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SABE Online: Reshaping Business

Case Study and Teaching Note

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Abstract

The following case study analyses the evolution of the business model of SABE Online, a Software as a Service (SaaS) start-up currently operating in the Portuguese market. In June 2015, João Ferro Rodrigues the CEO and founder realizes that the company's previous business model no longer reflects the current strategy. Therefore a new business model must be developed in order to reflect this new path, while providing information about the necessary investment to be successful.

This case study provides insights about the evolution of SABE Online's business model in order to reflect the new strategy of the company.

Keywords:

Tech Start-ups

Software as a Service Business Models

Changing Business Model

The numbers and figures presented throughout this case study, related to the company SABE Online and the investments it received have been altered in order to protect confidentiality.

Introduction

It was March 2015 and João Ferro Rodrigues, CEO and founder of SABE Online was on his way to the office from a Human Resources conference in Estoril (Expo RH) where he had intervened with a presentation entitled: “Digitalization: Company and Business Model transformation”. Ironically, as he thought about the presentation, he realized how much his own company had transformed.

In 2014, João Ferro Rodrigues founded SABE Online which, at the time, was presented as a “Publisher, producer and seller of online courses”. Initially the company had an offer of 13 courses, in Portuguese language, of approximately 100 minutes, divided in 15 to 20 minutes modules (see exhibit 1 for the full list of SABE Online’s Courses). The goal of the courses was to help the “student” achieve professional development and personal achievement. The courses were divided in four categories: Management; Behavioural skills, Well Being and New tools.

The initial pricing strategy was relatively simple, each course had a price of 29, 90€. However, since the course was divided in modules, the student could opt to buy each module at a price of 7, 90€. At the end of the course, the student must pass a final quiz in order to receive a certificate that proves the conclusion of the course.

Since one of the main focuses of the courses was the professional development of the users, it was also possible for companies to buy courses for their employees. This solution would allow the companies to gather information about their employees’ learning experience, for example, how many users finished the course, what was the average grade, among others (see exhibit 2 for snapshots of this information).

In order to offer a more appealing product, the companies would also have access to their own

platform, which meant they could customize the landing page with company colours, images and logos (see exhibit 3 for snapshots of the customized landing page). In addition, SABE could also charge consulting fees for clients that wanted new content created or enhanced by the Editorial Team.

As a result of these different offers, João rapidly realized that the B2B (business-to-business) model was more profitable than the B2C (business-to-consumer) model (see Exhibit 4 for the projections of the exclusive B2C business model and exhibit 5 for the mixed B2C and B2B business model). The B2B model enabled SABE Online to leverage not only on its courses but also on the platform they had created to share and publish the courses. It was also able to bring more added value to the organization since it allowed human resources teams to keep track of the employees' performance.

At this point, it was evident for the CEO that, not only did his company needed change, but also its' business model needed to reflect this new focus.

Evaluating the Opportunity

The Emergence of the SaaS Business Model

“The digital transformation did not star now”, João said during his presentation at ExpoRH. However, he believed that only recently had the technology gotten to a point when it could in fact optimize this transformation.

“Back when I started working, in 1999, digitalization was already occurring, however, it was still not able to change a company's DNA”. According to João, the digitalization of companies, had been far from its true potential for a number of years, and the reasons for this were:

- **Technological Restrictions:** Software and applications were installed in each machine (for

example computers); Usually the access to a certain software was restricted to a single terminal; The ability to process information resulting from software was more limited; The Internet speed did not allow for the optimal use of certain tools and software.

- **Cost Restrictions:** Companywide digitalization was almost exclusive of big companies. These were the only that had the ability to invest in this tools and software. However, companies also needed a higher amount of employees to work on this type of technology. João recalls that he worked as consultant for the Boston Consulting Group (BCG), and because the company had both the capital to invest in this technology and the ability to find personnel to manage it, it was able to implement companywide digitalization.
- **Exclusive for certain functions and processes:** João argues that, back then, the few companies that did invest in digitalization implemented it in restricted functions within the company. “Digitalization was mostly focused in management control and planning, production control, and within the human resource departments it was focused in managerial functions”.

Because of these three factors, the access to technological tools, that helped improve work processes, was restricted to certain big companies and, within those, to a few key employees.

However, João had concluded that the technology had evolved in a way that overtook all the previous restrictions, representing a possible business opportunity. The main proof for this change was the emergence of the Software as a Service business model.

Cloud application services (or SaaS), uses internet to deliver software managed by a third-party supplier with an interface available on the clients’ side. SaaS platform can be used directly from a browser and, doesn’t require the installation or download of software.

Another advantage of using SaaS, is that companies can streamline their maintenance and support since they can be managed by the sellers of the platform: applications, runtime, data, servers, storage and networking; decreasing the costs associated with implementing new software.

In conclusion, by using a SaaS model companies are able to:

- **End the technological restrictions:** Technology is now available in a multitude of platforms (desktop computers, smartphones, and tablets) that have now as much processing capacity as computers had before; Increased speed and reliability of internet, enabling the users to access information anytime and anywhere.
- **Offer software to all type of companies:** The use of the SaaS business model made it possible for smaller companies, with fewer human resources and smaller investment, to have access to new software and tools.
- **Make software and tools available to the entire organization:** The departments and functions that previously had access to this technology continues to do so, however now it is also available to the sales team, the marketing department and even to outside partners, such as clients.

Benefiting from Investors

João understood that, to successfully benefit from an opportunity, a company must use all the advantages it can. In the case of SABE Online this meant relying on expertise of one of their initial investors, Faber Ventures.

