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Equity Research – Grupo Ibersol

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Master in Finance

Supervisor:
PhD Pedro Manuel de Sousa Leite Inácio, Assistant Professor
ISCTE Business School

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BUSINESS
SCHOOL

Department of Finance

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Resumo

Este projeto teve como foco a seleção de uma empresa com presença num mercado que tenha sido afetado pela pandemia da COVID-19. A escolha recaiu sobre o Grupo Ibersol, que opera em Portugal, Espanha e Angola, estando cotada na bolsa ao preço de 5.18 euros a 31/12/2021.

A avaliação da empresa foi realizada a partir do cálculo do justo valor pelos métodos DCF, EVA e também pela comparação dos múltiplos com os concorrentes do mesmo mercado. Foram feitas previsões com base nos dados históricos da empresa, nos efeitos que a pandemia teve sobre o mundo e sobre a indústria e no contexto macroeconómico. Após o cálculo do valor por ação, foi realizada uma análise de sensibilidade para estudar potenciais variações que podem ocorrer nas variáveis mais suscetíveis e para compreender que mudança causaria na avaliação.

Numa ótica de precaução, realizou-se uma análise ao risco de investimento através da avaliação de alguns riscos como a variação do câmbio, em consequência da exposição do grupo a este risco por atuar no mercado angolano. Por outro lado, o grupo está presente num mercado altamente dependente dos hábitos do consumidor e de novas tendências, e estes fatores são de difícil previsão, o que implica uma atenção redobrada a novas ideias e concorrentes.

Dada a avaliação feita através do método DCF, o valor por ação do Grupo Ibersol é de 8.82 euros em 31/12/2021. Em comparação com o valor real, este foi subavaliado na mesma data. Concluindo a análise, é recomendada uma posição de compra.

Palavras-chave: Covid-19; DCF; Múltiplos; Justo valor

Classificação JEL: G30; G39

Abstract

The main goal of this project was the selection of a company present in a market that has been affected by the COVID-19 pandemic. Ibersol group, which operates in Portugal, Spain, and Angola, was the company chosen, being listed on the stock exchange at 5.18 euros on 31/12/2021.

The valuation of the group was made by different valuation methods that were analyzed and compared, these being EVA, DCF, and the comparison with multiples. Some assumptions were made based on the company's historical data, the effects of the pandemic on the world and the industry, and the macroeconomic context. After we get the share price, a sensitivity analysis was conducted to analyze potential variations that may occur in the most susceptible variables, such as sales or costs, and to understand possible company valuation changes.

From a precautionary perspective, an investment risk analysis took place, through the evaluation of some risks such as exchange rate variation, as a result of the group's involvement in the Angolan market. Furthermore, the group is present in a highly dependent market on consumer habits and new trends, difficult factors to predict, which implies a redoubled attention to new ideas and competitors.

Given the valuation made through the DCF valuation method, the fair value per share of the Ibersol Group is 8.82 euros on 31/12/2021. Compared to the real value, this was undervalued on the same date. Concluding the analysis, a buy position is recommended.

Keywords: Covid-19; DCF valuation; Multiples; Fair value

JEL Classification: G30; G39

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List of Abbreviations

APV – *Adjusted Present Value*

CAPM – *Capital Asset Pricing Model*

CF – *Cash Flows*

DCF – *Discounted Cash Flow*

EBITDA – *Earnings Before Interest, Taxes, Depreciation and Amortization*

EBIT – *Earnings Before Interest and Taxes*

EPS – *Earnings Per Share*

EVA – *Economic Value Added*

FCFE – *Free Cash Flow to Equity*

FCFF – *Free Cash Flow to Firm*

ROE – *Return on Equity*

ROIC – *Return on Invested Capital*

WACC – *Weighted Average Cost of Capital*

CHAPTER 1

Introduction

This project aims to calculate the fair value of the Ibersol group, using 2021 financial statements and data.

We are living in uncertain times. A pandemic has brought down many businesses and led to the despair of many people and companies. Covid affected many industries and one of the most affected was the catering industry. Ibersol group belongs to this industry and most of its restaurants are located in shopping malls. With the pandemic, they were forced to close their doors with no return date. One point in favor of choosing the company was that it is a Portuguese company and is listed on the stock exchange with a high level of credibility.

One of the objectives is to understand how this company was affected by the pandemic by comparing some data before and after the pandemic, to better understand how they adapted and how they are still affected today.

The project will be divided into five main topics. The first topic consists of the literature review with an explanation of some evaluation methods that will be used later on. The methods will be analyzed considering their advantages and disadvantages for the industry in which this group operates.

In the second, is a summary of the company and its history. Explaining where the company's restaurants are located and what percentage of the group revenues and operations is located outside Portugal. The type, quantity, and variety of restaurants that exist within the group, analyzing in percentage terms these variables and their main contributions. Analyzing the main players of the Ibersol group, their strengths, and what makes them such a recognized and desired brand.

In the third topic, we will talk about the risks of investing in the company. These risks will be divided between financial and sectorial. In the financial, the exchange rate fluctuation risk will be analyzed. The company is exposed to this risk because it exchanges currencies into Kwanzas, since operates in Angola. This is a very volatile currency, which makes the exchange rate risk higher, being essential to be aware of political and economic news that may affect the Kwanza. Within the financial troubles, the interest rate risk will also be analyzed. In periods such as those currently being experienced, interest rates are highly volatile, increasing the risk of taking out a loan.

Regarding sectorial risks, the technological, environmental, legal, and regulatory risks will be analyzed. In addition to these, the risk of consumer habits will be described. As expected, our habits change over the years and the company must anticipate and give the final consumer what they want. We have the example of the concern with healthy and sustainable food having increased and being a crucial factor for some consumers when choosing their lunch or dinner. All these risks have a high level of importance and can condition the investment in the group.

In the fourth, financial analysis and valuation of the group will be carried out using the methods explained in the literature review. In this valuation we will aim to do several types of equity valuation to analyze the different results, thus bringing together the different conclusions that are drawn from each of the methods. Finally, there will be a more robust and detailed assessment that will lead to a more accurate conclusion.

In the fifth topic, a sensitivity analysis will be made with variables that we will identify in chapter three. The aim is to assume some percentual changes in the chosen variables and we will conclude the impact these changes would have on the final valuation. We will conclude on the most volatile variables, the ones that the company should pay more attention to, to remain stable in the market.

Finally, we will have the conclusion of the project, presenting the main conclusions drawn from each chapter and the fair value of the Ibersol group. We will also present management recommendations for the company to protect itself from an eventual future pandemic.

CHAPTER 2

Literature Review

2.1 Equity Valuation

As (Damodaran, 2006) said "Valuation can be considered the heart of finance". For an investor to decide whether or not to invest in a company, he needs to understand how its value was calculated. There are several ways to calculate the value of a company and it is necessary to pay attention to the underlying assumptions. One of the most important assumptions is the future value of the company's cash flows and their uncertainty, as uncertainty increases, risk increases, and therefore the present value of the company decreases.

When calculating the price of an asset based on future cash flows, we need to consider a discount rate, since a cash flow that has a value of X€ in n years, will have a lower value today. So, the way used for this calculation is the following.

$$PV = \frac{\text{Cash Flow n}}{(1+\text{discount rate})^{n}} \tag{1}$$

In this study, we will, mainly, focus on the valuation based on cash flows. One of the types of valuation that Damodaran (2006) addresses is related to future cash flows, discounted cash flow valuation and in this case, we estimate the future cash flows of an asset, and with the rate which was spoken about earlier obtain the present value.

2.2 Discounted Cash Flow Valuation (DCF)

According to (Kruschwitz & Loeffler, 2006), "the valuation of a firm involves the discounting of its future payment surpluses after consideration of taxes using the appropriate cost of capital".

In this valuation in addition to the expected cash flows, a discount rate is considered, which will always depend on the risk, the higher the risk, the higher the discount rate, and the lower the present value. Each asset has different cash flows, they depend on internal and external variables, internal variables that may affect the future cash flows, as well as external variables. An example of an external variable is the covid-19 pandemic that affected a large part of the business sectors including restaurants.

$$PV = \frac{\mathrm{CF}_1}{(1+\mathrm{r})^1} + \frac{\mathrm{CF}_2}{(1+\mathrm{r})^2} + \frac{\mathrm{CF}_3}{(1+\mathrm{r})^3} + \cdots + \frac{\mathrm{CF}_n + \mathrm{RV}_n}{(1+\mathrm{r})^n} \tag{2}$$

Where CF is Cash flow, r the discount rate for the cash flow risk and RV is the residual value of the asset in the year n. To calculate the residual value, we need to know the expected growth rate of the cash flows in the year n (g).

$$RV = \frac{\mathrm{CF}_n \times (1+g)}{\mathrm{r} - \mathrm{g}} \tag{3}$$

This is the value that the company expects to sell the asset in the end of its life. According to (Capiński, 2006) "we restrict our attention to a finite planning horizon where the final (residual) value is obtained by discounting a perpetuity (either a constant or a growing perpetuity) with the assumption of constant structure imposed for the infinite tail of cash flows that follow the horizon date."

2.3 Free Cash Flow to Firm (FCFF)

FCFF is a valuation method to be performed from the point of view of investors. This method is used by investors to understand if the company will be able to generate a surplus and, consequently, pay dividends.

Generally speaking, the FCFF is the addition of all types of cash revenues subtracting capital expenditures (CAPEX), as well as operating expenses, working capital (WC) variations, and also considering taxes. To obtain the FCFF, the following formula is used:

$$FCFF = \mathrm{EBIT}\ (1 - \text{Tax rate}) + \text{Depreciation} - \text{WC Variation} - \text{CAPEX} \tag{4}$$

Having the FCFF, we can calculate the firm's value as follows:

$$Firm\ Value = \frac{\mathrm{FCFF}_1}{(1+\mathrm{WACC})^1} + \frac{\mathrm{FCFF}_2}{(1+\mathrm{WACC})^2} + \frac{\mathrm{FCFF}_3}{(1+\mathrm{WACC})^3} + \cdots + \frac{\mathrm{FCFF}_n + \mathrm{RV}_n}{(1+\mathrm{WACC})^n} \tag{5}$$

The WACC is the weighted average cost of capital. To know this value, we need to know the cost of equity capital (R_E) and the cost of debt (R_D), considering the relative weights of each component. Beyond that, tax effects (Tc) need also to be considered to estimate the company's after-tax cost of debt.

$$WACC = \mathrm{R}_E \frac{E}{\mathrm{E}+\mathrm{D}} + \mathrm{R}_D \frac{\mathrm{D}}{E+D} \times (1 - Tc) \tag{6}$$

In the FCFF valuation, we obtain the enterprise value. To have the equity value, we need to subtract the net debt from the firm value, i.e. to add non-operating assets and to subtract debt.

