A Work Project, presented as part of the requirements for the Award of a Master's degree in Finance from the Nova School of Business and Economics.

The potential acquisition of Haute Equipe by Korn Ferry & Holland Capital LBO model

João Miguel de Pamplona Chaves
Santos Vieira (48729)

Work project carried out under the supervision of:

Ekaterina Gavrilova

11/01/2023

Abstract

This thesis aims to analyze the potential acquisition of the small private consultancy firm, Haute Equipe, by a multinational consultancy, Korn Ferry. To evaluate it several valuation methods were conducted: income-based and market-based in order to have a range and to discuss the most suitable one. Furthermore, the M&A deal is studied, and a synergy valuation range is determined as a premium that could be paid above the standalone value. Additional asset-based approach is compared. Finally, an LBO scenario is addressed, where IRR is calculated.

Keywords: Valuation, LBO, IRR, Acquisition

This work used infrastructure and resources funded by Fundação para a Ciência e a Tecnologia (UID/ECO/00124/2013, UID/ECO/00124/2019 and Social Sciences DataLab, Project 22209), POR Lisboa (LISBOA-01-0145-FEDER-007722 and Social Sciences DataLab, Project 22209) and POR Norte (Social Sciences DataLab, Project 22209).

Table of Contents

Introduction

Haute Equipe (also referred to as "HE") is a Dutch consultancy firm located in the Netherlands, founded by Frans Lustermans and Marion van Staveren. One of their most noticeable projects is a public regulation change for of all taxi cars into electric ones, in Amsterdam. They are also responsible for developing the first-ever low-emissions zones in the Netherlands, which was later applied by the rest of the European Union.

Their objective is to lay the foundation for better social results. It works in the public domain in the field of financial business management, legal affairs, and European subsidies. Their field of expertise is in strategic policy, financial or risk management, public and private law, subsidy schemes, processes, management, and administration (Haute Equipe, 2022).

One of HE main priorities is Corporate Social Responsibility (CSR). The slogan "People, Environment and Society" is a perfect indication of what HE stands for: making responsible choices to give something back to people, the environment and society.

HE is a private company that is being targeted for M&A acquisitions. The goal of this dissertation is to assess HE's value through different valuation methods and assess possible synergies arising from the deal. Due to it being a non-listed company, access to inside information is limited and data is not as profoundly reported, making it a greater challenge. There is also not much depth about the Dutch consultancy industry available to the public.

I. Business Overview

Haute Equipe works very closely with local Dutch governments and B2B clients. Their company can be broken down into 3 parts. Haute Equipe Partners in Public (main office with full-time employees), Haute Equipe Flex (outsourcing work) and Haute Equipe N.V., which is the legal holding that controls both units. This structure is very common in the Netherlands as it offers tax incentives. Partners and Flex have their own financial reports and for that reason they will be evaluated separately as two business units. The *modus operandi* of HE fundamentals derives from Boston Consultancy Group where both owners started their careers. Creating a collaborative, multi-purpose environment, enhancing experience and prioritizing sustainability (BCG, 2022). From its start, HE is committed to slow, steady, organic growth, for instance, it took them 8 years to double its growth.

Their mission is to add value to their customers to contribute for social results. Which goes along with their values. The vision is to advise people, environment, and society for one

better world together (Haute Equipe, 2022). HE target segments are public organizations, local governments, ministries provinces (95%), B2B companies (5%) and operates in four different business areas: Legal consultancy (where a client pays a fixed fee for the number of hours required for legal advice), Financial Consultancy (where the fee can be fixed or floating depending on the NPV of the project), European subsidies, and CSR. The first two business areas yield a riskier cash flow due to higher competition execution risk.

HE is a cash rich company that has been building a pile of cash on their balance sheet to account for uncertainty, to have enough cash to face current debt obligations, to have liquidity available and, at the moment, they are looking for investment opportunities to employ it. To evaluate HE's financial health different solvency ratios were used as the primary metric. The first level solvability ratio (weight of Equity to Total Assets) for Partners and Flex is 30% and 26%, respectively. The probability of defaulting on their current and long-term obligations is very low, indicating that it has low financial distress risk. The interest cover ratio for Partners has increased gradually over the past years, currently at 57. This value indicates that the unit can meet their interest obligations, thus adding to the overall financial health of HE.

Regarding its capital structure, the Net Debt-to-Asset ratio for Partners and Flex is 0,12 and 0 respectively. Partners derive almost 90% of their financing from shareholder's equity and the rest from debt, while Flex capital financing is exclusively from shareholders' equity. Moreover, Partners' aim is to payout all remaining debt in the following years, targeting a capital structure similar to Flex of fully equity-financing.

HE uses most of its earnings to invest in their workforce, giving above average salaries and above average conditions (company car, computer, phone), which has a big impact on their results. Additionally, the Net Income Margin is 7% and 1% for Partners and Flex respectively. The average Net Income Margin varies from industry to industry, but a general

rule of thumb is around 10% (Mulyadi, 2020). This low value for both holdings may indicate that HE is not using the most effective cost structure and/or pricing strategies.

i. SWOT

The strengths of HE is the company's culture (the relationships that they have built with their long-term employees and with their customers). It's focused on people, everyone knows each other on a professional and personal level, and strong interpersonal relationships are developed since day one. This advantage over the bigger consultancy firms allows for better work synergies.

Regarding weaknesses, the primary is the lack of specialization. HE operates in four main areas as mentioned before. Following Michael Porter's generic strategies, HE can be argued to be "stuck in the middle" (Porter M., 2009). Porter has noted that strategy is as much about executives deciding what a firm *is not* going to do as it is about deciding what the firm *is* going to do (Porter, 1996). In other words, a firm's business-level strategy should not involve trying to serve the varied needs of different segments of customers in an industry.

Industry overview, evaluated in the next section, will show that HE competitors are very specialized firms. Opportunities rely on very young talent with big prospects constantly innovating with very good ideas for the future of the firm.

Finally, the main threats are the big four (consulting companies) trying to contract young prospects from HE. Business used to be "face to face" with the clients, but nowadays especially due to COVID most of the contact is done via email. Through email, it became harder for HE to transmit its culture and values to its clients. Hence it has weakened their relationship with them. Another major threat is the recent acquisitions/partnership of their same-scale competitors with larger conglomerates. The threat of new entries is low due to high brand loyalty, government policies and cumulative experience.

II. Industry overview

Haute Equipe is a unique company, and it is challenging to find a group of comparable public and private companies which operate within the four areas described above. By providing 4 different core consulting areas, HE is exposed to a wider range of competitors that provide identical services. Ultimately, a description of the industry encompasses all consultancies for and with public organizations (governments/provinces) on a legal and/or financial with strong CSR values.

i. Main competitors

Yacht Group and Bruce International are B2B consultancy that work for government entities and public sector aiming to make the Netherlands more sustainable and more innovative (Yacht Group, 2022).

Vanbarkel Professionals is a knowledge-driven organization and partner for the broad public sector being part of Cohedron (Vanbarkel Professionals, 2022) , like HE they work for both legal and financial areas with strong CSR.

NCOD offers legal and HR consulting for the public sector (NCOD, 2022). From a financial perspective, JS Consultancy has been the market leader in mediating professionals for the public sector for more than 28 years (JS Consultancy, 2022).

Bender Group is a consultancy B2B and B2C mainly focused on environmental projects (Bender Group, 2022).

BMC contributes to realizing effective, powerful solutions for challenges in the public sector, having 35 years of experience working with clients (BMC, 2022.

PNO is a financial consultancy specializing in European subsidies. Since 1985, PNO has become the European market leader in subsidies, innovation, and project management, also working with Dutch local governments (PNO, 2022).

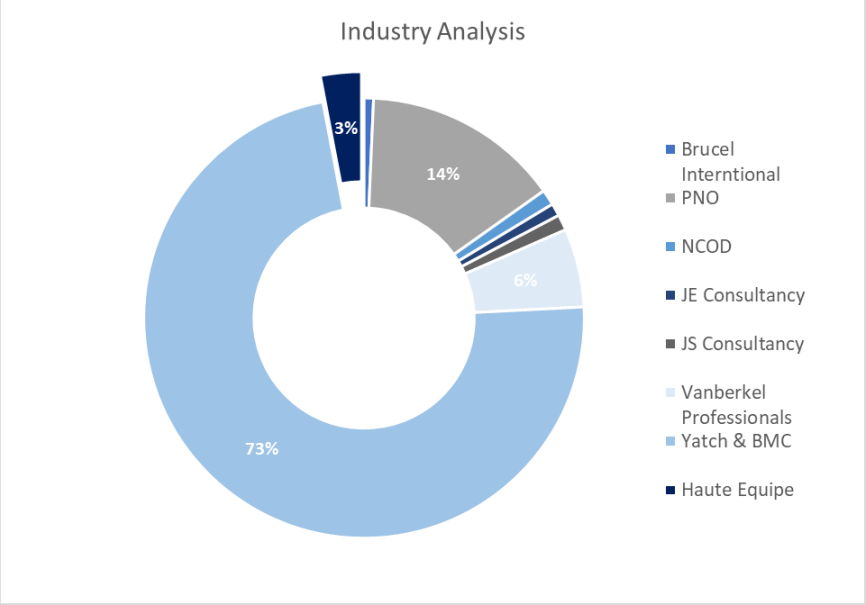


Figure 1 Industry Overview

These competitors are all private, so it is not possible to use their market multiples for HE's valuation as information is not available. The overall, consultancy market in the Netherlands is much broader than these 10 companies mentioned, for instance, none of the Big 4 consultancies were included because although they are a threat, HE does not see them as a peer for the specific segments they operate. Currently, HE holds 3% of market share, based on a comparison of last year's revenues.

III. Literature Review

i. Market approach

This valuation method is a predominant approach in M&A and Private Equity. It studies similar public companies and establishes an estimate for the value of the business.

a) Guideline Public company method

This method creates a valuation based on observed multiples from similar publicly traded companies. This approach relies on data that is generated in the market. This means that this information is accessible to the public and has a historical background, it is considered by some to be preferable to other approaches (Income approach, etc.) when evaluating a private company (Pinto, 2020).

The main challenge when using this approach is finding comparable public firms to the firm in question. This happens because every business is different in some way, whether it be its business environment, capital structure, management, growth opportunities, etc. Because of this, it is challenging to find suitable matches.

Factors used to identify similar companies may include industry type, form of operation, and operating status, amongst others (Pinto, 2020).

The main advantage of this method is the potentially large number of comparable companies that can be used. With a larger pool of comparable companies, standard error will decrease as there exists a larger sample size, meaning that the unsystematic risk of each company will be less relevant, also, there will exist more information regarding the industry, business prospects, etc., which will further enrich this analysis (Pinto, 2020). Pricing multiples used in this paper are:

- EV/EBITDA – Enterprise value to earnings before interest, taxes, depreciation, and amortization

- EV/EBIT – Enterprise value to earnings before interest and taxes.

When performing this multiple valuation, it is common to have the Enterprise value (EV) as a numerator, as it is usually what investors try to analyze, and with it, on the numerator, it becomes simpler to extract it. In the Pricing multiples above, one must multiply the company's EBITDA or EBIT (depending on the multiple choice), to estimate the enterprise value of the business in analysis.

The Enterprise value is the value of the firm after paying all the debts, and can be calculated as:

$$Enterprise\ Value = Market\ Capitalization + Debt - Cash$$

Equation 1

EV can also be interpreted as the total amount of capital required to fully purchase a company.

ii. Income approach

The income approach to valuation relies on the anticipation of future income streams, implying continuity. There exist several methods in this approach in order to compute the valuation of a private/public firm. In this thesis, the methods are going to be chosen in terms of relevancy for evaluating private firms:

a) Discount Cash Flow (DCF)

The discounted cash flow method estimates the value of a business by discounting the future free cash flows to the present value.

The cash flows are discounted according to the opportunity cost and risk of the business which will be looked at later in this dissertation. This valuation approach implies that money today is worth more than tomorrow due to interest (CFI, 2022), hence the need to discount the cash flows to have a more accurate and precise valuation.

There are some limitations with this valuation method. The first one is its need to estimate future cash flows which are uncertain and can be imprecise as it requires many assumptions and the isolated analysis of the company, not evaluating relative valuations of competitors.

The second issue is its Capex projections, as it is extremely difficult and uncertain to predict its future and is dependent on the management plans. Also, even an incremental change in its value will significantly affect the DCF calculation.

The present value of future cash flows formula is required to perform the DCF method, and as shown in (Brealey, 2018) it can be calculated as follows:

$$PV = \ CF_0 + \frac{CF_1}{(1+r)} + \frac{CF_2}{(1+r)^2} + \cdots + \frac{CF_n}{(1+r)^n}$$

Equation 2

PV: present value

CF: cash flows in the period n where they are realized

r: discount rate.

When analyzing a business, it is common practice to assume the Going *Concern* of the business, meaning that the company will continue to operate in the foreseeable future. So, when calculating the DCF, it is assumed that from a certain point onwards the company will have a constant growth rate and discount rate, meaning that a terminal value can be calculated as suggested by (Brealey, 2018). This is calculated as follows:

$$PV(FCF\ in\ perpetuity\ with\ constant\ growth) = \frac{CF_n}{(r-g)}$$

Equation 3

g: perpetual growth rate

Commonly firms have different levels of growth over time and have a stabilized growth rate after a certain period. Considering this, both equations can be combined, in order to include both of the growth stages and have the present value result (Damodaran A. , 2012). This is represented in the equation below:

$$PV = \sum_{n=0}^{n} \frac{CF_n}{(1+r)^n} + \frac{CF_n * (1+g)}{(r-g) * (1+r)^n}$$

Equation 4

b) Free Cash-Flows

Free Cash-Flow (FCF) is the amount of capital that a company generates taking into consideration all the different outflows of capital that are required to maintain and improve their current operations. These outflows of cash consist of capital expenditure and also operating expenses. In simpler terms, Free Cash-Flow is the ability of a firm to be able to generate cash, which is an important indicator of how the business is performing.

Free cash flow to the firm (FCFF) is the measure of the company's profitability after all operating expenses, capital expenditure, depreciation expenses, taxes, and investments (Damodaran A. , 2012). It can be calculated by:

$$FCFF = EBIT * (1 - \tau_c) - Capex + Depreciation - \Delta NWC$$

Equation 5

EBIT: are earnings before interest and taxes

τ_c: corporate tax rate

ΔNWC: Net working capital change.

c) Discount Rate

There are some techniques when trying to estimate the discount rate for the firm's valuation, i.e., its cost of capital. The method that is going to be explored in this thesis is the capital asset pricing model (CAPM), which was introduced by William Sharpe, John Lintner and Jack Treynor in the mid-1960's.

Abudy, Benninga and Shust (Menachem Abudy, 2016) observed that in most cases, private firms have a higher cost of capital when compared to public firms hinting at a possible downfall of the discount rate being modelled by the CAPM model, as it does not take into consideration the firms proprietorship.

d) CAPM

The capital asset pricing model (CAPM) explains the relationship between systematic risk (β_e) and the expected return of an underlying asset implying a linear relationship (Brealey, 2018).

It is constituted of two parts, firstly, the risk-free rate, which is the return an investor is expected to earn when its investment does not carry any risk. In practice, this rate is commonly associated with a long-term government treasury bond, where the risk of default is extremely low. The 2nd part of the CAPM model is the market risk premium multiplied by Beta, the firm systematic risk. The market risk premium is the difference between the expected return of the market (return an investor anticipates given historical data) and the risk-free rate.

In practice, this historical data is commonly associated with the return of a market-tracking index fund, such as the *S&P500*.

The Beta is the systematic risk/volatility of the asset in question, and it is calculated using historical data on the pricing of that asset, by (Kenton, 2022):

$$\beta = \frac{Covariance(R_e, R_m)}{Variance(R_m)}$$

Equation 6

R_e: Return on equity

R_m: Return of the market.

This Beta can be interpreted as the expected change in the required rate of return for the asset as the market returns change (the market's Beta is 1), meaning that if a company's beta is higher than 1, it should have a higher return when comparing to the market, and consequently a proportionately higher risk.

To conclude, the Cost of equity is calculated using the equation bellow (CAPM) (Brealey, 2018):

$$R_e = R_f + \beta_e * (E[R_m] - R_f)$$

Equation 7

When trying to calculate the Beta for a private firm several issues occur. The beta value is calculated using historical share prices for firms, and, because private firms are not publicly traded, they do not have that information (Damodaran A. , 2012). To resolve this issue a different model will be produced to estimate its value.

e) Beta

The method that will be explored in this dissertation to calculate the systematic risk for the firm in the analysis will be the *bottom-up Beta*. This method calculates beta by extracting the betas from similar publicly traded, and then by calculating an average or weighted average of the acquired betas to use as a proxy for the private companies' beta.

An advantage of this method is that the standard error is reduced. This happens because this beta is calculated by various regression betas from similar firms (Beneda N. L., 2003)

diluting the unsystematic risk of each company. Also, the bottom-up method does not require historical price data for the firm in analysis, which is not available for private firms.

