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CONSULTING



FROG'S LEAP

Overview



Frog's Leap will make a difference.

Sustainable
farming

Company
culture

Frog's Leap will leave a legacy.

Successful
business

Premium
wines

Frog's Leap

Analysis

Strategic Recommendation

Expansion Plan

Marketing Plan: Japan

Marketing Plan: China

Sustainable Plan

Succession Plan



Objectives & Key Issues

Quantitative



Increase Sales
Remain Small

- US Consolidation of the Industry
- US Consolidation of the Distribution Channels
- Increase of Competition
- Capacity

Achieve Financial Stability

- High Debt Level



Qualitative



Sustainable Initiative

- Respect of Triple Bottom Line
- Part of Company DNA

Build a Legacy

- Succession Plan

Frog's Leap

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Strategic Recommendation

OVERALL STRATEGY:

Shift sales to take advantage of the premiumisation trends while maintaining your DNA values of sustainability.

Expansion to 2 attractive markets

New Green Initiative

JAPAN:
product
development

CHINA:
market
penetration

Waste
Management

Frog's Leap

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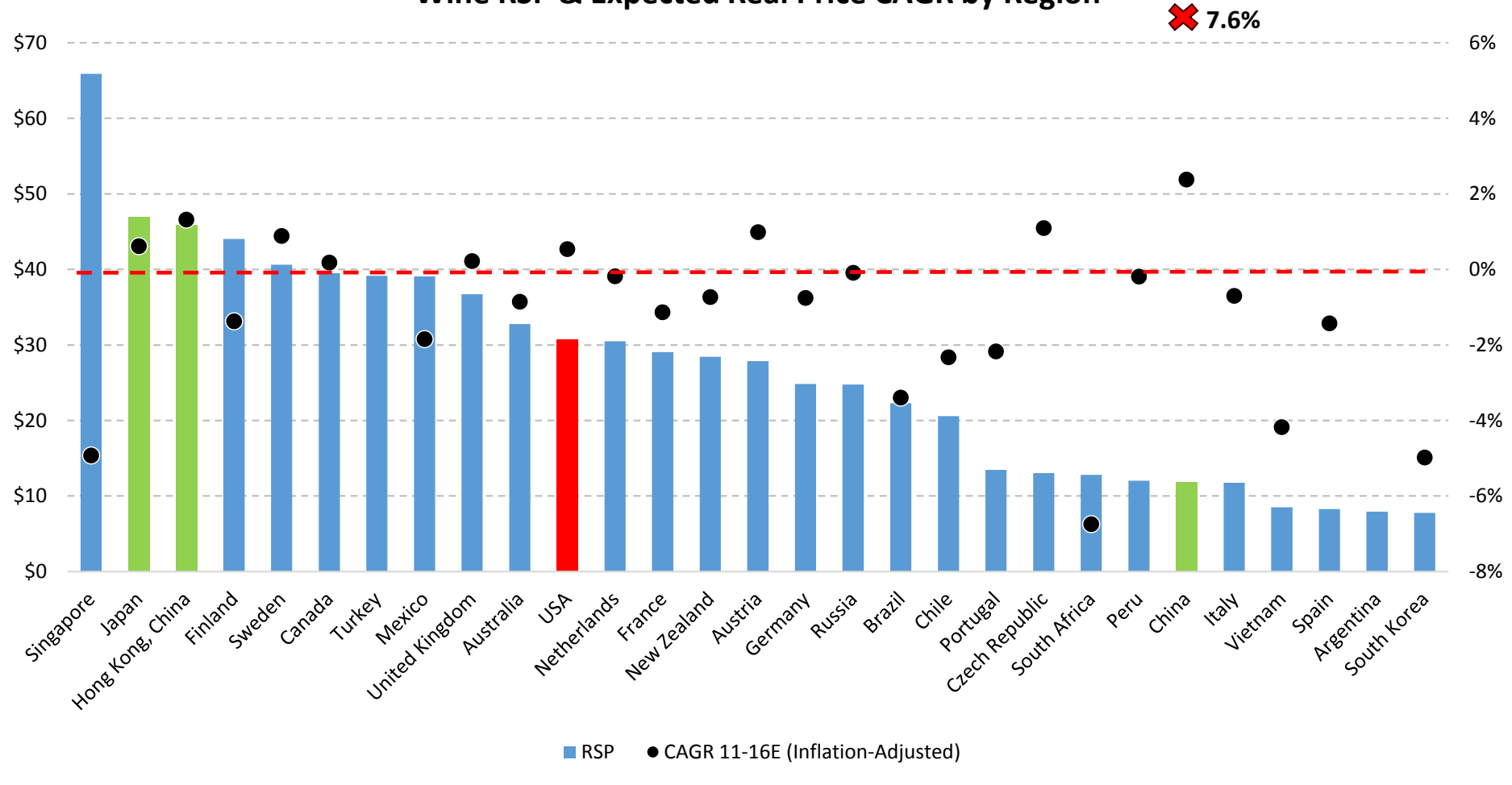
Sustainable Plan

Succession Plan



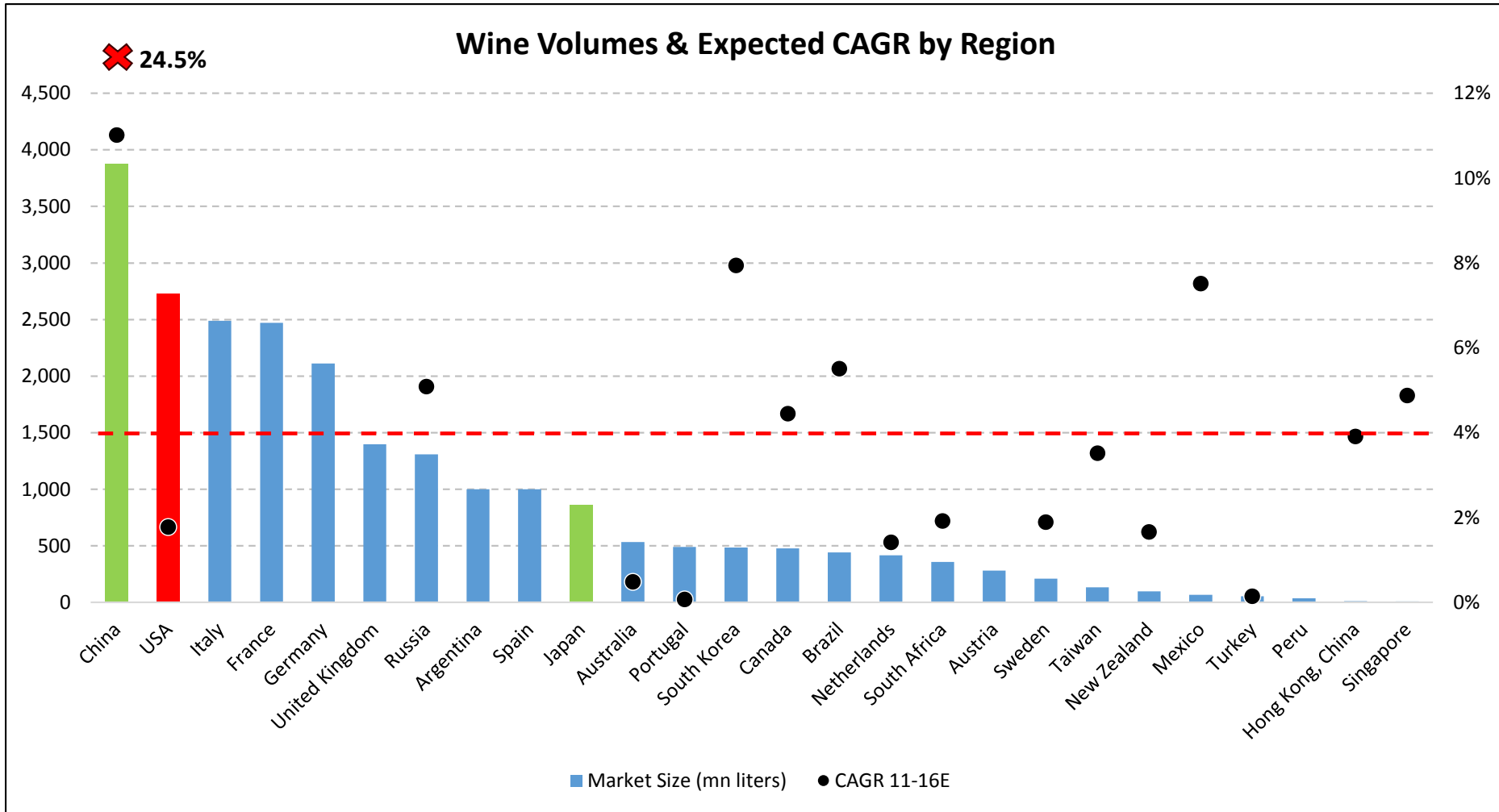
Overview of the Global Industry: Value

Wine RSP & Expected Real Price CAGR by Region



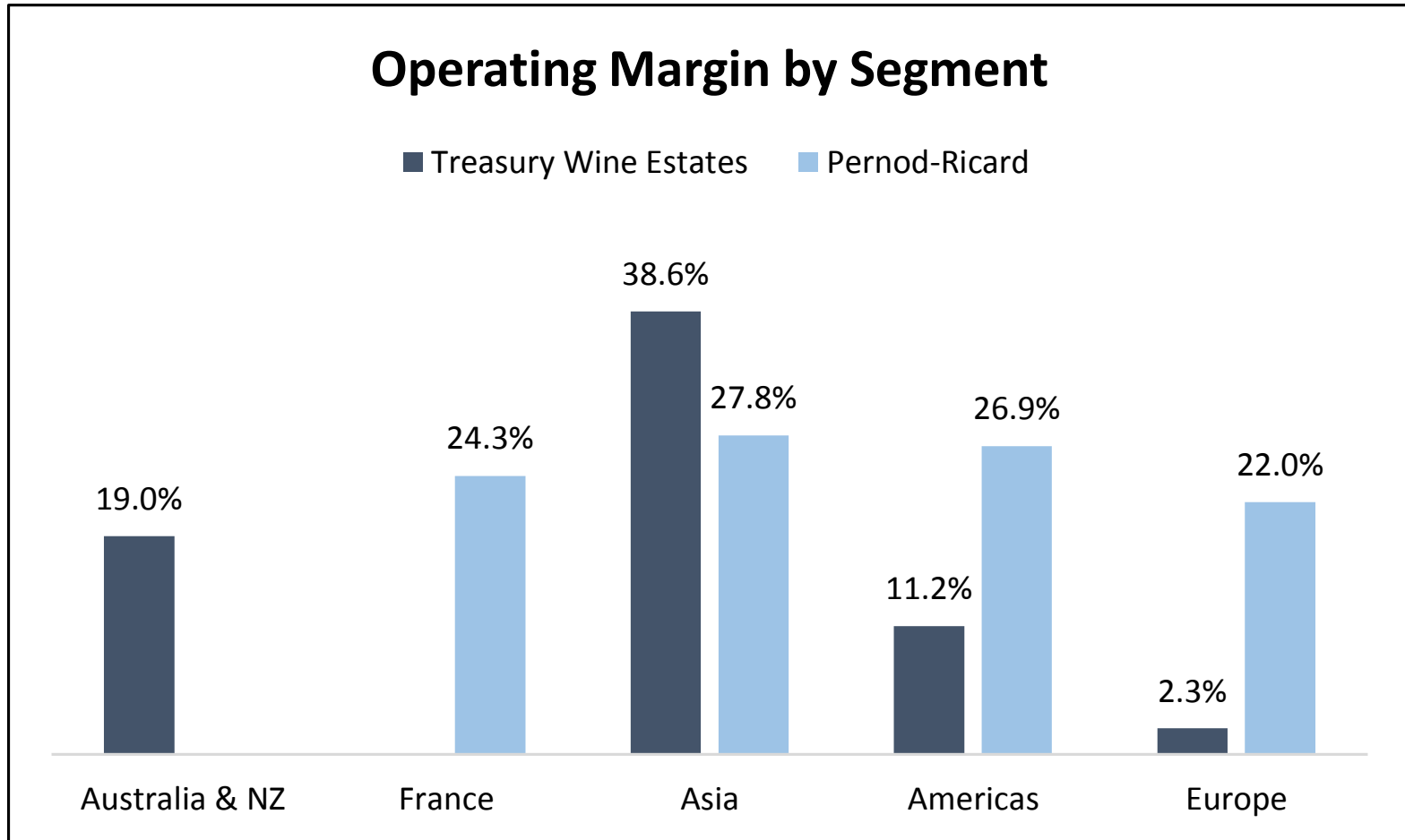
A CAGR above inflation means that there is premiumisation in the market.

Overview of the Global Industry: Volume



The Still Light Grape Wine is expected to be the fastest growing segment in China.

