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Omega Engineering LLC and Mr. Oscar Rivera v. Republic of Panama

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Direct Presentation

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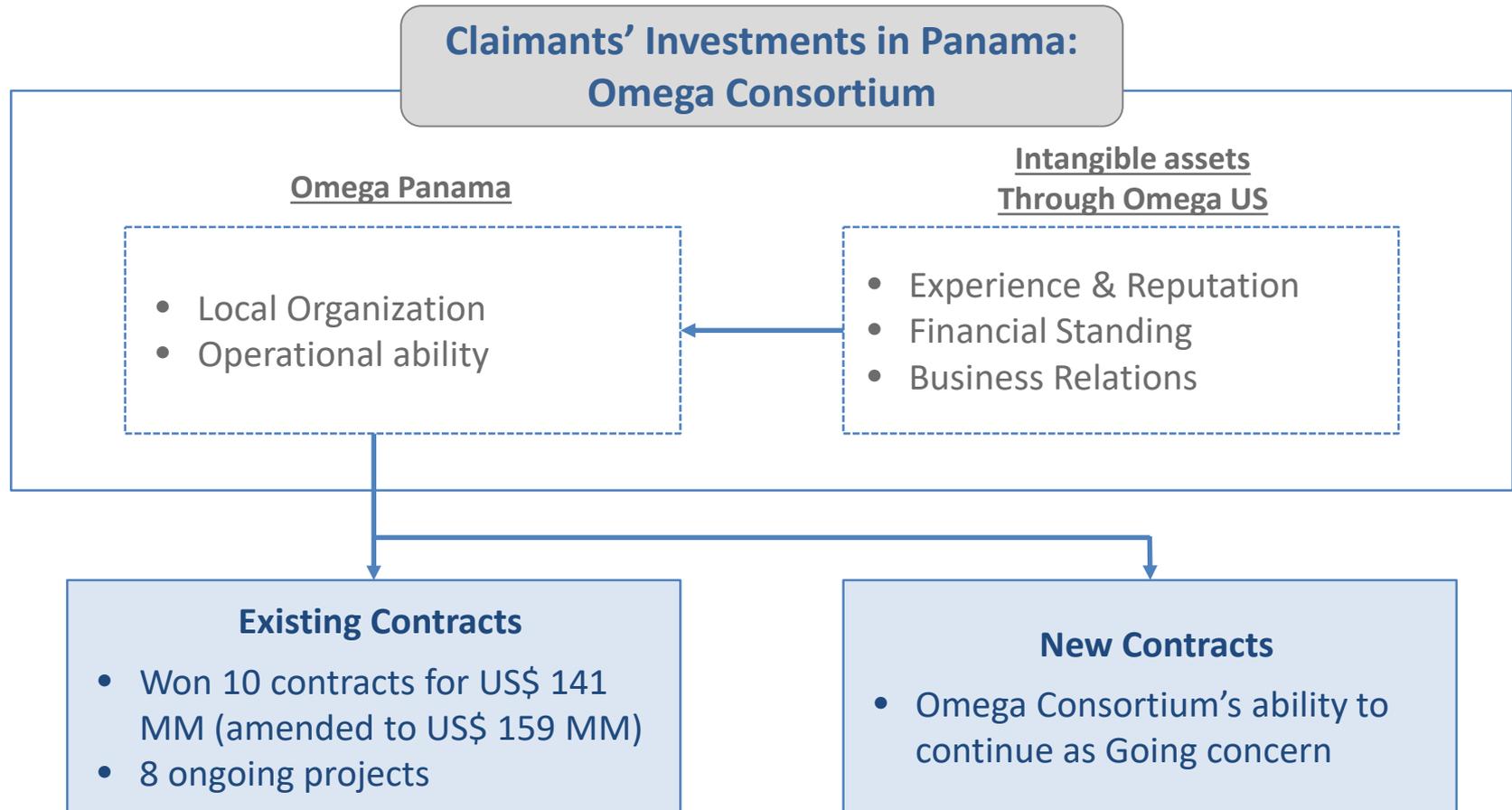
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I. Valuation Purpose

Full Compensation Requires Valuing all Investments



Source: Letter of Instructions to Compass Lexecon (C-0228); CL First Report, Section IV and Table VI

Valuation Standard to Compute Losses

How do we value?

