 2*

There are no agreements between SeaLink and other members of the SeaLink group (or its or their Associates) that are conditional on or which depend on Shareholder approval of Resolution 2.

(e) *A statement of the acquirer's intentions regarding the future of the target entity if Shareholders approve the acquisition*

The intentions of SeaLink regarding the Post Completion SeaLink Group are set out in section 5.5. These intentions have been formed on the basis of facts and information concerning SeaLink and the Transit Systems Group, and the general business environment, which are known to SeaLink at the date of this Explanatory Memorandum.

It is important to recognise that the statements set out in section 5.5 are statements of current intentions of SeaLink only, which may change as new information becomes available or circumstances change.

If SeaLink Shareholders approve the Acquisition Resolutions, SeaLink management intends to seek to integrate the SeaLink and Transit Systems Group businesses as quickly as possible, and will be focusing on areas where the businesses may be enhanced.

The existing businesses of SeaLink and Transit Systems Group are complementary and share some common requirements in terms of operations. Accordingly, it is expected that the process of integrating the two businesses will result in some changes to both SeaLink's and the Transit Systems Group's businesses. The nature and extent of those changes, however, will depend on the outcome of the review described above. While SeaLink does not have any definite intentions in relation to the outcome of the review, SeaLink estimates a synergy potential of between A$4.0 and A$4.6 million per annum (presented on an ongoing net basis after two years and excluding one-off implementation costs), largely from removal of cost duplications and scale procurement benefits.

Other than the above, SeaLink does not have any current intentions to change the business of SeaLink, inject further capital into SeaLink or implement any proposal where assets will be transferred within the SeaLink group.

(f) *Any intention of the acquirer to significantly change the financial or dividend policies of the target entity*

The dividend policy of SeaLink is a matter for the SeaLink Board to determine at the relevant time and taking into account the circumstances and strategies at that time. The Directors currently have no intention of significantly changing the financial or dividend policies of SeaLink.

(g) *The interests that any director has in the acquisition or any relevant agreement disclosed under sub-section 8.2.3(d) above*

No Director nor any proposed Director of SeaLink has any other interest in the Proposed Acquisition nor any relevant agreement disclosed under sub-section 8.2.3(d) above.

(h) *Details about any person who is intended to become a director if Shareholders approve the acquisition*

It is expected that Neil Espie Smith will be appointed by the Board as an additional non-executive Director of SeaLink on Completion. The experience and expertise of Neil Espie Smith are set out in section 5.3.

The interests of Neil Espie Smith (as a proposed non-executive Director of SeaLink) in the Proposed Acquisition are referred to in section 8.1.5(g).

8.3 RESOLUTION 3 – FINANCIAL ASSISTANCE

On Completion, each of the entities in the Transit Systems Group will become wholly-owned by SeaLink. SeaLink will enter into the New Financing Facilities, from which it will draw down on Completion to pay part of the Completion Cash Consideration for it to acquire the Transit Systems Group. Under the New Financing Facilities, certain members of the Transit Systems Group will enter into security arrangements with the Lenders (as specified in section 7.3 of this Explanatory Memorandum) to support SeaLink's obligations under the New Financing Facilities ('**Transit Security Arrangements**').

8.3.1 Overview of legal requirements concerning Resolution 3

Section 260A of the Corporations Act prohibits a company from giving financial assistance for the purpose of, or in connection with, the acquisition by any person of any shares in that company or a holding company of that company, unless:

- the giving of the assistance does not materially prejudice:
  - the interests of the company or its shareholders; or
  - the company's ability to pay its creditors;
- the assistance is approved by shareholders under section 260B of the Corporations Act; or
- the assistance is exempted under section 260C of the Corporations Act.

The expression "financial assistance" is a broad concept and includes such things as payments, loans, the provision of guarantees, indemnities and securities, releasing pre-existing obligations and the forgiving of debt. For present purposes, the entry by certain entities in the Transit Systems Group into the Transit Security Arrangements with the Lenders in connection with SeaLink's acquisition of the Transit Systems Group may be considered to be "financial assistance" for the purposes of section 260A of the Corporations Act.

Due to requirements of the Lenders under the New Financing Facilities and the uncertainty surrounding the expression "material prejudice", each of the relevant Transit Systems Group entities will seek the approval of its own current shareholder(s) for the provision of this financial assistance.

Under section 260B of the Corporations Act, if immediately after the acquisition the company giving financial assistance will be a subsidiary of another corporation which is listed in Australia ('**Listed Australian Holding Company**'), the financial assistance must also be approved by a special resolution of the shareholders of the Listed Australian Holding Company. Accordingly, SeaLink, as the Listed Australian Holding Company of the relevant Transit Systems Group entities immediately following Completion, will need to obtain approval of its shareholders for the giving of the financial assistance (through the entry by the relevant Transit Systems Group entities into the Transit Security Arrangements with the Lenders). Accordingly, Resolution 3 seeks SeaLink Shareholder approval in accordance with section 260B(2) of the Corporations Act for the relevant Transit Systems Group entities to provide the financial assistance through the entry into the Transit Security Arrangements.

8.3.2 Reasons for the proposal of financial assistance

As a condition of providing debt financing to partly fund the acquisition of the Transit Systems Group, the Lenders will require SeaLink, under the terms of the New Financing Facilities, to procure that each of the relevant Transit Systems Group entities enter into the Transit Security Arrangements.

8.3.3 Advantages of the financial assistance

The advantages of Resolution 3 are that:

- by agreeing to procure the relevant Transit Systems Group entities to enter into the Transit Security Arrangements, SeaLink was able to negotiate finance on better terms than may have been available to it without this support;
- subject to satisfaction of other conditions to draw down, the giving of the financial assistance by the relevant Transit Systems Group entities will allow SeaLink to comply with the conditions of the New Financing Facilities, permitting it to draw down the amounts necessary to partially fund the Completion Cash Consideration, transaction costs associated with the Proposed Acquisition, the repayment of Transit Systems Group debt and net working capital; and

- the passing of the financial assistance Resolution 3 is one of several conditions precedent to Completion of the Proposed Acquisition. Accordingly, by passing Resolution 3, SeaLink is able to satisfy one of the conditions precedent to Completion of the Proposed Acquisition.

8.3.4 Disadvantages of the financial assistance

The substantial effect of the financial assistance on the relevant Transit Systems Group entities is that they will have guaranteed all amounts payable under the New Financing Facilities and have granted the security for such obligations. If SeaLink is unable to meet its obligations under the New Financing Facilities, a demand under the New Financing Facilities by the Lenders may result in a sale of the assets, or a winding up, of, the relevant Transit Systems Group entities. The operations of the relevant Transit Systems Group entities may also be restricted by the representation and undertakings given by them under the full form finance documents.

8.3.5 Effect of not approving the financial assistance Resolution 3

If the financial assistance Resolution 3 is not approved, this has the effect that:

- one of the conditions precedent to Completion of the Proposed Acquisition would not be satisfied; and

- SeaLink will not be able to comply with the conditions of the New Financing Facilities, which means it would not be able to draw down the amounts necessary to partially fund the Completion Cash Consideration transaction costs associated with the Proposed Acquisition, or the repayment of Transit Systems Group debt and net working capital. While the Directors of SeaLink believe the Company has a number of alternatives to raise funding if this circumstance arose (which may include both debt and equity sources of funding), there can be no guarantee that SeaLink would be able to raise sufficient funding on acceptable terms or at all,

with the effect that the Proposed Acquisition may not proceed.

8.4 RESOLUTION 4 – RATIFICATION OF ISSUE OF SHARES PURSUANT TO THE PLACEMENT

ASX Listing Rule 7.1 provides that a company must not, subject to specified exceptions listed in ASX Listing Rule 7.2, issue or agree to issue shares during any 12 month period in excess of 15% of the number of shares on issue at the commencement of that 12 month period without shareholder approval.

ASX Listing Rule 7.4 sets out an exception to ASX Listing Rule 7.1 by permitting the ratification of previous issues of shares which were not made under a prescribed exception under ASX Listing Rule 7.2 or with shareholder approval, provided that such issue did not breach the 15% threshold set out in ASX Listing Rule 7.1 (as adjusted by any waiver granted by the ASX in connection with ASX Listing Rule 7.1). If shareholders of a company approve the ratification of such previous issue of shares at a general meeting, those shares will be deemed to have been issued with shareholder approval for the purpose of calculating the company's placement capacity under ASX Listing Rule 7.1.

Resolution 4 seeks Shareholder ratification of the issue of 18,642,724 SeaLink Shares on 18 October 2019 at an issue price of A$3.50 per SeaLink Share to certain institutional investors under the Placement. Section 1.2.1 of this Explanatory Memorandum contains further details of the Placement.

The Placement was undertaken within SeaLink's 15% placement capacity under ASX Listing Rule 7.1, calculated by reference to the number of SeaLink Shares on issue immediately after completion of the

Entitlement Offer in accordance with a waiver to ASX Listing Rule 7.1 granted by the ASX on 18 September 2019.

8.4.1 Information required by ASX Listing Rule 7.5

(a) *The names of the persons to whom SeaLink issued or agreed to issue the securities or the basis on which those persons were identified or selected*: The SeaLink Shares were issued to certain institutional investors, some of whom are existing SeaLink Shareholders and others of whom are clients of the joint lead managers.

(b) *The number and class of securities SeaLink issued or agreed to issue*: 18,642,724 SeaLink Shares.

(c) *If the securities are not fully paid ordinary securities, a summary of the material terms of the securities*: fully paid ordinary shares in SeaLink ranking equally with other existing fully paid ordinary shares in SeaLink.

(d) *The date or dates on which the securities were or will be issued*: 18 October 2019.

(e) *The price or other consideration SeaLink has received or will receive for the issue*: A$3.50 per SeaLink Share.

(f) *The purpose of the issue, including the use or intended use of any funds raised by the issue*: the purpose of the issue, and the intended use of the funds, is to partially fund the Completion Cash Consideration and costs associated with the Proposed Acquisition.

(g) *If the securities were or will be issued under an agreement, a summary of any other material terms of the agreement:* The SeaLink Shares were issued pursuant to the Placement and not under an agreement. Section 1.2.1 of this Explanatory Memorandum contains further details of the Placement.

8.5 RESOLUTION 5 – INCREASE IN NON-EXECUTIVE DIRECTORS' FEE POOL

Resolution 5 seeks shareholder approval, for the purposes of ASX Listing Rule 10.17 and for all other purposes, for the Company to be authorised to increase by $500,000, the maximum aggregate amount of fees per annum available to be paid to all non-executive Directors, from $750,000 to $1,250,000 per annum.

The SeaLink Board considers that it is reasonable and appropriate at this time to seek an increase in the remuneration pool for non-executive Directors for the following reasons:

- subject to Completion of the Proposed Acquisition, the number of non-executive Directors will increase from five to seven non-executive Directors (with Neil Espie Smith becoming a non-executive Director on Completion, and Jeffrey Ellison becoming a non-executive Director shortly after Completion);
- expected growth of the Company and increased responsibilities for non-executive Directors, particularly in light of the Proposed Acquisition;
- noting the need for orderly succession planning, the non-executive Directors' fees may in the future need to be increased to attract and retain new Directors of a calibre required to effectively guide and monitor the business of the Company;

- to allow the Board, should the need arise from time to time, to appoint additional non-executive Directors to ensure the Board has the appropriate skills, independence and experience; and

- to remunerate non-executive Directors appropriately for the expectations placed upon them both by the Company and the regulatory environment in which it operates.

The maximum aggregate fees payable to non-executive Directors was last increased on 25 October 2016.

Details of securities issued to non-executive Directors under ASX Listing Rule 10.11 or 10.14 with Shareholder approval in the preceding 3 years are:

- on 25 October 2016, SeaLink issued 100,000 unlisted options to acquire SeaLink Shares at a zero exercise price to Mr Andrew McEvoy, the Chair of SeaLink, under the SeaLink 'Employee Option Plan'. Shareholder approval under ASX Listing Rule 10.14 was obtained at an annual general meeting of SeaLink on 25 October 2016. These options automatically vested and SeaLink issued 100,000 SeaLink Shares to Mr McEvoy on 25 October 2019.

9. Notice of Meeting

Notice is hereby given that a SeaLink Travel Group Limited ('**SeaLink**') Extraordinary General Meeting of Shareholders will be held at Adelaide Town Hall, 128 King William Street, Adelaide, SA 5000 on 18 December 2019, at 9.30am (Adelaide time).

This information is presented in accordance with the regulatory requirements of the *Corporations Act 2001* (Cth) ('**Corporations Act**').

If you are unable to attend the General Meeting, you are requested to complete the Proxy Form enclosed with this Notice of Meeting. The entitlement for Shareholders to vote at the Meeting will be determined by reference to those persons on the register of members as at 6.30pm (Adelaide time) on Monday, 16 December 2019. The Proxy Form and the power of attorney or other authority (if any) under which it is signed (or a certified copy) must be received by SeaLink at least 48 hours before the time for holding the General Meeting (being no later than 9.30am (Adelaide time) on Monday, 16 December 2019) at the Share Registry, Boardroom Pty Ltd.

Proxy Forms may be lodged using the enclosed Reply Paid Envelope that accompanies this Notice of General Meeting, or lodged:

Online	https://www.votingonline.com.au/slkgm19
By fax	+ 61 2 9290 9655
By mail	Boardroom Pty Limited GPO Box 3993 Sydney NSW 2001 Australia
In person	Boardroom Pty Limited Level 12, 225 George Street Sydney NSW 2000 Australia

Defined terms used in this Notice of Meeting have the meanings given to them in the Glossary in section 10 of the Explanatory Memorandum of which this notice forms part.

Agenda
Special Business of the Meeting

RESOLUTION 1: APPROVAL OF ISSUE OF CONSIDERATION SHARES AND ACQUISITION OF A RELEVANT INTEREST PURSUANT TO THE PROPOSED ACQUISITION PURSUANT TO ITEM 7 OF SECTION 611 OF THE CORPORATIONS ACT

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

> '*That, for the purposes of item 7 of section 611 of the Corporations Act and all other purposes, the members of SeaLink approve the acquisition by the Scrip Vendors of a total of 72,869,945 ordinary fully paid shares in SeaLink, which will represent approximately 33.4% of the ordinary shares in the capital of SeaLink on issue immediately after Completion, by way of an issue by*

SeaLink on the terms set out in the Explanatory Memorandum accompanying the Notice of Meeting.'

Voting exclusion statement for Resolution 1

In accordance with item 7 of section 611 of the Corporations Act, SeaLink will disregard any votes cast in favour of Resolution 1 by or on behalf of the Scrip Vendors or any of their Associates.

Independent Expert's Report

Shareholders should carefully consider the report prepared by the Independent Expert at Annexure A to the Explanatory Memorandum for the purposes of the Shareholder approval required under item 7 of section 611 of the Corporations Act. The Independent Expert's Report comments on the fairness and reasonableness of the transactions the subject of Resolution 1 to Shareholders.

RESOLUTION 2: APPROVAL OF THE ACQUISITION OF A RELEVANT INTEREST IN ESCROW SECURITIES BY SEALINK

To consider, and if thought fit, to pass the following resolution as an ordinary resolution:

> '*That, for the purpose of item 7 of section 611 of the Corporations Act and all other purposes, the members of SeaLink approve the acquisition by SeaLink of a relevant interest in 72,869,945 ordinary fully paid shares in SeaLink as a result of its power to exercise control over the disposition of those shares under the Voluntary Escrow Deeds*.'

Voting exclusion statement for Resolution 2

In accordance with item 7 of section 611 of the Corporations Act, SeaLink will disregard any votes cast in favour of Resolution 2 by or on behalf of SeaLink, the Scrip Vendors or any of their respective Associates.

RESOLUTION 3: APPROVAL OF FINANCIAL ASSISTANCE

To consider and, if thought fit, to approve the following resolution as a special resolution:

> '*That, for the purposes of section 260B(2) of the Corporations Act, approval is given for financial assistance to be provided by the Transit Systems Group entities in connection with the Proposed Acquisition, as borrowers, guarantors and security providers under the New Financing Facilities as described at section 7.3 of the Explanatory Memorandum.*'

RESOLUTION 4: RATIFICATION OF ISSUE OF SHARES PURSUANT TO THE PLACEMENT

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

> '*That, for the purpose of ASX Listing Rule 7.4 and for all other purposes, the issue of 18,642,724 SeaLink Shares pursuant to the Placement on 18 October 2019 to certain institutional and professional investors on the terms and conditions set out in the Explanatory Memorandum is approved and ratified.*'

Voting exclusion statement for Resolution 4

In accordance with ASX Listing Rule 7.4, SeaLink will disregard any votes cast in favour of Resolution 4 by or on behalf of a person who participated in the Placement or any of their Associates.

However, SeaLink need not disregard a vote if:

- it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

RESOLUTION 5: INCREASE IN NON-EXECUTIVE DIRECTORS' FEE POOL

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

> '*That, for the purpose of ASX Listing Rule 10.17 and for all other purposes, the maximum aggregate amount per annum available for payment by way of remuneration to non-executive Directors be increased by $500,000, from $750,000 to $1,250,000 per annum.*'

Voting exclusion statement for Resolution 5

In accordance with ASX Listing Rule 10.17 and 14.11, SeaLink will disregard any votes cast in favour of Resolution 5 by or on behalf of:

- a Director of SeaLink; or
- an associate of a Director of SeaLink.

However, SeaLink need not disregard a vote if:

- it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

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In addition, under section 250BD of the Corporations Act, a person appointed as proxy must not vote on Resolution 5 on the basis of that appointment if:

- that person is either a member of the 'Key Management Personnel' (as disclosed in the Remuneration Report) or a closely related party of such a member; and
- the appointment does not specify how the proxy is to vote on the proposed resolution,

unless the person appointed is the Chair of the meeting and the appointment expressly authorised the Chair to exercise the proxy even if the proposed resolution is connected directly or indirectly with the remuneration of the Key Management Personnel of SeaLink.

ATTENDANCE AND VOTING

Determination of Shareholders' Right to Vote

For the purposes of this General Meeting, SeaLink Shares will be taken to be held by persons who are registered as members as at 6.30pm (Adelaide time) on Monday, 16 December 2019. Accordingly, transactions registered after that time will be disregarded in determining shareholders entitled to attend and vote at the General Meeting.

Voting in person

If you are proposing to attend the General Meeting and vote, there is no need for you to take any further action at this time.

Voting in Corporate Representative

Body corporate Shareholders should complete an 'Appointment of Corporate Representative Form' to enable a person to attend the General Meeting on their behalf. This form can be obtained from the Share Registry's website at https://boardroomlimited.com.au/investor-forms/.

Appointment of proxy

A Shareholder entitled to vote at the General Meeting may appoint not more than two proxies to attend and vote at the meeting on that Shareholder's behalf. A proxy need not be a Shareholder of SeaLink.

A Shareholder who is entitled to cast two or more votes may appoint not more than two proxies to attend and vote at the General Meeting. If you appoint two proxies, you may specify the proportion or number of votes each proxy is appointed to exercise. If no such proportion is specified, each proxy can exercise half of the shareholder's voting rights.

If the appointment of a proxy directs the proxy to vote on an item of business in a particular way, the proxy may only vote on that item as directed. However, unless the proxy is required by law to vote, the proxy may decide not to vote on that item. All directed proxies that are not voted on a poll at the General Meeting will automatically default to the Chair, who is required to vote the proxies as directed. Any undirected proxies on a given resolution may be voted on by the appointed proxy as they choose, subject to voting exclusions as described previously.

In the case of shares jointly held by two or more persons, any joint holder may appoint a proxy but if more than one is present at the General Meeting (either in person or by proxy or attorney or representative) the joint holder whose name appears first in SeaLink's share register shall alone be entitled to vote in respect of those shares.

Shareholders who wish to appoint a proxy may do so by returning a completed Proxy Form in addition to the power of attorney or other authority (if any) under which it is signed (or a certified copy) to SeaLink through the Share Registry.

Lodging a Proxy Form

To be effective, the completed Proxy Form, together with any relevant power of attorney, must be received at the Share Registry (Boardroom Pty Limited) not less than 48 hours before the time for holding the General Meeting, which is 9.30am (Adelaide time) on Monday, 16 December 2019. Shareholders can also submit their proxy voting instructions on-line at https://www.votingonline.com.au/slkgm19.

Proxy Forms may be lodged using the enclosed Reply Paid Envelope that accompanies this Notice of General Meeting, or lodged:

Online	https://www.votingonline.com.au/slkgm19

By fax	+ 61 2 9290 9655
By mail	Boardroom Pty Limited GPO Box 3993 Sydney NSW 2001 Australia
In person	Boardroom Pty Limited Level 12, 225 George Street Sydney NSW 2000 Australia

How the Chairman will vote undirected proxies

The Chairman intends to vote undirected proxies in favour of the Resolutions.

By order of the Board.

Joanne McDonald
Company Secretary
8 November 2019

All Correspondence to:

By Mail Boardroom Pty Limited
GPO Box 3993
Sydney NSW 2001 Australia

By Fax: +61 2 9290 9655

Online: www.boardroomlimited.com.au

By Phone: (within Australia) 1300 737 760
(outside Australia) +61 2 9290 9600

YOUR VOTE IS IMPORTANT

For your vote to be effective it must be recorded before 9:30am (Adelaide time) on Monday 16 December 2019.

TO VOTE ONLINE

STEP 1: VISIT https://www.votingonline.com.au/slkgm19

STEP 2: Enter your Postcode OR Country of Residence (if outside Australia)

STEP 3: Enter your Voting Access Code (VAC):

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BY SMARTPHONE

Scan QR Code using smartphone
QR Reader App

TO VOTE BY COMPLETING THE PROXY FORM

STEP 1 APPOINTMENT OF PROXY

Indicate who you want to appoint as your Proxy.
If you wish to appoint the Chair of the Meeting as your proxy, mark the box. If you wish to appoint someone other than the Chair of the Meeting as your proxy please write the full name of that individual or body corporate. If you leave this section blank, or your named proxy does not attend the meeting, the Chair of the Meeting will be your proxy. A proxy need not be a securityholder of the company. Do not write the name of the issuer company or the registered securityholder in the space.

Appointment of a Second Proxy
You are entitled to appoint up to two proxies to attend the meeting and vote. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by contacting the company's securities registry or you may copy this form.

To appoint a second proxy you must:
(a) complete two Proxy Forms. On each Proxy Form state the percentage of your voting rights or the number of securities applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded.
(b) return both forms together in the same envelope.

STEP 2 VOTING DIRECTIONS TO YOUR PROXY

To direct your proxy how to vote, mark one of the boxes opposite each item of business. All your securities will be voted in accordance with such a direction unless you indicate only a portion of securities are to be voted on any item by inserting the percentage or number that you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on a given item, your proxy may vote as he or she chooses. If you mark more than one box on an item for all your securities your vote on that item will be invalid.

Proxy which is a Body Corporate
Where a body corporate is appointed as your proxy, the representative of that body corporate attending the meeting must have provided an "Appointment of Corporate Representative" prior to admission. An Appointment of Corporate Representative form can be obtained from the company's securities registry.

STEP 3 SIGN THE FORM

The form must be signed as follows:
Individual: This form is to be signed by the securityholder.
Joint Holding: where the holding is in more than one name, all the securityholders should sign.
Power of Attorney: to sign under a Power of Attorney, you must have already lodged it with the registry. Alternatively, attach a certified photocopy of the Power of Attorney to this form when you return it.
Companies: this form must be signed by a Director jointly with either another Director or a Company Secretary. Where the company has a Sole Director who is also the Sole Company Secretary, this form should be signed by that person. Please indicate the office held by signing in the appropriate place.

STEP 4 LODGEMENT

Proxy forms (and any Power of Attorney under which it is signed) must be received no later than 48 hours before the commencement of the meeting, therefore by 9:30am (Adelaide time) on Monday, 16 December 2019. Any Proxy Form received after that time will not be valid for the scheduled meeting.

Proxy forms may be lodged using the enclosed Reply Paid Envelope or:

Online	https://www.votingonline.com.au/slkgm19
By Fax	+ 61 2 9290 9655
By Mail	Boardroom Pty Limited GPO Box 3993, Sydney NSW 2001 Australia
In Person	Boardroom Pty Limited Level 12, 225 George Street, Sydney NSW 2000 Australia

Attending the Meeting

If you wish to attend the meeting please bring this form with you to assist registration.

Sealink Travel Group Limited
ACN 109 078 257

Your Address
This is your address as it appears on the company's share register. If this is incorrect, please mark the box with an "X" and make the correction in the space to the left. Securityholders sponsored by a broker should advise their broker of any changes.
Please note, you cannot change ownership of your securities using this form.

PROXY FORM

STEP 1 APPOINT A PROXY

I/We being a member/s of Sealink Travel Group Limited (Company) and entitled to attend and vote hereby appoint:

☐ the Chair of the Meeting (mark box)

OR if you are NOT appointing the Chair of the Meeting as your proxy, please write the name of the person or body corporate (excluding the registered securityholder) you are appointing as your proxy below

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chair of the Meeting as my/our proxy at the General Meeting of the Company to be held at Adelaide Town Hall, 128 King William Street, Adelaide SA 5000 on Wednesday, 18 December 2019 at 9:30am (Adelaide time) and at any adjournment of that meeting, to act on my/our behalf and to vote in accordance with the following directions or if no directions have been given, as the proxy sees fit.

Chair of the Meeting authorised to exercise undirected proxies on remuneration related matters: If I/we have appointed the Chair of the Meeting as my/our proxy or the Chair of the Meeting becomes my/our proxy by default and I/we have not directed my/our proxy how to vote in respect of Resolution 5, I/we expressly authorise the Chair of the Meeting to exercise my/our proxy in respect of this Resolution even though Resolution 5 is connected with the remuneration of a member of the key management personnel for the Company.

The Chair of the Meeting will vote all undirected proxies in favour of all Items of business (including Resolution 5). If you wish to appoint the Chair of the Meeting as your proxy with a direction to vote against, or to abstain from voting on an item, you must provide a direction by marking the 'Against' or 'Abstain' box opposite that resolution.

STEP 2 VOTING DIRECTIONS

* If you mark the Abstain box for a particular item, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your vote will not be counted in calculating the required majority if a poll is called.

		For	Against	Abstain*
Resolution 1	Approval of issue of Consideration Shares and acquisition of a relevant interest pursuant to the Proposed Acquisition pursuant to item 7 of section 611 of the Corporation Act	☐	☐	☐
Resolution 2	Approval of the acquisition of a relevant interest in escrow securities by SeaLink	☐	☐	☐
Resolution 3	Approval of financial assistance	☐	☐	☐
Resolution 4	Ratification of issue of shares pursuant to the Placement	☐	☐	☐
Resolution 5	Increase in non-executive Directors' fee pool	☐	☐	☐

STEP 3 SIGNATURE OF SECURITYHOLDERS

This form must be signed to enable your directions to be implemented.

Individual or Securityholder 1	Securityholder 2	Securityholder 3
Sole Director and Sole Company Secretary	Director	Director / Company Secretary

Contact Name…………………………………………….... Contact Daytime Telephone……………………............................. Date / / 2019

10. Glossary

Term	Definition
Acquisition Resolutions	Resolutions 1, 2 and 3, as set out in the Notice of Meeting.
Ancillary Resolutions	the Placement Ratification (Resolution 4) and the NED Fee Pool Resolution (Resolution 5).
ASIC	the Australian Securities and Investments Commission.
Associate	has the meaning given in section 12 of the Corporations Act.
ASX	ASX Limited ACN 008 624 691 or the financial market conducted by it, as the context requires.
ASX Listing Rules	the Listing Rules of the ASX as amended from time to time.
Board or **SeaLink Board**	the board of directors of SeaLink.
Company	SeaLink.
Completion	completion of the Proposed Acquisition in accordance with the terms and conditions of the Securities Sale Agreements.
Completion Cash Consideration	the payment of A$118 million, plus a cost of capital charge and less certain adjustments defined in section 7.1.1, in cash to the Vendors on Completion of the Proposed Acquisition.
Consideration Shares	72,869,945 fully paid new SeaLink Shares issued to the Scrip Vendors on Completion, being (in respect of each Scrip Vendor) the number of SeaLink Shares specified in section 1.3.
Control	(a) of a body corporate means the power of a person (whether legally enforceable or not) to control, whether directly or indirectly: (i) the composition of its board of directors; (ii) the voting rights of the majority of its voting shares; or (iii) the management of its affairs (including where the board of directors of the corporation is accustomed to act in accordance with the instructions, directions or wishes of the person); and (b) of a trust means the power of a person (whether legally enforceable or not) to control, whether directly or indirectly: (i) the appointment of any new or additional trustee of the trust;

Term	Definition
	(ii) the removal of the trustee of the trust; and/or (iii) the management of the affairs of the trust.
Corporations Act	the *Corporations Act 2001* (Cth).
Deferred Cash Consideration	the contingent and non-contingent deferred cash consideration described in section 7.1.1.
Director	a director of SeaLink.
Earn Out Target	FY20 pro forma normalised EBITDA of the Transit Systems Group of A$86 million.
EBIT	earnings before interest and tax.
EBITDA	earnings before interest, tax, depreciation and amortisation.
Entitlement Offer	has the meaning given in section 1.2.1.
EPS	earnings per share.
Equity Raising	together, the Placement and the Entitlement Offer.
Escrowed Shares	in relation to a Scrip Vendor, the Consideration Shares of that Scrip Vendor that are the subject of escrow arrangements pursuant to the relevant Voluntary Escrow Deed.
Exclusivity Period	has the meaning given in section 7.1.5.
Explanatory Memorandum	this document.
FIRB Approval	(a) the Scrip Vendors receive notice in writing from the Federal Treasurer or his or her agent confirming that there are no objections under the Australian Government's foreign investment policy or under the Foreign *Acquisitions and Takeovers Act 1975* (Cth) to the Scrip Vendors acquiring the Consideration Shares, either without conditions or on terms acceptable to the parties acting reasonably; (b) the Federal Treasurer becomes precluded from making an order in relation to the issue of the Consideration Shares to the Scrip Vendors under the *Foreign Acquisitions and Takeovers Act 1975* (Cth); or (c) if an interim order is made under the *Foreign Acquisitions and Takeovers Act 1975* (Cth) in respect of the issue of the Consideration Shares to the Scrip Vendors, the subsequent period for making a final order prohibiting the issue of the Consideration Shares to the Scrip Vendors elapses without a final order being made.

Term	Definition
FY18	the financial year ending 30 June 2018.
FY19	the financial year ending 30 June 2019.
FY20	the financial year ending 30 June 2020.
General Meeting	the extraordinary general meeting of SeaLink to be held on 18 December 2019 pursuant to the Notice of Meeting.
Independent Expert	Grant Thornton Corporate Finance Pty Ltd ABN 59 003 265 987.
Independent Expert's Report	the report prepared by the Independent Expert as attached at Annexure A.
Instalment Date	has the meaning given in section 1.1.
Lenders	the proposed senior lenders to the Post Completion SeaLink Group consisting of Australian and international (Australian branched) banks.
Locked Box Date	31 March 2019.
NED Fee Pool Resolution	Resolution 5, as set out in the Notice of Meeting.
New Financing Facilities	the facilities described in section 1.2.2.
Non-Associated Shareholders	those Shareholders who are not associates of any of the Scrip Vendors, where "associate" has the meaning given in section 12 of the Corporations Act as if section 12(1) of the Corporations Act included a reference to the Securities Sale Agreements and SeaLink is the designated body.
Notice of Meeting	the notice of General Meeting set out in section 9.
NPAT	net profit after tax.
Options	options to acquire SeaLink Shares, including performance rights.
Placement	has the meaning given in section 1.2.1.
Placement Ratification	Resolution 4, as set out in the Notice of Meeting.
Post Completion SeaLink Group	SeaLink and its subsidiaries following Completion.
Preparation Date	8 November 2019, being the date on which this Explanatory Memorandum has been prepared.
pro forma historical financial information	the pro-forma historical financial information relating to the Post Completion SeaLink Group as set out in section 5.6, including the adjustments to the relevant historical financial information to generate such pro-forma financial information.

Term	Definition
Proposed Acquisition	the acquisition of the Transit Systems Group by SeaLink, pursuant to which: (a) SeaLink will acquire 100% of the shares or units (as applicable) of each Transit Sale Entity; (b) SeaLink will pay the Completion Cash Consideration and the Deferred Cash Consideration to the Vendors; and (c) the Scrip Vendors will be issued with Consideration Shares on Completion.
Proxy Form	the proxy form for the General Meeting accompanying this Explanatory Memorandum.
Related Person	(a) in respect of a Vendor: (i) any Vendor Controlled Entity of that Vendor; and (ii) a director, officer, employee, agent, contractor or professional adviser of that Vendor or of any of its Vendor Controlled Entities; and (b) in respect of SeaLink: (i) any SeaLink Controlled Entity; (ii) any related body corporate of any SeaLink Controlled Entity; and (iii) a director, officer, employee, agent, contractor or professional adviser of SeaLink or any SeaLink Controlled Entity.
Relevant Interest	has the meaning given in Chapter 6, Part 6.1 of the Corporations Act.
Remuneration Report	the 'Remuneration Report' as set out in SeaLink's 2019 Annual Report.
Resolutions	the resolutions set out in the Notice of Meeting to be considered by Shareholders at the General Meeting, being resolutions to be passed by the requisite majority of Shareholders on a show of hands or by the requisite majority of votes given on a poll.
SeaLink	SeaLink Travel Group Limited ACN 109 078 257.
SeaLink Competing Proposal	any offer, proposal or expression of interest, transaction or arrangement (including by way of takeover bid or scheme of arrangement) (other than the Proposed Acquisition) under which, if ultimately completed substantially in accordance with its terms: (a) a person or two or more persons who are Associates would directly or indirectly: (i) acquire a relevant interest in or become the holder of more than 20% of the SeaLink Shares;

Term	Definition
	(ii) acquire, obtain a right to acquire or otherwise obtain an economic interest in more than 50% by value of SeaLink's business and property; or (iii) acquire control of SeaLink (within the meaning of section 50AA of the Corporations Act); (b) SeaLink would be de-listed; or (c) would prevent the Proposed Acquisition from being consummated.
SeaLink Controlled Entity	(a) any entity under the Control of SeaLink; and (b) each SeaLink Group Entity.
SeaLink Group Entity	any of SeaLink and its subsidiaries.
SeaLink Information	the information contained in this Explanatory Memorandum (excluding the Independent Expert's Report, the Transit Systems Information and the Tower Transit Information).
SeaLink Material Adverse Change	has the meaning given to the term 'Buyer Material Adverse Change' in the Securities Sale Agreements.
SeaLink Share	a fully paid ordinary share in the capital of SeaLink.
Scrip Vendors	Finchton Enterprises Pty. Ltd. ABN 63 050 411 106 as trustee for the Leishman Family Trust No 2 ABN 42 026 956 522, Windfury Pty. Limited ABN 82 001 657 361 as trustee for the Cleveland Transport Trust ABN 25 800 473 117, Pacific Transit Pty. Limited ABN 14 003 922 647 as trustee for the Pacific Transit Trust ABN 56 936 284 072, Leishman Australia Pty Ltd ABN 34 162 909 186 as trustee for the Leishman Enterprises Trust ABN 90 835 463 870, Accuro Trustees (Jersey) Ltd as trustee for the Inubia Paulista Trust, Smith Feuerherdt Holdings Pty Ltd ACN 103 917 666 as trustee for the Rubicon Trust, Charles Beaumont, Paul Raymond Cox, Jane Elizabeth Cox, Vincent Dalzell, Janine Dalzell, Cristina Pana, Gheorghe Florin Pana, Thai Pham, Samuel Ribeiro, Aline Pasqualetto Damiani Ribeiro, Keith Rogers, Samuel George Scott and Debra Mary Scott.
Securities Sale Agreements	together: (a) the Securities Sale Agreement dated 8 October 2019 between SeaLink and the Transit Systems Vendors relating to the Transit Systems Sale Entities; and (b) the Securities Sale Agreement dated 8 October 2019 between SeaLink and the Tower Transit Vendors relating to the Tower Transit Sale Entities.

Term	Definition
Share Consideration	the issue of Consideration Shares to the Scrip Vendors as part of the consideration under the Proposed Acquisition, as further described in section 7.1.1.
Shareholder	the holder of a SeaLink Share.
Standstill	has the meaning given in section 7.2.2.
Sunset Date	17 January 2020.
Superior Proposal	a bona fide SeaLink Competing Proposal which in the determination of the SeaLink Board acting in good faith in order to satisfy what the SeaLink Board considers to be its fiduciary or statutory duties (after having taken advice from their legal and financial advisers): (a) is reasonably capable of being completed in accordance with its terms, taking into account all financial, regulatory and other aspects of such proposal, including the ability of the proposing party to consummate the transactions contemplated by the SeaLink Competing Proposal; and (b) would, if completed substantially in accordance with its terms, be reasonably likely to result in a transaction more favourable to Shareholders of SeaLink as a whole than the Proposed Acquisition, taking into account all of the terms and conditions of the SeaLink Competing Proposal, including consideration, conditionality, funding, certainty and timing.
Tower Transit	the group of companies owned by the Tower Transit Vendors which operate bus passenger services in the United Kingdom, Singapore and the United States, being the Tower Transit Sale Entities and each subsidiary of a Tower Transit Sale Entity.
Tower Transit Information	the information: (a) in sections 4.1 and 4.2 that refers to Tower Transit; and (b) in sections 8.1.2, 8.1.5(e) and 8.1.5(f) which relates to the intentions, beliefs or opinions of Tower Transit or of the directors of a member of Tower Transit in their capacity as such, or of the Scrip Vendors who are Tower Transit Vendors, and excludes all other information in this Explanatory Memorandum (including, without limitation, that information set out in sections 4.3 and 5.6).
Tower Transit Sale Entities	Tower Transit Group Ltd registration number 08451873 and Tower Transit Europe Pty Ltd ABN 16 161 761 271.
Tower Transit Vendors	Leishman Australia Pty Ltd ABN 34 162 909 186 as trustee for the Leishman Enterprises Trust ABN 90 835 463 870, Accuro Trustees (Jersey) Ltd as trustee for the Inubia Paulista Trust, Smith Feuerherdt

Term	Definition
	Holdings Pty Ltd ACN 103 917 666 as trustee for the Rubicon Trust, and Tower Transit Asset Holdings Ltd registration number 10738299 (in its own right and for and on behalf of the TTAH Individuals).
Transit Material Adverse Change	has the meaning given to the term 'Seller Material Adverse Change' in the Securities Sale Agreements.
Transit Sale Entities	together, the Transit Systems Sale Entities and the Tower Transit Sale Entities.
Transit Security Arrangements	the security arrangements described in section 8.3.
Transit Systems Australia	the group of companies owned by the Transit Systems Vendors which operate bus passenger services in Australia, being the Transit Systems Sale Entities and each subsidiary of a Transit Systems Sale Entity.
Transit Systems Group	together, Transit Systems Australia and Tower Transit, being the group of companies owned by the Vendors and to be acquired by SeaLink pursuant to the Proposed Acquisition.
Transit Systems Information	the information: (a) in sections 4.1, 4.2, 5.3.2 and 5.4.2 (except to the extent it is Tower Transit Information); and (b) in sections 8.1.2, 8.1.5(e) and 8.1.5(f) which relates to the intentions, beliefs or opinions of Transit Systems Australia or of the directors of a member of Transit Systems Australia in their capacity as such, or of the Scrip Vendors who are Transit Systems Vendors, and excludes all other information in this Explanatory Memorandum (including, without limitation, that information set out in sections 4.3 and 5.6).
Transit Systems Sale Entities	Transit Systems Pty Ltd ABN 34 135 200 609, Transit (NSW) Liverpool Pty Ltd ABN 51 160 928 370, The Transit (NSW) Trust ABN 92 154 871 612, Transit (NSW) Group Pty Ltd ACN 161 716 258, Swan Transit Trust ABN 98 636 621 132, Swan Transit Group Pty Ltd ABN 32 098 817 139, Torrens Transit Trust ABN 79 838 098 059, Torrens Transit Group Pty Ltd ABN 84 100 634 062, and Torrens Transit Services Pty Ltd ABN 82 091 343 887.
Transit Systems Vendors	Finchton Enterprises Pty Ltd ABN 63 050 411 106 as trustee for the Leishman Family Trust No 2 ABN 42 026 956 522, Windfury Pty. Limited ABN 82 001 657 361 as trustee for the Cleveland Transport Trust ABN 25 800 473 117, Pacific Transit Pty. Limited ABN 14 003 922 647 as trustee for the Pacific Transit Trust ABN 56 936 284 072, Stott Investment Pty Ltd ACN 634 344 451 as trustee for the Stott Investment Trust ABN 92 778 332 036, Lightbud Pty Ltd ACN 097 223 820 as trustee for the GAL No. 1 Trust ABN 78 926 001 917, Windfury

Term	Definition
	Pty. Limited ABN 82 001 657 361 as trustee for the LWF No. 1 Trust ABN 86 565 499 594, Parana Transport Pty Limited ACN 003 437 536 as trustee for the NES No. 1 Trust ABN 56 374 459 200, Torrgusta Pty Ltd ABN 89 091 333 756 as trustee for the Stott Investment No. 2 Trust ABN 26 182 050 914, Torrgusta Pty Ltd ABN 89 091 333 756, Graham Alexander Leishman, Lance William Francis and Neil Espie Smith.
TTAH Individuals	Charles Beaumont, Paul Raymond Cox, Jane Elizabeth Cox, Vincent Dalzell, Janine Dalzell, Cristina Pana, Gheorghe Florin Pana, Thai Pham, Samuel Ribeiro, Aline Pasqualetto Damiani Ribeiro, Keith Rogers, Samuel George Scott and Debra Mary Scott.
Vendor Controlled Entity	(a) any entity under the Control of a Vendor; (b) any entity under the joint Control of two or more Vendors; and (c) each Transit Sale Entity for so long as it is under the Control of the Vendor or the joint Control of two or more Vendors.
Vendors	together, the Transit Systems Vendors and the Tower Transit Vendors.
Voluntary Escrow Deed	the Voluntary Escrow Deed to be executed by SeaLink and each Scrip Vendor (and the individual that Controls the Scrip Vendor (if any)) at Completion of the Proposed Acquisition, as described in section 7.2.
W&I Insurance Policies	the buyer side warranty and indemnity insurance policies taken out by SeaLink in connection with the Proposed Acquisition.

Annexure A – Independent Expert's Report

SeaLink Travel Group Limited

Independent Expert's Report and Financial Services Guide

23 October 2019

Grant Thornton
An instinct for growth™

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The Directors
SeaLink Travel Group Limited
Level 3, 26 Flinders Street
Adelaide, SA 5000

23 October 2019

Dear Directors

Introduction

SeaLink Travel Group Limited ("SeaLink" or "the Company" or "SLK") is a diversified tourism and transport company with operations throughout Australia. The Company operates Australia's largest ferry fleet providing ferry or barge services for regular commuters, businesses and governments, along with tourist and charter cruises, tours and activities, hotel accommodation and packaged holidays. The Company is listed on the Australian Securities Exchange ("ASX") with a market capitalisation of c. A$397 million[1].

Transit Systems Group ("Transit Systems Group" or "TSG") is a global public bus commuter transport company comprising Transit Systems Pty Ltd and its broader group of entities ("Transit Systems Australia" or "TSA"), which is a large Australian private operator of metropolitan public bus services and Tower Transit Group Ltd and its broader group of entities ("Tower Transit Group", or "TTG") which is an established international platform with current bus operations in London and Singapore[2]. As at 30 June 2019, the Transit Systems Group operated circa 3,129 buses and 32 depots in Australia, London and Singapore on behalf of local and regional governments and authorities largely under long term contracts.

On 8 October 2019, the Company announced that it had entered into two separate Securities Sale Agreements[3] ("SSAs") with the Vendors[4] of Transit Systems Australia and Tower Transit Group to effect the acquisition of 100% of Transit Systems Group by SeaLink ("Proposed Acquisition").

SeaLink will acquire 100% of Transit Systems Group for a total equity value of circa A$424 million and it will assume debt and debt like items of circa A$211 million equivalent to an enterprise value of circa A$635[5] million. The equity value will be satisfied by the following consideration:

- Upfront consideration ("Upfront Consideration") comprising the following:

[1] Based on a share price of circa A$3.91 as at 4 October 2019.
[2] Tower Transit Group and Transit Systems Australia have slightly different shareholders (refer to section 1 for details) and they are collectively or individually referred to as the Transit Systems Group.
[3] This is because the shareholders of Transit Systems Australia and Tower Transit Group are slightly different. SLK entered into an agreement with the shareholders of Transit Systems Australia and into an agreement with the shareholders of Tower Transit Group. We note that the two SSAs are interdependent upon each other.
[4] The Vendors of Transit Systems Australia are in equal share Neil Smith, Graham Leishman and Lance Francis either individually or through entities which they control whilst the Vendors of Tower Transit Group are Neil Smith, Graham Leishman, Clint Feuerherdt and staff either individually or through entities which they control (collectively referred to as the "Vendors"..
[5] Calculated as the equity value of A$424 million plus assumed debt and debt-like items of A$211 million.

- A$269 million in SeaLink shares ("SeaLink Shares") at an issue price of A$3.69[6] per share ("Scrip Consideration") which is equivalent to 72,869,945 shares. The Company will, on completion of the Proposed Acquisition, enter into escrow arrangements ("Escrow Agreements") with the Vendors who are receiving the Scrip Consideration ("Scrip Vendors") such that the Scrip Consideration is subject to an escrow period of two years[7] (with 50% released 12 months post transaction completion)

- A$118 million cash to the Vendors ("Cash Consideration")[8] paid pro-rata to all the Vendors as discussed in Section 1.

- Deferred non-contingent consideration of A$37 million ("Deferred Consideration") payable in cash pro-rata to the Vendors in three equal instalments in approximately August 2020, April 2021 and August 2022.

In addition, the Company will pay an earn-out consideration of up to A$63 million ("Earn-out Consideration") contingent upon the FY20 pro-forma normalised EBITDA of Transit Systems Group being between A$79 million or less (nil payment) and A$86 million or more (A$63 million payment). The Earn-out Consideration is payable on a sliding scale based on the FY20 pro-forma normalised EBITDA achieved and at the same time as the Deferred Consideration.

The funding for the Proposed Acquisition (including transaction costs of circa A$21 million) is expected to be derived by the following:

- A fully underwritten placement to new and existing institutional shareholders of A$65 million ("Placement") at an issue price of A$3.50 ("Placement Price"). The Placement Price is at a discount of 10.5% to the closing price of A$3.91 on 4 October 2019. The Placement completed on 9 October 2019 and it will raise on settlement gross proceeds of approximately A$65 million.

- A fully underwritten pro-rata, accelerated, non-renounceable entitlement offer to raise approximately A$89 million ("Entitlement Offer") at the Placement Price. All SeaLink Directors who are shareholders intend to fully or partially take-up their rights under the Entitlement Offer. The institutional component of the Entitlement Offer completed on 9 October and it will raise on settlement A$43 million. The retail component of the Entitlement Offer opened on 15 October 2019 and it is expected to raise approximately A$46 million.

The Placement and the Entitlement Offer are not contingent upon completion of the Proposed Acquisition.

In conjunction with the Proposed Acquisition, SeaLink will raise A$470 million of new debt facilities ("New Debt Facilities") consisting of a senior term debt facility of A$230 million, revolving credit facilities of in aggregate A$180 million and a letter of credit of A$60 million to refinance its and

[6] Rounded for the purpose of the IER.
[7] Subject to certain exceptions.
[8] The Cash Consideration includes a base amount of A$118 million and an adjustment amount. If the transaction proceeds, from 31 March 2019, the Locked Box Date, SLK will gain the economic benefit of the cash flows generated by the Transit Systems Group. The Adjustment Amount offers an off-setting compensation for the Vendors in the form of a cost of capital charge ("Cost of Capital Charge") calculated as Transit Systems Group's equity value excluding the Earn-out Consideration ("Adjusted Equity Value") multiplied by an annual interest rate pro-rated for the period between 31 March 2019 and completion of the Proposed Acquisition. The Adjustment Amount is subject to certain other adjustments discussed in Section 1.

Transit Systems Group's debt facilities. Certain debt-like Transit Systems Group obligations (circa A$45 million)[9] will rollover.

The Deferred Consideration and the Earn-out Consideration are expected to be funded from operating cash flows and available debt capacity.

If the Proposed Acquisition is completed, the following will occur:

- The Locked Box Date will be assumed as at 31 March 2019 which means that SeaLink will be entitled to the Transit Systems Group's cash flows from this date adjusted for the payment of the Adjustment Amount as discussed in Section 1.

- The Scrip Vendors in aggregate will hold 33.4% of the enlarged issued capital of SeaLink ("Enlarged SeaLink" or "Combined Group").

- Clint Feuerherdt, current Group CEO of Transit Systems Australia and Tower Transit Group will replace Jeff Ellison as CEO of the Combined Group. Jeff Ellison has agreed to provide support to Clint Feuerherdt to ensure a smooth transition of leadership and will remain on the Combined Group board as a Non-Executive Director. We note that SeaLink announced in October 2018, that Jeff Ellison had indicated his intention to retire from SeaLink on or before the Annual General Meeting in October 2019.

- Neil Smith will join the Board of the Combined Group. Mr. Smith is a founding shareholder and the current Chairman of Transit Systems Group.

- As a result of combining the operations of SeaLink and Transit Systems Group into the Combined Group, costs synergies between A$4.0 million and A$4.6 million per annum are expected to be realised after a period of two years (excluding one-off implementation costs). Additionally, there are potential cross-selling and marketing opportunities through the increased scale and selling/co-ordination of routes which are currently not factored into the assessment of the synergies.

- The Combined Group is expected to have a pro-forma net debt of A$318 million on completion (prior to completion adjustments and the Earn-out Consideration but including the Deferred Consideration) which is equivalent to a pro-forma net debt/FY19 normalised EBITDA of 2.5x.

The Proposed Acquisition is subject to SeaLink shareholder ("SeaLink Shareholders") approval, Foreign Investment Review Board ("FIRB") approval for the Scrip Vendors to receive the Scrip Consideration, no material adverse change, approval of key contractual counterparties, as well as other customary conditions precedent as discussed in Section 1.

The Proposed Acquisition contains customary exclusivity provisions including no shop, no talk restrictions and a notification obligation, subject to SeaLink Director's fiduciary obligations. The SSAs also detail circumstances under which SeaLink may be required to pay a break fee of A$5 million if completion of the Proposed Acquisition does not occur (refer to Section 1 for more details).

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[9] A$40 million of vendor finance notes relating to the acquisition of Sita Group and A$5 million of retained finance leases. In April 2019, TSG acquired Sita Group, marking the company's entry into the Victorian bus market.

Subject to no superior proposal emerging and an independent expert concluding and continuing to conclude that the Proposed Acquisition is reasonable to SeaLink Shareholders non-associated with the Scrip Vendors ("Non-Associated Shareholders"), the Directors have unanimously recommended that the Non-Associated Shareholders vote in favour of the Proposed Acquisition and SeaLink has advised that, subject to the same qualifications, all Directors intend to vote, or procure the voting of, all SeaLink Shares held or controlled by them in favour of the Proposed Acquisition.

Purpose of the report

Based on our review of the terms of the Proposed Acquisition, we note the following:

- The Scrip Vendors in aggregate will hold an interest in the Combined Group of 33.4% which is greater than the 20% takeover threshold provision under the Corporations Act.

- As discussed before, the Company will, on completion of the Proposed Acquisition, enter into the Escrow Agreements with the Scrip Vendors in relation to the Scrip Consideration, which will give SeaLink a relevant interest in more than 20% of its own shares in accordance with ASIC Regulatory Guide 5 "Relevant Interests and Substantial Holding Notices" ("RG5").

Based on the above, the Directors of SeaLink have engaged Grant Thornton Corporate Finance to prepare an Independent Expert's report to express an opinion on whether the Proposed Acquisition and the Escrow Agreements are fair and reasonable to Non-Associated Shareholders for the purposes of Item 7 of Section 611 of the Corporations Act.

When preparing this IER, Grant Thornton Corporate Finance has had regard to the ASIC Regulatory Guide 111 *Contents of expert reports* ("RG 111"), ASIC Regulatory Guide 74 *Acquisitions approved by members* ("RG 74") and Regulatory Guide 112 *Independence of experts* ("RG 112"). The IER also includes other information and disclosures as required by ASIC.

On 8 October 2019, we provided an IER on the Proposed Acquisition to the Directors of SeaLink, and that report was lodged with the ASX on the same date. This IER is in the same form as our IER lodged with the ASX on 8 October 2019, except that it has been updated to reflect recent share price performance of SeaLink and other transaction events to 23 October 2019. There has been no changes to our opinion or the basis of our conclusions.

This IER is included in the Notice of Meeting and Explanatory Memorandum to be dispatched to SeaLink Shareholders on or around 15 November 2019.

This IER has been prepared for the sole use by SeaLink Shareholders with respect to their decision whether to approve the resolutions required by Item 7 of Section 611 of the Corporations Act.

Summary of opinion

Grant Thornton Corporate Finance has concluded that the Proposed Acquisition is FAIR and REASONABLE to the Non-Associated Shareholders.

In forming our opinion, Grant Thornton Corporate Finance has considered whether the Proposed Acquisition is fair and reasonable to the Non-Associated Shareholders and other quantitative and qualitative considerations.

Fairness Assessment

In accordance with the requirements of the ASIC RG 111, in forming our opinion in relation to the fairness of the Proposed Acquisition, Grant Thornton Corporate Finance has compared the value per SeaLink share before the Proposed Acquisition (on a control basis) to the assessed value per share of the Combined Group after the Proposed Acquisition (on a minority basis).

