YOUniversity Deal Challenge 2021

Executive Summary

Industry Overview

DevourAll is a mid-sized casual dining restaurants operator navigating a highly competitive **foodservice industry**. Growth in key markets is expected to slow post-COVID-19 due to weak macroeconomic trends, as declining revenue and high operating costs translate to **mounting margin pressures.** However, bright spots remain for the industry, such as the growing demand for delivery.

Company Overview & SWOT Analysis

Although DevourAll remains a market leader, **revenue has been declining** due to a lack of competitiveness of brands. To turn the tide, DevourAll has designed a three-pronged business strategy. It can **leverage on internal competencies** such as a diversified business portfolio and experienced senior management team to **ride on favorable trends**, while **remaining cautious of its weaknesses and external threats** amidst a competitive, challenging macroeconomic landscape.

Pre-COVID Valuation

The pre-COVID valuation of DevourAll was based on a weighted average between **three different analysis methods** used – Discounted Cash Flow (DCF) analysis, Comparable Company analysis (CCA) and the Precedent Transaction analysis (PTA).

For the DCF, we relied heavily on the projections provided by management as given in the case, to derive a valuation of GBP 1,240.84mn. Through CCA of 12 peer companies, we arrived at valuations of GBP 1,495.98mn and GBP 1,345.57mn for EV/EBITDA and EV/Revenue respectively. Our PTA, which considers 11 companies that have previously underwent M&A transactions involving food operators similar to DevourAll, gave us a valuation of GBP 1,451.89mn and GBP1,439.42mn for EV/EBITDA and EV/Revenue respectively.

Overall, we arrived at a final pre-COVID valuation of **GBP 1,323.13mn.**

Post-COVID Analysis

We **project two different scenarios** for DevourAll post-COVID. In Scenario 1, COVID-19 remains under control and the lifting of travel restrictions will support the swift recovery of DevourAll's operations, resulting in store openings of 50/12/15 for 2022P/2023P/2024P. In Scenario 2, we predict a possible second wave, resulting in slower recovery and an increasing demand for delivery services. Store openings are delayed to 8/10/24 over the same period.

Post-COVID Valuation

We arrive at a DCF valuation of GBP 451.64mn and GBP 428.06mn for Scenario 1 and 2 respectively. For our market-based approach, we used comparable company analysis to arrive at a valuation of GBP 837.46mn and GBP 924.11mn for EV/EBITDA and EV/Revenue respectively. We did not consider precedent transactions. In overall, we arrived at a final valuation of **GBP 528.31mn** post-COVID, reflecting a **60% decline in value** compared to our pre-COVID estimate.

DevourAll’s Journey through COVID-19

2021 Duff & Phelps YOUniversity Deal Challenge

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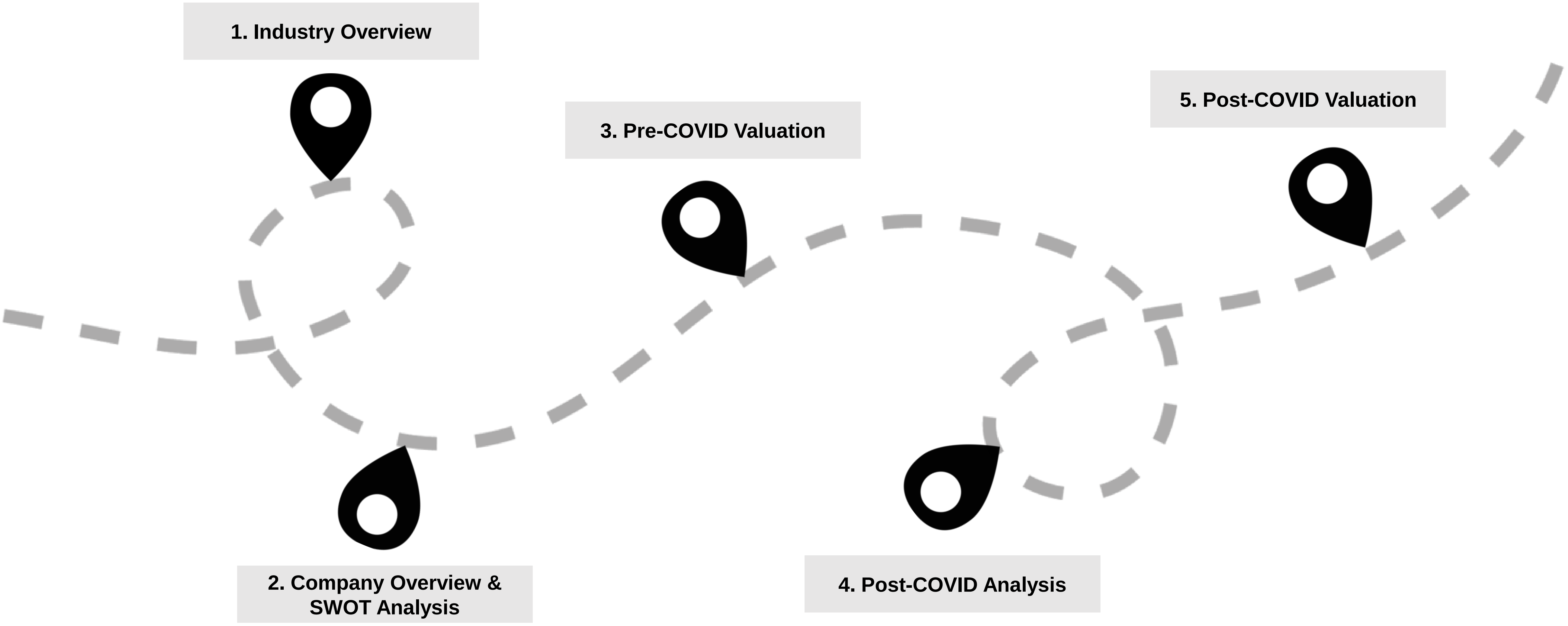
DevourAll’s Journey Through COVID-19



Introduction

*DevourAll is a mid-sized **casual dining restaurants** operator*

DevourAll

United Kingdom
Billy's Restaurant

United States of America
Henry's Grill & Bar

Scotland
Smith's Steakhouse

France
Cecilia's Bistro

Other brands: Café Rose, Cheeky Chicken, Salad Monster, Munch Munch

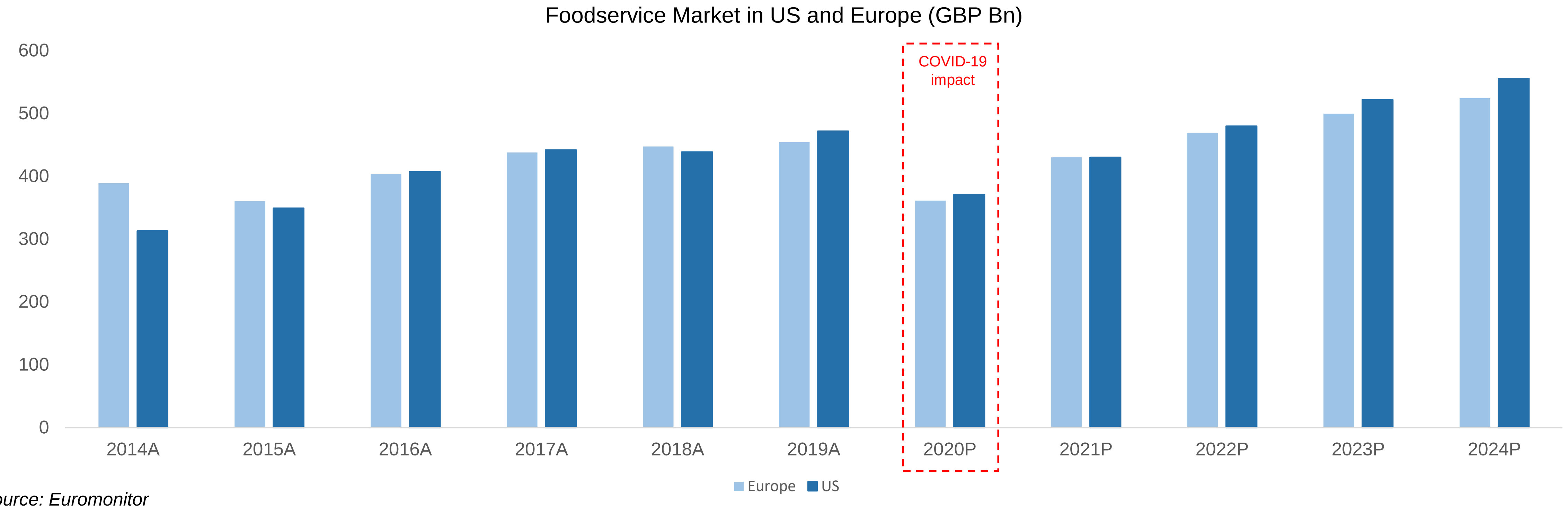
DevourAll’s Journey Through COVID-19

1. Industry Overview

- The foodservice industry is highly competitive
- Growth in key markets is slowing due to weak macroeconomic trends
- However, bright spots remain for the industry

DevourAll

US, Europe and UK foodservice market growth to slow post-COVID-19…



Source: Euromonitor

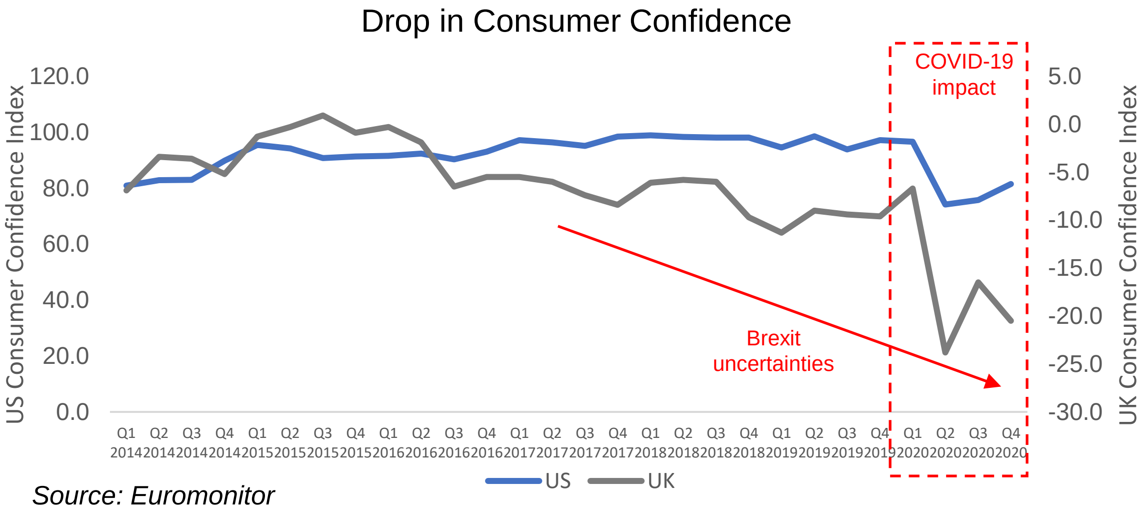
CAGR of Key Markets	UK	Europe	US
2014-2019	1.8%	3.2%	8.6%
2019-2024P	0.8%	2.9%	3.3%

Industry Trends

Key markets are negatively impacted by the COVID-19 pandemic

…due to weak macroeconomic trends

Reduced expenditure on eating out weighs on revenue…



Source: Euromonitor

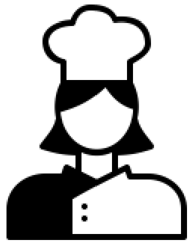
- Consumer confidence had already been on a decline due to **Brexit uncertainties**
- **Inflation and sluggish wage growth** place pressure on disposable incomes

- UK consumer confidence fell from -0.3% in Q1 2016 to -9.6% in Q4 2019, dipping to its **lowest -23.8% in Q2 2020** due to the pandemic (Euromonitor, 2020)
- **UK unemployment rate rises** to 5-year highs
- **Lockdown restrictions** prevented individuals from dining out

… even as operating costs increase

Weakening British Pound due to Brexit uncertainties erodes purchasing power and **increases costs of imports**

Property rentals increased by 11% following business rates revaluation



Tighter immigration rules post-Brexit **increase labor costs**

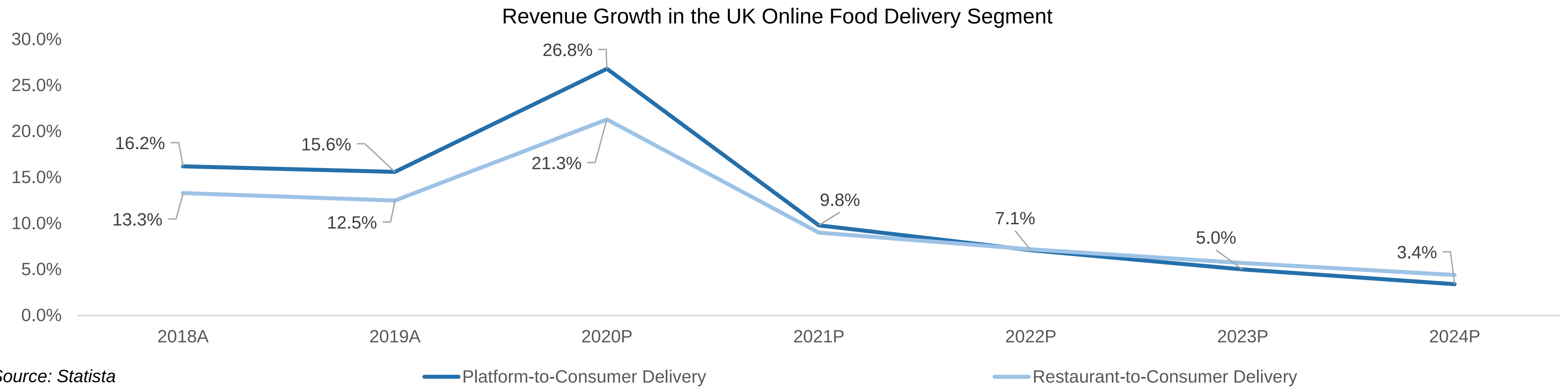
Declining revenue and high operating costs translate to mounting margin pressures.

Industry Trends

However, bright spots remain for the industry

DevourAll

Increasing demand for home delivery offers growth potential for foodservice operators



Source: Statista

- COVID-19 has **accelerated the demand for convenience**
- Suspension of on-premises dining and safety concerns have led to a **spike in delivery and take-out rates**

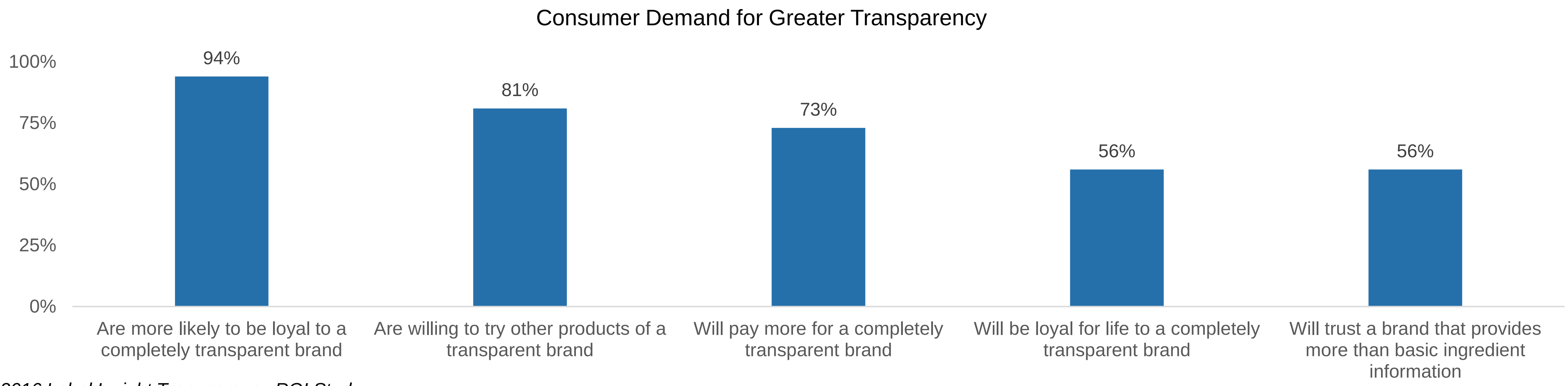
- Frost & Sullivan valued the global food delivery market at $82 billion in 2019, and expects this number to double by 2025, reaching a **cumulative growth rate of 14%** (Singh, 2019)

- Customers are willing to pay for the **quickest** and **most convenient** way to get their food (Chick, 2020)
- Key criteria for convenience include delivery costs, wait time, pick-up locations, and option for contactless delivery

Industry Trends

However, bright spots remain for the industry

Health-conscious consumers seek greater transparency



Source: 2016 Label Insight Transparency ROI Study

- Modern consumers are **more mindful** about what they eat and how it affects their health and wellness
- Market for organic, non-GMO, and plant-based foods is growing (Afable, 2019)

- Rise in **specific dietary restrictions** such as allergies and vegan or gluten-free meals)
- Growing interest in understanding ingredients

- Rising popularity of **food activism**
- Consumers vote with their dollars to support sustainable companies and clean labels with high ethical values

DevourAll’s Journey Through COVID-19

2. Company Overview & SWOT Analysis

- DevourAll is a market leader; however, its financial performance has been on a decline
- DevourAll’s three-pronged business strategy
- SWOT Analysis

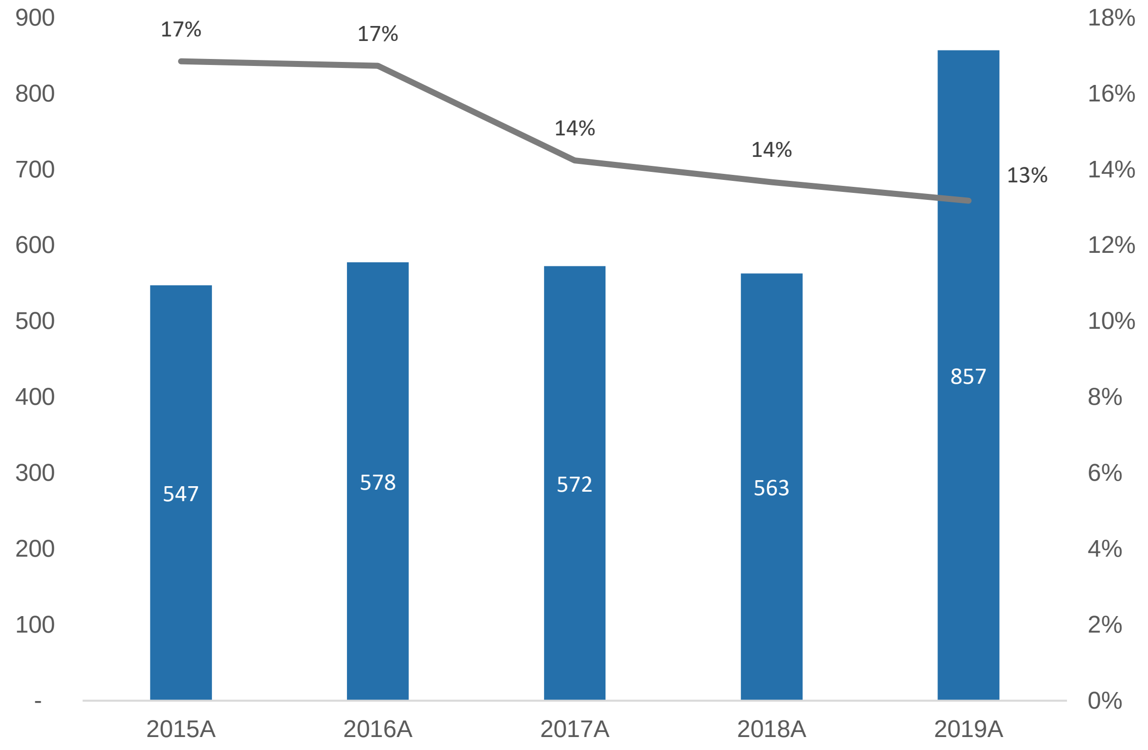
Company Overview

DevourAll is a market leader, with revenue growth outperforming the industry

DevourAll

DevourAll's Financial Performance

Historical Total Revenue (GBP M) and EBITDA Margin (%)



