

Case Interview Mental Model

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Purpose

Why Frameworks Matter

- A strong case framework creates a powerful first impression that shapes how your interviewer evaluates your entire performance

What This Deck Provides

- This deck provides a comprehensive mental model so you have the tools to effectively tackle any case you're given
- The frameworks in this deck aren't scripts but structured starting points that you should adapt for each case
- Each framework shares common building blocks (Market, Financial Viability, Company Readiness) with case-specifics layered on top
- The supporting frameworks are modular tools that plug into the main frameworks when needed. These frameworks allow you to build out second-level thinking and are critical for creating great case frameworks

How to Use This Deck

- The goal is to internalize the content of this deck so you can intuitively and systematically build a framework for any consulting case problem
- This deck is a reference and not a replacement for practice. Casing from MBA case books is the best way to develop the muscle memory to quickly build tailored, effective case frameworks

How to Start a Case Interview

Case Prompt:

- When presented a case take notes of all information provided
- Repeat a summary back to confirm you're interpreting the prompt correctly

Clarifying Questions:

Terms & Relationships

- Confirm your understanding of key terms and relationships

Business Model

- Understand how the company makes money at a high level (B2B, B2C, DTC).
- Additional information will be provided throughout the case

Objective & Timeframe

- Understand the case objective and the timeline to achieve. For example, if told the company wants to increase revenue, you should clarify the timeline and a revenue figure the company would consider a success

Geography

- Understand region of operations

Case Frameworks

Estimation	Market Sizing
Financial	Profitability
Growth	Entering a New Region
	Launching a New Product
Transactions	M&A: Build vs. Buy
	Private Equity Firm Evaluating a Target
Supporting Frameworks	Case Interview Finance - Income Statement
	People, Processes, and Technology
	Sales Funnel
	Break-Even Analysis
	Pricing

Market Sizing

Estimation

Financial

Growth

Transactions

Supporting
Frameworks

Market sizing cases require thinking creatively to estimate the “size of the prize” before evaluating a specific business strategy

Step-by-Step Approach

1. Make sure you are calculating the appropriate market size metric such as customer base or annual revenue potential
2. Briefly state both the top-down and bottom-up approaches you can take to solve the case and then proceed with the one you feel is best
3. Segment the population by demographic and behavior
4. Use round numbers that make your calculations easier
5. State the data source you would use to validate your assumptions in practice (e.g., Census, BLS, SEC filings, federal/state data, Statista)
6. State that your estimate is the SAM, the portion of the market your business can realistically serve.
7. Contextualize your final market size using information provided earlier in the case such as the current customer base of the company

Example: Market size in dollars of haircuts in Michigan

Top-down approach

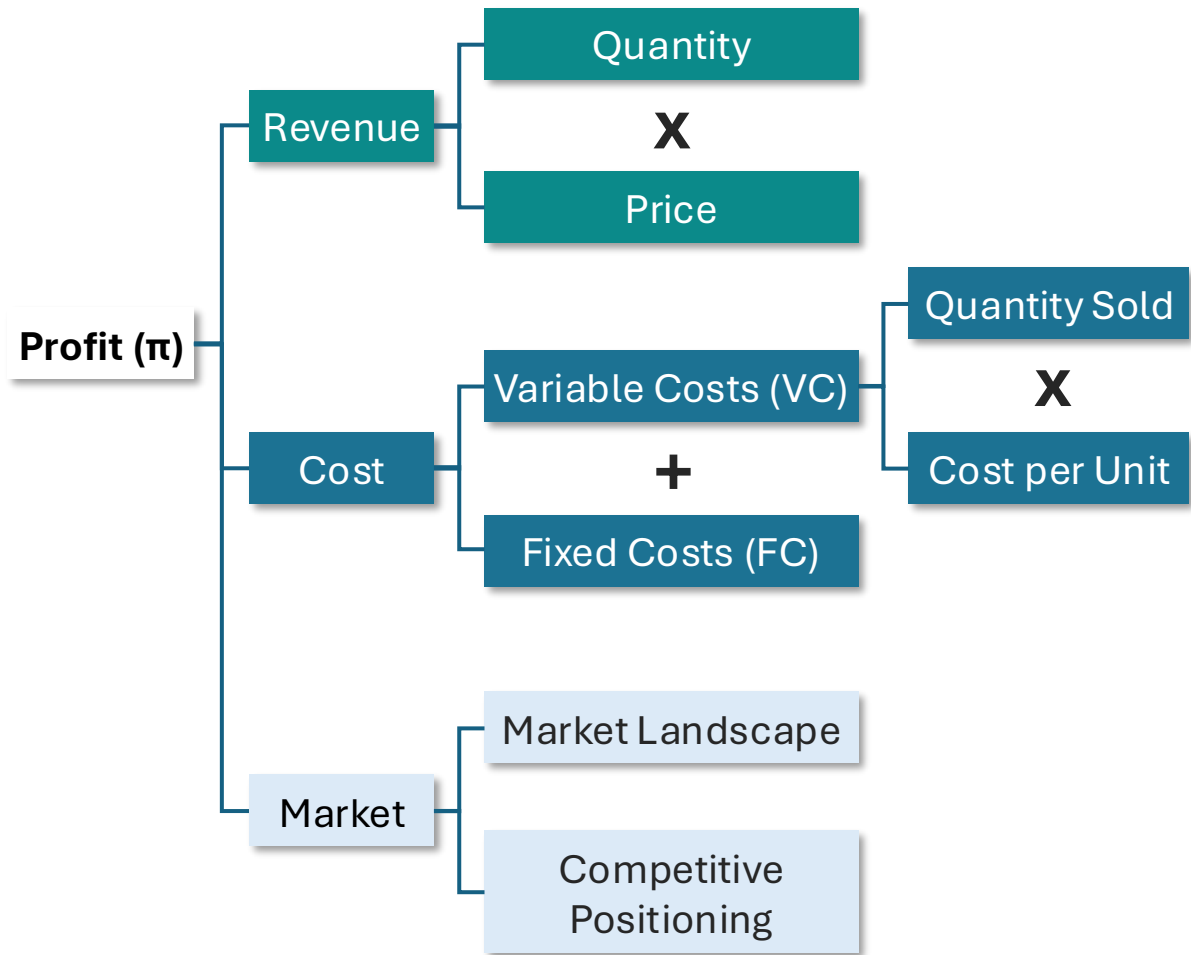
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Key Terms

