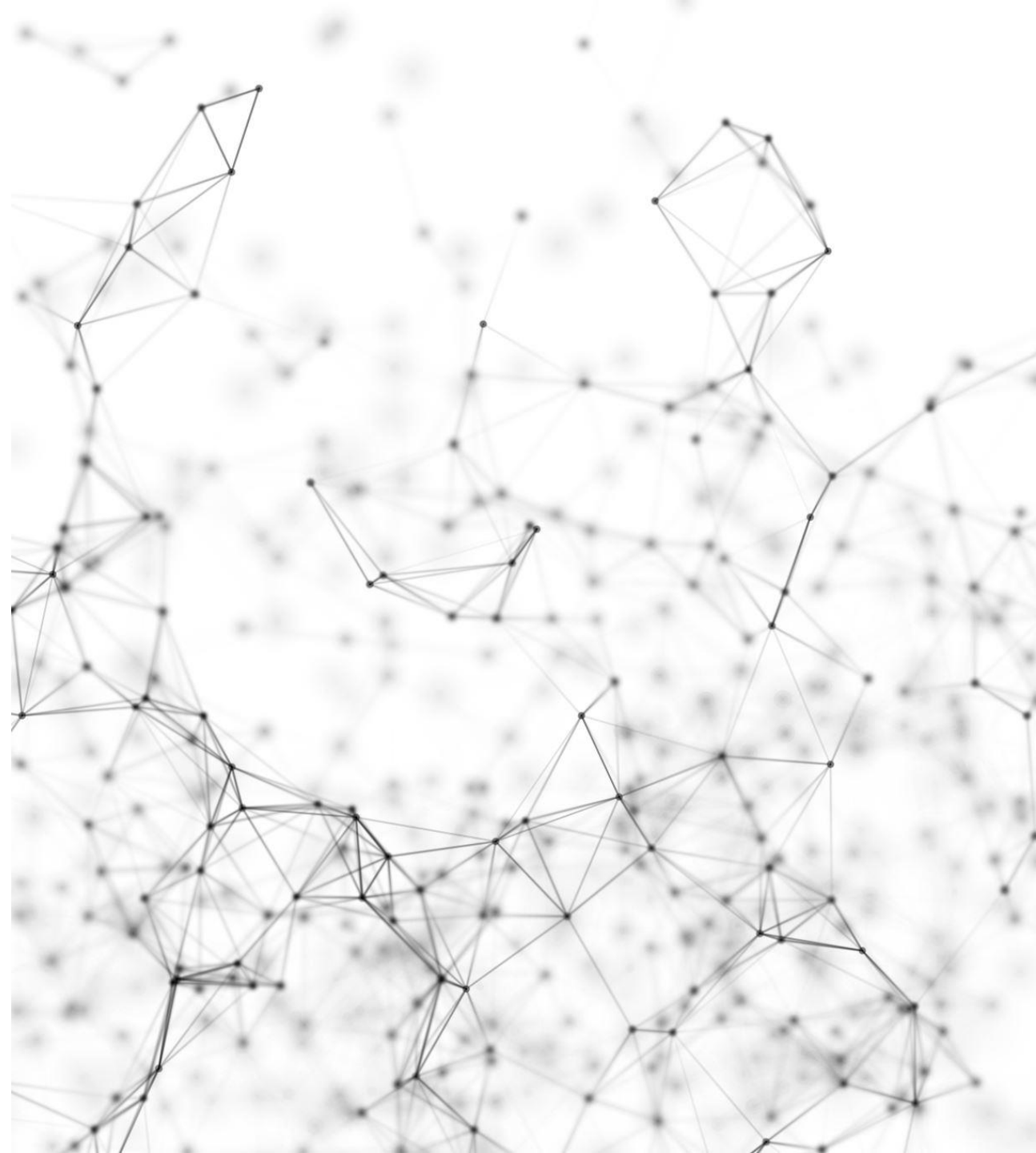


BUSINESS ACQUISITION PROPOSAL

Pooja Manohar Jasuja

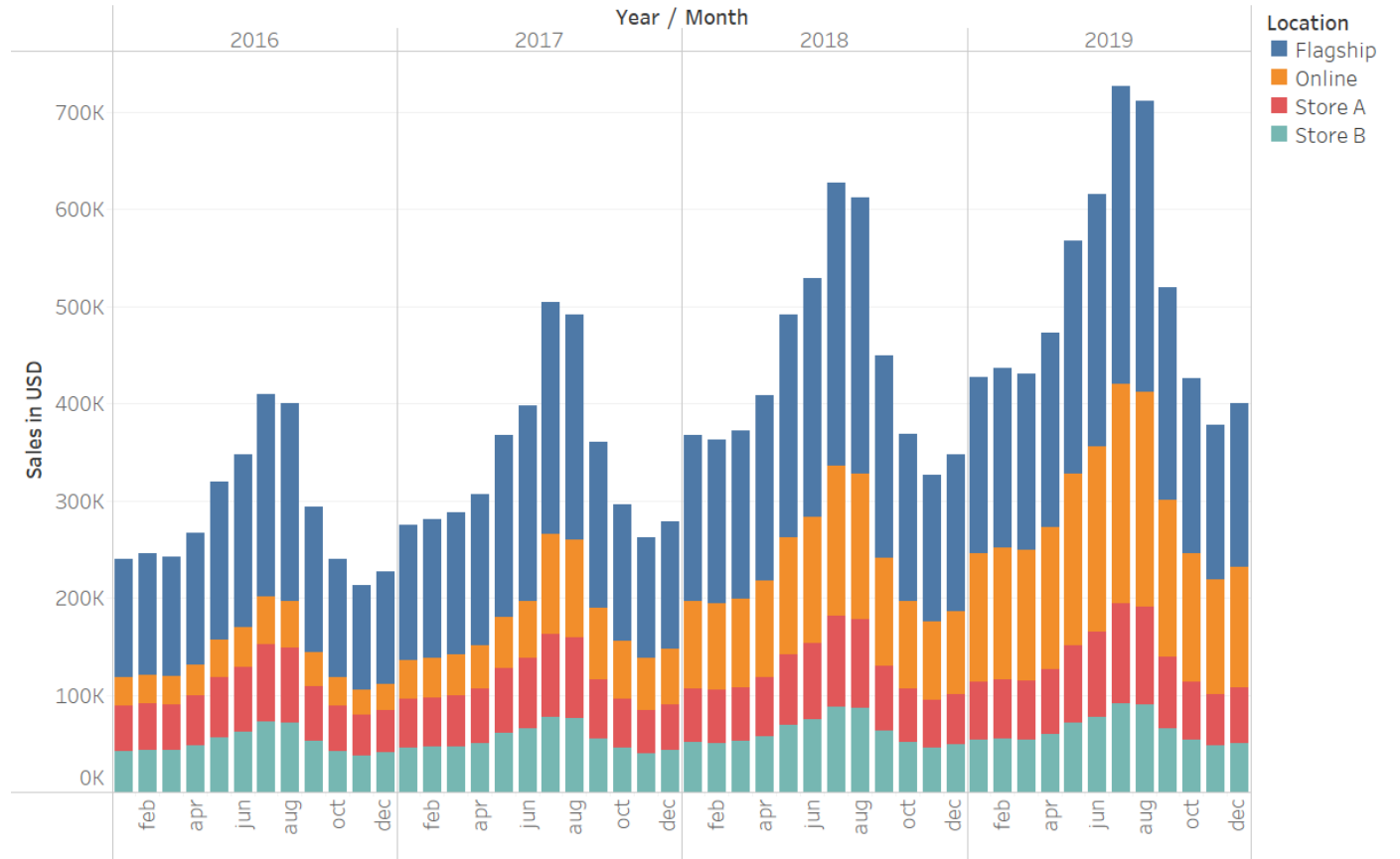


SUMMARY

- The review of whether PE fund should acquire the retail company.
- The target is a retail company specialized in outdoor and camping gear. Their distribution channels include brick and mortar stores as well as an online presence.
- Key Findings and health of the business provides a recommendation to acquire the target at \$32,660K.

