**Portfolio – Fundamental Analysis**

# **Environmental Analysis**

Macro environmental analysis encompasses an investigation of political, economical, social, technological, environmental and legal (PESTLE) issues in the external business environment**.** According to Thomas et al (2020), macro environment has a bearing on the decisions the company makes about its long-term direction, objectives, strategy and business model.

### Political factors

The frequency at which the government intervenes in the economy determines how the industry can respond to current and anticipated future legislation.

* Taxation, government asks business to pay taxes such as corporations’ tax and property tax. Taxes are an income to government but an expense to corporates hence eating in their revenue. Can be a hinderance to operating a business. Due to the Covid-19 pandemic companies heavy been heavy hit and production slowed down and other corporates even closed. For example, Canada federal government has suspended tax payments for 5 months payments by businesses to help cushion expenses.
* Pricing regulations, federal government of each country sets up regulations in the market to enable companies to trade fairly. If not regulated price wars may erupt. Bigger companies with a strong financial arm can reduce prices to out compete other companies hence no plain level field in the arena. Price floors and price ceilings are set. Price regulation is set by a public authority as opposed to supply and demand. For example, current situation oil prices have gone down per barrel and price must be regulated to avoid further drops in price since supply is more than demand. if oil is cheap as compared to alternative source of energy ENPH provides, ENPH may suffer due to substitute product being cheap
* Trading policies are put in place to liberalize international trade. Este Lauder has a global market but produces its product’s in USA, Canada and Belgium. Free trade allows companies to produce goods and services at a lower opportunity cost than other countries which then translate to having a competitive advantage
* Conflicts in the political arena
* Regulations and tariffs

### Economic Factors

* Current global economic crisis has led companies to downsize and shutdown as consumption has reduced drastically. Economic crisis was caused by the Covid-19 pandemic which saw a lot of suppliers and producers closing businesses.
* Gaming industry over the last month have seen an increase in sales. Huge spike in sales was caused by the isolation of people and consumers purchase games to entertain themselves. It’s a seasonal spike
* Globalization has an impact on financial side of a business, exchange rates vary depending on currency a country operates in which then determines how much revenue a company will realize.

### Social Factors

Ways of doing things shared by society such as norms, beliefs and attitudes.

* Attitudes-environmental consciousness, e.g. carbon footprint, people are going green. ENPH should leverage on the campaign and grow their business as solar energy is being promoted over the use of fossil fuels
* Population employment patterns affects businesses globally. Developed worlds have an ageing population hence a shortage in human resources. This leads to the resource being expensive and has a negative impact on organisations
* Cultural difference in as much as the world is a global village in a business context, each country has common and accepted standards they conform to. These differences have an impact on organisational hierarchy, etiquette and communication. Businesses need to understand these to encourage smooth running of business. Corporates should embrace cultural differences to e able to run as successful global business
* Global growth for industries as the world has become one global village
* Demographics of the population - Canada has an ageing population
* Education level

### Technological

* Degree of Automation
* Impact of emerging technology has rendered other processes and products obsolete. Gaming industry has seen other gadgets hardware not being compatible to the new applications.
* Rate of technological change impacting heavily on companies to invest in research and development to keep up with changing times.
* Online sales, EA gaming company leverages on internet as they sale their apps online. This has helped it to increase sales

### Environmental

* Renewable energy
* Green or ecological products is the new way of life as consumers and businesses are in a fight to save the ozone layer, reduce carbon emission and reduce global warming. Everybody has become environmentally friendly and cautious, so business should make it a point that they use biodegradable products in manufacturing and use sustainable processes.

### Legal

* Antitrust law in industry
* Consumer protection laws vary by country and companies which operate globally should abide by laws and regulations of the governing country. Este launder should clearly label their products in local languages per specific regional/ country language informing consumer about product chemical composition (ingredients)
* Employment law intermediate between employees, associations and government. Corporates should abide
* Health and Safety Law
* Intellectual and patent law are of great importance for any business which wants to protect its methods. Piracy has crimpled business as several imitations has flooded the markets. Companies should have trademarks, patents and intellectual laws to protect their brands, businesses etc. Gaming industry has suffered due to software piracy. Cosmetic have also suffered greatly as because of counterfeit products which flood the market at a relatively low cost as compared to original products.