We note that the Placement and the Entitlement Offer are not conditional upon the Proposed Acquisition being completed and SeaLink will receive the cash from the issue of the new shares to existing and new investors before SeaLink Shareholders vote on the Proposed Acquisition[10]. Accordingly, there could be a scenario, which we consider remote, that notwithstanding the Placement and Entitlement Offer have been completed, the Proposed Acquisition does not proceed. Notwithstanding the above, in our assessment of the Company on a stand-alone basis, we have not considered the dilution that existing shareholders will suffer from the Placement and potentially from the Entitlement Offer[11]. This is because the substance of the Placement and of the Entitlement Offer is to fund the Proposed Acquisition, however, we understand that it was not feasible from a capital raising perspective and timing of SeaLink Shareholders' approval of the Proposed Acquisition to make them interdependent. We have considered the potential ramifications of the Placement and Entitlement Offer completing but the Proposed Acquisition not proceeding in our reasonableness considerations.

The following table summarises our fairness assessment:

Fairness assessment (A$/share)	*Reference*	Low	High
Fair market value per SeaLink Share before the Proposed Acquisition (control basis)	*8.1*	4.39	4.80
Fair market value of the Combined Group (minority basis)	*9.1*	4.29	4.81
Variance (A$/share)		(0.10)	0.01
Fairness assessment		FAIR	

Source: GTCF analysis

Our assessment of the fair market value of Combined Group on a minority basis significantly overlaps with our valuation assessment of SeaLink before the Proposed Acquisition on a control basis and accordingly, we have concluded that the Proposed Transaction is fair to the Non-Associated Shareholders.

10 We note that technically the SeaLink Shareholders' approval is only in relation to the issue of the Scrip Consideration to the Scrip Vendors but this is a condition precedent for the Proposed Acquisition to proceed.
11 The dilution arises as the Placement Price is at a discount to the prevailing trading prices before the announcement of the Proposed Acquisition.

Non-Associated Shareholders should be aware that the valuation of SeaLink and of the Combined Group represent the range of possible outcomes for which there are numerous different value comparisons that can be made. There is a small portion of the assessed value range of the Combined Group that does not overlap with the value of SeaLink before the Proposed Acquisition. If any Non-Associated Shareholders form the view that the value of the Combined Group on a portfolio basis fell below A$4.39 per share[12], then they may not consider the Proposed Acquisition to be fair. Under these circumstances, we would still conclude that the Proposed Acquisition is reasonable based on the advantages and disadvantages outlined below.

Non-Associated Shareholders should be aware that our assessment of the value per SeaLink share post the Proposed Acquisition does not reflect the price at which SeaLink Shares will trade if the Proposed Acquisition is completed. The price at which SeaLink Shares will ultimately trade depends on a range of factors including the liquidity of SeaLink Shares, macro-economic conditions, the underlying performance of the SeaLink business and the supply and demand for SeaLink Shares.

In the paragraphs below, we have compared our assessed valuation range of SeaLink and of the Combined Group with a number of relevant value benchmarks:

- *Value of the Combined Group compared with the Placement Price* – We note that our assessment of the Combined Group on a portfolio basis after the Proposed Acquisition is materially in excess to the Placement Price. We are of the opinion that this is driven by the following reasons:

  - The Placement Price is only based on the trading prices of SeaLink before the announcement of the Proposed Acquisition and accordingly it does not reflect the terms of the Proposed Acquisition and the value of the Combined Group.

  - The amount of equity to be raised in the Placement and Entitlement Offer is equivalent to circa 40%[13] of the market capitalisation of SeaLink before the announcement of the Proposed Acquisition. This is a relative large amount to be raised which has required the offering of a discount to the prevailing trading prices in order to make this investment opportunity an attractive proposition for existing and new investors.

  - The Placement and the Entitlement Offer are not contingent upon completion of the Proposed Acquisition. Accordingly there could be a scenario, that we consider remote, where SeaLink raises A$154 million but the Proposed Acquisition does not complete[14]. The Board of SeaLink has indicated that under these circumstances, it will consider alternative uses for the proceeds from the equity raising including returning or distributing them to shareholders. This risk is not reflected in our valuation assessment of the Combined Group but it may be priced into the Placement Price.

- *Value of SeaLink before the Proposed Acquisition compared with the indicative offer received in May 2018* – In May 2018, SeaLink received an unsolicited, confidential, indicative and non-binding proposal ("2018 Indicative Offer") from an unidentified party expressing an interest in a transaction which would have resulted in a change of control of SeaLink. The indicative and

[12] Low-end of the value of SeaLink before the Proposed Transaction.
[13] A$154 million raised divided a market capitalisation of circa A$397 million as at 4 October 2019.
[14] If the Non-Associated Shareholders do not approve the issue of the Scrip Consideration to the Scrip Vendors or other conditions precedent are not met.

non-binding offer of A$4.75 per share implied an FY18 EV/EBITDA multiple for SeaLink of circa 10.5x at the time. The Board of SeaLink rejected the 2018 Indicative Offer on the basis that it undervalued the Company and the offer was subsequently withdrawn. We note that the 2018 Indicative Offer price is at the high end of our assessed valuation range of SeaLink before the Proposed Acquisition which has been unanimously endorsed by the Directors of SeaLink[15]. We are of the opinion that this is not unreasonable due to the following:

- Since the 2018 Indicative Offer, industry and macro-economic conditions have deteriorated (e.g. inbound tourism and fuel price) which have particularly affected the financial performance of SeaLink, and specifically of the Captain Cook Cruises businesses in NSW and WA which, in FY19, generated 21% of group revenues but only 0.6% of EBITDA[16].

- After the 2018 Indicative Offer, the South Australian Government has notified SeaLink that it intends to put the port infrastructure and facilities at Cape Jervis and Penneshaw, used by the Company to deliver its Kangaroo Island ferry services, to competitive tender in 2024.

- The 2018 Indicative Offer was a cash transaction whereas under the terms of the Proposed Acquisition, SeaLink Shareholders will continue to be exposed to the performance of the Combined Group.

Overall, we are of the opinion that the qualitative discussions above further support our valuation assessment of SeaLink and of the Combined Group.

Reasonableness Assessment

RG 111 establishes that an offer is reasonable if it is fair. It might also be reasonable if, despite being not fair, there are sufficient reasons for the security holders to accept the offer in the absence of any superior proposal. In assessing the reasonableness of the Proposed Acquisition, we have considered the following advantages, disadvantages and other factors.

Advantages

Earnings per share ("EPS") accretion

The Combined Group is expected to have improved EPS compared to that of SeaLink on a stand-alone basis before the Proposed Acquisition. The table below summarises the EPS calculation for SeaLink and the pro-forma Combined Group as at 30 June 2019 on an as-is basis and including the mid-point of the pre-tax synergies (A$4.3 million) expected to be realised by the Combined Group.

EPS analysis	SeaLink Actual FY19	Combined Group Pro-forma FY19 Excluding synergies	Combined Group Pro-forma FY19 Including synergies[1]
Net profit after tax (A$m)	23	63	66
Number of shares	101,429,103	218,299,048	218,299,048
Basic EPS	0.23	0.29	0.30
EPS accretion		26%	32%

Sources: Management
Note (1): Based on midpoint of the annual synergies (i.e. A$4.3 million), adjusted to account for the effects of tax of 30%.

[15] Subject to certain caveats discussed before and in Section 1.
[16] EBITDA after corporate costs.

The key underlying assumptions adopted in the calculations of the EPS are outlined below:

- SeaLink's underlying FY19 NPAT of A$23 million.
- Combined Group's underlying NPAT for FY19 of A$63 million.
- Synergies calculated based on the mid-point of the synergies identified by Management between A$4.0 million and A$4.6 million and adjusted for tax.
- We note that our calculation is undertaken on a pro-forma basis and assuming that the synergies will be achieved immediately and SeaLink will not incur one-off implementation costs.

However, it is important to understand that the above analysis is on a 'normalised/underlying basis' and that in the short term, the EPS of SeaLink may decline after completion of the Proposed Acquisition due to a range of factors such as integration and synergy implementation costs and potential changes in accounting policies.

Stronger and more integrated business than SeaLink on a standalone basis

The Proposed Acquisition will create an enlarged entity which should be better positioned to compete in the marketplace, grow its market share and take advantage of the significant growth opportunities due to the following:

- *Enhanced scale and multi-modal capabilities* – The Proposed Acquisition will be highly complementary with SeaLink's current operations creating a Combined Group that represents a leading integrated land and marine public commuter transport business. This will provide the Company with enhanced scale and capabilities to compete for large government contracts by providing multi-modal solutions.
- *Diversified operations* – The combination of the two businesses creates a rebalanced portfolio, by geography, end-markets and contracted vs uncontracted revenues. Transit Systems Group is highly diversified in Australia with operations in almost all states and territories except for Queensland and Tasmania and it has considerable international exposure (circa 34%[17] of the FY19 revenues). Conversely, Queensland is SeaLink's biggest revenue contributor and the Company does not currently have a presence overseas.
- *More resilient earnings base supported by long-term government contracts* – The Combined Group will have revenues largely contributed by long-term state and federal governments contracts along with other low-risk counterparties. Many contracts are gross-cost contracts with the costs of running the service estimated at the point of the tender and then paid over the contract term. As a result, Transit Systems Group takes the cost risk but not the patronage/fare risk. Many of these cost risks are typically protected under the contract. In addition, the Combined Group's earnings will be relatively less exposed to tourism-driven earnings, which are more volatile in nature and affected by economic conditions and level of discretionary expenses.
- *Enhanced tender capabilities* – Transit Systems Group has a strong track record of contract renewals and new contract wins having won 13 contracts, renewed seven contracts and lost just

[17] Based on the pro-forma income statement assuming that Sita Group was owned by TSG since 1 July 2018.

two contracts in its 24-year history in Australia. Upon entering various markets, the company has typically increased its market share over time and re-secured the majority of contracts that have come up for renewal (since inception, circa 85%[18] of contracts have been successfully renewed). The Combined Group will have enhanced tender capabilities across different geographies and transport modes which are expected to be beneficial in future tenders.

- *Strong domestic and international growth* – The Combined Group has a strong pipeline of large public commuter transport services contracts to be tendered in domestic and international markets. Transit Systems Group has identified a pipeline of bus tenders of over A$3.5 billion per annum across existing and new markets (in particular in the US) before 2025. Transit Systems Group has recently submitted its first tenders in the US market and the company has a successful history in entering into new markets and building market share organically as it has recently done in London and Singapore. The international operations of Transit Systems Group will also accelerate the opportunity for SeaLink to expand overseas without the need to fund the initial capital outlay to establish a presence in other markets. In Australia, local governments are also increasingly privatising large public transport contracts.

Non-Associated Shareholders participation in the Entitlement Offer

Non-Associated Shareholders will be able to participate in the Entitlement Offer and subscribe for new SeaLink Shares at the same price as the institutional investors and at a discount to the price that the SeaLink Shares will be issued to the Scrip Vendors.

Assessment on a like for like basis

Our valuation assessment of SeaLink before the Proposed Acquisition is on a 100% basis and incorporates the application of a full premium for control in accordance with the requirements of RG111. Specifically, ASIC requires the Independent Expert to treat the issue of shares under Section 611(7) of the Corporations Act as if it was a scrip takeover bid.

However, we note that the Scrip Vendors in aggregate will hold 33.4% of the issued capital of the Combined Group.

In addition, the Scrip Vendors are prohibited, within the earlier of two years or until the aggregate interest in SeaLink falls below 20%, to take certain actions including entering into an agreement or arrangement between each other to vote in the same way on SeaLink Shareholders' resolutions (including against a SeaLink Board recommended competing proposal) or put forward a resolution or requisitioning a meeting to alter the composition of SeaLink Board.

Given that the interest in the issued capital of the Combined Group held by the Scrip Vendors in aggregate or individually will not allow them to have full and unfettered control of the Combined Group and the voting restrictions outlined above, we believe it is appropriate to illustrate to the Non-Associated Shareholders a comparison of the value per share of SeaLink before and after the Proposed Acquisition on a like-for-like basis (i.e. minority basis).

[18] Since inception the company has successfully renewed 7 contracts and had 2 non-renewals. However, of the two lost contracts, one was lost in Perth partly due to Transit Systems Group approaching the Western Australia Government's legislated cap of 50% market share for any one operator. The other lost contract, Adelaide's NSONE, was awarded to an entity which has since exited the market. This was subsequently regained with the acquisition of Light City Buses.

Comparison on a like-for-like basis (A$/share)	Reference	Low	High
VWAP before announcement of the Proposed Acquisition (minority basis) (1)	8.4	3.60	3.75
Fair market value of the Combined Group (minority basis)	9.1	4.29	4.81
Variance (A$/share)		0.69	1.06

Source: GTCF analysis
Note 1 – VWAP is the Volume Weighted Average Price before the announcement of the Proposed Acquisition selected in our assessment based on the trading prices discussed in section 8.4.

As outlined above, the Proposed Acquisition is expected to be materially value accretive for Non-Associated Shareholders on like for like basis.

Synergies realisation and business combination benefits

Management has conservatively estimated that the combination of the two businesses will deliver annual costs synergies between A$4.0 million and A$4.6 million (excluding one-off implementation costs) after two years from the completion of the Proposed Acquisition. Implementation costs are expected to be limited.

Cost synergies will be largely achieved by combining state office operating sites, consolidating bus depots in Adelaide, procurement synergies (e.g. fuel, utilities and IT systems), and by realising support function efficiencies and removing duplication in operations.

There is also a revenue opportunity to utilise the highly visible, multi-national platform of Transit Systems Group to market and promote SeaLink's tourism, travel and experience-based assets and operations to a broader international audience, increasing global brand profile and possibly fleet utilisation. These opportunities cannot be quantified, though, and thus have not been included in Management's assessment of the synergies.

Strong and experienced management team led by a new experienced CEO

SeaLink's strong management team, which has led the Company through significant periods of organic and M&A[19]-led growth, will be complemented by Transit Systems Group's management team with longstanding experience in domestic and international commuter transport operations. Both companies are quite familiar with each other as Transit Systems Australia sold its Transit Systems Marine division in Queensland to SeaLink in 2015.

In August 2018, current group CEO of SeaLink, Mr Jeff Ellison, announced his intention to retire. Clint Feuerherdt, current Group CEO of Transit Systems Australia and Tower Transit Group, has agreed to lead the Combined Group as Group CEO. Accordingly, if this Proposed Acquisition completes, the Company will not have to continue its search for a replacement of Mr. Ellison. Mr. Feuerherdt is experienced in managing a large commuter transport business, developing and fostering strong government relationships, tendering for large-scale public transport contracts and successfully implementing international growth strategies. He is well-informed about the ferry business, as he helped build Transit Systems Australia's marine operations, becoming the largest private operator of passenger vehicle ferries in Australia, before divestment to SeaLink in 2015.

[19] Mergers and Acquisitions.

In addition, Mr. Smith, has agreed to join the SeaLink Board of Directors upon completion of the Proposed Acquisition. He will bring over 30 years of commuter transport operations experience.

Enhanced liquidity

The Proposed Acquisition will result in a Combined Group that will be significantly larger in size and in market capitalisation, which will likely lead to inclusion in the ASX 200 Index[20]. This is expected to increase volume and coverage by institutional investors and liquidity for the Non-Associated Shareholders.

Volatile market conditions

Market conditions on the global financial markets are currently volatile and subject to uncertainties due to the following, among other things:

- *Trade war* – The trade war between the US and China erupted circa 18 months ago and it has exacerbated in more recent times. As a result, the US has put import tariffs on US$250 billion worth of Chinese goods and it has threatened tariffs on an additional US$325 billion. As a countermeasure, China has imposed tariffs on US$110 billion worth of US goods and Chinese companies have suspended purchasing US agricultural products. The trade war is affecting those economies which have a greater reliance on export and it is causing fears of global recession. China recently reported the worst manufacturing output in 17 years and Germany indicated that the economy shrank by 0.1% in the second quarter of the year.

- *Inverted yield curve and possible US recession* – On 14 August 2019, the US 10 year bond yield fell below the level of the US two year bond yield (i.e. inversion in the yield curve) which has caused significant uncertainty in the global markets as an inverted yield curve has been associated in the past with a looming US recession.

- *Brexit* – In the UK, GDP growth was negative 0.2% in the second quarter of 2019 and there remains substantial uncertainties in relation to outcome of the Brexit. With substantial uncertainties around the terms of the UK's exit from the European Union, the country is expected to potentially fall into recession.

A global recession may adversely affect the business of SeaLink on a stand-alone basis in a more pronounced way than the Combined Group given the latter has a greater proportion of revenue which is more inelastic to deteriorating market conditions and discretionary expenditure.

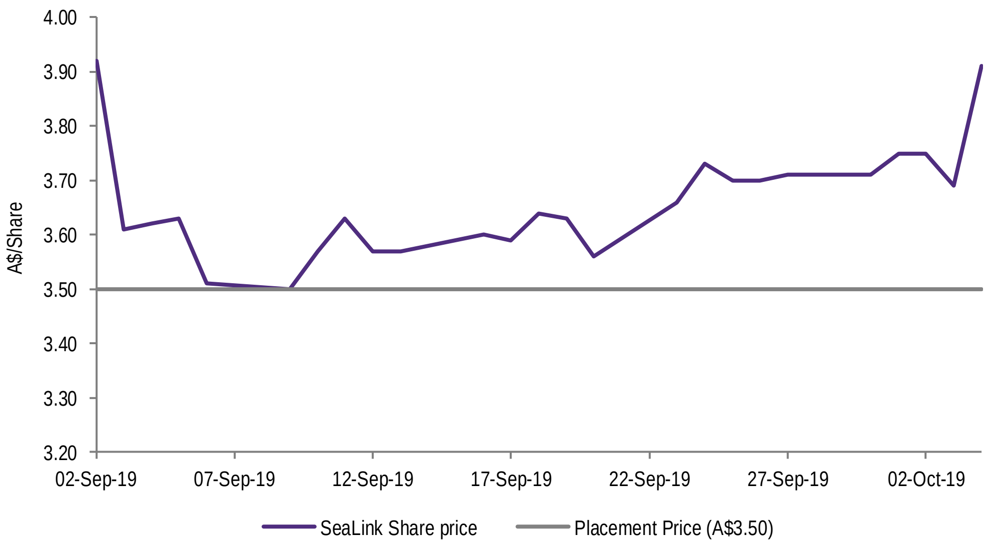
[20] SeaLink was removed from the ASX 300 Index effective 23 September 2019.

Placement and Entitlement Offer not conditional on completion of the Proposed Acquisition

As discussed before, the Placement and the Entitlement Offer are not conditional upon completion of the Proposed Acquisition and the Company is expected issue the new shares and receive the cash before completion of the Proposed Acquisition. Accordingly, one of the advantages of approving the Proposed Acquisition, all other things being the same, is that the dilution to be suffered by existing shareholders in conjunction with the Placement and the Entitlement Offer[21] will not be borne unnecessarily.

We note that the issue price of SeaLink Shares is expected to be lower than the trading prices prevailing before the announcement of the Proposed Acquisition as outlined in the graph below.

SeaLink share price and the Placement Price



Source: GTCF analysis; S&P Global

The Board of SeaLink has indicated that under these circumstances, it will consider alternative uses for the proceeds from the Placement and Entitlement Offer including returning or distributing them to shareholders.

Disadvantages

Contracts renewal risks

A number of significant Transit Systems Group contracts are due to expire over the next few years with circa 26.7% of the FY19 pro-forma revenue expiring before 30 June 2020. We note the following about the expiry of some of the larger contracts:

- The NSW Region 6 contract in Sydney inner-west will expire in June 2023 and may be extended for an additional 3 year period by the government. This is the largest public transport contract to be competitively tendered in Australia to date.

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[21] The dilution arises as the Placement Price and the Entitlement Offer are at discount to the prevailing trading prices of SeaLink before the announcement of the Proposed Acquisition.

- The NSW Region 3 initial contract expired in October 2018 and was extended for an additional 3 year period at which point there is an option to extend the term for an additional period of 12 months to October 2022.

- The majority of the contracts in South Australia are due to expire in 2020.

- The initial 7 year Darwin contract in Northern Territory will expire in February 2021.

- The UK contracted revenue base is expected to decrease as a result of the expiry of route 25 and route 23 in May 2020 and July 2020, respectively. These routes are not eligible for a 2-year extension. In addition, most other UK routes are up for renewal over the next three years.

- All Tower Transit Group Singapore routes operate under one contract ("Bulim package") which consists of 31 routes[22] with Land Transport Authority of Singapore ("LTA"). This contract expires in May 2021 with a further 2 year extension available at the discretion of LTA.

The risk of the above contracts not being renewed or replaced by similar sized contracts poses a threat to the future earnings of the Combined Group. Transit Systems Group's revenues are almost fully contracted in FY19 but this proportion reduces to 74% in FY20 and further to 60% in FY21[23,24].

However, in our opinion, this risk is materially mitigated by the ability demonstrated by Transit Systems Group over its circa 25 years of operations to retain existing contracts or been awarded new ones and by the large pipeline of bus tender opportunities identified by management (totalling more than A$3.5 billion per annum by 2025). To this end, we note that on 10 October 2019, Transit Systems Group was notified that the Claremont and Marmion bus services contracts in WA were renewed for a period of 10 years commencing in January 2020 and it was awarded a new contract in the pipeline to provide bus services in Joondalup.

Risk connected with the NSW Region 6 Contract

The Region 6 bus contract in Sydney's inner west commenced in July 2018, however Transit Systems Group inherited a bus schedule with opportunities for improvements in terms of driver hours and bus kilometres which caused the contract margin to be lower than expected or generated by Transit Systems Group on the rest of the business. Transit Systems Group has implemented a number of initiatives to streamline the operations and improve margins which are expected to come to fruition during the course of FY20.

The Non-Associated Shareholders share the risk that the initiatives implemented by Transit Systems Group do not bring the expected benefits and the financial performance of the Region 6 contract remains below average. However, we note that this risk is mitigated by the Earn-out Consideration which has been tailored on expected improvements of the Region 6 contract.

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[22] Two further routes were added to the Bulim package following commencement of the contract, which are operated by SMRT Buses.
[23] Financial Due Diligence Report, July 2019.
[24] Contracted revenue percentages calculated prior to the awarding of the Claremont, Marmion and Joondalup contracts as announced on 10 October 2019.

Higher debt level

Following completion of the Proposed Acquisition and as a result of the payments to the Vendors, the pro-forma leverage ratio[25] of the Combined Group as at 30 June 2019 will be 2.5x (including the Deferred Consideration) compared with a leverage ratio as at 30 June 2019 of 1.7x for SeaLink on a stand-alone basis as set out in the table below:

Gearing analysis	SeaLink	Combined Group
A$m	Actual FY19	Pro-forma FY19
Net Debt	84	318
Underlying EBITDA	48	125
Gearing	1.7x	2.5x

Sources: Management, GTCF analysis

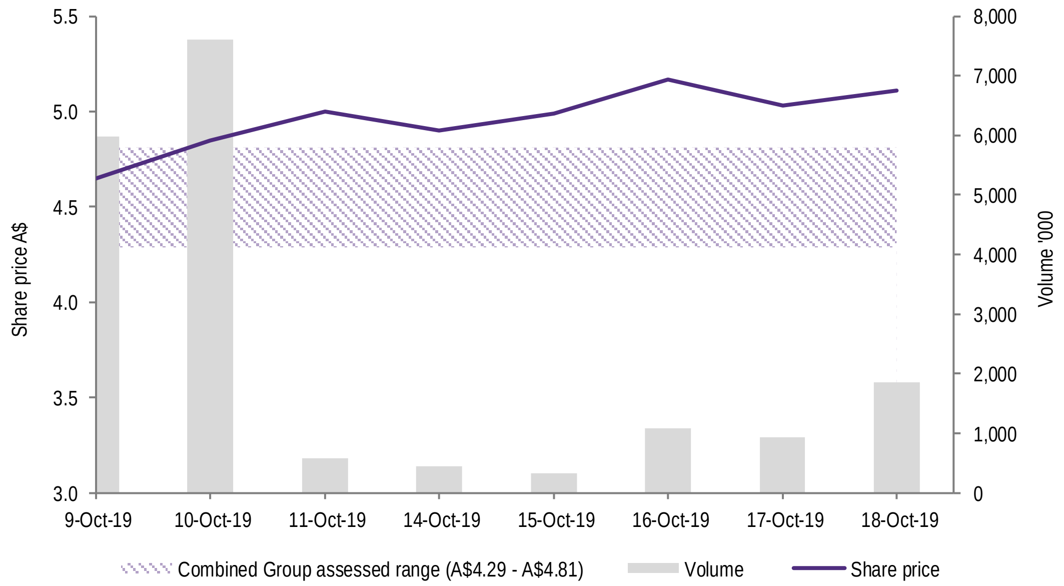
Whilst the pro-forma leverage ratio of the Combined Group is higher, we consider the debt level of the Combined Group sustainable and based on the benchmarking undertaken substantially in-line with listed comparable companies.

Other factors

Share price after the announcement of the Proposed Acquisition

After the announcement of the Proposed Acquisition, the SeaLink shares have traded within or slightly above our assessed valuation range of the Combined Group as set out in the graph below.

Share price after the announcement of the Proposed Acquisition



Sources: S&P Global, GTCF analysis

The above seems to indicate strong support from investors for the Proposed Acquisition, perceived low risk of the Proposed Acquisition not completing and limited expectations for a superior proposal.

[25] Calculated as net debt divided by EBITDA.

Prospect of a superior offer or alternative transaction

Whilst SeaLink has agreed not to solicit any competing proposals or to participate in discussions or negotiations in relation to any competing proposals during the exclusivity period, there are no impediments to an alternative proposal being submitted by potential interested parties. The transaction process should act as a catalyst for potentially interested parties to assess the merits of potential alternative transactions.

If an alternative proposal on better terms was to emerge, it is expected that this would occur prior to the shareholder meeting convened to consider the Proposed Acquisition. We note that there will be a significant time-lag between the release of this IER and the SeaLink Shareholders meeting to approve the Proposed Acquisition. In the event that an alternative offer on better terms emerges, shareholders will be entitled to vote against the Proposed Acquisition or the shareholders meeting will be adjourned.

Escrowed shares

The Scrip Consideration issued to the Scrip Vendors will be escrowed for a period of two years, with 50% released 12 month post transaction completion. This will effectively decrease the fair market value of the Scrip Consideration received by the Scrip Vendors given they are not able to deal with their SeaLink Shares during the escrow period after the completion of the Proposed Acquisition. However, this value reduction has not been quantified in our valuation assessment of the Combined Group as it refers to the specific circumstances of the Scrip Vendors.

Substantial goodwill balance after completion of the Proposed Acquisition

Following completion of the Proposed Acquisition, SeaLink will undertake a formal fair value assessment of all of the identifiable assets, liabilities and contingent liabilities of Transit Systems Group, including intangible assets, which must be identified and valued as at the Acquisition date. Each of the identified intangibles acquired may have a limited life and must be amortised over that life in contrast to goodwill, which is subject to annual impairment review. SeaLink will likely recognise a substantial goodwill balance. The large goodwill balance carried by the Combined Group post completion will increase the risk of potential goodwill impairment should the financial performance of the Combined Group soften going forward.

The goodwill will be tested for impairment at least once a year and the other identifiable intangible assets (if any) will be amortised in accordance with their useful life.

Implications if the Proposed Acquisition is not implemented

If the Proposed Acquisition is not implemented, it would be the current Directors' intention to continue operating SeaLink in line with its objectives. SeaLink Shareholders who retain their shares would continue to share in any benefits and risks in relation to SeaLink's ongoing business. In addition, we note the following:

- SeaLink might be exposed to a continued softening in several tourism markets.
- SeaLink will need to resume the search for a new CEO.

- SeaLink may be required to pay a break fee of A$5 million in certain circumstances.

As discussed before, the Placement and the Entitlement Offer are not contingent upon completion of the Proposed Acquisition. Accordingly, if the Non-Associated Shareholders do not approve the issue of the Scrip Consideration to the Scrip Vendors and accordingly the Proposed Acquisition does not proceed, SeaLink will[26] have additional cash resources of A$154 million (excluding transaction costs and other costs that may become payable). The Board of SeaLink has indicated that under these circumstances, it will consider alternative uses for the proceeds from the Placement and Entitlement Offer including returning or distributing them to shareholders.

Directors' recommendations and intentions

As at date of this Report, the Directors of SeaLink have recommended that SeaLink Shareholders vote in favour of the Proposed Acquisition, subject to the Independent Expert concluding and not changing its conclusion that the Proposed Acquisition is reasonable to the Non-Associated Shareholders. The Directors also intend to vote the shares they hold or control in favour of the Proposed Acquisition.

Reasonableness conclusion

Based on the qualitative factors identified above, it is our opinion that the Proposed Acquisition is **REASONABLE** to the Non-Associated Shareholders.

Fair and Reasonable opinion in relation to the Escrow Agreements

A technical, legal effect of the Proposed Acquisition is that SeaLink will also acquire a relevant interest in the Scrip Consideration because for a period of 24 months commencing upon issue of the Scrip Consideration, SeaLink is proposed to be a party to the Escrow Agreements under which the Scrip Vendors will be prohibited from dealing in the Scrip Consideration shares (except in certain specified circumstances).

As a result, if the Proposed Acquisition is approved then the Scrip Vendors in aggregate will hold an interest in the Company of 33.4% and the Company will obtain a relevant interest in 33.4% of its own shares as a result of entering into the Escrow Agreements.

Consequently, we have also been asked to provide a separate opinion as to whether the acquisition by SeaLink of a relevant interest in the Scrip Consideration is fair and reasonable to SeaLink Shareholders. In our opinion, the deemed acquisition by SeaLink of the Scrip Consideration is fair and reasonable to SeaLink Shareholders. This is because the sale restrictions set out in the Escrow Agreements simply restrict the Scrip Vendors' ability to trade in the Scrip Consideration Shares, but have no adverse impact on SeaLink or SeaLink Shareholders.

[26] If the Placement and the Entitlement Offer complete.

Overall conclusion

After considering the abovementioned quantitative and qualitative factors, Grant Thornton Corporate Finance has concluded that the Proposed Acquisition and the Escrow Agreements are **FAIR AND REASONABLE** to the Non-Associated Shareholders in the absence of a superior alternative proposal emerging.

Other matters

Grant Thornton Corporate Finance has prepared a Financial Services Guide ("FSG") in accordance with the Corporations Act. The Financial Services Guide is set out in the following section.

The decision of whether or not to vote in favour of the Proposed Acquisition is a matter for each SeaLink Shareholder to decide based on their own views of value of SeaLink and expectations about future market conditions, SeaLink's performance, risk profile and investment strategy. If SeaLink Shareholders are in doubt about the action they should take in relation to the Proposed Acquisition, they should seek their own professional advice.

Yours faithfully
GRANT THORNTON CORPORATE FINANCE PTY LTD

ANDREA DE CIAN
Director

JANNAYA JAMES
Director

23 October 2019

Financial Services Guide

1 Grant Thornton Corporate Finance Pty Ltd

Grant Thornton Corporate Finance carries on a business, and has a registered office, at Level 17, 383 Kent Street, Sydney NSW 2000. Grant Thornton Corporate Finance holds Australian Financial Services Licence No 247140 authorising it to provide financial product advice in relation to securities and superannuation funds to wholesale and retail clients.

Grant Thornton Corporate Finance has been engaged by SeaLink to provide general financial product advice in the form of an independent expert's report in relation to the Proposed Acquisition. This report is included in SeaLink's Explanatory Memorandum.

2 Financial Services Guide

This FSG has been prepared in accordance with the Corporations Act 2001 and provides important information to help retail clients make a decision as to their use of general financial product advice in a report, the services we offer, information about us, our dispute resolution process and how we are remunerated.

3 General financial product advice

In our report, we provide general financial product advice. The advice in a report does not take into account your personal objectives, financial situation or needs.

Grant Thornton Corporate Finance does not accept instructions from retail clients. Grant Thornton Corporate Finance provides no financial services directly to retail clients and receives no remuneration from retail clients for financial services. Grant Thornton Corporate Finance does not provide any personal retail financial product advice directly to retail investors nor does it provide market-related advice directly to retail investors.

4 Remuneration

When providing the Report, Grant Thornton Corporate Finance's client is SeaLink. Grant Thornton Corporate Finance receives its remuneration from SeaLink. In respect of the Report, Grant Thornton Corporate Finance will receive from SeaLink a fee of A$145,000 (plus GST) which is based on commercial rates, plus reimbursement of out-of-pocket expenses for the preparation of the report. Our directors and employees providing financial services receive an annual salary, a performance bonus or profit share depending on their level of seniority.

Except for the fees referred to above, no related body corporate of Grant Thornton Corporate Finance, or any of the directors or employees of Grant Thornton Corporate Finance or any of those related bodies or any associate receives any other remuneration or other benefit attributable to the preparation of and provision of this Report.

5 Independence

Grant Thornton Corporate Finance is required to be independent of SeaLink in order to provide this report. The guidelines for independence in the preparation of independent expert's reports are set out in RG 112 *Independence of expert* issued by ASIC. The following information in relation to the independence of Grant Thornton Corporate Finance is stated below.

"Grant Thornton Corporate Finance and its related entities do not have at the date of this report, and have not had within the previous two years, any shareholding in or other relationship with SeaLink (and associated entities) that could reasonably be regarded as capable of affecting its ability to provide an unbiased opinion in relation to the Proposed Acquisition.

Grant Thornton Corporate Finance has confirmed independence of Transit Systems Group. We note that Grant Thornton UK LLP has performed audit services for Tower Transit Group. We have disclosed the existing relationships with SeaLink and we have confirmed that it does not pose a risk to independence due to the reasons described under section 2.3.

Grant Thornton Corporate Finance has no involvement with, or interest in the outcome of the Proposed Acquisition, other than the preparation of this report. Grant Thornton Corporate Finance will receive a fee based on commercial rates for the preparation of this report. This fee is not contingent on the outcome of the Proposed Acquisition. Grant Thornton Corporate Finance's out of pocket expenses in relation to the preparation of the report will be reimbursed. Grant Thornton Corporate Finance will receive no other benefit for the preparation of this report.

Grant Thornton Corporate Finance considers itself to be independent in terms of RG 112 "Independence of expert" issued by the ASIC."

6 Complaints process

Grant Thornton Corporate Finance has an internal complaint handling mechanism and is a member of the Australian Financial Complaints Authority. All complaints must be in writing and addressed to the Chief Executive Officer at Grant Thornton Corporate Finance. We will endeavour to resolve all complaints within 30 days of receiving the complaint. If the complaint has not been satisfactorily dealt with, the complaint can be referred to the Australian Financial Complaints Authority which can be contacted at:

Australian Financial Complaints Authority Limited
GPO Box 3
Melbourne, VIC 3001
Telephone: 1800 931 678

Grant Thornton Corporate Finance is only responsible for this Report and FSG. Complaints or questions about the General Meeting should not be directed to Grant Thornton Corporate Finance. Grant Thornton Corporate Finance will not respond in any way that might involve any provision of financial product advice to any retail investor.

Compensation arrangements

Grant Thornton Corporate Finance has professional indemnity insurance cover under its professional indemnity insurance policy. This policy meets the compensation arrangement requirements of section 912B of the Corporations Act, 2001.

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1 Outline of the Proposed Acquisition

SeaLink has entered into two separate SSAs for the purchase of 100% of the outstanding securities in Transit Systems Australia ("TS SSA") and Tower Transit Group ("TT SSA"). We note that the two SSAs are interdependent upon each other.

The Transit Systems Australia vendors are Mr Graham Alexander Leishman, Mr Lance William Francis and Mr Neil Espie Smith and entities that they control either individually or jointly ("TS Vendors"). Whereas the Tower Transit Group vendors are entities controlled by Mr Graham Alexander Leishman, Mr Neil Espie Smith and Mr Clinton Feuerherdt ("Primary TT Vendors"), and employees of Tower Transit Group who hold in aggregate a 2.6% interest in Tower Transit Group ("TTAH Individuals"). Primary TT Vendors and TTAH Individuals herein collectively referred to as ("TT Vendors").

SeaLink will acquire Transit Systems Group for a consideration consisting of the Cash Consideration, Deferred Consideration, Scrip Consideration and the Earn-out Consideration (if payable) as outlined below:

- *Scrip Consideration:* 72,869,945 SeaLink Shares issued to the Scrip Vendors.

- *Cash Consideration* – The Cash Consideration consists of a base amount of A$118 million ("Base Amount") and the Adjustment Amount. The Adjustment Amount is calculated utilising a locked box pricing mechanism from the Locked Box Date to the completion date ("Ticking Period"). We discuss the calculation of the Adjustment Amount under the locked box mechanism in more detail below.

- *Deferred Consideration and Earn-out Consideration*: the Deferred Consideration consists of A$37 million non-contingent cash payments and the Earn-out Consideration is up to A$63 million in contingent cash payable on a sliding scale based on Transit Systems Group FY20 pro-forma normalised EBITDA between A$79 million or less (nil Earn-Out Consideration) and A$86 million or more (100% of the Earn-out Consideration). The Earn-out Consideration is allocated between the TS Vendors and TT Vendors on the respective performance of Transit Systems Australia and Tower Transit Group.

As discussed in the executive summary, the Locked Box Date is 31 March 2019 and accordingly SeaLink will gain the economic benefit of the cash flows generated by the Transit Systems Group from this date. The Adjustment Amount offers an off-setting compensation for the Vendors in the form of the Cost of Capital Charge calculated as Transit Systems Group's equity value excluding the Earn-out Consideration ("Adjusted Equity Value") multiplied by an annual interest rate pro-rated for the Ticking Period. The Adjustment Amount is subject to certain adjustments including bonuses paid to employees of Transit Systems Group, and any leakage not agreed to by SeaLink. The Cost of Capital Charge is allocated between TS Vendors and TT Vendors based on the proportional equity value contribution of Transit Systems Australia and Tower Transit Group to Transit Systems Group. We understand that the cash flows derived by the Transit Systems Group during the Ticking Period are expected to be approximately equivalent to the Cost of Capital Charge and accordingly the Locked Box mechanism is expected to be approximately value neutral for SeaLink Shareholders. However, this is subject to the business performing in line with expectations

Below we provide a summary of the key terms and conditions (other than the consideration) of the TS SSA and TT SSA.

1.1 Transit Systems Australia SSA and Tower Transit Group SSA

1.1.1 Other terms

- *Break fee* – Unless the Proposed Acquisition becomes effective, a break fee of A$5.0 million will be payable by SeaLink to the TS Vendors and Primary TT Vendors in the event that:
  - The Vendors terminate the Proposed Acquisition because of SeaLink's material breach of the SSAs; or
  - SeaLink's Board recommends a superior proposal or terminates the Proposed Acquisition because of a superior proposal; or
  - SeaLink has not held its General Meeting to seek relevant shareholder approvals by 24 December 2019 (or such later date as agreed by SeaLink and Transit Systems Group), except due to matters outside SeaLink's reasonable control; or
  - Any of SeaLink's directors fail to recommend, or withdraw or adversely modify their recommendation in relation to the Proposed Acquisition except as a result of a *"not fair and not reasonable"* opinion by the Independent Expert.
- *Board composition* – Following completion of the Proposed Acquisition, Neil Espie Smith will join the SeaLink Board. For four years after completion and for so long as Neil Espie Smith holds (directly or indirectly) 15% or more of SeaLink ordinary shares on issue, if Neil Espie Smith resigns or ceases to hold office, then SeaLink must consult with Neil Smith regarding a replacement.
- *Standstill agreement* – Each TS Vendor and TT Vendor warrants that they do not have, and will not have (prior to completion of the Proposed Acquisition) any interest in SeaLink shares without the prior written consent of SeaLink. The Vendors will also be subject to standstill arrangements for one year post completion (for Scrip Vendors) or until 26 October 2020 (for the other Vendors).
- *Seller collective actions* – The TS Vendors and TT Vendors must not, within the earlier of two years or until the aggregate interest of the TS Vendors and TT Vendors in SeaLink falls below 20%, take certain actions including entering into an agreement or arrangement between each other to vote in the same way on SeaLink Shareholder resolutions (including against a SeaLink Board recommended competing proposal) or put forward a resolution or requisition a meeting to alter the composition of the SeaLink Board.
- *Others* – other terms common for a transaction of this nature, including customary exclusivity arrangements subject to customary fiduciary exceptions such as "no shop", "no talk", "no due diligence" and a right for Transit Systems Group to be notified of any competing proposals.

1.1.2 Key conditions precedent

The TS SSA and the TT SSA include the following key conditions precedent:

- Approval by SeaLink Shareholders to issue the Scrip Consideration to the Scrip Vendors in accordance with item 7 of Section 611 of the Corporations Act.

- FIRB approval for the Scrip Vendors to receive the Scrip Consideration.
- Financial assistance approvals under Section 260B of the Corporations Act in connection with the New Debt Facilities.
- No material adverse changes to SeaLink or Transit Systems Group excluding, among other things, changes that affect general economic or business conditions in Australia or overseas.
- All necessary approvals, consents, amendments and waivers of contracts and authorisations required to effect the Proposed Acquisition.
- Approval from the Federal Treasurer to the effect that there are no objections under the Australian Government's foreign investment policy or under the *Foreign Acquisitions and Takeovers Act 1975*.
- No termination of the Underwriting Agreement due to certain specified terminations events within three business days after execution of the TS SSA and TT SSA.

2 Purpose and scope of the report

2.1 Purpose

Item 7 of Section 611 of the Corporations Act

Section 606 of the Corporations Act prohibits the acquisition of a relevant interest in the issued voting shares of a company if the acquisition results in the person's voting power in the company increasing from either below 20% to more than 20%, or from a starting point between 20% and 90%, without making an offer to all shareholders of the company.

Item 7 of Section 611 of the Corporations Act allows the shareholders not associated with the acquiring company (i.e. the Non-Associated Shareholders) to waive this prohibition by passing a resolution at a general meeting. RG 74 and RG 111 set out the view of ASIC on the operation of Item 7 of Section 611 of the Corporations Act.

RG 74 requires that shareholders approving a resolution pursuant to Item 7 of Section 611 of the Corporations Act be provided with a comprehensive analysis of the proposal, including whether or not the proposal is fair and reasonable to the Non-Associated Shareholders. The Directors may satisfy their obligations to provide such an analysis by either:

- Commissioning an independent expert's report; or
- Undertaking a detailed examination of the proposal themselves and preparing a report for the Non-Associated Shareholders.

In addition, ASIC RG5 states that a person who enters into an escrow agreement with a holder has a relevant interest in the securities that are subject to the escrow because the person controls the exercise of a power to dispose of the securities. The power to control disposal includes the 'negative power' of restriction. In the absence of a relief, companies and other counterparties to an escrow agreement will generally have to account for their relevant interests in the securities held in escrow in considering their obligations under the takeover and substantial holding provisions.

If the Proposed Acquisition is approved then the Scrip Vendors in aggregate will hold an interest in the Company of 33.4% and the Company will obtain an interest in 33.4% of its own shares as a result of entering into the Escrow Agreements.

Based on the above, the Directors have engaged Grant Thornton Corporate Finance to prepare an independent expert's report stating whether, in its opinion, the Proposed Acquisition and the Escrow Agreements are fair and reasonable to the Non-Associated Shareholders for the purposes of Item 7 of Section 611 of the Corporations Act.

2.2 Basis of assessment

In preparing our report, Grant Thornton Corporate Finance has had regard to the Regulatory Guides issued by ASIC, particularly RG 111, which states that an issue of shares requiring approval under Item 7 of Section 611 of the Corporations Act should be analysed as if it were a takeover bid. Accordingly, we have assessed the Proposed Acquisition with reference to Section 640 of the Corporations Act. RG 111 states that:

- An offer is considered fair if the value of the offer price or consideration is equal to or greater than the value of the securities that are the subject of the offer. The comparison should be made assuming 100% ownership of the target company irrespective of whether the consideration offered is scrip or cash and without consideration of the percentage holding of the offeror or its associates in the target company.

- An offer is considered reasonable if it is fair. If the offer is not fair it may still be reasonable after considering other significant factors which justify the acceptance of the offer in the absence of a higher bid. ASIC has identified the following factors which an expert might consider when determining whether an offer is reasonable:

  - The offeror's pre-existing entitlement, if any, in the shares of the target company.
  - Other significant shareholding blocks in the target company.
  - The liquidity of the market in the target company's securities.
  - Taxation losses, cash flow or other benefits through achieving 100% ownership of the target company.
  - Any special value of the target company to the offeror.
  - The likely market price if the offer is unsuccessful.
  - The value to an alternative offeror and likelihood of an alternative offer being made.

Grant Thornton Corporate Finance has determined whether the Proposed Acquisition is fair to the Non-Associated Shareholders by comparing the fair market value of SeaLink Shares before the Proposed Acquisition on a 100% and control basis with the fair market value of SeaLink Shares after approval of the Proposed Acquisition on a fully diluted and minority basis. We note that entering into the Escrow Agreements is conditional upon the Proposed Acquisition completing and the fairness approach in relation to the Escrow Agreements is the same as the Proposed Acquisition. Accordingly, our opinion in relation to the fairness of the Proposed Acquisition will also satisfy the fairness analysis for the purpose of the Escrow Agreements.

In considering whether the Proposed Acquisition is reasonable to the Non-Associated Shareholders, we have considered a number of factors, including:

- Whether the Proposed Acquisition is fair.

- The implications to SeaLink and the Non-Associated Shareholders if the Proposed Acquisition is not approved.

- Other likely advantages and disadvantages associated with the Proposed Acquisition as required by RG111.

- Other costs and risks associated with the Proposed Acquisition that could potentially affect the Non-Associated Shareholders.

2.3 Independence

Prior to accepting this engagement, Grant Thornton Corporate Finance (a 100% subsidiary of Grant Thornton Australia Limited) considered its independence with respect to the Proposed Acquisition with reference to the ASIC RG 112.

Grant Thornton Corporate Finance has no involvement with, or interest in, the outcome of the approval of the Proposed Acquisition other than that of an independent expert. Grant Thornton Corporate Finance is entitled to receive a fee based on commercial rates and including reimbursement of out-of-pocket expenses for the preparation of this report.

Except for these fees, Grant Thornton Corporate Finance will not be entitled to any other pecuniary or other benefit, whether direct or indirect, in connection with the issuing of this report. The payment of this fee is in no way contingent upon the success or failure of the Proposed Acquisition.

We note that Grant Thornton UK LLP have performed audit services for Tower Transit UK. We have disclosed the existing relationships with SeaLink and we have confirmed that it does not pose a risk to independence due to the following reasons:

- Grant Thornton UK LLP is an independent firm from Grant Thornton Australia Limited and we do not share any common shareholders or partners.
- The audit procedures of Tower Transit were undertaken in a different country with the audit team being a completely different team from the valuations team preparing the independent valuation.
- Tower Transit has a 31 March financial year-end and accordingly the IER has been completed outside the audit review period.

2.4 Consent and other matters

Our report is prepared for the exclusive purpose of assisting the Non-Associated Shareholders in their consideration of the Proposed Acquisition. This report should not be used for any other purpose.

Grant Thornton Corporate Finance consents to the issue of this report in its form and context and consents to its inclusion in the Notice of General Meeting and Explanatory Memorandum to be dispatched to the SeaLink Shareholders on or around 15 November 2019.

This report constitutes general financial product advice only and in undertaking our assessment, we have considered the likely impact of the Proposed Acquisition to the Non-Associated Shareholders as a whole. We have not considered the potential impact of the Proposed Acquisition on individual Non-Associated Shareholders. Individual shareholders have different financial circumstances and it is neither practicable nor possible to consider the implications of the Proposed Acquisition on individual shareholders.

The decision of whether or not to approve the Proposed Acquisition is a matter for each Non-Associated Shareholder based on their own views of value of SeaLink and expectations about future market conditions, SeaLink's performance, risk profile and investment strategy. If the Non-Associated Shareholders are in doubt about the action they should take in relation to the Proposed Acquisition, they should seek their own professional advice.

2.5 Compliance with APES 225 Valuation Services

This report has been prepared in accordance with the requirements of the professional standard APES 225 Valuation Services ("APES 225") as issued by the Accounting Professional & Ethical Standards Board. In accordance with the requirements of APES 225, we advise that this assignment is a Valuation Engagement as defined by that standard as follows:

"An Engagement or Assignment to perform a Valuation and provide a Valuation Report where the Member 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 Member at that time."

3 Industry overview

SeaLink generates the majority of its earnings from its ferry services which involve the movement of tourists, commuters and freight at various locations throughout Australia. The Transit Systems Group is predominantly focused on operating buses for public transport, and operates bus services in Australia, Singapore and London. Accordingly, in the sections below, we have provided an overview of the water transport and tourism sectors in Australia, and an overview of public bus transport in Australia, London and Singapore.

3.1 Overview of the water transport and water tourism industries

The main users of passenger vessels are described below:

- ***Tourism and long-distance water transport (circa 23% of total industry revenue in FY19)*:** Cruise ships, vehicles ferries and other freight ferries provide water transport domestically between ferry terminals and ports on the mainland and on islands, and in the case of cruise ships, internationally as well. In addition, tourist vessels operate along popular waterways and harbours (such as the Sydney Harbour), providing sightseeing, dining and accommodation services to tourists. Larger vessels, such as cruise ships, also make trips between coastal cities and to islands along the coast.

- ***Public transport (circa 33% of total industry revenue in FY19)*:** In some cities in Australia ferries are used as a mode of public transport. In Sydney, Brisbane and Perth, ferries provide transport for millions of commuters every year and they reduce the need for building and maintaining costly infrastructure such as roads, tunnels and bridges. Increasing congestion in capital cities has led to an increase in the use of ferries as a form of public transport. In urban areas, the industry is subject to competition from lower cost services like bus and rail (particularly mass rapid transit or well-connected urban public transport), ride-sharing services and car-hire services.

- ***Boat hire with operator (circa 44% of total industry revenue in FY19)*:** Small boats with crew members are typically hired by small businesses or leisure travellers and is a form of discretionary spending. The segment's share of total industry revenue has reduced over the last five years due to strong growth in the industry's other segments.

Whilst SeaLink is the largest ferry operator in Australia, there are a number of large operators that also operate ferries in Australia, including TransDev, NRMA, TT-Line, Keolis Downer and Journey Beyond.

Given that SeaLink's vessels are mainly used for tourism and short distance transport, we have briefly reviewed below the key drivers of these industries in Australia.

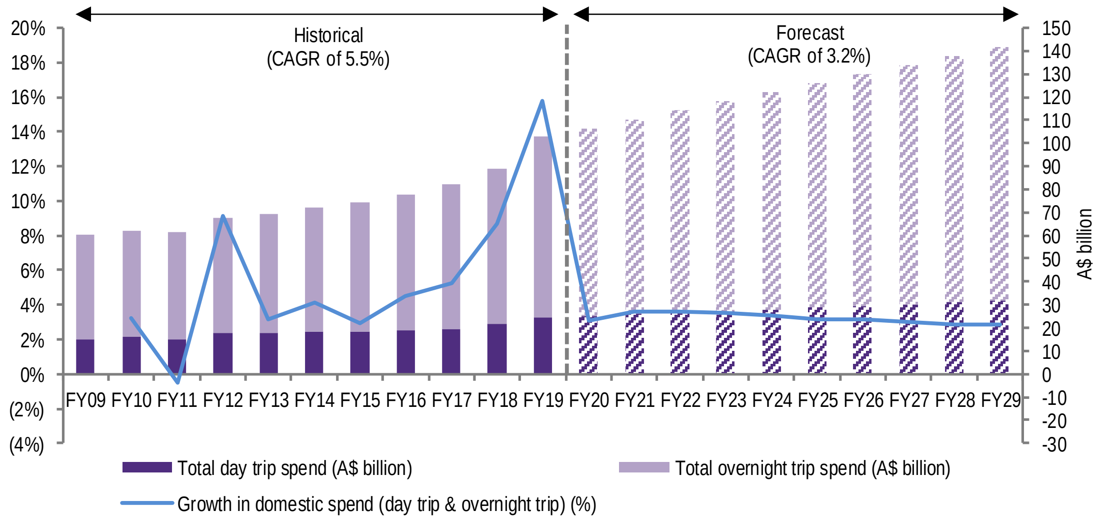
3.1.1 Australian domestic and inbound tourism industry

Domestic tourism

Domestic tourism accounts for the majority of the tourism expenditure in Australia. It covers both overnight trips and day trips within Australia by Australians. Over the last 10 years, the domestic tourism industry has performed strongly, with total spend on domestic day and overnight trips[27] growing at a CAGR of 5.5% as shown in the graph below.

Furthermore, we note the strong performance in FY19, when total day trip and overnight trip expenditure grew by circa 16%. We note the key factor behind the increase in expenditure over the last ten years was an increase in the number of day trip visitors[28] and visitor nights[29]. Total visitor nights and day trips grew at a CAGR of 4.3%, whereas spend per trip grew at a more modest CAGR of 1.2%. Between FY19 and FY29, Tourism Research Australia ("TRA") forecasts day trip and overnight trip expenditure to grow at a CAGR of 3.2%.

Domestic day trips and overnight trip spend[1]



Sources: Tourism Research Australia – National Tourism Forecasts 2019; GTCF analysis.
Note (1): Day trips and overnight trips include those for holiday, visiting friends and relatives, business and other purposes.

Travel is a discretionary expenditure item and thus changes in consumer sentiment can impact travel decisions. Over the last 18 months, measures of consumer sentiment have trended down[30] signalling that consumers are generally becoming more concerned about the outlook of the economy.

In this regard, we note that the below-trend GDP growth rate (driven by weak household spending growth), weak housing market conditions, ongoing trade tensions between China and the United States—and associated volatility in equity markets—have all weighed on consumer sentiment over the last 18 months.

