

May 2023

The Happy Pear

Company valuation



The Happy Pear

Pre-money valuation of equity

(value of equity before issue of new capital)

€10.7 million

Company information

Name	Flynn & Flynn Global Trade Limited t/a 'The Happy Pear', hereafter referred to as "The Happy Pear"
Founded	2004
Contact	invest@thehappypear.ie
Description	The Happy Pear is a brand that promotes healthy living and plant-based eating. They started with a small fruit and vegetable shop and have since expanded to include a café, a production facility, two farms, bestselling cookbooks and a large social media presence with over 1.6 million followers. The Happy Pear sells over 75 products through various Irish retailers.

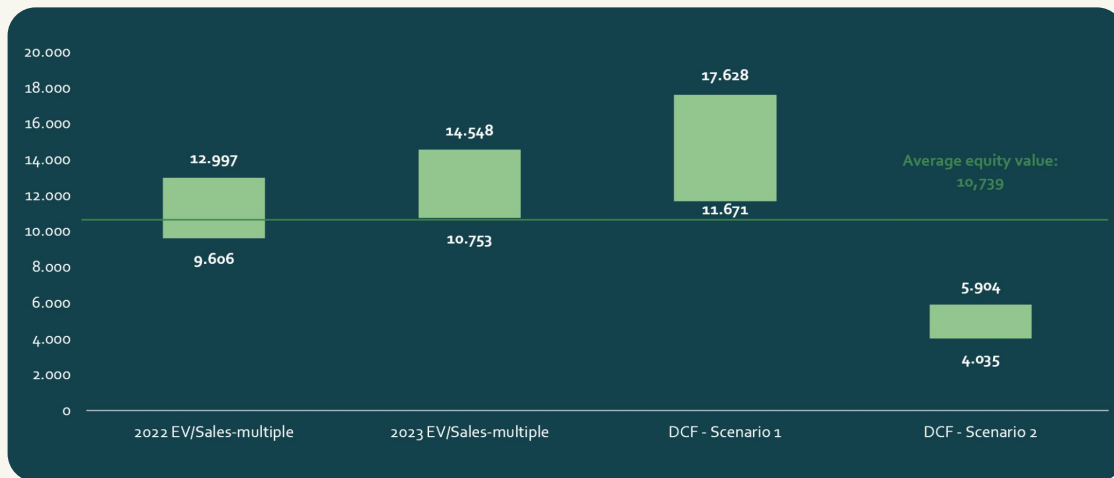
Summary

Based on the sales multiple on the revenue of the past twelve months (2022), the sales multiple on the revenue of the next twelve months (2023) and the DCF method with two different scenarios, the enterprise value of The Happy Pear was determined to be **€10.7 million**. The net debt outstanding at 01-01-2023 consisted of a small cash surplus. This leads to an equity value of **€10.7 million**. This is the average of the four different valuation outcomes measured at 01/01/2023.

Trading multiples The Happy Pear (average forecast)

Year	2021	2022	2023	2024
EV/Sales	1.74x	2.10x	1.87x	1.39x
EV/EBITDA	26.25x	-29.12x	52.27x	22.39x
EV/EBIT	60.59x	-16.99x	-161.64x	54.31x

Valuations (x €1,000.-)



Enterprise value
€10.7 million

Pre-money equity valuation
€10.7 million

Net debt (01/01/2023)
€-0.1 million

Forecast & Visualisation

Financials

P&L Forecast - Scenario 1: with growth capital

Income statement The Happy Pear (x €1,000.-)

Sources: The Happy Pear Limited (2023)

