기업사례분석

(Sample)

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산업분석(라면시장)

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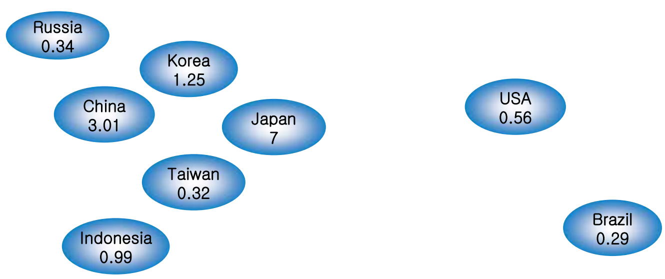
2006 World ramyun market

Ramyun Market

The size of ramyun market is $15 billion

80% of ramyun sales from Japan, China and Korea



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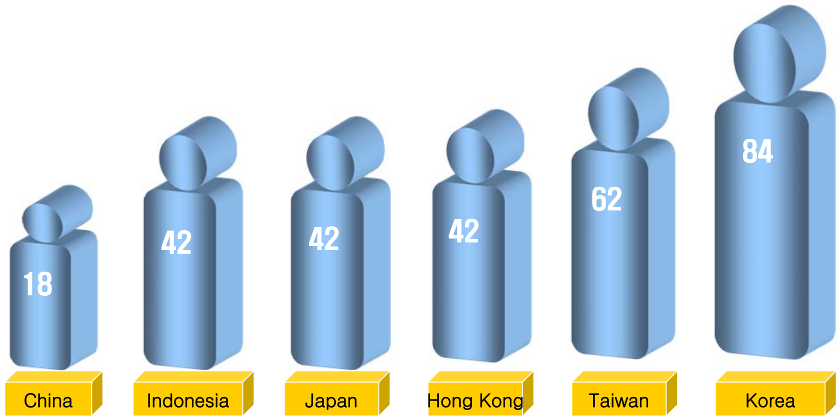
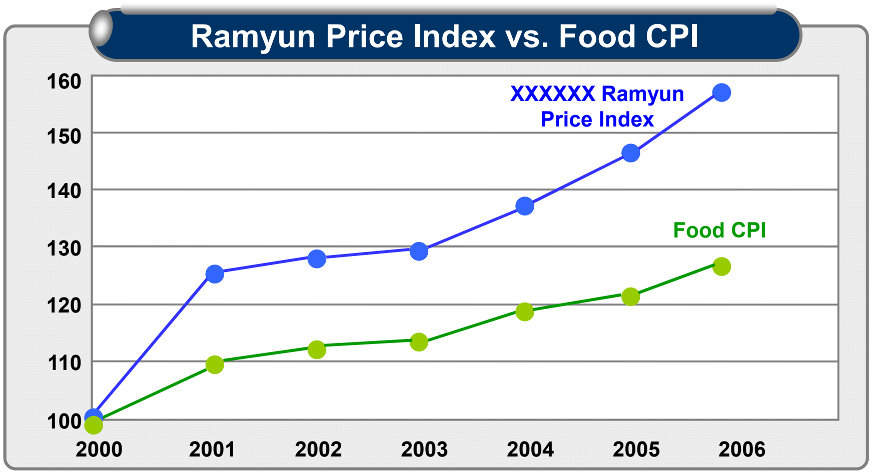
Ramyun Consumption per person

Ramyun Consumption — Different from ramyun market size, Korea has the highest ramyun consumption per person [Source: AC Nielson]



Relationship with CPI

Price Increase — Cost increase causes price increase → CPI Increase



Ramyun brand ranking

2005

Ranking	Brand	Company
1	Shin Ramyun	Nongshim
2	Ansung Tangmen	Nongshim
3	Japagueti	Nongshim
4	Neoguri	Nongshim
5	Yukgejang Sabalmen	Nongshim
6	Shin Ramen Special	Nongshim
7	Jin Ramyun	Oddugi
8	Samyang Ramyun	Samyang
9	Shrimp Ramyun	Nongshim
10	Shin Ramyun Cup	Nongshim

