

Debt policy at ust inc.

Business



However, there remains a constant consumer demand for JUST products. When evaluating the business risk of a company, one of the primary drivers of its business risk stems from the price elasticity of its products. Thus, these are a few reasons that illustrate that the smokeless tobacco industry (Gust's most dominant BIT contributor) has a relatively steep demand curve and should be considered as having an inelastic consumer demand. Also, it is important to note that LIST has products outside of its core operations in the wine and premium cigar market.

The historical financial data indicates that that compound annual growth per year has been declining in the past five years compared with the past ten years in Net Sales, BIT, and PEPS.

Obviously, this is a sign of JUST slowing down its financial performance due to factors such as an increase in competitors, less consumer demand, etc... Nevertheless, it is comforting that within the past five years, the operating data is generally not moving backwards and is still growing (at a much slower rate). When analyzing the 5-year and 10-year averages, the data indicates that JUST financials are still steady and increasing.

Exhibit 2 suggests that the market share of JUST has been slowly decreasing over the past 7-years. Due to the fact that there has been increased competition in the premium smokeless tobacco market, JUST is losing market share with products in its core operations. Heretofore, ten price value products in ten Ministry are showing a dramatic increase in market share, yet JUST only shows a 0.6% market share in 1998 (late mover). For these reasons, JUST needs to focus their efforts on attracting the growing demand

with the price value smokeless tobacco products in order to strengthen their long-term financial performance.