



Universidad de San Andrés
Department of Economics
Bachelor's Degree in Economics

Company X Valuation

Author: María Guadalupe Taín
ID: 24207
Mentor: Gabriel Basaluzzo

Buenos Aires, May 31st 2017

INDEX

1. ABSTRACT

2. INTRODUCTION

3. ECONOMIC CONTEXT AND INDUSTRY ANALYSIS

3.1. ECONOMIC CONTEXT

3.2. INDUSTRY ANALYSIS

4. COMPANY X

4.1. HISTORY

4.2. CORE BUSINESS

4.3. SERVICE LINES

4.4. CLIENTS

4.5. COMPETITORS

4.6. HISTORICAL PERFORMANCE

5. EQUITY VALUATION

5.1. METHODOLOGY

5.1.1. INCOME APPROACH

5.1.2. MARKET APPROACH

6. VALUING COMPANY X

6.1. INCOME APPROACH

6.1.1. GENERAL ASSUMPTIONS

6.1.2. MACROECONOMIC ASSUMPTIONS

6.1.3. BUSINESS ASSUMPTIONS-VALUE DRIVERS

6.1.4. INCOME APPROACH RESULTS

6.1.5. SCENARIOS

6.1.6. SENSITIVITY ANALYSIS

6.2. MARKET APPROACH

6.2.1. TRADING GUIDELINE METHOD

6.2.2. SIMILAR TRANSACTIONS METHOD

6.2.3. MARKET APPROACH RESULTS

7. CONCLUSION

8. APPENDIX

8.1. APPENDIX I: WACC

8.2. APPENDIX II: CASH FLOWS

8.3. APPENDIX III: SELECTION OF COMPARABLE COMPANIES

8.4. APPENDIX IV: SELECTION OF TRANSACTIONS

9. REFERENCES



1. ABSTRACT

This dissertation aims to calculate a range of values for Company X at December 31st 2016, an enterprise which provides Information and Technology services. The two methods used are the Income and Market Approach, including both the Comparable Companies Method and the Similar Transactions Method. The macroeconomic and business assumptions were made based on the current and expected state of the economies in which the company operates. By analyzing these, a set of values were obtained. The enterprise value obtained lies between USD 35 M and USD 49 M. After performing the valuation, a sensitivity analysis was done to see how the value drivers affected the model and two scenarios were constructed.



2. INTRODUCTION

Company X or the Company from now onwards, is a multinational private company which provides Information and Technology (IT) services. Founded in 1995 under another name, it soon began expanding.

The goal of this research is to determine a range of values for the holding through different standard corporate finance valuation techniques: Income Approach and Market Approach (Damodaran On Valuation) in order to provide a Fair Value to the firm for a Merger and Acquisition (M&A) process.

As discussed by Aswath Damodaran, firm valuation plays a key role in portfolio management, in acquisition analysis and in corporate finance. First of all, it is paramount for choosing investments for portfolios. Secondly, it is fundamental when deciding on the appropriate price to pay or to receive in a takeover. Thirdly, it is essential for the maximization of firm value and corporate restructuring. Thus, it is really relevant to value an enterprise.

This dissertation has two parts to it. The former, which runs from the macroeconomic background to the firm's portray, attempts to describe the whole scenario that will help with the valuation assumptions. The latter, ranging from projections to the conclusion, is dedicated to carry out the different valuation techniques in order to finally estimate the Company's value. This happens to be a more qualitative section.

3. ECONOMIC CONTEXT AND INDUSTRY ANALYSIS

3.1. ECONOMIC CONTEXT

Argentina's economy has shown a negative performance over the last decade. High levels of inflation, together with a deceleration in growth generated a climate of social and political conflict. The economy closed itself to international markets along time, which lead to a decrease in competitiveness and efficiency of the local enterprises. In the previous five years to 2016, the economy contracted on average 0.1%, while inflation averaged 21.4% (Oxford Economics). Constant inflationary pressure distorted prices and costs, interfering with the businesses day-to-day operations. In 2015, President Mauricio Macri was elected and the country's economy took a new course. The central bank raised interest rates, taxes on exports were reduced or eliminated depending on the product, restrictions over the currency markets were removed, amongst others. Various adjustments were made and inflation spiked over 40% and GDP fell 2.2% in 2016 (Oxford Economics). The first year of the new presidency proved to be straining on the overall economy, but future perspectives are pointing in the opposite direction. For 2017, GDP is expected to grow at a 2.1% rate and at an average of 3.2% per year until 2022. Inflation, on the other hand, is expected to fall to 27% for the same year, and average 9.5% in the following five years (Oxford Economics). The new path the economy is trying to accomplish proves to be a beneficial one for businesses in general and leads to higher expectations of future results.

Chile's economy has been quite different in terms of performance to many of the other Latin American countries. It has experienced growth in the last decades, which lead to a considerable decrease in poverty, falling from 26% of the total population in 2000 to 7.9% in 2015. (World Bank). Nevertheless, Chile's economy has been slowing

down since 2011 where it reached a peak growth rate of 6.1% due to a fall in the international price of copper, GDP growth in 2016 was only 1.6%. Chile is the world leading copper exporter and its economy has not been immune to the fall in its price. Fiscal revenues were also impacted by the decrease in the price of copper which lead to a deficit of 2.8% in 2016 (World Bank). Future perspectives indicate that the economy will recover with an increase in the price of copper. Chile has sound fiscal and macroeconomic management that allows it to withstand unfavorable external situations without suffering considerable imbalances in its economy.

Since the 2008 financial crisis, Spain, as well as most of the European Union, has struggled to fully recover, but in the last couple of years, the economy has started to show some momentum and growth rates have started to increase. Domestic demand has increased due to expansionary monetary and fiscal policies (OECD). Stimulus packages have been implemented over the years, together with tax reforms and government spending, which have underpinned the recovery. Unemployment has been falling over time after reaching a maximum of over 26%. In 2016 the unemployment rate fell under 20% for the first time in six years and for the first quarter of 2017 unemployment stood at 18.75% (Trading Economics). Spain's economy has yet to consolidate its growth and consumption levels but has shown encouraging improvements over the last couple of years.

3.2. INDUSTRY ANALYSIS

The IT services industry is currently valued at \$1.1 trillion and has grown at a rate 4.2% in 2016. This industry has greatly benefited from a trend in which governments and corporations foster cost reduction by outsourcing IT services to other companies, therefore leading to a higher demand for their services. The main service lines in the

industry are outsourcing, consulting and implementation. Growth rates are projected to reach 7% in 2020, reaching \$1.39 trillion in total revenues. Several structural changes are forcing the industry to adapt to new realities. As an example of this change, the use of the “cloud” as a source of storage has led to fewer hardware requirements; just like new “smart”, connected devices have decreased the use of computers and favored the development of applications for different tasks.

