LISBON SCHOOL OF ECONOMICS & MANAGEMENT
UNIVERSIDADE DE LISBOA

MASTER OF SCIENCE IN
FINANCE

MASTERS FINAL WORK
PROJECT

EQUITY RESEARCH:
IBERSOL, SGPS, SA

SIMÃO LOURENÇO PEREIRA

OCTOBER 2018

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SUPERVISOR:
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Abstract

This project performs a valuation of the Portuguese company IBERSOL, SGPS, SA and integrates the final project of ISEG's Master in Finance. It was elaborated under the format typology recommended by the CFA Institute for the CFA Research Challenge.

Ibersol reached the Portuguese major Stock Index, PSI 20, on March 2017, less than one year after performed a great acquisition of the Spanish competitor EOG. The recent changes in Ibersol structure at the operational, financial and strategical level, makes the company very attractive to value in the context of the fast food industry.

Through the valuation process several assumptions were adopted enabling the possibility to forecast the company evolution on operational, financing and investment areas. Applying the discounted cash-flow methodology, the company's shares have been valued at €9.70 for 2019YE, reflecting an (annualized) upside potential of 13% (11%) when compared with 26th October 2018 closing price of €8.56. Rated as a Medium Risk company, the final recommendation is set as NEUTRAL. Complementary market-based valuation sustains that the outlook is positive, although modest.

Resumo

Este projecto consiste na avaliação da empresa Portuguesa IBERSOL, SGPS, SA e integra o projecto final do Mestrado em Finanças do ISEG. Foi elaborado sob o formato recomendado pelo Instituto CFA para o "CFA Research Challenge".

A Ibersol passou a integrar o maior índex de acções português, PSI 20, a Março de 2017, menos de um ano depois da aquisição do competidor espanhol EOG. As recentes alterações na estrutura da Ibersol a nível operacional, financeiro e estratégico tornam a empresa bastante atraente para avaliação dentro do contexto do mercado do fast-food.

No decorrer do processo de avaliação foram adoptadas várias assumpções que permitiram a realização de previsões da evolução da empresa nas áreas operacionais, financeiras e de investimento. Aplicando o método de avaliação dos Fluxos de Caixa Descontados, as ações da empresa foram avaliadas em €9.70 para o final do ano de 2019, refletindo um potencial de crescimento (anualizado) de 13% (11%) quando comparado com o preço de fecho do mercado a 26 de Outubro de 2018, €8.56. Classificada como uma empresa de Médio Risco, a recomendação final é estabelecida como MANTER. Complementariamente, a avaliação com base no mercado sugere que as perspectivas são positivas, no entanto modestas.

Index

List of Figures

List of Tables

Company IBS

Neutral

Medium risk

26 October 2016

Portugal

IBS: Hungry for efficiency

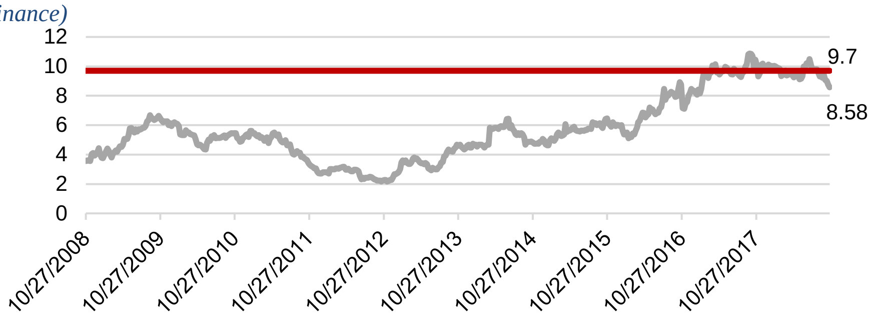
(YE2019 Price Target of €9.70 +13%); Investment recommendation is set as NEUTRAL.

1. Research Snapshot

Investment in IBERSOL, SGPS, SA (IBS) is classified as Neutral with a price target of € 9.70 and an upside potential of 13%. This means that given the medium risk associated to the company, invest in Ibersol stock is not expected to become a profitable investment exceeding IBS's cost of capital. Market multiples support the timidly positive outlook, which may result from the high potential to enhance competitiveness and increase efficiency.

Trending demand is one of the major risks associated with Ibersol sector. Operating within fast food market; restaurants; including two of the main pizza players of Iberia; catering and exploring

Figure 1: Ibersol Historical Share price vs Price target (Source: Author and Yahoo Finance)



several concessions: namely central coffee shops, highway service stations and airports; company demand is highly influenced by the moment trends. All the risks associated with the demand patterns are, in part, mitigated for by Ibersol's diversified portfolio. Playing an important role for Ibersol services demand, tourism evolution is also a key driver for revenues. Total revenues are expected to increase with a CAGR (compounded annual growth rate) of 5.37% until 2022; value directly influenced by the firm investments in new stores, yet considering cannibalization effects and by performance above industry average.

Increasing operational costs and the stretching of the operational margins represents an elevated risk to company financial health. Cost of goods sold (COGS), Personnel costs and rents represented, in 2017 almost 68.64 % of the firm total revenues. Raw materials prices, costs with the labor force and rentals markets represent operational sensitive areas, where Ibersol needs to pay special attention. Predicted increases, especially with the rental and personnels costs are expected to result in decreasing margins.

Debt structure is changing as extraordinary debt, contracted in 2016 due to EOG (Eat Out Group) acquisition, is being absorbed. Attending to the past disclosure regarding debt structure and targeted objectives, it is possible to understand the conservative positioning regarding debt. Despite targeting an optimal gearing ratio between 35% and 70%, Ibersol faced, in the past (2012 – 2015), figures below 20%. This ratio was shaken after the EOG acquisition in 2016 rising until 42%; however, adjusting to 31% in 2017. By 2020, it should reach 20% and expectations are for the ratio to be kept below such value thereafter.

Table 3: Sensitivity analysis Revenues vs Main Operational Costs (Source: Author)

		Change in revenues						
	9.70	98.5%	99.0%	99.5%	100.0%	100.5%	101.0%	101.5%
Change in costs	98.50%	8.13	9.30	10.47	11.65	12.80	13.96	15.11
	99.00%	7.48	8.65	9.83	11.00	12.16	13.31	14.46
	99.50%	6.82	8.00	9.17	10.34	11.51	12.67	13.83
	100.00%	6.17	7.35	8.52	9.70	10.87	12.03	13.19
	100.50%	5.52	6.70	7.88	9.05	10.22	11.39	12.55
	101.00%	4.86	6.05	7.23	8.40	9.58	10.75	11.91
	101.50%	4.19	5.39	6.57	7.75	8.92	10.09	11.26

Closing price	8.56
51-wk High	10.55
52-wk Low	8.52
Shares outstanding	33.0 Million
Market Capitalization	309.34 Million

Table 2: IBS generic information for 27/10/2018 (Source: Reuters)

Valuation	2019YE
DCF	9.70
EV / EBITDA	12.02
EV / Sales	12.54
P / E	11.21
Average Price multiples	11.28

Table 1: IBS Valuation Results (Source: Author)

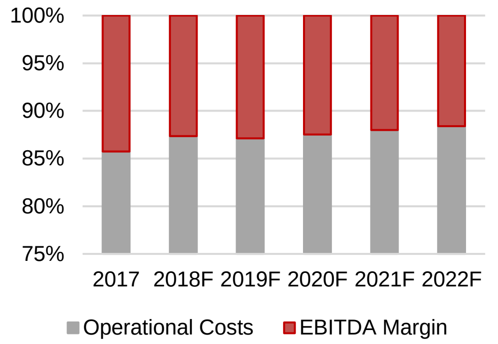


Figure 2: EBITDA margin forecasts (Source: Author)

2. Business Description

IBERSOL SPSG, SA is a Portuguese restaurant chain company seeded in Porto. It started operating in 1990 in Algarve and since then the company has been submitted to continuous portfolios modifications. IBERSOL sales growth, during the last 10 years, increased in more than 25%. The quality of services has been in constant changing in order to satisfy new trends and client demands.

The company, SA is listed as a public limited company on the Euronext, of Lisbon. On March 2017, the company was integrated into the PSI 20, the main Portuguese stock market index. The group owns and explores a large number of firms, majorly within the food sector: the **Ibersol Group**. For the consolidated financial report IBERSOL SGPS, SA counts with 38 subsidiaries, 37 of them totally owned by the firm and one shared controlled company. The consolidation process is done in accordance with the International Financial Reporting Standards (IFRS).

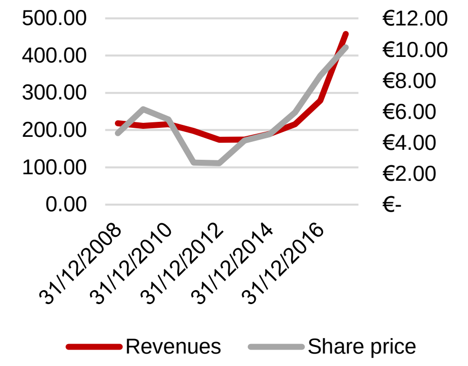


Figure 3: 10Y Revenue and Share price (Source: Reuters and Company data)

Table 4: Company portfolio (Source: Company data)

Shared services	Core Business: Restaurants	Counters	Others (PT & SP)
Administrative	Pizza Hut (PT)	KFC (PT) (AN)	Service areas
Logistics	Pizza Hut (AN)	BurgerKing (PT) (SP)	Catering
Management control	Pasta Café (PT)	Pans & Company (PT) (SP)	Airports
Development	Pizza Móvil (SP)	Miit (PT)	Others
Finance	True American Barbecue (SP)	Coffee Kiosks	
Legal	Santamaria (SP)		
Marketing	FrescCo (SP)		
Food safety			
Human Resources			

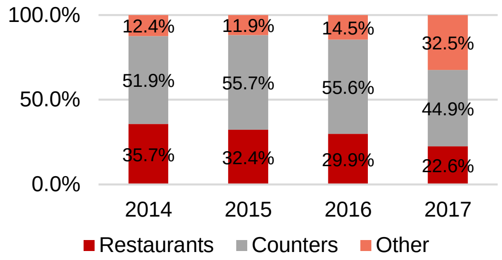


Figure 4: Revenues per segment 2014-2017 (Source: Company data)

The company offers different types of services within the food sector. It operates through traditional restaurants segment, composed by 224 restaurants where, during 2017, activities generated revenues upper than €103 million. The second segment is known as counters. This segment counts with 301 restaurants and a total revenue of €206 million, in 2017, representing around than 45% of the company total sales. The last segment identified includes services of Catering and concessions, such as kiosks, service areas in motorways and airports, and other less representative. Concessions businesses involve 121 sale vending units and in 2017 services originated around €138 million of euros. This segment more than triplicated its revenues from 2016 to 2017. This spike in sales was straight related with EOG portfolio, highly focused at the concessions business. This "EOG Factor" was observed within the three segments, please check Table 5: Revenues per operational segment, 2014 - 2017 (Source: Company data). All the segments are exposed and described in the Appendix 28: IBERSOL Business Portfolio description.

Table 5: Revenues per operational segment, 2014 - 2017 (Source: Company data)

Revenues per segment	2014	2015	2016	2017
Restaurants	66.95	69.14	80.65	103.45
Counters	97.32	119.13	150.08	205.86
Other	23.19	25.44	39.10	148.80

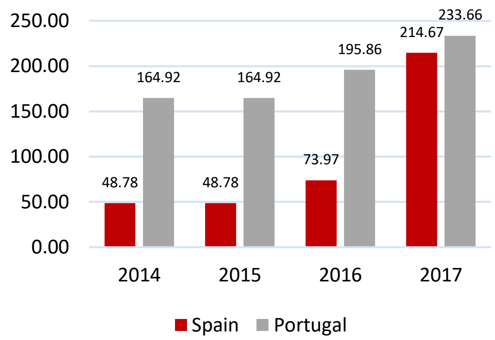


Figure 5: Revenues per region (Source: Company data)

IBERSOL core operations are based in Portugal and Spain. However, the company expanded its services, in 2012, to Angola and in 2016, with the acquisition of the Eat Out Group (EOG), to Italy and India. India investments were promptly ceased. Currently, despite owning activities through Angola, Italy, Portugal, and Spain, African and Italian revenues are incomparable small. Thus, for financial analysis, Angola figures are included in Portugal results and Italian in the Spanish.

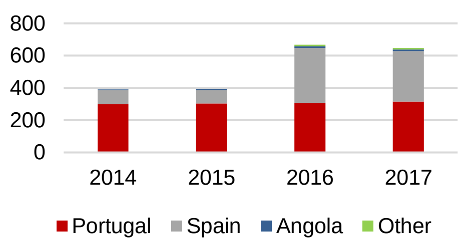


Figure 6: Stores per segment (Source: Company data)

The EOG included Ibersol portfolio on the 31st October 2016. The company operates in the food sector in Spain. Through this acquisition, Ibersol acquired 13 new brands and 9 concessions on airports and train stations. The group counted with 2.181 employees and an EBITDA (earnings before interest, taxes, depreciation and amortization) of 16.4 million of euros. By the end on 2016, Ibersol increased its portfolio for a total 667 stores of which 163 franchised and 504 own (Appendix table 42: Stores distribution by region (Source: Author)). Spanish revenues stake increased from around 22% in 2015 to 48% in 2017 when comparing with total revenues on each year; representing an effective rise of more than 400% from 2015 to 2017. EOG investment policy contained a wide range of franchise agreements. The increase of this business was directly reflected in the "Other operating income" that faced an increase from €2.23 million to €9.09 million from 2015 to 2016. During 2017, franchising policy have been reviewed, resulting in a decrease of 19 franchised stores during that year.

Table 6: EOG acquisition impact in IBERSOL revenues (Source: Company data)

Revenues (Million €)	2012	2013	2014	2015	2016
TOTAL	171.30	1.73	187.50	213.70	269.80
IBERSOL without EOG	171.30	1.73	187.50	213.70	246.89
EOG					22.94

EBITDA (€ M)	2014	2015	2016	2017
Restaurants	7.00	8.69	12.79	16.82
Counters	15.30	20.78	26.49	32.07
Other	3.09	3.23	7.82	16.39
Total	25.39	32.70	47.11	65.28
EBITDA ratio	**2014**	**2015**	**2016**	**2017**
Restaurants	10.46%	12.57%	15.86%	16.26%
Counters	15.72%	17.44%	17.65%	15.58%
Other	13.54%	12.89%	20.18%	11.90%
Total	13.54%	15.30%	17.46%	14.25%

Table 7: Company EBITDA and EBITDA ratios, 2014-2017 (Source: Company data)

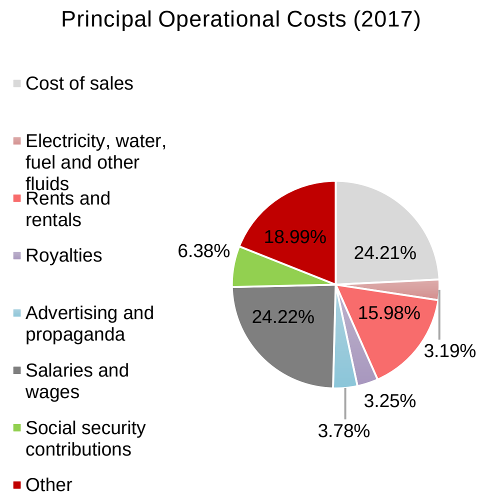


Figure 7: Principal Operational Costs from 2017 (Source: Company data)

The subsidiaries englobe several companies dispersed within Spain and Portugal. These companies are strategically oriented in accordance with the plans and objectives of the mother company. Ibersol detains the representative power for use and exploits the name of several international brands, using them within different subsidiaries. However, the conjugation of subsidiaries facing each brand is not direct from an outsider point of view.

A double segmentation, operational and geographical is the model that best fits in this case. However, segmentation matrix cannot be applied for the entire model once access to such detailed information is limited. Revenues are going to be estimated independently for each company in accordance with the following geographical presence: Portugal, Spain or both (Appendix table 13 - Revenue estimative and new stores per segment (Source: Author).

Analyzing the EBITDA values and ratio it is possible to identify the counter segment as the most profitable and the most efficient. In general, from a functional point of view, all the segments increased their EBITDA ratios from 2014 until 2016. This fact is an indicator of decreasing costs and major efficiency. However, in 2017, a strike back was verified. This reflects the full integration of EOG operations in IBERSOL accounts.

Ibersol operates in a highly competitive sector where the control of cost can be a key factor for profitability. Analyzing the company operational costs the following key factors are identified: the costs of the materials, labor force, rentals, royalties and electricity, water fuel and other fluids. Real estate prices variation, employment rate, energy and water industry, the commodities prices, taxation rules and the investment licenses for external brands and concessions are the principal areas to analyze.

As key drivers for revenues, the following factors were identified: sector demand evolution; the economic environment, namely inflation, gross domestic product (GDP) growth and employment rates and tourism evolution. These factors directly influence demand on food sector.

Ibersol is reinforcing its presence in the Iberian markets. The acquisition of EOG is proof of it. Portfolio diversification is also one of the objectives of the group. Allied to the stated two strategies it is safe to assure that the company is increasing its value through synergies and business model optimization.

The groups are also investing in advertising and propaganda. Expanding brand awareness within the markets is saw as a strategic play for solidifying the company's market share.

As explicit in the following table, on December 2017, IBERSOL was owned in around 76% by qualifying shareholders. ATPS – SGPS has the larger quote of shares with, nearly, 54.92% of the company. The second larger investor with a 10.56% stake is Bestinver Gestion and the remaining four entities keeps a portion inferior to 4%.

Table 8: Qualifying shareholders structure on 31/12/2017 (Source: Company data)

	Nº Shares	Percentage
ATPS - SGPS, S.A.	16,476,749	54.92%
Bestinver Gestion	3169167	10.56%
FMR LLC	915,000	3.05%
Magallanes Iberian Equity FI	888,536	2.96%
Norges Bank	856,858	2.86%
Banco BPI, S.A.	600,000	2.00%

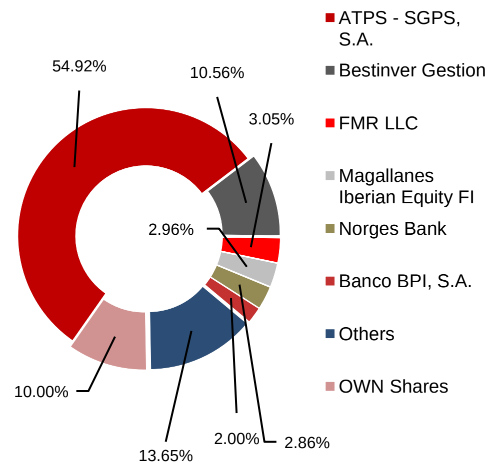


Figure 8: Shareholder structure on 31/12/2017 (Source: Company data)

IBERSOL, SGPS, SA plays the role of the main company, the holding, and its consolidated financial statements resume the activities of more than its 30 subsidiaries, present in Table 9: Subsidiaries on 31/12/2017 (Source: Company data) plus the results from one jointly controlled entity.

3. Management and Corporate Governance

IBERSOL, SGPS, has a share capital of 30,000,000 euros represented by 30.00.000 shares with a nominal value of 1 euro each. The firm owns near 10% of its shares, more exactly 2.999.938 units. All the shares are transacted in the EuroNext Lisbon stock exchange and since 20 March 2017 the company integrates PSI20, the main Portuguese stock index.

On the 15th June 2018, the company went through a capital increase by incorporation of reserves. This was a neutral process for the shareholders that had their portfolio increased, one new share for each five owned. With the increase IBERSOL issued new 6.000.000 shares, having now a total of 36 million shares with the same nominal value.

Regarding the governance model adopted, IBERSOL follows the classical monist model composed by the Board of Directors, the Audit Commission, and the Statuary auditor. This model, also known as Latin Model, combine the two perspectives of corporate governance, instrumental and institutional. Normally, chairman and vice-chairman tend to concentrate all the powers and large shareholders tend to be the more important stakeholders. The company control is mainly predicted by laws and regulations, and strategies are built considering the long-term economic relationships.

Board of directors is composed for three elements who are responsible for administrative and manage all activities related to the corporate object; determine and review the company main strategies, and oversee the work of Executive Committee. This commission is chosen by the board of directors and is responsible for management and reporting the operational processes and activities of the business. The executive committee is the bridge between unit's top managers and corporate administration. IBERSOL executive committee is composed for the board of director's chair and vice chairman. The operational administration of the firm vast portfolio was distributed by both members.

The Fiscal board and statutory auditor are responsible for auditing the company in accordance with company and public laws. The first one is composed for four members as can be seen in Table 10: Governance model (Source: Company data), the second regards Price Water House Coopers & Associates – Sociedade de Revisores Oficiais de Contas, Lda represented by Dr. Hermínio António Paulos Afonso. For both cases, the positions are discussed and agreed in the General Meeting. Statutory auditors chosen for a period of one year and for the remaining positions presented within the table, legacy has a duration of four years (more recent one, 2017-2020).

Remuneration policy agreed in the General Meeting coordinates the remunerations of the Board of Directors and Audit Committee. There are no further variable bonus or other remunerated objectives to be paid to the executive corporate governance.

Table 10: Governance model (Source: Company data)

Board of directors	
Chairman	Dr. António de Sousa
Vice-chairman	Dr. António Teixeira
Member	Professor Doutor Juan Bonifaz
Fiscal Board	
Chairman	Dr. Carlos Lourenço
Vice-chairman	Dr.ª Maria José da Fonseca
Member	Dr. Eduardo Santos
Substitute	Dr. Arlindo Silva
Board of the Shareholders General Meeting	
Chairman of the Board	Dr.ª Luzia Ferreira
Vice-chairman	Dr.ª Raquel de Sousa Rocha
Secretary	Dr.ª Maria Campello
Remuneration Committee:	
Dr. Vítor Pratas Sevilhano	
Dr. Joaquim Alexandre de Oliveira e Silva	
Dr. António Maria de Borda Cardoso	
Statutory Audit Firm :	
PRICEWATERHOUSECOOPERS & ASSOCIADOS, SROC, LDA	
Dr. Hermínio António Paulos Afonso	

The structure of the firm at a corporate level, namely, the delegation and reporting processes within the firm segments, turns the information flow logical and pragmatic. Reporting and functional information flows from the operational basis to executive committee and consequently to board of directors. In the opposite direction board of directions spread their values, strategies guidelines and plans through an executive committee which is responsible for turn it into practical terms.

Subsidiaries	**Dec-17**
Iberusa Hotelaria e Restauração, S.A.	100%
Ibersol Restauração, S.A.	100%
Ibersande Restauração, S.A.	100%
Ibersol Madeira e Açores Restauração, S.A.	100%
Ibersol - Hotelaria e Turismo, S.A.	100%
Iberking Restauração. S.A.	100%
Iberaki Restauração, S.A.	100%
Restmon Portugal, Lda	61%
Vidisco, S.L.	100%
Inverpeninsular, S.L.	100%
Ferro&Ferro, lda.	100%
Asurebi SGPS, S.A.	100%
Charlotte Develops, SL	100%
Firmoven Restauração, S.A.	100%
IBR - Sociedade Imobiliária, S.A.	100%
Eggon SGPS, S.A.	100%
Anatir SGPS, S.A.	100%
Lurca, S.A.	100%
Q.R.M.- Projectos Turísticos, S.A.	100%
Sugestões e Opções - Actividades Turíticas, S.A.	100%
Resboavista - Restauração Internacional, Lda	100%
José Silva Carvalho Catering, S.A.	100%
Iberusa Central de Compras para Restauração ACE	100%
Vidisco, Pasta Café Union Temporal de Empresas	100%
Maestro - Serviços de Gestão Hoteleira, S.A.	100%
SEC - Eventos e Catering, S.A.	100%
IBERSOL - Angola, S.A.	100%
HCI - Imobiliária, S.A.	100%
Gravos 2012, S.A.	100%
Lusinver Restauracíon,S.A.	100%
The Eat Out Group S.L.U.	100%
Pansfood, S.A.U.	100%
Foodstation, S.L.U.	100%
Dehesa de Santa Maria Franquicias, S.L.	50%
Pansfood Italia, S.R.L.	100%
Control shared companies	**Dec-17**
UQ Consult - Serviços de Apoio à Gestão, S.A	50%

Table 9: Subsidiaries on 31/12/2017 (Source: Company data)

	CMVM's corporate governance recommendations	**A**	**R**
I	Voting and control of the company (*)	**4**	**5**
II	Supervision, management and oversight	**13**	**15**
	II.1 Supervision and management (*)	8	10
	II.2 Supervision	5	5
III	Remunerations settings (*)	**3**	**5**
IV	Remuneration	**3**	**8**
V	Auditing	**3**	**3**
VI	Conflicts of interest and related party transactions	**2**	**2**
VII	Information	**2**	**2**
	Total	**30**	**40**

A- Approved R - Recommendations

(*) all the non-approved recommendations were not applied as they were not applicable.