Source: Case material

- **Revenue fell** from 2016 to 2018 due to **lack of competitiveness of brands.** Spike in 2019 largely attributed to Billy's Restaurant acquisition
- **EBITDA margin** fell continuously, reflecting higher food and labor costs

DevourAll faces stiff competition in the foodservices industry

Direct competitors

Café/ Bar	J.D. Wetherspoon	Greene King	Mitchells & Butlers
Full-Service Restaurants	BJ's Restaurant Brewhouse	Ruth's Hospitality Group	Denny's
Limited-Service Restaurants	Papa John's Pizza	Red Robin Gourmet Burgers and Brews	Domino's Pizza

Indirect competitors

Sainsbury's | The co-operative | ASDA

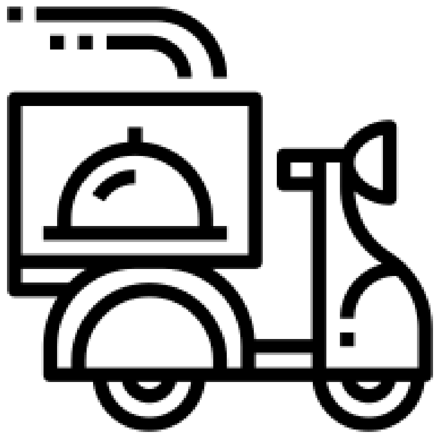
- Foodservice operators face increasing competition from **grocery retailers** who partner with third-party operators to offer convenient meals, increasing variety of offerings in the market
- E.g. Deliveroo x Sainsbury and Co-Op to deliver food and drink to customers; Asda is working with Just Eat (Euromonitor, 2020)

Company Overview

DevourAll has designed a three-pronged business strategy

Increase revenue per site

- Invest in menu renovation and technology
- Elect a data-driven approach in evaluating demographic and competitive dynamics for new sites



Diversify revenue streams

- Develop delivery segment
- Install more bespoke delivery stations in high traffic outlets
- Collaboration with Deliveroo and UberEats

Increase profit margin

- Embark on cost-cutting operations
- Integrate supply chain

SWOT Analysis

*DevourAll can leverage on **internal competencies** and ride on **favorable trends***

DevourAll

***S**trengths*

- Strategic acquisition of Billy’s Restaurant to boost profitability
- Revenue and cost synergies from diversified business portfolio
- Experienced management team

***W**eaknesses*

- Lack of competitiveness of existing brands
- Low penetration of delivery service
- Underperforming sites from reduced sales and cost pressures

S W O T

***O**pportunities*

- Food delivery wave
- Frictionless digital experiences
- Attractiveness of sustainable and ethical brands
- Demand for healthier options and transparent labels

***T**hreats*

- Competitive landscape
- Challenging macroeconomic factors
- Food safety concerns from rising risk of food fraud
- Increasing prices of raw ingredients due to tariffs and export restrictions

SWOT Analysis - Strengths

*DevourAll's **strengths** will allow it to survive the new normal*

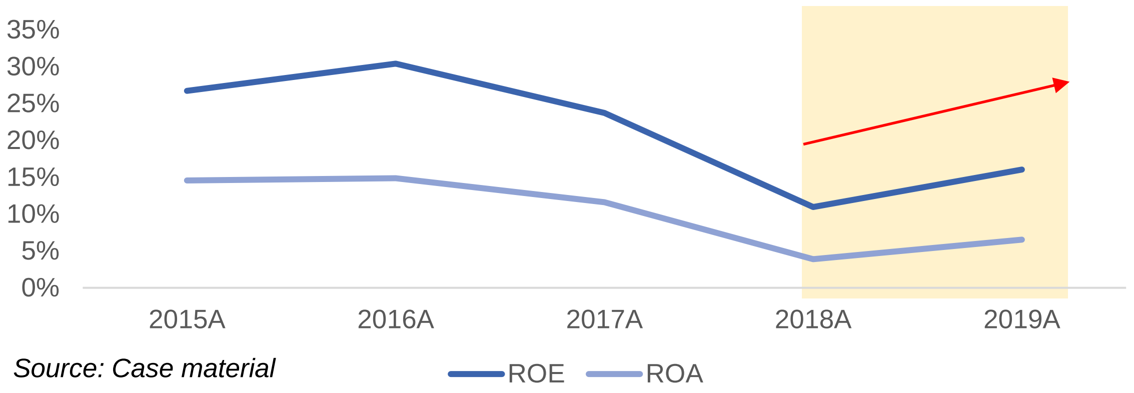
DevourAll

DevourAll's strategic acquisition will boost profitability

BILLY'S restaurant

- Acquired in 2018
- Largest full-service Spanish restaurant in the UK
- Consistently outperformed competitors in recent years

DevourAll's Historical Profitability (%)



Source: Case material

Strategic Impact	• Expansion of product line to include Spanish cuisine • Increase client base by leveraging on Billy's Restaurant's existing recognized brand to **reduce barriers to entry and achieve market synergies**
Financial Impact	• Total revenue in 2019 increased by a significant 52.2%, significantly higher compared to like-for-like revenue growth of 3.2% • Sharp increase in ROE and ROA highlights DevourAll's **increased profitability** after acquisition • Expected future revenue growth and margin expansion

Diversified business portfolio provides revenue and cost synergies

- **Geographic diversification** through operations in UK, US and Europe, reducing exposure to country-specific risk (e.g. political and currency volatility)

- Tap on **different customer markets** through variety of brands with different food offerings; reduce risk exposure to only one customer group

- Achieve **supply chain synergies** by providing ingredients to multiple brands, providing greater stability of input costs

Experienced senior management team to guide future performance

- More **familiar** with how the landscape of the foodservices industry has changed over time and with the firm's operations
- Capable of better supporting the business; **more competent**

- Better poised for **workforce optimization** to reduce excess "fats" within the company, and to maximize manpower efficiency and effectiveness

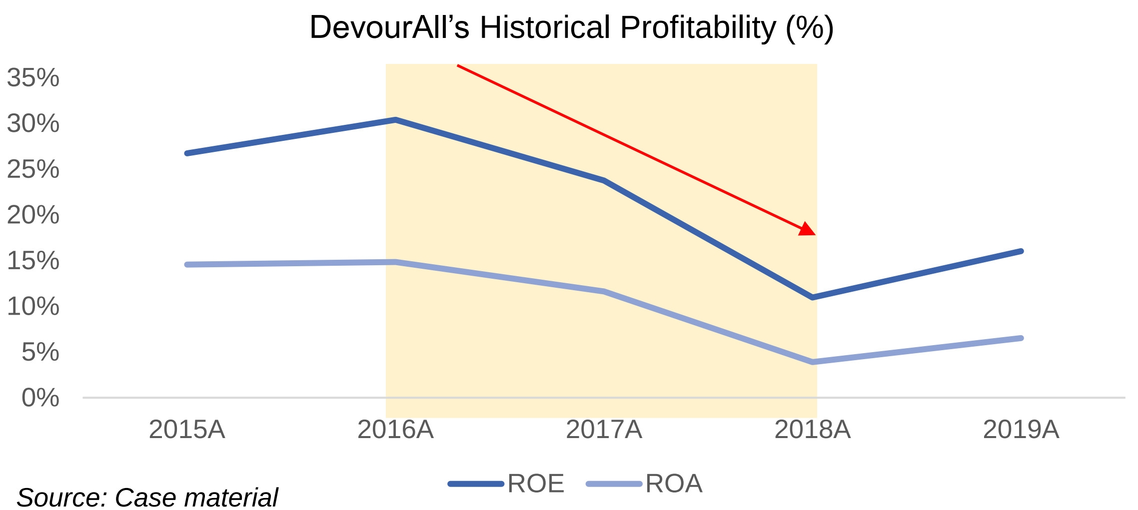
- More likely to have carried out **business continuity planning**, which ensures resilience in the face of COVID-19 disruptions

Deliverable 1: SWOT Analysis - Weaknesses

*However, current **weaknesses** pose a stumbling block*

DevourAll

DevourAll's existing brands exhibit reduced competitiveness



Source: Case material

Strategic Impact

- **Underperforming brands** weigh down overall financial performance, as most businesses earn almost all profits from a small number of brands (Kumar, 2003)
- Unaligned brands result in **brand dilution** or **brand cannibalization**
- Spreading resources too thinly across too many brands has **reduced quality** and diminished DevourAll's image

Financial Impact

- Prior to the acquisition of Billy's Restaurant in 2018, ROE and ROA had been declining from 2016 to 2018, indicating **declining profitability**

Low penetration of delivery services amid increased customer shift online

- DevourAll began collaborating with delivery services Deliveroo and UberEats in 2018
- Delivery sales accounted for **only 8.2%** of DevourAll's revenue in 2019

- Deliveroo and UberEats took up a combined 30% of the UK food delivery market share in 2018, as compared to Just Eat's 40% (Statista, 2018)
- DevourAll's choice of delivery platforms has **limited its reach**

- Management needs to **assess and improve** the effectiveness of existing food delivery strategy

Underperforming sites reduce operating efficiency

- Asset turnover fell from 1.69 in 2015 to 0.63 in 2018, indicating **reduced efficiency**

- DevourAll only closed down 120 performing sites in July 2020 (23.1% of all existing restaurants in 2019), after COVID-19 forced the company **to restructure its business**

- An earlier cut would have allowed DevourAll to **redeploy capital** (e.g. relocate restaurants to areas with higher traffic, or invest in existing sites that are doing well, to boost overall revenue)

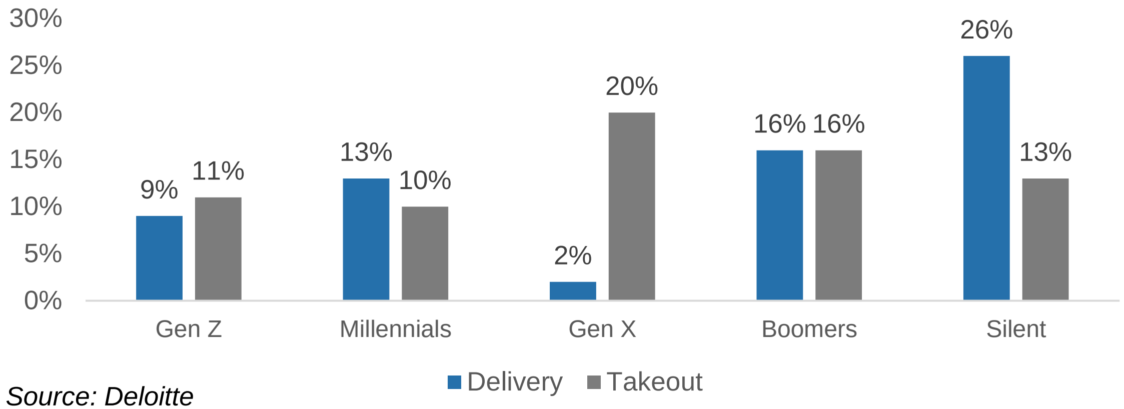
Deliverable 1: SWOT Analysis - Opportunities

*DevourAll can capitalize on **opportunities** to grow*

DevourAll

DevourAll can leverage on the food delivery wave

Percentage increase in customers who order delivery or takeout at least once a month before and after COVID-19



Source: Deloitte

Industry Trend

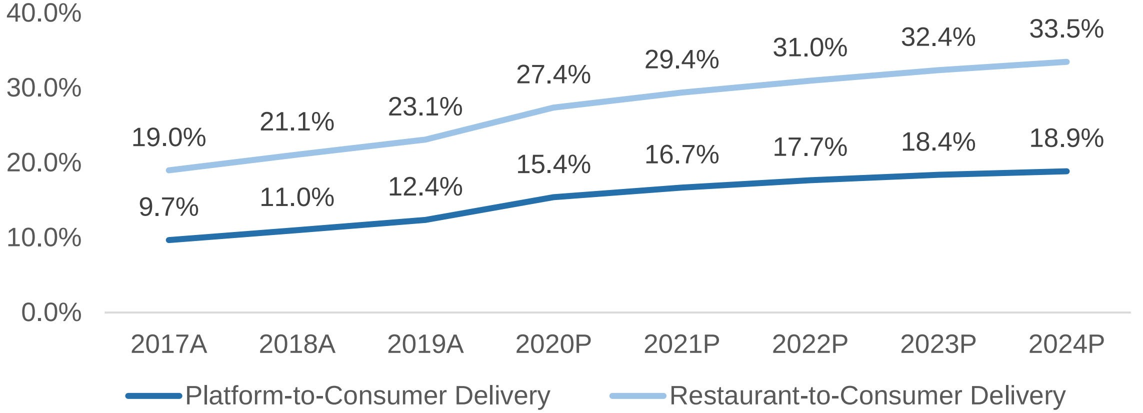
- 62% of surveyed consumers are willing to **pick up food from a convenient location** other than the restaurant itself, and 44% will order delivery of **uncooked meals** they finish prepping at home (Chick, 2020)

Possible Responses

- **Redesign store layouts** to reduce space for dining-in; increase capacity for outside, drive-through, and pickup businesses
- Introduce **delivery-only menus** that omit foods which don't travel well and improve packaging to maintain freshness
- Step up **in-house delivery functions** to increase control of the ordering experience and reduce payment to third-party food delivery platforms

DevourAll can offer frictionless digital experiences

User Penetration (%) in the UK Online Food Delivery Segment



Source: Statista

Industry Trend

- Increased demand for convenient, user-friendly end-to-end **digital experiences** in both web and mobile environments
- **Customized and consistent digital engagement** increases consumer confidence and brand loyalty

Possible Responses

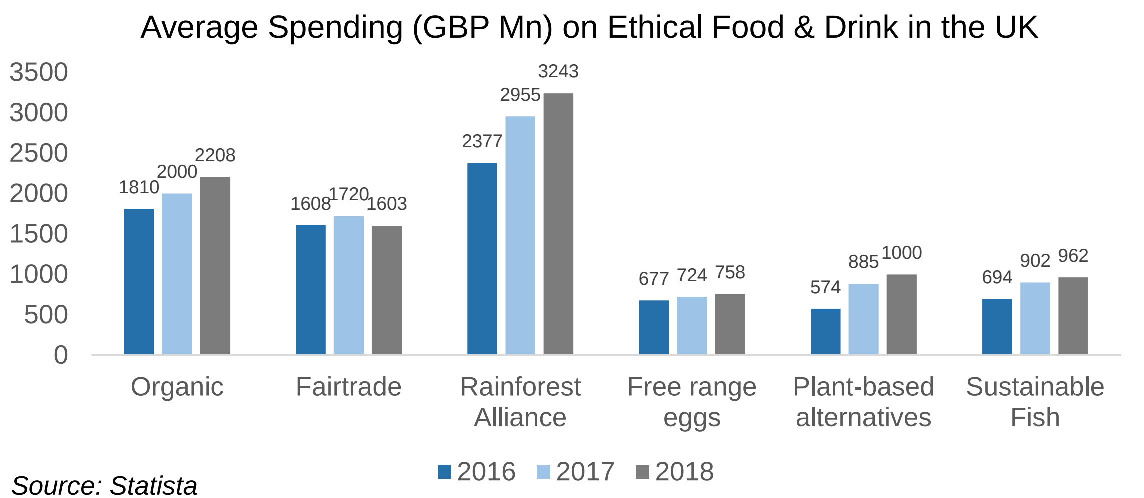
- Leverage on **business analytics** to generate greater value from customer data, and to drive more effective business decisions to better meet customer needs
- Develop a new **algorithm** to precisely time cooking for pickup
- Use **artificial intelligence (AI)** for micromarketing, so customers receive personalized offers and promotions

Deliverable 1: SWOT Analysis - Opportunities

*DevourAll can capitalize on **opportunities** to grow*

DevourAll

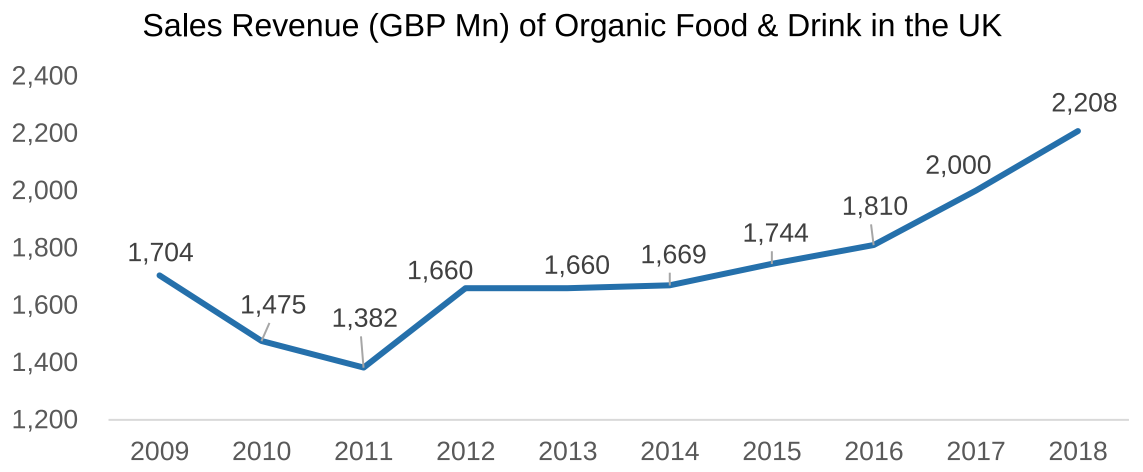
DevourAll can become more sustainable and ethical



Source: Statista

Industry Trend	• Increasing customer focus on **sustainability** and **provenance** • 75% of UK shoppers want supermarkets to only stock food from sustainable and ethical sources (FMCG, 2019)
Possible Responses	• Source for raw ingredients from **ethical suppliers** • Introduce **recyclable packaging** for deliveries and takeaways • Address heightened safety concerns post COVID-19 by setting a **high standard of cleanliness** across all sites; adopt visible changes to signal to customers how seriously DevourAll is taking safety and cleanliness

DevourAll can offer healthier options and transparent labels



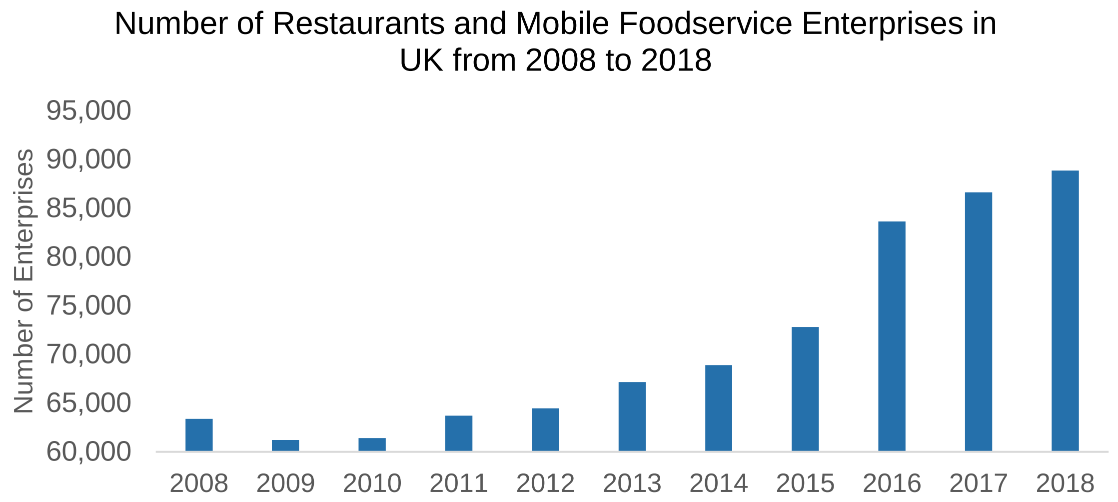
Source: Statista

Industry Trend	• The internet and social media provide large volumes of information on nutritional needs and health benefits of different ingredients to **educate** consumers (Attest, 2018) • **Dietary restrictions** are becoming increasingly prevalent
Possible Responses	• Provide the option of using **organic ingredients**, which are often deemed to have increased health benefits and can be sold at a premium • Incorporate **vegan and gluten-free options** into its menus • Adopt more **transparent labels** so that customers understand what ingredients they are consuming

