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Mais Consulting Growth Strategies through Acquisitions

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Master in Management

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BUSINESS
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Department of Marketing, Operations and General Management

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Resumo

Este projeto de mestrado avalia a viabilidade estratégica e financeira de uma estratégia de crescimento por aquisição para a empresa portuguesa Mais Consulting, uma uma pequena e média empresa (PME) que opera nos setores da contabilidade, auditoria e consultoria fiscal. Através da análise de uma oportunidade real e concreta de aquisição de uma empresa do setor (denominada Company X ao longo documento) o estudo procura perceber em que medida esta abordagem poderá gerar valor e contribuir para o reforço da posição competitiva da organização.

Com base numa revisão da literatura sobre crescimento empresarial, fusões e aquisições e métodos de avaliação, a investigação recorre a uma metodologia mista, combinando dados primários (entrevistas) e secundários (relatórios setoriais e dados financeiros). A avaliação da empresa-alvo, realizada através do método dos Fluxos de Caixa Descontados, estima um valor empresarial de €480.564,84. A análise de sensibilidade evidencia a importância das variáveis WACC e taxa de crescimento terminal. Adicionalmente, são exploradas práticas de integração pós-aquisição, com recomendações ajustadas ao contexto de uma PME.

Os resultados indicam que a aquisição da Company X representa uma decisão estratégica robusta, desde que suportada por uma implementação estruturada, com atenção à integração cultural e operacional. A tese conclui com um plano que articula avaliação financeira, racional estratégico e orientações práticas para uma execução bem-sucedida.

Palavras-chave: crescimento empresarial, fusões e aquisições, PME, avaliação de empresas, integração pós-aquisição

Códigos de Classificação JEL: G34 - Fusões; Aquisições; Reestruturação; Governo das Sociedades. L21 - Objetivos Empresariais da Empresa.

Abstract

This master's project evaluates the strategic and financial feasibility of a growth strategy through acquisition for the Portuguese company Mais Consulting, a small and medium-sized enterprise (SME) operating in the accounting, auditing, and tax consulting sectors. By analysing a real and concrete acquisition opportunity involving a company in the same sector (referred to as Company X throughout the document), the study aims to assess to what extent this approach can generate value and strengthen the organization's competitive position.

Grounded in a literature review on business growth, mergers and acquisitions, and valuation methods, the research adopts a mixed-methods approach, combining primary data (interviews) with secondary sources (industry reports and financial data). The valuation of the target company, conducted using the Discounted Cash Flow method, estimates an enterprise value of €480,564.84. A sensitivity analysis highlights the critical importance of variables such as WACC and the terminal growth rate. Additionally, post-acquisition integration practices are explored, with recommendations tailored to the SME context.

The results indicate that the acquisition of Company X represents a sound strategic decision, provided it is supported by a structured implementation process, with attention to cultural and operational integration. The thesis concludes with a business plan that combines financial valuation, strategic rationale, and practical guidelines for successful execution.

Keywords: business growth, mergers and acquisitions, SME, company valuation, post-merger integration

JEL Classification System: G34 – Merges; Acquisitions; Restructuring; Corporate Governance. L21 – Business Objectives of the Firm

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1. Introduction

In an increasingly competitive and dynamic business environment, small and medium-sized enterprises (SMEs) face mounting pressure to innovate, differentiate, and grow sustainably. In the professional services sector, particularly in accounting, auditing, and tax consulting, factors like market fragmentation, technological evolution, and increasing client expectations are driving firms to reconsider their strategic positioning. Against this backdrop, growth through mergers and acquisitions (M&A) has emerged as a viable alternative to purely organic strategies, offering firms the opportunity to achieve scale, expand service offerings, and accelerate market penetration.

This project focuses on Mais Consulting, a Portuguese SME operating in the accounting and tax advisory sector (CAE 69200), which provides specialized services to other SMEs across Portugal. Founded in 1997, the company has built a solid client base and a reputation for proximity and reliability. However, faced with a maturing market and growing competition, the firm is exploring new avenues for strategic growth. This thesis aims to evaluate the feasibility and strategic value of pursuing a growth strategy based on acquiring another firm within the same sector.

The central objective of this thesis is to develop a business project that supports Mais Consulting's growth ambitions through a concrete acquisition opportunity. The analysis includes an in-depth analysis of the sector, an assessment of the target company and a valuation based on the Discounted Cash Flow (DCF) method. Beyond identifying the financial viability of the deal, the study also explores how to implement it successfully and how such a move fits within the company's long-term vision.

Methodologically, the project combines primary research (interviews with the CEO, internal and external stakeholders) and secondary research (sectoral reports, benchmarks, and academic literature on growth strategies). The approach is both analytical and applied, aiming to bridge the gap between strategic theory and managerial practice.

This thesis is structured in seven chapters. Following this introduction, Chapter 2 reviews the academic literature on industry life cycle, business growth, and company valuation. Chapter 3 provides the methodological overview. Chapter 4 presents a strategic analysis of Mais Consulting and its sectoral context. Chapter 5 develops the acquisition project, including valuation and sensitivity analysis. Chapter 6 outlines implementation strategies based on post-merger integration best practices. Finally, Chapter 7 explores the overall conclusions and Chapter 8 present the references.

2. Literature Review

To establish a solid theoretical foundation for this project, the literature review explores important concepts around business development, growth and valuation. It starts exploring broader concepts on how the industries evolve and what strategies business growth can take action. It then shifts to a more focused research about different approaches for growth pursued by companies and their implications for corporate development. Finally, the chapter presents different methods used for valuation of firms, which is a predominant aspect supporting the goal of the project.

By covering these topics, this chapter provides the necessary theoretical background to support the strategic analysis and financial assessment conducted in later sections of this study.

2.1. Industry Life Cycle

The concept of the industry life cycle describes the natural evolution of an industry over time, divided into predictable stages: introduction, growth, maturity, and decline. Understanding the industry life cycle is crucial for strategic formulation, as each stage presents distinct characteristics that influence companies' behavior and competitive dynamics. This chapter examines the main stages of the industry life cycle, exploring the strategic implications that arise from them.

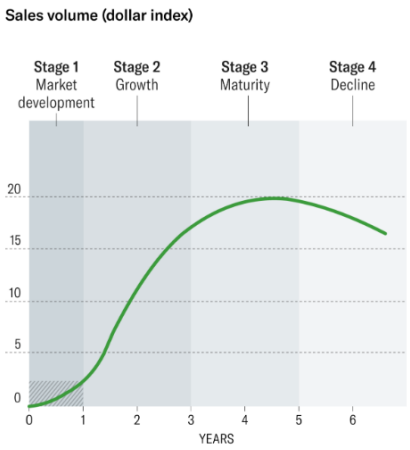


Figure 2.1 - Product/Industry life cycle: Source: Levitt, 1965

Market Development

In the introduction phase, also known as market development phase, industries face a combination of technological innovation and high uncertainty regarding the acceptance of their products or services. This phase is characterized by significant advances in research and development, accompanied by high costs due to the need to educate early consumers and establish an initial market position (Abernathy & Utterback, 1978).

In this context, companies must focus on creating a differentiated value proposition to attract early consumers. It is also essential that they invest in building entry barriers, as suggested by Porter (1980), ensuring a resilient competitive position in the long term.

Growth

During the growth phase, there is a rapid expansion of the market, accompanied by the entry of new competitors seeking to capitalize on emerging profit potential. It is in this phase that technological and operational standards consolidate, providing a competitive advantage to companies that can achieve economies of scale (Levitt, 1965).

To stand out, companies need to continuously invest in innovation, strengthen networks, and consolidate their market share. These factors are crucial to addressing increasing competition and sustaining growth in competitive markets (Abernathy & Utterback, 1978).

Maturity

When the industry reaches maturity, growth becomes marginal due to market saturation and intense competition for efficiency and price. Resilient companies must adopt measures such as exploring new geographies or market segments, as well as optimizing their operations to maintain sustainable profit margins (Porter, 1980). Additionally, Abernathy and Utterback (1978) suggest that in the maturity phase, innovations become less radical and more oriented toward operational efficiency and incremental improvements. This focus reflects the need to balance narrower margins in highly saturated markets.

In this stage, organizations should prioritize strategies that increase operational efficiency and promote economies of scale. Expanding into new markets or adapting existing products can represent a critical opportunity to revitalize growth and ensure long-term competitiveness.

Decline

Finally, the industry moves into the decline phase, where they face a substantial decrease in demand due to technological changes or shifting consumer preferences. Companies that remain successful tend to focus on highly specific niches or restructure their operations to achieve maximum efficiency (Porter, 1980).

Repositioning products or exploring new residual markets can help sustain profitable operations in this scenario. Alternatively, some companies may opt for structured divestment, while others focus on specialization to stand out in less competitive niches (Levitt, 1965).

Conclusion

The industry life cycle provides a fundamental framework for understanding the evolution of markets and the competitive behavior of companies. Each stage presents specific characteristics which require different adjustments in growth strategies. This understanding is essential to support strategic decisions and guide sustainable growth for organizations. The next chapter will explore how companies can grow, using Ansoff's Matrix to map the available growth strategies.

2.2. Growth Strategies: Ansoff's Matrix

Ansoff's Matrix is a strategic planning tool designed to help organizations identify and evaluate their growth opportunities. Introduced by Igor Ansoff in his seminal 1957 article, *Strategies for Diversification*, the matrix categorizes growth strategies into four main strategies: market penetration, market development, product development, and diversification. Since its inception, this model has become widely used in strategic management, providing a clear framework for decision-making across various business contexts. By analyzing these four growth options, companies can align their strategic initiatives with their resources, capabilities, and market conditions.

Market Penetration

Market penetration focuses on increasing market share within existing markets using current products or services. This strategy can be supported by improving marketing efforts, optimizing

sales processes, or implementing initiatives to enhance customer loyalty. Market penetration is particularly effective in mature industries, where incremental growth can be achieved by outperforming competitors or attracting their customers (Levitt, 1965).

For companies operating in saturated markets, this approach often requires a combination of price competitiveness, superior services, and targeted promotions to strengthen their position and expand their customer base.

Market Development

Market development involves expanding into new geographical areas or targeting new customer segments with existing products or services. Ansoff (1957) emphasized that this strategy allows companies to leverage their established offerings while exploring unmet demand in different markets.

Common tactics include geographic expansion, targeting new demographic profiles, or exploring alternative distribution channels. This growth direction is often adopted by companies in the growth or maturity stages of the industry life cycle, as it provides a pathway to sustain momentum without the risks associated with launching new products.

Product Development

Product development focuses on creating new products or services, or significantly enhancing existing ones to serve current markets. This strategy is particularly relevant in industries where innovation is a key driver of competitive advantage. During periods of market saturation, incremental improvements or complementary offerings can revitalize demand and foster customer loyalty (Abernathy & Utterback, 1978).

Product development can be achieved by launching updated versions of existing products, adding features based on customer feedback, or introducing complementary products that address unmet needs.

Diversification

Diversification involves entering new markets with new products and is recognized as the most ambitious and high-risk strategy within Ansoff's Matrix. This strategy can be divided into two main types: related diversification and unrelated diversification. In the case of related

diversification, companies expand into markets or products closely aligned with their core competencies, leveraging existing synergies and maximizing resources. In contrast, unrelated diversification entails entering entirely different industries or product lines, posing a greater challenge as it requires the development of new competencies and navigating unfamiliar markets.

According to Ansoff (1957), diversification is a suitable strategy for companies looking to mitigate risks associated with dependence on a single market or product line. Although risky, successful diversification can yield significant returns by opening new revenue streams and reducing exposure to existing market risks.

Conclusion

Ansoff's Matrix provides a comprehensive framework for understanding and evaluating growth strategies. By categorizing growth into market penetration, market development, product development, and diversification, it enables organizations to align their initiatives with their overarching strategic goals. The next chapter will explore the specific approaches companies can employ to implement growth, such as organic growth, mergers and acquisitions (M&A) and strategic alliances and partnerships.

2.3. Approaches to Strategic Growth

Building on the analyses developed in the previous chapters, this section explores specific strategic approaches that organizations can adopt to achieve their growth objectives. Chapter 2.1 addressed the industry life cycle, emphasizing how companies should align their actions with the different stages of industry evolution. Subsequently, Chapter 2.2 introduced Ansoff's Matrix, which categorized the growth strategies companies can choose to pursue. In this chapter, the focus shifts to evaluating three fundamental strategic approaches for growth: organic growth, strategic alliances and partnerships, and M&A.

The strategic approaches explored represent distinct pathways organizations can take to expand their reach, optimize resources, and strengthen their competitive positions. The adoption of each option depends on its applicability to the specific context of the organizations, which, in turn, is influenced by their resources, capabilities, and market dynamics. By evaluating these strategies in detail, this chapter aims to provide a comprehensive understanding of how businesses can translate growth into concrete initiatives. Through this

exploration, the literature review highlights the balance firms must achieve when selecting and implementing growth strategies. By integrating theoretical perspectives it is possible to understand and analyze how growth strategies align with a firm's broader objectives and operational realities.

2.3.1. Organic Growth

Organic growth is characterized by a firm's reliance on its internal capabilities to drive sustainable development. As an internally focused approach, organic growth minimizes reliance on external partnerships or acquisitions, offering firms a measure of strategic control that aligns with their long-term goals (Penrose, 1959). This path typically involves reinvesting profits into new product development, market penetration, or enhancing operational efficiencies. This chapter explores the management theories of organic growth and its strategic advantages and limitations, supported by insights from empirical research.

Conceptual Insights

The theoretical basis of organic growth suggests that firms achieve growth by effectively deploying their underutilized internal resources. According to the framework presented in Edith Penrose's Theory of the Growth of the Firm (1959), growth is not just about increasing size but about strategically transforming resource potential into productive capabilities. Some of these capabilities such as managerial expertise, proprietary knowledge, and innovative capacities represent critical assets that firms can leverage to achieve competitive advantage. This view offers a clear way to understand why some firms succeed at organic growth, particularly those with distinctive internal capabilities.

