

A Work Project presented as part of the requirements for the Award of a Master's Degree in Finance from the Nova School of Business and Economics.

**EQUITY RESEARCH – Meliá Hotels International**

Ricardo Andrés Rodríguez García | 43393

A project carried on the Equity Research WP, with the supervision of:

Irem Demirci

Maximiliano González

20-05-2021

---

**Abstract:** This Equity Research aims to analyze Meliá Hotels International's in-depth sense to make a final recommendation to buy, hold, or sell the share that someone has or wants to buy shortly during 2021. This work starts by presenting a macroeconomic and industry overview. Later, the hospitality sector and its tendencies will be analyzed. After that, the past performance of each operating segment will be evaluated to give context to the valuation. This equity research estimates all different valuations as DCF, APV, and the comparables method; nevertheless, the DCF is which the decision will be made.

**Keywords:** Meliá Hotels International; hospitality sector; covid-19; valuation.

# Meliá Hotels International

# Company Report

*Hotel Industry*

20 May 2021

STUDENT: Ricardo Andrés Rodríguez García

[43393@NOVASBE.PT](mailto:43393@NOVASBE.PT)

## A pandemic that changes a whole industry

*Building a new strategic plan in a record time*

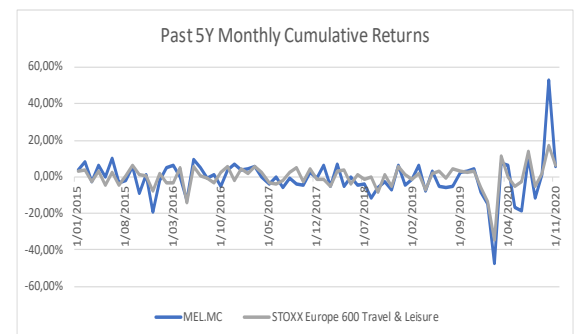
- Due to the Covid-19, Meliá Hotels International should rebuild in a short time all the strategy for the next five years known as "The Day After" a new plan, adapting the Company to a modern operating model emphasizing the digitalization of its business.
- Due to the entry of new competitors with platforms as Airbnb and other kinds of similar business, the Company needed to put its efforts into creating a business model different but maintaining its essence, where the customer experience was driven to the use of new technologies since the sales process to back and front office services.
- To attend to the financial challenges, the Company must have disinvestments in different places globally as Cuba, China, and Latin America, to keep its economic stability. But, unfortunately, the evolution of the pandemic and their government's decisions marked the sector at a dead point for six months roughly.
- During 2017 and 2019, the Company had moderate growth in the different regions where it had a presence. Thus, it was outperforming comparing to the market and most of its peers. However, the share price of MHI was not affected deeply by this, and its returns were strongly correlated with the market behavior.

### Company description

Meliá Hotels International is a Spanish multinational part of the world's Top 20 largest hotel companies. MHI operates in 35 countries in Asia, América, and Europe, with 317 hotels in these regions with 13.126 available rooms in 2020 (24.099 in 2019 - 45,4%). MHI made different acquisitions in its history as Hotasa ('84), CHM ('86), Meliá ('87), TRYP hotels, and German Company Inside ('00). It was known as Sol Meliá until 2011.

<b>RECOMMENDATION</b>	<b>BUY</b>
<b>PRICE TARGET 2021</b>	<b>8,05 €</b>
<b>PRICE 2020</b>	<b>5,72 €</b>
<b>SHARE PRICE 20/05/2021</b>	<b>6,67 €</b>
<b>ESTIMATED RETURN 2020 VS 2021</b>	<b>40,7%</b>
<b>ESTIMATED RETURN LTM VS 2021F</b>	<b>20,6%</b>

Source: Bloomberg



	2018	2019	2020	2021F
Revenue	1.831,32	1.800,75	528,40	835,56
EBITDA	500,90	477,91	(151,53)	(8,99)
Net Profit	144,87	138,36	(607,83)	(337,12)
Price	8,21	7,86	5,72	10,29

Source: Bloomberg and Analyst Estimates

## Table of Contents

<b>Executive summary</b> .....	<b>3</b>
<b>Company Overview</b> .....	<b>4</b>
Brands Overview .....	5
Strategy .....	7
<b>Economic Overview</b> .....	<b>8</b>
<b>The Sector</b> .....	<b>9</b>
Industry Overview .....	9
Comparables .....	14
<b>Segment Performance</b> .....	<b>15</b>
<b>Valuation</b> .....	<b>17</b>
Assumptions .....	17
Output .....	22
<b>Sensitivity Analysis</b> .....	<b>24</b>
<b>Conclusion</b> .....	<b>25</b>
<b>Appendix</b> .....	<b>26</b>
Financial Statements .....	26
<b>Disclosures and Disclaimers</b> .....	<b>32</b>

## Executive summary

Meliá Hotel International (MHI) is one of the top 20 largest companies globally, reaching 317 hotels and has a presence in 135 countries. The Company is developed in three regions: America, EMEA (Spain represents 70% of the revenues in the region), and Asia, each one had a percentage over the revenue of 26%, 73%, and 0.4% respectively for 2019 (during the pandemic in 2020 the proportion changed moderately with 31%, 68%, and 0.5%). The Company owns several brands, divided into the following categories: luxury, upscale and midscale. At the same time, MHI focuses its operations on the different business models, such as owned hotels (14%), leased hotels (32%), managed hotels (39%), and franchised hotels (15%).

At the end of 2019, the Company reached revenues by € 1.801 million (since 2016, MHI had practically the same revenues on average at a CARG of -0.02%); nonetheless, during the Covid-19 crisis, the revenues decreased by 71% (€ 528 million). Also, in 2019 the Company make capital investments by € 487 million divided in Capex (€ 187 million) and Right-of-Use assets (€ 300 million). This investment was crucial in the business plan of the Company to face the entry of new competitors and substitutes, such as Airbnb, fighting with new technological tools, a more significant presence in the market, and the sustainability of the business. Comparing the firm with its main competitors, it is possible to observe how it has one of the better cash conversion cycles in the industry with -11.3 days while the average of its peers is 6.8 days. On the other hand, in terms of liquidity, MHI is slightly below the market for current, quick, and cash ratios with values of 0.83, 0.79, and 0.43, while the sector has an average of 0.96, 0.93, and 0.43, which means that the Company is not far from industry. Furthermore, in terms of profitability from investments, ROA and ROE of the Company have values of 2.61% and 9.77%, with a peer's average of 3.47% and 11.27%, reflecting a lower ability to generate revenues with similar investment in assets and equity than the market. Finally, regarding EBIT and Net Margin, MHI is also below the market by 3 and 2 percentage points, representing a lower ability to convert sales into profits.

After the crash of 2020, MHI expects to recover its 2019 revenue level in 2024, and hence, the cash flow will tend to have a perpetual growth rate of **2.6%**. According to the DCF model, the firm forecasts a valuation of **€8.05** at the end of 2021, representing 20.6% (+€1.38) profitability if an investor decides to buy the share price of May 20, 2021, which was **€6.67**. Considering the other valuation method, the APV model, the Company is projected to have a valuation of **€9.55** at the end of 2021, representing a profitability of **43.2%** (+€2.88).

## Company Overview

Meliá Hotels International (MHI) was created in 1956 as Sol Meliá. This name was changed recently, in 2011, as a strategy to make the Company more international and expand its operations to new markets. This Company resulted from different acquisitions that started in 1984 with the purchase of Holasa, following with other hotel chains, such as CHM, Meliá, TRIP Hotels, and the German Company Ininside. Currently, the Company operates in 35 countries and has 8.475 employees (Due to the temporary lay-off regime, the number of employees was reduced by 58%, where the personnel hired in 2019 was 20.204).

Currently, the Company owns several brands, divided into different categories, such as luxury - 12% of the total - (ME by Meliá Hotels, Paradisus and Gran Meliá), upscale - 52% - (Meliá and Ininside) and mid-scale - 29% - (Tryp by Wyndham and Sol). All these brands are operated under four business models: owned hotels (14% of the total, MHI owns and manages the hotels), leased hotels (32%, MHI leases these hotels and manage them), managed hotels (39%, MHI manages the hotel that owns to other part and operates it under an MHI's brand) and franchised hotels (15%, the hotel owner operates the hotel under an MHI's brand). Nowadays, the Company generates the most significant portion of its revenue in Europe, especially in Spain. MHI operates in three regions: Europe (Austria, Germany, France, United Kingdom, Italy, and Spain) owes 68% of its revenue by 2020 (73% in 2019), America (Dominican Republic, Mexico, USA, Venezuela, Cuba, and Brazil) owes 32% of its revenue by 2020 (26% in 2019) and Asia (Indonesia, China, and Vietnam) that is the region with the most negligible impact in the Company with 0.5% of the total revenue by 2020 (0.4% in 2019).

During 2020 (and previous years), MHI was focused on attracting its revenue (in 2020 was € 528.4 million, and in 2019 was € 1,800.75 million) through direct sales with roughly 60% of the total amount, following by e-commerce, tour operators, MICE (Meeting, Incentives, Conferencing, and Exhibitions) and Corporate. The MHI's strategy has decided to increase its e-commerce channel to make the Company more competitive to face the challenges of the market.

MHI shares are trading in the Madrid Stock Exchange (under the ticket "MEL.MC"). Between 2015 and 2019, the Company had huge fluctuations caused by the entry of new direct competitors and substitutes (platforms such as Airbnb), with a price range of € 7.12 - € 13.63 until it reached a share price end 2019 of € 7.86. Due to the Covid-19 in 2020, the Company had a price range of € 2.74 - € 8.34 ending in December with a share price of € 5.72.

## Shareholder Structure

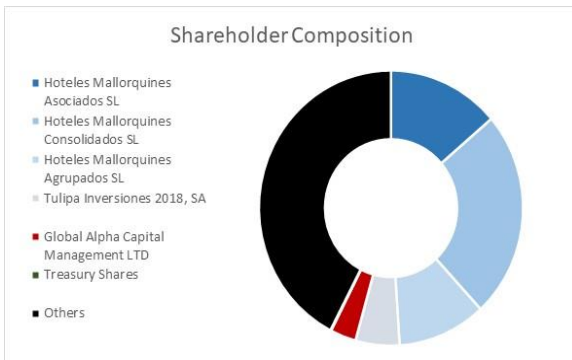


Exhibit 1 – Shareholder  
Composition  
Source: Annual Report 2020 –  
Meliá Hotels International

Meliá Hotels International is controlled by the Escarrer Family throughout four different companies (blue ones on the Exhibit 1): Hoteles Mallorquines Asociados SL, Hoteles Mallorquines Consolidados SL, Hoteles Mallorquines Agrupados SL and Tulipa Inversiones 2018, SA. All of them give to Escarrer Family control of 54.34% of votes, so the firm is considered a family company from its foundation until today. In 2019, another significant shareholder entered the Company: Global Alpha Capital Management LTD, which acquired 3.1% of the total shares. The rest of the shares (42.4%) are distributed to minority shareholders

At the end of December 2020, MHI had 229,7 million outstanding shares and was not distributed dividend payments to its shareholders because of the pandemic. In 2019 dividends were distributed for € 41.7 million, and the Company carried out a treasury share buyback for € 12.1 million.

## Brands Overview

Since its foundation, Meliá Hotels International has developed a strategy to reach different targets in the market and fulfill its expectations. Having this into account, MHI creates seven brands divided into upper scale, upscale and midscale hotels (plus the hotel chains affiliated by Meliá that represent 7% of the total):

**Gran Meliá Hotels & Resorts:** This brand represents 5% of the portfolio, and it is considered the most luxury brand of Meliá Hotels International. It is operated in 6 countries and has 14 hotels. One of the main objectives is to exemplify the Spanish culture where nature is mixed with luxury, keeping its local culture with haute cuisine restaurants. In 2020, the revenues reached by direct sales represented 57% of the total, following by e-commerce (21%), tour operators (10%), MICE (7%), and Corporate (5%). However, because of the Covid-19, the occupancy decreased in 2020 (35.3%) by 43% (2019: 61.9%). Meanwhile, the average room rate (ARR) fell in 2020 (€166.9) by 20.8% (2019: € 210.6), and hence the revenue per available room (RevPAR) decreased in 2020 (€ 58.9) by 54.8% (2019: € 130.3).

**ME by Meliá:** This brand represents 3% of the portfolio, and it is a luxury brand of Meliá Hotels International. It is operated in 5 countries and has seven hotels. The hotel has a concept more modern and contemporary, attracting young people mainly. In 2020, the revenues reached by direct sales represented 55% of the total, following by e-commerce (28%), tour operators (3%), MICE (5%), and Corporate (9%).

Because of the Covid-19, the occupancy decreased in 2020 (39.3%) by 43% (2019: 66.2%). Meanwhile, the ARR decreased in 2020 (€ 235.6) by 10.5% (2019: € 263.1), and hence the RevPAR decreased in 2020 (€ 94.8) by 45.5% (2019: € 174).

**PARADISUS by Meliá:** This brand represents 4% of the portfolio, and it is a luxury brand of Meliá Hotels International. It is operated in 3 countries and has 12 hotels. The hotel has a concept that mixes nature and the local life of every region where it is located, and following its name, it tries to lead its clients to a paradisiacal concept. In 2020, the revenues reached by direct sales represented 37% of the total, following by e-commerce (15%), tour operators (30%), MICE (13%), and Corporate (5%). Because of the Covid-19, the occupancy decreased in 2020 (41.7%) by 25% (2019: 55.7%). Meanwhile, the ARR increased in 2020 (€ 132.1) by 3.6% (2019: € 127.5), and hence the RevPAR decreased in 2020 (€ 55.2) by 22.2% (2019: € 71). This brand was the least affected in this category because of its presence in Mexico. Its governmental policies were not so strict and limited in the pandemic, especially in some touristic places as Cancún; in this city, daily life continued developing with few requirements. Nevertheless, it was affected by the closure of airports in the rest of the world.

**Meliá Hotels & Resorts:** This brand represents 40% of the portfolio (which translates into the most significant portion of its revenue), and it is an upscale brand of Meliá Hotels International. It is operated in 34 countries and has 120 hotels. The hotel has a concept of providing high-quality, more accessible services to its clients and more personalized. It also offers more innovative meeting rooms to meet all the requirements needed. In 2020, the revenues reached by direct sales represented 42% of the total, following by e-commerce (22%), tour operators (16%), MICE (10%), and Corporate (10%). Because of the Covid-19, the occupancy decreased in 2020 (48.1%) by 43% (2019: 63.4%). Meanwhile, the ARR decreased in 2020 (€ 99.6) by 5.6% (2019: € 105.5), and hence the RevPAR decreased in 2020 (€ 32.7) by 51.1% (2019: € 66.9).

**Innside by Meliá:** This brand represents 12% of the portfolio, and it is an upscale brand of Meliá Hotels International. It is operated in 12 countries and has 32 hotels. The hotel specializes in giving high-quality services to fulfill the expectations of its clients for work or leisure. In 2020, the revenues reached by direct sales represented 36% of the total, following by e-commerce (35%), tour operators (3%), MICE (8%), and Corporate (18%). However, because of the Covid-19, the occupancy decreased in 2020 (36.7%) by 47.8% (2019: 70.3%). Meanwhile, the ARR decreased in 2020 (€ 86.3) by 23% (2019: € 112.1), and hence the RevPAR decreased in 2020 (€ 31.7) by 59.8% (2019: € 78.8).

**Sol by Meliá:** This brand represents 18% of the portfolio, and it is a midscale brand of Meliá Hotels International. It is operated in 7 countries and has 65 hotels. The hotel specializes in providing to give quality services to families at more economical prices. In 2020, the revenues reached by direct sales represented 40% of the total, following by e-commerce (24%), tour operators (28%), MICE (4%), and Corporate (4%). The occupancy decreased in 2020 (39.6%) by 44% (2019: 70.8%). Meanwhile, the ARR decreased in 2020 (€ 74.4) by 5.6% (2019: € 78.8), and hence the RevPAR decreased in 2020 (€ 29.5) by 44% (2019: € 52.6).

**Tryp by Wyndham:** This brand represents 11% of the portfolio, and it is a midscale brand of Meliá Hotels International. It is operated in 7 countries and has 67 hotels. In 2020, the revenues reached by direct sales represented 47% of the total, following by e-commerce (21%), tour operators (26%), MICE (3%), and Corporate (3%). The occupancy decreased in 2020 (32.3%) by 51% (2019: 65.3%). Meanwhile, the ARR decreased in 2020 (€ 60.2) by 15.8% (2019: € 71.6), and hence the RevPAR decreased in 2020 (€19.5) by 58.3% (2019: €46.7).

