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This version of the report is a draft. Its contents and subject matter remain under review and its contents may change and be expanded as part of the finalisation of the report.

Scottish Government

Valuation of Burntisland Fabrications Limited

June 2019

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Private and Confidential

Our reference: MJT/JKR/HK

Valuations

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Scottish Government
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20 June 2019

Dear Sir

Valuation of Burntisland Fabrications Limited

In accordance with your instructions set out in the addendum dated 8 May 2019 (**Letter of Addendum**) to our engagement letter dated 1 December 2017, a copy of which is provided in Appendix C of this report, we have pleasure in enclosing a copy of our [draft] report prepared in connection with the valuation of the equity interest held by the Scottish Government in Burntisland Fabrications Limited (**BiFab** or the **Company**) as at 31 March 2019 (the **Valuation Date**) for IFRS 9 financial reporting purposes. Details of the scope and process of our work are set out in the 'Important notice' in Appendix B, which you should also read.

[This version of the report is a draft. Its contents and subject matter remain under review and its contents may change and be expanded as part of the finalisation of the report.]

This report is confidential and has been prepared exclusively for the Scottish Government. It should not be used, reproduced or circulated for any other purpose, in whole or in part, without our prior written consent, other than in accordance with the terms of the Letter of Addendum. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Scottish Government for our work, our report and other communications, or for any opinions we have formed. We do not accept any responsibility for any loss or damages arising out of the use of the report by the addressee(s) for any purpose other than in connection with the valuation of BiFab.

Yours faithfully

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If you have any questions in respect of this report or its contents, please contact:

[redacted]

Contents

Section 1: Introduction and executive summary

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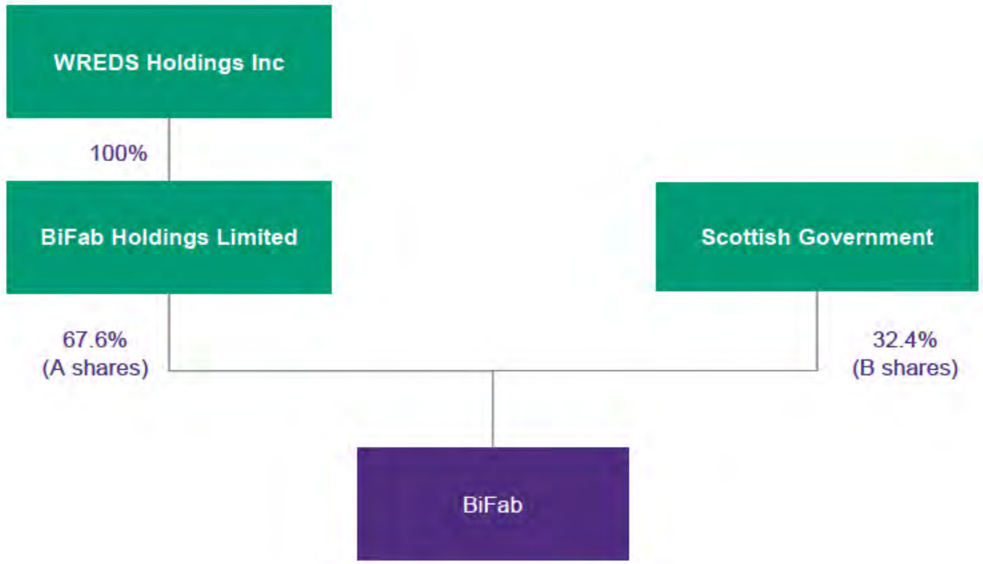
The Scottish Government has engaged Grant Thornton to perform a valuation of its stake in BiFab as at 31 March 2019 for financial reporting purposes

Overview

- Burntisland Fabrications Limited (**BiFab** or the **Company**) can trace its roots back to the Burntisland Shipbuilding Company, which was founded in 1918. The business was nationalised in the 1970s, when it changed its focus from shipbuilding to prefabricating modules of superstructure for offshore oil platforms. The business underwent an MBO in 2001, when it became known as BiFab
- On 17 April 2018, the Company was acquired by WREDS Holdings Inc, as brokered by DF Barnes Services Limited (**DFB**). The acquisition was dependent on agreement of a deal between DFB and the Scottish Government (**SG**), which was also executed on 17 April 2018
- [redacted]
- [redacted]
- BiFab is a supplier of steel fabrications to the oil and gas and renewables sectors. Products include jackets, topside modules, process modules, accommodation modules, subsea structures, marine projects, WTG jacket substructures, transformer platforms and wave and tidal projects
- [redacted]
- The group structure of BiFab as at 31 March 2019 is shown opposite:

BiFab - Group structure



Sources: Companies House, Management

Note: A shares and B shares rank pari passu in all respects, and have full voting, income and capital rights

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The Fair Value of Scottish Government stake is estimated to be c.£2.0 million, as at the Valuation Date

