



Lisbon School
of Economics
& Management
Universidade de Lisboa

MASTERS IN FINANCE

MASTERS FINAL WORK PROJECT

**EQUITY RESEARCH:
MOTA-ENGIL SGPS, SA**

RODRIGO PERDIGÃO

OCTOBER 2023

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SUPERVISOR:
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Abstract

This project consists of a detailed analysis of Mota-Engil SGPS, SA following the guidelines and recommendations of the CFA Institute. Mota-Engil SGPS, SA is the largest construction company in Portugal and one of the largest in Europe according to the latest Engineering News-Record (ENR) report. The company is present on several regions, including Europe, Africa and LATAM, and also in the Environment and Capital segment. Throughout the project, two methods were used to analyze the company, namely DCF and Multiples. The final recommendation is based essentially on the DCF model, placing the target price at €3.80, which means a potential appreciation of 18% compared to the value recorded on September 8, 2023. Due to the high risk associated with operations in Africa and Latin America, given the unstable political circumstances and the high volatility of the inherent currencies, the STRONG BUY recommendation is justified. In order to demonstrate the impact of these risks on the target price, the sensitivity analysis carried out included variations in factors such as the evolution of the construction industry and the country's risk premium. In addition, given the company's current highly leveraged circumstances, an analysis was carried out on the impact of fluctuations in the cost of debt. Finally, the Engineering and Construction industry is facing a transition cycle in view of the new ESG concerns, which can be expected to have a major influence on the long-term objectives of the constituent companies, such as Mota Engil. Focusing on profitability and achieving sustainable debt are the new CEO's main challenges.

JEL classification: G10 ; G32; G34.

Keywords: Equity Research; Valuation; Mergers & Acquisitions; Mota-Engil SGPS, SA; Political Instability; Africa; LATAM; Cost of Debt; Engineering and Construction; ESG.

Resumo

Este projeto consiste numa análise detalhada da Mota-Engil SGPS, SA seguindo as diretrizes e recomendações do CFA Institute. A Mota-Engil SGPS, SA é a maior construtora no panorama Português e uma das maiores da Europa segundo o último relatório da Engineering News-Record (ENR). A construtora marca presença em diversos continentes, sendo eles a Europa, África e América Latina e também no segmento de Ambiente e Capital. No decorrer do projeto foram utilizados dois métodos para analisar a empresa, entre os quais DCF e Múltiplos. A recomendação final fundamenta-se essencialmente no modelo DCF, situando o preço alvo nos €3.80, o que significa uma valorização potencial de 69.87% face ao valor registado a 8 de setembro, 2023. Devido ao elevado risco associado às operações em África e América Latina, dadas as circunstâncias políticas instáveis e à elevada volatilidade das moedas inerentes, a recomendação STRONG BUY justifica-se. Por forma, a demonstrar o impacto destes riscos no preço alvo a análise de sensibilidade realizada incluiu variações em fatores como a evolução da indústria da construção e o prémio de risco do país. Adicionalmente, dadas as circunstâncias atuais de elevada alavancagem da empresa foi realizada uma análise ao impacto das oscilações do custo da dívida. Por fim, a indústria da Engenharia e Construção enfrenta um ciclo de transição tendo em conta as novas preocupações a nível ESG, o que é expectável que influencie em grande parte os objetivos a longo prazo das empresas constituintes, como é o caso da Mota Engil. O foco na rentabilidade e na obtenção de uma dívida sustentável afiguram-se como os grandes desafios do novo CEO.

Classificação JEL: G10 ; G32; G34.

Palavras-Chave: Equity Research; Avaliação de Empresas; Fusões e Aquisições; Mota-Engil SGPS, SA; Instabilidade Política; África; América Latina; Custo da Dívida; Engenharia e Construção, ESG.

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Glossary

AAGR – Annual Average Growth Rate
CAGR – Compounded Annual Growth Rate
CCCC – China Communications Construction Company
DCF – Discounted Cash Flow
DDM – Dividend Discount Model
D&A – Depreciations and Amortizations
ECB – European Central Bank
ESG – Environmental Social and Governance
EU – European Union
ETP – Energy Transition Plan
EV – Enterprise Value
E&C – Engineering and Construction
FCFF – Free Cash Flow to the Firm
GDP – Gross Domestic Product
IMF – International Monetary Fund
K_d - Cost of Debt
K_e – Cost of Equity
LATAM – Latin America
ME – Mota-Engil
MRP – Market Risk Premium
PNI – Programa Nacional de Investimentos
PQG – Programa Quinquenal do Governo
PRR – Plano de Recuperação e Resiliência
RETA – Renewable Energy Transmission Authority
SoP – Sum of the Parts
UAVs - Unmanned aerial vehicles
WACC – Weighted Average Cost of Capital
YE – Year End

Mota-Engil: LATAM clearing the way

(YE2023 Price Target of € 3.80 (+69.87%); recommendation is a **STRONG BUY** with High Risk)

1. Research Snapshot

Recommendation: The recommendation for Mota-Engil SGPS., S.A (ME) is a **STRONG BUY**, with a 2023YE price target of € 3.80 per share, based on a DCF model, implying a potential upside of 69.87% from the closing price of € 3.22 as of 08/09/2023, taking in consideration the high risk implicit. In a difficult market environment due to the correlation with the economic performance and the rallying in commodity prices causing a decrease in EBITDA margin, however ME is able to benefit from the cooperation with CCCC in order to enhance synergies and capture value through projects with higher size, principally in Africa and LATAM regions, playing an important role in the company's perspective of consistent growth, increasing the cash generation and deleveraging.

Economic uncertainty puts pressure on margins

The projections for the next years are not favorable for the construction industry, due to the high inflation levels registered and workforce shortage. So, it is expected that some construction contracts might be postponed or even cancelled, in order to keep the projects, it is estimated that the group's recurring EBITDA margin will decrease to 12.93% in 2023YE, representing a decrease of 128bp from the previous year. However, the margin will recovery with an 2.27% CAGR, reaching 14.50% in 2028FY, mainly impacted by the promising performances in Africa and LATAM regions.

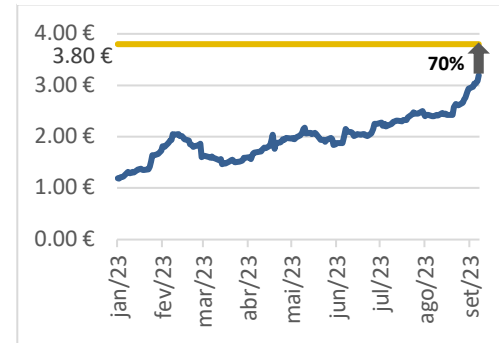
Robust presence in Emerging Markets

The company's standing, experience, and current cooperation with CCCC have aided in the process of geographical diversification and the acquisition of market dominance, allowing it to now take on projects of greater scale. This cooperation with CCCC has been evident in Africa, where the company has registered a record backlog of €6.4mM and won several large-scale contracts. Thus, will allow ME to cement its position in the market and sustain the Revenue growth forecast with a 7.74% CAGR for 2023-2028. Regarding the presence in LATAM, 2022 was a remarkable year and positioned Mota-Engil as one of the more relevant players in the region, specially in Mexico. Projects to improve transport infrastructures and the prospects for creating infrastructures to support the energy transition sustenance the 7.35% CAGR for region's Revenues. Moreover, by extending the Environment & Capital segment to Africa and LATAM, it will be possible to develop synergies between various business sectors and build a value chain that is more integrated.

Sustainable leverage track and focus on cash generation

Throughout the forecasted period it is projected that ME maintains its deleverage process with the Debt over Equity ratio reaching a value of 2.75 in 2028YE. At the same time, the debt roll-over process is expected to continue in order to reduce short-term pressure. As a result, the weight of short-term debt is expected to be about 40% in the last year of predictions. Simultaneously, the interest coverage ratio will more than double to values above 2x. On the other side, the focus on cash flow generation is expected to continue, with special attention to more efficient working capital management. With the double effect of increased revenue and decreased receivables from customers paired with increased payments, a more solid liquidity position is estimated.

Figure 1: ME's Share Performance



Source: Reuters & author analysis

Table 1: ME Market data

Market Profile	
Closing Price @ 08/09/23	3,22
52-Week Price Range	€ 1.03 - € 3.26
Average Daily Volume	1,211,186
Shares Outstanding	300,680M
Market Cap	987,819M

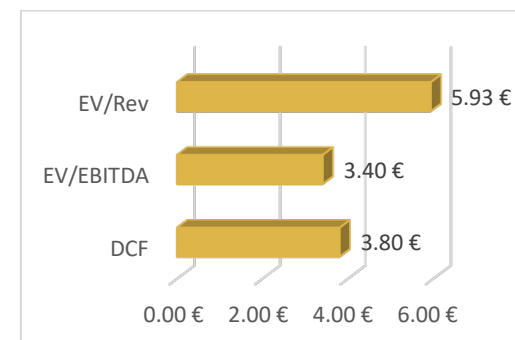
Source: Reuters

Table 2: ME Target Price

Valuation Method	Target Price
DCF	3,80 €
Multiples (average)	4,67 €
EV/EBITDA	3,40 €
EV/Revenues	5,93 €

Source: Estimates

Figure 2: ME's Valuation Methods



Source: Author analysis

2. Business Description

Mota-Engil SGPS, SA (ME: Reuters: MOTA.LS) is a leading company in civil engineering and construction in Portugal and one of the largest in the world according to the 2020 Global Powers of Construction provided by Deloitte. Engineering and Construction (E&C) and Environment and Capital are the company's three primary business divisions, with activities are divided into five segments: Europe - E&C, Africa -E&C, LATAM - E&C, Environment and Capital. Furthermore, the group has a presence in the fields of energy and mining throughout the LATAM area, and more recently, in Africa, through strategic alliances. LATAM – E&C is the segment which contributes more for the company total turnover representing 40%, the region also shows good perception for the group's continuous growth with a backlog of €4,809M. The Environment segment, which includes the waste collection and treatment, is expected to continue the solid growth in the upcoming years with the international expansion to Africa and LATAM playing an important role.

Mota-Engil was constituted in 2000, resulting from the merger of Mota & Companhia, which exclusively operated in Angola until 1974, and Engil, which operated mainly in the housing sector in their primary years. In 1998 both Mota & Companhia and Engil joined forces and acquired a Peruvian company beginning their expansion to LATAM region rendering Engineering services related to mining concession. More recently, ME strengthened their position in Environment & Services via the acquisition of EGF, which completed the value chain for Suma, the top business in Portugal for garbage collection.

The Group operates simultaneously in three continents and 23 countries and covers contemporarily three geographical regions, such as Europe, Africa, and Latin America, maintaining the same quality standards and capacity for execution in each market, giving them credibility and reputation on the market.

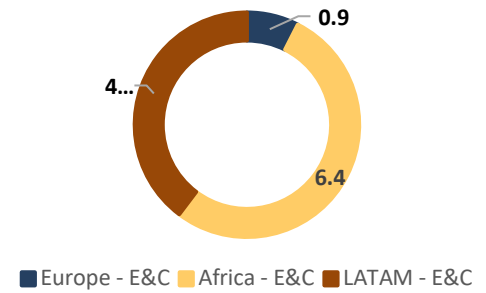
Focusing in the **Europe – E&C segment**, operations have registered a contraction of € 97M compared to 2021, as a result of the constraints associated with the ongoing armed conflict in Ukraine. The Polish market was the one that suffered more from these circumstances and showed a reduction of 30% on the turnover, justified by the use of more stringent pricing criteria given the high degree of volatility in the region's commodity prices. On the other hand, Portugal contributed with an increase of 5% for the region's turnover. Despite the reduction in the Turnover, the operations registered an EBITDA margin of 8%, and continued its positive performance since 2018. The vast majority of the revenues in Europe comes from government expenditures either in Portugal and Poland, exposing the company to the economic development of these countries.

ME's footprint in **Africa** includes the engineering and construction activity, comprising the provision of industrial and engineering services. Regarding region's turnover, it registered a CAGR of 6.58% between 2018-2022, with the turnover surpassing the € 1.000M boundary. This rise is justified by the upright performance in countries such as Angola, Ivory Coast, Uganda, Rwanda, and South Africa where the turnover doubled in the previous year. Profitability indicators such as EBITDA margin remain solid at an average above 15% during the 2018-2022 period, however it registered a 30% reduction compared to 2021. This shrinkage was due to the high inflation experienced and unfavorable exchange rates.

LATAM – E&C was the most affected region by COVID-19 in which ME operates, however this situation has been overcome. The turnover in the region reached an all time high of € 1,521M, an upturn of 145% compared to 2021. Mexican market was the one that contributed the most for this progress, strongly driven by Railway construction projects, and energy generation and commercialization business. Government expenditures both in Peru and Brazil are expected to contribute to the projected growth rate in the upcoming years.

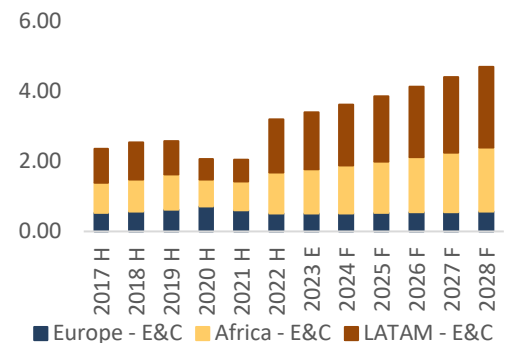
Environment & Capital segments comprises sub-units such as treatment and recovery of waste, collection of urban waste, Real Estate, and Concessions. The first two sub-units relate to the Environment segment, and the last two to the Capital segment. The segments turnover increased 13% compared to 2021, mainly supported by the Environment strong performance in international sub-units.

Figure 3: Backlog per Region in € mM



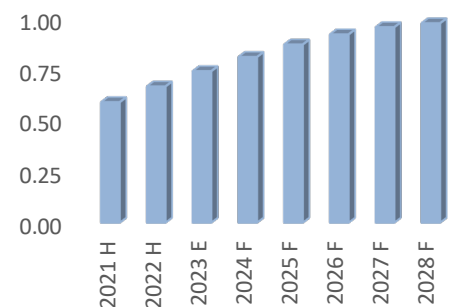
Source: Mota-Engil

Figure 4: Sales per Region in € mM



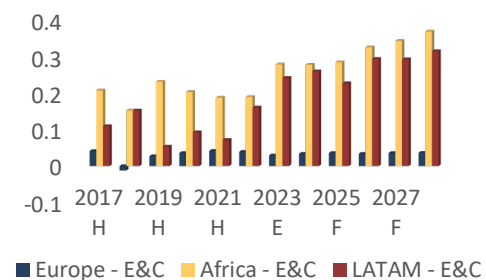
Source: Mota-Engil and Estimates

Figure 5: Sales Environment & Capital in € mM



Source: Mota-Engil and Estimates

Figure 6: EBITDA per Region in € mM



Source: Mota-Engil and Estimates

The international expansion to countries such as Angola, Ivory Coast, and Brazil simultaneously with the strong presence in Portugal are positive indicators to the segments outlook.

Company strategies:

- **Sustainable Leverage** – The group is committed on decreasing the actual financial leverage of 2,38x Net Debt/ EBITDA to a level below 2x. Additionally, they are focused on diversifying the financing sources, in order to reduce the cost of debt and to increase its maturity.
- **Diversification** – ME pretends to speed up the growth in Environment, Infra Concessions, and Industrial services, increasing the relevance on their portfolio of long-term cash generating businesses, supporting their desire to maintain the improvements on the working capital.
- **Operational Efficiency** – In addition to the revenue diversification, ME aims to sustain the improves on efficiency that started with COVID, maintaining the increases on the Group’s EBITDA margin, and benefiting from markets of scale. Furthermore, the company is targeting an optimization of CAPEX to improve discipline on capital allocation and cash generation.

3. Management and ESG

Shareholder Structure

ME largest individual shareholder is FM – Sociedade de Controlo, SGPS, SA, with 40.03% ownership, which is a company fully owned by Família Mota. China Communications Construction Co.,Ltd (CCCC) is the second largest shareholders with 32.41%. 25.57% of the remaining share capital is free float and 1.99% are treasury shares due to stock buybacks.

Leadership changes

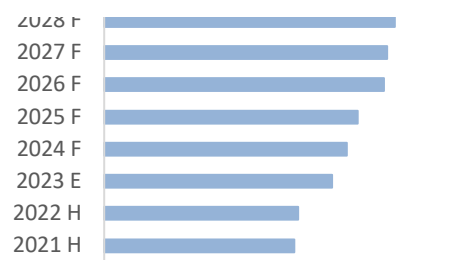
In February 2023 there was a change on the Chairman and Chief Executive Office positions with the aim of initiating a process of generational change and renewal of the group’s senior management. The new leadership was taken by Carlos Mota dos Santos, which belongs to Mota’s family and works in the firm for more than 10 years. Therefore, the new CEO already has a deep knowledge of the company’s procedures and management turning easier the implementation of the strategic plan “Building 2026”.