The main issue that arises from using the *bottom-up Beta* method is the decision process used to select which firms to use as comparables. This process can be highly subjective and can lead to some inconclusive results, as the firms chosen might not capture the volatility of the firm in analysis.

As aforementioned, the first step in this process is to search for comparable public firms and after register the observed market betas. As these firms have different capital structures, one must calculate the unlevered beta, to eliminate specific financing risk (Beneda N. , 2003).

$$\beta_{Ui} = \frac{\beta_L}{[1 + (1 - \tau_c) * (\frac{D}{E})]}$$

Equation 8

β_{Ui}: observed unlevered beta

β_L: levered beta

$\frac{D}{E}$: debt-to-equity ratio

After calculating the unlevered betas for all the comparable public firms, one calculates the as the proxy of the unlevered beta:

$$\beta_U = \frac{1}{n} * \sum_{i=0}^{n} \beta_{ui}$$

Equation 9

β_U: unlevered beta

β_{ui}: observed unlevered beta

n: number of observations

The second method is by calculating a weighted average of the betas:

$$\beta_U = \frac{\sum_{i=0}^{n}(\beta_{ui} * w_i)}{\sum_{i=0}^{n}(w_i)}$$

Equation 10

f) Weighted Average Cost of Capital (WACC)

The Free Cash-flows of a firm are discounted at the weighted average cost of capital (WACC).

The WACC is the required rate of return after taxes that the firm must pay to investors, both equity and debtholders. It represents the risk level for all the investors at the firm. When the firm is all equity financed (no debt), WACC is the same as the return on equity, Re (DeMarzo, 2017). Calculated by (Brealey, 2018)

$$r_{WACC} = \frac{E}{D+E} * r_e + \frac{D}{D+E} * r_D * (1 - \tau_c)$$

Equation 11

r_{WACC}: Weighted Average Cost of Capital (WACC)

E: Total Equity

D: Debt

When analyzing public firms, it is easier to estimate the discount rate for debt, r_D and equity, r_e (as previously mentioned) as they are traded and have been assigned a market price. Despite that the cost of debt r_D can be calculated without market information, as shown below:

$$r_D = \frac{Interest\ expense}{Interest\ bearing\ debt}$$

Equation 12

Private firms are usually riskier when compared to public firms, which should be is represented in a higher WACC (Denis Boudreaux, 2011).

g) Adjusted Present Value (APV)

Another income-based approach useful to evaluate the firm is the Adjusted Net Present Value (APV). This formulates the NPV of the company if it was solely financed by equity and afterwards, adds any additional benefits of debt financing, usually in the form of tax shields.

Tax Shields occur only when interest payments are tax deductible. The APV formula is the following:

$$APV = Unlevered\ EV + Value\ of\ Tax\ Shields$$

Equation 13

The Unlevered EV is the sum of the future unlevered FCFF (same as in the DCF) discounted to the unlevered cost of capital (Ru), assuming a 100% Equity Capital Structure.

The future tax shields (TS) are calculated by the product of the interest payments and the tax rate discounted by Ru. The sum of all discounted tax shields adds up to the present value of TS.

This approach is especially relevant when valuing HE because the firm is mainly financed by equity except for the Covid period when a Bank Loan was taken to provide liquidity. However, this is a particular case and was not common before or will be after the loan is fully repaid.

IV. Valuation

i. Financial Statements & Forecasting

The methodology is to separate the two business units, Partners and Flex, value them separately, and, finally, sum them to get the total Enterprise Value. One limitation of the forecasts is the lack of past information as the units only got separated from 2019 onwards.

Invested Capital (IC) in the Partners Business Unit grew from 2019 to 2020, driven by the increase in cash in hand to face adversities during the pandemic. Looking at cash, the firm does not have a fixed payout rate and distributes each year a variable amount of their earnings to the owners depending on what they believe is a fair sum that does not jeopardize the sustainability of their operations. For this reason, all cash that remains in the firm is said to be operating. The firm became cash rich after 2020 and plans on keeping that high liquidity hereafter, for instance, cash represented 5.3% of revenues for Partners, and it is assumed to be constant for the future years.

Since the company does not sell a physical product, it does not have inventory, so the payables and receivables comprise all the working capital that has been progressively decreasing. These are evaluated using the average payable period (APP), the average number of days that took the company to pay their suppliers, and the average collectable period (ACP), the average number of days that took them to receive the payments from their clients, respectively. Partners' ACP is about 13 days and APP is 57 days allowing them to have a good cash conversion cycle (negative), in other words, suppliers are helping to finance the business. From 2022 onwards, the rate is considered to be constant and equal to that.

The loan owned to credit institutions was paid off in the FY of 2019 and one year after another exceptional loan was taken (due to the pandemic) named under Long-Term Liabilities.

LT Liabilities and Debt obligations are paid at a rate of 50% per year and by 2025 Net Debt will be under 10€ thousand and thus having almost zero impact on valuation. Null debt is what HE's managers target.

Revenue is the sum of six drivers: turnover of own personnel, turnover of external staff, turnover project staff, turnover abroad, turnover miscellaneous and trade discounts. However, nowadays 99% of the revenue stream comes from the own personnel item, which had an average growth (last 3 FY) of 11% annually. Revenue was forecasted as a weighted average of all sub-items which produced a similar growth rate of revenue since one item has almost all the weight.

The cost of Sales of a consultancy service was almost negligible as it accounted for less than 1% of total revenue until 2021. Also, the costs of subcontracted work are not very relevant in Partner's cost structure (average 2% of revenues) but very relevant in Flex as we will see. The major costs in their business lie in staff costs, averaging 77% of revenues, seen as the true cost of sales, and other operating costs, averaging 14% of revenues, which is intrinsic in the way they conduct business. Operating expenses were forecasted as a percentage of revenues, and it is assumed that the average rate will go on. Earnings before taxes increase massively from 2020 to 2021 due to the restart of economic activity but as discussed with the managers it will not keep increasing at this rate and the EBIT margin will decrease in the next years driven by the increase in costs.

Until 2023 the statutory tax rate for earnings is 15% if the earnings are lower than 395€ thousand and 25.8% otherwise, after 2023 the statutory tax rate is 19% for earnings under 200€ thousand and 25.8% over that limit (the same applies for Flex).

Flex does not have any historical record as it started in 2019. Their operational activities are the same but executed differently which leads them to have no Fixed Tangible

Assets nor Intangible Assets. Cash was forecasted following the same principle as before and also has an overwhelming weight of it in the IC. Without much historical data, the future amounts were said to be 14% of revenues same as in 2021. Working Capital once more was forecasted following the trend of ACP, 9 days, and APP, around 22 days. It has no interest-bearing debt and shall remain the same onwards.

Flex's revenue has three sub-items, project staff turnover, external staff turnover and re-loan turnover. The last two account for 80% and 18% respectively and following the same principle it could be calculated as a weighted average growth rate for this unit's revenue.

The cost structure is now mainly focused on costs of subcontracted work which is not surprising as this unit's operations are mainly dependent on external employees. It averages 86% of revenues, while staff costs that were more impactful at Partners' drop to 11% of revenues.

ii. Multiples

To perform this analysis, one must gather information from public firms. The platform that was chosen to gather this information was Bloomberg.

To select public companies to be comparable to HE, one must add specific parameters for the multiples to be representative of the company. These parameters were that the firm needed to be a consultancy firm. These firms were also required to work in similar areas within consultancy, meaning that they had to have at least a public, financial or legal sector within their activities, and finally they needed to have similar observed market Betas, as it was appropriate to select firms with similar risk profiles.

Finding comparable firms was a challenge, as consultancies are usually private, and public ones usually have large dimensions. Also, they operate in a vaster majority of areas which is

a large limitation given the available information. The peers were picked preferably if they worked already in the Netherlands or at most had business units in European countries.

In the end, these were the companies that were chosen with their respective information:

Av Ratios	Market cap	EV	EV/EBITDA	EV/EBIT	BETA
ADECCO GROUP AG	9184.36	10069.08	12.97	25.93	1.08
GROUP CRIT	721.32	658.48	5.42	8.68	0.60
HAYS PLC	2575.30	2411.84	10.29	13.81	1.29
ManpowerGroup Inc	5061.69	5388.85	8.22	11.21	1.00
Randstad NV	9613.71	10665.70	10.02	14.73	1.01
Synergie SE	791.85	745.86	6.19	7.26	0.70
Talenom Oyj	253.44	277.46	16.49	31.70	1.10
Triad Group PLC	8.43	5.68	5.69	7.49	1.29

Table 1 – Comparable companies' Multiples

After compiling those 8 companies' information it was performed a simple statistical analysis to be able to better describe the multiples, which is represented in the table below:

2021 Multiples				
	Min	Median	Max	Average
EV/EBITDA	3.74	7.84	19.86	10.40
EV/EBIT	5.62	10.74	37.22	16.17

Table 2 – 2021 Multiples

With these results, one can now calculate a range for the value of HE by simply multiplying the EBITDA to the EV/EBITDA multiple and EBIT to the EV/EBIT. This is shown in the table below:

Haute equipe		EV			
	2021	Min	Median	Max	Average
EBITDA	0.984	3.7	7.7	19.6	10.2
EBIT	0.858	4.8	9.2	31.9	13.9

Table 3- Haute Equipe Valuation with Multiples method (values in €millions)

There is not enough publicly available information of past transactions to accurately perform an analysis on what are the range of multiples used.

iii. Cost of capital

The companies found should be a sufficient sample to decrease the standard error, giving a more accurate estimation for the unlevered beta for Haute Equipe. After compiling the various companies and de-levering their betas (as shown previously) we achieved the following table:

Beta Estimation						
Peers	Levered beta	D/E	Tax Rate	Unlevered beta	EV	Weighted EV
ADECCO GROUP AG	1.081	0.77	25%	0.686	8015.761	25.95%
GROUP CRIT	0.597	0.44	25%	0.449	423.083	1.37%
HAYS PLC	1.293	0.09	30%	1.217	2863.116	9.27%
Randstad NV	1.013	0.13	21%	0.922	11413.95	36.95%
ManpowerGroup Inc	0.999	0.34	25%	0.794	5166.774	16.73%
Synergie SE	0.701	0.24	32%	0.604	719.57	2.33%
Talenom Oyj	1.095	0.10	20%	1.015	549.501	1.78%
Triad Group PLC	1.29	0.05	19%	1.241	18.616	0.06%
Mercer LLC	1.500	1.780	25%	0.642	1720.00	5.57%

Table 4: Beta Breakdown

After this compilation it was calculated the average beta, weighted average beta and median, as shown below:

Average Beta	**0.841**
Weighted average beta	0.839
Median	0.794

Table 5: Beta Estimation

From these results, after a group discussion, it was decided that the average Beta was going to be the value that was going to represent the proxy for HE Partners and Flex, as the values were so similar, it would not make a significant difference on which would be chosen.

iv. CAPM

For the risk-free rate, one usually utilizes a long-term government bond, thus HE as a Dutch firm, the 10-year Dutch treasury bond from the 31st of December 2021, was used as a proxy, which had a return of -0.03% (WSJ, 2022). For the market risk premium, the expected return of the Dutch market was used, which had a return of 4.24% (Damodaran A. , 2022) at of the end of 2021.

With this information, the WACC for Partners and Flex can be calculated, as shown below:

Flex

WACC Calculations	Inputs
Tax Rate	15.15%
Levered Beta	0.84
Risk-free rate	-0.03%
Market Risk Premium	4.27%

CAPM	
E/EV	100.00%
D/EV	0.00%
Re	3.56%
Rd	0.00%
After-tax WACC	3.56%
Ru	3.56%

Partners

WACC Calculations	Inputs
Tax Rate	21.55%
Levered Beta	0.93
Risk-free rate	-0.03%
Market Risk Premium	4.27%

CAPM	
E/EV	87.96%
D/EV	12.04%
Re	3.95%
Rd	9.99%
After-tax WACC	4.42%
Ru	4.68%

Table 6: WACC breakdown

It can be observed from these results that both WACC's are quite low, this is a result of a low unlevered beta due to the risk differences that public and private companies have, which are not reflected in the beta estimate calculated.

v. Growth and Value Creation

Value creation indicators such as Return on Invested Capital (ROIC) and Return on New Invested Capital (RONIC) are important to evaluate if the firm is creating value for their shareholders and the long-term growth rate for their future perspectives and terminal value. The formulas are the ones that follow:

$$ROIC = \frac{Core\ Result_t}{Invested\ capital_t}$$

Equation 14

$$RONIC = \frac{\Delta\ Core\ Result}{\Delta\ Invested\ Capital}$$

Equation 15

$$Growth\ rate = RONIC\ \times Reinvestment\ Rate$$

Equation 16

From 2018 to 2021, Partners' ROIC was always positive and higher than their WACC. It peaks in 2021 and stabilizes in 2025 at around 25%. According to this metric, the shareholders can find more profitable investment opportunities within this company than alternative investments elsewhere. RONIC fluctuates a lot in the first years due to the lack of past information (it tracks yearly changes) producing worthless values but from 2023 onwards the values start to be more consolidated, and it tends to stabilize also in 2025 around 23%.

The Reinvestment Rate had to be equal to the average of the last 4 years. As stated, before, HE does not have a fixed payout rate and distributes to the owners a fair percentage, but for simplicity, it was calculated the average payout rate of 86% and thus a reinvestment rate of 14% (the same applies to Flex). The growth rate obtained from the product is 2.19% for the Partners' unit. The firm hits a steady state early (only 3 years into the forecast) which is a good picture of their business model of seeking a low and controlled organic long-term growth. This is always dependent on the ability to increase sales either by gaining new customers, exploring new markets, or diversifying their offers.

For Flex the same happens it is concluded that the fast pace to obtain a constant return is due to an already established and proven right business model that just was reformulated to incorporate an outsourcing business unit. RONIC is negative in 2021 because the IC decreased probably to the uncertainty in investments during the pandemic. For a new business unit and

in a context of an uncertain scenario the return on new invested capital takes longer to reach a steady state as it does so in 2025 with a 2% RONIC. The reinvestment rate was also considered to be 14% resulting in a very low 0.23% growth rate. The moment when indicators reach a steady state altogether is a good sign of when to apply a terminal value calculation on Unlevered Free Cash Flows, for instance, it was 2025 for both segments.

vi. DCF

To estimate the Free Cash Flow to firm, equation 5 will be used, and, as aforementioned there will be a separation between Partners and Flex. These results can be observed in the appendix table 19 and 21.

Afterwards was calculate the Enterprise value of HE Flex and Partners with the DCF method, which outputs for partners.

∑ Present Value UFCFF	€	1,189.54
Terminal Value	€	18,103.00
Present Value of Terminal Value	€	15,229.35
Enterprise Value	€	16,418.89

Table 7: Partners' EV (value in € thousands)

And for Flex:

∑ Present Value UFCFF	€	270.20
Terminal Value	€	2,198.76
Present Value of Terminal Value	€	1,911.49
Enterprise Value	€	2,181.69

Table 8: Flex EV (value in €thousands)

Giving a total Enterprise value of 18.6€ millions.

vii. APV

One assumption of the DCF is that the current capital structures at the end of 2021 will remain the same and the calculation of the cost of capital is based on that.

Haute future debt prospects target a long-term capital structure of zero Debt or in other words fully equity financing. In this sense, the APV adds value to the prior valuations as by reformulating the cost of capital calculations assuming a 100% Equity to Enterprise Value structure the unlevered free cash flows can be discounted at the corresponding unlevered cost of capital. A full equity structure for Partners (zero financial risk) results in the same cost of capital as Flex which is a fair observation as it has been shown that due to the similarity of work, they have similar business risk, only the operational model is different (in-housework vs outsourcing). The cost of capital for the APV model is 3.56% for both units.

Partners by having cost of capital of 3.56% and a growth of 2.19% the Unlevered EV is 26.7€ millions. The value of tax shields is also considered as the unit still has to repay their current debt in future years but is not impactful on the valuation as it only adds about 2€ thousand. Levered EV would be the sum of both parts which is almost equal to the unlevered value.

Flex's cost of capital of 3.56% and a long-term growth rate of 0.23% produce an unlevered EV of 2.18€ million. The sum of this part with the last valuation mentioned for Partners results in a total EV of 28.9€ million. A valuation outcome that might not reflect the real value by overvaluing it.

