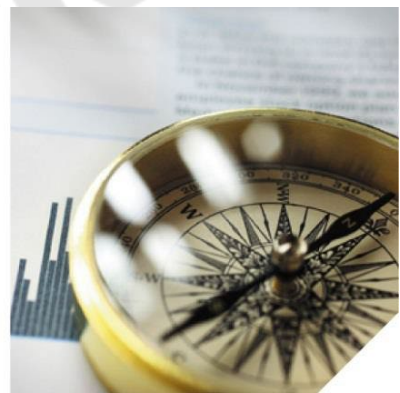


AustPharma Group Pty Ltd

Tax consolidation valuations report

20 October 2025



NOTE: this report has been developed from an actual client report with names changed or deleted, redactions, date changes and other changes which disguise the client details but continues to provide sufficient detail of hypothetical inputs and valuation processes to assist in understanding the approach to tax consolidation ACA-setting.

Table of contents

Table of contents	2
Executive summary	4
Scope	4
AustPharma Group Pty Ltd	8
Operating entities	8
Australian corporate structure	9
Industry overview	11
Australia's probiotic industry	11
Valuation approach and methodology	14
Valuation approaches	14
Selection of valuation methodology	15
Valuation of AustPharma Group subsidiaries	17
Trust Blend Pty Ltd	17
Local Health Pty Ltd	22
Inifitipharm Pty Ltd	27
Specific asset values	29
Valuation summary	33
APES 225 disclosures	34
Valuation engagement	34
Valuation date	34
Limitations	34
Team	34

20 October 2025

STRICTLY CONFIDENTIAL

The Directors

AustPharma Group Pty Ltd [by email]

Dear Directors,

Re: Tax consolidation valuation report

In accordance with the terms of our engagement letter dated 14 July 2025, we enclose our report in relation to the market value of certain assets for tax consolidations purposes.

Should you have any questions regarding this report, please do not hesitate to call Michael Churchill on 0412 066 019 or Dom Churchill on 0449 841 244.

Thank you for providing us with the opportunity to assist you and we look forward to working with you again.

Yours sincerely



Dominic Churchill
Executive director



Michael Churchill
Head of valuations

Executive summary

Peloton Corporate ["Peloton Corporate"] has been engaged to assess the market value of certain assets of AustPharma Group Pty Ltd ["APG" or the "Company"] as at 31 August 2024 [the "Valuation Date"] for the purposes of tax consolidation, specifically:

- Intellectual Property ["IP"];
- Inventories;
- Enterprise value of each subsidiary; and,
- Equity value of each subsidiary.

This report relies substantially upon the PPA report which has been separately provided by Peloton Corporate.

This report has been prepared in compliance with the Tax Consolidation Reference Manual and Valuation for Tax Purposes guidance published by the ATO.

Peloton Corporate is independent of APG, Specialty Medical Company Pty Ltd ["SMC"], My Good Health and the domestic auditors of APG, PricewaterhouseCoopers ["PwC"].

PwC has advised Peloton Corporate that the date of entry to the consolidation regime will be 31 August 2024.

The principal conclusions from this report are summarised as follows:

1. The brand name is held by Inifitipharm and has a market value of \$216.3 million
2. The customer relationships are maintained by LH and has a market value of \$67.6 million
3. The inventories held by a combination of UM and LH have a market value of \$48.1 million based on the cost approach
4. Physical plant and equipment has been assessed to have a market value of \$3.4 million based on estimated replacement cost.

FIGURE 1 VALUATION ALLOCATION SUMMARY

Value allocation summary (\$ amounts as stated)	APG	SMC	UM	LH	Adjustments (1)	Total
Intellectual property	-	216,290,000	-	67,620,000	-	283,910,000
Inventories	-	-	42,179,224	7,560,613	(1,602,537)	48,137,300
Enterprise value	n/a	216,290,000	313,840,645	155,418,858	-	685,549,503
Equity value	2,588,524	216,297,194	289,539,635	160,266,823	-	668,692,176

Source: CMAA analysis.

(1) Adjustments relate to amounts in excess of book value over the CMAA reported values.

In preparing this report Peloton Corporate has relied on information provided by APG and PwC. Peloton Corporate has not validated this information.

Scope

Peloton Corporate has been engaged to assess the market value of certain assets and equity within the APG group for the purposes of APG entering the tax consolidation regime.

SMC acquired 100% of the issued capital of APG on 30 August 2024.

APG's tax adviser, PwC, has proposed that SMC form a consolidated group for tax purposes as of 31 August 2024.

The tax consolidation regime is governed by Part 3-90 of the Income Tax Assessment Act (1997) ["ITAA"].

Guidance as to treatment of certain assets and valuation processes is provided by the ATO Consolidation Reference Manual and Market Valuation for Tax Purposes.

The market value of entities and assets within those assets is the principal basis upon which the ACA is attributed to those assets.

The purpose of this engagement is to provide APG's tax adviser with an assessment of the market value of certain entities and assets (as set out in our engagement letter and the modification thereto dated 14 February 2025).

This report has been prepared in accordance with the ATO Market Valuation Guidelines "Market Valuation for Tax Purposes".

In undertaking this engagement Peloton Corporate has relied on an English language translation of a Purchase Price Allocation ["PPA"] report prepared by Peloton Corporate and dated 30 August 2024. Peloton Corporate's engagement included the review and adaptation for AASB3-Business Combinations ["AASB3"] purposes of the Peloton Corporate PPA.

Where certain conclusions in this report depart from the conclusions in the PPA, we have clearly noted the reason and basis for any material difference.

In this regard, Peloton Corporate notes that whilst the general principles of AASB3 and the tax consolidation regime are broadly consistent, the requirements of AASB3 are not exactly the same as the requirements of Part 3-90 of ITAA. For example, the allocation of consideration required under AASB3 may not accurately reflect the market value for tax purposes of individual assets which are required to be addressed for the purposes of tax consolidation.

As far as we are aware, there is no conflict of interest existing or arising as a consequence of Peloton Corporate undertaking this engagement. To the best of our knowledge there has been no previous, nor is there any current or planned future relationship between APG and Peloton Corporate which would create a possible conflict of interest.

Peloton Corporate has relied on the latest financial information (relevant as at the Valuation Date) provided by management of APG ["Management"]. Management has confirmed that the information provided is complete, reasonable and appropriate for the purposes of our analysis as at the Valuation Date.

By its very nature, valuation-related work cannot be regarded as an exact science and the conclusions arrived at in many cases will of necessity be subjective and dependent on the exercise of individual judgement. There is, therefore, no indisputable single value and we normally present any values as falling within a likely range.

Definition of value

The ATO market valuation guidelines focus on the process of concluding market value for assets in the tax consolidation context. The term 'market value' is not defined for the purposes of consolidation, nor does current tax law specifically define 'market value'. As a result, the term takes on the meaning ordinarily applied to it when used on its own without any qualifications. Market value in this context is defined in the International Valuation Standards ["IVS"] published by the International Valuation Standards Council ["IVSC"] as follows:

"Market value is defined as the estimated amount for which an asset should exchange on the date of valuation between a willing buyer and a willing seller in an arms-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion."

In relation to assets held by a business which is a going concern, the definition further assumes continuation of existing use, subject to highest and best use. On this basis, the assumption is that the assets are valued in-situ at their current location, as opposed to an ex-situ value where the assets are for removal or to be sold, for example, in an auction. In this situation, we consider 'market value' is consistent with the AASB definition for 'fair value'.

Valuation engagement

APES 225 Valuation Services ["APES225"] issued by the Accounting Professional & Ethics Standards Board states that a valuation engagement is an engagement 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 available to the member at the time.

This report has been prepared pursuant to the requirements of a valuation engagement as defined in APES225.

Peloton Corporate has had specific regard to the ATO valuation compliance matrix and the four categories addressed in the matrix:

1. Integrity of the allocation of values
2. Allocation of value process
3. Integrity of allocation process
4. Report information

Set out below is Peloton Corporate's assessment of compliance of the Peloton Corporate PPA with the ATO guidelines.

Integrity of the allocation of values refers to transparency of the overall transaction value. In other words, it measures whether the transaction value represents the true market value of the assets acquired and was conducted between arm's length parties. Peloton Corporate is satisfied that the PP paid for APG and its associated subsidiaries reflects market value and there were no related transactions or side agreements.