Profitability in Asia

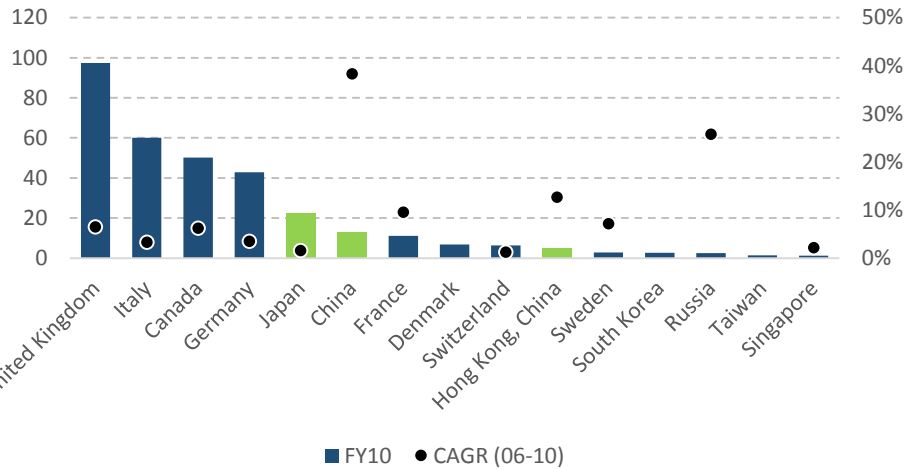


**Despite negatively skewed results for Pernod-Ricard due to its large presence in low-end whiskey in India, its margins in Asia are still higher than in Americas.*

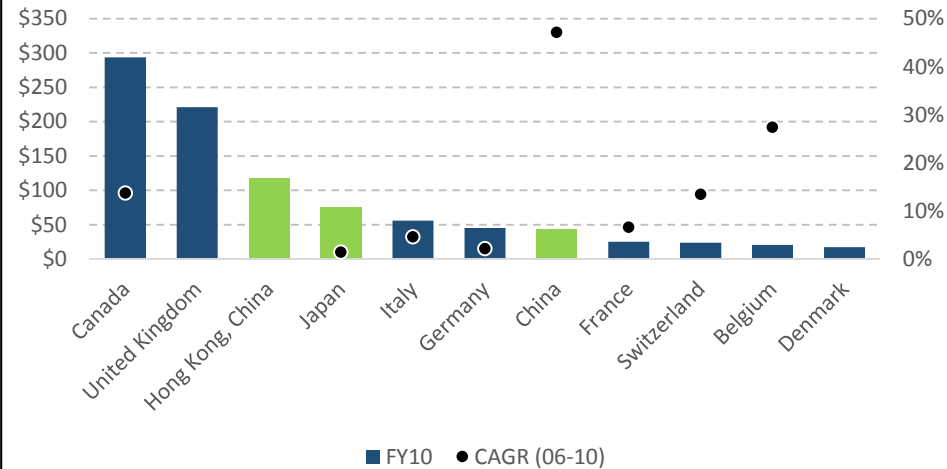
In addition to fast top-line growth, the Asian market is also very profitable.

US Wine Exports by Country

US Imports Wine Volume by Country (mn liters)



US Wine Imports Value by Country (mn \$)

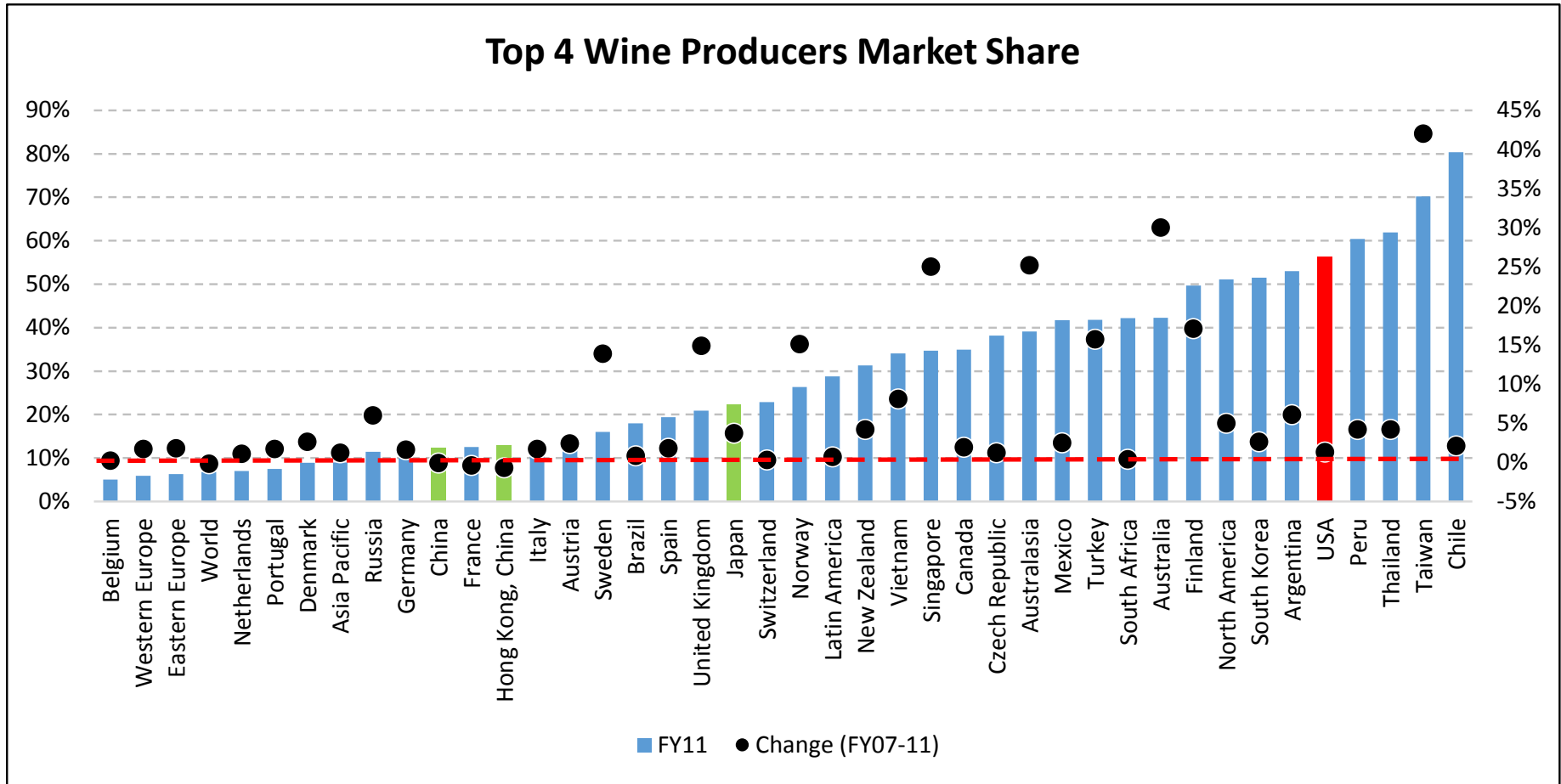


Low import volume in HK, China and Japan.

High import value in HK, China and Japan.

As a result, the average price per bottle in HK, China and Japan is high.

Consolidation Trends by Country



The Asian markets are more fragmented than the US market resulting in a higher bargaining power for smaller producers.

Industry Overview Conclusions

OVERALL CONCLUSIONS:

- Premiumisation is prominent in the market.
- The Asian market is more fragmented than the US market resulting in a higher bargaining power for smaller producers.
- In addition to fast top-line growth, the Asian market is also very profitable.
- The average price per US imported bottle in Hong Kong, China and Japan is high.



JAPAN:
product
development

CHINA:
market
penetration

Japan

Trends in the Wine Industry

Current Position

- Represent 7% of Frog's Leap net sales
- One distributor: La Languedocienne (distributor of premium international wines) off-trade premises
- **Opportunity to strengthen current position**

Established Trends

- **Premiumisation**
- Good performance of red wine
- **86% of population drink wine at least once per month**
- Westernization: American food and American wine

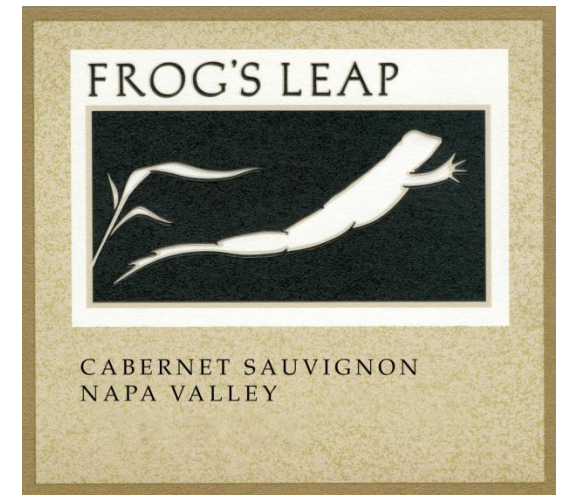
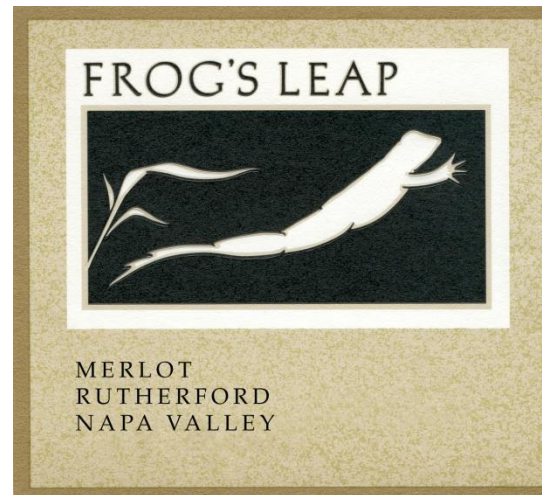
Upcoming Trends

- Cocooning: increase of off-trade sales
- Online sales
- **Increase imports from New World countries**
- **White wine popularity**

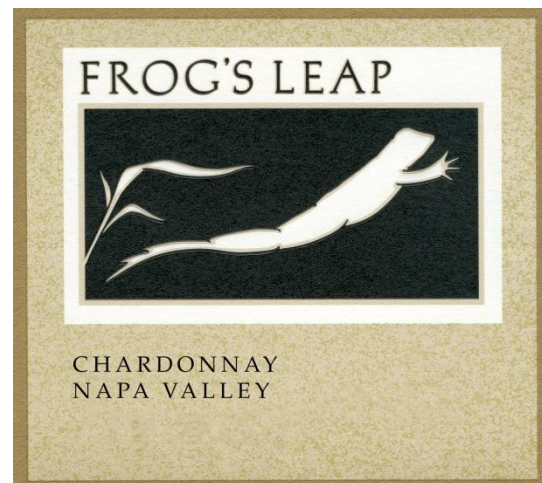
Japan

Trends in the Wine Industry: Products

RED WINES:
brand preferences



WHITE WINES:
brand preferences



Japan

Who are your customers in Japan?

DEMOGRAPHICS



PSYCHOGRAPHICS

Lifestyle: drinking is part of the social life, increasingly health conscious, sophistication in consumption

Personality: passionate and loyal

Values: quality, heritage, trust friends' advices

Social Class: upper middle class

KEY STATISTICS

3 million people
in urban areas

22% of
Japanese urban
population

Total Annual
spending power
of \$118 billion

China

Trends in the Wine Industry

Increase in Wine Demand

- **Increase demand for Western symbols of wealth and status (Western restaurants)**
- Cultural association between imported wine consumption and social status and sophistication

Still Red Wine Success

- **Premiumisation**
- Associated with celebration, luxury and exclusivity
- Health benefits
- **Red color culture signification (auspicious): gift purchase**

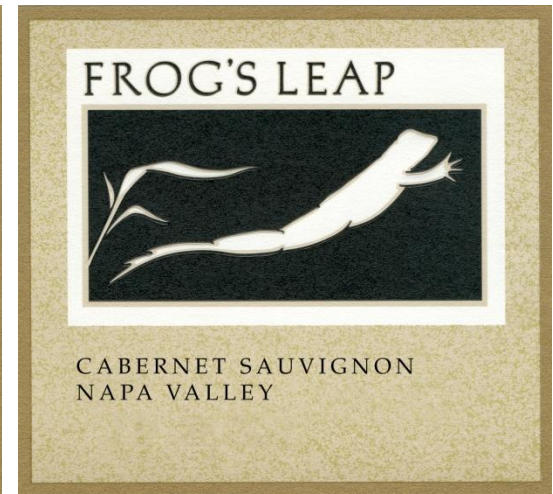
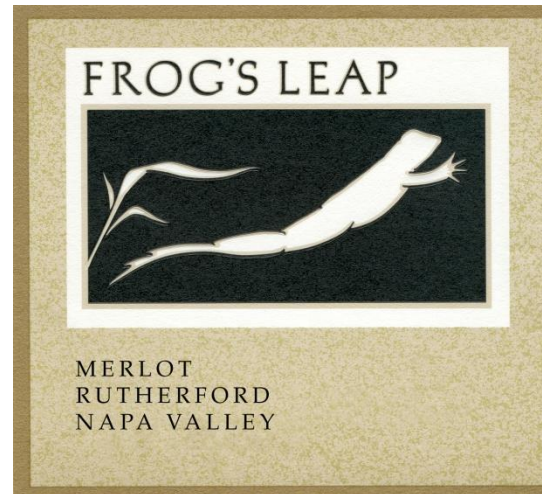
Increase of Average Unit Price

- **Consumers are trading up to better quality wines, more expensive**
- Affluent upper middle class
- Potential for a loyal premium customer base

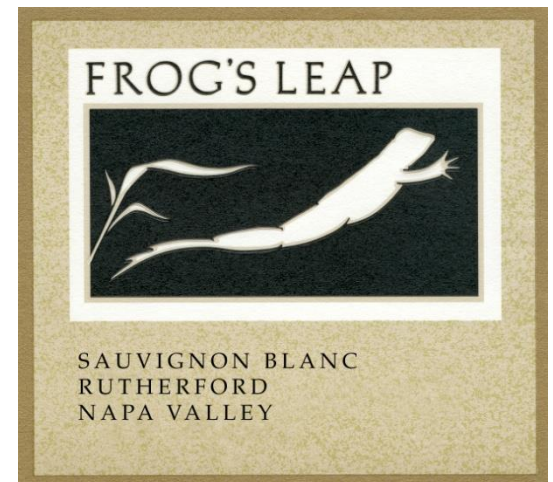
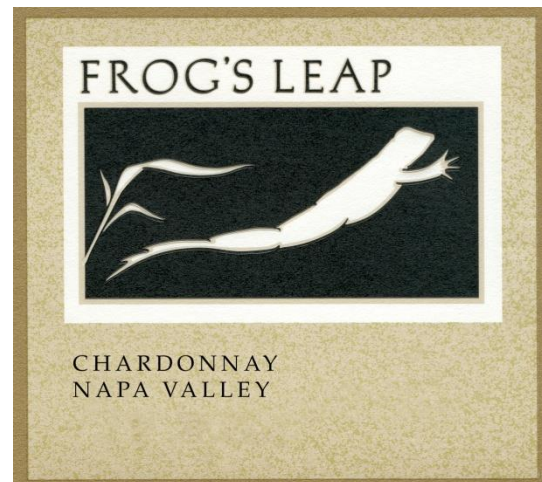
China

Trends in the Wine Industry: Products

RED WINES:
brand preferences



WHITE WINES:
brand preferences



China

Who are your customers in China?

