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Indicative market valuation analysis of Smile Group

Restamax Oyj

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**FINAL DRAFT FOR
DISCUSSION PURPOSES ONLY**

Contents

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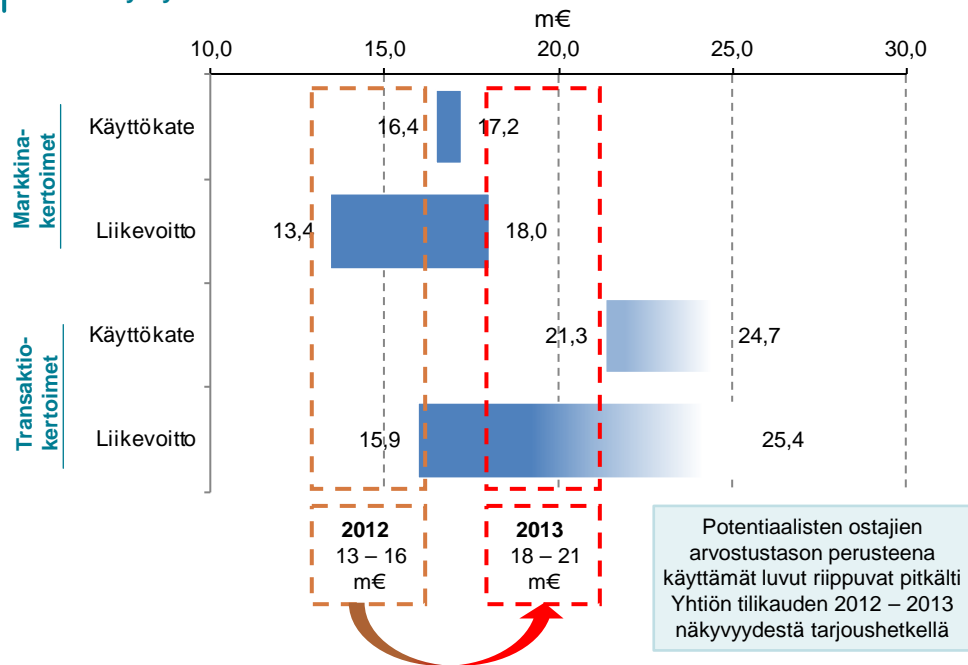
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Background for the discussion

Alustava yritysarvo



Avainluvut*

m€	2008	2009	2010	2011	2012	2013E
Liikevaihto	11.9	12.5	13.7	14.8	14.5	16.5
Kasvu (%)	n.a.	4.9 %	8.9 %	8.1 %	(1.9) %	14.0 %
Käyttökate	1.6	2.6	2.6	2.5	2.5	2.9
Käyttökate (%)	13.2 %	20.4 %	18.9 %	17.2 %	16.9 %	17.3 %
Liikevoitto	1.0	1.6	1.6	1.4	1.5	2.4
Liikevoitto (%)	8.5 %	12.8 %	11.7 %	9.2 %	10.2 %	14.2 %

*2008 – 2010 Staff Invest konserniluvut; 2011 – 2013E Staff Invest konserniluvut oikaistuna Vanajapalvelut Oy:n liikevaihdolla (1,5m€) ja liikevoitolla (0,15m€). Lähde: Yhtiö, Yhtiön kotisivut ja tilinpäätökset, Bloomberg tietokanta, KPMG analyysi

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Taustaa

Arvostuskertoimet

- Markkinakertoimet perustuen analyytikoiden ennusteisiin on laskettu julkisesti listatuista henkilöstöpalvelualan verrokkiyhtiöistä
 - Markkinakertoimia 2012 – 2013E (yritysarvon suhde liikevaihtoon, käyttökatteeseen ja liikevoittoon) on sovellettu Smile-yhtiöiden vastaavan tilikauden toteutuneisiin ja ennustettuihin lukuihin
- Transaktiokertoimet johdettu henkilöstöpalvelualan yrityskaupoista ajanjaksolta 2008 – 2012
- Esitettyjen markkinakertoimiin perustuvien yritysarvojen vaihteluväli kullekin muuttujalle on johdettu ottamalla alalaidaksi vuoden 2012 mediaanikertoimen ja Smile-yhtiöiden 2012 käyttökatteen / liikevoiton tulo ja ylälaidaksi vastaavaa menetelmää soveltamalla saatu vuoden 2013E mediaanikertoimen ja Smile-yhtiöiden 2013E käyttökatteen / liikevoiton tulo
- Transaktiokertoimissa eri muuttujien mediaanikertoimia on sovellettu Smile-yhtiöiden 2012 – 2013E lukuihin vastaavalla menetelmällä
- Pyörästetyt markkinakertoimet (mediaani): käyttökatte: 6,7 x (2012) ja 6,0 x (2013E), liikevoitto 9,1 x (2012) ja 7,7 x (2013E)
- Pyörästetyt transaktiokertoimet (mediaani): käyttökatte 8,7 x ja liikevoitto 10,8 x
- Liikevaihtokertoimien käyttäminen Smile-yhtiöiden alustavassa arvoanalyysissä johtaa poikkeuksellisen alhaisiin arvostustasoihin, mikä ei ole linjassa muun analyysin kanssa

Alustava yritysarvo

- Käyttökate- ja liikevoitokertoimista johdetut arvot indikoivat, että Smile-yhtiöiden yritysarvo asettuu välille 13 – 25 miljoonaa euroa. Ainoastaan liikevaihtokertoimet indikoivat alhaisempaa arvostustasoa
- Esitettyjä oletuksia käyttäen ja perustuen tarkasteltuihin markkina- ja transaktiokertoimiin on Smile-yhtiöiden karkea alustava yritysarvo noin 18 – 21 miljoonaa euroa (FY2013)

Key comments

- EV range based on 2012A figures: €13m – €16m
- EV range based on 2013E figures: €18m – €21m
- Unadjusted trading multiple medians 2012A: 6.7x EV/EBITDA, 9.1x EV/EBIT
- Unadjusted trading multiple medians 2013E: 6.0x EV/EBITDA, 7.7x EV/EBIT
- Transaction multiple medians: 8.7x EV/EBITDA, 10.8x EV/EBIT

Henkilöstöpalvelualan viimeaikaiset transaktiot

Pvm	Kohde	Maa	Ostaja	Maa	Omistus- osuus	Kohdeyhtiön liiketoiminnan kuvaus	Kauppahinta (m€)	EV / liikevaihto (%)	EV / käyttökate (x)	EV / liikevoitto (x)
20.3.2012	Apex Systems	USA	On Assignment	USA	100%	IT henkilöstön ja työvoimaratkaisujen toimittaja	454.0	86%	9.3 x	n.a.
13.11.2011	Paracon	SA	Adcorp	SA	100%	Henkilöstön ja osaamisen toimittaja	64.0	59%	8.4 x	8.7 x
8.11.2011	Staffmark	USA	RGF Staffing	USA	100%	Henkilöstöpalvelujen toimittaja	215.0	10%	n.a.	n.a.
12.9.2011	Healthcare Locums	UK	Toscafund Asset Mgmt.; Ares Capital Europe	UK	70%	Lääketieteen henkilöstövuokrausyritys	68.0	29%	n.a.	11.8 x
1.9.2011	Drake Beam Morin	USA	Adecco	CH	100%	Urapalvelujen toimittaja	149.0	131%	n.a.	n.a.
30.8.2011	SFN Group (ent. Spherion Corp.)	USA	Randstad	FI	100%	Henkilöstövuokrausyritys	497.0	177%	n.a.	n.a.
20.6.2011	Berkley Recruitment (Group)	IE	The ReThink Group	UK	100%	Henkilöstövuokrausyritys	8.0	34%	11.9 x	21.8 x
31.1.2011	Aston Carter	UK	Allegis Group	USA	100%	Henkilöstövuokrausyritys	64.0	135%	15.7 x	18.4 x
12.11.2010	Pulse Staffing	UK	Blackstone Group	USA	Enem. Os.	Sosiaali- ja terveydenhuollon henkilöstöpalvelujen toimittaja	88.0	58%	10.7 x	11.0 x
13.10.2010	FujiStaff	JP	Randstad	FI	80%	Henkilöstön sijoittamisen ja suunnitellun rekrytointipalvelut	162.0	44%	6.5 x	6.8 x
18.6.2010	Intelligence	JP	KKR & Co.	USA	100%	Rekrytointi- ja konsultointiyritys	289.0	59%	n.a.	26.0 x
5.4.2010	COMSYS IT Partners	USA	Manpower er	USA	100%	IT henkilöstön ja hankkeiden toteuttaja	296.0	64%	15.7 x	28.9 x
19.1.2010	MPS Group	USA	Adecco	CH	100%	Henkilöstön ja konsultointipalvelujen toimittaja	772.0	52%	8.4 x	10.0 x
26.10.2009	StepStone	DK	Axel Springer	DE	67%	Henkilöstövuokrausyritys	82.0	106%	8.3 x	12.5 x
20.10.2009	Spring Group	UK	Adecco	CH	100%	Rekrytointi, henkilöstö- ja niihin liittyvien palvelujen toimittaja	62.0	10%	5.8 x	8.3 x
4.2.2009	Arena Personal	SE	SMTW Personal	SE	100%	Henkilöstö- ja rekrytointiyritys	16.0	85%	10.6 x	10.9 x
1.12.2008	DNC De Nederlanden	NL	Adecco Nederland	NL	100%	Holdingyhtiö joilla osuuksia henkilöstöyrityksistä	56.0	84%	8.4 x	8.7 x
30.9.2008	Intelligence	JP	Usen Corporation	JP	62%	Rekrytointi- ja konsultointiyritys	121.0	39%	3.9 x	5.0 x
10.5.2008	Corporate Services Group	UK	Carlisle Group	UK	100%	Vuokratyövoiman ja koulutuspalvelujen toimittaja	59.0	8%	1.4 x	4.1 x
9.5.2008	Vedior	NL	Randstad	NL	100%	Henkilöstöpalvelualan yritys	4,034.0	53%	12.4 x	14.0 x
							Maksimi	177%	15.7 x	28.9 x
							Yläkvartiili	86%	12.0 x	13.8 x
							Keskiarvo	71%	9.5 x	12.5 x
							Mediaani	59%	8.7 x	10.8 x
							Alakvartiili	39%	8.2 x	8.5 x
							Minimi	8%	1.4 x	4.1 x

