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Unlocking the Value of Small and Medium Enterprises

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"Unlocking the Value of Small and Medium Enterprises"

A Thesis submitted to

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Abstract

The role of small and medium enterprises (SMEs) in economic growth and development is an undeniable fact in the global economy. In emerging and developed economies, SMEs may contribute to more than 90% of the total enterprises. These businesses are a dominant source of job creation, innovation and growth foundation stemming from their competitive structure, technological adaptability and resilience to economic crises. Despite their significant contribution to the economic development and growth, there is not sufficient research that covers SMEs' financial activity, liquidity, profitability and valuations. In this thesis, I introduce an Electronic Valuation Platform that provides a sufficient research coverage report on any selected SME in order to help filling the gap between investors and the SME markets. The hypothesis under testing is about validating the output fair value of tested SMEs from the Electronic Valuation Platform (EVP) relative to reports published by research houses and analysts. The deviations between the EVP empirical results and the professional output have been insignificant in most of the case studies. I have selected nine firms for testing, Prime Speed Medical, Raya Contact Center from Egypt; Comer Industries, Fervi SpA, Intred SpA, Powersoft SpA, Labomar, Portobello and Kolinpharma from Italy's Alternative Investment Market (AIM).

Keywords: SMEs, Valuation, Research Coverage, EVP

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Introduction

The role of SMEs in economic growth and development is an undeniable fact in the global economy. In emerging and developed economies, SMEs may contribute to more than 90% of the total enterprises (Hidayet et al, 2010). These businesses are a dominant source of job creation, innovation and growth foundation stemming from their competitive structure, technological adaptability and resilience to economic crises. Moreover, SMEs have a huge impact on the socio-economic development within an economy as it helps creating a balanced income distribution spectrum that will eventually contribute to a healthier socio-economic environment.

Chuma-Makandwire (2004) highlighted the significant role of small businesses contributing to a healthy economic activity and playing a vital role in poverty decline rates, social growth and economic development. By establishing various industrial ventures, SMEs will create jobs to the general public in every community in which they will be operating whether formal or non- formal, thus positively contributing to economic growth (AL Haddad et al. 2019). These new jobs created will generate new income for families, which will in-turn boost public spending on goods and services and eventually contribute to economic growth. In this regard, SMEs create demand on the overall goods and services offered within any economy. This income will eventually provide better standards of living and reduce poverty levels (Al Haddad et al.2019).

Realizing the relative importance of SMEs in global economic development has raised calls in the professional community to develop either new methods of valuation that are specific to SMEs or new proposed alterations to traditional valuation methodologies that suits the nature of reduced size businesses. However, till this day there aren't any new innovative methods that are specifically structured to estimate values for SMEs. In the last decade few researchers have developed some new techniques that are designed to tackle the setbacks of employing traditional valuations on SMEs. In practice, however, these new proposals are theoretical and not used by professionals in the SME markets. Determining what a business is worth is a very challenging task and that is a major concern for entrepreneurs (Baron, 2014). Most of the valuation attempts are channeled to large businesses, while very limited research has focused on valuation methods applicable to SMEs (Alonso et al. 2015). The Valuation process for reduced businesses is subjective to the appraiser and fraught by several challenges most importantly future earnings predictions in highly uncertain environment (Alonso et al. 2015). SMEs are famous with their

intangible assets that includes expertise, network, reputation and patents; all these intangible assets contribute to the terminal value of these businesses, however these assets are hard to quantify and accordingly overseen by appraisers when valuing any business regardless its size. SMEs have few resources to identify and manage intangible assets as they lack developed information databases (Alonso et al.2015). Other challenges for valuing SMEs includes the measurement of the scalability of their business models. Scalability is a very crucial element in estimating the value of SMEs as it is the main driver of their success and a focal point in attracting investors and access to other sources of financing which are key in the development and growth for these businesses.

Even though, SMEs are considered one of the most important pillars of economic development by scholars, economists and researchers, SMEs' potential is not sufficiently appreciated by investors. Investors usually ignore the huge underlying potential of SMEs as they lack coverage valuations from research houses and analysts. Analysts and practitioners find it very hard to obtain enough reliable information and disclosures from these businesses as they do not have a broad range of stakeholders (Marcello and Pozzoli, 2019). Financial markets are not achieving their highest potential when it comes to SMEs, since business information on listed SMEs are inadequate. Accordingly, equity research analysts are less likely to tackle SMEs in favor of larger firms (European Consortium for Sustainable Industrial Policy, 2013).

In addition, reported financials of some SMEs are also considered unreliable by some analysts who consider genuine financial statements a key element in the valuation process. Cost limitations is also a driver for analysts and research houses to shy away from issuing coverage reports on SMEs. High net-worth and institutional investors are always chasing bigger enterprises since they are traded in more efficient and transparent markets, and accordingly they have a higher potential alpha.

The important weight of SMEs in current productive systems has increased demand for SME Valuation. While the lack of research coverage reports for these SMEs in developed and developing economies has driven investments away from SMEs towards larger firms in more efficient markets. Therefore, it is crucial to provide a valuation tool that is easy and accessible and relies on public information for SMEs in order to help capture the hidden potential of their value.

The aim of this paper is to develop an Electronic Valuation Platform (EVP) for valuing SMEs as they are uncovered by analysts and research houses due to high costs. With an eye on

SME valuations, in Chapter 1, I start with a broad overview of materially different mainstream financial valuation methods. I also explore literature that engages with the demonstrated strengths and weaknesses of each method in practice.

In Chapter 2, I give a brief background on SMEs, along with the challenges and opportunities in their valuation, that directly impact the state of SME valuations. Drawing on valuation methods, I dedicate the final section of chapter 2 for a detailed analysis of how SMEs are currently valued.

As the temporal information on SMEs are limited, I selected nine enterprises for testing that have available professional research coverage, two from the Egyptian market and seven from foreign markets. To further validate my results, I tackled the most developed and covered SME market which is the Italian SME market. The alternative investment market (AIM) Italia is a stock market index that incorporates dynamic and competitive SMEs that are in need of capital necessary to finance their growth. AIM Italia offers easy access IPOs for SMEs in Italy, in a process designed to support the SME nature and structure. AIM Italia was created in 2009 providing minimum access requirements for SMEs unlike the Mercato Telematico Azionario (MTA) that is dedicated to medium and large enterprises. I have selected seven SMEs from AIM Italia to widen my sample in testing and to further validate the practicality of the EVP on different markets.

I will dedicate Chapter 3, to describe the Electronic Valuation Platform: the EVP structure; the application; and how its output report can be interpreted. This report will include the firms' ownership structure, profile, financial ratio analysis and fair value. It will also include recommendation on whether to buy, sell or hold the subject stock.

In chapter 4, I benchmark the performance of my proposed SME valuation methods applying them to a sample of eight SMEs and a proxy, contrasting them with how these companies were actually valued by professionals in different scenarios, while exploring the reasons for any observed discrepancies between both. The professional valuation on the two selected firms will be extracted from Bloomberg and Capital IQ.

The EVP will not only help build bridges between investors and the SME markets, but also it reduces time to value a company to not more than 45 minutes. This will allow easy and quick overview on the tested SME's activity, health, value, past and future. In addition, the EVP will

facilitate tapping SME markets for investors and provide guidance for a proper investment decision.

Chapter 1

1. Overview of Valuation Techniques

1.1 History of Valuation

Equity valuation techniques have varied since the beginning of the 18th century. Until this day, some practitioners and researchers are still studying new methodologies to further advance in valuation (Rutterford, 2007). These techniques varied from capitalizing dividend income and estimating intrinsic values to today's emphasis on earnings, DCF and multiple based valuations (Rutterford, 2007). Metrics such as Price to Subscriber, Enterprise Value to EBITDA, and Price to Cash Flow were introduced after the 1990s tech bubble in an attempt to value new issues in as yet untried industries (Rutterford, 2007). For every era that the stock market in the US or the UK have been witnessing booms or headwinds, new methods of valuation have been introduced adding more depth to the valuation process and accordingly better investment decisions.

Preinreich, (1938) and Williams, (1938) were the first to recommend using DCF valuation to determine intrinsic values of stocks. DCF techniques of valuation weren't used commonly until the 1960's, and even then, they were still limited. The reintroduction of the DCF techniques were not commonly used until the tech bubble in the late 20th century when companies that witnessed acceptable levels of growth but negative earnings could not be valued using multiple based techniques, such as, P/E ratio. With the increased computing power and technology, DCF and multiple based valuation dominate all other methods of valuation (Rutterford, 2007).

1.2 Methods of Valuation

This section is dedicated to recalling traditional mainstream valuation approaches, focusing on the most commonly used methodologies in valuation. I will provide more emphasis on my two selected methods of valuation that are employed in the EVP to value SMEs.

All valuation methods serve the same cause which is closely finding a true or a fair value of a firm. In valuation, it is crucial to understand the difference between the value of a firm and its price (Weitzel et al. 2003). A firm's value, is determined by discounting its future cash flows (DCF) to determine its current intrinsic value. However, a firm's price is determined in capital markets where this price is tradable (Weitzel et al. 2003). The ability of this trading price of a firm within capital markets is a true representation of a firm's value and is determined by market efficiency (Weitzel et al. 2003). However, due to unavailable or unpredictable information frequently neither prices determined by valuation approaches nor market prices represent the "fair" value of a firm, (Weitzel et al. 2003). Varian, (2001) highlighted that three tech sectors in the period between 1990-2000 caused shocks and rapid growth that were not captured by traditional methods of valuation, the deregulation of telecommunications in 1996, the Y2K crisis in 1999 and the "dot.com" bubble in 1999. The rapid growth in tech stocks since the year 2000 highlighted new internal value drivers with regards to innovation and creation. These new internal value drivers were not yet comprehended or even anticipated by either capital markets or by theoretical valuation approaches (Varian, 2001).

1.2.1 Discounted Cash Flow (DCF)

The DCF measures a firm's intrinsic values as a function of three variables, how much cash flows that this firm generates, when should these cash flows occur and whether they will occur in the first place (Weitzel et al. 2003). The DCF uses the weighted average cost of capital (WACC) as the discount rate of future cash flows over a period of approximately 5 years in order to estimate the value of a company as a sum of its net present value (NPV). In determining a value of a company, the valuation approach goes into four major steps to estimate terminal value. First, the determination of expected cash flows; second, assessing the discount rate, WACC, representing

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risky inputs; third, growth estimates represented in CAPEX or acquiring new business; and fourth, the firm's terminal value (Weitzel et al. 2003).

1.2.1.1 Cash Flow Estimates

The value of operations is equal to the discounted value of expected future free cash flow. To estimate the operating income, the income statement has to be adjusted as shown in the figure below (Copland et al.2000).

Table 1: Income Statement Adjustment:

	Revenues
-	Costs of Goods Sold
-	Cash Operating Expenses
=	EBITDA (Earnings before interest, taxes, depreciation and amortization)
-	Depreciation and Amortization
=	**EBIT (Earnings before interest and taxes)**
-/+	Interest Expenses / Income
=	EBT (Earnings before taxes)
-	Taxes
=	Earnings / Net Income
+	Depreciation
+	Non-cash compensation
+	Other non-cash operating expenses
+	Change in provision
=	**Funds from operations**
+	Delta Working Capital
=	**Operating Free Cash Flow**
-	Capital Expenditures
-	Acquisitions
+	Sales of assets
=	**Free Cash Flow**

Source: Determination of free cash flow (Damodaran 2001, 105-138, Copland et al. 2000,131-154.)

1.2.1.2 Discount rates:

Discounting future cash flows incorporates the risk of occurrence of these cash flows represented in the WACC. The opportunity cost created by investors buying into the assets or capital of a firm is reflected in the discount rates in the process of valuation (Weitzel et al. 2003). The opportunity cost weighted by their relative contribution to the company's total capital is called weighted average cost of capital (WACC) (Copeland et al. 2000). Copeland et al. (2000) further

added, that the risk free rate is the rate on a security that has no risk of default and has no correlation with returns. The risk premium is the premium in return that is demanded by the market to switch their investments from RF to risky investments (Weitzel et al. 2003). The CAPM model, which is the primary source of determining a firm's cost of equity, suggests two kinds of risk premiums the historical and the implied risk premium (Weitzel et al. 2003). Should the market be efficient and transparent enough, then prices are justified and accordingly implied risk premium is being used (Weitzel et al. 2003). However, if markets are not efficient, then we should use the historical risk premium. The beta is a relative measure of risk. It measures risk added on to a diversified portfolio, rather than total risk. For example, a beta of 1.5 means that if the underlying index changes by one percentage point, the valued stock changes by 1.5 points (Weitzel et al. 2003). Based on the CAPM, the cost of equity is:

(1)

$ERi = Rf + \beta i \ (ERm - Rf)$

ERi = expected return of investment

Rf = risk-free rate,

βi = beta of the investment,

$(ERm - Rf)$ = market risk premium

To estimate the WACC the cost of equity and cost of debt should be both be assigned respective weights to the amount of equity and debt to a firm's relative capital structure (Weitzel et al. 2003).

(2)

$WACC = E/V * Re + D/V * Rd * (1 - Tc)$

Re = Cost of equity

Rd = Cost of debt

E = Market value of the firm's equity

D = Market value of the firm's debt

V = E + D = Total market value of the firm's financing

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E/V = Percentage of financing (equity)

D/V = Percentage of financing (debt)

Tc = Corporate tax rate

1.2.1.3 Growth Estimates

Estimating growth is the most challenging part of the valuation process as it is hindered by future developments in technology, expansions, management, financials and others (Weitzel et al. 2003). Damodaran, (2001) have highlighted three different approaches to estimate growth. First, adaptation of historical growth rates, since usually the future is a condition of the past; however, this claim is not very realistic in the present environment of technology and innovation. Second, using analysts' estimates, suggesting that growth is outsourced. However, this argument is clearly subjective to an individual analyst comprehensive understating of the firm's operations. The third approach is to estimate that growth is a function of quality and quantity and this last approach is the most commonly used among analysts today.

1.2.1.4 Firm Value Estimates

The value of a firm consists of the discounted or the current value of the firm's future cash flows within a certain growth period. The terminal value (TV) usually contains up to 50% or more of the firm's total value (Copeland et al. 2000). There are two formulas for firm value estimation illustrated below:

(3)

$$\text{Present Value of Free Cash Flows} = \underbrace{\sum_{t=1}^{t=T} \frac{FCF_t}{(1+WACC)^t}}_{\text{growth period}} + \underbrace{\frac{\text{Terminal Value}}{(1+WACC)^T}}_{\text{period of stable growth}}$$

(4)

$$\text{Terminal Value} = \frac{\text{Free Cash Flow to Firm}_{T+1}}{(\text{Cost of Capital}_{T+1} - g_T)}$$

It is assumed that a firm's cash flow will grow constant infinitely beyond the terminal year (Weitzel et al. 2003). The TV is calculated as shown in the figure above by dividing the FCF by the cost of capital minus the terminal growth rate, which is the last growth rate recorded on the terminal year.

Advantages of DCF:

The DCF analysis is based on assumptions of the CAPM model and this approach is practically and theoretically correct. DCF analysis is completely independent from volatile market changes and price shocks, unlike the comparable based valuation approach (Weitzel et al. 2003). In addition, accounting rules does not affect DCF as it is based on projected future cash flows (Weitzel et al. 2003). The DCF is not only the most commonly used methodology in financial valuation, but also it is the most reliable (Weitzel et al. 2003). Moreover, DCF focuses on current and future earnings of a business rather than historical ones. Since the DCF values the overall operations of a company, regardless of its source of financing rather than focusing only on the equity financed portion, we can use it to compare companies with different capital structures (Barker, 2001).

Analysts have been using the DCF methods to value different kinds of firms in different sectors and industries and has proved reliability as the primary method for valuation (Weitzel et al. 2003). However, DCF is not perfect, it still has shortfalls that has to be addressed and further technicalities to be developed.

Disadvantages of DCF:

Since the terminal value contains almost more than 50% of a firm's entire DCF value, it is often sensitive to its assumptions, specifically with regards to growth estimates and WACC as discussed earlier. Weitzel et al. (2003) argued that using historical data of stocks to estimate Beta depends heavily on the choice of the Index. Companies that have high volatility in their stocks have high beta estimates resulting in a relatively high discount rate and accordingly a lower NPV (Weitzel et al. 2003). Hence, for the DCF methodology to produce a true value of a firm, it is

highly conditioned on analysts' expertise and awareness of the industry in which the valued firm operates (Weitzel et al. 2003). The DCF approach will fail to capture large initial losses, highly volatile earnings and or big initial growth rates and again it is subject to the analysts' expertise to account for all these factors while valuing a firm (Weitzel et al. 2003).

1.2.2 Comparable Based Valuation

Using comparable companies within the valuation aims to value assets on the market assets of companies within the same industry or sector (Benninga and Sarig, 1997). The comparable companies have to have some sort of characteristics in order to fall under the category of being a true comparable. Comparable companies have to operate within the same industry and offer similar products and share the same geographical markets. In addition, the size of revenues, market cap and capital must also be comparable. The comparable based valuation, also called market based approach, compares company values by comparing similar features of one company with the same features in another company that has established market value (Maria Sjoqvist and Tanya Stepanovych ,2008). There are two methods to compare companies, as illustrated by the previously mentioned authors, either by publicly listed companies' information or merged and acquired companies or both. The difference between both methods is that the first determines the value based on prices of shares for similar companies that are publicly traded in the market; the second, relies on merged and acquired company usually 100 percent ownership transfer (Pratt et al. 2000). According to (Damodaran, 2002) the best comparison to value a subject company is to source another company that share similar cash flows, growth potential and risk in order to find it's true value. In order to value a subject company, analysts should be able to know how many companies to use and which value measures to use for comparable companies (Pratt et al. 2000). Further details on the previous methods will be thoroughly illustrated in the following literature.

1.2.2.1 Price to Earnings (P/E)

P/E ratio is one of the most commonly used multiple among analysts and investors world-wide, it is simply the current stock price divided by the company's earnings per share (Weitzel et

al. 2003). If the P/E ratio is high, this means that investors value this stock as a potential to its current earnings and that investors speculate future growth in a firm's earnings. However, it can also mean that that the stock with a high P/E can have low earnings and accordingly an over-valued price (Brealey and Myers, 1996).

(5)

Price Earnings Ratio = Market price per share/ Earnings per share

Boatsman and Baskin, (1981) alleged that for the P/E ratio to be precise, analysts should use similar historic growth rates of comparable companies and not only rely on that both companies operate in the same industry. Alfrod, (1992) emphasized on the importance of focusing on the same industry when it comes to comparable based valuations. Opposing to Boatsman and Baskin's allegations, Kim and Ritter, (1999) stated that P/E ratio based on future forecasted earnings rather than historic can yield a more precise valuation results.

1.2.2.2 Revenue Multiples (EV/Sales)

If analysts are using historic earnings in a valuation based on P/E, this approach will not work with young companies that have no records for historic earnings. For these younger companies, revenue multiples are the alternative approach. Usually revenue multiples are more reliable in valuations as revenues are less volatile than earnings and not influenced by changing accounting decisions (Weitzel et al. 2003).

(6)

$$\text{Enterpise Value to Sales Ratio} = \frac{(\text{Market Value of Equity} + \text{Market Value of Debt - Cash})}{\text{Revenues}}$$

1.2.2.3 Earnings ratios (EV/EBITDA)

Enterprise value to earnings before Interest, Taxes, Depreciation and Amortization is another earnings ratio that is commonly used by analysts in valuations.

(7)

$$\text{Enterprise Value to EBIT(DA) Ratio} = \frac{(\text{Market Value of Equity} + \text{Market Value of Debt} - \text{Cash})}{\text{EBIT(DA)}}$$

Table 2: Multiples Advantages and Disadvantages:

Multiple	Advantages	Disadvantages
P/E	-Simple -Most common multiple	-Sensitive to corporate tax rate -Sensitive to capital structure
PEG	-Considers future earnings expectations	-Not effective with low growth ratios
EV/Sales	-Simple -Applicable if none or negative earnings -Facilitates cross-border comparisons	-Ignores financial structures -Profitability is not considered
EV/EBITDA	- Not biased to different tax rates and the structure of capital - Simplifies cross-border contrasts	- With highly leveraged firms, EV is very sensitive to debt

Source: Weitzel et al. (2003) IS valuation methods – Insights from Capital Markets

Comparable based valuation unlike DCF, measures the relative value and not the intrinsic value and this is why the whole process of valuation has to be a mix of both relative and intrinsic values (Weitzel et al. 2003). Relative valuation takes into consideration market trends, public information and few other assumptions that are relatively simpler than the discounted cash flow analysis. The simplicity of valuation by multiples is its deficiency (Benninga and Sarig, 1997). It is worth mentioning that choosing the right comparable is a milestone in obtaining the closest to true relative value, unlike DCF analysis which is very specific to a company's operations and activity (Weitzel et al. 2003). Moreover, there are external factors that cause noise into relative valuation results; for example, mergers and acquisitions; these factors can influence stock prices dramatically and accordingly influence the comparable based valuation results (Weitzel et al. 2003). Relative valuation method also fails to capture intangibles assets, which makes it hard to depend solely on multiples when it comes to valuation. According to (Benninga/Sarig 1997) Comparable based valuation can only act as a validity check to the DCF and should be assigned a smaller weight in the overall valuation. In the diagram below the advantages and disadvantages of the two valuation techniques discussed above are illustrated.

Table 3: Advantages and Disadvantages of DCF and Comparable based method

Approach	Advantages	Disadvantages
DCF	-The most theoretically comprehensive method -Not influenced by unpredictable market conditions - Not influenced by market volatility	-Valuation is highly sensitive to underlying assumptions for cash-flow, terminal value, and discount rate -Terminal value represents significant part of total value
Comparable based method	-Based on public information -Market efficiency ensures that results reflect industry trends, risks, growth potential -Equity value does not include a control premium	-Difficulty in finding similar companies to be considered comparable -Valuation is affected by the stock and the market activity and low capitalization -Stock prices influenced by M&A activity

Source: Weitzel et al. (2003) IS valuation methods – Insights from Capital Markets

1.2.3 Real Options Approach

The real options approach (ROA) is introduced to fill in the gap of uncertainty about the future cash flows that are not captured by traditional methods of valuations such as DCF, it is the challenge of an uncertain future (Copeland et al. 2000). Trejo, (2000) stated that business strategies of companies are supposedly a series of options rather than a single projected cash flow. DCF does not account for management flexibility, which plays a vital role in the valuation process and eventually leads to undervaluation (Hommel, 2000). Copeland et al. (2000) stated that ROA capture this variable of flexibility within the valuation. The DCF does not capture possible scenarios such as successful product launching, innovation or even failure of innovation in specifically tech companies Sullivan et al. (1999).

ROA employs the financial option theory based on the Black-Scholes model (Maubossin, 1999). Options are contracts that give its holder the right to buy/sell a certain quantity of assets at

the underlying strike price in exchange for a premium. However, in the case of valuation the true meaning of an option here is not financial but rather literal (Weitzel et al. 2003). Opportunities that a business may or may not choose to take advantage of, are choices a company management benefits from in expansion, downsizing or engaging in projects based on the ongoing changes in the market, technology or others (Weitzel et al. 2003).

The ROA is far from being a replacement to any of the valuation methods mentioned above, however it captures the shortfalls in methods such as NPV in evaluating the prospects of success of a project in which the studied company is willing to undertake (Weitzel et al. 2003). While the DCF captures a base of estimate of value, real options take into consideration the potential extraordinary gains out of a project. To sum up the real options approach is a complementary approach in the whole valuation process (Weitzel et al. 2003).

Advantages of ROA

The DCF does not account for evaluating flexibility in management decisions or contingency as it fails to account for the set of options associated with possible business decisions. ROA fills this gap as it can value uncertainty. A good example of how ROA can allocate value to uncertainty is that if a company decides to postpone a certain project for any reason, the DCF would value this opportunity at zero, while the ROA will properly allocate some value of this project's future cash flow (Weitzel et al. 2003). The higher the volatility of a stock means higher discount rates and accordingly lower NPV; however, for the ROA the higher the volatility, the higher the value of the option (Mauboussin, 1999).

Disadvantages of ROA

ROA is not a commonly used approach as it is time consuming and the readiness to adapt this approach is relatively limited.

1.2.4 Asset Based Approach

ABA comes in various names such as asset accumulation method, net asset value, asset build up method and adjusted book value method. The purpose of this method is to obtain the substance value which is the equity value in which its derived as the assets minus liabilities

(Nilsson et al. 2002). The substance value has to be positive in order to be able to use ABA (Lunden, 2007). Under ABA, the company's value is determined after analyzing the balance sheet. However, values on the balance sheet are irrelevant since the book value is rarely a true representation of a company's true value (Weitzel et al. 2003). According to most of the accounting standards, the value of assets depreciates over time and when applying the ABA, a value of these assets has to be determined (Weitzel et al. 2003). Accordingly, the value of those assets are assigned at their free market value (Maria Sjoqvist and Tanya Stepanovych ,2008). Pratt et al, (2000) alleged that the two methods of estimating the value of assets under ABA are collective revaluation and individual revaluation.

It is logical that assets are expected to constitute a big part of a company's value as companies operating in real estate and investments have a market value that can be easily estimated (Lunden, 2007). Finally, the value obtained from the ABA can be compared to other values of other models and not as the definite true value of a firm (Weitzel et al. 2003).

Advantages of ABA:

The advantage of ABA is that it is easy to use and simple to apply were it does not require any assumptions (Lunden 2007). The results are also easy to read and comprehend by any analyst or appraiser. The model outlines different assets and liabilities, showcasing which assets contribute economic value to the company and to what extent (Maria Sjoqvist and Tanya Stepanovych ,2008). Another advantage of this approach is that it makes it easy to negotiate in case of selling the company as the results define precisely how much the assets and liabilities are worth (Weitzel et al. 2003).

