Grand Crew Cycling Company

Case Study for FMI Foundations

Company Overview

Grand Crew Cycling Company ("Grand Crew", "GCC", or "the Company") is one of the largest global manufacturers of high-end racing and track bicycles. The Company was founded in France in 1975 by two amateur cyclists who pioneered the development of aerodynamic parts using new-age materials that allowed bicycles to be lighter and faster.

GCC is now based in the United States and has grown to manufacture and assemble a wide range of bicycle parts, along with three different lines of bikes. The Company uses computer aided design, computational fluid dynamics and wind tunnel testing at its five manufacturing facilities which are located in the U.S., France, Guatemala, Vietnam, and Zimbabwe. Grand Crew currently makes three lines of bikes: road bikes, triathlon/time trial bikes, and track bikes.

Financial Model

GCC has hired you to build a financial model that the management team can use for its annual planning as it makes key decisions about future initiatives. You have been provided with three years of annual historical financial statements. The most recent year available is 2025. Your task is to build an integrated annual model for the Company for the next 5 years (2026-2030) using the historical data and the following assumptions. Assume all figures are in dollars unless stated otherwise.

Revenue

In 2025, the Company's total revenue was $49.4 million, of which $43.5 million was from bicycle sales, and $5.9 million was from selling parts. The Company believes that going forward, revenue from selling parts will be 15% of bicycle sales revenue.

The average sales price per bicycle was $1,200 in 2025. All the Company's bikes are priced at a similar price point, so management does not feel the need to forecast each line of bikes separately.

Management believes that bike prices should average $1,250 in 2026 and 2027, $1,400 in 2028, $1,500 in 2029, and then fall back to $1,250 in 2030 due to expected market weakness. Prices can fluctuate due to global economic conditions, so you have been asked to factor in pricing variability of +/-10% for each year of the forecast.

In 2025, the company paid $50 per bicycle in freight and warehousing costs. These costs are treated as a reduction in the sales price, so the net selling price is lower by the amount of these costs. Freight and warehousing costs normally increase every year by inflation.

Management expects that bicycle sales volumes will grow by 7.0% per year for the next 3 years, dropping to 6% per year for the final two years of the forecast.

GCC has a total manufacturing capacity (all five facilities combined) of 50,000 bicycles per year.

Operating Costs

The following is some information about the company's operating costs:

- All costs are reported in dollars.
- In 2025, 75% of Cost of Sales were classified as variable costs and the remainder were classified as fixed costs.
- Selling, General, and Administrative (SG&A) expenses were $5.2 million in 2025 and are expected to grow at inflation.
- Cost inflation is expected to be 1.5% per year for the next five years.

Fixed Assets: Capex and Depreciation

The following is some information about the Company's fixed assets:

- GCC is expected to spend $5.0 million on capital expenditures (CAPEX) in 2026 and 2027, $6.0 million in 2028 and 2029, and $15.0 million in 2030 (the company plans to invest in significant automation technology in the final year of the forecast).
- Capex is spent evenly over the course of the year.
- The Company uses the Straight-Line method of depreciation.
- Existing assets have a remaining useful life of 5 years while new assets will be depreciated over 10 years.
- Depreciation expense is included as a separate line on the Income Statement and not included in Cost of Sales or SG&A.

Income Taxes

The following is some information about the Company's income taxes:

- The Company's tax rate is 30%.
- It is expected that the Company's pre-tax income for government purposes will be $1.5 million lower than the pre-tax income for accounting purposes every year in the forecast due to temporary timing differences.

Working Capital

Assume that working capital days will be very similar in 2026 to what was experienced in 2025.

- Accounts Receivable days are expected to decrease by 5 each year thereafter.
- Inventory days are expected to decrease by 5 each year thereafter.
- Accounts Payable days are expected to remain constant throughout the forecast.

Debt

The following is some information about the company's Debt:

- The interest rate on the Bank Debt (Revolver) is 4.8%.
- The interest rate on the Long-Term Debt is 5.0%.
- Excess cash earns interest income at a rate of 1.0%.

- Amortization on the Long-Term Debt will be $4 million per year.
- The Company will draw on its Bank Debt (Revolver) if it ever has a cash shortfall.
- The revolver has a cash sweep such that whenever there is a revolver balance outstanding, all excess cash available after operations, investments, mandatory debt repayments, share issuances / repurchases and dividends goes towards paying off the revolver.
- The Company is not required to maintain a minimum cash balance.

Shareholders' Equity

- The Company plans to spend $3.0 million on Common Share repurchases in 2026 and $0.3 million each year thereafter.
- GCC's Common Dividend Policy states that the Company's Common Dividend will be based on a payout ratio of 20% of Net Income each year.

Other Assumptions

- The Company experienced some one-time gains from 2023 to 2025. Assume that these unusual items will not continue in future years.
- Assume that Goodwill, Other Assets, and Other Liabilities will remain constant.
- Feel free to make any other reasonable assumptions that you may need to build the model.

INSTRUCTIONS

Based on the information above:

1. Using one of the spreadsheets provided (Beginner, Intermediate, Advanced) and the information in this case, build a financial model that forecasts the Company's financial statements annually for the next five years.
2. Create an assumptions page to enter your inputs. Please make sure the assumptions page is logical and well organized.
3. Build scenarios to run three cases (Base/Best/Worst) on a few of the assumptions that create the most variability on the Company's earnings (make reasonable assumptions for the Best case and Worst case variables).
4. Create schedules in the model for the key items that will appear on the financial statements.
5. Summarize the key operating and financial results for each of the three cases (Base/Best/Worst).
6. Set up the model such that it is printable.