Strategic Review

2021 Kroll
YOUniversity Deal Challenge

Team St. Stephen's Cross (India)

KROLL

Team Profile

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Executive Summary

DevourAll

DevourAll has engaged Team St. Stephen's Cross to analyse the pre and post COVID trends in the casual dining industry which affect DevourAll, taking into account the strategic and financial considerations of the company.

- *This pitch book contains a summary of certain analysis that Team St. Stephen's Cross has performed in connection with rendering our opinion:*
  - Overview of DevourAll including strategic brand positioning and financial analysis
  - Industry Analysis of the Casual Dining Market
- *Team St. Stephen's has also performed certain valuation analysis including:*
  - Intrinsic Valuation (DCF) and Relative Valuations
  - Comparative Analysis of Pre & Post-COVID scenario

Transaction Details

Deliverable 1	**Industry** **Company** *(pre-COVID)*	■ In the Industry analysis, we examined the reasons for growth and different trends in the Casual Dining Industry both globally and in the UK. A SWOT Analysis was performed to assess DevourAll both in the Pre-COVID and Post-COVID scenario ■ Based on Competitive Landscaping, we placed DevourAll in the Mid-Market Casual Dining Segment with >200 sites. ■ Based on the Intrinsic Valuation (DCF) & Comparable Company Analysis the company is valued at £ 1,944 Million ■ The WACC for the company is estimated to be 5.07% as of 31st December, 2019
Deliverable 2	**Company** *(post-COVID)* **Comparative Study**	■ The Company has taken several steps in order to tackle the limitations posed by the onset of the pandemic ■ Based on a scenario-wise DCF valuation, the company's value in the Base Case is estimated to be **£ 1,637- 1,704 Million** ■ Compared to the *pre-COVID valuation (as of 31st December, 2020)*, the post-COVID valuations for the 3 different scenarios are as follows: **Bull Case: £1.71-1.78 BN (~3.5%)** **Base Case: £1.63-1.70 BN (~5%)** **Bear Case: £1.59-1.65 BN (~6.5%)** ■ The WACC falls from 5.07% (pre-COVID) to 4.99% (in a post-COVID world) due to several macroeconomic factors

1 EXECUTIVE SUMMARY

2 COMPANY OVERVIEW

3 DELIVERABLE 1

- INDUSTRY OVERVIEW
- SWOT ANALYSIS
- STANDALONE VALUATION: PRE-COVID

4 DELIVERABLE 2

- STANDALONE VALUATION: POST-COVID

5 APPENDIX

Company Overview - DevourAll Group Plc

Headquartered in London, UK, DevourAll Group plc operates quick services and casual dining restaurants, cafés and pub restaurants in the United Kingdom and internationally.

Company Features

- The Company is a **medium-sized casual dining restaurants operator** and has operations in the United Kingdom, United States and Europe
- Workforce comprises of approximately 15,000 employees globally and an experienced senior management team
- Operates a **diverse portfolio of brands** including Billy's Restaurant, Cecilia's Bistro, Henry's Grill & Bar, Café Rosé, Smith's Steakhouse, Cheeky Chicken, Salad Monster, and MunchMunch

Key Financial Ratios and Performance

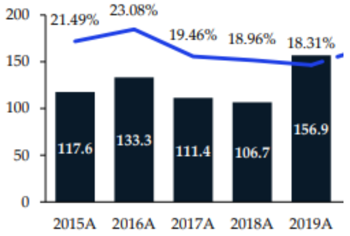
(Mn GBP)	2015	2016	2017	2018	2019
Revenue	£547.30	£577.50	£572.40	£562.80	£856.80
Gross Margin	*21.5%*	*23.1%*	*19.5%*	*19%*	*18.3%*
EBITDA Margin	*16.9%*	*16.7%*	*14.2%*	*13.7%*	*13.2%*
EBIT Margin	*10.8%*	*11.1%*	*8.8%*	*7.7%*	8.4%
Cash	£2.4	£7.6	£7.7	£52.6	£39.7
Debt/Equity	*14.4%*	*18.07%*	*14.71%*	*88.75%*	*73.32%*

Key Trends

The Company has *underperformed over the past few years and this* is primarily attributed to the **intensified competition, change of customer preferences and lack of suitable new restaurant locations**.

- The Company's Revenue stream has consistently grown at an average rate of 13.2%, outperforming the global casual dining & QSR industry **CAGR** of **2.91% & 3.41%** respectively.
- The Company particularly benefited from the recent acquisition of Billy's restaurant and the strong performance of its other brands. However, its financial margins are expected to fall resonating the industry wide trends due to rising costs.
- The Debt/Equity ratio has been rising due to additional long term debt taken to finance Billy's acquisition. Despite this, the D/E ratio is still below the industry average of 103.34% which gives the company additional headroom to take on debt.

Gross Profits & Margins



Industry Analysis : Global Casual Dining Market - Pre-COVID

The Restaurant industry is broadly divided into 3 categories - the fine dining market, the branded/casual dining market and the Quick Service market.

Global Casual Dining Market in Numbers

$ 125.6 Bn
Global Market Size in 2019

10.6%
CAGR from 2020-2027

Rise in the prominence of fast casual restaurants, fewer barriers to entry, huge profits, and delivery services fuel the growth of the global fast casual restaurant market.

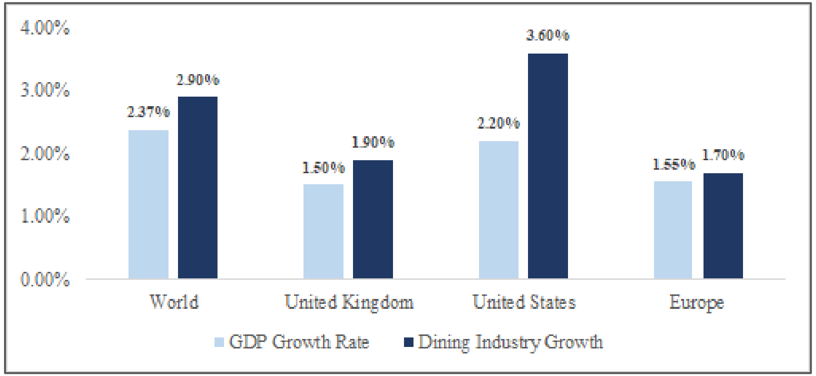
Geographically, **North America contributed to the highest market share in terms of revenue**, accounting for nearly half of the global market in 2019. The **Asia-Pacific is expected to manifest the highest CAGR of 13.7% from 2021 to 2027.**

Source:McKinsey, Deloitte, Morgan Stanley Industry Reports

Key Players

TORTILLA Real California Burritos & Tacos | CHIPOTLE MEXICAN GRILL | Panda Restaurant Group, Inc. | FIVE GUYS BURGERS and FRIES | ERBERT AND GERBERT'S SANDWICH SHOP

Growth in the Industry



All over the globe, the casual dining industry is outperforming the GDP Growth Rate. However, in markets such as Europe and the UK, the difference between the growth rates is less since these are saturated markets.

Industry Analysis : UK Casual Dining Market - Pre-COVID

DevourAll

In the UK, Casual Dining is an **89.5 Billion GBP** market with a **CAGR of 2.91% for the period 2020-2025**. The casual dining industry recently experienced a fall in like-for-like sales growth rates due to a **fall in consumer confidence** reducing their appetite for discretionary expenditure.

Slowdown in the UK Market

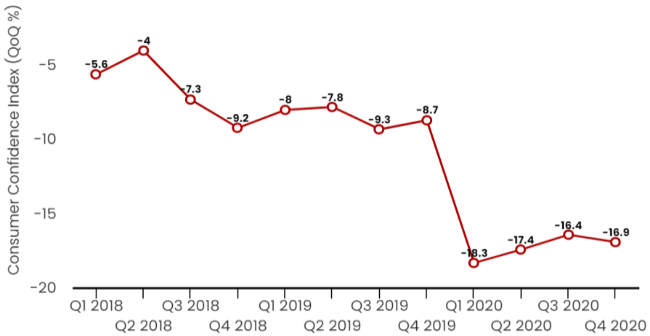
The number of restaurants in the UK *falling into insolvency* by the end of June 2019 **increased by 25%** to 1,412 compared to 2018.

1 Oversaturation in the Market

Rapid growth of the casual-dining sector since the 2008 financial crisis had resulted in an oversaturated mid-market, which is still going through a dramatic shakeout.

2 Uncertainty from Brexit

Existing labour shortages and skills shortages will become more severe following Brexit. **Reduced consumer spending and rising cost of raw materials** will also affect this sector.



3 Rising Labor Costs

Changes in National Minimum Wage and National Living Wage in 2016 modified the cost structures due to increase in minimum wages.

4 Rising Cost of Food Imports

Depreciation of the value of sterling since 2016, has led to **higher costs for food imports.** This has put pressure on restaurants when sourcing ingredients