2.4 Free Cash Flow to the Equity (FCFE)

It is a measure that is based on the cash flows that shareholders expect to receive in the future. In this case, the discount rate will not be the WACC, in this valuation it should be rather the rate of return required by shareholders based on the risk that investors bear. Thus, we will get an estimate of the future value that shareholders may have the right to receive.

$$Equity\ Value = \frac{\mathrm{FCFE}_1}{(1+\mathrm{R}_E)^1} + \frac{\mathrm{FCFE}_2}{(1+\mathrm{R}_E)^2} + \frac{\mathrm{FCFE}_3}{(1+\mathrm{R}_E)^3} + \cdots + \frac{\mathrm{FCFE}_n + \mathrm{RV}_n}{(1+\mathrm{R}_E)^n} \tag{7}$$

"The differences between FCFF and FCFE arise primarily from cash flows associated with debt—interest payments, principal repayments, and new debt issues—and other non-equity claims, such as preferred dividends." ((Damodaran, 2012).

2.5 Capital Asset Pricing Model (CAPM)

CAPM is a model that shows us the direct relationship that exists between systematic risk and the return on assets. To calculate the return desired by shareholders we need the risk-free interest rate (R_f), the beta of the company (β_e) and the risk premium of the market $(\mathrm{R}_m - \mathrm{R}_f)$ where the asset is inserted. If this asset is riskier than the market it will have a beta greater than 1, if it is not, the beta will be lower.

$$\mathrm{R}_E = \mathrm{R}_f + \beta_e \times (\mathrm{R}_m - \mathrm{R}_f) \tag{8}$$

2.6 Adjusted Present Value (APV)

In this model, at first the scenario considered is that there is no debt, i.e. an unlevered company, being only financed by equity. This value is calculated and only in the end is the present value of the debt added.

$$\mathrm{V}_U = \frac{\mathrm{FCFF}_1}{(1+\mathrm{R}_U)^1} + \frac{\mathrm{FCFF}_2}{(1+\mathrm{R}_U)^2} + \frac{\mathrm{FCFF}_3}{(1+\mathrm{R}_U)^3} + \cdots + \frac{\mathrm{FCFF}_n + \mathrm{RV}_n}{(1+\mathrm{R}_U)^n} \tag{9}$$

With this method we can see the benefits of tax shields, as there is debt and there are payments that have to be made to repay the loans, the profit is reduced, consequently reducing tax payments. Typically, a levered company should have a larger value than an unlevered one. For example, in the first case, the WACC is used as the discount rate, which considers the cost of equity capital, but also considers the cost of debt, which is usually lower than the cost of capital. This will cause the WACC to be lower than the cost of unlevered equity capital and when applying the valuation methods, using the WACC, we will have more optimistic values.

$$PV\ of\ Tax\ Shields = \frac{\text{Tax Rate}_t \times \text{Interest}_t}{(1 + \mathrm{R}_d)^t} \tag{10}$$

As such, it could even mean that more debt would be better. But that is not so straightforward, there needs to be a balance between equity and debt in order to take advantage of the tax shield but at the same time, the company should be able to pay the debt without going bankrupt.

Finally, according to Damodaran (2012) it is necessary to evaluate the expectation of bankruptcy, and for this, we need two variables, “this requires the estimation of the probability of default with the additional debt and the direct and indirect cost of bankruptcy.”

2.7 Economic Value Added (EVA)

EVA is a method that studies the value that the company creates in comparison with what has been invested. “It is computed as the product of the excess return made on an investment or investments and the capital invested in that investment or investments” (Damodaran, 2012). Therefore, it is easy to conclude that if EVA is greater than 0, it means that the return on invested capital is greater than its cost, so the company is creating value for shareholders. EVA can be calculated with the following formula, where IC stands for invested capital.

$$EVA = \mathrm{EBIT}\ (1 - \mathrm{t}) - \mathrm{WACC}\ \times \mathrm{IC} \tag{11}$$

According Reddy et al., (2011) some companies pay taxes to prove to their shareholders that they have made a profit, but this may not be true at all. “EVA corrects this error by explicitly recognizing that when managers employ capital, they must pay for it, as if it were a wage. It also adjusts all distortions that are very much prevalent in the information generated by conventional accounting.” (Reddy et al., 2011).

2.8 Multiples

2.8.1 Earnings per Share (EPS)

Earnings per share relates the profit the company makes to the number of shares in the company. Basically, we can conclude what profit the company produces per share. The higher the EPS the higher the value investors will pay for a share.

$$EPS = \frac{\text{Total Earnings}}{\text{Shares Outstanding}} \tag{12}$$

2.8.2 Price to Earnings (P/E)

Multiple used for investors to compare the value of the company to the profits they derive from it (earnings per share).

$$P/E = \frac{\text{Market value per share}}{\text{Earnings per share}} \tag{13}$$

2.8.3 EV/EBITDA

The EV/EBITDA multiple has the strength of being an easy multiple to calculate for publicly traded companies, given that the two company indicators are public to all.

$$EV/EBITDA = \frac{\text{Enterprise Value}}{\text{EBITDA}} \tag{14}$$

This multiple is the closest to the P/E and these are two indicators that you can compare and try to conclude why there are differences between them. It is much easier to analyze the financial performance of a company through EV/EBITDA since it uses EBITDA and does not include D&A, debt costs and taxes.

2.8.4 Price to Book Value (PBV)

This ratio measures the market valuation over the book value.

$$PBV = \frac{\text{Market Value per Share}}{\text{Book Value per Share}} \tag{15}$$

CHAPTER 3

Data

For a good analysis of the company, it is necessary to have access to its financial statements, in this case, to have access to its accounts' report which are present on the company's website. Both the balance sheet and the income statement will be two key pieces in this study, to understand the state of the company and carry out its valuations. In addition, it is important to understand the market where the company operates, its position in it, the general values of this market, and its level of growth. This way, it will be possible to make a comparison between the company and the market and analyze whether or not they are above average.

First, we will analyze the information obtained from the annual report, from the cost of capital and debt, their weight in the company, the value of cash flows in the last year, considering the situation of the pandemic. Studying if there were new investments, in new buildings or brands, in the last years and if these are already bringing a return.

It will be necessary to observe the cash flows of recent years and how they have been behaving (if there has been growth or not), as well as to understand the ideas for the future of the company, if they are thinking of launching new projects, if they are considering expanding their chain, to make forecasts for the coming years. Other main variables will be the value of sales and their costs, having an idea of the proportion that these costs have on sales. Personnel costs and supplies and services are also variables to consider, as these are the main operating expenses of the company.

On the other hand, it will be studied the impact that covid had on the company from 2019 to 2020, in terms of values, the number of shops, and other relevant information, thus requiring these two years of information. This information will be on an annual basis and a forecast for the next 5 years will be carried out, also on an annual basis.

CHAPTER 4

Methodology

Equity research needs to consider the key points that will be tested and try to understand what is the best method that should be used in the assessment. This analysis varies from company to company and depends on the parameters chosen as fundamental to study.

Firstly, an introduction will be given about Ibersol group, where we will talk about its history, how and when it started, its restaurants and how it has grown over the years. Also, understanding where it is located, and which restaurants are available in other countries (excluding Portugal). Next, we will present an economic analysis of Portugal, how it has been behaving in recent years, and understand the impact that the pandemic had on some macroeconomic variables.

Secondly, an analysis will be made of the Ibersol Group's economic indicators for 2020, and if necessary, of previous years, to help estimate some assumptions, such as expected future cash flows, investment in CAPEX, or working capital.

Thirdly, the company will be evaluated by three models, there will be an introduction explaining why the assumptions were made, those that have not already been explained previously, and a brief explanation/summary of what can be concluded from each analysis made.

In this project, three main valuation methods will be carried out, EVA, DCF and multiple analyses, that were referenced in the literature review. The aim will be to take advantage of each of the models and their conclusions to have a more careful and effective analysis. In the case of multiples, it will be an analysis carried out by comparison. The multiples in the study will be calculated for the Ibersol group and will also be calculated for its main competitors. This choice will be made based on the sector and the stock exchange, and that there are similarities in companies' business models.

In the end, a sensitivity analysis will be performed with the variables with the highest weight and that are more susceptible to variation. Using different assumptions, some for and some against the company. The impact that a change in one of the variables will have on the group's value will be studied.

CHAPTER 5

Grupo Ibersol History

Ibersol, SGPS, SA is a Portuguese group, headquartered in Porto, which began its activity in the restaurant sector in 1990 when it opened its first Pizza Hut restaurant in Albufeira. The company has been listed on the stock exchange since 2000, having integrated the PSI-20 in 2017, the main Portuguese stock market index. In March 2022, Ibersol was excluded from that index due to the following stipulated changes, PSI will no longer obligatorily have 18 listed companies and will have a lower limit of "free-float" of 100 million euros. The process of accounting consolidation of Ibersol group is made under the International Financial Reporting Standards (IFRS).

In 1989 Ibersol began its activity by developing the Pizza Hut business. Pargeste decided to acquire Ibersol, in 1994, to have a broader project in the restaurant and leisure area.

In 1995, to expand the business, it was decided to increase the number of operators in the market, and a commercial affiliation was contracted with Pepsico for the implementation of KFC in Portugal. The opening of the 1st KFC took place in 1996, in CascaisShopping.

In the following year, it continued to expand the business by obtaining a new brand for the sandwich segment and another for the pasta segment. For the first segment, it signed a contract with the Spanish Group Agrolimen, which owns the Pans & Company brand, thus fulfilling Ibersol's agreement to develop the brand in Portugal. For the second segment, the Pasta Caffé brand was created. Still, in 1996, Ibersol acquired Iberusa, which was present in airport catering, freeways, and railways and had developed the Brazilian concepts Ò Kilo and Frangão. To expand the Pizza Hut business, Ibersol acquired the Pizza World units located in Portugal, replacing them with Pizza Hut restaurants.

The Ibersol Group, in 1997, finally entered the stock market and was traded for the first time on November 27. In that same year, the number of units was 65 and the company employed 1933 employees. One year later, the number of branches increased to 104 and the number of employees to 2770. In that year the company was already participating in the following restaurant segments: Pizza, Chicken, Sandwiches, Brazilian Food, Pasta, Traditional Restaurant, Burgers, and American Food.

In 2000, the following group values were defined: we believe in and value our people, we exist for the customer, we take joy in sharing, we always do better, and we have enthusiasm for entrepreneurship. At this time Ibersol was already one of the country's leading employers.

In 2002, the Ibersol Group decided to invest and acquire the majority of the capital stock of Vidisco, a company that owned Pizza Móvil in Spain, and also invested in 60% of the capital stock of Restmon Portugal, which had the Cantina Mariachi brand.

2004 was marked as a year of growth in the Iberian Peninsula. In Portugal, they began to expand the business to the interior, with the Pizza Hut, Pans & Company, Burger King, and Pasta Caffé brands, while in Spain the growth came from the performance of Pizza Móvil and the increase in the number of Pasta Caffé restaurants.

After 2 years, the group focused on the expansion of Burger King in Spain, for this purpose they bought company Lucra which operated 31 restaurants of the brand in the neighboring country. In addition to this expansion, the group focused on the diversification of the activity, where there was an investment resulting from the concession rights of the service areas, with the opening of 21 stores and increased participation in QRM, a company which specializes in catering services.