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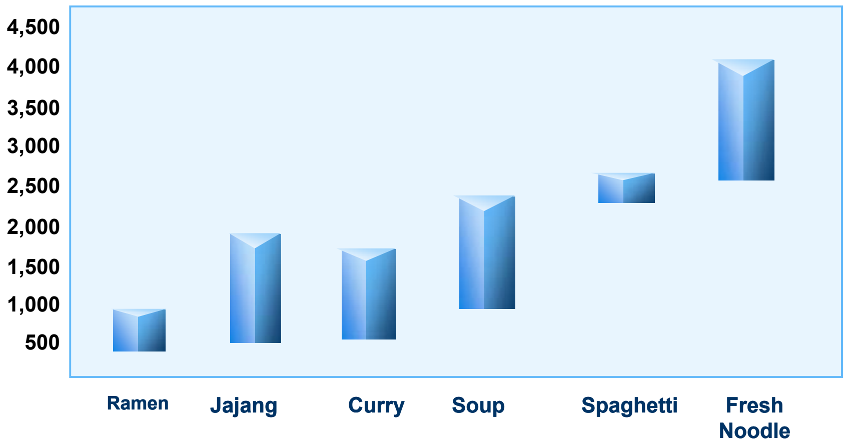
Substitutes of ramyun

Substitutes	There are many substitutes, but ramyun has its differentiation strategy with respect to taste and price



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기업분석

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Company History

Better Foods & Services for Better Life

- 2003.07. xxxxxxxxx Holding Company
- 2000.12. ISO 14001 Accreditation
- 2000.05. Strategy alliance with overseas partners
- 1999.11. Selected for its excellence for manufacturing
- 1991.01. Corporate Image was introduced
- 1989.06. Achieve 60% of domestic market share
- 1986.10. ‘Shin (辛) ramyun' was introduced
- 1985.03. No. 1 Ramyun market share
- 1978.03. Change its name to Nongshim
- 1976.06. IPO
- 1965.09. Lotte Industries, Inc. was incorporated

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Corporate vision

VISION

농심은 언제나 변함없는 비전으로 최고의 투자가치를 실현합니다.

농심은 국내 식품업계 1위의 자부심으로 새천년을 맞아 정보화와 세계화를 추구하면서 식품산업을 바탕으로 회사의 역량을 최대한 발휘하고 토탈적인 생활문화와 서비스를 제공하여 대내외 고객의 건강과 삶의 기쁨을 창조하는기업이 되고자 최선의 노력을 다하고 있습니다.

1 **사업전략**
세계화 / 서비스화 / 가치화 /21세기
사업구조 구축으로

2 **21C & D 생존전략**
전문가 육성 / 핵심역량 축적 / 시스템화
지식기반 CYBER 경영체제 정착으로 상품력, 경쟁력 향상

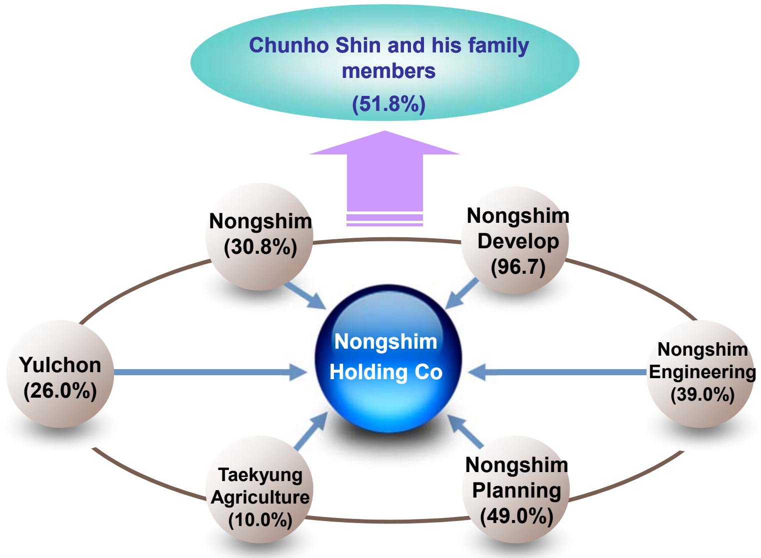
Business segment

Ramyun segment
- Top brands such Shin Ramyun, Japagueti
- 66% of total sales, 73.7% of market share in 2006

