

In search of fair value of XYZ as of 24.04.2023

## MANAGERIAL ABSTRACT

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### INTRODUCTION

The purpose of this report is to estimate the fair value of a 100% stake in an LLC to be incorporated in the United Arab Emirates [UAE]. The company will operate under the marketing name XYZ. The valuation is carried out as of April 24, 2023. The valuation was carried out using the income and multiplier method. The obtained value was discounted with the interest rate of 20%. The analysis shows that the fair value of the XYZ project is estimated at **USD 14 613 389**. The author of the report stipulates that the subject of valuation was the business concept which is complementary to the business model of the company operating under the name XYZ and under KRS number XYZ, presented by those responsible for project development [more on business assumptions can be found later in this document]

### CONTEXT AND STANDARD OF VALUES

As defined by the International Valuation Standards (IVS), market value is the estimated amount for which an asset or liability should be exchanged on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.

1. According to the IVS, the market value may be equated with the concept of fair value, provided in the International Financial Reporting Standard No. 13 - Determination of fair value (hereinafter: IFRS 13). According to the definition in the Polish version of the standard, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

2. It was assumed that the "orderly transaction between market participants" indicated in the definition are consistent with the "arm's length transaction" indicated in the IVS. Fair value is also defined in the Polish Accounting Act as the amount for which a given asset could be exchanged, and a liability settled under the terms of an arm's length transaction, between interested and well-informed, unrelated parties.

### SCOPE OF THE VALUATION

With reference to this valuation, the author held discussions and exchanged e-mails with Mr XYZ and XYZ, and then the following activities were carried out:

- analysis of the financial statements of XYZ KRS XYZ (i.e. profit and loss account, balance sheet) for the period 01/01/2019-31/12/2021
- verification of the correctness of forecast calculations for the project under the name XYZ, which were presented by people responsible for business development. [The author hereof did not examine the probability of the adopted business assumptions [e.g. customer acquisition cost, customer churn rate or probability of raising capital necessary for project development]
- modelling the profit and loss account based on available forecasts
- estimating the value of the project under the name XYZ using the income and multiplier method

## **THE PURPOSE AND LEGAL AND METHODOLOGICAL CONSIDERATIONS**

Valuation for informational purposes. Methodological considerations: Krajowy Specjalistyczny Standard Wyceny „Ogólne zasady wyceny przedsiębiorstw” (National Specialist Valuation Standard "General Principles of Enterprise Valuation")

## **VALUATION ASSUMPTIONS**

It is assumed that the business project subject to valuation will be completed, and the newly established enterprise will have an organized team of assets and human resources capable of generating income, based, among other things, on the experience of people responsible for the development of the XYZ project and the assumed ownership structure [Based on the information received, it is assumed that the majority shareholders will be the shareholders/founders of XYZ KRS number XXX]

## **APPROACHES AND METHODS**

- income approach – discounted cash flow method (DCF), FCF model
- market approach – adoption of output multipliers for 2025 [achieving a break-even point in accordance with business assumptions] based on the median of the multiplier: EV/EBITDA of globally operating companies with a similar business model (as of April 24, 2023), which have activities similar to the valued project. Implied EV was discounted at 20% (as in DCF) and adjusted for financial debt, cash and non-operating assets.

## **SOURCES OF INFORMATION**

- XXX Model\_20.1.2023;
- Financial statements of XYZ KRS XXX;
- XXX - Investor Deck
- INVESTMENT AGREEMENT\_03.06.2020
- Customer List 2022 for XXX
- XXX\_Product RoadMap
- Financial forecasts for the years 2023-2025 for XXX
- Business assumptions of the project communicated during meetings and via e-mail
- Publicly available reports on the hotel and travel market, including information on competition

## PERSONS RESPONSIBLE FOR THE XYZ PROJECT

Prior to issuing this Report in its final version, Mr XYZ – actual beneficiary of XYZ Sp. z o.o. [according to the information contained in the National Court Register] analysed the Draft Report and discussed it with the author. On the basis of such a review, Mr XYZ confirmed that:

- he did not notice any significant errors or factual irregularities while reviewing the valuation report;
- he supplied all relevant documents and other information which, to the best of his knowledge, was relevant to the valuation;
- he did not have any information or knowledge of facts or significant information not expressly disclosed in the study, which could reasonably affect the conclusions contained herein.

## ASSUMPTIONS AND LIMITATIONS

The valuation was prepared on the basis of information provided by the people responsible for the development of the XYZ project, based on the scope of work, assumptions and taking into account the limitations specified in the report. The report should be analysed in its entirety. Any attempt to interpret it on the basis of selected fragments may lead to incorrect conclusions.

**PROFILE**

Scope of activity [PKD]	* 62.01.Z * 79.11.A Software related activities, Travel agent activities
Segment	* Mediation in the sale of products and services in the tourism industry

**KEY PARAMETERS**

Market price as of 24-04-2023	n/a
Capitalisation in millions	n/a
Number of shares	n/a
EV in millions	14.6

**GENERAL PROJECT DATA**

<b>Name:</b> XYZ
<b>Legal form:</b> LLC [in formation]
<b>Address:</b> none
<b>KRS No.:</b> none
<b>NIP No.:</b> none
<b>REGON No.:</b> none
<b>www:</b>

**MULTIPLIERS**

P/S	n/a
P/EBIT	n/a
P/Z	n/a
Discount rate	20%

**AUTHOR OF THE REPORT**

The author of the report informs that all material disclosures and reservations can be found on the last pages of this report.

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## VALUATION AND SUMMARY

This report presents the valuation of the project under the name XYZ. The valuation is carried out as of April 24, 2023. The valuation was carried out using the income and multiplier method. The valuation using the income method determines the value at the level of **USD 14 613 389**. The comparative valuation, in turn, estimates the value of XYZ at **USD 22 982 658**. The final valuation is **USD 14 613 389**. The point valuation is a weighted average of the valuation where the DCF and multiplier methods have a weight of 100% and 0%, respectively. This approach results, among others, from: the incomparability of the valued project with the comparative group, despite common points in the business model of XYZ and comparable companies [more about the comparable group can be found in the subsequent part of this report]. The comparative valuation is only intended to present the recipient of this report with an alternative approach to valuation. The discount rate used to estimate the residual value is -20% [multiplicative approach]. A summary is provided in the table on the next page:

DCF:	
Enterprise value	18 242 103
Interest debt	0
Financial assets, cash, and non-operating assets *	24 633
<b>Equity Value (Fair value of 100% of the shares)</b>	<b>18 266 736</b>
Discount	-20%
<b>Company value based on DCF valuation</b>	<b>14 613 389</b>

Comparative valuation:		
	Multipliers	EV/EBITDA
Implied value based on the indicator		28 728 322
Weight of the indicator		100%
		28 728 322
<b>Equity Value (Fair value of 100% of the shares)</b>		<b>28 728 322</b>
Discount		-20%
<b>Company value based on comparative valuation</b>		<b>22 982 658</b>

Verification\_ Comparative valuation: EV/EBITDA in the Hotel/Gaming sector 15.50

	Year	2025
EV/EBITDA		4 781 533
Implied EV		27 748 990
<b>Equity Value (Fair value of 100% of the shares)</b>		<b>27 773 623</b>
Discount		-20%
<b>Company value [verification]</b>		<b>22 218 899</b>

Final valuation	Weight	
DCF valuation	100%	14 613 389
Comparative valuation	0%	0
<b>Total</b>	<b>100%</b>	<b>14 613 389</b>
<b>Share value of XYZ</b>		<b>USD 14 613 389</b>

\*Assumed initial capital

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## APPLIED METHODOLOGY

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When choosing the method of estimating the value of the enterprise, a number of factors were taken into account:

- The purpose of the valuation

Determination of the value of the "XYZ" project is made for informational purposes, for the owners and people responsible for the development of the project. In connection with the above, the author assumes that the key for the owners is the value of future benefits that can be generated based on the resources held by the parent company, including the know-how and competences of the founders.

- Type of valued assets

Factors that affect the ability to generate future results should be considered when conducting the valuation process for enterprises. The indicated factors concern both identifiable assets and those not included in the financial data. External factors should also be considered.

- Phase of the business life cycle

The approach to the method of enterprise valuation depends on the reliability and availability of data. For entities characterized by a significant dynamics of changes in financial results, the author draws attention to the sensitivity of the valuation to the adopted assumptions.

- Comparability with other entities

Due to the inability to unambiguously select entities with the same business model, there is a risk of mismatching entities adopted as a comparison group for the analysed company. The selection of the comparison group and reference indicators are therefore subjective.

- Data availability

The company presented accounting and analytical data related to its operations [for XYZ Sp. z o.o.]. Additionally, during technical sessions, people responsible for the development of the XYZ project presented the business model and forecasts regarding the directions of development and the market situation. When analysing the data, the author assumes that the materials have been provided in good faith and that they reflect the entirety of future activity. Based on the above criteria, the author of this report decided to carry out the valuation using two methods, assuming different shares in the final valuation of the project

:

- DCF valuation

- Comparative valuation

### The DCF method

The DCF (FCFF) method consists in discounting future cash flows (updated with the weighted average cost of capital). As a result of talks with XYZ and XYZ, economic and financial analysis and analysis of the prospects for the development of the XYZ project, it was established that there are premises allowing to assume that positive cash flows will be generated in the future. As a rule, the DCF method is used to value enterprises generating income and positive cash flows with an established market position, allowing for the assumption of further generation of such income and cash flows. This method focuses on future flows and therefore allows for the future benefits that will be generated by the entity to be taken into account. The DCF method assumes that the value of equity at the valuation date equals the present value of discounted future cash flows plus the residual value. Valuation of equity using the DCF method may be prepared on the basis of cash flows for owners ("FCFE") or free cash flows available to all capital donors ("FCFF"). The value of the XYZ project was estimated using the Free Cash Flow to Firm model, which can be represented as the following formula:

$$EV = \sum_{t=1}^n \frac{FCFF_t}{(1+R)^t} + \frac{RV}{(1+R)^n}$$

where:

EV – enterprise value,

FCFF – stream of free cash for the parties financing the company in the following projection year,

t – the following projection year (1, 2, 3 ... n),

n – duration of the projection period,

R – discount rate,

RV – residual value,

Equity Value (EqV) = EV – interest debt + cash + non-operating assets

In the DCF method, depending on the particular technique, cash flow streams, on the basis of which the value of the enterprise is determined, can be estimated in different ways. One of the most commonly used formulas allows you to calculate them as follows:

$$FCFF = EBIT * (1-T) + A - \Delta KON - CAPEX$$

where:

FCFF – free cash flow for all capital donors,

EBIT – operating profit,

T – tax rate

A - amortisation,  
 $\Delta$ KON - change in net working capital,  
CAPEX – capital expenditures.

