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IMPRESA – SGPS, S.A.: EQUITY VALUATION

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DISSERTATION WRITTEN UNDER THE SUPERVISION OF PROFESSOR JOSÉ CARLOS TUDELA MARTINS

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ABSTRACT

The aim of this dissertation is to value IMPRESA – SGPS, S.A.. Its fundamental goals are to determine how much the company is worth, as well as to provide a buy or sell recommendation, based on a comparison between the calculated/estimated value and the current market price of the same company.

In the first place, the state of the art about equity valuation is carefully addressed, starting with an overview of the models and techniques available. Given that, IMPRESA – SGPS, S.A. was valued by using the Discounted Cash Flows method and a Multiples Valuation. After that, the media and communications industry is analyzed, paying special attention to the environment in which the company operates. Later on, a brief overview of the company itself is conducted.

As a result, IMPRESA – SGPS, S.A. was valued at € 1,07 per share and, for that reason, a Buy recommendation was decided, given that it was trading in the market at € 0,47.

To conclude, a comparison with the valuation of Caixa Banco de Investimento is conducted and the major differences analyzed.

TÍTULO DA DISSERTAÇÃO: IMPRESA – SGPS, S.A.: Equity Valuation

AUTOR: Fábio Gonçalves Viegas

RESUMO

O principal propósito desta tese é efetuar uma avaliação da IMPRESA – SGPS, S.A.. Deste modo, os seus principais objectivos são não só determinar o valor da empresa, como também efetuar uma recomendação de compra ou venda, baseada na comparação do valor estimado com o atual preço de mercado da referida empresa.

Em primeiro lugar, é efectuada uma Revisão Literária, na qual a literatura existente relativamente a avaliação de empresas é cuidadosamente analisada, incluindo uma apresentação dos modelos existentes. Posteriormente, uma decisão relativamente às técnicas a utilizar é tomada, sendo neste caso escolhidos o Método dos Fluxos de Caixa Descontados e uma avaliação através de Múltiplos. Depois, é efectuada uma análise da indústria dos media e comunicações, com especial atenção ao ambiente em que a empresa em estudo opera, culminando numa breve apresentação da mesma empresa.

No final, resultado de todo o processo, a empresa é avaliada em € 1,07 por ação e, desse modo, uma recomendação de compra é emitida, uma vez que estas estão avaliadas pelo mercado em € 0,47.

Para concluir, é efectuada uma comparação com uma avaliação feita por um banco de investimento, neste caso o Caixa Banco de Investimento, na qual são apontadas e analisadas as maiores diferenças existentes.



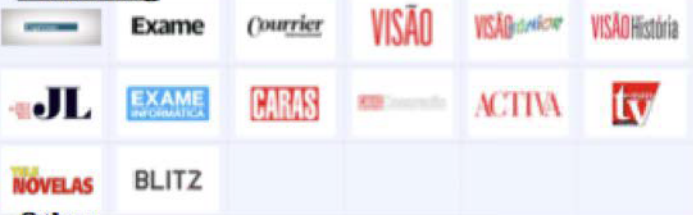
EXECUTIVE SUMMARY

IMPRESA – Sociedade Gestora de Participações Sociais, S.A. (1990) is a Portuguese holding company whose main field of operations is the media and whose activity can be divided into three segments: Television (7 TV channels), Publishing (several magazines and newspapers) and Other (residual activity in the real state, multimedia and geo-location technologies). Its roots take us back to 1972, when Francisco Pinto Balsemão created Sojornal. In 1991, IMPRESA established SIC, the first private television channel in Portugal, starting its emissions in October 1992.

Television



Publishing



Other



INDUSTRY

IMPRESA operates in the media and entertainment industry, which, in addition to the large effects of the economic crisis, has been particularly impacted by technological change. This is because that shift created more demanding buyers/users and made this business very challenging for companies. In spite of that, the believe around the industry is that the worst period has already passed and from now on, recovery is expected.

In order to succeed and sustain growth, companies in this sector have to master increased consumer experience, choice/flexibility and innovation instead of content quality. What consumers want is to have access to the broadest set of content (shift from buying to accessing content), when and where ever they want to (shift to on-demand and mobile business, with digital disrupting traditional media means).

Market Info:

- #shares: 168 000 000
- Share price (31stDec 2015): € 0,47
- Share price (31stMar 2016): € 0,37
- Share price (31stMay 2016): € 0,27

Thesis Info:

- #shares: 168 000 000
- Target Share price: € 1,07

Caixa Banco de Investimento Info:

- Target price: € 0,75 (€ 0,83 without small cap)



RECOMMENDATION:
BUY

ACKNOWLEDGEMENTS

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Also, my friends and colleagues that have helped me throughout this journey have to be mentioned, since they were major players in this adventure. I am not going to nominate anyone, but they most probably know who they are and their actual contribution, as well as the meaning attached to that.

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1. INTRODUCTION

This dissertation was written under the Equity Valuation Dissertation Seminar, whose objectives are to develop and work on the valuation of a listed company, as well as to compare it to financial analysts' valuations, ultimately providing a buy/sell recommendation, accordingly. Therefore, its specific aim is to conduct a valuation of IMPRESA – Sociedade Gestora de Participações Sociais, S.A., hereafter referred to as “IMPRESA”.

In pursuance of the methods that better fit IMPRESA's characteristics and also having in mind the business conducted by this company, in the first place, current literature on the valuation topic is analyzed, outlining major advantages and problems of each model.

After selecting the most appropriate methods, the value of IMPRESA will be estimated using the Discounted Cash Flows approach, as well as a Multiples Valuation, and subsequently compared to the current market valuation. Along with that, a recommendation will be issued, according to the difference in the referred values, estimated and compared as of the 31st of December 2015.

Lastly, the value obtained in the development of this thesis will be compared to the one computed by Caixa Banco de Investimento, with a view to identify potential arguments that might justify the differences found, as well as to compare the different rationales and assumptions made. However, it should be expected that there are no substantial differences in the recommendations made, even if the methods used or the assumptions stated slightly differ.

2. MOTIVATION AND LIST OF RESEARCH QUESTIONS

The choice of IMPRESA as the company to study during my Equity Valuation research was given quite substantially by the fact that it is mainly operating in a very fascinating sector. In addition to that, the fact that it was one of the few Portuguese companies that could still be chosen also weighted somehow in my choice, since I already had the desire to study a Portuguese company and not a foreign one. This one not only meets my interests, as well as it has a very interesting set of fields of operation and it is undertaking a restructuring process at the moment. Also, initially it appeared to be followed by several investment banks and to have very detailed and organized information available to investors, which might also be seen as an advantage for my future research, even if it ended up not being true, but only a matter of information not updated or a first glance mistake.

As for research questions, the main one has understandably to be:

How much is IMPRESA worth as of 31st of December 2015?

This broader question can nevertheless be fragmented into some more concise questions:

How can one describe IMPRESA's businesses and their weight in the firm value?

Which valuation methods are the most suitable to determine IMPRESA's Fair Value?

What is expected to happen to IMPRESA's businesses in the future and what is the foreseen impact in its value?

3. LITERATURE REVIEW

As an important part of managing a business, valuation is seen as the foundation of finance (Damodaran, 2006). Comprehending the origin and analyzing where each value comes from is therefore the basis for rational decisions (Damodaran, 2006).

Overall, one can split the existing methods in four broad distinct kinds of valuations: intrinsic valuations, relative valuations, asset-based valuations and contingent claims valuations (Damodaran, 2006).

In the following, with the objective of finding the most adequate methods to proceed to the valuation of IMPRENSA, several models will be assessed. Their problems and limitations, as well as advantages, will be outlined and the most suitable will then be used to make the underlying valuation.

3.1. Intrinsic Valuation

An Intrinsic Valuation is, in the broad sense, the act of assessing the value of a company through an estimation based on its cash flows, the corresponding potential growth, as well as the risk involved (Damodaran, 2011). It is very commonly applied, most of the times by means of the Discounted Cash Flows model – a classic approach according to Luehrman (1997). Research by Bancel & Mittoo (2014) suggests that most European finance specialists opt for Discounted Cash Flows models as the main tool to use, alongside with other secondary methods. This approach states that the current value of an asset is equal to the present value of the expected cash flows (Damodaran, 2002) and that that is the value to compare to the up-front investment cost when making a decision. These referred cash flows are discounted at a rate reflecting their variability (Ochse, 2012), which increases as the certainty of cash flows reduces, in order to account for an added risk. In order to evaluate and to embody all those factors into a valuation, several rates have to be computed.

3.1.1. Cost of Equity

First of all, one has to analyze the cost of equity, which can be assessed through three different methods: the Capital Asset Pricing Model, the Fama-French three-factor model and the Arbitrage Pricing Theory.

The Capital Asset Pricing Model (CAPM), by Sharpe, Lintner and Moss, lies on the fact that the risk premium depends more on the relationship between the actual asset and the overall market, than on the total risk of the asset itself (Ross, 1978). It is therefore computed as the

addition of the product of the equity beta by the excess market return to the risk-free rate, reflecting not only the excess return in relation to the market, but also the extent to which some asset is exposed to that market. This regression is shown below:

$$k_e = r_f + \beta_e [E(r_m) - r_f]$$

Formula 1 – Capital Asset Pricing Model

In which,

k_e = cost of equity,

r_f = risk-free rate,

β_e = equity beta,

$E(r_m)$ = expected market return.

From another perspective, one also has the method generated and popularized by Fama and French, which computes the expected returns based on three factors: 1) systematic risk, weighted with the same beta used in CAPM, 2) market capitalization (SMB), as the difference in the returns of small and big firms and 3) book-to-market values (HML), as the difference between the returns in value and growth stocks – high and low book-to-market ratios, respectively (Fama & French, 2004). In spite of the fact that most recently two more factors have been included in the formula in order to take into account two more parameters (Fama & French, 2015), the three-factor model presented below is still the most usual.

$$k_e = r_f + \beta_e [E(r_m) - r_f] + \beta_s * SMB + \beta_v * HML$$

Formula 2 – Fama-French three factor model

In which,

SMB = difference in returns of small and big market capitalization companies (Small Minus Big),

HML = difference in returns of companies with high and low book-to-market ratios (High Minus Low),

$\beta_s = \text{SMB beta coefficient,}$

$\beta_v = \text{HML beta coefficient.}$

Another possibility to address the cost of equity is to use the Arbitrage Pricing Theory, which is based on the idea that numerous macroeconomic factors impact the returns of a portfolio, although there is a relationship between these returns and the returns of each asset per se. In that theory, a different beta is used to each of the assets to weight for multiple factors that might have an impact on risk and returns.

Although the CAPM can be perceived as somehow limited, when compared to the other models, it is still considered as a good benchmark when pricing assets (Zabarankin et al., 2014), given its great user-friendliness. If compared to the model by Fama and French, for example, which uses three or more factors, one can conclude that although some variables might have been neglected and hence lead to slightly incomplete results, the changes resulting from that are usually not significant.

3.1.1.1. Risk-Free Rate

The risk-free rate is one of the main building blocks to all models and valuations. It corresponds to the return one can get from an asset in the market with no risk, at the time of the valuation (Fernández, 2004a). In other words, it is at any time the expected return on a risk-free asset (Damodaran, 1999a). As the rate of return varies with maturity, it is important to have that in mind when making a valuation and therefore choosing a rate with maturity matching the one of the cash flows. As a matter of consistency, also coherence between nominal and real terms should be kept and thus, use a nominal risk-free rate if using nominal cash flows and vice-versa. In this way, it will be possible to present a more accurate value.

Most commonly, government bonds are the ones used as risk-free, as they tend to be the assets that have less risk in the market. According to Damodaran (2008), long-term government bonds should be used as a proxy to the risk-free rate. In the context of Europe, especially regarding businesses using euros, the German government bonds are frequently used, once they are typically the euro government bonds for which the risk is lower. Ten year German Bunds are the most common, and since IMPRESA's operations occur mainly in Portugal and in the context of Europe, they can also be applied to this valuation.

3.1.1.2. Beta

The beta is predicted by most practitioners through a regression of the returns of an asset against those on the stock index, the slope of that regression being the beta of that asset (Damodaran, 1999b). Therefore, it represents the degree to which a stock co-varies with the aggregate stock market (Koller et al., 2010).

Reeves and Wu (2013) found out that in order to reach more accurate results one should calculate the betas by using high-frequency data. Following Fernández (2004b), as far as betas are concerned, the traditional procedure to calculate them is to use five years of monthly data, if those are available – idea also stated by Bartholdy and Peare (2005) in their work. In order to get to the value of the referred beta through the regression method, the returns of both the stocks and the markets have to be computed and then a regression on them completed. One possible way to calculate the slope inherent to that regression is to use the following formula (Schinas et al., 2015):

$$\beta_e = \frac{Cov(r_i; r_m)}{Var(r_m)}$$

Formula 3 – Equity Beta as the slope of the regression of stock returns on index returns

In which,

r_i = the historical (monthly) returns of the stock,

r_m = the historical (monthly) returns of the benchmark market.

3.1.1.3. Risk Premium

The risk premium, defined as the difference between the market rate of return and the risk-free rate, is a component of major importance since it is essential when estimating the cost of equity. That is to say, it is the difference between the stock returns and the returns of the default risk-free government bonds.

Again, there is not just one method to compute or estimate the risk premium. According to Koller et al. (2010), in order to do so, one can either use historical data, make a regression analysis or a DCF valuation. Nevertheless, the authors also disclose that even if the market risk premium is expected to be between 4,5% and 5,5%, all the models traditionally fail to

accurately estimate it in-between. Opposite to that, Arnott and Bernstein (2002) declare that these values cannot be reached nowadays, adding that much lower values for the same component should be actually expected, given the changes in the market and its dissimilarity with the one existing in the past.

Another possibility to get to the values of the risk premium, which is common practice nowadays, is to use the ones disclosed by knowledgeable authors such as Damodaran or Fernández et al. (2015). These are based on surveys conducted among practitioners and are usually good proxies that are easily available online.

3.1.2. Cost of Debt

After having addressed the cost of equity, and since most companies also rely on debt in order to finance their businesses, one also has to look at the cost of debt.

If a company has recently issued publicly traded debt, its current yield to maturity can be used as a proxy for the pre-tax cost of debt. If that is not the case, but the company has rated debt, one can also compute a spread and based on that reach a value for the cost of debt. Using historical cost of debt or an average might lead to misleading results, once the current value might be much different from the historical one.

The after tax cost of debt can be obtained by applying the formula below:

$$\text{After - tax Cost of Debt} = k_d * (1 - t)$$

Formula 4 – After-tax Cost of Debt

In which,

k_d = cost of debt (pre-tax),

t = tax rate.

3.1.3. Weighted Average Cost of Capital

Since most companies nowadays finance themselves through a mix of debt and equity, their costs of capital end up being different from both their costs of equity and debt. Given that, their overall cost of capital is a weighted average of all the sources of capital used by the firms, traditionally computed by means of the Weighted Average Cost of Capital (WACC).

This is a mainstream and widely used method, particularly motivated by its ease of use (Luehrman, 1997).

$$WACC = \frac{E}{E + D + P} * r_e + \frac{D}{E + D + P} * r_d * (1 - t) + \frac{P}{E + D + P} * r_p$$

Formula 5 – Weighted Average Cost of Capital

In which,

r_e = *return on equity,*

r_d = *return on debt,*

r_p = *return on other sources of financing,*

$E + D + P$ = *enterprise value (sum of equity (E), debt (D) and other sources of financing (P)).*

This value for the cost of capital is the rate at which expected cash flows should be discounted when trying to assess a company's enterprise value (but not its equity value). Note that the ratios used concerning the capital structure are to be computed using market values and not book values.

3.1.4. Forecasted Period and Terminal Value

When making a forecast of the financial statements of a company with the objective of making a valuation, it is important to make a forecast until the point in which the firm reaches the so called steady state, since only in that moment it is possible to correctly determine its terminal value (Koller et al., 2010). This component is very important, since it represents a great part of the total value of a company. In order for a company to reach the steady state, the value under capital expenditures and depreciations should be similar.

