

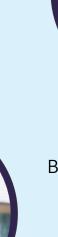
Anna Jiwu Annie Pang Aurelia Yang Evalina Xu





Anna Jiwu

Economics
Business Administration



Annie Pang
Economics
Data Science



Aurelia Yang

Economics
Business Administration



Evalina Xu

Economics
Business Administration





Market Overview: understanding the target audience and market saturation to tailor strategy accordingly



SWOT Analysis: exploring the advantages and disadvantages of expanding into the Korean market



Self-Expansion: pursuing the most profitable long-term solution in both conservative and optimistic scenarios



Financials: projecting and comparing financial implications for both self expansion and the alternative strategy



Looking Forward: Identifying areas of risk and need for further research to further affirm assumptions made

Market Overview



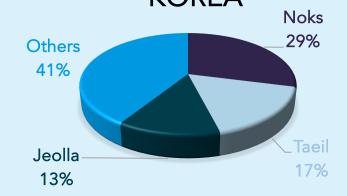
Research shows opportunities for growth in the Korean market



Target demographic focuses on:

- Men and women who are interested in the product in proportions of 10% and 12% respectively
- People whose ages range from 20-39
- Expected value of average pills purchased per week: 10.4

MARKET INFORMATION IN KOREA



Korean Population by Age Group and Sex



SWOT Analysis



Self-expansion benefits offset the costs

- Increasing retained earnings
- Maximizing shareholder value (SE)
- Improving business sustainability
- Korea's increasing consumer awareness on nutritional products
- Unsaturated Korean market
- Similar products on market may be lacking

SWOT Analysis of Oski's Self-Expansion **Approach**

- Gaining market shares at a slower rate
- Lack of reputation, at a competitive disadvantage
- · High marketing and infrastructure costs
- Competitors launch improved product
- Competitors have loyal consumer base
- Economy experiences downturn

Strategy: Shareholder Value



Increase net income to maximize shareholder value

Stockholders' Equity = Retained Earnings + Contributed Capital



KEY ASSUMPTION Shareholder value is maximized by increasing retained earnings

Given that contributed capital stays consistent or increases over time

Financial Implications



Self expansion strategy increases net income significantly



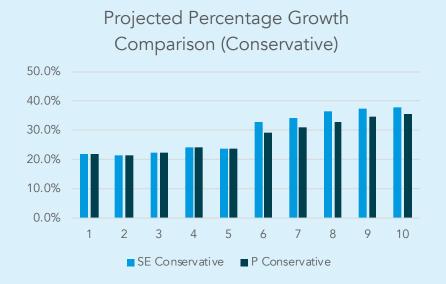
Financials: Comparison

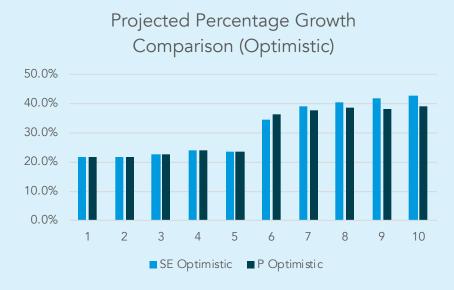


Self expansion outperforms partnership strategy in the long run



- Partnership yields larger percentage growth in the short run, but self expansion outperforms in the long run in both conservative and optimistic case scenarios
- Main reason behind partnership's stagnation is because of variable cost (12%) of partnership contract





Timeline



Allocate time to ensure smooth execution of marketing and expansion



Address target audience and differentiate product from competitors

2017 Q1:



Promote product through television marketing



2016 Q4: Hiring and training

Product positioning

2017 Q2: Rate negotiation 2017 Q3: **Product** launch

2017 Q4: Customer feedback

Gather team members and conduct sales training



Negotiate rates for transportation and distribution



Leverage customer feedback to improve product

Risks and Mitigations



Identify areas for further market research and logistics planning



Competitive Disadvantage

RISKS

- Lack of reputation
- Insensitivity to local cultures, barrier

MITIGATIONS

- Market research
- Comprehensive targeting

High Costs

RISKS

- Infrastructure expenses
- Big budget marketing campaign

MITIGATIONS

 Allocate sufficient funds





Foreign Expenses

RISKS

- Expensive to ship and distribute
- Efficient distribution networks

MITIGATIONS

 Adequate logistics planning





<u>Penetrating</u> the South Korean market through <u>self-expansion</u>





Building sustainable growth in the long run

&



Slides

- 1. Meet the Team
- 2. Agenda
- 3. Market Overview
- 4. **SWOT Analysis**
- 5. Shareholders Equity
- 6. Financial Implications
- 7. Financials: Comparisons
- 8. Timeline
- 9. Risks and Mitigations
- 10. Executive Summary

