



Abbott Case Competition

Team 19

September 2024



Agenda

Phase 1

Market Analysis
Long-term Goals

Phase 2

Implementation Proposal
Rationale

Phase 3

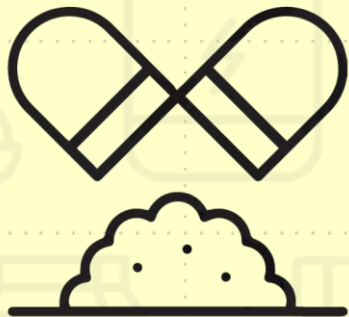
Mitigating Risk
Metrics for Success



Legislative Changes



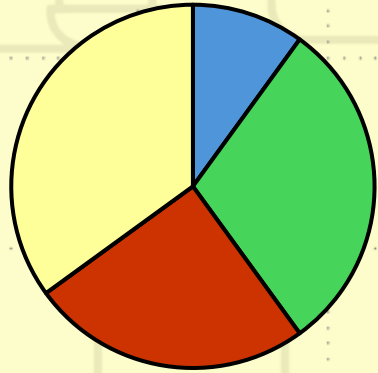
The EPA recently passed a new rule that will require all companies in your market to **limit their emissions**. The rule will go into effect in **2027**. To remain compliant and permitted to run your factory at 100% capacity, **additional investments will be required**.



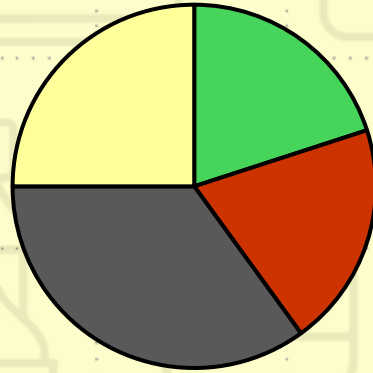
New regulations are going to go into effect in **2027** for ingredients within **Kids products**. All companies in the Kids space have an ingredient in their product which will no longer be allowed. **If the ingredient isn't removed** from the product, **the company can no longer sell its products** in the market.

Current Market Overview

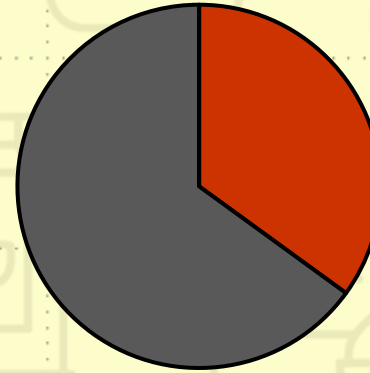
2023



Kids

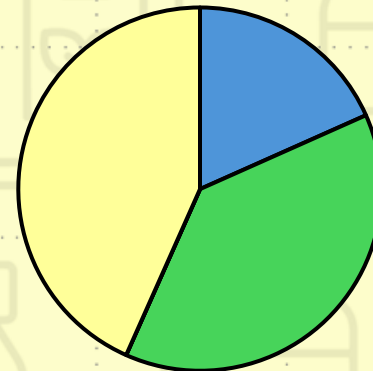


Adult

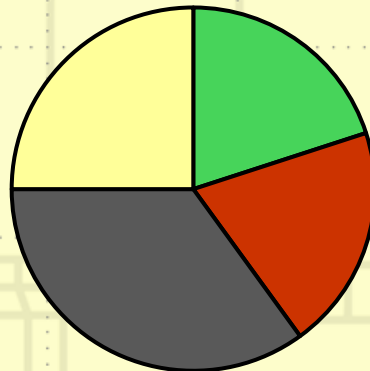


Athletic

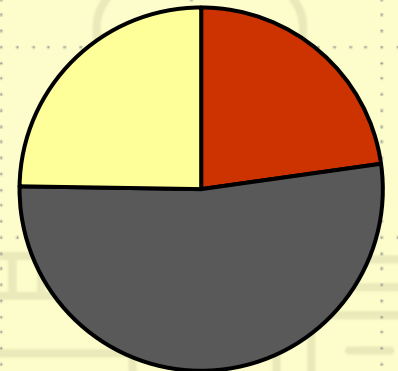
2028



Kids



Adult



Athletic

5-Year Goals

**Remain
compliant
with
changing
policies**

**Capitalize on
the evolving
market
landscape**

**Navigate
capacity
related
obstacles**

Timeline

PROCESS	YEAR 1 (2024)				YEAR 2 (2025)				YEAR 3 (2026)			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
R&D for Athletic Product												
Adult Reformulation												
Upgrade Facility Tech												
Invest in Growing Capacity												
Kids Reformulation												
Product Cost Efficiencies												