Key Long Term Consumer Trends

Healthy Eating

Low calorie options, vegetarian and vegan diets, allergen-aware dishes

Informality

Emerging as places to socialize; popularizing grab and go options

Experience-Driven Behaviour

Desire for 'unique' & immersive experiences

Consumer Promiscuity

Lack of brand loyalty and willingness to experiment with alternative cuisines

Home Delivery

It's growing 10x faster than the total eating-out market in Britain

Use of Digital Technology

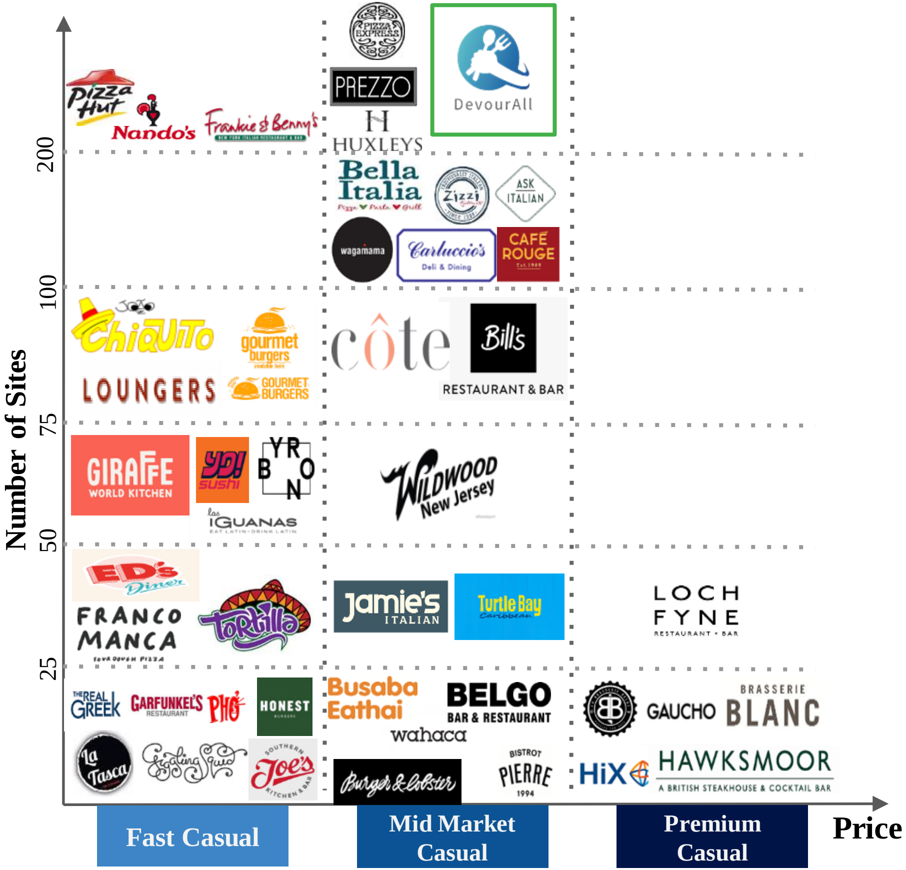
Online reviews, pre- ordering, digital menus

Casual dining operators are having to react to long-term consumer trends that are being *driven by younger age groups* who eat out-of-home most frequently

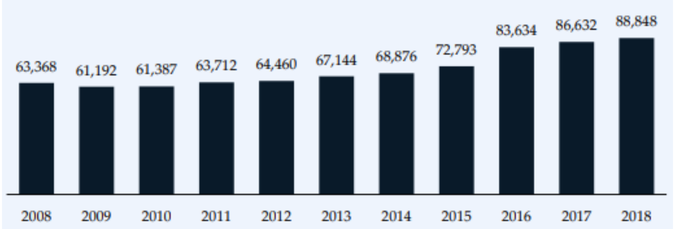
UK Casual Dining Market - Competitive Landscape

DevourAll

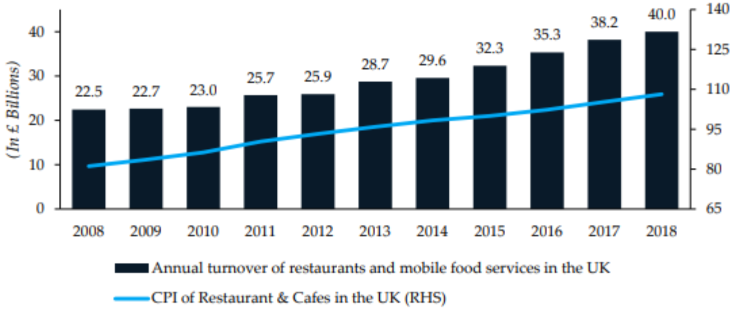
The market can broadly be segmented into **premium, mid-market and fast based on price proposition and service standards**.



Pre-COVID Industry Numbers



Number of restaurants and mobile food service enterprises has grown by 40.2%, reaching 88,848 in 2018 from 63,368 in 2008.



The annual turnover of restaurants in the UK has grown at a CAGR of 5.9% from 2008 to 2018 increasing by £17.564 bn.

Source:McKinsey, Deloitte, Morgan Stanley Industry Reports

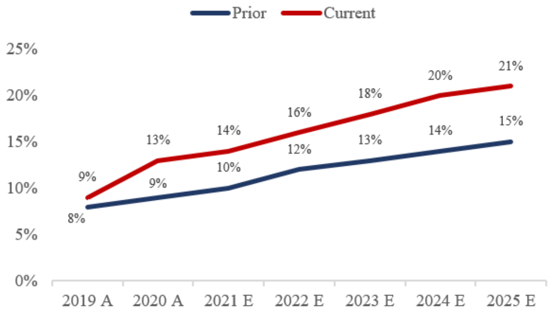
Industry Analysis : Global Casual Dining Market - Post-COVID

Collectively, the restaurant industry is expected to lose $240 billion in sales during 2020 resulting from the pandemic. Many restaurants that have closed during this crisis will remain closed permanently; some estimates suggest that 20 percent or more stores will see this fate.

Digital and Delivery Penetration

Total online food delivery of $45 billion in 2020, vs. the prior estimate of $41 billion in 2021, reaching 13% of the addressable market this year itself.

That means ***nearly three years of consumer spending is being pulled forward, led by an accelerated growth from delivery platforms.***



Improved Competitive Dynamics

Pandemic will lead to the unfortunate demise of many restaurant units and concepts. Fewer stores will be competing for the share of consumer dollars spent on food away from home.

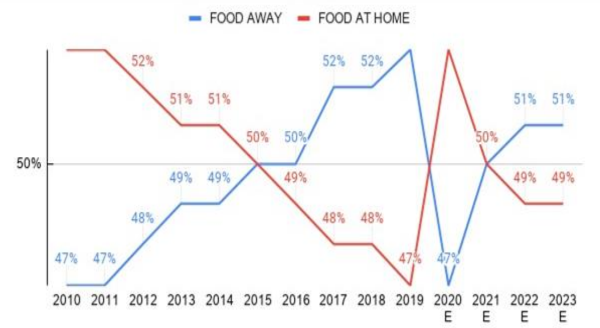
Working from Home

This will lead to **broader ramifications** for the industry. It could mean, for example, lower demand for weekday breakfast and lunch, as well as coffee away from home, particularly in densely populated areas.

Consumer Spending

Since 2015, the consumer spending on restaurants in the UK has gone up, until COVID happened.

Due to the lockdown across the country, people stayed home and spent more on home cooked food. However, as the economy opens up, the downtrend appears to have reversed.



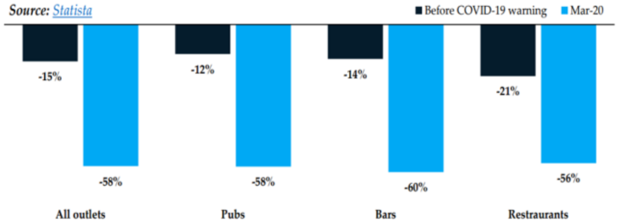
The industry will witness an increase in the number of mergers and acquisitions, amid the growing value of scale and market share. Social distancing measures are still practised which means that restaurants will need to reduce overall seat counts and adhere to reduced capacity restrictions for the near term. Also, the role of kitchen automation may become more relevant, as worker health concerns remain.

Source:IBIS world, Deloitte, Statista

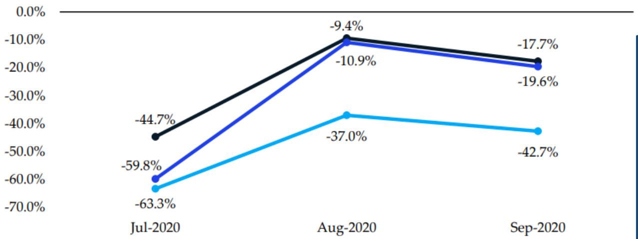
Industry Analysis : UK Casual Dining Market - Post-COVID (1/2)

The share of consumers dining at sit-down restaurants had **declined 85.2** percent since the pandemic began, **dropping 52.3 percent in the first 11 days**. As of December 14, 2020, the percentage of seated diners in the UK was around **42.73% lower** than the last year's figures.

Effect of COVID on the industry



During COVID-induced lockdowns, the percentage change in March's LFL top line of restaurants and pubs are down by almost 58%.



Percentage change in like-for-like sales of managed pubs, bars, and restaurants compared to Pre-COVID levels in Great Britain.

Factors affecting the industry Post-COVID

Changing Eating Habits and Lifestyles
Healthy and hygienic food in demand, especially vegan

Increase in Food Delivery Demand
Demand of delivery at home, takeaways and drive-throughs has risen

Uncertainty
Anxiousness and fear of going out due to COVID

Digitalisation
Payments, delivery, browsing and other aspects are getting digitalised

Increase in Value for Money Attitude
Not just through price but also through provenance and quality

Besides slowdown in the UK market and brexit uncertainty, COVID has **risen the rate of unemployment and disrupted production**. This has further led to a decline in disposable income of the people. Casual dining industry is a labour intensive industry in which work from home can't be applied, and hence it received a major hit due to this pandemic.