## Cosmetic industry – Skincare Segment

The cosmetic industry is fast-growing and dynamic. As of 2019, the industry was worth an estimated $532 billion. The market is projected to be worth almost $805 billion by 2023, with an expected CAGR of 7.14 % from 2018 to 2023. In 2019 the industry registered a growth in revenue of 5.25%, down from 5.5% of 2018.

Within the cosmetic industry, the skin care segment makes up about 40% of the market and close to 60% of the worldwide cosmetic market growth. Major players in the industry Include L'Oréal, Unilever, Estee Lauder, Procter & Gamble and Shiseido. (L'Oreal, 2019)

### Trends

* Social Media and Partnerships: In recent years, social media has played a big role in the rise of the beauty industry. Partnerships with beauty Influencers (YouTube & Instagram) has become a driving force for brand promotion. It has help brands to cultivate a stronger image, interact with consumers more directly, and create an entirely new marketing category (Ketabchi, 2020). A strong example of the power of this mode of marketing is Kylie cosmetics, founded by influencer Kylie Jenner in 2014. Jenner Utilized the power of social media to build a cosmetic company that is now worth billions of dollars.
* Targeted Pricing Strategy: Recent years have seen an increase in the rise of new smaller companies that are upending the dominance of larger companies. One of the key strategies that propelled their success is the pricing of their products. Two such companies are glossier and Deciem's The Ordinary. Glossier uses a pricing model that positions its products between the mass market and premium – thus, marketing the brand as an affordable luxury to its young customer base (Ketabchi, 2020). On the other side of the pricing spectrum is The Ordinary; the company focuses on selling quality formula at extremely low prices. Their goal is to create products using only active ingredients and cutting back on unnecessary additive and elaborate packaging. This model has helped them to produce low-cost products and secure a cult following among their customers. The model is successful only because of the company's ingredient transparency (also a growing trend) and product effectiveness at unrivalled prices. (Ketabchi, 2020)
* Merger and Acquisition: Incumbents of the industry are turning to mergers and acquisitions to keep up with new rivals such as Seed Beauty. The success of Seed Beauty's vertically integrated incubation model has encouraged industry leaders to acquire smaller, less developed companies. Aside from beauty companies, there has also been a rise in the acquisitions of technology. For example, L'Oreal's acquisition of Modiface – a virtual try-on technology. Other industry leaders like Ulta Beauty and Hankel have followed suit. (CBI INSIGHTS, 2019)
* Inclusive Beauty: The success of 2017's Fenty beauty cosmetics has encouraged many beauty brands to increase inclusivity in their product line. Many companies in the industry are expanding their products to include all genders, skin types, ethnicity and age, which has led to growth in overall revenue.

### Recession

The "Lipstick Effect" is described by [Investopedia](http://www.investopedia.com/terms/l/lipstick-effect.asp) as, "a theory that states that during periods of recession or economic downturn, consumers will eschew purchases of big-ticket luxury items and seek material solace in smaller indulgences, such as premium lipstick."

In 2008, the annual growth rate of the global cosmetic market was an estimated 5%. When the recession hit, the growth rate fell to 2.9% in 2008 and 1% in 2009. However, the industry saw a whopping recoveryby 2010, with a growth rate of 4.2% (Statista, 2020). Since then, the growth rate has continued to be stable. A survey by market research firm Kline concluded that people are not willing to sacrifice beauty products, even when they must cut down on spending. (NewBeauty Editors, 2011)

### Key Success Factors

Brand Image, Social Media and Technology, Pricing and ingredient transparency, Marketing,

Positioning, Product Quality and Availability across all distribution channels.

