

Provide an investment recommendation

Email to management

Dear WorldWide Brewing CO.,

Due the incident occurred to Happy Hour CO, we revised the recently sent DCF Model to one more accurate and that could represent the actual situation.

Our first valuation was about the potential offsetting factors for the impact of the fire, and as we can see it impacted the forecast revenue and the gross margin to 2021.

Even though the sales plant being directly affected, there is a potential expectation of revert the financial impact in 2021 and the next years we forecast a exponential Net growth and completely solving of debts as never happened to the company, exactly as was precised in our last valuation. The materiality of the fire in the longer term, the damage of the patrimony costed the decrease of operational to -2.7% and the Net debt in was closed in 21.5 over EBITDA. However, in the ending of 5 year plan, this debt will be completed solved due the investment and potential growth of sales and expansion of beverages market as we could notice in the last valuation also.

In consideration to the impact on the sales, the first year will be the time to recover and as we can see in the new Revised Valuation the Implied Firm NPV had a small decrease due to Present Value of Cash Flows ~(-4.3%) in relation to what was foreseen and present depreciation does not affected the price in a way that could be significative.

The final consideration is about our valuation to HappyHour CO, we strongly affirm that it still shows to be a profitable company and to achieve this conclusion our calculations was updated to represent the real moment and express the accurate state of HappyHour CO Finances in this competitive bid.

Best Regards,
Ingrid Cadu

Net present value based on perpetuity growth method

Preliminary valuation		
Value Based on 8.5% WACC & 0.5% TGR	Amount (\$m)	% of NPV
Present Value of Cash flows	409	50.9%
PV of Terminal Value	394	49.1%
Implied Firm NPV	803	100.0%
Net debt as of Mar-20E	(85)	
Implied equity value	718	
Implied offer share price (c)	361	
% premium to current	118.8%	

Source: Company Business Plan (January 2020); Equity research; J.P. Morgan analysis

Revised valuation (post-fire)		
Value Based on 8.5% WACC & 0.5% TGR	Amount (\$m)	% of NPV
Present Value of Cash Flows	345	46.7%
PV of Terminal Value	394	53.3%
Implied Firm NPV	738	100%
Net debt as of Mar-20E	(85)	
Implied Equity Value	654	
Implied offer share price (c)	329	
% premium to current	99.1%	