Growth is already quite low and stable, so it is fair to assume that it is not being overvalued but rather the discount rate is very low to the actual risk of the company. Perhaps the CAPM is not accurate to do so, and an alternative method is required.

viii. Discussion

The DCF method and the APV method register the highest EV when compared to the multiple's valuations and managers expectations. This can be observed in the table below:

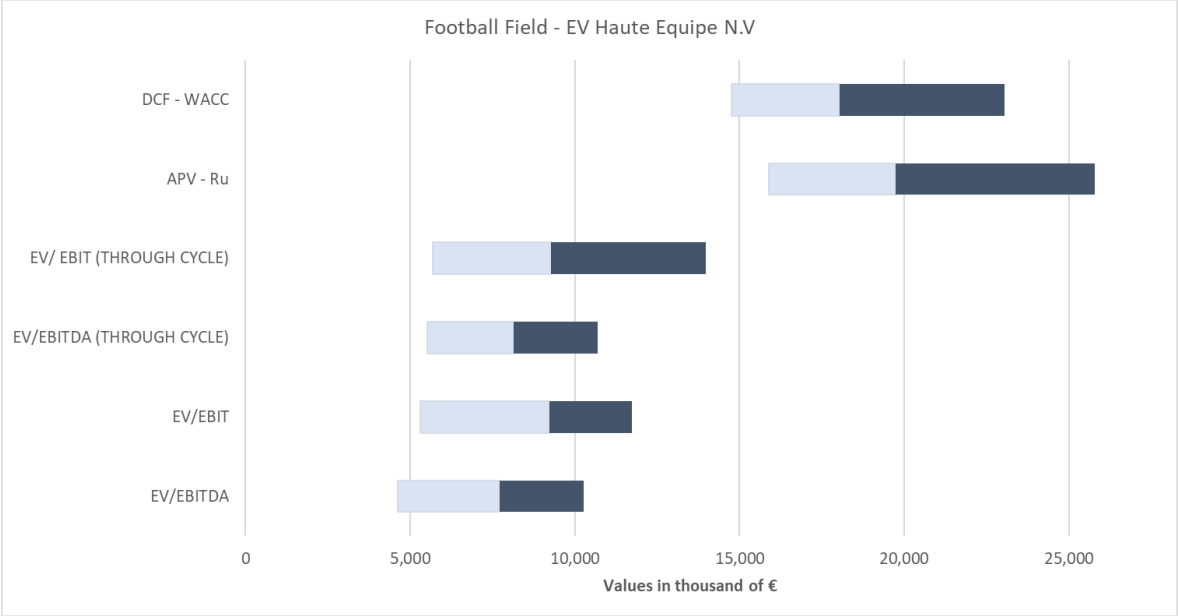


Figure 2: HE Football Field Comparison

Multiples through cycle are analysed the same way that EV/EBIT and EV/EBITDA are, but instead of only considering the 2021 multiple, they include values since 2017.

Due to this overestimation in the HE's valuations, the income approaches (DCF and APV) might not be the most suitable in terms of accuracy of final results. The multiples valuation is much more in line with both the authors' and managers' expectations of HE's valuation. During meetings with the managing team, it was mentioned that according to their predictions and to the predictions of experts in the area, a fair multiple is about 8x EV/EBITDA, which is very close to the median 2021 EV/EBITDA (7.8x) and to the overall EV/EBITDA (8.3x) computed. The EV/EBITDA multiples produce valuations between 7.71€ million and 8.14€ million, respectively, which are the best estimation range for the EV.

This thesis applied the most common valuation methods to a small private firms and it is perceived that the income-based approaches offer more detailed and specific solutions to

the analysis however as discussed, they underestimate the cost of capital and consequently over value the business. On the other hand, the multiples are a much broader approach as they do not take into account firm specifics such as capital structure, revenue and cost's breakdown but for private firms they ought to be a preferred approach. For instance, they are commonly used in Private Equity firms to perform valuations in detriment of income methods.

V. M&A

i. Background

Synergy in mergers and acquisitions (also referred to as M&A) arises when the value of the acquirer (A) and target (T) as a single entity exceeds the summed value of the two firms operating individually: Value[A+T] > Value[A] + Value[T] (DePamphilis, 2009). The company who intends to buy (acquirer) in theory will have an economical gain from the company who will be bought (target), through synergies. Either by additional higher revenues, decrease in costs or financial gains. The most frequent motive for an acquirer to buy a target is synergies (DePamphilis, 2009). The acquisition price shall not exceed the value of the target plus the present value of potential synergies (value created), otherwise it would theoretically be a ruinous investment. Nevertheless, synergies are not always easy to quantify and in most acquisition deals synergies are not realized or the premium paid for the target surpasses the standalone value plus the synergies.

There are several types of synergies. Empirical finance has identified: operational synergies (47.1%), market power (16.5%) and tax benefits (7.6%). (Apaydin, 2010).

ii. Acquirer

According to the discussions had with HE's managers, the company was the subject of meetings to discuss a potential acquisition. Within the list of potential acquirers, some were private limiting the information available to conduct a proper valuation of synergies. After consideration "Korn Ferry" was picked as the acquirer subject to this analysis in order to avoid for the most part subjective or non-factual based assumptions.

Korn Ferry is a global consulting firm. It works directly with clients to design optimal organizational structures, roles, and responsibilities. They are experts in helping companies manage the best way possible their human resources. Like Haute Equipe, they are present in different areas including financial services, corporate social responsibility (CSR) (Korn Ferry,

2022). Founded on November 14, 1969, this multinational operates in 53 countries and employs more than 8 thousand people worldwide. (Korn Ferry, 2022). The stock price, listed on NASDAQ as of the 31st of December 2021, was $75,67 (Bloomberg, 2022). This does not represent the today's share price, but it is chosen in coherence with the date of valuation of HE.

iii. Kon Ferry past acquisitions

It has acquired 8 total businesses and their latest acquisitions were infinity Consulting Solutions (August 2022), Patina Solutions (April 2022), and Lucas Group (October 2021) (Tracxn, 2022). These acquisitions are mainly consulting firms specialized in areas that Kon Ferry was not operating or had very low market share.

iv. Kon Ferry motives

Kon Ferry is already present in the Netherlands having two offices in Amsterdam (Korn Ferry, 2022). Given the lack of market share in the public sector, and no acquisitions of firms operating directly within the public sector area, it is believed that this potential acquisition can greatly accelerate the scale and capabilities of Korn Ferry's current interim executive solutions business. The motives for this acquisition can be identical to the Korn Ferry's acquisitions of Patina (2022), where the combination would present "real, tangible opportunity for Korn Ferry and the clients looking for the right talent, who are highly agile, with specialized skills and expertise, to help them drive superior performance, including on an interim basis" said Gary D. Burnison, CEO, Korn Ferry (Korn Ferry, 2022). In that sense, Haute Equipe with the knowledge and the professional relationships built with entities in the public sector can bring that market share and expertise to Korn Ferry. Korn Ferry has a strong acquisition capacity with cash and cash equivalents gradually increasing and is constantly looking, as shown, for

investment opportunities that would allow them to expand their portfolio horizontally (Bloomberg, 2022).

v. Operating Synergies

Operating synergies are responsible for most of the value creation in M&As (Krishnamurti, 2008). They rely on the further development and general improvements of the firm's operating activities, and they provide a range of opportunities, for instance, an increase in growth, new markets or new clients, more bargaining power due to economies of scale and subsequently a higher pricing power. Operational synergy can be either reflected in increased revenue and/or a decrease in cost **(**Hamza et al, 2016). The method is to determine the value of the changes in the target's cash flow (Loukianova, 2017).

vi. Revenue synergies

A recent global Deloitte study found that capturing revenue synergies was the second top concern for new acquisitions (Deloitte, 2016). According to this Deloitte's Synergy Database, revenue synergies range typically between 2% and 14% of the acquired company's revenue, however 85% of transactions report up to 25% in synergies (Deloitte, 2016).

To minimize the uncertainty of assuming a specific revenue growth, three scenarios were developed in order to create a range of possibilities and to account for the uncertainty of conducting a business that is exposed to much more risks than the ones that are found indoors. The revenue synergies rate was calculated as a percentage of the total revenues (both units), and for the Bad, Base, and Good scenarios it is assumed 1%, 8% and 20%, respectively. The forecast of the impact on future cash flow generation is presented in the Appendix Table 32. Revenue increase will not directly result in a corresponding boost of the company's FCF because it is accompanied by an inevitable increase in costs: cost of sales, wage costs and

other operational costs (Deloitte, 2016). Therefore, the additional operating income amounts to the sum of additional revenue minus the sum of the additional costs mentioned.

vii. Cost Synergy's

According to Deloitte Synergy database, the cost synergies typically range between 1-5% of total combined costs (SG&A and COGS), but some achieve much more than others. (Deloitte, 2016). Therefore, for cost reduction, Haute Equipe's total costs are evaluated and assessed which ones could be decreased in case of an acquisition by a multinational. Assuming an initial "preservation" strategy (maintaining independence and workforce), two main costs are identified: car fleet expenses and housing cost. Assuming a 3-year period to achieve 50% cost reduction (10% year 1, followed by 15% year 2, followed by 25% year 3) since the lease contracts will not be renovated once the term is up. Total cost savings amounts to the sum of both cost reductions.

viii. Total Merger and Integration Cost

Merger integration costs will not be high due to the disparity of size. One common integration drawback is to adapt the staff of the acquired to a new corporate culture but since Haute has so few employees it is not a very risky subject. However, employees at Haute have several benefits that are not common in a multinational company, for instance, everyone has a company car.

According to Empirical Finance, post-merger integration (PMI) is the biggest cause of M&A failure (Gueorgieva, 2022). Korn Ferry therefore must develop PMI initiatives before the transaction is finalized.

Bruner's comparative integration tactics, which are based on Haspeslagh & Jemison's (1991) study model, can be applied by Korn Ferry. The three elements of this model include control, interdependence, and autonomy (Haspeslagh, 1991) . In this circumstance, adopting

an initial preservation strategy is the most beneficial. As per Bruner's strategy, the PMI ought to have a high level of autonomy and a low amount of oversight and interdependence. Kon Ferry decides on this course of action to protect the HE culture and values. Higher levels of independence for employees may lead to higher motivation.

It is important to smooth this transition, but it is also important for Korn Ferry to avoid different treatment of the old employees and the new ones. Integration costs is very correlated with cost savings in the sense that integration costs occur because Korn Ferry is progressively trying to reduce old Haute's employees perks in order to have an equal work environment for all staff. Therefore, the integration expenses were simplified to the total cost savings at year 3 and similarly to the assumptions made before integration costs will be deferred through those years. They amount to 214€ thousand.

ix. Value for the synergy's for the acquirer

The cash flows for each year were calculated using the formula below by adding all the elements discussed in the three previous chapters. The perpetuity, for all 3 scenarios, considered a conservative growth rate of 1%.

$$Cash - flow\ from\ synergies = (Revenue\ Synergies + Cost\ synergies - Integration\ Costs) \times (1 - tax\ rate_{Korn\ Ferry})$$

Equation 17

The present values and perpetuity were discounted using the buyer's weighted average cost of capital of 9.4% retrieved from Bloomberg. The total value for the acquirer in each scenario can be found in table 9. For each scenario, bad, base, and good the total synergy value amount to 0,23€ million, 0,98€ million, and 2,27€ million respectively. To estimate a

recommendation of the most likely present value of synergies it is computed the average of the three scenarios: 1,16€ million.

(Values in thousands of €)	Bad Case Scenario	Base Case Scenario	Good Case Scenario
Present Value of Synergies	€ 229,82	€ 981,31	€ 2 269,57
Synergies per share	€ 0,00	€ 0,02	€ 0,04

Table 9: Present value of Synergy's for each scenario (Values in thousands €)

Korn Ferry has 52.71 million shares outstanding so the value of the synergies per share is less than one cent in the bad case, about 2 cents in the base case and 4 cents in the good case. This is a very small and marginal increase but is not surprising considering the sizes of each company. The average synergy per share is also 2 cents.

The rationale behind the acquisition is clearly not a short-term value creation for Korn Ferry's shareholders but rather an operational decision to gain new clients and absorb their customer loyalty, for instance, the City of Amsterdam.

x. Discussion

The goal of the work project is to determine a valuation of the firm itself and the synergies for the acquirer. Previously, it was concluded that the most accurate valuation interval for HE was between 7.71€ million and 8.14€ million. These constitute the range of prices that Korn Ferry should be willing to pay if there were no synergies. After, the standalone valuation it should be added a premium range (present value of synergies) to it, constituting the maximum price of the deal.

Korn Ferry should be willing to pay between 7.94€ million (minimum standalone plus bad case scenario of synergies) up to a maximum of 10.41€ million (maximum standalone plus good case scenario of synergies). Thus, the buyer should start the bid at the minimum and increase their offer, if rejected initially, only up to the maximum price.

Once again, it should be noticed due to the disparity of size of the companies in play that this is not a short-term investment in the sense that it will not result in immediate gains but rather a strategic long-term decision supported by the penetration in a new market segment incorporating HE longer-term clients. The key clients, as mentioned before, are governmental entities that will inevitably have future projects that will yield them greater returns.

VI. Asset-based approach

The Asset-based approach valuation method has its foundations on the balance sheet. Whereas the company's corporate value is derived from its assets and liabilities, to be specific, its Net Asset Value (referred to as NAV) (Nilsson, 2002).

The price of a company is equivalent to the fair value of its assets less the fair value of its liabilities, under the principle inherent in the asset-based approach (Pinto, 2020). It is very common when assessing holding organizations such as real estate investment trusts and closed-end investment groups. In those occasions, the underlying assets are commonly stocks using the market/income methodologies. Other common example are early-stage startups or very small firms that benefit from an asset-based approach (Pinto, 2020).

Consequently, the individual value of assets and liabilities in theory must be adjusted. The reason is that market value & book value could differ from one another (PricewaterhouseCoopers Ohrlings 2007). There are at least 2 techniques for evaluating enterprises that use an asset-based approach (Damodaran 2012). Firstly, and the main focus, is the liquidation value. The technique essentially estimates the overall value of the organization after subtracting counterparty risk, legal costs and adjusting for what the market would be willing to pay for such assets today. There are several factors that may change the

liquidation value. Firstly, if the assets cannot be separated and valued individually. Secondly, if there is an urgency for liquidation, the probability that the assets will be sold at their fair market value will decrease (Damodaran, 2012). In a scenario where there is a sudden necessity to sell the assets, the seller can be forced to accept a discount below fair value if they are incapable of settling for such a fair deal. According to Damodaran (2012), an asset-based approach can also be conducted by employing replacement cost, which aggregates planning overall value to use the expense of reproducing or substituting the firm's current assets.

Haute Equipe Partners and Flex are relatively small firms, for the calculation of this technique no adjustments will be made on the asset side and liabilities side. Therefore, the total net asset value will provide with the cost of recreating the business (Brealey, 2018). The asset-based valuation can be used as a measure of the downside risk (Deloitte, 2020).

Table 21 illustrates the NAV result for the past 3 years in both holdings. Both businesses exponentially grew from 2019 to 2020, mainly due to COVID-19. The pandemic lowered the overall costs and liabilities for the business and inflated the revenues. The total NAV for Haute Equipe in 2021 is 1.20€ million (1.02€ million for Partners and 0,19€ million for Flex).

(Amounts in thousands, €)		Fiscal year ending on December 31st		
Partners	year	2019	2020	2021
Total Assets		1617,72	2644,33	3384,64
Total Liabilities		1479,29	2077,56	2359,72
NAV		**138,43**	**566,77**	**1024,92**
Flex	year	2019	2020	2021
Total Assets		482,73	958,77	959,82
Total Liabilities		412,00	778,72	779,77
NAV		**70,73**	**180,05**	**180,05**
Total		**209,16**	**746,82**	**1204,973**

Table 10 Net Asset Value for Partners and Flex (value in €Thousands)

Although an asset-based valuation method delivers a detailed examination of a firm's total asset position, its advantages differ depending on the industry (Pinto, 2020). HE, for example, have high levels of valuable intangible assets that may be difficult to value. Such as the employee workforce, culture of the company, strong values and CSR commitment that deeply impact the business. While determining the valuation of a going concern, an investor can assess the potential drawback of the business by examining the asset-based liquidation value. However, it may not always represent a company's overall potential. (Deloitte, 2020).

VII. LBO

i. Theoretical review

Leveraged buyouts (LBOs) differ from ordinary acquisitions mainly in two points. Firstly, a significant amount of the purchase price is financed using debt. Secondly, the company goes private, and its shares no longer trade on the open market. For the equity financing of the LBOs, *Holland Capital* private equity will be used due to its recent deals in the Dutch consulting industry (Holland Capital, 2022).

The sponsor can make acquisitions using this investment strategy without having to contribute a large amount of cash. The goal is to pay down the debt and interests by utilizing the cash flows generated by the acquiring firm. The value created for the PE corporation in the LBO is evident in the debt reduction and increase in equity during the holding period. According to Rosenbaum & Pearl (2009, p. 161), the PE firm's objective is to exit within a specified timeline while generating annualized returns above 20%. The general partners receive a management fee, which is typically 1% or 2% of the money invested, as well as a carrying interest of 20% of the partnership's profits. In other terms, the limited partners only obtain 80% of any future gains after the debt is paid off. Following Yasuda (2010), around 20% of the partnership's total future payoff is subjected to a call option held by all general partners, with an exercise price equal to the limited partners' investment. The partnership's agreement has a limited term, which is typically 10 years (Brealey, 2018).