Allocation of value process relates to the overall identification of assets (especially intangible assets and goodwill) and the value allocation. Peloton Corporate has held discussions with Peloton Corporate in regard to the allocation process. Specifically, Peloton Corporate sought to confirm that all material identifiable assets were considered and addressed by Peloton Corporate's process. Peloton Corporate is satisfied that no material asset has not been identified or recorded. However, we understand that it is likely that the allocation of value to trademark is likely to include some allowance for the value of product formulations and Therapeutic Goods Administration ["TGA"] approvals which we understand are unlikely to be material in the context of the overall transaction.

Integrity of allocation process refers to the documentation process and values being free from manipulation. Peloton Corporate has reviewed the Peloton Corporate PPA and held discussions with Peloton Corporate in regard to its valuation process and have concluded that the allocation process is free from manipulation. Peloton Corporate also notes that the Peloton Corporate PPA has been adopted by APG's ultimate parent entity, reflected in its statutory financial reporting, audited and free from any audit qualification.

Report information pertains to the understandability of the report and requires satisfactory completion of the following items:

- Asset descriptions that enables identification of the assets;
- Purpose and context of valuation;
- Specific market value;
- Date of period the valuation relates to;
- Commencement and completion dates of valuation;
- Details of the methods used;
- Information on which the valuation is based; and,
- Detail of all the assumptions used.

Peloton Corporate believes the Peloton Corporate PPA satisfactorily achieves all points above and an illustrative risk assessment (ATO guidance) is set out in Appendix 3.

AustPharma Group Pty Ltd

APG, incorporated in 2017, is the head entity of an Australian-based group of entities, engaged in the manufacturing and exporting of probiotics and other associated complementary medicines worldwide. APG distributes products to a large customer base of physical outlets (including over 100,000 pharmacies in China) and via online channels.

APG products are marketed in over 4,000 locations across Australia and are sold in well-known Australian pharmacies, including Chemist Warehouse, Priceline Pharmacy and Terry White Chemists.

APG employs approximately 150 staff of which a large majority are employed under the LH brand.

Operating entities

Set out below is a brief description of each subsidiary.

Trust Blend

UM is the manufacturing division of APG. It manufactures and packages its products in facilities situated in Melbourne's western suburbs. Operating under its TGA license and Goods Manufacturing Practice ["GMP"] standards for over 22 years, UM specialises in the manufacturing of (non-sterile) medicines, liquids, oral liquids, semi-solids, creams, gels and ointment products, all of which are filled and packaged by UM.

The manufacturing capacities of UM range from 5 litres batches to 50,000 litres. All products are available as bulk liquid or finished products. UM continuously undertakes product quality control and testing in its in-house laboratories.

UM sells the large majority of its products to LH, the sales and distribution arm of APG. The balance of UM's sales are derived from contract manufacturing activities, which it provides to over 20 third-party customers.

UM has its own dedicated management team, which is independent from the broader APG structure, but benefits from the utilisation of shared services such as finance, human resources, logistics, quality control and administration.

Local Health

Established in 2006, Melbourne-based LH is the largest supplier of APG-branded products in Australia and supplies a range of other nutritional health supplements and products.

Over 80% of APG's employees are deployed under the LH brand which includes key divisional managers and sub-managers.

The business targets retail distribution channels via pharmacies, specialist health stores and large grocery stores. It also exports branded products to over 10 countries around the world, with growing demand from the Asian market.

The product mix distributed by LH includes probiotic brands such as Life-space and Brighter Essentials, specialist pain relief oil producer Belong Oil and infant-related products Big gums.

Inifitipharm

Inifitipharm is a non-trading entity which exists as the owner of APG Intellectual Property ["IP"].

Prior to Inifitipharm being rolled into APG, an agreement between the previous owners/founders and Mr Chemguy (ex-Inifitipharm sole shareholder) governed the relationship and meant LH paid a license fee to Inifitipharm for the use of the following:

- Trademarks and patents;
- Stock on hand; and,
- Consulting fees related to research and development.

The annual license fee was assessed as being 8.5% of all annual profit (before tax and depreciation) over \$650k per financial year.

The agreement was superseded by an acquisition of Inifitipharm by LH in order to incorporate APG for the eventual acquisition by By-Health Company Limited. Mr Chemguy had received shares in APG totalling 20% of the issued equity as compensation for merging Inifitipharm into APG.

The transaction between the founders and Mr Chemguy prior to the acquisition of APG was not documented and was done on a mutual agreement basis between the shareholders.

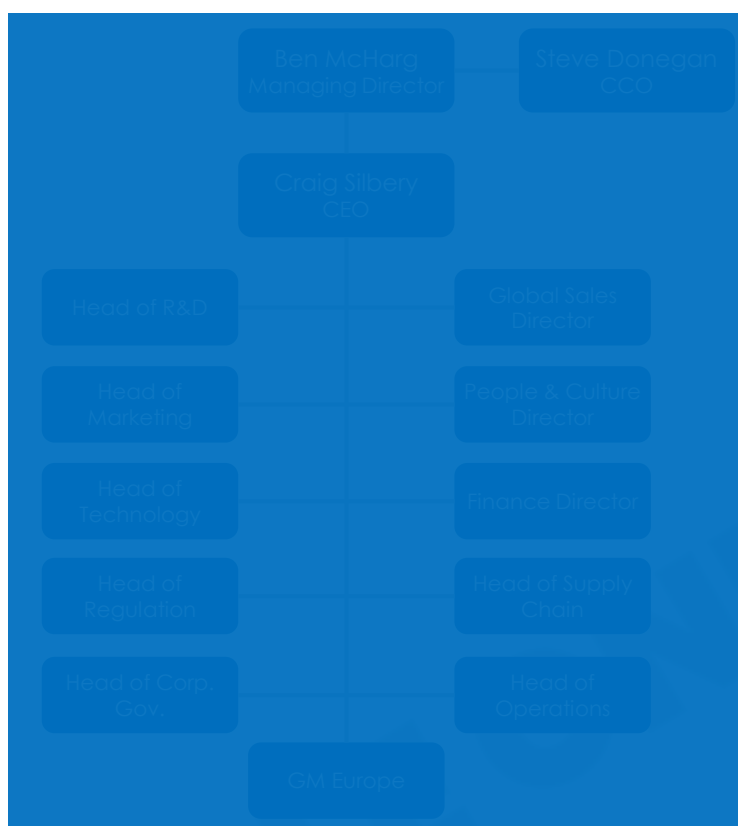
Australian corporate structure

The vertically integrated model of APG affords the use of LH's management structure as the core corporate structure across all brands. LH employs approximately 120 employees of which are dispersed over 11 different operating divisions.

Despite UM employing an independent management team, all 'back-office' processes are provided to by LH.

Figure 1 below provides an overview of LH's, and thus APG's, core management structure.

FIGURE 2 LOCAL HEALTH MANAGEMENT STRUCTURE



The three Executive managers' report directly to the APG parent entity, SMC.

APG's sales team has the largest headcount representing approximately 25% of total employees. These include three geographic head managers, sales managers and two groups of field teams.

The current structure also includes three China-based employees to accommodate APG's rapid growth in the Asia market.

Industry overview

Probiotics are derived from traditional food sources (i.e. yoghurt, cheese, etc.) and assist in maintaining digestive and gut health. The three primary benefits of consumption of probiotic products include: maintaining health, promoting health and reducing the risk of disease¹.

The increasing prevalence of the health-conscious consumer is driving demand for non-traditional sources for probiotics such as powdered and tablet-form supplements.

Between March 2020 and February 2023, the number of products containing probiotics increased by 124% globally².

The success of probiotic products has been in part due to their growing availability across major national pharmacies and supermarkets.

Australia's probiotic industry

The industry is characterised by its high barriers to entry, primarily as a result of its rigorous product regulation. The Therapeutic Goods Administration ["TGA"], which was established to enhance the health of the Australian market through application of strict quality and standard measures to therapeutic goods, is the primary governing body in Australia. The TGA also administers the Australian Register of Therapeutic Goods ["ARTG"].

With the exception of a select number of goods, all therapeutic products must seek listing on the ARTG before they can be legally imported, manufactured or supplied in Australia. Over the last three years, the regulator has approved the inclusion of over 100 new ingredients as 'permissible' ingredients, with 28 ingredients being approved in 2024³.

Acquiring listing on the ARTG is critical to product/brand success as non-listed products cannot be marketed within Australia.

On the demand side, Australian consumers are becoming more health-astute and have sought to increase their consumption of health supplements as a consequence.