- **TAM - Total Addressable Market**
 - Total demand for product/service
- **SAM - Serviceable Addressable Market**
 - TAM your business model can reach given geography, channel, and business model constraints
- **Penetration Rate**
 - % of SAM all competitors own
 - Indicates maturity of market
- **Market Share**
 - % of market the company owns
- **Top-down Sizing**
 - Start at the macro level and scale down
- **Bottom-up Sizing**
 - Start at the unit level and scale up

Profitability (1/2)

Profitability cases require evaluating whether the issue is revenue, cost, or market-driven



Revenue

Quantity

- # of products sold
- Product mix and new products
- Cross-sell / upsell
- Channel
- Inorganic growth
- Basket size & frequency
- Service model
- Positioning / differentiation
- Horizontal expansion
- Customer retention / churn
- Customer acquisition
- Geographic expansion

Price

- Product pricing per SKU
- Price elasticity:
 $(\epsilon) = (\% \Delta D) / (\% \Delta P)$
- Promotional pricing
- Willingness-to-Pay (WTP)
- Contract structure (e.g., recurring rev.)
- See “**Pricing**” slide

Cost

Variable Costs (VC)

- COGS
 - Direct labor
 - Raw materials
 - Packaging & distribution
 - Sales commissions
- The “**People, Process, Technology**” slide provides a diagnostic approach to solving VC issues

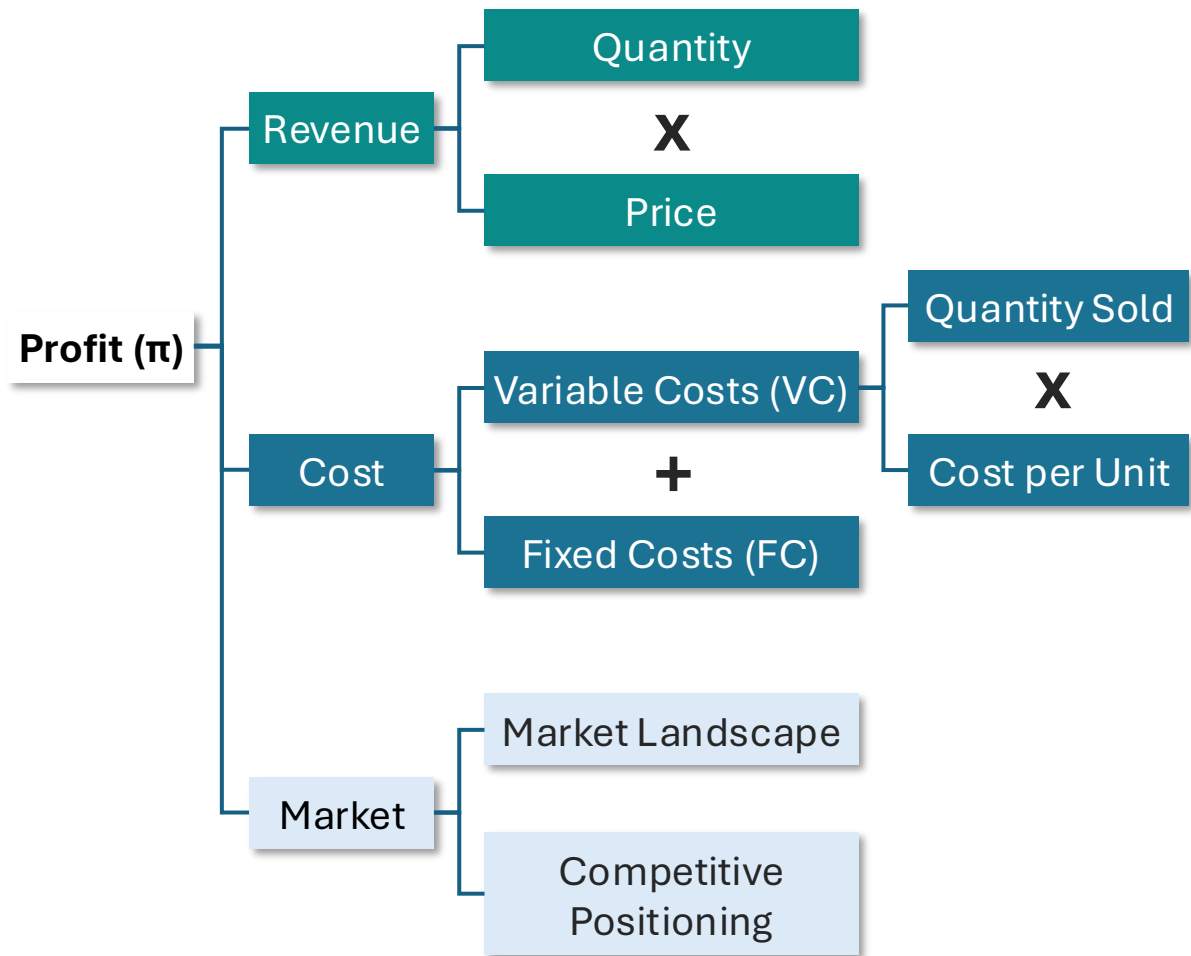
Fixed Costs (FC)

- R&D
- SG&A
 - Selling: Marketing
 - General: Rent, cloud storage
 - Administrative: Back-office: HR, legal, finance
- Facility / equipment rent

Most indirect labor will fall under FC

Profitability (2/2)

Profitability cases require evaluating whether the issue is revenue, cost, or market-driven