Company Yellow Timeline

Year 1

Investment Option

Athletic Research and Development

- Market data indicates consumers are looking for a low to medium cost option
- Introduction-Phase Advantage
 - Only two competitors in sector as of 2023 year end

Capitalize on Evolving Market Landscape

Adult Product Reformulation

- Increase number of high-quality ingredients
 - “Consumers are willing to pay more for a product if the contains premium formulation ingredients”
- Reduces number of units demanded
 - Aids in capacity limitation

Navigate Capacity-Related Obstacles

Goal Satisfied

Year 2

Investment Option

**Comply with
New EPA
Policies**

- Required to continue production at 100% capacity in the future
 - If not now, will be a later expense
- Remain in good social standing
 - Avoids facing public pressures to comply with eco-friendly law

**Remain
Compliant
with Changing
Policies**

**Invest in
Manufacturing
Line to Grow
Capacity**

- *First expand Adult/Athletic line*
 - Launching new product will require increased capacity in corresponding manufacturing line
- Aids in capacity limitations

**Navigate
Capacity-
Related
Obstacles**

Goal Satisfied

Year 3

Investment Option

Kids Product Reformulation

- Must reformulate kids product to continue to sell after 2027
 - Large competitor is leaving the sector, would be profitable to continue Kids product

Manufacturing - Production Cost Efficiencies

- Combat inflationary threats
- Increases profit margins in comparison to year prior (2025)
 - Increased profit margins allows for further investment in future

Invest in Manufacturing Line

- *Expand Kids Line after Adult Line*
- Company Red is leaving the market
 - We absorb part of their clientele
 - Will need to increase capacity

