

A-3.1: Financial Statement Analysis

PART II – Required: (Due my week #4)

75 pts.

3. Compute the main financial ratios that were presented in class and in Foerster’s textbook for BC and HOG for the period 2011-2015. Be sure to include vertical analyses (also called common-size analyses) of the income statements and balance sheets. Create a well formatted table with your results in Word (or other text processing software) and attach it to your answer sheet.

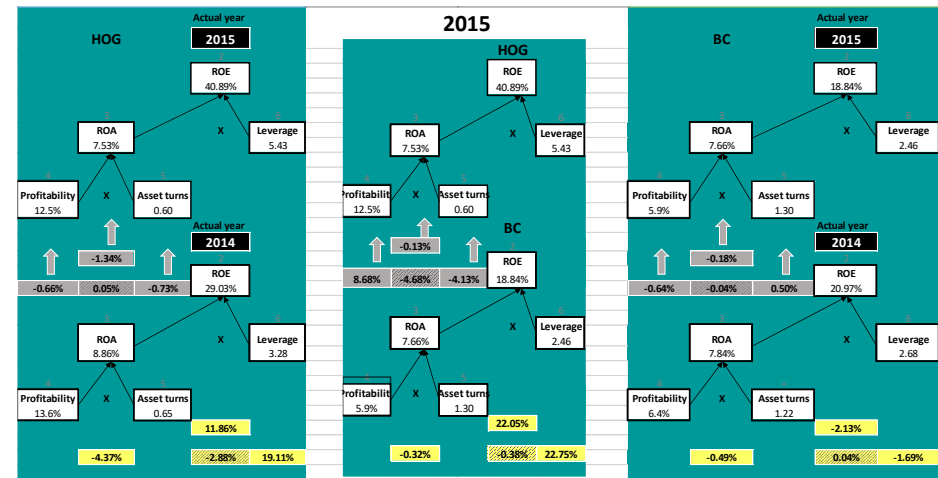


Part 2 Performance Ratios.xlsx

Note: My Calculations are inside this excel File.

Performance Ratio	HOG					Performance Ratio		BC				
	2011	2012	2013	2014	2015	HOG Trend	BC Trend	2011	2012	2013	2014	2015
Performance Measure												
Retrun on Equity	24.75%	24.39%	24.39%	29.03%	40.89%			232.69%	64.35%	74.08%	20.97%	18.84%
Profit Margin	11.28%	11.18%	12.44%	13.56%	12.55%			1.92%	1.34%	19.79%	6.40%	5.88%
Asset turnover	0.55	0.61	0.63	0.65	0.60			1.50	1.53	1.33	1.22	1.30
Financial Leverage	4.00	3.59	3.13	3.28	5.43			80.71	31.20	2.81	2.68	2.46
Profitability												
Gross Margin	44.92%	45.28%	45.27%	46.00%	47.32%			26.14%	27.81%	28.37%	29.12%	29.31%
EBIT margin	21.23%	21.94%	22.32%	23.21%	22.03%			5.56%	7.80%	8.23%	9.39%	10.39%
Operating Exp Ratio	23.69%	23.34%	22.95%	22.79%	25.29%			20.59%	20.02%	20.13%	19.73%	18.93%
ROI Capital	9.00%	10.39%	10.35%	11.17%	9.84%			18.71%	29.01%	13.89%	14.40%	16.02%
Resource Management												
Fixed Asset turnover	6.56	6.84	7.00	7.05	6.36			6.40	6.39	6.29	8.34	8.13
Age of Inventory	52.15	47.04	47.99	48.71	67.71			70.23	78.32	78.55	87.51	86.15
Age of Receivables	136.02	129.05	125.88	126.83	140.08			33.71	34.29	34.23	36.75	35.39
Age of Payables	31.90	30.77	27.11	21.36	27.23			37.18	45.48	41.37	42.58	42.65
Liquidity												
Currnt Ratio	1.68	2.70	1.59	1.65	1.45			1.49	1.45	1.71	2.19	2.19
Quick Ratio	1.44	2.24	1.33	1.35	1.15			0.86	0.79	0.84	1.15	1.19
Leverage												
Debt-to-Assets	74.98%	72.11%	68.00%	69.47%	81.59%			98.76%	96.79%	64.39%	62.62%	59.36%
Debt-to-equity	299.72%	258.57%	212.51%	227.51%	443.10%			7971.20%	3019.95%	180.80%	167.55%	146.04%
Long-term debt to capital	61.36%	63.08%	53.17%	56.39%	72.48%			95.72%	87.88%	30.39%	27.76%	25.67%
Interest coverage	4.25	5.15	6.40	8.78	7.64			2.55	4.26	7.29	12.10	15.34
Debt service coverage	0.70	1.53	0.74	0.94	1.03			3.72	4.86	7.58	11.55	13.92

