

Case Study Interview: Lexa Bottling Co.

Time Limit: 3 hours

Deliverables:

1. A simplified 3-statement financial model in Excel (Income Statement, Balance Sheet, Cash Flow Statement)
2. Valuation analysis based on future cash flows
3. A 1-page investment case summary in Word
4. All assumptions clearly stated in the model

Background

Lexa Bottling Co. is a Nigeria-based beverage company that produces and distributes bottled fruit juices and water. Founded in 2019, it has grown rapidly by targeting Nigeria's urban middle class and now plans to expand its manufacturing capacity with a new plant in Ibadan.

To fund this project, Lexa is raising NGN 1.5 billion in external capital. The board is considering either debt financing or equity capital. They have asked you, as an analyst at a prospective investment partner, to build a simple financial model and help them think through valuation and capital structure options.

Company Snapshot (FY2024 actuals)

Metric	Value
Revenue	NGN 2.2 billion
EBITDA Margin	18%
Net Working Capital	12% of revenue
Depreciation (FY2024)	NGN 75 million
Existing Debt Outstanding	NGN 500 million
Interest Rate on Existing Debt	13% p.a.
Corporate Tax Rate	30%
CapEx for new plant (one-time)	NGN 1.2 billion (FY2025)

Your Tasks

1. Build a 3-Statement Model (FY2025–FY2029):

- Forecast revenue growth (you decide the assumptions)
- Include assumptions for gross margin, EBITDA margin, capex, and working capital
- Model two financing options: (a) raising the NGN 1.5bn via debt; or (b) equity
- Include basic interest expense and tax impact under the debt option
- Depreciate new capex over 7 years (straight-line, zero residual)

2. Valuation

- Based on your projections, estimate what Lexa might be worth today.
- You may choose to value Lexa based on the future cash it can generate.
- You may also apply a terminal value using a steady-state approach.

(Hint: Think about what the company's free cash flow might look like in future years and how to assess the business today based on that. You may apply a discount rate you think is appropriate given risk and financing structure.)

3. Investment Case Summary (Max 1 page, Word format)

- Should Lexa raise debt or equity? Why?
- Is this a compelling investment opportunity?
- Key risks and mitigants

Notes & Hints

- Keep your model simple but structured: you'll be assessed more on clarity of thought than complexity
- Be explicit about your assumptions: revenue growth, margins, working capital, capex, cost of capital, etc.
- Think about the effect of leverage on returns and risks
- Assume the investment is being considered today (August 2025)