Year	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
Products & foodservice Ireland	9,125	9,668	4,926	4,523	3,917	4,010	4,253	4,481	4,670	4,847
Products export	502	114	0	0	0	42	2,439	5,638	11,645	12,819
Brand-related income	466	842	2,238	1,620	1,161	1,657	2,257	3,170	4,252	5,234
Revenue	10,183	10,623	7,164	6,143	5,078	5,709	8,948	13,289	20,567	22,901
Costs of goods sold	7,381	8,068	4,966	3,590	3,315	3,356	5,799	9,043	14,684	16,144
Gross profit	2,353	2,556	2,198	2,533	1,763	2,353	3,149	4,246	5,883	6,757
Production overhead costs	1,200	1,095	776	681	790	692	845	951	987	1,006
Brand building overhead costs	206	160	116	169	219	314	404	464	566	617
General overhead costs	1,381	1,372	1,461	1,296	1,074	1,237	1,253	1,453	1,668	1,701
EBITDA	-435	-71	-155	406	-319	109	647	1,378	2,662	3,433
Depreciation	199	214	282	230	261	270	280	281	276	278
EBIT	-634	-285	-437	176	-580	-161	367	1,097	2,386	3,155
Interest	39	178	65	0	1	16	8	8	2	0
Taxes	0	0	0	0	0	0	0	22	298	394
Net profit	-673	-463	-502	176	-581	-176	359	1,068	2,086	2,761

Once The Happy Pear successfully concludes its funding round, an opportunity for international expansion becomes feasible. By the end of 2023, The Happy Pear aims to establish a presence in the United Kingdom and subsequently enhance their export revenue channel. While profit margins may be narrower in the export market compared to the domestic market, the overall sales volume in the United Kingdom is significantly larger. Additionally, income generated from brand-related sources such as app downloads, courses sales and licensing agreements is expected to grow in the coming years.

During the COVID-19 pandemic, The Happy Pear experienced a substantial decline in sales as three out of their four retail stores had to close. However, they managed to secure a long-term license agreement with Musgrave, one of Ireland's largest supermarket chains, to maintain financial stability.

Assuming the funding is successfully obtained, The Happy Pear anticipates becoming a profitable company from 2024 onwards.

Financials

P&L Forecast - Scenario 2: without growth capital

Income statement The Happy Pear (x €1,000.-)

Sources: The Happy Pear Limited (2023)

Year	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
Products & foodservice Ireland	9,125	9,668	4,926	4,523	3,917	4,010	4,253	4,481	4,670	4,847
Products export	502	114	0	0	0	0	0	830	3,187	3,935
Brand-related income	466	842	2,238	1,620	1,161	1,657	2,088	2,740	3,589	4,682
Revenue	10,183	10,623	7,164	6,143	5,078	5,667	6,341	8,051	11,446	13,464
Costs of goods sold	7,381	8,068	4,966	3,590	3,315	3,337	3,715	4,867	7,262	8,344
Gross profit	2,353	2,556	2,198	2,533	1,763	2,330	2,626	3,185	4,184	5,120
Production overhead costs	1,200	1,095	776	681	790	692	735	778	863	977
Brand building overhead costs	206	160	116	169	219	314	404	464	566	617
General overhead costs	1,381	1,372	1,461	1,296	1,074	1,025	1,181	1,345	1,447	1,637
EBITDA	-435	-71	-155	406	-319	299	306	597	1,309	1,889
Depreciation	199	214	282	230	261	270	280	281	276	278
EBIT	-634	-285	-437	176	-580	29	26	316	1,033	1,612
Interest	39	178	65	0	1	14	13	13	9	5
Taxes	0	0	0	0	0	0	0	0	0	22
Net profit	-673	-463	-502	176	-581	15	13	303	1,024	1,585

If The Happy Pear fails to secure the desired funding, the timeline for international expansion will be postponed. The company will need to finance additional investments in marketing using their existing cash flow. As a result, sales from exports will not be generated until 2025. Furthermore, the slower expansion into the United Kingdom will limit the growth potential of brand-related income.

However, because the growth plans are delayed, the investments that come with the international expansion are postponed as well. Therefore, the company is expected to become profitable again from 2023 onwards. Additionally, if the scenario without external growth capital will become reality, the gross margin is expected to be higher compared to the scenario involving accelerated international expansion. This is due to the domestic market offering higher product margins than the United Kingdom, where additional costs are incurred through product exports.