Fair Market Value Standard

*“[T]he price, expressed in terms of cash equivalents, at which property would change hands between a **hypothetical willing and able buyer** and a **hypothetical willing and able seller**, acting at arms length in an open and unrestricted market, when neither is under compulsion to buy or sell and when both have reasonable knowledge of the relevant facts”* (see American Society of Appraisers, C-0392, pp. 4-5)

Compass Lexecon

Hypothetical transaction

Willing Buyer and Willing Seller

Dr. Flores

Specific Buyer

Only Willing Buyer

Source: CL First Report, Section III.1; Dr. Flores' Second Report, ¶¶ 39-43; CL Second Report, ¶ 89

II. Losses on New Contracts

New Contracts: Assumptions and Valuation Results

Losses on New Contracts	Compass Lexecon	Dr. Flores	Standalone impact of each of Dr. Flores' assumptions*
	US\$ 42.5 million	US\$ 1.1 million	
1. Valuation Horizon	Cash Flows beyond 2019	Cash Flows until 2019	- US\$ 31 MM
2. Major Cash Flows Assumptions	Bid Target Market ~ US\$ 251 MM/year Success Rate: 25% Gross Margin: 13%	Bid Target Market ~ US\$ 159 MM/year Success Rate: 9.4% Gross Margin: 10.7%	- US\$ 35 MM
3. Cost of Equity	11.65%	20.84%	- US\$ 23 MM
4. Other Assumptions	Projects Length: 18 Adjusted G&A	Project Length: 30 Non-Adjusted G&A	- US\$ 5 MM

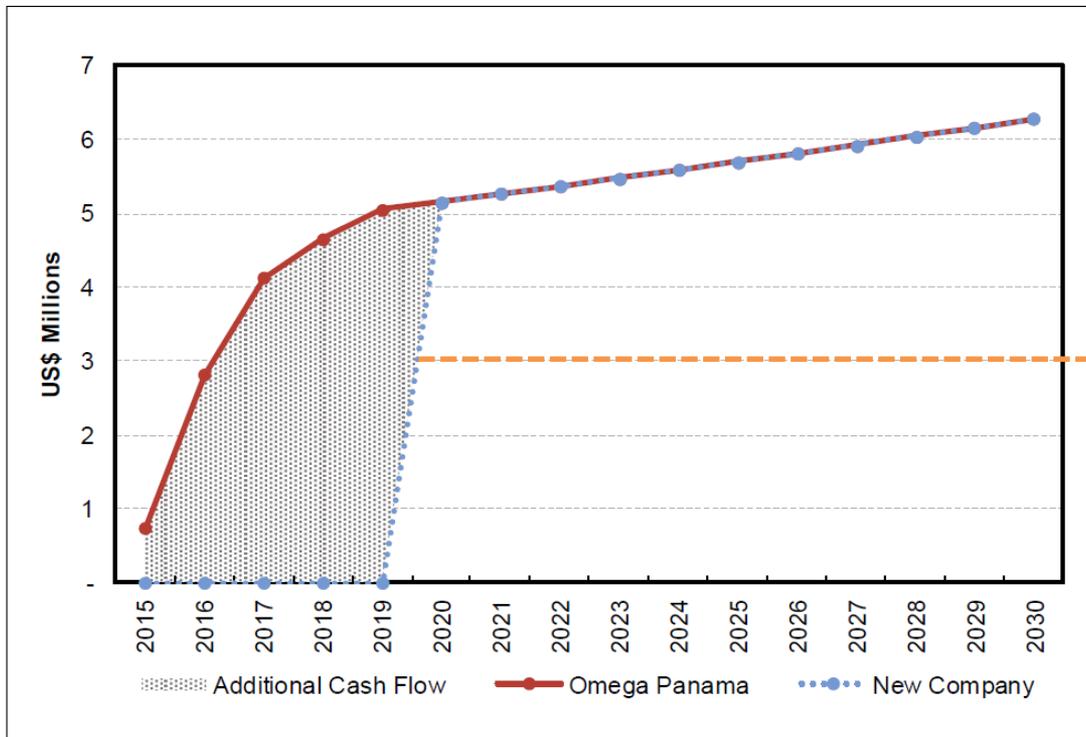
Note: [*] The combined impact of all Dr. Flores' assumptions is US\$ 41.4 million, and not the sum of each standalone impact

Source: CL Second Report, ¶¶ 6, 95; Dr. Flores Second Report, Figure 14; slide 25 (Target Market); slide 29 (standalone impact)

The value of Omega Consortium extends beyond 2019

Omega Consortium Intangibles are Valuable and not Easily Replicable

Figure 4
A Willing Buyer's View Assuming No Cash Flows for Five Years⁵⁹



- Dr. Flores' 5-year "ramp-up period" is:
1. Arbitrary
 2. Inconsistent with Willing Seller theory
 3. Inconsistent with Start-up risks

Source: Compass Lexecon based on Dr. Flores Second Report, Figure 4; CL Second Report, ¶¶ 88-92