Table 11: CMVM's corporate governance recommendations (Source: Company data)

Apart from chairman and vice-chairman, no other executive member owns, directly or indirectly, company shares. By the end on 2016, the chairman, Dr. António Alberto Guerra Leal Teixeira, and Chairman, Dr. António Carlos Vaz Pinto de Sousa, owned 1,680 shares, each, of the capital of IBERSOL, SGPS, SA.

Both characters perform several functions in the governance administration of several IBERSOL subsidiaries and other external companies. Dr. Sousa has been vice chairman of the company since 1991 and Dr. António Teixeira had been the chairman of IBERSOL since 1997. In the general meeting of 2017, the administration proposal was approved by almost 87% of the voting capital. To the mentioned meeting the percentage of the represented share capital was slightly above 78%.

Together, the president and vice president of the board of directors "own" more than 50% of ATPS - SGPS, S.A., Ibersol larger investor, with a quote of near 55%. Attending on the corporate governance model adopted and the shareholder structure, it is safe to affirm that power and influence is highly concentrated in Mr. Teixeira and Mr. Sousa. From the investor perspective, the voting power owned by both president and vice president might be a constraint.

As we are able to observe in Table 11: CMVM's corporate governance recommendations (Source: Company data), from a total of 40 CMVM legal indicators and recommendations the firm adopted 31. The remaining nine were not suitable for the application. It suggests that CG strategies and information disclosures are done transparently.

For the internal control and risk management, there are specifies departments that grant the sustainable continuity of the business: food quality and food safety, health and safety at work, financial, environmental, legal and sector-specific.

4. Industry Overview and Competitive Positioning

Iberia Economic outlook

Focusing on Iberia, Portugal, and Spain follows identical **macroeconomic trends**. The economy is growing and recovering from the harshness enhanced by the 2008 crisis. Countries are facing an economic growth of 2.7% and 3.10% respectively, with both countries performing above the average of Western Europe average. International Monetary Fund (IMF) projects that GDP evolution slowly decreases until 2022, where values are estimated at 1.2% for Portugal, 1.7% for Spain and 1.5% for Western Europe. After the GDP increase, it is possible to identify a generalized increase in prices. In accordance with IMF, inflation rates, recovering, in the case of the two mentioned countries, from values under 0 (deflation), have reached their top on 2017 with values of 1.6% and 2%, for Portugal and Spain, respectively, being Western Europe between such figures with 1.7%. It is expected that inflations values positively converge, ending 2022 close to 2%. Also related to the current positive economic cycle, unemployment is expected to decrease. In Portugal, it is expected to decrease from 8.9% in 2017 to 5.6%; in Spain, such progression is estimated to be wider; however, for 2022, the unemployment rate in Spain is still projected to 13.7%, above Western Europe forecasted average of 7.40%.

Positive economic environment between Europe and in special emphasis on Portugal and Spain and it reflect a proper background for companies to strength and grew. Interest rates are still recovering from the financial crisis triggered in 2008. EURIBOR rates continue below 0 for all the maturities; although, projections predict the increase of the cost of debt. From the investment perspective, despite the current low leveraging costs, financing expenses will rise.

Demography is considered an important factor for the company performance once it is directly linked to the overall demand. Iberian countries are passing a negative stage in what concerns demographical evolution. However, the negative impact expected from the decreasing populations is being overtaken for the increasing travel demand. Travel expenses growth expected for Portugal, Spain, and Western Europe for the following 5 years, are, on average, of 5.69%, 5.16% and 3.18%, respectively. Increase in tourism is directly associated with the increase in the foodservice demand.

Costs prices are also affected by the positive economic environment. Despite no predictions for the extraordinary increase in the raw materials that include the Ibersol COGS group, some other costs are expected to increase above the inflation estimates. Rents and Costs with employees are two main expenses to the firm and also critical in what concern the price projections. The company has been, in the recent past, affected for an increase in labors wages. The impact from increases in gross minimum monthly wages in Portugal and Spain has been felt in the accounts. Under the prosperous economic projections for the near future, minimum wage, and salaries in general are likely to keep increasing in Portugal and Spain.

Consumer foodservice evolution - Industry

Iberian foodservice market for the food sector is expected to reach almost €90B in 2018. Spanish market has more than 10 times the size of Portugal, representing a potential market and justifying the 2016's Ibersol investment. Until 2021 Portugal is estimated to maintain an annual evolution above 5%, reaching values above 6.5% on 2018. Such growth is predicted to be more stable for Spain, where the annual evolution rate is expected to reach the 5% reference in 2018 and to maintain above it, at least, until 2022. For the general foodservice demand, Western Europe is expected to maintain an increasing pace varying between 3.32% and 3.77%. Comparing with general European competitors, Ibersol benefits from an expected superior increase in the markets where it maintains the core its activities.

Table 12: Projected CAGR per business type and geography (Source: Euromonitor database)

Projected CAGR	Portugal	Spain	Western Europe
Foodservice market	5.70%	5.59%	3.71%
Fast food	7.51%	6.18%	4.29%
Pizza	3.94%	4.80%	3.28%
Cafés/Bars	5.49%	5.57%	3.91%
Full-Service Restaurants	5.47%	5.56%	3.31%

Ibersol activities, as previously analyzed, are decomposed in restaurants, counters, catering, concessions, and others. But when comparing with the sector it can be divided into the groups present in Table 12: Projected CAGR per business type and geography (Source: Euromonitor database), Fast Foods, Pizza, Cafés/Bars, and Full-Service Restaurants. Analyzing the projections for each sector and cross-checking it with the Figure 15: Ibersol vs market vs economic environment 2013-2017- secondary axis for company revenue evolution - (Sources: Euromonitor database; Company data; IMF2018 data), it is possible to conclude that Ibersol

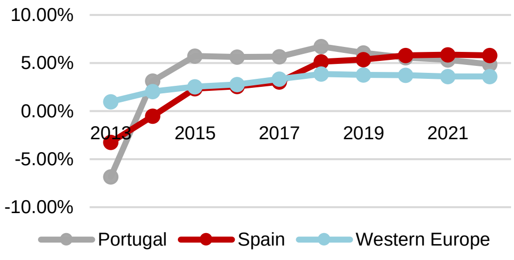


Figure 9: Foodservice market evolution (Source: Euromonitor database)

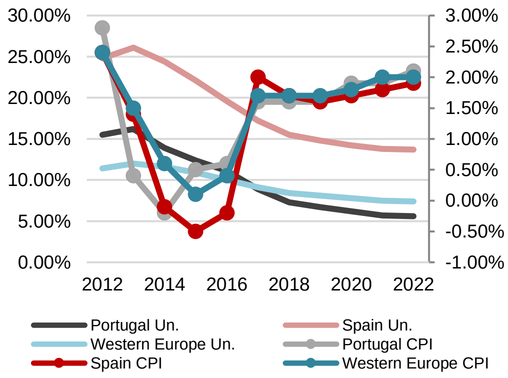


Figure 10: Inflation forecast (Source: IMF 2018 data)

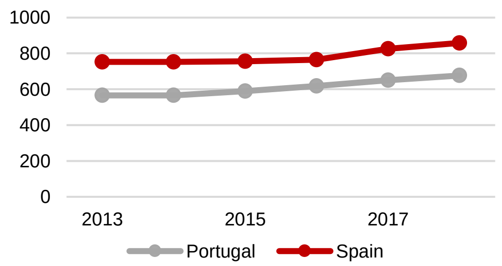


Figure 11: Gross minimum monthly Portuguese and Spanish salary (Source: Eurostats database)

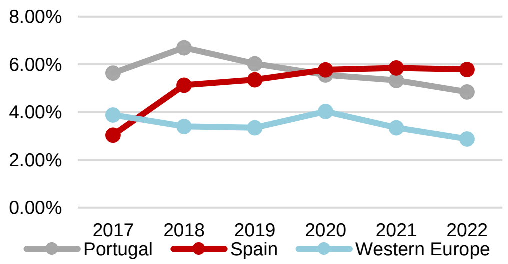
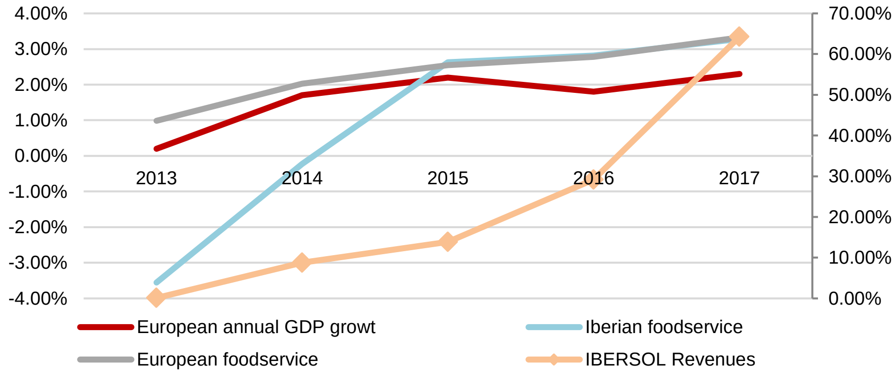


Figure 12: Tourism evolution indicators (Source: Euromonitor database)

explores a major stake of its services on the fast-food sector, the one with the higher estimated growth rates. Cafés/Bars sector highly increased its weigh on the company portfolio from 2016 to 2017. This was due to the integration of EOG, which, as already stated, included a wide range of concessions. It is important to understand, when analyzing the above table, that Pizza growth rates are not independent, meaning that all pizza services, being full restaurants, fast-food or other, are concerned.

Disregarding Cafés/Bars segments, majorly included in the operational segment “Concessions and Catering” all the remaining business are very likely to be considered fast food. Restauration / Counter differentiation is based on the logical division providing, or not, the table service.

Figure 15: Ibersol vs market vs economic environment 2013-2017- secondary axis for company revenue evolution - (Sources: Euromonitor database; Company data; IMF2018 data)



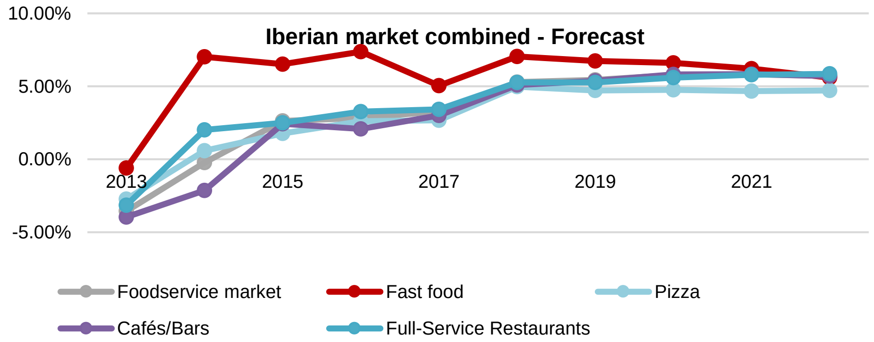
Comparing the different economic sector and company indicators exposed on Figure 15: Ibersol vs market vs economic environment 2013-2017- secondary axis for company revenue evolution - (Sources: Euromonitor database; Company data; IMF2018 data), it is possible to perceive the company’s sales are largely increasing above the average for the sector. However, high revenues registered for the years of 2016 and 2017, 29.17% and 64.24%, when compared with the previous year, are erroneous. Such comparison does not normalize the EOG acquisition, thus, it isn’t an accurate measure of Ibersol performance vs sector and economic growth. Nevertheless, when analyzing the years prior to 2016, it can be perceived that Ibersol operated always above from fast food sector (Iberian), general foodservice (Iberian) and European GDP growth. This industry shows very similarities with both countries economic growth.

Market Sub - Sector

Evolution within the foodservice market in Portugal and Spain combined is predicted to slowly converge to an annual growth of 5%. As already identified, fast-food services are expected to overperform the average, what represents an opportunity to Ibersol.

Ibersol portfolio faces several competitors and they can act as direct or indirect competition. The

Figure 16: Foodservice market and sub segments forecasted evolution (Source: Euromonitor database



indirect competition provides substitute products and services. Supermarkets are identified as a substitute service for food. Homemade meals directly affect food market services. For example, in a situation of overall economy constraints, it is expected that consumers avoid the food services in detriment of the supermarkets and consequent homemade meals.

Another important breakdown of direct competitors regards its ownership and environment in the food sector. There are two distinct type of firms, the chained and the independent firms. Ibersol is a perfect example of a chained company acting in this sector once it owns several food chains. The overall fast-food market is majorly controlled by chained companies. In accordance with Euromonitor, by the end of 2022, around 72% of the total consumer foodservice market will belong to food chains. Attending the Figure 13: Fast food market evolution (Euromonitor database), it is

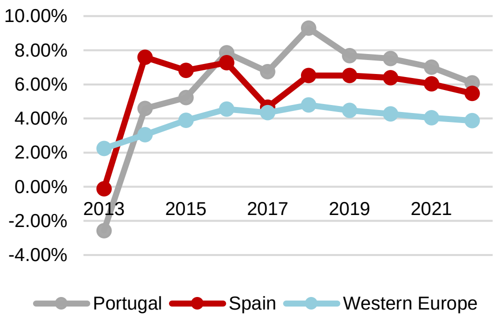


Figure 13: Fast food market evolution (Euromonitor database)

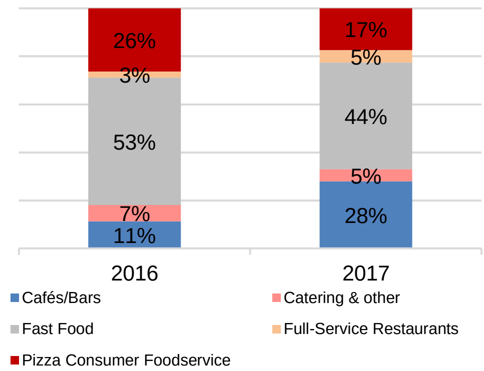


Figure 14: Revenues per business typology (Source: Author and Company disclosures)

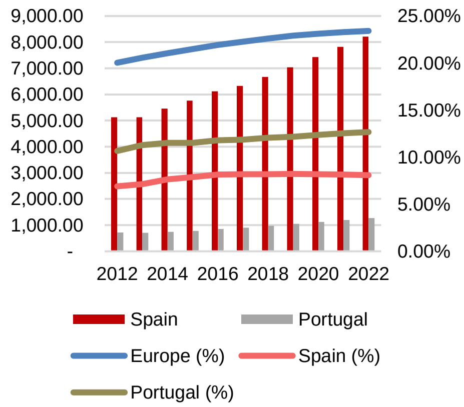


Figure 17: Chained consumer food-service total sales and evolution (Source: Euromonitor database)

possible to identify the companies with a major market share on the consumer foodservice sector. All of such companies corresponds to chained firms.

Competitive positioning

Differentiation and Adaptability

Breaking down Ibersol portfolio the following specific services are covered: bakery, burger, chicken, Pizza stores, coffee and bars, healthy fast-food, tapas, traditional restaurants, and pasta services. Such services correspond to different ways of exploring the above-mentioned sectors: fast-food, full restaurants, coffee and bars, and Pizza food services.

This differentiation allows Ibersol to compete within a wider range of foodservice areas and it is perceived as an adaptation of the firm in accordance with the market trends and feelings. Demand structure is being impacted for a healthy tendency to which Ibersol responded with Pasta Café, Miit and O'Kilo adapting for this type of service.

Another increasing trend that Ibersol identified and to which the firm reacted was the increasing demand for snacks. These particular services were present, naturally within the Ibersol Coffee and Bars segment; however, especially in the counter segments, it was being disregarded. Ibersol actions facing this trend turned this rising threat in an important opportunity. Counters stores, most of them belonging to the fast-food segment, readapted their service offers including snacks offers, namely, the breakfast and lunch snack menus.

Expanding the business

Ibersol is an active company, especially in the Iberian market. At the end of 2016, with the acquisition of the EOG, its presence was reinforced in Spain specifically and within the Iberian foodservice sector. EOG portfolio was also composed of Italian and Indian stores. Indian ones were ceased promptly, reflecting the refusal from Ibersol to invest in Asia; Italian ones are still held by the firm (trough franchising agreements), what suggests that is the possibility to Ibersol invest within Italy or other European countries.

Although the company presence in Angola, investments in this market are suspended. The ongoing political and economic crises generated a negative environment for the business and brought severe constraints at management and logistic level. Analyzing from a different perspective, the presence in Angola can be a tremendous advantage when the turning of this negative cycle. Once the company is already established in the country, logistic and bureaucratic processes are already set and the competitor rivalry is, comparatively with Europe, inferior, Ibersol faces a privileged position to explore the market when an economy recovering emerge.

Costs analysis

As mentioned, when analyzing the economic outlook, along with the increase in sales, costs are expected to rise as well as interest paid on debt. Financing and operational costs are predicted to negatively impact efficiency ratios. Such decreases are expected to be transversal to all companies within the sector. In accordance with what is forecasted, it is possible to observe (Table 14: EBITDA margin for foodservice sector in European companies with market capitalization similar with IBERSOL (Source: Reuters)) that EBITDA from companies within the sector is slowly decreasing since 2016.

Analyzing the sector in accordance with the five Porter forces, it is possible to identify the restauration and, more specifically, fast food industry as an extreme fierce market. With a strong competitive rivalry, the industry is characterized for a large number of competitors with low market shares. There is also a high level of threat of substitutes; there are no switching costs from the client perspective and there is a high availability of substitute products, brands and submarkets. Within the industry, the consumer owns a significantly high power, sensitive to the branding and to price. Potential new entrants represent a medium risk, a considerable medium initial investment is required but it is difficult and expensive to become a known brand. Economies of scale can also affect the revenues from the new / senior companies within the sector. For another side, the suppliers are also vast. There is a large supplier offer and markets and low power from the supplier perspective.

Ibersol trust in their long and healthy relations with the supplier as a form of protecting against some aggressive market practices that might arise resulting from the cost increase fierceness.

All the business expansion and portfolio modifications are accompanied by investments in managing, logistics, and planning. Increase on the centralization of the supply chain enables the firm to reduce costs, thus, create value. New technologies and the increasing usage and offer for mobile application is also a key factor within the market. Applications such as Uber Eats and Glovo are reinventing the delivery food services. Innovate within such companies and technologies is crucial to maintaining the business market share. The company is aware of such changes and developing relations with these logistic market intervenient. Arm-in-arm with the expansion and adapting of the business, employee's valuation also represents a fundamental role. Employees are the support of a well run the company and successful operations.

Portugal	Spain
McDonald's Corp	McDonald's Corp
Yum! Brands Inc	Restaurant Brands International Inc
Restaurant Brands International Inc	Telepizza Group SAU
Café 3 Restauração SA	Restalia Grupo de Eurorestauracion SL
Telepizza Group SAU	Alsea

Table 13: Main competitors per geographical segment (Source: Euromonitor

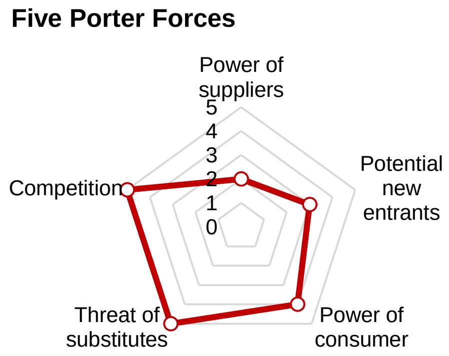


Figure 18: Five Porter Forces for foodservice sector (Source: Author)

	2014	2015	2016	2017
Average	7.13%	10.87%	10.44%	9.43%

Table 14: EBITDA margin for foodservice sector in European companies with market capitalization similar with IBERSOL (Source: Reuters)

Creating value to the client and foster its relation is the main objectives to fulfill. Client focusing is one of the main strategies to obtain a higher market share and client loyalty, especially in the fast food market where there are a huge offering and no costs associated to the client when switching from one brand to another. To achieve such goals, apart from investment in the services offered, Ibersol intensified its activities in the social networks and also embraced projects concerning social responsibility. Both processes spread the name of the company and lead the customer to identify his ideals with Ibersol ones.

5. Investment Summary

Ibersol valuation through the discounted cash flow (DCF) methodology leads us to a target price of €9.70 2019YE and a respective upside level of 13%, from 26th October 2018. The recommendation is neutral with medium risk. Analyzing the company within enterprise value multiples the price target was of €12.05 and €12.54 for EV/EBITDA and EV/ Sales, respectively. In what concerns to price multiples, P/E valuated the company in 11.21€, Price to Book in €11.29 and Price to Sales in €11.26. All multiples support the positive although timid outlook.

Company operations were divided in three main operational segments: (i) restaurants, (ii) counters and (iii) concessions and catering and others, a less expressive segment. The segmentation for the purpose of valuation is further narrowed to sub segments accordingly to the type of business activities. Against with what was desirable due to the unavailability of information, not all the segments have been divided in accordance with the operational geographical division. It is important to state that Angolan inexpressive revenues were included in Portugal figures.

Economic growth, Unemployment, and tourism have been identified as the main three drivers for the sector. Depending on the location of Ibersol business, each driver impacts the company differently. In general, the foodservice market is facing a growing phase, with special emphasis within the fast food sector. This brings the company a great environment to solidify their presence in the current markets. Attending on the past performance and on the current and expected competitive positioning within the industry, it is expected that Ibersol revenues increase at a greater pace that this market.

Similar to revenues, operational costs are also expected to increase. During 2017, with the changes in gross minimum wages, the company faced some strike on personnel costs. Until 2022, it is expected that this element reaches almost 25%. Rents are the third main cost to the firm and the one that is predicted to increase at a higher pace with a CAGR of 8.62%. Regarding this rubric, it is assumed that for the future, the percentage of owned stores vs rental ones will be the same as in 2017.

Conservative position facing debt despite bringing a solidify and reliable image for the firm, providing great liquidity ratios and a capitalized structure, also affects the firm valuation when calculation weighted average cost of capital (WACC). As normal, it is estimated a cost of equity higher than the cost of debt. For the terminal period, cost of debt is estimated to correspond to 3.404% while the cost of equity is foreseen to reach 6.195%. Conjugated with the capital structure, still, for terminal growth, it will result in a WACC rate of 5.462%.

Terminal growthis also considered a key factor whenvaluing the company. It is projected as 1.91% and was calculated in such a way that predicts the growth of the company facing the market and the prospects for the overall European economy.

Company Risks

Attending on the company industry one of the main risks associated are the trends. Demand patterns are consistently changing and the company needs to continue to adapt to the market in accordance with changes in demand. Increasing costs also represent a threat to the business. The increase in minimum wages, like happened in 2017, the growing rental prices and raw materials or commodities hyperinflation are examples of changes that will highly impact firm profits. It is also important to refer that the company highly depends on its worker. Labors are one of the main costs for the firm, thus its efficiency is crucial, but also because workers are the point of contact with clients. A good service might be a key for client satisfaction.