## Video Gaming Industry

With technology development, the demand for digital gaming is still increasing dramatically by millennials and generation Z (Zacks Equity Research, 2020). There are some estimates that the growth of the video gaming industry can reach 300 billion dollars in the next five years (Forbes, 2019). Furthermore, customers are not only satisfied with PC platforms, but 70% of young people also use their smartphones or portable devices to play games (Zacks Equity Research, 2020). The video gaming industry also impacts on live broadcasting industry, such as Twitch.

### Trends

* **Free-to-Play-model**: This model offers player free-to-play online video games such as fortnight and Apex Legends. Subscriptions are free, and the game generates revenue by offering the sale of in-game items (such as cars, weapons, outfits and more). It is estimated that most of the industry's revenue comes from the high demand in-game items (Forbes, 2019). The Free-to-play model generated $87.1 billion in revenue worldwide in 2019 (Richter, 2020).
* **The emergence of Third-party in-game Items market**: There are new website subscription services created solely to build, sell, buy, collect or exchange in-game items. Examples of such websites are Google Stadia and Apple Arcade. Demand for such services is estimated to grow in the coming years. (Forbes, 2019)

### Interaction with other industries

Recently, the gaming industry has developed strategies around social media in order to maintain interactivity with its consumers. Examples are mobile games - Leaderboards, social network games, YouTube and eSports. The video gaming industry is entwined with the technological industry, morespecifically, PCs, Mobile phones, Consoles, VRs, TVs and the Internet. As of 2018, 53% of game developers were developing games for PCs and Mac, 38 % for smartphones and tablets,13 % for web browsers, and 24% for VR Headsets. (WePC, 2020)

## Recession

In October 2008, the NDP group reported that sales of video games and hardware were up 18 % from the same month the previous year. Hardware sales were up 5 % (to $494.7 Million), and software sales were up 35 % (to $696.8 Million). Despite the economic slowdown, the industry continued to thrive. The rationale being that during tough economic times, entertainment is valued, and the interactive nature of video gaming makes it a very attractive source. (CNET, 2009)

### Revenue

* The full game content monetization covered 61 % of the global revenue of console and PC games. The free-to-play gaming platform accounted for 82 % of the digital game market's revenue (monetization Model). (WePC, 2020)
* Monetization of mobile gaming apps through ads, paid-app, and in-app purchase
* eSports: In 2017 the eSports market generated a revenue of 655 million USD (esportsbets.com, 2018)
* Sponsorships from technology, Retail, Online services, alcohol and other prominent industries.
* In 2017, 80% of the total video game industry's 66 billion USD revenue was attributed to software sales. (WePC, 2020)
* Other sources of revenue include streaming and tipping, social gaming, and online gaming platform (WePC, 2020)

## Solar Industry

The solar industry is projected to have a CAGR of 20.5% between 2019 and 2026. It is anticipated to reach a market value of $223.3 billion by 2026 and was valued at $52.5 Billion in 2018. Solar energy can be harnessed using technologies such as solar heating, photovoltaic cells, and others (Allied Market Research, 2018). In 2017, more solar PV capacities were installed globally than any other power generation technology (Solar Power Europe, 2018). The deployment of solar capacity was twice as much as other renewable energy sources.

China dominates the market demand with a solar PV capacity of 176,100MW (32.3%) as of 2018. In 2017, the country installed more than half the world's solar capacity in one year (53.3 %). The United States is the second-largest solar PV market with a capacity of 62,600 MW (11.5 %). In 2017, the world installed 99.1 GW of solar power, which was almost as much as the cumulative (100.9 GW) solar installed as of 2012. Between 2007 and 2017, the total solar PV capacity increased by over 4,300% (Solar Power Europe, 2018).