## Strategy

The Covid-19 pandemic accelerated the plans to modify the Company's business model, prioritizing the digital channel over the direct sales one, as a project between 2020 and 2022 to face the challenges of the business. The entry of new companies such as Airbnb, Niumba, Vrbo, and Spotahome offers the ideal substitute to the hotel sector with a business entirely digital, economic, and offering a “home experience” to its customers. At the same time, the Company is keeping its strategy to deepen in a sustainable business. MHI is reaching this goal by offering high-quality services without putting aside environmental challenges.

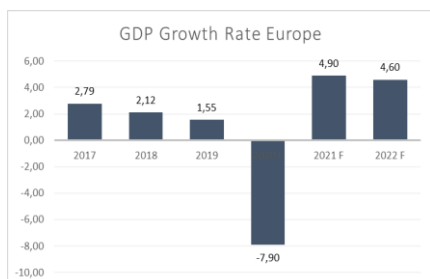
The Company is involved in promoting the efficient use of water and energy (nowadays, 60% of the energy use is considered “green energy”) to meet this path to have a sustainable business. It combines nature with its business model, protecting the local fauna and flora that could be threatened, besides summing up the local communities to be part of MHI, and hence, to help them with their development.

Other aspects, such as the elimination of single-use plastics, optimal waste management, and the awareness of the needs of every local community, are being part of the consolidation of this strategy. In addition, in 2018 was created “The Meliá Sustainable Committee” to attend and evaluate every new business to prevent the environmental commitments could be unfulfilled.

Despite the current economic challenges, where the Company is going through the worst difficult time in its history, it requires different investments to overcome this situation, especially in the technological aspects, to make the business more modern and meet the needs of the new generations. These generations are more technological and require support 24/7 throughout the internet or other platforms, not only in the sales process but also the post-sales services, or inclusive to inform immediately to the hotel if something wrong happens with their room, food, etc.

## Economic Overview

During 2020, the economy was hugely impacted. Entire nations were isolated from the rest of the world. This situation caused the worst social crisis in more than a century. The economy was closed gradually in most countries, starting with the closure of national and international flights and finishing with the partial closure of the local businesses. Because of that, growth rates for different indexes went down, and many companies entered into bankruptcy, and poverty increased. In November 2020, pharmaceuticals worldwide announced the success of their vaccines, and the hope to control this virus emerged again. From this moment, the economy started its process of recovering. Nevertheless, this process continues to be slow because of the limitation to produce and distribute the vaccines, and the threat of new infection peaks, so the economy is partially closed again.



Since 2016, the growth of **Europe** was affected negatively because of the Brexit, which caused the economic development of the EU did not have the same increase as previous years due to financial instability this decision represented in all the region. Then, year by year, the GDP of Europe has less growth, so, while in 2017, the growth was 2.79% in the following years were only 2.12% for 2018 and 1.55% for 2019 as observed in *Exhibit 2*. In 2020, Europe was one of the regions more affected by the Covid-19. In March, Spain and Italy had the most health crisis in their recent history; the pandemic exploded without any preparation of their governments. One day to another, the economy closed in those countries for roughly three months adopting strict measures to prevent the spread of the virus that was causing the collapse of the medical units. Regarding this situation, the region had negative growth of 7.9% in 2020; nevertheless, thanks to the research of pharmaceuticals located in Europe and multilateral agreements with other vaccine-producing countries gave Europe a privileged position for recovering. Hence, the economic perspective is better for the upcoming years, so for 2021, the IMF forecast growth by 4.9% and 4.6% for 2022.

*Exhibit 2 – GDP Growth Rate Europe*  
Source: International Monetary Fund

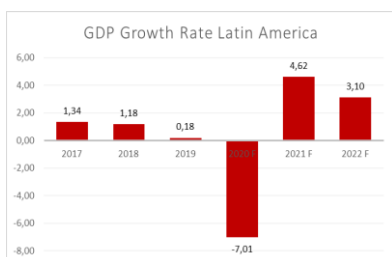


Exhibit 3 – GDP Growth Rate LATAM  
Source: International Monetary Fund



Exhibit 4 – GDP Growth Rate Asia and Pacific.  
Source: International Monetary Fund

Regarding **Latin America**, the region was also hit in the years before 2020 because of political instability in countries like Chile, Brazil, Argentina, Peru, Colombia, and Mexico that caused big riots. This leads to moderate GDP growth and a threat in 2019 of a possible recession, where the region only could reach a growth rate of 0.18%, as shown in *Exhibit 3*. In 2020, the region had a negative growth rate of 7.01% due to restrictions in the economy, especially Colombia and Argentina, where the lockdown was extended by 6-7 months. Nevertheless, this downturn in the economy was countered by Brazil and Mexico, where the economy remained open with few restrictions in the daily life of their population. Still, the border closure in the rest of the countries in Latin America did not prevent the economy went down. For 2021 and 2022, IMF forecasts a growth rate of 4.62% and 3.1%, respectively, thanks to the acquisition and distribution of vaccines and better political stability.

Finally, the **Asia and Pacific** region has reached a stained economic development for a decade, as shown in *Exhibit 4*. In 2020, its growth was also going down, but with less impact than other regions, having a negative GDP growth of 1.5%. This is because of the quick action plan taken by China to control the virus. For the upcoming years, IMF forecasts a growth rate of 7.6% for 2021 and 5.4% for 2022. Nevertheless, this region has a small representation in the revenues of Meliá.

## The Sector

### Industry Overview

The hotel industry has been through substantial economic difficulties derived from Covid-19, where the revenues worldwide decreased by 61% in 2020. During the previous years, the sector grew by 3% on average, marked by the good results of the **Asian** economy, which was transformed into a touristic center of the world, a good GDP, and political policies to attract people to its destinations. Countries such as China, Thailand, Arab Emirates (Dubai), Japan, South Korea, and Indonesia has helped to the development of the sector, preventing a further downturn in the growth rates, in 2020 for instance, decreased by 52%, almost ten percentage point than other areas. This region has the most significant perspectives of recovery from 2021 and onwards. Regarding **Europe**, it was drastically hit in 2020 because of the economic closures of Spain, Italy, and the United Kingdom; the sector decreased in revenues by 74%, while the occupancy that in 2019 was 72% in 2020 reached only 35%. Nevertheless, five economies promise to be the pillars of the recovery in Europe: Spain (comparing 2019 vs. 2025 expects to grow a CARG of 5.2% on the revenues), United Kingdom (comparing 2019 vs. 2025 expects to grow



Exhibit 5 – Worldwide Hotel Revenues 2017 – 2026F  
Source: Statista

A CARG of 2% on the revenues), Germany (comparing 2019 vs. 2025 expects to grow a CARG of 1.6% on revenues), France (comparing 2019 vs. 2025 expects to grow a CARG of 1% on revenues), and Italy (comparing 2019 vs. 2025 expects to grow a CARG of 0.6% on revenues). On the other hand, in America, the sector decreased in revenues by 60%, while the occupancy in 2019 was 66%, in 2020 reached only 32%. Nonetheless, as well as the other regions, the region expected to recover its revenues to 2019 levels, but with a slight growth for the upcoming years, considering the social and economic issues that the region presents constantly.

### **A new digital era**

Applications and other technological services are becoming progressively significant in how hotel owners deal with their business to offer different services. With these technologies, companies can easily control and follow up all the aspects of the customer experience, from the sales process until the post-sale process. During the pandemic in 2020, the pattern towards computerized and contactless services acquired a new force, where the social distance was stated worldwide to keep the social relationships safe. Direct contact (sales or any customer experience) is constantly updated because of the undeniable utilization of innovative alternatives, such as biometrics, mobile check-in/check-out, voice control, and contactless payments.

The customers (especially the young people) demand services provided for the companies (particularly those related to pleasure and leisure) that offer quick alternatives nowadays, such as unlocking their cell phone with facial or voice recognition or using the finger impression to unlock their computer. Of course, the main obstacle to meet these requirements demanded by the customers is the investment cost; nevertheless, it is required to survive in the market and face the direct competitors and substitutes of the segment.

Besides, the new technological platform should be led to make different improvements to reduce response times for the customers and optimize the customer experience given by the employees. To meet this strategy, the firm should acquire inclusive artificial intelligence technology, such as chatbots, rethinking how the business can provide quick and timely answers in their processes. Chatbots have demonstrated to be a client care resource both during the booking cycle and in reacting to the typical inquiries on the measures relating to COVID-19.

Current hotel companies' operations focus on increasing their investments in business systems more sophisticated to monitor and optimize revenues, costs and

expenses, customer experience, asset management, channel sales, and public relationships. Every day, it is more demanded a business acquire specialized technology to satisfy their needs in the management process using predictive analysis, such as machine learning to anticipate risks and build a better strategy to consolidate the development and growth of the business.

### **Sustainability as a policy**

In the last decade, due to environmental issues and the awareness of the new generations to fight against climate change, many companies decided to be involved in the sustainability concept. The hotel sector was not the exception, mainly when building the largest hotel chains could generate environmental impact in the regions where it will be located. The locals will demand that these businesses reduce their negative impact and take a path of being friendly sustainable. To have optimal waste management, reduce CO2 emissions, promote the efficient use of water and energy not only by the companies and their employees but also by the customers that using their services in every hotel, use natural materials as well as possible, promote the eco-tourism (combined the experience of luxury, pleasure, and leisure with nature itself without being intrusive and keeping the “two worlds” separated as much as possible to prevent causing any harm). Besides, in the last few years, also there is a new trend to sell and promote food for the “Veggie lovers” and vegetarian alternatives, which have notable ecological benefits.

### **A business more personalized**

A big challenge came to the hotel sector during the pandemic because different government restrictions forbidding and limiting its citizens took international and local flights. Hence, tourism suffered a severe blow to its business, so other hotel chains implemented another strategy to keep the business alive, stimulating the tourism by those deciding to remain nearer at home for health or economic reasons and wanted to take a break from their daily life. Offer them high-quality services, a good spa, or enjoy a sauna or a swimming pool, combined with haute cuisine food within their city or region.

More than another time, the customers have developed the need to be perceived and treated as individuals. Businesses exceed all expectations to satisfy their clients in-depth, using different e-mail marketing platforms that have customized their advertising to reach them with effective communication. This is the most effective way to keep a customer's loyalty, giving them a greeting on their birthday with customized promotions or making recommendations considering previous experiences. The customer will always look forward to receiving more attention, especially in a sector like this. The hotels should invest a considerable amount of

money in satisfying these needs and keeping a good market share.

Clients demand outrageous personalization, exceptional experiences in each travel, etc. They are becoming more independent when choosing a destiny, making a booking, picking a plan (all-inclusive, only breakfast, and so on). This is easy with platforms such as Trivago, Booking.com, Agoda, or Kayak. Customers can compare all the plans for different hotels and destinies, so the need for an agent traveler is being put aside, especially in the Y and Z generation.

In recent years, it has been seen, especially in young generations, a feeling known as “travel blame.” These kinds of customers considered minimalism more critical than fulfilling their “travel life” with a lot of wealth and looking for experiences over luxury. Still, these experiences should be related to the encounter with local communities, combined with adventurous or relaxation plans that allow them to have a self-knowledge experience.

Other types of travelers to attend are the solo travelers, which are increasing when self-care becomes more critical; many have accepted the thoughtful benefit of investing energy alone and wandering out into the enormous wide world unrestricted, making new friends that in general are also solo travelers. To fulfill the expectations of these kinds of customers, from 2010 and onwards, the hotels decided to create plans especially for them, made events for integration with another similar traveler. This strategy is led to increase and strengthen their market share that has always belonged to hostels. Nevertheless, to reach this strategy is necessary to create a comfortable environment where the staff of the hotel and these kinds of clients have a treat much closer, eliminating some types of boundaries.

### **A safe travel**

Cleanliness, tidiness, and the related requirement for more wellbeing and security are probably the main components of the industry patterns for the upcoming year. The pandemic has guaranteed that hygiene, which is standard in each hotel, returned to the center of the debate. On these harrowing occasions, cleanliness is just a piece of a joyful visitor experience. The hotel industry should do whatever it takes to guarantee that the customers have a safe stay.

Due to the current situation, hotels must give support to their customers in all the steps of the process (when a sale is successful until the client returns home). So, hotels should provide all the recommendations and new announcements related to health issues in regions where the hotels are located, guaranteeing with this the security of their clients and their employees. It is not only about cleaning, as the

cleanliness norms in the industry have consistently been high; it is tied in with appearing, saying, clarifying, and delineating to the clients which steps have to be done from beginning to the end.

### **Competitors and substitutes**

During 2010 and 2019, the hospitality sector had a boom in creating new hotel conglomerates thanks to the tourism increasing in all the world. The most demanded hotels were related to eco-tourism, attending to the latest international trends where generation Y and Z started to dominate the market. Those generations are more aware of climate change, influencing their families to consume these services.

However, during the same period, the creation of new platforms as Airbnb slowed down the sector's growth; the new generations also preferred using these platforms in solo travels and friends' travels. The absence of laws that regulated this business increased the attractiveness for entry to this market, but this is contrary to the interests of the hotel sector because while they have a tax regulation in all the countries, Airbnb does not, so it is a service cheaper with few investments comparing with a hotel.

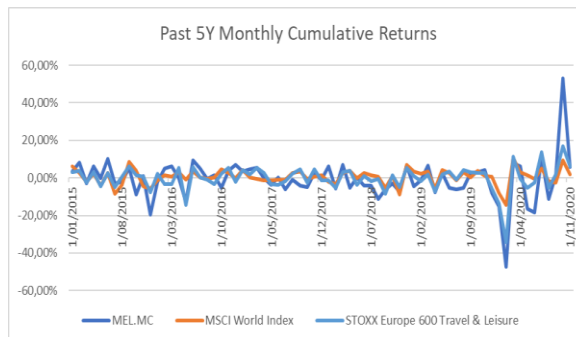
### **Flexibility**

To overcome possible financial losses, the companies should adapt their policies to this new challenge offering their customers flexibility in the cancelation of booking. This type of measure generates loyalty in the customer because the customer starts to see the companies that implement these policies as a firm that understands the current geopolitical situation. Also, to guarantee to keep the client the companies of the sector started to issue bonus or reschedule the travel of the costumers maintaining the same prices.

## Comparables

### Meliá Hotels International vs. the market and competitors

Analyzing the behavior of the returns of MHI, the Company is below the market and its main competitors; as shown in *Exhibit 6*, the losing times hit the Company drastically. Still, during the good times, the Company has a moderate growth behavior, making the Company one of the most economical.



*Exhibit 7 – Cumulative Monthly Returns*  
Source: Bloomberg

	2016	2017	2018	2019	2020
Meliá Hotels Int.	-9%	4%	-34%	-4%	-32%
NH Hotel Group, S.A.	-27%	44%	-39%	15%	-31%
Accor SA	-12%	19%	-15%	12%	-34%
Dalata Hotel Group	-21%	36%	-29%	8%	-31%
Hilton Grand Vacations Inc.			-46%	26%	-9%
Playa Hotels & Resorts N		6%	-41%	16%	-34%
STOXX Europe 600 Travel & Leisure	-12%	12%	-18%	17%	-17%
MSCI World Index	8%	5%	-6%	24%	5%

*Exhibit 6 – Yearly Returns for selected peers and market indexes*  
Source: Bloomberg

	Monthly 5Y	Biggest Downfall	Biggest Upside
Meliá Hotels Int.		-47,4%	53,0%
NH Hotel Group, S.A.		-28,0%	57,0%
Accor SA		-26,8%	27,4%
Dalata Hotel Group		-52,1%	44,9%
Hilton Grand Vacations Inc.		-52,5%	29,8%
Playa Hotels & Resorts N		-110,8%	34,5%
STOXX Europe 600 Travel & Leisure		-34,4%	17,0%
MSCI World Index		-14,4%	10,4%

*Exhibit 8 – Past 5 years' Monthly Largest Upside and Downfall for selected peers and market indexes*  
Source: Bloomberg

Comparing with the Stoxx Europe 600 (Travel & Leisure) and MSCI World Index, it is possible to see that the Company is correlated with the market trends. As shown in *Exhibit 7*, some peaks are not translating to the business. MHI is a company that has a strong presence in the Spanish, and the European market, where most of its revenues come from, its presence in countries as China is negligible. All the trends mark this region as the best in the market to have enormous opportunities for growth. Nevertheless, until now, the strategy of Meliá did not focus on this region as one to make significant investments, and the market sees this as a losing opportunity. Meanwhile, its main competitors have a better presence in this region. It is possible to observe how the pandemic hit the market in 2020, as its shows in *Exhibit 8*, where the fluctuation by both sides (upsides and downfalls) was high, and all the companies showed the same behavior.