Angola investment is also a risk. But for another side it might also be considered a segment of huge potential. Being already present in the Angolan market, the company faces, comparatively with Portugal and Spain, lower competition. As soon as Angolan economy recover, Ibersol have a change to reinvest in this market and to assume an important place within the fast-food sector of the country.

IBERSOL, SGPS, SA	
16-Oct-18	8.56
31-Dec-19	
DCF method	9.70
Up rise potential	13%

Recommendation: NEUTRAL

Table 15: Investment recommendation (Source: Author)

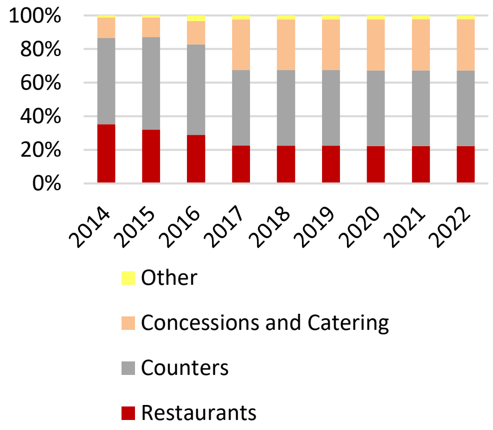


Figure 18: Revenues per segment (Source: Company disclosures and Author)

	WACC	Equity	Debt
2018	4.54%	69.53%	30.47%
2019	4.65%	71.02%	28.98%
2020	4.77%	72.37%	27.63%
2021	4.90%	73.65%	26.35%
2022	4.98%	73.73%	26.27%
Terminal	5.46%	73.73%	26.27%

Table 16: WACC and capital structure (Source: Author)

Table 17: Personnel costs tests:Cost per worker vs number of workers per store.

		Costs per worker						
	9.70	97%	98%	99%	100%	101%	102%	103%
Increase in workers p/ store after 2020 (basis 18.34)	0.2	17.58	16.53	15.48	14.44	13.37	12.32	11.26
	0.4	14.54	13.46	12.38	11.29	10.19	9.09	7.99
	0.4	14.54	13.46	12.38	11.29	10.19	9.09	7.99
	0.5	13.01	11.92	10.81	9.70	8.59	7.47	6.35
	0.6	11.49	10.38	9.25	8.12	6.98	5.85	4.72
	0.7	9.96	8.82	7.68	6.53	5.37	4.22	3.07
	0.8	8.43	7.27	6.11	4.94	3.76	2.59	1.41

6. Valuation

DCF valuation model was applied in order to value the firm. This choice was made after analyzed and perceived the following company characteristics: uncertainty concerning the dividend policy; expected positive cash-flows; capital reinvestment policy; estimated stable growth and a slow deleverage policy. Due to this last factor, the free cash flow to the firm (FCFF) as chosen. DCF valuation was computed in accordance with the two-stage FCFF Model, where a 5 year forecast, until 2022, was performed together with a terminal valuation calculated from 2023 onwards.

In order to evaluate the firm within the industry, a relative valuation through market multiples was also performed. Ibersol's peer group was identified and a valuation was performed through enterprise value multiples, EV / EBITDA and EV / Sales, and price multiples, Price to earnings, price to book and price to sales.

Revenues

For estimation purposes, five factors have been identified and forecasted: general and specific foodservice markets, tourism, YoY real GDP and unemployment. For each driver in Portugal, Spain, and Western Europe forecast information was gathered and managed in order to achieve the final annual rate growth. Forecasts are applied to four segments: restaurants, counters, catering and concessions and others.

Table 19: Revenues estimators drivers (Source: Author)

Basket:	Impact	Normal Weight	Sol & Travel Weight	Other
Foodservice market	+	25%	35%	100%
Specific market	+	40%	0%	0%
Travel revenues	+	10%	55%	0%
Real GDP YoY	+	15%	10%	0%
Unemployment*	-	10%	0%	0%

A basket, with the estimator weights for each driver, was computed. The weights change in accordance with the company segment. Such proportions can be observed in the above table.

These estimators reflect the different impacts the drivers hold in different segments. For example, tourism driver is expected to have a greater impact within the sectors directly connected to tourism, SOL and Travel. The estimator ponderation was attributed in accordance with historical sector data analysis. Other operating income, mainly composed of franchise income, is forecasted in accordance with the Western Euro general food market evolution.

All the factors have a positive impact on the expected revenues, except the unemployment rate. This means that a decrease in unemployment will result in a positive impact on the expected market demand.

As analyzed in the previous section, the firm past results overperformed the market evolution; thus, it is safe to state that the company is very likely to perform above the markets in the future as well. To reflect this, a factor has been added to the final estimated calculation. Such factor represents a 4% overperformance for each segment facing the expected evolution.

Through the analysis the sub-segments have been identified in accordance with type and location (Table 20: Sub-segments geographical distribution (Source: Company data). For each type, a different expected annual growth for the "specific market" was applied. Concerning geographical distribution, country data was applied to sub-segments present in only one country. When present both in Portugal and Spain it was assumed that the revenues should follow the Western European forecasts.

Revenues are also directly impacted by the expansion policy. For each new store, in accordance with its segment (restaurant, counter or concession and catering), it is expected that revenue increases in accordance with the subsegment average revenue per store multiplied by an efficiency factor. This factor aims to reflect cannibalization effect and constraints that restrict the demand for the new stores. In this case, we are assuming a factor for each new project of 70%, meaning that each new store will impact the revenues by 30% of the revenue expected to be generated per store. This high cannibalization effect was applied due to fast food market characteristics. ; despite the high demand in the industry, there are several equivalent products and services with no switching costs for consumers. A new store will always be concurrent to the existent ones, thus clients are likely to migrate within Ibersol services.

Investment and replacement policy

	Estimators	Impact
Fixed	Foodservice market	+
	Specific market	+
Variable	Travel revenues	+
	Real GDP YoY	+
	Unemployment*	-

Table 18: Revenues drivers (Source: Author)

	Geo.
Restaurants	
Pizza Hut	PT
Pasta Café	SP
Pizza Móvil	SP
FresCo	SP
Ribs	SP
Santa Maria	SP
Counters	
Burger King	PT&SP
Pans&Company	PT&SP
KFC	PT
O'Kilo/Miit	PT
Coffee Counters	PT
Concessions and Catering	
Sol (service areas)	PT
Travel (airports)	PT&SP
Catering	PT
Others	
Other operating income	PT&SP

Table 20: Sub-segments geographical distribution (Source: Company data)

Depreciation will affect fixed tangible assets, namely, Land, Buildings, Equipment and Other. Amortizations will impact intangible fixed assets, such as Brand, Industrial property and other.

For the future, it was assumed that amortization shall follow historical rates. For Land, it is applied the average of the effective rates of 2015 and 2016; for buildings, we assumed that the 2017 figure will remain the same; for Equipment and Other rubrics we assumed the average of the last four years, excluding 2016 figures, as it was identified as an outlier. For the amortization's rubrics, the last four year average was applied. In the case of Brand, as it started to be amortized since 2015 and the value of such year is far from the amortization verified in 2017, we assumed the figures from this last year.

As the rate of replacement, it was assumed the depreciation and amortization rates. The company is stable and reinvestment is forecasted to null the D&A effect.

Expansion rates estimation for all fixed assets was done together. Projections were made upon the company's disclosures of maintaining the investment pace of the last years and also looking for keeping the same structure observed within the fixed assets. To forecast it (excluding goodwill) the following logic was applied: 1st, normalize the 2016 and 2017 tangible and intangible fixed assets subtracting the amounts disclosed as the increment impact of EOG acquisition (65,000,000 – investment in fixed assets); 2nd, analyze the normalized growth for the previous years (2015-2017). It is projected that the company keeps the same investment pace of 2017; 3rd, decompound the fixed assets structure, averaging the historical data from 2016 and 2017. It is assumed that the company will invest in fixed assets in the same proportion of this structure. This assumption is also supported for the historical date. In periods of investment, the rubrics with more impact in the fixed assets, tend to increase in a higher proportion than the remaining ones; 4th distribute the previously mentioned investment rate through the tangible fixed asset structure.

Goodwill is not amortized. Changes in the rubric should result in the new acquisition of companies and/or impairment tests performed annually. It is predicted Goodwill will be maintained for the future. It is assumed no impairment losses or gains will result from the mentioned tests and no future acquisitions are forecasted, thus no increments are expected.

In accordance with such investment, company historical and investment pace disclosure in annual reports, we assume the following stores opening figures (check Table 21: Stores openings (Source: Author) . It is important to understand that these openings are not related to direct investment in buildings, as Ibersol explores several stores through rental contracts. For the future, we predict that the ratio between stores owned and rented will be maintained.

Stores Opening	2018	2019	2020	2021	2022
Number of stores	512	522	537	552	567
Openings	10	10	15	15	15
Restaurants	150	153	157	161	165
Counters	266	271	279	287	295
Other	96	98	101	104	107

Table 21: Stores openings (Source: Author)

Resume Table	Amort. / Dep.	Replacement	Expansion
Tangible			
Land	0.539%	0.539%	0.346%
Buildings	12.086%	12.086%	5.990%
Equipment	25.881%	25.881%	3.166%
Other	11.903%	11.903%	0.658%
Intangible	0.000%	0.000%	0.000%
Goodwill	0.000%	0.000%	0.000%
Brand	5.310%	5.310%	0.570%
Industrial property	12.420%	12.420%	1.012%
Other	19.750%	19.750%	0.399%

Table 22: Amortization, Depreciation, Replacement and Expansion (Source: Author)

COGS

The historical average rate for the gross margin is applied. The commodities market is very competitive and likely to be stable. Ibersol also looks for improvement and solidification of its relationship with suppliers. For such reasons the investment in COGS is predicted to be constant, representing 23.13% of the total revenues.

	2014	2015	2016	2017	
Total operating Income	189,639,805	215,939,377	278,922,365	458,110,130	
Cost of sales	44,031,371	51,220,642	64,546,632	102,831,054	**Average**
COGS proportion	23.22%	23.72%	23.14%	22.45%	**23.13%**

Table 23: Sales, COGS and historical gross margin (Source: Company data)

Debt structure

Non-Current debt is composed by Bank overdrafts, loans, Commercial papers, derivative instruments, and financial leasing as well. Non-current debt is formed by Bank loans, commercial papers programs, and financial leasing contracts. Long-term debt is a source of strategical financing for the company's investment and on the opposite side, current loans finance the operational activities. The company sets as the acceptable parameters to maintain the financial leverage ratio (net remunerated debt/net remunerated debt + cash) between 35%-70% interval. Despite such disclosure, before EOG acquisition (2012-2018), the company had always been below the lower limit. It was stated that this was a safeguard facing the financial markets constraints.

When estimating loans rubrics, both short and long-term, it is crucial to analyze the consequences of the indebtedness the group entered in 2016, the growth projections for the firm investment in fixed assets, the sector reference ratios and the company's positioning face debt. EOG acquisition makes part of a strategical plan that aims to diversify and increase the company's market quote, in this specific case, strengthening the company presence in Spain. The firm debt ratios after the EOG acquisition increased, Total Debt to Total Assets increased from 18.0% in 2015 up to 39.43% in 2016 and Debt to Equity increased from 32% to 110%. Such impact is now being absorbed.

For the future, as previously mentioned, the company assumes keeping investing in new stores, however, no large acquisitions are expected. For such reason long and short-term borrowings are estimated to maintain a similar structure from the past, slowly converging with the sector. For the forecasts, it is assumed that long-term debt will depend directly on the company fixed assets. It was established a reference ratio of 25% between the total fixed assets and the long-term debt. Currently, this ratio stands at 33.04% and it is estimated that it shall reach the reference in four years, constantly converging during this period (2.01% decrease each year).

Restauration sector reference values	2017
Long-term Debt	84.27%
Short-term Debt	15.73%
Proportion	18.66%
Debt to Asset ratio	31.72%
Debt / Equity	37.05%

Table 24: Sector debt structure (Source: Bloomberg)

To estimate the short-term debt we forecast that it will maintain some proportionality with the company operational costs. It was assumed that the proportion of short-term borrowings comparing with operational costs should be the same as in 2017, 8.48%, for 2018YE and 2019YE. From 2020 onwards, it is estimated this proportion to shorten, once the firm is expected to increasingly finance its operations with its own operational cash-flows. This adjustment is assumed as corresponding to 10% of the operational cash-flow CAGR from 2019 to 2022, 0.12%.

The firm presents a peculiar debt structure. After 2016 debt to assets ratio ascended to a ratio of 39% and since then it has been decreasing, converging with the company's debt structure before the acquisition. Comparing with the sector Ibersol tends to maintain their accounts with debt figures above the average (except for years impacted for the 2016's acquisition). The same is expected to happen after recovering the reference debt structure.

Regarding company disclosure of the gearing ratio, as it has already happened in the past, it is expected that the company performs in a conservative way regarding to debt. For this reason, after absorbing debt related to EOG acquisition, gearing ratio is expected to stand below the range set as the objective.

	2015	2016	2017
Long Term Loans	25,309,774	130,457,713	107,687,759
LTL / Tangible & intangible	13.07%	42.70%	33.04%
Short Term Loans	18,125,529	36,333,949	33,326,982
Short term loans / operating costs	9.89%	15.67%	8.48%
Proportion	71.61%	27.85%	30.95%
Total Liabilities	106,270,540	270,995,527	248,333,109
Total Assets	241,316,543	423,057,356	436,953,302
Debt / Total assets	18.00%	39.43%	32.27%
Debt / Equity	32.16%	109.69%	74.76%

Table 25: EOG acquisition impact in Debt (Source: Company data)

Personnel Costs

Personnel costs include seven topics inherent to workers activities. Those are Salaries, wages, social security contributions, work accident insurance, social actions costs, personnel meals and other not significant. In order to estimate the annual expenses with working force the following steps were followed: 1st, estimate the number of stores / year; 2nd, identify personnel costs/year; 3rd, compute the number of workers/store; 4th, reflect the increasing personnel costs in accordance with the number of new stores; 5th, increase the personnel expense for the following years in accordance with European real consumer price index (CPI) in order to actualize the cost with personnel.

Throughout the calculations some assumptions have been made: After EOG acquisition new workers had to be contracted not only for the operational activities but especially for the structural operations transversal support (observed in 2016 and 2017). After full integration of all stores and respective operations, efficiency is expected to improve. This is reflected in 2018: the average of workers per store, where despite the increasing sales, suggesting the increase of labor, the number of workers is expected to be maintained in 2018. From 2019 onwards, due to the increase in demand, this ratio is expected to increase at a pace of 0.5 workers per store each year maintaining a stable normalized total sales per worker between €48,000 and 51,000. The average cost of a worker for the year is also expected to increase. Setting 2017 as the basis, it is assumed salaries to be updated in accordance with the inflation rate expected for the Eurozone each year. Analyzing the past, the large increase in personnel expenses verified in 2017 results from two key factors, the great increase in the number of workers and the significant increases in the minimum salary in Portugal and, especially, in Spain (31.5 and 61.25 euros increase, respectively).

	Workers/store	Number of employees	Average annual cost / W.	Total personnel costs
2012	12.49	4,772	11,888	56,729,057
2013	12.56	4,697	11,800	55,422,964
2014	13.28	4,927	11,756	57,924,129
2015	14.92	5,624	11,465	64,478,374
2016	13.11	6,609	12,100	79,968,121
2017	18.34	9,207	14,697	135,318,741
2018	18.34	9,390	14,947	140,355,699
2019	18.34	9,573	15,201	143,097,021
2020	18.84	10,117	15,475	151,222,336
2021	19.34	10,676	15,784	159,571,859
2022	19.84	11,249	16,100	168,145,591

Table 26: Personnel costs breackdown (Source: Company data; Author)

Dividend Payout

Dividends are expected to increase with the increase in the income statements. With the positive forecasts, it is expected that the firm increases the dividend per share. In the past, Ibersol opted for as constant dividend per share policy. Such policy changed in the previous three years where there is no consistency on the dividends paid. This inconsistency on the payout ratio is justified by the EOG acquisition in 2016 and consequent adjustments to capital strategies. In 2017 the dividends paid corresponded to 7% of the net income for the year, whereas in 2016, they corresponded to 26%. Given the positive projections and the stakeholder structure of the firm, it is expected that the company keeps the high dividend payout. For such reason, it is forecasted that the company will maintain a dividend payout of 25% through 2018 and 2019, increase it to 30% in 2020 and 2021 and to 35% in 2022.

It is important to understand that the retained results and the reserves are disclose together. For that reason the capital increase disclosed for 2018 will affect such rubric ("Other reserves & retained results").

Dividends per share	
2018	0.17
2019	0.19
2020	0.23
2021	0.23
2022	0.26

Table 27 Dividend per share. Source: Project forecast

Accounts payable

Accounts payable incorporates the accounts payable to suppliers and the accrued costs. Comparing the historical data from supplier's payable accounts it is possible to observe that IBERSOL performs great when contracting with the suppliers. This means that the firm has been capable to extend the payment for a period that varied between 227 and 167 days in the past four years.

For the accounts payable to suppliers we will assume that the company slowly converge to the market reference number of days of payments outstanding, 117. It is expected that the spread between Ibersol and market days payable outstanding (DPO) converges at a pace of 10 days per year. This pace reflects the fierceness of the markets. Despite being an important reference firm in the food supplier market, payment period for future contracts will tend to approach sector's

Suppliers Payable Period	
2018	159
2019	151
2020	143
2021	135
2022	127

Table 28- Days of suppliers Outstanding, Source: Project forecast

average. This rubric's forecast was also based in the inventory policy and the cost of sales estimated for the firm.

Cost of capital

Regarding debt, similarly to what was stated on the forecast assumptions, it was assumed that 2017 cost of debt rate shall increase in accordance with the EUROSWAP yield curve, gathered from ICESWAP Reuters page. Marginal tax rate, also explained in the forecast assumptions, corresponds to the past average of the effective tax applied on 2015 and 2016. 2017 rate was considered an outlier as the company effective rate was extremely low, mainly due to tax benefits resulting from the EOG transaction.

Equity cost calculation was based on the CAPM (capital asset pricing model) where: Risk free rate was assumed as the average from 10Y bond from the AAA Standard and Poor's (S&P) Western European countries also changing in accordance with the SWAP EUR yield curve; country risk premium corresponds to 1.45% in accordance with Portugal country risk premium (CDS – country default swap), from Damodaran 2018 data. From the same source, Portugal Equity Risk Premium (CDS) of 6.530% was applied as the market risk premium. Beta applied corresponds to the average of the linear correlation between Ibersol stock performance from the last 5Y with the EURO STOXX 600 and PSI ALL Indexes. It assumes a value of 0.3965 that after reviewed in accordance with Blume's adjustment, corresponds to aoproximately 0.60. Company valuation is very sensitive with the beta applied (Appendix table 36: Scenarios; variables tested: Beta, cost of equity vs cost of debt, revenues vs COGS price increase, Revenues vs main operational costs, revenues structure, Ibersol market performance premium, cannibalization effect, concessions and catering revenues, travel evolution, fast-food market forecasted evolution, inflation changes, unemployment forecasts Real GDP forecasts change impact in Revenues (Source: Author). The lower the beta, the less correlated with the market the company is. The 0.60 values are in line with the perspective of being a noncyclical company. Beta applied also converge with the leveraged beta, calculated using the Pure Play Beta Calculation method (Appendix table 32: Pure-play Beta calculation (Source: Bloomberg and Author).

Valuation	
CRP (country risk premium)	1.450%
MRP (market risk premium)	6.530%
Beta	0.60
Terminal growth rate	1.90%
Small Cap Discount	10.000%

Table 29: Cost of capital key figures (Source: Damodaran website; Bloomberg; Author)

	2018	2019	2020	2021	2022	Terminal
RFR	0.544%	0.664%	0.814%	0.974%	1.134%	2.094%
CoD	2.800%	2.920%	3.070%	3.230%	3.390%	4.350%

Table 30: Risk free rate and Cost of debt evolution (Source: Reuters; Author)

	Cost of equity	The after-tax cost of debt	WACC
2018	5.518%	2.191%	3.678%
2019	5.567%	2.285%	3.825%
2020	5.629%	2.402%	3.977%
2021	5.695%	2.527%	4.131%
2022	5.761%	2.653%	4.253%
Terminal	6.156%	3.404%	4.821%

Table 31: WACC and cost of equity and debt (Source: Author)

Terminal value

When calculating terminal value, terminal growth rate is assumed as the weighted average of the European GDP growth rate for 2022 (IMF data) and the portfolio increase expected for 2022. With such assumptions, it is predicted that on the long-term Ibersol evolution shall be associated with European economic environment on one side and with a margin for growth reflecting the sector evolution potential. Despite being mainly present in only two countries of the European Union environment directly influences the company directly and indirectly. While the direct impact is observed through changes in the demand, indirectly pressure might be felt especially at the costs side. WACC for the terminal period was calculated in accordance with 2022 capital structure but with the cost of debt and the risk-free rate adjusted in accordance with the EUR yield curve 15Y maturity. These assumptions reflect the expected rise in interest rates, felt on the debt and investor side. For 2021 and 2022 the ratio is stable and totally recovered from the 2016 EOG acquisition and consequent debt increase.

Ibersol is identified as "small cap". This category is attributed based on the market capitalization of the companies. "Small cap" includes companies whose size vary between 300 million and 2 billion dollars. On 08/09/2018 Ibersol market capitalization corresponded to 335.52 million Euros. For valuing purposes it is applied a 10% discount to the target price. This discount aims to mitigate the risks resulting of high volatility that characterize this type of companies.

Relative Valuation

Six companies have been identified as Ibersol peers. The peer selection process is fully described in the Appendix 18: Relative Valuation. In accordance with the multiples valuation, the company value is set to values between €11.21 and €12.54 in accordance with the information of Table 32: Relative valuation (Source: Bloomberg and Author). Averaging the three main multiple valuations, EV/EBITDA, EV/Sales, and P/E, the company estimated value for 31st December 2019 should be of €12.92, reflecting an upside potential of 31%. Price to book and to sale multiples evaluate the company around €11.29 and €11.26, respectively, representing a valuation potential of 24%.

	Estimated 1 year forward	Historical discount:	Valuation	Upsize potential
EV / EBTDA	9.48	70%	12.02	32%
EV / Sales	1.51	58%	12.54	38%
Price earnings	17.26	No discount	11.21	23%
Average			**11.92**	**31%**
Price to Book	2.68	61%	11.29	24%
Price to Sales	0.91	79%	11.26	24%
Average			**11.66**	**28%**

Table 32: Relative valuation (Source: Bloomberg and Author)

7. Financial Analysis

Increasing operating costs

Costs structure is changing and so does the company margins. Revenues are predicted to positively grow at a rhythm that is increasing until 2020 and soften thereafter. EBITDAR is expected to increase 5.21% CAGR. However, this positive result is upset for the predicted high increase in the rents and rentals. This rise in rentals prices will be common to all the industry and it shall deeply affect the EBITDA ratio that is estimated to drop from 14.25% in 2017 to 12.66% in 2018 and then slowly decrease until 11.60% in 2022.

Two other key operating costs are COGS and Personnel costs. The first is expected to slightly increase from 2017 to 2018 in terms of proportion with sales. After 2018, that proportionality is expected to be maintained. Labor costs represent the major expense to the company representing 29.54% of revenues in 2017 and estimated to slightly decline until 2022. All changes related with the employees have a great impact on company accounts. For 2017, the sum of the costs of the three mentioned rubrics represents near 66.8% of the revenues and it is estimated to slowly increase reaching a proportion of 68.64% by the end of 2022. Despite the decrease in EBITDA margin, the effective value is expected to grow with a CAGR of 1.13%.