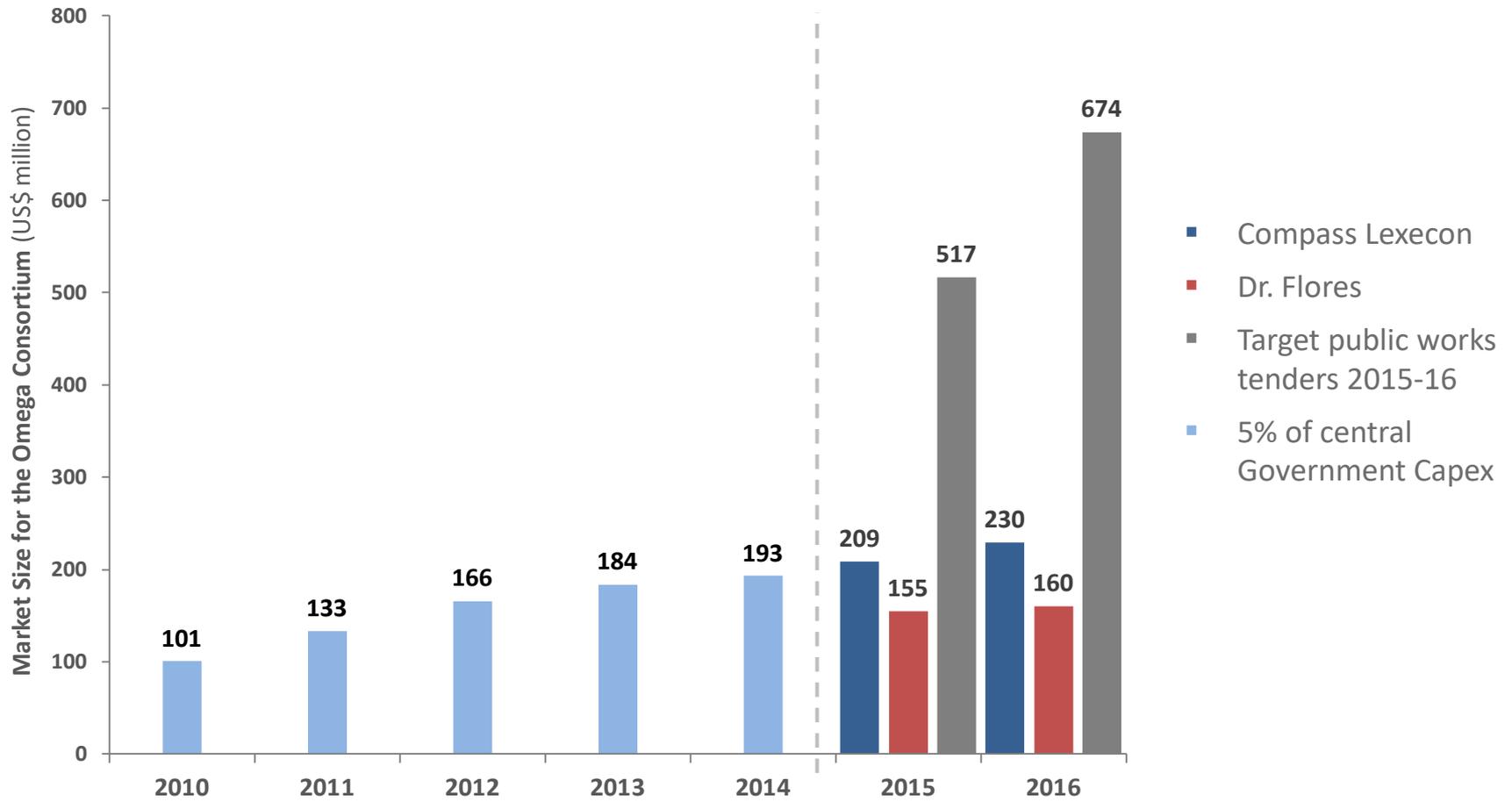
Omega Consortium was Profitable before 2014

Concept	Total
1. Awarded Public Sector Contracts	US\$ 159 MM
2. Public Sector Bids Won	10 out of 42
3. Achieved Maximum Score Financial Capacity	32 out of 35
4. Achieved Maximum Score Experience	26 out of 35
5. Total Net Income in Awarded Projects	~US\$ 10 MM

Source: [1] CL First Report, Table VI; [2] CL First Report, ¶ 60; [3] CL Second Report, Table III; [4] CL Second Report, Table IV; [5] slide 24 (Total Net Income in Awarded Projects)