A report from IBIS World indicates that Australia's ageing population has benefited the industry as many consumers are now turning to complementary medicines in an attempt to be pro-active about their health and wellbeing. It should be noted that whilst not considered a consumer staple product, thus being sensitive to real household income, the industry has demonstrated a higher degree of resilience to volatility given its rising status as a perceived core element of health and wellbeing.

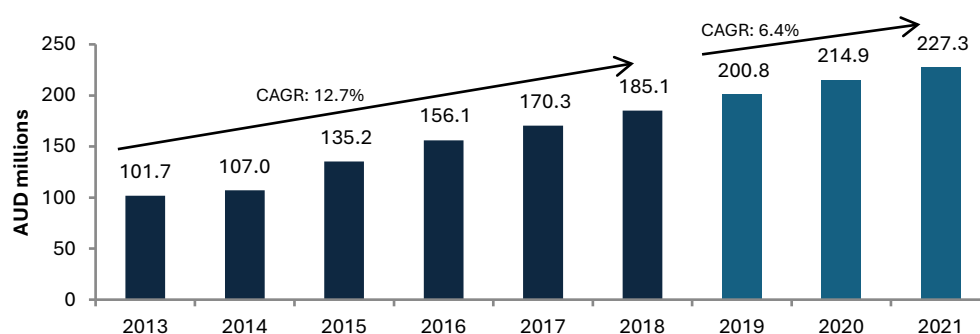
The Australian probiotic market has experienced uninterrupted, historical growth achieving a 12.7% revenue Compound Annual Growth Rate ["CAGR"] from 2013-18. Industry growth is expected to continue at a 6.4% CAGR to 2021; this is presented in FIGURE 3 below.

¹ Aslam Shaikh, 'Demand for probiotics is increasing significantly', Dairy Reporter, April 2024.

² Cheryl Tay, 'Probiotic proliferation: Australian and New Zealand consumers increasingly open to new health benefits', Nutra ingredients-asia.

³ Therapeutic Goods Administration, 'Half Yearly Performance Snapshot', 1 July to 31 December 2017. 2024.

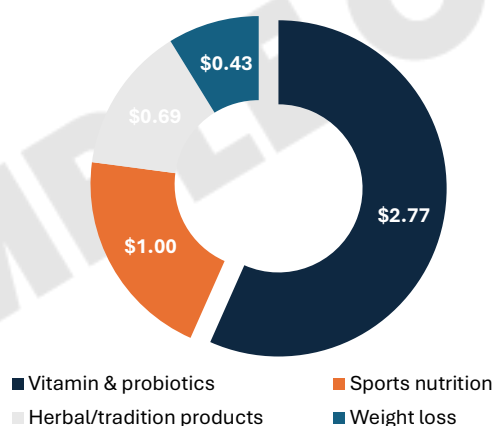
FIGURE 3 AUSTRALIAN PROBIOTIC MARKET⁴



Source: Project Salus IM

At a broader level, Complementary Medicines Australia [“CMA”] has estimated the Australian complementary medicine market to be worth approximately US\$4.9 billion in 2024 and projects a further US\$2 billion over the next five years⁵. Revenue split by product is provided in FIGURE 4 below.

FIGURE 4 AUSTRALIA’S COMPLEMENTARY MEDICINE REVENUE SPLIT



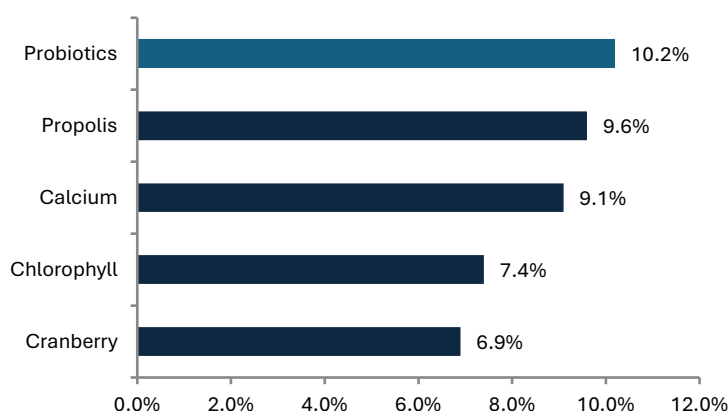
Source: CMA

From the chart above it can be observed that vitamin and probiotic products constitute over 55% of total industry revenue in 2024. This dominance has largely been due to rapid growth in consumption of disease-preventative supplements such as probiotics and propolis. This is shown in the chart below.

⁴ Euromonitor International (2016)

⁵ Complementary Medicines Australia, 'Industry Snapshot 2024'.

FIGURE 5 AUSTRALIA'S FASTEST GROWING SUPPLEMENT INGREDIENTS IN 2023



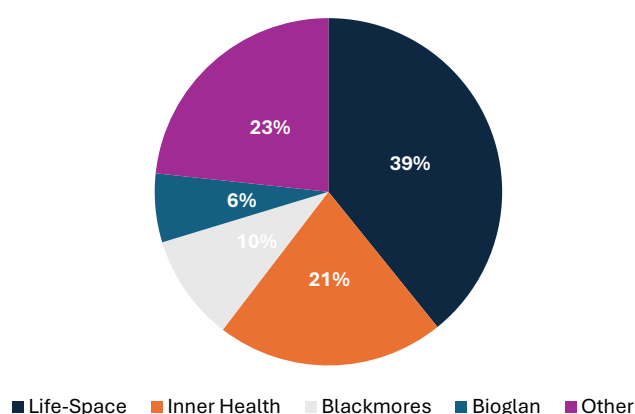
Source: CMA

Unsurprisingly, three of the top 5 fastest growing supplement categories are related to the important health concerns as identified by Australian consumers: digestive health (probiotics), general health (propolis) and heart health (calcium).

The probiotic industry is characterised by a small number of large players and becomes increasingly fragmented as scale is reduced. Many industry players operate a 'clicks-and-bricks' model, seeking to offer consumers a physical presence (with shelf exposure) in addition to capturing the online sales channel.

FIGURE 6 below details the top brands (probiotics only) sold in My Chemist and Chemist Warehouse stores for the week ending 17 February 2025. It shows the dominant position of the two largest probiotics players, APG and Inner Health. These businesses represent approximately 60% of all sales.

FIGURE 6 TOP BRANDS (PROBIOTICS ONLY)



Source: Scan Sale My Chemist Group.

According to IBIS World, the industry is expected to continue its strong growth trajectory, supported by consumer health consciousness and greater adoption from, and penetration into, international markets such as China.

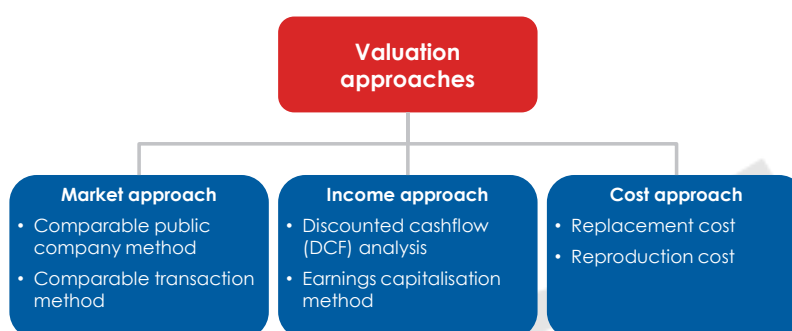
Valuation approach and methodology

In this section, we have outlined the valuation approaches considered for this valuation, selection of valuation methodology and our rationale for its selection valuation

Valuation approaches

In FIGURE 7 below, we have presented the key valuation approaches which can be used to value a business.

FIGURE 7 VALUATION APPROACHES



Market approach

The market approach measures value based on what other purchasers in the market have paid for businesses that can be considered reasonably similar to those being valued. When the market approach is utilised, data is collected on the prices paid for reasonably comparable businesses. Adjustments are made to the comparable companies ["comparables"] to compensate for differences between those businesses and a business being valued. The application of the market approach results in an estimate of the price reasonably expected to be realised from the sale of the business.