The Resource-Based View (RBV), developed by Barney (1991), further explores the strategic importance of leveraging unique, inimitable, and valuable resources. According to the RBV, firms with distinct capabilities—such as patented technologies, strong brand equity, or skilled talent—are better positioned to pursue organic growth, as these resources protect the companies against competitive imitation. The alignment of RBV with Penrose's framework suggests that organic growth is most successful in firms that recognize and strategically leverage their internal strengths to achieve competitive advantage. By doing so, they will be better positioned to expand market share and enhance profitability.

Strategic Motivations for Organic Growth

Organic growth is particularly advantageous in providing stability and alignment with the firm's strategy and culture. By expanding through internal capabilities, firms maintain control over their development trajectory, avoiding the complexities and potential disruptions associated with integrating external entities. Organic growth enables firms to scale in a way that preserves their organizational culture, a critical factor for maintaining employee engagement and customer trust (Ortiz-de-Urbina-Criado & Guerras-Martin, 2014). Moreover, the gradual pace of organic growth allows firms to adapt to evolving market conditions without overextending their resources or facing excessive financial risks.

In addition to strategic control, organic growth fosters a culture of innovation upon customer-centricity. Firms relying on internal capabilities are often more in line with customer needs, as their growth initiatives are driven by continuous improvement rather than external acquisitions. This customer-focused approach enhances the firm's market positioning over time. Organic growth often encourages firms to refine their processes and products, resulting in a cycle of innovation that reinforces their competitive advantage (Penrose, 1959).

Challenges and Limitations

Despite its many advantages, organic growth can present some limitations. One of the challenges is its relatively slow pace, which may hinder firms in industries characterized by rapid technological change or intense competition. Despite the fact that organic growth provides stability, it may lack the agility required to capitalize on fleeting market opportunities or respond to disruptive innovations (Moedt et al., 2024). As an example, firms operating in high-tech industries often find that organic growth alone is insufficient to achieve the speed and scale necessary to maintain competitive parity.

Another significant limitation is the resource-intensive nature of organic growth. Firms must invest heavily in their internal capabilities, such as research and development, infrastructure, and talent acquisition, which may strain financial and managerial resources. Resource constraints can act as bottlenecks, limiting the firm's ability to grow organically (Penrose, 1959). In industries with high entry barriers or mature markets, the opportunities for organic growth may also be limited, as firms may struggle to expand market share or differentiate their offerings.

In this regard, empirical research provides valuable insights into the conditions under which organic growth is most effective. Firms operating in industries characterized by steady demand and incremental innovation often find organic growth to be the most sustainable strategy. Moreover, it is relevant to emphasize the importance of dynamic capabilities. The ability of firms to reconfigure their resources and adapt to shifting market conditions represents an essential factor in sustaining organic growth (Anand & Khanna, 2000).

2.3.2. Strategic Alliances and Partnerships

Strategic alliances and partnerships are versatile growth options that enable firms to leverage external relationships while retaining organizational independence. These collaborative arrangements, which include joint ventures, licensing agreements, and technology-sharing initiatives, are particularly valuable in industries characterized by rapid technological advancements, high R&D costs, and significant market entry barriers (Dyer & Singh, 1998). Unlike mergers and acquisitions, which will be discussed in later chapters, both strategies allow participating firms to maintain their legal and operational autonomy.

However, while the terms are often used interchangeably, strategic alliances and partnerships differ in their scope and depth of collaboration. Strategic alliances focus on goal-specific cooperation without significant integration, whereas partnerships often imply deeper commitments, shared governance, or even the creation of joint entities (Gulati, Nohria, & Zaheer, 2000). This chapter explores these concepts, emphasizing their role as dynamic approaches while confronting the motivations and challenges associated with their adoption.

Conceptual Insights

The concept of strategic alliances is based on the potential for value creation through inter-firm cooperation. According to the Relational View theory explored by Dyer and Singh (1998), competitive advantage can be derived not only from a firm's internal resources but also from the unique value created through collaborative relationships. Strategic alliances enable firms to generate relational rents, value that arises from the synergistic combination of complementary resources, capabilities, or expertise that neither partner could achieve independently (Dyer & Singh, 1998).

In contrast, partnerships often involve a deeper integration of resources and shared governance. These arrangements can extend beyond goal-specific collaboration to include joint

ventures, where both firms share ownership of a new entity, or long-term contractual agreements that require mutual commitment and shared risks (Gulati et al., 2000).
Both approaches enable firms to enhance adaptability and innovation by integrating external competencies with internal capabilities, allowing them to reconfigure resources and respond more effectively to dynamic market conditions (Teece et al., 1997).

Strategic Motivations for Alliances and Partnerships

The motivations for pursuing strategic alliances and partnerships reflect diverse strategic needs, often defined by the industry characteristics and market opportunities, as well as the availability of resources. While both approaches aim to create value through collaboration, the choice between a strategic alliance and a partnership depends on the level of integration and commitment required.

Strategic alliances are particularly suitable when firms seek goal-specific collaboration without significant operational or governance integration. These alliances are ideal for projects that require resource-sharing in non-critical areas or short-term engagements, such as co-developing technologies or entering new markets without full-scale investment. An example of a strategic alliance can involve two pharmaceutical companies co-developing a drug, where each firm contributes expertise while maintaining operational independence (Dyer & Singh, 1998). Alliances are also advantageous in scenarios where flexibility is critical, as they allow firms to adapt or exit without major disruptions.

Partnerships, by contrast, are more appropriate for long-term strategic objectives that require deeper commitment and resource integration. In industries like manufacturing or infrastructure, partnerships often involve shared ownership or joint ventures, ensuring both firms are equally invested in the project's success (Gulati, Nohria, & Zaheer, 2000). A partnership may be chosen when firms aim to enter highly regulated markets, since shared governance structures provide the stability and accountability needed to navigate complex environments.

Another motivation for these collaborations lies in their potential to foster innovation and knowledge exchange. Strategic alliances are effective when firms aim to complement their capabilities with external expertise without sharing sensitive core competencies. Partnerships, however, allow for more extensive knowledge-sharing, making them suitable for initiatives that require high levels of trust and interdependence, such as developing entirely new business models or co-owning intellectual property (Anand & Khanna, 2000).

Challenges and Limitations

While strategic alliances and partnerships offer significant opportunities for growth and collaboration, their effectiveness depends on the specific context in which they are implemented. Each approach presents challenges that must be carefully managed to avoid inefficiencies or conflicts.

Strategic alliances can face limitations related to coordination and trust. Because these collaborations often involve less integration, they may suffer from weaker governance structures and make it challenging to align objectives. Firms in an alliance may prioritize their individual goals over shared objectives, leading to conflicts or suboptimal outcomes, for example. Additionally, the risk of knowledge leakage is heightened in alliances involving technology transfer or intellectual property sharing, particularly when clear boundaries are not established (Sharif et al., 2022).

Parallely, partnerships present challenges that arise from their deeper level of integration. Shared governance structures can lead to slower decision-making processes, as both parties must reach consensus on critical issues. This is particularly problematic in fast-moving industries, where delays can negatively impact the competitive advantage (Dyer & Singh, 1998). Moreover, partnerships require substantial resource investment, both in terms of financial contributions and managerial effort. Firms must commit to trust-building measures, conflict resolution mechanisms, and long-term strategic alignment, which can be a challenge for managing organizational resources.

The suitability of each approach also depends on the competitive environment. In industries with high levels of competition and frequent technological disruption, strategic alliances may provide the flexibility needed to adapt quickly without overcommitting resources. Partnerships, on the other hand, are better suited to stable, long-term projects where mutual commitment and shared governance are critical to success, such as entering new geographic markets or building large-scale infrastructure (Gulati et al., 2000).

2.3.3. Mergers and Acquisitions

M&A are external strategic approaches that enable firms to expand their market presence and strengthen their competitive positions. These methods can also be successful in capturing new markets and diversifying firms offerings. Mergers are the integration of two companies into a single entity through mutual agreement, while acquisitions involve one firm taking over

another, usually by purchasing a controlling interest. Both approaches allow firms to achieve growth objectives that may not be feasible through organic means. This chapter explores the M&A strategy emphasizing their role in achieving corporate growth and analysing their advantages and limitations.

Conceptual Insights

Firms pursue M&A as strategic ways to strengthen their competitive positioning by acquiring external resources and capabilities. These strategies enable companies to access valuable assets such as proprietary technologies, skilled talent, or established market presence, that are often challenging to build internally within a short time (Barney, 1991). M&A provides a dynamic mechanism for firms to bypass developmental constraints and align their growth objectives with market opportunities.

M&A share some common strategic goals, but they differ significantly in their execution and implications. Acquisitions are often unilateral decisions, where the acquiring firm assumes control of the target to gain access to its resources, capabilities, or market share, leveraging this dominance to integrate operations effectively (Kaplan & Weisbach, 1992). In comparison, mergers are inherently collaborative, requiring mutual agreement and shared governance between entities to foster synergies and operational efficiencies (Campa & Hernando, 2004). These distinctions influence the value-creation process, with acquisitions emphasizing rapid control and integration, while mergers focus on aligning complementary strengths to achieve shared objectives. Both approaches are shaped by the firm's strategic vision and the specific opportunities present in the market (Berkovitch & Narayanan, 1993; Fiorentino & Garzella, 2015)

To achieve a comprehensive understanding of the opportunities and risks inherent in these strategies, the next chapters delve into the strategic motivations that drive firms toward M&A and the challenges they face in implementing these strategies.

Strategic Motivations for M&A

One of the most significant drivers of M&A is the ability to gain market entry and expansion. By acquiring or merging with established firms, companies can avoid barriers to entry such as regulatory restrictions or high capital requirements. This approach is particularly effective in industries with high market maturity or in foreign markets where local expertise is critical

(Campa & Hernando, 2004). For example, an acquisition of a regional consulting firm by another consulting firm may enable access to new geographic markets.

Mergers and acquisitions can create synergies, which are reflected in the value created when the combined operations, resources, or capabilities of two firms generate outcomes that exceed the sum of their individual contributions (Berkovitch & Narayanan, 1993). These synergies are often classified into operational, financial, and managerial forms. Operational synergies may arise from cost efficiencies through shared infrastructure or supply chains, while financial synergies can result from improved access to capital or tax benefits. On the other hand, managerial synergies are achieved when underperforming assets or teams within the acquired or merged firm are optimized under new leadership (Fiorentino & Garzella, 2015).

Another significant motivation is competitive positioning. Horizontal mergers or acquisitions enable firms to consolidate market share and reduce competition. Conversely, vertical integrations provide control over supply chains, reducing costs and improving efficiency (Campa & Hernando, 2004).

Challenges and Limitations

Despite their potential for transformative growth, M&A present challenges that must be addressed and managed to ensure success. Cultural integration is one of these challenges. Differences in organizational culture between merging or acquiring firms often lead to misaligned expectations, resistance from employees, and disruptions in operations. Fiorentino and Garzella (2015) identify cultural misalignment as a leading cause of M&A failures, outlining the importance of cultural due diligence during the planning phase.

Another common challenge of M&A is the overestimation of synergies, which frequently results in firms overpaying for transactions based on unrealistic projections of cost savings or revenue enhancements. Many M&A transactions fail to deliver the anticipated value due to inflated synergy expectations and inadequate post-acquisition planning (Kaplan & Weisbach, 1992).

The complexity of integration also complicates M&A efforts, since it requires significant managerial coordination to harmonize operational processes, IT systems, and organizational structures across two firms. Horizontal mergers often focus on consolidating overlapping functions, while acquisitions involving vertical integration may demand alignment of distinct supply chain operations (Campa & Hernando, 2004).

In order to navigate these challenges, the following section delves into some of the best practices addressed in literature regarding post-merger integrations.

Post-Merger Integration: Best Practices

Post-Merger Integration (PMI) refers to the process of unifying and harmonizing companies following an acquisition or merger. This process is essential for capturing expected synergies and minimizing the challenges that arise from combining two distinct entities. The success of PMI is determined by several critical factors that influence an organization's ability to achieve the strategic objectives defined during the acquisition negotiation. The most pressing factors include leadership, communication, cultural integration, and operational and technological alignment (Graebner et al., 2017).

Leadership is a key factor in the success of PMI, as it is through proactive application that clear priorities are established, and strategic objectives are aligned. Effective leadership also inspires teams to work toward a shared vision, helping to overcome the uncertainties inherent in the integration process and creating an environment of trust among employees. Simultaneously, prioritizing effective communication is crucial, as it facilitates the dissemination of clear and consistent information, reducing ambiguities and keeping all stakeholders aligned (Bodner & Capron, 2018).

One of the greatest challenges in PMI is cultural integration. Conflicts often arise when organizational values and practices differ significantly between the companies involved. Addressing these differences strategically includes actions such as identifying potential areas of cultural friction early in the process and implementing initiatives to create common ground. Examples of best practices to support organizational integration include intercultural training programs, promoting open dialogue between parties, and appointing cultural ambassadors to facilitate adaptation (Graebner et al., 2017).

To ensure operational continuity and improve efficiency, operational and technological integration must be carefully planned and executed. Consolidating redundant processes and technological systems is one of PMI's primary objectives, enabling greater agility and cost reduction. Establishing a dedicated integration team with technical and operational specialists is a recommended practice to oversee and ensure the seamless integration of critical processes and system (Fiorentino & Garzella, 2015).

Organizations differ significantly in their approaches to PMI. Some opt for total integration, where all systems, processes, and structures are completely unified, while others

prefer to maintain a degree of autonomy for the acquired entities. The ideal approach should consider the strategic objectives of the merger and the level of complementarity between the companies, allowing the process to adapt to the specific conditions of each acquisition.

It is evident that post-merger integration is a vital process for capturing the value expected from mergers and acquisitions. Although filled with challenges, PMI can be transformed into a competitive advantage when addressed holistically by considering the aforementioned factors. By adopting evidence-based practices tailored to the specific context, companies can maximize the success of PMI, ensuring sustainable growth and strategic alignment.

2.4. Business Valuation Methods

Assessing the value of a company is a critical component of many strategic decisions. In that regard, valuation methods serve as useful tools for estimating either the intrinsic or market value of a business, enabling decision-makers to base their strategies on informed analyses. Since these approaches vary significantly in their assumptions, methodologies, and areas of applicability, it is important to choose the most adequate method depending on the situation. This chapter will explore three widely acknowledged methods for business valuation: discounted cash flow (DCF), market multiples, and asset-based valuation.

