



CIMA/CGMA

Strategic Case Study (SCS)

May–August 2025

Preseen Application Note (PAN)

(DEMO-167 Pages)



Leothayre

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Accounting
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Chapter 1 Preseen Application

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Introduction

- Leothayre is a quoted company based in Wexland.
- It designs and delivers small satellites for low Earth orbit.
- Supports clients in arranging launch services.
- Prepares financial statements under IFRS, in W\$.
- You are a senior finance manager reporting to the Board.
- You advise on strategic matters and special projects.

Satellite AND Rocket

In September 2016, a major disaster struck the space industry — before the rocket even launched. **An Israeli**

company, Spacecom, had built a high-value satellite called AMOS-6, worth around \$200 million.

This satellite was meant to deliver internet to rural Africa, and Facebook was one of the key customers behind the mission. The satellite was scheduled to launch on a SpaceX Falcon 9 rocket from Cape Canaveral, Florida. But just two days before launch, everything went wrong.



During a pre-launch procedure called a “static fire test”, the rocket suddenly exploded on the ground. The explosion destroyed the Falcon 9 and the AMOS-6 satellite mounted on top — before either had even left the launch pad.

So what was the test for?

A static fire test is a routine part of SpaceX's launch process. In it, the rocket is fully fueled and the engines are briefly fired while the rocket stays on the ground. It's a way to check for engine performance and system readiness — but it's still very risky. At that moment, AMOS-6 was already attached to the rocket, ready for launch.



The explosion was caused by an unexpected issue between liquid oxygen (LOX) and pressurized helium inside the upper-stage tanks. The structure failed, the fire spread instantly, and the rocket blew up in seconds — along with the \$200 million satellite.

The consequences were huge.

At the time, Spacecom was negotiating a sale of the company to a Chinese investor, and AMOS-6 was a key part of that deal. After the explosion, the deal collapsed. Spacecom's stock price fell by nearly 50%, and the company was left with nothing.

Even worse — insurance didn't cover the loss.

Why? Because satellite insurance usually only starts once the rocket lifts off. Since the explosion happened before launch, during ground testing, the insurance didn't apply. That meant Spacecom had to turn directly to SpaceX and demand compensation. Spacecom filed a claim for more than \$200 million. In the end, instead of going to court, the two companies reached a private settlement. SpaceX agreed to:

1. Give Spacecom a free priority launch in the future
2. Pay some cash compensation (the amount was never made public)

But the damage was already done. Facebook's project was delayed (Facebook was not the satellite owner, but it was the main customer of AMOS-6's communication capacity), ie Facebook was working on a project called Internet.org, which aimed to bring affordable internet access to remote and underserved areas — especially in sub-Saharan Africa.

'CLUES FROM THE PRESEEN PAGE 12':

Leothayre does not operate its own rockets, but it has close working relationships with DEMO VERSION..... request completed satellites to be delivered to them so that they can make their own arrangements for launching.

Missing Post Launch Monitoring Services

Leothayre currently does not offer post-launch technical support services such as in-orbit satellite health monitoring, early anomaly detection, or predictive DEMO VERSION..... telemetry analysis, fault detection, and operational intervention guidance.

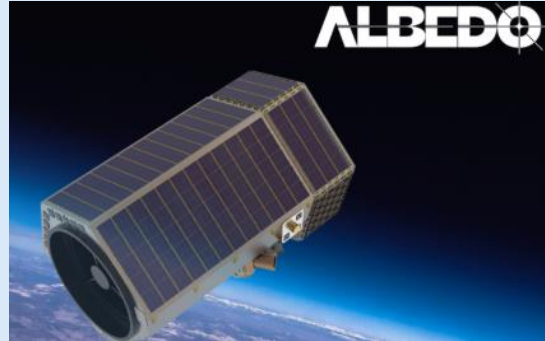
This gap presents a clear competitive disadvantage. As satellite buyers increasingly expect life-cycle support DEMO VERSION..... the

critical early orbit phase — Leothayre's limited service scope may reduce its appeal to risk-averse clients. Without enhancing post-delivery support capabilities, the company risks falling behind more integrated solution providers in client retention and long-term contract opportunities.



Killed by Customization - Albedo Space

Albedo Space — a U.S. startup with big ambitions in the commercial Earth observation sector. In 2021, they launched their first satellite, which was designed to capture high-resolution images at sub-meter level. The satellite was meant to serve clients in agriculture, insurance, and urban monitoring. Before the launch, the leadership was confident, investors were excited, and preparations for a second **DEMO VERSION.....** received no data and couldn't send any commands. At first, the engineering team assumed it was just a delay in establishing the communications link, or that the satellite's orientation systems hadn't yet stabilized. They tried adjusting signal frequencies from multiple ground stations, and even brought in a specialized RF lab in Europe to help scan for signals — but nothing worked.