2015-16 Target Market more than doubled our estimate

Our Target Market is limited to public works. Figures expressed in US\$ million

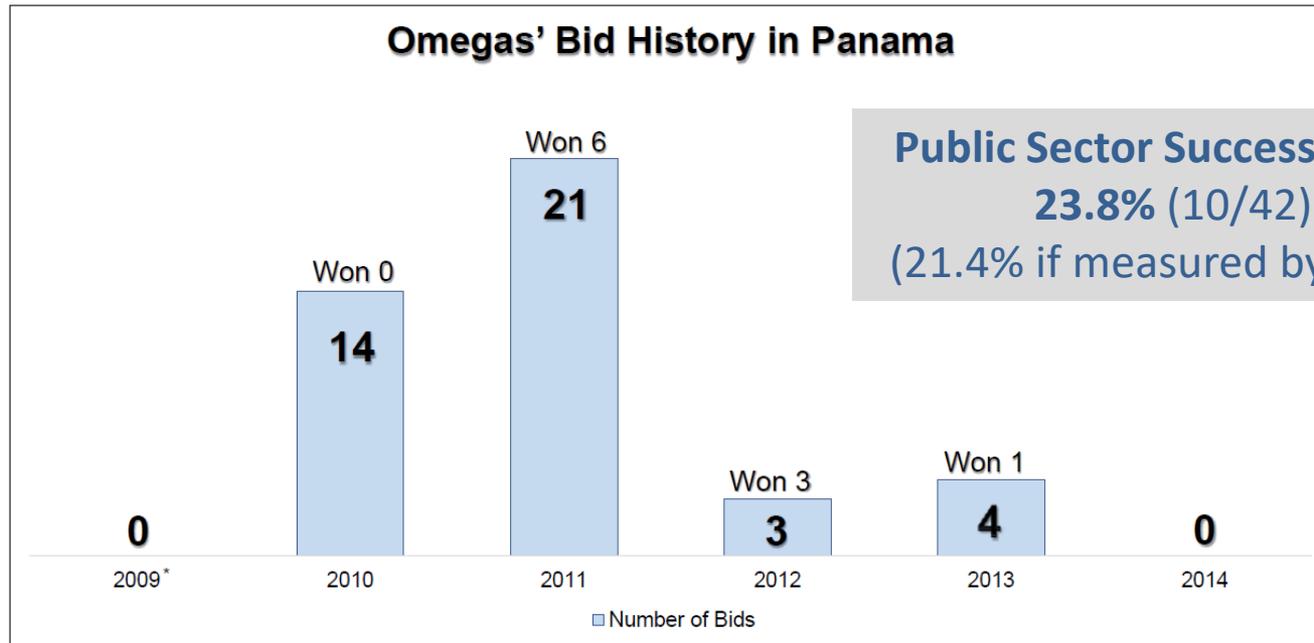


Source: slide 25 and slide 26

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A 25% Success Rate is adequate

Bidding participation follows a strategic behavior



Success Rate (# Bids)

0%

29%
(6 of 21)

100%
(3 of 3)

25%
(1 of 4)

0%

**Awarded contracts value
(US\$ MM)^[+]**

0

52

87

3

17

[+] Awarded value includes new contracts and change orders on existing contracts

Source: CL First Report, Table VI; McKinnon First Report, Annex 1; Omega Engineering, Inc. Financial Statements and Supplementary Information as of 31 December 2013 and 2012 and Independent Auditors' Report, p. 18 (C-0136)

A 13% Profitability is reasonable

Consistent with available evidence

1. McKinnon Analysis

Expected profitability when bidding (w/o change orders): **21%**
Expected profitability at completion: **13.2%**

2. Sectoral evidence

Evidence of the construction sector reports gross margins of 16%-20% for construction companies (Damodaran)