In 2007, there was an expansion in the multi-brand and travel segments, with the opening of two Sol units and new concessions at Lisbon Airport and Azores Airport. In the same year, Viva Bem was launched, a program that aimed to promote and educate to have a healthy lifestyle. This program covered six of the Group's brands, Pizza Hut, Burger King, KFC, Pans & Company, Ò Kilo, and Pasta Caffé. In the following year, the company obtained the exclusive supply of food for the Rock in Rio Lisboa festival, managing the bars and mobile units with its brands, as well as the management of the VIP area with its catering services.

In 2009, the group reached 22 units certified with ISO 22000, which is based on the internationally recognized HACCP principles of the Codex Alimentarius. The following year was marked by the economic problems that were occurring throughout Europe.

2011 was marked by the year in which Portugal resorted to foreign aid, committing itself to a reduction of the budget deficit, through expenditure control, but mainly by increasing tax revenues. The Group focused on the internationalization strategy, implementing and investing in the creation of establishments in Angola. Even though we were going through these moments of crisis, two new projects were born such as Spoon and Clocks, which were placed in Portuguese airports.

In 2012, the main focus was on modernizing the portfolio, changes that occurred in some companies such as Pizza Hut, KFC, and Burger King, which introduced new proposals to the consumer, modernization of some units, among others, and the continued renewal of the Ibersol Group's concepts. That year, they launched the Miit brand, corresponding to a trend that in recent years had been growing among the Portuguese people, who were increasingly attentive and aware to have a more careful and balanced diet. Miit specialized in grilled meats, with the inclusion of white meats, and focused mainly on quality and authenticity.

In the following year, the Group continued to emphasize its focus on three main areas: the readjustment and modernization of their portfolio, the enhancement of human resources, and the expansion of the markets in which they operate, through internationalization to Portuguese-speaking countries, especially to Africa, as is the case of Angola.

2014 was marked by the year in which Portugal managed to recover from the economic recession, thus allowing the group to grow again and improve its performance. This development allowed an improvement in sales of most brands in the portfolio.

The positive signs of economic improvement continued to be reflected in the following years. In 2015, GDP grew by 1.5% due to the increase in domestic demand, which grew by 2.4 percent.

2016 was marked by the expansion of the Group, where 12 new Burger King restaurants opened, and by the presence in Angola, where the Group asserted itself as the main player in the implementation of the "Modern Restaurant". Angola was going through times of crisis, where it was influenced by external intervention devaluing the Kwanza against the Euro.

Furthermore, Ibersol acquired 100% of the Eat Out Group, being one of the main players in Spain, Italy, and Portugal holding restaurants of the brand’s Pans & Company, Ribs, Santa Maria and Frescco. This acquisition increased the number of the group's restaurants to 667 and sales to around 478 million euros.

The year 2017 was marked by one of the highest GDP growth of 2.7%, this growth was largely influenced by the increase in tourism in Portugal. In 2017 the purchasing power of the Portuguese was increasing knowing that they were recovering after the crisis, thus resuming their normal spending. Portugal, over the years, has become one of the most sought-after places by tourists, and even by the Portuguese themselves who take advantage more and more to know every corner of their country. From beaches, landscapes, temperature, and comfort to gastronomy, all factors have influenced the increase in the percentage of tourists in Portugal. There was a higher volume of service provision, this was largely due to the acquisition that occurred in 2016 of Eat Out Group.

In Angola, it did not go so well, and from the second quarter on there was a decrease in sales. The evolution of the business in Angola is linked to the evolution of the price of a barrel of oil. The year 2017 was marked by elections and by inflation that reached high values, reducing Angolans' consumption. On the other hand, the Kwanza did not devalue as expected.

CHAPTER 6

Business Description

The company operates in three major business segments. Restaurants, units that have table service, in addition, to counter service and home deliveries. Counters contain all units that sell over the counter. Concessions and catering encompass all other businesses such as activities in concession spaces. In 2021, restaurants generated more than 78 million in revenue, which corresponds to 22% of Ibersol's total revenue. The Counters generated the highest amount of revenue of the three groups, having covered 62% of the total revenue amount, which corresponds to more than 223M. Finally, the Concessionaires and Catering obtained more than 55M in revenue which corresponds to 16%.

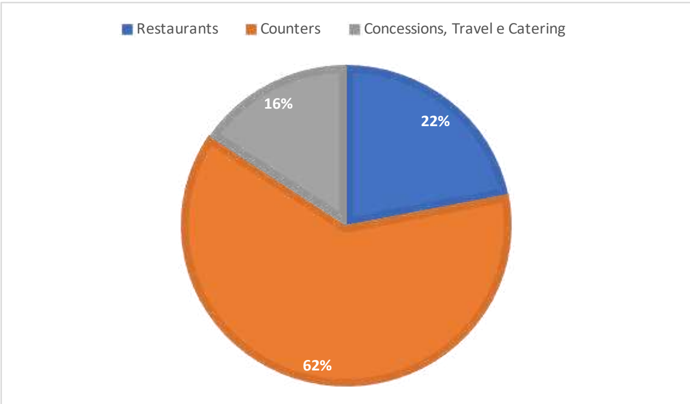

Figure 1 - Revenue By Segment (Source: Annual Report)

The Group operates a network of 621 units in the restaurant business, of which 544 are its own and 77 are franchises. Broken down by country, 383 are based in Portugal, of which 364 are owned and 1 is a franchise. In Spain, 152 owned establishments and 73 franchised, 10 in Angola and 3 in other locations.

On December 31, 2021, according to the report and accounts, Ibersol's registered shares with a par value of 1 euro each. The company held almost 3,600,000 own shares on that date, which corresponds to a share close to 8%.

6.1 Industry Overview

In macroeconomic terms, Portugal and Spain follow a very similar trend, both were affected by the Covid-19 pandemic that forced the world to stop indefinitely. At this moment, the economy is recovering and starting to grow again, with real GDP close to 5% in the Iberian Peninsula. In 2020 it reached negative values in Portugal and Spain, of 8.4% and 10.8% respectively. These values are lower than the European average that reached negative 5.6 percentage points.

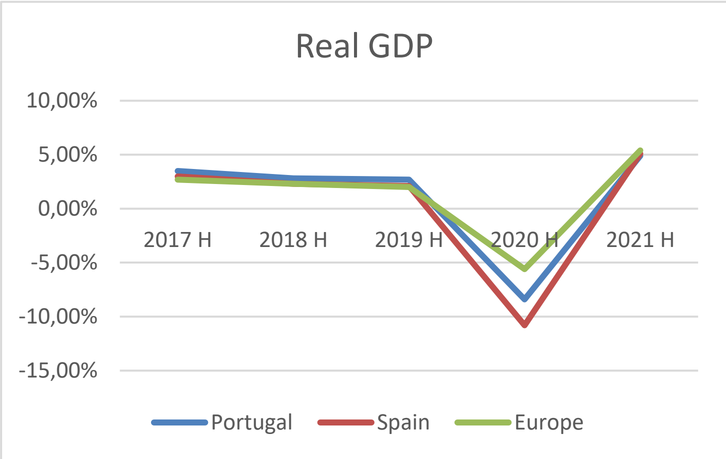

Figure 2 - Real GDP Growth (Source: IMF)

With regard to inflation, uncertain times are being lived and that has broken records, reaching maximum values compared to recent years. In 2021, inflation in Portugal, Spain, and the European average, was 0.9%, 3.1%, and 5.8%, respectively. Projections for future years are that it will increase due to the impacts of the Covid-19 pandemic and the war in Ukraine, which began in 2022. The average in Europe at the end of 2022 is expected to reach 7.4%.

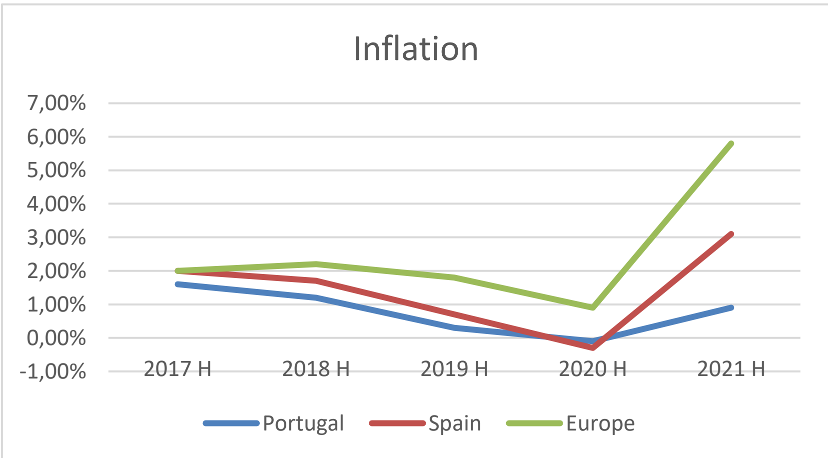

Figure 3 – Inflation Growth (Source: IMF)

6.2 Competitive Positioning

The restaurant industry can be considered a mature/saturated market, composed of a huge number of restaurants and companies making it increasingly difficult to distinguish and differentiate from other competitors. The Ibersol Group has as some of its competitors the following companies: McDonald's, Starbucks, Yum! Brands, DP Eurasia NV (Domino's).

The group tries to distinguish itself from these competitors through diversification and adaptability, knowing that some of them only operate in some services, the Group is present in several, such as hamburgers, pizzerias, coffee shops, healthy fast-food, pasta, tapas, and more traditional restaurants, thus trying to explore and have an established position with different brands in each of these services. In recent times we have verified the easy adaptation that the group has in entering new markets/services, an example was the entrance into the healthy food market. This market has grown a lot in the last few years and has become an increasingly noticeable choice for consumers. In order not to lose its position in this market, Ibersol entered in 2012 with the restaurant Miit to be present and have a position.

Another adaptation that the group has made is to breakfast menus and snacks. Over the years the group's restaurants have added new products and services within this topic to increase the variety and give the customers options to choose from. Both the group's cafes and fast-food restaurants already contain these options.

In terms of business expansion, the company is present in Portugal, Spain, and Angola, with most of the investment being in the Iberian Peninsula. In Angola, they are only present with two brands, KFC and Pizza Hut.

Analyzing the industry, it is possible to identify the restaurant industry and, more specifically, the fast food industry as an extremely fierce market. Considering Porter's five forces, there is a strong competitive rivalry, the industry is characterized by a large number of competitors with low market shares. There is also a high level of threat of substitutes, bearing in mind that brands that are already present and already have consumer confidence are difficult to replace. There are no switching costs from the customer's perspective and there is a high availability of substitute products, brands, and submarkets. Within the industry, the consumer has significantly high power, sensitive to brand, price, and taste. Potential new entrants represent a medium risk, a considerable average initial investment is required, but it is difficult and expensive to become a well-known brand. They would have to bet on differentiation or on a style identical to what already exists but look for a better quality vs. price ratio.

In this case, it is complicated in the initial moment to gain the consumer's trust and make them choose the new brand over all the others already on the market.