Deliverable 1: SWOT Analysis - Threats

***Threats** that pose a danger to DevourAll's survivability*

Large number of competitors in the industry



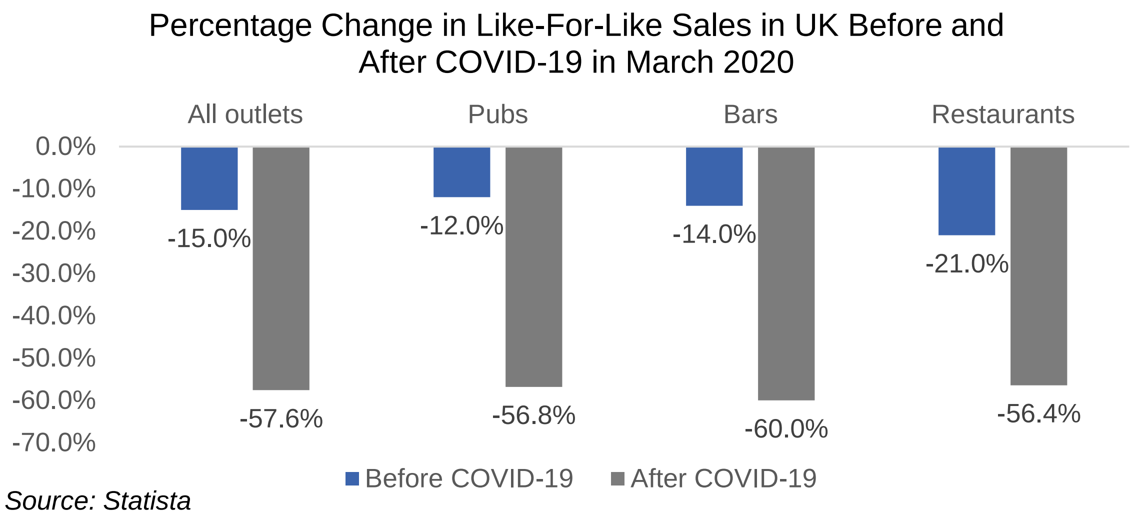
Source: Statista

- Steady **rise in the number of foodservice outlets** (restaurants and enterprises) from 63,368 outlets in 2008 to 88,848 outlets in 2018 (Statista, 2020)

- Stiff competition from existing players
- **Indirect competition** from grocery retailers offering on-the-go meals on the rise (Euromonitor, 2020)

- More **competitive and saturated landscape** due to rising number of new entrants and expansion by existing operators

Industry players face decreased revenue and higher cost pressures



Source: Statista

- Sharp **decrease in sales and revenue** across the foodservices industry due to COVID-19 lockdowns and relative standstill in the tourism industry

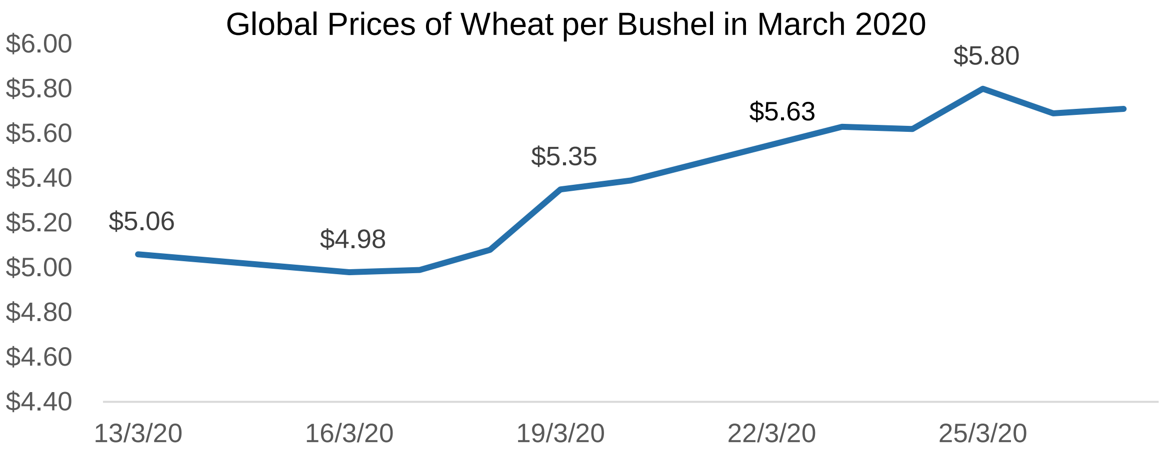
- Higher labor costs, business rates, and costs of raw ingredients place **pressure on profit margins**
- **Reduced spending** on food from restaurants, pubs, and bars due to falling consumer confidence

- Combined effects of reduced revenue and margin pressures translate to **large decline in profits** or even **operating losses** and bankruptcy

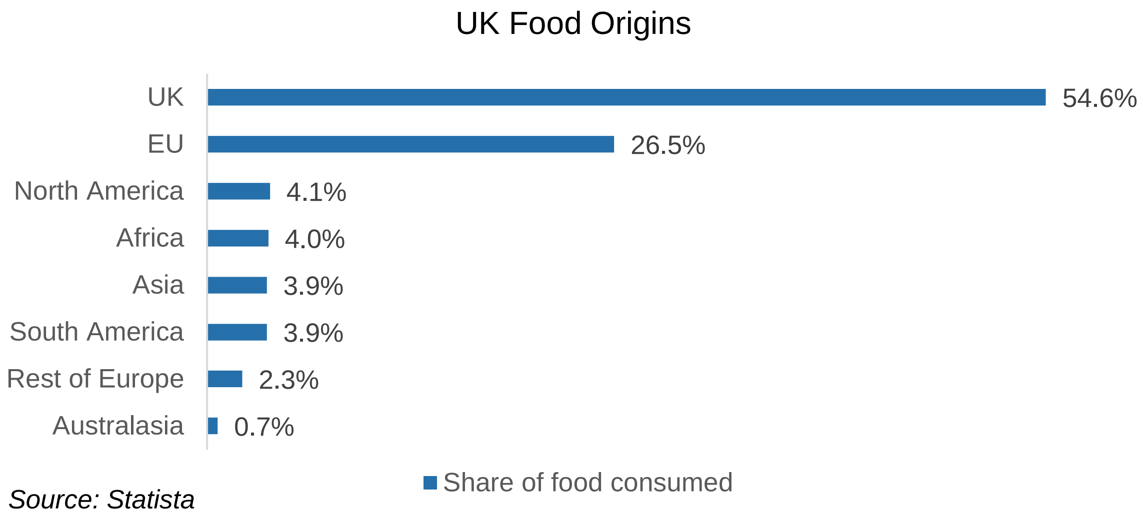
Deliverable 1: SWOT Analysis - Threats

***Threats** that pose a danger to DevourAll's survivability*

Tariffs and export restrictions imposed by foreign countries increase prices of raw ingredients



Source: Macrotrends



Source: Statista

- Governments around the world have put up **export restrictions** to ensure food security during the COVID-19 pandemic
- One example is Kazakhstan's temporary export ban on wheat and wheat flour in March 2020 (FAO, 2020)
- Some of these restrictions have **drastically reduced** exports for specific raw ingredients

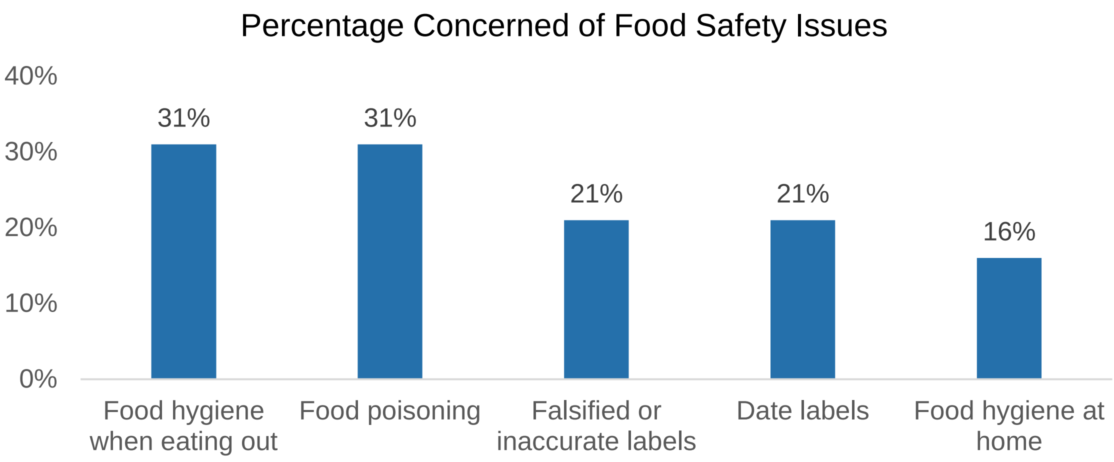
- UK food and drinks imports face an **average 18% tariff** after Brexit without a trade deal (Durisin, 2020)
- Extra paperwork and **administrative costs** required at borders could trickle down the supply chain
- Longer transport times lead to higher risk of **shortages** of perishables

- Combined effects of COVID-19 and Brexit result in a **surge in prices** of raw materials and ingredients widely used in the food industry
- Higher costs of operation for restaurant operators around the globe
- Increased **need to stockpile inventory** to reduce the risk of business disruptions

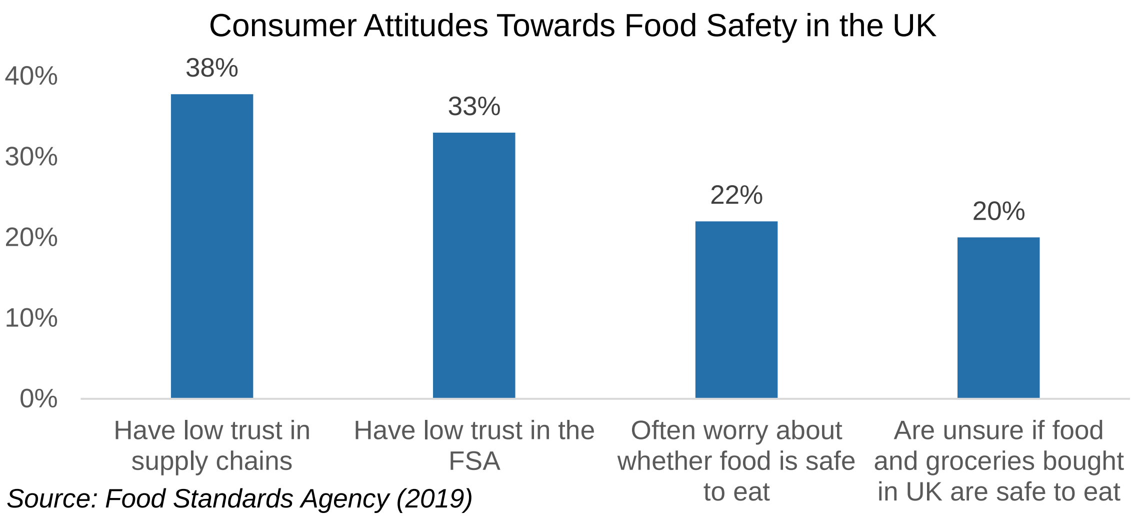
Deliverable 1: SWOT Analysis - Threats

***Threats** that pose a danger to DevourAll's survivability*

Food safety concerns due to rising risk of food fraud



Source: Food Standards Agency (2020)



Source: Food Standards Agency (2019)

- High risk of COVID-19 transmissions has led to numerous meat production and processing facilities being shut down temporarily to reduce contact between employees, leading to an **unprecedented shortage of meat** across the supply chain
- Risk of **meat fraud** (i.e. substitution of one type of meat for another) has become more prevalent (Southey, 2020)

- National lockdowns **prevented quality checks** on supply chains, providing more opportunities for fraud to take place undetected
- An operation by Interpol and Europol resulted in more than $40 million worth of **fake food and drinks** seized, including bacteria-infested cheese, meat from illegally slaughtered animals, and expired foods and drinks with **falsely altered expiry dates** (Askew, 2020)

- Restaurant operators have **little control** over whether suppliers engage in fraudulent practices without their knowledge
- Questionable ingredients and food preparation methods may lead to **transmission of viruses and diseases** to customers
- Higher risk of food fraud **reduces credibility** of foodservices industry, as more customers become increasingly concerned about food safety

DevourAll's Journey Through COVID-19

3. Pre-COVID Valuation

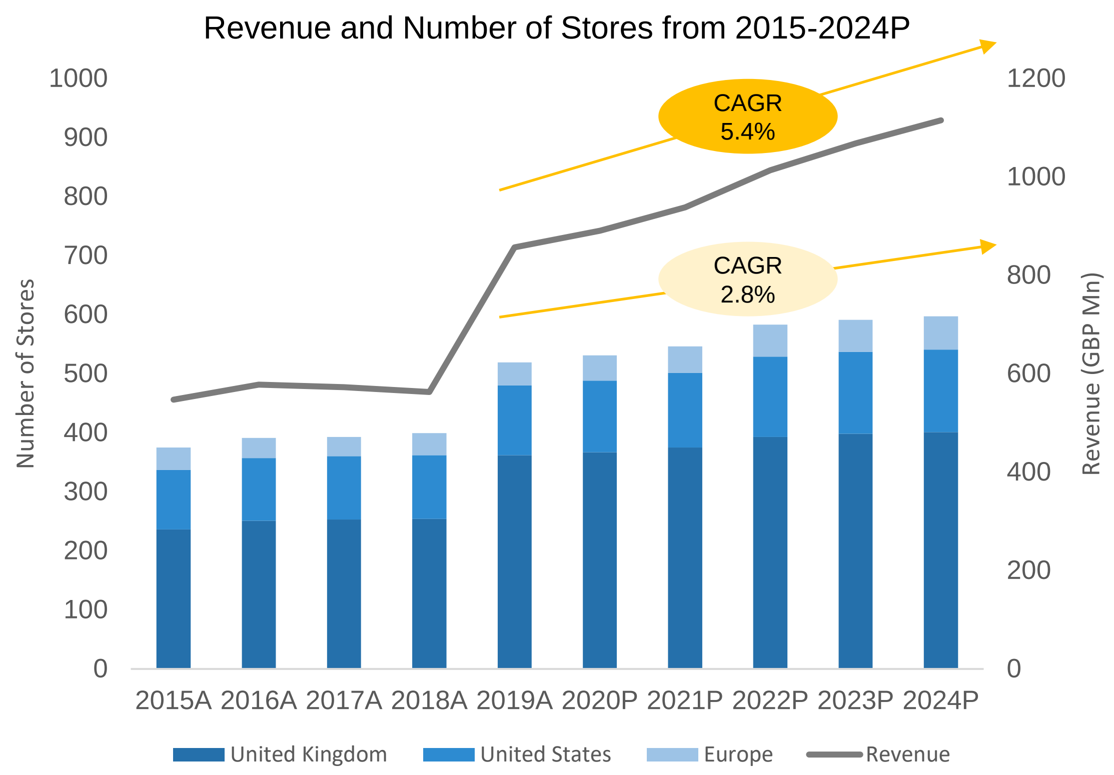
- Financial analysis and projections
- Discounted Cash Flow valuation
- Market Approach valuation
  - ➢ Comparable Company analysis
  - ➢ Precedent Transactions analysis

Deliverable 1: Pre-COVID Discounted Cash Flow Valuation

Financial Analysis and Projections

DevourAll

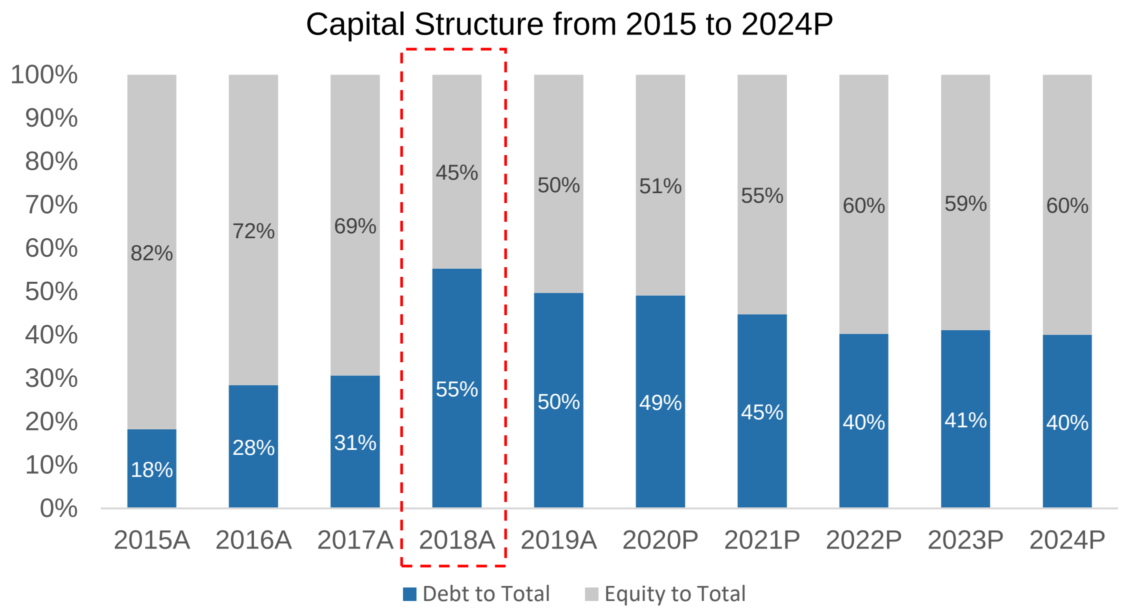
Revenue to grow on the back of increased store openings and expansion of delivery services



Source: Case material

- Revenue spike from UK in 2019A post-acquisition of Billy's Restaurant
- Gross margin improved from 18.3% in 2019 to 19.2% in 2024P
- EBITDA margin improved from 13.2% to 14.2% over the same period

Capital structure expected to reflect comparable company median in the future



Source: Case material

- Sudden change in 2018 to a debt-heavy capital structure reflects additional debt taken on by DevourAll in the acquisition of Billy's Restaurant
- Gradual increase in equity after 2018 drives a shift in capital structure towards a target debt to equity ratio that is similar to the median amongst comparable companies
- Long-term target capital structure is therefore assumed to be the median of comparable companies and used in WACC calculations for our subsequent DCF analysis

Deliverable 1: Pre-COVID Discounted Cash Flow Valuation

Considering the WACC

DevourAll

Capital Structure

Target Capital Structure	Target capital structure is based on the **median** debt-to-equity ratio of comparable companies of **0.52**.

Cost of Debt

Cost of Debt	Cost of debt is **6.22%,** the yield of **B-rated corporate bonds** issued in the consumer staples industry as at 31 Dec 2019, based on the average credit rating of comparable companies.