Eventually, an internal investigation identified the root cause: a failure in the satellite's electric power system (EPS). The system had been designed in-house by Albedo's engineering team, but the actual hardware was customized and supplied by a small **DEMO VERSION.....** vendors like AAC Clyde Space and Blue Canyon Technologies. While those systems were reliable and proven in orbit, their form factors were bulky, and their rigid interfaces didn't fit well with Albedo's custom onboard image-processing unit. With limited space in the CubeSat frame, the team looked for a smaller, more flexible solution.

The Danish supplier offered just that — a highly customized power module that could retain a compact design while allowing configuration of startup voltage thresholds and load management. It seemed ideal: compact, affordable, and perfectly **DEMO VERSION.....** ng the system's behavior under cold conditions, suggesting a longer verification phase. But with a tight schedule and limited resources, that warning was ignored.

This is where the real problem emerged. The startup voltage and redundancy features were not fully validated. The backup battery, which was supposed to provide the **DEMO VERSION.....** thermal control mechanism to maintain battery health. Once in space, during its automated self-check, the satellite's power system failed to provide enough energy to start the main control unit. The satellite never turned on.

The consequences weren't just technical. Albedo had already signed three commercial **DEMO VERSION.....** n investor later remarked: "Failure isn't the issue. What's worrying is the lack of engineering judgment and transparency about risks."

The event triggered a full internal review. The next planned satellite was delayed, and **DEMO VERSION.....** the tension between design flexibility and quality assurance.

DEMO VERSION.....

When Systems Don't Talk

OrionVision is a small but ambitious space company that builds and operates its own satellites to deliver on-demand radar imagery from space. Unlike Google Earth, which shows satellite pictures that are often months old and only useful for general reference, OrionVision offers something very different: real-time, high-resolution images captured by request, for professional use.

Tutorial note: OrionVision is a vertically integrated satellite service provider — it designs, builds, **DEMO VERSION.....** as stated in the pre-seen, transfers ownership and risk to the customer upon delivery of the satellite to the launch site, and does not assume responsibility for in-orbit operations or mission results.



Their clients are not casual users. They are businesses and government agencies that need fresh, reliable, and very precise images for serious decisions. An agriculture company, for example, might ask:

"Please take a radar image of this field in central California between 8 AM and 12 PM tomorrow, with 1-meter resolution, and deliver it by 8 PM."

These clients rely on OrionVision to support things like:

- Monitoring crop growth
- Tracking construction progress
- Detecting damage in energy pipelines
- Observing changes along national borders
- Studying economic activity through port and factory traffic

DEMO VERSION.....

So what exactly do customers send when they submit a task?

It's not a simple "take a picture here." Each request includes detailed, structured data—such as the target coordinates, desired resolution, time window, image angle, output file format, and delivery deadline. These details directly affect how the satellite must position itself, when it will fly over the area, and how the data will be processed and transmitted.

Behind every image request, there are seven steps that must happen in order: target scheduling, orbit matching, satellite positioning, imaging mode selection, command creation, data link assignment, and downlink bandwidth allocation. Each of these steps is handled by a different team—orbit engineers, satellite controllers, radar specialists, ground station schedulers, software coders, and customer service staff.

The problem? These teams worked in silos:

Each used their own tools, spreadsheets, scripts, and assumptions. Some relied on email to pass tasks, others used manual file editing. There was no central platform tracking the full process, and no system to check if a request was actually executable. So when something failed—say, the satellite couldn't turn fast enough or the command didn't get uploaded—no one knew where the breakdown happened. The system would simply show "Task not completed," and that was it.

To make things worse, OrionVision had no one overseeing the full task flow. There was no task manager to coordinate across teams, no simulations to test the full chain before **DEMO VERSION.....** company rebuild its system: adding live tracking of task status, automating cross-team coordination, and creating a single point of task responsibility.

To solve these problems:

First, the company must establish a centralized, end-to-end mission management system that actively tracks each task across all departments — from customer submission, through orbit planning, attitude control, radar configuration, command uplink, to data delivery. This system must not just pass information between teams, but enforce synchronization, validate constraints (e.g., pointing limits, bandwidth conflicts), and provide real-time status updates and failure feedback. Without this integration, the process remains fragmented and blind to where and why breakdowns occur.

Second, a dedicated mission coordinator role must be created — someone who is responsible not for executing individual technical tasks, but for owning the entire workflow of a customer request. This person would bridge across teams, resolve scheduling conflicts, monitor resource bottlenecks, and ensure accountability for each mission's success. Without this role, ownership diffuses, and risks go unmanaged across silos.

Satellites

A satellite is an object in space that orbits around a larger object. Satellites can be natural, such as the planets in the Solar System orbiting round the Sun, or they can be artificial, such as communication satellites orbiting round the Earth.