Introduction and scope

- The Scottish Government has engaged Grant Thornton to perform a valuation of its stake in BiFab as at 31 March 2019 (**Valuation Date**) for IFRS 9 financial reporting purposes
- Consistent with IFRS 9, the basis of value we have adopted is Fair Value. IFRS 13 defines Fair Value as "the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date" under current market conditions and regardless of whether that price is directly observable or estimated using another valuation technique

Limitations

- Our work is based on discussions and information provided to us by BiFab and other publicly available information we consider appropriate. Whilst we have no reason to believe that these sources are not reliable and accurate, we do not warrant their accuracy, completeness and correctness
- The scope of our work has been limited by the information made available to us and the time available for us to complete our work. Please refer to Appendix B for the list of information upon which we have been relied for the purposes of this valuation. Should additional information be made available to us at a future date, we do not have the automatic responsibility to update our report but reserve the right to revise our opinion if necessary
- The scope of our work does not include the provision of any tax advice. Should you require tax advice in connection with the valuation then this will be the subject of a separate letter of engagement

Valuation Summary

Enterprise Value - DCF method		7,137
Cash Balance as at 31 March 2019		1,414
Value attributable to equity shareholders (100%)		**8,551**
Scottish Government's stake as at 31 March 2019		32.4%
Value of Scottish Government's stake - Control, Marketable basis		**2,771**
Less: Discount for lack of control and marketability	30.0%	(831)
Fair Value of Scottish Government's stake		**1,939**
Fair Value of Scottish Government's stake (rounded)		**2,000**
Implied EV/EBITDA multiple based on FY20 EBITDA	[redacted]	

Sources: 1. Grant Thornton analysis 2. Management information

Valuation conclusion

- We have used the discounted cash flow (**DCF**) method of the income approach to derive an indicative valuation range of 100% of the share capital of BiFab. We have cross-checked the implied multiples derived from the DCF method with the multiples derived from the guideline public company (**GPCs**) method of the market approach in the same sector that the Company operates in
- Using the DCF method, an economic benefit stream of the business interest under analysis is selected, usually based on forecast cash flow and derived profits. This cash flow is then discounted to present value with an appropriate risk adjusted discount rate
- BiFab management (**Management**) has provided us with forecasts for BiFab for the period FY19 to FY22 which we have considered for the purposes of our DCF analysis. Post FY22 we have used a tapered growth rate by extending the forecasts to FY24 as set out further in this report

DRAFT

The Fair Value of Scottish Government stake is estimated to be c.£2.0 million, as at the Valuation Date

- In order to discount the cash flows to present value, we have adopted a weighted average cost of capital (**WACC**) of [redacted] which reflects the specific risks relating to the cash flows of BiFab at the Valuation Date as set out further in this report (NB: as discussed on page 16, we have assumed 0% debt in the WACC estimation, i.e. have effectively used our estimate of BiFab's cost of equity)
- Applying the selected discount rate to the cash flows we derive an enterprise value of c.£7.1 million as at the Valuation Date. This implies a forecast EBITDA multiple of [redacted] based on forecast FY20 EBITDA of c.£2.0 million for the business
- The enterprise value is then adjusted for the Company's surplus cash balance, as at the Valuation Date, to arrive at an estimated 100% equity value of c.£8.6 million, with the Scottish Government's stake equity value estimated at £2.8 million on a whole company basis
- A discount for lack of control and marketability of c.30.0% was then applied to the Scottish Government's stake. As set out further in this report, this is to reflect the inability of the Scottish Government to make unilateral decisions in BiFab and realise its investment at its discretion, plus the reduced marketability of a 32.4% stake as compared to the whole company.
- Based on the financial information provided by Management and our analysis set out further in this report, the Fair Value of the Scottish Government's stake in BiFab is estimated to be c.£2.0 million, as at the Valuation Date

Factors considered in the valuation

- As part of our report, we have considered factors generally accepted and utilised within the valuation profession. These include, but are not limited to, the following:
  - the nature of the Company, the risks to which it is subject, historical patterns of growth, and future considerations;
  - the general economic outlook and the position of the industry in the existing economy;
  - the earnings history and earnings capacity of BiFab;
  - Management's assessment of future growth and performance; and
  - other facts and circumstances considered to be important within the context of this engagement
- Details of our valuation analysis are set out further in this report
- [This version of the report is draft. Its contents and subject matter remain under review and its contents may change and be expanded as part of the finalisation of the report]

Section 2: Summary financials

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[redacted]