Lähde: Yhtiöiden nettisivut, Mergermarket ja Zephyr tietokannat

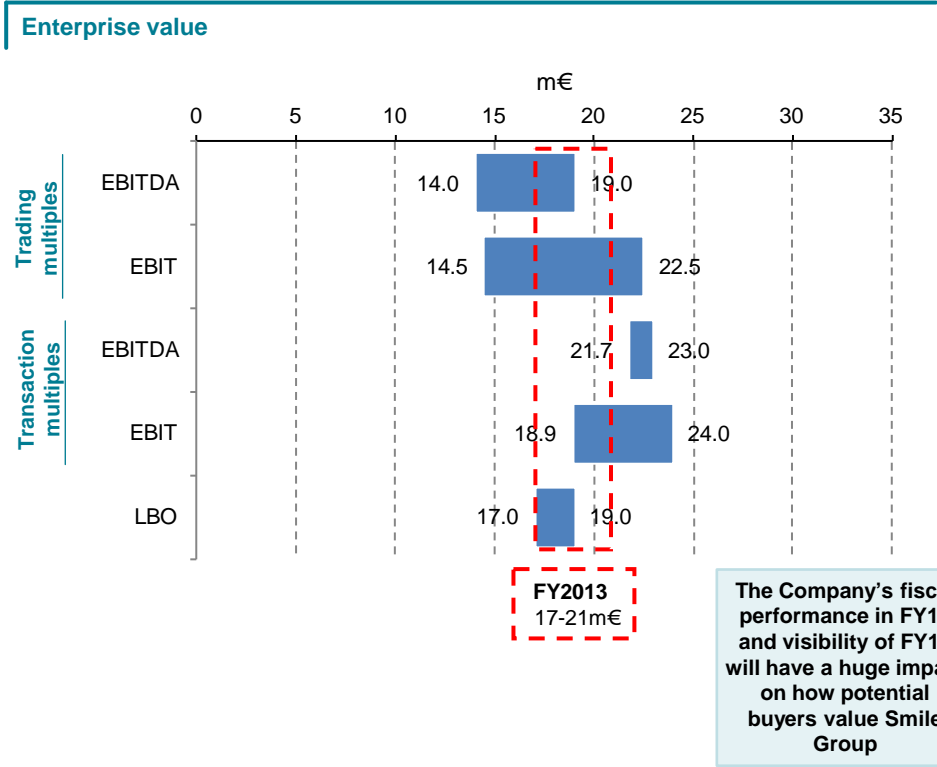
Listattujen henkilöstöpalvelualan verrokkiyhtiöiden markkinakertoimet

Yhtiö	Maa	Yritysarvo (EV) (m€)	Markkina-arvo (m€)	Yritysarvokertoimet											
				EV / liikevaihto (%)			Liikevaihdon kasvu (CAGR %)	EV / käyttökate (x)			Keskimääräinen käyttökate (%)	EV / liikevoitto (x)			Keskimääräinen liikevoitto (%)
				2011	2012	2013E		2011	2012	2013E		2011	2012	2013E	
Adecco		8.106,9	7.190,8	49 %	47 %	47 %	6,9 %	11,0 x	10,5 x	9,9 x	4,6 %	13,5 x	12,6 x	11,6 x	3,8 %
BTS		112,7	118,9	140 %	130 %	n.a.	7,0 %	9,9 x	9,2 x	n.a.	14,3 %	10,8 x	9,8 x	n.a.	13,2 %
Groupe Crit		184,3	151,9	13 %	12 %	12 %	6,7 %	3,6 x	3,4 x	3,3 x	3,6 %	4,2 x	4,2 x	4,3 x	2,9 %
Hydrogen		28,0	24,0	16 %	14 %	12 %	20,9 %	5,7 x	5,3 x	5,3 x	2,6 %	6,5 x	6,3 x	6,4 x	2,2 %
Kelly Services		400,1	389,9	10 %	9 %	9 %	5,7 %	6,2 x	5,1 x	4,4 x	1,8 %	10,3 x	7,2 x	6,0 x	1,2 %
Manpower		2.558,3	2.322,4	16 %	16 %	16 %	5,3 %	6,1 x	5,7 x	5,9 x	2,6 %	7,7 x	6,9 x	7,1 x	2,1 %
Poolia		20,4	21,8	16 %	17 %	18 %	-5,3 %	9,2 x	11,5 x	11,1 x	1,6 %	n.m.	21,0 x	17,8 x	-0,8 %
Proffice		167,7	142,9	32 %	30 %	31 %	5,7 %	6,7 x	8,2 x	8,2 x	4,2 %	7,6 x	9,2 x	9,2 x	3,7 %
Randstand		5.740,2	4.302,7	37 %	34 %	33 %	8,5 %	9,3 x	9,1 x	8,7 x	3,9 %	19,9 x	18,6 x	15,0 x	2,1 %
Staffline		83,4	73,2	27 %	21 %	19 %	29,2 %	7,0 x	6,2 x	5,5 x	3,6 %	9,1 x	7,2 x	5,8 x	3,1 %
Synergie		197,1	168,1	15 %	14 %	13 %	10,4 %	4,1 x	3,9 x	3,7 x	3,5 %	4,5 x	4,6 x	4,5 x	3,1 %
Trueblue		348,9	440,8	36 %	33 %	33 %	8,2 %	8,1 x	6,7 x	6,2 x	4,8 %	11,4 x	9,1 x	8,3 x	3,5 %
Uniflex		59,2	55,8	36 %	32 %	32 %	17,9 %	7,0 x	10,4 x	11,0 x	4,0 %	7,2 x	9,4 x	9,0 x	4,3 %
			Maksimi	140 %	130 %	47 %	29,2%	11,0 x	11,5 x	11,1 x	14,3 %	19,9 x	21,0 x	17,8 x	13,2 %
			Yläkvartaali	36 %	33 %	32 %	9,4 %	9,2 x	9,2 x	9,0 x	4,2 %	10,9 x	9,8 x	9,8 x	3,6 %
			Keskiarvo	34 %	32 %	23 %	8,5 %	7,2 x	7,3 x	6,9 x	4,2 %	9,4 x	9,7 x	8,8 x	3,2 %
			Mediaani	27 %	21 %	18 %	6,9 %	7,0 x	6,7 x	6,0 x	3,6 %	8,4 x	9,1 x	7,7 x	3,0 %
			Alakvartili	16 %	14 %	13 %	5,5 %	6,1 x	5,3 x	5,1 x	2,6 %	7,0 x	6,9 x	6,0 x	2,1 %
			Minimi	10 %	9 %	9 %	-5,3 %	3,6 x	3,4 x	3,3 x	1,6 %	4,2 x	4,2 x	4,3 x	-0,8 %

Verrokkiyhtiöiden kertoimet kalenterisoiu vastaamaan Smile-yhtiöiden tilikautta (1.8. – 31.7.)

Lähde: Yhtiöiden nettisivut, Bloomberg tietokanta; liikevaihdon kasvuluvut sekä keskimääräiset kannattavuudet on laskettu 2010 – 2013 (BTS:n kohdalla luvut laskettu 2010 – 2012)

Valuation analysis made / drafted for sell-side M&A purposes (31 January 2013); Should be treated as suggestive due to outdated data and assumptions



Key figures*

m€	2008	2009	2010	2011	2012	2013E	2014E	2015E
Turnover	11.9	12.5	13.7	16.3	16.0	17.4	22.1	26.4
Growth (%)	n.a.	4.9%	8.9%	19.1%	-1.7%	8.6%	27.1%	19.4%
EBITDA	1.6	2.6	2.6	2.7	2.6	2.6	3.3	3.9
EBITDA (%)	13.2%	20.4%	18.9%	16.6%	16.3%	15.2%	15.0%	14.7%
EBIT	1.0	1.6	1.6	1.5	1.6	2.2	2.7	3.2
EBIT (%)	8.5%	12.8%	11.7%	9.3%	10.1%	12.8%	12.4%	12.2%

*2008–2012 Staff Invest Group's consolidated financial statements

Source: The Company, website and financial statements, Bloomberg, KPMG analysis

Key findings

Valuation multiples

- Trading multiples are based on analysts' views on publicly traded companies within the staffing and recruitment sector
 - Trading multiples of 2013E (EV/turnover, EV/EBITDA and EV/EBIT) have been applied to Smile Group's estimates for the same period
- The presented value range for each variable has been derived by choosing lower quartile multiple of 2013E, multiplied by 2013E EBITDA/EBIT of the Company, as low value and median multiple of 2013E, multiplied by 2013E EBITDA/EBIT of the Company, as high value
- Rounded trading multiples: EBITDA (2013E): 5.3x (lower quartile), 7.2x (median); EBIT (2013E): 6.5x (lower quartile), 10.2x (median)
- Transaction multiples have been derived from completed transactions within the staffing and recruitment sector during 2008-2012
- The above method has also been used when defining the value using transaction multiples. The 2013E EBITDA/EBIT figures of the Company have been multiplied by the lower quartile and median transaction multiples
- Rounded transaction multiples: EBITDA: 8.2x (lower quartile), 8.7x (median); EBIT: 8.5x (lower quartile), 10.8x (median)
- Using of turnover multiples in the initial valuation analysis of Smile Group leads to lower values, not in line with the results of the rest of the initial valuation analysis

Leveraged Buy-Out analysis (LBO)

- Leveraged Buy-Out analysis is a reference method for determining potential debt services capacity of a company and the potential value to a P/E house

Initial enterprise value (EV)

- Figures derived from the EBITDA and EBIT multiples and LBO suggest EV range of 14-24m€
- Based on above information, we estimate the EV of Smile Group to be 17-21m€ (FY2013)

