

A. DETAIL OUTLINE

1. Executive Summary (Suggested 150 words)

- 6-8 first sentences: Brief overview of project analysis, recommendation, and key findings
- Summarizes the report's core insights and conclusions

Example:

This report **analyzes the feasibility of undertaking a new project** and **presents key findings to aid management decision-making**. Utilizing the provided Weighted Average Cost of Capital (WACC), the analysis calculates annual free cash flows, Net Present Value (NPV), and Internal Rate of Return (IRR). Additional sensitivity analyses explore the impact of varying assumptions on project viability. Market and risk analyses provide insight into external factors influencing the project. **The report concludes with a clear recommendation, supported by a comprehensive evaluation of financial attractiveness, market dynamics, and risk mitigation strategies.**

2. Table of Contents (Suggested 150 words)

- List major sections and page numbers

3. Introduction (Suggested 250 words)

- 4-6 next sentences: Introduce background of the company and the proposed project
- State the purpose and scope of the report

Example:

- Coles Group Limited is considering launching a new carbon-neutral dairy product line. This report analyzes the financial viability of the proposed project and provides a recommendation on whether Coles should proceed. The analysis consists of free cash flow projections, NPV and IRR calculations, sensitivity analysis, market assessment, and risk evaluation
- The company, an innovative player in the tech sector, is considering a new project in artificial intelligence. The report outlines the purpose of assessing financial viability, market dynamics, and potential risks. The scope includes a detailed analysis of project economics and market conditions.

4. Project Analysis (Suggested 500 words)

- 4-5 first sentences: Explain the methodology used to analyze the project

Example:

The project analysis is a critical component of the decision-making process, providing a comprehensive understanding of the financial viability and attractiveness of the proposed project. The methodology employed for this analysis involves multiple steps aimed at assessing the project's financial performance over its life.

a. Compute annual free cash flows over the project's life

- Obtain your company's annual financial statements (income statements, balance sheets and cash flow statements) from Investing.com.
- Set up a Spreadsheet timeline for each year of the project's life. Each column should represent a different year. Label the columns accordingly (e.g., Year 1, Year 2, etc.).
- Estimate annual operating costs:
 - Assume that the project's profitability ratio (Revenue / Operating costs) will be similar to the company's existing projects in last year. Use the last financial statements to determine this ratio.
 - Apply this ratio to estimate the annual operating costs for the new project. Multiply the projected revenue for each year of the project by the determined ratio to estimate operating costs.
- Determine effective Tax rate: Determine effective tax rate by dividing its income taxes by its income before tax in 2022. This rate will be used to calculate taxes for the new project.
- Calculate Free Cash Flow using the following formula: *Free Cash Flow = Net Cash from Operating Activities - Capital expenditures - Taxes.*
 - Net Cash from Operating Activities: Obtain this from the cash flow statement in the financial statements. It represents the cash generated or used by the company's core operating activities.
 - Capital Expenditures: Estimate the capital expenditures for the new project for each year. These are the costs of acquiring, maintaining, or upgrading physical assets.
 - Taxes: The effective tax rate calculated above
- Discount Cash Flow: Apply the provided cost of capital to discount the annual free cash flows back to their present value. Use the following formula for each year:

$$\text{Present Value} = \frac{\text{Future Cash Flow}}{(1 + \text{Cost of Capital})^t}$$

- t is the time in years
- Sum the present values of the free cash flows for each year to obtain the Net Present Value (NPV) of the project.

b. NPV and IRR Calculations

- NPV calculation:
 - + Sum the present values of the free cash flows for each year to obtain the Net Present Value (NPV) of the project.
 - + A positive NPV indicates the project is expected to generate value, while a negative NPV suggests potential losses.
- IRR calculation:
 - + Set NPV to zero and solve the following equation:

$$\text{NPV} = \sum (\text{CF}_t / (1 + \text{IRR})^t) = 0$$
 - + If the IRR is greater than the cost of capital, the project may be considered acceptable.
- 2-3 next sentences: Two method comparison
 - + NPV is often preferred when cash flows are uneven or there are mutually exclusive projects.
 - + IRR is commonly used for quick comparisons and when the cost of capital is unknown.

c. Determine the project's profitability

- 4-5 next sentences: Summarize the analysis and emphasize the project profitability.

Example:

The financial assessment delves into the project's profitability over its entire life. By analyzing the cumulative cash flows, we gain insights into the project's ability to generate sustained profits and positive returns. This involves a thorough examination of the cash inflows and outflows over each period, considering factors like depreciation, taxes, and working capital requirements.