Financials

Financial statements 2022

Income statement (x €1,000.-)

Year	2022
Revenue	5,078
Costs of goods sold	3,315
Gross profit	1,763
Production overhead costs	790
Brand building overhead costs	219
General overhead costs	1,121
EBITDA	-366
Depreciation	261
EBIT	-628
Interest	1
Taxes	0
Net profit	-629

Balance sheet (x €1,000.-)

Year	2022
Tangible and intangible fixed assets	1,445
Trade receivables	177
Other current assets	174
Inventories	251
<i>Cash</i>	164
Assets	2,211
Deferred income (Musgrave license)	3,694
Long term loans non-interest-bearing	140
Long term loans interest-bearing	90
Trade payables	394
Other current liabilities	532
<i>Equity</i>	-2,640
Equity and Liabilities	2,211

Cash flow statement (x €1,000.-)

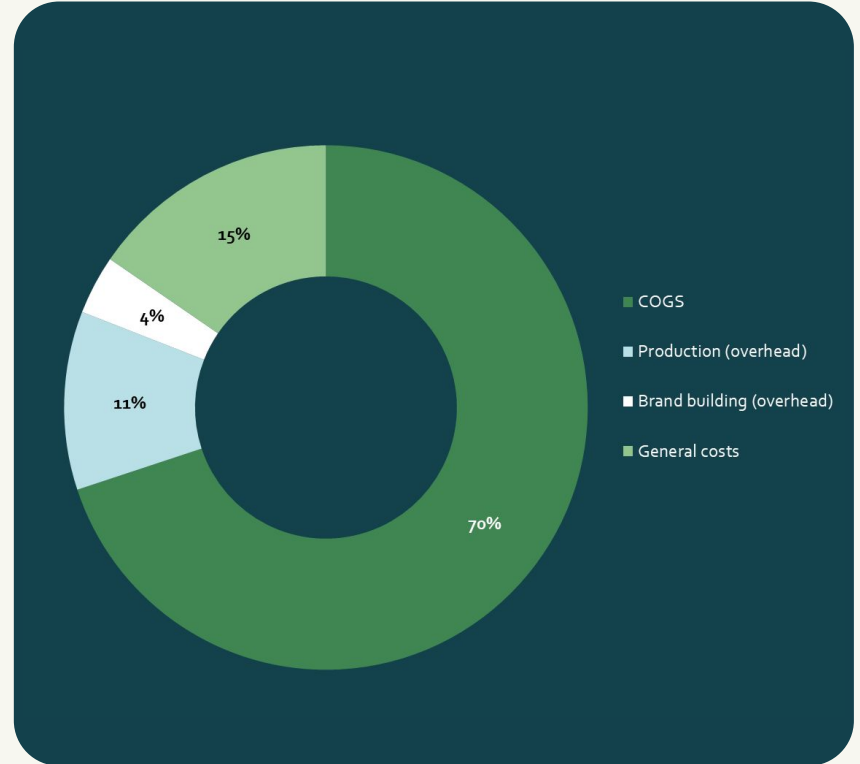
Year	2022
<i>Cash opening</i>	334
Cash flow from operating activities	122
Cash flow from investing activities (CAPEX)	-505
Cash flow from financial activities	213
Total cash flow	-170
<i>Cash ending</i>	164

Visualization

Revenue channels - scenario 1 (x €1,000.-)



Cost structure

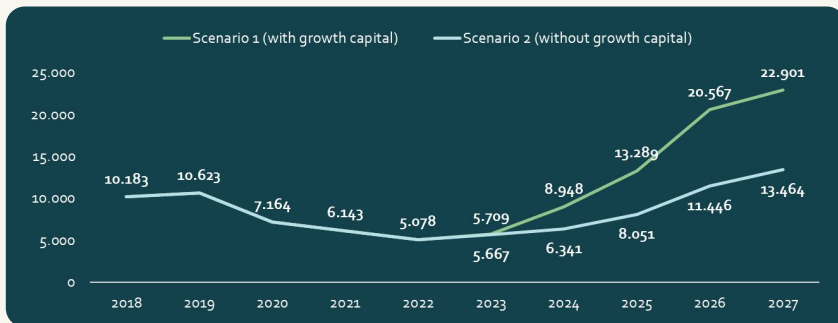


Revenue channels - scenario 2 (x €1,000.-)