In June 2014, SABE Online completed its' first round of financing, the seed round. In it, two companies had invested a total of 460.000€, Portugal Ventures (300.000€) and Faber Ventures

(160.000€). The resulting post-money¹ valuation was of 1.660.000€.

Faber Ventures is a Venture Capital firm that also serves as consultant or incubator for their portfolio companies. The company has a central team of developers, designers, sales, marketing and business development staff that helps the portfolio companies whenever they need. It mostly invests in internet start-ups, as mentioned in their website: “Mobility, SaaS, platforms and industries where network effects and digital distribution can change the game”.

Leveraging this focus, SABE Online was able to take advantage of the specific know-how Faber Ventures possess, mostly in terms of software developers, designers and network within the tech start-up scene in Portugal.

Leveraging the previous product and know-how

Since its' inception, SABE Online was focused on learning, from courses for individual professionals, to providing companies with a tool to train and control their employees performance in the different courses. Moreover, the team had also evolved to reflect this focus on excellent learning materials. According to the CEO, the editorial team, in charge of the creation of courses and content, was a truly valuable asset. The clients themselves seemed to agree, giving very positive feedback to the learning experience. Also, the technology team had learned the details of working on the platform where the contents where published. This platform was focused on cloud computing, the main process used in a SaaS business model.

Despite the product's good reviews and the team's effectiveness, João believed that the sharing of

¹ “Post-money” refers to the company's valuation after the investment made. Conversely, “Pre-money” is the initial valuation without the outside capital. Therefore, in the case of SABE Online, the pre-money valuation was 1.200.000€.

knowledge and content should not be exclusive for the employees of the company. In other words, currently companies are looking to share knowledge through their entire value chain. To sustain this conclusion, SABE Online closed a deal with the Portuguese bank Santander Totta to give online courses to their small and medium sized business clients.

By evaluating the opportunity through these 3 factors (the emergence of the SaaS business model, benefiting from investors and leveraging the previous product and know-how) João was able to position SABE Online in a particular spot within the market place.

The company would be able to focus on a B2B model, selling the product to companies that intended to share knowledge and content in the SaaS framework. It had the ability to sell both the platform and the publishable content, in this case the online courses from SABE's catalogue. The focus continues to be students that want to learn skills useful for their professional career, including not only technical skills but also soft skills. Because of the presence of the Editorial team, SABE Online also has the ability to create or improve upon, the content and courses their clients want to share. Finally, it offers a lower price than its competitors because it uses the SaaS business model.

By applying these principles, in a more extended and broad sense, enabling companies to share knowledge within their value chain, SABE Online evolved to SABE Extend.

The beginning of SABE Extend

SABE Extend was designed as a platform that allows companies to maximize the sharing of knowledge through their value chain. A company can share with its critical partner's great digital learning and knowledge, making sure these relationships work perfectly and to everyone's benefit.

In order to achieve this goal, SABE Extend is fully customizable, available in several languages, allows the publishing, sharing and tracking of online learning sessions, and has several student

community engagement features.

In order to enhance the service offer, the SABE Extend team is also available to support clients' creation of learning and knowledge content. In addition, the client can also have access to the online courses catalogue.

By following this principles, SABE Extend differentiates itself from regular Learning Management Systems (see exhibit 6 for a comparison between a traditional Learning Management System and SABE Extend).

Managing Change

As a result of the transition to SABE Extend, changes had to be made to the company, namely to the team, cost structure and revenue model.

Changes in the team

The transformation of the business to be even more focused in B2B sales forced João to hire new staff for the team. The fact is that a B2C business model drives a big part of its sales from the marketing budget (investment in online advertisement leads to more visits to the website which in turn leads to more revenue). Even though in a B2B model this can still be applicable, different and more relevant factors to drive revenue should be taken into account. As a result, the CEO hired a new member to be a part of the Business and Corporate Development. The main purpose of this new hire is to create new sales leads with potential clients, schedule meetings, introduce the product and, consequently, create sales.

In other words, as we will see in the business plan, the customer acquisition cost no longer depends as much on the marketing budget as it did before. Now, the cost of acquiring a new client depends

on the success rate of the business development/sales team (see exhibit 7 for the key team members' profile).

Changes in the cost structure

There are two main types of costs that were altered in this transition. First of all, the distribution costs, which in this case are the previously mentioned sales and marketing costs, now present a different mix. While previously they were mostly composed of the online and offline marketing budget, now they predominantly comprise the salaries of the business development/sales team.

Secondly, there were changes in the production costs of the company. When the company was SABE Online, a big part of the production costs were generated from the creation of new courses for the catalogue (producing and editing a new online video course and creating the supporting documents). Currently the focus of the editorial team shifted to helping clients improve their content or create content that is not in a video format. This, in turn, decreased the production costs associated with the editorial team.

Finally, since the business is now centred in a cloud application service, the online storage costs increased. In fact, the company's Amazon Web Services (AWS) costs evolution shows an increase of 21, 5% in March 2015, when the team first started testing with the new SABE Extend Platform. It is important to note that the storage cost are not totally variable. Since SABE Extend now uses different storage tools offered by AWS, some of the costs are, in fact, fixed, leading to a more rigid cost structure.

Changes in the revenue model

SABE Extend offers a completely different revenue model from the initial SABE Online, following three different revenue streams:

- **Subscription fee for SABE Extend:** Tiered model with 3 packages based on the number of users and available platform features: small business (€24/user/year), enterprise (€18/user/year) and corporate (on request).
- **Instructional design consulting fees:** Hours charged in case the client needs more help from the editorial team.
- **Catalogue Sales:** The client can still buy online courses for its' employees in the SABE Extend Platform.