5. Additional Analysis (e.g. sensitivity analysis) (Suggested 500 words)

5.1 Present a NPV profile showing project NPV at different WACC levels

- Calculate NPV for various WACC values, e.g., 8%, 10%, and 12%.
- Plot the NPV values on a graph against the corresponding WACC levels.
- Analyse the range.

Example:

- As WACC represents the cost of capital, the NPV profile allows us to understand how sensitive the project's profitability is to changes in the discount rate.
- A higher WACC generally results in a lower NPV, indicating that the project becomes less attractive as the cost of capital increases.
- The NPV profile graph helps identify the WACC range where the project is most vulnerable or resilient, aiding in risk assessment and strategic decision-making.

5.2 Show revised NPV and IRR if revenues are 25% lower than projected

- Recalculate NPV and IRR assuming a 25% reduction in projected revenues.
- Assess the impact of reduced revenue on the project's financial performance.

Example:

- The scenario with reduced revenue allows us to assess the project's flexibility in adapting to adverse market conditions.
- A decrease in NPV and IRR highlights the potential financial impact of lower-than-expected revenues.
- This analysis informs decision-makers about the project's robustness and whether risk mitigation strategies need adjustment to accommodate revenue volatility.

5.3 Discuss sensitivity of project viability to changes in key assumptions

- Adjust key assumptions individually (e.g., operating costs, project timeline) and observe the impact on NPV and IRR.

Example:

- Increase Operating Costs by 15%: NPV decreases by \$500,000
- Extend Project Timeline by 1 Year: NPV decreases by \$300,000
- Identify the assumptions with the most significant impact on project viability to guide strategic decision-making by prioritizing attention to the most sensitive assumptions and potential risk areas.

Example:

- If a modest increase in operating costs has a substantial impact on NPV, it signals the need for focused risk management in cost control.

5.4 Evaluation of Project Economics Under Different Assumptions

- Explore scenarios with varying market conditions, technological advancements, or regulatory landscapes.
- Provide a strategic outlook, enabling managers to proactively shape the project's direction in response to future changes.

Example:

Scenario 1: Favorable regulatory environment leads to increased demand.

Scenario 2: Technology advancements result in cost efficiencies.

1. Market Analysis (250 words)

- Research market/industry trends and outlook
- Assess market opportunities and risks
- Provides a comprehensive understanding of external factors influencing the project

Example:

- Industry trends show a growing demand for AI solutions, providing a favorable market outlook.
- Opportunities in niche segments are identified, but potential risks such as regulatory changes are acknowledged.

2. Risk Analysis (250 words)

- Identify key operational, financial, and external risks
- Proposes ways to mitigate identified risks

Example:

- Operational risks, like technology implementation challenges, are identified.
- Financial risks, such as funding constraints, are addressed with strategic mitigation plans.
- External risks, including changes in market competition, are proactively managed.

3. Recommendation

- 5-6 next sentences: Provide clear recommendation on whether to pursue project
- Support recommendation with above analysis

Example:

- Given the positive base case NPV and IRR, we recommend Coles proceed with the carbon-neutral dairy project
- The market opportunity appears attractive, but conservative revenue estimates are advised
- With careful risk management, the project has good financial potential

B. TIPS & TRICKS

1. Report Tips:

- Organize sections clearly with descriptive headings
- Define terminology and explain methodologies for a general audience
- Use tables and graphs to summarize data
- Number tables/figures and refer to them in the text
- Cite sources used for data/info
- Proofread thoroughly for spelling/grammar errors
- Include an executive summary and table of contents
- Use page numbers and professional formatting

2. Slide Deck Tips:

- Keep text minimal - use bullets, charts/graphics
- Choose clear, readable font and font sizes
- Limit slides to key facts, data, conclusions
- Number slides for easy reference
- Use consistent, professional design elements
- Explain graphs/charts clearly
- Cite sources for external data/graphics

3. Presentation Tips:

- Practice aloud and with slides to polish delivery
- Speak slowly and clearly, make eye contact
- Engage all members, assign speaking roles
- Define terms and explain methodologies
- Summarize analyses and data visually
- Tailor level of complexity to audience

- Open and close with key takeaways
- Leave room for Q&A and discussion

C. FOOD FOR HUNGRY THOUGHTS

Based on your assigned company and case, there are various journal articles and reports to be explored.

Below are some reliable sources for you to find relevant articles and reports to your chosen topics.

1. Business newspaper/magazine databases: Factiva, Business Source Complete, ABI/Inform, and ProQuest, Wall Street Journal, Financial Times, Bloomberg Businessweek, and Forbes.
2. Industry reports and statistics databases: Mintel, IBISWorld, and Euromonitor.