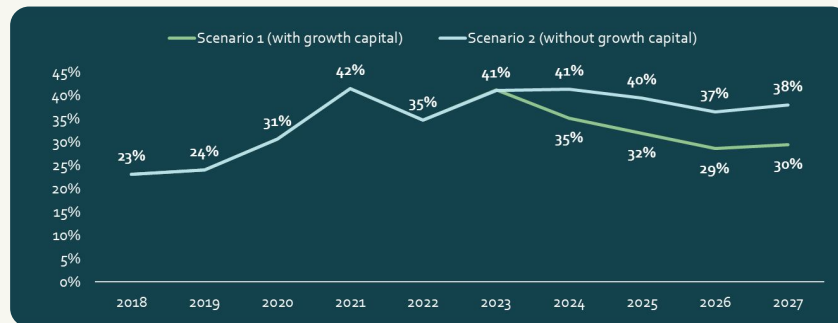


Visualization

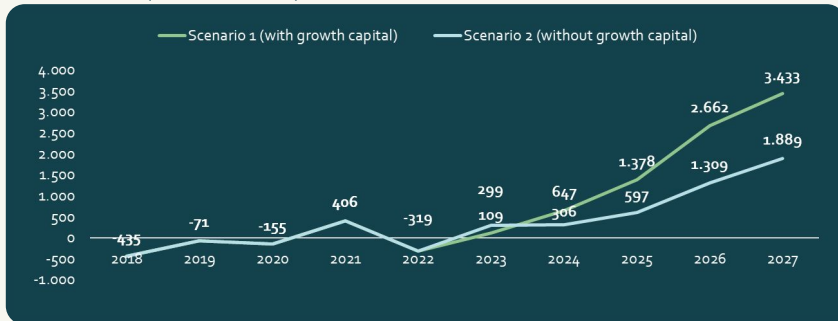
Total revenue (x €1,000.-)



Gross profit margin



EBITDA (x €1,000.-)



EBITDA margin



Comparables & Multiples

Comparables

Comparable companies

Sources: Comparables.ai (2023)

Company	Description	Country	Website
Beyond Meat Inc.	Beyond Meat Inc is a provider of plant-based meat alternatives sold in the U.S., Canada, and 83 other countries. Their products mimic the taste and appearance of meat and are available in both retail stores and the food service industry. While sales were evenly split between these channels in 2019, the pandemic shifted the mix to 70% retail and 30% food service in 2021.	United States	www.beyondmeat.com
Greenyard	Greenyard is processes and supplies fresh fruits and vegetables, with a focus on long shelf-life food products. It operates in two main segments: Fresh, which encompasses fresh produce, flowers, plants, and logistics, and Long Fresh, which includes frozen and prepared activities such as preserving fruits, vegetables, mushrooms, and ambient food products.	Belgium	www.greenyard.group
Valsoia	Valsoia SpA is a health food company. The products of the company include vegetable drinks, yoghurt plant alternatives, vegetable ice cream, vegetable desserts, cheese based alternatives, vegetable snacks, and vegetable seasonings.	Italy	www.valsoia.it
Veganz Group	Veganz Group AG is a plant-based/vegan food company that creates and distributes a range of animal-free products under the brand "Veganz". Their offerings are entirely free of animal ingredients and extend to various categories, including biscuits, bakery products, cheese alternatives, fish alternatives, ready meals, and sweet treats.	Germany	www.veganz.com
The Very Good Food Co	The Very Good Food Co Inc operates in the food industry. The company is a food technology company that designs, develops, produces, distributes, and sells a variety of plant-based meat and other food alternatives.	Canada	www.verygoodbutchers.com
Veg of Lund	Veg of Lund AB is plant-based goodness from Swedish food innovation. The company develops unique plant-based foods. The company owns patented methods for developing new food categories for plant-based foods. Its products are sold in Europe and Asia under the DUG brand.	Sweden	www.vegofood.se

Comparables

EV/Sales multiple
2.21x

EV/EBITDA multiple
n/a

Comparable companies and last estimates (x €1,000.-)

Sources: MorningStar (01-01-2023)