MONTHLY SALES BY LOCATION FOR 2016-2019

Monthly Sales by Location for 2016-2019



Sum of Sales in USD for each Month broken down by Year Year. Color shows details about Location.

MONTHLY SALES BY LOCATION FOR 2016-2019



The fastest growing online store increased in sales by an average annual growth rate of 67%.



The graph shows gradual increase in sales from January to July and a decline in sales from September through December following a normal distribution pattern



Seasonality is quite evident as sales tend to peak in the months of July and August in every year from 2016-2019 because of the heavy purchases of personal accessories to get ready for the upcoming festivals. Another major reason could be the use of camping equipment as people plan for vacations.



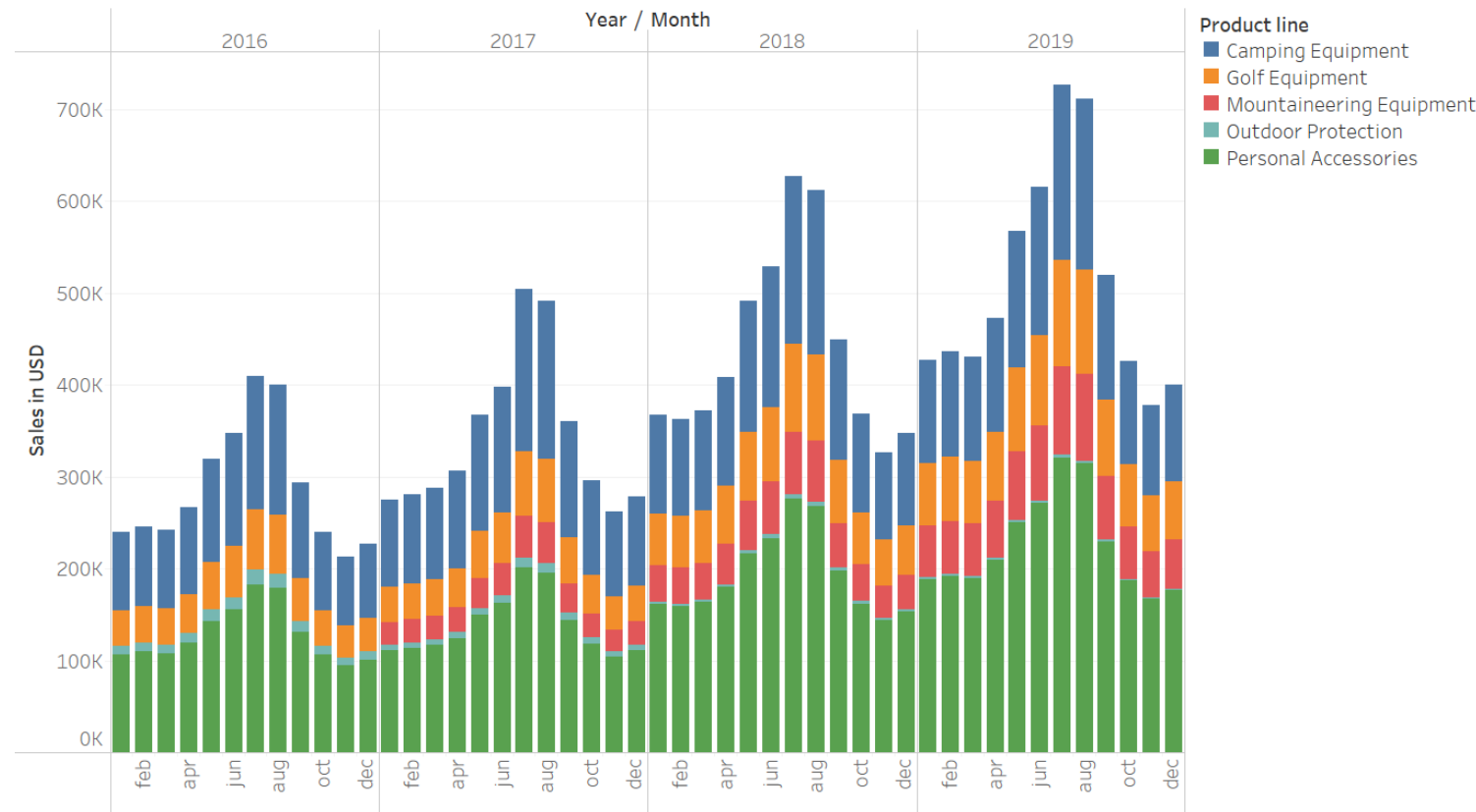
Online store sales growth is mainly due to the drastic shift in the purchasing behavior as internet access and adoption are increasing worldwide.