The largest part of the debt in a LBO transaction comes from senior debt (the highest seniority as it is backed by assets of the company, with a priority claim for HE CF). Senior debt has several tranches. The LBO will exclusively include an amortizing term loan, which is repaid throughout the LBO (Rosenbaum, 2012), often referred to as Term A. Term A loans (TLA) are often regarded as less risky than bullet term loans (referred as Term B/TLB), due to their predefined payment scheme. Subordinated debt is much less secure than senior debt,

therefore has a considerably higher interest rate, to compensate creditors for the higher uncertainty. Additionally, mezzanine debt is firstly considered as debt but later is transferred into equity. Finally, equity is naturally the least senior tranche of capital structure, since shareholders are paid last during a liquidation, chapter 11 scenario.

ii. Strong LBO Candidate

Several factors allow HE to qualify as a successful LBO candidate. Firstly, due to its organic growth, HE has stable and predictable Cash Flows. Empirical Finance often describes this as a primary characteristic which PE is looking for (Smith, 1990). The reasoning is that PE can use these positive stable Cash Flows to pay to cover its current operations and to pay its debt requirements. (Gaughan, 2011). Another factor is low CAPEX requirements, not being an Asset-heavy company (which often have high additional CAPEX requirements, for maintenance and replacement), HE will consume less cash which can otherwise be used towards paying principal debt, interest payments or even dividends to the equity holders (Rosenbaum, Investment Banking: Valuation, Leveraged Buyouts, and, 2012). Finally, an experienced Management team is fundamental for the success of operational improvements as well as the implementation of new strategies. Since Haute Equipe already possess an adequate management team, PE will have no further replacement costs (Gaughan, 2011).

iii. Risks in LBO Deals

The potential LBO risks can be caused by the post-pandemic economic situation and the current war Russia-Ukraine. They rely on two main categories**.** Business risk in that case HE doesn't meet its cash flow that was anticipated by the PE, making it unable to support its debt obligations. The ongoing inflation has provoked a rise in interest rates. These increases can do great harm, especially in the first years when debt levels are still very high, as well as the regular interest payments (Gaughan, 2011).

iv. LBO Model

a) Acquisition price

The acquisition price value is extremely important and will have a direct impact on the fundamental metric of the IRR. PitchBook 2022 buyout purchase price multiples rose to a record high for the year until the end of September, at 11.9x, up 11.2x in 2021 and from 10.4x five years ago (PitchBook, 2022). The multiple EV/EBIT for the LBO is 10,7x being the median value for the multiples valuation and being in align with the year average.

This means that given the 2021 EBIT of 984.3€ thousand, given the multiple above the EV value amount to 10.19€ million.

b) Deal Structure

As mentioned before, debt will be a fundamental element for LBO transactions. The largest part of the debt in an LBO transaction comes from senior debt. The preponderance of debt that is used in finance buyouts comes in the form of first-lien term loans (PitchBook, 2022) The overall debt market circumstances have worsened because of the war in Ukraine, increasing interest rates, and worries concerning hyperinflation. The LBO model debt sources will only consist of a term A loan. To determine the total amount of debt that this deal should be financed with the use of Debt multiple of EBIT, which is a measure extremely commonly applied in the finance industry (Rosenbaum & Pearl, 2009). The average debt/EBITDA ratio for LBOs financed in the syndicated credit market over the last six months reached 6.1x, which itself is greater than it was in 2007 and up from 5.8x in 2021. The average leverage ratio for the entire year is slightly lower, at 5.9x. (PitchBook, 2022). For the LBO model, we will assume a 6.0x debt/EBIT for the term A loan. Identical to the chapter before, given the EBIT value of 984.3€ thousand the estimated debt is 5.91€ million. The average spread on LBO-related term loans rose in the third quarter, the highest level since 1Q16. The total interest rate is assumed 8% given the 4Q21 values from PitchBook.

c) Sources a*nd Uses of Funds*

The sources & uses table as well as the determining valuation and are one table 22. Using the predefined values from the chapters above, assuming a 5% Fees (including financing, transaction, management, legal). The total uses amount to 11.10€ million. The overall sources are 53,2% debt finance and 45,4% equity finance.

Sources of Funds	$ M	x EBITDA	%	Uses		$ M
				EBITDA		
Senior debt				2021		984,3
Term Loan A	5.905,8	6,0x	**53,2%**	Multiple		10,7x
Term Loan B	0,0	0,0x	**0,0%**	**Enterprise Value**		**10.572,3**
Term Loan C	0,0	0,0x	**0,0%**			
Subordinated debt				Fees	5,0%	**528,6**
Mezzanine	0,0	0,0x	0,0%			
Total debt	**5.905,8**	**6,0x**	**53,2%**			
Fixed Return Instrument	**5.045,1**	5,1x	45,4%			
Ordinary Equity	**150,0**	0,2x	1,4%			
Institutional Investor	135,0		Split to mng			
Sweet Equity	15,0		10,0%			
Total Equity	**5.195,1**	**5,3x**	46,8%			
Total sources	**11.100,9**	**11,3x**	**100,00%**	**Total Uses**		**11.100,9**

Table 11 - Sources and Uses of funds for the LBO Model

d) Forecasts

The LBO model revenues, D&A and Capex are based on the forecasted operating model. EBIT Margins in 2021 amount to 6,7%. This margin was assumed constant through the LBO, which is higher than the initial 4,7% forecast in the operating model. The underlying reasoning is that due to the higher debt, management will have a higher incentive to be more efficient and effective hence generating higher margins to cover interest (Brealey, 2018).

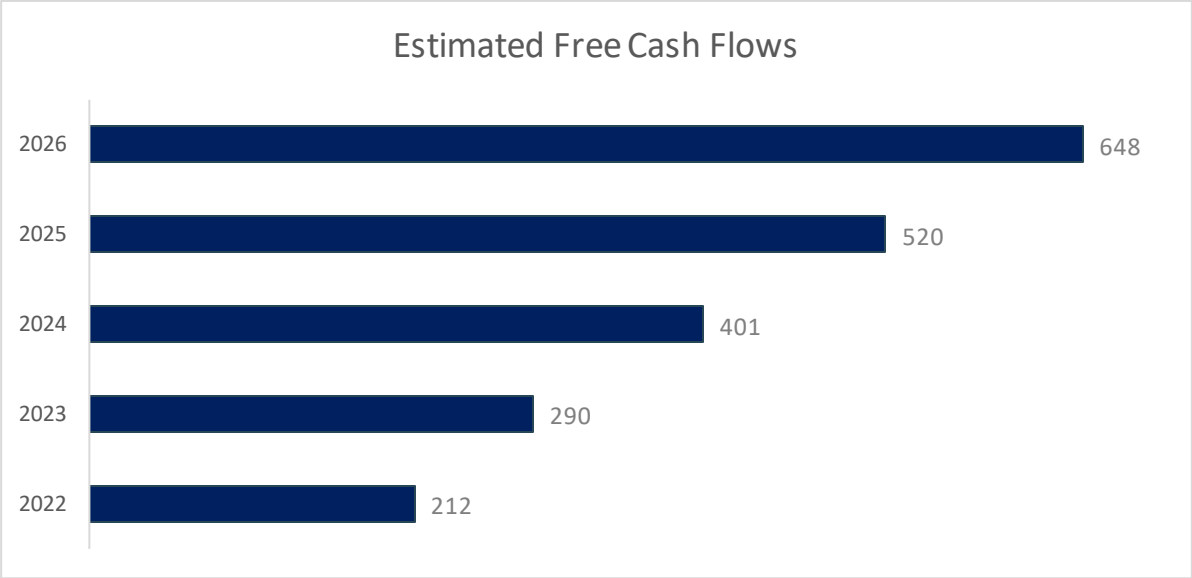
e) Free Cash Flows

After determining the debt structure and interest rate, interest payments can be easily calculated. Interest payment will be the crucial last piece of information to calculate the FCF, which will be used to pay the debt. After subtracting interest expense, the tax will also be deductible. Table 23 shows the subtraction of interest and the effect on the tax deducted. With the increase in leverage, it is expected an additional tax shield.

TAX CALC										(valous in thousands)
	2022E	**2023E**	**2024E**	**2025E**	**2026E**	**2027E**	**2028E**	**2029E**	**2030E**	**2031E**
EBITDA	€ 956,28	€ 1.065,58	€ 1.187,37	€ 1.323,08	€ 1.474,31	€ 1.642,82	€ 1.830,59	€ 2.039,82	€ 2.272,97	€ 2.532,76
Proxy for D&A	€ 162,51	€ 181,08	€ 201,78	€ 224,84	€ 250,54	€ 279,18	€ 311,09	€ 346,64	€ 386,26	€ 430,41
Interest	-€ 472,46	-€ 425,22	-€ 377,97	-€ 330,72	-€ 283,48	-€ 231,65	-€ 168,43	-€ 106,39	-€ 32,57	€ -
PBT	**€ 646,32**	**€ 821,45**	**€ 1.011,18**	**€ 1.217,20**	**€ 1.441,38**	**€ 1.690,35**	**€ 1.973,25**	**€ 2.280,08**	**€ 2.626,66**	**€ 2.963,18**
Tax Rate	15%	19%	19%	19%	19%	19%	28%	28%	28%	28%
Tax Paid	**€ 96,95**	**€ 156,07**	**€ 192,12**	**€ 231,27**	**€ 273,86**	**€ 321,17**	**€ 552,51**	**€ 638,42**	**€ 735,47**	**€ 829,69**

Table 12 Tax calculation LBO

To compute HE free cash flows, depreciation and amortization are added back, and changes in net working capital and capex are subtracted. Leveraged free cash flows, which, in contrast to unlevered free cash flows, include interest expenses, were employed for the financial model. This allows to determine how much money will actually be accessible to pay-off debt (Rosenbaum & Pearl, 2012 p. 111).

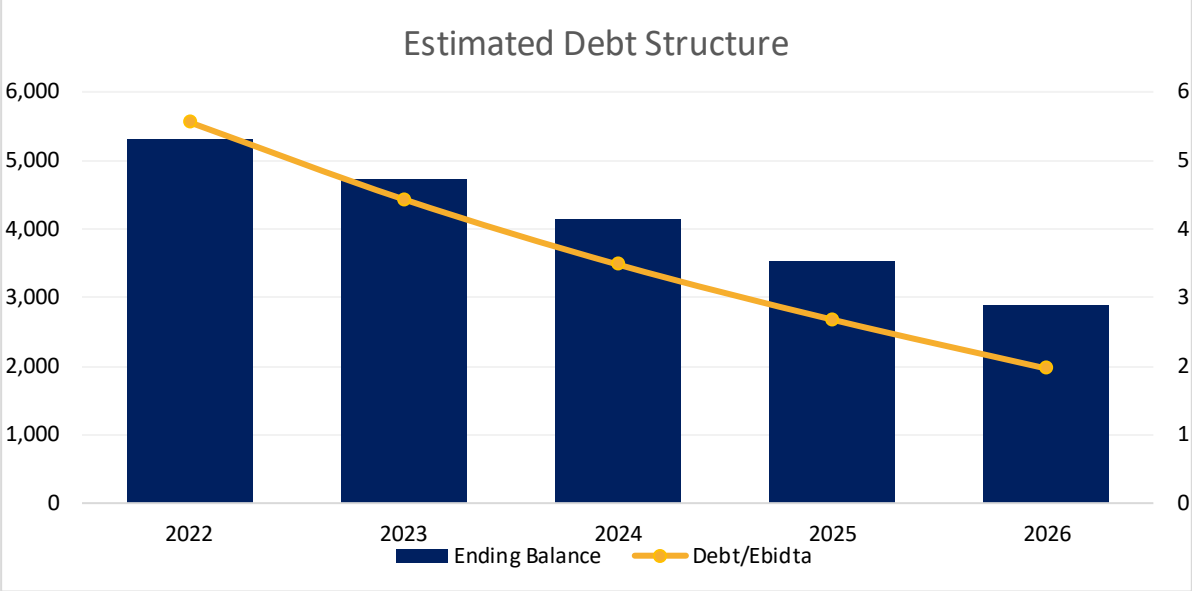


Graph 1 - Free Cash Flow HE, LBO model

f) LBO report

For the 5-year investment period, the cash flow available for debt services (CFADS) breakdown shows a strong ability to cover debt services and to generate additional cash flows over the whole forecasted period until exit in Year 5. All financial covenant ratios are expected to be in line. The credit statistics also illustrate that the company has a strong cash position. It demonstrates a strong capacity to cover its current debts with funds left over. The cash cover ratio (calculated as cash flow generated in LTM divided by total debt service) exceeds 1x over the third forecasted period until the exit of the interest cover ratio. By convention equals LTM EBITDA divided by net interest is above 1x in each year and rising within the forecasted period. Leverage ratio (Net Debt /EBITDA) shows a decreasing tendency over the forecasted period until exit, thus declining leverage due to not only the increase of the EBITDA but also to the increase in the cash position that reduced the company's net debt. For the exit in 5 years, EBITDA multiple exit multiple equals the entry multiple of 10,7x. As entry multiple equals exit multiple a conservative perspective is

shown leaving out potential upsides through multiple arbitrages resulting from strengthened strategic position in the market and increased revenues.



Graph 2- Estimated Debt Structure LBO

v. Results

EV at exit amounts to 15.84 € million. Therefore, the institutional strip and the sweet equity is taken together are expected to have an exit valuation of 12.94 € million. Compared to an entry equity of 5.20€ million back in 2021, this will yield a return of 2.5x for the PE fund.Over a 6-year period, the investment is thus expected to create a value of 2.49x or 20.9% IRR. Finally multiple on invested capital ("MOIC") at exit is 2.49x, meaning every euro initially invested in Haute Equipe will generate, although not guaranteed, a return of 2.58€.

PE Returns					
	2022	**2023**	**2024**	**2025**	**2026**
Returns Institutional Investor - Exit	€ 4.956,1	€ 6.720,7	€ 8.619,5	€ 10.667,7	€ 12.939,9
Institutional Investor Equity - Entrance	€ 5.195,1	€ 5.195,1	€ 5.195,1	€ 5.195,1	€ 5.195,1
Institutional Returns	**1,0x**	**1,3x**	**1,7x**	**2,1x**	**2,5x**
IRR	-4,6%	13,7%	18,4%	19,7%	**20,0%**
MOIc	0,95	1,29	1,66	2,05	**2,49**
NET Debt/Equity	5,6 x	4,4 x	3,5 x	2,7 x	**2,0 x**

Table 13 PE Returns

vi. Exit Options

By the end of LBO investment PE, the model predicts a reduction of HE debt-to-capital ratio and an increase in EBITDA, greatly increasing the target´s equity value. These financial returns will only be realised when the PE decides to cash in on their investments. From the range of options, a strategic sale is the most appropriate. To realise the returns a target company should be sold to a strategic buyer, especially a strong competitor which is eager to create synergies through the acquisitions (Brealey, 2018). These synergies can also justify a possible premium for the HE acquisitions. (Rosenbaum, 2012).

vii. Discussion

The Asset-Based approach valuation results were lower than the other valuations. This goes in line with the theoretical review as it is supposed to incorporate a liquidation value, in case Haute Equipe decided to liquidate the company. Being not an asset-heavy company nor an early-stage start-up, this valuation technique might not be the most adequate. Since Haute Equipe value is created through its employees and not the assets. Regarding the LBO, the financial model shows a very profitable opportunity for Private Equity. In a valuation scenario, its increase in value can become more attractive for a possible strategic buying. Such as a future merger with Korn & Ferry previously discussed in the M&A segment. LBO analysis can also provide an additional valuation for HE. LBO can be used as a valuation to provide a "floor" value (Brealey, 2018). Its valuation derives primarily from the final terminal value (the main assumption is an entry and exit multiples), not accounting for the first 5–10-year cash flows like in a DCF. Furthermore, since its mainly used for PE, there is a lower or none control premium (DePamphilis, 2009). On the financial model, LBO values HE at 15.8 € million whiles our DCF 18.6 € million.

References

Apaydin, C. a. (2010). A multi-dimensional framework of organizational innovation: A systematic review of the literature. *Journal of management studies*, 1154-1191.

Barney, J. B. (1988). Returns to bidding firms in mergers and acquisitions: Reconsidering the relatedness hypothesis. In *Strategic Management Journal 9.S1* (pp. 71-78).

BCG. (2022, 12 14). *BCG. The boston Consulting Group*. Retrieved from Fostering collaboration, sustainability and inclusivity: https://www.overbury.com/case-studies/bcg

Bender Group. (2022, November 20). *Home*. Retrieved from Bender Group: https://bendergroep.nl/?gclid=Cj0KCQiA1NebBhDDARIsAANiDD3tSW4d5BePw6aeq-wc7aoLAxC5TpSwPA8Gv_GDSofnybgh2ezWhwMaAm6LEALw_wcB

Beneda, N. (2003). Estimating Free Cash Flows and Valuing a Growth Company. *Journal of Asset Managemen*.

Beneda, N. L. (2003). Estimating Cost of Capital Using Bottom-up Betas. *The CPA Journal*.

Bloomberg. (2022, November 16). *KFY: US Korn Ferry*. Retrieved from Bloomberg: https://www.bloomberg.com/quote/KFY:US?leadSource=uverify%20wall

BMC. (2022, November 20). *Over BMC*. Retrieved from BMC: https://www.bmc.nl/over-bmc

Boer, F. P. (2002). *The Real Options Solution: Finding Total Value in a High-Risk World.* Wiley Finance.