	Beyond Meat inc	Greenyard	Valsoia SpA	Veganz Group AG	The Very Good Food Co Inc	Veg of Lund AB	Median	The Happy Pear (2022)
Revenue	381,199	4,469,465	93,730	31,304	8,736	273	62,517	5,078
EBITDA	-282,646	153,699	13,650	-9,828	-35,399	-2,275	-6,051	-366
Market capitalization	714,077	322,777	99,918	15,288	8,463	4,368	57,603	10,739
<i>100% plant based</i>	✓	✗	✗	✓	✓	✓		✓
<i>Meat substitute</i>	✓	✗	✓	✓	✓	✓		✗
<i>In-house production</i>	✓	✓	✓	✓	✓	✓		✓
EV/Sales-multiple	3.62x	0.19x	0.97x	0.25x	3.46x	14.10x	2.21x	2.10x

Multiple valuation

	<i>low (-15%)</i>	<i>mid</i>	<i>high (+15%)</i>
2022 Sales	€9,606,000.-	€11,302,000.-	€12,997,000.-
2023 Sales	€10,753,000.-	€12,650,000.-	€14,548,000.-

Multiples

Enterprise value/Sales-multiple	2.21x
Enterprise value/EBITDA-multiple	n/a

Financials (x €1,000.-)

Year	2022	2023
Revenue (average)	5,078	5,688
EBITDA (average)	-366	204

Enterprise value (x €1,000.-)

with EV/Sales-multiple	11,227	12,576
with EV/EBITDA-multiple	-2,461	1,371
<i>Net debt (01-01-2023)</i>	-74	-74

Equity value (x €1,000.-)

with EV/Sales-multiple	11,302	12,650
with EV/EBITDA-multiple	-2,387	1,446

Discounted free cash flow

DCF valuation

Weighted average cost of capital

Capital in the company is carried by equity and debt. These capital providers demand a return to compensate for the risk they bear. For debt providers, this risk is included in the interest rate they charge. For equity providers, this risk is based on general market risk and company-specific risk.

Weighted average cost of capital

Weighted average costs of capital (WACC)	13.47%
Long term growth (LTG)	2.00%

Equity 55.28%

Debt 44.72%

Cost of equity

Market risk premium	5.50%
Risk free rate (10yr Irish govt. bond)	2.98%
Tax rate (Ireland)	12.50%
Unlevered beta (retail: grocery & food)	0.55
Levered beta	0.94
Gross cost of equity	8.15%
Start-up premium (based on funding cases)	7.28%
Illiquidity premium (based on funding cases)	5.50%
Cost of equity	20.93%

Cost of debt

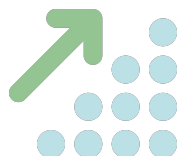
Average interest on long-term debt	4.86%
Tax rate (Ireland)	12.50%
Cost of debt after tax	4.25%

DCF valuation

Discounted free cash flow - Scenario 1: with growth capital

The DCF method calculates value based on expected future returns to equity providers (free cash flows). Cash flows have less weight as the future progresses due to the increasing uncertainty of these cash flows.

Assumptions



13.47%
Cost of capital (WACC)

2.00%
Long term growth

Discounted free cash flow (x €1,000.-)

Year	2023	2024	2025	2026	2027	TY
Operational profit after tax	-161	367	1,075	2,088	2,761	
+ Depreciation	270	280	281	276	278	
- Capital expenditures	265	960	160	135	135	
- Working capital investments	658	566	563	458	405	
Free cash flow	-814	-879	634	1,771	2,498	22,217
<i>Discount rate</i>	<i>0.94</i>	<i>0.83</i>	<i>0.73</i>	<i>0.64</i>	<i>0.57</i>	<i>0.57</i>
Discounted cash flow	-764	-727	462	1,138	1,415	12,581
Enterprise value	14,105					
Net debt (01-05-2023)	-74					
Equity value	14,179					

DCF valuation

Sensitivity analysis - Scenario 1: with growth capital

Sensitivity analysis (x €1,000.-)

WACC/LTG	1.00%	1.50%	2.00%	2.50%	3.00%
12.50%	14,600	15,253	15,970	16,757	17,628
13.00%	13,771	14,361	15,005	15,710	16,486
13.47%	13,057	13,595	14,179	14,817	15,516
14.00%	12,314	12,800	13,327	13,899	14,523
14.50%	11,671	12,114	12,593	13,111	13,675

low
(WACC @14.50% / LTG @1.00%)

mid
(WACC @13.47% / LTG @2.00%)

high
(WACC @ 12.50% / LTG @3.00%)

DCF

€11,671,000.-

€14,179,000.-

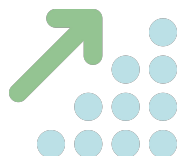
€17,628,000.-

DCF valuation

Discounted free cash flow - Scenario 2: without growth capital

The DCF method calculates value based on expected future returns to equity providers (free cash flows). Cash flows have less weight as the future progresses due to the increasing uncertainty of these cash flows.