The New Business Plan

It was clear to João that this new business model was more scalable than the last, for instance, it was easily replicated in other countries. With this in mind, the CEO realized that in order for the company to grow, either by selling to other countries or by solidifying its presence in the Portuguese market, it needed new capital.

This new capital would be used to: Increase the sales team in Portugal and in other countries (namely Spain and France); Develop new features and tools, such as the mobile version of SABE Extend, among other smaller investments.

In order to start present the opportunity to investors, João hired an outside consultant to help create the new SABE Extend business plan. The objective was to project the profitability of the company for the next 5 years, taking into account the new revenue model, cost structure, team structure and overall strategy of the company. Also, as a final output, João wanted to know how much capital the company would need to achieve his vision for SABE Extend.

The external consultant quickly realized that the new business plan needed to be extremely flexible as it should allow to test different scenarios. After several meetings with the management team, it

was concluded that the business plan should allow to test the following scenarios, and inform on how much capital the company would need for each:

- **Which markets to expand to and when:** it was important for the CEO to know how the expansion to different countries would affect the company's financials. However this process should be done in stages, so the plan should allow for expansion in different periods.
- **Which revenue streams to maintain and to drop:** Having already conducted several interviews with investors himself, João concluded that not all the services he was offering would be well received in other countries. Furthermore, if he was to expand into a non-Portuguese speaking country, he needed to know how the lack of a B2C revenue stream in that country would affect his revenues and profitability, or if we should create content for that country.
- **Number of Sales representatives:** In this type of business model, the company will need to expand its sales team, therefore, it is important that the plan allows to test different number of sales representatives in each country, while also changing the salary and sales commissions.
- **Number of new commercial contacts:** The CEO also wanted to test several assumptions with regards to the effectiveness of company's sales force. The first one to test, and the basis of the entire sales process, is the creation of new sales leads. This variable allows the company to test for different number of leads created per sales representative.
- **Overall contact conversion rate and conversion rate for each service:** After testing for the number of leads created, it is important to test for the actual effectiveness of the sales team. Firstly the overall contact conversion rate tests how many new leads result in actual

sales, regardless of the service being sold. Secondly the conversion rate for each service allows to test different sales mixes.

- **Renewal rate from year to year and from one service to another:** After the initial sales process, which usually results in a yearly subscription for a certain service, it is important to test the percentage of clients that renew with SABE Extend. It is important to acknowledge that the client can renew with the same service, or by upgrading or downgrading.
- **Initial investments:** As mentioned before, the company is also looking for capital to invest in new tools and to improve the current offering. Therefore, it is important to test the amount needed and when to invest in each project.

After studying the company for 5 months, the external consultant presented the final business plan ready to test all the different scenarios the CEO was considering, it was now time to make decisions.

Testing Scenarios

It was now December 2015, the hard part had just begun. Even though SABE Extend had recently sold its' platform to a renowned Portuguese tech unicorn², João still needed to test all the scenarios he had in his mind.

To start, the founder had 3 scenarios in mind:

- (1) Should SABE Extend continue as it is now, by maintaining their headquarters and Sales team in Portugal, selling internationally without any sales representatives in other

² Private company valued at \$1 billion or more.

countries?

- (2) Should the company expand, by creating sales teams in different countries to help sell the service while still maintaining the headquarters in Portugal?
- (3) Should it focus exclusively in selling the SABE Extend platform online, not having any sales team, instead investing in online marketing to generate revenues?

João tested all of these scenarios (see exhibit 8 for the financial projections of each scenario), and was now considering all the information. One thing he was sure of, the transformation was far from complete.

Exhibit 1a – Full list of SABE Online Courses (July 2015)

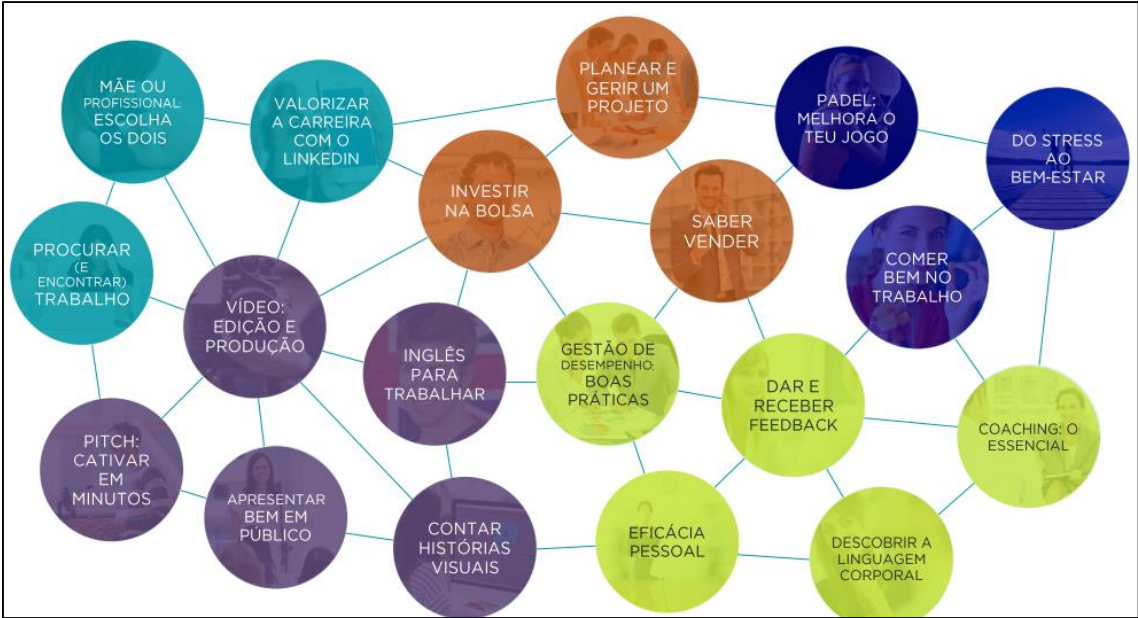


Exhibit 1b – List of authors of SABE Online Courses (July 2015)



