



## FROG'S LEAP



“Frog’s Leap will **respect** our surroundings...We will **succeed as a business** ...growing our company the way we grow our vines...Frog’s Leap will **leave a legacy.**”

John Williams, Founder



FROG'S LEAP

**Leaping Into New Frontiers:**

***Sow the Seeds.***

***Harvest the Grapes.***

***Nourish the Land.***

***Sip the Wine.***

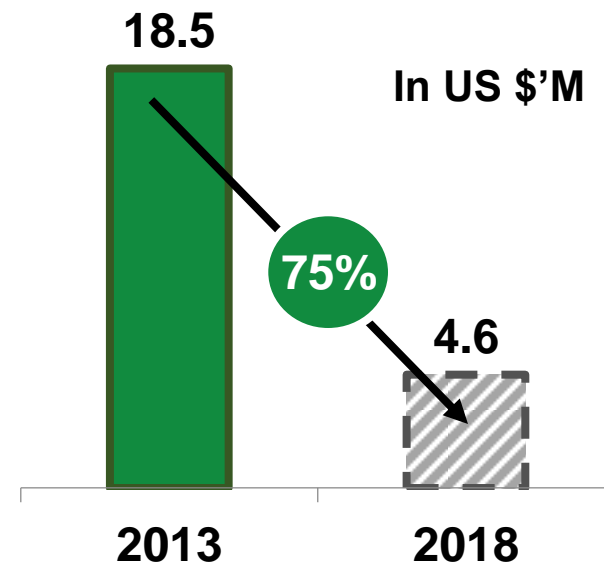
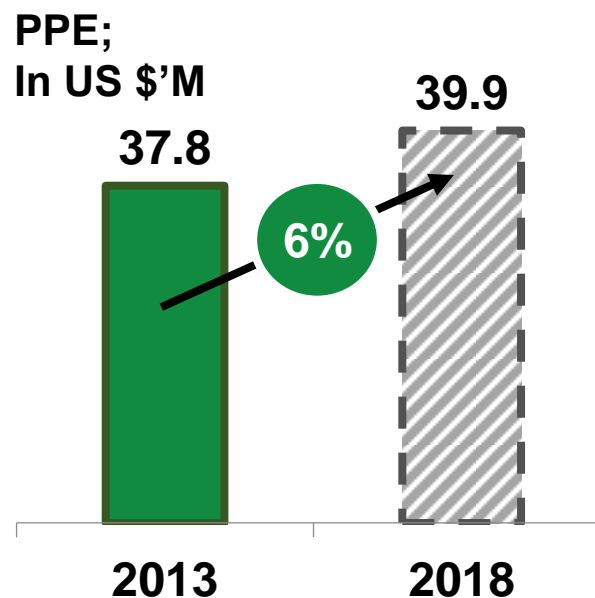
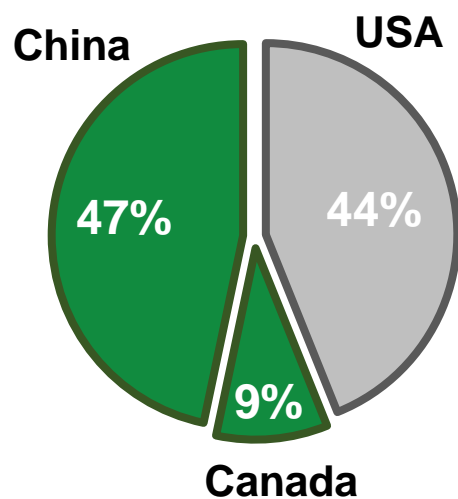


Fahmi Hamzah | Liao Shuangwei | Han Yichou | Chan Yi

HUNTER & PARTNERS



# Looking ahead to 2018



Improved  
Sales

Remain  
Small

Reduced  
Debt

# Looking ahead to 2018



## Key Issues

1. Where to grow the business?
2. How to grow the business?
3. How to remain sustainable?

Improved  
Sales

Remain  
Small

Reduced  
Debt

# Leaping into new frontiers



FROG'S LEAP

Sow the Seeds

Harvest the Grapes

Nourish the Land

Sip the Wine



**Sow  
the seeds**

**Harvest  
the grapes**

**Nourish  
the land**

**Sip  
the wine**



**Align strategic  
direction**  
with key concerns

**Design  
tactical moves**  
to accelerate growth

**Pursue  
sustainability**  
to secure long-term growth

**Achieve  
returns**  
with a triple bottom-line

# Leaping into new frontiers



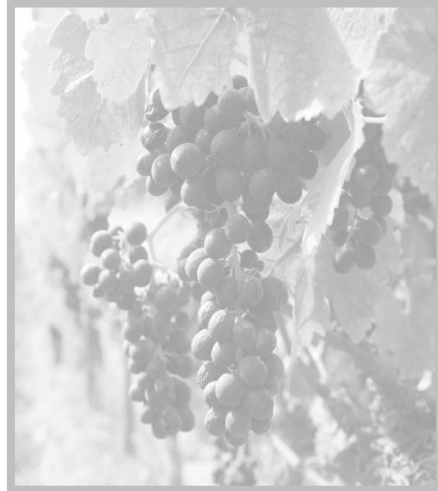
FROG'S LEAP

Sow the Seeds

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**Sow  
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# Establishing strategic direction



**Sow the Seeds**

Harvest the Grapes

Nourish the Land

Sip the Wine



		Sales Potential	Values & Core Competencies	Management Direction
1	Widen product lines			
2	Deepen existing product portfolio			
3	Enhance existing brand awareness			
4	Expand to new markets			
5	Increase direct sales to customers			

# Establishing strategic direction

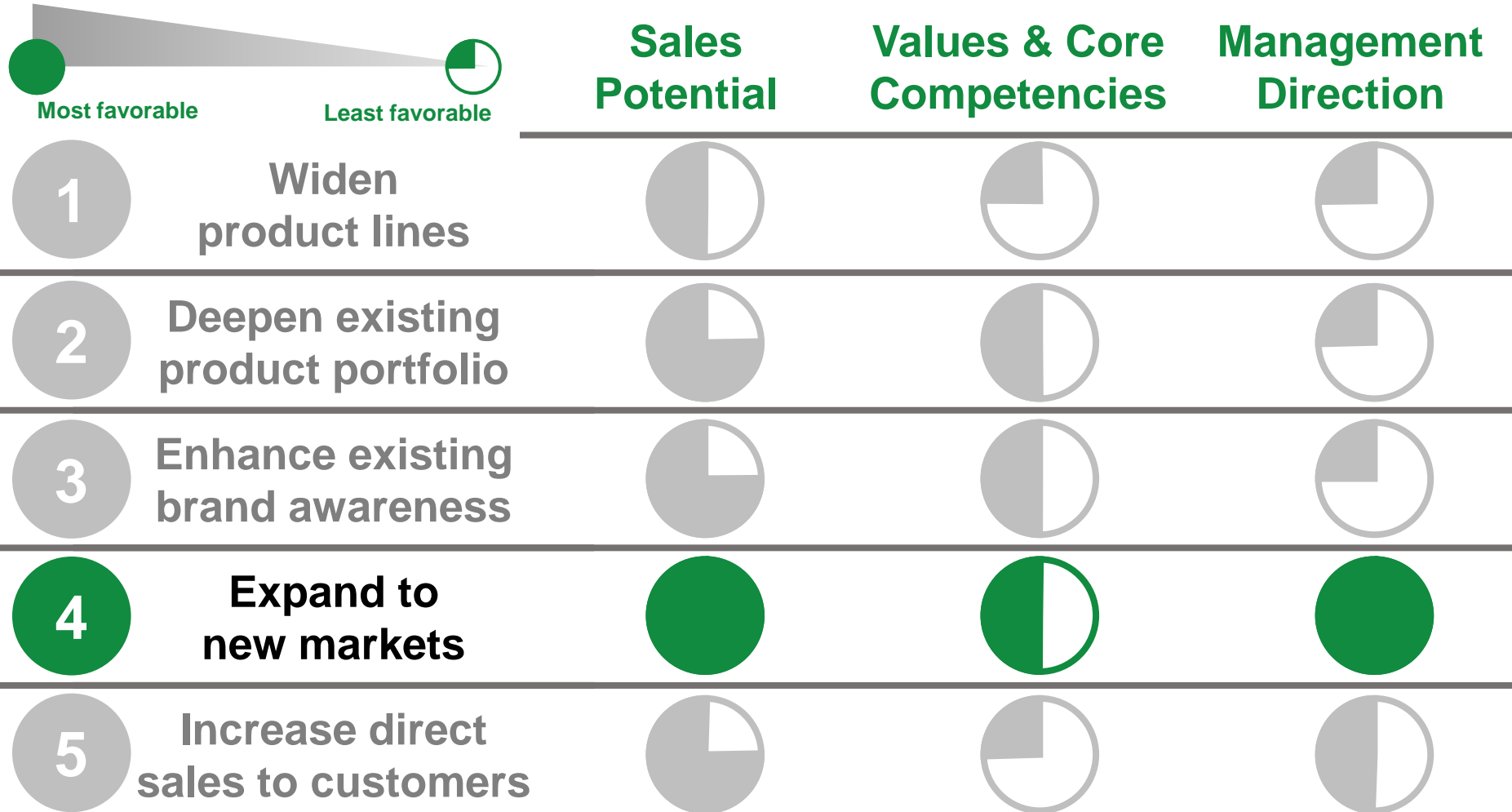


## Sow the Seeds

Harvest the Grapes

Nourish the Land

Sip the Wine





# Top-line evaluation of the global marketplace



FROG'S LEAP

Sow the Seeds

Harvest the Grapes

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Sip the Wine

## Benchmarks

1. Forecasted market **growth**
2. Historical **sales** – market **size**

## Outcome

Identified **six key markets** for Frog's Leap's consideration

# Top-line evaluation of the global marketplace



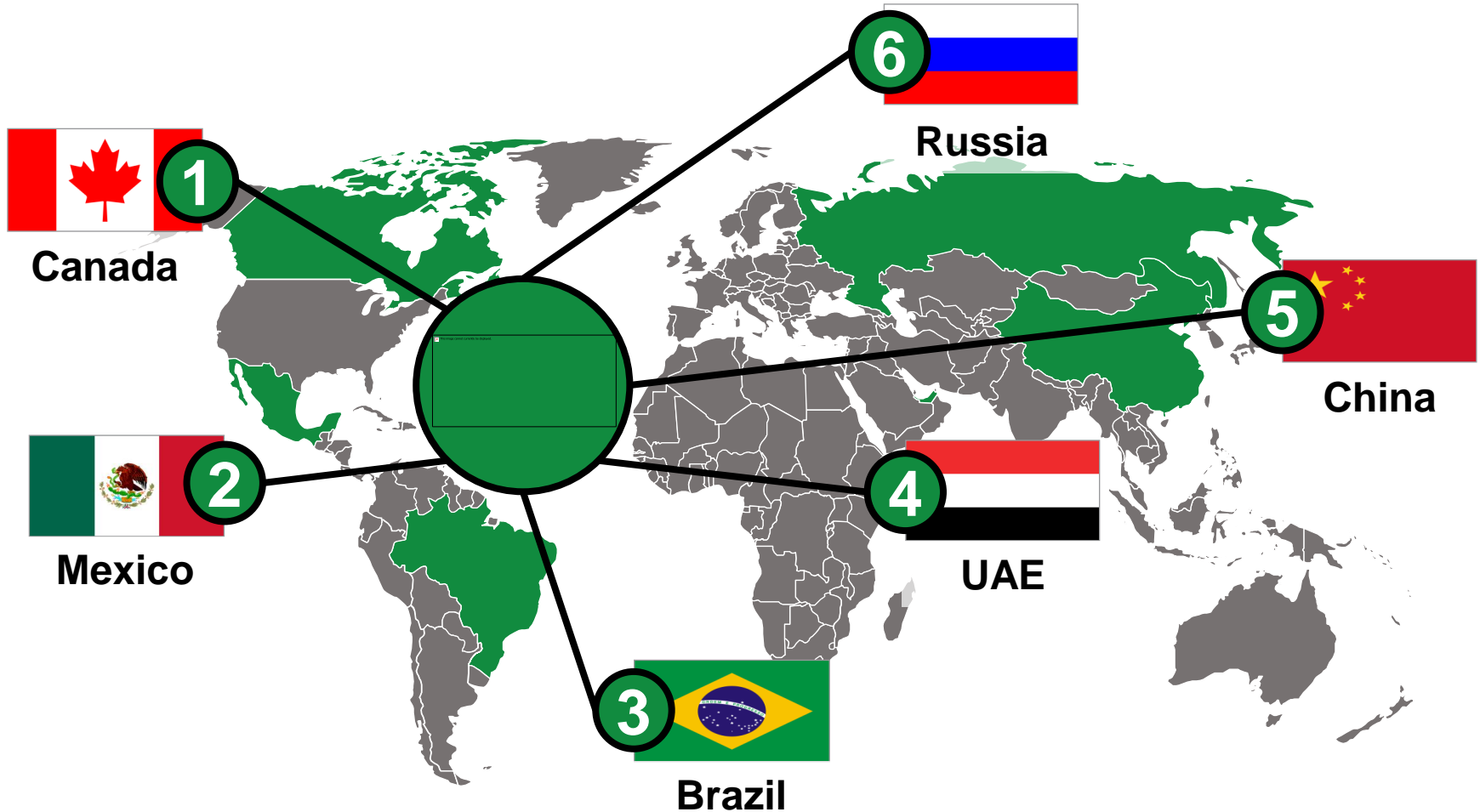
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# In-depth evaluation of the six identified markets



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## Investment Options



## Investment Criteria

*\* Ten factors grouped into four groups*



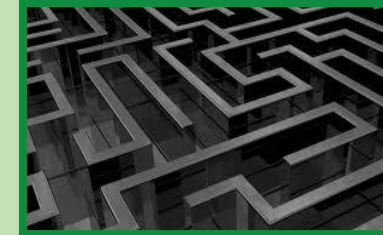
### Market potential



### Regulatory barriers



### Ability to compete



### Degree of complexity

# In-depth evaluation of the six identified markets



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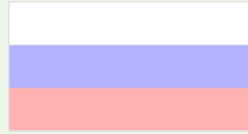
Sow the Seeds

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## Investment Options



## Investment Criteria

*\* Ten factors grouped into four groups*



Market potential



Regulatory barriers



Ability to compete



Degree of complexity

## Investment Decisions

Canada



China



1. Strong projected **growth**
2. Close **geographic proximity**

1. Strong projected **growth**
2. High **market readiness**

# Leaping into new frontiers



FROG'S LEAP

Sow the Seeds

**Harvest the Grapes**

Nourish the Land

Sip the Wine



Sow  
the seeds

**Harvest  
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Align strategic  
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with key concerns

**Design  
tactical moves**  
to accelerate growth

Pursue  
sustainability  
to secure long-term growth

Achieve  
returns  
with a triple bottom-line

# Two key areas of concern



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Sow the Seeds

**Harvest the Grapes**

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**Understanding your consumers**

**Designing tactics to generate sales**



# Understanding key consumer trends



FROG'S LEAP

Sow the Seeds

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Sip the Wine



## Canada



## China



Heavy wine consumers



Price-insensitive  
(for premium wines)



LOHAS forms  
19% of market share

# Understanding key consumer trends



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Sow the Seeds

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## Canada



Heavy wine consumers



Price-insensitive  
(for premium wines)



LOHAS forms  
19% of market share



## China



Rising consumer affluence



Increasingly sophisticated taste



Assimilation of Western influence



# Understanding key consumer trends



FROG'S LEAP

Sow the Seeds

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## Canada

Heavy wine consumers  
**Perceive wine as a**

Price insensitive (for premium wines)  
**status symbol**

LOHAS forms 19% of market share  
**Buy into a company's 'green' values**



## China

**Rising consumer affluence**

**Increasingly sophisticated taste**

**Assimilation of Western influence**

# Understanding key consumer trends



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## Canada

Heavy wine consumers  
**Perceive wine as a**

Price insensitive (for premium wines)  
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LOHAS forms 19% of market share  
**Buy into a company's 'green' values**



## China

Rising consumer affluence  
**Perceive wine as a**

Increasingly sophisticated taste  
**status symbol**

Cartier  
**Upgrade to imported premium wine**

# Understanding key consumer trends



FROG'S LEAP

Sow the Seeds

Harvest the Grapes

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Canada



China

## Value Proposition



Frog's Leap is an embodiment of *Sustainable* values

green values

share

Rising consumer  
Perceive wine

as a  
status symbol  
sophisticated  
taste

Upgrade to imported  
premium wine

# Understanding key consumer trends



FROG'S LEAP

Sow the Seeds

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Canada



China

## Value Proposition



Frog's Leap is an embodiment of *Sustainable* values

green values

share

## Value Proposition



Frog's Leap is an *Aspirational Lifestyle* choice

premium wine

audience

# Dealing with challenges at each buying stage



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Customer Awareness

Brand Awareness

Brand Consideration

Brand Preference

Purchase Intention

Purchase

Consumer Loyalty

Consumer Advocacy

**HEAD:**  
Strengthen perceived value

**HEART:**  
Create emotional appeal

**HAND:**  
Build brand advocacy



# Marketing: *Living life with Frog's Leap*



FROG'S LEAP

Sow the Seeds

**Harvest the Grapes**

Nourish the Land

Sip the Wine



**Canada**



**China**

**HEAD**

Improving  
perceived value

**HEART**

Connecting with  
consumers

**HAND**

Building brand  
advocacy

# Marketing: *Living life with Frog's Leap*



FROG'S LEAP

Sow the Seeds

Harvest the Grapes

Nourish the Land

Sip the Wine



Canada



China

Educate consumers on Frog's Leap's **ethical and green values**

**HEAD**  
Improving  
perceived value

Bundled package for **Valentine's Day** with picnics (**outdoor romance**)

**HEART**  
Connecting with  
consumers

Use **social media** (e.g. Twitter and Instagram) to build enhanced awareness

**HAND**  
Building brand  
advocacy

# Marketing: *Living life with Frog's Leap*



FROG'S LEAP

Sow the Seeds

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## Canada



## China

Educate consumers on Frog's Leap's **ethical and green values**

**HEAD**  
Improving  
perceived value

Include **Chinese elements** to build resonance with consumers

Bundled package for **Valentine's Day** with picnics (**outdoor romance**)

**HEART**  
Connecting with  
consumers

Exclusive collection for **Chinese New Year** (spirit of **togetherness**)

Use **social media** (e.g. Twitter and Instagram) to build enhanced awareness

**HAND**  
Building brand  
advocacy

Use **micro-blogging** to generate increased awareness (微博, 'weibo')



# Leaping into new frontiers



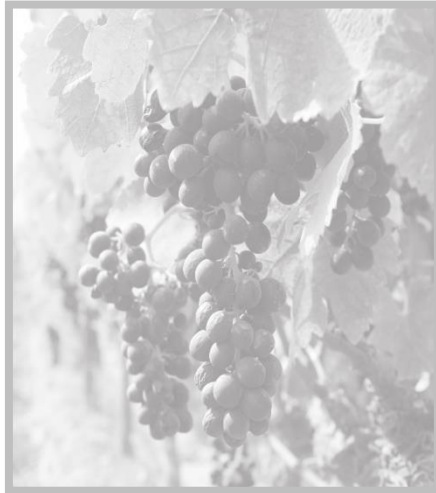
FROG'S LEAP

Sow the Seeds

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Sow  
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Align strategic  
direction  
with key concerns

Design  
tactical moves  
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**Pursue  
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returns  
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# Evaluating existing efforts



Sow the Seeds

Harvest the Grapes

Nourish the Land

Sip the Wine

## Comparing efforts



### Vineyards

Land acquisition;  
Integrated bio-dynamic farming;  
Made own compost



### Winery

Renewable energy

## Observations

- Improvement in vineyard's yield has **not translated into higher production**
- Winery production per acre only at **68% of industry average**
- Renewable energy in winery **does not guarantee efficient energy usage**

# Evaluating existing efforts



Sow the Seeds

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## Comparing efforts

## Observations

### Implications

Winery sustainability deserves some more attention

Next sustainability initiative should focus on the winery operations



Winery

Renewable energy

energy usage

# Enhancing winery sustainability



Sow the Seeds

Harvest the Grapes

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Sip the Wine



## Checklist for new sustainability projects

Improved productivity

Clear economic,  
social, ecological  
cost-benefits

Minimal investment

# Enhancing winery sustainability



Sow the Seeds

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**Improve the  
refrigeration  
processes**



**Checklist for new  
sustainability  
projects**

Improved productivity

Clear economic,  
social, ecological  
cost-benefits

Minimal investment



**Imbue the  
sustainability  
mentality into  
employees**



# Improving refrigeration processes



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Sow the Seeds

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## Why do it?