Key comments

- EV range based on 2013E figures: €17m – €21m**
- Unadjusted trading mult. range 2013E: 5.3x – 7.2x EV/EBITDA, 6.5x – 10.2x EV/EBIT**
- Transaction multiple range: 8.2x – 8.7x EV/EBITDA, 8.5x – 10.8x EV/EBIT**

Selected M&A transaction within the staffing sector

Valuation analysis made / drafted for sell-side M&A purposes (31 January 2013); Should be treated as suggestive due to outdated data and assumptions

Recent M&A transaction within the staffing / recruitment sector

Date	Target	Country	Acquirer	Country	Ownership	Target description	Deal value (m€)	EV / Turnover (%)	EV / EBITDA (x)	EV / EBIT (x)
Mar 20, 2012	Apex Systems		On Assignment		100%	Provider of IT staffing and workforce solutions	454	86%	9.3x	n.a.
Nov 13, 2011	Paracon		Adcorp		100%	Provider of staffing and talent management services in IT	64	59%	8.4x	8.7x
Nov 8, 2011	Staffmark		RGF Staffing		100%	Staffing services provider	215	10%	n.a.	n.a.
Sep 12, 2011	Healthcare Locums		Toscafund Asset Mgmt.; Ares Capital Europe		70%	Medical staffing company	68	29%	n.a.	11.8x
Sep 1, 2011	Drake Beam Morin		Adecco		100%	Career transition and talent development solutions provider	149	131%	n.a.	n.a.
Aug 30, 2011	SFN Group (ent. Spherion Corp.)		Randstad		100%	Recruiting and staffing company	497	177%	n.a.	n.a.
Jun 20, 2011	Berkley Recruitment (Group)		The ReThink Group		100%	Recruitment company	8	34%	11.9x	21.8x
Jan 31, 2011	Aston Carter		Allegis Group		100%	Staffing company	64	135%	15.7x	18.4x
Nov 12, 2010	Pulse Staffing		Blackstone Group		Majority	Provider of health and social care staffing services	88	58%	10.7x	11.0x
Oct 13, 2010	FujiStaff		Randstad		80%	Provider of personnel placement and recruitment services	162	44%	6.5x	6.8x
Jun 18, 2010	Intelligence		KKR & Co.		100%	Recruitment and consulting company	289	59%	n.a.	26.0x
Apr 5, 2010	COMSYS IT Partners		Manpower		100%	IT staffing and project implementation services provider	296	64%	15.7x	28.9x
Jan 19, 2010	MPS Group		Adecco		100%	Provider of staffing and consulting services	772	52%	8.4x	10.0x
Oct 26, 2009	StepStone		Axel Springer		67%	Online recruitment company	82	106%	8.3x	12.5x
Oct 20, 2009	Spring Group		Adecco		100%	Provider of recruitment, staffing and related services	62	10%	5.8x	8.3x
Feb 4, 2009	Arena Personal		SMTW Personal		100%	Staffing and recruitment company	16	85%	10.6x	10.9x
Dec 1, 2008	DNC De Nederlanden		Adecco Nederland		100%	Holding company having interests in staffing companies	56	84%	8.4x	8.7x
Sep 30, 2008	Intelligence		Usen Corporation		62%	Recruitment and consulting company	121	39%	3.9x	5.0x
May 10, 2008	Corporate Services Group		Carlisle Group		100%	Employment services company	59	8%	1.4x	4.1x
May 9, 2008	Vedior		Randstad		100%	Staffing services company	4,034	53%	12.4x	14.0x
							Max	177%	15.7x	28.9x
							Upper quartile	86%	12.0x	13.8x
							Average	71%	9.5x	12.5x
							Median	59%	8.7x	10.8x
							Lower quartile	39%	8.2x	8.5x
							Min	8%	1.4x	4.1x

Source: The companies, Mergermarket and Zephyr

Trading multiples of listed comparable companies

Company	Country	EV (m€)	Market Cap (m€)	Multiples											
				EV / Turnover (%)			CAGR %	EV / EBITDA (x)			Average EBITDA (%)	EV / EBIT (x)			Average EBIT (%)
				2012	2013E	2014E		2012	2013E	2014E		2012	2013E	2014E	
Adecco		8,702	7,789	51%	51%	48%	3.2%	11.3x	10.7x	9.3x	4.9%	13.6x	12.6x	10.8x	4.1%
BTS		118	125	139%	n.a.	n.a.	4.4%	10.3x	n.a.	n.a.	13.7%	11.2x	10.2x	n.a.	12.8%
Groupe Crit		207	175	14%	14%	14%	2.4%	3.8x	3.9x	3.8x	3.6%	4.7x	4.8x	4.8x	3.0%
Hydrogen		28	24	14%	13%	11%	12.0%	5.4x	5.3x	4.7x	2.5%	6.3x	6.5x	5.8x	2.1%
Kelly Services		461	451	11%	11%	10%	3.0%	5.9x	5.1x	5.2x	1.9%	12.0x	8.4x	7.0x	1.0%
Manpower		2,928	2,694	18%	19%	18%	0.7%	6.5x	6.8x	6.1x	2.9%	7.9x	8.1x	7.3x	2.4%
Poolia		n.a.	24	16%	17%	18%	-2.8%	11.5x	11.1x	12.1x	1.9%	n.m.	21.0x	17.8x	1.0%
Proffice		201	176	36%	36%	36%	2.3%	9.7x	9.8x	7.4x	4.3%	10.9x	10.9x	8.1x	3.9%
Randstad		6,390	4,950	38%	37%	36%	4.7%	10.1x	9.9x	8.9x	3.9%	20.5x	16.9x	13.7x	2.2%
Staffline		94	84	24%	21%	20%	15.5%	6.9x	6.2x	5.6x	3.5%	8.2x	6.5x	5.9x	3.1%
Synergia		209	180	14%	14%	14%	4.0%	4.3x	4.1x	4.0x	3.4%	4.7x	4.8x	4.8x	3.1%
Trueblue		427	518	41%	40%	39%	5.1%	8.2x	7.6x	7.4x	5.1%	11.2x	10.2x	9.8x	3.8%
Uniflex		70	67	38%	39%	36%	4.8%	14.0x	14.4x	7.9x	3.7%	8.5x	11.0x	10.5x	4.4%
			Max	139%	51%	48%	15.5%	14.0x	14.4x	12.1x	13.7%	20.5x	21.0x	17.8x	12.8%
			Upper quartile	38%	38%	36%	4.8%	10.3x	10.1x	8.2x	4.3%	11.4x	11.0x	10.5x	3.9%
			Average	35%	26%	25%	3.9%	8.3x	7.9x	6.9x	4.3%	10.0x	10.1x	8.8x	3.3%
			Median	24%	20%	19%	3.2%	8.2x	7.2x	6.8x	3.6%	9.7x	10.2x	7.7x	3.0%
			Lower quartile	14%	14%	14%	1.5%	5.9x	5.3x	5.0x	2.9%	7.5x	6.5x	5.9x	2.1%
			Min	11%	11%	10%	-2.8%	3.8x	3.9x	3.8x	1.9%	4.7x	4.8x	4.8x	0.0%

All figures have been calendarised to match the financial year of the Company

Source: The companies, Bloomberg (Jan 4, 2013); The figures indicating growth as well as figures showing average growth have been calculated using 2011-2014 financials (For BTS we have used 2011-2012 financials)

Smile Group in brief

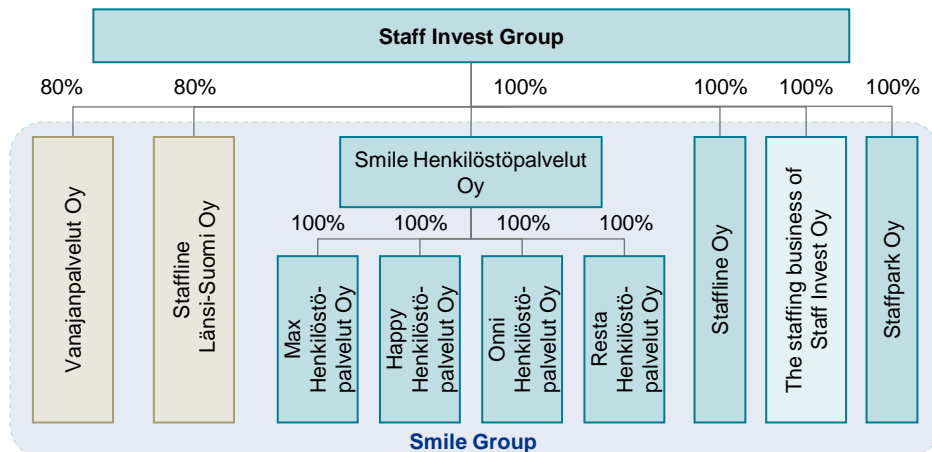
Smile Group – A trusted partner in the HoReCa sector

In brief

- Smile Group focuses on staffing services for the HoReCa sector
- The company is based in Tampere, Finland, and holds an HPL (Private Employment Agencies Association in Finland) certificate
- Smile Group consists of:
 - The staffing business of Staff Invest Oy, Smile Henkilöstöpalvelut Oy, Max Henkilöstöpalvelut Oy, Happy Henkilöstöpalvelut Oy, Onni Henkilöstöpalvelut Oy, Resta Henkilöstöpalvelut Oy, Staffpark Oy and Staffline Oy
 - 80% of Vanajanpalvelut Oy and Staffline Länsi-Suomi Oy
- The main clients of the Company include e.g. Restamax and Night People Group (NPG)
- Smile Group is the leading company in its sector in Finland
- Mr Jari Vainio serves as CEO and Mr Riki Huhtala as Chairman of the Board

