

Pan europa's case study essay sample

[Finance](#), [Investment](#)



Question 1: Given the current climate of Pan Europa's corporation, the company must seek out invest opportunities to grow the company's capital and revenue. For the past three years the net income has been tracking at a \$2M-\$12M loss. Fiscally Pan Europa's financial decline has been in large of failure to brand and invest in a competitive market. Pan Europa's future of remaining a viable business depends of taking on strategic projects that would restore strength in the company and shareholders. While the company has a significant amount of ground to be gain in analyzing products for products in the marketshare the company must, develop avenues in which a price-war can be avoided.

The company's recent price war by one of its board members was an example of how volatile the Pan Europa's market share is within the European countries. Nigel Humbolt proposal to acquire leading schnapps brand and associated facilities allows for diversity in the core business and expansion in the market place. Pan Europa's would be able to reach new consumers and provide growth to the company. Nigel's initial investment is under the boards limit capital spending investment of \$80M, the projected return on investment is projected to be \$134M yielding IRR of 28. 7%. This is a substantial revenue gain for the company and would restore confidence in shareholders.

Question 2: In analyzing the NPV projects proposed by each board member, it would be most prudent for Pan Europa to invest in Nigel Humbolt plan to acquire leading Schnapps brand and associated facilities. The acquisition will revive Pan Europa organization. Utilizing the equivalent annuity, you will see the trend of the large investment for the first and second year, however;

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there is an increase in the level of annual payment over 10 years that yields a NPV at a minimum ROR of \$41M.

Question 3: There are a number of factors that could invalidate the outcome of the NPV. To ensure that the company account for any risk factors that could slide their projections, they will need to build in assumptions for potential uncertainties in executing the projects.

1. Duration of the Project
2. Cash Flow
3. Government
4. Resources i. e. change in leadership or lack of resources.
5. To correct for each investment the following should be considered: 1. Use discount cash flow method to determine the NPV of all cash flow 2. Use the profitability Index model to account for long term cash flow 3. Payback Period to take initial investment projected and divides by the estimated annual net cash inflows from the project.

Question 4: There are a few projects that are considered “ must do” 1. Expansion of the plant- this is a competitive necessity project. The plant has reached its full operating capacity. The expansion would increase productivity and allow the organization to remain competitive in the market.

2. Effluent water treatment – to integrate sustainability into the organization to become “ green” orientated to meet environmental regulations. All projects have an amount of risk factors that contribute to their potential success.

1. The expansion and replacement of the truck fleet. Invariably follow the ease of use risk model as the greater risk is the ability to acquire additional trucks over two-year period. A price surge may impact organizations NPV and IRR. Additionally, the company greatest risk could have an impact of sell all units of old trucks due to mechanical failure or lack of interest. 2.

Expansion of the plant- Because outside conditions outside the control of the organization can affect the outcome of the organizations goal, the organization will follow the flexible model to anticipate a range of circumstances that may impact organizational goals. In evaluating the goals of the organization the synergy between the projects are clear, to make the company profitable. Therefore, the linkage between expanding the plant by making technology improvements to respond to the demands in the market and making green initiatives in product consumption both speaks to the companies goals.

Each of the projects has a benefit that can be easily evaluated and compared. The effluent project has a significant impact on ways the company can advance their goal while complying with environment regulations. The company could potentially receive accolades from those who influence the environment groups. The company will benefit from free press and marketing initiatives.

Development and introduction of new artificially sweetened yogurt and ice-cream-while the company may innovate new methods of producing good, the impact may result in a technological advancement. The synthesizing process could be one of many market breakthroughs and become a process

moving forward in the food industry. Again, the company may receive free press (good) to enhance company bottom line.

Question 5: To determine best screen factors of projects, I would follow the below guidance:

1. Does the project support organizational strategy and goals? 2. Does the project meet the organizational long or short term goals? 3. Do the organizational have the resources with the knowledge and skills to support the project? 4. What is the rate of return on the project and is the project profitable? 5. What is the anticipated duration of the project, can we meet schedule commitments? 6. What does market research conclude on product acceptance by demographics and geographically?

Given the strategy of Pan Europa to increase their profit by year end, the below projects will optimize the earning potential are as follows:

1. Strategic Acquisition is a highly profitable project with a payback period and yields a significant NPV in line with organizational goals. The risk

2. Eastwood and Southward Expansion- both are operating necessity with an established customer base. The payback period is within 10yrs and is under the company's investment threshold. The Expand Truck Fleet and Automation and Conveyer Systems have negative NPV percentage. Both projects have short payback period, with IRR lower than 10%. Both projects are least desirable and do not fit into the organization future project plan.