According to Damodaran (2012), there are three different ways in which one can compute the terminal value. These approaches can be divided into a liquidation method and two distinct going concern methods. First, the liquidation method applies when a company is beforehand expected to terminate its operations at a certain point in time and it is expected to make the best deal by selling all its assets (Damodaran, 2012). This method seems somehow irrelevant to IMPRESA, as it is expected to continue to operate for a long time. If that were not the case,

the assets' selling price would be the proxy used for the liquidation value. For that reason, the going concern methods seem to be the most suitable to get to IMPRESA's terminal value. On the one hand, one can apply multiples to the revenues, earnings or the book value in order to predict the value in the terminal year (Damodaran, 2012). On the other hand, there is the approach that relies on the assumption that the cash flows generated by the firm will grow at a constant rate thereafter and according to which one can compute the terminal value through the Gordon constant growth model (Damodaran, 2012). Although the multiples approach seems very simple, the results obtained might not be that good, since it becomes a mix of discounted cash flows and relative valuation methods. For that reason, the stable growth model tends to be the traditional one, as far as terminal values are concerned.

If one assumes not only that a firm is going to continue to reinvest and hence to operate in the future, instead of ceasing its operation, but also that it is going to grow at a stable rate, its terminal value can be computed as follows:

$$Terminal\ Value_t = \frac{Cash\ flow_{t+1}}{WACC - g}$$

Formula 6 – Terminal Value calculation

In which,

Cash flow_{t+1} = cash flows in year (t+1),

g = long term growth rate.

This approach, often referred to as the Gordon growth model, implies that the company does not grow at a rate higher than the one relative to the economy where it is operating (Damodaran, 2012), which seems a reasonable idea.

3.1.5. The Discounted Cash Flows Method

Following Gilbert (1990) work, the Discounted Cash Flows method (DCF) is the most technically accurate approach to estimate the value of a company. However, the author also points out that although it seems theoretically easy to use, it can be somehow subjective and complicated in practical terms.

In order to use it, the first step is to forecast a company's cash flows for a certain time period – the explicit period. After that, one has to get to the right kinds of cash flows that should be used, according to the model formulation. According to the same author, free cash flows are the ones to use.

Free Cash Flows to the Firm (FCFF) can be computed by applying the subsequent “formula”:

EBIT

- Taxes on EBIT

+ Depreciations & Amortizations

+ Provisions (Δ)

+ Non cash charges

= **Cash Flow from Operations**

- Investment on Working Capital

- Capital Expenditures (CAPEX)

= **FCFF**

Formula 7 – Free Cash Flows to the Firm computation

These cash flows are then discounted at WACC and allow one to get to the total value of a company's assets or its enterprise value.

As the amount of cash flows that is actually available to the shareholders can also be of major importance for the Discounted Cash Flows method, the Free Cash Flows to the Equity can be obtained through the following computation:

$$FCFE = FCFF - Interest * (1 - t) + \Delta Net Debt$$

Formula 8 – Free Cash Flows to the Equity computation

Since these cash flows only reflect the amount available for shareholders, they should therefore be discounted at the cost of equity instead. In that way, the equity value is reached.

3.1.6. The Adjusted Present Value Method

Although many analysts still trust the DCF approach, there are some limitations inherent to that model, as it assumes that the capital structure of a firm is going to permanently be the same. Since in many cases companies tend to be forced to change their sources of financing along time, as IMPRESA just did by decreasing its amount of debt, sometimes the assumptions made by the model fail to reflect reality. When that is the case, one might use the Adjusted Present Value method, that not only takes the cash flows generated into account, but also the advantages that might arise from debt. This is done through a bipartition of DCF into investment and financing decisions, being unlevered cash flows then discounted at the cost of equity and interest tax shields at the rate that truly reflects its risk. The former part is done as if the company would be totally equity financed, while the latter reflects the value arising from leverage. When added, the sum corresponds to the value of the entire company.

This method is considered to add value to a study when the operations conducted by a company are cyclical, it is in financial distress or is foreseen to change its capital structure in the near future. If none of these situations is true, no added value arises from the use of such method and therefore the DCF approach should be used instead.

3.2. Relative Valuation

Another hypothesis when making a valuation is to use a relative valuation approach. Following this method, one asset or company is priced according to its peers, the final value being predicted by looking at the prices of comparable ones (Damodaran, 2006). This method pays special attention to certain core variables, such as sales, book values, earnings, etc., which per se allow every investor to make a broad comparison between different investment possibilities (Damodaran, 2006) and is commonly applied through multiples.

3.2.1. Multiples

To begin with, if one chooses to use a relative valuation method, it is essential to find closely comparable peers that are also priced by the market, which can be a problematic process (Eberhart, 2004). This might be done by looking at companies operating in the same industry, born in the same country or operating in similar locations, as well as through some other factors as growth and profitability, that one perceives as having a major impact on the value of the company at study (Damodaran, 2006). After that, and especially if the peers are of substantial different size, one may need to scale the market prices in order to standardize prices with the objective of making them comparable or even to adjust for other differences.

Although there is no clear result as for the kind of multiples that is best for different valuation (Kim & Ritter, 1999), there are two different types that are usually applied: Enterprise Value Multiples and Equity Value Multiples.

According to Goedhart et al. (2005), multiples are an easy and effective manner to double-check and to test assumptions made during DCF valuations.

3.2.1.1. Enterprise Value Multiples

Regarding Enterprise Value multiples, one can say that its main advantages are not being dependent on a firm's capital structure (Goedhart et al., 2005) and also not based on accounting figures such as earnings, that are possible to manipulate. Examples of Enterprise Value multiples can be found below.

$$\frac{EV}{EBIT} \quad \frac{EV}{EBITDA} \quad \frac{EV}{Capital} \quad Price\ Sales = \frac{Current\ Market\ Price}{Sales\ per\ Share}$$

Formula 9 – Enterprise Value Multiples examples

3.2.1.2. Equity Value Multiples

In what Equity Value multiples are concerned, the most regularly used are:

$$PER = \frac{Current\ Market\ Price\ per\ share}{Earnings\ per\ share} \quad PCF = \frac{Current\ Market\ Price\ per\ share}{Cash\ Flow\ per\ share}$$

$$DY = \frac{Dividend}{Current\ Market\ Price} \quad PBV = \frac{Current\ Market\ Price\ per\ share}{Book\ Value\ per\ share}$$

Formula 10 – Equity Value Multiples examples

As main disadvantages for multiples use, one can point out the fact that they are easy to manipulate, either because their level of trading is low or because it is possible to affect them by placing large orders. Also, choosing a similar company to use in the peer group might not be as straightforward as it could initially look or even the fact that the market can give wrong information and hence influence the values might have a large impact on the final outcome. In addition to that, most specifically when using historical data, one simply assumes that the future is going to be equal to the past and does not make further assumptions that might better

reflect the company's reality. The use of forecasted multiples is a way to correct for this latter possible mistake, relying on the use of expected values for the year of valuation instead of assuming that they are just going to equal the ones from the homolog previous period. Also, if a company has characteristics such as growth or profitability margins different from its peers, the result might be biased.

3.3. Asset-Based Valuation

The asset-based valuation is a different method that can be used when valuing a company. However, and according to Kim & Ritter (1999), it is usually applied to companies that are expected to cease their operations. It is a liquidation method and, as above explained, that does not seem to be the case of IMPRESA, which operates in a going concern stand point (IMPRESA, 2015) making this method somehow irrelevant to this study.

3.4. Contingent Claims Valuation

At latest, contingent claims valuation is an approach that relies predominantly on option related pricing models, when trying to assess the value of a company (Damodaran, 2006). This method, as its name suggests, embodies the fact that the occurrence or not of some events might have a substantial impact in its final value (Damodaran, 2012). This impact often might be due to expansion, liquidation or delays, among other reasons (Damodaran, 2012).

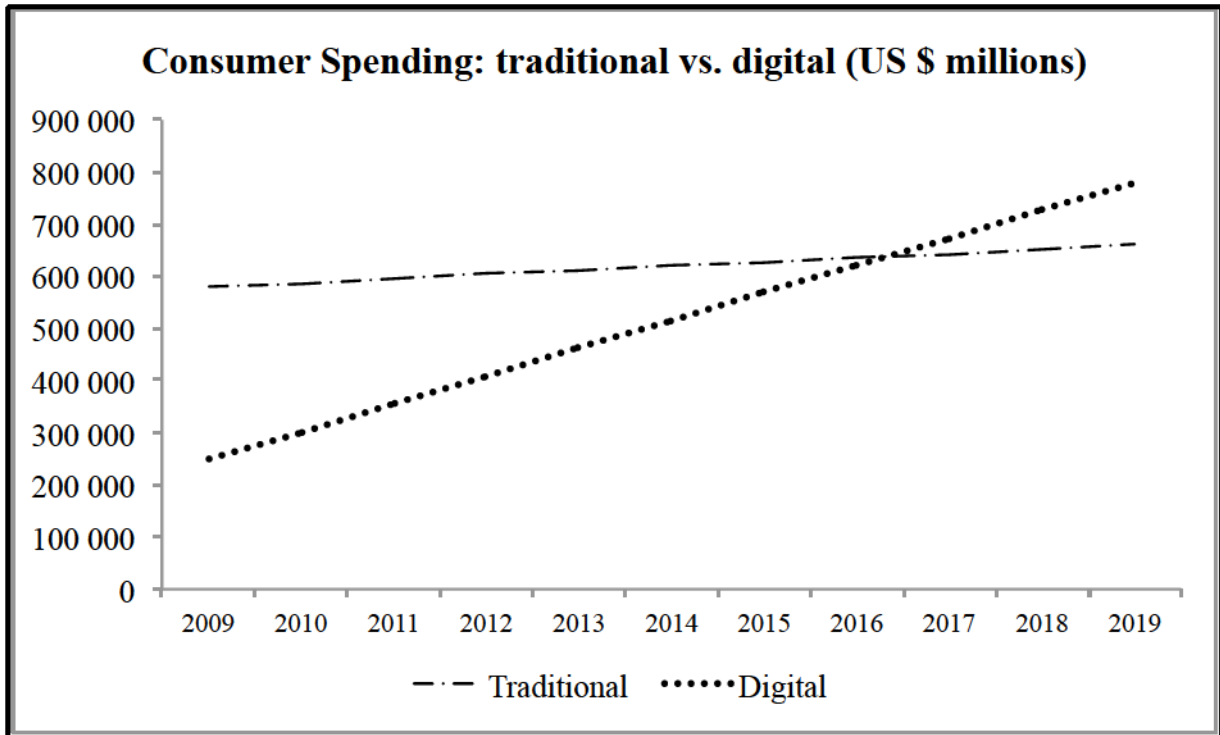
Given that those specificities are not closely related to the reality of IMPRESA, this method is not going to be further discussed throughout this analysis, as the evaluation will be focused on the others.

4. INDUSTRY ANALYSIS

Getting to know the industry and what is happening around it is of major importance when trying to assess a company's performance, as some results and trends might be firm specific, while others might be common around the segment. This is also of ultimate importance when setting assumptions that are expected to be rational and should closely reflect the reality, in order to perform a company valuation. In the following, a brief industry analysis is presented. A Porter's Five Forces analysis may also be found in Appendix 1.

As in any other technology-linked industry, media and entertainment, the one in which IMPRESA's main businesses occur, has been shifting a lot during the recent past (McKinsey & Co, 2015). Most recently, the shift from traditional to digital products has been happening at a very fast pace (McKinsey & Co, 2015). With nowadays very common things like the Internet or mobile devices that allow one to do almost everything anywhere, the industry had to adapt. Since the digital disruption, it is increasingly more evident that consumers in this industry, as well as in any other, seek advanced consumer experiences, while at the same time companies struggle to be able to respond to their needs and desires (PWC, 2015). Nowadays, people make no distinction between digital and traditional media (PWC, 2015). The mutual characteristics for users are that they want more choice, freedom, as well as flexibility (PWC, 2015). In addition to that, not only they want things to be mobile, but also to be on-demand, according to their own schedules, instead of programmed by someone else (PWC, 2015). They strive to maximize their own experience, as well as to make things as they desire in the most convenient way.

As endowed consumers seek for tailored experiences, for media companies operating in such an environment, what matters is to combine large content with enormous flexibility. In order to keep up with the business, companies need to deliver a differentiated and compelling experience to each of their consumers (PWC, 2015). With the increase in the share of smart devices around the globe, consumers' ability to use this kind of services in a self-service system will also increase (McKinsey & Co, 2015). Digital not only allowed for a more diverse content universe, but also permitted accelerated delivery across different platforms (PWC, 2015). According to McKinsey & Co (2015), digital spending will already account for more than half of overall media spending by 2019. Also, before that, in 2017, it will likely become the leading advertising category, with Internet and mobile advertising exceeding television (McKinsey & Co, 2015).



Graph 1 – Consumer Spending: Traditional vs. Digital

Source: McKinsey & Co Global Media Report 2015 – Global Industry Overview (adapted)

In spite of the fact that the shifting to digital is seen as the major theme, one cannot underestimate the volume of traditional media, as it still dominates as far as shares are concerned, with about 40% of advertising spent worldwide (McKinsey & Co, 2015).

In sum, today’s media and entertainment industry is more about consumer experience, choice and innovation than content only (PWC, 2015). Whether delivery is digital or not, what matters for consumers is their flexibility to meet their needs. Mastering these three factors in each offer is now the challenge to succeed and to sustain growth (PWC, 2015).

4.1. Industry Spending and Growth Outlook

During the last five years, total global spending worldwide has increased in the industry at a compounded annual growth rate (CAGR) of about 6% and is expected to continue that path, although at a slower pace of 5% during the following five years cycle (McKinsey & Co, 2015). However, the Western European area, in which IMPRESA’s operations are inserted (mainly Portugal), was the one experiencing lowest growth and also the one foreseen to keep growing at a slower rhythm, 2% and 2,8%, respectively (McKinsey & Co, 2015).

As far as the advertising segment is concerned, the 1,7% CAGR in the recent past also puts it as the slowest growing area, although in this aspect it is expected to recover to 3,9% in the next five years, which is much closer to the 5,6% weighted average world growth forecasted to that same period (McKinsey & Co, 2015). In addition to that, it is important to note that although advertising spending is growing, it has been and is expected to continue to decrease in what newspapers and magazines are concerned, to slow down in television and to succeed in digital media (McKinsey & Co, 2015).

4.2. Industry Key Drivers

According to McKinsey & Co “Global Media Report 2015 – Global Industry Overview”, five key drivers to the industry in which IMPRESA operates should be pointed out, being: 1) The expansion in broadband, 2) The mobile as the main digital platform, 3) The broadband maturity as a driver to consumer spending, 4) The spending to access content without buying it momentum and 5) The new print equilibrium.

