

Provide an investment recommendation

Email to management

WorldWide Brewing Co. team,

Our team put together a list of final key considerations for you all to think about as you prepare to submit the final bid. Please let us know if you would like to discuss – we look forward to supporting the WorldWide team across the finish line.

Key considerations

- Financial impact of fire
 - Given the minimal short-term impact in FY21 and the ability to offset losses through ramping production at other facilities, we do not see this as a material issue or a reason to lower your bid given the long term investment horizon and synergy value at play
 - For reference, we have included the financial impact to the net present value and implications on implied offer share price
- Process dynamics
 - We believe the information in the news around DownUnder Brewing is credible. Additionally, it is likely that there are additional strategies in the process, thus, we expect competitive bidding dynamics
 - Regarding the interested private equity firms, we believe WorldWide Brewing Co. will drive significantly more value from synergies and therefore, WorldWide will be able to pay a higher price
- Investment recommendation: \$350mm - \$370mm per share

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%	

Revised valuation (post-fire)		
Value Based on 8.5% WACC & 0.5% TGR	Amount (\$mm)	% of NPV
Present Value of Cash flows	383	49.3%
PV of Terminal Value	394	50.7%
Implied Firm NPV	777	100.0%
Net debt as of Mar-20E	(85)	
Implied equity value	692	
Implied offer share price (p)	348	
% premium to current	110.8%	

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