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DATE: APRIL, 14, 2014

TIMWE:

IPO go or no go?

It was May 17th, 2012. For Diogo Salvi, founder and Chief Executive Officer of TIMWE, and his team this was just another tiring day of what looked like their endless IPO road show. But this one seemed to go worse than usual. For two weeks they travelled around the US and Europe marketing the initial public offering (IPO) of their company, a global provider of mobile monetization solutions. Throughout this period, Salvi relied entirely on investment bankers to reach the intended target investors. These seemed attracted by TIMWE's business model, which they could easily understand and by the company's incredible growth. Initially the company was well received and everything seemed on track. However, during these last days some non-controllable factors - namely the market uncertainty driven by the European sovereign debt crisis and the disappointing outcome of Velti, TIMWE's main comparable - seemed to scare away some potential investors while driving valuations down for those who remained interested.

For TIMWE going public on the NASDAQ would increase brand recognition, while providing the company some liquidity and the ability to even accelerate its growth. Although the company was generating positive operating cash-flows and could "survive" without this capital injection, being a public company would allow it future access to capital markets and the ability to use its publicly traded equity as a currency in future acquisitions.

This was the second time TIMWE was attempting an IPO, having failed a previous attempt just a year before. The first postponement was justified by particularly unfavourable market conditions and investors would hardly blame the company for that decision. However, postponing it twice could be regarded negatively by market participants and take a dent on the company's reputation and jeopardise its chances of going public in the future. Not to mention that the company had already incurred relevant expenses with the process. But going ahead at this stage could mean a very disappointing valuation. As main shareholder and CEO Salvi has to carefully evaluate his alternatives and make a lonely decision before informing the banks whether TIMWE's IPO would go ahead as planned or will be delayed for a second time.

Foundation

After graduating from a business school – ISCTE Business School in Portugal –, Diogo Salvi became a banking consultant, devoting a significant part of his career to the strategic development of leading Portuguese banks, namely Banco Best and Banco Comercial Português (BCP). From 1992 until 2001, he did projects in many areas including restructuring (commercial and IT), innovation (e.g. phone as a banking channel), internationalization and mergers and acquisitions (M&A). Afterwards, Diogo completed Universidade Nova de Lisboa's MBA Programme.

In 2001 Salvi, who always had entrepreneurial ambitions, realized that investing in the mobile-phone industry could pose an interesting business challenge. His interest was initially sparked by an opportunity to commercialize mobile content for a group of Dutch businessmen[1]. While studying that opportunity, Diogo got increasingly attracted by the opportunities offered by the fast growth of mobile phone penetrations, their fast technological progress and the increasing alternatives to use them to commercialise content. Other fact that struck him were the differences between countries: while some, such as the United Kingdom and Singapore, had more than 70% mobile penetration[2], others such as Brazil and Colombia had less than 15%, meaning that there was room to grow and to exploit these undeveloped markets. **Exhibit 1** presents a more extensive list of penetration rates for selected countries.

Although Salvi had the passion and the vision, he lacked the technical skills needed to be successful in such technological world. Determined to go ahead with his project, Diogo decided to set up a team by recruiting people who could complement his skills. He found Ricardo Carvalho and Paulo Salgado to be the perfect match. At that time, they were working with a platform that provided mobile content management and

[1] This group was devoted to the production of mobile rings, games and other mobile contents.

[2] Ratio of mobiles/credit cards/internet access per inhabitants.

delivery solutions. Together they formed a team with entrepreneurial passion, business and marketing expertise and the technical skills required to pursue the opportunity. The founders quickly realised they shared the same vision and were able to form a very effective cohesive team.

Ricardo Carvalho studied physical education but his professional career followed a different direction. His first project in the business area was the co-founding and management of a sports web portal - infodesporto.pt – in 1996, which was sold in 2000 to Portugal Telecom. The conjunction of a growing media market and his enthusiasm about the business world led him to become an advisor in many leading mobile marketing and entertainment firms, as well as in the Portuguese multimedia group Cofina[3]. There, he was consultant on the media, internet and customer relation management areas for the Board of Directors, a role that gave him different and complementary perspectives of the business. Salvi regarded Carvalho has someone with an impressive track record and the entrepreneurial spirit needed to embrace this enterprise.

In 2002, Salvi and Carvalho co-founded TIMWE, which resulted from the combination of Salvi's business idea and Carvalho's technological platform, with little initial investment. They chose to start the company close to home, in Lisbon, Portugal. Right from the beginning, their main goal was to explore the opportunities offered by untapped mobile communications markets in developing countries. TIMWE's initial bet was on Mobile Entertainment, playing the role of an intermediary between content providers and telecommunication companies.

In the initial phase, contacts to attract potential clients and content providers were made from Salvi's garage and the services offered then mostly consisting on the reselling of mobile entertainment. By late 2002, the founders had finally developed the technological tools to enter the market of entertainment solutions for mobile phones. They embraced this opportunity with enthusiasm and quickly understood the high economies of scale involved and the need to quickly grow as a key success (if not survival) factor. Then, the founders realised the need to add some more formal structure and start filling some importantly critical positions. Salvi was desiginated CEO while Carvalho was appointed Managing Partner. Later, in 2003, Paulo Salgado was invited to join the team as Chief Technology Officer (CTO).

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[3] Cofina is a leading Portuguese media group. It started in 1995 with a share capital of 5 M€ and by 2002 it had already acquired Investec, a media holding; "Correio da Manhã", daily newspaper; and "TV Guia", a TV magazine.

Salgado studied Business Informatics at University of Minho, Portugal. After a short stint as a consultant he spent four years at GE Capital's IT unit, working as a team leader in several projects. Later he became research and consultancy manager at Movensis, a company specialised on the mobile solutions market, where he gained deep insight about the economic and technological aspects of that market. **Exhibit 2** provides information on the distribution of equity ownership.

Company overview

Mobile Entertainment

TIMWE's initial role was to act as an intermediary between the producers of entertainment content and mobile operators. This was a value-added service for both: content owners would sell their contents in many carriers without entering into negotiations or maintaining relationships, and mobile carriers would have tailor-made content without spending time and resources developing it or finding partners. By that time, content monetization services[4] were offered to carriers on a "no-brand" basis, who would then rebrand it with their own brands.

Although TIMWE allowed end users to choose from a wide portfolio of products and services that included games, music, videos, images and applications, it was permanently concerned about offering the fashionable and popular content, which implied a continuous effort to analyse market trends and needs. These services were provided using a cloud-computing platform. The major advantages of using this non-physical platform were the savings associated with the lack of infrastructure's investment and the ability to increase capacity without additional costs.

