Business case study

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Given Mario’s turbulent past experience with investors, I would not advice him to harvest the company. First, Mario has been in the business long enough to know when things can go wrong and with the experienced team the company has, it would be very difficult to run into further trouble in their chosen segment. Furthermore, over the sixteen years that Mario has been in business, they have successfully kept off serious competition by proper marketing and taking full advantage of the online media to market and sell their packages. Would there be a need to harvest the company, if I was Mario I would look for potential investors but still negotiate a deal where he and Jacqui still retain controlling interest in the issued equity of the firm rather than a complete buy out.

My estimate value of student city is $22, 022, 822. 5 based on the gross revenue multiplier method (top 30 type of business by SIC code table) which takes into consideration the previous year’s sales and a standard revenue multiplier for the business type, in this case – amusement and recreation services uses 45% to 50% annual sales. i. e ($13, 233, 138 * 50% 0f $17, 599, 369), Other methods of valuation include the need for certain rates i. e actual growth rates, T-bill rates, offset risk rates and interest rates that for this case I can only work on assumptions, thus the choice for the most direct valuation method using the available data.

The gross revenue multiplier method does not depend on market valuation because market valuation method applies for quoted companies only. The value thereof is calculated by multiplying the quoted share price of the company by the number of issued shares. This valuation reflects the investors’ perception about the performance of the company and the management’s capabilities to deliver a return on their capital invested.

In growing by over $ 30 million dollars in revenue, the company will face internal factors like the need for an increased labor force, which in turn leads to additional operational costs and staff management issues, a need to re-negotiate business deals with suppliers will also arise due to the projected increased business. External factors will include changes legislation affecting the aviation industry, the recreation industry e. g the carbon emissions tax on long haul flights. The company will face stiff competition as other players will be attracted by high gains by the company. Technological development challenges arise in the need to acquire systems to handle the increased transactions and remain relevant as technology becomes obsolete once new innovations are made. Changes in the socio-economic factors affecting the clients like the global economic meltdown could seriously affect the firm’s potential revenues and bottom line.