Refrigeration is a **critical parameter** in wine production



Accounts for up to **50%-70%** of total electricity usage



**Low-cost improvements** available

# Improving refrigeration processes



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## Why do it?



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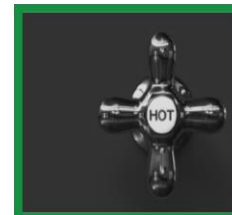
## What to do?



Set up procedures for refrigeration **plant shut down** (when not in use)



**Night time grape harvesting**



Use **warmer brine temperatures**

# Imbuing the right mentality



FROG'S LEAP

Sow the Seeds

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THE GREEN MOVEMENT

FROG'S LEAP

Building a sustainable tomorrow

**Beyond Vineyards:  
"The Green Movement"**

FROG'S LEAP

FROG'S LEAP





# Imbuing the right mentality

Sow the Seeds

Harvest the Grapes

**Nourish the Land**

Sip the Wine



1

**Leverage on existing workforce**

## Why do it?

**Loyal and motivated Mexican workforce**

**More aware of environmental issues**

**Easier to obtain buy-in and support**

# Imbuing the right mentality



FROG'S LEAP

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1

Leverage on  
existing workforce

2

Educate and  
empower  
workforce

## How to do it?

Quarterly **town halls** to inspire **collective spirit** of sustainability

Wall gardens for employees to plant fruits and vegetables to create **stronger community attachments**



# Imbuing the right mentality

Sow the Seeds

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Sip the Wine



1  
**Leverage on existing workforce**

2  
**Educate and empower workforce**

## What to monitor?

Monitor electricity **consumption**

Monitor **productivity**

Track **sustainability initiatives** by employees



**Greater accountability**

3  
**Monitor work processes**



# Imbuing the right mentality

Sow the Seeds

Harvest the Grapes

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Sip the Wine



## How to sustain it?

Provide feedback on **progress** during town halls

Reward employees with **most sustainable initiatives**

More **engaged and inspired** community

1  
Leverage on existing workforce

2  
Educate and empower workforce

4  
Feedback and reward

3  
Monitor work processes

# Imbuing the right mentality



FROG'S LEAP

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1

Leverage on existing workforce

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Educate and empower workforce

THE GREEN MOVEMENT

FROG'S LEAP

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# Leaping into new frontiers



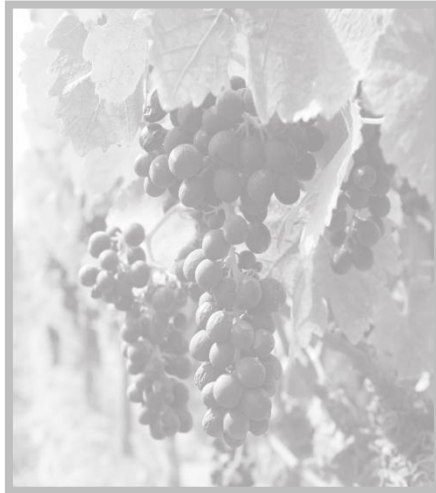
FROG'S LEAP

Sow the Seeds

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**Sow  
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the grapes**

**Nourish  
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**Sip  
the wine**

**Align strategic  
direction**  
with key concerns

**Design  
tactical moves**  
to accelerate growth

**Pursue  
sustainability**  
to secure long-term growth

**Achieve  
returns**  
with a triple bottom-line

# Entering new markets boosts sales



FROG'S LEAP

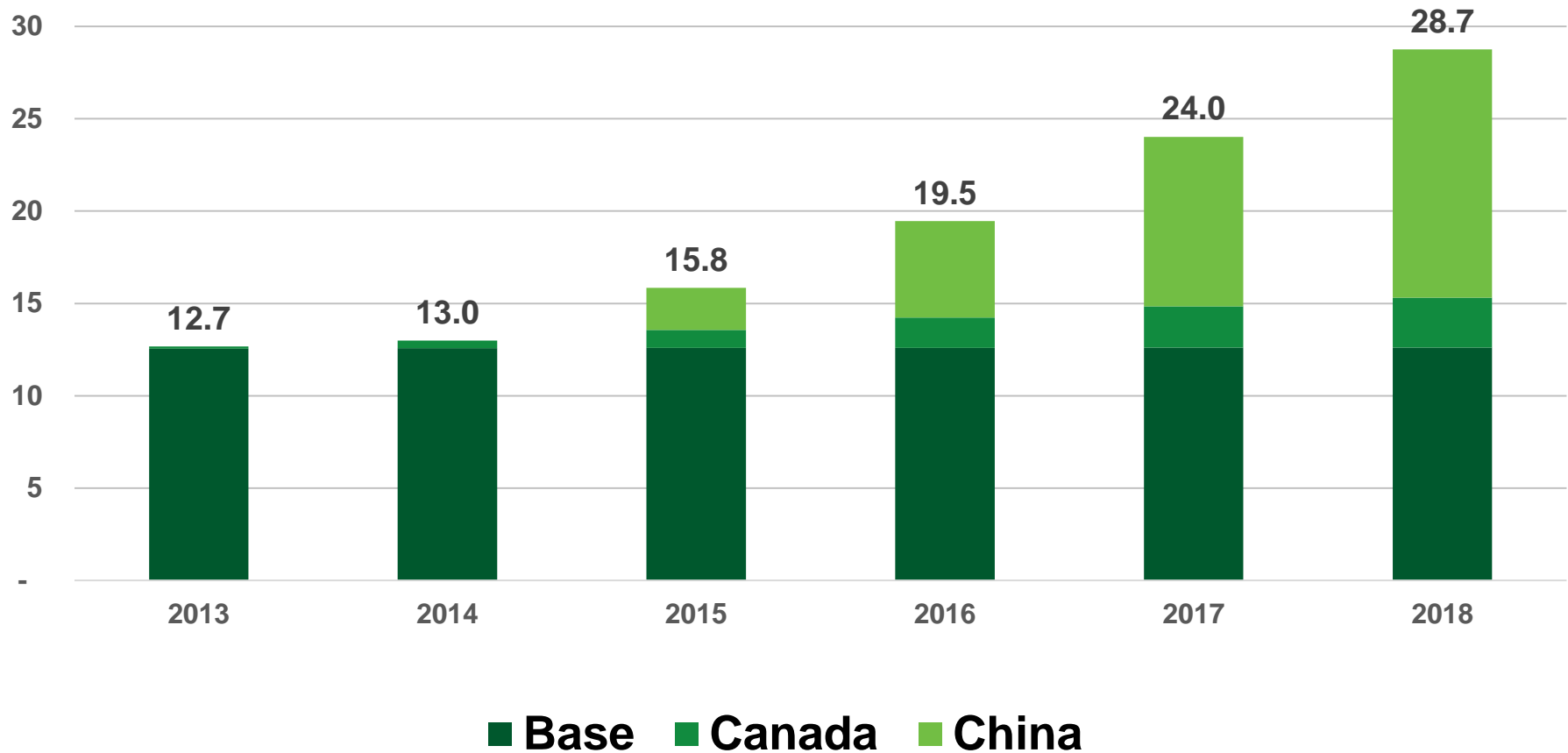
Sow the Seeds

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## Sales (US\$m)



# Entering new markets boosts sales



FROG'S LEAP

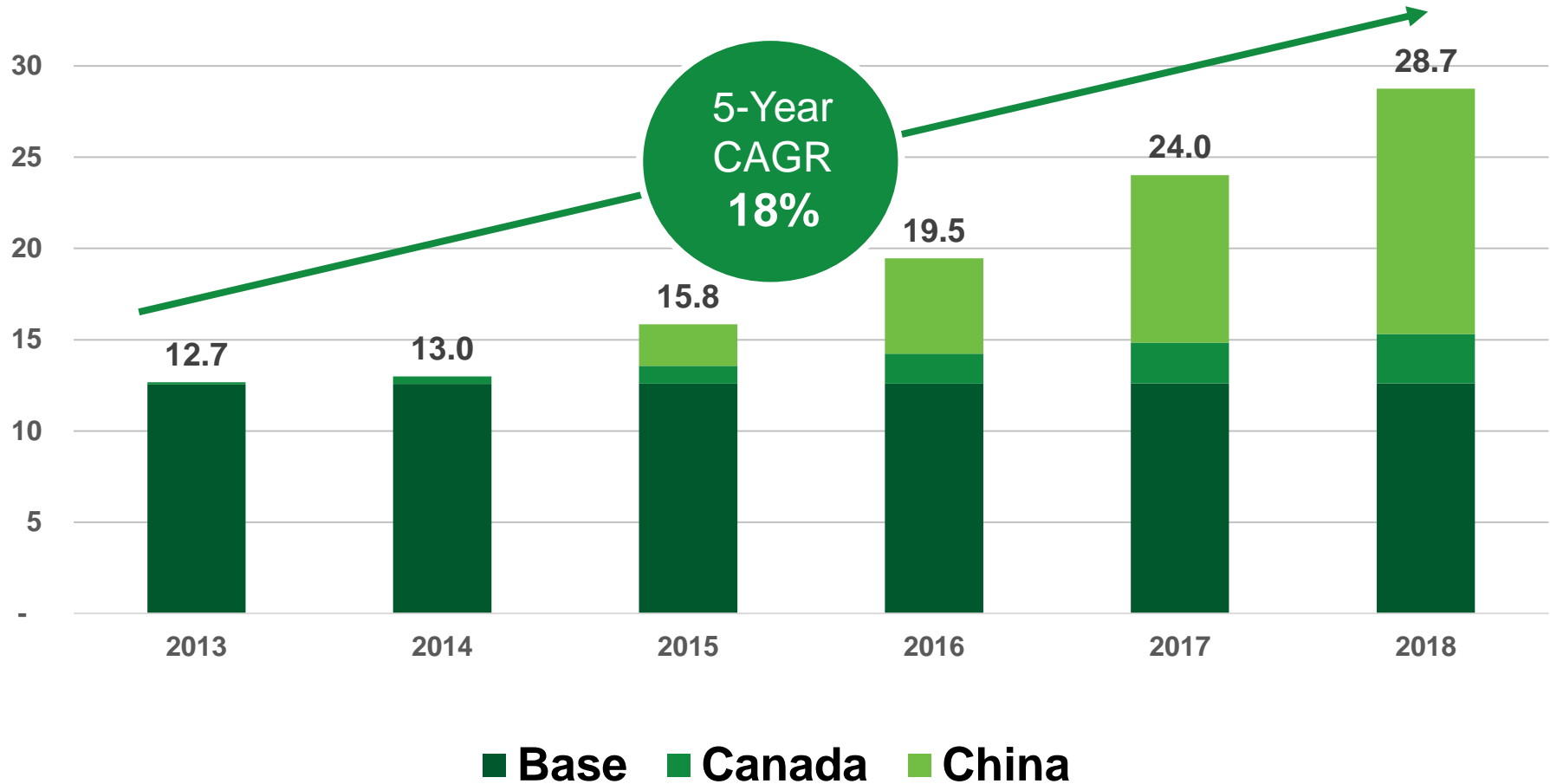
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## Sales (US\$m)





# Entering new markets boosts sales



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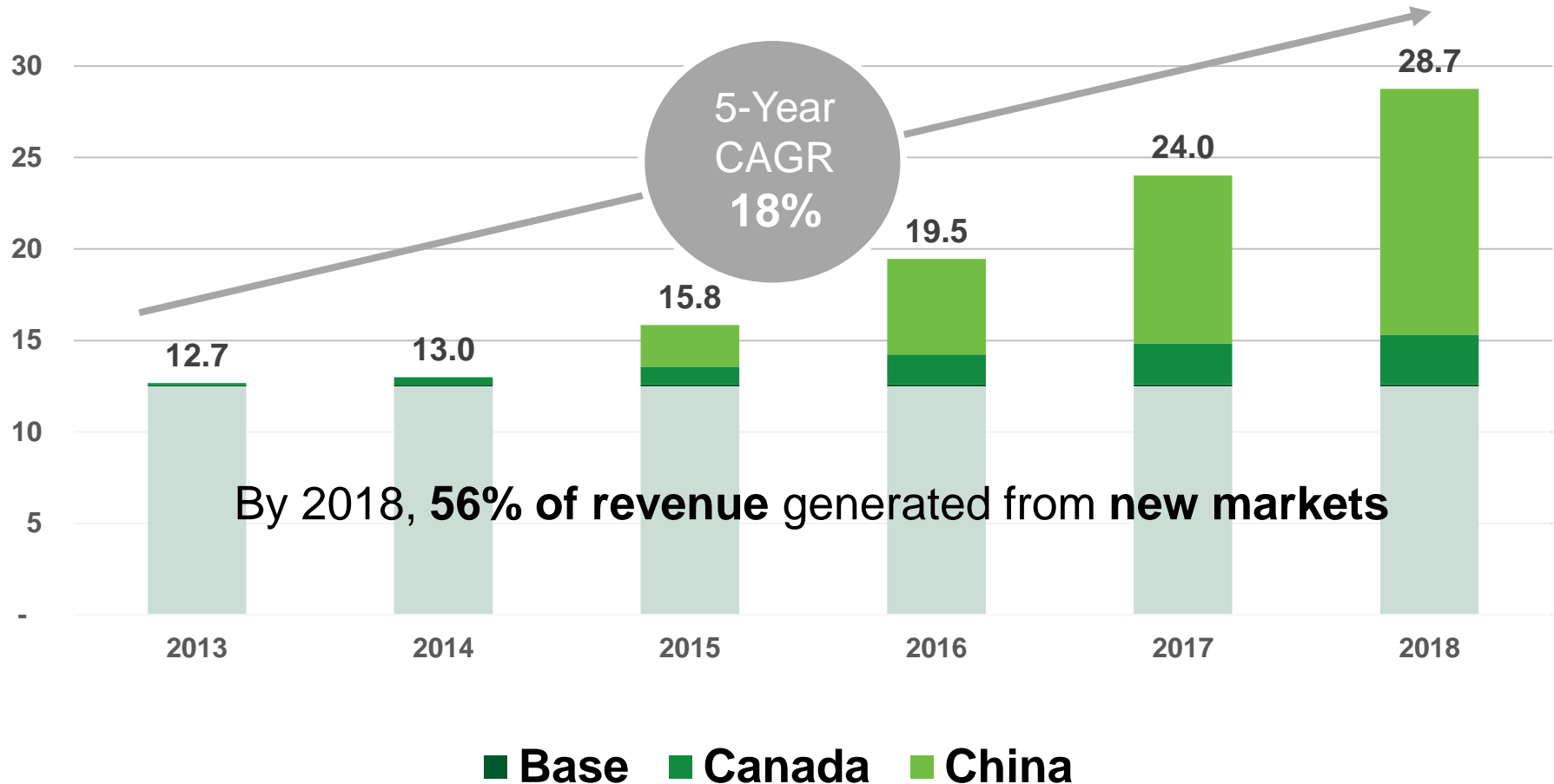
Sow the Seeds

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## Sales (US\$m)



# Entering new markets boosts sales



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Sales (US\$m)