Cost of Equity

Risk-free Rate	Risk-free rate of **0.74%** is based on 10Y UK Government Debt rate as at 31 Dec 2019.
Levered Beta	The average unlevered beta of comparable companies is calculated as **0.42**, which is taken to be DevourAll's unlevered beta.
Risk Premium	• Market risk premium is **5.75%** (KPMG Equity Market Risk Premium Research, 2019) • **Country risk premium** (Damodaran, 2020) was taken as a blended average given DevourAll's percentage of revenue derived from the UK, US and Europe • Size premium of **3.39%** for micro-cap stocks was added (EY, 2020)

Terminal WACC computation

Target Capital Structure	
Debt-to-Total	34.40%
Equity-to-Total	65.60%
Cost of Debt	
Cost of Debt	6.22%
Tax Rate	19%
After-Tax Cost of Debt	5.04%
Cost of Equity	
Risk-Free Rate	0.74%
Levered Beta	0.60
Market Risk Premium	5.75%
Country risk premium	
UK	0.23%
US	0.00%
Europe	2.09%
As of 2019, DevourAll's revenue is derived from -	
UK	69.75%
US	22.74%
Europe	7.51%
Blended country risk premium	0.32%
Size premium	3.39%
Cost of Equity	7.80%
WACC	**6.85%**

Deliverable 1: Pre-COVID Discounted Cash Flow Valuation

Discounted Cash Flow Analysis

DevourAll

Pre-COVID DCF (GBP Mn)

FYE 31 Dec	2020P	2021P	2022P	2023P	2024P
Revenue	**890.50**	**938.10**	**1,013.30**	**1,068.00**	**1,115.00**
Less: COGS	(728.30)	(762.40)	(821.00)	(863.80)	(900.40)
Gross Profit	**162.20**	**175.70**	**192.30**	**204.20**	**214.60**
Less: SG&A	(45.90)	(48.90)	(52.90)	(54.70)	(55.90)
EBITDA	**116.30**	**126.80**	**139.40**	**149.50**	**158.70**
Less: Depreciation & Amortization	(43.00)	(44.50)	(46.80)	(54.70)	(60.30)
EBIT	**73.30**	**82.30**	**92.60**	**94.80**	**98.40**
Less: Tax Expense*	(13.93)	(15.64)	(17.59)	(18.01)	(18.70)
EBIAT	**59.37**	**66.66**	**75.01**	**76.79**	**79.70**
Add: Depreciation & Amortization	43.00	44.50	46.80	54.70	60.30
Less: Capex	(60.90)	(75.00)	(100.20)	(63.40)	(62.10)
Less: Change in net working capital	15.50	(3.70)	(3.30)	(1.60)	(2.40)
Unlevered free cash flow	**56.97**	**32.46**	**18.31**	**66.49**	**75.50**
Discount Factor	0.94	0.88	0.82	0.77	0.72
Present Value	**53.32**	**28.44**	**15.01**	**51.01**	**54.22**
Terminal Value					**1,038.84**
Enterprise Value (Terminal Growth)					**1,240.84**

* *The UK Government announced at Budget 2020 that the Corporation Tax main rate will remain at 19% for the years starting 1 April 2020 and 2021. For the purposes of this case, this tax rate has been projected through DevourAll's financial years ending 31 December 2020 to 2024.*

Deliverable 1: Pre-COVID Discounted Cash Flow Valuation

Discounted Cash Flow Analysis

DevourAll

Terminal Growth Rate

UK Inflation Rate	1.30%
US Inflation Rate	2.29%
Europe Inflation Rate	1.60%
Blended Terminal Growth Rate	**1.55%**

- The terminal growth rate is the constant rate at which a company is expected to grow in perpetuity
- A **blended average of inflation rates** in the UK, US and Europe, with weights based on the proportion of DevourAll's operations in these respective countries, was taken as an estimate for the terminal growth rate

Sensitivity Analysis

WACC \ Terminal Growth Rate	1.25%	1.35%	1.45%	1.55%	1.65%	1.75%	1.85%
6.55%	1254.21	1275.47	1297.56	1320.54	1344.45	1369.36	1395.33
6.65%	1229.34	1249.73	1270.91	1292.92	1315.81	1339.64	1364.45
6.75%	1205.38	1224.96	1245.27	1266.37	1288.30	1311.11	1334.84
6.85%	1182.28	1201.09	1220.59	1240.84	1261.86	1283.70	1306.42
6.95%	1160.00	1178.08	1196.82	1216.25	1236.42	1257.36	1279.12
7.05%	1138.49	1155.88	1173.90	1192.57	1211.93	1232.02	1252.88
7.15%	1117.72	1134.46	1151.79	1169.74	1188.34	1207.63	1227.64

- **Terminal growth rate** of 1.55% and **Terminal WACC** of 6.85% were varied by ±0.1% to analyze how a change in these two independent variables will affect DevourAll's intrinsic valuation
- Sensitivity analysis raises the **credibility** of the valuation model, creates a **more accurate forecast**, and drives **data-backed decision-making**

Implied Valuation Range (GBP Mn)

	Minimum	25th Percentile	Median	75th Percentile	Maximum
Based on EBITDA	1,117.72	1,196.82	**1,240.84**	1,288.30	1,395.33

Deliverable 1: Pre-COVID Market Approach Valuation

Comparable Company Analysis

DevourAll

List of Comparable Companies (All values in GBP Mn except multiples and EBITDA margin)

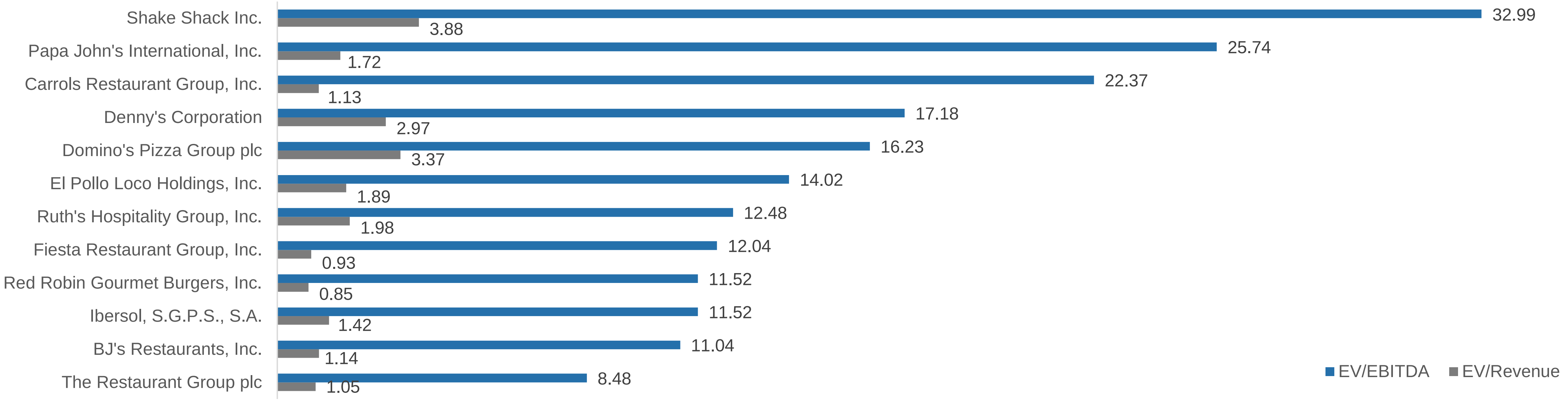
Company Name	Enterprise Value	Revenue	EBITDA	EBIT	EV/Revenue	EV/EBITDA	EV/EBIT	EBITDA Margin (%)
Denny's Corporation	1,192.60	401.30	69.40	54.70	2.97	17.18	21.80	17.29
Ruth's Hospitality Group, Inc.	687.80	347.00	55.10	39.30	1.98	12.48	17.50	15.88
Red Robin Gourmet Burgers, Inc.	830.70	974.80	72.10	4.00	0.85	11.52	207.68	7.40
Papa John's International, Inc.	2,069.20	1,200.40	80.40	45.30	1.72	25.74	45.68	6.70
BJ's Restaurants, Inc.	983.40	861.00	89.10	35.80	1.14	11.04	27.47	10.35
Ibersol, S.G.P.S., S.A.	621.00	438.20	53.90	29.90	1.42	11.52	20.77	12.30
The Restaurant Group plc	1,1,24.20	1,073.10	132.60	88.10	1.05	8.48	12.76	12.36
Domino's Pizza Group plc	1,715.50	508.30	105.70	99.40	3.37	16.23	17.26	20.79
El Pollo Loco Holdings, Inc.	618.20	327.90	44.10	30.90	1.89	14.02	20.01	13.45
Carrols Restaurant Group, Inc.	1,230.40	1,084.40	55.00	(0.40)	1.13	22.37	(3,076.00)	5.07
Fiesta Restaurant Group, Inc.	455.30	490.00	37.80	8.80	0.93	12.04	51.74	7.71
Shake Shack, Inc.	1,708.80	440.70	51.80	21.80	3.88	32.99	78.39	11.75
			Minimum		0.85	8.48	(3,076.00)	5.07
			25th Percentile		1.11	11.52	17.44	7.63
			Median		1.57	13.25	21.29	12.03
			75th Percentile		2.23	18.48	47.19	14.06
			Maximum		3.88	32.99	206.78	20.79

Source: Capital IQ; Date: 31 Dec 2019

Deliverable 1: Pre-COVID Market Approach Valuation

Comparable Company Analysis

Valuation Multiples of Comparable Companies



Implied Valuation Range (GBP Mn)

	Minimum	25th Percentile	Median	75th Percentile	Maximum
Based on EBITDA	609.66	798.77	**1,495.98**	2,086.51	3,724.39
Based on Revenue	730.14	953.52	**1,345.57**	1,910.29	3,322.21

Deliverable 1: Pre-COVID Market Approach Valuation

Precedent Transactions Analysis

DevourAll

List of Precedent Transactions

Date	Target	Acquirer/Investor	Value (USD Mn)	EBITDA (USD Mn)	Enterprise Value	EV/ Revenue	EV/ EBITDA	EV/ EBIT
08/19/2019	Greene King plc	CK Asset Holdings Limited	6,074.34	623.69	5,849.42	2.17	9.99	13.07
10/07/2019	Groupe Flo SA	Bertrand Restauration SAS	8.93	18.39	271.37	1.41	14.50	-
08/06/2019	Groupe Flo SA	Groupe Bertrand	11.11	16.73	264.81	1.38	16.09	-
07/18/2019	Ei Group plc	Stonegate Pub Company Limited	3,925.80	359.63	3,730.97	4.14	10.56	11.38
06/11/2019	Fazer Food Services Oy	Compass Group PLC	537.51	45.04	537.51	0.80	11.93	-
03/27/2019	AmRest Holdings SE	Fcapital Dutch B.V.	348.48	197.96	3,891.29	2.24	20.00	42.80
01/23/2019	Redcomb Pubs Ltd	Young & Co.'s Brewery, P.L.C.	44.43	5.23	44.43	2.04	8.50	-
11/22/2018	Kotipizza Group Oyj	Orkla ASA	182.94	8.09	177.81	1.68	21.82	24.39
08/31/2018	Costa Limited	The Coca-Cola Company	5,061.71	309.15	5,061.71	3.02	16.37	31.71
04/12/2018	Royal Ravintolat Oy	NoHo Partners Oyj	110.85	8.62	110.85	0.85	12.86	25.00
02/28/2018	LE CROBAG GmbH & Co. KG and F.F.N. GmbH	Autogrill Deutschland Gmbh	79.37	8.55	79.37	0.81	9.29	-
					Minimum	0.80	8.50	11.38
					25th Percentile	1.12	10.28	15.90
					Median	1.68	12.86	24.70
					75th Percentile	2.21	16.23	30.03
					Maximum	4.14	21.82	42.80

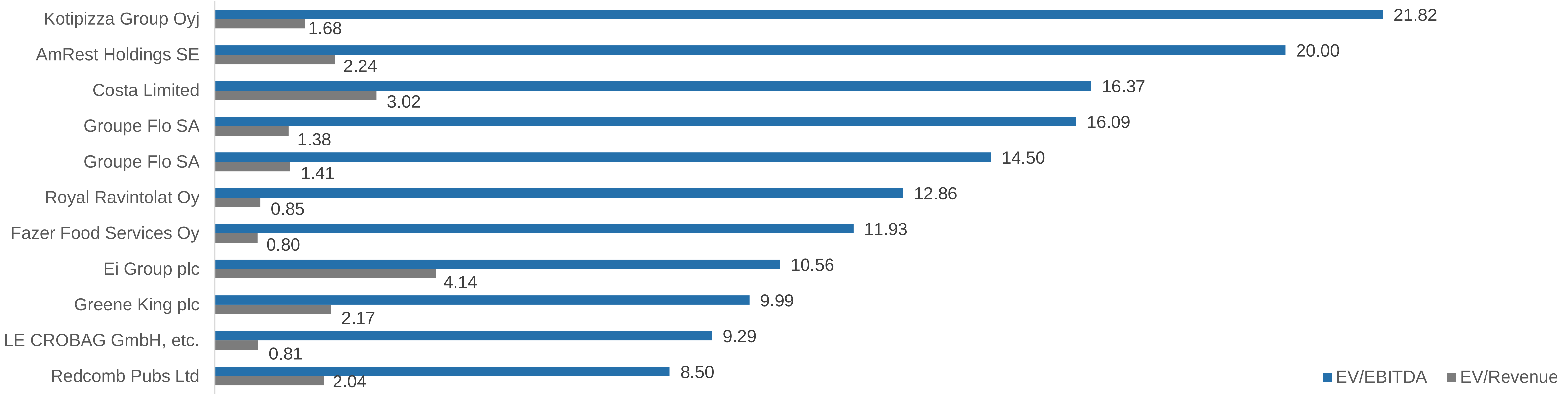
Source: Capital IQ

Deliverable 1: Pre-COVID Market Approach Valuation

Precedent Transactions Analysis

DevourAll

Valuation Multiples of Comparable Companies



Implied Valuation Range (GBP Mn)

	Minimum	25th Percentile	Median	75th Percentile	Maximum
Based on EBITDA	959.65	1,160.05	**1,451.89**	1,832.37	2,463.48
Based on Revenue	686.30	956.19	**1,439.42**	1,889.24	3,547.15

Deliverable 1: Blended Valuation of DevourAll

Weighted average of the three types of valuation methods used

DevourAll

<table>
<tr><th>Valuation Method</th><th>Weightage</th><th>Rationale</th></tr>
<tr><td>PTA – EV/Revenue</td><td>2.5%</td><td rowspan="2">• No two deals are absolutely comparable due to different synergy benefits and different market conditions at the time of acquisition.
• Due to these limitations, this approach was assigned the lowest combined weightage of 10%.
• As opposed to Sales Revenue, EBITDA is a better indicator of a firm’s financial performance and earning potential as it takes into consideration COGS but not non-cash expenses like depreciation and amortization. Thus, the valuation figure derived from using the EV/EBITDA multiple was assigned a higher weightage.</td></tr>
<tr><td>PTA – EV/EBITDA</td><td>7.5%</td></tr>
</table>

Deliverable 1: Blended Valuation of DevourAll

Weighted average of the three types of valuation methods used

DevourAll

<table>
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• As opposed to Sales Revenue, EBITDA is a better indicator of a firm’s financial performance and earning potential as it takes into consideration COGS but not non-cash expenses like depreciation and amortization. Thus, the valuation figure derived from using the EV/EBITDA multiple was assigned a higher weightage.</td></tr>
<tr><td>PTA – EV/EBITDA</td><td>7.5%</td></tr>
<tr><td>CCA – EV/EBITDA</td><td>20%</td><td rowspan="2">• Easy to compute a benchmark value from widely available data, but finding appropriate comparable companies can be subjective and difficult.
• This approach was therefore assigned an intermediate combined weightage of 30%.
• EBITDA is a better indicator of a firm’s financial performance and earning potential as it takes into consideration COGS but not non-cash expenses like depreciation and amortization. Thus, the valuation figure derived from the EV/EBITDA multiple was assigned a higher weightage.</td></tr>
<tr><td>CCA – EV/Revenue</td><td>10%</td></tr>
</table>

Deliverable 1: Blended Valuation of DevourAll

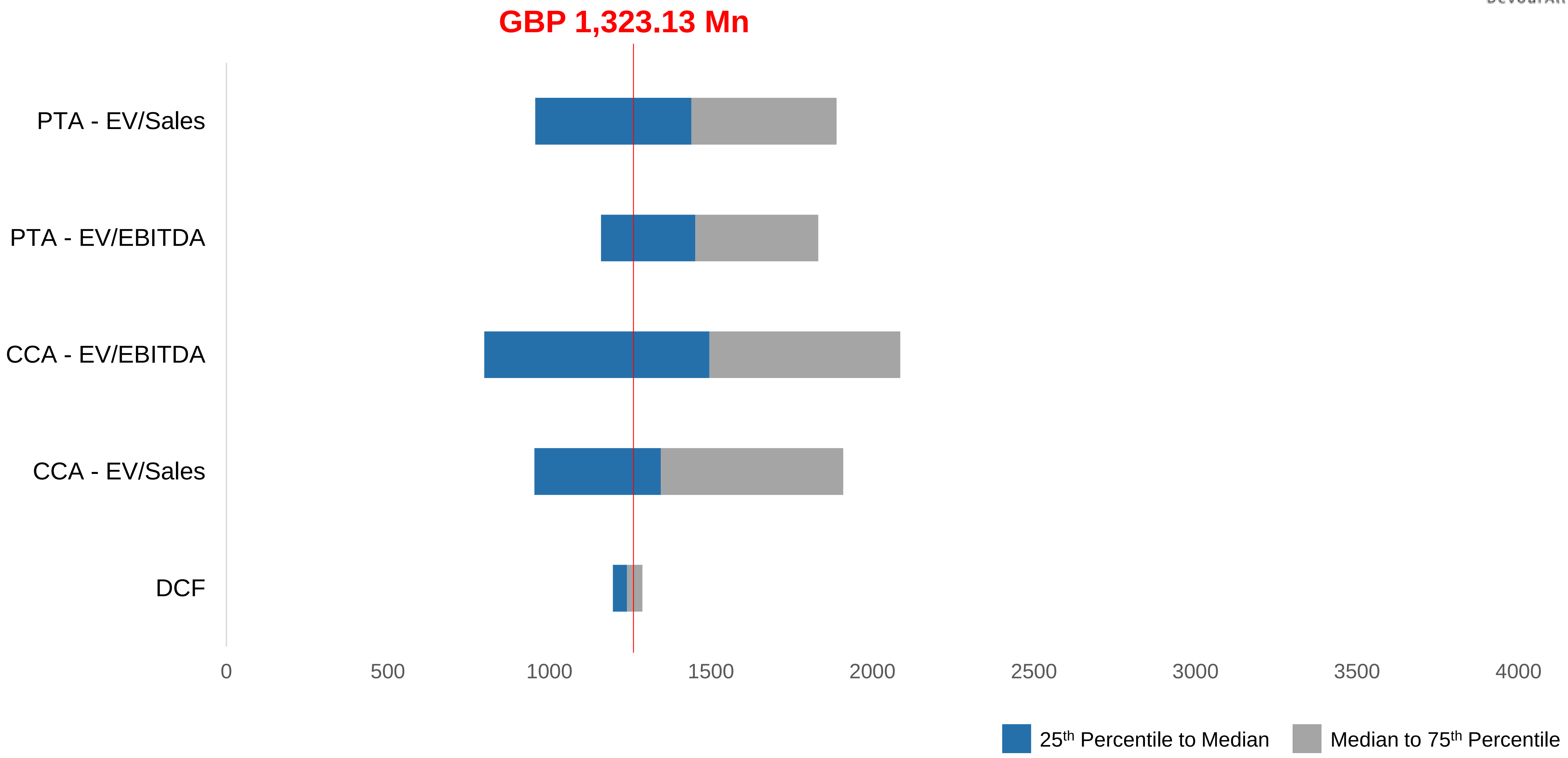
Weighted average of the three types of valuation methods used

Valuation Method	Weightage	Rationale
PTA – EV/Revenue	2.5%	• No two deals are absolutely comparable due to **different synergy benefits** and **different market conditions** at the time of acquisition. • Due to these limitations, this approach was assigned the lowest combined weightage of **10%**. • As opposed to Sales Revenue, EBITDA is a **better indicator** of a firm's financial performance and earning potential as it takes into consideration COGS but not non-cash expenses like depreciation and amortization. Thus, the valuation figure derived from using the EV/EBITDA multiple was assigned a higher weightage.
PTA – EV/EBITDA	7.5%	
CCA – EV/EBITDA	20%	• **Easy to compute** a benchmark value from **widely available data,** but finding appropriate comparable companies can be **subjective** and **difficult**. • This approach was therefore assigned an intermediate combined weightage of **30%**. • EBITDA is a **better indicator** of a firm's financial performance and earning potential as it takes into consideration COGS but not non-cash expenses like depreciation and amortization. Thus, the valuation figure derived from the EV/EBITDA multiple was assigned a higher weightage.
CCA – EV/Revenue	10%	
DCF	60%	• Intrinsic valuation is based on the company's financials, and can provide a **more accurate** estimate of the company's true value as it includes **future expectations** about the business. • This approach does not rely on comparable companies. Given DevourAll's relatively small capitalization, there are **limited comparable companies** that reduces the accuracy and reliability of valuation multiples. • However, the discounted cash flow analysis relies on a **large number of assumptions**, especially when forecasting future financial performance. This limitation can be partially overcome by **sensitivity analysis**. Considering the impact of terminal growth rate and WACC on DevourAll's intrinsic value raises the **credibility** of the model, creates a **more accurate forecast**, and drives **data-backed decision-making**. • Given the sound theoretical backing of this method, the discounted cash flow approach is given the highest weightage of **60%**.