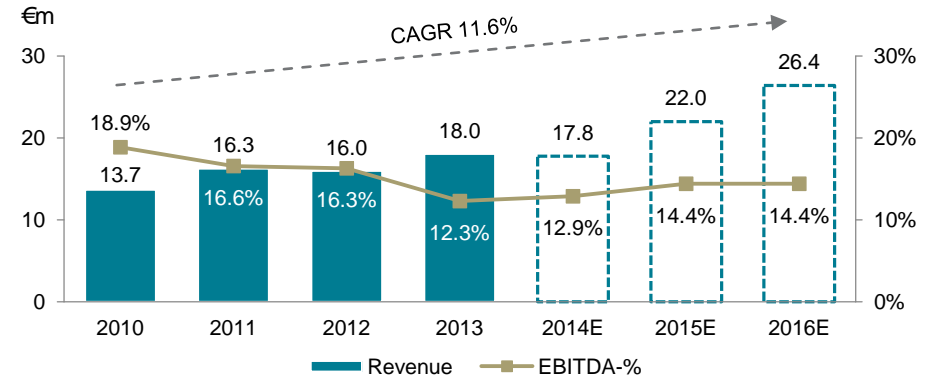
Source: Company material

Group structure



Source: Asiakastiето, Company material, KPMG analysis

Financial development of Smile Group (2010 – 2016E)

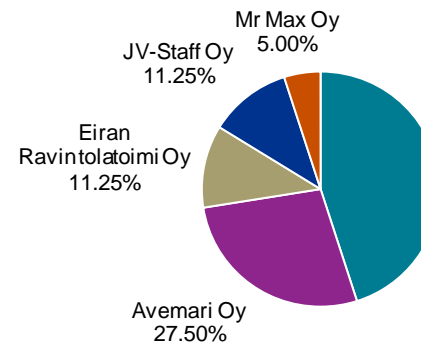


Note: All financial periods from 1st of August to 31st of July

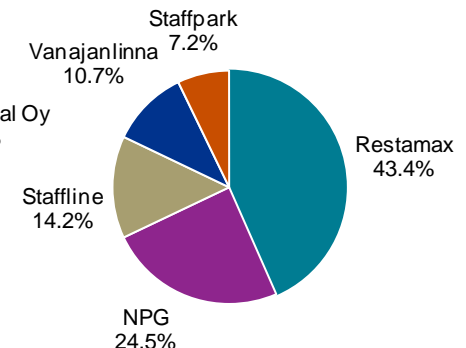
Source: Company material, management estimates, KPMG analysis

Ownership structure & revenue distribution (2014E)

Ownership structure⁽¹⁾



Revenue distribution (2014E)



(1) Owner of WAVE Capital Oy: Lilli Laine (100%); AVEMARI Oy: Riki Huhtala (50%) & Timo Laine (50%); EIRAN RAVINTOLOIIMI Oy: Mikko Aartio (100%); JV-STAFF Oy: Jari Vainio (100%); MR MAX Oy: Mikko Aartio (50%) & Timo Laine (50%)

Source: Asiakastiето, Company material, management estimates

The Company's historical, current and planned operations

Development of operations

- Traditionally, ca. 90% percent of the Company's revenue has been generated from long-term contracts with the main customers, namely Restamax and Night People Group (former SK-Ravintolat)
- More recently, the Company has started to expand its operations through Staffline Oy also to traditional recruitment with emphasis on sales and acquisition of new customers outside the old client pool
 - Customers are targeted also outside the night club sector to further lower client and sector dependency
- In the future, the Company's plan is to be more comprehensive personnel service provider by having a stable foundation on its origins in the HoReCa-sector, while offering flexible service solutions packages to related sectors by complementing the current business model with traditional recruitment services

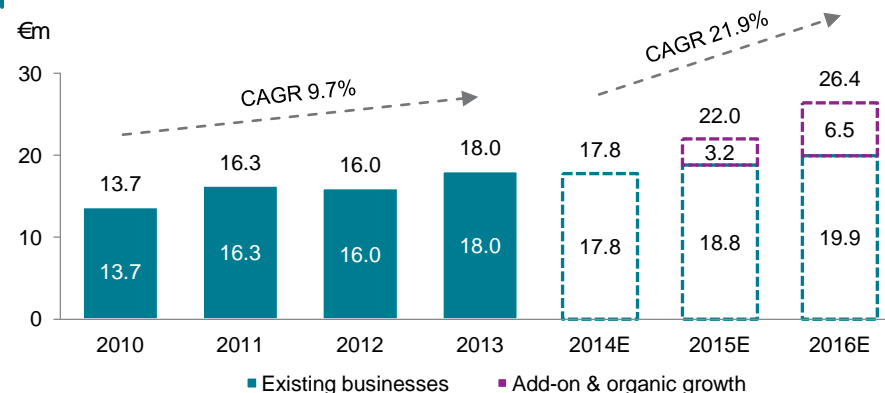
Source: Company material

Development of revenue

- According to management estimates, the revenue stream of the existing contracts with the main customers is expected to form the basis of the business in the near future
 - Restamax is estimated to grow at a healthy 10.0% annual rate in 2015 – 2016
 - NPG's business is assumed to stabilise after recent difficulties, which is expected to result in a flat revenue stream from 2014 onwards (growth rate assumed to equal the long-term inflation of 1.8%)
 - A 15.0% growth is projected for Staffline and a 5.0% growth for both Vanajanlinna and Staffpark in 2015 – 2016
- The Company is currently finalising the acquisition of a staffing business that is assumed to be incorporated into the Group effective from 1 August 2015
 - The management assumes that the acquired add-on business generates ca. €3.2 million of sales in 2015 and in 2016 the top line growth (ca. €6.5m) is according to the management mainly organic

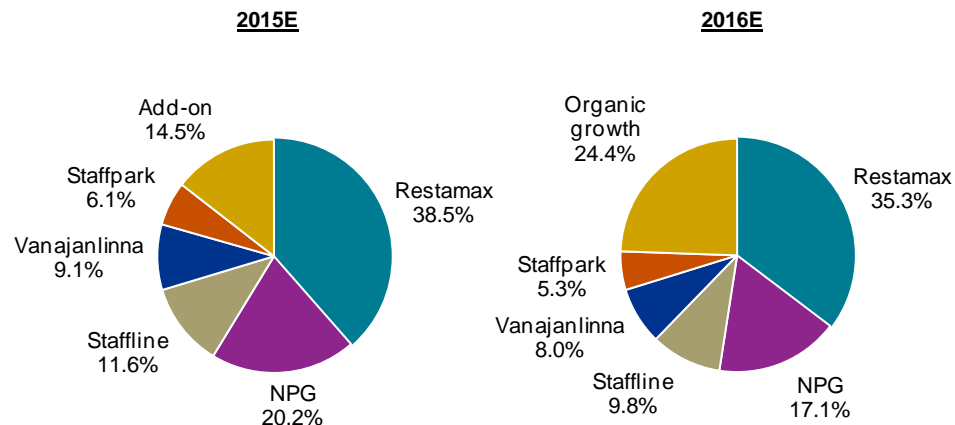
Source: Company material, management estimates

Estimated revenue development (2010 – 2016E)



Source: Company material, management estimates, KPMG analysis

Estimated revenue distribution (2015E & 2016E)

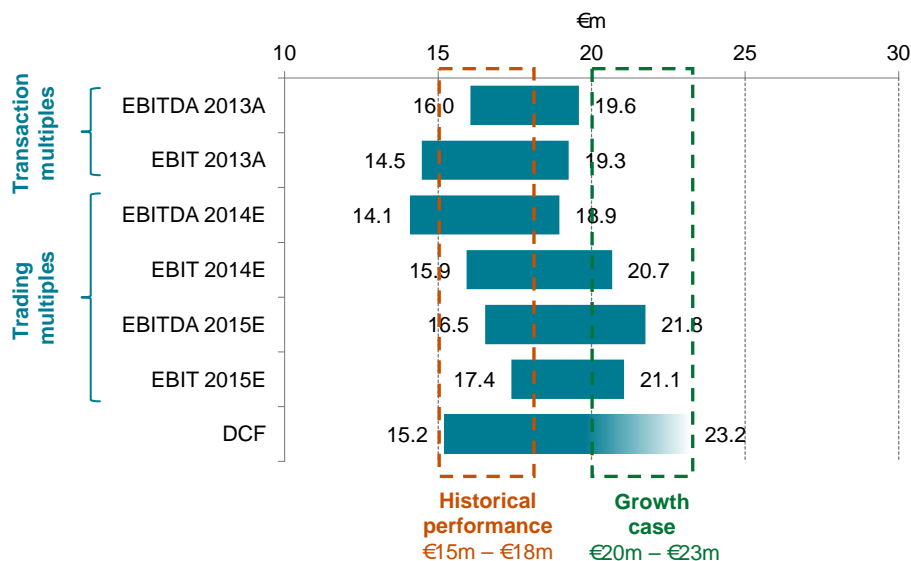


Source: Company material, management estimates, KPMG analysis

Valuation summary

Smile Group valuation summary

Enterprise value (EV)



Key financials (2010 – 2016E)

€m	2010	2011	2012	2013	2014E	2015E	2016E
Revenue	13.7	16.3	16.0	18.0	17.8	22.0	26.4
Growth-%	8.9%	19.1%	-1.7%	12.9%	-1.5%	23.8%	20.0%
Total expenses	11.7	13.6	13.4	15.9	15.5	18.8	22.6
EBITDA	2.6	2.7	2.6	2.2	2.3	3.2	3.8
Margin-%	18.9%	16.6%	16.3%	12.3%	12.9%	14.4%	14.4%
EBIT	1.4	1.5	1.6	1.7	1.9	2.7	3.3
Margin-%	10.2%	9.3%	10.1%	9.7%	10.8%	12.4%	12.4%

(1) KPMG is not in the position to exactly evaluate the effect at this point due to insufficient information made available

Source: Company material, management estimates, KPMG analysis, Bloomberg, Mergermarket, Zephyr