2.4.1. Discounted Cash Flow

The DCF method is widely used to assess a company's intrinsic value by projecting future cash flows and discounting them to the present using an appropriate discount rate, typically the Weighted Average Cost of Capital (WACC). The WACC reflects the company’s cost of equity and debt, weighted by their respective proportions in the company’s capital structure. The DCF approach considers the company’s value generation potential over time, relying on detailed assumptions about revenues, costs, investments, and growth rates (Damodaran, 2012).

Despite its precision, DCF depends heavily on estimates that can be sensitive to changes in assumptions. Nevertheless, it is widely acknowledged as a powerful tool for capturing a company’s intrinsic value.

2.4.2. Market Multiples

Market multiples offer a practical method to valuing companies based on market benchmarks. This method uses financial indicators, such as EV/EBITDA, P/E (price-to-earnings), or P/S (price-to-sales), to compare the target company with others in the same sector. This approach provides an external perspective on a company's value, making it a useful tool in quick negotiations or as a complement to more detailed methods like DCF (Lie & Lie, 2002).

While practical and easy to apply, this method has limitations, such as its inability to reflect the specificities of the target company, especially in terms of unique competitive advantages or differentiated operational characteristics. Additionally, market multiples rely on external benchmarks and often require complementary methods to calculate foundational metrics such as the Enterprise Value (EV). Nonetheless, it is often used alongside other methods to provide a broader valuation perspective.

2.4.3. Asset-Based Valuation

Asset-based valuation focuses on the market value of a company's tangible assets, subtracting its liabilities. This method is particularly relevant for companies in capital-intensive industries, such as manufacturing or real estate, where physical assets represent a significant portion of the total value. It is a straightforward and direct method, often used as a baseline for valuation, especially in liquidation or restructuring scenarios (Penman, 2013).

However, asset-based valuation does not account for intangible assets, such as brand equity, patents, or human capital, which may lead to an undervaluation of companies in service-oriented or innovation-driven sectors.

2.4.4. Conclusion

Business valuation methods provide complementary perspectives on organizational value, enabling more comprehensive analyses. Discounted cash flow (DCF) stands out for its robust and detailed approach, while market multiples and asset-based valuation offer simplicity and relevance in specific contexts. Although this chapter has explored different methods, the final choice depends on the strategic context and the objectives of the valuation.

3. Methodology

To support the project and assess its economic viability, the methodology begins with an external analysis of the industry and market adapted to the project's context and the business environment in which it operates. It then shifts to a more company centered approach, exploring the internal analysis of Mais Consulting resources and capabilities. Finally, to understand the project and reach a conclusion on viability and applicability of the acquisition operation, a financial analysis will be conducted exploring different financial scenarios and projecting potential synergies, followed by an implementation plan, that navigates some of the practices to a successful post-merger integration.

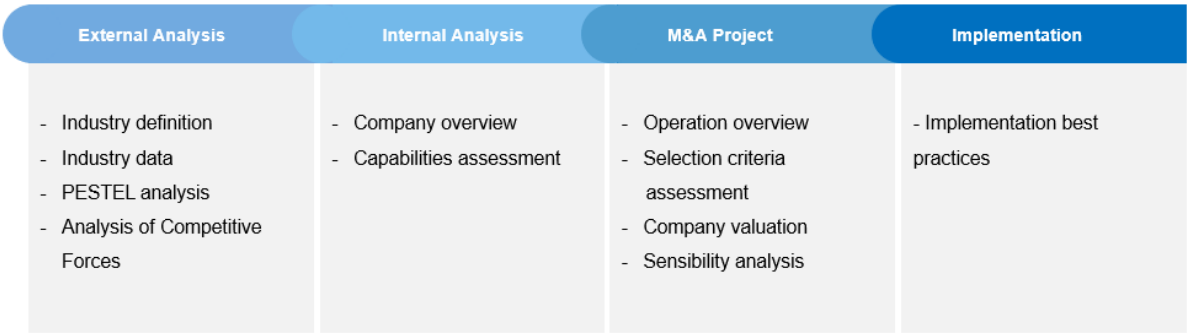


Figure 3.1 - Project Methodology; Source: Own Elaboration

Primary Research

Primary research was conducted through the direct collection of information via semi-structured interviews and the analysis of internal financial data. The interviews followed a semi-structured approach, combining a predefined script with the flexibility to explore emerging topics. This method ensured that responses were aligned with the research objectives while allowing room for deeper exploration of relevant aspects identified during the discussions. In aggregate, eight interviews were conducted with different participants: the founder and CEO of Mais Consulting, five mid-senior level employees, and two external stakeholders leading similar companies operating in the industry.

To ensure a comprehensive understanding of the acquisition under study, the interviews were tailored to different perspectives. The CEO interview focused on the company's strategy and industry dynamics, while internal employee interviews addressed the organization's operational capabilities and post-acquisition integration challenges. Meanwhile, interviews

with external stakeholders from comparable companies provided an independent perspective on the market and industry trends. The diversity of interviewees ensured a well-rounded analysis that complemented other data sources in the study.

The interview script was created taking in consideration the review of relevant literature on corporate growth and is accessible in the appendix section (Appendix A).

Secondary Research

Secondary research was conducted through the analysis of documentary sources and relevant databases, providing industry context and complementing the data obtained through primary research. The main sources included industry reports, statistical data from institutions such as Banco de Portugal and INE, and academic literature on the services sector.

Additionally, sector financial indicators and market characteristics were analyzed to support the assessment of the acquisition. The integration of these data sources helped validate insights from the interviews and ensured a strong analysis of acquisition-driven growth within the company's context.

3.1. External Analysis

An analysis of the industry and market is conducted to understand the business context and the competitive factors, guiding the decision regarding the chosen growth strategy. Data on the industry and market were collected from reports and statistical sources, complemented by insights gathered from interviews with key company stakeholders and stakeholders from external entities operating in the industry.

Based on this foundation, Chapter 4.1 starts with a qualitative approach to define the industry, emphasizing its strategic importance, key characteristics, and the factors driving its evolution. It then follows a quantitative approach exploring statistical data on the sector's performance, including economic growth, geographical distribution, and financial indicators. Finally, the external analysis is complemented with two recognized methods: PESTEL analysis, which examines the political, economic, sociocultural, technological, environmental, and legal factors impacting the project, and the Porter's Five Forces model, which evaluates the level of competitiveness of the industry and its potential challenges.

3.2. Internal Analysis

The internal analysis of Mais Consulting aimed to assess its organizational, operational, and financial capabilities, serving as a support for evaluating its growth strategy. To achieve this, semi-structured interviews were conducted, alongside the analysis of internal financial reports and operational data. The interviews provided qualitative insights into the company's management structure, organizational culture, and operational challenges, while the financial data enabled an assessment of the company's stability and capacity.

Additionally, key aspects such as the degree of digitalization, efficiency of internal processes, and talent retention capacity were analyzed, as these are critical factors for scalability and the successful integration. The combination of qualitative and quantitative data ensured a comprehensive assessment of Mais Consulting's internal position that can support the investigation.

3.3. M&A Project

The methodology adopted for the M&A project focused on assessing the feasibility of the acquisition from a strategic and financial perspective, combining interviews, analysis of the target company's internal financial data, and industry benchmarks. The valuation of the target company was conducted using the Discounted Cash Flow (DCF) method, which estimates its intrinsic value based on projected future cash flows and the application of a discount rate adjusted for industry risk.

DCF was chosen as the most suitable method for valuing service-based companies, where value primarily stems from revenue-generating capacity rather than tangible assets. Asset-based valuation methods do not accurately reflect the financial reality of the target company, as businesses in this sector typically have limited physical assets of significant value. Similarly, market multiple valuation, while providing a comparative benchmark, does not capture the company's growth dynamics or competitive advantages. In contrast, DCF allows for a more precise and tailored analysis of the business, enabling sensitivity analyses to test different growth scenarios, operating margins, and cost of capital assumptions.

4. Analysis

This chapter presents a structured analysis of the external and internal factors influencing the strategy of Mais Consulting. By integrating industry data, competitive analysis, and an assessment of the company's capabilities, this chapter will serve as the basis for the subsequent evaluation of the firm's growth strategy and the assessment of a possible acquisition operation.

The external analysis examines the broader industry landscape, offering insights into market conditions, competitive dynamics, and external factors shaping the accounting, auditing, and consulting sector in Portugal. Through tools such as the PESTEL framework and Porter's Five Forces analysis, this section highlights the macroeconomic, regulatory, and competitive pressures that impact business operations and decision-making.

The internal analysis shifts the focus to Mais Consulting, assessing its organizational structure, operational capabilities, human capital, and financial performance. This analysis will help understand the company's position on the project context.

4.1.External Analysis

4.1.1. Sector Definition

The accounting, audit and tax consultancy sector, where Mais Consulting operates, plays a central role in the national economy, providing essential services for the management and compliance with financial and fiscal obligations of companies of different sizes and industries. This sector includes activities such as accounting, auditing, tax consultancy, and strategic support on financial matters, being essential to ensure compliance with legal regulations and the optimization of organizations' financial health. Accounting, as one of the core services of this sector, goes beyond the recording of financial transactions, playing a strategic role in supporting decision-making. At the same time, tax consultancy helps companies navigate an ever-evolving regulatory environment, offering guidance to maximize fiscal efficiency and minimize risks.

Organizations providing these services are crucial in supporting business activities, especially in Portugal, where small and medium-sized enterprises (SMEs) represent more than 99% of the business landscape. Many of these companies rely on external services to ensure efficient financial management due to the lack of specialized internal resources. Thus, these services ensure fiscal compliance and support strategic decisions that impact profitability and

the sustainable growth of organizations. Furthermore, the activity of this sector directly contributes to the national economy, not only through supporting client companies but also as a generator of qualified employment and significant revenues.

In Portugal, the sector is characterized by its maturity, with a high number of companies competing in saturated markets. This maturity is reflected in the intense competition among players offering similar services, often differentiating themselves by the level of specialization, proximity to the client, and adoption of technological tools. The maturity creates challenges for organic growth, as players face limitations in capturing new markets. In this context, acquisitions emerge as an effective strategy to consolidate operations, increase market share, and access new competencies or geographies.

Historically, the sector has evolved in response to legislative changes and global trends. Over recent decades, the sector has been shaped by changes in companies' fiscal obligations and the increasing complexity of tax regulations. On the other hand, market demands and the growing professionalization of companies have led to a transition from a traditional model, focused on operational execution, to a more strategic model, where consultants play the role of partners in business decisions.

In recent years, digitalization has also played a significant role in the transformation of the sector. The adoption of accounting management software, electronic invoicing platforms, and cloud-based solutions has allowed companies to increase efficiency and accuracy in the execution of their services. In Portugal, digitalization is still expanding within the accounting sector, but tools such as electronic systems for tax declaration submissions and the integration of accounting platforms with banks and clients have become fundamental for competitiveness. This technological advancement not only optimizes processes but also allows professionals in the sector to dedicate more time to higher-value activities, such as strategic analysis and financial advisory.

The sector is deeply interconnected with other areas of activity, such as the financial, legal, and technological sectors. This interdependence is reflected, for example, in the need for collaboration between tax consultants and lawyers to ensure compliance with regulations, or in the integration of technological solutions to support accounting processes. These connections highlight the multifaceted nature of the sector, which acts as a crucial link to the financial sustainability of companies in various segments.

In summary, the accounting, audit and tax consultancy sector in Portugal plays a strategic role in the national economy, supporting the growth and sustainability of companies, particularly SMEs. Characterized by its maturity and high competitiveness the sector faces

challenges inherent to a saturated environment but also offers significant opportunities for consolidation and growth strategies. To better understand the numerical and factual context of this market, the next chapter will explore quantitative data about the sector, including metrics on economic performance that reinforce the importance of analyzing the market for the development of the project.

4.1.2. Sector Data

This chapter initially outlines data presented by the Portuguese National Statistics Institute (INE) focusing on the broader sector referred to as accounting, auditing and consulting sector. Further ahead, the section takes a more focused approach to evaluate the specific data of companies registered with the Economic Activity Code 692 (CAE), accounting, auditing and tax consultancy sector, according to reports from Bank of Portugal. This approach aligns with the context of this project by taking in consideration the specific sector code of the companies being studied. Finally, an analysis of reports from accounting offices in Portugal is also conducted, since accounting holds a significant share of the services provided by these firms.

According to data presented by INE for the year 2023, the accounting, auditing, and consulting services sector in Portugal emerged as the second most relevant segment within corporate services (SPE), representing 25,7% of the total value of these services, surpassed only by the IT sector.

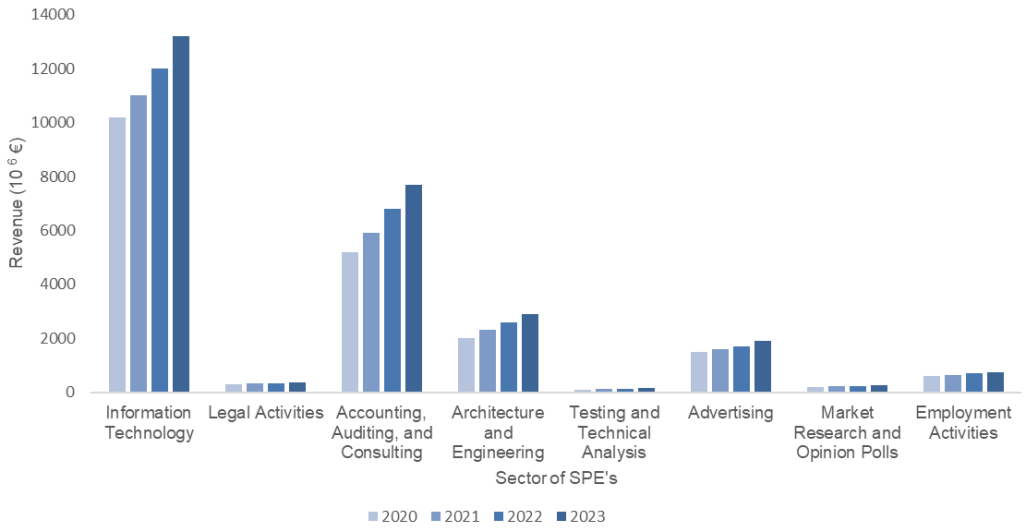


Figure 4.1 - Revenue by sector of SPE's; Source: Own Elaboration based on data from INE,2024

Regarding employment, accounting, auditing, and consulting firms employed a total of 147.100 workers in 2023, representing an increase of 6,3% over the previous year. Thus, the sector contributed significantly to the growth of employment in corporate activities, accounting for 26,9% of the total workforce in SPE, establishing itself as the largest employer in this category and highlighting its essential contribution to the Portuguese labor market (INE, 2023).