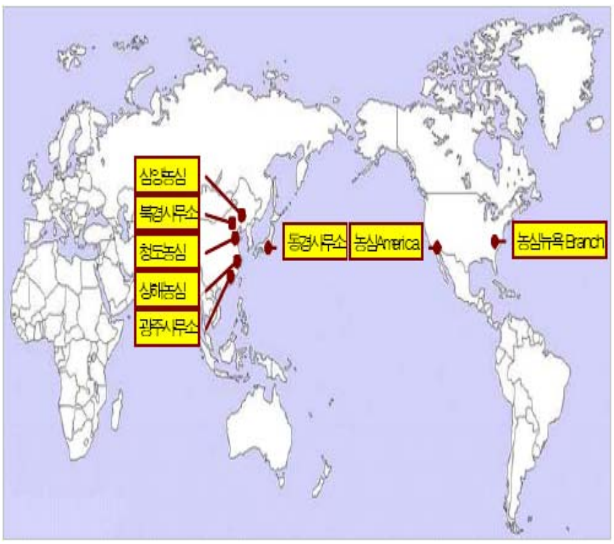
Snack segment
- Shrimp Chip, Potato Chip, Onion Ring etc.
- 14% of total sales, 35.5% of market share in 2006

Other segment
- Kellogg Cereals, Welch's Juice, Taster's Choice,
- 31.5% of growth rate

Corporate Governance



Overseas subsidiaries and branches



▶ 농심 해외조직

- 해외법인
  - 중국법인(상해,청도,심양)
  - 농심America, · 농심Foods
  - 농심Japan

- 해외사무소
  - 광주사무소, · 북경사무소

∴ 지역별 거점국가 확보

∴ 중국

- 해외법인/사무소가 대도시, 연안을 중심으로 형성 => 유통망 확보 시 점차 내륙으로 확산될 전망.

재무제표 분석

Financial Statements

Balance Sheets

($ 000)

	2004	2005	2006
Current assets	253,233	383,216	387,313
Quick assets	194,201	311,284	311,221
Inventory	59,031	71,931	76,091
Fixed assets	859,258	846,805	845,446
Investments	87,086	84,705	87,099
PPE	770,890	760,678	756,930
Intangibles	1,281	1,421	1,416
Total assets	1,112,491	1,230,021	1,232,759
Current liabilities	391,143	440,003	449,498
Accounts Payable	165,395	201,569	220,995
ST Borrowing	100,108	75,891	103,143
Noncurrent liabilities	63,351	76,333	115,593
LT Borrowing	26,381	1,736	31,185
Total liabilities	454,496	516,337	565,092
Common stock	38,000	38,000	28,857
Additional PIC	320,892	310,485	296,069
Retained Earnings	299,104	365,199	342,740
Shareholders' equity	657,995	713,684	667,666

Financial Statements

Income Statements

($ 000)

	2004		2005		2006	
	Amount	(%)	Amount	(%)	Amount	(%)
Sales Revenue	1,217,690	100	1,339,637	100	1,521,655	100
Cost of goods sold	857,099	70.4	932,157	69.6	1,034,765	68.0
Gross margin	360,591	29.6	407,479	30.4	486,889	32.0
S & A expense	274,834	22.6	301,583	22.5	338,253	22.2
Operating income	85,757	7.0	105,896	7.9	148,635	9.8
Non-operating rev	51,005	4.2	33,184	2.5	34,975	2.3
Non-operating exp	36,033	3.0	25,910	1.9	39,357	2.6
Pretax income	100,729	8.3	113,170	8.5	144,253	9.5
Income taxes exp	32,105	2.6	33,111	2.5	42,623	2.8
Net income	68,624	5.6	80,059	6.0	101,630	6.7