DEMOGRAPHICS



PSYCHOGRAPHICS

Lifestyle: luxury is all that matters, consumption is part of the everyday life, zero savings, westernization

Personality: high social status, sophistication and quality of life is brought by the consumption of luxurious brands

Values: enjoying life

Social Class: affluent upper middle class

KEY STATISTICS

25 million
people in urban
areas

50% of Chinese
urban
population

Total Annual
spending power
of \$508 billion

Frog's Leap

Analysis

Strategic Recommendation

Expansion Plan

Marketing Plan: Japan

Marketing Plan: China

Sustainable Plan

Succession Plan



Japan: Marketing Objectives

POSITIONING:

Frog's Leap needs to place its brand at the forefront of the marketing strategy for both markets and apply its sustainable and premium positioning in order to successfully gain sales in these markets.



Short-Term: 2013

Product development through increased number of distributors & partnership

Medium-Term: 2014-2015

Increase annual growth of sales by 4.4%

Long-Term: 2016-2017

Established brand positioning in the premium segment

Japan: Implementation Timeline

	2013			2014				2015				2016				2017			
	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Short-Term																			
Increase distributors																			
Leverage existing presence																			
Increase sales by 4.4% annually																			
Educate distributors about Frog's Leap																			
Partner with Sake Producer																			
Medium-Term																			
Present on-trade & off-trade																			
Increase POS material																			
Long-Term																			
Distributor relationship management																			
Achieve recognized brand image in Japanese market																			

Detailed timeline for the next years.

Japan: Short-Term (2013)

Creating New Opportunities

- **Strategically adding distributors : Berry Bros. & Rudd, Koto Corporation**
- Leverage current market presence to asses best product offerings

Creating a partnership

- **Create a partnership with a small Sake producer: Tenju Shuzo**
- Create international community with shared values in same industry
- Introduce new complimentary premium product to Californians
- Help integration in Japan market
- Increase sense of Fellowship

Increase presence

- Through increased distributors, increased presence in biggest cities:
Tokyo, Osaka, and Nagoya

Japan: Medium-Term (2014-15)

Increasing Sales

- Increase sales by 4.4% annually
- Price increase by 3.4% annually

Relationship Management

- Effectively communicate with partner & distributors to ensure best relationships
- Send newsletters with meal pairing with Frog's Leap's wines offerings

Japan: Long-Term (2016-17)

Review objectives

- Assess goals and objectives to better forecast for upcoming years
- Re-evaluate distributors & partner through KPIs

Secure position in Japanese market

- Brand recognition and loyalty will decrease brand switching and maintain market share
- Constantly educate consumers

Steadily increase sales

- 4.4% annual sales growth

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China: Marketing Objectives

POSITIONING:

Frog's Leap needs to place its brand at the forefront of the marketing strategy for both markets and apply its sustainable and premium positioning in order to successfully gain sales in these markets.



Short-Term: 2013

Penetrate Chinese Market through distributors with 500 cases within 6 months

Medium-Term: 2014-2015

Increase sales to 1,120 cases for 2014, with 25% annual growth for 2015

Long-Term: 2016-2017

Increase sales by 25% annual growth rate & have established brand positioning

China: Implementation Timeline

	2013			2014				2015				2016				2017			
	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Short-Term																			
Strategically select distributors																			
Select product offerings																			
Pricing of products																			
Enter market with 500 cases (late 2013)																			
Educate distributors about Frog's Leap																			
Medium-Term																			
Increase sales to 1120 cases																			
Present on-trade & off-trade																			
Increase sales by 25% annually																			
Long-Term																			
Distributor relationship management																			
Achieve recognized brand image in Chinese market																			

Detailed timeline for the next years.

China: Short-Term (2013)

Creating Opportunities

- Strategically selecting distributors : ASC Fine Wines, Berry Bros. & Rudd (HK only), East Meets West Fine Wines
- Selecting best product & price offerings
 - Red wines, vintage years

Awareness & Education

- Invite selected distributors to Napa Valley to get the 360 Frog's Leap experience
- Power of Frogs in Chinese culture
- Adapt labels for Chinese market

Start selling

- 500 cases in the biggest urban cities in China: Hong Kong, Beijing, Shanghai, Macau
 - Merlot, Cabernet Sauvignon, Chardonnay, Sauvignon Blanc

China: Medium-Term (2014-15)

Increasing sales

- Increase sales to 1120 cases for 2014
- Price increase by 7.6% annually

Partnership with Baijiu producer: Zhejiang Kitchen Worker Brewage

- Create international community with shared values in same industry
- Introduce Californians to complimentary premium products
- Help integration in Chinese market
- Increase sense of Fellowship

Relationship Management

- Effectively communicate with partner & distributors to insure best relationships
- Send newsletters with meal pairing with Frog's Leap's wines' offerings

China: Long-Term (2016-17)

Review objectives

- Assess goals and objectives to better forecast for upcoming years
- Re-evaluate distributors & partner through KPIs

Secure position in Chinese market

- Brand recognition and loyalty will decrease brand switching and maintain market share

Steadily increase sales

- 25% sales growth per year

Expansion: Key Performance Indicators

Financial Indicators

- Operating margins (%)
- Increase in ASP (in excess of inflation)
- Sales mix (volume)
- Distribution mix (volume)

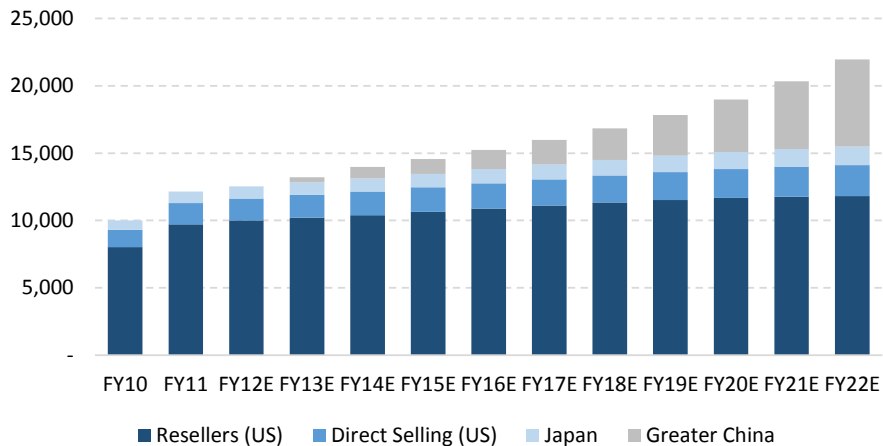
Customer satisfaction

- Returning customers (%)
- Number of sales per client

Must maintain good relationship with distributors to get access to information.

Expansion: Overall Financial Implications

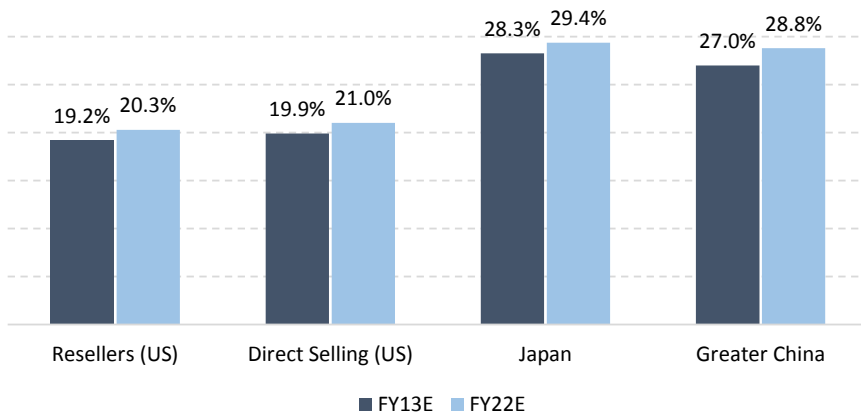
Net Sales by Region



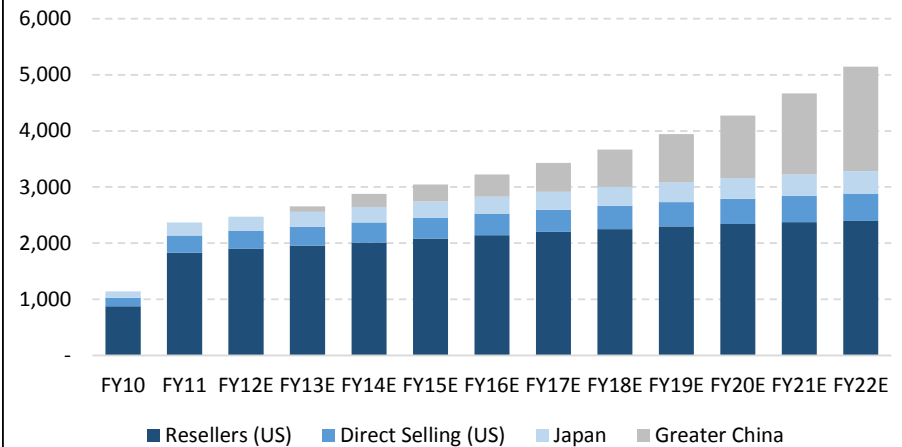
1- Due to the high growth, China is expected to represent 11% of sales in FY17E

