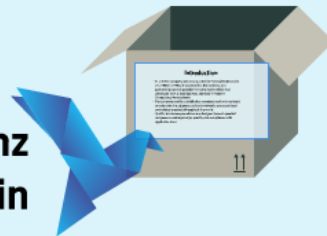


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**H.J Heinz**  
**Estimating the Cost of Capital in**  
**Uncertain Times**



## H.J Heinz Estimating the Cost of Capital in Uncertain Times



# Introduction

- **H. J. Heinz Company was incorporated in Pennsylvania on July 27, 1900. In 1905, it succeeded to the business of a partnership operating under the same name which had developed from a food business founded in 1869 in Sharpsburg, Pennsylvania**
- **The company and its subsidiaries manufactured and marketed an extensive line of processed and minimally processed food and related products throughout the world.**
- **Quality assurance procedures are designed for each product and process and applied for quality and compliance with applicable laws.**



# **More about the company**

- **The company's products were organized into two core businesses: meal enhancers and meals and snacks.**
- **Heinz distributed its products via its own sales force, independent brokers, agents, and distributors to chain, wholesale, cooperative, and independent grocery accounts; mass merchants and superstores; pharmacies; club stores; food service distributors; and institutions, including schools and government agencies.**

# **The Issues Behind Heinz**

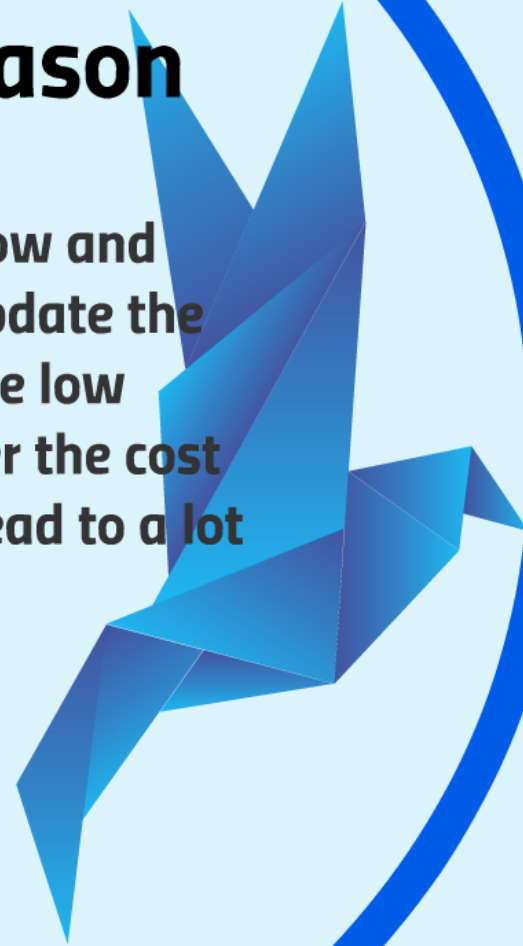
- **The central problem for Heinz was calculating the company's weighted average cost of capital or WACC.**
- **There are 3 reasons why the cost of capital was difficult to calculate.**

# The First Reason

- stock price fluctuated within a 2-year span.
- In 2008 stock price was \$47 then fell to \$34 and rose back to \$47 in 2010.
- There was a debate whether to update the changes because the price eventually came back to \$47.

## **The Second Reason**

- **Interest rates remained low and there were concerns to update the cost of capital because the low interest rates would lower the cost of capital, which would lead to a lot projects being accepted.**



- **Heinz will be sought as a private progressive long-term company due to the company leaving the NYSE and its need for strategic maneuvering around the financial services industry, manufacturing industry and retailing industry.**
- **With proper investments set out to have high-liquidated returns, the capital gained should be used toward many opportunities to ensure the revival of Heinz's popularity throughout the globe.**
- **Berkshire and 3G are already creating short and long term operations for the future of Heinz which will be periodically assessed and evaluated in order to ensure that Heinz is maximizing its potential for larger earnings and increased budgets.**