Source:McKinsey, Deloitte, Morgan Stanley Industry Reports

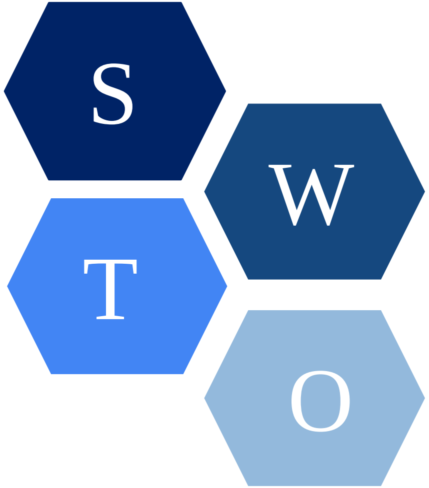
Industry Analysis : UK Casual Dining Market - Post-COVID (2/2)

P	**POLITICAL**	■ BREXIT ■ Government’s Eat Out to Help Out Scheme ■ Furlough Scheme
E	**ECONOMIC**	■ CPI & Food Inflation ■ Rent Moratoriums ■ Uncertainty due to COVID
S	**SOCIAL**	■ Localism ■ Food Delivery & Omni Channel ■ Influencer Marketing
T	**TECHNOLOGY**	■ Digital Ordering Mechanism ■ 3Ps (Payment, Planning & Pre-Booking)
E	**ENVIRONMENT**	■ Food Wastage ■ Growing Concerns over Carbon Emissions from Meat Consumption
L	**LEGAL**	■ Lockdown Limbo ■ Anti-Obesity Regulation ■ Minimum Wage Hike

Industry Overview : SWOT Analysis (Pre-COVID)

STRENGTHS

- Has a **diverse portfolio** of cuisines to offer
- Experienced **senior management team**
- Available growth platform in the form of acquisition of **Billy's Restaurant**
- Good Liquidity Position (based on stress tests) despite recent **acquisitions**



WEAKNESSES

- **Lower penetration** in the online delivery market
- Lack of Competitiveness of its Brands
- Cost (COGS, and SG&A expenses) as a % of Revenue has been rising above the industry level; **(3% above** average inflation)
- High **long term** Debt
- Vulnerable to **real estate market conditions**

THREATS

- **Intense competition** in the Market
- **Rapidly changing** tastes & preferences
- Fall in the Consumer's Disposable Incomes
- Uncertainty related to Brexit
- Increasing in Labour and Food Costs

OPPORTUNITIES

- Expansion into **new** and **existing markets** (or cuisines) by opening newer sites
- Integration of **supply chain**
- Expansion into the online delivery segment, cloud kitchens & kitchen automation
- Growth in the **QSR segment**
- **Lower marginal tax rates** across the globe

Source: Kroll, Deloitte

Industry Overview : SWOT Analysis (Post-COVID)

STRENGTHS

- Quick implementation of Cost Saving Initiatives during COVID
- Efficiency in **average collection period** (Receivables) & **inventory turnover**
- Has a **diverse portfolios** allowing it to defended itself from the **cyclicality**
- Experienced **senior management team**

WEAKNESSES

- Low Penetration in **online delivery**
- Weak Online Presence
- High maintenance costs of existing sites
- Lack of focus on the QSR segment
- Increased overhead costs incurred due to sanitation & hygiene norms

THREATS

- Reduction in Seat Count due to the New Virus Strain
- Reduction in consumer traffic
- **Dynamic** consumer tastes and preferences
- Falling consumer disposable incomes
- Supply Chain Disruptions
- Depreciation of Pound Sterling

OPPORTUNITIES

- Government schemes such as **Eat Out to Help Out Scheme** & **Investment Subsidies**
- Expansion into Online Delivery Segment
- Low Real Estate Costs post-COVID
- Conversion of Existing Underperforming sites into **cloud kitchens**
- Improved Competitive Dynamics

Source: Kroll, Deloitte

STANDALONE VALUATION (Pre-COVID)

While drastically different, both DCF and market approaches are vital for a complete understanding of business valuation

Standalone Valuation (Pre-COVID)

Comparable Company Analysis: Pre-COVID

DevourAll Comparable Companies
in million Pounds, except shares

FYE 31st December, 2019	Market Data			Valuation (2019 A)	
Company Name	**Price**	**Sales**	**EBITDA**	**EV/EBITDA**	**EV/Sales**
Gregg's	£2,298.00	£1,168.00	£231.00	10.9 x	2.1 x
Mitchells & Butlers plc	£459.50	£1,475.00	£253.00	7.4 x	1.4 x
Domino's Pizza	£320.20	£3,619.00	£690.00	23.0 x	4.4 x
J D Wetherspoon plc	£1,663.00	£1,262.00	£136.00	10.9 x	1.3 x
The Restaurant Group plc (Wagamama)	£163.00	£1,073.00	£137.00	7.8 x	1.0 x
Fuller, Smith & Turner	£962.00	£329.00	£54.40	11.8 x	2.0 x
Whitebread PLC	£4,163.31	£2,049.00	£825.00	7.4 x	3.0 x
Average				**11.3 x**	**2.2 x**
Median				**10.9 x**	**2.0 x**

	DevourAll	Multiplier (2019)	Valuation (2019)
High	EV/EBITDA	23.0 x	£2,596.70
Average EV	**EV/EBITDA**	**11.3 x**	**£1,278.03**
Median EV	**EV/EBITDA**	**10.9 x**	**£1,226.09**
Low	EV/EBITDA	7.4 x	£836.59
High	EV/Sales	4.4 x	£3,761.35
Average EV	**EV/Sales**	**2.2 x**	**£1,867.82**
Median EV	**EV/Sales**	**2.0 x**	**£1,722.17**
Low	EV/Sales	1.0 x	£856.80

Equity Value (by EV/EBITDA)	**Average**	**£1,050.33**
	Median	**£998.39**
Equity Value (by EV/Revenue)	**Average**	**£1,640.12**
	Median	**£1,494.47**

Comparable Companies

Implied EV	
Low	£836.59
25th Percentile	£1,133.77
Average	£1,768.19
75th Percentile	£2,050.04
High	£3,761.35

Source: Kroll, Deloitte

KEY CRITERIA:
Industry Vertical, Geographical Coverage, Size and Market Cap
Business Model

Valuation Range

By **EV/EBITDA**
0.99 - 1.05 bn

By **EV/Sales**
1.49 - 1.64 bn

Source: Y-Charts, Market Screener, Filings

Income Statement Drivers & Assumptions: Pre-COVID

Income Statement (with Assumptions)	2015 A	2016 A	2017 A	2018 A	2019 A	2020E	2021E	2022E	2023E	2024E
Revenue	547	578	572	563	857	890	937	1,012	1,067	1,114
Revenue Growth		*5.5%*	*-0.9%*	*-1.7%*	*52.2%*	*3.90%*	*5.30%*	*8.00%*	*5.40%*	*4.40%*
Cost of Goods Sold (COGS)	(430)	(444)	(461)	(456)	(700)	(728)	(762)	(820)	(863)	(900)
% of Revenue	*78.5%*	*76.9%*	*80.5%*	*81.0%*	*81.7%*	*81.80%*	*81.30%*	*81.00%*	*80.90%*	*80.80%*
Y-o-Y Growth		*3.4%*	*3.8%*	*-1.1%*	*53.5%*	*4.0%*	*4.7%*	*7.6%*	*5.3%*	*4.3%*
Gross Profit	**118**	**133**	**111**	**107**	**157**	**162**	**175**	**192**	**204**	**214**
Gross Profit Margin	*21.5%*	*23.1%*	*19.5%*	*19.0%*	*18.3%*	*18.2%*	*18.7%*	*19.0%*	*19.1%*	*19.2%*
Y-o-Y Growth		*13.4%*	*-16.4%*	*-4.2%*	*47.0%*	*3.3%*	*8.2%*	*9.7%*	*6.0%*	*4.9%*
SG&A Expenses	(25)	(37)	(30)	(30)	(44)	(46)	(49)	(53)	(54)	(56)
% of Revenue	*4.6%*	*6.4%*	*5.2%*	*5.3%*	*5.1%*	*5.20%*	*5.20%*	*5.20%*	*5.10%*	*5.00%*
Y-o-Y Growth		*45.1%*	*-18.5%*	*-0.3%*	*47.7%*	*5.2%*	*5.3%*	*8.0%*	*3.4%*	*2.4%*
EBITDA	**92**	**97**	**82**	**77**	**113**	**116**	**127**	**140**	**149**	**158**
EBITDA Margin	*16.9%*	*16.7%*	*14.2%*	*13.7%*	*13.2%*	*13.0%*	*13.5%*	*13.8%*	*14.0%*	*14.2%*
Y-o-Y Growth		*4.7%*	*-15.6%*	*-5.6%*	*46.8%*	*2.5%*	*9.4%*	*10.4%*	*6.9%*	*5.9%*
Amortisation and Depreciation	(33)	(32)	(31)	(34)	(41)	(43)	(44)	(47)	(54)	(60)
% of Revenue	*6.1%*	*5.6%*	*5.4%*	*6.0%*	*4.7%*	*4.80%*	*4.70%*	*4.60%*	*5.10%*	*5.40%*
Y-o-Y Growth		*-2.4%*	*-4.6%*	*9.1%*	*20.5%*	*5.2%*	*3.1%*	*5.7%*	*16.9%*	*10.5%*
EBIT	**59**	**64**	**51**	**43**	**72**	**73**	**82**	**93**	**95**	**98**
EBIT Margin	*10.8%*	*11.1%*	*8.8%*	*7.7%*	*8.4%*	*8.2%*	*8.8%*	*9.2%*	*8.9%*	*8.8%*
Y-o-Y Growth		*8.6%*	*-21.2%*	*-14.6%*	*67.4%*	*1.0%*	*13.0%*	*12.9%*	*2.0%*	*3.2%*

Overall revenue growth is expected to outperform the industry growth rate, **(>2.91%)**, supported by recent acquisitions.

Due to better **Supply Chain Management**, the Gross Profit margins steadily increase along with an increase in EBITDA margins due to **operational efficiencies**

Other non-core income and expense line items, such as production costs and corporate overhead, were projected using historical averages under the assumption that the core business operations of **DevourAll** does not change into the future. All Projections are in accordance with the Management Data given in the case for Pre-Covid levels

Source: Kroll

Discounted Cash Flow Valuation: Pre-COVID

DevourAll Discounted Cash Flow *in Million Pounds*	2015 A	2016 A	2017 A	2018 A	2019 A	2020E	2021E	2022E	2023E	2024E
Free Cash Flow Build Up										
EBIT	59	64	51	43	72	73	82	93	95	98
Tax Rate	*26%*	*26%*	*26%*	*26%*	*26%*	*26%*	*26%*	*26%*	*26%*	*26%*
NOPAT (EBIAT)	**42**	**46**	**37**	**33**	**56**	**58**	**65**	**74**	**75**	**78**
Adjustment from the Cash Flow Statement										
Non Cash Adjustments	33	32	31	34	41	43	44	47	54	60
(+) Depreciation										
(-) Change in Non Cash Working Capital	NA	-15	0	24	-10	11	-3	0	3	1
(-) Cap-Ex	58	44	34	43	56	61	75	100	63	62
(+) Total Reinvestment		**3**	**(3)**	**(33)**	**(5)**	**(29)**	**(28)**	**(54)**	**(12)**	**(2)**
Reinvestment Rate		*-4.4%*	*6.3%*	*76.6%*	*6.5%*	*40.23%*	*33.63%*	*57.80%*	*12.83%*	*2.49%*
Y-o-Y Growth			*-214.3%*	*934.4%*	*-85.8%*	*524.9%*	*-5.5%*	*94.0%*	*-77.4%*	*-79.9%*
Total Unlevered Free Cash Flow		**49**	**34**	**0**	**51**	**28**	**38**	**20**	**63**	**75**
Discount Factor						0.9517	0.9058	0.8621	0.8205	0.7809
Present Value of Cash Flow						**27**	**34**	**17**	**52**	**59**

