

- ▶ comparing financial information
- ▶ analysis of the viability of a merger

7.6 Case study Calisto

Discussion

1 Calisto, IMM and Reysonido sell musical instruments in Central America. Look at the figures and compare the three businesses.

	FY	FY -1	FY -2
IMM	(M\$)	(M\$)	(M\$)
Sales	21	20	25
Cost of Sales	10.5	10	12.5
Total Operating Expenses	8	9	10
EBIT	2.5	1	2.5
CALISTO	(M\$)	(M\$)	(M\$)
Sales	15	18	20
Cost of Sales	7.5	9	10
Total Operating Expenses	9	9	9
EBIT	(1.5)	0	1
REYSONIDO	(M\$)	(M\$)	(M\$)
Sales	10	11	12
Cost of Sales	4	4.4	4.8
Total Operating Expenses	6	6	6
EBIT	0	0.6	1.2

(EBIT = earnings before interest and tax)

Reading

2 Read the newspaper article and answer the questions.

- 1 How has Dylan achieved its impressive growth?
- 2 What effect has it had on the market?
- 3 Which company has adapted best to the new market leader?

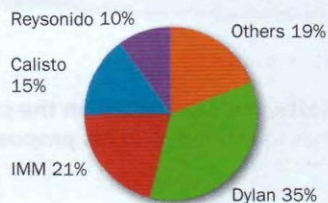
Dylan rocks instrument market

New figures yesterday confirmed the meteoric rise of Dylan Instruments to number one in Central America's musical instrument market (see charts). Panama-based newcomers Dylan, who have modelled their business on PC direct sales giant Dell, have pushed former market leader Instrumentos Musicales Mejicanos (IMM) into second place. Under the charismatic leadership

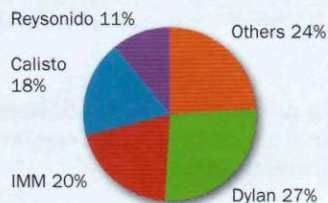
of CEO Abejundio Dylan, the firm has used slick marketing and aggressive discounting to capture market share from all its competitors. 'We aim to have 50% of the local market in two years' time,' trumpets Dylan. Competitors like IMM, Calisto and Reysonido are considering alliances to ensure their survival; several smaller players have already gone out of business.

Market share

This year



Y-1



Y-2