Year	EPS	Dividends
2017	0,01 €	0,19 €
2018	0,63 €	2,02 €
2019	0,60 €	0,25 €
2020	-2,65 €	0,77 €
2021F	-1,47 €	0,00 €
2022F	-0,83 €	0,00 €
2023F	-0,16 €	0,00 €
2024F	0,43 €	0,18 €
2025F	0,45 €	0,18 €
2026F	0,47 €	0,19 €
2027F	0,49 €	0,20 €
2028F	0,52 €	0,21 €
2029F	0,54 €	0,22 €
2030F	0,57 €	0,23 €

*Exhibit 9 – MHI's Forecasted EPS and Dividend distributions*  
Source: Analyst Estimates

Because of Covid-19, the Company will not be able to pay dividends in the upcoming years to its shareholders, as it shows in *Exhibit 9*, it is projected for the period 2021-2022 that the Company will freeze this payment, taking into account the recovery period that the sector should have to face.

### Operating Ratios

Regarding the activity ratios, as is shown in *Exhibit 10*, the Company has one of the best ratios within the sector, so MHI can collect faster money from its customers because of the nature of the business where the advance payment in many cases is a rule. On the other hand, it has payment policies of 90 days, so the cash conversion cycle is negative and always has more inflows than outflow. It is essential to highlight that analysis is made with the information of 2019 because of the skew behavior of 2020.

	Average Holding Period	Average Collection Period	Average Payable Period	Cash Conversion Cycle
Meliá Hotel International	47,9	39,3	98,6	-11,3
NH Hotel Group	52,9	34,7	65,4	22,2
Accor SA	47,5	58,5	55,6	50,5
Dalata Hotel Group	50,9	18,5	78,1	8,6
Hilton Grand Vacations Inc.	51,7	34,6	73,9	12,4
Playa Hotels & Resorts N	54,6	44,0	123,0	24,4
Peers Average	50,9	38,3	82,4	6,8
Peers Median	51,3	37,0	76,0	1,9

*Exhibit 10 – Activity Ratios and selected Peers for 2019.*  
Source: Analyst Estimates; Bloomberg

	Current Ratio	Quick Ratio	Cash Ratio
Melia Hotel Internati	0,83	0,79	0,43
NH Hotel Group	0,85	0,83	0,47
Accor SA	1,57	1,56	1,10
Dalata Hotel Group	0,65	0,63	0,41
Hilton Grand Vacations	1,03	1,01	0,08
Playa Hotels & Resorts	0,83	0,74	0,11
<b>Peers Average</b>	<b>0,96</b>	<b>0,93</b>	<b>0,43</b>
<b>Peers Median</b>	<b>0,84</b>	<b>0,81</b>	<b>0,42</b>

Exhibit 11 – Operational Profitability Ratios and selected Peers in 2019.  
Source: Analyst Estimates; Bloomberg

	Gross Margin	EBITDA Margin	EBIT Margin	Net Margin
Melia Hotel Internati	88%	27%	12%	7%
NH Hotel Group	96%	33%	16%	5%
Accor SA	96%	20%	12%	12%
Dalata Hotel Group	97%	38%	28%	18%
Hilton Grand Vacations	93%	20%	17%	12%
Playa Hotels & Resorts	83%	20%	4%	-1%
<b>Peers Average</b>	<b>92,0%</b>	<b>26,5%</b>	<b>15,0%</b>	<b>8,9%</b>
<b>Peers Median</b>	<b>94,3%</b>	<b>23,5%</b>	<b>14,2%</b>	<b>9,3%</b>

Exhibit 12 – Assets' Profitability Ratios and selected Peers for 2019.  
Source: Analyst Estimates; Bloomberg

	Asset Turnover	ROA	ROE
Melia Hotel Internati	0,52	2,61%	9,77%
NH Hotel Group	0,58	2,67%	6,68%
Accor SA	0,37	3,61%	7,23%
Dalata Hotel Group	0,28	4,73%	7,90%
Hilton Grand Vacations	0,89	7,41%	36,42%
Playa Hotels & Resorts	0,35	-0,20%	-0,53%
<b>Peers Average</b>	<b>0,50</b>	<b>3,47%</b>	<b>11,25%</b>
<b>Peers Median</b>	<b>0,44</b>	<b>3,14%</b>	<b>7,57%</b>

Exhibit 13 – Liquidity Ratios and selected Peers for 2019.  
Source: Analyst Estimates; Bloomberg

When it analyzed the operational liquidity ratios presented in *Exhibit 11*, it is clear that MHI is just in the middle comparing with its peers. It is essential to highlight that these companies will always need to invest in capital in a constant way to occupy market segments. In all three ratios, the only Company that can cover its current liabilities is Accor because of its strong financial position. But this is just an exception; the companies of this sector will always have a considerable amount of debt with suppliers because of their payment policies. On the other hand, the account receivables will be small compared with other sectors thanks to the advance payments.

In terms of profitability, it is necessary to highlight the Company is below the average and median of the market by almost two percentage points when analyzed the net margin, as shown in *Exhibit 12*. However, the MHI's behavior is in the range in all the ratios, following the market trend. So, it is essential to say that the firm is not incurring costs or expenses that are not necessary for the business continuity, so the Company can generate profitability enough to meet the goals stated by its shareholders,

In what concerns the profitability of investments, it is crucial to analyze the Company's behavior, considering the sector's median, because some skew figures presented with Hilton Grand Vacations, as shown in *Exhibit 13*. Hence, the Company is above the asset turnover's median; the problem with this ratio is the IFRS 16, which capitalizes all the rents from a certain amount. The same problem is presented when the ROA is analyzed. Nevertheless, the ROE is above the median and shows the profitability of 25% over the equity,

## Segment Performance

### America – Excluding Cuba

It is the third region that generates more revenue for the Company from 2016 to 2019, representing 28% of the total sales. Nevertheless, in 2020 its participation was higher with 31% because of Mexico and Brazil, where the local economy and tourism remained open, nevertheless for the upcoming years, the participation will be between 28% in 2021 to reach 23% in 2030, following the recovery and strengthening of Spain. Despite the crash of 2020 (€ 164 million), the Company expects to return to 2019 (€ 459 million) levels during 2024 (€ 462 million). Also, it is observed a recovery in the occupancy ratios in the same period in 2020 had 30%, and 2024 is expected to reach 62% (2019: 61%). During 2020 and 2030, the Company expects to grow a CARG of 11.4% and a perpetual growth rate of 0.69% in this region.

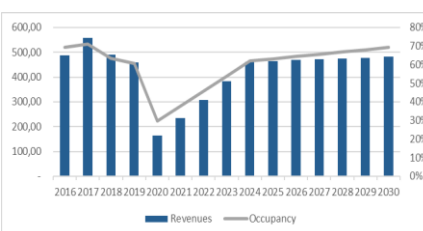


Exhibit 14 – Historical and Projected Revenues in America  
Source: Analyst Projections; MHI's Annual Report

### EMEA (Europe, Middle East, and Africa) – Excluding Spain

The second region that generates more revenue for the Company, from 2016 to 2019, represented 23% of the total sales. Nevertheless, in 2020 its participation was higher (29%) due to Spain's weakening for tourism closure as a business for three months. Nevertheless, for the upcoming years, the participation will be 26% in 2021 to reach 23% in 2030, following the recovery and strengthening of Spain. Despite the crash of 2020 (€ 146 million), the Company expects to return to 2019 (€ 435 million) levels during 2024 (€ 440 million). A recovery in the occupancy ratios in the same period is observed in 2020 had 33%, and 2024 is expected to reach 74% (2019: 72%). During 2020 and 2030, the Company intends to grow a CARG of 12.5% and a perpetual growth rate of 1.17% in this region.

### Spain

Spain is the strongest region that generates more revenue for the Company from 2016 to 2019, representing 48% of the total sales. Nevertheless, in 2020 its participation was lower with 40% causing by the closure of its economy during the second trimester. For the upcoming years, the participation will be between 45% in 2021 and 53% in 2030. Despite the crash of 2020 (€ 214 million), the Company expects to return to 2019 (€ 887 million) levels during 2024 (€ 916 million). Also, it is observed a recovery in the occupancy ratios in the same period where 2020 had 41%, and 2024 is expected to reach 73% (2019: 72%). During 2020 and 2030, the Company intends to grow a CARG of 17.9% and a perpetual growth rate of 3.25%.

### Cuba

Cuba is one of the weakest regions that generate a moderated revenue to the Company, from 2016 to 2019 represented in average 1% of the total sales. In 2020, its participation was lower with 0.4% causing by the closure of borders in the island; nevertheless, for the upcoming years, the participation will be 0.6% in 2021 to reach 0.7% in 2030. Despite the crash of 2020 (€ 2.22 million), the Company expects to return to 2019 (€ 12.73 million) levels during 2024 (€ 12.98 million). Also, a recovery in the occupancy ratios in the same period in 2020 had 33%, and 2024 is expected to reach 52% (2019: 51%). During 2020 and 2030, the Company intends to grow a CARG of 20.7% and a perpetual growth rate of 1.98%.

### Asia

Cuba is the weakest region that generates revenue for the Company; from 2016 to 2019 represented an average of 0.4% of the total sales. In 2020, its participation increased slightly to 0.5%; nonetheless, for the upcoming years, the participation

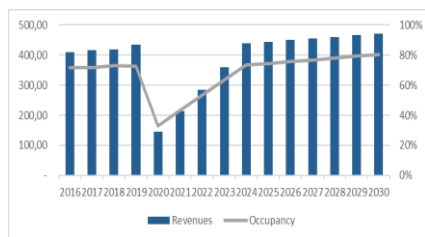


Exhibit 15 – Historical and Projected Revenues in EMEA (Excluding Spain)  
Source: Analyst Projections; MHI's Annual Report

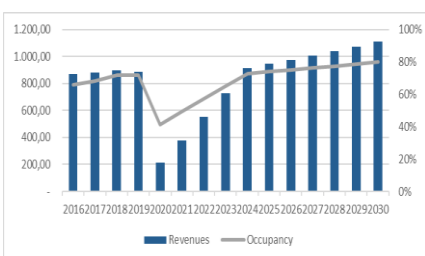


Exhibit 16 – Historical and Projected Revenues in Spain  
Source: Analyst Projections; MHI's Annual Report

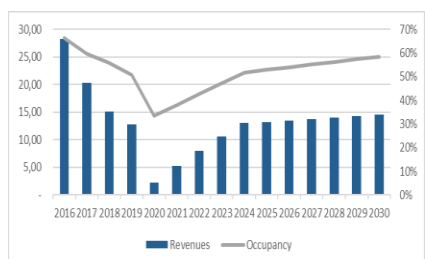


Exhibit 17 – Historical and Projected Revenues in Cuba  
Source: Analyst Projections; MHI's Annual Report

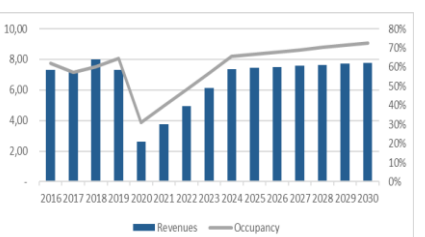


Exhibit 18 – Historical and Projected Revenues in Asia  
Source: Analyst Projections; MHI's Annual Report

will be between 0.5% in 2021 to reach 0.4% in 2030. Despite the crash of 2020 (€ 2.63 million), the Company expects to return to 2019 (€ 7.31 million) levels during 2024 (€ 7.38 million). Also, it is observed a recovery in the occupancy ratios in the same period, in 2020 had 31%, and 2024 is expected to reach 66% (2019: 64%). During 2020 and 2030, the Company intends to grow a CARG of 11.5% and a perpetual growth rate of 0.87%.

## Valuation

### Assumptions

#### Value Drivers Forecast

Meliá Hotels International's main value drivers are *ADR* and the *Number of transactions*. The Company reports the information throughout its annual reports at the level of revenue and but it does not inform about each business in a detailed level, such as Ebitda, balance sheet, or cash flow every year required, from 2015 to 2020. To calculate the growth rates year by year, every region was evaluated separately and compare with the GDP forecasts calculated by the International Monetary Fund (IMF). It assumes for all the purposes that during 2024 the Company will recover its sales behavior to levels of 2019, according to announces of representants of the sector, press reports, economic analysis, and the results presentation conference of 2020 doing by Meliá Hotels International in March 2021 about the development of the business after the Covid-19.

Regarding **America**, revenues were calculated with the average growth rate for the number of rooms sold, which was **1.9%**, multiplied by the ADR difference growth rate between 2018 and 2019 to forecast the following year, which was **-1.2%**. The business assumes that because of new technologies and the market analysis, the price tends to go down, offset by an increase in the number of rooms sold. In the **EMEA** region, the revenues were calculated considering the growth of 2019 (due to the high variations of the previous years, which could skew the projection) for the number of rooms sold, which was **1.5%** and multiplied by the ADR difference growth rate between 2018 and 2019 to forecast the following year which it was **-0.9%**. For **Spain**, the revenues were calculated with a linear estimation of the growth rate for the number of rooms sold. It was 3.1% and multiplied by the ADR calculated with a linear analysis of the growth rates of the previous years was **0.1%**. For **Cuba**, the revenues were forecasted with a linear estimate of the growth rate for the number of rooms sold, which was **2.1%**, multiplied by the ADR difference growth rate between 2018 and 2019 to forecast the following year, which was -

**0.1%**. Finally, for **Asia**, revenues were calculated with the average of the growth for the number of rooms sold, which was **1.8%**, and multiplied by the ADR that was calculated with the average of the growth of the previous years (2018 and 2019 only to prevent skew data) which it was **0.1%**.

To determine the forecast of **raw materials** (referring to food, beverages, ancillary, and sundry consumptions), it was calculated with the average of the percentage over the revenue in the previous years evaluated (excluding 2016 to prevent skewing the forecast). So, for the period 2021-2030, this cost is estimated to multiply the revenue by **11%**.

**Personnel expenses** were calculated with the percentage representing this expense over the revenue in 2019, which was **29.2%**; however, this was only for 2024-2030. For the period 2021-2023, the increase depends on the revenue growth, considering the re-hired of personnel will rely on the gradual recovery of the business. In 2020 a temporary lay-off was carried out because most of the hotels had to close for several months; at the end of 2020, 40% of the hotels worldwide remain closed.

The **other operating expenses** (sundry rentals, maintenance, repairs, external services, transport and insurance, banking expenses, advertising and promotions, supplies, travel and ticketing costs, activity tax, and other costs) were reduced in 2020 by 42%. However, these expenses represent only the operation's necessity described 64% over the revenue (in previous years, roughly 32%). The forecast of this item was calculated with the percentage average this expense represented over the revenue during 2018-2019 (**32.3%**) for 2024-2030. For 2021-2023, the increase depends on the revenue growth, taking into account the costs were reduced drastically, and the projections depend on the gradual recovery of the business.

The **rental expenses** were reduced in 2020 by almost 100% because it depends totally on the business's revenue for hotels that operate on the hotel leased business model, where Meliá Hotels International should pay a fee to the owner for the operating revenues of the hotel. Before 2018, the expense reflected in the income statement corresponded to these kinds of payments and the total rentals. Due to IFRS 16, rentals were reclassified and treated as assets to capitalize on the business. The expense will be seen in the income statement as amortization and a rental financial expense. The forecast (fees for revenues) was calculated with the percentage average representing this expense over the revenue in 2018-2019, which was **1.1%** for 2024-2030. For 2021-2023 the increase depends on the revenue growth to attend the renegotiations to the owners and stabilize the

business.

The model follows the same statutory tax rate used by the Company, 25% for the **taxes**, which remains the same until 2030. Then, on the other hand, the effective tax rate will be around **22.2%**, except for the period 2020-2022, because of the negative results that the firm will present in those years. However, during this time, MHI will be recovering and, by 2023, will have positive results again.

To calculate the **inventories**, it was used the average holding period of the years 2018 and 2019 (because in these years were applied the IFRS 16), which was **52 days**, multiplied by the raw materials of the period evaluated. Nevertheless, this applies for 2024 and onwards. In 2020 the average holding period was 152 days, a figure critical because of the nature of the business. So, from 2021 until 2023, the firm will gradually reduce this number of days following the sector's recovery.

Regarding **trade and other receivables**, it was used the average collection of 2019, where MHI implements new strategies to increase the collection of money, which was **39 days**, multiplied by the revenues of the period evaluated. However, this applies for 2024 and onwards. In 2020 the average collection period was 93 days due to the delay for the customers for using the services.

To forecast the **trade creditors**, it was used the average payable period of 2019, where the last payment supplier policies implemented by MHI, which was **104 days**, were multiplied by the expenses of the period evaluated.

Finally, to forecast the **payout ratio**, the figure for 2019 was the most favorable to the current economic situation of the Company. Hence, **41%** was implemented for 2021-2030.