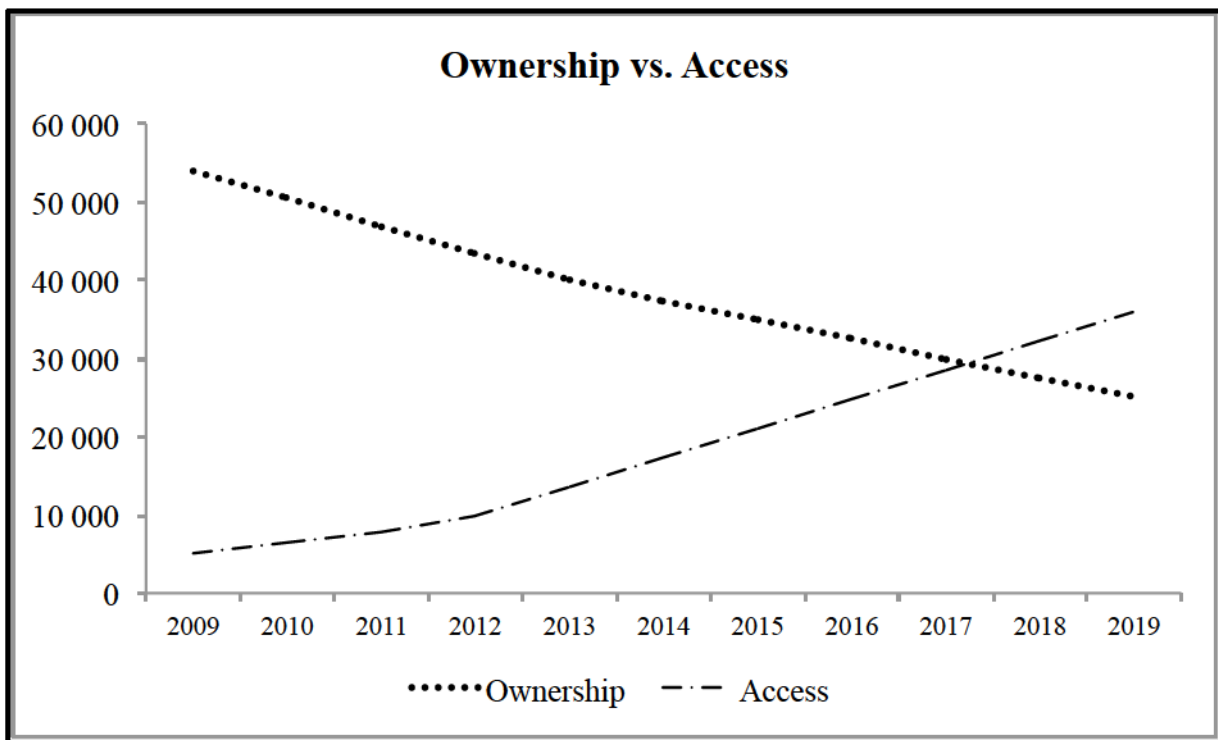
Broadband expansion will be a driver for digital spending, since not only will it increase subscription spending, an important stake on media spending, but also it will seem interesting for advertising. Additionally, as almost everyone will have a broadband connection, consumer digital spending will also become an important factor (McKinsey & Co, 2015).

As flexibility is increasingly more important, as well as mobility, having access to media channels in mobile devices is the fastest-growing segment. If fixed broadband penetration has increased and is forecasted to increase a lot in the following years, mobile broadband evolution is expected to out-perform fixed by an enormous amount, growing twice as fast in the next five years (McKinsey & Co, 2015). It is even expected that mobile digital spending surpasses non-mobile and becomes the main digital platform along the next decade (McKinsey & Co, 2015).

On the opposite side, as an obvious consequence of the fast pace growing broadband base of subscribers, it is reaching maturity in some regions (McKinsey & Co, 2015). In other words, if on the one hand one has a very positive path for the growth of broadband subscriptions, on the other, the market is reaching saturation, especially in countries in Western Europe and North America, as well as fewer countries in the Asia and Pacific region. Given that, the CAGR worldwide is expected to decrease for about 5%, from the 12,9% figure in the last five years, according to the forecast for the future homolog period (McKinsey & Co, 2015). With that, the increase in global advertising growth, from 5,2% to 5,6%, is going to be partially

offset by this slowdown, culminating in a 5,1% expected CAGR for global advertising and consumer spending growth (McKinsey & Co, 2015).

Most probably a practical consequence of the recent financial crisis, consumers are spending increasingly less to acquire and own content, since they are more interested in gaining access only, regardless of owning the content or not (McKinsey & Co, 2015). This momentum is proved by the duality between the 8,3% fall in the growth of investment in content acquisition and the 31% increase in expenses to access contents, along with the projections in the same direction for the near future (McKinsey & Co, 2015). This shift, from owning content to accessing it, is going to have an impact on the overall spending in the media industry, once access is much cheaper than ownership (McKinsey & Co, 2015).



Graph 2 – Ownership vs. Access (no units available)

Source: McKinsey & Co Global Media Report 2015 – Global Industry Overview (adapted)

Especially daily newspapers, as well as consumer magazines, have suffered in the transition from traditional to digital options, with spending in these markets falling at a 3,6% CAGR between 2011 and 2014 (McKinsey & Co, 2015). The reason for that is the same content being easily reached online, in the comfort of anyone’s place and on-demand, without major effort involved (McKinsey & Co, 2015). However, there are still some consumers that are

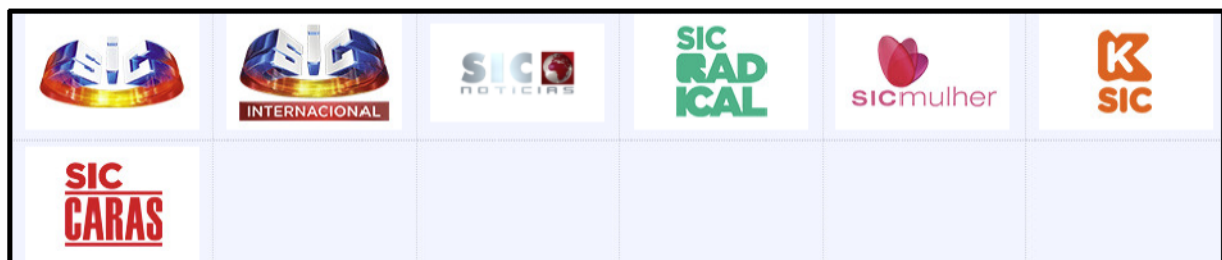
loyal to the print editions and are not likely to abandon them and, at the same time, those who were to do so most probably have already done it (McKinsey & Co, 2015), meaning that the “floor” has almost been reached.

5. COMPANY OVERVIEW

IMPRESA – Sociedade Gestora de Participações Sociais, S.A., established on the 18th of October 1990, is a Portuguese holding company whose main field of operations is the media sector (Reuters, 2016). Its activity can be divided into three segments: 1) Television, including seven television channels, 2) Publishing, comprising a vast set of magazines and newspapers and 3) Other, containing residual activity in the real state industry, as well as multimedia and geo-location technologies solutions (IMPRESA, 2016a). Although its roots take us back to 1972, when Francisco Pinto Balsemão created Sojornal, only 18 years later the company was registered as one knows it nowadays (IMPRESA, 2016a). The year after, in 1991, IMPRESA also took a major step by establishing SIC, the first private television channel in Portugal, starting its emissions in October 1992 (IMPRESA, 2016a).

Nowadays, its full range of operations can be seen as follows (adapted from IMPRESA’s website):

Television



Publishing:



Other:

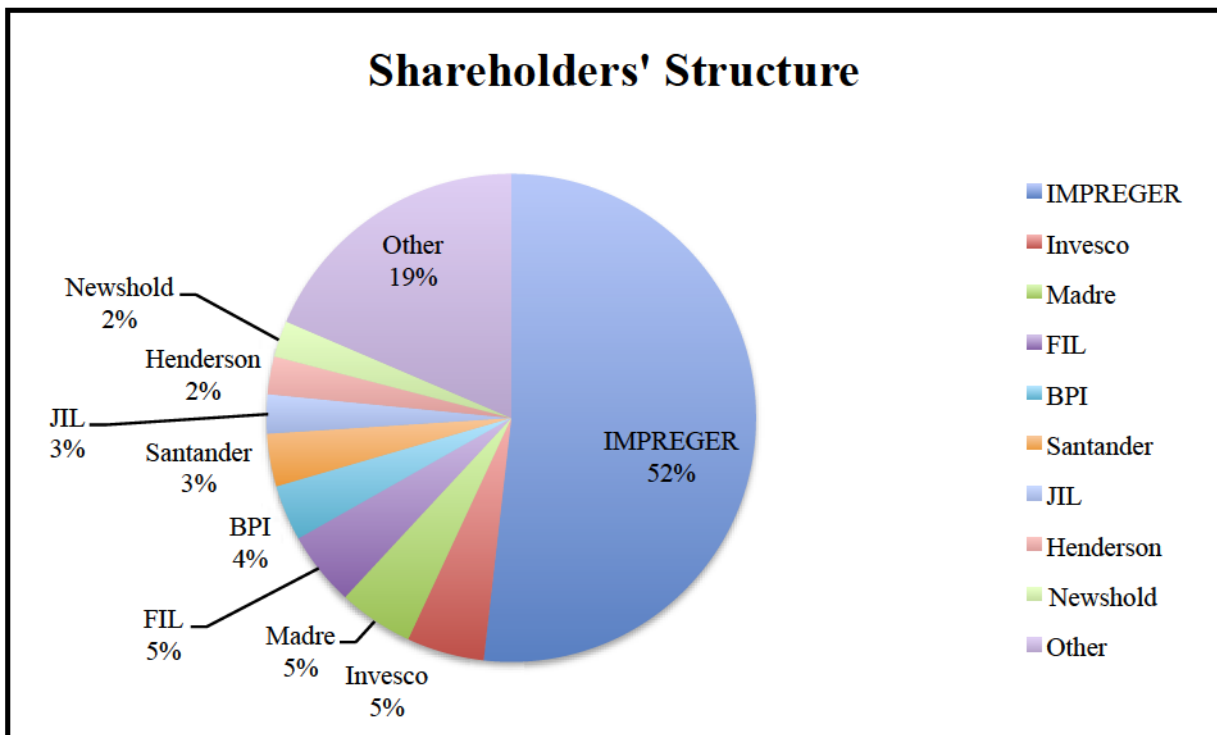


Figures 1, 2 and 3 – IMPRESA’s brands portfolio

Source: IMPRESA’s website (adapted)

5.1. Shareholders’ Structure

IMPRESA currently has a total of 168 million shares outstanding (IMPRESA, 2015). According to the information contained in the company’s 2015 annual report, the current shareholders’ structure of IMPRESA is as follows (Appendix 2):



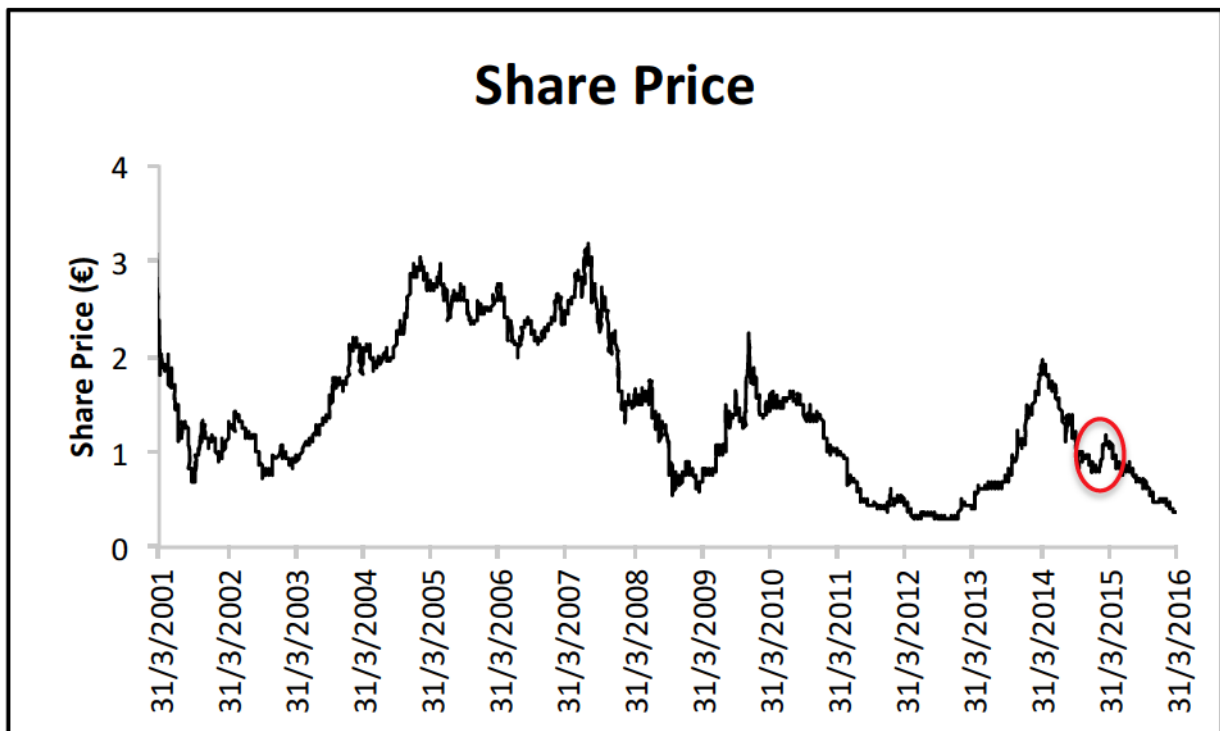
Graph 3 – IMPRESA’s Shareholders’ Structure

Source: IMPRESA’s 2015 Annual Report and Reuters Terminal information (adapted)

5.2. Stock Performance

IMPRESA was admitted to the Lisbon Stock Market in June 2000 and thereafter has experienced some inclusions and deletions from the main Index (PSI20), especially due to its small amount of shares in the hands of public investors (small free float). As of today, the company is not listed under PSI20 since the last revision took place, officially on the 21st of March 2016. This was already expected due to the vast fall in transaction volume in 2015 (IMPRESA, 2015).

As one can see in the graph below, IMPRESA's stock price has been severely affected by the 2007 crisis. This not only reflects the high impact that the referred crisis had on the Portuguese companies in general, but also how the state of the economy particularly impacts companies in a business like this, that have as main source of revenues the investment that is made in advertising – which has decreased a lot in that period (IMPRESA, 2015). In addition to that, one can also note that from late 2014 onwards the share price has been continuously going down, -27,7% in that year (IMPRESA, 2014), with just one exception. The graph below presents IMPRESA's adjusted share price, (corrected for stock splits, as well as dividends or new stock offerings).



Graph 4 – IMPRESA's share price (March 2001- March 2016)

Source: IMPRESA's 2015 Annual Report and Reuters Terminal information (adapted)

Last year was particularly characterized by volatility, with IMPRESA experiencing a strong increase (>200%) in the stock price in the first trimester of the year (marked in red above), rapidly offset by continuous decrease thereafter (IMPRESA, 2015). This was due to the general decline in the media sector, as well as the fall in interactivity business and advertising market (IMPRESA, 2015).

5.3. Company Performance

IMPRESA closed the 2015 financial year with consolidated revenues of roughly 231 millions of euros, which is slightly (2,9%) below 2014 results (IMPRESA, 2015). The explanation for that relies on strong diminutions on circulation and advertising revenues that were still somehow out weighted by an increase in the revenues from channel subscriptions (IMPRESA, 2015). As far as operational costs are concerned, the company could have seen them decreasing by a small amount but, due to restructuring costs, also there the company performance was worse than in the year before (IMPRESA, 2015). In the same year, the company reached 6,9 million euros in net income, when adjusted for restructuring charges (4 million euros if not adjusted) and has also managed to slightly improve its financial autonomy ratio, through a reduction in the amount of net remunerated debt (IMPRESA, 2015).

As previously referred, the company's business is split in three distinct areas. During the past years, Television and Publishing have accounted, on average, for nearly 76% and 23% of the revenues, respectively, the remaining 1% being allocated to businesses in Other segments (with elimination being offset in this last section too). Tough, in the recent past, Television has been gaining share in detriment of Publishing, even if at a slow pace.

In spite of still having advertising as its main source of revenues (54%), Television's main driver to gain share from Publishing has been channels subscriptions, which increased by almost 12% in 2015 (IMPRESA, 2015). Even with such an increase, the Television segment experienced a worse year than 2014, with its revenues decreasing around 2%, while costs increased roughly 3% (IMPRESA, 2015).

In 2015, Publishing was the segment suffering the most, with its revenues going down for around 5%, suffering not only from the fall in advertising revenues (-5,6%), but also in those regarding circulation (-2,7%), although the latter were partially offset by the revenues of the Digital department that managed to increase almost 13% (IMPRESA, 2015). In parallel to that, operational costs also managed to decrease, even when including those related to restructuring, mainly explained by the decrease in production costs. Given that, the Publishing

segment reached an EBITDA in line with the one in the year before, 4,8 million euros adjusted (IMPRESA, 2015).