Exhibit 2 – Information provided to the employee about users taking the courses

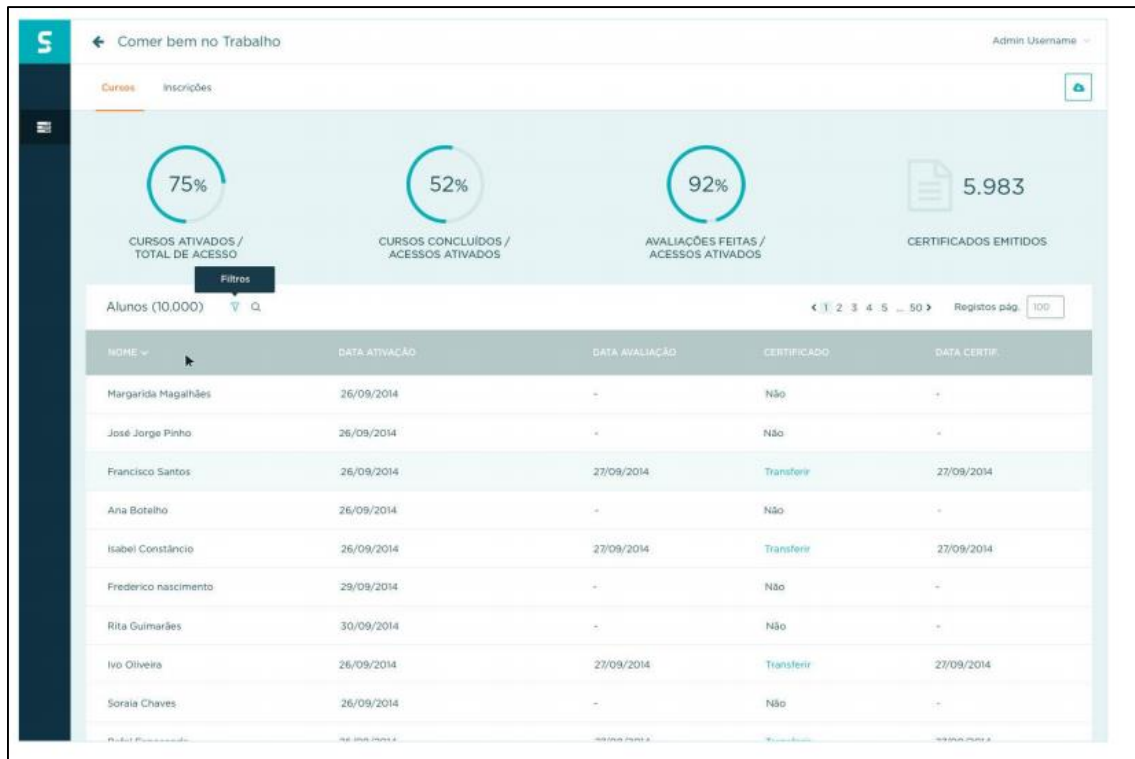


Exhibit 3 – Customisable landing page for the clients that purchased the original SABE Online B2B Service.