Comments

- We have treated Smile Group as a stand-alone business in our analyses and have not taken into account the following conditions that may have a material effect on the Company's EV in the contemplated transaction⁽¹⁾
 - The business is heavily dependent on its main customer Restamax
 - Certain customers, NPG in particular, are facing challenges in maintaining their solvency
 - The independency of the Company may be challenged due to the overlapping owner bases of Restamax and Smile Group
- Overall valuation range can be derived into two parts
 - The lower range is based on historical (i.e. backward looking) figures that do not take into account the positive impact of Smile Group's projected growth and efficiency improvements
 - The higher range is based on the growth case in which the Company would increase sales both organically and through acquisitions, without jeopardising the profitability seen in the past
 - All figures refer to the EV. Equity value has not been considered in this analysis
- Contrary to our previous analyses on Smile Group, the trading multiples have been adjusted downwards to reflect the Company's higher risk compared to the public peers
 - The trading multiples are mostly derived from companies operating in markets with prospects currently being brighter than in Finland, which is also reflected in their higher valuation
 - Smile Group is small compared to the listed peers, which is also to be taken into account in the multiples
- The range derived from the DCF analysis should be interpreted cautiously and should be understood as secondary to the multiple based valuation ranges
 - On paper, DCF analysis is best positioned to capture the effect of the projected future growth, but as the future cash flows are highly uncertain, DCF outcomes exceeding multiple-based valuation ranges are rarely justifiable from an investor's perspective in practice

Overview of valuation methods

Method	Description	How applied
Market transaction method (Transaction multiples)	<ul style="list-style-type: none"> This method estimates the EV based on exchange prices for controlling interests in recent transactions The process is centred on comparison and correlation of the target company with other similar companies. Adjustments for differences in relevant factors (i.e. size, growth, profitability, risk, and return on investment) are also applied if necessary 	<ul style="list-style-type: none"> Most relevant transactions executed in the staffing sector in developed countries with disclosed deal value are identified from the period 2009 – 2014YTD As transaction multiples are based on historical EBIT and EBITDA figures, we have applied the transaction multiples to Smile Group's latest published financials from July 2013 The limits of the presented valuation ranges correspond to the lower quartile and median multiples of the transaction dataset
Market comparable method (Trading multiples)	<ul style="list-style-type: none"> This method estimates the EV of a business by comparing it with publicly traded companies in a similar line of business Analysis of the market multiples of companies engaged in similar businesses yields insight into investor perceptions and therefore the value of the target company 	<ul style="list-style-type: none"> Publicly listed peer group companies have been chosen to match both businesses as well as possible. The main focus has been on European companies with a similar business concept Multiples for calendar years 2013 – 2015 have been adjusted to match Smile Group's financial years 2014 and 2015, after which the multiples are applied to the Company's EBIT and EBITDA estimates for the corresponding periods The limits of the presented valuation ranges correspond to the lower quartile and median multiples of the trading multiple dataset
Discounted cash flow method (DCF)	<ul style="list-style-type: none"> This method estimates the EV of a company based on the present value of the cash flows that the business can be expected to generate in the future Such cash flows are discounted at a discount rate (WACC i.e. the cost of capital) that reflects the time value of money and the risks associated with the cash flows As it is not feasible to explicitly project the future cash flows of an asset or a firm to infinity, a terminal value at the end of the explicit forecast period is determined and that value is also discounted back to the Valuation Date along with the separately projected cash flows 	<ul style="list-style-type: none"> Future cash flow estimates are forecast explicitly from 2014 to 2017, after which 1.8% growth is assumed for the terminal period (corresponding to the projected long-term inflation in Finland) Weighted average cost of capital (WACC) of 12.5% has been derived from a selected peer group The presented valuation range is derived by adjusting EBITDA margin by +/- 2%, other things being equal

Appendix A

Detailed findings

Recent transactions in the staffing sector

Relevant transactions with disclosed value within staffing / recruitment sector in developed markets, 2009-2014YTD

Date	Target	Country	Acquirer	Country	Stake	Target description	Deal value (€m)	EV / Sales (x)	EV / EBITDA (x)	EV / EBIT (x)
Jun 14	Seaton		TrueBlue		100%	Staffing and recruitment company	228	0.5x	13.5x	n.m.
Mar 14	Career Teachers		Impellam Group		100%	Provider of teaching staff recruitment services	24	1.1x	7.3x	n.a.
Oct 12	Air Energi Group		LGV Capital		100%	Recruitment agency for the oil and gas sector	36	0.1x	3.9x	4.3x
May 12	ACCENT Jobs For People		Naxicap Partners		100%	Provider of recruitment and leasing services	211	0.6x	7.2x	7.9x
Mar 12	Apex Systems		On Assignment		100%	IT staffing and workforce solutions	454	0.9x	9.3x	n.a.
Nov 11	Staffmark		RGF Staffing		100%	Staffing services provider	215	0.1x	n.a.	n.a.
Sep 11	Healthcare Locums		Toscafund, Ares Capital		70%	Medical staffing company	68	0.3x	n.a.	11.8x
Sep 11	Drake Beam Morin		Adecco		100%	Career transition and talent development solutions provider	149	1.3x	n.a.	n.a.
Aug 11	SFN Group (ex. Spherion)		Randstad		100%	Recruiting and staffing company	497	1.8x	n.a.	n.a.
Jun 11	Berkley Recruitment (Group)		The ReThink Group		100%	Recruitment company	8	0.3x	11.9x	21.8x
Jan 11	Aston Carter		Allegis Group		100%	Staffing company	64	1.3x	15.7x	18.4x
Nov 10	Pulse Staffing		Blackstone Group		Majority	Provider of health and social care staffing services	88	0.6x	10.7x	11.0x
Oct 10	FujiStaff		Randstad		80%	Personnel placement and recruitment services	162	0.4x	6.5x	6.8x
Jun 10	Intelligence		KKR & Co.		100%	Recruitment and consulting company	289	0.6x	n.a.	26.0x
Apr 10	COMSYS IT Partners		Manpower		100%	IT staffing and project implementation services provider	296	0.6x	15.7x	28.9x
Jan 10	MPS Group		Adecco		100%	Provider of staffing and consulting services	772	0.5x	8.4x	10.0x
Oct 09	StepStone		Axel Springer		67%	Online recruitment company	82	1.1x	8.3x	12.5x
Oct 09	Spring Group		Adecco		100%	Provider of recruitment, staffing and related services	62	0.1x	5.8x	8.3x
Feb 09	Arena Personal		SMTW Personal		100%	Staffing and recruitment company	16	0.8x	10.6x	10.9x

Max	1.8x	15.7x	28.9x
Upper quartile	1.0x	11.6x	18.4x
Average	0.7x	9.6x	13.7x
Median	0.6x	8.8x	11.0x
Lower quartile	0.4x	7.2x	8.3x
Min	0.1x	3.9x	4.3x

Note: Transaction multiples may not be perfectly in line due to inconsistencies in reporting standards

Source: Mergermarket, Zephyr

Trading multiples of selected publicly listed companies

Adjustments⁽¹⁾ allow for risk differences stemming from varying company sizes and market risks

Comparison of unadjusted and size / market risk adjusted trading multiples

Company	Country	EV (€m)	EV / Sales (x)				EV / EBITDA (x)				EV / EBIT (x)			
			2014A/E		2015E		2014A/E		2015E		2014A/E		2015E	
			Unadjusted	Adjusted	Unadjusted	Adjusted	Unadjusted	Adjusted	Unadjusted	Adjusted	Unadjusted	Adjusted	Unadjusted	Adjusted
Nordic	Poolia	22	0.3x	0.3x	0.3x	0.3x	5.3x	n.a.	9.0x	9.5x	49.8x	52.6x	12.4x	13.1x
	Proffice	206	0.4x	0.4x	0.4x	0.4x	13.2x	11.9x	10.8x	9.7x	14.7x	13.2x	11.9x	10.7x
	Uniflex	56	0.4x	0.4x	0.4x	0.4x	15.7x	16.6x	8.0x	8.4x	16.8x	17.8x	8.3x	8.8x
Rest of Europe	Adecco	12,501	0.6x	0.3x	0.6x	0.2x	12.3x	5.2x	10.2x	4.3x	14.3x	6.0x	11.5x	4.8x
	Amadeus Fire	242	16x	14x	16x	13x	9.6x	8.1x	8.8x	7.5x	9.9x	8.4x	9.1x	7.7x
	Brunel	1,026	0.8x	0.5x	0.8x	0.5x	12.1x	8.3x	10.5x	7.1x	13.1x	8.9x	11.1x	7.6x
	DPA	95	13x	12x	13x	11x	12.3x	12.0x	10.1x	9.8x	15.9x	15.6x	12.4x	12.1x
	Groupe Crit	589	0.4x	0.3x	0.4x	0.3x	6.5x	4.8x	5.4x	4.0x	7.4x	5.5x	6.1x	4.6x
	Hays	2,726	0.6x	0.3x	0.6x	0.3x	13.2x	7.9x	11.2x	6.8x	15.1x	9.1x	12.6x	7.5x
	Michael Page	1,575	12x	0.8x	12x	0.7x	13.5x	8.7x	10.9x	7.0x	16.7x	10.7x	13.0x	8.4x
	Randstand	8,036	0.5x	0.2x	0.5x	0.2x	11.8x	5.5x	9.2x	4.3x	17.5x	8.1x	11.6x	5.4x
	Robert Walters	285	0.4x	0.3x	0.4x	0.3x	14.5x	11.7x	12.3x	9.9x	19.4x	15.6x	15.3x	12.3x
	Staffline	316	0.6x	0.5x	0.6x	0.4x	16.7x	13.5x	10.9x	8.8x	20.6x	16.6x	11.7x	9.4x
	Sthree	609	0.7x	0.5x	0.7x	0.5x	15.1x	11.2x	11.4x	8.5x	19.1x	14.2x	13.9x	10.3x
	Synergie	493	0.3x	0.2x	0.3x	0.2x	6.4x	4.9x	5.5x	4.2x	7.3x	5.6x	6.3x	4.8x
USG People	1,152	0.5x	0.3x	0.5x	0.3x	12.9x	8.6x	9.2x	6.1x	20.4x	13.6x	11.4x	7.6x	
US	Kelly Services	477	0.1x	0.1x	0.1x	0.1x	8.4x	6.8x	6.7x	5.5x	n.a.	n.a.	n.a.	n.a.
	Manpower	4,770	0.3x	0.2x	0.3x	0.2x	9.3x	5.5x	7.5x	4.4x	10.8x	6.4x	8.3x	4.9x
	Robert Half	4,641	14x	0.8x	14x	0.8x	13.1x	7.8x	11.4x	6.7x	14.6x	8.6x	12.5x	7.4x
	Trueblue	746	0.6x	0.4x	0.6x	0.4x	10.9x	8.5x	8.4x	6.5x	14.3x	11.2x	10.4x	8.1x
	Max		16x	14x	16x	13x	16.7x	16.6x	12.3x	9.9x	49.8x	52.6x	15.3x	13.1x
	Upper quartile		0.7x	0.5x	0.7x	0.5x	13.3x	11.5x	10.9x	8.5x	18.3x	14.9x	12.5x	9.9x
	Average		0.6x	0.5x	0.6x	0.4x	11.6x	8.8x	9.4x	6.9x	16.7x	13.0x	11.0x	8.2x
	Median		0.5x	0.4x	0.5x	0.3x	12.3x	8.3x	9.6x	6.9x	15.1x	10.7x	11.6x	7.7x
	Lower quartile		0.4x	0.3x	0.4x	0.3x	9.5x	6.2x	8.3x	5.2x	13.7x	8.3x	9.7x	6.4x
	Min		0.1x	0.1x	0.1x	0.1x	5.3x	4.8x	5.4x	4.0x	7.3x	5.5x	6.1x	4.6x