Governance

The company's governance model is Latin/Classic, with a Board of Directors, a Statutory Audit Board, and a Statutory Auditor who is not a member of the Statutory Audit. The details of the structure adopted are set below:

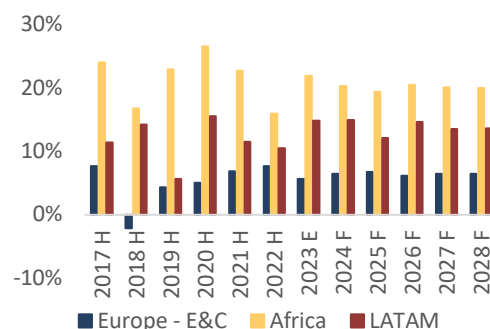
- **Board of Directors (BoD)** – The BoD consists of 14 members (five of its members formed an Executive Committee): one chairman, one deputy-chairmen and twelve other members. The body is responsible for undertake all the administrative and strategic decisions.
- **Supervisory Board** – is composed of a minimum of three full members, one Chairman and two other member, which the majority of them must be independent. The board is responsible to supervise the company’s management and check the compliance of the law and regulations.
- **Statutory External Auditor** – The Statutory Auditor is PWC- SROC, Lda, providing their audit services since 2017, responsible for supervising the company’s accounts. A new term with the External Auditor was signed this year for the next three year period, from 2023 until 2025.

Figure 7: EBITDA Environment & Capital in € mM



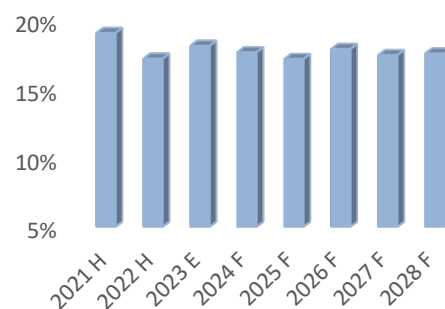
Source: Mota-Engil and Estimates

Figure 8: EBITDA Margin per Region



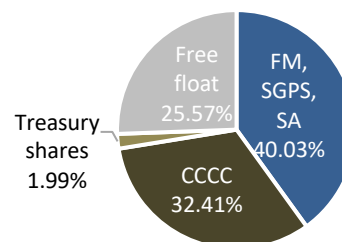
Source: Mota-Engil and Estimates

Figure 9: EBITDA Margin Environment & Capital



Source: Mota-Engil and Estimates

Figure 10: Shareholder structure



Source: Mota-Engil

Environmental Concern

Sustainability has been gaining traction amongst investors over the past years, as a result of that ME is joining the trend and applying some measures in order to reduce their carbon footprint. The company have the goal to reduce by 40% their greenhouse gas emissions, recovery 80% of waste produced, as well as other objectives oriented towards water management, consumption of materials promoting their circularity and the safeguard of biodiversity

Social Responsibility

The company established empowerment of local communities as a sustainability guideline with the implementation of the new strategic plan "BUILDING 26 | For a Sustainable Future," supporting social, educational, and cultural causes that are tailored to the context and needs of each region where ME operates. The Manuel António da Mota Foundation (FNAM) is also important in promoting social action by increasing the capacity of the institutions supported to invest in long-term effects with the people who benefited from their strengths and services.

Table 3: Board Members

Board of Directors	
Name	Position
Carlos Mota dos Santos	Chairman & CEO
António Vasconcelos da Mota	Deputy Chairman
Gonçalo Moura Martins	Deputy Chairman
Jingchun Wang	Deputy Chairman
José Pinto Nogueira	CFO

Source: Mota-Engil

4. Industry Overview and Competitive Positioning

Construction Industry Outlook

The construction industry is under siege. Supply chain issues, inflation, and increased cost of skilled labor are some of the industry's main challenges in 2023. Additionally, ESG is becoming more predominant daily, and companies that don't adapt to it will suffer the ultimate consequences. EU is committed on the Green Transition plan and because of that higher taxes for pollution are included in the incoming European taxonomy.

Smart Cities

As a result of the massive migratory fluxes into rural regions and large cities, these areas and cities will require additional infrastructure to sustain the people. Therefore, the cities will be necessarily more efficient. Then, one way to have efficient cities is smart cities. Smart cities relate to the fact that cities should be more efficient in terms of energy, waste logistics, traffic logistic and so on. In the future it is expected that smart cities will likely grow at 20% CAGR and that investments will reach \$7 trillion by 2050. This is an opportunity for growth for big players in city building as most of the investments needed will be infrastructure and residential renovation.

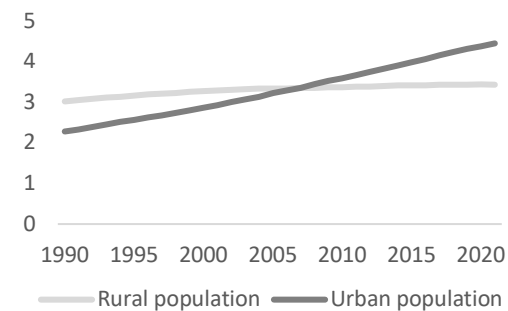
Green Transition: EU's Green Deal

The world is getting more aware with environmental problems and Construction is the single most polluting industry in the world with about 37% of the global CO2 emissions. European Commission has approved a package of €1 800 million budget that will finance the Europe Green Deal. The plan contains a set of measures aimed at making the EU's climate, energy, transport, and taxation policies fit for reducing net greenhouse gas emissions by at least 55% by 2030, compared to 1990 levels. New technologies will play a huge role on this, jointly with the modernization of aged structures with newer and more sustainable composites. Furthermore, both government and private expenditures on the Energy and Utilities sector, such as infrastructure to support the clean energy production, will reveal key to sustain the green transition.

New Technologies

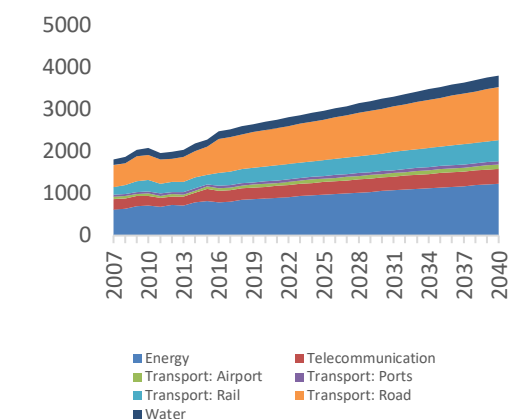
New technologies can be either real technological advancements or material advancements. In addition, several new technologies that have emerged as a result of technical breakthroughs are now in use in the construction sector. Drones and unmanned aerial vehicles (UAVs) that scout the construction site, wearable technologies that keep an eye on the workers while they're at work, virtual and augmented reality, 3D printing, and many more technologies that are constantly being developed. Furthermore, in line with the industry's goals to reduce carbon emissions, the new technologies enabled the development of new construction material that are

Figure 11: People living in Urban areas in Bn



Source: World in data

Figure 12: Global Infrastructure needs in \$ Bn



Source: Global Infrastructure Outlook

less polluting. Overall technology advancements result in reduced industry costs and improved efficiency, both of which will foster growth.

Regional Economic Focus

European Economic Resilience

The European's economy has been showing its resiliency throughout the most recent years, firstly with the Pandemic situation, provoking a general lockdown, and more recently with the war in Ukraine. In 2020 the economy suffered a huge recession, with the EU's GDP sliding by -5.60%, but due to the economy reopening and with the emergency funds distributed by the ECB the economy recovered right on the next year, although there were some issues on the logistics sector. On the past year there was another unusual situation that provoked a minor recession and a peak of inflation, the war in Ukraine. However, EU's economy showed its strength and the forecasts points to a AAGR of about 1.66% for the period 2023E – 2028F. While in Poland and Portugal, the forecasts are in line with the EU's tendency, but even more optimistic for both countries, with an AAGR of 2.68% and 1.75% respectively.

Africa Economic Expectations

Economic performance in the Sub-Saharan region for the time range of 2023E-2028F looks promisor with an AAGR of more than 4.00%, registering a recovery from the past economic cycle. According to IMF forecasts, Côte d'Ivoire and Mozambique will grow above the average for the region, projecting an average growth of more than 6.00% for Côte d'Ivoire, and above 8.00% for Mozambique. Focusing in the Government Expenditure as a percentage of GDP, Sub-Saharan African has been experiencing a positive trend during the past economic cycle showing a 0.6% CAGR for the period of 2017H-2022H. Uganda was the country on which ME operates that registered a higher growth of government expenditure registering a CAGR of 6.21% for the period previously mentioned, benefiting from the government investment to enhance the railroads quality.

LATAM Economic Bounce Back

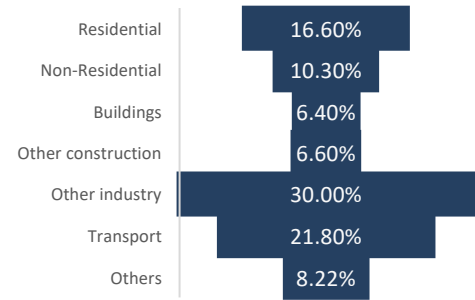
After the Covid-19 pandemic affecting the economic performance in the Latin America region provoking a contraction of 6.78% on the GDP in 2020, economic conditions have quickly gotten back on track and recovered 7.01% right in 2021 and continued the positive wave, registering an average growth rate of 1.15% during the 2017H-2022F period. Despite, the good economic performance during the most recent years, the upcoming year appears to be challenging for the countries of the region. Although inflationary pressures have slowed, monetary policy rates are expected to remain high, provoking a slowdown in economic growth, with the projections appointing to a growth rate of 1.59% compared to the 3.94% estimated to 2022. Even though, the context of external uncertainties and domestic restrictions, IMF forecasts an GDP's average growth rate of 2.22% between 2023 and 2028. This phenomenon is significantly fueled by the demand for clean energy, given the fact that the region is home to some of world's largest deposits of minerals crucial to the global energy transition.

Infrastructure Market Overview

Europe – Civil Engineering taking the Lead

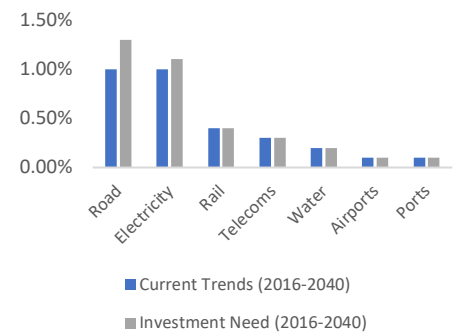
After the unprecedented fall of 5.6% suffered by GDP in 2020, European economy recovered in the following years, and it is expected to keep this positive trend in the coming years. In line with the positive GDP developments the Construction Industry experienced favorable developments throughout the past years. Even though the peak rise on the price of construction materials, the Industry remained quite stable and presented a growth of 3.0% during 2022, which is expected to slow down a bit to 2.3% in 2023. According to Euroconstruct, the Civil Engineering industry will experience the most favorable change. Its growth was modest in 2022 (0.6%), but it is anticipated to grow by 2-3% between 2023 and 2025, mostly due to the railroads category. From 2022 to 2025, this sector is anticipated to see a 13% total growth.

Figure 13: Energy Consumption from New Construction (2021)



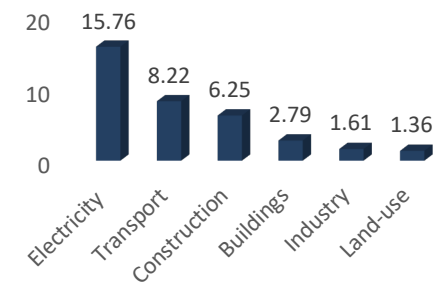
Source: International Energy Agency

Figure 14: Sectoral Share of Global Infrastructure Investment (% of GDP)



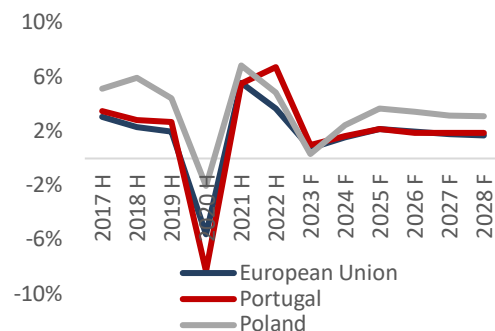
Source: Oxford Economics

Figure 15: Greenhouse gas emissions by sector



Source: World in Data

Figure 16: GDP % change YoY - EU



Source: IMF & Author Analysis

Portugal – PNI 2030 as a guide

In Portugal, the government created an investment plan for developments of various sectors such as Transports and Mobility, Environmental Sustainability, and Energetic transition. The PNI 2030 (Programa Nacional de Investimentos 2030) strategy aims to invest 26.303 M€ globally. Almost 50% of the total investments will be attributed to Transports and Mobility, and Environmental Sustainability. In addition, EU granted Portuga a total of 16.600 M€ attributed to PRR (Plano de Recuperação e Resiliência) in or to boost the economy following the Covid-19 consequences.

Poland – EU funds slow down progress

After growing 6.7% in 2022, Polish construction output is expected to contract by more than 3% in 2023. The ongoing freeze of funds from the Next Generation EU severely affects civil engineering activity, as many infrastructure projects rely on EU funding. Meanwhile, the residential market is exhibiting a downturn as well, the negative impact from the high interest rates led to a negative impact on financing existing and new building projects.

Africa – Construction perspective

The Sub-Saharan Africa infrastructure construction market is estimated to grow at a CAGR of 5.7% between 2022 and 2026. Despite the current increase in building material costs, combined with the increase in energy charges, which is expected to directly constrain market expansion, the medium to long-term outlook remains positive. Over the short-term, investment in the construction industry may be driven primarily by government spending in the infrastructure sector. The regional transportation project pipeline, which focuses on roadway, railway, and waterway developments, is largely driving market growth.

Nigeria - Second most dominant region

Nigeria emerged as the second most dominant in 2022 and is projected to exhibit an AAGR of 2% from 2024 to 2027. The country is increasingly focusing on attracting foreign direct investments to push infrastructural growth. The National Development Plan 2021-2025 is expected to support the estimated growth through investments in transport, electricity, water, and sewage. Another important sector is the Energy and Utilities construction as Nigeria intends to reach net-zero emissions energy supply by 2060 as part of Energy Transition Plan (ETP).

Angola – Energy sector is emerging

In Angola construction market the sectors are commercial construction, industrial construction, infrastructure, and energy and utilities construction. In addition, during 2024 to 2027 the market is projected to achieve an AAGR of about 6%. The industry's growth will be supported by investment as part of the Industrial Development Plan of Angola 2021-2025. The government aims to attract private investors and increase national production in the industrial sector. As in Nigeria, the Energy sector in Angola is expected show progresses as government purposes to increase national electrification rate to 60% by 2025. Furthermore, in June 2022, US government established to provide a financial support of \$2 billion for the construction of new solar projects.

Mozambique – Road to progress

Mozambican construction industry is expected to grow by 2.3% in 2023, following a marginal growth of 0.6% in 2022. Government investments in the transport and renewable energy sectors are crucial to support the growth. Additionally, during the time period of 2024-2027, the country's construction industry is expected to register an AAGR of 4.8%. The Programa Quinquenal do Governo (PQG 2020-2024), which plans to invest \$1.4 billion in the residential sector, will also assist the industry's performance. In addition, the Energy's sector will also be key in order to sustain the growth, as the government is committed to increase the production of renewable energies in the country.

Figure 17: Commodity Price Index

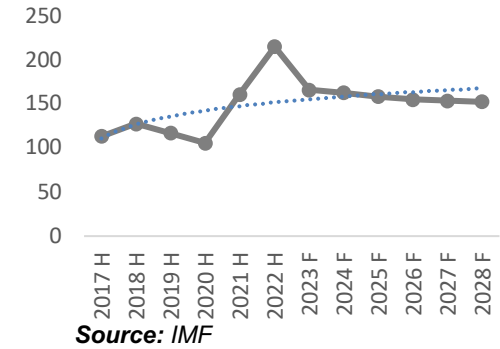


Figure 18: GDP % change YoY - Africa

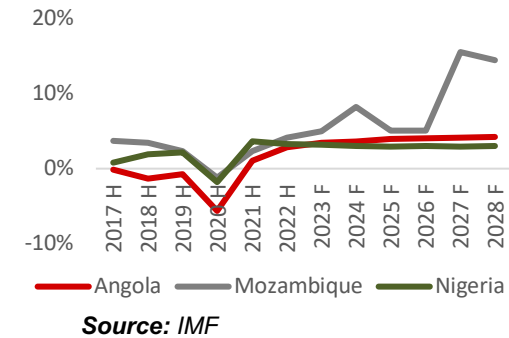


Figure 19: GDP % change YoY - LATAM

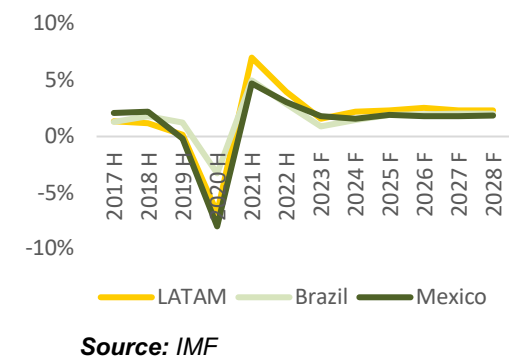
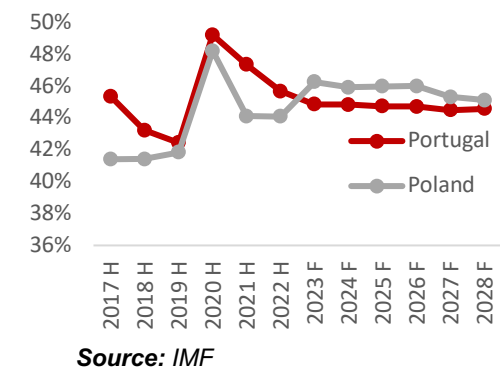


Figure 20: General Government total expenditure in GDP %



LATAM – A land of prosperity

LATAM construction market is specially dominated by countries such as Brazil, Mexico, Colombia, and Argentina. The previously mentioned countries represent more than 70.0% of the overall regional share. According to Global Data estimates, during the forecasted period of 2023-2026, the market is expected to register a 3.80% CAGR. After the COVID-19 measures that strongly impacted the sector in the region, the market proved resilient and has subsequently grown by 10% year over year. However, the region's major economies' increasing debt loads and high inflation rates reduced the impetus in the construction industry. Furthermore, government projects and policies easing the construction output are driving the market. Road infrastructure in LATAM is the largest segment of the infrastructure construction industry and is expected to continue its prevalence over the forecast period. According to IMF data for 2023-2028, the region is expected to exhibit an average of 32.24% for the government expenditures as a % of GDP. This value is slightly lower than the 33.90% registered during the last economic cycle, although it represents a robust investment from the governments. Brazil and Mexico are projected to lead the sectors progress, with the railways and transports segment bearing the growth.