Economies of scale can also affect the revenues of new/senior companies within the industry. On the other hand, suppliers are also vast and in principle, there is no extra cost of switching suppliers. Being that there is a large supply of suppliers and markets and low power from the supplier's point of view.

All business expansion and portfolio changes are accompanied by investments in management, logistics, and planning. The increased centralization of the supply chain allows the company to reduce costs, thus creating value.

New technologies and the increasing use and offer for mobile application is also a key factor within the market. Applications such as Uber Eats and Glovo have reinvented food delivery services. Innovating within these companies and technologies is crucial to maintain the market share of the business. The company is aware of such changes and has developed relationships with these players in the logistics market.

Another good way of evolution is the evaluation of the employees, knowing that they are being evaluated, they will always give the best service possible. For a restaurant to be successful, it necessarily needs a team of employees that give their best in the service performed. The goal will always be to create value and trust for the customer.

CHAPTER 7

Forecasts

Revenue - According to the data obtained in the financial statements, the revenue maintained very identical values and growth until 2020, the year that the pandemic affected Portugal and closed all the restaurants. This year the revenue had a decrease by 40% to 2019. In 2021, given that normalcy has resumed, the figure recovered again by 24% compared to the 2020 figure. For the future, it is assumed that the revenue value will have constant growth, for 2022 a growth rate of 20% is assumed, and for the remaining years 15%, 10%, 5%, and 2.1% (perpetual growth rate). The growth rate is optimistic in the early years given that the 2021 figure was still far from what we had achieved in the pre-pandemic years.

Revenue remained constant in the forecast for future years among the three segments that the company covers (Restaurant, Counters and Concessions, Travel, and Catering).

Table 1 - Revenues Forecast (Source: Author)

12 Months Ending	31-12-2021	31-12-2022	31-12-2023	31-12-2024	31-12-2025	31-12-2026
Total Revenues	357.335.254	428.802.305	493.122.651	542.434.916	569.556.661	583.795.578
Growth rate	*24%*	*20%*	*15%*	*10%*	*5%*	*2.1%*

Depreciation and Amortization - For depreciations and amortizations, an average of the percentage of spending in the last five years was carried out in relation to tangible fixed assets, intangible assets, and assets by right of use. For these assets, it was assumed that the growth would be a function of revenue, given that in recent years it has always maintained a relatively constant percentage for this item. For depreciation, we considered a percentage of 12% in the function of PPE, and for amortizations, we considered 9% for the IA and 20% for the Rights-of-use assets.

Table 2 – Depreciation and Amortization Forecast (Source: Author)

		Forecast				
	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026
Property Plant & Equipment	214.373.712	190.815.682	219.438.034	241.381.838	253.450.929	259.787.203
Depreciation	(24.766.218)					
PI	(4.210.240)					
Others	131.590					
Total Dep, PI and others	(28.844.868)	(23.062.330)	(26.521.679)	(29.173.847)	(30.632.539)	(31.398.353)
% Dep	*12%*	12%	*12%*	*12%*	*12%*	*12%*
Intangible Assets	35.870.696	39.591.733	45.530.492	50.083.542	52.587.719	53.902.412
Amortization	(3.537.115)					
PI	(2.128.275)					
Total Amor, PI and others	(5.665.390)	(3.542.648)	(4.074.046)	(4.481.450)	(4.705.523)	(4.823.161)
% Amor	10%	9%	9%	9%	9%	9%
Right-of-use Assets	138.871.151	166.645.381	191.642.188	210.806.407	221.346.728	226.880.396
Amortization	(49.140.470)					
Total Amortization	(49.140.470)	(33.170.024)	(38.145.527)	(41.960.080)	(44.058.084)	(45.159.536)
% Amortization	23%	20%	20%	20%	20%	20%
Depreciation and Amortization	(83.650.728)	(59.775.002)	(68.741.252)	(75.615.377)	(79.396.146)	(81.381.049)

Rights of use Assets - The company only started acquiring rights of use assets in 2019 and for these three years, it never maintained a constant variance. In 2019 they covered 66% of revenue, in 2020 they covered almost 100% and in 2021 it reduced to 39% coverage. There was a reduction, in 2021, in the right-of-use assets of the concession contracts in airports in Spain due to the application of Law 13. This law resulted in a reduction in the value of these assets by 128.5 million. Assuming no other law is changed or announced, the assumed hedging value for future years will be the 39% shown at the end of 2021.

Borrowing and Leasing - As explained in the Rights of use Assets and according to Law 13 that was applied in Spain and reduced the value of these assets in 2021, the leasing values were also affected and there was a reduction of more than 50% from 2020 to 2021. Assuming that the leasing value varies according to the rights of use assets, only the percentage of the 2021 revenue was considered. For non-current leasing, a percentage of 34% was considered, and for current 6%. For future current loans, the map of non-current loans existing in 2021 was considered and the values expected to be paid in each year were maintained.

Table 3 – Borrowing and Leasing Forecast (Source: Author)

	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026
Non-Current Borrowing	140.439.066	77.666.496	104.197.510	148.871.290	187.057.144	188.692.980
Current Borrowings	26.593.284	37.055.776	51.085.217	35.319.660	8.669.346	8.309.067
Non-Current Lease	121.422.685	145.707.222	167.563.305	184.319.636	193.535.618	198.374.008
Current Lease	21.645.649	25.974.779	29.870.996	32.858.095	34.501.000	35.363.525

Other Income/(Expenses net) and Share on Profit in Associates - Items that do not relate to the company's natural business, its core activity, and a value of 0 was assumed in future years for these items. Since it is not possible to estimate the value in comparison with the revenues or with the expenses of the company's core activity.

Cost of sales, electricity, water, fuel, and personnel costs - For all these costs it was assumed the average percentage of revenue, and in the last 5 years these expenses were constant in proportional terms. Thus, in future forecasts, the cost of sales and electricity, water, and fuel will both be 24% of revenue, and personnel costs will be 32%.

Net Financing Costs - For net financing costs, the weight of these costs was calculated as a function of total net debt, which includes current and non-current loans and leasing. Since the weight of this cost was regular over the last five years, an average of 4% was used.

Interest Revenue - The interest revenue is obtained through financial assets. The average of the last five years of 8% was used. This percentage is the weight of this interest on the total current and non-current financial assets and it was assumed that the percentage would remain constant in future years. This amount is mostly related to interest from treasury bonds and term deposits, in Angola.

Income Tax Expense - The proportion of income tax expenses to earnings before taxes was calculated, and it was concluded that these were a regular percentage over the last few years. Therefore, an average of 14% was obtained and used as the constant value for the proportion of income tax expenses.

Income Tax Payable - In the same light as the previous line, the proportion of income tax payable to income tax expenses was calculated. This value has been regular in recent years, so it is assumed that it will remain constant in the forecast, at 8 percentage points.

Accounts Payable (Suppliers & Accrued Costs) - The Supplier's item depends on the period of days that the company takes to pay the supplier. The average number of days the company takes to pay is 272 days and was calculated from historical data as a function of the cost of sales for the year.

Goodwill, Property, Plant & Equipment, and Intangible Assets - The expansion is done according to the evolution of revenue in future years. Given that the company has always maintained the value of these assets in a regular percentage according to the revenue, we will maintain this assumption in the coming years, being 22% of the weight of Goodwill, 44% of PPE, and 9% of Intangible assets.

Deferred Tax Assets - This item represents tax benefits from previous years. Since this value has a maximum carry forward period of ten tax periods, and our forecast is only for five tax periods, we will keep the value constant in our forecast.

Financial Investments, Financial Assets, and Other Financial Assets - The headings in question are not directly linked to the company's main activity. It will be assumed that the 2021 values will remain constant in the future. Thus, it is foreseeable that in the future investment will be made only to maintain the same value of the existing portfolio in 2021.

Deferred Tax Liabilities, Provisions, Derivate Financial Instrument, Other non-current Liabilities – Considered constant for the future.

Equity attributable to owners of the company – Equity is updated each year with the net income retained.

Non-Controlling Interests – Expected to remain constant.

Dividends - In 2018 and 2019 there were dividend distributions, but in 2020 when net income was negative there were no more. We will assume that they will first cover the loss that occurred in 2020, with the following years. The first dividend to be distributed will be in 2024, for the results of 2023 adding the results that occurred during the period from 2020 to 2023 to cover the loss and generate a profit of more than 2M. The first dividends were calculated only on this 2M. The following dividends were calculated on the net income of the previous year as the negative result of 2020 was covered in 2023. In terms of dividend distribution rates, a 5% increase was made from 2024 to 2026, starting with a rate of 10%, followed by 15%, and finally 20%, a rate that should be maintained in perpetuity.

Table 4 – Dividends Forecast (Source: Author)

	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026
Equity attributable to owners of the company *	228.573.100	240.239.761	256.100.096	271.915.309	285.266.961	297.831.947
Net income	32.826.825	11.666.661	15.860.334	16.073.319	15.762.650	15.717.516
Dividends	-	-	-	(258.106)	(2.410.998)	(3.152.530)
Dividend Payout ratio	0%	0%	0%	10%	15%	20%

CHAPTER 8

Investment Risks

8.1 Financial Risks

8.1.1 Currency Fluctuations

As the Ibersol Group is an international company, it is exposed to currency fluctuations and exchange rates, given that they are present in the Angolan market. Changes in exchange rates have an impact on companies, their operations, and profitability. While understanding and managing foreign exchange risk is important for business owners, investors should also be aware of it because of the major impacts it can have on their investments. However, operational or economic exposure risks can be mitigated using operational or currency risk mitigation measures. The company's greatest risk comes from its operations in Angola, which are small in size and have been losing weight in the group's activities. In Angola, there is a major risk of devaluation of the Kwanza given that there is a shortage of foreign currency in the country. The Ibersol companies present in Angola are financed with the local currency, and to control the currency's volatility, the Group monitors the credit balance in foreign currency monthly and acquired Treasury Bonds of the Republic of Angola, indexed to the dollar. These bonds bear fixed interest, so there is no risk related to the fluctuation of interest rates.

8.1.2 Interest Rate Risk

The companies do not hold assets that bear significant interest and therefore interest rate fluctuation should not cause a very high impact. The company's main risk is related to its liabilities and long-term borrowings. The loans, if they are at a variable rate, are exposed to cash flow risk given the possibility of interest rate fluctuations. If they are fixed rates, they expose the group to fair value risk. Currently, the Ibersol Group, in the financing of high maturity, follows the policy of fixing interest rates up to 30% of the total amount of debt.

8.1.3 Credit Risk

As the Ibersol Group's sales are normally paid in cash or by credit card, there is no very significant credit risk. The Catering and Franchising businesses present this risk, but they are a very small weight in the company's turnover, close to 4%. To better control this risk, the Group began, on a more regular basis, to control the credit granted to customers, to check the age and if there is any impairment in receivables and to analyze the customer profile, considering the risk associated with it.