# But we grow sustainably



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## Remaining agile

*Minimal increase in PPE*

PPE;  
In US \$'M

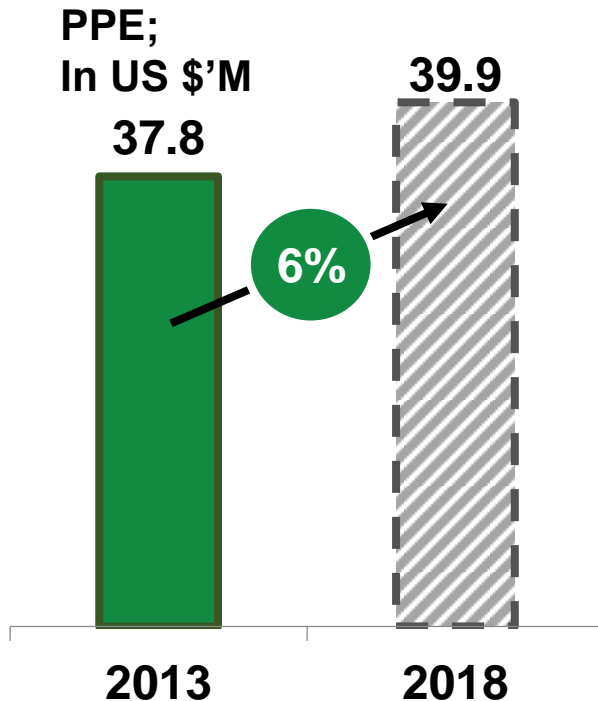
37.8

6%

39.9

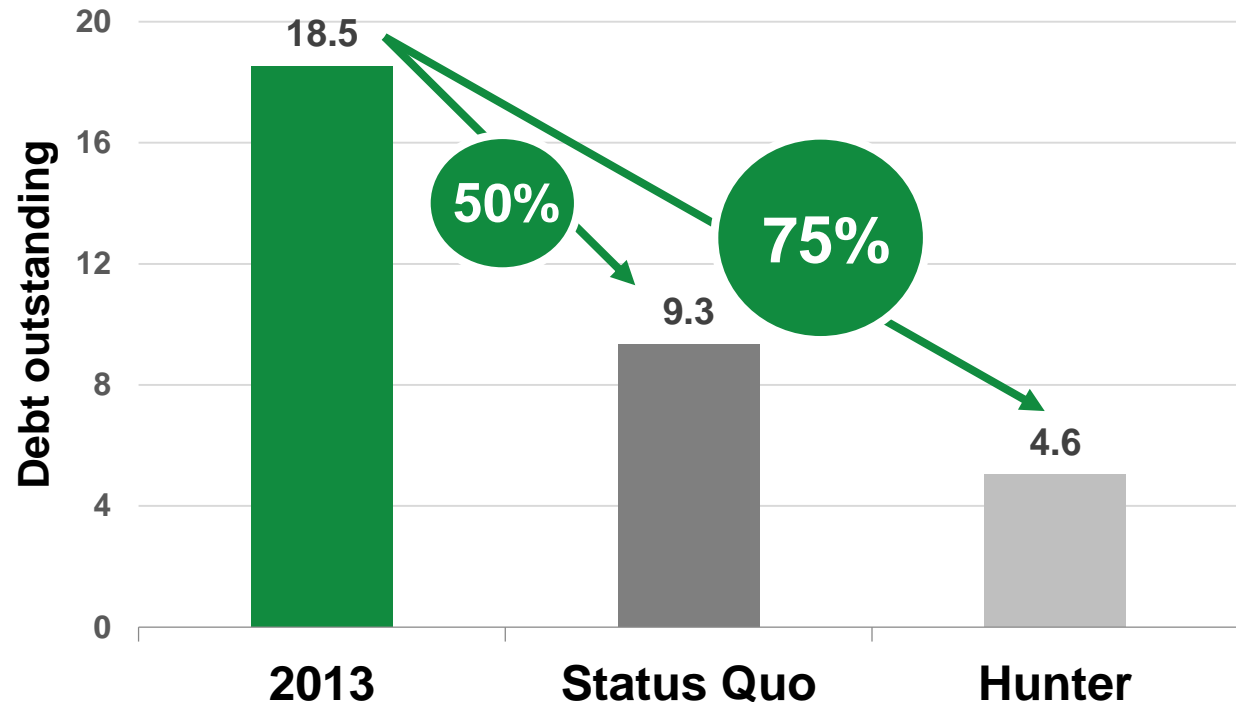
2013

2018



## Principal repayment of debt (US\$'m)

*Building a legacy by reducing debt*



# Implementing smoothly with a focus on triple bottom-line



FROG'S LEAP

Sow the Seeds

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Sip the Wine

2014

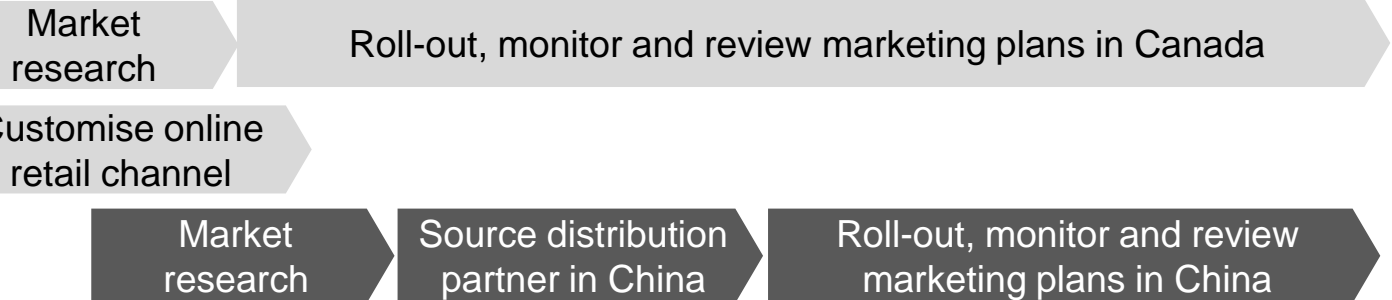
2015

2016

2017

2018

## Harvest the Grapes



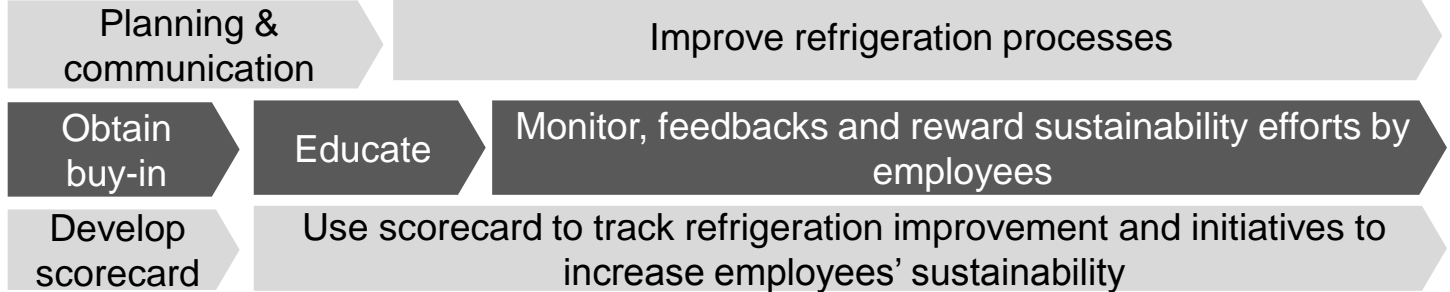
Sales (US\$m)

13.0

19.5

28.7

## Nourish the Land



Electricity sold back (kW/day)

105

110

115

Employee-initiated sustainability measures

2

6

10

Conclusion...



FROG'S LEAP



Entered new  
markets

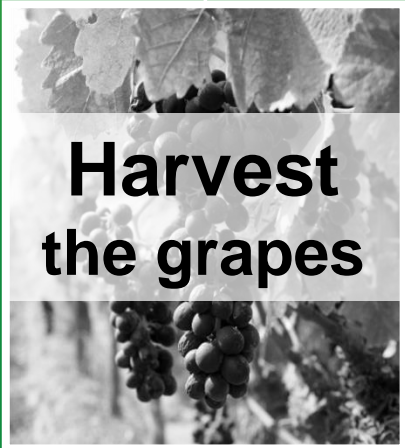
# Conclusion...



## FROG'S LEAP



**Entered new  
markets**



**Targeted  
marketing**

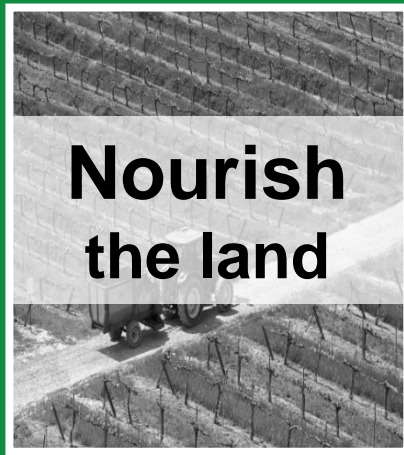
# Conclusion...



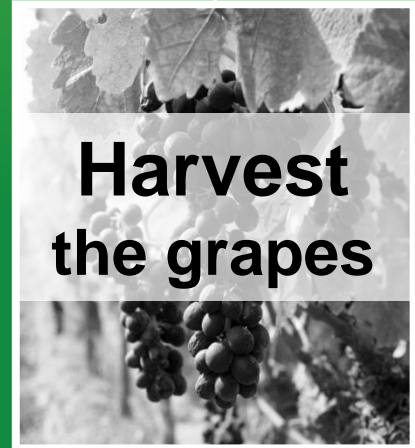
## FROG'S LEAP



Entered new  
markets



Grow  
Sustainably



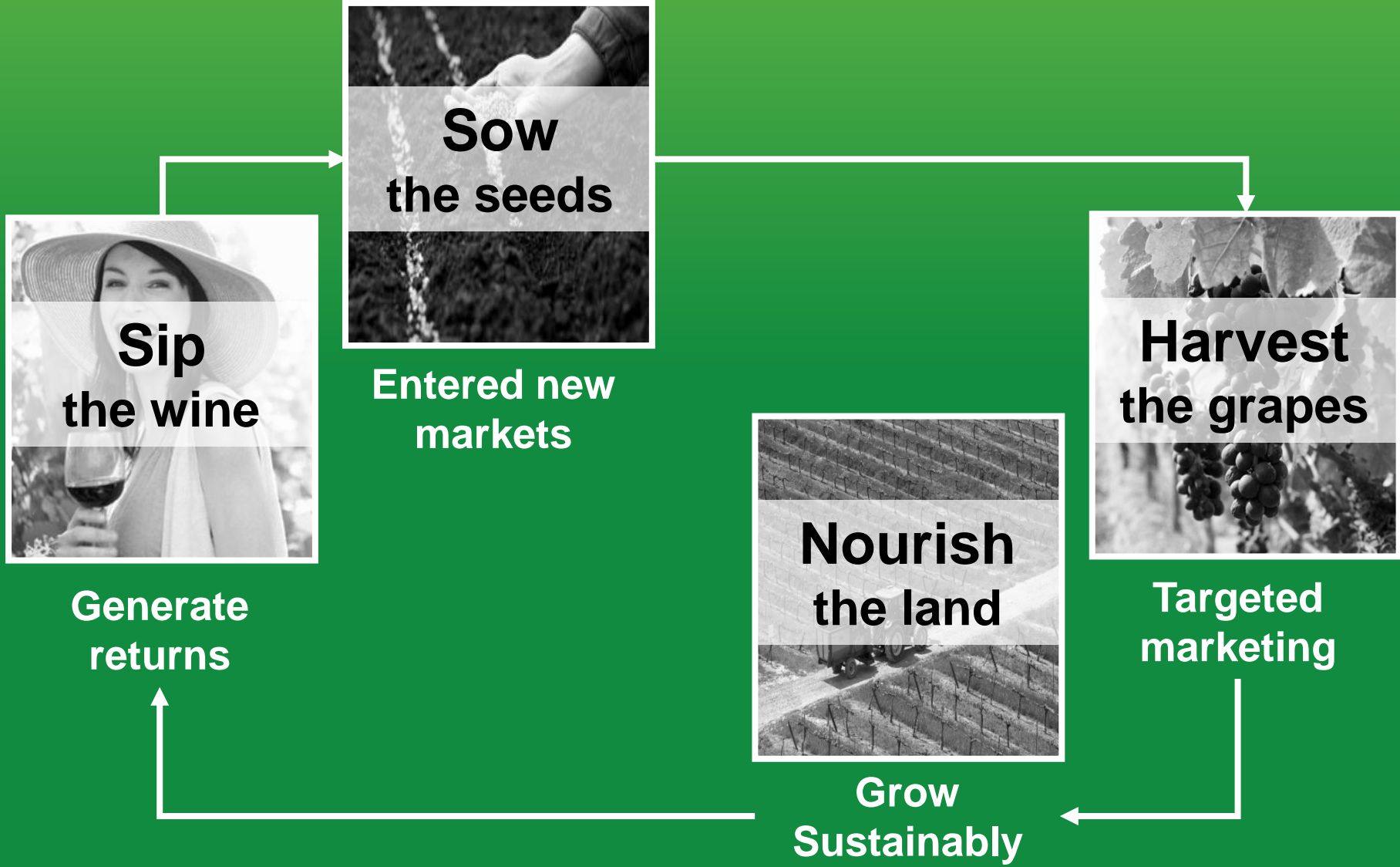
Targeted  
marketing



# Conclusion...



## FROG'S LEAP

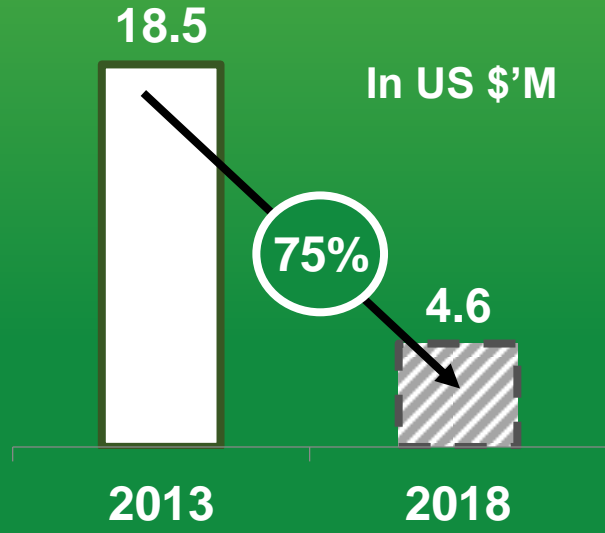
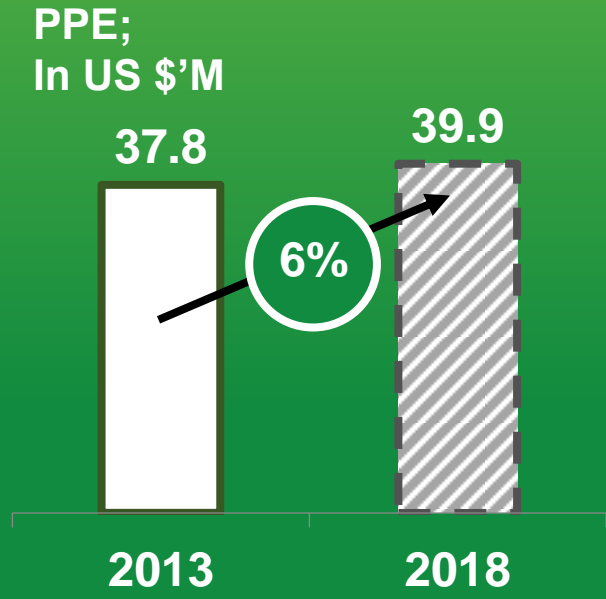
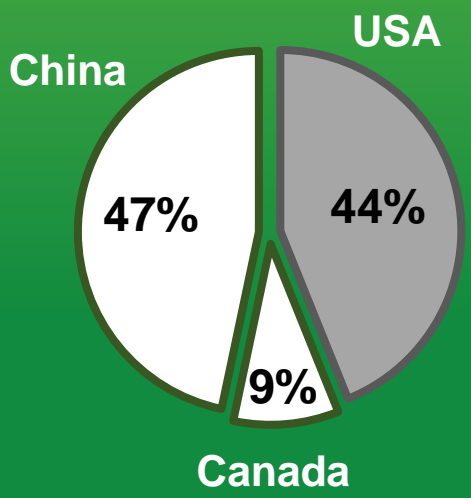




# Conclusion...



## FROG'S LEAP



Improved  
Sales

Remain  
Small

Reduced  
Debt



# Main presentation deck

## Analysis

2\_Leaping Into New Frontiers

4\_Looking ahead to 2018

## Recommendations

*Sow the seeds*

8\_Establishing strategic direction

10\_Top-line evaluation of the global marketplace

12\_In-depth evaluation of the six identified markets

13\_Leaping into new frontiers

*Harvest the grapes*

14\_Two key areas of concern

20\_Understanding key consumer trends

21\_Dealing with challenges at each buying stage

24\_Marketing: Living life with Frog's Leap

## Recommendations

*Nourish the land*

25\_Leaping into new frontiers

27\_Evaluating existing efforts

29\_Enhancing winery sustainability

31\_Improving refrigeration processes

37\_Imbuing the right mentality

## Financials

*Sip the wine*

38\_Leaping into new frontiers

42\_Entering new markets boosts sales

43\_But we grow sustainably

44\_Implementing smoothly with a focus on triple bottom-line

49\_Conclusion

# Supplementary presentation deck



55\_Risk & Mitigation

56\_Mission & Values

## Analysis

57\_SWOT analysis

58\_Core competencies

59\_What does small mean for Frog's Leap?

60\_How to achieve a triple bottom-line

61\_Consumers

62\_Dealing with challenges at each buying stage

63\_Competitors: market share

64\_Competitors' analysis – Canada

65\_Competitors' analysis –Canada (V2)

66\_Competitors' analysis – China (US Product)

67\_Competitors' analysis – China (Chinese Product)

68\_Competitors' analysis: Comparing price points

## Recommendations

*Sow the seed*

69\_Why not widen product lines?

70\_Why not deepen existing product portfolio?

71\_Enhancing brand awareness (in the US) isn't enough

72\_Increasing direct sales to customers isn't enough

73\_Why is market expansion important?

74\_Details of the top line global market evaluation

75\_Satisficing between different investment criteria

76\_Decision matrix – Market entry

77\_In depth look at factors of market potential

78\_In depth look at factors of regulatory barriers

79\_In depth look at factors affecting ability to compete

# Supplementary presentation deck



## Recommendations

### *Sow the seed*

- 80\_ In depth look at factors affecting degree of complexity
- 81\_ What happens to Japan?
- 82\_ Why not Mexico?
- 83\_ Why not Brazil?
- 84\_ Why not Russia?
- 85\_ Why not UAE?
- 86\_ Why China?
- 87\_ Counterfeiting in China?
- 88\_ Why Canada?
- 89\_ Evaluating the various forms of market entry

### *Harvest the grapes*

- 90\_ Target Consumers Profile
- 91\_ Marketing Plans Overview

## Recommendations

### *Harvest the grapes*

- 92\_ Creating the Initial Marketing Hype through Digital Campaign
- 93\_ Marketing Plans: Head (Canada)
- 94\_ Wine Labels: Canada
- 95\_ Marketing Plans: Head (China)
- 96\_ Chinese Wine Consumption Trends
- 97\_ Frog's Leap in China
- 98\_ Marketing Plans: Heart (Canada)
- 99\_ Marketing Plans: Heart (China)
- 100\_ Marketing Plans: Hand (China & Canada)
- 102\_ China Marketing 4P's: Social Media
- 103\_ Frog's Leap Brand Personality
- 105\_ Wind-drinker Personas
- 106\_ Product sub-categories for niche targeting
- 107\_ Consumer Analysis
- 108\_ Key Drivers & Trends in Wine Industry
- 110\_ Frog's Leap Wine Offerings
- 111\_ Canadian Wine Consumption Trends

# Supplementary presentation deck



## Recommendations

### *Harvest the grapes*

- 112\_ China Marketing 4P's: Online Advertising (Statistics)
- 113\_ China Marketing 4P's: Online Advertising (Top visited sites)
- 114\_ China Marketing 4P's: Online Advertising Challenges
- 115\_ China Marketing 4P's: Social Media
- 116\_ Marketing 4P's: Distribution (Online retail channel)
- 117\_ Marketing 4P's: Distribution Partner
- 118\_ Marketing 4P's: Distribution (Entry into Canada)
- 119\_ Marketing 4P's: Distribution (Entry into China)
- 120\_ Marketing 4P's: Pricing (Canada)
- 121\_ Marketing 4P's: Pricing (China)
- 122\_ Why not Physical Stores?

## Recommendations

- 123\_ Value of tapping on Brand Advocates (Reliable Source)
- 124\_ Value of tapping on Brand Advocates (Content Creation)
- 125\_ Social & ecological cost-benefit of exporting wine to China & Canada

### *Nourish the land*

- 126\_ Steps in wine production
- 127\_ Temperature control in wineries
- 128\_ Scorecard for sustainability initiative cost-benefit analysis
- 129\_ Applying scorecard to refrigeration improvement
- 130\_ Applying scorecard to efforts to increasing employee sustainability
- 131\_ The cooling system in winery
- 132\_ Case studies of successful refrigeration improvements

# Supplementary presentation deck



## **Recommendations**

### *Nourish the land*

- 133\_Why would the inexpensive refrigeration improvements help?
- 134\_Slightly more costly improvements to refrigeration
- 135\_The Green Movement
- 136\_Why not micro-winery?