Appendix

- 1. Revenue and Cost Calculations
- 2. <u>% Growth and Projected</u>
 Revenue
- 3. Income Statement
- 4. Financials Comparison
- 5. <u>Isolated Financial</u> <u>Implications</u>

Revenue and Cost Calculations



		Self Expansion												
			Conservativ	<i>r</i> e			Optimistic							
	Market Share	Pills	Pill Cost	Revenue	SG&A	Market Share	Pills	Pill Cost	Revenue	SG&A				
Year 1	0.035	30,322,656	26,532,324	106,129,296	25,245,858	0.04	34,654,464	30,322,656	121,290,624	26,913,604				
Year 2	0.04	34,654,464	30,322,656	121,290,624	26,913,604	0.06	51,981,696	45,483,984	181,935,936	33,584,588				
Year 3	0.05	43,318,080	37,903,320	151,613,280	30,249,096	0.07	60,645,312	53,064,648	212,258,592	36,920,080				
Year 4	0.055	47,649,888	41,693,652	166,774,608	31,916,842	0.08	69,308,928	60,645,312	242,581,248	40,255,572				
Year 5	0.06	51,981,696	45,483,984	181,935,936	33,584,588	0.09	77,972,544	68,225,976	272,903,904	43,591,064				

	Partnership												
			Conservativ	<i>r</i> e		Optimistic							
	Market Share Pills Pill Cost Revenue Partnership				Partnership Cost	Market Share	Pills	Pill Cost	Revenue	Partnership Cost			
Year 1	0.04	34,654,464	30,322,656	121,290,624	15,161,328	0.06	51,981,696	45,483,984	181,935,936	22,741,992			
Year 2	0.045	38,986,272	34,112,988	136,451,952	17,056,494	0.065	56,313,504	49,274,316	197,097,264	24,637,158			
Year 3	0.05	43,318,080	37,903,320	151,613,280	18,951,660	0.07	60,645,312	53,064,648	212,258,592	26,532,324			
Year 4	0.055	47,649,888	41,693,652	166,774,608	20,846,826	0.08	69,308,928	60,645,312	242,581,248	30,322,656			
Year 5	0.06	51,981,696	45,483,984	181,935,936	22,741,992	0.09	77,972,544	68,225,976	272,903,904	34,112,988			

USD (Partnership) 27,118,100

Product Pricing							
3.5	USD						
3850	KRW						

Total Pills	866,361,600
-------------	-------------

% Growth and Projected Net Income



			Self Expansion			
		SQ	Conservative	Optimistic		
Year	2013	21.9%	21.9%	21.9%		
	2014	21.6%	21.6%	21.6%		
	2015	22.5%	22.5%	22.5%		
	2016	24.0%	24.0%	24.0%		
	2017	23.7%	23.7%	23.7%		
	2018	23.3%	33.1%	34.6%		
	2019	23.8%	34.3%	38.9%		
	2020	24.1%	36.4%	40.2%		
	2021	25.0%	37.5%	41.6%		
	2022	25.4%	38.1%	42.5%		

			Partnership					
		SQ	Conservative	Optimistic				
Year	2013	21.9%	21.9%	21.9%				
	2014	21.6%	21.6%	21.6%				
	2015	22.5%	22.5%	22.5%				
	2016	24.0%	24.0%	24.0%				
	2017	23.7%	23.7%	23.7%				
	2018	23.3%	29.2%	36.5%				
	2019	23.8%	31.2%	37.7%				
	2020	24.1%	32.8%	38.6%				
	2021	25.0%	34.5%	38.1%				
	2022	25.4%	35.8%	39.2%				

			Self Expansion						
		SQ	Coi	nservative	Optimistic				
Year	2013	\$22,091	\$	22,091	\$	22,091			
	2014	\$24,998	\$	24,998	\$	24,998			
	2015	\$ 29,896	\$	29,896	\$	29,896			
	2016	\$37,327	\$	37,327	\$	37,327			
	2017	\$42,611	\$	42,611	\$	42,611			
	2018	\$ 45,601	\$	99,953	\$	109,655			
	2019	\$50,538	\$	114,592	\$153,405				
	2020	\$55,167	\$	138,627	\$177,440				
	2021	\$61,462	\$	154,626	\$:	203,142			
	2022	\$66,879	\$	169,746	\$ 2	227,966			