Flagship sales grow at an average growth rate of 13.97% as convenience stores were getting more popular. However, with the introduction of online stores, flagship store sales starting declining from the year 2019.

MONTHLY SALES BY PRODUCT LINE FOR 2016-2019

Monthly Sales by Product Line for 2016 - 2019



Sum of Sales in USD for each Month broken down by Year Year. Color shows details about Product line.

- Major part of the company's revenue comes from sale of personal accessories and camping equipment.
- Personal accessories account for 43.35% and Camping equipment accounts for 30.54% of the total revenue from 2016-2019
- Outdoor protection sales have reduced drastically as it is only 1.5% of the total sales generated by the company



BUSINESS RECOMMENDATIONS

Increase marketing spend -

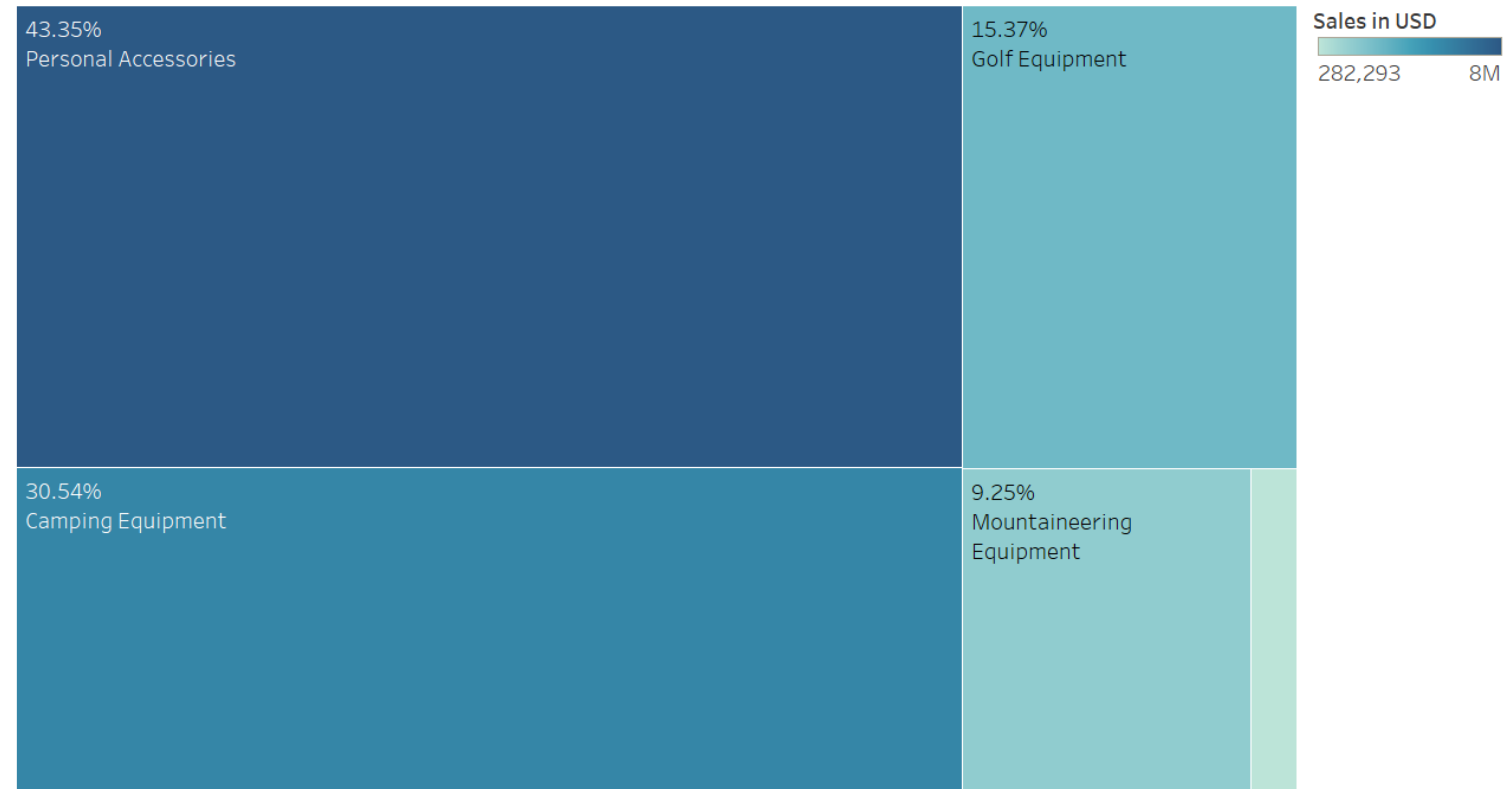
- Marketing campaigns : Brand awareness campaigns to be introduced to raise awareness about the flagship stores
- Discounts : Implementation of discounts for the online stores to increase customer base
- Target audience : Understand the geographic distribution of sales to target audience during the peak months (July & Aug.) to retain customers
- Special offers : Offers customized for returning customers