Financial Statements

Cash Flows

($ 000)

	2004	2005	2006
Cash from operating activities	146,326	198,475	207,649
Net income	68,624	80,059	101,630
Depreciation expense	38,148	50,358	56,167
△ Operating A + L	15,356	19,095	(7,325)
Others	24,198	48,963	57,177
Cash flows from investing activities	(164,021)	(116,002)	(187,455)
Acquisition of PPE	(91,323)	(101,180)	(54,237)
Disposal of PPE	704	48,685	1,047
△ in investments	16,887	(993)	(9,267)
Free Cash Flow	(17,695)	82,473	20,194
Cash flows from financing activities	(1,507)	(25,862)	(37,653)
Dividend payments	(5,654)	(5,219)	(10,487)
△ in borrowing	12,823	(26,300)	52,000
Others	(7,169)	5,657	(79,166)
Change in cash	(19,202)	56,611	(17,459)

Financial Statements Analysis

Profitability Analysis

ROA		
2004	2005	2006
9.1%	9.0%	11.5%

	Profit Margin for ROA		
	2004	2005	2006
Sales	100%	100%	100%
Other Revenues	4.2%	2.5%	2.3%
CGS	(70.4%)	(69.6%)	(68.0%)
Selling & Adm.	(22.6%)	(22.5%)	(22.2%)
Income Tax	(2.6%)	(2.5%)	(2.8%)
Profit Margin	8.6%	7.9%	9.3%

	Assets Turnover		
	2004	2005	2006
Asset Turnover	1.1	1.1	1.2
A/R Turnover	18.5	17.4	17.6
Inv.Turnover	14.9	14.2	14.0
A/P Turnover	5.4	5.2	5.0
Operating cycle	33.4	31.6	31.6
Net Operating cycle	28.0	26.4	26.6

ROCE		
2004	2005	2006
15.5%	14.6%	19.6%

	ROA	CEL	CSL
2004	9.1%	0.9%	1.9
2005	9.0%	0.9%	1.7
2006	11.5%	1.0%	1.8

Financial Statements Analysis

Profitability Analysis

- '04~'05 ROA ↓ : Profit Margin ↓, Asset Turnover 1.07 → 1.14↑
  - Profit Margin ↓ : CGS ↓, but Other Revenue substantially ↓
  - Asset Turnover ↑ : 10% growth rate of sales, but assets also grow

- '05~'06 ROA ↑ : Profit Margin ↑, Asset Turnover ↑
  - Profit Margin ↑ : CGS 69.6% → 68.0% ↓
  - Asset Turnover ↑ : 14% growth rate of sales, but assets didn't change

- '04~'06 ROCE ↑ : ROA ↑
  - ROCE는 ↓ in 2004 and ↑ in 2005
  - CEL and CSL didn't change. Thus, △ROCE is due to △ROA

Financial Statements Analysis

Profitability Analysis

	Nongshim			Samyang		
	2004	2005	2006	2004	2005	2006
Profit Margin for ROA	8.6%	7.9%	9.3%	16.2%	9.1%	12.4%
Assets Turnover	1.1	1.1	1.2	0.8	0.9	1.1
ROA	9.1%	9.0%	11.5%	12.4%	8.1%	13.7%
CEL	89.8%	94.6%	96.1%	△14.1%	131.3%	73.1%
CSL	1.9	1.7	1.8	8.4	△13.7	△6.5
ROCE	15.5%	14.6%	19.6%	△14.8	△146.0	△65.6
CGS / Sales	70.4%	69.6	68.0	72.2	73.3	71.8
Selling & Admini./ Sales	22.6%	22.5	22.2	18.6	19.7	20.1
Income Tax Expense / Sales	2.6%	2.5	2.8	0.09%	0	0
A/R Turnover	18.5	17.4	17.6	7.3	7.4	7.4
Inventory Turnover	14.9	14.2	14.0	14.0	14.5	15.0
Plant Asset Turnover	1.4	1.6	1.8	1.0	1.2	1.6
A/P Turnover	5.4	5.2	5.0	8.3	8.6	8.6