Perpetuity Growth Approach (Enterprise Value)

2.1 BN

Exit Multiple Approach (Enterprise Value)

1.96 BN

Perpetuity Growth Approach	
Discount Rate	5.07%
Perpetual Growth Rate	1.10%
Present Value of Terminal Value	£1,493.44
Present Value of Cash Flows from 2020-25	£607.36
Implied Enterprise Value	£2,100.81

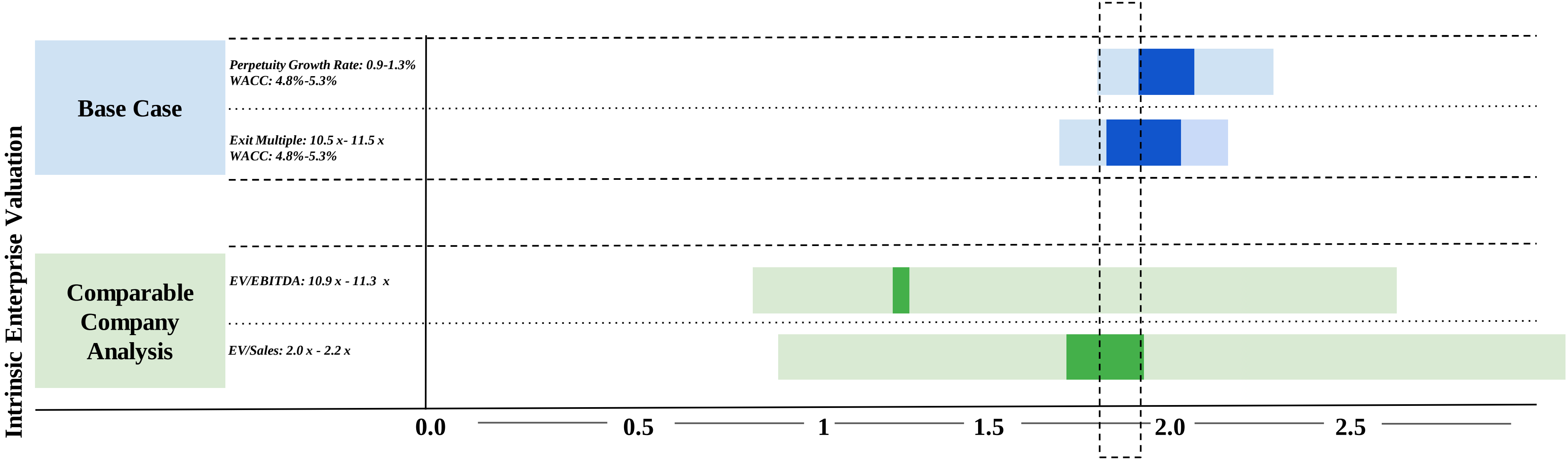
Exit Multiple Approach	
Discount Rate	5.07%
Terminal Value Multiple	11.1 x
Present Value of Terminal Value	£1,386.31
Present Value of Cash Flows from 2020-25	£577.31
Implied Enterprise Value	£1,963.63

Source: Kroll

Source: DevourAll Valuation Model

Income Statement Drivers & Assumptions: Pre-COVID

Implied Enterprise Valuation
1.79 ~ 1.87 BN



In order to account for the relative strength in the team's valuation methodologies, **each valuation method was assigned an appropriate weight.**

Source: DevourAll Valuation Model

WACC Estimation: Pre-COVID

Capital Structure	
Debt to Total Capitalization	42.30%
Equity to Total Capitalization	57.70%
Debt / Equity	**73.32%**
Cost of Equity	
Risk Free Rate	0.03%
Equity Risk Premium	5.96%
Country Risk Premium(s)	0.44%
Levered Beta	1.09
Cost of Equity	**6.99%**
Cost of Debt	
Cost of Debt	3.10%
Tax Rate	21%
After Tax Cost of Debt	**2.45%**
WACC:	**5.07%**

Debt to Capital & Equity to Capital are used as weights while calculating **WACC. D/E** ratio is used as an input for Levered Beta

Risk Free Rate: UK 5-Y Bond Rate - UK Default Spread
ERP: Estimated using bottom-up approach

Cost of Debt: Estimated using Median Synthetic Bond Ratings for comparable companies and Industry Average Cost of Debt (Dataset)
Tax Rate: Weighted Marginal Tax Rate

Levered Beta Estimation:

Comparable Companies Unlevered Beta				
Company	**Levered Beta (Long Term)**	**LT Debt/Equity**	**Unlevered Beta**	**Marginal Tax Rate**
Gregg's	1.12	79.14%	0.68	19%
Mitchells & Butlers plc	1.50	120.75%	0.76	19%
Domino's Pizza	0.79	-1.44%	0.79	19%
J D Wetherspoon plc	1.27	464%	0.27	19%
The Restaurant Group plc (Wagamama)	1.85	565.89%	0.33	19%
Loungers	1.37	32%	1.08	19%
Fuller, Smith & Turner	0.84	28.32%	0.68	19%
Whitebread PLC	1.14	88.65%	0.66	19%
Median		**84%**	**68%**	

Levered Beta: Median Unlevered Beta*(1+(1-Tax Rate)*Debt/Equity)

Country Risk Premium Estimation:

Country Risk Premium			
Region	**Risk Premium**	**Risk Exposure**	**Calculation**
US	0.0%	24.6%	0.0%
UK	0.6%	75.3%	0.4%
Europe	2.1%	0.1%	0.0%
Weighted Average Country Risk Premium:			**0.4%**

Risk Exposure: Assuming all restaurant chains are homogeneous, and % of restaurants in a region is a proxy for company's risk exposure in that region. Hence, it is used to estimate **CRP**

Source: Kroll, Investing.co.uk, Market Screener

Sensitivity Analysis: Pre-COVID

Perpetual Growth Rate Valuation

WACC

Perpetual Growth Rate	2,100.81	4.5%	4.8%	5.1%	5.3%	5.5%
	1.50%	£2,732.56	£2,499.72	£2,323.51	£2,219.79	£2,091.24
	1.30%	£2,569.08	£2,363.45	£2,206.25	£2,113.08	£1,996.93
	1.10%	£2,424.84	£2,241.91	£2,100.81	£2,016.65	£1,911.19
	0.90%	£2,296.61	£2,132.84	£2,005.48	£1,929.09	£1,832.91
	0.70%	£2,181.89	£2,034.40	£1,918.88	£1,849.23	£1,761.15

Implied EV:1.92-2.36 BN *(95% CI)*

Exit Multiple Valuation

WACC

Exit Multiple	1,963.63	4.5%	4.8%	5.1%	5.3%	5.5%
	12.0 x	£2,111.12	£2,109.23	£2,107.56	£2,106.46	£2,104.94
	11.5 x	£2,031.15	£2,029.27	£2,027.60	£2,026.50	£2,024.98
	11.1 x	£1,967.18	£1,965.30	£1,963.63	£1,962.52	£1,961.01
	10.5 x	£1,871.22	£1,869.34	£1,867.67	£1,866.57	£1,865.05
	10.0 x	£1,791.26	£1,789.37	£1,787.70	£1,786.60	£1,785.09

Implied EV:1.86-2.02 BN *(95% CI)*

Source: DevourAll Valuation Model

Standalone Valuation (Post-COVID)

Comparable Company Analysis: Post-COVID

DevourAll Comparable Companies
in million Pounds, except shares

30th September, 2020	Market Data			Valuation (2020 TTM)	
Company Name	Price	Sales (TTM)	EBITDA (TTM)	EV/EBITDA	EV/Sales
Fuller, Smith & Turner	£558.00	£2,096.00	£161.76	35.1 x	2.6 x
Whitebread PLC	£2,080.00	£2,072.00	£756.00	9.8 x	1.7 x
Domino's Pizza	£364.00	£3,911.20	£727.31	23.9 x	4.6 x
Mitchells & Butlers plc	£133.00	£2,208.00	£54.00	13.8 x	1.5 x
Gregg's	£1,121.00	£967.90	£70.30	23.9 x	1.3 x
J D Wetherspoon plc	£836.50	£1,262.00	£136.00	9.8 x	1.6 x
The Restaurant Group plc (Wagamama)	£49.56	£1,073.00	£137.00	11.1 x	4.6 x
Average				**18.2 x**	**2.5 x**
Median				**13.8 x**	**1.7 x**

	DevourAll	Multiplier (2019)	Valuation (2019)
High	EV/EBITDA	35.1 x	£2,184.21
Average EV	**EV/EBITDA**	**18.2 x**	**£1,132.73**
Median EV	**EV/EBITDA**	**13.8 x**	**£858.75**
Low	EV/EBITDA	9.8 x	£609.84
High	EV/Sales	4.6 x	£2,867.28
Average EV	**EV/Sales**	**2.5 x**	**£1,587.69**
Median EV	**EV/Sales**	**1.7 x**	**£1,047.18**
Low	EV/Sales	1.3 x	£822.79
Equity Value (by EV/EBITDA)	**Average**		**£905.03**
	Median		**£631.05**
Equity Value (by EV/Revenue)	**Average**		**£1,359.99**
	Median		**£819.48**

Comparable Companies	
Implied EV	
Low	£609.84
25th Percentile	£849.76
Average	£1,388.81
75th Percentile	£1,736.82
High	£2,867.28

Equity Value

by **TTM EV/EBITDA**
0.85-1.13 bn
(-14%)

by **TTM EV/Sales**
1.04-1.58 bn
(-15.1%)