Based on the weights allocated, DevourAll's final valuation is derived to be **GBP 1,323.13 Mn.**

Deliverable 1: Valuation Summary

Football Field Valuation chart



DevourAll's Journey Through COVID-19

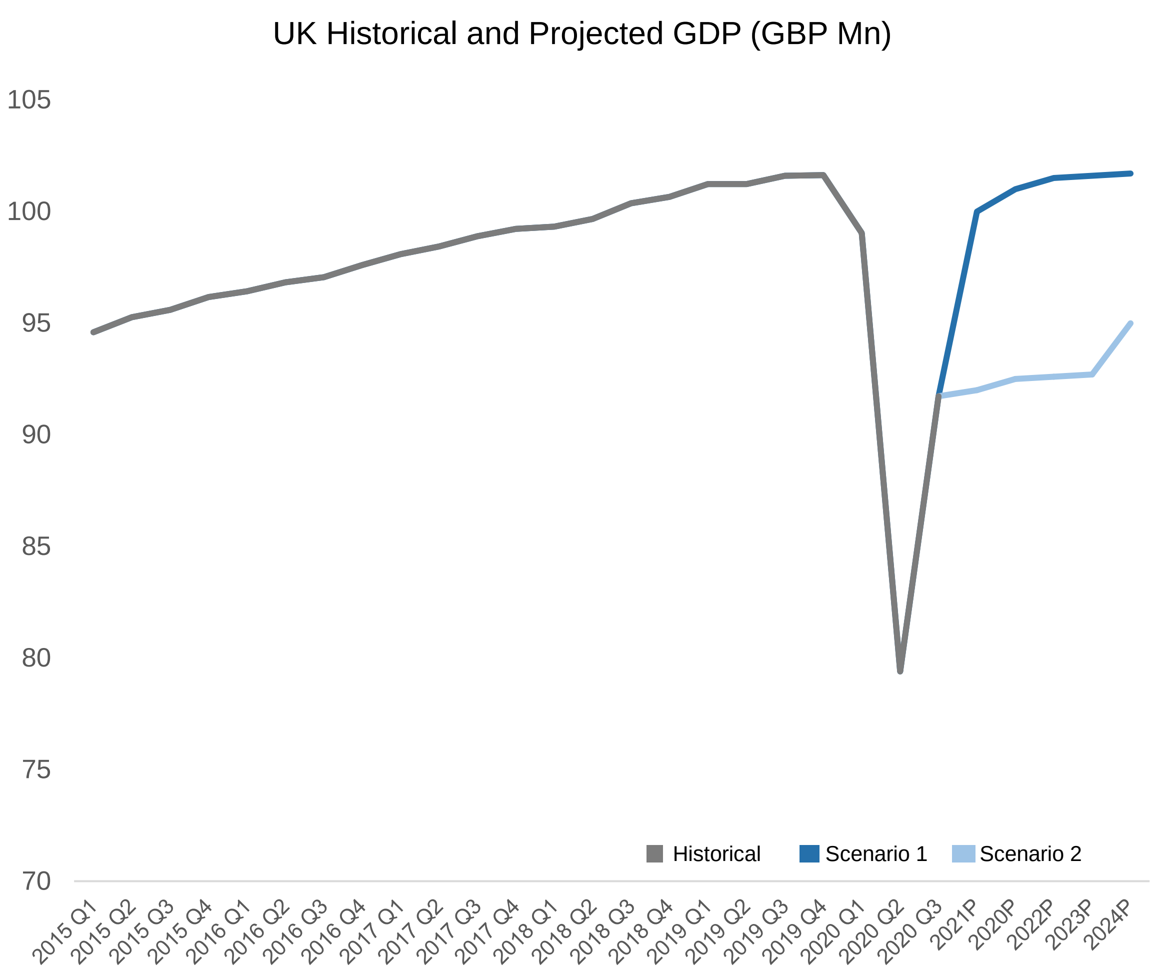
4. Post-COVID Analysis

- Scenario 1: Recovery from COVID-19
- Scenario 2: COVID-19 situation worsens

Deliverable 2: Post-COVID Discounted Cash Flow Analysis

Assumptions and forecasts

We projected two post-COVID scenarios going forward



Source: Office for National Statistics, Team projections for illustration

Scenario 1

COVID-19 remains under control; successful recovery

Lifting of restrictions on travel, coupled with UK's Eat Out to Help Out scheme, may support swift recovery of foodservice operations (Smith, 2020).

Scenario 2

Possible second wave; delivery becomes new normal

Second wave of infections, especially during winter, can result in further lockdown measures that restrict recovery of foodservice operations (Gallagher, 2020).

Deliverable 2: Post-COVID Discounted Cash Flow Analysis

Assumptions and forecasts

DevourAll

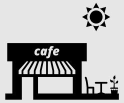
Income statement assumptions

Revenue Streams

Store operations

Delivery service

Revenue Drivers



x $

Number of sites x **Average spending per site**
= Revenue from store operations

Margins

- **Gross margin** assumed to remain stable at **20.8%** as per 2020P
- **EBITDA margin** expected to increase from 2020P to 2022P, before tapering off at **13.2%** in 2023P

Balance sheet assumptions

NOWC

-

Current Assets (excluding cash) – Current Liabilities (excluding short-term debt)

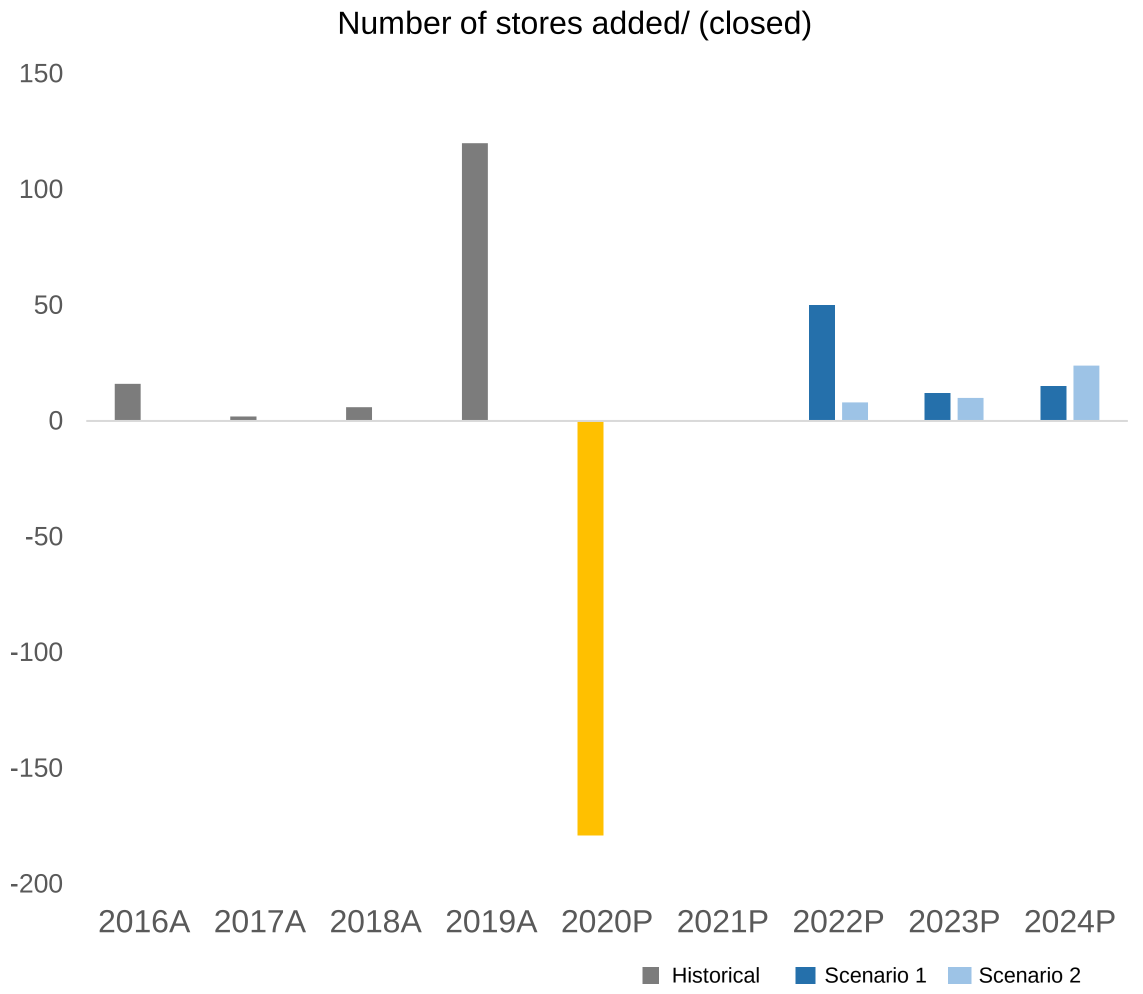
Capex

- **Capital expenditure** as a percentage of revenue declines to **5.0% in 2024P** on a **straight-line basis**
- **Depreciation** as a percentage of plant, property, and equipment remains at a historic average of **11.9%**

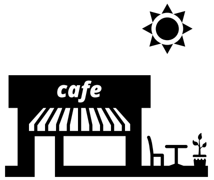
Deliverable 2: Post-COVID Discounted Cash Flow Analysis

We forecasted two mutually exclusive possibilities going forward

Store operations projections for our two different scenarios



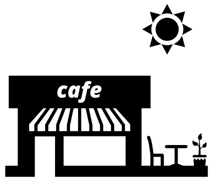
Scenario 1



COVID-19 remains under control; successful recovery

DevourAll is expected to open **50 new sites in 2022P**. Thereafter, **store growth returns to pre-COVID projected levels**, with more sites being opened as per original pre-COVID plan for 2020P.

Scenario 2



Possible second wave; delivery becomes new normal

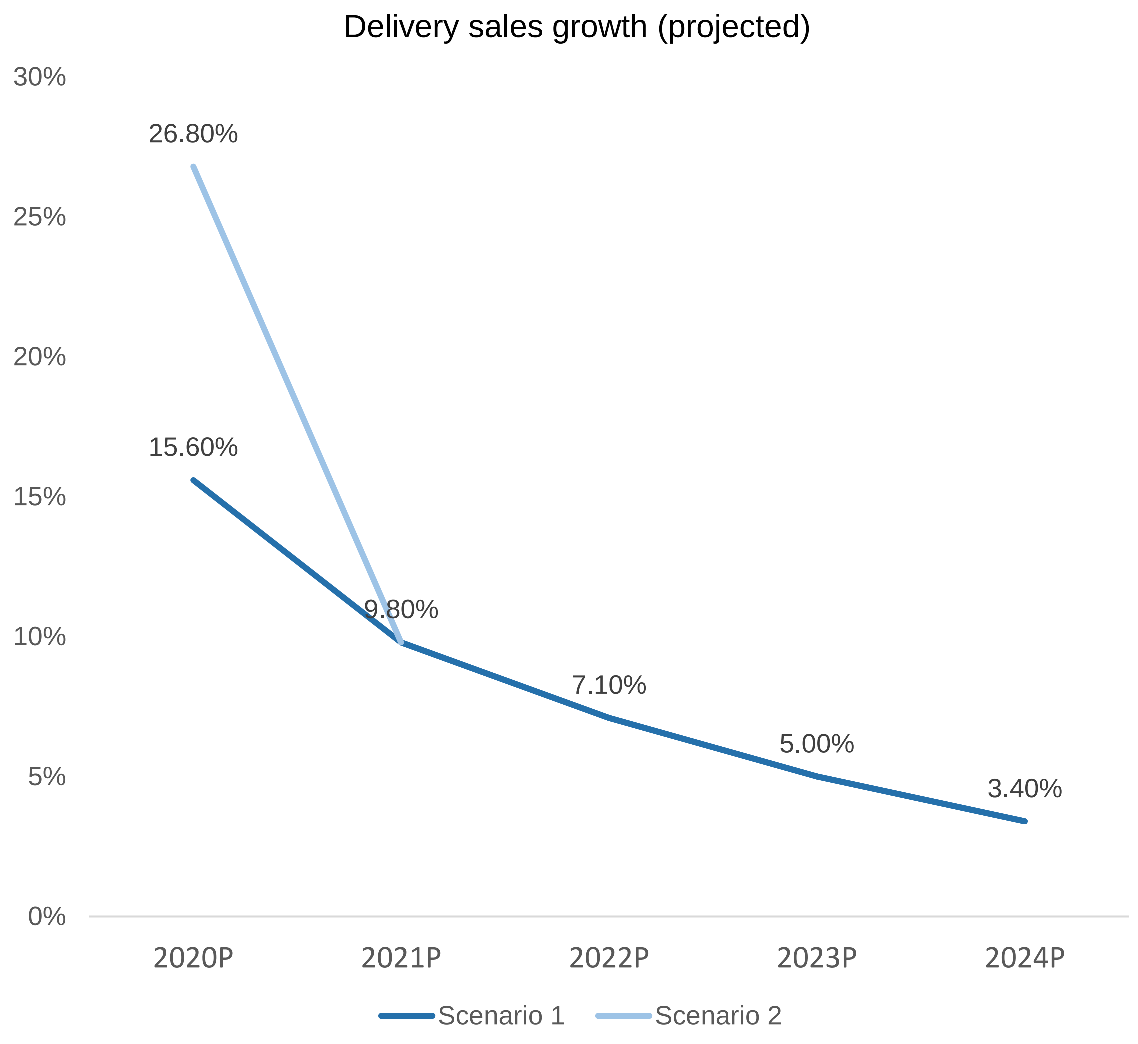
Restrictions continue to be imposed on travel and foodservices operations, forcing DevourAll to **delay rapid expansion**. Gradual store expansion of **2%** is expected in 2022P instead, reflecting a **less aggressive expansion** blueprint.

Deliverable 2: Post-COVID Discounted Cash Flow Analysis

We forecasted two mutually exclusive possibilities going forward

DevourAll

Delivery service revenue for our two different scenarios



Scenario 1

COVID-19 remains under control; successful recovery

The food delivery sector is expected to **continue to grow**, albeit at **a slower rate** due to lower demand as customers can now opt to dine-in at restaurants (Statista, 2020).

Scenario 2

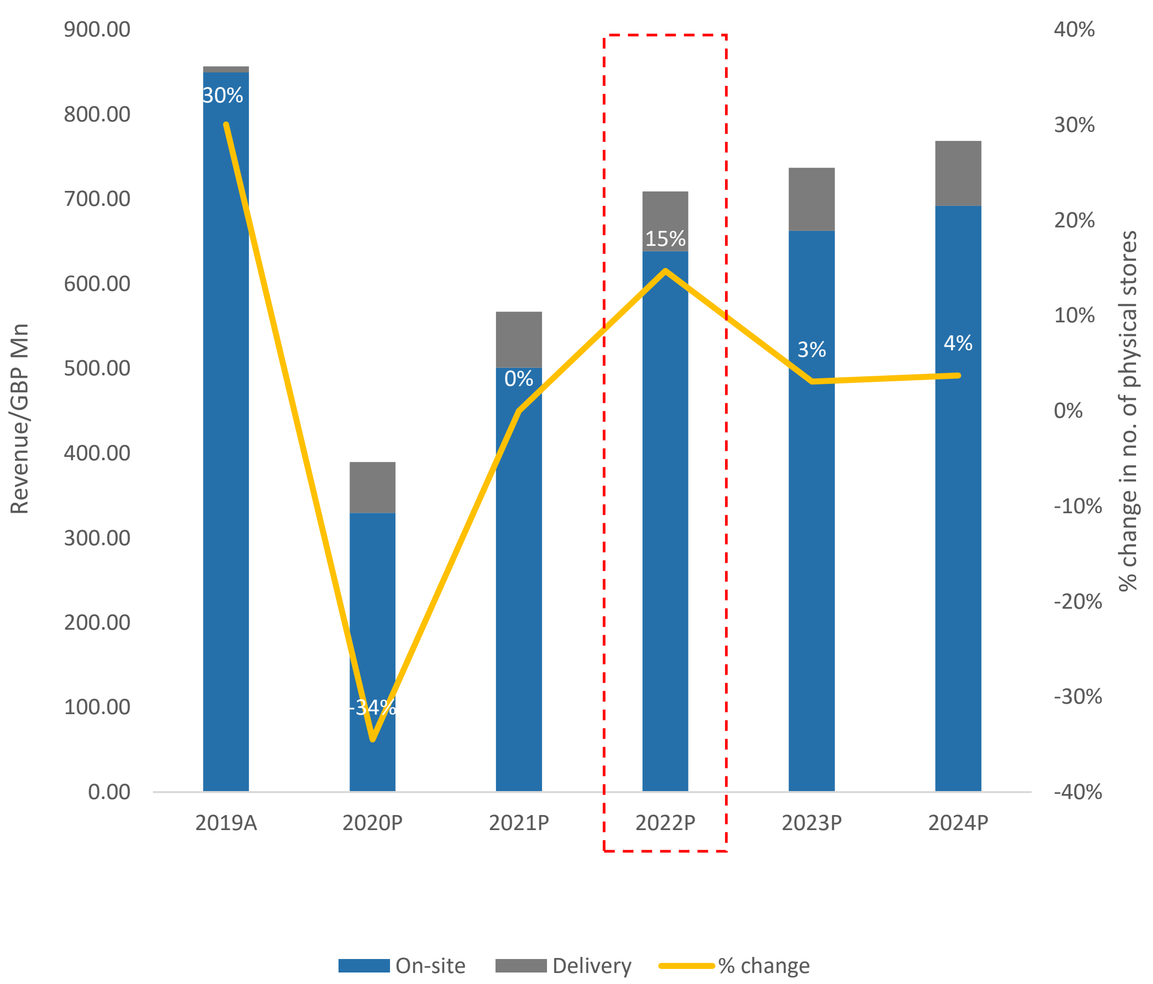
Possible second wave; delivery becomes new normal

The food delivery sector **grows much more rapidly**, reaching 26.8% in 2020P. **Strong delivery and takeaway sales** are expected as consumers seek convenient alternatives to dining-in (Statista, 2020).

