**Slide 1: Title Slide**

* **Title:** New Balance: Evaluating the Sneaker 2013 Project
* **Subtitle:** A Financial and Strategic Analysis
* **Company Logo & Presenter’s Name**

**Slide 2: Introduction & Background**

* **Overview of New Balance** (Founded in 1906, known for quality, sustainability, and domestic production)
* **Current Market Position** (Strong with older demographics, opportunity in younger markets)
* **Objective:** Expand reach into 12-18-year-old male segment

**Slide 3: Market Opportunity & Competitive Landscape**

* **Rival Strategy:** Nike, Adidas leveraging Olympic athlete endorsements
* **New Balance’s Response:** Signing Kirani James (Olympic gold medalist)
* **Sneaker 2013 Strategy:** High-tech, premium sneaker at a competitive price ($200)

**Slide 4: Project Overview – Sneaker 2013 vs. Persistence**

* **Sneaker 2013:** New running shoe targeting younger athletes
* **Persistence:** Hiking shoe aimed at 25-40-year-old segment
* **Strategic Focus:** Choosing the more profitable & market-relevant initiative

**Slide 5: Initial Investment & Capital Requirements**

* **New Manufacturing Facility in Vietnam:** $150M
* **Production Equipment Cost:** $15M + $5M (installation)
* **Total Initial Investment:** $180M

**Slide 6: Financial Considerations**

* **R&D Expenses:** $2M (already invested)
* **Marketing Budget (2013-2018):** Ranging from $10M to $30M per year
* **Athlete Endorsement (Kirani James):** $2M per year + $1M performance bonus

**Slide 7: Revenue Cannibalization & Working Capital Adjustments**

* **Revenue Impact on Existing Models:**
  + 2013: -$35M
  + 2014: -$15M
* **Working Capital Adjustments:**
  + Inventory increase: $15M
  + Accounts Payable rise: $5M
  + Receivables at 8% of revenue
  + Inventory at 25% of variable costs

**Slide 8: Cash Flow & Profitability Analysis**

* **Cost of Goods Sold:** 55% of revenue
* **Tax Considerations:** 40% corporate tax rate
* **Depreciation:**
  + Facility: 39-year schedule
  + Equipment: 5-year MACRS

**Slide 9: Quantitative Financial Metrics**

* **Net Present Value (NPV):** $12.89M
* **Internal Rate of Return (IRR):** 12.74% (above 11% discount rate)
* **Payback Period:**
  + Traditional: 5.12 years
  + Discounted: 5.86 years

**Slide 10: Conclusion – Key Takeaways**

* **Sneaker 2013 Project is Financially Viable**
* **NPV, IRR, and Payback Period Support the Decision**
* **Strategic Market Expansion Opportunity**