Other minor items were forecasting with the average of the percentage over the revenue of the prior years.

### Capex

In 2020, Meliá Hotels International should disinvest in different assets to attend problems of cash generated by the Covid-19, so, for the upcoming years, the Company needs to reinvest in capital to fulfill the expectations of its customers following the increase of the revenues and reach the strategy stated by the firm. Considering this, the Company should expend 16% of its revenue in 2021, decreasing gradually until 2025, where the need to invest in new capital will be around 8% for the following years.

To forecast the PP&E and other intangible assets (software acquisition) for 2024-2030, it was necessary to calculate de percentage difference growth rate between

2018 and 2019 to calculate the next year through a linear trend., getting a result of **1.2%**. For 2021-2023 the forecasting will depend on the revenue growth and will increase gradually to reach 2019 levels.

Depreciation of PP&EE and intangible assets has been constant from 2016-2019, representing an average of **6.3%** over the total fixed assets evaluated. This percentage is used to forecast 2021-2030.

For the rentals that were capitalized under the IFRS 16 rule, this item was treated as an asset under the figure of right-of-use (ROU), calculated from the contract's total value in a present value. During 2020, different contracts were canceled or renegotiated with the owners, so this item was reduced during this year. For 2021-2023, the forecasting will depend on the revenue growth and will increase gradually to reach 2019 levels. Therefore, to forecast the period 2024-2030, the average percentage that represented this item over the revenue in 2019 was **69.5%**.

Depreciation of ROU has been constant from 2018-2019, representing an average of **11.3%** over the total rights of use assets. This percentage is used to forecast 2021-2030.

#### **Cost of Debt, Equity, and WACC**

After applying IFRS 16, all the items related to leasing debt should be treated as a debt for valuation purposes according to international standards, and recommendations are given by global consulting firms, such as Ernst & Young, Deloitte, and the Boston Consulting Group. To determine the cost of debt of the lease debt, the rental financial expense must be divided among the average of current lease debt and the previous year of the same item. The result was 3.41%, 3.24%, and 2.26% for 2018, 2019, and 2020, respectively. It is important to highlight that during 2020, a huge number of contracts were canceled, so this situation explains this year's reduction. Considering the skew results the year 2020 can bring to the model, and it was determined the median among these three values. Hence, for valuation purposes, it will be used at 3.24% as cost lease debt.

To determine the cost of debt, the financial expense must be divided among the average of the current deficit and the previous year of the same item. The result was 3.27%, 3.44%, 3.59%, and 2.92% for 2017, 2018, 2019, and 2020, respectively. The cost of debt for valuation purposes was taken from the average of these values (excluding 2020 to prevent skewed calculations); hence, for valuation purposes will be used **3.43%** as the cost of debt.

<b>Beta</b>	<b>1,2858</b>
R Square	0,6191
Standard Error	0,1214
t Stat	10,5909
P-value	0,0000
Lower 95%	1,0436
Upper 95%	1,5280
Observations	71

*Exhibit 19 – Summary of  
Beta Regression Output  
Source: Analyst Estimates*

The cost of equity was determined using the Capital Asset Pricing Model (CAPM). For this purpose, it was used the historical data (monthly information from 2015-2020) of the share price of Meliá Hotels International (MEL.MC) and STOXX Europe 600 Travel & Leisure; this index was used (and not a global one) having into account that the large portion of the revenues comes from Europe (70% roughly), so to prevent skewing the model with information of other regions as North America or Asia, where the Company is not strong enough, and its presence is limited, the decision was made to use this European index. Later it was calculated the returns of both. Finally, it was done an exercise of linear regression to determine the beta unlevered of the model, which was 1.2858, as shown in Exhibit 19. It can observe that the beta has a good correlation between both returns, where 62% of the variation of the MHI's returns are explained by the variation of STOXX Europe 600's returns. Besides, the variable is significant, and hence the null hypothesis can be rejected. These results were calculated with a 95% confidence interval of [1.0436;1.5280].

Beta 5Y- Monthly	
NH Hotel Group	1,91
Accor SA	1,55
Dalata Hotel Group	2,05
Hilton Grand Vacations Inc.	2,3
Playa Hotels & Resorts N.V.	2,23
<b>Average Peers</b>	<b>2,008</b>

*Exhibit 20 – Beta 5Y-Monthly of peers  
Source: Bloomberg*

Nevertheless, this beta needed to be calibrated, considering the broad confidence interval. It is necessary to bring the average beta of its peers, as shown in *Exhibit 20*. With this information, it is essential to recalculate the beta assigned 50% of the weight to the beta calculated by linear regression and 50% to the average beta of the peers. Hence, the beta that will be used is **1.6469**.

As the Company operates in the European market, the risk-free rate was taken from the AAA-rated bonds of Europe with a 10-year maturity which, on December 31, 2020, was **-0.64%** (it is essential to clarify, nowadays this return remains negative).

On the other hand, the market risk premium was calculated considering the expected rate of return of the Spanish market estimated by the Buffet Indicator, which was 5.3% minus the risk-free rate, which had a result of **5.94%**. Therefore, after applying the CAPM model, the cost of the equity calculated was 9.14%. However, to calibrate the model was necessary adding another component, which was the country risk that for January 2021 was **1.55%**. After the inclusion of this component, the cost of equity used for the valuation was **10.83%**.

Due to the pandemic, Meliá had to acquire new debt in the long term, so it is necessary to use the D/EV and the E/EV, which corresponds to 72% and 28%, respectively. And it is assuming this proportion will remain constant in the upcoming years, taking into account the acquisition of new debt and the Company's recovery that will offset this new debt, so WACC predicted is **4.85%**.

## Output

### DCF Model

Enterprise Value (EV)	4.916,22
+ Cash and Cash equivalents	382,25
- Debt	1.820,91
- Leasing Debt (IFRS16)	1.629,14
<b>= Equity Value</b>	<b>1.848,41</b>

Shares Outstanding (million)	229,7
<b>Share Price</b>	<b>8,05</b>

<b>Growth Share Price</b>	<b>20,1%</b>
---------------------------	--------------

*Exhibit 21 – DCF Model*  
*Source: Analyst Estimates*

The first model used to make the valuation was the Discounted Cash Flow (DCF). This valuation was done for 2021-2030, in which it was necessary to calculate the RONIC (Return over the new investment core) to get the perpetual growth rate. This RONIC is calculated with the difference of NOPLAT Core of the current year versus the previous year over the difference in the current year's core invested capital versus the last year. Once this calculation is made, it is necessary to calculate the Rate of Return (RR), calculated as the difference between the core NOPLAT and the core free cash flow over the core NOPLAT. Finally, to estimate the perpetual growth is necessary to multiply the RONIC and the RR in 2021. Because it is the first year of recovering Covid-19, the growth rate is 148%; nevertheless, these figures adjusted themselves when the business can reach levels of 2019 revenue again. So, for 2025 the growth rate is 3%, and for the following years, it tends to be constant with **2.6%**, that is the perpetual growth rate used along with the model.

It is necessary to be clear again about the need to treat the leasing debt as real debt, so this value will help calculate the share price estimating to the end of 2021, as shown in *Exhibit 21*. After applying all the above assumptions, the Enterprise Value calculated was **€ 4.916 million and an Equity Value of € 1.848 million**. After doing these calculations, the Equity Value should be divided by the current number of outstanding shares of **229.7 million shares**. The result of this valuation is a share price at the end of 2021 by **€ 8.05**. Thus, for May 20, 2021, the price per share was **€ 6.67**, which represents a return of **20.6%**.

### APV Model

In addition to the DCF model also was evaluated the Adjusted Present Valuation (APV) model for 2021-2030. Using the total free cash flow available to investors (summing up the core and non-core business) as the model's unlevered component, discounted these values with the cost of equity equivalent to **10.83%**, which gives a result of **€ 738.5 million**. Later, it is necessary to calculate the leveraged component using the tax shield of the debt (financial expense and lease financial expense multiplied by the statutory tax rate equivalent to **25%**), both of them should be discounted each one the cost of debt that corresponds, which gives a result of **€ 1.573 million** for the tax shield of the debt and **€ 1.458 million** for the tax shield of the lease debt. The sum-up of these three components is **€ 3.779 million**, known as Levered EV. To complete the exercise is necessary to use the cash flow of the financial debt (The terminal value should be calculated by

multiplying the terminal value of the levered EV by the D/EV, which is 71.67%, these results should be discounted with the cost of debt given a result of **€ 1.581 million**. This result will be subtracted from the levered EV, and once it is doing this process, it is possible to determine the Equity Value, which is **€ 2.194 million**. After dividing this value by the number of shares outstanding, it is possible to conclude that the result of this valuation is a share price at the end of 2021 by **€ 9.55**, representing a return of **43%**.

### Multiples Valuation

To better know how the market can perceive the value of a company, was also made a valuation by comparables, evaluating the following hotel chains: NH hotel group, Accor SA, Dalata Hotel Group, Hilton Grand Vacations Inc, and Playa Hotels and Resorts NV. To make this comparison were used the subsequent ratios: EV/Revenue, EV/EBITDA, and P/E (it was avoided to use EV/EBIT because of the large number of outliers). Due to the behavior of 2020, the exercise has to be calculated with 2024, where the Company expects to reach 2019 levels, as shown in *Exhibit 22*.

Item	REVENUE		EBITDA		EARNINGS	
	2020	2024	2020	2024	2020	2024
Item	528,40	1.838,13	(151,53)	488,02	(532,83)	165,60
+ Enterprise Value (EV)	3.749,49	5.777,42	3.388,76	5.664,95	1.652,66	2.766,87
+ Cash and Cash equivalents	104,65	336,99	104,65	336,99		
- Debt	1.359,83	2.075,29	1.359,83	2.075,29		
- Leasing Debt (IFRS16)	1.348,56	1.436,24	1.348,56	1.436,24		
<b>= Equity Value</b>	<b>1.145,75</b>	<b>2.602,87</b>	<b>785,02</b>	<b>2.490,40</b>	<b>1.652,66</b>	<b>2.766,87</b>
Shares Outstanding (million)	229,7	229,7	229,7	229,7	229,7	229,7
<b>Share Price</b>	<b>4,99</b>	<b>11,33</b>	<b>3,42</b>	<b>10,84</b>	<b>7,19</b>	<b>12,05</b>

The EV to Revenue ratio suggests that the shares should be valued between **€ 4.99** and **€ 11.33**. On the other hand, the EV to EBITDA ratio shows that the Company should be valued between **€ 3.42** and **€ 10.84**. Finally, the Price to Earnings ratio calculates that the firm's valuation should be between **€ 7.19** and **€ 12.05**.

*Exhibit 22 – Output of Multiples Valuation*  
Source: Analyst Estimates; Data from Bloomberg

This type of valuation is used to have a better measure of a company's development through the analysis of different multiples. Nevertheless, when it comes to a big crash to the economy but with perspectives of recovering in the medium-term, the model remains short to face these challenges. It is observed two scenarios; for instance, one presents a model where the Company is overvalued, while on the other, the model shows a company wholly undervalued.

## Sensitivity Analysis

To know deeply about the business and be aware of the risks in the market that directly affect the valuation, it is necessary to understand what would happen in the valuation if something in the assumption changes.

Considering different times of recovering, for example for the DCF valuation:

		Year Recovery to 2019 Levels							
		0	1	2	3	4	5	6	7
WACC	4,45%	29,61	21,69	18,87	16,18	13,52	10,97	8,53	6,14
	4,55%	27,67	19,90	17,15	14,54	11,94	9,45	7,08	4,75
	4,65%	25,93	18,29	15,61	13,05	10,52	8,09	5,76	3,49
	4,75%	24,36	16,84	14,21	11,71	9,22	6,85	4,57	2,35
	4,85%	22,93	15,51	12,93	10,48	8,05	5,72	3,49	1,31
	4,95%	21,63	14,30	11,77	9,36	6,97	4,68	2,50	0,36
	5,05%	20,43	13,19	10,70	8,34	5,98	3,73	1,58	-0,52
	5,15%	19,33	12,17	9,72	7,39	5,07	2,86	0,74	-1,32
	5,25%	18,32	11,23	8,81	6,51	4,23	2,05	-0,03	-2,07

Exhibit 23 – Sensitive analysis years of recovery and Wacc  
Source: Analyst Estimates

If the sector will recover in 2025 and not in 2024, the share price of the Company passes through € 8.05 to € 5.75, only for delaying the recovery one year, so if there is a new wave of a recent crisis who decided to purchase the share will lose 14% of the investment.

If the sensitivity analysis is made in the APV valuation, it is a similar situation:

		Year Recovery to 2019 Levels							
		0	1	2	3	4	5	6	7
Cost of Equity	8,83%	16,10	15,03	13,52	12,10	10,70	9,38	8,12	6,90
	9,33%	15,66	14,62	13,13	11,73	10,35	9,05	7,82	6,62
	9,83%	15,28	14,27	12,79	11,41	10,05	8,77	7,56	6,38
	10,33%	14,94	13,95	12,49	11,13	9,79	8,52	7,33	6,17
	10,83%	14,64	13,67	12,23	10,88	9,55	8,31	7,13	6,00
	11,33%	14,37	13,42	11,99	10,65	9,34	8,11	6,96	5,84
	11,83%	14,13	13,20	11,77	10,45	9,16	7,94	6,80	5,70
	12,33%	13,90	12,99	11,58	10,27	8,99	7,79	6,67	5,58
	12,83%	13,70	12,81	11,40	10,11	8,84	7,66	6,55	5,48

Exhibit 24 – Sensitive analysis years of recovery and cost of equity  
Source: Analyst Estimates

If the sector will recover in 2025 and not in 2024, the Company's share price passes through € 9.55 to € 8.31, which means 25% of profitability. It has to highlight that there is a better perspective, and in almost all the scenarios evaluated who will purchase a share, it is possible that recover the money at the end of the year

## Conclusion

The hotel sector is facing significant challenges nowadays due to the spread of the pandemic worldwide. As a result, thousands of hotels closed their doors, and nevertheless, the hope of distributing the vaccines gives the sector a new breath.

According to the DCF valuation results, the investor's recommendation is to *BUY* Meliá Hotels International's shares and hold them until the end of 2021. The result of this valuation is a share price at the end of 2021 of **€ 8.05**; if an investor buys shares on May 20, 2021 (with a share price of **€ 6.67**), it will get profitability by **20.6%**. In addition, it has to be clear that thanks to Covid-19 and the Company's results during the pandemic and the plans for recovering in 2021 and for another two years, the Company will not give dividends to its shareholders. Using the other valuation method to be secure about the decision, it is crucial to analyze the results from APV. The result of this valuation is a share price at the end of 2021 by € 9.55, representing a return of **43%**. Considering the comparables valuation, and with an average of all of them, there is a strong probability that the share price at the end of 2021 will be in the range of **€ 8.43 - € 10.36** shown in *Exhibit 25*.