BiFab – historical financial performance

£'000s				
For the year ending 31 December	FY15	FY16	FY17	FY18
Revenue	59,256	61,255	101,010	[redacted]
Cost of Sales	(52,878)	(53,739)	(144,183)	[redacted]
Gross profit	**6,378**	**7,516**	**(43,174)**	[redacted]
Operating expenses	(3,199)	(3,332)	(4,773)	[redacted]
EBITDA	**3,179**	**4,184**	**(47,946)**	[redacted]
Depreciation and Amortisation	(451)	(394)	(583)	[redacted])
EBIT	**2,728**	**3,791**	**(48,529)**	[redacted]
KPIs				
Revenue growth	NA	3.4%	64.9%	[redacted]
Gross profit margin	10.8%	12.3%	(42.7)%	[redacted]
EBITDA margin	5.4%	6.8%	(47.5)%	[redacted]
EBIT margin	4.6%	6.2%	(48.0)%	[redacted]

Sources: Statutory accounts; Management

[redacted]

[redacted]	[redacted]	[redacted]	
[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted])
[redacted]			
[redacted]	[redacted]	[redacted]	
[redacted]	[redacted]	[redacted]	
[redacted]	[redacted]	[redacted]	

Sources: Management

Financial analysis – historical financial performance

- Historical financial statements for the years FY15 to FY18 are summarised in the tables opposite
- [redacted]
- As a result of the above, BiFab experienced a c[redacted] in revenues in FY18 to c[redacted] million ([redacted]
- [redacted]

Financial analysis – Actual financial performance to budget (FY18)

- Budget and financial accounts for the year FY18 are summarised in the table opposite
- [redacted]
- [redacted]

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[redacted]

[redacted]

[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]				
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]

Source: Management

Financial analysis – forecast financial performance

- The table opposite shows the forecast financial performance of BiFab between FY19 and FY22
- [redacted]

[redacted]

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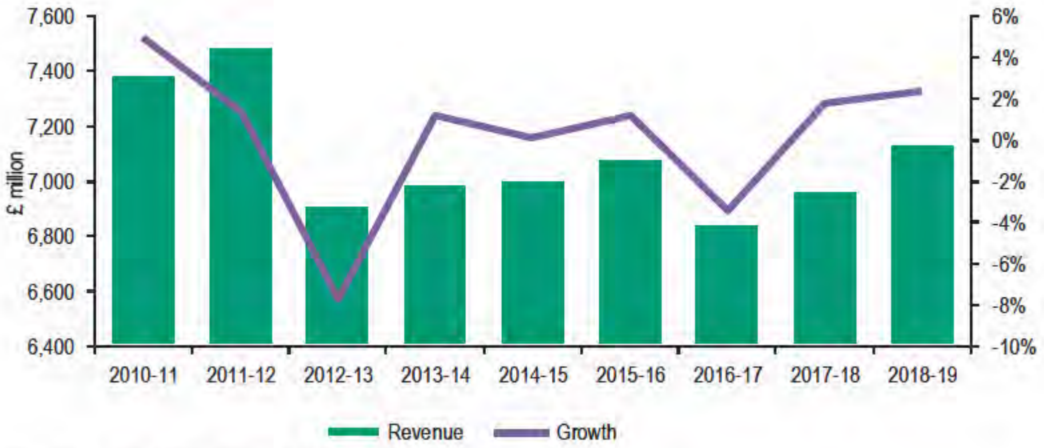
[redacted]

Metal structure manufacturing industry – current performance



Source: IBIS world Industry Report 2019

Recent market trends

- Based on the November 2018 IBIS Report on UK Metal Structure Manufacturing, the industry has been struggling for much of the past five years due to intense import competition and volatile input prices. UK firms have struggled to compete with low-cost imports and substitutes
- The graph opposite shows the movement in revenues during 2010 to 2019 for UK firms that manufacture structural metal products such as metal frameworks, parts for construction and industrial frameworks
- The EU referendum impacted the overall performance of the industry in 2017 by reducing the revenues by almost c.3.4%. Since 2018, revenues have been revived by a rise in the selling prices of metal structures
- Whilst there are uncertainties with regard to input prices, the fall in the value of the pound caused by the EU referendum and increased demand from residential and infrastructure markets is expected to lead an upward trend in revenues
- Industry revenues are forecast to grow at a modest compound annual rate of c.1.5% over the five year period through 2023-24, to reach £7.7 billion
- The industry is influenced by the level of demand for prefabricated steel components used in power generation and distribution facilities, including wind turbines, and other infrastructure. Demand from electricity and telecommunications infrastructure construction is forecast to increase in 2018-19 owing to investment in modern systems
- Currently there is a growing demand for the customised foundation structures for the erection of offshore wind turbines. The revenues from this market are expected to increase in the current year and going forward. Furthermore, the replacement of oil-fired and coal-fired power plants with new gas-fired plants is also set to provide rising demand for operators in the next five years
- [redacted]

Sources: IBIS world Industry Report 2019

[redacted]

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[redacted]

[redacted]