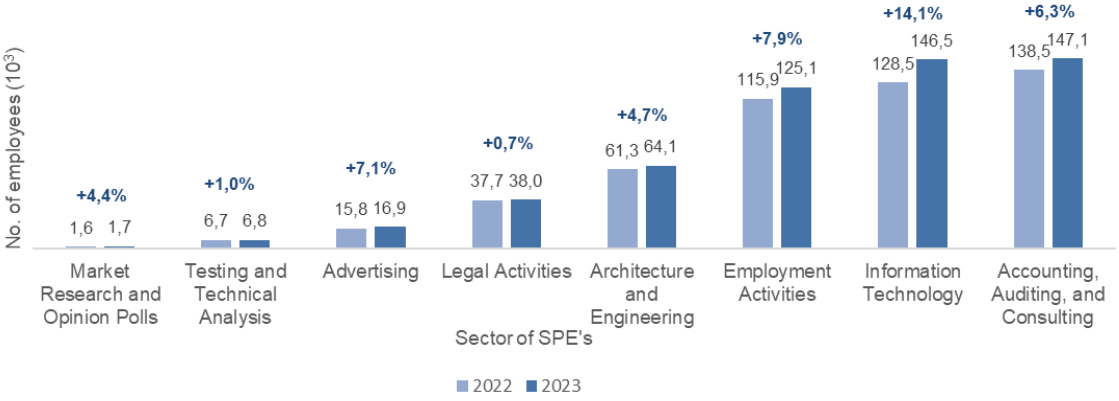


Figure 4.2 - Employed Personnel by sector of SPE's, 2022-2023, Source: Own Elaboration based on data from INE, 2024

The services provided in the sector were distributed as follows: business consulting accounted for €3.830 billion, followed by accounting services with €1.373 billion, and auditing services which contributed €454 million, Other services, such as tax consulting and project management, totalize the €7.5 billion, demonstrating the diverse portfolio offered by companies (INE, 2023).

Based on the 2023 reports from the Bank of Portugal regarding the accounting, auditing, and tax consultancy sector (CAE 692), there are 585 small companies operating in Portugal. Data specific to this sector was analyzed for small companies to align with the context of the project being developed. In 2023, the aggregate of small companies in the sector recorded an EBIT margin of 17,22% This performance reflects a good level of operational efficiency presented by small companies operating in this segment, which normally presents EBIT margins ranging from 10 to 20%.

Geographically, the sector shows a strong concentration in two main areas: Greater Lisbon, representing 31,6% of the companies in the sector, and the Porto Metropolitan Area, which accounts for 17,4%. These regions stand out due to their population density and high economic activity, factors that drive demand for specialized accounting and tax consultancy services.

Considering that accounting services constitute a significant portion of the services provided by these companies, more specific and exclusive data on accounting offices in Portugal can be evaluated, according to the 2021 report developed by Growth from Knowledge (GfK). The study reveals that, in terms of the client base, each accounting office serves, on average, 70 companies. However, this average is significantly higher for offices with more than 10 employees, managing approximately 150 clients, in contrast to the 40 clients typically served by smaller offices with up to three employees. Financially, the average annual revenue per company is €144.000. Smaller offices (1-3 employees) generate an average of €59,060, while medium-sized offices (4-9 employees) achieve €165.870, and larger offices with more than 10 employees reach €354.730 annually.

Still in line with the study on accounting offices in Portugal, the services offered are widely diversified, with general accounting and tax reporting being the most common, covering 98% of companies. Other widely available services include payroll processing (95%), tax and fiscal consultancy (93%), and support for sole proprietors (82%). Interestingly, about 24% of offices also collaborate on investment projects, often in partnership with larger entities to deliver specialized solutions.

Among recent trends, digital transformation stands out, with approximately 75% of offices having already implemented technological tools that improve efficiency in managing tax declarations and client reports. However, many microenterprises still face significant barriers to adopting more advanced technologies. Additionally, the talent shortage continues to be a challenge, especially for larger companies employing more than 10 employees, primarily concentrated in Lisbon and Porto.

4.1.3. PESTEL Analysis

PESTEL is the acronym for Political, Economic, Social, Technological, Environmental and Legal factors. It is a framework designed to analyze external business conditions and assess the potential impact of macroeconomic variables beyond a company's control on its performance. According to Aguilar (1964), environmental scanning involves gathering and utilizing information about external events, trends, and relationships to support management in shaping the organization’s strategic direction.

Political Factors

Portugal is widely recognized for its political stability, which serves as a positive factor for business development. As a member of the European Union, the country benefits from a solid institutional environment and policies aligned with European standards, providing predictability for businesses. This stability is a key element in attracting investment and fostering business growth. Additionally, the Portuguese government has demonstrated a strong commitment to modernizing the economy through programs such as the Recovery and Resilience Plan (Plano de Recuperação e Resiliência, PRR), which aims to promote digitalization and business innovation.

However, the political environment also presents challenges, such as frequent changes in tax legislation and increasing regulations at the European level. These factors can create barriers for companies, particularly smaller ones, which need to adapt quickly to ensure compliance.

Taxation in Portugal, one of the most relevant political factors for businesses and the sector, represented 35,8% of Gross Domestic Product (GDP) in 2023, slightly lower than the 36,4% recorded in 2022, according to the INE. Despite the slight reduction, the tax burden remains high in the European context, directly influencing the business environment. Frequent legislative changes, such as adjustments to the tax regime for SMEs, reflect the government's effort to balance fiscal competitiveness and tax revenue. Furthermore, the reinforcement of anti-tax evasion policies and the implementation of stricter transparency standards in business operations have had direct impacts on the sector. The need for compliance with these regulations requires a high level of expertise from companies, driving demand for consulting services to assist in tax management and cost optimization.

The PRR stands out as one of the most significant initiatives for the business context in Portugal. Funded by the European Union, this plan prioritizes digitalization and innovation within companies, strategic areas for the modernization of the Portuguese economy. Its implementation has fostered investments in advanced technologies and new processes.

Economic Factors

Portugal's economic landscape directly influences the business sector, particularly through key indicators such as GDP growth, inflation, unemployment rates, and the financial health of SMEs. These indicators help to understand the challenges and opportunities faced by the sector.

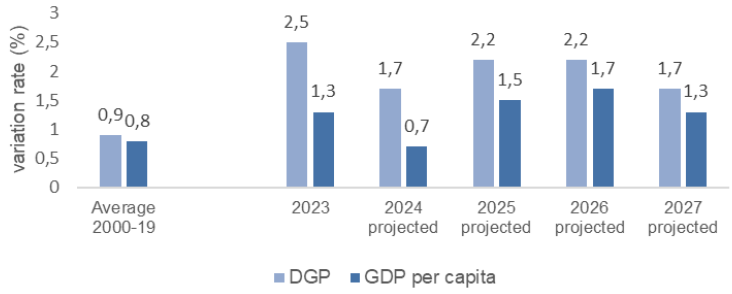


Figure 4.3 - Annual Variation Rate of GDP and GDP per Capita (in %); Source: Own Elaboration based on data from Banco de Portugal, 2024

In 2023, Portugal's GDP grew by 2,5%, consolidating the gains observed in previous years, especially after the impacts of the pandemic. However, in 2024, GDP growth slowed to 1,7%, reflecting global macroeconomic challenges such as rising interest rates and persistent geopolitical uncertainty. According to projections by the Bank of Portugal, economic growth is expected to recover to 2,2% in 2025, driven by a gradual increase in domestic demand and the implementation of measures promoted by the PRR.

Regarding inflation, Portugal recorded a harmonized index of consumer prices (HICP) of 5,3% in 2023, marking a reduction from the 7,8% observed in 2022, which may signify the beginning of stabilization. In 2024, inflation further decreased to 2,6%, approaching the 2% target projected for 2025 by the Bank of Portugal. This reduction reflects the effectiveness of implemented monetary policies, though the effects of previous inflationary pressures are still being felt, particularly in rising operating costs for SMEs.

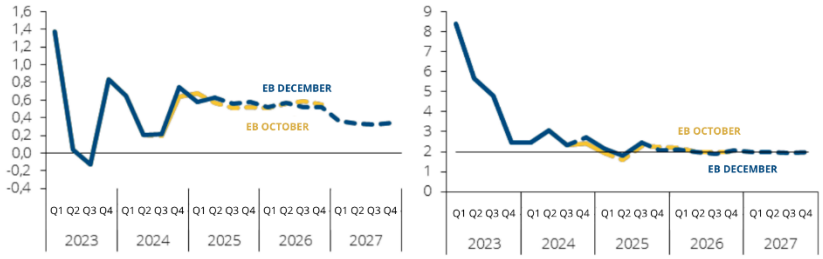


Figure 4.4 - Quarter-on-quarter GDP growth rate (left) and year-on-year HICP (Harmonized Index of Consumer Prices) growth rate (right); Source: Own Elaboration based on data from Banco de Portugal, 2024

Interest rates, on the other hand, increased significantly in 2023 and 2024 as a result of the restrictive monetary policy adopted by the European Central Bank (ECB) to control inflation. In 2023, the main interest rate (refinancing rate) stood at 4,25%, up from 2,50% in 2022. For 2024, the refinancing rate was adjusted to 4,50%, and projections indicate that it will remain stable in 2025, depending on macroeconomic conditions. These increases have heightened financing costs, presenting an additional challenge for SMEs, particularly those reliant on external credit to fund their operations.

Portugal's labor market remained resilient, with the unemployment rate decreasing from 6,9% in 2022 to 6,6% in 2023 and projected to stabilize at 6,4% in 2024 and 2025. This scenario reflects sustained economic recovery, although challenges related to talent shortages and wage competitiveness persist.

SMEs, which account for 99% of Portugal’s business structure and more than 60% of national employment, continue to be an essential pillar of the economy. However, their financial health remains sensitive to external economic conditions, such as inflation and financing costs, which directly affect their operational capacity.

The comparison between 2023 and 2024 highlights an economic environment in transition, marked by slower growth and inflation stabilization. Nonetheless, the future presents significant opportunities, particularly with the support of programs like the PRR. Projections for 2025 point to more robust growth as global economic conditions improve and support policies begin to yield tangible results.

Social Factors

Social factors significantly influence the business environment in Portugal, shaping economic dynamics and organizational strategies. Key aspects such as population aging, workforce qualification, and shifts in cultural and business behaviors are particularly important in understanding the societal impact on economic activity.

Portugal is undergoing a significant demographic transition, marked by a sharp increase in the median age of its population. The median age rose from 32 years in 1974 to 45 years in 2022, driven by declining birth rates and increasing life expectancy (Banco de Portugal, 2023). Between 2008 and 2021, the active population decreased by approximately 328.000 people, representing one of the largest reductions in Europe (Banco de Portugal, 2023). In 2022, the median age in Portugal was already higher than the estimate provided by the United Nations for all major regions of the globe. These demographic shifts have a considerable impact on the labor market, requiring companies to implement talent retention strategies and explore policies to address worker shortages.

Although workforce qualification in Portugal has improved, structural challenges persist. In 2021, about 69,7% of workers were employed in low-skilled occupations, positioning Portugal as one of the European Union countries with the highest proportion of low-qualified jobs (INE, 2021). Furthermore, only 13% of workers occupied highly skilled and innovative roles (INE, 2021). This scenario highlights the need to strengthen technical and higher education programs in strategic areas. Universities and technical institutes have a key role in preparing the workforce to meet the new demands of the market.

Regarding changes in business behaviors, Portugal has experienced significant growth in entrepreneurship in recent years, reflecting shifts that value innovation and flexibility in the business environment. This trend, driven by digitalization and entrepreneurship support programs, has increased demand for specialized services. Additionally, the requalification of the labor market, with a focus on digital professions, has contributed to making the workforce better adapted to contemporary demands (Banco de Portugal, 2023).

Technological factors

The adoption of digital tools by Portuguese companies has shown significant growth. Technologies such as cloud computing and process automation are increasingly being integrated into business operations, enabling greater flexibility, scalability, and operational

efficiency. Cloud computing, in particular, has facilitated access to advanced technological resources without requiring substantial investments in physical infrastructure, fostering modernization across both private companies and governmental entities.

More specifically in the sector, the development of integrated platforms for fiscal and financial compliance, as well as software for management, accounting, and auditing, has been driven by the need to respond to increasingly complex regulations and the demand for greater transparency in business operations. SMEs face the challenge of adapting to these technological requirements, making their upskilling essential for effectively adopting these digital solutions.

The PRR has played a decisive part in supporting the digitalization of businesses. With specific funding allocated to reinforcing digital transition, the PRR aims to address delays in the digitalization process. Initiatives such as the "Empresas 4.0" program provide financial incentives and support services for adopting digital technologies into business models, enhancing the competitiveness and resilience of the Portuguese business environment.

In summary, digital transformation in Portugal is redefining business, with the growing adoption of technologies such as cloud computing and automation, the development of innovative solutions for business management, and significant support from government programs like the PRR. This movement is essential to ensure the competitiveness of companies in an increasingly digital and interconnected global market.

Environmental Factors

In recent decades, sustainability and environmental concerns have assumed an increasingly significant role in the global business context. While environmental factors may not have a substantial direct impact on the specific project under development, it is essential to acknowledge the growing relevance of this topic. Including even a brief analysis ensures that the project aligns with global and European trends and regulations, mitigating potential regulatory challenges, particularly as environmental requirements become increasingly stringent.

In the accounting, auditing, and consulting sector, sustainable practices have primarily manifested through the digitalization of processes and the reduction of physical resources, such as paper. The increasing adoption of digital platforms enhances operational efficiency while reducing the environmental impact associated with non-recyclable materials.

It is crucial for companies to remain attentive to changes in sustainability standards and evolving regulations. Aligning with environmental responsibility trends not only strengthens a

company's market position but also ensures compliance with future regulatory demands, fostering a more sustainable business environment.

