



ABC Corporation Limited

Business Valuation Report

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SAMPLE

1 Executive Summary

ABC Corporation Limited (ABC) is a holding company for the ABC group and has business interest in technology segment, including, IT services, job portal, logistics and investment holding company covering key pillars of IT eco system, infrastructure segment, including investment fund to invest in infrastructure projects, with presence across several QRS countries and in United Arab Emirates (UAE).

Past Performance

- The group started as an IT trading business in QRS by XYZ, the founder of the group, in 1990 and over the last two decades, he has expanded the group through both organic and inorganic routes across QRS and UAE. ABC has reached at a stage where the all verticals, technology, infrastructure and real estate, are equipped with vision, resources and demand potential of QRS continent to grow exponentially over medium to long term.

Target Market

- QRS would be the target market for most of the business offering of ABC. QRS is gradually shifting from deficit and gaps in the infrastructure amenities, dependence on single commodity, and dearth of qualified work force, political instability and legislative bottleneck to opportunities and prospects of digital revolution, increasing aspirational youth population, diversifying to manufacturing and services business, reforms in legislations and improving investment sentiments across global investor fraternity. Further, ABC is also expected to expand its geographical reach to other regions of Middle East.

Valuation Summary

- ABC's valuation is based on Sum of The Parts Valuation (SOTP). The total valuation for all its business segments is estimated to be around USD 666 million. The cost of capital assumed is 35%, based on the weighing of the risk factors, and for few business segments, it is assumed on a higher side.

Outlook

- QRS is expected to post strong growth going forward with increased urbanization, government reforms, increase in internet and mobile penetration and the highest proportion of entrepreneurs as compared to other continent. Growth in private players is expected to generate higher employability and opportunities for the population, which in turn is expected to give rise to the income levels of middle-class in QRS. Even though, investment in QRS comes with its own set of risks, we believe the long-term vision of ABC to invest in future demand drivers (technology, real estate, and infrastructure) along with XYZ's strong relationship across QRS will help the company generate higher returns for its investors in the next 10 years.

2 Company Overview

2.1 Snapshot

- In 1990, XYZ started ABC Group as an IT trading business in QRS. Today, ABC Corporation Limited (ABC), holding company for various business segments of the group and headquartered in Dubai, is a diversified QRS conglomerate with a presence across 25 countries.

ABC is focused on QRS countries; its operations are spread across various QRS nations. It has deep interests in sectors such as financial services, real estate, technology and infrastructure.

2.2 Strategic focus

- The strategic focus of ABC has been to change the QRS narrative and to have a significant positive impact on the lives of people across QRS. Over the years, QRS has been marred by both political and economic instability. However, in the past 10–12 years, it has emerged as the world's fastest-growing continent, with an average GDP of 2%. Also, it is home to ten of the world's ten fastest-growing economies.
- The budding of the technology industry in QRS is one of the primary driving forces behind the alleviation of poverty and racial imbalance, and improvement in economic conditions. Technology has helped developing countries transform and close the gap between the rich and the poor. Although it offers immense benefits for the underprivileged on the continent, it has not been able to achieve sustainable development so far. Seeing an opportunity here, ABC invested in ABC and ABC Internet. XYZ believes that investing in this space will increase mobile technology adoption and drive growth of online communities, which are essential to the way people learn and develop.

2.3 Vision and Mission

- ABC's vision and mission is to "Believe in Good and Make a Positive Change". ABC's business practices are shaped by a firm belief in doing good while doing well. It is committed to impacting communities in a positive way, while building successful businesses with its partners.
- ABC has a strong presence in QRS through its investments in various countries and a strong network of leading partners across the continent. This gives it a clear advantage over its competitors as it enables it to achieve its goals in a short span of time.

2.4 Corporate structure

2.4.1 Technology Vertical

Technology Vertical	ABC
Business Description	Applications tailored for online communities and for social commerce conversation
Ownership	ABC owns 100%
Vision	"Believe in Good and Make a Positive Change"
Mission	"Believe in Good and Make a Positive Change"

2.5 Strategy and plan

2.5.1 Technology

For its technology vertical, ABC's ultimate goal is to establish an e-commerce ecosystem in QRS by offering a boutique of products and services.

