

MOTA-ENGIL

CONSTRUCTION & BUILDING MATERIALS

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COMPANY REPORT

01 JANUARY 2015

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Growing in a contracting sector

Reaping the rewards of internationalization...

- We are still not on the verge of a long-awaited recovery in the Portuguese construction sector. The major contraction of the Engineering & Construction sector persists, although at a more moderate pace than in the previous periods.
- Mota-Engil has intensified the internationalization process, with Africa becoming the Group's most important region, both in terms of turnover and EBITDA, and Latin America observing an intense growth in the recent years.
- In the Environment & Services segment, we see the Logistics division steadily growing while Waste and Water management divisions prove to be excessively mature to offer growth opportunities.
- The main Mota-Engil weakness is its present debt level, which have increased significantly during 2014 and has placed the stock under severe pressure since 3rd Quarter earnings release in November.
- Following a sum of the parts approach we reach a target price of €4.12 for the end of 2015. The company is undervalued by €1.39, having a 58% upside potential. We think the recent share price correction gives investors an unusual opportunity to buy Mota-Engil at a significant discount to the real value of its current operations.

Company description

Mota-Engil is the largest Portuguese construction company. Despite being primarily engaged in the construction industry, the company operates in the Engineering & Construction, Environment & Services and Road concessions sectors. It is present in several different countries in Europe, Africa and Latin America.

Recommendation: BUY

Price Target FY15: 4.12 €

Price (as of 25-Dec-14) 2.73 €

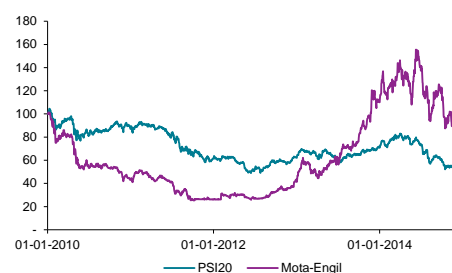
Reuters: MOTA.LS, Bloomberg: EGL.PL

52-week range (€) 2.31-6.40

Market Cap (€m) 558.66

Outstanding Shares (m) 204.64

Source: Reuters; Bloomberg



Source: Bloomberg

(Values in € millions)	2013H	2014E	2015F
Revenues	2,314	2,406	2,495
Rev. growth	3.1%	4.0%	3.7%
EBITDA	363	394	399
EBITDA margin	15.7%	16.4%	16.0%
Net Profit	88	138	125
EPS (€)	0.43	0.67	0.61
P/E	16.6	7.4	12.2
EV/EBITDA	2.4	4.8	6.0
EV/Sales	0.4	0.8	1.0
Net Debt to EBITDA	2.7	2.4	2.4

Source: Company data, Bloomberg, NOVA Research Team

THIS REPORT WAS PREPARED BY LOURENÇO MAYER, A MASTERS IN FINANCE STUDENT OF THE NOVA SCHOOL OF BUSINESS AND ECONOMICS, EXCLUSIVELY FOR ACADEMIC PURPOSES. THIS REPORT WAS SUPERVISED BY ROSÁRIO ANDRÉ WHO REVIEWED THE VALUATION METHODOLOGY AND THE FINANCIAL MODEL. (SEE DISCLOSURES AND DISCLAIMERS AT END OF DOCUMENT)

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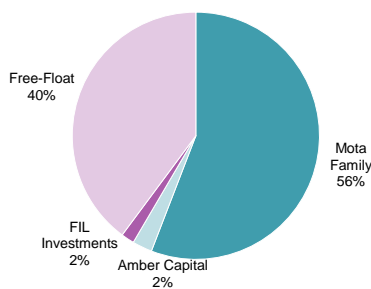
Company overview

Mota-Engil is the result of a merger between Mota Company and Engil SGPS in 2000. It is the industry leader in Portugal and has a solid position among the 30 largest European construction groups¹. With direct and indirect holdings in over 200 companies, Mota-Engil carries its activity in the segments of Engineering and Construction, Environment and Services (comprising the waste, water, logistics, energy and maintenance activities) and Transport Concessions spread over 21 countries in Europe, Africa and Latin America.

Shareholder structure

Mota-Engil's shareholder structure have suffered some changes over the past twelve months but the overall structure have remain quite similar. Mota family have reduced its participation by 15.8% since December 2013, to hold 55.9% of the shares. Even so, Mota family still holds the majority of both shares and voting rights, primarily through Mota Gestão e Participações. Family owned companies, with low levels of free-float have both advantages and disadvantages. First, it gives a long-term orientation that traditional public firms often lack, causing Mota-Engil to pursuit long-term over short-term gains. Also, this structure brings huge incentives to the top-management of the company (either Executive Committee or Board of Directors) as most of them belong to the Mota family themselves. The better they manage the firm and improve results, the more gains they earn in the future as shareholders. But having the majority of the shares controlled by Mota family can lead the firm to prefer to finance investments with debt rather than with equity so they do not dilute their share of the business. This fact can seriously cripple Mota-Engil's ability to pursuit new attractive opportunities the market offers in the future.

Figure 1: Shareholder structure



Source: Mota-Engil, Bloomberg

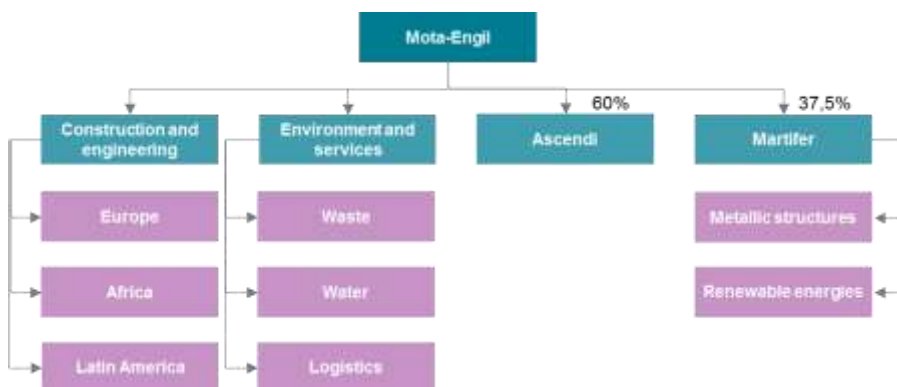
Business structure

Mota-Engil has become much more than a construction company, engaged in a wide range of activities from engineering and construction to water or waste management. The company is divided in four different segments. The construction and engineering segment, with activities in the infrastructures, civil engineering and real estate markets, is further divided into the three main regions in which it operates, Europe, Africa and Latin America. Environment and services includes itself an ample range of activities and services being the most important the logistics and ports division, the waste and urban cleaning division and the water and sanitation division. The transport concessions segment, through a 60%

¹ Rank according to revenue. Source: Bloomberg; 2014 ENR Top 250

participation in Ascendi Group is not fully consolidated but rather consolidated through the equity method. Nonetheless, this segment is of extreme importance to Mota-Engil and has active presence through public-private partnerships in Portugal, Spain, Mexico, Brazil and Mozambique. Finally we have Martifer, operating in metallic structures and renewable energies where Mota-Engil holds a strategic participation of 37.5% since 2008.

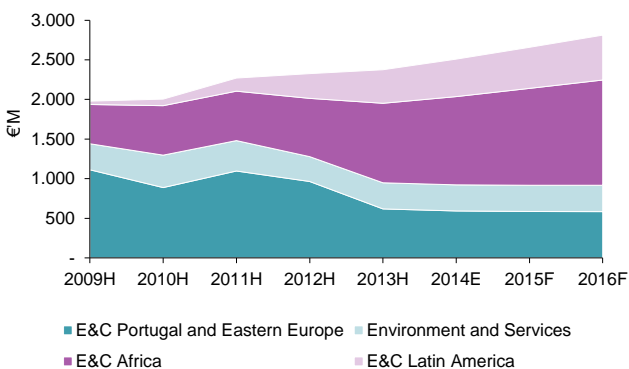
Figure 2: Mota-Engil business structure



Source: Mota-Engil, NOVA Research Team

Mota-Engil have experienced a stable revenue growth since 2009 mainly caused by the huge increase in revenues in Africa and Latin America that

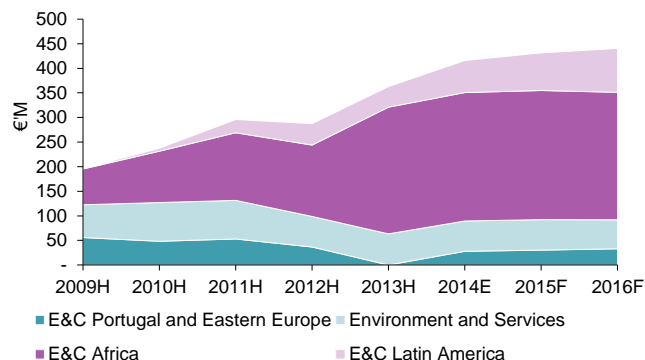
Figure 3: Turnover by segment



Source: Mota-Engil, NOVA Research Team

were able to more than offset the sharp fall in revenues in the European market. This was an organic growth rather than through acquisitions. Mota-Engil’s strategy for value creation has internationalization as the main driver for growth. For that reason, big effort is being made to expand business in the Southern Africa Development Community, Latin America and Central Europe. The result is an increase in the weights these regions represent in the Group’s revenue. Africa went from just under €500mn in sales to over €1.000mn in just 5 years, surpassing the European segment who, until 2013, had always been the biggest revenue contributor to the group. Latin America have also experienced a sharp growth of two digits per year since 2009.

Figure 4: EBITDA by segment



Source: Mota-Engil, NOVA Research Team

In terms of EBITDA, the company has seen an astonishing growth, with EBITDA more than doubling between 2009 and 2014. This growth is a simple consequence of the change in the firm’s activity mix. As said before, Africa and Latin America segments have

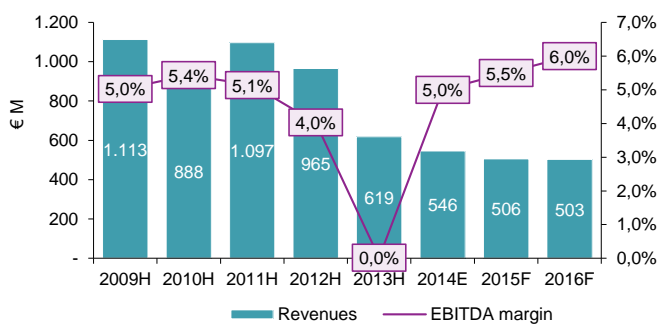
become more important in terms of turnover. Since these markets offer much higher margins than European markets, it is only natural company's EBITDA increases. The African segment alone was responsible for most of the variation between 2009 and 2013 as it went from €70mn to €260mn. In 2014 the African segment represented more than 60% of the Group's overall EBITDA while Europe only 7%. The environment and services segment has not shown significant changes in the recent years either in terms of revenue or EBITDA.

Business units

Engineering and Construction - Europe

At the moment, Mota-Engil is focusing on two main markets, Portugal and Poland. The company is also present in Spain, Ireland, Romania, Hungary, the Czech Republic and Slovakia. The company has witnessed a sharp decrease in turnover as a result of the current economic situation in Europe, allied with the easing of growth in the countries in Central Europe. Business in this region fell by almost 50% in five years. Despite this fact, Mota-Engil has been able to sustain EBITDA margins, with the exception of 2013 due to operating problems in the Polish market. Although the relation between backlog and revenue is not linear, by studying order book levels, one can estimate future business activity. Backlog in the region has been falling since 2010 with the biggest change occurring in 2012, a decrease of more than €600mn².

