Final report and ratios

Final Report and Ratios [School] Number] November 24, Final Report and Ratios The report compares twoorganizations namely Home Depot and Lowe’s on the basis of leverage ratios to decide which of these companies should be acquired. Key Indicators Particulars/Figures in million USD HOME DEPOT LOWE'S 2009 2008 2009 2008 Net Sales 66, 176 71, 288 47, 220 48, 230 Cost of Sales 43, 764 47, 298 30, 757 31, 729 Operating Profit 4, 803 4, 359 3, 112 3, 815 EBIT 4, 658 4, 214 3, 138 3, 826 Interest 676 624 287 280 Long Term Debt 8, 662 9, 667 4, 528 5, 039 Total Liabilities 21, 472 23, 387 13, 936 14, 570 Shareholders' Equity 19, 393 17, 777 19, 069 18, 055 Cash flow 5, 125 5, 528 4, 054 4, 122 Long Term Debt Ratio 0. 31 0. 35 0. 19 0. 22 Long Term Debt Equity Ratio 0. 45 0. 54 0. 24 0. 28 Total Debt ratio 1. 11 1. 32 0. 73 0. 81 Times Interest Earned Ratio 6. 89 6. 75 10. 93 13. 66 Cash Conversion Ratio 1. 07 1. 27 1. 30 1. 08 Comparison Home depot is more leveraged and aggressive when compared to that of Lowe’s. Total debt ratio is more than 1 in the year 2009 and 2008 for Home depot but it’s less than 1 for Lowe’s in the year 2009 and 2008, which suggests that in case of liquidation, shareholders will be left with nothing in case of Home Depot as debt holders would be paid first. Lowe’s also has a better cover for the interest payables, as the times interest earned ratio which stands at 10. 93 is far ahead when compared to that of Home Depot which stands at only 6. 89. Lowe’s cash conversion is of particular significance because the operating profit attributable to shareholders is converted into cash, which could be paid to investors without affecting the business, more efficiently and effectively when compared to that of Home Depot. References Home Depot Annual Report, 31 January 2010, Web site: http://www. homedepot. com/ Lowe’s Annual Report, 31 January 2010, Web site: www. lowes. com