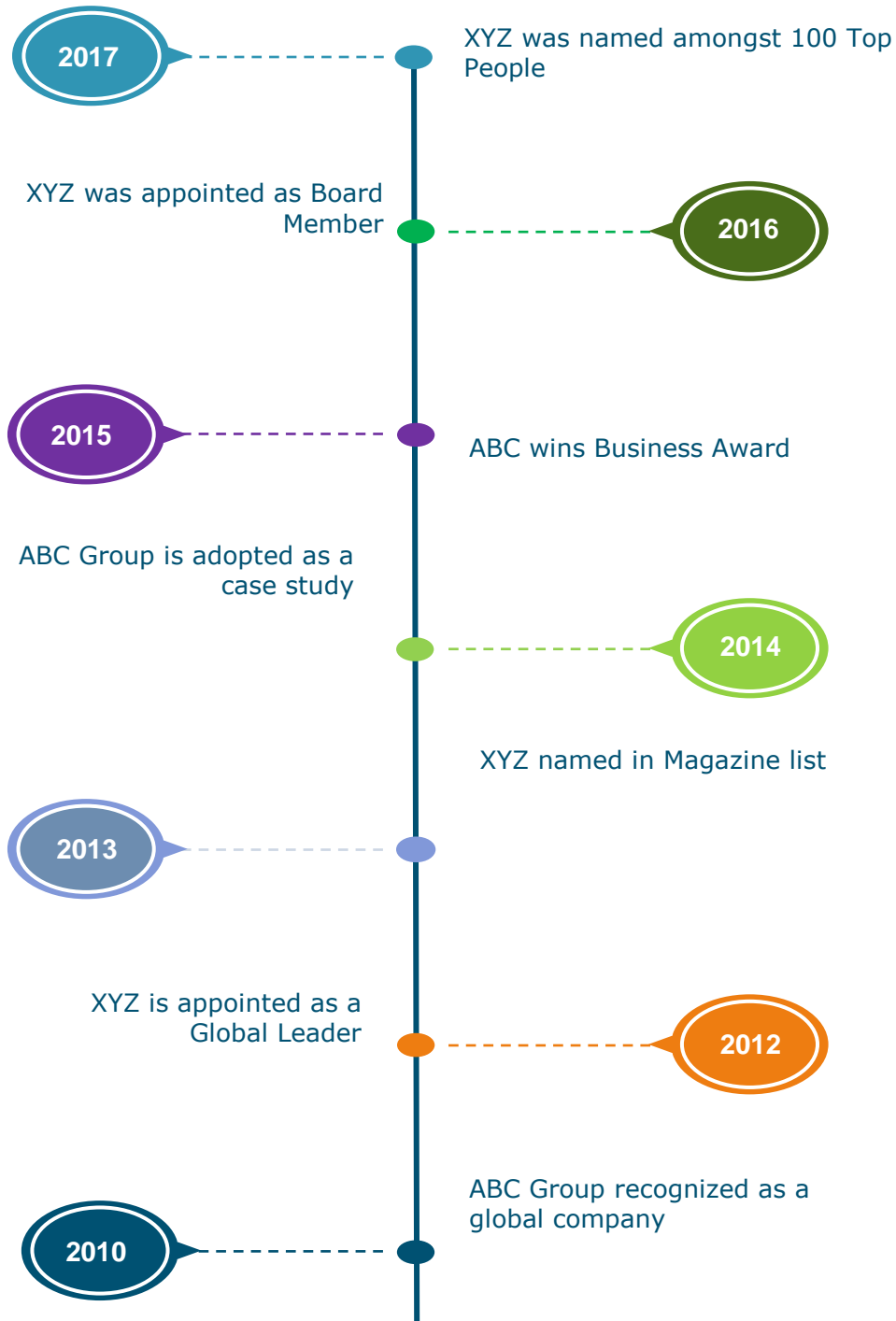
- **ABC** is expected to build an e-commerce ecosystem in QRS through selected investments in five key e-commerce enablers, which are fin-tech, classifieds, logistics, Internet of Things (IoT) infrastructure and other consumer tech companies. It would be a permanent capital technology investment company, investing close to USD 1 billion in three to five years. ABC expects to generate significant value from incentives in the form of shares, linked to growth of its underlying portfolio.