The business process outsourcing industry was valued at \$193 billion in 2016. The BPO market is forecasted to grow at a CARG of 5.6% for the period between 2013 and 2018. This growth is mainly fueled by the need of companies to reduce its costs, improve their efficiency and optimize their processes. By 2018, the industry is expected to grow at a 6.4% rate and be valued at \$218 billion. The Americas sector represents 50% of the total market share and the customer relationship management (CRM) is the most significant service line with over 30% of the total.

Some trends have emerged in 2016 that prove to bring new challenges and modify the way of doing business in the future. Multi-sourcing consultancy firms has been a common practice. Enterprises nowadays do not hire only one consultancy firm to assist them on a whole project, they hire various different companies to help them on specific areas expertise in which they outperform their competitors. The cost of hiring a consultant is still one of the main factors firm take into consideration when choosing amongst firms. Cost is more valued than the knowledge and expertise offered or the value generated by each firm. The value offered by these type of firms has always depended on its people. The level of talent recruited will ultimately determine how successful the firm will be. The search will also have to adapt to the specific needs of each company and their own expertise areas. The use of technology will also be one

important factor of change. Companies will need to combine their own human capital with technological analysis or even automatization of certain functions to deliver a more efficient result.



4. COMPANY X

4.1. HISTORY

Company X was founded in 1995 by 3 associates in Buenos Aires, Argentina. Since it was established, the enterprise has experienced high growth rates all over its life. It is now a private multinational company which provides Information Technology services.

In 1997 the co funders received their first international project. It turned out to be a research project which they ended up presenting at MIT (Massachusetts Institute of Technology). In 1999 the Company suffered a restructuring and changed its name once more.

In 2001, the Chile office was inaugurated, in 2003 the Spain office was opened and in 2008 it was Mexico's time. In 2010 services in Uruguay and Bolivia were solidified and in 2012 the Peru office was established.

Nowadays, the Company is experiencing changes in its corporate image and brand at a global level. Its name has been changed once more.

4.2. CORE BUSINESS

Company X is an organization successful at improving existing business processes and creating new business opportunities through the use of automation and information technology. The strategy used is described as digital transformation.

4.3. SERVICE LINES

Company X provides services to develop solutions of their own or even from third parties. To achieve excellent results the Company's employers submerge deep into the client's business. A good comprehension of the situation boosts their development. To reach this point of knowledge, the Company divided the services provided depending

the focus of project and the client's industry. These are all the services provided by the firm:

- **Quality:** When we talk about Quality it means that the aim of the project is to ensure quality. On one hand, this service line can elaborate quality assurance strategies. On the other hand, technical quality is in charge of technical testing, revisions, application and automatization.
- **Project management:** This service line provides support to the client at managerial areas. They coach and mentor clients so they learn about decision making and how to manage their own business.
- **Development and technology:** This service line provides the client with tests, revisions and solutions. Focus is made on technical knowhow.
- **Advisory:** This line of service is in charge of strategic consulting and technological consulting.

Argentina provides all four service lines plus two more that are in rapid expansion. Modo 2 and CeSol. Meanwhile, Chile provides all of them too except for CeSol. Mexico and Peru only provide Quality and Spain only provides Advisory.

4.4. CLIENTS

The implementation of Information Technology Services is different depending the industry the client belongs to.

Energy Industry

The Company's energy division focuses in designing the correct tool for gas, petroleum, electricity and mining businesses. Solutions already implemented in clients are sensors which allows decision making with real time data, softwares which allows stock analyses and platforms containing integrated information reachable from every

device including mobiles. Clients that belong to this industry are Petrobras, Metrobras, Edesur , Edenor, YPF, Pan American Energy and Tecpetrol among others.



Financial Industry

Technology is the essence of the Financial Industry. Constant innovations are adopted for fraud prevention and information security. The Company is constantly related to projects from the Finance Sector. Clients that belong to this industry are Grupo Sancor Seguros, Rapipago, Banco Credicoop and Galicia among others.



Retail Industry

The Retail Industry is in constant need of updating softwares and new technologies for information management, data cleaning, data quality and data

assessment. The industry is determined by the intense competition and constant change. Clients that belong to this industry are Conaprole, Molinos Rio de la Plata, Cencosud, Ledesma and Arcos Dorados among others.



Media Industry

The Media Industry has mutated considerably in the last decade and the Company has been accompanying such changes with technological improvements. Clients that belong to this industry are Nextel, Cablevision, Telecom, DirecTV and Claro among others.



Agro Industry

A new era has begun in the Agro Industry. This sector is incorporating innovative technologies in order to have real time information and calculate projections of future

conditions. The Company has been transforming the technology in this industry. Clients that belong to this industry are Cresud, Arauco, Monsanto and Syngenta among others.



Technology Industry

The Technology Industry is rapidly expanding and the Company provides support for problems that arise in the process. Clients that belong to this industry are Oracle, hp, IBM, Amdocs, Microsoft and Informatica (El Corte Ingles) among others.



Health Care Industry

The efficiency from data analysis affects the health care attention process. As every other industry is embracing technology, customers expect the same from the Health Care Industry. The Company supports this industry by solving data storage

problems and data analysis problems. Clients that belong to this industry are OSDE, Hospital Italiano and Farmalink.



4.5. COMPETITORS

Company X. has no direct competitors as there are no perfectly comparable companies. No enterprise provides the same Information Technology services in conjunction. Nonetheless, certain firms are identified as competitors in certain service lines.

Argentina's competitors:

Competitors	
Accenture	IBM
Baufast	INDRA
E&Y	KPMG
Global Logic	Neoris
Global	Paradigma
Hexacta	TATA
HTTS	Tsoft

Source: Practia S.A.

West Region's competitors (Chile, Peru and Mexico):

Competitors	
Accenture	IBM
BSD	SofTek
EVERIS	Sogetti
HITS	TsOFT

Source: Practia S.A.

4.6. HISTORICAL PERFORMANCE

The table below shows data for the past 6 years, from 2011 until 2016. However, only Gross Sales, Gross Margin and EBITDA are detailed below (together with Sales

Margin and EBITDA Margin). This is due to lack of information from the enterprise. This is an important issue if the company at stake is interested in entering into an M&A process, in other words if the board decides to sell the firm.

As it can be seen in the following table, the results for the past few years have been volatile.

Concepts	Unit/Currency	2011	2012	2013	2014	2015	2016
Gross Sales	USD'000	20.720	25.758	32.572	27.769	35.267	31.844
Gross Margin	USD'000	5.797	8.570	13.397	7.280	11.425	13.004
% Margin	%	28%	33%	41%	26%	32%	41%
EBITDA	USD'000	2.855	3.590	8.362	1.437	3.381	5.192
EBITDA Margin	%	14%	14%	26%	5%	10%	16%

Ratios

Practia USD'000	
Net Sales	31
EBITDA	5
Quick Ratio	263%
Working Capital / Sales	17%
Fixed Assets / Sales	2%
Total Debt / Total Assets	9%
LTD / Equity	14%
EBITDA Margin	17%
Gross Profit Margin	38%
Operating Margin	17%

5. EQUITY VALUATION

5.1. METHODOLOGY

To value the firm, there are two different methods that are going to be used: Income Approach -Discounted Cash Flows (DCF) and Market Approach – Multiples. The explanation of each method is outlined below using Damodaran on Valuation (Damodaran, Second Edition).