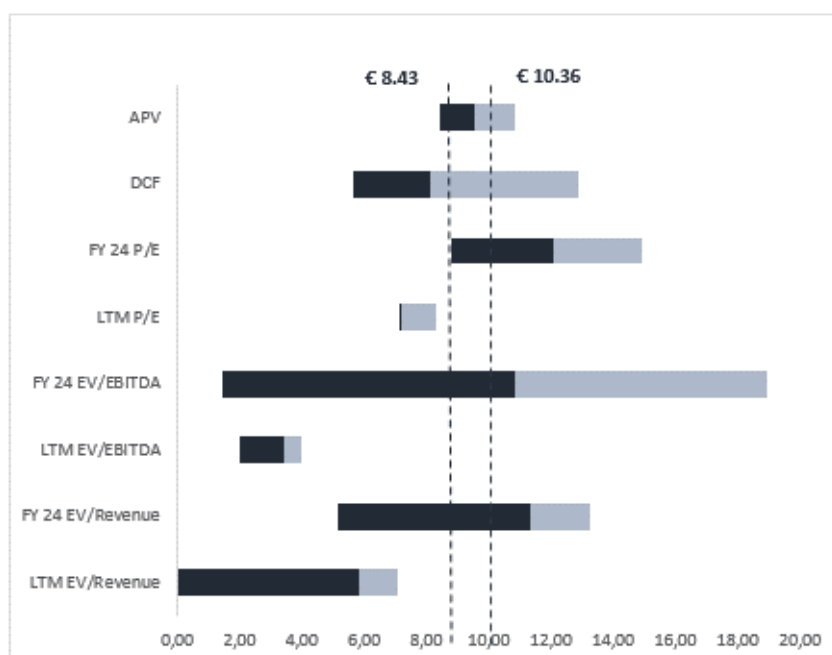


Exhibit 25 – Football Field Valuation  
Source: Analyst Estimates

# Appendix

## Financial Statements

Millions of Euros	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
<b>AMÉRICA</b>															
Occupancy	69%	71%	63%	61%	30%	38%	46%	54%	62%	63%	64%	66%	67%	68%	69%
Occupancy Growth		2,4%	-10,8%	-4,3%	-51,2%	27,2%	21,4%	17,6%	15,0%	1,9%	1,9%	1,9%	1,9%	1,9%	1,9%
ADR	120,52	116,30	111,82	109,40	100,94	102,72	104,50	106,28	108,06	106,75	105,45	104,16	102,89	101,64	100,40
ADR Growth		-3,5%	-3,9%	-2,2%	-7,7%	1,8%	1,7%	1,7%	1,7%	-1,2%	-1,2%	-1,2%	-1,2%	-1,2%	-1,2%
RevPaR	83,64	82,69	70,93	66,44	29,89	38,72	47,82	57,21	66,89	67,36	67,82	68,29	68,76	69,23	69,71
RevPaR Growth		-1,1%	-14,2%	-6,3%	-55,0%	29,5%	23,5%	19,6%	16,9%	0,7%	0,7%	0,7%	0,7%	0,7%	0,7%
# Transactions Rooms ('000)	4.041	4.806	4.377	4.192	1.625	2.287	2.949	3.611	4.273	4.356	4.440	4.525	4.613	4.702	4.793
Transactions Rooms Growth		18,9%	-8,9%	-4,2%	-61,2%	40,7%	28,9%	22,4%	18,3%	1,9%	1,9%	1,9%	1,9%	1,9%	1,9%
<b>Revenues</b>	<b>486,96</b>	<b>558,96</b>	<b>489,48</b>	<b>458,60</b>	<b>164,02</b>	<b>234,92</b>	<b>308,18</b>	<b>383,79</b>	<b>461,77</b>	<b>464,95</b>	<b>468,15</b>	<b>471,38</b>	<b>474,63</b>	<b>477,90</b>	<b>481,19</b>
<b>EMEA</b>															
Occupancy	72%	72%	73%	72%	33%	43%	53%	63%	74%	75%	76%	77%	78%	79%	81%
Occupancy Growth		-0,4%	2,0%	-0,8%	-54,3%	30,5%	23,4%	19,0%	15,9%	1,5%	1,5%	1,5%	1,5%	1,5%	1,5%
ADR	151,07	155,60	138,24	140,97	122,19	126,76	131,33	135,90	140,47	139,98	139,49	139,00	138,52	138,03	137,55
ADR Growth		3,0%	-11,2%	2,0%	-13,3%	3,7%	3,6%	3,5%	3,4%	-0,3%	-0,3%	-0,3%	-0,3%	-0,3%	-0,3%
RevPaR	108,62	111,41	100,93	102,07	40,43	54,76	70,00	86,18	103,27	104,48	105,71	106,95	108,21	109,48	110,76
RevPaR Growth		2,6%	-9,4%	1,1%	-60,4%	35,4%	27,8%	23,1%	19,8%	1,2%	1,2%	1,2%	1,2%	1,2%	1,2%
# Transactions Rooms ('000)	2.710	2.671	3.037	3.084	1.194	1.678	2.162	2.647	3.131	3.179	3.228	3.277	3.327	3.378	3.429
Transactions Rooms Growth		-1,4%	13,7%	1,5%	-61,3%	40,6%	28,9%	22,4%	18,3%	1,5%	1,5%	1,5%	1,5%	1,5%	1,5%
<b>Revenues</b>	<b>409,41</b>	<b>415,60</b>	<b>419,88</b>	<b>434,73</b>	<b>145,88</b>	<b>212,73</b>	<b>284,00</b>	<b>359,70</b>	<b>439,83</b>	<b>444,99</b>	<b>450,21</b>	<b>455,50</b>	<b>460,84</b>	<b>466,25</b>	<b>471,72</b>
<b>SPAIN</b>															
Occupancy	66%	68%	72%	72%	41%	49%	57%	65%	73%	74%	75%	76%	77%	79%	80%
Occupancy Growth		3,5%	5,8%	-0,3%	-42,2%	18,9%	15,9%	13,7%	12,1%	1,5%	1,5%	1,5%	1,5%	1,5%	1,5%
ADR	88,62	98,90	105,99	108,04	99,46	101,64	103,83	106,01	108,20	108,36	108,52	108,68	108,84	109,00	109,17
ADR Growth		11,6%	7,2%	1,9%	-7,9%	2,2%	2,1%	2,1%	2,1%	0,1%	0,1%	0,1%	0,1%	0,1%	0,1%
RevPaR	58,22	67,25	76,23	77,49	41,20	50,09	59,32	68,89	78,80	80,14	81,50	82,88	84,29	85,72	87,17
RevPaR Growth		15,5%	13,3%	1,7%	-46,8%	21,6%	18,4%	16,1%	14,4%	1,7%	1,7%	1,7%	1,7%	1,7%	1,7%
# Transactions Rooms ('000)	9.817	8.930	8.481	8.214	2.148	3.728	5.308	6.888	8.468	8.729	8.999	9.278	9.565	9.860	10.165
Transactions Rooms Growth		-9,0%	-5,0%	-3,2%	-73,8%	73,5%	42,4%	29,8%	22,9%	3,0%	3,0%	3,0%	3,0%	3,0%	3,0%
<b>Revenues</b>	<b>870,00</b>	<b>883,14</b>	<b>898,86</b>	<b>887,38</b>	<b>213,64</b>	<b>378,92</b>	<b>551,10</b>	<b>730,19</b>	<b>918,18</b>	<b>945,91</b>	<b>976,61</b>	<b>1.008,31</b>	<b>1.041,04</b>	<b>1.074,82</b>	<b>1.109,71</b>
<b>CUBA</b>															
Occupancy	66%	60%	56%	51%	33%	38%	43%	47%	52%	53%	54%	55%	56%	57%	58%
Occupancy Growth		-10,3%	-6,0%	-9,3%	-34,2%	13,8%	12,1%	10,8%	9,8%	2,1%	2,1%	2,1%	2,1%	2,1%	2,1%
ADR	98,09	97,60	80,76	79,87	91,23	88,38	85,52	82,67	79,82	79,76	79,70	79,65	79,59	79,54	79,48
ADR Growth		-0,5%	-17,3%	-1,1%	14,2%	-3,1%	-3,2%	-3,3%	-3,5%	-0,1%	-0,1%	-0,1%	-0,1%	-0,1%	-0,1%
RevPaR	65,03	58,07	45,17	40,52	30,45	33,56	36,41	39,00	41,32	42,14	42,98	43,83	44,70	45,59	46,49
RevPaR Growth		-10,7%	-22,2%	-10,3%	-24,9%	10,2%	8,5%	7,1%	6,0%	2,0%	2,0%	2,0%	2,0%	2,0%	2,0%
# Transactions Rooms ('000)	288	208	187	159	24	59	94	128	163	166	169	173	176	180	184
Transactions Rooms Growth		-27,9%	-9,9%	-14,8%	-84,7%	141,8%	58,6%	37,0%	27,0%	2,1%	2,1%	2,1%	2,1%	2,1%	2,1%
<b>Revenues</b>	<b>28,25</b>	<b>20,26</b>	<b>15,12</b>	<b>12,73</b>	<b>2,22</b>	<b>5,21</b>	<b>8,00</b>	<b>10,59</b>	<b>12,98</b>	<b>13,24</b>	<b>13,50</b>	<b>13,77</b>	<b>14,04</b>	<b>14,32</b>	<b>14,61</b>
<b>ASIA</b>															
Occupancy	62%	57%	60%	64%	31%	40%	48%	57%	66%	67%	68%	69%	70%	71%	73%
Occupancy Growth		-7,6%	5,0%	7,3%	-51,8%	27,8%	21,8%	17,9%	15,2%	1,8%	1,8%	1,8%	1,8%	1,8%	1,8%
ADR	76,93	75,20	72,75	73,85	69,88	70,71	71,54	72,37	73,20	72,56	71,92	71,29	70,67	70,05	69,43
ADR Growth		-2,2%	-3,3%	1,5%	-5,4%	1,2%	1,2%	1,2%	1,1%	-0,9%	-0,9%	-0,9%	-0,9%	-0,9%	-0,9%
RevPaR	47,54	42,94	43,63	47,53	21,66	28,02	34,52	41,16	47,95	48,36	48,78	49,21	49,64	50,07	50,50
RevPaR Growth		-9,7%	1,6%	8,9%	-54,4%	29,4%	23,2%	19,2%	16,5%	0,9%	0,9%	0,9%	0,9%	0,9%	0,9%
# Transactions Rooms ('000)	95	96	110	99	38	53	69	85	101	103	104	106	108	110	112
Transactions Rooms Growth		0,6%	14,4%	-9,7%	-62,0%	42,0%	29,6%	22,8%	18,6%	1,8%	1,8%	1,8%	1,8%	1,8%	1,8%
<b>Revenues</b>	<b>7,33</b>	<b>7,21</b>	<b>7,98</b>	<b>7,31</b>	<b>2,63</b>	<b>3,78</b>	<b>4,95</b>	<b>6,15</b>	<b>7,38</b>	<b>7,44</b>	<b>7,51</b>	<b>7,57</b>	<b>7,64</b>	<b>7,70</b>	<b>7,77</b>
<b>TOTAL</b>															
Occupancy	68%	70%	70%	69%	35%	44%	53%	62%	70%	71%	72%	74%	75%	76%	77%
Occupancy Growth		2,2%	0,2%	-1,2%	-48,7%	25,4%	19,5%	16,1%	13,8%	1,7%	1,7%	1,7%	1,7%	1,7%	1,7%
ADR	106,30	112,82	113,10	114,35	105,07	107,05	109,26	111,57	113,92	113,51	113,10	112,71	112,33	111,96	111,60
ADR Growth		6,1%	0,2%	1,1%	-8,1%	1,9%	2,1%	2,1%	2,1%	-0,4%	-0,4%	-0,3%	-0,3%	-0,3%	-0,3%
RevPaR	72,39	78,50	78,85	78,80	37,17	47,49	57,93	68,69	79,83	80,87	81,94	83,02	84,13	85,26	86,40
RevPaR Growth		8,4%	0,4%	-0,1%	-52,8%	27,7%	22,0%	18,6%	16,2%	1,3%	1,3%	1,3%	1,3%	1,3%	1,3%
# Transactions Rooms ('000)	16.951	16.710	16.193	15.748	5.029	7.805	10.582	13.359	16.135	16.532	16.940	17.359	17.789	18.230	18.683
Transactions Rooms Growth		-1,4%	-3,1%	-2,7%	-68,1%	55,2%	35,6%	26,2%	20,8%	2,5%	2,5%	2,5%	2,5%	2,5%	2,5%
<b>Revenues</b>	<b>1.801,96</b>	<b>1.885,17</b>	<b>1.831,32</b>	<b>1.800,75</b>	<b>528,40</b>	<b>835,56</b>	<b>1.156,23</b>	<b>1.490,42</b>	<b>1.838,13</b>	<b>1.876,53</b>	<b>1.915,99</b>	<b>1.956,53</b>	<b>1.998,19</b>	<b>2.041,00</b>	<b>2.085,00</b>

Exhibit 26 – Past and Projected growth drivers – Revenues 2016 -2030  
Source: Analyst Estimates and Meliá Hotels International