£[redacted]	[redacted]
[redacted]	
[redacted]	[redacted]
[redacted]	[redacted]
[redacted]	[redacted]
[redacted]	[redacted]
[redacted]	
[redacted]	[redacted]
[redacted]	[redacted]
[redacted]	[redacted]
[redacted]	[redacted]
[redacted]	
[redacted]	[redacted]
[redacted]	[redacted]
[redacted]	[redacted]

Source: Management Information

[redacted]

[redacted]

- [redacted]
- [redacted]
- [redacted]ables

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Section 3: Valuation analysis – income approach

We have considered the DCF method in determining the indicative value of 100% of the equity capital of the Company

Introduction

- The income approach indicates value based on the sum of the economic income that an asset, or a group of assets, such as a business, is anticipated to produce in the future. Therefore, the income approach is typically applied to an asset that is expected to generate future economic income, such as a business that is considered a going concern. Free cash flow to total invested capital is typically the appropriate measure of economic income

Discounted cash flow (DCF) method

- In the context of a cash-generative asset valuation, the DCF method is often used to indicate value
- DCF analysis is the favoured method where businesses are able to forecast cash flows for a number of years
- Based on the above and to account for the growth profile of the business we have considered the DCF method in determining the indicative valuation range of 100% of the share capital of BiFab
- The DCF calculation can be prepared using free cash flows which are calculated on a pre-debt basis which results in cash available for distribution to all financing claimholders of the business (the debt and equity investors)
- Application of free cash flows reflects the enterprise value of the business. In order to determine the equity value, the third-party debt (net of any surplus cash) required to fund the enterprise cash flows is subtracted from the enterprise value
- Free cash flows are discounted to present value using a WACC, which represents a blended rate of return incorporating the cost of debt and cost of equity (i.e. the estimated returns demanded by debt and equity investors to account for the risk of investing in the business)
- Under the DCF approach, the forecast cash flows are discounted back to the present date, generating a net present value for the forecast cash flow stream of the business
- Where applicable, a terminal value at the end of the explicit forecast period is determined, with the resulting value discounted back to the present date and added to the net present value of the forecast cash flow stream to given an overall value for the business enterprise. In calculating the terminal value of the business at the end of the explicit forecast period, regard must be had to the business's potential for future growth and/or expected life
- The forecast period should be such a length as to enable the asset to achieve a stabilised level of earning or to cover a finite useful life of an asset in full
- The rate at which future cash flows are discounted (the discount rate) should reflect not only the time value of money, but also the risk associated with the company's future operations
- The results of our analysis are considered on the following pages

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[redacted]

We derive an enterprise value of c.£7.1 million for BiFab as at the Valuation Date

DCF valuation (continued)

- FY19 to FY22 net working capital requirements are based on information provided by Management. Post FY22 we have kept the net working capital as % of revenues constant at FY22 levels
- We have considered a growth rate of c[redacted] in the terminal year for BiFab. This is based on the expected long term level of inflation in the UK as at the Valuation Date (Source: International Monetary Fund)
- Future cash flows attributable to the Company have been discounted to the Valuation Date using a discount rate of c[redacted] Please see Appendix E for details on the discount rate
- The appropriate discount rate for the free cash flows used in the DCF would normally be based on a WACC. [redacted]
- Based on Management's forecasts and our analysis, we derive an enterprise value of c.£7.1 million for BiFab as at the Valuation Date. Please see Appendix F for further details

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The estimated enterprise value of c.£7.1 million is supported by market valuation multiples

Guideline public company (GPC) – cross check

- The guideline public company method relies on an analysis of publicly traded companies similar to a subject company
- This approach uses those guideline companies to develop relevant market multiples and ratios such as per-share earning and EBITDA
- These multiples are then applied to the subject company's results
- Since companies are not perfectly comparable, adjustments may be applied to the value of a subject company if its position in the industry is significantly different from the position of the guidelines companies
- Ideal guideline companies are involved in the same business as the company being valued. However, if there is insufficient transaction evidence in the same business, it may be necessary to consider companies with an underlying similarity of relevant investment characteristics, such as markets, products, growth, cyclical variability and other salient factors
- We have cross-checked the multiples derived from the DCF method against the multiples derived from the GPCs method
- We have considered the EV/EBITDA multiple in our valuation analysis as it is capital structure neutral and therefore enables the comparison of listed companies without regard to the associated debt levels of each entity
- We selected GPCs engaged in operating steel fabrications businesses, which are considered comparable to BiFab
- [redacted]
- [redacted]
- The EBITDA multiple derived from the DCF method as at the Valuation Date is [redacted] (=[redacted] / £2.0m), which is at a discount of 34% to the median GPC multiple
- Given the points of difference noted above, we consider the implied discount to be reasonable, and therefore that the GPC multiples support our estimate of BiFab's enterprise value under the DCF approach

Section 4: Valuation summary

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The Fair Value of the Scottish Government's stake in BiFab is estimated to be c. £2.0 million, as at the Valuation Date