Boudreaux, D. O., Das, P., Rumore, N., & Rao, S. (2012). A Better Way To Measure The Cost Of Equity Capital For Small Closely Held Firms. *Journal of Business & Economics Research (JBER), 10*, 97-104. Retrieved from https://doi.org/10.19030/jber.v10i2.6789

Brealey, R. A. (2018). *Principles of Corporate Finance. Vol 12.* Boston et al.: McGraw-Hill/Irwin,.

Bruce Kogut, N. K. (2001). Capabilities as Real Options. *Organization Science*.

Calandro, J. R. (2007). *Berkshire Hathaway and GEICO: an M&A case study.* Strategy & Leadership.

CFI. (2022, November 26). *Discounted Cash Flow DCF Formula*. Retrieved from Corporate finance institute: https://corporatefinanceinstitute.com/resources/valuation/dcf-formula-guide/

CFI. (2022, 12 6). *Precedent Transaction Analysis*. Retrieved from Corporate Finance Institute: https://corporatefinanceinstitute.com/resources/valuation/precedent-transaction-analysis/

Coportate Finance Institute. (2022, October 4). *M&A Synergies*. Retrieved from Coportate Finance Institute: https://corporatefinanceinstitute.com/resources/valuation/mergers-acquisitions-ma-synergies/

Damodaran, A. (2012). *Investment Valuation - Tools and Techniques for Determining the Value of Any Asset.* Wiley Finance Series.

Damodaran, A. (2022, January 5). *Damodaran Online*. Retrieved September 27, 2022, from https://pages.stern.nyu.edu/~adamodar/New_Home_Page/datafile/ctryprem.html

Deloitte. (2016). *mergers-acquisitions: Deloitte.* Retrieved from Deloitte: https://www2.deloitte.com/content/dam/Deloitte/ch/Documents/mergers-acqisitions/ch-en-fa-st-gallen-mergers-acquisitions-study-v2.pdf

Deloitte. (2020, November 15). *Reading between the lines. The merits of an asset-based approach to valuing businesses*. Retrieved from Delloite: https://www2.deloitte.com/xe/en/pages/about-deloitte/articles/closer-than-we-think/reading-between-lines.html

DeMarzo, J. B. (2017). *Corporate Finance- 4th Global Edition.* Pearson.

Denis Boudreaux, S. P. (2011). A New And Better Way To Measure The Cost Of Equity Capital For Small Closely Held Firms. *Journal of Business & Economics Research*.

DePamphilis. (2009). *Mergers, Acquisitions, and Other Restructuring Activities, 5th ed.* Elsevier.

Endres, D. a. (2007). The determination of corporate taxable income in the EU member states.

Feldman, S. J. (2005). *Principles of Private Firm Valuation.* Wiley Finance.

Gaughan, P. A. (2011). *Mergers, Acquistions, and Corporate Restructuring.* Hoboken: John Wiley & Sons.

Gueorgieva, 2. (2022). *Merger &. Acquistions Lectures at Imperial Collegue Business School.* London.

Haspeslagh, P. C. (1991). Managing acquisitions: Creating value through corporate renewal. New York.

Haute Equipe. (2022, 10 31). *About us: Haute Equipe* . Retrieved from Haute Equipe: https://haute-equipe.nl/

Highland Global LLC. (2004, July). Retrieved November 10, 2022, from HG Business Valuations: https://hgbusinessvaluations.files.wordpress.com/2015/01/specificcompanyriskpremium.pdf

Holland Capital. (2022, 12 17). *Holland Capital 40 years*. Retrieved from Holland Capital: https://hollandcapital.nl/en/

JS Consultancy. (2022, November 20). *Over JS*. Retrieved from JS Consultancy: https://www.jsconsultancy.nl/over-ons/over-jsconsultancy/

Kenton, W. (2022, June 30). *Investopedia*. Retrieved from https://www.investopedia.com/terms/b/beta.asp

Kinnunen, J. (2010). Valuing M&A Synergies as (Fuzzy) Real Options. *Annual International Real Options Conference*.

Korn Ferry. (2022, November 10). *Industries*. Retrieved from Korn Ferry: https://www.kornferry.com/industries/specialties/government-consulting

Krishnamurti, C. &. (2008). Mergers, acquisitions and corporate restructuring. SAGE Publications India.

Loukianova, A. N. (2017). Valuing synergies in strategic mergers and acquisitions using the real options approach. *Investment Management and Financial Innovations*, (14,№ 1 (contin.)), 236-247.

Menachem Abudy, S. B. (2016). The cost of equity for private firms. *Journal of Corporate Finance*.

Mikael Collan, J. K. (2009). Acquisition Strategy and Real Options. *Institute for Advanced Management Systems Research* .

Mikael Collan, R. F. (2009). A Fuzzy Pay-Off Method for Real Option Valuation. *Journal of Applied Mathematics and Decision Sciences*.

Mulyadi, D. a. (2020). *Analysis of Current Ratio, Net Profit Margin, and Good Corporate Governance against Company Value.* Systematic Reviews in Pharmacy 11.1.

NCOD. (2022, November 20). *Over NCOD*. Retrieved from NOCD: https://www.ncod.nl/over-ons/

Paschall, M. A., & Hawkins, G. B. (1999, December). *Resources: Business Value.* Retrieved November 2, 2022, from Business Value: https://www.businessvalue.com/resources/Valuation-Articles/Small-Company-Cap-Rates.pdf

Pinto, J. E. (2020). *Equity asset valuation.* John Wiley & Sons.

PitchBook. (2022, October 21). *Leveraged loan financing for LBOs deteriorates as cost of debt rises*. Retrieved from PitchBook: https://pitchbook.com/news/articles/leveraged-loan-financing-for-lbos-deteriorates-as-cost-of-debt-rises

PNO. (2022, November 20). *Over PNO*. Retrieved from PNO consultancy: https://www.pnoconsultants.com/nl/over-pno/

Porter, M. (2009). *Porter's generic strategies.*

Porter, M. E. (May 1979). How Competitive Forces Shape Strategy. Hardvard Business Review.

Pratt, S. P., & Grabowski, R. J. (2014). *Cost of Capital: Applications and Examples* (5th ed.). John Wiley & Sons Inc.

Robert Fullér, C. C. (2001). On Possibilistic Mean Value and Variance of Fuzzy Numbers.

Rosenbaum, J. a. (2012). *Investment Banking: Valuation, Leveraged Buyouts, and.* . Chichester: Wiley.

Rosenbaum, J. a. (2012). *Investment Banking: Valuation, Leveraged Buyouts, and.* Chichester: Wiley.

Scott Mathews, V. D. (2007). A Practical Method for Valuing Real Options: The Boeing Approach. *Applied Coorporate Finance*.

Smith, A. (1990). *The effects of leveraged buyouts.* New York: Business Economics.

Sorin, V. (2009). *Build-up Model as a Discount Rate for a Private Sector Investment.*

Tracxn. (2022, November 10). *Aquistions by Korn Ferry*. Retrieved from Tracxn: https://tracxn.com/d/acquisitions/acquisitionsbyKorn-Ferry

ValuAdder. (2020). *Business Valuation Report.* Retrieved November 9, 2022, from https://www.valuadder.com/product/sample-business-valuation-report.pdf

Vanbarkel Professionals. (2022, November 20). *Home*. Retrieved from Vanbarkel Professionals: https://www.vbprofs.nl

Weisstein, E. W. (2022, 11 30). Retrieved from MathWorld: https://mathworld.wolfram.com/TriangularDistribution.html

WSJ. (2022). *Market Data: Wall Street Journal*. Retrieved from WSJ: https://www.wsj.com/market-data/quotes/bond/BX/TMBMKNL-10Y

Yacht Group. (2022, November 20). *Yacht - Overview*. Retrieved from Yacht : https://www.yacht.nl/professionals/overheid?gclid=Cj0KCQiA1NebBhDDARIsAANiDD32QQM-4-u6mj-C-aHGs7TRbqCbwnW643QnSkSWKVioAeQdqQjqfr8aAqpgEALw_wcB

Appendix

Appendix Table 1 Income Statement

(Amounts in thousands, €)	Fiscal year ending in December, 31st			
	2018	2019	2020	2021
Net Revenues	10.012	10.613	11.674	12.843
Partners	**10.012**	**6.965**	**7.526**	**9.125**
Turnover own personnel	6.750	6.912	7.516	9.093
Turnover external staff	3.089	30	8	33
Turnover project staff	171			
Turnover abroad	16			
Turnover miscellaneous	11	22,70	1,50	
Trade Discounts	-26			
Flex	**0**	**3.648**	**4.147**	**3.717**
External staff turnover		3.057	3.337	2.993
Project staff turnover		32		89,46
Re-loan turnover		557	810	635
Turnover miscellaneous		2	0	0
Cost of sales	72	80	49	72
Partners	**72**	**55**	**47**	**70**
Advertising and publicity costs	22	13	15	38
Representation costs	11	14	5	18
Promotional gifts	9	7	5	7
Scholarship costs	4	1	0	
Travel and accommodation costs	3	2	1	3
Change in provision for doubtful debts	3		7 -	4
Sponsorship	3	3	7	3
Other selling expenses	18	14	7	4
Flex	**0**	**25**	**2**	**2**
Advertising and publicity costs		4	1	-
Corporate gifts		1	1	2
Provision for bad debt Other selling		13	0	0
Other selling expenses		8	0	0
Gross profit	**9.940**	**10.533**	**11.624**	**12.771**
Other Operating income	**96**	**16**	**0**	**0**
Partners - Sales price edunamics	96	16		
Flex				
Total Operating Costs	**9.770**	**10.248**	**11.013**	**11.786**
Partners - Costs of subcontracted work and other external	2774	166	145	208
Flex - Costs of subcontracted work and other external costs		3.069	3608	3.277
Staff Costs	**6031**	**5.955**	**6215**	**7.196**
Partners	6031	5.493	5819	6.825
Wage and Salaries	4397	3942	4241	4935
Social security costs	785	796	760	841
Pension costs	221	201	217	268
Management fee other	358	272	360	360
Personal costs	272	283	242	421
Flex	0	462	395	372
Wages and Salaries		314	335	312
Management fees		147	60	60
Other personnel costs		1	0	0
Other Operating Costs	**965**	**1059**	**1045**	**1105**
Partners	965	1054	1035	1102
Housing costs	101	173	148	158
Office costs	149	180	165	179
Car expenses	722	692	709	737
General expenses	-8	10	13	28
Flex		4	10	3
Office expenses		0,4	0	0
General expenses		4	9	3
EBITDA	**266**	**301**	**611**	**984**
Amortization of Intangible Assets	9	34	62	66
Depreciation of Tangible Fixed Assets	84	54	57	60
EBIT	**173**	**212**	**493**	**858**
Interest Expenses - Partners	11	31	19	14
Interest Expenses - Flex		0,1	1	2
Earnings before tax	**163**	**181**	**474**	**842**
Corporate tax - Partners	31	18	64	168
Corporate tax - Flex		17	22	9

Appendix Table 2 Balance Sheet

(Amounts in thousands, €)	Fiscal year ending in December, 31st			
Core Operations	2018	2019	2020	2021
Assets				
Intangible assets				
Goodwill	332	298	264	114
Software		99	105	230
Tangible fixed assets				
Office Equipment & materials	102	170	140	136
Current assets				
Receivables	1258	1497	1910	2802
Trade receivables	394	469	300	425
Trade receivables -Partners	394	396	289	336
Trade receivables -Flex		72	11	89
Receivables from group companies	56	192	513	800
Receivables from group companies-Partners	56	38	513	800
Receivables from group companies-Flex		155	0	0
Other taxes and premiums social insurances	20	42	25	25
Other taxes and premiums social insurances-Partners	20	21	23	19
Other taxes and premiums social insurances-Flex		21	2	6
Other receivables and accruals	788	794	1072	1551
Other receivables and accruals-partners	788	592	774	1269
Other receivables and accruals-Flex		203	299	282
Cash at bank and in hand	11	37	1185	1004
Cash at bank and in hand-Partners	11	4	537	480
Cash at bank and in hand-Flex		33	648	523
Total Assets	**1702**	**2100**	**3603**	**4284**
Equity				
Shareholders equity				
Subscibed capital	0,3	0,6	0,6	0,6
Subscibed capital-Partners	0,3	0,3	0,3	0,3
Subscibed capital-Flex		0,3	0,3	0,3
other reserves	196	193	580	1245
other reserves-Partners	196	122	400	1013
other reserves-Flex		70	180	232
Total Equity	**196**	**193**	**581**	**1246**
Liabilities				
Long-term liabilities			154	64
Provisions				
Deferred tax liabilities	19	16	12	10
Short-term liabilities				
Amounts owed to credit institutions	454	353		
Repayment obligations non-current liabilities			75	75
Debt to supliers and trade credits	247	390	246	241
Debt to supliers and trade credits-Partners	247	101	36	44
Debt to supliers and trade credits-Flex		289	210	197
Payables to group companies		154		
Other taxes and premium social insurances -Partners	345	362	1610	1752
Other liabilities and accrual liabilities	442	616	500	560
Other liabilities and accrual liabilities-Partners	442	510	357	427
Other liabilities and accrual liabilities-Flex		106	143	132
Income Tax Payables-Flex		17	425	338
Total Liabilities	**1507**	**1907**	**3022**	**3039**
Total Liabilities + Equity	**1702**	**2100**	**3603**	**4284**

Appendix Table 3Reformulated Income Statement

(Amounts in thousands, €)	Fiscal year ending in December, 31st			
Core Result	2018	2019	2020	2021
Revenue Partners	10.012	6.965	7.526	9.125
Revenue Flex	0	3.648	4.147	3.717
Other Operating Revenue	96	16	0	0
Total Revenue	**10.108**	**10.629**	**11.674**	**12.843**
Cost of Sales - Partners	72	55	47	70
Cost of Sales - Flex	0	25	2	2
Costs of subcontracted work and other external costs - Pa	2.774	166	145	208
Costs of subcontracted work and other external costs - Fle	0	3.069	3.608	3.277
Staff Costs - Partners	6.031	5.493	5.819	6.825
Staff Costs - Flex	0	462	395	372
Other Operating Costs - Partners	965	1054	1035	1102
Other Operating Costs - Flex	0	4	10	3
Amortization of Intangible Assets	9	34	62	66
Depreciation of Tangible Fixed Assets	84	54	57	60
Core Result before taxes	**173**	**212**	**493**	**858**
Statutory taxes	33	40	89	181
Core result	**141**	**172**	**404**	**677**
Financial Result				
Interest Expenses	11	31	19	16
Financial result before taxes	**11**	**31**	**19**	**16**
Statutory taxes	-2	-6	-4	-3
Financial Result	**9**	**25**	**16**	**12**
Total Comprehensive income	**132**	**147**	**388**	**665**

Appendix Table 4 Reformulated Balance Sheet

(Amounts in thousands, €)	Fiscal year ending in December, 31st			
Core Operations	2018	2019	2020	2021
Operating Cash	11	37	1185	1004
Goodwill	332	298	264	114
Software	0	99	105	230
Office Equipment & materials	102	170	140	136
Trade Receivables	394	469	300	425
Prepayments and acrrued income	788	794	1072	1551
Other taxes taxes and premium social insurance:	20	42	25	25
Receivables from group companies	56	192	513	800
Trade Payables	247	390	246	241
Accruals and deferred income	442	616	500	560
Other taxes taxes and premium social insurance:	345	362	1610	1752
Income taxes payable - Flex	0	17	425	338
Provisions - deferred tax liabilities	19	16	12	10
Payables to group companies	0	154	0	0
Total Invested Capital	650	546	810	1384
Financial				
Excess of cash	0	0	0	0
Amounts owned to credit institutions	454	353	0	0
Debt obligations	0	0	75	75
Long-term liabilities	0	0	154	64
Net Debt	454	353	229	139
Equity	196	193	581	1246

Appendix Table 5 Liquidity Ratios

Item								
Year	2016	2017	2018	2019	2020	2021	Trend Line	
Current ratio								
Current ratio- P	1,04	1,16	0,85	0,71	1,03	1,41		current assets/ST liabilities
Current ratio -F				1,17	1,23	1,35		
Quick ratio								
Quick ratio- P	1,04	1,16	0,85	0,71	1,03	1,26		(Current assets)/ST Liabilities
Quick ratio -F				1,17	1,23	1,35		
Cash ratio								
Cash ratio- P			0,01	0,00	0,27	0,22		(cash)/ST Liabilities
Cash ratio -F				0,08	0,83	0,78		
Terms of payment								
Partners	24	22	14	21	14	13		Debtors/net turnover x 365 days
Flex				7	1	9		

Appendix Table 6 Solvency Ratio

Item								
Year	2016	2017	2018	2019	2020	2021		
Solvency first level								Financial Autonomy Ratio
Partners	18,3	22,14	11,51	7,57	15,5	29,94		Equity/balance sheet total
Flex				14,65	18,78	25,83		
Solvency second level								Solvency Ratio
Partners	8,18	13	28,43	22,4	17,86	42,,73		Equity/debt capital
Flex				17,17	23,12	34,83		
Solvency third level								
Partners	92,43	88,49	77,86	81,7	84,85	70,06		Foreign capital/balance sheet total
Flex				85,35	81,22	74,17		
Interest coverage ratio								
Partners	4,06	16,11	19,91	5,5	19,23	57,35		Operating result/interest expenses
Flex				1065,44	241,04	33,78		
D/A								
Partners			0,70	0,74	0,36	0,12		Net Debt/IC
Flex				0	0,00	0,00		
D/E								
Partners			2,32	2,88	0,57	0,14		Net Debt/Equity
Flex				0	0,00	0,00		
Debt/EBITDA								
Partners			1,71	1,65	0,48	0,15		Net Debt/ EBITDA
Flex				0	0,00	0,00		