Figure 5: E&C Europe KPIs



Source: NOVA Research Team

▪ Portugal

The current financial crisis has affected relentlessly the construction sector in Portugal, translating into a strong market contraction. In Portugal, 2013 was the 12th consecutive year of reducing business for Mota-Engil Group as the Portuguese construction industry continues in a profound crisis. Mota-Engil started its internationalization process years ago which is preventing the group of higher losses. Major problems in the current situation continue to be low demand, and the consequent market prices degradation, and reduced access to credit³. The overall production for the construction industry in Portugal has been falling ever since 2004, and have reached a new low in 2013. With the reduction of private investment, the sector has depended mainly on public initiatives by the Portuguese government. But due to over indebtedness, the Government was

² Refer to Appendix 1 – Mota-Engil order book by region for additional information

³ Source: FEPI COP in its September 2014 report

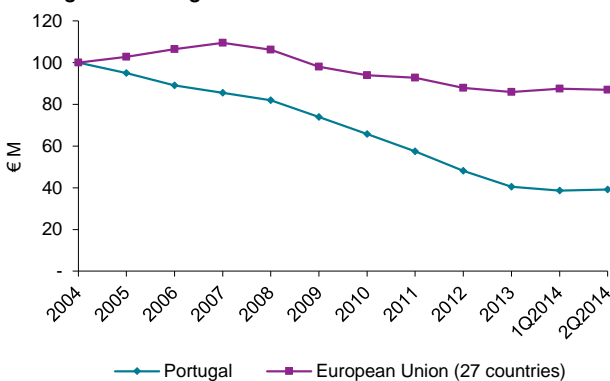
unable to support urban rehabilitation and maintenance projects to counteract the decay in construction of new infrastructures, leaving the market with very little investment left. As a consequence of a reduction in the number of construction projects, market prices have also been falling recently as all market players look into participate in the few investment opportunities available. Mota-Engil, unlike most competitors, was able to sustain margins in this market above 6% due to the reorganization of the segment and huge efforts to increase operational, financial, economic and management efficiency. Competitors such as Teixeira

Duarte or MSF, could not avoid their margins in Portugal from falling to 4.5% and 2%⁴. This is a result of the company's strategy to target preferably big privately funded projects.

Construction firms are not only struggling to find available projects but also to find financial partners to finance them. In 2014, the amount granted by banks to construction firms have maintained the negative path observed since 2010⁵. The value went from over €27bln in 2009 to less than €16.5bln in July 2014⁶. All these factors have seriously

harmed Mota-Engil's construction and engineering segment. Looking ahead, we see the Portuguese economy continuing to experience a slow recovery, mainly driven by the domestic demand, and GDP growth is estimated to be 1.3% and 1.7% in 2015 and 2016 respectively⁷. The construction industry has also shown some positive signs during 2014, which might indicate the beginning of a recovery. The production in construction has initiated an inversion of the trend observed in last decade and has in fact, increased in the second quarter. Additionally, tender offers have also increased by almost 40% in the first semester of the year⁸. According to the study "Infrastructures for High Value Added"⁹, 30 new infrastructure projects with the total value of €5.1bln should be implemented until the year of 2020. These projects include the creation of a deep water terminal in Lisbon, a new cargo terminal at Lisbon airport and more, all projects in which Mota-Engil intends to compete. These positive signs have increase confidence levels¹⁰ nevertheless, in the short-term, the construction market is most likely to contract even further, although at a slower pace than in

Figure 6: Portugal construction index



Source: Eurostat

⁴ Source: Company annual report

⁵ Source: Bank of Portugal

⁶ Refer to Appendix 2 – Bank loans to construction firms for further details

⁷ Eurostat estimates

⁸ Source: FEPIOP, Bank of Portugal

⁹ Study performed by Grupo de Trabalho IEVA, entity to whom the Portuguese Government assigned the task of searching and prioritizing potential infrastructure projects

¹⁰ Source: FEPIOP in its September 2014 report

the past years. The market is expected to stagnate around 2017 and start expanding only after 2018.

- Poland

Poland has always been regarded as a major strategic platform for penetrating other markets in the region with a high degree of potential, such as Germany, Poland's biggest trading partner, or Eastern Europe countries starting long-term infrastructure plans like Moldova. A few years ago, Poland started one of the largest construction projects in Europe, driven by the country's stable political situation, the funds granted by the European Union to help finance infrastructure projects and also the country's decrepit transport network. The construction industry in Poland reached its spike in 2011, mainly due to the European Football Championship. Between 2004 and 2012, Poland invested more than €52bln in infrastructure, leading to a 105% increase in construction output¹¹. It has slowdown substantially in the recent years. Despite the recent trend of fewer new road and motorway building contracts, major investments are expected to arise, mainly in the refurbishment, renewal and modernization of regional and local roads. Poland was the big winner in the European Union fund distribution with the Community Support Framework for 2014-2020 awarding Poland with €77.6bln for the development of infrastructures. During the first half of 2014, the market has already shown small signs of growth, with output rising just under 5%, making us project further growth in the short to medium term. Main competitors in this region continue to be large European construction firms from Germany, Spain and France, with just a handful large local firms being able to compete with international players, such as Hochtief, ACS, Ferrovial and Vinci, for large infrastructure projects. Chinese firms have unsuccessfully tried to enter into this market due to their inability to comply with the more restricted European legislation.

Margins in the polish market have decreased substantially in 2012 and 2013 reducing noticeably Mota-Engil's EBITDA. In fact, in 2013, the company EBITDA margins in Central Europe have reached an historical low¹². Mota-Engil is not the only company facing this problem as many, both polish and foreign companies, are having negative margins and struggling financially. In 2012, around 270 construction companies went bankrupt and 250 during 2013¹³. The fact that Mota-Engil is just one among many facing very low margins, assures us that it is not an internal problem caused by operating inefficiencies. There are several factors causing this tendency. First, the General Directorate of National

¹¹ Source: Eurostat

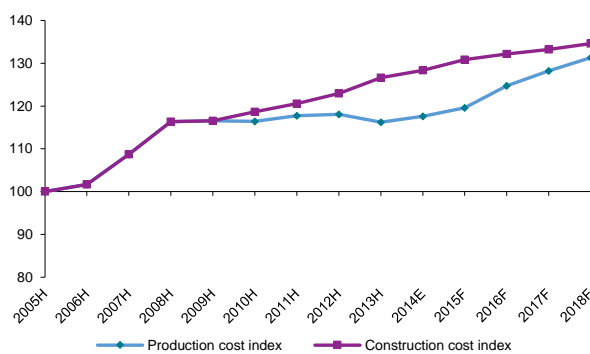
¹² Source: Company annual report 2013

¹³ Source: Statistics collated by the Euler Hermes Collections

Roads and Motorways (GDDKiA), the central government body responsible for national roads, adjudicates projects based on price alone, without taking into account quality nor speed of the work. As the level of competition in the Polish construction market remains extremely high, construction companies are forced to underbid and reduce margins in order to ensure workload. In fact, some companies like Polimex-Motosfal, Dolnośląskie Surowce Skalne or Hydrobudowa Polska adopted a strategy of intentionally underbid with the intention of later renegotiate their contracts. As a result, earnings of the 15 biggest Polish construction companies decreased by more than 20% in 2012 and 2013¹⁴.

Also, the costs construction companies incur during the project, such as labour or material costs, have increased significantly while the prices paid by the clients have not followed the same path, shrinking margins even more. Building costs in Poland are now the highest in Central and Eastern Europe, well above

Figure 7: Poland construction margins



Source: Eurostat

Hungary or Romania and even more expensive than Slovakia¹⁵. Figure 7 displays the construction cost index and production cost index for construction since 2005. The construction cost index, reflects the costs construction companies face during the project life, while the production cost index for construction reflects the cost of the project on the clients' perspective (in this case, on GDDKiA perspective). The difference between the two provides a proxy for margins. From the graphic, one can see that ever

since 2010, both indexes have started to diverge, with the construction costs increasing at a much higher pace. To make this scenario even worse, GDDKiA does not allow readjustment clauses in their contracts in case of prices increase, leaving construction companies completely exposed to materials price volatility. Many market participants forecast the EU to gradually demand the incorporation of the provisions set out by the FIDIC¹⁶, which divide risk equally between both parties. For that reason, from 2015 onwards, construction costs and prices are expected to move together, reducing pressure on margins. However, GDDKiA has already stated, its adjudication method will not change in the future¹⁷ since, even if contractors are unsatisfied with the adjudication criterion, there are still dozens of companies in line for every new project the entity offers.

¹⁴ Source: Deloitte

¹⁵ Source: Eurostat

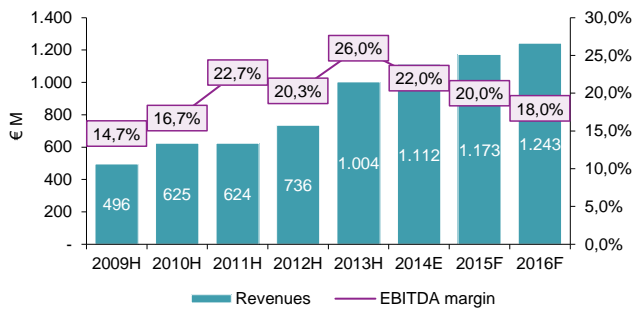
¹⁶ International Federation of Consulting Engineers

¹⁷ Source: Article "The construction sector in Poland" – Financier Worldwide

Engineering and Construction - Africa

In the African region, Mota-Engil has a highly representative presence in Angola, Mozambique and Malawi, along with smaller presence in other African markets such as South Africa, Cape Verde, São Tomé and Príncipe, Zambia,

Figure 8: E&C Africa KPIs



Source: NOVA Research Team

Ghana, Zimbabwe and, more recently Cameroon, with the signing of a contract for the construction of 580km of railway lines and a deep water port for total value of €2.6bln. The long and well-renowned experienced accumulated over more than 67 years is allowing the company to distinguish from its competitors and become a leading presence in the region. As a consequence of the internationalization process, the African segment has gained weight every year and in 2013 it became the most

important market for the group, both in terms of revenue and EBITDA. Revenues have experienced double digit CAGR over the past four years as a result of constant efforts searching for new opportunities for geographic growth and diversifying business into new fields. Due to high margins practiced in the region, EBITDA followed similar growing path, increasing by more than three times since 2009. Mota-Engil Africa, the entity that holds all business activity in the continent wants to expand its business into West and East Africa in the near future, to countries like Kenya, Uganda, Tanzania and Ethiopia. Because current structure does not provide enough liquidity to pursuit such opportunities, Mota-Engil launched an IPO on Mota-Engil Africa. The process that was initially supposed to occur during July 2014, was postponed to late November due to the bankruptcy of GES and unfavourable market conditions. Mota-Engil Africa is now quoted in Amsterdam Stock exchange after a special dividend issued where Mota-Engil's shareholders received 20% of Mota-Engil Africa. No new shares were issued nor offered to public in this first stage of the process. In a second moment of the IPO, scheduled to happen in 2015, new shares will be issued and offered to investors. With the admission of the shares in Mota-Engil Africa for floatation on a regulated European market, Mota-Engil intends to increase liquidity and visibility, and attract investment.

Sub-Saharan Africa is one of the world's fastest growing areas driven by unparalleled wealth in oil, gas, coal and iron reserves. We expect a pickup in economic growth after slower years registered recently. Even though, the region continues to face several risks, from both internal and external factors, that can impact growth in emerging markets, being the most relevant the great dependence on oil related revenues.