		Partnership					
	SQ	Coı	nservative	Optimistic			
Year 201	\$ 22,091	\$	22,091	\$	22,091		
201	\$ 24,998	\$	24,998	\$	24,998		
201	\$ 29,896	\$	29,896	\$	29,896		
201	\$ 37,327	\$	37,327	\$	37,327		
201	\$ 42,611	\$	42,611	\$	42,611		
201	\$ 45,601	\$	92,471	\$	137,955		
201	\$ 50,538	\$	108,779	\$	154,263		
202	\$55,167	\$	124,778	\$	170,262		
202	\$61,462	\$	142,445	\$	185,957		
202	\$66,879	\$	159,233	\$2	210,326		

**USD in thousands

^{**}USD in thousands

Income Statement



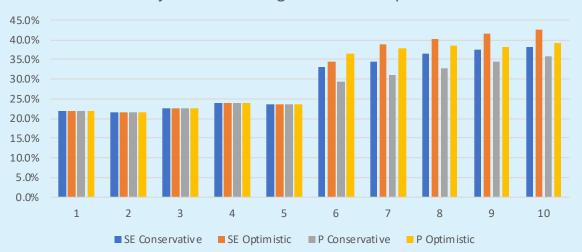
Self Expansion	1		Five	Year Ended					Five Year Fore	cast (Conservativ	/e)				Five Year F	orecast (Optimis	stic)	
		2013	2014	2015	2016	2017		2018	2019	2020	2021	2022		2018	2019	2020	2021	2022
Net Sales	\$	100,734 \$	115,945 \$	132,989 \$	155,464 \$	179,716	\$	301,841 \$	333,637 \$	380,522 \$	412,624 \$	445,240	\$	317,002 \$	394,282 \$	441,168 \$	488,430 \$	536,208
%YOY			15.1%	14.7%	16.9%	15.6%		8.9%	8.5%	7.8%	7.4%	7.1%		8.9%	8.5%	7.8%	7.4%	7.1%
COGS	\$	38,037 \$	41,589 \$	48,581 \$	54,366 \$	62,451	\$	96,988 \$	104,432 \$	115,961 \$	123,316 \$	130,531	\$	100,779 \$	119,593 \$	131,123 \$	142,267 \$	153,273
% of Net Sales	5	37.8%	35.9%	36.5%	35.0%	34.7%		32.1%	31.3%	30.5%	29.9%	29.3%		31.8%	30.3%	29.7%	29.1%	28.6%
Gross Margin	\$	62,697 \$	74,355 \$	84,408 \$	101,098 \$	117,265	\$	204,853 \$	229,205 \$	264,561 \$	289,308 \$	314,709	\$	216,223 \$	274,689 \$	310,045 \$	346,163 \$	382,935
% of Net Sales	5	62.2%	64.1%	63.5%	65.0%	65.3%		67.9%	68.7%	69.5%	70.1%	70.7%		68.2%	69.7%	70.3%	70.9%	71.4%
R&D	\$	17,326 \$	21,566 \$	21,996 \$	25,994 \$	29,527	\$	27,791 \$	29,941 \$	31,361 \$	32,206 \$	34,230	\$	27,791 \$	29,941 \$	31,361 \$	32,206 \$	34,230
% of Net Sales	5	17.2%	18.6%	16.5%	16.7%	16.4%		9.2%	9.0%	8.2%	7.8%	7.7%		8.8%	7.6%	7.1%	6.6%	6.4%
SG&A	\$	23,280 \$	27,792 \$	32,516 \$	37,778 \$	45,127	\$	77,109 \$	84,672 \$	94,573 \$	102,476 \$	110,733	\$	78,777 \$	91,343 \$	101,244 \$	110,815 \$	120,739
% of Net Sales	5	23.1%	24.0%	24.5%	24.3%	25.1%		25.5%	25.4%	24.9%	24.8%	24.9%		24.9%	23.2%	22.9%	22.7%	22.5%
Net Income	\$	22,091 \$	24,997 \$	29,896 \$	37,326 \$	42,611	\$	99,953 \$	114,592 \$	138,627 \$	154,626 \$	169,746	\$	109,655 \$	153,405 \$	177,440 \$	203,142 \$	227,966
% of Net Sales	; <u> </u>	21.9%	21.6%	22.5%	24.0%	23.7%		33.1%	34.3%	36.4%	37.5%	38.1%		34.6%	38.9%	40.2%	41.6%	42.5%
Partnership			Five	Year Ended					Five Year Fore	cast (Conservativ	/e)				Five Year F	orecast (Optimis	stic)	
