

Illustrative DCF analysis for Happy Hour Co

Summary financials and cash flow

DCF forecast year	Management estimates					J.P. Morgan outside-in extrapolation						TV
Mar YE (\$m)	0	1	2	3	4	5	6	7	8	9	10	
	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	
Revenue	1,149	1,256	1,354	1,447	1,443	1,471	1,498	1,522	1,543	1,562	1,577	
% growth		9.3%	7.8%	6.9%	(0.3%)	2.0%	1.8%	1.6%	1.4%	1.2%	1.0%	
Adj. EBITDA	94	93	112	124	128	131	133	136	138	140	142	
% margin	8.2%	7.4%	8.3%	8.6%	8.8%	8.9%	8.9%	8.9%	8.9%	9.0%	9.0%	
% growth		(1.6%)	20.7%	11.3%	2.6%	2.3%	2.1%	1.9%	1.7%	1.5%	1.3%	
D&A	(36)	(40)	(47)	(52)	(55)	(54)	(52)	(51)	(50)	(49)	(48)	
% of revenue	3.1%	3.2%	3.5%	3.6%	3.8%	3.6%	3.5%	3.4%	3.2%	3.1%	3.0%	
% of capex		79.3%	94.4%	103.7%	109.6%	107.2%	104.7%	102.3%	99.9%	97.4%	95.0%	
Adj. EBIT	58	52	65	73	73	77	81	85	88	91	94	
% margin	5.0%	4.2%	4.8%	5.0%	5.0%	5.2%	5.4%	5.6%	5.7%	5.9%	6.0%	
Tax on EBIT		(9)	(11)	(12)	(12)	(13)	(14)	(14)	(15)	(16)	(16)	
% tax rate		17.0%	17.0%	17.0%	17.0%	17.0%	17.0%	17.0%	17.0%	17.0%	17.0%	
Maintenance Capex		(51)	(50)	(50)	(50)	(50)	(50)	(50)	(50)	(50)	(50)	
% of revenue		4.1%	3.7%	3.5%	3.5%	3.4%	3.3%	3.3%	3.2%	3.2%	3.2%	
Change in NWC		16	15	11	4	0	0	0	0	0	0	
Other cash flows		0	(5)	(5)	(5)	(5)	(5)	(5)	(5)	(5)	(5)	
% of revenue		0.0%	0.4%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	
Exceptional items		(18)	(7)	25	(5)	0	0	0	0	0	0	
% of revenue		1.4%	0.5%	(1.7%)	0.3%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	
Unlevered free cash flow		31	54	93	59	62	64	66	68	70	71	891
Cash flow Timing (Years to Discount)		1	2	3	4	5	6	7	8	9	10	
Discount Factor		0.92	0.85	0.78	0.72	0.67	0.61	0.56	0.52	0.48	0.44	
Discounted DCF cash flows		28	46	73	43	42	40	38	35	33	31	394

Net present value based on perpetuity growth method

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%	

Sensitising firm value (\$m) and implied offer price to WACC and TGR

		Perpetuity Growth Rate (%)				
		0.00%	0.25%	0.50%	0.75%	1.00%
WACC (%)	7.5%	888 / 404c	905 / 412c	923 / 421c	943 / 431c	964 / 442c
	8.0%	830 / 374c	845 / 382c	859 / 389c	875 / 397c	893 / 406c
	8.5%	778 / 348c	790 / 355c	803 / 361c	817 / 367c	831 / 375c
	9.0%	732 / 325c	743 / 331c	754 / 336c	765 / 342c	778 / 348c
	9.5%	691 / 305c	700 / 309c	710 / 314c	720 / 319c	730 / 324c

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

WORLDWIDE BREWING