5.1.1. INCOME APPROACH

This approach to valuation “relates the value of an asset to the present value of expected future cash flows on that asset”. It has its foundation in the Present Value Rule.

Present Value Rule:

$$Value = \sum_{t=1}^{t=n} \frac{CF_t}{(1+r)^t}$$

n=Life of the asset

CF_t=Cash flow in period t

r=Discount rate reflecting the riskiness of the estimated cash flows.

Therefore, in order to obtain the Enterprise Value, firstly the Future Cash Flows for a specific period of time are projected. These are the sum of the cash flows to all claim holders such as stockholders, bondholders and preferred stockholders.

Cash Flow to the Firm

$$= EBIT(1 - \text{tax rate}) + \text{Depreciation} \\ - \text{Capital Expenditure} - \Delta \text{Working Capital}$$

Those cash flows are discounted to the Weighted Average Cost of Capital (WACC). The WACC is the cost of the different components of financing used by the firm, weighted by their market value proportions. It is taken by the following formulae:

$$WACC = k_e \frac{E}{V} + k_d \frac{D}{V} + k_{ps} \frac{PS}{V}$$

k_e =Cost of equity

k_d =After-tax cost of debt

k_{ps} =Cost of preferred stock

$V = E + D + PS$

$\frac{E}{V}$ = Market value proportion of equity in funding mix

$\frac{D}{V}$ = Market value proportion of debt in funding mix

$\frac{PS}{V}$ = Market value proportion of preferred stock in funding mix

Nevertheless, although the Cash Flows to the Firm are projected until the end of the forecast period, that does not mean that the company stops generating operating cash flows after that. A Terminal Value is then added to the cash flows at the end of the forecast period, and is also discounted to the WACC.

Terminal Value:

$$\frac{CF_n (1 + g)}{(wacc - g)}$$

g =Growth rate

Consequently, the Equity Value is calculated as follows:

$$\sum_{t=1}^{t=n} \frac{FCFF_t}{(1 + WACC)^t} + \frac{\frac{FCFF_{n+1}}{(WACC - g_n)}}{(1 + WACC)^n}$$

Finally, Net Debt must be subtracted from the Equity Value to finally obtain the Enterprise Value. It is understood that the Enterprise Value is the operating assets of a Company independently of its capital structure.

$$\begin{aligned} & \text{Equity Value} \\ & + \text{Non operating Assets} \\ & - \text{Non operating Liabilities} \\ & \text{Enterprise Value} \end{aligned}$$

5.1.2. MARKET APPROACH

This method classified as a relative valuation “estimates the value of an asset by looking at the pricing of comparable assets relative to a common variable like earnings, cash flows, book value, or sales”. However these ratios by themselves are not useful at all, they have to be compared to the valued obtained for the other similar firms inside the industry. There are two different ways to value by Multiples: Guideline Company Method and Similar Transaction Method.

The Guideline Company Method determines the Enterprise Value of a Company by comparing it to comparable public firms which operates similar businesses. The Similar Transaction Method determines the Enterprise Value of a Company by comparing it to M&A transactions of comparable public firms which share similar business. The Multiples use are EV/EBITDA and EV/Revenue.

6. VALUING COMPANY X

6.1. INCOME APPROACH

6.1.1. GENERAL ASSUMPTIONS

Regions

The Income Approach estimates cash flows per regions: Argentina (including Bolivia and Uruguay), West Region (Chile, Peru and Mexico) and Spain. The geographic regions were discussed with the company.

Currency

Cash flows' inputs are estimated in the different country's currency: income, costs, structural costs, etc. However, for the construction of the cash flow, all premises were changed to Nominal USD dollars. This allows a better understanding of the business as a whole and the development of the consolidated cash flows.

Forecast period

The forecast period is of five years. It runs from January 2017 until December 2021.

Terminal Value

Although cash flows are just estimated for five years, the Company will continue its business afterwards. Therefore, a terminal value has been projected for the company. The growth rate used is 3% as the US Treasury Bonds with a maturity of 30 years are

2,88%. This implies that the potential growth expected for the global economy is almost 3%.

WACC

The projected cash flows were discounted at a 13,8% in Argentina, 10,9% in the West Region (Chile, Peru and Mexico), and at 10,8% in Spain. The difference in the rates arise from the different country risks.

The Risk Free Rate was calculated by considering the annual average return of the US Treasury Bills Curve, with a duration of 10 years.

The Country Risk was estimated by doing an average of the EMBI+ calculated by JP Morgan. For Argentina, only the last year was considered as the economy had a better performance than the past 12 years. For the rest of the countries a 5 year average was used. For Chile, Peru and Mexico's rate, the country risk was calculated by a weighted average of the country's country risk by the percentage of sales over total sales.

The relevered beta was obtained in the following way. Firstly, the betas of all the comparable companies were unlevered by their own capital structure. Secondly, a median from this data was calculated. Finally, this unlevered beta was relevered by the market's capital structure.

A Size Premium was added to the Cost of Equity. This was due to the Company's size. Smaller Equity Values means the firm is exposed to bigger market risks.

The Cost of Equity is then calculated by adding the Risk Free Rate, the Country Risk, the Size Premium and the beta by the equity premium.

The difference between the debt issued by comparable companies and the US Treasury Bills gives us the Debt Spread (Spread Tsy), which is included in the Cost of Debt.

The Cost of Debt is then calculated by adding the Risk Free Rate, the Country Risk and the Spread Tsy, discounting the tax.

The Weighted Average Cost of Capital was calculated using the Market Capital Structure, the median of all comparable companies' debt to equity ratio.

6.1.2. MACROECONOMIC ASSUMPTIONS

The macroeconomic principal values used to estimate projected cash flows are the followings:

Argentina

Macroeconomic Variables	Units	2016	2017	2018	2019	2020	2021
CPI --- ARG - EOP	%	41,0%	18,8%	10,7%	8,7%	7,1%	5,9%
CPI --- ARG - Av.	%	34,0%	29,9%	14,8%	9,7%	7,9%	6,5%
CPI --- US -- EOP	%	1,3%	2,4%	2,1%	1,3%	1,7%	1,9%
CPI --- US -- Av.	%	0,7%	1,9%	2,3%	1,7%	1,5%	1,8%
FX --- USD:ARS - EOP	crcy	15,9	17,78	19,67	21,14	22,36	23,61
FX --- USD:ARS - Av.	crcy	14,5	16,84	18,725	20,405	21,75	22,985
ARG Growth -Advisory	%		11%	9%	8%	9%	9%
ARG Growth -Tecn Advisory	%		9%	7%	7%	7%	7%
ARG Growth -QA & PM	%		9%	9%	8%	8%	8%
ARG Growth -Development	%		9%	7%	7%	7%	7%
ARG Growth -Modo 2	%		10%	8%	8%	8%	8%
ARG Growth - CeSol	%		9%	7%	7%	7%	7%

Source: EIU for inflation and exchange rate; and Gartner for growths.