Residual value is calculated for the period of stable cash flows after the detailed forecast period and takes the following form:

$$RV = \frac{FCFF_n(1+g)}{(R - g)}$$

where:

RV – residual value,  
FCFF<sub>n</sub> – normalized cash flows in the residual period,  
R – cost of capital,  
g – long-term growth rate.

**Comparative method:**

Valuation using the comparative method, as the name suggests, consists in comparing the appropriate indicators (multipliers) of the capital market of the selected company that we want to value, with comparable companies from a given industry. It is the simplest valuation method that can be used to determine the value of virtually any company. The order of activities in the comparative valuation is as follows:

- selection of comparable companies,
- selection of indicators and periods from which the financial data comes,
- determination of weights for individual indicators,
- determination of the premium or discount of the selected company in relation to the selected group of companies,
- estimation of the company value.

In order to properly select companies for the comparative group, it should be noted that they represent the same industry and have a similar scale of activity (i.e. similar level of revenues, costs, assets). When selecting sector multipliers, attention should be paid to the Company's position in the scale of the analysed sector.

## PROJECT DESCRIPTION

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XYZ is a travel optimization platform for individual clients who are also employees of corporations in the SaaS model, as well as small and micro companies, sole proprietorships, etc. It offers travel applications in which the user has access to over 900 airlines, 2,200,000 hotels and apartments, trains, buses, insurance, car rental, visa services and other travel-related services. Everything in one place and, what is more, everything integrated with XYZ, a platform where the same users book business trips for corporations such as Google and large and medium-sized companies and can collect loyalty points. Points, as part of untaxed benefits, can also be donated by the company where they are employed. Fast and modern mobile platform, application with access to negotiated rates, 24/7 travel experts and the largest selection in the industry.

Key persons who will be responsible for developing the project:

1. XYZ CEO xxx
2. , CTO XYZ
3. **President of XYZ,**
4. COO XYZ
5. **Legal,** Owner of a renowned international law firm (confidential)

Key moments in the development of the XYZ project:

1. Creating a project team to build the application (ready as of the date of this report)
2. Obtaining financing 06.2023
3. Building the pre-launch team 12.2023
4. Launch of the project 01.2024
5. Acquiring the first paying customers 02.2024
6. Sale + \$ 10mln in 09.2024
7. IPO 2025

Description of the business model:

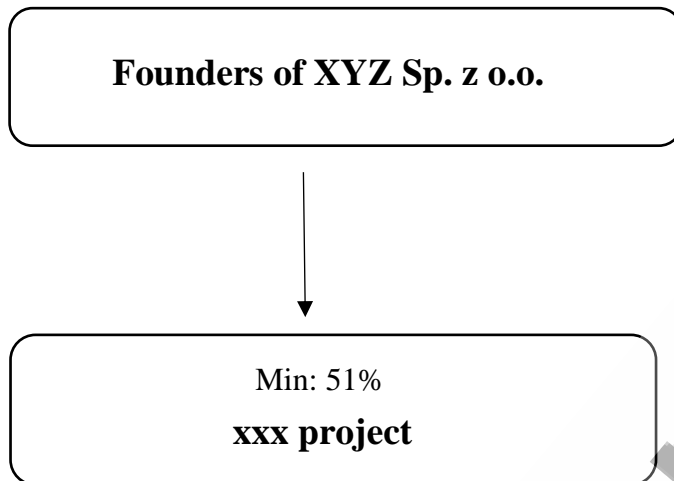
- The company makes money from subscription, which is often paid by the company as a non-tax benefit
- The Company monetises each service provided as part of XYZ
- The company receives revenue based bonuses from airlines and other suppliers
- The company provides anonymized data for marketing purposes

The most important benefits of using the platform:

- Time saving
- Everything in one place
- Travel convenience

- Access to negotiated rates
- The possibility to collect points for business trips and use them in the same app for holidays
- Access to top quality customer service 24/7

Ownership structure:



According to the information obtained, the founding structures will include beneficial owners who are involved in XYZ [formerly Hotailors]. As a result, XYZ will gain access to the developed technology, know-how and will be able to acquire the first customers on the basis of synergy.

Revenue breakdown:

Net revenue	2023P	2024P	2025P	2026P
Regional	0	833 944	3 115 115	6 783 425
Western Europe	0	2 513 451	8 568 495	19 190 720
Global (US & Middle East)	0	1 951 317	12 500 718	40 395 983
<b>Sum</b>	<b>0</b>	<b>5 298 712</b>	<b>24 184 328</b>	<b>66 370 128</b>

Table 1

Source: data from the company

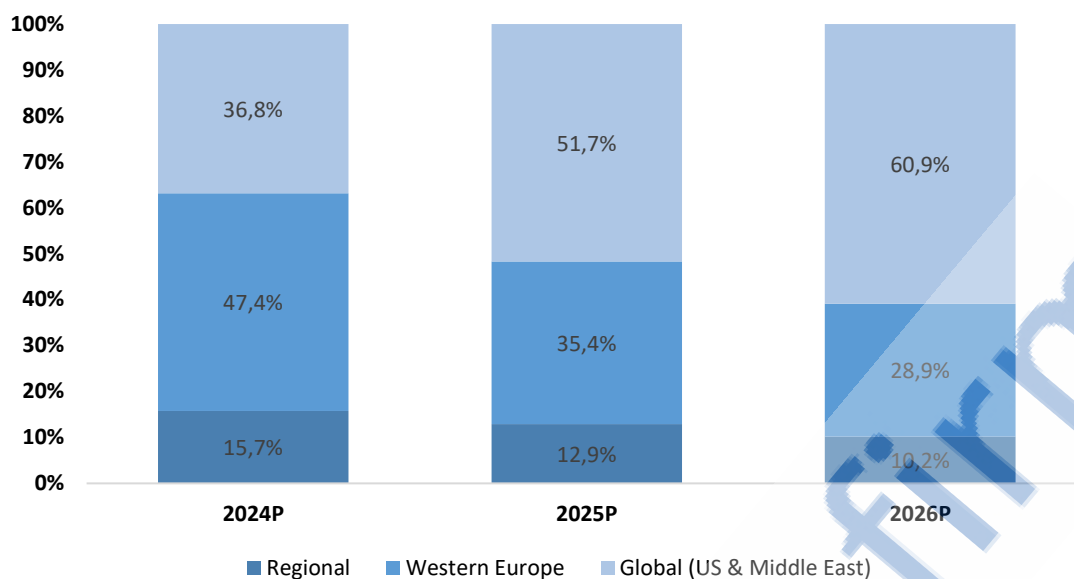


Table 2

Source: data from the company

## DCF VALUATION

### The main assumptions of the model:

- The valuation was prepared as of April 24, 2023.
- Forecasts as to the individual items of the profit and loss account were prepared on the basis of a financial model provided by persons responsible for the development of the XYZ project.
- FCF in the residual period is the value from the last year of the detailed FCFF forecast, i.e. from the period 2023-2026 and coefficient  $g$  at the level of 2%.
- FCFF growth in the residual period was assumed at 2% [long-term inflation target of the Central Bank of the United Arab Emirates]
- The valuation includes net debt as of the valuation date, i.e. April 24, 2023.
- The financial model provided by the people responsible for the project was prepared in USD, due to the planned location of the seat of the company in the territory of the United Arab Emirates. However, in accordance with the terms of the valuation of the XYZ project, the profit and loss account was modelled in PLN, so the author of this valuation decided to use the USD/PLN exchange rate = 4.0596 [average NBP exchange rate from April 24, 2019 - April 24, 2023, the period is identical to the detailed forecast period (4 years)]

### 1. Forecasts of the Profit and Loss Account

#### I. Revenue

The XYZ company intends to earn revenues from intermediation in the sale of accommodation, transport, travel insurance and subscription fees for access to the platform. The key assumptions that affect the company's revenues include:

- Number of platform users
- Customer churn rate
- Average transaction value per customer
- The level of the subscription fee

The above values are variable for different regions in which XYZ intends to operate. A summary in this regard is provided in Table 3

II. Costs:

The largest costs incurred by the company are the costs of accommodation and transport. This item is directly correlated with the number of transactions made by users. The costs of this item were included in the item "Value of goods and materials sold". According to data received from people responsible for project development, the cost of accommodation is 95% of the price paid by the end customer, transport costs 99% of the price paid by the customer, insurance costs 80% of the price paid by the customer. A summary of the variables that affect this category of costs is presented in Table 5

The second cost category, which has the greatest impact on the project valuation, is the cost of external services. Outsourced services include the following cost categories:

- User acquisition cost [user acquisition cost is variable and depends on the region of operation. The model assumed rates from 50 to 100 dollars in the initial period]
- Costs of sale [including commission on the sale]
- Costs of external services [office administration, business travel costs or costs of IT service providers]
- This cost category also includes license fees for XYZ in the amount of 1% of the turnover.

Other generic costs:

- This cost category mainly includes a provision of 0.5% of the value of goods and materials sold, i.e. travel and accommodation costs. The assumption of the provision in the valuation model results from a prudent approach to the adopted business assumptions.

Other costs:

- Other cost categories recognized in the profit and loss account are payroll and social insurance costs
- Depreciation costs, which are derived from the activation of 50% of the costs of the R&D department in the given period
- Costs of raising equity capital "other financial costs"

2. Capital expenditures

The company intends to capitalize 50% of R&D costs incurred in a given year, which will then be amortized in subsequent years. The technological facilities of the XYZ project will be leased on the basis of license fees. License fees will amount to 1% of the net turnover generated by XYZ in a given period. The related costs have been included in external services and depend on the generated effects.

The forecast of capital expenditures can be found on the following pages of this report.