Brazil – Infrastructure boosting development

Despite short-term difficulties in some segments of the construction industry, Brazil's medium- to long-term growth story is still intact. The growth pace is predicted to continue between 2023 and 2027 with a CAGR of 4.20%. Government expenditures on infrastructure projects are expected to support the growth for the construction sector. Investments in infrastructure projects such as railway network, bridges and roadways are projected to drive the market. During November 2022, Rumo, a Brazilian logistic firm, granted permission for the development of \$3 billion rail project in Mato Grosso State. The Energy and Utilities segment will be relevant to the projected growth as the country is about to unveil a green transition strategy that will involve public and private investments totaling hundreds of billions of dollars.

Mexico – Railway and Energy leading growth

The Mexican construction industry is predicted to recover at a 2.6% AAGR between 2024 and 2027, aided by investment in the transportation and energy sectors. Government-sponsored infrastructure initiatives, including Campeche Light Train Development project totaling \$723 million will encourage construction industry growth over the upcoming years. Furthermore, the government's ambition to expand renewable energy's proportion of the entire energy mix from 6% in 2021 to 21% by 2030 will help stimulate investment in renewable energy infrastructure. In early 2023, the Renewable Energy Transmission Authority (RETA) of Mexico and the Invenery Transmission firm stated that they intended to invest \$2 billion by the end of 2028 in the building of a clean energy transmission line project in Mexico.

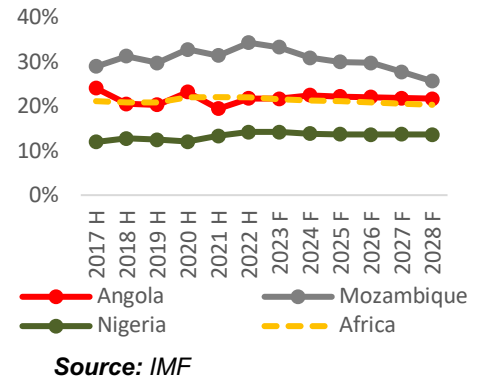
Environment and Capital

Portugal's waste production climbed rapidly from 2016 to 2019, becoming constant between 2019 and 2020. According to Eurostat, in 2020 the country generated 5.28 million tonnes of municipal waste, corresponding to 513kg/cap, which is slightly below the European average of 517kg/cap.

However, Portugal continues to have a high degree of landfilling, which has been constant over the previous five years at 47%. The EU target for the landfilling of municipal waste by 2035, is to it represent less than 10%. Indicating that there is still more work to be done for the Country's to meet the goals set forth by the EU Landfill Directive.

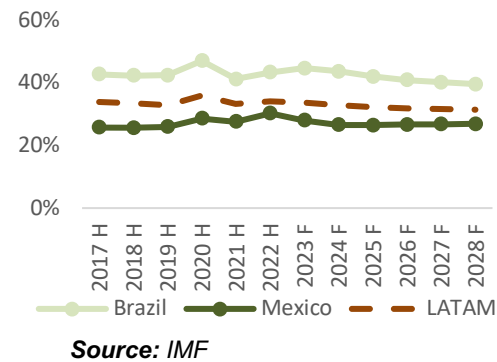
Regarding Brazil, during 2022 the government decreed the National Solid Waste Plan, establishing mechanisms to modernize solid waste management throughout the next 20 years. The Plan aims to raise recycling rates to total of 48% by 2040.

Figure 21: General Government total expenditure in GDP % - Africa



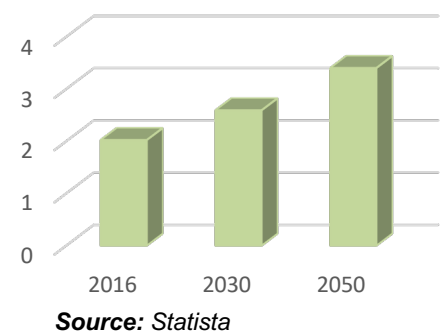
Source: IMF

Figure 22: General Government total expenditure in GDP % - LATAM



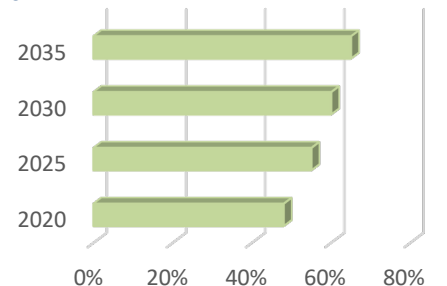
Source: IMF

Figure 23: Projected generation of Municipal solid waste Worldwide in Bn tons



Source: Statista

Figure 24: Municipal waste recycling targets in EU



Source: Statista

Porter's Five Forces

Industry Rivalry

There is a high rivalry in the ME's industry, with a lot of huge players dominating the market worldwide. Due to the intensive competition, there is a severe price competition in order to win contracts. Since that in the industry there is hardly any product differentiation the only distinction method is the price. Hence, we consider rivalry among competitors high.

Threats of new entrants

The Construction industry is highly regulated and requires a lot of capital to start operating. The equipment used in construction is very costly and, in addition, takes a great deal of specialized training and experience to operate. Furthermore, as construction involves a highly structured value chain it is difficult to a new company begin operations in scale. Therefore, we consider that treats of new entrants is low.

Bargaining power of Suppliers

Most of the big players in the industry have a high level of vertical integration, which decreases the dependence on suppliers. However, in some cases, due to the global action of the companies it requires to work sometimes with local suppliers. Consequently, this implies some bargaining power to suppliers. Thus, a low to medium risk was considered in this matter.

Bargaining power of Buyers

Governments order the majority of the projects that construction companies develop, although lately there has been some public-private partnerships dynamizing the market. This turns the industry somewhat dependent on the public investment. So, when there are times of economic contraction, it will result in a decrease in demand, which leads to the companies to be less projects selective and reduce margins. Consequently, it is verified a high bargaining power for the buyers.

Threats of substitutes

There are no real substitutes when it relates to buildings, civil construction, or roads. However, it faces the substitute threat in the raw material, and in the use robots instead of human labor. Despite, these technological evolutions looking for more sustainable materials and new ways of constructions, it doesn't replace completely the human power. Hence, threats of substitutes are still very low.

Competitive Positioning

Portugal Market Leader – Strong presence in the Portuguese market

ME is market leader in Portugal according to GlobalData, which allows the firm to increase the margins. The company operates in the Portuguese market for a long time, which gives them a large credibility and experience. As a result of the reputation gained in the market, the firm positioned itself on a pole position to execute the public infrastructure projects intended to be developed.

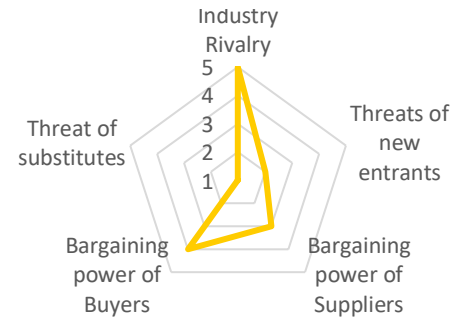
Africa – CCCC partnership brings value

The African construction market is large and full of huge players, turning it into a difficult and profitable market to operate. So, the partnership with China's giant CCCC alongside with experience from decades of operation in Africa, enabled ME to gain market share and to go over major projects in the region. The backlog reached an all-time high in 2022 with a value of €6,399 million, supported by projects such as Kano-Maradi in Nigeria, and Mina Moatize in Mozambique, together totalling more than €1,500 million. Then, these major projects allow to increase the profitability margins.

LATAM – Long last trustable presence

ME operates in the LATAM region since 1998 when they expanded their business to Peru. Since then, the firm has a prominent position in the mining sector where it operates as reference. In addition, the company expertise and experience in the infrastructure segment are determinant to establish a strong position in the region. ME's strategy to focus in the main markets, such as Mexico, Brazil or Colombia is an

Figure 25: Porter's Five Forces



Source: Estimates

Table 4: ME's Cost of Capital

	Europe E&C	Env. & Capital
Cost of Equity		
Risk Free Rate	3.21%	3.21%
Unlevered β	0.51	0.41
Average D/E	3.22	3.22
Levered β	1.63	1.30
MRP	5.40%	5.40%
Ke	12.01%	10.23%
Cost of Debt		
Cost of Debt	5.19%	5.19%
Tax Rate	31.50%	31.50%
Kd	3.56%	3.56%

Source: Estimates

Table 5: ME's Cost of Capital for Emerging Markets

	Africa - E&C	LATAM - E&C
Cost of Equity		
Risk Free Rate	10.38%	9.34%
Unlevered β	0.46	0.51
D/E	3.22	3.22
Levered β	1.47	1.62
MRP	9.65%	7.06%
Ke	24.55%	20.80%
Cost of Debt		
Cost of Debt	5.19%	5.19%
Tax Rate	31.50%	31.50%
Kd	3.56%	3.56%

Source: Estimates

Table 6: ME's Weighted Average Cost of Capital

WACC	2024 F	Terminal Year
Europe - E&C	5.85%	8.21%
Africa - E&C	9.26%	15.10%

Source: Estimates

advantage, because it enables to enter in higher margin projects. Transportation sector, especially in Mexico, with projects like Tren Moya, Metro Monterrey, and Tren Maya Tulum-Akumal totaling a value about €2.000 million will be crucial to fuel the firm's growth and ambitions. Consequently, the regions backlog at 2022 YE reached a value of €4.809 million, representing an increase of 196% from 2021YE. Furthermore, as ME's integrates all value chain in Infrastructure and construction it will help to sustain EBITDA's margin at 11%.

5. Investment Summary

The recommendation for ME remains at **Strong Buy**, with a possible upside of 69.87%, representing a 2023YE price target of € 3.80. Given that the company's stock price at September 08th, 2023, was € 3.22, the recommendation is the abovementioned with high risk associate. The stock seems to denote a great upside potential keeping track of the company's most recent performance and good perspectives for the future.

Regarding to company's core business, **Engineering & Construction**, the company keeps their solid presence in Poland, and the market leader position in Portugal, which will prove to be significant given the PRR plan to be executed in the country, this will justify the 2.34% revenue CAGR expected in **Europe**. The increase on the size of the projects enrolled in Africa, and LATAM are expected to boost the group's revenues to an average YoY growth of about 6.65% during the period 2023E-2028F. **Africa** will be a key region supporting the group's growth of revenues with a 7.74% CAGR and representing almost 33% of ME's total revenues by 2028, this growth is supported by the expansion in Africa to countries such as Nigeria, Ghana, and Mali with large contracts in Backlog. The partnership with CCCC allowed the increase in the profitability through markets of scale. Concerning the operations in **LATAM**, they are pursued by political instability, in countries like Peru or Brazil. However, despite these circumstances the revenues registered a record high during the previous and are expected to keep the trend with a 7.35% CAGR, fueled by public and private investments in the Energy and Transports sector. Mexico is forecasted to continue its preponderant role boosting the performance in the region.

Environment & Capital segment in Europe, especially in Portugal through Suma activity, is expected remain, due to the tariffs update and increase number of concessions. On the other side, the geographical expansion to Africa and LATAM are projected to boost segment revenues with a 4.89% CAGR. As a result of this expansion, the EBITDA margin is expected to decrease 130bp, due to some operational inefficiencies on the beginning of operations. However, this situation is expected to be corrected throughout the forecasted period.

Valuation Methods

Discounted Cash Flow (DCF) valuation considering the Free Cash Flow to the Firm (FCFF) methodology was used to obtain the price target. In order to reach the Enterprise Value a Sum of the Parts (SoP) approach was pursued and the subsequent adjustments were performed to attain the Equity Value. Then, to complement the DCF method, Mota Engil's Equity was valued using Comparative valuation through EV/EBITDA, and EV/Revenues. The DDM method was not used as the company does not have a well-established dividend distribution policy.

6. Valuation

Free Cash Flow to the Firm

ME was valued using the Discounted Cash Flow (DCF) approach where it was obtained the Enterprise Value (EV) of the company and subsequently it was adjusted for Net Debt, Lease Liabilities, as the company uses leases to finance their assets, and other items to arrive at the Equity Value. As the company is divided in four main segments and each of them offers has his own specificities, it was decided to follow a SoP approach in order to reach at the Equity Value. Then, a price target of **€3.80** was estimated for 2023YE.

Table 7: ME's Weighted Average Cost of Capital

WACC	2024 F	Terminal Year
LATAM - E&C	8.24%	13.04%
Environment & Capital	5.37%	7.23%

Source: Estimates

Table 8: ME's Capital Structure

	2024 F	Terminal Year
Weight of Equity	27%	55%
Weight of Debt	73%	45%

Source: Estimates

Table 9: Terminal growth rate per Segment

Segment	g
Europe - E&C	1.04%
Africa - E&C	3.39%
LATAM - E&C	2.94%
Environment & Capital	0.95%

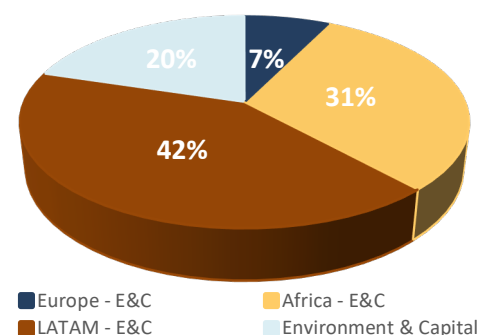
Source: Estimates

Table 10: ME Enterprise Value

Enterprise Value		
Europe - E&C	8%	217,636
Africa - E&C	35%	988,306
LATAM - E&C	38%	1,083,311
Environment & Capital	19%	530,323
Enterprise Value		2,819,576
Net Debt		-1,364,092
Leases		-350,097
Provisions		-142,556
Financial Investments		512,320
NCI		-309,552
Equity Value		1,165,599
Price Target		3.80

Source: Estimates

Figure 26: Enterprise Value per Segment



Source: Estimates

Enterprise Value was reached by summing up the DCF for each segment and subsequently discounted by the appropriate discount rate. The discount rate applied for each segment takes into account the region in which it operates as well as the present Capital Structure. Furthermore, as the Engineering & Construction industry is characterized by the huge pressure on operational margins, the main assumptions consisted of **Revenues** per segment and the respective **EBITDA margins**.

Engineering & Construction

Given the high correlation between the Economic performance the Engineering & Construction industry, the revenues for the **European** segment were estimated according to the IMF projections of EU's GDP growth and a subsequent spread was added to represent market absorption by Mota Engil. Therefore, following this approach the Revenues show a CAGR of 2.34% for the forecasted period of 2023-2028. Regarding the operational margins such as EBITDA, it will remain stable according to the historical years.

In relation to **Africa**, the strategy was the same as in Europe, where the revenues are tied with the region's GDP growth projections based on IMF data. However, the adjustment in Africa is much higher than in Europe, given the size of the projects enrolled and the forecast over the Industry's growth throughout the forecasted period. Consequently, the revenues for the region exhibit a 7.74% CAGR, mainly driven by the current projects in Nigeria and Mozambique. The partnership with CCCC allowed the company to enroll in high value projects and consequently more profitable. Consequently, EBITDA margins are expected to approach levels about 20% throughout the forecasted period in order to reflect the market effects of scale.

LATAM was the region that performed best in PY and is predicted to maintain its robust performance, with revenue CAGR estimated at 7.35% for the forecasted period. Mexico was the main Revenue driver and is projected to keep its pace as there is many projects pending regarding the Energy Sector. The solid position and reputation in the region enable ME to be more selective in the projects they accept. As a result of this careful operation method, EBITDA margins are projected to improve to values around 12% which are in line with values registered in the past.

Environment & Capital

The Environment & Capital segment expanded recently its operations to Africa and LATAM, alongside with the solid position in the Portuguese Waste management sector. This segment consists mainly in concessions, therefore the Revenues represent the capacity to gain market share. Consequently, Revenue CAGR is estimated at 4.96% during 2023-2028, representing the increase in the number of concessions obtained on these new markets. Even though the operations are increasing, the EBITDA margin is projected to suffer a lay down during the beginning of operations but will recover to values about 15% in 2028.

Capex and D&A

To support the estimate growth of the operations was forecasted Capital Expenditures in Fixed Assets, such as Intangible Assets, Tangible Assets, and Right of Use Assets as about 7% of the revenues, according to the company's objectives for the period of 2022-2026. As for D&A was computed the average of the Depreciation rate over the past 5 years. For the Right of Use Assets was assumed a fixed rate of 20% over beginning of period Right of Use Assets, representing a 5 year duration of the Lease contracts. For the intangible assets, it was used the same approach as for the Tangible Assets.