Market

Market Landscape

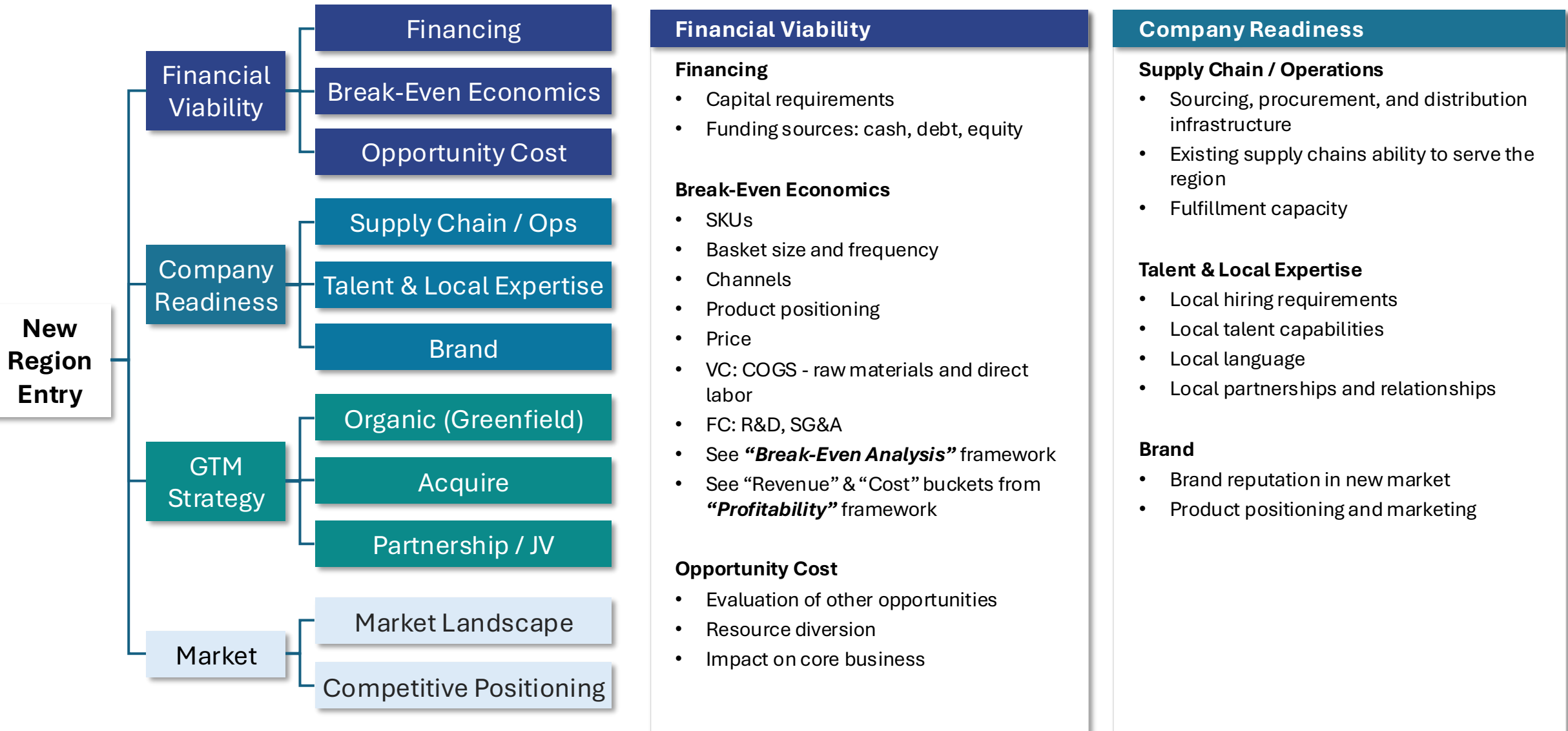
- Company's market share and trajectory
- Market size (TAM and SAM)
- Market growth rate (CAGR)
- Market's level of fragmentation (market concentration and HHI)
- Regulatory / legal environment
- Geopolitical risks – tariffs and trade sanctions
- Macroeconomic risks – interest rates and inflation
- Customer trends
- Technology innovation – AI, automation, IoT
- SKU cannibalization

Competitive Positioning

- Product positioning compared to competitors
 - Commodity vs differentiated product: marketing, customer perception, quality
- Barriers to entry - economies of scale
- Competitive response and first mover dynamics
- Cost structure vs competitor cost structures
- Switching costs / customer loyalty
- Threat of substitutes

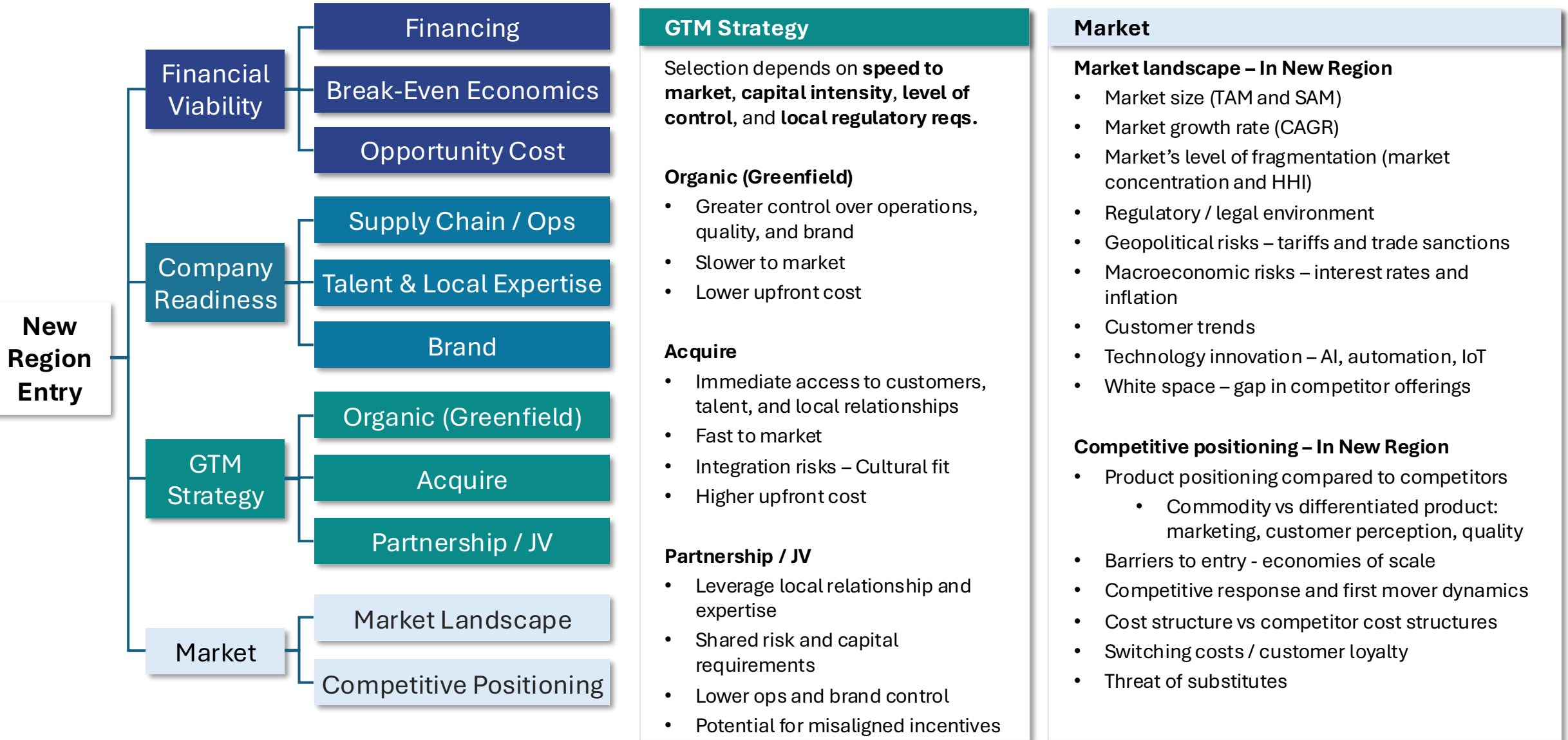
Entering a New Region (1/2)