### 3. Net working capital

- NWC is related to the increase in the scale of operations and the following values have been assumed:
- Inventories: according to the received assumptions, no inventories are planned in the company
- Trade receivables: XYZ's business model is addressed to the retail consumer [B2C], people responsible for project development do not assume deferred payment for travel, transport, accommodation, etc. The founders allow the possibility of cooperation with banks that will finance the end customer's expenses. These programs are of the following types: Fly now pay later (BNPL). On the other hand, as of the date of preparation of this valuation, it was assumed for the forecast of individual items that the final consumer pays immediately, e.g. payment at the gate, quick transfer, blik or credit card.
- Commercial liabilities: XYZ's suppliers will be entities providing hotel, transport or insurance services. The XYZ project is a marketplace business model that aggregates demand and supply, the end customer makes payments for accommodation or transport through the shared platform, so the main commercial obligations are regulated on an ongoing basis. For forecasting trade liabilities, it was assumed that payments are made on an ongoing basis.

The working capital forecast can be found on the following pages of this report.

### 4. Income tax

The forecasts assume the 0% CIT rate. The people responsible for the project declare that the company's headquarters will be Dubai in the United Arab Emirates. There is no federal corporate income tax (CIT) in the United Arab Emirates (UAE). Instead, individual emirates have their own tax laws and taxation systems. In Dubai, one of the UAE emirates, there is currently no corporate income tax for most companies. However, from January 1, 2018, VAT (Value Added Tax) was introduced, which is 5% and is applied to most goods and services. No CIT significantly increases the value of free cash flows [including NOPAT, which in turn translates into a higher value of the project compared to the value of the same project in Poland with no change in other parameters]

### 5. Financing structure



Based on the assumptions presented by the people responsible for the project, it was assumed that the company would be 100% financed with equity. The actual beneficiaries will be the founders of XYZ Sp. z o.o.. XYZ has access to a credit line [due to directing a product at the B2B segment], while the XYZ project will not use this form of access to capital. Therefore, as of the date of the report, additional debt financing for the XYZ project was not taken into account.

#### 6. Risk-free rate

The author of the valuation used the risk-free rate at the level of 4.3%, which is the yield on Emirate of Abu Dhabi bonds with a duration of 2,905 [in years] as at the valuation date, i.e. on April 24, 2023 | source: <https://www.boerse-frankfurt.de/bond/xs1402929746-emirate-of-abu-dhabi-3-125-16-26>

#### 7. Beta coefficient

The beta coefficient was adopted at the level of 5.86. One of the key assumptions for conducting a valuation based on DCF is the calculation of the discount rate. Most often, the weighted average cost of capital [WACC] is used for this in the case of the DCF method in the FCF version [i.e. the value for all capital donors]. The discount rate, which corresponds to the capitalization rate as the required return on equity, reflects the capital costs for start-ups.

The risk associated with technology companies operating under new business models, at the initial stage of development, is up to five times higher than the market risk, and the cost of capital obtained from Venture Capital funds reaches 15-25% per year [Kerins et al., 2002], and may even exceed 30% annually [Moez, Sahut, 2013]. In the above situation, the beta coefficient can only be estimated using the Delphi method. For example, G. Festel et al. propose an expert beta calculation method for enterprises at an early stage of development [Festel et al., 2013].

To determine the capitalization rate, it is necessary to take into account the characteristics of young technology companies that are more risky compared to mature companies. The beta coefficient is used to determine the risk. The beta factor is crucial as an expression of the investor's perceived or suspected risks. The methodology described in "Valuation of Early Stage High-tech Start-up Companies" by Gunter Festel, Martin Wuermseherb and Giacomo Cattaneo can be applied to the initial startup in the initial phase. It can help bring negotiations between entrepreneurs and investors about the value of the company to an objective basis, avoiding the discussion focusing on unnecessary details and losing the holistic view. Enterprises at an early stage of development are usually only financed with own funds, so the cost of capital is equal to the cost of equity, which is most often calculated using the CAPM model as described above.

Festel, Wuermseher, and Cattaneo (2013) pointed to the inadequacy of adopting a "standard" beta coefficient for estimating the cost of equity for technological startups. They used the CAPM model to calculate the base beta, to which market values of the risk-free rate and market risk premium were adopted, along with the average expected rate of return on investment. The final stage is to account for adjustments to modify the base beta based on a questionnaire with a total of 20 categories (the following values are assigned: from -1 to +1 [in increments of 0.5 point]), which are related to the risk of a given enterprise within 5 categories:

- technology,
- product,
- implementation,
- organisation,
- finance.

Summing up, according to Festel, Wuermseher and Cattaneo (2013), we need to assume an initial Beta value of 6.4 and then make adjustments based on a qualitative risk analysis of the project. Below is a questionnaire for the XYZ project, which was completed by people responsible for project development. Based on the questionnaire, the base value of Beta [6.4] will be adjusted by -8.5%, which was then used to determine the required rate of return. Therefore, the value of the Beta coefficient adopted for the calculation is:

$$\text{Adjusted Beta} = 6.4 * (1 - 0.085) = 6.4 * 0.915 = 5.856$$

## Qualitative Assessment Questionnaire\*:

Category	Subcategory	Adjustment of the beta coefficient					Result
		+1	+0.5	0	-0.5	-1	
Technology	Maturity of technology	Technology still in initial experimental phase	Technology successful on a laboratory scale	Technology successful in pilot plant	Technology successful in demo plant	Technology successful in technical application	-1
	Advantages compared to competitive technologies	No advantages identified	Advantages not clearly identifiable	Costs or quality advantages identifiable	Costs and quality advantages identifiable	Significant costs and quality advantages identifiable	0
	Reputation of scientist	No reputation	Poor reputation	Moderate reputation	Good reputation	Very good reputation	-0.5
	Patent protection	No patent application	First patent application filed	Basic patent close to being granted	Basic patent granted	Extensive portfolio of granted patents	1
Products	Product benefits	Product benefits not identifiable	Product benefits not clearly identifiable	Product benefits clearly identifiable	Product benefits confirmed by first clients	Product benefits confirmed by numerous clients	-1
	Unique selling proposition	Unique selling proposition not identifiable	Unique selling proposition not clearly identifiable	Unique selling proposition clearly identifiable	Unique selling proposition confirmed by first clients	Unique selling proposition confirmed by numerous clients	-1
	Scalability	Very low scalability	Low scalability	Moderate scalability	High scalability	Very high scalability	-0.5
	Competition	Currently strong competition	Potentially strong competition	Moderate competition	Low competition	Long-term low competition	0
Implementation	Business plan	Business plan unjustifiable	Business plan with open questions	Business plan plausible	Business plan occasionally proven	Business plan frequently proven	0
	Technical development plan	Technical development plan unjustifiable	Technical development plan difficult to justify	Technical development plan justifiable	Technical development plan likely to be feasible	Technical development plan very likely to be feasible	-0.5
	Marketing plan	Marketing plan unjustifiable	Marketing plan difficult to justify	Marketing plan justifiable	Marketing plan likely to be feasible	Marketing plan very likely to be feasible	0
	Business development plan	Business development plan unjustifiable	Business development plan difficult to justify	Business development plan justifiable	Business development plan likely to be feasible	Business development plan very likely to be feasible	-1
Organisation	Competences of the management team	Management team with major flaws	Management team with some flaws	Management team is complete	Management team is complete and competent	Management team is complete and very competent	-1
	Headquarters location	Headquarters location problematic	Headquarters location can be improved	Headquarters location is fine	Headquarters location has advantages	Headquarters location has many advantages	-1
	Competences of advisory board	Very low level of competences of advisory board/consultants	Low level of competences of advisory board/consultants	Moderate level of competences of advisory board/consultants	High level of competences of advisory board/consultants	Very high level of competences of advisory board/consultants	-1
	Process efficiency	Process inefficient	Process not very efficient	Process efficient	Process very efficient	Process exceptionally efficient	0
Finances	Sales plan	Sales plan unjustifiable	Sales plan difficult to justify	Sales plan justifiable	Sales plan conservative	Sales plan very conservative	-0.5
	Costs plan	Costs plan unjustifiable	Costs plan difficult to justify	Costs plan justifiable	Costs plan conservative	Costs plan very conservative	-0.5
	Profitability	Fundamentally low profitability	Risk of low profitability	Average profitability	Currently high profitability	Fundamentally high profitability	-1
	Liquidity plan	Financial resources for next year are not secured	Financial resources for next year are secured	Financial resources for next 2 years are secured	Financial resources for next 3 years are secured	Financial resources for next 4 years are secured	1
							-8.5

\*The questionnaire was completed by persons responsible for project development

Operating parameters used to estimate the value of XYZ

Geographical division	Western Europe		
	Regional	Europe	Global (US & Middle East)
User acquisition cost [USD]	50	100	85
Customer churn rate	8%	6%	4%
Average transaction value per customer [USD]	584.65	1130.72	1694.94
The amount of the subscription fee	0	5	10

Table 3

Source: data from the company

Number of platform users	2023P	2024P	2025P	2026P
Regional	0	4 477	12 048	24 614
Western Europe	0	5 121	13 328	29 414
Global (US & Middle East)	0	3 956	17 447	51 859
<b>Suma</b>	0	13 553	42 823	105 887

Table 4

Source: data from the company

\*\* At the end of the period

Gross Sales (GTV)	Regional	Western Europe	Global (US & Middle East)
Accommodation	95.00%	95.00%	95.00%
Travel	99.00%	99.00%	99.00%
Insurance	80.00%	80.00%	80.00%
Booking fee	0.00%	0.00%	0.00%
Custom	0.00%	0.00%	0.00%

Table 5

Source: data from the company

### Commentary:

Tables 3 to 5 present the key parameters that affect the operational results achievable by XYZ. If the parameters change, the valuation will also change. It should also be noted that the value of the XYZ project depends to a different extent on the factors that shape it, i.e. some parameters have a stronger impact on the final result than others.