Table 1: GDP Growth

	2011	2012	2013	2014	2015
Angola	3,9%	5,2%	4,1%	7,9%	8,8%
Mozambique	7,3%	7,2%	7,1%	8,5%	8,2%
Malawi	4,3%	1,9%	5,0%	6,1%	6,2%

Source: African Development Bank

Both Angola and Mozambique have invested billions of euros in infrastructures over the past years in order to support fast economic growth that resulted from the exploration of oil and gas reserves. Angola is currently allocating around one third of its \$55bln budget to infrastructure development¹⁸. Even so, the country still faces huge infrastructure needs that result from the shattering effects of the 27 year civil war. In fact, Angola requires a €18 billion investment until 2017 in order to sustain growth¹⁹. Mozambique is in no different position as it also faces a big infrastructure deficit regardless of the significant efforts made by public entities. It is completely impracticable to close infrastructure gap with public spending alone, even with increasing oil related revenues, so both Angola and Mozambique are trying to attract more private investment through PPP and other financing models. In the future, Sub-Saharan construction industry is expected to experience a sharp growth driven by a combination of public and private spending in the energy and power, transport and water and sanitation sectors²⁰. The Angolan Government has already committed €90bln for transport and infrastructure over the next 20 years, as well as to implement measures that attract foreign private investment. Similarly Mozambique should also observe foreign direct investment in infrastructure worth of €25bln over the next few years²¹.

While the Angolan construction market is expected to increase, the country should also see continuing investment from China and Brazil which may put some limitations to Mota-Engil and Portuguese firms in general²². Both Brazil and China provide funding to support investments through state-owned banks so they consider only construction firms from those countries in the adjudication process. This fact reduces the potential of the construction industry in Angola. In addition, public funded projects face increasing competition as many construction firms worldwide are planning to expand to Africa. According to KPMG “Global Construction Survey 2013”, among the 165 senior leaders in the construction and engineering industry, almost half are planning to move to new geographies and that the African continent is the most popular destination. The increasing number

¹⁸ Source: Angola Finance Ministry

¹⁹ World Bank estimates

²⁰ Source: African Development Bank

²¹ Source: Deutsche Bank

²² Source: “Ten Challenges in Public Construction” – Chr. Michelsen Institute (CMI) sector study

of players competing for public funded projects, that will most likely reduce margins, allied with payment delays and other bureaucratic problems, reduce the attractiveness of market. Furthermore, oil dependence makes many of the countries in which Mota-Engil operates highly vulnerable to commodity price changes. Therefore, if the recent oil price collapse should persist, it can significantly impact public entities' ability to fund infrastructure projects and cause countless delays, leading to a reduction of Mota-Engil Africa's turnover and value. On the contrary, the possible slowdown of the real estate market in Angola will not cause material impact on Mota-Engil, since the Group is targeting big infrastructure projects. Nonetheless, in case of a major drop in the real estate market, the company will not be totally immune.

Engineering and Construction – Latin America

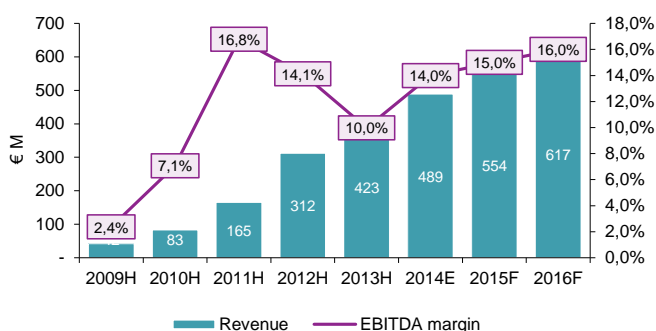
In Latin America, Mota-Engil Group is focusing its attention on Peru, Mexico and Brazil. Recently, the Group has expanded its activity to Colombia. The Latin America segment has experienced strong growth with a CAGR around 60% since 2009. In fact, in 2013, the region already represented 18% of the Group's total turnover. The growth has been mainly organic and with very little Capex, explained by a higher subcontracting ratio. The segment has also shown good operating performance with EBITDA margins increasing over the years, with the exception of 2013 due to high start-up costs in Brazil and Colombia. Excluding these costs, margin would have been between 14% and 14.5%. Mota-Engil used to limit its activity to the mining sector. However, in the recent years, the company is also targeting large projects in the transport sector (roads and ports). The main competitors in this region continue to include large multinational firms, although local companies, whose learning curve was enriched by joint

ventures with international players, are gathering a greater amount of work.

Mota-Engil Peru was established for some 27 years making the country the most important market in Latin America. The Peruvian construction industry has registered a solid growth in the recent years, driven by a free trade agreement with the US and significant levels of foreign investment in mining and energy. Supported by a

robust project pipeline, a growing tourism industry, the announcement of the expansion of urban housing programs by Peruvian President in July, and high value private and public investment plans to reduce Peru's infrastructure deficit, we forecast the sector to sustain a stable growth in the future. Peru plans to

Figure 9: E&C Latin America KPIs

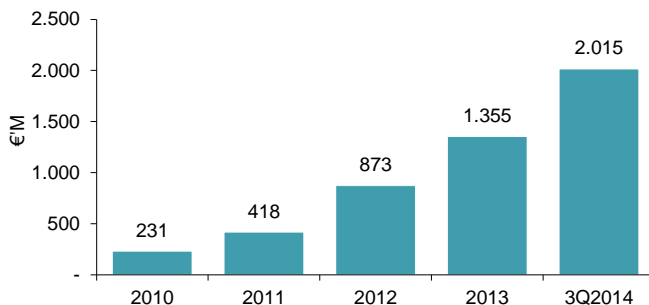


Source: NOVA Research Team

invest €15bln in infrastructures by 2016²³. With over 20 years of presence in the market, Mota-Engil has earned the confidence of all market participants and a highly positive reputation. Additionally, Mota-Engil has a vast experience in road concessions projects in Portugal and is one of the few construction companies offering E&C services together with contract mining and earthmoving. This is helping the Group differentiating from Peru's largest construction firms. As a result, the Group consolidated a leading position as one of the top five construction companies in the country, along with Graña y Montero, Cosapi, Odebrecht and OHL²⁴, which allows the company to participate in the biggest projects in Peru.

Mota-Engil continues to implement an action plan to extend the construction activity in Mexico beyond the Perote-Xalapa road project and increase backlog. Several new contracts, such as the €1,330mn contract for the construction of four hotels in Mexico, were awarded during the year indicating healthy growth in the coming years. The Mexican construction industry is estimated to maintain the sharp growth that have displayed since 2010 as Mexico Government is intensifying efforts to improve the lagging infrastructure. Government officials expect public and private investment to reach €470bln²⁵

Figure 10: E&C Latin America Order Book



Source: Mota-Engil

over the next five years in an attempt to compensate for decades of underinvestment that has led to the huge infrastructure gap that is conditioning the country economic growth. The 2014-2018 national infrastructure plan includes 743 projects ranging from investments in the energy and communication sectors to construction of highways and ports, and will create countless attractive opportunities to both national and foreign construction companies. In order to have access to these contracts

and ensure the Group targets a huge volume of the construction that lies ahead, Mota-Engil has created partnerships with the Vise Group and EYASA, allowing a better understand of the market and increased local reputation. These two companies, specialised in infrastructure construction, have already worked for the Secretariat of Communications and Transports and the National Commission of the Water, among other public entities. Regional partnerships can prove to be a key success factor if the Group wants to expand in this highly restrictive market.

²³ Source: Peru's Transportation and Communication ministry

²⁴ Source: Global Business Reports

²⁵ Source: Mexico's President Henrique Piña Nieto during an interview for the Wall Street Journal

Most recently Mota-Engil has expanded to Colombia and is considering to further extent its activity to Chile and Uruguay. These countries have significant needs for infrastructure and have huge potential and prospective mega projects. Chile is estimated to require a €43bn investment in infrastructure over the next four years²⁶ and Uruguay faces an infrastructure gap worth of €30bn²⁷. They still lack a more sustained infrastructure plan but, given the recent approval of a national infrastructure plan by the Chilean President, we believe local Governments will create one in two to three years, making us project a boom in the construction industry in the short to medium term. Even so, political instability in those countries impose a significant risk for shareholders since infrastructure projects have very long life spans (concessions can take as long as 40 years) and investors often do not receive cash or other monetary payment at the time of the transfer of the assets, but in some extended financing agreement through the project life. Peru plays a vital role in the expansion to these new markets. Given that the Mexico-Peru-Colombia axis has the same capital markets, the players are the same, both in terms of banking and operators, so Latin America is a true cross-border region, facilitating support and increasing recognition of the work done by Mota-Engil in Peru. The recent order book levels, that have been increasing substantially over the past years reaching a total value of €2,015mn in September, and the high value of the contracts signed during 2014 all lead to the expectation of a sustain business growth for Mota-Engil, in line with the goals drawn by the company in its Strategic Plan “Ambition 2.0”.

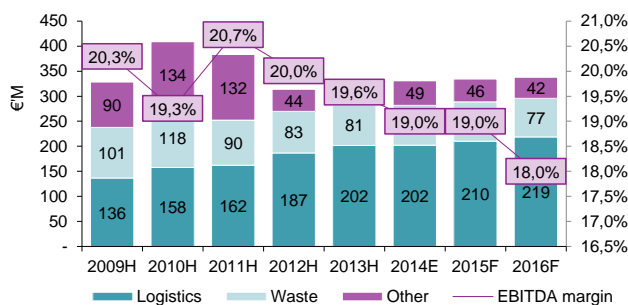
Environment and Services

The Environment and Services (E&S) business segment includes the Group’s activities in the sector of logistics (through Tertir Group), waste (whose vehicle is the SUMA Group), water (with INDAQUA) and energy. It has a strong

presence in Portugal, and starting activity in Spain, Central Europe, Latin America and Africa. With the water division being created in 1994 and the waste division in 1996, Mota-Engil was able to gain more than 20 years of experience. Diversification remains the main pillar of Mota-Engil’s strategy and the E&S division is its main diversification vehicle. The E&S segment maintains high effort searching and pursuing other attractive sectors that may fit the company’s profile as well as expanding to other

regions with opportunities arising in Latin America and Africa. The waste, water

Figure 11: E&S KPIs



Source: NOVA Research Team

²⁶ Source: Chilean construction chamber(CChC)

²⁷ Source: Uruguayan industry chamber

and logistics divisions, which are still the segment's main activities, are all relatively mature markets, which translated into fairly stable turnover over the past five years with a CAGR of 0% between 2009 and 2013. EBITDA margin did not suffered significant changes either, displaying a low level of volatility. The logistics division remains the most important division, both in terms of turnover and EBITDA although, with the privatization of Empresa Geral de Fomento (EGF), we expect the waste division to significantly increase business activity. Water and energy have less significant significance in the Group.

▪ Logistics

The logistics business segment covers the areas of port, road and railway terminals, integrated logistics and railway transport of goods. Mota-Engil, through Tertir Group, occupies a leading position in the operation of port facilities in particular at Leixões, Aveiro, Figueira da Foz, Lisbon and Setúbal. Additionally the Group also operates in the fields of road and rail transport of goods, intermodal logistics installations, distribution, transport and other related services where it is the major private operator in Portugal in the railway transport of goods. International expansion has already taken place via the management of port concessions in Peru as well as in Spain with the Ferrol Container Terminal and the goods transport company Transitex, which also has its own structure in various other countries including Mozambique, Mexico, Brazil, Colombia, Chile, South Africa and Peru.

In Portugal, there are seven main ports which compete with each other and with international ports for the transportation of passengers and cargo. Portugal benefits from a great location, nonetheless, that is not enough to attract international traffic since the main factor ships consider when choosing a port to stop is the existence of significant cargo to load/unload. Portuguese ports still have a local or regional nature, with reduced cargo volume when compared to Spanish peers. In terms of traffic, Sines port is currently the biggest player in the market, with just over 40% market share and annual traffic around 930 thousand TEUs²⁸. Nonetheless, Mota-Engil operates in five different ports which concentrate among them 55% market share. The port terminal sector in Portugal has been characterized by a fast growth driven by exports. Portuguese export levels, contrary to other indicators, have positively surprised both the Government and the market players. In 2013 the sector registered an annual growth rate over 25%²⁹ with Sines port registering the fastest growth. If we take only into consideration the five ports where Mota-Engil operates, which excludes

²⁸ Twenty-foot equivalent unit, a widely used unit of cargo capacity

²⁹ Source: IMT, I.P.