Legal Factors

The accounting, audit and tax consulting sector in Portugal operates within a highly regulated environment, with legal requirements that directly impact its activities. One of the main legal references is the Commercial Companies Code, which establishes rules for the incorporation and operation of companies, as well as specific requirements for transparency and corporate governance. Additionally, accounting standards follow the Accounting Standardization System (SNC) and the guidelines of the Order of Certified Accountants (OCC), which regulate professional practice and ensure compliance with accounting and auditing principles.

Another key factor is tax and labor legislation, which imposes strict obligations on companies in the sector. The constant evolution of the tax framework requires continuous adaptation to new financial reporting rules, tax regulations, and fiscal benefits, directly influencing business management and the provision of accounting services. Additionally, Portugal's labor laws are complex, setting specific requirements regarding employment contracts, contractual relationships, and worker protection. Finally, data protection (GDPR) is also a legal factor to take into account, as accounting firms handle sensitive client information, requiring high standards of compliance and information security.

4.1.4. Analysis of Competitive Factors: Porter's Five Forces

Porter's Five Forces model is widely recognized as a fundamental tool for analyzing the business competitive environment. This model identifies and evaluates external forces that affect the competitive dynamics of a sector, offering companies a strategic understanding of the factors shaping competition (Porter, 1979).

The forces identified by Porter are interdependent and provide a comprehensive view of the challenges and opportunities within a specific market. This section applies Porter's Five Forces model to analyze the competitive factors influencing the sector under study in Portugal, complementing the external analysis previously discussed in sector data and the PESTEL framework.

Threat of New Entrants

The entry of new competitors into the accounting, auditing, and tax consulting sector in Portugal faces significant barriers that limit access to the market. Established companies hold a considerable advantage due to economies of scale, which allow for lower operational costs and greater efficiency. Furthermore, the sector is highly regulated, with strict certification requirements that increase initial costs and demand in-depth knowledge of specific legalities. Client loyalty also plays a crucial role, as many companies prefer maintaining long-term relationships with their consultants, making it challenging for new entrants to secure contracts.

As a result, it can be concluded that the existing barriers in the sector strongly restrict the entry of new competitors, favoring established companies and consolidating market stability.

Bargaining Power of Suppliers

The bargaining power of suppliers in the sector is moderate and depends on factors such as supplier concentration, the availability of alternatives, and the relevance of the services provided. A significant portion of suppliers in the sector consists of companies offering financial management software and technological tools essential for service delivery. Since multiple software alternatives are available in the market, suppliers are generally unable to impose excessively restrictive conditions. However, in areas where suppliers possess highly specialized technologies or niche solutions, their bargaining power increases.

Overall, while suppliers play an important role in the functioning of the sector, their ability to directly influence costs or the strategy of established companies is limited by the diversification of available options.

Bargaining Power of Clients

The bargaining power of clients is significant due to the competitive nature of the market and the broad range of services available. For SMEs, which make up the majority of the client base, price sensitivity is a relevant factor, increasing pressure on providers to offer services with good cost-benefit ratios. While the market is fragmented, clients often have the ability to switch providers relatively easily.

Despite this, service providers that manage to differentiate themselves through specialization or personalized solutions can partially mitigate this pressure. Nonetheless, the

bargaining power of clients remains a relevant force shaping the competitive dynamics of the sector.

Threat of Substitutes

The threat of substitutes is mainly influenced by the availability and feasibility of technological alternatives, and it can be classified as moderate. Solutions such as automated accounting software and platforms based on artificial intelligence have gained relevance in the market, offering greater efficiency and reduced costs in certain areas. However, the implementation of these alternatives in the Portuguese market is not immediate. Despite their disruptive potential, barriers such as initial adoption costs, training needs, and adaptation to the country's specific legalities make the transition to technological substitutes slower. Additionally, the personalized and consultative nature of services provided by accounting firms remains a significant competitive advantage.

While the threat of substitutes is present and likely to grow in the long term with the advancement of digitalization, it currently remains controlled, ensuring relative stability for established companies in the sector.

Rivalry Among Existing Competitors

Due to the characteristics of a mature and highly competitive market, rivalry among competitors in the accounting, auditing, and tax consulting sector in Portugal is high.

Competitors frequently engage in price competition, a common strategy in markets where basic accounting services have become relatively standardized. However, strategies based on specialization, such as consulting in specific tax areas or personalized services, have emerged as a way to mitigate direct competition. Another factor that intensifies rivalry is client retention. Given the high level of market fragmentation, maintaining a consistent client base is essential for financial stability.

In that regard, it is possible to conclude that rivalry in the sector is marked by intense competition but also by strategic opportunities for companies that invest in innovation, efficiency, and specialization to differentiate themselves in a saturated market.

Overall Sector Attractiveness

Based on the analysis of the five forces, it can be concluded that the sector's attractiveness is moderate. Barriers to entry limit competition from new entrants, while the presence of technological substitutes, although growing, does not yet represent an immediate threat. However, the bargaining power of clients and the rivalry among existing competitors emphasize the need for differentiation and efficiency to maintain competitiveness in the market.

Table 4.1 - Overall Sector Attractiveness through Porter's Five Forces model; Source: Own Elaboration

Force	**Classification**
Threat of New Entrants	Low
Bargaining Power of Suppliers	Moderate
Bargaining Power of Clients	High
Threat of Substitutes	Moderate
Rivalry Among Competitors	High
Overall Sector Attractiveness	**Moderate**

4.2.Internal Analysis

4.2.1. Mais Consulting: Company Overview

Mais Consulting is a Portuguese company founded in 1997 and headquartered in Paços de Ferreira, Porto. Since its inception, the company has demonstrated a trajectory of sustainable growth, evolving from a simple structure into a well-established organization with recognition in both the regional and national markets. Registered under CAE 692, the company provides accounting, auditing, and tax consulting services, complemented by areas such as labor accessory, financial consulting, and investment projects. This diversification has been a strategic move to meet client needs and capture new market opportunities.

According to its CEO and founder, Mais Consulting's mission is to support companies in their financial, legal, and tax management, enabling them to make informed decisions while focusing on their core business. Aligned with this premise, the company's vision is to consolidate itself as a reference in the business management support sector, particularly in northern Portugal, while gradually expanding its national influence.

In 2023, the company recorded a revenue of 631 thousand euros, serving a diverse client portfolio composed of micro, small, and medium-sized enterprises across different geographies, with notable expansion beyond the regional market. This client base spans industries such as retail, manufacturing, logistics, technology, and services.

A significant milestone in the company's history was the acquisition of a local competitor in 2018, representing a strategic step in expanding its customer base. The integration, completed in 2023, provided key insights into managing mergers and acquisitions, highlighting challenges such as standardizing practices and cultural adaptation.

To ensure a more detailed assessment, it is essential to evaluate the company's capabilities and resources, applying a critical perspective on both strengths and areas for improvement.

4.2.2. Capabilities Assessment

4.2.2.1. Operational Capabilities

Mais Consulting possesses well-developed operational capabilities, supported by modern infrastructure and technology-driven digitalization. The office, renovated in 2018, offers a comfortable and efficient work environment, aligning with the company's growth and the needs of its team. The investment in a spacious, modern office reflects the firm's commitment to professionalism and modernization.

The company utilizes up-to-date accounting software and CRM systems to efficiently manage its client base. The adoption of cloud computing solutions enhances internal communication, enables secure remote access to information, and promotes more effective collaboration between teams. Additionally, Mais Consulting has incorporated automated financial data analysis and forecasting tools, improving its ability to assess financial performance and provide strategic advisory services to clients.

Internal processes are largely standardized, improving operational efficiency and reducing the margin for error. The accounting systems used by the company automate bookkeeping entries based on client-submitted documents, significantly reducing processing time. In most

cases, accountants only need to validate the entries, streamlining the workflow. Furthermore, the standardization of financial reports and analyses ensures the consistent and high-value delivery of outputs to clients.

Despite having well-structured processes, the company could further enhance efficiency through a more rigorous definition and clear communication of ways of work (WoW). Developing a comprehensive operational manual would help standardize procedures and ensure that all teams follow consistent practices, particularly in a growth context and when integrating new employees.

Digitalization is one of the company's key differentiators, with a strong focus on digital accounting. Client documents are digitized, significantly reducing paper usage and eliminating unnecessary manual tasks. However, challenges remain, such as resistance from some clients who still prefer submitting physical documentation and the need for adaptation among some long-standing employees to fully embrace digital tools.

Mais Consulting's ability to manage an expanding client portfolio without compromising service quality demonstrates the strength of its operational structure. The experience acquired over the years allows the company to apply the same policies and procedures to new clients, ensuring consistent and efficient service delivery. Additionally, its client support policy, based on periodic advisory meetings, enables proactive responses to client needs and ensures smooth operational execution.

To sustain its growth trajectory, it will be essential to continue investing in the integration of innovative technologies and ongoing employee training to maximize the effective use of available resources.

4.2.2.2. Human Capital

Human capital is one of Mais Consulting's most strategic assets, comprising 19 employees, including the CEO, 15 professionals specializing in accounting, audit and finance, and three dedicated to labor advisory matters. The team includes a diverse mix of junior and senior professionals, balancing growth potential with experience. All employees have relevant academic backgrounds, with many pursuing advanced qualifications such as master's degrees, further strengthening the firm's technical capabilities.

The company regularly conducts training programs covering both technical and transversal areas, such as digital literacy and soft skills, ensuring that the team remains prepared to tackle the challenges of a dynamic market. However, the company's reliance on the CEO for strategic

and commercial functions has been identified as a weakness, limiting organizational autonomy and increasing the risk of decision-making bottlenecks. Decentralizing strategic functions by empowering mid-level managers is crucial to ensuring the organization's sustainability.

Talent retention is another challenge for Mais Consulting, with higher turnover rates among junior professionals. Additionally, there is an ongoing trend where clients sometimes recruit employees directly from Mais Consulting, posing an additional challenge in retaining skilled staff. To mitigate this issue, it would be beneficial to implement more robust retention strategies, such as clear career progression plans and initiatives that reinforce a sense of purpose and belonging.

In terms of corporate culture, the firm has been fostering a better balance between productivity and employee well-being. The introduction of four-day workweeks on alternating weeks is an example of the company's commitment to employee engagement. However, as the company grows, it will be necessary to strengthen internal communication and integration initiatives to maintain team cohesion. One initiative the company could explore is the possibility of hybrid work arrangements, which management has been hesitant to implement but acknowledges as a potential future strategy aligned with its planned expansion.

In summary, Mais Consulting possesses a high-quality workforce but faces challenges related to leadership decentralization, refining ways of work, and talent retention. Addressing these issues will be essential to sustaining the company's growth and ensuring continued excellence in service delivery.

4.2.3. Financial Assessment

Mais Consulting's financial performance over 2022 and 2023 offers valuable insights into the company's operational structure and financial stability, especially in the context of its recent acquisition. While the 2022 results reflect a high-performing and financially healthy company, the 2023 indicators reveal the transitional effects of post-acquisition integration. These changes are not only expected but can be interpreted as part of a strategic transformation process.

In 2022, the company achieved an EBITDA margin of 21%, well above the sector average of 15%, supported by strong internal efficiency and cost control. In 2023, this figure dropped to 9%, which is below the industry average of 20%. This temporary reduction aligns with the expected impact of integration-related costs, as confirmed by the CEO during interviews, and is consistent with literature on post-merger dynamics. The company anticipates that operational synergies will gradually offset these short-term effects.

A similar pattern is observed in the net profit margin, which fell from 12% in 2022 to 2% in 2023, compared to an upward trend in the sector (from 10% to 14%). This variation is partially explained by non-recurring expenses and the structural realignment required to integrate the newly acquired company. It is worth noting that, despite this drop, Mais Consulting remained profitable, which reinforces its financial resilience during a period of transformation.

In contrast, Mais Consulting maintained a robust liquidity position. The current ratio increased slightly from 1,93 to 2,06 between 2022 and 2023, remaining comfortably above the sector average. This indicates that the company managed its working capital prudently, ensuring that short-term obligations could continue to be met without financial stress, even amidst a complex operational transition.

Another positive signal comes from the evolution of the debt-to-equity ratio, which improved from 1,97 in 2022 to 1,24 in 2023. This shows a clear effort to strengthen the capital structure, whether through profit reinvestment or debt reduction. Although the ratio remains above the industry average (0,77 in 2023), the improvement trajectory is encouraging and suggests the company is positioning itself for long-term financial balance.

Return on equity (ROE) dropped from 29% to 6% over the same period, reflecting the pressure on net income in 2023. However, this indicator remains positive and must be interpreted within the context of an investment cycle, where returns are temporarily compressed before synergies and strategic value begin to materialize.

In summary, while Mais Consulting's 2023 financial indicators reflect a period of adjustment, they are in line with what is typically observed in the immediate aftermath of acquisitions. These results underscore the importance of planning, integration, and medium-term vision. The company’s solid liquidity, improving capital structure, and preserved profitability, even under integration pressure, reinforce its capacity to pursue a sustainable acquisition-based growth strategy.

4.3.Conclusion

This section consolidates the internal and external analysis developed throughout Chapter 4 by presenting a conclusion based on the SWOT matrix. The purpose is to clearly outline Mais Consulting's current strategic position and highlight the factors that may support or constrain its future growth, particularly through acquisition. The analysis incorporates insights from

qualitative interviews, sectoral benchmarks, and financial indicators to provide a balanced yet forward-looking view of the company's capabilities and environment.

Strengths

- Solid reputation and long-term client relationships, especially with SMEs, as highlighted in internal interviews.
- High operational efficiency demonstrated by a strong EBITDA margin in 2022.
- Strong liquidity position (current ratio above sector average in both years), indicating prudent financial management and resilience.
- Proven capacity to integrate acquisitions, with the 2018 experience serving as a strong foundation for future initiatives.
- Agility and adaptability observed in the company's response to integration challenges, showing commitment to long-term value creation.

Weaknesses

- High dependency on the CEO for strategic decision-making, as reported by staff.
- Limited middle-management structure, which may create temporary bottlenecks during periods of growth.
- Short-term decline in profitability indicators post-acquisition (EBITDA, ROE), consistent with early integration stages rather than structural inefficiencies.
- Internal resistance to digital change among some long-term employees, though efforts for adaptation are ongoing.