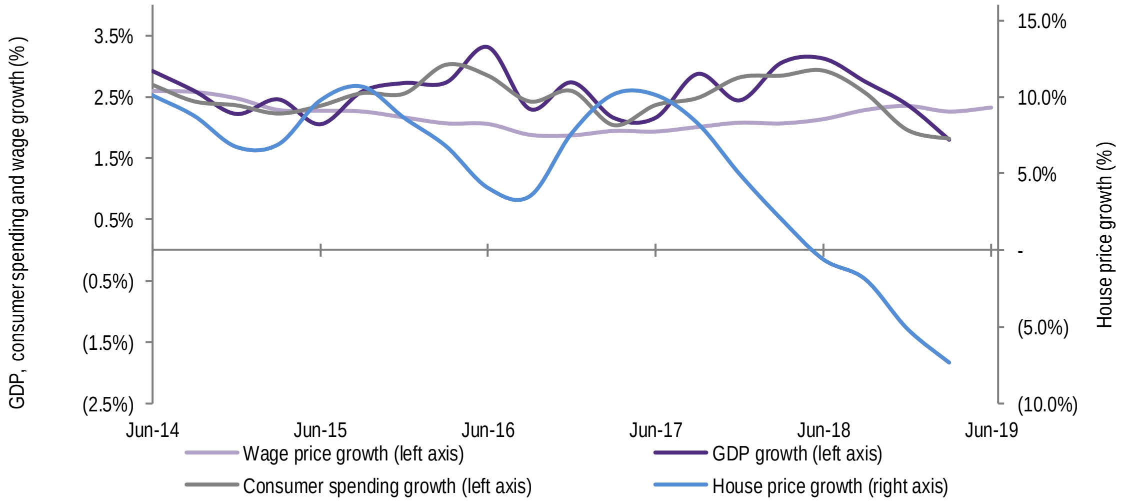
Additionally, Australian wage growth has been weak compared to the long term average, with year-on-year wages growing at 2.3% for the year ended June 2019[31]. Accordingly, the RBA's outlook for the domestic economy remains subdued, with economic growth in 2019 and 2020 expected to be 2.0% and 2.5%[32] respectively, below the long-term average of 3.5% per annum.

[27] A visitor night is defined as one person staying one night at a place at least 40 kilometres from home.
[28] A day trip visitor is a person who travels for a round trip of at least 50 kilometres, is away from home for at least four hours and does not spend a night away from home.
[29] Visitor nights and day trip visitors are important measures for the tourism sector as they quantify the level of tourism demand in the economy.
[30] Based on the ANZ-Roy Morgan and Westpac/Melbourne Institute measures of consumer sentiment survey data.
[31] Based on ABS figures, over the last twenty years, wages have grown on average at c. 3.2% per annum.
[32] RBA Minutes of the Monetary Policy Meeting of the Reserve Bank Board dated 6 August 2019.

However, stabilising house prices and the Federal Government's tax relief[33], which commenced being received by households in late 2019 in the form of greater cash flow, may bring improved consumer sentiment in the near term.

Below we provide a graph of recent macroeconomic data which supports the weak consumer confidence.

Consumer confidence indicators



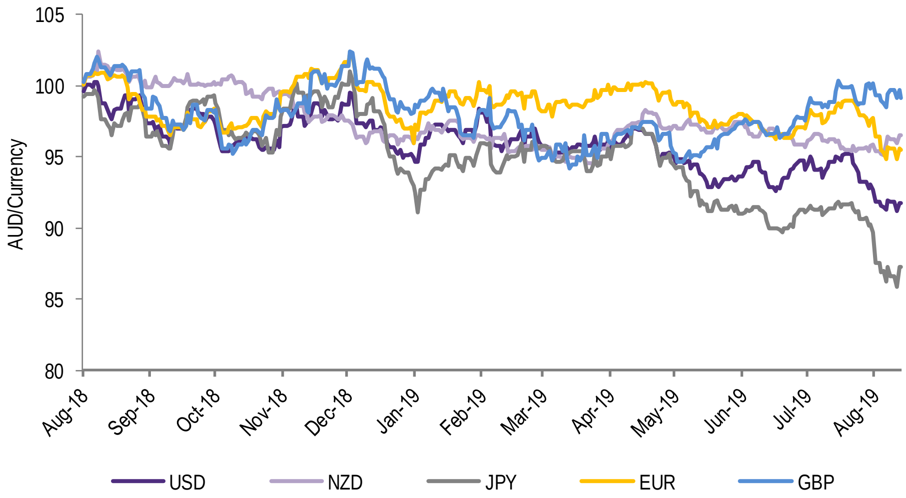
Sources: (1) GTCF analysis; (2) Australian Bureau of Statistics ("ABS") 6345.0 – Wage Price Index, Australia, June 2019 (Total hourly rates of pay excluding bonuses, Private and Public sectors, Seasonally adjusted); (3) ABS 5206.0 – Australian National Accounts: National Income, Expenditure and Product, Mar 2019 (Households final consumption expenditure, Seasonally adjusted); (4) ABS 6416.0 – Residential Property Price Indexes: Eight Capital Cities, Mar 2019 (Residential Property Price Index, weighted average of eight capital cities); (5) ABS 5206.0 – Australian National Accounts: National Income, Expenditure and Product, Mar 2019 (Gross Domestic Product, Seasonally adjusted)

The exchange rate also plays a significant role on the demand for domestic tourism. All else being equal, a depreciating Australian dollar increases the cost of outbound travel from Australia and creates a more favourable environment for domestic tourism. With the falling strength of the Australian dollar since mid-2013, domestic holiday numbers have grown faster than outbound trips[34]. In particular, we note the decline in the Australian Dollar over the last 18 months and the associated strong growth in domestic holidays in CY18 of circa 8.2%. From the chart below we can observe the depreciation of the Australian dollar against most leading currencies over the last year.

[33] As part of the 2019-20 Federal Budget the Government announced increased personal income tax relief for low and middle income earners as part of its Personal Income Tax Plan (which was already legislated). In particular, the Low and Middle Income Tax Offset ("LMITO") was increased from a maximum amount of A$530 to A$1,080, along with other changes to income tax thresholds and brackets designed to lower overall income taxes.

[34] Over the 5 years from 31 December 2013 to 31 December 2018, domestic holiday trips grew at a CAGR of 5.7% versus 4.7% for outbound trips.

Australian Dollar movements against leading currencies, August 2018 to August 2019
(Index 1 August 2018 = 100)



Sources: GTCF analysis; S&P Global
Note: Currencies are United States Dollars ("USD"); New Zealand Dollars ("NZD"); Japanese Yen ("JPY"); Euros ("EUR"); Great British Pounds ("GBP").

The outlook for the domestic tourism industry continues to remain positive with total expenditure forecast to grow at CAGR of 3.2% between FY19 and FY29. In FY20, TRA expects a 3.1% increase in domestic overnight trip and day trip expenditure as a result of 1.4% growth in visitor nights, 1.2% growth in day trips and 1.8% increase in expenditure per trip[35]. Over the long term, Tourism Australia expects day trips and domestic visitor nights to increase at an average of 1.1% and 1.2% p.a. respectively between FY19 and FY29, with expenditure per trip growing at 2.0% per annum.

Inbound tourism

Inbound tourism consists of short-term visitor arrivals to Australia for leisure and business and in FY19 represented approximately 24% of domestic and inbound tourism expenditure[36]. Total inbound visitor spend has grown significantly over the last ten years, at a CAGR of 5.6%. The outlook also remains favourable with TRA forecasting expenditure to grow at a CAGR of 7.6% between FY19 to FY29.

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[35] Total nominal expenditure divided by day trips and visitor nights.
[36] Domestic and inbound tourism expenditure consisting of expenditure on domestic day trips and overnight trips by Australians, and inbound visitor spend.

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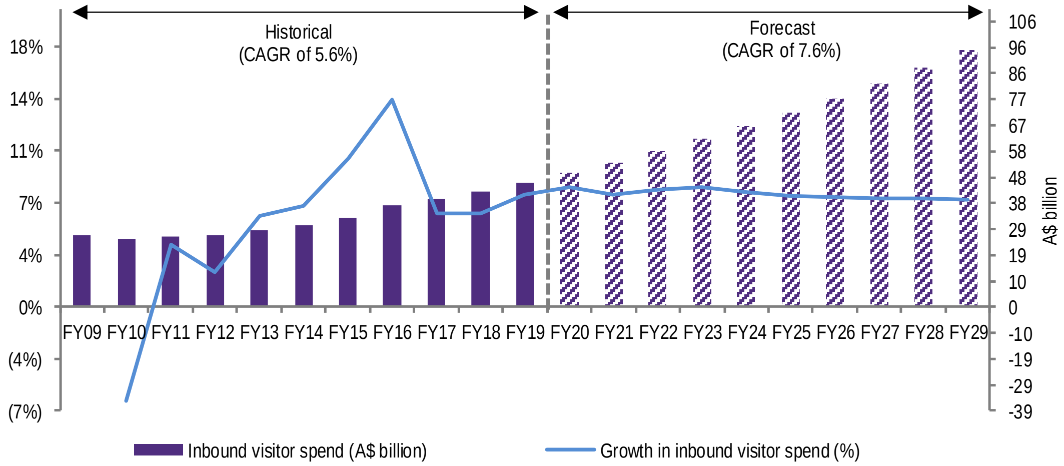
Inbound visitor spend and growth



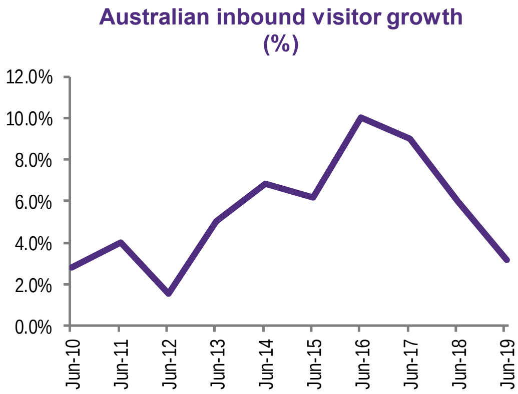
Sources: Tourism Research Australia – National Tourism Forecasts 2019; GTCF analysis.

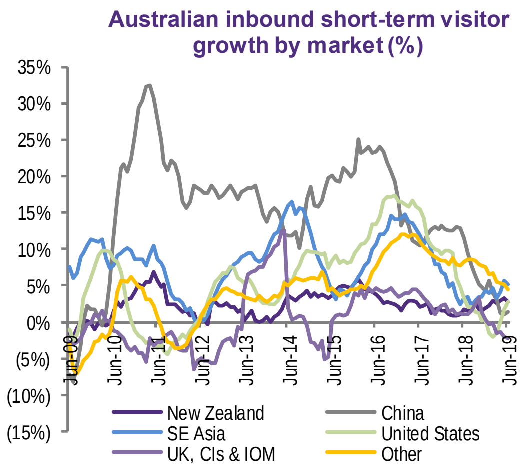
The mix of markets has changed considerably over the last ten years, as the growing numbers of visitors from Asia make up a larger proportion of visitors. This trend is expected to continue as shown in the below charts.

Inbound visitor market share

Source: Tourism Research Australia – National Tourism Forecasts 2019.

The strong historical growth in inbound tourism expenditure has largely been due to growth in the number of international visitors which has increased from 5.5 million in FY09 to 9.4 million in FY19 (representing a CAGR of 5.4%). However, we note that growth has slowed over the last two years, from a peak of circa 10% in 2016-17, to approximately 3% in FY19[37], as shown in the below charts.





Sources: Australian Bureau of Statistics 3401.0 – Overseas Arrivals and Departures, Australia, Jun 2019 (Number of Movements, Short-term Visitors arriving, Seasonally Adjusted); Tourism Research Australia – National Tourism Forecasts 2019; GTCF analysis.
Note: UK, CIs and IOM stands for the United Kingdom, Channel Islands and Isle of Man.

We have set out below some of the key factors affecting demand for inbound tourism.

- *Chinese demand:* Chinese visitor growth has been very strong over the last ten years at a CAGR of 15.0% from FY09 to FY19. As a result, in FY18 China surpassed New Zealand as the largest market for inbound tourists. However we note that growth has slowed in the last year, growing at 0.8% in FY19. Importantly, Chinese tourists spend significantly more than visitors from any other country[38,39]. While the reasons for the slowdown in Chinese visitor growth aren't immediately clear, the slowing Chinese economy, increasing competition from more affordable destinations in South East Asia (Chinese tourists may be acting more cautiously due to the slowing economy) and rising political tensions between the Australia and China may have affected visitor numbers.

- *Global economic growth and uncertainty:* Global economic growth has slowed over the last two years and is projected to grow 3.2% in 2019, down from 3.6% in 2018 and 3.8% in 2017[40]. In particular, the US-China trade dispute and ongoing uncertainty in relation to Brexit have led to subdued investment and consumption globally, with firms and households holding back on spending due to the ongoing economic uncertainty. A number of economies have suffered as a result, with UK GDP contracting by 0.2% in the quarter ending June 2019 and Asian countries with economies highly exposed to international trade, such as Singapore and Korea also significantly affected[41].

- *Growth of Asian middle class*: The increase in disposable income in developing countries in Asia like India and China as a result of strong economic growth has resulted in larger numbers of international

[37] Tourism Research Australia – National Tourism Forecasts 2019.
[38] In the year ended 31 March 2019, Chinese tourists spent approximately 73% more than the average inbound tourist, and more than tourists from any other country.
[39] Tourism Research Australia – International Visitor Survey Data - March 2019
[40] International Monetary Fund – World Economic Outlook July 2019
[41] In the second quarter of CY19 ("Q2"), Singapore recorded a 3.3% (annualised) reduction in GDP and has revised its growth forecasts for CY19 down to between 0% and 1.0% growth. Meanwhile Korea recorded a 0.4% reduction in Q1, followed by growth of 1.1% in Q2 on the back of strong Government spending to prop up the economy, without which, the Bank of Korea estimates the economy would have contracted further.

visitors to Australia in recent years. We note that countries like India and China have strong household consumption with a particular focus on overseas travel and education.

- *Capacity growth on airlines*: International aviation capacity to Australia has been a key driver of tourism growth, growing from 18 million seats in 2011 to circa 27 million seats in March 2019, representing an average growth rate of 5.1% per annum. This has occurred on account of the signing of the open skies agreement between Australia and China in December 2016 and agreements by domestic airlines and airports with several Asian and Middle Eastern airlines to increase capacity on routes. In addition, the growth in low cost carriers has made the cost of air travel more affordable.

- *Exchange rate:* The depreciation of the Australian dollar in the last few years, as discussed previously, has created a more favourable environment for inbound tourism.

- *International education:* Australia is the third largest destination for international students in tertiary education, behind the US and UK. Australia's close proximity to growing Asian economies, such as China and India, and its highly ranked universities, mean that the demand for Australia as a study destination has flow on effects to the tourism market, with education-related travel representing 6.8% of international travellers in 2017[42].

3.1.2 Water transport sector

Most people in urban areas seek to live in close proximity to public transport networks or near major roadways, which not only provide ease of access but also alternate modes of commuting. As population increases, state and federal governments are faced with the challenge of maintaining infrastructure programmes like highways, to cater for additional motor vehicles. Increased congestion and the increasing costs of commuting by car has led to more people turning to public transport, which is resulting in an increased share of Australians commuting by ferry. Sydney, Brisbane and Perth are major cities where water-based public transport systems are used. We note that in conjunction with the NSW Government's Three Cities plan and Future Transport Strategy for the Greater Sydney region, the NSW Government is increasing the number of ferry services. The recently tendered Sydney Ferries contract[43] includes 400 extra weekly services on the Parramatta River and Sydney Harbour commencing in 2020 and 2021. In addition, the NSW government is planning to upgrade the Circular Quay precinct including the ferry wharves to cater for future growth.

Fuel cost is a key expense to ferry operators and it cannot always be passed to customers in full. This poses the risk that operators may have a lower fare box recovery ratio[44]. Ferry operators like SeaLink employ forward contracts and derivative instruments to hedge against the risk of fluctuating fuel costs. For example, 35% of SeaLink fuel demand is currently hedged through forward contracts or cost pass through to customers on a number of contracts.

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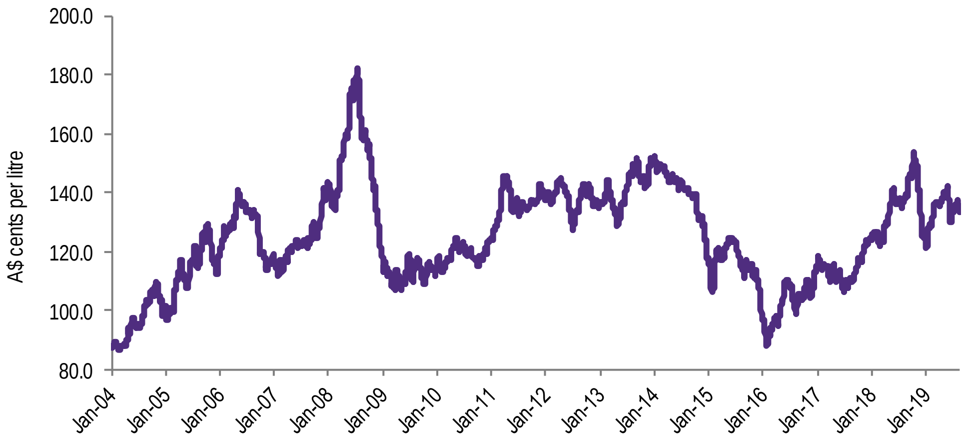
[42] Tourism Research Australia – State of the Industry 2017-18, published April 2019.
[43] The Sydney Ferries contract comprises ferry services on Sydney Harbour and the connecting Parramatta River under contract with the NSW government. In February 2019, the tender to operate Sydney Ferries was awarded to Transdev for a nine year term from July 2019.
[44] The fare box recovery ratio is the fraction of operating expenses which are met by the fares paid by passengers.

Below we show the historical movement in Australian diesel prices:

National Average Diesel Terminal Gate Price (cents per litre)



Source: Australian Institute of Petroleum

In September 2019, oil prices spiked on fears of a prolonged supply disruption following drone attacks on Saudi Arabia's key oil production facilities. The attacks led a halving of daily production in the country, representing approximately 5% of total global production. However, supply concerns have subsequently eased, with Saudi Arabia committing to return production to levels before the attack within one month. Notwithstanding this, as at the date of this report, crude oil prices are forecast to remain relatively volatile in the near-term[45].

In Europe and North America, ferries are being operated using alternative fuels like LNG and methane. Lighter materials like carbon fibre are also being used in the construction of ferries. With such developments, the cost of operating ferries is expected to reduce going forward which should have a positive impact on commuters and growth opportunities for the sector.

Like other transport operators, ferry operators also have to comply with emission regulations. From 1 January 2020, new regulations limiting the sulphur content in fuel oil for all ships will become effective. There are also additional regulations made by the International Maritime Organisation ("IMO"), the international body responsible for framing rules on shipping. In Australia, the Australian Maritime Safety Authority released national standards for the safe operation of commercial vessels.

3.2 Overview of Australian bus public transport sector

Bus passenger transport forms a significant part of the public transport network in Australia's cities. Across Australia, 35.2% of total public transport passenger kilometres are serviced by bus routes and 60% by rail networks[46,47]. We note that rail networks cannot reach all areas, take a longer time to build and are more expensive to operate, whereas buses are easier to deploy given they can use existing road networks to expand the reach of public transport.

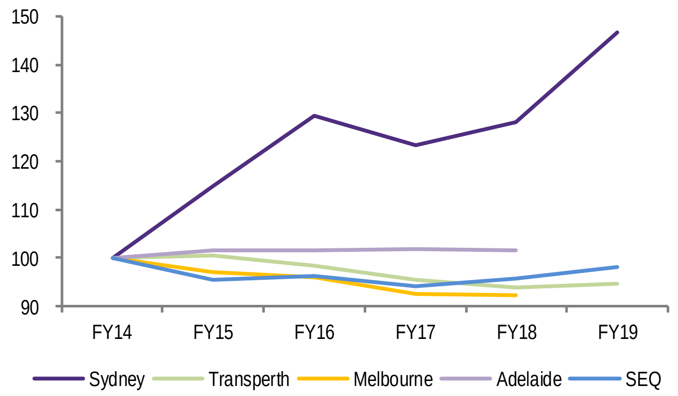
[45] US Energy Information Administration – Short-term Energy Outlook, August 2019.
[46] IBISWorld – Public Transport in Australia, December 2018.
[47] The remaining 4.8% market share relates to light rail and ferry transport modes.

While the urban bus industry is dominated by buses operating for public transport (76.3% of industry revenue in FY19 was attributable to public transport[48]), bus operators also operate school buses, private charter buses, airport shuttles and other miscellaneous purposes.

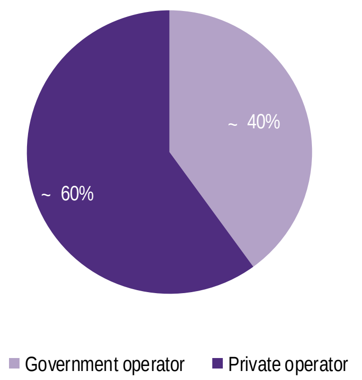
Urban bus patronage has grown over the last five years, driven by the Sydney market where the NSW government has increased the number of bus services in operation. However, Melbourne, South East Queensland ("SEQ") and Perth have all witnessed declines in bus patronage. In Melbourne, where patronage has fallen the most, the decline is partially due to increasing congestion levels and the increasing popularity of the tram system, which has seen significant investment and promotion by the state government.

Overall, approximately 40% of the Australian urban public bus network, based on the most recent patronage figures, is operated by government entities, with all of Brisbane[49], Canberra and Tasmania and large part of Sydney. This represents future potential growth for private bus operators if these services are put to tender in the future. Melbourne, Perth, Darwin and Adelaide bus networks have all been 100% privatised.

Bus patronage index by capital city[1,2,3]



Approximate market share by operator type[4]



Source: GTCF analysis; Annual reports of Transport for NSW, Western Australia Public Transport Authority, Public Transport Victoria, South Australia Department of Planning Transport and Infrastructure; Queensland Department of Transport and Main Roads; TransLink tracker Quarterly Report January to March 2019.
Note (1): From July 2016, Sydney patronage data is based on Opal data rather than the previous methodology that was based on a combination of paper tickets, opal tap-on/tap-off data and fare non-compliance and unpaid trips.
Note (2): FY19 SEQ patronage has been calculated based on the annualised figures from first three quarters of FY19.
Note (3): No data available for Melbourne and Adelaide FY19 patronage.
Note (4): Market share by operator type calculated based on patronage figures for the capital cities Sydney, Melbourne, Brisbane (SEQ), Perth, Adelaide and ACT. No patronage data was available for Darwin. Government operated network consists of SEQ (Brisbane Transport, a subsidiary of Brisbane City Council), ACT, Sydney Regions 7, 8 and 9 and Hobart.

3.2.1 Privatisation and competitive tendering

The public transport bus industry is in a process of ongoing privatisation with state/territory governments continuing to shift towards contracting private bus operators to run the local bus networks. This shift has been driven by industry participants' belief that private operators are more cost-effective than the public

[48] 65.8% of revenue is earned from services which have been privatised, while 10.5% is earned from ACT and TAS where services are still operated by state governments.
[49] Some bus routes outside of Brisbane in South East Queensland have been privatised, although within Brisbane the bus network is operated by Brisbane Transport, an entity owned and operated by Brisbane City Council.

sector as they are incentivised to provide higher quality services (through KPIs contained in contracts and competitive tension in the tendering process) while maintaining or reducing costs.

The key features of privatised bus services in Australia typically include the following:

- *Competitive tender process*: The competitive nature of the industry and widespread capabilities among private operators means that an operator not meeting the required criteria can be replaced at the end of the contract through a competitive tender process. The competitive tender process ensures that not only are operators motivated to meet criteria but also the state governments can lock-in operators on long-term contracts at lower costs. Typical contract lengths range between five and 10 years, and usually contain an option to extend the contract for a pre-determined period of time subject to meeting certain KPIs or at the discretion of the transport authority. In general, the industry is expected to move toward further competitive tendering. In Melbourne, historically, approximately only 30% of the city's network was competitively tendered, however since 2018, government policy requires the balance of the services to also be allocated based on a tender process. Sydney recently put the Region 6 SMBSC[50]—the largest public bus tender in Australian history—out to competitive tender, having previously been operated by the State Government.

- *Barriers to entry*: The market is characterised by high barriers to entry with governments typically favouring large incumbent operators with a proven ability to deliver high service levels in a cost effective manner. New potential market entrants need to have substantial resources and experience operating public transport networks, to be competitive when tendering for new or existing routes. In addition, governments typically tend to favour renewing contracts with incumbent operators, so long as minimum service levels are met, due to the risk of a public backlash from disruptive handover, reduced service levels or negative employment outcomes.

- *Government involvement and risk allocation:* Despite involving private parties to operate bus routes, governments continue to have a high level of control on how the buses are run. Governments typically have full control over the fares and service levels, and often retain ownership and control of most of the public assets like buses or depots by leasing them to the operators for the duration of the contract[51]. Upon the expiry of a contract, some governments stipulate that the fleet be transferred to the government or to the new operator for a pre-determined payment.

  In exchange for contract fees on a gross cost basis[52], private operators are required to meet various criteria like safety, punctuality, reliability of services, driver quality and customer satisfaction, with incentives and penalties applicable depending on the operator's performance. In addition, contract revenues are typically aligned with the movement in key expenses. Payment terms under the contract may vary, with either fixed or variable payments depending on the hours and/or distance serviced. Accordingly, fare box risks are borne by the government and are not passed on to the operator.

  In addition to the above, governments are usually responsible for funding the necessary infrastructure. Since fare box revenues are typically less than operators' costs, governments subsidise public transport operations with a view to maintain low prices for the end-users.

[50] This tender refers to the Region 6 Sydney Metropolitan Bus Service Contract covering Sydney's inner west. In May 2017, the Government announced that the operation of Region 6 would be contracted out to the private sector, commencing July 2018. The contract was awarded to Transit Systems Group.
[51] However, we note that in some cases, governments also outsource the procurement of buses to the private operator, and provides recovery of costs through the contractual arrangements with the operator.
[52] Under gross cost contracts, operators commit themselves on a cost for a fully-defined service in the bid (hence take risk of higher than anticipated costs) with fare revenues transferred the government entity (government takes fare box risk).

3.2.2 Market participants

The Australian bus public transport sector is characterised by a moderate market share concentration with over 40% of the industry revenues hold by less than 5 players[53]. Below we provide a snapshot of the bus market and the key participants.

Transdev is a French based multi-modal public transport operator, with operations in approximately 20 countries throughout Europe, North America and Australasia. Transdev Australasia Pty Ltd ("Transdev Australia"), a subsidiary of Transdev, provides bus services on more than 180 bus routes[54] in Queensland, Sydney, Melbourne and Western Australia. In addition to buses, Transdev operates ferries in Brisbane and Sydney and the inner west light rail in Sydney, and will operate Sydney's CBD and South-East Light Rail service when it becomes operational in 2019 and 2020.

ComfortDelGro ("CDG") is multi-national and multi-modal land transport company listed on the Singapore Stock Exchange. CDG owns 75% of SBS Transit, the leading bus and rail operator in Singapore, operating 60% of the bus network, and two of the five Mass Rapid Transit ("MRT") lines. CDG also operates bus and coach operations in the UK and Australia. CDG has acquired a number of private bus operators in Australia in recent years and primarily operates in NSW and Victoria but also has operations in Queensland and the Northern Territory.

Keolis Downer is a multi-modal joint venture between private French transport group Keolis, and the ASX-listed integrated services provider Downer Group. Keolis Downer operates bus services in South Australia, Western Australia, NSW and Queensland. In addition to its bus services, Keolis Downer operates the Yarra Trams in Melbourne and the Gold Coast Light rail.

Transit Systems Group operates public bus services in Australia, London and Singapore. As at the date of this report, Transit Systems Australia has the largest fleet of all metropolitan bus operators and operates in NSW, Victoria, South Australia, Western Australia and the Northern Territory. For more information on Transit Systems Group, see Section 5.

Some states have legislated market share caps for the operation of bus services within their jurisdiction. For instance, in Perth (where Transit Systems Australia has 38% market share), the state has a legislated cap of 50% to any one operator. In Adelaide, the legislation states that no single operator should be awarded service contracts that allow it to obtain a monopoly on public transport services[55]. In general, we note that the state legislation governing public transport services in each state typically encourages competition even though a specific legislated market share percentage may not necessarily be stated.

3.2.3 Key value drivers and outlook

- *Number of motor vehicles and usage of public transport*: An increase in the number of private vehicles is inversely proportional to the number of people using public transport. However, increasing traffic and the rising cost of fuel are pushing more people toward public transport. New vehicle sales for the calendar year 2019 show an eight percent decline as compared to the corresponding period in 2018[56], which is likely to contribute toward increasing use of public transport systems.

[53] IBISWorld Urban Bus and Tramway Transport in Australia Industry Report – June 2019.
[54] IBISWorld Transdev Australasia Pty Ltd Company Report - 31 December 2018.
[55] Passenger Transport Act 1994.
[56] Federal Chamber of Automotive Industries media release – 4 September 2019.

- *Car share and ride share services*: Car share and ride share services have grown in popularity over the last ten years. The introduction of Uber in Australia in 2012 was a pivotal moment. Uber is the leading ride-share app, providing services to approximately 20%[57] of the population[58] and has grown rapidly, with the number of Australians who travel by Uber doubling between 2016 and 2018[59]. A number of competing ride share services have subsequently also entered the private hire vehicle ("PHV") market. In addition, car sharing apps, which facilitate peer to peer car rental, have also grown in popularity in recent years. Ride share and car share services act to lower the cost and increase the availability of car transportation, which may reduce the demand for public transport.

- *Urbanisation*: By global standards, Australian cities are widespread in size and have lower population density, with most workplaces concentrated in or around the CBD. Public transport operators aim to capture passengers living near the CBD or in close proximity to rail/bus networks. A rise in the number of people living in urban areas typically increases demand for public transport, as customers require higher frequency of services as well as new services for previously unconnected areas. Australia has seen a steady increase in the proportion of the population living in urban areas, with population growth in urban areas outstripping that of regional areas. The urbanisation trend is expected to continue going forward. As at 30 June 2017, 67% of Australians lived in capital cities, which is projected to increase to 69% by 2027[60].

- *Population growth:* In the ten years to June 2017, Australia's population increased by 1.7% per annum. Population projections from the Australian Bureau of Statistics ("ABS") estimate that Australia's population could grow between 1.4% and 1.8% per annum over the ten years to 2027.

- *Infrastructure investment by the government*: As discussed previously, governments provide subsidies to enable customer fares to remain low, and are responsible for developing infrastructure including roads and depots. Higher passenger numbers have created pressure on state governments to expand public transport services. Accordingly, state governments around Australia are expected to increase their budgeted spend on infrastructure development going forward. Given that bus systems can operate on the existing road network, they require less investment than rail networks. Further, subsidies provided for bus and light-rail services are much lower than heavy-rail networks.

- *Size of the workforce:* A fall in employment has an adverse effect on the number of users of public transport. We note that employment and workforce participation rates are at relatively high levels historically and are expected to remain at current levels in the near-term.

- *Fuel, insurance, registration and other vehicular operating costs*: A rise in operating costs for vehicles like fuel, insurance or registration charges creates a barrier for more people to buy motor vehicles and encourages people to continue using public transport.

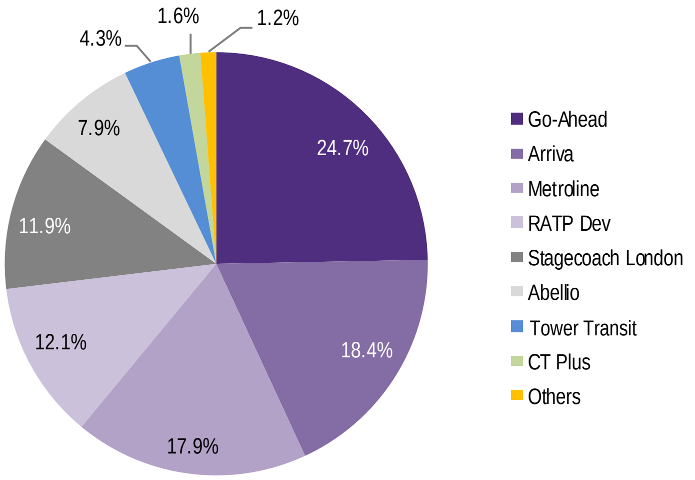
3.3 Overview of the London bus public transport market

Bus transport in London is managed by Transport for London ("TfL"), a government agency which is also responsible for administering other modes of public transport and commuting in general, including roadways, cycleways and river services like ferries and charter boats.

57 In an average three months.
58 Roy Morgan Single Source (Australia).
59 Over the period 2016 to 2018, the percent of Australians who use an Uber in an average three month period more than doubled from 10.2% to 20.8%.
60 Australian Bureau of Statistics 3222.0 – Population Projections, Australia, 2017 (base) – 2066.

Buses in London operate under a different regulatory framework than the rest of England, given the size of the London market, the high level of completion (with a large number of operators) and different trends of bus usage compared with the rest of England. Further, while bus fares in London are set by the government (i.e. by TfL), bus fares outside London are set by private bus operators. Below we provide an overview of the key operators in the London public bus market:

Leading bus operators in London[1]

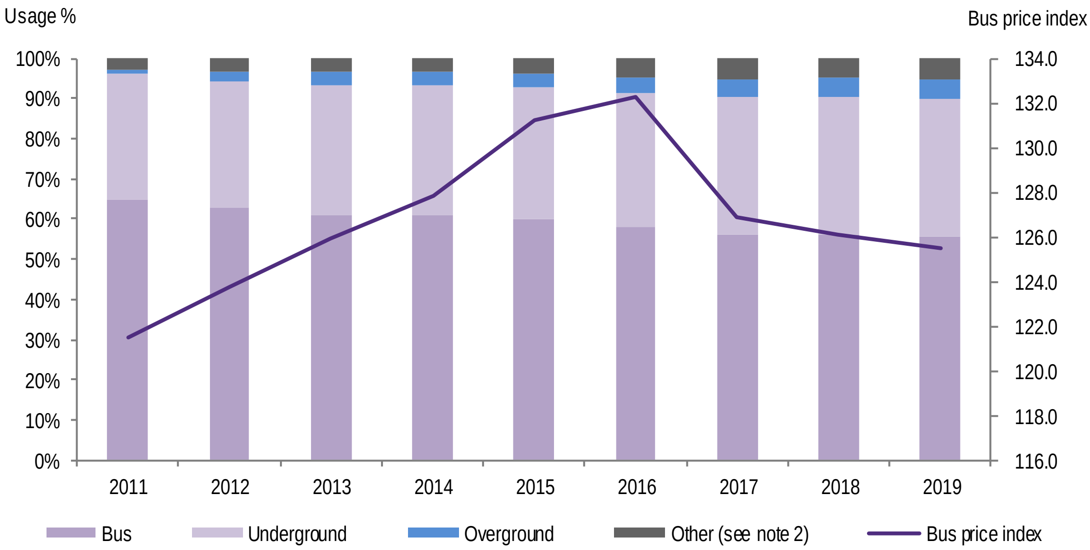


Source: http://www.londonbusroutes.net/garages.htm
Note (1): Based on proportion of network covered.

3.3.1 Bus usage in London

Buses are the most frequently used mode of public transport in London, with 55% of journeys undertaken by bus in the year ending 31 March 2019. This has reduced from 65% in 2011 as a result of increased use of underground, overground rail and licensed PHVs (in particular Uber). This is also a result of the reduction in government funding for buses in England since 2010 which has resulted in a reduction in bus services. The share journeys made across the various modes of public transport in London is shown below:

Public Transport Usage in London and London bus price index[1]

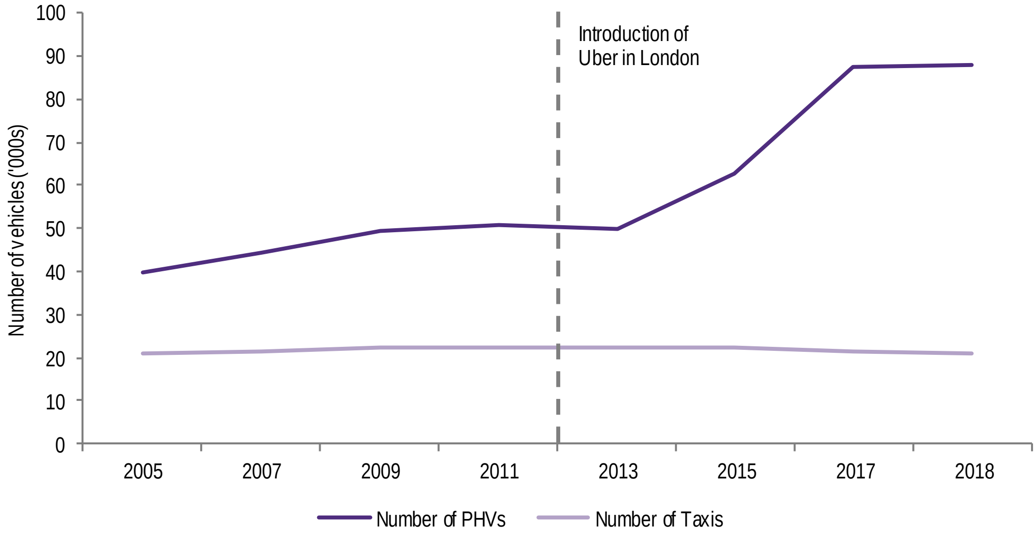


Source: Transport for London
Note (1): Bus price index is in constant prices i.e. adjusted for CPI; 2005 prices represent 100 on the index.
Note (2): Other London public transport modes consist of Docklands Light Rail, Tram, Emirates Air Line Cable Car and TfL rail.

At the same time as declining bus ridership, total public transport journeys in London (across all modes) over the same period have increased 0.4% per annum, and the number of PHVs in London has increased at a CAGR of 12.0%[61]. The decline in bus ridership in recent years has been blamed on increased congestion (as a result of growing PHVs and delivery vans), and the prioritisation of cycling lanes along key bus routes and junctions.

Below we provide a graph showing the growth in PHVs before and after the introduction of Uber in London. We note that within five years of the launch of Uber, the number of PHVs almost doubled.

Number of PHVs and taxis in London



Sources: GTCF analysis, UK Government Department of Statistics – TAXI0101: Taxis, Private Hire Vehicles (PHVs) and their drivers: England and Wales.

Concurrently, fare increases have been low, growing at a CAGR of 1.0% over the five years to March 2019 (compared to CPI of 1.4%, and hence decreasing by 0.4% in real terms). Compared to other modes of transport, bus price growth (1.0%) has been low with rail fares increasing 2.5% and the cost of purchasing a vehicle increasing 2.7% over the same period.

3.3.2 Operating model: Tender process and contract terms

TfL conducts tenders for the bus routes on a rotating basis, where the route, timetable, vehicle quality and service quality are specified by TfL. Bidders usually submit a gross cost tender with a specified annual payment to be made by TfL. Some bidders also undertake mixed bundling i.e. offering a charge for a bundle of routes which costs less than the charges for the individual routes.

Similar to Australia, bus operators do not bear fare box risks since these are borne by TfL. While the contracts allow for cost escalations, these are applied on only 85% of the contract price which implies that operators will lower operating costs through realisation of efficiencies over the term of the contract. As a result, prior operators stand an advantage when re-tendering for a route.

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[61] Over the five years from 2013 to 2018, as sourced from UK Government Department of Statistics – TAXI0101: Taxis, Private Hire Vehicles (PHVs) and their drivers: England and Wales.

Bus operators in England also have arrangements with local authorities to improve service quality and facilities, called bus partnership schemes. These involve the local authorities providing facilities like new bus stops or real time information systems, and bus operators providing new vehicles which are more accessible or have better performance, or improved training for drivers. Bus partnership schemes can be statutory[62] or voluntary. In 2017-18, 7% of local bus operators in England were part of at least one statutory scheme, with 16% being part in at least one voluntary scheme.

Central and local government support for local bus services consists of payments for supported services, bus service operator grants and concessionary travel reimbursements (effectively a subsidy to concessionary passengers). In London, the total support payments increased significantly up to 2008-09 but have declined since then.

3.3.3 Outlook

Similar to a number of other cities around the world, London implements a congestion charge for vehicles entering the central areas of the city. London is also witnessing an increase in traffic due to a growing number of delivery businesses (as more people are shopping online) and the increasing use of PHVs (e.g. Uber). While PHVs have previously been exempt from the congestion charge, from April 2019, PHVs are required to pay. The city is currently implementing an Ultra-Low Emissions Zone with a view to reduce the number of private vehicles in the central areas of London, thereby reducing pollution and encouraging more people to use public transport.

3.4 Overview of the Singapore bus public transport market

Public transport in Singapore is dominated by the bus networks and mass rapid transport ("MRT") rail systems. Bus is the more commonly used mode of transport with 53-56% of public transport usage over the last 4 years being undertaken by bus and 41-44% by the MRT[63]. The public transport system in Singapore is regarded as one of the best in the world due to its efficiency, affordability and convenience for customers. The system is managed by the Land Transport Authority of Singapore ("LTA"), a government agency responsible for governing roadways, rail lines, cycleways and busways. There are four key bus operators in Singapore as shown in the chart below:

62 Statutory scheme is a scheme made under Section 114 of the Transport Act 2000.
63 Based on data published by Land Transport Authority, Singapore.

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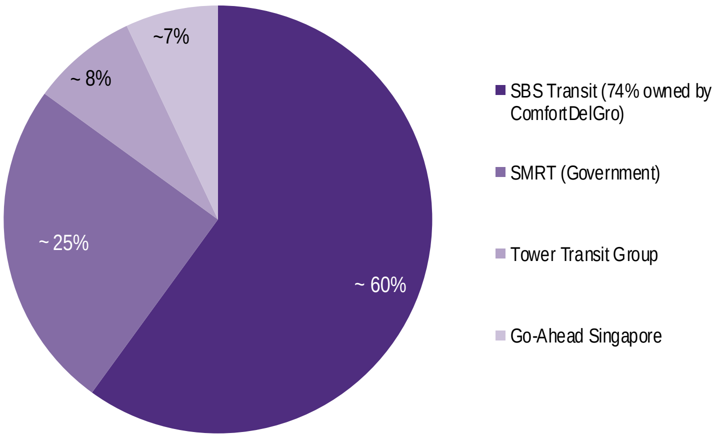
Market share of leading bus operators in Singapore



Sources: SBS Transit 2018 Annual Report, Management.

3.4.1 Operating model

In 2014-15, the LTA adopted a new operating model called the Bus Contracting Model ("BCM") wherein the operation of buses was privatised with a view to make bus services more responsive to changes in commuter needs, as well as to improve the service quality through competition. Similar to Australia and London, the LTA retains fare box risks while paying fees to private operators to run the services. Fares are determined by the LTA with annual fare reviews which considers changes in consumer price inflation, wage inflation, energy costs and network capacity factor[64].

Further, the LTA owns all infrastructure like the depots, the buses and the fleet management system (including route and service planning as well as related online platforms) which are leased to operators. The LTA is also attempting to introduce diesel-electric hybrid buses and battery-powered buses with a view to move the entire fleet to clean energy sources by 2040. Electric buses are expected to be operational by 2020 as the LTA has awarded contracts to three suppliers[65] to supply the buses.

Operators are responsible for maintenance of the buses and are paid prices based on an annual service fee and scheduled mileage, as well as incentive payments based on performance. The contracts have specified performance standards which are required to be complied with.

Currently, there are two type of agreements in place with private bus operators as outlined below:

- *Tendered packages* – They are contracts consisting of the right to operate a number of routes and typically have a 5-year term with a 2 year extension option (at the LTA's discretion), which considers whether operational criteria (like safety, punctuality and others) have been met.
- *Negotiated bus packages* – They are legacy agreements reached with the incumbent operators and will be progressively put to tender (open to both Singaporean and international operators) once the contract expires. So far four out of 14 bus packages have been put to competitive tender

[64] Measures capacity provision relative to passenger demand for the entire public transport system.
[65] BYD: S$17 million for 20 single-deck electric buses; ST Engineering Land Systems: S$15 million for 20 single-deck electric buses; Yutong-NARI Consortium: S$18 million for 10 single-deck and 10 double-decker electric buses

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representing approximately 28% of Singapore bus routes, with the remainder to be tendered over the next seven years to 2026.

Competitively tendered bus packages

Package Name	Operator	Number of bus routes	Contract start date	Initial Contract expiry date[1]
Bulim	Tower Transit Group (Singapore)	31	May 2015	May 2021
Loyang	Go-Ahead Sinagapore	25	Sep 2016	Sep 2021
Seletar	SBS Transit	26	Mar 2018	1st half of 2023
Bukit Merah	SBS Transit	18	Nov 2018	2023
Total		100		

Note (1): Based on the initial contract term, excluding the 2-year extension option at the discretion of the LTA.

Negotiated bus packages (to be progressively put to competitive tender)

No. of Packages	Operator	Number of bus routes	Contract start date	Initial Contract expiry date[1]
7	SBS Transit	178	Sep 2016	Between 2021 and 2026
3	SMRT Buses	76	Sep 2016	Between 2020 and 2023
Total		254		

Source: LTA

4 Profile of SeaLink

4.1 Introduction

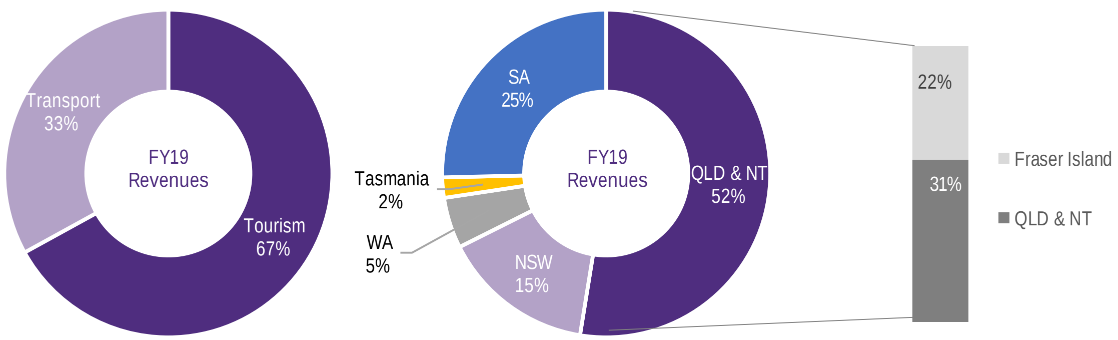
SeaLink is a diversified tourism and transport company with operations throughout Australia.

The Company primarily provides ferry services for commuters, tourists and freight. In addition to its ferry operations, SeaLink offers packaged holidays, accommodation, tours and activities, tourism and charter cruises. As at 30 June 2019, the Company owns and leases a fleet of 78 ferries, 12 accommodation and dining vessels, 72 coaches and touring vehicles[66] and 3 resorts[67] with strategically located freehold land on Kangaroo Island and Fraser Island.

SeaLink has the largest ferry fleet in Australia with exposure across Australia's key tourism markets and the more defensive transport sector. The latter provides a steady base in earnings given revenues are largely contracted with tourism markets offering potential upside given the robust growth outlook for domestic and inbound tourism. SeaLink operates essential transport services with largely protected market positions as a result of its sole operator status on multiple routes.

Before listing on the ASX in 2013, the operations were heavily-weighted to South Australia, due to its significant Kangaroo Island operations. Following a number of acquisitions discussed in section 4.2 below, the Company has grown its footprint in all five states it operates in and the Northern Territory, servicing 18 islands plus the Murray River, Sydney Harbour and Swan River. The following graphs illustrate SeaLink's diversification across industry and geography.

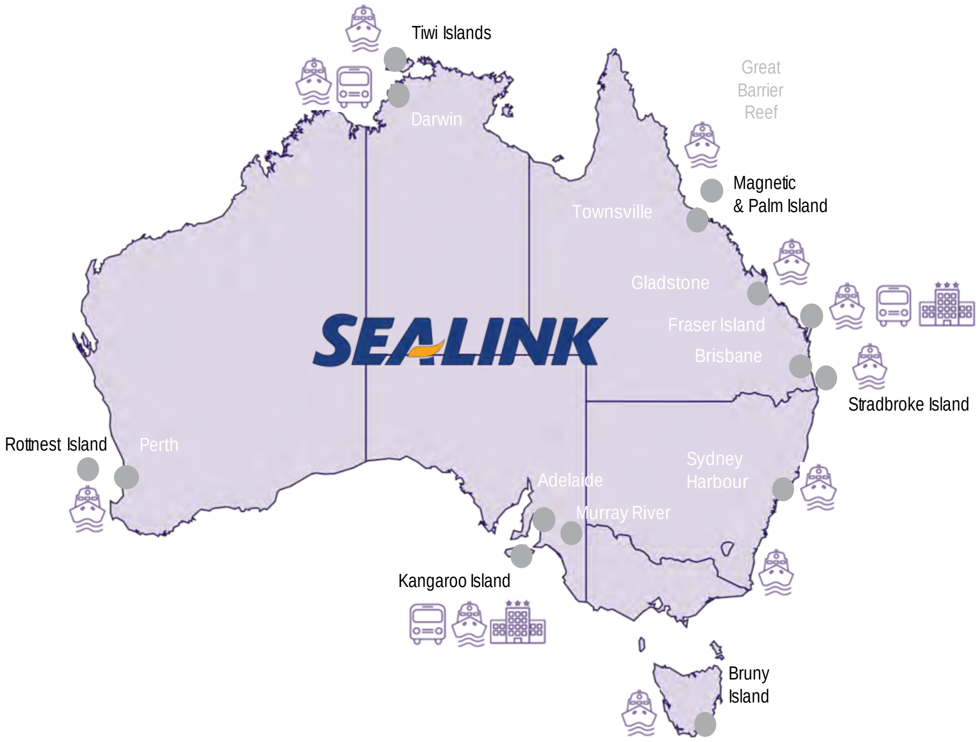
SeaLink's revenue diversification across industry and geography



Source: Management, SeaLink FY19 investor presentation dated 27 August 2019 and SeaLink Macquarie Presentation dated 30 April 2019.
Note(1): QLD includes Northern Territory and Fraser Island. SA includes Tasmania.
Note (2): Totals may not add up to due to rounding.

66 The Company leases some vessels and vehicles.
67 Kingfisher Bay Resort and Eurong Beach Resort on Fraser Island, and Vivonne Bay Lodge on Kangaroo Island.

SeaLink's presence across Australia



Source: SeaLink investor presentation
Note: QLD includes Northern Territory and Fraser Island. SA includes Tasmania.

4.2 Company history

The SeaLink business started in 1989 with the purchase of a ferry service linking Kangaroo Island with the South Australian mainland from Malaysian company MBF, which was later renamed KI SeaLink. In 1996, a syndicate of South Australian investors and staff members acquired the SeaLink business. Having originally provided transport services for locals, land owners and their vehicles to and from Kangaroo Island, the Company embarked upon a strategy to develop tourism experiences and holiday packages to attract new customers to its ferry services.

As outlined below, over the years the Company has undertaken a number of transformative acquisitions in both the transport and tourism sectors.

- *Captain Cook Cruises* – In 2011, the Company acquired the New South Wales tourism businesses of Captain Cook Cruises, Matilda Cruises, Sydney Harbour and Murray River Cruises for approximately A$20 million[68]. Captain Cook Cruises was the leader in charter cruises on the Sydney Harbour and had the largest fleet at the time with approximately 12 vessels providing sightseeing, dining and specialist charter cruises. Murray River Cruises provided cruising along the Murray River aboard the vessel "PS Murray Princess". In February 2016, SeaLink also acquired Captain Cook Cruises in WA ("CCC WA") which at the time operated seven vessels for tourism-focused river cruises on the Swan River in Perth along with commuter services on behalf of the Western Australian Government.

[68] This represents the purchase of business assets as reported in SeaLink's consolidated cash flow statement for FY12 as shown in its prospectus.

- *Transit Systems Marine* - In 2015, SeaLink acquired Transit Systems Australia's Marine Division ("TSM") for approximately A$125 million[69]. At the time of the acquisition, TSM operated a fleet of 33 vessels in Queensland, providing passenger and vehicular barge services for the Australia Pacific LNG ("APLNG") plant on Curtis Island, North Stradbroke Island and four islands around the Southern Moreton Bay Islands ("SMBI"). TSM also operated government contracted ferry services along the Brisbane River and a water ambulance service in the SMBI. A number of strategic properties were also acquired as part of the acquisition.

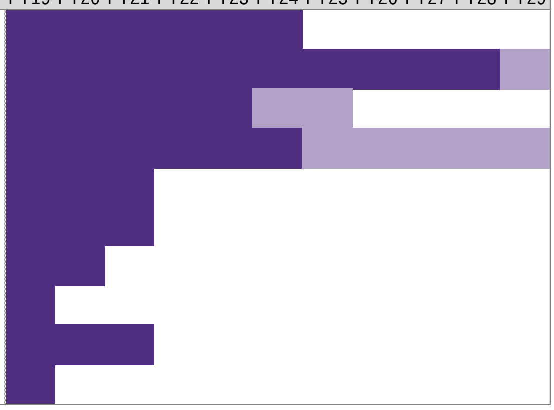
- *Kingfisher Bay Resort Group* - In February 2018, the Company acquired the assets and operations of the Kingfisher Bay Resort Group ("KBRG") on Fraser Island for approximately A$43 million[70]. The acquisition included the two island resorts Kingfisher Bay Resort and Eurong Beach Resort, as well as Fraser Explorer Tours and the Fraser Island Ferry business operating from Hervey Bay to the western side of Fraser Island. The acquisition included, amongst other assets, three ferries, and 30 4WD coaches.