Narrow the focus- *Refer Fig in the next slide*

- Since the outdoor protection sales have dropped significantly, management can consider discontinuing the product line and focus more on the best selling and growing product lines such as personal accessories

BUSINESS RECOMMENDATION

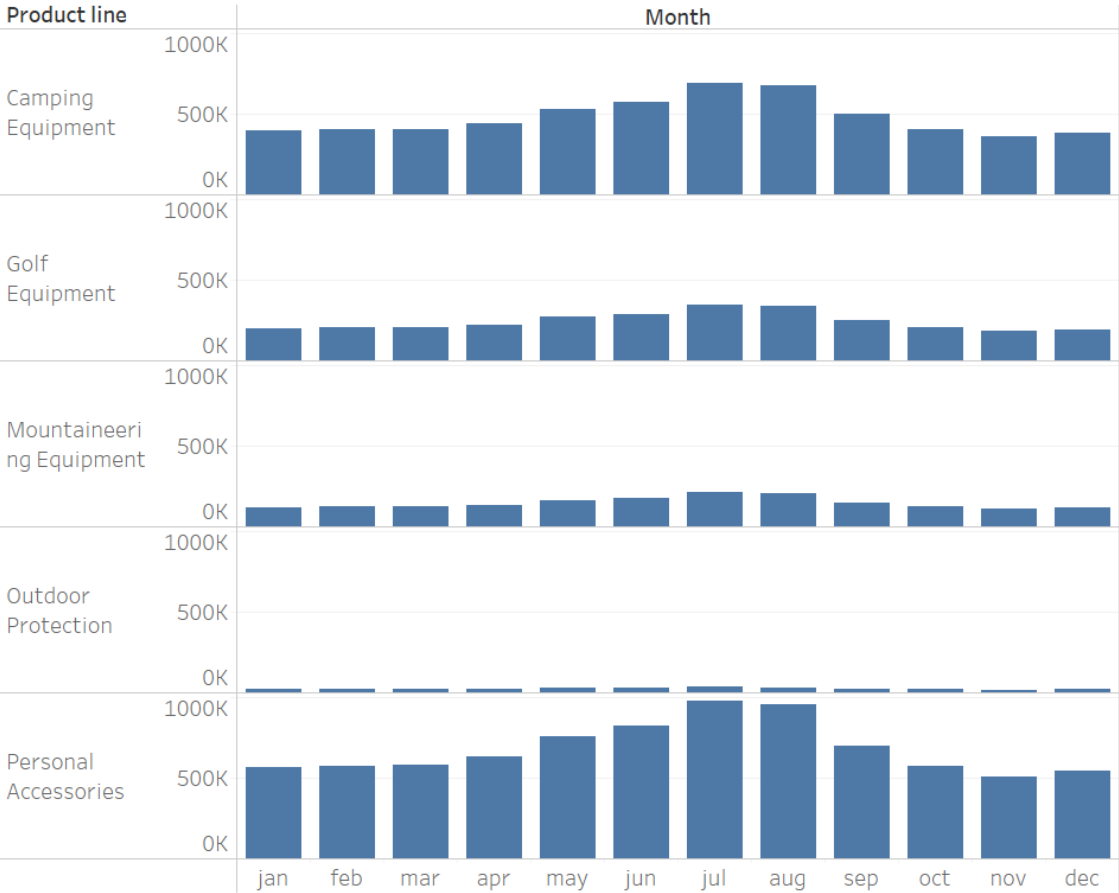
Sales by Product line for combined years



