

Provide an investment recommendation

Email to management

To the WorldWide Brewing Co. Team,

We've compiled a set of final key considerations for your review as you prepare to submit the final bid. Feel free to contact us if you'd like to discuss this further. We're eager to assist the WorldWide team in reaching the finish line.

Key Considerations:

- Financial Impact of Fire:
 - The short-term impact in FY21 is minimal. Any losses can be offset by ramping up production at other facilities.
 - Given the long-term investment horizon and potential synergy value, this issue is not significant enough to lower your bid.
 - We've included the financial impact on the net present value and the implications for the implied offer share price for reference.
 - Transaction Environment:
 - The news reports about Down Under Brewing appear credible, and we expect competitive bidding dynamics with other strategic players likely involved.
 - Given the interest from private equity firms, we believe WorldWide Brewing Co. will generate significantly more value from synergies, enabling WorldWide to offer a higher price.
 - Investment Recommendation: We suggest a bid in the range of \$350 million to \$370 million per share.
- We look forward to providing ongoing support as you progress.

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)		
Perpetuity growth method		
Present value	(\$m)	(%)
PV of FCF	345	46.7%
PV of Terminal Value	394	53.3%
Enterprise value	739	100.0%
Net debt & adjustments	(84.6)	
Equity value	654	
Share price	329	
% premium to current	99.1%	

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