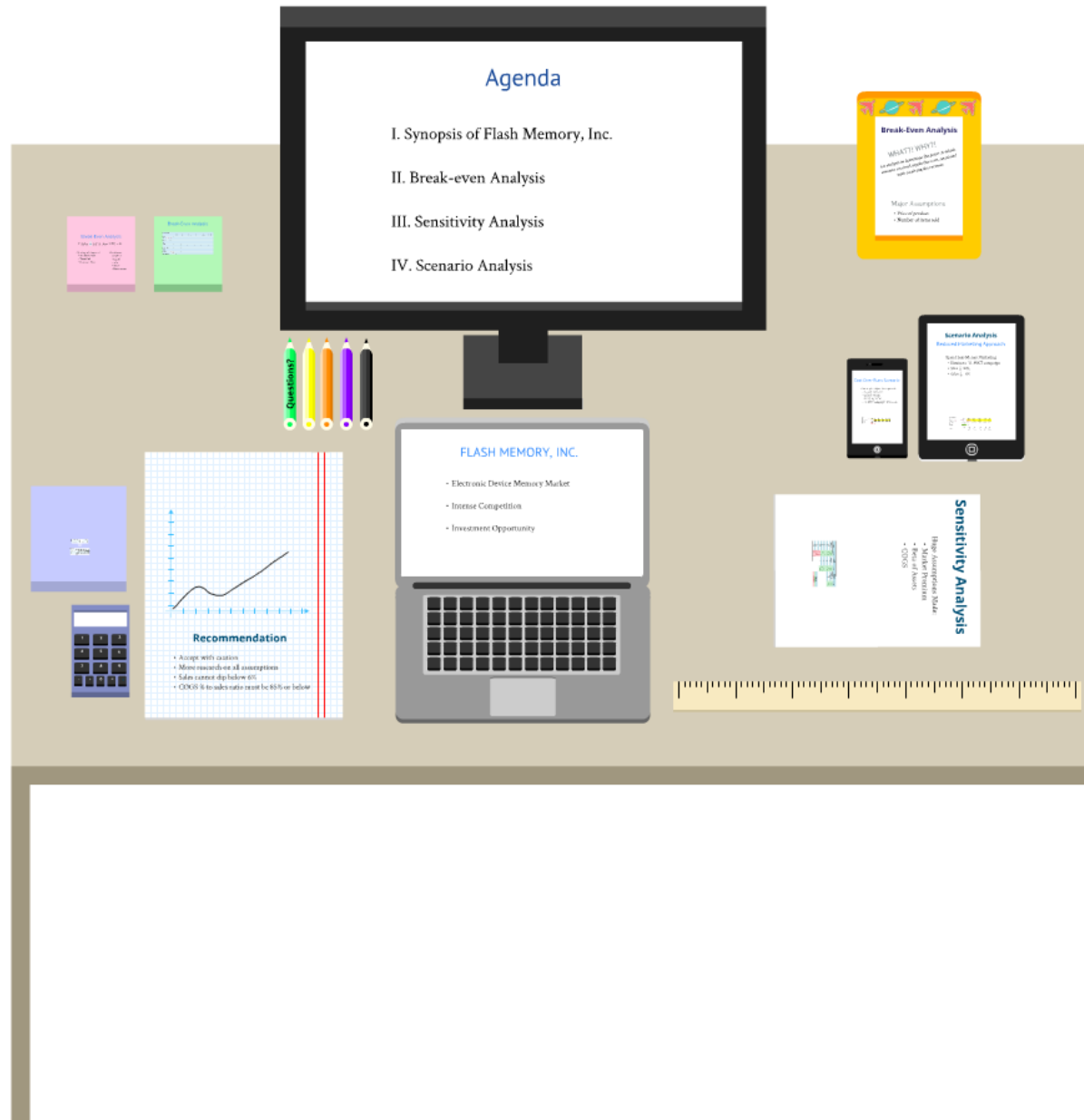


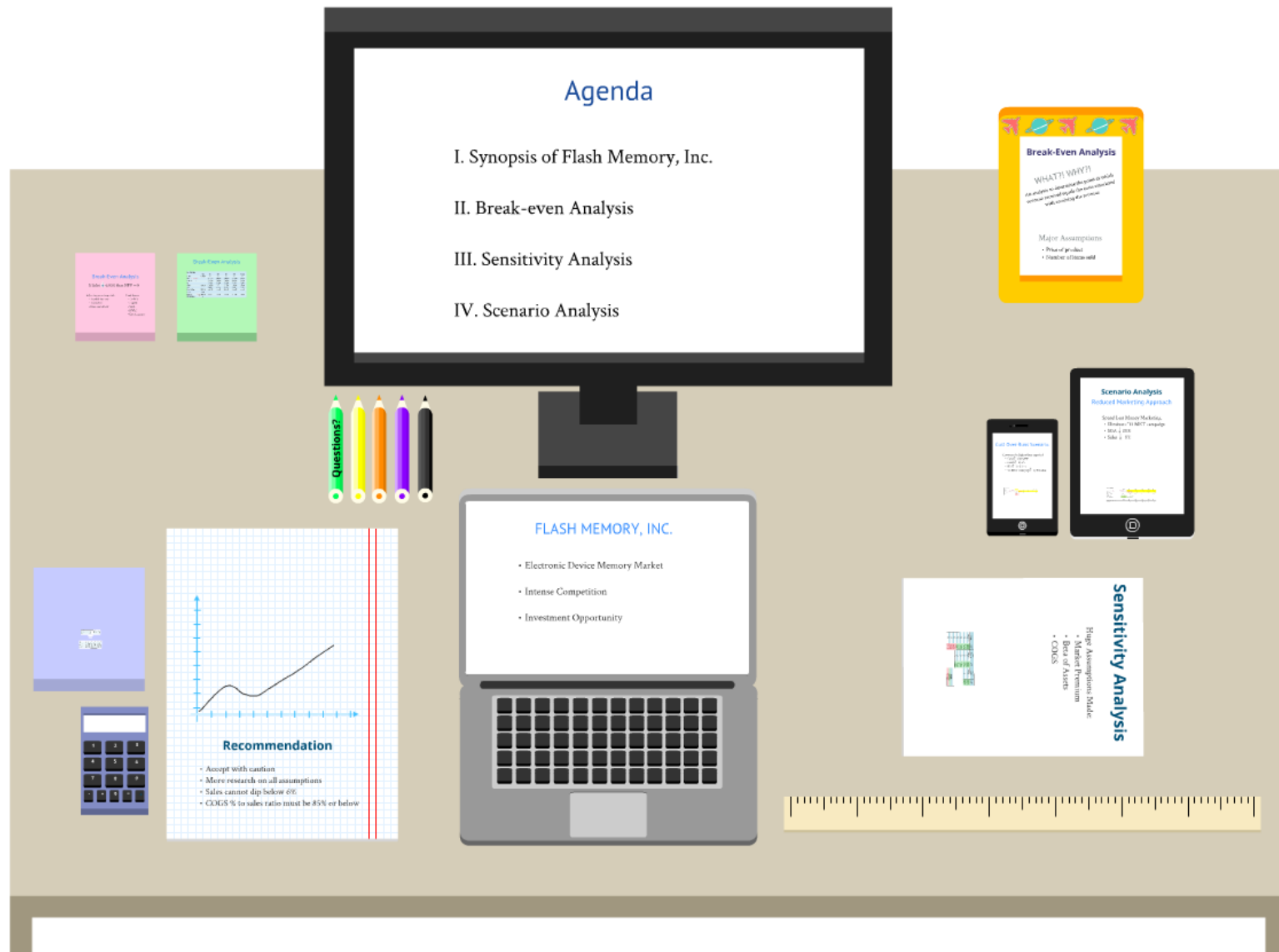
Flash Memory Inc. Harvard Case Solution & Analysis

TheCaseSolutions.com



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Agenda

- I. Synopsis of Flash Memory, Inc.
- II. Break-even Analysis
- III. Sensitivity Analysis
- IV. Scenario Analysis

FLASH MEMORY, INC.

- Electronic Device Memory Market
- Intense Competition
- Investment Opportunity

Break-Even Analysis

WHAT? WHY?

An analysis to determine the point at which revenue equals total costs, and the profit thereafter.

Major Assumptions

- Price of product
- Variable cost/unit

Scenario Analysis

Robust Marketing Approach

Smart Car Memory Module

- Bluetooth (BT) NFC Tag
- Sales 2016
- Sales 2017

Sensitivity Analysis

High Assumptions Made

- Market Penetration
- Price of Assets
- COGS

Recommendation

- Accept with caution
- More research on all assumptions
- Sales cannot dip below 6%
- COGS % to sales ratio must be 85% or below

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Beta of Equity for Flash

D/V	0.18
E/V	0.82
D/E	0.22
Beta of Debt	0.2
Beta of Assets (Assumed from Peers ¹)	1.00
Beta of Equity	1.1756

WACC for Flash

Risk-free Rate	3.70%
Market Premium	6.00%
Exp Return on Equity	10.75%
Rate on debt	9.25%
WACC	9.82%

$$\beta_E = \beta = \left[\beta_A - \beta_D \left(\frac{D}{V} \right) \right] \frac{V}{E}$$

$$WACC = r_D(1 - T) \frac{D}{V} + r_E \frac{E}{V}$$

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