The segment that includes all the Other businesses of the group and in which the costs of the holding are included has also seen 2015 as an year in which costs increased more than revenues and hence performed worse than in 2014 (IMPRESA, 2015).

In 2016, the company expects to benefit from the restructuring process that it is currently undertaking and to keep firm control of operational costs in order to reach its objectives of improving operational indicators and increasing net income (IMPRESA, 2015). A SWOT Analysis may be found in Appendix 3.

6. FINANCIAL FORECASTS AND ASSUMPTIONS

In the following chapter, as a crucial step towards the company valuation, financial forecasts will be projected. In this, one will try to attentively explain the assumptions made, as well as the reasoning behind them and its relevance to the valuation (Assumptions' summary in Appendices 4 and 5). Also, one will put emphasis on explaining the path towards a method or number, as a way to get to the most accurate values regarding IMPRESA's future. The data used during the forecasts and the valuation was market data collected until the 31st of March 2016, which has been set as the data collection point for this study. Data published by IMPRESA in the company's annual report respecting to 2015, made public on the 28th of March 2016, was also used as the basis for all forecasts. Most of the values used were typed in from each of the past Annual Reports disclosed by the company, since the ones provided by Reuters' terminals were, in most cases, far away from reality and would clearly harm the work done along this study. For that reason, only small specifics from the company accounts were retrieved from Reuters, in a way to enable for a more detailed analysis, always upon checking them against the results publicly announced by the company.

Given the different segments in which IMPRESA operates and their peculiarities, in this study, each segment is going to be evaluated separately as far as that is possible. When that is not doable, respecting the data provided, consolidated projections and analysis will be performed, always trying to have the different segments relative weight and performance in mind.

In this analysis, the explicit period is forecasted to last until 2020, since following one's assumptions only on that date the company will reach the steady state. Complete financial statements as well as some other details, concerning both the segment-by-segment analysis and/or consolidated information may be found in Appendices 6 to 9.

6.1. IMPRESA: Forecasts by segment

As previously outlined, IMPRESA divides its own business in three major fields of operation, namely Television, Publishing and Other – including eliminations and intersegment corrections. As far as that is possible, separate analysis and forecasts will be made for each of them.

6.1.1. Television Segment

6.1.1.1. Revenues

After looking at IMPRESA's detailed accounts and the results presentation, one easily understands that in both the Television and the Publishing segments, advertising explains roughly half of the revenues of the company, the other part being mainly justified by channels subscription and circulation, respectively.

Television	2014	2015	Publishing	2014	2015
Total Revenues	177 598 174	173 644 532	Total Revenues	58 767 367	55 771 924
Advertising	94 639 569	93 892 439	Advertising	27 110 453	25 582 043
<i>% of total</i>	53%	54%	<i>% of total</i>	46%	46%
Channels Subscription	45 125 528	50 423 742	Circulation	25 698 074	25 002 256
<i>% of total</i>	25%	29%	<i>% of total</i>	44%	45%
Others	37 833 077	29 328 351	Others	5 958 840	5 187 625
<i>% of total</i>	21%	17%	<i>% of total</i>	10%	9%

Table 1 – Television and Publishing Revenues (total, per activity and share)

Source: IMPRESA's 2015 Annual Report information (adapted)

Trying to find a driver for the performance of these segments or particularly to the advertising expenses was not an easy task. After linking the company revenues' growth to the GDP growth and Private Consumption growth, correlations of 53,5% and 54% were, respectively, obtained. Both these values are not significantly high but still represent moderate correlations (>0,50) and therefore could be used to forecast the revenues growth (Appendix 10).

Correlation	IMPRESA Revenues Growth
Private Consumption Growth	0,535
GDP Growth	0,540

Table 2 – Correlations: IMPRESA Revenues Growth vs. Private Consumption Growth and GDP Growth

Source: IMPRESA's 2015 Annual Report, OECD and IMF information (adapted)

However, when looking at some reports about the industry, some conclusions could be drawn. According to McKinsey & Co "Global Media Report 2015 – Global Industry Overview", advertising is generally more sensitive to the economy than consumer spending. That same

report also states that historically, advertising growth has outperformed the growth of the economy, when the latter has been strong, but advertising has been weaker than that when the economy has performed weakly (McKinsey & Co, 2015). Although, and in opposition to that, during the recent past, economic growth has always outperformed advertising growth, regardless of its performance, particularly due to the growth of digital advertising (McKinsey & Co, 2015). This is because, despite its enormous increase, digital advertising rates are often below those of traditional advertising, resulting in a slower growth for the advertising market itself (McKinsey & Co, 2015).

For the above-mentioned reasons, in this study the growth of the revenues is going to be projected according to the forecasts contained in the most recent publicly available study for Portugal by PWC – “Portugal Entertainment and Media Outlook: 2013-2017”. According to that same study, the revenues relating to the Television segment are forecasted to grow 1,7% and 2,9%, for advertising and channels subscription, respectively. With those assumptions, one have reached a final growth rate of 2,1%, this value having been found by a weighted average of the historical weight of advertising and channels subscription revenues, weighed two thirds and one third, respectively. In that way, this was the growth rate used to forecast the revenues’ performance of IMPRESA’s Television segment for the duration of the explicit period.

Television	Growth
Total Revenues	2,1%
Advertising	1,7%
Channels Subscription	2,9%

Table 3 – Television segment forecasted revenues’ growth rates

Source: PWC – *Portugal Entertainment and Media Outlook: 2013-2017* (adapted)

6.1.1.2. Operating Costs

Since IMPRESA revealed in the 2015 Annual Report that the company was undergoing a restructuring process with the ultimate goal of reducing its operating expenses, this point was object of a deeper study in order to better predict what will happen in the near future. Having in mind that in 2015 costs related to operations, excluding those related to the restructuration from the total amount, would already have dropped by 0,3% in a global perspective and also the fact that the referred costs in the first quarter of 2016 were 2,7% below those in the

homolog period in the year before (IMPRESA, 2016b), one decided to make some assumptions regarding that matter. As costs are already reducing at the moment and since this reduction cannot last for a long time, given that it was assumed that the company would continue to grow, one decided to assume that costs would move at the same rhythm as the revenues in each sector, although discounted 2% in 2016 and 1% in 2017. After that moment, costs will grow at the same rate as revenues.

Television	2016	2017	2018 and After
Costs Growth	0,1%	1,1%	2,1%

Table 4 – Television segment forecasted costs' growth rates

That said, costs in 2016 are expected to remain almost equal to the value spent in 2015, with just a 0,1% increase, to grow 1,1% in 2017 and to keep increasing 2,1% per year thereafter, according to the revenues' increase.

6.1.1.3. Depreciations

Since very few detailed data is available for each segment, some steps had to be made regarding this matter. As the amount of depreciations per segment was not disclosed by the company, one decided to use the values found in Reuters' terminals in order to better forecast the results of each segment of IMPRESA. After 2015, depreciations were estimated to keep the same weight on revenues as in 2015, also checking if that would be reasonable, according to the year before. In that way, the value was forecasted to equal 1,67% of the value of revenues in each year.

6.1.1.4. Interests

Once again, since almost no data is available at a segment-by-segment basis, in order to still try to better forecast the results of each segment independently, some heavy assumptions had to be made. In this case, as no information regarding interests or even that required to get to their value through the difference between EBIT and EBT was available, one assumed that already in 2015, the amount of interests paid would represent the same proportion of EBIT as in the most recent year disclosed. Thereafter, this weight was assumed to be kept by the company.

6.1.1.5. Taxes

After getting to the EBT value, already having made some assumptions in what respects each segment behavior in the future, one decided that it would be most reasonable to consolidate the accounts of all of them, since it makes no sense for a company like IMPRESA to have different effective tax rates for each business and also no value added would result from a segment-by-segment analysis, as far as this point is concerned.

6.1.2. Publishing Segment

6.1.2.1. Revenues

As previously outlined, in spite of the work developed in pursuance of a good driver to project the company's growth in the future and after some correlations have been analyzed, in order to understand how the company's revenues perform in relation to other economic variables, one as decided to follow the growth suggested by PWC – “Portugal Entertainment and Media Outlook: 2013-2017”. In accordance to that measure, the revenues respecting to the company's Publishing segment were predicted to grow in the future at a -3,2% rate during the next three years (i.e. until 2018 inclusive), thereafter reaching “the floor” and increasing 1% per year. Those assumptions were made to reflect the critical period that publishing departments are living at the moment, as suggested by the study performed by PWC and expected to recover to a growth in line to that of GDP, after the maturity of the study. That said, IMPRESA's Publishing segment was forecasted to decrease its revenues by 3,2% in each of the years until and including 2018 and to start growing 1% thereafter.

Publishing	Growth (3y)	Growth (after)
Total Revenues	-3,2%	1,0%
Advertising	-2,3%	-
Circulation	4,0%	-

Table 5 –Publishing segment forecasted revenues' growth rates

Source: PWC – *Portugal Entertainment and Media Outlook: 2013-2017* (adapted)

6.1.2.2. Operating Costs

As mentioned above, IMPRESA stated in the 2015 Annual Report that it was pursuing a cost reduction policy, reason for which it had invested in that year some money in restructuring measures. This information had to be included in the valuation attached to this study.

According to that and to the first quarter results presented by the company, as above explained, one assumed that costs would decrease along the following years. Also in the Publishing segment, costs are expected to decrease 2% in 2016 and 1% in 2017, in addition to the decrease in revenues estimated for those years. Also, they are expected to decrease at the same rate as revenues in the following year. After that, from 2019 onwards, and since this particular business is expected to stop its negative growth, costs are expected to follow the path of the revenues, therefore increasing 1% per year.

Publishing	2016	2017	2018	2019 and After
Costs Growth	-5,2%	-4,2%	-3,2%	1,0%

Table 6 –Publishing segment forecasted costs’ growth rates

In that way, costs are expected to decrease 5,2% in 2016, 4,2% in 2017 and 3,2% in 2018. From 2019, the operating costs are assumed to increase 1% per year, sharing the same growth as the one forecasted to revenues, in order to represent that stabilization.

6.1.2.3. Depreciations

Again, since almost no data was available in the company’s reports, as previously explained, some assumptions had to be made regarding depreciations. Also in this segment, one decided to use the values found in Reuters’ terminals for the past years and to estimate that depreciations would keep the same weight on revenues as in 2015. Given that, in the Publishing segment, the depreciations value was forecasted to equal in each year 0,54% of the value of revenues.

6.1.2.4. Interests

As referred above, in the equivalent chapter for the Television business, given the lack of data, one assumed that the amount of Interests paid in 2015 would be such that its weight on EBIT would be the same as in the year before, the most recent year for which that information is possible to be computed. After that, one assumed that this weight would be maintained.

6.1.2.5. Taxes

As no differences were identified between the effective tax rates for each segment with the few data available, and also the accountability of this study would not be increased by a separated analysis, one decided to consolidate the accounts of all segments before considering the impact of taxes on IMPRESA’s results.

6.1.3. Other Segment (including eliminations)

As not much information is available regarding this segment, and since it is not that relevant and represent only a residual volume of IMPRESA's business, not many assumptions were made regarding its future path. However, in the pursuance of global consolidated forecasts some assumptions had to be made.

6.1.3.1. Revenues

Since this segment is composed by the remaining activities in which IMPRESA is investing and no important projections can be made regarding them, revenues were assumed to maintain its weight in the total revenues of the company. In that way, this segment was assumed to be growing in the future at a rate equal to the weighted average of the two other segments that explain most of IMPRESA's results, Television being weighted 75%, while Publishing accounting for 25%. Given that, it is forecasted to grow 0,78% per year during the first three-year period and 1,83% for the remaining time.

Other	Growth (3y)	Growth (after)
Total Revenues	0,78%	1,83%

Table 7 –Other segment forecasted revenues' growth rates

As one could see by looking at these values and comparing them to the ones referring to the forecasted GDP and Private Consumption growths, they are not far from those from the overall growth of the company but fail to predict what will most likely happen in each of the Television and the Publishing divisions, according to the forecast of PWC.

6.1.3.2. Operating Costs

In accordance to what has been stated for the two main segments, the operating costs attached to the Other businesses segment were forecasted to perform according to the revenues' growth, however discounted by 2% in 2016 and 1% in 2017, given the success that the restructuring process seems to be having in regard to the cost reduction objective. Given that, costs in this segment will decrease 1,22% in 2016 and 0,22% in 2017. After that, their growth will be the same as the one relating to revenues and, hence, costs will grow 0,78% in 2018 and 1,83% thereafter.

Other	2016	2017	2018	2019 and After
Costs Growth	-1,22%	-0,22%	0,78%	1,83%

Table 8 –Other segment forecasted costs' growth rates

6.1.3.3. Depreciations

Following the same path of the other segments, also in this one historical values for depreciations were retrieved from Reuters, given their unavailability in the company Annual Reports. Future depreciations were forecasted to keep the same weight on revenues as they had in 2015. In that way, depreciations in the Other segment were forecasted to represent in each of the coming years 39,84% of the value of revenues.

6.1.3.4. Interests

As further elaborated above in the equivalent chapters for the main segments, the interests paid from 2015 onwards, that year included, were estimated to represent the same weight on EBIT as they represented in the most recent year for which official information has been disclosed.

6.1.3.5. Taxes

As stated in the chapters relating to the company two main segments, restricted by the small amount of data available, no added value was possible to be created from a separated analysis regarding this point. Following that, one decided that it would be better to look at taxes after consolidating the forecasts for each of the segments in which the company operates.

6.2. IMPRESA: Consolidated Forecasts

Although the company separates its business in three areas, its operations also have to be studied as a whole. After specifically looking at the performance of each segment and making the most reasonable assumptions regarding its path for the future, it is important to consolidate all the information in order to forecast the company's performance itself.

6.2.1. P & L

Given that close to P&L estimations for each segment have already been explained before, that will be the first point to look at in this consolidated analysis. After adding most of the

values per segment until Earnings Before Interests and Taxes, additional parameters required for these forecasts were included.

Consolidated	Forecasts					
	2015	2016	2017	2018	2019	2020
Total Revenues	230 922 406	232 795 986	234 803 345	236 944 265	241 359 472	245 861 758
Operating Costs	208 377 765	205 739 167	205 300 046	207 019 312	210 845 533	214 746 752
EBITDA margin	9,8%	11,6%	12,6%	12,6%	12,6%	12,7%
EBITDA	22 544 641	27 056 819	29 503 299	29 924 953	30 513 939	31 115 006
Dep + Amort	3 800 000	3 855 980	3 913 583	3 972 825	4 051 603	4 131 975
EBIT	18 699 631	23 200 839	25 589 717	25 952 128	26 462 336	26 983 031
EBIT Margin	8,1%	10,0%	10,9%	11,0%	11,0%	11,0%
Financial Results	-11 985 074	-11 589 999	-11 691 971	-11 964 239	-12 073 984	-12 318 783
EBT	6 714 557	11 610 840	13 897 746	13 987 889	14 388 352	14 664 248
Income Taxes	2 686 903	4 646 204	5 561 334	5 597 406	5 757 656	5 868 058
Net Income	4 027 654	6 964 636	8 336 412	8 390 483	8 630 697	8 796 190

Table 9 – IMPRESA's Consolidated forecasted P&L

A sub item named Financial Results, including both interest expenses as well as gains or losses on associated companies was integrated in order to get to the company's yearly Earnings before Taxes or the corresponding forecasted values. Again, this information has been retrieved from IMPRESA's Annual Reports and forecasted as the three-year moving average of the weight of past financial results on revenues, since it has had a very constant share on revenues of around 5% along time and is therefore not expected to change.

Taxes

With only taxes missing before one could get to the Net Income of the company, some work had to be done regarding that respect. Since it was not possible before and no value relating to that was identified on a segment-by-segment basis, and it would make no sense to forecast taxes at a per segment basis, this point will now be further elaborated.