Terminal Value

The terminal growth rate for each region was assessed through Stable Growth Model. Hence, it was determined the reinvestment rate and Return on Invested Capital for all segments of the company. Then, it was obtained a terminal growth rate of 1.04% for Europe - E&C, 3.39% for Africa - E&C, 2.94% for LATAM, and 0.95% for Environment & Capital. Afterwards, to discount the Terminal Value the WACC applied takes in consideration the target capital structure.

Table 9: ME Comparanle Companies

Europe - E&C	LATAM - E&C
Ferrovial SE	Aenza SAA
Fasadgruppen Group AB (publ)	Grupo Carso
Mirbud SA	Grupo Mexicano de Desarrollo SAB
Netel Holding AB (publ)	Dycasa SA
Teixeira Duarte SA	Obrascon Huarte Lain SA

Source: Estimates

Table 10: ME Comparable Companies

Africa - E&C	Environment & Capital
Raubex Group Ltd	Groupe Pizzorno environment
Gamma Civic Ltd	Seche Environment
Acrowmistr for Metallic Scaffoldings and Giza General Contracting an	Fomento de Construcciones y Contratas
Murray & Roberts Holdings	Ambipar Participações e Empreendimentos SA

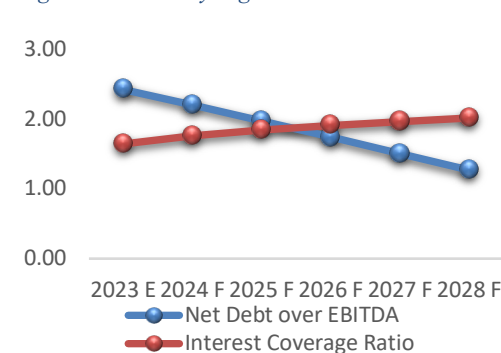
Source: Estimates

Table 11: ME Multiples Valuation

Enterprise Value	EV/Revenues	EV/EBITDA
Europe - E&C	560,707	136,136
Africa - E&C	922,753	1,227,363
LATAM - E&C	1,064,957	592,662
Environment & Capital	925,789	741,977
Enterprise Value	3,474,207	2,698,138
Net Debt	-1,364,092	-1,364,092
Leases	-350,097	-350,097
Provisions	-142,556	-142,556
Financial Investments	512,320	512,320
NCI	-309,552	-309,552
Equity Value	1,820,230	1,044,161
Price Target	5.93	3.40
Average	4.67	
Price @ 08/09	3.22	
Upside Potential	228%	

Source: Estimastes

Figure 27: Solvency Figures



Source: Estimastes

Weighted Average Cost of Capital (WACC)

The WACC method was employed for the FCFF approach, taking in consideration the target capital structure in the Terminal Year. Regarding the Cost of Equity, was performed the CAPM method, using as a proxy of Risk Free Rate the 10y Bond Yield of the country with the highest credit score in each region ME operates. For the Market Risk Premium it was considered the data provided by Damodaran for the selected countries. Then, in order to estimate the respective Beta, it was selected some regional peers according to Revenues amount and EBITDA margin and computed the unlevered Beta. Consequently, the Beta was adjusted to ME capital structure and tax rate. Relating to ME's Cost of Debt was estimated to be the current yield-to-maturity on the longest maturity outstanding bond, since it is regarded to be a proxy for the new coupon rate the company needs to pay to refinance its debt.

Relative Valuation

Relative Valuation Multiples were utilized as a supplement to the DCF model, considering peers' past EV/EBITDA and EV/Revenues ratios. The peers selection was done by segment, this means that comparable companies in terms of region of operation, Revenues size, and EBITDA margin were picked. Performing the multiple valuation was arrived at a value of € 4.67 per share, using EV/EBITDA the value was € 3.40, and with EV/Revenues was obtained a value of € 5.93, then an average between these two values was computed.

7. Financial Analysis

Focus on Liquidity

As a result of the Group's focus on a better management of the working capital needs, will allow to increase the cash generated. The combined effect of the reduction on the Payables Turnover and increase on the Inventory Turnover enable ME to increase the Cash Flow from Operations at 7.73% CAGR. At the same time, the increase in the Revenues will contribute as well to this cash generating strategy. Consequently, an improve on the Liquidity Ratios is projected to occur with the Current Ratio and Cash Ratio reaching, respectively, 1.28x and 0.51 by 2028YE.

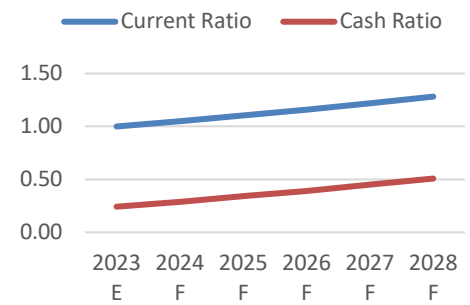
Sustainable Growth

ME's strategy to roll over debt and decrease its leverage is expect to robust their solvency position. Debt to Equity is projected to see a decrease from 3.88x in 2022 H to 2.75x in 2028 F. Additionally, due to the improve on the profitability performance and in the cash generating process, Net Debt/EBITDA is projected to shows continuous progress attaining a value of 1.27x in 2028. Consequently, the roll over strategy and the robust operational performance joined forces to impact positively the Interest Coverage ratio. Throughout the forecasted period, Interest Coverage ratio is expected to increase from 0.41x in 2022 to 2.02x in 2028, given the reasons mentioned before.

Profitability Progress

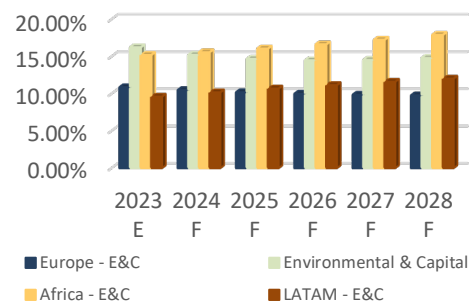
Regarding the profitability performance, ME showed its resilience during a period in which was registered a large increase in the commodities price. Considering all four segments, Africa - E&C is expected to record the best performance with an EBITDA margin always above 15% during the forecasted period and much higher than region's comparables. The operations in LATAM are estimated to show significant increases with a 4.60% CAGR due to gains in efficiency from the markets of scale. Overall, recurring EBITDA margin is projected to flow between 12.93% and 14.47% over the forecasted period, which is still above the industry's average 11.99% according to Reuters.

Figure 28: Liquidity Ratios



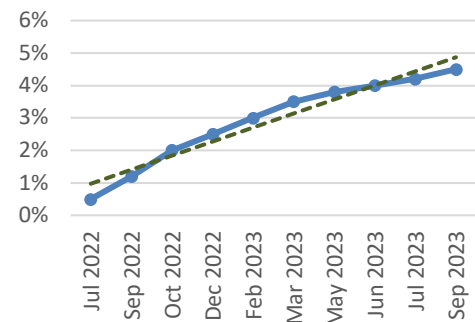
Source: Estimastes

Figure 29: EBITDA Margin per Region



Source: Estimates

Figure 30: ECB Refinancing rate



Source: Reuters

8. Investment Risks

Operational Risks

- **Operational Difficulties (Work force) (OR1):** Difficulties in hiring people and strikes cause severe disruption to business operations and have the potential to knock on the project's deadlines and increase the company's costs. Decisions taken by employers related to wage payments, changes in contract terms and redundancies can lead to dissatisfaction among workers, which also is a risk to be considered.
- **Global Shortages (Supply side power) (OR2):** On the recent years there has been more issues in the supply chains, which began with COVID-19 and continue now due to the war in Ukraine creating pressure and scarcity in some materials that are essential in construction. A high concentration of industrial metal supply relies on Russia, specifically aluminum and copper. Aluminum faces the most significant and immediate disruption risk, since around 60% of the traditional aluminum is exported by Russia, which now have its supply chains disrupted. Shortages on supply chains and disruptions can lead to delays on the deadlines to conclude projects, which, as already mentioned, would increase the costs for the companies.
- **Fierce Competition (OR3):** Construction is a highly regulated industry and new players have to face high capital requirements and high barriers to manage to entry. However, in markets that have a high concentration of players, they likely have to reduce operating margins and decrease profitability ratios to get the contracts.

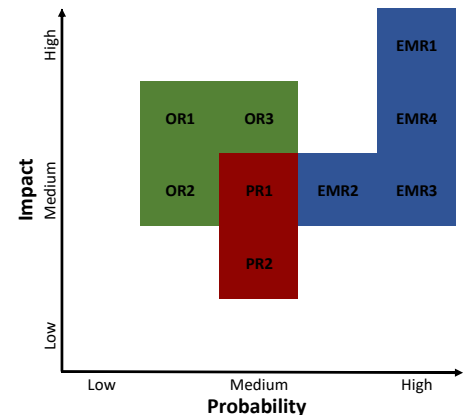
Political & Environmental Risks

- **Expropriation and Nationalism (PR1):** To encourage their domestic sector, nations could enact policies like increased tariffs, subsidies, or government preference for local producers. Private infrastructure owners are exposed to political risks, including the possibility of their property being outright seized or turned over to the government. It occurs when a government entity effectively takes land without going through the statutory steps outlined in the Expropriation Act.
- **Changes in Industry Regulation (PR2):** The construction sector is becoming more restrictive. Changes on emission rules, labor laws, worries about decarbonization and onsite working conditions gain traction in many nations.

Economic & Market Risks

- **Interest rate risk (EMR1):** High inflation has been the biggest economical challenge for the last year and central banks rely on interest rates as the primary tool to fight it. Central banks have been raising interest rates since the beginning of the year and it is anticipated that it will continue, starting to decrease in a path of convergence with the long-term interest rate only in 2024. However, the sharp increase they had this year, adds risk to companies, since there are a lot of loans that have floating interest rates, increasing the financial expenses of the companies. Also, the ones with fixed rates like bonds, may need to be replaced with new debt issuance, which will come with higher costs than the ones that mature. Thus, the rise of interest rates contributes to the rise of cost of capital and affects demand severely.
- **Exchange rate risk (EMR2):** Most of the players in the construction industry operate globally and are exposed to exchange rate risk when translating currency to the reporting currency. Countries with higher currency volatility are those with greater political and economic instability, such as those with high inflation rates, which would decrease the value of their currencies. Companies should enter into derivatives contracts to reduce their exposure to exchange rate risk.
- **Commodity price risk (EMR3):** The main components used in construction are cement, aluminum, and copper. The current economic outlook in this field is not favorable. War in Ukraine led to a rise in commodity prices.

Figure 31: Risk Matrix



Source: Estimates

Table 12: Risk Mitigation Factors

Risks	Mitigation Factors
Operational Risks	
Global Shortages	Diversification of suppliers
Fierce Competition	Operational efficiency
Political & Environmental Risks	
Expropriation and Nationalism and Changes in regulation	Limit exposure to countries with high political instability
Economic & Market Risks	
Interest rate risk	Interest rate Swaps
Exchange rate and commodity price risk	Hedging into Forwards
Economic Slowdown risk	Geographical diversification

Source: Author analysis

- **Economic Slowdown risk (EMR4).** There is a relationship between economic evolution and construction revenues, and the current macro-outlook isn't looking good. Construction companies are expected to face difficulties as governments may postpone some infrastructure projects. According to the most recent IMF forecasts, the global economy will experience an economic slowdown with a growth rate below previous expectations, which will undoubtedly pose a challenge for construction.

Sensitivity Analysis and Monte Carlo Simulation

In order to mitigate the investment risk a sensitivity analysis was performed to assess how some changes would impact ME's target price. Therefore, changes in Terminal Growth rate for LATAM and Africa will be applied due to the higher weight of these segments in ME's Enterprise Value. Additionally, given the leverage position of ME it was decided to include a sensitivity analysis on the Cost of Debt.

Table 13: Sensitivity Analysis

		Terminal Growth Rate in LATAM							
		1,44%	1,94%	2,44%	2,94%	3,44%	3,94%	4,44%	
Terminal Growth Rate in Africa	1,89%	2,63	2,81	3,02	3,27	3,58	3,96	4,44	
	2,39%	2,77	2,96	3,17	3,42	3,73	4,11	4,59	
	2,89%	2,95	3,13	3,34	3,60	3,90	4,28	4,76	
	3,39%	3,15	3,33	3,55	3,80	4,11	4,48	4,96	
	3,89%	3,39	3,57	3,79	4,04	4,35	4,72	5,20	
	4,39%	3,68	3,86	4,07	4,33	4,64	5,01	5,49	
	4,89%	4,03	4,22	4,43	4,68	4,99	5,37	5,85	

Source: Author analysis

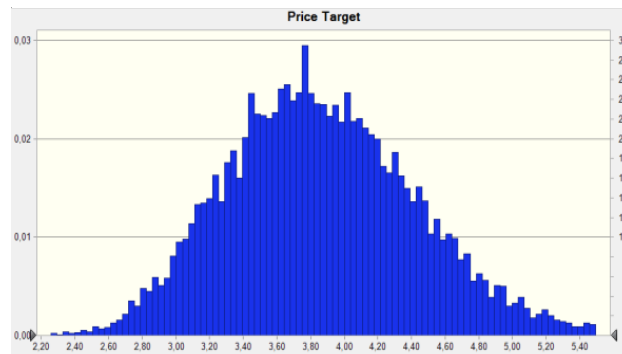
Table 14: Cost of Debt Sensitivity Analysis

		Cost of Debt				
		3,19%	4,19%	5,19%	6,19%	7,19%
Price Target	5,53	4,58	3,80	3,14	2,57	

Source: Author analysis

Furthermore, a Monte Carlo simulation was performed through Crystal Ball and run 10,000 trials. This simulation changed drivers as Terminal growth rate either in Africa and LATAM, Market risk premium for Africa and LATAM, Cost of Debt and Sales Growth. Then, it was attained a mean target price of €3.88 with a standard deviation of 0.58.