Income Statement Forecast															
<b>CORE OPERATIONS</b>															
(Millions of Euros)	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Revenues	1.801,96	1.885,17	1.831,32	1.800,75	528,40	835,56	1.156,23	1.490,42	1.838,13	1.876,53	1.915,99	1.956,53	1.998,19	2.041,00	2.085,00
Raw Materials	(222,78)	(215,23)	(190,79)	(199,04)	(58,87)	(91,60)	(126,75)	(163,39)	(201,51)	(205,72)	(210,04)	(214,49)	(219,05)	(223,75)	(228,57)
% Revenue	-12,4%	-11,4%	-10,4%	-11,1%	-11,1%	-11,0%	-11,0%	-11,0%	-11,0%	-11,0%	-11,0%	-11,0%	-11,0%	-11,0%	-11,0%
Personnel expenses	(489,71)	(502,70)	(526,64)	(523,92)	(282,11)	(345,28)	(408,45)	(471,62)	(534,79)	(545,97)	(557,45)	(569,24)	(581,36)	(593,82)	(606,62)
% Revenue	-27,2%	-26,7%	-28,8%	-29,1%	-53,4%	-41,3%	-35,3%	-31,6%	-29,1%	-29,1%	-29,1%	-29,1%	-29,1%	-29,1%	-29,1%
Other operating expenses	(640,17)	(678,71)	(592,17)	(579,30)	(338,29)	(401,93)	(465,57)	(529,21)	(592,85)	(605,24)	(617,96)	(631,04)	(644,48)	(658,28)	(672,48)
% Revenue	-35,5%	-36,0%	-32,3%	-32,2%	-64,0%	-48,1%	-40,3%	-35,5%	-32,3%	-32,3%	-32,3%	-32,3%	-32,3%	-32,3%	-32,3%
Rental expenses	(163,73)	(178,27)	(20,82)	(20,58)	(0,66)	(5,73)	(10,81)	(15,88)	(20,95)	(21,39)	(21,84)	(22,30)	(22,78)	(23,26)	(23,77)
% Revenue	-9,1%	-9,5%	-1,1%	-1,1%	-0,1%	-0,7%	-0,9%	-1,1%	-1,1%	-1,1%	-1,1%	-1,1%	-1,1%	-1,1%	-1,1%
Depreciation and amortisation	(109,83)	(124,31)	(117,76)	(117,40)	(179,91)	(114,44)	(118,72)	(123,00)	(127,28)	(128,89)	(130,54)	(132,20)	(133,88)	(135,59)	(137,32)
% PPE and other intangible assets	-6,1%	-7,1%	-6,1%	-5,9%	-10,3%	-6,3%	-6,3%	-6,3%	-6,3%	-6,3%	-6,3%	-6,3%	-6,3%	-6,3%	-6,3%
Depreciation and amortisation (ROU)	0,00	0,00	(124,27)	(137,71)	(225,91)	(137,18)	(139,74)	(142,30)	(144,86)	(147,89)	(151,00)	(154,20)	(157,48)	(160,85)	(164,32)
% Rights of Use (ROU)	0,0%	0,0%	-11,7%	-11,0%	-19,0%	-11,3%	-11,3%	-11,3%	-11,3%	-11,3%	-11,3%	-11,3%	-11,3%	-11,3%	-11,3%
<b>Core Results Before Taxes and OCI</b>	<b>175,75</b>	<b>185,95</b>	<b>258,87</b>	<b>222,79</b>	<b>(557,35)</b>	<b>(260,61)</b>	<b>(113,81)</b>	<b>45,02</b>	<b>215,88</b>	<b>221,43</b>	<b>227,16</b>	<b>233,07</b>	<b>239,16</b>	<b>245,45</b>	<b>251,93</b>
Taxes	(43,94)	(46,49)	(64,72)	(55,70)	139,34	65,15	28,45	(11,25)	(53,97)	(55,36)	(56,79)	(58,27)	(59,79)	(61,36)	(62,98)
% Statutory Tax Rate	-25,0%	-25,0%	-25,0%	-25,0%	-25,0%	-25,0%	-25,0%	-25,0%	-25,0%	-25,0%	-25,0%	-25,0%	-25,0%	-25,0%	-25,0%
Tax Adjustments	(0,53)	2,75	10,02	4,47	(114,90)	(53,72)	(23,46)	0,79	3,81	3,91	4,01	4,11	4,22	4,33	4,44
% Taxes	1,2%	-5,9%	-15,5%	-8,0%	-82,5%	-20,2%	-20,6%	-2,6%	1,6%	1,7%	1,8%	1,8%	1,9%	2,0%	2,1%
<b>Core Results Before OCI</b>	<b>131,28</b>	<b>142,21</b>	<b>204,17</b>	<b>171,57</b>	<b>(532,91)</b>	<b>(249,18)</b>	<b>(108,82)</b>	<b>34,56</b>	<b>165,72</b>	<b>169,98</b>	<b>174,38</b>	<b>178,91</b>	<b>183,59</b>	<b>188,41</b>	<b>193,39</b>
Tax effect	(0,14)	(0,49)	(0,02)	0,26	0,08	0,04	0,02	(0,03)	(0,13)	(0,13)	(0,13)	(0,14)	(0,14)	(0,14)	(0,15)
% RBOCI	-0,1%	-0,3%	0,0%	0,1%	0,0%	0,0%	0,0%	-0,1%	-0,1%	-0,1%	-0,1%	-0,1%	-0,1%	-0,1%	-0,1%
<b>Total Core Result</b>	<b>131,15</b>	<b>141,72</b>	<b>204,16</b>	<b>171,83</b>	<b>(532,83)</b>	<b>(249,14)</b>	<b>(108,80)</b>	<b>34,53</b>	<b>165,60</b>	<b>169,85</b>	<b>174,24</b>	<b>178,78</b>	<b>183,45</b>	<b>188,27</b>	<b>193,24</b>
<b>NON-CORE OPERATIONS</b>															
(Millions of Euros)	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Other Financial Results	7,70	8,41	15,22	14,42	(8,07)	(3,05)	1,98	7,00	12,03	12,28	12,54	12,80	13,08	13,36	13,65
% Other financial assets	3,0%	3,8%	8,4%	6,6%	-4,0%	-1,5%	0,9%	3,2%	5,4%	5,4%	5,4%	5,4%	5,4%	5,4%	5,4%
Exchange Rate Differences	4,68	(11,54)	(8,94)	(12,75)	(0,66)	(10,20)	(4,45)	(1,41)	(6,78)	(6,95)	(7,13)	(7,32)	(7,51)	(7,71)	(7,91)
% Total Core Result	3,6%	-8,1%	-4,4%	-7,4%	0,1%	-4,1%	-4,1%	-4,1%	-4,1%	-4,1%	-4,1%	-4,1%	-4,1%	-4,1%	-4,1%
Profit / (loss) from Associates and JV	1,59	23,21	5,32	6,30	(31,86)	(14,86)	(6,49)	2,06	9,88	10,13	10,39	10,67	10,94	11,23	11,53
% Total Core Result	1,2%	16,4%	2,6%	3,7%	6,0%	6,0%	6,0%	6,0%	6,0%	6,0%	6,0%	6,0%	6,0%	6,0%	6,0%
<b>Non-Core Results Before Taxes and OCI</b>	<b>13,96</b>	<b>20,09</b>	<b>11,81</b>	<b>7,97</b>	<b>(40,59)</b>	<b>(28,11)</b>	<b>(8,96)</b>	<b>7,65</b>	<b>15,13</b>	<b>15,46</b>	<b>15,80</b>	<b>16,15</b>	<b>16,51</b>	<b>16,88</b>	<b>17,26</b>
Taxes	(3,49)	(5,02)	(2,90)	(1,99)	10,15	7,03	2,24	(1,91)	(3,78)	(3,87)	(3,95)	(4,04)	(4,13)	(4,22)	(4,32)
% Statutory Tax Rate	-25,0%	-25,0%	-25,0%	-25,0%	-25,0%	-25,0%	-25,0%	-25,0%	-25,0%	-25,0%	-25,0%	-25,0%	-25,0%	-25,0%	-25,0%
Tax Adjustments	3,90	1,49	4,21	(0,45)	0,00	0,00	0,00	1,26	2,50	2,55	2,61	2,67	2,73	2,79	2,85
% Taxes	-11,8%	-29,7%	-14,5%	22,5%	0,0%	0,0%	0,0%	-66,0%	-66,0%	-66,0%	-66,0%	-66,0%	-66,0%	-66,0%	-66,0%
<b>Non-Core Results Before OCI</b>	<b>14,37</b>	<b>16,56</b>	<b>12,92</b>	<b>5,53</b>	<b>(30,44)</b>	<b>(21,08)</b>	<b>(6,72)</b>	<b>7,00</b>	<b>13,84</b>	<b>14,15</b>	<b>14,46</b>	<b>14,78</b>	<b>15,11</b>	<b>15,45</b>	<b>15,80</b>
Other results attributed to equity	12,60	15,41	(15,27)	0,63	0,19	1,50	2,08	2,68	3,30	3,37	3,44	3,51	3,59	3,66	3,74
% Revenue	0,7%	0,8%	-0,8%	0,0%	0,0%	0,2%	0,2%	0,2%	0,2%	0,2%	0,2%	0,2%	0,2%	0,2%	0,2%
Equity consolidated companies	(7,56)	(2,67)	(4,53)	(0,30)	(0,09)	(1,72)	(2,39)	(3,07)	(3,79)	(3,87)	(3,95)	(4,04)	(4,12)	(4,21)	(4,30)
% Revenue	-0,4%	-0,1%	-0,2%	0,0%	0,0%	-0,2%	-0,2%	-0,2%	-0,2%	-0,2%	-0,2%	-0,2%	-0,2%	-0,2%	-0,2%
Actuarial gains and losses in post-employment plans	(0,11)	(0,88)	(1,96)	(1,17)	(0,34)	(0,72)	(0,99)	(1,28)	(1,58)	(1,61)	(1,65)	(1,68)	(1,72)	(1,75)	(1,79)
% Revenue	0,0%	0,0%	-0,1%	-0,1%	-0,1%	-0,1%	-0,1%	-0,1%	-0,1%	-0,1%	-0,1%	-0,1%	-0,1%	-0,1%	-0,1%
Translation differences	(45,44)	(144,64)	14,91	18,29	5,37	8,49	11,74	15,14	18,67	19,06	19,46	19,87	20,29	20,73	21,18
% Revenue	-2,5%	-7,7%	0,8%	1,0%	1,0%	1,0%	1,0%	1,0%	1,0%	1,0%	1,0%	1,0%	1,0%	1,0%	1,0%
<b>Total Non-Core Result</b>	<b>(26,13)</b>	<b>(116,22)</b>	<b>6,07</b>	<b>22,98</b>	<b>(25,32)</b>	<b>(13,53)</b>	<b>3,72</b>	<b>20,46</b>	<b>30,44</b>	<b>31,09</b>	<b>31,76</b>	<b>32,45</b>	<b>33,15</b>	<b>33,88</b>	<b>34,62</b>
<b>FINANCIAL</b>															
(Millions of Euros)	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Rental Financial Expense	0,00	0,00	(43,52)	(41,38)	(32,51)	(39,18)	(39,91)	(40,64)	(41,38)	(42,24)	(43,13)	(44,04)	(44,98)	(45,94)	(46,93)
% Lease Liabilities	0,0%	0,0%	-3,4%	-3,2%	-2,4%	-3,2%	-3,2%	-3,2%	-3,2%	-3,2%	-3,2%	-3,2%	-3,2%	-3,2%	-3,2%
Financial Expense	(42,12)	(29,99)	(31,76)	(33,07)	(33,33)	(46,79)	(58,41)	(66,57)	(71,63)	(71,41)	(70,41)	(69,32)	(68,14)	(66,87)	(65,49)
Interests (% Debt Previous Year)	-3,3%	-3,4%	-3,4%	-3,6%	-3,6%	-3,4%	-3,4%	-3,4%	-3,4%	-3,4%	-3,4%	-3,4%	-3,4%	-3,4%	-3,4%
<b>Financial Results Before Taxes and OCI</b>	<b>(42,12)</b>	<b>(29,99)</b>	<b>(75,28)</b>	<b>(74,45)</b>	<b>(65,84)</b>	<b>(85,97)</b>	<b>(98,32)</b>	<b>(107,21)</b>	<b>(113,01)</b>	<b>(113,65)</b>	<b>(113,54)</b>	<b>(113,36)</b>	<b>(113,12)</b>	<b>(112,81)</b>	<b>(112,42)</b>
Taxes	10,53	7,50	18,82	18,61	16,46	21,49	24,58	26,80	28,25	28,41	28,38	28,34	28,28	28,20	28,11
% Statutory Tax Rate	-25,0%	-25,0%	-25,0%	-25,0%	-25,0%	-25,0%	-25,0%	-25,0%	-25,0%	-25,0%	-25,0%	-25,0%	-25,0%	-25,0%	-25,0%
Tax Adjustments	(11,12)	(2,83)	(8,97)	0,42	0,00	(10,14)	(11,60)	(12,64)	(13,33)	(13,40)	(13,39)	(13,37)	(13,34)	(13,30)	(13,26)
% Taxes	-105,6%	-37,7%	-47,7%	2,3%	0,0%	-47,2%	-47,2%	-47,2%	-47,2%	-47,2%	-47,2%	-47,2%	-47,2%	-47,2%	-47,2%
<b>Financial Results Before OCI</b>	<b>(42,71)</b>	<b>(25,32)</b>	<b>(65,43)</b>	<b>(55,42)</b>	<b>(49,38)</b>	<b>(74,62)</b>	<b>(85,34)</b>	<b>(93,05)</b>	<b>(98,08)</b>	<b>(98,64)</b>	<b>(98,54)</b>	<b>(98,39)</b>	<b>(98,18)</b>	<b>(97,91)</b>	<b>(97,58)</b>
Cash flow hedges	0,60	1,95	0,08	(1,03)	(0,30)	0,18	0,24	0,31	0,39	0,39	0,40	0,41	0,42	0,43	0,44
% Revenue	0,0%	0,1%	0,0%	-0,1%	-0,1%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
<b>Total Financial Result</b>	<b>(42,11)</b>	<b>(23,37)</b>	<b>(65,35)</b>	<b>(56,45)</b>	<b>(49,68)</b>	<b>(74,44)</b>	<b>(85,09)</b>	<b>(92,74)</b>	<b>(97,70)</b>	<b>(98,24)</b>	<b>(98,14)</b>	<b>(97,98)</b>	<b>(97,76)</b>	<b>(97,48)</b>	<b>(97,14)</b>
<b>Total Comprehensive Income</b>	<b>62,91</b>	<b>2,13</b>	<b>144,87</b>	<b>138,36</b>	<b>(607,83)</b>	<b>(337,12)</b>	<b>(190,18)</b>	<b>(37,75)</b>	<b>98,34</b>	<b>102,70</b>	<b>107,87</b>	<b>113,24</b>	<b>118,84</b>	<b>124,67</b>	<b>130,73</b>

Exhibit 27 – Past and Projected Reformulated Income Statement 2016-2030  
Source: Analyst Estimates and MHI's Annual Reports