8.1.4 Liquidity Risk

Liquidity risk management is done based on annual planning, which is reviewed quarterly and adjusted whenever necessary. Liquidity risk depends on the ability to maintain sufficient liquidity and bank response to meet the liquidation of current debt market positions. Ibersol's increased liquidity can be seen as a precautionary measure to keep liquidity stable. Liquidity ratios, as mentioned first, are expected to increase slowly. Despite being an effective risk, Ibersol has adopted a defensive liquidity strategy. In addition, the company tries to maintain available credit lines.

8.1.5 Capital Risk

The Group continues with the goal of ensuring a balanced capital structure and verifies this from the financial leverage ratio (debt/debt + capital) that it tries to keep between 50 and 75%.

8.2 Sectoral Risks

8.2.1 Disposable Income

The household's disposable income can negatively influence the Ibersol Group's revenue. If we are in a period of economic recession, which can lead to tighter wage policies, an increase in the unemployment rate, and changes in interest rate levels, all of this can have an impact on the restaurants' revenue. Ibersol's strategy is to include affordable prices for most families. Even so, the group maintains a dynamic policy and in the face of adverse changes, it can adjust the offer in terms of price/quantity to ensure that there is a sustainable level of activity and profitability.

8.2.2 Consumer Habits

A difficult point to predict and monitor by the company is to understand what will be the next trends and consumer needs. The group is present in some catering markets, but trends and habits have been changing over the years can they be present in the next developments of this sector, can they innovate and present innovative concepts that become a habit of the public, are all questions that the company has, but are very difficult to prevent.

In terms of concessions & catering, they are mostly present at airports, and the percentage of revenue varies greatly with the number of trips and people moving out of their city. As was the case, with the pandemic, the number of trips and people traveling suffered a huge drop, which caused this segment to be affected in its sales.

8.2.3 Socials Risks

The Covid-19 pandemic significantly affected the restaurant sector, in which the Ibersol group operates, leaving deep scars not only in terms of the volume of activity but also in terms of consumption habits, the business model itself, and the channels, resources, and processes used to operate the business. In this context, and terms of people management, the Ibersol Group is aware that it is important to develop people, to have a high retention rate of the talent acquired, but also to know how to attract new people and new talent to the company. In addition to monitoring the organizational climate, the organization usually has ongoing activities, which help motivate its employees, ensure that there is a fun and joyful environment at work, non-discriminatory, transparent and above all a promoter of merit and excellence. In any case, the Group is aware of several market trends, such as remote work, which has won over many companies and employees who were forced to stay at home due to the pandemic and who were still able to develop their work. Remote work may pose challenges but also cultural and operational opportunities, with a sensitive impact on the quality, efficiency, and profitability of the business.

8.2.4 Technology Risks

An essential component for the development of the business is the information and communication technologies used in restaurants, websites, and applications, among others. As an example, we have the case of restaurants where it is already possible to see the menu online from a QR code or to order from machines and consequently pay, without having to stand in line to be served and increasing the confusion and waiting in the restaurant. All this has been making the lives of workers and consumers easier by making work more efficient. The Group, knowing that technology, nowadays, is a fundamental piece for the organization to be able to work, is committed to being proactive in favor of IT security through the acquisition and implementation of advanced technologies, protection systems, detection, and disaster recovery.

8.2.5 Global Context Risks

Derived from the pandemic, but also the ongoing war in Ukraine, there has been an increase in the price of energy and fossil fuels. This factor negatively influences all global supply chains, leading to a general rise in food prices. It thus affects the purchasing power of consumers, the profitability of the Group's business, and its strategic options. The war causes social and economic impacts that are very difficult to predict, and increases inflation to rare levels, thus leaving consumers more reluctant and less willing to have meals away from home.

8.2.6 Quality and Food Safety Risk

The Group works to ensure quality control and prevention measures. To this end, they have a website, vivabem.pt, for consumers to check healthy eating habits, exemplifying the best choices for everyday life by having information about Ibersol's Food Safety System.

8.2.7 Occupational Health and Safety Risk

During the year there are awareness programs aimed at demonstrating good safety and hygiene practices. These programs also help to reinforce the commitment that exists between customers and consumers. There is an assessment of risks that may exist in the work environment and also an assessment and investigation of accidents that occur. In 2021 the main focus was on Covid-19 where there was the adoption of health measures and precautions, guided by the regulations of the Directorate General of Health.

8.2.8 Environmental Risk

To ensure that there is control in terms of environmental protection, waste management, and prevention of pollution the company uses ISO 14001 certification. Thus, the Group incorporates environmental issues into its strategic management and that of its employees. In the course of planning, long-term objectives focus on reducing the likelihood of environmental risks such as emissions or spills. In addition, the Group segregates and analyzes environmental risk into three areas, climate change, external events, and resource utilization.

8.2.9 Legal and Regulatory Risk

The Ibersol Group is exposed to strict national and international legislation, namely in matters related to food safety, hygiene, food products, employees and customers, and the environment, among others. To protect itself, the group has a structure dedicated to analyzing all legal and regulatory aspects in the areas where it operates and has access to all up-to-date legislative information that may be relevant to its business.

CHAPTER 9

Financial Ratio Analysis

The financial ratios are a good contribution to the company's valuation, as they describe how the board is developing short, medium, and long-term strategies. These ratios are an asset for investors and anyone else interested in the company's performance. It is always useful for an investor to use these indicators in his evaluation and to compare them with companies with similar businesses.

9.1 Performance Ratios

First, we have the EBITDA and EBIT margins, which fluctuated a bit between 2015 and 2020 and did not have a trend. EBITDA in 2020 was 15% and in 2021 it had increased to 38%. Considering the forecasts made, it is believed that the EBITDA percentage in the future will stabilize at approximately 20%. The EBIT in 2020, due to the impact of the pandemic, had a negative value, with a margin of -18%, increasing to 15% in 2021. Regarding the EBIT, and depending on the expectations for the future of the company, the margin will tend to stabilize at 6%.

Figure 4 – EBITDA and EBIT Margin (Source: Annual Report)

Regarding Return on Equity, ROE, it had a drop from 2019 to 2020, from 8% to a negative percentage of -35%, but recovered in 2021 to a positive and higher percentage than in 2019, where it reached 14%. It is expected that in future years the ROE value will range between 5% and 7%. This is a reasonable value for the return on the investment made by the shareholders.

Return on Assets is calculated to understand the total return generated by the assets that the company holds. Looking at the company's historical figures, it is a percentage that has remained constant over time, except in 2020 which was an unusual year. It is a percentage that with the estimates and forecasts made will remain at 2%.

9.2 Liquidity Ratios

Current Ratio - Throughout the historical data, the company tends to have this value below 1, thus concluding that current liabilities are always higher than current assets. This means that if the company needs to settle its liabilities, in a scenario where there is no activity, it will not have enough current assets to do so, and puts the "health" of the company at risk.

Quick Ratio - If we have a more restricted analysis and exclude inventories, the short-term assets were only able to cover half of the current liabilities.

Cash Ratio - In a scenario where the company only has cash available to cover short-term liabilities, you can conclude that it is unable to do so. The pandemic brought a new sensitivity to companies and showed that having quick cash is important for the health of the business. Since in this period they could not sell their inventories to cover their expenses. After analyzing the ratios, it can be seen that the company in 2021 was more cautious, having a higher amount of cash and that it already covered approximately 71% of its current liabilities. Compared to 2019, before the pandemic, the cash value only covered, 20%. The company has taken care to protect itself and increase its cash so that in case it cannot liquidate its current assets, it has a volume of cash available to save the business. As can be seen from the company's story, one of the main strategies in this industry is mergers and acquisitions of companies, for this to happen they need to maintain good levels of liquidity to execute these strategies if good opportunities arise.

CHAPTER 10

Valuation

To assess the value of the Ibersol Group's shares, three valuation methods were used: Discounted Free Cash Flow, Economic Value Added, and Comparable Multiples Analysis. Starting with the DCF approach, it was performed based on a future period of 5 years discounted at a WACC rate of 5.5%, with a perpetuity rate of 2.1%. The comparison by multiples will be analyzed by comparing companies in the same segment with similar businesses, such as Mc Donalds, Starbucks, Yum Brands, and DP Eurasia NV.

10.1 Assumption of WACC

The weighted average cost of capital is the average rate an entity expects to pay to finance its assets. This rate is used because it reflects the return that both shareholders and bondholders require to continue financing the company. The WACC depends on the volatility of the company and whether it is financially stable or not. For its calculation, it was necessary to obtain data regarding the risk-free rate and the risk market premium.

Analyzing the Ibersol Group's capital structure, it can be understood that the company has high amounts of loans, higher than the amounts of capital. The value of debt is divided between the non-current and current periods. The largest percentage of this amount relates to the non-current period, having loans with a settlement date of more than 4 years. Therefore, the WACC will be influenced more by the cost of debt than by the cost of equity.

For the D/V, weight of debt, we assumed a value of 0.64 and for the weight of equity, we assumed 0.36, considering the values of debt and equity on 12/31/2021. To determine the cost of equity we used the Capital Asset Pricing Model (CAPM) formula, where the risk-free rate was determined by the German 10-year Treasury Bond, resulting in a value of 0.89%. Regarding the Market Risk Premium, it was assumed to be 6%, this average was performed by KPMG based on the last five years.

To calculate the unlevered beta, all the unlevered betas of the peer group we are going to compare were analyzed and an average was performed, obtaining an unlevered industry beta of 0.77, in which case it can be concluded that the industry's risk is lower than that of the market. As for the levered beta, we used the Hamada Formula. For this, the value of the Ibersol Group's D/E ratio was calculated, obtaining a value of 1.78. For the tax rate, an average was made between Portugal and Spain, the two markets where more than 90% of the Ibersol Group's companies are located. In Portugal, the rate is close to 22.5% (21% + 1.5% of the municipal tax) and in Spain, it is 25%. Having obtained an average value of 23,75%. Finally, the levered beta value was calculated and is 1.81.

Regarding the cost of debt, since the Ibersol Group has no available credit rating, it was decided to calculate the credit rating based on the interest coverage ratio. To do so, the EBIT/interest expense was calculated, obtaining a value of 2.96. The value corresponds to a BBB rating, and this rating is linked to a spread of 1.71%. Finally, to obtain the cost of debt, the spread was added to the risk-free rate, obtaining a value of 2.6%. Finally, for the cost of equity, a value of 11.76% was obtained.

Having obtained all the necessary values and knowing that the WACC is the average rate a company expects to pay to finance its assets, it is acceptable to assume that the value cannot be too high since the cost of debt is less than 3%. As such, we ended up with a WACC of 5,5%.

Table 5 – Estimation of WACC (Source: Author)

WACC	
Cost of equity levered (Re)	11,76%
Cost of debt (Rd)	2,60%
E/D+E	0,36
D/D+E	0,64
Tax Rate	23,75%
WACC	**5,50%**

10.1.1Growth Rate

To estimate the permanent growth rate, some methods were used to find the best possible estimate. First, we started by comparing the ROIC with the Reinvestment Rate, observing the values, the ROIC stabilized after 5 years at a value of 5.56% and the RR did not stabilize, but suffered a decrease over time, being the estimate for 2026 45%. Thus, obtaining a growth rate of approximately 2.5%.