Investment policy

In accordance with company disclosures, it is projected the company maintains the expansion rate. The company is estimated to open 10 new stores in 2018 and 2019 and 15 until 2022. This investment shall be financed both from operational activities resulting in cash and contracting new long-term debt. CAPEX (capital expediture) is expected to increase at a CAGR of 4.672%, corresponding to annual investments varying from €39.4 million in 2018 to €47.31 million in 2022.

Debt restructured

In accordance with historical data, before the EOG acquisition in 2016, Ibersol showed a Debt to Assets ratio between 24% and 18%, for 2012 and 2015, respectively. Such ratio severely increased to 39.43% in 2016. It is expected a gradual deleveraging and, with it, a decrease of D/A (debt to assets) ratio until 26%, in 2022. Sector average for D/A, in 2017, corresponded to nearly 32% For the future, after amortizing the extra debt contracted when EOG acquisition, as it happened in the past, Ibersol is expected to take a conservative position when compared to the market. A gradual decrease in debt is mostly due to the long-term borrowing decreases. Debt to Equity is also expected to decrease from 75% in 2017 to 50% in 2022. Previously stable between 40% and 32% (2013-2015) and triggered to 110% after EOG acquisition, it is projected to decrease and stabilize after 2021 around 50%. Net debt is estimated to decline to 53,233,788€ in 2022, a decrease of around 36% comparing to 2017. Converging with the past debt structure and below the sector debt ratios average, the company strengths its liquidity and Cash ratios.

Net debt to EBITDA is also projected to decrease from 1.27 in 2017 to 0.76 in 2022. Despite the deleveraging from the debt contracted, Ibersol is also contracting new debt to finance CAPEX. Liabilities are expanding as well as total assets. Such evolution is estimated to be done under a CAGR of 0.50% and 3.73%, respectively. Debt structure will converge with the historical patterns before EOG acquisition where short term (ST) borrowings represented almost the same value than long term (LT) borrowings. Until 2022 long-term borrowings are expected to decrease a CARG of 2.45% while short-term borrowing will rise at 5.09%, proportionally with operating expenses. Despite the objective of setting the gearing ratio between 35% and 70%, similarly to past results, it will slowly decrease reaching 16% in 2022.

Cost of debt, as stated in the assumptions, is expected to increase in the following years. This increase will be countered back by the debt restructure, maintaining the total interest paid stable. Interest coverage ratio is expected to vary between 8.5 and 7.20 values, estimated for 2019 and 2022, respectively.

Adjusted Net working Capital and increasing cash

Net working capital is estimated to remain stable through time after 2018 adjustments. In 2018 Current liabilities are expected to increase disproportionally with current assets generating a variation of NWC (net working capital) of €-5.3m. Increase in accounts payables resultant from inventories stocks readjustment and respective increase on the credit contracted with suppliers represents one of the reasons. The other factor relies on the income tax payable rubric. It is expected to increase, maintaining a proportional amount when comparing with tax expenses for the year. 2017 atypically small size of the rubric is due to the tax benefits resulting from the EOG acquisition in 2016.

A significant increase in cash is expected for the end of 2018. This change derived from the conjugation of several financing factors. As mentioned, NWC will liberate around €5.3 million, wich will increase operating cash-flows. CAPEX investments, besides being accounted on investment activities cash-flows, will directly affect cash-flow from financing activities as well. LT

	CAGR	Average weight (2018-2022)
Cost of Sales	6.002%	23.017%
Personnel Costs	4.440%	28.656%
Rents and rentals	8.613%	15.990%

Table 33: Main costs estimated CAGR and average weight (2018-2022) (Source: Author)

	Gross margin	EBITDA margin	EBIT margin	Net Income margin
2014	23.218%	13.387%	5.766%	4.174%
2015	23.720%	15.141%	8.485%	4.968%
2016	23.141%	16.890%	10.940%	8.402%
2017	22.447%	14.249%	7.281%	6.819%
2018	23.132%	14.249%	6.502%	4.698%
2019	23.132%	12.662%	6.753%	4.896%
2020	23.132%	12.875%	6.417%	4.634%
2021	23.132%	12.467%	6.029%	4.332%
2022	23.132%	12.018%	5.672%	4.023%

Table 34: Operational margins, historical and forecast (Source: Company data and Author)

2018	2019	2020	2021	2022
39,413,334	41,260,808	43,208,940	45,263,485	47,310,525

Table 35: Annual investment in replacement and expansion of the fixed assets (Source: Author)

	Gearing ratio	Net Debt	Debt / Equity
2017	30.59%	127.34%	74.76%
2018	25.76%	116.85%	67.05%
2019	22.24%	98.03%	61.02%
2020	19.59%	87.63%	55.86%
2021	17.49%	79.95%	51.34%
2022	16.21%	75.72%	50.34%

Table 36: Debt structure indicators and Net Debt to EBITDA (Source: Author)

	2017	2022F	CAGR
Current Assets	44,123,910	49,678,613	2.40%
Deferred tax assets	7,164,371	7,164,371	0.00%
Inventories	12,089,907	16,180,582	6.00%
Income tax receivable	5,046,070	5,046,070	0.00%
Other Current Assets	19,823,562	21,287,590	1.44%
Current Liabilities	102,413,997	111,810,217	1.77%
Deferred tax liabilities	16,296,869	16,296,869	0.00%
Accounts payable - Suppliers & accrued costs	67,522,339	69,819,282	0.67%
Income Tax payable	324,744	2,737,143	53.16%
Other liabilities	18,270,045	22,956,923	4.67%
NWC	(58,290,087)	(62,131,604)	1.28%
∆NWC		(3,841,517)	

Table 37: Net working capital forecasts (Source: Author)

borrowings are estimated to finance part of the investment. As stated in the assumptions this rubric is expected to grant 31.0285% of the fixed assets in 2018. That proportion shall decrease in 2.01% each year until 2021, reaching a coverage of 25% that shall endure until 2022. By 2021 it is assumed that debt contracted for the EOG acquisition is fully amortized and the company recovered its structure

During the deleveraging period, the new LT borrowings contracted to finance new investments overwhelms the financing costs and the increasing LT borrowings. Throughout this period, with the exception of 2018, financing cash-flows are estimated to remain negative as the firm is paying the debt. After 2022 financing activities cash-flows are expected to increase, allowing the firm to maintain its debt structure along with the investments. 2018 peculiar increase in total borrowings reflects the adjustment of the STD facing operating costs. Such increase overcame the LD borrowings divestment.

Cash rubric is estimated to rise around €10.8 million in 2018 and to maintain a stable growth until 2022. It is predicted that cash rubric should represent between 10% and 11% proportion with the Revenues. From 2018 to 2022, cash rubric is expected to increase with a CAGR of 8.20%.

Profitability and efficiency

Ibersol net income will be deeply impacted from 2017 to 2018. This impact is due to other gains rubric alterations and the increase on the effective income tax rate applied to compare with 2017. As previously mentioned, company investment in Angola was subject to a positive revalorization. Additionally, during 2017 the company revenues still benefitted from EOG supplier contracts and earnings from extraordinary services. Such extraordinary gains, that do not contemplate the company strategy, positively impacted 2017 net income (around 5.9 million euros). Net income was also boosted by the tax saving effects from EOG acquisition. Henceforth it is expected a decrease in this rubric from 2017 to 2018 from 31,239,506€ to 22,589,539€. After normalized, net income is estimated to grow on a compound annual growth rate of 1.46%.

The company, as mentioned, is facing increasing costs, wich is affecting the efficiency ratios. Excepting the gross margin that is estimated as constant, all the remaining profit margins despite increasing, are comparatively decreasing when compared with total sales. Return on assets (ROA) is expected to decrease, when compared with 2016 and 2017 abnormal results, in convergence with the average ratio verified before EOG acquisition, between 4.34% and 4.76%. Regarding to return on equity (ROE) ratio, it is estimated, in similarity with what happens with efficiency ratios, to decrease in comparison with 2016 and 2017, converging with the historical average reference before 2016. Such ratio will remain between 9.913% and 8.506%. As referred, when compared with the sector Ibersol underperformed. In accordance with above-mentioned peers segmentation 2017 date, ROA average for the peers represents 7.35% while ROE is presented as 12.04%. This reflects an opportunity for Ibersol to improve its efficiency and renegotiate contracts associated with operational costs.

Breaking down ROE in accordance with Dupont analysis, Appendix 5, provides us a clear picture of the firm perspectives for the future and the consequent origins of the decreasing ROE. The forecasted increase in costs, described above, is highly affecting the company operations. Despite the increasing efficiency managing the firm assets, observed through the positive evolution of the Assets turnover, decreasing net profit margin estimated for the period after 2019 is deeply affecting ROA. After the expected 5.20% of return per asset in 2019, it is expected to fall to 4.56% in 2022. Costs are a key factor for this negative ROA evolution together with a deceleration of the industry expected demand and subsequent Ibersol revenues. As far as the capital structure is concerned, it is predicted that the equity multiplier will decrease from 2.32 in 2017 to 1.94 in 2022. Such drop directly affects the return on equity negatively as the company is passing to a deleveraging process projected to cease in 2021. However, this solidifies the company financial health, providing Ibersol the conservative debt position that characterizes the firm. It is also important to understand that, given the interest rates estimated upside, Ibersol protects itself against the increasing cost of debt. Interest burden would be a greater constraint to ROA in case of maintaining the 2017 debt structure.

	Operating Activities	Investment Activities	Financing Activities	Cash end of cicle
2018F	59,908,268	(37,895,241)	(11,244,449)	45,671,461
2019F	57,989,520	(39,742,644)	(12,901,042)	51,017,295
2020F	59,544,779	(41,690,776)	(14,689,824)	54,181,474
2021F	60,507,329	(43,745,320)	(15,086,720)	55,856,762
2022F	61,716,837	(45,792,360)	(9,191,834)	62,589,405
CAGR	0.75%	4.85%	-4.91%	8.20%

Table 38: Cash-flow activities and cash account (Source: Author)

	ROA (%)	ROE (%)	Equity multiplier	Asset turnover
2014	3.61%	6.27%	1.74	0.86
2015	4.45%	7.94%	1.79	0.89
2016	5.54%	15.41%	2.78	0.66
2017	7.15%	16.56%	2.32	1.05
2018	4.92%	9.46%	2.24	1.05
2019	5.20%	9.90%	2.13	1.06
2020	5.05%	9.60%	2.05	1.09
2021	4.84%	9.21%	1.98	1.12
2022	4.56%	8.73%	1.94	1.13

Table 39: Efficiency ratios, Dupont analysis indicators (Source: Author)

8. Investment Risks

Ibersol is identified as being a Medium Risk company. Demand for the food sector, especially for the sub-segments where Ibersol acts, is identified as being non-cyclical; although it highly depends on trends. This means that even facing economic archness demand will be maintained. In order to mitigate the risk associated with trends, Ibersol invested in a diversified portfolio. Beside demand, the main risks associated with the firm are directly linked with operational costs, namely the cost of materials, costs with the labor force, and rentals prices. The increase in each of these costs would cause some difficulties in the company accounts. Investment effectiveness is also a key factor for the company. Risks associated with the cannibalization effect or other factors that might constrain the new store's revenue impact on the firm.

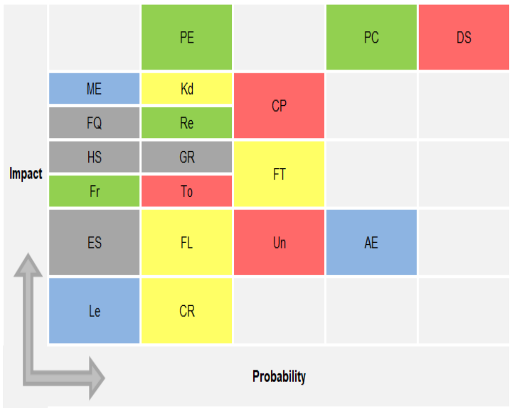


Figure 19: Risk matrix (Source: Author)

Market Drivers

Tourism (To) – Tourism is one of the drivers of the food market demand. Increase in tourism is felt in the company demand. Target price varies from 10.22 € to 13.00€ if travel evolution rates forecasts are, respectively, overrated or underrated in 9%. Tourism is a market that is very often based on a trend. And evolution is not a cause itself but a conjugation of several factors that tourism demand depends on. Despite being an uncertainty that Ibersol cannot control and with a moderate impact over company valuation, tourism perspectives for the future within Portugal, Spain, and Europe are positive and solid.

Unemployment (Un) – Unemployment is also a factor that directly affects the food market demand. In Eurozone, this has been one of the main social and political concerns. Forecasts reveal a positive decrease of this index in general. In accordance with IMF projections for 2022, inflation will reach 7.4% in Europe, 5.6% in Portugal and 13.7% in Spain, reflecting a decrease of 11.90%, 23.29% and 12.61% respectively. Demand risks associated with unemployment are predicted to decrease. However, any economic constraints affecting directly Portugal and Spain or Europe, in general, will be felt in company operational results, and, thus, in Ibersol's shares price.

Change in demand patterns (Ds) – In similarity to what happens with tourism, food demand,more specifically, fast food markets, are highly influenced by trends. Ibersol adapted its portfolio in accordance with the market feelings and the several subsectors demand. Currently, the food sector, including fast food, faces an increase in demand for healthy food. This new trend was also taken into account for Ibersol. However, for all the counter backs that are possible to occur, Ibersol is also present in several subsectors of food sector. In this case, diversified portfolio can be understood as a hedge against changes in consumption patterns.

COGS prices (CP) - Directly related to the sales goods sold represent a key factor in what concerns firm profitability. Gross margin has been stable in the past and is estimated to remain stable for the future (23.13% of total revenues). Nevertheless, the disproportional increase of prices for operational materials will lead Ibersol for a shortage in operating margins and consequent low revalorization. Ibersol aims to maintain good durable and stable relationships with suppliers. Such relations are sawed as a protection to superficial floating prices. Due to supplier market fierceness, spikes in COGS prices are not expectable.

Operational Risk

Personnel costs (PC), Work efficiency (PE) There are several risks associated with labor costs. As the main ones the worker efficiency, perceived by the average of a worker per store, and the cost per worker, related to salaries and taxes associated with the employer, were identified. Costs with labor force represent the major group of operational costs, 29.36% of revenues in 2017. Costs per worker are directly affected by the country labor tax policy and changes in the minimum predefined wage. In 2017, after increasing Portuguese and Spanish minimum wage and consequent internal salary adjustments, costs per worker increased near 21.5%. Attending to the scenario analysis form Appendix 23, it is possible to understand that Ibersol is highly exposed to changes in salaries regulation policy. Besides it, worker production is also critical to the prosperity of the company. For such reason, Ibersol invests in the labor safety and suitable conditions and promotes the well-being of employees within the company.

Rental prices (Re) – Increase in rentals reflects a high risk for Ibersol accounts. Being the third main operational cost with a dimension of 14.82% of the revenues in 2017, it makes Ibersol very exposed to rentals market fluctuations. Rents are common to all operational segments and show especial prominence on the concessions. The EOG acquisition and consequent increment on this segment resulted in an increase of exposure to this market.

Franchise contracts - nonrenewal (Fr) – Company operates several international brands under the franchise system. These contracts provide the company the possibility to explore known brands, enjoying all the marketing value for known names, as an example of KFC, Pizza Hut, among several others. To prevent the cease of such agreements Ibersol normally enters in long-term franchise contracts, normally valid to 10 years with an option to extend for another 10. With this strategy Ibersol protects itself against competition and it enables the company to establish long-term plans from an operational point of view. Such contracts are also a way to maintain costs with royalties stable.

Financial Risks

Taxation (FT) – Directly related with the country regulation, increases in the statutory tax income rate are a risk for the company results. There are no disclosures regarding changes such regulation within Portugal and Spain. Normally, income tax rate increases are likely to happen in times of economic distress. This risk might be more accentuated to the company investments in Angola. Strategies to mitigate this risk are directly linked to the tax shield policy related to the company capital structure.

Interest rate risks (Kd) – There are two perspectives for such risk: The risk of the decrease of interest rates regarding financial investments held by the firm. However, as such investments represent small proportions of a firm's assets it can be disregarded; and the perspective of changes in the interest rates associated with liabilities. The company aims to maintain 50% of long-term borrowings contracted with fixed rates. This is an internal hedging mechanism that partially protects the firm against increasing interest rates. Another strategy held by the firm to protect against interest rate uncertainty consists in hedging part of borrowings with interest rate swaps contracts.

Credit risk (CR) – Credit risk associated with clients have low impact in the firm. The main stake of Ibersol sales is carried out through payments in cash and debit or credit card. The risk is restricted to Catering activities and sales of merchandise for franchising partners, representing less than 4% of the company's revenues. Nevertheless, there are credit constraints according to clients' default history.

Liquidity (FL) – Liquidity risk relies on the capability of maintaining the sufficient cash and bank response to respond to the liquidation of current debt market positions. Ibersol increase in cash can be saw as a preventive measure for maintaining liquidity stable. Liquidity ratios, as priory mentioned are predicted to slowly increase. Despite being an effective risk, Ibersol adopted defensive cash strategy. Moreover, the firm tries to maintain credit lines available.

Political and Social Risks

Governance risk (GR) – Long-term plans and policies agreed and discussed in the general assembly represent the main strategy for the firm. Ibersol faces an accrued risk for having this strategy influences in accordance with a specific interest. This happens due to, as exposed in the management and corporate governance chapter, the president and vice president combined having the power to manipulate the general meeting decisions. Governance risk here is based on the possibility of taking a decision without having in account all company stakeholders, threatening the firm's operations.

Food quality and safety (FQ) – Acting in the restauration sector, there are hygiene and food safety patterns that have to be respected. Despite the legal inspections performed by regulatory entities, Ibersol adopted a proactive position implementing several measures that minimize the risks associated with food quality. Such measures are effective within several business areas: within the suppliers, Ibersol performs their own period inspections analyzing the quality of products; implementing Productions Process controls; maintaining and monitoring quality measurement devices, and some other that are directly related with logistics and operational sectors. Additionally, the quality of the services and food served to the clients are periodically audited by external companies. Activities are also certified in accordance with the food and safety management system ISO22000, an international food safety standard.

Hygiene and safety at work (HS) – Human resources are responsible for coordinating and providing the needed assistance to employees. HR strengthens the relation between employer/employee, understanding the needs and the worries within the labor force. There are also several initiatives launched every year that aim to strengthening of commitment between the employees and the firm.

Environmental (ES) – Company's Quality Department responsible for Ibersol Sustainability Principles coordinates the processes and activities within the environmental perspective. Company's environmental good practices are perceived as a key factor in public opinion. For this reason risks associated with this topic are mitigated through the implementation of preventing measures such as the rational use of resources, recycling and ecological packaging.

Other

Angola economic and political stability (AE) – Political, economic and social instability in Angola represents a risk for the Ibersol investment. Currently, investments in Angola are in standby, waiting for favorable economic conjuncture. However, depreciation of the existent ones can impact Ibersol accounts.

Legal (Le) – Ibersol activities are permanently scrutinized in the eyes of law. Subsidiaries need to be coordinated through compliant channels in order to correctly perform its legal duties and obligations. Legal services are provided by external recognized professionals.

Risks to Price target

In order to analyze the impact caused by variation in key operational factors, several scenario analysis have been tested (Appendix table 36: Scenarios; variables tested: Beta, cost of equity vs cost of debt, revenues vs COGS price increase, Revenues vs main operational costs, revenues structure, Ibersol market performance premium, cannibalization effect, concessions and catering revenues, travel evolution, fast-food market forecasted evolution, inflation changes, unemployment forecasts Real GDP forecasts change impact in Revenues (Source: Author). Beside this simple analysis, where one or two variables were tested in each scenario, it was also simulated a Monte Carlo Analysis (Appendix table 34: Monte Carlo Simulation (relative distribution) (Source: Author through Crystal Ball Software). For some of the stressed variables, sensitivity was measured using sensitivity factors linked to the final values of each variable. Meaning that for each 1% change in the factor, the final value will also vary in 1%.

Monte Carlo	
Number of trials	99,147
Mean	9.69 €
Median	9.70 €
Standard deviation	3.06 €
10th percentile	5.76 €
90th percentile	13.59 €
Upside potential	13%

Table 40: Monte Carlo simulation (Source: Author)

Sensitivity Analysis

Considering the simple scenarios tested, the following valuation elements were stressed: Beta, cost of debt and equity (double test), cost of country risk premium and terminal growth. The price target shows high sensitivity for all the variables tested. Analyzing the results, some evidences arise: (i) valuation is highly sensitive to for increases in Beta; market dependence is seen as a constraint for Ibersol valuation: (ii) cost of debt less critical than the cost of equity. This is due to the normal fact of cost of debt being slightly lower than cost of equity and to the low debt capital structure; (iii) terminal growth forecast is crucial for valuing terminal value of the company. It was assumed a rate of approximately 1.906%, as presented earlier. Assuming the IMF projections for Portugal and Spain GDP growth for 2022, 1.2 and 1.7, respectively, Ibersol prices would be of €8.08 and €9.17. However, as the food sector is expected to increase largely above the GDP until 2022, and considering that after that, it shall slowly converge to the economic growth rates, it is logical to include the industry potential within the terminal growth.

Regarding the operational risks scenarios it is important to refer the following evidences: (i) revenues variations highly impact the company performance. Simulating changes in revenues vs main operational costs (COGS, personnel costs and rests), even when accompanied by a decrease in costs, revenue variation impact prevails; (ii) cannibalization effect, conservatively estimated at 30%, also represents a key factor for firm growth; (iii) negative changes in revenue drivers such as fast-food market and variations for tourism are also sensitive for firm welfare.

Monte Carlo Sensitivity analysis	
Revenues	60.7%
Rents growth rate	24.8%
Personnel Costs	13.0%
Cannibalization effect	0.8%
Terminal growth	0.7%

Table 41: Monte Carlo Sensitivity Analysis (Source: Author)

Monte Carlo

In order to elaborate the Monte Carlo analysis, Crystal Ball Software was used. A total number of 99,147 trials were run. Revenues, personnel costs, rents, cannibalization effect and terminal growth were the variables stressed on the simulation.

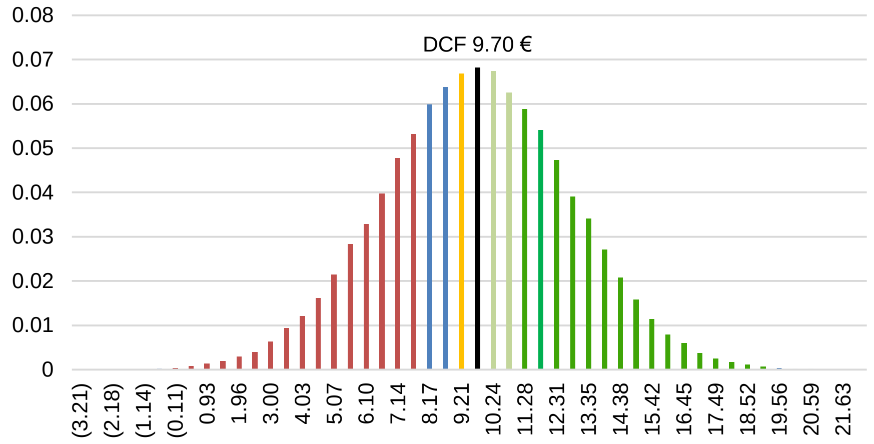
The outcome of the simulation suggests a target price of €9.69, higly related with the forecasted price €9.70, representing approximately the same uprise result of 13%. Acordingly with Monte Carlo analysis Revenues, Rent growth rates and Personnel costs are the variables that impact the company price the most.

Looking to Table 42: Monte Carlo recommendations probability (Source: Author), it is possible to analyse the recommendation probabilities of the simulations. The total probability for sell, meaning, Sell and Reduce recommendations, is inferior (40.81%) to the total probability for buy (48.11%). This result can be an indicator of the potential firm growth.