# **Financial Analysis**

## *Electronic Arts Inc.*

In the past three years, Electronic Arts, Inc. had a revenue growth increased to 6.3% from 2017 to 2018. The growth was because of a 17% increase in digital sales. However, EA did not grow from 2018 to 2019 and its revenue growth is -3.9%. One-month delay of the game release, Battlefield V was one of the factors caused the drop in gross margin in 2019. The difficulty of the growing mobile game market was another factor. Compared with the industry average, EA’s gross margin was still above the industry average (54.2%) by 20%. The gross margin of EA started at 73.2% in 2017, it increased to 75.2% in 2018. The increase is due to its revenue growth and the cost of goods sold drop. However, there was about a two percent drop from 2018 to 2019. The drop is because of a decrease in revenue and a rise in the cost of goods sold. For the SG&A ratio, it fluctuated around 21% to 23% from 2017 to 2019.

From 2017 to 2019, although EA’s return on asset ratio was slightly dropping from 12.5% to 11.4%, it was above the industry average (6.63%) by 6%. The one percent change might be caused by the low growth in the mobile game market. There was a continuous decrease in the total debt to equity ratio from 1.21 to 0.68. This means that EA is borrowing less from banks. The total debt to asset ratio of EA also decreased slightly from 0.47 to 0.4 in the past three years.

EA’s current ratio was rising from 2.15 to 2.82 meaning that EA could pay its liabilities quicker and its current assets were more liquid than before. Furthermore, it was larger than the industry average (2.43). EA did not have any inventories, as a result, its quick ratio is the same as its current ratio. EA’s accounts receivable turnover was steady, but it dropped from 13.84 to 9.82. (More detailed numbers can be found in the supplement document of Pistol Shrimp Financial portfolio – financial anlysis.xlsx)

## *Enphase Energy, Inc.*

Past two years, Enphase Energy, Inc. grew rapidly. In 2018, the revenue growth was 10.5%; moreover, the growth in 2019 was 97.5%. The huge rise was caused by several factors. For example, a shift of favoring in renewable and sustainable energy. The gross margin of Enphase Energy, Inc. increased by almost 10% from 19.6% to 29.9% in 2018 and another 5% growth in 2019. In 2019, the gross margin is 35.4%. The increase in gross margin in the past three years is because its revenue was doubled from 2018 to 2019. The industry average on gross margin of renewable energy in 2019 was 31.5%. ENPH grew more than the industry average. The SG&A ratio inflated two percent from 2017 to 2018 (15.8% & 17.8%). From 2018 to 2019, it declined to 12.1% due to the huge revenue hike in 2019.

For the return on asset ratio, it was -26.7% in 2017 and it inclined approximately 23% to -3.4% in 2018. In 2019, the ROA ratio was escalated to 22.6 %. The reasons why ENPH’s ROA changed tremendously was that the company did not make profits three years ago and solar energy was still a relatively new topic and new technology to the general public. Moreover, ENPH’s ROA ratio was tremendously above the industry average (0.3%) in 2019. ENPH started with a negative 0.6 total debt to equity ratio in 2017. However, the ratio still declined in 2018 and 2019. In 2019, the ratio was -2.38. The negative total debt to equity ratio means that the company still borrowed heavily from banks than its investors. In addition, this also affects ENPH’s total debt to assets ratio. ENPH still needed an extensive amount of money to innovate its technology and develop new products. Its total debt to asset ratio dropped from 1.05 in 2017 to 0.62 in 2019.

The current ratio surges to 2.51 in 2019 meaning that ENPH was able to pay its short-term liabilities quicker and its assets can turn into cash faster, compared to 1.42 in 2017. Compared to the industry average of 2.66 in 2019, ENPH was slightly below the industry average. Its quick ratio was also increased to 2.34 from 2017 to 2019. There was a one-point increase in ENPH’s account receivable turnover in the past two years. The average industry of account receivable turnover was 8.76 in 2019, whereas ENPH’s account receivable turnover was 5.57. At last, its inventory turnover almost doubled from 2017 to 2019 (8.85 to 16.38). this means ENPH sell its products very quickly. More and more people are interested in renewable and sustainable energy. (More detailed numbers can be found in the supplement document of Pistol Shrimp Financial portfolio – financial anlysis.xlsx)

