

Rationale for the acquisition

1. Section 3 of our report sets out the rationale for the merger. This appendix gives more detail of the stand-alone rationale for the merger, and the price paid for SEW.

Stand-alone rationale

2. Hastings' investment proposal notes that the mature, fully regulated nature of SEW is a key portfolio requirement for UTA and its strong cash generation potential offers a cash-accretive investment opportunity for HDUF. The proposal notes that the impact of the investment [REDACTED] had been evaluated and considered to be particularly beneficial as it would: [REDACTED].
3. Hastings said that it had no proposals to restructure the capital base. The current capital structure is highly leveraged (debt covenants currently allow up to 85 per cent net senior debt/RCV) and Hastings was not planning to increase this.
4. Hastings said that it had identified the potential for making [REDACTED] improvements at SEW and these could be summarized under the following headings. Each of these is discussed in further detail in subsequent paragraphs:

[REDACTED]

5. [REDACTED]

[REDACTED]

6. [REDACTED]

[REDACTED]

7. [REDACTED]

8. [REDACTED]

9. [REDACTED]

10. [REDACTED]

[REDACTED]

The price paid for SEW

11. [REDACTED]

TABLE 1 [REDACTED]

12. [REDACTED]

TABLE 2 [✕]