## **Financials**

- 137\_Maximising capacity by 2018
- 138\_Sensitivity analysis
- 139\_Base income statement
- 140\_Sales, Gross Profit
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## **Financials**

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- 145\_Recommendations – Sales & marketing
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- 147\_Additional costs (cost-benefit analysis)
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- 149\_NWC analysis
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- 157\_Financial graphs (Sales/ OC/ etc.)
- 158\_Financial ratio comparison

# Risk & Mitigation



FROG'S LEAP

## Risks

## Mitigation

## Contingency

1

Conditions in Canada and/or China become less favorable

Prioritize the 2 new markets and phase entry

Enter the next best choice of Brazil or Mexico

2

Retaliatory actions from incumbent players

Plan a phased roll-out without antagonizing competitors

Focus marketing efforts on how the brand personality differs from competitors

3

Marketing strategies fail to resonate with consumer

Conduct proper & prior marketing research.  
Roll out strategy in phases

Stop the implementation and re-evaluate strategies & market

4

Workers buy-in of sustainability efforts not achieved

Lay out communication plans involving both management & workers

Communicate and gain support of the most loyal workers first and let them influence the rest

5

Low cost refrigeration improvements may not yield expected benefits

Designed scorecard to monitor progress of improvement

Explore higher cost investment in refrigeration improvements

# Mission & Values



FROG'S LEAP



## Ecosystem of core values

“Frog’s Leap will **make a difference**. We will produce wines that deeply reflect the thoughtfully chose soils and climates from which they emanate. We will **respect our surroundings**, maintain **good stewardship** of the land, uphold our **commitment to the principles of sustainable farming** and seek a deeper understanding of the natural living system around us... We will **succeed as a business**, measuring our success with unique criteria. We will both **respect and challenge conventional wisdom**, growing our company the way we grow our vines. We will **enhance the quality** of our lives and the lives of those who work with us, never forsaking our belief that wine is a wonderful part of life, not life itself. Frog’s Leap will **leave a legacy**.”



# SWOT analysis



FROG'S LEAP

## STRENGTHS

- Improvement in your outdoor and indoor environment
- Creation of a **healthy work environment** for employees
- A **reduction in operating costs** → A higher gross margin
- Decreased chemical costs
- Decreased electricity costs
- Decreased solid waste generation
- Reduced water usage → Ability to reuse your wastewater
- Organic wines have **greater health benefits** (anti oxidants, resveratrol)
- Organic wines have bolder more concentrated flavors
- Creation of **stronger relationships** with your suppliers
- Smaller impact on climate change
- **Increased competitive advantage**

## WEAKNESSES

- Remodeling buildings to become “green” was **expensive**
- Solar panel retro-fits required large capital costs, and it can take many **years for the investment to pay off**
- Loyal customers may not like more changes
- Changing farming practices can affect the taste of your grapes (unable to **control consistency**)
- 100 percent organic wines are **more perishable** because they cannot contain sulfites
- **Huge debt**

## OPPORTUNITIES

- Increased gross profit gives you the ability decrease your price point, potentially **attracting new customers**
- Your sustainability initiatives could attract new customers interested in green wines
- Many retailers and wholesalers are interested in green wines
- Sustainability provides your business with **new marketing opportunities**
- Potential of **greater relationships** with consumers and suppliers

## THREATS

- Some consumers will see green efforts as **greenwashing**
- Initial investments could put **cash flows at risk**
- Many loyal customers may abandon your products
- **More scrutiny** from environmentalist and new customers (are you really sustainable, are you truly making the efforts you say you are?)
- Attempting to penetrate new markets could result in the **loss of previous market share**



# Core competencies

1

Brand positioning

2

Established niche in organic market

3

Strong understanding of sustainability

4

Control over entire production process

5

Mutually reinforcing triple bottom-line

# What does small mean for Frog's Leap?



FROG'S LEAP

## Management

---

**Nimble and adaptive**

**Quick-to-react  
management team**

**Run like a family  
business**

## Assets

---

**Assets to run at  
efficient capacity**

**Assets to be used  
towards services  
specified purposes**

## Processes

---

**Efficient processes**

**Processes are not  
replicated across  
different work  
streams**

# How to achieve a triple bottom-line



FROG'S LEAP

## People

---

The story we tell is one of **empowerment for winemakers**. But it is so much more.

We **uphold labor practices** of paying livable – not minimum – wages, among other criteria.

## Planet

---

Our wineries and vineyards are **environmentally responsible**. We comply with international wine industry environmental sustainability standards.

We are also partnering with pioneers in the organic and biodynamic industry, and to the highest extent possible are **supporting conversion to organic vineyard practices**.

## Profit

---

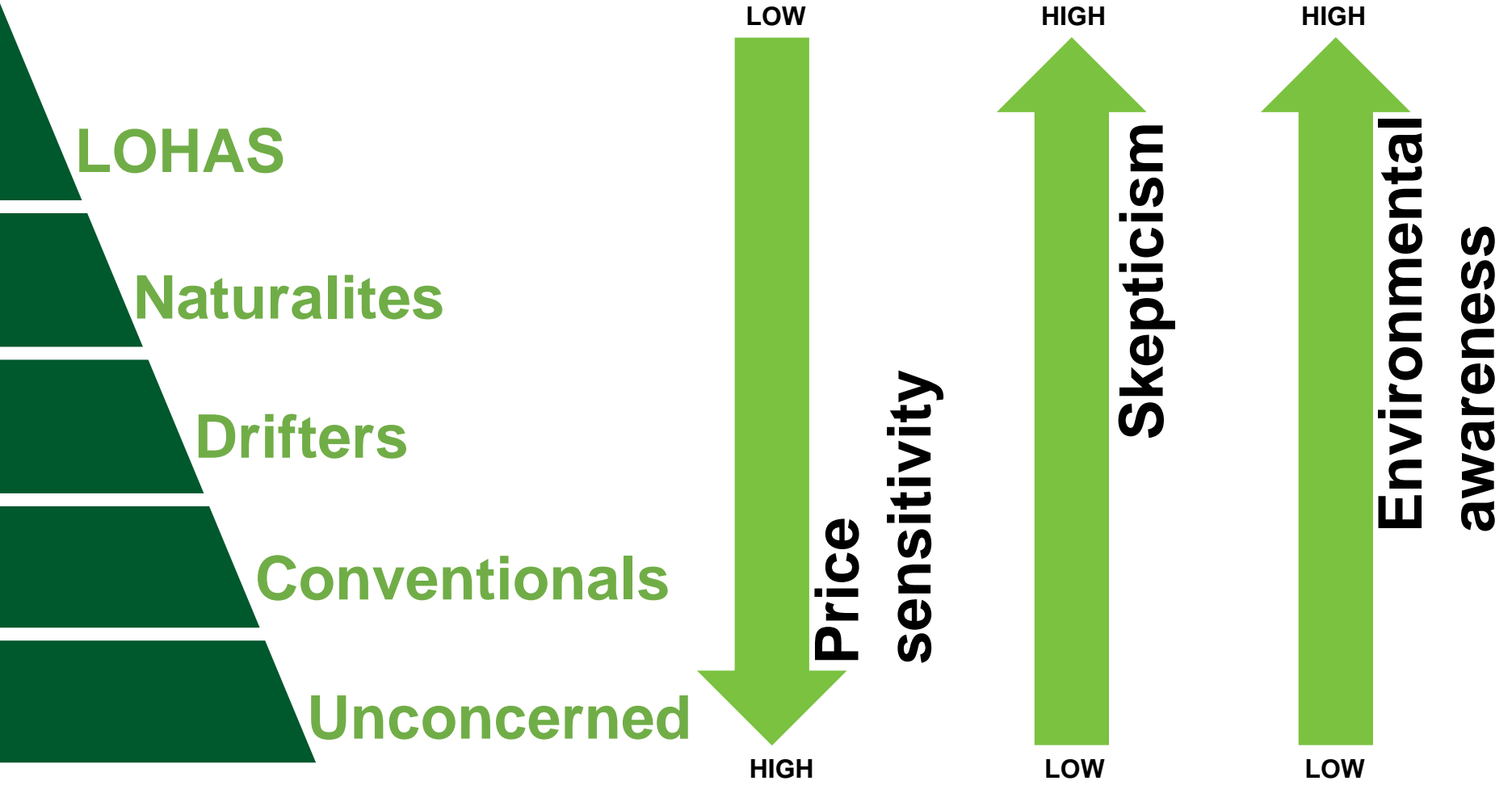
As a for-profit company, we uphold standards of **efficiency, practicality, and longevity**.

This is the right thing to do and it ensures **long-term success** and to continue to provide high-quality wine.

# Consumers



FROG'S LEAP



# Dealing with challenges at each buying stage



FROG'S LEAP

Sow the Seeds

**Harvest the Grapes**

Nourish the Land

Sip the Wine



**Customer Awareness**

**Brand Awareness**



Recognizing the Frog's Leap brand and products

**Brand Consideration**

**Brand Preference**

**Purchase Intention**

**Purchase**



Identifying with the Frog's Leap spirit

Motivation to purchase

**Consumer Loyalty**

**Consumer Advocacy**



Integrating Frog's Leap into one's lifestyle



# Competitors: market share

## Canada

	Market share (% volume)		# of lines
1	Vincor Canada (Constellation Bran	19.1%	6
2	Andrew Peller	11.9%	7
3	Foster's Wine Estates Canada	3.5%	5
4	E&J Gallo Winery Canada	3.2%	2
5	Familia Zuccardi	2.2%	1
6	Concha y Toro	1.8%	
7	Casella Wines	1.6%	
8	Maxxium Canada	1.1%	
9	Pelee Island Vineyard Inc	1.0%	
10	Beringer Blass Wine Estates Cana	1.0%	
11	Corby Distilleries Ltd	1.0%	
12	Mielzynski Agencies Ltd, Peter	0.8%	
13	Mission Hill Family Estate Winery	0.5%	
14	Charton Hobbs Inc	0.5%	
15	Oyster Bay Wines Canada	0.4%	
16	Churchill Cellars Ltd	0.3%	
17	Boisset Canada	0.3%	
18	Baron Philippe de Rothschild SA	0.3%	
19	Brave New Wines Ltd	0.2%	
20	Penaflo SA	0.2%	
	Frog's Leap	0.02%	

## China

	Market share (% volume)		# of lines
1	Yantai Changyu Pioneer Wine Co	8.0%	1
2	COFCO Wines & Spirits Co	7.0%	1
3	Yantai Weilong Grape Wine Co Ltr	4.4%	1
4	Dynasty Winery Co Ltd	3.1%	1
5	Yunnan Shangri-La Winery Co Ltd	1.5%	1
6	China Tontine Wines Group Ltd	0.8%	1
7	Castel Groupe	0.8%	2
8	Citic Guoan Wine Co Ltd	0.7%	1
9	Yantai Pengzhu Winery Co Ltd	0.6%	1
10	Yunnan Red Winery Group Co Ltd	0.6%	1
11	Beijing Daragon Seal Wine Co	0.3%	1
12	Tonghua Grape Wine Co Ltd	0.2%	1
	Frog's Leap	0.004%	

# Competitors' analysis – Canada



FROG'S LEAP

## Malivoire Wine Company

- Malivoire Wines is a vineyard and winery providing fine wine from the Niagara region of Ontario, Canada
- Highly reviewed, popular among LOHAS





# Competitors' analysis – Canada



FROG'S LEAP

## Tawse Winery

- Tawse was named 'Canadian Winery of the Year' by Canadian Wine Access Magazine in 2010, 2011 and 2012.
- Popular among LOHAS
- USD 20.95



# Competitors' analysis – China (US Product)



FROG'S LEAP

## Frey Wine

- Organic wine from United States (Mendocino County, CA)
- Popular among the middle-class (affordable: USD 16)
- One of the first few organic wines to be made popular in China



# Competitors' analysis – China (Chinese Product)



FROG'S LEAP

## Château Hansen

- Grapes are organically grown in Mongolia, vineyards are located near Wuhai, in the western part of Inner Mongolia.
- The first Chinese vineyard to export its wines to Australia.
- Popular among the middle-class (USD 9)

CABERNET GERNISCHT 2008



Côtes du Fleuve Jaune du désert de Gobi 2009



MERLOT 2009



Kim age de Cabernet-Gernischt 2010



CABERNET-GERNISCHT 2010



CABERNET-SAUVIGNON 2010



# Competitors' analysis: Comparing price points



FROG'S LEAP

**Clos  
Du Val**



**USD  
24.99**

**Frog's  
Leap**



**USD  
36.99**

**Trefethen  
Family  
Vineyards**



**USD  
51.99**

**Cakebread  
Cellars**



**USD  
66.99**

**Araujo  
Estate  
Wines**



**USD  
311.99**

**Least  
Expensive**

**Most  
Expensive**

**Note:** Prices are based on a bottle of 2010 Cabernet Sauvignon  
Prices are averaged across three sources



# Why not widen product lines?



**Not a core competency**

- Started small as a winery, while produce will help in creating a sustainable vineyard; selling produce should not be a core competency



**Diversified revenue stream is not large enough to reduce debt**

- Revenues generated from new sales channel will not be as attractive as other growth options



**Intense competition in the organic produce space**

- Entering new space will force us to deal with established competitors



# Why not deepen existing product portfolio?



**Limited opportunities to deepen existing product lines**

- Existing product portfolio is extensive
- Missing products lines for consumers down the consumer ladder



**Scaling down the consumer ladder will dampen brand equity and affect quality**

- Creating product extensions for consumers down the consumer ladder will affect the brand



**Strong competitors in the ultra-premium sector → Difficult to scale up the value chain**

- Scaling up to target the ultra-premium segment will force you to compete with established brands



# Enhancing brand awareness (in the US) isn't enough



**Can be perceived as  
'greenwashing' →  
affect brand equity**

- Adopting viral marketing to push customers up to the LOHAS group might upset the balance in the market
- Perceived as too corporate



**LOHAS is well  
educated → new  
value proposition will  
be needed for new  
targets**

- New marketing approaches will be needed to address the concerns of other consumer segments



**Generation of sales  
from enhanced  
marketing cannot  
cushion growing  
debt**

- Revenues generated from new sales channel will not be as attractive as other growth options



# Increasing direct sales to customers isn't enough



**Not a core competency**

- Business model is not business-to-consumers, but business-to-business
- May be lacking a sales forces



**Will require additional investments that can affect 'greening' of land**

- Direct sales to customers will require additional infrastructures (i.e. more tasting rooms and cabins)
- Might upset fragile ecosystem



**Generation of new sales channel cannot cushion growing debt**

- Revenues generated from new sales channel will not be as attractive as other growth options



# Why is market expansion important?



FROG'S LEAP



**Generate increased sales to cushion growing debt**



**Reduce backlogged inventory**



**Allows you to achieve fill efficiency by maximizing capacity**

# Details of top line global market evaluation



FROG'S LEAP

## CRITERIA: Forecasted market growth for wine 2012 wine market size

Countries	2012 Market size	2013-16 CAGR %	Market size ranking	Forecast CAGR ranking	Composite Ranking
China	36,680.0	16.8	1	5	6.0
Russia	12,381.5	8.3	8	22	30.0
Brazil	6,927.0	8.0	11	23	34.0
United Arab Emirates	1,860.1	11.5	26	12	38.0
USA	35,858.5	4.8	2	42	44.0
Canada	10,756.2	5.8	9	35	44.0
Mexico	1,572.4	10.0	29	16	45.0
Colombia	516.4	18.0	48	2	50.0
South Korea	2,480.7	6.1	22	32	54.0
Serbia	716.9	11.9	45	10	55.0
Ukraine	1,937.7	6.3	25	30	55.0

# Satisficing between different investment criteria



FROG'S LEAP

Sow the Seeds

Harvest the Grapes

Nourish the Land

Sip the Wine

1

## Market potential



- Market size (sales)
- Forecasted growth
- Sophistication of consumers

2

## Regulatory barriers



- Political risk
- Regulations on wine imports
- Tariffs on wine imports

3

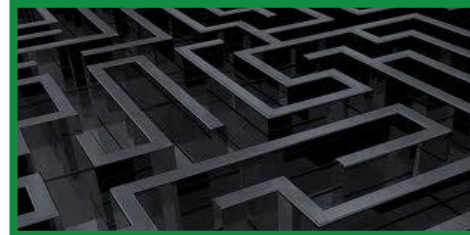
## Ability to compete



- Presence of strong brands
- Extent of industry fragmentation

4

## Degree of complexity


































- Geographical distance between Napa Valley and targeted countries
- Cultural distance

# Decision matrix – Market entry




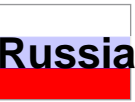




FROG'S LEAP

Ideal 	Market potential	Political	Competition	Distance	Final ranking
 China					<b>1</b>
 Russia					<b>3</b>
 Brazil					<b>2</b>
 Canada					<b>1</b>
 UAE					<b>4</b>
 Mexico					<b>2</b>

# In depth look at factors of market potential




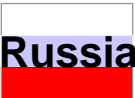




FROG'S LEAP

	Market Size (USD grape wine sales)	Forecasted growth of grape wine sales	Sophistication of consumers
 China	23,490	20.6%	Improving
 Russia	6,495	2.8%	Improving
 Brazil	4,175	6.7%	Improving
 Canada	9,518	5.4%	High
 UAE	592	6.4%	Moderate
 Mexico	1,104	9.6%	Moderate, not improving alot

# In depth look at factors of regulatory barriers




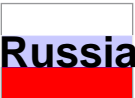




FROG'S LEAP

	Political risk	Wine import tariffs	Regulations on wine
 China	59.8	14%	-
 Russia	52.7	>20%	Restricts wine imports to increase Russian wine popularity
 Brazil	60.2	55%	Changes expected to drive sales
 Canada	81.8	0%	-
 UAE	66.2	50%	Restriction on off-trade channels & advertising wine
 Mexico	58.8	0%	-

# In depth look at factors affecting ability to compete




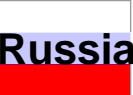




FROG'S LEAP

	Fragmentation	Presence of strong brands & competitors
 China	Top 13 brands hold 28% of market	Few
 Russia	Top 12 brands hold 17.2% of market	Few
 Brazil	Top 18 brands hold 17.4% of market	Moderate
 Canada	Top 13 brands hold 17.8% of market	Many
 UAE	Very fragmented	Many
 Mexico	Top 13 brands hold 58.2%	Many

# In depth look at factors affecting degree of complexity



FROG'S LEAP

	Miles from LA to capital city	Cultural distance
 China	6257	Far
 Russia	5885	Very far
 Brazil	6150	Moderate
 Canada	2372	Near
 UAE	8378	Very far
 Mexico	1555	Moderate





# What happens to Japan?

## Current state of grape wine industry in Japan

- Very low forecasted growth of 0.6%
- Consumers have been trading down to budget wine.
- Consumer trend is towards Spanish, Chilean wine instead of the European wine.
- Health conscious Japanese are still a viable market for grape wine.

## Implications for Frog's Leap

- Market trend working against Frog's Leap wines (away from premium, away from European)
- Market may not be attractive to Frog's Leap
- Consider reducing or stop exports to Japan
- Production capacity that caters to Japan market may be freed for China and Canada.



# Why not Mexico?



**Wine consumers not sophisticated enough**

- Trend towards premiumisation is not conclusive
- Consumers may not appreciate Frog's Leap wine



**Small market size with exposure to other US and strong wine brand**

- Small market size and presence of key competitors may restrict opportunities



**Country risk more pressing than other shortlisted countries**

- Evident from the recent spat between Mexico and US which resulted in increase in tariffs



# Why not Brazil?



## High tariffs

- Brazil government recently increased tariffs to 55%
- High tariffs reduce amount Frog's Leap can earn.



## Relatively far geographically compared to most other shortlisted countries

- Long geographical distance makes coordination difficult especially for small firms.



## Industry is fragmented

- Fragmentation increases competitive rivalry and makes it difficult for Frog's Leap wines to obtain a sustainable position.



# Why not Russia?



**Political risk is greatest amongst the shortlisted countries**

- Political risk is exacerbated given that US-Russia relations are generally not very cosy.



**Government has strict regulations on wine**

- Russian government wants to promote Russian wine
- Restricts wine imports
- Stric



**Culturally quite different from the USA**

- Cultural nuances need to be understood and bridged before exports can be made.