## *Estée Lauder Companies Inc.*

There were some revenue slowdowns of Estée Launder Companies Inc. from 2018 to 2019. EL’s revenue growth was 15.7% from 2017 to 2018. However, there was only 8.6% revenue growth from 2018 to 2019. Its gross margins in the past three years were also slightly fell from 79.4% to 77.2%. This could be caused by the increase in EL’s cost of sales was larger than the increase in EL’s revenue last year. The good news was that the cosmetics industry’s gross margin average was only 46%. EL’s gross margin was still 30% above the industry average. For the SG&A ratio, it was a declining turn which dropped from 63.2% to 59.6% in the past three years.

The industry return on asset ratio average was 5.6%. EL’s ROA ratio was much higher than the industry average by over 25%. Its total debt to equity only inclined by 0.01 each year from 0.32 to 0.34, meaning that EL’s did not borrow much from bank loan than its investors. The total debt to asset ratio was decreasing in the past three years from 0.53 to 0.46.

The current ratio of EL also slowly dropped over the years from 3.8 to 2.71. although the one-point change from 2018 to 2019, EL was still above the industry average (1.88) by one point. The quick ratio of EL fluctuated from 2.59 to 1.91 in the past three years. Similar trends also showed in its account receivable turnover. The ratio shifted between 8.48 and 8.96. In 2018, the account receivable (9.50) was the three-year highest. Compared to the industry, EL was four points above the industry average (4.2). (More detailed numbers can be found in the supplement document of Pistol Shrimp Financial portfolio – financial anlysis.xlsx)

# **Company Analysis**

## *Electronic Arts Inc.*

EA was founded in 1982. Its headquarter is in Redwood City, California. The company mainly develop, design, and produce different types of games to customers. Its games now available on internet-connected consoles (Xbox and PlayStations), mobile devices and PCs. As of today, there are more than 300 million EA gamers globally. Currently, there 19 EA’s studios around the world to develop, deliver games to the customers. EA also holds ownership of several classic games and the company started to make some games available on mobile devices.

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| *Strengths* | *Weaknesses* |
| * Electronic Arts continually spends more on research and innovating new games every year to keep their game being attractive to the customers. Since Sep 2019, A new VR game has been in the development stage (Electronic Arts Inc, 2020). * Games are developed by Electronic Arts can operate in multiple devices and different operating systems, such as the Windows system and the IOS system. EA released games are available not only on PC but also on the mobile device, PlayStation, and Xbox. * Electronic Arts holds a higher brand awareness and good reputation among customers which the customers are willing to purchase the games from the same product line. * EA introduced EA Access or Origin Access to allow gamers to pay membership to play multiple games without buying all games a few years ago. * EA extended EA Access to the PlayStation platform. * EA also holds a lot of game contests to maintain its active gamers. | * EA still mainly focuses on single-player games based on stories which can result in high production costs and time-consuming. * A lot of EA games have similar release dates in which the revenue becomes seasonal (Zacks Equity Research, 2020). * EA may not be competitive in the mobile game market since its mobile market revenue decreased by about 7% (Zacks Equity Research, 2020). * As of today’s trends, consumers want to play games that do not require to invest a lot of time. However, EA’s story-based games usually require longer times. |
| *Opportunities* | *Threats* |
| * EA also licensed and has rights from sports leagues, player associations, movie studios, and book authors to develop games based on sports franchises, movies, and books (Electronic Arts Inc, 2020). * Combining virtual reality games with events such as World War II to let generation Z and millennials experience an era that they never experienced before. * Potential growths in the global market such as South America. * EA continues investing in innovating its new games with high quality. * EA agreed to put its games on the Steam platform to allow more potential customers. * EA also agreed with Nintendo Switch to put games available on Switch in 2020 to grow more potential revenues and players. | * EA’s games are operated on multi-consoles which are from third parties, so the sales are correlated. * The gaming industry is highly competitive. * The growing trends in mobile games in which its competitors are taking the majority market share. * Similar products created by other competitors. |