Valuation Summary

Enterprise Value - DCF method		7,137
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Less: Discount for lack of control and marketability	30.0%	(831)
Fair Value of Scottish Government's stake		**1,939**
Fair Value of Scottish Government's stake (rounded)		**2,000**
Implied EV/EBITDA multiple based on FY20 EBITDA	[redacted]	[redacted]

Sources: 1. Grant Thornton analysis 2. Management information

Valuation conclusion

- We have used the DCF method of the income approach to derive an indicative valuation range of the 100% of the share capital of BiFab. We have cross-checked the implied multiples derived from the DCF method with the multiples derived from the GPCs method of the market approach in the same sector that the Company operates in
- The enterprise value is then adjusted for the Company's surplus cash balance, as at the Valuation Date, to arrive at the equity value of c.£8.6 million and Scottish Government's stake equity value at £2.8 million (on a controlling, marketable basis). See table opposite for details
- Having initially estimated the value of SG's stake in BiFab on a whole company basis, we have then applied a discount for lack of control and marketability of 30.0% to reflect the following:
  - SG holds B Ordinary shares in BiFab as at the Valuation Date implying a 32.4% stake in the Company (providing 32.4% voting rights). A market participant is likely to pay less than pro-rata for the B ordinary shares as the majority (A) shareholder is able to make unilateral decisions (other than for resolutions requiring >75% votes) which may impact the B shares.
  - A holder of the B shares is unable to influence any realisation of value without the support of the A shareholder.
  - The B Ordinary shares are less marketable than the company as a whole.
- Based on the financial information provided by Management and our analysis set out further in this report, the fair value of SG's stake is estimated to be c.£2.0 million, as at the Valuation Date

Appendices

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A. Glossary

BiFab	Burntisland Fabrications Limited
CAGR	Compounded annual growth rate
Capex	Capital expenditure
CAPM	Capital Asset pricing Model
The Company	Burntisland Fabrications Limited
DCF	Discounted Cash Flows
DFB	DF Barnes Services Limited
Directors	Statutory Directors of Company and or Parent
EBIT	Earnings before interest and taxes
EBITDA	Earnings before interest, taxes and depreciation
EV	Enterprise value
The Forecasts	Period between 1 April 2019 and 31 December 2024
FYXX	Financial Year ended 31 December 20XX
FYE	Fiscal year end of guideline public companies
FYE+1	Forecast year 1 of guideline public companies
FYE+2	Forecast year 2 of guideline public companies
Grant Thornton	Grant Thornton UK LLP
GPCs	Guideline public companies
IFRS	International Financial Reporting Standard
KPIs	Key Performance Indicators
Letter of Addendum	Letter of addendum dated 8 May 2019
Management	Directors and the key officers of Burntisland Fabrications Limited
PBT	Profit before taxes
SG	Scottish Government
WACC	Weighted Average Cost of Capital
Valuation Date	31 March 2019

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B. Important notice

Limitation of liability

We draw your attention to the limitation of liability clauses in the Terms of Conditions referred to in our Letter of Addendum (see Appendix C)

Scope of work and limitations

Our work focused on the areas set out in the 'Letter of Addendum', which is reproduced at Appendix C of this report. Our review of the affairs of BiFab does not constitute an assurance engagement conducted in accordance with any generally accepted assurance standards and no verification work has been carried out by us; consequently we do not express an assurance opinion on the figures included in the report.

The scope of our work has been limited both in terms of the areas of the business and operations which we have reviewed and the extent to which we have reviewed them. There may be matters, other than those noted in this report, which might be relevant in the context of the transaction and which a wider scope review might uncover.

Factual accuracy confirmation

We have discussed this report with [enter name(s)] on [date] who confirmed its factual accuracy in all material respects.

Sources of information

The information contained in this report is based primarily on:

- BiFab annual report(s) for the year ended 31 December 2015 to 31 December 2017;
- Draft financial accounts for the year ended 31 December 2018;
- Management accounts for the period ended 31 March 2019;
- Forecast model provided by Management;
- Information and explanation received from Management;
- Information obtained from the S&P Capital IQ financial information database; and
- Other relevant document and sources deemed necessary to support our valuation

We do not accept responsibility for such information which remains the responsibility of Management. We have satisfied ourselves, so far as possible, that the information presented in our report is consistent with other information which was made available to us in the course of our work in accordance with the terms of the Letter of engagement. We have not, however, sought to establish the reliability of the sources by reference to other evidence.

Our report makes reference to 'Grant Thornton Analysis'; this indicates only that we have (where specified) undertaken certain analytical activities on the underlying data to arrive at the information presented; we do not accept responsibility for the underlying data.

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B. Important notice (continued)

Taxation

Our review of corporation tax was based on figures contained in the financial statements therefore we are unable to comment on tax liabilities which may arise as a result of omissions from, or misrepresentations in, those financial statements.