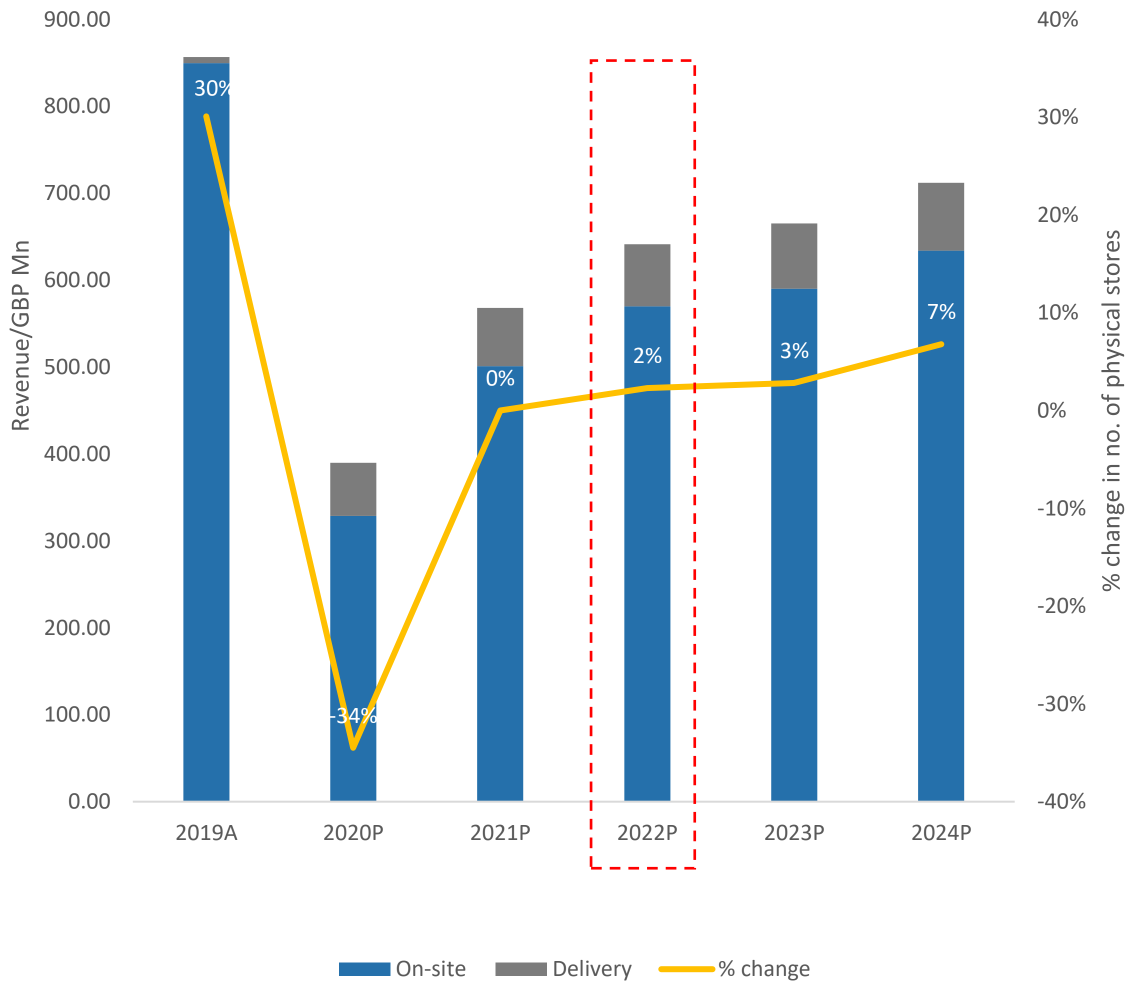
Deliverable 2: Post-COVID Discounted Cash Flow Analysis

We forecasted two mutually exclusive possibilities going forward

Scenario 1:
COVID-19 is kept under control and is no longer a threat



Scenario 2:
COVID-19 situation is unlikely to improve in foreseeable future



Deliverable 2: Post-COVID Discounted Cash Flow Analysis

Post-COVID Balance sheet projections - Scenario 1

DevourAll

Units: GBP Mn	2015A	2016A	2017A	2018A	2019A	2020P	2021P	2022P	2023P	2024P
Cash	2.40	7.60	7.70	52.60	39.70	48.86	21.54	69.99	120.16	175.51
Receivables	10.70	15.50	11.90	18.20	17.40	12.40	13.59	17.00	17.66	18.43
Inventory	5.10	4.50	4.70	6.90	7.40	4.00	5.24	6.56	6.81	7.11
Prepaid Expenses & Other	12.20	12.60	14.00	25.00	24.20	24.20	16.02	20.04	20.82	21.72
Total Current Assets	**30.30**	**40.30**	**38.30**	**102.70**	**88.70**	**89.46**	**56.39**	**113.59**	**165.45**	**222.77**
Land, buildings and equipment	272.30	284.00	287.50	296.70	311.80	299.61	298.75	303.40	306.57	308.42
Intangibles & Goodwill	21.10	21.10	21.10	494.70	492.50	492.50	492.50	492.50	492.50	492.50
Other Assets	-	-	-	1.10	1.00	1.00	1.00	1.00	1.00	1.00
Total Non-Current Assets	**293.40**	**305.20**	**308.60**	**792.50**	**805.30**	**793.11**	**792.25**	**796.90**	**800.07**	**801.92**
Total Assets	**323.80**	**345.50**	**346.90**	**895.20**	**894.00**	**882.58**	**848.64**	**910.49**	**965.52**	**1,024.69**
Trade Accounts Payable	44.50	34.20	30.50	62.90	52.20	62.20	41.57	52.00	54.03	56.37
Accrued Expenses	50.10	55.00	52.90	91.00	80.90	80.90	60.72	75.95	78.91	82.33
Short-Term Debt	1.00	0.30	0.10	0.20	8.80	10.00	10.00	10.00	10.00	10.00
Other Current Liabilities	13.40	20.40	18.30	26.50	36.20	36.20	36.20	36.20	36.20	36.20
Total Current Liabilities	**108.90**	**109.90**	**101.80**	**180.60**	**178.10**	**189.30**	**148.49**	**174.14**	**179.13**	**184.90**
Long-Term Debt	24.40	30.20	24.90	283.00	258.60	258.60	258.60	258.60	258.60	258.60
Capital Leases	2.40	2.40	1.10	1.90	9.50	11.88	17.28	21.61	22.46	23.43
Other Liabilities	11.70	34.20	49.10	110.60	83.10	83.10	83.10	83.10	83.10	83.10
Total Non-Current Liabilities	**38.40**	**66.80**	**75.10**	**395.50**	**351.20**	**353.58**	**358.98**	**363.31**	**364.16**	**365.13**
Total Liabilities	**147.30**	**176.70**	**176.90**	**576.10**	**529.40**	**542.88**	**507.47**	**537.45**	**543.29**	**550.03**
Total Equities	**176.40**	**168.80**	**170.00**	**319.10**	**364.70**	**339.70**	**341.17**	**373.03**	**422.23**	**474.66**

Deliverable 2: Post-COVID Discounted Cash Flow Analysis

Post-COVID Balance sheet projections - Scenario 2

DevourAll

Units: GBP Mn	2015A	2016A	2017A	2018A	2019A	2020P	2021P	2022P	2023P	2024P
Cash	2.40	7.60	7.70	52.60	39.70	48.86	21.67	58.26	103.92	158.01
Receivables	10.70	15.50	11.90	18.20	17.40	12.40	13.61	15.37	15.95	17.06
Inventory	5.10	4.50	4.70	6.90	7.40	4.00	5.25	5.93	6.15	6.58
Prepaid Expenses & Other	12.20	12.60	14.00	25.00	24.20	24.20	16.04	18.12	18.80	20.11
Total Current Assets	**30.30**	**40.30**	**38.30**	**102.70**	**88.70**	**89.46**	**56.58**	**97.68**	**144.82**	**201.76**
Land, buildings and equipment	272.30	284.00	287.50	296.70	311.80	299.61	298.79	299.97	300.06	300.05
Intangibles & Goodwill	21.10	21.10	21.10	494.70	492.50	492.50	492.50	492.50	492.50	492.50
Other Assets	-	-	-	1.10	1.00	1.00	1.00	1.00	1.00	1.00
Total Non-Current Assets	**293.40**	**305.20**	**308.60**	**792.50**	**805.30**	**793.11**	**792.29**	**793.47**	**793.56**	**793.55**
Total Assets	**323.80**	**345.50**	**346.90**	**895.20**	**894.00**	**882.58**	**848.87**	**891.15**	**938.38**	**995.31**
Trade Accounts Payable	44.50	34.20	30.50	62.90	52.20	62.20	41.63	47.02	48.78	52.18
Accrued Expenses	50.10	55.00	52.90	91.00	80.90	80.90	60.81	68.68	71.25	76.22
Short-Term Debt	1.00	0.30	0.10	0.20	8.80	10.00	10.00	10.00	10.00	10.00
Other Current Liabilities	13.40	20.40	18.30	26.50	36.20	36.20	36.20	36.20	36.20	36.20
Total Current Liabilities	**108.90**	**109.90**	**101.80**	**180.60**	**178.10**	**189.30**	**148.64**	**161.91**	**166.23**	**174.60**
Long-Term Debt	24.40	30.20	24.90	283.00	258.60	258.60	258.60	258.60	258.60	258.60
Capital Leases	2.40	2.40	1.10	1.90	9.50	11.88	17.31	19.55	20.28	21.69
Other Liabilities	11.70	34.20	49.10	110.60	83.10	83.10	83.10	83.10	83.10	83.10
Total Non-Current Liabilities	**38.40**	**66.80**	**75.10**	**395.50**	**351.20**	**353.58**	**359.01**	**361.25**	**361.98**	**363.39**
Total Liabilities	**147.30**	**176.70**	**176.90**	**576.10**	**529.40**	**542.88**	**507.65**	**523.15**	**528.20**	**537.99**
Total Equities	**176.40**	**168.80**	**170.00**	**319.10**	**364.70**	**339.70**	**341.22**	**368.00**	**410.18**	**457.32**

Deliverable 2: Post-COVID Discounted Cash Flow Analysis

Detailed assumptions

DevourAll

Assumptions	Rationale
Income Statement	
Number of stores	As per the case, DevourAll does not plan to open stores until 2022P. **Scenario 1:** We assume 50 stores are opened in 2022P, 12 in 2023P and 15 in 2024P, reflecting postponement of managerial blueprint for Pre-COVID 2020P. **Scenario 2:** We assume 8, 10, 24 stores in 2022P to 2024P respectively, reflecting growth trend of 2%, 3%, 7% in managerial estimates for Pre-COVID 2022P.
Blended revenue/ site	Average spending per site expected to remain relatively constant, growing by inflation since DevourAll operates in the foodservice industry characterised by low-margins and high price sensitivity (Appendix 1), thus is expected to have little room to lower or hike prices.
Delivery sales	35 sites converted to focus on delivery expected to boost delivery sales by number of sites x average blended revenue/ site. Terminal delivery growth at 3.4% (Statista, 2020). **Scenario 1:** Smoother growth trend of 15.6% in 2020P, before tapering to 3.4% in 2024P when lockdown measures ease. New consumer preference towards delivery result in delivery growth that is still relatively strong (Statista, 2020). **Scenario 2:** Possible second wave and lockdown measures result in spike in delivery of 26.8%, reflecting industry growth trends after accounting for COVID-19 (Statista, 2020).
EBITDA Margin	Case assumes EBITDA margin reflect 2019A levels in 2023P. Our team assume 2024P margin reflect 2023P level.
Depreciation	Depreciation is taken as an average of historical % of PPE at 11.9%.
Tax rate	Tax rate is 19%, reflecting UK government budget announcement for 2021P (Gov.UK, 2020)
Balance Sheet	
Total Equities	No additional share issuances. Profit after tax (assuming no interest) is added into retained earnings.

Deliverable 2: Post-COVID Discounted Cash Flow Analysis

Detailed assumptions

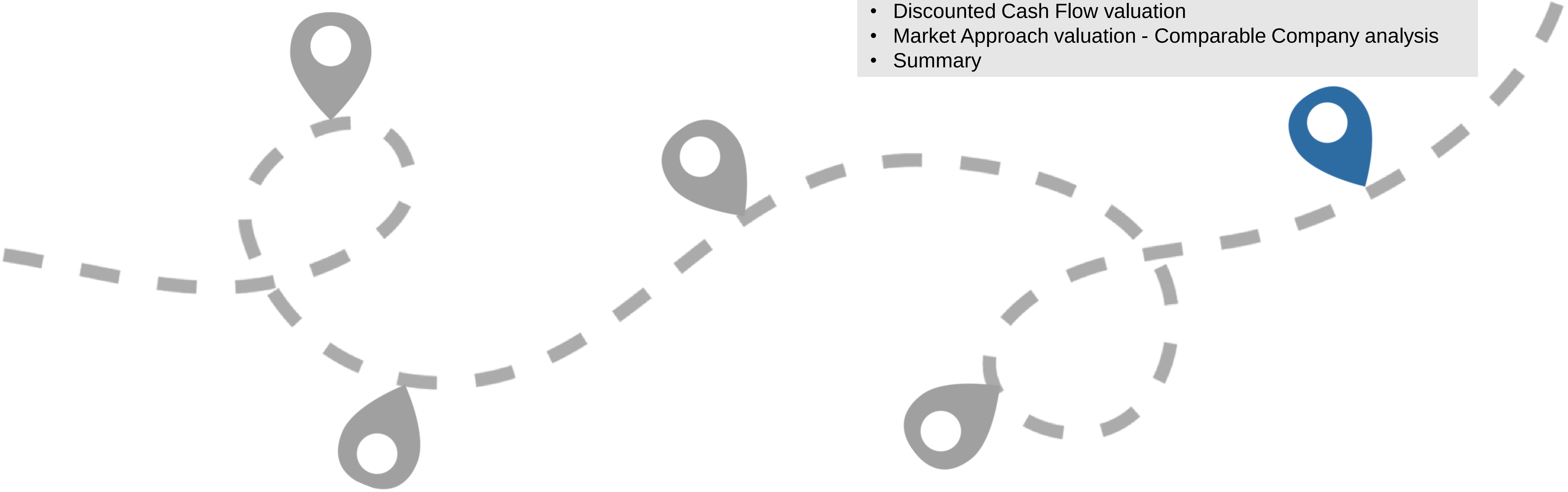
DevourAll

Assumptions	Rationale
Balance Sheet	
Cash	Cash balance each year assumed to be excess cash that is typically stored in the banks or invested in short term securities, and are not required in the daily operations of the business. Thus, it is excluded from calculations of NOWC.
Receivables, Inventory	Calculated receivables & inventory as a % of revenue each year from 2015A to 2019A, and took the average of the percentage figures calculated to derive the projected receivables & inventory figures for 2021P onwards respectively.
Land, Buildings & Equipment (PPE)	Calculated from adding the current year's Capex to the previous year's PPE figure, less current year depreciation.
Intangibles & Goodwill, Other Assets	Assumed to be flatlined across the projected years.
Prepaid Expenses, Trade Account Payables, Accrued Expenses	Calculated the respective values as a % of revenue each year from 2015A to 2019A, and took the average of the percentage figures calculated to derive the projected figures for 2021P onwards.
Other current liabilities, Other non-current liabilities	Both other current and non-current liabilities are flatlined - assume no additional current and non-current liabilities taken up.
Short-term (ST) Debt	ST Debt assumed to remain constant at pre-COVID projection levels. Furthermore, since DevourAll had excess cash balance for previous years, we assume that DevourAll could draw down from their cash reserves and hence would not need to make use of the new £30.0 million working capital facility, thus no change to ST Debt.
Long-term (LT) Debt	LT Debt is flatlined – assume no additional net debt taken up or repaid.
Capital Leases	Capital Leases as a % of PPE for 2020P onwards assumed to follow 2019's % figure.
Net Operating Working Capital (NOWC)	NOWC was calculated based on: **Current Assets (excluding cash) – Current Liabilities (excluding short-term debt)** All cash assumed to be excess cash and thus not included in NOWC.
Capital Expenditure (Capex)	Case mentioned that Capex would be 5% of revenue in 2024P, thus assumed that Capex would decrease gradually to 5% of revenue for each year from 2021P to 2024P.

DevourAll’s Journey Through COVID-19

5. Post-COVID Valuation

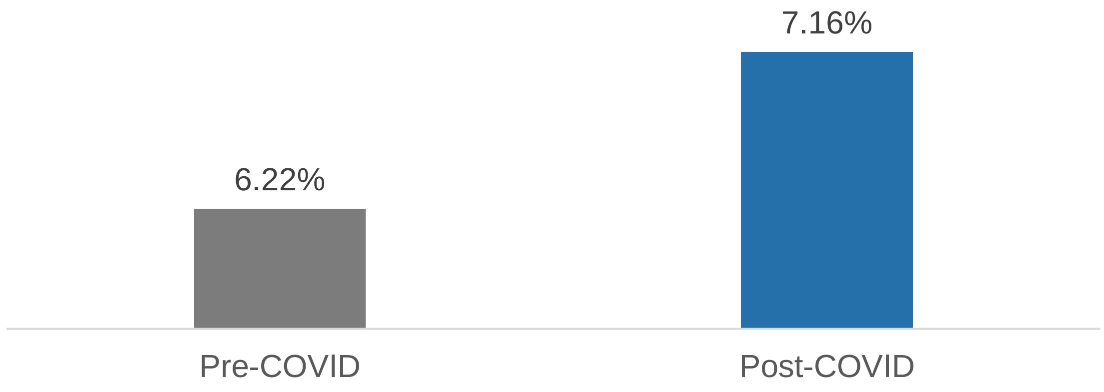
- Discounted Cash Flow valuation
- Market Approach valuation - Comparable Company analysis
- Summary



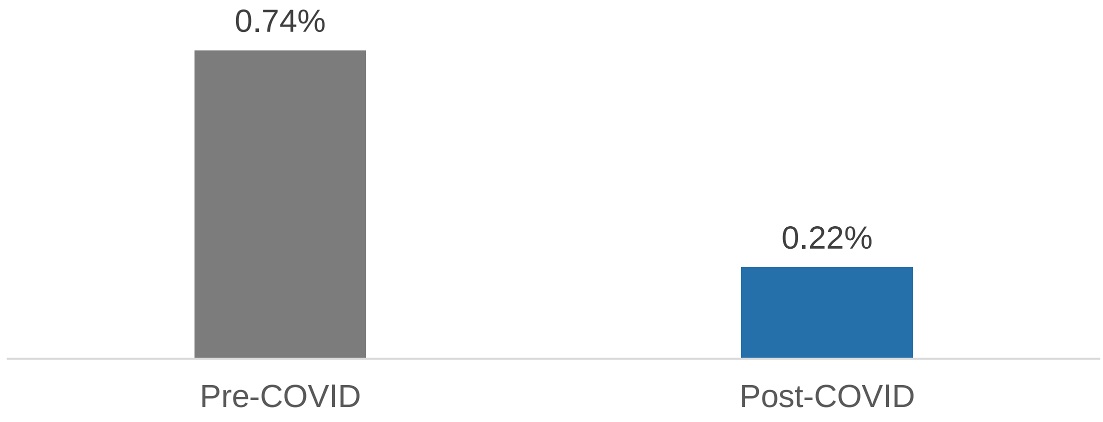
Deliverable 2: Post-COVID Discounted Cash Flow Valuation

Considering the WACC

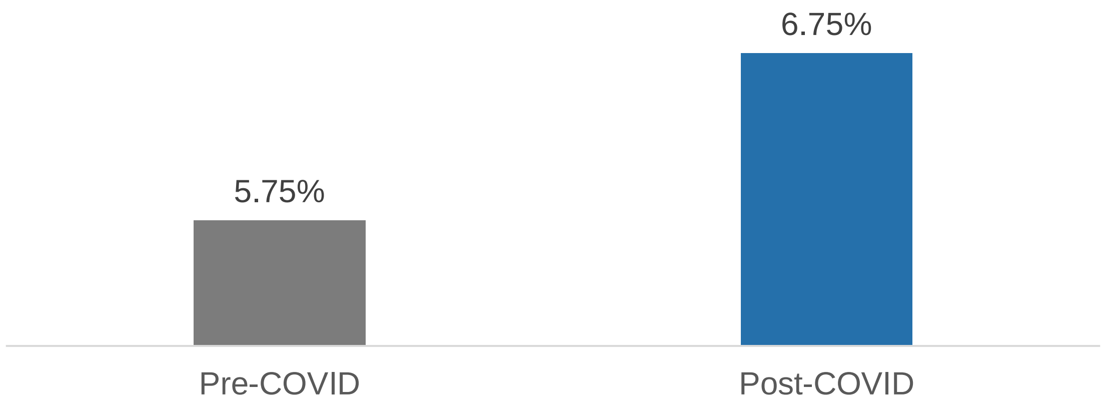
Cost of Debt



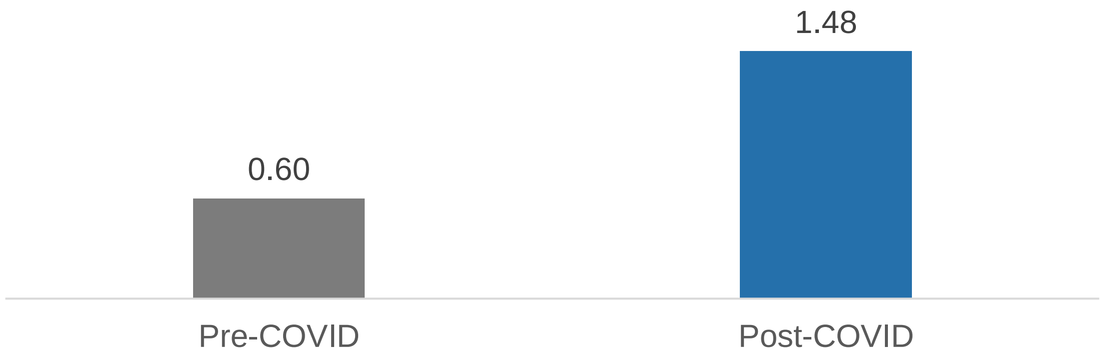
Risk Free Rate



Market Risk Premium



Levered Beta



Deliverable 2: Post-COVID Discounted Cash Flow Valuation

Considering the WACC

DevourAll

Capital Structure

Target Capital Structure	Target capital structure is based on the **median** debt-to-equity ratio of comparable companies of **0.78**. Debt levels have increased from pre-COVID 19.