### Capital expenditures

	History		Forecast		
CAPEX	2022-12-31	2023-12-31	2024-12-31	2025-12-31	2026-12-31
DATA IN [USD BASE]					
Revenue	-	-	86 365 593	398 948 990	1 100 532 247
<b>CAPEX</b>	<b>0</b>	<b>50 000</b>	<b>123 750</b>	<b>150 750</b>	<b>180 900</b>
CAPEX / Revenue [%]	n/a	n/a	0.14%	0.04%	0.02%

### Net working capital

	History	Forecast			
NET WORKING CAPITAL [NWC]	2022-12-31	2023-12-31	2024-12-31	2025-12-31	2026-12-31
DATA IN [USD BASE]					
Trade receivables	-	-	236 618	1 093 011	3 015 157
Reserve	-	-	-	-	-
Trade liabilities	-	-	236 618	1 093 011	3 015 157
<b>Net working capital</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
NWC change / Revenue [%]			0.00%	0.00%	0.00%
<b>NWC change</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

A summary of the assumptions described on the previous pages is reflected in the income statement projection on the next page:

Profit and loss account		2023-12-31	2024-12-31	2025-12-31	2026-12-31
A.	Net revenues from the sale of products, goods and materials, including:	0	86 365 593	398 948 990	1 100 532 247
B.	Operating expenses	749 100	87 352 383	394 254 332	1 080 576 486
I.	Amortisation	0	25 000	86 875	137 250
II.	Consumption of materials and energy	11 000	56 000	72 000	72 036
III.	Foreign services	332 100	4 353 968	15 252 506	37 736 818
IV.	Taxes and fees	0	0	0	0
V.	Salaries	319 200	1 135 360	1 734 772	2 609 161
VI.	Social insurance and other benefits	79 800	283 840	433 693	652 290
VII.	Other generic costs	7 000	431 334	1 909 823	5 206 811
VIII.	Value of sold goods and materials	0	81 066 881	374 764 662	1 034 162 119
C.	Profit (loss) on sales	-749 100	-986 790	4 694 658	19 955 761
D.	Other operating income	0	0	0	0
E.	Other operating cost	0	0	0	0
F.	Profit (loss) from operations	-749 100	-986 790	4 694 658	19 955 761
G.	Financial income	0	0	0	0
H.	Financial cost	72 877	42 395	0	0
J.	Profit (loss) from business activity	-821 977	-1 029 186	4 694 658	19 955 761
K.	Goodwill write-down	0	0	0	0
L.	Negative goodwill write-down	0	0	0	0
M.	Gross profit (loss)	-821 977	-1 029 186	4 694 658	19 955 761
N.	Income tax	0	0	0	0
R.	Net profit (loss)	-821 977	-1 029 186	4 694 658	19 955 761

## WACC:

WACC	Calculations	Commentary
<b>Cost of equity</b>		
<i>Risk-free rate</i>	4.3%	Yield on Emirate of Abu Dhabi bonds with a duration at the valuation date of 2.905 [in years] i.e. as of 24-04-2023   source: <a href="https://www.boerse-frankfurt.de/bond/xs1402929746-emirate-of-abu-dhabi-3-125-16-26">https://www.boerse-frankfurt.de/bond/xs1402929746-emirate-of-abu-dhabi-3-125-16-26</a>
<i>Beta</i>	5.86	The method of calculation has been described on the previous pages of this report
<i>ERP + CRP</i>	6.79%	Total Equity Risk Premium for Abu Dhabi = 6.79%   source: <a href="https://pages.stern.nyu.edu/~adamodar/">https://pages.stern.nyu.edu/~adamodar/</a>
<i>Cost of equity</i>	<b>44.1%</b>	
<b>Cost of debt capital</b>		
Cost of debt	12.0%	Effective interest rate on foreign capital in the company
<i>Income tax rate</i>	0.0%	Effective tax rate in the company
Cost of debt capital after tax	<b>12.0%</b>	
D / (market D+E)	0.0%	Share of debt in the financing structure
E / (market D+E)	100.0%	Share of equity in the financing structure
<b>WACC</b>	<b>44.1%</b>	

## Discount:

Discount   Premium	Calculations
Discount   Non-market nature of the valued project *	-20.00%
<b>Product [Multiplicative approach]</b>	<b>-20%</b>

\* As of the date of the valuation, XYZ has not been established, let alone listed on an active market.

## DCF valuation:

	2022	2023P	2024P	2025P	2026P
<b>EBITDA</b>	-	(749 100)	(961 790)	4 781 533	20 093 011
<i>EBITDA margin</i>	<i>n/a</i>	<i>n.d</i>	-1,1%	1,2%	1,8%
Amortisation	-	-	25 000	86 875	137 250
Operating expenses	-	749 100	87 352 383	254 332	576 486
<i>y/y dynamics</i>	<i>n/a</i>	<i>n.d</i>	11561,0%	351,3%	174,1%
Profit (loss) on sales	-	(749 100)	(986 790)	4 694 658	19 955 761
<i>Sales margin</i>	<i>n/a</i>	<i>n.d</i>	-1,1%	1,2%	1,8%
<b>Operating profit (EBIT)</b>	-	(749 100)	(986 790)	4 694 658	19 955 761
<i>Operating margin</i>	<i>n/a</i>	<i>n.d</i>	-1,1%	1,2%	1,8%
Income tax	0.0%	-	-	-	-
<b>Operating profit after tax (NOPAT)</b>	-	(749 100)	(986 790)	4 694 658	19 955 761
Amortisation	-	-	25 000	86 875	137 250
CAPEX	-	50 000	123 750	150 750	180 900
NWC change	-	-	-	-	-
<b>FCFF</b>	-	(799 100)	(1 085 540)	4 630 783	19 912 111
Residual value (TV)					
Discount rate = WACC	44.1%				
Discount factor		0,778	0,539	0,374	0,260
<b>Discounted FCFF</b>		(621 637)	(585 528)	1 733 628	5 173 914
Total discounted FCFF until 2026	5 700 378	<i>a</i>			
g growth rate in the TV period	2.0%				
Residual value (TV) after 2026					
Discounted TV	12 541 725	<i>b</i>			
<b>Enterprise Value (fair value of the enterprise)</b>	18 242 103	<i>c = a+b</i>			
Interest debt	0	<i>d</i>			
Financial assets and cash and non-operating assets	24 633,1	<i>e</i>			
<b>Equity Value (fair value of 100% of shares)</b>	18 266 736	<i>f=c-d+e</i>			
Discount   Premium	-20.0%				
<b>Final valuation - Equity Value</b>	14 613 389				
<b>Valuation date</b>	2023-04-24				



The author of the valuation decided to apply a 20% discount. Although the level of the discount is significant, in the opinion of the author of this report, it is justified.

The DCF method gave the value of the XYZ project at USD 14 613 389.

## COMPARATIVE VALUATION

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Assumptions:

- The median of the following indicators was used for the final valuation: EV/EBITDA for the last 4 quarters.
- A conservative approach was used in the comparative valuation, namely a discount rate of 20%. In the opinion of the author of the report, such a high discount rate properly reflects the valuation of a project which is compared to companies listed on global markets. It should be noted, however, that the comparative valuation is only of illustrative value to the recipient of the report. The result of the comparative valuation is not included in the final valuation.

The comparative valuation was made based on the company's forecasts and financial assumptions for 2023-2024. Companies listed on global markets, which have a similar business model to the XYZ project, were adopted as a comparison group. Calculations are based on exchange rates and data available on April 24, 2023. Project valuation was based on a single indicator: EV/EBITDA, where weight of 100% was assigned for the projected EBITDA values in 2025. [No profitability at the level of operating profit plus depreciation is forecast in 2023-2024]. Data available as of the valuation date [total of four quarters] were adopted for the comparative group. Due to the significant volatility of financial ratios, the project value was estimated based on the median value.

	Nr	Name	Capitalisation [millions USD]	EV/EBITDA
Comparative companies	1	Booking Holdings	100 197	19.8
	2	TripAdvisor Inc	2 485	12.3
	3	Expedia Group Inc	13 945	10.3
	4	Airbnb	72 060	31.0
	5	Trivago	498	-
		<b>Median</b>	<b>13 945</b>	<b>16.0</b>

\* Data for: 24.04.2023

The median used for the valuation:

- EV/EBITDA= 16

EV/EBITDA	2025P
-----------	-------

Implied value	76 671 881.82
WACC discount coefficient	0.37
current value	28 703 689.10
Weight of the year	1.00
	28 703 689.10

Valuation based on operating profit + depreciation:	
	<b>28 728 322.2</b>
	100%
	<b>28 728 322.2</b>

Implied Equity Value	28 728 322.2
Discount   Premium	-20.0%

<b>Value of 100% of shares</b>	<b>22 982 657.7</b>
--------------------------------	---------------------

The discount rate used in the comparative valuation is 20% and is the same as the discount rate used in the DCF method.

## Verification

In order to verify the results obtained from the comparative valuation, the author valued the XYZ project with the multipliers reported for companies from the Hotel/Gaming - Western Europe sector. For this purpose, forecasts for the valued company for 2025 were used [identical to the multipliers for global companies/comparison group] and the value of the EV/EBITDA multiplier. The results are presented below:

Verification_ Comparative valuation: EV/EBITDA in the Hotel/Gaming sector			
		Sector	Hotel/Gaming
	Multiplier	EV/EBITDA	15.5
		Year	2025P
EBITDA in XYZ LLC			4 781 533,0
	Implied value		74 121 737,1
	WACC discount coefficient		0.37
			27 748 990,2
	Weight of the year		100%
			27 748 990,2
		<b>Enterprise Value</b>	<b>27 748 990,2</b>
WACC	44.08%		
Interest debt	0.0	2023-04-24	
Financial assets, cash and non-operating assets	24 633,1	2023-04-24	
		<b>Equity Value</b>	<b>27 773 623,2</b>
		Discount   Premium	-20,0%
		<b>Value of 100% of shares</b>	<b>22 218 898,6</b>

The valuation of the XYZ project based on the multipliers for companies from Western Europe is **USD 22 218 898,6**. This means that in Western Europe companies from the "Hotel/Gaming" sector are valued at a lower value of the EV/EBITDA multiplier compared to companies from the comparative group. Therefore, the author does not raise any objections to the value of the ratios for global companies [the value of the ratios could be distorted due to the small number of comparable companies]. It should be remembered, however, that the Hotel/Gaming sector is not homogenous and the comparable companies include companies that have a completely different business model compared to the valued project. Detailed methodology and list of companies included in the above-mentioned sector can be found on Professor Aswath Damodaran's website: <https://pages.stern.nyu.edu/~adamodar/>

### Summing up:

The comparative method gave the value of the project at the level of **USD 22 982 657.7**

## Final valuation:

SUMMARY: VALUATION OF XYZ AS OF: 24-04-2023 | DATA IN [USD BASE]

DCF:	
Enterprise value	18 242 103
Interest debt	0
Financial assets and cash and non-operating assets *	24 633
<b>Equity Value (Fair value of 100% of shares)</b>	<b>18 266 736</b>
Discount	-20%
<b>Company value based on DCF valuation</b>	<b>14 613 389</b>