4.3 Business model

Approximately 33% of SeaLink's revenues are contracted through long-term contracts with private companies and local governments, resulting in an earnings base that is, to a certain extent, secured and visible.

The table below provides an overview of SeaLink's contracts. SeaLink has several "cost-plus" contracts where fare revenues are transferred to the Government and operating costs are reimbursed plus a management fee with costs often indexed with inflation. In these type of contracts, the Government assumes all the patronage and fare box risk. Under the "license" contracts SeaLink, pays the government fees for wharf access and infrastructure, and it assumes all the patronage risk and associated costs of running the services and route.

SeaLink contracts overview					Contract duration[2]										
Contracts	Length	Entity	Expiry	Type	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29
Cape Jervis SA/Penneshaw	25	SLK SA	Jun-24	License											
Bruny Island Tasmania	10+10	SLK SA	Sep-28	License											
TransLink South East QLD	5+1+1	SLK QLD	Dec-23	Cost +											
Mandorah and Tiwi Islands NT	5+5	SLK QLD	Jun-24	License											
Moggill cable ferry Brisbane River	5	SLK QLD	Dec-20	Cost +											
Gladstone ferry/barge 3 LNG plants	5	SLK QLD	Oct-21	NA											
Mineral sands barge Stradbroke[1]	5	SLK QLD	Dec-20	NA											
Palm and Magnetic Island[4]	5+1	SLK QLD	Dec-19	License											
Perth CBD to South Perth	5	CCC	Jun-21	Cost +											
Charter for Harbour City Ferries	1.5	CCC	Jun-19	NA											



Source: SeaLink's investor presentations, annual reports and IPO prospectus.
Note (1): Contract in place until 2020, but the State Government has legislated an early end to sand mining at the end of 2019.
Note (2): Three contracts have an option for extension. For instance, the Bruny Island contract has a duration of 10 years with a possible extension of another 10 years if certain performance requirements are met.
Note (3): The dark purple area refers to the contract duration. The light purple area refers to the possible extension period.
Note (4): Rigth of first offer held by SeaLink. Term of renewal subjects to invitation offer (up to 7 years) may be longer depending on a market led proposal currently underway with Queensland Governement for redevelopment of the Townsvilee ferry terminal by the Honeycombes Property Group.

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69 This included a deferred cash element of A$3 million, if a particular transport contract was awarded.
70 SeaLink ASX announcement *Acquisition of Kingfisher Bay Resort Group* on 21 February 2018.

4.4 Current operations

The Company operates four business segments which are discussed in the following sections.

4.4.1 SeaLink South Australia and Tasmania ("SLK SA")

SLK SA is the Company's second largest division generating 26% of group revenues and 36% of group EBITDA[71] in FY19. This is SeaLink's oldest division operating since 1989 and includes operations in South Australia and Tasmania. SeaLink offers the following services through SLK SA:

- Passenger and freight ferry services between Cape Jervis and Kangaroo Island in South Australia. The Company has a license in place until June 2024 to use the Cape Jervis and Penneshaw ports. In October 2018, SeaLink was advised by the SA Government that it intended to put the Kangaroo Island license to competitive tender. The tender is expected to occur in 2021/2022 and will take effect from July 2024.

- Murray River Cruising aboard the PS Murray Princess in South Australia.

- Ferry services under a government contract to Bruny Island off Tasmania. In September 2018, SeaLink secured a 10-year contract[72] to operate passenger and vehicular ferry services for the Tasmanian Government to Bruny Island in Tasmania which commenced later that month.

- Multi-day guided tours on Kangaroo Island ("KI Adventure Tours").

- Sightseeing coach operations in South Australia.

- Guided tours using 4WDs on Kangaroo Island and other parts of South Australia ("KI Odyssey").

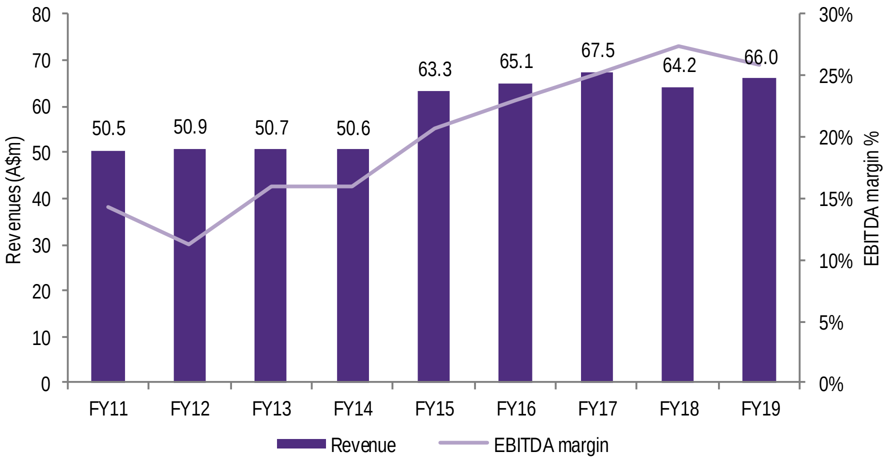
- Accommodation and restaurant facilities at the Vivonne Bay Lodge on Kangaroo Island.

- The Australian Holiday Centre travel agency located in Adelaide. In July 2017, SeaLink closed down a retail travel centre as a result of direct online sales trends.

The table below shows SLK SA's revenue and operating performance over time.

[71] EBITDA including corporate costs.
[72] This contract is for an initial duration of 10 years, which may be extended for another 10 years if certain requirements are met.

SLK SA's revenues and EBITDA margin



Source: SeaLink's investor presentations
Note: EBITDA margin based on EBITDA including corporate costs allocation.

We note the following about SLK SA's financial performance:

- In FY15, revenues and earnings increased significantly primarily due to the re-classification of the PS Murray Princess to SLK SA.
- Between FY15 and FY19, revenue remained largely flat due to consecutive years of no fare increases. SLK SA has successfully increased EBITDA margin over time on the back of an increased focus on higher margin products, greater efficiency, and improved fleet utilisation with more passengers by growing tourism.
- In FY18, revenue was negatively impacted by the retail travel centre closure in July 2017 (A$3.2m) and lower third party accommodation sales (A$0.7m). This was partly offset by the higher sales from PS Murray Princess, coach revenue, KI Odyssey and core ferry operations.
- EBITDA in FY19 was negatively affected by lower passenger numbers to Kangaroo Island, lower third party accommodation sales and lower revenue from PS Murray Princess. This was partly offset by increased vehicles and freight numbers to Kangaroo Island and the commencement and ramp up of Bruny Island operations which commenced operations in September 2018.

Earnings are driven by the traffic flow of international tourists, domestic visitors and local residents who visit Kangaroo Island, supported by the visitation of large cruise ships. SeaLink has long enjoyed sole operator status on the Kangaroo Island route, with a number of competitors attempting to compete in the past, although none successfully. In June 2018, the passenger-only competitor KI Connect began operations which has had a minor effect on SeaLink sales. SeaLink's fleet is considered to have a competitive advantage as it has a much larger daily capacity, its ferries can also carry vehicles and freight, and SeaLink controls the peak docking times at the main wharf location at Cape Jervis. Nevertheless, KI Connect is more affordable[73] which could potentially have some impact on revenues going forward.

[73] KI Connect charges A$27.50 for a single ticket from Cape Jervis and Penneshaw (Kangaroo Island), whereas SeaLink charges A$49.

4.4.2 SeaLink Queensland and Northern Territory (“SLK QLD”)

SLK QLD is the Company’s largest division generating 31% of group revenues and contributing to 51% of overall EBITDA[74] in FY19. SeaLink inherited many contracts and a significant fleet from the acquisition of TSM in FY16. SLK QLD provides passenger ferry and freight services on multiple routes, government contracted ferries services, barging services, and vehicular ferry services in Queensland and Northern Territory.

SeaLink offers the following services through SLK QLD:

- Contract passenger ferry services for the Queensland Government (Translink) to four islands around the SMBI.
- Contract with the Queensland Government Ambulance Service to provide water ambulance services around the SMBI.
- Contract ferry services under a contract with the Queensland Department of Transport to operate the Moggill cable ferry crossing the Brisbane River. In December 2014, SeaLink secured a 5 year renewal with possible extension for another 5 years.
- Barging of mineral sands from North Stradbroke Island to Brisbane. We note that the contract for provision of barging services of mineral sands from North Stradbroke Island to Brisbane expires in FY20. The QLD State Government has legislated an early end to sand mining and SeaLink barging operations are expected to cease in December 2019.
- Passenger and vehicular ferry services from the mainland (Cleveland) to Dunwich on North Stradbroke Island.
- Vehicular barge services around the SMBI, servicing Lamb, Karragarra, Macleay and Russel Islands.
- Ferry and barging services to the APLNG processing plant on Curtis Island in Gladstone. In October 2016, the Company secured a 5-year contract until FY21. We note that SeaLink services two out of three contracts for the APLNG operations. Revenues and earnings have decreased as the APLNG project has moved from the construction phase (2011 to 2017) to the operational phase, leading to lower service requirements and thus lower revenues in FY18 and beyond.
- Passenger ferry services between Darwin and Mandorah and a contracted ferry service to the Tiwi Islands. In September 2019, SeaLink secured a 5 year contract renewal with the Northern Territory Government for the passenger ferry service between Darwin and Mandorah and contracted ferry services to the Tiwi Islands with a further extension option for five years.
- Passenger ferry and bus service on behalf of the Groote Eylandt community.
- Passenger ferry service between Townsville and Magnetic Island and Palm Island. In 2018, SeaLink secured a short renewal of the 5-year ferry contract to operate ferry services from Townville to Magnetic Island and Palm Island to enable the length of the next possible renewal term (subject to negotiation and offer by the Queensland Government) to align with the potential development of the

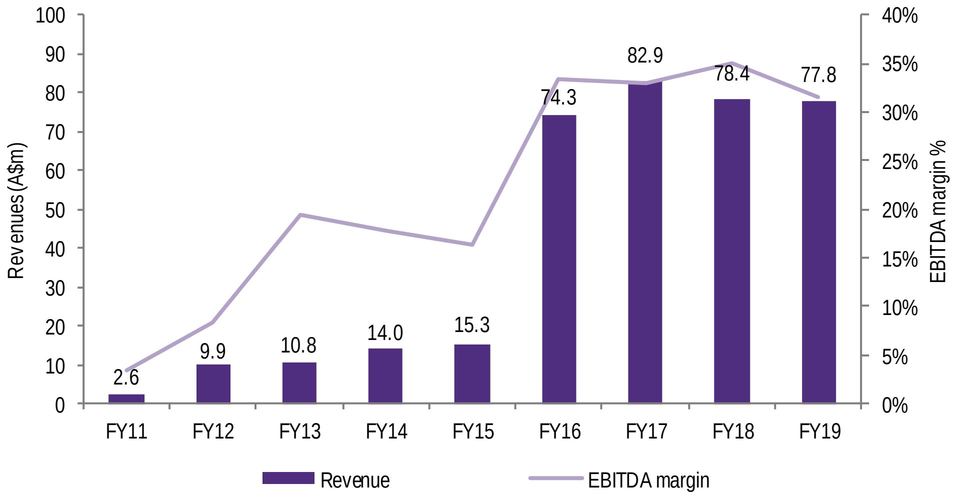
[74] EBITDA including the corporate costs allocation.

Townsville ferry terminal which would require a long term lease with the proposed developer, Honeycombes Property Group, if the project proceeds.

- Touring packages to Palm Island, Magnetic Island and around Townsville. The Company recently launched whale watching tours in Townsville.

The table below shows SLK QLD's revenue and operating performance over time.

SLK QLD's revenues and EBITDA margin



Source: SeaLink investor presentations.
Notes: (1) EBITDA margin is based on EBITDA after the allocation of corporate costs.

We note the following about SLK QLD's financial performance:

- The SLK QLD division has been the largest contributor to the Company's earnings since the acquisition of TSM in September 2015.

- The increase in revenue in FY17 was primarily attributable to the full year inclusion of the TSM acquisition (FY16 revenue was for 8 months), and to a lesser extent by the sales growth from Magnetic Island and the new routes opened servicing the Groote Eylandt community and Bickerton Islands.

- In FY18, the division experienced a decline in revenue as a result of the full year impact of Gladstone AP LNG operations moving from construction phase to operational phase. In comparison, FY17 revenues still included four months of construction phase revenues (A$10.5 million). EBITDA margins slightly improved due to increased passenger and vehicle numbers as well as tight control around repair and maintenance costs.

- Revenues and EBITDA declined in FY19 due to the conclusion of third party dry leases over two Gladstone vessels, with a revenue impact of A$2.3 million in the year. EBITDA was further impacted by higher repairs and maintenance expenses and fuel costs.

4.4.3 SeaLink Fraser Island ("SLK FI")

SLK FI is the Company's third largest division generating 22% of group revenues and 12% of group EBITDA[75] in FY19. In March 2018, SeaLink expanded its tourism offerings in Australia through the acquisition of the Kingfisher Bay Resort Group. The acquisition has further increased the Company's revenue exposure to Queensland from circa 43% in FY18 to circa 53% as of FY19.

The acquisition included the following assets:

- The 4-star Kingfisher Bay Resort comprised of a 152-room hotel resort located on freehold land, with management and caretaking rights to a further 109 self-contained villas/houses and the lease of a 174-bed wilderness lodge for the educational and backpacker market. The resort has enjoyed consistent improvements in occupancy rates, increasing from 40% in 2012 to 64.5% in 2019[76].

- The 3.5-star Eurong Beach Resort comprised of a 108-room hotel resort located on a perpetual lease with a direct beach front area consisting of approximately 1.4 hectares of freehold land. The resort has enjoyed an improvement in occupancy rates, with rates increasing from 30% in 2012 to 47% in 2017.

- Fraser Explorer Tours, which operates one or two day 4WD tour operations. The fleet consists of approximately 25 4WD coaches and a fleet of 5 courtesy buses operating on the mainland to facilitate transfers.

- Fraser Island ferry business comprised of 3 passenger and vehicular ferries operating from River Heads (near Hervey Bay) on the mainland to either Wanggoolba Creek or Kingfisher Bay Resort on Fraser Island and vice versa.

- Retail operations (fuel, food and alcohol) and some freehold land.

The operations have strong barriers to entry and a dominant market position on Fraser Island, with the two resorts accounting for approximately 90% of commercial accommodation options and a substantial portion of the available developable freehold land.

The outlook for this division is robust thanks to the strong domestic visitor flow to Fraser Coast Regional Council which has seen overnight visitor numbers increase approximately 5.7% per annum over the last three years ending March 2019[77].

4.4.4 Captain Cook Cruises NSW and WA ("CCC")

CCC is SeaLink's smallest division and in FY19 generated 21% of group revenues and 0.6% of EBITDA[78]. The New South Wales operations of CCC was acquired in 2011 and since then it has achieved modest organic revenue growth. In 2016, SeaLink acquired the Western Australian operations of CCC.

Under the CCC brand, SeaLink provides the following services:

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[75] EBITDA after corporate costs.
[76] SLK FY19 investor presentation.
[77] Tourism & Events Queensland – Fraser Coast Regional Snapshot for the year ending 31 March 2019.
[78] EBITDA after corporate costs.

- Passenger ferry services on multiple routes on Sydney Harbour. These routes include Lane Cove and Circular Quay, Darling Harbour and Circular Quay, and the International Convention Centre and Circular Quay (commenced July 2017).

- In August 2019, SeaLink announced the closure of the Manly to Barangaroo ferry service (after two years of service) effective from September 2019 due to lower than anticipated demand and competition from the B-Line bus service and Manly Fast Ferry[79].

- Tourist cruises and other charter cruises on Sydney Harbour, NSW and Swan River, WA, including lunch and dinner cruises, whale watching and sightseeing.

- Contracted commuter ferry service (on behalf of Transperth) between Perth CBD and South Perth. In 2016, CCC secured a further 5-year contract until June 2021.

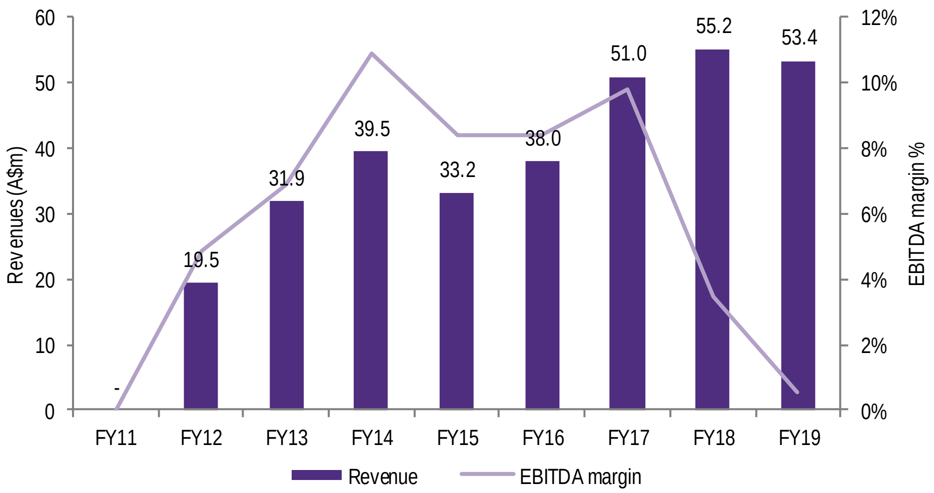
- Provision of ferry services under charter contracts for Harbour City Ferries.

- Passenger ferry service from Fremantle to Rottnest Island (commenced November 2017) under the SeaLink brand.

In August 2019, SeaLink announced that it had secured new wet and dry hire leases for four Sydney Harbour Rocket ferries commencing in July 2019 for 12 months with a 12 month extension option. In addition, SeaLink negotiated a subsidy[80] from the NSW government on the Lane Cove ferry service.

The table below shows CCC's revenue and operating performance over time.

CCC's revenues and EBITDA margin



Source: SeaLink investor presentations.
Note: EBITDA margin based on EBITDA including corporate costs allocation.

We note the following about the financial performance:

- Revenue in FY17 increased largely due to the full year impact of the acquisition of CCC WA, supported by strong international and domestic sales and VIVID festival performance. Margin growth

[79] Operated by NRMA
[80] 6 month contract, with two additional options for 6 months each.

was primarily attributable to sales growth in the higher margin CCC NSW premium dining and chartering business.

- Revenue in FY18 increased following commencement of the Manly to Barangaroo ferry service in September 2017, the Rottnest Island ferry service in November 2017 and growth from CCC NSW dining cruises. However, the start-up nature of these operations had a material adverse impact on EBITDA margin.

- In FY19 CCC's performance was impacted by more sluggish domestic activity leading up to the Federal Election and a slowing of the inbound international tourism market. This was further exacerbated by start-up costs relating to new services, higher fuel costs, and CCC WA's swan river cruising trading losses. Offsetting this was improved performance from the Rottnest Island service. As a result of the division's poor performance, the Company initiated a strategic review focused on cost structures, pricing strategies, productivity improvements and operational efficiencies.

4.5 Financial Information

4.5.1 Financial Performance

The table below illustrates the Company's audited consolidated statements of comprehensive income for the last four financial years.

Consolidated statements of financial performance A$ '000	FY16 Audited	FY17 Audited	FY18 Audited	FY19 Audited
Total revenues[1]	177,459	201,407	209,436	251,321
Revenue growth	*58.8%*	*13.5%*	*4.0%*	*20.0%*
Direct wages	(47,157)	(56,536)	(59,744)	(76,405)
Repairs and maintenance costs	(8,845)	(9,281)	(10,367)	(14,336)
Fuel	(5,927)	(7,711)	(10,083)	(13,294)
Commission	(6,647)	(7,373)	(8,487)	(12,397)
Meals and beverage	(7,693)	(11,085)	(11,507)	(14,530)
Accomodation	(4,332)	(4,131)	(3,557)	(384)
Tour costs	(10,465)	(10,263)	(9,335)	(11,965)
Other direct expenses	(9,939)	(11,049)	(10,226)	(12,262)
Direct operating expenses	(101,005)	(117,429)	(123,306)	(155,573)
Indirect operating expenses	(32,169)	(34,517)	(40,084)	(47,840)
EBITDA	44,285	49,461	46,046	47,908
Reported EBITDA margin	*25.0%*	*24.6%*	*22.0%*	*19.1%*
Depreciation and amortisation	(8,803)	(11,905)	(12,860)	(16,375)
EBIT	35,482	37,556	33,186	31,533
Reported EBIT margin	*20.0%*	*18.6%*	*15.8%*	*12.5%*
Impairment on investment	-	-	-	(1,637)
Business acquisition expenses	(1,040)	-	(2,569)	(364)
Financing charges	(2,470)	(3,239)	(3,070)	(4,582)
Profit before income tax expense	31,972	34,317	27,547	24,950
Income tax expense	(9,623)	(10,485)	(7,982)	(3,407)
Net profit (loss)[2]	22,349	23,832	19,565	21,543
Reported Net Profit margin	*12.6%*	*11.8%*	*9.3%*	*8.6%*

Source: SeaLink's annual reports
Notes:(1) Total revenues is comprised of revenue from customers, interest income and other income; (2) In FY19 Underlying net profit was A$23 million.

In relation to the above, we note the following:

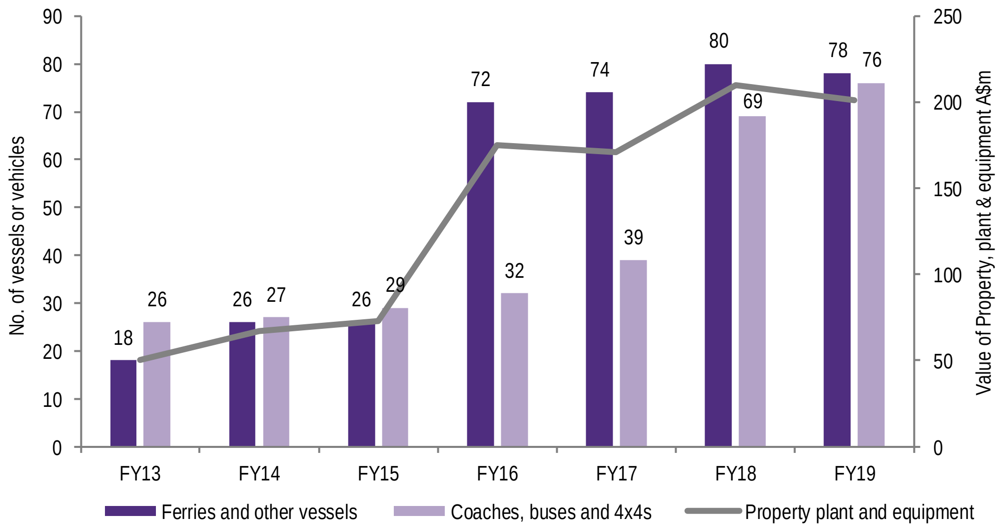
- Revenues increased in FY19 due to the net increase of A$42.6 million (over FY18) from SLK FI, which was also the primary reason behind higher EBITDA for the year. This however, was offset by the weaker result from CCC and the SLK QLD divisions as discussed previously. In FY18, revenue growth was subdued as a result of the A$3.2 million negative impact from the closure of SLK SA's retail travel centre in conjunction with the Gladstone LNG operations moving from construction phase to operational phase. However, this was more than offset by the acquisition of the Fraser Island operations.

- In FY18 and FY19, SeaLink's EBITDA margin declined due to the acquisition of the lower margin Fraser Island operations, weak performance of CCC as a result of the launch of new ferry routes (e.g.

Manly to Barangaroo and Fremantle to Rottnest Island), weakness consumer sentiment and the weak WA economy.

- Depreciation expenses have increased over time. This is due to the increase in SeaLink's asset base as can be observed from the graph below, resulting from the TSM acquisition (33 vessels), along with the acquisitions of CCC WA (7 vessels) and Fraser Island (30 vehicles and 3 vessels).

SeaLink's increasing asset base



Source: SeaLink investor presentations; SeaLink annual reports.

- In FY19, SeaLink impaired 50% of the book value of its investment in UWAI Limited (A$1.6 million), a Hong Kong-based tourism technology start-up company that connects businesses and Chinese tourists by translating and promoting local business content through a smartphone app.

- In FY16 and FY18 the Company incurred non-recurring business acquisition expenses related to CCC WA and Fraser Island.

- In FY19 the Company's effective tax rate declined materially due to exemptions in relation to marine training incentives[81]. Management expects that the Company will continue to benefit from the tax incentives in the future.

4.5.2 Financial Position

The table below illustrates the Company's audited consolidated statements of financial position as at 30 June 2018 and 30 June 2019.

[81] SeaLink receives tax benefits from providing marine training services.

Consolidated statements of financial position A$ '000	FY18 Audited	FY19 Audited
Cash and cash equivalents	3,242	11,904
Trade and other receivables	11,004	12,355
Inventories	4,738	4,921
Current tax assets	6,334	5,684
Prepayments	2,000	4,263
Total current assets	27,318	39,127
Property, plant and equipment	210,101	201,396
Intangible assets	55,327	53,383
Other financial assets	3,274	1,637
Deferred tax assets	4,539	5,936
Total non-current assets	273,241	262,352
Total assets	300,559	301,479
Trade and other payables	10,623	13,578
Unearned revenues	6,643	7,684
Interest bearing loans and borrowings	1,350	822
Other financial liabilities	137	943
Provisions	9,600	11,027
Total current liabilities	28,353	34,054
Unearned revenues	805	776
Interest bearing loans and borrowings	107,187	94,957
Deferred tax liabilities	9,293	9,132
Other non-current liabilities	2,699	4,645
Total non-current liabilities	119,984	109,510
Total liabilities	148,337	143,564
Net assets	152,222	157,915
KPIs:		
Net debt	*105,295*	*83,875*
Net debt / EBITDA	*2.3x*	*1.7x*
Gearing [1]	*40.9%*	*34.7%*

Source: SeaLink annual reports.
Note (1): Gearing is net debt divided by net assets plus net debt.

We note the following regarding the Company's financial position:

- Approximately two thirds of SeaLink's total assets consist of ferries and land and buildings, with intangible assets making up circa 18%. Almost 90% of intangible assets is goodwill, with the balance attributed to customer contracts and permits.

- The high level of debt in FY18 was the result of the acquisition of the Kingfisher Bay Resort Group for A$43.0 million, which was funded through bank debt.

- In FY19, following a review of fleet utilisation, SeaLink sold two Capricornian class vessels. A small gain on sale was recorded with the A$9.9 million in proceeds used to pay down debt.

4.5.3 Cash Flow Statement

The Company's cash flow statements for the last four years are set out below.

Consolidated statements of cash flow A$ '000	FY16 Audited	FY17 Audited	FY18 Audited	FY19 Audited
Cash flows from operating activities				
Receipts from customers	176,178	206,338	208,288	251,606
Payments to suppliers and employees	(133,627)	(153,966)	(161,540)	(202,878)
Interest received	203	43	27	38
Interest paid	(2,502)	(3,239)	(3,070)	(4,582)
Income tax paid	(8,158)	(23,485)	(15,127)	(3,539)
Net cash inflow from operating activities	32,094	25,691	28,578	40,645
Cash flows from investing activities				
Proceeds from sale of property, plant and equipment	26	389	659	12,605
Payments for property, plant and equipment	(6,855)	(6,467)	(13,654)	(17,645)
Investment in unlisted entity	-	-	(3,274)	-
Acquisition of new businesses	(115,273)	-	(44,728)	-
Net cash outflow from investing activities	(122,102)	(6,078)	(60,997)	(5,040)
Cash flows from financing activities				
Proceeds from issue of shares	50,299	-	-	500
Proceeds from borrowings	57,500	1,809	49,350	-
Repayment of borrowings	(7,220)	(10,053)	(1,945)	(12,758)
Dividends paid	(7,624)	(13,654)	(14,667)	(14,685)
Net cash from/(used in) financing activities	92,955	(21,898)	32,738	(26,943)
Net increase/(decrease) in cash and cash equivalents	2,947	(2,285)	319	8,662
Cash and cash equivalents at the beginning of the financial period	2,261	5,208	2,923	3,242
Cash and cash equivalents at the end of the financial period	5,208	2,923	3,242	11,904
Cash conversion ratio[1]	72%	52%	62%	85%
Capex to depreciation ratio	78%	54%	106%	108%

Source: SeaLink's annual reports
Note (1): Cash conversion ratio defined as net operating cash flow divided by EBITDA.

We note the following in relation to SeaLink's cash flow statements:

- Capital expenditure has increased as SeaLink's asset base has grown. In FY18 and FY19 capex increased due to the acquisition of new vessels (Bruny Island and SEQ vessel), touring coaches, and upgrades to resorts on Fraser Island. The Company anticipates capex to increase further in FY20 to between A$20 million and A$24 million due to additional vessel acquisitions and further upgrades to the resorts on Fraser Island.

- The Company achieved a significant improvement in the FY19 cash conversion ratio mainly driven by lower tax payment. We note that both FY17 and FY18 operating cash flows were affected by large tax payments. In particular in FY17, a one-off tax payment in relation to utilisation fees was incurred following the de-mobilisation of vessels in relation to a contract in Gladstone.

4.6 Share capital structure

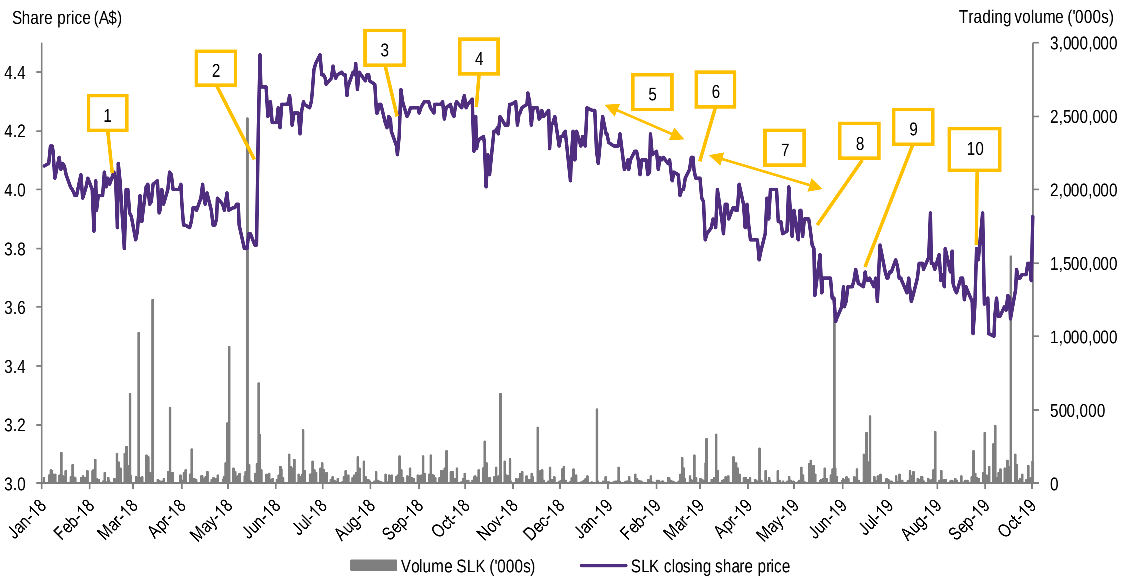
As at the date of this report, SeaLink has the following securities on issue:

- 101,429,103[82] SeaLink Shares.
- 100,000[83] share options ("SeaLink Options"). The SeaLink Options vest after a period of 3 years subject to continuity of service and they have nil exercise price.
- 190,000 unlisted Performance Rights ("SeaLink PRs"). The SeaLink PRs are generally granted to senior executives with more than 12 months service. When a participant ceases employment prior to the vesting or where the performance hurdle[84] is not met, the performance rights lapse. Should all conditions be met, one ordinary share is issued for each performance right at no consideration.

4.6.1 Share price and market analysis

Our analysis of the daily movements in SeaLink's trading price and volume for the period from January 2018 to August 2019 is set out below. We note that SeaLink's most recent closing share price as at 4 October 2019 was A$3.91.

Historical share price and volume for SeaLink



Source: S&P Global, GTCF analysis

The following table describes the key events which may have impacted the share price and volume movements recently as shown above.

Event	Date	Comments
1	Feb-18	21 February – 1HFY18 results were announced in conjunction with the acquisition of the Kingfisher Bay Resort Group. SeaLink's share price was very volatile following the announcement of the acquisition.

[82] ASX, Appendix 3B, 29 November 2018.
[83] The Company issued 200,000 shares on conversion of existing options in November 2008. The 100,000 are held by Mr. McEvoy.
[84] This is measured against a minimum share price quoted on the ASX. This future price hurdle usually targets a 10% compound growth rate from the share price at the date of issue of the performance rights.

2	May-18	23 May – SeaLink reported that it had received an unsolicited, confidential, indicative, and non-binding proposal to acquire 100% of the Company for a cash consideration of A$4.75 per share. The Board concluded that the proposal undervalued SeaLink and decided to reject the proposal.
3	Aug-18	22 August – Full year FY18 results were announced with several new growth opportunities emphasized such as the acquisition of the Kingfisher Bay Resort Group, the recently awarded contract to operate Bruny Island in Tasmania as well as several new routes launched on Sydney Harbour and to Rottnest Island. The Queensland business continued to perform well and saw improved EBITDA margins. SLK SA's result was slightly down as a result of the closure of a retail travel centre. CCC had a weak result due to start-up costs of new routes on Sydney Harbour as well as prolonged weak trading of CCC WA as a result of subdued economic conditions in WA and the temporary closure of the Swan River in April/May[85]. The Company also announced that current Managing Director and Chief Executive Officer, Mr. Ellison gave notice to retire effective from SeaLink's AGM in October 2019 with Mr. Ellison remaining as CEO until such time as a successor is appointed.
4	Oct-18	17 October - The Company was verbally advised by the SA Government that the use of port infrastructure and facilities in relation to the Kangaroo Island ferry operations will be put to competitive tender and will take effect from July 2024.
5	Dec-18 to Feb-19	We note that SeaLink's share price in this time period was largely impacted by several factors including the announcement of a new competitor on the Kangaroo Island ferry route, weak domestic consumer spending and inbound tourism growth, and continued uncertainty in relation to the replacement of the CEO.
6	Feb-19	19 February – Half year FY19 results were announced. The Company announced a successful integration and trading results of the recently acquired Fraser Island operations and successful commencement of the Bruny Island ferry operations in Tasmania. The Company also obtained renewal of its TransLink contract in South-East Queensland. Some brokers considered EBITDA weaker than expected, which was attributed to unseasonable bad weather on Kangaroo Island impacting the SLK SA division, weaker performance of the CCC division, with the discretionary parts of the business (dining and charter) impacted by a tightening economy and softening from tourism markets. Furthermore, slower than anticipated growth on the Manly to Barangaroo ferry weighed on the half year results.
7	Feb-19 to May-19	On 27 February, the NSW Government announced the A$1.3 billion Sydney Ferries contract had been awarded to Transdev. SeaLink had tendered for the contract but was ultimately unsuccessful. In addition, on 6 March 2019, GDP growth figures were released by the ABS highlighting weak economic growth of just 0.2% in the December quarter as a result of soft household spending. Furthermore, uncertainty in relation to the Federal Election outcome and potential changes to tax legislation had resulted in subdued consumer sentiment in the lead up to the election. In addition, on 18 April 2019 Sydney Airport reported declining domestic and international passenger traffic for March 2019 (vs. prior corresponding period), although this was in part due to the earlier Easter period in 2018.
8	May-19	14-16 May 2019 – In the days leading up to the Federal Election, the opposition Labor Party was leading in the polls and expected to win the election. However, on 17-18 May 2019, in a surprise result, the Coalition party won the election. In May, a number of other companies leveraged to the inbound and domestic tourism markets reported weakness in consumer and business confidence. On 17 May, Virgin Australia Holdings Limited provided guidance that underlying earnings for FY19 were expected to be at least A$100 million lower than FY18 driven by weakness in the leisure and corporate sectors. On 20 May, Sydney Airport reported subdued load factors, falling domestic passenger numbers (despite the later Easter in 2019) and falling numbers of Chinese tourists travelling through Sydney Airport. Overall international passenger numbers were higher, although this was boosted by the later Easter in 2019.
9	Jun-19	19 June – SeaLink provided a trading update in which it provided NPAT guidance for FY19 in the range of A$22.0 million to A$24.0 million. This was lower than broker consensus estimates (average of A$27 million). Conversely, the Company reported that it is currently experiencing early signs of an improved trading environment, with the performance of its dining and sightseeing operations on Sydney Harbour during the VIVID festival tracking ahead of last year. The successful integration and performance of the Fraser Island operations will also support results in the second half of FY19.
10	Aug-19 to Sep-19	27 August – SeaLink announced its FY19 results with an underlying NPAT of A$23.4 million, at the upper end of the Company's guidance of between A$22.0 million and A$24.0 million it provided to the market in June. In addition, SeaLink announced an increased dividend of 8.5 cents per share, up 0.5 cents compared to the prior year and provided EBITDA guidance of between A$49 million and A$52 million for FY20, below the broker consensus of A$53.5 million at the time.

[85] The river was closed for six to eight weeks in April/May 2018 for the construction of a new pedestrian bridge to the Perth Stadium.

		The Company also provided an update to its strategic review of CCC, advising that the Company had secured new wet & dry hire leases (+A$1.0m EBITDA p.a.), secured a subsidy for its Lane Cove service (+A$0.5m EBITDA p.a) and closed its Manly/Barangaroo ferry service effective September 2019. In addition, the Company reported Fraser Island had performed better than expected in FY19. On 3 September, the share traded ex-dividend and the closing price fell 7.9%. On 6 September, SeaLink was removed from the S&P ASX-300 effective 23 September 2019, the share price fell 3.3% on the day to close at A$3.51.

Source: ASX announcements, GTCF analysis

The monthly share price performance of SeaLink since July 2018 and the weekly share price performance of SeaLink over the last 16 weeks is summarised below:

SeaLink Travel Group Limited	Share Price			Average
	High A$	Low A$	Close A$	weekly volume 000'
Month ended				
Sep 2018	4.320	4.170	4.300	405
Oct 2018	4.320	4.010	4.220	447
Nov 2018	4.330	4.120	4.250	313
Dec 2018	4.300	4.030	4.250	265
Jan 2019	4.255	3.980	4.190	110
Feb 2019	4.170	3.950	4.070	211
Mar 2019	4.100	3.800	4.020	426
Apr 2019	4.020	3.660	4.010	176
May 2019	3.980	3.500	3.560	515
Jun 2019	3.810	3.500	3.810	416
Jul 2019	3.920	3.600	3.750	151
Aug 2019	3.850	3.440	3.760	272
Sep 2019	3.920	3.450	3.710	930
Week ended				
14 Jun 2019	3.790	3.630	3.680	181
21 Jun 2019	3.750	3.500	3.700	1,148
28 Jun 2019	3.810	3.620	3.810	189
5 Jul 2019	3.810	3.650	3.720	85
12 Jul 2019	3.790	3.650	3.690	157
19 Jul 2019	3.710	3.600	3.640	228
26 Jul 2019	3.800	3.620	3.730	147
2 Aug 2019	3.920	3.660	3.730	517
9 Aug 2019	3.800	3.650	3.800	161
16 Aug 2019	3.790	3.650	3.650	89
23 Aug 2019	3.720	3.620	3.660	102
30 Aug 2019	3.800	3.440	3.760	403
6 Sep 2019	3.920	3.510	3.510	619
13 Sep 2019	3.740	3.450	3.570	863
20 Sep 2019	3.750	3.500	3.560	1,968
27 Sep 2019	3.800	3.580	3.710	429

Source: S&P Global, GTCF analysis
Note: The share price analysis is based on 1 October 2019.

We have also considered SeaLink's recent trading prices for the purpose of our valuation of SeaLink. Refer to Section 8.4 for further details and analysis on the trading price of the Company.

4.6.2 Substantial shareholders

We have provided in the below table the ten largest shareholders of SeaLink as at 30 September 2019:

Top ten ordinary shareholders of ordinary shares as at 30 September 2019		No. of shares	Interest (%)
1	Smerdon Christopher David	6,104,500	6.02%
2	Perennial Value Management Limited	5,952,754	5.87%
3	Ellison Jeffrey R.	5,524,769	5.45%
4	Sarto Pty Ltd	5,031,000	4.96%
5	Sunrop Pty Ltd	4,143,000	4.08%
6	Mayfield Brenton J.	3,563,692	3.51%
7	Mann FCA, MAICD, Fredererick A.	3,548,000	3.50%
8	The Vanguard Group Inc.	2,912,790	2.87%
9	Belahville Pty Ltd	2,125,000	2.10%
10	Norges Bank Investment Management	2,009,164	1.98%
Top 10 shareholders total		40,914,669	40.34%
Remaining shareholders		60,514,434	59.66%
Total ordinary shares outstanding		101,429,103	100.00%

Source: S&P Capital IQ, GTCF analysis
Note: The above information is as at 30 September 2019. We have updated the total number of ordinary shares outstanding to date.

The table below summarises the substantial shareholders of SeaLink as at 30 September 2019, comprised of several of the Company's senior executives.

Substantial ordinary shareholders as at 30 Sept 2019	*Number of shares*	%
Smerdon Christopher David (NED)	6,104,500	6.02%
Ellison Jeffrey R. (Managing Director, CEO)	5,524,769	5.45%
Dodd Terry J. (NED)	4,786,578	4.72%

Source: ASX annnouncements

5 Profile of Transit Systems Group

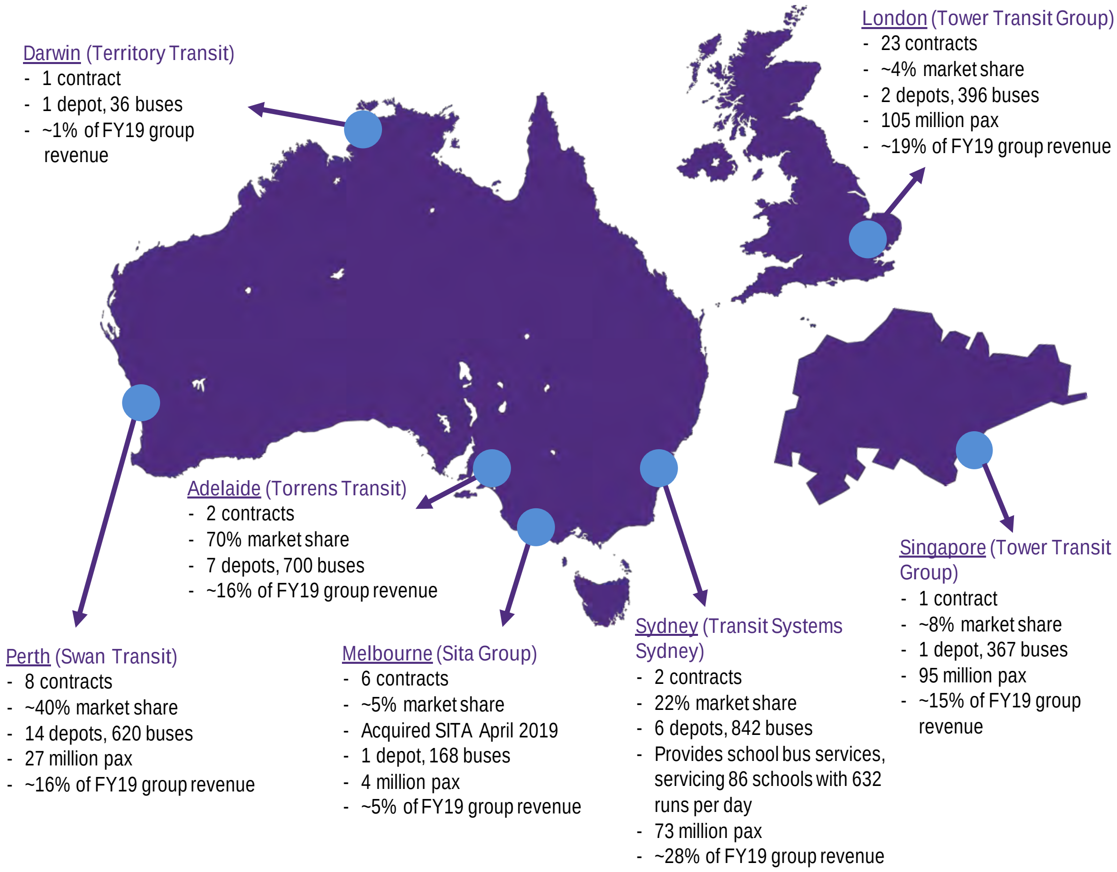
5.1 Introduction

Transit Systems Group is a geographically diversified transport company with operations in Australia, London and Singapore. The Australian business is owned in equal share by its founders and Directors Lance Francis, Graham Leishman and Neil Smith either individually or through entities that they control. The international business operates under a different entity, Tower Transit Group, and is owned by entities controlled by Neil Smith, Graham Leishman, Clint Feuerherdt and Tower Transit Group staff (2.6%).

TSG operates 3,129 buses and 32 depots, most of which are leased from the local government agencies. Nearly all revenues are secured by contracts with terms of between six and ten years (at contract commencement). The contracts allow for the recovery of expenses plus a profit margin, with TSG taking the risk of higher costs, but not the patronage/fare risk. These contracts are also indexed in line with expense growth.

Transit Systems Australia has one of the largest privately operated metropolitan public transport bus networks in Australia. In addition to operating public buses, it also offers private charter bus services and school bus services. Tower Transit Group has a smaller market share internationally, with the platform providing significant opportunity to expand in the future. Below we provide an overview of Transit Systems Group's current operations.

Overview of Transit Systems Group



Source: Management

5.2 Company history

Transit Systems Group was founded in 1995 in Western Australia where it won the contract to operate buses on the Midland area in Perth, the first bus contract to be tendered in Perth.

After approximately 5 years of operations in Perth, TSG expanded to Adelaide, by securing the East West and City Free urban bus contract in 2000 followed by the North South and Outer North East (“NS ONE”) bus contract in 2005, giving the company a 73% market share in Adelaide. In 2005, TSG expanded to Queensland when it acquired the Bay Islands Transit (“BITS”) passenger ferry contract. This marked the company’s entry into the marine passenger transport business, which it grew further in 2010 when it secured the contract to provide ferry services for the construction of the Gladstone LNG (“GLNG”) and APLNG terminals on Curtis Island, Gladstone. In 2011 Transit Systems Group continued to grow its marine business with the acquisition of Stradbroke Ferries Limited.

In 2013, TSG expanded internationally when it acquired, from FirstGroup Plc, the London bus operations consisting of 20 bus routes and 3 depots. A new entity, Tower Transit Group, was established to operate the London business. In the same year, TSG entered the Sydney market, winning the tender for the Region 3 contract. Transit Systems Group was the only new entrant to be awarded a Sydney Metropolitan Bus Service Contract.

TSG grew its international operations when Singapore put the first of its bus contracts—under its new Bus Contracting Model (“BCM”), which is based on the Transperth contracting model—to tender in 2015. TSG won the contract despite being only the third cheapest bidder. Also in 2015, TSG sold its marine division, consisting of its entire ferry operations, to SeaLink, to focus on the company’s bus operations.

Transit Systems Group continued to grow when in 2018 it won the Sydney Region 6 contract, covering Sydney’s inner west. Region 6, which was previously operated by the government, was the largest Australian public bus contract ever tendered in Australia. TSG began operations for Region 6 on 1 July 2018.

In April 2019, TSG acquired Sita Group, marking the company’s entry into the Victorian bus market. Sita Group currently operates 19 bus routes under a ten-year contract with Public Transport Victoria (“PTV”). Sita Group also owns a strategically located bus depot in Footscray, the closest bus depot to the CBD. In addition to the PTV contract, Sita Group operates various charter contracts for schools in Melbourne.

5.3 Business model

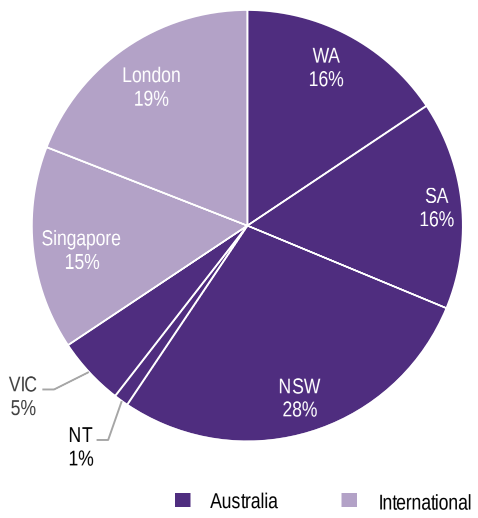
5.3.1 Terms of the contracts

TSG has long-term contracts with State Governments as well with Transport Authorities in relation to international contracts and most of its revenues are contracted. Revenues are charged to the State Governments on a monthly basis. The company’s contracts are on a “gross cost” basis, where revenues are indexed in line with the movement of key expenses such as driver salaries, fuel and maintenance expenses. The bus operations and associated expenses such as cleaning, driver payroll and repairs and maintenance, as well as meeting safety guidelines is the responsibility of Transit Systems Group. The underlying contracts, through the contract indexation, provides a natural hedge to the price changes related to the operating costs of the company. Transit Systems Group does not assume any fare box risk (which is borne by the government) and focuses purely on operating the buses and meeting the required operating KPIs.

TSG's contracts generally have a duration of 6 to 10 years, across its domestic and international portfolio. Based on the duration of individual contracts, the vast majority[86] of the current portfolio will be re-tendered in the next 5 years, including major contracts in Adelaide and Perth within the next 12 months.

We note that approximately 26.7% of revenues are up for renewal before 30 June 2020, with 56%[87] up for renewal within the next two years. However, we note that Transit Systems Group has a strong track record of renewing contracts as discussed further in section 5.3.3. Furthermore, governments, in general, typically prefer to keep incumbent operators unless there is a need for substantial quality improvement, due to the potential risks associated with changing operators, which include reduced service quality, uncertainty for bus drivers and reduced patronage. Whilst State Governments are seeking to streamline the cost of their operations, the offering a substantial price discount to the agreed amount with current operator may be perceived by Governments as being indicative of a compromise on the quality of service. This was observed in Singapore where the Tower Transit Group won the first-ever bus contract tendered by the LTA despite only being the third cheapest. Below we provide a split of revenues by location.

Revenue by location[1]



Source: Management
Note (1): Based on FY19 revenue derived from the following information: Transit Systems Australia unaudited management financials for the year ended 30 June 2019; Sita Group unaudited management financials for the year ended 30 June 2019; Tower Transit Group twelve months unaudited management financials to 30 June 2019.

[86] Excluding extension option periods.
[87] Contracted revenue percentage calculated prior to the awarding of the Claremont, Marmion and Joondalup contracts as announced on 10 October 2019.

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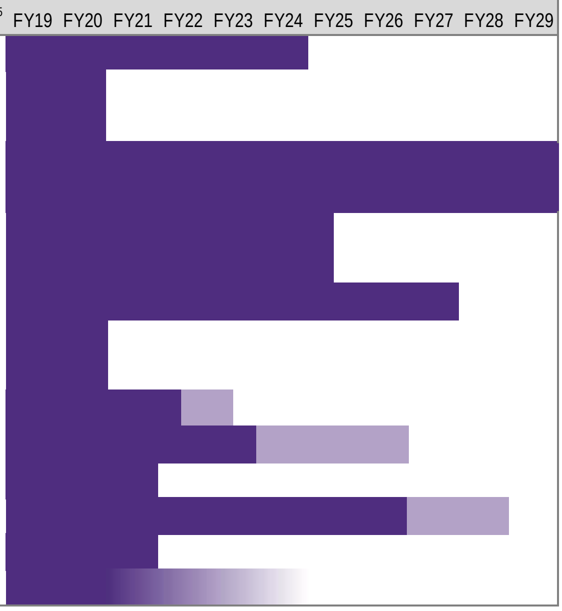
We have further analysed each of Transit Systems Groups' key contracts, and provide a summary of the key contract terms below.

Summary of key Transit Systems Group contracts[1]

Route / Contract	Location	Contract first held	# of historical renewals[3]	Expiry[4]	Extension Option (yrs)[5]
Midland Perth	WA	Jan-96	2	Apr-24	
Canning Perth	WA	Sep-96	1	Apr-20	
Southern River Perth	WA	Sep-96	1	Apr-20	
Claremont Perth	WA	Sep-02	3	Jan-30	
Marmion Perth	WA	May-11	1	Jan-30	
Busselton WA	WA	Jan-15		Dec-24	
Bunbury WA	WA	Jan-15		Dec-24	
Albany WA	WA	Jul-17		Jun-27	
Adelaide (EW)	SA	Apr-00	1	Jun-20	
Adelaide (NS ONE)[2]	SA	Jun-18		Jun-20	
Region 3	NSW	Oct-13		Oct-21	1
Region 6	NSW	Jul-18		Jun-23	3
Darwin Bus Services	NT	Oct-14		Feb-21	
PTV	VIC	Jul-18		Jun-26	2
Bulim	Singapore	May-15		May-21	2
23 London contracts	London	na		Numerous[6]	



Source: Management
Note (1): The Joondalup bus service contract in Perth has not been included in the table above together with a few immaterial contracts (e.g. school charters) have not been included (collectively these account for less than 1% of revenues)
Note (2): The NS ONE contract was acquired as part of the acquisition of Light-City Buses from Broadspectrum in June 2018.
Note (3): The number of times the contract has been successfully renewed by Transit Systems Group.
Note (4): The expiry dates represent the contract expiry, assuming extension options are not granted. This is represented by the dark purple bars, with the light purple bars representing option extension periods.
Note (5): The number of extension years on the contract. Extensions are at the discretion of the relevant transport authority.
Note (6): The London bus contracts have various expiry dates between March 2020 and March 2024.