(1) Adjustments are done following the methodology described in Grabowski, Roger J. and David W. King, "New Evidence on Equity Returns and Company Risk," Business Valuation Review, September 1999

Source: Bloomberg (23 June 2013)

Discounted cash flow analysis

DCF valuation

€m	2013A	2014E	2015E	2016E	2017	Terminal
Sales	18.0	17.8	22.0	26.4	27.7	28.2
Sales growth %	12.9%	-1.5%	23.8%	20.0%	5.0%	1.8%
Operating expenses	15.8	15.5	18.8	22.6	23.7	24.2
% of sales	87.7%	87.1%	85.6%	85.6%	85.6%	85.6%
EBITDA	2.2	2.3	3.2	3.8	4.0	4.1
% of sales	12.3%	12.9%	14.4%	14.4%	14.4%	14.4%
Depreciation	0.5	0.4	0.4	0.5	0.6	0.6
% of sales	2.6%	2.0%	2.0%	2.0%	2.0%	2.0%
EBIT	1.7	1.9	2.7	3.3	3.4	3.5
% of sales	9.7%	10.8%	12.4%	12.4%	12.4%	12.4%
Profit after taxes	1.3	1.5	2.2	2.6	2.7	2.8
% of sales	7.3%	8.7%	9.9%	9.9%	9.9%	9.9%
Depreciation		0.4	0.4	0.5	0.6	0.6
Change in NWC		0.0	0.5	0.5	0.1	0.1
Capex (incl. add-on)		0.0	1.7 ⁽¹⁾	0.9	0.9	1.0
FCF		1.9	0.5	1.8	2.2	2.4
Terminal year growth						1.8%
WACC						12.5%
Terminal year value						22.0
Present value of FCF		0.2	0.4	1.4	1.6	15.3

Enterprise value **18.9**

EV (€m) vs. WACC and change in EBITDA margin

EBITDA-% change	WACC						
	9.5%	10.5%	11.5%	12.5%	13.5%	14.5%	15.5%
-3.0%	18.7	16.4	14.5	13.0	11.8	10.7	9.8
-2.0%	21.4	18.8	16.7	15.0	13.6	12.4	11.4
-1.0%	24.2	21.2	18.8	16.9	15.4	14.0	12.9
0.0%	26.9	23.6	21.0	18.9	17.1	15.7	14.4
1.0%	29.7	26.0	23.2	20.9	18.9	17.3	15.9
2.0%	32.4	28.5	25.3	22.8	20.7	19.0	17.5
3.0%	35.1	30.9	27.5	24.8	22.5	20.6	19.0

(1) Includes €0.9 million of acquisition capex

Source: Bloomberg, Company material, EIU, KPMG analysis

EV (€m) vs. WACC and terminal growth

Terminal growth	WACC						
	9.5%	10.5%	11.5%	12.5%	13.5%	14.5%	15.5%
-12%	20.6	18.6	17.0	15.6	14.4	13.4	12.5
-0.2%	22.2	20.0	18.1	16.5	15.2	14.1	13.1
0.8%	24.3	21.6	19.4	17.6	16.1	14.8	13.7
1.8%	26.9	23.6	21.0	18.9	17.1	15.7	14.4
2.8%	30.3	26.2	23.0	20.4	18.4	16.7	15.3
3.8%	34.9	29.4	25.4	22.3	19.9	17.9	16.2
4.8%	41.4	33.9	28.6	24.7	21.7	19.3	17.4

Comments

- Cash flows have been discounted with WACC of 12.5% that has been derived from the selected peer group (see Appendix for details)
- Future cash flow estimates are based on historical financials and the following assumptions
 - 2014E figures are based on the Company's 2014 budget from June 2014
 - Leaning on the management's short-term plans, 20.0% sales growth is projected for 2015 – 2016 and 5.0% for 2017
 - The Economist Intelligence Unit's long-term Finnish inflation estimate of 1.8% is used as the terminal growth value
 - In 2015, 2014E EBITDA margin (excluding the effect of credit losses) is expected to be maintained for the existing business and 10% EBITDA margin for the add-on acquisition. The resulting margin of 14.4% is expected to be maintained from 2015 onwards
 - The Finnish corporate tax rate of 20% is used throughout the analysis
 - Capital expenditure is forecast according to management estimates in 2015 – 2016 and expected to remain at the same level of sales as in 2016 from there on. Add-on acquisition price of €0.9 million is included in Capex in 2015
 - D&A is expected to remain at 2.0% of sales from 2014 onwards
 - Net working capital is calculated by deducting trade payables and other non-interest bearing current liabilities from inventories, trade receivables and other non-interest bearing current assets. NWC is expected to remain at the same proportion of sales (10.7%) as in 2013 throughout the analysis
- An unusually large portion (91%) of the estimated EV is allocated in the terminal value, which is likely to decrease the reliability of the valuation

Appendix B

**Additional
considerations on
valuation methodology**

Glossary of terms and sources of information

Glossary of terms

A	Actual
Capex	Capital Expenditure
CAPM	Capital Asset Pricing Model
Company	Staffing business of Staff Invest Group
DCF	Discounted Cash Flow
E	Estimate
EBIT	Earnings Before Interest and Taxes
EBITDA	Earnings Before Interest, Taxes, Depreciation and Amortisation
EV	Enterprise Value (equity + interest-bearing liabilities - cash and cash equivalents), market-based measure of firm value to both equity and debt holders
FCF	Free Cash Flow
m	Million
NWC	Net Working Capital
t	Thousand
Valuation date	23 June 2014
WACC	Weighted Average Cost of Capital
Smile Group	Staffing business of Staff Invest Group

Sources of information

Financial information and other material received from the Company

- Staff Invest Annual Reports, 2008 – 2013
- Staff Invest income statement and balance sheet, 30 April 2014
- Staff Invest budget 2014
- Discussions with the management of the Company
- Materials related to our previous analyses on Smile Group

Databases and other sources

- Smile Group webpage
- Bloomberg
- Damodaran
- Duff& Phelps "Risk premium report 2010"
- Economist Intelligence Unit
- Mergermarket
- Pratt, Reilly, and Schweih's 'Valuing a Business, 2000
- Stocks, Bonds, Bills, and Inflation Valuation Edition 2013 Yearbook (Ibbotson Associates)
- Thomson Research
- Zephyr

Key valuation metrics of selected publicly listed companies

Unadjusted multiples

Company	Country	EV (€m)	Sales (€m)			Sales CAGR (%)	EV / EBITDA (x)			Average EBITDA-%	EV / EBIT (x)			Average EBIT-%
			2013A ⁽¹⁾	2014A/E	2015E		2013 – 2015E ⁽¹⁾	2014A/E	2015E		2013 – 2015E ⁽¹⁾	2014A/E	2015E	
Nordic	Poolia	22	80	0.3x	0.3x	2.4%	5.3x	9.0x	2.3%	49.8x	12.4x	16%		
	Proffice	206	474	0.4x	0.4x	4.5%	13.2x	18.8x	3.7%	14.7x	11.9x	3.4%		
	Uniflex	56	153	0.4x	0.3x	8.6%	15.7x	8.0x	3.4%	15.8x	8.3x	3.3%		
Rest of Europe	Adecco	12,501	19,503	0.6x	0.6x	5.9%	12.3x	10.2x	5.4%	14.3x	11.5x	4.8%		
	Amadeus Fire	242	142	16x	15x	7.1%	9.6x	8.8x	17.3%	9.9x	9.1x	16.7%		
	Brunel	1,026	1,283	0.8x	0.7x	9.2%	12.1x	10.5x	6.5%	13.1x	11.1x	6.1%		
	DPA	95	71	13x	12x	8.4%	12.3x	10.1x	10.9%	15.9x	12.4x	8.7%		
	Groupe Crit	589	1,559	0.4x	0.3x	6.7%	6.5x	5.4x	5.9%	7.4x	6.1x	5.2%		
	Hays	2,726	4,643	0.6x	0.5x	6.4%	13.2x	11.2x	4.6%	15.1x	12.6x	4.1%		
	Michael Page	1,575	1,258	12x	12x	7.3%	13.5x	10.9x	10.0%	15.7x	13.0x	8.3%		
	Randstand	8,036	15,568	0.5x	0.4x	6.0%	11.8x	9.2x	4.5%	17.5x	11.6x	3.3%		
	Robert Walters	285	748	0.4x	0.3x	7.8%	14.5x	12.3x	2.7%	19.4x	15.3x	2.1%		
	Staffline	315	521	0.6x	0.5x	14.9%	15.7x	10.9x	4.0%	20.6x	11.7x	3.5%		
	Sihree	609	801	0.7x	0.6x	11.9%	15.1x	11.4x	5.2%	19.1x	13.9x	4.2%		
	Synergie	493	1,520	0.3x	0.3x	7.9%	6.4x	5.5x	5.1%	7.3x	6.3x	4.4%		
	USG People	1,152	2,270	0.5x	0.5x	6.0%	12.9x	9.2x	4.5%	20.4x	11.4x	3.4%		
US	Kelly Services	477	3,979	0.1x	0.1x	5.3%	8.4x	6.7x	16%	n.a.	n.a.	10%		
	Manpower	4,770	14,885	0.3x	0.3x	5.1%	9.3x	7.5x	3.7%	10.8x	8.3x	3.2%		
	Robert Half	4,641	3,121	14x	13x	8.1%	13.1x	11.4x	11.3%	14.6x	12.5x	10.2%		
	Trueblue	746	1,227	0.6x	0.5x	18.3%	10.9x	8.4x	5.3%	14.3x	10.4x	4.2%		