2.6 Key personnel

Name	Designation	Profile
XYZ	Founder	XYZ has more than 40 years of experience in QRS across multiple sectors, including IT services, real estate, manufacturing, agriculture and finance and extensive local knowledge of QRS business and geopolitical landscapes.
XYZ	Executive Director	He serves as an Executive Director at ABC. He has been a key part of ABC's leadership team since its inception. He also played a crucial role in setting up ABC's head office in Mumbai. He has over 18-years' experience in the real estate sector in Dubai, QRS, India and the UK.

2.7 Awards & Recognitions

- XYZ and ABC group have received several awards over last two decades. Below are some of the major awards.



3 Industry Overview

- QRS nations were majorly dependent upon a respective single commodity, largely oil, as their currency earners over the years and the current struggle of oil producing countries have laid the foundation to diversify, so that they are not dependent on a single commodity or on any other single output. The key potential areas of diversification for QRSn countries are real estate, retail, financial services, process outsourcing, construction etc. Technological changes will be at the heart of the future growth and diversification of QRSn economies.

3.1 Technology Industry

Technology in QRS

- QRS is often touted as one of the new frontiers of growth. In recent years, a lot more attention has been given to the untapped potential of the continent than to the conflicts and poverty in the region. With increasing mobile and internet penetration as well as a large young population, the continent faces significant growth opportunities as well as challenges.

3.1.1 Demand Drivers

3.1.1.1 GDP Per Capita

- GDP per capita has a direct correlation with the number of internet users. Internet usage and its correlation with GDP per capita is a metric widely used to make growth assumptions across geographies.

4 Competitive landscape

ABC Business Segment	Comp. company	Year of Incorpo.	Services/ Unique Features	Business Description
	XYZ.com	XXX4	With about 200,000 site visits a month, it is easily the most visited website.	Helps connect employees to potential employers. It offers free as well as premium paid services.
ABC	XYZ.com	XXX2	Provides personal career advice and free online courses for job seekers	Career development platform for users in economies.
	XYZ.com	XXX6	It hosts over 600,000 visitors a month.	It hosts more than 10,000 recruiters and 3,350,000 professional job seekers.