Orbital Types Comparison:

Feature	LEO (Low Earth Orbit)	MEO (Medium Earth Orbit)	GEO (Geostationary Orbit)
Altitude	300–1,200 km	2,000–35,000 km	~36,000 km
Orbit period	DEMO VERSION.....	DEMO VERSION.....	~24 hours
Fixed over Earth point	DEMO VERSION.....	DEMO VERSION.....	Yes
Typical use	DEMO	DEMO	TV, telecom, weather

	VERSION.....	VERSION.....	
Active satellites (2025)	~7,000+	~130–150	~550–600
Estimated unit cost	\$0.5M–\$10M	\$10M–\$40M	\$100M–\$300M+

The Satellite Engineer Who Tried to Sell Secrets

In 2016, Gregory Allen Justice, a satellite systems engineer based in California, was arrested by the FBI for **DEMO VERSION.....** most sensitive military satellite technologies, including GPS systems and classified military communications platforms.



Justice was employed by a major aerospace contractor that handled defense contracts, including projects with the U.S. Air Force. His role gave him access to export-controlled data related to secure satellite communications, encryption protocols, and propulsion system design. The technology he had access to was protected under the Arms Export Control Act (AECA), which prohibits sharing U.S. defense-related technology with foreign nationals or governments without authorization.

The case began when Justice reached out—voluntarily—to what he believed were representatives of the Russian government. He claimed he was willing to sell classified **DEMO VERSION.....** pabilities. These materials included technical drawings and design information about military-grade satellite components, much of which was classified or export-restricted.

What made the case particularly strange—and disturbing—was Justice’s stated motivation. He didn’t claim ideological opposition to U.S. policies, nor did he appear driven solely by money. During the FBI sting, he told the agent that he needed money to care for his seriously ill wife. However, it later emerged that Justice **DEMO VERSION.....** rt for this individual, who may have been manipulating him emotionally. At one point, he expressed his hope to use the proceeds from the espionage to “run away” with her and leave the country.

The FBI arrested Justice before any sensitive material could be transferred to an actual foreign entity. He was charged with attempting to commit economic espionage and violating the AECA, both serious federal crimes. The Department of Justice stated that had his actions been successful, they could have compromised U.S. military capabilities, particularly in the realm of secure global communications and strategic satellite infrastructure.

In his plea agreement, Justice admitted to knowingly attempting to provide national defense information to a foreign government, even though he was ultimately dealing with undercover agents. He was sentenced to five years in federal prison, stripped of his security clearance, and barred from ever working on defense-related projects again.

This case shocked many in the aerospace and defense sectors because it revealed just how vulnerable sensitive space technologies can be—not necessarily from hacking or state-level espionage, but from individuals within the system who may be unstable, emotionally compromised, or ethically weak. Justice wasn't a foreign agent or a **DEMO VERSION.....** was a cleared contractor with top-level access, who became a national security threat almost by accident.

Implications to companies:

1. Companies must implement insider threat detection programs, beyond background checks. This includes continuous behavioral monitoring, anomaly detection in data access, and confidential employee support systems to mitigate personal stress before it escalates into espionage risk.
2. Companies must ensure strict compliance with export control laws (such as AECA, ITAR, and equivalents in other jurisdictions). Failure to do so — even unintentionally via an employee — can lead to criminal prosecution, license suspension, or disqualification from government contracts.
3. Risk management must include cross-functional coordination between HR, security, and compliance to identify early warning signs, provide support, and act quickly if internal risk escalates.

There are approximately 10,000 active satellites in orbit around the Earth. That number is expected to grow significantly over the next few years.

Key success factors in this industry – Funding + Business model to turn funding into sales revenue and profits

Founded in 2012 by entrepreneur Greg Wyler, OneWeb set out to provide **DEMO VERSION.....**, including SoftBank Group, Virgin Group, and Qualcomm. By March 2020, OneWeb had successfully launched 74 satellites into orbit.

However, despite these achievements, OneWeb faced substantial financial challenges. The estimated cost to complete the **DEMO VERSION.....** rway when the COVID-19 pandemic emerged, leading to economic uncertainties and causing potential investors to withdraw. Consequently, in March 2020, OneWeb filed for Chapter 11 bankruptcy protection in the U.S. Bankruptcy Court for the Southern District of New York.



In a turn of events, a consortium comprising the UK Government and India's Bharti Enterprises invested \$1 billion to acquire OneWeb, facilitating its emergence from bankruptcy **DEMO VERSION.....** eb appointed Neil Masterson, a former co-chief operating officer at Thomson Reuters, as its new CEO, signaling a fresh start for the company.

In the satellite industry, technological achievement alone is not enough to ensure survival—what ultimately determines long-term viability is a company's ability to establish a **DEMO VERSION.....** yments and strong investor backing, highlighted the critical danger of failing to close the commercial loop—its constellation was only partially operational, and revenue had not yet materialized to offset escalating costs. In this capital-intensive and delay-sensitive sector, business model closure—the ability to generate cash flow that supports operations independent of constant external financing—is not just a growth factor, but a survival threshold.