Disadvantages of ABA:

This approach has several disadvantages, as the model does not account for the excess value of the assets in hand neither its potential (Weitzel et al. 2003). In addition, ABA does not account for the business idea and its possibilities or prospects (Lunden, 2007). It can also be very expensive and time consuming, and applying the ABA requires full access to the company's information which is hard to obtain (Holmstrom, 1999)

Through the literature outlined in this paper, I focused on the most commonly used methods of valuation showcasing their advantages and shortfalls, as well as providing a detailed analysis

necessary on the best methodologies for the valuation platform I am proposing. This is done to estimate the closest value of a firm and contrasting my results to analysts and appraisers that publish limited coverage reports on SMEs.

The SMEs market has not been given the attention it deserves. This is because, institutional and high net-worth investors favor bigger companies as disclosures, information and research studies are quite abundant. In chapter 2, I provide an overview of the anatomy of SMEs and their definition while showcasing how these SMEs are currently valued, as well as the challenges that face professionals in their valuations of smaller size businesses.

Chapter 2

2. The Anatomy of Small Medium Enterprise

SMEs play a vital role in the economic growth and development in most of the economies around the world. SMEs contribute to the majority of job creation in developed and emerging markets were they represent around 50% of the global employment and 90% of businesses (World bank). Formal SMEs contribute to around 40% of GDP in emerging and frontier economies and these numbers do not include the informal ones to the statistic. It is estimated that by the year 2030 600 million more jobs will be needed to absorb the tremendous expected growth in the SME market (World Bank). These figures have urged governments in emerging economies to eradicate all obstacles and help promote those businesses to thrive in order to contribute further in developing their economies. SMEs create an entrepreneurial environment within the economy that promotes economic growth that will eventually provide immunity against global economic headwinds. SMEs help promote job creation and quality; moreover, it helps contribute to a comparatively improved levels of efficiency and better income distribution (Al Haddad et al. 2019). It helps in distributing the benefits of economic growth, stronger domestic linkages and diversification within the industrial structure of the economy (Nishtar, 2000). Some economists claim that the strength of any economy is measured by the well-being of small businesses and the robustness of the system governments employ to insure their continuous production and success. The contribution of small and medium enterprises in substantiating economic growth is vital, as it provides a creative channel for enterprising and encourage individuals for self-employment (Al Haddad et al. 2019). In economics the significance of small enterprises in job creation, innovation and growth foundation is widely accepted (Lussier and Pfeifer 2001). Gabrielsson and Huse (2002), argue that for both policymakers and researchers the small and medium entrepreneurial firms became important during the 1990s. Kadiri, (2012) stated that in the small and medium business world, the enterprise development has been a commonly accepted doctrine as they act as a mechanism for employment, economic development and poverty decline.

2.1 Definition of SMEs

The definition of SMEs is not universal, but there are some common criteria by which they could be distinguished in different economies. Labelling a company as a small or medium enterprise is economic and not legal (Hidayet et al. 2010). Some countries label companies as SMEs relative to the number of employees, others do not consider this factor. SME definition is a controversial subject and there are various opinions on the size and criteria for measurement of small and medium enterprises among scholars (Dincer, 1994). In the late 1990's, the European Union has provided definition for SME firms; however, a lot has been changed in economic activity such as, productivity, growth and employment which make the EU's criteria in 1996 obsolete and needs revision. As of January 2005 a new revision has been in place, redefining the criteria that labels a firm to be named SME. The new revision addressed by the EU has promoted entrepreneurship, investments and growth within the small and medium enterprise environment (Hidayet et al.2010). The new criteria revised by the EU is shown in the table below.

Table 1: SME Definition Relative to European Standards:

SME Category	Employment	Turnover (Million Euros)		Balance Sheet (Million Euros)	
		1996	2005	1996	2005
Medium	250	40	50	27	43
Small	50	7	10	5	10
Micro	10	**	2	**	2

 Source: (EC, 2003)

The EU's revised definition of SMEs companies with a number less than 250 employees has been included (EC, 2003). The group of firms below 10 employees have been defined as micro enterprises, small enterprises are from 10 to 49 employees and medium enterprises are from 50 to 249 employees. Criteria of definition for SMEs in the United States is somehow close to the European Union's characteristics in terms of capital or turnover. However, in the US any company with employees fewer than 500 is labelled an SME.

The World Bank uses three qualitative criteria for defining SMEs that is somehow close to the EU and the US; these three criteria are total assets in dollars, number of employees and annual sales

in dollars. Any business must fulfil the criteria demonstrated in the below table to be labelled as micro, small or a medium sized enterprise (IEG, 2008).

Table 2: Definition of SMEs Relative to World Bank Standards

Enterprise Category	Head Count	Total Assets	Total Annual Sales
Medium	50-300	From $3M-$15M	From $3M-$15M
Small	10-50	From $100k-$3M	From $100k-$3M
Micro	Less than 10	Less than $100k	Less than $100k

Source: Independent Evaluation Group (2008)

Since Egyptian local SMEs are part of my case studies, I have selected small and medium enterprises according to the Egyptian characteristics. The Central Bank of Egypt has released a circular in 2017 amending some items in its SME initiative dedicated for SME development and stimulus finances. This circular clearly defines SMEs according to sales turnover, were enterprises with sales turnover ranging from one million to 50 million is considered small, between 50 and 200 million is medium and less than a million is micro.

2.2 The State of SME Valuation

2.2.1 How SMEs Are Currently Valued

After investigating several research studies on how the valuation process of SMEs might differ in features from valuing larger firms, results have proved to be quite the same. Valuation methods for large, medium and small enterprises are mostly the same. However, the only difference lies in what specific method to be used for the type of the subject company. Common valuation methods, such as, asset based approach, income based approach or a mix of both techniques are currently used by professionals for valuation of SMEs. There is very limited research that propose a different methodology than the usual techniques of valuation to address SMEs. In fact, scholars and researchers highlight some unique aspects in SME features that are hard to consider in the valuation process. In the following literature, I exemplify different proposals of the limited available research on how to value SMEs either by employing some alterations to traditional valuation techniques or other original niche methods of valuations.

Grandis and Palazzi, (2015) alleged that professionals can choose between two types of methods when valuing SMEs, direct and indirect methods. The direct method estimates market prices expressed for shareholdings or by using market prices of relatively similar companies. Market prices expressed for shareholdings relates to historical value negotiations of similar companies should this company is not listed on an exchange. However, market prices of relatively similar companies are meant to value a listed firm's equity using comparable based valuation technique (Grandis and Palazzi, 2015). The reliability of these results are relative to the degree of efficiency in the market meaning that, the more efficient the markets are, the more reliable the multiples should be. However, markets are not perfectly efficient since they are characterized by the presence of speculative operations, asymmetry of information, high concentration and conditioned by irrational factors (Paolucci, 2011). The indirect methods value firms using "flow values" such as expected cash-flows, future earnings and expected dividends. In addition, indirect methods can measure a business by employing "stock values" (Grandis and Palazzi, 2015).

Grandis and Palazzi, (2015) further broke down flow values into three theoretical basic methods, earnings, financial and expected dividends assigned to shareholder's methods.

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Earnings method:

(1)

$$W = R_1 \cdot v^1 + R_2 \cdot v^2 + ... + R_n \cdot v^n + P_n' \cdot v^n$$

-*W* is the value of the business

-*n* is the residual life of a firm expressed in number of accounting periods

- $R_1, R_2, ...R_n$ are the expected future earnings

-*P* is the terminal price at time *n*

- $v^1, v^2, ... v^n$ are the discount coefficients

Financial method:

(2)

$$W = F_1 \cdot v^1 + F_2 \cdot v^2 + ... + F_{n-1} \cdot v^{n-1} + F_n \cdot v^n$$

-*W* is the value of the business

-*n* is the residual life of a firm expressed in number of accounting periods

- $F_1, F_2, ...F_{n-1}$ are the net total cash flows

-*Fn* is the cash flow at time *n* including the liquidation value

- $v^1, v^2, ... v^n$ are the discount coefficients

Expected Dividends:

(3)

$$W = D_1 \cdot v^1 + D_2 \cdot v^2 + ... + D_n \cdot v^n + P_n \cdot v^n$$

-*W* is the value of the business

-*n* is the residual life of a firm expressed in number of accounting periods

- $D_1, D_2, ...D_n$ are the expected dividends

-*P* is the terminal price

- $v^1, v^2, \ldots v^n$ are the discount coefficients

The three methods demonstrated above are theoretical and hard to use in practice, since their reliability is heavily depending on the accuracy of data and information were it can be hard to obtain in regards to the nature of SMEs (Grandis and Palazzi, 2015). Considering some simplifications to these theoretical methods, the authors have referenced time horizon, income, financial parameters and a calculation method of the terminal price or value.

Other methods of valuation for SMEs are pure earnings method and complex earnings method (Grandis and Palazzi, 2015). Those two methods are based on a hypothesis that the business life indefinitely prolongs while cash flows are constant and stable.

Pure earnings method:

(4)

$$W = R/i$$

-*R* is the average earning

- *i* is the discount rate

Complex earnings method:

(5)

$$W = \sum_{s=1}^{n} R_s \cdot v^s + P_n' \cdot v^n$$

-*V* is the discount factor

-*P* is the present terminal value of a firm at time *n*.

The pure earnings method is an annuity formula were it assumes that assumes constant earnings, while complexed earning assumes that expected cash-flows are limited to a specific time horizon Grandis and Palazzi, (2015).

The other indirect method of valuation for SMEs is "stock values" which incorporates the valuation of a firm's assets and liabilities (Grandis and Palazzi, 2015). Basically, this method is a

pure asset based approach. Regardless of how profitable SMEs are, the value of a business is estimated considering its total assets. As previously illustrated in Chapter 1 the asset based method estimates the market value of assets and liabilities within a balance sheet and if there is no market value for any item on the balance sheet, a professional should use replacement value and accordingly estimate the net worth of the firm should this firm is not listed on an exchange. However, again it is important to note that asset based method is mostly about the book value which does not necessarily represent the true value of a firm.

In SME valuation, professionals might consider accounting for unrecorded intangible assets whether those who have a transferable market values or others who don't, such as, employees, brand or specific expertise. In this case, the "complex assets based method" is recommended. This method takes into consideration the adjusted net worth and the value of the unrecorded intangible assets to obtain a value for a firm (Grandis and Palazzi, 2015).

Mixed methods draw inspiration from the principle of composition (Onida, 1971). Drawing on this principle, valuation of a business relies on two components, its earnings and the combination of its assets and liabilities values (Grandis and Palazzi, 2015). Grandis (2013) alleged that the correct valuation for SMEs should consider the economic and financial perspectives and the state of its net assets.

A study of valuation methods carried out by professionals on 70 Italian SMEs categorized according to business sectors spanning in the period between 1979 to 2012. This study incorporates a statistic on what methods have been used by professionals to value those 70 SMEs. The following table demonstrates the frequency of employment of every method of the total 70 SMEs relative to every sector.

Table 3: Valuation Methods by Type

Valuation methods	Manufacturing	Retail and wholesale trade	Services sector	Total
Asset based method	12	12	9	33
Income based method	2	3	2	7
Mixed methods	6	19	4	29
Empirical method Total	0	1	0	1

| Total | 20 | 35 | 15 | 70 |

I would strongly argue against the findings of this study as I would assume that most of those SMEs are operational and profitable. The asset based method has been used on 33 firms which constitutes roughly around 47% out of the whole sample of 70 firms. I would only use asset based approach for companies that are financially distressed or non-operational were I would estimate every item on the balance sheet in order to come up with a net asset value for this distressed firm. However, the valuation for a healthy company, that have stable cash flows and potentially growing earnings should be carried out using the Income based approach and not the asset based method. It might be understandable that the asset-based approach has been employed to value 12 companies in the manufacturing sector as their value of assets should be significant; however, it seems quite strange that asset based method is used for nine firms in the services sector.

Occhino and Mate, (2018) have introduced a valuation methodology for SMEs based on spatial information. Temporal information is critical to DCF and for the case of SMEs information availability might be limited. To overcome this limitation an approach based on geographical information will be used to value SMEs (Occhino and Mate, 2018). The valuation approach based on geographical information undergoes the identification of the objective SME for valuation; determining its spatial comparable firms; compute the value of the subject SME from the geographical proposal (Occhino and Mate, 2018). The proposed method for valuation is based on geographical proximity regardless the size and the main activity of the comparable companies; it is assumed that SMEs are more likely to copy the financial policies of its neighbors to improve their performance (Reppenhagen, 2010). The authors considered a variable of proximity of geographically comparable companies, with s closer firms to be neighbors with each firm i. The variable s is reflecting the number of neighbors with inter-connection between them. The value of s was determined using Moran's I test for spatial dependence as this test measures the autocorrelation of a variable (Occhino and Mate, 2018). After determining the value of s, the spatial economic value of the subject firm i is deduced.

(6)

$$SEV_i = \frac{(\sum_{m=1}^{s} EV_m)}{s}$$

-*EV* is the economic value of the comparable (neighboring companies) by applying DCF

-*s* is the number of closer neighbors for which firms' valuations are connected in the analyzed area of the located companies.

The economic value obtained using the proposed method deviated 8% from the economic value based on DCF. In order to minimize this deviation, the authors used the LM test to contrast spatial structures in the model. The LM-LAG contrasts the existence of spatial correlation in the dependent variable and the LM-ERR contrasts the existence of spatial autocorrelation in the error term (Occhino and Mate, 2018). The next step was to use the ordinary least squares and spatial autoregressive model to estimate the dependent variables for the economic value of a firm; the aim was to determine a spatial firm economic value (SFEV). After determining the *p* values for the outcome of the spatial autoregressive model along with the OLS, a formula for determining the SEV was introduced (Occhino and Mate, 2018).

(7)

$$\widehat{SFEV}_t = 0.1914W * EV_t + 0.9141 * CCTOV_{t-2} + \\ + 0.0112 * DEBT_{t-2} + 0.0473 * PROF_{t-2} + \\ + 0.4325 * AGE_t + 0.8088 * SIZE_t$$

-CCTOV is annual sales growth

-PROF is the net operating income

-DEBT is the total liabilities over total assets

-AGE the logarithm of number of years

-SIZE the logarithm of total assets

The findings showed significant results in minimizing the deviations from the economic values obtained by the DCF. SFEV has only deviated by 0.075% from the EV obtained by the DCF.

This approach, although obtained significant results in minimizing the deviation in the firm's economic value from the DCF results, it comes with several limitations. Firms operating in geographically close proximities are not considered comparable firms. Firms selected as multiples have to operate in the same sector and have the same related risk, growth and cash-flows and

therefore can be considered a comparable (Damodaran, 2016). In addition, since selection criteria of the comparable companies were only based on geography and not the size nor sector, the empirical results become meaningless, unreasonable and not verifiable. I would rather use the firm's unreliable information for valuation, and not information of other non-comparable companies that don't share any features related to the valued enterprise.

Another limitation is that the selected variables which are specific to the valued firm's financials are very limited such as, debt to equity ratio, net operating income and sales growth. Therefore, other important items such as, working capital, COGS, CAPEX and others are not considered which may lead to obtaining a positive valuation, however with negative financial ratios. Other limitations such as the complexity of the proposed methodology of valuation is conspicuous, making it practically questionable.

Hampshire, (2017) have proposed a methodology using the mainstream valuation techniques with some adjustments to capture the value of small businesses. The valuation methodology used by Hampshire is the DCF model with some adjustments related to cash-flows and the discount rate used to discount these future cash flows. As the free cash-flow is designed to represent the earnings from operations and since small businesses do not have a wide array of investors and creditors, discounting should be carried out for relative cash flows. The alteration proposed to some variables in this process is adjusting the earnings (EBITDA) for non-cash items such as taxes, investment in net working capital and CAPEX, thus, introducing a more relevant form of cash-flows which is the Sellers Discretionary Cash Flow (SDCF). SDCF is easier to compute and less technical than Free Cash-Flow (FCF) (Hampshire, 2017). The value for SDCF is derived by adding non-cash items to net-income before taxes and accordingly the value for the owner's compensation is clearly presented without any deductions.

The next step in the proposed valuation methodology is to determine an adequate discount rate that adheres to the dynamics of small businesses. The discount rate used in any DCF model is the weighted average cost of capital, however a suitable discount rate that truly represents the risk that small businesses impose is more sensible. Since SME business models are considered scalable and offering higher levels of expected returns, they are still considered riskier in nature than larger enterprises. Hampshire, (2017) suggested assigning a risk value to small business close to the riskiness of startups which, in his opinion, have a discount rate that falls in the range of 50-70%.

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Accordingly, and since startups and small businesses are proxies for a ceiling of quantified risk, a discount rate of 60% should be adequate. The discount rate of 60% is assumed for the first year of a newly established venture and declines annually with a floor rate that represents the higher range used for corporate large enterprises. The model is based on a 20-year life span for a small business, were a failure rate of 20% is assumed for the first year declining to 4% by the year twenty. The author then gathers all this data into an exponential equation that determines the likelihood of failure in a specific year.

(8)

$$y = 14.38433 + 45.61564 * e^{(-0.327114 * x)}$$

-X is the years in existence of the business starting at point 0

-Y is the percent that will fail in that year

The author incorporated this data into the valuation and tested the relative change in value of a selected firm according to the empirical study. The value of the firm obtained using the adjusted EBITDA and SDCF have significantly increased by 170% greater than the value obtained by normal DCF valuation process.

Mainstream valuation techniques with some adjustments that are suitable with the nature of SMEs are, in my opinion, a very good approach in order to closely capture the value in these businesses. It has been discussed in the previous literature that some alterations in the discount rate are crucial as SMEs are riskier in nature than large well established enterprises. However, a discount rate of 60%, depicts false representation of cash-flows for the subject firm. This huge discount rate exaggerates the riskiness of future cash-flows for SMEs and accordingly affect its liquidity and profitability ratios and this might drive possible investors away from it. Practically appraisers will hardly use SDCF in their valuation of a firm as non-discretionary expenses are crucial and indispensable. These expenses that for example include debt and taxes are inevitable and any business regardless its size should account for them.

B.G.Beld, (2017) suggested that there is a theoretical and practical need for proper SME valuations in his study of finding accurate business valuation methods for Dutch SMEs. The study was based on analyzing the regular valuation techniques and what factors explain the accuracy of

a business valuation method. The valuation methods examined were DCF, ABA, comparable based, real options and goodwill valuation. DCF, Asset Present Value (APV) and the relative method were used for valuing two selected SMEs with a sensitivity analysis depicting the importance of an accurate choice of the independent variable and their impact on the firm value (B.G.Beld, 2017). The results of this study presented three values for the selected SMEs using the three different valuation approaches. The values obtained using the relative or the comparable based method were considered less accurate as it depends on a historical number multiplied with an industry multiple (B.G.Beld, 2017). The values determined by the DCF and the APV methods were considered more accurate as they provide proper insights on cash inflows and outflows and how the value is established. In addition, the subjective selection of the premium on the average discount rates provide more meaningful results in the valuation process of the two selected SMEs. Finally, the study concludes that the APV provides the most accurate results as it assumes that the firm is 100% financed by equity and tax shields are added as cash-flows and discounted. On the other hand, the DCF uses the WACC for discounting which assumes that the weights of debt and equity are unchanged in the forecast time span till the terminal year which is, in practice, not expectable (B.G.Beld, 2017).

The valuation methods employed in this study are the most common techniques that are widely used globally to value any firm regardless its size. However, I would strongly disagree with the author's findings about the APV and the DCF methodologies. The APV or the asset based approach is only appropriate to use when the business is defunct (Hampshire, 2017). Valuations based on book value are never a good representation of a firm's true value, however it becomes very useful to use should the firm is in the liquidation phase. I would recommend to use the DCF for valuation of reduced sized firms as its analysis is completely independent of the SME volatile market trends and sudden shocks. In addition, DCF is the most accurate when assuming future earnings and cash-flows that are necessary to estimate a firm's true value.

The European Federation of Chartered Accountants (FEE) has provided some guidance for appraisers in the valuation process of SMEs. FEE did not propose a new method for business valuation of SMEs, however, did recommend some estimates that could add more depth to current traditional methods when valuing SMEs. Firms often have assets that are not used in the business and they are labelled as non-operating assets; these assets can be freely disposed without affecting

the business activity (FEE, 2001). For the purpose of determining the overall value of a firm, the breakup value of the non-operating assets scenario should be adopted; non-operating assets should be considered by discounting their earnings or profits should they were to remain in the business (FEE, 2001). Accordingly, the breakup value of non-operating assets, such as loan collaterals, is added to the present value of business earnings generated by those assets (FEE, 2001). Cost of liquidation of these non-operating assets along with tax effects should be deducted when valuing non-operating assets at their breakup value. Accordingly, the value of a business can be expressed in the following equation (FEE, 2001).

(9)

$$VB = \sum \frac{BP_t^{op}}{(1+i)^t} + \sum \frac{BP_t^{nop}}{(1+i)^t}$$

- BP_t^{op} is the business profits from operations

- BP_t^{nop} is the business profits from non-operating assets

- i is the discount rate

This equation is only practical should the business life is assumed unlimited. For estimating the value of a business that has a limited life, the maturity of which the business is ceased should be accounted for in calculating the present value of future earnings for operating and non-operating assets (FEE, 2001).

(10)

$$VB = \sum \frac{BP_t^{op}}{(1+i)^t} + \sum \frac{BP_t^{nop}}{(1+i)^t} + \sum \frac{BP_t^{clos}}{(1+i)^t}$$

- BP_t^{op} is the business profits from operations

- BP_t^{nop} is the business profits from non-operating assets

- BP_t^{clos} is the business profits from closure

- i is the discount rate

Adding cash-flows from non-operating assets to operational cash-flows is in my opinion a very good idea. By employing this alteration, analysts could truly capture hidden values of SMEs that are not accounted for in traditional practices of valuation.

Scheers and Visse, (2019) suggested that the SME markets are desperate for a better understanding and knowledge of the appropriate valuation methods and value drivers that contribute to estimating market values for different SME types. The factors to consider in the valuation process are the history and nature of the business, examination of financial data, book value, future earning capacity, dividend payout capacity if any, assessment of intangibles, studying previous similar equity sale and the market price of the equity of a similar business (Scheers and Visse, 2019). The study is based on surveying several SME buyers, sellers and different SME brokers; the questionnaire addressed to the aforementioned respondents included the value drivers for each suggested SME type and value expectations. The idea behind this study is to contrast the results of the respondents from the survey to the results of valuing different SME types using traditional valuation methods, then identify which method of valuation is suitable to what type of the tested SME. The results from the value expectation survey is averaged and compared to the economic value computed using traditional valuation methods such as DCF, comparable based method, ABA and dividend payout method. The final step was to assign a specific valuation method to specific type of SMEs in regards to the proximity of the value estimates between the interviewees and the valuation results.

This study doesn't introduce a new valuation technique, however it uses alternative data from field professionals, practitioners and owners to estimate values based on their experiences in the SME market. Contrasting the results of the alternative data with the output values of traditional valuation methods is in my opinion is a very good and practical idea.

In this section I have analyzed how SMEs are currently valued and what can possibly be a tailored method for valuation of SMEs. However, it is conspicuous that there aren't any niche valuation methods that are either practical nor accurately specific for SMEs and that ordinary

valuation techniques are employed for all firm sizes. In the following section I shed light on the structural and technical challenges that SMEs impose in the valuation process.

2.2.2 Valuation Challenges for SMEs

This section emphasizes the peculiarities arising in the valuation of SMEs. Generally, it could be comprehended that the valuation of SMEs might be a lot easier than large firms, as they do not contain the complexity that lies within larger firms; however, it's the exact opposite (Marcello and Pozzoli, 2019). Best practices are often channeled to large and public companies as they are usually operating in higher quality markets and provide a high level of information to their stakeholders and to the financial community (Marcello and Pozzoli, 2019). Understanding SMEs' value becomes crucial for their stakeholders, such as the ownership that has to decide whether it is more appropriate to succeed or to sell, cease or continue its operations by merging with other enterprises or entering financial markets, also considering the minority interests, and the employees who may aspire to take over the business (Marcello and Pozzoli, 2019). Researchers have suggested specific valuation criteria in measuring small and medium enterprises (Sridharan, 2012). Boudreaux et al. (2011) proposed using the discounted cash-flow (DCF) as a methodology to value SMEs with a discount rate higher than the ones used for larger firms. Feldman (2005) proposed that some adjustments has to be made to the DCF that will affect the determination of specific variables. Since it has been suggested that the cost of capital should usually be higher than that of a publically traded large firm, a fair measurement of the systematic risk of small enterprises has to be obtained (Damodaran, 2005). Liberatore, (2010) suggests the net asset value as an applicable approach to value SMEs, provided the appropriate accounting data are adjusted in order to reflect their current value. The AECA, (2005), a professional body in presenting the good practices in business management in Spain, suggested using net asset value and DCF methods in valuing SMEs.

Small and medium enterprises constitute some features and peculiarities that are challenging within the valuation process (Marcello and Pozzoli, 2019). The following literature assesses the significant features of SMEs in relation to business valuation.

2.2.2.1 Structural Features

Structural features refer to the enterprises that has relevant qualitative characteristics and essentially to the governance and to the socio-economic role of an entity within its community (Marcello and Pozzoli, 2019). Technical peculiarities are often related to practices that these entities are private and less regulated.

One commonality in SMEs characteristics is that usually managers are seldom independent from owners and sometimes they are the actual owners of the business and this should be carefully taken into consideration in the valuation process (FEE, 2001). Small enterprises have intangible assets that are very hard to value such as, experts who have the knowledge and the ability to innovate and have a key role in developing new products (IDW, 2014), an institute of public auditors in Germany. One of the very important questions that has to be addressed by analysts is, will the company be able to continue with its former potential, should the owner decides to withdraw from this firm! SMEs intangible capital could be very high and difficult to measure (Marcello and Pozzoli, 2019).