'Normalised'/'underlying'/'adjusted' earnings

There is no authoritative literature or common standard with respect to the calculation of 'normalised'/'underlying'/'adjusted' earnings. As such there is no basis under which to state whether all appropriate and comparable adjustments have been made. In addition, while the adjustments presented may indeed relate to adjustments which are 'non-recurring' or 'exceptional' or otherwise unrepresentative of the trend, it is possible that earnings for future periods may still be affected by other items which are unrepresentative of the trends in those future periods. The decision as to what items should be included or excluded from the calculation of 'normalised'/'underlying'/'adjusted' earnings is therefore highly subjective; the basis for the positions presented in the report are set out in the report, however you and/or third parties may have chosen to interpret the information presented differently.

Forecasts

The responsibility for BiFab forecasts and the assumptions on which they are based is solely that of Management. It must be emphasised that profit and cash flow forecasts necessarily depend on subjective judgement. They are, to a greater or lesser extent, according to the nature of the businesses and the period covered by the forecasts, subject to inherent uncertainties. In consequence, they are not capable of being audited or substantiated in the same way as financial statements which present the results of completed accounting periods.

Forms of report

For your convenience, this report may have been made available to you in electronic as well as hard copy format. Multiple copies and versions of this report may therefore exist in different media and in the case of any discrepancy the final signed hard copy should be regarded as definitive.

General

Our report is issued on the understanding that Management have drawn our attention to all matters, financial or otherwise, of which they are aware which may have an impact on our report up to the date of signature of this report.

Events and circumstances occurring after the date of our report will, in due course, render our report out of date and, accordingly, we will not accept a duty of care nor assume a responsibility for decisions and actions which are based upon such an out of date report. Additionally, we have no responsibility to update this report for events and circumstances occurring after its date.

Contacts

If there are any matters upon which you require clarification or further information please contact [redacted]

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C. Letter of Addendum

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D. Discount rate

[redacted]

[redacted]	[redacted]	[redacted]
[redacted]		
[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]
[redacted]		[redacted]
[redacted]	[redacted]	[redacted]
	[redacted]	[redacted]
[redacted]		[redacted]

Sources: Grant Thornton analysis

We have assessed a weighted average cost of capital for [redacted] based on the capital asset pricing model (CAPM), where:

$$Re = Rf + b(Rm\text{-}Rf) + SP$$

1) Rf = Risk-free rate of return (based on the nominal return on 20-year UK government gilt rates) as at the Valuation Date

2) (Rm-Rf) = The equity risk premium (**ERP**) is the expected return in excess of the risk free rate which investors generally require for investing in equities as an asset class. Quantification of the ERP has been the subject of much research by academic and security analysts. Grant Thornton's view of the ERP is [redacted] based on review of academic research, utilising analysis of both historic and forecast stock market returns and taking account of both long term returns and current market conditions

3) b = Beta, a measure of the relationship between industry risk and aggregate market risk, derived from the comparable company analysis as set out in this Appendix. The comparable companies used in our beta analysis include Steel Fabrication business

4) SP = Size Premium based on equity market capitalisation determined from [redacted] 2018 Valuation Handbook. The size premium of c[redacted] is based on the historical information for business of a similar size of BiFab

5) ARP = Additional risk premium reflects the perceived uncertainties associated with the operating forecast of BiFab in achieving the budgeted revenues inclusive of operating, market and financial risks

Based on our understanding of the current financial position of BiFab, we consider that most, if not all, available market funding would be in the form of equity. We assess that an appropriate discount rate based on the Company's cost of equity is c[redacted] as at the Valuation Date

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D. Discount rate (continued)

Beta analysis

£'000s Selected Public Guideline Companies	Market Value of Common Equity	Book Value of Debt to Equity	Book Value of Debt to Capital (Wd)	Effective Income Tax Rate (2)	5 Year Monthly Equity Raw Beta	5 Year Monthly Asset Raw Beta (Ba)
Mota-Engil, SGPS, S.A.	406,856	438.6%	81.4%	30.9%	2.1	0.5
Técnicas Reunidas, S.A.	1,160,130	37.8%	27.4%	35.2%	0.9	0.7
Subsea 7 S.A.	2,926,766	7.0%	6.5%	23.9%	0.9	0.8
Saipem S.p.A.	4,047,962	65.5%	39.6%	24.0%	1.8	1.2
Vallourec SA	825,230	307.7%	75.5%	33.0%	2.3	0.7
Kværner ASA	301,836	0.0%	0.0%	17.8%	2.2	2.2
Frank's International N.V.	1,072,667	0.4%	0.4%	25.0%	1.6	1.6
Akastor ASA	317,652	17.2%	14.6%	23.0%	1.5	1.4
McDermott International, Inc.	1,037,447	225.3%	69.3%	25.0%	2.7	1.0
National Oilwell Varco, Inc.	7,843,739	27.1%	21.3%	27.0%	1.2	1.0
Enteq Upstream Plc	15,224	0.0%	0.0%	17.0%	1.5	1.5