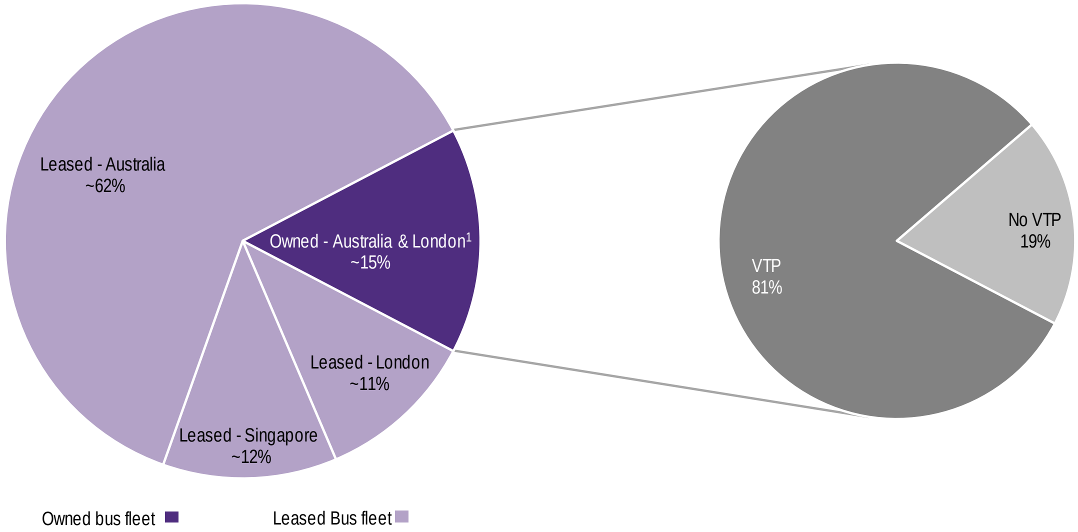
5.3.2 Fleet and depot arrangements

Transit Systems Group owns a relatively small proportion (circa 15%) of its bus fleet (leasing the remainder) and leases most of its depots. The majority of buses are owned by the respective government agencies where the company operates. Lease rent is recovered through the contract payments by the relevant government entity[88]. Under some contracts TSG owns all, or some of the fleet. For instance, under the Region 6 contract, TSA is required to purchase all new and replacement buses, with the company reimbursed for the associated capex over the life of the contract and the fleet subject to pre-determined vehicle termination payments ("VTP") at contract expiry, which we explain in more detail below.

For those buses owned by Transit Systems Group approximately 81% are subject to a VTP, effectively guaranteeing their asset values. Below we provide a breakdown of Transit Systems Group bus fleet split between owned and leased buses.

88 We note that under Tower Transit Group's contracts with TfL, no recoveries of lease expenses are provided by TfL. This is bid into the contract price.

Transit Systems Group's bus fleet overview as at 30 June 2019



Source: Management
Note (1): Consisting mostly of Australian-owned fleet, as the majority of London fleet is leased.

The age of Transit Systems Group's fleet ranges from 1 to 26 years, with most buses being between 1 and 10 years old. Some contracts stipulate that the buses should not be older than a specified number of years, which necessitates either replacement or major refurbishment of the buses once they reach the specified age. For the Region 6 contract—under which TSA is responsible for the new and replacement fleet—a number of buses are approaching the maximum permitted fleet age. Accordingly, a large amount of capex is required over the next few years to fund purchases of Region 6 buses.

5.3.3 Contract tendering history

Transit Systems Group has an impeccable track record of tendering for bus public transport contracts, having won 13 contracts, renewed seven contracts and lost just two contracts in its 24-year history. Upon entering various markets, the company has typically increased its market share over time and re-secured the majority of contracts that have come up for renewal (since inception circa 85%[89] of contracts have been successfully renewed). This growth and renewal success has been observed in Perth and Adelaide (where TSA has a circa 40% and 70% market share respectively), as well as Sydney. We note that in 2013 Transit Systems Australia won the Region 3 contract despite being a new entrant, and was the only new entrant to secure one of the 11 bus contracts that were retendered in Sydney during 2012 and 2013. Transit Systems Australia then won the Region 6 contract five years later, the largest bus public transport contract tender in Australian history. We understand that Management have expertise in running the tendering process, and have good relationships with state governments.

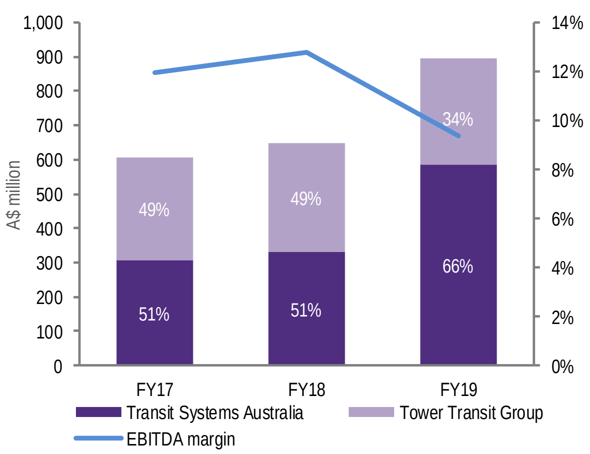
5.4 Current operations

TSG derives approximately two-thirds of its revenues in Australia, and a third from its London and Singapore operations. TSG has grown rapidly in the last few years, with revenues and EBITDA growing at

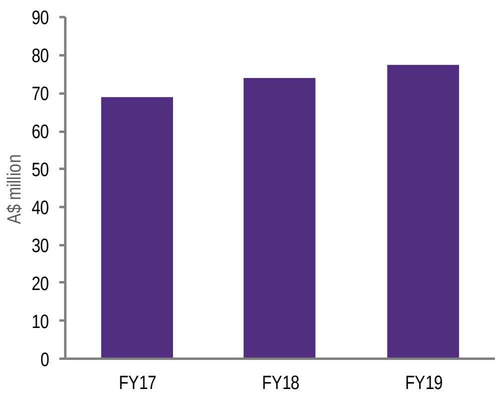
[89] Since inception the company has successfully renewed 12 contracts and had 2 non-renewals. However, of the two lost contracts, one was lost in Perth partly due to Transit Systems Group approaching the Western Australia Government's legislated cap of 50% market share for any one operator. The other lost contract, Adelaide's NSONE, was awarded to an entity which has since exited the market. This was subsequently regained with the acquisition of Light City Buses.

a CAGR of approximately 25.6% and 19.5% respectively since FY17[90], driven predominantly by the Sydney Region 6 contract win and acquisition of Light City Buses. The historical revenue across geographies and group EBITDA is shown below:

Transit Systems Group Revenue[1,2]



Transit Systems Group EBITDA[1,2]



Source: Management
Note (1): These financials have been adjusted for certain pro forma adjustments, to remove certain assets and operations excluded from the acquisition perimeter, normalisations identified during SeaLink's due diligence and assuming the Sita Group was owned by Transit Systems Group from 1 July 2016 (i.e. the full contribution for Sita Group is included in FY17, FY18 and FY19). For a more description of how the financials have been prepared, see section 5.6.
Note (2): Sita Group included on a pro forma basis for all years, to allow for ease of comparison purposes.

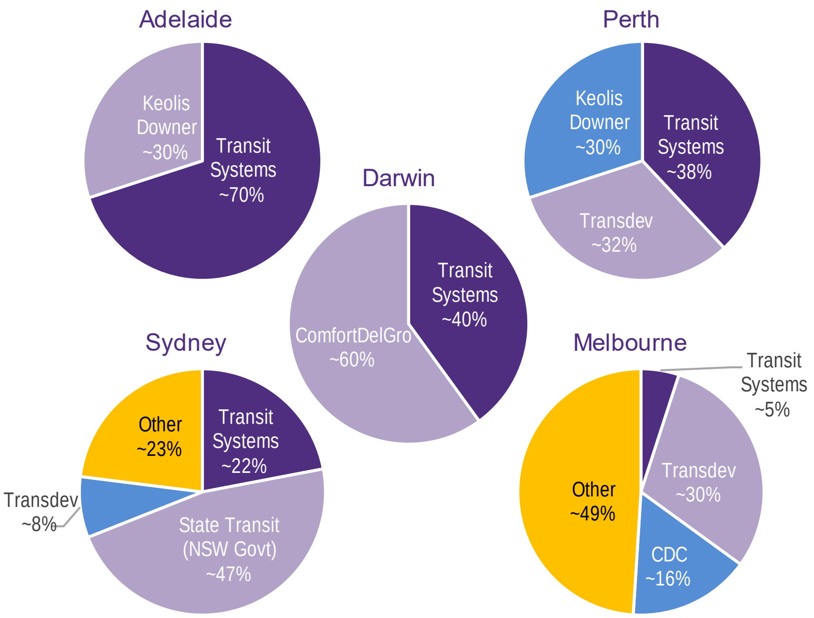
5.4.1 Transit Systems Australia

Transit Systems Australia enjoys significant market share in Australia, particularly in Adelaide, Darwin and Perth.

Below we provide a breakdown of the market share controlled by Transit Systems Australia in each of the Australian cities that it operates in.

[90] Based on pro-forma normalised revenues, and assuming Sita Group was owned by Transit Systems from 1 July 2018.

Approximate market share by city as at 30 June 2019[1,2]



Sources: Management
Note (1): Sydney market share for Transdev and State Transit (NSW Gov't) based on CY18 passenger numbers under the respective SMBSCs and Outer Sydney Metropolitan Bus Service Contracts ("OSMBSCs").
Note (2): Melbourne CDG market share based on CDG's 2018 annual report.

Transit Systems Australia leases the majority of its fleet and depots but owns the Region 3 fleet, Region 6 new and replacement fleet and Darwin fleet. At contract expiry, all three operating contracts require the State to either purchase the bus fleet or transfer the fleet to any subsequent operator. The payment for the fleet is based on a VTP for each vehicle that transfers. Below we provide an overview of the Australian fleet and depot arrangements by state.

Australia operations asset overview	Bus fleet	Fleet owned or leased	Owned fleet transfer at contract expiry	Depots	Depot owned or leased
WA	620	Leased	NA	14	Leased
SA	700	Majority leased	NA	7	Majority leased
NSW	842	Leased and Owned	✔	6	Leased and Owned
NT	36	Owned	✔	1	Leased
VIC	168	Owned	✔	1	Leased
Total	2,366			29	

Source: Management.

We note the following key points in relation to Transit Systems Australia's operations:

- Transit Systems Australia's contracts are held with the respective Governments in the states and territory that it operates[91]. These contracts are usually for 6-10 year periods with extension options at the transit authority's discretion, or based on achieving KPIs.
- Approximately 44% of Transit Systems Australia's revenues under contract are up for renewal in CY20, including key South Australian and West Australian contracts.

[91] Being Transport for NSW in NSW; Public Transport Authority of Western Australia in WA;

- *Region 6*: The contract was previously operated by TfNSW with a fleet of approximately 600 buses, which is expected to grow over the life of the contract. In addition to funding the replacement cost of new buses, Transit Systems is also required to fund the contract mobilisation costs, contract working capital and a performance bond. The five year contract term expires in June 2023 and may be extended for an additional three years at TfNSW's discretion. A significant portion of the profitability of the Region 6 contract depends on Transit Systems Australia successfully implementing service and scheduling changes, some of which took place in March 2019 and July 2019.

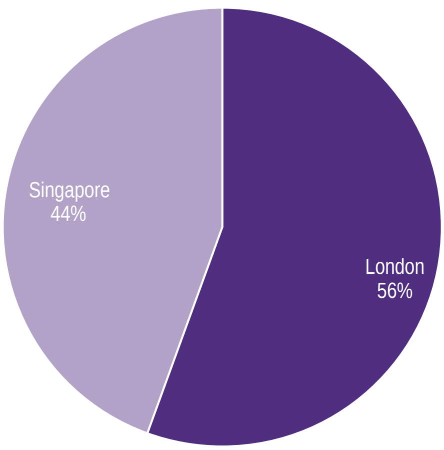
- *Acquisition of Sita*: In April 2019, TSA acquired Sita Group, a Melbourne based entity operating 168 buses and providing public bus services, general charter bus services, rail replacement buses and school bus services. Sita Group operates nineteen of the circa 350 Melbourne metropolitan bus routes under contract with PTV. The contract is for ten years (8 years plus a mandatory 2 year extension subject to meeting contracted KPIs). Sita Group also owns a strategically-located depot in West Footscray which is the closest depot to the Melbourne CBD.

  The rationale for the acquisition was to expand the business into Victoria where Transit Systems Australia previously did not have a presence. In late 2018, PTV announced that Transdev's Melbourne metropolitan bus contract, which accounts for approximately 30% of bus services in the city, was not being extended beyond 2021, and will likely go to tender.

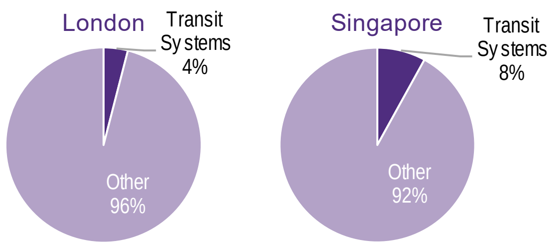
5.4.2 Tower Transit Group

Tower Transit Group operates public bus transport in London and Singapore, holding a circa 5% and 8% market share in each city respectively. In FY19, revenues from international operations represented 34% of total group revenues.

Tower Transit Group revenues by country



Market share by city



Source: Management

In London, Tower Transit Group generates revenue across 23 different contracts which typically cover an individual or small number of routes. Contracts are typically for a term of five years and generally a two-year extension option is available if operational KPIs are met.

In Singapore, the TTG operates under one contract ("Bulim package") which consists of 31 routes[92]. The contract is for a term of five years, ending 2021, following which a further two-year extension is available at the discretion of the LTA.

Similar to its Australian operations, in the UK and Singapore, the TTG leases the majority of its bus fleet. In Singapore, all buses are owned by the LTA and leased to Tower Transit Group. In the UK, TTG Group leases its fleet from third parties. In relation to the depots, TTG owns the Westbourne depot in London while it leases both the Interchange depot located in London and the depot in Singapore.

Below we provide a table with an overview of the asset arrangements for London and Singapore.

International operations asset overview	Bus fleet	Fleet owned or leased	Owned fleet transfer at contract expiry	Depots	Depot owned or leased
London	396	Majority leased	NA	2	Leased and owned
Singapore	367	Majority leased	NA	1	Leased
Total	763			3	

Source: Management

5.5 Future opportunities and initiatives

The Midland contract in Perth was the first ever competitively tendered urban bus contract in Australia. Since then, more Australian cities have privatised their bus networks, a trend which is also occurring internationally. Competitive tendering has become a proven model to enhance service quality and reduce costs to tax payers. It is expected that more states and local authorities will follow suit and undertake privatisation. Furthermore, the industry is undergoing consolidation as the larger players attempt to grow their market share and smaller operators (typically family run businesses) which in the past made up the majority of private operators, will likely be unable to remain competitive.

While Transit Systems Group has a large market share in Australia, there are several opportunities, both domestic and international which if captured have the potential to continue to increase the scale of the business. Below we highlight a number of potential opportunities:

- *Melbourne Metropolitan Bus Franchise:* In December 2018, the Victorian Government announced that it would be retendering the Melbourne Metropolitan Bus Franchise agreement, which covers approximately 30% of services in the city. The current contract[93], which expires in 2021, has a term of approximately seven years and is worth circa A$1.7 billion.

- *Sydney:* The Sydney region consists of 15 Metropolitan Bus Service Contracts and 12 Outer Sydney Metropolitan Bus Service Contracts. Transit Systems Australia will be able to bid for these as they are progressively tendered. In addition, Regions 7, 8 and 9 are currently operated by the NSW government and represent approximately 44% of the Sydney's bus network in terms of passenger numbers[94].

- *Singapore:* Singapore is currently in the process of implementing its Bus Contracting Model ("BCM") under which 14 bus packages covering over 350 routes will be progressively put to tender. The first

[92] Two further routes were added to the Bulim package following commencement of the contract, which are operated by SMRT Buses.
[93] Operated by Transdev.
[94] Based on CY18 passenger numbers for the OSMBSCs and SMBSCs.

four packages (Tower Transit Group secured the first contract) have already been tendered with the remaining ten to be progressively tendered over the next 7 years (to 2026).

- *United States:* TSG is actively pursuing entering into the United States where it has commenced submitting tenders for bus contracts in Los Angeles.

- *London:* Tower Transit Group has a 5% market share in London and owns two centrally located bus depots in the city. Tower Transit Group may be able to expand its operations in London, although we note the high level of competition in the market and significant level of entrenchment of existing operators. TTG's market share has remained fairly steady since entering the London market in 2013.

- *Brisbane:* In 2019, the Queensland Government contracted Brisbane City Council to operate Brisbane's buses under a three-year contract across more than 420 routes. It is possible that in the future, the operations of Brisbane's buses may be put to competitive tender. In addition to Brisbane, the Gold Coast and Sunshine Coast have private bus contracts which upon expiry represent new opportunities.

- *Other Australian opportunities:* All public bus operations in Hobart and the ACT. Should these be privatised, Transit Systems Australia may be able to capture additional market share.

In addition to the above opportunities, there are contracts operated by Transit Systems Groups' competitors in almost every city, which Management can potentially bid for upon expiry of the same.

Management of Transit Systems Group has identified a tender pipeline worth circa A$3.5 billion per annum across new and existing markets before 2025.

5.6 Financial information

5.6.1 Financial performance

Below we have presented the pro-forma financial performance of Transit Systems Group over the last three financial years. The historical financials have been amended for certain pro-forma adjustments, to remove certain assets and operations excluded from the transaction perimeter and normalisations identified during SeaLink's due diligence. In addition, the financials are presented on a constant currency basis for Tower Transit Group[95]. For ease of comparison purposes, we have included the full historical contribution from Sita Group even Transit Systems Group only completed the acquisition in April 2019. We note that given the different reporting dates of Transit Systems Australia (30 June) and Tower Transit Group (31 March), the pro-forma financials have been built up as follows:

- *FY19* – TSA unaudited management financials for the year ended 30 June 2019; Sita Group unaudited management financials for the year ended 30 June 2019; TTG twelve months unaudited management financials to 30 June 2019.

- *FY18 and FY17* – TSA and Sita Group audited financial accounts for the year ended 30 June; TTG twelve months unaudited management financials for the year ended 30 June, which reconcile to the audited TTG financial accounts for the financial year ended 31 March.

[95] AUD:GBP exchange rate of 0.5344 for the UK operations of Tower Transit Group; AUD:SGD exchange rate of 0.9578 for the Singaporean operations of Tower Transit Group.

Consolidated statements of comprehensive income for the period[1]	FY17	FY18	FY19
A$ million (Constant currency basis)	Unaudited	Unaudited	Unaudited
Revenue			
Australia (including Sita)	308	331	587
UK[1]	195	184	171
Singapore[2]	121	127	137
Total revenue	623	642	895
Revenue growth	*n/a*	*3.0%*	*39.4%*
Underlying EBITDA	69	74	78
EBITDA margin	*11.1%*	*11.5%*	*8.7%*
Less: Depreciation and Amortisation			(16)
Reported EBIT			61
EBIT margin			*6.8%*
Less: Interest			0.0
Net Profit before Tax			61
Less: Tax			(16)
Net Profit after Tax[2]			45
NPAT margin			*5.0%*

Source: Management
Note (1): FY17, FY18 and FY19 in the table above reflects a full year of Sita Group earnings as if it had been owned by Transit Systems Group from 1 July 2016.
Note (2): Assumes no interest and a 30% tax rate for Australia earnings, 19% tax rate for UK earnings and 17% tax rate for Singapore earnings.

We note the following in relation to the financial performance of Transit Systems Group:

Australia (including Sita Group)

- TSA's revenue (including Sita Group) grew at a CAGR of 38.1% over FY17 to FY19 driven by both organic and inorganic factors, as summarised below:
  - On 1 July 2018, Transit Systems Australia commenced operations of the Region 6 contract, which generated approximately A$185 million uplift in revenue in FY19.
  - Additional revenues in FY19 from the acquisition of Light City Buses in South Australia.
  - An increase in the mileage serviced in Adelaide and Western Australia, as well as additional bus charter income in Adelaide.
  - Increase in revenue through the recovery of higher variable costs.
  - An increase in Sita Group revenue through charter services from rail replacement work.
- The Sydney Region 6 contract has delivered a substantial uplift in revenue in FY19. We understand that upon commencement of the contract, Management has undertaken a process to streamline

Region 6 services with the aim of improving the efficiency of the network through servicing and scheduling refinements. While an efficiency audit has been undertaken and several servicing and scheduling changes introduced in March 2019 and July 2019, a significant portion of savings remain to be realised which has had an adverse impact on the overall EBITDA margin in FY19. For instance, excluding Region 6, the FY19 EBITDA margin for Transit Systems Australia would have been circa 14%. Including Region 6, this reduces to 10%. The effects of the scheduling and servicing changes will be observed over the coming year, and Management expects to realise significant savings in FY20.

UK

- The revenues for TTG's UK business reduced from A$195 million to A$171 million due to the expiry of contracts for 3 key routes. This is expected to reverse in FY20 as the contracts for 4 new routes commence from 1 April 2019.

- A reduced mileage also resulted in lower driver requirements and lower fuel requirements in FY18 and FY19, which resulted in lower expenses.

Singapore

- Tower Transit Group's Singapore business witnessed an increase in revenue due to an increase in the periods of service after a revised bus service schedule for the Bulim zone was introduced in FY17-18.

- The business faced higher repairs and maintenance expenditure on the fleet leased from the government as well as higher driver wages and fuel costs relative to revenue.

- Fixed costs for depot rental also increased significantly post the introduction of the revised service schedule.

5.6.2 Financial position

The consolidated statement of financial position of TSG as at 31 March 2019 is summarised in the table below. The balance sheet has been prepared based on unaudited management financials as at 31 March for TSA, Sita Group and TTG.

Consolidated statements of financial position as at	31-Mar-19
A$ million	Unaudited
Assets	
Cash and cash equivalents	12
Trade and other receivables	82
Inventories	10
Property, Plant & Equipment	198
Intangible assets	110
Other assets	53
Total Assets	464
Liabilities	
Trade and other payables	63
Provisions	69
Borrowings	201
Capitalised borrowing costs	(1)
Other financial liabilities	8
Other liabilities	53
Total Liabilities	393
Net Assets	70

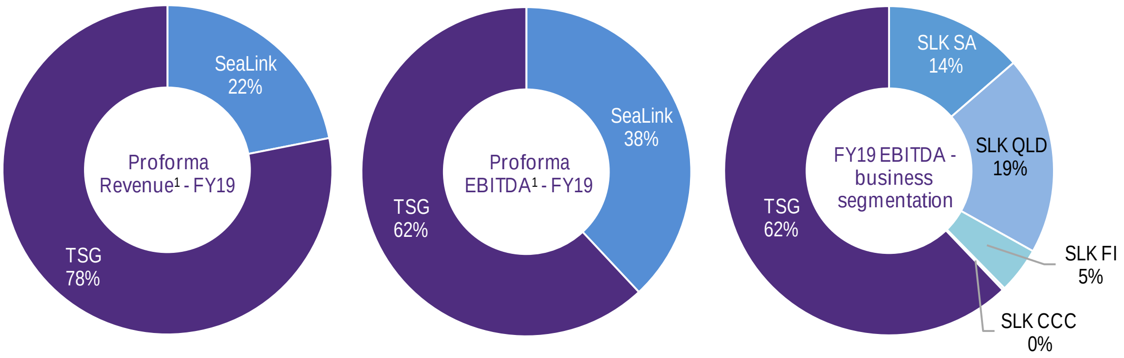
Source: Management

- Property, plant and equipment mainly relate to buses and motor vehicles, as well as the owned depots in relation to Tower Transit Group (UK operations).
- Trade receivables mainly pertain to service payments paid monthly in arrears by the state governments. Trade payables comprises of unpaid supplier invoices.
- Inventories comprises spare parts and diesel for maintenance and operation of the fleet.
- Borrowings comprises commercial loans, finance leases and facilities for capex and working capital.
- Intangible assets consist mainly of goodwill arising from acquisitions and some customer contracts.

6 Profile of the Combined Group

6.1 Overview of the Combined Group

The graphs below provide an illustration of the Combined Group.



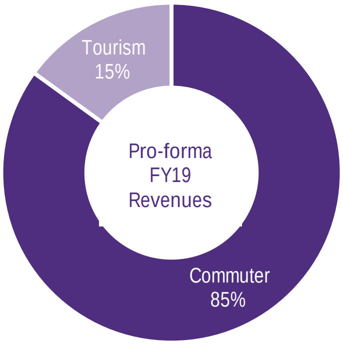
Source: Management
Note (1): Adjusted EBITDA, after normalisation of one-off costs and non-operational costs. Assumes Sita Group was owned by Transit Systems Group from 1 July 2018.
Note (2): Transit Systems Group's international operations are reported on constant currency basis using the following exchange rates: AUD:GBP exchange rate of 0.5344 for the UK operations of TTG and AUD:SGD exchange rate of 0.9578 for the Singaporean operations of TTG.

If the Proposed Acquisition is completed, the Combined Group will have the following characteristics:

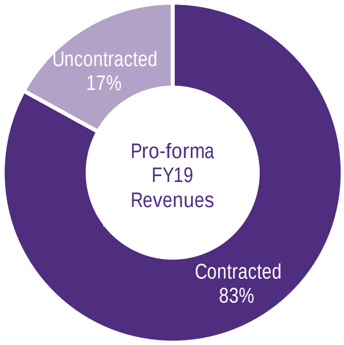
- A materially larger, more diversified multi-modal transport and tourism company with international operations.
- A higher market share in operating transport assets in Australia along with exposure to international markets which provides SeaLink the potential to promote its brand in other jurisdictions.
- An improved ability to tender for new opportunities, given both the complementarity of the businesses as well as the tendering expertise and relationships of both groups of Management, which are likely to be strengthened.
- Cost synergies in relation to consolidation of operating sites/ state offices, procurement synergies, insurance synergies and overhead synergies as well as potential unquantified revenue synergies through cross-selling, coordination of routes and increased scale.
- A large-scale business with enhanced capacity to access the equity markets and to fund investments necessary for large contracts and obligations.

Below we provide an overview of the exposure to end markets and breakdown of contracted and uncontracted revenues of the Combined Group.

Split of tourism and commuter revenues



Split of contracted/uncontracted revenues



Source: Management

6.2 Board of Directors and Management Team

- As discussed in Section 1.1, Neil Smith, current Chairman of Tower Transit Group and founding shareholder of Transit Systems Group, has agreed to join the SeaLink Board of Directors (currently comprising six directors) immediately upon completion of the Proposed Acquisition, which will result on a total of seven directors.

- Jeff Ellison will step down as SeaLink CEO with Clint Feuerherdt taking over on completion of the Proposed Acquisition. Jeff Ellison will provide ongoing support to Clint Feuerherdt to ensure a smooth transition of leadership. In addition, Jeff Ellison will remain on the Board as a non-executive director.

6.3 Pro-forma statement of comprehensive income

The pro forma statement of comprehensive income of the Combined Group before synergies prepared by the Company is set out below. We note that Grant Thornton Corporate Finance has not reviewed the pro-forma statement of comprehensive income.

Pro forma statement of comprehensive income A$ million (Constant currency basis)	FY19 SeaLink	FY19 Transit Systems Group	Adjustments	FY19 Pro forma[1]
Revenue	251	895		1,147
EBITDA	48	78		125
EBITDA margin	*19.1%*	*8.7%*		*10.9%*
Depreciation and amortisation	(16)	(16)		(33)
EBIT	32	61		93
EBIT margin	*12.5%*	*6.8%*		*8.1%*
Net profit after tax	23	45	(5)	63

Source: Management, GTCF analysis
Note (1): Pro-forma statement of income does not factor in synergies. In addition it is calculated before the amortisation of any identifiable intangibles, excluding transaction costs and stated prior to applying the adjustment factor to take into account the bonus element of the Entitlement Offer consistent with AASB 133.

As outlined above, the Proposed Acquisition is expected to be EPS accretive to SeaLink Shareholders.

6.3.1 Synergies

The Combined Group is expected to realise cost and revenue synergies operating as an enlarged entity. Potential cost synergies for the Combined Group have been identified by the Company as outlined below:

- The two companies have estimated annual pre-tax cost synergies of between A$4.0 million and A$4.6 million realised after a two-year integration period (excluding one-off implementation costs) as a result of cost savings including the following:
  - Consolidation of a number of offices.
  - Procurement cost savings through lower cost of fuel, engine operating fluids, spare parts, tyres and other maintenance inputs.
  - Utilities, IT systems, support teams, insurance and other corporate cost savings.

The Combined Group is also expected to realise synergies through the uplift in revenue expected through the expanded service offerings and capabilities of the combined business. Significant increase in cross selling opportunities is expected across the enlarged passenger base. SeaLink is expected to utilise the higher visibility among passengers in Transit Systems Group's public transport operations to promote their tourism business.

Implementation costs of synergies are expected to be limited.

6.4 Pro-forma balance sheet

The pro forma balance sheet of the Combined Group prepared by the Company is set out below. We note that Grant Thornton Corporate Finance has not reviewed the pro-forma balance sheet.

Statement of financial position[1] A$m	SeaLink 30-Jun-19	Transit Systems Group 31-Mar-19	Adjustments	Pro-forma Combined Group
Assets				
Cash and cash equivalents	12	12	(12)	12
Trade and other receivables	12	82	-	94
Inventories	5	10	-	15
Property, plant and equipment	201	198	-	399
Intangible assets	53	110	417	580
Other assets	18	53	(32)	38
Total assets	301	464	373	1,138
Liabilities				
Trade and other payables	14	63	-	77
Provisions	13	69	(1)	82
Borrowings	96	201	(4)	293
Capitalised borrowing costs	-	(1)	(2)	(3)
Deferred Consideration related to Proposed Acquisitic	-	-	37	37
Earn Out Consideration related to Proposed Acquisiti	-	-	63	63
Other financial liabilities	4	8	(8)	4
Other liabilities	18	53	(46)	25
Total liabilities	144	393	40	577
Net assets	158	70	333	561

Source: Management

Note (1): The purchase price accounting for the acquisition has been shown on an illustrative basis by allocating the difference between the purchase consideration and the carrying value of assets and liabilities in the 31 March 2019 consolidated balance sheet of Transit Systems Group to intangibles. The pro forma adjustments to reflect the estimated financial effect of the accounting for the business combination are illustrative only. Australian Accounting Standards require an allocation of fair value of assets and liabilities acquired. SeaLink will undertake a formal allocation of its acquisition subsequent to the date when the transaction completes. Accordingly that allocation may give rise to material differences in values allocated to the above balance sheet line items and may also give rise to fair value being allocated to other balance sheet items.

Post completion of the Proposed Acquisition, the Company will undertake a purchase price allocation exercise in accordance with the accounting standard which may identify separately identifiable intangibles.

6.5 Net debt position

The pro-forma net debt of the Combined Group is expected to be circa A$318 million, inclusive of the Deferred Consideration but excluding the Earn-out Consideration, as outlined in the table below:

Pro-forma net debt of the Combined Group A$m	
Transaction funding debt issuance from senior term debt	230
Sita Group vendor note	40
Revolving credit facility	2
Transit Systems Group finance leases	8
Pro-forma net debt of the Combined Group	281
Deferred Consideration	37
Pro-forma net debt of the Combined Group including deferred consideration	318

Source: Management

With regard to the debt position of the Combined Group, we note the following:

- SeaLink has received the New Debt Facilities of approximately A$470.0 million consisting of a senior term debt facility of A$230 million, revolving credit facilities of in aggregate A$180 million and a letter of credit facility of A$60 million. These are intended to largely be applied to refinance SeaLink and Transit Systems Groups' existing debt facilities on more favourable terms, and to assist in funding the Deferred Consideration and the Earn-out Consideration (if any) as well as the Combined Group's ongoing working capital needs.

- The Sita Group vendor note refers to a deferred consideration of A$40 million in relation to the acquisition of Sita Group ("Vendor Note"). The Vendor Note is to be paid 50% within 3 years of the completion date (April 2022) and 50% within four years of the completion date (April 2023).

6.6 Dividend policy

SeaLink Directors intend to maintain the current target dividend payout ratio of 50% to 70% of NPAT.

6.7 Shareholding

Set out below is the expected shareholding structure of the Combined Group:

Combined Group Number of ordinary shares	*Section* *Reference*	Number of shares	%
Existing shares on issue	*4.6*	101,429,103	46.5%
Shares issued for the Placement and Entitlement Offer	1.1	44,000,000	20.2%
Scrip Consideration	1.1	72,869,945	33.4%
Total		218,299,048	100.0%

Source: Management

7 Valuation methodologies

7.1 Introduction

As part of assessing whether or not the Proposed Acquisition is fair to the Non-Associated Shareholders, Grant Thornton Corporate Finance has compared:

- Fair market value of SeaLink Shares before the Proposed Acquisition on a control basis.
- Fair market value of the Combined Group after the Proposed Acquisition on a minority basis.

In each case, Grant Thornton Corporate Finance has assessed the value using the concept of fair market value. Fair market value is commonly defined as:

"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."

Fair market value excludes any special value. Special value is the value that may accrue to a particular purchaser. In a competitive bidding situation, potential purchasers may be prepared to pay part, or all, of the special value that they expect to realise from the acquisition to the seller.

We note, RG111 requires the fairness assessment to be made assuming 100% ownership of the target company and irrespective of whether the consideration offered is scrip or cash and without consideration of the percentage holding of the offeror or its associates in the target company.

7.2 Valuation methodologies

RG 111 outlines the appropriate methodologies that a valuer should generally consider when valuing assets or securities for the purposes of, amongst other things, approval of an issue of shares using item 7 of s611 of the Corporations Act, share buy-backs, selective capital reductions, schemes of arrangement, takeovers and prospectuses. These include:

- Discounted cash flow ("DCF") method and the estimated realisable value of any surplus assets.
- Application of earnings multiples to the estimated future maintainable earnings or cash flows of the entity, added to the estimated realisable value of any surplus assets.
- Amount available for distribution to security holders on an orderly realisation of assets.
- Quoted price for listed securities, when there is a liquid and active market.
- Any recent genuine offers received by the target for any business units or assets as a basis for valuation of those business units or assets.

Further details on these methodologies are set out in Appendix A to this report. Each of these methodologies is appropriate in certain circumstances.

RG111 does not prescribe the above methodologies as the method(s) that an expert should use in preparing their report. The decision as to which methodology to use lies with the expert based on the expert's skill and judgement and after considering the unique circumstances of the entity or asset being valued. In general, an expert would have regard to valuation theory, the accepted and most common market practice in valuing the entity or asset in question and the availability of relevant information.

7.3 Selected valuation methods

In our assessment of the fair market value of SeaLink and Transit Systems Group, Grant Thornton Corporate Finance has relied on a number of valuation methodologies as outlined below:

- *EBITDA Multiple Method:* Grant Thornton Corporate Finance has selected the EBITDA capitalisation approach to assess the fair market value of SeaLink and Transit Systems Group. We have adopted the FY20 EBITDA multiple approach due to the following key considerations:

    - This methodology is suitable for business like SeaLink and Transit Systems Group that have been trading profitably for a number of years and have relatively stable operations and earnings.

    - EBITDA is a frequently used valuation metric to assess the value of a company as it is not affected by differences in earnings caused by varying capital structures and depreciation and amortisation policies.

    - Capitalisation of earnings based on EBITDA multiples is commonly adopted for companies in the transport and tourism industries.

  We note that in our valuation assessment of Transit Systems Group, we have also considered the EBIT multiple of listed peers in order even the differences in relation to the leasing the depots and the owned versus leased buses.

The EBITDA Multiple Method involves the following key processes:

- Selecting an appropriate level of EBITDA for FY20, having regard to the historical and budgeted operating results after adjusting for non-recurring items of income and expenditure, and other known factors likely to affect the future operating performance of the business.

- Determining appropriate EV/EBITDA multiples having regard to the trading multiples of comparable companies and comparable transaction evidence, and the specific circumstances of SeaLink and Transit Systems Group.

- *DCF Method*: For the purpose of our valuation assessment, Grant Thornton Corporate Finance has built a valuation model ("GT Model") based on cash flow management projections to 30 June 2023 prepared by SeaLink and Transit Systems Group ("Financial Models"), and calculated a terminal value at that point in time.

  We believe the DCF Method is an appropriate valuation methodology due to the following:

    - SeaLink and Transit Systems Group have long histories of profitability.

    - Working capital and capital expenditure requirements can be modelled in a robust way.

    - The DCF Method is one of the most commonly used methodologies for valuing transport and tourism companies with contract risks.

- In addition to the EBITDA Multiple Method and DCF Method, for our valuation of SeaLink Shares before the Proposed Acquisition, we have also adopted the Quoted Security Price Method. This method is based on the Efficient Market Hypothesis which assumes that the share price at any point in time reflects all publicly available information and will change when new information becomes publicly available.

8 Valuation assessment of SeaLink before the Proposed Acquisition

8.1 Valuation summary

As discussed in section 7, we have assessed the fair market value of SeaLink Shares before the Proposed Acquisition on a control basis using the FY20 EBITDA Multiple Method, DCF Method and Quoted Security Price Method. We have set out in the table below a summary of our assessed valuation range on a control basis.

Valuation summary of SeaLink Shares before the Proposed Acquisition (control basis) A$ per share	*Section Reference*	Low	High
FY20 EBITDA Multiple Method	*8.2*	4.25	4.81
DCF Method	*8.3*	4.25	4.70
Quoted Security Price Method	*8.4*	4.68	4.88
Fair market value per SeaLink Share (control basis) - Average		4.39	4.80

Source: GTCF analysis

8.2 FY20 EBITDA Multiple Method

Set out below is our valuation assessment of SeaLink Shares based on the capitalisation of the FY20 EBITDA.

Valuation summary - FY20 EBITDA Multiple Method A$ millions (except where stated otherwise)	*Section Reference*	Low	High
Assessed FY20 EBITDA	*8.2.1*	49.0	52.0
Assessed EV/EBITDA Multiple (on a control basis)	*8.2.2*	10.5x	11.0x
Enterprise value (control basis)		514.5	572.0
Less: Net debt as at 30 June 2019	*4.5.2*	(83.9)	(83.9)
Equity value (control basis)		430.6	488.1
Number of outstanding shares (1)	*4.6*	101,429,103	101,429,103
Value per share (control basis) (A$ per Share)		4.25	4.81

Source: GTCF analysis; SeaLink Management.
Note 1 – We note that we have not considered the dilution from the PRs and the Options in the calculation of the value per share as it is already reflected in the multiple of listed peers and comparable transactions.

8.2.1 FY20 EBITDA of SeaLink

When considering the FY20 EBITDA of SeaLink, we have taken into account the following:

- Historical financial performance of SeaLink for FY17 to FY19 as set out and discussed in Section 4.5.
- SeaLink Management FY20 underlying EBITDA guidance in the range of A$49.0 million to A$52.0 million and management projections[96] for FY20 to FY23 which have been prepared based on the latest financial performance of the Company ("SeaLink Management Projections").
- Expectations regarding upcoming contracts and their likelihood of renewal.

[96] Details of SeaLink's Management Projections are not disclosed due to confidentiality and commercial sensitivity factors and because they do not meet the disclosure requirements under ASIC Regulatory Guide 170 "Prospective Financial Information" ("RG170").

- Brokers' forecast EBITDA for SeaLink released after the announcement of the FY19 results at the end of August 2019.

In our assessment of FY20 EBITDA for SeaLink, we have considered the following key factors:

- SeaLink's financial performance in FY18 and FY19 was adversely affected by its Captain Cook Cruises businesses in NSW and WA. In particular, in FY18, the Company commenced two new ferry routes which generated trading losses of approximately A$1.8 million (EBIT). The first of the two routes, the Manly to Barangaroo ferry, has continued to underperform Management's expectations in FY19 (with growth slower than expected) and Management has recently announced its closure which occurred in September 2019. The second new ferry route, the Rottnest Island ferry, has seen improved performance in recent months, and Management sees this as a long-term growth opportunity. Other initiatives implemented to maximise the yield of the existing fleet include the following:

  - Secured a new wet and dry hire lease for a period of 6 months with potential extension of an additional twelve months for 4 Rockets[97] on Sydney Harbour commencing in August 2019 which is expected to generate a net contribution of approximately A$1 million per annum.

  - Agreed with the NSW Government, subsidies on the Lane Cove service with a net EBITDA contribution of A$0.5 million per annum.

  - Close other low yielding ferry services.

  - Continuous review of vessels deployed and a focus on growing stadium transfer opportunities in Perth.

  In addition to the above, we have taken into account that the Captain Cook Cruises business has been affected and continues to be affected by the slowdown in consumer demand driven by below average consumer sentiment and slowdown in demand for discretionary products and services.

- At the end of September 2018, SeaLink commenced ferry services to Bruny Island following the successful tender for the ten year contract. The Company is expected to realise the full year impact of the Bruny Island contract win in FY20 with residents, tourists and vehicle patronage/traffic all performing well.

- YTD performance is in line with budget.

- In January 2019, SeaLink successfully renewed the Bay Islands Transit contract with the Queensland Government (Translink) to service four islands around the Southern Moreton Bay for 5 years plus a further two by one year options.

- Mineral sands mining on North Stradbroke island has been legislated by the Queensland Government to end at the end of calendar year 2019. SeaLink earns revenue from both a contracted barge service plus transportation of workers and freight which accordingly will cease shortly after.

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[97] SeaLink operates a fleet of ferries on the Sydney Harbour called "Rockets" which travel between various destinations on the harbour including Circular Quay, Darling Harbour, Taronga Zoo, Watsons Bay and others..

- Uncertain market conditions with fluctuating consumer sentiment may act to restrain revenue growth in the short-to-medium term. However, the weakening Australian dollar will likely encourage more Australians to holiday domestically, while at the same time potentially attracting an increased number of international visitors.

Based on the above discussions and a review of the information available, we have assessed the FY20 EBITDA of SeaLink within a range of A$49.0 million to A$52.0 million as set out below.

Underlying EBITDA analysis		Underlying EBITDA (A$m)			
A$m	*Section*	FY17	FY18	FY19	FY20
Source	*Reference*	Actual	Actual	Actual	Forecast
Sealink adjusted EBITDA actuals and FY20 guidance	*4.5.1*	49.4	46.5	47.9	49.0 - 52.0
Broker 1		na	na	na	50.5
Broker 2		na	na	na	52.0
Broker 3		na	na	na	51.8
Broker 4		na	na	na	48.8
Average		49.4	46.5	47.9	50.8
Median		49.4	46.5	47.9	51.2
Grant Thornton Adopted EBITDA			49.0	to	52.0

Sources: SeaLink Management; SeaLink Investor Presentation FY18 Results announced on the ASX on 22 August 2018; Various broker reports.

We note that our assessment of the FY20 EBITDA is in line with the brokers' estimates.

8.2.2 EV/EBITDA Multiple

The selection of an appropriate EV/EBITDA multiple is a matter of judgement and involves consideration of a number of factors including:

- The stability and quality of earnings.
- The nature and size of the business.
- The quality of the management team.
- Future prospects of the business.
- Cyclical nature of the industry.

For the purpose of assessing an appropriate EV/EBITDA multiple range to value SeaLink, we have had regard to:

- The trading multiples of listed transport and tourism related companies which have been attributed by share market investors. We note that the level of comparability of listed peers is limited and we have only adopted it to provide directional evidence for our valuation assessment.
- The multiples implied by recent transactions involving transport and tourism related companies. We have placed greater reliance on the transaction multiples.

Trading multiples

Summarised below are the trading multiples of the selected companies having regard to the trading prices:

Trading multiples analysis summary Company	Market Cap[2] (A$'m)	EV/EBITDA[4] FY18 Actual	LTM Actual[5]	FY19 Actual/Project[6]	FY20 Projected	FY21 Projected
Sealink Travel Group Limited	377	9.3x	10.0x	9.6x	9.1x	8.5x
Australia & NZ Tourism & Travel companies						
Helloworld Travel Limited[1]	577	9.5x	7.9x	7.9x	6.8x	6.4x
Tourism Holdings Limited	579	7.4x	7.2x	7.2x	7.0x	6.8x
Experience Co Limited	147	6.5x	9.2x	9.2x	6.7x	6.0x
Webjet Limited[1]	1,546	NM	12.6x	12.6x	9.8x	8.5x
Apollo Tourism & Leisure Ltd	88	6.0x	6.7x	6.7x	6.3x	6.0x
Flight Centre Travel Group Limited[1]	4,835	10.6x	11.0x	11.0x	9.9x	9.1x
Event Hospitality & Entertainment Limited[3]	2,149	9.6x	9.9x	9.9x	9.3x	8.8x
Millennium & Copthorne Hotels New Zealand Limited	413	5.0x	5.8x	NA	NA	NA
Average		7.8x	8.8x	9.2x	8.0x	7.4x
Median		7.4x	8.5x	9.2x	7.0x	6.8x
International Ferry and Cruise Operators						
Carnival Corporation & Plc	45,635	7.7x	7.5x	7.6x	7.1x	6.6x
Royal Caribbean Cruises Ltd.	33,119	11.5x	10.5x	9.9x	9.0x	8.1x
Norwegian Cruise Line Holdings Ltd.	16,235	8.9x	8.6x	8.7x	7.7x	7.2x
DFDS A/S	3,075	8.7x	8.6x	8.9x	8.2x	7.7x
AS Tallink Grupp	1,018	8.2x	8.2x	8.5x	8.3x	8.3x
Torghatten ASA	951	6.9x	6.5x	NA	NA	NA
Fjord1 ASA	592	6.9x	7.9x	8.9x	6.9x	6.6x
Attica Holdings S.A.	438	9.8x	9.3x	NA	NA	NA
Viking Line ABP	311	8.3x	7.2x	NA	NA	NA
Average		8.6x	8.3x	8.8x	7.8x	7.4x
Median		8.3x	8.2x	8.8x	7.9x	7.4x
Average - All		8.2x	8.5x	9.0x	7.9x	7.4x
Median - All		8.2x	8.2x	8.9x	7.7x	7.2x

Sources: S&P Global; financial reports of comparable companies and GTCF calculations
Note (1): We have adjusted our enterprise value calculations to remove cash held on behalf of clients as this is considered operating in nature.
Note (2): Market capitalisation as at 27 September 2019.
Note (3): We have adjusted FY18 and LTM EBITDA to reflect the discontinued operations of the Germany Entertainment business.
Note (4): Projected EBITDA is based on the median of broker estimates sourced from S&P Global as at 27 September 2019.
Note (5): Twelve months EBITDA computed with latest information released by the companies up to 27 September 2019.
Note (6): For Australia and NZ tourism & travel companies FY19 multiple is based on actual EBITDA since the companies have 30 June as end of financial year. For international ferry and cruise operators FY19 multiple is based on projected EBITDA since the companies have 31 December as and of financial year end accordingly FY19 results have not been published yet.
Note (7): We have adjusted historical and projected EBITDA amounts to eliminate the impact of IFRS 16 adoption.

A brief description of the companies listed in the table above is set out in Appendix B. We note the following in relation to the comparable companies:

- The EBITDA multiples presented above reflect the value of underlying companies on a minority basis and do not include a premium for control.

- Due to the lack of publicly-listed Australian companies with directly comparable operations to SeaLink, we have selected two sets of listed companies. The first set consists of companies operating in the Australian and New Zealand tourism, travel and leisure sectors. The second set consists of international ferry and cruise operators.

In our detailed review of each comparable company we also noted the following key similarities and differentiating factors with SeaLink:

- SeaLink is exposed to the domestic and inbound tourism markets, with approximately two-thirds of revenue generated from tourism activities. Given the discretionary nature of consumer spending in this sector, SeaLink, along with other Australian tourism, travel and leisure companies, is exposed to changes in the macroeconomic environment (both domestically and abroad) including changes in consumer sentiment, GDP growth, wage growth, employment levels and the exchange rate. We note the currently subdued conditions in the domestic tourism market has negatively impacted a number of tourism-exposed companies.

- SeaLink is exposed to lower levels of competition than other Australian tourism and travel companies listed on the ASX. For instance, SeaLink has sole operator status on a number of its ferry routes and faces low levels of competition on others. The Company's flagship ferry service to Kangaroo Island has been in operation for approximately 30 years and in that time a number of competitors have attempted to enter the market, although none have been able to adversely affect the operations of SeaLink.

- SeaLink is a vertically integrated tourism and transport company. For its Kangaroo Island and Fraser Island operations, the Company operates an integrated service for the two islands combining ferry and freight (for Kangaroo Island) services, and packaged holidays including accommodation and tours.

- The majority of the Australian and New Zealand travel and tourism companies are highly exposed to the tourism sector. However, we note that approximately a third of SeaLink's revenues are earned from freight and commuter transport ferry services, which are typically more stable and defensive in nature.

- Nearly all of the Tier 1 and Tier 2 selected comparable companies (with the exception of Torghatten ASA and Fjord1 ASA which operate in Norway) are more internationally diversified than SeaLink. Companies with globally diversified operations tend to have less exposure to country specific risks including political risks, exchange rate risks and other macroeconomic factors, and usually trade at higher multiples. In addition, we note that companies operating in emerging market countries such as Flight Centre Travel Group Limited ("Flight Centre") benefit from significantly higher expected economic growth rates in comparison to more developed countries like Australia.

- A large portion of SeaLink's revenues are supported by contracts and licenses held with private companies and governments. In FY18, approximately 34% of SeaLink's revenue was underpinned by contracts and licenses. While SeaLink is typically reliant on booking volumes to generate the majority of its revenues, the Company does provide some cost plus contracted services to the Queensland Government (e.g. BITS) with CPI-linked revenues and minimal patronage risk.

Below we provide an overview of a number of key performance indicators for the listed companies.

Growth and margin analysis Company	Market Cap[1] (A$m)	Historical EBITDA CAGR[2]	Historical average[3] EBITDA margin	Forecast 3-yr EBITDA CAGR[4]
Sealink Travel Group Limited	377	2.7%	22.0%	7.1%
Australia & NZ Tourism & Travel companies				
Helloworld Travel Limited	577	45.9%	19.3%	9.9%
Tourism Holdings Limited	579	15.9%	26.3%	4.1%
Experience Co Limited	147	12.8%	18.5%	18.7%
Webjet Limited	1,546	49.0%	22.4%	18.8%
Apollo Tourism & Leisure Ltd	88	24.9%	19.5%	4.9%
Flight Centre Travel Group Limited	4,835	1.1%	14.6%	8.9%
Event Hospitality & Entertainment Limited	2,149	(6.0%)	22.2%	4.8%
Millennium & Copthorne Hotels New Zealand Limited	8,207	(1.1%)	42.0%	NA
Average		17.8%	23.1%	10.0%
Median		14.4%	20.9%	8.9%
International Ferry and Cruise Operators				
Carnival Corporation & Plc	44,208	5%	28%	5%
Royal Caribbean Cruises Ltd.	33,119	11%	30%	12%
Norwegian Cruise Line Holdings Ltd.	16,235	15%	31%	7%
DFDS A/S	3,075	8%	19%	4%
AS Tallink Grupp	1,018	(2%)	16%	(0%)
Torghatten ASA	951	3%	14%	NA
Fjord1 ASA	592	24%	33%	2%
Attica Holdings S.A.	438	(10%)	21%	NA
Viking Line ABP	311	(11%)	7%	NA
Average		4.8%	22.1%	5.1%
Median		5.1%	21.2%	4.8%
Average - All		10.9%	22.6%	7.7%
Median - All		8.2%	21.2%	5.4%

Sources: S&P Global; financial reports of comparable companies and GTCF calculations
Note (1): Market capitalisation as at 27 September 2019.
Note (2): For the Australia & NZ tourism & travel companies the historical EBITDA CAGR is computed over 3 years from FY16 to FY19 while for the international ferry & cruise operators is computed over 2 years from FY16 to FY18 since FY19 results have not been released as at the date of this report.
Note (3): For the Australia and NZ tourism & travel companies the average has been computed over FY16 to FY19, while for the international ferry and cruise operators over FY16 to FY18 since FY19 results have not been released as at the date of this report.
ote (4): For the Australia and NZ tourism & travel companies the forecast CAGR has been computed from FY19 to FY22, while for the international ferry and cruise operators from FY18 to FY21

In relation to the above KPIs, we note that the historical average EBITDA margin of SLK is inline with the domestic and international peers, however the historical EBITDA growth rate is materially lower.

In summary, while none of the listed companies are directly comparable to SeaLink (although many of them share a number of similarities), we believe the selected comparable companies as a whole provide guidance for the EBITDA multiple applicable to SeaLink.

Transaction multiples

In relation to the EBITDA multiple implied by comparable transactions, we note that:

- The implied transaction multiples may incorporate various levels of control premium and special values paid for by the acquirers.

- The multiples may reflect synergies paid by the acquirer which may be unique to the acquirers.

- The transactions observed took place during the period between June 2010 and February 2019. Economic and market factors, including competition dynamics and consumer confidence may be materially different from those as at the valuation date. These factors may influence the amounts paid by the acquirers for these businesses.

- The transaction multiples are calculated based on the historical EBITDA of the acquired companies (unless otherwise stated) which typically tends to provide a higher multiple due to the growth expectations typically included in forecast financial performance.

The following table summarises the EBITDA multiples implied by these transactions.