Sines facilities, growth rate in terms of traffic becomes much more moderate, around 6%³⁰.

Despite the recent growth trend verified in the sector, the future does not look so bright. Exports have increased considerably since the beginning of the economic crisis in Portugal since national producers focused on international markets in order to sell their products. Because the economic situation is starting to improve, with consumption increasing and more and more products staying in Portugal, we expect port traffic to decelerate growth. This drop will be partially offset by an increase of imports. Also, as around one third of the exports growth was due to oil related products (now weight 7.3% total exports), and Sines refinery production is reaching full capacity, exports will start to stagnate. This also mean Sines port has little possibilities for growth since its activity is highly correlated with the refinery. The Portuguese port with brighter outlook is Leixões port, who has four investments in course or in study worth of €400mn, to be financed mainly by the EU. These projects include the capacity expansion from the current 650 thousand TEUs to 850 thousand by 2017 and to 1.7mn until 2020³¹. The construction of a deep-water terminal in the Lisbon port is also in study, although since there will not be public funding, its occurrence is still uncertain.

In 2012, Government approved the 5+1 Plan, with the goal to reduce ports costs by 25% to 30% and make the Portuguese ports more competitive in international markets. Nevertheless, years later, the Portuguese Government was only able to reduce costs by less than 5% through the elimination of port utilization taxes³².

- Waste

The waste management business has been consolidated into the SUMA Group which includes more than two dozen companies which complement their activity in a strategic alliance with the objective of providing a range of solutions in the field of waste disposal. Over the past few years the company consolidated its leadership position in the Portuguese waste management sector. SUMA's current market share in the private market of waste collection is somewhere between 40% and 50%³³. Note that the private market only serves 44% of the Portuguese population. In total, the Group provides services to a total of 50 municipalities for waste collection and street cleaning with a total of more than 2.2mn inhabitants.

³⁰ Appendix 3 – Portuguese ports annual traffic displays additional information on individual port traffic.

³¹ Diário Económico: “Cruzeiros e contentores aceleram crescimento do porto de Leixões”

³² Source: AICEP – Portugal Global Trade & Investment Agency

³³ Source: Expresso: “Privatização dos lixos. FCC entrega queixa na Concorrência”

During 2014, Mota-Engil was awarded the privatization of Empresa Geral de Fomento (EGF) acquiring 95% of the company capital from Águas de Portugal (AdP). EGF is present in 174 municipalities and serves around 6.4mn inhabitants, which represents 68% market share in municipal solid waste treatment business. With this transaction, SUMA Group expanded its activities to regulated waste treatment and recycling activities and further increased its position of dominance within the sector. SUMA and EGF together hold a market share well above 50%, putting the Group in a much more advantageous position than its competitors, who are several small sized companies, along with a handful of medium sized firms such as CESP (Ferrovia), Focsa (FCC) and EGEO.

The ongoing serious nature of the economic and financial situation has led to an industrial production contraction which, as consequence, led to a sharp reduction in the industrial waste production³⁴. In addition, the over indebtedness of the Portuguese Government originated budgetary and liquidity limitations for the bulk of Mota-Engil customers, who are made up of local and regional governments. Both these factors together have caused a critical reduction in turnover in the waste management sector. The decreasing trend in this sector is expected to continue in the near future until Portugal starts to recover from the financial crisis, industrial activity begins to pick-up and Government entities stop with public spending cuts. Mota-Engil's activity in this sector will mainly depend on the internationalization process, with expansion to Africa and Latin America expected to offset the contraction felt in the Portuguese market.

- **Water**

Mota-Engil operates in the area of water management mainly through its holding in INDAQUA. The business includes the concessions for the supply and treatment of water through concessions or public-private partnerships. During 2012, Mota-Engil disposed of a minority holding in INDAQUA, resulting in the loss of the Group's control over the company and the deconsolidation of the business from full method. Nonetheless, the company still has an important participation in INDAQUA Group.

Despite the falling water consumption registered in Portugal since 2011, the water management sector has been able to show a shy growth, driven by increasing prices. The water management sector is preparing for major changes with the Government planning to restructure the sector. The Portuguese Government has been trying to restructure the sector for the last three years, without success due to big contestation by local municipalities. The plan is to

³⁴ Source: Bank of Portugal, INE

reduce the excessive number of players in the market, integrate the distribution and treatment systems and harmonize the tariffs in all regions. In this new strategy, local municipalities would lose all the decision power they currently have. The ultimate goal is to achieve economies of scale and reduce the tariffs paid by the final customer.

In a time where only 10% market share belongs to private firms³⁵ and Águas de Portugal, the public company responsible for the majority of water concessions, continues to be economically unviable, many expect the privatization of the sector. Our belief is that the privatization is not going to happen as the Portuguese Government has already clarified it is not its intention to do so for fearing an increase in prices³⁶. The situation in Portugal is therefore not expected to follow the behaviour observed in the waste sector, with private companies contenting with what has been privatized, and firms like INDAQUA, AGS and Aquapor fiercely fighting for a small share of the market. Despite of the company's commercial efforts, we do not expect any tender processes in the short term since the majority of local authorities are still waiting for clarification of the legal framework and community support before taking any decisions regarding the management of water supplies and sewage services.

Ascendi

The transport concessions segment was created in order to take advantage of synergies between the construction of roads and exploring them as concessionaires. Ascendi is a result of a partnership between Mota-Engil, with the participation of 60%, and Novo Banco (former Banco Espírito Santo) with the remaining capital. It is not fully consolidated into Mota-Engil but rather using the equity method. Mota-Engil started concentrating all assets of the transport concession segment in Ascendi in 2010. As of today, Ascendi has participations in 14 road concessions and one metro concession spread along Portugal, Spain, Africa and more recently, Latin America³⁷. The transfer of the remaining shareholdings to Ascendi may occur during 2015, where the company will acquire a participation in Auto-Estradas Grande Lisboa and Autovía de Los Viñedos, and extend its participation in the Ascendi Estradas do Pinhal Interior to 79,99%. For valuation purposes, only the current participations will be considered.

A new model for PPP financing has been adopted several years ago. The traditional concession payment method, where the private partner charges

³⁵ Diário Económico: “Japoneses entram em Portugal à espera de vaga nas privatizações na água”

³⁶ According to a statement of Portuguese Ministry of Environment Spatial Planning and Energy in January 2014

³⁷ For more detailed information refer to Appendix 4 – Ascendi concessions

users directly using tolls and receives nothing from the government is not being used anymore in the six Ascendi concessions. With the availability model, the Government, through Estradas de Portugal (EP), receives the value charged to users and pays the private partner a fixed amount for the availability of the road, regardless of the traffic. In this model, Government makes two types of payments. First, it pays for the availability of the infrastructure. If infrastructure is not available or if it displays some problems or limitations, payment reductions may occur. The second type of payments is the compensation for the toll service the private partner offers. In conclusion, the payments Ascendi will receive until the maturity of the concessions from EP, are fixed, established in the contract, and in anyway dependent on the traffic level of the road. In other words, the only variable that will set the future payments is inflation, as all the risk of uncertain traffic is shifted to EP. The terms of most of the Portuguese concessions are being renegotiated with the Portuguese Government. Availability payments, the financing of major repairs, levels of quality and service and the rate of return of shareholders are all being subject of renegotiation. After being under negotiations for a long period, Ascendi and EP have finally reached a global agreement and for the Ascendi Norte, Costa de Prata, Beiras Litoral e Alta, Grande Porto and Grande Lisboa concessions and all banks, including the European Investment Bank (EIB), have approved the new terms during 2014³⁸. The new conditions will come into force in 2015 and are expected to cut government payments to Ascendi by 35%, among other modifications. Lusoponte, Ascendi Douro Interior and Pinhal Interior concessions are also under review but in much earlier stages, still with no agreement achieved by both parties. Nonetheless, we expect all renegotiations to be finalized during 2015 due to the urge the Portuguese Government has to reduce costs. This will translate into a €1.525mn revenue reduction to Ascendi through the concessions contract life³⁹, as well as close to €1.200mn reduction in operating costs (includes repair of infrastructures) and a 16% drop in the average IRR⁴⁰.

Martifer

Martifer is a Portuguese company primarily engaged in the construction of metallic structures where Mota-Engil has a strategic position of 37.5%. It is listed in Euronext Lisbon since 2007 where it started with a price of €10.5, valuing the company at €105mn. Martifer started out in 1990 as a metallic infrastructure business. As time went by, it initiated an internationalization and diversification process turning the company into a much more complex entity.

³⁸ Source: Sérgio Silva Monteiro, Portuguese Secretary of State for Transport, statement on September 8th 2014

³⁹ Source: Sérgio Silva Monteiro, Portuguese Secretary of State for Transport, statement on September 8th 2014

⁴⁰ Diário Económico: "Rentabilidade das concessões Ascendi baixou 16%"

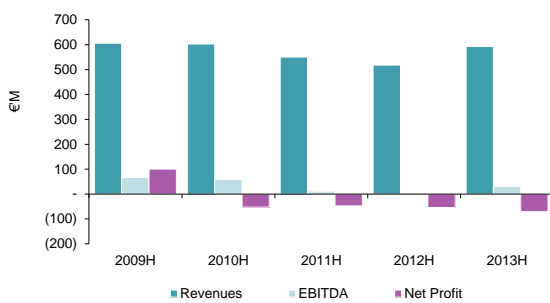
The company is currently present in more than 20 countries and in four different continents, Europe, Africa, Latin America and Asia. After years of expansion and high growth rates, Martifer took a severe hit from the financial crisis. The firm was forced to adapt its strategy and start focusing on two main activities, metallic constructions and solar energy. The metallic constructions segment provides engineering solutions in projects with a high incorporation of metallic structures, equipment for oil and gas and naval industry. The solar energy segment plays an important role in the photovoltaic solar industry and operates in all market segments. Resulting from the new strategy adopted, Martifer is also engaged in the sale of non-core assets, such as the company Rosa dos Ventos in February 2014 or the Eolic factory in Poland in August 2014.

Turnover has decreased slightly over the last 5 years but it showed signs of recovery during 2013 with a 15% growth and order book levels showing sustainable revenues in the near future. However, it was unable to prevent both

EBITDA and net profit from falling sharply since 2009 (in this year net profit was positive only due to sales of non-core assets totalling €160 million). EBITDA has reached an historically low, and negative net profits are damaging Mota-Engil's consolidated results. During the first half of 2014, Martifer presents higher EBITDA but still negative profit therefore contributing to Mota Engil with negative €11mn. For the future, the company is focusing on the two main activities described above, with the intention of increasing efficiency in those

segments, and reducing debt levels through the sale of non-core assets. The sale of non-core assets is still in course however, taking into consideration current market conjuncture, should not extend further than 2015. Overall, additional sales total amount could rise up to €100mn.