Source: Y-Charts, Market Screener, Filings

Income Statement Drivers & Assumptions: Post-COVID

Income Statement: Base Case (with Assumptions)	2015 A	2016 A	2017 A	2018 A	2019 A	2020E	2021E	2022E	2023E	2024E
Revenue	547	578	572	563	857	390	771	814	848	872
Revenue Growth		*5.5%*	*-0.9%*	*-1.7%*	*52.2%*	*-54.5%*	*97.8%*	*5.5%*	*4.2%*	*2.9%*
Cost of Goods Sold (COGS)	(430)	(444)	(461)	(456)	(700)	(354)	(629)	(650)	(676)	(696)
% of Revenue	*78.5%*	*76.9%*	*80.5%*	*81.0%*	*81.7%*	*90.8%*	*81.6%*	*79.9%*	*79.8%*	*79.8%*
Y-o-Y Growth		*3.4%*	*3.8%*	*-1.1%*	*53.5%*	*-49.4%*	*77.7%*	*3.3%*	*4.0%*	*2.9%*
Gross Profit	**118**	**133**	**111**	**107**	**157**	**36**	**142**	**164**	**172**	**177**
Gross Profit Margin	*21.5%*	*23.1%*	*19.5%*	*19.0%*	*18.3%*	*9.2%*	*18.4%*	*20.1%*	*20.2%*	*20.2%*
Y-o-Y Growth		*13.4%*	*-16.4%*	*-4.2%*	*47.0%*	*-77.3%*	*297.7%*	*15.2%*	*4.9%*	*2.9%*
SG&A Expenses	(25)	(37)	(30)	(30)	(44)	(21)	(41)	(43)	(45)	(46)
% of Revenue	*4.6%*	*6.4%*	*5.2%*	*5.3%*	*5.1%*	*5.3%*	*5.3%*	*5.3%*	*5.3%*	*5.3%*
Y-o-Y Growth		*45.1%*	*-18.5%*	*-0.3%*	*47.7%*	*-52.8%*	*97.8%*	*5.5%*	*4.2%*	*2.9%*
EBITDA	**92**	**97**	**82**	**77**	**113**	**15**	**101**	**120**	**126**	**130**
EBITDA Margin	*16.9%*	*16.7%*	*14.2%*	*13.7%*	*13.2%*	*3.8%*	*13.1%*	*14.8%*	*14.9%*	*14.9%*
Y-o-Y Growth		*4.7%*	*-15.6%*	*-5.6%*	*46.8%*	*-86.8%*	*575.7%*	*19.1%*	*5.2%*	*2.9%*
Amortisation and Depreciation	(33)	(32)	(31)	(34)	(41)	(40)	(42)	(44)	(46)	(46)
% of Revenue	*6.1%*	*5.6%*	*5.4%*	*6.0%*	*4.7%*	*10.2%*	*5.5%*	*5.4%*	*5.4%*	*5.3%*
Y-o-Y Growth		*-2.4%*	*-4.6%*	*9.1%*	*20.5%*	*-1.6%*	*5.4%*	*4.9%*	*4.3%*	*0.8%*
EBIT	**59**	**64**	**51**	**43**	**72**	**(25)**	**59**	**76**	**80**	**84**
EBIT Margin	*10.8%*	*11.1%*	*8.8%*	*7.7%*	*8.4%*	*-6.4%*	*7.6%*	*9.3%*	*9.5%*	*9.6%*
Y-o-Y Growth		*8.6%*	*-21.2%*	*-14.6%*	*67.4%*	*-134.6%*	*135.2%*	*29.3%*	*5.7%*	*4.1%*

Revenue growth forecast is according to the data provided for Post-Covid and Industry Trends. COGS as % of revenue has been forecasted to meet Gross Profit targets & 5-Y Average.

Gross Profit estimates are given and is grown overtime according to Industry Trends.

SG&A Expense is forecasted to meet EBITDA margin targets and historical average

The company incurs an operating loss of **£25.0 million,** which is used to deduct tax payments in the future (refer to FCF estimation)

Other expense line items, such as SG&A costs and Depreciation Expense, were projected using historical averages and industry trends under the assumption that the core business operations of **DevourAll** adapts to COVID-19 and resonates both Historical and Industry trends. All Projections are in accordance with the **estimated financial impact** given in the case for Post-Covid levels

Source:Kroll, Morgan Stanley, Deloitte

Incorporating Bear-Base-Bull Cases: Post-COVID

In order to account for the ambiguity in future projections, it would be most accurate to model out three different scenarios to see how varying levels of financial performance and negotiations would affect the overall valuation.

Scenario Analysis	2015 A	2016 A	2017 A	2018 A	2019 A	2020E	2021E	2022E	2023E	2024E
Revenue Growth (%)										
Bull						-54.50%	98.68%	5.75%	4.45%	2.95%
Base		3.28%	-0.88%	-1.68%	52.24%	-54.50%	97.80%	5.50%	4.21%	2.91%
Bear						-54.50%	97.00%	5.25%	4.15%	2.87%
COGS (as % of Revenue)										
Bull						90.03%	80.86%	79.18%	79.04%	79.04%
Base	78.51%	76.92%	80.54%	81.04%	81.69%	90.84%	81.59%	79.90%	79.76%	79.76%
Bear						91.66%	82.32%	80.62%	80.48%	80.48%
SG&A (as % of Revenue)										
Bull						5.23%	5.23%	5.23%	5.23%	5.23%
Base	4.62%	6.35%	5.22%	5.29%	5.14%	5.28%	5.28%	5.28%	5.28%	5.28%
Bear						5.37%	5.37%	5.37%	5.37%	5.37%
Depreciation (as % of Revenue)										
Bull						10.15%	5.41%	5.38%	5.39%	5.28%
Base	6.07%	5.61%	5.40%	5.99%	4.74%	10.24%	5.46%	5.43%	5.43%	5.32%
Bear						10.33%	5.51%	5.48%	5.48%	5.37%

Bull Case: Revenue growth and margins were increased to reflect higher profitability while expense growth and margins were decreased to reflect cost cutting measures in the Bull Scenario.
Bear Case: Revenue growth and margins were slowed down to reflect poor profitability while expense growth and margins were increased to reflect rising company costs in the Bear Scenario.

Source: Kroll, Morgan Stanley, Deloitte

KROLL

Discounted Cash Flow Valuation: Post-COVID

DevourAll Discounted Cash Flow *in Million Pounds; (30th September, 2020)*	2015 A	2016 A	2017 A	2018 A	2019 A	2020E	2021E	2022E	2023E	2024E
Free Cash Flow Build Up						*(from Stub)*				
EBIT	59	64	51	43	72	(13)	59	76	80	84
Tax Rate	*25%*	*25%*	*25%*	*21%*	*21%*	*0%*	*23%*	*23%*	*23%*	*23%*
NOPAT (EBIAT)	**42**	**46**	**37**	**33**	**56**	**(13)**	**50**	**60**	**64**	**66**
Adjustment from the Cash Flow Statement										
Non Cash Adjustments	33	32	31	34	41	20	42	44	46	46
(+) Depreciation										
(-) Change in Non Cash Working Capital	NA	-15	0	24	-10	0	-6	1	2	1
(-) Cap-Ex	58	44	34	43	56	13	47	47	45	44
(+) Total Reinvestment		**3**	**(3)**	**(33)**	**(5)**	**7**	**1**	**(3)**	**(1)**	**2**
Reinvestment Rate		*-4.4%*	*6.3%*	*76.6%*	*6.5%*	*58.90%*	*-1.57%*	*4.42%*	*1.27%*	*-2.05%*
Total Unlevered Free Cash Flow		**49**	**34**	**0**	**51**	**(5)**	**51**	**57**	**63**	**68**
Discount Factor						0.9763	0.9305	0.9305	0.9305	0.9305
Present Value of Cash Flow						**-5**	**47**	**53**	**58**	**63**

Perpetuity Growth Rate Approach	
Discount Rate	4.92%
Perpetuital Growth Rate	0.78%
Present Value of Terminal Value	£1,538.55
Present Value of Cash Flows from 2020-25	£331.14
Implied Enterprise Value	£1,869.69

Exit Multiple Approach	
Discount Rate	4.92%
Exit Multiple	10.5 x
Present Value of Terminal Value	£1,271.03
Present Value of Cash Flows from 2020-25	£311.17
Implied Enterprise Value	£1,582.20

Enterprise Value: 1.869 BN (~ *-11%*)
Equity Value: 1.62 BN (~ *-6.67%*)

Enterprise Value: 1.582 BN (~ *-20%*)
Equity Value: 1.33 BN (~ *-24%*)

Source: DevourAll Valuation Model

Discounted Cash Flow Valuation: Post-COVID

Valuation Method	Weight	25th Percentiles	Median	75th Percentiles
in Million Pounds				
DCF: Perpetuity Growth	30%	£1,988.72	£2,029.30	£2,069.89
DCF: Exit Multiple	30%	£1,648.13	£1,681.77	£1,715.40
Comparable Companies	40%	£1,555.94	£1,587.69	£1,619.44
Bull Implied Valuation	100%	£1,713.43	£1,748.40	£1,783.36
DCF: Perpetuity Growth	30%	£1,832.30	£1,869.69	£1,907.09
DCF: Exit Multiple	30%	£1,550.56	£1,582.20	£1,613.84
Comparable Companies	40%	£1,555.94	£1,587.69	£1,619.44
Base Implied Valuation	100%	£1,637.23	£1,670.64	£1,704.06
DCF: Perpetuity Growth	30%	£1,685.61	£1,720.01	£1,754.41
DCF: Exit Multiple	30%	£1,550.56	£1,582.20	£1,613.84
Comparable Companies	40%	£1,555.94	£1,587.69	£1,619.44
Bear Implied Valuation	100%	£1,593.22	£1,625.74	£1,658.25

