

Flash Memory Inc. Harvard Case Solution & Analysis

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The image is a collage of various business analysis documents and tools, centered around a computer monitor displaying an agenda for a Flash Memory Inc. case study.

Central Computer Monitor Content:

Agenda:

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

Surrounding Elements:

- Top Left:** A pink document titled "Market Analysis" and a green document titled "Break-Even Analysis".
- Top Right:** A yellow document titled "Break-Even Analysis" with the sub-section "WHAT IF?" and "Major Assumptions".
- Middle Left:** A blue laptop screen titled "FLASH MEMORY, INC." listing "Electronic Device Memory Market", "Intense Competition", and "Investment Opportunity".
- Middle Center:** A graph on a grid showing a fluctuating line with a red vertical line at the end, labeled "Recommendation". Below it is a small calculator icon.
- Middle Right:** A white document titled "Sensitivity Analysis" with the sub-section "Base Assumption State" and "Key Variables".
- Bottom Left:** A smartphone and a tablet, both displaying "Scenario Analysis" documents.
- Bottom Center:** A large, light-colored ruler or scale bar.

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The collage includes the following elements:

- Agenda:** A large central monitor displays the agenda:
 - I. Synopsis of Flash Memory, Inc.
 - II. Break-even Analysis
 - III. Sensitivity Analysis
 - IV. Scenario Analysis
- Break-Even Analysis:** A pink sticky note with a graph showing revenue and costs.
- Break-Even Analysis:** A green sticky note with a detailed formula for Break-Even Analysis.
- Marketing:** A yellow sticky note titled "Break-Even Analysis" with the text "WHAT? WHY?" and "Major Assumptions". It lists "Price of product" and "Number of items sold".
- Scenario Analysis:** Two small devices (one smartphone and one tablet) show a "Reduced Marketing Approach" scenario analysis.
- Sensitivity Analysis:** A white sticky note titled "Sensitivity Analysis" with the text "High Assumptions Made", "Market Premium", and "COGS".
- FLASH MEMORY, INC.:** A laptop screen displays the company's name and key points:
 - Electronic Device Memory Market
 - Intense Competition
 - Investment Opportunity
- Recommendation:** A graph on a grid background with a red vertical line and a blue horizontal line, labeled "Recommendation". Below it is a list:
 - Accept With caution
 - More research on all assumptions
 - Sales cannot dip below 6%
 - COGS % to sales ratio must be 85% or below

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

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%

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

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

$$1.1756$$

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

$$\left[\begin{array}{c} \vdots \\ \vdots \\ \vdots \end{array} \right] \in \mathbb{V}^J$$

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