Chile, Peru and Mexico

Macroeconomic Variables	Units	2016	2017	2018	2019	2020	2021
CPI --- CL - EOP	%	3%	4%	3%	3%	4%	3%
CPI --- CL - Av.	%	4%	3%	3%	3%	3%	3%
CPI --- MX - EOP	%	3%	4%	4%	4%	4%	4%
CPI --- MX - Av.	%	3%	4%	4%	4%	4%	4%
CPI --- PE - EOP	%	3%	3%	3%	3%	3%	3%
CPI --- PE - Av.	%	4%	3%	3%	3%	3%	3%
CPI --- US -- EOP	%	1%	2%	2%	1%	2%	2%
CPI --- US -- Av.	%	1%	2%	2%	2%	2%	2%
FX --- USD:CLP - EOP	crcy	667,3	676,4	689	694,3	688,5	679
FX --- USD:CLP - Av.	crcy	687,3	671,85	682,7	691,65	691,4	683,75
FX --- USD:MX - EOP	crcy	20,7	22,7	23,1	23,7	23	21,6
FX --- USD:MX - Av.	crcy	18,95	21,7	22,9	23,4	23,35	22,3
FX --- USD:PE - EOP	crcy	3,35	3,37	3,43	3,48	3,48	3,43
FX --- USD:PE - Av.	crcy	3,38	3,36	3,4	3,455	3,48	3,455
CL Growth- Advisory	%		11%	12%	13%	13%	13%
CL Growth - Tecn Advisory	%		9%	9%	10%	11%	11%
CL Growth - QA & PM	%		6%	6%	6%	6%	6%
CL Growth - Development	%		9%	9%	10%	11%	11%
CL Growth - Modo 2	%		10%	11%	12%	12%	12%
MX Growth - QA	%		4%	4%	4%	4%	5%
PE Growth - QA	%		4%	3%	3%	3%	3%

Source: EIU for inflation and exchange rate; and Gartner for growths.

Spain

Macroeconomic Variables	Units	2016	2017	2018	2019	2020	2021
CPI --- ES - EOP	%	0%	2%	2%	2%	2%	2%
CPI --- ES - Av.	%	0%	1%	2%	2%	2%	2%
FX --- USD:EUR - EOP	crcy	0,95	0,94	0,93	0,89	0,88	0,85
FX --- USD:EUR - Av.	crcy	0,90	0,95	0,93	0,91	0,89	0,87
ES Growth - Advisory	%		4%	3%	3%	3%	3%

Source: EIU for inflation and exchange rate; and Gartner for growths.

6.1.3. BUSINESS ASSUMPTIONS-VALUE DRIVERS

The general estimated business assumptions are detailed below:

Income

Total Income was calculated using a PxQ model, considering the quantity of projects and the fee charged per project for each line of service. On one hand, the quantity of projects were estimated by using Gartners' growth percentages. These growth rates were used as the Company felt comfortable with them and believed they

were the most accurate representations analyzed. On the other hand, the fees received per project were estimated by each country's inflation.

Concepts	Unit/Currency	2016	2017	2018	2019	2020	2021
ARGENTINA							
Hours sold	Hours	613.780	626.281	678.216	729.975	786.717	846.716
Average Fee	USD/Hs	32	37	37	37	36	37
Gross Sales	USD'000	19.791	23.058	25.299	26.919	28.563	30.922
CHILE							
Hours sold	Hours	314.378	337.430	362.978	391.484	423.070	457.586
Average Fee	USD/Hs	29	30	30	31	31	32
Gross Sales	USD'000	9.177	10.275	11.013	11.965	13.253	14.865
MEXICO							
Hours sold	Hours	44.608	46.241	48.106	50.146	52.381	54.766
Average Fee	USD/Hs	25	23	22	23	24	26
Gross Sales	USD'000	1.119	1.049	1.075	1.140	1.240	1.408
PERU							
Hours sold	Hours	65.352	67.967	70.006	72.106	74.269	76.497
Average Fee	USD/Hs	20	21	22	22	22	23
Gross Sales	USD'000	1.332	1.437	1.508	1.574	1.657	1.769
SPAIN							
Hours sold	Hours	5.716	9.872	17.629	18.157	18.702	19.263
Average Fee	USD/Hs	74	72	74	78	82	85
Gross Sales	USD'000	426	709	1.311	1.417	1.531	1.647

Productive Costs

Productive Costs are composed of salaries per line of service, third party services and other costs.

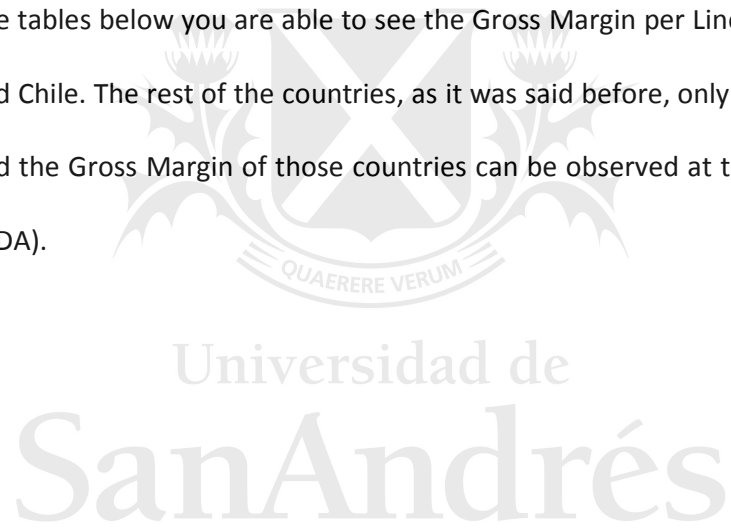
Nonetheless, the most significant costs are the sum of all salaries per region. These are also estimated by a PxQ model, considering the total endowment and the average fees paid. On the one hand, total endowment is estimated considering the occupancy and the amount of projects of the service lines. On the other hand, the average salary paid is estimated by the country's inflation.

Third party services and other costs are estimated by the country's inflation.

Concepts	Unit/Currency	2016	2017	2018	2019	2020	2021
ARGENTINA							
Total Costs	USD'000	11.427	13.245	14.800	16.034	17.490	18.970
CHILE							
Total Costs	USD'000	5.311	5.986	6.510	7.097	7.896	8.882
MEXICO							
Total Costs	USD'000	512	480	492	521	567	644
PERU							
Total Costs	USD'000	665	718	753	787	828	884
SPAIN							
Total Costs	USD'000	299	480	855	919	988	1.057

Gross Margin

Given the income and production costs forecast, Gross Margins estimates are stable. On the tables below you are able to see the Gross Margin per Line of Service of Argentina and Chile. The rest of the countries, as it was said before, only offer one line of service and the Gross Margin of those countries can be observed at the end of this section (EBITDA).