Other challenges include that the reputation of this small business in the market is often associated with its owner, so other businesses or even larger firms choose a firm based on its owner's credibility (Marcello and Pozzoli, 2019). Accordingly, the risk that other businesses are exposed to when this owner withdraws are substantial and this is a firm specific risk that is also difficult to measure. These challenges are important to consider, considering the capacity of the firms' potential future earnings (Marcello and Pozzoli, 2019). Practically, if the activity of a small business is dependent on its owner, this particular point can be subjectively judged by analysts; for example, if the analyst is using market value, the valuation has to reflect the estimated amount for which the entity should be exchanged and without the expected value added that is provided by owners' in their quality of managers (Marcello and Pozzoli, 2019). In addition, a firm can benefit from synergies from other business activities owned by the owner; these synergies can be of a scope that is not related to the firm's business activity such as, land, machinery or complexes (Marcello and Pozzoli, 2019). The owner's wage is also a structural feature that needs to be addressed properly in the valuation as its portion out of the firm's total earnings might vary between one firm and the other (Marcello and Pozzoli, 2019); Pratt et al. (1999) suggested a solution for this challenge within the valuation were owner's salaries could be then compensated

by the adopted dividend distribution policy. Another alternative to high wages of owners is the distribution of resources based on a profit distribution policy (Marcello and Pozzoli, 2019). In this regard, relationship between the business and its owners might be considered in the valuation.

IDW, (2008) alleged that small and medium enterprises usually lack sufficient equity. From the perspective of the enterprise, the separation between equity and liabilities is crucial (IDW, 2014). Analysts will have to take in consideration that owners might be funding the business from personal sources not related to earnings generated from the business itself (Marcello and Pozzoli, 2019). In that sense, the owner can be only funding the business whenever it is needed or whenever he has the capacity to do it and accordingly this can cause misleading interpretations of the firms' financial statements (Marcello and Pozzoli, 2019). It is imperative to figure out if the firm's debts are carried out by its owner as this should be a major factor in the firms' value. Another issue relates to the strategy horizons. The non-formalized strategy of SMEs -especially when the enterprise is a family business- is often a long- term strategy. The perspective of the market might be shorter. Obviously, the strategy would change the composition of the estimated cash flows as well (Marcello and Pozzoli, 2019). Another final structural feature is taxes; the tax effect should be referred to the firm as a separate entity from its owner's income tax from other operations.

2.2.2.2 Technical Peculiarities

One of the most challenging aspects of valuation of SMEs is the collection of the required information and material (Marcello and Pozzoli, 2019). Practitioners are always anxious to issue coverage research reports on small and medium enterprises since they lack disclosures. SMEs do not publish or disclose information on their business publically as they do not have a broad range of stakeholders (Marcello and Pozzoli, 2019). In this regard, as these businesses are generally private and lack resources, small and medium enterprises lack sophistication. In the valuation process, forward looking estimates are key in defining the firms' value and if the information obtained from SMEs are not reliable, this will massively affect the valuation process and eventually the firm's terminal value (Marcello and Pozzoli, 2019). In addition, analysts are faced with another obstacle with the firms' future cash flows or benefits arising from future operations as these small businesses lack structural plans (Marcello and Pozzoli, 2019). It is up to practitioners

or analysts to carry out the valuations of SMEs considering the lack of resources and information were they should define the responsibilities relative to the provided documentation.

In an interview with Amr el khouly, head of the SME unit at Commercial International Bank, he alleged that small and medium enterprises lack reliability of financial statements as they are not publically published most of the time. El khouly pointed that generally around 50% -60% of the items in their financial statements are true or reliable and this is why they do not depend solely or ultimately on these financials in their valuation. The appropriate determination of financial data is the basis of any business valuation. It is obvious that a misleading effect is produced especially when adopting the accounting methods (Penman, 2010). This is true when the valuation is reflecting the investors point of view were these investors need to fully comprehend the earning power of a firm subject to valuation (Trugman, 2017). In this regard, a third party or internal operators can determine the reliability of future estimates. Regulations allow SMEs to conduct their financial statements on abbreviated basis and this could hamper the disclosure of information that is vital in depicting a firm's financial health Marcello and Pozzoli, 2019).

Another setback that hampers proper valuation of SMEs is illiquidity which creates risks to the marketability of a small business should the owner wishes to sell it. In this regard, usually analysts discount a firm's value during the valuation process to determine a firm's fair value in order to be able to market its sale to potential buyers (Tuller, 2008; IVS, 2017). However, the term "size premium" is valid to this argument as, usually the degree of risk decreases as the size of the enterprise increase (Trugman, 2017). This generally requires specific risk premiums for investing in SMEs and these risk premiums are unfortunately and quantifiable (OIV, 2015; IRS, 2009).

Given the aforementioned challenges that hinders professionals in valuation. I will briefly state other common challenges of valuation for SMEs in order to tackle these challenges in the EVP; and accordingly help fill the missing puzzle in the valuation process of SMEs; these challenges can also act as opportunities for SMEs should they be determined in the valuation process.

2.3 Characterizing Challenges and Opportunities for Valuation

Should a challenge in the valuation process of SMEs is determined and accounted for, it should automatically serve as an opportunity that will affect the final terminal price of a firm. I will further illustrate three major challenges that are inclusive of different challenges cited in the previous literature.

2.3.1 Scalability

The common question addressed by professionals in the valuation of an SME is whether this SME's business model is scalable or not. Before tackling scalability as a challenge in the valuation process, a definition of scale ups should be first illustrated.

Being a scale up or scalable is considered a phase in a firm's business cycle and not all SMEs are at the same stage of development (PWC, 2018). Although valued differently according to their current stage in the business life cycle scale ups, often referred to as high growth firms, share common features mostly related to rapid growth in revenue and employment. Accordingly, the definition of scale ups is, companies that have established a business model, fast growing, positioned for significant growth and led by entrepreneurs (PWC, 2018). However, it is important to note that as there is no clear and universal definition for SMEs, there isn't a clear definition for scale ups too. In the figure below, I list various organization that define scale ups differently.

Table 4: Organizations Defining Scale ups

Organization	Definition
OECD	- 20% annual growth in employment or revenues; with more than 10 employees at the beginning of the observation period - Operational for three years or more - Two million dollars or more of annual sales turnover
Scales	- Firms that plan to hire 20 or more employees in the next five years
European Parliament	- A firm expanding in growth, revenue and human capital
Nesta	- "High growth is not a characteristic of a subset of firms, but rather a state that some firms undergo and temporarily experience" - A "moving target," as they are "in a constant state of change"
Endeavor	- Leadership: Candidates exhibit vision, energy, and skills to scale - Business: Huge growth potentials and expansive strategies - Timing: At the key inflection point in their growth trajectory

Source: Marcin Szczepanski, "Helping European SMEs to grow," European Parliament, June 2017; Ross Brown, Colin Mason, and Suzanne Mawson, "Increasing 'The Vital 6 Percent': Designing Effective Public Policy to Support

High Growth Firms," Nesta Foundation, Nesta Working Paper No. 14/01, 2014; Endeavor Lebanon, "Impact report 2016-2017," 2017.

Valuing scalability of SMEs is hard and challenging for professionals, yet, indispensable; scalability is the capacity to cope with elevated demand and thrive while experiencing significant levels of growth. Identifying these features to properly asses if a business model is scalable or not is subject to the professional. In most cases, professionals choose to oversee this challenge as its unquantifiable. In chapter 3, I introduce a scenario metric that will allow users of the EVP to determine the degree of scalability for the tested SMEs which is the terminal growth rate (TGR) and other metrics assigned for forecasting Income Statement Items.

2.3.2 Intangible Assets:

In the valuation of intangible assets, valuation peculiarities of the subject SME arise. There are various research studies that address the valuation of intangible assets, however most of the findings are not accurate, given how difficult it is to value intangibles that do not have replacement costs. I will demonstrate in the following literature how these intangible assets are valued according to some researchers.

There are two approaches to value intangible assets, the empirical and the analytical approach (Visconti, 2019). The empirical approach focuses on the market value or prices of intangible goods that are similar in characteristics and from which, formulas and parameters are derived for valuation. The accuracy of this approach lies in the frequency of revaluation of the fixed assets on the balance sheet (Visconti, 2019). The analytical approach on the contrary have more scientific basis as it is based on a financial approach, were a practical estimate of the asset worth is identified according to its current market value and on the basis of future returns or the cost incurred by the replacement (Visconti, 2019).

According to International Valuation Standards Council (IVC, 2016), there are three main principles of valuation when it comes to intangibles; market approach which is the comparable based method, the cost approach which is simply the replacement cost and finally the income approach which is the DCF. Intangibles have an intrinsic immaterial nature such as trademarks

and patents (Salinas, 2009). Valuation gets more complex when valuing intangibles, such as, the know-how or the expertise of some employees or owners, industrial secrets, reputation, network, goodwill and others (Moro Visconti, 2013). The choice of what approach to use when valuating intangibles is subject to the type of the asset and the context of the valuation. More importantly, it relies on the reliability of the information available on this intangible asset within the market its positioned in (Visconti, 2013).

Based on professional opinion from analysts and practitioners from the Commercial International Bank (CIB) and Renaissance Capital, valuing intangibles is the hardest metric to value, as these assets are unquantifiable. Some analysts suggest using alternative data to value intangibles, while others argue against it, as the information can still be unreliable. Other practitioners choose to oversee intangibles, should they sense its insignificance to the valuation process.

2.3.3 Business Information and Research Providers

This challenge was the main driver for this research paper as it is one of the main reasons why investors shy away from investing in SMEs. Business information providers focus on larger firms as investors focus on large companies rather than small and midcap ones (ECSIP, 2013). Analysts typically choose to focus on larger companies, as more investors per stock create a bigger demand and better reputation for analysts (Weild and Kim, 2009).

From an analyst point of view, the research on large-caps is more profitable and viable, while the feasibility of the research on SMEs is doubtful and dispensable (ECSIP, 2013). Cost limitations for providing coverage research reports on SMEs is of great concern to professionals as it is expensive to provide a good quality research coverage on SMEs and add value over the provision of raw data. As trading activity is very low and incomparable to larger firms, covering the costs of a good quality research report is never attainable (ECSIP, 2013). As these research reports are commission based, it is very hard to provide a material value for research houses as the trading volume and activity are extremely low dominated by retail investors. It is only tempting to publish research reports on SMEs should an incidental circumstance arise in cases related to an undervalued firm or a suspicion of a potential merger (ECSIP, 2013).

A survey carried out by the CFA institute for CFA members in 2012 covering investments in SMEs have shed light on what barriers currently exist that impact investor interest in Small and Medium Enterprises. The majority of the sample have indicated lack of liquidity (72%) followed by (52%) of the sample have identified the lack of research coverage is a major barrier for investing in SMEs.

Barriers for Investment in SMEs

Barrier	Percentage
Lack of Liquidity	74%
Lack of Research Coverage	52%
Economic Uncertainty	42%
Different Accounting Standards	38%
Other barriers	15%
Different Listing Standards	14%
No Barriers	3%
Not Sure	1%
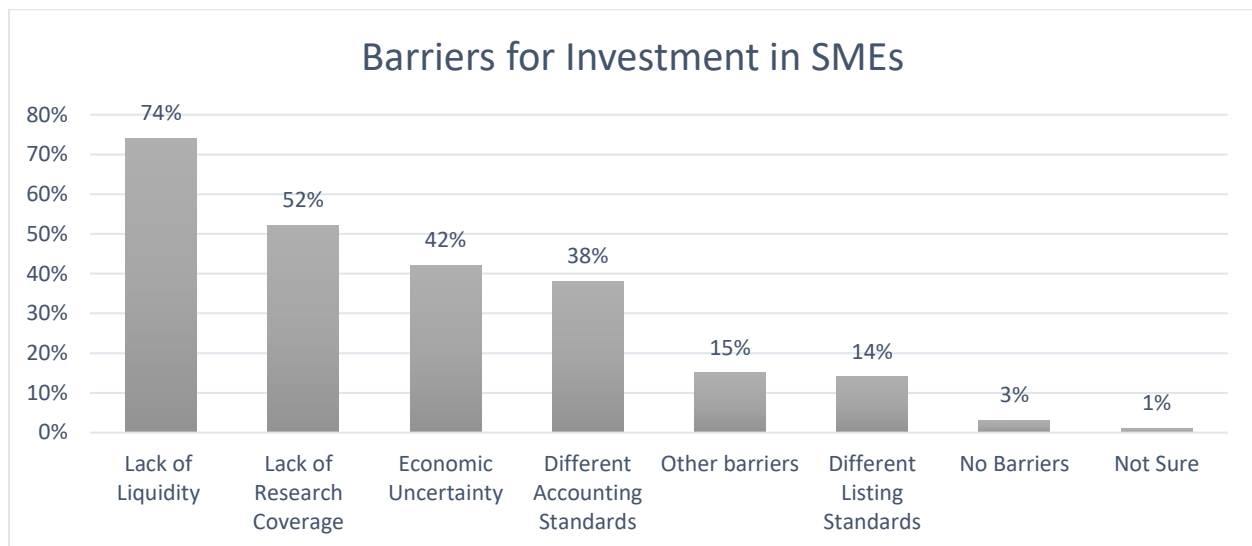
Source: CFA Institute, 2012

Lack of research coverage on SMEs has negative effects on other factors that eventually scaled to challenges such as access to capital or finance. Banks are always reluctant on providing finances to SMEs as information and research coverage reports are limited and this have hampered their expansion and further growth.

The aim of this paper is to fill this gap by providing a full coverage report on SMEs that include different blended valuations with a representation of the selected firm's financial ratios, liquidity, growth and overall performance based on the available public information.

Chapter 3

3. Electronic Valuation Platform

3.1 Structure and Components

The EVP was built on six blocks, these blocks are financials, data assumptions, scenarios, DCF, Multiples and output report. Every block out of the first three retrieves data from the other simultaneously and eventually feeds the main output report in order to demonstrate all the necessary results for investors or professionals to evaluate the financial health and true value of the subject firm.

3.1.1 Financials sheet

The financials is a spread sheet, were all Income statement, balance items and cash-flow statement are forecasted till the terminal year. I have used two historical years to forecast the items in the financial statements, since the available historical data were limited for my testing sample. However, I have designed the model to accommodate for infinite historical data. The financials sheet retrieves data from the data assumptions sheet in order to forecast financial statement items to the terminal year.

3.1.2 Data Assumptions

The data assumptions sheet is the core of the model along with the financials sheet, as all its input assumptions serves the purpose of forecasting. The data assumptions sheet gathers all the data necessary for forecasting from the financials sheet, engineer the data, then feeds it back to the financials to display the forecasts.

The income statement in the financials sheet retrieves data from the assumptions sheet that includes growth or shrinking forecasted percentages of the following income statement items,

revenue growth Y-O-Y, COGS growth, SG&A growth, taxes as percentage of EBT and other income growth.

The balance sheet items are also forecasted by retrieving data from the data assumptions sheet including, CAPEX, depreciation and disposals if any. Debt and interest expense, although assumed unchanged, are estimated based on average historical data in the data assumptions sheet feeding the financials sheet for forecasting to the terminal year. Working capital data are also engineered in the data assumption sheet in order to feed the forecasted data to the balance sheet and cash-flow statement.

3.1.3 Scenarios

The scenario sheet is an input sheet that feeds the assumptions necessary to estimate variables affecting the terminal value and accordingly the subject firm's fair value. The EVP employs three different scenarios with given variables to accommodate for more elasticity of the output; the three scenarios employed by the EVP are Bull, Average and Bear, allowing the user to determine which scenario he/she would like the EVP to carry on the valuation process. The three scenarios are applied on are revenues, COGS, SG&A, Taxes as a percentage of EBT and other income forecasts. The EVP not only provides three different scenarios to compute the subject firm's equity value, but also allows users to select the scalability of these scenarios by having the flexibility to change any of the standard variables according to their subjective forecasts.

3.1.4 DCF

The DCF sheet is an output sheet with limited inputs as it retrieves all its constituents from the financials sheet and eventually feeds the output report with the final DCF results. The inputs to the DCF include Rf rate, cost of debt and equity percentage. The DCF retrieves selected data from the financials sheet in order to work out the valuation of the subject firm such as EBITDA, depreciation, taxes, CAPEX and change in working capital. Afterwards, the model discounts the

FCFF using the WACC as a discount factor in order to estimate the enterprise value and eventually the firm's fair value.

3.1.5 Multiples

The multiples sheet retrieves the EBITDA forward and the net income forward from the financials sheet, while retrieving the net debt from the DCF. The remaining data is retrieved from Bloomberg and Capital IQ.

3.1.6 Output Report

The output sheet retrieves data from all sheets along with other sources reporting all the necessary information for the final investment decision or recommendation on the subject firm. All financial ratios data demonstrated as the firm's KPIs, are retrieved from the financials and data assumptions sheets. The firm's profile, ownership structure and stock analytics are retrieved from external sources such as Bloomberg, Wall Street Journal, Investing and Capital IQ. Finally, the valuation summary retrieves the data from the DCF and multiples sheet.

3.2 Application

The EVP is a very easy platform to use since all its constituents relies on available public information so as to facilitate its usage for any user.

The following user manuals illustrates what inputs should be deployed into the model and the EVP will automatically carry out the whole valuation process from forecasting to the output report.

Table 1: EVP Input Manual I						
Inputs	Financials Sheet	DCF	Multiples Sheet	Main Field	Data Assumptions	Output Report
Historical Financial Statement Data	✓	N.A	N.A	N.A	N.A	N.A
Risk-Free Rate	N.A	✓	N.A	N.A	N.A	N.A
Equity Risk Premium	N.A	✓	N.A	N.A	N.A	N.A
Debt Weight	N.A	✓	N.A	N.A	N.A	N.A
Equity Weight	N.A	✓	N.A	N.A	N.A	N.A
Pre-Tax Cost of Debt	N.A	✓	N.A	N.A	N.A	N.A
TGR	N.A	✓	N.A	N.A	N.A	N.A
Tax Rate	N.A	✓	N.A	N.A	N.A	N.A
Multiples	N.A	N.A	✓	N.A	N.A	N.A
Current Share Price	N.A	N.A	N.A	✓	N.A	N.A
Parameter Weights	N.A	N.A	N.A	✓	N.A	N.A

Source: Author

Table 2: EVP Input Manual II ➔ Scenario Inputs					
	Revenues	COGS	SG&A	Taxes % EBT	Other Income
Scenario	Average	Average	Average	Average	Average
Bull Case	40%	60%	20%	30%	10%
Average	33%	51%	8%	23%	7%
Bear Case	15%	20%	5%	10%	3%

Source: Author based on calculations (Bull and Bear cases are inputs subjective to user's estimates)

In this thesis, most of the adopted scenarios for the case studies are average based. In a few cases, mainly two SMEs from AIM market Italia and one from Egypt, bull and bear scenarios have been adopted on the revenue forecasts. Users could easily change any of the given variables for the Bull and Bear scenarios subject to their own estimates. In addition, the EVP is capable of mixing different scenarios on different metrics within a single valuation process. For example, Bull case for revenues, bear case for other income and average for COGS, SG&A and Taxes. Should a user wish to apply any of the three scenarios on any metric, he/she will have to provide this input by typing "Average", "Bull" or "Bear" in the scenario that corresponds to the metric and the EVP will carry on the valuation accordingly.

3.3 Output Interpretations

After validating the EVP in relation to professional output estimation of SMEs fair values, this section demonstrates the outcome of this research. The output report encompasses general information on the subject SME inclusive of, company profile, share profile, structure, financial ratio analysis, valuation summary, parameter based, output based and final recommendations. This output report provides an overall review on the selected SME's profitability, liquidity, debt, earnings, revenues and net income margins on forecast basis. The EVP processes the valuation of a subject SME on three stages to provide its final call.

3.3.1 Stage 1: Parameter Based Recommendation

This stage investigates the upside and downside potential of the stock price. For a "Sell" recommendation, the upside is negative. For an "Underweight" recommendation, the upside falls in a range between 0%-5%. For a "Hold" recommendation, the upside falls in a range between 5-10%. For an "Overweight" recommendation, the upside falls in a range between 10-20%. For a "Buy" recommendation, the upside should exceed 20%. The selected limits to indorse a recommendation are all based on common market practices.

3.3.2 Stage 2: Output Based Recommendation

Stage two investigates selected financial ratios performances and revenue growth levels from the first historical year to the terminal year. Other than revenue growth levels, the firm's ROE and EPS are also checked; should any negative change for these ratios or the revenue growth levels arises in the terminal year relative to the historical; the EVP recommends to "Sell", otherwise it will recommend to "Buy".

3.3.3 Stage 3: Final Recommendation

The final stage is for solving disputes of the previous two stages. Should both stages provide different recommendations, "Buy" and "Sell", the EVP recommends to "Hold". If both the parameter based and the output based recommendation lie on the same side of the trade recommendation scaling return potential graph illustrated below, then the final recommendation would be the parameter based.

Figure (1):
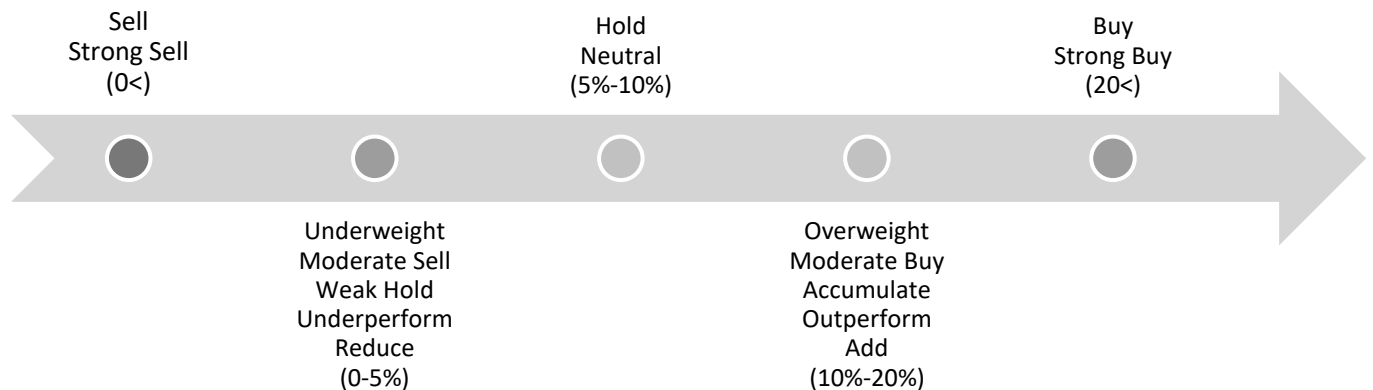
Source: Author

Chapter 4

4. Proposed SME Valuation Method

As previously mentioned, analysts and professionals follow the same technique to value SME companies as they do with larger firms. All other valuation techniques proposed are either theoretical, very hard to use, or are focused on modifying some variables within the mainstream valuation approaches tailoring them as specific SME valuation technique. In this regard, there aren't any practical niche methods of valuation that are specific to SMEs, all firms are valued using the same techniques by professionals.

My proposed method of valuation is based on two parameters with weights assigned to each of them; these parameters are DCF and comparable based valuation methods. I will assign an equal weight of 50% for the DCF and the comparable based method. Considering challenges illustrated previously in the literature that SMEs financial statements might be unreliable in some cases which may negatively affect the final true or fair value of the valued firm. However, DCF or income based method has been proven to be the most accurate valuation recommended by most of the researchers cited in the literature along with market professionals. Accordingly, I chose to assign both parameters an equal weight in my platform.

4.1 DCF-Parameter 1

As this model is based on public information so as to make it easy for anyone to use whether investors, analysts or researchers, I introduced some assumptions in the DCF model.

4.1.1 Income Statement Assumptions: (Forecasts)

Revenue growth:

Revenue growth is changeable and managed from the scenario sheet and can be forecasted using subjective inputs by applying any of the three scenarios, bull, bear or average.

COGS:

COGS forecast is employed as a percentage of revenues. However, it's forecast is changeable relative to subjective inputs from the scenario sheet, where users can apply any of the three scenarios; bull, bear or average.

SG&A:

SG&A's forecast is also based as a percentage of revenues. However, it's forecast is changeable relative to subjective inputs from the scenario sheet, where users can apply any of the three scenarios; bull, bear or average.

Depreciation:

Historical depreciation is assumed stable in the forecasts up to the terminal year.

Taxes:

The effective tax is forecasted as a percentage of earnings before tax (EBT); forecasted tax expenses are based on the average historical Taxes/EBT inputs. However, it's forecast is changeable relative to subjective inputs from the scenario sheet, where users can apply any of the three scenarios; bull, bear or average.

Other Income:

Other Income is forecasted as a percentage of revenues, were the forecasted other Income is based on the average historical of OI/Rev. inputs. However, it's forecast is also changeable relative to subjective inputs from the scenario sheet, where users can apply any of the three scenarios; bull, bear or average.

Interest Expense:

The given historical interest expense to Debt beginning balance is the interest expense forecasted rate and its assumed as an unchanged item in the income statement.

4.1.2 Balance Sheet Assumptions: (Forecasts)

4.1.2.1 Cash-flow Estimates

Working Capital

In order to estimate the forecasts of balance sheet items and the cash-flow statement, I introduced further assumptions to some metrics in the working capital.

Days Sales Outstanding: (DSO)

DSO in the average number of days to collect payments after the sale is executed. DSO is the ratio of accounts receivables to revenues; the forecasted DSO is carried out on an average basis of historical inputs.

Days Sales Inventory: (DSI)

DSI as is the average number of days a firm takes to disburse its inventory. DSI is ratio of inventory to COGS; the forecasted DSI is carried out on an average basis of historical inputs.

I have applied the same method in estimating the forecasts for DSI and DSO in the estimation of forecasted trade payables, other current assets and liabilities.

4.1.2.2 Assets, Liabilities and Equity

CAPEX growth is based on percentage of revenues, added to the BOP balance less depreciation and disposals to determine the EOP balance to estimate the forecasted growth in fixed assets. Other balance sheet items such as, Long-term investments, other intangibles and debt are considered unchanged forecasted items from the last historical year.

All items in the shareholders' equity including reserves, paid-in capital and minority interests is assumed unchanged from the last historical year. However, retained earnings are estimated relative to the Net Income.

4.1.3 Discount Rate: (WACC)

The cost of equity is estimated using the 10-year treasury note after tax with a Beta of 1 and an equity risk premium of 6.85% for stocks listed on AIM Italia (Aswath Damodaran, 2021). According to Damodaran the equity risk premium for Egypt should read 10.05%. However, a common market practice in Egypt is to use an equity risk premium of 7% (El Khouly, 2020). Damodaran, has Identified the risk based default spread for Italy at 1.95% and currently Italy's 10-year note stands at 0.9%; accordingly, the cost of debt is equal to the sum of the Rf rate and the risk based default spread adjusted for corporate tax of 24%.