Regional expansion cases require evaluating financial viability, whether the company can operate locally, market entry strategy, and an understanding of whether the market is attractive



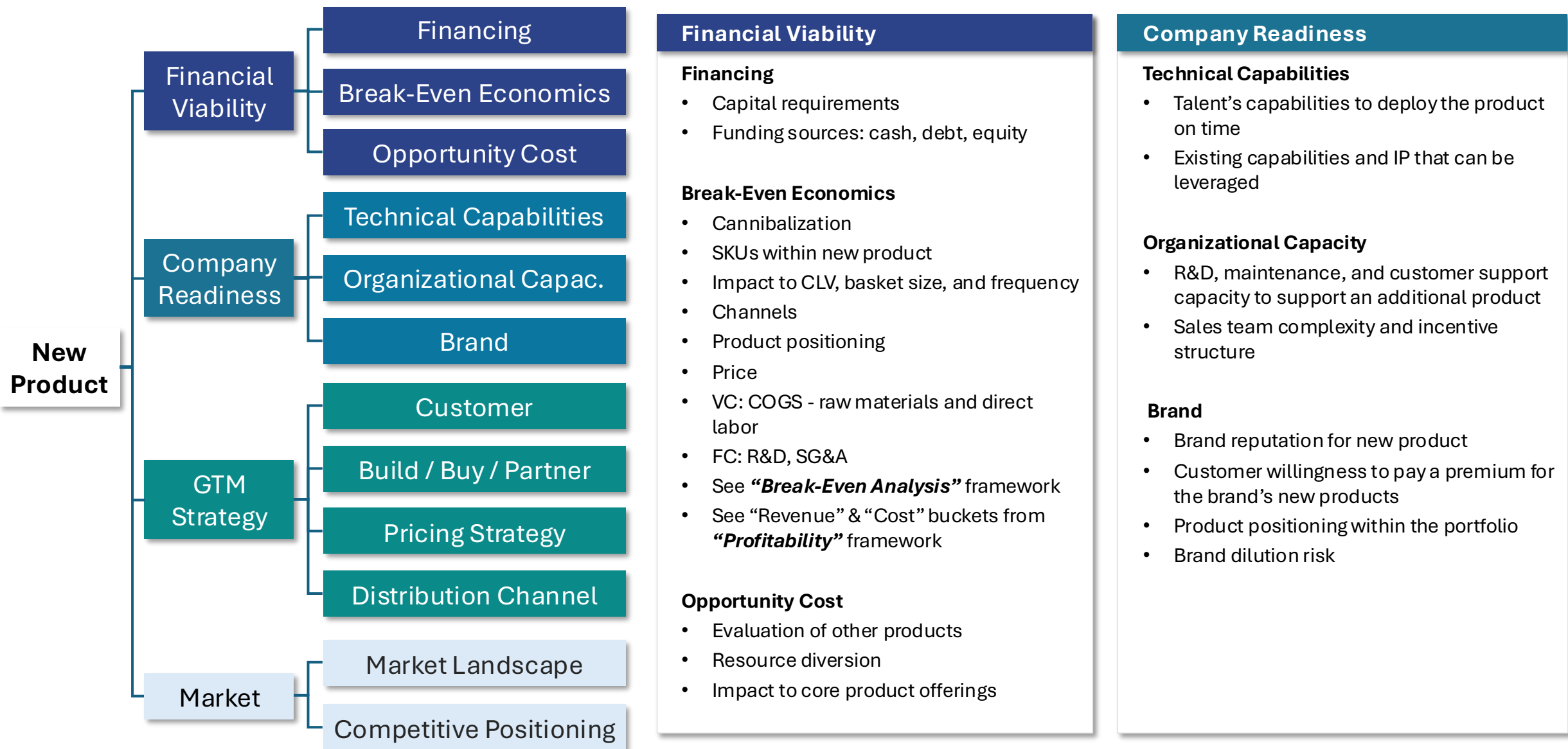
Entering a New Region (2/2)

Regional expansion cases require evaluating financial viability, operational complexity, market entry strategy, and an understanding of whether the market is attractive



Launching a New Product (1/2)

New product cases require evaluating whether the opportunity is financially viable, whether the company can execute, and how to bring the product to market



Launching a New Product (2/2)