By 2004 TIMWE developed its own content platform, allowing end users to buy directly from the company content that was either self-developed or controlled by it. From then on, in order to effectively distribute contents with its own brand, TIMWE marketed these services among mobile-users. This platform was compatible across models of basic mobile phones and smartphones, bringing versatility to the company to adapt to market changes.

Mobile Marketing

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[4] The concept of content monetization services means that the company can extract money from the services provided. For example, when an end user buys a game, price is immediately deducted from the mobile phone balance.

By 2007, the crucial decision of entering the mobile marketing was taken. In this new area the clients would be companies using mobile phones to market their offerings. TIMWE started to offer a complete service comprising the conception of the marketing campaign, its implementation and the analysis of its results. This way it was able to exploit synergies between mobile entertainment and mobile marketing, increasing investment less than proportionally to the turnover since this new service also used the same cloud-computing platform.

At this time, this was an innovative service that was offered to mobile operators, brand owners, governments, NGOs and media groups. The selection, by a client, of the developer of the marketing campaign was based on a set of decisive factors. Among them, TIMWE's relationship with many carriers worldwide was a guarantee that the message would reach more end users. Additionally, the accumulated know-how derived from its international presence could be extrapolated to other local campaigns, posing an incredible advantage against other companies. Moreover, having local offices would provide a better insight of the market, easing the process of developing a customised and effective campaign, i.e., adapted to each particular market and segment. This was perceived as a value-adding service to its mobile marketing clients. As an example, some governments used it to communicate with its citizens regarding important issues, such as, vaccination, elections and poverty. More than being a cheap way to reach people, this was a user friendly service[5]. Besides these institutional campaigns, media groups, as well as other worldwide well-known brands, had also used these services, as it was the case of Kellogg's with the "*Special K calories counter"* in Mexico or Coca-Cola's initiative in Angola to alert clients to substitute cans for bottles, since the latter could be recycled. A list of the top clients, in terms of revenue, is presented in **exhibit 6**.

TIMWE Lab

By 2009 the company felt the need to better study market trends, in order to direct its research and development towards products and services that could place it in the vanguard of innovation. For that purpose it created its own independent research and development incubator in Covilhã, Portugal, designated as TIMWE Lab which represented the achievement of an important milestone. The ability to remain permanently ahead of the competition and having the first mover advantage was a

[5] Corporate messages follow four steps: choose the target, write the message, set date and, finally, send it.

central part of the strategy of the company[6] and securing its own development of intellectual property was a critical component of it.

Mobile Money

By 2010, TIMWE was well-established in the mobile entertainment and mobile marketing areas which were generating impressive returns. Nonetheless, top management identified mobile money as new area that could pose an interesting opportunity to add to its portfolio of services. The use of mobile phones as payment devices was relatively unexplored and posed some technological and regulatory challenges. However TIMWE was among the first to recognise the opportunity and its enormous growth potential. Entry on this service was facilitated by the accumulated experience with the previous services and the ability to use the existing platform to implement it, maximising synergies while minimising the required financial costs.

In mobile money TIMWE would play the role of an intermediary between mobile carriers and consumer-facing micropayment providers thus offering a billing solution for the purchase of digital contents. The process was simple: end users chose the content they wanted to purchase (e.g., download premium contents or download music) and it was charged directly to the phoneholder's account regardless of whether it had a pre-paid or post-paid plan. For content providers selecting TIMWE for this role guaranteed a very wide number of countries and potential clients that could be reached with a single payment solution.

In the European context, where the banking system was established and safe, this could be perceived as a no value-adding service. However, the reality was very different in emerging countries, where banks' services and credit cards were not used by the majority of people (**exhibit 7**) and the degree of safety was not satisfactory.

For this service TIMWE created a distinct brand name: "M-Coin". This solution could be used by developers and publishers for in-Game and in-App monetization and by online merchants for digital goods and digital services monetization[7]. For example, TIMWE had implemented a micropayment solution for Habbo[8] in Latin America. Just one SMS away, end users could authorize the purchase of a virtual roller skating ring or a virtual luxury swimming pool for their virtual hotel. **Exhibit 8** refers an example of how the

[6] R&D expenses amounted to 4,5 M€ (2010) and 6,2 M€ (2011).

[7] For example, end users can access paid internet wireless in airports, with the cost charged from the phone balance. This digital service is bought through M-coin.

[8] Habbo is a website were players can create an identity and a virtual life.

service is provided to the end user. By the end of 2011, the three main clients in terms of revenue were XGranted, Habbo and Himedia.

Building a portfolio of services

TIMWE's portfolio of services had changed throughout the time and, what used to be exclusively a reseller of mobile entertainment, evolved and expanded into the mobile marketing (2007) and the mobile money (2010) markets. The introduction of each service was the result of extensive market research and the listening of consumers' demands and the company's recognition that it needed to follow customers, otherwise they would "lose the train".

Throughout the years, mobile marketing and mobile money have been solidifying their position as a winning bet in terms of revenues. As can be seen in exhibit 9, from 2009 till 2011, revenues of these two services increased more than two-fold. These represented, in 2011, more than 50% of the total. To ensure the continued success of these services, TIMWE had to continue satisfying the market's needs and to explore synergies between the services.

The competition TIMWE faced in its three services was intense, fragmented and prone to increase. This was a response to the perceived high growth potential of these services, driven by the expected growing adoption of mobile phone in emerging markets (exhibit 10). Competition can be a blessing or a curse depending on how companies face it: it can be either a trigger for innovation, commitment and evolution, or an excuse for failure. In TIMWE's case, it was clearly a blessing that pushed the company forward and pushed it to the right level of ambition. Nonetheless, TIMWE did not identify a truly comparable competitor that was able to provide the three services at an international scale.

Taking into account all these changes and evolutions, TIMWE became a more sophisticated company with a more diverse portfolio of services. It could cover a wider range of clients, provide a more complete and integrated service, and achieve economies of scope. This was the result of a demanding and fragmented market, with fierce local competition and a product that could easily become obsolete if changes did not keep pace with the technological evolution.

Industry characteristics

The mobile service industry is highly dependent on diverse factors such as technological innovation, trends and degree of development of countries, and consequently, penetration of mobile devices and internet. As can be seen in **exhibit 11**, mobile-phone penetration increased from 18,4% in 2002 to 77,2% in 2011, while internet access increased from 10,7% to 32,7%, for the same period.

This industry is characterized by a rapid rate of innovation, meaning that companies have to be able to adapt its products and services, otherwise they will quickly become obsolete. Moreover, subscribers require more than the traditional voice and text-based services, demanding a wider range of data and content services. While this poses a risk, it is also a great opportunity for companies to beat the competition. Only those who can anticipate market trends and needs will be able to secure their position. The growing penetration of smartphones[9] exemplifies this since mobile carriers and their partners will have to redesign their offers. As end users demand more services with a higher degree of complexity, mobile carriers will have to make a strategic decision of whether to join forces with specialized companies, as TIMWE, or whether to invest in in-house development.