Cost of Debt

Cost of Debt	Cost of debt is **7.16%,** the yield of **B-rated corporate bonds** issued in the consumer staples industry as at 30 Sep 2020, based on the average credit rating of comparable companies.

Cost of Equity

Risk-free Rate	Risk-free rate of **0.22%** is based on 10Y UK Government Debt rate as at 30 Sep 2020. BoE is creating a low interest rate environment to stimulate the UK economy.
Levered Beta	The average unlevered beta of comparable companies has increased to **0.90**, which is taken to be DevourAll's unlevered beta.
Risk Premium	• Market risk premium is **6.75%** (KPMG Equity Market Risk Premium Research, 2020) • **Country risk premium** (Damodaran, 2020) was taken as a blended average given DevourAll's percentage of revenue derived from the UK, US and Europe • Size premium of **3.39%** for micro-cap stocks was added (EY, 2020)

Terminal WACC computation

Target Capital Structure	
Debt-to-Total	43.86%
Equity-to-Total	56.14%
Cost of Debt	
Cost of Debt	7.16%
Tax Rate	19%
After-Tax Cost of Debt	5.80%
Cost of Equity	
Risk-Free Rate	0.22%
Levered Beta	1.48
Market Risk Premium	6.75%
Country risk premium	
UK	0.23%
US	0.00%
Europe	2.09%
As of 2019, DevourAll's revenue is derived from -	
UK	69.75%
US	22.74%
Europe	7.51%
Blended country risk premium	0.32%
Size premium	3.39%
Cost of Equity	14.05%
WACC	**10.43%**

Deliverable 2: Post-COVID Discounted Cash Flow Valuation

Discounted Cash Flow Analysis – Scenario 1

DevourAll

Post-COVID DCF (GBP Mn)

FYE 31 Dec	2020P	2021P	2022P	2023P	2024P
Revenue	**389.84**	**567.13**	**709.36**	**737.04**	**768.99**
Less: COGS	(308.74)	(449.15)	(561.79)	(583.71)	(609.02)
Gross Profit	**81.10**	**117.98**	**147.57**	**153.33**	**159.97**
Less: SG&A	(68.71)	(81.06)	(77.74)	(56.21)	(58.65)
EBITDA	**12.39**	**36.92**	**69.83**	**97.12**	**101.33**
Less: Depreciation & Amortization	(37.39)	(35.45)	(36.01)	(36.38)	(36.60)
EBIT	**(25.00)**	**1.47**	**33.82**	**60.74**	**64.73**
Less: Tax Expense*	0	0	(1.95)	(11.54)	(12.30)
EBIAT	**(25.00)**	**1.47**	**31.87**	**49.20**	**52.43**
Add: Depreciation & Amortization	37.39	35.45	36.01	36.38	36.60
Less: Capex	(25.20)	(34.58)	(40.66)	(39.55)	(38.45)
Less: Change in net working capital	18.40	(35.06)	16.91	3.29	3.80
Unlevered free cash flow	**5.59**	**(32.73)**	**44.12**	**49.32**	**54.38**
Discount Factor	0.91	0.82	0.74	0.67	0.61
Present Value	**5.06**	**(26.84)**	**32.76**	**33.16**	**33.11**
Terminal Value					**341.99**
Enterprise Value (Terminal Growth)					**451.64**

** The UK Government announced at Budget 2020 that the Corporation Tax main rate will remain at 19% for the years starting 1 April 2020 and 2021. For the purposes of this case, this tax rate has been projected through DevourAll's financial years ending 31 December 2020 to 2024.*

Deliverable 2: Post-COVID Discounted Cash Flow Valuation

Discounted Cash Flow Analysis – Scenario 2

DevourAll

Post-COVID DCF (GBP Mn)

FYE 31 Dec	2020P	2021P	2022P	2023P	2024P
Revenue	**389.84**	**567.99**	**641.52**	**665.48**	**711.90**
Less: COGS	(308.74)	(449.83)	(508.06)	(527.04)	(563.81)
Gross Profit	**81.10**	**118.16**	**133.46**	**138.44**	**148.10**
Less: SG&A	(68.71)	(81.18)	(70.31)	(50.75)	(54.29)
EBITDA	**12.39**	**36.98**	**63.15**	**87.69**	**93.81**
Less: Depreciation & Amortization	(37.39)	(35.46)	(35.60)	(35.61)	(35.61)
EBIT	**(25.00)**	**1.52**	**27.55**	**52.08**	**58.20**
Less: Tax Expense*	0	0	(0.77)	(9.90)	(11.06)
EBIAT	**(25.00)**	**1.52**	**26.78**	**42.18**	**47.14**
Add: Depreciation & Amortization	37.39	35.46	35.60	35.61	35.61
Less: Capex	(25.20)	(34.64)	(36.77)	(35.71)	(35.60)
Less: Change in net working capital	18.40	(34.96)	8.74	2.85	5.52
Unlevered free cash flow	**5.59**	**(32.62)**	**34.35**	**44.93**	**52.67**
Discount Factor	0.91	0.82	0.74	0.67	0.61
Present Value	**5.06**	**(26.75)**	**25.50**	**30.21**	**32.07**
Terminal Value					**331.26**
Enterprise Value (Terminal Growth)					**428.06**

* *The UK Government announced at Budget 2020 that the Corporation Tax main rate will remain at 19% for the years starting 1 April 2020 and 2021. For the purposes of this case, this tax rate has been projected through DevourAll's financial years ending 31 December 2020 to 2024.*

Deliverable 2: Post-COVID Discounted Cash Flow Valuation

Discounted Cash Flow Analysis – Summary

DevourAll

Sensitivity Analysis

- **Terminal growth rate** of 0.68% and **Terminal WACC** of 10.43% were varied more widely by ±0.2% and ±1.0% respectively due to greater volatility and uncertainty post-COVID
- Valuation is most adversely affected by a **large decrease in terminal growth rate** and **increase in WACC**

Scenario 1

Terminal Growth Rate

WACC	0.08%	0.28%	0.48%	0.68%	0.88%	1.08%	1.28%
7.43%	638.43	654.84	672.18	690.56	710.06	730.78	752.85
8.43%	551.30	563.59	576.50	590.08	604.37	619.44	635.36
9.43%	483.05	492.54	502.46	512.82	523.67	535.04	546.97
10.43%	428.21	435.71	443.51	451.64	460.10	468.93	478.14
11.43%	383.22	389.26	395.53	402.03	408.78	415.79	423.08
12.43%	345.68	350.63	355.75	361.05	366.52	372.19	378.07
13.43%	313.91	318.02	322.27	326.64	331.15	335.81	340.63

Scenario 2

Terminal Growth Rate

WACC	0.08%	0.28%	0.48%	0.68%	0.88%	1.08%	1.28%
7.43%	608.34	624.23	641.03	658.83	677.72	697.79	719.17
8.43%	524.17	536.07	548.58	561.72	575.57	590.17	605.59
9.43%	458.28	467.47	477.07	487.11	497.62	508.63	520.19
10.43%	405.36	412.63	420.19	428.06	436.25	444.80	453.73
11.43%	361.98	367.84	373.91	380.21	386.75	393.54	400.59
12.43%	325.82	330.62	335.58	340.70	346.01	351.50	357.19
13.43%	295.24	299.22	303.33	307.57	311.94	316.46	321.12

Terminal Growth Rate

UK Inflation Rate	0.50%
US Inflation Rate	1.37%
Europe Inflation Rate	0.30%
Blended Terminal Growth Rate	**0.68%**

- The terminal growth rate is the constant rate at which a company is expected to grow in perpetuity
- A **blended average of inflation rates** in the UK, US and Europe, with weights based on the proportion of DevourAll's operations in these respective countries, was taken as an estimate for the terminal growth rate

Implied Valuation Range (GBP Mn)

Scenario	Minimum	25th Percentile	Median	75th Percentile	Maximum
1	313.91	372.19	**451.64**	565.59	752.85
2	295.24	351.50	**428.06**	536.07	719.17

Deliverable 2: Post-COVID Market Approach Valuation

Comparable Company Analysis

DevourAll

List of Comparable Companies (All values in GBP Mn except multiples and EBITDA margin)

Company Name	Enterprise Value	Revenue	EBITDA	EBIT	EV/Revenue	EV/EBITDA	EV/EBIT	EBITDA Margin (%)
Denny's Corporation	887.70	239.00	37.10	24.90	3.71	23.93	35.65	15.52
Ruth's Hospitality Group, Inc.	489.90	248.60	18.00	1.30	1.97	27.22	376.85	7.24
Red Robin Gourmet Burgers, Inc.	669.60	789.00	2.20	(65.20)	0.85	304.36	(10.27)	0.28
Papa John's International, Inc.	2,518.40	1,305.40	107.00	70.20	1.93	23.54	35.87	8.20
BJ's Restaurants, Inc.	902.80	646.80	23.20	(30.90)	1.40	38.91	(29.22)	3.59
Ibersol, S.G.P.S., S.A.	532.60	309.80	(32.80)	(21.20)	1.72	(16.24)	(25.12)	(10.59)
The Restaurant Group plc	589.00	784.40	29.00	(5.80)	0.75	20.31	(101.55)	3.70
Domino's Pizza Group plc	2,115.40	505.60	100.20	95.70	4.18	21.11	22.10	19.82
El Pollo Loco Holdings, Inc.	645.60	313.80	42.70	29.90	2.06	15.12	21.59	13.61
Carrols Restaurant Group, Inc.	1,222.60	1,132.80	69.70	8.90	1.08	17.54	137.37	6.15
Fiesta Restaurant Group, Inc.	424.90	419.10	22.40	(5.80)	1.01	18.97	(73.26)	5.34
Shake Shack, Inc.	1,986.40	383.10	16.20	(18.90)	5.19	122.62	(105.10)	4.23
			Minimum		0.75	(16.24)	(105.10)	(10.59)
			25th Percentile		1.06	18.61	(40.23)	3.67
			Median		1.82	22.32	5.66	5.75
			75th Percentile		2.47	30.14	35.71	9.55
			Maximum		5.19	304.36	376.85	19.82

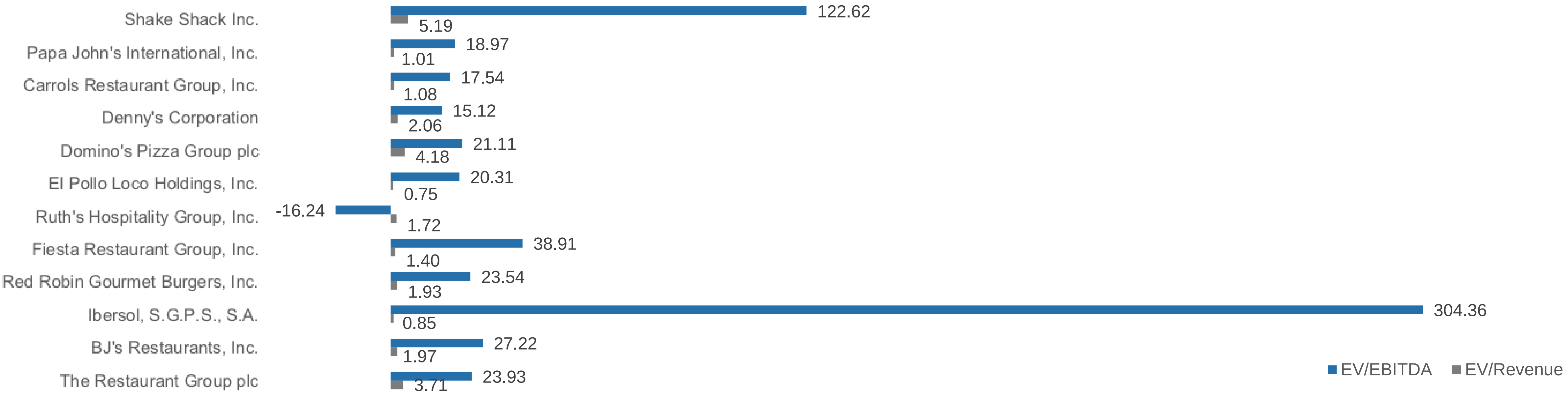
Source: Capital IQ; Date: 30 Sep 2020

Deliverable 2: Post-COVID Market Approach Valuation

Comparable Company Analysis

DevourAll

Valuation Multiples of Comparable Companies



Implied Valuation Range (GBP Mn)

75% 2020P/ 25% 2019A	Minimum	25th Percentile	Median	75th Percentile	Maximum
Based on EBITDA	(609.14)	698.20	**837.46**	1,130.70	11,417.84
Based on Revenue	308.39	538.45	**924.11**	1,252.06	2,626.67

Deliverable 2: Blended Valuation of DevourAll

Weighted average of the three types of valuation methods used

DevourAll

Valuation Method	Weightage	Rationale
PTA – EV/Revenue	0%	• **No significant and comparable M&A transactions** have occurred between 31 December 2019 and 30 September 2020. The valuation obtained from this approach therefore does not take into consideration the **unique and volatile market conditions** that have since arose due to COVID-19. • Therefore, this valuation method was assigned the lowest combined weightage of **0%**.
PTA – EV/EBITDA	0%	

Deliverable 2: Blended Valuation of DevourAll

Weighted average of the three types of valuation methods used

<table>
<tr><th>Valuation Method</th><th>Weightage</th><th>Rationale</th></tr>
<tr><td>PTA – EV/Revenue</td><td>0%</td><td rowspan="2">• No significant and comparable M&A transactions have occurred between 31 December 2019 and 30 September 2020. The valuation obtained from this approach therefore does not take into consideration the unique and volatile market conditions that have since arose due to COVID-19.
• Therefore, this valuation method was assigned the lowest combined weightage of 0%.</td></tr>
<tr><td>PTA – EV/EBITDA</td><td>0%</td></tr>
<tr><td>CCA – EV/EBITDA</td><td>7.5%</td><td rowspan="2">• Comparable companies entered the COVID-19 pandemic on an uneven playing field. Corporate winners like Papa John’s had already been investing in technology and expanding its digital reach, and were better poised to pivot into the delivery and take-out market (Sozzi, 2020). Others had more robust balance sheets to tide through the lockdowns and resulting recession.
• It is more difficult to directly compare companies, and temporary market conditions significantly distort valuations. Total weightage assigned to this valuation method was therefore reduced to 20%.
• Drop in EBITDA for comparable firms due to reduced revenue and high fixed costs results in a negative or massive EV/EBITDA multiple, which may distort valuation. Thus, the valuation figure derived from using the EV/Revenue multiple was assigned a higher weightage.</td></tr>
<tr><td>CCA – EV/Revenue</td><td>12.5%</td></tr>
</table>