High		438.6%	81.4%	35.2%	2.7	2.2
Mean		102.4%	30.6%	25.6%	1.7	1.1
Median		**27.1%**	**21.3%**	**25.0%**	**1.6**	**1.0**
Low		0.0%	0.0%	17.0%	0.9	0.5

Selected		**0.0%**	**0.0%**	**17.0%**		**1.0**

INDUSTRY COST OF EQUITY ANALYSIS	
Selected asset beta	1.0
Debt to equity market value	0.0%
Estimated income tax rate	17.0%
RELEVERED BETA	1.0

Sources: S&P CapitalIQ as at 31 March 2019

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E. Discounted Cash Flow

DCF Analysis

[redacted]

Sources: 1. Grant Thornton analysis 2. Management information

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E. Discounted Cash Flow (continued)

[redacted]

Footnotes:

[redacted]

Sources: 1. Grant Thornton analysis 2. Management information

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F. Guideline public company multiples

Multiples analysis

			Revenue			EBITDA			EV/EBITDA
£'000s	Market capitalisation	Enterprise value	FYE	FYE+1	FYE+2	FYE	FYE+1	FYE+2	FYE+2
Mota-Engil, SGPS, S.A.	472,084	2,158,507	2,801,749	2,865,000	3,089,000	285,837	413,000	465,000	4.6 x
Técnicas Reunidas, S.A.	1,346,124	1,088,692	4,396,328	4,422,434	4,601,000	56,303	153,540	170,000	6.4 x
Subsea 7 S.A.	3,811,440	3,283,840	4,073,800	3,903,000	4,251,000	657,700	592,120	711,020	4.6 x
Saipem S.p.A.	4,696,938	5,842,938	8,536,000	8,954,552	9,298,577	844,000	1,062,132	1,094,438	5.3 x
Kværner ASA	3,386,091	152,091	7,220,000	7,282,000	7,650,960	432,000	382,520	405,034	0.4 x
Akastor ASA	3,563,520	2,879,520	3,800,000	3,880,572	4,758,192	267,000	349,017	410,156	7.0 x
McDermott International, Inc.	1,581,037	4,129,037	6,705,000	10,002,490	11,086,798	309,000	1,045,400	1,177,500	3.5 x
National Oilwell Varco, Inc.	10,214,664	11,267,664	8,453,000	8,660,000	9,597,350	901,000	874,000	1,170,000	9.6 x

Statistical analysis	
High	9.6 x
Mean	5.2 x
Median	**5.0 x**
Low	0.4 x

Sources: S&P CapitalIQ dated 31 March 2019
Note: Certain companies considered on the following pages were excluded from the beta analysis due to the statistical significance of their observations

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G. Guideline public companies – detailed descriptions