# Why not UAE?



**Strict regulations on wine**

- Muslim country
- Only handful of licensed wine distributors allowed.
- Legislative restrictions on off-trade channels
- No advertising allowed for wine



**Very small current market size yet fragmented industry**

- Small market size with many fragmented players may restrict opportunities.



**Culturally very different from the USA**

- Cultural nuances need to be understood and bridged before exports can be made



# Why China?



**Close geographic proximity to existing overseas operations - Japan**



**Growing upper middle class – huge consumption of wine products**



**High market readiness**

# Counterfeiting in China?



Few people could distinguish real wine brands from adulterated wine. As a result, adulterated wine products have a much stronger presence in the Chinese market, a lot of counterfeit goods, hinders premium grape wine development



New leader of the CCP have shown willingness to stop counterfeiting by ordering a crackdown on corruption and direct raids on counterfeiting activities.

Chinese and U.S. authorities have collaborated for the first time to shut down a major counterfeiting operation in the province of Guangdong.  
- Nov 2012



# Why Canada?



**Close geographic  
proximity to US**



**Huge consumption of  
wine products**



**High market  
readiness**



# Evaluating the various forms of market entry



FROG'S LEAP

## Greenfield

**X** Very heavy capital expenditure

**X** No point setting up vineyard or winery

**X** Substantial increase in asset base

## Exports

**✓** Minimal capital expenditure

**✓** Can retain the labeling of wine

**✓** Allows Frog's Leap to remain "small"

## Acquisition

**X** Requires too much cash

**X** Lack of viable targets

**X** Substantial balance sheet growth

## Joint Venture

**X** Still requires some CAPEX

**X** No point setting up vineyard or winery

**X** Increase in asset base such that Frog's Leap cant remain small

# Target Consumers Profile



**China**



**Canada**

## Commonalities between both countries:

### ***Demographics***

- ▶ Young adults/ professionals
- ▶ 20 – 35 years old
- ▶ Middle to upper income

### ***Purchasing behaviors***

- ▶ Willing to spend on premium goods
- ▶ Influenced by word-of-mouth

## Conspicuous Consumption:

Buy to show off  
wealth & status

Buy to convey  
allegiance to 'green'  
community



# Marketing Plans Overview



## How?

## Impact

### HEAD

Strengthen  
Perceived Value

Customize Frog's Leaps wine labels to suit local preferences



Induces trial through  
'**quality**' association

### HEART

Create  
Emotional Appeal

Incorporate Frog's Leap as part  
of highly celebrated occasions



Builds emotional  
connection & **Top-of-  
mind recall**

### HAND

Build  
Brand Advocacy

Leverage social media  
platforms to engage consumers  
and reward participation



Creates **brand  
advocates** through hype  
and social networks

# Creating the Initial Marketing Hype through Digital Campaign



FROG'S LEAP

## “What is Fun in life?”

1

Engage consumers to express what ‘Fun’ means to them

2

TVC shared on online video hosting sites (e.g. Youtube, Baidu)

3

Highest numbers of shares/likes on social media sites entitled to **Fellowship of the Frog** membership



# Marketing Plans: Head (Canada)



## How?

## Impact

**HEAD**  
Strengthen  
Perceived Value

Customize Frog's Leaps wine labels to suit local preferences



Induces trial through  
**'quality'** association



## Canada

1

Greenwashing led to high skepticism of 'green' products

**'Green' labels** to educate on company's sustainable practices

### Sustainability Facts

Round Rock Campus  
Austin Community College District  
Round Rock, TX

Open Space	43 %
Green Car Parking	5 %
Water Saving Irrigation	25 %
Water Saving Plumbing	33 %
Energy Saving	25 %
Solar Energy	14 %
Construction Waste Diversion	79 %
Recycled Material	22 %
Regional Material	51 %
FSC Certified Wood	89 %
GreenGuard Furniture	100 %
IAQ Management	✓
Low Emitting Materials	✓

# Wine Labels: Canada



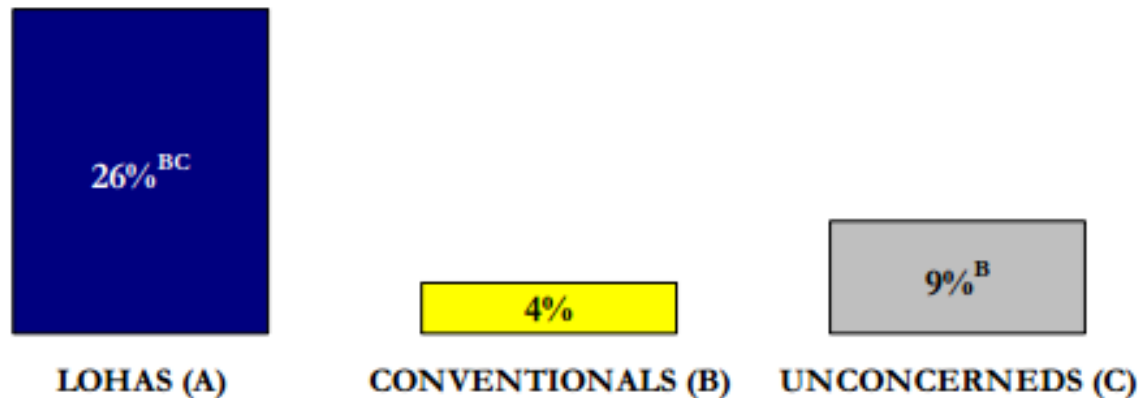
FROG'S LEAP

**Green authenticity** is a major concern for Canadian consumers because of green washing.

**Figure 3-1**

*(Q. 22-% NMI segments indicating level of agreement with the following statements)*

**"I AGREE completely that a seal or certification mark indicating a product is environmentally-friendly increases the likelihood I'll buy it"**



# Marketing Plans: Head (China)



## How?

## Impact

### HEAD

Strengthen  
Perceived Value

Customize Frog's Leaps wine labels to suit local preferences



Induces trial through  
'quality' association



## China

1

Western brand perceived to be superior

**'Made in America' labels**

2

Include Chinese elements to associate more with Chinese consumers

Auspicious number: **Lucky '8'**  
Auspicious colors: **Red & gold**



# Chinese Wine Consumption Trends



FROG'S LEAP

- Total volume size of 3.9 billion litres in 2011
- Due to most consumers' limited knowledge of grape wine, sophisticated packaging and imported brands are the major factors for Chinese people to distinguish good wine from low-end wine.
- Wine price will continue to rise; average wine price was only RMB30/litre and RMB82/litre respectively in the off-trade and on-trade in 2011, very much cheaper than in developed countries





# Frog's Leap in China



Enter China with a translated Chinese brand name to **connect** with the locals.



福 fú = prosperity  
绿 lǜ = green

**Dual Adaptation:** Sound & Meaning of new name related to the original

# Marketing Plans: Heart (Canada)



## How?

## Impact

### HEAD

Strengthen  
Perceived Value

Incorporate Frog's Leap as part  
of highly celebrated occasions



Builds emotional  
connection & **Top-of-  
mind recall**



## Canada

### Valentine's Day Celebration with Loved ones

Symbolizes "*love*"  
& "*friendship*"

Festive of "showing  
appreciation"

Free organic food  
vouchers (picnic)  
with every purchase



# Marketing Plans: Heart (China)



## How?

## Impact

### HEAD

Strengthen  
Perceived Value

Incorporate Frog's Leap as part  
of highly celebrated occasions



Builds emotional  
connection & **Top-of-  
mind recall**



## China

### Chinese New Year Reunion Dinner with Family

Symbolizes  
**"togetherness"**

Festive of "giving  
& receiving"

Free red packets  
with every purchase



# Marketing Plans: Hand (China & Canada)



FROG'S LEAP

## How?

## Impact

### HEAD

Strengthen Perceived Value

Leverage social media platforms to engage consumers and reward participation



Creates **brand advocates** through hype and social networks



China



Weibo  
350mn users



Canada



Twitter  
200mn users



Instagram  
10mn users

## #leapsfrogfun



# Marketing Plans: Hand (China & Canada)



FROG'S LEAP

## How?

## Impact

### HEAD

Strengthen  
Perceived Value

Leverage social media  
platforms to engage consumers  
and reward participation



Creates **brand advocates** through hype  
and social networks

1

Capture your **fun**, memorable  
moments with Leap's Frog

3

Selected winners  
get **free** Frog's  
Leap wine sent  
to your doorstep!

2

Share it on Weibo,  
Twitter or Instagram

#leapsfrogfun

## #leapsfrogfun



# China Marketing 4P's: Social Media

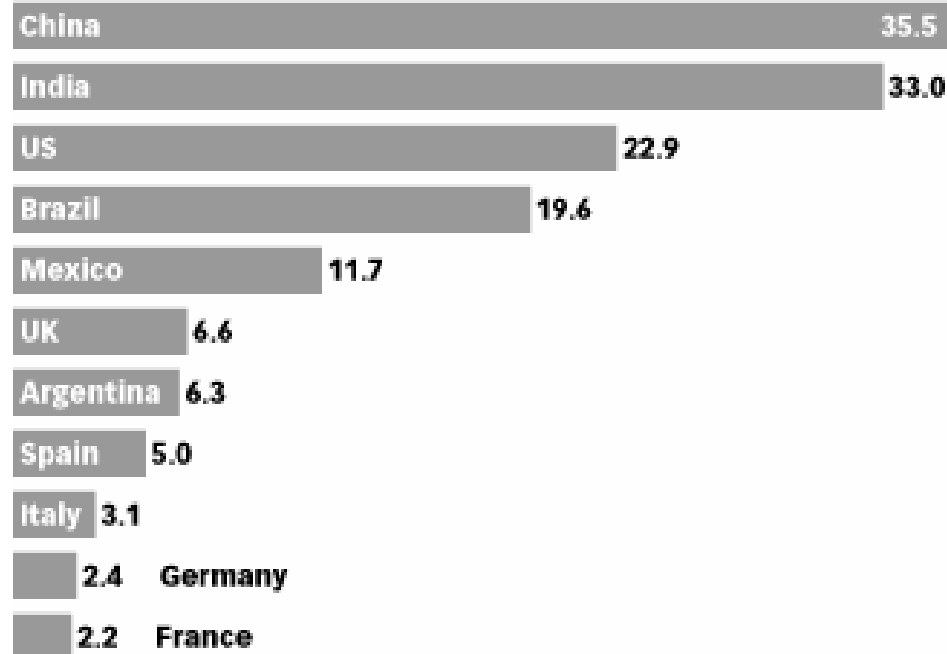


FROG'S LEAP

## Twitter

### Active\* Twitter Users in Select Countries, Q2 2012

millions



#1 China: 35.5%  
#3 Canada: 2%

*Note: in the past month; \*used or contributed to the platform at least once a month using any device*

*Source: GlobalWebindex, "Social Platform Adoption Trends 2012," Sep 11, 2012*

145329

[www.eMarketer.com](http://www.eMarketer.com)

# Frog's Leap Brand Personality



## Product

- Premium wines
- High quality

## Marketing

- Humorous

## Production

- Organic & Biodynamic

# Frog's Leap Brand Personality



- Premium wines
- High quality

**FINE**



- Humorous

**FUN**



- Organic
- Dynamic

**FRESH**



# Wine-drinker Personas



1

## The Connoisseur

Premium  
High-end  
Status symbol



2

## The Hostess

Hip  
Trendy  
Opinion Leaders



3

## The Artist

Creative  
Unique  
Individualistic



4

## Enviro Guy

Organic  
'Green'  
LOHAS

# Product sub-categories for niche targeting



FROG'S LEAP

## Full Offerings

Create product sub-categories for niche targeting

Frögenbeerenauslese  
Pink

**FUN**

USD\$16 – \$25

Sauvignon Blanc  
Chardonnay  
Zinfandel  
Merlot

**SOPHISTICATED**

USD\$22 – \$30

Cabernet Sauvignon  
Petite Sirah  
Rutherford

**DELUXE**

USD\$35 – \$75



# Consumer Analysis



**CHINA**

## *Consumer Trends*

Rising consumer  
affluence

Increasing  
sophisticated taste

## *Behavioral Patterns*

Perceive as status  
symbol

Up-trading to  
imported premium  
brands

## *Wine Culture\**

Buy to **show off**

Buy to **portray  
status**

**+**

Buy to **socialize**



**CANADA**

## *Consumer Trends*

Growing interest  
in wine

## *Behavioral Patterns*

Willing to pay  
more for premium  
wines

# Key Drivers & Trends in Wine Industry



FROG'S LEAP



# Key Drivers & Trends in Wine Industry



FROG'S LEAP

## Convenience

- Expanding the range of drinking occasions and facilitating on-the-go consumption through a larger spectrum of sizes and alternative packaging formats is becoming key. PET packaging and cans will increasingly come under the spotlight.

## Cocooning

- Cocooning is less a lifestyle choice and more an enforced decision, stemming from financial woes. The sharp resurgence of home consumption has shifted the focus towards the off-trade. Aesthetic appeal, practicality and affordability are prioritised.

## Value for money

- Polarisation has replaced premiumisation as the new buzzword. Premium offerings continue leveraging their aspirational packaging, while the role of economy launches is solidifying in the recessionary environment. Smaller pack sizes and alternative packaging formats spearhead the economy segment's revival.

## Organic/natural

- The generally upper standard or premium positioning of organic/natural variants exposes them to the ongoing financial storm. Organic company ethos will take the lead from opportunistic brand extensions as consumers are cutting down.

## Simplified offerings

- The category will primarily advance on the back of lower-end, casual offerings, with New World wines re-writing the rulebook and Old World countries eventually having to follow – at the very least by replicating their successful marketing approach.

## Low ABV/low cal

- The global obesity epidemic and rising levels of health awareness are giving rise to low-calorie variants. Female audiences and young urbanites provide a potential driver for categories in desperate need of escaping maturity and stagnation.

## Eco-credentials

- Currently primarily focusing on wine and limited to niche targeting, "green spin" will take centre stage as the environmental debate rages on. Alternative packaging formats present both pitfalls and opportunities, while offering huge potential for increasing profit margins and cementing loyal audiences.

44

# Frog's Leap Wine Offerings



FROG'S LEAP

Wines	Description	Price/ Member Disc.
Sauvignon Blanc	Crisp and refreshing hint of white peach/ lychee. Retains a delicacy to compliment food.	\$22.00/ \$17.00
Chardonnay	Seductive, crisp & elegant. Lightly scented citrus and stone fruit aromatics with flavors of apricot, wet-stone and vanilla.	\$26.00/ \$22.10
Zinfandel	Taut and refined. Sophisticated aromatic bunch of summer fruit — strawberry, raspberry, fig, and huckleberry	\$30.00/ \$22.95
Merlot	Expressive aromatics of deep plum and dark cherry, balanced with flavors of chocolate and blueberries	\$38.00/ \$32.30
Cabernet Sauvignon	Deep, intense black fruit, bright acidity and long gorgeous flavors	\$42.00/ \$35.90
Petite Sirah	Hints of lavender and boysenberries	\$35.00/ \$29.95
Rutherford	Dusky aromas of cocoa and cassis, succulent flavors of ripe blueberries	\$75.00/ \$63.75
Pink	Dry, crisp and mix of Pomegranate and orange peel	\$16.00/ \$13.60
Frögenbeerenauslese	Seductive aromas of caramel and fig. Lush flavors of peach, apricot and white blossoms. Among the world's premiere dessert wines.	\$25.00/ \$21.25

# Canadian Wine Consumption Trends



FROG'S LEAP



- Canada's per capita wine consumption ~ **15 litres a year**, compared to about 12 in the U.S.
- Wine consumption is growing **three times faster** than globally.
- Canada projected to be the **5<sup>th</sup> fastest-growing** wine market in the next five years.
- Between 2007 and 2011, Canadian wine consumption increased by 14.6%.
- Red wines still dominate the international market, representing 54.7 per cent of still wine consumption in 2011.

# China Marketing 4P's: Online Advertising



FROG'S LEAP

- 1 564 million Internet users = 42.1% penetration rate
- 2 Online shopper rates : 242 million people
- 3 Key players in China's search engine advertising:  
Baidu (#1), Soso, Sogou, Google, Bing and Yahoo! China
- 4 Another advertising option – social network marketing:  
Weibo.com (#1), Renren.com

Recommended options to advertise website:

1. Google Adwords
2. Baidu Union
3. Alimama



# China Marketing 4P's: Online Advertising



FROG'S LEAP

Most popular and top visited websites in China:

Website	Content
1. Baidu 百度	Chinese top search engine
2. Sina 新浪	Comprehensive information website (provide content on entertainment, news, etc)
3. Sohu 搜狐	Comprehensive information website + video channel
4. Taobao 淘宝	Shopping website
5. Xinhua 新华网	News website
6. Youku 优酷	Video sharing and hosting website
7. Tudou 土豆	Video sharing and hosting website

# China Marketing 4P's: Online Advertising Challenges



**Language barriers** can impede business operations and result in unnecessary costs.

E.g. Baidu

- 1 Applicant is required to provide a business license, proof of funds and a large opening deposit in Chinese yuan.
- 2 Account performance report and instructions in Chinese

**Mitigation:** One option is to hire Baidu's overseas agency such as Glogou Inc (English Interface for Baidu Ad Management Tool) to help build and manage its account

# China Marketing 4P's: Social Media



FROG'S LEAP

1 564 million Internet users = 42.1% penetration rate

2 75% of Internet users on Mobile = 423 million  
>1 billion mobile phone users



3 Online shopper rates : 242 million people

4 Sina Weibo Microblogging: 350 million

5 Instagram downloads: 100, 000 per week  
10 million users globally

++ of Instagram: supports posting to both Sina Weibo and overseas services like Twitter and Facebook

# Marketing 4P's: Distribution



FROG'S LEAP

## Direct sales through online retail channel

Currently exporting  
through US facility

Membership  
required to  
purchase online

Fellowship of the  
Frog membership for  
discounts & benefits

## Adaptation to new markets



### China

1. On-site translation to Chinese language



### Both markets

1. Increase online payment options
2. Include product information specific to each culture (e.g. wine compatibility with Asian cuisine)
3. New distribution partner

# Marketing 4P's: Distribution Partner



Selecting and Engaging Distribution Partners  
to speed up shipping process and facilitate operations



**China**

## Establish new distribution partnership

1. Eastern Empire Distribution Centre  
EEDC is Mainland China's leading importer and distributor of quality wine and spirits.