% of Total Sales in USD and Product line. Color shows sum of Sales in USD. Size shows sum of Sales in USD. The marks are labeled by % of Total Sales in USD and Product line. The data is filtered on Year Year, which keeps 2016, 2017, 2018 and 2019.

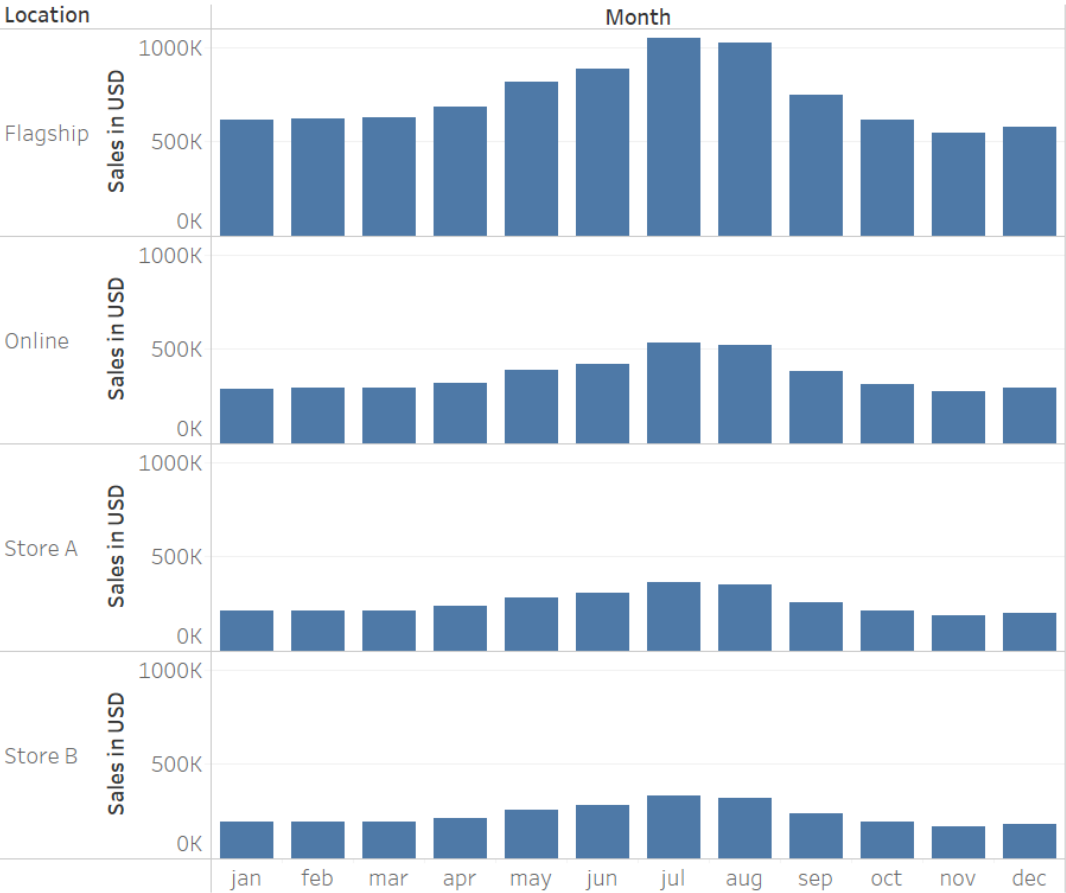
Monthly Sales by Location and Product Line