## *Enphase Energy, Inc.*

Founded in 2006, Enphase Energy, Inc., designs, develops and sells home energy solutions for the solar photovoltaic industry. Their software-driven home energy solutions range from solar generation, home energy storage, and web-based control and monitoring. Their vision is to be the world’s leading clean energy solution provider. Enphase solutions provide energy monitoring and control services by combining proprietary software and networking technology with their semiconductor-based microinverter, which converts electricity created by solar panels from direct current (DC) to alternating current (AC). With offices around the world but based in Freemont, California, they sell their technology primarily to distributors, as well as directly to large installers, original equipment manufacturers, strategic partners, and homeowners.

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| *Strengths* | *Weaknesses* |
| * Enphase Energy has a high performance in a competitive market based fundamentally on high product quality, which increases brand loyalty. * Enphase Energy is in a geographically situated in an advantageous location ensuring close reach to its target market. * Enphase Energy Inc offers a wide portfolio of technologies (solar generation, home energy storage, and web-based monitoring and control), enabling them to offset losses from one product category with the benefits obtained from the other. A wide portfolio also allows them to expand their customer base. * Having their proprietary software and network technology, Enphase Energy makes its product offerings unique, exclusive, and difficult for competitors to emulate. * Since 2016, the company has decreased its operational costs and paid off significant debts, so has been operating at a profit since 2018. * Enphase Energy’s continual improvement of its microinverter technology has rendered it the world’s leading supplier of microinverters, cornering the market. * With expanding operations in Mexico and other supply deals, Enphase Energy Inc increased its production capacity and was finally able to keep up with customer demand. * Enphase Energy has strategically partnered with leading photovoltaic (PV) module producers in the industry (SunPower, Panasonic, Solaria), combining their microinverter. This leads to a wider reach, faster installation, a decrease in logistics and supply chain costs, and fewer parts involved. * The efficiently integrated IT infrastructure allows it to take advantage of emerging innovative technologies. | * Due to component shortages from demand exceeding capacity, Enphase Energy has faced expedition fees by having to pay expedition fees to meet demand. * Media headlines about ENPH stock have recently been trending very negatively and have been rated as having a news buzz of 0 out of 10, indicating that recent news coverage is extremely unlikely to impact its stock price soon. * The decision-making time at Enphase Energy has been taking too much time, causing expensive delays in releases and frustrating customers. * Enphase Energy does not have a diverse workforce for Enphase Energy to compete on the global stage, it must contain a workforce composed of culturally intelligent people. |
| *Opportunities* | *Threats* |
| * A global shift in preference for renewable energy sources, for both commercial and residential customers, is a great opportunity for Enphase Energy to expand its already-global reach. * An increase in the affluent customer base and the rise in customer disposable income present opportunities to introduce more high-end products. * The use of renewable energy and sustainability, both for companies and individual residents, are in vogue and seen as a status symbol. Solar panels affixed to a house or company are a visible reflection of a company or residence that has invested in the climate-friendly practice. * the latest-generation IQ-7A microinverter in November, designed specifically for higher-capacity solar panels are expected to play a pivotal role in significantly driving down the cost of electricity generated from both large and small solar assets in the next few years. With this, Enphase Energy can lean on its newest model microinverters for near-term and long-term growth. * Political and ethical shifts toward sustainable business practices and renewable energy sources are an opportunity for Enphase Energy. * The emergence of new market segments, such as BRICS, and new niches provide business and product line expansion opportunities. * Increasing global interconnection and disintegrating boundaries allow for Enphase Energy Inc. to enter more international markets. * Solar energy is projected to become the second-lowest-cost source of electricity production around 2023, even taking into consideration energy storage and the ITC devaluation. * The growth trajectory of solar technology is only just beginning, if Enphase Energy can continue to execute in leading the technology, it is poised to ride that momentum. * Enphase Energy Inc announced in February 2020 it will deliver photovoltaic (PV) in-roof systems to residential solar customers across Germany, via collaboration with German company CREATON GmbH. Almost exclusively PV, Germany is one of the world’s largest growth markets of solar power and renewable energies. * The upcoming release of their IQ8 microinverter, based on their grid-agnostic Ensemble technology, should cause significant mid-long-term growth. * Big investment firms such as Blackrock are investing huge money into the renewable energy sector. | * The shortage of skilled labour in the market can make it difficult to attract and retain talented people who have the correct skillset. * The solar and renewables industry continues to be one of the most volatile. * The increasing number of direct and/or indirect competitors entering the renewables market affect the organizations’ ability to sustain and expand its customer base. * Enphase Energy Inc. is threatened by changing regulatory framework and introduction of newer, stricter regulations, as it complicates compliance with legal standards and challenges the business organization. * Due to the nature of its design, safe-harbor revenue from Solar Investment Tax Credit (ITC) has an increasingly unfavorable return over the long-term and will create end-of-year volatility for the next several years. * Growth in the recent expansion to Europe has been disappointing. * The rise of inflation increases the cost of production and affects profitability. * In support of launching its energy storage products, Enphase Energy expects to increase its operating expenses throughout 2020, which will decrease some of its operating margin relative to what it has achieved in recent quarters. * Component shortages have been hurting the Enphase Energy’s growth trajectory, frustrating customers and constraining revenues. * After the recent surge in stock price, many investors are shorting Enphase Energy, so it is likely to experience some volatility as the stock price settles. |