As a consequence of the fact that companies in Portugal tend to pay much more taxes than those written under the fiscal law, some attention had to be given to this point. IMPRESA is subject to a 21% Corporation Income Tax (IRC) rate on taxable income, plus a 1,5% municipal surcharge, resulting in a 22,5% aggregate rate. However, according to the Portuguese law, also taxable income exceeding certain values is subject to specific state surcharge rates.

By looking at the company's reports and the notes attached to them, one could get to the effective tax rate paid by the company in each of the past years. After the amount corresponding to corporate income tax taxed autonomously has been deducted, once it respects to expenses and not profits, the effective tax rate could finally get computed by the ratio between the income taxes paid and the Results Before Taxes in the respective year.

Ultimately, a future prevision on the Tax Rate had to be done and since there is no officially confirmed information regarding a change on that, the same effective tax paid in 2015 was used for the remaining time frame during which the company is being evaluated. Given that, the corresponding taxation was set on 40% of the Earnings before Taxes in each year.

Consolidated	Effective
Tax Rate	40,0%

Table 10 – IMPRESA's forecasted effective tax rate

To conclude this chapter, it is important to note that some residual differences in the overall amounts in the consolidated forecast are due to the split by segment done before. This is because, in order to be coherent during the course of this study, one decided to use for P&L purposes the sum of the results presented by segment and not exactly those disclosed by the company. However, no substantial differences were identified

6.2.2. Balance Sheet

As no data regarding the Balance Sheet is available per segment of the company and no value added from a Consolidated Balance Sheet forecast would be attributed to this valuation, no forecast has been done in that respect.

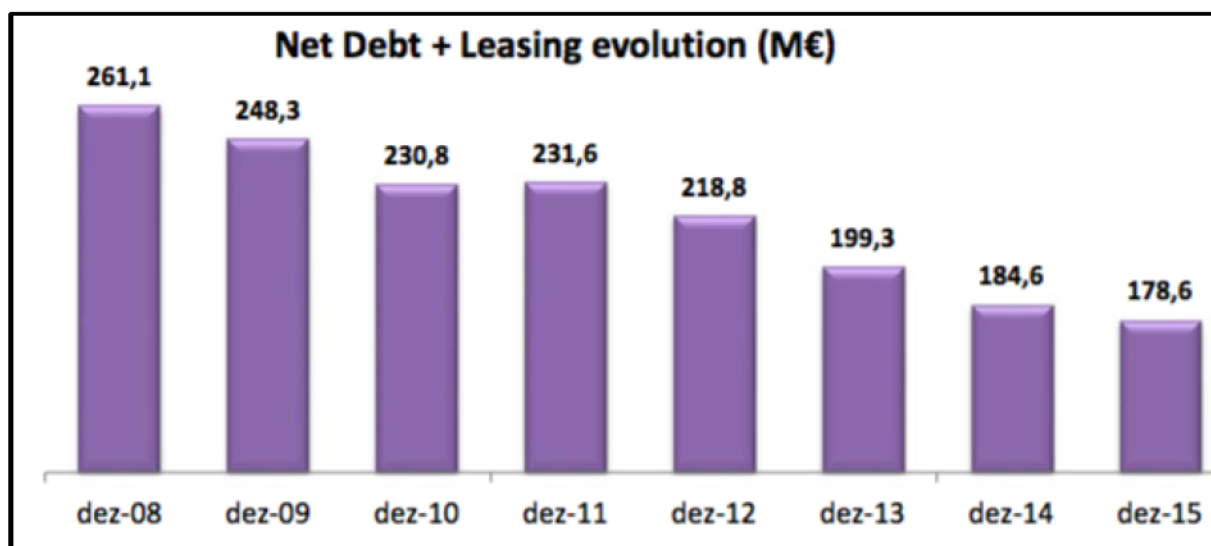
7. IMPRESA VALUATION

In the course of this study, several valuation methods have been presented under the Literature Review chapter. In that, also major advantages and disadvantages, as well as the relevance of each for the reality of IMPRESA have been discussed.

In that way, two methods were chosen to make a valuation of IMPRESA: 1) The Discounted Cash Flows method and 2) The Multiples Valuation.

7.1. The Discounted Cash Flows Valuation

The DCF method was used as the main valuation tool inherent to this study, since IMPRESA does not seem to be either in financial distress or a cyclical company and, in addition to that, its capital structure is not expected to change substantially in the future. This last assumption is based on the fact that although the company has been reducing its leverage level over the last few years, it seems to be doing so at a decreasing rate. As in the last couple years that reduction was not that relevant, one assumed that the company has reached its desired levels of debt and is now more focused on the restructuring program to reduce costs. For these reasons, no major advantage from the use of Adjusted Present Value could be identified and hence the method has been disregarded.



Graph 5 – IMPRESA’s Net debt evolution (including leasings)

Source: IMPRESA’s 2015 Annual Report

7.1.1. Risk-Free Rate

As a first step, the risk-free rate, required to get to most of the values needed in order to perform the valuation of a company, had to be defined. Hence, following the insights described in the Literature Review chapter, long-term government bonds should be used as a proxy. Since IMPRESA operates mainly in Europe and its businesses are mostly carried out in euros and also taking into account the fact that the Portuguese government bonds are not a good proxy for the risk-free, the 10 years German Government Bunds were used. In that way, looking at its value on the data collection point defined for this study, a risk-free rate of 0,153% was obtained.

Risk Free Rate	0,153%
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Table 11 – Risk-free rate (10y German Government Bunds)

Source: Reuters' Terminal information (10 year German Government Bunds)

7.1.2. Cost of Debt

In accordance to what has been outlined under the Literature Review, one possibility when calculating the cost of debt inherent to a firm is to look at recently issued public debt that is representative from the overall amount that the company has currently outstanding. Given that, one decided to look at the cost of debt by analyzing the current yield to maturity of the only bonds issued by IMPRESA (30 million euros, issued on November 2014 and maturing in 2018). This choice was made because, as referred in the 2015 Annual Report, IMPRESA believes that the values of the loans the company currently has do not differ from their fair value. Given that, the company believes that it reflects the conditions under which IMPRESA would be able to contract new loans at the end of that year. All possible borrowings have been reviewed in order to be in accordance to that cost, unless those whose negotiating conditions are better than that (IMPRESA, 2015). In that way, they reflect IMPRESA's current situation and the risk level attributed by the lenders to the company.

In order to correctly evaluate the usability of that approach, one also computed the weighted average of the effective interest rates on all the loans in place at the end of 2015. From that, one got to an overall cost of debt of 3,61%, which is in line with the one seen before (Appendix 11).

Following the initial idea and since its value was corroborated by the actual weighted average of the effective interest rates on loans, the publicly traded bonds current yield to maturity was used as a proxy for the cost of debt. Those bonds bear interest rates attached to the Euribor 6 months plus a 4% spread, resulting in a cost of debt equal to 3,66%, value retrieved from the debt structure information available in Reuters' terminals, and that has been used in the course of this study.

Cost of Debt	3,66%
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Table 12 – IMPRESA's cost of debt

Source: Reuters' Terminal information (current yield to maturity of traded bonds)

7.1.3. Equity Beta

The equity beta, reflecting the extent to which IMPRESA's stocks respond to changes in the Index price, has been computed according to one of the possibilities mentioned under the Literature Review. As defended by many authors, the beta was found through a regression of the company stock returns on the returns of the index. As suggested in the referred chapter, the best practice of using five years of monthly historical prices was put in place, returns having been afterwards computed. The slope of that regression was found as the ratio between the covariance of the returns of both the stocks of the company as well as the index and the variance of the latter (Appendix 12).

Following the above described steps, one got to a beta of 1,60. This value compares to betas of 1,07 and 1,02 disclosed by Damodaran for the broadcasting and publishing industries, respectively. Those betas were not used in this study since they did not seem to correctly reflect the environment in which IMPRESA operates, not only because the group comprises investments in a vast set of segments in the media operations and not just broadcasting or publishing, but also because it was computed using a peer group containing companies whose characteristics differ a lot from those shaping IMPRESA. For instance, companies or groups in developing countries such as those located in Southeast Asia were included and its growth and profitability is expected to be nowhere close to the ones referring to IMPRESA's businesses. For those reasons, these betas were found to be inadequate to characterize IMPRESA's reality. Also Reuters provided betas for the company, the industry and the sector in which IMPRESA's operations take place of respectively 1,78, 1,52 and 1,20. The two former values are closer to that found through the regression of the returns of the stock on

those of the index and indicate that, in relation to other companies in the same sector, the company might be exposed to extra risks attached to its specific operations or its leverage level, as well as to effects in the economic market.

	Beta
Damodaran (Broadcasting)	1,07
Damodaran (Publishing)	1,02
Reuters (Company)	1,78
Reuters (Industry)	1,78
Reuters (Sector)	1,78
Regression (Study)	<u>1,60</u>

Table 13 –Equity beta for IMPRESA (different assumptions)

Source: IMPRESA’s 2015 Annual Report, Reuters Terminal
and Damodaran Tables (adapted)

7.1.4. Equity Risk Premium

As defined in the Literature Review, some different approaches can be used to get to the Equity Risk Premium. In this study, one decided to use the tables presented by Fernández and colleagues (Fernández, Ortiz, & Acín, 2015). Following their work, which relies on about 22500 surveys sent by email to finance and economic professors, as well as analysts and managers of companies, they got to a 5,70% figure to the Equity Risk Premium for companies in Portugal. This value was taken as the Equity Risk Premium to use during the course of this study, as it seemed to be the most backed up as well as recent proxy. Also values presented by Damodaran have been considered but not used.

	Equity Risk Premium
Fernández (2015)	5,70%

Table 14 –Equity Risk Premium

Source: Fernández et al. (2015)

7.1.5. Cost of Equity

Using the values above for the risk-free rate, the equity beta and the equity risk premium, one could get to IMPRESA’s cost of equity by means of the CAPM. By applying that formula, one got to a cost of equity of 9,27%.

Cost of Equity	9,27%
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Table 15 – IMPRESA’s cost of equity

7.1.6. Weighted Average Cost of Capital

Having in mind that IMPRESA’s operations are financed by both equity and debt, one had to come to the real cost of capital of the company. In pursuance of such value, the Weighted Average Cost of Capital formula has been used. In order to correctly apply the WACC one needed the debt and equity ratios for IMPRESA in market values. In order to get to the market value of debt, its repayments schedule has been used, the present value of those payments reflecting the market value of debt (Appendix 13). The Market Capitalization was used as the market value of equity (product of number of shares and price per share). In addition to that, the 40% tax rate was used in the computation of the after-tax WACC.

From that, one obtained an after-tax WACC of 4,68% that was then used throughout this valuation study.

	IMPRESA
N° Shares Outstanding	168 000 000
Price (31 Dec)	€ 0,471
Equity (MV)	€ 79 128 000
Debt (MV)	€ 146 087 008
E/V	35,1%
D/V	64,9%

Table 16 – IMPRESA’s WACC inputs

Source: IMPRESA’s 2015 Annual Report and Reuters’ Terminal information (adapted)

WACC	4,68%
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Table 17 – IMPRESA’s Weighted Average Cost of Capital

7.1.7. IMPRESA Valuation

After all forecasts have been made and rates have been found, one is finally capable of putting a value on the company. In order to do so, after projections have been made for each segment

separately and accounts have been afterwards consolidated, some steps towards the valuation have been taken.

With the objective of computing the Free Cash Flows to the Firm, one used the Earnings Before Interests and Taxes and applied to them the effective tax rate assumed (40%). Resulting from that, one got the Net Operating Profit Less Adjusted Taxes (NOPLAT). As a second step to get to the FCFF, depreciations were added to the NOPLAT and, at the same time, the Investment in Working Capital and the Capital Expenditures amounts were deducted (Appendix 14). It is important to note that on the one hand Investment in Working Capital was assumed to continue to represent the same share on sales that it signified in 2015 and on the other hand, the weight of Capital Expenditures on Sales was forecasted to grow 2,5% as a measure to represent the company's investment in keeping and renewing its assets in order to fight the negative or low growth in some sectors. After that, FCFF were finally obtained.

Consolidated	Forecasts					
	2015	2016	2017	2018	2019	2020
EBIT	18 699 631	23 200 839	25 589 717	25 952 128	26 462 336	26 983 031
Tax on EBIT(40%)	7 479 852	9 280 336	10 235 887	10 380 851	10 584 935	10 793 212
NOPLAT	11 219 779	13 920 504	15 353 830	15 571 277	15 877 402	16 189 819
Depreciation	3 800 000	3 855 980	3 913 583	3 972 825	4 051 603	4 131 975
Investment in WC	1 111 769	1 120 789	1 130 454	1 140 761	1 162 018	1 183 694
CAPEX	3 448 105	3 562 983	3 683 549	3 810 063	3 978 086	4 153 600
FCFF	10 459 905	13 092 711	14 453 410	14 593 278	14 788 900	14 984 499

Table 18 – IMPRESA's NOPLAT and FCFF

Since one got to the FCFF, those were discounted at WACC for the duration of the explicit period. In addition, the Terminal Value, computed as the perpetuity from 2021 onwards under the current assumptions, was calculated, assuming a long-term growth of 0,5% for the global business.

Consolidated	Forecasts					
	2016	2017	2018	2019	2020	
PV (FCFF)	12 507 363	13 189 936	12 722 175	12 316 309	11 921 286	
PV (Terminal Value)	286 622 365					
Enterprise Value	349 279 434				Weight of TV	82%
Net Debt (Debt+Leases-Cash Equivalents)	178 800 000					
Financial Investments	9 950 312					
Equity	180 429 746				Price per share	€ 1,07

Table 19 – IMPRESA's discounted FCFF, terminal value and respective weight on total, enterprise value, equity value and price per share

From that, a value of roughly 286 million euros resulted for the discounted terminal value, while discounted FCFF for the duration of the explicit period account for about 63 million euros. In that way, the discounted perpetuity is assigned an 82% weight.

Finally, the Enterprise Value is estimated to account for 349 million euros. As the path towards obtaining the Equity Value of the company implies that the value of net debt is discounted and financials investments included (since they have not been considered before), that was what has been done, resulting in a 180 million euros Equity Value for IMPRESA.

Ultimately, given that IMPRESA currently has 168 million shares outstanding, a share price of 1,07 euros can be given to each of them by dividing the Equity Value by the total number of shares outstanding.

7.2. Multiples Valuation

After making a valuation of IMPRESA through the Discounted Cash Flows method, one also decided to include a Multiples Valuation, especially in order to have something to compare with and to check the reliability of the assumptions previously made. Ultimately, this method was used in order to substantiate the result found by means of the DCF approach.

7.2.1. Peer Group Selection

As stated before in the Literature Review, the first step towards a Multiples Valuation is to find companies that are similar to IMPRESA. Once the company is a holding comprising investments in three different segments, this is not an easy task, since there is no other company out there investing exactly in the same businesses. Although, having in mind that it is a media group, one will try to compare the company at study with some others operating in the same sector, even if their day-to-day activities differ somehow, as for example they focus more on Television only or they are specialized in Publishing or Radio.

Several factors have to be taken into consideration when choosing a Peer Group. For that reason, one started with a larger group of companies and then excluded some based on relevant differences in relation to IMPRESA, for instance related to size, growth, profitability, etc. To begin with, media groups operating mainly in Western Europe have been chosen as a basis Peer Group, in order to comprise companies that would be exposed to more or less the same environment than the one in which IMPRESA operates.

Identifier	Company Name
IMPA.LS	Impresa Sociedade Gestora de Participacoes Sociais SA
A3M.MC	Atresmedia Corporacion de Medios de Comunicacion SA
CFN.LS	Cofina SGPS SA
MCPLS	Grupo Media Capital SGPS SA
MS.MI	Mediaset SpA
SONO.PA	NRJ Group SA
PSMGn.DE	Prosiebensat 1 Media SE
AUDKt.BR	RTL Group SA
RWAY.MI	Rai Way SpA
STVG.L	STV Group PLC
TELr.AT	Teletypos Television Programmes SA
TFFP.PA	Television Francaise 1 SA
WLG.L	Wireless Group PLC

Table 20 – IMPRESA’s basis (yellow+white) and selected (white) peers

After looking at more detailed information regarding each of the above-mentioned companies, some of them were excluded from this valuation based on certain criteria (Appendix 15).

