

## **Case 4: Analysis of Competitors**

### **Facts**

You are an analyst, following NatureWear and you are currently preparing your forecast for NatureWear. During your analysis, you find an interesting competitor of NatureWear, namely GreenFuture. You are provided with the following information about GreenFuture.

### **Company History and Operations**

GreenFuture was founded in Leipzig in 2010. It produces rain ponchos for camping and festivals and is the "IT"-Brand for young people. GreenFuture mainly distributes their ponchos via the festivals, social media campaigns and trade fairs.

GreenFuture went public on the Frankfurter Wertpapierbörse in 2014.

### **Company Growth Strategy**

GreenFuture's growth strategy has mainly one element:

GreenFuture acquired a highly innovative brand, namely InnovationNow. InnovationNow's main business is to run promotions on festivals and social media campaigns. GreenFuture uses InnovationNow as a marketing medium to promote their rain ponchos.

### **Product Development**

Currently, GreenFuture is highly dependent on their suppliers and the goods are produced by independent manufacturers. In the future, GreenFuture plans to build own factory buildings to become independent.

### **Financial Reporting**

The consolidated financial statements are reported in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as applicable within in European Union. You are provided with GreenFuture's balance sheet and income statement (s. Excel).

## Tasks

1. Please describe GreenFuture's business model. Further, compare the competitor with NatureWear regarding the different strategies.
2. Please explain how the different growth strategies of GreenFuture and NatureWear, respectively, affect their financial statements. What are the key differences?
3. Please decompose GreenFuture's ROE and NatureWear's ROE, respectively, using the Advanced DuPont model. How do the different growth strategies affect the outcome? Provide a comparison and an economic interpretation. Please use the excel to prepare your solutions.