Technology Is Not the Most Critical Factor in the Satellite Industry

In today's satellite industry, technology is no longer the main barrier to entry. Thanks to the rise **DEMO VERSION.....** be integrated with minimal proprietary engineering. As a result, even small startups and university teams can now construct functional satellites and deploy them into orbit using commercial launch providers like SpaceX or Rocket Lab. The engineering challenge has shifted from raw invention to system integration and risk reduction.

Moreover, technical knowledge in the space sector is no longer scarce or guarded. Much of **DEMO VERSION.....** engineers can be recruited from top aerospace programs or brought in as consultants.

From the customer's perspective, technology is only valuable if it translates into dependable results. Clients don't evaluate satellite operators based on what chips or protocols **DEMO VERSION.....** sense, customers pay for certainty, not complexity — and operational reliability becomes far more important than technical novelty.

DEMO VERSION.....

Leothayre's Principal Risks

Main Risk	Sub-risk Description	Mitigation Strategy
Uncertain market growth	Overestimation of satellite demand leading to overcapacity	Use rolling 18-month backlog analysis with scenario testing per region
	Mismatch between product offering and market segments	Establish a cross-functional market intelligence team with quarterly review cycles
	DEMO VERSION.....	DEMO VERSION.....
	DEMO VERSION.....	DEMO VERSION.....
Changing regulation	DEMO VERSION.....	DEMO VERSION.....
	DEMO VERSION.....	DEMO VERSION.....
	DEMO VERSION.....	DEMO VERSION.....
	DEMO VERSION.....	DEMO VERSION.....
Satellite failure	DEMO VERSION.....	DEMO VERSION.....
	DEMO VERSION.....	DEMO VERSION.....
	Software errors during automated in-orbit updates	Use sandboxed update protocols with rollback capability and AI anomaly detection
	Electromagnetic interference not detected during lab tests	Conduct high-intensity EMI testing using cross-spectrum scenarios (solar flares, etc.)
Supplier delays	Late delivery of key avionics from overseas partners	Set dual-sourcing policy for all parts above mission-critical risk index threshold
	DEMO VERSION.....	DEMO VERSION.....
	DEMO VERSION.....	DEMO VERSION.....
	DEMO VERSION.....	DEMO VERSION.....
Client concentration	DEMO VERSION.....	DEMO VERSION.....
	DEMO VERSION.....	DEMO VERSION.....
	DEMO VERSION.....	DEMO VERSION.....
	DEMO VERSION.....	DEMO VERSION.....
Macro-economic exposure	Launch delays due to geopolitical conflict near launch sites	Maintain multi-launch access with ISRO, Arianespace, and ULA to reduce regional dependence
	DEMO VERSION.....	DEMO VERSION.....
	DEMO VERSION.....	DEMO VERSION.....
	DEMO VERSION.....	DEMO VERSION.....

Financial Analysis – Detailed calculations are shown in Excel.

Ratios Leothayre Group		
Sales revenue growth	6%	
Operating costs% of revenue	63%	69%
Operating profit margin	37%	31%
Interest cover	DEMO VERSION.....	DEMO VERSION.....
Effective tax %	DEMO VERSION.....	DEMO VERSION.....
Net profit margin	10%	9%
Increase in PP&E	13%	
Asset turnover	0.23	0.24
Inventory turnover	DEMO VERSION.....	DEMO VERSION.....
Receivables turnover	DEMO VERSION.....	DEMO VERSION.....
Increase in bank	17%	
Increase in NCL	28.60%	
Payables turnover	1.1	1.2
Gearing - NCL/Equity	100%	80%

Ratios Orbalinc		
Sales revenue growth	13%	
Operating costs% of revenue	65%	69%
Operating profit margin	DEMO VERSION.....	DEMO VERSION.....
Interest cover	DEMO VERSION.....	DEMO VERSION.....
Effective tax %	DEMO VERSION.....	DEMO VERSION.....
Net profit margin	DEMO VERSION.....	DEMO VERSION.....
Increase in PP&E	4%	
Asset turnover	0.2936	0.2697
Inventory turnover	14.496	14.72

Receivables turnover	116.64	126.22
Increase in bank	13%	
Increase in NCL	6.38%	
Payables turnover	DEMO VERSION.....	DEMO VERSION.....
Gearing - NCL/Equity	DEMO VERSION.....	DEMO VERSION.....
Dividend payout	25%	

Analysis:

1. Sales Revenue Growth (6%)

A modest 6% revenue growth suggests relatively stable commercial traction.

While this DEMO VERSION..... narrower geographic or client focus, potentially over-reliant on a few contracts or domestic clients.

Orbalinc is growing at a notably faster pace, suggesting stronger market traction or more aggressive client acquisition. Leothayre's moderate growth could signal capacity constraints or a narrower client base. Given the industry's rapid expansion, Leothayre may risk being left behind unless it accelerates pipeline conversion or expands into new verticals.