There are two common methods to value businesses under the market approach:

- **Comparable Public Company Method ["CPCM"]:** this method is employed to value a private, unlisted business using publicly available information of listed businesses operating in a similar industry. The information of the listed businesses primarily includes market multiples (i.e. price, market capitalisation and enterprise value are divided by sales, EBITDA, EBIT, net income and book values, etc. of current and forecast periods). The resulting multiples are also adjusted for size, risk and liquidity of the subject business being valued; and,
- **Comparable Transaction Method ["CTM"]:** conceptually, this is very similar approach to GPCM except that the underlying data for valuation is estimated from publicly available information on recent M&A and IPO transactions. In addition to size, risk and liquidity, the underlying data is also considered for settlement terms of these transactions (i.e. cash or shares consideration, length of the settlement period, any condition precedents, performance guarantees, etc.).

Income approach

The income approach focuses on the income-producing capability of the identified asset. The underlying premise of this approach is that the value of an asset can be measured by the present worth of the net economic benefit (cash receipts less cash outlays) to be received over the life of the asset.

The steps followed in applying this approach include estimating the expected after-tax cash flows attributable to the asset over its life and converting these after-tax cash flows to present value through “discounting”. The discounting process uses a rate of return that accounts for both the time value of money and investment risk factors. Finally, the present value of the after-tax cash flows over the life of the asset is totalled to arrive at an indication of a market value.

Another approach which is commonly applied is the capitalisation of income approach. It involves converting the asset's income stream into a capital value estimate through a capitalisation process. It uses a single year's income as the basis of the calculation.

Discounted cash flow and capitalisation approaches are commonly used to determine the market value of income-producing assets and businesses.

Cost approach

The cost approach is based on the premise that a prudent investor would pay no more for an asset than its replacement or reproduction cost. For example, the cost to replace an asset would include the cost of constructing a similar asset of equivalent utility at prices applicable at the time of the valuation analysis. This estimate may then be adjusted by losses in value attributable to obsolescence (physical, functional and/or economic).

Further limitations to the cost approach, include:

- It does not take into account the specific asset's potential profitability and therefore, its impact on the value;
- There is no direct correlation between investments and value; and,
- It is often not possible to estimate the reproduction cost of immaterial items.

The cost approach is used to determine values in circumstances where it is not possible to determine values using a market approach or an income approach.

The cost approach relies on the principle of substitution and recognises that a prudent investor will pay no more for an asset than the cost to replace it new with an identical or similar unit of equivalent utility. Under this approach, the market value of an asset is determined by reference to the reproduction or replacement cost new of modern equivalent assets, optimised for over-design, over-capacity and redundant assets, and adjusted to reflect losses in value attributable to physical deterioration and obsolescence.

Physical depreciation measures the service potential consumed compared to the service potential remaining in the asset as a whole.

Selection of valuation methodology

For this engagement we considered the market, income and cost approaches outlined above for the valuation of APG, and have selected the income approach for the following reasons:

- APG, and its associates subsidiaries, are income producing entities;
- APG, and its associates subsidiaries, are expected to continue as income generating entities; and,

- The income approach is considered the preferred approach to value a business with a positive stream of expected cashflows.

We have applied multiple of earnings to APG and its associated subsidiaries which has been assessed as being the implied multiple paid based on information known about the Purchase Price ["PP"] and historical (FY24) EBITDA.

FIGURE 8 below is our analysis on determining a multiple of earnings for APG and its associated subsidiaries.

FIGURE 8 GROUP TRANSACTION MULTIPLE

Multiple of earnings analysis			
(\$ amounts as stated)		EBITDA	Multiple
Enterprise value	685,549,503		
Actual EBITDA (per IM)		11,473,000	59.8x
Actual EBITDA (per IM)		17,628,000	38.9x
Forecast EBITDA (per IM)		36,105,000	19.0x
Actual normalised EBITDA		37,573,389	18.2x

Given the Share Sale Agreement ["SSA"] was executed on January 2024, the implied FY24 forecast EBITDA multiple for the transaction was 19.0x.

At the date of this report however, the FY24 financial performance and therefore the FY24 actual EBITDA is known. Using the Enterprise Value ["EV"] with the FY24 actual EBITDA, the implied multiple of earnings for the group is 18.2x.

There is no evidence to suggest that the price paid by SMC for the acquisition of 100% of the issued capital of APG was not representative of market value.

Valuation of AustPharma Group subsidiaries

Peloton Corporate has employed an income approach as the primary basis for the assessment of the EV of each APG's operating entities.

The following sections deals with the operations, financial performance and financial positions of the operating entities UM and LH.

Trust Blend Pty Ltd

UM provides manufacturing capabilities to APG and also holds contracts for the manufacturing of third-party products.

In FY23, LH represented over 70% of UM's revenue with the remainder being dispersed across a low concentration of smaller customers, including 20 contract manufacturing agreements representing 20% of FY23 revenues.

Total production over the last three years by production unit (i.e. capsules and powder) is set out in FIGURE 9 below.

FIGURE 9 PRODUCTION VOLUME BY UNIT



Source: APG

The above chart reflects significant growth in production volumes of both capsules and powder, increasing at a 76% and 52% CAGR, respectively. The increasing demand from exports has driven the rapid uplift in production volumes occurring in CY24.

A breakdown of production units by type is provided in FIGURE 10 below.

FIGURE 10 PRODUCTION VOLUME BY TYPE

Product volume by type (Amounts in production units unless stated)							% split
	106,953,049	99.8%	144,746,670	99.4%	276,485,710	83.6%	
	250,151	0.2%	907,326	0.6%	53,290,724	16.1%	
	-	0.0%	-	0.0%	970,000	0.3%	
Total	107,203,200	100.0%	145,653,996	100.0%	330,746,434	100.0%	

The Lifegrow products are produced under Original Equipment Manufacturing ["OEM"] agreements making UM a value-added reseller of these products. Lifegrow is produced in powder and capsule form.

Probiotic is also an OEM agreement where UM provides additional value-add prior to reselling onto customers. Probiotic are also produced in powder and capsule form.

Totalmix products are in-house produced from start to finish with the production line opened in FY24 following UM's capital investment in equipment upgrades. Totalmix products are only manufactured in powder form.

Financial performance

The financial performance (i.e. profit and loss) of UM for FY23 and FY24 is set out below.

FIGURE 11 TRUST BLEND PROFIT & LOSS

Revenue	38,305,942	56,314,692	72,838,236	12,101,155
Cost of goods sold	(33,976,635)	(47,751,097)	(47,751,097)	(11,410,429)
Gross profit	4,329,307	8,563,595	25,087,139	690,726
% margin	11.3%	15.2%	34.4%	5.7%
Other income	30,072	213,173	213,173	127,298
Expenses				
Administration expenses	(4,940,139)	(5,096,166)	(5,096,166)	(2,009,669)
Regulatory expenses	(998,088)	(1,161,708)	(1,161,708)	(243,478)
Other expenses	(1,911,643)	(1,753,588)	(1,753,588)	-
Finance expenses	(447,806)	(838,932)	(838,932)	(270,793)
Total expenses	(8,297,676)	(8,850,394)	(8,850,394)	(2,523,940)
PBT	(3,938,297)	(73,626)	16,449,918	(1,705,916)
% margin	(10.3%)	(0.1%)	22.6%	(14.1%)
Depreciation & amortisation	237,301	331,646	331,646	40,192
Interest paid	390,876	697,018	697,018	270,793
Interest received	(28,966)	(43,846)	(43,846)	(12,702)
EBITDA	(3,339,086)	911,192	17,434,736	(1,407,633)
% margin	(8.7%)	1.6%	23.9%	(11.6%)

Note: Pro forma financials have been created to reflect 100% of sales being made at commercial arm's-length.

The 47% increase in revenue from FY23 was largely due to the increase in demand from LH as a result of a rapid uplift in domestic and international sales.

APG has provided a pro-forma income statement which reflects all sales being made at commercial arms-length (i.e. margins representative of external customer sales only). The net impact of this adjustment is a \$16.5 million increase in sales revenue for FY24.

UM was able to generate higher gross margins in FY24 as the increase in volumes meant the business achieved greater economies of scale on its production.

Administration expenses include all employee-related costs (i.e. salaries, superannuation, etc.), occupancy costs and other back-of-office expenses.

Expenses relating to regulatory processes include annual renewal costs for TGA licenses and other associated costs.

Finance costs are those relating to interest payments on borrowings and other financial agreements.

Profit before Tax ["PBT"] reflected a net operating loss in both historical years presented. This was due to UM's high operating leverage (i.e. large fixed-cost base) which has not been covered by its sales revenue historically. However, the increase in FY24 sales has significantly reduced these deficient compared to FY23.