Guideline public companies - detailed descriptions

Name	Country	Summary Description
Mota-Engil, SGPS, S.A.	**Portugal**	Mota-Engil, SGPS, S.A. provides construction services for public and private customers in Europe, Africa, and Latin America. It constructs infrastructure projects, including airports, railways, hydraulic facilities, ports, roads, and urban facilities; and agricultural and industrial, office and commerce, housing, public building, and silo and chimney projects, as well as provides buildings rehabilitation services. The company was founded in 1946 and is headquartered in Porto, Portugal. Mota-Engil, SGPS, S.A. is a subsidiary of Mota Gestao E Participacoes SGPS, SA.
Técnicas Reunidas, S.A.	**Spain**	Técnicas Reunidas, S.A., an engineering and construction company, engages in the design and management of industrial plant projects worldwide. It operates through Oil and Gas, Power, and Infrastructure and Industry segments. The company designs and constructs basic refining units, conversions, octane enhancement units, and other refining and treatment units in the refining sector; processing and chemical units and plants in the petrochemicals sectors; oil and gas fields development, and oil and gas treatment plants; and pipeline transport, storage parks, and compression stations, as well as natural gas liquefaction, regasification, and storage plants. In addition, the company offers consulting, engineering, procurement, and construction services for a range of electricity generating plants comprising conventional thermal plants, combined cycle power plants, gasification integrated with combined cycle, nuclear plants, co-generators, solar plants, fuel cells, solid waste, and biomass technology. Técnicas Reunidas, S.A. was founded in 1960 and is headquartered in Madrid, Spain.
Subsea 7 S.A.	**Luxembourg**	Subsea 7 S.A. delivers offshore projects and services for the evolving energy industry worldwide. It provides subsea field development products and services, including project management, design and engineering, procurement, fabrication, survey, installation, and commissioning of production facilities on the seabed and the tie-back of its facilities to fixed or floating platforms or to the shore. The company also offers engineering, procurement, construction, and installation of subsea umbilicals, risers, and flowlines; life of field services, such as inspection, repair, maintenance, integrity management, and remote intervention of subsea infrastructure; conventional services comprising fabrication, installation, extension, and refurbishment of fixed and floating platforms and associated pipelines; hook-up services; and refurbishment of fixed and floating platforms in shallow water. Subsea 7 S.A. was incorporated in 1993 and is based in Luxembourg City, Luxembourg.
Saipem S.p.A.	**Italy**	Saipem S.p.A. engages in the engineering, drilling, and construction of projects in the energy and infrastructure sectors worldwide. The company operates through five divisions: Offshore Engineering & Construction (E&C), Onshore E&C, Offshore Drilling, Onshore Drilling, and Floaters segments. It provides engineering, procurement, project management, and construction services primarily for the oil and gas, complex civil and marine infrastructure, and environmental markets. Saipem S.p.A. is headquartered in Milan, Italy.
Vallourec SA	**France**	Vallourec S.A. through its subsidiaries, provides tubular solutions primarily for the energy markets and other industrial applications in Europe, North America, South America, Asia, the Middle East, and internationally. It operates through Seamless Tubes and Specialty Products segments. The company produces hot-rolled seamless carbon and alloy steel tubes for the oil and gas, power generation, chemical and petrochemical, and automotive and mechanical engineering industries, as well as produces stainless steel and titanium tubes. Vallourec S.A. was founded in 1899 and is headquartered in Boulogne-Billancourt, France.
Kværner ASA	**Norway**	Kværner ASA provides engineering, procurement, and construction (EPC) services for offshore platforms and onshore plants of oil and gas operators in Norway, Europe, Canada, and internationally. The company executes contracts of oil and gas steel jacket substructures and jackets; and EPC delivery of topsides for offshore oil and gas platforms, as well as on floating oil and gas installations. It also provides marine concrete structures for oil and gas field developments; fixed and floating substructures, as well as converter platforms for offshore wind developments; and front-end development services. In addition, the company engages in the project management, design, engineering, procurement, construction, installation, and hook-up of onshore oil and gas projects; marine operations; and decommissioning of offshore oil and gas installations, as well as provision of an unmanned wellhead platform for tieback solutions. Kværner ASA was incorporated in 2011 and is headquartered in Oslo, Norway.
Frank's International N.V.	**Netherlands**	Frank's International N.V. provides various engineered tubular services for the oil and gas exploration and production, and oilfield services companies in the United States, Europe, the Middle East, Africa, Latin America, the Asia Pacific, and internationally. The company operates through four segments: International Services, U.S. Services, Tubular Sales, and Blackhawk. Frank's International N.V. was founded in 1938 and is headquartered in Den Helder, the Netherlands.

Sources: S&P CapitalIQ dated 31 March 2019

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G. Guideline public companies – detailed descriptions

Guideline public companies - detailed descriptions

Name	Country	Summary Description
Akastor ASA	**Norway**	Akastor ASA operates as an oil-services investment company worldwide. The company offers drilling equipment, drilling riser solutions, and related products and services for the drilling market; and vessel-based subsea well construction and intervention services to the oil and gas industry. It is also involved in waste management drilling activities; the provision of subsurface advice and products to E&P companies; and supplying vapor recovery units and systems. Akastor ASA was founded in 1841 and is based in Bærum, Norway.
McDermott International, Inc.	**United States**	McDermott International, Inc. provides engineering, procurement, construction and installation, and technology solutions to the energy industry worldwide. It operates through five segments: North, Central and South America; Europe, Africa, Russia and Caspian; the Middle East and North Africa; Asia Pacific; and Technology. It designs, engineers, and constructs upstream offshore oil and gas facilities, downstream oil and gas facilities, gas-fired power plants, liquefied natural gas import and export terminals, atmospheric and refrigerated storage vessels and terminals, water storage and treatment facilities, pipe and module fabrication, hydrocarbon processing facilities, pipe fabrication and manufacturing, and refining and petrochemical facilities. McDermott International, Inc. was founded in 1923 and is headquartered in Houston, Texas.
National Oilwell Varco, Inc.	**United States**	National Oilwell Varco, Inc. designs, manufactures, and sells systems, components, and products for oil and gas drilling and production worldwide. It operates in three segments: Wellbore Technologies, Completion & Production Solutions, and Rig Technologies. The company was founded in 1862 and is based in Houston, Texas.
Enteq Upstream Plc	**United Kingdom**	Enteq Upstream Plc, together with its subsidiaries, provides reach and recovery products and technologies to the upstream oil and gas services market primarily in the United States. It designs, manufactures, and sells specialized parts and products for directional drilling and measurement for use in the energy exploration and services sector of the Oil and Gas industry. Enteq Upstream PLC was founded in 2011 and is headquartered in Amersham, the United Kingdom.

Sources: S&P CapitalIQ dated 31 March 2019

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