Estimation

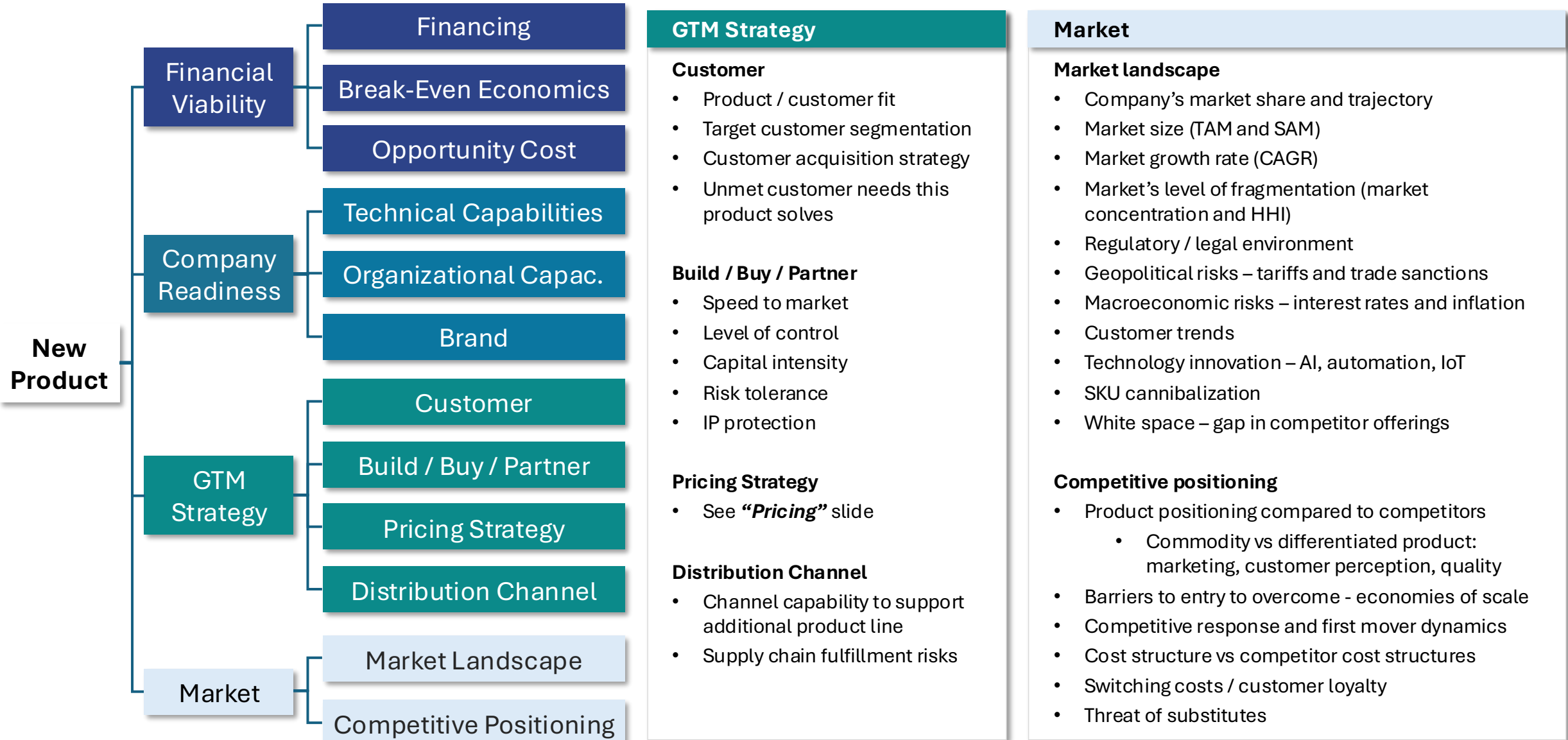
Financial

Growth

Transactions

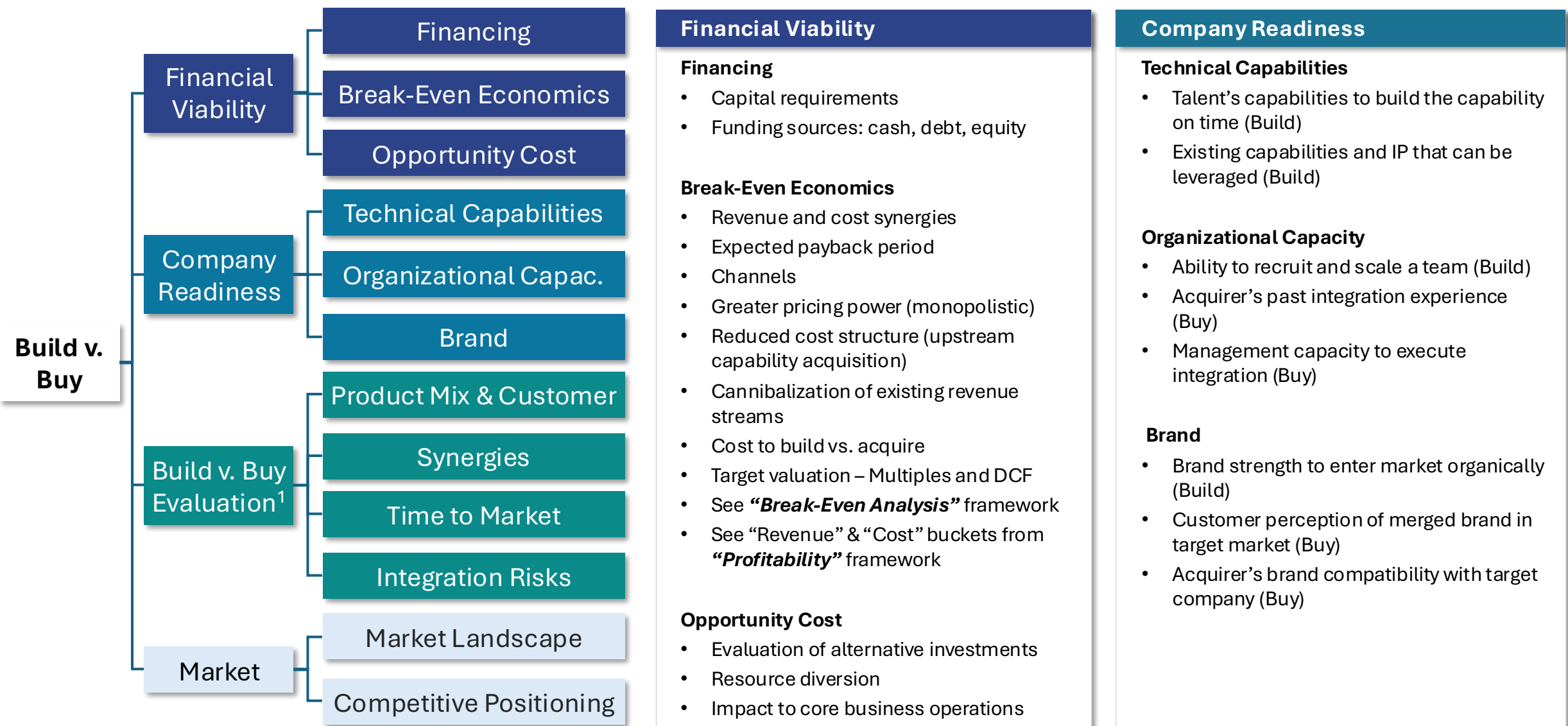
Supporting Frameworks

New product cases require evaluating whether the opportunity is financially viable, whether the company can execute, and how the company can bring the product to market



M&A: Build vs. Buy (1/2)

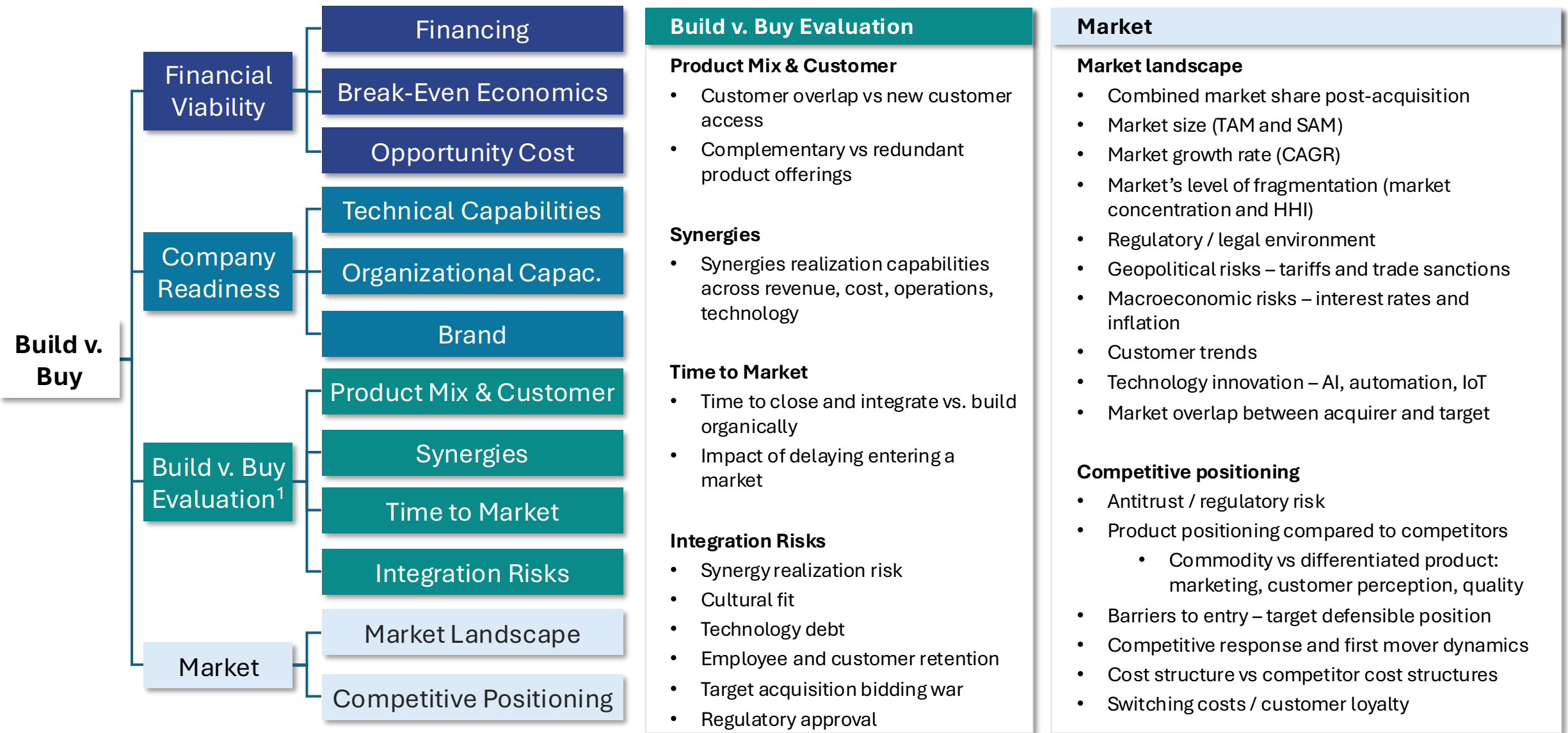
M&A cases can go many directions so it's important to understand the intent of the company (i.e.: customer acquisition, vertical integration, margin expansion, regional expansion, etc.) so you can prioritize which buckets are most important



¹ This bucket can be used for just “Acquisition Evaluation” if organic growth is not on the table

M&A: Build vs. Buy (2/2)

M&A cases can go many directions so it’s important to understand the intent of the company (i.e.: customer acquisition, vertical integration, margin expansion, regional expansion, etc.) so you can prioritize which buckets are most important



Private Equity Firm Evaluating a Target (1/2)

Estimation

Financial

Growth

Transactions

Supporting
Frameworks

PE target evaluation cases require you to understand the metrics PE firms use to identify target companies and how they go about optimizing their revenue and cost structures

PE Target Eval.