Figure 11: Martifer KPIs



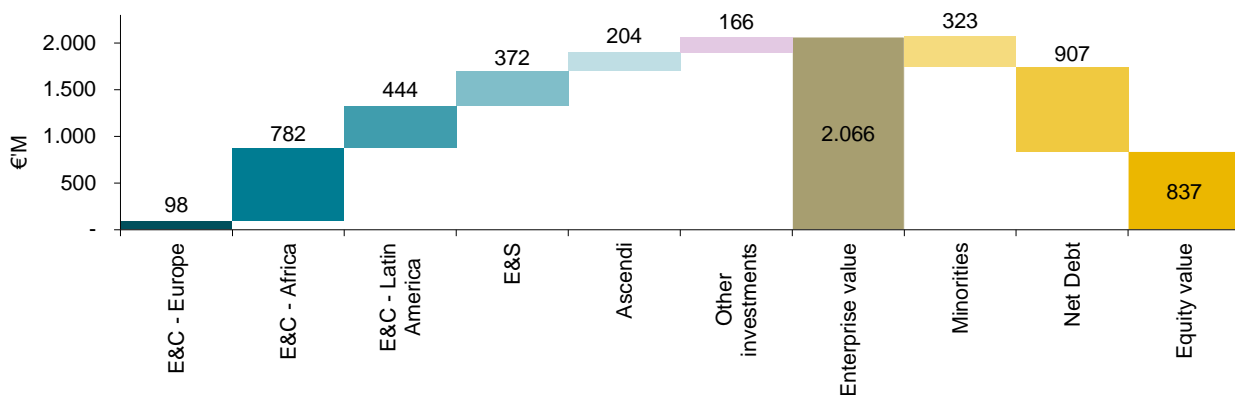
Source: Martifer

Valuation

Given the high complexity of Mota-Engil Group, operating in several different markets with different characteristics and drivers, we followed a sum of the parts approach to value the company in each scenario. This method will allow to better understand and more accurately forecast each segment in which Mota-Engil operates. The construction and engineering segment, both in Europe, Africa and Latin America, and the Environment and Services segment were valued using a DCF - WACC approach, whereas Ascendi was valued using an APV valuation model for the seven Ascendi concessions in Portugal and Lusoponte. Ascendi international concessions were valued according to their

book value. The 37.5% participation in Martifer was valued according to market consensus for its market price at the end of 2014.

Figure 12: Sum of the Parts valuation



Source: NOVA Research Team

The construction and engineering, and the environment and services segments were valued as if the company held 100% of the representative companies while this is not the fact. Non-controlling interests in Mota-Engil Africa and Mota-Engil Angola were valued using a DCF - WACC method while other smaller minority interests were valued according to their book values. Ascendi concessions, since Ascendi Group is not fully consolidated into Mota-Engil, were valued according to Mota-Engil's stake on each of the concessions. Therefore, there are no minority interests from Ascendi since our valuation already reflects only Mota-Engil's share of total equity value. Aside from the components just stated, the company has also real estate investments as well as other financial participations⁴¹. These were valued using a combination of book value and market multiples valuation. Finally, Mota-Engil has a plot of land for sale with total book value of €30mn. Company officials believe the sale will occur during the next 12 months and that the selling price will be at least its book value⁴². Due to the fact that the company's management team already predicted the sale more than four years ago, we believe it will not happen in a foreseeable future, nor at the stated price. Our opinion is the uncertainty around the sale of the land is too high, so for valuation purposes this asset will not be considered in the base scenario. Refer to Appendix 6 – Sensitivity analysis to see the effects this sale has on target share price.

E&C Europe

This division is in clear pressure with 2013 figures showing a 36.5% drop in revenues and operating margins around 0%. The construction sector in

⁴¹ Refer to Appendix 5 – Real Estate and Financial investments for detailed information on this subject

⁴² Mota-Engil's investor relations department

Portugal contrasts with the situation in Central and Eastern Europe. While the Portuguese market is still trying to recover from the profound crisis that has affected the sector in the last several years, in Poland, market is growing fast and offering countless opportunities. We do not believe the Portuguese market will start growing in the next three years, although the contraction will be much more moderate than in the recent past. At the same time, Poland shows very high growth prospects, with investment in infrastructures starting to pick-up again after a slower period. Based on the slow recovery in Portugal and on Polish high growth, we expect a CAGR around -2% between 2014 and 2018. In the middle/long-term, Poland will also become a mature market, therefore, growth will depend mainly on Mota-Engil's ability to successfully expand to other countries within the Central and Eastern Europe. Regarding operating performance, EBITDA margins are expected to gradually increase over the years, never surpassing the 7%. This forecast is based on the assumption that the EU pressure will force GDDKiA to implement provisions set out by the FIDIC, which will reduce pressure on Polish margins. It is also a result of the Portuguese construction sector recovery, with prices increasing already during 2016.

With the huge contraction in the Portuguese market, the company ended up with much more assets than those required. Therefore, Mota-Engil has been performing some divestiture operations as well as shifting assets from the European division to Africa and Latin America, translating into a negative Capex. For the future, Capex is expected to increase but it will be mostly just maintenance Capex, as the Portuguese market will still offer little opportunities to grow. The exceptions are investments in the transport sector that may arise in Central and Eastern Europe or the construction of hydropower plants in Portugal⁴³. In our base case scenario, we forecast Mota-Engil to be awarded a contract for the construction of at least one Iberdrola plant in 2016 for an amount around €400mn. In case the Group does not successfully achieve that, we may decrease turnover estimates and target price will drop slightly. Divestiture process, totalling €70mn, should continue until Mota-Engil successfully adapts its operating structure to current market conditions around 2018. However, most of the divestiture should happen until late 2016, with a large share of the assets in the European division being placed in Latin America. Investment in net working capital should also decrease. The tightened access to credit in Portugal has created high pressure on the receivables account, with customers and other creditors delaying payments as much as possible. Given the positive signs the Portuguese economy has displayed recently, we estimate a reduction in receivables, both current and non-current, which will ultimately lead to a

⁴³ Source: Programa Nacional de Barragens de Elevado Potencial Hidroelétrico (PNBEPH)

significant decrease in investment in NWC and other operating capital. Mota-Engil has also delayed several payments to suppliers in the past years, so we will most likely observe a small reduction in the payables account. Investment in other operating assets and liabilities was calculated using a revenue based model, assuming in future the ratio will not deviate significantly from historical levels. Corporate tax rate was considered to be 31.5% during the explicit forecast period. This was based on the assumption that the 2013 legal tax rate will maintain in the future. Depreciation rates were calculated by taking the average historical ratio of depreciations over fixed assets of the previous five years, a value we believe is a reasonable forecast for future years.

The terminal value considered summarizes all future cash-flows to be obtained by the company after 2034 and was attained using the formula: $NOPLAT_{t-1} \times (1 - g/ROIC) / (WACC - g)$. Given the importance of the terminal value (TV) on the overall enterprise value of the segment, one must take special consideration estimating nominal long-term growth rate (g) and return on invested capital (ROIC). Nominal long-term growth of 2% was assumed to be equal to the economy growth rate, as very few companies can be expected to grow faster than the economy for long periods of time. Although ROIC has been negative in the past, we considered a ROIC of 7.3% in the long-term, the same as WACC, since no investors would persistently invest knowing they would not get the proper return.

In order to be able to discount cash-flows, we used a weighted average cost of capital (WACC), assuming a stable Debt-to-Equity (D/E) ratio for the company of 0.76 after 2018. This ratio will be achieved through the decrease of debt levels in the next two years. Mota-Engil currently displays a 1.6 D/E ratio.

The cost of equity (Ke) of 10% is the result of the 0.6% risk free rate⁴⁴, 5% market risk premium⁴⁵ and the company beta, using the following equation: $Ke = rf + MRP \times \text{Beta}$. For the calculation of Mota-Engil beta we did not consider the average of the industry, a widely known method. We believe the high degree of specificity Mota-Engil displays, would make impossible to find similar companies in the market. That way, using the industry average would only distort conclusions. The best peer for Mota-Engil is Mota-Engil itself, therefore we used the company historical beta of 1.88⁴⁶. This beta was calculated based on trailing 5-year prices on a monthly basis, relative to the S&P 500. As for the cost of debt (Kd) of 5.48%, it was computed under the assumption that Mota-Engil, if rated, would be a BB (Standard & Poor) or the equivalent Ba2 (Moody's) company, just

Table 2: WACC inputs

Risk-free rate	0,6%
Market Risk Premium	5,0%
Beta levered	1,88
Tax rate	31,5%
D/E ratio	0,76
Cost of Equity	9,99%
Market Yield	5,6%
Country Specific Risk	5,4%
Prob. Default	11,4%
Recovery Rate	62,7%
Cost of Debt	5,5%
WACC	7,30%

Source: Bloomberg; NOVA Research Team

⁴⁴ The 10-Year German Bund as of December 25th, 2014

⁴⁵ Historical market risk premium ranges from 5% to 6%. Recent literature defend MRP is close to 5%.

⁴⁶ Source: Reuters. As of December 25th, 2014

under the Portugal credit rating of BB+ (or Ba1). With a BB rating, the company debt is considered as speculative debt (or non-investment debt) and has a default probability (Pd) around 11.37% and a recovery rate (RR) of 62.7%⁴⁷. In order to reach the value for the cost of debt, we took as a proxy the 10 year European non-financials BB rated yield curve⁴⁸. With the intention of really capturing the expected return for investors on the company's debt, we took into consideration a country specific risk premium (CSR) of 5.4%⁴⁹. This way, $K_d = (1 - Pd) \times (\text{Market Yield} + \text{CSR}) + Pd \times (\text{RR} - 1)$.

Taking into consideration the debt and equity weights of 43% and 57% respectively, we end up with a WACC of 7.3% for Mota-Engil. This rate will be used for the valuation of all operating segments as it represents the cost of capital for the entire company as a whole and not just for one individual segment.

Table 3: E&C Europe DCF

€'M	2011H	2012H	2013H	2014E	2015F	2016F	2017F	2018F	2019F	2020F T Value
Turnover	1.032	910	579	514	476	474	473	477	482	487
Growth rate	16,2%	(11,9%)	(36,4%)	(11,2%)	(7,3%)	(0,5%)	(0,3%)	0,9%	1,0%	1,0%
EBITDA	53	37	0	26	26	28	28	29	31	34
EBITDA margin	5,1%	4,0%	0,0%	5,0%	5,5%	6,0%	6,0%	6,0%	6,5%	7,0%
EBIT	(7)	(20)	(36)	(8)	(3)	0	2	3	7	10
Tax	7	0	7	2	1	(0)	(1)	(1)	(2)	(3)
NOPLAT	(1)	(19)	(29)	(5)	(2)	0	1	2	5	7
Depreciation	39	42	26	26	23	22	20	19	18	18
Capex	15	(68)	49	18	4	(9)	(8)	(9)	(7)	(19)
Δ NWC	12	(6)	27	(39)	(22)	(15)	(15)	(20)	(15)	(21)
Δ Other operating assets/liab.	(62)	(26)	(22)	8	21	10	10	15	13	13
FCF	4	(78)	52	8	23	8	8	8	13	(2)
Discount factor						0,93	0,87	0,81	0,75	0,70
Discounted FCF						7	7	6	10	(2)
Enterprise Value										98

Source: Mota-Engil; NOVA Research Team

E&C Africa

We forecast a solid growth for the African division until 2018, based on a continuous public and private investment in infrastructure, in countries such as Angola and Mozambique where Mota-Engil already has a significant presence and is in a great position to gather a significant amount of workload. In the medium/long term, the more and more companies enter into these attractive markets, the more competitive the industry will become, which will eventually reduce Mota-Engil's market share. Therefore, in the long-term, the expansion to new less mature countries, with high need for infrastructures, will be the main key driver for growth. Regarding operating performance, we estimate EBITDA margins to start declining steadily over the years in order to converge with the margins offered in mature markets. Most significant drop should occur in the next five years, with EBITDA margin reaching 14% by 2020. This estimate is based on

Increasing competition in Africa should cause margins to shrink

⁴⁷ According to the study "Moody's Global Credit Policy – Corporate Default and Recovery Rates, 1920-2008"

⁴⁸ Refer to Appendix 7 – European non-financials BB rated yield curve for additional information

⁴⁹ Source: Aswath Damodaran estimate

an increasing number of competitors in the African market and a reduction of the infrastructure needs.