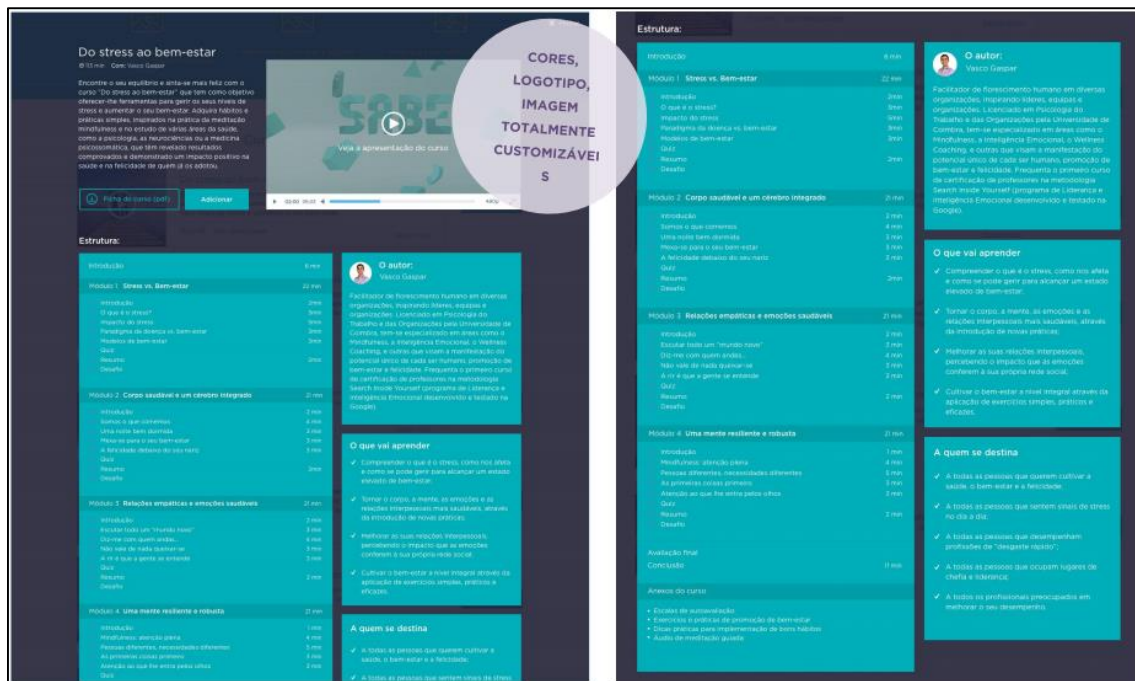


Exhibit 4 – SABE Online’s B2C business model projection (as of July 2015) – actual data was not available due to a confidentiality agreement. The purpose of the graphs is to show the relative weight between each revenue and cost source on the business model.

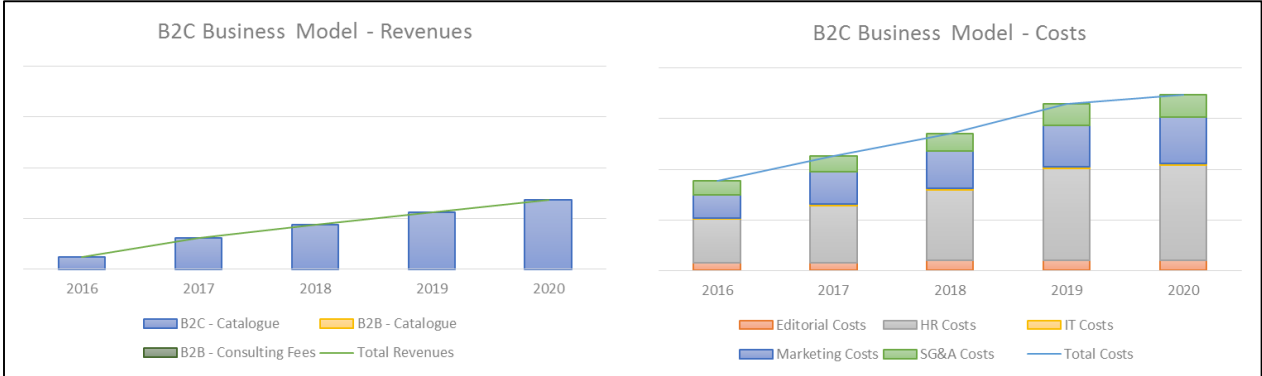


Exhibit 5 - SABE Online’s original B2C + B2B business model projections (as of July 2015) – actual data was not available due to a confidentiality agreement. The purpose of the graphs is to show the relative weight between each revenue and cost source on the business model.

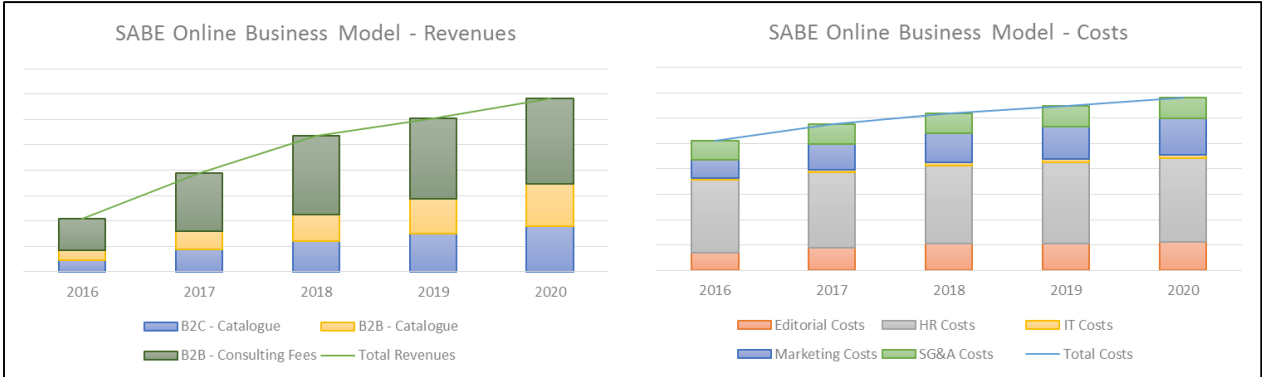


Exhibit 6 – Comparison between SABE Extend and Traditional LMS

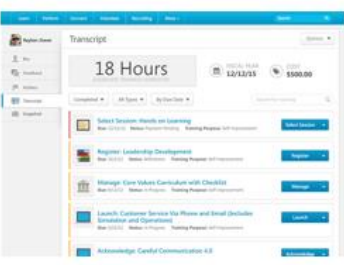

Traditional LMS	SABE Extend
	
<ul style="list-style-type: none"> ○ Mostly used by internal employees ○ Weak UX. Designed for the HR manager ○ Managed by HR experts ○ Integration with internal HR processes ○ Partial client customization ○ Focus in internal learning communities ○ Rigid pricing (typically yearly subscription) 	<ul style="list-style-type: none"> ○ Mostly used by external partners ○ UX centric. Designed for the external partner ○ Anyone and any company area can manage it ○ Integration with other external processes ○ Full branding and customization features ○ Focus in external learning & community features ○ Flexible pricing (ok to one-off projects)

Exhibit 7 – Key team members’ profile – adapted from a company presentation

João Ferro Rodrigues (Co-founder & CEO)

João has extensive project management, strategy and investment experience. Starting as a project leader and consultant at BCG, where he worked for 7 year, he then moved into the renewables sector as business development director, partner and director in the 11 years that followed. This experiences gave him access to a solid business network in Europe, Brazil and USA. Moreover, he has a BA in Economics and a MBA from Harvard Business School, providing him the necessary knowledge and network to make any business successful.

