

# thyssenkrupp Manager Cup 2018

## Economic Forecast Period 3 (Main Round)

### General economic data

In the US, an unexpected change of government took place. The corporate taxes there were drastically increased and, for the first time, employment protection programs based on the European model were introduced. This has negative consequences for the world economy.

- Economic output is now falling by up to 4%.
- The impact on the inflation rate is highly uncertain, but a decline of about 2 percentage points or more could well happen.
- With many companies being weakened financially, a risk premium will be raised on the general interest rate level, which will tend to dampen investment.
- In Germany too, another reform package to protect against dismissal passed by the Federal Government has led to a 25% reduction in redundancy payments for redundancies - a challenging additional burden for industry at the present time.

### Branch news

In view of the deteriorating economic conditions, the demand for E-BIKES is also being dampened. A decline in the market volume of 10-20% compared to the previous period is conceivable. At least the colleagues from the department "Market Research" say so.

#### Market II (abroad):

In order to compensate for the weakening of the domestic market, it is discussed in your company, if necessary, to enter a foreign market (market II). The total volume of the market II is estimated to be about  $\frac{1}{3}$  the size of the home market. In Market II, the prices of the E-BIKE are stated in the foreign currency unit (FCU).

The exchange rate is currently at  $\frac{EUR}{FCU} = 0,2$ .

However, due to long-term contracts, your home market has an absolute delivery priority over the foreign market. The transport costs in Market II are 75 EUR each.

#### Bulk purchaser:

Incidentally, the consumer goods chain "realo, -" has called you again. They were very satisfied with the E-BIKES, so that they would be willing to take the same amount of bicycles again ( $n \leq 5000$ ). However, "realo, -" has to contend with the inflation-related decline in purchasing power in the population. Therefore, the local buyer can offer you only 2500 EUR per bike.

#### Relaunch of E-BIKE I:

One way to stand out from the competition is now a possible relaunch of E-BIKE I. You can do this either in this or in the following period. Relaunch means that the E-BIKE I will be slightly overhauled as part of a facelift, but presented to the customer as a completely new product. A successful relaunch is usually accompanied by increased advertising costs.

#### Ecology:

Particularly rewarding employees have learned that more and more external consulting services are aimed at the environmental properties of industrial products. By using environmentally friendly plastics in the tires, customer confidence can be further strengthened. So far, the ecology properties have been worth 2.5 MEUR per period to your company.

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#### Financial management:

Previously, the company's liquidity management was handled by a financial services provider. The Supervisory Board commits the Executive Board to make the financing decisions itself with immediate effect in order to save costs. You can choose between short-term loans (pay attention to possible interest rate premiums) with a term of one year and long-term loans that only have to be repaid after ten years. *Attention: short-term loan and long-term loan = max. 50 MEUR each!*

Liquid funds may be invested in fixed income securities. This type of investment is virtually risk-free, but the recoverable interest income is correspondingly low. So you should consider carefully whether instead you better repay existing loans or invest the money.

If your company has too little liquidity available, the bank overdraft facility will automatically be used. You can use this offer flexibly. However, the interest rate to be paid is significantly higher than when taking short-term and long-term loans.

From now on you are also responsible for the dividend policy of your company.

Interest rates*		Period 2	Period 3
securities	%	---	1,0
Short-term loans	%	---	5,0
Long-term loans	%	---	3,0
Overdraft	%	8,0	8,0

\* Basic interest rates, rating leads to slight company-specific deviations.

#### Purchasing

The sudden deterioration in the global economy is causing suppliers to struggle to sell their accumulated inventories. By slightly discounted purchasing conditions is trying to counteract this negative trend.

Purchasing input materials / parts for E-BIKE I:			
		Period 2	Period 3
up to <30.000 pieces	EUR/piece	610	600
Up to <50.000 pieces	EUR/piece	590	580
Up to <70.000 pieces	EUR/piece	470	460
70.000 pieces or more	EUR/piece	410	400