Appendix Table 7 Profitability Ratio

Item						
Year	2018	2019	2020	2021		
Profitability from Operation						
Profitability from Operation- P	0,99	0,99	0,99	0,99		Operating Income / Revenues
Profitability from Operation- F		0,99	1,00	1,00		
Gross Margin						
Gross Margin- P	0,99	0,99	0,99	0,99		Gross Margin / Revenues
Gross Margin- F		0,99	1,00	1,00		
EBITDA Margin						
EBITDA Margin- P	0,03	0,03	0,06	0,10		EBITDA / Revenues
EBITDA Margin- F		0,02	0,03	0,02		
EBIT Margin						EBIT/Revenues
EBITDA Margin- P	0,02	0,02	0,05	0,09		
EBITDA Margin- F		0,02	0,03	0,02		
Net income Margin						Net Income /Revenues
Net income Margin- P	0,01	0,01	0,04	0,07		
Net income Margin- F		0,02	0,03	0,01		
Profitability from Investments						
Return on Assets (ROA)						
Return on Assets (ROA)- P	0,08	0,05	0,11	0,18		Net Income/ Assets
Return on Assets (ROA)- F		0,00	0,00	0,00		Assets do not produce revenue

Appendix Table 8 Cash Convention Cycle

Item				
Year	2018	2019	2020	2021
AHP	0	0	0	0
AHP Partners	-	-	-	-
AHP Flex	-	-	-	-
ACP	114	114	57	55
ACP Partners	14	21	14	13
ACP Flex	0	7	1	9
APP	1253	1780	1828	1221
APP Partners	32	167	68	57
APP Flex	0	34	21	22
CCC				
CCC Partners	-17	-146	-54	-44
CCC Flex	0	-27	-20	-13
Year-on-year change Partners		**744,03%**	**-63,26%**	**-18,36%**
Year-on-year change Flex		**0,00%**	**-24,62%**	**-34,60%**

Appendix Table 9 Industry Overview by revenues

Competitors	Revenues		
		2021	%
Brucel Interntional	€	3.000.000,00	0,69%
PNO	€	62.700.000,00	14,49%
NCOD	€	5.000.000,00	1,16%
JE Consultancy	€	4.000.000,00	0,92%
JS Consultancy	€	5.000.000,00	1,16%
Vanberkel Professionals	€	25.000.000,00	5,78%
Yatch & BMC	€	315.000.000,00	72,80%
Haute Equipe	***€***	***13.000.000,00***	***3,00%***
Total	**€**	**432.700.000,00**	**100,00%**

Appendix Table 10 Forecast Income Statement

(Amounts in thousands, €)	Fiscal year ending in December, 31st							
Core Result	2018	2019	2020	2021	2022	2023	2024	2025
Revenue Partners	10.012	6.965	7.526	9.125	10168	11331	12626	14069
Revenue Flex	0	3.648	4.147	3.717	3759	3801	3843	3886
Other Operating Revenue	96	16	0	0	0	0	0	0
Total Revenue	**10.108**	**10.629**	**11.674**	**12.843**	**13.927**	**15.131**	**16.469**	**17.955**
Cost of Sales - Partners	72	55	47	70	73	82	91	102
Cost of Sales - Flex	0	25	2	2	10	10	10	11
Costs of subcontracted work and other external costs - Partners	2.774	166	145	208	223	249	277	309
Costs of subcontracted work and other external costs - Flex	0	3.069	3.608	3.277	3.249	3.285	3.322	3.359
Staff Costs - Partners	6.031	5.493	5.819	6.825	7.829	8.724	9.721	10.832
Staff Costs - Flex	0	462	395	372	403	408	412	417
Other Operating Costs - Partners	965	1054	1035	1102	1.389	1.547	1.724	1.921
Other Operating Costs - Flex	0	4	10	3	5	5	6	6
Amortization of Intangible Assets	9	34	62	66	86	95	106	119
Depreciation of Tangible Fixed Assets	84	54	57	60	77	86	95	106
Total Costs	**9.934**	**10.417**	**11.181**	**11.984**	**13.344**	**14.491**	**15.765**	**17.180**
Core Result before taxes	**173**	**212**	**493**	**858**	**583**	**640**	**704**	**774**
Statutory taxes	33	40	89	181	98	145	162	180
Core result	**141**	**172**	**404**	**677**	**485**	**495**	**542**	**595**
Financial Result								
Interest Expenses	11	31	19	16	7	3	2	1
Financial result before taxes	**11**	**31**	**19**	**16**	7	3	2	1
Statutory taxes	-2	-6	-4	-3	-1	-1	0	0
Financial Result	**9**	**25**	**16**	**12**	**6**	**3**	**1**	**1**
Total Comprehensive income	**132**	**147**	**388**	**665**	**479**	**492**	**541**	**594**

Appendix Table 11Forecasting Balance Sheet

(Amounts in thousands, €)	Fiscal year ending in December, 31st							
Core Operations	2018	2019	2020	2021	2022	2023	2024	2025
Operating Cash	11	37	1185	1004	1064	1131	1206	1288
Goodwill	332	298	264	114	312	348	388	432
Software	0	99	105	230	135	151	168	187
Office Equipment & materials	102	170	140	136	173	193	215	240
Trade Receivables	394	469	300	425	465	508	557	611
Prepayments and acrrued income	788	794	1072	1551	1362	1598	1812	1903
Other taxes taxes and premium social insurances	20	42	25	25	25	25	25	25
Receivables from group companies	56	192	513	800	800	800	800	800
Trade Payables	247	390	246	241	243	250	258	267
Accruals and deferred income	442	616	500	560	692	758	832	914
Other taxes and premium social insurances	345	362	1610	1752	1752	1752	1752	1752
Income taxes payable - Flex	0	17	425	338	268	213	169	134
Provisions - deferred tax liabilities	19	16	12	10	6	7	7	8
Payables to group companies	0	154	0	0	0	0	0	0
Total Invested Capital	650	546	810	1384	1376	1775	2152	2411
Financial	2018	2019	2020	2021	2022	2023	2024	2025
Excess of cash	0	0	0	0	0	0	0	0
Amounts owned to credit institutions	454	353	0	0	**0**	**0**	**0**	**0**
Debt obligations	0	0	75	75	38	19	9	5
Long-term liabilities	0	0	154	64	32	16	8	4
Net Debt	454	353	229	139	69	35	17	9
Equity	196	193	581	1246	1307	1740	2135	2403

Appendix Table 12Unelevered Beta

Beta Estimation						
Peers	Levered beta	D/E	Tax Rate	Unlevered beta	EV	Weighted EV
ADECCO GROUP AG	1,081	0,77	25%	0,686	8015,761	25,95%
GROUP CRIT	0,597	0,44	25%	0,449	423,083	1,37%
HAYS PLC	1,293	0,09	30%	1,217	2863,116	9,27%
Randstad NV	1,013	0,13	21%	0,922	11413,95	36,95%
ManpowerGroup Inc	0,999	0,34	25%	0,794	5166,774	16,73%
Synergie SE	0,701	0,24	32%	0,604	719,57	2,33%
Talenom Oyj	1,095	0,10	20%	1,015	549,501	1,78%
Triad Group PLC	1,29	0,05	19%	1,241	18,616	0,06%
Mercer LLC	1,500	1,780	25%	0,642	1720,00	5,57%
						2021 data

Appendix Table 13Value Creation Partner and Flex

Partners

Debt	2021
Net Debt	$ 139
Stockholders' equity	$ 1.013
Debt to equity	13,69%

Cost of Debt	2021
Interest expense	$ 14
Net Debt	$ 139
Rd	9,99%
Risk-free rate	-0,03%

Partners

WACC Calculations	Inputs
Tax Rate	21,55%
Levered Beta	0,93
Risk-free rate	-0,03%
Market Risk Premium	4,27%

CAPM	
E/EV	87,96%
D/EV	12,04%
Re	3,95%
Rd	9,99%
After-tax WACC	4,42%
Ru	4,68%

APV

WACC Calculations	Inputs
Tax Rate	21,55%
Unlevered Beta	0,84
Risk-free rate	-0,03%
Market Risk Premium	4,27%

CAPM	
E/EV	100,00%
D/EV	0,00%
Re	3,56%
Rd	0,00%
After-tax WACC	3,56%
Ru	3,56%

Flex

Debt	2021
Net Debt	$ -
Stockholders' equity	$ 232
Debt to equity	0,00%

Cost of Debt	2021
Interest expense	$ -
Net Debt	$ -
Rd	0,00%
Risk-free rate	-0,03%

Flex

WACC Calculations	Inputs
Tax Rate	15,15%
Levered Beta	0,84
Risk-free rate	-0,03%
Market Risk Premium	4,27%

CAPM	
E/EV	100,00%
D/EV	0,00%
Re	3,56%
Rd	0,00%
After-tax WACC	3,56%
Ru	3,56%

Appendix Table 14ROIC analysis for Partners and Flex

Value Creation Indicators FY ending in December, 31st	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Core Result	€ 140,89	€ 101,51	€ 293,64	€ 623,30	€ 407,49	€ 420,13	€ 466,60	€ 518,37	€ 576,07	€ 640,35	€ 711,99	€ 791,81	€ 880,76
IC	€ 649,99	€ 474,96	€ 629,49	€ 1.151,96	€ 1.085,23	€ 1.407,06	€ 1.734,02	€ 1.956,95	€ 2.323,51	€ 2.702,72	€ 3.098,09	€ 3.570,95	€ 4.085,11
ROIC	**22%**	**21%**	**47%**	**54%**	**38%**	**30%**	**27%**	**26%**	**25%**	**24%**	**23%**	**22%**	**22%**
Δ Core Result		$ -39	$ 192	$ 330	$ -216	$ 13	$ 46	$ 52	$ 58	$ 64	$ 72	$ 80	$ 89
Δ IC			$ -175	$ 155	$ 522	$ -67	$ 322	$ 327	$ 223	$ 367	$ 379	$ 395	$ 473
RONIC			**-110%**	**213%**	**-41%**	**-19%**	**14%**	**16%**	**26%**	**18%**	**19%**	**20%**	**19%**
Growth Rate		*0%*	*-67%*	*101%*	*-6%*	*-3%*	*2%*	*2%*	*4%*	*2%*	*3%*	*3%*	*3%*
Payout Rate	151%	102%	39%	53%	86%	86%	86%	86%	86%	86%	86%	86%	86%
Reinvestment rate	-51%	-2%	61%	47%	14%	14%	14%	14%	14%	14%	14%	14%	14%

Value Creation Indicators FY ending in December, 31st	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Core Result	€ -	€ 70,49	€ 109,78	€ 54,01	€ 77,46	€ 74,64	€ 75,47	€ 76,31	€ 77,17	€ 78,03	€ 78,90	€ 79,78	€ 80,67
IC	€ -	€ 70,73	€ 180,05	€ 232,46	€ 291,12	€ 367,99	€ 418,08	€ 454,23	€ 491,91	€ 519,84	€ 543,16	€ 564,47	€ 582,05
ROIC	**-**	**100%**	**61%**	**23%**	**27%**	**20%**	**18%**	**17%**	**16%**	**15%**	**15%**	**14%**	**14%**
Δ Core Result		$ 70	$ 39	$ -56	$ 23	$ -3	$ 1	$ 1	$ 1	$ 1	$ 1	$ 1	$ 1
Δ IC			$ 71	$ 109	$ 52	$ 59	$ 77	$ 50	$ 36	$ 38	$ 28	$ 23	$ 21
RONIC			**56%**	**-51%**	**45%**	**-5%**	**1%**	**2%**	**2%**	**2%**	**3%**	**4%**	**4%**
Growth Rate		*0%*	*34%*	*-24%*	*6%*	*-1%*	*0%*	*0%*	*0%*	*0%*	*0%*	*1%*	*1%*
Payout Rate	151%	102%	39%	53%	86%	86%	86%	86%	86%	86%	86%	86%	86%
Reinvestment rate	-51%	-2%	61%	47%	14%	14%	14%	14%	14%	14%	14%	14%	14%

Appendix Table 15Multiples Data

Company	Ticker	Date	Market cap	EV	EV/EBITDA	EV/EBIT	EV/(CF TO FIRM)	EV/FCF	DEBT/EV	EQUITY/EV	Cash and Cash Equivalents	BETA	Average				
													Market cap	EV	EV/EBITDA	EV/EBIT	EV/(CF TO FIRM)
ADECCO GROUP AG	ADEN SW	2015	10863.52	11908.52	27.38	39.70	14.85	14.90	0.18	0.82	1137						
		2016	10582.76	11476.76	9.72	10.81	15.76	17.59	0.18	0.82	1123						
		2017	10562.58	11564.58	10.50	11.66	14.95	17.16	0.17	0.83	958		9184.36	10069.08	12.97	25.93	13.20
		2018	6668.97	7800.97	9.71	11.73	10.39	13.15	0.23	0.77	652	1.08					
		2019	9142.52	10009.52	7.72	11.07	11.08	13.39	0.22	0.78	1351						
		2020	8893.43	9707.43	18.60	84.15	14.79	19.44	0.24	0.76	1485						
		2021	7576.76	8015.76	7.14	10.43	10.61	12.85	0.43	0.57	3051						
GROUP CRT	CEN FP	2015	6.40.58	678.24	5.66	6.63	9.49	17.80	0.26	0.74	159.672						
		2016	765.00	819.73	6.59	7.80	39.41	522.33	0.19	0.81	107.052						
		2017	818.78	833.00	5.56	6.57	12.21	14.73	0.18	0.82	137.408						
		2018	596.25	588.95	3.95	4.69	6.14	7.33	0.34	0.66	213.8	0.60	721.32	658.48	5.42	8.68	11.31
		2019	828.00	747.07	4.37	5.78	4.06	4.27	0.20	0.80	231.071						
		2020	703.13	519.30	8.06	23.64	4.39	4.54	0.26	0.74	320.013						
		2021	697.50	423.08	3.74	5.62	3.44	3.63	0.31	0.69	405.63						
HAYS PLC	HAS LN	2016	1713.10	1669.00	6.86	7.70	13.66	15.19	0.02	0.98	75.4						
		2017	2770.06	2642.86	9.94	10.96	17.31	19.16	0.00	1.00	127.7						
		2018	3086.93	2948.06	10.08	10.72	16.10	17.76	0.00	1.00	138.9	1.29	2575.30	2411.84	10.29	13.81	54.93
		2019	2570.62	2425.67	8.72	9.29	12.93	14.06	0.00	1.00	145						
		2020	2203.97	1922.33	11.05	18.36	4.90	5.03	0.13	0.87	533.5						
		2021	3107.11	2863.12	15.07	25.85	264.67	2780.25	0.08	0.92	478.2						
ManpowerGroup Inc	MAN US	2015	5665.75	5842.81	8.28	9.22	11.88	13.17	0.13	0.87	672.2805						
		2016	5642.88	5938.13	7.49	8.34	10.04	11.04	0.13	0.87	567.4599						
		2017	6931.46	7215.27	9.93	10.99	19.83	22.66	0.11	0.89	573.116						
		2018	3437.56	3924.02	5.09	5.64	8.48	9.92	0.24	0.76	516.853	1.00	5061.69	5388.85	8.22	11.21	9.77
		2019	5073.67	5541.12	7.11	9.44	6.20	6.54	0.25	0.75	913.5275						
		2020	4098.93	4093.86	12.30	24.97	4.60	4.83	0.31	0.69	1281.8814						
		2021	4581.58	5166.77	7.36	9.87	7.20	7.81	0.26	0.74	744.5986						
Randstad NV	RAND NA	2015	10477.53	10956.56	12.20	15.52	19.04	20.54	0.03	0.97	133.5						
		2016	9400.52	10530.45	10.87	13.28	18.25	20.46	0.11	0.89	385.8						
		2017	9368.69	10700.93	9.90	12.45	15.09	16.45	0.13	0.87	326.3						
		2018	7340.65	9354.98	6.90	9.34	10.01	10.01	0.20	0.80	273	1.01	9613.71	10665.70	10.02	14.73	12.81
		2019	9959.35	11710.68	9.16	13.63	9.06	9.50	0.14	0.86	225						
		2020	9758.81	10022.34	12.75	26.10	6.70	6.92	0.07	0.93	474						
		2021	10990.42	11413.95	8.31	11.05	12.22	13.13	0.11	0.89	859						
Synergie SE	SDG FP	2015	6.47.79	603.03	6.02	6.64	14.11	17.10	0.07	0.93	87.187						
		2016	852.67	839.21	7.91	8.74	-173.64	-77.35	0.05	0.95	59.513						
		2017	10.69.13	1067.15	8.07	9.18	27.58	67.81	0.06	0.94	78.283						
		2018	595.65	613.04	4.61	5.14	13.57	20.71	0.14	0.86	85.322	0.70	791.85	745.86	6.19	7.26	-14.72
		2019	711.37	693.34	5.39	6.08	5.06	5.81	0.18	0.82	162.166						
		2020	779.58	685.70	6.40	8.84	5.40	5.59	0.21	0.79	256.752						
		2021	886.78	719.57	4.94	6.18	4.88	5.28	0.19	0.81	309.186						
Tatenom Oyj	TNOM FH	2015	35.83	53.97	16.71	44.24	5.50	5.97	0.44	0.56	5.361						
		2016	49.01	67.18	9.85	16.08	9.95	12.12	0.33	0.67	4.332						
		2017	87.06	104.68	11.01	21.62	10.89	12.18	0.21	0.79	4.879						
		2018	130.81	148.40	10.85	17.37	12.33	12.93	0.16	0.84	5.914	1.10	253.44	277.46	16.49	31.70	15.57
		2019	312.64	341.35	18.06	32.80	18.97	20.22	0.11	0.89	7.786						
		2020	648.12	677.15	29.09	52.57	29.43	30.48	0.06	0.94	9.104						
		2021	510.58	549.50	19.86	37.22	21.92	22.78	0.09	0.91	10.121						
Triad Group PLC	TRD LN	2014	1.97	2.00	8.27	13.23	-8.03	-7.32	0.08	0.92	0.1308						
		2015	2.20	1.69	2.26	2.65	2.41	2.97	0.02	0.98	0.5396						
		2016	5.60	4.42	3.08	3.57	—		0.01	0.99	0.2078						
		2017	12.35	9.73	5.15	5.36	—		0.00	1.00	2.6357	1.29	8.43	5.68	5.69	7.49	-0.36
		2018	9.78	5.53	2.78	2.89	2.88	2.93	0.00	1.00	4.2704						
		2019	7.21	1.90	1.51	1.61	1.28	1.43	0.01	0.99	5.3311						
		2020	4.79	1.51	—	—	—		0.70	0.30	4.3395						
		2021	23.53	18.62	16.79	23.11	—		0.05	0.95	5.776						

