

Notes on HappyHour Co.

Item 1: Company Website

About Us

- Producer and marketer of beer, spirits and non-alcoholic beverages
- Operations also include distribution and direct sales
- Geography of operations: Singapore, Malaysia, China
- Owns and operates manufacturing facilities in Singapore and China, while manufacturing is outsourced in Malaysia to Brew Co.
- Founding history: founded in 1975 by majority owner and co-founder Ms. Happy
- Headquarters: Singapore
- Growth strategy: recently expanded operations to China and has new facilities planned for Cambodia
- Ownership structure:
 - Family 1 owned (Happy Family): 60%
 - Family 2 owned (Hour Family): 20%
 - Family 3 owned (Co Family): 20%

Brand Offerings

- Beer
- Spirits
 - Vodka
 - Tequila
- Non-alcoholic beverages
 - Soft drinks
 - Tea
 - Water
 - Functional (such as diet drinks)

Key Strengths

- High end product offerings in the spirits segment (premium valuation)
- #1 player in beer and spirits in Singapore & Malaysia
- #1 player in non-alcoholic beverages in Malaysia
- Creating new bottling facilities in Cambodia and has a strong supply chain as well as good relationships with distributors

Item 2: Press Article

- There has been a sale rumor about majority owner and co-founder (Ms Happy) suggesting she is looking to sell the company
- Quote from unnamed sources state that the majority owner of the company (Happy family) would like to sell the company and exit their stake, as Ms Happy is growing old, and has no-one in her close family to pass the business onto. Ms Happy is looking to retire in a few years. However, she would like to stay involved with the business, even after a sale.
- Company is looking to sell to a player who would like to maintain the ideology of the founding family (i.e. a strategic).
- Rumored to have hired a financial advisor which is quoting a preliminary valuation of US\$ 3,500 mm for the business.

Item 3: Broker Industry Report

- **Overview of key players / competitors**
 - HappyHour Co. (HQ: Singapore)
 - Spirit Bay (HQ: Indonesia)
 - Hipsters' Ale (HQ: Malaysia)
 - Brew Co. (HQ: Malaysia)
- **Key valuation metrics (for indicative valuation)**
 - EV/EBITDA range of 10.0x – 11.5x
- **M&A trends**
 - Global consolidation occurring with large global conglomerates buying up regional champions elsewhere in the world
 - 2019 saw an increase in acquisitions for food and drink companies, including beer and spirit companies
- **Industry trends**
 - Beer market in Asia is expected to continue growing at a CAGR of 10%
 - Increasing preference towards beer is expected to continue, reinforcing its place as one of the most popular alcoholic drink varieties
 - Renewed focus on healthy drinks, especially in southeast Asia where drinks have traditionally been sugary
 - Expected rising demand for tea (over coffee) as well as premium beers as discretionary incomes rise

Item 4: Company Financials

Overview of revenue, EBITDA and NPAT

US\$mm	FY18A	FY19A	FY20E
Revenue	900	961	1,071
EBITDA	225	250	300
NPAT	135	153	193

EBITDA breakdown by segment

US\$mm	FY18A	FY19A	FY20E
Beer	100	110	135
Spirits	75	85	105
Non-alcoholic beverages	50	55	60