Partnership		2013	Five 2014	Year Ended 2015	2016	2017	_	2018	Five Year Fore 2019	cast (Conservativ 2020	ve) 2021	2022		2018	Five Year F 2019	Forecast (Optimis 2020	stic) 2021	2022
Partnership Net Sales	\$	2013 100,734 \$			2016 155,464 \$	2017 179,716	\$	2018 317,002 \$		•		2022 445,240	\$	2018 377,647 \$			•	2022 536,208
<u>'</u>	\$		2014	2015			\$		2019	2020	2021		\$		2019	2020	2021	
Net Sales %YOY COGS	\$ \$		2014 115,945 \$	2015 132,989 \$	155,464 \$	179,716	\$	317,002 \$	2019 348,798 \$	2020 380,522 \$	2021 412,624 \$	445,240	\$	377,647 \$	2019 409,443 \$	2020 441,168 \$	2021 488,430 \$	536,208
Net Sales %YOY	\$ \$	100,734 \$	2014 115,945 \$ 15.1%	2015 132,989 \$ 14.7%	155,464 \$ 16.9%	179,716 15.6%	\$ \$	317,002 \$ 8.9%	2019 348,798 \$ 8.5%	2020 380,522 \$ 7.8%	2021 412,624 \$ 7.4%	445,240 7.1%	\$	377,647 \$ 8.9%	2019 409,443 \$ 8.5%	2020 441,168 \$ 7.8%	2021 488,430 \$ 7.4%	536,208 7.1%
Net Sales %YOY COGS	\$ \$ \$ \$	100,734 \$ 38,037 \$	2014 115,945 \$ 15.1% 41,589 \$	2015 132,989 \$ 14.7% 48,581 \$	155,464 \$ 16.9% 54,366 \$	179,716 15.6% 62,451	\$ \$ \$	317,002 \$ 8.9% 100,779 \$	2019 348,798 \$ 8.5% 108,222 \$	2020 380,522 \$ 7.8% 115,961 \$	2021 412,624 \$ 7.4% 123,316 \$	445,240 7.1% 130,531	\$ \$ \$	377,647 \$ 8.9% 115,940 \$	2019 409,443 \$ 8.5% 123,383 \$	2020 441,168 \$ 7.8% 131,123 \$	2021 488,430 \$ 7.4% 142,267 \$	536,208 7.1% 153,273
Net Sales %YOY COGS % of Net Sales	\$	100,734 \$ 38,037 \$ 37.8%	2014 115,945 \$ 15.1% 41,589 \$ 35.9%	2015 132,989 \$ 14.7% 48,581 \$ 36.5%	155,464 \$ 16.9% 54,366 \$ 35.0%	179,716 15.6% 62,451 34.7%	\$	317,002 \$ 8.9% 100,779 \$ 31.8%	2019 348,798 \$ 8.5% 108,222 \$ 31.0%	2020 380,522 \$ 7.8% 115,961 \$ 30.5%	2021 412,624 \$ 7.4% 123,316 \$ 29.9%	445,240 7.1% 130,531 29.3%	\$ \$ \$	377,647 \$ 8.9% 115,940 \$ 30.7%	2019 409,443 \$ 8.5% 123,383 \$ 30.1%	2020 441,168 \$ 7.8% 131,123 \$ 29.7%	2021 488,430 \$ 7.4% 142,267 \$ 29.1%	536,208 7.1% 153,273 28.6%
Net Sales %YOY COGS % of Net Sales Gross Margin	\$	100,734 \$ 38,037 \$ 37.8% 62,697 \$	2014 115,945 \$ 15.1% 41,589 \$ 35.9% 74,355 \$	2015 132,989 \$ 14.7% 48,581 \$ 36.5% 84,408 \$	155,464 \$ 16.9% 54,366 \$ 35.0% 101,098 \$	179,716 15.6% 62,451 34.7% 117,265	\$	317,002 \$ 8.9% 100,779 \$ 31.8% 216,223 \$	2019 348,798 \$ 8.5% 108,222 \$ 31.0% 240,576 \$	2020 380,522 \$ 7.8% 115,961 \$ 30.5% 264,561 \$	2021 412,624 \$ 7.4% 123,316 \$ 29.9% 289,308 \$	445,240 7.1% 130,531 29.3% 314,709	\$ \$ \$	377,647 \$ 8.9% 115,940 \$ 30.7% 261,707 \$	2019 409,443 \$ 8.5% 123,383 \$ 30.1% 286,060 \$	2020 441,168 \$ 7.8% 131,123 \$ 29.7% 310,045 \$	2021 488,430 \$ 7.4% 142,267 \$ 29.1% 346,163 \$	536,208 7.1% 153,273 28.6% 382,935