For Egyptian SMEs, the cost of debt is adjusted for income tax of 22.5% and it's a margin of 3% above lending corridor. Banks in Egypt value the risk of financing large firms at 1.5% above corridor or risk free rates; considering the risk that SMEs impose on banks financial statements, they are assigned double the risk with a margin of 3% above lending corridor (El Khouly, 2020).

4.1.4 Terminal Value

The metrics to determine the terminal value are future cash-flow forward (FCFF) of the terminal forecasted year, the terminal growth rate (TGR) and the weighted average cost of capital (WACC). Usually the local market common practice for analysts in estimating the TGR is assigning it the same percentage of the population growth, currently stands at 2.5% (Elkhouly, 2020); however, TGR have other drivers for its estimation. Analysts may assign a TGR after analyzing EBITDA multiples; should the comparable companies trade at EBITDA multiples of 8-10x or more, a TGR of 6-7% is assigned (Elkhouly, 2020). In foreign markets, the TGR is assigned the long term inflation target. In Italy, the current long-term inflation target stands at 2% (Elkhouly, 2020).

(1)

$$TV = (FCFFt * (1 + TGR))/(WACC - TGR)$$

4.1.5 Enterprise Value

After calculating the free cash flow to firm (FCFF) for the forecasted years, I discounted the sum of total FCFF adding it to the discounted terminal value using the WACC in order to obtain the EV. The company's outstanding debt is then subtracted from the EV to determine the equity value and finally the fair value of the stock.

(2)

$$fv = ((DFCFF + DTV) - NOD)/NOS$$

-*fv* is the fair value

-*DFCFF* is the discounted future cash-flow forward

-*DTV* is the discounted terminal value

-*NOD* is the net outstanding debt

-*NOS* is the number of shares outstanding

4.2 Comparable Based Method- Parameter 2

As previously mentioned, the multiples as a parameter constitute 50% of the weight of the overall fair value of the SME tested stock. I used similar companies in the same sector categorized according to relative region. It is possible to extrapolate information using a group of similar companies as a reference, this group should include at least two and up to ten comparable companies (Schreiner, 20019). When the comparable firms are similar to the valued firm in terms of risks, growth and cash-flow, the comparable results could provide a proper and close estimation of the subject firms' true value (Occhino and Mate, 2018). I have selected companies from AIM Italia and the local Egyptian market. If there aren't similar companies that operates in the same sector in different regions, then a sample of multiples from emerging and developed economies should be sufficient (Schreiner, 20019).

I used forward multiples for comparison rather than trailing twelve month (TTM) multiples. Although TTM is a more accurate measure for metrics such as revenues, EBITDA and net earnings. However, forward multiples are concerned with the forecasts related to EBITDA and is more relevant to the methodology of the EVP which is based on forecasted earnings for the next 12 months rather than trailing ones.

I used two multiples for valuations, P/E and EV/EBITDA ratios. P/E is concerned with how much the current price of the stock represents the future projected earnings per share; EV/EBITDA, the second metric in the valuation platform, is concerned with the ROI of the company. I have selected EV/EBITDA as it normalizes differences between companies in capital structure and taxation.

A median value for the selected multiples is measured for both metrics in order to come up with two equity values; then the final step is to come up with the median multiple based equity value.

(3)

Equity value (EV/EBITDA) $\left(EBITDAfwd * \frac{EV}{EBITDAm} \right) - NOD$

-NOD is the net outstanding debt

(4)

Equity value P/E $(\frac{P}{Em} * NI)$, *-NI* is the net income

4.3 Empirical Results

4.3.1 Valuation Case Studies: Professional Vs EVP

Finding SMEs in Egypt that are covered by either research houses or professionals was a very challenging task, since, as I mentioned earlier, SMEs globally lack sufficient research coverage, so it wasn't surprising that SMEs in Egypt are uncovered as well. Accordingly, I tackled a more developed SME market which is AIM Italia. AIM Italia is one of the most developed SME indices in Europe in regards to coverage by professionals, hence I decided to widen my sample by adding seven companies from AIM Italia to further validate my results. I have selected one SME from Egypt and a proxy, Prime Speed Medical (PMS) and Raya Contact Center respectively (RCC). From AIM Italia I have selected Comer Industries, Fervi SpA, Intred SpA, Powersoft, Labomar, Kolinpharma and Portobello.

The selection of SMEs was based on various criteria such as covered research reports, revenue size, earnings and historical revenue growth. It was important to select firms that aren't similar in the aforementioned criteria so as to test the validity of the EVP in various scenarios and discuss the empirical results from the EVP output. The fair value recommendation providers on the tested firms are from different appraisers representing different firms along with Bloomberg's overall average. All the data used for testing the EVP Vs professional recommendations on the subject stocks are extracted from Bloomberg and Capital IQ.

The hypothesis under testing is about validating the output fair value of tested SMEs from the EVP relative to reports published by research houses and analysts. The test should undermine the relative deviations between the EVP and the professional output reviews on firm values. In this section, I will demonstrate to what extent the EVP output fair value represents professional output value and discuss discrepancies of the results should there be any.

4.3.1.1 Prime Speed Medical

Prime Speed Medical (PSM) is an Egyptian joint stock company established in partnership with Prime Investment group and Speed Medical Company. PSM is expanding as an advanced high-end medical service provider while providing technical solutions and technologies that

supports national health (Prime Speed Medical, 2021). PSM was incorporated in 2015, based in Cairo, and it operates in the health care distributers and facilities sector. PSM's market cap stands at EGP 2.73 billion and a public float of 887 million.

According to the Central Bank of Egypt released circular on SME definitions in Egypt in 2017, PSM falls under the SME category; as it has an annual sales turnover of less than EGP 200 million, which is the only metric that defines should a firm be classified as SME or not in Egypt. The testing of the EVP output Vs. professional recommendations is illustrated in the table below.

Sector: Healthcare provision

Industry: Health Care/ Life Sciences

Prime Speed Medical: Ticker➔ SPMD:EY

Current stock price: 2.4

Table 1: EVP Vs Professional Output ➔ Testing and Validating

Firm	Recommendation	DCF based FV	Comparable based FV	Blended/Final FV Target Price	Upside/Downside Potential	Date
Pharos	OVERWEIGHT	N.A	N.A	3.50	45%	12/01/2021
CI Capital	OVERWEIGHT	N.A	N.A	2.32	-3%	17/01/2021
Pharos	OVERWEIGHT	N.A	N.A	2.8	16%	16/02/2021
Bloomberg Average	N.A	N.A	N.A	2.9	21%	16/02/2021
EVP	Hold	3.4	2.0	2.6	8%	01/05/2020

Source: Author based on calculations, Bloomberg L.P and Capital IQ.

The final blended fair value by the EVP deviates by only 10% from the Bloomberg average target fair values of the professional target prices. In addition, the EVP blended output fair value deviated by 25% from Pharos target price. However, the DCF based fair value by the EVP almost matches the overall target price of Pharos. Pharos updated their appraisal on the 16th of Feb to a target price of 2.80 which deviates only 7% from the EVP's output.

It is important to note that these recommendations by analysts representing the mentioned appraising firms, were published on specific dates on prevailing market price of PMS. This explains why CI Capital recommended "Overweight" for PMS with a target price of 2.32, as the stock price was trading at lower levels at the time they have appraised PMS.

4.3.1.2 Raya Contact Center

RCC is an outsourcing service provider facilitating customer support on behalf of their clients across verticals. RCC provides outsourcing and call center services by focusing on high growth industries. RCC operates in various fields such as technology and consumer electronics, media and communication, fast food, banking, automotive, real estate, e-commerce and government and public services. RCC is outsourced by overseas customers in Dubai and Warsaw. RCC is an owned subsidiary of Raya holding for investments, an investment conglomerate with a diversified portfolio (Raya Contact Center, 2021). Raya was incorporated in 2001 and is currently listed on the Egyptian stock exchange.

RCC does not fall under the category of SMEs as it has an annual sales turnover exceeding EGP 200 million; however, as it was previously mentioned it wasn't an easy task to find multiple SMEs with updated research coverage on their valuations in Egypt. RCC was selected as a proxy to other SMEs in order to be able to validate my platform with more research covered firms from Egypt with a size not too big relative to the ordinary SME size.

RCC has a declining historical sales turnover and net income. According to the methodology of the EVP, historical percentage of sales turnover is assumed unchanged for forecasted years and COGS growth is a function of revenues; accordingly, EBITDA and gross profit margins are also stable in non-absolute values. I decided to assess the output of the EVP on firms with declining earnings to test the accuracy of the results relative to professionals. Valuations are never accurate, in fact they are subjective; this stems from different assumptions and estimates of valuation parameters and metrics by different analysts. Fair value estimates are rarely the same; major deviations in methods like asset and income based valuations are rare, however, the comparable based valuation can have significant deviations subject to the comparable firms chosen by analysts.

Sector: Diversified Business Services
Industry: Business/ Consumer Services
Raya Contact Center: Ticker ➔ RACC:EY
Current Stock Price: 3.35

Table 2: EVP Vs Professional Output ➔ Testing and Validating

Firm	Recommendation	DCF based FV	Comparable based FV	Blended/Final FV Target Price	Upside/Downside Potential	Date
EFG-Hermes	BUY	N.A	N.A	6.00	73%	14/06/2020
CI Capital	OVERWEIGHT	N.A	N.A	5.20	50%	12/02/2020
Pharos Holding	OVERWEIGHT	N.A	N.A	5.30	53%	4/12/2019
Bloomberg Average	N.A	N.A	N.A	5.5	66%	31/12/2020
EVP	Hold	6.00	9.30	7.00	108%	1/05/2020

Source: Author based on calculations, Bloomberg L.P and Capital IQ.

Again it is clear that both recommendations for RCC by CI Capital and Pharos Holding are expired; however, we will consider the fair value or target share price is valid as it is still recent. The EVP's DCF based FV precisely matches EFG's FV, while the EVP's final blended FV deviates by 15%. The FV deviation between the EVP and CI Capital and Pharos Holding are 32% and 35% respectively. The EVP deviates from the overall average fair value by 25%.

It is clear from this table that this stock is seen to be extremely undervalued in the market by all appraisals including the EVP. Although the EVP recorded an upside potential of 99%, being the difference between current stock price and target price, it endorsed a "Hold" recommendation. This is because the EVP takes into consideration other factors than FV to current share price. The EVP considers the change in several metrics from the last historical year to the terminal year; these metrics include the change in Earnings per share (EPS), return on equity (ROE) and sales turnover. Given that these metrics induced alarming signals to offload the stock, the EVP did not oversee the main parameters results, DCF and multiples, that indicated a strong buy of RCC; accordingly, the EVP endorsed a "Hold" recommendation, don't buy, don't sell, just wait.

4.3.1.3 Comer Industries

Comer Industries was founded in 1970 and operates in the field of designing and manufacturing advanced systems and mechatronic solutions for power transmission. Comer is the supplier to manufacturers of industrial and agricultural renewable energy machinery. Its main

products are hay machines, crop treatment, planetary, wheel drives and driveshaft (Wall Street Journal, 2021). With a market cap of €363 million, Comer was listed in an IPO on AIM Italia in March 2019 (Wall Street Journal, 2021).

Sector: Industrial Machinery

Industry: Industrial Goods

Comer Industries: Ticker➔ COM:IM

Current Stock Price: 17.8

Table 3: EVP Vs Professional Output ➔ Testing and Validating

Firm	Recommendation	DCF based FV	Comparable based FV	Blended/Final FV Target Price	Upside/Downside Potential	Date
Mediobanca SpA	OUTPERFORM	N.A	N.A	17.9	0.5%	24/3/2021
UBI Banca	BUY	N.A	N.A	19.10	7.3%	23/3.2021
Bloomberg Average	N.A	N.A	N.A	18.5	3.9%	24/3/2021
EVP	Hold	18.1	19.3	19	7%	1/5/2021

Source: Author based on calculations, Bloomberg L.P and Capital IQ

Mediobanca SpA has endorsed an "Outperform" recommendation which has the same meaning of "Overweight" as the trade recommendation scaling return potential graph mentioned earlier indicates. The EVP's final output fair value deviates by only 2.7% from the overall average, while deviates by only 3% and 0.5% from Mediobanca and UBI Banca respectively. According to the scaling return potential graph, the upside potential that falls in the range of 5%-10% is endorsed a "Hold" recommendation by the Parameter based output in the EVP. Comer Industries forecasts were built on average assumptions of historical financials.

4.3.1.4 Fervi SpA

Fervi SpA is an Italian company founded in 1978 and operates in the manufacturing and supply of mechanical equipment for maintenance in the home goods retail sector. Fervi's products are cutting tools, measurement equipment, carpentry shops (Wall Street Journal, 2021). With a

market cap of €29 million, Fervi was listed on AIM Italia exchange in March 2018 (Wall Street Journal, 2021).

Sector: Home Goods Retail

Industry: Retail/ Wholesale

Fervi SpA: Ticker➔ FVI:IM

Current Stock Price: 11.50

Table 4: EVP Vs Professional Output ➔ Testing and Validating

Firm	Recommendation	DCF based FV	Comparable based FV	Blended/Final FV Target Price	Upside/Downside Potential	Date
Banca Finnat	BUY	N.A	N.A	16.08	40%	20/10/2020
Banca Finnat	BUY	N.A	N.A	15.8	37%	21/4/2021
Bloomberg Average	N.A	N.A	N.A	15.9	39%	21/4/2021
EVP	BUY	16.0	15.8	15.9	38%	1/5/2021

Source: Author based on calculations, Bloomberg L.P and Capital IQ

On Fervi SpA, the EVP precisely matches the overall average target price of all appraisers with 0% deviation. Banca Finnat updated their appraisal last April with to a target price of 15.8 which deviates only 0.6% from the EVP's final output fair value. Fervi SpA forecasts were built on average assumptions of historical financials.

4.3.1.5 Intred SpA

Intred was founded in 1996 and operates in the field of information and communication technology solutions. Intred services include internet access, protocol telephony and hosting. Its products include fiber optic broadband, Intredbox, asymmetric digital subscriber lines and Invoip Zero (Wall Street Journal, 2021). With a market cap of €236 million and a public float of 3.31 million, Intred was listed on AIM Italia in July 2018 (Wall Street Journal, 2021).

Sector: Wired Telecommunication Services

Industry: Telecommunication Services

Intred SpA: Ticker➔ ITD:IM

Current Stock Price: 15.50

Table 5: EVP Vs Professional Output ➔ Testing and Validating

Firm	Recommendation	DCF based FV	Comparable based FV	Blended/Final FV Target Price	Upside/Downside Potential	Date
Integrae SIM SpA	BUY	N.A	N.A	19.85	28%	8/4/2021
Alantra Capital	BUY	N.A	N.A	18.00	16.1%	29/3/2021
Bloomberg Average	N.A	N.A	N.A	18.9%	22%	8/4/2021
EVP	OVERWEIGHT	19.1	16.3	17.7	14.20%	1/5/2021

Source: Author based on calculations, Bloomberg L.P and Capital IQ

For Intred SpA, the EVP deviates by only 6% from the overall average of the appraisers' target prices. However, deviates by 11% from the highest appraiser's target price Integrae SpA. As it was previously illustrated, the EVP's output recommendation is carried on three stages the first stage is the parameter based which endorsed an "Overweight" recommendation, since the return potential falls in a range between 10%-20%. The output based recommendation endorsed a "Buy"; accordingly, the final recommendation signaled an "overweight" as they both lie on the right hand side of the scaling graph and since the parameter based recommendation has the upper hand on the final output. Intred forecasts were built on average assumptions of historical financials.

4.3.1.6 Powersoft SpA

Powersoft SpA is an Italian SME founded in 1995 and operates in the field of professional audio industry. Its products and services include production, designing, distribution and marketing of patent technology products. The company also services in high power and efficiency solutions for the audio industry (Wall Street Journal, 2021). With a market cap of 50.9 million and 1.59 million public float Powersoft was listed on the AIM Italia exchange in December 2018 (Wall Street Journal, 2021).

Sector: Audio/Video Equipment
Industry: Consumer Goods

Powersoft SpA: Ticker➜ PWS:IM

Current Stock Price: 4.3

Table 6: EVP Vs Professional Output ➜ Testing and Validating

Firm	Recommendation	DCF based FV	Comparable based FV	Blended/Final FV Target Price	Upside/Downside Potential	Date
Banca Finnat	BUY	N.A	N.A	8.4	90%	29/4/2021
EVP	BUY	8.8	9.1	8.95	109%	1/5/2021

Source: Author based on calculations, Bloomberg L.P and Capital IQ

It is clear that analyst coverage on Powersoft is limited. However, with the only analyst coverage on hand, the EVP's results deviates by only 6.5% from Banca Finnat's target price. All three stages of the EVP signaled a strong "Buy" for this stock. Powersoft's forecasts were built on average assumptions of historical financials.

4.3.1.7 Labomar

Labomar is an Italian SME founded in 1998 and operates in many fields such as research, development and production of food supplements, food for special purposes, medical equipment and cosmetics. The firm offers products in physical therapy, medical devices and pharmaceuticals for special medical treatments (Wall Street Journal, 2021). In addition, it offers cosmetic products for skin care and other healing products. With a market cap of €182 million and a public float of 2.7 million, Labomar was listed on AIM Italia in October 2020 (Wall Street Journal, 2021).

Sector: Pharmaceuticals

Industry: Healthcare/Life Sciences

Labomar: Ticker➜ LBM:IM

Current Stock Price: 9.90

Table 7: EVP Vs Professional Output ➜ Testing and Validating

Firm	Recommendation	DCF based FV	Comparable based FV	Blended/Final FV Target Price	Upside/Downside Potential	Date
Intesa Sanpaolo	Add	N.A	N.A	10.9	10%	28/4/2021

Corporate Family Office	Neutral	N.A	N.A	9.5	-4%	9/4/2021
Bloomberg Average	N.A	N.A	N.A	10.2	3%	28/4/2021
EVP	Overweight	12.00	10.4	11.2	13%	1/5/2021

Source: Author based on calculations, Bloomberg L.P and Capital IQ

Corporate Family's final target price indicates that the current market price of Labomar is overvalued, endorsing a neutral recommendation as the current market price deviates only 4% from their target price. However, Intesa Sanpaolo sets a target price of 10.9 with an upside potential of 10%. The EVP's final fair value deviates 2.7% and 9.8% from Intesa Sanpaolo and the overall average respectively. The EVP's parameter based signaled an "Overweight" recommendation while the output based signaled a "Buy"; accordingly, the final output signaled an "overweight" recommendation. Powersoft forecasts were built on average assumptions of historical financials.

4.3.1.8 Kolinpharma

Kolinpharma is an Italian SME founded in 2013 and operates in the research, development and marketing of natural raw materials and food supplements. Kolinpharma's products are specialized in treatments for urology, psychiatric and neurology (Wall Street Journal, 2021). With a market cap of €13.5 million, Kolinpharma was listed on AIM Italia in March 2018 (Wall Street Journal, 2021).

Sector: Pharmaceuticals
Industry: Healthcare/ Life sciences
Kolinpharma: Ticker➔ KIP:IM
Current Stock Price: 8.26

Table 8: EVP Vs Professional Output ➔ Testing and Validating

Firm	Recommendation	DCF based FV	Comparable based FV	Blended/Final FV Target Price	Upside/Downside Potential	Date
Envent SpA	OUTPERFORM	N.A	N.A	11.42	38%	28/4/2021
IR Top	BUY	N.A	N.A	12.47	51%	21/3/2021

Bloomberg Average	N.A	N.A	N.A	11.94	44%	28/4/2021
EVP	BUY	12.50	10.6	11.60	40%	1/5/2021

Source: Author based on calculations, Bloomberg L.P and Capital IQ

It is clear that Kolinpharma's stock is undervalued with a high return potential relative to the appraisers and the EVP. The EVP deviates by only 2.8% from the overall average target price. Moreover, the EVP deviates by 7% and 1.5% from IRTop and Envent SpA respectively. All stages of recommendation by the EVP signaled to "Buy" Kolinpharma. Kolinpharma's financial statements for 31 December 2020 were released and apparently its revenue growth has been negatively affected by the lockdown and the pandemic with a decline in its annual revenues by 8%. However, its historical revenue growth averaged around 10%; accordingly, I provided a minor boost to its revenue by 5% in its forecasts rather than using the historical average of a -8% using the bull scenario input as illustrated in Chapter 3. I assumed that the revenue growth could gradually pick up by 50% of its historical average growth in the forecasted years. Other assumptions from the Income statements are forecasted on average basis.

4.3.1.9 Portobello

Portobello is an Italian SME founded in 2016 and operates in advertising and retail activities. Portobello offers resale of advertising spaces in direct management indoor and outdoor; It also offers services for advertising and social columns in magazines (Wall Street Journal, 2021). With a market cap of €103 million and a public float of 636 thousand, Portobello was listed on AIM Italia in March 2018 (Wall Street Journal, 2021).

Sector: Wholesalers

Industry: Retail/Wholesale

Portobello: Ticker ➜ POR:IM

Current Stock Price: 37.2

Table 9: EVP Vs Professional Output ➜ Testing and Validating

Firm	Recommendation	DCF based FV	Comparable based FV	Blended/Final FV Target Price	Upside/Downside Potential	Date
Banca Finnat	BUY	N.A	N.A	49.60	38%	15/4/2021

Integrae SIM SpA	BUY	N.A	N.A	55.00	51%	18/3/2021
Midcap Partners	BUY	N.A	N.A	65.00	74%	17/3/2021
Bloomberg Average	N.A	N.A	N.A	56.53	52%	15/4/2021
EVP	BUY	60.9	52.1	56.50	52%	1/5/2021

Source: Author based on calculations, Bloomberg L.P and Capital IQ

It is clear that Portobello stock is undervalued in the market with an average return potential of 52% on average relative to the appraisers and the EVP. The EVP's target fair value precisely matches the overall average with a deviation of 0%. However, the EVP deviates by 15% and 12% from Midcap Partners and Banca Finnat respectively. All recommendation stages on the EVP signaled a "Buy" for Portobello stock.

Portobello's historical Y-O-Y revenue growth stood at 38%. However, most analyst reports on Portobello indicates an average of 20% expected forecasted growth of revenue for the coming three years. Accordingly, I have used the Bear scenario to boost the revenues in forecasted years by only 20% rather than 38%. Analyst reports also highlighted that EBITDA is expected to grow in a range of 25% to 35% in their forecasts of the next three years. However, the EBITDA Margin forecasted by the EVP averaged at 17% for the forecasted years. All other forecast assumptions are average based.

Conclusion

The dominant weight that SMEs possess in any economy is significant and undeniable. Without active research coverage and valuations for the SME business, their value will remain hidden and untapped by finance providers and investors. The current state of SME valuation is still primitive and needs further development. By introducing the EVP, I aim to fill the gap between investors and the huge value potential that is hidden and unexploited in these markets. The hypothesis that lies in the deviation of the output fair value of the EVP Vs the professional recommendations has been clearly addressed, as deviations from the overall average appraiser's target prices ranged from 0 to a maximum of 10%. The EVP deviated from the highest single appraiser by a maximum of 15% and a minimum of 0. These results show how insignificant the deviations are between the EVP and the professional outputs, and this should highlight the reliability of the EVP for undertaking valuations of SMEs with results very close to what professionals obtain.

The EVP will benefit investors who wish to engage in untapped SME markets that offer hidden values with huge potential for growth. In addition, the EVP will also provide assistance to researchers in the field of valuation as they can easily process valuation for numerous firms in a very short period of time. Other target audience of the EVP include professional appraisers, Graduate and undergraduate students who wish to practice how real life professionals estimate firm equity values.

The EVP has some limitations that needs to be further developed. The testing sample is limited and this stems from the lack of information and coverage research by professionals on SMEs. Another limitation includes the uniformity of the forecast assumptions. However, this can be tackled by updating the scenario inputs whenever needed.

The science of valuation is based on opinions of the appraisers, these opinions are reflected differently and subjectively to eventually determine the closest true value of a firm. Introducing alternative data analysis of SMEs linked to the platform will add further development for the EVP and will allow quantifying some variables including intangible assets that are overseen by professionals and the EVP. This paper builds on previous research in building bridges to channel

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financing and investments towards SMEs which will substantially assist these businesses to thrive and further expand.

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www.Labomar.com

www.Portobello.com

Appendix A: EVP Output report

Speed Medical - Summary Valuation Report 🔵 speedmedical

Company Profile

Speed Medical Co (known as: Speed Medical), is a public company listed on the Egyptian Stock Exchange (EGX) since December 2020. Speed Medical operates within the Health Care Distributors & Facilities Sector. Speed Medical is based in Cairo, Egypt and was Established in 2015.