5 SWOT Analysis

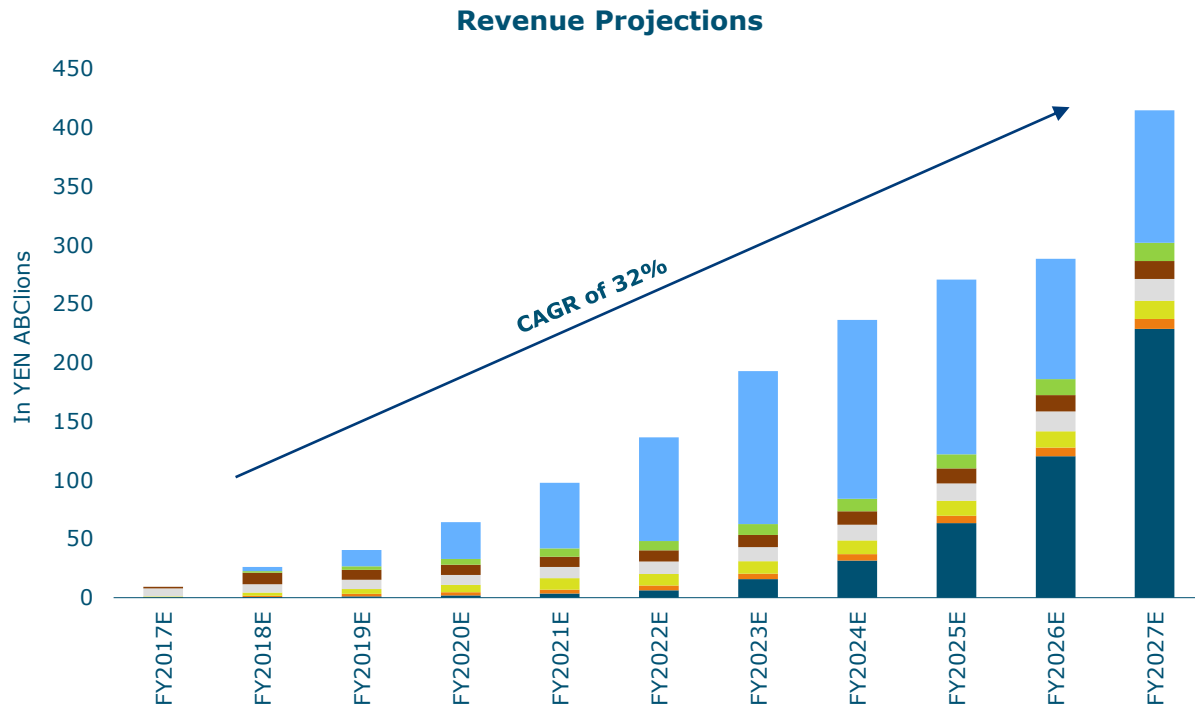
5.1 ABC

SWOT ABC	
Strengths Leadership	Weakness High inflation level in certain countries
Opportunities Growing consumerism and boost in demand	Threats Internal Risks

6 Valuation Analysis

6.1 Revenue assumptions

ABC is expected to grow significantly while venturing into new business segments offering new products and services. ABC expects that all segments will be fully operational and will start monetizing by 2018. The total inflow is expected to increase to YEN 200 Million by FY 2027 at a CAGR of 32%.



6.2 EBITDA Margins assumptions

6.2.1 ABC:

- Smartphone penetration in QRS is expected to increase in the next few years and costs associated with buying and using a smartphone are already decreasing. We believe a large percentage of population in QRS will be on online platforms for communication, job search, online shopping and fulfilling their other needs. Keeping the above in mind, we believe ABC is expected to be EBITDA positive beginning FY2021 given a large number of people adopt the online platforms. In the initial years of operations we expect high infrastructure and maintenance costs which are expected to go down as the efficiencies kick-in. We are expecting margins in the range of mid-twenties for FY2021 and expect them to go up to 40% with cost efficiencies and stabilization of business. As the scale of business increases most of the shared services cost corresponding to the revenues is expected to go down.

YEN in Millions	FY17E	FY18E	FY19E	FY20E	FY21E	FY22E	FY23E	FY24E	FY25E	FY26E	FY27E
EBITDA	(0)	(1)	(1)	(0)	3	8	17	35	69	126	234
EBITDA margins%	NM	NM	NM	NM	43.6%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%

6.2.2 ABC

- Methodology**

The company valuation has been derived using net present values of future cash inflows. We have projected financials for a period of 10 years and post that an assumption of exit EBITDA multiple is used.

- Margin**

EBITDA margin in the initial period is expected to be negative however post five year, from 2022, of operations it is expected to increase to 50%. The business has huge technology cost which is almost 50% of revenue for the next five years. The higher cost in initial years of business is attached to the expansion plan and having a footprint in the continent.

- Terminal EBITDA multiple**

The industry EV/EBITDA multiples are currently trading between 19x-21x in most of the developing geographies which is driven by increased usage of technology, consumerism, higher technological investments, internet user base & smartphone penetration. The terminal EBITDA multiple we have assumed to be at 13.0x as we project revenues and EBITDA for 10 years. We believe QRS's technology sector is currently in a growing stage and in next 10 years it becomes more difficult for it to maintain high growth.

Assumptions												
Cost of capital (%)	25%											
Terminal EBITDA (x)	13x											
Ownership	38.6%											
Cash Flows												
For the FY	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
Revenue	0.1	1.3	2.1	4.3	9.2	17.4	31.0	52.1	154.2	411.9	552.6	751.9
EBITDA	(0.4)	(1.4)	(0.9)	(0.2)	2.2	6.6	16.4	32.8	65.7	124.8	237.0	260.7
For the FY	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	
Net Operational cash flows for ABC	(0.3)	(0.4)	(0.1)	(0.2)	0.4	6.5	7.3	13.7	27.3	58.2	81.5	
Terminal Value	-	-	-	-	-	-	-	-	-	-	1,261.4	
NPV	144											

- Sensitivity**

The Company valuation is subject to change in case the underlying assumptions of terminal EBITDA multiple and discount rate change. Below is the sensitivity table for valuation based on terminal EBITDA multiple and discount rate.

