

Chocolat Cordon Rouge Corporate Finance

You are part of Marcel Arnaud's team to analyze the 7 different projects under consideration.

The table in the case describes the expected cash flows of the different projects. All the costs and benefits of the projects have been taken into consideration except for two potential costs:

1. John Hsu, the manager sponsoring the project to build a factory in the U.S., did not include the loss in output of the French plant in Years 4-10. He claims that those cash flows are not part of his proposed project and as such should not be included.
2. Bertrand Godard, who is proposing to expand capacity in Brittany, has not included the cost of the land because he claims that the firm already owns it. However, you should note that the cash flows of the project include the sale of the land in year 10.

Before conducting your analysis, think about whether these decisions are correct and, if not, adjust the cash flows accordingly.

Clarifications:

- The case gives you the WACC of each project. This is just the discount rate.

As the case indicates, CCR has only €75M in its bank account to pay for the projects investment costs.

Assignment Questions

1. Compute the NPV and IRR of each project. If there were no budget constraint, which projects would you recommend?
2. Which projects would you recommend with the €75M budget? Assume first that if CCR sells the land, it will NOT use the proceeds to increase its capital budget.