Therefore, it was decided to follow another approach, to observe sales growth over the years, until 2020 given the onset of the pandemic and the closure of the restaurants. Looking at the data for the years before 2020, it is observed that the % growth has not stabilized, with 2017 to 2018 growing by 0.4% and 2018 to 2019 growing by 7.8%, thus getting an average value of 4.1%. However, it is not possible to assume that the growth rate of sales will remain constant at this average value as it has not been stable in recent years. Therefore, we will not assume this to be a perpetual growth rate.

Finally, for the perpetual growth rate, the inflation rate was assumed. To obtain this value we calculated the average of the inflation values from 2021 to 2026 using the estimates calculated by the

International Monetary Fund, which already considers the influence of the pandemic and also the war going on in Ukraine these days. This war has caused inflation to reach quite high and worrying levels these days. Besides the inflation figures for Portugal, those for Spain were also considered, since the Group has a relevant percentage of business in the neighboring country. With the two estimates per country, an average was made, thus obtaining a value of 2.1% for the long-term growth rate.

10.2 Final Firm Value

To calculate the value of the company the DCF valuation method was applied. This method was chosen given some of the company's characteristics, expect the company to grow at a stable level, have positive cash flows over the next few years, and also due to its capital structure. Since the company has a high value of loans and leasing and this amount is higher than the equity value, we were able to have a discount rate that proportionally represents these two costs (WACC). DCF valuation was performed by calculating the estimate for the next 5 years, until 2026, with a terminal value calculated from 2027.

For the estimated period, which ends in 2026, there is an increase in the Operating FCF, considering that in 2023 a negative value is estimated, due to the estimated 44% annual increase that will occur in property plants and equipment. In the following years, the Operating FCF grows, and in 2025 a positive value is estimated, largely related to the increase in revenue. Considering the Enterprise Value, we estimate a value of 490,744,611 euros and a terminal value of 681,528,838 euros. To obtain the equity value, the non-operating invested capital was summed and the net debt and the non-controlling interests were subtracted, thus concluding the equity value with a value of 296,497,109 euros.

As for the shares and with nothing announced by the company, it is plausible to believe that they will remain constant in the estimated future. Thus, we have 33,605,498 shares outstanding, and the estimated value per share on 12-31-2021 is 8.82 euros, which is higher than the value that closed the market on 12-31-2021 of 5.18 euros. We thus estimate a gain of 3.64 euros per share which corresponds to a return of approximately 70%.

Table 6 - DCF Valuation (Source: Author)

	DCF						
	2021	2022F	2023F	2024F	2025F	2026F	Perpetual
Operating FCF	130.796.427	5.426.618	(39.035.475)	(20.699.985)	3.824.557	17.957.787	23.452.507
@ WACC	5,50%	5,50%	5,50%	5,50%	5,50%	5,50%	5,50%
Terminal Value							681.528.838
Discounted FCF		5.143.739	(35.071.853)	(17.628.643)	3.087.306	13.740.449	521.473.614
Enterprise Value	**490.744.611**						
Enterprise Value PV FFCF	490.744.611	512.306.467	579.516.209	632.086.657	663.023.673	681.528.838	
Enterprise Value PV FFCF + FCF year n		517.733.085	540.480.734	611.386.673	666.848.230	699.486.625	
Non-Operating IC	121.680.015	83.831.925	92.832.708	99.777.230	103.678.094	105.815.779	-
Firm Value	612.424.626	596.138.392	672.348.917	731.863.888	766.701.767	787.344.616	
CF Finan. Debt	(315.928.517)	(292.232.105)	(358.544.861)	(407.196.514)	(429.590.940)	(436.567.413)	
Equity Value	**296.496.109**	**303.906.287**	**313.804.056**	**324.667.374**	**337.110.826**	**350.777.204**	**-**
DCF	8,82	9,04	9,34	9,66	10,03	10,44	
Number of Shares outstanding	33.605.498	33.605.498	33.605.498	33.605.498	33.605.498	33.605.498	
Cotação a 31-12-2021	5,18						

10.3 Multiples

The DCF valuation focuses mainly on individual assumptions about the company's growth, about its costs, thus lacking a more market-focused analysis. To complement the above valuation, a valuation was performed through the multiples by comparing with a peer group. This comparison is done by calculating the P/E, P/Sales, and EV/EBITDA. The goal would also be to perform analysis through PBV, price to book, but the peer group values were negative since the book value per share is negative. Thus, the analysis of this multiple was ineffective.

In terms of the selection of the peer group, it was based on some criteria that have contexts and criteria common to the company, namely, same market, same target public, identical growth of results, listed on the stock exchange, and identical capital structures. Given these criteria and the analysis carried out considering the financial statements of the companies, the result was a peer group selection of 4 companies, McDonald's, Starbucks, DP Eurasia NV (Domino's), and Yum! Brands. Companies with similar businesses and listed on the stock exchange, which helped in obtaining data and comparing them.

After collecting the data from all the companies, it was easy to observe the differences between them. First of all, a significant difference in market capitalization is observed for McDonald's with a value of 190,443 billion, followed by Starbucks, Yum Brands, Ibersol with 264 million, and lastly DP Eurasia, as shown in the table below.

Table 7 – Market Cap by Company (Source: Yahoo Finance)

COMPANY NAME	Market Cap
Mc Donald's	190.443 B
Yum Brands	33.9 B
Starbucks	99.468 B
Ibersol	264.58 M
DP Eurasia NV	85 043M

This evaluation is only possible if we perform the comparison with similar companies, from the same sector and multiples that can be compared in each type of business. Performing this analysis with other competitors in other markets may distort the conclusions that we will draw.

According to the table below, the value of the share of the company should be between 0.45 euros and 32.10 euros, and if we restrict our analysis to the average values, it should be between 3.13 euros and 25.05 euros (see next table). Our estimate made in the previous chapter falls within both ranges.

Table 8 – Multiples (Source: Yahoo Finance)

Multiples (FY2022 Est.)	P/E	P/Sales	EV/EBITDA
MIN	4,52	0,55	0,45
Q1	19,51	1,24	3,44
Median	25,05	3,13	16,08
Q3	27,21	5,32	19,55
Max	32,10	8,27	25,66

By analyzing the price to earnings, it can be seen that the value obtained for the Ibersol Group of 4.52 is the lowest among the peer group, making it a more attractive investment than investing in the other companies belonging to this peer group. This multiple shows that the Ibersol share, compared to the others, can be cheaper. If we consider the average of 25.05 euros, we can conclude that the value is much higher than our DCF valuation.

Concerning the EV/EBITDA multiple, we conclude the same as with the previous multiple. The valuation performed for the Ibersol Group is lower than the peer group's average and its value in this multiple is 3.44, lower than the average of 16.08. Considering these values, it is important to understand exactly what they mean. It is possible to conclude with this indicator how many years it will take for the company's operating profit to pay off the investment made in it. In this case, investing in the Ibersol Group will take approximately three and a half years to recover the money invested in it. Overall, an investment in the peer group takes an average of 16 years to recover this amount. Another indicator leads us to conclude that an investment in the Ibersol Group would probably be better than in another company in the peer group.

Finally, we have a third indicator, P/Sales, in which case Ibersol's value is 0.55, the lowest value among the entire peer group. The average is 3.13. The lower this ratio, the better for the investor, since this multiple indicates how much the investor is paying for each sale. Therefore, we can conclude that an investment in the Group would be better than any other investment in a company in this peer group.

By analyzing these three multiples, we can see that the Ibersol Group's shares are trading at a discount.

CHAPTER 11

Sensitivity Analysis

The objective of this chapter is to understand the volatility that the value per share can have, considering some changes in the predominant factors. Given this fact, a sensitivity analysis was performed considering a possible change in the value of the WACC and the growth rate. The WACC can vary very easily since it depends on variables such as the risk-free rate, market risk premium, and tax rate.

According to the risk-free rate, we used a 10-year German government bond yield of May 2022, approximately 0.89%. This value was positive during 2022, knowing that for many years the value of the 10- year bond yield was below 0. This percentage has already reflected the pandemic and the war taking place in Ukraine, which in turn led to the inflation rate rising to quite high levels. Given these most recent events that are still ongoing, it is difficult to predict at what point the 10-year bond yield will stabilize. As such, this is a variable with high volatility.

About the market risk premium, we assume a rate of 6%, given by KPMG, obtained from the average of the last years. But this variable is linked to the risk-free rate and the market return, as we saw above the risk-free rate has high volatility, making the MRP also quite volatile. And, knowing that, we are in uncertain times, in which the economy has been impacted by several extra factors, all the variables linked to the market become more volatile, as is the case of the market return. In this sense, we have to assume that MRP can vary a lot and change the value obtained for the WACC. In a study by McKinsey, it was concluded that the MRP can vary between 4% and 8%. A maximum variation of four percentage points is quite a large variation.

Finally, the variable with less volatility is the tax rate. This variable is usually fixed in each country and if there is a change it is at a sporadic moment, not being possible to vary overnight.

Having analyzed the variables that can change the WACC value, we performed a sensitivity analysis, with the possible changes that this variable and the terminal growth rate may have. For the growth rate, we considered a rate of 2.1%, based on the average estimated inflation rate for the next 5 years, in Portugal and Spain. As previously mentioned and knowing that inflation is not stable, it was decided to vary the growth rate by 0.3%, obtaining a range between 2.66% and 1.46%. Based on the analysis already done on the WACC it was decided to vary it by 0.25%, obtaining a range between 5% and 6%.

Table 9 – Sensitivity Analysis (Source: Author)

		WACC				
	8,82	5,00%	5,25%	5,50%	5,75%	6,00%
g	2,66%	16,66	14,16	12,10	10,38	8,92
	2,36%	14,00	11,99	10,30	8,87	7,63
	2,06%	11,89	10,24	8,82	7,60	6,54
	1,76%	10,17	8,78	7,58	6,53	5,61
	1,46%	8,74	7,56	6,52	5,61	4,79

When the growth rate increases and the WACC decreases, being at the most favorable values of the range, we obtain the highest value per share of 16.66 euros. On the other hand, when both reach their least favorable values (i.e. minimum g and maximum WACC), the value per share is 4.79 euros, being the minimum value.

To conclude, we can see that small changes in the global economy, impacts on society, or pandemics can cause the value per share of a company to vary drastically.

CHAPTER 12

Conclusion

The Ibersol Group is an important player in this market and has been improving its positioning over the years in the Iberian Peninsula. It is an industry that changes over the years and the company tries to keep up with the novelties and new trends desired by consumers. This ability to adjust has been proven with the introduction of restaurants that specialize in food quality and the concept of eating well and healthily. On the other hand, the group has also shown itself the ability to adapt to reusing and reducing the use of plastic in its restaurants. Having become more sustainable and environmentally focused.

The company's operations have been divided into three segments, restaurants, counters and concessions, and catering and other. In general, the restaurant market is experiencing times of growth, which requires the group to solidify its position in the current market, Portugal, Spain, and also Angola.

