FMI Mini Exam

INSTRUCTIONS

Your task is to build an integrated Revenue Schedule, Cost Schedule, and Income Statement (to EBITDA only) for the company below for the next 5 years (F2021-F2025). Please use the historical data provided in the Worksheet file and the assumptions in this document. Assume all figures are in US dollars.

COMPANY OVERVIEW

Magic Beans Ltd. ("MB" or the "Company") is a world leader in the design, development, and marketing of children's toys. MB provides innovative, safe, and fun products to their consumers. The Company's origin dates to 1987 when founder Nicholas Johansson obtained his first patent on a puzzle game.

FINANCIAL MODEL

You have been provided with three years of partial Income Statement data for MB from F2018-F2020.

Sales

- MB primarily earns revenue from the sale of children's toys. It also supports its line of products with an auxiliary service and support business.
- In its core business, MB recorded an average unit sales price of $85.0 in F2020. The volume and pricing in its core business are expected to grow at 3.0% and 2.5% per year, respectively.
- Auxiliary sales were $574.5 million in F2020 and are expected to grow at 3.5% annually.

Operating Costs

- In F2020, 60% of the Cost of Sales was classified as variable costs and the remainder as fixed.
- Cost inflation is expected to be 2.0% per year for the next five years.
- SG&A is expected to be $610 million in F2021 and may grow at inflation thereafter.

Other Assumptions

- Feel free to make any other reasonable assumptions that you may need to build the model.

INSTRUCTIONS

1. Using the Worksheet provided and the information in this case, build a financial model that forecasts the Company's Revenue Schedule, Cost Schedule, and partial Income Statement up to and including EBITDA 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 Sales Price Growth and Sales Volume Growth (make reasonable assumptions for each of the cases in each year).
4. Please format your financial model for printing.

Good luck!

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