In 2013 he founded SABE Online that later developed to SABE Extend. He now works as a CEO of this B2B cloud-based extended learning platform that helps critical business relationships work perfectly.

Patrick Pinto (CTO)

Patrick is an accomplished senior developer having 8 years of work experience as a software engineer. He worked at several IT solutions providers and, later on, at the online betting house Betvictor.com. Patrick is very experienced in web languages and specialized in Ruby on Rails. Patrick's work is why SABE's platform is solid, reliable and constantly improved ensuring an exceptional learning experience.

Ana Macedo (Head of Editorial Team)

Ana has a psychology degree and has extensive know-how in HR and training. She worked in developing performance evaluation systems, defining HR procedures and conducting hiring process in large Portuguese companies before joining SABE. She now heads the editorial team and clients love her intelligence, analytical drive, perfectionism and work ethics. She is the key to always assure the delivery of top quality digital learning projects as she has a deep understanding of clients training needs and requirements. She is focused in producing creative and innovative content for the clients.

Ivo Oliveira (Lead Designer)

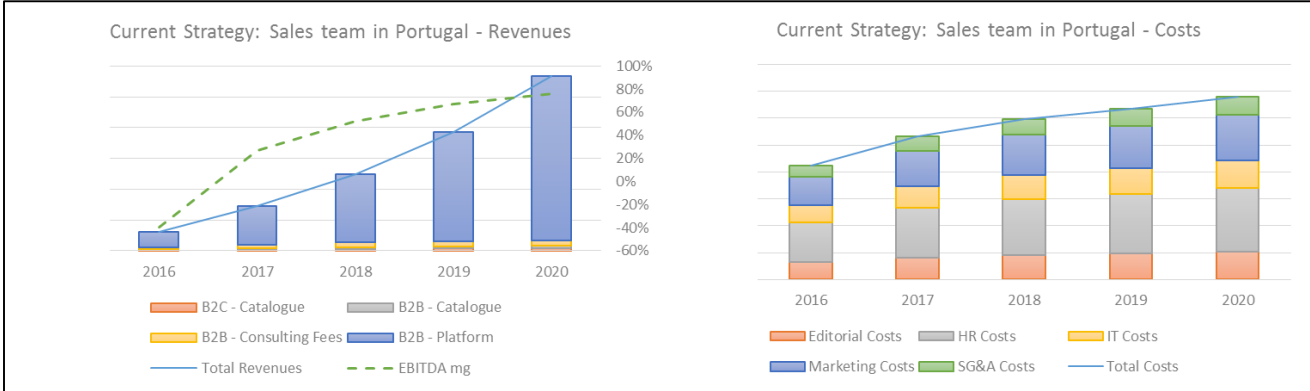
Ivo is SABE lead graphic designer. His work is the reason the platform is defined by the clients as simple, intuitive and beautiful. He has been doing a superb job in delivering a clear and clean design to SABE Extend allowing easy customization according to the client's requirements.

Francisca Cordeiro (Business and Corporate Development)

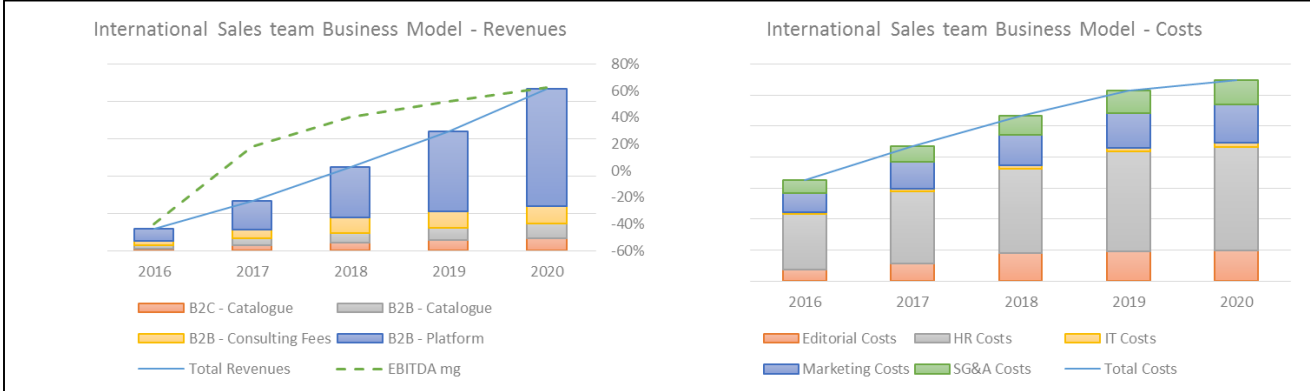
Francisca has a BA in Management and started her career working as a financial analyst in Banif Bank, moving to Espirito Santo Investment Bank and finally, embracing SABE's challenge as a very talented business developer. She fosters strong relationships with all the clients and helps in corporate development taking advantage of her background in this area. Her focus is mainly on generating leads and sales, helping the company to grow sustainably.

Exhibit 8 – SABE Extend Projections - actual data was not available due to a confidentiality agreement. Note that the costs and revenues scales are different in each graph.