Expansion

TIMWE has been headquartered in Lisbon since 2002 and the first pilot projects were hosted in the Netherlands, Singapore, Spain, Colombia and Argentina. After a successful road show conducted by the owners in Latin America, in 2003, they decided to open two offices in Colombia and Argentina (2005). The focus became obvious: emerging markets characterized by high growth rates and few competitors.

TIMWE found emerging markets attractive because of its population growth and consequent expected GDP growth above the world average[10]. Given the increasing mobile phone adoption and low internet penetration[11], end users needed to rely on the services provided by mobile phones. These were the markets to explore. Interestingly, in Africa, Middle East and Latin America, users rely mainly on prepaid phone plans. Consequently, carriers have little insight of who their clients are and this provided an

[9] Smartphones were expected to constitute 8% of total mobile connections in Latin America and 4% of total mobile connections in the Middle East and Africa in 2011, according to the World Cellular Information Service (2011).
[10] The GDP CAGR for the *World economy* is 5,3% and for the *Emerging and Development markets* is 7,9%, based on information of the "*World Economic Outlook Database*", April 2013, by IMF. This calculus was done for the horizon of 6 years - from 2012 up to 2018.

[11] According to data from the ITU, as of 31st December 2011, internet penetration in developed markets (1) was 74%, while in emerging markets (2) it was 26%. (1) Includes data for UK, US, Germany, Canada and France. (2) Includes data for Brazil, Russia, India and Mexico.

opportunity for companies like TIMWE, since they can draw a profile and create a database of end users based on the services provided.

From 2006 onwards, 23 more offices were opened following the company's strategic plan and other later identified market opportunities. In 2008, the existence of important clients in Spain triggered the opening of an office in that country in spite of the proximity to Portugal. In the same year, the continuous search for new places to establish an office led Salvi and Carvalho to make a risky move and invest in Mozambique. They could anticipate a huge potential from the then-low penetration of mobile phones, and they wanted to be already well-known when the market started to grow, since this would give them a unique advantage against future competitors. **Exhibit 3** presents information regarding the internationalization process.

As of May 2012, TIMWE was present in more than 75 countries, had 26 offices in different locations, worked with more than 280 carriers worldwide and could reach 3 billion mobile users. As can be seen in **exhibit 4**, TIMWE's services were spread all over the world and its ambition was to continue this expansion policy. **Exhibit 5** provides data regarding revenue distribution, from 2009 until 2011, per geography.

Being a global company with physical presence in different geographies posed a significant advantage vis-à-vis companies that operate locally and have no international exposure and those that are international yet lacked local insight. TIMWE knew it could only build a sustainable business model if it could successfully apply its firm-wide knowledge to each local market. Although there was a common pattern regarding the level of development of the different countries, the demands were country-specific and the founders realised that the best way to address them was with local talent and knowledge. The recruitment process was very time-consuming and required significant investment in training. Nonetheless, looking back at the outcome of this decision, the gains clearly outweighed costs, and so this policy remined in practice throughout the company's development.

TIMWE's aim of being a global integrated company could be troublesome given the design of the organizational structure, where local offices were entitled with decision power. It posed a colossal challenge since, due to the diversity of characteristics of its clients, procedures and business decisions could not be standardized. In order to keep the cohesion of the company as a whole, TIMWE promoted continuous training sessions where local managers were exposed to the global picture and to the vision and strategy that the company intended to reach as a whole.

Challenges

TIMWE could anticipate some sensitive points that could undermine the achievement of the defined goals. Its medium-term strategy of increasing the international presence was tangible but challenging. It required an integration between the different dimensions associated with the company and the business, namely between the different geographies, clients' relationships and markets' needs. Moreover, the focus on emerging markets would bring an extra dose of risk associated with the lower maturity of the democracies and institutions. Although developing a cohesive company would not be an easy task, TIMWE knew the risks it would face and it was counting on its most valuable asset – the management team - to mitigate them the best way it could.

TIMWE's business was highly dependent on third parties - mobile carriers and technology providers - and on its ability to deliver innovative services. Although TIMWE played an important role for many customers, the leading one belonged to mobile carriers, as the latter were responsible for delivering the content/service and (in most cases) billing it. A healthy relation with them was crucial for the balance and sustainability of the business, since a disagreement could end up destroying the business relation and, ultimately, TIMWE itself. Other important players that could not be ignored were the content providers. Although TIMWE had in-house production, it was still dependent on external content and so, maintaining good relations with them was essential to assure the diversity and completeness of the portfolio and, consequently, the overall attractiveness of the services provided. **Exhibit 12** describes the industry value-chain.

Taking a financial perspective, TIMWE could be considered a company with good financial performance although with a high degree of operating leverage. Revenues were generally reported by carriers, since the company could not monitor sales, and were relatively variable. However, operational expenses did not follow the same path, being fixed in the short-term. If for any reason revenues decreased, this would not be followed by an immediate decrease of operating expenses, affecting the financials of the company, at least, in the short-term.

TIMWE faced another challenge regarding the daily operations: the financing of net working capital requirements. Due to its dependence on third parties, namely content providers, to deliver its services TIMWE had a limited bargaining power on the suppliers' side – who demanded payments within a short period of time. On the other hand, the vast majority of the sales were made through the carriers who, realising the dominant position, negotiated unfavourable payment terms for the company. Thses combined resulted in significant net working capital requirements for the firm. **Exhibit 13** presents selected financial information.

Initial public offering (IPO)

By the beginning of 2011, TIMWE had achieved a comfortable position with established business relations and an impressive record of more than 200 M€ in revenue. From the beginning, Salvi's vision was to take TIMWE public on the NASDAQ. Nonetheless, the board knew that going public was a decisive step that would drastically change the organization and positioning of the company.

At that moment, the main reasons to go public were to raise capital, to reduce the dependence on banks, and to create brand recognition and customer awareness. Also, having its stock publicly traded would allow the company to use it as a currency in future acquisitions. TIMWE had followed a short but demanding path up to now and going public would reinforce the idea of stability. This was crucial since TIMWE's business was completely dependent on third parties, those who effectively distribute the content, being credibility an invaluable weapon when competing against the other, less transparent, players. An indirect gain from being public would be the alignment of incentives across the hierarchy as the company's objectives would be public and any deviation would impact the share's price, posing a stronger incentive to employees who also owned shares on the firm. Finally, stronger corporate governance standards would have to be imposed and TIMWE would be subject to a tighter control and monitoring.

The gains from being public would only be achieved at a cost, and thus a thorough cost-benefit analysis would have to be done. Costs included legal, accounting and investment bankers' fees[12] - around 10% of the total amount raised; information disclosure imposed by the Sarbanes-Oxley Act of 2002; balance between short-term and long-term strategy as markets would react negatively to variations in earnings, a perverse incentive to managerial short-termism.