Argentina

Line of Service	Units	2016	2017	2018	2019	2020	2021
Quality							
Gross Sales	ARS'000	60.857	61.052	77.200	91.473	106.630	122.258
Costs	ARS'000	32.813	32.034	39.891	47.266	55.099	63.174
Gross Margin %	%	46%	48%	48%	48%	48%	48%
Advisory							
Gross Sales	ARS'000	23.118	26.832	34.151	40.580	47.553	55.040
Costs	ARS'000	14.267	16.113	20.197	23.999	28.123	32.551
Gross Margin %	%	38%	40%	41%	41%	41%	41%
PM							
Gross Sales	ARS'000	66.884	91.763	116.034	137.486	160.268	183.756
Costs	ARS'000	44.159	58.956	73.418	86.991	101.406	116.268
Gross Margin %	%	34%	36%	37%	37%	37%	37%
TC&D							
Gross Sales	ARS'000	22.901	34.827	43.620	51.077	58.951	67.194
Costs	ARS'000	14.913	22.071	27.223	31.877	36.791	41.936
Gross Margin %	%	35%	37%	38%	38%	38%	38%
Modo 2							
Gross Sales	ARS'000	50.730	93.095	106.236	116.444	119.872	137.755
Costs	ARS'000	20.183	40.791	50.721	59.831	69.583	79.926
Gross Margin %	%	60%	56%	52%	49%	42%	42%
CeSol							
Gross Sales	ARS'000	62.475	80.727	96.486	112.231	127.963	144.730
Costs	ARS'000	21.527	29.542	36.438	42.667	49.246	56.131
Gross Margin %	%	66%	63%	62%	62%	62%	61%

Chile

Line of Service	Units	2016	2017	2018	2019	2020	2021
Quality							
Gross Sales	CLP'000	1.547.138	1.690.774	1.843.856	2.001.541	2.184.340	2.389.035
Costs	CLP'000	957.506	1.031.117	1.124.473	1.220.638	1.332.118	1.456.950
Gross Margin %	%	38%	39%	39%	39%	39%	39%
Advisory							
Gross Sales	CLP'000	402.063	455.545	518.617	594.397	687.111	794.695
Costs	CLP'000	204.849	236.515	269.261	308.605	356.741	406.464
Gross Margin %	%	49%	48%	48%	48%	48%	49%
PM							
Gross Sales	CLP'000	2.664.147	2.911.485	3.175.089	3.446.620	3.761.398	4.113.878
Costs	CLP'000	1.460.692	1.596.945	1.741.531	1.890.465	2.063.120	2.256.455
Gross Margin %	%	45%	45%	45%	45%	45%	45%
Modo 2							
Gross Sales	CLP'000	1.694.077	1.845.591	1.980.830	2.232.780	2.530.177	2.866.128
Costs	CLP'000	779.275	882.933	1.005.179	1.152.055	1.331.752	1.532.565
Gross Margin %	%	54%	52%	49%	48%	47%	47%

Structural Costs

Structural costs are conformed by Administrative Salaries, Commercial Salaries, Professional Fees, Rent and Other Structural Costs. They are estimated mainly by the country's inflation.

Depreciations and Amortizations

Depreciations and Amortizations were estimated based on their amortization's rate.

Concepts	Unit/Currency	2016	2017	2018	2019	2020	2021
ARGENTINA							
Amortizations	USD'000	89	32	19	26	33	41
WEST REGION							
Amortizations	USD'000	49	69	87	103	98	105
SPAIN							
Amortizations	USD'000	33	14	17	18	20	21

Taxes

The Income Tax in Argentina is 35%, in Chile 25%, in Mexico 30%, in Peru 30% and in Spain 25%.

Working Capital

The concepts included in the Working Capital were projected by the following days:

- Argentina:
 - Receivable accounts: 70 days
 - Accounts payable: 30 days
- Chile
 - Receivable accounts: 60 days
 - Accounts payable: 15 days

- Mexico
 - Receivable accounts: 55 days
 - Accounts payable: 15 days
- Peru
 - Receivable accounts: 55 days
 - Accounts payable: 15 days
- España
 - Receivable accounts: 100 days
 - Accounts payable: 30 days

Concepts	Unit/Currency	2016	2017	2018	2019	2020	2021
ARGENTINA							
Current Asset	USD'000	3.470	4.491	4.963	5.345	5.704	6.189
Current Liabilities	USD'000	1.575	2.070	2.249	2.408	2.637	2.824
Working Capital	USD'000	1.896	2.421	2.714	2.937	3.068	3.365
WK Variation	USD'000	-	525	293	223	131	298
WEST REGION (Chile, Mexico & Peru)							
Current Asset	USD'000	2.392	2.097	2.235	2.424	2.693	3.023
Current Liabilities	USD'000	547	534	570	616	683	765
Working Capital	USD'000	1.845	1.563	1.666	1.808	2.010	2.258
WK Variation	USD'000	-	-282	102	142	202	248
SPAIN							
Current Asset	USD'000	141	236	253	276	295	319
Current Liabilities	USD'000	55	102	106	113	117	123
Working Capital	USD'000	86	134	147	163	178	196
WK Variation	USD'000	-	49	12	17	15	18

CapEx

The maintenance CapEx estimated for each country was calculated as the average of the past capex (2013,2014 and 2015). On other words, CapEx is considered constant in the valuation model.

- Argentina: 1,20%
- Chile: 0,69%
- Mexico: 5,90%
- Peru: 2,0%

- Spain: 1,2%

Intercompany

The accountancy data was not in accordance to management data. This was due to the fact that employs are assigned to a specific service line and therefore hours are computed to that service line although they might have taken projects from other service lines. The intercompany charges were identified and distributed to its origin.

EBITDA

Concepts	2016	2017	2018	2019	2020	2021	CAGR '16 - '21
Hours							
Argentina	613.780	626.281	678.216	729.975	786.717	846.716	7%
Chile	314.378	337.430	362.978	391.484	423.070	457.586	8%
Perú	65.352	67.967	70.006	72.106	74.269	76.497	3%
México	44.608	46.241	48.106	50.146	52.381	54.766	4%
España	5.716	9.872	17.629	18.157	18.702	19.263	28%
Total Hours	1.043.835	1.087.790	1.176.935	1.261.867	1.355.139	1.454.828	7%
Rate per hour (USD/Hs)							
Argentina	32	37	37	37	36	37	3%
Chile	29	30	30	31	31	32	2%
Perú	20	21	22	22	22	23	3%
México	25	23	22	23	24	26	0%
España	74	72	74	78	82	85	3%
Average Rate	31	34	34	34	34	35	3%
Sales (USD'000)							
Argentina	19.791	23.058	25.299	26.919	28.563	30.922	9%
Chile	9.177	10.275	11.013	11.965	13.253	14.865	10%
Perú	1.332	1.437	1.508	1.574	1.657	1.769	6%
México	1.119	1.049	1.075	1.140	1.240	1.408	5%
España	426	709	1.311	1.417	1.531	1.647	31%
Total Sales	31.844	36.529	40.206	43.015	46.243	50.610	10%
% Occupancy							
Argentina	84%	85%	85%	85%	85%	85%	
Chile	86%	87%	87%	87%	87%	87%	
Perú	85%	85%	85%	85%	85%	85%	
México	86%	86%	86%	86%	86%	86%	
España	81%	81%	81%	81%	81%	81%	
EBITDA (USD'000)							
Argentina	3.655	4.530	4.721	4.833	4.343	4.911	6%
Chile	1.170	1.057	1.041	1.181	1.369	1.605	7%
Perú	180	147	166	188	216	248	7%
México	107	94	120	136	169	211	15%
España	80	64	214	250	275	311	31%
Total EBITDA	5.192	5.892	6.261	6.587	6.371	7.287	7%
Total EBITDA Mg (%)	16%	16%	16%	15%	14%	14%	