Strong Buy	31.80%
Buy	16.31%
Neutral	11.08%
Reduce	10.59%
Sell	30.22%

Table 42: Monte Carlo recommendations probability (Source: Author)

Figure 20: Monte Carlo Simulation- Cristal Ball Software (Source: Author)



Appendices

Appendix 1: Statement of Financial Position

	2017	2018F	2019F	2020F	2021F	2022F	CAGR
Goodwill	92,862,786	92,862,786	92,862,786	92,862,786	92,862,786	92,862,786	0.00%
Brands	20,716,667	20,834,731	20,953,468	21,072,882	21,192,977	21,313,755	0.57%
Industrial property	11,391,511	11,506,782	11,623,219	11,740,834	11,859,640	11,859,640	0.81%
Other intangible Assets	3,007,788	3,019,777	3,031,814	3,043,899	3,056,032	3,068,213	0.40%
Land	15,324,714	15,377,707	15,430,883	15,484,243	15,537,787	15,591,517	0.35%
Buildings	140,566,200	148,985,834	157,909,788	167,368,268	177,393,293	188,018,796	5.99%
Equipment	31,720,210	32,724,408	33,760,398	34,829,184	35,931,807	37,069,336	3.17%
Other tangible Assets	10,361,093	10,429,300	10,497,956	10,567,064	10,636,627	10,706,648	0.66%
Deferred tax assets	7,164,371	7,164,371	7,164,371	7,164,371	7,164,371	7,164,371	0.00%
Other financial assets	17,823,906	17,823,906	17,823,906	17,823,906	17,823,906	17,823,906	0.00%
Other non-current assets	8,755,771	8,755,771	8,755,771	8,755,771	8,755,771	8,755,771	0.00%
Available-for-sale fiancial assets	233,108	233,108	233,108	233,108	233,108	233,108	0.00%
Inventories	12,089,907	13,077,414	13,738,977	14,525,216	15,331,613	16,180,582	6.00%
Income tax receivable	5,046,070	5,046,070	5,046,070	5,046,070	5,046,070	5,046,070	0.00%
Other Current Assets	19,823,562	20,095,745	20,389,591	20,686,063	20,977,555	21,287,590	1.44%
Other financial assets	5,162,755	5,162,755	5,162,755	5,162,755	5,162,755	5,162,755	0.00%
Cash & Equiv.	34,902,883	45,671,461	51,017,295	54,181,474	55,856,762	62,589,405	12.39%
ASSETS	**436,953,302**	**458,771,926**	**475,402,155**	**490,547,895**	**504,822,860**	**524,734,250**	**3.73%**
EQUITY	**188,620,193**	**205,089,732**	**222,983,089**	**239,454,212**	**255,595,576**	**270,171,947**	**7.45%**
Share capital	30,000,000	36,000,000	36,000,000	36,000,000	36,000,000	36,000,000	3.71%
Own shares	(11,179,969)	(11,179,969)	(11,179,969)	(11,179,969)	(11,179,969)	(11,179,969)	0.00%
Conversion Reserves	(2,012,886)	(2,012,886)	(2,012,886)	(2,012,886)	(2,012,886)	(2,012,886)	0.00%
Other reserves & retained results	140,240,143	158,969,603	174,719,142	191,172,499	207,643,622	222,704,986	9.69%
Net profit in the year	30,849,460	22,589,539	24,733,356	24,751,123	24,421,364	23,936,371	-4.95%
Non-controled participation	723,445	723,445	723,445	723,445	723,445	723,445	0.00%
LIABILITIES	**248,333,109**	**253,682,194**	**252,419,067**	**251,093,684**	**249,227,284**	**254,562,302**	**0.50%**
Borrowings - long term	107,687,759	104,175,497	100,426,144	96,415,586	92,117,737	95,122,673	-2.45%
Deferred tax liabilities	16,296,869	16,296,869	16,296,869	16,296,869	16,296,869	16,296,869	0.00%
Provisions	4,489,724	4,489,724	4,489,724	4,489,724	4,489,724	4,489,724	0.00%
Derivate financial instrument	235,455	235,455	235,455	235,455	235,455	235,455	0.00%
Other non current liabilities	179,192	179,192	179,192	179,192	179,192	179,192	0.00%
Borrowings - short term	33,326,982	35,629,330	37,340,425	39,101,535	40,888,773	42,725,041	5.09%
Accounts payable - Suppliers & accrued costs	67,522,339	70,522,065	70,255,512	70,348,590	70,167,814	69,819,282	0.67%
Income Tax payable	324,744	2,583,132	2,828,279	2,830,311	2,792,603	2,737,143	53.16%
Other current liabilities	18,270,045	19,570,930	20,367,467	21,196,423	22,059,117	22,956,923	4.67%
EQUITY + LIABILIT.	**436,953,302**	**458,771,926**	**475,402,155**	**490,547,895**	**504,822,860**	**524,734,250**	**3.73%**

Appendix table 1: Forecasted balance sheet (Source: Author)

Appendix 2: Income Statement

INCOME STATEMENT

	2017	2018F	2019F	2020F	2021F	2022F	CAGR
Revenues	**458,110,130**	**480,858,228**	**505,183,986**	**534,094,105**	**563,745,427**	**594,962,133**	**5.37%**
Cost of Sales	(102,831,054)	(111,230,322)	(116,857,265)	(123,544,646)	(130,403,478)	(137,624,410)	6.00%
Electricity, water, fuel and other fluids	(13,547,336)	(13,864,903)	(14,135,701)	(14,556,199)	(14,992,193)	(15,399,589)	2.60%
Royalties	(13,823,833)	(15,940,840)	(18,250,193)	(19,294,595)	(20,365,774)	(21,493,503)	9.23%
Advertising and propaganda	(16,046,275)	(17,131,536)	(17,998,190)	(19,028,171)	(20,084,558)	(21,196,716)	5.73%
Other external supplies and services	(38,199,733)	(43,390,723)	(45,585,782)	(48,194,516)	(50,870,132)	(53,687,003)	7.04%
Personnel Costs	(135,318,741)	(140,355,699)	(143,097,021)	(151,222,336)	(159,571,859)	(168,145,591)	4.44%
Other operating costs	(5,180,157)	(4,664,806)	(4,900,790)	(5,181,247)	(5,468,894)	(5,771,728)	2.19%
=EBITDAR	**133,163,001**	**134,279,400**	**144,359,043**	**153,072,397**	**161,988,538**	**171,643,593**	**5.21%**
Rents and rentals	(67,885,000)	(73,391,560)	(79,314,479)	(86,489,266)	(94,239,483)	(102,608,326)	8.61%
=EBITDA	**65,278,001**	**60,887,840**	**65,044,565**	**66,583,130**	**67,749,055**	**69,035,267**	**1.13%**
- D&A	(31,922,475)	(29,622,977)	(30,931,822)	(32,310,091)	(33,761,697)	(35,290,782)	2.03%
= EBIT	**33,355,526**	**31,264,863**	**34,112,743**	**34,273,039**	**33,987,357**	**33,744,485**	**0.23%**
Net financing costs	(5,397,611)	**(2,396,442)**	**(2,504,619)**	**(2,642,211)**	**(2,777,946)**	**(3,154,873)**	**-10.18%**
Other Gains / losses	5,983,179	0	0	0	0	0	-100.00%
=EBT	**33,941,094**	**28,868,421**	**31,608,123**	**31,630,828**	**31,209,411**	**30,589,612**	**-2.06%**
Income tax expenses	(2,701,589)	(6,278,882)	(6,874,767)	(6,879,705)	(6,788,047)	(6,653,241)	19.75%
= Net Income	**31,239,506**	**22,589,539**	**24,733,356**	**24,751,123**	**24,421,364**	**23,936,371**	**-5.19%**
						4Y N.I. CAGR	1.46%

(Common-Size)

	2017	2018F	2019F	2020F	2021F	2022F	CAGR
Revenues	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**0.00%**
Cost of Sales	-22.45%	-23.13%	-23.13%	-23.13%	-23.13%	-23.13%	0.60%
Electricity, water, fuel and other fluids	-2.96%	-2.88%	-2.80%	-2.73%	-2.66%	-2.59%	-2.63%
Royalties	-3.02%	-3.32%	-3.61%	-3.61%	-3.61%	-3.61%	3.66%
Advertising and propaganda	-3.50%	-3.56%	-3.56%	-3.56%	-3.56%	-3.56%	0.34%
Other external supplies and services	-8.34%	-9.02%	-9.02%	-9.02%	-9.02%	-9.02%	1.59%
Personnel Costs	-29.54%	-29.19%	-28.33%	-28.31%	-28.31%	-28.26%	-0.88%
Other operating costs	-1.13%	-0.97%	-0.97%	-0.97%	-0.97%	-0.97%	-3.02%
=EBITDAR	**29.07%**	**27.92%**	**28.58%**	**28.66%**	**28.73%**	**28.85%**	**-0.15%**
Rents and rentals	-14.82%	-15.26%	-15.70%	-16.19%	-16.72%	-17.25%	3.08%
=EBITDA	**14.25%**	**12.66%**	**12.88%**	**12.47%**	**12.02%**	**11.60%**	**-4.03%**
- D&A	-6.97%	-6.16%	-6.12%	-6.05%	-5.99%	-5.93%	-3.17%
= EBIT	**7.28%**	**6.50%**	**6.75%**	**6.42%**	**6.03%**	**5.67%**	**-4.87%**
Net financing costs	-1.18%	**-0.50%**	**-0.50%**	**-0.49%**	**-0.49%**	**-0.53%**	**-14.76%**
Other Gains / losses	1.31%	0.00%	0.00%	0.00%	0.00%	0.00%	-100.00%
=EBT	**7.41%**	**6.00%**	**6.26%**	**5.92%**	**5.54%**	**5.14%**	**-7.05%**
Income tax expenses	-0.59%	-1.31%	-1.36%	-1.29%	-1.20%	-1.12%	13.65%
= Net Income	**6.82%**	**4.70%**	**4.90%**	**4.63%**	**4.33%**	**4.02%**	**-10.02%**

Appendix table 2: Forecasted Income Statement and respective common-size (Source: Author)

Appendix 3: Cash Flow Statement

Cash-Flows

	2018F	2019F	2020F	2021F	2022F	CAGR
Operating Activities	**59,908,268**	**57,989,520**	**59,544,779**	**60,507,329**	**61,716,837**	**0.75%**
+EBIT	31,264,863	34,112,743	34,273,039	33,987,357	33,744,485	1.93%
+D&A	29,622,977	30,931,822	32,310,091	33,761,697	35,290,782	4.47%
-Income Tax	(6,278,882)	(6,874,767)	(6,879,705)	(6,788,047)	(6,653,241)	1.46%
-DNWC	5,299,309	(180,278)	(158,646)	(453,679)	(665,189)	
Investment Activities	**(37,895,241)**	**(39,742,644)**	**(41,690,776)**	**(43,745,320)**	**(45,792,360)**	**4.85%**
-CAPEX	(39,413,334)	(41,260,808)	(43,208,940)	(45,263,485)	(47,310,525)	4.67%
+- Financial investments gains and costs	1,518,093	1,518,164	1,518,164	1,518,164	1,518,164	0.00%
Financing Activities	**(11,244,449)**	**(12,901,042)**	**(14,689,824)**	**(15,086,720)**	**(9,191,834)**	**-4.91%**
-Interest paid	(3,914,535)	(4,022,784)	(4,160,376)	(4,296,110)	(4,673,037)	4.53%
-Dividends	(6,120,000)	(6,840,000)	(8,280,000)	(8,280,000)	(9,360,000)	11.21%
-DDebt	(1,209,914)	(2,038,259)	(2,249,448)	(2,510,610)	4,841,204	
Change in Cash	**10,768,578**	**5,345,834**	**3,164,179**	**1,675,288**	**6,732,643**	
Begining	34,902,883	45,671,461	51,017,295	54,181,474	55,856,762	12.47%
End	45,671,461	51,017,295	54,181,474	55,856,762	62,589,405	8.20%

Appendix table 3: Forecasted Cash flow statement (Source: Author)

Appendix 4: Key Financial Ratios

Key Financial Ratios	2018F	2019F	2020F	2021F	2022F
Liquidity Ratios					
Current Ratio (x)	0.69	0.73	0.75	0.75	0.80
Quick Ratio (x)	0.59	0.62	0.64	0.64	0.68
Cash Ratio (x)	0.40	0.43	0.44	0.45	0.49
Efficiency Ratios					
Total Assets Turnover (x)	1.05	1.06	1.09	1.12	1.13
Accounts Receivables Turnover (x)	3.17	3.17	3.17	3.17	3.17
Collection Period (days)	115.00	115.00	115.00	115.00	115.00
Inventory Turnover (x)	8.84	8.72	8.74	8.74	8.73
Days in Inventory (days)	41.29	41.88	41.75	41.78	41.79
Payables Turnover (x)	1.61	1.66	1.76	1.86	1.97
Payables Period (days)	226.49	219.86	207.70	196.65	185.63
Operating Cycle (days)	156.29	156.88	156.75	156.78	156.79
Cash Cycle (days)	-70.20	-62.98	-50.95	-39.87	-28.85
Assets Turnover	1.02	1.03	1.05	1.07	1.10
Profitability Ratios					
Gross Profit Margin (%)	76.87%	76.87%	76.87%	76.87%	76.87%
EBITDA Margin (%)	12.66%	12.88%	12.47%	12.02%	11.60%
EBIT Margin (%)	6.50%	6.75%	6.42%	6.03%	5.67%
Net Profit Margin (%)	4.70%	4.90%	4.63%	4.33%	4.02%
ROA (%)	4.92%	5.20%	5.05%	4.84%	4.56%
ROCE (%)	9.46%	9.90%	9.60%	9.21%	8.73%
ROE (%)	11.014%	11.092%	10.336%	9.555%	8.860%
EPS (x)	0.63	0.69	0.69	0.68	0.66
SG&A/Sale (%)	0.49	0.48	0.48	0.48	0.48
Solvency Ratios					
Long- and short-term Debt Ratio (%)	30.47%	28.98%	27.63%	26.35%	26.27%
Long-term Debt Ratio (%)	27.33%	25.58%	23.98%	22.45%	22.17%
Debt to Equity Ratio (x)	1.24	1.13	1.05	0.98	0.94
Equity Multiplier (x)	2.24	2.13	2.05	1.98	1.94
Debt to EBITDA	4.17	3.88	3.77	3.68	3.69
Interest Coverage Ratio (x)	7.99	8.48	8.24	7.91	7.22
Value Creation and Cash Flow Ratios					
Economic Value Added (EVA)	15,150,605	16,316,480	15,384,954	14,078,336	12,950,497
NOPAT	24,464,755	26,693,221	26,818,653	26,595,107	26,405,060
Cash to Income	0.48	0.49	0.48	0.48	0.48

Appendix table 4: Forecasted financial ratios (Source: Author)

Appendix 5: Dupont analysis

ROE
16.6%
11.0%
11.1%
10.3%
9.6%
8.9%

ROA
7.15%
4.92%
5.20%
5.05%
4.84%
4.56%

Assets Turnover
1.05
1.05
1.06
1.09
1.12
1.13

Tax Burden
92.04%
78.25%
78.25%
78.25%
78.25%
78.25%

Equity Multiplier
2.32
2.24
2.13
2.05
1.98
1.94

Net Profit Margin
6.82%
4.70%
4.90%
4.63%
4.33%
4.02%

Interest Burden
101.76%
92.34%
92.66%
92.29%
91.83%
90.65%

Legend
2017
2018
2019
2020
2021
2020

EBIT Margin
7.28%
6.50%
6.75%
6.42%
6.03%
5.67%

Appendix table 5: Dupont analysis (Source: Author)

Appendix 6: Common-Size Statement of Financial Position

BALANCE SHEET (Common-Size)

	2017	2018F	2019F	2020F	2021F	2022F	CAGR
Goodwill	21.25%	20.24%	19.53%	18.93%	18.40%	17.70%	-3.60%
Brands	4.74%	4.54%	4.41%	4.30%	4.20%	4.06%	-3.05%
Industrial property	2.61%	2.51%	2.44%	2.39%	2.35%	2.26%	-2.82%
Other intangible Assets	0.69%	0.66%	0.64%	0.62%	0.61%	0.58%	-3.21%
Land	3.51%	3.35%	3.25%	3.16%	3.08%	2.97%	-3.26%
Buildings	32.17%	32.47%	33.22%	34.12%	35.14%	35.83%	2.18%
Equipment	7.26%	7.13%	7.10%	7.10%	7.12%	7.06%	-0.54%
Other tangible Assets	2.37%	2.27%	2.21%	2.15%	2.11%	2.04%	-2.96%
Deferred tax assets	1.64%	1.56%	1.51%	1.46%	1.42%	1.37%	-3.60%
Other financial assets	4.08%	3.89%	3.75%	3.63%	3.53%	3.40%	-3.60%
Other non-current assets	2.00%	1.91%	1.84%	1.78%	1.73%	1.67%	-3.60%
Available-for-sale fiancial assets	0.05%	0.05%	0.05%	0.05%	0.05%	0.04%	-3.60%
Inventories	2.77%	2.85%	2.89%	2.96%	3.04%	3.08%	2.19%
Income tax receivable	1.15%	1.10%	1.06%	1.03%	1.00%	0.96%	-3.60%
Other Current Assets	4.54%	4.38%	4.29%	4.22%	4.16%	4.06%	-2.21%
Other financial assets	1.18%	1.13%	1.09%	1.05%	1.02%	0.98%	-3.60%
Cash & Equiv.	7.99%	9.96%	10.73%	11.05%	11.06%	11.93%	8.35%
ASSETS	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**0.00%**
EQUITY	**43.17%**	**44.70%**	**46.90%**	**48.81%**	**50.63%**	**51.49%**	**3.59%**
Share capital	6.87%	7.85%	7.57%	7.34%	7.13%	6.86%	-0.01%
Own shares	-2.56%	-2.44%	-2.35%	-2.28%	-2.21%	-2.13%	-3.60%
Conversion Reserves	-0.46%	-0.44%	-0.42%	-0.41%	-0.40%	-0.38%	-3.60%
Other reserves & retained results	32.09%	34.65%	36.75%	38.97%	41.13%	42.44%	5.75%
Net profit in the year	7.06%	4.92%	5.20%	5.05%	4.84%	4.56%	-8.37%
Non-controled participation	0.17%	0.16%	0.15%	0.15%	0.14%	0.14%	-3.60%
LIABILITIES	**56.83%**	**55.30%**	**53.10%**	**51.19%**	**49.37%**	**48.51%**	**-3.12%**
Borrowings - long term	24.65%	22.71%	21.12%	19.65%	18.25%	18.13%	-5.96%
Deferred tax liabilities	3.73%	3.55%	3.43%	3.32%	3.23%	3.11%	-3.60%
Provisions	1.03%	0.98%	0.94%	0.92%	0.89%	0.86%	-3.60%
Derivate financial instrument	0.05%	0.05%	0.05%	0.05%	0.05%	0.04%	-3.60%
Other non current liabilities	0.04%	0.04%	0.04%	0.04%	0.04%	0.03%	-3.60%
Borrowings - short term	7.63%	7.77%	7.85%	7.97%	8.10%	8.14%	1.32%
Accounts payable - Suppliers & accrued costs	15.45%	15.37%	14.78%	14.34%	13.90%	13.31%	-2.95%
Income Tax payable	0.07%	0.56%	0.59%	0.58%	0.55%	0.52%	47.66%
Other liabilities	4.18%	4.27%	4.28%	4.32%	4.37%	4.37%	0.91%
EQUITY + LIABILIT.	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**0.00%**

Appendix table 6: Forecasted Common-Size Balance sheet (Source: Author)

Appendix 7: Forecasting assumptions

	Notes	2018F	2019F	2020F	2021F	2022F	Assumption
				INCOME STATEMENT			
Revenues	Total amount	480,858,228	505,183,986	534,094,105	563,745,427	594,962,133	See Appendix 8, Forecasting Assumptions – Revenues.
Cost of Sales	% Revenues	23.13%	23.13%	23.13%	23.13%	23.13%	Historical average (last 4 years) rate for the COGS is set as the reference weight of COGS facing Revenues. The commodities market is very competitive and likely to be stable. Ibersol also looks for improvement and solidify its relationship with suppliers. For such reasons, the investment in COGS is predicted to be constant when compared with revenues.
Electricity, water, fuel, and other fluids	Final Value	13,864,903	14,135,701	14,556,199	14,992,193	15,399,589	Such rubric is directly connected to the number of the operational stores and the number of hours of its activities. The average from costs per store between 2015 and 2017 was set as the reference value, 25,908€. We predict that in 3 years the company will reach such reference cost starting from the 2017 amount of 26,987€. This means that for the first three years there is a conversion of 359.50€ of the estimated rubric cost per store. 2021 onwards, the reference cost will be set. This assumption is based on the outlier values for the rubric in 2015 and 2016, assumed to be generated for the EOG acquisition. For all years, the cost will vary in accordance with the number of stores for the year and actualized in accordance with inflation.
Royalties	% Revenues	3.32%	3.61%	3.61%	3.61%	3.61%	Royalties, in this rubric, refers to the costs of contracts related to licensing. It is most of the times related to branding patents and concession rights Theoretically, such cost should be directly related to the sales. The more royalties contracts a firm owns, the better branding the firm has. With this, it is also expected to have an increase in sales. Analyzing Ibersol figures from 2012 to 2017 it is possible to observe that the proportion between sales and Royalties paid is constant, varying between 3.02% and 4.01%. For the future, it was assumed a constant growth rate determined by averaging the figures from last 6 years, 3.61%. Such a ratio will be applied from 2019 onwards, being 2018 estimated as 3.32%, the value between 2017 and the 3.61% predicted for the future.
Advertising and propaganda	% Revenues	3.56%	3.56%	3.56%	3.56%	3.56%	In similarity with Royalties, Advertising and propaganda are also directly connected with sales. Actually, it is a crucial factor for increasing the popularity of Ibersol brands and with it, increase the revenues. Analyzing the historical data we observe that correlation between sales and this rubric, in the last 6 years, rounds 0.99. Meaning that in the past, sales and the cost of advertising and propaganda have increased proportionally. Once there are no extraordinary or supplementary marketing activities predicted for the future, we assume that the increase in this rubric will be the same as in the total sales. Driving the costs from the Sales means that part of the increase in sales will be directly connected with the investment in the advertising and propaganda.
Other external supplies and services	% Revenues	9.02%	9.02%	9.02%	9.02%	9.02%	This rubric includes the following expenses: subcontracts, condominiums, communications, insurances, short-lasting tools, utensils and office materials, travel and accommodations, merchandise transport, service fees, conservation, and repairs, cleaning hygiene and comfort, specialized works and other less relevant. Each sub rubric is too specified and corresponds to an insignificant proportion of the firm costs. It was verified that in the past correlation between the increase in the costs and this rubric is near 1. The projections for the rubric as a whole will be computed in the function of sales. It is estimated that the rubric will correspond to 9.02 %, resulting from averaging the last two years proportion.
Personnel Costs	Value	140,355,699	143,097,021	151,222,336	159,571,859	168,145,591	Calculated upon the metrics of employee per store and cost per employee. See spreadsheet "I S". Check Appendix 10, Forecasting assumptions – Personnel Costs.
Other operating costs	% Revenues	0.97%	0.97%	0.97%	0.97%	0.97%	Other operating costs is constituted by the following: Direct/indirect taxes not assigned to operating activities; losses in fixed assets; currency exchange differences; membership fees, donation samples, and inventory offers; impairment adjustments (debts receivable), impairment adjustments (financial investments); and indemnification. The rubric represented in average a proportion of 0.97010% of the total sales. This proportion will be assumed for the future.
Rents and rentals	YoY	8.11%	8.07%	9.05%	8.96%	8.88%	Rents and rentals are directly affected by several external economic factors. Analyzing the real state's markets is crucial to estimate the future expenses with rents and rentals. For this reason, rental prices will be determined in accordance with the evolution of the European rental market (6% increase per year). This rubric will also depend on the number of stores for each year.
Amortization							
Brand	YoY	5.31%	5.31%	5.31%	5.31%	5.31%	Corresponds to the effective rate applied by the company in accordance with the historical data. Check Appendix 9: forecasting assumptions Amortization, depreciation, replacement and expansion.
Industrial property	YoY	12.42%	12.42%	12.42%	12.42%	12.42%	
Other	YoY	19.75%	19.75%	19.75%	19.75%	19.75%	