Opportunities

- Sector fragmentation creates potential for consolidation through acquisitions. This trend, identified both in market analysis and confirmed by interviews with external stakeholders, highlights an environment where small and mid-sized firms are increasingly open to integration — offering Mais Consulting a concrete opportunity to grow through strategic acquisitions in a receptive market.
- Digitalization trends open room for service enhancement and internal efficiency gains.
- Increasing demand for value-added advisory services beyond traditional accounting.

Threats

- Competitive pressure in pricing, especially from firms offering standardized or automated services.
- Talent scarcity, particularly in recruiting and retaining young professionals.
- Emergence of self-service and automated platforms that may erode demand for traditional services — though these can also represent opportunities if incorporated strategically.

Taken together, the elements presented in the SWOT analysis reveal a company that, despite facing temporary operational and structural challenges, is fundamentally well-positioned to grow through acquisitions. Its strengths and opportunities outweigh the short-term weaknesses and threats, especially when viewed within the context of recent integration efforts and positive financial fundamentals. These insights will be part of the basis for the strategic decisions addressed in the following chapter, where the viability and structure of the specific acquisition will be examined.

5. M&A Project

5.1. Operation Overview

As concluded in the analysis chapter, the accounting, auditing, and tax consulting sector in Portugal is characterized by a highly competitive and mature environment, where small and medium-sized enterprises compete in a market undergoing increasing digitalization and professionalization. The sector's evolution has been driven by regulatory complexities and the growing demand for specialized services to support companies' financial management. In this context, growth strategies involving mergers and acquisitions (M&A) have become one of the pathways for companies seeking to consolidate their market position.

Mais Consulting has progressively expanded its presence in the sector. However, as the sector matures and competition intensifies, the company has identified the need to adopt a more structured approach to growth. While organic growth has been the predominant strategy until now, market limitations and the increasing complexity of the services provided have made it evident that an accelerated expansion strategy is necessary.

In this regard, the acquisition of Company X emerges as a strategic opportunity for Mais Consulting to strengthen its position in the sector and expand its client portfolio. The transaction aims not only to scale the company but also to improve the efficiency of its internal processes and broaden its geographical presence, consolidating its service offering in the market.

The objective of this chapter is to frame the acquisition of Company X, detailing the criteria for selecting the target company and the strategic objectives of the transaction. The analysis of this operation will provide insights into how an M&A strategy can serve as a lever for sustainable growth and value creation for the company within the sector.

5.2. Selection Criteria Assessment

The selection of Company X as the acquisition target was based on defined strategic criteria to ensure that the transaction brings tangible and sustainable benefits to Mais Consulting. These criteria included strategic aspects, particularly the geographical dimension and client portfolio, financial considerations, and potential synergies, ensuring that the acquisition represents a realistic and advantageous opportunity. In addition to the criteria analyzed, another crucial factor in selecting Company X was the pre-existing privileged relationship between Mais

Consulting and the target company. This prior relationship provided Mais Consulting with a unique position to gain insight into the business, its operations, and the potential acquisition opportunity. As a result, Mais Consulting was able to identify the transaction early, assess its feasibility, and proceed with an informed approach, reducing uncertainties and increasing the likelihood of a successful operation.

From a strategic perspective, the location of Company X was a determining factor, as well as certain aspects of its client portfolio. Its established presence in Vila do Conde and the Porto region allows Mais Consulting to expand its geographical reach, accessing a new client segment without disrupting existing operations. The target company has a diversified client portfolio, including some significant players in the industrial and construction sectors, which represents a strategic opportunity for Mais Consulting. Additionally, Company X's position in this region enhances its ability to attract talent from the Porto metropolitan area, a factor that can strengthen the team and service offerings of Mais Consulting.

The financial evaluation was another essential criteria in selecting Company X. The analysis was supported by the financial data collected and available in the appendix section (Appendix C). From a financial standpoint, the target company demonstrates a stable but modest performance, registering a revenue of 291 thousand euros in 2024. From 2022 to 2024, its EBITDA margins were set at 13,97%, 8,06% and 10,46%, respectively, indicating a moderate operational efficiency. The net profit margins, ranging from 3,13% to 8,26%, are relatively low and more volatile than EBITDA. For the years 2022 and 2023, these figures must be interpreted in the light of its strong liquidity position, with a current ratio above 6 in both years, indicating short-term solvency and a conservative financial structure. The company also maintains low leverage, with a debt-to-equity ratio of 0,38 in 2023, and continues to generate a positive return on equity. This profile suggests a financially secure firm with low risk and potential for value creation. The scale and margin variability highlight the need for strategic support to scale, possibly through integration with a more structured and growth-oriented entity. Furthermore, the target company size makes the acquisition realistic for a company like Mais Consulting. This aspect is particularly relevant, as the detailed financial analysis in this project will play a crucial role in justifying the feasibility of the operation and support decision-making.

Finally, the synergy criteria were carefully analyzed to ensure that the acquisition generates operational and strategic gains. Although there is no detailed information on the cost optimization potential of Company X, acquisitions of this type tend to provide various advantages. Among them are the potential for commercial synergies, facilitating the offering

of services to clients of both companies, and strengthening the acquiring company's market position. Additionally, opportunities may arise for strategic alignment in the use of technology and internal processes, improving operational efficiency with scalability. Team integration can also foster an environment of knowledge-sharing and best practices, contributing to professional development and innovation within the organization. The ease of integration was considered a crucial aspect, as the organizational structures of both companies are compatible, reducing the typical challenges associated with mergers and acquisitions.

In summary, the selection of Company X was supported by criteria that ensure the transaction represents a strategic and financially viable opportunity for Mais Consulting. In the following chapters, the financial analysis of the target company will be further explored, along with the post-acquisition implementation strategy, ensuring that the expected benefits are effectively realized.

5.3. Company Valuation

In this section, the valuation of Company X is conducted using the DCF method. As mentioned in chapter 2, this method is widely recognized as one of the most robust approaches for determining a company's intrinsic value. It estimates the present value of future free cash flows to the firm (FCFF) that the target company is expected to generate, incorporating a final residual value that reflects the company's ongoing operations beyond the forecasted period. For this project, a five year time horizon was established to project the FCFF, from the year 2025 to 2029.

To ensure a rigorous and data-driven valuation, historical financial information (Appendix C) from Company X - including income statements from 2022, 2023, and 2024, as well as balance sheets from 2022 and 2023 - was analyzed. Additionally, sector data from the Banco de Portugal reports (2019-2024) was utilized to benchmark key financial assumptions, excluding 2020 due to its economic anomalies caused by the COVID-19 pandemic. The following sections outline the step-by-step methodology adopted in this valuation.

5.3.1. Free Cash Flow to the Firm (FCFF)

In the projection of the FCFF, the following formula was used, starting from the operating profit before interest and taxes (EBIT) adjusted for tax effects, followed by adjustments for changes in working capital and net investment. This approach allows for the estimation of the

cash flow available to the company before considering financing costs, ensuring an analysis focused on operational value creation.

$$FCCF = EBIT * (1 - T) - Working\ Capital - (CAPEX - Amortizações) \quad (5.1)$$

The foundations that served as base for this chapter and its subsections can be found on Appendix D and Appendix E.

5.3.1.1. EBIT adjusted for tax effects: EBIT (1-T)

Revenue

Revenue projections were based on the historical growth rate of Company X for the years 2023 and 2024, combined with the historical revenue growth rate from comparable companies in the industry, sourced from the Banco de Portugal sector reports on firms of similar size and operational scope, for the years 2019 to 2023, excluding 2020.

The average growth rate of the combined data is 9,29%. This growth rate was applied to project revenue for the forecast period (2025–2029), and assumed as constant throughout the years being projected. This approach ensures a realistic and market-aligned estimation, avoiding excessive optimism or pessimism.

Table 5.1 - Revenue Projection for Company X 2025-2029; Source: Own Elaboration

Revenue Projections					
Year	2025	2026	2027	2028	2029
Growth rate	9,29%	9,29%	9,29%	9,29%	9,29%
Revenue	**318 749,07**	**348 352,80**	**380 705,96**	**416 063,91**	**454 705,73**

EBIT

The EBIT was computed by applying the EBIT margin to the revenue. To estimate the EBIT margin a similar methodology used in the revenue projection was employed. The historical EBIT margins of Company X from 2022 to 2024 were analyzed, alongside benchmarked EBIT margins from industry peers in the Banco de Portugal sector reports (2019–2023, excluding 2020). Thus, the average historical EBIT margin was used to project future profitability.

Although not all operational costs are variable and, if economies of scale exist, it would be expected that the margin increase as sales grow, it was considered a fixed margin for the

projected years. The resulting EBIT margin of 11,14% was applied consistently ensuring that the financial model maintains alignment with industry realities.

Table 5.2 - EBIT Projection for Company X 2025-2029; Source: Own Elaboration

EBIT Projections					
Year	2025	2026	2027	2028	2029
EBIT Margin	11,14%	11,14%	11,14%	11,14%	11,14%
EBIT	**35 502,63**	**38 799,93**	**42 403,46**	**46 341,67**	**50 645,64**

Tax Rate

The effective tax rate was calculated based on the historical corporate tax rates paid by Company X in 2022, 2023, and 2024. The average of these values was determined and applied as a constant rate throughout the projected period. The final effective tax rate of 25,41% was used in all estimations.

Table 5.3 - Tax Rate Estimation for Company X 2025-2029; Source: Own Elaboration

T (Tax Rate)				
Year	2022	2023	2024	Avg
Effective T	24,88%	30,32%	21,04%	**25,41%**

EBIT adjusted for tax effects

The effective tax rate was applied to the projected EBIT for the forecasted years, computing the EBIT adjusted for tax effects.

Table 5.4 - EBIT adjusted for tax effects for Company X 2025-2029; Source: Own Elaboration

EBIT (1-T) Projections					
Year	2025	2026	2027	2028	2029
EBIT (1-T)	**26 480,61**	**28 939,98**	**31 627,78**	**34 565,20**	**37 775,43**

5.3.1.2. Changes in Working Capital

The variation in working capital is driven by changes in inventory, accounts receivable, and short-term liabilities. An increase in inventory or accounts receivable reduces cash availability, as more capital is tied up in stock or unpaid sales. Conversely, an increase in short-term liabilities improves cash flow by delaying payments to suppliers. The following formula was applied to compute the changes in working capital.

$$Working\ Capital = -Inventory - Accounts\ Receivable + Short\ term\ Liabilities \quad \textbf{(5.2)}$$

Since Company X operates in the services sector, inventory levels were considered null and did not impact working capital. For accounts payable (AP) and accounts receivable (AR), historical AP-to-Revenue and AR-to-Revenue ratios were calculated based on financial data from 2022 and 2023, and these ratios were applied to projected revenue figures for each future year. Accounts receivable were maintained at zero, as historically observed, while accounts payable were determined using an AP-to-Revenue ratio of 7,76%, which was then applied to estimate accounts payable for each projected year.

These components together determine the overall change in working capital, which is subtracted when calculating free cash flow.

Table 5.5 - Δ Working Capital Projections for Company X 2025-2029; Source: Own Elaboration

(-) Δ Working Capital Projections					
Year	2025	2026	2027	2028	2029
Δ inventories	0	0	0	0	0
Δ Accounts Receivable	0	0	0	0	0
Δ Accounts Payable	5 223,50	2 269,63	2 480,43	2 710,79	2 962,56
(-) Δ Working Capital	**-5 223,50**	**-2 269,63**	**-2 480,43**	**-2 710,79**	**-2 962,56**

5.3.1.3. Capital Expenditures and Amortizations

Given the nature of Company X's operations, no significant capital expenditures (CAPEX) were considered in the forecast period. This assumption is based on the fact that the company operates in the services industry, where major infrastructure or equipment investments are not a primary driver of growth. No amortizations related to existing assets were considered either, since the company does not own any assets subject to amortization.

5.3.1.4. Projected Free Cash Flows to the Firm (FCCF)

The estimated figures from previous sections resulted in the final projected free cash flows for the period under analysis.

Table 5.6 - Free Cash Flow to the Firm Projections for Company X 2025-2029; Source: Own Elaboration

Free Cash Flow to the Firm					
Year	2025	2026	2027	2028	2029
EBIT (1-T)	26480,6054	28939,9838	31627,7762	34565,1966	37775,4291
(-) Δ Working Capital	-5223,504	-2269,6343	-2480,426	-2710,7948	-2962,5591
(-) CAPEX - Amortizations	0,00	0,00	0,00	0,00	0,00
FCFF	**21 257,10**	**26 670,35**	**29 147,35**	**31 854,40**	**34 812,87**

5.3.2. Weighted Average Cost of Capital (WACC)

The WACC was determined to serve as the discount rate for cash flow projections. The methodology followed industry best practices and consisted in the calculation of the cost of equity, using the capital asset pricing model (CAPM), and the cost of debt, followed by an adjustment that captures their respective weight in the firm's capital structure.

$$K_{WACC} = \frac{E}{E+D} * K_E + \frac{D}{E+D} * K_D * (1-T) \quad \textbf{(5.3)}$$

5.3.2.1.Cost of Equity (K_E)

The cost of equity was estimated using the CAPM:

$$K_E = r_f + \beta * ERP \quad \textbf{(5.4)}$$

The risk-Free rate (r_f) was based on Germany's 10-year government bonds instead of Portugal's, as Germany serves as the Eurozone's benchmark for risk-free assets. The Portuguese country risk was already accounted for in the equity risk premium (ERP), preventing any unnecessary double-counting of risk. The ERP for Portugal was derived from Damodaran's estimates, incorporating the relative risk profile of the Portuguese market.

The unlevered beta was taken from Damodaran's estimates for Business and Consumer Services. Subsequently, the levered beta was calculated using Hamada's equation, incorporating the specific debt-equity structure of Company X.

$$\beta_L = \beta_U + [1 + (1 - T) * \frac{D}{E}] \quad \textbf{(5.5)}$$

Taking into account the aforementioned considerations, the CAPM equation was applied to determine the cost of equity, which was estimated at 10.06%. Additional data used to support the calculations can be found on Appendix F.

$$K_E = 2{,}46\% + 1{,}28 * 5{,}93\% \quad \textbf{(5.6)}$$

5.3.2.2. Cost of Debt (K_D)

The cost of debt was estimated based on average interest rates for new loans under 1 million euros granted to non-financial corporations as published by Banco de Portugal for the years 2019 to 2024. To maintain the same criteria stated in the beginning of the chapter, 2020 data was not considered due to its economic anomalies. Through this methodology, the cost of debt was estimated at 3,71%.