Comparative valuation:	
	Multipliers
The implied value based on the indicator	EV/EBITDA
Indicator weight	28 728 322
	100%
	28 728 322
<b>Equity Value (Fair value of 100% of shares)</b>	<b>28 728 322</b>
Discount	-20%
<b>Company value based on comparative valuation</b>	<b>22 982 658</b>

Verification\_ Comparative valuation: EV/EBITDA in the Hotel/Gaming sector 15,50

	Year
EV/EBITDA	2025
Implied EV	4 781 533
	27 748 990
<b>Equity Value (Fair value of 100% of shares)</b>	<b>27 773 623</b>
Discount	-20%
<b>Company value [verification]</b>	<b>22 218 899</b>

Final valuation	Weight	
DCF valuation	100%	14 613 389
Comparative valuation	0%	0
Total	100%	<b>14 613 389</b>
<b>XYZ LLC share value</b>		<b>USD 14 613 389</b>

\*Assumed initial capital

Valuation of the project under the name XYZ. The valuation is carried out as of April 24, 2023. The valuation was carried out using the income and multiplier method. The valuation using the income method determines the value at the level of **USD 14 613 389**. The comparative

valuation, in turn, sets the value of the project at **USD 22 982 658**. The final valuation is **USD 14 613 389**. The point valuation is the average of the valuation where the DCF and multiplier methods have a weight of 100% and 0%, respectively. This approach results, among others, from: the incomparability of the valued project with the comparative group, despite common points in the business model of the valued project and comparable companies. In addition, comparable companies, due to their long-term presence on the global market or access to capital, are characterized by a different level of risk in relation to XYZ, which is why the valuator decided not to include the results of the comparative valuation in the final valuation. The comparative valuation is only intended to present the recipient of this report with an alternative approach to valuation. The discount rate used to estimate the residual value is 20% [multiplicative approach]. With the development of the valued project, it will be possible to assign a weight greater than 0% to the multiplier valuation in the comparison group.

The final valuation [pre-money] of the XYZ project was set at the level of **USD 14 613 389**.

**SENSITIVITY ANALYSIS**

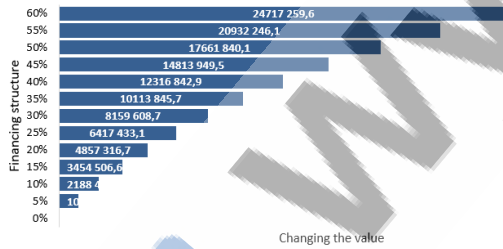
This section presents an analysis of the sensitivity of the valuation to the adopted assumptions. For the sake of transparency, the author of the report presented the impact of changing individual assumptions in the DCF model.

**Change of assumptions regarding the DCF model [two-factor analysis]:**

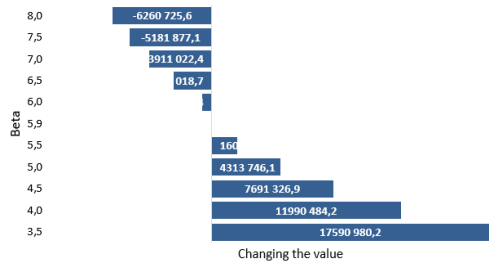
**Sensitivity Analysis [ Beta | Financing structure [share of foreign capital]**

	14 613,39	Beta										
		3.50	4.00	4.50	5.00	5.50	5.86	6.00	6.50	7.00	7.50	8.00
Financing structure [share of foreign capital]	0%	32 204,4	26 603,9	22 304,7	18 927,1	16 223,1	14 613,4	14 024,3	12 212,4	10 702,4	9 431,5	8 352,7
	5%	33 780,2	28 055,2	23 633,8	20 142,0	17 333,3	15 655,1	15 039,7	13 142,5	11 555,7	10 215,8	9 074,7
	10%	35 472,1	29 623,8	25 078,6	21 469,1	18 551,7	16 801,8	16 158,7	14 171,3	12 502,9	11 089,1	9 881,4
	15%	37 292,3	31 323,2	26 653,1	22 923,1	19 892,8	18 067,9	17 395,7	15 313,1	13 558,0	12 065,3	10 785,8
	20%	39 254,7	33 168,7	28 373,9	24 521,0	21 373,9	19 470,7	18 768,1	16 585,1	14 737,8	13 160,9	11 804,3
	25%	41 375,3	35 178,3	30 260,2	26 282,7	23 015,5	21 030,8	20 296,3	18 007,7	16 062,7	14 395,8	12 956,4
	30%	43 672,5	37 373,1	32 334,6	28 232,2	24 842,1	22 773,0	22 005,3	19 605,9	17 557,5	15 794,5	14 266,1
	35%	46 167,6	39 777,5	34 624,2	30 398,0	26 883,2	24 727,2	23 925,1	21 410,0	19 252,5	17 387,2	15 763,4
	40%	48 885,4	42 420,6	37 161,0	32 814,4	29 174,7	26 930,2	26 092,7	23 457,5	21 185,4	19 211,6	17 485,7
	45%	51 855,1	45 337,0	39 983,9	35 523,3	31 760,9	29 427,3	28 553,9	25 795,3	23 403,5	21 315,2	19 480,4
	50%	55 111,0	48 568,0	43 139,8	38 576,3	34 696,5	32 275,2	31 365,8	28 482,2	25 967,1	23 759,0	21 808,8
	55%	58 693,8	52 163,7	46 686,4	42 037,3	38 050,5	35 545,6	34 601,3	31 594,0	28 953,9	26 621,9	24 550,9
60%	62 652,2	56 185,0	50 695,5	45 986,8	41 910,7	39 330,6	38 354,1	35 228,9	32 465,7	30 008,8	27 813,3	

**Sensitivity Analysis: Financial Structure**



**Sensitivity Analysis : BETA**



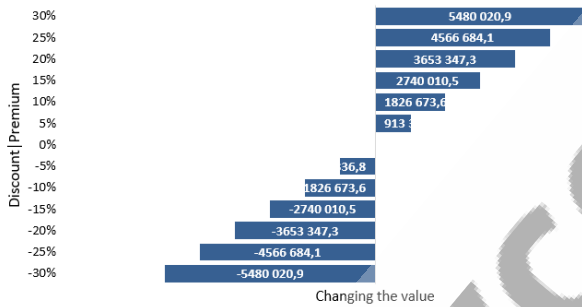
**Commentary:**

In the first part of this report, the valuation was presented with a Beta of 5.86. The table above shows the valuation for Beta in the range of 3.5-8. In addition to the final valuation, a financing structure of 100% of equity was adopted. The table above also considers this parameter as a variable that affects the final result. If the Beta coefficient was changed to 3.5 and with the same financing structure, the value of the project would be **USD 32 204 373,03**. On the other hand, with no change in the Beta coefficient and an increase in debt capital in the financing structure to 50%, the value of the XYZ project would be **USD 32 275 217,70**. A detailed sensitivity analysis is presented in the table above.

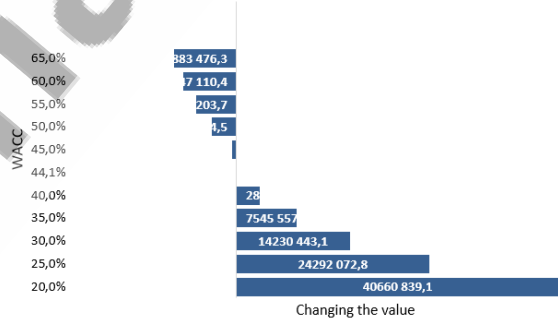
Sensitivity Analysis [ WACC | Discount/Premium ]

Discount/Premium	14 613,39	WACC										
		20.0%	25.0%	30.0%	35.0%	40.0%	44.1%	45.0%	50.0%	55.0%	60.0%	65.0%
-30%		48364,94	34042,27	25238,34	19389,07	15289,17	12786,72	12300,35	10054,77	8326,66	6970,49	5888,68
-25%		51819,58	36473,87	27041,09	20774,02	16381,25	13700,04	13178,93	10772,95	8921,43	7468,40	6309,29
-20%		55274,22	38905,45	28843,83	22158,94	17473,34	14613,39	14057,52	11491,15	9516,19	7966,28	6729,92
-15%		58728,86	41337,05	30646,58	23543,88	18565,42	15526,73	14936,13	12209,35	10110,96	8464,17	7150,53
-10%		62183,52	43768,63	32449,30	24928,83	19657,50	16440,05	15814,72	12927,55	10705,70	8962,07	7571,14
-5%		65638,16	46200,24	34252,05	26313,75	20749,58	17353,40	16693,31	13645,75	11300,46	9459,96	7991,78
0%		69092,80	48631,84	36054,79	27698,69	21841,66	18266,74	17571,92	14363,95	11895,23	9957,84	8412,39
5%		72547,43	51063,42	37857,54	29083,61	22933,75	19180,06	18450,51	15082,13	12489,99	10455,75	8833,02
10%		76002,07	53495,02	39660,26	30468,56	24025,83	20093,41	19329,09	15800,33	13084,76	10953,63	9253,63
15%		79456,71	55926,60	41463,00	31853,48	25117,91	21006,75	20207,70	16518,53	13679,53	11451,51	9674,24
20%		82911,35	58358,20	43265,75	33238,42	26209,99	21920,07	21086,29	17236,74	14274,29	11949,42	10094,87
25%		86365,99	60789,78	45068,49	34623,36	27302,10	22833,42	21964,88	17954,94	14869,03	12447,31	10515,48
30%		89820,63	63221,38	46871,22	36008,28	28394,18	23746,76	22843,49	18673,11	15463,80	12945,21	10936,12

Sensitivity analysis: Discount | Bonus



Sensitivity analysis: WACC



Commentary:

The first part of this report presents the WACC [Weighted Average Cost of Capital] calculation methodology. The determination of this parameter is important for the final result of the valuation. WACC was adopted for the calculations at the level of 44.1%. The table above presents the valuation for WACC in the range of 20% - 65%. In addition to the final valuation, a discount of 20% was adopted. The table above also includes this parameter as a variable that affects the final result. In the absence of the discount [described in this report] and with the same WACC parameter, the value of the XYZ project would be **USD 18 266 742,57**. On the other hand, in the absence of a discount and a decrease in the weighted average cost of capital to 20% [minus 24.1%], this value would be **USD 69 092 795,90**. A detailed sensitivity analysis is presented in the table above.