STATEMENT OF FINANCIAL POSITION	HOG					BC							
	2011	2012	2013	2014	2015	HOG Trend	BC Trend	2011	2012	2013	2014	2015	
ASSETS													
Cash & Equivalents	19.74%	15.18%	13.93%	11.15%	8.56%			17.44%	16.07%	12.88%	20.79%	21.62%	
Receivables - Total (Net)	20.46%	21.52%	21.63%	22.71%	23.03%			13.88%	14.40%	12.50%	12.33%	12.63%	
Inventories - Total	4.32%	4.29%	4.51%	4.71%	5.86%			21.36%	23.75%	20.55%	20.81%	21.73%	
Prepaid Expenses	0.00%	0.00%	0.00%	0.00%	0.00%			0.00%	0.00%	0.00%	0.00%	0.00%	
Current Assets - Other	2.43%	3.19%	2.33%	2.86%	2.41%			1.70%	1.88%	5.80%	8.85%	6.99%	
Current Assets - Total	46.95%	44.17%	42.41%	41.44%	39.87%			54.37%	56.11%	51.74%	62.78%	62.96%	
Plant, Property & Equip (Gross)	26.93%	29.28%	29.80%	31.44%	31.76%			72.75%	70.65%	58.73%	41.62%	43.35%	
Accumulated Depreciation	18.56%	20.38%	20.85%	22.17%	22.33%			49.28%	46.67%	37.54%	26.93%	27.32%	
Plant, Property & Equip (Net)	8.37%	8.89%	8.96%	9.27%	9.43%			23.48%	23.98%	21.19%	14.69%	16.03%	
Investments at Equity	0.00%	0.00%	0.00%	0.00%	0.00%			1.91%	1.75%	1.42%	0.61%	0.68%	
Investments and Advances - Other	41.62%	44.04%	44.93%	47.40%	48.19%			5.22%	3.30%	0.68%	0.63%	0.75%	
Intangibles	0.30%	0.32%	0.32%	0.29%	0.71%			13.61%	13.60%	11.22%	10.92%	11.22%	
Deferred Charges	0.00%	0.00%	2.60%	0.00%	0.00%			0.00%	0.00%	0.00%	0.23%	0.00%	
Assets - Other	2.76%	2.57%	0.77%	1.61%	1.80%			1.40%	1.26%	13.76%	10.15%	8.36%	
TOTAL ASSETS	100.00%	100.00%	100.00%	100.00%	100.00%			100.00%	100.00%	100.00%	100.00%	100.00%	
LIABILITIES													
Accounts Payable	2.64%	2.81%	2.55%	2.07%	2.36%			11.31%	13.79%	10.82%	10.13%	10.76%	
Notes Payable	8.67%	3.22%	7.08%	7.68%	12.02%			0.04%	0.07%	0.00%	0.00%	0.00%	
Accrued Expenses	4.73%	5.00%	4.25%	4.40%	4.54%			21.06%	19.54%	15.77%	14.27%	14.22%	
Taxes Payable	0.60%	0.22%	0.23%	0.30%	0.19%			0.00%	0.00%	0.00%	0.00%	0.00%	
Debt (Long-Term) Due in One Year	10.75%	4.77%	12.51%	10.61%	8.44%			0.06%	0.27%	0.22%	0.18%	0.19%	
Other Current Liabilities	0.50%	0.38%	0.06%	0.02%	0.00%			3.95%	4.98%	3.47%	4.14%	3.64%	
Total Current Liabilities	27.90%	16.39%	26.68%	25.08%	27.55%			36.41%	38.66%	30.29%	28.72%	28.81%	
Long Term Debt	39.73%	47.66%	36.33%	39.48%	48.50%			27.68%	23.25%	15.55%	14.36%	14.04%	
Deferred Taxes (Balance Sheet)	0.00%	0.00%	0.53%	0.00%	0.00%			3.28%	3.82%	0.00%	0.10%	0.39%	