Table 5.7 - Estimation of Cost of Debt (K_D); Source: Own Elaboration based on data from Banco de Portugal (2025)

Kd	
Interest rates for new loans under 1 million euros granted to non-financial corporations	
2019	2,65%
2021	2,18%
2022	2,88%
2023	5,56%
2024	5,26%
Kd	**3,71%**

5.3.2.3. Weighted Average Cost of Capital (WACC)

After computing the cost of equity and the cost of debt, following considerations on the average weight of debt and equity in the firm's capital structure, it is possible to calculate the weighted average cost of capital. It is worth noting the (1-T) term in the WACC formula, which reflects the tax shield on interest payments, reducing the effective cost of debt and, consequently, lowering the overall WACC. Further information supporting the calculations is available in Appendix G.

$$K_{WACC} = 72{,}62\% * 10{,}06\% + 27{,}38\% * 3{,}71\% * (1 - 25{,}41\%) = 8{,}06\% \quad \textbf{(5.7)}$$

5.3.3. Terminal Value

The terminal value was estimated using the Gordon Growth Model, a widely recognized method in corporate finance for valuing firms with stable future cash flows. This model assumes that free cash flows will grow indefinitely at a constant rate beyond the explicit forecast period. According to Damodaran (2012), the Gordon Growth Model is particularly appropriate when a company is expected to achieve a steady-state growth rate aligned with broader macroeconomic fundamentals. It offers a practical framework for approximating the long-term value of business cash flows, following the equation:

$$TV_n = \frac{FCFF_{n+1}}{WACC - g} \quad \textbf{(5.8)}$$

To determine the perpetual growth rate (g) for the target company, both historical and forecasted macroeconomic indicators for Portugal were analyzed. The real GDP growth rate between 2015 and 2019, and from 2021 to 2024 (excluding the year of 2020) averaged approximately 3,26%. However, this period includes extraordinary recovery effects following the pandemic, particularly in 2021 and 2022, which temporarily inflated GDP growth rates beyond sustainable long-term expectations.

To mitigate this distortion, projections provided by Banco de Portugal for 2025 to 2027 were also considered, indicating a return to a more stable real GDP growth path of approximately 2%. Combining these inputs, and acknowledging the relatively mature and

competitive nature of the accounting and consulting sector, a conservative perpetual growth rate of 2% was adopted.

This selection of g reflects a balanced consideration of historical performance, expected macroeconomic normalization, sector-specific dynamics, and valuation prudence. By adopting a moderate growth assumption, the terminal value calculation remains realistic, defensible, and aligned with the long-term economic outlook for Portugal. In this regard, the terminal value of the firm in the year 2030 is 585.889,26 euros.

Table 5.8 - Terminal Value (TV) target company; Source: Own Elaboration

Terminal Value	
FCFF (2030)	35 509,13
K(WACC)	8,06%
g	2,00%
Terminal Value (2030)	**585 889,26**

5.3.4. Value of the firm

After projecting the Free Cash Flows to the Firm (FCFF) and calculating the Terminal Value (TV), the intrinsic value of the target company is estimated by discounting all future cash flows to their present value. This is achieved using the Weighted Average Cost of Capital (WACC) as the discount rate, ensuring that both the time value of money and the risk profile of the company are adequately reflected. The present value of each year's FCFF and the terminal value are then aggregated to determine the enterprise value of the firm. This final step consolidates all assumptions and projections into a single financial figure that represents the economic value of Company X under the conditions defined in this project. The result provides a clear reference for the viability of the acquisition and serves as a basis for strategic decision-making regarding the transaction. The following table summarizes this calculation. It is possible to observe the additional support for the results on Appendix H.

Table 5.9 - Value of the Firm target company; Source: Own Elaboration

Value of the Firm	
NPV (FCCF 2025-2029)	112 598,31
Discounted Terminal Value	367 966,53
Value of the firm	**480 564,84**

5.3.5. Sensibility Analysis

To complement the valuation process and assess the robustness of the results, a sensitivity analysis was conducted on three key variables: the Weighted Average Cost of Capital (WACC), the perpetual growth rate (g), and the projected revenue growth rate. These parameters were chosen due to their significant influence on the Discounted Cash Flow (DCF) model and the resulting enterprise value. The objective of this analysis is to examine how small fluctuations in each of these variables can affect the final valuation of Company X, providing further insight into the potential risks and margins of error associated with the transaction.

The base values used in the original DCF calculation were:

- WACC: 8,06%
- g (perpetual growth rate): 2,00%
- Revenue growth rate: 9,29%

The following sections illustrate how the firm value fluctuates when each of these variables is adjusted within a range of one percentage point above or below the base case.

Sensitivity analysis to WACC

Table 5.10 - Sensitivity Analysis to WACC: Impact on Firm Valuation; Source: Own Elaboration

WACC	Value of the Firm
7,06%	581 830,96
7,56%	526 587,31
8,06%	**480 564,84**
8,56%	441 650,93
9,06%	408 331,59

The analysis shows that the value of the firm is highly sensitive to changes in the Weighted Average Cost of Capital (WACC). A decrease of 1.0 percentage point from the base scenario (from 8.06% to 7.06%) results in a firm value increase of over €100,000, representing a 21% rise. Conversely, an increase of 1.0 percentage point (to 9.06%) reduces the firm value by approximately €72,000, or 15%. This inverse relationship illustrates the central role that the cost of capital plays in valuation models, as higher discount rates significantly reduce the present value of future cash flows. These results emphasize the importance of accurately estimating the WACC, since small variations can lead to substantial differences in the perceived value of the target company.

Sensitivity analysis to g

Table 5.11 - Sensitivity Analysis to WACC: Impact on Firm Valuation; Source: Own Elaboration

g	Value of the Firm
1,00%	425 353,68
1,50%	450 855,41
2,00%	**480 564,84**
2,50%	515 616,99
2,50%	557 595,46

Variations in the terminal growth rate produce a progressive and meaningful impact on the firm's valuation. As the rate increases from 1.00% to 3.00%, the value of the firm rises from approximately €425,000 to over €557,000 — an increase of more than 30%. This variation reflects the strong influence that the perpetual growth assumption has on the terminal value component, which typically constitutes the largest portion of the total firm valuation. A higher g implies sustained long-term performance, which significantly boosts the residual value. Therefore, even modest changes in this variable can lead to substantial shifts in the overall valuation.

Sensibility analysis to Revenue Growth Rate

Table 5.12 - Sensitivity Analysis to Revenue growth rate: Impact on Firm Valuation; Source: Own Elaboration

Revenue growth rate	Value of the Firm
8,29%	464 804,00
8,79%	472 630,81
9,29%	**480 564,84**
9,79%	488 607,09
10,29%	496 758,62

The sensitivity analysis on the revenue growth rate reveals a steady but moderate impact on the firm's valuation. An increase of one percentage point — from 8.29% to 9.29% — results in a value increase of approximately €16,000, while a full two-point increase raises the valuation by around €32,000. This reflects the compounding effect of revenue growth over the projection period, which influences the free cash flows generated each year. However, compared to WACC and the terminal growth rate, the revenue growth rate has a more linear and contained effect. This suggests that while topline expansion contributes positively to value creation, it is most effective when combined with margin improvement or capital efficiency. Still, in the

context of an acquisition-driven growth strategy, sustained revenue growth remains a key enabler of long-term value enhancement.

5.4. Valuation Conclusion

This chapter analyses the M&A project proposed for Mais Consulting by evaluating the strategic, financial, and operational considerations behind the potential acquisition of Company X. The opportunity aligns with Mais C's broader growth ambitions, as inorganic expansion through acquisition represents a viable path to strengthen market positioning, diversify service offerings, and achieve operational scalability. The strategic fit between the two companies is supported by qualitative synergies, complementary capabilities, and geographical alignment, reinforcing the business logic of the transaction.

The valuation of Company X was conducted through the Discounted Cash Flow (DCF) method, providing a forward-looking, cash-based estimation of intrinsic value. This approach incorporates financial projections derived from realistic growth assumptions, historical performance data, and industry benchmarks. The key components of the model included the calculation of Free Cash Flows to the Firm (FCFF), the application of an appropriate Weighted Average Cost of Capital (WACC), and the estimation of a terminal value using a perpetual growth model. These elements converge to produce an enterprise value of €480.564,84, which represents a grounded and justifiable valuation under the defined assumptions. This figure serves as a critical reference point for deal negotiation and provides a foundation for estimating the potential value arising from the acquisition.

The sensitivity analysis further reinforces the model's relevance by examining how variations in key assumptions affect the outcome. The valuation proves highly responsive to changes in the WACC and the terminal growth rate, both of which exert a significant impact on the enterprise value. In contrast, the revenue growth rate demonstrates a more gradual and contained effect, supporting the model without dominating its results. These insights highlight the importance of precise calibration of financial assumptions, especially in acquisition contexts where uncertainty can materially influence the decision-making process. By identifying the most influential variables, the analysis enhances strategic clarity and risk awareness regarding the feasibility of acquiring Company X.

As the valuation concludes the pre-acquisition assessment, attention now turns to the practical dimension of implementing the deal. The next chapter explores best practices in post-

acquisition integration, a critical phase in ensuring that the projected value materializes through operational alignment, cultural fit, and effective execution.

6. Implementation

Successful acquisitions are not solely determined by the strategic rationale or the financial value attributed to the target company but critically depend on the ability to integrate the acquired entity in a structured and thoughtful manner. Implementation is where projected synergies are either realized or lost, and where cultural alignment, operational efficiency, and leadership coherence become decisive. This chapter outlines the key post-merger integration (PMI) practices that Mais Consulting should adopt to ensure that the acquisition of Company X translates into sustainable growth and long-term value creation.

Global literature on PMI highlights several best practices that consistently correlate with successful integration outcomes. Among the most critical are strong leadership commitment, clear and ongoing communication, alignment of organizational cultures, and the early establishment of integration priorities. Equally important is the creation of a dedicated integration team, responsible for coordinating the process, mitigating disruptions, and maintaining business continuity. Furthermore, successful integrations typically adopt a phased approach that balances quick wins with long-term transformation goals. Integration planning should begin before the deal closes, with clearly defined milestones, ownership structures, and metrics for tracking progress.

When applying these principles to the context of Mais Consulting, some adaptations are essential. As a small to medium-sized enterprise with a centralized leadership model, Mais Consulting may face particular challenges in balancing integration demands with daily operations. The acquisition of Company X, which is likely to share similar characteristics, requires a light but deliberate approach to integration that preserves what works well in both companies while standardizing key processes. Resistance to change, especially regarding digital tools and new reporting structures, may emerge. For this reason, early and inclusive communication, clarity in role definitions, and the active involvement of both management teams are critical.

In the case of Mais Consulting, the integration process must guarantee a careful balance between preserving the strengths of both companies and introducing the necessary standardisation. Rather than imposing rigid processes, Mais Consulting should focus on building mutual trust and alignment through structured but inclusive integration leadership. Appointing an integration manager with credibility across both organisations would help coordinate efforts, ease tensions, and provide a clear point of reference throughout the transition. Communication should be proactive and ongoing, allowing both teams to feel

informed, heard, and engaged from the outset. Operationally, early harmonisation of key systems such as accounting standards, digital tools, and reporting formats can prevent fragmentation and promote efficiency. At the same time, joint workshops and cross-functional collaborations should be encouraged to foster interpersonal connections and mutual understanding of business practices. Cultural integration, often underestimated in SME contexts, also requires deliberate effort. Mais Consulting should actively identify shared values, while also respecting differences in style and pace, creating opportunities for informal interaction, team learning, and collective ownership of the integration process.

By adopting a pragmatic, people-centric, and phased approach to integration, Mais Consulting increases its chances of transforming the acquisition from a transactional event into a strategic inflection point. The strength of the strategic rationale and the soundness of the valuation only translate into results if execution is properly managed.

In sum, post-acquisition integration is not merely an operational phase, but a strategic enabler of the acquisition's success. For Mais Consulting, executing this process with structure and adaptability will be key to unlocking the full potential of the transaction. The following chapter presents the final reflections of this project, offering the final perspective on the proposed approach to growth.

7. Conclusion

This thesis set out to evaluate the strategic and financial viability of a growth strategy through acquisitions for Mais Consulting which operates in the accounting, auditing, and tax consultancy sector. By focusing on the concrete opportunity to acquire Company X, the project developed a structured project to support Mais Consulting's ambition to expand its market presence, strengthen its capabilities, and generate long-term value.

Through an extensive literature review, the theoretical foundations of business growth strategies were explored, including the dynamics of industry life cycles, the typology of growth pathways, and the methodologies used for business valuation. Mergers and acquisitions emerged as a strategic option with the potential to generate synergies and accelerate growth, especially relevant in mature, fragmented industries like the one in which Mais Consulting operates.

The external analysis highlighted key trends in the Portuguese market, such as growing digitalization, increasing competition, and the professionalization of client demands. These dynamics reinforce the relevance of a consolidation strategy as a response to market saturation. The internal analysis confirmed that Mais Consulting is a financially solid and operationally mature firm, although it faces challenges such as overreliance on the CEO and the need to reinforce middle-management capabilities to support scaling efforts.

Against this backdrop, the M&A project was developed by identifying Company X as a viable and strategically aligned acquisition target. The selection was supported by qualitative and quantitative criteria, including geographical complementarity, client portfolio synergies, financial solvency, and the existence of a pre-established relationship between both companies. A Discounted Cash Flow (DCF) valuation placed the enterprise value of Company X at €480.564,84, based on conservative growth projections and aligned cost of capital. A subsequent sensitivity analysis demonstrated that the firm value is particularly sensitive to variations in WACC and terminal growth rate, reinforcing the importance of careful calibration in financial modelling.