1.71-1.78 BN

4.6% upside from **Base Case**

-3.5 % from **Pre-Covid**

1.63-1.70 BN

-5 % from **Pre-Covid**

1.59-1.65 BN

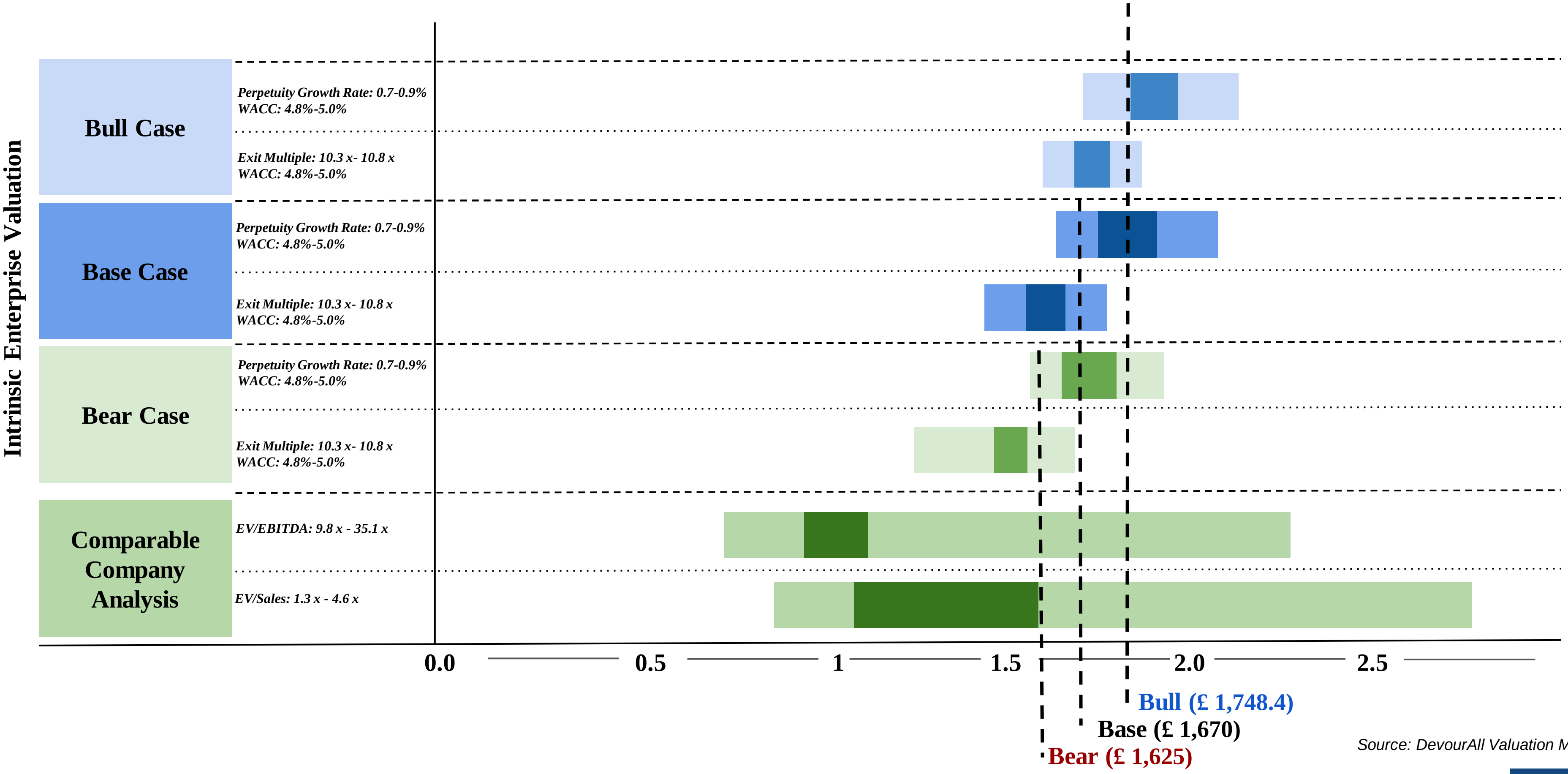
-2.6% discount from **Base Case**

-6.5 % from **Pre-Covid**

In order to account for the relative strength in the team's valuation methodologies, **each valuation method was assigned an appropriate weight.**

Source: DevourAll Valuation Model

Football Field Analysis: Post-COVID



Source: DevourAll Valuation Model

WACC Estimation: Post-COVID

Capital Structure	
Debt to Total Capitalization	49.58%
Equity to Total Capitalization	50.42%
Debt / Equity	**98.32%**
Cost of Equity	
Risk Free Rate	-0.64%
Equity Risk Premium	5.96%
Country Risk Premium(s)	0.58%
Levered Beta	1.26
Cost of Equity	**7.63%**
Cost of Debt	
Cost of Debt	2.72%
Tax Rate	21%
After Tax Cost of Debt	**2.15%**
WACC	**4.91%**

The D/E ratio calculated here takes into account the changes in the book value of Debt and Equity **post-COVID.** It is higher than its **Pre-COVID levels.**

Risk Free Rate: 5-Y UK Govt yield has gone down, pulling Rf down with it.
ERP: COVID has made equity investments riskier, increasing ERP.

Cost of Debt: Cost of Debt has gone down for the industry, as interest rates have gone down worldwide. Although the Default Spreads have gone up, the increase is offset by the fall in Rf.

WACC: Due to the above mentioned factors in the international financial markets, WACC goes down post COVID by more than 0.16%

Levered Beta Estimation:

Comparable Companies Unlevered Beta				
Company	**Levered Beta (Long Term)**	**LT Debt/Equity**	**Unlevered Beta**	**Marginal Tax Rate**
Gregg's	1.2	79.14%	0.73	19%
Mitchells & Butlers plc	1.7716	120.75%	0.90	19%
Domino's Pizza	0.69	-1.44%	0.70	19%
J D Wetherspoon plc	1.43	464%	0.30	19%
The Restaurant Group plc (Wagamama)	2.31	565.89%	0.41	19%
Loungers	1.57	32%	1.25	19%
Fuller, Smith & Turner	0.77	28.32%	0.63	19%
Whitebread PLC	1.22	88.65%	0.71	19%
Median		**84%**	**70%**	

COVID increased the volatility in the equity markets, pulling up the median unlevered Beta across the industry and due to a higher D/E, the end Levered Beta is also higher. The LT Debt/Equity ratio for comparable companies increased, due to COVID.

Country Risk Premium Estimation:

Country Risk Premium			
Region	**Risk Premium**	**Risk Exposure**	**Calculation**
US	0.0%	22.7%	0.0%
UK	0.6%	69.7%	0.4%
Europe	2.3%	7.5%	0.2%
			0.6%

Country Risk Premium: Goes up due to Higher Country risk Premiums post-COVID.

Source: Kroll, Investing.co.uk, Market Screener

Sensitivity Analysis: Post-COVID

DevourAll

Perpetual Growth Rate Valuation

WACC

Perpetual Growth Rate	1,720.01	4.7%	4.8%	4.9%	5.0%	5.1%
	0.50%	£1,694.98	£1,659.84	£1,620.69	£1,594.21	£1,563.52
	0.65%	£1,752.80	£1,715.01	£1,672.98	£1,644.60	£1,611.75
	0.78%	£1,806.49	£1,766.15	£1,721.37	£1,691.17	£1,656.26
	0.90%	£1,859.32	£1,816.39	£1,768.82	£1,736.78	£1,699.80
	1.00%	£1,905.95	£1,860.68	£1,810.57	£1,776.88	£1,738.02

Implied EV:1.92-2.36 BN *(95% CI)*

Exit Multiple Valuation

WACC

Exit Multiple	1,490.79	4.7%	4.8%	4.9%	5.0%	5.1%
	11.0 x	£1,553.09	£1,552.81	£1,552.47	£1,552.23	£1,551.95
	10.8 x	£1,522.26	£1,521.97	£1,521.64	£1,521.40	£1,521.11
	10.5 x	£1,491.42	£1,491.14	£1,490.80	£1,490.56	£1,490.28
	10.3 x	£1,460.59	£1,460.30	£1,459.97	£1,459.73	£1,459.44
	10.0 x	£1,429.76	£1,429.47	£1,429.13	£1,428.90	£1,428.61

Implied EV:1.86-2.02 BN *(95% CI)*

Source: DevourAll Valuation Model

Qualitative Lists of Issues Analysed & Comparative Study

Comparative Study

Analysis of Changes as compared to the Pre-COVID Scenario

Change in Labour Force

The Company has furloughed over 85% of the Company's employees in April 2020. Thus, DevourAll has a smaller workforce as compared to Pre-COVID.

Changes in Management Plans

The Company has reduced the capital expenditure significantly compared to the expected expenditure in the Pre-COVID scenario. DevourAll was planning to exploit the physical sites before COVID but has now halted the opening of new sites until 2022.

New Elements

DevourAll, as a response to COVID-19, has converted 35 sites to delivery kitchen to accelerate the penetration of delivery sales. It has also implemented a set of operational initiatives including simplifying kitchen systems, improving sale scheduling and planning and developing new menus.

Valuation Assumptions

1 **Revenue Growth Rate**

Revenue growth rate is estimated to fall by 54.5% due to COVID related lockdowns. However growth is expected to bounce back in line with industry trends.

2 **Costs as % of Revenue**

Due to lockdowns and high maintenance costs, Costs as % of Revenue is expected to go up but come back to it's 5-Y average levels.

3 **Efficiency Ratios**

Both Receivable Collection & Inventory Collection Days are expected to go up in 2020 due to lower liquidity, and falls back to the 5-Y average level.

4 **Capital Expenditure**

Cap-ex plans are made in accordance with the following:
Revenue Growth Rate = Reinvestment Rate * Return on Capital

5 **Perpetual Growth Rate**

The Perpetual Growth Rate has been estimated to be equal to the 30 Y Government Bond Yield which is a proxy for the perpetual GDP growth rate

6 **Comparable Company Analysis**

Ratios is calculated using TTM EBITDA & Sales data for comparable companies. DevourAll's TTM is calculated as part of the stub period.