TIMWE as an IPO candidate

The definition of a successful IPO candidate is linked with its ability to attract investors and TIMWE knew that, more important than its recent double digit revenue growth

[12] These fees are incurred when doing an IPO. On the following years, the company needs to pay a yearly fee to the stock exchange to continue listed.

rate[13], were the future prospects of the company and what it would be able to reach in the future. TIMWE's ability to have a successful offering could also be anticipated by how the targeted investors reacted to several company factors such as its industry positioning, product, financial indicators and communication.

At an industry level, TIMWE benefited from being in a multitude of fragmented regional markets, i.e., it faced fierce competition locally but it did not have a competitor able to provide the three services at the international scale. Additionally, this was a fast-growing industry that would offer more opportunities for the company to expand and achieve the forecasted levels. However, being a relatively young company – ten years - would scare away some investors that would find this to be too risky. TIMWE was also well-positioned to what concerns the product or service provided, since its portfolio was fashionable, although not differentiated from its competitors.

TIMWE could then draw the profile of its target: investors seeking large capital gains derived from the strong expected growth. So far, the scenario was very optimistic and the team acknowledged that this would be worthless if investors did not understand the business and its fundamentals. The team needed to communicate the business model and the strategy in a way that investors feel comfortable enough to invest in the firm. However, such tremendous market communications effort by the management team would come at a cost: while focused on delivering the message to the targeted investors they would neglect the daily management of the firm for the whole duration of the IPO process.

Market conditions

When launching the IPO, TIMWE had to take into account the timing, as it could have a dominant impact on the outcome of the offering. Nonetheless, since the crash of 2008, there had not been such a thing as a perfect timing and so, they would have to take part of market window openings. By mid-2011, the US IPO market seemed to have cheered up and the slowdown experienced in the second half of the year could be partially explained by the European debt crisis. As represented in **exhibit 15**, the number of deals and capital raised in 2010 was significantly higher than in the previous two years. Moreover, the Tech sector was the one with the most deals in the previous two years and it was on the top two regarding the capital raised. Finally, NASDAQ had more than doubled the number of deals from 2009 to 2010, from 30 (total of $8,1 B) to

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[13] From 2002 to 2012, TIMWE experienced a compounded annual rate of 90% - more information on the revenue evolution is presented in **exhibit 14**.

76 deals (total of $8,7 B). Although indicators seemed to be favourable, there was a lot of uncertainty regarding the second half of the year and the following year.

The offering

One of the reasons to go public was the access to capital markets. TIMWE was going to use the proceeds from the sale to accelerate expansion into new markets, enhance its monetization solutions portfolio through new developments and strengthen its capacity to grow inorganically, i.e. by pursuing strategic acquisitions. Some of the founders would also take the opportunity to liquidate a small percentage of their share holdings.

TIMWE internally set the price range from $5 to $6 per share and would sell a total of 13,7 M shares, 11,9 M new shares and 1,8 M from existing shareholders. Excluding the overallotment option of 15% imposed by the investment banks, net proceeds would be approximately $49,3 M and the market capitalization would be around $340 M. A description of the amount of shares and proceeds from the sale can be found in **exhibit 16**.

Take 1: 2011

After taking these matters in consideration, in early 2011 the board decided to initiate the IPO process. The company selected investment banks that would support it throughout this process and this was, again, a strategic decision: investment banks were responsible for the book building, so it was crucial to choose the ones that were able to reach the right investors. They ended up selecting Credit Suisse and Citigroup as joint book-running managers; Needham & Company, LLC; Pacific Crest Securities; Santander and ThinkEquity LLC – were also hired as underwriters. Being both Credit Suisse and Citigroup on the "Underwriter League Tables"[14], respectively in the 5th and 6th position, proves their successful track record. Needham & Company, LLC and Pacific Crest[15] were chosen due to their expertise in "Internet, Digital Media & Consumer" and "high-growth technology companies", respectively.

[14] Based on the "Global Equity, Equity-linked & Rights", by Bloomberg, and refers to 2011. This ranking includes all eligible equity and equity-linked offerings and it is based on the weighted average disclosed fees.

[15] Needham had been the joint-lead manager of the Velti's IPO in 2011 and Pacific Crest belonged to the syndicate of Facebook's underwriters.

When preparing the IPO, companies are aware of the level of information that will be disclosed. One of the most complex tasks for this small startup was the preparation of the prospectus to be submitted to the SEC, a task that required extensive support from the investment banks, accountants and lawyers. There is no room for errors, mistakes and missing information which reinforces the need to select qualified (expensive) support. With all the legal requirements met, the board started the road show around the world. It was essential to capture investors' attention and transmit the potential of this relatively unknown company.

In August 2011, the company decided to suspend the IPO. Mere misfortune was the main factor to blame. A combination of negative events, namely the European Sovereign debt crisis, the downgrade of US rating, the fall of the NASDAQ and IPO market culminated in the stock markets falling[16]. These events generated a negative market sentiment for IPO's. In any other circumstance, investors would perceive this as a sign of weakness but, given the exceptional circumstances, this decision was understood by the markets and the company knew it could, in the future, have another chance.

Take 2: 2012

TIMWE was able to smooth the consequences of its IPO cancellation because there was not a desperate need for raising money. However, Salvi knew this could change in the future and so, going public continued to be part of the company's agenda. At the beginning of 2012, a slight recovery in the markets boosted the company's confidence and the prospectus was quickly re-done. TIMWE, supported by the same investment banks, was now ready to face this journey for the second time and, hopefully, to complete the offering.

For the second time, in April 2012 board and management devoted their time and effort throughout long sessions trying to explain to investors what the company was and what it aimed to achieve. Investors had incurred in significant losses during the crisis and so, in spite of their previous losses, there was now an improving market sentiment for IPO's that could be explored.

In the meantime, Portugal was having a difficult time. The country requested financial assistance and had to negotiate an assistance programme with the "troyka" of rescuers composed by the ECB, IMF and EC[17]. Interestingly, when approaching investors

[16] **Exhibit 17** graphs the price evolution of NASDAQ and PSI20.

[17] Portugal had asked for external support in April 2011.

TIMWE found two very different perspectives regarding perceptions about the company: in Europe, TIMWE was perceived by investors as a Portuguese company that could be contaminated by that country's sovereign debt crisis, thus making it a risky investment; in the USA, it was perceived as a global company, whose activities are spread across different locations, but mostly in emerging markets, headquartered in an European country that accounted for 3% of its revenue.. These different perceptions made the bookbuilders chose to concentrate their efforts on American-based investors. TIMWE was being promoted as global company seeking for a NASDAQ listing with minor European presence. And they were confident enough to initiate the road show and start building the book.