Depreciation							
Land	YoY	0.54%	0.54%	0.54%	0.54%	0.54%	Corresponds to the effective rate applied by the company in accordance with the historical data, please check Appendix 9: forecasting assumptions Amortization, depreciation, replacement and expansion.
Buildings	YoY	12.09%	12.09%	12.09%	12.09%	12.09%	
Equipment	YoY	25.88%	25.88%	25.88%	25.88%	25.88%	
Other	YoY	11.90%	11.90%	11.90%	11.90%	11.90%	
CAPEX replacement							
Brands	YoY	5.31%	5.31%	5.31%	5.31%	5.31%	It is estimated to be equal to the amortization, Appendix 9: forecasting assumptions Amortization, depreciation, replacement and expansion.
Industrial property	YoY	12.42%	12.42%	12.42%	12.42%	12.42%	
Other	YoY	19.75%	19.75%	19.75%	19.75%	19.75%	
Land	YoY	0.54%	0.54%	0.54%	0.54%	0.54%	
Buildings	YoY	12.09%	12.09%	12.09%	12.09%	12.09%	
Equipment	YoY	25.88%	25.88%	25.88%	25.88%	25.88%	
Other	YoY	11.90%	11.90%	11.90%	11.90%	11.90%	
CAPEX Expansion							
Brands	YoY	0.57%	0.57%	0.57%	0.57%	0.57%	The expansion is done in accordance with the company investment disclosures and the fixed assets structure. Check Appendix 9: forecasting assumptions Amortization, depreciation, replacement and expansion.
Industrial property	YoY	1.01%	1.01%	1.01%	1.01%	1.01%	
Other	YoY	0.40%	0.40%	0.40%	0.40%	0.40%	
Land	YoY	0.35%	0.35%	0.35%	0.35%	0.35%	
Buildings	YoY	5.99%	5.99%	5.99%	5.99%	5.99%	
Equipment	YoY	3.17%	3.17%	3.17%	3.17%	3.17%	
Other	YoY	0.66%	0.66%	0.66%	0.66%	0.66%	
Interests earned Noncurrent	%	6.49%	6.49%	6.49%	6.49%	6.49%	Corresponds to the 2017 average interest rate for the non-current financial assets held by the firm
Interests earned Current	%	7.00%	7.00%	7.00%	7.00%	7.00%	Corresponds to the 2017 average interest rate for the current financial assets held by the firm
Financing Costs	%	2.80%	2.92%	3.07%	3.23%	3.39%	Corresponds to the 2017 average interest rate provided through the firm annual report adjusted in accordance with the EUR curve yield. Such adjust is done in accordance with the ICESWAP EUR Reuters page.
Other Gains/losses	%	0.00%	0.00%	0.00%	0.00%	0.00%	Other gains and losses fall out of company main operational activities. As per that it represents inconstant gains or losses. To predict erroneous projections it shall be null.
Tax rate		21.75%	21.75%	21.75%	21.75%	21.75%	Tax rate applied results from the average of 2015 and 2016 effective tax rate.
Dividends		0.17	0.19	0.23	0.23	0.26	Check Appendix 11: Dividend policy.
Capital Increases - Euros		6000000	0	0	0	0	Capital Increase is projected to occur in 2018. Pair value is assumed to be constant at 1€. There are no further disclosures for capital increases;
Share Number & Share capital		36000000	36000000	36000000	36000000	36000000	
BALANCE SHEET							
Goodwill		0.00%	0.00%	0.00%	0.00%	0.00%	Changes in the rubric should result in the new acquisition of companies and/or impairment tests performed annually. It is predicted Goodwill will maintain for the future. It is assumed no impairment losses or gains will result from the mentioned tests and no futures acquisitions are forecasted, thus no increments are expected.
Deferred tax assets		0.00%	0.00%	0.00%	0.00%	0.00%	Rubric represents temporary tax benefits granted in the previous years. It is assumed as constant as information disclosed on this topic is limited, It is assumed that such benefits are not taken in account, but for other side they shall not expire as well.
Other financial assets		0.00%	0.00%	0.00%	0.00%	0.00%	Such rubrics are not directly linked to the main activities of the firm. There are no company disclosures about financial assets investments. We assume the policy adopted in 2017 will be constant. Thus, for the future, it is predicted that the investments should be done only in order to maintain the same financial portfolio value.
Other non-current assets		0.00%	0.00%	0.00%	0.00%	0.00%	
Other financial assets		0.00%	0.00%	0.00%	0.00%	0.00%	
Available-for-sale financial assets		0.00%	0.00%	0.00%	0.00%	0.00%	The rubric is projected as constant. It has an insignificant impact on the firm total assets. Rubric relies on extra activities which projections are not disclosed.
Inventories	% Cost of Sales	11.76%	11.76%	11.76%	11.76%	11.76%	Inventories rubric is composed of two different type of assets, the raw materials and consumables, and the merchandises. It will be assumed that the inventory will represent a constant proportion of the cost of sales. This assures that through the year the firm maintains a policy of constant and proportional stock stake. The company maintains the 2017 proportion between the cost of sales and the inventories account.
Income tax receivable	%Revenues	0.00%	0.00%	0.00%	0.00%	0.00%	Rubric is expected to be constant.

Other Current Assets		20,095,745	20,389,591	20,686,063	20,977,555	21,287,590	Clients, other debtors, and accrual and income represent the three biggest rubrics in 2017. It is important to retain that for this company, in specific, clients receivables account is very diminished, compared with remaining sectors. It represents only around 2,5% of the total sales. The motive for such small client receivable account is related to the methods of payment for the big stake of the company activities. For all the segments of the firm, in exception of the franchise businesses and the catering, all the payment are made in the moment of bought. For the future, it will be assumed that besides the client sub rubric all the remaining components will maintain constant. For client rubric calculations, Catering and Franchising's income represent the amounts received through credit operations. Days sales outstanding will be calculated under this assumption and it is predicted that the company maintains the same DSO than on the previous year.
Own shares (value)	Value	11,179,969	11,179,969	11,179,969	11,179,969	11,179,969	There are no own shares acquisition projected. Value shall be constant.
Conversion Reserves		0.00%	0.00%	0.00%	0.00%	0.00%	Conversions are estimated to be constant.
Other reserves & retained results							Other reserves & retained results are forecasted to be updated in accordance with the net income retained
Non-controlled participation		0.00%	0.00%	0.00%	0.00%	0.00%	Expected to remain constant
Borrowings - long term	% Tangible & Intangible	31.03%	29.02%	27.01%	25.00%	25.00%	Consult Appendix 12: Forecast assumptions – Debt
Deferred tax liabilities	% Rev	0.00%	0.00%	0.00%	0.00%	0.00%	Considered constant for the future.
Provisions	YoY	0.00%	0.00%	0.00%	0.00%	0.00%	
Derivate financial instrument	YoY	0.00%	0.00%	0.00%	0.00%	0.00%	
Other non current liabilities	YoY	0.00%	0.00%	0.00%	0.00%	0.00%	
Borrowings - short term	% Total operating costs	8.48%	8.48%	8.36%	8.24%	8.12%	Consult Appendix 12: Forecast assumptions – Debt
Accounts payable - Suppliers & accrued costs	Value	70,522,065	70,255,512	70,348,590	70,167,814	69,819,282	Consult " Appendix 13: Forecast assumptions – Accounts payable – Suppliers & accrued costs.
Income Tax payable	% Income tax expenses	41.14%	41.14%	41.14%	41.14%	41.14%	Assumed to maintain the 2015 and 2016 average proportion from Income tax
Other current liabilities	% Rev	4.07%	4.07%	4.07%	4.07%	4.07%	Represents other credits associated with services rendered to a third party, state and other public entities and deferred income. The rubric is directly associated with the firm operational activities, for that reason is correct to assume that it shall grow to maintain the same revenues proportion of 2017.

Appendix 8: Forecasting Assumptions – Revenues

	Impact	Normal Weight	Sol & Travel Weight	Other
Foodservice market	+	25%	35%	100%
Specific market	+	40%	0%	0%
Travel revenues	+	10%	55%	0%
Real GDP YoY	+	15%	10%	0%
Unemployment*	-	10%	0%	0%

Appendix table 7 - Revenues drivers (Source: Author)

	2016	2017	2018	2019	2020	2021	2022
Portugal							
100% Home Delivery/Takeaway	223	230	243	255	267	278	290
Cafés/Bars	2,980	3,134	3,346	3,554	3,738	3,920	4,095
Full-Service Restaurants	2,743	2,914	3,092	3,263	3,439	3,623	3,802
Fast Food	917	979	1,070	1,153	1,239	1,326	1,407
Self-Service Cafeterias	209	216	223	230	238	246	253
Street Stalls/Kiosks	131	139	150	162	174	186	199
Pizza Consumer Foodservice	173	177	184	191	198	206	215
Total	7,376	7,789	8,307	8,806	9,292	9,786	10,260
Spain							

100% Home Delivery/Takeaway	1,117	1,184	1,270	1,363	1,454	1,538	1,621
Cafés/Bars	44,517	45,785	48,065	50,624	53,589	56,748	60,029
Full-Service Restaurants	24,980	25,755	27,084	28,499	30,096	31,856	33,752
Fast Food	4,028	4,215	4,490	4,783	5,088	5,395	5,690
Self-Service Cafeterias	125	128	133	137	141	147	152
Street Stalls/Kiosks	271	262	263	265	268	273	279
Pizza Consumer Foodservice	3,551	3,647	3,830	4,013	4,206	4,403	4,611
Total	78,590	80,977	85,135	89,682	94,842	100,360	106,133
Western Europe							
100% Home Delivery/Takeaway	32,230	33,866	35,789	37,699	39,555	41,252	42,864
Cafés/Bars	171,053	176,026	183,065	190,326	197,881	205,518	213,259
Full-Service Restaurants	298,253	307,215	317,274	327,629	338,450	349,545	361,499
Fast Food	113,448	118,373	124,044	129,592	135,108	140,578	146,013
Self-Service Cafeterias	22,099	22,806	23,527	24,235	24,944	25,668	26,401
Street Stalls/Kiosks	8,895	9,158	9,491	9,824	10,169	10,509	10,849
Pizza Consumer Foodservice	63,785	65,845	68,104	70,466	72,837	75,104	77,365
Total	709,762	733,289	761,294	789,770	818,943	848,173	878,250

Appendix table 8 - Sector estimated returns, values in Millions of Euros, current prices (Source: Euromonitor)

Travel	2016	2017	2018	2019	2020	2021	2022
Portugal	21,782.3	23,012.1	24,554.1	26,035.5	27,481.7	28,946.4	30,349.8
Spain	228,667.1	235,635.5	247,743.7	261,021.3	276,114.8	292,273.7	309,177.4
Western Europe	32,612	33,877.7	35,028.5	36,199.6	37,657.7	38,916.8	40,036.8

Appendix table 9- Travel expenses in Millions of Euros, current prices (Source: Euromonitor)

Inflation	2016	2017	2018	2019	2020	2021	2022
Portugal	0.600%	1.600%	1.600%	1.600%	1.900%	1.900%	2.100%
Spain	-0.200%	2.000%	1.700%	1.600%	1.700%	1.800%	1.900%
Western Europe	0.400%	1.700%	1.700%	1.700%	1.800%	2.000%	2.000%

Appendix table 10- Estimated inflation rate (annual percent change) (Source: IMF)

Unemployment	2016	2017	2018	2019	2020	2021	2022
Portugal	11.100%	8.900%	7.300%	6.700%	6.200%	5.700%	5.600%
Spain	19.600%	17.200%	15.500%	14.800%	14.200%	13.800%	13.700%
Western Europe	10.000%	9.100%	8.400%	8.100%	7.800%	7.500%	7.400%

Appendix table 11- Unemployment rate estimations (Source: IMF)

Real GDP	2016	2017	2018	2019	2020	2021	2022
Portugal	1.600%	2.700%	2.400%	1.800%	1.500%	1.200%	1.200%
Spain	3.300%	3.100%	2.800%	2.200%	1.900%	1.700%	1.700%
Western Europe	1.800%	2.300%	2.300%	1.900%	1.600%	1.500%	1.500%

Appendix table 12- Real GDP growth (annual percentage change) (Source: IMF)

Brand Segment	G.	Sub.S.	2016	2017	2018	2019	2020	2021	2022
Restaurants revenue per store			**537,663**	**703,763**	**723,048**	**747,116**	**772,747**	**799,513**	**830,217**
Pizza Hut	PT	7	60,607,737	66,705,590	68,355,781	70,481,274	72,668,892	74,921,124	77,604,539
Pasta Café	SP	3	3,768,843	3,732,898	3,854,050	4,000,119	4,165,462	4,343,664	4,537,947
Pizza Móvil	SP	7	12,701,527	12,905,423	13,316,435	13,795,868	14,320,087	14,864,217	15,453,456
FresCo	SP	3	679,894	4,556,540	4,704,423	4,882,722	5,084,547	5,302,068	5,539,218
Ribs	SP	3	2,782,614	15,019,421	15,506,878	16,094,593	16,759,855	17,476,855	18,258,558
Santa Maria	SP	3	108,868	533,241	550,547	571,413	595,032	620,488	648,241
Stores			150	147	150	153	157	161	165
Total Restaurants Revenue			**80,649,483**	**103,453,113**	**107,806,516**	**112,963,876**	**119,003,107**	**125,363,643**	**132,502,699**

Counters revenue per store			**593,198**	**788,717**	**818,685**	**848,922**	**879,253**	**908,751**	**938,688**
Burger King	PT&SP	4	84,625,073	103,946,452	107,633,109	111,239,801	114,814,035	118,320,367	121,818,821
Pans&Company	PT&SP	4	21,838,412	52,308,782	54,164,012	55,979,001	57,777,656	59,542,141	61,302,662
KFC	PT	4	39,034,959	45,465,141	47,577,153	49,855,904	52,211,347	54,460,695	56,822,692
O'Kilo/Miit	PT	4	2,279,242	1,824,964	1,909,740	2,001,209	2,095,756	2,186,044	2,280,854
Coffee Counters	PT	2	2,301,388	2,309,839	2,392,718	2,492,631	2,586,287	2,674,841	2,772,484
Stores			253.00	261.00	266.00	271	279	287	295
Total Counters Revenue			**150,079,074**	**205,855,178**	**216,542,128**	**227,510,998**	**240,563,670**	**253,723,361**	**267,338,283**
Concessions and Catering per store			**383,675**	**1,464,928**	**1,519,557**	**1,577,613**	**1,638,689**	**1,700,288**	**1,762,444**
Sol (service areas)	PT	2	4,629,279	4,918,693	5,194,002	5,488,108	5,817,091	6,147,709	6,445,120
Travel (airports)	PT&SP	2	24,557,087	120,718,011	125,149,629	129,807,572	134,718,459	139,696,489	144,716,258
Catering	PT	8	8,857,025	11,277,122	11,680,364	12,160,743	12,636,837	13,093,687	13,593,899
Others	PT&SP	8	707,772	789,401	814,334	839,233	864,345	889,180	914,478
Stores			101	94	96	98	101	104	107
Total Concessions and Catering			**38,751,163**	**137,703,227**	**144,965,708**	**152,712,974**	**162,066,306**	**171,729,080**	**181,707,996**
Other operating income			**9,442,647**	**11,098,610**	**11,543,878**	**11,996,140**	**12,461,024**	**12,929,344**	**13,413,157**
Total			**278,922,365**	**458,110,126**	**480,858,228**	**505,183,986**	**534,094,105**	**563,745,427**	**594,962,133**

Appendix table 13 - Revenue estimative and new stores per segment (Source: Author)

Appendix 9: Forecasting assumptions – Amortization, depreciation, replacement and expansion

Depreciation	2014	2015	2016	2017	Average
Land	0.000%	0.000%	0.662%	0.416%	0.539%
Buildings	3.565%	3.671%	6.205%	12.086%	12.086%
Equipment	25.976%	22.410%	17.649%	29.256%	25.881%
Other	6.165%	13.675%	12.717%	15.054%	11.903%

Amortization	2014	2015	2016	2017	Average
Goodwill					0.000%
Brand			0.840%	5.310%	5.310%
Industrial property	10.759%	11.055%	11.027%	16.825%	12.420%
Other	13.623%	27.415%	8.817%	29.127%	19.750%

Appendix table 14 - Depreciation and Amortization for the past (Source: Company disclosures)

	2014	2015	2016	2017	
Total Fixed Assets (excluding goodwill)	272,903,473	288,600,747	447,810,808	491,506,045	
Fixed assets (excluding goodwill)	145,603,703	153,065,011	214,857,814	233,048,180	
Normalized Fized assets	145,603,703	153,065,011	149,857,814	168,048,180	**Investment rate**:
		5.124%	-2.095%	12.138%	12.14%

Appendix table 15: Calculating investment rate (Source: Company disclosures)

Averaging structure	2014	2015	2016	2017	Average 2015/2016
Land	2.728%	4.145%	2.533%	3.164%	2.848%
Buildings	50.725%	52.126%	49.175%	49.503%	49.339%
Equipment	25.913%	26.344%	26.131%	26.023%	26.077%
Other	9.755%	6.971%	5.291%	5.554%	5.422%
Brand	0.000%	0.000%	4.913%	4.476%	4.694%
Industrial property	7.780%	8.100%	8.480%	8.190%	8.335%
Other	3.099%	2.314%	3.477%	3.090%	3.283%
	100.000%	100.000%	100.000%	100.000%	100.000%

Appendix table 16 – Averaging structure (Source: Company disclosures)

Expansion rate	2018	2019	2020	2021	2022
Land	0.473%	0.473%	0.473%	0.473%	0.473%
Buildings	8.192%	8.192%	8.192%	8.192%	8.192%
Equipment	4.330%	4.330%	4.330%	4.330%	4.330%
Other	0.900%	0.900%	0.900%	0.900%	0.900%
Brand	0.779%	0.779%	0.779%	0.779%	0.779%
Industrial property	1.384%	1.384%	1.384%	1.384%	1.384%

Other	0.545%	0.545%	0.545%	0.545%	0.545%

Appendix table 17 – Effective expansion rate (Source: Author)

Resume Table	Amort. / Dep.	Replacement	Expansion
Tangible			
Land	0.539%	0.539%	0.473%
Buildings	12.086%	12.086%	8.192%
Equipment	25.881%	25.881%	4.330%
Other	11.903%	11.903%	0.900%
Intangible			
Goodwill	0.000%	0.000%	0.000%
Brand	5.310%	5.310%	0.779%
Industrial property	12.420%	12.420%	1.384%
Other	19.750%	19.750%	0.545%

Appendix table 18 – Final D & A & R & E assumptions (Source: Author)

Stores Open	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Number of stores	382	374	371	377	504	502	512	522	537	552	567
Openings	4	5	9	19	20	11	10	10	15	15	15

Appendix table 19 – Stores open historical and projections (Source: Annual reports and Author)

Appendix 10: Forecasting assumptions – Personnel costs

	2014	2015	2016	2017	2018	2019	2020	2021	2022
Number of own stores	371	377	504	502	512	522	537	552	567
Number of employees	4,927	5,624	6,609	9,207	9,390	9,573	10,117	10,676	11,249
Workers / store	13	15	13	18	18	18	19	19	20
Costs / worker / Year	11,756	11,465	12,100	14,697	14,947	15,201	15,475	15,784	16,100
Openings	9	19	20	11	10	10	15	15	15
Eurozone Real CPI Yoy (1)	0	0	0	0	1.70	1.70	1.80	2.00	2.00
Total personnel costs	57,924,129	64,478,374	79,968,121	135,318,741	**140,355,699**	**143,097,021**	**151,222,336**	**159,571,859**	**168,145,591**

Appendix table 20 - Personnel costs (Sources: IMF official forecasts; Company disclosures and, Project forecasts)

Appendix 11: Forecast assumptions - Dividend policy

	2014	2015	2016	2017	2018	2019	2020	2021	2022
Capital	20,000,000	20,000,000	24,000,000	30,000,000	36,000,000	36,000,000	36,000,000	36,000,000	36,000,000
Outstanding shares	18,000,000	18,000,000	18,000,000	21,600,095	32,400,000	32,400,000	32,400,000	32,400,000	32,400,000
Net profit	7,915,234	10,727,066	23,435,040	31,239,505	22,589,539	24,733,356	24,751,123	24,421,364	23,936,371
Dividends	990,000	990,000	6,137,233	2,160,010	5,647,385	6,183,339	7,425,337	7,326,409	8,377,730
Dividends per share	0.06	0.06	0.34	0.10	0.17	0.19	0.23	0.23	0.26
Dividends / Income	12.508%	9.229%	26.188%	6.914%	25.000%	25.000%	30.000%	30.000%	35.000%

Appendix table 21- Dividend payout (Sources: Company disclosures and author)

Appendix 12: Forecast assumptions – Debt

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Long Term Loans	36,983,045	23,417,821	24,028,060	25,309,774	130,457,713	107,687,759	104,175,497	100,426,144	96,415,586	92,117,737	95,122,673
LTL / Tangible & intangible	20.68%	13.05%	12.90%	13.07%	42.70%	33.04%	31.03%	29.02%	27.01%	25.00%	25.00%
Short Term Loans	17,855,569	23,255,851	14,803,757	18,125,529	36,333,949	33,326,982	33,326,982	35,629,330	37,340,425	39,101,535	40,888,773
Short term loans / operating costs	11.38%	14.94%	9.01%	9.89%	15.67%	8.48%	8.48%	8.48%	8.36%	8.24%	8.12%
Proportion	48.28%	99.31%	61.61%	71.61%	27.85%	30.95%	31.99%	35.48%	38.73%	42.45%	42.99%
Total Liabilities	107,383,182	98,882,645	93,192,499	106,270,540	270,995,527	248,333,109	253,682,194	252,419,067	251,093,684	249,227,284	254,562,302
Total Assets	223,982,513	218,322,741	219,506,084	241,316,543	423,057,356	436,953,302	458,771,926	475,402,155	490,547,895	504,822,860	524,734,250
Total Equity	194,440,096	116,599,331	126,313,585	135,046,003	152,061,828	188,620,193	205,089,732	222,983,089	239,454,212	255,595,576	270,171,947
Debt / Total assets	24.48%	21.38%	17.69%	18.00%	39.43%	32.27%	29.97%	28.62%	27.27%	25.99%	25.92%
Debt / Equity	28.20%	40.03%	30.74%	32.16%	109.69%	74.76%	67.05%	61.02%	55.86%	51.34%	50.34%

Appendix table 22 - Debt structure (Source: Company disclosures and Author)

Gearing ratio	2017	2018	2019	2020	2021	2022
LTL	107,687,759	104,175,497	100,426,144	96,415,586	92,117,737	95,122,673
STL	33,326,982	35,629,330	37,340,425	39,101,535	40,888,773	42,725,041
Cash and equals	34,902,883	45,671,461	51,017,295	54,181,474	55,856,762	62,589,405
Other financial assets	22,986,661	22,986,661	22,986,661	22,986,661	22,986,661	22,986,661
Equity	188,620,193	205,089,732	222,983,089	239,454,212	255,595,576	270,171,947
Net Debt	83,125,197	71,146,705	63,762,613	58,348,985	54,163,087	52,271,648
	30.59%	**25.76%**	**22.24%**	**19.59%**	**17.49%**	**16.21%**

Appendix table 23 - Gearing ratio (Source: Company disclosures and Author)