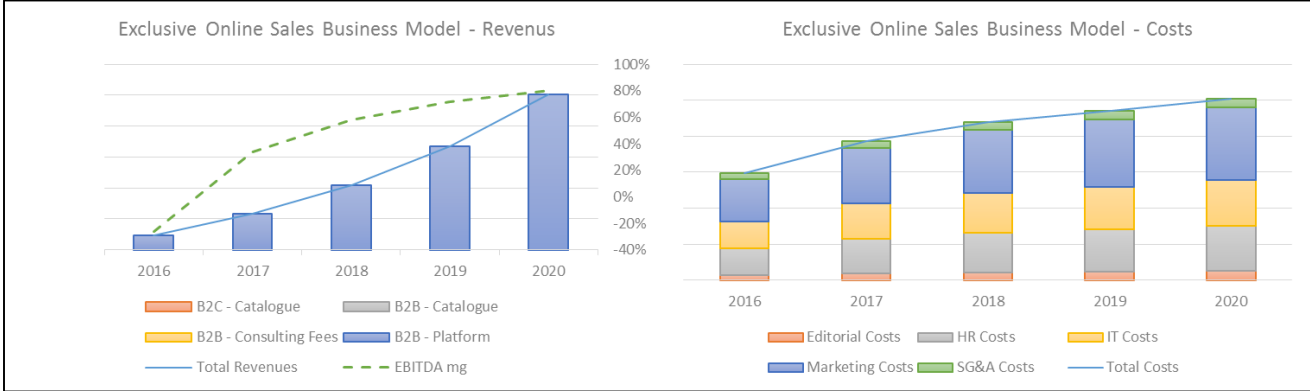
Scenario 1: Current strategy: Sales Team exclusively in Portugal and International Sales exclusively online



Scenario 2: Expansion Strategy: Sales teams in Portugal, Spain, France and United Kingdom



Scenario 3: No Sales Team: Exclusively Online Sales for SABE Extend



Teaching Notes

Discussion Analysis

The following questions serve as an assistant to guide the class through the discussion of the case study:

(1) In your opinion, what are the key success factors in the B2C online courses market and where does SABE Online stand? Do you agree with the CEO's decision to focus on the B2B business model?

The purpose of this initial question is for the students to analyse the initial B2C business model envisioned by the CEO, and reach the same conclusion about the future of the company.

There are three main success factors that lead to the success in the B2C online courses market. First of all, it is important to have very good authors or teachers for the courses. Some competitors allow for users to create their own content and there is no verification about their credentials, instead the process is open to every possible user. In the case of SABE Online, as showed in Exhibit 1b, the authors are professionals with years of experience and chosen by the team and the CEO. Therefore, one can assure that the authors from SABE Online's courses are indeed very reliable and as a consequence the product has potential to be successful.

Secondly it is important to offer a wide range of courses to attract as much users as possible, and hopefully guarantee annual subscriptions. Some competitors offer the possibility for the clients to purchase individual courses or annual subscriptions that give access to a high amount of courses (there is also the possibility to buy a bundle of various course in some competitors). However, this sort of strategy is only successful if the company offers a wide range of course. While SABE Online started with 13 courses other platforms, such as Udemy, offer over 40.000 online courses .This

represents a very high barrier to enter this market as SABE Online would have to invest a lot of resources in expanding the course catalogue.

Lastly, the market dimension also does not justify the focus of SABE Online in the B2C online courses business model. Because the company chooses all their authors and helps to produce, edit and publish the courses, exclusively in the Portuguese market, there is a very low potential for growth. In fact, the company could try to expand to the Brazilian market, where the language barrier is not as high as in other countries. However even in that market, there would have to be a lot of changes to the current courses and the potential is still not as considerable as of other competitors.

In order to complete the analysis, one should also consider the financial projections presented in Exhibits 4 and 5. The points to consider when evaluating the decision are:

- **Profitability:** when comparing the total costs with total revenues in the B2C business model, it is clear that, considering these projection, the business is not profitable. In other words, for all the periods, up to 2020, the total costs are higher than the total revenues. Conversely, the SABE Online business model, with a focus on B2B sales while maintaining the B2C catalogue available, shows that profitability can be achieved in 2020.
- **Sales:** As one can see, there are different revenue streams for each model. The B2C business model only has one revenue model, which is the catalogue (online courses) sales to consumers. The second business model, maintains the previous revenue stream and adds the B2B revenue streams, the catalogue sales for companies (in which companies buy course accesses to theirs employees) and the B2B Consulting fees (consulting fees charged to companies that needed SABE Online's Editorial Team to create or enhance content to share).
- **Costs:** From the B2C model to the second model, one can see that the weight of the

marketing costs decrease and that the Editorial costs increase. This is to be expected since now the company is less focused in online advertising (one of the main costs in the marketing budget) and more focused in generating of new deals with new businesses. In turn, these new deals increase the editorial costs, because the projections assume that some companies will need the Editorial's team expertise in creating new content. In addition, the consulting fees have a higher margin than the courses sales for companies, which increase the profitability of this option.

In conclusion, given the information provided in the Case Study and the financial projections it seems that the decision to change the business model was the correct one.

(2) Do you consider that the current team (presented in Exhibit 7) has the necessary profile to make SABE Extend successful? What do you consider is the main importance of Faber Ventures as a shareholder in this company?

The objective of this question is to make students think about the needed skills of the team for the success of SABE Extend. After this, the student should evaluate whether the team members do in fact possess these skills. Lastly, take into account the profile of the investor Faber Ventures and how it can help the company.