Offices in ***Shenzhen & Shanghai***



**Canada**

## Existing distributors and importers

1. Free House Wine & Spirits  
Vancouver, ***BC*** & Calgary, ***Alberta***

2. Rogers & Company  
Toronto, ***Ontario***

3. Magnum Consultants Ltd  
***Alberta*** & Vancouver, ***BC***

# Marketing 4P's: Distribution (Entry into Canada)



FROG'S LEAP



## Tier 1 Cities

Ontario, Quebec, British Columbia,  
Alberta

- Most populous states in nation
- Higher market readiness



## Tier 2 Cities

Federal, provincial and territorial  
capitals

- Rapid development
- More untapped potential for growth

# Marketing 4P's: Distribution (Entry into China)



FROG'S LEAP



## Tier 1 Cities

Beijing, Shanghai, Shenzhen,  
Guangzhou

- Opinion leaders for the nation
- Higher market readiness



## Tier 2 Cities

Provincial capitals, special  
administrative cities

- Rapid development
- More untapped potential for growth

# Marketing 4P's: Pricing (Canada)



## Canada

20% markup based on comparisons against competitors

Wines	Price (USD)	Price (CAD)
Sauvignon Blanc	\$22.00	26
Chardonnay	\$26.00	31
Zinfandel	\$30.00	36
Merlot	\$38.00	46

Wines	Price (USD)	Price (Yuan)
Cabernet Sauvignon	\$42.00	50
Petite Sirah	\$35.00	42
Rutherford	\$75.00	90
Pink	\$16.00	19
Frögenbeerenauslese	\$25.00	30

Price range in Canada (USD): USD\$19 – USD\$90



# Marketing 4P's: Pricing (China)



FROG'S LEAP



## China

3 times markup based on comparisons against competitors

Wines	Price (USD)	Price (Yuan)
Sauvignon Blanc	\$22.00	409
Chardonnay	\$26.00	483
Zinfandel	\$30.00	557
Merlot	\$38.00	706

Wines	Price (USD)	Price (Yuan)
Cabernet Sauvignon	\$42.00	780
Petite Sirah	\$35.00	650
Rutherford	\$75.00	1393
Pink	\$16.00	297
Frögenbeerenauslese	\$25.00	464

Price range in China (USD): USD\$48 – USD\$225

# Why not Physical Stores?



## Both markets

1. Incurs high costs and goes against company's goal of remaining operationally small
2. Cost-savings achieved by cutting out middleman
3. Online retail channel allows Consumers to access company and product information



## Additional concern to address in **China**

1. Strong presence of adulterated wine products in China. Direct sales provides consumers with assurance of authentic products

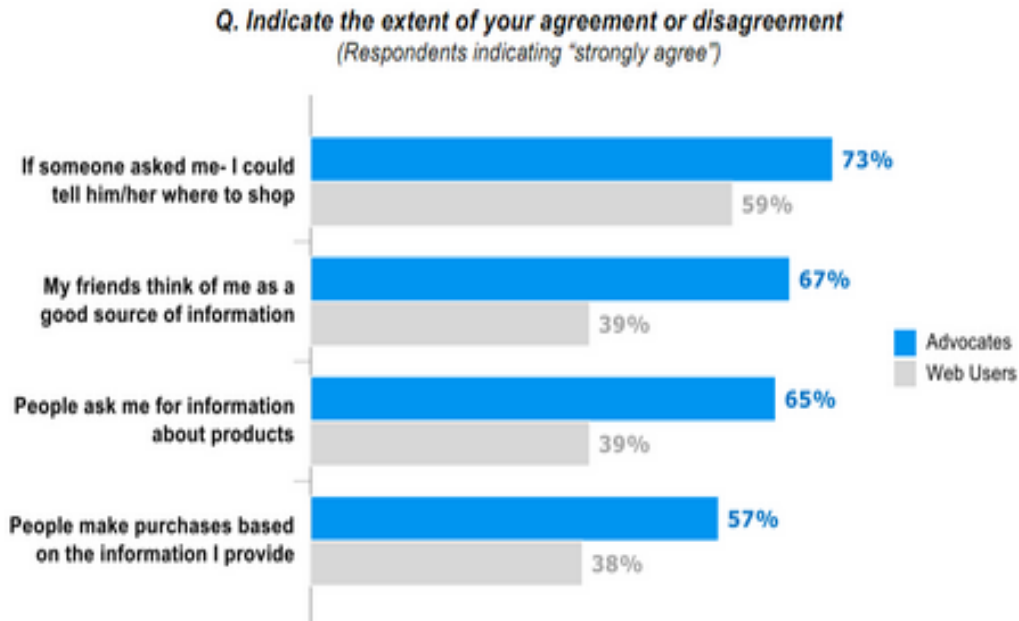
# Value of tapping on Brand Advocates (Reliable Source)



FROG'S LEAP

The study found **advocates** are 70% more likely to be seen as a source of **reliable information**.

Additionally, brand **advocates** are 50% more likely to create content that **influences a purchase**.



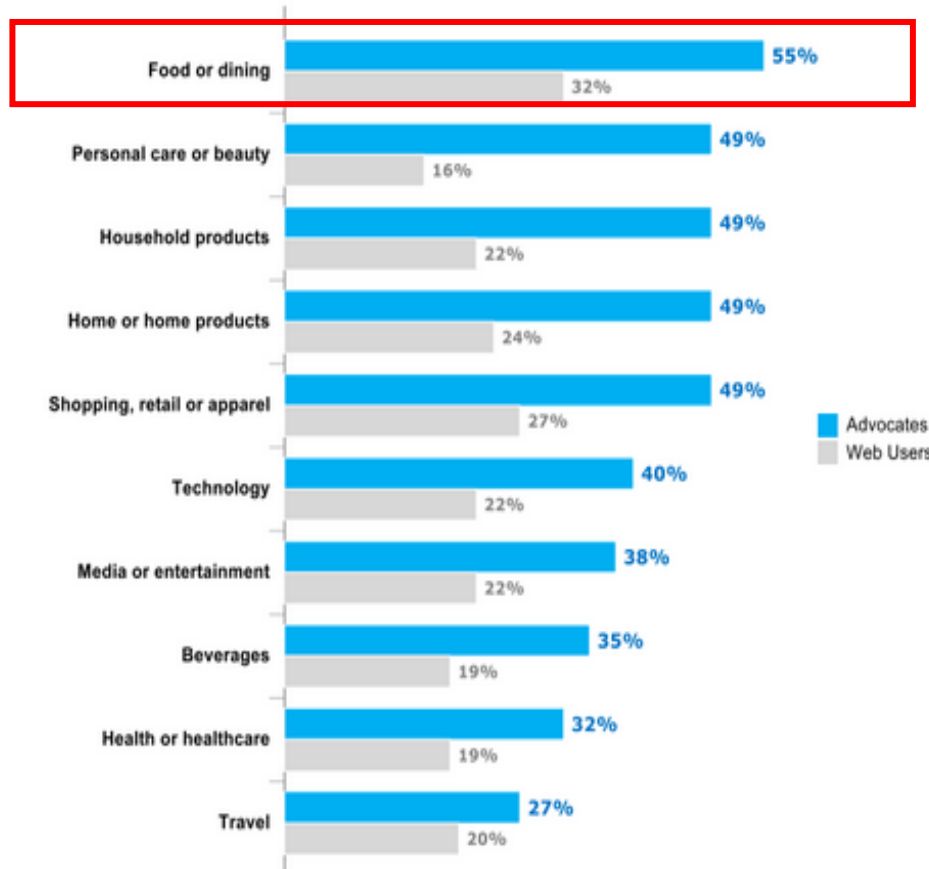
Creates talking point for product and **generate brand awareness** without incurring additional costs for company.

# Value of tapping on Brand Advocates (Content Creation)



FROG'S LEAP

Q. How often do you provide online information about products, brands, or places to shop from the following categories?  
(Respondents indicating "very often")



**'Food & Dining'** is number 1 product category that consumers provide online information on.

# Social & ecological cost-benefit of exporting wine to China & Canada



FROG'S LEAP

## Social & ecological cost

- Carbon dioxide emission due to transporting wine from LA to China or Canada.
- Workers may become more overworked to meet the demand from new markets.

## Mitigation of the costs

- Export wine into China & Canada by partnering with transport and distribution companies that are certified **GREEN**.
- Regularly engage workers and be informed of their mental and physical health. Rotate workers so they can be more motivated even with more work.

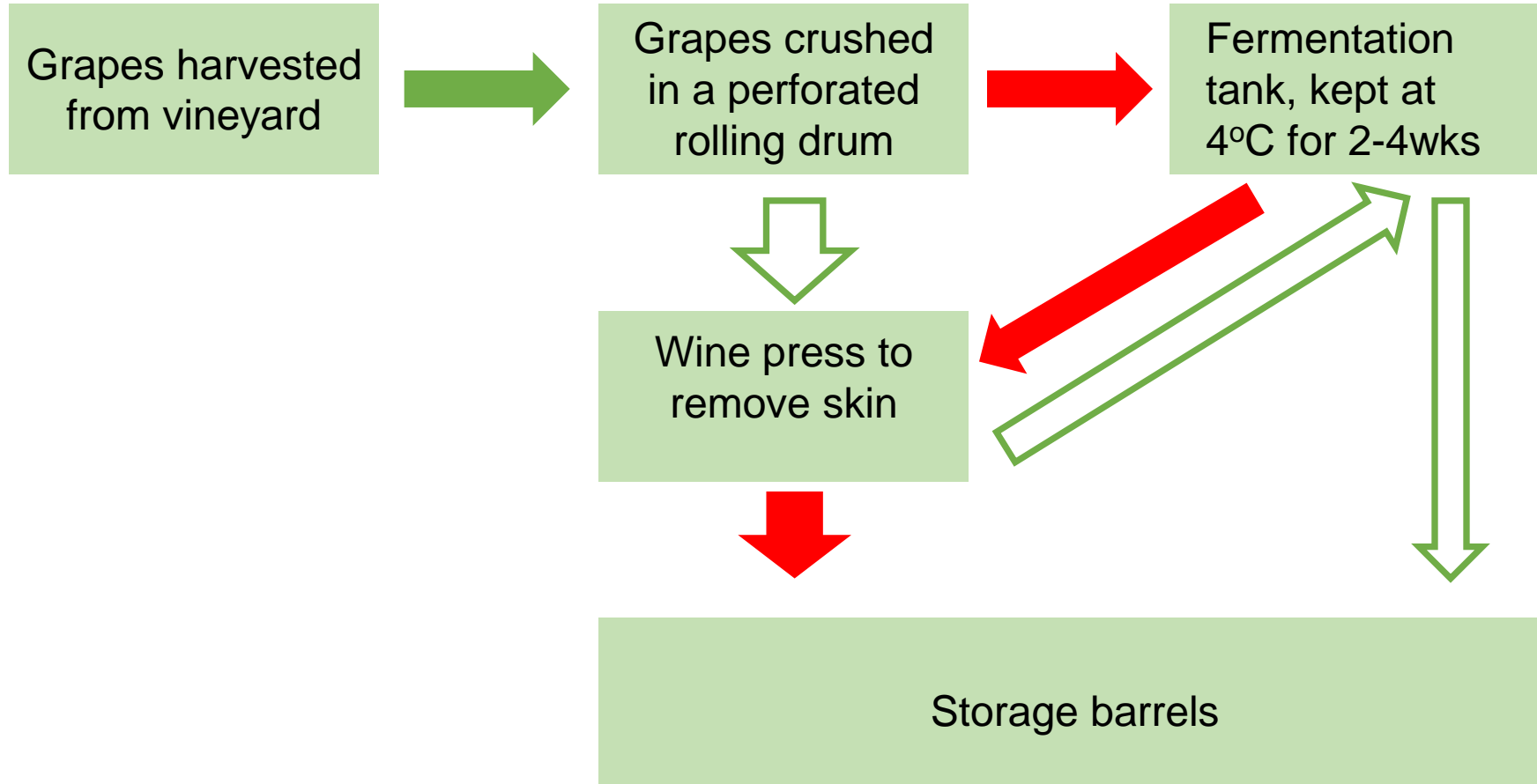
## Social & ecological benefits

- Offer consumers in China & Canada the choice of a “green” wine and thus help in developing the LOHAS culture.
- Choice of export instead of greenfield or JV reduces the impact on environment as there is no need for new construction of facilities.

# Steps in wine production



FROG'S LEAP



# Temperature control in wineries



Process	Purpose
Must cooling	Limits phenolic oxidation and premature fermentation
Juice clarification	Aids settling of juice solids
Fermentation	Controls fermentation rate
Cold stabilisation	Removes tartrate crystals to prevent precipitation after bottling
Wine storage	Limits the rate of oxidative browning and volatilisation of aroma compounds
Space cooling	Cools offices, wine or barrel storage areas



# Scorecard for sustainability initiative cost-benefit analysis

- 1** Amount of cost savings
- 2** Amount of productivity increase
- 3** How low is the investment required?



- 1** Workers' satisfaction
- 2** Workers' health
- 3** Workers' support for sustainability

- 1** Reduction in carbon footprint
- 2** Soil health
- 3** Reduction in pollutants emitted



# Applying scorecard to refrigeration improvement



FROG'S LEAP

<b>Planet</b>	Carbon footprint	Reduces carbon footprint outside of Frog's leap as more excess clean electricity to sell to public utilities
	Soil health	N.A.
	Pollutants	More efficient use of coolant, which may be pollutants
<b>People</b>	Workers' satisfaction	N.A.
	Workers' health	N.A.
	Workers' sustainability initiatives	Requires workers' efforts to monitor refrigeration control. Recommendation comes with necessary sustainability training.
<b>Profits</b>	Cost savings	From reduced electricity usage
	Productivity ↑	From more efficient refrigeration processes
	Investment required	Minimal as most can be done with little additional resources

# Applying scorecard to efforts to increasing employee sustainability



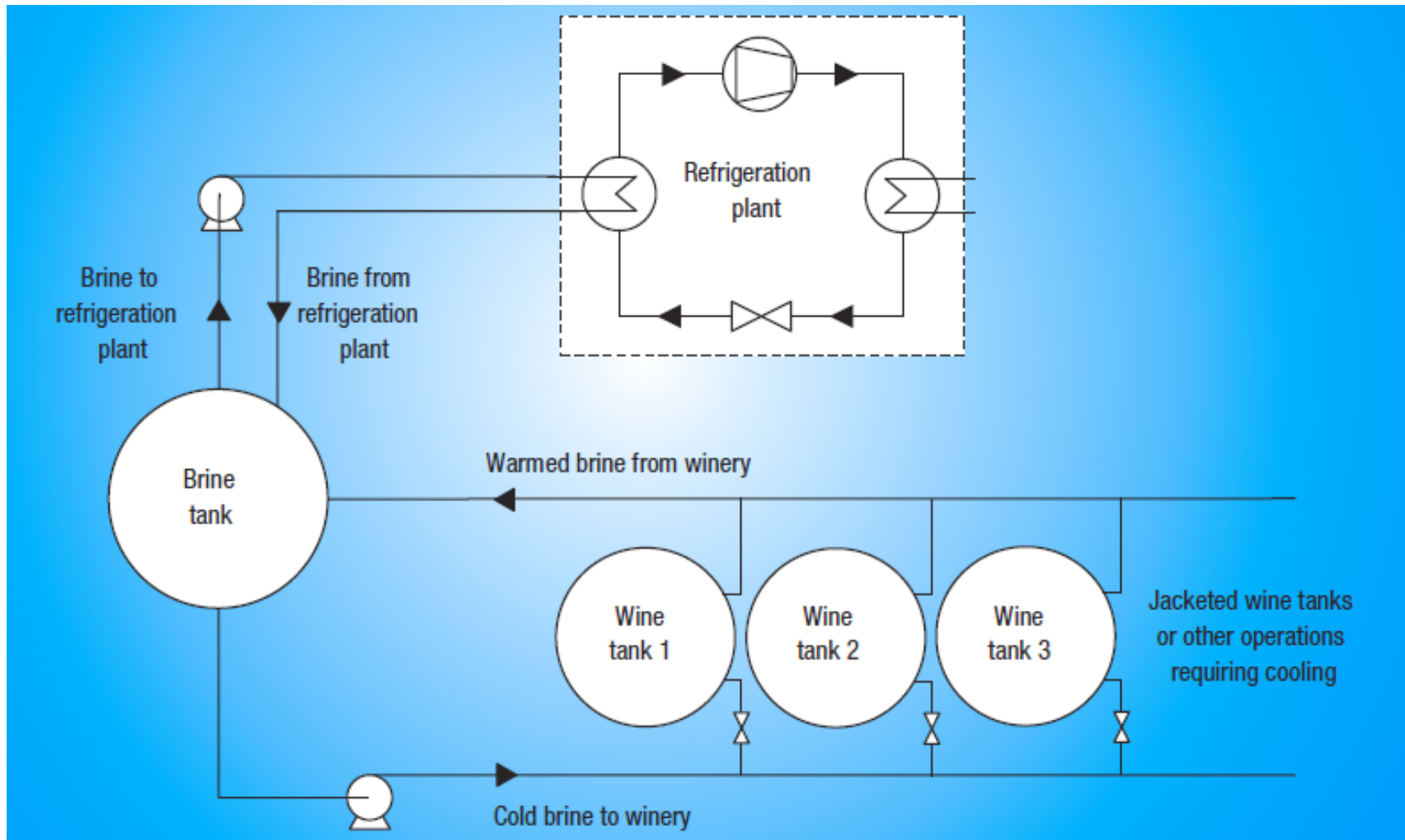
FROG'S LEAP

<b>Planet</b>	Carbon footprint	Reduced as employees turn off lights or unimportant devices when not in use.
	Soil health	Improved when employees become more aware and concern about soil health through the wall garden effort.
	Pollutants	N.A.
<b>People</b>	Workers' satisfaction	Increased due to greater empowerment afforded
	Workers' health	N.A.
	Workers' sustainability initiatives	Increased as workers are inspired to take sustainability initiatives and rewarded to do so.
<b>Profits</b>	Cost savings	Achieved when employees turn off lights or unimportant devices when not in use.
	Productivity ↑	Achieved when employees are more motivated.
	Investment required	Minimal as most can be done with little additional resources

# The cooling system in winery



FROG'S LEAP



# Case studies of successful refrigeration improvements



FROG'S LEAP

## Winery A

- Shutdown or infrequent running when cooling is not required reduced electricity usage from 450kWh/day to 80kWh/day.
- Warmer brine allows for larger mass of refrigerant to be moved using same amt of electricity.
- Warmer brine reduces cooling rate but this may not translate to poorer wine quality.
- External heat exchanger can be used should higher cooling rate be deemed necessary.

# Why would the inexpensive refrigeration improvements help?



## Tactics

## How it helps?



Set up procedures for refrigeration plant shut down when not in use.



Case study showed it reduced electricity usage from 450kWh/day to 80kWh/day.



Night time grape harvesting.



Less heat content in the grapes thus less energy to remove the heat in refrigeration.



Use warmer brine temperatures.



Able to move larger mass of brine with same electricity. Operations that still require cooler brine can be scheduled at specific periods rather than intermittently throughout the year

# Slightly more costly improvements to refrigeration



FROG'S LEAP

## Process control

- Works together with using a warmer brine temperature to realize increased COP.
- Control systems that schedule winery cooling operations, automates other improvements such as setting brine temperature

## Insulation

- Insulate the refrigeration plant, brine reticulation system, and wine tanks to prevent condensation.
- Red wine fermentors may not be insulated in some wineries.
- Recommended to insulate tank jacket if used for cooling.

## Refrigeration plant heat recovery

- Recover the heat that is rejected from the refrigerant at the condenser.
- Recovered heat can be reused for other purposes.
- Care must be taken to avoid growth of micro-organisms in mildly warm water.

# The Green Movement



FROG'S LEAP



**Building a strong community  
with inspired individuals**

**→ More sustainable and  
committed initiatives**

**→ Greater engagement and  
commitment**

**→ Greater return**



# Why not micro-winery?



**Results in a lost of one of Frog's Leap's competitive advantage**

Management identifies facility ownership as one of its competitive advantage



**Bottleneck is likely to be from winery rather than vineyard**

Sourcing for out-side supplies of grapes will not lead to more production in same winery.