Beyond valuation, the thesis addressed the implementation challenges associated with post-merger integration (PMI). Drawing from academic literature and adapting best practices to the specific context of Mais Consulting, the analysis emphasized the need for a structured, people-centric, and phased integration process. Key recommendations include the appointment of an integration manager, early operational alignment, cultural integration efforts, and consistent communication across all levels of the organization. These actions are essential to

ensure that the theoretical value identified in the financial assessment is effectively captured in practice.

In conclusion, this study finds that pursuing a growth strategy through the acquisition of Company X is not only financially viable but also strategically coherent for Mais Consulting. The opportunity aligns with the company's growth aspirations, addresses market limitations to organic expansion, and leverages Mais Consulting's capabilities and sector position. While the strategy entails integration risks and demands structural adjustments, the potential benefits in terms of scalability, diversification, and competitive positioning make the acquisition a compelling step forward.

Future research could explore long-term performance metrics post-integration or investigate how similar SMEs can build scalable M&A capabilities. Additionally, tracking the actual implementation process would provide valuable practical insights for both academic and managerial communities.

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9. Appendix

9.1. Appendix A

Interview 1

Identification of the interviewees: Mais Consulting CEO
Focus of the interview: Mais consulting strategy and industry dynamics
Script:

Table 9.1- Interview script, Mais Consulting CEO; Source: Own Elaboration

Question	**Purpose of the question**
How would you describe Mais Consulting's current position in the market?	To assess internal perception of the company's competitive standing.
What are the company's main strategic goals for the next five years?	To identify the company's growth ambitions and long-term priorities.
What challenges have limited the company's growth in recent years?	To understand internal and external obstacles faced by the company.
What strategic approaches have been considered (organic, alliances, acquisitions)?	To map out strategic alternatives previously explored by leadership.
What factors made acquisition a relevant growth option?	To justify the choice of M&A as a preferred expansion pathway.
How do you assess the potential for synergies in an acquisition?	To explore expected value creation through integration.
How would you characterize the maturity of the accounting and consulting sector in Portugal?	To evaluate the degree of market saturation and its strategic implications.
What are the key changes or trends currently affecting the sector?	To identify transformational drivers impacting the firm's environment.

What lessons were learned from the previous acquisition in 2018?	To extract practical insights from past M&A experience.
What strategies do you consider essential for a successful post-acquisition integration?	To collect actionable recommendations for future integrations.

Interviews 2, 3, 4, 5 and 6

Identification of the interviewees: Mais Consulting mid-senior level employees
Focus of the interviews: Mais Consulting operational capabilities and post-acquisition integration challenges
Script:

Table 9.2 - Interview script, Mais Consulting mid-senior level employees; Source: Own Elaboration

Question	**Purpose of the Question**
How would you describe the company's organizational culture?	To understand the values and practices shaping the work environment.
What are the main operational challenges you face on a daily basis?	To identify inefficiencies or constraints that affect performance.
Is the company prepared to grow in the short term? In which areas is there room for improvement?	To assess internal readiness for scaling operations.
What technological tools do you use in your work? Are they well integrated?	To evaluate the level of digitalization and tool integration.
Are there any processes you consider inefficient or in need of optimization?	To pinpoint internal process improvement opportunities.
In your opinion, what are the main risks of integrating a new team through an acquisition?	To anticipate practical and human challenges in integration.

What aspects should be ensured to make the integration of a new company successful?	To gather practical suggestions for post-merger integration.
Do you feel there is clarity and strategic alignment in management decisions?	To assess the quality of internal communication and leadership coherence.

Interviews 7 and 8

Identification of the interviewees: two external stakeholders leading similar companies operating in the industry
Focus of the interviews: market and industry dynamics
Script:

Table 9.3 - Interview script, external stakeholders; Source: Own Elaboration

Question	**Purpose of the Question**
How would you assess the current state of the accounting and consulting sector in Portugal?	To gather an external perspective on the market's attractiveness and maturity.
What are the main challenges currently faced by companies in this sector?	To understand competitive and operational pressures in the industry.
What growth strategic approaches have proven most effective in this sector?	To identify validated practices and growth models from other firms.
Do you believe acquisitions are a good strategy for SMEs in this sector? Why?	To assess external validation of M&A as a viable strategy.
What do you consider the main risks for an SME engaging in an acquisition?	To highlight perceived risks that could impact Mais Consulting's approach.
What are the most critical competencies to remain competitive in the coming years?	To identify key skills and capabilities needed for future success.

9.2. Appendix B

Financial Ratios Mais Consulting:

Table 9.4 - Mais Consulting Financial Ratios 2022-2023; Source: Own Elaboration

Mais Consulting Financial Ratios		
Year	2022	2023
EBITDA Margin	21,07%	9,50%
Net Profit Margin	12,48%	2,37%
Current Ratio	1,93	2,06
Debt-to-equity	1,97	1,24
Return on Equity (ROE)	29,41%	5,86%

9.3. Appendix C

Financial Data target company:

Table 9.5 - Balancesheet target company, Assets 2022-2023; Source: Own Elaboration

Assets		
Year	2022	2023
Non-Current Assets		
Tangible Fixed Assets	9542,06	0,00
Investment Properties		
Goodwill		
Intangible Assets		
Biological Assets		
Accounts Receivables		
Financial Investments		
Other Financial Investments	204,00	242,57
Shareholders and Partners		
Other Receivables		
Other Financial Assets		
Deferred Tax Assets		
Total	**9746,06**	**242,57**
Current Assets		
Inventories		
Biological Assets		
Accounts Receivable		
Advances to Suppliers		
State and Other Public Entities	4665,65	3309,74
Unpaid Subscribed Capital		
Other Receivables		

Deferrals	4315,80	0,00
Financial Assets Held for Trading	84486,92	118967,56
Other Financial Assets		
Non-Current Assets Held for Sale		
Cash and Bank Deposits	182369,38	191135,35
Total	**275837,75**	**313412,65**
Total Assets	**285583,81**	**313655,22**

Table 9.6 - Balancesheet target company, Equity and Liabilities 2022-2023; Source: Own Elaboration

Equity and Liabilities		
Year	2022	2023
Equity		
Share Capital	6000,00	6000,00
Treasury Shares		
Other Equity Instruments		
Share Premium		
Legal Reserves	10658,09	11570,41
Other Reserves		
Retained Earnings	177190,22	194524,37
Adjustments in Financial Assets		
Revaluation Surpluses		
Other Changes in Equity	7288,80	7196,40
Total	**201137,11**	**219291,18**
Net Income	18246,47	8493,04
Advance Dividends		
Total	**18246,47**	**8493,04**
Total Equity	**219383,58**	**227784,22**
Liabilities		
Non-Current Liabilities		
Suppliers (Accounts payable)		
Provisions		
Shareholders and Partners		
Borrowings		
Post-Employment Benefit Obligations		
Deferred Tax Liabilities		
Other Payables	32921,04	39949,79
Total	**32921,04**	**39949,79**
Current Liabilities		
Suppliers (Accounts payable)	158,25	405,40
Advances from Customers		
State and Other Public Entities	19055,84	19806,34
Shareholders and Partners		
Borrowings		
Deferrals		

Financial Liabilities Held for Trading		
Other Financial Liabilities		
Non-Current Liabilities Held for Sale		
Other Current Liabilities	14065,10	25709,47
Total	**33279,19**	**45921,21**
Total Liabilities	**66200,23**	**85871,00**
Total Equity and Liabilities	**285583,81**	**313655,22**

Table 9.7 - Income Statement target company 2022-2024; Source: Own Elaboration

Revenue and Expenses			
	2022	2023	2024
Sales and Services	243 801,03	271 211,76	291 661,13
Cost of Goods Sold (COGS)			
Supplies and External Services	-83 746,71	-71 886,09	-50 795,20
Employee Costs	-123 874,30	-177 101,50	-209 288,86
Impairment of Receivables (Losses/Reversals)			
Other Income	107,44	52,83	
Other Expenses	-2 235,95	-430,23	-1 056,56
EBITDA	**34 051,51**	**21 846,77**	**30 520,51**
Depreciation and Amortization (Expenses/Reversals)	-9 763,21	-9 661,60	0,00
EBIT	**24 288,30**	**12 185,17**	**30 520,51**
Interest and Similar Income		2,87	
Interest and Similar Expenses			
EBT	**24 288,30**	**12 188,04**	**30 520,51**
Income Tax	-6 041,83	-3 695,00	-6 422,96
Net Income	**18 246,47**	**8 493,04**	**24 097,55**
Effective tax rate	24,88%	30,32%	
Average effective tax rate		**25,41%**	

Table 9.8 - Financial Rations target company 2022-2024; Source: Own Elaboration

Financial Ratios target company			
Year	2022	2023	2024
EBITDA Margin	13,97%	8,06%	10,46%
Net Profit Margin	7,48%	3,13%	8,26%
Current Ratio	8,29	6,83	
Debt-to-equity	0,30	0,38	
Return on Equity (ROE)	19,17%	6,56%	

9.4. Anexo D

Free Cash Flow to the Firm (FCCF) support calculations - EBIT adjusted for tax effects:

Table 9.9 - Revenue Growth Rate and EBIT Margin target company 2022-2024; Source: Own Elaboration

Target company			
Year	2022	2023	2024
Revenue	243 801,03	271 211,76	291 661,13
Revenue Growth rate		11,24%	7,54%
EBIT	24 288,30	12 185,17	30 520,51
EBIT Margin	9,96%	4,49%	10,46%

Table 9.10 - Revenue Growth Rate and EBIT Margin comparable companies registered under CAE 692 20218-2023; Source: Own Elaboration based on data from Banco de Portugal (2023)

Banco de Portugal: 69200						
Year	2018	2019	2020	2021	2022	2023
Revenue	256 195,00	277 333,00	286 802,00	312 234,00	338 949,00	377 140,00
Growth rate		8,25%	3,41%	8,87%	8,56%	11,27%
EBIT	24 902,00	31 368,00	28 371,00	39 414,00	40 304,00	64 953,00
EBIT Margin		11,31%	9,89%	12,62%	11,89%	17,22%

Table 9.11 - Revenue Growth Rate and EBIT Margin projections; Source: Own Elaboration

Revenue Growth Rate & EBIT Margin Projections	
Historical Avg Revenue Growth Rate (target company &Banco de Portugal data)	9,29%
Revenue Growth Rate	**9,29%**
Historical EBIT Margin (target company & Banco de Portugal data)	11,14%
EBIT Margin	**11,14%**

9.5. Anexo E

Free Cash Flow to the Firm (FCCF) support calculations - Δ Working Capital:

Table 9.12 - Historical AR-to-Revenue target company 2022-2024; Source: Own Elaboration

Historical AR-to-Revenue				
Year	2022	2023	2024	Avg
Accounts receivable				
Revenue	243 801,03	271 211,76	291 661,13	
Historical AR-to-Revenue	**0%**	**0%**		**0%**

Table 9.13 - Historical AP-to-Revenue target company 2022-2024; Source: Own Elaboration

Historical AP-to-Revenue				
Year	2022	2023	2024	Avg
Accounts payable (including SOPE)	19214,09	20211,74	-	0
Revenue	243 801,03	271 211,76	291 661,13	-
Historical AP-to-Revenue	**7,88%**	**7,45%**	**-**	**7,67%**

Table 9.14 - Δ Accounts Receivable Projections for Company X 2025-2029; Source: Own Elaboration

Δ Accounts Receivable Projections					
Year	2025	2026	2027	2028	2029
Revenue	318 749,07	348 352,80	380 705,96	416 063,91	454 705,73
Historical AR-to-Revenue	0%	0%	0%	0%	0%
Accounts Receivable	0	0	0	0	0
Δ AR = AR (t) - AR(t-1)	**0**	**0**	**0**	**0**	**0**

Table 9.15 - Δ Accounts Payable Projections for Company X 2025-2029; Source: Own Elaboration

Δ Accounts Payable Projections					
Year	2025	2026	2027	2028	2029
Revenue	318 749,07	348 352,80	380 705,96	416 063,91	454 705,73
Historical AP-to-Revenue	7,67%	7,67%	7,67%	7,67%	7,67%
Accounts Payable	24 437,59	26 707,23	29 187,65	31 898,45	34 861,01
Δ AP = AP (t) - AP(t-1)*	**5 223,50**	**2 269,63**	**2 480,43**	**2 710,79**	**2 962,56**
*values of 2023 used for first year ΔAP estimation (ΔAP 2025)					

9.6. Anexo F

Weighted Average Cost of Capital (WACC) support calculations – Cost of Equity (K_E):

Table 9.16 - Germany's 10-year Government Bonds Yield 21st February 2025; Source: Own Elaboration based on data from Trading Economics (2025)

Risk free rate	
Germany 10Y Treasury Bond Yield (21/02/2025)	2,46%

Table 9.17 - Unlevered β Business and Consumer Services; Source: Own Elaboration based on data from Damodaran (2024)

β (unlevered)	
Business and Consumer Services	1,00

Table 9.18 - Equity Risk Premium Portugal; Source: Own Elaboration based on data from Damodaran (2024)

Market Risk Premium (RM)	
ERP Portugal	5,93%

Table 9.19 - Calculation of Levered β using Hamada's Equation ; Source: Own Elaboration

β (levered) = β (unlevered) * [1+(1-T)*D/E]	
β (unlevered)	1,00
T	25,41%
1-T	74,59%
D/E	37,70%
β (levered)	**1,28**

9.7. Appendix G

Weighted Average Cost of Capital (WACC): Capital Structure

Table 9.20 - Capital Structure Source target company: Own Elaboration

Capital Structure	
Year	**2023**
Equity (E)	227784,22
Debt (D)	85871,00
E+D	313655,22
Wd = D/(E+D)	**27,38%**
We = E/(E+D)	**72,62%**

9.8. Appendix H

Support calculations to compute the value of the firm:

Table 9.21 - Discounted Cash Flows target company; Source: Own Elaboration

Projected Cash Flows					
Year	2025	2026	2027	2028	2029
Projected Cash Flows	21 257,10	26 670,35	29 147,35	31 854,40	34 812,87
Discounted Cash-Flows	**19 671,44**	**22 839,84**	**23 099,12**	**23 361,35**	**23 626,56**

Table 9.22 - Discounted Terminal Value target company; Source: Own Elaboration

Discounted Terminal Value	
Terminal Value	585 889,26
K (WACC)	8,06%
Discounted Terminal Value	**367 966,53**