Appendix Table 16 Multiples through cycles

Multiples through cycles	EV/EBITDA				EV/EBIT			
Year	Min	Median	Max	Average	Min	Median	Max	Average
2017	5,1x	9,9x	11,0x	8,8x	5,4x	11,0x	21,6x	11,1x
2018	2,8x	6,0x	10,9x	6,7x	2,9x	8,2x	17,4x	8,7x
2019	1,5x	7,4x	18,1x	7,8x	1,6x	9,4x	32,8x	11,2x
2020	6,4x	12,3x	29,1x	14,0x	8,8x	25,0x	86,1x	34,4x
2021	3,7x	7,8x	19,9x	10,4x	5,6x	10,7x	37,2x	16,2x
2022	3,0x	6,3x	14,3x	7,6x	4,0x	8,1x	27,7x	11,0x

Appendix Table 17Overall and 2021 multiples

Overall Multiples				
	Min	Median	Max	Average
EV/EBITDA	1,5x	8,3x	29,1x	9,4x
EV/EBIT	1,6x	10,8x	86,1x	15,1x

2021 Multiples				
	Min	Median	Max	Average
EV/EBITDA	3,7x	7,8x	19,9x	10,4x
EV/EBIT	5,6x	10,7x	37,2x	16,2x

Appendix Table 18Haute Equipe multiples

Haute Equipe		EV			
	2021	Min	Median	Max	Average
EBITDA	984,294	3.679	7.712	19.553	10.239
EBIT	858,189	4.825	9.218	31.943	13.874

Appendix Table 19 DCF, Free Cash Flow Partner

Partners	year	2019	2020	2021	2022	2023	2024	2025	Terminal Value
		Actual			Forecasted				
Total Revenue		6.981	7.526	9.125	10.168	11.331	12.626	14.069	
EBITDA		**213**	**480**	**921**	**654**	**729**	**812**	**905**	
(-)Amoritization		34	62	66	86	95	106	119	
(-)Depreciation		54	57	60	77	86	95	106	
EBIT		125	361	795	492	548	611	680	
(-)Tax		24	68	171	84	128	144	162	
NOPLAT		102	294	623	407	420	467	518	
(-)Change NWC		-143	-173	56	41	48	54	60	
(-)Capex		153	91	101	267	232	259	288	
(+)Amoritization		34,00	61,60	65,65	86	95	106	119	
(+)Depreciation		54,31	56,88	60,45	77	86	95	106	
Unelvered Free Cash Flows		**180**	**495**	**593**	**261**	**321**	**356**	**395**	**18103**
Present Value of Unlevered Free Cash Flows					**250**	**294**	**313**	**332**	**15229**

Appendix Table 20 Sensitivity Analysis, DCF Partners

Sensitivity Analysis (WACC/Growth Rate)		WACC				
	€ 16.418,89	3,00%	3,50%	4,00%	4,50%	5,00%
Growth Rate	0,50%	€ 15.338,41	€ 12.747,01	€ 10.896,82	€ 9.509,86	€ 8.431,73
	1,00%	€ 18.953,40	€ 15.122,24	€ 12.569,06	€ 10.746,13	€ 9.379,60
	1,50%	€ 24.978,39	€ 18.685,10	€ 14.910,20	€ 12.394,49	€ 10.598,29
	2,00%	€ 37.028,36	€ 24.623,18	€ 18.421,91	€ 14.702,18	€ 12.223,21
	2,50%	€ 73.178,27	€ 36.499,36	€ 24.274,77	€ 18.163,73	€ 14.498,10

Appendix Table 21 DCF, Free Cash Flow Flex

Flex	year	2019	2020	2021	2022	2023	2024	2025	Terminal Value
		Actual			Forecasted				
Revenues		3.648	4.147	3.717	3759	3801	3843	3886	
EBITDA		**87**	**132**	**64**	**91**	**92**	**93**	**94**	
(-)Amoritization									
(-)Depreciation									
EBIT		**87**	**132**	**64**	**91**	**92**	**93**	**94**	
(-)Tax		17	22	10	14	18	18	18	
NOPLAT		**70**	**110**	**54**	**77**	**75**	**75**	**76**	
(-)Change NWC		361	-140	65	0	3	3	3	
(-)Capex		0	0	0	0	0	0	0	
(+)Amoritization		0	0	0	0	0	0	0	
(+)Depreciation		0	0	0	0	0	0	0	
Unelvered Free Cash Flows		**-291**	**250**	**-11**	**78**	**71**	**72**	**73**	**2199**
Present Value of Unlevered Free Cash Flows					**75**	**67**	**65**	**64**	**1911**

Appendix Table 22 Sensitivity Analysis, DCF Flex

Sensitivity Analysis (WACC\Growth Rate)		WACC				
	€ 2.181,69	2,50%	3,00%	3,50%	4,00%	4,50%
Growth Rate	0,25%	€ 3.225,94	€ 2.640,00	€ 2.234,35	€ 1.936,87	€ 1.709,38
	0,75%	€ 4.087,38	€ 3.180,25	€ 2.602,97	€ 2.203,31	€ 1.910,22
	1,25%	€ 5.637,98	€ 4.029,20	€ 3.135,42	€ 2.566,64	€ 2.172,86
	1,75%	€ 9.256,03	€ 5.557,33	€ 3.972,14	€ 3.091,45	€ 2.531,00
	2,25%	€ 27.346,29	€ 9.122,94	€ 5.478,22	€ 3.916,16	€ 3.048,31

Appendix Table 23 Total EV, Both DCF

Total EV	€	18.600,58
Share Price	€	61,54

Appendix Table 24 APV, Partners

Partners		year	2019	2020	2021	2022	2023	2024	2025	Terminal Value
Unelvered Free Cash Flows			**180**	**495**	**593**	**261**	**321**	**356**	**395**	**29.336**
Re	3,56%									
Growth	2,19%									
Present Value of Unlevered Free Cash Flows						**252**	**299**	**320**	**343**	**25.503**
Tax Shields						**-1**	**-1**	**0**	**0**	**0**
Ru	3,56%									

Appendix Table 25Sensitivity Analysis, APV Partners

Sensitivity Analysis (WACC\Growth Rate)		Cost of Equity (Re)				
	€ 26.720,87	2,75%	3,25%	3,75%	4,25%	4,75%
Growth Rate	0,50%	€ 17.072,74	€ 13.929,80	€ 11.754,44	€ 10.159,60	€ 8.940,40
	1,00%	€ 21.696,79	€ 16.829,84	€ 13.733,27	€ 11.589,97	€ 10.018,62
	1,50%	€ 30.020,09	€ 21.387,04	€ 16.591,58	€ 13.540,46	€ 11.428,59
	2,00%	€ 49.441,11	€ 29.590,00	€ 21.083,21	€ 16.357,84	€ 13.351,29
	2,50%	€ 146.546,24	€ 48.730,25	€ 29.168,14	€ 20.785,15	€ 16.128,52

Appendix Table 26 APV, Flex

Flex		year	2019	2020	2021	2022	2023	2024	2025	Terminal Value
Unelvered Free Cash Flows			**-291**	**250**	**-11**	**78**	**71**	**72**	**73**	**2.199**
Re	3,56%									
Growth	0,23%									
Present Value of Unlevered Free Cash Flows						**75**	**67**	**65**	**64**	**1.911**

Appendix Table 27 Sensitivity Analysis, APV Flex

Sensitivity Analysis (WACC\Growth Rate)		Cost of Equity (Re)				
	€ 2.181,69	2,50%	3,00%	3,50%	4,00%	4,50%
Growth Rate	0,25%	€ 3.225,94	€ 2.640,00	€ 2.234,35	€ 1.936,87	€ 1.709,38
	0,75%	€ 4.087,38	€ 3.180,25	€ 2.602,97	€ 2.203,31	€ 1.910,22
	1,25%	€ 5.637,98	€ 4.029,20	€ 3.135,42	€ 2.566,64	€ 2.172,86
	1,75%	€ 9.256,03	€ 5.557,33	€ 3.972,14	€ 3.091,45	€ 2.531,00
	2,25%	€ 27.346,29	€ 9.122,94	€ 5.478,22	€ 3.916,16	€ 3.048,31

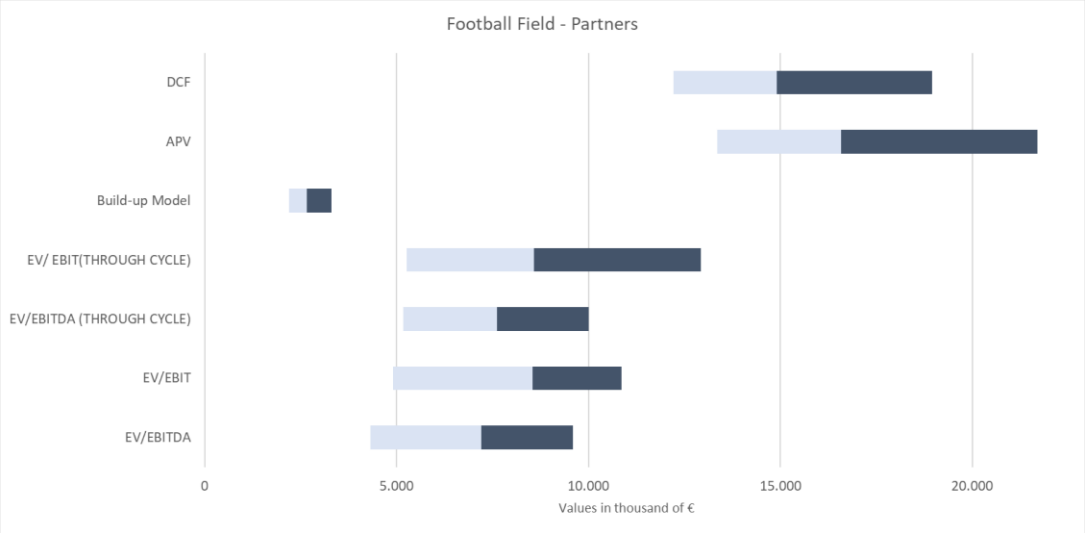
Appendix Table 28 Total EV, Both APV

Total EV	€ 28.900,37
Share Price	€ 96,34

Appendix Table 29 Football Fields Partners

	EV/EBITDA	EV/EBIT	EV/EBITDA (THROUGH CYCLE)	EV/ EBIT(THROUGH CYCLE)	Build-up Model	APV	DCF	
Min	3,7x	5,6x	1,5x	1,6x	2,0x	9,7x	9,2x	
1st Quartile	4,7x	6,2x	5,6x	6,6x	2,4x	14,5x	13,3x	
Median	7,8x	10,7x	8,3x	10,8x	2,9x	18,0x	16,2x	
3rd Quartile	10,4x	13,7x	10,9x	16,3x	3,6x	23,6x	20,6x	
Max	19,9x	37,2x	29,1x	86,1x	5,3x	159,2x	79,5x	

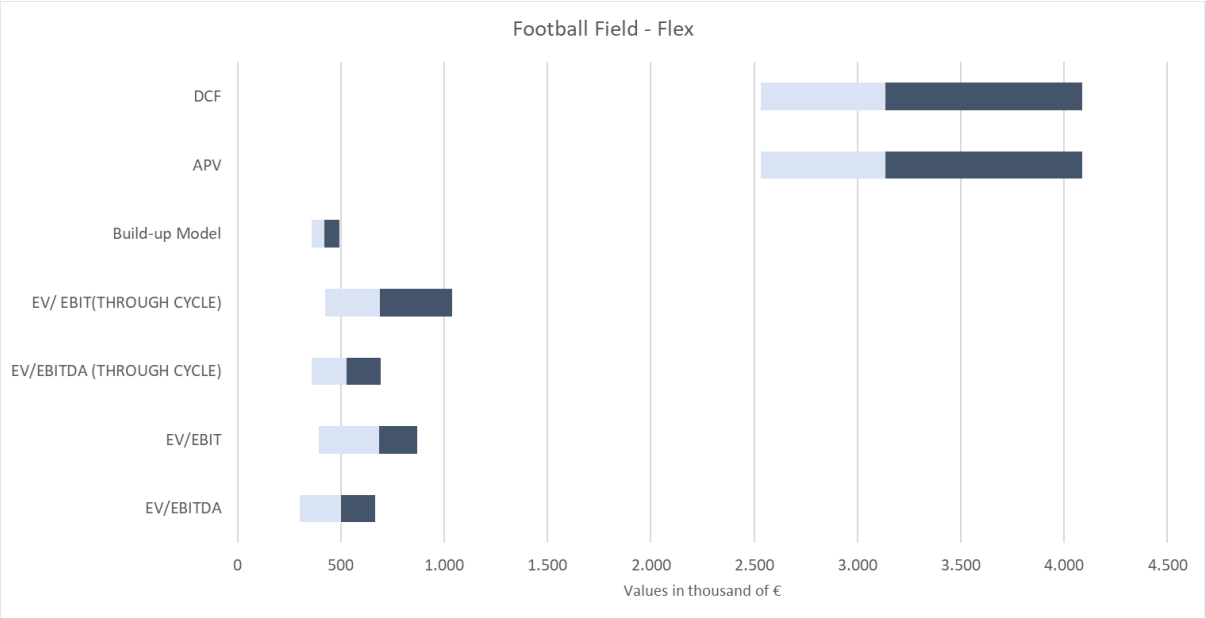
Appendix Graph 1 Football Fields Partners



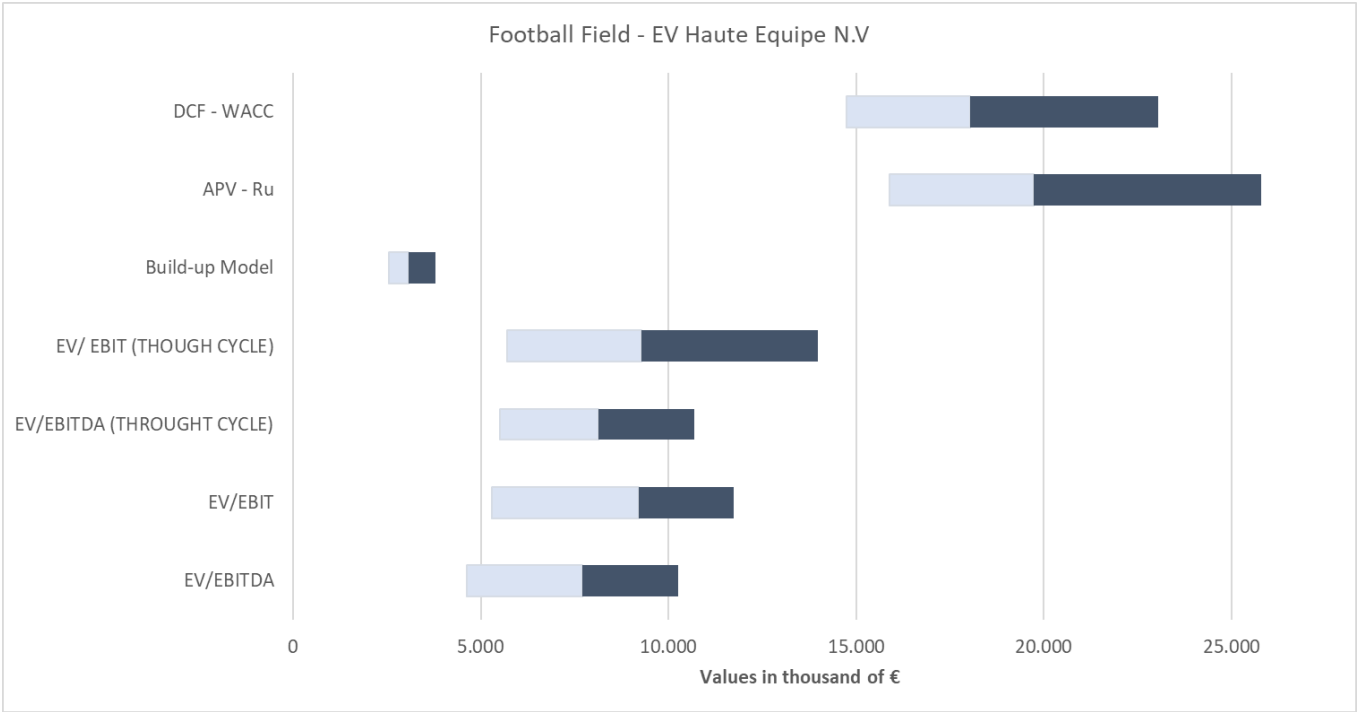
Appendix Table 30 Football Fields for Flex