2. Operating Costs as % of Revenue (63%, improved from 69%)

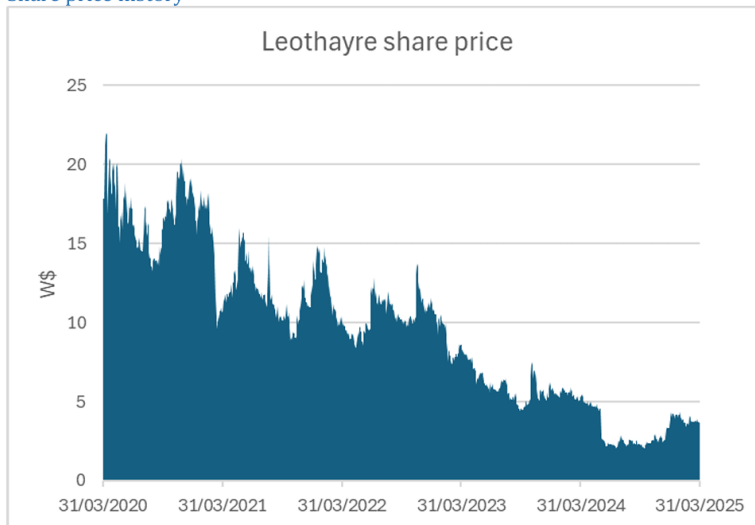
Cost efficiency has improved year-on-year.

This improvement likely stems from increasing economies of scale, greater production DEMO VERSION..... -margin SaaS-style business models.

Leothayre has improved cost control year-on-year, with a significantly lower cost ratio than Orbalinc. This indicates better internal efficiency or economies of scale in production. It suggests Leothayre may be more disciplined in cost engineering or project execution, giving it a buffer during downturns.

DEMO VERSION.....

Share price history



Leothayre's beta is 1.15.

DEMO VERSION.....

News stories

Happy Comic

Potential cases	Details
1. Investor backlash due to falling share price + environmental controversy over debris risks	DEMO VERSION.....
2. Mission-critical delay due to payload integration error or stage separation failure	DEMO VERSION.....
3. Governmental scrutiny or legal risk over orbital debris and CubeSat density	<p>A sudden change in regulatory attitude (e.g., due to a CubeSat collision) could force Leothayre to redesign entire platforms or lose flight clearance. To remain proactive:</p> <ul style="list-style-type: none"> • Lead the DEMO VERSION..... locations with regulators • Build a small team for policy lobbying and satellite traffic coordination with Wexland's government and international agencies.

The rest of the preseen analysis is shown in the course package.

Chapter 2 Introduction to the SCS Exam

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Introduction to the exam

- Based on preseen material.
- 6 variants exams – with 3 questions/sections in each variant.
- 150 marks in total, passing marks are 80.
- 3 hours available, with 60 minutes per section, with detailed number of sub-tasks available in each section, ie if there are two sub-tasks in Section 1 (you are expected to spend 30 minutes/sub-task).
- May/August (Same preseen case); Feb/November (Same preseen case)
- **Role:** Finance Director – Your answer should be from the HOLISTIC's point of view, ie always think about the framework and impact on other stakeholders.

Marking

Overall marks allocation:

Sub-Task	Core Activity		Sub-task weighting (% section time)
Section 1			
(a)	A	Develop business strategy.	60 %
(b)	B	Evaluate business ecosystem and business environment.	40 %
Section 2			
(a)	B	Evaluate business ecosystem and business environment.	40 %
(b)	C	Recommend financing strategies	60 %
Section 3			
(a)	D	Evaluate and mitigate risk.	50%
(b)	E	Recommend and maintain a sound control environment.	50%

Example from 2022 SCS Exam Sitting

Sub-task	Core Activity		Sub-task weighting (% section time)
Section 1			
(a)	A	Develop business strategy.	40%
(b)	B	Evaluate business ecosystem and business environment.	60%
Section 2			
(a)	A	Develop business strategy.	34%
(b)	D	Evaluate and mitigate risk.	33%
(c)	D		33%
Section 3			
(a)	C	Recommend financing strategies.	50%
(b)	E	Recommend and maintain a sound control environment.	50%

Example from 2021 SCS Exam Sitting

Specific question marking:

SECTION 1			
Task (a) Assuming that we decide to build more hangars at HCI, explain whether the Board would be justified in calling that a strategic decision.			
Trait			
Arrfield strategy	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Identifies strategy	1
	Level 2	Provides a realistic and relevant overview of Arrfield's strategic management	2-3
	Level 3	Provides a realistic and relevant overview of Arrfield's strategic management, with good justification	4
Strategic issues	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Discusses relevance of decision	1-2
	Level 2	Provides a clear and full evaluation of the argument that this decision was part of Arrfield's ongoing strategy	3-5
	Level 3	Provides a clear and full evaluation of the argument that this decision was part of Arrfield's ongoing strategy, with good justification of points made	6-9
Task (b) Recommend how we should evaluate and manage the interests of the three stakeholders which I have listed above.			
Trait			
NorFly	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Identifies NorFly's interests	1-2
	Level 2	Provides a relevant recommendation for managing the relationship with NorFly	3-5
	Level 3	Provides a relevant recommendation, with good justification, for managing the relationship with NorFly	6-7

Example from 2021 SCS Exam Sitting

SECTION 2			
Task (a) Ignoring issues relating to our share price, identify the key stakeholders who were affected by the tournament's failure and recommend how we should manage their interests.			
Trait			
First stakeholder	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Identifies stakeholder	1
	Level 2	Recommends approach to management	2-3
	Level 3	Recommends approach to management with justification	4
Second stakeholder	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Identifies stakeholder	1
	Level 2	Recommends approach to management	2-3
	Level 3	Recommends approach to management with justification	4
Third stakeholder	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Identifies stakeholder	1
	Level 2	Recommends approach to management	2-3
	Level 3	Recommends approach to management with justification	4
Task (b) Explain whether the behaviour of our share price is consistent with manipulation linked to a deliberate attack on our tournament and explain the significance of any such manipulation.			
Trait			
Consistency	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Identifies possible reasons for price movement	1-3
	Level 2	Explains consistency of price movement with suspicions of manipulation	4-7
	Level 3	Explains consistency of price movement with suspicions of manipulation with good justification	8-11

Example from 2022 SCS Exam Sitting

Writing tips

- Answer the requirement, rather than quote general stuff from the preseen.
- Each paragraph builds on a single idea.
- Build **DEMO VERSION.....** → implication → possible outcome → evaluation.
- Use **DEMO VERSION.....** will occur → which could result in Z." This logical flow is crucial to good marks.
- **DEMO VERSION.....** benefits and risks, and occasionally highlight alternative options.
- Include long-term thinking - Mention brand, culture, talent, investor **DEMO VERSION.....** profits.
- NO theory is required in your answer.
- Although CIMA does not require any words requirements, however, per our experience, for each question, write about **DEMO VERSION.....** words (with **DEMO VERSION.....** words per paragraph), about **DEMO VERSION.....** paragraphs.

Example of ONE good point:

If Leothayre fails to comply with emerging orbital decommissioning standards (Space Junk Charter), it could lose access to lucrative EU government contracts that increasingly mandate ESG compliance. This would impact revenue growth and reputational positioning as a responsible space infrastructure provider. While current platforms are not yet mandated to deorbit, pre-emptive compliance could offer strategic first-mover advantages.

Example of ONE bad point:

Leothayre might lose business if it doesn't follow the Space Junk Charter because clients may not be happy.

- **Too vague** - What kind of clients? Which business? How is this linked to the case context?
- **No analysis** - No cause-and-effect reasoning, no discussion of impact (e.g., contracts lost, markets affected, brand damage).
- **No depth** - Lacks reference to the satellite industry, ESG trends, or strategic implications.
- **No judgement** - Doesn't evaluate risk severity, likelihood, or trade-offs.

Chapter 3 Core Activity A - Develop business strategy

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I CAN Questions from CIMA Blueprint

- I can evaluate strategic options (digital and otherwise).
- I can recommend strategic decisions (digital and otherwise).
- I can evaluate potential acquisitions and divestment opportunities.
- I can recommend responses to opportunities and threats arising from digital technologies.

Sessions

- Evaluate Strategies using SFA Test
- Growth Strategies (Organic, M&A, Strategic Alliances)
- Synergy (Costs, Revenue and Finance)
- Retrenchment Strategies (Harvest and Divest)
- Bids and Defenses
- Financing M&A (Takeovers)
- Portfolio Reconstruction (Business Reorganization)
- Digital Transformation and Strategy
 - Digital Disruption
 - Machine Learning
 - Big Data
 - Application of Technologies
 - Key Abilities for Leothayre's Management in Digital Strategy Adoption
 - Economics of Digitisation (Revenue Models)
 - Digital Ecosystems (3 Elements)
 - Digital Consumption
 - Data and Metrics Applied to Digital Plans
 - Leadership and Culture in the Digital Age

3.1 Evaluate Strategies using SFA Test

SFA Test:

Suitability – *Is the strategy the right fit for the business and its environment?*

1. **Meet with strategy? (Meeting with mission, and** enhance value delivery in core markets, such as e.g., LEO CubeSat constellations)
2. **External environment** - Does it address PESTEL or 5-forces pressures (e.g., regulatory shifts, tech disruption)?