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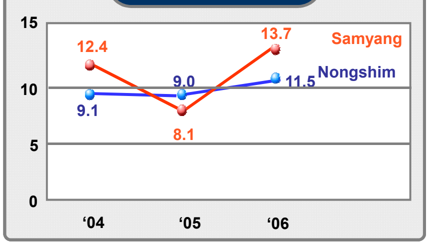
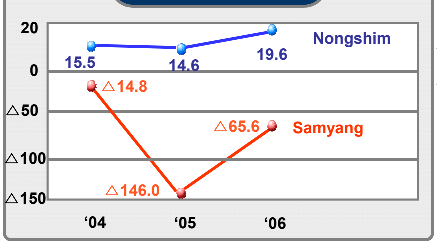
Financial Statements Analysis

Profitability Analysis

ROA



ROCE



ROA

- Nongshim: Stayed constant for the period of '04~'05 and increased in '06 due to increases in AT and PM
- Samyang: Decreased in '05 and increase n '06 due to an increase in PM

ROCE

- Similar to the trends of ROA
- Samyang has a sharp decline in '05 and a recovery in '06

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Financial Statements Analysis

Risk Analysis

Liquidity Risk	2004	2005	2006
Current Ratio	0.6	0.9	0.9
Quick Ratio	0.5	0.7	0.7
CFO / Ave. Current Liability	35.7%	47.8%	46.7%

Solvency Risk	2004	2005	2006
Long-Term Debt Ratio	8.8%	9.7%	14.8%
Debt-Equity Ratio	69.1%	72.3%	84.6%
CFO / Average Total Liability	27.1%	40.9%	38.4%
Interest Coverage Ratio	13.9	25.6	36.2
CFO / Capital Expenditure	2.4	2.0	3.9

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Financial Statements Analysis

Risk Analysis

Liquidity

• Current Ratio : 0.6 → 0.9 from '04 to '05
(Quick Ratio) Cash & cash equivalents, marketable securities, A/R ↑
'05~'03 stays constant

• CFO/Ave. Current Liability : 35.7% → 47.8% from '01 to '02
Current liabilities ↑ a little, but CFO ↑ a lot

☞ Quick assets ↑ ⇒ Current ratio ↑, Sales revenue ↑ ⇒Cash Flow ↑

Stability

• LT Debt Ratio: Bond issuance and LT borrowing ⇒ LT Debt ratio ↑

• Debt-Equity Ratio : no change in equity and LT borrowing ↑ ⇒ LT Debt ratio ↑

• CFO / Average Total Liability : 27.1% → 40.9% due to CFO ↑over '04~'05

• Interest Coverage Ratio : Kept increasing over '01~'03, LT borrowing ↑⇒ Interest expense ↑, but NI ↑ more ⇒ Interest coverage ratio ↑

☞ Cash inflows from operating activities are large enough to cover payments from increases in LT borrowing for the past three years

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Financial Statements Analysis