Size and Growth

When analyzing the Market Capitalization of the firms above, some were eliminated from IMPRESA’s Peer Group since they were too big in relation to IMPRESA. Companies presenting a Market Capitalization higher than 1000 million euros (roughly 20 times that of IMPRESA) were excluded from the group, given that they represented leading European groups, whose reality is not the same of the company at study. By doing so, those companies that have experienced revenues and growths substantially different from those of IMPRESA were implicitly excluded. Here, 6 large companies were taken out from this group, since their size and growth were not comparable to those of IMPRESA, namely Atresmedia, Mediaset, Prosiebensat 1, RTL Group, Rai Way and Societe Television Française 1 – in yellow above.

After these companies have been excluded, one has analyzed the other values inherent to each company and found no reason to exclude more firms, hence a peer group comprising the companies in white above has been used.

According to Fernández (2001), the most suitable multiples to value media companies are PER and EV/EBITDA. In that way, those were the multiples designated to include in this valuation. In this way, one will look initially at one Enterprise Value and one Equity Value multiples in order to compare to the results obtained from the Discounted Cash Flows

method. Looking at those, one decided to exclude two more companies, Teletypos and Wireless Group, since their Enterprise Value multiples were far from those of IMPRESA, indicating that they present much lower margins than IMPRESA.

Following that, the Enterprise Value of IMPRESA was estimated at 212 million euros by the EV/EBITDA multiple. In parallel, the Equity Value was estimated at 73 million euros.

As the multiple using EBITDA resulted in a value substantially lower for the Enterprise Value of IMPRESA, motivated by quite lower ratios in the peer group, in addition, one decided to also use EV/EBIT to compare with EV/EBITDA, since this peer group average was closer to the ratio for IMPRESA per se. From that, resulted an Enterprise Value of 239 million euros, which although lower is much closer to the DCF valuation performed.

	IMPRESA	Multiple used
Equity Value	€ 73 136 837	PER
Enterprise Value	€ 212 146 282	EV/EBITDA
Enterprise Value	€ 238 808 570	EV/EBIT

Table 21 – IMPRESA’s Multiples Valuation

7.3. Comparison between DCF Valuation and Multiples Valuation Outcomes

According to the values found before, the following table presents a comparison between the results of each method:

IMPRESA	DCF Valuation	Multiples Valuation	Multiple used
Equity Value	€ 180 429 746	€ 73 136 837	PER
Enterprise Value	€ 349 279 434	€ 212 146 282	EV/EBITDA
Enterprise Value	€ 349 279 434	€ 238 808 570	EV/EBIT

Table 22 – Comparison between DCF and Multiples

As one can see, the values found under the DCF are much larger than those under the Multiples Valuation, even if one disregards the Enterprise Value resulting from the EBITDA multiple. While from the DCF a price per share was estimated at € 1,07, from the multiples using PER and EBIT values between € 0,36 and € 0,44 have been obtained.

7.4. Sensitivity Analysis

After the valuation, one decided to conduct a brief sensitivity analysis in order to analyze the impact of changes on the key variables, which is presented below. The valuation range found by changing the values in the cost of capital and the terminal value growth are between € 0,67 and € 1,73. From that, it is possible to access that changes in the cost of capital would affect significantly more the firm share value. The conclusion is that the value of the firm is very sensitive to changes in the cost of capital.

Sensitivity Analysis			
Description	Pessimistic	Base	Optimistic
Terminal Value growth rate = $\pm 0,4\%$	0,10%	0,50%	0,90%
Equity Value	154 356 218	180 429 746	212 021 441
% change	-14%	-	18%
Per share value	0,92 €	1,07 €	1,26 €
Cost of Capital = $\pm 1\%$	3,68%	4,68%	5,68%
Equity Value	112 622 144	180 429 746	290 900 941
% change	-38%	-	61%
Per share value	0,67 €	1,07 €	1,73 €

Table 23 – Sensitivity Analysis

8. COMPARISON WITH THE INVESTMENT BANK VALUATION

In the following, one will compare the valuation done throughout this study against the one provided by Caixa Banco de Investimento. This report, made public on the 1st of December 2015, was chosen as the one to compare with since it was the most recent available for IMPRESA and hence the one that better reflects updated information.

The analyst from Caixa Banco de Investimento set in the referred report a target price per share of IMPRESA of €0,75, after updating its valuation from the previously established €1,30. This update was made to reflect the impact of the restructuring process announced for 2015, as well as to use more conservative assumptions regarding growth rates because the advertising market performance is not expected to be as good as assumed before. This value is comparable to the one found in the DCF conducted in this study, although some differences in the assumptions made have been identified and are analyzed below.

As far as the methods used are concerned, the approaches chosen are quite similar, since in both valuations IMPRESA's value was computed by means of a segment-by-segment Discounted Cash Flow method and a Multiples Valuation was also incorporated.

In the most recent valuation, the bank assumed the perpetual growth rates to be equal to 1,5% and 0% for the Television and Publishing businesses, respectively (previously 2% and 1%). From the beginning, it is possible to assess that this view is quite different from the one in this study, in which the Television Segment was forecasted to grow 2,1%, while the Publishing one at -3,2% in the next three years and 1% thereafter.

	Thesis	CaixaBI
Television	2,1%	1,5%
Publishing	-3,2% and 1%	0,0%
Other	0,78% and 1,83%	0%
Overall	0,78% and 1,83%	1,13%

Table 24 – Growth rates comparison

However, no major differences in the long term Revenues were identified.

Some points that could lead to differences were the much lower tax rate used by the bank (27,5% vs. 40%) that would imply much larger net incomes and NOPLATs forecasted, as well as very different views to the capital structure and hence the cost of capital. Following the lower tax rate, the expected generated cash flows would be superior in the bank's valuation though, as the discount rate used in its estimations is also much larger than the one

inherent to this study, values for the company price get closer. The discount rate of the bank is higher due to the use of a 4,5% risk-free, that probably includes some kind of risk premium not considered in this thesis – since it would be too good for a risk-free only. Also, the bank used a hybrid DCF/APV model, since it used a target capital structure but followed the DCF guidelines. There, enormous differences were found, since the bank used a target debt ratio of 30% and in this work a 64,5% number has been used to the equivalent variable.

Description	Caixa BI	Thesis
Capital structure		
D/V	30,0%	64,5%
E/V	70,0%	35,5%
WACC	7,15%	4,68%

Table 25 – Capital structure and WACC comparison (Thesis' other variables always considered but for the capital structure)

	Thesis	CaixaBI
Risk Free Rate	0,153%	4,500%
Market Risk Premium	5,70%	4,00%
Equity Beta	1,60	1,74
Cost of Equity	9,03%	11,50%
Cost of Debt	3,66%	5,00%
E/V	51,8%	70,0%
D/V	48,2%	30,0%
Tax Rate	40,00%	27,50%
WACC	5,74%	9,10%

Table 26 – Summary comparison

Although major differences could be identified in the process, at the end, both valuations led to somehow similar results once some assumptions out weighted others, since they had implications in opposite directions, therefore leading to someway equivalent results. It is also important to outline that the bank used a Small Cap Discount of 10% and if that had not been the case, a value of €0,83 would have been found. The table below summarizes the value attained.

	Thesis	CaixaBI
Enterprise Value	€ 349 279 434	€ 294 600 000
Equity Value	€ 180 429 746	€ 139 700 000
Target Price	1,07 €	0,83 €
Target Price (Small Cap Discount)		0,75 €

Table 27 – Price summary comparison

After all, while the assumptions made by the Investment Bank differ quite a lot from those embodied in this study, they led to similar results since although they use lower tax rates and hence increase the cash flows, they also use slightly lower growth estimations and much larger discount rates, therefore leading to comparable results. In addition, the Multiples Valuation was somehow irrelevant in both studies, implying that it was not considered adequate to value the company.

9. CONCLUSIONS AND LIMITATIONS/FUTURE RESEARCH

After analyzing the state of the art about company valuations, choosing the methods that better seemed to fit IMPRESA's businesses and making the required assumptions, a value of €1,07 euros per share has been reached. Comparing that value to the €0,47 and €0,37 euros per share at which the market was pricing IMPRESA's shares on the 31st of December and March, respectively, a Buy recommendation should be issued.

The environment in which IMPRESA operates has not been very business friendly during the recent past and is expected to keep changing rapidly in the near future. In spite of that, new opportunities should arise, the company being expected to experience positive growth during the next years, even if residual.

Also, when one compares the analysis under this thesis to the one performed by the Investment Bank, overall similar results were found. Even if the assumptions made differ quite a lot, different measures embodied risks and costs in different manner, leading to comparable results.

Ultimately, it is of extreme importance to outline that this valuation took place on the basis of several assumptions for values and paths for which IMPRESA does not disclose any info or, in some other cases, does not do it in a way as detailed as desired. These assumptions that served as basis for putting a price on the company's shares can hence constitute some limitations. Its accuracy was attentively object of research and reasoning but is somehow limited to the amount of detailed information that is publicly available and can only be further maximized with an increase in the amount of detailed financial information made public by the company.

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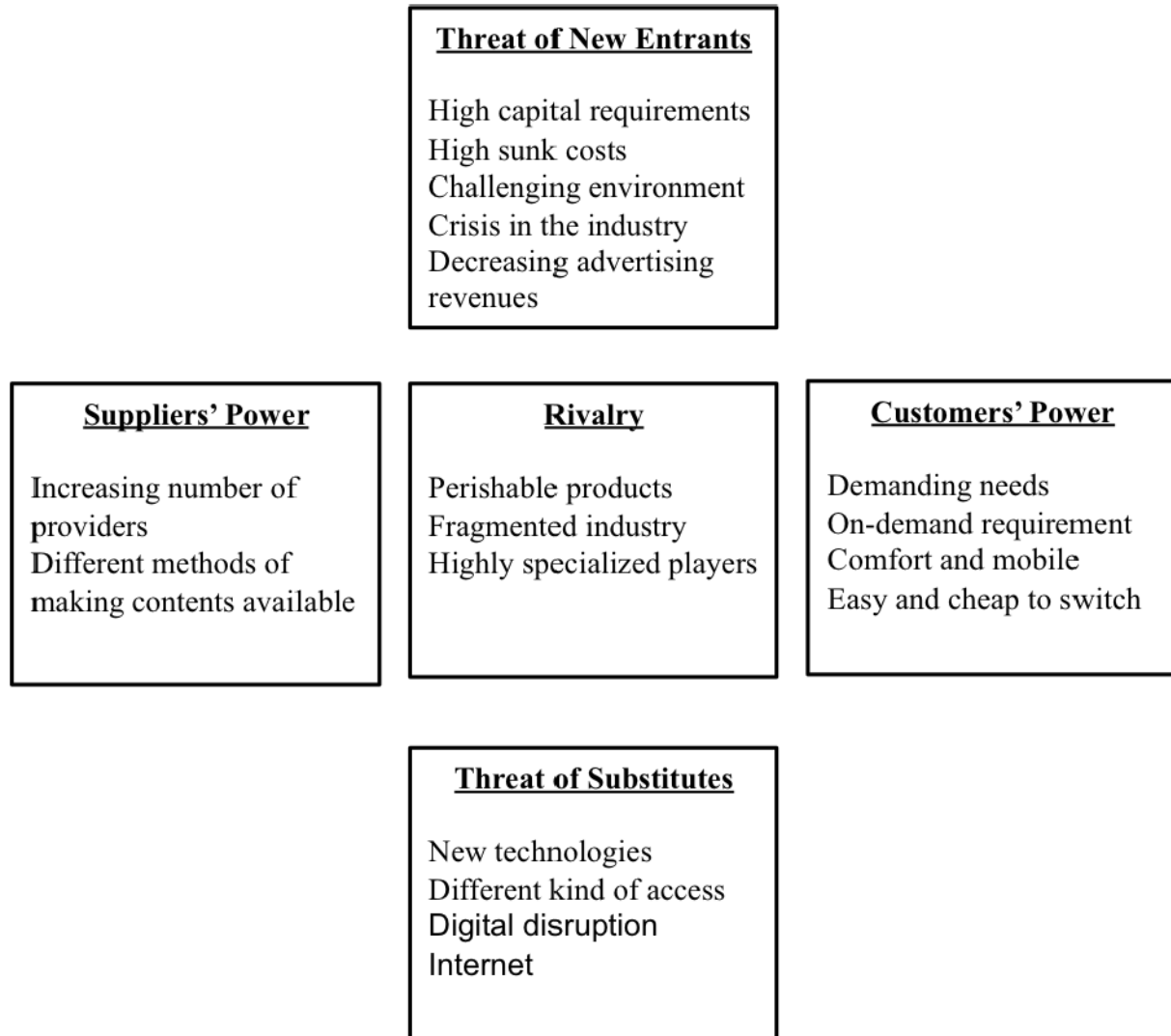
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APPENDIX 1 – INDUSTRY ANALYSIS – PORTER’S FIVE FORCES

In order to evaluate the industry in which IMPRESA operates, the media and communications one, a Porter’s five forces model was applied to it.

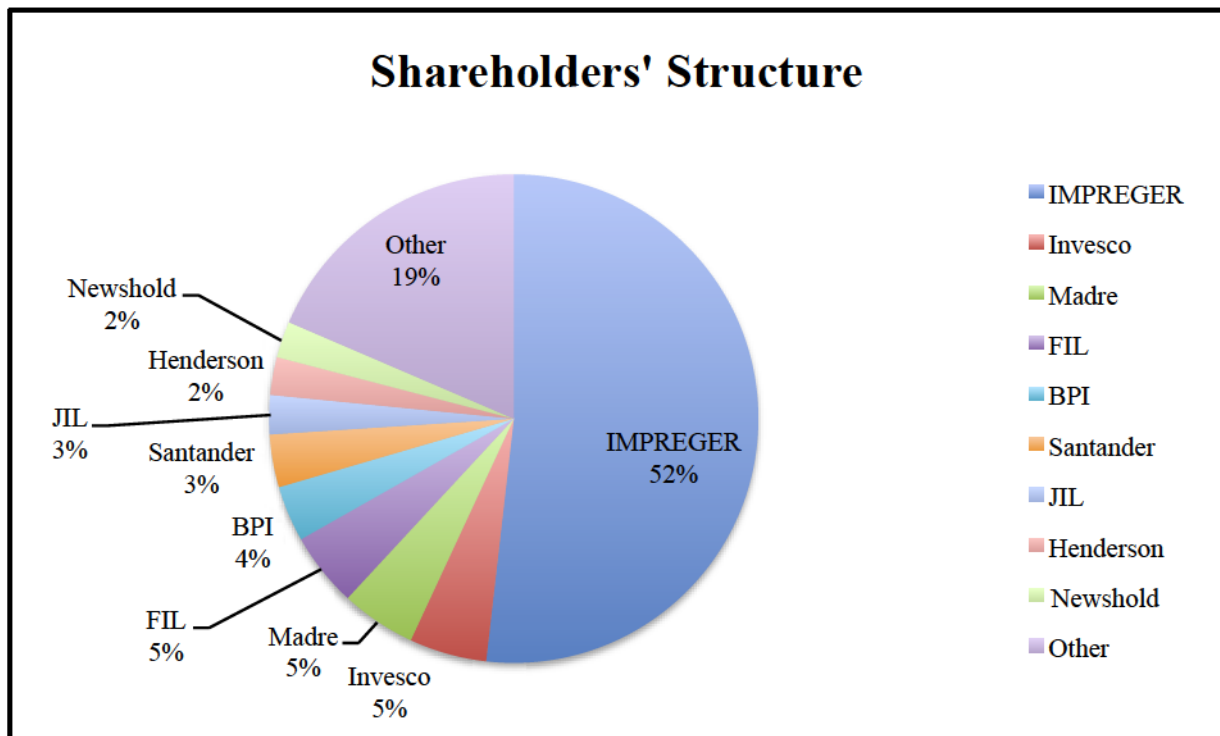


From the above analysis, one can conclude that, the threat on new entrants in this industry is very low, especially due to the high costs and capital requirements involved, although the threat of substitutes is high, given the appearance of new technologies and the consequent digital disruption. In addition, on the one hand, suppliers’ bargaining power is not high and is even decreasing with the different methods and providers of contents that have been showing up in recent years. On the other hand, buyers’ bargaining power is very high because they can easily switch among media channels/providers with no relevant costs associated and they are very demanding to the companies in the industry. After all, rivalry among the existing players in the industry is relatively high, since the “products are perishable” and specialized players are showing up at an increasing rate.