Figure 32: Monte Carlo Simulation



Source: Crystal Ball & Author analysis

Appendices

Appendix 1: Statement of Financial Position

Balance Sheet - In Thousand of EUR 12 Months Ending	2018 H 12/31/2018	2019 H 12/31/2019	2020 H 12/31/2020	2021 H 12/31/2021	2022 H 12/31/2022	2023 E 12/31/2023	2024 F 12/31/2024	2025 F 12/31/2025	2026 F 12/31/2026	2027 F 12/31/2027	2028 F 12/31/2028
Assets											
Non-current											
Goodwill	33,741	22,233	20,717	20,069	20,132	20,132	20,132	20,132	20,132	20,132	20,132
Intangible Assets	521,494	629,811	707,988	699,160	752,219	766,405	785,972	809,889	837,156	866,561	897,024
Tangible Assets	740,448	460,028	384,589	477,081	633,942	658,097	685,812	716,947	751,302	788,646	828,854
Right of use assets	-	246,411	218,246	287,162	301,909	290,648	286,409	287,621	293,130	302,033	313,674
Financial invest. in associated companies	90,416	103,908	123,606	187,348	132,770	132,770	132,770	132,770	132,770	132,770	132,770
Financial invest. in jointly controlled comp.	14,981	19,902	17,496	94,126	119,465	119,465	119,465	119,465	119,465	119,465	119,465
Other financial invest. recorded at amortised cost	144,963	212,078	177,915	190,150	93,413	93,413	93,413	93,413	93,413	93,413	93,413
Other financial invest. recorded at fair value through other comprehensive income	59,224	54,088	42,675	64,400	63,201	63,201	63,201	63,201	63,201	63,201	63,201
Investment properties	133,685	161,753	173,565	112,412	103,471	103,471	103,471	103,471	103,471	103,471	103,471
Customers and other debtors	109,459	184,433	176,428	245,265	251,129	251,129	251,129	251,129	251,129	251,129	251,129
Contract Assets	-	-	-	-	5,139	5,139	5,139	5,139	5,139	5,139	5,139
Other non-current instruments	7,836	5,427	9,546	35,802	40,742	40,742	40,742	40,742	40,742	40,742	40,742
Derivative financial instruments	85	4	39	149	4,000	4,000	4,000	4,000	4,000	4,000	4,000
Deferred tax assets	184,318	186,296	201,918	209,248	234,992	234,992	234,992	234,992	234,992	234,992	234,992
Total non-current assets	2,040,650	2,286,372	2,254,728	2,622,372	2,756,524	2,783,605	2,826,647	2,882,912	2,950,042	3,025,693	3,108,005
Current											
Inventories	334,167	332,599	252,220	292,688	528,757	551,146	575,568	599,478	622,657	643,939	663,699
Customers and other debtors	1,002,852	1,059,462	941,678	1,130,477	1,453,952	1,566,959	1,692,878	1,825,145	1,963,538	2,104,707	2,249,997
Contract assets	551,707	568,360	668,882	693,236	589,669	630,055	674,902	721,504	769,728	818,232	867,528
Other current assets	65,335	54,799	76,243	72,160	79,073	84,489	90,503	96,752	103,218	109,723	116,333
Derivative financial instruments	180	-	-	1	58	58	58	58	58	58	58
Corporate income tax	20,230	35,146	23,824	31,598	39,021	41,694	44,661	47,745	50,936	54,146	57,408
Other financial invest. recorded at amortised cost	21,399	10,568	21,088	32,253	32,404	32,404	32,404	32,404	32,404	32,404	32,404
Other Financial applications	97,449	98,303	79,646	58,765	78,577	78,577	78,577	78,577	78,577	78,577	78,577
Cash and cash equivalents without recourse - Demand deposits	61,749	34,593	31,507	37,088	93,368	93,368	93,368	93,368	93,368	93,368	93,368
Cash and cash equivalents with recourse - Demand deposits	291,103	299,957	338,699	346,796	603,336	803,656	1,059,644	1,365,731	1,717,492	2,110,008	2,538,712
Non current assets held for sale***	206,187	274,407	126,967	88,380	143,159	143,159	143,159	143,159	143,159	143,159	143,159
Total current assets	2,652,358	2,768,194	2,560,754	2,783,442	3,641,374	4,025,564	4,485,722	5,003,922	5,575,137	6,188,321	6,841,243
Total assets	4,693,008	5,054,566	4,815,482	5,405,814	6,397,898	6,809,169	7,312,368	7,886,834	8,525,179	9,214,014	9,949,248
Liabilities											
Non-current											
Loans without recourse	108,505	110,425	133,303	132,103	190,445	214,220	243,632	278,238	317,602	361,077	407,967
Loans with recourse	697,765	866,760	797,917	1,026,221	843,161	948,421	1,078,636	1,231,848	1,406,127	1,598,604	1,806,200
Other financial liabilities	-	-	-	-	13,630	15,332	17,437	19,913	22,731	25,842	29,198
Lease liabilities	203,131	203,883	243,707	217,318	208,861	202,143	199,614	200,337	203,624	208,935	215,880
Derivative financial instruments	597	688	482	123	-	-	-	-	-	-	-
Suppliers and sundry creditors	60,121	93,943	70,418	68,295	16,642	16,642	16,642	16,642	16,642	16,642	16,642
Contract liabilities	62,777	44,247	6,614	46,399	294,423	294,423	294,423	294,423	294,423	294,423	294,423
Other non-current liabilities	168,072	157,746	165,299	169,529	141,368	141,368	141,368	141,368	141,368	141,368	141,368
Provisions	103,998	106,587	103,598	124,230	142,556	142,556	142,556	142,556	142,556	142,556	142,556
Deferred tax liabilities	148,075	161,984	181,695	195,249	199,482	199,482	199,482	199,482	199,482	199,482	199,482
Total non-current liabilities	1,553,041	1,746,263	1,703,033	1,980,097	2,050,568	2,174,587	2,333,789	2,524,807	2,744,555	2,988,929	3,253,715
Current											
Loans without resource	33,874	50,148	45,443	38,159	30,220	31,972	34,194	36,712	39,380	42,049	44,592
Loans with resource	731,663	841,592	914,624	594,032	776,918	821,959	879,084	943,826	1,012,414	1,081,031	1,146,395
Other financial liabilities	210,663	208,156	224,233	340,271	206,422	218,389	233,567	250,768	268,992	287,223	304,590
Lease liabilities	-	69,999	57,554	116,197	141,236	136,693	134,983	135,472	137,694	141,286	145,982
Derivative financial instruments	-	9	108	135	1,206	1,206	1,206	1,206	1,206	1,206	1,206
Suppliers and sundry creditors	802,173	885,832	801,317	905,516	1,285,867	1,374,668	1,473,301	1,575,870	1,682,094	1,789,041	1,897,835
Contract liabilities	319,626	233,639	277,100	303,317	636,123	656,358	678,084	698,186	716,347	731,186	743,111
Other current liabilities	462,894	530,905	595,088	596,891	633,181	676,547	724,704	774,744	826,527	878,610	931,544
Corporate Income tax	17,215	30,395	20,740	25,623	32,238	34,446	36,898	39,446	42,082	44,734	47,429
Non-current liabilities held for sale***	115,990	129,598	30,230	73,376	73,237	73,237	73,237	73,237	73,237	73,237	73,237
Total current liabilities	2,694,098	2,980,273	2,966,437	2,993,517	3,816,648	4,025,475	4,269,258	4,529,468	4,799,973	5,069,603	5,335,919
Total Liabilities	4,247,139	4,726,536	4,669,470	4,973,614	5,867,216	6,200,062	6,603,047	7,054,275	7,544,528	8,058,532	8,589,634
Shareholders' Equity											
Share Capital	237,505	237,505	237,505	306,776	306,776	306,776	306,776	306,776	306,776	306,776	306,776
Own Shares	(10,232)	(10,232)	(10,232)	(10,232)	(10,232)	(10,232)	(10,232)	(10,232)	(10,232)	(10,232)	(10,232)
Reserves, retained earnings and share premiums	(73,708)	(177,674)	(295,963)	(185,315)	(116,143)	(75,414)	(33,650)	19,719	85,347	164,212	257,316
Consolidated net profit of the year	23,306	26,728	(19,944)	24,101	40,729	41,764	53,368	65,629	78,865	93,104	108,709
Own funds attributable to the Group	176,871	76,327	(88,634)	135,330	221,130	262,894	316,263	381,891	460,756	553,860	662,569
Non-controlling interests	268,998	251,703	234,646	296,870	309,552	346,213	393,059	450,668	519,895	601,621	697,046
Total shareholders' equity	445,869	328,030	146,012	432,200	530,682	609,107	709,321	832,559	980,651	1,155,482	1,359,615
Total shareholders' equity and liabilities	4,693,008	5,054,566	4,815,482	5,405,814	6,397,898	6,809,169	7,312,368	7,886,834	8,525,179	9,214,014	9,949,248

Appendix 2: Income Statement

Income Statement - In Thousands of EUR	2018 H	2019 H	2020 H	2021 H	2022 H	2023 E	2024 F	2025 F	2026 F	2027 F	2028 F
12 Months Ending	12/31/2018	12/31/2019	12/31/2020	12/31/2021	12/31/2022	12/31/2023	12/31/2024	12/31/2025	12/31/2026	12/31/2027	12/31/2028
Sales and Services rendered	2,801,749	2,912,440	2,429,134	2,591,776	3,804,258	4,064,810	4,354,143	4,654,793	4,965,912	5,278,837	5,596,871
Europe - E&C	572,057	623,079	715,138	606,972	509,734	516,106	526,825	540,802	554,268	566,916	579,490
Environment & Capital	297,779	350,528	335,112	584,865	661,278	735,479	804,443	865,038	914,244	949,390	968,377
Africa - E&C	908,254	1,006,586	760,907	824,044	1,183,017	1,266,514	1,363,479	1,467,621	1,580,379	1,704,233	1,838,782
LATAM - E&C	1,068,521	948,924	595,401	620,027	1,521,367	1,621,625	1,738,836	1,865,736	2,006,730	2,153,743	2,311,849
Other, eliminations and intragroup	(44,862)	(16,677)	22,577	(44,131)	(71,138)	(74,915)	(79,440)	(84,404)	(89,709)	(95,445)	(101,628)
% of Europe and Africa revenues	-3.0%	-1.0%	1.5%	-3.1%	-4.2%	-4.2%	-4.2%	-4.2%	-4.2%	-4.2%	-4.2%
COGS, mat. Cons. and changes in production	(1,301,551)	(661,040)	(560,591)	(623,880)	(925,164)	(989,288)	(1,054,937)	(1,123,927)	(1,196,811)	(1,271,863)	(1,350,234)
Europe - E&C	(350,976)	(140,806)	(205,037)	(143,433)	(108,290)	(105,810)	(108,465)	(111,714)	(114,753)	(117,541)	(120,261)
Environment & Capital	(30,637)	(20,001)	(17,462)	(70,354)	(55,607)	(62,523)	(69,214)	(74,904)	(79,349)	(82,342)	(83,731)
Africa - E&C	(452,738)	(240,155)	(193,642)	(256,814)	(362,555)	(391,666)	(419,822)	(449,289)	(480,547)	(514,372)	(550,553)
LATAM - E&C	(496,294)	(279,188)	(131,607)	(181,329)	(400,442)	(431,274)	(459,541)	(490,255)	(524,538)	(560,138)	(598,381)
Other, eliminations and intragroup	29,094	19,110	(12,842)	28,389	1,729	1,984	2,104	2,236	2,376	2,528	2,692
Gross Profit	1,500,198	2,251,400	1,868,543	1,967,896	2,879,094	3,075,522	3,299,206	3,530,867	3,769,101	4,006,973	4,246,638
Third-party supplies and Services	(589,822)	(1,245,312)	(970,194)	(983,069)	(1,705,829)	(1,820,368)	(1,946,829)	(2,075,057)	(2,204,611)	(2,330,759)	(2,455,411)
Europe - E&C	(122,794)	(339,449)	(362,779)	(315,433)	(267,577)	(261,450)	(268,008)	(276,038)	(283,547)	(290,434)	(297,157)
Environment & Capital	(102,291)	(188,495)	(150,467)	(234,973)	(303,643)	(341,406)	(377,964)	(409,016)	(433,288)	(449,629)	(457,212)
Africa - E&C	(174,228)	(394,670)	(241,422)	(249,038)	(447,794)	(483,749)	(518,524)	(554,920)	(593,527)	(635,304)	(679,991)
LATAM - E&C	(241,777)	(428,061)	(224,514)	(225,691)	(770,680)	(830,018)	(884,420)	(943,531)	(1,009,512)	(1,078,026)	(1,151,628)
Other, eliminations and intragroup	51,268	105,364	8,989	42,065	83,864	96,255	102,069	108,447	115,263	122,634	130,578
Wages and Salaries	(542,154)	(587,229)	(519,644)	(563,586)	(677,951)	(729,491)	(783,491)	(836,565)	(887,928)	(936,189)	(981,524)
Europe - E&C	(110,463)	(115,732)	(111,440)	(106,554)	(94,971)	(92,796)	(95,124)	(97,974)	(100,639)	(103,084)	(105,470)
Environment & Capital	(102,936)	(95,565)	(96,741)	(168,489)	(188,749)	(212,223)	(234,937)	(254,250)	(269,338)	(279,496)	(284,210)
Africa - E&C	(129,388)	(141,257)	(123,642)	(131,198)	(183,843)	(198,604)	(212,882)	(227,824)	(243,674)	(260,826)	(279,172)
LATAM - E&C	(178,505)	(188,296)	(146,785)	(141,535)	(190,066)	(204,700)	(218,117)	(232,695)	(248,967)	(265,864)	(284,016)
Other, eliminations and intragroup	(20,862)	(46,380)	(41,036)	(15,810)	(20,322)	(21,168)	(22,433)	(23,823)	(25,310)	(26,920)	(28,656)
Other operating income/expenses	38,854	(1,788)	1,550	(9,609)	45,389	-	-	-	-	-	-
EBITDA	407,076	417,071	380,255	411,632	540,703	525,663	568,886	619,244	676,562	740,025	809,702
Europe - E&C	(12,176)	27,092	35,882	41,552	38,896	56,048	55,228	55,075	55,329	55,857	56,602
Environment & Capital	61,915	46,467	70,442	111,049	113,279	119,328	122,346	126,868	132,269	137,923	143,224
Africa - E&C	151,900	230,504	202,201	186,994	188,825	192,496	212,251	235,588	262,631	293,732	329,066
LATAM - E&C	151,945	53,379	92,495	71,472	160,179	155,634	176,760	199,256	223,713	249,715	277,824
Other, eliminations and intragroup	14,638	61,417	(22,312)	10,513	(5,867)	2,157	2,301	2,457	2,621	2,797	2,986
Recurring EBITDA Margin	14.53%	14.32%	15.65%	15.88%	14.21%	12.93%	13.07%	13.30%	13.62%	14.02%	14.47%
Amortisations and Depreciations	(182,800)	(206,542)	(196,743)	(210,264)	(278,656)	(265,146)	(268,003)	(273,805)	(282,024)	(292,230)	(304,027)
Amortisations of Intangible Assets	(60,696)	(58,529)	(67,889)	(65,266)	(74,460)	(80,804)	(82,328)	(84,430)	(86,999)	(89,928)	(93,087)
Depreciations of Tangible Assets	(122,105)	(89,577)	(69,838)	(71,691)	(108,778)	(108,865)	(113,013)	(117,773)	(123,119)	(129,019)	(135,432)
Depreciations of ROUA	-	(58,436)	(59,016)	(73,307)	(95,418)	(75,477)	(72,662)	(71,602)	(71,905)	(73,283)	(75,508)
Europe - E&C	(18,216)	(21,146)	(23,335)	(20,187)	(18,329)	(34,996)	(33,506)	(32,538)	(31,985)	(31,731)	(31,684)
Environment & Capital	(67,112)	(63,488)	(65,353)	(79,429)	(87,529)	(87,494)	(84,033)	(81,912)	(80,785)	(80,336)	(80,280)
Africa - E&C	(80,623)	(91,414)	(81,419)	(91,804)	(114,384)	(102,336)	(103,923)	(106,859)	(110,954)	(116,087)	(122,203)
LATAM - E&C	(16,435)	(27,725)	(22,586)	(22,300)	(57,498)	(40,103)	(46,355)	(52,336)	(58,162)	(63,958)	(69,758)
Other, eliminations and intragroup	(414)	(2,769)	(4,050)	3,456	(917)	(217)	(185)	(159)	(137)	(118)	(103)
Impairment losses	(818)	(6,147)	(37,118)	(2,137)	(2,632)	-	-	-	-	-	-
Provisions	(23,209)	(16,648)	(1,909)	(14,738)	(16,202)	-	-	-	-	-	-
EBIT	200,249	187,734	144,485	184,493	243,213	260,516	300,883	345,439	394,539	447,795	505,675
Europe - E&C	(30,392)	5,946	12,547	21,365	20,567	21,052	21,722	22,538	23,344	24,127	24,918
Environment & Capital	(5,197)	(17,021)	5,089	31,620	25,750	31,834	38,313	44,956	51,484	57,587	62,945
Africa - E&C	71,277	139,090	120,782	95,190	74,441	90,160	108,328	128,729	151,677	177,645	206,863
LATAM - E&C	135,510	25,654	69,909	49,172	102,681	115,531	130,404	146,920	165,550	185,758	208,066
Other, eliminations and intragroup	14,224	58,648	(26,362)	13,969	(6,784)	1,940	2,116	2,297	2,484	2,679	2,883
Financial income and gains	202,650	209,865	256,419	140,733	446,170	12,248	16,314	21,511	27,724	34,865	42,833
Financial costs and losses	(258,900)	(274,305)	(391,216)	(267,078)	(600,357)	(158,275)	(170,898)	(187,041)	(206,071)	(227,432)	(250,504)
EBT	135,208	111,647	25,533	121,599	116,132	114,489	146,299	179,909	216,192	255,228	298,004
Income tax	(41,734)	(41,474)	(17,725)	(58,361)	(39,655)	(36,064)	(46,084)	(56,671)	(68,101)	(80,397)	(93,871)
Net Profit	93,474	70,173	7,808	63,238	76,477	78,425	100,215	123,238	148,092	174,831	204,133
Attributable:											
to non-controlling interests	70,169	43,445	27,753	39,138	35,750	36,661	46,846	57,609	69,227	81,727	95,424
to the Group	23,305	26,728	(19,945)	24,100	40,727	41,764	53,368	65,629	78,865	93,104	108,709

Appendix 3: Cash Flow Statement

Cash Flow Statement - In Thousands of EUR 12 Months Ending	2023 E 12/31/2023	2024 F 12/31/2024	2025 F 12/31/2025	2026 F 12/31/2026	2027 F 12/31/2027	2028 F 12/31/2028
Cash Flow From Operating Activities	460,338	489,601	525,719	567,812	615,481	667,959
EBIT	260,516	300,883	345,439	394,539	447,795	505,675
Income Tax	- 36,064	- 46,084	- 56,671	- 68,101	- 80,397	- 93,871
Depreciations and Amortizations	265,146	268,003	273,805	282,024	292,230	304,027
Δ Net Working Capital	- 29,261	- 33,201	- 36,854	- 40,650	- 44,147	- 47,871
Cash Flow From Investing Activities	- 292,227	- 311,045	- 330,070	- 349,154	- 367,881	- 386,339
Capex	- 292,227	- 311,045	- 330,070	- 349,154	- 367,881	- 386,339
Other Investments	-	-	-	-	-	-
Dividends	-	-	-	-	-	-
Cash Flow From Financing Activities	32,208	77,432	110,439	133,103	144,916	147,084
Financial Income/ Expenses	- 146,028	- 154,584	- 165,530	- 178,346	- 192,567	- 207,671
Dividends	-	-	-	-	-	-
Net Borrowing	178,236	232,016	275,969	311,449	337,483	354,755
Net Cash Flow	200,320	255,988	306,088	351,761	392,515	428,705
Cash and Cash equivalents at the beginning of the year	603,336	803,656	1,059,644	1,365,731	1,717,492	2,110,008
Cash and Cash Equivalents at the end of the year	803,656	1,059,644	1,365,731	1,717,492	2,110,008	2,538,712