Capex levels, that have been extremely high in the last couple of years, will most likely stay that way, with Mota-Engil's strategy relying on the expansion to other countries and constantly exploring new opportunities in the region in order to achieve growth. Plans to expand to Kenya, Uganda, Tanzania and Ethiopia will demand significant investment (just under €90mn) in equipment, land and buildings given the lack of assets the company holds in those regions. In Angola and other African countries, big part of the investment in infrastructure is through public financing. Due to bureaucracy and dependence in oil revenues, Public entities take a long time paying construction firms for their work, leading to a huge investment in NWC. With increasing private investment, characterized by faster payments and fewer delays, we project NWC requirements to reduce significantly in the next three to five years, which will translate in smaller investments in NWC and higher cash-flows. The nominal long-term growth rate (g) of 3% correspond to the GDP growth rate estimate for the long-term. The 15.5% average depreciation rate were attained using similar reasoning than the one used in the E&C Europe segment. Economic theory suggests that competition will eventually eliminate abnormal returns. However, we believe Mota-Engil has sustainable competitive advantages. Therefore we assume ROIC to be 7.8%, 50 basis points above WACC.

Capex will remain high due to the expansion to West Africa countries, with high infrastructure needs

Table 4: E&C Africa DCF

€'M	2011H	2012H	2013H	2014E	2015F	2016F	2017F	2018F	2019F	2020F T Value	
Turnover	605	715	993	1.086	1.145	1.211	1.304	1.409	1.479	1.553	
Growth rate	(3,2%)	18,3%	38,8%	9,4%	5,5%	5,8%	7,6%	8,0%	5,0%	5,0%	
EBITDA	137	145	258	239	229	218	222	225	222	217	
EBITDA margin	22,7%	20,3%	26,0%	22,0%	20,0%	18,0%	17,0%	16,0%	15,0%	14,0%	
EBIT	115	119	206	187	174	160	160	158	152	144	
Tax	(30)	(34)	(65)	(59)	(55)	(51)	(50)	(50)	(48)	(45)	
NOPLAT	84	85	141	128	119	110	109	108	104	98	
Depreciation	20	23	50	47	49	52	56	61	64	67	
Capex	(72)	(50)	(189)	(73)	(66)	(70)	(82)	(89)	(83)	(87)	
Δ NWC	1	71	(86)	21	(75)	(23)	33	(31)	(21)	9	
Δ Other operating assets/liab.	9	22	(36)	28	3	3	5	5	4	4	
FCF	42	151	(121)	151	31	72	121	54	67	91	
Discount factor						0,93	0,87	0,81	0,75	0,70	
Discounted FCF						67	105	43	50	64	453
Enterprise Value											782

Source: Mota-Engil; NOVA Research Team

E&C Latin America

The Latin America division was the fastest growing segment during the last few years, with a CAGR above 60% between 2009 and 2014. Given current order book levels, this growth seems to be sustainable. Both Peru and Mexico, the two main markets in the Latin America region, are preparing for major investments in infrastructures in the near future, making us believe Mota-Engil's activity in those countries will increase substantially. We expect the division to

Increasing presence in Colombia should allow the company to observe sharp revenue growth in this region

experience a sharp growth of 10% annually in the short-term, driven by not only the expansion of the Peruvian and Mexican markets, but mainly by the expansion to Colombia. Mota-Engil, through its contacts and experience in other South American markets, will be able to successfully expand its business in Colombia, making this market the main driver for growth in the next three to five years. Revenues in Colombia should see a 50% increase between 2014 and 2018. More in the long run, the company will be able to sustain a moderate turnover growth around 5% motivated by the expansion to new attractive markets like Chile and Uruguay, which have also good prospects for the future and big infrastructure needs.

During 2013 EBITDA margins were lower than historical levels, due to very high start-up costs in Colombia. Our forecast is that operating margin should improve significantly to 16% until 2016 since the implementation costs in Colombia will not be recurrent. Additionally, Mota-Engil is projected to decrease its subcontracting ratio which will improve margins even more. After 2020, with the end of the infrastructure programs, the construction industry should start squeezing margins, causing EBITDA margin to fall gradually over time until it reaches levels similar to those in mature markets. Historical Capex has been particularly low, due to a high subcontracting ratio. This is a common strategy construction companies use in this region in order to reduce nationalization risk. By having almost no assets in the countries, there is no significant risk that the political regime changes and the Government nationalizes all those assets. We forecast the political stability in the region will slowly increase foreign firms' confidence and therefore increase their physical presence there. This will eventually increase Mota-Engil's Capex in Latin America markets.

Table 5: E&C Latin America DCF

€'M	2011H	2012H	2013H	2014E	2015F	2016F	2017F	2018F	2019F	2020F	T Value
Turnover	161	308	419	481	545	607	664	720	756	794	
Growth rate	94,3%	91,4%	36,1%	14,7%	13,3%	11,5%	9,4%	8,4%	5,0%	5,0%	
EBITDA	27	43	42	67	82	97	106	115	117	119	
EBITDA margin	16,8%	14,1%	10,0%	14,0%	15,0%	16,0%	16,0%	16,0%	15,5%	15,0%	
EBIT	20	37	31	51	63	77	82	89	87	88	
Tax	(5)	(10)	(10)	(16)	(20)	(24)	(26)	(28)	(27)	(28)	
NOPLAT	14	26	21	35	43	52	56	61	60	60	
Depreciation	4	5	7	12	14	15	18	20	23	24	
Capex	(22)	(7)	(44)	(41)	(26)	(28)	(46)	(33)	(50)	(34)	
Δ NWC	(3)	(69)	8	14	(8)	(8)	(7)	(7)	(4)	(5)	
Δ Other operating assets/liab.	(4)	29	(29)	25	3	3	2	2	1	2	
FCF	(11)	(16)	(36)	45	25	35	24	44	30	48	
Discount factor						0,93	0,87	0,81	0,75	0,70	
Discounted FCF						33	20	35	23	33	300
Enterprise Value											444

Source: Mota-Engil; NOVA Research Team

Historical RONIC levels have been extremely high at 20%⁵⁰, however, they should not be sustainable as the countries where Mota-Engil operates evolve into a more mature stage. Therefore, a long-term RONIC of 7.8% was

⁵⁰ Calculated using the following formula: NOPLAT / (Operating assets – Operating liabilities)

considered in the calculation of the terminal value. The depreciation rate of 11.9% was obtained using the same reasoning than in the previous segments. The long-term nominal growth rate of 2% corresponds to the long-term GDP growth estimates for Latin American countries.

Environment and Services

The method used for the valuation of the Environment and Services segment is similar to the one used in the Construction and Engineering segments. Nonetheless, this division requires a much more complex forecast as it comprises several different activities. For valuation purposes, the 95% participation in EGF Mota-Engil acquired during 2014 will not be considered. Given the resemblance of the offers for the privatization, with Mota-Engil offering €149.9mn and FCC €145.3mn, we assume the true market value for EGF will not diverge considerably from the acquisition price, which means the transaction will not create value for shareholders.

The waste and water sectors are highly mature markets, with no projections of significant growth in the future. At the same time, the logistics division is forecasted to experience a much slower growth in the future than it displayed in the past couple of years, due to the stagnation of oil exports and the slow improvement of the Portuguese economy. Based on those estimations, we expect a slow growth around 1% in the Environment and Services segment, driven by the gradual expansion to Latin America and Africa through the acquisition of local companies. EBITDA margins in the waste sector will suffer a huge pressure, with municipalities cutting expenses as a result of the over indebtedness of the Portuguese Government. In addition, we forecast the partial failure of the 5+1 Plan in the logistics division. This means the prices in port activity are going to decrease in order to make Portuguese ports competitive in an international level, while the cost reduction promised by the Government will not be sufficient to sustain margins. For those reasons we expect EBITDA margins to fall to 17% in the next four years, with the continuous effort to improve operational efficiency by Mota-Engil avoiding a greater fall.

Given the lack of opportunities for growth, we expect Capex to be mainly maintenance Capex, with the exception of some minor acquisitions that may arise in new geographies. In our base case scenario we expect NWC requirements to slightly increase to 15% until 2018, driven by the deterioration of the financing contingencies of municipalities. Using the same reasoning as in the remaining segments, we achieve an average depreciation rate of 8.2% and a tax rate of 31.5%. For the calculation of the residual value, we considered a 2% long-term growth and a RONIC of 7.4%. RONIC is well below historical average of

9.5% but still 10 basis points above WACC. It is the result of Mota-Engil's strategy for this segment, based upon incessant operating improvements.

Table 6: E&S DCF

€M	2011H	2012H	2013H	2014E	2015F	2016F	2017F	2018F	2019F	2020F T Value
Turnover	379	310	323	326	329	333	336	339	344	348
Growth rate	(7,5%)	(18,0%)	4,0%	1,0%	1,0%	1,0%	1,0%	1,0%	1,3%	1,3%
EBITDA	78.468	62.119	63.247	61.976	62.595	59.894	60.493	57.703	58.425	59.155
EBITDA margin	20,7%	20,0%	19,6%	19,0%	19,0%	18,0%	18,0%	17,0%	17,0%	17,0%
EBIT	43	35	41	41	41	38	38	35	36	36
Tax	(11)	(10)	(13)	(13)	(13)	(12)	(12)	(11)	(11)	(11)
NOPLAT	31	25	28	28	28	26	26	24	25	25
Depreciation	28	21	20	17	17	18	18	18	18	18
Capex	(55)	182	(11)	(21)	(23)	(24)	(19)	(19)	(20)	(20)
Δ NWC	(8)	31	(9)	1	(2)	(2)	(4)	(4)	(1)	(1)
Δ Other operating assets/liab.	3	(9)	(54)	33	1	1	1	1	2	2
FCF	0	249	(25)	58	21	19	23	21	24	25
Discount factor						0,93	0,87	0,81	0,75	0,70
Discounted FCF						18	20	17	18	17

282

Enterprise Value

372

Source: Mota-Engil; NOVA Research Team

Ascendi Group

The valuation method for the 60% stake at Ascendi Group is based on the sum of the value of the each of the Group's concessions. Auto-Estradas do Norte, Costa de Prata, Beira Litoral e Alta, Grande Porto, Douro Interior and Pinhal Interior, and Lusoponte concessions were valued using an Adjusted Present Value (APV) method. We did not follow a DCF – WACC approach since Ascendi does not display a constant D/E ratio. The concessions Autopista Perote – Xalapa in Mexico and Concessionária Rodovias do Tietê in Brazil were valued according to their book value due to lack of information. Given the high value of the two international concessions, in order to see the potential effects these two assets have on Mota-Engil's overall valuation a sensitivity analysis was performed⁵¹.

Revenues, which include both sales and services rendered and also the availability payments, are expected to grow at the inflation rate. As the result of the renegotiation of the concession contracts during 2014, we forecast a 35% decrease in the availability payments for all Ascendi concessions (excludes Lusoponte). EBITDA margins were assumed to be 80%⁵², slightly above Brisa's 75% EBITDA margin since, unlike Brisa, most of Ascendi's concessions have availability payments. NWC requirements are expected to be (15)% of revenues as the concessions take longer to pay their suppliers than they receive from Estradas de Portugal. Capex for 2014 was computed as the historical average for the last two years and afterwards, it grows at inflation rate. Capex levels are close to zero because, since all assets revert back to the Portuguese

⁵¹ Refer to Appendix 6 – Sensitivity analysis for detailed information.

⁵² Source: Ascendi

Government at the end of each concession, Ascendi registers all capital expenditures directly related to the concession as an operational cost in the P&L under third party supplies and services. Depreciations were estimated in order for the total net assets of the last reported year to be fully depreciated until the end of the respective concession. It then grows at the inflation rate.