2- Asia, which has smaller distributors, is expected to have higher margins

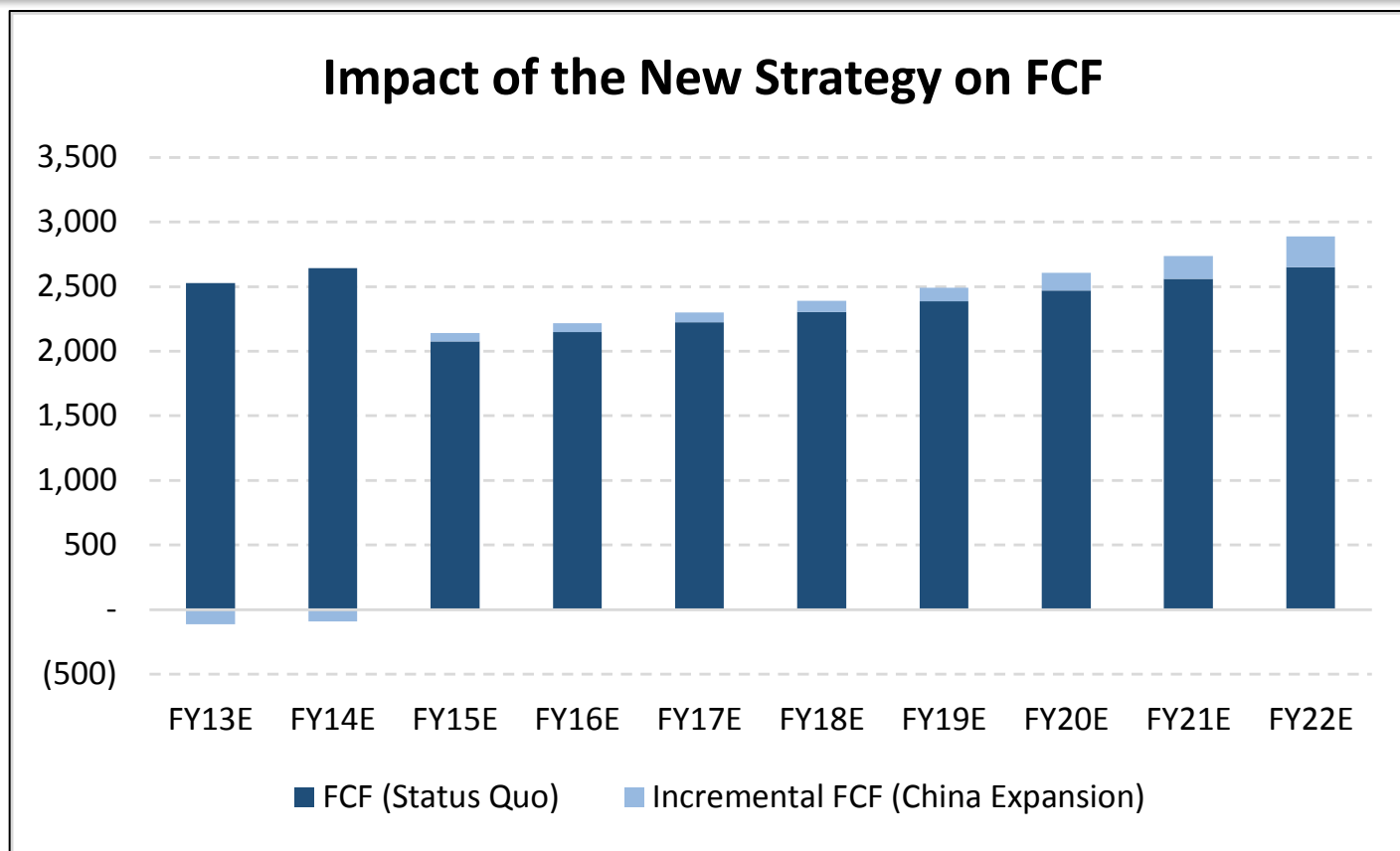
Operating Margin by Region



Operating Profit by Region



Expansion: Overall Financial Implications



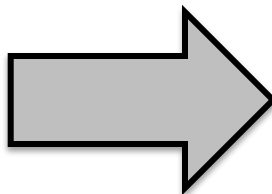
	FY13E	FY14E	FY15E	FY16E	FY17E	FY18E	FY19E	FY20E	FY21E	FY22E
FCF (Status Quo)	2,528	2,643	2,076	2,150	2,226	2,305	2,387	2,471	2,559	2,650
Incremental FCF (China Expansion)	(114)	(92)	67	68	74	85	105	137	180	241
Impact (%)	-4.5%	-3.5%	3.2%	3.2%	3.3%	3.7%	4.4%	5.5%	7.0%	9.1%

The strategy implementation will be a drag on short-term FCF, but overall, the company will be better positioned for the long-term.

Expansion: Overall Financial Implications

Valuation (Status Quo)

NPV of FCF	16,129
NPV of Terminal Value	11,219
Enterprise Value	27,348
Less: Debt	(20,450)
Add: Cash	20
Equity Value	6,918



Valuation (Expansion)

NPV of FCF	16,538
NPV of Terminal Value	12,781
Enterprise Value	29,319
Less: Debt	(20,450)
Add: Cash	20
Equity Value	8,889

Assuming a WACC of 9.9% and a terminal growth of 1.5%, our new strategy will increase the valuation of the company by 28%.

Frog's Leap

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Major Environmental Issues



Water Management

- Impact on quality
- Usage

Dry Farming

WASTE MANAGEMENT

- Solid waste products

Own Source of Compost

Green House

- Pesticide
- Other CO2 emission

**Organic & Biodynamic
LEED Certified
Energy Self-Sufficient**

Recycled Bottles

Benefits

Purchase bottles made 50% from recycled raw materials



21% reduction in CO2 emission

Reduce weight of bottles (17%)



Reduction of transportation costs

Costs

Higher purchasing cost (46%)



Only represent a small portion of costs


Recycled Bottles

Cost / Benefit Analysis

<u>Costs</u>		
Average Bottle Cost	\$	0.33
Incremental Cost (%)		46%
Incremental Cost (\$)	\$	0.15
Number of Bottles		62,000
Total Incremental Cost	\$	9,269

<u>Benefits</u>		
Total Sales	\$	12,152,000
Distribution Cost (%)		5%
Distribution Cost (\$)	\$	607,600
Cost Savings		4%
Total Benefits	\$	24,304

**According to IBIS World, the industry distribution costs represent 7.8% of sales.*



<u>Analysis</u>		
Break-even (\$)	\$	9,269
Cost Saving Needed (%)		2%
Net Cost Savings		2.5%
Net Benefits	\$	15,035

Project NPV: \$194,000

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Succession Process

Smooth Transfer to Family

Preparing Next Generation

Integrating Next Generation into the Business

Selecting a Successor

The Gradual Transfer of Power

Restructuring

Define Clear Family and Non-family Roles

The Inheritance Plan

Tax Minimization Strategy

Payback of debt to stabilize the company until FY15E

Implementation of a dividend in FY15E to benefit from the qualified dividend (Tax rate of <15%)

Gift maximum to utilise gift lifetime exemption (FY22E: \$6,4M)

Excess is redeemed by corporation in exchange for loan (Tax rate of ~35%)

Source: Internal Revenue Services

Define clear family roles to avoid conflicts and implement a dividend to minimize taxes.

Conclusion



Increase Sales Remain Small

PREMIUMISATION

Japan: product
development

China: market
penetration

Expansion NPV: \$1,8M
2015 Financial Stability

Sustainable Initiative

RECYCLE BOTTLES

Reduction of
Transportation Costs

Reduction of CO2
Emission

NPV: \$194,000

Build a Legacy

SUCCESSION

Prepare succession plan

**Effective transfer to next
generation**

THANK YOU !

A close-up photograph of a cork, likely from a wine bottle, with the word "RIBBIT!" embossed on its surface in a bold, serif font. The cork is illuminated from the side, creating a warm, golden glow and highlighting its textured, porous surface. The background is dark and out of focus.

RIBBIT!

Du Terroir

CONSULTING

Back-Up Slides: Analysis

WINE INDUSTRY

Global Industry

Key Success Factors

Barriers to Entry

US Wine Industry

US Threats

US Distribution Trends

Distribution Channels

IMPLEMENTATION

COMPANY

Current Distribution

Product Portfolio

SWOT Analysis

MARKET

US Target Market

China Target Market

China and Japan
Demographics

FINANCIALS

Back-Up Slides: Implementation

MARKETING PLAN

China 7Ps

China: Distributor
Selection

Japan 7Ps

Japan: Partner Selection

China: Product Portfolio

Current Website

Japan: Product Portfolio

New Suggested Website

Relationship
Management with
Distributors

China: Partner Selection

SUCCESSION PLAN

Detailed
Recommendation

ANALYSIS

FINANCIALS

SUSTAINABILITY

Why Sustainability

Waste Prevention System

EMS Techniques

Issues with Light Bottles

Supplier of Recycled
Bottles

Next Initiative Criteria

Waste Management
System

Waste Management
Initiatives

Back-Up Slides: Financials

FX Impact on Sales

Operating Profit by Segment

Sales Forecast

US Sales by Segment

Japan, China Sales by Segment

Total Sales by Segment

WACC Calculations

Levered Beta

Below the Line Items

Distribution: Key Statistics

Balance Sheet (Assets)

Balance Sheet (Liabilities & Shareholders' Equity)

Cash Flow Statement

Valuation Summary: China Expansion

Valuation Summary: Status Quo

Scenario Analysis

ANALYSIS

IMPLEMENTATION

Region Specific

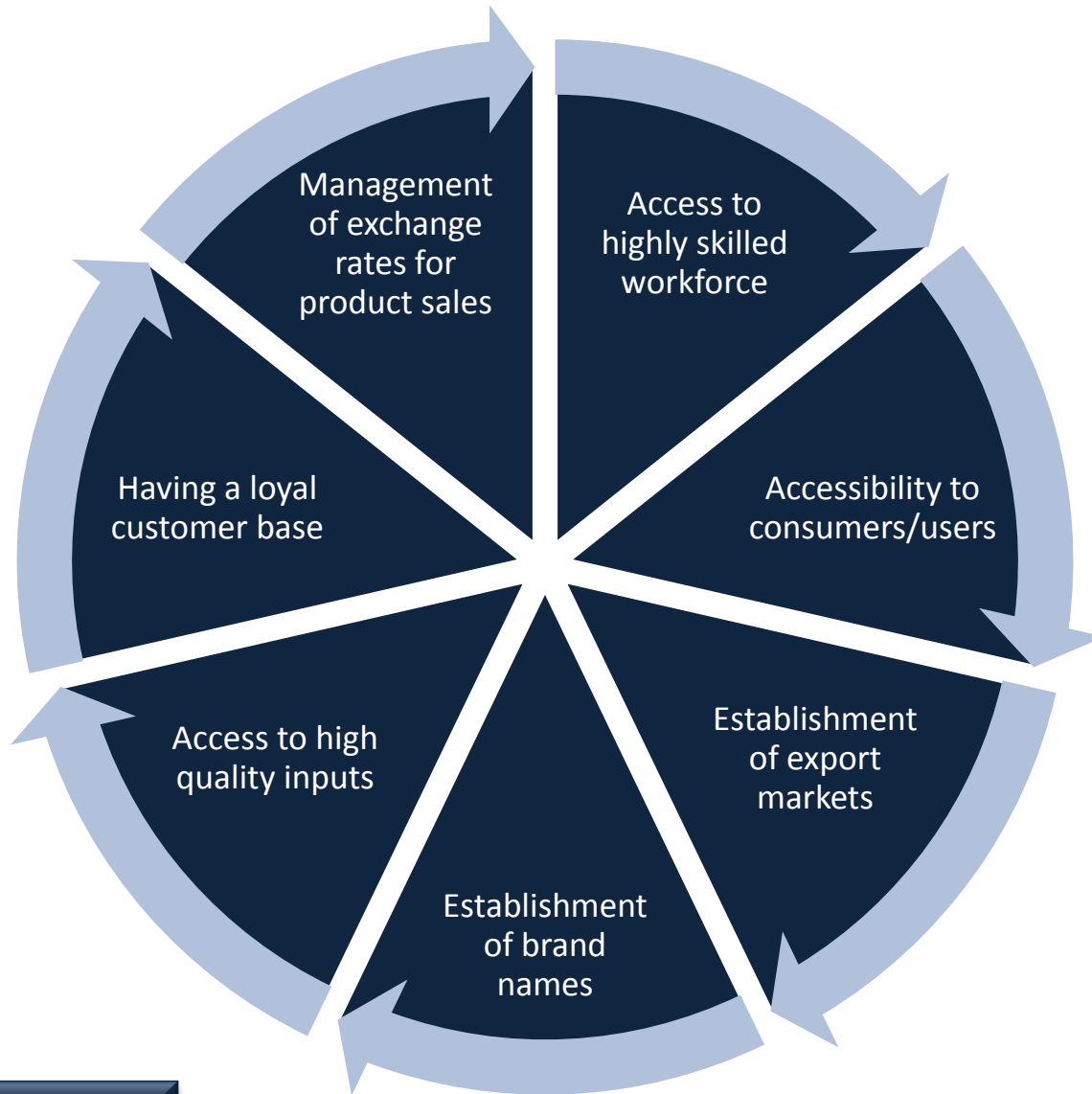
- Industry Life Cycle
- Recession Impact

Asia Pacific: most dynamic

- Fastest-growing region for wine globally
- Still light grape wine is quickly growing
- Higher-end offerings broke new sales records in HK and China
- Region's advanced drinking culture

Domination of the Still Light Grape Wine

- Renewed interest in home consumption
- Western drinking habits
- Growing presence of New World wines



BACK

INDUSTRY COMPETITION



Direct Competition:

- Other premium brand
- French wines are really strong internationally (48%)

Indirect Competition:

- High threat of substitutes
- Cultural impact
- Spirits, Beer, Other Wine Varieties

OTHER FACTORS



Industry Concentration:

- Market consolidation
- Power of big players

Regulation and Policy:

- State regulated distributors
- Taxes and tariffs
- Advertising restrictions

Life Cycle State:

- Different in each market
- Strong impact on industry

US Wine Market



Attractive Market Overall:

- 5.2% annual growth forecasted
- Premiumisation trends
- In 2010, US surpassed France as the world's largest wine-consumption nation
- Millennials emerge as new consumers

The overall US Wine Market is forecasted to quickly recover from the economic crisis and grow.

Future Threats

Challenges and Threat for Small/Medium Wineries:

- Consolidation of the industry
- Consolidation of the distribution channels
 - ❖ Loss of interest in smaller wineries
 - ❖ Lower presence in the market
 - ❖ Lower sales in the US market
- Increase of Competition

The US Wine Market is becoming more and more unattractive for small and medium wineries as they face distribution challenges because of consolidation along the supply chain.



Larger wineries that can afford sophisticated marketing and sales teams will gain market share.



Smaller wineries will lose market share in off-trade premises and will turn to direct sale services (online operations, cellar door).