SCENARIO ANALYSIS

	Scenario	CAC change [%]	Regional	Western Europe	Global (US & Middle East)
Optimistic	1	-50%	25.00	42.50	42.50
	2	-45%	27.50	55.00	46.75
	3	-40%	30.00	60.00	51.00
	4	-35%	32.50	65.00	55.25
	5	-30%	35.00	70.00	59.50
	6	-25%	37.50	75.00	63.75
	7	-20%	40.00	80.00	68.00
	8	-15%	42.50	85.00	72.25
	9	-10%	45.00	90.00	76.50
Neutral	10	-5%	47.50	95.00	80.75
	<b>11</b>	<b>0%</b>	<b>50.00</b>	<b>100.00</b>	<b>85.00</b>
	12	5%	52.50	105.00	89.25
	13	10%	55.00	110.00	93.50
	14	15%	57.50	115.00	97.75
	15	20%	60.00	120.00	102.00
Pessimistic	16	25%	62.50	125.00	106.25
	17	30%	65.00	130.00	110.50
	18	35%	67.50	135.00	114.75
	19	40%	70.00	140.00	119.00
	20	45%	72.50	145.00	123.25
	21	50%	75.00	150.00	127.50

Table 6  
Source: data from the company

**Commentary:**

Table 6 presents 3 scenarios of user acquisition costs. Optimistic 1-10, neutral 11 and pessimistic scenarios 12-21. Scenario #11 assumes a user acquisition cost of USD 50 for [Regional], USD 100 for [Western Europe] and USD 85 for [Global (US & Middle East)]. The project valuation was prepared using these assumptions. Detailed data in the above scope can be found in Table 3. The above tables should be read together with Table 7, which is found on the next page. For example, in scenario # 1, a decrease in the cost of acquiring a customer for 3 regions by 50% was simulated, which contributed to an increase in the value of the project, assuming no changes in other parameters. Details in Table 7:



Scenario	Valuation of Privtrpis.com
1	178 395 420
2	105 138 132
3	73 118 463
4	53 835 810
5	41 403 945
6	32 970 812
7	26 994 986
8	22 591 338
9	19 254 695
10	16 672 188
11	14 613 389
12	12 954 601
13	11 588 004
14	10 445 882
15	9 478 329
16	8 653 054
17	7 945 678
18	7 324 635
19	6 777 848
20	6 299 440
21	5 871 324

Table 7

**Comment:**

Table 7 is an extended version of the sensitivity analysis that was carried out on the previous pages of this report. The scenario analysis was prepared with the following assumptions:

- Change in the sales percentage of customer acquisition cost for the indicated regions from -50% to +50% in the initial phase of the project.
- Other assumptions have not changed.

**Commentary:**

As a result of such an analysis, the project valuation ranges from 5,87 million [costs 50% higher compared to the base scenario - negative scenario] to 178,39 million [costs lower by 50% compared to the base scenario]. Therefore, as shown in the table above, the valuation is very sensitive to the indicated parameter.

## GRAPHIC PRESENTATION OF DATA

### Selected financial data and market indicators [Profit and loss account]

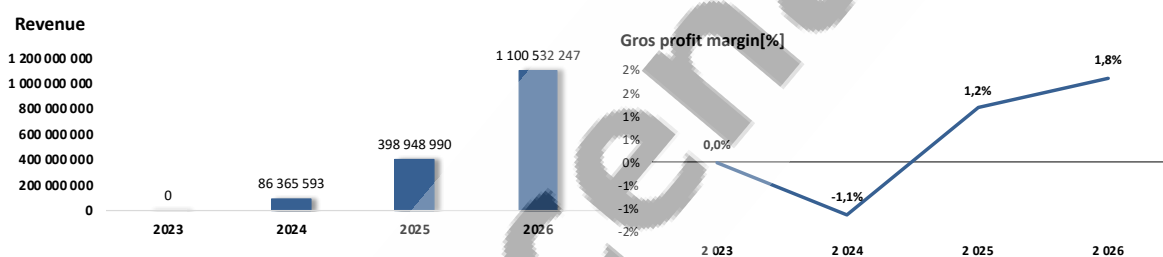
Financial data	2023	2024	2025	2026
<b>Total revenue</b>	<b>0</b>	<b>86 365 593</b>	<b>398 948 990</b>	<b>1 100 532 247</b>
Revenue change y/y -	-	-	361,9%	175,9%
<b>EBIT</b>	<b>-749 100,0</b>	<b>-986 790,5</b>	<b>4 694 658,0</b>	<b>19 955 761,3</b>
EBIT change y/y -	-	31,7%	-575,8%	325,1%
<b>EBITDA</b>	<b>-749 100,0</b>	<b>-961 790,5</b>	<b>4 781 533,0</b>	<b>20 093 011,3</b>
EBITDA change y/y -	-	28,4%	-597,1%	320,2%
<b>Net profit</b>	<b>-821 977,0</b>	<b>-1 029 185,7</b>	<b>4 694 658,0</b>	<b>19 955 761,3</b>
Net profit change y/y	-	25,2%	-556,2%	325,1%
Gross margin on sales	-	-1,1%	1,2%	1,8%
EBIT margin	-	-1,1%	1,2%	1,8%
EBITDA margin	-	-1,1%	1,2%	1,8%
Net margin	-	-1,2%	1,2%	1,8%
<b>Capex</b>	<b>50 000,0</b>	<b>123 750,0</b>	<b>150 750,0</b>	<b>180 900,0</b>
<b>Amortisation</b>	<b>0,0</b>	<b>25 000,0</b>	<b>86 875,0</b>	<b>137 250,0</b>
<b>Change in working capital</b>	<b>0,0</b>	<b>0,0</b>	<b>0,0</b>	<b>0,0</b>
CAPEX / Revenue	-	0,1%	0,0%	0,0%
CAPEX / Amortisation	-	495,0%	173,5%	131,8%
Amortisation / Revenue	-	0,0%	0,0%	0,0%
Change in NWC / Revenue	-	0,0%	0,0%	0,0%
P/E*	-17,8x	-14,2x	3,1x	0,7x
P/EBITDA*	-19,5x	-15,2x	3,1x	0,7x
P/EBIT*	-19,5x	-14,8x	3,1x	0,7x
P/S*	-	0,2x	0,0x	0,0x

\* EQ/NET PROFIT or EQ/ EBITDA or EQ / EBIT or EQ / SALES

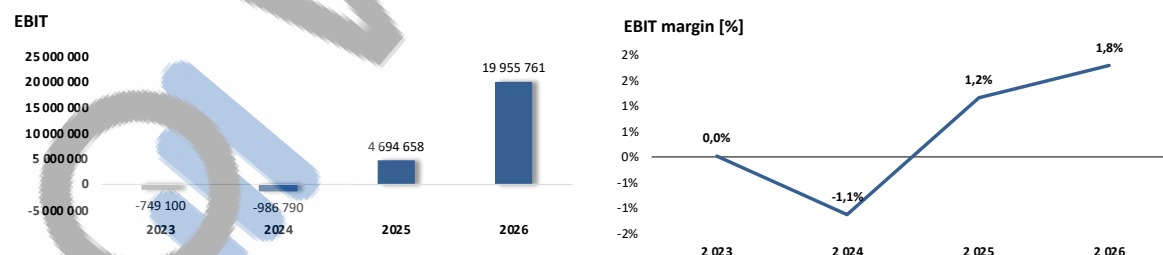
## Structure of operating costs

Profit and loss account	2023	2024	2025	2026
Amortisation	0.0%	0.0%	0.0%	0.0%
Usage of materials and energy	1.5%	0.1%	0.0%	0.0%
Foreign services	44.3%	5.0%	3.9%	3.5%
Taxes and fees	0.0%	0.0%	0.0%	0.0%
Salaries	42.6%	1.3%	0.4%	0.2%
Social security and other benefits	10.7%	0.3%	0.1%	0.1%
Other generic costs	0.9%	0.5%	0.5%	0.5%
Value of sold goods and materials	0.0%	92.8%	95.1%	95.7%

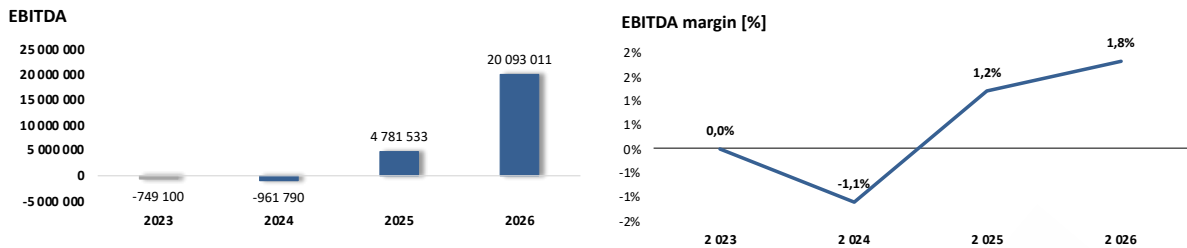
Operating expenses	749 100,0	87 352 383,5	394 254 332,1	1 080 576 485,8
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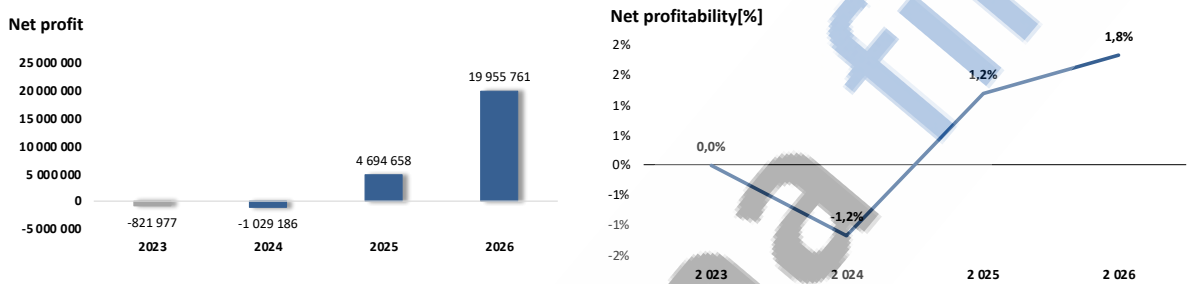
Graph 1  
Source: data from the company



Graph 2  
Source: data from the company



Graph 3  
Source: data from the company



Graph 4  
Source: data from the company

## VALUATION RISK FACTORS

### Risk related to failure to implement the strategy

The project's development strategy is based on entering new markets and investing in the development of new products and related auxiliary services. The company wants to increase the dynamics of its revenues and the scale of its projects. For this, it is necessary to offer high-quality services in a competitive environment where global corporations operate. The achievement of strategic goals that determine the valuation depends on many internal and external factors, including economic, regulatory, financial or operational factors, some of which are beyond the control of the future Company, and which may hinder the implementation of the strategy. Among such factors, one can distinguish, among others, difficulties in developing and implementing new solutions. Reasons for this condition may include lack of access to highly qualified managers and specialists, lack of access to technological solutions or increased competition from third parties. The lack of or slow pace of product development may have a negative impact on the achievement of operational goals and, consequently, on the number of customers and the Company's financial results. Failure to implement the strategy may result in the Company's inability to achieve the growth rate and acquire new customers. The company keeps track of technical news and the market to be prepared for strategy adjustments. The pace of changes on the market where XYZ intends to operate may cause individual elements or the entire strategy to fail. Considering the above, there is a risk that the strategy will be implemented to a lesser extent (or not all strategic goals will be achieved) than expected, with a significant delay or with unsatisfactory results. If XYZ encounters unexpected barriers in the

implementation of the developed strategy, it may be forced to change it or adjust its strategic goals. The materialization of the risk may have a significant impact on the decline in revenues and profitability of the project.