Appendix 4: Key Financial Ratios

Financial Analysis	Unit	2019 H 12/31/2019	2020 H 12/31/2020	2021 H 12/31/2021	2022 H 12/31/2022	2023 E 12/31/2023	2024 F 12/31/2024	2025 F 12/31/2025	2026 F 12/31/2026	2027 F 12/31/2027	2028 F 12/31/2028
Profitability Ratios											
Gross Profit Margin	%	77.30%	76.92%	75.93%	75.68%	75.66%	75.77%	75.85%	75.90%	75.91%	75.88%
EBITDA Margin	%	14.32%	15.65%	15.88%	14.21%	12.93%	13.07%	13.30%	13.62%	14.02%	14.47%
Europe - E&C	%	4.35%	5.02%	6.85%	7.63%	10.86%	10.48%	10.18%	9.98%	9.85%	9.77%
Environmental & Capital	%	13.26%	21.02%	18.99%	17.13%	16.22%	15.21%	14.67%	14.47%	14.53%	14.79%
Africa - E&C	%	22.90%	26.57%	22.69%	15.96%	15.20%	15.57%	16.05%	16.62%	17.24%	17.90%
LATAM - E&C	%	5.63%	15.53%	11.53%	10.53%	9.60%	10.17%	10.68%	11.15%	11.59%	12.02%
EBIT Margin	%	6.45%	5.95%	7.12%	6.39%	6.41%	6.91%	7.42%	7.94%	8.48%	9.03%
Net Profit Margin	%	2.41%	0.32%	2.44%	2.01%	1.93%	2.30%	2.65%	2.98%	3.31%	3.65%
ROA	%	1.39%	0.16%	1.17%	1.20%	1.15%	1.37%	1.56%	1.74%	1.90%	2.05%
ROE	%	18%	3%	22%	16%	13%	14%	15%	15%	15%	15%
Efficiency Ratios											
Receivables Turnover	x	2.82	2.43	2.50	2.94	2.69	2.67	2.65	2.62	2.60	2.57
Inventory Turnover	x	1.98	1.92	2.29	2.25	1.83	1.87	1.91	1.96	2.01	2.07
Payables Turnover	x	0.78	0.57	0.78	1.06	0.76	0.76	0.75	0.75	0.75	0.74
Fixed Asset Turnover	x	0.47	0.55	0.57	0.45	0.43	0.41	0.39	0.38	0.37	0.37
Total Asset Turnover	x	0.58	0.50	0.48	0.59	0.60	0.60	0.59	0.58	0.57	0.56
Liquidity Ratios											
Current Ratio	x	0.93	0.86	0.93	0.95	1.00	1.05	1.10	1.16	1.22	1.28
Quick Ratio	x	0.82	0.78	0.83	0.82	0.86	0.92	0.97	1.03	1.09	1.16
Cash Ratio	x	0.15	0.15	0.15	0.20	0.24	0.29	0.34	0.39	0.45	0.51
Capital Structure											
Debt to Equity	x	4.00	6.33	14.49	3.88	3.69	3.51	3.32	3.13	2.94	2.75
Debt to Total Assets	x	0.41	0.44	0.39	0.32	0.33	0.34	0.35	0.36	0.37	0.38
Net Debt over EBITDA	x	3.27	3.94	4.38	2.38	2.42	2.21	1.98	1.74	1.51	1.27
Interest Coverage Ratio	x	0.77	0.68	0.37	0.41	1.65	1.76	1.85	1.91	1.97	2.02
Long-Term Debt to Equity	x	1.81	2.98	6.38	1.95	1.91	1.86	1.81	1.76	1.70	1.63
Long-Term Debt to Assets	x	0.17	0.19	0.19	0.16	0.17	0.18	0.19	0.20	0.21	0.22
Equity Multiplier	x	10.53	15.41	32.98	12.06	11.18	10.31	9.47	8.69	7.97	7.32

Appendix 5: Common-Size Statement of Financial Position

Common Size Balance Sheet	2018 H	2019 H	2020 H	2021 H	2022 H	2023 E	2024 F	2025 F	2026 F	2027 F	2028 F
Assets											
Non-current											
Goodwill	0.72%	0.44%	0.43%	0.37%	0.31%	0.30%	0.28%	0.26%	0.24%	0.22%	0.20%
Intangible Assets	11.11%	12.46%	14.70%	12.93%	11.76%	11.26%	10.75%	10.27%	9.82%	9.40%	9.02%
Tangible Assets	15.78%	9.10%	7.99%	8.83%	9.91%	9.66%	9.38%	9.09%	8.81%	8.56%	8.33%
Right of use assets	0.00%	4.88%	4.53%	5.31%	4.72%	4.27%	3.92%	3.65%	3.44%	3.28%	3.15%
Financial invest. in associated companies	1.93%	2.06%	2.57%	3.47%	2.08%	1.95%	1.82%	1.68%	1.56%	1.44%	1.33%
Financial invest. in jointly controlled comp.	0.32%	0.39%	0.36%	1.74%	1.87%	1.75%	1.63%	1.51%	1.40%	1.30%	1.20%
Other financial invest. recorded at amortised cost	3.09%	4.20%	3.69%	3.52%	1.46%	1.37%	1.28%	1.18%	1.10%	1.01%	0.94%
Other financial invest. recorded at fair value through other comprehensive income	1.26%	1.07%	0.89%	1.19%	0.99%	0.93%	0.86%	0.80%	0.74%	0.69%	0.64%
Investment properties	2.85%	3.20%	3.60%	2.08%	1.62%	1.52%	1.42%	1.31%	1.21%	1.12%	1.04%
Customers and other debtors	2.33%	3.65%	3.66%	4.54%	3.93%	3.69%	3.43%	3.18%	2.95%	2.73%	2.52%
Other non-current assets	0.17%	0.11%	0.20%	0.66%	0.64%	0.60%	0.56%	0.52%	0.48%	0.44%	0.41%
Derivative financial instruments	0.00%	0.00%	0.00%	0.00%	0.06%	0.06%	0.05%	0.05%	0.05%	0.04%	0.04%
Deferred tax assets	3.93%	3.69%	4.19%	3.87%	3.67%	3.45%	3.21%	2.98%	2.76%	2.55%	2.36%
Total non-current assets	43.48%	45.23%	46.82%	48.51%	43.08%	40.88%	38.66%	36.55%	34.60%	32.84%	31.24%
Current											
Inventories	7.12%	6.58%	5.24%	5.41%	8.26%	8.09%	7.87%	7.60%	7.30%	6.99%	6.67%
Customers and other debtors	21.37%	20.96%	19.56%	20.91%	22.73%	23.01%	23.15%	23.14%	23.03%	22.84%	22.61%
Contract assets	11.76%	11.24%	13.89%	12.82%	9.22%	9.25%	9.23%	9.15%	9.03%	8.88%	8.72%
Other current assets	1.39%	1.08%	1.58%	1.33%	1.24%	1.24%	1.24%	1.23%	1.21%	1.19%	1.17%
Derivative financial instruments	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Corporate income tax	0.43%	0.70%	0.49%	0.58%	0.61%	0.61%	0.61%	0.61%	0.60%	0.59%	0.58%
Other financial invest. recorded at amortised cost	0.46%	0.21%	0.44%	0.60%	0.51%	0.48%	0.44%	0.41%	0.38%	0.35%	0.33%
Cash and cash equivalents with recourse - Term deposits	2.08%	1.94%	1.65%	1.09%	1.23%	1.15%	1.07%	1.00%	0.92%	0.85%	0.79%
Cash and cash equivalents without recourse - Demand deposits	1.32%	0.68%	0.65%	0.69%	1.46%	1.37%	1.28%	1.18%	1.10%	1.01%	0.94%
Cash and cash equivalents with recourse - Demand deposits	6.20%	5.93%	7.03%	6.42%	9.43%	11.80%	14.49%	17.32%	20.15%	22.90%	25.52%
Non current assets held for sale***	4.39%	5.43%	2.64%	1.63%	2.24%	2.10%	1.96%	1.82%	1.68%	1.55%	1.44%
Total current assets	56.52%	54.77%	53.18%	51.49%	56.92%	59.12%	61.34%	63.45%	65.40%	67.16%	68.76%
Total assets	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Liabilities											
Non-current											
Loans without recourse	2.31%	2.18%	2.77%	2.44%	2.98%	3.15%	3.33%	3.53%	3.73%	3.92%	4.10%
Loans with recourse	14.87%	17.15%	16.57%	18.98%	13.18%	13.93%	14.75%	15.62%	16.49%	17.35%	18.15%
Lease liabilities	4.33%	4.03%	5.06%	4.02%	3.26%	2.97%	2.73%	2.54%	2.39%	2.27%	2.17%
Derivative financial instruments	0.01%	0.01%	0.01%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Suppliers and sundry creditors	1.28%	1.86%	1.46%	1.28%	0.26%	0.24%	0.23%	0.21%	0.20%	0.18%	0.17%
Contract liabilities	1.34%	0.88%	0.14%	0.86%	4.60%	4.32%	4.03%	3.73%	3.45%	3.20%	2.96%
Other non-current liabilities	3.58%	3.12%	3.43%	3.14%	2.21%	2.08%	1.93%	1.79%	1.66%	1.53%	1.42%
Provisions	2.22%	2.11%	2.15%	2.30%	2.23%	2.09%	1.95%	1.81%	1.67%	1.55%	1.43%
Deferred tax liabilities	3.16%	3.20%	3.77%	3.61%	3.12%	2.93%	2.73%	2.53%	2.34%	2.16%	2.00%
Total non-current liabilities	33.09%	34.55%	35.37%	36.63%	32.05%	31.94%	31.92%	32.01%	32.19%	32.44%	32.70%
Current											
Loans without resource	0.72%	0.99%	0.94%	0.71%	0.47%	0.47%	0.47%	0.47%	0.46%	0.46%	0.45%
Loans with resource	15.59%	16.65%	18.99%	10.99%	12.14%	12.07%	12.02%	11.97%	11.88%	11.73%	11.52%
Other financial liabilities	4.49%	4.12%	4.66%	6.29%	3.23%	3.21%	3.19%	3.18%	3.16%	3.12%	3.06%
Lease liabilities	0.00%	1.38%	1.20%	2.15%	2.21%	2.01%	1.85%	1.72%	1.62%	1.53%	1.47%
Derivative financial instruments	0.00%	0.00%	0.00%	0.00%	0.02%	0.02%	0.02%	0.02%	0.01%	0.01%	0.01%
Suppliers and sundry creditors	17.09%	17.53%	16.64%	16.75%	20.10%	20.19%	20.15%	19.98%	19.73%	19.42%	19.08%
Contract liabilities	6.81%	4.62%	5.75%	5.61%	9.94%	9.64%	9.27%	8.85%	8.40%	7.94%	7.47%
Other current liabilities	9.86%	10.50%	12.36%	11.04%	9.90%	9.94%	9.91%	9.82%	9.70%	9.54%	9.36%
Corporate Income tax	0.37%	0.60%	0.43%	0.47%	0.50%	0.51%	0.50%	0.50%	0.49%	0.49%	0.48%
Non-current liabilities held for sale***	2.47%	2.56%	0.63%	1.36%	1.14%	1.08%	1.00%	0.93%	0.86%	0.79%	0.74%
Total current liabilities	57.41%	58.96%	61.60%	55.38%	59.65%	59.12%	58.38%	57.43%	56.30%	55.02%	53.63%
Total Liabilities	90.50%	93.51%	96.97%	92.00%	91.71%	91.05%	90.30%	89.44%	88.50%	87.46%	86.33%
Shareholders' Equity											
Share Capital	5.06%	4.70%	4.93%	5.67%	4.79%	4.51%	4.20%	3.89%	3.60%	3.33%	3.08%
Own Shares	-0.22%	-0.20%	-0.21%	-0.19%	-0.16%	-0.15%	-0.14%	-0.13%	-0.12%	-0.11%	-0.10%
Reserves, retained earnings and share premiums	-1.57%	-3.52%	-6.15%	-3.43%	-1.82%	-1.11%	-0.46%	0.25%	1.00%	1.78%	2.59%
Consolidated net profit of the year	0.50%	0.53%	-0.41%	0.45%	0.64%	0.61%	0.73%	0.83%	0.93%	1.01%	1.09%
Own funds attributable to the Group	3.77%	1.51%	-1.84%	2.50%	3.46%	3.86%	4.33%	4.84%	5.40%	6.01%	6.66%
Non-controlling interests	5.73%	4.98%	4.87%	5.49%	4.84%	5.08%	5.38%	5.71%	6.10%	6.53%	7.01%
Total shareholders' equity	9.50%	6.49%	3.03%	8.00%	8.29%	8.95%	9.70%	10.56%	11.50%	12.54%	13.67%
Total shareholders' equity and liabilities	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

Appendix 6: Common-Size Income Statement

Common-Size Income Statement	2018 H	2019 H	2020 H	2021 H	2022 H	2023 E	2024 F	2025 F	2026 F	2027 F	2028 F
Sales and Services rendered	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Europe - E&C	20.42%	21.39%	29.44%	23.42%	13.40%	12.70%	12.10%	11.62%	11.16%	10.74%	10.35%
Environment & Capital	10.63%	12.04%	13.80%	22.57%	17.38%	18.09%	18.48%	18.58%	18.41%	17.98%	17.30%
Africa - E&C	32.42%	34.56%	31.32%	31.79%	31.10%	31.16%	31.31%	31.53%	31.82%	32.28%	32.85%
LATAM - E&C	38.14%	32.58%	24.51%	23.92%	39.99%	39.89%	39.94%	40.08%	40.41%	40.80%	41.31%
Other, eliminations and intragroup	-1.60%	-0.57%	0.93%	-1.70%	-1.87%	-1.84%	-1.82%	-1.81%	-1.81%	-1.81%	-1.82%
COGS, mat. Cons, and changes in production	-46.45%	-22.70%	-23.08%	-24.07%	-24.32%	-24.34%	-24.23%	-24.15%	-24.10%	-24.09%	-24.12%
Europe - E&C	-12.53%	-4.83%	-8.44%	-5.53%	-2.85%	-2.60%	-2.49%	-2.40%	-2.31%	-2.23%	-2.15%
Environment & Capital	-1.09%	-0.69%	-0.72%	-2.71%	-1.46%	-1.54%	-1.59%	-1.61%	-1.60%	-1.56%	-1.50%
Africa - E&C	-16.16%	-8.25%	-7.97%	-9.91%	-9.53%	-9.64%	-9.64%	-9.65%	-9.68%	-9.74%	-9.84%
LATAM - E&C	-17.71%	-9.59%	-5.42%	-7.00%	-10.53%	-10.61%	-10.55%	-10.53%	-10.56%	-10.61%	-10.69%
Other, eliminations and intragroup	1.04%	0.66%	-0.53%	1.10%	0.05%	0.05%	0.05%	0.05%	0.05%	0.05%	0.05%
Gross Profit	53.55%	77.30%	76.92%	75.93%	75.68%	75.66%	75.77%	75.85%	75.90%	75.91%	75.88%
Third-party supplies and Services	-21.05%	-42.76%	-39.94%	-37.93%	-44.84%	-44.78%	-44.71%	-44.58%	-44.39%	-44.15%	-43.87%
Europe - E&C	-4.38%	-11.66%	-14.93%	-12.17%	-7.03%	-6.43%	-6.16%	-5.93%	-5.71%	-5.50%	-5.31%
Environment & Capital	-3.65%	-6.47%	-6.19%	-9.07%	-7.98%	-8.40%	-8.68%	-8.79%	-8.73%	-8.52%	-8.17%
Africa - E&C	-6.22%	-13.55%	-9.94%	-9.61%	-11.77%	-11.90%	-11.91%	-11.92%	-11.95%	-12.03%	-12.15%
LATAM - E&C	-8.63%	-14.70%	-9.24%	-8.71%	-20.26%	-20.42%	-20.31%	-20.27%	-20.33%	-20.42%	-20.58%
Other, eliminations and intragroup	1.83%	3.62%	0.37%	1.62%	2.20%	2.37%	2.34%	2.33%	2.32%	2.32%	2.33%
Wages and Salaries	-19.35%	-20.16%	-21.39%	-21.75%	-17.82%	-17.95%	-17.99%	-17.97%	-17.88%	-17.73%	-17.54%
Europe - E&C	-3.94%	-3.97%	-4.59%	-4.11%	-2.50%	-2.28%	-2.18%	-2.10%	-2.03%	-1.95%	-1.88%
Environment & Capital	-3.67%	-3.28%	-3.98%	-6.50%	-4.96%	-5.22%	-5.40%	-5.46%	-5.42%	-5.29%	-5.08%
Africa - E&C	-4.62%	-4.85%	-5.09%	-5.06%	-4.83%	-4.89%	-4.89%	-4.89%	-4.91%	-4.94%	-4.99%
LATAM - E&C	-6.37%	-6.47%	-6.04%	-5.46%	-5.00%	-5.04%	-5.01%	-5.00%	-5.01%	-5.04%	-5.07%
Other, eliminations and intragroup	-0.74%	-1.59%	-1.69%	-0.61%	-0.53%	-0.52%	-0.52%	-0.51%	-0.51%	-0.51%	-0.51%
Other operating income/expenses	1.39%	-0.06%	0.06%	-0.37%	1.19%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Amortisations and Depreciations	-6.52%	-7.09%	-8.10%	-8.11%	-7.32%	-6.52%	-6.16%	-5.88%	-5.68%	-5.54%	-5.43%
Impairment losses	-0.03%	-0.21%	-1.53%	-0.08%	-0.07%	0%	0%	0%	0%	0%	0%
Provisions	-0.83%	-0.57%	-0.08%	-0.57%	-0.43%	0%	0%	0%	0%	0%	0%
EBITDA	14.53%	14.32%	15.65%	15.88%	14.21%	12.93%	13.07%	13.30%	13.62%	14.02%	14.47%
EBIT	7.15%	6.45%	5.95%	7.12%	6.39%	6.41%	6.91%	7.42%	7.94%	8.48%	9.03%
Financial income and gains	7.23%	7.21%	10.56%	5.43%	11.73%	0.30%	0.37%	0.46%	0.56%	0.66%	0.77%
Financial costs and losses	-9.24%	-9.42%	-16.11%	-10.30%	-15.78%	-3.89%	-3.92%	-4.02%	-4.15%	-4.31%	-4.48%
Gains/ (losses) in associates and jointly controlled companies	0.11%	-0.19%	-0.25%	0.12%	-0.14%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Gains/ (losses) on the acquisitions and disposal of subsidiaries, joint ventures and associates	0.02%	-0.27%	0.46%	1.90%	0.58%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Net monetary position	-0.44%	0.06%	0.44%	0.43%	0.28%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
EBT	4.83%	3.83%	1.05%	4.69%	3.05%	2.82%	3.36%	3.87%	4.35%	4.83%	5.32%
Income tax	-1.49%	-1.42%	-0.73%	-2.25%	-1.04%	-0.89%	-1.06%	-1.22%	-1.37%	-1.52%	-1.68%
Net Profit	3.34%	2.41%	0.32%	2.44%	2.01%	1.93%	2.30%	2.65%	2.98%	3.31%	3.65%
Attributable:											
to non-controlling interests	2.50%	1.49%	1.14%	1.51%	0.94%	0.90%	1.08%	1.24%	1.39%	1.55%	1.70%
to the Group	0.83%	0.92%	-0.82%	0.93%	1.07%	1.03%	1.23%	1.41%	1.59%	1.76%	1.94%