At an Earnings Before Interest Tax Depreciation and Amortisation ["EBITDA"] level, UM remained at a loss in FY23 however became profitable in FY24. As a result of the uplift in sales revenue in the pro forma accounts, the EBITDA for FY24 becomes \$17.4 million if all sales are made at commercial arms-length margins of 30% (5% currently on intercompany sales).

Financial position

The financial position (i.e. balance sheet) of UM as at 30 June for FY23, FY24 and 31 August 2024 is provided in the table below.

FIGURE 12 TRUST BLEND BALANCE SHEET

Current assets			
Cash and cash equivalents	4,056,102	9,248,574	33,556
Trade receivables	1,858,220	1,201,599	891,114
Inventories	11,504,610	33,402,511	42,179,224
Loans to related parties	1,123,642	1,502,254	-
Prepayments	94,363	449,710	456,596
Current tax receivables	351,228	-	2,140,588
Total current assets	18,988,165	45,804,648	45,701,077
Non-current assets			
Property, plant and equipment	1,221,721	2,966,920	3,102,352
Intangible assets	1,050	1,050	1,050
Deferred tax assets	1,261,220	-	(1,073,014)
Total non-current assets	2,483,991	2,967,970	2,030,389
Total assets	21,472,156	48,772,618	47,731,466
Current liabilities			
Trade and other payables	3,179,748	6,091,315	11,082,690
Loans from related parties	10,181,919	11,349,662	15,545,510
Trade finance bills (Secured)	7,325,978	11,967,970	24,334,566
Trade finance bills (Unsecured)	2,853,730	22,748,144	-
Provisions	298,228	405,750	2,517,486
Total current liabilities	23,839,603	52,562,841	53,480,253
Non-current liabilities			
Borrowings	125,940	-	-
Provisions	80,715	98,523	290,518
Total non-current liabilities	206,655	98,523	290,518
Total liabilities	24,046,258	52,661,364	53,770,770
Equity			
Share capital	12	12	12
Other reserves	(5,522)	(5,522)	(5,522)
Retained earnings	(2,568,592)	(3,883,236)	(6,033,795)
Total equity	(2,574,102)	(3,888,746)	(6,039,305)

Total current assets increased by 141% in FY24 due to UM increasing its cash balance and finished goods inventory to ensure it can fully service the expected increase in product demand.

UM invested approximately \$2.1 million in property, plant and equipment ["PP&E"] upgrades in FY23, these upgrades were made to modernise its existing production equipment and deliver an increase in manufacturing capacity.

Over the three historical years presented, UM has booked significant loans from related parties totalling \$15.5 million on 31 August 2024. These loans have been made from APG as the head entity to UM.

A material amount of the total liabilities are related to both secured and unsecured trade finance bills for the purchasing of raw materials, amounting to \$24.3 million on 31 August 2024.

As at 30 June 2024, UM had off-balance sheet financing (i.e. operating leases) totalling approximately \$1.4 million in expected future rent expense.

Valuation of equity

We have taken managements' representations of a commercial arms-length scenario whereby UM generates 100% of its revenue through external contract manufacturing. Based on the proportionate share of pro forma EBITDA, the implied EV and equity value of UM is set out in the table below.

FIGURE 13 TRUST BLEND EQUITY VALUE

Profit before tax	16,449,918
Depreciation & amortisation	331,646
Interest paid	697,018
Interest received	(43,846)
Pro forma FY18 EBITDA	17,434,736
Normalisations	
Consolidation elimination	(233,853)
Normalised EBITDA	17,200,883
EBITDA multiple of group	18.2x
Enterprise value	313,840,645
Equity adjustments	
Cash balance	33,556
Loans from related parties	(15,545,510)
Intercompany adjustment	15,545,510
Trade finance bills	(24,334,566)
Equity value	289,539,635

Based on the analysis above, we have assessed the market value of UM's equity as \$289.5 million.

Local Health Pty Ltd

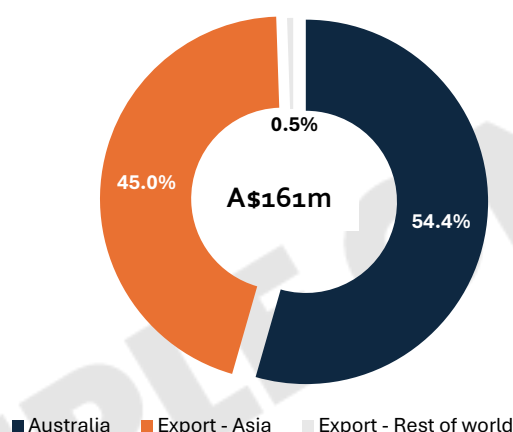
LH is the marketer and distributor of the AustPharm brand and other consumer-facing health products.

The business relies on a number of suppliers (including UM) for the procurement of its probiotic concentrate, which it then on sells to the market.

LH is the listed sponsor of over 100 TGA approved products of which it sells within Australia and exports to other countries.

Sales are derived from both in-store and online channels, LH distributes both domestically and internationally. A breakdown of revenue by geography is provided in FIGURE 14 below.

FIGURE 14 CY24 REVENUE BREAKDOWN BY GEOGRAPHY

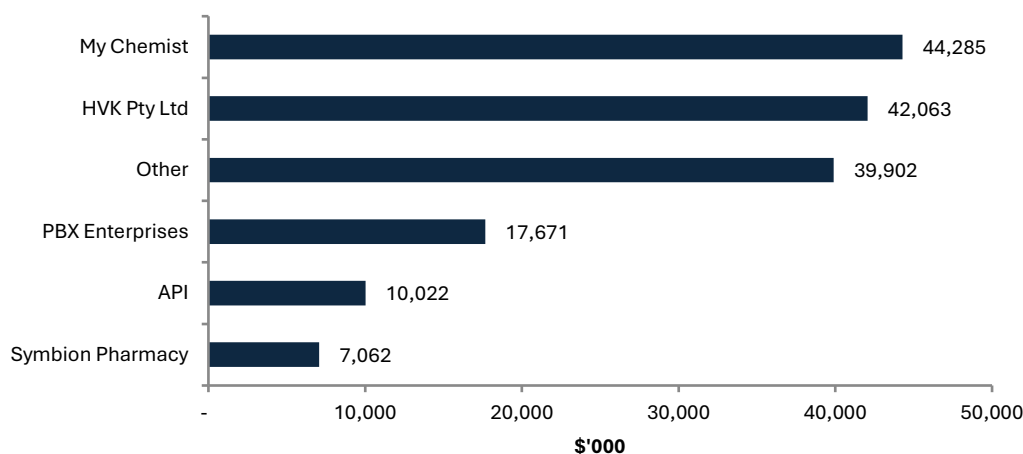


Source: APG

The two major sales channels for LH comprise both domestic (i.e. Australia) and exports to Asia with remaining immaterial amount represented by other exports. LH expect growth in its Asia exports to increase as a greater focus of penetrating the Chinese market through leveraging its Chinese affiliations.

Another key driver for LH's growth is its list of quality customers, as generating brand promotion via national brands such as Chemist Warehouse and Australian Pharmaceutical Industries (ASX: API) will continue to underpin future growth. FIGURE 15 below lists the top customers by CY24 revenue.

FIGURE 15 CY24 TOP CUSTOMERS BY REVENUE



Source: APG

A large portion of LH's top customers are Australian-based entities with retail operations (e.g. My Chemist, Woolworths, etc.) however the uplift in exports to China has consequentially required LH to develop supply arrangements with Chinese exporters (e.g. HVK Pty Ltd).

LH derives a material portion of its revenue through the AustPharm branded products, in CY24 this amount constituted 90% of total revenue. A revenue split by Stock Keeping Unit ["SKU"] is set out in FIGURE 16 below.

FIGURE 16 CY24 REVENUE BY SKU

		Percentage
Life-Space	144,925,113	90.0%
Elmore Oil	618,679	0.4%
Healthy Essentials	536,793	0.3%
Corams	531,955	0.3%
Other	14,392,693	8.9%
Total	161,005,233	100.0%

The AustPharm products include probiotics and supplements for pregnancy, babies, children and adults.

Belong Oil products are aimed at providing temporary pain relief of muscular aches and pains.

Brighter Essentials produce vitamins and probiotics.

Biggum's are a range of infancy and baby products including gripe water and teething gels.

Financial performance

The financial performance of LH in FY23 and FY24 is provided in the following section.