Net Sales %YOY COGS % of Net Sales Gross Margin % of Net Sales	\$ \$ \$	100,734 \$ 38,037 \$ 37.8% 62,697 \$ 62.2%	2014 115,945 \$ 15.1% 41,589 \$ 35.9% 74,355 \$ 64.1%	2015 132,989 \$ 14.7% 48,581 \$ 36.5% 84,408 \$ 63.5%	155,464 \$ 16.9% 54,366 \$ 35.0% 101,098 \$ 65.0%	179,716 15.6% 62,451 34.7% 117,265 65.3%	\$	317,002 \$ 8.9% 100,779 \$ 31.8% 216,223 \$ 68.2%	2019 348,798 \$ 8.5% 108,222 \$ 31.0% 240,576 \$ 69.0%	2020 380,522 \$ 7.8% 115,961 \$ 30.5% 264,561 \$ 69.5%	2021 412,624 \$ 7.4% 123,316 \$ 29.9% 289,308 \$ 70.1%	7.1% 130,531 29.3% 314,709 70.7%		377,647 \$ 8.9% 115,940 \$ 30.7% 261,707 \$ 69.3%	2019 409,443 \$ 8.5% 123,383 \$ 30.1% 286,060 \$ 69.9%	2020 441,168 \$ 7.8% 131,123 \$ 29.7% 310,045 \$ 70.3%	2021 488,430 \$ 7.4% 142,267 \$ 29.1% 346,163 \$ 70.9%	536,208 7.1% 153,273 28.6% 382,935 71.4%
Net Sales %YOY COGS % of Net Sales Gross Margin % of Net Sales R&D % of Net Sales SG&A	\$ \$ \$ \$	38,037 \$ 37.8% 62,697 \$ 62.2% 17,326 \$	2014 115,945 \$ 15.1% 41,589 \$ 35.9% 74,355 \$ 64.1% 21,566 \$	2015 132,989 \$ 14.7% 48,581 \$ 36.5% 84,408 \$ 63.5% 21,996 \$	155,464 \$ 16.9% 54,366 \$ 35.0% 101,098 \$ 65.0% 25,994 \$	179,716 15.6% 62,451 34.7% 117,265 65.3% 29,527	\$	317,002 \$ 8.9% 100,779 \$ 31.8% 216,223 \$ 68.2% 27,791 \$	2019 348,798 \$ 8.5% 108,222 \$ 31.0% 240,576 \$ 69.0% 29,941 \$	2020 380,522 \$ 7.8% 115,961 \$ 30.5% 264,561 \$ 69.5% 31,361 \$	2021 412,624 \$ 7.4% 123,316 \$ 29.9% 289,308 \$ 70.1% 32,206 \$	445,240 7.1% 130,531 29.3% 314,709 70.7% 34,230		377,647 \$ 8.9% 115,940 \$ 30.7% 261,707 \$ 69.3% 27,791 \$	2019 409,443 \$ 8.5% 123,383 \$ 30.1% 286,060 \$ 69.9% 29,941 \$ 7.3% 101,856 \$	2020 441,168 \$ 7.8% 131,123 \$ 29.7% 310,045 \$ 70.3% 31,361 \$	2021 488,430 \$ 7.4% 142,267 \$ 29.1% 346,163 \$ 70.9% 32,206 \$	536,208 7.1% 153,273 28.6% 382,935 71.4% 34,230
Net Sales %YOY COGS % of Net Sales Gross Margin % of Net Sales R&D % of Net Sales	\$ \$ \$ \$	38,037 \$ 37.8% 62,697 \$ 62.2% 17,326 \$ 17.2%	2014 115,945 \$ 15.1% 41,589 \$ 35.9% 74,355 \$ 64.1% 21,566 \$ 18.6%	2015 132,989 \$ 14.7% 48,581 \$ 36.5% 84,408 \$ 63.5% 21,996 \$ 16.5%	155,464 \$ 16.9% 54,366 \$ 35.0% 101,098 \$ 65.0% 25,994 \$ 16.7%	179,716 15.6% 62,451 34.7% 117,265 65.3% 29,527 16.4%	\$ \$ \$	317,002 \$ 8.9% 100,779 \$ 31.8% 216,223 \$ 68.2% 27,791 \$ 8.8%	2019 348,798 \$ 8.5% 108,222 \$ 31.0% 240,576 \$ 69.0% 29,941 \$ 8.6% 101,856 \$ 29.2%	2020 380,522 \$ 7.8% 115,961 \$ 30.5% 264,561 \$ 69.5% 31,361 \$ 8.2%	2021 412,624 \$ 7.4% 123,316 \$ 29,9% 289,308 \$ 70.1% 32,206 \$ 7.8%	445,240 7.1% 130,531 29.3% 314,709 70.7% 34,230 7.7%	\$	377,647 \$ 8.9% 115,940 \$ 30.7% 261,707 \$ 69.3% 27,791 \$ 7.4%	2019 409,443 \$ 8.5% 123,383 \$ 30.1% 286,060 \$ 69,9% 29,941 \$ 7.3%	2020 441,168 \$ 7.8% 131,123 \$ 29.7% 310,045 \$ 70.3% 31,361 \$ 7.1%	2021 488,430 \$ 7.4% 142,267 \$ 29.1% 346,163 \$ 70.9% 32,206 \$ 6.6%	536,208 7.1% 153,273 28.6% 382,935 71.4% 34,230 6.4%
Net Sales %YOY COGS % of Net Sales Gross Margin % of Net Sales R&D % of Net Sales SG&A	\$ \$ \$ \$	100,734 \$ 38,037 \$ 37.8% 62,697 \$ 62.2% 17,326 \$ 17.2% 23,280 \$	2014 115,945 \$ 15.1% 41,589 \$ 35.9% 74,355 \$ 64.1% 21,566 \$ 18.6% 27,792 \$	2015 132,989 \$ 14.7% 48,581 \$ 36.5% 84,408 \$ 63.5% 21,996 \$ 16.5% 32,516 \$	155,464 \$ 16.9% 54,366 \$ 35.0% 101,098 \$ 65.0% 25,994 \$ 16.7% 37,778 \$	179,716 15.6% 62,451 34.7% 117,265 65.3% 29,527 16.4% 45,127	\$ \$ \$	317,002 \$ 8.9% 100,779 \$ 31.8% 216,223 \$ 68.2% 27,791 \$ 8.8% 95,961 \$	2019 348,798 \$ 8.5% 108,222 \$ 31.0% 240,576 \$ 69.0% 29,941 \$ 8.6% 101,856 \$	2020 380,522 \$ 7.8% 115,961 \$ 30.5% 264,561 \$ 69.5% 31,361 \$ 8.2% 108,422 \$	2021 412,624 \$ 7.4% 123,316 \$ 29,9% 289,308 \$ 70.1% 32,206 \$ 7.8% 114,657 \$	445,240 7.1% 130,531 29.3% 314,709 70.7% 34,230 7.7% 121,246	\$	377,647 \$ 8.9% 115,940 \$ 30.7% 261,707 \$ 69.3% 27,791 \$ 7.4% 95,961 \$	2019 409,443 \$ 8.5% 123,383 \$ 30.1% 286,060 \$ 69.9% 29,941 \$ 7.3% 101,856 \$	2020 441,168 \$ 7.8% 131,123 \$ 29.7% 310,045 \$ 70.3% 31,361 \$ 7.1% 108,422 \$	2021 488,430 \$ 7.4% 142,267 \$ 29.1% 346,163 \$ 70.9% 32,206 \$ 6.6% 128,000 \$	536,208 7.1% 153,273 28.6% 382,935 71.4% 34,230 6.4% 138,379

Financials Comparison



Projected Percentage Growth Comparison									
Self Exp	ansion	Partnership							
SE Conservative	SE Optimistic	P Conservative	P Optimistic						
21.9%	21.9%	21.9%	21.9%						
21.6%	21.6%	21.6%	21.6%						
22.5%	22.5%	22.5%	22.5%						
24.0%	24.0%	24.0%	24.0%						
23.7%	23.7%	23.7%	23.7%						
33.1%	34.6%	29.2%	36.5%						
34.3%	38.9%	31.2%	37.7%						
36.4%	40.2%	32.8%	38.6%						
37.5%	41.6%	34.5%	38.1%						
38.1%	42.5%	35.8%	39.2%						

Projected Percentage Growth Comparison



Isolated Financial Implications