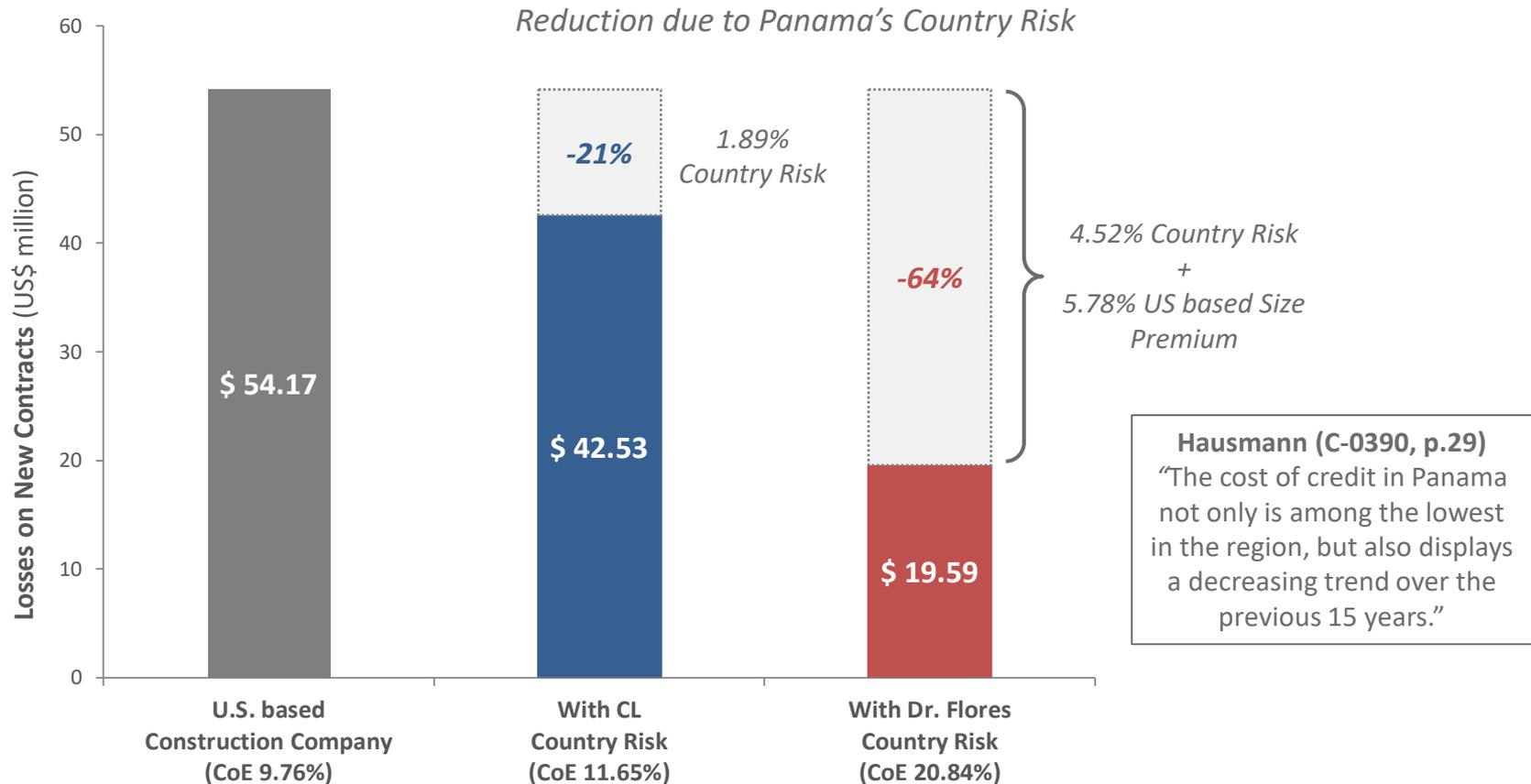
3. Tocumen Airport

The Omega Consortium had already achieved a **15%** profitability in “Aeropuerto Tocumen” project

Source: (1) McKinnon First Report, Annex 3 and Annex 2, Table 1 (see also CL First Report, Table VIII); (2) CL Second Report, ¶ 122; (3) slide 28 (Tocumen Airport profitability)

A 11.65% Cost of Equity is reasonable

Panama is recognized as having one of the lowest financing costs



Source: CL First Report, Appendix B; CL Second Report, Appendix B; slide 30 (impact)

III. Losses on Existing Contracts

Existing Contracts: Assumptions and Valuation Results

Losses on Existing Contracts	Compass Lexecon	Dr. Flores	Standalone impact of each of Dr. Flores' assumptions*
	US\$ 8.69 million	US\$ 3.77 million	
Economic Issues			
Time Value & Risks of Cash Flows	Consistent treatment of financial costs (single rate)	Inconsistent treatment of financial costs (arbitrary multiple rates)	- US\$ 1.6 MM
Legal/Factual Issues			
Change Orders	All Included	Challenges validity of some change orders	- US\$ 3.2 MM

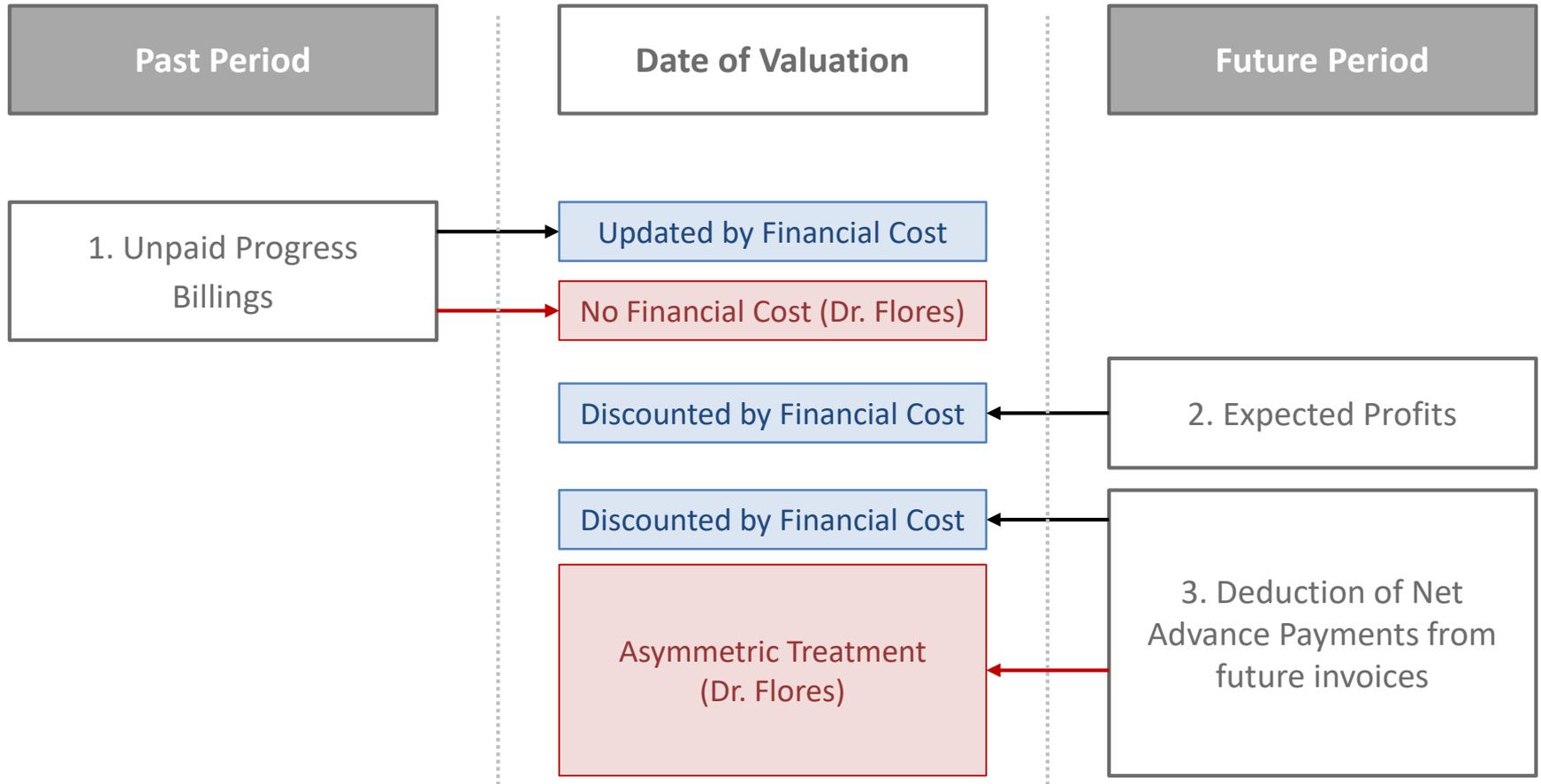
Notes: There is a subsidiary criticism regarding the use of Addenda N°4 for MINSAs CAPSI Kuna Yala project

