

# Financial report report examples

[Business](#), [Company](#)



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## **Background**

Nike Corporation is an international organization whose core business activity entails the sale of footwears, sport equipments and other accessories. The company is well known for being an aggressive marketer and dominant designer of sporting equipments. In addition to marketing, designing footwears and sporting equipments, the corporation is famous for distributing its products across the globe. The performance of the corporation is highly esteemed and is usually termed as the best among various companies in the same industry.

The company was founded in the year 1964. Back then, it was not known as Nike Inc. but was known as Blue Ribbon Sports. Due to the diligence of the founders, Phil Knight and Bill Bowerman, the company developed and had its brand name changed to Nike in 1978. The headquarter of Nike Inc. is located in Beaverton, Oregon. The main target of the company in 1978 was selling its brand name to customers aged 16 to 35 years. Moreover, as the company grew in size, it diversified its strategies and started producing products that targeted people in all age brackets.

Nike Inc. has 18 sales offices located in various centers in the United States. In addition to the 18 sales offices, Nike Inc. has four independent sales representatives that facilitate the marketing and distribution of products to various golf clubs across the globe and 5 outlets that facilitate the marketing of snowboarding, as well as skateboarding. Nike Inc. has a total of 363 distribution points in various parts of the world including those located in the united states. It has located itself in countries such as Canada, Asia, some Latin American Countries and Europe.

Over the last three years, Nike Inc. has endeavored to create customer satisfaction through quality enhancement and product diversification. This has been possible due to the use of the electronic commerce and public relations. Electronic commerce has facilitated the accessibility of products by customers since customers purchase them online. The quick accessibility of products by customers has increased sales of the company immensely and hence facilitating production of quality goods by the company. Customer relation has been the core objective of the company where extreme sales promotion and after sale services have been offered to customers. This has led to high customer retention and customer loyalty.

The main strategies adopted by the company form the major pillars and bedrock which the company will rely on in the future. In addition, it is worth noting that the company has also embarked on a series of investment approaches over the last three years. The investment approaches include social venture capital, support of social entrepreneurship, capacity building for business acumen, volunteerism and investing in hybrid models. The

investment approaches as implemented by Nike Inc. are geared towards tapping innovation, developing deeper social impact and developing a better world through sport. Given the strategic embankments of the company, it is instrumental to an employee to evaluate the impact of the various investments to his or her needs. The impact of the investments can be evaluated by using the ratio analysis of the company. The ratio analysis will be interpreted in order to reflect the impact of the strategies taken by the company on the needs of the employees.

### **Ratio analysis**

One of the key ratio that usually has an impact on the employee is the liquidity ratio. The liquidity ratios indicate the liquidity position of the company. An organization that has a low liquidity position is likely going to be liquidated in the future. An employee has every reason to worry especially when a company has low liquidity ratios. This means that the company can be liquidated any time and the employees would have to remain jobless. Nike Inc has a current ratio of 2.85 times. This implies that the total assets of the company are 2.85 times than the current liabilities. The quick acid test ratio is 2.14, an indication that the current assets less inventory is more than the current liabilities. Therefore, employees in Nike Inc. do not have anything to worry regarding the security of their job. The current ratio and acid test ratio indicate that the company can be able to meet its short term obligations when they fall due. In this case, an employee is assured that the company cannot run into liquidation problems any time soon.

The profitability of a firm is of key interest to an employee. An employee would be interested to know whether the company is making losses or profits. A company that makes high returns out of the invested funds usually pays high wages to employees due to their high returns and promises of growth, increase in salaries and advancement in terms of promotion. On the other hand, an employee in a firm generating losses usually does not have any prospects of growth and advancement in the company. Nike Inc. has a gross margin ratio of 45.58 and the net margin ratio of 10.22. These two ratios indicate that the company has an adequate capability of converting the invested funds into earnings. An employee in Nike Inc. should not have anything to worry about since the ratios indicate high profitability. In addition, the ratios indicate there are prospects of growth and advancement in the organization due to higher profitability.

The total debt to equity ratio of Nike Inc. is 0.3. This implies that the company uses 30 percent of external borrowing and uses 70 percent of equity to fund its activities. This is commendable as it shows that the company has minimal chances of being insolvent. An employee in Nike Inc. should not have any reason to worry about since there is job security and room for economies of scale enjoyed by the company which will have ripple effects on the employees.

The earnings per share of Nike Inc. would be of imperative significance to an employee. This is because it indicates the portion of earnings allocated to the outstanding shares. In addition, the earnings per share indicate the profitability of a company. The earnings per share of any company is used to

evaluate the efficiency of utilizing the investors' funds given the number of stockholders. A company with a high EPS is likely going to attract a lot of investors and hence increase in performance and returns. Given that Nike Inc. has an Eps of 4.47 in year 2011, it is an indication that the company has an adequate ability of converting the funds from investors into earnings. Employees would be interested in this ratio because sometimes the company offers to pay bonuses and salaries to employees in the form of Employee Share Ownership Plans (ESOPs). Through this method, the employees are usually motivated to work hard in order to raise the stock price which usually has a direct impact on their satisfaction. An Eps of 4.4 in Nike is favorable, and employees should feel proud of their productivity.

## **Conclusions and recommendations**

Nike Inc. performance over the last 3 years indicates a commendable performance. Based on the calculated ratios, the employees' needs are being represented by the company. The major areas that favor the company is the liquidity position and the gearing ratio. It is advantageous for employees to continue working for Nike regardless of the salary being offered. This is because it offers job security and chances of promotion in the future. A different company may offer high wages to the employees, but if the company is highly geared, it may lead to loss of jobs on the side of the employees in case the company is unable to meet the financial obligations. Therefore, it is highly recommended that employees continue working for Nike Inc.

One disadvantage of working in Nike Inc is that the profitability of the ratio is not as high as expected. The company's profitability can be termed as average, and the rate of increase in productivity is low across the three years. Therefore, employees would have to stay in Nike Inc. for a long time before they get a chance of being promoted or having a substantial increase in salary. It is worth noting that it does not mean that, in Nike Inc., there are no pay raises or promotions it simply means that the rate of chances of being of being promoted are not as high as a company with a higher profitability than Nike. Therefore, the average profitability growth forms part of the disadvantages of working in Nike Inc.

In conclusion, working in Nike Inc. as an employee has many benefits. Since the introduction of social entrepreneurship and capacity building for business acumen, the employees have been prioritized when it comes to implementation of the plans. Through this avenue, employees are able to showcase their talent and get chances of promotion. Through the ratio analysis, it is evident that the company performance is commendable, and any employee working in the corporation should not be worried. Therefore, in terms of liquidity, profitability and leverage ratios, the majority of the employees needs are being met by the corporation, Nike Inc.

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