Balance Sheet Forecast

CORE INVESTED CAPITAL (Millions of Euros)	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
<b>Current Assets</b>															
Operating cash	74,65	58,43	53,46	60,09	20,73	31,05	41,38	51,70	62,03	63,33	64,66	66,03	67,43	68,88	70,36
% Revenue	4,1%	3,1%	2,9%	3,3%	3,9%	3,7%	3,6%	3,5%	3,4%	3,4%	3,4%	3,4%	3,4%	3,4%	3,4%
Inventories	63,95	53,26	26,49	29,26	24,39	25,49	26,60	27,70	28,80	29,40	30,02	30,66	31,31	31,98	32,67
Average Holding Period	105	90	51	54	151	102	77	62	52	52	52	52	52	52	52
Trade and other receivables	275,27	258,07	249,08	194,08	134,96	150,75	166,53	182,32	198,11	202,25	206,50	210,87	215,36	219,97	224,72
Average Collection Period	56	50	50	39	93	66	53	45	39	39	39	39	39	39	39
Tax assets on current gains	29,61	54,96	28,87	39,58	34,79	35,67	36,54	37,42	38,29	39,09	39,92	40,76	41,63	42,52	43,44
% Revenue	1,6%	2,9%	1,6%	2,2%	6,6%	4,3%	3,2%	2,5%	2,1%	2,1%	2,1%	2,1%	2,1%	2,1%	2,1%
<b>Total Current Assets</b>	<b>443,49</b>	<b>424,72</b>	<b>357,90</b>	<b>323,01</b>	<b>214,87</b>	<b>242,96</b>	<b>271,05</b>	<b>299,14</b>	<b>327,24</b>	<b>334,07</b>	<b>341,10</b>	<b>348,31</b>	<b>355,73</b>	<b>363,35</b>	<b>371,19</b>
<b>Non-Current Assets</b>															
Goodwill	60,77	60,72	68,00	72,25	35,32	42,94	50,56	58,18	65,80	67,17	68,58	70,04	71,53	73,06	74,63
% Revenue	3,4%	3,2%	3,7%	4,0%	6,7%	5,1%	4,4%	3,9%	3,6%	3,6%	3,6%	3,6%	3,6%	3,6%	3,6%
Other intangible assets	109,31	102,19	76,37	73,41	61,38	64,77	68,16	71,55	74,93	76,50	78,11	79,76	81,46	83,20	85,00
% Revenue	6,1%	5,4%	4,2%	4,1%	11,6%	7,8%	5,9%	4,8%	4,1%	4,1%	4,1%	4,1%	4,1%	4,1%	4,1%
Property, Plant and Equipment	1.693,39	1.649,62	1.851,19	1.923,27	1.688,72	1.753,32	1.817,92	1.882,53	1.947,13	1.971,28	1.995,74	2.020,50	2.045,56	2.070,94	2.096,63
% Growth	-2,6%	-2,6%	12,2%	3,9%	-12,2%	3,8%	3,7%	3,6%	3,4%	1,2%	1,2%	1,2%	1,2%	1,2%	1,2%
Rights of Use (ROU)	0,00	0,00	1.064,13	1.251,26	1.186,92	1.209,50	1.232,08	1.254,66	1.277,23	1.303,92	1.331,33	1.359,50	1.388,45	1.418,20	1.448,78
% Revenue	0,0%	0,0%	58,1%	69,5%	224,6%	144,8%	106,6%	84,2%	69,5%	69,5%	69,5%	69,5%	69,5%	69,5%	69,5%
Investment Property	141,14	135,90	149,44	116,27	103,00	111,32	119,64	127,97	136,29	139,14	142,06	145,07	148,16	151,33	154,59
% Revenue	7,8%	7,2%	8,2%	6,5%	19,5%	13,3%	10,3%	8,6%	7,4%	7,4%	7,4%	7,4%	7,4%	7,4%	7,4%
<b>Total Non-Current Assets</b>	<b>2.004,61</b>	<b>1.948,43</b>	<b>3.209,13</b>	<b>3.436,46</b>	<b>3.075,34</b>	<b>3.181,85</b>	<b>3.288,36</b>	<b>3.394,87</b>	<b>3.501,38</b>	<b>3.558,01</b>	<b>3.615,83</b>	<b>3.674,87</b>	<b>3.735,16</b>	<b>3.796,73</b>	<b>3.859,63</b>
<b>Total Assets</b>	<b>2.448,10</b>	<b>2.373,14</b>	<b>3.567,03</b>	<b>3.759,47</b>	<b>3.290,21</b>	<b>3.424,81</b>	<b>3.559,41</b>	<b>3.694,01</b>	<b>3.828,62</b>	<b>3.892,08</b>	<b>3.956,92</b>	<b>4.023,18</b>	<b>4.090,89</b>	<b>4.160,09</b>	<b>4.230,82</b>
<b>Current Liabilities</b>															
Trade creditors	284,77	282,50	321,73	294,00	205,33	207,07	208,82	210,56	285,68	291,65	297,78	304,09	310,56	317,21	324,05
Average Payable Period	101	96	115	104	117	112	97	86	104	104	104	104	104	104	104
Other payables	174,90	160,78	131,10	130,47	88,00	99,09	110,19	121,28	132,38	135,15	137,99	140,91	143,91	146,99	150,16
% Revenue	9,7%	8,5%	7,2%	7,2%	16,7%	11,9%	9,5%	8,1%	7,2%	7,2%	7,2%	7,2%	7,2%	7,2%	7,2%
Current tax liabilities	33,23	17,50	7,07	7,67	1,86	3,26	4,66	6,06	7,46	7,62	7,78	7,94	8,11	8,28	8,46
% Revenue	1,8%	0,9%	0,4%	0,4%	0,4%	0,4%	0,4%	0,4%	0,4%	0,4%	0,4%	0,4%	0,4%	0,4%	0,4%
Other current liabilities	87,79	61,22	54,76	36,42	25,00	23,72	22,44	21,16	19,88	20,29	20,72	21,16	21,61	22,07	22,55
% Revenue	4,9%	3,2%	3,0%	2,0%	4,7%	2,8%	1,9%	1,4%	1,1%	1,1%	1,1%	1,1%	1,1%	1,1%	1,1%
<b>Total Current Liabilities</b>	<b>580,69</b>	<b>521,99</b>	<b>514,65</b>	<b>468,56</b>	<b>320,19</b>	<b>333,15</b>	<b>346,10</b>	<b>359,06</b>	<b>445,40</b>	<b>454,71</b>	<b>464,27</b>	<b>474,09</b>	<b>484,19</b>	<b>494,56</b>	<b>505,22</b>
<b>Non-Current Liabilities</b>															
Other non-current financial liabilities	6,58	5,42	5,76	2,04	1,93	1,97	2,01	2,05	2,09	2,13	2,17	2,22	2,27	2,32	2,37
% Revenue	0,4%	0,3%	0,3%	0,1%	0,4%	0,2%	0,2%	0,1%	0,1%	0,1%	0,1%	0,1%	0,1%	0,1%	0,1%
Other deferred income	23,70	20,89	364,08	346,36	288,89	306,54	324,19	341,84	359,49	367,00	374,72	382,64	390,79	399,17	407,77
% Revenue	1,3%	1,1%	19,9%	19,2%	54,7%	36,7%	28,0%	22,9%	19,6%	19,6%	19,6%	19,6%	19,6%	19,6%	19,6%
<b>Total Non-Current Liabilities</b>	<b>30,29</b>	<b>26,31</b>	<b>369,84</b>	<b>348,40</b>	<b>290,82</b>	<b>308,51</b>	<b>326,20</b>	<b>343,89</b>	<b>361,58</b>	<b>369,13</b>	<b>376,89</b>	<b>384,87</b>	<b>393,06</b>	<b>401,48</b>	<b>410,14</b>
<b>Total Liabilities</b>	<b>610,97</b>	<b>548,30</b>	<b>884,49</b>	<b>816,96</b>	<b>611,00</b>	<b>641,65</b>	<b>672,30</b>	<b>702,95</b>	<b>806,98</b>	<b>823,84</b>	<b>841,16</b>	<b>858,96</b>	<b>877,25</b>	<b>896,04</b>	<b>915,36</b>
<b>Total Core Invested Capital</b>	<b>1.837,13</b>	<b>1.824,85</b>	<b>2.682,55</b>	<b>2.942,51</b>	<b>2.679,20</b>	<b>2.783,16</b>	<b>2.887,11</b>	<b>2.991,07</b>	<b>3.021,64</b>	<b>3.068,24</b>	<b>3.115,76</b>	<b>3.164,22</b>	<b>3.213,64</b>	<b>3.264,04</b>	<b>3.315,46</b>
<b>NON-CORE INVESTED CAPITAL</b> (Millions of Euros)															
<b>Current Assets</b>															
Non-Current Assets Held for Sale	0,00	0,00	56,08	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00
Other current financial assets	47,30	48,68	41,10	49,05	66,94	61,89	56,85	51,80	46,76	47,74	48,74	49,77	50,83	51,92	53,04
% Revenue	2,6%	2,6%	2,2%	2,7%	12,7%	7,4%	4,9%	3,5%	2,5%	2,5%	2,5%	2,5%	2,5%	2,5%	2,5%
<b>Total Current Assets</b>	<b>47,30</b>	<b>48,68</b>	<b>97,18</b>	<b>49,05</b>	<b>66,94</b>	<b>61,89</b>	<b>56,85</b>	<b>51,80</b>	<b>46,76</b>	<b>47,74</b>	<b>48,74</b>	<b>49,77</b>	<b>50,83</b>	<b>51,92</b>	<b>53,04</b>
<b>Non-Current Assets</b>															
Investments measured using the equity method	190,10	229,64	197,82	212,71	178,37	185,87	193,37	200,88	208,38	212,73	217,20	221,80	226,52	231,38	236,36
% Revenue	10,5%	12,2%	10,8%	11,8%	33,8%	22,2%	16,7%	13,5%	11,3%	11,3%	11,3%	11,3%	11,3%	11,3%	11,3%
Other non-current financial asset	209,91	173,55	140,55	168,28	135,86	145,41	154,95	164,50	174,05	177,68	181,42	185,26	189,20	193,26	197,42
% Revenue	11,6%	9,2%	7,7%	9,3%	25,7%	17,4%	13,4%	11,0%	9,5%	9,5%	9,5%	9,5%	9,5%	9,5%	9,5%
Deferred tax assets	135,94	122,33	302,56	297,30	317,23	313,82	310,40	306,99	303,58	309,92	316,43	323,13	330,01	337,08	344,35
% Revenue	7,5%	6,5%	16,5%	16,5%	60,0%	37,6%	26,8%	20,6%	16,5%	16,5%	16,5%	16,5%	16,5%	16,5%	16,5%
<b>Total Non-Current Assets</b>	<b>535,95</b>	<b>525,53</b>	<b>640,92</b>	<b>678,29</b>	<b>631,46</b>	<b>645,10</b>	<b>658,73</b>	<b>672,37</b>	<b>686,00</b>	<b>700,33</b>	<b>715,06</b>	<b>730,19</b>	<b>745,74</b>	<b>761,71</b>	<b>778,14</b>
<b>Total Assets</b>	<b>583,25</b>	<b>574,21</b>	<b>738,10</b>	<b>727,34</b>	<b>698,40</b>	<b>706,99</b>	<b>715,58</b>	<b>724,17</b>	<b>732,76</b>	<b>748,07</b>	<b>763,80</b>	<b>779,96</b>	<b>796,57</b>	<b>813,63</b>	<b>831,17</b>
<b>Current Liabilities</b>															
Other current liabilities	7,32	3,56	20,79	28,88	19,82	21,16	22,50	23,84	25,17	25,70	26,24	26,80	27,37	27,95	28,56
% Revenue	0,4%	0,2%	1,1%	1,6%	3,8%	2,5%	1,9%	1,6%	1,4%	1,4%	1,4%	1,4%	1,4%	1,4%	1,4%
<b>Total Current Liabilities</b>	<b>7,32</b>	<b>3,56</b>	<b>20,79</b>	<b>28,88</b>	<b>19,82</b>	<b>21,16</b>	<b>22,50</b>	<b>23,84</b>	<b>25,17</b>	<b>25,70</b>	<b>26,24</b>	<b>26,80</b>	<b>27,37</b>	<b>27,95</b>	<b>28,56</b>
<b>Non-Current Liabilities</b>															
Other non-current financial liabilities	7,17	4,00	9,20	10,17	9,60	9,65	9,70	9,75	9,80	10,01	10,22	10,44	10,66	10,89	11,12
% Revenue	0,4%	0,2%	0,5%	0,6%	1,8%	1,2%	0,8%	0,7%	0,5%	0,5%	0,5%	0,5%	0,5%	0,5%	0,5%
Provisions	35,58	44,81	40,20	29,81	26,48	29,28	32,08	34,89	37,69	38,48	39,29	40,12	40,97	41,85	42,75
% Revenue	2,0%	2,4%	2,2%	1,7%	5,0%	3,5%	2,8%	2,3%	2,1%	2,1%	2,1%	2,1%	2,1%	2,1%	2,1%
Deferred tax liabilities	184,69	167,11	203,24	221,89	192,87	198,46	204,06	209,65	215,25	219,74	224,36	229,11	233,99	239,00	244,15
% Revenue	10,2%	8,9%	11,1%	12,3%	36,5%	23,8%	17,6%	14,1%	11,7%	11,7%	11,7%	11,7%	11,7%	11,7%	11,7%
<b>Total Non-Current Liabilities</b>	<b>227,44</b>	<b>215,91</b>	<b>252,64</b>	<b>261,87</b>	<b>228,95</b>	<b>237,40</b>	<b>245,84</b>	<b>254,29</b>	<b>262,74</b>	<b>26</b>					

Balance Sheet Forecast

FINANCING															
(Millions of Euros)	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
<b>Assets</b>															
Excess cash	292,12	273,46	259,44	268,85	83,92	131,68	179,44	227,20	274,96	280,70	286,60	292,67	298,90	305,30	311,89
% Revenue	16,2%	14,5%	14,2%	14,9%	15,9%	15,8%	15,5%	15,2%	15,0%	15,0%	15,0%	15,0%	15,0%	15,0%	15,0%
<b>Total Assets</b>	<b>292,12</b>	<b>273,46</b>	<b>259,44</b>	<b>268,85</b>	<b>83,92</b>	<b>131,68</b>	<b>179,44</b>	<b>227,20</b>	<b>274,96</b>	<b>280,70</b>	<b>286,60</b>	<b>292,67</b>	<b>298,90</b>	<b>305,30</b>	<b>311,89</b>
<b>Liabilities</b>															
Lease liabilities	0,00	0,00	1.277,42	1.436,29	1.348,56	1.360,07	1.385,46	1.410,85	1.436,24	1.466,25	1.497,08	1.528,75	1.561,31	1.594,76	1.629,14
% Rights of Use (ROU)	0,0%	0,0%	120,0%	114,8%	113,6%	112,4%	112,4%	112,4%	112,4%	112,4%	112,4%	112,4%	112,4%	112,4%	112,4%
Bonds and other negotiable securities	87,29	71,61	85,36	34,12	34,32	34,45	34,57	34,70	34,83	35,56	36,30	37,07	37,86	38,67	39,51
% Revenue	4,8%	3,8%	4,7%	1,9%	6,5%	4,1%	3,0%	2,3%	1,9%	1,9%	1,9%	1,9%	1,9%	1,9%	1,9%
Bank loans	821,94	854,00	835,02	887,26	1.325,51	1.663,07	1.900,06	2.047,10	2.040,46	2.010,68	1.978,34	1.943,31	1.905,48	1.864,72	1.820,91
% Revenue	45,6%	45,3%	45,6%	49,3%	250,9%	199,0%	164,3%	137,4%	111,0%	107,1%	103,3%	99,3%	95,4%	91,4%	87,3%
Capital grants	4,90	4,68	4,46	4,24	3,53	3,76	3,99	4,22	4,45	4,54	4,64	4,74	4,84	4,94	5,05
% Revenue	0,3%	0,2%	0,2%	0,2%	0,7%	0,5%	0,3%	0,3%	0,2%	0,2%	0,2%	0,2%	0,2%	0,2%	0,2%
<b>Total Non-Current Liabilities</b>	<b>914,13</b>	<b>930,28</b>	<b>2.202,25</b>	<b>2.361,91</b>	<b>2.711,92</b>	<b>3.061,35</b>	<b>3.324,08</b>	<b>3.496,87</b>	<b>3.515,99</b>	<b>3.517,03</b>	<b>3.516,36</b>	<b>3.513,87</b>	<b>3.509,48</b>	<b>3.503,10</b>	<b>3.494,61</b>
<b>Total Financial Result</b>	<b>(622,01)</b>	<b>(656,83)</b>	<b>(1.942,81)</b>	<b>(2.093,05)</b>	<b>(2.628,00)</b>	<b>(2.929,67)</b>	<b>(3.144,64)</b>	<b>(3.269,68)</b>	<b>(3.241,03)</b>	<b>(3.236,33)</b>	<b>(3.229,75)</b>	<b>(3.221,20)</b>	<b>(3.210,58)</b>	<b>(3.197,79)</b>	<b>(3.182,72)</b>
<b>Total Shareholders' Equity</b>	<b>1.563,61</b>	<b>1.522,76</b>	<b>1.204,41</b>	<b>1.286,05</b>	<b>500,83</b>	<b>301,92</b>	<b>189,70</b>	<b>167,43</b>	<b>225,46</b>	<b>286,05</b>	<b>349,70</b>	<b>416,52</b>	<b>486,64</b>	<b>560,19</b>	<b>637,33</b>
D/E	39,8%	43,1%	161,3%	162,8%	524,7%	970,4%	1657,7%	1952,9%	1437,5%	1131,4%	923,6%	773,4%	659,8%	570,8%	499,4%
Transactions with Shareholders		-42,99	-463,22	-56,72	-177,39	138,20	77,97	15,48	-40,32	-42,10	-44,22	-46,42	-48,72	-51,11	-53,59
Payout Ratio		2017%	320%	41%	6%	41%	41%	41%	41%	41%	41%	41%	41%	41%	41%

