HomeWork - 2

1.
If it is possible for Pan-Europa to finance the increase in leverage beyond the current level, it should go in that direction. If it's incapable to head in that direction due to low financial capabilities, the company should increase the price of the common stock at least up to the company's reputation rather than down playing it when compared to the peer companies. In this way, at least a part of the price- to -earnings ratio can be increased. Along with that, as the senior managing director of Venus suggests in the meeting, that rather than selling new stock at a very low price level which might end up keeping the company's reputation at jeopardy or cutting the dividends ,the focus should be more on improving the performance of the overall products or making remarkable decisions depending on the project proposals under limited budget there by improving the share value as a result goodwill and the profits.
From the exhibit, dividends, shareholder's equity , earning per sale and net income are more important to keep track on this year.
Now that the price war has been won, it must concentrate on the debt reduction.Since they are in no position to increase the leverage, the it should focus more on the cash flows by concentrating more on the attaining profits and inflows to the company.
The managers who are heading new-products category of investments, market expansions and strategic planning should be leading Pan-Europa namely Morin, Leyden, Humbolt.

2.
From exhibit 3, it is suggested that ranking the projects can be done based on the equivalent annuity and bigger annuity create more invested wealth. i, e longer time periods are taken into consideration along with the NPV at minimum ROR. Hence the ranking is done based on this criteria as Strategic Acquisition, Eastward Expansion, Snack Foods, Southward Expansion, Artificial Sweeteners, New Plant, Inventory-control system, Expanded Plant, Automation and conveyer system, Expand truck Fleet. Here the NPV of the minimum ROR and the years are used as parameters since annuity is being considered. Since the effluent project does not have any projected IRR's overtime, the importance of the project is measured based on the public opinion and the compliance time regulations from European community. Hence the importance of investment of this project is measured on account of whether investing 4 million vs investing 10 million in 10 years.

3.
Factors like public opinion and good will of the company, market-inflation, inflated projected cash flows, uncertain factors like time and risk factor, insufficient resources.
One way to control is to make an approximation in terms of probabilities to include riskiness and scalability(size).   The time value money can be crorected by including these 5 factors such as number of exact periods involved, annual interest rate or discount rate, present value, payments and future value.   The unequal lifetimes can be corrected by calculating the annuity over a specific period of investment.

4.
Since in the table shown with type of project with minimum acceptable IRR and maximum acceptable payback years, the safety or environmental projects such as Effluent water treatment at four plants do not provide any numerical methods. Since these are based on safety and pollution control, they are under the operating necessity.
Development of introduction of new artificial sweetened yogurt and ice cream, Development and roll -out of snack foods, Acquisition of a leading schnapps brand and associated facilities are non-numerical based on product line extension but at least one of these should be a must-do project as the company's long term establishment is heavily dependent on the new innovation in the market.
The factors like IRR, how heavy the allocation of resources the project demands, the complexity of execution and the newness suggests a higher risk where as the market expansions, efficiency categories involves lower risk.
Development and introduction of new artificially sweetened yogurt and ice cream- development of roll-out snacks, plant automation and conveyor systems- effluent water treatment, Replacement of truck fleet - Expansion of a plant - Market expansions eastwards and southwards are in synergies where as there are no major conflicts between any projects. With proper financial planning, most of the ideas can be implemented in unison.
The new product category investments include other costs like customer satisfaction analysis, ad-development as well as the risk of competition from other companies with similar products. The non-qualitative benefits would be higher enthusiasm among the workers due to the Plant automation and conveyor systems.

5.
To narrow down the project, factors such as average rate of return , risk of the project based on the time and cost, Profitability , lifetime of the returns, sustainability. Also non-numerical methods for the evaluation such as operating necessity and competing necessity is taken into consideration and each project is rated accordingly. Instead of taking many projects into consideration, depending on the budget allocation, IRR, risk projects such as Replacement of truck fleet, A new plant , Development of and introduction of artificial sweeteners are eliminated. It would be suggested to choose one project in each sector in order to push the company's overall development.

6.
Derivative:
Replacement and expansion of the truck fleet
Expansion of a plant
Plant automation and conveyor systems
Effluent water treatment at four plants
Platform:
A new plant
Market expansion eastward and southward
Breakthrough:
Networked, computer based inventory control system for warehouses and field representatives.
Acquisition of leading schnapps brand and associated facilities.
R&D:

Development and introduction of new artificially sweetened yogurt and ice cream
Development and roll-out of snack foods
To develop a project management plan, low risk and low investment are considered first but balancing development in each of the sector. The total investment is around 78 million for the below plan.

Project Management Plan

Choose more from low risk & low investment, moderately from moderate risk and high returns, at least one fro the R&D

low risk & low investment

Short - term on a timeline

- Expansion of a plant
- Plant automation and conveyor systems
- Effluent water treatment at four plants

moderate risk & high investment & high returns

More than 5-6 years

- Networked, computer based inventory control system for warehouses and field representatives.
- Market expansion east and south.
- Acquisition of a leading schnapps brand and associated facilities

low risk & high investment & low rate of return

No deadline (R&D)

- Development and introduction of new artificially sweetened yogurt.
- Development and roll-out of snack foods.

7.
Projects being recommended are Expansion of a plant, Plant automation and conveyor systems, Effluent water treatment at four plants, Networked, computer based inventory control system for warehouses and field representatives, Market expansion east and south,Development and introduction of new artificially sweetened yogurt. The total investment is around 78 million for the below plan.