Case Study Submission

3PE665 Valuation and Financing of Investment Projects

Stationery Wholesale Business Unit

Case Study: Stationary Wholesale Business Unit - Submission

Values estimated are nominated at current prices (2013).

Assumed structure of Assets required:

Assets	*Purchase Prices (in CZK)*
Storing hall	41 000 000,-
Office Building	12 500 000,-
Buildings of vehicle and technical background	11 500 000,-
Land	8 000 000,-
Mobile Racks (complex system)	21 000 000,-
Lorries (4x)	4 500 000,-
Semi-trailers (4x)	2 000 000,-
Cars (6x)	3 000 000,-
Personal Hardware	400 000,-
Hardware related to Mobile Racks	200 000,-
Software (for PC)	500 000,-
Software related to storing system	9 150 000,-
Other long term equipment of offices	600 000,-

For Financial Planning and Working Capital Management Calculations you should expect:
You are giving retail units (i.e. your clients) 30 days maturity of a claim on average.
You are not using consignment sale.
Your goods will have, on average, shelf life of 3 months.
You will pay your suppliers 21 days after delivery.

You have also received information based on your marketing research:
Average wholesale trade rebate is 20 %. (It means that you have to pay 80 halers of each sold 1 CZK –
without VAT - for goods to your suppliers)
You are planning sales 198 million CZK in the first year.
You also plan an increase by 20 % during the second year and a 18 % increase during next 4 years and
2,5 % increase to infinity. (Increases are assumed under condition of zero inflation)

Other known amount of costs:

Wages	10 500 000,-
Energy	850 000,-
Fuel	1 850 000,-
Service	1 550 000,-

Other assumptions:
You are independent investor, who is willing to invest your money into the company. Company will
be established on 1st January 2013. This date should be the starting point of your financial plan. You
can assume that the company balance sheet as at 1st January 2013 contains just Equity (Liabilities) and
Cash (Assets). The equity will be CZK 52 000 000,- at the moment of your financial plan starting point.
Company will be established as a Ltd and it will be VAT payer (monthly).
Company will be located near to the city "Jihlava" in The Czech Republic and will follow The Czech
business and tax legal framework.

Your tasks are:
- Solve insurance (compulsory – defined by legal framework, voluntary – e.g. property insurance)
- Optimise the Liability structure (i.e. negotiate the best capital sources: loans or other liabilities – you should be able to justify your assumptions by real bank, leasing company or similar actual offer, the assumption of initial investment to equity 52 mil. CZK can't be changed)
- Work out Financial Plan of the Project (assumed Profit/loss Account, Balance Sheet and Cash Flow Statement) suitable for valuation of the business (In years).
- Value the investment and it's ownership (**compulsory methods – PV of FCFE, PV of FCFF**, voluntary – more methods e.g. discounted EVA, APV etc.).
- Think about the risk of the project. Work out brief risk assessment (compulsory method – qualitative risk analysis, voluntary - quantitative risk analysis methods selected).
- Make a conclusion in the form of recommendation for investor with respect to Risk and Value (Profitability) of the investment.

Technicality:

Final project will be made in electronic and printed form. You should prepare also 20 minutes long presentation of your results. This presentation should underpin your statement about the project value and risk. The information should be relevant for potential investor or creditor and should be as correct and trustworthy as possible. However each recommendation should be justified.
Printed version should be suitable for fast orientation (Printed format is better to consult with your lecturer in advance). Don't forget emphasise your extra assumptions.
Final electronic version has to be sent to lecturer at least 7 days before the term of justification. Printed version has to be given to lecturer directly before justification.

Structure of the paper is worth to show lecturer before finalization.