Max	16x	15x	18.3%	15.7x	12.3x	17.3%	49.8x	15.3x	16.7%
Upper quartile	0.7x	0.7x	8.5%	13.3x	10.9x	6.1%	18.3x	12.5x	5.4%
Average	0.6x	0.6x	7.9%	11.6x	9.4x	5.9%	15.7x	11.0x	5.1%
Median	0.5x	0.5x	7.2%	12.3x	9.6x	4.8%	15.1x	11.6x	4.2%
Lower quartile	0.4x	0.3x	6.0%	9.5x	8.3x	3.7%	13.7x	9.7x	3.3%
Min	0.1x	0.1x	2.4%	5.3x	5.4x	16%	7.3x	6.1x	10%

(1) Calendar years

Source: Bloomberg (23 June 2013)

Key valuation metrics of selected publicly listed companies

Multiples adjusted for size and market risk


Company	Country	EV (€m)	Sales (€m)			Sales CAGR (%)	EV / EBITDA (x)		Average EBITDA-%	EV / EBIT (x)		Average EBIT-%
			2013A ⁽¹⁾	2014A/E	2015E		2013 – 2015E ⁽¹⁾	2014A/E		2015E	2013 – 2015E ⁽¹⁾	
Nordic	Poolia	22	80	0.3x	0.3x	2.4%	n.a.	9.5x	2.3%	52.6x	13.1x	16%
	Proffice	206	474	0.4x	0.4x	4.5%	11.9x	9.7x	3.7%	13.2x	10.7x	3.4%
	Uniflex	56	153	0.4x	0.4x	8.6%	16.6x	8.4x	3.4%	17.8x	8.8x	3.3%
Rest of Europe	Adecco	12,501	19,503	0.3x	0.2x	5.9%	5.2x	4.3x	5.4%	6.0x	4.8x	4.8%
	Amadeus Fire	242	142	14x	13x	7.1%	8.1x	7.5x	17.3%	8.4x	7.7x	16.7%
	Brunel	1,026	1,283	0.5x	0.5x	9.2%	8.3x	7.1x	6.5%	8.9x	7.6x	6.1%
	DPA	95	71	12x	11x	8.4%	12.0x	9.8x	10.9%	15.6x	12.1x	8.7%
	Groupe Crit	589	1,559	0.3x	0.3x	6.7%	4.8x	4.0x	5.9%	5.5x	4.6x	5.2%
	Hays	2,726	4,643	0.3x	0.3x	6.4%	7.9x	6.8x	4.6%	9.1x	7.5x	4.1%
	Michael Page	1,575	1,258	0.8x	0.7x	7.3%	8.7x	7.0x	10.0%	10.7x	8.4x	8.3%
	Randstand	8,036	16,568	0.2x	0.2x	6.0%	5.5x	4.3x	4.5%	8.1x	5.4x	3.3%
	Robert Walters	285	748	0.3x	0.3x	7.8%	11.7x	9.9x	2.7%	15.6x	12.3x	2.1%
	Staffline	316	521	0.5x	0.4x	14.9%	13.5x	8.8x	4.0%	16.6x	9.4x	3.5%
	Sihree	609	801	0.5x	0.5x	11.9%	11.2x	8.5x	5.2%	14.2x	10.3x	4.2%
	Synergie	493	1,520	0.2x	0.2x	7.9%	4.9x	4.2x	5.1%	5.6x	4.8x	4.4%
	USG People	1,152	2,270	0.3x	0.3x	6.0%	8.6x	6.1x	4.5%	13.6x	7.6x	3.4%
US	Kelly Services	477	3,979	0.1x	0.1x	5.3%	6.8x	5.5x	16%	n.a.	n.a.	10%
	Manpower	4,770	14,885	0.2x	0.2x	5.1%	5.5x	4.4x	3.7%	6.4x	4.9x	3.2%
	Robert Half	4,641	3,121	0.8x	0.8x	8.1%	7.8x	6.7x	11.3%	8.6x	7.4x	10.2%
	Trueblue	746	1,227	0.4x	0.4x	18.3%	8.5x	6.5x	5.3%	11.2x	8.1x	4.2%


Max	14x	13x	18.3%	16.6x	9.9x	17.3%	52.6x	13.1x	16.7%
Upper quartile	0.5x	0.5x	8.5%	11.5x	8.5x	6.1%	14.9x	9.9x	5.4%
Average	0.5x	0.4x	7.9%	8.8x	6.9x	5.9%	13.0x	8.2x	5.1%
Median	0.4x	0.3x	7.2%	8.3x	6.9x	4.8%	10.7x	7.7x	4.2%
Lower quartile	0.3x	0.3x	6.0%	6.2x	5.2x	3.7%	8.3x	6.4x	3.3%
Min	0.1x	0.1x	2.4%	4.8x	4.0x	16%	5.5x	4.6x	10%


(1) Calendar years


Source: Bloomberg (23 June 2013)


Descriptions of the selected publicly listed companies (1/2)


 Poolia	EV (€m):	22
Poolia AB provides employment services to businesses and organizations. The Company specializes in recruitment of temporary and permanent staff within finance, law, office, life science, marketing, and other areas. Poolia is active in several counties in Europe.		


 Proffice	EV (€m):	206
Proffice AB provides staffing solutions such as temporary staffing, recruitment, outsourcing, career development and training programs. The Company offers short and long term solutions for various professional categories including doctors, nurses, accountants, and teachers. Proffice also take total human resources responsibilities for some clients. The Company is active in the Nordic region.		


 Uniflex	EV (€m):	56
Uniflex AB offers generalist-staffing services. The Company specializes in the receptionist, customer service, switchboard, call-center, industry and warehousing, and facility services areas.		


 Adecco	EV (€m):	12,501
Adecco SA is a personnel and temporary employment company. The Company supplies personnel and temporary help, and offers permanent placement services for professionals and specialists in a range of occupations. Adecco conducts its placement services internationally.		


 Amadeus Fire	EV (€m):	242
Amadeus Fire AG is an employment agency which provides temporary placement services. The Company offers personnel services to the financial and accounting industries. Amadeus also provides outsourcing services which include management of various client projects and assignments.		

 Brunel	EV (€m):	1,026
Brunel International NV supplies temporary employees. The Company offers recruitment, temporary employment, secondment, and contracting services. Brunel also provides consultancy services for legal, management and financial positions. The Company specializes in servicing the information technology, energy, engineering, and non-technical fields.		

 DPA	EV (€m):	95
DPA Group NV provides temporary employees. The Company offers financial professionals such as controllers, financial managers, treasurers, and payroll clerks. DPA provides services for trade and industry, government bodies, and non-profit organizations. Clients include airline companies, publishers, oil companies, universities, and banks. DPA operates throughout the Netherlands.		

 Groupe Crit	EV (€m):	589
Groupe Crit is a holding company with activities in temporary employment services (engineering, healthcare, transportation and other services), security, contract cleaning and sanitation, subcontracting and maintenance for the aeronautical industry, and engineering services.		

 Hays	EV (€m):	2,726
Hays Plc provides specialist recruitment and human resource services for clients and candidates requiring permanent and temporary, professional and technical staff.		

 Michael Page	EV (€m):	1,575
Michael Page International plc provides recruitment consultancy services. The Group places candidates in permanent, contract, temporary, and interim positions. Michael Page conducts operations in the United Kingdom, Europe, Asia-Pacific, and the Americas, focusing on the areas of finance, marketing, retail, sales, legal, technology, human resources, and various others.		

Source: Bloomberg

Descriptions of the selected publicly listed companies (2/2)

	Randstand	EV (€m):	8,036
<p>Randstad Holding nv provides temporary employees. The Company places workers for temporary assignments in educational, secretarial and banking, information technology, engineering, and finance positions. The Company operates primarily in the Benelux countries, Germany, Canada, Denmark, France, Italy, Portugal, Spain, the United Kingdom, Switzerland, and the United States.</p>			

	Robert Walters	EV (€m):	285
<p>Robert Walters PLC is an international recruitment company that provides human resources outsourcing services. The Group, which operates offices in multiple countries, places professional, IT and call center candidates within permanent and contract specific positions in the financial and commercial sectors of the United Kingdom, United States, Continental Europe and Australia.</p>			

	Staffline	EV (€m):	316
<p>Staffline Group PLC provides recruitment and outsourced human resource services. The Company specializes in supplying temporary and blue collar industrial workers, and temporary and permanent placement in the engineering and consumer goods sectors.</p>			

	Sthree	EV (€m):	609
<p>SThree Plc is an international specialist staffing business, providing permanent and contract specialist staff to a diverse client base. The Company is involved in the information and communication technology sector, the accountancy & finance, banking, engineering, oil & gas, pharmaceuticals, human resources, energy, legal and job board sectors.</p>			

	Synergie	EV (€m):	493
<p>Synergie SA is a company based in France that specializes in human resource management. The Company's services include temporary employment, out-placement, social engineering, recruitment and training services. Synergie operates throughout Europe and Canada.</p>			

	USG People	EV (€m):	1,152
<p>USG People NV is a specialized provider of employment services in Europe, with the focus on flexible personnel, training/education, and customer care. The Company is based in the Netherlands, Belgium, Luxembourg, Germany, France, Poland, Austria, Switzerland, Italy, Spain, and Portugal.</p>			

	Kelly Services	EV (€m):	477
<p>Kelly Services, Inc. provides staffing services to a diversified group of customers through offices located in North America, Europe, and the Pacific Rim. The Company provides employees in office services, engineering, finance, information technology, legal, scientific, marketing, light industrial, education, health, and home care.</p>			