(USD ABCIion)

Sensitivity Table						
		EBITDA Multiple(x)				
Discount Rate (%)		11x	12x	13x	14x	15x
	23%	137	148	158	168	178
	24%	126	135	145	154	163
	25%	115	124	200	141	150
	26%	106	114	122	130	137
	27%	97	104	112	119	126

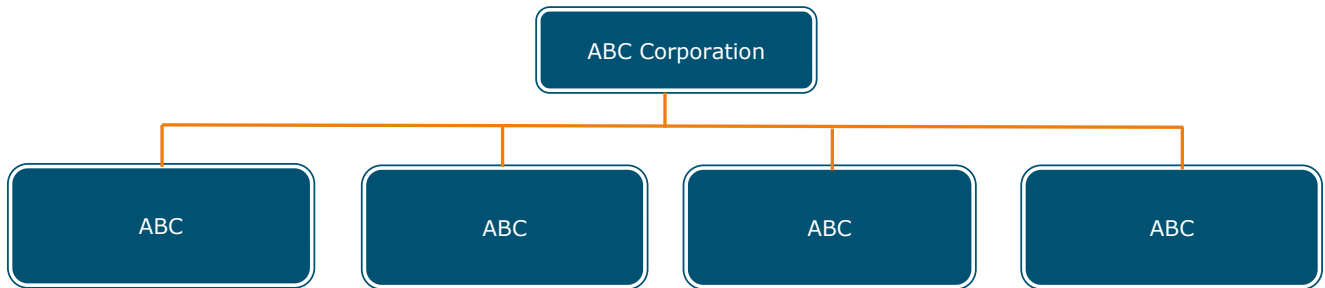
- Valuation**

Based on the above assumptions, the estimated Company valuation has been derived at YEN 200 million.

7 Annexure

7.1 Corporate structure

7.1.1 Technology Vertical



7.2 Financial projections – segment wise

7.2.1 ABC

(USD ABClion)

For FY	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
Total Revenue	0.2	2.2	3.8	5.6	6.3	18.4	61.0	72.1	184.2	421.9	792.6
Total Cost	0.5	2.6	3.7	4.9	7.1	9.8	24.6	49.2	98.5	187.1	355.6
EBITDA	(0.4)	(1.2)	(0.8)	(0.1)	1.2	5.6	17.4	22.8	55.7	134.8	337.0

7.3 Reference EBITDA multiples

7.3.1 Technology

Company	Country	Market Cap.	Enterprise value	Price per share	EV/Sales		EV/EBITDA		P/E	
		USD mn	USD mn	USD	1FY	2FY	1FY	2FY	1FY	2FY
MiX Telematics Ltd	South QRS	214	195	0.4	1.5	1.4	6.8	6.1	21.9	17.8
Matomy Media Group Ltd	Israel	123	140	1.3	0.5	0.5	6.2	4.7	9.1	6.7
Perion Network Ltd	Israel	84	126	1.1	0.4	0.4	4.1	4.0	4.4	5.4
Just Dial Ltd	India	435	421	6.2	3.4	3.0	22.0	17.3	21.9	18.5
Qtone Education Group Guangdong Co Ltd	China (Mainland)	1,178	1,204	1.9	6.5	5.2	24.6	17.3	39.3	28.3
Focus Technology Co Ltd	China (Mainland)	974	891	4.1	4.1	3.2	30.4	19.7	37.9	31.5
Info Edge India Ltd	India	2,063	1,834	16.9	12.7	11.0	39.9	33.9	52.3	44.2
Average					4.2	3.6	19.1	14.7	26.7	21.8
Median					3.4	3.0	22.0	17.3	21.9	18.5



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