SMALL WINERIES:

Challenge

- Find a retail outlet that will sell your brand

Supermarkets

- Price Pressure
- Demand Conditions
- Consistent Taste
- Responsible for Marketing

Alternatives

- High-street wine specialists and restaurants
- Direct Selling Service (cellar door, online operations)

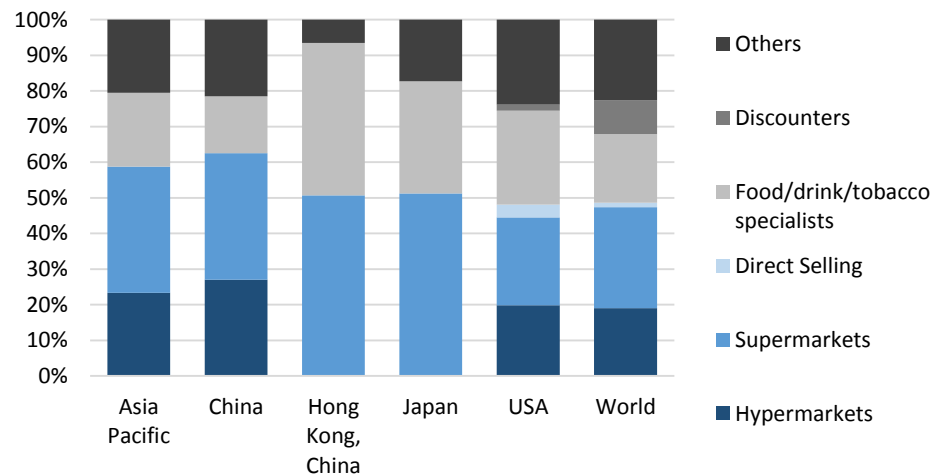
BACK

Distribution Channels

INDUSTRY

	FY00	FY11	FY16E	Change	
				00-11	11-16E
Asia Pacific	39.4%	43.8%	46.7%	4.5%	2.8%
China	45.8%	48.4%	50.6%	2.6%	2.2%
Hong Kong, China	38.5%	35.8%	34.9%	-2.7%	-0.9%
Japan	34.8%	34.7%	34.4%	-0.1%	-0.3%
Singapore	31.0%	30.1%	29.7%	-0.8%	-0.4%
South Korea	22.5%	30.6%	32.9%	8.2%	2.3%
Australasia	17.8%	19.0%	18.6%	1.2%	-0.4%
Eastern Europe	14.4%	13.1%	12.6%	-1.2%	-0.5%
Latin America	15.9%	20.1%	20.5%	4.2%	0.4%
North America	21.4%	19.5%	20.3%	-1.9%	0.8%
Canada	17.3%	15.5%	15.3%	-1.8%	-0.2%
USA	22.0%	20.3%	21.4%	-1.7%	1.1%
Western Europe	33.6%	29.1%	27.3%	-4.5%	-1.8%
World	29.5%	28.3%	29.5%	-1.1%	1.2%

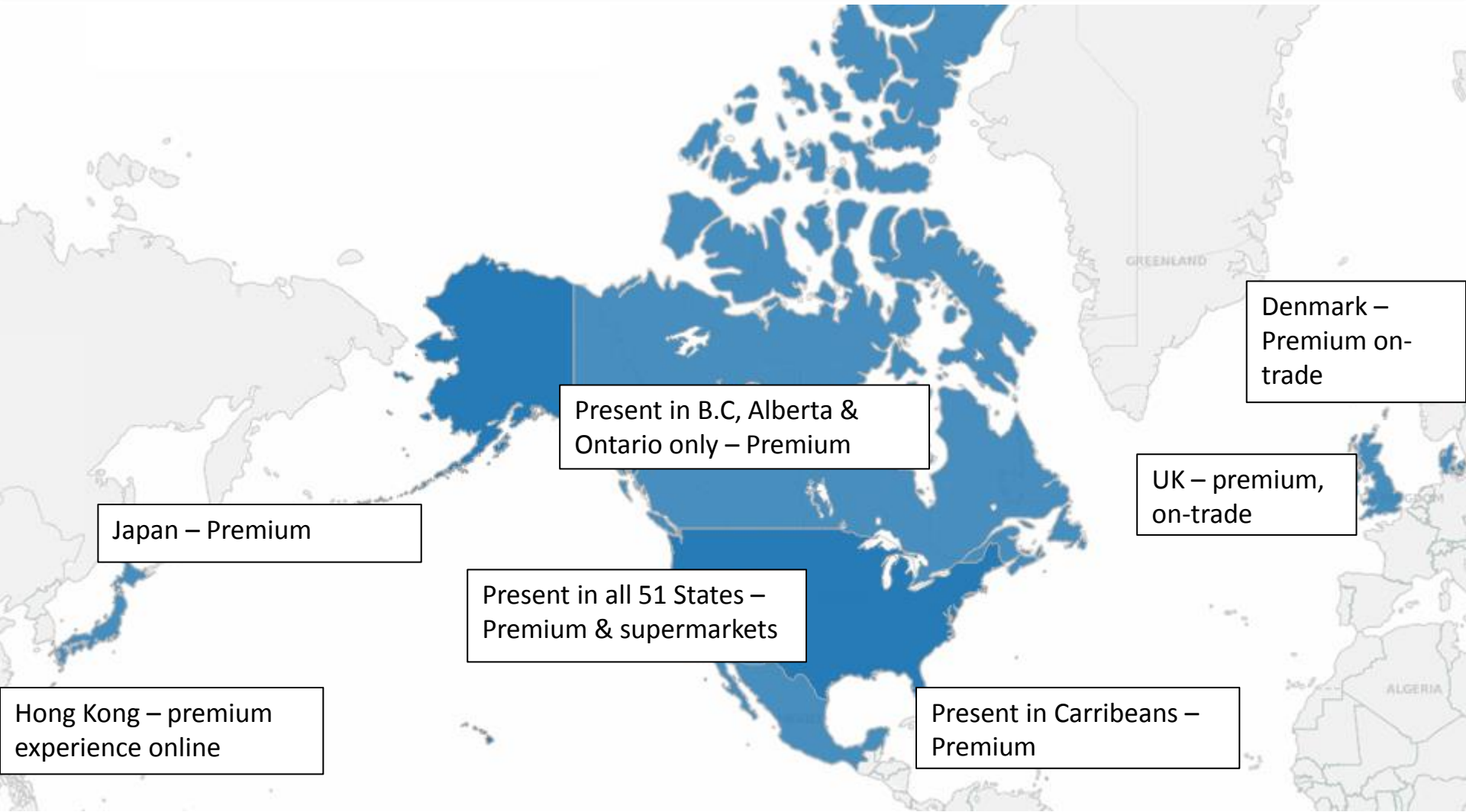
Off-Trade Split by Region (FY11)



BACK

Current Distribution

COMPANY



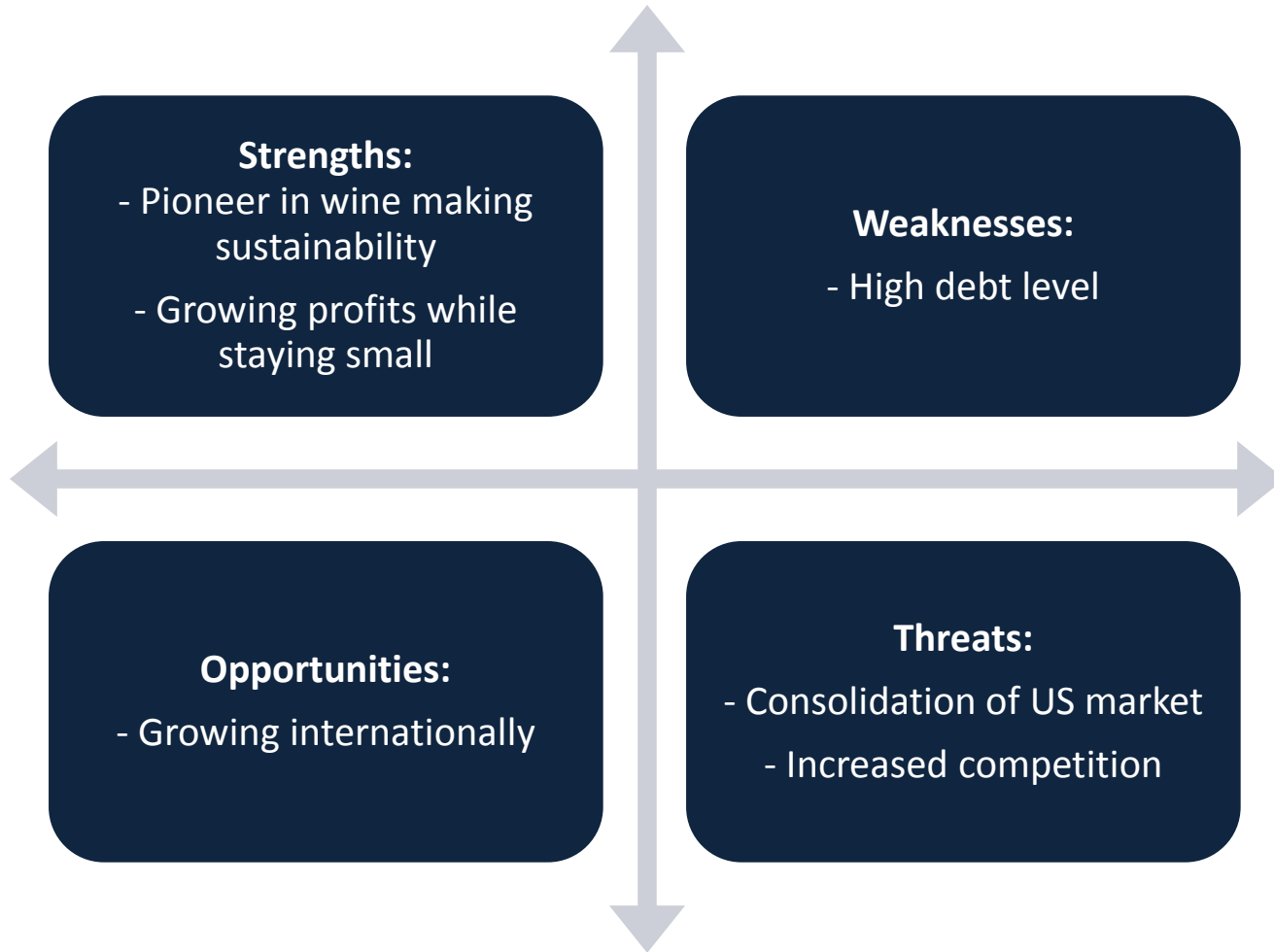
BACK

Product Portfolio

COMPANY

Wine Color	Name	2013 Price	2013 Club Price
White	Sauvignon Blanc	\$ 20 USD	\$ 17 USD
White	Chardonnay	\$ 26 USD	\$ 22.10 USD
Red	Zinfandel	\$ 30 USD	\$ 22.95
Red	Merlot	\$ 38 USD	\$ 32.95
Red	Cabernet Sauvignon	\$ 45 USD	\$ 35.90
Red	Petite Sirah	\$ 35 USD	\$ 29.95
Red	Frogenbeerenauslee	\$ 25 USD	\$ 21.25
Rutherford	Rutherford	\$ 75 USD	\$ 63.75
Rosé	La Grenouille Rouganté	\$ 16 USD	\$ 13.60
OTHERS	Olive Oil & Honey	NA	NA

[BACK](#)



PARTICULAR CUSTOMERS

DEMOGRAPHICS

Age: 35-55 years old
Location: United States of America
Gender: males and females
Income Level (median household): \$65,700
Education Level: college educated
Family Status: married with kids
Occupation: working
Ethnic Background: mostly Caucasian

PSYCHOGRAPHICS

Lifestyle: LOHAS (Lifestyle of Health and Sustainability)
Personality: savvy, sophisticated, ecologically and economically aware
Values: strong ethics, seeking a better world for themselves and their children, healthy body healthy mind, sustainable living, social living
Social Class: middle class

KEY STATISTICS

38 million
people

17% of US adult
population

Total Annual
spending power
of \$209 billion

[BACK](#)

JAPAN

Age: 30-50 years old

Location: major cities

Gender: males and females

Income Level: \$40,000 - \$65,000

Education Level: college educated

Family Status: married

Occupation: white collar workers

Ethnic Background: Japanese

CHINA

Age: 25-45 years old

Location: major cities

Gender: males and females

Income Level: \$10,000 - \$30,000 USD

Education Level: college educated

Family Status: single, recently married

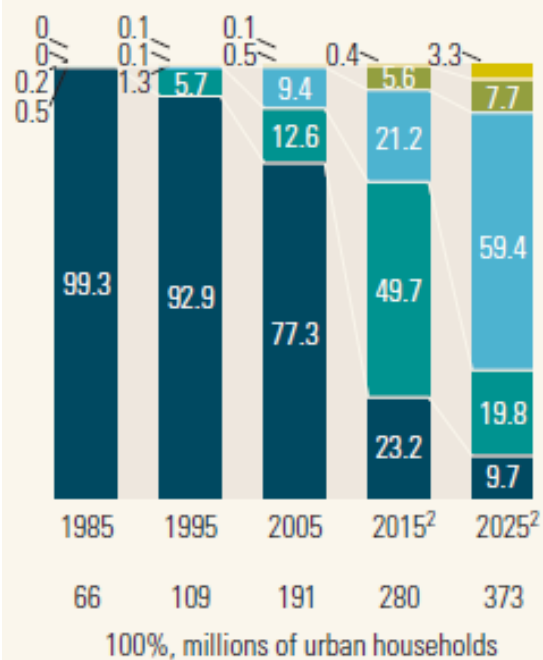
Occupation: white collar workers,
entrepreneurs

Ethnic Background: Chinese

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Spending power is on the rise

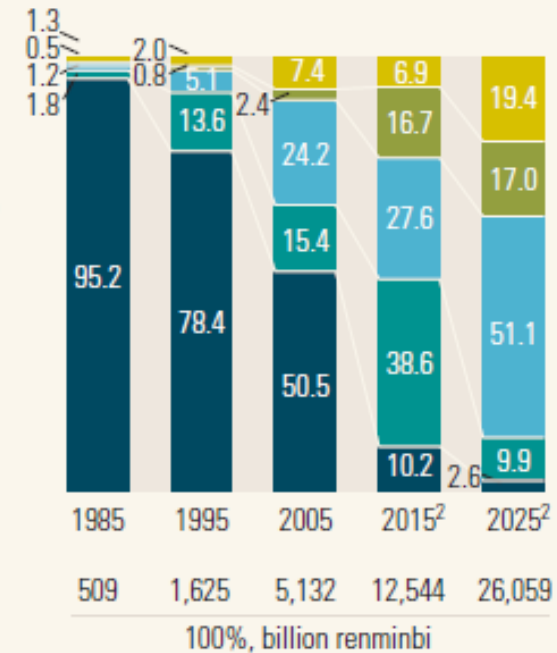
Share of Chinese urban households,¹ %



Share of total urban disposable income,¹ %

Segments by annual income

- **Global affluent** (>200,000 renminbi)
- **Mass affluent** (100,001–200,000 renminbi)
- **Upper middle class** (40,001–100,000 renminbi)
- **Lower middle class** (25,001–40,000 renminbi)
- **Poor** (<=25,000 renminbi)



¹ Some figures do not sum to 100%, because of rounding; disposable income = after-tax income, including savings; real renminbi, base year = 2000; 1 renminbi = \$0.12.