#### **Risk of increased costs**

In order to achieve the assumed number of XYZ users, it is necessary to incur significant expenditures on sales and marketing. Unfavourable changes in prices (including an increase in the prices of products and services purchased by the enterprise and a decrease in the prices of products and services sold) cause specific consequences for the costs of services provided, costs of products sold, sales revenue, profit, and ultimately also on the potential value of the project.

#### **Risk of losing staff**

Owing to the business profile and the stage at which the XYZ project is, the competence and determination of people responsible for development are crucial. In the event of the loss of key personnel, there is a high risk of not achieving the assumed results, and thus a potential decrease in the value of the project. The company depends on qualified managers and specialists in the fields such as Internet marketing, software, finance, law, or sales. The inability to meet salary expectations or other conditions expected by employees creates the risk of losing key team members or a larger group of experienced team members. The realization of the risk may have a negative impact on the development prospects, financial situation, or results of the Company.

#### **Exchange rate risk**

The company intends to operate on the international market. Due to concluding sale and purchase transactions abroad mainly in EUR and USD, the Company identifies its exposure to currency risk. There is a risk related to the unfavourable impact of changes in exchange rates on the Company's financial results. This may adversely affect the Company's operations, market position, sales, financial results, and prospects for development.

#### **Risk related to technological changes in the industry and the development of new products**

The company's financial model requires rapid technological changes and continuous adaptation to the changing environment. Therefore, the success of the Company depends mainly on the ability to apply the latest technological solutions in the products and services offered by the Company. In order to maintain a competitive position on the market, investment in new solutions is required. There is a risk of new solutions appearing on the market, which will make the products and services offered by the Company unattractive and will not provide the expected revenues.

#### **Risk of serious errors or defects in the software**

The software used in the company's operations, despite conducting professional tests, may contain errors, faults, security gaps that are difficult to detect and correct, especially when

implementing new versions. The above events may result in a leak of sensitive data, loss of revenues, significant capital expenditures, delay in providing software or a given functionality or loss of market share and reputational damage, which may have a negative impact on the Company's operations and financial results.



## MARKET ENVIRONMENT

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Tourism is an important sector of the economy and has a significant positive impact on economic growth and employment in Europe and worldwide. The importance of tourism is also growing in the daily lives of European and global citizens, who travel more and more, both for leisure and for work. Tourism is related to issues such as cultural and natural heritage, contemporary traditions, and culture. It is also a perfect example of the need to reconcile economic growth with sustainable development, including the ethical dimension. Tourism also contributes greatly to improving Europe's image in the world, to promoting our values and enhancing the attractiveness of the European model, which is the fruit of centuries of cultural exchange, linguistic diversity, and creativity.<sup>1</sup>

The last decades have been a time of unprecedented growth in international tourism (OECD, 2020). In 2018, the global number of foreign tourists amounted to 1.44 billion people, an increase of 5.8 percent compared to the previous year (World Bank, 2020). Over the years - since 1995 - international tourism has grown at an average annual rate of 4% worldwide. Such a stable growth in time and ahead of long-term forecasts of foreign trips has become possible thanks to the growing number of global middle class, i.e. the category of people with free income that can be allocated for any consumption purposes. In 2020, the European Commission estimated that globally, the number of this category increased from 1.8 billion in 2009 to 3.5 billion in 2017, with the largest increase in Asia. The tourism sector, which has great potential for development, has been strongly affected by the outbreak of the COVID-19 virus pandemic. The tourism industry was the first to suffer.<sup>2</sup>

The observed huge vulnerability of tourism to the situation of threat and uncertainty is not accidental. Tourism reacted similarly in 2003, when foreign tourist arrivals to China and Hong Kong fell by 9-10% as a result of the SARS outbreak y/y. A similar slump was seen in 2009, when the great financial crisis reduced the global number of foreign tourists by 4% compared to the previous year. Everything indicates that the collapse of the tourism market due to COVID-19 was unprecedented in terms of scale and scope. First of all, because it has reached all tourist destinations without exception. In addition, the recession caused by the pandemic has reduced the purchasing power of a significant part of households, limiting their participation in tourist trips.

According to data collected by the European Travel Commission (ETC), an association of European national tourism organizations, the number of arrivals from abroad in 2021 in the world was still 61% lower than before the pandemic. In the first months of 2022, this loss decreased to 43% and, according to expert predictions, it will decrease in 2022 to only 30%. As foreign tourism predicts - if there are no new or escalation of already known threats - it should completely recover from the crisis caused by the pandemic, lockdowns, and war by 2025.

It is much better in the case of more local tourist traffic, which does not require crossing borders and subjecting to unexpected health rigors. However, internal and international tourist traffic is changing its face. Months of isolation and fear of infection have significantly increased tourists' interest in destinations and activities that allow them to travel and stay while maintaining a distance from other tourists. Less indoors, more outdoors.

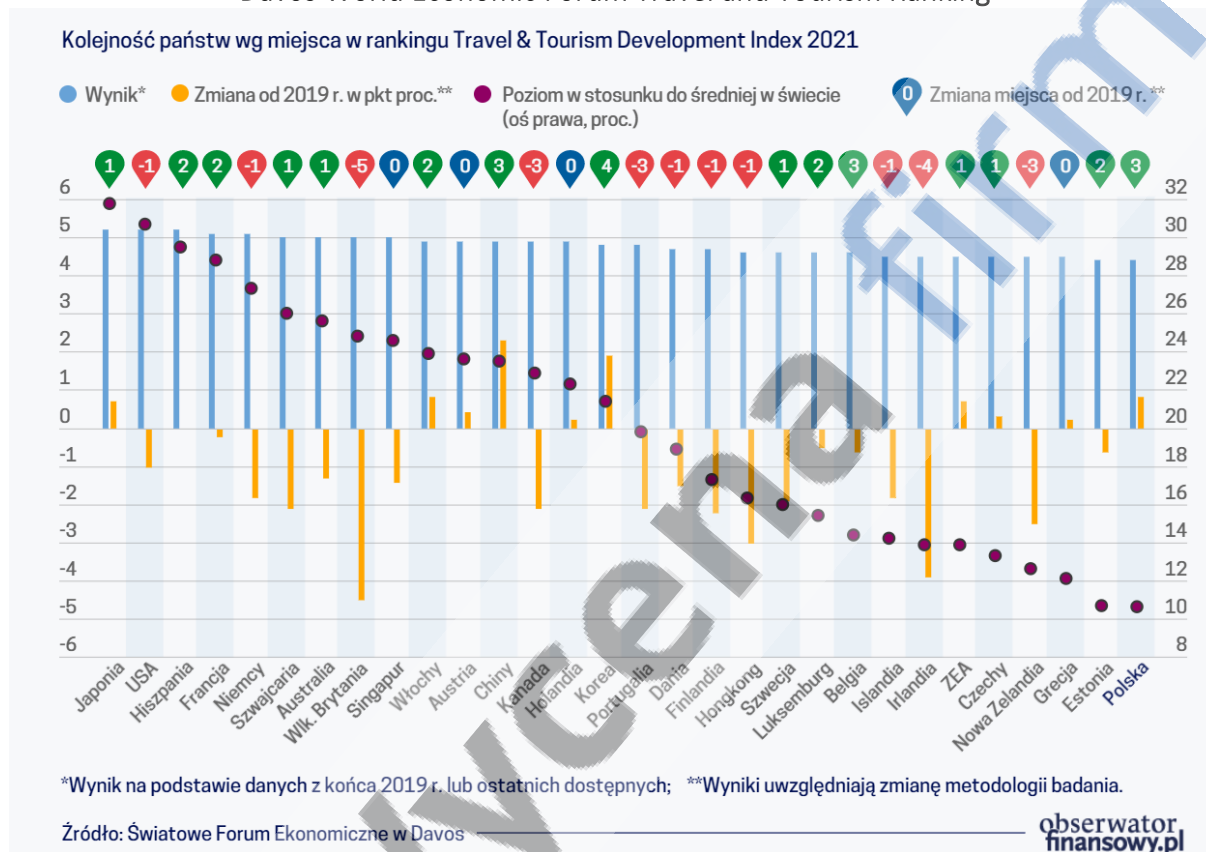
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<sup>1</sup> <https://eur-lex.europa.eu/legal-content/PL/TXT/HTML/?uri=CELEX:52010DC0352&from=EN>

<sup>2</sup> [https://pie.net.pl/wp-content/uploads/2020/05/PIE-Raport\\_Turystyka.pdf](https://pie.net.pl/wp-content/uploads/2020/05/PIE-Raport_Turystyka.pdf)

Every two years, the Davos Forum publishes an indicator of the development of individual countries in the field of tourism services. It summarizes (the study includes several dozen very detailed measurements) the above-mentioned expectations regarding their quality. It is also a kind of guideline for government institutions shaping the policy of tourism development in their countries. Considering the size of the T&T sector in generating GDP and the number of jobs (as much as 80% of them are in small and medium-sized enterprises), it is quite an important element of the economic policy of many countries.