**More difficult to accept wine from micro-winery**

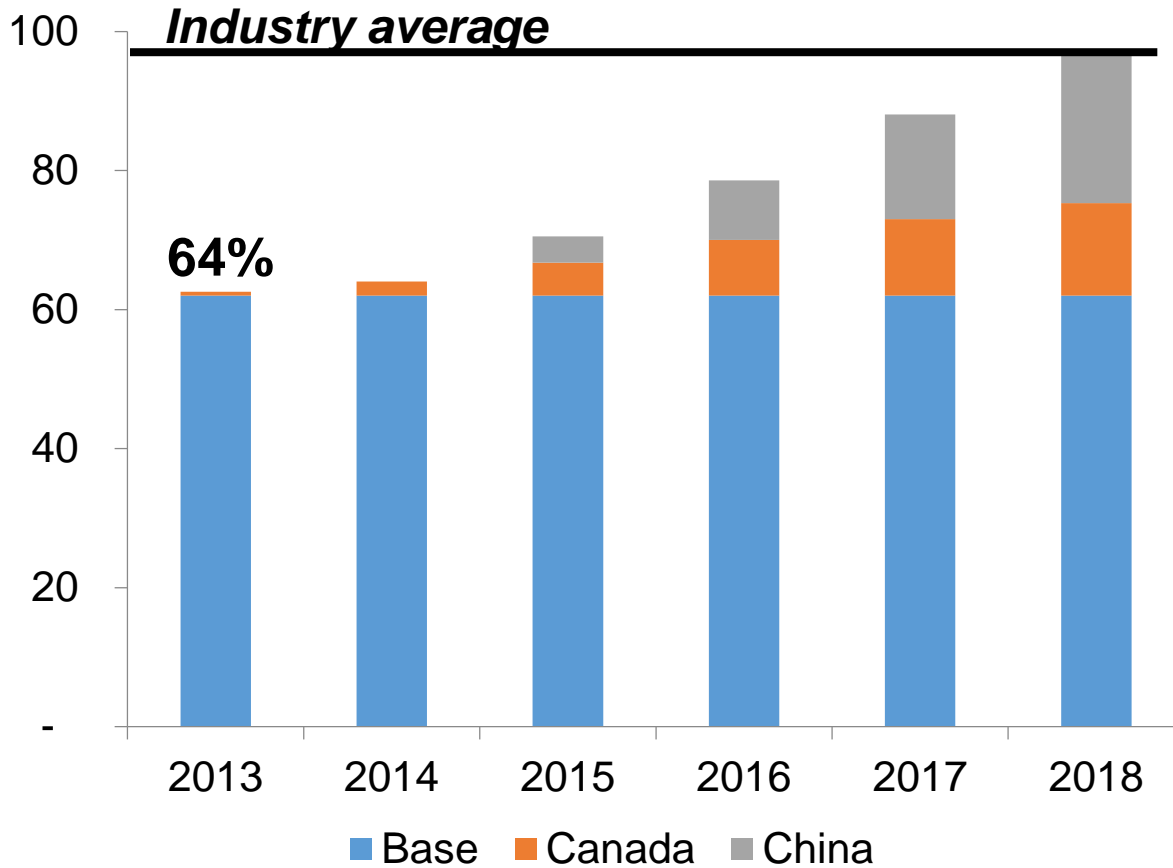
Most consumers associate a winery with having its own vineyard. Harder to pay premium and scale up production from micro-winery.



# Maximising capacity by 2018



## Sales Volume (cases)

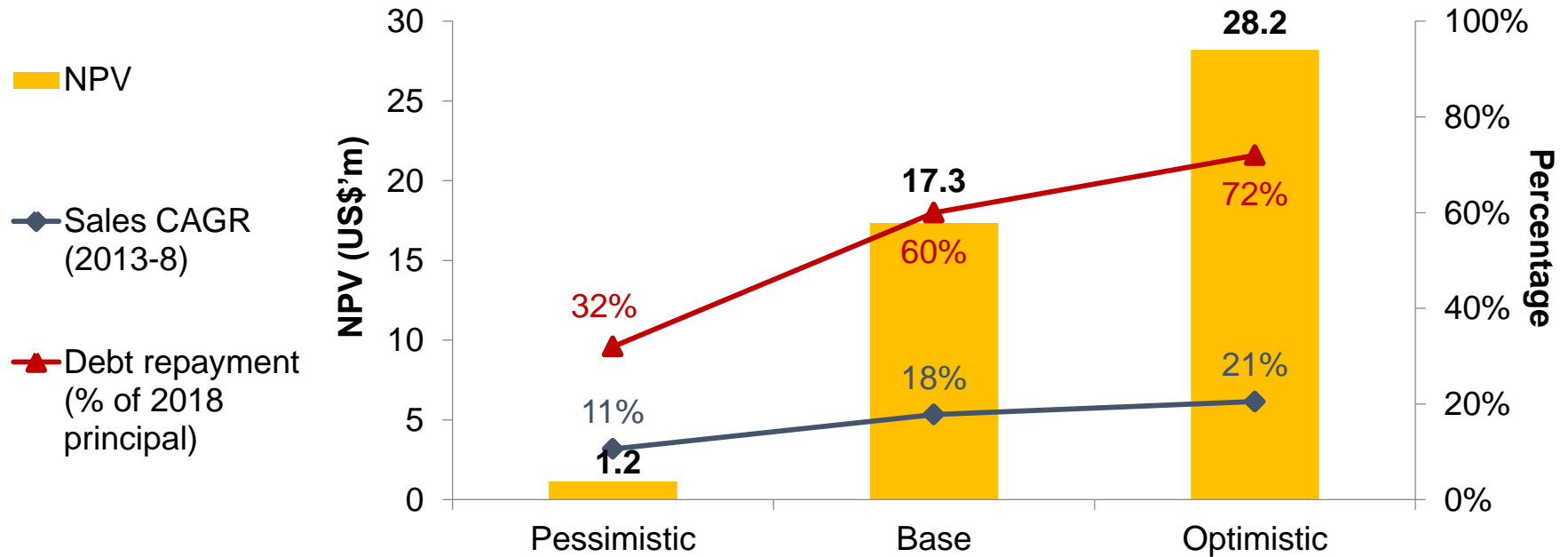


2013 data from California Sustainable Winegrowing Alliance	
Total statewide acres	389,375
Total statewide cases	189 M
Case/acre (state average)	485
Frog's Leap vineyard acres	200
Frog's Leap capacity (cases)	97,079

# Sensitivity analysis



FROG'S LEAP



Market reception	-50%	n.a.	+30%
COGS	+20%	n.a.	-10%
Sales and marketing	+20%	n.a.	n.a.
WACC			
- Illiquidity premium	16.65%	14.33%	12.96%
- D/E ratio			

# Base income statement



FROG'S LEAP

Income statement (Base)	2013	2014	2015	2016	2017	2018	
Sales	12,549	12,579	12,593	12,600	12,604	12,606	
<i>Growth in total sales</i>						0.2%	<i>0.2% 5-yr CAGR (ind = 3.4%)</i>
# cases	62	62	62	62	62	62	
<i>Growth in cases</i>	0%	0%	0%	0%	0%	0%	<i>Constant</i>
Price per case	202	203	203	203	203	203	
<i>Growth in price per case</i>	0.5%	0.2%	0.1%	0.1%	0.0%	0.0%	<i>Increasing price/case due to change in pdt mix (direct sales)</i>
<i>Price per bottle</i>	16.87	16.91	16.93	16.94	16.94	16.94	<i>But, 50% decline in growth</i>
Cost of goods sold	4,897	4,908	4,914	4,917	4,918	4,919	
<i>Gross margin</i>	39%	39%	39%	39%	39%	39%	<i>Constant</i>
Gross profit	7,653	7,670	7,679	7,684	7,686	7,687	
	61%	61%	61%	61%	61%	61%	
Operating expenses							
Sales and marketing	3,354	3,362	3,366	3,368	3,369	3,369	
<i>Change in margins</i>	27%	27%	27%	27%	27%	27%	<i>Constant</i>
General and administrative	1,726	1,644	1,563	1,486	1,412	1,342	
<i>Change in margins</i>	14%	13%	12%	12%	11%	11%	<i>Constant</i>
Operating income	2,572	2,665	2,750	2,830	2,905	2,976	
	15%	15%	15%	15%	15%	15%	
Interest expense	1,420	1,420	1,420	1,420	1,420	1,420	
Earnings before tax	1,152	1,245	1,330	1,410	1,485	1,556	
	9%	10%	11%	11%	12%	12%	
Tax	390	422	452	480	506	530	
	34%	34%	34%	34%	34%	34%	
Net profit	763	823	879	931	980	1,026	
	6%	7%	7%	7%	8%	8%	

# Sales, Gross Profit



FROG'S LEAP

Income statement (Hunter)	2013	2014	2015	2016	2017	2018
<b>TOTAL SALES (dollar value)</b>	12,662	12,991	15,838	19,453	24,019	28,748
% add over base	1%	3%	26%	54%	91%	128%
Base Sales	12,549	12,579	12,593	12,600	12,604	12,606
Canada Sales	113	413	969	1,629	2,237	2,706
% add rev from Canada	1%	3%	8%	13%	18%	21%
China Sales			2,276	5,224	9,178	13,436
% add rev from China			18%	41%	73%	107%
<b>TOTAL SALES (vol-cases)</b>	63	64	71	79	88	97
Base Sales	62	62	62	62	62	62
Canada Sales	1	2	5	8	11	13
China Sales			4	9	15	22
<b>TOTAL COGS</b>	4,950	5,101	7,348	10,224	13,950	17,875
Base COGS	4,897	4,908	4,914	4,917	4,918	4,919
Canada COGS	53	193	454	763	1,047	1,267
China COGS			1,980	4,544	7,985	11,689
<b>GROSS PROFIT</b>	7,712	7,890	8,490	9,229	10,068	10,872
% add over base	1%	3%	11%	20%	31%	41%
Base Gross Profit	7,653	7,670	7,679	7,684	7,686	7,687
Canada Gross Profit	60	219	515	866	1,189	1,439
% add rev from Canada	1%	3%	6%	9%	12%	13%
China Gross Profit			296	679	1,193	1,747
% add rev from China			3%	7%	12%	16%

# Operating expenses, Net Profit



Income statement (Hunter)	2013	2014	2015	2016	2017	2018
<b>TOTAL SALES (dollar value)</b>	12,662	12,991	15,838	19,453	24,019	28,748
<b>TOTAL COGS</b>	4,950	5,101	7,348	10,224	13,950	17,875
<b>GROSS PROFIT</b>	7,712	7,890	8,490	9,229	10,068	10,872
<b>OPERATING EXPENSES</b>						
Sales and marketing	3,666	3,776	4,027	4,143	4,262	4,279
Base sales and marketing	3,354	3,362	3,366	3,368	3,369	3,369
Additional sales and marketing	312	415	661	776	893	910
% increase over base	9%	12%	20%	23%	27%	27%
General and administrative	1,732	1,650	1,569	1,492	1,418	1,348
Base general and administrative	1,726	1,644	1,563	1,486	1,412	1,342
EMS	6	6	6	6	6	6
<b>OPERATING INCOME</b>	2,314	2,464	2,894	3,593	4,389	5,246
<b>INTEREST EXPENSE</b>	1,420	1,420	1,420	1,420	1,420	1,420
<b>EARNINGS BEFORE TAX</b>	894	1,044	1,474	2,173	2,969	3,826
<b>TAX</b>	300	352	502	745	1,023	1,321
<b>NET PROFIT</b>	<b>594</b>	<b>692</b>	<b>972</b>	<b>1,428</b>	<b>1,946</b>	<b>2,505</b>
Base	763	823	879	931	980	1,026
Additional	(168)	(131)	94	497	967	1,479
% increment	-22%	-16%	11%	53%	99%	144%

# Recommendations - Canada



FROG'S LEAP

## Recommendations

\* 9 litres per case, 12 bottles per case

## CANADA

	2013	2014	2015	2016	2017	2018
Total sales	113	413	969	1,629	2,237	2,706
Market size - sales	10,118	10,662	11,198	11,649	12,278	12,941
CAGR						
Market size - vol (cases)	55,600	58,100	60,600	62,633	65,514	68,528
CAGR						
Market share	0.001%	0.004%	0.008%	0.013%	0.017%	0.019%
Growth		250%	125%	63%	31%	16%
Price per case	202	203	203	203	203	203
US price	202	203	203	203	203	203
% mark-up	1	1	1	1	1	1
Cost of goods sold	53	193	454	763	1,047	1,267
% margin	47%	47%	47%	47%	47%	47%
Gross profit	60	219	515	866	1,189	1,439

*50% decline in y-o-y growth*

*20% higher due to transport costs*

Frog Leap's 2018 market share = 0.02%

Top 20 national brand owners' market share = 0.2% to 19.1%

# Recommendations – China mark-ups



FROG'S LEAP

Recommendations	2013	2014	2015	2016	2017	2018	
* 9 litres per case, 12 bottles per case							
CHINA							
Total sales	-	-	2,276	5,224	9,178	13,436	
Market size - sales	28,698	34,579	41,138	48,615	58,630	70,707	
CAGR							
Market size - vol (cases)	276,444	323,400	373,478	428,373	501,625	587,403	
CAGR							
Market share			0.001%	0.002%	0.003%	0.004%	
CAGR				100%	50%	25%	<i>50% decline in y-o-y growth</i>
Price per case	607	609	609	610	610	610	
US price	202	203	203	203	203	203	
% mark-up	3	3	3	3	3	3	<i>Mark-up to absorb transport costs, tariffs, overheads</i>
Cost of goods sold			1,980	4,544	7,985	11,689	
% margin			87%	87%	87%	87%	<i>Due to transport costs, tariffs, overheads</i>
Gross profit			296	679	1,193	1,747	

## Mark-ups

	Home \$	China \$
Europe	26	160
% mark-up		5.2x
Italy	13	160
% mark-up		11.3x
Average		8.2x

## Theoretical

	Home \$	China \$
	13	48
% mark-up		2.7x
	13	64
% mark-up		3.9x
Average		3.3x

Our markup = 3x

# Recommendations - China



FROG'S LEAP

Recommendations	2013	2014	2015	2016	2017	2018	
* 9 litres per case, 12 bottles per case							
CHINA							
Total sales	-	-	2,276	5,224	9,178	13,436	
Market size - sales	28,698	34,579	41,138	48,615	58,630	70,707	
CAGR							
Market size - vol (cases)	276,444	323,400	373,478	428,373	501,625	587,403	
CAGR							
Market share			0.001%	0.002%	0.003%	0.004%	
CAGR				100%	50%	25%	<i>50% decline in y-o-y growth</i>
Price per case	607	609	609	610	610	610	
US price	202	203	203	203	203	203	
% mark-up	3	3	3	3	3	3	<i>Mark-up to absorb transport costs, tariffs, overheads</i>
Cost of goods sold			1,980	4,544	7,985	11,689	
% margin			87%	87%	87%	87%	<i>Due to transport costs, tariffs, overheads</i>
Gross profit			296	679	1,193	1,747	

Frog Leap's 2018 market share = 0.004%

Top 12 national brand owners' market share = 0.2% to 8.0%

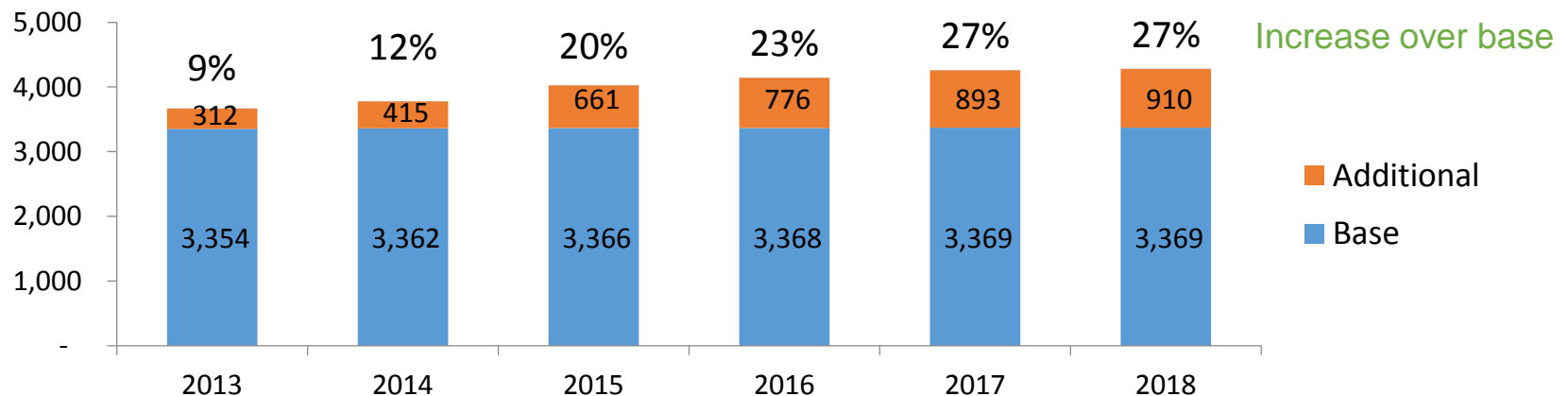


# Recommendations – Sales & marketing



FROG'S LEAP

Recommendations	2013	2014	2015	2016	2017	2018
<b>SALES AND MARKETING</b>	<b>312</b>	<b>415</b>	<b>661</b>	<b>776</b>	<b>893</b>	<b>910</b>
Marketing personnel	76	76	76	76	76	76
1 x Social media: 'Weibo', 'Renren', Facebook, Twitter, Instagram	38	38	38	38	38	38
1x Designer for customized wine labels	38	38	38	38	38	38
Marketing collaterals and campaigns	<b>235</b>	<b>335</b>	<b>570</b>	<b>670</b>	<b>770</b>	<b>770</b>
Head: Increasing brand awareness	100	200	300	400	500	500
Online advertisements	100	200	300	400	500	500
Heart: Occasion-based	120	120	240	240	240	240
Canada	120	120	120	120	120	120
China - CNY			120	120	120	120
Hand: Brand advocacy	15	15	30	30	30	30
Social media contests - prizes/ads	15	15	30	30	30	30
Printing of labels	<b>1</b>	<b>4</b>	<b>15</b>	<b>30</b>	<b>47</b>	<b>64</b>
# of cases	1	2	9	17	26	35
Price of labels per bottle	0.2	0.2	0.2	0.2	0.2	0.2
Discount due to in-house production	25%	25%	25%	25%	25%	25%