FIGURE 17 LOCAL HEALTH PROFIT & LOSS

Revenue	67,151,939	112,358,238	112,358,238	26,289,411
Cost of goods sold	(26,538,393)	(44,198,734)	(60,722,278)	(13,573,913)
Gross profit	40,613,546	68,159,504	51,635,960	12,715,497
% margin	60.5%	60.7%	46.0%	48.4%
Other income	120,270	133,725	133,725	276,409
Expenses				
Administration expenses	(4,756,130)	(9,550,857)	(9,550,857)	(8,391,456)
Sales & marketing expenses	(12,460,586)	(15,398,080)	(15,398,080)	(4,428,010)
Regulatory expenses	(264,440)	(175,442)	(175,442)	(26,086)
Other expenses	(5,018,267)	(6,249,632)	(6,249,632)	-
Sale transaction expenses	-	(3,203,130)	(3,203,130)	-
Finance expenses	(97,277)	(98,164)	(98,164)	(10,923)
Total expenses	(22,596,700)	(34,675,305)	(34,675,305)	(12,856,475)
PBT	18,137,116	33,617,924	17,094,380	135,432
% margin	27.0%	29.9%	0.2	0.5%
Depreciation & amortisation	60,192	79,573	79,573	23,867
Interest paid	97,277	98,164	98,164	10,923
Interest received	(70,490)	(101,347)	(101,347)	(23,591)
EBITDA	18,224,095	33,694,314	17,170,770	146,630
% margin	27.1%	30.0%	0.2	0.6%

Note: Pro forma financials have been created to reflect 100% of purchases being made at commercial arms-length.

LH revenue grew by 67.3% in FY24 (reported) compared to FY23 (reported) however the increase in sales had nominal effect on gross profit margins, which increased by 0.2%. Unlike UM, LH was unable to achieve greater economies of scale as sales increased which reflects the nature of its business being a pure buyer and reseller of its products.

Similar to UM, APG has provided Peloton Corporate with pro forma FY24 accounts which reflect all purchases being made at commercial arms-length prices. The impact to LH's FY24 income statement is an increase in cost of goods sold of \$16.5 million (i.e. balancing adjustment to UM's increase in revenue).

Other income predominantly included interest received from interest-bearing depositary accounts.

Administration expenses grew at a faster rate to the uplift in sales, which was due to large variable costs of the business including flex-time sales staff, last-mile freight services and travel costs.

LH continued its significant investment in sales and marketing which represented 44.4% of total expenses in FY24. The bulk of this expense was used in promoting its brand as part of its Asia penetration strategy.

Other expenses include costs relating to the sale of LH and are considered non-recurring in nature.

In preparation of the APG acquisition, LH incurred costs relating to the provision of professional services including advisors and lawyers. It should be noted that this expense would be considered one-off in nature and has been 'normalised' to reflect a more accurate depiction of the ongoing core operations of LH.

The business has been profitable at the PBT level in both historical years presented, in FY24 (reported) LH grew this margin by 2.9% as a result of its uplift in sales revenue.

As a consequence of LH's low physical capital requirements, the business incurs immaterial depreciation and amortisation costs. Combined with the removal of nominal interest transactions, EBITDA grew by 0.1% in both FY23 (reported) and FY24 (reported). However, considering the pro forma accounts and LH operating on a stand-alone basis the EBITDA for FY24 would be \$17.2 million.

The above analysis does not include a notional licensee fee payable to Infitipharma for use of brand and customer relationships. We have assumed that the capitalised value of such a licensee fee is equal to the value of the brand name and customer relationships i.e. \$284 million.

Financial position

The balance sheet of LH in FY23, FY24 and 31 August 2024 is provided below.

FIGURE 18 LOCAL HEALTH BALANCE SHEET

Current assets			
Cash and cash equivalents	1,553,541	11,743,470	2,003,673
Trade receivables	7,658,083	12,819,298	13,243,843
Inventories	3,758,255	6,127,052	7,560,613
Prepayments	1,265,835	2,346,482	13,443,189
Loans to related parties	14,696,256	11,732,896	12,714,662
Total current assets	28,931,970	44,769,198	48,965,980
Non-current assets			
Property, plant and equipment	84,155	287,787	289,449
Intangible assets	300,450	300,450	501,318
Deferred tax assets	121,443	403,059	403,059
Total non-current assets	506,048	991,296	1,193,826
Total assets	29,438,018	45,760,494	50,159,806
Current liabilities			
Trade and other payables	3,933,746	4,873,461	4,621,091
Trade finance bills (secured)	2,350,579	1,938,804	(2,844,292)
Current tax liabilities	1,796,808	4,491,204	10,723,234
Provisions	188,584	461,606	9,699,971
Total current liabilities	8,269,717	11,765,075	22,200,004
Non-current liabilities			
Provisions	32,906	91,658	1,445,537
Total non-current liabilities	32,906	91,658	1,445,537
Total liabilities	8,302,623	11,856,733	23,645,541
Equity			
Share capital	2	2	2
Retained earnings	21,135,393	33,903,759	26,514,263
Total equity	21,135,395	33,903,761	26,514,265

Current assets grew by over 50% in FY24 which was largely due to the increase in cash as a result of increased profitability and nominal capital expenditure requirements.

Intangibles assets relate to goodwill of \$300k (which is written off at the consolidated entity level) and the remainder being attributable to patents held by LH.

LH booked Deferred Tax Assets ["DTA"] in FY23, FY24 and 31 August 2024 as a result of differences in the treatment of tax for accounting and tax purposes. Given LH is expected to be profitable in the future, these DTA are likely to be fully utilised.

The business has historically relied on its cash generating ability to finance its operations which has positioned LH as a highly liquid business, this is shown in the current ratios of FY23, FY24 being 3.5x, 3.8x and 2.1x, respectively.

Valuation of equity

The **CALCULATION** of EV and equity value for LH is similar to which was applied to UM in section o above.

FIGURE 19 LOCAL HEALTH EQUITY VALUE

Profit before tax	17,094,380
Depreciation & amortisation	79,573
Interest paid	98,164
Interest received	(101,347)
Pro forma FY18 EBITDA	17,170,770
Normalisations	
Sale transaction expenses	3,203,130
Intercompany cost sharing adjustment	(1,394)
Normalised EBITDA	20,372,506
EBITDA multiple of group	18.2x
Enterprise value	371,708,858
Enterprise adjustments	
Notional value of license fee to Divico	(216,290,000)
Pro forma enterprise value	155,418,858
Equity adjustments	
Cash balance	2,003,673
Loan to related parties	12,714,662
Intercompany consolidation adjustment	(12,714,662)
Trade finance bills	2,844,292
Equity value	160,266,823

To consider LH on a stand-alone arms-length basis, Peloton Corporate has assumed a notional payment is made to Inifitipharm for use of the APG brand name of \$216.3 million.

Peloton Corporate has used the pro forma EBITDA as provided by APG as it reflects operations on a commercial arms-length basis.

The equity value of LH as at the Valuation Date is \$160.3 million.

Inifitipharm Pty Ltd

Inifitipharm is a holding company incorporated for the purpose of holding the group's IP.

Financial performance

This section provides the financial performance of Inifitipharm for FY23 and FY24.

FIGURE 20 below is the profit and loss of Inifitipharm.

FIGURE 20 INIFITPHARM PROFIT AND LOSS

Revenue	-	-
Other income	953	-
Expenses		
Administration	(290)	(176)
Sales and marketing	(11)	-
Total expenses	(301)	(176)
PBT	619	(176)
Adjustments		
Depreciation & amortisation	34	-
Interest received	-	(5)
Interest paid	-	5
EBITDA	653	(176)

Inifitpharm does not generate any sales revenue as the business does not trade.

Other income relates to interest generated from loans provided to related parties.

Administration expenses include bank charges and accounting fees.

At a PBT and EBITDA level, Inifitpharm achieved profitability in FY23 due to earning interest on loans provided to related parties in that year. In the subsequent year, nil income was earned which effectively resulted in a loss of (\$176) after administration expenses were incurred.

Financial position

The financial position of Inifitpharm as at 30 June for FY23, FY24 and 31 August 2024 is provided in the table below.