Unfortunately, as the IPO process started to take shape, external conditions seemed to worsen. The European crisis was deepening. In the US Facebook was also on the process to go public and, if expectations materialised, its IPO would be a success. However, a potential failure, either by failing to reach the anticipated 100 billion valuation or a sharp stock price decline following the IPO could dramatically change investors' appetite and put TIME's offer at a risk.

The Greek Nemesis

When performing the valuation of a privately-held company, investors rely, among other things, on information concerning the valuation of publicly traded comparable firms. This posed a problem for TIMWE's investors who could find no close comparable to it. The closest they could find was *Velti*, a Greek technology company that provided mobile marketing and advertising solutions at a global scale. It went public on NASDAQ in January 2011 at a share price of $12 but it had been fluctuating significantly reaching minimums below $6.

The outcome of the Greek legislative elections on May 6th, 2012 triggered a sharp fall of Velti's share price. From 7th to 16th of May, it decreased from $10,65 to $5,72. TIMWE's board was concerned that this unstable behaviour could contaminate investors' expectations and decrease valuations, increasing uncertainty around the odds of the IPO. **Exhibit 18** presents information of the comparable Velti. If, as many expected, investors relied too much on Velti's valuation to set up the prices they would offer for TIMWE's shares such recent Velti stock prices and volatility would certainly take a serious dent on the former's valuation and even on the number of orders left on the investment banks' books.

The decision

May 17th was a crucial day and as the context worsened, Salvi needed to make a decision. On one hand, he had the support of the underwriters that had invested time and money on this IPO and wanted to conclude it to earn the gross spreads associated with the sale of the shares. On the other, TIMWE had been experiencing unparalleled growth and, although some vectors for growth would be compromised by the cancelation of the offering, the company would continue to grow – however, at a lower than optimal rate. Some of the incurred costs, however, including lawyers' and accountant's fees, would be lost forever.

After all, would the poor environment be more important than the company's promising business model? What would be the consequences for TIMWE of another IPO cancellation? Could TIMWE, a global company based in Portugal, become a victim of a Greek tragedy?

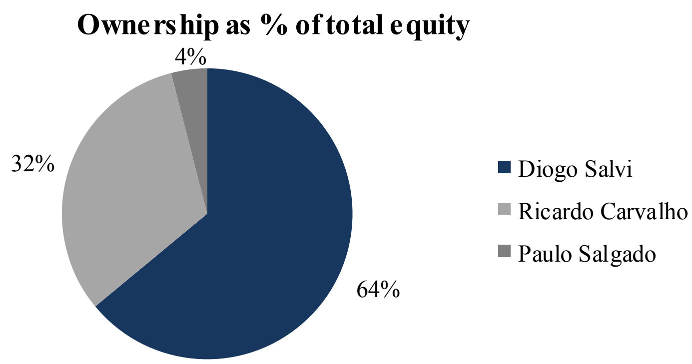
Exhibit 1: Mobile phone penetration per 100 subscriptions.

Note: grey cells correspond to countries were TIMWE had invested.

Mobile-cellular subscriptions (%)	2000	2001	2002
Argentina	17,57	18,07	17,44
Austria	76,42	81,37	83,33
Brazil	13,29	16,25	19,46
Chile	22,06	32,69	39,56
Colombia	5,68	8,08	11,19
Netherlands	67,80	76,47	75,41
Singapore	70,10	75,15	82,16
Spain	60,23	72,74	81,06
Taiwan, Province of China	81,48	98,59	109,55
Turkey	25,36	30,32	35,64
United Kingdom	73,80	78,32	82,96

Source: International Telecommunication Union (ITU) World Telecommunication/Information and communication technologies (ICT) indicators database.

Exhibit 2 Ownership distribution as of 31st December 2010

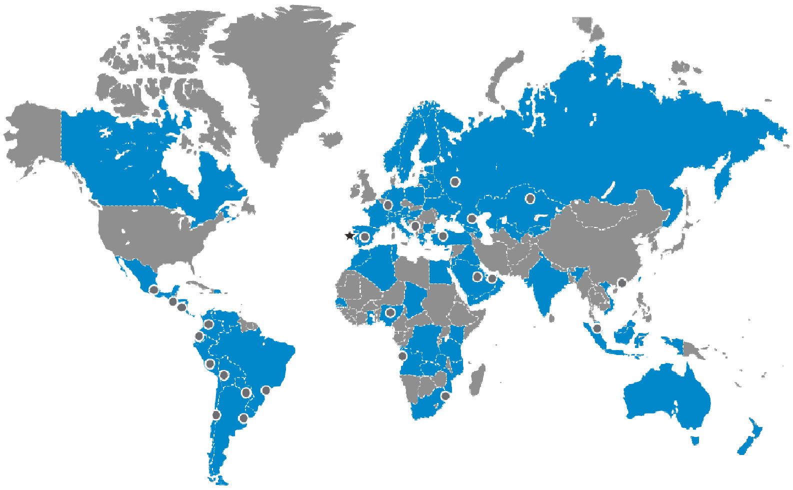


Source: TIMWE's Prospectus 2012

Exhibit 3 Information regarding the opening of international offices

Location	Date
Lisbon	2002
Colombia and Argentina	2005
Chile and Turkey	2006
Brazil, Bolivia, Mexico, Paraguay, Poland, United Arab Emirates, Kazakhstan, Hong Kong	2007
Spain and Mozambique	2008
Peru, Nicaragua and Malaysia	2009
Russia, Serbia, Algeria, Angola, Ecuador, Saudi Arabia, Guatemala, Azerbaijan	2010 onwards

Exhibit 4 TIMWE's footprint: ★represents the Lisbon office; ● identifies the locations with local offices; ■ highlights the countries served