Final Comparative Analysis

Source: DevourAll Valuation Model

Enterprise Value	Pre-COVID	Post-COVID	Analysis
WACC	Cost of Equity: 6.99% Cost of Debt: 2.45% **Cost of Capital: 5.07%**	Cost of Equity: 7.63% Cost of Debt: 2.15% **Cost of Capital: 4.91%**	Cost of Equity: Went up due to higher Beta & Market Risk Premium Cost of Debt: Went down due to Monetary Policy Activity **Cost of Capital: Decrease in CoD offsets increase in CoE**
Intrinsic Value	**Perpetuity Growth:** 1.92-2.36 BN **Exit Multiple:** 1.86-2.02 BN	**Perpetual Growth:** **Bear:** 1.68-1.75 BN **Base:** 1.83-1.90 BN **Bull:** 1.98-2.06 **Exit Multiple:** **Bear:** 1.55-1.61 BN **Base:** 1.58-1.6 BN **Bull:** 1.64-1.71 BN	**Perpetual Growth:** **Bear:** Went down by 12.5% **Base:** Went down by 3.68% **Bull:** Went down by 1.5% **Exit Multiple:** **Bear:** Went down by 16% **Base:** Went down by 14% **Bull:** Went down by 12%
Market Value	**EV/EBITDA:** 1.22-1.28 BN **EV/Sales:** 1.72-1.86 BN	**EV/EBITDA:** 0.85-1.13 BN **EV/Sales:** 1.04-1.58 BN	**EV/EBITDA:** Went down by 12% **EV/Sales:** Went down by 15%

COVID-19 has become an agent which has depressed the valuation of DevourAll by **3.5-6.5%**, also reflecting an industry wide trend, which is shown by the fall in Average & Median EV ratios and fall in the Exit Multiple from **11x to 10.5x**. The average Valuation across the casual dining & QSR industry in the FTSE & European Stock Exchanges has **fallen by 8%** and is expected to **bounce back by 7.5%** which will be ~-4% of the pre-COVID level. Hence, the fall in the valuation of DevourAll **will be in line with the industry wide trend**, unless the company revamps itself to outperform the market.

AP-1.1: SWOT Analysis (Pre-COVID)

STRENGTHS

- **Has a diversified portfolio**: The wide range of cuisines allow the company to cater to the changing tastes and preferences of the consumers.
- **Senior Management Team:** Have conducted successful acquisition and turned things around for a company which was witnessing continuous decline in profits till 2018 to a company which is projected to outperform the industry trends in near future.
- **Acquisition of Billy's Restaurant:** Provides growth platform in the casual dining space and is expected to contribute to the Company's future revenue growth and margin expansion.
- **Good Liquidity Position:** The company is sitting on a 39.7 Mn GBP pile of cash, which is sufficient to face future disruptions. The company does fairly well when it is subject to a series of stress tests.

WEAKNESSES

- **Lower penetration in the online delivery market:** The company hasn't yet focussed in the delivery segment which is becoming a 'frequently used option'. It has collaborated with Deliveroo and UberEats but hasn't exploited the potential fully.
- **Lack of competitiveness of its brands:** The company's revenue has experienced a decline from 2016 to 2018 due to the challenging market context and a lack of competitiveness of its brands.
- **Cost (COGS, SG&A expenses and depreciation) as a percentage of revenue has been rising above the industry level:** The financials depict that the cost of goods sold and other expenses (SG&A and depreciation) as a percentage of revenue are rising continuously over the years which is quite alarming.
- **High long term debt:** Due to the recent acquisition, company's long term debt has gone up more than 10 times above the industry median.
- **Vulnerable to real estate market conditions:** There is an increase in company's dependence on capital leases which has thus made it vulnerable to real estate market conditions.

AP-1.2: SWOT Analysis (Pre-COVID)

OPPORTUNITIES

Expansion into new and existing markets: Given its diverse portfolio of cuisines, DevourAll should capitalise on the opportunity of both catering to and influencing the evolving consumer tastes and preferences. Expanding into newer geographies is also an option which provides a similar opportunity to DevourAll.

Integration of Supply Chain: In order to achieve higher growth DevourAll can integrate supply chains. The integration would help in efficient procurement of raw materials, faster online delivery & better customer service.

Growth in the QSR segment: QSR is an upcoming segment with a growing EBITDA margin. With the growing popularity of Drive-thrus and the QSR segment, especially among the millennials who are the major drivers of growth in this segment, DevourAll should capitalize on this opportunity to open up another source of revenue for itself.

Lower Marginal Tax Rate: Marginal Tax Rates across the world have gone down from an average of 28% **(2006)** to 21% **(2020* e).** Particularly in developed markets in UK & USA.

THREATS

Intense Competition in the Market: The mid market is oversaturated, there are a lot of players in the industry at the moment which makes it difficult to improve their margin and build a stronghold.

Rapidly changing tastes & preferences: There is a shift in consumer tastes. They prefer a healthy, low-calorie diet. The vegan attitude is also increasing.

Fall in the Consumer's Disposable Incomes: The EU referendum spending has been holding up well, but with inflation rising and nominal wage growth starting to slow, consumers are beginning to feel a squeeze on their disposable income which will further lead to a decline in consumption with regards to casual dining industry.

Uncertainty related to Brexit & post-Brexit UK: The uncertainty associated with Brexit has led to consumers holding back with respect to consumption. Also Brexit is expected to bring cheap labor shortage and our company is in a labor intensive industry.

Increasing in Labour and Food Costs: The industry is facing elevated labor and food costs(due to the depreciation of pound sterling) which leads to declining profits.

AP-1.3: SWOT Analysis (Post-COVID)

STRENGTHS

- **Quick implementation of cost saving initiatives:** The company has implemented cost saving initiatives quickly which will help lower the effects of COVID to some extent.
- **Efficiency in average collection period (from receivables):** There is a fall in the average collection period from 12 days in 2020 to 9 days in 2021.
- **Has a diverse portfolio; defended itself from the cyclicality in the industry:** Through a diverse portfolio not only is DevourAll able to cater a wide range of customers but has also defended itself from the cyclicality in the industry.
- **Experienced Senior management team:** Its experienced senior management has taken quick actions in response to COVID like implementing a set of operational initiatives.

WEAKNESSES

- **Low penetration of food delivery:** Due to COVID, online food delivery segment has seen a robust growth. However DevourAll has been unable to exploit this opportunity due to its low level penetration in the segment.
- **Weak online presence:** The online presence and use of technology is at a low stage in DevourAll which is one of the biggest weaknesses of DevourAll, considering the recent scenario.
- **High maintenance costs of existing sites:** DevourAll has numerous sites especially due to recent acquisitions but with COVID these existing sites are earning low or no revenues. This makes their maintenance cost a substantial burden.
- **Lack of focus on the QSR segment:** QSR is a growing segment but lack of focus on it has led DevourAll to lose out on potential growth and revenue.

AP-1.4: SWOT Analysis (Post-COVID)

OPPORTUNITIES

- **Government schemes:** Under the *Eat Out to Help Out Scheme*, Government provided 50% off the cost of food and/or non-alcoholic drinks eaten-in at participating businesses UK-wide.
- **Expansion into the delivery segment:** The suspension of on-premises dining was a major factor that required customers to focus more on convenience. Moreover, safety concerns kept many consumers away. The result has been spiking delivery and takeout rates. **60% of 18-24-year olds already increased the frequency they use delivery services.**
- **Low Real Estate Costs:** Due to COVID, real estate costs have been falling and to capitalize on future opportunities.
- **Conversion of sites into cloud kitchens:** Also known as 'Virtual Kitchen', they are the delivery kitchens with no dining space. Underperforming sites can be converted into cloud kitchens to cut down on costs.
- **Improved Competitive Dynamics:** With the shut down of several independent restaurants, analysts estimate this would put about $20 billion to $35 billion in sales up for grabs. Having a diverse portfolio and a large number of site allows DevourAll to capitalise on this opportunity.

THREATS

- **Reduction in Seat Count due to the New Virus Strain:** New Virus strain has once again led to stricter implementation of social distancing norms. This implies a reduction in seat counts, severely affecting the casual dining industry.
- **Reduction in consumer traffic:** The damages and fear of COVID has significantly reduced the consumer traffic.
- **Dynamic consumer tastes and preferences:** There is a significant change in the tastes of the consumers. Their preference towards healthy food has taken a firm position and hygiene conditions of the restaurants is also a major concern.
- **Falling consumer disposable incomes:** With COVID, economic activity has faced a major slump which has not only resulted in a fall in disposable incomes but also higher unemployment rates.
  Supply Chain Disruptions:
- **Supply Shock Disruptions:** The containment measures during the COVID-19 pandemic have drastically impacted the essential flow of food from farms and producers to consumers and restaurant owners.
- **Depreciation of Pound Sterling:** The depreciation of Pound Sterling will increase the cost of food imports.

Base Case Forecast *(post-COVID)*

Balance Sheet (with Projections)	2020	2021	2022	2023	2024
Assets					
Cash	48.1	86.1	80.8	73.2	67.3
Receivables	12.4	19.5	20.6	21.4	22.0
Inventory	4.0	7.3	7.5	7.8	8.0
Prepaid Expenses and Other	11.0	22.7	25.2	27.4	26.0
Total Current Assets	**75.4**	**135.5**	**134.0**	**129.8**	**123.3**
Land, buildings and equipment	297.1	302.0	304.5	303.9	301.1
Intangibles & Goodwill	469.2	477.0	480.9	480.0	475.5
Other Assets	0.0	0.0	0.0	0.0	0.0
Total Non-Current assets	**766.3**	**779.0**	**785.4**	**783.9**	**776.6**
Total Assets	**841.7**	**914.5**	**919.4**	**913.6**	**899.9**
Liabilities					
Trade Accounts Payable	62.0	66.6	68.8	71.5	73.4
Accrued Expenses	77.1	84.3	87.1	90.6	93.3
Short-term Debt	38.8	29.8	19.8	8.8	0.8
Other Current Liabilities	16.1	28.5	29.5	30.6	31.5
Total Current Liabilities	**194.0**	**209.2**	**205.2**	**201.6**	**199.0**
Long-term Debt	258.6	246.4	222.0	191.5	153.4
Capital Leases	6.7	6.7	9.5	10.5	11.5
Other Liabilities	82.2	78.5	71.8	62.6	51.1
Total Non-Current Liabilities	**347.5**	**331.6**	**303.3**	**264.6**	**216.0**
Total Liabilities	**541.6**	**540.8**	**508.4**	**466.2**	**415.0**
Total Equity	**300.2**	**373.7**	**411.0**	**447.4**	**484.9**
Total Liabilities & Shareholder's Equity	**841.7**	**914.5**	**919.4**	**913.6**	**899.9**
Check	*0.0000*	*0.0000*	*0.0000*	*0.0000*	*0.0000*