APPENDIX 2 – COMPANY ANALYSIS – SWOT

Information regarding IMPRESA’s stockholders, number of stocks owned and the corresponding share can be found in the table below. Also a graph representing that information is to be found after that.

Stockholders	Stocks owned	Percentage
IMPREGER	87 042 994	51,81%
Invesco	8 598 590	5,12%
Madre	8 322 412	4,95%
FIL	8 240 184	4,91%
BPI	6 200 000	3,69%
Santander	5 867 670	3,49%
JIL	4 346 942	2,59%
Henderson	4 200 000	2,50%
Newshold	4 038 764	2,40%
Other	31 142 444	18,54%
Total	168 000 000	100,00%



APPENDIX 3 – COMPANY ANALYSIS – SWOT

A SWOT analysis for IMPRESA’s activities can be found below.

Strengths	Weaknesses
Diverse set of investments Effective restructuring process (cost reduction) Digital presence Focus on mastering operations instead of fight for large share	Advertising market decrease Highly dependent on updated and new technologies Crisis in the publishing sector Paper publishing crisis (consumers prefer digital + cheaper = decrease in revenues)
Opportunities	Threats
Digital segment Potential of mobile and on-demand platforms Running away from the dependency on advertising International Markets Increased communication with consumers New technologies always showing up	Increased competition from cable TV Consumers' new habits and behaviours Consumers' preferences shift Economic crisis and link to Private Consumption and GDP High bargaining power of consumers Digital segment

APPENDIX 4 – ASSUMPTIONS’ SUMMARY (SEGMENT-BY-SEGMENT)

A brief summary of the assumptions made on a segment-by-segment basis can be found below.

Television	Growth
Total Revenues	2,1%
Advertising	1,7%
Channels Subscription	2,9%

Publishing	Growth (3y)	Growth (after)
Total Revenues	-3,2%	1,0%
Advertising	-2,3%	-
Circulation	4,0%	-

Other	Growth (3y)	Growth (after)
Total Revenues	0,78%	1,83%

Television	2016	2017	2018 and After
Costs Growth	0,1%	1,1%	2,1%

Publishing	2016	2017	2018	2019 and After
Costs Growth	-5,2%	-4,2%	-3,2%	1,0%

Other	2016	2017	2018	2019 and After
Costs Growth	-1,22%	-0,22%	0,78%	1,80%

APPENDIX 5 – ASSUMPTIONS' SUMMARY (CONSOLIDATED)

A brief summary of the assumptions made on a consolidated point of view can be found below.

Consolidated	Effective
Tax Rate	40,0%

	IMPRESA
N° Shares Outstanding	168 000 000
Price (31 Dec)	€ 0,471
Equity (MV)	€ 79 128 000
Debt (MV)	€ 146 087 008
E/V	35,1%
D/V	64,9%

WACC	4,68%
Risk Free Rate	0,153%
Cost of Equity	9,27%
Cost of Debt	3,66%
Beta	1,60
Equity Risk Premium	5,70%

APPENDIX 6 – TELEVISION SEGMENT

Television	Historical					Forecasts				
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Total Revenues	164 136 256	158 649 596	173 535 290	177 598 174	173 644 532	177 291 067	181 014 180	184 815 477	188 696 602	192 659 231
Growth		-3,34%	9,38%	2,34%	-2,23%	2,10%	2,10%	2,10%	2,10%	2,10%
Operating Costs	141 500 556	135 850 989	143 798 636	145 869 286	149 918 107	150 068 025	151 718 773	154 904 868	158 157 870	161 479 185
Growth		-3,99%	5,85%	1,44%	2,78%	0,10%	1,10%	2,10%	2,10%	2,10%
EBITDA margin	13,8%	14,4%	17,1%	17,9%	13,7%	15,4%	16,2%	16,2%	16,2%	16,2%
EBITDA	22 635 700	22 798 607	29 736 654	31 728 888	23 726 425	27 223 042	29 295 406	29 910 610	30 538 733	31 180 046
Dep + Amort	5 600 000	5 100 000	3 800 000	2 800 000	2 900 000	2 960 900	3 023 079	3 086 564	3 151 381	3 217 560
EBIT	17 035 700	17 698 607	25 936 654	28 928 888	20 807 887	24 262 142	26 272 327	26 824 046	27 387 351	27 962 486
EBIT Margin	10,4%	11,2%	14,9%	16,3%	12,0%	13,7%	14,5%	14,5%	14,5%	14,5%
Interest	2 386 619	2 912 909	2 418 806	1 305 653	939 126	1 095 028	1 185 754	1 210 655	1 236 079	1 262 036
EBT	14 649 081	14 785 698	23 517 848	27 623 235	19 868 761	23 167 114	25 086 573	25 613 391	26 151 273	26 700 449

The historical values comprised in the table above have been typed from each of IMPRESA’s Annual Reports. Exception to that are the depreciations and amortizations values that were not available at a segment-by-segment basis in those and hence have been included from the information available on Thomson Reuters EIKON terminals.

Following the research made by McKinsey, “McKinsey & Co Global Media Report 2015 – Global Industry Overview”, one has forecasted the revenues in the Television segment to grow 2,1% per year after 2015. This value having been reached through a weighted average of the projections for channels subscriptions and advertising revenues on their weight in the previous year revenues. Therefore, operating costs should be expected to increase at an equivalent rate in order to account for the “production” increase. Although, since IMPRESA has been undergoing a restructuring process with the final objective of reducing costs and those have already decreased in the first quarter of 2016, one decided to include the impact of that in this forecasts. In that way, costs were expected to grow in line with sales but deducted by 2% in the first projection year and 1% in the second. Depreciations and interest expenses are expected to keep the same weight on revenues and EBIT, respectively.

APPENDIX 7 – PUBLISHING SEGMENT

Publishing	Historical					Forecasts				
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Total Revenues	81 593 808	68 658 737	63 129 719	58 767 367	55 771 924	53 987 222	52 259 631	50 587 323	51 093 196	51 604 128
Growth		-15,85%	-8,05%	-6,91%	-5,10%	-3,20%	-3,20%	-3,20%	1,00%	1,00%
Operating Costs	78 230 537	69 751 834	58 639 842	54 237 068	52 143 432	49 431 974	47 355 831	45 840 444	46 298 849	46 761 837
Growth		-10,84%	-15,93%	-7,51%	-3,86%	-5,20%	-4,20%	-3,20%	1,00%	1,00%
EBITDA margin	4,1%	-1,6%	7,1%	7,7%	6,5%	8,4%	9,4%	9,4%	9,4%	9,4%
EBITDA	3 363 271	-1 093 097	4 489 877	4 530 299	3 628 492	4 555 249	4 903 801	4 746 879	4 794 348	4 842 291
Dep + Amort	700 000	600 000	400 000	300 000	300 000	290 400	281 107	272 112	274 833	277 581
EBIT	2 663 271	-1 693 097	4 089 877	4 230 299	3 330 774	4 264 849	4 622 693	4 474 767	4 519 515	4 564 710
EBIT Margin	3,3%	-2,5%	6,5%	7,2%	6,0%	7,9%	8,8%	8,8%	8,8%	8,8%
Interest	2 348 835	2 826 687	2 379 701	1 992 074	1 568 482	2 008 344	2 176 855	2 107 196	2 128 268	2 149 550
EBT	314 436	-4 519 784	1 710 176	2 238 225	1 762 292	2 256 505	2 445 838	2 367 572	2 391 247	2 415 160

The historical values comprised in the table above have been typed from each of IMPRESA’s Annual Reports. Exception to that are the depreciations and amortizations values that were not available at a segment-by-segment basis in those and hence have been included from the information available on Thomson Reuters EIKON terminals.

Following the research made by McKinsey, “McKinsey & Co Global Media Report 2015 – Global Industry Overview”, one has forecasted the revenues in the Publishing segment to grow at a -3,2% rate during the next three years cycle and to start recovering in 2019 at a 1% growth rate per year. The negative growth is the outcome of a weighted average of the projections for circulation and advertising revenues on their weight in the previous year. According to information in that study the negative growth is not expected to last for a long time and hence, one predicted that it would end after the period considered in that same study. Operating costs should be expected to increase at an equivalent rate in order to account for the “production” increase. Although, as explained before, one accounted for the impact of the relatively successful restructuring plan that IMPRESA is currently undergoing and hence to predict that costs would grow in line with sales but deducted by 2% in the first projection year and 1% in the second. Depreciations and interest expenses are expected to keep the same weight on revenues and EBIT, respectively.

APPENDIX 8 – OTHER SEGMENT

Other	Historical					Forecasts				
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Total Revenues	4 061 403	1 749 444	511 989	1 414 518	1 505 950	1 517 696	1 529 534	1 541 465	1 569 674	1 598 399
Growth		-56,93%	-70,73%	176,28%	6,46%	0,78%	0,78%	0,78%	1,83%	1,83%
Operating Costs	7 789 421	3 960 211	4 387 949	5 729 597	6 316 226	6 239 168	6 225 442	6 274 000	6 388 815	6 505 730
Growth		-49,16%	10,80%	30,58%	10,24%	-1,22%	-0,22%	0,78%	1,83%	1,83%
EBITDA margin	-91,8%	-126,4%	-757,0%	-305,1%	-319,4%	-311,1%	-307,0%	-307,0%	-307,0%	-307,0%
EBITDA	-3 728 018	-2 210 767	-3 875 960	-4 315 079	-4 810 276	-4 721 472	-4 695 907	-4 732 536	-4 819 141	-4 907 331
Dep + Amort	1 900 000	1 400 000	1 000 000	700 000	600 000	604 680	609 397	614 150	625 389	636 833
EBIT	-5 628 018	-3 610 767	-4 875 960	-5 015 079	-5 439 030	-5 326 152	-5 305 304	-5 346 685	-5 444 530	-5 544 165
EBIT Margin	-138,6%	-206,4%	-952,4%	-354,5%	-361,2%	-350,9%	-346,9%	-346,9%	-346,9%	-346,9%
Interest	8 151 854	5 229 984	7 062 542	8 294 627	8 995 815	8 809 122	8 774 641	8 843 083	9 004 912	9 169 701
EBT	-13 779 872	-8 840 751	-11 938 502	-13 309 706	-14 434 845	-14 135 273	-14 079 945	-14 189 768	-14 449 441	-14 713 866

The historical values comprised in the table above have been typed from each of IMPRESA's Annual Reports. Exception to that are the depreciations and amortizations values that were not available at a segment-by-segment basis in those and hence have been included from the information available on Thomson Reuters EIKON terminals.

This segment comprises residual investment and revenues from IMPRESA's operations in real state, multimedia and geo-location solutions and hence is not significant for the overall performance of the firm. Its growth was predicted as following the same path as the weighted average of the remaining business and so to experience more problems in the next three years and then to experience higher growth rates. This is because there is no specific information regarding the projects here included and as easily understood by the growth lines in the table above, this segment evolution does not follow a path that could be used as a proxy for the future. Growing in line with the average of the business, alike assumptions are expected and hence depreciations and interest expenses are expected to keep the same weight on revenues and EBIT, respectively.

APPENDIX 9 – CONSOLIDATED

Consolidated	Historical			Forecasts				
	2013	2014	2015	2016	2017	2018	2019	2020
Total Revenues	237 176 998	237 780 059	230 922 406	232 795 986	234 803 345	236 944 265	241 359 472	245 861 758
Operating Costs	206 826 427	205 835 951	208 377 765	205 739 167	205 300 046	207 019 312	210 845 533	214 746 752
EBITDA margin	12,8%	13,4%	9,8%	11,6%	12,6%	12,6%	12,6%	12,7%
EBITDA	30 350 571	31 944 108	22 544 641	27 056 819	29 503 299	29 924 953	30 513 939	31 115 006
Dep + Amort	5 200 000	3 800 000	3 800 000	3 855 980	3 913 583	3 972 825	4 051 603	4 131 975
EBIT	25 150 571	28 144 108	18 699 631	23 200 839	25 589 717	25 952 128	26 462 336	26 983 031
EBIT Margin	10,6%	11,8%	8,1%	10,0%	10,9%	11,0%	11,0%	11,0%
Financial Results	-11 801 951	-11 341 458	-11 985 074	-11 589 999	-11 691 971	-11 964 239	-12 073 984	-12 318 783
EBT	13 348 620	16 802 650	6 714 557	11 610 840	13 897 746	13 987 889	14 388 352	14 664 248
Income Taxes	6 691 991	5 545 410	2 686 903	4 646 204	5 561 334	5 597 406	5 757 656	5 868 058
Net Income	6 656 629	11 257 240	4 027 654	6 964 636	8 336 412	8 390 483	8 630 697	8 796 190

The values found in the table above are the result of the sum of the parts of the historical and forecasted values for IMPRESA's segments. In order to make a better global prevision, one decided to use the sum and not the values found directly in IMPRESA's Annual Reports, for a matter of coherence and consistency with the assumptions and the amounts forecasted before. In order to make projections per segment, it was not possible to account as per sub item, but the reduction in costs, result of the restructuring process the company is currently experiencing, is expected to happen through improved profitability in cost of sales in addition to a reduction in personnel costs, as outlined in the company's reports. Here, financial results have been included, comprising both interests and gains or losses on associated companies, in order to allow to the improved quality of the valuation made, since this value can be found in the reports of the company, even if only available in consolidated terms. After, for the explicit period, its value has been set to represent the three-year moving average of its weight on sales, since one concluded that this value has been constant at around 5% for the recent past and no reason to change that share could be identified.

In case some differences are found in the consolidated values in regard to what is in IMPRESA's accounts, that is because most of the values presented above are the result of the segment-by-segment analysis sum and not typed from the annual reports directly. However, no major differences have been identified regarding that matter.

As for the tax rate, since there was no need and no added value from a segment-by-segment analysis could be recognized, the effective tax rate has only been computed on a consolidated point of view. The effective tax rate was found for the previous three years, once that under the Portuguese law does not reflect the true amount paid by the company. Its value has been reached by the ratio between the amounts corresponding to the income tax paid, deducted from the amount corresponding to the corporate income tax taxed autonomously, since it respects to expenses and not profits, and the Results Before Taxes in the respective year. The value observed in 2015, the last available year, was taken as an assumption for the future as there is no information referring changes in that.

Consolidated	Historical			Forecasts				
	2013	2014	2015	2016	2017	2018	2019	2020
Tax Rate (effective)	50,1%	33,0%	40,0%	40,0%	40,0%	40,0%	40,0%	40,0%

APPENDIX 10 – DRIVERS’ ANALYSIS

In pursuance of a driver for the revenues of IMPRESA, several factors have been considered. After getting to know the company’s operations and since most of its revenues are explained by advertising expenses, one decided to look at the GDP growth and the Private Consumption growth in Portugal with the objective of linking them to the growth of the revenues of IMPRESA. The table below presents historical growth rates for those items in the recent past.

Variable	2012	2013	2014	2015
IMPRESA Revenues growth	-8,5%	3,8%	0,3%	-2,9%
GDP growth (Portugal)	-4,0%	-1,1%	0,9%	1,5%
Private Consumption growth (Portugal)	-5,5%	-1,2%	2,2%	2,6%

Information retrieved from:

IMPRESA Revenues’ growth (consolidated) – IMPRESA’s Annual Reports (growth computed from the results presented for the revenues of the company in each year)

GDP growth (Portugal) – International Monetary Fund

Private Consumption growth (Portugal) – Organization for Economic Co-Operation and Development

The values reflecting the correlations between the measures are to be found below.