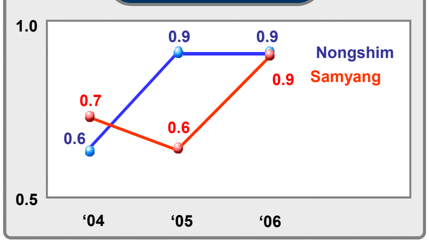
Risk Analysis

	Nongshim			Samyang		
Liquidity Risk	2004	2005	2006	2004	2005	2006
Current Ratio	0.6	0.9	0.9	0.7	0.6	0.9
Quick Ratio	0.5	0.7	0.7	0.6	0.5	0.7
CFO / Ave. Current Liabilities	35.7%	47.8%	46.7%	△2.3%	2.6%	8.5%
Solvency Risk	2004	2005	2006	2004	2005	2006
Long-Term Debt Ratio	8.8%	9.7%	14.8%	83.0%	161.7%	96.8%
Debt-Equity Ratio	69.1%	72.3%	84.6%	741.2%	△406.6%	4,952.8%
CFO/Average Total Liabilities	27.1%	40.9%	38.4%	△0.8%	0.9%	3.1%
Interest Coverage Ratio	13.9	25.6	36.2	0.9	△3.2	3.7
CFO / Capital Expenditures	2.4	2.0	3.9	△1.3	0.8	3.0

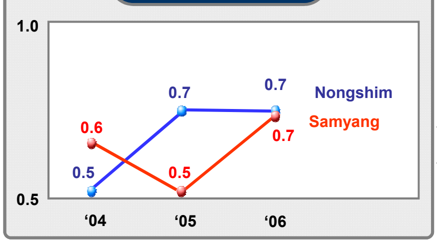
Financial Statements Analysis

Risk Analysis (Liquidity)

Current Ratio



Quick Ratio



Current Ratio

- Samyang had a higher current ratio in '04, but Nongshim experienced a sharp increase of current ratio in '05. Their current ratios are all 0.9 in '06

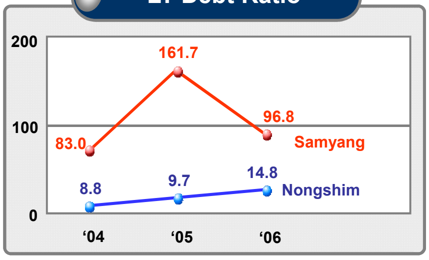
Quick Ratio

- Quick ratios have patterns similar to current ratios

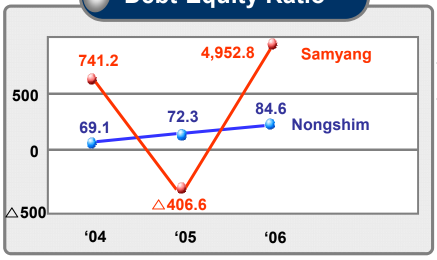
Financial Statements Analysis

Risk Analysis (Stability)

LT Debt Ratio



Debt-Equity Ratio



LT Debt Ratio

- Nonhshim has a lower LT debt ratio than Samyang
- Nongshim has the increase in LT borrowing due to its size growth
- Samyang has a lower LT debt ratio than before in '06 due to its payment of debt

Debt-Equity Ratio

- Samyang has a high debt-equity ratio, which makes worrisome
- Nongshim has a steady increase in debt-equity ratio
- Samyang had a negative shareholders' equity in 2005

Financial Statements Analysis

Overall comments based on F/S

Nongshim

■ Profitability
: A steady increase in sales results in 10% growth rate of income

■ Financial position
: An increase in quick assets improves current ratios
There is an increase in debt-equity ratio, but CFO is sufficient for the interest payment

■ Cash Flows
: Cash outflows from investing and financing activities, but cash inflows from operating activities can cover these outflows

Samyang

■ Profitability
: A slight increase in sales, but negative profits in '05
Turned to a positive profit in '06

■ Financial position
: Current ratio was acceptable, but noncurrent liabilities were too high, which was too burdensome in '05
Recovered from negative SE in '06

■ Cash Flows
: Debt payment resulted in cash outflows
Cash inflows due to Less investment

향후 발전전략 제시

SWOT Analysis

Strength
- Brand recognition
- High market share
- Efficient distribution channels
- Leader in pricing

Weakness
- Acquisition of raw materials from overseas
- High cost in expansion of overseas distribution

SWOT

Opportunity
- Expansion of overseas market
- Long-term growth through diversification
- Growth opportunity in other segments

Threat
- Increase competition
- Cost of raw materials has been rising