Financial Viability

Valuations

Deal Economics

Exit Strategy

Target Current State

Mgmt. Team

Infrastructure & Tech

Value Creation Plan

Rev. Growth Levers

Cost Levers

Ops. Improvements

Market

Market Landscape

Competitive Positioning

Financial Viability

Valuations

- Multiples: EV/EBITDA
- DCF: Discount future earnings by WACC
- LBO: Determine minimum exit price using target IRR
- Using multiples, fair value increases if:
 - EBITDA increases
 - Expectations of growth increase, price structure improvement, more predictable revenue model or multiple buyers
- MOIC: Multiple on Invested Capital
 - PE firm invests \$2M equity into a business with EV = \$10M. If PE exits at \$14M, the MOIC is 3x (6M/2M)
 - If this occurs in 3 years, your IRR = 44%

Deal Economics

- See “**Break-Even Analysis**” framework
- See “Revenue” & “Cost” buckets from “**Profitability**” framework

Exit Strategy

- Strategic sale, secondary sale (PE), IPO

Target Current State

Management Team

- Leadership’s cultural fit
- Willingness to stay post-acquisition
- Key person risk
- Compensation and incentive alignment

Infrastructure & Technology

- Due diligence of technology infrastructure
- Current system scalability
- Tech debt and deferred maintenance
- Data IP value

Private Equity Firm Evaluating a Target (2/2)

Estimation

Financial

Growth

Transactions

Supporting Frameworks

PE target evaluation cases require you to understand the metrics PE firms use to identify target companies and how they go about optimizing their revenue and cost structures

PE Target Eval.

Financial Viability

Valuations

Deal Economics

Exit Strategy

Target Current State

Mgmt. Team

Infrastructure & Tech

Value Creation Plan

Rev. Growth Levers

Cost Levers

Ops. Improvements

Market

Market Landscape

Competitive Positioning

Value Creation Plan

Revenue Growth Levers

- Price optimization
- Cross-sell / upsell
- Customer acquisition / market expansion
- Geographic expansion
- See “Revenue” bucket from “**Profitability**” framework

Cost Levers

- Eliminate redundant overhead
- Labor arbitrage
- See “Cost” bucket from “**Profitability**” framework

Operations Improvements

- Process automation and technology improvements
- Supply chain optimization
- See “**People, Product, Technology**” framework slide

Market

Market landscape

- Target’s market share and trajectory
- Market size (TAM and SAM)
- Market growth rate (CAGR)
- Market’s level of fragmentation (market concentration and HHI)
- Regulatory / legal environment
- Customer trends
- Trajectory of industry valuations and multiples
- Industry cyclicality

Competitive positioning

- Product positioning compared to competitors
 - Commodity vs differentiated product: marketing, customer perception, quality
- Barriers to entry - economies of scale
- Competitive response and first mover dynamics
- Switching costs / customer loyalty

Case Interview Finance – Income Statement (1/2)

Estimation

Financial

Growth

Transactions

Supporting Frameworks

You won't be tested on GAAP, but knowing what each line of the income statement tells you about a business is essential

Revenue

COGS

Gross Profit

OPEX
(exclude D&A)

EBITDA

Depreciation &
Amortization (D&A)

EBIT

Interest & Taxes

Net Income

Revenue

- **Revenue = Price * Quantity**
- Revenue streams can be segmented by product, channel, region, and customer profile
 - Total Revenue = Sum of revenue streams

Gross Profit

- Gross Profit tells you “**if unit economics are healthy**”
- **Shrinking gross profit** implies:
 - Revenue ↓ and/or COGS ↑
- **Negative gross profit** implies:
 - Losing more money as you sell more units

COGS – Cost of Goods Sold

- Ask yourself, “**What costs scale as you sell more**”
- **High Level Answer:** Direct labor and raw materials
- **Example for a CPG company:** Procurement, manufacturing, packaging, warehousing, distribution

OPEX – Operating Expenses (excluding D&A)

- Ask yourself, “**What costs exist regardless of units sold**”
- **High Level Answer:** SG&A, R&D, and indirect labor
- **SG&A** – Selling, General, and Administrative
 - **Selling:** Marketing
 - **General:** Rent, cloud storage
 - **Administrative:** Back-Office - HR, legal, finance

Case Interview Finance – Income Statement (2/2)

Estimation

Financial

Growth

Transactions

Supporting Frameworks

You won't be tested on GAAP, but knowing what each line of the income statement tells you about a business is essential

Revenue

- COGS

= Gross Profit

- OPEX
(exclude D&A)

= EBITDA

- Depreciation & Amortization (D&A)

= EBIT

- Interest & Taxes

= Net Income

EBITDA – Earnings Before Interest, Taxes, Depr. & Amort.

- EBITDA tells you “the cash-generating ability of the business operations”

Depreciation & Amortization (D&A)

- D&A is the practice of spreading capital expenses (CAPEX) over its useful life
 - **Depreciation** spreads the cost of physical assets
 - **Amortization** spreads the cost of intangible assets such as patents, software, goodwill

EBIT – Earnings Before Interest & Taxes

- EBIT tells you “earnings after CAPEX depreciation”
- Also known as **Operating Income**
- Note that per GAAP accounting OPEX includes D&A.
 - **Gross Profit – OPEX = EBIT**

Interest & Taxes

- **Interest** is the cost of borrowing money
 - **High Debt → High Interest Expenses**
- **US Corporate Income Taxes** are between 21% and 25%

Net Income

- Net Income tells “the profit remaining after all operational, financial, & tax obligations have been met”

People, Processes, and Technology

Estimation

Financial

Growth

Transactions

Supporting
Frameworks

This framework is a great way to evaluate how a company currently operates and how it can improve



People

- Labor productivity
- Labor retention
- Labor skill alignment with business needs
- Org. design / reporting structure
- Culture and change readiness
- Decision-making proximity
- Management effectiveness
- Workforce model: offshore / GBS / contract / in-house
- Knowledge base maturity



Processes

- Supply chain: sourcing, manufacturing, logistics, vendor mgmt., inventory mgmt., capacity planning, distribution
- Process bottlenecks and redundancies
- Process automation
- Vertical Integration
- Quality control
- Performance management & KPIs
- Standardization vs. customization
- Service delivery model aligns with customer expectation: self-service vs. white-glove
- Change mgmt. implementation
- Supplier diversification vs. concentration
- Geopolitical risk – tariffs, supplier disruptions