Date	Target Company	Bidder Company	Note	Stake (%)	Deal Value (A$m)	EBITDA Multiple Historical	EBITDA Multiple Forecast	Status
Tier 1 - Domestic ferry, resort and transport transactions								
Feb-19	Australian Alpine Enterprises Holdings (Hotham Ski Resort & Falls Creek Ski Resort)	Vail Resorts Inc.		100%	174	NA	9.7x	Closed
May-18	Sealink Travel Group Limited	Unknown	*1*	100%	586	NA	10.5x	Rejected
Feb-18	Kingfisher Bay Resort	SeaLink Travel Group		100%	43	5.4x	NA	Closed
Dec-17	Big Cat Green Island Reef Cruises Pty Ltd and Tropical Journeys	Experience Co. Limited		100%	56	5.9x	5.6x	Closed
Oct-17	Mantra Group Limited	AAPC Limited (Accor S.A.)	*2*	100%	1,304	12.9x	11.3x	Closed
Feb-16	Captain Cook Cruises Western Australia	SeaLink Travel Group		100%	12	9.2x	NA	Closed
Sep-15	Transit Systems Pty Ltd (Marine division)	SeaLink Travel Group		100%	125	NA	6.6x	Closed
Mar-15	Perisher Blue Pty Limited	Vail Resorts Inc.		100%	177	NA	8.8x	Closed
Dec-12	Airtrain Holdings Limited	Universities Superannuation Scheme		100%	110	16.6x	NA	Closed
Nov-11	Captain Cook Cruises Sydney Harbour	SeaLink Travel Group		100%	20	NA	9.0x	Closed
Jun-10	FreightLink Pty Ltd (Asia Pacific Transport Finance)	Genesee & Wyoming Inc.		100%	322	NA	8.0x	Closed
Average						10.0x	8.7x	
Median						9.2x	8.9x	
Tier 2 - International ferry and cruise transactions								
Feb-19	P&O Ferrymasters Limited; P&O Ferries Limited	DP World	*3*	100%	1,089	6.1x	NA	Closed
May-18	The Isle of Man Steam Packet Company	Isle of Man Government	*4*	100%	394	10.8x	10.2x	Closed
Apr-18	U.N Ro-Ro Isletmeleri A.S.	DFDS A/S		99%	1,473	9.8x	NA	Closed
Mar-18	Scandlines Aps	First State Investments, Hermes Investment Mgt Ltd		100%	4,071	8.9x	NA	Closed
Oct-17	Hellenic Seaways Maritime S.A.	Attica Holdings S.A.		49%	491	8.1x	NA	Closed
Oct-17	Compañía Trasmediterránea, S.A.	Naviera Armas Group	*5*	93%	645	9.3x	NA	Closed
Aug-17	Hellenic Seaways Maritime S.A.	Attica Holdings S.A.		50%	425	6.9x	NA	Closed
Aug-16	Fjord1 ASA	Havila Shipping ASA	*6*	26%	922	12.0x	NA	Closed
Aug-15	Mols-Linien A/S	Polaris Management A/S		100%	265	9.5x	NA	Closed
Oct-14	Hurtigruten ASA	Consortium including TDR Capital LLP		100%	849	8.9x	NA	Closed
Average						9.0x	10.2x	
Median						9.1x	10.2x	
Tier 3 - Other relevant transactions with limited amount of information								
Oct-18	Fantasea Cruises Pty Limited	National Roads & Motorists' Association Ltd (NRMA)		100%	NA	NA	NA	Closed
Nov-16	Cruise Whitsundays and Rottnest Express Pty Ltd	Quadrant Private Equity		Majority	300	NA	NA	Closed
Sep-16	Great Southern Rail Limited	Quadrant Private Equity		70%	NA	NA	NA	Closed
Mar-11	Sunferries Pty Ltd	SeaLink Travel Group		100%	10	NA	NA	Closed
Overall average						9.4x	8.9x	
Overall median						9.2x	9.0x	

Transactions analysis

Source: Mergermarket; GTCF analysis
Note (1): EBITDA based on consensus forecasts at the time of the unsolicited proposal and includes the expected contribution from the acquisition of Kingfisher Bay Resort Group and the enterprise value includes net debt as at 30 June 2018 to reflect the funding of the acquisition.
Note (2): Forecast multiple based on mid-point of the independent expert's maintainable EBITDA.
Note (3): Related party transaction, accordingly we have placed less reliance on this transaction.
Note (4): Based on Isle of Man Treasury analysis of the base case valuation of Isle of Man Steam Packet Company prepared by Park Partners.
Note (5): Excluding potential earn out payments of up to €16 million.
Note (6): The transaction terms included a call option for Havila Shipping ASA ("Havila") to acquire a further 33% interest in Fjord1 over the next two years, which it exercised in 2017. We note the terms of the call option were not publicly disclosed.

Among the Tier 1 transactions, we have placed greater reliance on the following:

- In May 2018, SeaLink received an unsolicited, confidential, indicative and non-binding proposal from a unidentified party expressing an interest in a transaction which would have resulted in a change of control of SeaLink. The indicative and non-binding offer of A$4.75 per share implied an FY18 EV/EBITDA multiple for SeaLink of circa 10.5x at the time. Whilst the transaction did not progress, we are of the opinion that it still provides an indication of the EBITDA multiple that a potential purchaser may be prepared to pay for the Company in a change of control transaction.

- Vail Resorts Inc's acquisitions of Perisher Blue Pty Ltd ("Perisher") and Australian Alpine Enterprises Holdings Pty Ltd (Hotham and Falls Creek ski resorts) completed at multiples of circa 9x and 10x respectively. The acquisitions included the long-term leases of the ski fields and the associated infrastructure at the resorts. We are of the view that the acquisition of Perisher, Hotham and Falls Creek provide good directional guidance for the multiple of SeaLink. Whilst the businesses are different, they share similarities in terms to the exposure to the domestic and inbound tourism markets, strong brand recognition, the low competitive environment for the assets (i.e. captive market) and the associated discretionary nature of spending. However, we note the greater geographic and operational diversification of SeaLink compared to the ski resorts, the inelastic nature of the transport/commuter demand of the business and the lack of earnings volatility in conjunction with weather conditions support for a higher multiple applicable to SLK.

- SeaLink's acquisitions of the Captain Cook Cruises operations in NSW and WA in 2011 and 2016 respectively occurred at multiples of circa 9 times EBITDA. Captain Cook Cruises NSW is one of the pre-eminent tourism businesses on the Sydney Harbour and operates tourism and charter cruises as well as commuter ferry passenger services. In addition to the brand, the acquisition included prime berth positioning on the Sydney Harbour at Circular Quay and Darling Harbour, and land at Neutral Bay which supports SeaLink's long-term lease over a marina at which the Company berths the majority of its fleet.

In relation to the other Tier 1 transactions, we note the following:

- SeaLink acquired the assets and operations of the Kingfisher Bay Resort Group on Fraser Island in February 2018 for approximately A$43 million. The acquisition included the 2 island resorts Kingfisher Bay Resort and Eurong Beach Resort, accounting for 90% of commercial accommodation options on the island, plus strategic freehold land. The captive nature of the asset makes it somewhat comparable to SeaLink's operations. However, we have placed limited reliance on this transaction as the business is smaller, less accessible (making it harder to manage and more difficult to attract tourists) and less diversified than SeaLink.

- In September 2015, SeaLink acquired the Transit Systems Marine business from Transit Systems Group for A$125 million at an implied underlying EBITDA multiple of 6.6 times. The low multiple likely reflected the limited growth opportunity of the business, the lack of geographic diversification and the willingness of Transit Systems Group to dispose of non-core operations. We also note that the acquisition price may have been opportunistic for SeaLink given that in the short period after the acquisition, the share price of SeaLink increased from circa A$2.50 per share to circa A$4.50 per share.

- Experience Co. Limited acquired 100% of Big Cat Island Reef Cruises ("Big Cat") in December 2017 for A$56 million and an implied EV/EBITDA multiple of 5.9 times. Big Cat operates cruises in the

Great Barrier Reef and competes with a large number of other tour operators for a share of the tourism market in the Great Barrier Reef. Accordingly, the multiple likely reflects this high level of competition of the industry within which Big Cat operates and the geographic concentrated nature of the operations.

- We have placed less reliance on the other acquisitions being that of Mantra Group Limited, AOT Group, Airtrain Holdings Limited and FreightLink Pty Ltd given their limited comparability with SeaLink's operations. While Mantra, like SeaLink, is also highly exposed to the domestic and inbound tourism markets, it operates in the much more competitive hotel industry, and doesn't benefit from the defensive nature of SeaLink's transport-focussed businesses or the sole operator status that SeaLink enjoys on a number of its routes. Airtrain Holdings Limited operates a monopoly train service between the Brisbane Airport and the CBD under concession to 2036, with competition from other public transport (in particular buses) restricted under the terms of the concession. Freightlinks Pty Ltd is a freight and logistics company focussed on pallet, carton and container freight. Freight makes up a relatively small component of SeaLink's business.

We have also mainly relied on the EV/EBITDA multiples of the following Tier 2 transactions:

- The Isle of Man Steam Packet Company provides ferry services to the Isle of Man under an exclusive access license to the port of Douglas, the main population centre and port for the island. The business was recently acquired by the Isle of Man Government from the private operator and was valued at an EBITDA multiple of 10.8x (historical EBITDA) to 10.2x (forecast EBITDA) by an advisor to the Isle of Man Treasury.

- In March 2018, a consortium of investors acquired a 65% stake in Scandlines. The company's core business is to provide transport services for both passengers and freight and in 2018 Scandlines transported 7.4 million passengers, 1.8 million cars and 700,000 freight units between Denmark and Germany and Denmark and Sweden. The deal valued the company at approximately €1.7 billion and at an implied multiple of circa 8.9 times historical EBITDA. In 2017, Scandlines generated an EBITDA margin of c. 40% which is substantially higher than the EBITDA margin of SLK and of the other listed peers.

- Compañía Trasmediterránea, S.A. was acquired by Naviera Armas Group at an implied historical EBITDA multiple of 9.3x. The company is a leading ferry operator in Europe. It operates across 32 routes and transports passenger, freight and vehicles.

- In August 2016, Havila Shipping ASA ("Havila") announced the acquisition of a 26%[98] stake in Fjord1 AS ("Fjord1") for NOK 1.1 billion at an implied EV/EBITDA transaction multiple of circa 12.0x. The company has a fleet of 74 vessels and is the largest ferry operator in Norway, operating 7 of the 10 busiest routes in the country. The ferry segment is the largest contributor to the company's revenues and earnings and in CY18, accounted for c. 89% of revenues and 94% of EBITDA, with tourism contributing less than 1% of revenues. Approximately three quarters of Fjord1's revenues in CY18 were under long-term government contracts, with 58% generated from gross contracts (cost plus) whereby Fjord1 receives fixed index-adjusted fees (thereby not exposing the company to fare box

[98] The transaction included a call option that allowed Havila to acquire a further 33% in the following two years. In addition, the seller (F1 Holding AS), the county municipality's ownership company, has the right to sell its remaining 33% interest to Havila in early 2019. We note the financial terms of the call and put options were not publically disclosed. Accordingly our transaction analysis relates only to the acquisition of the 26% stake. We note that in 2017, Havila exercised its call option and acquired F1 Holding AS's remaining 33% interest in Fjord1. Fjord1 provides ferry passenger, catering and fjord-based tourism services in Norway.

risk). We are of the opinion that the high multiple paid is a reflection of the leading market position of the company, the defensive nature of the business and the high level of contracted revenue.

- In August 2015, Polaris Management A/S, a 100% owned subsidiary of Polaris Private Equity, acquired the listed shares in Mols-Linien A/S, a Danish high-speed ferry operator with 24 daily services connecting the Danish island of Sealand (where Copenhagen is located) and Jutland (the European mainland). The Offer valued Mols-linien at approximately 567 million Danish Kroner and an EBITDA multiple of 9.5 times.

- In late 2014, a consortium of investors including TDR Capital LLP acquired Hurtigruten, a Norwegian cruise, ferry and cargo operator. Hurtigruten provides travel experiences along the Norwegian coast, Iceland, Greenland and other locations, along with cargo and passenger services in Norway. The transaction implied a historical EV/EBITDA multiple of approximately 9 times.

In relation to the balance of the tier 2 transactions, we note the following:

- The acquisition of P&O Ferrymasters Limited and P&O Ferries Limited by DP World is a related party transaction given that the vendor, Dubai World is also a major shareholder of the purchaser. Accordingly, we have placed limited reliance on this transaction. In addition, the earnings relate mostly to freight operations, which are typically less valuable than passenger ferry and cruise companies, due to them being subject to much higher levels of competition from other modes of transport and location provides less of a competitive advantage.

- U.N Ro-Ro Isletmeleri is an operator of roll on roll off freight ships between Turkey and Europe and is relatively less comparable to SeaLink, which generates only a relatively small portion of earnings from freight.

- Hellenic Seaways Maritime S.A. ("Hellenic Seaways") is a Greek shipping company operating passenger and freight ferry services in the Aegean and Adriatic seas. In August 2017 and October 2017, Attica Holdings S.A (“Attica”) announced the acquisitions of 50.3% and 48.53% of the share capital in Hellenic Seaways, respectively. Attica paid a consideration of circa €69 million and €78.5 million respectively for the two acquisitions. The deals value Hellenic Seaways on a 100% basis at historical implied multiples of 6.9 times and 8.1 times CY17 EBITDA of €20 million. We note the relatively low multiple was in large part driven by an increase in fuel prices which negatively impacted earnings in 2017 and the large amount of debt on the balance sheet at the time of the acquisition. As at 31 December 2016, net debt to EBITDA stood at approximately 8.6 times, based on CY16 EBITDA of €18.4 million.

Conclusion on EV/EBITDA multiple

Based on the analysis of listed comparable companies and comparable transactions, Grant Thornton Corporate Finance has assessed an EV/EBITDA multiple for the valuation of SeaLink before the Proposed Acquisition in the range of 10.5x to 11.0x on a control basis. In our selection of the EV/EBITDA multiple, we have mainly considered the following:

- The 2018 Indicative Proposal valued SeaLink at c. 10.5x forecast EBITDA.
- Captain Cook Cruises (NSW and WA), Perisher and Australian Alpine Enterprises Holdings Pty Ltd acquisitions all occurred at multiples between circa 8.8x and 9.7x and were for smaller and less diversified businesses than SeaLink.
- The average and median EBITDA multiple of the International ferry and cruise transactions is 9.0x and 9.1x respectively.
- Before the Proposed Acquisition, SeaLink is trading at an FY20 EBITDA multiple of 9.1x on a minority basis.

8.3 DCF Method

For the purpose of our valuation assessment of SeaLink before the Proposed Acquisition utilising the DCF Method, Grant Thornton Corporate Finance developed the GT Model based on a critical review and consideration of the following:

- Historical financial performance of SeaLink.
- SeaLink Management Projections[99] for the discrete period from FY20 to FY23 developed by SeaLink Management using the FY19 results as a starting point.
- Market updates, including historical and expected performance of SeaLink, as prepared by a number of investment analysts who cover SeaLink.
- Key industry risks and growth prospects, and the general economic outlook.

Whilst Grant Thornton Corporate Finance believes that the assumptions underlying the GT Model are reasonable and appropriate to be adopted for the purpose of our valuation. In accordance with the requirements of RG111, we have not disclosed them in our IER as they contain commercially sensitive information and they do not meet the requirements for presentation of prospective financial information as set out in ASIC Regulatory Guide 170 “Prospective Financial Information”.

In accordance with the requirement of RG 111, we have undertaken a critical analysis of the projections before integrating them into the GT Model and relying on them for the purpose of our valuation assessment. Specifically, we have performed the following analysis:

[99] Details of SeaLink’s Management Projections are not disclosed due to confidentiality and commercial sensitivity factors and because they do not meet the disclosure requirements under ASIC Regulatory Guide 170 “Prospective Financial Information” (“RG170”).

- Conducted high level checks, including limited procedures in relation to the mathematical accuracy of Management's forecasts.

- Performed a broad review, critical analysis and benchmarking with the historical performance of SeaLink and current trends in the industry.

- Held discussions and interviews with Management of the Company and its advisor to discuss Management's projections.

- Reviewed and benchmarked revenue growth rates and earnings margins with listed peers.

The assumptions adopted by Grant Thornton Corporate Finance do not represent projections by Grant Thornton Corporate Finance but are intended to reflect the assumptions that could reasonably be adopted by industry participants in their pricing of similar businesses. We note that the assumptions are inherently subject to considerable uncertainty and there is significant scope for differences of opinion. It should be noted that the value of SeaLink could vary materially based on changes to certain key assumptions. Accordingly, we have conducted further sensitivity analysis below to highlight the impact on the value of SeaLink Shares caused by movements to certain key assumptions.

The table below sets out a summary of our valuation assessment of SeaLink before the Proposed Acquisition based on the DCF Method:

Valuation summary - DCF Method A$m	*Section* *Reference*	Low	High
Enterprise value on a control basis	*8.3.1*	515.8	562.2
Less: Net debt as at 30 June 2019	*8.3.2*	(83.9)	(83.9)
Equity value (control basis)		432.0	478.3
Number of outstanding shares (fully diluted)	*8.3.3*	101,719,103	101,719,103
Value per share (control basis) (A$ per share)		4.25	4.70

Source: SeaLink Management; GTCF analysis

8.3.1 GT Model - Key valuation assumptions

We have outlined below the key assumptions which we have adopted in the GT Model.

- We have relied on Management's projections which have been prepared based on a top down approach for each of the divisions. We note that we have performed a detailed review of the growth and margin assumptions adopted by Management and compared them to the historical performance of the Company and listed peers.

- In FY14 and FY15, SeaLink generated EBITDA margins of approximately 15% to 16%. Following the acquisition of the TSM business in FY16, the EBITDA margins increased significantly to circa 25% in FY16, and was mostly maintained in FY17, before falling slightly to 22% in FY18. Over the period FY14 to FY18, the company approximately doubled its revenue, in large part due to the acquisition of TSM and CCC WA.

- *Kangaroo Island retender*: We have assumed that the Company will successfully renew the Kangaroo Island contract on substantially the same terms when it is retendered in 2024, given its long history of operating on the island and its strong competitive position. The company will be able to point to its history of developing tourism on Kangaroo Island and the economic value that it has provided to the region. However, given the South Australian Government's intentions to retender the contract, we have performed a sensitivity (see Section 8.3.4), reducing the EBITDA generated by this contract in our assessment of the cash flows in the terminal value year to reflect possible margin reduction that SeaLink may be required to forego in order to secure the renewal of the contract.

- In our assessment of the corporate costs, given that we are valuing SeaLink on a control basis, we have deducted costs related to ASX listing fees, registry fees and directors fees as these are synergies that would be available to a pool of potential purchasers. We have adopted a range of A$0.5 to A$1.0 million in annual corporate cost savings.

- *Capital expenditure:* The Company is expected to incur significant capital expenditure in FY20 and FY21 on new vessels for Bruny Island and improvements to Fraser Island operations. The purchase of two new ferries for Bruny Island will enable SeaLink to increase the frequency of services and replace the ageing MV Mirambeena. In addition to the new ferries, SeaLink is implementing an online booking system for the Bruny Island service. In relation to Fraser Island, the additional capital expenditure is required to upgrade the facilities, including guest facing areas, at the Kingfisher Bay Resort and Eurong Beach Resort to enable SeaLink to grow occupancy levels within the two resorts. For the terminal period, we have adopted a normalised capex amount of A$10m per annum, based on Management's guidance of the likely capital expenditure requirement to maintain the fleet into perpetuity and to achieve our adopted terminal value growth rate.

- *Tax:* We have assumed a nominal corporate tax rate of 30% over the discrete period and in our terminal value. In addition, we have included approximately A$4.3 million of ongoing tax rebates from the South Australian Government as a result of marine training incentives. Based on discussions with Management and our internal discussion and research, we have assumed that tax rebates will continue in the foreseeable future. We have performed a sensitivity analysis in section 8.3.4.

- *Working capital:* Changes in working capital are not material in the free cash flows and they have been assessed in line with historical averages.

- *Discount rate:* We have assessed the net present value of future cash flows having regard to an assessed discount rate based on the weighted average cost of capital ("WACC") in the range of 9.5% and 10.0%. Refer to Appendix D for details.

- *Terminal value:* We have adopted the following assumptions in the calculation of the terminal value of the business:

  - EBITDA margin of approximately 20%, which is based on a normalised EBITDA margin for SeaLink between FY16 and FY19 and takes into account the expected performance during the forecast period.

  - Capital expenditure of A$10 million, which is the amount required to achieve the terminal growth rate of 3%. We provide additional support for our terminal growth rate below.

  - Terminal growth rate of 3% in order to take into account expected long term growth of the tourism sector and an improvement in the current subdued consumer confidence. The Company is also planning to incur in significant capex in the discrete forecast period which should generate an uplift in the future performance of the business.

Assessment of reasonableness of terminal growth rate	
Australia macroeconomic indicators	
Reserve bank long-term inflation target	2% - 3%
Average 10-years quarterly GDP growth rate (Real)	2.60%
Australian industry sources	
Australian Government Tourism Research - Domestic and Inbound expenditures FY13 to FY19 CAGR[1]	7.70%
Australian Government Tourism Research - Domestic and Inbound expenditures FY19 to FY29 CAGR[1]	4.70%
IBIS Tourism e xpenditures FY19 to FY24 CAGR[2]	2.80%
IBIS Water Passenger Transport - Expenditures FY19 to FY24 CAGR[2]	3.50%
IBIS Scenic and Sightseeing Transport - Expenditures FY19 to FY24 CAGR[2]	3.50%
Selected terminal growth rate	3.00%

Source: GTCF analysis, Australian Bureau of Statistics, IBISWorld, Tourism Research Australia
Note (1): CAGR in nominal terms.
Note (2): CAGR in real terms.

8.3.2 Net debt

As at 30 June 2019, SeaLink reported a net debt position of A$83.9 million, which we have deducted to arrive at our equity value.

8.3.3 Share capital

As at the date of this report, SeaLink has 101,429,103 shares on issue.

In addition, we have included in our valuation assessment on a fully diluted basis, the 190,000 SeaLink PRs and 100,000 SeaLink Options on the assumption that their vesting will be accelerated in a change of control event. This equates to a fully diluted number of shares of 101,719,103.

8.3.4 Sensitivity analysis

It should be noted that the enterprise value of SeaLink could vary materially based on changes in certain key assumptions. Accordingly, we have conducted certain sensitivity analysis below to highlight the impact on the value of the SeaLink's enterprise value based on the DCF Method caused by movements in certain key assumptions.

Sensitivity Table	Low A$	High A$	Low % change	High % change
Value per SeaLink Share before the Proposed Acquisition on a control basis	4.25	4.70	na	na
Terminal growth rate				
Increased by 0.5% per annum	4.59	5.11	8.1%	8.7%
Decreased by 0.5% per annum	3.95	4.35	(7.1%)	(7.4%)
EBITDA margin				
Increased by 1% (i.e. 21% EBITDA margin)	4.46	4.94	5.1%	5.0%
Decreased by 1% (i.e. 19% EBITDA margin)	4.03	4.47	(5.1%)	(5.0%)
Capex				
Increased by 10% per annum	4.11	4.56	(3.2%)	(3.0%)
Decreased by 10% per annum	4.38	4.85	3.2%	3.0%
A$2m EBITDA reduction in terminal period following Kangaroo Island competitive tender process	4.11	4.55	(3.3%)	(3.3%)
Discount rate				
Increased by 0.5% per annum	3.90	4.29	(8.3%)	(8.7%)
Decreased by 0.5% per annum	4.65	5.18	9.5%	10.1%
Tax Rebate removed in terminal year	3.71	4.12	(12.6%)	(12.4%)

Sources: GTCF analysis

These sensitivities do not represent a range of potential enterprise value of SeaLink, but they intend to show to SeaLink Shareholders the sensitivity of our valuation assessment to changes in certain variables.

8.4 Quoted Security Pricing Method

In our assessment of the fair market value of SeaLink shares, we have also had regard to the trading prices of the listed securities on the ASX. Set out in the table below is a summary of our assessed valuation range.

Quoted Security Price Method A$ per share	*Section Reference*	Low	High
Selected value per share based on trading prices (on a minority basis)	*8.4.3*	3.60	3.75
Control premium	*8.4.4*	30.0%	30.0%
Value per share (on a control basis)		4.68	4.88

Sources: S&P Global; GTCF analysis.

The adopted value of SLK based on the trading price is an exercise of professional judgement that takes into consideration the depth of the market for the listed securities, volatility of the market price, and whether or not the trading price are likely to represent the underlying value of SLK. The following sections detail the analysis undertaken in selecting the share price range.

8.4.1 Liquidity analysis

In accordance with the requirements of RG 111, we have analysed the liquidity of SLK shares before relying on them for the purpose of our valuation assessment. We have set out below the monthly trading volume of SLK shares over the past 12 months as a percentage of the total shares outstanding as well as free float shares outstanding[100].

Liquidity analyis Month end	Volume traded ('000)	Monthly VWAP ($)	Total value of shares traded ($'000)	Volume traded as % of free float shares	Cumulative Volume traded as % of free float shares	Volume traded as % of total shares	Cumulative Volume traded as % of total shares
Oct 2018	2,054	4.1777	8,582	3.2%	3.2%	2.0%	2.0%
Nov 2018	1,379	4.2623	5,876	2.2%	5.4%	1.4%	3.4%
Dec 2018	1,113	4.1615	4,630	1.7%	7.1%	1.1%	4.5%
Jan 2019	484	4.1295	1,997	0.8%	7.9%	0.5%	5.0%
Feb 2019	845	4.0461	3,420	1.3%	9.2%	0.8%	5.8%
Mar 2019	1,789	3.9154	7,005	2.8%	12.0%	1.8%	7.6%
Apr 2019	773	3.8541	2,981	1.2%	13.2%	0.8%	8.3%
May 2019	2,371	3.7101	8,796	3.7%	16.9%	2.3%	10.7%
Jun 2019	1,665	3.6718	6,115	2.6%	19.5%	1.6%	12.3%
Jul 2019	693	3.7097	2,572	1.1%	20.5%	0.7%	13.0%
Aug 2019	1,196	3.6700	4,389	1.9%	22.4%	1.2%	14.2%
Sep 2019	3,905	3.6029	14,069	6.1%	28.5%	3.8%	18.0%
Min				0.8%		0.5%	
Average				2.4%		1.5%	
Median				2.0%		1.3%	
Max				6.1%		3.8%	

Source: S&P Global, GTCF analysis

[100] Free float shares excludes those owned by Company employees, individual insiders, related parties and/or other strategic investors.

With regard to the above analysis, we note that:

- The level of free float of SLK is 63.2%[101]. From October 2018 to September 2019, c. 28.5% of the free float shares were traded with an average monthly volume of 2.4% of the total free float shares. This indicates that liquidity is robust. The Company was part of the S&P/ASX 300 Index ("ASX 300") until 23 September 2019 when it was removed.

- We note that the relatively higher trading volumes in May 2019 were triggered by the period leading up to and including the Federal Election, and at a time when a number of companies were providing updates to the market in relation to FY19 results.

- SeaLink is recognised as a major player in the tourism and transport industries and it is one of the few companies listed on the ASX providing both tourism and transport exposure to investors.

- In the absence of a takeover or other share offers, the trading price represents the value at which minority shareholders could realise their portfolio investment.

- SeaLink complies with the full disclosure regime required by the ASX. As a result, the market is fully informed about the performance of the Company. SLK provides updates to the market on a regular basis with information regarding its investment strategy and performance. As a result, there is extensive analysis provided to the market not only about SLK's performance and market standing, but also regarding industry trends.

- The Company's stock is covered by four investment analysts who provide updates to the market on a regular basis.

As set out below, the level of free float of SLK shares is in line with the listed peers. However, the average monthly volume traded as percentage of free float shares is lower than most of the listed peers.

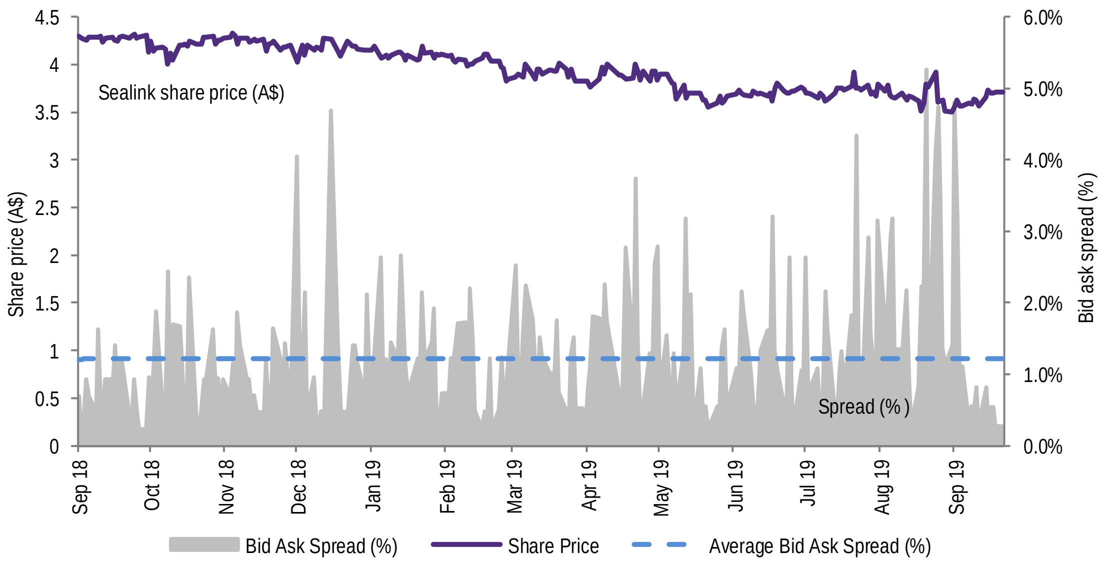
[101] This comprises of the total shares outstanding 101,429,103 less the shares held by company employees (23,802,067) and related parties (13,176,077).

Liquidity analysis Company	Country	Free float (%)	Average volume traded as % of free float shares	Cumulative volume traded as a % of free float shares	Average volume traded as a % of total shares	Cumulative volume traded as a % of total shares
SeaLink Travel Group Limited	Australia	63.2%	2.4%	28.5%	1.5%	18.0%
Helloworld Travel Limited	Australia	31.8%	4.6%	54.6%	1.4%	17.4%
Tourism Holdings Limited	New Zealand	77.2%	3.1%	37.7%	2.4%	29.1%
Experience Co Limited	Australia	53.5%	4.7%	56.9%	2.5%	30.4%
Webjet Limited	Australia	87.7%	12.6%	151.5%	11.1%	132.9%
Apollo Tourism & Leisure Ltd	Australia	41.2%	6.8%	81.9%	2.8%	33.7%
Flight Centre Travel Group Limited	Australia	56.7%	16.9%	203.3%	9.6%	115.2%
Event Hospitality & Entertainment Limited	Australia	65.6%	1.1%	12.9%	0.7%	8.5%
Millennium & Copthorne Hotels New Zealand Limited	New Zealand	21.3%	0.4%	4.8%	0.1%	1.0%
Low		21.3%	0.4%	4.8%	0.1%	1.0%
Average		54.4%	6.3%	75.4%	3.8%	46.0%
Median		55.1%	4.6%	55.8%	2.5%	29.8%
High		87.7%	16.9%	203.3%	11.1%	132.9%

Sources: S&P Global, GTCF analysis

In addition to the above, where a company's shares are relatively illiquid and not heavily traded, the market typically observes a difference between the 'bid' and 'ask' price for the shares as there may be a difference in opinion between the buyer and seller on the value of the stock. As set out in the following graph, we note that the historical average bid-ask spread has been 1.2% over the last twelve months.

SeaLink Spread between Bid and Ask Price



Source: S&P Global, GTCF analysis

As can be observed from the following table, SeaLink's twelve month average bid-ask spread[102] is in line with the average of the listed peers.

[102] From the twelve month period between 1 October 2018 and 1 October 2019.

Liquidity analysis Company	Country	Market Cap (A$m)	12 month average Bid-Ask Spread
SeaLink Travel Group Limited	Australia	381	1.2%
Helloworld Travel Limited	Australia	584	0.8%
Tourism Holdings Limited	New Zealand	580	0.9%
Experience Co Limited	Australia	153	2.9%
Webjet Limited	Australia	1,427	0.1%
Apollo Tourism & Leisure Ltd	Australia	89	2.7%
Flight Centre Travel Group Limited	Australia	4,804	0.1%
Event Hospitality & Entertainment Limited	Australia	2,140	0.6%
Millennium & Copthorne Hotels New Zealand Limited	New Zealand	414	2.6%
Average			1.3%
Median			0.9%

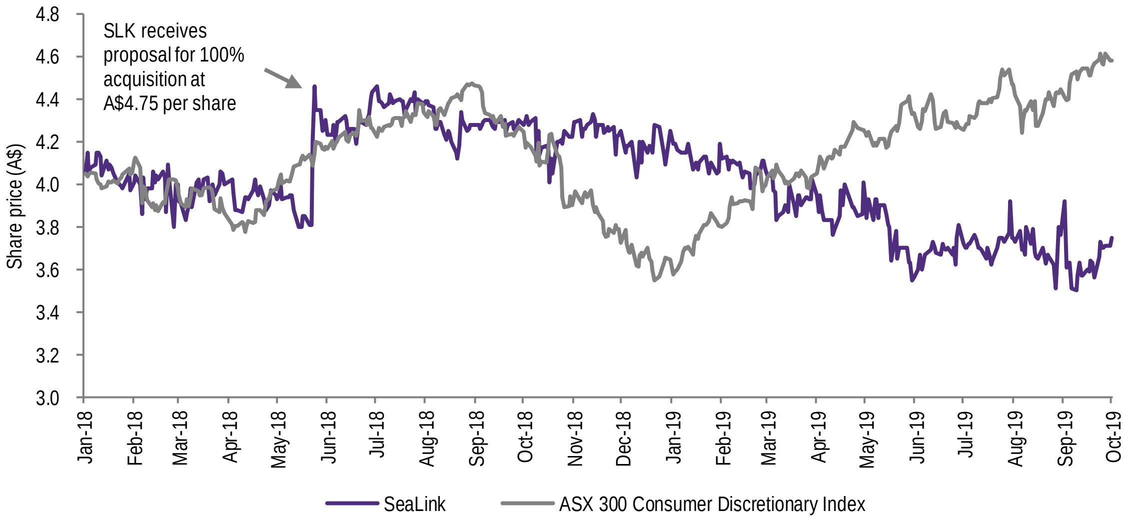
Source: S&P Global, GTCF analysis
Note: Market capitalisation as at 1 October 2019

Based on the analysis above, we conclude that there is sufficient liquidity in SLK's trading price for utilisation of the Quoted Security Price Method to value the Company.

8.4.2 Valuation assessment of SLK based on the trading price

As part of our valuation assessment based on the trading prices, we have benchmarked below the performance of SLK's trading price with the ASX300 Consumer Discretionary Index ("Index") to determine whether movements in SLK's trading price are largely driven by industry/company-specific events or simply by movements in the broader market.

Share price performance (rebased to the Company's share price)



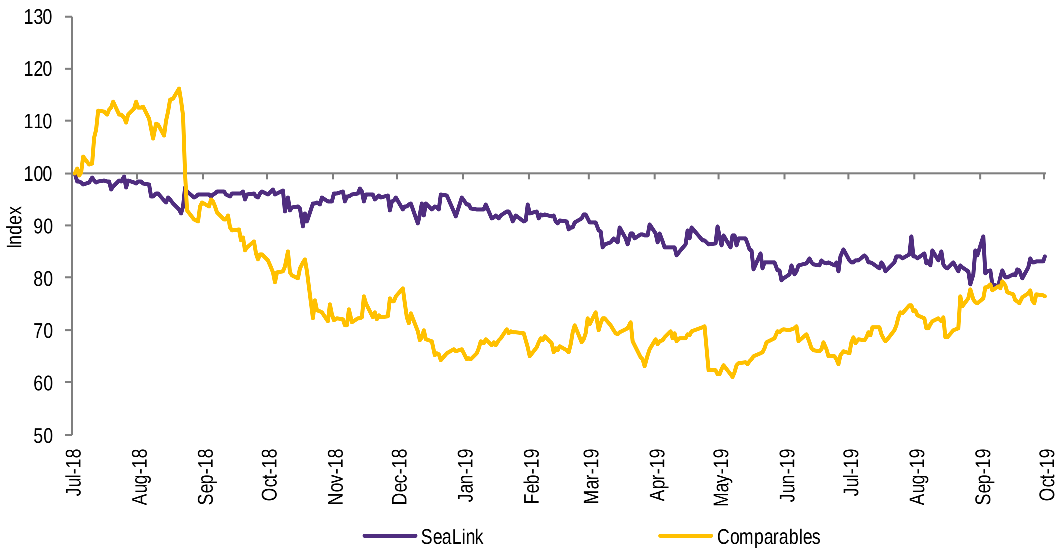
Source: S&P Global, GTCF analysis

As can be observed from the above graph, at the end of CY18, the Index experienced a correction driven by a sell off in the broader market. A number of reasons can be attributed to this decline such as the fallout from the banking royal commission, a worsening outlook for the domestic economy, and a ramp-up in the trade dispute between the US and China.

We note that SeaLink did not experience the same sharp decline at the end of CY18, which indicates that the stock has likely been influenced by more company-specific factors over the last 18 months. We note that SeaLink's share price has trended down since the 2018 Indicative Offer. The decline can be explained by the lack of a follow-up bid or any further offers for the Company, which the stock market may have been expecting. In addition, the ongoing uncertainty regarding the appointment of a successor to Jeff Ellison (CEO for 21 years) following the August 2018 announcement of his intention to retire, the SA Government's intention to retender the license for port facilities required to operate Kangaroo Island ferry, the unsuccessful tender bid for the Sydney Ferries contract in February 2019, the difficult financial performance of CCC business and the weak domestic and inbound tourism markets (and weak consumer spending in general) have all weighed on SeaLink's share price.

As set out in the graph below, the performance of SLK share price appears to be highly correlated with the performance of the index comprising the comparable companies ("Peer Index")[103], which are all highly leveraged to the inbound tourism market.

Share price performance of SeaLink and Comparables[1] (rebased to SeaLink share price)

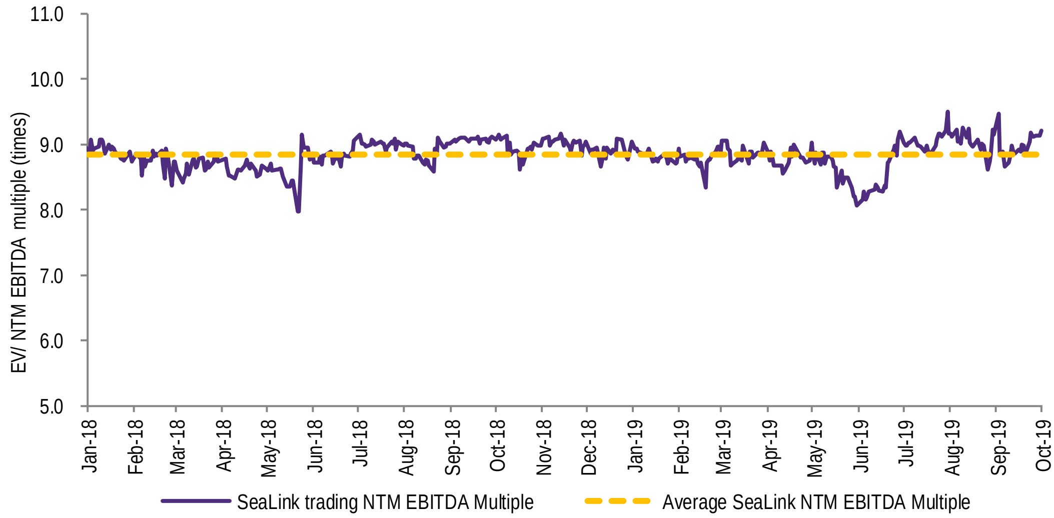


Sources: GTCF analysis, S&P Global
Note (1): The comparable companies consist of Helloworld, Tourism Holdings Limited, Flight Centre, Experience Co, Apollo Tourism, Event Hospitality & Entertainment, WebJet and Millenium & Copthorne Hotels New Zealand.

Despite the reduction in SeaLink's share price since May 2018, we note that SeaLink's rolling next twelve month ("NTM") EBITDA multiple has been relatively steady at circa 8.8x NTM EBITDA as shown in the graph below which seems to indicate that the subdued share price has been driven by soft underlying financial performance.

[103] The comparable companies include Helloworld, Tourism Holdings, Flight Centre, Experience Co, Apollo Tourism, Event Hospitality & Entertainment, WebJet and Millenium & Copthorne Hotels New Zealand.

SeaLink rolling NTM EBITDA Multiple



Source: S&P global; GTCF analysis

8.4.3 Conclusion on the selected valuation range

Set out below is a summary of the VWAP of SLK shares over the last nine months.

VWAP		Low	High	VWAP
Up to	04 Oct 2019			
1 day prior		3.640	3.910	3.808
5 day prior		3.640	3.910	3.767
10 day prior		3.560	3.910	3.621
1 month prior		3.450	3.910	3.604
2 month prior		3.440	3.920	3.618
3 month prior		3.440	3.920	3.637
4 month prior		3.440	3.920	3.645
5 month prior		3.440	3.950	3.659
6 month prior		3.440	4.010	3.672
9 month prior		3.440	4.240	3.741

Source: S&P Global, GTCF analysis

In addition to the table above, we note the following:

- The median broker consensus target share price for SeaLink's is currently A$3.68[104]. If we exclude one broker which has a high target price of A$4.38, this results in a median and average target price of A$3.60 and A$3.62 respectively.
- The share price has traded substantially sideways over the last nine months, despite a short period between 29 August and 2 September following the declaration of an increased dividend of 8.5 cents[105] during which time the share traded cum-dividend with a VWAP of 3.77. On the ex-dividend date of 3 September, the share price closed at A$3.61.

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[104] Brokers estimates released between 19 June and 30 September 2019.
[105] The dividend declared following FY18 was 8.0 cents.

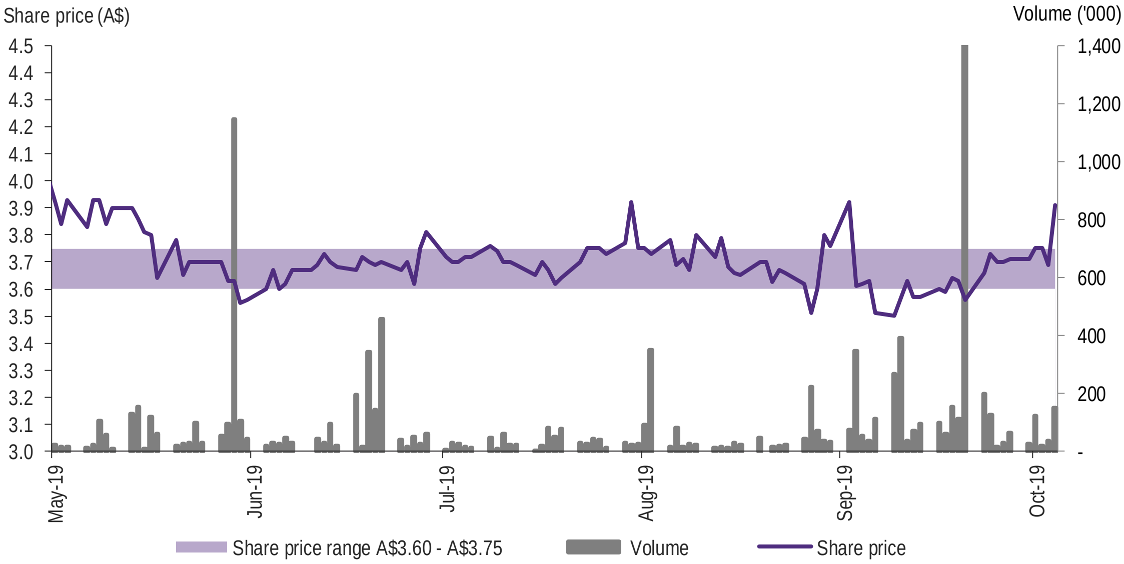
- SeaLink announced its FY19 results on 27 August 2019 and at the same time provided updated guidance for underlying FY20 EBITDA of between A$49 million and A$52 million.

- On 6 September, SeaLink was removed from the ASX 300[106], with the share price closing 3.3% lower than the prior day. Accordingly, the Company's share price post 3 September (ex-dividend date), and following the Company's removal from the ASX 300 (announced 6 September), should reflect the latest developments.

Based on the above discussions and analysis, we have assessed the fair market value of SLK shares based on the trading price between A$3.60 and A$3.75 on a minority basis.

We have set out below the historical share price of SLK shares over the past six months compared with our assessed trading price range.

Closing share price of SLK (last 6 months)



Source: S&P Global, GTCF analysis

8.4.4 Premium for control

The trading prices presented above reflect the value of SLK on a minority basis and thus do not include a premium for control. Evidence from studies suggests that successful takeovers in Australia have completed based on premium for control in the range of 20% to 40%. Refer to Appendix E for an overview of this control premium study. Given the distribution of the control premium in the Australian market in general, in our valuation assessment we have applied a control premium of 30%.

[106] Effective 23 September 2019.

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9 Valuation assessment of SeaLink after the Proposed Acquisition

In this section of the report, we have estimated the fair market value of the shares in SeaLink after the Proposed Acquisition ("Combined Group Shares") on a minority interest basis.

In assessing the fair market value of SeaLink after the Proposed Acquisition, Grant Thornton Corporate Finance has aggregated the following:

- The market value of the Combined Group on a minority basis.
  - For the EBITDA Multiple Method, we have aggregated the normalised EBITDA of SeaLink and Transit Systems Group (excluding synergies) and then we have selected an appropriate EBITDA multiple for the Combined Group that reflects the risk of the business and the stream of income that it generates.
  - For the DCF Method, we have aggregated the cash flow forecasts of SeaLink and Transit Systems Group contained in the Financial Models.
- Value of expected synergies to be realised as a result of the Proposed Acquisition.
- Combined Group's pro-forma net debt at completion of the Proposed Acquisition.
- Placement and Entitlement Offer to fund the Proposed Acquisition and transaction costs.
- The Scrip Consideration issued to the Scrip Vendors.

9.1 Valuation summary

As discussed in section 7, we have assessed the fair market value of SeaLink Shares after the Proposed Acquisition on a minority basis using the EBITDA Multiple Method and DCF Method. We have set out in the table below a summary of our assessed valuation range.

Valuation summary of Sealink Shares After the Proposed Acquisition (minority basis) A$ per share	*Section Reference*	Low	High
FY20 EBITDA Multiple Method	*9.1*	4.30	4.74
DCF Method	*9.2*	4.27	4.88
Fair market value per Sealink Share (minority basis) - Average		4.29	4.81

Source: GTCF analysis

9.2 FY20 EBITDA Multiple Method

Set out below is our valuation assessment of Combined Group Shares based on the capitalisation of FY20 EBITDA earnings.

Valuation summary - FY20 EBITDA Multiple Method A$ millions (except where stated otherwise)	*Section Reference*	Low	High
Assessed FY20 EBITDA	*9.2.1*	131.5	141.0
Assessed EBITDA Multiple (on a minority basis)	*9.2.2*	9.40x	9.56x
Enterprise value (minority basis)		1,237	1,348
Add: NPV of synergies	*9.2.3*	45.0	56.3
Less: Net debt of Sealink after the Proposed Transaction	*9.2.4*	(280.7)	(280.7)
Less: NPV of Deferred Consideration	*9.2.5*	(34.7)	(34.9)
Less: NPV of Earn-Out Consideration	*9.2.5*	(26.6)	(53.7)
Equity value (minority basis)		939.7	1,034.6
Number of outstanding shares (fully diluted)	*5.6.2*	218,299,048	218,299,048
Value per share (minority basis) (A$ per Share)		4.30	4.74

Source: GTCF analysis; Management of SeaLink and Transit Systems Group

9.2.1 FY20 EBITDA of SeaLink after the Proposed Acquisition

In our assessment of the FY20 EBITDA of the Combined Group, we have aggregated the assessed FY20 EBITDA of SeaLink as detailed in Section 8.2.1 between A$49 million and A$52 million and the FY20 EBITDA of Transit Systems Group which we have estimated based on the following

- Historical financial performance of Transit Systems Group, based on the underlying performance of Transit Systems Australia (including Sita Group) and Tower Transit Group.
- Transit Systems Group management projections[107] for FY20 to FY23 which have been prepared and updated based on the latest financial performance of the Company ("TSG Management Projections").
- Expectations regarding upcoming contracts and their likelihood of renewal.

In summary, in our assessment of the FY20 EBITDA for Transit Systems Group, we have considered the following key factors (refer to section 5.6 for further insights):

- Our maintainable EBITDA is based on the assumption that Transit Systems Group will not win any new contracts or lose any existing contracts. However, Transit Systems Group has a long history of winning new contracts and successfully renewing existing contracts. In the Company's 24 year history, Transit Systems Australia has won 13 contracts, renewed seven contracts and lost two contracts (one in 2011 and one in 2012).
- Management of Transit Systems Group has identified a tender pipeline worth more than A$3.5 billion per annum across existing end markets and the US before 2025. This pipeline includes approximately A$2.1 billion in Australia alone, plus a further A$400 million in London and Singapore. TSG is also looking to enter the US market and has submitted a tender for a bus contract in Los Angeles. For further details of future opportunities, see section 5.5.
- Nearly all of Transit Systems Group revenues are secured by long-term contracts with government entities. The contracts allow for the recovery of expenses plus a profit margin, with TSG taking the risk of higher costs, but not the patronage/fare risk. These contracts are also indexed in line with expense

[107] Details of Transit Systems Management Projections are not disclosed due to confidentiality and commercial sensitivity factors and because they do not meet the disclosure requirements under RG170.

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growth. The anticipated inflation in the cost base is offset by contractual indexation, with contract income increasing for wage price growth (wages under the company's enterprise bargaining agreements are indexed in line with revenue growth), changes in fuel prices (indexed monthly under the contract with any differences to forecasts paid in arrears) and repairs and maintenance expense growth (which is assumed to grow in line with inflation). In addition, for contracts where Transit Systems Group owns the bus fleet, in the case that a contract is not renewed, predetermined VTP provides certainty of the price the new operator is required to pay Transit Systems Group to transfer the fleet.

- On 1 July 2018, Transit Systems Group commenced operations on the NSW Region 6 contract, covering Sydney's inner west. The contract has a term of 5 years with a 3 year option extension at the discretion of TfNSW. We note that the Sydney Region 6 contract has delivered a substantial uplift in revenue in FY19. However, the EBITDA margin of TSA has reduced from circa 14% before Region 6 to circa 10% in FY19. Transit Systems Group is currently in the process of optimising schedules with the aim of achieving significant cost savings, in particular in relation to driver wage costs, which are expected to be realised from FY20. Based on discussions with Management, we understand that the improvements in the performance of Region 6 are tracking in line with plan.

- Management has confidence that six contracts, contributing approximately 33% of Australian FY20 revenues, will be renewed in FY20[108]. In FY21 a further contract accounting for an addition 13% of total Australian revenues is also up for renewal. We note that Transit Systems Group was notified on 10 October 2019 that it has been successfully awarded binding contracts to continue to operate the Marmion and Claremont bus services for 10 years commencing in January 2020. In addition Transit Systems Group was notified on the same date that it was awarded the contract to operate the Joondalup bus service which is a new contract win.

We have set out below our assessment of the FY20 EBITDA of Transit Systems Group compared with the historical performance and the overall assessment of the FY20 EBITDA of SLK after the Proposed Acquisition.

Underlying EBITDA analysis A$m	*Section Reference*	FY17 Actual	FY18 Actual	FY19 Actual
Transit Systems Group underlying EBITDA	*5.6.1*	69	74	78
Grant Thornton Adopted FY20 EBITDA for TSG		82.5	to	89.0
Grant Thornton Adopted FY20 EBITDA for SeaLink before the Proposed Transaction	*8.2.1*	49.0	to	52.0
Grant Thornton Adopted FY20 EBITDA for the Combined Group		131.5		141.0

Source: GTCF analysis

Based on the above discussions and a review of the information available, we have assessed the FY20 EBITDA of Transit Systems Group between A$82.5 million and A$89.0 million and the overall FY20 EBITDA of SLK after the Proposed Acquisition within a range of A$131.5 million to A$141.0 million.

We note that at the low-end of our assessed FY20 EBITDA of Transit Systems Group only a component of the Earn-out Consideration will be payable which we have adjusted accordingly.

108 We note that in the assessment of the EBITDA, Grant Thornton Corporate Finance has benefitted from some high level discussions with Management in relation to expected outcomes for these tenders which cannot be disclosed for confidentiality reasons.

9.2.2 EV/EBITDA Multiple

For the purpose of assessing an appropriate EBITDA Multiple range to value the Combined Group, we have blended the FY20 EBITDA Multiple assessed for SLK before the Proposed Acquisition with the FY20 EBITDA Multiple assessed for Transit Systems Group weighted by the relative contribution to the FY20 EBITDA of the Combined Group. We note that we have selected a separate basket of listed peers and comparable transactions for Transit Systems Group given the differences in the two businesses.

We note that in our analysis, we have placed greater reliance on the comparable transactions given the limited comparability of most of the comparable companies.

Trading multiples

Summarised below are the trading multiples of the selected companies having regard to the trading prices. As discussed in section 7, in our valuation assessment of Transit Systems Group, we have also considered the EBIT multiple[109] of listed peers in order to even the differences in relation to the leasing accounting of the depots and the owned versus leased buses.

