

# 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%
<b>Implied Firm NPV</b>	<b>803</b>	<b>100.0%</b>
Net debt as of Mar-20E	(85)	
<b>Implied equity value</b>	<b>718</b>	
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