[*] The combined impact of all Dr. Flores' assumptions is US\$ 4.92 million, and not the sum of each standalone impact

Source: CL Second Report, Table II; Dr. Flores' Second Report, Figure 16; slide 31 (standalone impact)

Cash Flows have to be Treated Consistently

Dr. Flores' treatment of cash flows from Existing Contracts is asymmetric



Source: Compass Lexecon based on CL Second Report, Figure 1

Advance Payments need to reflect timing of cash flows

Dr. Flores' application produces inconsistent results. Figures expressed in US\$ million

	Nominal	Compass Lexecon	Dr. Flores
Net Advance Payments	14.30	13.51	14.56
<hr/>			
Advance Payments (\$ owed <i>by</i> Omega Consortium)	15.76	14.81	15.76 (Face value)
	<i>less</i>	<i>less</i>	<i>less</i>
Withheld Payments (\$ owed <i>to</i> Omega Consortium)	1.46	1.30	1.20

Source: CL Revised Valuation Model (C-0438), tab "III. Advance Balance", cells F23:H23 and F39:H39; Dr. Flores' Model (QE-0052), tab "III. Advance Balance", cells F39:H39

IV. Conclusions

CoE is the only rate that recognizes the economic harm to Claimants

Cost of Equity

- Achieves Full Compensation (financing cost already incurred)
- Independent from Claimants' Identity
- Commercially reasonable

Risk Free Rate

- Lower than Inflation
- Not commercially reasonable

Source: CL First Report, ¶¶ 109-112

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Compass Lexecon's Damages Assessment

Figures expressed in US\$ million

Total Losses as of December 23, 2014	
Existing Contracts	
Unpaid progress billings	20.13
Expected Profits until Completion	2.06
Less Cash Advances for Completion	-13.51
Total Losses on Existing Contracts	8.69
New Contracts	
2015-2019 Cash Flows	11.78
Beyond 2019	30.75
Total Losses on New Contracts	42.53
Total Losses (US\$ million)	51.22

Total Losses as of April 1, 2020	US\$ 91.62 MM
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Source: CL Second Report, Table VI; Compass Lexecon based on CL Revised Valuation Model (C-0438)



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Back Up & Demonstratives

Omega Consortium was Successful Against Competitors

The Omega Consortium had Competitive Advantages

Contender	# Bids Evaluated [a]	# of wins	Financial Capacity		Experience	
			Max Score [b]	Ratio [b] / [a]	Max Score [c]	Ratio [c] / [a]
OMEGA	35	10	32	91%	26	74%
COMSA	3	2	2	67%	3	100%
SEMI	16	2	10	63%	6	38%
ELECNOR	7	0	3	43%	7	100%

Note: The Omega Consortium participated in 42 public works bids, but was evaluated in 35

Source: Compass Lexecon based on CL Second Report, Table III and Table IV

Total Net Income in Awarded Projects

Concept		Amount (US\$)
Gross profit of existing contracts		20,288,195
Contracts amount	[1]	154,012,234
Estimated cost at completion	[1]	(133,724,039)
Gross profit of Tocumen Airport project	[2]	682,434
G&A Expenses 2010-2014		(4,896,341)
G&A Expenses 2010	[3]	(37,226)
G&A Expenses 2011	[3]	(713,362)
G&A Expenses 2012	[4]	(885,736)
G&A Expenses 2013	[4]	(1,028,188)
G&A Expenses 2014	[5]	(2,231,829)
Future G&A Expenses	[1]	(2,755,098)
Earning (loss) from operations		13,319,190
Income tax (25%)		3,329,798
Total Net Income in Awarded Projects		9,989,393