Source: TIMWE's corporate presentation

Exhibit 5 Distribution of revenues across geographies from 2009 until 2011

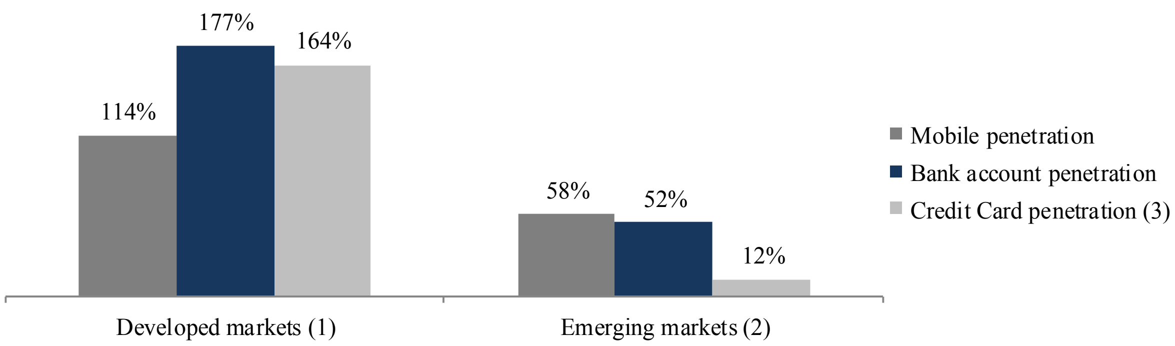
(in thousands)	2009	2010	2011	Weight as % of total revenue (2011)
Brazil	66.860 €	103.173 €	122.313 €	43%
Andean(1)	17.316 €	35.991 €	35.553 €	13%
South Cone(2)	37.229 €	28.006 €	24.617 €	9%
Mexico	15.257 €	17.969 €	19.625 €	7%
EECA(3)	2.866 €	7.525 €	11.465 €	4%
Middle East(4)	1.194 €	2.864 €	8.212 €	3%
Europe(5)	19.799 €	21.706 €	24.344 €	9%
Africa	5.491 €	14.318 €	30.402 €	11%
North America	- €	698 €	588 €	0%
APAC(6)	229 €	1.601 €	4.156 €	1%
Total	**166.241 €**	**233.851 €**	**281.275 €**	

Source: TIMWE's Prospectus 2012

(1) Includes: Bolivia, Colombia, Costa Rica, Dominican Republic, Ecuador, Guatemala, Honduras, Nicaragua, Panama, Peru, Puerto Rico, El Salvador and Venezuela. (2) Includes: Argentina, Chile, Paraguay and Uruguay. (3) "Eastern Europe and Central Asia" and includes: Azerbaijan, Belarus, Kazakhstan, Kyrgyzstan, Russia, Tajikistan, Turkey, Ukraine and Uzbekistan. (4) Includes: Bahrain, United Arab Emirates, Iran, Iraq, Jordan, Kuwait, Lebanon, Oman, Qatar, Saudi Arabia and Yemen. (5) Includes: Austria, Croatia, Cyprus, Estonia, Finland, France, Germany, Greece, Lithuania, Netherlands, Poland, Portugal, Romania, Serbia, Slovenia, Spain, Switzerland and the United Kingdom. (6) "Asia Pacific" and includes: India, Indonesia, Malaysia, New Zealand, Taiwan, Thailand and Vietnam

Exhibit 6 List of top clients of Mobile Marketing, as of 31st December 2011

Mobile Marketing
- Mobile carriers: Telefonica, Unitel, America Movil and TIM Brazil - Media groups: SBT, Record, TPA, SIC and Controlinvest - Goverment and NGO: Accion Social (Colombia) and Instituto Technologico y Estudios Superiores de Monterrey (Mexico) - Brand owners: Kellogg's, HP, Coca-Cola, Activo Bank and Pfizer



Source: TIMWE's Prospectus 2012

Exhibit 7 Comparison between the penetration of mobiles, bank accounts and credit cards in emerging and developed markets

Source: TIMWE's Prospectus 2012.

(1) Includes 2009 data for US, Canada, UK, Germany and France. (2) Includes 2009 data for Brazil, Russia, India and Mexico with respect to mobile and bank account penetration. (3) Includes 2009 data for Brazil, Russia, India, China, Korea and Mexico, regarding emerging markets.

Exhibit 8 Example of the application of mobile money. M-coin service in three steps:

1 End users choose a content to buy with M-coin;
2 End users have to insert their mobile number in order to receive a SMS with the pin number;
3 Insert pin number on the computer and enter submit to conclude the purchase

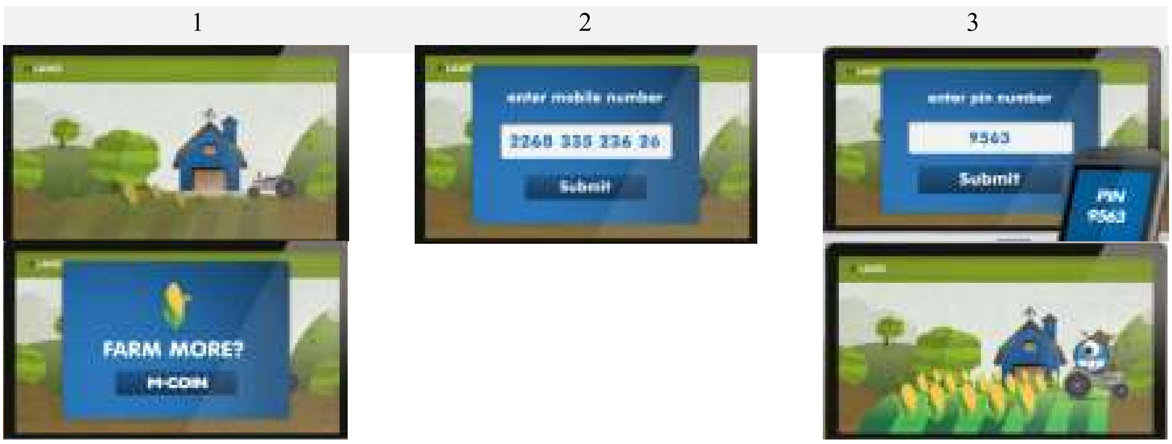
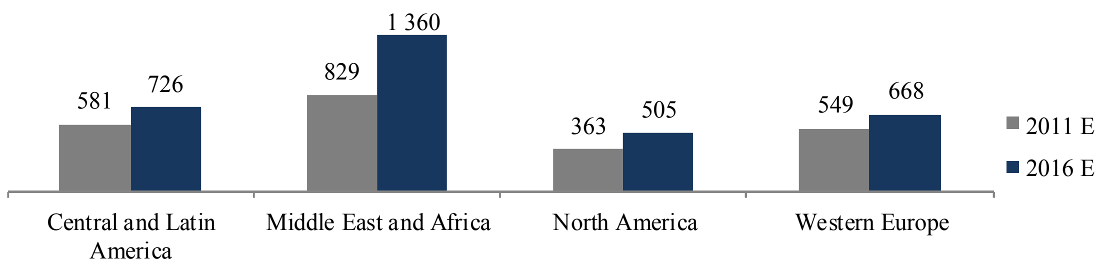


Exhibit 9 Distribution of revenues between the three services: Mobile Marketing, Mobile Entertainment and Mobile Money

(in thousands)	2009	2010	2011	Weight in total revenue (2011)
Mobile Entertainment	107.534 €	116.185 €	132.601 €	47%
Mobile Marketing	54.154 €	101.320 €	117.707 €	42%
Mobile Money	4.552 €	16.346 €	30.967 €	11%
Total Revenues	**166.240 €**	**233.851 €**	**281.275 €**	**---**