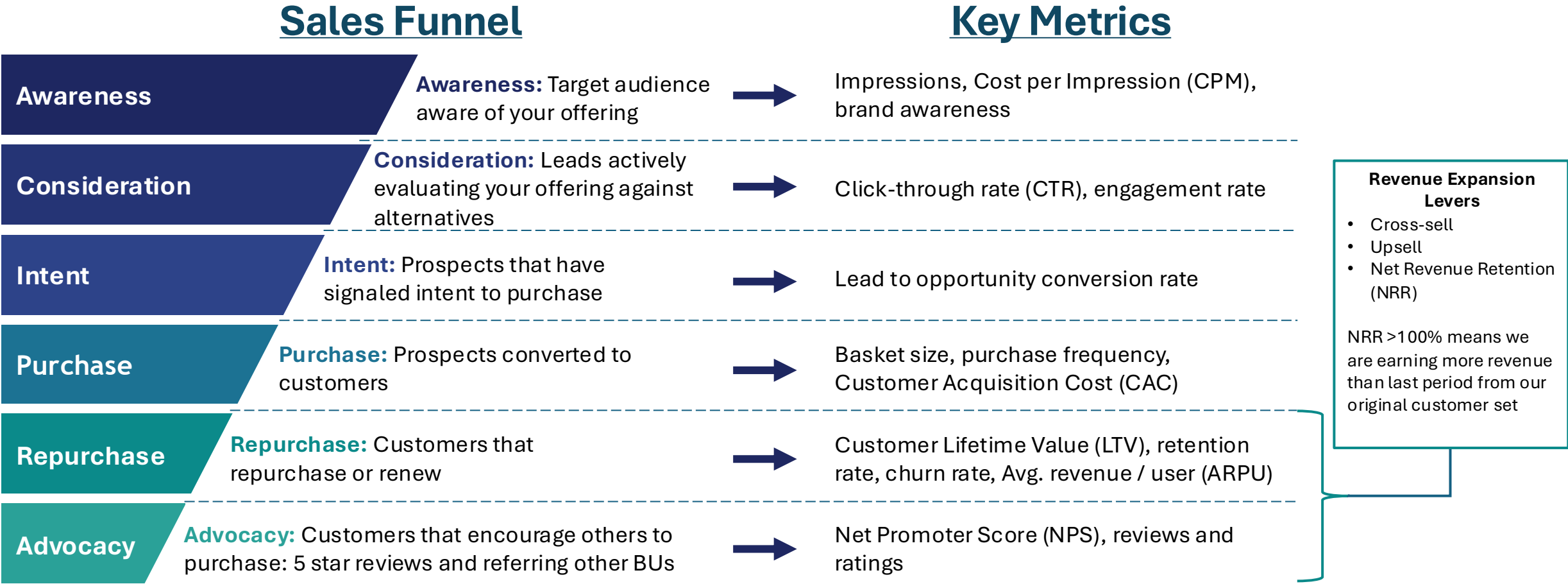
Technology

- Automation & AI / ML capabilities
- App Modernization - tech debt
- App rationalization
- Data for decision making
- Tech stack scalability
- IT cost structure: CapEx vs. OpEx mix
- Cybersecurity
- Disaster recover

Sales Funnel

The sales funnel can be used to identify the key issues preventing revenue growth

LTV:CAC is a critical metric. A poor ratio indicates either an ineffective sales process (high CAC) or a product with poor retention (low LTV)



Break-Even Analysis

Framework for quantitatively evaluating the financial viability of a business case

Break-Even Example Question Types

- | | |
|--|--|
| <ul style="list-style-type: none">Go/No-Go ROI Evaluation: Should we invest \$5M to bring this product to market? | <ul style="list-style-type: none">Break-Even Volume: How many units do we need to sell to profit \$1M per year? |
| <ul style="list-style-type: none">Break-Even Price: What is the minimum price we need to charge to turn a profit? | <ul style="list-style-type: none">Payback Period: How long will it take to recoup our investment? |

Key Terms and Formulas

Investment Analysis

- Discount Rate / Hurdle Rate / WACC / Opportunity Cost of Capital:**
 - Rate to discount future cash flows to find the present value of future earnings
 - WACC & Opportunity Cost of Capital consider alternative uses of the capital while discount rate and hurdle rate typically do not consider if a better opportunity exists
 - WACC = Risk-free rate + Risk Premium
- IRR (Internal Rate of Return) or ROI:** Rate of return of an investment
- NPV (Net Present Value):** Present value of future cash flows minus the initial investment
 - If IRR > WACC → NPV > 0 → pursue investment
 - If IRR < WACC → NPV < 0 → do not pursue investment
 - If IRR = WACC → NPV = 0 → investment covers cost of capital
- Payback Period:** Time to recoup the initial investment
- Sunk Costs:** Costs that cannot be recovered. These do not impact strategic decisions

Break-Even Analysis

- Contribution Margin per Unit** = $Price\ per\ Unit - VC\ per\ Unit$
 - The amount each unit contributes toward covering fixed costs
- Break-Even Volume** = $\frac{FC}{Contribution\ Margin\ per\ Unit}$
 - Minimum units needed to be sold to cover all costs
- Break-Even Price** = $VC\ per\ Unit + \frac{FC}{Volume}$
 - Minimum price to cover all costs
- Capacity Utilization:** Percent of production capacity currently being used. Improving utilization results in spreading FC over more units and therefore a reduced break-even volume

The pricing framework is helpful to understand how companies use pricing to achieve their objectives

Price Objective

- Identify whether the objective is maximizing profit, revenue, or market share

Price Elasticity

- $(\mathcal{E}) = \frac{\% \Delta D}{\% \Delta P}$
- When $\mathcal{E} < 1$, then increasing P will increase revenue
- When $\mathcal{E} > 1$, then decreasing P will increase revenue
- Elasticity indicates how to adjust prices to maximize revenue

Willingness-to-Pay (WTP)

- WTP informs company's value-based pricing strategy
- WTP represents the max amount a customer is willing to pay
- WTP varies by customer segment (ie: enterprise vs. individual, geo) so pricing should be customized by groups
- Pricing just below each segment's WTP maximizes revenue per customer

Pricing Methods

- Value based pricing
- Market based pricing
- Cost plus pricing

Pricing Models

- Tiered pricing
- Fixed pricing
- Usage based pricing
- Seat-based pricing

Pricing Tactics

- Volume discounts
- Bundling
- Loss-leader
- Penetration pricing vs price skimming
- Utilizing price ladder
- Free trial / Freemium
- Promotional pricing