You have an initial public offering for your company to raise funds for a new generation of your most popular model. It is wildly more successful than you forecasted and now you have record orders.

Your company has been in business for 20 years making roughly similar iterations of three models for your entire tenure in business. The business is doing well but has not lived up to performance expectation from industry analysts. Your executive board has agreed that there needs to be a revolutionary change in design in your Formula model to stay competitive. The engineering team has initial models and simulations for a vehicle that outperforms every car in your class. However, you’ll need to raise more money for them to complete the design, build prototypes, and ramp up production in a retooled shop. You decide to list your company on the stock market and do an initial public offering (IPO) for the necessary funds.

At the close of trading on January 4th, your share price is $20. You don’t expect it to go above $50 because previous IPOs in the industry have generated little attention. An hour later, it jumped up to $150. By the end of the day, shares of your company are selling at $750, and you have 2500 orders for the new Formula model.

A. Your competitors were also paying attention to your IPO, and you have reason to believe they may follow the same path in the next 12-18 months. Determine if your company can fill all, some, or none of these orders and if it is a strategic benefit to do so. You estimate with your mid-case forecast that you may have between 50% to 70% of the total market share.

B. Defend your decision. If you decide to fill any or all future orders for the redesigned Formula model, develop a plan to meet increased capacity of the higher forecast.