In terms of risks, demand patterns are constantly changing and the Ibersol Group is focused on being able to keep an eye on new developments and provide consumers with what they are looking for. Another risk is the increase in costs and inflation, due to the war and the pandemic, prices have skyrocketed which will have a big impact on the company's profit. Finally, investing in Angola can be a risk, as it is transacted in Kwanza currency and is subject to exchange rate risk. On the other hand, this market in Angola can be a door to a great opportunity, given that the competition is much smaller than in Portugal and Spain, they can take new restaurants to the African continent and if it goes well expand the business to other neighboring countries.

The group is a reference in the restaurant sector and has managed to keep up with the news and combat all these risks mentioned, thus demonstrating attentive management in the face of all the changes and threats that occurred in the past.

In summary, the valuation of the Ibersol group was carried out using the discounted cash flow method and led us to obtain a price per share of 8.82 euros with the analysis of the multiples, it was possible to conclude that the group has much more attractive multiples than the peer group. Given these two facts, and compared with the market price on 31-12-2021, the company was undervalued.

It is recommended to BUY Ibersol Group shares since there is the conviction that the company will return the calculated value since it is a well-managed company that has been evolving over the years and it is hoped that it will not stop there.

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Appendix

A – Macroeconomic Assumptions

Macroeconomic assumptions	2017 H	2018 H	2019 H	2020 H	2021 H	2022 F	2023 F	2024 F	2025 F	2026 F	Perpetuity
Portugal											
Inflation rate	1,60%	1,20%	0,30%	-0,10%	0,90%	4,0%	1,5%	1,3%	1,3%	1,3%	1,3%
Real GDP growth rate	3,50%	2,80%	2,70%	-8,40%	4,90%	4,00%	2,10%	2,40%	2,10%	1,90%	1,9%
Unemployment Rate					0,066	6,50%	6,40%	6,40%	6,40%	6,30%	6,3%
Spain											
Inflation rate	2%	1,70%	0,70%	-0,30%	3,10%	5,3%	1,3%	1,4%	1,6%	1,7%	1,7%
Real GDP growth rate	3%	2,30%	2,10%	-10,80%	5,10%	4,80%	3,30%	3,10%	2,00%	1,70%	1,7%
Unemployment Rate					0,148	13,40%	13,10%	12,80%	12,60%	12,50%	12,5%
Europe											
Inflation rate	2%	2,20%	1,80%	0,90%	5,80%	7,4%	3,8%	2,5%	2,2%	2,2%	2,2%
Real GDP growth rate	3%	2,30%	2,00%	-5,60%	5,40%	1,0%	1,8%	2,0%	1,8%	1,7%	1,7%

B – Income Statement

		Forecast					
Income Statement	**FY 2021**	**FY 2022**	**FY 2023**	**FY 2024**	**FY 2025**	**FY 2026**	
12 Months Ending	**31-12-2021**	**31-12-2022**	**31-12-2023**	**31-12-2024**	**31-12-2025**	**31-12-2026**	
Total Revenues	357.335.254	428.802.305	493.122.651	542.434.916	569.556.661	583.795.578	
Growth rate	*24%*	*20%*	*15%*	*10%*	*5%*	*2.1%*	
Cost of sales	(88.351.603)	(104.223.679)	(119.857.231)	(131.842.954)	(138.435.101)	(141.895.979)	
% of revenue	*-25%*	*-24%*	*-24%*	*-24%*	*-24%*	*-24%*	
Electricity, water, fuel and other fluids	(89.896.562)	(101.321.311)	(116.519.508)	(128.171.458)	(134.580.031)	(137.944.532)	
% of revenue	*-25%*	*-24%*	*-24%*	*-24%*	*-24%*	*-24%*	
Personnel Costs	(113.389.660)	(137.700.866)	(158.355.996)	(174.191.596)	(182.901.176)	(187.473.705)	
% of revenue	*-32%*	*-32%*	*-32%*	*-32%*	*-32%*	*-32%*	
Depreciation and Amortization	(83.650.728)	(59.775.002)	(68.741.252)	(75.615.377)	(79.396.146)	(81.381.049)	
Operating Profit	**(17.953.299)**	**25.781.447**	**29.648.664**	**32.613.531**	**34.244.207**	**35.100.312**	
Other Income/(Expenses) net	70.200.603	-	-	-	-	-	
% of revenue	*20%*	*0%*	*0%*	*0%*	*0%*	*0%*	
EBIT	**52.247.304**	**25.781.447**	**29.648.664**	**32.613.531**	**34.244.207**	**35.100.312**	**35.822.794**
Control	TRUE						
Net financing costs	(17.623.542)	(12.770.525)	(11.794.662)	(14.525.546)	(16.529.111)	(17.451.356)	
% of cost of borrowing and leasing	*6%*	*4%*	*4%*	*4%*	*4%*	*4%*	
Interest Revenue	673.762	495.723	507.713	520.305	533.528	547.415	
% of financial assets	*11%*	*8%*	*8%*	*8%*	*8%*	*8%*	
Share on Profit in Associates	(59.343)	-	-	-	-	-	
% YoY growth	*-45%*	*0%*	*0%*	*0%*	*0%*	*0%*	
Earnings Before Taxes	**35.238.181**	**13.506.645**	**18.361.715**	**18.608.290**	**18.248.624**	**18.196.372**	
Income tax expense	(3.901.033)	(1.839.984)	(2.501.380)	(2.534.971)	(2.485.974)	(2.478.856)	
	11%	*14%*	*14%*	*14%*	*14%*	*14%*	
Net Income	**31.337.148**	**11.666.661**	**15.860.334**	**16.073.319**	**15.762.650**	**15.717.516**	

C – Statement of Financial Position

12 Months Ending	FY 2021 31-12-2021	FY 2022 31-12-2022	FY 2023 31-12-2023	FY 2024 31-12-2024	FY 2025 31-12-2025	FY 2026 31-12-2026
Operating Business						
Inventories	15.717.458	13.866.551	15.946.534	17.541.188	18.418.247	18.878.703
% of revenue	4%	3%	3%	3%	3%	3%
Current Tax Asset	110.222	1.988.539	2.286.820	2.515.502	2.641.277	2.707.309
% of revenue	0%	0%	0%	0%	0%	0%
Other Current Assets	26.698.358	28.702.387	33.007.745	36.308.519	38.123.945	39.077.044
% of revenue	7%	7%	7%	7%	7%	7%
Income Tax Payable	456.400	149.340	203.021	205.747	201.770	201.193
% of Income tax expenses	12%	8%	8%	8%	8%	8%
Other current Liabilities	14.798.541	15.790.296	18.158.840	19.974.724	20.973.460	21.497.797
% of revenue	4%	4%	4%	4%	4%	4%
Accounts Payable - Suppliers & Accrued Cost	72.507.391	77.728.685	89.387.988	98.326.787	103.243.126	105.824.204
Average Payable Period in days	300	272	272	272	272	272
Net Working Capital	(45.236.294)	(49.110.843)	(56.508.750)	(62.142.049)	(65.234.887)	(66.860.138)
Goodwill	79.032.821	93.484.979	107.507.725	118.258.498	124.171.423	127.275.708
% of revenue	22%	22%	22%	22%	22%	22%
Property Plant & Equipment	214.373.712	190.815.682	219.438.034	241.381.838	253.450.929	259.787.203
% of revenue	60%	44%	44%	44%	44%	44%
Right-of-use Assets	138.871.151	166.645.381	191.642.188	210.806.407	221.346.728	226.880.396
% of 2021	39%	39%	39%	39%	39%	39%
Intangible Assets	35.870.696	39.591.733	45.530.492	50.083.542	52.587.719	53.902.412
% of revenue	10%	9%	9%	9%	9%	9%
Operating Invested Capital	422.912.086	441.426.931	507.609.690	558.388.235	586.321.911	600.985.581
Non-Operating Business						
Cash and Cash Equivalents	96.968.003	58.972.391	67.818.249	74.600.074	78.330.078	80.288.330
% of revenue	27%	14%	14%	14%	14%	14%
Deferred Tax Assets	11.088.442	11.088.442	11.088.442	11.088.442	11.088.442	11.088.442
Financial Investments	2.940.318	3.087.841	3.242.765	3.405.462	3.576.322	3.755.755
% YoY growth	9%	5%	5%	5%	5%	5%
Financial Assets	978.965	978.965	978.965	978.965	978.965	978.965
Other Financial Assets	2.179.956	2.179.956	2.179.956	2.179.956	2.179.956	2.179.956
Other non current Assets	7.524.331	7.524.331	7.524.331	7.524.331	7.524.331	7.524.331
Non-Operating Invested Capital	121.680.015	83.831.925	92.832.708	99.777.230	103.678.094	105.815.779
Total Invested Capital	544.592.101	525.258.856	600.442.399	658.165.466	690.000.005	706.801.360
Net Financial Liabilities						
Deferred Tax Liabilities	3.376.658	3.376.658	3.376.658	3.376.658	3.376.658	3.376.658
Provisions	2.428.023	2.428.023	2.428.023	2.428.023	2.428.023	2.428.023
Derivate Financial Instrument	18.976	18.976	18.976	18.976	18.976	18.976
Other non current Liabilities	4.176	4.176	4.176	4.176	4.176	4.176
Debt (sem pagamento de juros)	5.827.833	5.827.833	5.827.833	5.827.833	5.827.833	5.827.833
Non-Current Borrowing	140.439.066	77.666.496	104.197.510	148.871.290	187.057.144	188.692.980
Non-Current Lease Debt	121.422.685	145.707.222	167.563.305	184.319.636	193.535.618	198.374.008
% of 2021	34%	34%	34%	34%	34%	34%
Current Borrowings	26.593.284	37.055.776	51.085.217	35.319.660	8.669.346	8.309.067
Current Lease Debt	21.645.649	25.974.779	29.870.996	32.858.095	34.501.000	35.363.525
% of 2021	6%	6%	6%	6%	6%	6%
Debt (com pagamento de juros)	310.100.684	286.404.272	352.717.028	401.368.681	423.763.107	430.739.580
Equity attributable to owners of the company *	228.573.100	232.936.267	241.807.054	250.878.468	260.318.581	270.143.463
Non-Controlling Interests	90.484	90.484	90.484	90.484	90.484	90.484
Total Financing	544.592.101	525.258.856	600.442.399	658.165.466	690.000.005	706.801.360

D – Summary of Balance

Summary	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026
Total Current Assets	140.832.832	103.529.868	119.059.348	130.965.283	137.513.547	140.951.386
Total Non Current Assets	491.521.601	515.397.309	589.132.899	645.707.441	676.904.815	693.373.167
Total Assets	**632.354.433**	**618.927.177**	**708.192.247**	**776.672.723**	**814.418.362**	**834.324.553**
Total Current Liabilities	136.001.265	156.698.875	188.706.061	186.685.013	167.588.702	171.195.785
Total non Current liabiities	267.689.584	229.201.551	277.588.648	339.018.758	386.420.594	392.894.821
Total Liabilities	**403.690.849**	**385.900.426**	**466.294.710**	**525.703.771**	**554.009.297**	**564.090.606**
Total Equity	**228.663.584**	**233.026.751**	**241.897.538**	**250.968.952**	**260.409.065**	**270.233.947**