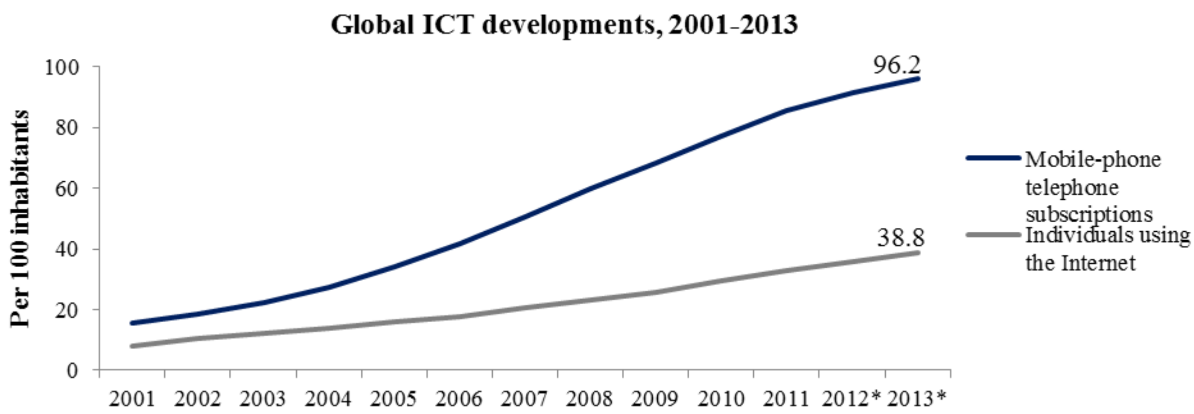
Source: TIMWE's Prospectus 2012

Exhibit 10 Number of mobile phone connections expected in 2011 and 2016 (Millions)



Source: TIMWE's Prospectus 2012. Data from "Analysis Mason (2011)"

Exhibit 11 Evolution of mobile-phone and internet penetration from 2001 to 2013 (Note: * estimate)



Source: International Telecommunication Union (ITU) World Telecommunication/Information and communication technologies (ICT) indicators database

Exhibit 12 Simplified representation of the industry value chain

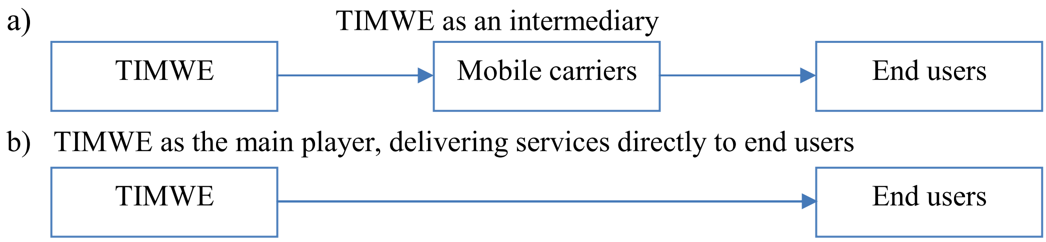


Exhibit 13 Selected financial data (in thousands, except for per-share data)

a) Balance sheet

	2007	2008	2009	2010	2011
Cash and cash equivalents				8.610 €	11.873 €
Trade receivables				25.431 €	35.325 €
Inventories				72 €	69 €
Prepaid expenses and other assets				3.238 €	8.948 €
Current income tax expenses				3.280 €	1.519 €
Other tax expenses				4.647 €	3.597 €
Current assets				**45.278 €**	**61.331 €**
Property and equipment				2.775 €	2.155 €
Capitalized technology				5.536 €	4.945 €
Other intangible assets				3.139 €	12.358 €
Goodwill				642 €	642 €
Deferred income tax expenses				2.119 €	4.360 €
Other assets				87 €	101 €
Non-current assets				**14.298 €**	**24.561 €**
Total assets	**24.000 €**	**40.049 €**	**46.738 €**	**59.576 €**	**85.892 €**
Accounts payable				20.084 €	28.328 €
Liabilities related to factoring operations				1.181 €	461 €
Current portion of LT debt				2.521 €	13.352 €
Current portion of finance lease obligations				1.038 €	746 €
Current tax liabilities				535 €	1.862 €
Other taxes				887 €	1.453 €
Current liabilities				**26.246 €**	**46.202 €**
Provisions				699 €	1.009 €
LT debt				7.314 €	3.880 €
LT portion of finance lease obligations				1.036 €	611 €
Deferred income tax liabilities				269 €	337 €
Non-current liabilities				**9.318 €**	**5.837 €**
Total liabilities	**16.923 €**	**31.684 €**	**32.729 €**	**35.564 €**	**52.039 €**
Total equity	**7.077 €**	**8.365 €**	**14.009 €**	**24.012 €**	**33.853 €**

Total equity and liabilities	**24.000 €**	**40.049 €**	**46.738 €**	**59.576 €**	**85.892 €**
Total capitalization					38,344€
D/E				*54,4%*	*56,3%*

Source: TIMWE's Prospectus 2012

b) *Income statement*

	2007	2008	2009	2010	2011
Revenues	67.813 €	125.339 €	166.241 €	233.851 €	281.275 €
Operating Expenses:					
Cost of service delivery	32.118 €	65.059 €	97.056 €	117.318 €	144.550 €
Commercial and production costs	21.511 €	35.292 €	37.130 €	76.025 €	88.573 €
Personnel costs	4.430 €	6.519 €	8.758 €	9.585 €	11.092 €
General and administrative	3.258 €	6.162 €	6.980 €	7.526 €	8.749 €
Tax expenses	420 €	2.150 €	2.306 €	3.263 €	3.212 €
Amortization and depreciation	517 €	1.605 €	2.490 €	4.225 €	5.419 €
Provisions expense	853 €	116 €	405 €	589 €	483 €
Total operating expense	63.107 €	116.903 €	155.125 €	218.531 €	262.078 €
Operating profit (EBIT)	**4.706 €**	**8.436 €**	**11.116 €**	**15.320 €**	**19.197 €**
Finance income	511 €	570 €	139 €	1.650 €	1.272 €
Finance costs	- 687 €	- 1.500 €	- 2.415 €	-2.576 €	- 2.535 €
Net finance income (costs)	- 176 €	- 930 €	- 2.276 €	- 926 €	- 1.263 €
Profit before income taxes (EBT)	**4.530 €**	**7.506 €**	**8.840 €**	**14.394 €**	**17.934 €**
Income tax expenses	- 1.973 €	- 2.119 €	- 1.676 €	- 3.389 €	- 3.776 €
Net income	**2.557 €**	**5.387 €**	**7.164 €**	**11.005 €**	**14.158 €**

c) *Other financial data*

	2007	2008	2009	2010	2011
Cash and cash equivalents	3.886 €	4.456 €	5.667 €	8.610 €	11.873 €
Net working capital	5.725 €	14.222 €	11.284 €	19.032 €	15.129 €
Capital Expenditures			5.300 €	6.100 €	13.200 €
Total debt	4.329 €	15.973 €	10.204 €	9.835 €	17.232 €