Trading multiples analysis summary	Market	EV/EBITDA[2]				EV/EBIT[2]			
	Cap[1]	LTM	FY19	FY20	FY21	LTM	FY19	FY20	FY21
Company	(A$m)	Actual[3]	Act./Pro.[4]	Projected	Projected	Actual[3]	Act./Pro.[4]	Projected	Projected
Global Public Transport - Bus with limited rail operations									
National Express Group PLC	4,017	8.2x	8.0x	7.6x	7.4x	12.7x	12.3x	11.7x	11.4x
ComfortDelGro Corporation Limited	5,516	6.6x	6.7x	6.5x	6.4x	12.4x	12.4x	11.9x	11.6x
Nobina AB (publ)	799	6.7x	7.4x	6.6x	6.3x	17.2x	18.4x	17.2x	15.3x
Average		7.2x	7.4x	6.9x	6.7x	14.1x	14.3x	13.6x	12.8x
Median		6.7x	7.4x	6.6x	6.4x	12.7x	12.4x	11.9x	11.6x
Global Public Transport - Bus with significant rail operations									
The Go-Ahead Group plc	1,588	5.7x	5.7x	6.2x	5.9x	9.7x	9.7x	10.8x	10.1x
Stagecoach Group plc	1,337	3.4x	3.4x	4.7x	5.1x	10.0x	10.0x	9.7x	10.0x
Firstgroup plc	3,006	4.6x	4.6x	4.3x	4.3x	10.4x	10.4x	8.9x	8.5x
Average		4.5x	4.5x	5.1x	5.1x	10.0x	10.0x	9.8x	9.6x
Median		4.6x	4.6x	4.7x	5.1x	10.0x	10.0x	9.7x	10.0x
Other Australia & NZ relevant companies									
Cleanaway Waste Management Ltd	3,975	10.0x	10.0x	8.7x	8.2x	19.2x	19.2x	16.9x	15.4x
Downer EDI Limited	4,627	6.8x	6.8x	6.4x	6.0x	11.8x	11.8x	10.9x	10.2x
Aurizon Holdings Limited	11,976	11.1x	11.1x	10.4x	10.2x	18.4x	18.4x	16.6x	16.3x
A2B Australia Limited	177	4.4x	4.4x	4.3x	4.0x	7.4x	7.4x	7.5x	6.9x
Average		8.1x	8.1x	7.4x	7.1x	14.2x	14.2x	13.0x	12.2x
Median		8.4x	8.4x	7.5x	7.1x	15.1x	15.1x	13.8x	12.8x
Average - All		6.7x	6.8x	6.6x	6.4x	12.9x	13.0x	12.2x	11.6x
Median - All		6.6x	6.8x	6.5x	6.2x	12.1x	12.0x	11.3x	10.8x

Sources: S&P Global; financial reports of comparable companies and GTCF calculations
Note (1): Market capitalisation as at 27 September 2019.

109 The commentaries in this section of the report only relates to the EBITDA multiples of the listed peers but we have considered the EBIT multiples in the selection of the multiples applicable to Transit Systems Group.

Note (2): Projected EBITDA and EBIT are based on the median of broker estimates sourced from S&P Global as at 27 September 2019.
Note (3): Twelve months EBITDA and EBIT computed with latest information released by the companies up to 27 September 2019.
Note (4): For National Express Group PLC and ComfortDelGro Corporation Limited FY19 multiple is based on projections since the companies have 31 December as end of financial year and accordingly FY19 results have not been published as at the date of this report. For all the other companies FY19 multiple is based on actual EBITDA and EBIT since results were published as at the date of this report.
Note (5): We have adjusted historical and projected EBITDA and EBIT amounts to eliminate the impact of IFRS 16 adoption.

A brief description of the companies listed in the table above is set out in Appendix C.

The EBITDA and EBIT multiples presented above reflect the value of underlying companies on a minority basis and do not include a premium for control.

Due to the lack of publicly-listed Australian companies with directly comparable operations to Transit Systems Group, we have selected three sets of listed companies. The first set consists of global companies with activities focused primarily on bus operations, although we note these companies also have significant other businesses. The second set consists of international public transport companies, with bus and rail operations, although we note the rail segment dominates for these companies. The third set is Australian companies with certain key elements that are comparable to Transit Systems Group.

In our detailed review of each comparable company we also noted the following key similarities and differentiating factors:

- Transit Systems Group has grown rapidly in recent years and has higher growth prospects than the majority of the listed comparable companies. The company has secured large contracts in Australia and has recently expanded to overseas markets. In 2013, Tower Transit Group entered the UK market when it acquired the London bus routes from First Group Plc. In the same year, the company was awarded the Sydney Region 3 contract, covering Sydney's south-western suburbs, in a competitive tender process as the only non-incumbent operator tendering. Transit Systems Group then leveraged its success in Australia and London to help it win the inaugural tender offered under the Singapore LTA bus contracting model, making Transit Systems Group the first international operator of public transport in Singapore. In 2018, Transit Systems Group was awarded the Region 6 contract, covering the Sydney inner west, the largest bus public transport contract tendered in Australia. Transit Systems Group continues to target opportunities both in Australia and internationally, including in Melbourne where Transit Systems recently completed the strategic acquisition of Sita Group (including its centrally located bus depot in West Footscray), giving the company an entry into the Victorian bus market.

- A large number of the public transport listed peers have large operations in the UK. National Express Group Plc ("National Express"), the Go-Ahead Group Plc ("Go-Ahead"), Stagecoach Group Plc ("Stagecoach") and Firstgroup plc ("Firstgroup") all have substantial UK operations ("UK Peers"). Go-Ahead and Stagecoach are the most exposed to the UK economy, generating nearly all of their revenues there. National Express is relatively less exposed, generating only a quarter of total revenues and earnings from its UK operations whereas Firstgroup generates approximately half of its revenues in the UK. Given the prevailing economic conditions (with GDP declining by 0.2% in the second quarter of CY19) and significant uncertainty in relation to the outcome of Brexit, the outlook for the UK peers is relatively more uncertain with risks weighted more to the downside. While Tower Transit Group has operations in the UK, its contribution to overall earnings is relatively minor.

- In addition to the prevailing economic outlook and uncertainty facing the UK Peers, Go Ahead, Stagecoach and Firstgroup all generate substantial revenues from rail operations in the UK under rail franchise agreements with the UK government. The UK rail franchising sector has drawn heavy criticism in recent years with a number of contracts failing[110] and the UK Government facing legal action from several operators for claimed mishandling of the bid process on a number of contracts[111]. Profitability is generally very low across the sector, with operating profit margins typically in the low single digits[112]. In recent years a number of operators have exited the market (with some blaming the unbalanced risk and reward of operating the franchise agreements). National Express—once the country's biggest train operator—exited the market in 2017 and no longer has any rail operations in the country. In addition, Stagecoach, one of the country's largest rail operators, has been disqualified from bidding on three UK rail franchise tenders following disputes with the UK Government regarding pension liabilities. In its 2019 annual report, Stagecoach has stated that it no longer plans to bid for new UK rail franchises on their current risk profile. Furthermore, while presenting the group's annual results for 2019, the CEO of FirstGroup, the company charged with running three UK rail franchises, commented "We have concerns with the current balance of risk and reward being offered" by UK passenger rail franchises. We are of the opinion that the above is adversely impacting the related EBITDA multiples of these companies which makes them not relevant for the purpose of our assessment of Transit Systems Group.

- ComfortDelGro Corporation Limited ("CDG") is a land transportation company operating through seven divisions, the major of which are its Public Transport Services and Taxi divisions. Its Public Transport Services division generates approximately half of group EBITDA and provides bus and rail services in Singapore, scheduled and unscheduled bus services in Australia, and bus and coach services in the UK. CDG's taxi division accounted for 38% of EBITDA in 2018 and generates income from the renting out of taxis and offering taxi bureau services. We note that CDG's FY19 EV/EBITDA multiple of 7.3 times is likely weighed down by the limited growth prospects and challenging market conditions of the taxi business given the rise of ridesharing services such as Uber. For instance, we note that A2B Australia Limited, of which CDG is a substantial shareholder[113] is trading at an FY19 EV/EBITDA multiple of 4.4 times. By applying A2B's trading multiple to CDG's taxi earnings, we generate an implied multiple of c. 8.2 times[114] for the remainder of the business, which is largely dominated by the Public Transport Services division.

- Cleanaway Waste Management ("Cleanaway") is a large waste management solutions company with long-term contracts held with local councils, under which the company generates approximately 80 per cent of its revenues. The company operates through a vertically integrated model across collections, resource recovery, waste treatment and landfill. While the operations of the business are different to Transit Systems Group, the two companies risk profiles share a number of similarities including the defensive nature of their operations, the significant portion of revenues generated under long-term contracts with government entities and the positive industry growth outlook. Accordingly, we are of the opinion that Cleanaway's multiple provides directional evidence for the multiple applied to Transit System Group.

- Downer EDI Limited is a provider of integrated services to the transport, infrastructure and utilities sectors in Australia and internationally. The company has 49% interest in the Keolis Downer joint

[110] In early 2018, the UK Government announced that the InterCity East Coast fail franchise operated by Virgin Trains (with Virgin Group and Stagecoach as shareholders) would be re-nationalised, marking the third time since 2007 that it had failed.
[111] Including Stagecoach/Virgin/SNCF and Deutsche Bahn/Arriva for claimed mishandling of the West Coast, East Midlands and South Eastern lines.
[112] For the year ended March 2019, Firstgroup's rail business generated an operating profit margin of 2.7%, with Go-Ahead Group generating 1.7% for its rail business.
[113] As at September 2018, CDC held a c.12% stake of A2B Australia Limited's common shares outstanding.
[114] In FY18 CDG generated EBITDA of circa SGD$833 million, of which SGD$317 million related to the taxi division. CDG's FY19 EV/EBITDA multiple is currently trading at 6.6x. Applying the 4.4x FY19 EV/EBITDA multiple of A2B to the earnings of the taxi division, implies a multiple of 8.2x for the non-taxi division, to arrive at CDG's overall EV/EBITDA multiple of 6.6x.

venture, a public transport provider (light rail and bus) and one of the largest bus operators in Australia with operations around the country. However, Downer EDI generates the majority of its income from the heavy and civil engineering construction industry in Australia and accordingly, we cannot rely on this multiple.

- National Express Group Plc is a multinational transport provider operating across 8 countries. It holds the largest market share for long haul coach transport in Spain and the UK, and is the second largest school bus provider in the United States. National Express also operates urban bus and transit operations in the USA, UK, Spain and other countries. In 2018, approximately 48% of revenues were contracted, mainly relating to the school bus operations in the United States. 38% was derived from passengers and the remaining 14% originated from grants and subsidies, private hire and other revenues. National express generated EBITDA of £402 million on the back of revenues of £2.45 billion and has grown revenues at a CAGR of approximately 11.8% over the last three years. While National Express operates buses internationally similar to Transit Systems Group, a lower proportion of revenue is contracted and a large part subject to higher levels of competition. So while the multiple of National Express provide some guidance, we have not relied on it for the purpose of our valuation.

- Nobina AB is the largest bus operator in Sweden and also operates in Denmark, Finland and Norway. Nobina provides regional public transport and service transport under contract to local authorities in the Nordic Region. Nobina has grown revenues at a CAGR of 6% over the last five years and generated an EBITDA margin of approximately 13.5% for the year ending 28 Feb 2019. Accordingly, given the different geographical focus and relatively lower growth profit, we have placed limited reliance on Nobina AB.

- Aurizon Limited is a rail freight operator that transports commodities for the mining, agricultural and industrial sectors in Australia. While the company generates a large portion of revenues under contract (similar to Transit Systems Group), the company is highly exposed to the mining industry which is very cyclical and highly correlated to domestic and global GDP growth.

- A2B Limited, formerly known as Cabcharge Australia, provides bookings, trips and payment facilities to the taxi industry in Australia. We consider A2B to have limited comparability with Transit Systems Group.

Overall, whilst none of the listed peers are particularly comparable to Transit System Group, we draw the following conclusions from our analysis:

- The Public Transport Services division of CDG is fairly comparable to Transit System Group but the EBITDA is drawn down by the taxi division which is a key contributor to the overall business. We have attempted to isolate the multiple of the Public Transport Services division which seems to become high single digit.

- Listed businesses like Cleanaway and Aurizon which showcase similar attributes to Transit Systems Group in terms of the defensive nature of the business, low/no level of competition and long term contracts, are trading at low double digits EBITDA multiples

Transaction multiples

In our valuation assessment, we have mainly relied on the multiples implied by historical transactions involving companies comparable to Transit Systems Group in Australia and overseas.

In relation to the EBITDA multiple implied by the comparable transactions, we note that:

- The implied transaction multiples may incorporate various levels of control premium and special values paid for by the acquirers.

- The multiples may reflect synergies paid by the acquirer which may be unique to the acquirers.

- The transactions observed took place during the period between May 2012 and April 2019. Economic and market factors, including competition dynamics and consumer confidence may be materially different from those as at the valuation date. These factors may influence the amounts paid by the acquirers for these businesses.

- The transaction multiples are calculated based on the historical EBITDA of the acquired companies (unless otherwise stated) which typically tends to provide a higher multiple due to the growth expectations typically included in forecast financial performance.

The following table summarises the EBITDA multiples implied by these transactions.

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Transactions analysis Date	 Target Company	 Bidder Company	 Note	Stake (%)	Deal Value (A$m)	EBITDA Multiple Historical	 Status
Tier 1 - Australian & New Zealand Public Bus Transport transactions							
Dec-18	NZ Bus Limited	Next Capital Pty Ltd	*1*	100%	147.0	8.9x	Closed
Nov-18	Buslink Pty Ltd (incl. Buslink Southern Pty Ltd)	ComfortDelGro Corporation Limited	*2*	100%	168.2	7.9x	Closed
Aug-18	FCL Holdings Pty Ltd	ComfortDelGro Corporation Australia Pty Limited	*3*	100%	110.0	8.1x	Closed
Apr-18	Tullamarine Bus Lines Pty Ltd	CDC Victoria Pty Ltd		100%	32.2	9.9x	Closed
Dec-14	Forest Coach Lines Pty Ltd	Next Capital Pty Ltd		75%	50.0	7.4x	Closed
Average						8.4x	
Median						8.1x	
Tier 2 - International Public Bus Transport transactions							
Dec-18	Coach USA LLC (North American operations Stagecoach Group Plc)	Variant Equity Advisors LLC		100%	377	3.2x	Closed
Feb-18	Student Transportation Inc.	Caisse de Depot et Placement du Quebec and Ullico Inc		92%	1,496	12.8x	Closed
Jul-16	SMRT Corp. Ltd.	Temasek Holdings Pte Ltd		46%	3,003	9.7x	Closed
May-12	Coach America Inc. (certain businesses and assets)	Stagecoach Group Plc	*4*	100%	136	5.5x	Closed
Apr-10	Arriva Plc	Deutsche Bahn AG		100%	4,062	7.5x	Closed
Average						7.7x	
Median						7.5x	
Tier 3 - Other relevant transactions with limited amount of information							
Apr-19	Transport Australia Group	AATS Group	*5*	100%	~400	NA	Closed
Apr-19	Sita Coaches Pty Ltd	Transit Systems Pty Ltd		100%	NA	NA	Closed
Jun-18	Light-City Buses	Transit Systems Pty Ltd		100%	NA	NA	Closed
Mar-15	Australian Transit Enterprises Pty Ltd	Keolis Downer Pty Ltd		100%	163.0	NA	Closed
Aug-14	Go Bus Limited	Tainui Group Holdings Limited, Ngai Tahu Holdings Corporation Limited		99%	154.7	NA	Closed
Apr-13	FirstGroup Plc (3 bus depots)	Transit Systems Pty Ltd		100%	31.3	NA	Closed
Overall average						8.1x	
Overall median						8.0x	

Source: S&P Global; Mergermarket; financial reports of comparable companies and GTCF calculations.
Note (5): Financial terms of the deal were not publicly disclosed although the deal value was reported to be in the vicinity of A$400 million.
Note (1): On 2 September 2019, Infratil announced the completion of the sale of NZ Bus to Next Capital, with expected proceeds of between NZ$145 to NZ$165 depending on earn out. We have adopted the mid point of NZ$155 million, which we have converted to Australia dollars using an AUD:NZD exchange rate of 0.94 as at 2 September 2019. Our historical multiple is based on reported underlying EBITDA of NZ$17.4 million achieved in FY19.
Note (2): The total consideration was A$190.9 million, including A$22.7 million for the acquisition of 11 freehold depot properties, which we have excluded to arrive at our A$168 million deal value.
Note (3): The total consideration was A$125.5 million, including A$15.5 million for the acquisition of 2 freehold depot properties, which we have excluded from the deal value to arrive at out A$110 million deal value.
Note (4): In January 2012, a few months prior to the acquisition, Coach America Inc had filed for bankruptcy.

During the course of 2018, ComfortDelGro completed four relevant acquisitions in Australia which are outlined below:

- *Buslink acquisition in November 2018 for A$168 million* – Buslink is a bus operator with operations in eight locations across four Australian states and territories with a fleet of circa 400 buses and 22 depots. It is the largest operator in the Northern Territory and also has significant operations in Queensland, mainly on the Sunshine Coast and Gladstone. Buslink also has a presence in NSW and Victoria where it operates the bus service in Broken Hill and Mildura respectively. The company provides bus transportation services for urban, school, special needs, employees and charter services. It mainly serves small cities/towns and less densely populated rural areas and regional towns. The purchase price of A$168 million represents the consideration for the acquisition of the bus services contracts. Separately, CDG also acquired 11 bus depot properties, for the operation of the bus services, for a consideration of A$22.7 million. The purchase consideration (excluding the bus depots) implies an EV/EBITDA multiple of 7.9 times.

- *FCL Holdings Pty Ltd ("FCL") acquisition in August 2018 for A$110 million* – FCL runs Forest Coach Lines in Northern Sydney and regional NSW. FCL operates Region 14 contracted bus services in Metropolitan NSW, as well as other bus services in regional NSW and school and non-school charter services. FCL was also previously acquired (at the time called Forest Coach Lines Pty Ltd) in 2014 by Next Capital Pty. The purchase consideration paid by CDG implies and EV/EBITDA multiple of 8.1 times.

- *Tullarmarine Bus Lines Pty Ltd ("TBL") acquisition in April 2018 for A$32.2 million* – TBL operated seven metropolitan bus routes under a long term contract with state government agency Public Transport Victoria. Besides public buses, TBL contracted school services and a small taxi fleet management business. The purchase consideration paid by CDG implies an EV/EBITDA multiple of 9.9 times.

- *Coastal Liner Coaches ("CLC") acquisition in August 2018 for A$9.0 million* – CLC operates route bus services in Outer Sydney Metropolitan Bus Service Region 11 which provides exposure to the growing retirees and young families moving away from metropolitan Sydney to more affordable coastal regions. It has a fleet of 31 buses and coaches and also specialised in luxury coach tour packages for theatre performance, concerts for individuals and small groups. Financial terms of the deal were not disclosed.

In addition, we have considered the NZ Bus acquisition by Next Capital which recently completed. NZ Bus operates long term public bus commuter services under long-term contracts (on a cost plus model) with Wellington Regional Council and Auckland City Council. The vendor, Infratil Limited ("Infratil") initially expected to receive consideration of between NZ$218 million and NZ$240 million when the deal was announced in December 2018, which included an earnout based on the performance of NZ Bus. We note that since that time, Infratil had significantly reduced its expectations regarding the sale proceeds, and the completed transaction valued 100% of the business between NZ$145 million and NZ$165 million[115]. In addition, NZ Bus reported an underlying EBITDA of NZ$17.4 million for the year ended 31 March 2019, approximately half of what it reported for the year to 31 March 2018. Infratil notes that the business was impacted by a number of operating challenges in the year and incurred significant one-off transition costs, although no further detail was disclosed in their annual report regarding the quantum of these costs or their nature. However, we note that NZ Bus has been significantly adversely impacted by the New Zealand Government's roll out of the new Public Transport Operating Model ("PTOM") which has come about from a change of national legislation. The new model substantially aligns New Zealand bus contracts with those in Australia, with key features such as set contract terms (6 to 12 years) and fixed payments to operators (based on a cost plus model), with local government retaining all revenue risk. Historically, bus public transport in New Zealand was a mix of commercially operated services (operator takes revenue risk), fully subsidised services and 'grandfathered' operating contracts. In addition, PTOM introduced caps on market share for individual operators (generally 50%). NZ Bus was affected as it had previously controlled a market share of around 70% in Auckland and Wellington and lost a number of routes, in particular to Tranzit Group, as a result of the new market share caps and as a result of the new tendering process.

[115] We have adopted the mid-point for the purpose of calculating our implied multiple

Furthermore, we note that NZ Bus has struggled to meet its contractual KPIs, and was reported to have received substantial fines, in particular from Wellington Regional Council, in late 2018 and early 2019. Our assessed EBITDA multiple of 8.9 times is based on FY19 adjusted EBITDA of NZ$17.4 million.

Information to calculate the EBITDA Multiples for the other transactions which occurred in Australia and NZ were not available.

In relation to the transactions involving bus public transport companies operating internationally (Tier 2 transactions), we note the following:

- Stagecoach announced the sale of its North American bus operations (Coach USA LLC) in late 2018, a month after announcing a write-down of £85 million for the value of the unit following margin reductions and a reduction in like-for-like sales. The business provides inter-city coach services, commuter bus services and bus services under contract with transit authorities as well as other bus services (e.g. bus tours and sightseeing services). The company is more heavily exposed to macroeconomic factors and competitive pressures than Transit Systems Group and other public transport companies as a significant proportion of its revenues is affected by patronage risk. Stagecoach noted the competitive bus market and low oil prices (which encouraged a switch towards private cars) as the reasons behind the division’s poor performance which led to the write-down. We note the very low multiple reflects the low margins achieved in the business (3.4% operating profit margin for year ending 27 October 2018, CY18 and 3.7% in FY17) and declining revenues.

- Student Transportation Inc. is one of the largest providers of school bus transportation services in North America. Approximately 90% of the company’s revenue is contracted, typically with school districts. At the end of FY17 the company had circa 290 contracts with terms of between three and eight years. Revenues have grown steadily over the last 3 years, growing at a CAGR of c.9% through a combination of organic growth and acquisitions (over the same period EBITDA has grown at approximately 6%). Approximately 50% of revenues under contract have been secured through a competitive bid process, with the remainder mostly from acquisitions. In early 2018 Student Transportation Inc was acquired by Caisse de dépôt et placement du Québec (“CDPQ”) at a multiple of c. 12.8 times historical EBITDA.

- Singapore’s state investment company (Temasek Holdings Pte Ltd) acquired the 46% interest in the share capital of SMRT Corp Ltd that it did not already own. We have placed limited reliance on this transaction due to the introduction of the New Rail Franchising Framework, which effectively placed a cap on the earnings upside of SMRT. Under the New Rail Franchising Framework SMRT is required to pay a higher licence charge to the LTA if SMRT’s profit outperform a certain target, effectively transferring profits from SMRT to the LTA if SMRT outperforms certain benchmark performance.

- In May 2012, Stagecoach acquired selected businesses and assets from Coach America for a consideration of US$134.2 million. The businesses and assets acquired generated an EBITDA of US$24.6 million for the year ending 31 December 2011. However, at the time, Coach America was operating under Chapter 11 bankruptcy protection since January 2012. Coach America had been experiencing significant earnings pressures including a loss of US$27 million in the 11 months ended November 2011 and a US$180 million loss the prior year. In addition, Coach America had been deferring capital improvements due to its high level of debt. The EBITDA multiple of 5.5x likely reflected the distressed nature of the seller and accordingly, it should not be relied upon for the purpose of the assessment of the fair market value of Transit System Group.

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Conclusion on the selected EV/EBITDA multiple

Based on a review of the above transactions and discussions, we have adopted an EBITDA multiple for Transit Systems Group of 10.0x on a minority basis based on the following:

- ComfortDelGro paid acquisition multiples between 7.9x and 9.9x for three acquisitions which were in relation to companies significantly smaller than Transit Systems Group and with mainly domestic and localised operations (apart from Buslink). Conversely, Transit Systems Group is the largest private operator of metropolitan public bus services on behalf of the governments in Australia with operations in most states and territories (often with a dominant market share), has a global platform with operations in London and Singapore, has grown rapidly due to its high success rate in tendering for new and existing contracts, and has a significant pipeline of identified opportunities in excess of A$3.5 billion per annum.

- The acquisition of NZ Bus by Next Capital occurred at an EBITDA multiple of approximately 8.9x notwithstanding that we note that NZ Bus faces a number of challenges adapting to the new PTOM model introduced by the New Zealand Government and has lost considerable market share as a result. In addition, the company operates only in Auckland and Wellington and is significantly smaller than Transit Systems.

- We consider CDPQ's acquisition of Student Transportation Inc fairly comparable given that similarly to Transit Systems Group in Australia, Student Transportation is one of the largest providers of school bus transportation services in North America with the majority of the revenue contracted with terms between three and eight years and revenue are awarded mainly based on a competitive tender process.

- Our selected multiple of Transit System Group include an element of re-rating of the Combined Group[116] due to the unique strategic footprint of the Combined Group business which is difficult to replicate and it has significant barriers to entry.

In addition to the above, as discussed at the beginning of this section, we have also considered the EBIT multiples of the listed peers for the valuation assessment of Transit Systems Group in order to even-out the differences in relation to the capital expenditure on the purchase of the fleet, the owned vs leased depots and the terms of the leased depots (commercial rate vs nominal amount). We note that our analysis on the previous pages has mainly reverted around EBITDA multiples given that the comparable transactions usually do not disclose the EBIT of the acquired businesses and accordingly, it was not possible to refer to the EBIT multiple altogether.

The enterprise value of Transit Systems Group included in our valuation of the Combined Group[117] implies an FY20 EBIT multiple of circa 12.2x (mid-point on a minority basis)[118]. We are of the opinion that this is supportive of our assessment of the enterprise value of Transit Systems Group based on the selected EBITDA multiple due to the following:

- It is in line with the FY20 EBIT multiple of ComfortDelGro of 11.9x notwithstanding that the latter is still

[116] We note that we have incorporated the re-rating only into the multiple of Transit Systems Group and we have kept the multiple of SeaLink the same (apart for the application of a minority discount).
[117] Mid-point enterprise value of circa A$860 million based on the FY20 EBITDA and EBITDA multiples selected in our valuation assessment.
[118] Estimated as Transit Systems Group enterprise value of A$860 million (mid-point) divided by our estimate of the FY20 EBIT of circa A$70 million.

dragged down by the taxi division which is a big contributor to the EBIT of the group but valuation multiples applicable in this sector of the transport industry are lower than the multiple applicable to the bus transport industry where the rest of the ComfortDelGro business operates.

- It is at a slight discount to the average and median FY20 EBIT multiple of the basket of "Other Australia and NZ relevant companies" of 13.0x and 13.8x respectively.

- It is at a more modest premium to the average and median of the Global Public Transport companies with significant rail operations between 9.8x and 9.7x respectively.

The assessed multiple for the overall SLK business post the Proposed Acquisition is a blended EBITDA multiple between Transit Systems Group and SLK before the Proposed Acquisition as outlined below.

Multiple blending calculation for Combined Group	*Section Reference*	Note	Low	High
EBITDA - SeaLink		a	49.0	52.0
EBITDA - TSG		b	82.5	89.0
EBITDA - Combined Group		c	131.5	141.0
Multiple - SeaLink (control)	*8.2.2*	d	10.5x	11.0x
Minority discount (1)		e	20.0%	20.0%
Multiple - Sealink (minority)		f = d * e	8.40x	8.80x
Multiple - TS (minority)	*9.2.2*	g	10.0x	10.0x
Weighted Multiple - Combined Group		h = f * (a / c) + g * (b / c)	9.40x	9.56x

Source: Management; GTCF analysis
Note: We have adopted a control premium of 30% at equity value which implies a minority discount of 20% at enterprise value after taking into account the net debt level of SeaLink as at 30 June 2019 which results in a control premium of 25% at enterprise level basis. We have then calculated the minority discount, which is the inverse of the control premium to be 20%.

As set out in the table above, our selected FY20 EBITDA multiple of Transit Systems Group on a minority basis is higher than the multiple applied to SeaLink on a minority basis. We are of the opinion that this is not unreasonable due to the following:

- Transit Systems Group market leading position in Australia and growth platform on overseas jurisdictions in London and Singapore.

- Inelastic nature of the demand which is less subject to fluctuation in conjunction with changes in the economic environment domestically and internationally and the level of discretionary expenditure and consumer sentiment which affects the tourism component of SeaLink business.

- Transit Systems Group has a long history of winning new contracts and successfully renewing existing contracts. In the Company's 24 year history, Transit Systems Australia has won 13 contracts, renewed seven contracts and lost two contracts (one in 2011 and one in 2012). In addition, Management of Transit Systems Group has identified a tender pipeline worth circa A$3.5 billion per annum across existing end markets and the US before 2025.

- Nearly all of Transit Systems Group revenues are secured by long-term contracts with government entities (typically gross-cost contracts[119]) and nearly every part of the cost base is hedged, with

[119] Under gross cost contracts, an operators commits to a cost for a fully defined service in their bid, with fare revenues transferred to the public authority and the operator assuming the risk of high costs.

contract income increasing for wage price growth, changes in fuel prices and repairs and maintenance expense growth.

- For contracts where Transit Systems Group owns the bus fleet, in the case that a contract is not renewed, predetermined VTP provides certainty of the price the new operator is required to pay Transit Systems Group to transfer the fleet.

- Our selected multiple of Transit System Group include an element of re-rating of the Combined Group[120].

9.2.3 NPV of the assessed synergies

SeaLink and Transit System Group have undertaken an extensive analysis and they have estimated cost annual synergies between A$4.0 million and A$4.6 million (excluding one-off implementation costs) to be realised as a result of the Proposed Acquisition within two years after completion. We have assessed the net present value of the post-tax synergies based on the Combined Group discount rate. In our assessment, we have considered implementation costs of circa A$2 million.

9.2.4 Net debt

The net debt of the Combined Group after the Proposed Acquisition is summarised in the table below.

Pro-forma net debt of the Combined Group A$m	
Transaction funding debt issuance from senior term debt	230
Sita Group vendor note	40
Revolving credit facility	2
Transit Systems Group finance leases	8
Pro-forma net debt of the Combined Group	281
Deferred Consideration	37
Pro-forma net debt of the Combined Group including deferred cons	318

Source: Management

Combined Group - Net debt bridge A$m	
Net debt of SeaLink as at 30 June 2019	84
Sita Vendor loan and other debt like items	45
Less: Cash received from Placement and Entitlement Offer	(154)
Plus: Payment of Cash Consideration	118
Plus: Draw down of the New Debt Facilities	230
Less: Debt refinancing (excluding finance leases)	(81)
Plus: Other debt like items (1)	38
Proforma net debt of the Combined Group as at 30 June 2019	281

Source: Management
Note 1 – It includes transaction costs, capitalisation of borrowing costs and other items.

[120] We note that we have incorporated the re-rating only into the multiple of Transit Systems Group and we have kept the multiple of SeaLink the same (apart for the application of a minority discount).

9.2.5 Net present value of the Deferred Consideration and Earn-Out Consideration

Under the terms of the Proposed Acquisition, SLK is required to pay the Deferred Consideration of A$37 million which is made up of three non-contingent cash payments and the Earn-out Consideration of up to A$63 million payable in three contingent cash payment on a sliding scale based on Transit Systems Group FY20 pro-forma normalised EBITDA between A$79 million or less (nil Earn-Out Consideration) and A$86 million or more (100% of the Earn-out Consideration is payable).

In our valuation assessment, we have discounted the Deferred Consideration at the short term cost of debt and the Earn-out Consideration at the cost of equity given that the latter is contingent on the underlying financial performance of the Transit Systems Group.

9.3 DCF Method

For the purpose of our valuation assessment of SeaLink after the Proposed Acquisition utilising the DCF Method, Grant Thornton Corporate Finance developed the GT Model based on a critical review and consideration of the following:

- Historical financial performance of Transit Systems and SeaLink.
- Transit Systems Management forecasts[121] for the discrete period from FY20 to FY23 and developed by Transit Systems Management and their advisors.
- Key industry risks and growth prospects, and the general economic outlook.

Refer to section 8.3 for an overview of the procedures undertake by Grant Thornton Corporate Finance on the projections.

The table below sets out a summary of our valuation assessment of SeaLink after the Proposed Acquisition based on the DCF Method:

Valuation summary - DCF Method A$m	*Section Reference*	Low	High
Enterprise value on a control basis	*9.3.1*	1,581.7	1,754.8
Less: Net debt of Sealink after the Proposed Transaction	*9.2.4*	(280.7)	(280.7)
Less: NPV of Deferred Consideration	*9.2.5*	(34.7)	(34.9)
Less: NPV of Earn-Out Consideration	*9.2.5*	(53.2)	(53.7)
Equity value (control basis)		1,213.2	1,385.5
Number of outstanding shares (fully diluted) (1)	*5.6.2*	218,589,048	218,589,048
Value per share (control basis) (A$ per share)		5.55	6.34
Less: Minority discount (%) (2)	*9.3.2*	23.1%	23.1%
Value per share (minority basis) (A$ per share)		4.27	4.88

Source: SeaLink Management; GTCF analysis
Note 1 – It also includes the 190,000 SeaLink PRs and 100,000 SeaLink Options.
Note 2 – Calculated as the inverse of a premium for control of 30%.

[121] Details of Transit Systems Management Projections are not disclosed due to confidentiality and commercial sensitivity factors and because they do not meet the disclosure requirements under RG170.

The assumptions adopted by Grant Thornton Corporate Finance do not represent projections by Grant Thornton Corporate Finance but are intended to reflect the assumptions that could reasonably be adopted by industry participants in their pricing of similar businesses. We note that the assumptions are inherently subject to considerable uncertainty and there is significant scope for differences of opinion. It should be noted that the value of SeaLink after the Proposed Acquisition could vary materially based on changes to certain key assumptions.

9.3.1 GT Model – Key valuation assumptions

We have outlined below the key assumptions which we have adopted for the DCF Method of the Combined Group.

- The cash flow projections for the Combined Group are based on the SeaLink Management Projections (as adopted for our valuation of SeaLink before the Proposed Acquisition in section 8.3) and Transit Systems Group Management Projections, as prepared by Management of Transit Systems Group. They include the synergies identified by Management as discussed in section 9.2.3.

- The cash flow projections prepared by Management of Transit Systems Group and relied upon by us in our DCF valuation have been prepared on the basis that Transit Systems Group will not win any new contracts and all existing contracts will be renewed on substantially the same terms. We note this is a conservative assumption given the strong growth achieved by Transit Systems Group over the last several years and the tender's pipeline.

- Transit Systems Group has grown its revenues at a CAGR of c. 19.9% since FY17, mostly as a result of the Region 6 contract. The projections only include modest revenue growth in line with the terms on the various contracts.

- TSG's EBITDA margins have historically eroded and have fallen from 11.5% in FY18, to 8.7% in FY19. The decrease primarily reflects the impact of Region 6, which is currently going through an efficiency audit to identify scheduling and servicing improvements. The forecasts assume that Transit Systems Group will be able to achieve cost reductions in relation to its Region 6 contract as a result of the rostering and scheduling changes implemented by Management during March and July 2019. Based on the discussions with Management, we understand that the performance of the Region 6 is improving in accordance with plan.

- *Tax:* We have assumed a nominal corporate tax rate of 30% for the Australian operations[122], 17% for the UK operations and 17% for the Singapore operations, in line with the corporate tax rates in those jurisdictions.

- *Capital expenditure:* We have adopted Management's forecast capital expenditure over the discrete period. Transit Systems Group's forecast capital expenditures for FY20 to FY22 will be higher than initially projected by Management due to replacement of Region 6 compressed natural gas ("CNG") buses being required earlier than assumed in the original replacement program. This brings forward associated fleet payments to cover associated capital costs. Under the NSW Region 6 contract, Transit Systems Group will own and fund replacement buses. The original fleet replacement plan assumed replacement of the CNG buses at 25 years of age (which Management has advised is when Sydney buses are typically replaced) but this has recently been accelerated and now required after 20

[122] We have maintained SeaLink's tax rebate in the Combined Group cash flows.

years. The early retirement of these buses will require Transit Systems Group to bring forward a significant amount of capital expenditures in order to acquire an additional 44 buses during FY20 and FY21. These forecast capital expenditures come with an associated increase in revenues by way of additional monthly fleet payments to be received by Transit Systems Group. We note that these capital expenditures will ultimately be recovered from the Government (through fleet payments or through a lump-sum payment if the contract is awarded to another operator on expiry).

- *Working capital:* Changes in working capital are not material in the free cash flows and they have been assessed in line with historical averages.
- *Discount rate:* We have assessed the net present value of future cash flows having regard to an assessed discount rate based on the weighted average cost of capital ("WACC") in the range of 8.5% to 9.0%. Refer to Appendix D for details.
- *Terminal value:* We have adopted the following assumptions in the calculation of the terminal value of the business:
    - EBITDA margin of approximately 12.4 percent which is based on the normalised EBITDA margins assumed into perpetuity for SeaLink (circa 20%) and Transit Systems Group (circa 10%).
    - Capital Expenditure of circa A$35 million for the Combined Group to reflect the long-term forecast capital expenditure required in relation to the current contracts in place. This has been estimated based on the normalised maintenance capex included in the forecast period and the average annual capex for the various major contracts.
    - Terminal growth rate of 3% for SeaLink as discussed in section 8.3.1 and 3.5% for Transit Systems Group due to the significant growth opportunities from identified tenders discussed at length in section 5.5 and the significant growth achieved by Transit Systems Group in recent years. We have set out below some benchmarks adopted for the long term growth rate of Transit Systems Group.

Assessment of reasonableness of terminal growth rate	
Transit System Group - Revenues FY17 to FY19 CAGR	19.90%
IMF - Global GDP growth in 2020[1]	3.50%
IBIS Australian public transport - Expenditures FY19 to FY24 CAGR[2]	2.40%
Selected terminal growth rate	3.50%

Source: GTCF Analysis; International Monetary Fund; IBISWorld

9.3.2 Minority discount

Given the DCF Method produces a control valuation, we have applied a minority discount of 23.1% based on the inverse of a 30% control premium.

9.3.3 Sensitivity Analysis

It should be noted that the enterprise value of the Combined Group could vary materially based on changes in certain key assumptions. Accordingly, we have conducted certain sensitivity analysis below to highlight the impact on the value of SeaLink's enterprise value after the Proposed Acquisition based on the DCF Method caused by movements in certain key assumptions.

Sensitivity Table	Low A$	High A$	Low % change	High % change
Value per ShareLink per share after the Proposed Acquisition on a minority basis	4.27	4.88	na	na
Terminal growth rate				
Increased by 0.5% per annum	4.74	5.46	10.9%	11.8%
Decreased by 0.5% per annum	3.88	4.41	(9.2%)	(9.8%)
EBITDA margin				
Increased by 1% (i.e. 21% EBITDA margin)	4.72	5.38	10.4%	10.1%
Decreased by 1% (i.e. 19% EBITDA margin)	3.83	4.39	(10.4%)	(10.1%)
Capex				
Increased by 10% per annum	4.10	4.70	(4.0%)	(3.7%)
Decreased by 10% per annum	4.45	5.06	4.0%	3.7%
A$2m EBITDA reduction in terminal period following Kangaroo Island competitive tender process	4.21	4.81	(1.5%)	(1.5%)
Discount rate				
Increased by 0.5% per annum	3.83	4.35	(10.5%)	(11.0%)
Decreased by 0.5% per annum	4.81	5.53	12.5%	13.4%
Tax Rebate removed in terminal year	4.03	4.61	(5.7%)	(5.6%)

Source: GTCF analysis

These sensitivities do not represent a range of potential enterprise value of SeaLink, but they intend to show to SeaLink Shareholders the sensitivity of our valuation assessment to changes in certain variables.

10 Sources of information, disclaimer and consents

10.1 Sources of information

In preparing this report Grant Thornton Corporate Finance has used various sources of information, including:

- Draft sales and purchase agreement ("SPA").
- Annual reports/consolidated accounts of SeaLink and Transit Systems for FY16 to FY19.
- Management projections for SLK and Transit Systems for FY19 to FY23
- Minutes of Board meetings.
- Merger model.
- Lender presentations for SeaLink and Transit Systems.
- Financial and tax due diligence reports.
- Draft investor presentation for FY19.
- Synergies assessment.
- Transaction databases such S&P Global Capital IQ and Mergermarket.
- IBISWorld industry reports.
- Various industry and broker reports.
- Press releases and announcements by SLK on the ASX.
- Other publicly available information.

In preparing this report, Grant Thornton Corporate Finance has also held discussions with, and obtained information from, Management of SeaLink and its advisers.

10.2 Limitations and reliance on information

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

Grant Thornton Corporate Finance has prepared this report on the basis of financial and other information provided by the Company, and publicly available information. Grant Thornton Corporate Finance has considered and relied upon this information. Grant Thornton Corporate Finance has no reason to believe that any information supplied was false or that any material information has been withheld. Grant Thornton Corporate Finance has evaluated the information provided by the Company through inquiry, analysis and review, and nothing has come to our attention to indicate the information provided was materially misstated or would not afford reasonable grounds upon which to base our report. Nothing in this report should be taken to imply that Grant Thornton Corporate Finance has audited any information supplied to us, or has in any way carried out an audit on the books of accounts or other records of the Company.

This report has been only been prepared in accordance with the requirements of Section 611, item 7 of the Corporations Act in relation to the issue of the Scrip Consideration to the Scrip Vendors and approval for Escrow Agreements. This report should not be used for any other purpose. In particular, it is not intended that this report should be used by current and future investors in making their investment decisions in relation to the Placement and the Entitlement Offer.

SeaLink has indemnified Grant Thornton Corporate Finance, its affiliated companies and their respective officers and employees, who may be involved in or in any way associated with the performance of services contemplated by our engagement letter, against any and all losses, claims, damages and liabilities arising out of or related to the performance of those services whether by reason of their negligence or otherwise, excepting gross negligence and wilful misconduct, and which arise from reliance on information provided by the Company, which the Company knew or should have known to be false and/or reliance on information, which was material information the Company had in its possession and which the Company knew or should have known to be material and which did not provide to Grant Thornton Corporate Finance. The Company will reimburse any indemnified party for all expenses (including without limitation, legal expenses) on a full indemnity basis as they are incurred.

SeaLink is not responsible for any information provided by Transit Systems Group or its shareholders.

Appendix A – Valuation methodologies

Capitalisation of future maintainable earnings

The capitalisation of future maintainable earnings multiplied by appropriate earnings multiple is a suitable valuation method for businesses that are expected to trade profitably into the foreseeable future. Maintainable earnings are the assessed sustainable profits that can be derived by a company's business and excludes any abnormal or "one off" profits or losses.

This approach involves a review of the multiples at which shares in listed companies in the same industry sector trade on the share market. These multiples give an indication of the price payable by portfolio investors for the acquisition of a parcel shareholding in the company.

Discounted future cash flows

An analysis of the net present value of forecast cash flows or DCF is a valuation technique based on the premise that the value of the business is the present value of its future cash flows. This technique is particularly suited to a business with a finite life. In applying this method, the expected level of future cash flows are discounted by an appropriate discount rate based on the weighted average cost of capital. The cost of equity capital, being a component of the WACC, is estimated using the Capital Asset Pricing Model.

Predicting future cash flows is a complex exercise requiring assumptions as to the future direction of the company, growth rates, operating and capital expenditure and numerous other factors. An application of this method generally requires cash flow forecasts for a minimum of five years.

Orderly realisation of assets

The amount that would be distributed to shareholders on an orderly realisation of assets is based on the assumption that a company is liquidated with the funds realised from the sale of its assets, after payment of all liabilities, including realisation costs and taxation charges that arise, being distributed to shareholders.

Market value of quoted securities

Market value is the price per issued share as quoted on the ASX or other recognised securities exchange. The share market price would, prima facie, constitute the market value of the shares of a publicly traded company, although such market price usually reflects the price paid for a minority holding or small parcel of shares, and does not reflect the market value offering control to the acquirer.

Comparable market transactions

The comparable transactions method is the value of similar assets established through comparative transactions to which is added the realisable value of surplus assets. The comparable transactions method uses similar or comparative transactions to establish a value for the current transaction.

Comparable transactions methodology involves applying multiples extracted from the market transaction price of similar assets to the equivalent assets and earnings of the company. The risk attached to this valuation methodology is that in many cases, the relevant transactions contain features that are unique to that transaction and it is often difficult to establish sufficient detail of all the material factors that contributed to the transaction price.

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Appendix B – Comparable companies SeaLink

Company	Description
Helloworld Travel Limited *ASX:HLO*	Helloworld Travel Limited operates as a travel distribution company in Australia, New Zealand, and internationally. It provides international and domestic travel products and services, as well as operates a franchised network of travel agents. The company was formerly known as Helloworld Limited and changed its name to Helloworld Travel Limited in April 2017. Helloworld Travel Limited is based in Sydney, Australia.
Tourism Holdings Limited *NZSE:THL*	Tourism Holdings Limited, together with its subsidiaries, operates as a tourism company in Australia, New Zealand, and the United States. The company operates in New Zealand Rentals, New Zealand Tourism Group, Australia Rentals, and United States Rentals segments. It engages in the manufacture, rental, and sale of motor homes, campervans, and caravans; and other tourism related activities. The company was formerly known as The Helicopter Line and changed its name to Tourism Holdings Limited in 1996. Tourism Holdings Limited was incorporated in 1984 and is headquartered in Auckland, New Zealand.
Experience Co Limited *ASX:EXP*	Experience Co Limited, an adventure tourism and leisure company, provides tandem skydiving services in Australia and New Zealand. It also provides white water rafting, canyoning, helicopter and boat tours, island day trips, reef tours, snorkeling and diving in the Great Barrier Reef; rain forest tours in North Queensland; and hot air ballooning in New South Wales. The company was founded in 1998 and is based in North Wollongong, Australia.
Webjet Limited *ASX:WEB*	Webjet Limited provides online travel booking services in Australia, New Zealand, Europe, and internationally. It operates through Business to Consumer Travel and Business to Business Travel segments. Its brands include Webjet, Online Republic, JacTravel, Sunhotels, Lots of Hotels, FIT Ruums, and Totalstay. The company serves consumers, travel agents, online travel agencies, wholesalers, and tour operators. Webjet Limited was incorporated in 1980 and is based in Melbourne, Australia.
Apollo Tourism & Leisure Ltd *ASX:ATL*	Apollo Tourism & Leisure Ltd, a tourism leisure company, manufactures, imports, rents, sells, and distributes recreational vehicles in Australia, New Zealand, North America, the United Kingdom, and Ireland. Apollo Tourism & Leisure Ltd was founded in 1985 and is headquartered in Brisbane, Australia.
Flight Centre Travel Group Limited *ASX:FLT*	Flight Centre Travel Group Limited provides travel retailing services for the leisure, corporate, and wholesale travel sectors in Australia, New Zealand, Europe, the Middle East, Africa, the Americas, Asia, and Internationally. It provides its services primarily under the Flight Centre brand, as well as other travel brands, such as Student Flights, Travel Associates, My Adventure Travel, Liberty Travel, Infinity Holidays, GOGO Vacations, FCm Travel Solutions, Corporate Traveller, Stage and Screen, cievents, and Campus Travel. The company was formerly known as Flight Centre Limited and changed its name to Flight Centre Travel Group Limited in November 2013. Flight Centre Travel Group Limited was incorporated in 1987 and is headquartered in Brisbane, Australia.
Event Hospitality & Entertainment Limited *ASX:EVT*	Event Hospitality & Entertainment Limited operates as an entertainment, hospitality, and leisure company in Australia, New Zealand, and Germany. The company operates through Entertainment Australia, Entertainment New Zealand, Entertainment Germany, Hotels and Resorts, Thredbo Alpine Resort, and Property and Other Investments segments. The company was formerly known as Amalgamated Holdings Limited and changed its name to Event Hospitality & Entertainment Limited in December 2015. Event Hospitality & Entertainment Limited was founded in 1910 and is headquartered in Sydney, Australia.
Millennium & Copthorne Hotels New Zealand Limited *NZSE:MCK*	Millennium & Copthorne Hotels New Zealand Limited owns, operates, manages, leases, and franchises hotels. It is involved in the residential development and sale of land; and development and sale of residential units and commercial properties. The company also owns and develops residential apartments. It has operations in New Zealand and Australia. The company was incorporated in 1985 and is headquartered in Auckland, New Zealand. Millennium & Copthorne Hotels New Zealand Limited is a subsidiary of CDL Hotels Holdings New Zealand Limited.
Carnival Corporation *NYSE:CCL*	Carnival Corporation operates as a leisure travel company in North America, Australia, Europe, and Asia. It operates in four segments: North America and Australia Cruise Operations, Europe and Asia Cruise Operations, Cruise Support, and Tour and Other. The company operates cruises under the Carnival Cruise Line, Princess Cruises, Holland America Line, P&O Cruises (Australia), Seabourn, Costa, AIDA, P&O Cruises (UK), and Cunard brand names. It also owns Holland America Princess Alaska Tours, a tour company in Alaska; and the Canadian Yukon, which owns and operates hotels, lodges, glass-domed railcars, and motor coaches. In addition, the company is involved in the lease of cruise ships. It sells its cruises primarily through travel agents and tour operators. Carnival Corporation was incorporated in 1972 and is headquartered in Miami, Florida.
Royal Caribbean Cruises Ltd. *NYSE:RCL*	Royal Caribbean Cruises Ltd. operates as a cruise company. The company operates cruises under the Royal Caribbean International, Celebrity Cruises, Azamara Club Cruises, and Silversea Cruises brands. As of December 31, 2018, the company operated 60 ships providing services to approximately 1,000 destinations in 126 countries. Royal Caribbean Cruises Ltd. was founded in 1968 and is headquartered in Miami, Florida.
Norwegian Cruise Line Holdings Ltd. *NYSE:NCLH*	Norwegian Cruise Line Holdings Ltd., together with its subsidiaries, operates as a cruise company in the United States and internationally. It offers cruise itineraries ranging from a few days to 180-days calling on various locations, including destinations in Scandinavia, Russia, the Mediterranean, the Greek Isles, Alaska, Canada and New England, India and the rest of Asia, Tahiti and the South Pacific, Australia and New Zealand, Africa, South America, the Panama Canal, the Caribbean, and Harvest Caye. As of December 31, 2018, the company had 26 ships with approximately 50,400 berths. It distributes its products through retail/travel agents and international channel, as well as meetings, incentives, and charters. The company was founded in 1966 and is headquartered in Miami, Florida.
DFDS A/S *CPSE:DFDS*	DFDS A/S provides ferry shipping services and transport solutions in Europe and Turkey. The company operates through Ferry and Logistics divisions. The Ferry division operates ferry routes in and around Europe transporting freight units, primarily trailers and passengers, as well as offers port terminal services. The Logistics division provides full and part load transportation, warehousing, and logistics solutions to manufacturers of heavy industrial goods, consumables, and retailers. This division also provides railway transport services. The company operates 35 freight ferries, 16 freight and passenger ferries, 4 cruise ferries, and 15 container and side port ships. The company was founded in 1866 and is headquartered in Copenhagen, Denmark.

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Company	Description
AS Tallink Grupp *TLSE:TAL1T*	AS Tallink Grupp, together with its subsidiaries, provides marine passenger and cargo transportation services in the Baltic Sea. The company operates through Estonia - Finland Routes, Estonia - Sweden Routes, Latvia - Sweden Routes, Finland - Sweden Routes, and Other segments. It offers mini-cruise and passenger transportation, and ro-ro cargo services, as well as travel packages. The company provides its services on various routes under the Tallink and Silja Line brands. It operates a fleet of 14 vessels that include cruise ferries, high-speed ro-pax ferries, and ro-ro cargo vessels. The company also operates three hotels in Tallinn and one hotel in Riga. AS Tallink Grupp was founded in 1989 and is based in Tallinn, the Republic of Estonia.
Torghatten ASA *OTCNO:TORG*	Torghatten ASA provides transportation services through ferries, boats, buses, and airplanes in Norway. It is also involved in garage, travel agency, and real estate activities. The company is based in Brønnøysund, Norway.
Fjord1 ASA *OB:FJORD*	Fjord1 ASA, together with its subsidiaries, operates passenger ferries and other passenger boats in Norway. The company operates in four segments: Ferry, Passenger Boat, Catering, and Tourism. Its ferries and passenger boats transport vehicles and passengers. The company also offers catering and tourism, shipyard, and travel agency services, as well as manages properties. Fjord1 ASA was founded in 2001 and is headquartered in Florø, Norway. Fjord1 ASA is a subsidiary of Havilafjord AS.
Attica Holdings S.A. *ATSE:ATTICA*	Attica Holdings S.A., through its subsidiaries, provides passenger shipping and travel agency services in Greece and internationally. The company's vessels offer sea transportation services to passengers, private vehicles, and freight. It owns and operates a fleet of 11 Ropax vessels in the Greek domestic routes and in Adriatic Sea under the Superfast Ferries, Blue Star Ferries, and Africa Morocco Links brand names. The company was founded in 1918 and is headquartered in Kallithea, Greece. Attica Holdings S.A. is a subsidiary of MIG Shipping S.A.
Viking Line ABP *HLSE:VIK1V*	Viking Line ABP, together with its subsidiaries, provides passenger and cargo carrier services. The company offers its services using seven vessels between Finland, Sweden, and Estonia; and owns 13 buses. It also provides cargo shipment and freight forwarding services. The company also has operations in other Baltic countries, Poland, Denmark, Norway, and Russia. Viking Line ABP was founded in 1959 and is headquartered in Mariehamn, Finland.