Appendix 7: Balance Sheet Assumptions

Balance Sheet Assumptions	Unit	2023 E	2024 F	2025 F	2026 F	2027 F	2028 F	Comment
Non current assets								
Goodwill	%	0%	0%	0%	0%	0%	0%	Goodwill is assumed to remain constant over the period and tested for Impairment.
Total Capex		Sum of the Parts						Calculated individually per segment and asset class, then it was summed together for the forecasted financial statements
Intangible Assets	% of Assets	11.3%	10.7%	10.3%	9.8%	9.4%	9.0%	Annually adjusted per region by subtracting Amortisation for Intangible Assets and including Capex of the region.
Tangible Assets	% of Assets	9.7%	9.4%	9.1%	8.8%	8.6%	8.3%	Annually adjusted per region by subtracting Depreciation for Tangible Assets and including Capex of the region.
Right of use assets	% of Assets	4.3%	3.9%	3.6%	3.4%	3.3%	3.2%	Annually adjusted per region by subtracting Depreciation for Right of Use Assets and including Capex of the region.
Investment in Associates	%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	Assumed to remain constant over time.
Other non-current assets	%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	Assumed constant and equal to 2022 nominal value.
Derivative financial instruments	%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	Assumed to remain constant over time.
Current Assets								
Inventories	%	13.6%	13.2%	12.9%	12.5%	12.2%	11.9%	Calculated as a % of sales. Approaching the historical average.
Customers and other debtors	%	38.5%	38.9%	39.2%	39.5%	39.9%	40.2%	Calculated as a % of sales. Approaching the historical average.
Other current assets	%	2.1%	2.1%	2.1%	2.1%	2.1%	2.1%	Calculated as a % of sales. Maintains the same % throughout the forecasted period.
Contract Assets	%	15.5%	15.5%	15.5%	15.5%	15.5%	15.5%	Calculated as a % of sales. Maintains the same % throughout the forecasted period.
Corporate income tax	%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	Calculated as a % of sales. Maintains the same % throughout the forecasted period.
Non current assets held for sale***	%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	Assumed constant and equal to 2022 nominal value.
Shareholders Equity								
Share Capital	%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	Assumed no future capital increases or other modifications that
Own Shares	%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	No treasury transactions anticipated for the forecasted period.
Non-controlling interests	% of NI	46.7%	46.7%	46.7%	46.7%	46.7%	46.7%	Takes into consideration forecasted changes of major non controlling interest parties based on Revenue.
Non-current Liabilities								
D/E	x	3.69	3.51	3.32	3.13	2.94	2.75	According to the group strategy to deleverage.
Loans without recourse	% of LT Debt	18.2%	18.2%	18.2%	18.2%	18.2%	18.2%	Calculated as a % of the Long-term Debt. LT Debt will keep the same structure throughout the forecasted period.
Loans with recourse	% of LT Debt	80.5%	80.5%	80.5%	80.5%	80.5%	80.5%	Calculated as a % of the Long-term Debt. LT Debt will keep the same structure throughout the forecasted period.
Other financial liabilities	% of LT Debt	1.3%	1.3%	1.3%	1.3%	1.3%	1.3%	Calculated as a % of the Long-term Debt. LT Debt will keep the same structure throughout the forecasted period.
Lease liabilities	%	59.7%	59.7%	59.7%	59.7%	59.7%	59.7%	LT Leases in % of Total Lease Liabilities. Lease Liabilities are growing in line with RoUA.
Other non-current liabilities	%	0%	0%	0%	0%	0%	0%	Assumed remain constant over the forecasted period.
Current Liabilities								
Short-term Debt	% Total Debt	47.7%	46.1%	44.6%	43.1%	41.5%	40.0%	During the forecasted period we assume that the Debt structure will be rebalanced, reducing the weight of ST Debt.
Loans without recourse	% of ST Debt	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	Calculated as a % of the Short-term Debt. ST Debt will maintain the same structure over the forecasted period.
Loans with recourse	% of ST Debt	76.7%	76.7%	76.7%	76.7%	76.7%	76.7%	Calculated as a % of the Short-term Debt. ST Debt will maintain the same structure over the forecasted period.
Other financial liabilities	% of ST Debt	20.4%	20.4%	20.4%	20.4%	20.4%	20.4%	Calculated as a % of the Short-term Debt. ST Debt will maintain the same structure over the forecasted period.
Lease liabilities	%	40.3%	40.3%	40.3%	40.3%	40.3%	40.3%	ST Leases in % of Total Lease Liabilities. Lease Liabilities are growing in line with RoUA.
Suppliers and sundry creditors	%	33.8%	33.8%	33.9%	33.9%	33.9%	33.9%	Calculated as a % of sales. Approaching the historical average.
Contract liabilities	%	16.1%	15.6%	15.0%	14.4%	13.9%	13.3%	Calculated as a % of sales. Approaching the historical average.
Other current liabilities	%	16.6%	16.6%	16.6%	16.6%	16.6%	16.6%	Calculated as a % of sales. Maintains the same % throughout the forecasted period.
Corporate Income tax	%	0.8%	0.8%	0.8%	0.8%	0.8%	0.8%	Calculated as a % of sales. Maintains the same % throughout the forecasted period.
Non-current liabilities held for sale***	%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	Assumed to remain constant over time.

Appendix 8: Capital Expenditures Assumptions

Capital Expenditures per Asset class	Unit	2023 E	2024 F	2025 F	2026 F	2027 F	2028 F
Europe- E&C							
Intangible Assets	%			1%			
Tangible Assets	%			85%			
Right of use Assets	%			14%			
Environment & Capital							
Intangible Assets	%			75%			
Tangible Assets	%			15%			
Right of use Assets	%			10%			
Africa							
Intangible Assets	%			7,5%			
Tangible Assets	%			60%			
Right of use Assets	%			32,5%			
LATAM							
Intangible Assets	%			45%			
Tangible Assets	%			35%			
Right of use Assets	%			20%			

Capital Expenditures						
	2023 E	2024 F	2025 F	2026 F	2027 F	2028 F
Intangible Assets	766,405	785,972	809,889	837,156	866,561	897,024
Europe - E&C	643	888	1,112	1,316	1,504	1,675
Environment & Capital	539,099	534,885	534,520	536,756	540,333	544,024
Africa - E&C	53,064	56,516	60,241	64,260	68,605	73,302
LATAM - E&C	172,504	192,706	213,145	234,045	255,425	277,403
Other, eliminations and intragroup	1,094	977	872	778	695	620
Tangible Assets	658,097	685,812	716,947	751,302	788,646	828,854
Europe - E&C	125,890	130,915	135,555	139,837	143,772	147,405
Environment & Capital	91,360	86,410	82,990	80,669	79,063	77,833
Africa - E&C	344,624	358,662	375,441	394,885	417,056	441,972
LATAM - E&C	95,981	109,624	122,796	135,773	148,640	161,549
Other, eliminations and intragroup	243	201	166	138	114	95
Right of use Assets	290,648	286,409	287,621	293,130	302,033	313,674
Europe - E&C	47,273	39,843	34,349	30,301	27,329	25,162
Environment & Capital	41,735	38,461	36,458	35,297	34,638	34,210
Africa - E&C	156,167	156,785	160,040	165,486	172,855	181,932
LATAM - E&C	45,369	51,241	56,715	62,002	67,177	72,345
Other, eliminations and intragroup	105	78	59	44	33	25
YoY Growth	1.21%	-1.46%	0.42%	1.92%	3.04%	3.85%
Amortisations and Depreciations	265,146	268,003	273,805	282,024	292,230	304,027
Europe - E&C	(34,996)	(33,506)	(32,538)	(31,985)	(31,731)	(31,684)
Environment & Capital	(87,494)	(84,033)	(81,912)	(80,785)	(80,336)	(80,280)
Africa - E&C	(102,336)	(103,923)	(106,859)	(110,954)	(116,087)	(122,203)
LATAM - E&C	(40,103)	(46,355)	(52,336)	(58,162)	(63,958)	(69,758)
Other, eliminations and intragroup	(217)	(185)	(159)	(137)	(118)	(103)
Amortisations of Intangibles	80,804	82,328	84,430	86,999	89,928	93,087
Depreciations of Tangible assets	108,865	113,013	117,773	123,119	129,019	135,432
Depreciations of Right of use Assets	75,477	72,662	71,602	71,905	73,283	75,508
Capex per Segment Approach	292,227	311,045	330,070	349,154	367,881	386,339
Europe - E&C	30,966	31,346	31,907	32,425	32,881	33,321
Environment & Capital	66,193	71,595	76,123	79,539	81,648	82,312
Africa - E&C	113,986	122,031	130,618	139,863	149,972	160,893
LATAM - E&C	81,081	86,072	91,421	97,326	103,380	109,813
Other, eliminations and intragroup	-	-	-	-	-	-
Capex as a % of Sales	7.19%	7.14%	7.09%	7.03%	6.97%	6.90%
Europe - E&C	6.00%	5.95%	5.90%	5.85%	5.80%	5.75%
Environment & Capital	9.00%	8.90%	8.80%	8.70%	8.60%	8.50%
Africa - E&C	9.00%	8.95%	8.90%	8.85%	8.80%	8.75%
LATAM - E&C	5.00%	4.95%	4.90%	4.85%	4.80%	4.75%
Other, eliminations and intragroup	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Appendix 9: Revenues Assumptions

For the forecasted period it was assumed that the revenues per region would grow in line with the GDP evolution of that region. Additionally, an adjustment was done in order to represent the market performance and solidification of the company in each region. This additional spread takes in consideration the growth perspectives of the Engineering and Construction and the sizes of the projects where ME is enrolled in the region. Furthermore, since the Environment and Capital is not directly related with the economic performance, it was assumed a stabilization of the growth according with the historical average until reaching a 2% increase in the final year, which is in line with the long-term inflation.

Real GDP growth per Region	2016 H	2017 H	2018 H	2019 H	2020 H	2021 H	2022 H	2023 E	2024 F	2025 F	2026 F	2027 F	2028 F
Europe	2.02%	3.05%	2.29%	1.98%	-5.58%	5.57%	3.68%	0.75%	1.58%	2.15%	1.99%	1.78%	1.72%
Africa	1.46%	2.93%	3.22%	3.26%	-1.65%	4.76%	3.87%	3.56%	4.16%	4.14%	4.18%	4.34%	4.40%
LATAM	-0.01%	1.35%	1.20%	0.17%	-6.79%	7.02%	3.96%	1.59%	2.23%	2.30%	2.56%	2.33%	2.34%

Source:IMF Economic Outlook April 2023

Excess Return over GDP	
Europe - E&C	0.50%
Africa - E&C	3.50%
LATAM - E&C	5.00%

YoY Revenue Growth per Segment	2016 H	2017 H	2018 H	2019 H	2020 H	2021 H	2022 H	2023 E	2024 F	2025 F	2026 F	2027 F	2028 F
Europe - E&C	N/a	4.76%	6.24%	8.92%	14.77%	-15.13%	-16.02%	1.25%	2.08%	2.65%	2.49%	2.28%	2.22%
Africa - E&C	N/a	21.52%	5.58%	10.83%	-24.41%	8.30%	43.56%	7.06%	7.66%	7.64%	7.68%	7.84%	7.89%
LATAM - E&C	N/a	32.15%	11.25%	-11.19%	-37.26%	4.14%	145.37%	6.59%	7.23%	7.30%	7.56%	7.33%	7.34%

YoY Growth	2021 H	2022 H	2023 E	2024 F	2025 F	2026 F	2027 F	2028 F
Environment & Capital	N/a	13.07%	11.22%	9.38%	7.53%	5.69%	3.84%	2.00%

Sales Breakdown Analysis - %	2016 H	2017 H	2018 H	2019 H	2020 H	2021 H	2022 H	2023 E	2024 F	2025 F	2026 F	2027 F	2028 F	Terminal
Europe - E&C	22.5%	20.3%	20.1%	21.3%	29.7%	23.0%	13.2%	12.5%	11.9%	11.4%	11.0%	10.5%	10.2%	25.00%
Environment & Capital	14.5%	11.2%	10.5%	12.0%	13.9%	22.2%	17.1%	17.8%	18.1%	18.3%	18.1%	17.7%	17.0%	10.00%
Africa - E&C	31.1%	32.4%	31.9%	34.4%	31.6%	31.3%	30.5%	30.6%	30.8%	31.0%	31.3%	31.7%	32.3%	35%
LATAM - E&C	31.9%	36.2%	37.5%	32.4%	24.7%	23.5%	39.3%	39.2%	39.2%	39.4%	39.7%	40.1%	40.6%	30%
Total	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

Appendix 10: Income Statement Assumptions

The main assumptions regarding the Income Statement relied on EBITDA and EBIT margins. As the Operating expenses such as COGS, Third party supplies and Services, and Wages and Salaries will decrease its weight throughout the forecasted period representing the efficiency improvements. This increase in operational efficiency is consistent with the company's 2022–2026 strategic strategy.

Income Statement- Assumptions	2023 E	2024 F	2025 F	2026 F	2027 F	2028 F	Description
Revenues and Services Rendered			Sum of the parts				Calculated separately for each segment and totaled for the predicted financial statements.
COGS, mat. Cons, and changes in production			Sum of the parts				Calculated separately for each segment and totaled for the predicted financial statements.
Third Party Supplies and Services			Sum of the parts				Calculated separately for each segment and totaled for the predicted financial statements.
Wages and Salaries			Sum of the parts				Calculated separately for each segment and totaled for the predicted financial statements.
Depreciation & Amortization			Sum of the parts				Calculated individually per segment based on % of PP&E and added together for the forecasted
Impairment losses and Provisions			0				Considered to remain constant over the forecasted period since it is a hard item to
Result of Joint Ventures & Associates			0				Assumed to remain constant over the forecasted period.

Deprecations & Amortizations - Assumptions	Value	Description
Amortisation rate	10.74%	Average of the last 5 years
Depreciation rate Tangible Assets	17.17%	Average of the last 5 years
Depreciation rate Right of Use Assets	25.00%	Assuming a Lease contract of 4 years

Appendix 11: Discounted Cash Flows Assumptions

Europe E&C		Assumption
Risk Free Rate	3.21%	Portugal 10yr bond Yield as of august 31th 2023.
Beta	1.63	Leverage betas of ME Europe E&C selected peers and delevered by their own capital structure. Then, an average of these unlevered betas was computed and levered according to ME capital structure.
MRP	5.40%	Excess market risk premium for Portugal according to Aswath Damodaran.

Africa E&C		Assumption
Risk Free Rate	10.38%	South Africa 10yr bond Yield as of august 31th 2023
Beta	1.47	Leverage betas of ME Africa E&C selected peers and delevered by their own capital structure with the Beta for Emerging Markets according to Damoadaran. Then, an average of these unlevered betas was computed and levered according to ME capital structure.
MRP	9.65%	Excess market risk premium for South Africa according to Aswath Damodaran.

LATAM E&C		Assumption
Risk Free Rate	9.34%	Mexican 10yr bond Yield as of august 31th 2023
Beta	1.62	Leverage betas of ME LATAM E&C selected peers and delevered by their own capital structure with the Beta for Emerging Markets according to Damoadaran. Then, an average of these unlevered betas was computed and levered according to ME capital structure.
MRP	7.06%	Excess market risk premium for Mexico according to Aswath Damodaran.

Environment & Capital		Assumption
Risk Free Rate	3.21%	Portugal 10yr bond Yield as of august 31th 2023
Beta	1.30	Leverage betas of ME Environment & Capital selected peers and delevered by their own capital structure with the Beta for Emerging according to Damoadaran. Then, an average of these unlevered betas was computed and levered according to ME capital structure.
MRP	5.40%	Excess market risk premium for Portugal according to Aswath Damodaran.

Discount rate (WACC)

In order to discount the Cash flows for each specific region the Weighted Average Cost of Capital will be different to account for the specificities of that region. Throughout the forecasted period we will assume the present capital structure. However, in the Terminal Year the capital structure considered is the Target Structure in line with the deleverage target published by the company.