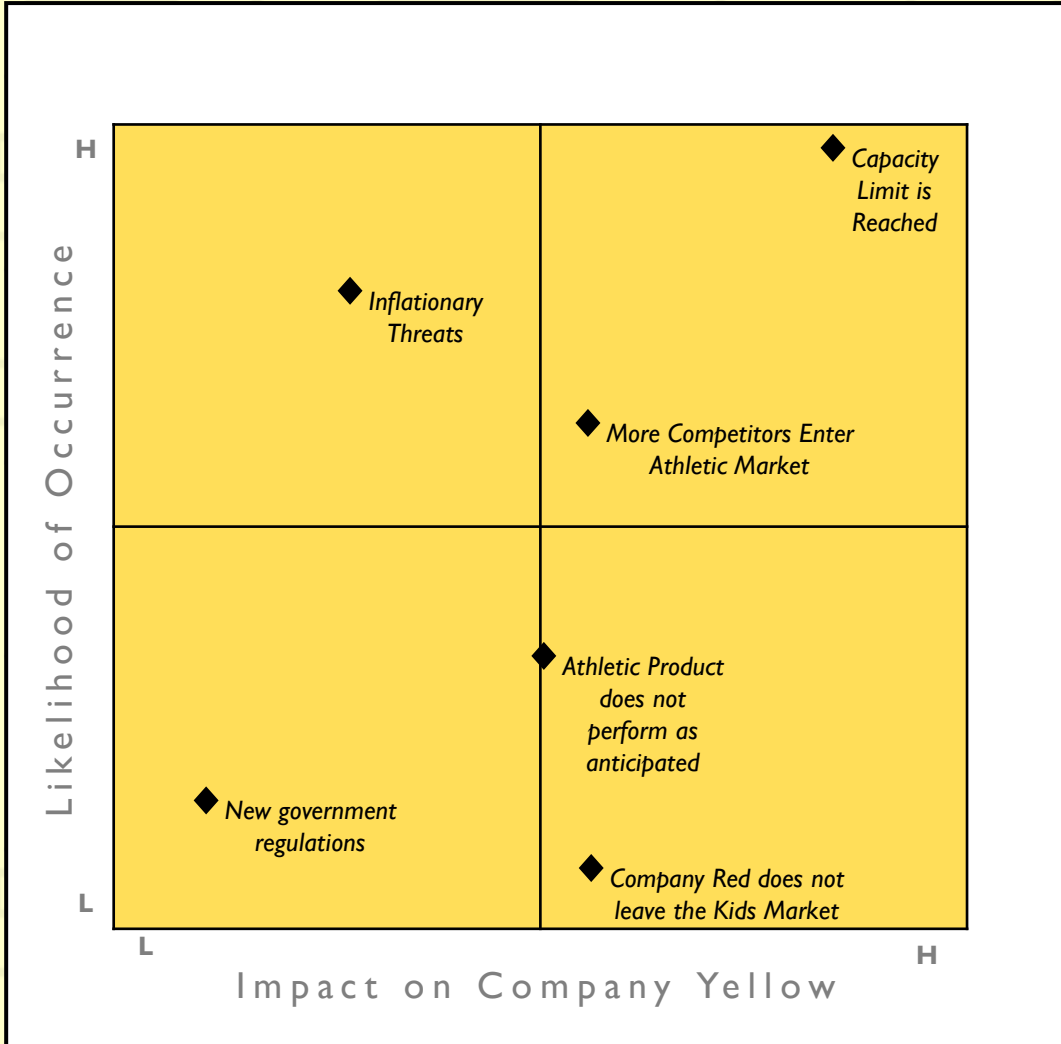
Remain Compliant with Changing Policies

Capitalize on Evolving Market Landscape

Navigate Capacity-Related Obstacles

Goal Satisfied

Risk Analysis



◆ **Company Red does not leave Kids Market**

Likelihood of Occurrence: Low; Impact: Medium-High

Our market researchers are almost certain Company Red will exit

◆ **New Government Regulations Occur**

Likelihood of Occurrence: Low; Impact: Low

Many government regulations have recently passed; therefore, it is somewhat unlikely more will occur in the next few years

◆ **Athletic Product does not perform as anticipated**

Likelihood of Occurrence: Medium-Low; Impact: Medium

Research was conducted for 2 years prior to launch to ensure product was released in an effective way

◆ **More Competitors enter Athletic Market**

Likelihood of Occurrence: Medium-High; Impact: Medium

There is potential for growth, leading more competitors to enter

◆ **Inflationary Threats**

Likelihood of Occurrence: High; Impact: Medium-Low

Inflation is going to rise every year by 3%, however investments mitigate impact on Company Yellow

◆ **Capacity Limit is Reached**

Likelihood of Occurrence: Very High; Impact: Very High

Already facing capacity limitations; will need to expand facility in future

Metrics for Success



Weighing Option 1	Price		Cost		Market	
Cheap	\$	12.00	\$	4.00	10%	25%
Expensive	\$	22.50	\$	7.50	5%	12.50%
Timeline	1	2	3	4	5	
Cheap	.	.	\$ 1,189.60	\$ 3,270.00	\$ 3,598.00	
Expensive	.	.	\$ 1,115.25	\$ 3,065.63	\$ 3,373.13	
People in Market	1229	1352	1487	1635	1799	
Number of Buyers	123	338	372	409	450	


Weighing Option 3	Price		Cost			
New	\$	9.60	\$	3.26		
Old	\$	8.00	\$	2.96		
Timeline	1	2	3	4	5	
New	\$ 5,785.92	\$ 6,737.33	\$ 6,523.22	\$ 6,288.49	\$ 6,028.39	
Old	\$ 5,785.92	\$ 5,352.48	\$ 5,182.38	\$ 4,995.90	\$ 4,789.26	
Our Demand Volume	1148	1206	1266	1329	1396	
Demand Volume (New)	1148	1085	1139	1196	1256	
Capacity Constraints	1400	1400	1400	1400	1400	
Athletic Line Volume	123	338	372	409	450	
# Adult can be Produced	1277	1062	1028	991	950	
Adult Volume	1148	1062	1028	991	950	

Estimated Free Cash Flows

(In Thousands \$000)

	1	2	3	4	5
Adult	\$9,371.25	\$9,032.95	\$8,706.86	\$8,392.54	\$8,089.57
Kids	\$16,380.00	\$17,035.20	\$21,934.85	\$20,681.22	\$21,301.66
Athletic	-	-	1,427.52	4,041.72	4,580.54
Sales	\$25,751.25	\$26,068.15	\$32,069.23	\$33,115.49	\$33,971.77
COGS (Based on 2023 GM)	\$10,300.50	\$10,427.26	\$12,827.69	\$13,246.19	\$13,588.71
EBIT	\$15,450.75	\$15,640.89	\$19,241.54	\$19,869.29	\$20,383.06
Tax (Estimated 20%)	\$3,090.15	\$3,128.18	\$3,848.31	\$3,973.86	\$4,076.61
Net Income	\$12,360.60	\$12,512.71	\$15,393.23	\$15,895.43	\$16,306.45
Depreciation	-	-	-	-	-
OCF	\$12,360.60	\$12,512.71	\$15,393.23	\$15,895.43	\$16,306.45
Δ Cash Flows	-	-	-	-	-
CAPEX	\$5,000.00	\$5,000.00	5,000.00	-	-
FCF	\$7,360.60	\$7,512.71	\$10,393.23	\$15,895.43	\$16,306.45
Net Present Value	\$41,526.94				

- ◆ Positive Net Present Value
- ◆ Rate of return on CAPEX > .15
- ◆ Number of Products Sold
 - ◆ Market Share



Thank You Q&A Panel

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