## *Estée Lauder Companies Inc.*

Estée Lauder is founded in 1946 and its headquarter is in New York. The company focuses on manufacturing skin care, makeup, fragrance, and hair care products. The company also owns or acquired other brands over the years more than 25 brands (Estée Lauder Companies, Inc, 2020). Estee Lauder was able to see growth “…all facets of our business, including the Asia/Pacific region, the skin care and fragrance categories, the online and travel retail channels, and the Estée Lauder, La Mer and luxury fragrance brands.” The continued growth worldwide has strengthened Estee Lauder’s position in the cosmetics industry, and the news that all of its business facets have seen growth is encouraging to potential investors as that would indicate a solid operations structure within the company.

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| *Strength* | *Weakness* |
| * Online shops, e-commerce increases sales and global reach. online and travel retail channels, and the Estée Lauder, La Mer and luxury fragrance brands * Continued growth worldwide has strengthened Estee Lauder’s position in the cosmetics industry * Financial position, strong second quarter, with net sales of 4.62 billion $, up 15% from the same period in the prior year. * Human Resources, internal promotions Justin Boxford to Global Brand President of La Mer, Philippe Pinatel to Global Brand President of MAC Cosmetics, Deborah Roayer to CCO and Global Brand President of Le Labo, and Christopher Wood to president of North Asia, Dr. Jart. indicator of a company’s strong internal structure * Human resources, leadership positions, there have been no high-profile departures leading one to believe that the internal hierarchy of Estee lauder is quite solid and that no struggles for power are currently happening behind the scenes * Acquisition of South Korean businesses Dr. Jart+ and Do The Right Thing * Heavy presence on social media * Strong brand name, product portfolio and position, has 25+ prestigious brands * Research and Development, an investment firm focusing on stock research, analysis, and recommendations (Zacks Equity Research,2020) | * Dealership-distribution of products through agent channels. EL products can be found in stores like Sephora and Macy’s. EL has heavy reliance on third party distribution * Limited product portfolio as compared to competitors in the beauty and cosmetic industry |
| *Opportunity* | *Threat* |
| * Product expansion, there is potential growth in other products lines offered by competitors such as Procter &Gamble * Expansion into new geographic markets, have increased presence in African countries * potential investors as that would indicate a solid operations structure within the company. | * Competition from big brands like L’Oréal which have better resources to respond to changing macro environment * the tariff impacts in China, as well as adverse currency movements may also impact Estee Lauder’s performance in the years to come * New entrants into the cosmetics industry, meaning that Estee lauder * Counterfeit products |

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