² Base case forecast, Q1 2006.

Source: National Bureau of Statistics of China; McKinsey Global Institute analysis

The Chinese upper middle class represents great opportunity as both its size and disposable income will increase.

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Product Offerings

- White Wines : Sauvignon Blanc & Chardonnay
- Red wines: Merlot, Cabernet Sauvignon, Zinfandel, Rutherford – **Focus on Red wines**

Price

- Average retail price of \$50.00 USD

Distribution

- BBR, ASC Fine Wines and East Meets West Fine Wines

Promotion

- Educate distributors through in-house visits, meal pairing

People

- Launch event to network with distributors/partners, educate them about organic wine making & Frog's Leap

Payment

- Return policy: No refunds, except if product arrives damaged

Production

- Napa Valley, California

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Product Offerings

- White wines : Sauvignon Blanc & Chardonnay – **Focus on White wines**
- Red wines: Merlot, Cabernet Sauvignon, Zinfandel, Rutherford

Price

- Average retail price of \$50.00 USD

Distribution

- La Languedocienne , BBR and Koto

Promotion

- Educate distributors through in-house visits, meal pairing

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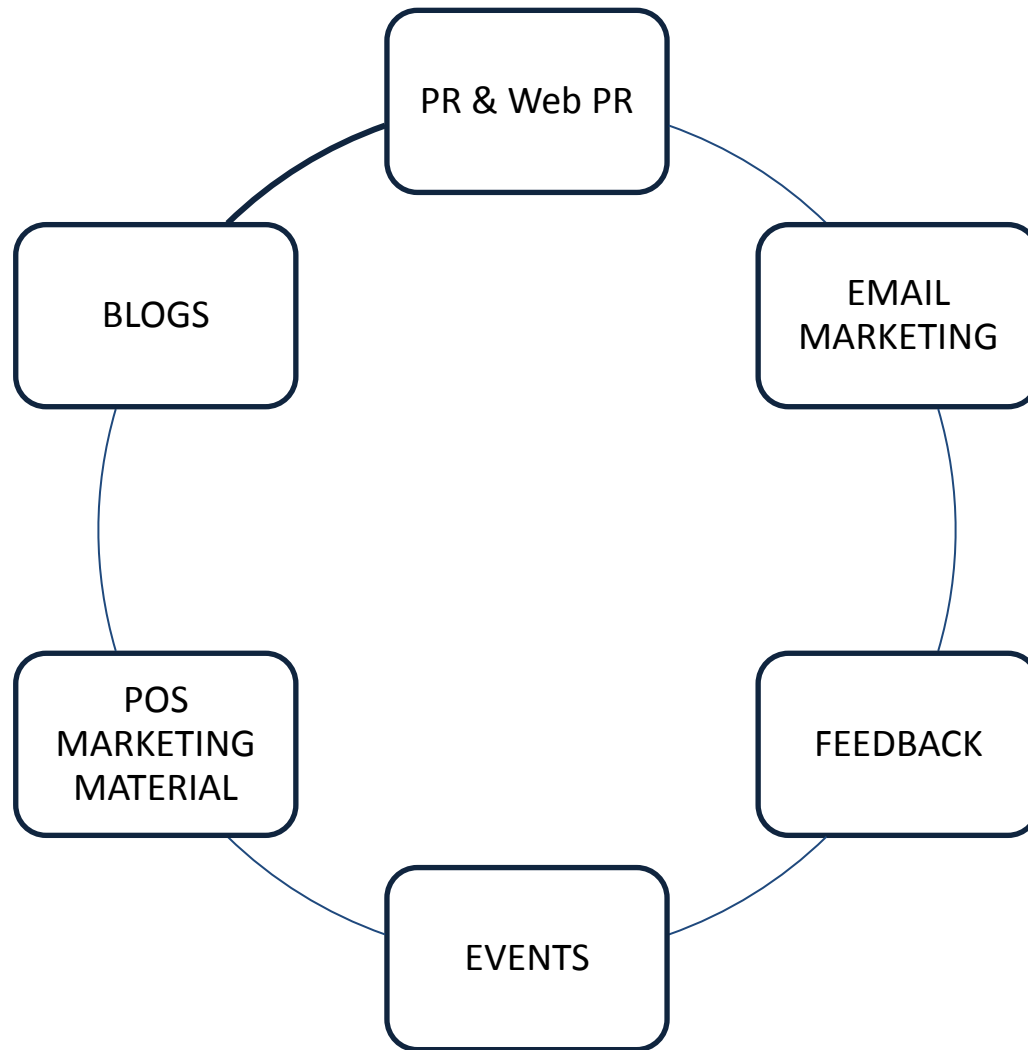
	Merlot	Sauvignon Blanc	Zinfandel	Rutherford	Chardonnay	Cabernet Sauvignon
% of total cases sold	30	15	5	5	15	30
MSRP \$USD	\$41.00	\$28.00	\$57.00	\$148.00	\$52.00	\$77.00

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	Merlot	Sauvignon Blanc	Zinfandel	Rutherford	Chardonnay	Cabernet Sauvignon
% of total cases sold	20	15	10	5	30	20
MSRP \$USD	\$41.00	\$28.00	\$57.00	\$148.00	\$52.00	\$77.00

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Bariju

<i>Decision Criteria</i>	Premium Positioning	Enviromental Friendly	Sense of Social Entrepreneurship	Size	Community Oriented	TOTAL
Guo Hua China of Xi Feng Jiu National	5	4	3	2	2	16
Zhejiang Kitchen Worker Brewage	5	4	4	5	4	22
Tongling Yinke Jiuye	5	4	2	3	3	17

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<i>Decision Criteria</i>	Premium Wine Segment Distribution	Distribution network in urban cities	Mix of on-trade and off-trade customers	Size	Expertise	TOTAL
China Wine Platform	5	5	3	4	5	22
ASC Fine Wines	5	5	4	4	5	23
Torres China	5	5	3	4	5	22
East Meets West Fine Wines	5	5	4	4	5	23
Montrose Food & Wine Ltd	5	5	3	3	4	21

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Sake

<i>Decision Criteria</i>	Premium Positioning	Enviromental Friendly	Sense of Social Entrepreneurship	Size	Community Oriented	TOTAL
Tenju Shuzo	5	3	4	5	4	21
Toshimaya	5	3	3	3	4	18
Saiya Shuzoten	5	3	3	4	4	16

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"TIME'S FUN WHEN YOU'RE HAVING FLIES"

*CATCH OUR 2013 WINES BEFORE THEY
FLY AWAY!*



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Part of DNA



Triple Bottom
line



Build Legacy



Long-Term
Sustainability

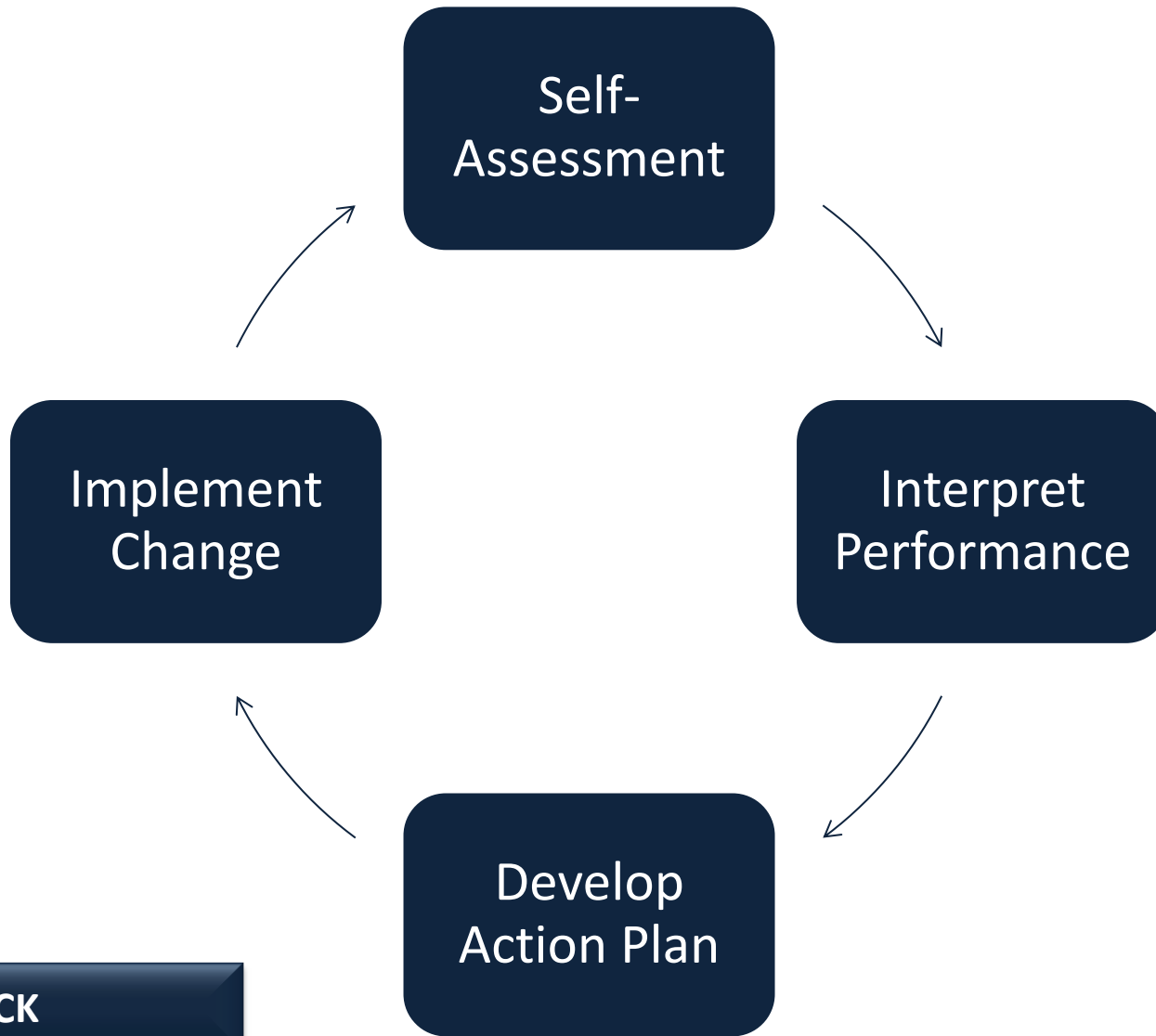


No Growth in
Operations Size



Lower
Operating Costs

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Water Use Management

- Already using dry farming techniques

Waste Management

- Only reduce compostable waste

Vineyard Establishment

- Already LEED certified

Soil & Fertilizer Management

- Already use organic/biodynamic techniques

Equipment, Vehicle & Machinery

- Requires high capital intensive

Customer perception

- Customers care about height, not weight (University of Bangor)

Light Protection

- GlassRite found relationship of thickness to protection is not linear
- Large change in thickness → small change in protection

Recommendation

- Ensure same height as regular bottles
- Make small adjustment in lighting if necessary

Owens-Illinois

“We are continually seeking ways to be more energy efficient, use less water, lessen transportation distances through increased local production, produce lighter-weight products and increase recycled glass use to help shrink our global footprint.”