Assumptions



13.47%

Cost of capital (WACC)

2.00%

Long term growth

Discounted free cash flow (x €1,000.-)

Year	2023	2024	2025	2026	2027	TY
Operational profit after tax	29	26	316	1.033	1.590	
+ Depreciation	270	280	281	276	278	
- Capital expenditures	65	110	130	160	515	
- Working capital investments	397	207	297	501	573	
Free cash flow	-163	-11	170	648	780	6,937
<i>Discount rate</i>	<i>0.94</i>	<i>0.83</i>	<i>0.73</i>	<i>0.64</i>	<i>0.57</i>	<i>0.57</i>
Discounted cash flow	-153	-9	124	416	442	3,928
Enterprise value	4,748					
Net debt (01-05-2023)	-74					
Equity value	4,823					

DCF valuation

Sensitivity analysis - Scenario 2: without growth capital

Sensitivity analysis (x €1,000.-)

WACC/LTG	1.00%	1.50%	2.00%	2.50%	3.00%
12.50%	4,959	5,163	5,386	5,632	5,904
13.00%	4,698	4,882	5,083	5,303	5,545
13.47%	4,472	4,640	4,823	5,022	5,240
14.00%	4,472	4,390	4,554	4,733	4,928
14.50%	4,035	4,137	4,323	4,484	4,660

low
(WACC @14.50% / LTG @1.00%)

mid
(WACC @13.47% / LTG @1.00%)

high
(WACC @ 12.50% / LTG @3.00%)

DCF

€4,035,000.-

€4,823,000.-

€5.904.000.-

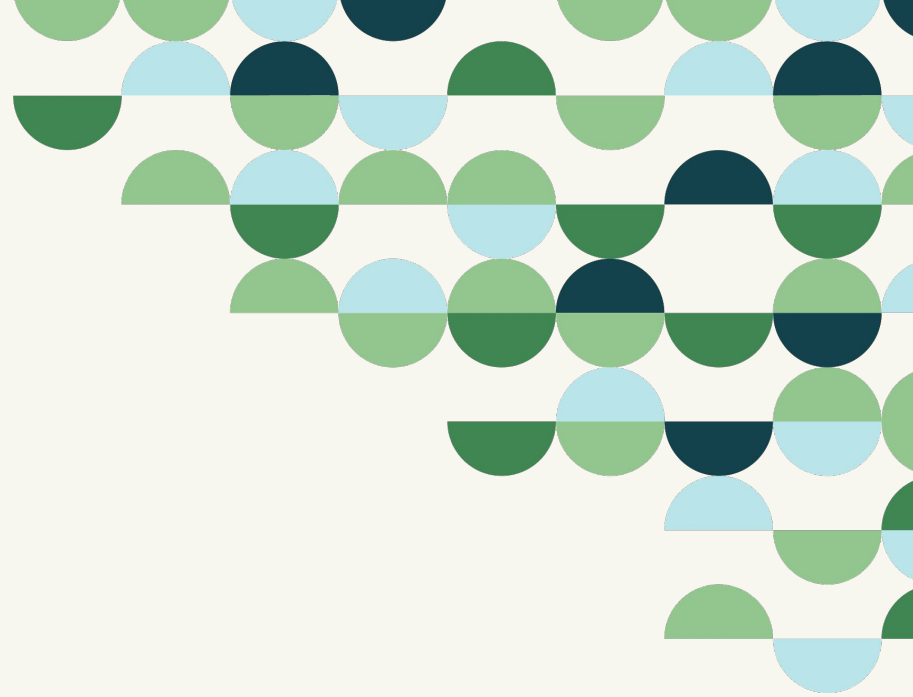
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The Happy Pear



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