

Financial detective

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Introduction

This case consists of an analysis, where companies in the same field are compared to figure out which company belongs to which financial statement.

Health products

The Companies

Company 1 is the largest prescription-pharmaceutical company in the world. It has many different ethical pharmaceuticals, which are supported with a big R&D budget. They have recently divested in non-pharmaceutical businesses and are no seen as the partner of choice for license deals with other biotech companies. Company 2 is a diversified health-product company. Among their products you find non-prescription drugs, health and beauty products but also medical diagnostics and devices. Brand development and management are major elements in the firm's mass-market-oriented strategy.

The financial statements

When you look at the statement you quickly see that there are some items that stand out in terms of how much it differs between the companies. When I look at intangibles I see that B has much higher value which would imply that B is company 1 that have a lot invested in research.

Furthermore I see that Net fixed assets are slightly higher for A which implies that A is company 2 who carry a wide array of product that needs many different machines to be produced.

In the information about the companies it is stated that company 1 has divested during the last years, in the item deferred tax I notice that B has much higher values which implies that B is company 1. Cost of goods scale shows us that A has much higher producing expenses, which implies that they don't have the benefit from economies of scale. This would only strengthen my statement that A is company 2.

Conclusion

Company 1 is B, Company 2 is therefore A.

Beer

The Companies

Company 1 is a national brewer of mass-market consumer beer. Owns many brands, beer-related businesses and several theme parks. They operate a large network of breweries and distribution systems.

Company 2 have a smaller production volume and higher prices. They outsource most of the brewing. Financial conservative. Has undergone a cost-saving initiative to counter balance the surge in packaging and freight costs.

The financial statements

I see that net fixed assets are much higher at C which would imply that company 1 is C. Furthermore I see that C has a long term debt far greater than D and this is

connected with the amount of equity that D has, this implies that D is company 2 who are more conservative.

When I look at SG&A I see a much higher amount for D, which match a surge in packaging, and freight costs, which concludes the same as before.

Conclusion

Company 1 is C and company 2 is D

Computer Companies

The companies

Company 1 focus on built to order PC by mail order. They have a wide variety of products in the area of computers. The customers use a web site to do all purchase from the company.

Company 2 sells computers, consumer-oriented electronic-devices and software through their stores. They have recently gained market shares after a decline and are now aggressively pursuing their retail strategy.

The financial statement

I see that F has a higher figure under the item intangibles this could be patents, which would imply that company 2 is F. The item investments and advances is significant higher for E, this could be the result of investing in a efficient online mail-order system (which would imply that company 1 is E). Accounts payable sticks out and especially for E. The high figure could be a result of outstanding debt to suppliers of different components (company 1 =E). The item S&G Expense also differs between the companies. The higher figure for company F could be a result of overhead from a lot of stores (company 2=F).

Conclusion

Company 1 is E and company 2 is F.

Books and music

The companies

Company 1 has a vast retail store presence. They are leaders in traditional book retailing. Maintains an on-line presence and owns a publishing imprint.

Company 2 sells a variety of media products through its web site. 75% of sales are derived from media the other 25 % is electronics and other general goods. Recently become profitable, and has acquired related on-line businesses in recent years.

The financial statements

When I look at the statements I see that inventories and net fixed assets both are considerably higher for H than G. This implies that H is company 1 who has much more inventories in their stores than the on-line site who can control their inventory better.

When we look at long term debt, we notice that G has a very high debt which

could derive from an aggressive strategy of acquisitions of companies. This shows that G probably is company 2. When I examine the ratios I see that fixed assets turnover is considerably higher for G than for H which would be consistent with an on-line based company without fixed assets.

Conclusion

Company 1 is H and Company 2 is G.

Paper products

The companies

Company 1 is the worlds largest maker of paper, paperboard, and packaging. Owns timberland, lumber, and different production facilities. Has spent the last years cutting costs and selling inefficient and nonessential parts of the company.

Company 2 is a small producer of towels, tissues, printing and technical speciality paper. Products are marketed under brand labels and they by all the wood fiber needed on the open market.

The financial statements

When I look at net fixed assets I see that J has more fixed assets such as timberland, facilities and so on. This would indicate that J is company 1. Under the item intangibles I see that I has a higher value which would be consistent with a company who has a lot of brands. The value of the brands is a big part of this item which would show that I is company 2.

When I look at the long-term debt I see that it is considerably higher for I than J, this can be a result of the strategy company 1 have had during the last years. By selling of parts of the company they have the possibility to lower their debt.

When I combine all the statements above with the fact that J has twice the value in inventories compared to I the conclusion can only be that company 1 is J and company 2 is I.

Conclusion

Company 1 is J and company 2 is I.

Tools

The companies

Company 1 is a global manufacturer and marketer of a wide variety of power tools with accessories focused on home improvement. The company sells to retailers, wholesalers and distributors under a wide variety of well-known brands.

Company 2 is a manufacturer of high-precision tools and diagnostics-equipment for professional users. The firm uses technical representatives

and mobile franchise dealers to sell their products. They also provide financing for franchisees and large purchases from customers.

The financial statement

When I look at the balance sheet under the item receivables the figure is considerable higher for L, which would point towards company 2 since they give financing. The item investments and advances is also higher for L which could connect to investments in R&D to develop high-precision and professional tools, and therefore company 2. In the income statement the item SG&A expenses stick out, especially for L. Company 2 has their own technical experts and provides support for their franchisees, this would create a higher cost of SG&A.

Conclusion

Company 1 is K and company 2 is L.

Newspapers

The companies

Company 1 is a diversified company with most of the revenue derived from selling newspapers in the country and global. Central controlled. Is pressured by fierce competition about subscribers and advertising. Has recently built a large office.

Company 2 is holding a portfolio of smaller local monopolistic newspapers. The company carries a significant amount of goodwill. Decentralized decision making is a key factor for the success of the company.

The financial statement

I start off by looking at the net fixed assets which should be higher for company 1 who recently built a big office. This is consistent with P. Furthermore we want to see a high value in the item intangibles which would show underlying values of goodwill. I can see that O has a higher value which would imply that O is company 2.

We see that there is a big difference in stockholder equity between the two companies this can be a sign that the company with lower equity has invested in a project, like a new office. When I look at the ratios I see that P has a lower profit margin, which can be the result of fierce competition, consistent with company 1.

Conclusion

Company 1 is P and company 2 is O.

Retailing

The companies

Company 1 carries a wide variety of merchandise and advertises nationally. They are volume oriented and most of their stores are leased. They are planning to expand both internationally and in urban areas.

Company 2 is a rapidly growing chain of upscale discount stores. They have partnerships with several leading designers. The company recently disinvested

in non-discount department stores. They offer credit to qualified customers to support their sales and earnings growth.

The financial statement

M has a very high value under the item intangibles, which could be derived from a lot of partnerships and therefore pointing towards company 2.

The ratio that catch the eye the most is receivables turnover, this means that M get paid more often, this could be derived from a strategy of giving customers credit and then getting the payments more often.

Conclusion

Company 1 is N and company 2 is M.

Cross comparison

When I look at the balance sheet for the different companies I see a higher value under item intangibles for healthcare, tools, and newspapers. I believe that this is derived from a lot of R&D , patents and also know-how. The highest net profit margin is in health products. This is not surprising since they have monopoly on the pharmaceuticals they develop themselves.