E – Cash Flow Statement

		Forecast				
	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026
12 Months Ending	31-12-2021	31-12-2022	31-12-2023	31-12-2024	31-12-2025	31-12-2026
Operating Profit	(17.953.299)	25.781.447	29.648.664	32.613.531	34.244.207	35.100.312
Corporate tax on Operating Results	(3.901.033)	(1.839.984)	(2.501.380)	(2.534.971)	(2.485.974)	(2.478.856)
NOPLAT	**(21.854.332)**	**23.941.464**	**27.147.284**	**30.078.560**	**31.758.233**	**32.621.457**
Amortization/Depreciation	83.650.728	59.775.002	68.741.252	75.615.377	79.396.146	81.381.049
Operating Gross Free Cash Flow	**61.796.396**	**83.716.465**	**95.888.536**	**105.693.937**	**111.154.379**	**114.002.506**
CAPEX (PPE)	(84.720.413)	(36.216.971)	(97.363.604)	(97.559.180)	(91.465.238)	(87.717.323)
△NWC	8.503.288	3.874.549	7.397.907	5.633.299	3.092.838	1.625.250
Change in Intagible Assets	978.898	(3.721.037)	(5.938.760)	(4.553.049)	(2.504.177)	(1.314.693)
Change in Goodwill	1.476.821	(14.452.158)	(14.022.747)	(10.750.773)	(5.912.925)	(3.104.286)
Change in Right-of-use Assets	142.761.437	(27.774.230)	(24.996.807)	(19.164.219)	(10.540.320)	(5.533.668)
Operating FCF	**130.796.427**	**5.426.618**	**(39.035.475)**	**(20.699.985)**	**3.824.557**	**17.957.787**
Net profit from non core activities	70.141.260	-	-	-	-	-
Change in Other Current and Non-Current Assets	(42.755.316)	37.848.090	(9.000.783)	(6.944.522)	(3.900.864)	(2.137.685)
Change in Other Current and Non-Current Liabilities	1.829.308	-	-	-	-	-
Non-Operating FCF	**29.215.252**	**37.848.090**	**(9.000.783)**	**(6.944.522)**	**(3.900.864)**	**(2.137.685)**
Unlevered FCF	**160.011.679**	**43.274.708**	**(48.036.258)**	**(27.644.507)**	**(76.307)**	**15.820.102**
Interest	(16.949.780)	(12.274.802)	(11.286.950)	(14.005.241)	(15.995.583)	(16.903.941)
Change in Financial Debt	(183.982.430)	(23.696.412)	66.312.756	48.651.652	22.394.427	6.976.472
Transactions with Shareholders	40.920.531	(7.303.494)	(6.989.548)	(7.001.905)	(6.322.537)	(5.892.634)
CF from Financing	**(160.011.679)**	**(43.274.708)**	**48.036.258**	**27.644.507**	**76.307**	**(15.820.102)**
Control	-	0	(0)	0	0	0

F – Key Company Metrics Forecast

	2021	2022	2023	2024	2025	2026
Sales Growth	23,70%	20,00%	15,00%	10,00%	5,00%	2,50%
EPS	0,93	0,35	0,47	0,48	0,47	0,47
EPS Growth	-157%	-63%	36%	1%	-2%	0%
EBITDA Margin	38%	20%	20%	20%	20%	20%
EBIT Margin	15%	6%	6%	6%	6%	6%
Payout Ratio (%)	0%	0%	0%	2%	15%	20%
ROE (%)	14%	5%	7%	6%	6%	6%
ROA	5%	2%	2%	2%	2%	2%
ROIC	-4%	6%	6%	6%	6%	6%
CAPEX/Sales (%)	24%	8%	20%	18%	16%	15%
CAPEX/Depreciation(x)	1,01	0,61	1,42	1,29	1,15	1,08
Net Debt/Equity	1,36	1,23	1,46	1,60	1,63	1,59
Current Ratio	1,036	0,661	0,631	0,702	0,821	0,823
Quick Ratio	0,920	0,572	0,546	0,608	0,711	0,713
Cash Ratio	0,713	0,376	0,359	0,400	0,467	0,469

G – Revenue by Segment

	Past Years					Forecast				
Segment	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**
Pizza Hut	66.705.590	70.948.264	75.255.562	53.348.719	57.891.083	69.306.489	79.702.463	87.672.709	92.056.344	94.357.753
% of revenue	15%	16%	16%	18%	16%	16%	16%	16%	16%	16%
% YoY revenue growth		6%	6%	-29%	9%					
Pasta Caffe	3.732.898	3.521.954	3.315.905	1.001.559	510.555	2.390.853	2.749.480	3.024.428	3.175.650	3.255.041
% of revenue	1%	1%	1%	0%	0%	1%	1%	1%	1%	1%
% YoY revenue growth		-6%	-6%	-70%	-49%					
Pizza Móvil	12.905.423	12.048.473	11.006.310	4.887.787	4.870.665	9.328.976	10.728.323	11.801.155	12.391.213	12.700.993
% of revenue	3%	3%	2%	2%	1%	2%	2%	2%	2%	2%
% YoY revenue growth		-7%	-9%	-56%	0%					
FrescCo	4.556.540	4.395.026	4.236.657	650.357	384.382	2.742.890	3.154.324	3.469.756	3.643.244	3.734.325
% of revenue	1%	1%	1%	0%	0%	1%	1%	1%	1%	1%
% YoY revenue growth		-4%	-4%	-85%	-41%					
Ribs	15.019.421	20.277.143	23.553.724	11.093.296	14.541.822	17.681.489	20.333.713	22.367.084	23.485.438	24.072.574
% of revenue	3%	5%	5%	4%	4%	4%	4%	4%	4%	4%
% YoY revenue growth		35%	16%	-53%	31%					
Santa Maria	533.241	177.659	122.570	42.257	30.210	177.305	203.900	224.291	235.505	241.393
% of revenue	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
% YoY revenue growth		-67%	-31%	-66%	-29%					
Restaurants	103.453.113	111.368.519	117.490.728	71.023.975	78.228.717	101.628.003	116.872.203	128.559.423	134.987.394	138.362.079
Burger King	103.946.452	115.252.698	134.669.270	117.697.970	148.982.829	136.335.187	156.785.465	172.464.012	181.087.212	185.614.393
% of revenue	23%	26%	28%	41%	42%	32%	32%	32%	32%	32%
% YoY revenue growth		11%	17%	-13%	27%					
Pans & Company	52.308.782	53.896.013	53.866.674	26.135.105	31.248.448	45.051.038	51.808.694	56.989.564	59.839.042	61.335.018
% of revenue	12%	12%	11%	9%	9%	11%	11%	11%	11%	11%
% YoY revenue growth		3%	0%	-51%	20%					
KFC	45.465.141	37.228.929	40.803.529	30.750.282	36.108.685	40.794.870	46.914.100	51.605.510	54.185.786	55.540.430
% of revenue	10%	8%	8%	11%	10%	10%	10%	10%	10%	10%
% YoY revenue growth		-18%	10%	-25%	17%					
O'Kilo/Miit	1.824.964	2.000.889	2.066.486	817.914	532.834	1.466.148	1.686.070	1.854.677	1.947.411	1.996.096
% of revenue	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
% YoY revenue growth		10%	3%	-60%	-35%					
Quiosques	2.309.839	2.330.334	2.171.502	1.016.620	958.917	1.801.475	2.071.696	2.278.866	2.392.809	2.452.630
% of revenue	1%	1%	0%	0%	0%	0%	0%	0%	0%	0%
% YoY revenue growth		1%	-7%	-53%	-6%					
Taco Bell	-	-	18.507	2.119.713	5.371.148	1.921.646	2.209.893	2.430.882	2.552.427	2.616.237
% of revenue	0%	0%	0%	1%	2%	0%	0%	0%	0%	0%
% YoY revenue growth				11354%	153%					
Counters	205.855.178	210.708.863	233.595.968	178.537.604	223.202.861	227.370.364	261.475.919	287.623.511	302.004.686	309.554.803
Sol (Área Serviço)	4.918.693	6.026.423	6.832.223	4.159.868	5.234.092	5.787.431	6.655.545	7.321.100	7.687.155	7.879.334
% of revenue	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%
% YoY revenue growth		23%	13%	-39%	26%					
Travel (Aeroportos)	120.718.011	110.184.003	111.833.826	31.764.880	45.004.612	84.076.381	96.687.838	106.356.622	111.674.453	114.466.315
% of revenue	27%	24%	23%	11%	13%	20%	20%	20%	20%	20%
% YoY revenue growth		-9%	1%	-72%	42%					
Catering	11.277.122	11.421.235	15.179.612	3.217.232	5.421.837	9.271.676	10.662.427	11.728.670	12.315.103	12.622.981
% of revenue	3%	3%	3%	1%	2%	2%	2%	2%	2%	2%
% YoY revenue growth		1%	33%	-79%	69%					
Others	789.401	-	-	-	-	-	-	-	-	-
% of revenue	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Concessions, Travel e Catering	137.703.227	127.631.661	133.845.661	39.141.980	55.660.541	99.135.487	114.005.811	125.406.392	131.676.711	134.968.629
Others	1.317.576	401.799	455.092	168.732	243.135	668.451	768.718	845.590	887.869	910.066
% of revenue	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
% YoY revenue growth		-70%	13%	-63%	44%					
Total	448.329.094	450.110.842	485.387.449	288.872.291	357.335.254	428.802.305	493.122.651	542.434.916	569.556.661	583.795.578

H – Economic Value Added

Economic Value Added		2021	2022	2023	2024	2025	2026	Perpetual
Ebit	1	52.247.304	25.781.447	29.648.664	32.613.531	34.244.207	35.100.312	35.822.794
Total capital invested n-1		575.562.845	422.912.086	441.426.931	507.609.690	558.388.235	586.321.911	600.985.581
WACC		5,50%	5,50%	5,50%	5,50%	5,50%	5,50%	5,50%
Encargo de Capital	2		23.258.028	24.276.251	27.915.968	30.708.532	32.244.743	33.051.170
EVA	1-2		2.523.419	5.372.413	4.697.563	3.535.676	2.855.570	2.771.623
PV EVA			**2.391.878**	**4.826.904**	**4.000.566**	**2.854.111**	**2.184.947**	**2.120.715**
MVA		77.886.295	79.646.228	78.653.955	78.281.962	79.051.399	80.543.257	
MVA+EVA			82.169.647	84.026.368	82.979.525	82.587.075	83.398.827	
Invested Capital n		422.912.086	441.426.931	507.609.690	558.388.235	586.321.911	600.985.581	
Enterprise Value		**500.798.381**	**521.073.159**	**586.263.645**	**636.670.198**	**665.373.310**	**681.528.838**	