Monthly Sales by Product Line - Combined Years



Sum of Sales in USD for each Month broken down by Product line.

Monthly Sales by Location - Combined Years

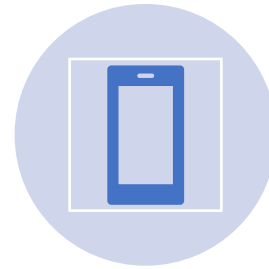


Sum of Sales in USD for each Month broken down by Location.

FACTORS DETERMINING THE HEALTH OF THE BUSINESS



Sales : Sales grew by 77% from 2016 to 2019 and an uptrend is expected in the coming years as well



Operating environment: Company is reacting to the digital transformation environment and focusing on the online store sales



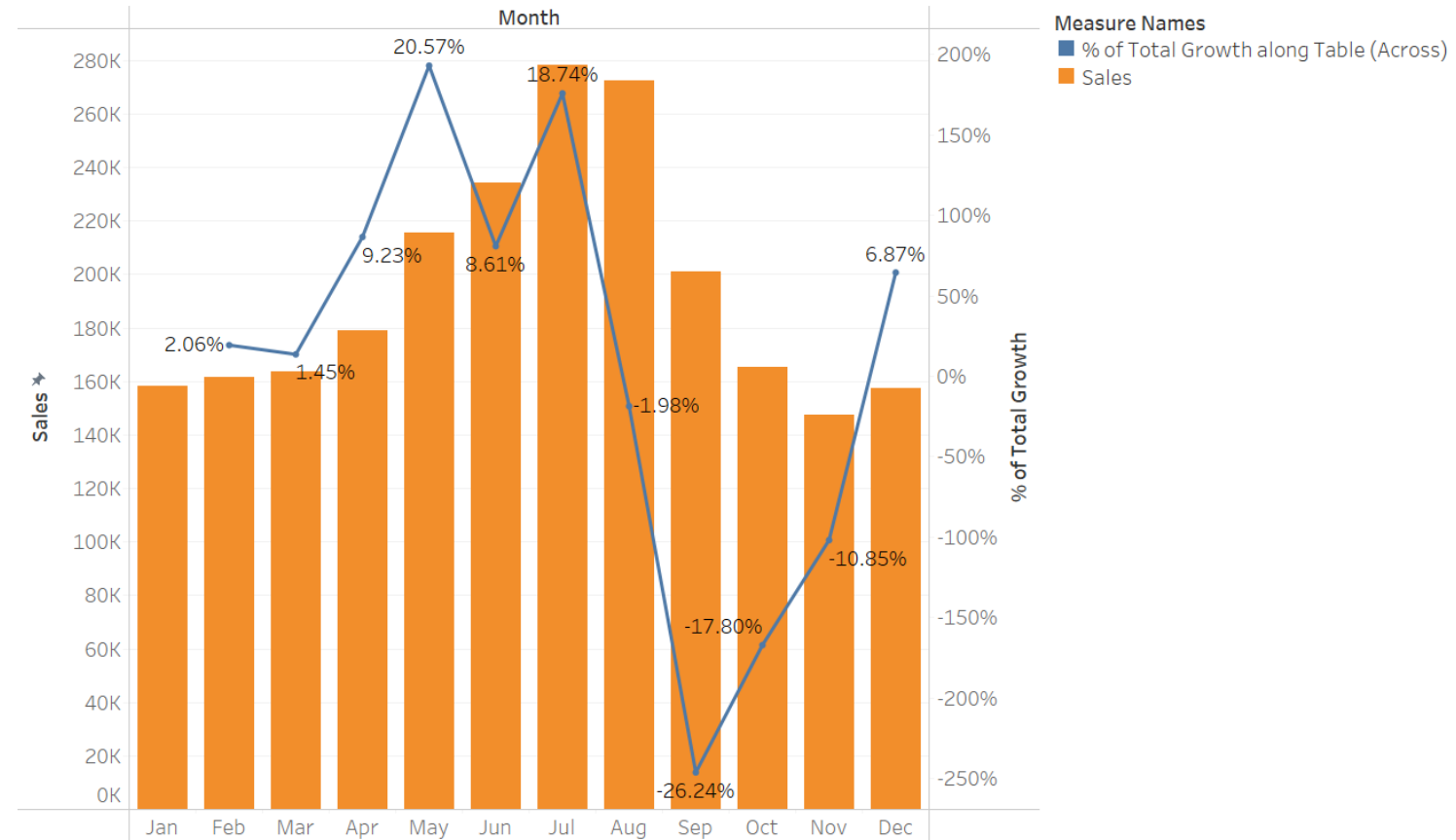
Day Sales of Inventory : Company turned over its inventory every 6 days on average during the year 2019. This shows that it is selling off its inventory efficiently leading to higher profits