Source: DevourAll Valuation Model

DevourAll

Base Case Supporting Schedule-1 *(post-COVID)*

Source: DevourAll Valuation Model

Supporting Schedules	2020	2021	2022	2023	2024
Working Capital Schedule					
Trade and other receivables	12.4	19.5	20.6	21.4	22.0
Inventories	4.0	7.3	7.5	7.8	8.0
Trade and other payables	62.0	66.6	68.8	71.5	73.4
Net Working Capital (NWC)	**(46)**	**(40)**	**(41)**	**(42)**	**(43)**
Change in NWC	-18.3	5.8	-0.9	-1.6	-1.1
PP&E Schedule					
Opening PP&E Balance	311.8	297.1	302.0	304.5	303.9
Capital Expenditures	25.2	47.0	46.6	45.5	43.6
Depreciation of PP&E	-39.9	-42.1	-44.2	-46.1	-46.5
Closing PP&E Balance	**297**	**302**	**304**	**304**	**301**
Check	*0.0000*	*0.0000*	*0.0000*	*0.0000*	*0.0000*
Short-term financial debt					
Opening Balance	8.8	38.8	29.8	19.8	8.8
Plus: Additions (repayments), net	30.0	-9.0	-10.0	-11.0	-8.0
Closing Balance	**38.8**	**29.8**	**19.8**	**8.8**	**0.8**
Long-term financial debt					
Opening Balance	258.6	258.6	246.4	222.0	191.5
Plus: Additions (repayments), net	0.0	-12.2	-24.4	-30.5	-38.1
Closing Balance	**258.6**	**246.4**	**222.0**	**191.5**	**153.4**
Total Debt	**297.4**	**276.2**	**241.8**	**200.3**	**154.2**

Base Case Supporting Schedule-2 *(post-COVID)*

Supporting Schedules	2020	2021	2022	2023	2024
Capital Expenditure	(25)	(47)	(47)	(45)	(44)
% of Revenue	*6.5%*	*6.1%*	*5.7%*	*5.4%*	*5.0%*
Y-o-Y Growth	*-54.8%*	*86.6%*	*-0.8%*	*-2.4%*	*-4.1%*
Number of Restraunts	375	394	429	528	543
Y-o-Y Growth	*-27.7%*	*5.0%*	*9.0%*	*23.0%*	*2.9%*
United Kingdom	244	256	279	343	353
Y-o-Y Growth	*-32.7%*	*5.0%*	*9.0%*	*23.0%*	*2.9%*
Weights	*65.0%*	*65.0%*	*65.0%*	*65.0%*	*65.0%*
USA	98	103	113	138	142
Y-o-Y Growth	*-16.7%*	*5.0%*	*9.0%*	*23.0%*	*2.9%*
Weights	*26.2%*	*26.2%*	*26.2%*	*26.2%*	*26.2%*
Europe	33	35	38	46	48
Y-o-Y Growth	*-15.4%*	*5.0%*	*9.0%*	*23.0%*	*2.9%*
Weights	*8.8%*	*8.8%*	*8.8%*	*8.8%*	*8.8%*

Source: DevourAll Valuation Model

Base Case Forecast *(pre-COVID)*

Balance Sheet (with Projections)	2020	2021	2022	2023	2024
Assets					
Cash	47.6	65.2	99.0	114.4	132.1
Receivables	18.0	18.4	19.2	19.8	20.4
Inventory	7.6	7.8	8.1	8.4	8.6
Prepaid Expenses and Other	24.1	24.1	24.1	24.1	24.1
Total Current Assets	**97.3**	**115.5**	**150.4**	**166.7**	**185.2**
Land, buildings and equipment	329.8	360.3	413.7	422.5	424.2
Intangibles & Goodwill	492.5	492.5	492.5	492.5	492.5
Other Assets	1.0	1.0	1.0	1.0	1.0
Total Non-Current assets	**823.3**	**853.8**	**907.2**	**916.0**	**917.7**
Total Assets	**920.6**	**969.3**	**1057.6**	**1082.7**	**1102.9**
Liabilities					
Trade Accounts Payable	64.2	61.6	62.9	67.0	68.3
Accrued Expenses	85.1	84.6	81.1	76.3	73.4
Short-term Debt	10.0	10.0	10.0	10.0	10.0
Other Current Liabilities	36.2	36.2	36.2	36.2	36.2
Total Current Liabilities	**195.5**	**192.4**	**190.2**	**189.5**	**187.9**
Long-term Debt	258.6	258.6	258.6	278.6	278.6
Capital Leases	10	12	15	15	15
Other Liabilities	82.2	71.9	69.5	67.9	67.1
Total Non-Current Liabilities	**350.8**	**342.5**	**343.1**	**361.5**	**360.7**
Total Liabilities	**546.3**	**534.9**	**533.3**	**551.0**	**548.6**
Total Equity	**374.2**	**434.5**	**524.4**	**531.8**	**554.3**
Total Liabilities & Shareholder's Equity	**920.5**	**969.4**	**1,057.7**	**1,082.8**	**1,102.9**
Check	*0.0000*	*0.0000*	*0.0000*	*0.0000*	*0.0000*

Source: Kroll

Base Case Supporting Schedule-1 *(pre-COVID)*

Supporting Schedules	2020	2021	2022	2023	2024
Working Capital Schedule					
Trade and other receivables	18.0	18.4	19.2	19.8	20.4
Inventories	7.6	7.8	8.1	8.4	8.6
Trade and other payables	64.2	61.6	62.9	67.0	68.3
Net Working Capital (NWC)	**(39)**	**(35)**	**(36)**	**(39)**	**(39)**
Change in NWC	-11.2	3.2	-0.2	-3.2	-0.5
PP&E Schedule					
Opening PP&E Balance	311.8	330.0	360.9	414.5	423.5
Capital Expenditures	60.9	75.0	100.2	63.4	62.1
Depreciation of PP&E	-42.7	-44.1	-46.6	-54.4	-60.2
Closing PP&E Balance	**330**	**361**	**415**	**424**	**425**
Check					
Short-term financial debt					
Opening Balance	8.8	10.0	10.0	10.0	10.0
Plus: Additions (repayments), net	1.2	0.0	0.0	0.0	0.0
Closing Balance	**10.0**	**10.0**	**10.0**	**10.0**	**10.0**
Long-term financial debt					
Opening Balance	258.6	258.6	258.6	258.6	278.6
Plus: Additions (repayments), net	0.0	0.0	0.0	20.0	0.0
Closing Balance	**258.6**	**258.6**	**258.6**	**278.6**	**278.6**
Total Debt	**268.6**	**268.6**	**268.6**	**288.6**	**288.6**

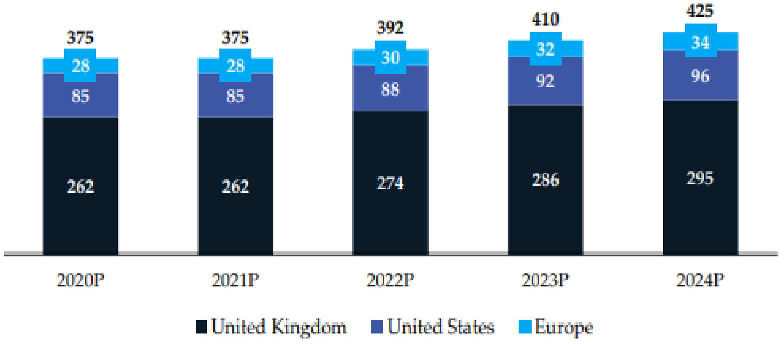
Source: Kroll

Base Case Supporting Schedule-2 *(pre-COVID)*

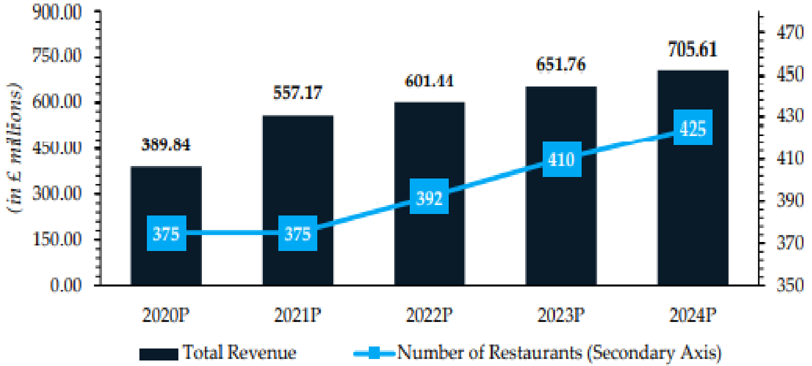
Supporting Schedules	2020	2021	2022	2023	2024
Capital Expenditure	(61)	(75)	(100)	(63)	(62)
% of Revenue	*6.6%*	*8.0%*	*9.9%*	*5.9%*	*5.6%*
Y-o-Y Growth	*9.3%*	*23.2%*	*33.6%*	*-36.7%*	*-2.1%*
Number of Restraunts	531	546	583	591	597
Y-o-Y Growth	*10.5%*	*2.8%*	*6.8%*	*1.4%*	*1.0%*
United Kingdom	367	375	393	398	401
Y-o-Y Growth	*1.4%*	*2.2%*	*4.8%*	*1.3%*	*0.8%*
USA	121	126	136	139	140
Y-o-Y Growth	*2.5%*	*4.1%*	*7.9%*	*2.2%*	*0.7%*
Europe	43	45	54	54	56
Y-o-Y Growth	*10.3%*	*4.7%*	*20.0%*	*0.0%*	*3.7%*
Effective Marginal Tax Rate	*20.9%*	*20.9%*	*20.9%*	*20.9%*	*20.9%*
UK	*19.0%*	*19.0%*	*19.0%*	*19.0%*	*19.0%*
USA	*27.0%*	*27.0%*	*27.0%*	*27.0%*	*27.0%*
Europe	*19.4%*	*19.4%*	*19.4%*	*19.4%*	*19.4%*

Source: Kroll

Additional Graphical Data: (Post-COVID)



The **No. of Restaurants** are expected to remain the same in 2020-21 as the company plans to halt the construction of new restaurants till 2022



The **Total Revenue** in the Post–COVID Forecast period is expected to fall to **£ 389.84 mn**. in 2020 from **£ 856.8 mn**. in 2019, but is expected to rise to £ 705.61 mn. by the end of the forecast period

Source: Kroll

Thank You!

Team St. Stephen's Cross

Tisha Gupta | Shlok Bhartiya | Niranjani Saxena