Note: G&A Expenses for year 2013 exclude "Gastos de intereses" and "Pérdida de venta de valores"

Sources: [1] McKinnon First Report, Annex 2, Table 1; [2] Omega Engineering, Inc. Financial Statements and Supplementary Information as of 31 December 2013 and 2012 and Independent Auditors' Report, p. 18 (C-0136); [3] Audited Financial Statements of Omega Engineering Inc. as of December 31 2011, p. 8 (C-0311); [4] Omega Engineering, Inc. Financial Statements as of 31 December 2013, p. 7 (C-0135); [5] Omega Engineering, Inc. Interim Balance Sheets for the Year Ended 31 December 2014, tab "EARNINGS", cell F16 (C-0138)

Target Market

Concept		2009	2010	2011	2012	2013	2014
Central Government Capital Expenditure (US\$ MM)	[1]	1,482	2,013	2,655	3,315	3,676	3,859
Market Size for Omega Consortium (% Central Gov Capex)	[2]	5%	5%	5%	5%	5%	5%
Normalized Market Size for Omega Consortium (US\$ MM)		74	101	133	166	184	193

Concept		2015	2016	2017	2018	2019	Average
Market Size for the Omega Consortium (US\$ MM)							
Compass Lexecon	[3]	209	230	251	272	294	251
Dr. Flores	[4]	155	160	157	154	167	159

Sources: [1] Republic of Panama's Fiscal Budgets for the period 2009-2014, pp. 1-4, C-0391; [2] CL First Report, ¶ 90; [3] CL Revised Valuation Model (C-0438), tab "IV. New Contracts", cells E33:I33; [4] Dr. Flores' Model (QE-0052), tab "IV. New Contracts", cells E33:I33

2015-16 Target Market more than doubled our estimate

Concept	2015	2016
Awarded Bids	36	48
Total Contract Value Awarded (US\$ million)	517	674
Market Size for the Omega Consortium (US\$ million)		
Compass Lexecon	209	230
Dr. Flores	155	160

Note: Potential projects were selected based on the following criteria: i) belonging to a sector where the Omega Consortium had prior experience; and ii) Bid reference price was within $\pm 15\%$ of the Omega Consortium's historical bid range of US\$ 0.8 million - US\$ 126.5 million

Source: Compass Lexecon based on CL First Report, Table XIV

A 25% Success Rate is Adequate

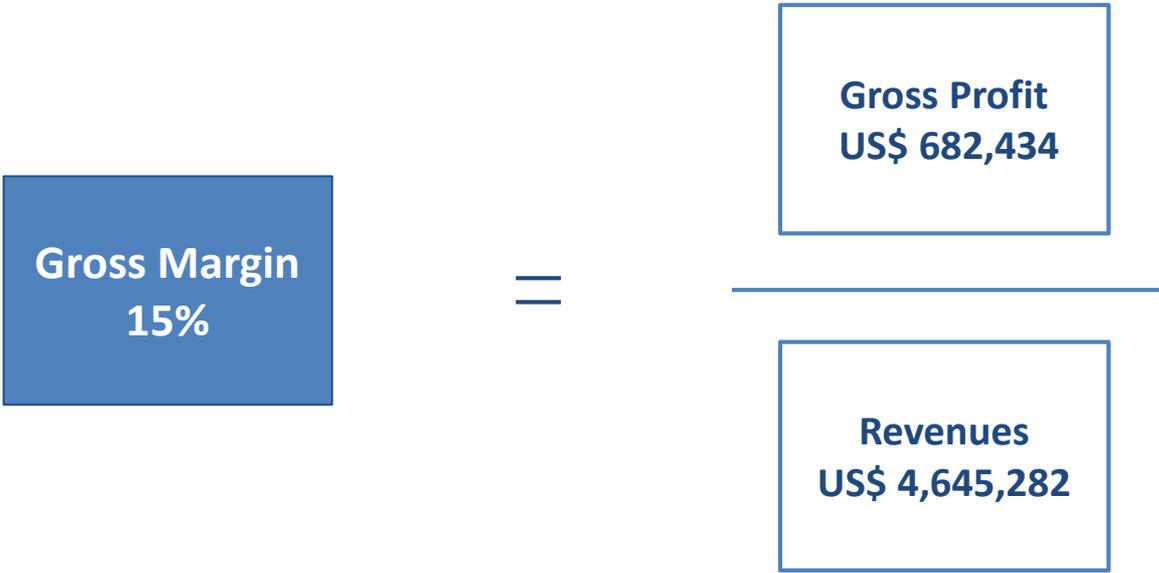
Resources allocation varies by year due to strategic behavior