Exhibit 29 – Past and Projected Balance Sheet (Financing), 2016-2030

Source: Analyst Estimates and MHI's Annual Reports

Free Cash Flow Forecast

<b>CORE FREE CASH FLOW</b> (Millions of Euros)	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
<b>NOPLAT</b>	<b>131,15</b>	<b>141,72</b>	<b>204,16</b>	<b>171,83</b>	<b>(532,83)</b>	<b>(249,14)</b>	<b>(108,80)</b>	<b>34,53</b>	<b>165,60</b>	<b>169,85</b>	<b>174,24</b>	<b>178,78</b>	<b>183,45</b>	<b>188,27</b>	<b>193,24</b>
(+) Depreciation and amortisation	109,83	124,31	117,76	117,40	179,91	114,44	118,72	123,00	127,28	128,89	130,54	132,20	133,88	135,59	137,32
(+) Depreciation and amortisation (ROU) - IFRS16	0,00	0,00	124,27	137,71	225,91	137,18	139,74	142,30	144,86	147,89	151,00	154,20	157,48	160,85	164,32
<b>Operational Cash Flow</b>	<b>240,98</b>	<b>266,03</b>	<b>446,18</b>	<b>426,94</b>	<b>(127,01)</b>	<b>2,48</b>	<b>149,65</b>	<b>299,83</b>	<b>437,74</b>	<b>446,64</b>	<b>455,78</b>	<b>465,17</b>	<b>474,81</b>	<b>484,71</b>	<b>494,88</b>
Invested capital - Fixed assets	1.802,71	1.751,81	1.927,57	1.996,68	1.750,10	1.818,09	1.886,08	1.954,07	2.022,06	2.047,78	2.073,85	2.100,26	2.127,02	2.154,14	2.181,63
Gross CAPEX Investment		50,90	(175,76)	(69,11)	246,58	(67,99)	(67,99)	(67,99)	(67,99)	(25,72)	(26,06)	(26,41)	(26,76)	(27,12)	(27,48)
<b>Net CAPEX</b>		<b>(73,41)</b>	<b>(293,51)</b>	<b>(186,52)</b>	<b>66,67</b>	<b>(182,43)</b>	<b>(186,71)</b>	<b>(190,99)</b>	<b>(195,27)</b>	<b>(154,62)</b>	<b>(156,60)</b>	<b>(158,61)</b>	<b>(160,65)</b>	<b>(162,71)</b>	<b>(164,80)</b>
Invested capital - ROU	0,00	0,00	1.064,13	1.251,26	1.186,92	1.209,50	1.232,08	1.254,66	1.277,23	1.303,92	1.331,33	1.359,50	1.388,45	1.418,20	1.448,78
Gross CAPEX Investment		0,00	(1.064,13)	(187,13)	64,34	(22,58)	(22,58)	(22,58)	(22,58)	(26,68)	(27,42)	(28,17)	(28,95)	(29,75)	(30,58)
<b>Net CAPEX (ROU)</b>		<b>0,00</b>	<b>(1.188,40)</b>	<b>(324,84)</b>	<b>(161,57)</b>	<b>(159,76)</b>	<b>(162,32)</b>	<b>(164,88)</b>	<b>(167,44)</b>	<b>(174,57)</b>	<b>(178,42)</b>	<b>(182,37)</b>	<b>(186,43)</b>	<b>(190,60)</b>	<b>(194,90)</b>
Invested Capital - NWC	(120,44)	(131,95)	(177,26)	(201,13)	(133,98)	(129,93)	(125,88)	(121,82)	(191,15)	(195,15)	(199,25)	(203,47)	(207,80)	(212,25)	(216,83)
<b>Investment in NWC</b>		<b>11,51</b>	<b>45,31</b>	<b>23,87</b>	<b>(67,15)</b>	<b>(4,05)</b>	<b>(4,05)</b>	<b>(4,05)</b>	<b>69,33</b>	<b>3,99</b>	<b>4,10</b>	<b>4,22</b>	<b>4,33</b>	<b>4,45</b>	<b>4,58</b>
Invested Capital - Others	154,86	204,99	(131,90)	(104,30)	(123,84)	(114,51)	(105,17)	(95,84)	(86,51)	(88,31)	(90,17)	(92,08)	(94,04)	(96,05)	(98,12)
<b>Investment in Others</b>		<b>(50,12)</b>	<b>336,88</b>	<b>(27,59)</b>	<b>19,54</b>	<b>(9,33)</b>	<b>(9,33)</b>	<b>(9,33)</b>	<b>(9,33)</b>	<b>1,81</b>	<b>1,86</b>	<b>1,91</b>	<b>1,96</b>	<b>2,01</b>	<b>2,07</b>
<b>Investment Cash Flow</b>		<b>(112,02)</b>	<b>(1.099,73)</b>	<b>(515,08)</b>	<b>(142,51)</b>	<b>(355,57)</b>	<b>(362,41)</b>	<b>(369,25)</b>	<b>(302,71)</b>	<b>(323,39)</b>	<b>(329,05)</b>	<b>(334,85)</b>	<b>(340,78)</b>	<b>(346,85)</b>	<b>(353,05)</b>
<b>Core Free Cash Flow</b>		<b>154,00</b>	<b>(653,54)</b>	<b>(88,14)</b>	<b>(269,52)</b>	<b>(353,10)</b>	<b>(212,76)</b>	<b>(69,42)</b>	<b>135,02</b>	<b>123,25</b>	<b>126,73</b>	<b>130,32</b>	<b>134,03</b>	<b>137,87</b>	<b>141,83</b>
<b>NON-CORE FREE CASH FLOW</b> (Millions of Euros)	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
<b>NOPLAT</b>	<b>(26,13)</b>	<b>(116,22)</b>	<b>6,07</b>	<b>22,98</b>	<b>(25,32)</b>	<b>(13,53)</b>	<b>3,72</b>	<b>20,46</b>	<b>30,44</b>	<b>31,09</b>	<b>31,76</b>	<b>32,45</b>	<b>33,15</b>	<b>33,88</b>	<b>34,62</b>
Invested Capital - Non-Core Assets	348,49	354,74	464,68	436,59	449,63	448,43	447,24	446,04	444,84	454,14	463,69	473,50	483,58	493,94	504,59
<b>Investment Cash Flow</b>		<b>(6,24)</b>	<b>(109,94)</b>	<b>28,08</b>	<b>(13,03)</b>	<b>1,20</b>	<b>1,20</b>	<b>1,20</b>	<b>1,20</b>	<b>(9,29)</b>	<b>(9,55)</b>	<b>(9,81)</b>	<b>(10,08)</b>	<b>(10,36)</b>	<b>(10,65)</b>
<b>Non-Core Free Cash Flow</b>		<b>(122,46)</b>	<b>(103,87)</b>	<b>51,06</b>	<b>(38,36)</b>	<b>(12,34)</b>	<b>4,91</b>	<b>21,65</b>	<b>31,64</b>	<b>21,80</b>	<b>22,21</b>	<b>22,64</b>	<b>23,07</b>	<b>23,52</b>	<b>23,98</b>
<b>Total Free Cash Flow Available to Investors</b>		<b>31,54</b>	<b>(757,41)</b>	<b>(37,07)</b>	<b>(307,88)</b>	<b>(365,44)</b>	<b>(207,85)</b>	<b>(47,77)</b>	<b>166,66</b>	<b>145,05</b>	<b>148,94</b>	<b>152,95</b>	<b>157,10</b>	<b>161,38</b>	<b>165,81</b>
				-155,55	\$ 211,36	55,81									
<b>FINANCING FREE CASH FLOW</b> (Millions of Euros)	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
<b>Total Financial Result</b>	<b>(42,11)</b>	<b>(23,37)</b>	<b>(65,35)</b>	<b>(56,45)</b>	<b>(49,68)</b>	<b>(74,44)</b>	<b>(85,09)</b>	<b>(92,74)</b>	<b>(97,70)</b>	<b>(98,24)</b>	<b>(98,14)</b>	<b>(97,98)</b>	<b>(97,76)</b>	<b>(97,48)</b>	<b>(97,14)</b>
Net Financial Assets	(622,01)	(656,83)	(1.942,81)	(2.093,05)	(2.628,00)	(2.929,67)	(3.144,64)	(3.269,68)	(3.241,03)	(3.236,33)	(3.229,75)	(3.221,20)	(3.210,58)	(3.197,79)	(3.182,72)
Investment Cash Flow	34,82	1.285,98	150,24	534,95	301,67	214,97	125,03	(28,65)	(4,70)	(6,58)	(8,55)	(10,62)	(12,79)	(15,07)	
<b>Debt Financing Cash Flow</b>		<b>11,45</b>	<b>1.220,63</b>	<b>93,80</b>	<b>485,26</b>	<b>227,23</b>	<b>129,88</b>	<b>32,29</b>	<b>(126,34)</b>	<b>(102,94)</b>	<b>(104,72)</b>	<b>(106,53)</b>	<b>(108,38)</b>	<b>(110,28)</b>	<b>(112,21)</b>
Transactions with shareholders	(42,99)	(463,22)	(56,72)	(177,39)	138,20	77,97	15,48	(40,32)	(42,10)	(44,22)	(46,42)	(48,72)	(51,11)	(53,59)	
<b>Equity Financing Cash Flow</b>		<b>(42,99)</b>	<b>(463,22)</b>	<b>(56,72)</b>	<b>(177,39)</b>	<b>138,20</b>	<b>77,97</b>	<b>15,48</b>	<b>(40,32)</b>	<b>(42,10)</b>	<b>(44,22)</b>	<b>(46,42)</b>	<b>(48,72)</b>	<b>(51,11)</b>	<b>(53,59)</b>
<b>Financing Free Cash Flow</b>		<b>(31,54)</b>	<b>757,41</b>	<b>37,07</b>	<b>307,88</b>	<b>365,44</b>	<b>207,85</b>	<b>47,77</b>	<b>(166,66)</b>	<b>(145,05)</b>	<b>(148,94)</b>	<b>(152,95)</b>	<b>(157,10)</b>	<b>(161,38)</b>	<b>(165,81)</b>
Check	- -	0,0000	-	0,0000	0,0000	0,0000	- -	0,0000	0,0000	-	0,0000	0,0000	-	- -	0,0000
<b>Control Metrics</b>															
RONIC			14,8%	-5,8%	42147,2%	-356,1%	135,0%	137,9%	194,8%	11,0%	9,3%	9,4%	9,6%	9,7%	9,8%
ROIC		7,7%	9,1%	6,1%	-19,0%	-9,1%	-3,8%	1,2%	5,5%	5,6%	5,6%	5,7%	5,8%	5,8%	5,9%
RR		-8,7%	420,1%	151,3%	49,4%	-41,7%	-95,5%	301,0%	18,5%	27,4%	27,3%	27,1%	26,9%	26,8%	26,6%
g (Operational CF)		8,1%	44,1%	-15,8%	-410,1%	-53,2%	-56,3%	-131,7%	379,5%	2,6%	2,6%	2,6%	2,6%	2,6%	2,6%
g = RONIC * RR			62,1%	-8,8%	20827,7%	148,6%	-129,0%	415,1%	36,0%	3,0%	2,5%	2,6%	2,6%	2,6%	2,6%

Exhibit 30 – Past and Projected Cash Flow Maps 2016-2030

Source: Analyst Estimates and MHI's Annual Reports

Statement of Cash Flow

OPERATING ACTIVITIES (Millions of Euros)	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
<b>CORE NOPLAT</b>	<b>131,15</b>	<b>141,72</b>	<b>204,16</b>	<b>171,83</b>	<b>(532,83)</b>	<b>(249,14)</b>	<b>(108,80)</b>	<b>34,53</b>	<b>165,60</b>	<b>169,85</b>	<b>174,24</b>	<b>178,78</b>	<b>183,45</b>	<b>188,27</b>	<b>193,24</b>
<b>NON-CORE NOPLAT</b>	<b>(26,13)</b>	<b>(116,22)</b>	<b>6,07</b>	<b>22,98</b>	<b>(25,32)</b>	<b>(13,53)</b>	<b>3,72</b>	<b>20,46</b>	<b>30,44</b>	<b>31,09</b>	<b>31,76</b>	<b>32,45</b>	<b>33,15</b>	<b>33,88</b>	<b>34,62</b>
(+) Depreciation and amortisation	109,83	124,31	117,76	117,40	179,91	114,44	118,72	123,00	127,28	128,89	130,54	132,20	133,88	135,59	137,32
(+) Depreciation and amortisation (ROU) - IFRS16	0,00	0,00	124,27	137,71	225,91	137,18	139,74	142,30	144,86	147,89	151,00	154,20	157,48	160,85	164,32
<b>Gross Free Cash Flow</b>	<b>214,85</b>	<b>149,81</b>	<b>452,25</b>	<b>449,92</b>	<b>(152,33)</b>	<b>(11,06)</b>	<b>153,37</b>	<b>320,29</b>	<b>468,18</b>	<b>477,73</b>	<b>487,54</b>	<b>497,61</b>	<b>507,96</b>	<b>518,59</b>	<b>529,51</b>
NWC	(120,44)	(131,95)	(177,26)	(201,13)	(133,98)	(129,93)	(125,88)	(121,82)	(191,15)	(195,15)	(199,25)	(203,47)	(207,80)	(212,25)	(216,83)
<b>Changes In NWC</b>	<b>11,51</b>	<b>45,31</b>	<b>23,87</b>	<b>(67,15)</b>	<b>(4,05)</b>	<b>(4,05)</b>	<b>(4,05)</b>	<b>69,33</b>	<b>3,99</b>	<b>4,10</b>	<b>4,22</b>	<b>4,33</b>	<b>4,45</b>	<b>4,45</b>	<b>4,58</b>
Others	(50,88)	(12,29)	(215,16)	(196,60)	(122,76)	(145,12)	(167,49)	(189,85)	(212,22)	(216,65)	(221,21)	(225,89)	(230,70)	(235,64)	(240,72)
<b>Changes In Others</b>	<b>(38,59)</b>	<b>202,87</b>	<b>(18,56)</b>	<b>(73,84)</b>	<b>22,37</b>	<b>22,37</b>	<b>22,37</b>	<b>22,37</b>	<b>22,37</b>	<b>4,43</b>	<b>4,56</b>	<b>4,68</b>	<b>4,81</b>	<b>4,94</b>	<b>5,08</b>
<b>Cash from Operating</b>	<b>122,73</b>	<b>700,43</b>	<b>455,23</b>	<b>(293,32)</b>	<b>7,26</b>	<b>171,68</b>	<b>338,60</b>	<b>559,87</b>	<b>486,16</b>	<b>496,20</b>	<b>506,51</b>	<b>517,10</b>	<b>527,99</b>	<b>539,16</b>	<b>539,16</b>
<b>INVESTING ACTIVITIES</b> (Millions of Euros)	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>	<b>2027</b>	<b>2028</b>	<b>2029</b>	<b>2030</b>
Invested capital - Fixed assets	1.943,84	1.887,71	2.077,00	2.112,95	1.853,10	1.929,41	2.005,73	2.082,04	2.158,35	2.186,92	2.215,91	2.245,33	2.275,18	2.305,47	2.336,22
Gross CAPEX Investment	56,13	(189,29)	(35,95)	259,85	(76,31)	(76,31)	(76,31)	(76,31)	(28,57)	(28,99)	(29,42)	(29,85)	(30,30)	(30,75)	(30,75)
<b>Net CAPEX</b>	<b>(68,17)</b>	<b>(307,05)</b>	<b>(153,35)</b>	<b>79,94</b>	<b>(190,75)</b>	<b>(195,03)</b>	<b>(195,03)</b>	<b>(199,31)</b>	<b>(203,59)</b>	<b>(157,46)</b>	<b>(159,52)</b>	<b>(161,61)</b>	<b>(163,73)</b>	<b>(165,89)</b>	<b>(168,07)</b>
Invested capital - ROU	0,00	0,00	1.064,13	1.251,26	1.186,92	1.209,50	1.232,08	1.254,66	1.277,23	1.303,92	1.331,33	1.359,50	1.388,45	1.418,20	1.448,78
Gross CAPEX Investment	0,00	0,00	(1.064,13)	(187,13)	64,34	(22,58)	(22,58)	(22,58)	(22,58)	(26,68)	(27,42)	(28,17)	(28,95)	(29,75)	(30,58)
<b>Net CAPEX (ROU)</b>	<b>0,00</b>	<b>#####</b>	<b>(324,84)</b>	<b>(161,57)</b>	<b>(159,76)</b>	<b>(162,32)</b>	<b>(164,88)</b>	<b>(167,44)</b>	<b>(174,57)</b>	<b>(178,42)</b>	<b>(182,37)</b>	<b>(186,43)</b>	<b>(190,60)</b>	<b>(194,90)</b>	<b>(199,90)</b>
Proceeds from other investments	338,45	377,69	345,04	352,53	324,82	336,67	348,53	360,38	372,24	380,02	388,01	396,22	404,65	413,32	422,23
<b>Proceeds from other investments</b>	<b>(39,24)</b>	<b>32,65</b>	<b>(7,49)</b>	<b>27,71</b>	<b>(11,85)</b>	<b>(11,85)</b>	<b>(11,85)</b>	<b>(11,85)</b>	<b>(11,85)</b>	<b>(7,78)</b>	<b>(7,99)</b>	<b>(8,21)</b>	<b>(8,44)</b>	<b>(8,67)</b>	<b>(8,91)</b>
<b>Cash from Investing</b>	<b>(107,41)</b>	<b>#####</b>	<b>(485,68)</b>	<b>(53,92)</b>	<b>(362,36)</b>	<b>(369,20)</b>	<b>(376,05)</b>	<b>(382,89)</b>	<b>(339,81)</b>	<b>(345,93)</b>	<b>(352,19)</b>	<b>(358,60)</b>	<b>(365,16)</b>	<b>(371,87)</b>	<b>(371,87)</b>
<b>FINANCING ACTIVITIES</b> (Millions of Euros)	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>	<b>2027</b>	<b>2028</b>	<b>2029</b>	<b>2030</b>
<b>Total Financial Result</b>	<b>(42,11)</b>	<b>(23,37)</b>	<b>(65,35)</b>	<b>(56,45)</b>	<b>(49,68)</b>	<b>(74,44)</b>	<b>(85,09)</b>	<b>(92,74)</b>	<b>(97,70)</b>	<b>(98,24)</b>	<b>(98,14)</b>	<b>(97,98)</b>	<b>(97,76)</b>	<b>(97,48)</b>	<b>(97,14)</b>
Financial Assets	(914,13)	(930,28)	(2.202,25)	(2.361,91)	(2.711,92)	(3.061,35)	(3.324,08)	(3.496,87)	(3.515,99)	(3.517,03)	(3.516,36)	(3.513,87)	(3.509,48)	(3.503,10)	(3.494,61)
Debt Cash Flow	16,15	1.271,97	159,66	350,02	349,43	262,73	172,79	19,11	1,04	(0,67)	(2,48)	(4,39)	(6,39)	(8,49)	
<b>Debt Financing Cash Flow</b>	<b>(7,22)</b>	<b>1.206,61</b>	<b>103,21</b>	<b>300,34</b>	<b>274,99</b>	<b>177,64</b>	<b>80,05</b>	<b>(78,59)</b>	<b>(97,20)</b>	<b>(98,81)</b>	<b>(100,46)</b>	<b>(102,15)</b>	<b>(103,87)</b>	<b>(105,63)</b>	
Transactions with shareholders	(42,99)	(463,22)	(56,72)	(177,39)	138,20	77,97	15,48	(40,32)	(42,10)	(44,22)	(46,42)	(48,72)	(51,11)	(53,59)	
<b>Equity Financing Cash Flow</b>	<b>(42,99)</b>	<b>(463,22)</b>	<b>(56,72)</b>	<b>(177,39)</b>	<b>138,20</b>	<b>77,97</b>	<b>15,48</b>	<b>(40,32)</b>	<b>(42,10)</b>	<b>(44,22)</b>	<b>(46,42)</b>	<b>(48,72)</b>	<b>(51,11)</b>	<b>(53,59)</b>	
<b>Cash from Financing</b>	<b>(50,21)</b>	<b>743,40</b>	<b>46,49</b>	<b>122,95</b>	<b>413,19</b>	<b>255,60</b>	<b>95,53</b>	<b>(118,90)</b>	<b>(139,30)</b>	<b>(143,03)</b>	<b>(146,89)</b>	<b>(150,87)</b>	<b>(154,98)</b>	<b>(159,22)</b>	
Net Increase (decrease) in Cash	366,78	(34,89)	(18,98)	16,04	(224,29)	58,08	58,08	58,08	58,08	7,04	7,23	7,43	7,64	7,85	8,07
<b>Opening Cash Balance</b>	<b>366,78</b>	<b>331,88</b>	<b>312,90</b>	<b>328,94</b>	<b>104,65</b>	<b>162,73</b>	<b>220,82</b>	<b>278,90</b>	<b>336,99</b>	<b>344,03</b>	<b>351,26</b>	<b>358,69</b>	<b>366,33</b>	<b>374,18</b>	<b>382,25</b>
<b>Closing Cash Balance</b>	<b>366,78</b>	<b>331,88</b>	<b>312,90</b>	<b>328,94</b>	<b>104,65</b>	<b>162,73</b>	<b>220,82</b>	<b>278,90</b>	<b>336,99</b>	<b>344,03</b>	<b>351,26</b>	<b>358,69</b>	<b>366,33</b>	<b>374,18</b>	<b>382,25</b>

Exhibit 31 – Statement of Cash Flow 2016-2030  
Source: Analyst Estimates and MHI's Annual Reports

## Disclosures and Disclaimers

### Report Recommendations

---

<b>Buy</b>	Expected total return (including expected capital gains and expected dividend yield) of more than 10% over 12 months.
<b>Hold</b>	Expected total return (including expected capital gains and expected dividend yield) between 0% and 10% over 12 months.
<b>Sell</b>	Expected negative total return (including expected capital gains and expected dividend yield) over 12 months.