FIGURE 21 INIFITIPHARM BALANCE SHEET

Assets			
Cash and cash equivalents	8,424	7,300	7,194
Trade receivables	55,400	-	-
Loans to related parties	572,979	-	-
Intangibles	124,400	111,000	110,363
Total assets	761,202	118,300	117,557
Liabilities			
Trade payables	25,000	-	-
GST account	29,807	-	-
Other creditors	29,418	(5,500)	5,471
Related from party loans	64,831	351,700	(351,732)
Current tax liability	212,147	(12,900)	(43,367)
Total liabilities	361,203	333,300	(389,628)
Equity			
Retained earnings	255,000	(172,000)	(398,774)
Current year earnings	145,000	(43,000)	670,845
Total equity	400,000	(215,000)	272,071

Inifitipharm's reported total assets are largely made up of related party loans.

Liabilities in FY24 constitute a related party loan offset by creditor payables and tax refunds.

Valuation of equity

The equity valuation of Inifitipharm reflects the assessed value of brand names and customer relationships of \$216.3 million.

Specific asset values

The following sections deal with the values of specific assets as per our engagement terms.

Brand name

The Peloton Corporate PPA identified brand names as one of two key identifiable intangible assets. Brand was assessed as having a fair value of approximately \$216.3 million.

Customer relationships

The Peloton Corporate PPA report did not allocate the customer relationship value to specific entities, Peloton Corporate has undertaken an analysis of historical sales by entity to perform an allocation.

APG has provided Peloton Corporate with details of customers and revenue by customer for a sufficient period to support our analysis.

We have also considered the following:

- Inifitipharm does not trade with third-party customers;
- UM has experienced significant customer turnover in recent years; and,
- Over 70% of UM's revenue is derived from sales to LH (i.e. inter-company).

Our conclusion is that 100% of the customer relationship value of \$67.6 million resides in LH.

Inventory

Inventory has been valued based on a physical count of raw materials and finished goods (conducted at the end of financial year) and costs obtained from the standard costing system employed by APG.

The standard cost system does not include any selling or distribution costs nor does it incorporate any profit margin.

The inventory valuation has been conducted on the accounting principle of the *lower of* cost and net realisable value.

The tax consolidation regime permits recognition of inventories at net realisable value. The Peloton Corporate PPA identified that inventories comprised \$41.8 million and \$6.3 million of raw materials and finished goods, respectively.

Based on our discussions with management, it is unlikely that there is a material difference between the cost basis of inventory valuation and a full absorption cost approach.

Historically, UM and LH have both held inventories on their balance sheets.

Peloton Corporate has not been provided with a settlement date assessment of inventories allocated between UM and LH.

Property, Plant and Equipment

According to the Peloton Corporate PPA, the fixed assets of APG predominantly comprise production machinery (e.g. packing machines and compressors) and office equipment (e.g. computers and printers).

It is also known that all PP&E follow a strict maintenance system with regular overhauls and replacements.

The Peloton Corporate PPA utilised the replacement cost method in determining the market value of the PP&E as at the completion date. A replacement cost was determined by applying a price index (i.e. Australian CPI Index) to the historical cost and notionally depreciating for the remaining estimated physical life of the asset.

The market value of the PP&E of APG as at the completion date was assessed to be \$3.4 million – an increase of \$150k over the written-down book value as at 30 June 2024.

We understand all PP&E is held by UM and LH however we have not been provided with a detailed asset register which permits allocation between the two entities.

Peloton Corporate notes that the historical cost of PP&E is approximately \$4.9 million. Whilst APG has elected not to engage a plant valuer, it is unlikely that a material difference in value would result.

Formulations and approvals

Discussions with APG have revealed that APG has developed a range of formulations for probiotic products and has obtained associated TGA approvals for over 100 products⁶. These approvals are in the name of LH as sponsor.

We understand that obtaining TGA approval is essential to the ability of APG to manufacture and sell its products.

Each approval requires compliance with the TGA gating process. The process is described on the TGA [website](#):

The TGA registration process for prescription medicine applications, that need to be supported by nonclinical, clinical and/or bioequivalence data (category 1 and category 2). This regulatory process is designed to improve the efficiency and timeliness of the registration of prescription medicines without compromising the scientific rigour of the evaluation process, thus ensuring the maintenance of appropriate standards of quality, safety, and efficacy. This document describes this process and outlines the relevant regulatory requirements.

The key elements of this process are:

- *management by milestones;*
- *an improved quality of dossiers prepared in accordance with common technical document (CTD) format and other TGA regulatory requirements;*
- *a pre-submission planning phase where applicants lodge details of a proposed application at least 2½ months prior to lodgement of the dossier allowing the TGA to identify milestone dates and plan resource requirements (this is not required for submissions lodged in eCTD format if the sponsor selects the PPF-only option);*
- *a submission phase where the applicant must lodge a complete dossier, there being no opportunity to deliver new data after the submission date except as required by the Therapeutic Goods Act 1989 (the Act); and,*
- *requests for information under section 31 of the Act are consolidated and issued at the end of the initial evaluation phase.*

Legislative instruments made under section 9D and section 23 of the Act support this process. These instruments provide the legislative basis for the documents that specify the regulatory requirements for applications lodged under this process.

All APG products are in the TGA category of non-prescription medicines. The TGA levy fees and charges in relation to an application for non-prescription medicines is set out on the TGA website⁷. These range from nominal amounts for annual renewals to significant (e.g. circa \$100k) fees for evaluating complex clinical submissions.

The cost of submission to TGA is one part of the costs associated with obtaining TGA approval. The clinical trialling, clinical submissions and process management are another part of the cost process.

Simple products (e.g. Biggum's Nappy Rash Paste) comprising two compounds (zinc oxide and aluminium chlorohydrate) do not typically entail material assessment costs.

⁶https://tga-search.clients.funnelback.com/s/search.html?query=evolution+health&collection=tga-artg&start_rank=111

⁷ <https://www.tga.gov.au/book-page/non-prescription-medicines-3>

More complex products (e.g. High Strength Probiotic in which the active ingredients are “*Bifidobacterium animalis ssp lactis*, *Bifidobacterium breve*, *Bifidobacterium infantis*, *Bifidobacterium lactis*, *Bifidobacterium longum*, *Lactobacillus casei*, *Lactobacillus delbrueckii ssp bulgaricus*, *Lactobacillus gasseri*, *Lactobacillus paracasei*, *Lactobacillus plantarum*, *Lactobacillus reuteri*, *Lactobacillus rhamnosus*, *Streptococcus thermophilus*”; source: TGA Website) require more complex clinical submissions for assessment by TGA and can entail material costs – sometimes in excess of \$1200.

Peloton Corporate has considered the existence and materiality of a tax asset in the form of formulations (which are subject to copyright) and TGA approvals and has determined that an identifiable intangible asset exists.

On a deprival value basis the portfolio of formulations and TGA approvals could have a market value of in excess of \$113k⁸.

Deprival value considers market value on the basis of the efficient cost to reinstate the economic benefits provided by an asset which the company is hypothetically deprived and takes into account the loss of profit for the time taken to reinstate the asset. The value lost is calculated as the efficient economic cost of reproducing the asset in an optimal manner given its utility to the enterprise (i.e. optimised replacement cost).

However from discussions with Peloton Corporate, we understand that the methodology applied to assess the market value of brand names may have resulted in an element of formulation and TGA approval value to be captured in the value of brands.

We also understand from our discussions with APG, that it is unlikely that a separate identifiable asset of material value would result if separately valued.

⁸ \$1000 (average submission cost) x 113 (number of TGA-approved products)

Valuation summary

Individual analysis of each subsidiary comprising APG has been provided throughout this report.

We understand the PP paid by the acquirer of APG was approximately \$668.7 million which implies a group multiple of 18.2x FY24 EBITDA.

The groups multiple has been applied universally across all subsidiaries in determining individual values and to ensure reconciliation to the consolidated entity.

FIGURE 22 below provides our analysis on the equity value attributable to APG on a consolidated basis (i.e. inclusive of UM, LH and Inifitipharm).

FIGURE 22 AUSTPHARMA GROUP VALUATION

Profit before tax	32,994,996
Depreciation & amortisation	425,014
Interest paid	1,096,836
Interest received	(145,193)
Reported EBITDA	34,371,653
Normalisations	
Sale transaction expenses	3,201,736
Normalised EBITDA	37,573,389
EBITDA multiple of group	18.2x
Enterprise value	685,549,503
Equity adjustments	
Cash balance	8,320,445
Trade finance bills	(25,177,772)
Equity value	668,692,176
Reconciliation to equity of subsidiaries	
Equity value of [REDACTED]	289,539,635
Equity value of [REDACTED]	160,266,823
Equity value of [REDACTED]	216,297,194
Excess cash attributable to head entity	6,276,022
Consolidation adjustment for trade finance	(3,687,498)
Market value of equity	668,692,176

The assessed equity value of APG on a consolidated basis is \$668.7 million (i.e. PP of the transaction).