Correlation	IMPRESA Revenues Growth
Private Consumption Growth	0,535
GDP Growth	0,540

The correlations discovered reveal that there is a moderate correlation (equal or above 0,50) between the revenues of the company and the growth of both the Portuguese GDP and Private Consumption in Portugal in the last years. In that way, one could understand that they are expected to usually move in the same direction but not all times or not in the same magnitude. For that reason, one decided to forecast the revenues’ growth based on industry reports published by knowledgeable sources, such as McKinsey or PWC and only use these drivers’ values to double-check the direction of the global revenues’ path.

APPENDIX 11 – COST OF DEBT

The cost of debt as the weighted average of the effective interest rates paid on all the sources of debt that the company currently has.

	Non-Current	Current	Total	Effective interest rate
a	79 495 339	9 463 732	3 416 028	3,84%
b	3 461 175	988 907	100 127	2,25%
c	3 978 280	994 571	129 294	2,60%
d	8 497 856	2 371 495	163 040	1,50%
e		14 721 951	419 576	2,85%
f	29 720 780		1 188 831	4,00%
g	16 914 427		761 149	4,50%
h		1 402 315	45 575	3,25%
i		4 215 000	141 624	3,36%
j		89 452	2 798	3,13%
Weighted Average				3,61%

This value is to be compared to the current yield to maturity of the publicly traded bonds of the company that has been found on Reuters.

YTM bonds	3,66%
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The values end up being quite similar because in accordance to what is written under the notes of the Annual Report of IMPRESA, the company reviews and negotiates its loans very frequently and therefore they usually reflect the updated conditions at which the company would be financed if it were to obtain credit nowadays.

In that way, as the YTM of the bonds correctly represents the company's risk as of today, it has been used as the cost of debt of the company for the duration of this study.

APPENDIX 12 – BETA – REGRESSION OF IMPRESA AND PSI RETURNS

The table below includes the adjusted price close of IMPRESA's stock as well as the PSI index, in addition to the respective returns. Five years of monthly data retrieved from Thomson Reuters EIKON terminals have been included, as suggested by most practitioners.

Date	IMPRESA		PSI		Date	IMPRESA		PSI	
	Adj Close	Return	Adj Close	Return		Adj Close	Return	Adj Close	Return
01/04/16	0,36	-1,37%	5052,52	0,64%	02/09/13	0,70	11,11%	5953,51	2,51%
01/03/16	0,37	-15,12%	5020,61	5,31%	01/08/13	0,63	-5,97%	5807,76	1,51%
01/02/16	0,43	-13,65%	4767,28	-5,89%	01/07/13	0,67	4,69%	5721,46	2,96%
01/01/16	0,50	5,73%	5065,67	-4,66%	03/06/13	0,64	3,23%	5556,88	-6,44%
01/12/15	0,47	-7,65%	5313,17	-0,70%	01/05/13	0,62	-3,13%	5939,43	-4,95%
02/11/15	0,51	-17,61%	5350,36	-2,16%	01/04/13	0,64	56,10%	6248,52	7,32%
01/10/15	0,62	-2,21%	5468,69	8,35%	01/03/13	0,41	-4,65%	5822,09	-2,77%
01/09/15	0,63	-14,46%	5047,29	-4,06%	01/02/13	0,43	-8,51%	5987,71	-3,45%
03/08/15	0,74	-7,50%	5261,15	-7,95%	01/01/13	0,47	51,61%	6201,43	9,66%
01/07/15	0,80	-5,88%	5715,61	2,95%	03/12/12	0,31	-6,06%	5655,15	7,59%
01/06/15	0,85	-1,39%	5551,94	-4,92%	01/11/12	0,33	3,13%	5256,38	-1,86%
01/05/15	0,86	-8,40%	5839,50	-4,19%	01/10/12	0,32	-3,03%	5355,96	2,94%
01/04/15	0,94	-11,23%	6094,68	2,11%	03/09/12	0,33	6,45%	5202,76	4,08%
02/03/15	1,06	6,53%	5968,53	4,90%	01/08/12	0,31	-13,89%	4998,86	6,63%
02/02/15	1,00	21,64%	5689,70	10,60%	02/07/12	0,36	2,86%	4688,08	-0,21%
01/01/15	0,82	3,81%	5144,55	7,20%	01/06/12	0,35	6,06%	4697,96	4,09%
01/12/14	0,79	-19,76%	4798,99	-7,29%	01/05/12	0,33	-13,16%	4513,38	-13,77%
03/11/14	0,98	-1,80%	5176,14	-0,88%	02/04/12	0,38	-24,00%	5233,86	-5,81%
01/10/14	1,00	-13,64%	5222,13	-9,03%	01/03/12	0,50	-3,85%	5556,81	-0,42%
01/09/14	1,16	-13,90%	5740,50	-3,40%	01/02/12	0,52	10,64%	5580,52	4,80%
01/08/14	1,35	1,82%	5942,78	-0,61%	02/01/12	0,47	0,00%	5325,05	-3,08%
01/07/14	1,32	-12,52%	5979,49	-12,09%	01/12/11	0,47	11,90%	5494,27	-0,76%
02/06/14	1,51	-11,18%	6802,20	-4,37%	01/11/11	0,42	-4,55%	5536,32	-5,69%
01/05/14	1,70	-6,08%	7112,91	-4,61%	03/10/11	0,44	0,00%	5870,12	-0,36%
01/04/14	1,81	0,78%	7456,91	-1,98%	01/09/11	0,44	-12,00%	5891,06	-6,79%
03/03/14	1,80	14,39%	7607,55	3,09%	01/08/11	0,50	-5,66%	6320,08	-8,34%
03/02/14	1,57	6,80%	7379,76	10,20%	01/07/11	0,53	-23,19%	6895,39	-5,85%
01/01/14	1,47	34,86%	6696,67	2,10%	01/06/11	0,69	1,47%	7323,78	-3,08%
02/12/13	1,09	-4,39%	6558,85	0,32%	02/05/11	0,68	-29,17%	7556,86	-1,58%
01/11/13	1,14	23,91%	6537,77	4,67%	01/04/11	0,96	-	7677,82	-
01/10/13	0,92	31,43%	6245,84	4,91%					

Below, the betas suggested by Damodaran as well as Reuters are presented and compared to the one resulting from the regression of the returns of the Stock of IMPRESA on the index returns. The result of the regression was chosen as the one to use in this valuation.

	Beta
Damodaran (Broadcasting)	1,07
Damodaran (Publishing)	1,02
Reuters (Company)	1,78
Reuters (Industry)	1,78
Reuters (Sector)	1,78
Regression (Study)	1,60

APPENDIX 13 – MARKET VALUE OF DEBT – DEBT REPAYMENT SCHEDULE

Repayment of Debt Schedule									
	2016	2017	2018	2019	2020	2021	2022	2023	2024
a	9 463 732	9 983 607	9 983 607	9 983 607	9 983 606	9 983 606	9 983 606	9 983 606	9 983 606
b	988 907	1 000 000	1 000 000	1 000 000	500 000				
c	994 571	1 000 000	1 500 000	1 500 000					
d	2 371 495	2 400 000	6 200 000						
e	14 721 951								
f			30 000 000						
g		1 360 000	1 360 000	1 360 000	1 360 000	1 360 000	1 360 000	1 360 000	1 360 000
h	1 402 315								
i	4 215 000								
j	89 452								

Financing Entities:

- a – Banco Português de Investimento (2006)
- b – Banco Popular (2015)
- c – Caixa Central de Crédito Agrícola Mútuo (2015)
- d – Banco BIC Português (2015)
- e – Commercial paper issued by IMPRESA (2014)
- f – Bonds (2014)
- g – Banco Português de Investimento (2013)
- h – Commercial Paper issued by IMPRESA Publishing (2014)
- i – Guaranteed current accounts
- j – Bank Overdrafts

For initial short-term debt, as the commercial paper, market value was considered to equal book value. For the remaining, the value of repayments of debt has been discounted at the cost of debt.

MV (Debt)	146 087 008
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APPENDIX 14 – NET WORKING CAPITAL AND CAPITAL EXPENDITURES

Net Working Capital	2011	2012	2013	2014	2015
<u>Non Current Assets</u>					
Deferred tax assets	1 728 169	1 689 961	1 269 649	983 814	620 908
<u>Current Assets</u>					
Program broadcasting rights	24 757 289	17 814 776	17 106 269	13 410 778	14 661 158
Inventories	3 270 330	2 015 074	2 197 058	1 850 673	1 857 440
Trade and other receivables	28 966 387	28 843 939	37 456 394	24 710 229	24 156 864
Current tax assets	-	-	-	-	1 694 484
State and other public entities	436 521	719 779	50 883	74 589	-
Other current assets	3 862 998	4 611 400	4 070 411	4 820 134	4 766 999
<u>Non Current Liabilities</u>					
Deferred tax liabilities	-	-	472 581	353 515	396 946
<u>Current Liabilities</u>					
Trade and other payables	38 358 970	34 121 906	40 964 269	36 367 265	35 944 833
Current tax liabilities	-	-	-	-	-
State and other public entities	9 251 380	7 994 709	14 380 353	8 403 072	-
Other current liabilities	29 845 275	32 664 771	32 551 001	29 604 686	39 182 626
Net Working Capital	-14 433 931	-19 086 457	-26 217 540	-28 878 321	-27 766 552
Change in Working Capital		-4 652 526	-7 131 083	-2 660 781	1 111 769
Average ΔWC					-3 333 155

In order to obtain the company's change in working capital historical values, one had to compute the implicit working capital for each of the past years. It is defined as the ability of a company to face its current liabilities with its current assets, representing a firm's short-term financial health or liquidity. Also, as it is common practice in finance, deferred taxes have been accounted for here. After getting to the yearly net working capital for the company, the change in relation to the year before has been computed, as well as the average of the years before. As the change in working capital has been fluctuating during the recent past but the value in 2015 is in line with those seen before this complicated period, one forecasted future changes in working capital as having the same weight on revenues as in the last available year. Capital expenditures were found in the company results, under the amount invested by the company in assets during 2015 (€ 3 448 105). Thereafter and in order to try to represent the company's effort in keeping and renewing its assets as a measure to fight the tough environment and the changes inherent to that, it was forecasted to represent 102,5% of the weight on shares in the year before.

APPENDIX 15 – PEER GROUP INFORMATION

Although it is very difficult to find a group of companies that are truly comparable to IMPRESA, since it operates in very distinct areas, one has tried to find the most suitable ones to include in IMPRESA's peer group. In addition, it is not easy because the growth, profitability and returns inherent to them also tend to differ from those of IMPRESA. After looking at a set of companies operating in related businesses, one decided to start with a basis peer group comprising some companies whose main investments include the television, cinema, newspapers, magazines and radio fields and whose geography comprises mainly Western European countries.

In order to get a peer group containing companies whose dimension and growth is quite in line with those of IMPRESA, companies with a much larger Market Capitalisation have been excluded ($> 20 \times$ IMPRESA's), since they represent leading European media and communication groups and that is (still) not the case of IMPRESA. For those reasons, the companies highlighted in yellow in the tables below have been disregarded.

After a deeper analysis has been made and one started looking at the averages resulting from the selected peer group, – including the companies highlighted in white and orange – one realized that there were some companies whose profitability was still not in line with IMPRESA's reality and therefore should be excluded from the group. Resulting from that decision, two more companies have been dropped from the selected group and one has finally reached the Final Peer Group for the purpose of this study.

In addition to that, one included in the tables below some of the multiples that have been presented under the Literature Review chapter, both Enterprise Value multiples and Equity Value multiples. Although, after some literature has been addressed, one followed the idea of Fernández (2001) and decided to use only the multiples suggested as the best to the media industry: EV/EBITDA and PER. However, as the result from the Enterprise Value suggested was not very satisfactory, given that IMPRESA seems to have larger margins on revenues than the considered peers, one decided to also look at the EV/EBIT multiple. The results of that change were in line with the expectations although not in the expected magnitude.

The tables with information regarding all peers considered and several multiples are to be found below.

Identifier	Company Name	Multiple Market Cap (€ M)	Enterprise Value			
			EV/EBIT	EV/EBITDA	EV/Capital	Price Sales
IMPA.LS	Impresa Sociedade Gestora de Participacoes Sociais SA	44,75	13,37	11,05	3,26	0,34
A3M.MC	Atresmedia Corporacion de Medios de Comunicacion SA	2 649,16	16,01	14,32	1,07	2,29
CFN.LS	Cofina SGPS SA	31,74	8,64	6,98	2,30	0,45
MCPLS	Grupo Media Capital SGPS SA	253,04	10,07	7,46	1,55	1,16
MS.MI	Mediaset SpA	4 743,11	25,05	4,33	1,34	1,24
SONO.PA	NRJ Group SA	749,90	21,14	11,56	0,78	2,02
PSMGn.DE	Prosiebensat 1 Media SE	9 899,68	15,42	12,99	1,24	3,09
AUDKt.BR	RTL Group SA	12 554,70	11,60	9,83	1,10	1,97
RWAY.MI	Rai Way SpA	1 157,56	22,37	12,35	1,03	6,04
STVG.L	STV Group PLC	192,47	11,24	10,00	1,13	1,74
TELr.AT	Teletypos Television Programmes SA	9,08	15,36	3,53	21,85	0,14
TFFP.PA	Television Francaise 1 SA	2 394,13	9,07	6,60	0,67	1,04
WLG.L	Wireless Group PLC	162,10	12,73	10,25	1,41	1,51
Basis Peer Group			14,89	9,18	2,95	1,89
Selected Peer Group			13,20	8,30	4,84	1,17
Final Peer Group			12,77	9,00	1,44	1,34

Designated peer group information found above has been retrieved from Thomson Reuters EIKON terminals, regarding Enterprise Value Multiples and Market Capitalization.

Average for basis, selected and final peer group have also been included.

After multiplying the average multiple in the peer group for the respective amount concerning IMPRESA, the Enterprise Value below could be estimated.

	IMPRESA	Multiple used
Enterprise Value	€ 212 146 282	EV/EBITDA
Enterprise Value	€ 238 808 570	EV/EBIT

Identifier	Company Name	Equity Value			
		PER	PCF	DY	PBV
		P/E	Price/CF (per share)	Div Yield	Historic Price/Book
IMPA.LS	Impresa Sociedade Gestora de Participacoes Sociais SA	19,65	9,80	-	0,56
A3M.MC	Atresmedia Corporacion de Medios de Comunicacion SA	22,38	19,04	3,7%	4,57
CFN.LS	Cofina SGPS SA	9,02	5,74	2,4%	2,02
MCPLS	Grupo Media Capital SGPS SA	11,72	7,18	5,7%	1,49
MS.MI	Mediaset SpA	1 088,64	3,54	0,5%	1,90
SONO.PA	NRJ Group SA	34,14	17,17	0,0%	1,44
PSMGn.DE	Prosiebensat 1 Media SE	25,86	18,42	3,8%	10,87
AUDKt.BR	RTL Group SA	15,03	11,13	4,4%	4,01
RWAY.MI	Rai Way SpA	32,95	14,76	3,0%	8,06
STVG.L	STV Group PLC	17,75	14,56	1,9%	18,57
TELr.AT	Teletypos Television Programmes SA		0,38	0,0%	0,21
TFFP.PA	Television Francaise 1 SA	20,86	13,54	2,9%	1,18
WLG.L	Wireless Group PLC	6,53	5,51	5,7%	1,04
	Basis Peer Group	108,71	10,83	0,03	4,30
	Selected Peer Group	15,83	8,42	0,03	4,13
	Final Peer Group	18,16	11,16	0,03	5,88

Designated peer group information has also been retrieved from Thomson Reuters EIKON terminals regarding Equity Value Multiples.

Average for basis, selected and final peer group have also been included.

After multiplying the average multiple in the peer group for the respective amount concerning IMPRESA, the Equity Value below could be estimated.

	IMPRESA	Multiple used
Equity Value	€ 73 136 837	PER