Feasibility – *Can the strategy be implemented with available resources and capabilities?*

1. **Financial resources**
2. **Operational capability**
3. **Timescale and scalability**

Acceptability – *How will stakeholders respond to this strategy?*

1. **Shareholder expectations and risk** Will this improve profitability or future growth prospects? Does it increase gearing or raise financial risk (especially with beta at 1.15 and falling share price)?
2. **Customer reaction** - Will clients perceive this as valuable and credible (e.g., SaaS models or ESG-friendly builds)?
3. **Ethical, environmental or reputational impact** - Is the strategy compliant with emerging ESG norms (e.g., Space Junk Charter)?

Potential cases/strategies	Description
1. Develop a modular “Responsible Orbit” satellite line to comply with deorbit and ESG expectations	With increasing political and public focus on orbital debris (as seen in the <i>Space Junk Charter</i>), clients may demand demonstrably “clean” satellites. This strategy aligns with investor pressure on ESG, mitigates reputational risk, and could unlock access to government-funded contracts in jurisdictions like the EU. It may involve trade-offs between cost, mass, and performance — ideal for an ethics or investment appraisal question.
DEMO VERSION.....	DEMO VERSION.....
DEMO VERSION.....	DEMO VERSION.....
DEMO VERSION.....	DEMO VERSION.....
DEMO VERSION.....	DEMO VERSION.....

Sample answer for the potential case:

Develop a modular "Responsible Orbit" satellite line to comply with deorbit and ESG expectations.

Answer:

Suitability

Strategy:

This strategy directly addresses growing global concern about space debris, as reflected in the **Space DEMO VERSION.....**.

The contents are skipped, and will be shown in the actual course package.

5.2 Shares Issues

Equity Finance Options for Leothayre (Listed Company Context)

Since Leothayre is already listed, its external equity financing options involve issuing **new shares** rather than an IPO. These options vary in cost, speed, and target investors:

1. Placing

Most suitable for Leothayre in the short term, especially given its falling share price and the **DEMO VERSION.....** supporting “clean orbits” or sustainable space tech) may boost both capital and reputation.

2. Rights Issue

Offers current shareholders the opportunity to buy new shares, avoiding dilution if they take up their rights. Suitable if Leothayre wants to preserve control structure and engage loyal

DEMO VERSION..... **3. Offer for Sale or Subscription by Tender**

Useful if share price discovery is difficult—relevant if Leothayre launches a high-risk, new **DEMO VERSION.....** investor appetite for innovation-led satellite services.

4. Offer for Subscription / Offer for Sale

Public issue-style equity raise through direct or indirect routes. While more expensive, this is **DEMO VERSION.....** compliance or a major contract award. Less likely in the short term **DEMO VERSION.....**

Other Share Strategies (Non-cash Generating)

Bonus Issue / Stock Split may be used to **improve share marketability** or send a positive signal, especially if Leothayre seeks to regain investor attention without immediate dilution.

5.6 Dividend policy

Tutorial note:

When this topic is examined, make sure your answer will touch these four aspects, to make your answer look 'holistic'.

- *Key Considerations*
- *Dividend Policy Types*
- *Dividend Policy → Ratios Impact*
- *Valuation Link/Investor Implication*

1. Key Considerations

- **Profitability Constraints**
On balance, excessive dividend payouts could strain Leothayre's retained earnings, limiting its capacity to fund innovation or expand modular satellite platforms.
- **Liquidity Impact**
Dividends reduce cash reserves. This could trigger tighter working capital or missed R&D milestones if liquidity buffers are insufficient.
- **Loan Covenants & Financial Discipline**
A new debt facility may include restrictions on payouts. Dividend increases may attract scrutiny from lenders who expect earnings to support leverage targets.
- **Gearing Sensitivity**
Higher payouts worsen gearing, which could undermine trust with credit rating agencies and weaken access to capital markets.
- **Signalling Effect**
A cut in dividends could be interpreted as loss of key contracts or cost overruns in satellite deployment. Would warrant board-level communication.
- **Clientele Effect**
Leothayre's investor base may include pension funds preferring stable payouts. A volatile dividend policy may trigger portfolio reallocations.

2. Dividend Policy Types

- **Constant Dividend Growth**
Useful for Leothayre to show predictable long-term value creation as a maturing tech
DEMO VERSION.....

5.7 Valuation of Equity

Asset-Based Models

Net Book Value Basis

Leothayre's balance sheet includes significant capital assets (e.g., satellite assembly plants and ground **DEMO VERSION.....** asset-based valuations may only reflect a floor price and ignore growth or synergy potential.

Net Realisable Value Basis

In case of strategic divestment (e.g., sale of a manufacturing unit or modular satellite line), this model could **DEMO VERSION.....** strategic value.

Net Replacement Cost Basis

Useful for insurance or acquisition context, this method may highlight underappreciated infrastructure—like proprietary testing facilities that would be cost-prohibitive for a new entrant. If acquiring a startup with minimal physical assets, this method may be irrelevant, leading to valuation asymmetry between Leothayre (as a capital-heavy quoted firm) and the target (likely unquoted and intangible-heavy).

