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| **To:** | Anna |
| **From:** | Jared Herber |
| **Subject:** | M&A Targets for WorldWide Brewing Co |
| Hi Anna  I’ve reviewed the transcript of our call with the Hong Kong Director and your notes on the potential M&A targets I have summarised a brief overview of each company and their appropriateness as targets for Carlos:   |  |  |  |  | | --- | --- | --- | --- | | **Company** | **Description** | **Relevance to WorldWide Brewing** | **Recommendation** | | **HappyHour Co.** | HappyHour Co. is the largest player in Singapore and Malaysia, in the segments of beer, spirits and non-alcoholic beverages. Its operations include manufacturing facilities, distribution and direct sales and it has demonstrated strong growth in EBITDA in FY2020 which was up 20% pcp and amounted to US$300mm. | It has similar operations to WorldWide Brewing across the same segments and is the leading player in Singapore and Malaysia, suggesting the potential for strategic benefits and synergies. It has solid financial results and an ownership structure that is owned by 3 families, rendering a potential acquisition relatively simple and feasible. HappyHour Co. would be appropriate to share. | **Recommend** | | **Spirit Bay** | Spirit Bay is an Indonesian company that produces beer, spirits, and non-alcoholic beverages.  They reported US$400mm EBITDA FY June 2020 (up 40% year-on-year) | Spirit Bay has a significant market presence, ranking first in Indonesia and second in Singapore and Malaysia, but its 60% ownership by a Global Sponsor complicates any potential purchase. This ownership structure may make it difficult to align interests during discussions, as the Global Sponsor's strategic ambitions and operational constraints may differ from those of WorldWide Brewing Co. Furthermore, continued cost-cutting measures at Spirit Bay could signal underlying financial challenges, complicating the acquisition process and introducing threats to operational stability and growth potential. Spirit Bay might not be the best target for acquisition at this time due to these factors. | **Would not recommend** | | **Hipsters’ Ale** | A Malaysian beer and spirits company, Hipsters’ Ale operates in multiple Asian markets and reported  They reported US$200mm EBITDA FY2020 (up 15% year-on-year). | The ownership structure of Hipsters' Ale, which consists of thirty separate breweries, this adds a great deal of difficulty to possible takeover talks. Because of this decentralised arrangement, decision-making is dispersed, which makes it difficult to get agreement from shareholders who can have different priorities and interests.  These separate breweries' various backgrounds may result in arguments over valuation and integration tactics, complicated conversations and potentially delaying the acquisition process. Because of this, even though Hipsters' Ale is well-known throughout the region, an acquisition at this time would be less practical due to its complex ownership structure. | **Would not recommend** | | **Brew Co.** | Brew Co. is the #1 alcohol manufacturer in Malaysia with EBITDA of US$800mm FY2020, down 5% from the previous year. | There are potential complications in purchase talks due Brew Co.'s public listing on the Bursa Malaysia and its shareholder base, which is mainly institutional. Institutional shareholders frequently have certain expectations for returns and governance, which may conflict with WorldWide Brewing Co.'s strategic aims. This discrepancy could result in lengthy negotiations, since investors normally want extensive arguments for any takeover offer.  Furthermore, as a publicly traded firm, Brew Co. is subject to severe regulatory regulations and disclosure duties, complicating the acquisition process. During talks, stock price volatility may arise because of the necessity to properly communicate any proposed changes to the market and shareholders. | **Despite these difficulties, Brew Co.'s dominant market position as Malaysia's main alcohol maker provides strategic value. Their existing brand and distribution networks offer chances for synergies and expansion, therefore it's worth assessing whether the acquisition can meet investor expectations.** | | **Bevy’s Direct** | Based in Singapore, Bevy’s Direct operates across the Asia-Pacific region. They Reported US$250mm in EBITDA FY2020 (up 20% year-on-year). Bevy's Direct specialises primarily in wholesale distribution. | While Bevy's Direct has created a growing brand presence in several locations, its emphasis on wholesale distribution may conflict with WorldWide Brewing Co.'s strategic goals. As a wholesale-only enterprise, Bevy's Direct lacks the direct customer involvement and brand management that a beverage maker requires to grow its market reach, thereby restricting synergies. Furthermore, being family-owned may complicate the acquisition process. Family firms frequently prioritise retaining their legacy and local presence, which may create reluctance to integration into a bigger corporate structure. This concentration can also lead to less formal decision-making, complicated talks and lengthening schedules. | **Would not recommend** |   If you have any questions, please feel free to reach out.  Thanks,  Jared Herber | |