

Business management
Higher level and standard level
Paper 1

May 2026 - Abraca (ABC)

Please read the pre-released materials for the opening four paragraphs of the case study

Abraca (ABC)

ABC's traditional concrete business operates using job production. Each construction project requires a different concrete mix specification. ABC's 200 delivery trucks transport concrete to construction sites across Country Z. ABC has Business-to-Business (B2B) relationships with 3,000 construction companies. However, ABC's profit margin on concrete sales has declined from 18% in 2020 to just 9% in 2025. This decline is mainly due to rising costs of limestone, which has increased in price by 35% over the past three years.

ABC's concrete production factories operate 24 hours per day. The production process is capital-intensive and highly automated. ABC employs 2,500 workers across its five concrete factories and one e-waste processing facility. Workers in concrete production receive piece-rate pay based on tonnes produced. The recent introduction of new automated mixing equipment reduced the number of workers needed by 15%, leading to 200 redundancies in 2024.

ABC's e-waste processing innovation has attracted significant media attention. The company received an Environmental Innovation Award from Country Z's government in 2024. However, ABC's scientists believe the process could be scaled up significantly. Currently, the factory operates at just 40% capacity because ABC struggles to source enough e-waste. Most e-waste in Country Z still goes to landfill because there is no effective collection system.

Dr Maria Santos, ABC's Chief Technology Officer, has proposed building five new e-waste processing factories across Country Z at a total cost of \$150 million. This would require ABC to arrange a significant bank loan. Dr Santos estimates that the expanded e-waste operations could generate annual revenues of \$80 million within three years, with a profit margin of 25%. However, this depends on ABC successfully partnering with local governments to establish e-waste collection points.

ABC's Board of Directors is divided. Some directors want to focus on improving the traditional concrete business, which still generates 95% of ABC's revenue. They point out that competitors are developing "green concrete" products that use less cement and

have 30% lower carbon emissions. ABC's concrete products currently have the highest carbon emissions per tonne in Country Z's concrete industry.

Other Board members support Dr Santos's expansion plan. They argue that the e-waste processing business has growth potential and improves ABC's corporate image. ABC's Corporate Social Responsibility (CSR) report emphasizes environmental responsibility, but pressure groups have criticized ABC's high carbon emissions from concrete production.

ABC is also considering a joint venture with SolarTech, a solar panel manufacturer. SolarTech wants to establish a facility to recycle old solar panels, which contain toxic metals and valuable materials. Solar panels have a lifespan of 25-30 years. As solar energy adoption increases globally, millions of panels installed in the 2000s and 2010s will need recycling within the next decade. SolarTech would provide the capital and expertise in solar technology, while ABC would operate the facility using its e-waste processing technology.

However, ABC's Operations Manager, Jin Chen, has concerns. Jin argues that ABC lacks experience in managing joint ventures and that solar panel recycling requires different processes from circuit board recycling. Jin also notes that ABC's current workforce does not have training in handling toxic materials safely.

In Country Z, small businesses are developing plastic-shredding machinery to recycle plastic waste from construction sites. Some construction companies have started asking ABC to collect and recycle plastic waste. ABC could purchase plastic-shredding machinery and establish a plastic recycling division. This would diversify ABC's operations but would require retraining workers and significant investment in new equipment.

ABC's marketing department conducted market research showing that 73% of construction companies in Country Z would pay a 5-10% premium for concrete made with recycled aggregates if it met the same quality standards as traditional concrete. ABC currently does no marketing and relies entirely on its established relationships with construction companies.

Table 1 shows selected financial information for ABC for 2024 and 2025.

Table 1: Selected financial information for ABC (figures in \$ millions)

	2024	2025
Revenue from concrete sales	450	480
Revenue from e-waste processing	18	22
Gross profit	95	88
Profit for period (net profit)	42	38
Total assets	520	545

ABC's share price was \$12 per share in January 2024 but has fallen to \$9.50 today. ABC has 80 million issued shares. Some shareholders are frustrated with falling profitability and want ABC to focus on its core concrete business rather than diversifying into new areas.

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