Risk Free Rate

The proxy for the Risk Free Rate for all segments is the 10yr Bond Yield for the specific region as of 31th of August of 2023. For Europe - E&C, the bond considered was the Portuguese one since it is where the company collects more revenue in Europe. Regarding the African Region, even though Angola is the country that has more weight in terms of revenue, the South African Bond was selected as it has a higher credit risk comparing to Angola. For the LATAM region, the 10yr Bond Yield of Mexico was selected, as it is the country where ME has more presence in the region. Finally, despite the expansion of operations of the Environment & Capital segment to LATAM and Africa, the country where this segment operates that has the best credit score is Portugal. Thus, the 10yr Bond Yield of Portugal was used.

Market Risk Premium

The Market Risk Premium for each region was according to the data provided by Aswath Damodaran as of July 2023, and in line with the selected proxy for the Risk Free Rate.

Beta

The Beta (B) used in CAPM approach was computed for each segment, based on the selected peer companies for each of those segments and consequently deleveraged according to their capital structure. Additionally, for segments such as Africa – E&C, LATAM – E&C and Environment & Capital it was decided to include the unlevered Beta provided by Aswath Damodaran. Thereafter, an average of that unlevered betas was computed and each of them was levered according to the actual D/E of ME and the marginal tax rate applicable in Portugal.

	D/E	Tax Rate
Mota Engil	3.22	31.50%

Europe - E&C	Levered Beta	D/E	Unlevered Beta
Ferrovial SE	0.90	3.08	0.29
Fasadgruppen Group AB (publ)	0.91	0.83	0.58
Mirbud SA	1.49	0.47	1.13
Netel Holding AB (publ)	0.47	0.99	0.28
Teixeira Duarte SA	0.91	3.70	0.26
	Average		0.51
Mota Engil	1.63		

Africa - E&C	Levered Beta	D/E	Unlevered Beta
Raubex Group Ltd	0.45	0.31	0.37
Gamma Civic Ltd	0.93	0.58	0.66
Acrowmisr for Metallic Scaffoldings and Frameworks SAE	0.33	0.94	0.20
Giza General Contracting and Real Estate Investment Co SAE	0.83	1.41	0.42
Murray & Roberts Holdings Ltd	0.95	1.05	0.55
Aswath Damodaran			0.53
	Average		0.46
Mota Engil	1.47		

LATAM - E&C	Levered Beta	D/E	Unlevered Beta
Aenza SAA	0.61	1.49	0.30
Grupo Carso	1.17	0.41	0.91
Grupo Mexicano de Desarrollo SAB	0.22	0.34	0.18
Dycasa SA	0.47	0.88	0.29
Obrascon Huarte Lain SA	1.40	1.06	0.81
Aswath Damodaran			0.53
	Average		0.51
Mota Engil	1.62		

Environment & Capital	Levered Beta	D/E	Unlevered Beta
Groupe Pizzorno environment	0.51	0.94	0.31
Seche Environment	0.63	2.26	0.25
Fomento de Construcciones y Contratas SA	1.08	1.55	0.52
Ambipar Participações e Empreendimentos SA	1.19	6.80	0.21
Aswath Damodaran Emerging Markets			0.74
	Average		0.41
Mota Engil	1.30		

Cost of Debt

Regarding the Cost of Debt, this was computed following two approaches. The first approach, was by the computation of the Financial expenses and the Book Value of Debt. The second approach, was according the YTM of the most recent ME Bond, which was considered the most accurate way, since it is the rate at which the company is refinancing itself.

Method A:

Kd	2018 H	2019 H	2020 H	2021 H	2022 H	Average
Interest Expenses	131,778	135,678	131,347	124,718	165,216	
Total Debt	1,782,470	2,077,081	2,115,520	2,130,786	2,060,796	
K_d	7.39%	6.53%	6.21%	5.85%	8.02%	6.80%

Method B:

YTM Bond	5.19%
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Appendix 12: Discounted Cash Flow Analysis

WACC	2024 F	Terminal Year
Europe - E&C	5,85%	8,21%
Africa - E&C	9,26%	15,10%

WACC	2024 F	Terminal Year
LATAM - E&C	8,24%	13,04%
Environment & Capital	5,37%	7,23%

Segment	g
Europe - E&C	1,04%
Africa - E&C	3,39%
LATAM - E&C	2,94%
Environment & Capital	0,95%

	2024 F	Terminal Year
Weight of Equity	27%	55%
Weight of Debt	73%	45%

Europe - E&C							
In 000 of EUR	2023 E	2024 F	2025 F	2026 F	2027 F	2028 F	Terminal Value
EBIT(1- marginal tax rate)	14,421	14,880	15,438	15,990	16,527	17,069	
D&A	- 34,996	- 33,506	- 32,538	- 31,985	- 31,731	- 31,684	
Net Increase in NWC	- 7,235	3,172	3,425	3,550	3,649	3,778	
Capex	30,966	31,346	31,907	32,425	32,881	33,321	
FCFF	25,686	13,868	12,643	12,001	11,727	11,653	244,797
Discount Factor		0.94	0.89	0.84	0.80	0.75	0.67
Discounted CF's		13,101	11,284	10,117	9,340	8,768	165,025
EV	217,636						

Africa - E&C							
In 000 of EUR	2023 E	2024 F	2025 F	2026 F	2027 F	2028 F	Terminal Value
EBIT(1- marginal tax rate)	61,759	74,205	88,179	103,899	121,687	141,701	
D&A	- 102,336	- 103,923	- 106,859	- 110,954	- 116,087	- 122,203	
Net Increase in NWC	8,263	10,421	11,767	13,298	15,096	17,046	
Capex	113,986	122,031	130,618	139,863	149,972	160,893	
FCFF	41,846	45,675	52,653	61,691	72,705	85,965	1,512,897
Discount Factor		0.92	0.84	0.77	0.70	0.64	0.50
Discounted CF's		41,803	44,104	47,294	51,013	55,203	748,887
EV	988,306						

LATAM - E&C							
In 000 of EUR	2023 E	2024 F	2025 F	2026 F	2027 F	2028 F	Terminal Value
EBIT(1- marginal tax rate)	79,139	89,327	100,640	113,402	127,244	142,526	
D&A	- 40,103	- 46,355	- 52,336	- 58,162	- 63,958	- 69,758	
Net Increase in NWC	27,591	13,084	14,754	16,793	18,620	20,841	
Capex	81,081	86,072	91,421	97,326	103,380	109,813	
FCFF	10,569	36,526	46,801	57,445	69,202	81,629	1,585,478
Discount Factor		0.92	0.85	0.79	0.73	0.67	0.54
Discounted CF's		33,743.93	39,943.42	45,293.92	50,408.00	54,931.77	858,990.22
EV	1,083,311.27						

Environment & Capital							
In 000 of EUR	2023 E	2024 F	2025 F	2026 F	2027 F	2028 F	Terminal Value
EBIT(1- marginal tax rate)	21,806	26,244	30,795	35,267	39,447	43,117	
D&A	- 87,494	- 84,033	- 81,912	- 80,785	- 80,336	- 80,280	
Net Increase in NWC	641	6,524	6,906	7,009	6,782	6,206	
Capex	66,193	71,595	76,123	79,539	81,648	82,312	
FCFF	42,466	32,158	29,677	29,503	31,354	34,879	560,794
Discount Factor		0.95	0.90	0.85	0.81	0.77	0.71
Discounted CF's		30,519	26,728	25,217	25,432	26,850	395,578
EV	530,323						

Enterprise Value		
Europe - E&C	8%	217,636
Africa - E&C	35%	988,306
LATAM - E&C	38%	1,083,311
Environment & Capital	19%	530,323
Enterprise Value		2,819,576
Net Debt		-1,364,092
Leases		-350,097
Provisions		-142,556
Financial Investments		512,320
NCI		-309,552
Equity Value		1,165,599
Price Target		3.80
Price @ 08/09		3.22
Upside Potential		0.58
Upside Potential %		69.87%

Appendix 13: Relative Valuation - Multiples

Peers Selection

The comparables selection took in consideration the segments where ME operates. The initial sample was taken from Reuters considering the peers according to the geographic region and Environment & Capital segment. Then, a comparable analysis between the ME turnover and EBITDA margin with peers was performed. So, for Europe – E&C taking into consideration the strong presence in Portugal it was decided to include Teixeira Duarte as a peer, although the level of operations is not that similar at the moment. Regarding Africa and LATAM the approach was the same, as it was considered the peers that operates in the same market and do have a similar Turnover and Profitability margins. Finally, for Environment & Capital it was selected companies the operates in the same markets such as in Europe, Africa and LATAM.

Europe - E&C	LATAM - E&C
Ferrovial SE	Aenza SAA
Fasadgruppen Group AB (publ)	Grupo Carso
Mirbud SA	Grupo Mexicano de Desarrollo SAB
Netel Holding AB (publ)	Dycasa SA
Teixeira Duarte SA	Obrascon Huarte Lain SA

Africa - E&C	Environment & Capital
Raubex Group Ltd	Groupe Pizzorno environment
Gamma Civic Ltd	Seche Environment
Acrowmistr for Metallic Scaffoldings and	Fomento de Construcciones y Contratas
Giza General Contracting an	Ambipar Participações e Empreendimentos SA
Murray & Roberts Holdings	

Multiples Valuation

The Valuation through multiples was performed using Enterprise Value over Revenues and Enterprise Value over EBITDA. Since, the valuation of the company as a whole was being performed as a sum of the parts approach, these multiples were considered more appropriate.

Europe - E&C	EV/Revenues	EV/EBITDA
Company		
Ferrovial SE	3.4	22.5
Fasadgruppen Group AB (publ)	0.8	6.5
Mirbud SA	0.2	3.4
Netel Holding AB (publ)	0.3	3.3
Teixeira Duarte SA	0.8	-18.2
Mean	1.10	3.50
Median	0.8	3.4
EV	560,707	136,136

Africa - E&C	EV/Revenues	EV/EBITDA
Company		
Raubex Group Ltd	0.3	2.8
Gamma Civic Ltd	1	11.4
Acrowmistr for Metallic Scaffoldings and	1.5	11.2
Giza General Contracting and	1	5.9
Murray & Roberts Holdings Ltd	0.1	1.2
Mean	0.78	6.50
Median	1	5.9
EV	922,753	1,227,363

LATAM - E&C	EV/Revenues	EV/EBITDA
Company		
Aenza SAA	0.4	3.9
Grupo Carso	1.7	11.5
Grupo Mexicano de Desarrollo	1	3.3
Dycasa SA	0.3	-2.5
Obrascon Huarte Lain SA	0.1	2.3
Mean	0.70	3.70
Median	0.4	3.3
EV	1,064,957	592,662

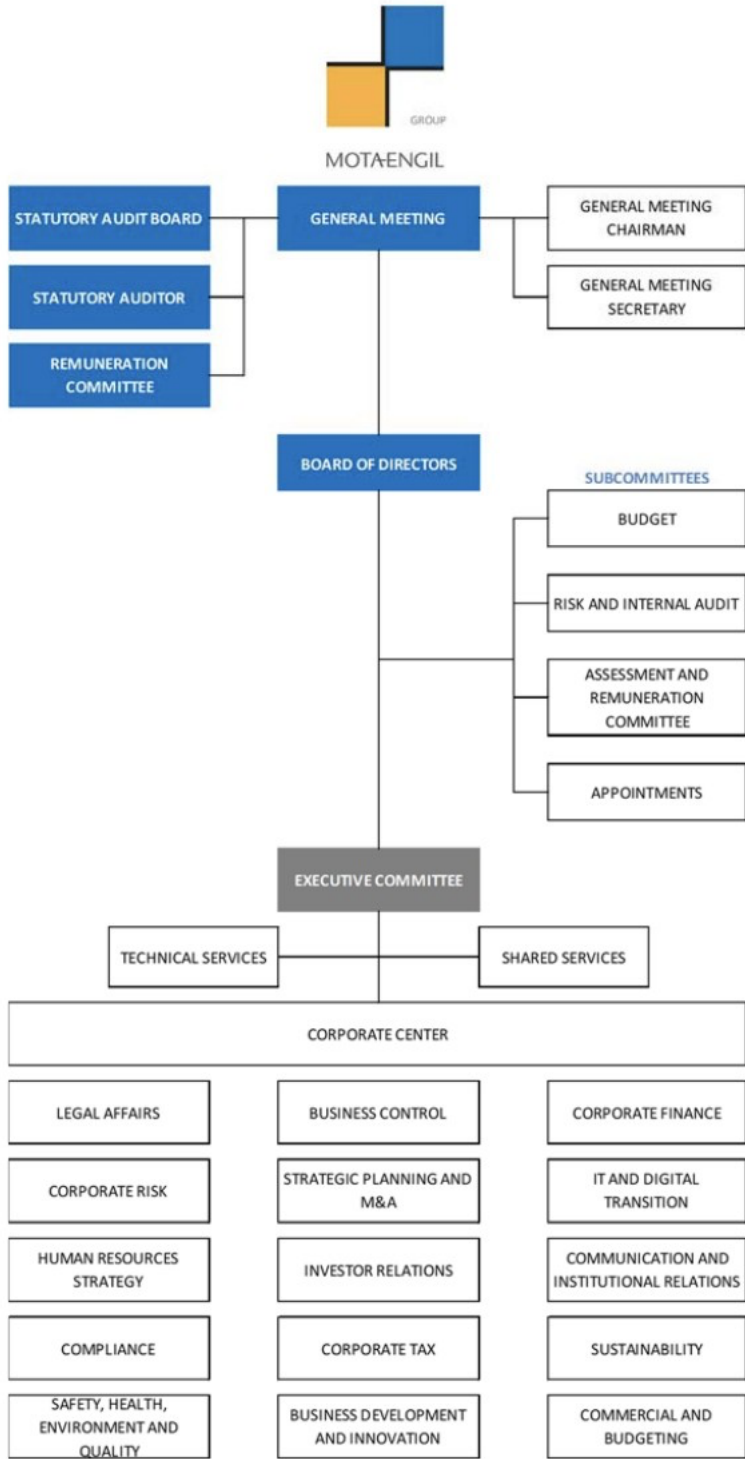
Environment & Capital	EV/Revenues	EV/EBITDA
Company		
Groupe Pizzorno environment	1.1	5.0
Seche Environment	1.4	6.8
Ambipar Participações e Empreendimentos SA	1.7	6.1
Fomento de Construcciones y	1.4	8.3
Mean	1.40	6.55
Median	1.4	6.45
EV	925,789	741,977

Enterprise Value	EV/Revenues	EV/EBITDA
Europe - E&C	560,707	136,136
Africa - E&C	922,753	1,227,363
LATAM - E&C	1,064,957	592,662
Environment & Capital	925,789	741,977
Enterprise Value	3,474,207	2,698,138
Net Debt	-1,364,092	-1,364,092
Leases	-350,097	-350,097
Provisions	-142,556	-142,556
Financial Investments	512,320	512,320
NCI	-309,552	-309,552
Equity Value	1,820,230	1,044,161
Price Target	5.93	3.40
Average	4.67	
Price @ 08/09	3.22	
Upside Potential	228%	

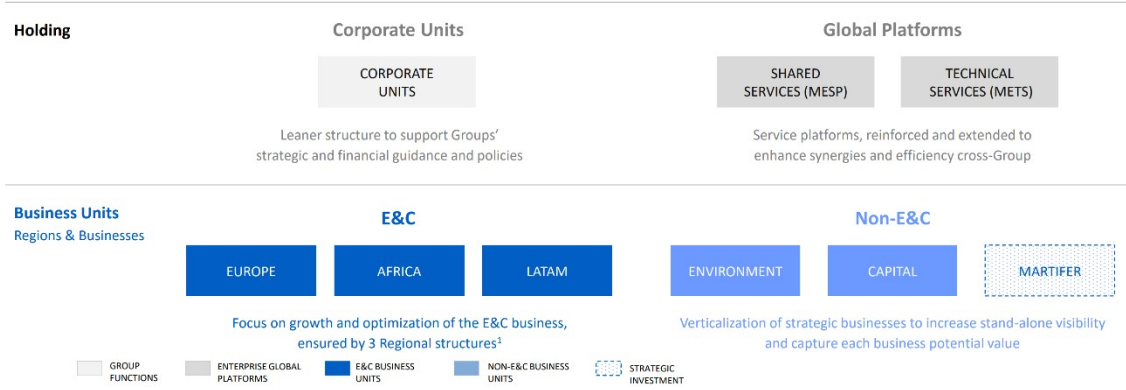
Appendix 14: SWOT Analysis

Strengths	Weaknesses	Opportunities	Threats
<ul style="list-style-type: none"> • Wide product mix • Geographical diversification • Trustable and reliable relationships • Vertical integrativo 	<ul style="list-style-type: none"> • High fixed costs structure • Dependency on government expenditure • Financial exposure 	<ul style="list-style-type: none"> • Innovation and integration of new technologies • Development of local partnerships 	<ul style="list-style-type: none"> • Political risk inherent in emerging markets • Competitive pressures • Energy and raw materials price volatility • More environmental regulation

Appendix 15: Corporate Structure



Appendix 16: Mota Engil Business units division



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Recommendation System

Level of Risk	SELL	REDUCE	HOLD/NEUTRAL	BUY	STRONG BUY
High Risk	0%≤	>0% & ≤10%	>10% & ≤20%	>20% & ≤45%	>45%
Medium Risk	-5%≤	>-5% & ≤5%	>5% & ≤15%	>15% & ≤30%	>30%
Low Risk	-10%≤	>-10% & ≤0%	>0% & ≤10%	>10% & ≤20%	>20%

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