Share Profile
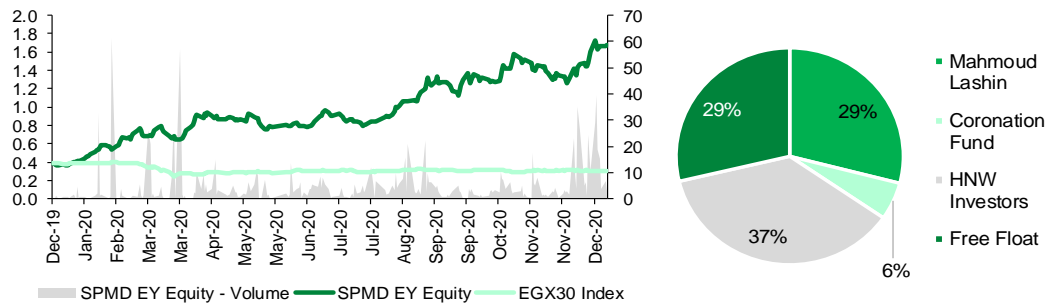
Summary KPI's	Dec-18	Dec-19	Dec-20	Dec-21	Dec-22	Dec-23	Dec-24
Revenues	63	84	117	164	230	322	451
Revenue Growth %		33%	40%	40%	40%	40%	40%
EBITDA	23	35	46	65	91	127	178
EBITDA Margin %	37%	42%	40%	40%	40%	40%	40%
Net Income	13	17	27	42	62	90	129
Net Income Margin %	20%	20%	23%	25%	27%	28%	29%
Total Assets	156	184	226	288	377	504	686
Total Equity	86	104	131	173	234	324	453
Total Cash	7	15	37	64	102	154	227
Total Debt	33	40	40	40	40	40	40
Net Debt	26	25	3	(24)	(62)	(114)	(187)
Net Debt / EBITDA	1.1x	0.7x	0.1x	-0.4x	-0.7x	-0.9x	-1.0x
Net Debt / Equity	0.3x	0.2x	0.0x	-0.1x	-0.3x	-0.4x	-0.4x
ROE	15%	17%	21%	24%	26%	28%	28%
EPS	0.05	0.07	0.11	0.16	0.24	0.34	0.50

Summary Valuation (Price / Share)	-5%	Mid.	5%	Weights
DCF Based Valuation	3.2	3.4	3.6	50%
Multiples Based Valuation	1.9	2.0	2.1	50%
Blended Fair Value / Share		2.7		
Liquidity Discount		5%		
Recommended Fair Value / Share		2.6		
Current Price / Share		2.4		
Upside / Downside to market price		8%		

Parameter Based Recommendation

Hold

Output Based Recommendation

Buy

Final Recommendation

Hold

Raya Contact Center - Summary Valuation Report

Company Profile

Raya Contact Center is a world-class Business Process Outsourcing Service Provider offering contact center services, back office services, inside sales channel management and professional services. Raya Contact Center caters to clients, including global fortune 500 companies in Europe, Middle East & Africa & North America in 16 different languages. Raya Contact Center serves its clients from Seven contact center facilities in Cairo and Hurghada, Egypt, Dubai, UAE and Warsaw, Poland.

Share Profile

Raya Contact Center

- 44.85500%
- 54.96%
- 0.17%
- 0.01%
- 0.01%

■ Raya Holding ■ Raya Systems Co ■ Raya Distribution ■ Citibank Overseas Inv. ■ Raya Financial Investment
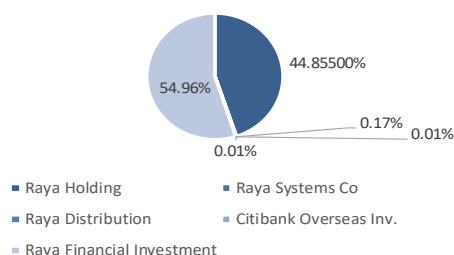
Summary KPI's	Dec-18	Dec-19	Dec-20	Dec-21	Dec-22	Dec-23	Dec-24
Revenues	**911**	**817**	**732**	**657**	**589**	**528**	**474**
Revenue Growth %		-10%	-10%	-10%	-10%	-10%	-10%
EBITDA	**217**	**152**	**156**	**140**	**125**	**112**	**101**
EBITDA Margin %	24%	19%	21%	21%	21%	21%	21%
Net Income	**179**	**113**	**124**	**111**	**81**	**88**	**79**
Net Income Margin %	20%	14%	17%	17%	14%	17%	17%
Total Assets	642	592	708	804	873	950	1,019
Total Equity	449	431	555	666	747	835	914
Total Cash	255	210	329	442	528	625	715
Total Debt	11	12	12	12	12	12	12
Net Debt	**(244)**	**(198)**	**(318)**	**(430)**	**(516)**	**(613)**	**(703)**
Net Debt / EBITDA	-1.1x	-1.3x	-2.0x	-3.1x	-4.1x	-5.5x	-7.0x
Net Debt / Equity	-0.5x	-0.5x	-0.6x	-0.6x	-0.7x	-0.7x	-0.8x
ROE	**40%**	**26%**	**22%**	**17%**	**11%**	**11%**	**9%**
EPS	1.79	1.13	1.24	1.11	0.81	0.88	0.79

Summary Valuation (Price / Share)	-5%	Mid.	5%	Weights
DCF Based Valuation	5.7	**6.0**	6.3	50%
Multiples Based Valuation	8.2	**8.7**	9.1	50%
Blended Fair Value / Share		**7.3**	*5.5*	
Liquidity Discount		5%		
Recommended Fair Value / Share		**7.0**		
Current Price / Share		3.4		
Upside / Downside to market price		**108%**		

Parameter Based Recommendation
Buy

Output based Recommendation
Sell

Final Recommendation
Hold

Comer Industries - Summary Valuation Report

Company Profile

Comer Industries was founded in 1970 and operates in the field of designing and manufacturing advanced systems and mechatronic solutions for power transmission. Comer is the supplier to manufacturers of industrial and agricultural renewable energy machinery. Its main products are hay machines, crop treatment, planetary, wheel drives and driveshaft. With a market cap of €363 million, Comer was listed in an IPO on AIM Italia in March 2019.

Share Profile -Ownership Structure

18.00 EUR 7 May 2021

Comer Industries

- Eagles OAK S.r.L 75%
- Freefloat 25%

Summary KPI's	Dec-19	Dec-20	Dec-21	Dec-22	Dec-23	Dec-24	Dec-25
Revenues	408	399	419	440	462	485	509
Revenue Growth %		-2%	5%	5%	5%	5%	5%
EBITDA	44	48	47	50	52	55	58
EBITDA Margin %	11%	12%	11%	11%	11%	11%	11%
Net Income	19	22	21	23	25	26	28
Net Income Margin %	5%	5%	5%	5%	5%	5%	6%
Total Assets	288	306	325	354	385	418	454
Total Equity	129	143	164	187	212	238	267
Total Cash	16	38	39	45	52	60	67
Total Debt	27	20	20	20	20	20	20
Net Debt	11	(18)	(19)	(26)	(33)	(40)	(47)
Net Debt / EBITDA	0.3x	-0.4x	-0.4x	-0.5x	-0.6x	-0.7x	-0.8x
Net Debt / Equity	0.1x	-0.1x	-0.1x	-0.1x	-0.2x	-0.2x	-0.2x
ROE	14%	15%	13%	12%	12%	11%	11%
EPS	0.91	1.07	1.03	1.11	1.20	1.30	1.40

Summary Valuation (Price / Share)	-5%	Mid.	5%	Weights
DCF Based Valuation	17.2	18.1	19.0	50%
Multiples Based Valuation	19.0	20.0	21.0	50%
Blended Fair Value / Share		19.0		
Liquidity Discount		0%		
Recommended Fair Value / Share		19.0		
Current Price / Share		17.8		
Upside / Downside to market price		7%		

Parameter Based Recommendation
Hold

Output Based Recommendation
Buy

Final Recommendation
Hold

Fervi SpA - Summary Valuation Report

Company Profile

Fervi SpA is an Italian company founded in 1978 and operates in the manufacturing and supply of mechanical equipment for maintenance in the home goods retail sector. Fervi's products are cutting tools, measurement equipment, carpentry shops. With a market cap of €29 million, Fervi was listed on AIM Italia exchange in March 2018.

Share Profile- Ownership Structure

11.80 EUR 7 May 2021

Fervi SpA

- 1979 Investimenti Srl
- Roberto Megna
- Guido Greco
- Mercato

74.78%
15.64%
7.54%
2.04%
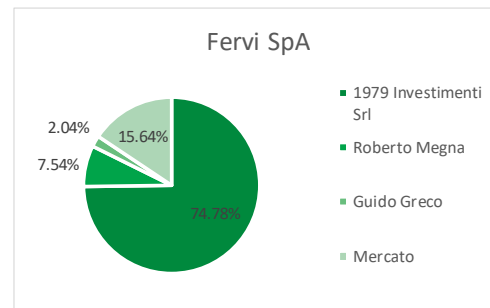
Summary KPI's	Dec-18	Dec-19	Dec-20	Dec-21	Dec-22	Dec-23	Dec-24
Revenues	24	29	34	41	48	58	69
Revenue Growth %		19%	19%	19%	19%	19%	19%
EBITDA	4	4	6	7	8	10	12
EBITDA Margin %	19%	15%	17%	17%	17%	17%	17%
Net Income	2	3	3	4	5	6	8
Net Income Margin %	7%	9%	10%	11%	11%	11%	11%
Total Assets	31	33	38	44	51	59	69
Total Equity	20	22	26	30	35	42	50
Total Cash	7	5	5	6	7	9	10
Total Debt	4	3	3	3	3	3	3
Net Debt	(3)	(2)	(2)	(3)	(4)	(5)	(7)
Net Debt / EBITDA	-0.7x	-0.4x	-0.4x	-0.4x	-0.5x	-0.5x	-0.6x
Net Debt / Equity	-0.2x	-0.1x	-0.1x	-0.1x	-0.1x	-0.1x	-0.1x
ROE	9%	12%	14%	14%	15%	15%	16%
EPS	0.70	1.01	1.37	1.69	2.08	2.53	3.08

Summary Valuation (Price / Share)	-5%	Mid.	5%	Weights
DCF Based Valuation	15.2	**16.0**	16.8	50%
Multiples Based Valuation	15.1	**15.8**	16.6	50%
Blended Fair Value / Share		**15.9**		
Liquidity Discount		0%		
Recommended Fair Value / Share		**15.9**		
Current Price / Share		11.5		
Upside / Downside to market price		**38%**		

Parameter Based Recommendation
Buy

Output Based Recommendation
Buy

Final Recommendation
Buy

Intred SpA - Summary Valuation Report

Company Profile

Intred was founded in 1996 and operates in the field of information and communication technology solutions. Intred services include internet access, protocol telephony and hosting. Its products include fiber optic broadband, Intredbox, asymmetric digital subscriber lines and Invoip Zero. With a market cap of €236 million and a public float of 3.31 million, Intred was listed on AIM Italia in July 2018.

Share Profile

16.40 EUR 7 May 2021

Intred SpA

- Intred Insiders: 74%
- Freefloat: 26%
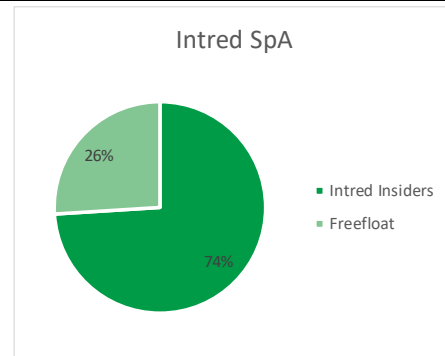
Summary KPI's	Dec-18	Dec-19	Dec-20	Dec-21	Dec-22	Dec-23	Dec-24
Revenues	17	21	25	31	37	45	54
Revenue Growth %		21%	21%	21%	21%	21%	21%
EBITDA	7	9	11	13	15	19	23
EBITDA Margin %	40%	41%	42%	42%	42%	42%	42%
Net Income	3	4	6	7	9	12	15
Net Income Margin %	19%	21%	23%	24%	26%	27%	28%
Total Assets	36	41	50	61	75	92	113
Total Equity	23	27	33	40	50	62	77
Total Cash	10	10	13	17	22	27	33
Total Debt	2	1	1	1	1	1	1
Net Debt	(8)	(9)	(12)	(16)	(20)	(26)	(32)
Net Debt / EBITDA	-1.2x	-1.0x	-1.1x	-1.2x	-1.3x	-1.4x	-1.4x
Net Debt / Equity	-0.3x	-0.3x	-0.4x	-0.4x	-0.4x	-0.4x	-0.4x
ROE	14%	16%	18%	19%	19%	19%	20%
EPS	0.20	0.27	0.36	0.47	0.60	0.75	0.94

Summary Valuation (Price / Share)	-5%	Mid.	5%	Weights
DCF Based Valuation	18.1	**19.1**	20.0	50%
Multiples Based Valuation	15.5	16.3	17.1	50%
Blended Fair Value / Share		**17.7**		
Liquidity Discount		0%		
Recommended Fair Value / Share		**17.7**		
Current Price / Share		15.5		
Upside / Downside to market price		**14%**		

Parameter Based Recommendation
Overweight

Output Based Recommendation
Buy

Final Recommendation
Overweight

www.manaraa.com

Powersoft - Summary Valuation Report

Company Profile

Powersoft SpA is an Italian SME founded in 1995 and operates in the field of professional audio industry. Its products and services include production, designing, distribution and marketing of patent technology products. The company also services in high power and efficiency solutions for the audio industry. With a market cap of 50.9 million and 1.59 million public float Powersoft was listed on the AIM Italia exchange in December 2018.

Share Profile- Ownership Structure

4.44 EUR 7 May 2021

Powersoft

- Evolve 87%
- Freefloat 13%

Summary KPI's	Dec-18	Dec-19	Dec-20	Dec-21	Dec-22	Dec-23	Dec-24
Revenues	**33**	**37**	**41**	**45**	**50**	**55**	**60**
Revenue Growth %		10%	10%	10%	10%	10%	10%
EBITDA	**5**	**6**	**6**	**7**	**7**	**8**	**9**
EBITDA Margin %	14%	16%	14%	14%	14%	14%	14%
Net Income	**3**	**3**	**6**	**7**	**7**	**8**	**8**
Net Income Margin %	8%	8%	15%	15%	14%	14%	14%
Total Assets	27	32	39	47	55	64	74
Total Equity	15	19	25	31	38	46	54
Total Cash	8	13	17	23	29	36	42
Total Debt	0	1	1	1	1	1	1
Net Debt	**(7)**	**(11)**	**(16)**	**(22)**	**(28)**	**(34)**	**(41)**
Net Debt / EBITDA	-1.6x	-1.9x	-2.7x	-3.4x	-3.9x	-4.3x	-4.7x
Net Debt / Equity	-0.5x	-0.6x	-0.7x	-0.7x	-0.7x	-0.7x	-0.8x
ROE	**16%**	**16%**	**24%**	**21%**	**18%**	**16%**	**15%**
EPS	0.23	0.27	0.55	0.59	0.63	0.68	0.74

Summary Valuation (Price / Share)	-5%	Mid.	5%	Weights
DCF Based Valuation	8.4	**8.8**	9.3	50%
Multiples Based Valuation	8.7	**9.1**	9.6	50%
Blended Fair Value / Share		**9.0**		
Liquidity Discount		0%		
Recommended Fair Value / Share		**9.0**		
Current Price / Share		4.3		
Upside / Downside to market price		**109%**		

Parameter Based Recommendation

Buy

Output Based Recommendation

Buy

Final Recommendation

Buy

www.manaraa.com

Labomar - Summary Valuation Report

Company Profile

Labomar is an Italian SME founded in 1998 and operates in many fields such as research, development and production of food supplements, food for special purposes, medical equipment and cosmetics. The firm offers products in physical therapy, medical devices and pharmaceuticals for special medical treatments. In addition, it offers cosmetic products for skin care and other healing products. With a market cap of €182 million and a public float of 2.7 million, Labomar was listed on AIM Italia in October 2020.

Share Profile- Ownership Structure

Labomar

■ LBM Holding	71.10%
■ Master Lab	18.400%
■ Value First	6.30%
■ Fidim S.r.l	2.70%
■ Free Float	1.50%

Summary KPI's	Dec-18	Dec-19	Dec-20	Dec-21	Dec-22	Dec-23	Dec-24
Revenues	43	48	54	60	66	74	82
Revenue Growth %		11%	11%	11%	11%	11%	11%
EBITDA	9	9	10	12	13	14	16
EBITDA Margin %	21%	18%	19%	19%	19%	19%	19%
Net Income	4	4	5	6	7	8	9
Net Income Margin %	10%	9%	9%	10%	10%	11%	11%
Total Assets	34	68	67	76	86	98	112
Total Equity	7	10	15	21	28	36	45
Total Cash	4	7	8	13	20	27	34
Total Debt	10	20	20	20	20	20	20
Net Debt	6	13	12	7	0	(7)	(14)
Net Debt / EBITDA	0.6x	1.5x	1.2x	0.6x	0.0x	-0.5x	-0.9x
Net Debt / Equity	0.8x	1.3x	0.8x	0.3x	0.0x	-0.2x	-0.3x
ROE	59%	42%	34%	28%	25%	22%	20%
EPS	0.31	0.29	0.36	0.42	0.49	0.56	0.64

Summary Valuation (Price / Share)	-5%	Mid.	5%	Weights
DCF Based Valuation	11.4	**12.0**	12.6	50%
Multiples Based Valuation	9.8	10.4	10.9	50%
Blended Fair Value / Share		**11.2**		
Liquidity Discount		0%		
Recommended Fair Value / Share		**11.2**		
Current Price / Share		9.9		
Upside / Downside to market price		**13%**		

Parameter Based Recommendation
Overweight

Output Based Recommendation
Buy

Final Recommendation
Hold

Kolinpharma - Summary Valuation Report

Company Profile

Kolinpharma is an Italian SME founded in 2013 and operates in the research, development and marketing of natural raw materials and food supplements. Kolinpharma's products are specialized in treatments for urology, psychiatric and neurology. With a market cap of €13.5 million, Kolinpharma was listed on AIM Italia in March 2018.

Share Profile-Ownership Structure

8.24 EUR 6 May 2021

Kolinpharma

- Petrelli Rita Paolo (60%)
- Free Float (40%)
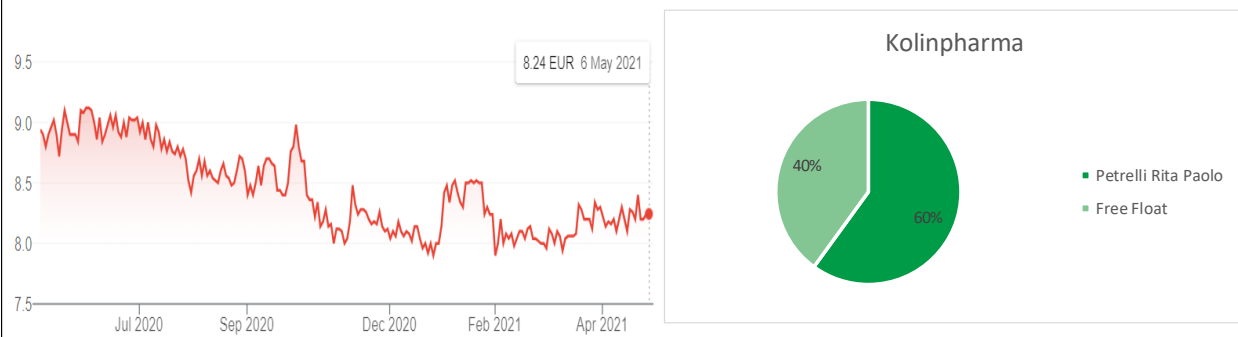
Summary KPI's	Dec-19	Dec-20	Dec-21	Dec-22	Dec-23	Dec-24	Dec-25
Revenues	9	8	9	9	9	10	10
Revenue Growth %		-8%	5%	5%	5%	5%	5%
EBITDA	2	2	2	2	2	2	2
EBITDA Margin %	21%	23%	23%	23%	23%	23%	23%
Net Income	1	1	0	1	1	1	1
Net Income Margin %	7%	8%	5%	6%	6%	7%	7%
Total Assets	10	17	17	18	19	20	21
Total Equity	5	8	8	9	9	10	11
Total Cash	2	4	5	5	5	5	5
Total Debt	1	5	5	5	5	5	5
Net Debt	(1)	1	(0)	(0)	(0)	(0)	(0)
Net Debt / EBITDA	-0.7x	0.5x	-0.2x	-0.2x	-0.2x	-0.1x	-0.1x
Net Debt / Equity	-0.3x	0.1x	0.0x	0.0x	0.0x	0.0x	0.0x
ROE	11%	8%	5%	6%	6%	7%	7%
EPS	0.37	0.39	0.26	0.31	0.35	0.40	0.46

Summary Valuation (Price / Share)	-5%	Mid.	5%	Weights
DCF Based Valuation	11.9	**12.5**	13.2	50%
Multiples Based Valuation	10.1	**10.6**	11.1	50%
Blended Fair Value / Share		**11.6**		
Liquidity Discount		0%		
Recommended Fair Value / Share		**11.6**		
Current Price / Share		8.3		
Upside / Downside to market price		**40%**		

Parameter Based Recommendation
Buy

Output Based Recommendation
Buy

Final Recommendation
Buy

Portobello - Summary Valuation Report

Company Profile

Portobello is an Italian SME founded in 2016 and operates in advertising and retail activities. Portobello offers resale of advertising spaces in direct management indoor and outdoor; It also offers services for advertising and social columns in magazines. With a market cap of €103 million and a public float of 636 thousand, Portobello was listed on AIM Italia in March 2018.

Share Profile- Ownership Structure

Chart Title

- Portobello Insiders
- Free Float

Summary KPI's	Dec-19	Dec-20	Dec-21	Dec-22	Dec-23	Dec-24	Dec-25
Revenues	**45**	**63**	**75**	**90**	**108**	**130**	**156**
Revenue Growth %		38%	20%	20%	20%	20%	20%
EBITDA	**8**	**11**	**13**	**16**	**19**	**23**	**27**
EBITDA Margin %	18%	17%	17%	17%	17%	17%	17%
Net Income	**5**	**6**	**8**	**10**	**12**	**15**	**18**
Net Income Margin %	10%	9%	10%	11%	11%	11%	11%
Total Assets	40	52	71	87	107	132	162
Total Equity	10	16	24	33	45	60	78
Total Cash	1	3	1	4	7	11	15
Total Debt	5	12	12	12	12	12	12
Net Debt	**4**	**10**	**11**	**8**	**5**	**1**	**(3)**
Net Debt / EBITDA	0.5x	0.9x	0.8x	0.5x	0.3x	0.1x	-0.1x
Net Debt / Equity	0.4x	0.6x	0.5x	0.2x	0.1x	0.0x	0.0x
ROE	**47%**	**37%**	**32%**	**29%**	**26%**	**24%**	**23%**
EPS	1.69	2.12	2.75	3.41	4.21	5.17	6.32

Summary Valuation (Price / Share)	-5%	Mid.	5%	Weights
DCF Based Valuation	57.9	60.9	64.0	50%
Multiples Based Valuation	49.5	52.1	54.7	50%
Blended Fair Value / Share		56.5		
Liquidity Discount		0%		
Recommended Fair Value / Share		56.5		
Current Price / Share		37.2		
Upside / Downside to market price		52%		

Parameter Based Recommendation
Buy

Output Based Recommendation
Buy

Final Recommendation
Buy

Speed Medical

INCOME STATETMENT (EGPmn)	Dec-18	Dec-19	Dec-20	Dec-21	Dec-22	Dec-23	Dec-24
Revenues	63	84	117	164	230	322	451
COGS	(34)	(41)	(60)	(84)	(117)	(164)	(230)
Gross Profit	**30**	**43**	**58**	**81**	**113**	**158**	**222**
GP Margin %	47%	51%	49%	49%	49%	49%	49%
SG&A	(5)	(7)	(10)	(14)	(19)	(26)	(37)
Other (expense)/income	(1)	(1)	(2)	(2)	(3)	(4)	(6)
EBITDA	**23**	**35**	**46**	**65**	**91**	**127**	**178**
EBITDA Margin %	37%	42%	40%	40%	40%	40%	40%
Depreciation	(6)	(9)	(9)	(9)	(9)	(9)	(9)
EBIT	**18**	**26**	**37**	**56**	**82**	**118**	**169**
EBIT Margin %	28%	31%	32%	34%	36%	37%	38%
Interest expense	(1)	(4)	(2)	(2)	(2)	(2)	(2)
EBT	**17**	**22**	**36**	**54**	**80**	**117**	**168**
EBT Margin %	26%	27%	30%	33%	35%	36%	37%
Tax expense	(4)	(5)	(8)	(13)	(19)	(27)	(39)
Net Income	**13**	**17**	**27**	**42**	**62**	**90**	**129**
NI Margin %	20%	20%	23%	25%	27%	28%	29%

BALANCE SHEET (EGPmn)	Dec-18	Dec-19	Dec-20	Dec-21	Dec-22	Dec-23	Dec-24
Fixed Assets	126	90	103	124	157	207	282
Long-term Investments	6	12	12	12	12	12	12
Other Intangibles	-	-	-	-	-	-	-
Non-Current Assets	**132**	**102**	**115**	**136**	**170**	**220**	**294**
Inventories	4	6	8	11	15	21	30
Trade receivables	6	9	12	17	24	34	47
Other current assets	6	9	12	17	24	33	47
Cash & cash equivalents	7	15	37	64	102	154	227
Short term investments	-	42	42	42	42	42	42
Current Assets	**23**	**81**	**111**	**151**	**207**	**284**	**392**
Total Assets	**156**	**184**	**226**	**288**	**377**	**504**	**686**
Trade payables	6	11	14	20	27	38	54
Other CL	21	22	35	48	68	95	133
Current Liabilities	**27**	**33**	**49**	**68**	**95**	**133**	**186**
Debt	33	40	40	40	40	40	40
Other liabilities	9	7	7	7	7	7	7
Non-Current Liabilities	**42**	**47**	**47**	**47**	**47**	**47**	**47**
Total Liabilities	**69**	**80**	**95**	**115**	**142**	**180**	**233**
Paid-in capital	52	52	52	52	52	52	52
Retained earnings	23	40	67	109	171	260	389
Reserves	0	0	0	0	0	0	0
Minority Interest	12	12	12	12	12	12	12
Total Equity	**86**	**104**	**131**	**173**	**234**	**324**	**453**
check	-	-	(0)	(0)	(0)	(0)	(0)

CASHFLOW STATEMENT	Dec-18	Dec-19	Dec-20	Dec-21	Dec-22	Dec-23	Dec-24
Net Income			27	42	62	90	129
Depreciation			9	9	9	9	9
Operating Cash Flow			**37**	**51**	**71**	**99**	**138**
(Inc.) Dec. in Trade Receivables			(3)	(5)	(7)	(10)	(13)
(Inc.) Dec. in Inventories			(2)	(3)	(4)	(6)	(8)
(Inc.) Dec. in Other current Assets			(3)	(5)	(7)	(9)	(13)
(Inc.) Dec. in Trade Payables			3	6	8	11	15
(Inc.) Dec. in Other CL			13	14	19	27	38
(Inc.) Dec. in Net Working Capital			**8**	**7**	**9**	**13**	**18**
Cash Flow from Operations			**44**	**57**	**80**	**112**	**156**
Capital Expenditures			(22)	(30)	(42)	(59)	(83)
Short term investmenets			-	-	-	-	-
Cash Flow From Investing			**(22)**	**(30)**	**(42)**	**(59)**	**(83)**
Debt			-	-	-	-	-
Dividends			-	-	-	-	-
Cash Flow From Financing			**-**	**-**	**-**	**-**	**-**
Change in Cash and Equivalents			**23**	**27**	**38**	**52**	**73**
BoP Balance			15	37	64	102	154
EoP Balance		15	37	64	102	154	227

