

Solutions to Chapter 13

1. **b. The most realistic story**

The end game is not just to impress potential investors but to create a narrative that you can deliver on, as a business. The danger of telling a soaring story that you cannot deliver on is that you are poised to disappoint investors, and perhaps setting yourself up for missteps in building a business.

2. **c. High revenue growth, high profitability, low capital intensity**

You get the best of all worlds, since you are grow with little reinvestment, and monetize that growth. The only catch may be that others can copy you and your story may not have a long life.

3. While the story is uplifting, here are some of the questions worth asking:

- a. As a small company competing against much larger competitors, how do you plan to take market share away from those competitors?
 - b. If the answer is that you plan to sell at a lower price than your competitors, how do you expect your margins to exceed those of your peer group?
 - c. How are you able to deliver the higher market share/higher margins with so little reinvestment?
4. High revenue growth, lower margins (cutting prices), higher cost of capital (expending into Asia), value of the firm unclear (net effect can be positive or negative).