Pioneer Corporation: The NEC Plasma Opportunity (B)

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Group B: Stefanus Hendriansjah, Eddie, Yaoyao, Maggie

DCF approach

- 1.FCF of Mercury
- 2.Cost of debt
- 3.Cost of equity
- 4.WACC
- 5.Terminal Value
- 6.Acquisition price
- 7.NPV

Qualitative Method

- Useful to determine the competitive advantages
- However it will not yield number figure

In the case of Mercury:
AGI will obtain more product diversification, technology advancement, larger distribution channel

IRR Method

- NPV = 0
- The rate at which cash inflow = outflow

Possible synergies

1) there would be a rise in production and sales as the increased size of this joint corporation.
2) to be more efficient, the joint corporation will probably not require the double employees
3) as of the increased size of this new joint corporation, both companies receive a relatively higher discount from the raw suppliers

Assumptions

Conclusion

AGI should acquire Mercury

Background

- Highly competitive market with low growth
- Compete in style, price, and quality
- Success factors: active management of inventory and production

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AGI

- Founded in 1965 produce high-quality golf and tennis shoes primarily
-At the beginning in the 1970s, AGI moved into casual footwear
-AGI's 2006 revenue was $470.3 million operating income was $60.4 million, 42% of revenue was from athletic shoes
-AGI's casual footwear was sold by more than 5700 North America stores,(wholesalers and independent distributors)
-AGI's athletic footwear were sale through independent sales representatives (sporting goods stores, athletic footwear retailers)
- AGI did not sell through discount retailers

Mercury Athletic footwear

- Was purchased by West Coast Fashion
- 2006 revenue was $431.1 million and EBITDA $51.8 million
- Products were distributed into department stores and discount retailers
- Production placed in China
- Has 4 major product line, in which casual woman apparel was the worst

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Background of Mercury Athletic Footwear

Whether Mercury is an appropriate target?

Differences between AGI and Mercury

	AGI	Mercury
Demographical target	Family members	Youth Market
Brand image	Classic and lifestyle	Flexible
Price level	Middle & high	Low & middle

Common grounds between AGI and Mercury

	AGI	Mercury
Business nature(industry)	Footwear	Footwear
Product lines	Atheistic and casual	Athletic and casual
Location (domestic)	North America	North America

- AGI and Mercury are dealing in the similar industry/products (strategic fit)
- Both of the companies' manufactures is located in China, it will help AGI overcome the competitive disadvantages
- Mercury will double the AGI's revenue
- Mercury will increase AGI's athletic line presence