



FROG'S LEAP

Team A2

Du Terroir Consulting

Executive Summary

April 13, 2013

Your company has achieved above average performance through the use of green initiatives and augmented sales via conventional distribution channels. Your goals for the next 5 years are to increase sales but remain small, continue with sustainable initiatives, and assure that a viable business can be passed to the next generation. This will be accomplished by:

- Increasing presence in Japanese market following a product development strategy
- Entering the Chinese market following a market penetration strategy
- Using recycled bottles
- Planning the succession process

Analysis

The current trend in the wine industry indicates that China and Japan are the prime targets for your company. Both countries are experiencing premiumisation. The still light grape is expected to be the fastest growing segment in China. It is also highly profitable to operate in the Asian market. Finally, consumers are trading up for more premium and expensive wines. The United-States market on the other hand is saturated and consolidated; resulting in a threat to losing current market shares as larger producers have an increasing bargaining power. Therefore, your company should shift sales to take advantage of premiumisation trends while maintaining your DNA value of sustainability.

Japanese Product Development

The product development strategy will be achieved through increasing the current number of distributors and introducing a strategic partner in the Sake business. This strategic partnership will be key for your company to further penetrate the Japanese market by creating an international community with shared values.

Chinese Market Penetration

Strategic selection of distributors will be key to penetrate the Chinese market, which has great potential. Your company will be able to invite them to the Napa valley and offer them the 360 Frog's Leap experience. A strategic partnership with a Baijiu producer will also facilitate the integration into China and create long-lasting relationships.

Waste Management System

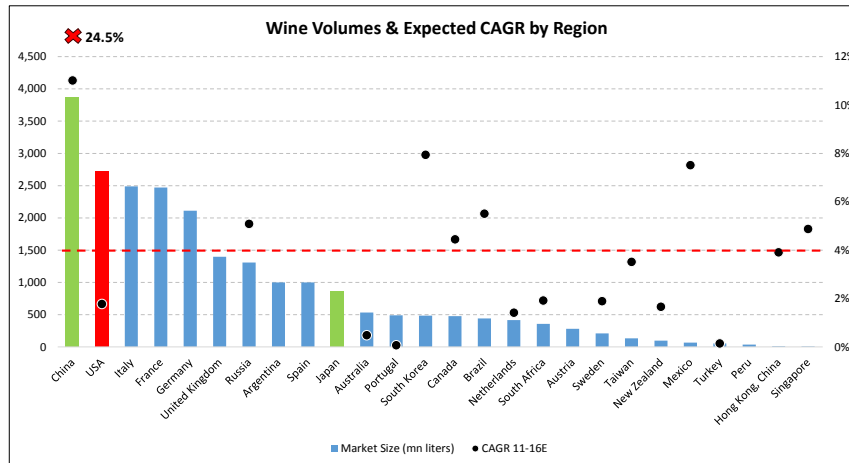
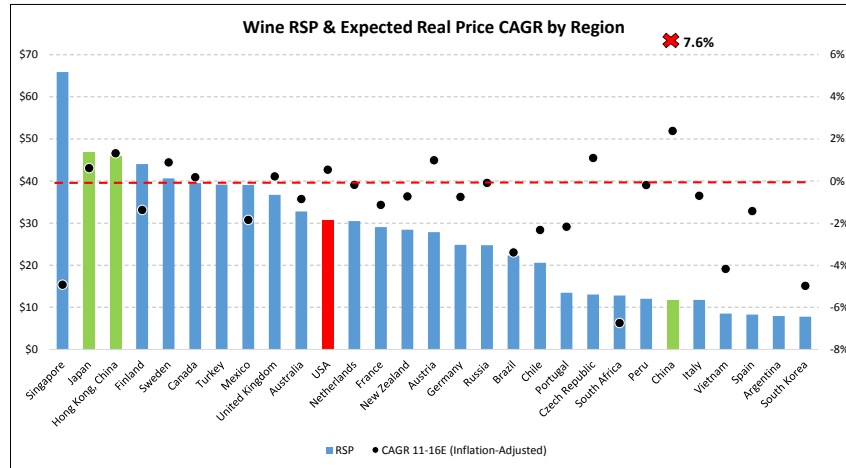
Your company will purchase 50% recycled bottles. This will increase purchasing costs in the short term but will save on transportation costs, resulting in long term sustainability.

Planning Succession Process

The goals are to transfer ownership within the next 10-20 years and to minimize tax liability. This will be done through distributing qualified dividends, and at transfer of ownership, maximize the tax exemption for a gift while the excess amount will be redeemed by the corporation through a loan.

Appendices

Industry Graphics



Valuation

Valuation (Status Quo)		Valuation (Expansion)	
NPV of FCF	16,129	NPV of FCF	16,538
NPV of Terminal Value	11,219	NPV of Terminal Value	12,781
Enterprise Value	27,348	Enterprise Value	29,319
Less: Debt	(20,450)	Less: Debt	(20,450)
Add: Cash	20	Add: Cash	20
Equity Value	6,918	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%.