

UNIVERSIDADE CATÓLICA PORTUGUESA

# Firm Valuation

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Case study on Consulting Engineering Companies

**Yao Wenying**

**Instructor: José Carlos Tudela Martins**

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## Executive Summary

Being in the stage of maturity business cycles, engineering consulting companies are seeking for growth via internationalization and outsourcing contractors, which led to consolidation in this business. The primary underlying motivation of this dissertation is to value the Finnish engineering and technology company DJ, and its two acquisition targets companies Citec and Pörner. Under a scheme of acquisition, the standalone values of the three private companies were obtained with assumptions of different growth scenarios and understandings of this industry and companies' strategies. The second motivation is to assess DJ's future respective categories' sales and whole enterprise value by implementing different companies' strategies. The focus of the valuations is on the side of DJ.

Since the valuations happened in the preliminary phase of acquisition, more attention was paid to standalone values than synergies values. A wide selection of literature reviews in the related field was included in the dissertation. We also utilized the secondary data such as industry organizations and experts' opinions, and companies' annual reports as bases of our valuation. A standard discounted cash flow method was adopted in this dissertation, followed by peer valuation and sensitivity analysis.

The result shows, DJ's enterprise Value (EV) is around 134 Million Euro based on 10%/a organic growth and 8% EBIT of annual sales until 2020 strategy; by implementing an alternative strategy which enables respective target categories sales growth ratios, meanwhile applying 2014-2016 growth rate 10%/a, 2017-2019 growth rate 7.5%/a, and 2020-2022 growth rate 5%/a, the enterprise value is 146 Million Euro until 2020, and 161 Million Euro until 2022. As regards to the targets, under dissimilar assumptions, Pörner's enterprise value is 61 million EURO and Citec's is 45 million EURO.

Furthermore, the result suggests one real example in Finnish engineering consulting trend, in line with existing studies: diversification into new-fangled service (or customer) markets is the essential motive for engineering consulting companies to commence a merger or acquisition transaction.