Calculation Methodology	Bid Count			Bid Value (US\$ MM)		
	# Bids	# Awarded	Success Rate	Bid US\$	Awarded US\$	Success Rate
	[a]	[b]	[b]/[a]	[c]	[d]	[d]/[c]
Total	42	10	23.8%	662	142	21.4%
2010	14	0	0%	176	0	0%
2011	21	6	29%	337	53	16%
2012	3	3	100%	87	87	100%
2013	4	1	25%	61	2	3%

Dr. Flores' Average:
9.4%

Source: Compass Lexecon based on CL Second Report, Table V; CL First Report, Table VI; Omega Historical Bids (C-0388); CL Revised Valuation Model (C-0438), tab "V. Historical Information"

Tocumen Airport had a Profitability of 15%



The Tocumen Airport project was started on February 2012 and completed in 2013

(See C-0006 and C-0007)

Source: Omega Engineering, Inc. Financial Statements and Supplementary Information as of 31 December 2013 and 2012 and Independent Auditors' Report, p. 18 (C-0136)

Standalone Impacts on New Contracts

See CL Revised Valuation Model (C-0438), tab “Summary”

- Compass Lexecon New Contracts estimate, press button “Run scenario CLEX” (cell P3)
 - See cell M13:N13 = US\$ 42.53 MM
- Standalone impact of “Valuation Horizon” assumption, press button “Run scenario CLEX” (cell P3)
 - In cell G33 choose option “QE (2019)”. See cell M13:N13 = US\$ 11.78 MM (which is US\$ 31 MM less than Compass Lexecon)
- Standalone impact of “Major Cash Flows Assumptions”, press button “Run scenario CLEX” (cell P3)
 - In cell G38 choose option “QE (5.44%)”; in cell G44 choose option “QE (9.39%)”; in cell G45 choose option “QE (10.71%)”. See cell M13:N13 = US\$ 7.29 MM (which is US\$ 35 MM less than Compass Lexecon)
- Standalone impact of “Cost of Equity” assumption, press button “Run scenario CLEX” (cell P3)
 - In cell G21 choose option “Cost of Equity QE (Midpoint 20.8%)”. See cell M13:N13 = US\$ 19.59 MM (which is US\$ 23 MM less than Compass Lexecon)

See Dr. Flores Updated Valuation Model (QE-0052 XLS), tab “Summary”

- Dr. Flores New Contracts estimate, press button “Run scenario QE” (cell Q3)
 - See cell M13:N13 = US\$ 1.14 MM
- Standalone impact of “Other Assumptions”, press button “Run scenario CLEX” (cell P3)
 - In cell G51 choose option “QE (Ignores Existing Contracts G&A)”; in cell G57 choose option “30 Months”. See cell M13:N13 = US\$ 38.00 MM (which is US\$ 5 MM less than Compass Lexecon)

Standalone Impact of Cost of Equity

See CL Revised Valuation Model (C-0438), tab “Summary”

- U.S. based Construction Company (CoE 9.76%):
 - Press button “Run scenario CLEX” (cell P3)
 - In cell G21 choose option “Manual”; in cell H21 write “9.76%”
 - See cell M13:N13 = US\$ 54.17 MM
- Compass Lexecon New Contracts estimate:
 - Press button “Run scenario CLEX” (cell P3)
 - See cell M13:N13 = US\$ 42.53 MM (which is 21% lower than US\$ 54.17 MM)
 - $(54.17 - 42.53) / 54.17 * 100 = 21\%$
- Standalone impact of Dr. Flores’ CoE:
 - Press button “Run scenario CLEX” (cell P3)
 - In cell G21 choose option “Cost of Equity QE (Midpoint 20.8%)”
 - See cell M13:N13 = US\$ 19.59 MM (which is 64% lower than US\$ 54.17 MM)
 - $(54.17 - 19.59) / 54.17 * 100 = 64\%$

Standalone Impacts on Existing Contracts

See CL Revised Valuation Model (C-0438), tab “Summary”

- Compass Lexecon Existing Contracts estimate:
 - Press button “Run scenario CLEX” (cell P3)
 - See cell M12:N12 = US\$ 8.69 MM
- Standalone impact of “Time Value & Risks of Cash Flows” assumptions:
 - Press button “Run scenario CLEX” (cell P3)
 - In cell G21 choose option “Cost of Equity QE (Midpoint 20.8%)”; in cell G23 choose option “No Interest (QE)”; in cell G25 choose option “Lump Sum at DOV (QE)”
 - See cell M12:N12 = US\$ 7.07 MM (which is US\$ 1.6 MM less than Compass Lexecon)

See Dr. Flores Updated Valuation Model (QE-0052 XLS), tab “Summary”

- Dr. Flores Existing Contracts estimate:
 - Press button “Run scenario QE” (cell Q3)
 - See cell M12:N12 = US\$ 3.77 MM
- Standalone impact of “Change Orders” factual assumptions:
 - Press button “Run scenario CLEX” (cell P3)
 - In cell G56 choose option “QE”
 - See cell M12:N12 = US\$ 5.45 MM (which is US\$ 3.2 MM less than Compass Lexecon)



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