CASHFLOW INPUTS	Dec-16	Dec-17	Dec-18	Dec-19	Dec-20	Dec-21	Dec-22
CAPEX	44	21					
Disposals	-	-					
Dividends	-	-					

Raya Contact Center

INCOME STATETMENT (EGPmn)	Dec-18	Dec-19	Dec-20	Dec-21	Dec-22	Dec-23	Dec-24
Revenues	911	817	732	657	589	528	474
COGS	(529)	(478)	(427)	(383)	(343)	(308)	(276)
Gross Profit	382	339	305	274	246	220	198
GP Margin %	42%	41%	42%	42%	42%	42%	42%
SG&A	(82)	(73)	(66)	(59)	(53)	(48)	(43)
Other (expense)/income	(82)	(113)	(84)	(75)	(67)	(60)	(54)
EBITDA	217	152	156	140	125	112	101
EBITDA Margin %	24%	19%	21%	21%	21%	21%	21%
Depreciation	(26)	(36)	(36)	(36)	(36)	(36)	(36)
EBIT	192	116	120	104	89	76	65
EBIT Margin %	21%	14%	16%	16%	15%	14%	14%
Interest expense	29	24	32	32	10	32	32
EBT	221	140	151	135	99	108	96
EBT Margin %	24%	17%	21%	21%	17%	20%	20%
Tax expense	(40)	(26)	(28)	(25)	(18)	(20)	(18)
Net Profit before Minority	181	115	124	111	81	88	79
Minority interest	(2)	(1)					
Net Income	179	113	124	111	81	88	79
NI Margin %	20%	14%	17%	17%	14%	17%	17%

BALANCE SHEET (EGPmn)	Dec-18	Dec-19	Dec-20	Dec-21	Dec-22	Dec-23	Dec-24
Fixed Assets	96	104	114	119	120	117	111
Long-term Investments		36	36	36	36	36	36
Other Intangibles	30	27	27	27	27	27	27
Non-Current Assets	126	167	177	182	183	180	174
Inventories	-	-	-	-	-	-	-
Trade receivables	212	152	153	138	123	111	99
Other current assets	49	63	48	43	39	35	31
Cash & cash equivalents	255	210	329	442	528	625	715
Short term investments			-	-	-	-	-
Current Assets	515	425	531	623	690	770	845
Total Assets	642	592	708	804	873	950	1,019
Trade payables	127	103	97	87	78	70	63
Other CL	48	40	37	33	30	27	24
Current Liabilities	175	143	134	120	108	97	87
Debt	11	12	12	12	12	12	12
Other liabilities	7	7	7	7	7	7	7
Non-Current Liabilities	18	18	18	18	18	18	18
Total Liabilities	193	161	153	139	126	115	105
Paid-in capital	53	53	53	53	53	53	53
Retained earnings	279	276	400	511	592	680	759
Premium + Reserves	114	100	100	100	100	100	100
Minority Interest	2	2	2	2	2	2	2
Total Equity	449	431	555	666	747	835	914
check	-	-	-	-	-	-	-

CASHFLOW STATEMENT	Dec-18	Dec-19	Dec-20	Dec-21	Dec-22	Dec-23	Dec-24
Net Income			124	111	81	88	79
Depreciation			36	36	36	36	36
Operating Cash Flow			160	147	117	124	115
(Inc.) Dec. in Trade Receivables			(1)	16	14	13	11
(Inc.) Dec. in Inventories			-	-	-	-	-
(Inc.) Dec. in Other current Assets			15	5	4	4	4
(Inc.) Dec. in Trade Payables			(6)	(10)	(9)	(8)	(7)
(Inc.) Dec. in Other CL			(3)	(4)	(3)	(3)	(3)
(Inc.) Dec. in Net Working Capital			6	7	6	6	5
Cash Flow from Operations			165	154	123	130	120
Capital Expenditures			(46)	(41)	(37)	(33)	(30)
Short term investmenets			-	-	-	-	-
Cash Flow From Investing			(46)	(41)	(37)	(33)	(30)
Debt			-	-	-	-	-
Dividends			-	-	-	-	-
Cash Flow From Financing			-	-	-	-	-
Change in Cash and Equivalents			120	112	86	97	90
BoP Balance			210	329	442	528	625
EoP Balance		210	329	442	528	625	715

CASHFLOW INPUTS	Dec-16	Dec-17	Dec-18	Dec-19	Dec-20	Dec-21	Dec-22
CAPEX		(65)	(80)				
Disposals		-	-				
Dividends		-	-				

Comer Industries

INCOME STATETMENT (EGPmn)	Dec-19	Dec-20	Dec-21	Dec-22	Dec-23	Dec-24	Dec-25
Revenues	408	399	419	440	462	485	509
COGS	(256)	(248)	(262)	(275)	(288)	(303)	(318)
Gross Profit	152	151	157	165	173	182	191
GP Margin %	37%	38%	38%	38%	38%	38%	38%
SG&A	(73)	(68)	(73)	(77)	(81)	(85)	(89)
Other (expense)/income	(35)	(35)	(37)	(39)	(41)	(43)	(45)
EBITDA	44	48	47	50	52	55	58
EBITDA Margin %	11%	12%	11%	11%	11%	11%	11%
Depreciation	(17)	(18)	(18)	(18)	(18)	(18)	(18)
EBIT	27	30	30	32	34	37	40
EBIT Margin %	7%	8%	7%	7%	7%	8%	8%
Interest expense	(1)	(1)	(1)	(1)	(1)	(1)	(1)
EBT	26	29	29	31	34	36	39
EBT Margin %	6%	7%	7%	7%	7%	7%	8%
Tax expense	(7)	(8)	(8)	(8)	(9)	(10)	(10)
Net Income	19	22	21	23	25	26	28
NI Margin %	5%	5%	5%	5%	5%	5%	6%

BALANCE SHEET (EGPmn)	Dec-19	Dec-20	Dec-21	Dec-22	Dec-23	Dec-24	Dec-25
Fixed Assets	81	76	88	101	116	132	150
Long-term Investments	9	9	9	9	9	9	9
Other Intangibles	4	4	4	4	4	4	4
Non-Current Assets	94	89	100	113	128	144	162
Inventories	86	83	88	92	97	101	107
Trade receivables	91	95	97	102	107	112	118
Other current assets	-	-	-	-	-	-	-
Cash & cash equivalents	16	38	39	45	52	60	67
Short term investments	1	1	1	1	1	1	1
Current Assets	194	218	224	240	257	274	292
Total Assets	287.83	306	325	354	385	418	454
Trade payables	78	84	84	88	93	97	102
Other CL	37	45	43	45	47	49	52
Current Liabilities	114.24	130	127	133	140	147	154
Debt	27	20	20	20	20	20	20
Other liabilities	17	14	14	14	14	14	14
Non-Current Liabilities	44	34	34	34	34	34	34
Total Liabilities	158.70	163.08	160	167	173	180	188
Paid-in capital	28	28	28	28	28	28	28
Retained earnings	86	102	123	146	171	197	226
Reserves	15	13	13	13	13	13	13
Minority Interest	-	-	-	-	-	-	-
Total Equity	129.11	143.37	164	187	212	238	267
check	0	(0)	(0)	(0)	(0)	(0)	(0)

CASHFLOW STATEMENT	Dec-19	Dec-20	Dec-21	Dec-22	Dec-23	Dec-24	Dec-25
Net Income			21	23	25	26	28
Depreciation			18	18	18	18	18
Operating Cash Flow			39	40	42	44	46
(Inc.) Dec. in Trade Receivables			(2)	(5)	(5)	(5)	(6)
(Inc.) Dec. in Inventories			(4)	(4)	(5)	(5)	(5)
(Inc.) Dec. in Other current Assets			-	-	-	-	-
(Inc.) Dec. in Trade Payables			(0)	4	4	5	5
(Inc.) Dec. in Other CL			(3)	2	2	2	2
(Inc.) Dec. in Net Working Capital			(9)	(3)	(3)	(3)	(3)
Cash Flow from Operations			30	38	39	41	43
Capital Expenditures			(29)	(31)	(32)	(34)	(36)
Short term investmenets			-	-	-	-	-
Cash Flow From Investing			(29)	(31)	(32)	(34)	(36)
Debt			-	-	-	-	-
Dividends			-	-	-	-	-
Cash Flow From Financing			-	-	-	-	-
Change in Cash and Equivalents			0	7	7	7	7
BoP Balance			38	39	45	52	60
EoP Balance		38	39	45	52	60	67

CASHFLOW INPUTS	Dec-16	Dec-17	Dec-18	Dec-19	Dec-20	Dec-21	Dec-22
CAPEX	44	21					
Disposals	-	-					
Dividends	-	6					

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INCOME STATETMENT (EURmn)	Dec-18	Dec-19	Dec-20	Dec-21	Dec-22	Dec-23	Dec-24
Revenues	24	29	34	41	48	58	69
COGS	(17)	(20)	(24)	(28)	(33)	(40)	(47)
Gross Profit	7.44	8.82	11	13	15	18	21
GP Margin %	*31%*	*31%*	*31%*	*31%*	*31%*	*31%*	*31%*
SG&A	(3)	(4)	(4)	(5)	(6)	(8)	(9)
Other (expense)/income	(0)	(0.22)	(0)	(0)	(0)	(0)	(1)
EBITDA	4.46	4.44	6	7	8	10	12
EBITDA Margin %	*19%*	*15%*	*17%*	*17%*	*17%*	*17%*	*17%*
Depreciation	(2)	(1)	(1)	(1)	(1)	(1)	(1)
EBIT	2.57	3.41	5	6	7	9	11
EBIT Margin %	*11%*	*12%*	*14%*	*14%*	*15%*	*15%*	*15%*
Interest expense	(0)	(0)	(0)	(0)	(0)	(0)	(0)
EBT	2.48	3.34	5	6	7	9	11
EBT Margin %	*10%*	*12%*	*14%*	*14%*	*15%*	*15%*	*15%*
Tax expense	(1)	(1)	(1)	(1)	(2)	(2)	(3)
Net Income	1.78	2.57	3	4	5	6	8
NI Margin %	*7%*	*9%*	*10%*	*11%*	*11%*	*11%*	*11%*

BALANCE SHEET (EURmn)	Dec-18	Dec-19	Dec-20	Dec-21	Dec-22	Dec-23	Dec-24
Fixed Assets	3	3	3	3	2	3	3
Long-term Investments	0	0	0	0	0	0	0
Other Intangibles	1	3	3	3	3	3	3
Non-Current Assets	4	7	6	6	6	6	6
Inventories	9	11	13	16	19	22	26
Trade receivables	10	9	12	15	18	21	25
Other current assets	1	1	1	1	1	2	2
Cash & cash equivalents	7	5	5	6	7	9	10
Short term investments	-	-	-	-	-	-	-
Current Assets	26.41	26.24	32	38	45	53	63
Total Assets	31	33	38	44	51	59	69
Trade payables	3	4	5	6	7	8	9
Other CL	2	2	3	3	4	5	6
Current Liabilities	5.70	5.98	8	9	11	13	15
Debt	4	3	3	3	3	3	3
Other liabilities	2	2	2	2	2	2	2
Non-Current Liabilities	6	5	5	5	5	5	5
Total Liabilities	11.22	11.18	13	14	16	18	20
Paid-in capital	-	-	-	-	-	-	-
Retained earnings	17	19	23	27	33	39	47
Reserves	3	3	3	3	3	3	3
Minority Interest	-	-	-	-	-	-	-
Total Equity	20	22	26	30	35	42	50
check	-	-	-	-	-	-	-

CASHFLOW STATEMENT	Dec-18	Dec-19	Dec-20	Dec-21	Dec-22	Dec-23	Dec-24
Net Income			3	4	5	6	8
Depreciation			1	1	1	1	1
Operating Cash Flow			5	5	6	7	9
(Inc.) Dec. in Trade Receivables			(3)	(2)	(3)	(3)	(4)
(Inc.) Dec. in Inventories			(2)	(2)	(3)	(4)	(4)
(Inc.) Dec. in Other current Assets			(0)	(0)	(0)	(0)	(0)
(Inc.) Dec. in Trade Payables			1	1	1	1	1
(Inc.) Dec. in Other CL			1	1	1	1	1
(Inc.) Dec. in Net Working Capital			(3)	(4)	(4)	(5)	(6)
Cash Flow from Operations			1	2	2	2	3
Capital Expenditures			(1)	(1)	(1)	(1)	(1)
Short term investmenets			-	-	-	-	-
Cash Flow From Investing			(1)	(1)	(1)	(1)	(1)
Debt			-	-	-	-	-
Dividends			-	-	-	-	-
Cash Flow From Financing			-	-	-	-	-
Change in Cash and Equivalents			0	1	1	1	1
BoP Balance			5	5	6	7	9
EoP Balance		5	5	6	7	9	10

CASHFLOW INPUTS	Dec-16	Dec-17	Dec-18	Dec-19	Dec-20	Dec-21	Dec-22
CAPEX	44	21					
Disposals	-	-					
Dividends	-	-					

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INCOME STATETMENT (EURmn)	Dec-18	Dec-19	Dec-20	Dec-21	Dec-22	Dec-23	Dec-24
Revenues	17	21	25	31	37	45	54
COGS	(1)	(2)	(2)	(3)	(3)	(4)	(5)
Gross Profit	**15.73**	**18.99**	**23**	**28**	**34**	**41**	**50**
GP Margin %	*91%*	*91%*	*91%*	*91%*	*91%*	*91%*	*91%*
SG&A	(8)	(10)	(12)	(15)	(18)	(22)	(26)
Other (expense)/income	(1)	(0)	(0)	(0)	(1)	(1)	(1)
EBITDA	**7**	**8.63**	**11**	**13**	**15**	**19**	**23**
EBITDA Margin %	*40%*	*41%*	*42%*	*42%*	*42%*	*42%*	*42%*
Depreciation	(3)	(3)	(3)	(3)	(3)	(3)	(3)
EBIT	**4.18**	**5.76**	**8**	**10**	**13**	**16**	**20**
EBIT Margin %	*24%*	*28%*	*30%*	*32%*	*34%*	*35%*	*37%*
Interest expense	(0)	0	(0)	(0)	(0)	(0)	(0)
EBT	**4.15**	**5.85**	**8**	**10**	**13**	**16**	**20**
EBT Margin %	*24%*	*28%*	*30%*	*32%*	*34%*	*35%*	*36%*
Tax expense	(1)	(2)	(2)	(2)	(3)	(4)	(5)
Net Income	**3.20**	**4.33**	**6**	**7**	**9**	**12**	**15**
NI Margin %	*19%*	*21%*	*23%*	*24%*	*26%*	*27%*	*28%*

BALANCE SHEET (EURmn)	Dec-18	Dec-19	Dec-20	Dec-21	Dec-22	Dec-23	Dec-24
Fixed Assets	17	20	24	30	37	47	59
Long-term Investments	-	-	-	-	-	-	-
Other Intangibles	5	6	6	6	6	6	6
Non-Current Assets	**22**	**26**	**30**	**36**	**44**	**53**	**66**
Inventories	-	-	-	-	-	-	-
Trade receivables	5	4	6	7	9	11	13
Other current assets	0	1	1	1	1	1	1
Cash & cash equivalents	10	10	13	17	22	27	33
Short term investments	-	-	-	-	-	-	-
Current Assets	**14.61**	**15.02**	**20**	**25**	**31**	**39**	**47**
Total Assets	**36**	**41**	**50**	**61**	**75**	**92**	**113**
Trade payables	5	6	7	9	10	13	15
Other CL	6	7	9	11	13	16	20
Current Liabilities	**11.53**	**12.79**	**16**	**20**	**24**	**29**	**35**
Debt	2	1	1	1	1	1	1
Other liabilities	1	1	1	1	1	1	1
Non-Current Liabilities	**2**	**2**	**2**	**2**	**2**	**2**	**2**
Total Liabilities	**13.91**	**14.65**	**18**	**21**	**26**	**31**	**37**
Paid-in capital	4	4	4	4	4	4	4
Retained earnings	9	13	19	26	36	48	63
Reserves	10	10	10	10	10	10	10
Minority Interest	(0)	(0)	(0)	(0)	(0)	(0)	(0)
Total Equity	**23**	**27**	**33**	**40**	**50**	**62**	**77**
check	-	-	-	-	-	-	-

CASHFLOW STATEMENT	Dec-18	Dec-19	Dec-20	Dec-21	Dec-22	Dec-23	Dec-24
Net Income			6	7	9	12	15
Depreciation			3	3	3	3	3
Operating Cash Flow			**9**	**10**	**12**	**15**	**18**
(Inc.) Dec. in Trade Receivables			(2)	(1)	(2)	(2)	(2)
(Inc.) Dec. in Inventories			-	-	-	-	-
(Inc.) Dec. in Other current Assets			(0)	(0)	(0)	(0)	(0)
(Inc.) Dec. in Trade Payables			1	2	2	2	3
(Inc.) Dec. in Other CL			2	2	2	3	3
(Inc.) Dec. in Net Working Capital			**2**	**2**	**2**	**3**	**4**
Cash Flow from Operations			**10**	**12**	**15**	**18**	**21**
Capital Expenditures			(7)	(9)	(10)	(13)	(15)
Short term investmenets			-	-	-	-	-
Cash Flow From Investing			**(7)**	**(9)**	**(10)**	**(13)**	**(15)**
Debt			-	-	-	-	-
Dividends			-	-	-	-	-
Cash Flow From Financing			**-**	**-**	**-**	**-**	**-**
Change in Cash and Equivalents			**3**	**4**	**4**	**5**	**6**
BoP Balance			10	13	17	22	27
EoP Balance		**10**	**13**	**17**	**22**	**27**	**33**

CASHFLOW INPUTS	Dec-16	Dec-17	Dec-18	Dec-19	Dec-20	Dec-21	Dec-22
CAPEX	44	21					
Disposals	-	-					
Dividends	-	-					

Powersoft SPA

INCOME STATETMENT (EURmn)	Dec-18	Dec-19	Dec-20	Dec-21	Dec-22	Dec-23	Dec-24
Revenues	33	37	41	45	50	55	60
COGS	(18)	(19)	(22)	(24)	(26)	(29)	(32)
Gross Profit	15.02	18.03	19	21	23	26	28
GP Margin %	*45%*	*49%*	*47%*	*47%*	*47%*	*47%*	*47%*
SG&A	(11)	(13)	(14)	(16)	(17)	(19)	(21)
Other (expense)/income	1	0.85	1	1	1	1	1
EBITDA	4.55	5.92	6	7	7	8	9
EBITDA Margin %	*14%*	*16%*	*14%*	*14%*	*14%*	*14%*	*14%*
Depreciation	(1)	(2)	(2)	(2)	(2)	(2)	(2)
EBIT	3.10	3.98	4	5	5	6	7
EBIT Margin %	*9%*	*11%*	*10%*	*10%*	*11%*	*11%*	*11%*
Interest expense	0	0	4	4	4	4	4
EBT	3.51	4.02	8	9	10	10	11
EBT Margin %	*10%*	*11%*	*20%*	*20%*	*19%*	*19%*	*18%*
Tax expense	(1)	(1)	(2)	(2)	(3)	(3)	(3)
Net Income	2.53	3.02	6	7	7	8	8
NI Margin %	*8%*	*8%*	*15%*	*15%*	*14%*	*14%*	*14%*

BALANCE SHEET (EURmn)	Dec-18	Dec-19	Dec-20	Dec-21	Dec-22	Dec-23	Dec-24
Fixed Assets	1	3	2	2	3	3	4
Long-term Investments	1	1	1	1	1	1	1
Other Intangibles	1	1	1	1	1	1	1
Non-Current Assets	3	5	4	4	4	5	6
Inventories	8	8	9	10	11	12	14
Trade receivables	7	6	8	9	10	11	12
Other current assets	0	0	0	0	1	1	1
Cash & cash equivalents	8	13	17	23	29	36	42
Short term investments	1	-	-	-	-	-	-
Current Assets	24	27	35	43	51	59	68
Total Assets	27	32	39	47	55	64	74
Trade payables	8	6	8	9	10	11	12
Other CL	2	4	4	4	4	5	5
Current Liabilities	10.03	10.07	12	13	14	16	17
Debt	0	1	1	1	1	1	1
Other liabilities	1	2	2	2	2	2	2
Non-Current Liabilities	1	3	3	3	3	3	3
Total Liabilities	11.52	12.83	14	16	17	18	20
Paid-in capital	4	4	4	4	4	4	4
Retained earnings	10	13	19	26	33	40	49
Reserves	1	1	1	1	1	1	1
Minority Interest	-	-	-	-	-	-	-
Total Equity	15	19	25	31	38	46	54
check	-	-	-	-	-	-	-

CASHFLOW STATEMENT	Dec-18	Dec-19	Dec-20	Dec-21	Dec-22	Dec-23	Dec-24
Net Income			6	7	7	8	8
Depreciation			2	2	2	2	2
Operating Cash Flow			8	8	9	10	10
(Inc.) Dec. in Trade Receivables			(2)	(1)	(1)	(1)	(1)
(Inc.) Dec. in Inventories			(1)	(1)	(1)	(1)	(1)
(Inc.) Dec. in Other current Assets			(0)	(0)	(0)	(0)	(0)
(Inc.) Dec. in Trade Payables			2	1	1	1	1
(Inc.) Dec. in Other CL			(0)	0	0	0	0
(Inc.) Dec. in Net Working Capital			(1)	(1)	(1)	(1)	(1)
Cash Flow from Operations			7	8	8	9	9
Capital Expenditures			(2)	(2)	(2)	(2)	(3)
Short term investmenets			-	-	-	-	-
Cash Flow From Investing			(2)	(2)	(2)	(2)	(3)
Debt			-	-	-	-	-
Dividends			-	-	-	-	-
Cash Flow From Financing			-	-	-	-	-
Change in Cash and Equivalents			5	6	6	6	7
BoP Balance			13	17	23	29	36
EoP Balance		13	17	23	29	36	42

CASHFLOW INPUTS	Dec-16	Dec-17	Dec-18	Dec-19	Dec-20	Dec-21	Dec-22
CAPEX	44	21					
Disposals	-	-					
Dividends	-	-					

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INCOME STATETMENT (EURmn)	Dec-18	Dec-19	Dec-20	Dec-21	Dec-22	Dec-23	Dec-24
Revenues	43	48	54	60	66	74	82
COGS	(26)	(30)	(33)	(36)	(40)	(45)	(50)
Gross Profit	17.19	18.72	21	23	26	29	32
GP Margin %	40%	39%	39%	39%	39%	39%	39%
SG&A	(9)	(11)	(11)	(13)	(14)	(16)	(17)
Other (expense)/income	1	0.64	1	1	1	1	1
EBITDA	9.01	8.81	10	12	13	14	16
EBITDA Margin %	21%	18%	19%	19%	19%	19%	19%
Depreciation	(3)	(3)	(3)	(3)	(3)	(3)	(3)
EBIT	6.27	5.87	7	9	10	11	13
EBIT Margin %	14%	12%	14%	14%	15%	15%	16%
Interest expense	(0)	(0)	(1)	(1)	(1)	(1)	(1)
EBT	5.97	5.57	7	8	9	11	12
EBT Margin %	14%	12%	13%	13%	14%	15%	15%
Tax expense	(2)	(1)	(2)	(2)	(2)	(3)	(3)
Net Income	4.34	4.15	5	6	7	8	9
NI Margin %	10%	9%	9%	10%	10%	11%	11%

BALANCE SHEET (EURmn)	Dec-18	Dec-19	Dec-20	Dec-21	Dec-22	Dec-23	Dec-24
Fixed Assets	14	17	17	18	19	21	23
Long-term Investments	1	2	2	2	2	2	2
Other Intangibles	0	17	17	17	17	17	17
Non-Current Assets	16	36	36	37	38	40	42
Inventories	4	8	7	8	9	10	11
Trade receivables	9	10	11	12	14	15	17
Other current assets	1	7	5	5	6	6	7
Cash & cash equivalents	4	7	8	13	20	27	34
Short term investments	-	-	-	-	-	-	-
Current Assets	18.70	32.12	30	39	48	58	69
Total Assets	34	68	67	76	86	98	112
Trade payables	8	12	11	12	14	15	17
Other CL	7	23	17	19	21	24	26
Current Liabilities	14.80	34.66	28	32	35	39	43
Debt	10	20	20	20	20	20	20
Other liabilities	2	3	3	3	3	3	3
Non-Current Liabilities	12	23	23	23	23	23	23
Total Liabilities	27.03	58.04	52	55	58	62	67
Paid-in capital	-	-	-	-	-	-	-
Retained earnings	6	9	14	19	26	34	43
Reserves	1	1	1	1	1	1	1
Minority Interest	-	-	-	-	-	-	-
Total Equity	7	10	15	21	28	36	45
check	-	-	-	-	-	-	-

CASHFLOW STATEMENT	Dec-18	Dec-19	Dec-20	Dec-21	Dec-22	Dec-23	Dec-24
Net Income			5	6	7	8	9
Depreciation			3	3	3	3	3
Operating Cash Flow			8	9	10	11	12
(Inc.) Dec. in Trade Receivables			(1)	(1)	(1)	(2)	(2)
(Inc.) Dec. in Inventories			1	(1)	(1)	(1)	(1)
(Inc.) Dec. in Other current Assets			2	(1)	(1)	(1)	(1)
(Inc.) Dec. in Trade Payables			(0)	1	1	2	2
(Inc.) Dec. in Other CL			(6)	2	2	2	3
(Inc.) Dec. in Net Working Capital			(4)	1	1	1	1
Cash Flow from Operations			4	9	11	12	13
Capital Expenditures			(3)	(4)	(4)	(5)	(5)
Short term investmenets			-	-	-	-	-
Cash Flow From Investing			(3)	(4)	(4)	(5)	(5)
Debt			-	-	-	-	-
Dividends			-	-	-	-	-
Cash Flow From Financing			-	-	-	-	-
Change in Cash and Equivalents			1	6	6	7	8
BoP Balance			7	8	13	20	27
EoP Balance		7	8	13	20	27	34