### Davos World Economic Forum Travel and Tourism Ranking



*Travel & Tourism Development Index 2021*, published in the Davos report, indicates that Japan is best prepared to ensure conditions for safe travel and leisure in many respects. Its achievements measured by this indicator exceed the global average by more than 30%.

The top ten countries best prepared in terms of tourist expectations include the most developed in the world. Apart from the USA, Australia, and Singapore, these are European countries, first of all Spain, France and Germany. Further places are occupied by other European countries. China (12th), Korea (15th) and Hong Kong (19th) are also in high positions. Poland ranks 30th in this index (10.6% above the global average). 117 countries have been classified in this ranking.<sup>3</sup>

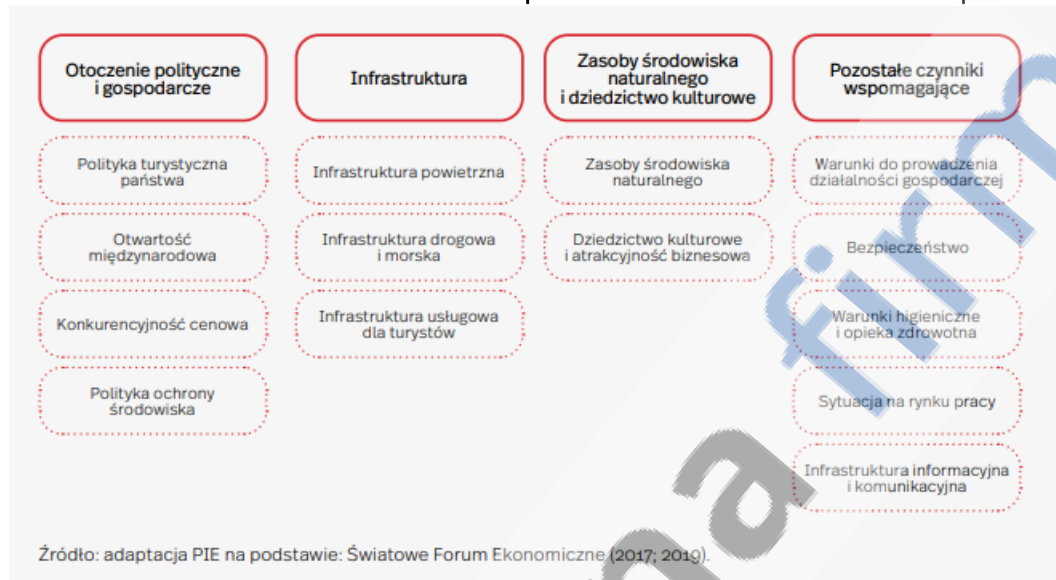
The growing tourist market and the increasingly common awareness of the impact of tourism on the national added value result in taking measures by individual governments aimed at the development of national tourism potentials. This is accompanied by a reflection on the factors which have a significant impact on the increase in the tourist attractiveness of individual regions. The World Economic Forum (2019) distinguishes four basic groups of factors determining the tourist attractiveness and competitiveness of individual countries. These are:

<sup>3</sup> <https://www.obserwatorfinansowy.pl/bez-kategorii/rotator/turystyka-rozreca-gospodarki-i-inflacje/>



1. political and economic environment,
2. infrastructure,
3. natural resources and cultural heritage,
4. other supporting factors.<sup>4</sup>

### Index of Tourist Attractiveness and Competitiveness: dimensions and components



2019 was the last tourist season before the outbreak of the coronavirus pandemic. This year, the global tourism sector generated approximately 10.3% of global GDP with a total value of over \$9.6 trillion and annual growth estimated at 4.7%. In 2020, a catastrophe struck and the sector shrank by over 50% to 5.3% of global GDP. 62 million people lost their jobs in the industry. However, already in 2021 there was a rebound: the contribution of the tourism sector to the global DGP amounted to 6.1% (an increase of 21.7% on a yearly basis), and 18.2 million people gained jobs in tourism.

Forecasts suggest that the global tourism sector will create around 126 million new jobs over the next decade, and its GDP should grow at a rate of around 5.8% per year, outstripping the overall growth of the global economy, which is forecast at 2.7% per year. In 2032, the value of the tourism sector may amount to approx. USD 14.6 trillion, which will account for approx. 11.3% of the entire global economy.<sup>5</sup>

<sup>4</sup> [https://pie.net.pl/wp-content/uploads/2020/05/PIE-Raport\\_Turystyka.pdf](https://pie.net.pl/wp-content/uploads/2020/05/PIE-Raport_Turystyka.pdf)

<sup>5</sup> <https://stronapodrozy.pl/turystyka-i-covid19-czy-branza-wrocila-do-normalnosci-jakie-sa-prognozy-na-kolejne-10-lat-eksperci-wttc-przedstawili-nowe/ar/c7-17126051>

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## BASIC TERMS

**EBIT** - result on operating activities

**EBITDA** - result on operating activities increased by amortisation

**Net debt** – interest-bearing debt less cash and cash equivalents

**WACC** - weighted average cost of capital

**CAGR** - average annual growth

**EPS** - net profit per share

**DPS** - dividend per share

**CEPS** - the sum of net profit and depreciation per share

**EV** – sum of market capitalization and net debt

**EV/S** – ratio of EV to sales revenue

**EV/EBITDA** – ratio of EV to operating profit plus depreciation

**P/EBIT** – ratio of market capitalization to operating result

**MC/S** - ratio of market capitalization to sales revenue

**P/E** - ratio of market capitalization to net profit

**P/BV** - ratio of market capitalization to book value

**P/CE** - share price to net profit per share ratio increased by depreciation per share

**ROE** – ratio of net profit to equity

**ROA** - ratio of net profit to assets

**gross margin on sales** - the ratio of gross profit on sales to revenues

**EBITDA margin** - the ratio of operating profit and depreciation to sales revenue

**EBIT margin** - operating profit to sales revenue

**net profitability** - ratio of net profit to sales revenue

**CAPEX** – means capital expenditures

**WC** - working capital

**Dyield** - the quotient of the dividend per share and the market price of the share

**Payout ratio** – dividend payout ratio

**Beta** – coefficient taking into account the dependence of the change in the share price of a given company on the change in the value of the index

**FCFF** - free cash flow for equity owners and creditors

**NOPAT** – operating profit less a hypothetical tax on this profit

**Receivables turnover in days** – It shows, on average, after how many days the cash from receivables reaches the company, calculated according to the formula  $365 / (\text{sales revenues} / \text{average receivables in a given period})$ .

**Inventory turnover in days** – It shows, on average, after how many days the inventory is sold and renewed, calculated according to the formula  $365 / (\text{cost of goods sold} / \text{average inventory in a given period})$ .

**Trade payables turnover in days** – Shows the average speed of trade payables settlement in days, calculated according to the formula  $365 / (\text{cost of sales} / \text{average trade payables in a given period})$ .

**Current liquidity** – It shows to what extent it is possible to repay short-term liabilities by converting current assets into cash, it is calculated as the ratio of current assets less short-term accruals to short-term liabilities.

**Quick liquidity** - Shows the ability to pay short-term liabilities by converting the most liquid current assets into cash, calculated as the ratio of current assets less inventories and short-term accruals to short-term liabilities.

**Interest coverage ratio** – Shows the degree of debt service security, calculated as the ratio of profit from business activity increased by interest to the value of interest.

**DCF** – the most popular and effective of the valuation methods – based on discounting future cash flows generated by the company. The strengths of this method include taking into account all cash flows that flow in and out of the company and the cost of money over time. The disadvantages of the DCF valuation method include: a large number of assumptions and parameters that need to be estimated and the sensitivity of the valuation to changes in these factors.

**Comparative method** - based on the comparison of valuation multipliers of companies from the industry in which the rated entity operates. This method reflects the current state of the market very well, requires fewer assumptions and is simpler to use. Its disadvantages include high volatility related to fluctuations in prices and stock exchange indices (in the case of comparison to listed companies), subjectivity in the selection of a group of comparable companies and the simplification of the company image leading to the omission of certain important parameters (e.g. growth rate, corporate governance, non-operating assets, differences in accounting standards).

## LEGAL NOTE

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This material has been prepared by Mateusz Laska, seated in Warsaw, at the following address: Ul. Krańcowa 61 lok. 10, Warsaw

This report was prepared in cooperation with the Company - the Company provided descriptive information and forecasts. Mateusz Laska estimated the fair value of the company on the basis of the forecasts provided by it and did not verify the manner in which the forecasts were prepared. For the preparation of this report, he received remuneration from the company and hopes to receive remuneration in the future. The situation described above may lead to a conflict of interest. The report does not contain all information about the Company and does not enable a full assessment of the Company, in particular in terms of its financial situation, because only some data concerning the Company were selected for the report, which also means that a comprehensive assessment of the Company on the basis of this report is not possible.

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In addition, this report and any of its provisions do not constitute:

- an offer within the meaning of Art. 66 of the Act of April 23, 1964 - the Civil Code,
- grounds for concluding a contract or creating an obligation,
- public suggestion of purchasing of financial instruments or public offering of financial instruments within the meaning of Art. 3 of the Act of 29 July 2005 on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organised Trading, and Public Companies,
- an invitation to subscribe or purchase securities issued by the Company,
- investment advisory service or portfolio management service referred to in the Act of 29 July 2005 on trading in financial instruments.

Mateusz Laska does not hold, nor has he held in the last 12 months, financial instruments issued by the Company. The persons who participated in the preparation of the report do not hold shares in the Company and have not purchased any shares in the Company in the past. All estimates and opinions contained in the report constitute an independent opinion of analysts as of the date of this report. Neither Mateusz Laska nor the employees accept any liability (whether negligently or otherwise) for any damages arising from the use of this document or its content.

When preparing this report, Mateusz Laska took into account in particular:

- Accounting Act of September 29, 1994.
- IFRS 13 "Fair Value Measurement"

Pursuant to the Accounting Act, the fair value is the amount for which a given asset could be exchanged, and a liability settled under the terms of an arm's length transaction, between interested and well-informed, unrelated parties. Mateusz Laska prepares a fair value measurement in accordance with the following hierarchy:

Prices quoted (unadjusted) in active markets for identical assets or liabilities to which he has access on the valuation date,

Inputs other than quoted prices included in Level 1 that are directly or indirectly observable for the asset or liability,

Unobservable inputs for the asset or liability.