6.1.4. INCOME APPROACH RESULTS

Following the methodology explained previously and considering all the criteria mentioned in general, macroeconomic and business assumptions, the fair value of the Enterprise Value and Equity Value are show below. The Implied EBITDA Multiple was also calculated.

Country / Region	Argentina USD'000	West USD'000	Spain USD'000	Total USD'000
Enterprise Value	23.490	13.760	1.989	39.239
Non Operating Assets	2.639	1.849	50	4.539
Non Operating Liabilities	-646	-530	-50	-1.227
Equity Value	25.483	15.078	1.990	42.551
WACC	13,8%	11,0%	10,9%	
Growth	3,0%	3,0%	3,0%	
<i>Implied EBITDA Multiple</i>	<i>6,4x</i>	<i>11,5x</i>	<i>24,9x</i>	7,9x

The Cash Flows estimated can be consulted in Appendix 2.

6.1.5. SCENARIOS

Software Promotion Law:

The Software Promotion Law (LPS) is a fiscal benefit received in order to strengthen the industry. Such benefit ends in 2019, unless the Company decides to renew it. Although the company has intention of renovating the benefit, the results above did not contemplate this. Consequently, the estimation of cash flows was done under the worst scenario.

Nevertheless, a scenario considering the extension of the LPS after 2019 was done and the following changes were observed:

USD	LPS Ends in 2019	LPS renovation
Enterprise Value al 31.12.2016	39.239	44.845
Non Operating Assets	4.228	4.228
Non Operating Liabilities	-1.200	-1.200
Equity Value al 31.12.2016	42.267	47.873

As seen in the information above, the consolidated Enterprise Value suffers an increase of 14%. This comes from changes in Argentina's cash flow. The EBITDA changes Argentina's Enterprise Value 24%.

Innovation and Development:

The Company is currently transiting a restructuration. The Argentina office is allocating some workers from different service lines to "Innovation and Development" (I+D), an area in charge of finding how to innovate. Projects are obviously not billable and employs on this new area can be taken into account as structure costs or as capex. The cash flows projected considered I+D as costs but a new scenario was done to see how the Enterprise Value changes.

USD	I+D COSTS	I+D CAPEX
Enterprise Value al 31.12.2016	39.239	37.606
Non Operating Assets	4.228	4.228
Non Operating Liabilities	-1.200	-1.200
Equity Value al 31.12.2016	42.267	40.634

As observed in the information above, the consolidated Enterprise Value suffers a decrease of 4%. This comes from changes in Argentina's cash flow.

6.1.6. SENSITIVITY ANALYSIS

A sensitivity analysis has been carried out over the main variables which affect the Enterprise Value of Practia.

Perpetuity Growth:

The perpetuity growth used in the model is 3% due to the fact that US Treasury Bonds with a maturity of 30 years have a return of 2,88%. Nevertheless, we performed a sensitivity analysis to see how much impact it had over the Equity Value.

Perpetuity Growth	Enterprise Value (MM USD)					
	Argentina	%	West Region	%	Spain	%
+1%	25.053	7%	15.254	11%	2.236	12%
+0,5%	24.233	3%	14.457	5%	2.104	6%
3%	23.490		13.760		1.989	
-0,5%	22.811	-3%	13.144	-4%	1.888	-5%
-1%	22.190	-6%	12.596	-8%	1.798	-10%

As we can see in the table above, 0,5% or 1% of change in the perpetuity growth causes a 3/7% change in the Equity Value. This occurs because the terminal value over equity value for Argentina, West Region and Spain are 30%, 74% and 84% respectively.

Inflation:

Another sensitivity analyses was carried out in order to understand how Equity Value changes with a variation in the End of Period (EOP) Inflation Rate. This was done for every country, ceteris paribus.

Inflation	Equity Value (USD MM)					
	Argentina	%	West Region	%	Spain	%
+1%	23.504	0%	13.407	-3%	2.102	6%
+0,5%	23.540	0%	13.586	-1%	2.045	3%
Actual forecast	23.490		13.760		1.989	
-0,5%	23.480	0%	13.927	1%	1.934	-3%
-1%	23.470	0%	14.088	2%	1.879	-6%

As we can see in the table below, the inflation rates do not change the Equity Value significantly.

6.2. MARKET APPROACH

6.2.1. GUIDELINE COMPARABLE METHOD

EV/EBITDA

Compañía	País	Global EV / EBITDA Multiple		Argentina EV / EBITDA Multiple	
		Unadjusted		Adjusted	
		Spot		Spot	
Sopra Steria Group	United States	10,0x		7,5x	
Virtusa Corporation	Sweden	18,9x		14,2x	
Acando AB (publ.)	Sweden	12,5x		9,4x	
Altia Consultores, S.A.	Spain	10,5x		7,8x	
Mediana		11,5x		8,6x	

EV/Revenue

Compañía	País	Global EV / Revenue Multiple		Argentina EV / Revenue Multiple	
		Unadjusted		Adjusted	
		Spot		Spot	
Sopra Steria Group	United States	0,8x		0,6x	
Virtusa Corporation	Sweden	1,1x		0,8x	
Acando AB (publ.)	Sweden	1,1x		0,8x	
Altia Consultores, S.A.	Spain	1,7x		1,2x	
Mediana		1,1x		0,8x	

6.2.2. SIMILAR TRANSACTIONS METHOD

	EV / EBITDA Multiple		EV / Revenue Multiple	
	Unadjusted	Adjusted	Unadjusted	Adjusted
Min	1,35x	1,01x	0,18x	0,13x
Average	8,07x	6,05x	1,15x	0,86x
Median	8,00x	6,00x	0,71x	0,53x
Max	17,90x	13,43x	3,46x	2,60x

6.2.3. MARKET APPROACH RESULTS

EV/EBITDA

Argentina

	Trading	Transactions
Multiple	8,6x	6,0x
EBITDAFY2016	3.655	3.655
Enterprise Value	31.498	21.931
Non Operating Assets	2.639	2.639
Non Operating Liabilities	-646	-646
Equity Value	33.491	23.924