# Recommendations – EMS



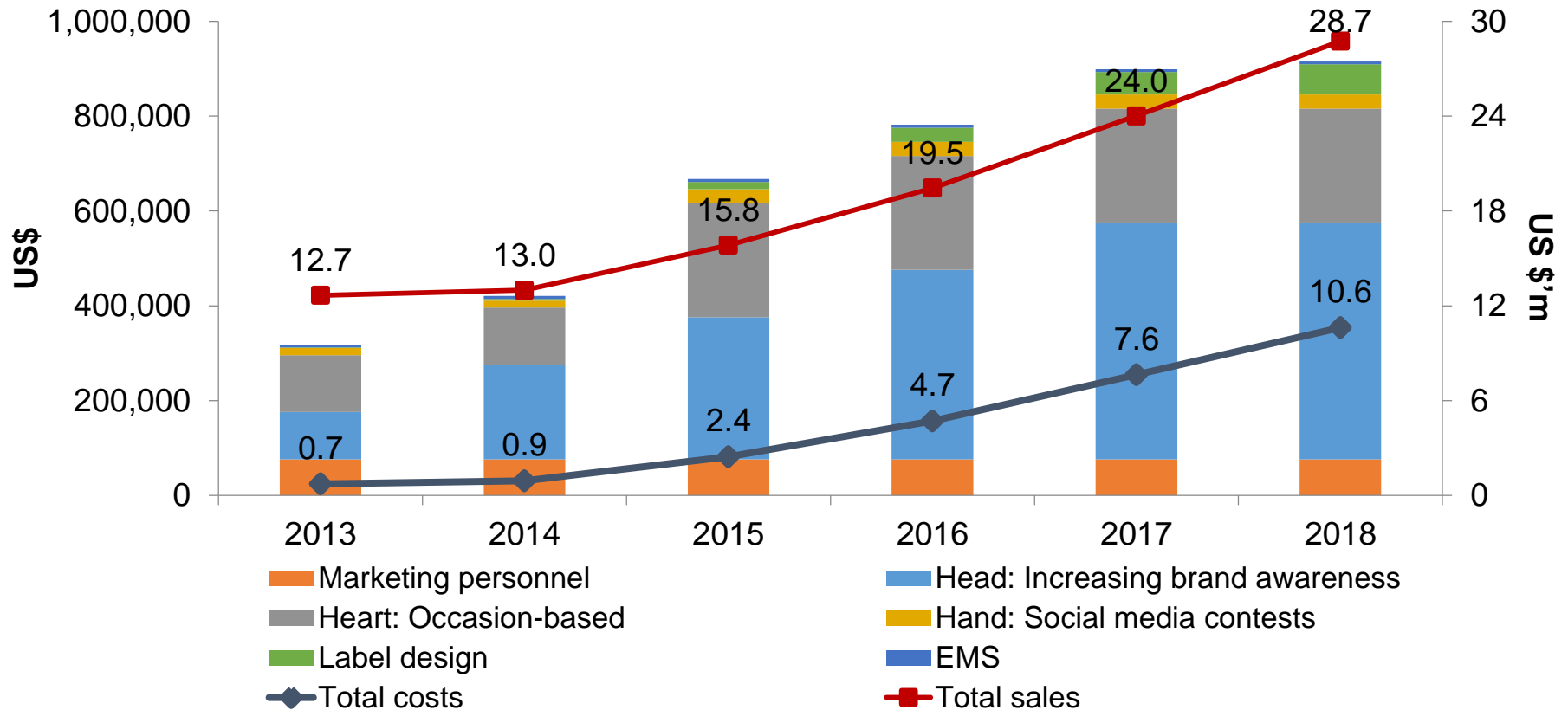
FROG'S LEAP

Recommendations	2013	2014	2015	2016	2017	2018
EMS	6	6	6	6	6	6
Town hall meetings	2	2	2	2	2	2
<i># of meetings</i>	4	4	4	4	4	4
<i>Budget per meeting (misc)</i>	0.5	0.5	0.5	0.5	0.5	0.5
Wall garden	1.5	1.5	1.5	1.5	1.5	1.5
Monitoring efforts	1.0	1.0	1.0	1.0	1.0	1.0
Rewards	1.5	1.5	1.5	1.5	1.5	1.5

# Additional costs (cost-benefit analysis)



FROG'S LEAP



	2013	2014	2015	2016	2017	2018
Canada distribution	0.40	0.50	0.26	0.44	0.61	0.74
China distribution			1.52	3.48	6.12	8.96

# Balance sheet



FROG'S LEAP

Balance sheet	2013	2014	2015	2016	2017	2018
Assets						
Current assets						
Cash	917	795	1,416	2,654	4,742	7,695
A/R	2,032	2,085	2,542	3,113	3,854	4,613
Inventory	11,526	11,879	12,500	13,189	13,892	14,405
Prepaid and other expenses	324	334	352	371	391	405
Total current assets	14,799	15,093	16,809	19,327	22,879	27,118
PPE	38,150	38,500	38,850	39,200	39,550	39,900
Less: accumulated D&A	15,691	16,962	18,250	19,550	20,861	22,184
Net PPE	22,459	21,538	20,600	19,650	18,689	17,716
Other assets	110	110	110	110	110	110
Total assets	37,368	36,741	37,520	39,087	41,678	44,944
Liabilities and capital						
Current liabilities						
Notes payable	2,425	2,425	2,425	2,425	2,425	2,425
A/P and accruals	2,648	2,729	3,931	5,455	7,463	9,563
Current portion of LTD	988	984	972	953	926	894
Total current liabilities	6,061	6,138	7,328	8,832	10,814	12,881
LT debt	16,558	15,574	14,603	13,650	12,724	11,830
Total liabilities	22,619	21,712	21,930	22,482	23,538	24,712
Shareholders' Equity	14,749	15,029	15,589	16,605	18,140	20,232
Total liabilities and equity	37,368	36,741	37,520	39,087	41,678	44,944

# NWC analysis



FROG'S LEAP

NWC Analysis	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
	Days -->		B/S Items -->							
A/R	60	59	1,986	1,999	2,032	2,085	2,542	3,113	3,854	4,613
Inventory	1,009	850	11,415	11,320	11,526	11,879	12,500	13,189	13,892	14,405
Prepaid	27	24	321	319	324	334	352	371	391	405
A/P	195	158	2,623	2,601	2,648	2,729	3,931	5,455	7,463	9,563
Total NWC	11,655	11,675	11,100	11,037	11,234	11,569	11,462	11,219	10,674	9,860
Change in NWC		20	(575)	(64)	198	335	(107)	(243)	(545)	(814)

# Depreciation and amortisation schedule



FROG'S LEAP

D&A Schedule	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Beg PPE	34,175	36,750	37,100	37,450	37,800	38,150	38,500	38,850	39,200	39,550
Capex	2,575	350	350	350	350	350	350	350	350	350
End PPE	36,750	37,100	37,450	37,800	38,150	38,500	38,850	39,200	39,550	39,900
Beg acc dep	9,675	10,925	11,950	13,185	14,432	15,691	16,962	18,250	19,550	20,861
D&A	1,250	1,025	1,235	1,247	1,259	1,270	1,288	1,300	1,311	1,323
% of PPE	3.8%	2.9%	3.3%	3.3%	3.3%	3.3%	3.3%	3.3%	3.3%	3.3%
End acc dep	10,925	11,950	13,185	14,432	15,691	16,962	18,250	19,550	20,861	22,184
Beg net PPE	24,500	25,825	25,150	24,265	23,368	22,459	21,538	20,600	19,650	18,689
End net PPE	25,825	25,150	24,265	23,368	22,459	21,538	20,600	19,650	18,689	17,716

# Loan schedule



FROG'S LEAP

Debt schedule	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Total debt	21,315	20,450	19,500	18,529	17,546	16,558	15,574	14,603	13,650	12,724
Current portion of L	915	950	971	983	988	984	972	953	926	894
LT debt	20,400	19,500	18,529	17,546	16,558	15,574	14,603	13,650	12,724	11,830
Interest repayment	1,420	1,420	1,420	1,420	1,420	1,420	1,420	1,420	1,420	1,420
New debt	50	50	-	-	-	-	-	-	-	-
Principal repayment	1,022	915	950	971	983	988	984	972	953	926

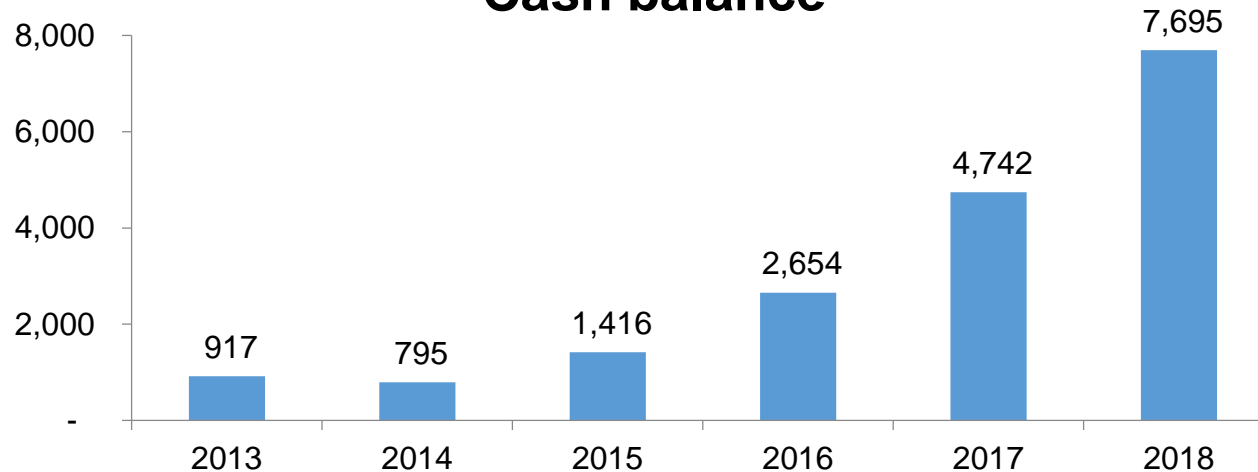
# Statement of cash flows



FROG'S LEAP

Cash flows	2010	2011	2012	2013	2014	2015	2016	2017	2018
Net profit	632	614	696	594	692	972	1,428	1,946	2,505
Add: D&A	1,025	1,235	1,247	1,259	1,270	1,288	1,300	1,311	1,323
Less: NWC	(20)	575	64	(198)	(335)	107	243	545	814
Less: Addition to PPE	(350)	(350)	(350)	(350)	(350)	(350)	(350)	(350)	(350)
Less: Net repayment (principal)	(865)	(950)	(971)	(983)	(988)	(984)	(972)	(953)	(926)
Less: Dividends	(412)	(412)	(412)	(412)	(412)	(412)	(412)	(412)	(412)
Net change in cash	10	713	274	(90)	(122)	622	1,237	2,088	2,953
Beg cash	10	20	733	1,007	917	795	1,416	2,654	4,742
End cash	20	733	1,007	917	795	1,416	2,654	4,742	7,695
Base cash	20	463	740	932	1,250	1,657	2,179	2,720	3,380
Differential cash	-	269	267	(15)	(455)	(241)	475	2,021	4,316

## Cash balance



2013 beg loan o/s:  
18,529

2018 end cash:  
75% of balance

2018 base cash:  
50% of balance



# Statement of changes in equity



FROG'S LEAP

SCE	2010	2011	2012	2013	2014	2015	2016	2017	2018
Beg SE	13,850	14,080	14,282	14,567	14,749	15,029	15,589	16,605	18,140
Add: Net profit	632	614	696	594	692	972	1,428	1,946	2,505
Less: Dividends	(412)	(412)	(412)	(412)	(412)	(412)	(412)	(412)	(412)
End SE	14,080	14,282	14,567	14,749	15,029	15,589	16,605	18,140	20,232



# DCF analysis



FROG'S LEAP

DCF Analysis	2013	2014	2015	2016	2017	2018
Base						
EBIT	2,572	2,665	2,750	2,830	2,905	2,976
Add: D&A	1,259	1,270	1,288	1,300	1,311	1,323
Less: Capex	(350)	(350)	(350)	(350)	(350)	(350)
Less: Change in NWC	(83)	(26)	(13)	25	(35)	(2)
NOPBT	3,398	3,559	3,675	3,804	3,832	3,948
Tax	(1,143)	(1,197)	(1,236)	(1,280)	(1,289)	(1,328)
NOPAT	4,541	4,756	4,911	5,084	5,121	5,276
Hunter						
EBIT	2,314	2,464	2,894	3,593	4,389	5,246
Add: D&A	1,259	1,270	1,288	1,300	1,311	1,323
Less: Capex	(350)	(350)	(350)	(350)	(350)	(350)
Less: Change in NWC	(198)	(335)	107	243	545	814
NOPBT	3,026	3,049	3,939	4,786	5,895	7,033
Tax	(1,018)	(1,025)	(1,325)	(1,610)	(1,983)	(2,365)
NOPAT	4,043	4,075	5,264	6,396	7,878	9,398
<b>Differential FCF</b>	<b>(497)</b>	<b>(682)</b>	<b>353</b>	<b>1,312</b>	<b>2,757</b>	<b>4,123</b>
Discounted differential FCF	(451)	(541)	245	798	1,464	1,915
Terminal differential CF	29,959					
Terminal growth rate	0.5%					
Discounted terminal CF	13,916					
<b>NPV</b>						<b>17,345</b>
<b>% terminal CF as % of NPV</b>						<b>80%</b>
<b>Without terminal CF</b>						<b>3,430</b>

# DCF analysis – Base v Hunter EV



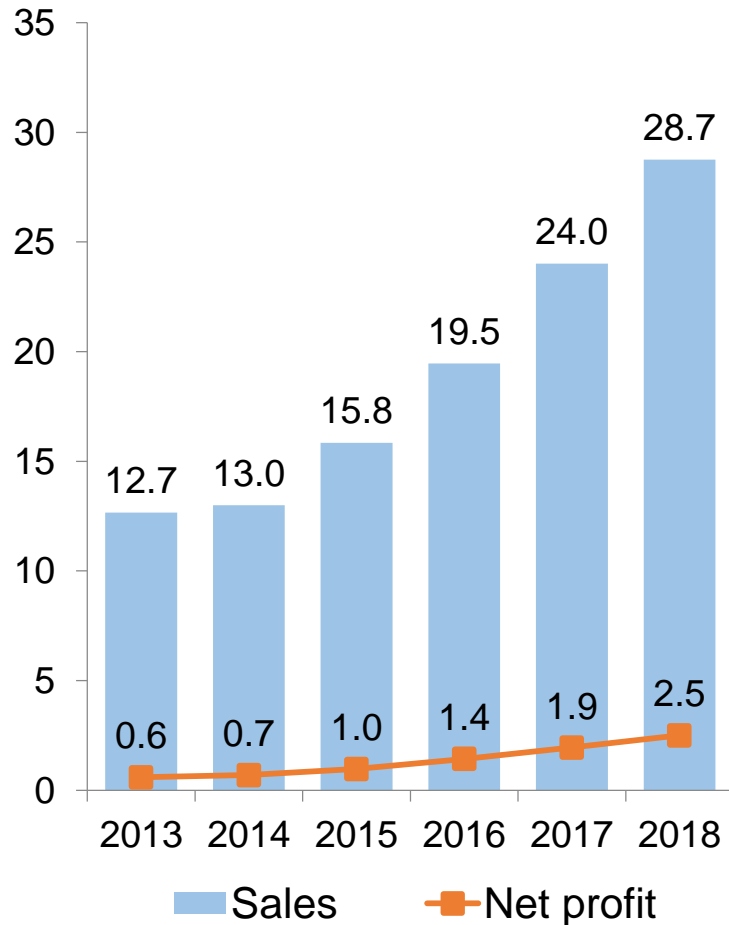
FROG'S LEAP

DCF Analysis	2013	2014	2015	2016	2017	2018
<b>Base EV</b>						
Discounted FCF	4,121	3,776	3,410	3,091	2,720	2,450
Terminal CF						38,337
Terminal growth rate						0.5%
Discounted terminal CF						17,807
<b>Enterprise value</b>						<b>37,376</b>
<b>Terminal CF as % of EV</b>						<b>48%</b>
<b>Hunter EV</b>						
Discounted FCF	3,670	3,235	3,656	3,889	4,184	4,365
Terminal CF						68,295
Terminal growth rate						0.5%
Discounted terminal CF						31,723
<b>Enterprise value</b>						<b>54,721</b>
<b>Terminal CF as % of EV</b>						<b>58%</b>

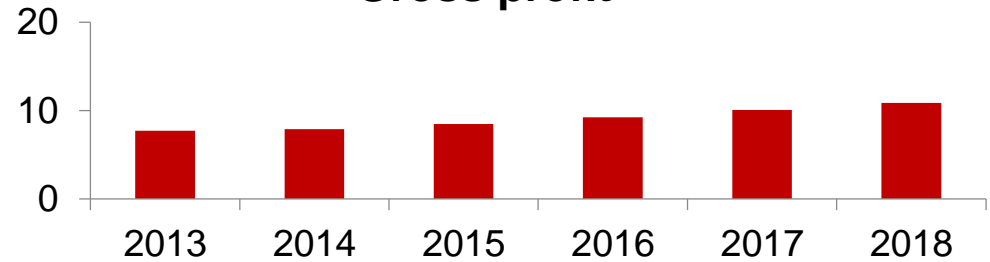


# Financial graphs

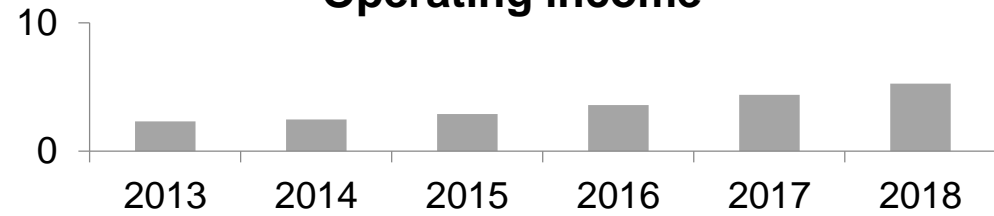
### Revenue and Profits



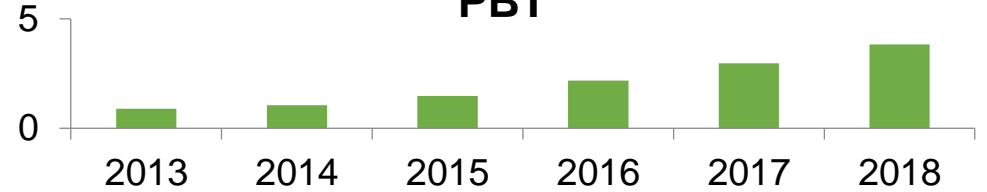
### Gross profit



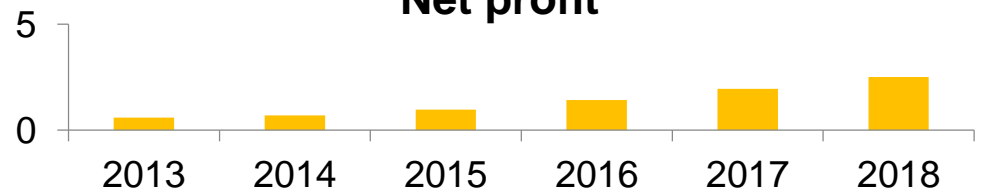
### Operating income



### PBT



### Net profit



# Financial ratio comparison



FROG'S LEAP

Financial ratios for Frog's Leap vs. Similar-sized wineries

	Comps	Frog's Leap	
	2010	2012	2018
Current ratio	2.29x	2.44x	2.11x
Quick ratio	0.07x	0.50x	1.00x
Working cap (m)	8.5	11.0	9.9
Revenue/NWC	1.35x	1.10x	2.90x
Receivable days	15	60	59
Inventory days	1,533	1,009	850
Tangible net worth (m)	13.6	14.6	20.2
Total liab to TNW	1.70x	1.62x	1.22x
Gross profit margin	70%	61%	38%
Sales and marketing, % of sales	9.8%	27.0%	15.0%
Net margin	9.7%	6.0%	9.0%
EBITDA (m)	4.3	3.7	6.6
EBITDA, less div (m)	4.1	3.3	6.2
Debt service coverage	2.40x	1.03x	2.24x
Total int/total senior debt	6.0%	8.0%	11.0%
ROE	8.2%	5.0%	12.0%
Operating Return on assets	3.1%	17.0%	26.0%

Legend:

Improvement and better than peers

Improvement