	Manpower	EV (€m):	4,770
<p>Manpowergroup Inc. provides non-governmental employment services through offices located around the world. The Company's principal operations include temporary staffing services, contract services, and training and testing of temporary and permanent workers. Manpower provides employment services to a wide variety of customers.</p>			

	Robert Half	EV (€m):	4,641
<p>Robert Half International, Inc. provides temporary and permanent staffing services. The Company supplies temporary, full-time and project accounting and finance professionals, temporary administrative support personnel, information technology professionals, temporary, project and full-time lawyers, paralegals and support personnel, and advertising, marketing, and web design professionals.</p>			

	Trueblue	EV (€m):	746
<p>TrueBlue, Inc. provides temporary manual labor to the light industrial and small business markets. The Company operates dispatch offices in the United States, Puerto Rico, Canada, and the United Kingdom. TrueBlue's customers are primarily in the transportation, warehousing, hospitality, landscaping, construction, light manufacturing, retail, wholesale, and sanitation industries.</p>			

Source: Bloomberg

Details of size adjustment procedure

- Multiples are driven by risk and growth (i.e. $\text{multiple} = 1 / (\text{discount rate} - \text{long-term growth})$)
- As size is a proxy for risk, larger companies have a lower discount rate assuming equal long-term growth, resulting in higher multiples. Thus, multiples for peers must be adjusted for size and growth
- In the market approach, the trading multiples have been adjusted according to the Grabowski and King data and method to take into account the smaller size of Smile Group in comparison with peers
- Roger Grabowski, ASA, and David King, CFA, provide long-term equity risk premiums for a similar universe of listed stocks, broken down into 25 size portfolios. The method includes the following steps
 1. Identify the size portfolios⁽¹⁾ closest to the peers and Smile Group
 2. Obtain the smoothed equity risk premium for each peer and Smile Group
 3. Obtain the expected growth rate for each peer and Smile Group
 4. Obtain the market risk free rate for each peer and Smile Group from Bloomberg database
 5. Calculate a simple build-up capitalisation rate for each peer and Smile Group by adding the risk-free rate to the smoothed equity risk premium and subtracting growth expectations for Smile Group
 6. Convert the capitalisation rates to multiples
 7. Calculate the difference between the peer multiples and Smile Group multiple as a discount

(1) Portfolios based on Duff & Phelps "Risk premium report 2010"

Sources: Bloomberg, Grabowski, Roger J. and David W. King, "New Evidence on Equity Returns and Company Risk," Business Valuation Review, September 1999

WACC (1/4) – build up of WACC

- In order to determine the discount rate to be applied in the DCF analysis, we have used the WACC methodology as set out below

WACC	=	$Ke * (E/(D + E)) + Kd * (1-T) * (D/(D + E))$
Ke	=	cost of equity
E	=	market value of equity
Kd	=	cost of debt
D	=	market value of debt
T	=	corporate taxation rate

- The WACC consists of the required return on equity and the tax affected required return on debt
- Following the capital market theory, the generally accepted method to determine the cost of equity is the Capital Asset Pricing Model (CAPM)
- Following the CAPM, the rate of return on equity can be separated into the base interest rate (risk free interest rate) and the risk premium
- The cost of equity is derived using the Capital Asset Pricing Model (CAPM) as follows

Ke	=	$Rf + \beta * (Rm - Rf) + \alpha$
Rf	=	the current return on risk-free assets
Rm	=	the expected average return of the market
(Rm - Rf)	=	the average risk premium above the risk-free rate that a "market" portfolio of assets is earning
β	=	the beta factor, being the measure of the systematic risk of a particular asset relative to the risk of a portfolio of all risky assets
α	=	company specific risk factor

WACC calculation

	Best estimate	
Cost of equity (Ke)		
Asset Beta (Ba)	0.88	Peer group median (Source: Bloomberg)
Debt to EV Ratio (D/EV)	5.7%	Peer group upper quartile (Source: Bloomberg)
Equity to EV Ratio (1-D/EV)	94.3%	1-D/EV
Tax Rate (t)	20.0%	Corporate tax rate in Finland
Equity Beta (Be)	0.92	$Be = Ba * (1 + (1-t) * (D/EV) / (1-D/EV))$
Risk Free Rate (i)	2.4%	Finnish 30-year government bond rate as at 23 June 2014 (Source: Bloomberg)
Inflation differential (Δi)	0.2%	Inflation differential of Finland and Germany (Source: Economist Intelligence Unit)
Market Risk Premium (Rm)	5.0%	Market risk premium in Finland (Source: Damodaran)
Small Company Risk Premium (Rc)	6.0%	Ibbotson, smallest size decile (Source: Ibbotson Associates)
Cost of Equity (Ke)	13.0%	$Ke = i + Be * Rm + Rc$
WACC contribution of equity	12.3%	
Cost of debt		
Credit spread	2.9%	Industry average for Business & Consumer Services (Source: Damodaran)
Pre-tax Required Return on Debt (Kd)	5.2%	i+debt risk premium
After-tax Required Return on Debt	4.2%	
WACC contribution of debt	0.2%	
WACC	12.5%	$(WACC) = (D/EV) * (1-t) * Kd + (1-D/EV) * Ke$

Comments

- The yield of 30-year Finnish Government bond as at 23 June 2014 has been used as a basis for the risk-free rate
- In determining the appropriate beta factor, we have considered the peer group median based on information from the Bloomberg database (see next page). In determining appropriate capital structure, we have applied the upper quartile D/EV ratio of the peer group which is considered the most appropriate for Smile Group as its leverage ratio is higher compared with the peer group median
- The market risk premium is retrieved from Damodaran
- A small company risk premium of 6.0% based on the Ibbotson Associates' 2013 study (see page 28) has been applied to reflect the bigger business risk of Smile Group due to its smaller size and lower liquidity compared to the listed peer group companies
- The risk-free rate plus a spread of 2.9% has been used as the cost of debt based on information from the Damodaran database
- We have used the Finnish corporate tax rate of 20.0%, which is also applied to the future cash flows in the terminal period

Peer financials

	Company	Country	Curr.	Mcap (m)	EV (m)	Net debt (m)	Tax rate	Equity beta ¹	Net debt / EV	Asset beta
Nord.	Poolia	SE	SEK	202	204	2	22.0%	0.71	0.8%	0.70
	Proffice	SE	SEK	1,854	1,874	20	22.0%	0.68	1.1%	0.68
	Uniflex	SE	SEK	533	506	(27)	22.0%	0.57	0.0%	0.57
Rest of Europe	Adecco	CH	EUR	11,469	12,501	1,032	21.2%	1.19	8.3%	1.11
	Amadeus Fire	DE	EUR	281	242	(39)	29.6%	0.64	0.0%	0.64
	Brunel	NL	EUR	1,115	1,026	(89)	25.0%	0.90	0.0%	0.90
	DPA	NL	EUR	82	95	14	25.0%	0.56	14.2%	0.50
	Groupe Crit	FR	EUR	523	589	66	33.3%	0.54	11.2%	0.50
	Hays	UK	GBP	2,073	2,178	105	23.0%	1.26	4.8%	1.22
	Michael Page	UK	GBP	1,344	1,259	(85)	23.0%	1.26	0.0%	1.26
	Randstand	NL	EUR	7,314	8,036	722	25.0%	1.18	9.0%	1.09
	Robert Walters	UK	GBP	235	228	(7)	23.0%	0.26	0.0%	0.26
	Staffline	UK	GBP	250	253	3	23.0%	0.66	1.1%	0.65
	Sthree	UK	GBP	495	486	(9)	23.0%	0.86	0.0%	0.86
	Synergie	FR	EUR	486	493	7	33.3%	0.55	1.4%	0.55
USG People	NL	EUR	963	1,152	189	25.0%	1.30	16.4%	1.13	
US	Kelly Services	US	USD	653	649	(3)	40.0%	1.15	0.0%	1.15
	Manpower	US	USD	6,657	6,490	(167)	40.0%	1.48	0.0%	1.48
	Robert Half	US	USD	6,580	6,314	(266)	40.0%	1.14	0.0%	1.14
	Trueblue	US	USD	1,147	1,016	(132)	40.0%	1.39	0.0%	1.39

Lower quartile	0.0%	0.63
Median	0.4%	0.88
Average	3.4%	0.89
Upper quartile	5.7%	1.14
Selected	5.7%	0.88

Comments

- The asset beta applied in the WACC calculation is based on the industry median of 0.88 as derived from the listed comparable companies in the attached table
- The applied capital structure is based on the upper quartile of the peer group as Smile Group's leverage ratio is higher than what can be seen among peers
- Market cap, EV and net debt are listed in local currency on the left side table

WACC (4/4) – small company risk premium

Size premiums

Decile	Market capitalisation of smallest company (in millions USD)	Market capitalisation of largest company (in millions USD)	Size premium (Return in excess of CAPM)
Mid-Cap, 3 – 5	1,912	7,687	1.12%
Low -Cap 6 – 8	514	1,909	1.85%
Micro-Cap, 9 – 10	1	514	3.81%

Breakdown of deciles 1 – 10

1 – Largest	17,558	626,550	-0.37%
2	7,748	17,541	0.76%
3	4,250	7,687	0.92%
4	2,773	4,228	1.14%
5	1,912	2,759	1.70%
6	1,347	1,909	1.72%
7	822	1,347	1.73%
8	514	818	2.46%
9	255	514	2.70%
10 – Smallest	1	254	6.03%

Comments

- The smaller size of the Company warrants the addition of a specific premium to the CAPM derived equity discount rate
- Several research studies demonstrate convincing evidence that the total risk increases with decreasing company size and that on average smaller companies have higher rates of return than larger companies
- Ibbotson Associates quantifies this in the S&P Yearbook published annually. It includes the smallest 10 percent of stocks on the NYSE as measured by market value of common equity and shows the estimated return in excess of CAPM for different size premium categories
- Due to Smile Group's smaller size and lower liquidity compared to the listed peer group companies, a size premium corresponding to the Company's size is warranted. The size premium of the lowest size decile is 6.03%

Source: Ibbotson Associates



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