

Java For You

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SYNOPSIS

This case involves a situation where the owners of a coffee shop needed to assess the value of the business as one of the owners had found a need to sell off their portion of the business. Jim Miller and Kathy Smith grew the coffee shop from its infancy 6 years previous weathering a failed expansion and taking the shop back to a level of significant profit. Located in an eclectic college town area of St. Louis, business had been steadily growing with both the influx of college students and professors as well as the local community. As life's paths do change, Kathy determined that she needed to sell off her share of the business and a company valuation was necessary. The case places the student in the role of financial analyst in determining the most appropriate method of valuing the business along with performing the necessary calculations as well as conducting a competitive analysis.

LEARNING OBJECTIVES

The objectives of this case are to:

1. Understand how to apply a discounted cash flow analysis in a company valuation situation.
2. Calculate the annual and the average annual cash flows for Java For You.
3. Calculate the weighted average cost of capital (WACC) for Java For You.
4. Calculate the value of Java For You using a discounted cash flow analysis.
5. Compare the value of Java For You against its closest competitors.

AUDIENCE AND APPLICATION

This case could be used for undergraduate level Principles of Finance courses that discuss how cash flows are used to determine the value of a firm. Furthermore, this case could be used in a high level course when discussing both short-term and long-term financial growth options, or overall decision making within an organization. The comparison between Java For You and its closest competitors is likely better suited for high level finance students.

KEY WORDS Discounted cash flow analysis, firm valuation

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