Investment Tax Credit	0.00%	0.00%	0.00%	0.00%	0.00%			0.00%	0.00%	0.00%	0.00%	0.00%	
Liabilities - Other	7.35%	8.06%	4.46%	4.91%	5.54%			31.39%	31.06%	18.55%	19.44%	16.12%	
Noncontrolling Interest - Redeemable	0.00%	0.00%	0.00%	0.00%	0.00%			0.00%	0.00%	0.00%	0.00%	0.00%	
TOTAL LIABILITIES	74.98%	72.11%	68.00%	69.47%	81.59%			98.76%	96.79%	64.39%	62.62%	59.36%	
SHAREHOLDERS' EQUITY													
Preferred Stock	0.00%	0.00%	0.00%	0.00%	0.00%			0.00%	0.00%	0.00%	0.00%	0.00%	
Common Stock	0.04%	0.04%	0.04%	0.04%	0.03%			3.08%	3.17%	2.64%	2.45%	2.44%	
Capital Surplus	10.01%	11.62%	12.49%	13.28%	13.30%			17.43%	18.18%	13.48%	12.60%	12.94%	
Retained Earnings (Net Other)	65.61%	73.04%	79.96%	83.38%	83.54%			-3.33%	-2.14%	29.56%	31.48%	37.63%	
Less: Treasury Stock	50.64%	56.82%	60.49%	66.16%	78.46%			15.94%	16.01%	10.06%	9.16%	12.37%	
Shareholders Equity - Parent	25.02%	27.89%	32.00%	30.53%	18.41%			1.24%	3.21%	35.61%	37.38%	40.64%	
Noncontrolling Interest - Nonredeemable	0.00%	0.00%	0.00%	0.00%	0.00%			0.00%	0.00%	0.00%	0.00%	0.00%	
TOTAL SHAREHOLDERS' EQUITY	25.02%	27.89%	32.00%	30.53%	18.41%			1.24%	3.21%	35.61%	37.38%	40.64%	
TOTAL LIABILITIES AND EQUITY	100.00%	100.00%	100.00%	100.00%	100.00%			100.00%	100.00%	100.00%	100.00%	100.00%	



4. In your opinion, based on the ratios calculated above, which company performed better over the last year? Which company is riskier from a financial standpoint? Explain briefly. (30)

Based on the ratios, I believe that Brunswick Corp (BC) performed slightly better over the last year. Although Hurley-Davidson Inc. (HOG) profit margin is double that of BC, comparing the ratio change from 2014 to 2015, BC is .64% less profitable compared to HOG -.66%. Similarly BC became more efficient (Asset turnover rate .50%) compared to HOG (Asset turnover rate -.73%). Conclusively Brunswick Corp performed slightly better which is also reflected by the ROA ratios.

Hurley-Davidson Inc. (HOG) is much riskier from a financial standpoint. HOG's ROE is much higher than Brunswick's, that's due to 20% higher leverage changes from 2014 to 2015, while BC's Leverage was reduced by almost 2%. Comparing the two companies, BC is 23% less leveraged than HOG. Bottom line HOG has a huge debt compared to BC, thus riskier than BC.