
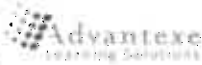


The Financial Simulation Exercise



The Financial Simulation Exercise

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How different strategies or actions impact Financial Performance

XYZ Orange Groves, Inc.

2013 Performance

Key Metric	Achievement
Revenue	\$ 17.9 million
Income	\$ 1.2 million
Asset Value	\$ 26.4 million
Net Worth	\$ 17.4 million

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XYZ Orange Groves, Inc. – 2014 Strategy

- **Grow and Improve Profitability**
 - Enhance Customer Direct Distribution to drive higher margins
 - Expand Grove Capacity to sustain Growth
 - Focusing on Innovation and Technology Utilization and Driving Product Leadership
- **Significantly reduce Financial Risk by reducing Debt**
- **Enhance Operational Effectiveness and Output by reducing droppage**

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Balance Sheet Income Statement Cash Flow P&L Balance Sheet Cash Flow P&L Balance Sheet Cash Flow P&L

XYZ Orange Groves Inc. - Operating Decisions

	Plan 2014	Increase/ Decrease	Actual 2014	Change	Max. Output (000 lbs)
Citrus Sales & Pricing		Incr./Decr.			
Units Sold (000 lbs) - Premium Cordon	4,300	0.0%	4,300	0.0	4,442
ASP (\$ Dollars/lb)	\$ 1.80	0.0%	\$ 1.80		
Units Sold (000 lbs) - Valencia Cordon	5,000	0.0%	5,000	0.0	5,520
ASP (\$ Dollars/lb)	\$ 2.00	0.0%	\$ 2.00		8,962
Real Estate/Net Sales - Changes	\$50	0.0%	\$50	0.0	
ASP (\$ Dollars/lb)	\$ 4.25	0.0%	\$ 4.25		
Citrus Mills Sold (000 Pcs) - Total	3,000		3,000		
ASP (\$ Dollars)	\$ 2.06		\$ 2.06		
Growth and Expansion		Incr./Decr.			
New Grove Acreage (50-80 lbs)	100		100		
Land Cost per Tree Acre	\$ 10,000	\$	\$ 10,000		
Land Purchases	\$ 1,000,000	\$	\$ 1,000,000		
Field Operations					

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Field Operations					
Hamlin Droppage	10%	3.0%	10%		
Valencia Droppage	7%	3.0%	7%		
Total Acres Harvested	5000	Inc/Dec	5000		
Total Gross Harvested (000)	1,790		1,790		
Hamlin Acres Harvested	2,350		2,350		
Bales per Acre	350		370		
Valencia Acres Harvested	2,650		2,650		
Bales per Acre	330		310		
Hamlin Weight per Box - (lbs)	6.0	0.0%	6.0		
Valencia Weight per Box - (lbs)	5.4	0.0%	5.4		
Cost of Goods					
Pack, Load and Haul (per box)	\$ 2.75		\$ 2.75		
Carting/Acre	\$ 2,000.0		\$ 2,000.0		
Selling Expense	\$ 220,000	Inc/Dec	\$ 220,000		
Salaries and Marketing	\$ 235,000		\$ 235,000		
Farm Store (alloc. to Oranges)	\$ 55,000		\$ 55,000		
Op. Expenses (% of Rev.)	14%	0%	14%		
Investment & Finance					
Building and Equipment Purchases	\$ 250,000	\$ -	\$ 250,000		
Issue/(Retire) Long Term Debt	\$ 250,000	\$ -	\$ 250,000	Long Term Debt	3.50%
Issue/(Retire) Short Term Debt	\$ (950,000)	\$ -	\$ (950,000)	Short Term Debt	4.75%

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Enhance Customer Direct Distribution to Drive Higher Margins

1. Shift the product mix more heavily favoring Consumer sales.
 - A. Increase sales by 20% over plan for Fruit Store/Internet and reduce Hamlin sales by 5%.

Metric	Amount	Change from Plan
Revenue		
Income		
Cash		

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Expand Grove Capacity to sustain Growth

2. Increase grove capacity by another 100 acres to hold Hamlin contract at committed delivery volume.

Metric	Amount	Change from Plan
Revenue		
Income		
Cash		



Enhance Operational Effectiveness and Output by reducing droppage

3. A. Attempt to reduce droppage by investing another \$200/acre for Caretaking. Target to improve droppage by 3% points for both Hamlin and Valencia. What is the impact?

Metric	Amount	Change from Plan
Revenue		
Income		
Cash		



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Enhance Operational Effectiveness and Output by reducing droppage

B. As a result – project selling more product, increasing consumer by 25% and Valencia Contract sales by 3%.

Metric	Amount	Change from Plan
Revenue		
Income		
Cash		



Enhance Operational Effectiveness and Output by reducing droppage

C. Attempt to drive Consumer sales higher by targeting a sales increase of 50% over plan for Fruit Store/Internet. Support this goal with Fruit Store/Internet expenses increasing by \$65,000.

Metric	Amount	Change from Plan
Revenue		
Income		
Cash		



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Deal with an Increased Droppage level

4. Droppage has gotten worse and is now up by 5% points. We still have to honor our commitments on Hamlin and Valencia. We decide to stop our consumer sales in the short run.

Metric	Amount	Change from Plan
Revenue		
Income		
Cash		



Drive Growth and Profitability

5. Demand is expected to be very strong this year, so we are negotiating a 5 % price increase across all products.. What is the resulting financial impact from this action?

Metric	Amount	Change from Plan
Revenue		
Income		
Cash		



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Increasing Costs and Impact on Profitability

6. You are faced with Pack, Load and Haul costs going up by 25 cents per box. What is the impact on Profitability?

Metric	Amount	Change from Plan
Revenue		
Income		
Cash		



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