Mercury Athletic Footwear: Valuing the Opportunity
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 reserve a relatively higher discount from the raw suppliers
Assumptions
Background
Conclusion
AGI should acquire Mercury

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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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