Environment Management System (EMS)

Triple Bottom Line

ECONOMIC

- Low Capital Intensive
- Impact on Cost Structure

ECOLOGICAL

- Beneficial Incremental Impact on Environment
- Long-term Sustainability

SOCIAL

- Positive Impact on Community

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Two Segments

Waste Management System

**Waste
Prevention**



Focuses on avoiding
waste creation

Waste Disposal



Focuses on
reusing/transforming
waste

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Two Options

Green Bottling



Purchase bottles
made 50% from
recycled

Reduce weight of
bottles

Waste Reduction



Other packaging
waste reduction

Paper waste reduction

Reusable transport
package

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Goals

**Transfer ownership in
10-20 years**

**Estate planning
(minimize tax liability)**

BACK

Recommendation

**Take out excess cash as qualified
dividend (low tax rate)**

**In 10 years, gift to next generation up
to lifetime exemption gift (tax free)**

**Excess will be purchased back by
corporation for loan (taxable dividend)**

	FY10	FY11	FY12E	FY13E	FY14E	Impact of a 10% Change in FY14E
Japan						
Average Exchange Rate	81.5	77.7	86.6	95.0	96.0	86.4
Change YoY		4.7%	-11.5%	-9.7%	-1.1%	-9.1%
% of Sales	7.0%	7.0%	7.1%	7.0%	6.9%	6.9%
FX Impact		0.3%	-0.8%	-0.7%	-0.1%	-0.6%
Greater China						
Average Exchange Rate	6.62	6.30	6.29	6.25	6.19	5.571
Change YoY		4.8%	0.2%	0.6%	1.0%	-10.9%
% of Sales	0.0%	0.0%	0.0%	2.8%	6.1%	6.1%
FX Impact		0.0%	0.0%	0.0%	0.1%	-0.7%

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Operating Profit by Segment

FINANCIALS

Operating Profit by Segment

	FY10	FY11	FY12E	FY13E	FY14E	FY15E	FY16E	FY17E	FY18E	FY19E	FY20E	FY21E	FY22E
Resellers (US)	878	1,826	1,900	1,959	2,015	2,085	2,143	2,200	2,253	2,302	2,344	2,376	2,396
OM (%)	11.0%	18.8%	19.0%	19.2%	19.4%	19.6%	19.7%	19.8%	19.9%	20.0%	20.1%	20.2%	20.3%
OM Change (bps)		783	20	20	20	20	10	10	10	10	10	10	10
Growth (%)		108.1%	1.1%	1.1%	1.0%	1.0%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%
Direct Selling (US)	148	308	322	337	353	369	383	399	415	432	449	467	486
OM (%)	11.4%	19.5%	19.7%	19.9%	20.1%	20.3%	20.4%	20.5%	20.6%	20.7%	20.8%	20.9%	21.0%
OM Change (bps)		814	20	20	20	20	10	10	10	10	10	10	10
Growth (%)		108%	1.0%	1.0%	1.0%	1.0%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%
Japan	114	237	249	262	276	290	304	318	333	349	366	384	402
OM (%)	16.3%	27.9%	28.1%	28.3%	28.5%	28.7%	28.8%	28.9%	29.0%	29.1%	29.2%	29.3%	29.4%
OM Change (bps)		1,163	20	20	20	20	10	10	10	10	10	10	10
Growth (%)		108%	1%	1%	1%	1%	0%	0%	0%	0%	0%	0%	0%
Greater China				100	234	305	395	512	664	860	1,115	1,440	1,860
OM (%)				27.0%	27.3%	27.6%	27.8%	28.0%	28.2%	28.4%	28.6%	28.7%	28.8%
OM Change (bps)				na	30	30	20	20	20	20	20	10	10
Growth (%)					1%	1%	1%	1%	1%	1%	1%	0%	0%
Transportation Savings				15	15	15	15	15	15	15	15	15	15
Operating Profit	1,140	2,372	2,472	2,673	2,892	3,063	3,240	3,444	3,680	3,958	4,289	4,682	5,159
OM (%)	11.4%	19.5%	19.7%	20.3%	20.7%	21.0%	21.3%	21.5%	21.8%	22.2%	22.6%	23.0%	23.5%
OM Change (bps)		814	21	53	45	32	24	27	31	35	40	43	48
Growth (%)		108.1%	4.2%	8.1%	8.2%	5.9%	5.8%	6.3%	6.9%	7.6%	8.4%	9.2%	10.2%

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	FY10	FY11	FY12E	FY13E	FY14E	FY15E	FY16E
Total							
Volume	53,000	62,000	62,000	62,000	62,000	62,000	62,000
<i>Volume Growth (%)</i>		17.0%	0.0%	0.0%	0.0%	0.0%	0.0%
ASP per Bottle	11.8	12.3	12.6	13.3	14.1	14.7	15.4
<i>Pricing Growth (%)</i>		3.7%	3.1%	5.3%	5.8%	4.3%	4.6%
Total Revenues	10,017	12,152	12,531	13,199	13,970	14,571	15,240
<i>Sales Growth (%)</i>		21.3%	3.1%	5.3%	5.8%	4.3%	4.6%

ASP: Average Selling Price

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US Sales by Segment

FINANCIALS

	FY10	FY11	FY12E	FY13E	FY14E	FY15E	FY16E	FY17E	FY18E	FY19E	FY20E	FY21E	FY22E
Resellers (US)													
Volume	48,046	56,204	56,169	55,634	54,976	54,665	54,286	53,824	53,256	52,559	51,699	50,638	49,325
Volume Growth (%)		17.0%	-0.1%	-1.0%	-1.2%	-0.6%	-0.7%	-0.9%	-1.1%	-1.3%	-1.6%	-2.1%	-2.6%
ASP per Bottle	10.4	10.8	11.1	11.5	11.8	12.2	12.5	12.9	13.3	13.7	14.1	14.5	15.0
Pricing Growth (%)		3.7%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Resellers Sales	8,014	9,722	10,007	10,209	10,391	10,642	10,886	11,117	11,330	11,517	11,668	11,771	11,810
Sales Growth (%)		21.3%	2.9%	2.0%	1.8%	2.4%	2.3%	2.1%	1.9%	1.7%	1.3%	0.9%	0.3%
Direct Selling (US)													
Volume	3,904	4,566	4,589	4,612	4,635	4,658	4,682	4,705	4,729	4,752	4,776	4,800	4,824
Volume Growth (%)		17.0%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%
ASP per Bottle	20.9	21.6	22.3	22.9	23.6	24.3	25.1	25.8	26.6	27.4	28.2	29.1	29.9
Pricing Growth (%)		3.7%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Direct Sales	1,302	1,580	1,635	1,693	1,752	1,814	1,878	1,944	2,012	2,083	2,156	2,232	2,310
Sales Growth (%)		21.3%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%
% of Sales (%)	13.0%	13.0%	13.1%	12.8%	12.5%	12.4%	12.3%	12.2%	11.9%	11.7%	11.4%	11.0%	10.5%

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China, Japan Sales by Segment

FINANCIALS

	FY10	FY11	FY12E	FY13E	FY14E	FY15E	FY16E	FY17E	FY18E	FY19E	FY20E	FY21E	FY22E
Greater China													
Volume				500	1,123	1,398	1,740	2,166	2,697	3,358	4,180	5,204	6,479
Volume Growth (%)					124.5%	24.5%	24.5%	24.5%	24.5%	24.5%	24.5%	24.5%	24.5%
ASP per Bottle				46.2	47.8	49.4	51.1	52.8	54.6	56.4	58.3	60.3	62.3
Pricing Growth (%)					7.6%	7.6%	7.6%	7.6%	7.6%	7.6%	7.6%	7.6%	7.6%
FX Impact (%)					1.0%	0.0% e in FY14E	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Reported Pricing Growth (%)					8.6%	7.6%	7.6%	7.6%	7.6%	7.6%	7.6%	7.6%	7.6%
Greater China Sales				370	858	1,104	1,421	1,829	2,354	3,030	3,900	5,019	6,459
Sales Growth (%)				na	132.1%	28.7%	28.7%	28.7%	28.7%	28.7%	28.7%	28.7%	28.7%
% of Sales (%)				2.8%	6.1%	7.6%	9.3%	11.4%	14.0%	17.0%	20.5%	24.7%	29.4%

	FY10	FY11	FY12E	FY13E	FY14E	FY15E	FY16E	FY17E	FY18E	FY19E	FY20E	FY21E	FY22E
Japan													
Volume	1,051	1,229	1,242	1,254	1,267	1,279	1,292	1,305	1,318	1,331	1,345	1,358	1,372
Volume Growth (%)		17.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
ASP per Bottle	41.7	43.2	44.7	46.2	47.8	49.4	51.1	52.8	54.6	56.4	58.3	60.3	62.3
Pricing Growth (%)		3.4%	3.4%	3.4%	3.4%	3.4%	3.4%	3.4%	3.4%	3.4%	3.4%	3.4%	3.4%
FX Impact (%)		0.3%	-0.8%	-0.7%	-0.1%	0.0%	-0.6%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Reported Pricing Growth (%)		3.7%	2.6%	2.7%	3.3%	3.4%	2.7%	3.4%	3.4%	3.4%	3.4%	3.4%	3.4%
Japan Sales	701	851	888	927	968	1,011	1,055	1,102	1,151	1,201	1,254	1,310	1,367
Sales Growth (%)		21.3%	4.4%	4.4%	4.4%	4.4%	4.4%	4.4%	4.4%	4.4%	4.4%	4.4%	4.4%
% of Sales (%)	7.0%	7.0%	7.1%	7.0%	6.9%	6.9%	6.9%	6.9%	6.8%	6.7%	6.6%	6.4%	6.2%

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Total Sales by Segment

FINANCIALS

	FY10	FY11	FY12E	FY13E	FY14E	FY15E	FY16E	FY17E	FY18E	FY19E	FY20E	FY21E	FY22E
Total													
Volume	53,000	62,000	62,000	62,000	62,000	62,000	62,000	62,000	62,000	62,000	62,000	62,000	62,000
Volume Growth (%)		17.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
ASP per Bottle	11.8	12.3	12.6	13.3	14.1	14.7	15.4	16.1	17.0	18.0	19.1	20.5	22.1
Pricing Growth (%)		3.7%	3.1%	5.3%	5.8%	4.3%	4.6%	4.9%	5.3%	5.8%	6.4%	7.1%	7.9%
Total Revenues	10,017	12,152	12,531	13,199	13,970	14,571	15,240	15,992	16,846	17,830	18,978	20,331	21,947
Sales Growth (%)		21.3%	3.1%	5.3%	5.8%	4.3%	4.6%	4.9%	5.3%	5.8%	6.4%	7.1%	7.9%

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WACC Calculations

Cost of Debt	7.0%
Tax Rate	40.0%
Cost of Debt (After-Tax)	4.2%
Risk-Free Rate	1.8%
Adjusted Levered Beta	1.36
Market Premium	7.0%
Small Cap Premium	7.0%
Cost of Equity	18.3%
Net Debt	20,430
Market Capitalization	14,080
D/E	145.1%
WACC	9.9%

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	Country/Region	Net Debt (USD)	Market Cap (USD)	D/E	Tax Rate	Levered Beta	Unlevered Beta
Wineries:							
Constellation Brands	United States	2,665	9,080	29%	33%	1.06	0.89
Treasury Wine Estates	Australia	39	3,700	1%	30%	0.90	0.89
Vina Choncha Y Toro	LatAm	-	1,460	0%	17%	0.65	0.65
Delegat's	New Zealand	-	321	0%	29%	0.39	0.39
Dynasty Fine Wines	Hong Kong	-	233	0%	25%	1.15	1.15
Australian Vintage	Australia	142	70	204%	30%	1.01	0.42
Average		474	2,477	39%	27%	0.86	0.73

Distillers with a Large Portion of Sales in Asia:

Diageo	Global	11,609	77,170	15%	25%	0.78	0.70
Pernod-Ricard	Global	5,212	33,386	16%	33%	0.77	0.70
Remy Cointreau	Global	713	5,777	12%	33%	0.83	0.77
Average		5,845	38,778	14%	30%	0.79	0.72

Unlevered Beta - Average							0.73
Company		20.43	14.08	145%	40%	1.36	0.73

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Below the Line Items

FINANCIALS

	FY10	FY11	FY12E	FY13E	FY14E	FY15E	FY16E	FY17E	FY18E	FY19E	FY20E	FY21E	FY22E
Operating Profit	1,140	2,372	2,472	2,673	2,892	3,063	3,240	3,444	3,680	3,958	4,289	4,682	5,159
OM (%)	11.4%	19.5%	19.7%	20.3%	20.7%	21.0%	21.3%	21.5%	21.8%	22.2%	22.6%	23.0%	23.5%
OM Change (bps)		814	21	53	45	32	24	27	31	35	40	43	48
Growth (%)		108.1%	4.2%	8.1%	8.2%	5.9%	5.8%	6.3%	6.9%	7.6%	8.4%	9.2%	10.2%
Total Interest Expense	(1,420)	(1,420)	(1,420)	(1,269)	(1,157)	(1,029)	(1,029)	(1,029)	(1,029)	(1,029)	(1,029)	(1,029)	(1,029)
% of sls (%)	-14.2%	-11.7%	-11.3%	-9.6%	-8.3%	-7.1%	-6.8%	-6.4%	-6.1%	-5.8%	-5.4%	-5.1%	-4.7%
Cost of Net Debt (%)	6.7%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%
Pre-Tax Income	(280)	952	1,052	1,404	1,735	2,034	2,211	2,415	2,651	2,929	3,260	3,653	4,130
Pre-Tax Margin (%)	-2.8%	7.8%	8.4%	10.6%	12.4%	14.0%	14.5%	15.1%	15.7%	16.4%	17.2%	18.0%	18.8%
Tax Expense	112	(381)	(421)	(562)	(694)	(813)	(885)	(966)	(1,061)	(1,172)	(1,304)	(1,461)	(1,652)
Effective Tax Rate (%)	40.0%	40.0%	40.0%	40.0%	40.0%	40.0%	40.0%	40.0%	40.0%	40.0%	40.0%	40.0%	40.0%
Net Profit	(168)	571	631	842	1,041	1,220	1,327	1,449	1,591	1,757	1,956	2,192	2,478
Net Margin (%)	-1.7%	4.7%	5.0%	6.4%	7.5%	8.4%	8.7%	9.1%	9.4%	9.9%	10.3%	10.8%	11.3%
Net Margin Change (bps)		638	34	134	107	92	33	35	38	41	45	47	51
Growth (%)		-440%	11%	33%	24%	17%	9%	9%	10%	10%	11%	12%	13%