Tax shields were computed assuming the scheduled debt repayments until 2018 and equal repayments afterwards until maturity. Interest rate is set to be equal to the average of the last two years, which we believe is a reasonable estimate. Tax rate is projected to be 26.5%, in line with historical values. Using the APV approach, free cash-flows to the firm were discounted at the unlevered cost of equity of 6.1%. Concerning tax shield, as it fluctuates according to debt changes, its risk is the same as debt. Therefore, tax shields were discounted at the cost of debt of 5.5%.

Martifer

The valuation of the 37.5% participation in Martifer was performed by making a reasonable estimate for the stock price in December 2014 and then multiply it by the number of outstanding shares in order to get the company market capitalization. Due to its low significance for Mota-Engil's overall enterprise value, rather than valuing Martifer through a DCF approach, we used the market consensus to obtain a price of €0.25 per share and a market cap of €24.5mn. This gives a fast but realistic estimation of €9.2mn for Mota-Engil's stake in Martifer.

Multiples

Market multiples give a fast, though rough, picture of Mota-Engil's valuation when compared with its European peers which have been picked for their business mix. Analysing and comparing our estimates with the forecasted indicators of the main engineering and construction companies, Mota-Engil currently trades at a discount using an EV/Sales, EV/EBITDA and a P/E basis.

Table 7: Market Multiples

	Market Cap (€M)	EV/Sales			EV/EBITDA			P/E		
		2013	2014	2015	2013	2014	2015	2013	2014	2015
Teixeira Duarte SA	338									
Ferrovial	12.318	2,5	2,3	2,4	21,6	20,5	19,8	15,0	34,6	31,3
FCC	2.000	1,3	1,4	1,3	23,5	12,4	11,2	n/a	34,6	32,3
Vinci	25.650	1,2	1,2	1,2	8,8	7,5	7,4	13,8	12,5	12,2
Eiffage	3.611	1,4	1,4	1,4	9,1	7,8	7,6	15,0	12,1	10,4
Strabag	2.180	0,3	0,3	0,3	6,0	5,2	4,8	15,6	12,7	10,9
Skanska	6.922	0,5	0,5	0,5	15,8	19,8	17,9	13,9	18,8	16,1
ACS	9.051	0,5	1,3	1,2	6,5	6,2	5,9	11,4	12,7	12,0
Industry average		1,1	1,2	1,2	13,0	11,3	10,6	14,1	19,7	17,9
Mota-Engil	559	0,4	0,8	1,0	2,4	4,8	6,0	16,6	7,4	12,2

Source: Bloomberg; NOVA Research Team

Scenario analysis

Given the uncertainty of Mota-Engil's cash-flows, we believe it is crucial to consider different scenarios when reaching for a target price for the company. For valuation purposes, three different scenarios were considered, the base case scenario already developed above, the "blue-sky" scenario and the bad scenario, all of them with reasonable probability of occurrence.

"Blue-Sky" scenario

In this scenario we forecast a faster recovery in the Portuguese construction market, with an increasing number of public tender and also growing price per contract by the beginning of 2016. With pressure from EU, GDDKiA will not only introduce provisions in its contracts that protect construction companies but also gradually change its adjudication method. This will ultimately lead to an increase of Polish margins. Also, Mota-Engil is going to successfully expand its business to other Central Europe countries, like Germany and Moldova, allowing a stable growth in the medium run at the cost of a higher Capex and NWC investment. Additionally, we estimate USA will be forced to reduce oil production given its higher extraction costs. Oil prices should then start recovering from the recent collapse by mid-2015 and African Governments should be able to keep infrastructure investments without any delays. Furthermore, the increase in private investment, often associated to higher margins, will allow Mota-Engil Africa to sustain high EBITDA margins for a longer period as well as to reduce substantially NWC requirements. Regarding Latin America, in this scenario we forecast Chile and Uruguay to implement a sustained infrastructure plan during 2015, with Mota-Engil's reputation in Peru and Mexico allowing to easily enter into these markets and gather a great amount of workload by 2016. Furthermore, expansion in Colombia goes better than initially expected, with Mota-Engil constantly gaining market share in the next five to seven years. Finally, in the E&S segment, we project the success of the 5+1 Plan, with Portuguese ports increasing competitive edge. This will allow the Logistics division to not only maintain moderate growth but also to boost margins a little bit before they stagnate in 2018.

"Bad" scenario

After displaying small positive signs during 2014, the Portuguese construction sector will fall into a deep contraction once again, with lack of big infrastructure projects in the country and a further price degradation. In Poland we will observe the construction costs continuing to rise sharply, which will have

a major impact on Mota-Engil's EBITDA margins and can potentially force the company to cease operations in the region. Both these factors are expected to cause a significant reduction on both turnover and profit in the E&C segment in Europe. The recent oil price collapse is projected to continue in the next couple of years leading to a significant revenue decrease in Africa. With countries such as Angola needing oil to remain above a certain price in order for their Governments to meet spending commitments, the oil price fall is forecasted to cause a public spending contraction. In other words, as oil prices persist to drop, we expect public entities to finance scarcer infrastructure projects due to budget constraints. In addition, as most private investment is made in the oil and gas sector, a reduction in oil prices will also lead to fewer incentives for foreign direct investment, putting further pressure on growth opportunities and operating margins. In this scenario we also forecast Mota-Engil to significantly lose market share to Brazilian and Chinese construction firms given the increasing investment coming from those countries. In Latin America, the expansion in Colombia is not estimated to go as well as initially predicted, with local reputation and experience proving to be insufficient to successfully enter into this competitive market, and turnover growth stagnating by 2016. Additionally we forecast a change in the political regime in Peru, since president Humala is not eligible for run in the 2016 elections. With the new government not considering infrastructure development as a priority and therefore financing fewer projects, the construction industry in Peru will not grow in the short-term. This fact will severely affect Mota-Engil's turnover in Latin America since Peru is still the most important market in the region.

Table 8: Scenario Analysis

Scenario	Target Price	Weight
Base	4,09 €	80,0%
Blue-Sky	5,67 €	10,0%
Bad	2,82 €	10,0%
Overall valuation	4,12 €	

Source: NOVA Research Team

Financials

Debt structure

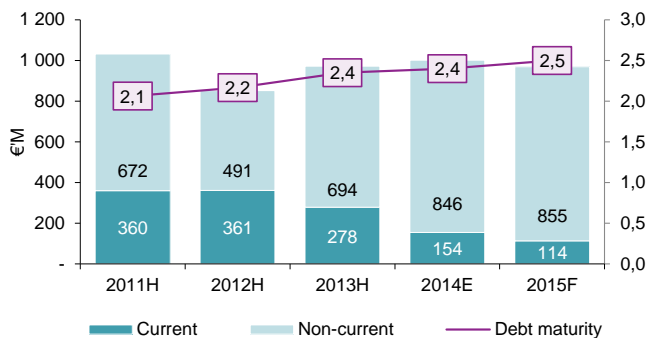
Despite the company's growth profile, with great exposure in Africa and growing presence in Latin America, Mota-Engil has been struggling to convert these opportunities into positive cash-flow due to high NWC requirements, which have led to higher debt levels. Net debt increased significantly during the first three quarters of 2014 as a consequence of the difficult conditions in the construction sector allied with a high level of investment with the intensification of the internationalization process. Additionally, during the last year, the beginning of several new big projects further increased pressure on NWC. On September 30th, the Group's total net debt amounted €1.246mn, a 28% increase since 2013. Many investors are having some concerns related to this significant debt increase, fearing the company will not be able to follow expansion plans.

Nonetheless, we believe that, although the high NWC requirements and reported net debt may cause some apprehension, the market is overreacting. Most NWC requirement is related to exceptional situations hence debt will gradually revert back to normal values over the next few months.

Mota-Engil continues to shift from current to non-current debt, with new bond issues and other facilities having maturities up to five years. In past September, 78% of total debt had maturity over one year, proving the Group is

aware of the growth's financing needs without increasing exposure to short-term debt. In fact, despite an overall debt increase, current debt fell by around €10mn during the first three quarters of the past year. The result is the increase of the average debt maturity from 2.1 in 2011 to 2.4 in 2014. We believe this is a smart strategy since Mota-Engil's expansion plans require significant investment, while, with present market conditions, it is more and more difficult to rollover debt and ensure funding for future projects.

Figure 13: Debt structure

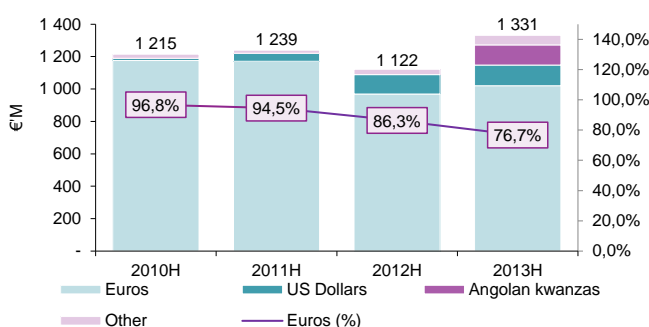


Source: Mota-Engil; NOVA Research Team

Although the total debt levels have been increasing, its growth has been slower than EBITDA causing Net Debt-to-EBITDA ratio to drop. This ratio has decreased sharply since 2009 and is expected to reach 2.2 in 2015⁵³. for historical values as well as forecasts for future years. A lower Net Debt-to-EBITDA ratio translates into a reduction of the cost of debt and, as a consequence, to lower interests paid and an increase in the firm's overall profits. Furthermore, it facilitates Mota-Engil's access to funding, which once again, is a very important aspect if the company wants to be able to pursuit future opportunities in the market. Mota-Engil intends to maintain a high level of flexibility and access to new funds by displaying low debt ratios.

The Group continues to diversify sources of financing and increasing exposure to foreign currencies. Due to the limited access to credit in Portugal,

Figure 14: Debt by currency



Source: Mota-Engil; NOVA Research Team

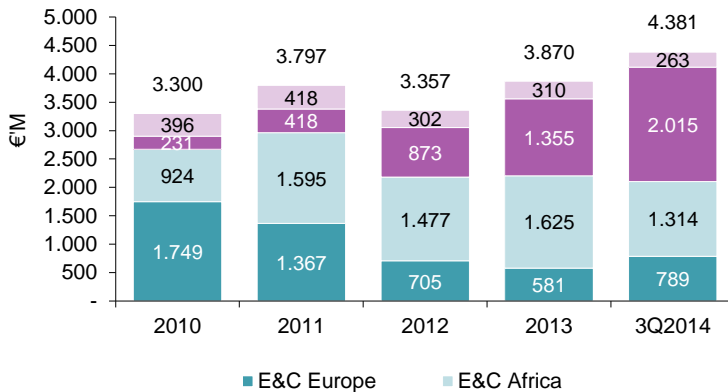
Mota-Engil has been shifting from its traditional financial partners to new ones in other regions where the company already operates. Mota-Engil's financing diversification includes countries such as Angola, Poland, Mexico and others. The percentage of funding in euros has fallen from 97% in 2010 to just over three quarters in 2013. This trend will most likely continue in the upcoming years as the financial sector in Portugal is still trying to recovery

⁵³ Refer to Appendix 8 – Net Debt-to-EBITDA for historical values as well as forecasts

and offering limited access to credit, while abroad markets are offering attractive funding opportunities. On one hand, this measure facilitates access to credit and provides better conditions of the funding (lower interests). On the other hand, it increases significantly the exposure to other currencies and can potentially harm company's profits.