First of all, the reader should identify that some skills needed for the success of SABE Extend were already mandatory for SABE Online. Being a tech start-up it requires an experienced and technically sound CTO, which the company in fact has in Patrick Pinto. Moreover, since the company also focus on the ability to create great content and allow for an easy customization, it is important to have a solid editorial team, led by Ana Macedo, and strong design skills, secured by Ivo Oliveira. It is also important to point out that Ana has had experience working with Human

Resources, one of the main supporters of the SABE Extend product within the potential clients.

However, the main skills needed for this transition depend mostly on the other two key members presented, João Ferro Rodrigues (the CEO) and Francisca Cordeiro (head of Business and Corporate Development).

The reader should be able to conclude that at this particular point in time, the company needs a very good leadership in order to apply a successful strategy. This in fact is one of the main strengths of the company's team, the experience and leadership of João Ferro Rodrigues. As we can see for the short biography, the CEO has very relevant working experience and an MBA from Harvard Business School. Particularly these two aspects provide him with the knowledge and the network to make any business successful.

On the other end, it is also very important to focus on sales and on generating leads for SABE Extend, and for this the profile of Francisca Cordeiro also seems to fit.

However, the company should not rely exclusively on their team, it should also take advantage of their network, and in this case the help of Faber Ventures is very important. As mentioned in the case Faber Ventures has experience investing in tech start-ups and specifically in SaaS business models. Therefore, SABE Extend should take advantage of the knowledge provided by their shareholder in order to maximize the value for both of them.

(3) What scenario would you recommend to João and what are the deciding factors for you?

What are the major changes from each scenario?

In this answer the student should consider the graphs presented in exhibit 8, along with the information provided in the case study. The objective is to analyze how the different revenue streams, costs and resulting EBITDA margin are altered in each scenario. After this, the student

should present an opinion on which scenario the CEO should choose for the future.

First of all, it is important to conclude that the main focus of the company will continue to be to generate B2B sales, namely selling the SABE Extend Platform.

In order to do a complete analysis on the different scenarios one should first study each scenarios separately:

- Scenario 1: in this scenario, the company would continue with its current strategy which consists of maintaining a sales team in Portugal and having international sales but only generated via online contact. In other words, the resident sales team is responsible for generating contacts with companies that are present in the Portuguese market while international sales are a result of online marketing.

In addition, João is also considering the international exposure some of his clients have. In fact he intends to grow the business by selling the SABE Extend platform to international companies that are present in the Portuguese market and after, leverage on this new contacts and reputation to generate deals with companies in other markets.

As a result, and as one can see in exhibit 8, this scenario will generate revenues mostly from selling the SABE Extend platform and consulting fees.

Costs will be mostly a result of the marketing costs and human resources costs. This is a result of the focus on online marketing to attract international clients, and an expansion of the Portuguese sales team in order to generate more leads in the national market.

This scenario is expected to have a positive EBITDA margin by 2018, and in 2020 it the projections are that it will be around 80%.

It is also important to consider that this is the least risky of all the possible scenarios. The company doesn't have to invest in setting new offices in other countries or hiring people to

work in different markets. Instead, it can focus on gaining traction with companies operating in the Portuguese market.

However, this type of business model may be less attractive for new investors due to the lower scalability. Investors can conclude that the company's current success is a result of the effective sales team currently lead by João. If this is the case, it may be in that doubt if the can replicate this success elsewhere.

- Scenario 2: In this scenario the company would expand to other markets, creating sales teams in 4 countries (Portugal, Spain, France and the United Kingdom). As mentioned before, the main revenue stream is the sales from the SABE Extend Platform. However in this scenario, the projections also have a higher percentage of consulting fees, and catalogue sales.

The company expects that in other markets, the price for the consulting fees can be higher, therefore, generating more revenues. Also, it is expected that some clients will want to buy online courses for their employees, which increases the revenue from “B2B catalogue” channel. However, new courses will have to be published, particularly because currently there are no courses in Spanish, French or English. The projections assume that some of the courses created for these new clients will also be available for the public, hence the increase of B2C online courses sales.

As one can expect this strategy needs more investment than any other. The company would need to hire new sales representatives for each country, which justifies the percentage off the Human Resources cost. However, because it is the first contact with these markets, the marketing budget also needs to increase.

As a result, one can expect the EBITDA margin to be lower than the other scenarios (around 60%). In other words, the company expects to increase revenues because of the markets

they are now present in, however, since this requires very high investments, particularly in hiring new sales representatives and marketing budget, the EBITDA margin is lowest of all the scenarios.

- Scenario 3: In this scenario, the focus would be on selling exclusively the SABE Extend Platform via online sales. As a result all the revenues would be a result of this.

The company would no longer have sales representatives in charge of generating new clients, instead their role would be to follow up on leads that the resulted from the investment in marketing budget.

As a result of the focus on online sales, there would have to be a considerable investment in the online marketing budget which would increase the total marketing costs. Also, it is important to consider that the company's success would now depend almost exclusively on their technology, therefore, the technological costs would have to increase also.

With this option, the company would focus on their most profitable revenue stream the SABE Extend Platform while at the same time cutting human resources costs, the biggest cost of the other two scenarios.

As a result the EBITDA margin appears to be around 80%, higher than scenario two and approximately the same as scenario one.

Lastly, the student should conclude the answer with his opinion on which of the scenarios the company choose and why. It is important to note that there are no wrong answers, instead the reasoning behind the decision and the factors it takes into account are the most important criteria.