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Distribution: Key Statistics

FINANCIALS

	FY10	FY11	FY12E	FY13E	FY14E	FY15E	FY16E	FY17E	FY18E	FY19E	FY20E	FY21E	FY22E
Sales Mix													
Resellers (US)	80%	80%	80%	77%	74%	73%	71%	70%	67%	65%	61%	58%	54%
Direct Selling (US)	13%	13%	13%	13%	13%	12%	12%	12%	12%	12%	11%	11%	11%
Japan	7%	7%	7%	7%	7%	7%	7%	7%	7%	7%	7%	6%	6%
Greater China	0%	0%	0%	3%	6%	8%	9%	11%	14%	17%	21%	25%	29%
Net Sales													
Resellers (US)	8,014	9,722	10,007	10,209	10,391	10,642	10,886	11,117	11,330	11,517	11,668	11,771	11,810
Direct Selling (US)	1,302	1,580	1,635	1,693	1,752	1,814	1,878	1,944	2,012	2,083	2,156	2,232	2,310
Japan	701	851	888	927	968	1,011	1,055	1,102	1,151	1,201	1,254	1,310	1,367
Greater China	-	-	-	370	858	1,104	1,421	1,829	2,354	3,030	3,900	5,019	6,459
Operating Profit													
Resellers (US)	878	1,826	1,900	1,959	2,015	2,085	2,143	2,200	2,253	2,302	2,344	2,376	2,396
Direct Selling (US)	148	308	322	337	353	369	383	399	415	432	449	467	486
Japan	114	237	249	262	276	290	304	318	333	349	366	384	402
Greater China	-	-	-	100	234	305	395	512	664	860	1,115	1,440	1,860
Operating Margin by Region													
Resellers (US)	11.0%	18.8%	19.0%	19.2%	19.4%	19.6%	19.7%	19.8%	19.9%	20.0%	20.1%	20.2%	20.3%
Direct Selling (US)	11.4%	19.5%	19.7%	19.9%	20.1%	20.3%	20.4%	20.5%	20.6%	20.7%	20.8%	20.9%	21.0%
Japan	16.3%	27.9%	28.1%	28.3%	28.5%	28.7%	28.8%	28.9%	29.0%	29.1%	29.2%	29.3%	29.4%
Greater China				27.0%	27.3%	27.6%	27.8%	28.0%	28.2%	28.4%	28.6%	28.7%	28.8%

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Balance Sheet (Assets)

FINANCIALS

	FY10	FY11	FY12E	FY13E	FY14E	FY15E	FY16E	FY17E	FY18E	FY19E	FY20E	FY21E	FY22E
Current Assets													
Cash	10	20	20	20	20	20	20	20	20	20	20	20	20
Accounts Receivable	1,650	1,950	2,011	2,118	2,242	2,338	2,446	2,566	2,703	2,861	3,045	3,263	3,522
Inventory	12,010	11,550	10,651	10,559	10,477	10,929	11,430	11,994	12,635	13,373	14,233	15,249	16,460
Prepaid and other expenses	320	325	325	325	325	325	325	325	325	325	325	325	325
Total Current Assets	13,990	13,845	13,007	13,022	13,064	13,612	14,221	14,905	15,683	16,579	17,624	18,856	20,327
Non-Current Assets													
Property, Plant and Equipment	36,750	37,100	37,601	38,129	38,688	39,271	39,880	40,520	41,194	41,907	42,666	43,480	44,357
Less: Accumulated Depreciation & Amort	10,925	11,950	13,084	14,279	15,544	16,863	18,242	19,690	21,215	22,829	24,547	26,387	28,374
Net Property, Plant and Equipment	25,825	25,150	24,517	23,850	23,144	22,408	21,638	20,830	19,979	19,079	18,120	17,093	15,984
Other Assets	100	110	110	110	110	110	110	110	110	110	110	110	110
Total Non-Current Assets	25,925	25,260	24,627	23,960	23,254	22,518	21,748	20,940	20,089	19,189	18,230	17,203	16,094
Total Assets	39,915	39,105	37,634	36,982	36,318	36,130	35,969	35,845	35,772	35,768	35,853	36,059	36,421

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Balance Sheet (L+SE)

FINANCIALS

	FY10	FY11	FY12E	FY13E	FY14E	FY15E	FY16E	FY17E	FY18E	FY19E	FY20E	FY21E	FY22E
<u>Current Liabilities</u>													
Notes Payable	2,425	2,425	2,425	2,425	2,425	2,425	2,425	2,425	2,425	2,425	2,425	2,425	2,425
Accounts Payable and Accruals	2,325	2,150	2,217	2,335	2,472	2,578	2,696	2,829	2,981	3,155	3,358	3,597	3,883
Current Portion of L-T Debt	890	950	950	950	950	950	950	950	950	950	950	950	950
Other Current Liabilities	25	-	-	-	-	-	-	-	-	-	-	-	-
Total Current Liabilities	5,665	5,525	5,592	5,710	5,847	5,953	6,071	6,204	6,356	6,530	6,733	6,972	7,258
<u>Non-Current Liabilities</u>													
Long Term Debt	20,400	19,500	17,331	15,719	13,877	13,877	13,877	13,877	13,877	13,877	13,877	13,877	13,877
Total Non-Current Liabilities	20,400	19,500	17,331	15,719	13,877	13,877	13,877	13,877	13,877	13,877	13,877	13,877	13,877
Total Liabilities	26,065	25,025	22,923	21,429	19,724	19,830	19,948	20,081	20,233	20,407	20,610	20,849	21,135
Total Shareholders' Equity	13,850	14,080	14,711	15,554	16,595	16,300	16,020	15,764	15,540	15,361	15,244	15,210	15,286
Total Liabilities & Shareholders' Equity	39,915	39,105	37,634	36,982	36,318	36,130	35,969	35,845	35,772	35,768	35,853	36,059	36,421

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Cash Flow Statement

FINANCIALS

	FY11	FY12E	FY13E	FY14E	FY15E	FY16E	FY17E	FY18E	FY19E	FY20E	FY21E	FY22E
Operating Activities												
Net Income	571	631	842	1,041	1,220	1,327	1,449	1,591	1,757	1,956	2,192	2,478
D&A	1,100	1,134	1,195	1,265	1,319	1,380	1,448	1,525	1,614	1,718	1,840	1,987
Changes in Working Capital:												
Accounts Receivable	(300)	(61)	(107)	(124)	(97)	(107)	(121)	(137)	(158)	(184)	(217)	(259)
Inventory	460	899	92	82	(451)	(501)	(564)	(641)	(738)	(860)	(1,015)	(1,212)
Notes Payable	-	-	-	-	-	-	-	-	-	-	-	-
Accounts Payable and Accruals	(175)	67	118	136	106	118	133	151	174	203	239	286
Others	(40)	-	-	-	-	-	-	-	-	-	-	-
Cash Flow Provided by Operations	1,616	2,671	2,140	2,400	2,098	2,216	2,345	2,489	2,650	2,832	3,039	3,279
Investing Activities												
Purchase of Property, Plant and Equipment	(425)	(501)	(528)	(559)	(583)	(610)	(640)	(674)	(713)	(759)	(813)	(878)
Proceeds of Property, Plant and Equipment	-	-	-	-	-	-	-	-	-	-	-	-
Cash Flow Provided by Investing Activities	(425)	(501)	(528)	(559)	(583)	(610)	(640)	(674)	(713)	(759)	(813)	(878)
Financing Activities												
Principal Repayment of L-T Debt	(840)	(2,169)	(1,612)	(1,841)	-	-	-	-	-	-	-	-
Increase in L-T Debt	-	-	-	-	-	-	-	-	-	-	-	-
Dividends	(341)	-	-	-	(1,515)	(1,606)	(1,706)	(1,815)	(1,936)	(2,073)	(2,226)	(2,401)
Cash Flow Provided by Financing Activities	(1,181)	(2,169)	(1,612)	(1,841)	(1,515)	(1,606)	(1,706)	(1,815)	(1,936)	(2,073)	(2,226)	(2,401)
Cash, Beginning of the year	10	20	20	20	20	20	20	20	20	20	20	20
Net Increase (Decrease) in Cash During the Year	10	-	-	-	-	-	-	-	-	-	-	-
Cash, End of the year	20	20	20	20	20	20	20	20	20	20	20	20

Frog's Leap should reduce its debt for the next three years to be in line with comparable companies in order to pursue an expansion plan or a dividend for your retirement.

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Valuation Summary (China)

FINANCIALS

	FY11	FY12E	FY13E	FY14E	FY15E	FY16E	FY17E	FY18E	FY19E	FY20E	FY21E	FY22E
EBIT	2,372	2,472	2,673	2,892	3,063	3,240	3,444	3,680	3,958	4,289	4,682	5,159
Tax Expense	(949)	(989)	(1,069)	(1,157)	(1,225)	(1,296)	(1,378)	(1,472)	(1,583)	(1,716)	(1,873)	(2,063)
NOPAT	1,423	1,483	1,604	1,735	1,838	1,944	2,066	2,208	2,375	2,573	2,809	3,095
D&A	1,100	1,134	1,195	1,265	1,319	1,380	1,448	1,525	1,614	1,718	1,840	1,987
Change in WC	(55)	905	103	95	(441)	(490)	(551)	(627)	(722)	(842)	(993)	(1,185)
CFO	2,468	3,523	2,902	3,095	2,715	2,833	2,963	3,106	3,267	3,450	3,657	3,897
CAPEX	(425)	(501)	(528)	(559)	(583)	(610)	(640)	(674)	(713)	(759)	(813)	(878)
FCF	2,043	3,021	2,374	2,536	2,132	2,224	2,323	2,432	2,554	2,691	2,843	3,019
Terminal Value	-	-	-	-	-	-	-	-	-	-	-	36,275

Current Valuation

NPV of FCF	16,538
NPV of Terminal Value	12,781
Enterprise Value	29,319
Less: Debt	(20,450)
Add: Cash	20
Equity Value	8,889

WACC	9.9%
Terminal Growth	1.5%

Valuation in 10 Years

NPV of FCF	36,275
Enterprise Value	36,275
Less: Debt	(14,827)
Add: Cash	20
Equity Value	21,468

BACK

Valuation Summary (Status Quo)

FINANCIALS

	FY11	FY12E	FY13E	FY14E	FY15E	FY16E	FY17E	FY18E	FY19E	FY20E	FY21E	FY22E
EBIT	2,372	2,472	2,591	2,699	2,811	2,914	3,020	3,131	3,245	3,363	3,486	3,613
Tax Expense	(949)	(989)	(1,036)	(1,080)	(1,125)	(1,166)	(1,208)	(1,252)	(1,298)	(1,345)	(1,394)	(1,445)
NOPAT	1,423	1,483	1,555	1,619	1,687	1,748	1,812	1,878	1,947	2,018	2,092	2,168
D&A	1,100	1,134	1,170	1,206	1,244	1,282	1,322	1,364	1,406	1,450	1,496	1,542
Change in WC	(55)	905	321	351	(305)	(314)	(324)	(335)	(345)	(356)	(367)	(379)
CFO	2,468	3,523	3,045	3,176	2,626	2,717	2,810	2,908	3,008	3,112	3,220	3,331
CAPEX	(425)	(501)	(517)	(533)	(550)	(567)	(584)	(603)	(621)	(641)	(661)	(682)
FCF	2,043	3,021	2,528	2,643	2,076	2,150	2,226	2,305	2,387	2,471	2,559	2,650
Terminal Value	-	-	-	-	-	-	-	-	-	-	-	31,839

Current Valuation

NPV of FCF	16,129
NPV of Terminal Value	11,219
Enterprise Value	27,348
Less: Debt	(20,450)
Add: Cash	20
Equity Value	6,918

WACC	9.9%
Terminal Growth	1.5%

Valuation in 10 Years

NPV of FCF	31,839
Enterprise Value	31,839
Less: Debt	(14,559)
Add: Cash	20
Equity Value	17,300

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China Expansion: \$8.9M

Status Quo: \$6.9M

Japan Slowdown: \$8.6M

US Slowdown: \$7.7M

Margin Compression: \$8.4

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