	EV/EBITDA	EV/EBIT	EV/EBITDA (THROUGH CYCL	EV/ EBIT(THROUGH CYC	Build-up Mod	APV	DCF	
Min	3,7x	5,6x	1,5x	1,6x	4,8x	26,9x	26,9x	
1st Quartile	4,7x	6,2x	5,6x	6,6x	5,7x	39,8x	39,8x	
Median	7,8x	10,7x	8,3x	10,8x	6,6x	49,3x	49,3x	
3rd Quartile	10,4x	13,7x	10,9x	16,3x	7,7x	64,2x	64,2x	
Max	19,9x	37,2x	29,1x	86,1x	16,5x	429,6x	429,6x	

Appendix Graph 2 Football Fields Flex



Appendix Graph 3 Football Fields Haute Equipe N.V



Appendix Table 31 Synergy Assumption

			Projected:									
Synergy Assumptions:	***Units:***	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**	**2031**
Integration Costs % Year 3 Cost Synergies:	%	100,0%										
Total Merger & Integration Costs:	€	€ 214,28										
Annual Recognition %	%		33,3%	33,3%	33,3%	0,0%						
Risk-Free Rate:	%	5,14%										
Equity Risk Premium:	%	4,20%										
Historical Levered Beta:	#	1,25										
Acquirer - Cost of Equity:	%	10,4%										
Shares Outstanding	*thousands*	52.710										
Acquirer - Pre-Tax Cost of Debt:	%	7,25%										
Acquirer - % Equity:	%	80,0%										
Acquirer - % Debt:	%	20,0%										
Tax Rate	%	28,0%										
Acquirer's WACC:	%	9,4%										
After-Tax Synergy Long-Term Growth:	%	1,0%										

Appendix Table 32 Target Revenue synergy

Target - Revenue Synergies Based on Percentage Increases in Overlapping Segme		**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**	**2031**
Sales	%		1,0%	1,0%	1,0%	1,0%	1,0%	1,0%	1,0%	1,0%	1,0%	1,0%
(+) Additional Revenue:	€		€ 128,43	€ 139,27	€ 151,31	€ 164,69	€ 179,55	€ 196,06	€ 214,42	€ 234,83	€ 257,52	€ 282,77
(-) Additional Cost of Sales:	€		-€ 0,72	-€ 0,84	-€ 0,92	-€ 1,02	-€ 1,12	-€ 1,24	-€ 1,37	-€ 1,51	-€ 1,68	-€ 1,86
(-) Additional Wage Costs:	€		-€ 106,81	-€ 117,04	-€ 126,65	-€ 137,32	-€ 149,16	-€ 162,32	-€ 176,93	-€ 193,17	-€ 211,23	-€ 231,30
(-)Additional Operational costs:	€		-€ 11,05	-€ 13,94	-€ 15,53	-€ 17,30	-€ 19,27	-€ 21,47	-€ 23,91	-€ 26,64	-€ 29,68	-€ 33,07
Additional Operating Income:	€		**€ 9,84**	**€ 7,45**	**€ 8,21**	**€ 9,05**	**€ 9,99**	**€ 11,04**	**€ 12,20**	**€ 13,50**	**€ 14,94**	**€ 16,55**
Sales	%		8,0%	8,0%	8,0%	8,0%	8,0%	8,0%	8,0%	8,0%	8,0%	8,0%
(+) Additional Revenue:	€		€ 1.027,41	€ 1.114,17	€ 1.210,50	€ 1.317,50	€ 1.436,37	€ 1.568,48	€ 1.715,34	€ 1.878,61	€ 2.060,18	€ 2.262,14
(-) Additional Cost of Sales:	€		-€ 5,76	-€ 6,69	-€ 7,37	-€ 8,13	-€ 8,97	-€ 9,91	-€ 10,95	-€ 12,12	-€ 13,41	-€ 14,85
(-) Additional Wage Costs:	€		-€ 854,49	-€ 936,33	-€ 1.013,21	-€ 1.098,55	-€ 1.193,30	-€ 1.298,54	-€ 1.415,45	-€ 1.545,38	-€ 1.689,81	-€ 1.850,38
(-)Additional Operational costs:	€		-€ 88,41	-€ 111,53	-€ 124,23	-€ 138,39	-€ 154,16	-€ 171,73	-€ 191,31	-€ 213,13	-€ 237,45	-€ 264,54
Additional Operating Income:	€		**€ 78,74**	**€ 59,63**	**€ 65,69**	**€ 72,44**	**€ 79,95**	**€ 88,31**	**€ 97,62**	**€ 107,98**	**€ 119,52**	**€ 132,36**
Sales	%		20,0%	20,0%	20,0%	20,0%	20,0%	20,0%	20,0%	20,0%	20,0%	20,0%
(+) Additional Revenue:	€		€ 2.568,53	€ 2.785,42	€ 3.026,25	€ 3.293,74	€ 3.590,93	€ 3.921,21	€ 4.288,34	€ 4.696,53	€ 5.150,46	€ 5.655,34
(-) Additional Cost of Sales:	€		-€ 14,41	-€ 16,72	-€ 18,42	-€ 20,32	-€ 22,43	-€ 24,77	-€ 27,38	-€ 30,29	-€ 33,53	-€ 37,14
(-) Additional Wage Costs:	€		-€ 2.136,23	-€ 2.340,81	-€ 2.533,03	-€ 2.746,37	-€ 2.983,25	-€ 3.246,34	-€ 3.538,63	-€ 3.863,46	-€ 4.224,52	-€ 4.625,96
(-)Additional Operational costs:	€		-€ 221,03	-€ 278,82	-€ 310,58	-€ 345,96	-€ 385,39	-€ 429,33	-€ 478,28	-€ 532,83	-€ 593,61	-€ 661,34
Additional Operating Income:	€		**€ 196,86**	**€ 149,07**	**€ 164,22**	**€ 181,09**	**€ 199,87**	**€ 220,77**	**€ 244,04**	**€ 269,94**	**€ 298,79**	**€ 330,91**

Appendix Table 33 Target Cost Synergy

Target - Cost Synergies and Merger & Integration Costs:		2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Target - Reduction in operational expenses:	*# Car expense reduction*		10%	15%	25%	0%	0%	0%	0%	0%	0%	0%
Spending in Car expenses:	*€ as Stated*		€ 708,93	€ 708,93	€ 708,93	€ 708,93	€ 708,93	€ 708,93	€ 708,93	€ 708,93	€ 708,93	€ 708,93
Target - Cost Savings:	€		€ 70,89	€ 106,34	€ 177,23	-	-	-	-	-	-	-
Target - Reduction in operational expense:	*# Housing costs Reduction*		10%	15%	25%	0%	0%	0%	0%	0%	0%	0%
SG&A Spending per Employee:	*€ as Stated*		€ 148,19	€ 148,19	€ 148,19	€ 148,19	€ 148,19	€ 148,19	€ 148,19	€ 148,19	€ 148,19	€ 148,19
Target - Cost Savings:	€		€ 14,82	€ 22,23	€ 37,05	-	-	-	-	-	-	-
Total SG&A Cost Savings:	€		**€ 85,71**	**€ 128,57**	**€ 214,28**	-	-	-	-	-	-	-
Merger & Integration Costs:	€		€ 71,43	€ 71,43	€ 71,43	-	-	-	-	-	-	-

Appendix Table 34 Total Value Synergies

Value of Synergies to Acquirer:		2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Bad Case Scenario												
After-Tax Cash Flow from Synergies:	€		€ 17,37	€ 46,51	€ 108,77	€ 6,52	€ 7,20	€ 7,95	€ 8,79	€ 9,72	€ 10,76	€ 11,91
Terminal Value of Synergies:	€											€ 144,06
Present Value of Synergies:	€	€ 229,82	€ 15,89	€ 38,89	€ 83,18	€ 4,56	€ 4,60	€ 4,65	€ 4,70	€ 4,75	€ 4,81	€ 4,87
Base Base Scenario												
After-Tax Cash Flow from Synergies:	€		€ 66,98	€ 84,07	€ 150,15	€ 52,15	€ 57,56	€ 63,58	€ 70,28	€ 77,74	€ 86,05	€ 95,30
Terminal Value of Synergies:	€											€ 1.152,47
Present Value of Synergies:	€	€ 981,31	€ 61,25	€ 70,31	€ 114,83	€ 36,47	€ 36,81	€ 37,19	€ 37,59	€ 38,02	€ 38,49	€ 38,98
Good Case Scenario												
After-Tax Cash Flow from Synergies:	€		€ 152,02	€ 148,47	€ 221,09	€ 130,39	€ 143,91	€ 158,95	€ 175,71	€ 194,36	€ 215,13	€ 238,25
Terminal Value of Synergies:	€											€ 2.881,17
Present Value of Synergies:	€	€ 2.269,57	€ 139,02	€ 124,16	€ 169,08	€ 91,19	€ 92,03	€ 92,96	€ 93,97	€ 95,06	€ 96,22	€ 97,45

Appendix Table 35 Partners Specific Company premium

Partners

	Weight	Rating	Weighted average rating
Revenue growth	14%	0	0.0
Financial risk	14%	1	0.1
Operational risk	14%	2	0.3
Profitability	14%	7	1.0
Industry risk	14%	4	0.6
Economic risk	14%	5	0.7
Customer Concentration	14%	8	1.1
Total	100%	27	3.86%

Appendix Table 36 Flex Specific Company premium

Flex

	Weight	Rating	Weighted average rating
Revenue growth	14%	7	1.0
Financial risk	14%	0	0.0
Operational risk	14%	1	0.1
Profitability	14%	8	1.1
Industry risk	14%	4	0.6
Economic risk	14%	5	0.7
Customer Concentration	14%	8	1.1
Total	100%	33	4.71%

Appendix Table 37 Partners & Flex WACC

Risk Free rate	-0.03%
Market risk premium	4.24%
Size premium	9.85%
Country specific premium	0.00%
Company specific premium	3.86%
Cost of equity	17.92%
E/EV	87.96%
D/EV	12.04%
Cost of debt	9.99%
WACC	**16.70%**

Risk Free rate	-0.03%
Market risk premium	4.24%
Size premium	9.85%
Country specific premium	0.00%
Company specific premium	4.71%
Cost of equity	18.78%
E/EV	100.00%
D/EV	0.00%
Cost of debt	0.00%
WACC	**18.78%**

Appendix Table 38 Partners build-up EV

Partners

∑ Present Value UFCFF	€	896.41
Terminal Value	€	2,780.54
Present Value of Terminal Value	€	1,498.97
Enterprise Value	€	2,395.38

Appendix Table 39 Partners build-up Sensitivity Analysis

Sensitivity Analysis (WACC/Growth Rate)		WACC				
	€ 2,395.38	12.00%	14.00%	16.00%	18.00%	20.00%
Growth Rate	1.00%	€ 3,298.54	€ 2,767.36	€ 2,378.93	€ 2,082.79	€ 1,849.74
	2.19%	€ 3,607.51	€ 2,973.31	€ 2,523.81	€ 2,188.88	€ 1,929.87
	3.19%	€ 3,932.58	€ 3,182.02	€ 2,666.79	€ 2,291.51	€ 2,006.19
	4.19%	€ 4,340.85	€ 3,433.26	€ 2,833.97	€ 2,409.00	€ 2,092.16
	5.19%	€ 4,868.96	€ 3,741.52	€ 3,032.07	€ 2,544.83	€ 2,189.75

Appendix Table 40 Flex build-up EV

Flex

∑ Present Value UFCFF	€	195.88
Terminal Value	€	343.29
Present Value of Terminal Value	€	172.49
Enterprise Value	€	368.37

Appendix Table 41 Flex build-up Sensitivity Analysis

Sensitivity Analysis (WACC/Growth Rate)		WACC				
	€ 368.37	15.00%	17.00%	19.00%	21.00%	23.00%
Growth Rate	0.23%	€ 457.32	€ 405.29	€ 364.19	€ 330.87	€ 303.29
	1.23%	€ 477.85	€ 420.29	€ 375.49	€ 339.60	€ 310.18
	2.23%	€ 529.40	€ 456.82	€ 402.39	€ 360.01	€ 326.04
	3.23%	€ 650.81	€ 537.06	€ 458.55	€ 401.00	€ 356.93
	4.23%	€ 1,050.36	€ 754.71	€ 593.21	€ 491.18	€ 420.69

Appendix Table 42 HE total EV

Total EV	€	2,763.75
Share Price	€	8.75

Appendix Table 43 fuzzy distribution Synergies

Synergies	Degree of membershi	Values
A-alpha	0	229.8
a	1	981.3
a+beta	0	2,269.6

Appendix Table 44 fuzzy distribution DCF partners

Partners (DCF)	Degree of membershi	Values
A-alpha	0	9,431.9
a	1	16,418.9
a+beta	0	20,611.1

Appendix Table 45 fuzzy distribution DCF Flex

Flex (DCF)	Degree of membershi	Values
A-alpha	0	1,345.3
a	1	2,181.7
a+beta	0	2,523.0

Appendix Table 46 fuzzy distribution Multiples partners

Partners (multiples)	Degree of membershi	Values
A-alpha	0	9,599.7
a	1	7,213.4
a+beta	0	4,322.1

Appendix Table 47 fuzzy distribution Multiples flex

Flex (multiples)	Degree of membershi	Values
A-alpha	0	663.7
a	1	498.7
a+beta	0	298.8

Appendix Table 48 EV Summary

EV	Fuzzy Pay-Off Approach	Mathews Approach
DCF	€ 18,052.27	€ 17,414.18
Multiples	€ 7,622.15	€ 6,949.53

Appendix Table 49 synergy Summary

Synergies	Good	Base	Bad
"Traditional synergies"	€ 2,269.57	€ 981.31	€ 229.82
Real Option synergies, Fuzzy Payoff Method	-	€ 1,070.77	-
Real Option synergies, Mathews Method	-	€ 1,144.80	-

Appendix Table 50 LBO Assumption

	2020A	2021A	2022E	2023E	2024E	2025E	2026E	2027E	2028E
Revenue	11673,5	12842,6							
Revenue growth			11,4%	11,4%	11,4%	11,4%	11,4%	11,4%	11,4%
EBITDA	611,3	984,3							
EBITDA margin	5,2%	7,7%	6,7%	6,7%	6,7%	6,7%	6,7%	6,7%	6,7%
EBIT	125,0	361,3							
EBIT margin	1,1%	2,8%	5,3%	3,5%	3,3%	3,3%	3,3%	3,3%	3,4%
Tax rate			15,0%	19,0%	19,0%	19,0%	19,0%	19,0%	19,0%
Change in NWC as			0,3%	0,3%	0,3%	0,4%	0,4%	0,4%	0,4%
Capex as % of Sale			1,9%	1,5%	1,6%	1,6%	1,6%	1,7%	1,7%

Appendix Table 51 Exit waterfall

EXIT WATERFALL						
EBITDA	956,3	1065,6	1187,4	1323,1	1474,3	1642,8
Exit Multiple	10,7x	10,7x	10,7x	10,7x	10,7x	10,7
EV	**10271,3**	**11445,3**	**12753,5**	**14211,2**	**15835,5**	**17645,5**
Net Debt	5315,2	4724,6	4134,0	3543,5	2895,6	2105,4
Equity	**4956,1**	**6720,7**	**8619,5**	**10667,7**	**12939,9**	**15540,1**
Returns Institutiona	4956,1	6720,7	8619,5	10667,7	12939,9	15540,1
Institutional Investc	5195,1	5195,1	5195,1	5195,1	5195,1	5195,1
Institutional Returns	**1,0x**	**1,3x**	**1,7x**	**2,1x**	**2,5x**	**3,0x**

Appendix Table 52 Debt Repayment