Deliverable 2: Blended Valuation of DevourAll

Weighted average of the three types of valuation methods used

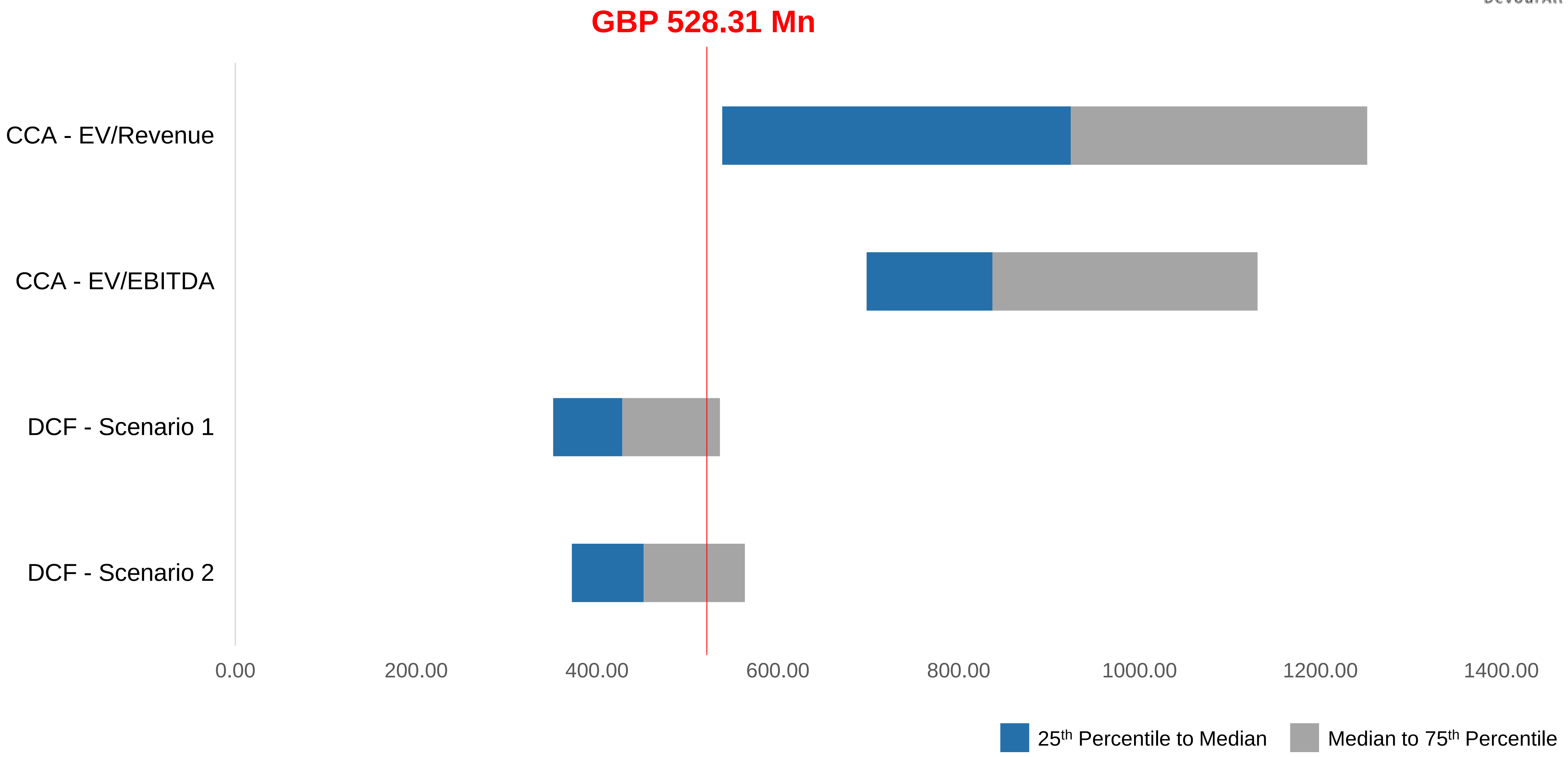
DevourAll

Valuation Method	Weightage	Rationale
PTA – EV/Revenue	0%	• **No significant and comparable M&A transactions** have occurred between 31 December 2019 and 30 September 2020. The valuation obtained from this approach therefore does not take into consideration the **unique and volatile market conditions** that have since arose due to COVID-19. • Therefore, this valuation method was assigned the lowest combined weightage of **0%**.
PTA – EV/EBITDA	0%	
CCA – EV/EBITDA	7.5%	• Comparable companies entered the COVID-19 pandemic on an **uneven playing field**. Corporate winners like Papa John's had already been investing in technology and expanding its digital reach, and were **better poised to pivot into the delivery and take-out market** (Sozzi, 2020). Others had **more robust balance sheets** to tide through the lockdowns and resulting recession. • It is more difficult to directly compare companies, and temporary market conditions **significantly distort valuations**. Total weightage assigned to this valuation method was therefore reduced to **20%**. • Drop in EBITDA for comparable firms due to reduced revenue and high fixed costs results in a **negative or massive EV/EBITDA multiple**, which may distort valuation. Thus, the valuation figure derived from using the EV/Revenue multiple was assigned a higher weightage.
CCA – EV/Revenue	12.5%	
DCF – Scenario 1	32%	• Intrinsic valuation is based on the company's financials, and can provide a **more accurate** estimate of the company's true value as it includes **future expectations** about the business. Due to the **sound theoretical backing** of this method and the **increased difficulty in directly comparing companies** during such unprecedented times, the discounted cash flow method was assigned the highest combined weightage of **80%**. • As of 30 September 2020, hopes for a **viable COVID-19 vaccine** remained low. Furthermore, the number of daily reported cases in the UK had been **exponentially increasing** throughout the month, eventually prompting the UK Government to impose a **second lockdown** in October 2020 (Gov.uk, 2020). • It is reasonable to assume that there is a higher probability for COVID-19 to remain a threat in the foreseeable future. Therefore, Scenario 2 was assigned a higher weightage of 60% of the combined weightage of 80%.
DCF – Scenario 2	48%	

Based on the weights allocated, DevourAll's final valuation is derived to be GBP 528.31 Mn.

Deliverable 2: Valuation Summary

Football Field Valuation chart

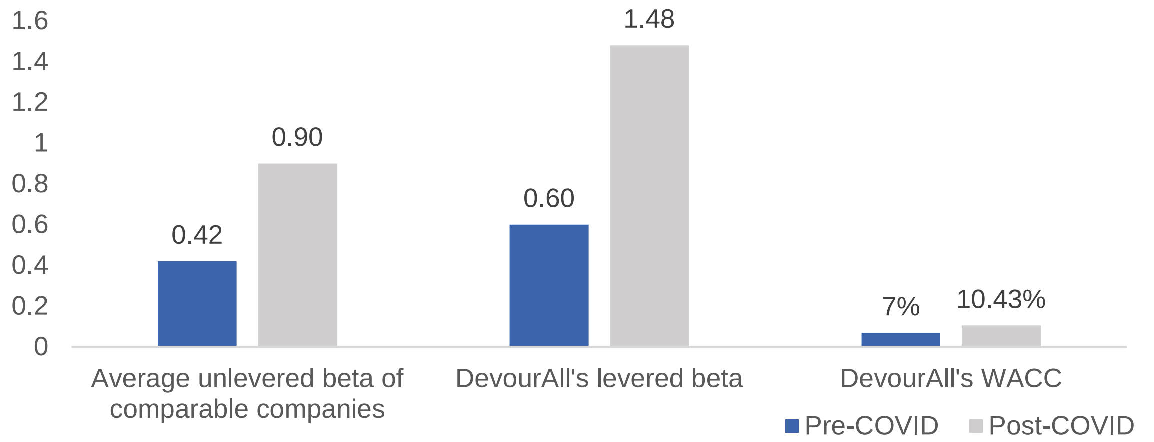


Deliverable 2: Post-COVID Discounted Cash Flow Valuation

COVID-19 has resulted in increased volatility

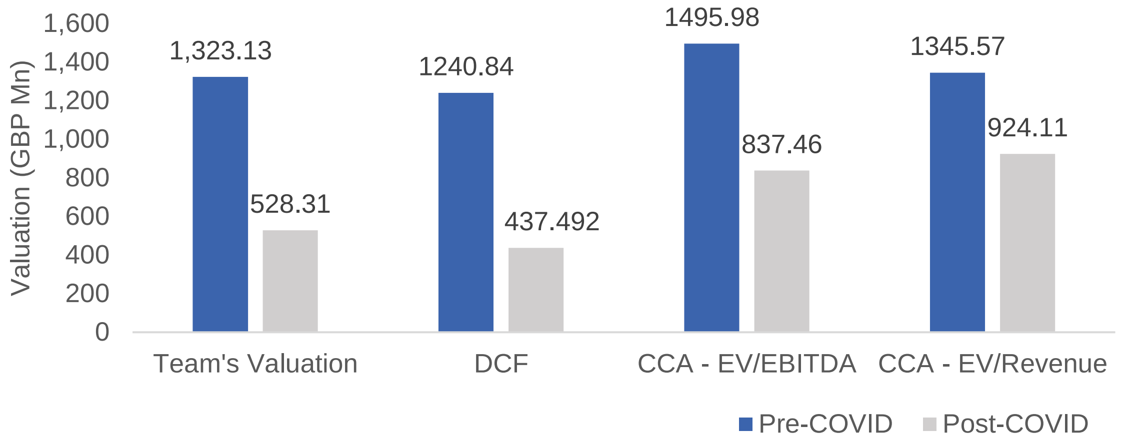
DevourAll

An increase in DevourAll's levered beta and WACC…



Unlevered Beta	• The more indebted an entity, the more **volatile its future earnings**; **unlevered beta** eliminates the effects of debt to capture only **business risk** • Unlevered beta of comparable companies increased from 0.42 pre-COVID to 0.9 post-COVID, highlighting an **increase in business risk for the foodservices industry**
Levered Beta	• DevourAll's levered beta has increased from 0.60 pre-COVID to 1.48 post-COVID, indicating not just an increase in business risk, but also **an increase in financial risk due to increased leverage**
WACC	• Increased market risk premium, credit risk, leverage, and volatility outweigh decline in risk-free rate, resulting in **overall increase in WACC** from 6.85% to 10.43%

… has resulted in a lower valuation



Declining Valuation	• DevourAll's valuation has **declined nearly 60%** from 1,323.13 GBP Mn pre-COVID to 528.31 GBP Mn post-COVID • Foodservice operators have struggled through the pandemic, with the US industry projected to **lose 240 USD Bn** by the end of 2020 (Kelso, 2020)
Key Reasons	• Due to a **flailing delivery strategy**, DevourAll was unable to pivot rapidly into no-contact delivery and takeout • However, acquisition of Billy's restaurant contributed to relatively **robust balance sheets** to tide through COVID-19
Going Forward	• DevourAll's future performance will depend heavily upon its **ability to adapt** to a new normal and the lasting effects of the pandemic, such as the need for digital engagement

DevourAll's Journey Through COVID-19

DevourAll

1. Industry Overview
- The foodservice industry is highly competitive
- Growth in key markets is slowing due to weak macroeconomic trends
- However, bright spots remain for the industry

3. Pre-COVID Valuation
- Financial analysis and projections
- Discounted Cash Flow valuation
- Market Approach valuation
    - Comparable Company analysis
    - Precedent Transactions analysis

5. Post-COVID Valuation
- Discounted Cash Flow valuation
- Market Approach valuation - Comparable Company analysis
- Summary

2. Company Overview & SWOT Analysis
- DevourAll is a market leader; however, its financial performance has been on a decline
- DevourAll's three-pronged business strategy
- SWOT Analysis

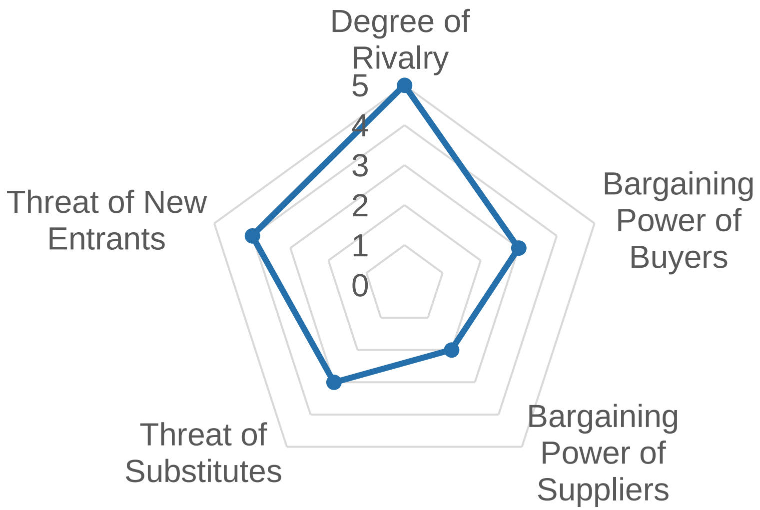
4. Post-COVID Analysis
- Scenario 1: Recovery from COVID-19
- Scenario 2: COVID-19 situation worsens

Appendices
- Appendix 1: Porter's 5 forces
- Appendix 2: Comparable Companies list
- Appendix 3: Precedent Transactions

Appendix 1: Industry Overview

*Porter's 5 Forces for **foodservice industry***

DevourAll



Degree of Rivalry (HIGH)	• **Many competitors** in the market, with top 5 players only accounting for 35.1% of market share. • **Highly fragmented market** with a high proportion of independent operators to chained operators • **Low switching costs** due to wide variety of options
Bargaining Power of Buyers (MEDIUM)	• **Low buyer concentration** since end consumers are individuals who lack financial muscle • Brand building can help foodservice operators **differentiate themselves** and achieve higher repeat customer rates • High **price sensitivity** due to variety of options limits price setting
Bargaining Power of Suppliers (MEDIUM)	• Suppliers are typically wholesalers that sell to numerous businesses, but chain restaurants can leverage on their size to exert more power over suppliers than independent players • Medium switching costs since standardization of ingredient quality may increase supplier bargaining power
Threat of Substitutes (MEDIUM)	• Substitutes for dining out include ordering takeaways from grocery retailers or eating at home • With lockdown measures post-COVID, there is likely to be increasing trend towards delivery or dining in • However, eating out caters to customers who value convenience
Threat of New Entrants (HIGH)	• Low level of capital outlay required, which makes industry attractive to new entrants • Low margin industry allows multinational firms to leverage on **economies of scale** to capture price-sensitive customers • Increasingly stringent regulations, such as enforcing that all companies must display calorie information, may raise costs, deterring new entrants

Source: Marketline

Appendix 2: Comparable Companies

*Peer group by **geographic location, industry classification** and **EBITDA between 50 and 200 GBP Mn***

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	Company	Ticker	Description
1	Denny's Corporation	NasdaqCM: DENN	Denny's Corporation, through its subsidiary, Denny's, Inc., owns and operates full-service restaurant chains under the Denny's brand. As of March 25, 2020, it had 1,695 franchised, licensed, and company restaurants worldwide.
2	Ruth's Hospitality Group, Inc.	NasdaqGS: RUTH	Ruth's Hospitality Group, Inc., together with its subsidiaries, develops, operates, and franchises fine dining restaurants under the Ruth's Chris Steak House name. The company's restaurants offer food and beverage products to special occasion diners and frequent customers, as well as business clientele. As of February 28, 2020, it had approximately 150 company-owned and franchisee-owned restaurants worldwide.
3	Red Robin Gourmet Burgers, Inc.	NasdaqGS: RRGB	Red Robin Gourmet Burgers, Inc., together with its subsidiaries, develops, operates, and franchises full-service and casual-dining restaurants. The company's restaurants primarily offer burgers; various appetizers, salads, soups, seafood, and other entrees; and desserts, milkshakes, alcoholic and non-alcoholic specialty drinks, cocktails, wine, and beers. As of February 25, 2020, it operated approximately 550 Red Robin restaurants across the United States and Canada, including locations operating under franchise agreements.
4	Papa John's International, Inc.	NasdaqGS: PZZA	Papa John's International, Inc. operates and franchises pizza delivery and carryout restaurants under the Papa John's trademark in the United States and internationally. It operates through four segments: Domestic Company-Owned Restaurants, North America Commissaries, North America Franchising, and International Operations. The company also operates dine-in and delivery restaurants. As of December 29, 2019, it operated 5,395 Papa John's restaurants, which included 598 company-owned and 4,797 franchised restaurants.
5	BJ's Restaurants, Inc.	NasdaqGS:BJRI	BJ's Restaurants, Inc. owns and operates casual dining restaurants in the United States. Its restaurants offer pizzas, craft and other beers, appetizers, entrées, pastas, sandwiches, specialty salads, and desserts. As of October 20, 2020, the company operated 210 casual dining restaurants in 29 states.
6	Ibersol, S.G.P.S., S.A.	ENXTLS: IBS	Ibersol, S.G.P.S., S.A., through its subsidiaries, operates a network of restaurant units in Portugal, Spain, Italy, and Angola. The company operates restaurant units under various brands, including Pizza Hut, Pasta Caffé, Pans & Company, Ribs, FresCo, SantaMaria, Kentucky Fried Chicken, Burger King, O' Kilo, Roulotte, Quiosques, Pizza Móvil, Miit, Taco Bell, Sol, Sugestões e Opções, Silva Carvalho Catering e Palace Catering, travel, coffe counters, and other concessions contract. As of December 31, 2019, it operated 659 restaurants, which include 547 owned units and 112 franchised units.

Source: Capital IQ

Appendix 2: Comparable Companies

*Peer group by **geographic location, industry classification** and **EBITDA between 50 and 200 GBP Mn***

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	Company	Ticker	Description
7	The Restaurant Group plc	LSE: RTN	The Restaurant Group plc operates restaurants and pub restaurants in the United Kingdom. Its brands include Frankie & Benny's, Chiquito, Coast to Coast, Brunning & Price, Garfunkel's, Firejacks, Wagamama, and Joe's Kitchen. The company also operates TRG concessions that provide table service, counter service, sandwich shops, pubs, and bars. It operates approximately 650 restaurants and pub restaurants.
8	Domino's Pizza Group plc	LSE: DOM	Domino's Pizza Group plc owns, operates, and franchises Domino's Pizza stores. The company operates 1,184 stores in the United Kingdom and the Republic of Ireland; and 56 stores in Switzerland, Germany, Iceland, Norway, and Sweden.
9	El Pollo Loco Holdings, Inc.	NasdaqGS: LOCO	El Pollo Loco Holdings, Inc., through its subsidiary El Pollo Loco, Inc., develops, franchises, licenses, and operates quick-service restaurants under the El Pollo Loco name. It offers fire-grilling citrus-marinated chicken in various entrees, including specialty chicken burritos, chicken quesadillas, chicken tostada salads, and chicken tortilla soup.
10	Carrols Restaurant Group, Inc.	NasdaqGS: TAST	Carrols Restaurant Group, Inc., through its subsidiaries, operates as a restaurant company in the United States. The company operates as a Burger King franchisee. As of December 29, 2019, it had, as franchisee, 1,036 Burger King restaurants located in 23 Northeastern, Midwestern, and Southeastern states; and 65 Popeyes restaurants in seven Southeastern states.
11	Fiesta Restaurant Group, Inc.	NasdaqGS: FRGI	Fiesta Restaurant Group, Inc., through its subsidiaries, owns, operates, and franchises fast-casual restaurants. The company's Pollo Tropical restaurants offer fire-grilled and citrus marinated chicken; and Taco Cabana restaurants that provide Mexican inspired food made fresh by hand. As of December 29, 2019, it operated 142 Pollo Tropical restaurants in Florida; 164 company owned Taco Cabana restaurants; and franchised 32 Pollo Tropical restaurants in Puerto Rico, Panama, Guyana, Bahamas, Ecuador, and Florida, as well as franchised Taco Cabana restaurants 6 in New Mexico and 2 in Texas.
12	Shake Shack Inc.	NYSE: SHAK	Shake Shack Inc. owns, operates, and licenses Shake Shack restaurants (Shacks) in the United States and internationally. Its Shacks offers hamburgers, hot dogs, chicken, crinkle cut fries, shakes, frozen custard, beer, wine, and other products. As of December 26, 2018, it operated 208 Shacks, including 124 domestic company-operated Shacks, 12 domestic licensed Shacks, and 72 international licensed Shacks. Shake Shack Inc. was founded in 2004 and is headquartered in New York, New York.

Source: Capital IQ

Appendix 3: Precedent Transactions

Precedent transactions by ***geographical location, industry classification, M&A closed date***

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Date	Target	Acquirer/Investor	Value (USD Mn)	EBITDA (USD Mn)	Enterprise Value (USD Mn)	EV/Revenue	EV/EBITDA	EV/EBIT
08/19/2019	Greene King plc	CK Asset Holdings Limited	6,074.34	623.69	5,849.42	2.17	9.99	13.07
10/07/2019	Groupe Flo SA	Bertrand Restauration SAS	8.93	18.39	271.37	1.41	14.50	-
08/06/2019	Groupe Flo SA	Groupe Bertrand	11.11	16.73	264.81	1.38	16.09	-
07/18/2019	Ei Group plc	Stonegate Pub Company Limited	3,925.80	359.63	3,730.97	4.14	10.56	11.38
06/11/2019	Fazer Food Services Oy	Compass Group PLC	537.51	45.04	537.51	0.80	11.93	-
03/27/2019	AmRest Holdings SE	Fcapital Dutch B.V.	348.48	197.96	3,891.29	2.24	20.00	42.80
01/23/2019	Redcomb Pubs Ltd	Young & Co.'s Brewery, P.L.C.	44.43	5.23	44.43	2.04	8.50	-
11/22/2018	Kotipizza Group Oyj	Orkla ASA	182.94	8.09	177.81	1.68	21.82	24.39
08/31/2018	Costa Limited	The Coca-Cola Company	5,061.71	309.15	5,061.71	3.02	16.37	31.71
04/12/2018	Royal Ravintolat Oy	NoHo Partners Oyj	110.85	8.62	110.85	0.85	12.86	25.00
02/28/2018	LE CROBAG GmbH & Co. KG and F.F.N. GmbH	Autogrill Deutschland Gmbh	79.37	8.55	79.37	0.81	9.29	-

Source: Capital IQ

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