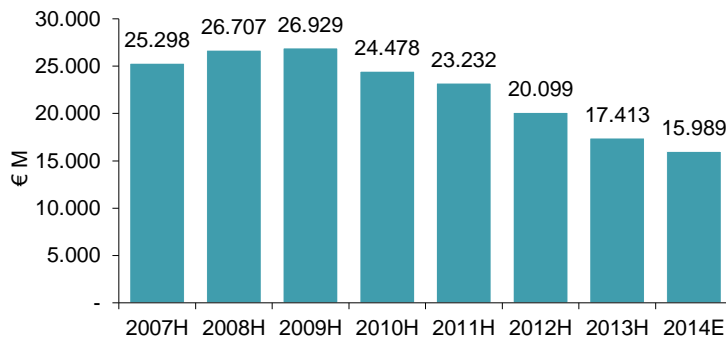
Appendix

Appendix 1: Order book by region



Source: Mota-Engil; NOVA Research Team

Appendix 2: Bank loans to construction firms



Source: Portugal National Bank

Appendix 3: Portuguese ports annual traffic

Annual traffic										
Unit - TEU	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Porto de Viana do Castelo	-	-	214	19	120	710	609	632	666	471
Porto de Douro de Leixões	349 495	352 002	378 387	433 486	450 026	454 503	483 411	514 087	632 665	625 480
Porto de Aveiro	2	-	1	7	61	23	-	-	-	-
Porto da Figueira da Foz	9 948	10 799	10 093	10 667	13 596	13 392	16 475	19 488	19 826	15 897
Porto de Lisboa	514 769	513 241	512 501	554 774	556 062	500 857	512 753	541 907	485 696	547 047
Porto de Setúbal	19 515	13 145	15 736	12 425	17 440	24 986	50 827	77 127	49 350	70 564
Porto de Sines	19 211	50 994	121 957	150 038	233 118	247 633	376 019	445 185	553 062	931 036
TOTAL	912 940	940 181	1 038 889	1 161 416	1 270 423	1 242 103	1 440 093	1 598 426	1 741 266	2 190 495
Grow th rate		3,0%	10,5%	11,8%	9,4%	(2,2%)	15,9%	11,0%	8,9%	25,8%

Source: IMT, I.P.

Appendix 4: Ascendi Concessions

Concession	Stake	Km	Term
Ascendi - Auto-Estradas do Norte	74,9%	175	2029
Ascendi - Auto-Estradas da Costa de Prata	80,2%	109,6	2030
Ascendi - Auto-Estradas das Beiras Litoral e Alta	80,2%	173	2031
Ascendi - Auto-Estradas do Grande Porto	80,2%	55,5	2032
Ascendi - Estradas do Douro Interior	80,8%	242,3	2038
Ascendi - Estradas do Pinhal Interior	8,1%	520,3	2040
Lusoponte	38,0%	19,5	2030
Scutvias - Auto-Estradas da Beira Interior	22,2%	178	2029
Vialitoral - Concessões Rodoviárias da Madeira	4,8%	44,2	2025
MTS - Metro, Transportes do Sul	18,1%	20	2032
Spain - Autopista Madrid - Toledo	15,0%	81	2040
Mexico - Concessionaria Autopista Perote - Xalapa	50,0%	60	2038
Brazil - Concessionária Rodovias do Tietê	50,0%	415	2039
Mozambique - Nova Ponte de Tete	40,0%	701	2032

Source: Mota-Engil

Appendix 5: Real Estate and Financial investments

€'M	Value
Financial Investments	115.685
Auto - Sueco Angola	2.724
BAI - Banco Angolano de Investir	24.053
HEPP	1.562
Indaqua Group	21.104
Obol Invest Group	23.228
SLPP Group	1.734
Suma Group subsidiaries	2.523
TPE Paita	29.207
Other	9.550
Investment properties	55.213
Total	170.898

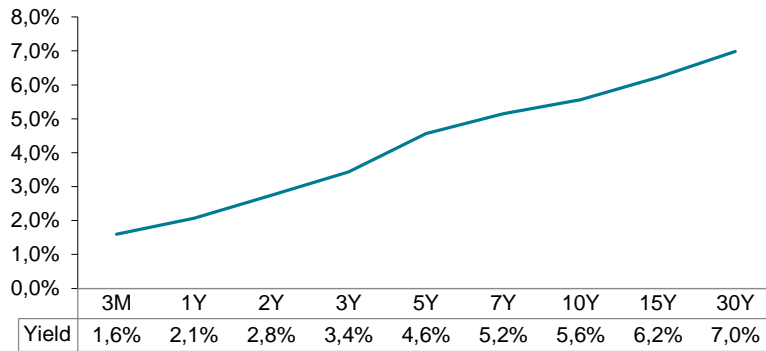
Source: Mota-Engil; NOVA Research Team

Appendix 6: Sensitivity analysis

Value as % of book value		Ascendi international concessions					
		0,0%	25,0%	50,0%	75,0%	100,0%	150,0%
Assets for sale	0%	3,77	3,85	3,93	4,01	4,09	4,25
	25%	3,79	3,87	3,95	4,03	4,11	4,27
	50%	3,81	3,89	3,97	4,05	4,13	4,29
	75%	3,83	3,91	3,99	4,07	4,15	4,31
	100%	3,85	3,93	4,01	4,09	4,17	4,33
	150%	3,90	3,98	4,05	4,13	4,21	4,37

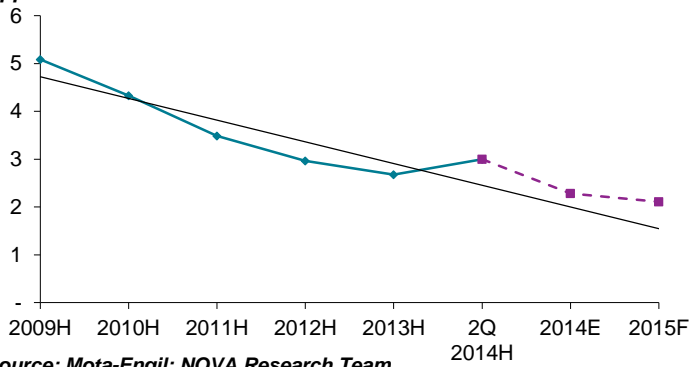
Source: NOVA Research Team

Appendix 7: European Non-Financials BB rated yield curve



Source: Bloomberg

Appendix 8: Net Debt-to-EBITDA



Source: Mota-Engil; NOVA Research Team

Financial Statements

Balance Sheet - Consolidated

€'M	2011H	2012H	2013H	2014E	2015F	2016F	2017F	2018F	2019F	2020F
Goodwill	135	127	134	134	134	134	134	134	134	134
Intangible fixed assets	308	125	133	128	128	128	128	128	128	128
Tangible fixed assets	565	613	691	705	713	737	779	811	849	881
Financial Investments	285	324	377	289	289	289	289	289	289	289
Customers & other debtors	157	174	213	234	186	163	141	108	80	51
Other non-current assets	137	130	82	108	75	76	77	77	76	75
Total non-current assets	1.586	1.494	1.630	1.598	1.525	1.527	1.549	1.548	1.556	1.558
Inventories	242	269	311	253	262	260	242	239	234	251
Customers & other debtors	1.286	1.243	1.261	1.247	1.374	1.403	1.311	1.352	1.364	1.380
Other current assets	176	321	265	208	222	229	222	227	229	242
Cash and equivalents	235	272	306	653	564	505	561	565	575	620
Total current assets	1.938	2.105	2.144	2.360	2.422	2.397	2.336	2.383	2.402	2.493
Total assets	3.524	3.599	3.773	3.958	3.946	3.924	3.885	3.931	3.958	4.052
Equity	313	324	357	408	439	486	529	572	612	652
Minority interests	102	112	202	204	219	243	264	286	306	326
Total Equity	415	436	559	612	658	729	793	858	918	978
Debt and equivalents LT	672	491	748	900	850	800	808	816	824	832
Sundry Creditors	238	289	185	306	297	298	300	298	295	293
Provisions	88	100	99	90	79	75	70	63	57	51
Other non-current liabilities	56	33	35	59	57	57	58	58	57	57
Total non-current liabilities	1.054	913	1.066	1.356	1.283	1.230	1.236	1.236	1.234	1.233
Debt and equivalents ST	595	633	585	555	527	501	501	501	501	501
Suppliers	478	526	488	488	482	470	435	419	400	420
Other current liabilities	982	1.091	1.075	948	996	995	920	918	905	920
Total current liabilities	2.055	2.250	2.148	1.990	2.005	1.965	1.856	1.837	1.805	1.841
Total Liabilities	3.109	3.163	3.214	3.346	3.288	3.195	3.092	3.073	3.039	3.074
Total Equity and Liabilities	3.524	3.599	3.773	3.958	3.946	3.924	3.885	3.931	3.958	4.052

Profit & Loss - Consolidated

€'M	2011H	2012H	2013H	2014E	2015F	2016F	2017F	2018F	2019F	2020F
Sales	2 270	2 326	2 375	2 478	2 568	2 701	2 856	3 029	3 148	3 272
EBITDA	296	287	363	394	399	404	417	427	429	430
Depreciation	(91)	(91)	(103)	(102)	(104)	(107)	(113)	(118)	(123)	(127)
Provisions and impairment losses	(35)	(25)	(17)	(20)	(51)	(21)	(22)	(23)	(24)	(25)
EBIT	169	171	243	271	245	275	282	286	282	277
Financial income	81	137	176	23	24	24	22	22	22	22
Financial costs	(161)	(219)	(283)	(100)	(95)	(89)	(90)	(90)	(91)	(92)
Gains/(losses) in associates	1	22	(1)	7	7	7	7	7	7	7
EBT	90	111	135	201	182	217	221	225	220	215
Taxes	(19)	(37)	(47)	(63)	(57)	(68)	(70)	(71)	(69)	(68)
Profit for the year	71	74	88	138	125	149	152	154	151	147
Minority interests	(38)	(33)	(38)	(62)	(56)	(67)	(68)	(69)	(68)	(66)
Profit attributable to the Group	33	41	51	76	69	82	83	85	83	81

Cash-Flow Statement - Consolidated

€'M	2011H	2012H	2013H	2014E	2015F	2016F	2017F	2018F	2019F	2020F
Turnover	2.270	2.326	2.375	2.478	2.568	2.701	2.856	3.029	3.148	3.272
<i>Growth rate</i>	13,3%	6,9%	5,9%	7,1%	6,7%	8,2%	8,8%	9,1%	6,9%	6,9%
EBITDA	261	263	346	374	349	382	394	403	405	405
<i>EBITDA margin</i>	11,5%	11,3%	14,6%	15,1%	13,6%	14,1%	13,8%	13,3%	12,9%	12,4%
EBIT	169	171	243	271	245	275	282	286	282	277
Tax	(40)	(54)	(81)	(85)	(77)	(87)	(89)	(90)	(89)	(87)
NOPLAT	129	117	162	186	168	189	193	196	193	190
Depreciation	91	91	103	102	104	107	113	118	123	127
Capex	(134)	56	(195)	(111)	(112)	(131)	(155)	(150)	(160)	(160)
Δ NWC	3	26	(60)	(4)	(107)	(48)	7	(62)	(41)	(17)
Other	(54)	28	(145)	94	28	18	18	24	19	20
Operating CF	35	318	(134)	267	81	133	176	126	134	160
After-tax gains (loss) in associates	0	16	(1)	5	5	5	5	5	5	5
After-tax financial income	60	98	121	15	16	16	15	15	15	15
Δ non-operating assets and liabilities	147	(32)	39	30	31	1	1	1	1	1
FCF	242	400	25	318	133	156	197	147	155	181

Disclosures and Disclaimer

Research Recommendations

Buy	Expected total return (including dividends) of more than 15% over a 12-month period.
Hold	Expected total return (including dividends) between 0% and 15% over a 12-month period.
Sell	Expected negative total return (including dividends) over a 12-month period.

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