CASHFLOW INPUTS	Dec-16	Dec-17	Dec-18	Dec-19	Dec-20	Dec-21	Dec-22
CAPEX	44	21					
Disposals	-	-					
Dividends	-	2					

Kolinpharma SpA

INCOME STATETMENT (EURmn)	Dec-19	Dec-20	Dec-21	Dec-22	Dec-23	Dec-24	Dec-25
Revenues	9	8	9	9	9	10	10
COGS	(4)	(4)	(4)	(4)	(4)	(5)	(5)
Gross Profit	4.51	4.56	5	5	5	5	6
GP Margin %	51%	56%	53%	53%	53%	53%	53%
SG&A	(3)	(3)	(3)	(3)	(3)	(3)	(3)
Other (expense)/income	(0)	0	0	0	0	0	0
EBITDA	2	1.90	2	2	2	2	2
EBITDA Margin %	21%	23%	23%	23%	23%	23%	23%
Depreciation	(1)	(1)	(1)	(1)	(1)	(1)	(1)
EBIT	0.87	0.99	1	1	1	1	2
EBIT Margin %	10%	12%	13%	13%	14%	14%	15%
Interest expense	(0)	(0)	(1)	(1)	(1)	(1)	(1)
EBT	0.80	0.88	1	1	1	1	1
EBT Margin %	9%	11%	7%	8%	8%	9%	10%
Tax expense	(0)	(0)	(0)	(0)	(0)	(0)	(0)
Net Income	0.60	0.64	0	1	1	1	1
NI Margin %	7%	8%	5%	6%	6%	7%	7%

BALANCE SHEET (EURmn)	Dec-19	Dec-20	Dec-21	Dec-22	Dec-23	Dec-24	Dec-25
Fixed Assets	0	0	0	1	1	2	3
Long-term Investments	0	0	0	0	0	0	0
Other Intangibles	4	6	6	6	6	6	6
Non-Current Assets	4	6	6	7	7	8	8
Inventories	1	1	1	1	1	1	1
Trade receivables	4	6	5	5	5	6	6
Other current assets	0	0	0	0	0	0	0
Cash & cash equivalents	2	4	5	5	5	5	5
Short term investments	-	-	-	-	-	-	-
Current Assets	6.48	10.83	11	11	12	12	12
Total Assets	10.4	16.7	17	18	19	20	21
Trade payables	2	2	2	2	2	2	3
Other CL	2	2	2	2	2	2	2
Current Liabilities	4.25	3.83	4	4	4	5	5
Debt	1	5	5	5	5	5	5
Other liabilities	0	0	0	0	0	0	0
Non-Current Liabilities	1	5	5	5	5	5	5
Total Liabilities	5.10	9.11	9	10	10	10	10
Paid-in capital	4	4	4	4	4	4	4
Retained earnings	(0)	0	1	1	2	3	3
Reserves	2	2	2	2	2	2	2
Minority Interest		2	2	2	2	2	2
Total Equity	5.24	7.59	8	9	9	10	11
check	-	-	-	-	-	-	-

CASHFLOW STATEMENT	Dec-19	Dec-20	Dec-21	Dec-22	Dec-23	Dec-24	Dec-25
Net Income			0	1	1	1	1
Depreciation			1	1	1	1	1
Operating Cash Flow			1	1	1	2	2
(Inc.) Dec. in Trade Receivables			1	(0)	(0)	(0)	(0)
(Inc.) Dec. in Inventories			(0)	(0)	(0)	(0)	(0)
(Inc.) Dec. in Other current Assets			0	(0)	(0)	(0)	(0)
(Inc.) Dec. in Trade Payables			0	0	0	0	0
(Inc.) Dec. in Other CL			0	0	0	0	0
(Inc.) Dec. in Net Working Capital			1	(0)	(0)	(0)	(0)
Cash Flow from Operations			3	1	1	1	2
Capital Expenditures			(1)	(1)	(1)	(1)	(2)
Short term investmenets			-	-	-	-	-
Cash Flow From Investing			(1)	(1)	(1)	(1)	(2)
Debt			-	-	-	-	-
Dividends			-	-	-	-	-
Cash Flow From Financing			-	-	-	-	-
Change in Cash and Equivalents			1	(0)	(0)	(0)	(0)
BoP Balance			4	5	5	5	5
EoP Balance		4	5	5	5	5	5

CASHFLOW INPUTS	Dec-16	Dec-17	Dec-18	Dec-19	Dec-20	Dec-21	Dec-22
CAPEX	44	21					
Disposals	-	-					
Dividends	-	-					

Portobello

INCOME STATETMENT (EGPmn)	Dec-19	Dec-20	Dec-21	Dec-22	Dec-23	Dec-24	Dec-25
Revenues	45	63	75	90	108	130	156
COGS	(35)	(48)	(58)	(69)	(83)	(100)	(120)
Gross Profit	10.59	14.42	17	21	25	30	36
GP Margin %	23%	23%	23%	23%	23%	23%	23%
SG&A	(3)	(5)	(5)	(6)	(7)	(9)	(11)
Other (expense)/income	0	1	1	1	1	1	1
EBITDA	7.9	10.51	13	16	19	23	27
EBITDA Margin %	18%	17%	17%	17%	17%	17%	17%
Depreciation	(1)	(2)	(2)	(2)	(2)	(2)	(2)
EBIT	6.78	8.57	11	14	17	21	25
EBIT Margin %	15%	14%	15%	15%	16%	16%	16%
Interest expense	(0)	(0)	(0)	(0)	(0)	(0)	(0)
EBT	6.64	8.28	11	13	17	20	25
EBT Margin %	15%	13%	14%	15%	15%	16%	16%
Tax expense	(2)	(2)	(3)	(4)	(5)	(6)	(7)
Net Income	4.74	5.95	8	10	12	15	18
NI Margin %	10%	9%	10%	11%	11%	11%	11%

BALANCE SHEET (EGPmn)	Dec-19	Dec-20	Dec-21	Dec-22	Dec-23	Dec-24	Dec-25
Fixed Assets	0	1	6	12	20	31	43
Long-term Investments	7	24	24	24	24	24	24
Other Intangibles	2	3	3	3	3	3	3
Non-Current Assets	10	28	33	39	48	58	70
Inventories	9	16	18	21	25	30	36
Trade receivables	19	6	19	23	28	33	40
Other current assets	0	0	0	0	0	0	0
Cash & cash equivalents	1	3	1	4	7	11	15
Short term investments	-	-	-	-	-	-	-
Current Assets	29.43	24.63	38	48	60	74	91
Total Assets	40	52	71	87	107	132	162
Trade payables	11	3	11	14	16	20	24
Other CL	13	20	23	28	33	40	48
Current Liabilities	24.34	23.88	35	41	50	60	72
Debt	5	12	12	12	12	12	12
Other liabilities	0	0	0	0	0	0	0
Non-Current Liabilities	5	12	12	12	12	12	12
Total Liabilities	29.62	36.33	47	54	62	72	84
Paid-in capital	3	3	3	3	3	3	3
Retained earnings	7	13	21	30	42	57	74
Reserves	1	0	0	0	0	0	0
Minority Interest	-	-	-	-	-	-	-
Total Equity	10	16	24	33	45	60	78
check	-	-	-	-	-	-	-

CASHFLOW STATEMENT	Dec-19	Dec-20	Dec-21	Dec-22	Dec-23	Dec-24	Dec-25
Net Income			8	10	12	15	18
Depreciation			2	2	2	2	2
Operating Cash Flow			10	12	14	16	20
(Inc.) Dec. in Trade Receivables			(14)	(4)	(5)	(6)	(7)
(Inc.) Dec. in Inventories			(1)	(4)	(4)	(5)	(6)
(Inc.) Dec. in Other current Assets			(0)	(0)	(0)	(0)	(0)
(Inc.) Dec. in Trade Payables			8	2	3	3	4
(Inc.) Dec. in Other CL			3	5	6	7	8
(Inc.) Dec. in Net Working Capital			(4)	(0)	(1)	(1)	(1)
Cash Flow from Operations			6	11	13	16	19
Capital Expenditures			(7)	(8)	(10)	(12)	(15)
Short term investmenets			-	-	-	-	-
Cash Flow From Investing			(7)	(8)	(10)	(12)	(15)
Debt			-	-	-	-	-
Dividends			-	-	-	-	-
Cash Flow From Financing			-	-	-	-	-
Change in Cash and Equivalents			(1)	3	3	4	4
BoP Balance			3	1	4	7	11
EoP Balance		3	1	4	7	11	15

CASHFLOW INPUTS	Dec-16	Dec-17	Dec-18	Dec-19	Dec-20	Dec-21	Dec-22
CAPEX	44	21					
Disposals	-	-					
Dividends	-	-					

APPENDIX C: Discounted Cash Flow

Prime Speed Medical:

Discount Factor		1.1	1.3	1.5	1.7	1.9	1.9
Period		1.0	2.0	3.0	4.0	5.0	5.0

DCF	Total	2020	2021	2022	2023	2024	TERMINAL
EBITDA		46	65	91	127	178	178
Less: D&A		(9)	(9)	(9)	(9)	(9)	(47)
EBIT		**37**	**56**	**82**	**118**	**169**	**131**
Less: Taxes		(8)	(13)	(19)	(27)	(39)	(39)
Less: CAPEX		(22)	(30)	(42)	(59)	(83)	(47)
Change in Working Capital		8	7	9	13	18	12
Add: D&A		9	9	9	9	9	47
FCFF		**24**	**29**	**39**	**54**	**74**	**104**
Discounted FCFF		**21**	**22**	**26**	**32**	**39**	**54**

Sum of Discounted FCFF	194
Discounted Terminal Value	719
Enterprise Value	**913**
Net Debt / (Cash)	25
MI	-
Equity Value	**888**
Number of Shares	260
Fair Value / share (EGP/Share)	**3.4**
EGP:USD	15.70
Equity Value (USD)	**57**

Implied 2018 EV/EBITDA	19.7x
Implied 2019 EV/EBITDA	14.0x
Implied 2020 EV/EBITDA	10.0x

Implied 2018 P/E	32.3x
Implied 2019 P/E	21.3x
Implied 2020 P/E	14.4x

Implied 2018 EV/Sales	7.8x
Implied 2019 EV/Sales	5.6x
Implied 2020 EV/Sales	4.0x

Terminal Value Calculation	
WACC	14.0%
TGR	6.0%
TV	1,382

WACC Calculation	
Risk Free Rate	11.4%
Relevered Beta	1.0
Equity Risk Premium	7.0%
Cost of Equity	**18.4%**
Pre Tax - Cost of Debt	12.3%
Tax Rate	22.5%
After tax Cost of Debt	**9.5%**
Weight of Debt	50%
Weight of Equity	50%
WACC	14.0%

Total Debt Outstanding	40
Total Cash	15
Net Debt Outstanding	**25**

Raya Contact Center:

Discount Factor		1.2	1.4	1.7	2.0	2.3	2.3
Period		1.0	2.0	3.0	4.0	5.0	5.0

DCF	Total	2020	2021	2022	2023	2024	TERMINAL
EBITDA		156	140	125	112	101	101
Less: D&A		(36)	(36)	(36)	(36)	(36)	(37)
EBIT		**120**	**104**	**89**	**76**	**65**	**63**
Less: Taxes		(28)	(25)	(18)	(20)	(18)	(18)
Less: CAPEX		(46)	(41)	(37)	(33)	(30)	(37)
Change in Working Capital		6	7	6	6	5	6
Add: D&A		36	36	36	36	36	37
FCFF		**88**	**81**	**76**	**65**	**58**	**52**
Discounted FCFF		**74**	**57**	**46**	**33**	**25**	**22**

Sum of Discounted FCFF	258
Discounted Terminal Value	143
Enterprise Value	**401**
Net Debt / (Cash)	(198)
MI	-
Equity Value	**599**
Number of Shares	100
Fair Value / share (EGP/Share)	**6.0**
EGP:USD	15.70
Equity Value (USD)	**38**

Implied 2018 EV/EBITDA	2.6x
Implied 2019 EV/EBITDA	2.9x
Implied 2020 EV/EBITDA	3.2x

Implied 2018 P/E	4.8x
Implied 2019 P/E	5.4x
Implied 2020 P/E	7.4x

Implied 2018 EV/Sales	0.5x
Implied 2019 EV/Sales	0.6x
Implied 2020 EV/Sales	0.7x

Terminal Value Calculation	
WACC	18.4%
TGR	2.5%
TV	332

WACC Calculation	
Risk Free Rate	11.4%
Relevered Beta	1.0
Equity Risk Premium	7.0%
Cost of Equity	**18.4%**
Pre Tax - Cost of Debt	12.3%
Tax Rate	22.5%
After tax Cost of Debt	**9.5%**
Weight of Debt	0%
Weight of Equity	100%
WACC	18.4%

Total Debt Outstanding	12
Total Cash	210
Net Debt Outstanding	**(198)**

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Comer Industries:

		1.0	1.1	1.2	1.2	1.3	1.3
Discount Factor							
Period		1.0	2.0	3.0	4.0	5.0	5.0

DCF	Total	2020	2021	2022	2023	2024	TERMINAL
EBITDA		47	50	52	55	58	58
Less: D&A		(18)	(18)	(18)	(18)	(18)	(32)
EBIT		**30**	**32**	**34**	**37**	**40**	**25**
Less: Taxes		(8)	(8)	(9)	(10)	(10)	(10)
Less: CAPEX		(29)	(31)	(32)	(34)	(36)	(32)
Change in Working Capital		(9)	(3)	(3)	(3)	(3)	(3)
Add: D&A		18	18	18	18	18	32
FCFF		**1**	**8**	**8**	**8**	**8**	**12**
Discounted FCFF		**1**	**7**	**7**	**7**	**6**	**9**

Sum of Discounted FCFF	37
Discounted Terminal Value	314
Enterprise Value	**351**
Net Debt / (Cash)	(18)
MI	-
Equity Value	**369**
Number of Shares	20
Fair Value / share	**18.1**
EGP:USD	1.20
Equity Value (USD)	**443**

Implied 2018 EV/EBITDA	7.4x
Implied 2019 EV/EBITDA	7.1x
Implied 2020 EV/EBITDA	6.7x

Implied 2018 P/E	17.6x
Implied 2019 P/E	16.2x
Implied 2020 P/E	15.0x

Implied 2018 EV/Sales	0.8x
Implied 2019 EV/Sales	0.8x
Implied 2020 EV/Sales	0.8x

Terminal Value Calculation	
WACC	5.0%
TGR	2.0%
TV	399

WACC Calculation	
Risk Free Rate	0.9%
Relevered Beta	1.0
Equity Risk Premium	6.9%
Cost of Equity	**7.8%**
Pre Tax - Cost of Debt	2.9%
Tax Rate	24.0%
After tax Cost of Debt	**2.2%**
Weight of Debt	50%
Weight of Equity	50%
WACC	5.0%

Total Debt Outstanding	20
Total Cash	38
Net Debt Outstanding	**(18)**

Fervi SpA:

DCF	Total	2020	2021	2022	2023	2024	TERMINAL
EBITDA		6	7	8	10	12	12
Less: D&A		(1)	(1)	(1)	(1)	(1)	(1)
EBIT		**5**	**6**	**7**	**9**	**11**	**10**
Less: Taxes		(1)	(1)	(2)	(2)	(3)	(3)
Less: CAPEX		(1)	(1)	(1)	(1)	(1)	(1)
Change in Working Capital		(3)	(4)	(4)	(5)	(6)	(5)
Add: D&A		1	1	1	1	1	1
FCFF		**0**	**1**	**1**	**1**	**2**	**3**
Discounted FCFF		**0**	**1**	**1**	**1**	**1**	**2**

Sum of Discounted FCFF	6
Discounted Terminal Value	33
Enterprise Value	**39**
Net Debt / (Cash)	(2)
MI	-
Equity Value	**41**
Number of Shares	3
Fair Value / share (EUR/Share)	**16.0**
EUR:USD	1.20
Equity Value (USD)	**49**

Implied 2018 EV/EBITDA	6.7x
Implied 2019 EV/EBITDA	5.6x
Implied 2020 EV/EBITDA	4.7x

Implied 2018 P/E	11.7x
Implied 2019 P/E	9.4x
Implied 2020 P/E	7.7x

Implied 2018 EV/Sales	1.1x
Implied 2019 EV/Sales	1.0x
Implied 2020 EV/Sales	0.8x

Terminal Value Calculation	
WACC	6.9%
TGR	1.0%
TV	45

WACC Calculation	
Risk Free Rate	1.0%
Relevered Beta	1.0
Equity Risk Premium	9.8%
Cost of Equity	**10.8%**
Pre Tax - Cost of Debt	4.0%
Tax Rate	24.0%
After tax Cost of Debt	**3.0%**
Weight of Debt	50%
Weight of Equity	50%
WACC	6.9%

Total Debt Outstanding	3
Total Cash	5
Net Debt Outstanding	**(2)**

Intred SpA:

		1.0	1.1	1.2	1.2	1.3	1.3
Discount Factor		1.0	1.1	1.2	1.2	1.3	1.3
Period		1.0	2.0	3.0	4.0	5.0	5.0

DCF	Total	2020	2021	2022	2023	2024	TERMINAL
EBITDA		11	13	15	19	23	23
Less: D&A		(3)	(3)	(3)	(3)	(3)	(11)
EBIT		8	10	13	16	20	12
Less: Taxes		(2)	(2)	(3)	(4)	(5)	(5)
Less: CAPEX		(7)	(9)	(10)	(13)	(15)	(11)
Change in Working Capital		2	2	2	3	4	3
Add: D&A		3	3	3	3	3	11
FCFF		3	4	4	5	6	10
Discounted FCFF		3	3	4	4	5	8

				Terminal Value Calculation	
Sum of Discounted FCFF	27		WACC	5.0%
Discounted Terminal Value	266		TGR	2.0%
Enterprise Value	**293**		TV	339
Net Debt / (Cash)	(9)			
MI	-		**WACC Calculation**	
Equity Value	**302**		Risk Free Rate	0.9%
Number of Shares	16			
Fair Value / share (EGP/Share)	**19.1**		Relevered Beta	1.0
			Equity Risk Premium	6.9%
			Cost of Equity	**7.8%**
EUR:USD	1.20			
Equity Value (USD)	**362**		Pre Tax - Cost of Debt	2.9%
			Tax Rate	24.0%
Implied 2018 EV/EBITDA	27.8x		**After tax Cost of Debt**	**2.2%**
Implied 2019 EV/EBITDA	23.0x			
Implied 2020 EV/EBITDA	19.0x		Weight of Debt	50%
			Weight of Equity	50%
Implied 2018 P/E	52.2x			
Implied 2019 P/E	40.5x		WACC	5.0%
Implied 2020 P/E	31.8x			
			Total Debt Outstanding	1
Implied 2018 EV/Sales	11.6x		Total Cash	10
Implied 2019 EV/Sales	9.6x		**Net Debt Outstanding**	**(9)**
Implied 2020 EV/Sales	7.9x			

Powersoft:

		1.0	1.1	1.2	1.2	1.3	1.3
Discount Factor		1.0	1.1	1.2	1.2	1.3	1.3
Period		1.0	2.0	3.0	4.0	5.0	5.0

DCF	Total	2020	2021	2022	2023	2024	TERMINAL
EBITDA		6	7	7	8	9	9
Less: D&A		(2)	(2)	(2)	(2)	(2)	(2)
EBIT		4	5	5	6	7	6
Less: Taxes		(2)	(2)	(3)	(3)	(3)	(3)
Less: CAPEX		(2)	(2)	(2)	(2)	(3)	(2)
Change in Working Capital		(1)	(1)	(1)	(1)	(1)	(1)
Add: D&A		2	2	2	2	2	2
FCFF		0	2	2	2	2	3
Discounted FCFF		0	1	2	2	2	2

				Terminal Value Calculation	
Sum of Discounted FCFF	9		WACC	5.0%
Discounted Terminal Value	77		TGR	2.0%
Enterprise Value	**86**		TV	99
Net Debt / (Cash)	(11)			
MI	-		**WACC Calculation**	
Equity Value	**98**		Risk Free Rate	0.9%
Number of Shares	11			
Fair Value / share	**8.8**		Relevered Beta	1.0
			Equity Risk Premium	6.9%
			Cost of Equity	**7.8%**
EUR:USD	1.20			
Equity Value (USD)	**117**		Pre Tax - Cost of Debt	2.9%
			Tax Rate	24.0%
Implied 2018 EV/EBITDA	14.6x		**After tax Cost of Debt**	**2.2%**
Implied 2019 EV/EBITDA	13.3x			
Implied 2020 EV/EBITDA	12.0x		Weight of Debt	50%
			Weight of Equity	50%
Implied 2018 P/E	16.1x			
Implied 2019 P/E	15.0x		WACC	5.0%
Implied 2020 P/E	13.9x			
			Total Debt Outstanding	1
Implied 2018 EV/Sales	2.1x		Total Cash	13
Implied 2019 EV/Sales	1.9x		**Net Debt Outstanding**	**(11)**
Implied 2020 EV/Sales	1.7x			

Labomar:

Discount Factor		1.0	1.1	1.2	1.2	1.3	1.3
Period		1.0	2.0	3.0	4.0	5.0	5.0

DCF	Total	2020	2021	2022	2023	2024	TERMINAL
EBITDA		10	12	13	14	16	16
Less: D&A		(3)	(3)	(3)	(3)	(3)	(5)
EBIT		7	9	10	11	13	11
Less: Taxes		(2)	(2)	(2)	(3)	(3)	(3)
Less: CAPEX		(3)	(4)	(4)	(5)	(5)	(5)
Change in Working Capital		(4)	1	1	1	1	(0)
Add: D&A		3	3	3	3	3	5
FCFF		1	6	7	8	8	8
Discounted FCFF		1	6	6	6	7	6

Sum of Discounted FCFF	32
Discounted Terminal Value	151
Enterprise Value	**183**
Net Debt / (Cash)	13
MI	-
Equity Value	**170**
Number of Shares	14
Fair Value / share	**12.0**
EUR:USD	1.20
Equity Value (USD)	**204**

Implied 2018 EV/EBITDA	17.6x
Implied 2019 EV/EBITDA	15.8x
Implied 2020 EV/EBITDA	14.2x

Implied 2018 P/E	33.6x
Implied 2019 P/E	28.7x
Implied 2020 P/E	24.7x

Implied 2018 EV/Sales	3.4x
Implied 2019 EV/Sales	3.1x
Implied 2020 EV/Sales	2.8x

Terminal Value Calculation	
WACC	5.0%
TGR	1.0%
TV	193

WACC Calculation	
Risk Free Rate	0.9%
Relevered Beta	1.0
Equity Risk Premium	6.9%
Cost of Equity	**7.8%**
Pre Tax - Cost of Debt	2.9%
Tax Rate	24.0%
After tax Cost of Debt	**2.2%**
Weight of Debt	50%
Weight of Equity	50%
WACC	5.0%

Total Debt Outstanding	20
Total Cash	7
Net Debt Outstanding	**13**

Kolinpharma:

Discount Factor		1.0	1.1	1.2	1.2	1.3	1.3
Period		1.0	2.0	3.0	4.0	5.0	5.0

DCF	Total	2020	2021	2022	2023	2024	TERMINAL
EBITDA		2	2	2	2	2	2
Less: D&A		(1)	(1)	(1)	(1)	(1)	(1)
EBIT		1	1	1	1	2	1
Less: Taxes		(0)	(0)	(0)	(0)	(0)	(0)
Less: CAPEX		(1)	(1)	(1)	(1)	(2)	(1)
Change in Working Capital		1	(0)	(0)	(0)	(0)	(0)
Add: D&A		1	1	1	1	1	1
FCFF		2	0	0	0	1	1
Discounted FCFF		2	0	0	0	0	1

Sum of Discounted FCFF	4
Discounted Terminal Value	18
Enterprise Value	**22**
Net Debt / (Cash)	1
MI	-
Equity Value	**21**
Number of Shares	2
Fair Value / share (EGP/Share)	**12.5**
EUR:USD	1.20
Equity Value (USD)	**25**

Implied 2018 EV/EBITDA	10.8x
Implied 2019 EV/EBITDA	10.3x
Implied 2020 EV/EBITDA	9.8x

Implied 2018 P/E	47.8x
Implied 2019 P/E	40.8x
Implied 2020 P/E	35.4x

Implied 2018 EV/Sales	2.5x
Implied 2019 EV/Sales	2.4x
Implied 2020 EV/Sales	2.3x

Terminal Value Calculation	
WACC	5.0%
TGR	2.0%
TV	22

WACC Calculation	
Risk Free Rate	0.9%
Relevered Beta	1.0
Equity Risk Premium	6.9%
Cost of Equity	**7.8%**
Pre Tax - Cost of Debt	2.9%
Tax Rate	24.0%
After tax Cost of Debt	**2.2%**
Weight of Debt	50%
Weight of Equity	50%
WACC	5.0%

Total Debt Outstanding	5
Total Cash	4
Net Debt Outstanding	**1**

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Portobello:

		1.0	1.1	1.2	1.2	1.3	1.3
Discount Factor							
Period		1.0	2.0	3.0	4.0	5.0	5.0

DCF	Total	2020	2021	2022	2023	2024	TERMINAL
EBITDA		13	16	19	23	27	27
Less: D&A		(2)	(2)	(2)	(2)	(2)	(13)
EBIT		**11**	**14**	**17**	**21**	**25**	**14**
Less: Taxes		(3)	(4)	(5)	(6)	(7)	(7)
Less: CAPEX		(7)	(8)	(10)	(12)	(15)	(13)
Change in Working Capital		(4)	(0)	(1)	(1)	(1)	(1)
Add: D&A		2	2	2	2	2	13
FCFF		**(1)**	**3**	**3**	**4**	**5**	**6**
Discounted FCFF		**(1)**	**3**	**3**	**3**	**4**	**5**