West

	Trading	Transactions
Multiple	11,5x	8,0x
EBITDAFY2016	1.201	1.201
Enterprise Value	13.802	9.610
Non Operating Assets	1.849	1.849
Non Operating Liabilities	-530	-530
Equity Value	15.120	10.928

España

	Trading	Transactions
Multiple	11,5x	8,0x
EBITDAFY2016	80	80
Enterprise Value	919	640
Non Operating Assets	50	50
Non Operating Liabilities	-50	-50
Equity Value	919	640

EV/Revenue

Argentina

	Trading	Transactions
Multiple	0,8x	0,5x
RevenuesFY2016	19.791	19.791
Enterprise Value	16.364	10.539
Non Operating Assets	2.639	2.639
NonOperating Liabilities	-646	-646
Equity Value	14.371	8.545

West

	Trading	Transactions
Multiple	1,1x	0,7x
RevenuesFY2016	11.628	11.628
Enterprise Value	12.820	8.256
Non Operating Assets	1.849	1.849
Non Operating Liabilities	-530	-530
Equity Value	11.501	6.937

España

	Trading	Transactions
Multiple	1,1x	0,7x
RevenuesFY2016	426	426
Enterprise Value	469	302
Non Operating Assets	50	50
Non Operating Liabilities	-50	-50
Equity Value	469	302

San Andrés

7. CONCLUSION

To conclude, the value obtained by the Income Approach - Discounted Cash Flow is in line compared to the Market Approach – Multiples. The Enterprise Value falls perfectly in a reasonable range when analyzing the EV/EBITDA Multiple. Although slightly high for the EV/Revenue Multiple.

EV/EBITDA

	Equity Value (USD'000)		
	DCF	Multiple (EV / EBITDA)	
		Trading	Transactions
Argentina	25.483	33.491	23.924
West	14.441	15.120	10.928
España	1.990	919	640
Total Equity Value	41.913	49.530	35.493

EV/Revenues

	Equity Value (USD'000)		
	DCF	Multiples (EV / Revenues)	
		Trading	Transactions
Argentina	25.483	14.371	8.545
West	14.441	11.501	6.937
España	1.990	469	302
Total Equity Value	41.913	26.341	15.784

8. APPENDIX

8.1. APPENDIX I:WACC

Argentina

WACC
USD
Nominal

Risk Free Rate (Rf)	2,1%
Country Risk Premium (Rp)	4,8%
Rf + Rp	6,9%
Beta relevered	1,14
Equity Risk Premium	5,5%
Size premium	2,0%
Ke	15,1%

Rf + Rp	6,9%
Spread to Tsy	3,8%
Tax rate	35,0%
Kd after Tax	6,9%

Equity %	83,6%
Debt%	16,4%

WACCat	13,8%
---------------	--------------

Chile, Peru and Mexico

WACC
USD
Nominal

Risk Free Rate (Rf)	2,1%
Country Risk Premium	1,8%
Rf + Rp	3,8%
Beta relevered	1,14
Equity Risk Premium	5,5%
Size premium	2%
Ke	12,1%

Rf + Rp	3,8%
Spread to Tsy	3,8%
Tax rate	35%
Kd after Tax	4,9%

Equity %	83,6%
Debt%	16,4%

WACCat	10,9%
---------------	--------------

Universidad de
San Andrés

Spain

WACC
USD
Nominal

Risk Free Rate (Rf)	2,1%
Country Risk Premium (Rp)	1,7%
Rf + Rp	3,7%
Beta relevered	1,14
Equity Risk Premium	5,5%
Size premium	2%
Ke	12,0%

Rf + Rp	3,8%
Spread to Tsy	3,8%
Tax rate	35%
Kd after Tax	4,9%

Equity %	83,6%
Debt%	16,4%

WACCat	10,8%
---------------	--------------

- Risk Free Rate: Bloomberg
- Country Risk: EMBI +
- Beta Relevered: Capital IQ
- Equity Risk Premium: Damodaran
- Size Premium: Damodaran
- Spread to Tsy: Capital IQ
- Capital Structure: Capital IQ

8.2. APPENDIX II: CASH FLOWS

Argentina

Premises	Unit/Currency	Actual 2016	2017	2018	2019	2020	2021
Income Statement							
Sales -Quality	USD'000	4.197	3.644	4.184	4.594	5.074	5.559
Sales -Consulting	USD'000	1.594	1.602	1.851	2.038	2.263	2.503
Sales - PM	USD'000	4.613	5.477	6.289	6.905	7.626	8.355
Sales - Development	USD'000	1.579	2.079	2.364	2.565	2.805	3.055
Sales - Modo 2	USD'000	3.499	5.557	5.758	5.848	5.704	6.263
Sales - Cesol	USD'000	4.309	4.841	5.203	5.554	5.941	6.359
Gross Sales	USD'000	19.791	23.199	25.651	27.506	29.412	32.093
% Gross Sales	%		17%	11%	7%	7%	9%
Gross Income	USD'000	-625	-186	-206	-220	-236	-257
Net Sales	USD'000	19.165	23.013	25.445	27.285	29.176	31.836
Costs	USD'000	-11.427	-13.313	-15.021	-16.432	-18.100	-19.825
Costs	USD'000	-11.427	-13.313	-15.021	-16.432	-18.100	-19.825
Gross Margin	USD'000	7.738	9.700	10.424	10.853	11.076	12.011
Gross Margin / Gross Sales	%	39%	42%	41%	39%	38%	37%
Structural Costs							
Administrative Salaries	USD'000	-1.269	-1.426	-1.520	-1.579	-1.650	-1.714
Comercial Salaries	USD'000	-1.047	-1.177	-1.314	-1.425	-1.547	-1.667
Other Structural Costs	USD'000	-1.773	-2.004	-2.132	-2.209	-2.303	-2.390
Innovation	USD'000	-195	-369	-494	-624	-680	-738
Income for promotion scheme	USD'000	289	389	436	475	-	-
Cost for software law	USD'000	-2	-67	-72	-75	-	-
Bank Debit & Credit Tax	USD'000	-179	-294	-334	-362	-394	-429
Exchange rate difference	USD'000	93	-162	-207	-157	-125	-131
EBITDA	USD'000	3.655	4.591	4.788	4.896	4.376	4.942
EBITDA/Gross Sales	%	18%	20%	19%	18%	15%	15%
Amortizations	USD'000	-89	-32	-20	-26	-34	-43
EBIT	USD'000	3.566	4.559	4.768	4.870	4.342	4.899
Financial Results	USD'000	48	-13	-10	-8	-5	-2
Othe Income/Output	USD'000	681					
Fixed Assets Depreciations	USD'000		-46	-61	-56	-54	-64
EBT	USD'000	4.296	4.499	4.697	4.806	4.283	4.833
Income Tax	USD'000		-1.070	-1.120	-1.143	-1.520	-1.715
Exchange difference - Income Tax	USD'000		-251	8	6	5	6
Net Income	USD'000	4.296	3.179	3.586	3.669	2.769	3.124