Appendix 13: Forecast assumptions – Accounts payable – Suppliers & accrued costs

Past	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Accounts payable	30,399,313	36,534,100	41,398,168	65,500,220	67,522,339	70,538,132	70,238,019	70,322,958	70,076,454	69,654,457
Suppliers	23,575,743	27,146,148	31,831,944	48,439,382	45,884,205	48,899,998	48,599,885	48,684,824	48,438,320	48,016,323
Accrued costs	6,823,570	9,387,952	9,566,224	17,060,838	21,638,134	21,638,134	21,638,134	21,638,134	21,638,134	21,638,134
Suppliers Payable Period		210	210	227	167	159	151	143	135	127
Average	204									
Industry average DSO	117									
Calculating the annual total supplier account										
Inventories Initial						12,089,907	13,081,294	13,734,937	14,517,908	15,304,858
Cost of sales	40,630,601	44,031,371	51,220,642	64,546,632	102,831,054	(111,263,325)	(116,822,901)	(123,482,489)	(130,175,916)	(137,176,594)
Final inventories						13,081,294	13,734,937	14,517,908	15,304,858	16,127,932
Inventoried bought						112,254,712	117,476,544	124,265,461	130,962,866	137,999,668

Appendix table 24 - Accounts payable (Source: Company disclosures and Author)

Appendix 14: Business Structure and portfolio administrations

IBERSOL, SGPS

Alberto Teixeira / António Pinto de Sousa / Juan Carlos Vasquez-Dodero

Transversal services

Sales and Logistics	Orquidea Tomé
Expanding	Gastão Cardoso
Juridical	Teresa Santos
Quality	Paula Salvador
Administrative	Manuel Oliveira
Management Control	Deolinda Couto
Finance	Deolinda Couto
Marketing	João Falcão
Human resources	Ana Catarina Barbosa

Business Porfolio

Portugal

Pans Company / Roulotte	Pedro Moreira
KFC	Elisio Ribeiro
Multimarcas	Maria Manuela Marques
Burger King	Jaime Roque
UCP	António Pindo de Sousa / Patricio Carapito
Pizza Hut	Cristina Reis / Rui Costa
Catering	Artur Junqueira
PastaCaffé	
Ó Kilo	
Miit Concessões S&O	Paulo Baptista da Costa
Quiosques	

Espanha

Pizza Móvil	Francisco Lemos Pereira / Rui Costa
Pizza Hut	
Burger King	Alberto Teixeira / Faustino Lopéz
Ribs	António Pinto de Sousa
Pans & Company	Pedro Moreira
Travel	Victor Xampeny
Dehesa SantaMaria	António Pinto de Sousa
Fresco.co	António Pinto de Sousa

Angola

KFC	António de Sousa / Santos Cunha
Pizza Hut	Alberto Teixeira / Santo Cunha

Red: Alberto Teixeira administrative responsibility
Grey: António Pinto de Sousa administrative responsibility

Appendix table 25: Business structure and portfolio administration (Source: Company disclosures)

Appendix 15: Risk-free rate calculation

Western Europe countries w/ AAA S&P Rating	Last price for 10Y bond on 31/08
Denmark	0.3050
Germany	0.3300
Netherlands	0.4570
Norway	1.7700
Sweden	0.5030
Switzerland	(0.1010)
Average	0.5440

Appendix table 26 - Risk-free rate calculation (Source: Yahoo Finance and Author)

Appendix 16: Discounted Cash Flow Assumptions

	Notes	Assumption
Valuation		
CRP (country risk premium)	1.45%	Portugal Country Risk Premium (CDS), Damodaran 2018
MRP (market risk premium)	6.53%	Equity Risk Premium (CDS), Damodaran 2018
Beta	0.5977	Beta applied corresponds to the average of the linear correlation between Ibersol stock performance from the last 5Y with the EURO STOXX 600 and PSI ALL Indexes. Includes the Blume adjustment.
Terminal growth rate	1.91%	Weighted average with 75% respecting IMF prediction for the European GDP growth rate and the remaining 25% respecting the company revenues growth expected for 2022
Cap Discount	10%	Ibersol is identified as "small cap". This category is attributed based on the market capitalization of the companies. "small cap" includes companies whose size vary between 300 million and 2 billion dollars. On 08/09/2018 Ibersol market capitalization corresponded to 335.52 million Euros. For valuing purposes it will be applied a 10% discount to the target price. This discount aims to mitigate the risks directly inherent to smaller companies

Appendix table 27: Discounted Cash Flow Assumptions (Source: Damodaran 2018, Author and Reuters)

Appendix 17: Cost of equity Calculation

	2018	2019	2020	2021	2022	Terminal Period
COST OF EQUITY						
RFR (risk free rate)	0.544%	0.664%	0.814%	0.974%	1.134%	2.094%
CRP (country risk premium)	1.450%	1.450%	1.450%	1.450%	1.450%	1.450%
MRP (market risk premium)	6.530%	6.530%	6.530%	6.530%	6.530%	6.530%
Beta	0.3965	0.3965	0.3965	0.3965	0.3965	0.3965
Beta adjusted Blume's	0.59770	0.59770	0.59770	0.59770	0.59770	0.59770
Cost of equity [Rf + β(Rm-Rf) + CRP]	5.572%	5.620%	5.681%	5.745%	5.809%	6.195%
COST OF DEBT						
Cost of debt	2.800%	2.920%	3.070%	3.230%	3.390%	4.350%
Marginal tax rate	21.750%	21.750%	21.750%	21.750%	21.750%	21.750%
After-tax cost of debt	2.191%	2.285%	2.402%	2.527%	2.653%	3.404%
WACC						
Weight of equity	69.53%	71.02%	72.37%	73.65%	73.73%	73.730%
Weight of debt (only)	30.47%	28.98%	27.63%	26.35%	26.27%	26.270%
WACC	4.542%	4.654%	4.775%	4.897%	4.980%	5.462%

Appendix table 28- Cost of equity (Source: Project forecast)

Appendix 18: Discounted cash flow analysis

	2018	2019	2020	2021	2022
EBIT(1-marginal tax rate)	24,464,755	26,693,221	26,818,653	26,595,107	26,405,060
D&A	(29,622,977)	(30,931,822)	(32,310,091)	(33,761,697)	(35,290,782)
Net increase in NWC	(5,299,309)	180,278	158,646	453,679	665,189
CAPEX	39,413,334	41,260,808	43,208,940	45,263,485	47,310,525
FCFF	19,973,708	16,183,957	15,761,158	14,639,641	13,720,127
		0	1	2	3
Discounted FCFF		16,183,957	15,633,898	14,358,574	13,263,758
Cumulative D. FCFF		16,183,957	31,817,855	46,176,429	59,440,187
Terminal value		353,744,149	370,205,987	387,882,952	406,877,968

Terminal growth rate	1.91%	Sensitivity factor	1		
Perpetuity WACC	5.46%				
Terminal value	406,877,968				
PV of terminal value	**353,744,149**				
NPV of FCFF	59,440,187				
Enterprise value	413,184,336				
Enterprise value (mm)	413,184,336				
Net debt (mm)	63,762,613				
Value of equity (mm)	349,421,722.97				
No. of shares outstanding (mm)	32,400,000.00				
Equity value per share	10.78				
Cap discount	10%		**Up rise potential**		13%
Price at the end of 2019	**9.70**		**Annual up rise potential**	11%	

Appendix 18: Relative Valuation

Multiple valuation analysis was performed under specific circumstances. Both Iberian and European restauration are very competitive markets, however, Portuguese and Spanish public companies in this sector are very limited. For this reason, peers selected for relative valuations were analyzed and selected under the following steps: in the first place, a group of 15 European companies within the GICS 3, sector of restauration, and with a market capitalization similar to Ibersol was identified. For this step, Bloomberg database was utilized. As the second step the Market capitalization criteria was shortened to companies from €50 million until €2 billion (excluded at red); on third step the companies showing revenues inferior or superior to €100 million and €1 billion, respectively, for 2017, were excluded (orange); As the fourth stage an analysis of each company portfolio was performed, leading to the exclusion of all the, still OK firms, which business portfolios diverge from the IBERSOL types (excluded at yellow); As last, two companies were excluded for showing results that have been identified as outliers for the sector (excluded at blue).

	Mkt Cap		Revenues			Country
IBERSOL SGPS SA	**335.520**	**187,466,896**	**213,707,600**	**269,832,384**	**448,329,088**	
RESTAMAX OYJ	207.816	86,653,296	113,618,096	130,071,904	185,856,192	Finland
DP EURASIA NV	142.567	110,017,900	124,602,174	135,139,977	154,124,738	Netherlands
PATISSERIE HOLDINGS PLC	507.541	93,588,395	123,889,505	133,568,375	131,102,309	UK
TELEPIZZA GROUP SA	497.057	326,520,992	328,899,008	339,587,008	361,003,008	Spain
DO & CO AG	604.128	636,140,032	798,920,000	916,470,016	913,440,000	Austria
RESTAURANT GROUP PLC	611.121	787,740,756	943,597,321	943,597,321	775,493,669	UK
GROUPE FLO	195.115	313,600,000	273,900,000	194,700,000	168,800,000	France
VAPIANO SE	297.970	151,755,008	202,863,008	248,614,000	324,699,008	Germany
FULLER SMITH & TURNER - A	584.506	341,461,453	409,481,080	479,174,269	467,234,565	UK
THWAITES (DANIEL) PLC	95.386	164,460,489	99,680,308	111,157,886	100,496,383	UK
REVOLUTION BARS GROUP PLC	71.008	134,591,010	146,848,956	159,787,717	151,831,476	UK
THE FULHAM SHORE PLC	75.076	643,797		39,989,519	49,220,728	UK
CITY PUB GROUP PLC/THE	137.550	18,925,210	27,963,846	34,072,270	42,723,276	UK
KOTIPIZZA GROUP OYJ	107.653	53,912,000	52,226,000	56,370,000	68,737,000	Finland
DP POLAND PLC	46.980	4,776,272	4,901,632	9,251,368	11,847,658	UK

Appendix table 29: Peers selection (Source: Bloomberg and Author)

After identified the peers, DP EURASIA NV, PATISSERIE HOLDINGS PLC, TELEPIZZA GROUP SA, DO & CO AG, and RESTAURANT GROUP PLC, the relative valuation was performed. The information regarding historical (las four years) and for the forecast for 2019 was gathered from Bloomberg. It was calculated the value for IBERSOL share on 31/12/2019 in accordance with enterprise value methods: EV/EBIDTA and EV/SALES; and price multiples Price earnings, Price to book and Price to sales.

For all the valuations it was applied an historical discount that represents the normal performance of the company compared to the sector. Such discount was gathered comparing and averaging Ibersol ratios with the sector in the past four years. It is important to state that fir the historical discount calculated for EV / Sales ratio, the year 2016 was disregarded being considered an outlier.

In order to normalize the valuations, when forecasting the company value with EV/EBITDA, EV/Sales, and P/E, the median has been applied. For the valuation applying forecasted sector information (from Bloomberg) sector data was computed through simple average.

Enterprise Value Multiples

EV / EBTDA	**2014**	**2015**	**2016**	**2017**	**Next Year**
RESTAMAX OYJ	6.39	6.76	6.77	8.38	6.65
DP EURASIA NV				19.65	8.27
PATISSERIE HOLDINGS PLC	14.06	16.53	12.01	12.51	17.78
TELEPIZZA GROUP SA			18.52	8.82	7.80
DO & CO AG	5.89	10.79	11.59	7.34	9.92
RESTAURANT GROUP PLC	11.47	10.78	10.78	7.57	6.47
Average	**9.45**	**11.22**	**11.93**	**10.71**	**9.48**
Median	**8.93**	**10.79**	**11.59**	**8.60**	**8.04**
Total Average	**10.83**				
Average Median	**9.98**				

IBERSOL	6.54	6.49	10.51	7.14
Average Discount	69.17%	57.84%	88.09%	66.67%
Discount average	70.44%			
Median Discount	73.23%	60.14%	90.69%	83.04%
Average Median Discount	76.78%			

EV / EBTDA	Historical Average	Historical Median	Forward
2019F EBITDA	65,044,564.57	65,044,564.57	65,044,564.57
Multiple	10.83	9.98	9.48
EV	704,324,889.10	648,888,784.57	616,737,580.52
Net Debt	63,762,612.78	63,762,612.78	63,762,612.78
Outstanding Shares	32,400,000.00	32,400,000.00	32,400,000.00
Historical Discount	70.44%	76.78%	70.44%
Share price	**13.93**	**13.87**	**12.02**
Upside Potential			

EV / Sales	2014	2015	2016	2017	Next Year
RESTAMAX OYJ	0.89	0.98	1.01	1.01	0.76
DP EURASIA NV				2.50	1.15
PATISSERIE HOLDINGS PLC	2.65	3.37	2.56	2.81	4.06
TELEPIZZA GROUP SA			1.72	1.62	1.27
DO & CO AG	0.60	1.04	1.19	0.75	0.97
RESTAURANT GROUP PLC	2.24	2.01	2.01	0.91	0.86
Average	**1.59**	**1.85**	**1.70**	**1.60**	**1.51**
Median	**1.56**	**1.53**	**1.72**	**1.32**	**1.06**
Total Average	**1.69**				
Average Median	**1.53**				
IBERSOL	0.89	0.99	1.84	1.04	
Discount	55.62%	53.61%	108.10%	64.99%	
Discount average	58.07%				
Median Discount	56.82%	65.04%	106.43%	78.98%	
Average Median Discount	76.82%				

EV / Sales	Historical Average	Historical Median	Forward
2019F Sales	505,183,985.64	505,183,985.64	505,183,985.64
Multiple	1.69	1.53	1.51
EV	851,892,741.07	774,077,889.97	763,475,245.10
Net Debt	63,762,612.78	63,762,612.78	63,762,612.78
Outstanding Shares	32,400,000.00	32,400,000.00	32,400,000.00
Historical Discount	58.07%	76.82%	58.07%
Share price	**14.13**	**16.84**	**12.54**
Upside Potential			

Price multiples

Price earnings	2014	2015	2016	2017	Next Year
RESTAMAX OYJ	15.91	16.16	17.17	28.57	10.37
DP EURASIA NV				183.53	20.43
PATISSERIE HOLDINGS PLC	18.44	27.61	22.47	21.09	21.05
TELEPIZZA GROUP SA			38.52	14.86	12.32
DO & CO AG	14.03	18.97	36.55	28.45	25.54
RESTAURANT GROUP PLC	19.95	19.68	19.68	18.31	13.84
Average	**17.08**	**20.61**	**26.88**	**49.14**	**17.26**
Median	**17.18**	**19.33**	**22.47**	**24.77**	**17.14**
Total Average		**28.43**			
Average Median		**20.94**			
IBERSOL	17.53	16.84	16.12	11.82	
Discount	102.64%	81.73%	59.96%	24.05%	
Discount average	67.10%				
Median Discount	102.09%	87.15%	71.72%	47.70%	
Average Median Discount	77.16%				

Price earnings	Historical Average	Historical Mean	Forward
2019F earnings	24,733,356.29	24,733,356.29	24,733,356.29
Multiple	28.43	20.94	17.26
EV	703,057,803.38	517,815,583.29	426,857,473.29

Net Debt	63,762,612.78	63,762,612.78	63,762,612.78	
Outstanding Shares	32,400,000.00	32,400,000.00	32,400,000.00	
Historical Discount	67.10%	77.16%	100.00%	
Cap Discount	10.00%	10.00%		
Share price	**13.24**	**10.81**	**11.21**	
Price to Book	**2014**	**2015**	**2016**	**2017**
RESTAMAX OYJ	1.47	2.07	2.31	3.16
DP EURASIA NV	0.00	0.00	0.00	10.35
PATISSERIE HOLDINGS PLC	3.50	4.72	3.95	3.75
TELEPIZZA GROUP SA	0.00	0.00	0.75	0.75
DO & CO AG	2.13	3.34	5.06	2.90
RESTAURANT GROUP PLC	5.46	4.82	4.82	3.00
Average	**2.09**	**2.49**	**2.81**	**3.98**
Total Average		**2.85**		
Median	**1.80**	**2.71**	**3.13**	**3.08**
Total Median		**2.68**		
IBERSOL SGPS SA	**1.12**	**1.37**	**2.47**	**1.94**
Average Discount	53.54%	55.04%	87.84%	48.70%
Discount average	61.28%			
Price to Book	**Historical Average**			
2019F Bookvalue	222,983,088.73			
Multiple	2.68			
Outstanding Shares	32,400,000.00			
Historical Discount	61.28%			
Share price	**11.29**			
Price to Sales	**2014**	**2015**	**2016**	**2017**
RESTAMAX OYJ	0.65	0.71	0.75	0.77
DP EURASIA NV	0.00	0.00	0.00	1.30
PATISSERIE HOLDINGS PLC	2.14	3.43	2.96	3.02
TELEPIZZA GROUP SA	0.00	0.00	1.22	1.31
DO & CO AG	0.58	0.83	1.13	0.65
RESTAURANT GROUP PLC	2.10	1.98	1.98	0.89
Average	**0.91**	**1.16**	**1.34**	**1.32**
Total Average		**1.18**		
Median	**0.61**	**0.77**	**1.17**	**1.09**
Total Median		**0.91**		
IBERSOL SGPS SA	**0.73**	**0.83**	**1.39**	**0.81**
Average Discount	79.59%	71.97%	103.66%	61.47%
Discount average	79.17%			
Price to Sales	**Historical Average**			
2019F Sales	505,183,985.64			
Multiple	0.91			
Outstanding Shares	32,400,000.00			
Historical Discount	79.17%			
Share price	**11.26**			

Appendix table 30: Relative valuation methods: EV/EBITDA, EV/Sales, P/E, P/Book and P/Sales (Source: Blomberg and Author)

Appendix 19: Peers description

Peers	Description
RESTAMAX OYJ	The company runs restaurants, coffee-shops, and nightclubs in Finland
DP EURASIA NV	DP EURASIA NV operates a chain of franchised restaurants within pizza, chicken, snacks and other meals.
PATISSERIE HOLDINGS PLC	A major company with subsidiaries within several restauration and coffee-shop market.
TELEPIZZA GROUP SA	Spanish company acting within the pizza restaurants. Its operations cover Europe and South America
DO & CO AG	Do & CO AG activities are diversified. It operates restaurants and counters, bars, hotels and also provides a catering services fro airline catering market.
RESTAURANT GROUP PLC	The company owns and operates several branded restaurants in the United Kingdom as well as concession mainly in UK airports.

Appendix table 31: Peers description (Source: Author)

Appendix 20: Pure-play Beta – Peers analysis

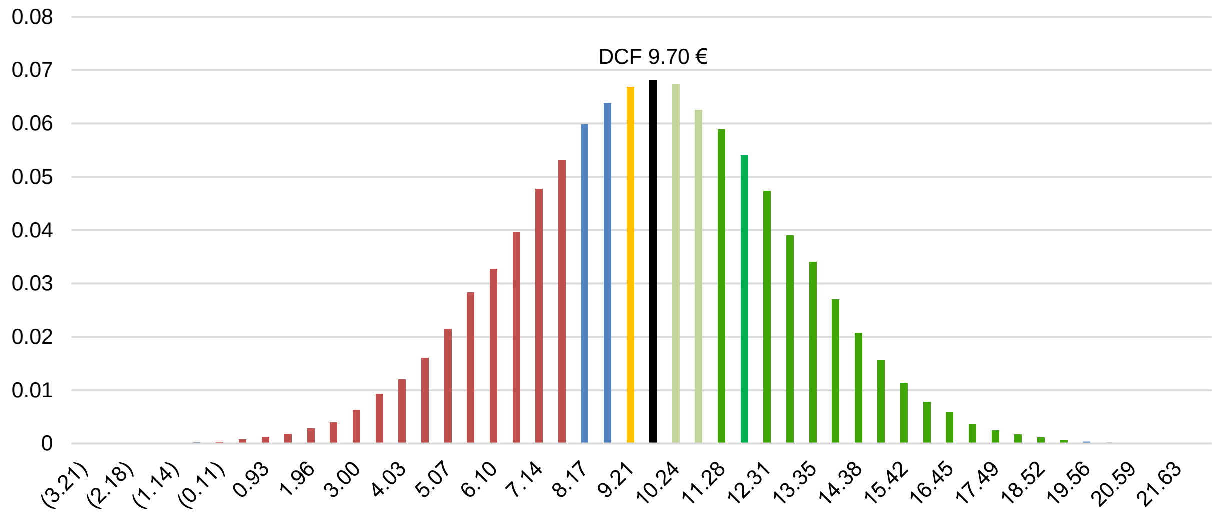
Pure-play method	Beta	Debt to Equity	Beta unleveraged
RESTAMAX OYJ	0.37	0.99	0.21
DP EURASIA NV	-	-	-
PATISSERIE HOLDINGS PLC	0.68	0.03	0.66
TELEPIZZA GROUP SA	0.14	0.32	0.11
DO & CO AG	0.77	0.78	0.48
RESTAURANT GROUP PLC	0.66	0.17	0.58
		Average:	0.41
IBERSOL SGPS SA	**0.55**	0.44	
Blumes Adjustment	**0.70**		

Appendix table 32: Pure-play Beta calculation (Source: Bloomberg and Author)

Appendix 21: Monte Carlo Simulation

	Mean	Std. Dev	Description
Revenues	1	0.01	Evaluate sensitivity of the variations in total sales
Rents growth rate	6%	0.5%	Check the sensitivity of changes in rental prices
Personnel Costs	1	0.01	Analyze the sensitivity of the variation in Personnel costs
Cannibalization effect	0.7	0.01	Verify the impact of the new stores revenues
Terminal growth	1.91%	0.10%	Check the sensitivity of terminal growth for the valuation

Appendix table 33: Monte Carlo Simulation variables description (Source: Author)



Appendix table 34: Monte Carlo Simulation (relative distribution) (Source: Author through Crystal Ball Software)

Appendix 22: Investment ratings and risk classification

Recommendation		Low risk	Medium Risk	High Risk
	Strong Buy	> 20%	> 30%	> 45%
	Buy	> 10% and 20%	> 15% and 30%	> 20% and 45%
	Neutral	> 0% and < 10%	>5% and < 15%	> 10% and < 20%
	Reduce	> -10% and < 0%	> -5% and < 5%	> 0% and < 10%
	Sell	< -10 %	< -5 %	< 0 %

Investment recommendation:			
Strong Buy	>	11.13	
Buy	Between	9.84	11.13
Neutral	Between	8.99	9.84
Reduce	Between	8.13	8.99
Sell	<		8.13

Appendix table 35: Investment recommendation, values in accordance with 26th October 2018 closing price (Source: Author, Reuters, and professor instructions)

Appendix 23: Scenarios

Beta Applied		EURO STOXX 600		PSI All		MSCI (GICS level 3)	
		5Y	Max	5Y	Max	5Y	Max
Beta	9.70	0.408	1.196	0.385	0.908	0.383	0.305
Price at the end of 2018		9.63	6.17	9.78	7.15	9.79	10.35

	Beta						
9.70	30%	40%	50%	60%	70%	80%	90%
	10.39	9.70	9.06	8.51	8.02	7.58	7.17

Cost of equity and debt

		Cost of debt						
	9.70	85%	90%	95%	100%	105%	110%	115%
Cost of equity	85.00%	12.60	12.46	12.32	12.19	12.06	11.93	11.81
	90.00%	11.59	11.47	11.35	11.24	11.12	11.02	10.91
	95.00%	10.72	10.62	10.52	10.42	10.32	10.22	10.13
	100.00%	9.97	9.88	9.79	9.70	9.62	9.54	9.45
	105.00%	9.32	9.23	9.15	9.08	9.00	8.93	8.86
	110.00%	8.73	8.66	8.60	8.52	8.46	8.39	8.33
	115.00%	8.22	8.15	8.09	8.03	7.97	7.91	7.85