Terminal Value Calculation	
WACC	5.0%
TGR	2.0%
TV	209

Sum of Discounted FCFF	16
Discounted Terminal Value	164
Enterprise Value	**181**
Net Debt / (Cash)	10
MI	-
Equity Value	**171**
Number of Shares	3
Fair Value / share (Eur/Share)	**60.9**
EUR:USD	1.20
Equity Value (USD)	**205**

WACC Calculation	
Risk Free Rate	0.9%
Relevered Beta	1.0
Equity Risk Premium	6.9%
Cost of Equity	**7.8%**
Pre Tax - Cost of Debt	2.9%
Tax Rate	24.0%
After tax Cost of Debt	**2.2%**
Weight of Debt	50%
Weight of Equity	50%
WACC	5.0%

Implied 2018 EV/EBITDA	13.8x
Implied 2019 EV/EBITDA	11.5x
Implied 2020 EV/EBITDA	9.6x

Total Debt Outstanding	12
Total Cash	3
Net Debt Outstanding	**10**

Implied 2018 P/E	22.2x
Implied 2019 P/E	17.8x
Implied 2020 P/E	14.5x

Implied 2018 EV/Sales	2.4x
Implied 2019 EV/Sales	2.0x
Implied 2020 EV/Sales	1.7x

APPENDIX D: Multiples

List of Comparable Companies	Country	*2021* EV/EBITDA Frwd	P/E Frwd
Medicare Group Q.P.S.C.	Qatar	24.2	31.5
Middle East Healthcare Company	KSA	14.6	23.9
National Medical Care Company	KSA	10.0	20.4
Al Hammadi Company For Development	KSA	13.7	23.4
Mouwasat Medical Services Company	KSA	17.6	23.6
Fleury S.A.	Brazil	11.7	23.7
Instituto Hermes Pardini S.A.	Brazil	9.0	16.8
Dian Diagnostics Group Co.,Ltd.	China	12.6	24.7
Life Healthcare Group Holdings Limited	South Africa	6.7	14.9
Thyrocare Technologies Limited	India	21.7	33.4
Dr. Lal PathLabs Limited	India	38.5	59.4
Laboratory Corporation of America Holdi	USA	8.6	10.8
Sonic Healthcare Limited	Australia	10.5	20.4
RadNet, Inc.	USA	12.2	n.m.
Medicover AB (publ)	Sweden	14.8	48.3
Quest Diagnostics Incorporated	United States	8.8	11.4
Akumin Inc.	Canada	8.6	11.9
Integral Diagnostics Limited	Australia	12.4	22.6
Ibn Sina Pharma (S.A.E)	Egypt	10.7	10.8
Cleopatra Hospital Group S.A.E.	Egypt	10.1	16.4
Tenth of Ramadan for Pharmaceutical In	Egypt	9.7	13.7
Integrated Diagnostics Holdings plc	Jersey	7.7	14.1
Median		**11.2x**	**20.4x**
SPMD		**19.7x**	**78.3x**

EBITDA Frwd	46	
Net Income Frwd	27	
Net Debt	25	
Equity Value (EV/EBITDA)	494	
Equity Value (P/E)	561	
Median Multiple based Equity Value	**527**	
Number of Shares	260	
Fair Value / share	**2.0**	

List of Comparable Companies	Country	EV/EBITDA Frwd	P/E Frwd
		2021	
Teleperformance SE	France	4.5x	8.0x
TTEC Holdings, Inc.	United States	2.5x	7.0x
transcosmos inc.	Japan	4.2x	4.0x
Atento S.A.	Luxembourg	4.5x	4.2x
Firstsource Solutions Limited	India	4.8x	12.0x
Hinduja Global Solutions Limited	India	n.a.	4.5x
WNS (Holdings) Limited	India	4.3x	9.4x
Scicom (MSC) Berhad	Malaysia	4.1x	13.4x
Octopustech	India	n.a.	4.0x
Median		**4.3x**	**7.0x**
Raya Contact Center (S.A.E)	**Egypt**	3.4x	7.3x

EBITDA Frwd	156
Net Income Frwd	124
Net Debt	-198
Equity Value (EV/EBITDA)	867
Equity Value (P/E)	866
Median Multiple based Equity Value	**866**
Number of Shares	100
Fair Value / share	**8.7**

List of Comparable Companies	Country	EV/EBITDA Frwd	P/E Frwd
Georg Fischer AG		13.1	24.7
Heidelberger Druckmaschinen AG		3.5	22.4
Vesuvius PLC		8.5	15.5
Valmet Oyj		10.3	17.5
Emak SpA		5.9	10.5
Husqvarna AB		9.7	18.8
Biesse SpA		8.4	32.9
Median		**8.5x**	**18.8x**
COM IM		**9.2x**	**17.9x**

EBITDA Frwd	47
Net Income Frwd	21
Net Debt	-18
Equity Value (EV/EBITDA)	421
Equity Value (P/E)	395
Median Multiple based Equity Value	**408**
Number of Shares	20
Fair Value / share	**20.0**

List of Comparable Companies		*2021* EV/EBITDA Frwd	P/E Frwd
Koenig & Bauer AG		8.2	10.4
Klingelnberg AG		8.5	10.8
Jensen-Group NV		6.4	10.6
heidelberger druckmaschinen AG		3.5	8.4
Median		**7.3x**	**10.5x**
Fervi SpA		**22.9x**	**31.5x**

EBITDA Frwd	6
Net Income Frwd	3
Net Debt	-2
Equity Value (EV/EBITDA)	44
Equity Value (P/E)	37
Median Multiple based Equity Value	**40**
Number of Shares	3
Fair Value / share	**15.8**

List of Comparable Companies	Country	*2021* EV/EBITDA Frwd	P/E Frwd
Retelit		24.0	41.7
Cognet Communications		25.8	44.0
WIIT Spa		23.4	42.1
Elisa Oyj		26.7	43.5
Chorus Limited		25.6	47.2
Median		**24.8x**	**42.8x**
ITD IM		**12.7x**	**21.6x**

EBITDA Frwd	11
Net Income Frwd	6
Net Debt	-9
Equity Value (EV/EBITDA)	270
Equity Value (P/E)	247
Median Multiple based Equity Value	**259**
Number of Shares	16
Fair Value / share	**16.3**

List of Comparable Companies	Country	2021	
		EV/EBITDA Frwd	P/E Frwd
Supreme PLC		11.5	14.4
Quadient SA		5.5	10.7
Stemmer Imaging AG		12.3	27.2
Datalogic SpA		11.7	25.6
Median		**11.6x**	**20.0x**
PWS IM		**13.5x**	**24.2x**

EBITDA Frwd	6
Net Income Frwd	6
Net Debt	-11
Equity Value (EV/EBITDA)	80
Equity Value (P/E)	122
Median Multiple based Equity Value	**101**
Number of Shares	11
Fair Value / share	**9.1**

List of Comparable Companies	2021	
	EV/EBITDA Frwd	P/E Frwd
Lalique Group SA	19.5	20.0
Interparfums SA	36.1	64.0
Suominen Oyj	6.1	11.5
Beiersdorf AG	15.3	30.6
Accrol Group Holdings PLC	9.3	14.5
L'Oreal SA	24.2	40.4
NeoPharm CO., LTD. (KOSDAQ:A092730)	n.a	14.5
Venture Life Group plc (AIM:VLG)	n.a	29.4
Median	**17.4x**	**24.7x**
LBM IM	**25.3x**	**15x**

EBITDA Frwd	10
Net Income Frwd	5
Net Debt	13
Equity Value (EV/EBITDA)	168
Equity Value (P/E)	125
Median Multiple based Equity Value	**147**
Number of Shares	14
Fair Value / share	**10.4**

List of Comparable Companies	Country	2021 EV/EBITDA Frwd	P/E Frwd
Lonza Group		27.1	41.4
ICON PLC		17.1	24.7
UDG Healthcare		12.9	21.8
Spire Healthcare Group		n.a	47.2
Instem PLC		13.0	28.9
M1 Klinken		7.9	15.8
Pihlajalinna		7.2	13.6
Median		**12.9x**	**23.3x**
KIP IM		**6.6x**	**14.1x**

EBITDA Frwd	2
Net Income Frwd	0
Net Debt	1
Equity Value (EV/EBITDA)	25
Equity Value (P/E)	10
Median Multiple based Equity Value	**17**
Number of Shares	2
Fair Value / share	**10.6**

List of Comparable Companies	Country	2021 EV/EBITDA Frwd	P/E Frwd
WPP PLC		8.2	13.3
Stroeer SE &Co KGA		10.1	22.1
Pebble Group		16.2	34.1
S4 Capital PLC		24.5	38.3
Median		**10.1x**	**22.1x**
PORTO IM		**24.5x**	**38.3x**

EBITDA Frwd	13
Net Income Frwd	8
Net Debt	10
Equity Value (EV/EBITDA)	122
Equity Value (P/E)	171
Median Multiple based Equity Value	**147**
Number of Shares	3
Fair Value / share	**52.1**

APPENDIX E: Analyst Recommendations

	Firm	Analyst	Recommendation	Tgt Px	Date	1 Yr Rtn	BARR	Rank	
1)	Arqaam Capital Limi...	Hadeel Elmasry	buy		04/05/21				~
2)	Pharos Holdings	Merna Arafat	overweight	3.50	02/24/21				~
3)	CI Capital	Mohamed Antar	overweight	2.32	01/17/21				~
4)	Beltone Financial (A...	Aly Adel	buy	2.00	11/16/20	180.57%	1	1	~

Bloomberg Analyst Recommendations terminal screen for Raya Contact Center SAE (RACC EY Equity)

		Firm	Analyst	Recommendation	Tgt Px	Date	1 Yr Rtn	BARR	Rank
1)		EFG-Hermes	Omar Maher	buy	6.00	06/14/20	44.44%	1	1
2)		CI Capital	Hassan Abdelgelil	overweight	5.20	02/12/20	44.44%	1	
3)		Pharos Holdings	Mariam Wael	overweight	5.30	12/04/19	44.44%	1	2

POR IM € ↑ 37.20   -0.60   M37.00 /37.30 M   300 x 750
At 7:18 d   Vol 4,350   O 37.30 M   H 37.60 M   L 37.00 M   Val 162,195

POR IM Equity   Actions ▾ Alert Export   Analyst Recommendations
Portobello SpA   As of 05/05/21
Consensus Rating   5.00   6M   1Y   2Y   5Y   Max
Buys   100.0%   3
Holds   0.0%   0
Sells   0.0%   0

12M Tgt Px   3/3   56.53
Last Price   37.20
Pricing Currency   EUR
Return Potential   52.0%
LTM Return   312.4%

Showing 3 of 3 sources

	Firm	Analyst	Recommendation	Tgt Px	Date	1 Yr Rtn	BARR	Rank
1)	Banca Finnat Euram…	Gian Franco Travers…	buy	49.60	04/15/21	319.07%	1	
2)	Integrae SIM SPA	Mattia Petracca	buy	55.00	03/18/21	319.07%	1	1
3)	Midcap Partners	Alessandro Cuglietta	◆ buy	65.00	03/17/21			

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SN 368902 EDT GMT-4:00 G593-5192-2 05-May-2021 07:36:09
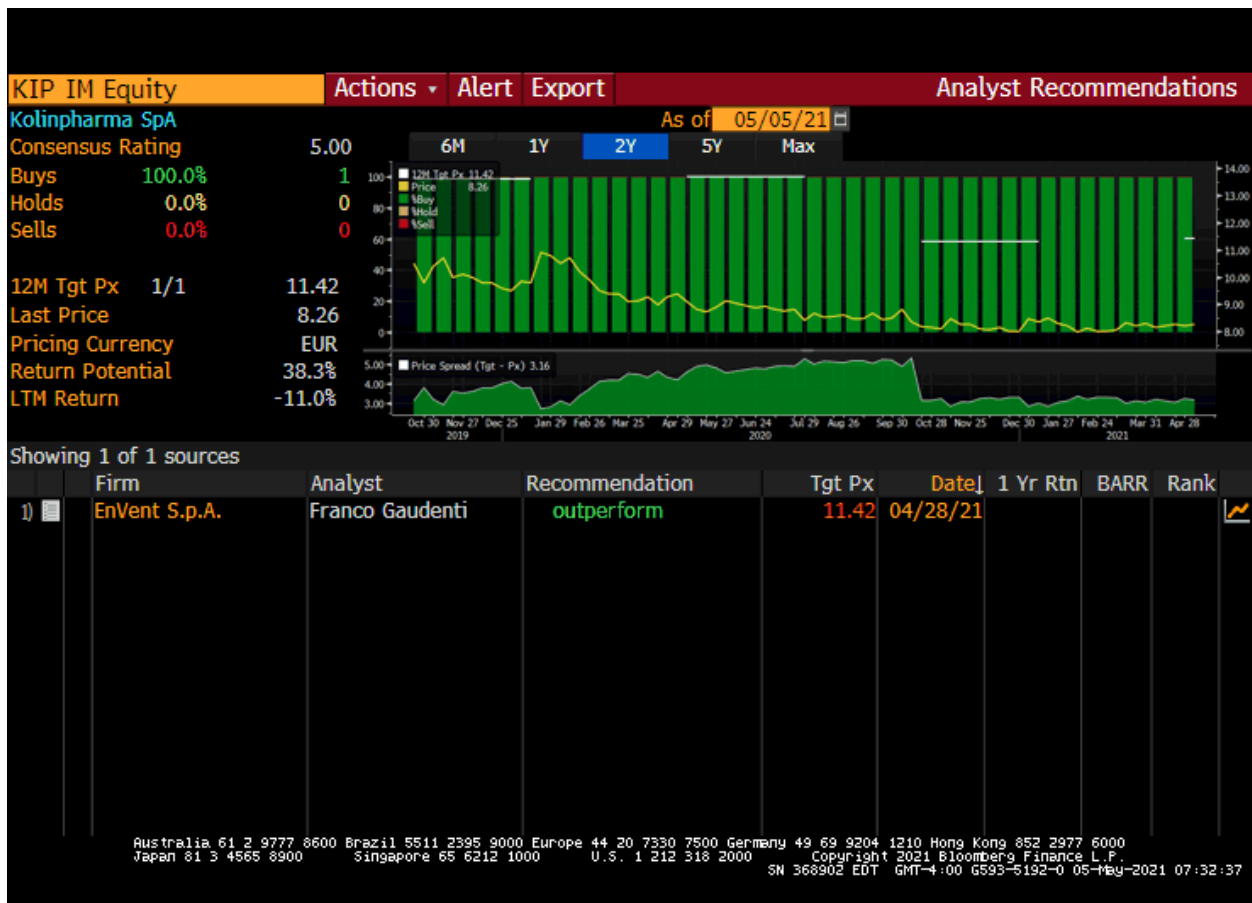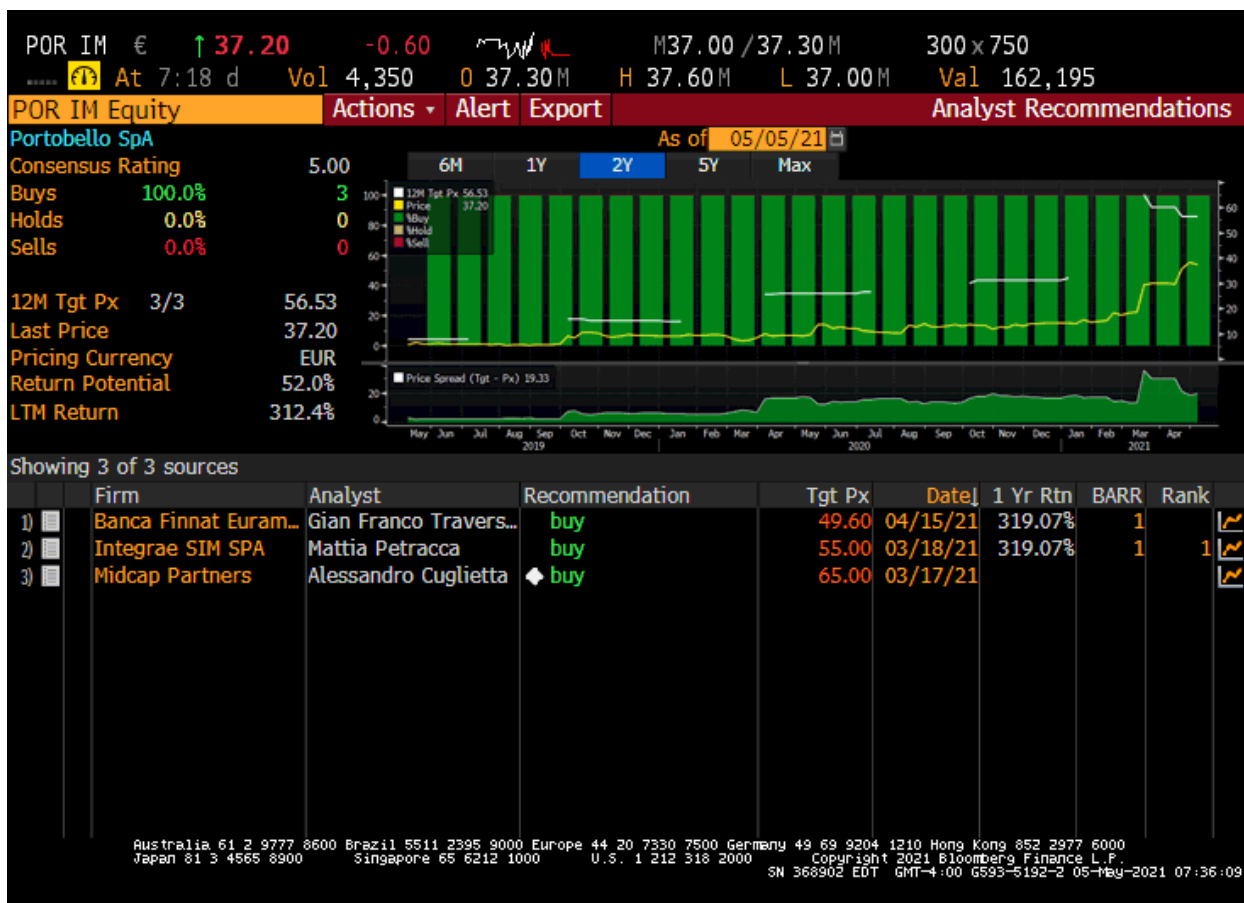
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Speed Medical
4Q20 Results
16 February 2021

Revenues and Profitability Continue to Surge

Overweight SPMD | Fair Value EGP2.80

Reuters / Bloomberg:	SPMD.CA / SPMD EY
Market Cap, EGP m:	3,383
52W H-L, EGP/Share:	3.14-0.65
Last Price, EGP/Share:	3.05
Fair Value, EGP/Share:	2.80
52W ADTV, EGP m:	9.7
Shares Outstanding, m:	1,109

APPENDIX F: Comparable Forward Multiples

	COM IM € ↓ 18.00 +0.10 ⌐↗		M18.10 / 18.20M	300 × 1200			
	At 5:43 d Vol 35,250 O 17.90M		H 18.30M L 17.60M	Val 635,220			

COM IM Equity — Export ▾ Settings ▾ — **Equity Relative Valuation**

Comp Source BICS Best Fit (Algo) ▾ ✎ Region Global ▾ Mkt Cap > 5B Curr USD ▾

vs Comps | Group Dynamics | vs Self

Show Historical Context

Summary of Current Multiples

	Name	2Y Corr	Mkt Cap (USD)	BF P/E	BF EV/EBITDA	BF EV/EBIT	BF EV/Rev	LF P/BV
11)	Comer Industries SpA		442.53M	14.1x	6.7x	10.1x	0.9x	2.8x
	Current Premium to Comps Me…			-21%	-27%	-28%	-24%	-15%
	Mean (Including COM IM)		2.35B	17.9x	9.2x	14.1x	1.2x	3.4x
	Median		637.78M	17.0x	9.4x	13.4x	1.3x	3.3x
	Low		276.86M	14.8x	3.4x	11.9x	0.3x	1.0x
	High		8.11B	24.2x	12.8x	18.9x	1.6x	7.0x
12)	Georg Fischer AG	0.24	5.79B	24.2x	12.8x	18.9x	1.5x	3.9x
13)	Heidelberger Druckmaschinen …	0.24	481.21M	20.8x	3.4x	7.4x	0.3x	7.0x
14)	Vesuvius PLC	0.18	2.19B	16.6x	9.0x	12.8x	1.1x	1.5x
15)	Valmet Oyj	0.18	6.22B	17.3x	10.1x	12.8x	1.3x	4.8x
16)	Husqvarna AB	0.17	8.11B	18.5x	9.6x	14.0x	1.6x	3.5x
17)	Emak SpA	0.16	276.86M	10.5x	5.9x	9.9x	0.7x	1.0x
18)	Biesse SpA	0.15	844.74M	33.8x	8.8x	19.4x	0.9x	3.3x
19)	Piovan SpA	0.09	464.88M	14.8x	9.2x	11.9x	1.4x	5.4x
20)	Photo-Me International PLC	0.08	382.65M	--	--	--	--	2.1x
21)	Exel Industries	0.05	637.78M	16.0x	10.9x	14.1x	0.8x	1.7x

Grey values are excluded from group stats. — Analyze List

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Japan 81 3 4565 8900 Singapore 65 6212 1000 U.S. 1 212 318 2000 Copyright 2021 Bloomberg Finance L.P.
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FVI IM € ↑ 11.60 +0.10   M11.40 /11.70 M   200 x 300
■■■■ 🔆 At 5:24 d   Vol 100   O 11.60 M   H 11.60 M   L 11.60 M   Val 1160.00

FVI IM Equity   Export ▾ Settings ▾   **Equity Relative Valuation**

Comp Source BICS Best Fit (Algo) ▾ ✎ Region Global   ▾ Mkt Cap > 5B Curr USD ▾

vs Comps   Group Dynamics   vs Self

Show Historical Context

Summary of Current Multiples

Name	2Y Corr	Mkt Cap (USD)	BF P/E	BF EV/EBITDA	BF EV/EBIT	BF EV/Rev	LF P/BV
11) Fervi SpA		35.48M	--	--	--	--	1.3x
Current Premium to Comps Me...			--	--	--	--	-73%
Mean (Including FVI IM)		499.29M	23.8x	11.5x	15.7x	1.5x	4.6x
Median		527.46M	25.5x	7.9x	15.7x	0.7x	3.5x
Low		35.48M	12.8x	3.4x	8.9x	0.3x	1.3x
High		941.09M	31.5x	22.9x	22.4x	4.7x	12.1x
12) XANO Industri AB	0.14	610.47M	--	--	--	--	4.9x
13) Koenig & Bauer AG	0.14	527.46M	31.7x	10.0x	25.1x	0.5x	1.3x
14) Photo-Me International PLC	0.12	382.51M	--	--	--	--	2.1x
15) Klingelnberg AG	0.12	212.07M	28.3x	10.7x	17.9x	0.8x	1.5x
16) Jensen-Group NV	0.12	258.05M	20.3x	7.9x	--	0.7x	1.6x
17) Washtec AG	0.12	941.09M	30.8x	15.9x	22.4x	2.0x	7.5x
18) Homag Group AG	0.11	895.68M	--	--	--	--	6.6x
19) Einhell Germany AG	0.10	604.65M	12.8x	7.6x	8.9x	0.6x	2.1x
20) Heidelberger Druckmaschinen ...	0.10	480.44M	20.8x	3.4x	7.4x	0.3x	7.0x
21) Judges Scientific PLC	0.09	544.24M	31.5x	22.9x	25.0x	4.7x	12.1x

Grey values are excluded from group stats.   Analyze List

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Japan 81 3 4565 8900   Singapore 65 6212 1000   U.S. 1 212 318 2000   Copyright 2021 Bloomberg Finance L.P.
SN 368902 EDT GMT-4:00 G623-2676-2 06-May-2021 07:30:29

PWS IM   €   ↓4.32   -0.10   M4.28/4.32M   1500×1000
At 4:36 d   Vol 3,000   O 4.40M   H 4.40M   L 4.32M   Val 13,040.0

Comp Source BICS Best Fit (Algo) ▾ ✎   Region Global ▾   Mkt Cap > 5B   Curr USD ▾

vs Comps | Group Dynamics | vs Self

Show Historical Context

Summary of Current Multiples

Name	2Y Corr	Mkt Cap (USD)	BF P/E	BF EV/EBITDA	BF EV/EBIT	BF EV/Rev	LF P/BV
11) Powersoft SpA		57.59M	--	--	--	--	2.3x
Current Premium to Comps Me...			--	--	--	--	-39%
Mean (Including PWS IM)		2.22B	24.8x	13.6x	18.8x	2.3x	3.8x
Median		320.28M	25.9x	12.4x	19.7x	1.5x	2.8x
Low		57.59M	10.2x	5.4x	9.3x	1.2x	0.6x
High		19.28B	33.6x	20.9x	26.5x	4.7x	10.1x
12) Supreme PLC	0.18	320.28M	14.6x	11.6x	12.8x	1.9x	--
13) Quadient SA	0.16	945.10M	10.2x	5.4x	9.3x	1.3x	0.6x
14) Datalogic SpA	0.14	1.23B	25.8x	11.8x	19.7x	1.7x	2.7x
15) Stemmer Imaging AG	0.14	216.89M	28.5x	13.1x	18.0x	1.2x	2.9x
16) Xaar PLC	0.10	202.40M	--	110.0x	--	2.5x	2.8x
17) Parrot SA	0.09	198.75M	--	--	--	--	1.4x
18) Focusrite PLC	0.08	1.06B	33.6x	20.9x	26.5x	4.7x	10.1x
19) Bang & Olufsen A/S	0.08	662.31M	46.4x	11.0x	30.0x	1.2x	3.6x
20) Guillemot Corp	0.07	275.86M	--	--	--	--	2.9x
21) Logitech International SA	0.05	19.28B	25.9x	19.3x	20.5x	3.4x	8.3x

Grey values are excluded from group stats.   Analyze List