Chile, Peru and Mexico

Premises	Unit/Currency	Actual 2016	2017	2018	2019	2020	2021
Income Statement							
Sales - Chile	USD'000	9.177	10.275	11.013	11.965	13.253	14.865
Sales - México	USD'000	1.119	1.049	1.075	1.140	1.240	1.408
Sales - Peru	USD'000	1.332	1.437	1.508	1.574	1.657	1.769
Gross Sales	USD'000	11.628	12.762	13.596	14.679	16.149	18.042
% Gross Sales	%		10%	7%	8%	10%	12%
Gross Income	USD'000	-	-	-	-	-	-
Ventas Netas	USD'000	11.628	12.762	13.596	14.679	16.149	18.042
Costs	USD'000	-6.488	-7.184	-7.755	-8.404	-9.291	-10.409
Costs	USD'000	-6.488	-7.184	-7.755	-8.404	-9.291	-10.409
Gross Margin	USD'000	5.140	5.578	5.841	6.274	6.858	7.632
Gross Margin / Gross Sales	%	44%	44%	43%	43%	42%	42%
Structural Costs							
Administrative Salaries	USD'000	-2.061	-2.264	-2.411	-2.568	-2.779	-3.044
Comercial Salaries	USD'000	-184	-190	-194	-197	-201	-208
Other Structural Costs	USD'000	-1.620	-1.724	-1.811	-1.916	-2.070	-2.277
Bank Debit & Credit Tax	USD'000		-0	-0	-0	-0	-0
Exchange rate difference	USD'000	-75	-37	-30	-17	18	39
EBITDA	USD'000	1.201	1.363	1.394	1.576	1.827	2.143
EBITDA/Gross Sales	%	10%	11%	10%	11%	11%	12%
Amortizations	USD'000	-49	-69	-87	-103	-98	-105
EBIT	USD'000	1.153	1.294	1.308	1.472	1.729	2.038
Financial Results	USD'000	-15					
Exchange rate adjustment	USD'000	-93					
Other Income/Output	USD'000	9					
EBT	USD'000	1.053	1.294	1.308	1.472	1.729	2.038
Income Tax	USD'000	-108	-361	-366	-414	-480	-563
Net Income	USD'000	945	933	942	1.059	1.249	1.475

Spain

Premises	Unit/Currency	Actual 2016	2017	2018	2019	2020	2021
Income Statement							
Sales	USD'000	426	709	1.311	1.417	1.531	1.647
Gross Sales	USD'000	426	709	1.311	1.417	1.531	1.647
% Gross Sales	%		67%	85%	8%	8%	8%
Gross Income	USD'000	-	-	-	-	-	-
Net Sales	USD'000	426	709	1.311	1.417	1.531	1.647
Costs		-299	-480	-855	-919	-988	-1.057
Costs	USD'000	-299	-480	-855	-919	-988	-1.057
Gross Margin	USD'000	127	229	456	498	543	590
Gross Margin / Gross Sales	%	30%	32%	35%	35%	35%	36%
Gastos de Estructura							
Administrative Salaries	USD'000	-47	-60	-94	-98	-102	-106
Comercial Salaries	USD'000	-	-	-	-	-	-
Other Structural Costs	USD'000	-81	-107	-153	-163	-172	-182
Compensations	USD'000	-13					
Uncollectible overturning	USD'000	97					
Bank Debit & Credit Tax	USD'000	-	-	-	-	-	-
Exchange rate difference	USD'000	-3	1	5	12	7	10
EBITDA	USD'000	80	64	214	250	275	311
EBITDA/Gross Sales	%	19%	9%	16%	18%	18%	19%
Amortizations	USD'000	-33	-14	-17	-18	-20	-21
EBIT	USD'000	47	49	197	231	255	291
Financial Results	USD'000	-4					
Other Income/Output	USD'000	26					
EBT	USD'000	69	49	197	231	255	291
Income Tax	USD'000		-12	-49	-58	-64	-73
Baja de Quebranto	USD'000						
Baja de MINP	USD'000						
Net Income	USD'000	69	37	148	174	191	218

8.3. APPENDIX III: SELECTION OF COMPARABLE COMPANIES

Compañía	País
Sopra Steria Group	United States
Virtusa Corporation	Sweden
Acando AB (publ.)	Sweden
Altia Consultores, S.A.	Spain

Source: Capital IQ.

8.4. APPENDIX IV: SELECTION OF TRANSACTIONS

Announce Date	Target	Target Country	Buyer
06/26/2015	Seicom - Serviços, Engenharia e Instalação de Comunicações S.A.	Brazil	Ezentis Brasil Telecom, S.L.U.
11/23/2015	GFI Informatique SA (ENXTPA:GFI)	France	Mannai Corporation Q.P.S.C. (DSM:MCCS)
12/11/2014	Groupe Steria SCA	France	Sopra Steria Group (ENXTPA:SOP)
01/17/2017	CynergisTek, Inc.	United States	Auxilio, Inc. (AMEX:AUXO)
12/12/2016	Lionbridge Technologies, Inc.	United States	H.I.G. Capital, LLC
11/02/2016	Auction123, Inc.	United States	ARI Network Services, Inc. (NasdaqCM:ARIS)
07/06/2016	CSG - A Columbus Company	United States	Columbus A/S (CPSE:COLUM)
10/05/2015	Access Data Consulting Corporation	United States	Gee Group Inc. (AMEX:JOB)
08/03/2015	Agile Resources, Inc.	United States	Gee Group Inc. (AMEX:JOB)
04/27/2015	iGATE Corporation	United States	Capgemini North America, Inc.
12/04/2014	Veredus Corporation	United States	Hays plc (LSE:HAS)

Source: Capital IQ

9. REFERENCES

Interviews:

- Company's Co-Funder
- Company's CFO
- Company's Control Management

Books:

- Aswarth Damodaran. "Damodaran On Valuation: Security Analysis for Investment and Corporate Finance". John Wiley & Sons Inc. Second Edition.

Papers:

- CompTIA. (2016). IT Industry Outlook 2017. Retrieved from <https://www.comptia.org/resources/it-industry-trends-analysis-2017>

Webpages:

- Bloomberg: www.bloomberg.com
- EIU
- Gartner
- Oxford Economics
- Banco Mundial: <http://www.bancomundial.org/es/country/chile/overview>
- OECD: <http://www.oecd.org/economy/spain-economic-forecast-summary.htm>
- Trading Economics: <https://tradingeconomics.com/spain/gdp-growth>
- Focus Economics: <http://www.focus-economics.com/countries/spain>
- TechNavio Research
- NTT Data
- Lexis Nexis: https://www.lexisnexis.nl/data/assets/pdf_file/0005/256352/Consulting-Industry-Report.pdf