	Cost of country risk premium						
9.70	70.0000%	80.0000%	90.0000%	100.0000%	110.0000%	120.0000%	130.0000%
	10.75	10.38	10.04	9.70	9.40	9.11	8.84

	Terminal growth						
9.70	1.048%	1.334%	1.620%	1.906%	2.192%	2.478%	2.764%
	7.79	8.34	8.97	9.70	10.57	11.59	12.83

Revenues vs GOGS price increase

		Change in revenues						
	9.70	97%	98%	99%	100%	101%	102%	103%
Change in costs	97.00%	5.29	7.70	10.07	12.44	14.77	17.08	19.38
	98.00%	4.39	6.80	9.16	11.53	13.85	16.17	18.47
	99.00%	3.49	5.89	8.26	10.61	12.94	15.26	17.55
	100.00%	2.58	4.99	7.35	9.70	12.03	14.34	16.62
	101.00%	1.67	4.07	6.44	8.79	11.12	13.42	15.71
	102.00%	0.77	3.16	5.53	7.88	10.20	12.50	14.79
	103.00%	(0.14)	2.25	4.61	6.96	9.28	11.57	13.86

Revenues VS GOGS / Personnel Costs / Rents

		Change in revenues						
	9.70	97%	98%	99%	100%	101%	102%	103%
Change in costs	97.00%	5.29	7.70	10.07	12.44	14.77	17.08	19.38
	98.00%	4.39	6.80	9.16	11.53	13.85	16.17	18.47
	99.00%	3.49	5.89	8.26	10.61	12.94	15.26	17.55
	100.00%	2.58	4.99	7.35	9.70	12.03	14.34	16.62
	101.00%	1.67	4.07	6.44	8.79	11.12	13.42	15.71
	102.00%	0.77	3.16	5.53	7.88	10.20	12.50	14.79
	103.00%	(0.14)	2.25	4.61	6.96	9.28	11.57	13.86

Revenues structure (Restauration vs Counters)

		Restauration revenue's						
	9.70	94%	96%	98%	100%	102%	104%	106%
Counters revenue's	94.00%	0.08	1.16	2.25	3.31	4.37	5.45	6.50
	96.00%	2.26	3.33	4.39	5.46	6.52	7.58	8.62
	98.00%	4.41	5.48	6.53	7.60	8.64	9.69	10.73
	100.00%	6.55	7.61	8.66	9.70	10.75	11.77	12.81

	102.00%	8.68	9.72	10.76	11.79	12.83	13.85	14.89
	104.00%	10.77	11.81	12.83	13.87	14.90	15.92	16.93
	106.00%	12.85	13.89	14.91	15.93	16.95	17.96	18.98

	Ibersol vs market performance						
9.70	-4%	-2%	0%	2%	4%	6%	8%
	6.66	7.42	8.17	8.94	9.70	10.47	11.22

	Cannibalization effect						
9.70	60%	65%	70%	75%	80%	85%	90%
	7.01	8.36	9.70	11.04	12.37	13.70	15.02

	Sensibility factor For Concessions and Catering						
9.70	94%	96%	98%	100%	102%	104%	106%
	5.38	6.83	8.27	9.70	11.13	12.55	13.95

	Travel Forecasts change						
9.70	91%	94%	97%	100%	103%	106%	109%
	8.71	9.05	9.37	9.70	10.04	10.37	10.70

	Fast food market change						
9.70	91%	94%	97%	100%	103%	106%	109%
	8.72	9.05	9.38	9.70	10.04	10.36	10.69

	Inflation forecasts change						
9.70	91%	94%	97%	100%	103%	106%	109%
	9.95	9.86	9.79	9.70	9.62	9.53	9.45

	Unemployment Forecasts change						
9.70	91%	94%	97%	100%	103%	106%	109%
	9.99	9.90	9.80	9.70	9.61	9.51	9.41

	Real GDP Forecasts change						
9.70	91%	94%	97%	100%	103%	106%	109%
	9.45	9.54	9.62	9.70	9.79	9.87	9.96

Cost per worker vs average number of workers per store

		Costs per worker						
	9.70	97%	98%	99%	100%	101%	102%	103%
Increase in workers p/ store after 2020 (basis 18.34)	0.2	17.58	16.53	15.48	14.44	13.37	12.32	11.26
	0.4	14.54	13.46	12.38	11.29	10.19	9.09	7.99
	0.4	14.54	13.46	12.38	11.29	10.19	9.09	7.99
	0.5	13.01	11.92	10.81	9.70	8.59	7.47	6.35
	0.6	11.49	10.38	9.25	8.12	6.98	5.85	4.72
	0.7	9.96	8.82	7.68	6.53	5.37	4.22	3.07
	0.8	8.43	7.27	6.11	4.94	3.76	2.59	1.41

	Rentals price evolution (expected 6% Yoy)						
9.70	4.5%	5.0%	5.5%	6.0%	6.5%	7.0%	7.5%
	14.17	12.71	11.21	9.70	8.15	6.56	4.93

Revenues vs main costs (COGS prices, personnel costs and rents)

		Change in revenues						
	9.70	98.5%	99.0%	99.5%	100.0%	100.5%	101.0%	101.5%
Cange in main operational costs	98.50%	8.13	9.30	10.47	11.65	12.80	13.96	15.11
	99.00%	7.48	8.65	9.83	11.00	12.16	13.31	14.46
	99.50%	6.82	8.00	9.17	10.34	11.51	12.67	13.83
	100.00%	6.17	7.35	8.52	9.70	10.87	12.03	13.19
	100.50%	5.52	6.70	7.88	9.05	10.22	11.39	12.55
	101.00%	4.86	6.05	7.23	8.40	9.58	10.75	11.91
	101.50%	4.19	5.39	6.57	7.75	8.92	10.09	11.26

Appendix table 36: Scenarios; variables tested: Beta, cost of equity vs cost of debt, revenues vs COGS price increase, Revenues vs main operational costs, revenues structure, Ibersol market performance premium, cannibalization effect, concessions and catering revenues, travel evolution, fast-food market forecasted evolution, inflation changes, unemployment forecasts Real GDP forecasts change impact in Revenues (Source: Author)

Appendix 23: Risk Matrix

Impact					
		PE		PC	DS
	ME FQ	Kd Re	CP		
	HS Fr	GR To	FT		
	ES	FL	Un	AE	
	Le	CR			
			Probability		

Appendix table 37: Risk Matrix (Source: Author)

				Probability	Impact
Market	Drivers	Tourism	To	2	3
		Unemployment	Un	3	2
		Change in demand patterns	Ds	5	4
		COGS prices increases	CP	3	4
Operational	Personnel costs		PC	4	5
	Worker efficiency		PE	2	5
	Rental prices		Re	2	4
	Franchise contracts		Fr	1	3
Financial Risks	Taxation		FT	3	3
	Cost of debt		Kd	2	4
	Credit risk		CR	2	1
	Liquidity		FL	2	2
	Governance risk		GR	2	3
Political and Social Risks	Food quality and safety		FQ	1	4
	Hygiene and safety at work		HS	1	3
	Environmental sustainability principles		ES	1	2
Other	Raw materials epidemics		ME	1	4
	Angola economic and political stability		AE	4	2
	Legal		Le	1	1

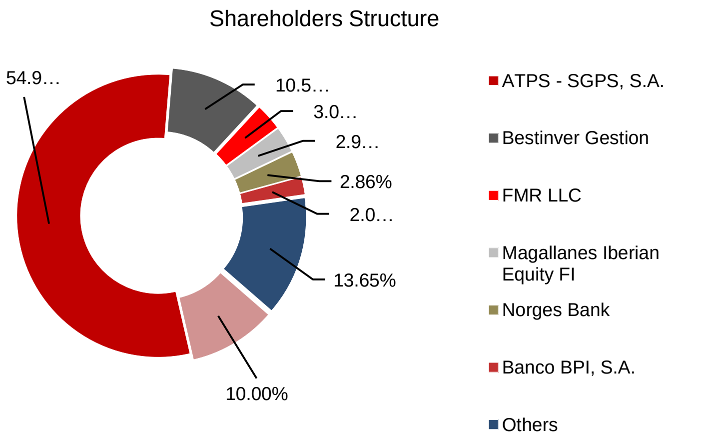
Appendix table 38: Risk discriminated and its impact and probability (Source: Author)

Appendix 24: Shareholders structure

All the figures below reflect the last 31st December 2017 official figures. With the 2018's increase disclosed, the company issued new 6.000.000 shares, which leaded to a total of 36.000.000 shares.

Shareholders structure	Nº Shares	Percentage
ATPS - SGPS, S.A.	16,476,749	54.92%
Bestinver Gestion	3169167	10.56%
FMR LLC	915,000	3.05%
Magallanes Iberian Equity FI	888,536	2.96%
Norges Bank	856,858	2.86%
Banco BPI, S.A.	600,000	2.00%
Others	4,093,752	13.65%
OWN Shares	**2999938**	**10.00%**
Total	**30,000,000**	**100%**

Appendix table 39: Qualifying shareholders structure (Source: Company disclosures)



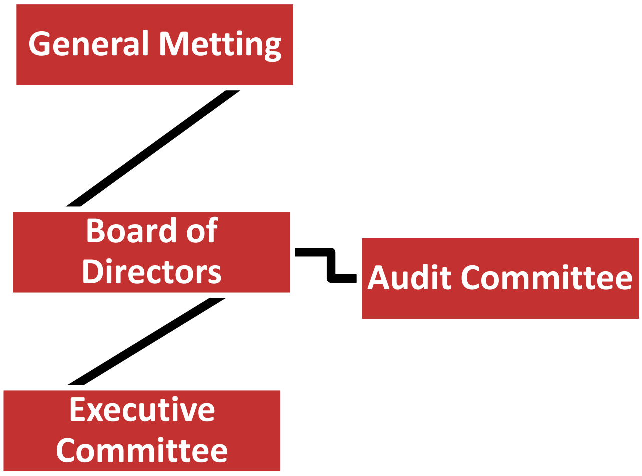
Appendix table 40: Qualifying shareholders structure graphic (Source: Company disclosures)

Appendix 26: Corporate Governance – Administration

Board of directors	
Chairman	Dr. António Carlos Vaz Pinto de Sousa
Vice-chairman	Dr. António Alberto Guerra Leal Teixeira
Member	Professor Doutor Juan Carlos Vazquez-Dodero de Bonifaz
Fiscal Board	
Chairman	Dr. Carlos Alberto Alves Lourenço
Vice-chairman	Dr.ª Maria José Martins Lourenço da Fonseca
Member	Dr. Eduardo Moutinho Ferreira Santos
Substitute	Dr. Arlindo Dias Duarte Silva
Board of the Shareholders General Meeting	
Chairman of the Board	Dr.ª Luzia Leonor Borges e Gomes Ferreira
Vice-chairman	Dr.ª Raquel de Sousa Rocha
Secretary	Dr.ª Maria Leonor Moreira Pires Cabral Campello
Remuneration Committee:	
	Dr. Vítor Pratas Sevilhano
	Dr. Joaquim Alexandre de Oliveira e Silva
	Dr. António Maria de Borda Cardoso
Statutory Audit Firm :	
	PRICEWATERHOUSECOOPERS & ASSOCIADOS, SROC, LDA
	Dr. Hermínio António Paulos Afonso
Audit Comitee:	
Chairman	Joaquim Silva
Vice-Chairman	António Cardoso
Member	Eduardo Santos
Substitute	Maria Araújo

Appendix table 41: Corporate governance (Source: Company disclosures)

Appendix 27: Corporate Governance – Monist Model



In the monist Model of Corporate Governance Board is elected in the General Meeting. After that, the executive committee and audit committee is appointed. The executive committee is responsible for administrate and manage the corporate object it has been assigned. The audit committee is responsible for auditing the company's activities. Both last boards report to the board of directors and this, for its turn, shall present the results to shareholders on the annual general meeting.

Appendix 28: IBERSOL Business Portfolio description

Restaurants segment

Pizza Hut Portugal is the point of reference for the pizzas segment. It concerns the largest and older project the company holds, with 91 stores and more than 2.100 employees on the end of 2017. It was the first store opened back in 1990. The concept of such project has now three main focus: the improvement and optimization of the recently established customer satisfaction assessment system, innovation of the products and services offered and keep on renewing the image of the brand.

Pizza Hut Angola The brand has been increasing it recognition within Angolan society. However, the economic environment has been harsh. Inflation almost reached 40% and purchasing power have been hardly impacted. The company is strategically projecting its expansion for when the macroeconomic conditions changes.

Pizza Móvil arrived the group through the acquisition of the main stake of Vidisco shares in 2002. The Spanish brand already well knew and it has granted it the role of one of the main Pizza restaurants in the country. At the end of 2017, it counted with 475 employees and 47 business units. It is a traditional pizzeria highly associated with sports, in particular, football.

Pasta Café acts in Portugal with 9 stores. This restaurant can be also positioned as a pizzeria. Beside pizzas, it also offers pasta and other kinds of typical Italian food. Is important to keep in mind that the concept of such stores is the result of the current trend where people look for pasta as a healthy meal and as an escape to the traditional dishes.

The restaurant **RIBS** in Spain was brought to company's portfolio by the Eat Out Group acquisition in 2016. The brand counts with 243 employees and 37 stores, 28 of which are franchised. The main concept of this brand is based on American Style, not only concerning food but for all the store's environment as well. During 2016 the core objectives relied on optimizing the business model chain and expand it through franchising.

Santamaria in Spain also arrived Ibersol portfolio through the EOG acquisition. The brand was created in 1998 and was acquired by EOG in 2006 with the name of Dehesa. Now the brand was renewed adoption the name of Santamaria. The concept of its stores relies on Spanish taverns where traditional tapas are served. The brand finished 2017 with 25 franchised restaurants. Some of the restaurants are located in Spanish airports.

FresCo in Spain is the last restaurant brand acquired through the EOG purchase. The brand is focused on the healthy and tasty food. Client welfare and quality of life is the main focus. At the end of 2017, it counted with 70 employees and 11 restaurants, 3 of which, franchised.

Counter segment

KFC is divided into two main brands, **KFC Portugal** and **KFC Angola**. While in Portugal this brand is present for almost 20 years, in Angola it started in 2015. By the end of 2017, it has 22 units and 289 employees established in Portugal. For both KFC has the same ideas, services, environment and core product, the chicken.

In the burgers area, Ibersol holds **Burger King**, both **Spanish** and **Portuguese** branches. In December 2017 BK employed 1500 people and detains 77 business units in Portugal, and another 986 people and 33 units, respectively, in Spain. Despite the burger being the main product for this company, environment and additional services had been added and upgraded in order to provide the customer with good experiences. High investments have been made in this sense.

Pans & Company acts in the area of sandwiches. It is present all over **Portugal** shopping throughout 46 business units and 422 employees. In Spain, the brand detains 102 stores, 58 of which are franchised. The group recently started managing 8 business units through franchising contracts in **Italy**. 2016 was a critical year for this Pans, both in Portugal as in Spain the stores and processes were recomputed in order to face competitor's strategies and emerging consuming profiles

Miit is a recently launched brand (2012). It offers an alternative type of meals with special focus on the healthy food. It allowed Ibersol another positioning within the restauration sector. Healthy food is now a big trend mainly influenced by the generalization of the healthcare and healthy habits taken by active people, this is, people from both sexes and between 15 and 35 years old. This restaurant is the result of the new vision and strategy of the firm. Miit ended 2017 operating in 3 stores with 49 employees.

Coffee Kiosoks is the last brand of the counters segment and it is positioned as a coffee specialized brand. The 8 business units with 14 stores and 80 employees are located through the main Portuguese shopping centers and operates in cooperation with Delta.

Others segment

Travel (Portugal and Spain) business is present through highway service stations and airports. These units are managed based in multi-brand concept focusing in serve the diversified customers that demand this kind of services. In 2017 this segment ended with 443 employees in Portugal and 1000 in Spain.

Catering (Portugal) - Catering business has strong presence in Lisbon and Porto, represented by the Palace Catering and Silva Carvalho Catering brands. Opportunities on this marketing has been increasing as well as clients' portfolios. Big events are crucial for these segment financial health.

Concessions - All the units that are part of this business are very different from each other, not only due to the public that uses them but also due to the needs that they aim to fulfil. As example, exploiting such contracts, Ibersol assures its present in Casa da Música, VOG, Tecmala, Exponor and Campanhã Railway Station.

Appendix 29: Business Units – Distribution

		2014	2015	2016	2017
Portugal	**Own Stores**	299	303	306	315
	Pizza Hut Portugal	92	92	93	91
	Miit / Okilo	8	6	5	4
	Pans + Roulotte	54	51	46	46
	BurgerKing	44	54	66	77
	KFC	18	18	18	22
	Pasta Café	12	10	10	9
	Quiosque	9	9	8	8
	Cafeterias	35	35	30	27
	Catering	6	6	7	7
	Concessions & others	21	22	23	24
	Franchise Stores	1	1	1	1
	Total	**300**	**304**	**307**	**316**
Spain	**Own Stores**	67	66	188	177
	Pizza Móvil	34	33	34	31
	Pizza Hut				3
	Burger King	33	33	33	33
	Pans & Company			38	35
	Ribs			9	9
	FresCo			3	3
	Concessions			71	63
	Franchise Stores	19	17	152	135
	Pizza Móvil		17	16	16
	Pans & Company			67	58
	Ribs			25	28
	FresCo			8	8
	Santamaria			36	25
	Total	**86**	**83**	**340**	**312**
Angola	KFC	4	7	9	9
	Pizza Hut	0	1	1	1
	Total	**4**	**8**	**10**	**10**
Other Location	FresCO India			2	0
	Pans Itália			8	8
	Total			10	8

Appendix table 42: Stores distribution by region (Source: Author)

Appendix 30: Principal Costs evolution (2014-2017)

Principal costs (Million of Euro)	2014	2015	2016	2017
Cost of sales	44,031,371.00	51,220,642.00	64,546,632.00	102,831,054.00
Electricity, water, fuel and other fluids	8,635,389.00	9,360,805.00	10,399,741.00	13,547,336.00
Rents and rentals	17,850,429.00	18,365,141.00	26,408,792.00	67,885,000.00
Royalties	7,126,709.00	8,661,029.00	10,755,451.00	13,823,833.00
Advertising and propaganda	6,827,030.00	8,194,284.00	9,236,340.00	16,046,275.00
Salaries and wages	43,960,737.00	49,390,502.00	60,823,862.00	102,871,527.00
Social security contributions	10,760,014.00	11,610,747.00	15,072,140.00	27,102,263.00
Other	39,513,049.00	40,814,233.00	51,165,295.00	80,647,316.00
Total	178,704,728.00	197,617,383.00	248,408,253.00	424,754,604.00
Proportion	**2014**	**2015**	**2016**	**2017**
Cost of sales	24.64%	25.92%	25.98%	24.21%
Electricity, water, fuel and other fluids	4.83%	4.74%	4.19%	3.19%
Rents and rentals	9.99%	9.29%	10.63%	15.98%
Royalties	3.99%	4.38%	4.33%	3.25%
Advertising and propaganda	3.82%	4.15%	3.72%	3.78%
Salaries and wages	24.60%	24.99%	24.49%	24.22%
Social security contributions	6.02%	5.88%	6.07%	6.38%
Other	22.11%	20.65%	20.60%	18.99%
Variation	**2015**	**2016**	**2017**	
Cost of sales	16.33%	26.02%	59.31%	
Electricity, water, fuel and other fluids	8.40%	11.10%	30.27%	
Rents and rentals	2.88%	43.80%	157.05%	
Royalties	21.53%	24.18%	28.53%	
Advertising and propaganda	20.03%	12.72%	73.73%	
Salaries and wages	12.35%	23.15%	69.13%	
Social security contributions	7.91%	29.81%	79.82%	
Other	3.29%	25.36%	57.62%	
Total	10.58%	25.70%	70.99%	

Appendix table 43: Operational costs analysis (Source: Company disclosures and Author)

Appendix 31: EBITDA Evolution

EBITDA (€ M)	2014	2015	2016	2017
Restaurants	7.00	8.69	12.79	16.82
Counters	15.30	20.78	26.49	32.07
Other	3.09	3.23	7.82	16.39
Total	25.39	32.70	47.11	65.28
EBITDA ratio	**2014**	**2015**	**2016**	**2017**
Restaurants	10%	13%	16%	16%
Counters	16%	17%	18%	16%
Other	14%	13%	20%	12%
Total	14%	15%	17%	14%
EBITDA Variation	**2015**	**2016**	**2017**	
Restaurants	24%	47%	31%	
Counters	36%	28%	21%	
Other	5%	142%	110%	

Appendix table 44: EBITDA margin (Source: Company disclosures and Author)

Appendix 32: Porter's Five Forces

	2	Power of suppliers
Weak		Large supplier offer
		Large supply markets
		Low power for suppliers to bargain with the entities
		Moderate presence of substitute products
		Low switching costs when changing supplier
		No threat of forward integration
		Low quote in the suppliers market share

	5	Threat of substitutes
Strong		High availability of substitutes - Substitute brands & markets
		No switching costs
		High competitions in price, quality & consumer satisfaction

	5	Competitve Rivalry
Strong		The large number and types of competitors
		Low market shares
		Several equivalent products and services
		Strong dependence in economies of scale
		High industry growth
		No switching costs
		Strong brand identity
		High strategic stakes

	4	Power of consumer
Strong		A large market with a huge amount of clients
		Large number of competitors
		No switching costs
		High availability of substitutes
		No dependence on specific clients
		High brand identity
		High price sensitivity
		No threat of backward integration
		Low buyer concentration
		Moderate buyer's incentives

	3	Potential f new entrants
Moderate		Low barriers to entry:
		Medium investment
		No commitment between the customer and the firm
		High costs to became a known brand
		Difficult to impact the chained brands
		Strong difficulties to became obtain cost comparative advantages
		Economies of scale
		Easy access to the inputs
		Moderate burocratic requirement
		Moderate access to the distribution channels

Appendix table 45: Porter Five Force's analysis (Source: Author)

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Abbreviations

CAGR	Compounded Annual Growth Rate
CAPEX	Capital Expenditure
CAPM	Capital Asset Pricing Model
CDS	Country Default Swap
CFF	Cash Flow from Financing Activities
CFI	Cash Flow from Investing
CFO	Cash Flow from Operations
CMVM	Comissão do Mercado de Valores Mobiliários
CoD	Cost of Deb
CPI	Consumer Price Index
CRP	Country Risk Premium
D&A	Depreciations & Amortizations
D/A	Debt to Assets
D/E	Debt to Equity
DCF	Discounted Cash Flow
DPO	Days Payable Outstanding
EBIT	Earnings Before Interest and Taxes
EBITDA	Earnings Before Interest, Taxes, Depreciation and Amortization
EOG	Eat Out Group
EV	Enterprise Value
FCF	Free Cash Flow
FCFF	Free Cash Flow to the Firm
GDP	Gross Domestic Product
GOGS	Cost Of Goods Sold
IFRS	International Financial Reporting Standards
IMF	International Monetary Fund
LT	Long Term
LTD	Long Term Debt
MRP	Market Risk Premium
NWC	Net Working Capital
P/E	Price to Earnings
PT	Portugal

R&E	Replacement and Expansion
RFR	Risk Free Rate
ROA	Return on Assets
ROE	Return on Equity
S&P	Standard and Poor's
SP	Spain
ST	Short Term
WACC	Weighted Average Cost of Capital
YE	Year End
YoY	Year on Year

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Recommendation System

Level of Risk	Sell	Reduce	Neutral	Buy	Strong Buy
High Risk	< 0 %	> 0% and < 10%	> 10% and < 20%	> 20% and 45%	> 45%
Medium Risk	< -5 %	> -5% and < 5%	>5% and < 15%	> 15% and 30%	> 30%
Low risk	< -10 %	> -10% and < 0%	> 0% and < 10%	> 10% and 20%	> 20%