Peloton Corporate has reconciled the assessed equity values of UM, LH and Inifitipharm to that of the consolidated group which results in a deficit of approximately \$6.3 million, this is accounted for by the cash balance held by the APG stand-alone entity. We have also made consolidation adjustments for the reporting difference in trade finance liabilities across the subsidiaries totalling \$3.7 million due to differences in timing of preparation for the accounts (i.e. 30 August compared to 31 August).

Set out below is a summary of the market values of the assessed assets, by entity:

FIGURE 23 VALUATION ALLOCATION SUMMARY

Value allocation summary (\$ amounts as stated)						Total
Intellectual property	-	216,290,000	-	67,620,000	-	283,910,000
Inventories	-	-	42,179,224	7,560,613	(1,602,537)	48,137,300
Enterprise value	n/a	216,290,000	313,840,645	155,418,858	-	685,549,503
Equity value	2,588,524	216,297,194	289,539,635	160,266,823	-	668,692,176

APES 225 disclosures

Valuation engagement

APES225 Valuation Services ["APES225"] issued by the Accounting Professional & Ethics Standards Board ["APES"] states that a valuation engagement is an engagement 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 available to the member at the time.

Valuation date

The valuation date is 31 January 2025.

Limitations

We are not permitted to give an audit opinion, investment or taxation advice. Accordingly, the contents of our report, including our independent opinion of market value, should not be construed as such.

Our valuation opinion is to be used solely by the client in the context set out above. No other person may rely upon our valuation, nor may it be used for any other purpose whatsoever. It must not be made available to any other party, nor copied in whole or in part without our express written permission and in accordance with the attached terms of business, which will not be unreasonably withheld.

Notwithstanding any of the foregoing, the client and/or Peloton may disclose the valuation report and any other information or documentation prepared by Peloton to the Client's tax advisor and auditor. The client may also disclose information in connection with this agreement as required by law, court or regulatory body.

Team

Michael Churchill, Head of valuations

Guidance as to application of the ATO market valuation guidelines and Quality Assurance review will be undertaken by Michael Churchill, head of valuations.

Michael's career includes over 30 years' valuation and corporate advisory experience. He has held CEO and Partner roles since 1997.

Michael has had extensive experience in small business tax matters (such as Division 152 Small Business Retirement Concessions) through to large corporate tax issues involving Div 6C (stapled structures), Div 855 (TARP), Div 149 (pre-CGT cost-base setting), transfer pricing, capital gains tax and other matters.

Michael led the ATO's development of an internal valuation capability from 2003 to 2007 to assist with the implementation of the tax consolidation regime.

He was also responsible for the promulgation of the tax consolidation-specific market valuation guidelines across the entire ITAA.

Michael was also responsible for the valuation risk assessment framework that is employed by ATO in assessing compliance by taxpayer valuations with the ATO market valuation guidelines.

Michael's work with the ATO includes leading the development of the valuation compliance regime for the Mining Resource Rent Tax (later abandoned following a change of government).

Michael is the only valuation professional to have been a member of the Tax Institute's National Dispute Resolution Committee. He is also former chair of the CPA Valuation group and a former councillor of Finsia.

Over his career Michael has been responsible for over 1,000 valuation engagements including equity valuations of in excess of \$100bn in equity investments in unlisted infrastructure for major superannuation funds and fund managers.

He is co-author of *Business Valuations Digest* and author of a wide range of published material in relation to valuation, government business sales, regulatory cost of capital and tax valuation matters. He is a regular speaker on valuation issues.

Jake Potter, Associate director

Jake will be responsible for development of the valuation thesis, oversight of comparable company data and analysis, report development and project management.

Jake has corporate advisory experience at a boutique advisory practice where he provided key support on various sell-side mandates and valuation engagements for clients including institutional investors, ASX-listed corporates, and government-owned entities.

Jake attended RMIT University where he completed a Bachelor of Commerce. Jake is also a Chartered Financial Analyst.

Joshua de Veth, Analyst

Josh will be responsible for financial analysis, capital market research (comparable companies and transaction analysis) and report development.

Josh joined Peloton from McGrathNicol's Deals, Strategy & Performance team, where he provided financial due diligence and other transaction support traversing aged care, logistics, and financial services. He also has experience providing buy-side legal due diligence services having been a Corporate Paralegal with GRT Lawyers between 2020-2022.

Josh holds a Bachelor of Laws (Honours) / Bachelor of Commerce (Finance) from The University of Queensland.

SAMPLE ONLY



Appendix 1 – Sources of information

Over the course of our analysis, we have relied upon financial, operating and other information obtained from SMC, APG, Peloton Corporate and from various public, financial and industry sources.

Our conclusions are dependent on such information being complete and accurate in all material aspects.

The principal sources of information used in performing our analysis include:

- Acquisition-date balance sheet (30 August 2024);
- YTD financial information at 31 May 2017;
- Project Salina – Information memorandum, dated October 2017;
- Project Salina financial model;
- Share sale agreement;
- Complementary Medicines Australia;
- Therapeutic Goods Administration;
- Euromonitor International;
- Operational statistics (including top customers, SKU, location) provided by Mr Errol Chau, Financial Director, AustPharma Group Pty Ltd;
- Discussions with, and other information provided by Mr Errol Chau, Financial Director, AustPharma Group Pty Ltd;
- Purchase price allocation report (translated from Chinese) by China United Assets Appraisal Group;
- Bloomberg financial information; and,
- Other publicly available sources of information, such as company website and news articles.

Appendix 2 - Glossary

Term	Definition
AASB	Australian Accounting Standards Board
AASB ₃	AASB ₃ Business Combinations
ACA	Allocable cost amount
APES 225	APES 225 Valuation Services
ARTG	Australian Register of Therapeutic Goods
ATO	Australian Taxation Office
CAGR	Compound annual growth rate
CMA	Complementary Medicines Australia
Company	AustPharma Group Pty Ltd
CPCM	Comparable public company method
CTM	Comparable transaction method
CY	Calendar year
Peloton Corporate	Peloton Corporate
Inifitipharm	Inifitipharm Pty Ltd
DTA	Deferred tax assets
EBITDA	Earnings before interest tax depreciation and amortisation
LH	Local Health Pty Ltd
EV	Enterprise value
FY	Financial year
GMP	Good Manufacturing Practice
IP	Intellectual property
ITAA	Income Tax Assessment Act
IVS	International Valuation Standards
IVSC	International Valuation Standards Committee
APG	AustPharma Group Pty Ltd
Management	AustPharma Group Management
OEM	Original equipment manufacturing
PBT	Profit before tax
PP	Purchase price
PP&E	Property, plant and equipment
PPA	Purchase price allocation
PwC	PricewaterhouseCoopers
SKU	Stock keeping unit
SSA	Share sale agreement
TGA	Therapeutical Goods Administration
UM	Trust Blend Pty Ltd
Valuation Date	31 August 2024

Appendix 3 — Illustrative valuation risk assessment – ATO framework

ATO risk matrix - Quality of the valuation process and documentation			
Criteria	Risk		
	High	Medium	Low
Consistent/appropriate methodologies	Not demonstrated	Mostly demonstrated	Fully demonstrated
Qualifications/ experience of the valuer	Inadequate	Moderate	Extensive
Supporting methodologies	No cross-checks	Single cross-check of valuation where appropriate	Valuation cross-checked with other methods where appropriate
Integrity of process	Low	Moderate	Detailed
Information supplied in market valuation report	Insufficient	Moderate	Detailed
Use of existing valuations	No documentation	Adequate documentation	Complete documentation

ATO market valuation guidelines risk matrix			
Criteria	Risk		
	High	Medium	Low
Asset Values	High (Value of joining entities >\$100m)	Medium	Low (Value of joining entities <\$10m)
Intangible Assets	Significant	Moderate	Small
Materiality	Significant	Moderate	Small
Valuation shortcuts	n/a	n/a	n/a
Complexity of the business	Complex (>25 subsidiaries)	Moderate	Straightforward (<10 subsidiaries)
Volatility of the business	High	Medium	Low
Advance Market Valuation Agreement (AMVA) entered?	n/a	n/a	n/a