Income-Based Models

P/E Ratio Method

Leothayre's earnings have grown steadily, though they are sensitive to contract wins. Applying a conservative P/E multiple (relative to listed competitors) may undervalue Leothayre if future service-based **DEMO VERSION.....**

Earnings Yield Method

Relevant for private equity-style assessments. If Leothayre transitions to an asset-light, recurring revenue model (e.g., orbital data leasing), this metric becomes attractive. Still, the seller may resist this view, arguing for a valuation based on strategic positioning, not historic yield.

Cash Flow-Based Models

Dividend Valuation Model

Leothayre's modest payout ratio (~37%) reflects a reinvestment strategy. DVM may undervalue long-term **DEMO VERSION.....** *Free Cash Flow Model*

Given capital intensity, Leothayre's FCF is volatile. Normalised post-2025 FCF may offer a better view if digital monetisation matures. However, for a startup target with negative or thin cash flow, FCF may produce conflicting valuations—heightening negotiation friction. The buyer may discount for risk; the seller may argue for upside potential.

Capital asset pricing model (CAPM)

CAPM is highly relevant for Leothayre's strategic financial planning, especially in valuing equity cost for **DEMO VERSION.....** A proxy (e.g., from a comparable SaaS satellite analytics firm) could be used, but systematic risk mismatches may distort value.

- Leothayre's own beta (quoted at 1.15) may reflect broader aerospace volatility, not the specific risk of the niche target.

However, the company's exposure to systematic risks is heightened:

Systematic Risks Leothayre Cannot Control:

DEMO VERSION..... *Regulatory Uncertainty:* Changes in orbital licensing or ESG disclosure laws (e.g., "Space Junk Charter") could impose unexpected costs.

Unsystematic Risks Within Control:

Project Delivery Risk: Delays in fulfilling satellite orders (as noted in pre-seen) can harm trust and cash flow.

DEMO VERSION..... *Internal Capabilities:* Integration of AI, simulation tools, and digital platforms is under Leothayre's control—and a key differentiator if executed well.

Post-Acquisition Human Capital Risk

When acquiring an unlisted firm—particularly one driven by talent, such as a specialist analytics or propulsion **DEMO VERSION.....** Strategies such as equity earn-outs, lock-in periods, or incentive grants may be needed. However, these add complexity to the negotiation and affect how share ratios are perceived by existing shareholders.

Negotiation Dynamics in Share-Based Acquisitions

In a share-for-share deal: (as an example)

DEMO VERSION..... shares now, anticipating dilution if the price rises post-announcement.

Deal success depends not only on financial models but on framing a valuation range both sides can justify as commercially and strategically credible.

The rest of contents are shown in the official course package.


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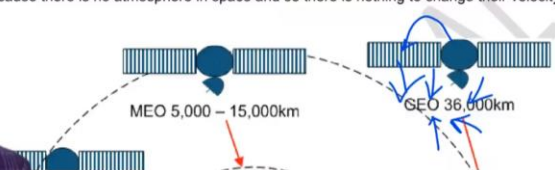
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A satellite is an object in space that orbits around a larger object. Satellites can be natural, such as the planets in the Solar System orbiting round the Sun, or they can be artificial, such as communication satellites orbiting round the Earth.

There are approximately 10,000 active satellites in orbit around the Earth. That number is expected to grow significantly over the next few years.


→ In the past, satellites were almost exclusively large objects that were launched into geosynchronous Earth orbit (GEO). Geosynchronous satellites remain stationary in relation to the Earth's surface because their orbit takes the same 24 hours as the Earth's rotation. They maintain that position because the forces created by the satellite's velocity and the Earth's gravitational pull are in balance. These satellites maintain their positions for a very long time because there is no atmosphere in space and so there is nothing to change their velocity.



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3.2 Growth Strategies (Organic, M&A, Strategic Alliances)

Organic Growth

Leothayre could pursue organic growth by launching a subscription-based orbital analytics API targeting agritech startups. The service would convert Earth observation data into actionable insights on weather, soil conditions, and crop health. This approach builds recurring revenue and expands the client base beyond governments and large institutions to include SMEs. However, it would require significant investment in software development and data science, and may risk diluting focus from Leothayre's core high-value satellite manufacturing business.

Mergers & Acquisitions

An acquisition of a launch trajectory optimisation SaaS provider could allow Leothayre to offer bundled "mission + software" solutions, differentiating its value proposition with integrated mission planning. This could accelerate client decision-making and improve conversion rates. However, the move carries cultural integration challenges, particularly between SaaS and engineering teams, and high acquisition costs, given inflated valuations in the space-tech software sector.

Strategic Alliance – Joint Venture

Leothayre could form a joint venture with an AI-driven satellite image analytics firm

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