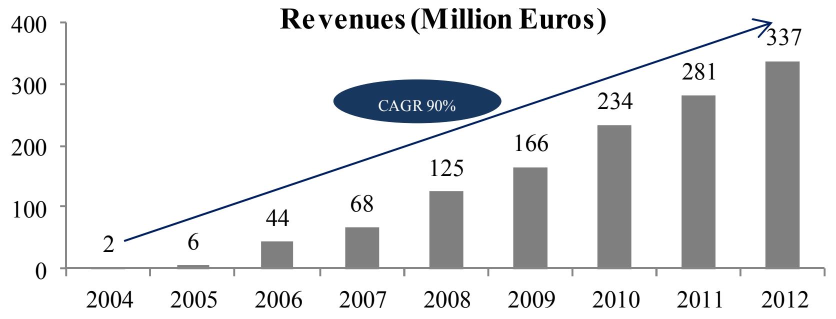
d) *Debt convenants*

Financial covenants: a maximum debt–to–EBITDA ratio and a minimum equity–to–total net assets ratio.

Non-financial covenants: providing financial statements to the bank in a timely manner, current stockholders should maintain at least 51% ownership, and TIMWE shall not sell, transfer or otherwise dispose of 20% of its assets without the express consent of the lenders.

Source: TIMWE's Prospectus 2012

Exhibit 14 Evolution of TIMWE's revenues from 2004 up to 2012. The compounded annual growth rate for the period in the graphic is 90%



Source: TIMWE's corporate presentation

Exhibit 15 Description of IPO activity in US from 2004 to 2011

Source: "*Global IPO trends 2012* – Prepare early, move fast", Ernst & Young

Exhibit 16 Offering data: number of common shares that will be issued and corresponding proceeds from the sale

Price			$5,50		
Common shares offered by:	**TIMWE (new)**	**Selling shareholders**	**Total**	**Total shares outstanding**	**Proceeds from sale**
Without exercising option	11,9 M	1,8M	**13,7M**	61,9 M	$49,3 M[18]
Exercising overallotment option	+ 1,027,500	+ 1,027,500	**15,755 M**	62.927.500	$54,6 M if overallotment option is exercised in full.

Source: TIMWE's Prospectus 2012

[18] "Total proceeds net of underwriting discounts and estimated expenses of the offering payable by TIMWE. No proceeds from the sale of the selling shareholders will be received. The estimated expenses include 3 M€ to be paid to TIMWE's employees", TIMWE's prospectus. Exchange rate = $1,2973 per 1,00 €.

Exhibit 17 Evolution of NASDAQ and PSI 20 prices. Portuguese Stock Index 20 – PSI 20 - is the stock market index of companies that trade on Euronext Lisbon, Portugal's main stock exchange. The 20 listings correspond to the companies with the largest market capitalisation and share turnover in the PSI Geral.

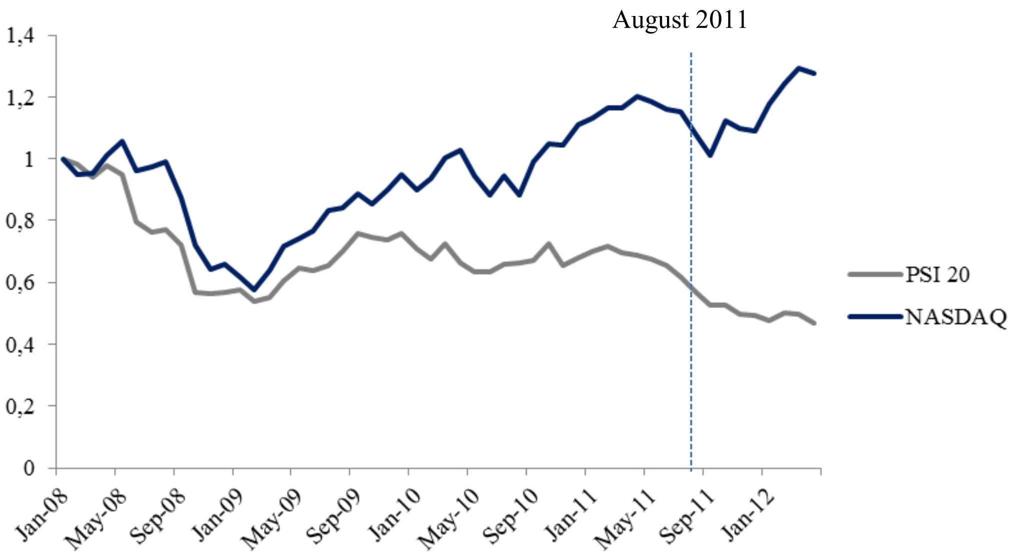
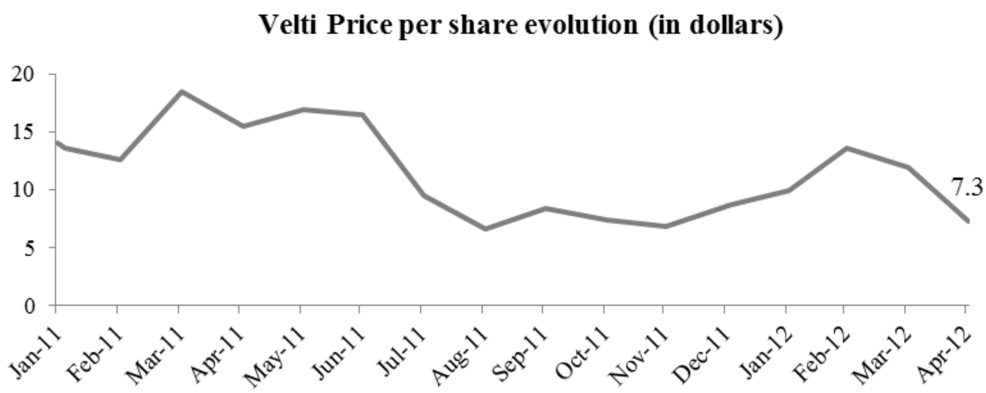


Exhibit 18 Information about the comparable *Velti*

1. Shares price evolution from January 2011 until April 2012



Source: Yahoo finance, symbol VELT

2. Financial information

	Velti
EBITDA	$53.077.000
Debt	$ 9.625.000
Revenue	$ 189.202.000
Adjusted Net income	$29.005.000
Number of shares	61.816.000

Source: "Annual Report 2011 VELTI PLC – Form 20-F".