Balance sheet and Income statement data

MONTHLY FORECAST OF FLAGSHIP SALES

Monthly Forecast of Flagship Store Sales



The trends of Sales and % of Total Growth along Table (Across) for Month. Color shows details about Sales and % of Total Growth along Table (Across). For pane % of Total Growth: The marks are labeled by sum of Growth.

KEY PERFORMING INDICATORS

- Net income margin is increasing gradually from 3% in 2017 to 25.2% in the year 2024 which indicates that company is improving its efficiency at converting sales into profit.

I chose net income margin as it is a measure of profitability and help take an instrumental decision in acquiring the target.

- EBITDA margin decreased in the years 2018 and 2019 due to increased spending in Rent and SG&A but is expected to increase from 2020 through 2024 as company tends to focus on online stores

I chose EBITDA margin to check company's operational financial standing.

- Sales per square feet is increasing over the years for all 3 stores

I chose this operational KPI as it shows that the company is efficient with the use of sales and no investment is going in vain.

RECOMMENDATION



I would recommend to acquire the target as it is worth the opportunity keeping in mind the KPIs and the potential growth of the company in the following years.



Company is generating enough Cashflows to pay dividends and is free of debt which serves as a reason to acquire.



PE fund would earn high return on investment while exiting the deal as the company forecasts show that it will earn high profits during the average holding period of PE fund.

VALUATION

Cash flow to the firm and DCF valuation		1	2	3	4	5	TV
Net Income	USD'000	1,055	1,573	2,557	4,348	7,524	
Depreciation	USD'000	(450)	(450)	(450)	(450)	(450)	
Increase in Net Working Capital	USD'000	(1,150)	427	844	1,576	2,837	
Capex	USD'000	1,000	1,000	1,000	1,000	1,000	
Cash Flow to the Firm	USD'000	(645)	597	1,163	2,222	4,137	
Terminal Cash Flow	USD'000						53,787
Discounting periods	Years	1.0	2.0	3.0	4.0	5.0	
Present Value Factors	factor	0.89	0.80	0.71	0.64	0.57	
Terminal Value Present Value Factor	factor						0.57
Present Value of Cash Flows	USD'000	(576)	476	828	1,412	2,348	30,520
DCF Value (1/1/2020)	USD'000						32,660

- DCF approach is used to estimate the value of the firm
- The terminal value of the firm is \$30520.16
- Value of the firm is estimated to be \$32660