Appendix B – Comparable companies Transit Systems

Company	Description
National Express Group Plc *LSE:NEX*	National Express Group PLC provides public transport services in the United Kingdom, Continental Europe, North Africa, North America, and the Middle East. The company operates through UK, German Rail, ALSA, and North America segments. It owns and leases buses, coaches, and trains to deliver local, regional, national, and international transportation services. The company also operates urban bus and transit operations; scheduled coach services linking approximately 900 destinations across the United Kingdom; and offers private hire and commuter coach travel services in London and the south of England. In addition, the company operates service areas and other transport-related businesses, such as fuel distribution; and offers student transportation services. National Express Group PLC was incorporated in 1991 and is based in Birmingham, the United Kingdom.
ComfortDelGro Corporation Limited *SGX:C52*	ComfortDelGro Corporation Limited, an investment holding company, operates as a land transportation company. It operates through seven divisions: Public Transport Services, Taxi, Automotive Engineering Services, Inspection and Testing Services, Driving Centre, Car Rental and Leasing, and Bus Station. The company offers public bus and charter, and rail services to commuters; coach and taxi rental, terminal, taxi bureau, taxi booking, and outdoor advertisement services; and motor vehicle inspection and evaluation, as well as non-vehicle testing, inspection, consultancy, and other related services. As of February 13, 2019, it operated a fleet of 43,300 buses, taxis, and rental vehicles. The company has operations in Singapore, the United Kingdom, Ireland, Australia, China, Vietnam, and Malaysia. ComfortDelGro Corporation Limited was incorporated in 2003 and is headquartered in Singapore.
Nobina AB *OM:NOBINA*	Nobina AB (publ), through its subsidiaries, provides public transportation services in Sweden, Norway, Denmark, and Finland. The company offers scheduled and express bus services. It has a fleet of approximately 3,600 buses. Nobina AB (publ) was founded in 1911 and is headquartered in Solna, Sweden.
The Go-Ahead Group plc *LSE:GOG*	The Go-Ahead Group plc provides bus and rail passenger transportation services in the United Kingdom and Singapore. It operates through three segments: Regional Bus, London Bus, and Rail. The company also offers rail replacement and other contracted services. It serves the department for transport, and transport for London. The company was founded in 1987 and is headquartered in London, the United Kingdom.
Stagecoach Group plc *LSE:SGC*	Stagecoach Group plc, together with its subsidiaries, provides public transportation services in the United Kingdom. It operates through three segments: UK Bus (Regional Operations), UK Bus (London), and UK Rail. The company offers bus, coach, rail, and tram services. It operates city buses primarily in Liverpool, Newcastle, Hull, Manchester, Oxford, Sheffield, Cambridge, and Exeter through a fleet of approximately 6,900 buses and coaches; inter-urban services linking major towns within its regional operating areas, as well as megabus.com, an inter-city coach service; and buses from 10 depots with a fleet of approximately 1,200 buses serving routes in and around east and south-east London. The company was founded in 1980 and is headquartered in Perth, the United Kingdom.

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Company	Description
Firstgroup Plc *LSE:FGP*	FirstGroup plc provides passenger transport services. The company's First Student segment provides student transportation services through a fleet of approximately 44,000 yellow school buses in North America. This segment also offers charter hire services for school and non-school activities. Its First Transit segment offers public transit management and contracting services, including fixed route, paratransit, shuttle, and vehicle maintenance services to transit authorities, such as federal, state, and local transportation departments, as well as for private institutions, including universities, hospitals, and airports in North America. The company's Greyhound segment provides scheduled intercity coach transportation services to approximately 4,000 destinations through a fleet of approximately 1,600 vehicles in the United States and Canada. Its First Bus segment offers local bus services with a fleet of approximately 5,800 buses in the United Kingdom. The company's First Rail segment operates passenger rail network that provides intercity, commuter, regional, and sleeper services through a portfolio of Great Western and TransPennine Express franchises; and passenger rail service. FirstGroup plc was incorporated in 1995 and is based in London, the United Kingdom.
Cleanaway Waste Management Ltd *ASX:CWY*	Cleanaway Waste Management Limited provides waste management, industrial, and environmental services in Australia. It operates through three segments: Solid Waste Services, Industrial & Waste Services, and Liquid Waste & Health Services. The company offers commercial and industrial, municipal, and residential collection services for various types of solid waste streams, including general waste, recyclables, construction, and demolition waste, as well as medical and washroom services. It owns and manages waste transfer stations, resource recovery and recycling facilities, secure product destruction, quarantine treatment operations, and landfills; sale of recovered paper, cardboard, metals, and plastics; and collection, treatment, processing, and recycling of liquid and hazardous waste, including industrial waste, grease trap waste, oily waters, and used mineral and cooking oils in packaged and bulk forms. The company was formerly known as Transpacific Industries Group Ltd. and changed its name to Cleanaway Waste Management Limited in February 2016. Cleanaway Waste Management Limited was incorporated in 2002 and is headquartered in Melbourne, Australia.
Downer EDI Limited *ASX:DOW*	Downer EDI Limited operates as a services provider in Australia, New Zealand, the Asia-Pacific, South America, and Southern Africa. Its Transport segment engages in road, rail infrastructure, bridge, airport, and port businesses; and provides earthworks, civil construction, asset management, maintenance, surfacing and stabilization, open space and facilities management, and rail track signaling and electrification works services. Its Utilities segment plans, designs, constructs, operates, maintains, manages, and decommissions power and gas network assets. Its Rail segment offers passenger build, operations and maintenance, component overhauls, and after-market services. Its Engineering, Construction and Maintenance segment provides design, engineering, construction, and maintenance services for greenfield and brownfield projects in various project lifecycle stages. Its Mining segment provides asset management, blasting, crushing, exploration drilling, mine closure and site rehabilitation, mobile plant maintenance, open cut mining, tyre management, and underground mining services; supplies explosives; undertakes civil projects; and trains and develops ATSI employees. Its Spotless segment offers outsourced facility, catering and laundry, and technical and engineering services, as well as refrigeration solutions. The company was incorporated in 1989 and is headquartered in North Ryde, Australia.
Aurizon Holdings Limited *ASX:AZJ*	Aurizon Holdings Limited, through its subsidiaries, operates as a rail freight operator in Australia. It operates through Network, Coal, Bulk, and Other segments. The company transports various commodities, including mining, agricultural, industrial, and retail products; and retail goods and groceries across small and big towns, and cities, as well as coal and iron ore. It also operates and manages the Central Queensland Coal Network that consists of 2,670 kilometers of track network; and provides various specialist services, such as rail design, engineering, construction, management, and maintenance, as well as supply chain solutions. In addition, the company transports bulk freight for miners, primary producers, and the manufacturing industry. Further, it is involved in the general freight business. The company was formerly known as QR National Limited and changed its name to Aurizon Holdings Limited in December 2012. Aurizon Holdings Limited was incorporated in 2010 and is headquartered in Fortitude Valley, Australia.
A2B Australia Limited *ASX:A2B*	A2B Australia Limited provides personal transport solutions to corporate account customers, passengers, drivers, and taxi operators in Australia. It provides bookings, trips, and payment facilities. The company offers Cabcharge Plus, a cloud based travel management solution, as well as provides real-time electronic trip information and ATO compliant receipt access services. It also provides non-cash methods for paying taxi fares under the Cabcharge FASTCARD and eTICKET names; Cabcharge gift cards; FAREWAYplus, a payment terminal; Cabcharge Digital Pass, a digital version of the Cabcharge paper-based single use eTICKET; Spotto, a handheld terminal for taxi drivers; and Giraffe, a handheld terminal for hire cars. Additionally, the company owns a portfolio of taxi license plates; and offers courier, car sales, and school bus route services, as well as provides software development for clients in the banking and retail sectors. The company was formerly known as Cabcharge Australia Limited and changed its name to A2B Australia Limited in November 2018. A2B Australia Limited was founded in 1976 and is based in Sydney, Australia.

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Appendix C – SeaLink Comparable transactions' target descriptions

Target	Description
Australian Ski Resorts and Hotham and Falls Creek of Merlin Entertainments plc	As of February 22, 2019, Australian Ski Resorts and Hotham and Falls Creek of Merlin Entertainments plc was acquired by Vail Resorts, Inc. Australian Ski Resorts and Hotham and Falls Creek of Merlin Entertainments plc comprises midway attractions and a resort. The asset is located in Australia.
SeaLInk Travel Group Limited	SeaLink Travel Group Limited operates as a tourism and transport company in Australia. It operates through four segments: Kangaroo Island SeaLink (SA), Captain Cook Cruises (CCC), SeaLink Queensland (QLD), and SeaLink Fraser Island (Fraser Island). The SA segment offers ferry services, tours in South Australia, packaged holidays, retail travel services, accommodation facilities at Vivonne Bay, and accommodated cruising on the Murray River. It also provides ferry services to Bruny Island in Tasmania. The CCC segment operates tourist cruises; and lunch, dinner, and charter cruises, as well as offers ferry passenger services on Sydney Harbour and in Perth. The QLD segment offers ferry passenger services, as well as packaged holidays in Queensland and the Northern Territory. The Fraser Island segment provides ferry services; tours on Fraser Island; retail outlets for fuel, food, and alcohol; and accommodation facilities at Kingfisher Bay Resort and Eurong Beach Resort. SeaLink Travel Group Limited was founded in 1989 and is headquartered in Adelaide, Australia.
All assets of Kingfisher Bay Resort Group	As of March 26, 2018, All assets of Kingfisher Bay Resort Group was acquired by SeaLink Travel Group Limited. All assets of Kingfisher Bay Resort Group is located in Australia.
Big Cat Green Island Reef Cruises Pty Ltd and Tropical Journeys	Big Cat Green Island Reef Cruises Pty Ltd is an Australia-based cruise operator, headquartered in Cairns. Tropical Journeys is an Australia-based snorkeling and diving service provider, headquartered in Port Douglas.
Mantra Group Limited	Mantra Group is an Australia-based hotel group with most of its revenue generated across Australia and New Zealand.
Captain Cook Western Australia	Captain Cook Cruises Western Australia, the Australia-based cruise operating company, is headquartered in Perth.
AOT Group Ltd	AOT Group Ltd (AOT) is an Australia-based company, headquartered in South Melbourne, engaged in inbound, wholesale, and online travel products distribution
Transit System Pty Ltd (Marine division)	Transit Systems Pty Ltd. provides public transportation services in Australia. It offers passenger and school transportation services. The company operates buses and ferry; and provides solutions to bus planning problems and ferry operations. Transit Systems Pty Ltd. was founded in 1995 and is based in Cleveland, Australia.
Perisher Blue Pty	Perisher Blue Pty., Ltd., the Australia-based company operating as snow resort, is headquartered in Perisher Valleys.
Airtrain Holdings Limited	Airtrain Holdings Limited runs the airport rail link. The company was founded in 2001 and is based in Brisbane, Australia. As of March 26, 2013, Airtrain Holdings Limited operates as a subsidiary of USS Axle Pty Limited.
Captain Cook Cruises Sydney Harbour	Captain Cook Cruises Australasia Limited engages as a cruise operator in Australia and the Fiji Islands. It owns and operates cruises. The company was founded in 1971 and is based in Sydney, Australia. As of November 23, 2011, Captain Cook Cruises Australasia Limited operates as a subsidiary of SeaLink Travel Group Pty Ltd.
FreigthLink Pty Ltd	FreightLink Pty Ltd, a Australia based company, is a provider of railway transport services. Genesee & Wyoming Inc, a listed US based company headquartered in Greenwich, Connecticut, is a provider of rail freight transportation and supporting services.
P&O Ferrymasters Limited	P&O Ferrymasters Limited is the UK-based provider of freight management solutions, headquartered in Larne Harbour. P&O Ferries Limited is the UK-based ferry operator, headquartered in Dubai.
The Isle of Man Steam Packet Company	Isle of Man Steam Packet Company Limited is an Isle of Man-based passenger shipping company.
U.N Ro-Ro Isletmeleri A.S.	U.N Ro-Ro Isletmeleri A.S., a Turkey-based company headquartered in Istanbul, provides marine freight transportation services.
Scandlines Aps	Scandlines ApS (Scandlines), the Denmark-based holding company, headquartered in Copenhagen, operates through Scandlines Holding GmbH and Scandlines Danmark Aps, which are engaged in ferry transportation services
Hellenic Seaways Maritime S.A	Hellenic Seaways SA (HSW), a Greece-based provider of sea transportation services to passengers and cargo.
Compania Trasmediterranea	Compania Trasmediterranea, S.A., a Spain-based operator of maritime passenger and cargo carrier.
Hellenic Seaways Maritime S.A	Hellenic Seaways SA (HSW), a Greece-based provider of sea transportation services to passengers and cargo.
Fjord 1 ASA	Fjord1 AS, the Norway-based company engaged in providing ferry and passenger boat transportation services, from Municipality of Sogn og Fjordane (MSF), the Norway-based regional governing administration for Sogn og Fjordane county, with responsibilities in areas such as education, transport, dental care, culture and regional development.
Mols-Linien A/S	Mols-Linien A/S is a listed Denmark-based ferry operator.
Hurtigruten ASA	Hurtigruten ASA, the listed Norway based company engaged in public transport and hotel management.
Fantasea Cruises Pty Limited	Fantasea Cruises Pty Limited is an Australia-based cruise operator.
Cruise Whitsundays and Rottnest Express Pty Ltd	Cruise Whitsundays, the Australia-based island cruise service operator, and Rottnest Express PTY LTD, the Australia-based cruise and ferry company.
Great Southern Rail Limited	Great Southern Rail Limited (GSR), an Australia-based company engaged in commercial rail transportation business.
Sunferries Pty Ltd	Sunferries Pty Ltd is an Australia based transport and tour operator.

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Appendix C – Transit Systems Group Comparable transactions' target descriptions

Target	Description
NZ Bus Limited	NZ Bus is a New Zealand based transportation company operating bus and ferry services.
Buslink Pty Ltd (incl. Buslink Southern Pty Ltd)	Buslink Pty Ltd is an Australia-based bus operator.
FCL Holdings Pty Ltd	FCL Holdings Pty Limited, the Australia-based bus and coach operator, is headquartered in Sydney.
Tullamarine Bus Lines Pty Ltd	Tullamarine Bus Lines Pty Ltd (TBL) is an Australia-based bus operator based in Melbourne.
Forest Coach Lines Pty Ltd	Forest Coach Lines Pty Ltd, the Australia-based company providing bus transportation services.
Coach USA LLC (North American operations Stagecoach Group Plc)	Coach USA, LLC., is the US-based transportation company which offers motorcoach charters, tours and sightseeing, commuter transportation, headquartered in Paramus, New Jersey.
Student Transportation Inc.	Student Transportation of America, Inc., the US based company engaged in providing school bus transportation services.
SMRT Corp. Ltd.	SMRT Corp is a multi-modal public transport operator in Singapore.
Coach America Inc. (certain businesses and assets)	Coach America, Inc. is the US based tour and charter bus operator.
Arriva Plc	Arriva Plc, the UK-based provider of transportation services.
Transport Australia Group	Transit Australia Group (TAG) is an Australia-based bus operator. It is Australia's leading mass transit specialist headquartered on the Gold Coast in Queensland.
Sita Coaches Pty Ltd	Sita Tours Pty. Ltd is an Australia-based company providing transportation service.
Light-City Buses	Light City Buses is an Australia-based provider of operations, maintenance and asset management services.
Australian Transit Enterprises Pty Ltd	Australian Transit Enterprises Pty Ltd (ATE), is an Australia-based providers of public transport with route, school and charter bus business.
Go Bus Limited	Go Bus Limited, the New Zealand-based company headquartered in Hamilton, is engaged in the provision of coach and bus services.
FirstGroup Pls (3 bus depots)	Transit Systems acquired Three Bus Depots in Atlas Road, Lea Interchange and Westbourne Park of FirstGroup Plc, the listed UK based transport operator company.

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Appendix D – Discount rate

Introduction

The cash flow assumptions underlying the DCF approach are on a nominal, ungeared and post-tax basis. Accordingly, we have assessed a range of nominal post-tax discount rates for the purpose of calculating the net present value of the cash flows.

The discount rates were determined using the WACC formula. The WACC represents the average of the rates of return required by providers of debt and equity capital to compensate for the time value of money and the perceived risk or uncertainty of the cash flows, weighted in proportion to the market value of the debt and equity capital provided. However, we note that the selection of an appropriate discount rate is ultimately a matter of professional judgment.

Under a classical tax system, the nominal WACC is calculated as follows:

$$\mathrm{WACC} = R_d \times \frac{D}{D+E} \times (1-t) + R_e \times \frac{E}{D+E}$$

Where:

- Re = the required rate of return on equity capital;
- E = the market value of equity capital;
- D = the market value of debt capital;
- Rd = the required rate of return on debt capital; and
- t = the statutory corporate tax rate.

Required rate of return on equity capital

We have used the CAPM, which is commonly used by practitioners, to calculate the required return on equity capital.

The CAPM assumes that an investor holds a large portfolio comprising risk-free and risky investments. The total risk of an investment comprises systematic risk and unsystematic risk. Systematic risk is the variability in an investment’s expected return that relates to general movements in capital markets (such as the share market) while unsystematic risk is the variability that relates to matters that are unsystematic to the investment being valued.

The CAPM assumes that unsystematic risk can be avoided by holding investments as part of a large and well-diversified portfolio and that the investor will only require a rate of return sufficient to compensate for the additional, non-diversifiable systematic risk that the investment brings to the portfolio. Diversification cannot eliminate the systematic risk due to economy-wide factors that are assumed to affect all securities in a similar fashion.

Accordingly, whilst investors can eliminate unsystematic risk by diversifying their portfolio, they will seek to be compensated for the non-diversifiable systematic risk by way of a risk premium on the expected return. The extent of this compensation depends on the extent to which the company’s returns are correlated with the market as a whole. The greater the systematic risk faced by investors, the larger the required return on capital will be demanded by investors.

The systematic risk is measured by the investment's beta. The beta is a measure of the co-variance of the expected returns of the investment with the expected returns on a hypothetical portfolio comprising all investments in the market - it is a measure of the investment's relative risk.

A risk-free investment has a beta of zero and the market portfolio has a beta of one. The greater the systematic risk of an investment the higher the beta of the investment.

The CAPM assumes that the return required by an investor in respect of an investment will be a combination of the risk-free rate of return and a premium for systematic risk, which is measured by multiplying the beta of the investment by the return earned on the market portfolio in excess of the risk-free rate.

Under the CAPM, the required nominal rate of return on equity (Re) is estimated as follows:

$$R_e = R_f + \beta_e (R_m - R_f)$$

Where:

- Rf = risk free rate
- βe = expected equity beta of the investment
- (Rm – Rf) = market risk premium

Risk-free rate

In the absence of an official risk free rate, the yield on government bonds (in an appropriate jurisdiction) is commonly used as a proxy. Accordingly, we have observed the yields on the 10-year Australian Government bond, 10-year UK Government bond and 10-year Singapore Government bond over several intervals from a period of 5 trading days to 10 trading years.

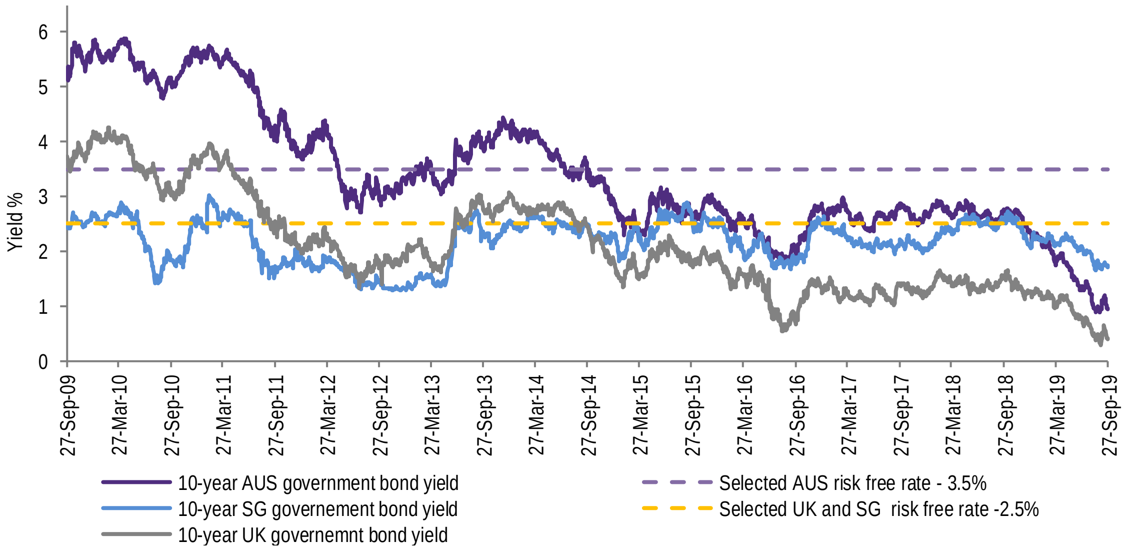
We note that the 10-year average yields are 2.09% for the 10-year UK Government bond and 2.18% for the 10-year Singapore Government bond. The table sets out the average yield of the different Government debts analysed.

Government debt analysis				
as at 27 September 2019	Range			Nominal
Australian Governement Debt - 10 Year				
Previous 5 trading days	0.95%	-	1.01%	0.96%
Previous 10 trading days	0.95%	-	1.20%	1.04%
Previous 20 trading days	0.93%	-	1.20%	1.04%
Previous 30 trading days	0.89%	-	1.20%	1.00%
Previous 60 trading days	0.89%	-	1.46%	1.10%
Previous 1 year trading	0.89%	-	2.79%	1.88%
Previous 2 years trading	0.89%	-	2.93%	2.29%
Previous 3 years trading	0.89%	-	2.99%	2.40%
Previous 5 years trading	0.89%	-	3.50%	2.49%
Previous 10 years trading	0.89%	-	5.88%	3.41%
United Kingdom Government Debt - 10 Year				
Previous 3 years trading	0.29%	-	1.65%	1.21%
Previous 5 years trading	0.29%	-	2.45%	1.39%
Previous 10 years trading	0.29%	-	4.26%	2.09%
Singapore Government Debt - 10 Year				
Previous 3 years trading	1.66%	-	2.73%	2.24%
Previous 5 years trading	1.66%	-	2.89%	2.25%
Previous 10 years trading	1.28%	-	3.02%	2.18%

Source: S&P Global

Given the unprecedented, historically low Government Bond yields around the world as a result of the volatility in global equity markets, we believe utilising a long-term average yield is reasonable given the current economic climate, as set out below.

Australian, British and Singaporean 10-year Government Bond yield



Source: S&P Global

We also had regards to the following key developments:

- *Trade war* – The trade war between the US and China erupted circa 18 months ago and it has exacerbated in the more recent times. As a result, the US has put import tariffs on US$250 billion worth of Chinese goods and it has threatened tariffs on additional US$325 billion. As countermeasure, China has allowed tariffs on US$110 billion worth of US goods and Chinese companies have suspended purchasing US agricultural products. The trade was is affecting those economies which have a greater reliance on export and it causing fears of global recession. China recently reported the worst manufacturing output in 17 years and Germany indicated that the economy shrank by 0.1% in the second quarter of the year.

- *Inverted yield curve and possible US recession* – On Wednesday 14th of August, the US 10 year bond yield fell below the level of the US two year bond yield (i.e. inversion in the yield curve) which has caused significantly jittery in the global markets as an inverted yield curve has been associated in the past with a looming US recession. We note that the inversion in the yield curve first occurred a few months ago, but recently became more pronounced. We note for example that on Wednesday, the three months US Treasury Bond was paying nearly 0.4% more than the 10 year US Treasury Bond. The inverted yield curve indicates that investors are so concerned about the short-term that they are prepared to accept a lower return to buy safer long-term investments. When the economy fundamentals are sound, bond holders typically require a higher yield on long term bonds as they are required to lock their money up for a longer period of time (time value of money). The inversion in the yield curve is considered an alarming signal by investors given that the yield curve inverted before every US recession since 1955 although sometimes the time-lag between the inversion and the actual recession was longer than others. Additionally, the US Federal Reserve ("Fed") has lowered the target Federal funds rate to between 1.75% and 2.00% as of September 2019, after two years of gradually increasing the rate to 2.5% as of December 2018. The Fed has last cut rates in 2008, prior to the Global Financial Crisis.

- *Brexit* – In the UK, GDP growth contracted to only 0.2% in the second quarter of 2019 and there still remain substantially uncertainty in relation to outcome of Brexit. If the UK leaves the European Union in October without a deal on an orderly exit, the country is expected to potentially fall into recession.

Concluding, global financial markets are currently witnessing significant volatility with several geopolitical factors, as mentioned above, adding to the fluctuation of bond rates. The RBA recently cut cash rates from 1.25% to 1.00% in July 2019 and further to 0.75% in October 2019. The current Australian spot rate is 0.95% as of September 2019. Although we note that the spot rate is currently 0.95%, given the significant volatility in the global financial markets, we have placed more emphasis on the average risk free rate observed over a longer period of time (e.g. 10 years).

Having regard to the above and based on our forecast inflation assumption of circa 2.5% in the financial model utilised in the DCF valuation, we have determined the following risk free rates:

- A risk-free rate of **3.5%** for Australian operations.

- A risk-free rate of **2.5%** UK and Singaporean operations.

- A blended risk-free rate of circa **3.4%** for the Combined Group.

Market risk premium

The market risk premium represents the additional return an investor expects to receive to compensate for additional risk associated with investing in equities as opposed to assets on which a risk free rate of return is earned. However, given the inherent high volatility of realised rates of return, especially for equities, the market risk premium can only be meaningfully estimated over long periods of time. In this regard, Grant Thornton studies of the historical risk premium over periods of 20 to 80 years suggest a risk premium of 6.0% for the Australia markets.

For the purpose of the WACC assessment, Grant Thornton Corporate Finance has adopted a market risk premium of **6.0%**.

Equity beta

The beta measures the expected relative risk of the equity in a company. The choice of the beta requires judgement and necessarily involves subjective assessment as it is subject to measurement issues and a high degree of variation.

An equity beta includes the effect of gearing on equity returns and reflects the riskiness of returns to equity holders. However, an asset beta excludes the impact of gearing and reflects the riskiness of returns on the asset, rather than returns to equity holders. Asset betas can be compared across asset classes independent of the impact of the financial structure adopted by the owners of the business.

Equity betas are typically calculated from historical data. These are then used as a proxy for the future which assumes that the relative risk of the past will continue into the future. Therefore, there is no right equity beta and it is important not to simply apply historical equity betas when calculating the cost of equity.

For the purpose of the report, we have had regards to the observed betas (equity betas) of comparable listed companies operating in the tourism and transport (related) industries as outlined in the following tables below. We have performed regressions of the historical betas over 5-year monthly time period with local or MSCI indices.

Beta analysis		Market Cap	Equity	Ungeared	Regeared	Regeared	Equity	Ungeared	Regeared	Regeared
Company name	Country	(A$m)	beta	Beta	Beta	Beta	beta	Beta	Beta	Beta
SeaLink Travel Group Limited	Australia	377	0.30	0.27	0.33	nmf	0.23	0.21	0.25	nmf
Tourism Holdings Limited	New Zealand	579	0.67	0.56	0.67	nmf	0.15	0.12	0.15	nmf
Experience Co Limited	Australia	147	0.14	0.13	0.16	nmf	0.30	0.29	0.34	nmf
Apollo Tourism & Leisure Ltd	Australia	88	0.32	0.15	0.17	nmf	1.36	0.62	0.75	0.75
Event Hospitality & Entertainment Limited	Australia	2,149	0.20	0.18	0.22	nmf	0.31	0.29	0.35	nmf
Village Roadshow Limited	Australia	552	0.12	0.08	0.10	nmf	(0.02)	(0.01)	(0.01)	nmf
Flight Centre Travel Group Limited	Australia	4,835	0.53	0.57	0.69	nmf	0.47	0.51	0.61	nmf
Webjet Limited	Australia	1,546	1.69	1.77	2.12	2.12	1.17	1.22	1.47	nmf
Helloworld Travel Limited	Australia	577	0.14	0.21	0.25	nmf	0.31	0.45	0.54	nmf
Crown Resorts Limited	Australia	8,207	1.26	1.18	1.41	1.41	1.12	1.04	1.25	1.25
The Star Entertainment Group Limited	Australia	3,975	0.96	0.85	1.02	1.02	0.40	0.35	0.42	nmf
SKYCITY Entertainment Group Limited	New Zealand	2,489	1.27	1.12	1.34	1.34	0.80	0.70	0.84	0.84
Millennium & Copthorne Hotels New Zealand	New Zealand	383	(0.04)	(0.05)	(0.06)	nmf	0.17	0.19	0.22	nmf
Qantas Airways Limited	Australia	9,801	0.69	0.56	0.67	nmf	0.37	0.30	0.36	nmf
Air New Zealand Limited	New Zealand	2,913	0.84	0.65	0.78	nmf	0.58	0.45	0.54	nmf
Virgin Australia Holdings Limited	Australia	1,351	0.71	0.45	0.54	nmf	0.20	0.13	0.15	nmf
Alliance Aviation Services Limited	Australia	283	0.56	0.39	0.46	nmf	0.59	0.41	0.49	nmf
Regional Express Holdings Limited	Australia	147	0.15	0.15	0.18	nmf	0.17	0.17	0.20	nmf
Carnival Corporation & Plc	United States	45,636	1.05	0.90	1.08	1.08	1.08	0.92	1.11	1.11
Royal Caribbean Cruises Ltd.	United States	33,119	1.27	0.96	1.15	1.15	1.34	1.02	1.22	1.22
Norwegian Cruise Line Holdings Ltd.	United States	16,235	1.59	1.13	1.36	1.36	1.64	1.17	1.40	1.40
DFDS A/S	Denmark	3,075	0.61	0.48	0.58	nmf	0.61	0.48	0.58	nmf
AS Tallink Grupp	Estonia	1,018	0.43	0.25	0.30	nmf	0.43	0.25	0.30	nmf
Fjord1 ASA	Norway	592	0.97	0.66	0.79	0.79	0.97	0.66	0.79	0.79
Attica Holdings S.A.	Greece	438	1.08	0.51	0.62	nmf	1.08	0.51	0.62	nmf
Viking Line ABP	Finland	311	0.13	0.09	0.11	nmf	0.13	0.09	0.11	nmf
Average			0.69	0.56	0.67	1.28	0.63	0.49	0.59	1.05
Median			0.67	0.51	0.62	1.25	0.47	0.45	0.54	1.11

Source: S&P Global and GTCF calculations

Note (1): Equity betas are calculated using data provided by S&P Global. The betas are based on a five-year period with monthly observations based on the local or MSCI index. Betas have been degeared based on the average gearing ratio (i.e. net debt divided by shareholders' equity based on market values). Betas have been regeared based on SLK's assumed regearing ratio of 25%.

Beta analysis		Market Cap	Equity	Ungeared	Regeared	Regeared	Equity	Ungeared	Regeared	Regeared
Company name	Country	(A$m)	beta	Beta	Beta	Beta	beta	Beta	Beta	Beta
National Express Group PLC	United Kingdom	4,017	0.53	0.37	0.44	nmf	0.55	0.39	0.46	0.46
Firstgroup plc	United Kingdom	3,006	1.08	0.59	0.69	0.69	0.73	0.40	0.47	nmf
The Go-Ahead Group plc	United Kingdom	1,588	0.36	0.47	0.55	nmf	0.74	0.97	1.14	1.14
Stagecoach Group plc	United Kingdom	1,337	0.68	0.51	0.60	nmf	0.77	0.58	0.68	0.68
Rotala PLC	United Kingdom	48	0.36	0.19	0.23	nmf	0.36	0.19	0.23	nmf
Nobina AB (publ)	Sweden	799	0.58	0.32	0.38	nmf	0.43	0.24	0.28	nmf
BVZ Holding AG	Switzerland	344	(0.06)	(0.03)	(0.03)	nmf	(0.08)	(0.04)	(0.05)	nmf
ComfortDelGro Corporation Limited	Singapore	5,516	0.65	0.66	0.78	0.78	0.58	0.59	0.70	0.70
Guangshen Railway Company Limited	China	4,259	1.24	1.29	1.52	1.52	1.19	1.24	1.46	1.46
MTR Corporation Limited	Hong Kong	51,427	0.54	0.50	0.59	0.59	0.55	0.51	0.60	0.60
Keisei Electric Railway Co., Ltd.	Japan	10,308	0.73	0.56	0.67	0.67	0.70	0.54	0.64	0.64
East Japan Railway Company	Japan	54,131	0.88	0.60	0.70	0.70	0.82	0.55	0.65	0.65
West Japan Railway Company	Japan	24,296	0.84	0.60	0.71	0.71	0.75	0.54	0.63	0.63
Kyushu Railway Company	Japan	7,592	0.42	0.41	0.49	0.49	0.38	0.37	0.43	nmf
Aurizon Holdings Limited	Australia	11,976	0.53	0.43	0.50	nmf	0.24	0.20	0.23	nmf
A2B Australia Limited	Australia	177	1.00	0.97	1.14	1.14	0.61	0.59	0.70	nmf
Downer EDI Limited	Australia	4,627	0.97	0.88	1.04	1.04	0.88	0.80	0.95	0.95
Freightways Limited	New Zealand	1,150	0.74	0.66	0.78	0.78	0.54	0.49	0.57	0.57
Mainfreight Limited	New Zealand	3,725	0.61	0.57	0.67	0.67	0.35	0.32	0.38	nmf
Qube Holdings Limited	Australia	5,160	1.61	1.44	1.69	1.69	1.25	1.11	1.32	1.32
Port of Tauranga Limited	New Zealand	4,054	0.45	0.41	0.48	0.48	0.36	0.33	0.39	0.39
South Port New Zealand Limited	New Zealand	188	(0.06)	(0.06)	(0.07)	nmf	(0.02)	(0.02)	(0.02)	nmf
TIL Logistics Group Limited	New Zealand	96	(0.76)	(0.52)	(0.61)	nmf	(0.18)	(0.13)	(0.15)	nmf
CTI Logistics Limited	Australia	61	0.83	0.55	0.64	nmf	0.76	0.50	0.59	nmf
Wiseway Group Limited	Australia	34	(0.18)	(0.16)	(0.19)	nmf	0.79	0.69	0.81	nmf
K&S Corporation Limited	Australia	232	0.56	0.39	0.46	nmf	0.56	0.40	0.47	nmf
Average			0.58	0.48	0.57	0.85	0.56	0.47	0.56	0.78
Median			0.60	0.51	0.60	0.71	0.57	0.49	0.58	0.65

Source: S&P Global and GTCF calculations
Note (1): Equity betas are calculated using data provided by S&P Global. The betas are based on a five-year period with monthly observations based on the local or MSCI index. Betas have been degeared based on the adjusted gearing ratio. We have adopted the adjusted gearing ratio for Transit Systems peers as several peers had significant amounts of restricted cash which we excluded for the purpose of the degearing exercise. Betas have been regeared based on SLK's assumed regearing ratio of 25%.

It should be noted that the above betas are drawn from the actual and observed historical relationship between risk and returns. From these actual results, the expected relationship is estimated generally on the basis of extrapolating past results. Despite the arbitrary nature of the calculations it is important to assess their commercial reasonableness. That is, to assess how closely the observed relationship is likely to deviate from the expected relationship.

Consequently, while measured equity betas of the listed comparable companies provide useful benchmarks against which the equity beta used in estimating the cost of equity for the predevelopment assets, the selection of an unsystematic equity beta requires a level of judgement.

The asset betas of the selected companies are calculated by adjusting the equity betas for the effect of gearing to obtain an estimate of the business risk of the comparable companies, a process commonly referred as de-gearing. We have then recalculated the equity beta based on an assumed 'optimal' capital structure deemed appropriate for the business (regearing). This is a subjective exercise, which carries a significant possibility of estimation error.

We used the following formula to undertake the de-gearing and regearing exercise:

$$\beta_e = \beta_a \left[1 + \frac{D}{E} \times (1 - t) \right]$$

Where:

- βe = Equity beta
- βa = Asset beta
- t = corporate tax rate

The betas are de-geared using the average historical gearing levels of those respective companies over several years. We note that most comparable companies had net cash positions. We then re-geared based on a gearing ratio of 20% debt to 80% equity (see Capital Structure Section below for further discussions).

For the purposes of our valuation, we have selected the following beta ranges to calculate the required return on equity capital:

- A regeared beta in the range of 1.05 to 1.15 for SeaLink mainly based on the average and median of the listed peers. We note that many betas of other tourism related companies are not statistically relevant, and accordingly we were not able to rely upon them.

- A regeared beta in the range of 0.90 to 1.00 for Transit Systems Group. This is based on the average and median of the listed peers group. We note that many betas of other transport/infrastructure related companies are not statistically relevant, so we were not able to rely upon them.

- A regeared beta in the range of 0.90 to 1.00 for the Combined Group.

Specific risk premium

Specific risk premium ("SRP") represents the additional return an investor expects to receive to compensate for country, size and project related risks not reflected in the beta of the observed comparable companies.

We have assumed a SRP in the range of **1.0%** given the size of the Company and the operational risks (e.g. contract risk) not directly reflected in the cash flows. We note that we have adopted the same specific risk premium in the discount rate build-up for SeaLink and the Combined Group.

Cost of debt

For the purpose of estimating the cost of debt applicable to SLK, Grant Thornton Corporate Finance has considered the following:

- The weighted average interest rate on credit outstanding for large businesses over the last one to five years as published by the Reserve Bank of Australia.

- The historical and current cost of debt for SLK.

- Expectations of the yield curve.

- The cost of debt of the New Debt Facilities.

Based on the above, Grant Thornton Corporate Finance has adopted a cost of debt of **4.5% to 5.0%** on a pre-tax basis.

Capital Structure

Grant Thornton Corporate Finance has considered the gearing ratio which a hypothetical purchaser of the business would adopt in order to generate a balanced return given the inherent risks associated with debt financing. Factors which a hypothetical purchaser may consider include the shareholders' return after interest payments, and the business' ability to raise external debt.

The appropriate level of gearing that is utilised in determining WACC for a particular company should be the "target" gearing ratio, rather than the actual level of gearing, which may fluctuate over the life of a company. The target or optimal gearing level can therefore be derived based on the trade-off theory which stipulates that the target level of gearing for a project is one at which the present value of the tax benefits from the deductibility of interest are offset by present value of costs of financial distress. In practice, the target level of gearing is evaluated based on the quality and variability of cash flows. These are determined by:

- the quality and life cycle of a company;
- the quality and variability of earnings and cash flows;
- working capital;
- level of capital expenditure; and
- the risk profile of the assets.

In determining the appropriate capital structure, we have had regard to the current capital structure of the broadly comparable companies of SeaLink and of the Combined Group.

For the purpose of the valuation, Grant Thornton Corporate Finance has adopted a debt-to-enterprise ratio of **20%** debt and **80**% equity for SeaLink and the Combined Group.

Tax rate

For the purpose of our valuation assessment we have assumed the following tax rates:

- A tax rate of **30.0%** for SeaLink based on the Australian corporate tax rate less the tax benefit received from the marine training incentives.
- A tax rate of **30.0%** for the other Australian operations of the Combined Group.
- A tax rate of **17.0%** for UK operations.
- A tax rate of circa **17%** for Singaporean operations.
- A blended tax rate of circa **24.0%** for the Combined Group.

Discount rate summary

The discount rate range for the different entities is set out below:

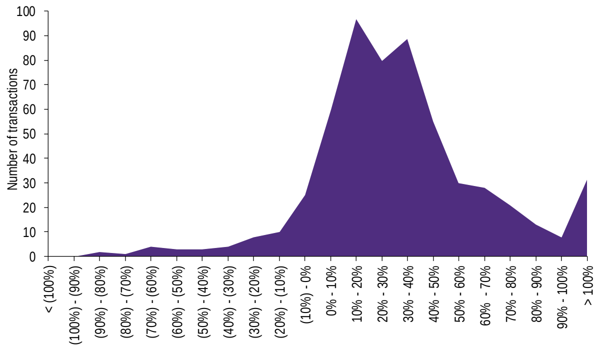
WACC calculation	Sealink		Combined Group	
	Low	High	Low	High
Cost of equity				
Risk free rate	3.5%	3.5%	3.4%	3.4%
Beta	1.05	1.15	0.90	1.00
Market risk premium	6.0%	6.0%	6.0%	6.0%
Specific risk premium	1.0%	1.0%	1.0%	1.0%
Cost of equity	10.8%	11.4%	9.8%	10.4%
Cost of debt				
Cost of debt (pre tax)	4.5%	5.0%	4.5%	5.0%
Tax	18%	18%	24%	24%
Cost of debt (post tax)	3.7%	4.1%	3.4%	3.8%
Capital structure				
Proportion of debt	20.0%	20.0%	20.0%	20.0%
Proportion of equity	80.0%	80.0%	80.0%	80.0%
	100.0%	100.0%	100.0%	100.0%
WACC (post tax)	9.4%	9.9%	8.5%	9.0%
WACC (post tax) (rounded)	9.5%	10.0%	8.5%	9.0%

Source: GTCF analysis

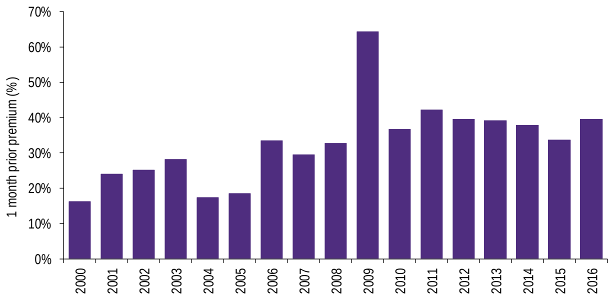
Appendix E – Premium for control study

Evidence from studies indicates that premium for control on successful takeovers has frequently been in the range of 20% to 40% in Australia, and that the premium vary significantly for each transaction.

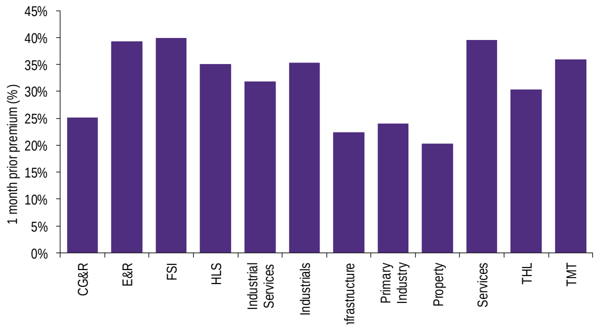
1 Month Prior Control Premium



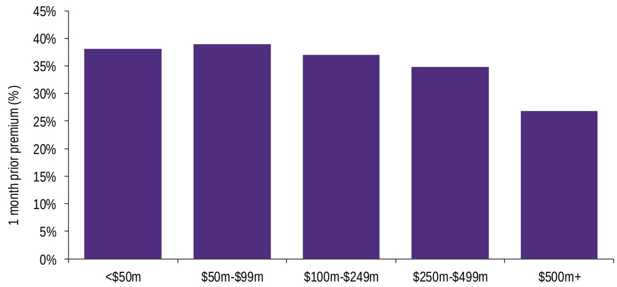
Control premium per completion date



Control premium per industry



Control premium and size



	Control premium
Average	34.33%
Median	29.34%

Source: GTCF analysis.

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Appendix F – Glossary

2018 Indicative Offer	The unsolicited, confidential, indicative and non –binding proposal received by SeaLink in May 2018.
A$	Australian Dollar
ABS	Australian Bureau of Statistics.
Adjusted Equity Value	The Transit Systems Group's equity value excluding the Earn-out Consideration.
Adjustment Amount	The Adjustment Amount is calculated utilising a box pricing mechanism from the Locked Box Date, 31 March 2019 to the completion date
APES	Accounting Professional and Ethical Standards
APES225	Accounting Professional and Ethical Standard 225 "Valuation Services"
APLNG	Australia Pacific LNG.
ASIC	Australian Securities and Investments Commission
ASX	Australian Securities Exchange
ASX 300	S&P/ASX 300 Index
ATO	Australian Tax Office
Attica	Attica Holdings S.A.
Base Amount	The base amount of A$118 million cash of the Cash Consideration
BCM	Bus Contracting Model.
Big Cat	Big Cat Island Reef Cruises.
BITS	Bay Islands Transit
Bulim Package	All Tower Transit Group Singapore routes operate under one contract (Bulim package) which consists of 31 routes with LTA. This contract expires in May 2021 with a further 2 year extension available at the discretion of LTA
Cash Consideration	A$118 million cash to the Vendors paid pro-rata to all the Vendors as discussed in Section 1
CCC	Captain Cook Cruises NSW and WA.
CCC WA	Captain Cook Cruises in WA.
CDG	ComfortDelGro Corporation Limited.
CDPQ	Caisse de dépôt et placement du Québec
CLC	Coastal Liner Coaches
Cleanway	Cleanaway Waste Management
CNG	Compressed natural gas
Combined Group Shares	The fair market value of the shares in SeaLink after the Proposed Acquisition on a minority interest basis
Corporations Act	Corporations Act 2001
Cost of Capital Charge	The Adjustment Amount offers an off-setting compensation for the Vendors in the form of a cost of capital charge calculated as Transit Systems Group's equity value excluding the Earn-out Consideration multiplied by an annual interest rate pro-rated for the Ticking Period.
DCF	Discounted Cash Flow
DCF Method	Discounted Cash Flow and the estimated realisable value of any surplus assets
Deferred Consideration	Deferred non-contingent consideration of A$37 million payable in cash pro-rata to the Vendors in three equal instalments in approximately August 2020, April 2021 and August 2022
Earn-out Consideration	The Company will pay an earn-out consideration of up to A$63 million contingent based upon the FY20 pro-forma normalised EBITDA of Transit Systems Group. Nil paid if FY20 pro forma normalised EBITDA below A$79 million. Straight-line sliding scale with maximum payment of A$63 million when FY20 pro forma normalised EBITDA is A$86 million..
EBIT	Earnings before, interest and tax
EBITDA	Earnings before, interest, tax, depreciation and amortisation
EBITDA Multiple	Enterprise Value divided by unaudited Underlying EBITDA
EM	Explanatory Memorandum
Enlarged SeaLink or Combined Group	The enlarged issued capital of SeaLink
Entitlement Offer	A fully underwritten pro-rata, accelerated, non-renounceable entitlement offer to raise approximately A$89 million at the Placement Price
EPS	Earnings per share

Escrow Agreements	The Company will on completion of the Proposed Acquisition enter into escrow arrangements with the Scrip Vendors who are receiving the Scrip Consideration such that the Scrip Consideration is subject to an escrow period of two years (with 50% released 12 month after the completion of the Proposed Acquisition)
EV	Enterprise Value
FCL	FCL Holdings Pty Ltd
FED	US Federal Reserve
Financial Models	SeaLink and TSG Management cash flow projections to 30 June 2023.
FIRB	Foreign Investment Review Board
Fjord1	Fjord1 AS
Flight Centre	Flight Centre Travel Group Limited.
FME Method	Application of earnings multiples to the estimated future maintainable earnings or cash flows of the entity, added to the estimated realisable value of any surplus assets
FSG	Financial Services Guide
FYxx	12 month financial year ended 30 June 20xx
Gearing Ratio	Net Debt over Equity
GLNG	Gladstone LNG.
GT Model	GTCF valuation model based on the Financials Models.
GTCF, Grant Thornton, or Grant Thornton Corporate Finance	Grant Thornton Corporate Finance Pty Ltd (ACN 003 265 987)
Havila	Havila Shipping ASA
Hellenic Seaways	Hellenic Seaways Maritime S.A.
IER or Report	Independent Expert Report
IMO	International Maritime Organisation.
Index	ASX300 Consumer Discretionary Index
Infratil	Infratil Limited
KBRG	Kingfisher Bay Resort Group.
KI Adventures Tours	Multi-day guided tours on Kangaroo Island.
KI Odissey	Guided tours using 4WDs on Kangaroo Island and other parts of South Australia.
LMITO	Low and Middle Tax Offset
Locked Box Date	31 March 2019. 1 April 2019 is the starting date for the calculation of the Adjustment Amount
LTA	Land Transport Authority of Singapore
MRT	Mass Rapid Transit lines.
NAV Method	Amount available for distribution to security holders on an orderly realisation of assets
New Debt Facilities	In conjunction with the Proposed Acquisition, SeaLink has refinanced its and Transit Systems Group debt facilities via A$470 million of new multi-tranche acquisition debt and revolving credit facilities (including the refinancing of SeaLink's existing debt) and rollover of certain debt-like Transit Systems Group' obligations (circa A$45 million)
NOM	Notice of Meeting
Non-Associated Shareholders	SeaLink Shareholders non-associated with the Scrip Vendors
NS ONE	North South and Outer East areas of Adelaide.
NTM	Next twelve months
OSMBSCs	Outer Sydney Metropolitan Bus Service Contracts.
Peer Index	Index made of the following comparable companies to SeaLink: Helloworld, Tourism Holdings Limited, Flight Centre, Experience Co, Apollo Tourism, Event Hospitality & Entertainment, WebJet and Millenium & Copthorne Hotels New Zealand.
Perisher	Perisher Blue Pty Limited.
PHV	Private hire vehicle.
Placement	A fully underwritten placement to new and existing institutional shareholders of A$65 million at the Placement Price of A$3.50.
Placement Price	Price at which the shares related to the Placement and Entitlement Offer will be issued. The Placement Price is A$3.50 per share.
Primary TT Vendors	The Primary TT Vendors of Tower Transit Group are entities controlled by Mr Graham Alexander Leishman, Mr Neil Espie Smith and Mr Clinton Feuerherdt

Proposed Acquisition	On 8 October 2019, the Company announced that it had entered into two separate Securities Sale Agreements with the Vendors of Transit Systems Australia and Tower Transit Group to effect the acquisition of 100% of Transit Systems Group by SeaLink
PTOM	Public Transport Operating Model
PTV	Public Transport Victoria.
Quoted Security Price Method	Quoted price for listed securities, when there is a liquid and active market
RG	Regulatory Guide
RG 74	ASIC Regulatory Guide 74 "Acquisition approved by members"
RG111	ASIC Regulatory Guide 111 "Contents of expert reports"
RG112	ASIC Regulatory Guide 112 "Independence of experts"
RG5	ASIC Regulatory Guide 5 "Relevant Interests and Substantial Holding Notices"
RG60	ASIC Regulatory Guide 60 "Scheme of arrangement"
Scrip Consideration	A$269 million in SeaLink shares at an issue price of A$3.69 per share
Scrip Vendors	Vendors who are receiving the Scrip Consideration
Sea link, the Company or SLK	Sea link Travel Group Limited
SeaLink Management Projections	Management projections for FY20 to FY23 which have been prepared based on the latest financial performance of the Company
SeaLink Options	100,000 share options of SeaLink.
SeaLink PRs	190,000 unlisted Performance Rights of SeaLink.
SeaLink Shareholders	SeaLink shareholders
SeaLink Shares	SeaLink shares
SEQ	South East Queensland.
SLK FI	SeaLink Fraser Island.
SLK QLD	SeaLink Queensland and Northern Territory.
SLK SA	SeaLink South Australia and Bruny Island.
SMBI	Southern Moreton Bay.
SPA	Sales and purchase agreement
SRP	Specific Risk Premium
SSAs	Securities Sale Agreements
TBL	Tullarmarine Bus Lines Pty Ltd
TERP	Theoretical ex-rights price. TERP is a mechanical and theoretical calculation only and the actual price at which SLK Shares will trade immediately following the ex-date of the Entitlement Offer may be different from TERP.
TfL	Transport for London.
Ticking Period	The period from 31 March 2019 to the completion date utilised for the computation of the Adjustment Amount
Tower Transit Group or TTG	Tower Transit Group Ltd and its broader group of entities
TRA	Tourism Research Australia.
Transdev	Transdev S.A. a French based multi-modal public transport operator, with operations in approximately 20 countries throughout Europe, North America and Australasia.
Transdev Australia	Transdev Australasia Pty Ltd, a subsidiary of Transdev.
Transit Systems Australia or TSA	Transit Systems Pty Ltd and its broader group of entities
Transit Systems Group or TSG	Transit System Group
TSG Management Projections	Transit Systems Group management projections for FY20 to FY23 which have been prepared and updated based on the latest financial performance of the Company
Translink	Contract passenger ferry services for the Queensland Government to four islands around Southern Moreton Bay.
TS SSA	The Securities Sale Agreement relating to Transit Systems Australia
TS Vendors	The Transit Systems Australia vendors are Mr Graham Alexander Leishman, Mr Lance William Francis and Mr Neil Espie Smith and entities that they control either individually or jointly
TSM	Transit Systems Australia's Marine Division.
TT SSA	The Securities Sale Agreement relating to Tower Transit Group

TT Vendors	Collectively Primary TT Vendors and TTAH Individuals
TTAH Individuals	The TTAH Individuals are employees of Tower Transit Group who hold in aggregate a 2.6% interest in Tower Transit Group
Upfront Consideration	Together Scrip Consideration and Cash Consideration
Vendor Note	The Sita Group vendor note refers to a deferred consideration of A$40 million in relation to the acquisition of Sita Group.
Vendors	The Vendors of Transit Systems Australia are Neil Smith, Graham Leishman and Lance Francis either individually or through entities which they control whilst the Vendors of Tower Transit Group are Neil Smith, Graham Leishman, Clint Feuerherdt and staff (2.7%) either individually or through entities which they control.
VTP	Vehicle termination payments.
VWAP	Volume Weighted Average Price.
WACC	Weighted Average Cost of Capital.