



## Financial Modelling & Valuation

(Premium Food manufacturer)

- Built **proforma financial statements** based on bottom-up sales model and understanding of financial restructuring that took place a year prior.
- Compared and contrasted **key differences between management models and banker valuations**

# FINANCIAL VALUATION MODEL

## SITUATION



- Private Equity firm was conducting an **investor due-diligence for a premium food product company that underwent a series of restructuring events**
- As a part of the due-diligence, PE firm required to complete the **financial valuation modelling in a short turnaround period**
- PE firm partnered with Merilytics to build **bottom-up financial statements** (P&L, Balance Sheets and Cash Flows), **forecast statements, post restructuring balance sheets for the group of entities, DCF and EV-EBITDA model**

## VALUE ADDITION



- Built the proforma Financial statements – **P&L, Balance Sheet & Cash Flow Statement**
- P&L was built using a bottom-up approach using **fundamental production and sales drivers**. We also built the **monthly financial model for two forecast years** considering various factors such as **sales and production seasonality**
- The model also included **pre-restructuring Balance Sheet for the individual companies and post-restructuring Balance Sheet for the group of entities**

## IMPACT



- **Quick turnaround** times helped the client to make **investment decisions** using fundamental drivers of the demand
- **Comparison** of our analysis with **Financial statements produced by the company and a 3rd party vendor**, helped the PE firm validate the financial health of the company and differences in cash flows due to the restructuring events

# P&L AND BALANCE SHEET – MONTHLY PROFORMA MODELS BASED ON FUNDAMENTAL DRIVERS

ILLUSTRATIVE

Sherlock P&L Statement																
	FY15	FY16	FY17	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18	FY18
Sales (\$NZ '000)																
Honey	42,363	48,836	40,851	900	1,080	90	1,801	1,711	1,531	1,621	2,701	1,441	8,103	7,203	8,103	36,285
Bulk Honey	30,694	27,639	16,693	371	445	37	742	704	630	667	1,112	593	3,337	2,966	3,337	14,942
Packed Honey	11,669	21,198	24,158	530	636	53	1,059	1,006	900	953	1,589	847	4,767	4,237	4,767	21,343
Black Label	4,667	8,479	7,670	209	251	21	418	397	355	376	627	335	1,882	1,673	1,882	8,426
Private Label & Other W&S	7,001	12,719	16,488	321	385	32	641	609	545	577	962	513	2,885	2,564	2,885	12,917
Hive Sales	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Hive management	1,766	1,913	6,931	0	0	0	0	0	0	0	0	0	0	0	0	0
Medical	412	1,959	751	19	22	2	37	35	32	34	56	30	168	149	168	751
Other Revenue	1,026	312	408	11	13	1	21	20	18	19	32	17	96	85	96	428
Total Sales	45,567	53,020	48,941	930	1,116	93	1,859	1,766	1,580	1,673	2,789	1,487	8,367	7,437	8,367	37,465
Adj. to match VDD	(3,782)	(1,632)	1,364													
Total Sales after adj.	41,785	51,388	50,305	930	1,116	93	1,859	1,766	1,580	1,673	2,789	1,487	8,367	7,437	8,367	37,465
COGS (\$ '000)																
Cost of Honey sold	35,384															
Factory Costs	0															
Packaging Costs	0															
Total COGS	35,384															

Monthly model for forecast years based on fundamental drivers such as production, demand, seasonality etc.

## Balance Sheet

	FY15	FY16	FY17	FY18	FY18 (Rest.)	FY19	FY20	FY21
<b>ASSETS</b>								
<b>Current Assets:</b>								
Bank & Cash equivalents	0	8,448	(2,045)	(36,142)	(27,642)	(35,444)	(45,459)	(49,747)
Trade receivables	0	5,886	3,283	8,712	3,079	3,456	3,889	4,387
Other receivables (including prepayments)	0	1,276	158	1,026	1,026	1,152	1,296	1,462
Inventory	0	20,814	46,856	53,724	53,724	60,802	65,352	67,368
Harvest WIP	0	4,868	3,578	4,509	4,509	3,456	3,889	4,387
Deferred tax asset	0	0	91	0	0	0	0	0
Advances/Loans to related parties	0	13,915	22,525	23,868	(0)	0	0	0
Other miscellaneous current assets	0	649	1,254	0	0	0	0	0
Total current assets	18,569	55,856	75,700	55,696	34,696	33,422	28,969	27,858
<b>Non-current assets:</b>								
Fixed assets	0	37,773	58,549	94,332	81,246	84,694	85,455	86,567
Biological assets	0	3,828	11,300	11,300	11,300	11,300	11,300	11,300
Goodwill	0	0	38,660	38,660	38,660	38,660	38,660	38,660
Other Intangible assets	0	3,126	5,747	5,747	5,747	5,747	5,747	5,747
Other non CA	0	0	0	0	0	0	0	0
Total Non-current assets	33,623	44,727	114,256	150,039	136,953	140,401	141,162	142,274

Reconciled the Balance Sheet of the company before and after restructuring events