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Introduction to Executive Tools for Decision Making

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Introduction

Annual financial reports are important in the analysis of the current financial position and the determination of a company's future prospects. This paper shall analyze the annual reports of Tesla Motors, Google Inc. and Starbucks with the aim of determining their financial status and effectively rate their respective presidents.

Overview

Google Inc is a leading internet based business. The company was founded in 1996 when its founders developed an internet search engine, aptly named Google. It has since diversified into software, cloud computing and online advertising technologies. It has further invested in other companies such as Motorola; The company went public in Initial Public Offering (IPO) in 1994. the company maintains 80% the search engine market (Nehls, 2013). The majority of the company's revenues come from advertisements. The company's AdWords program is widely used by businesses to promote their products online. The company faces competition from companies offering pay-per-click services. However, hits main competitors are Yahoo and Microsoft.

Financial outlook

The company's revenues have been on the increase due to its aggressive business strategies. It recorded a profit margin of 27. 05% and an operating

margin of 33.62% in 2012. The company holds \$48 billion in cash against \$7 billion in debts. In addition, the company has recorded high profits and increased revenues in the past consecutive years. Its revenues are at a tune of \$50 billion, which was 36% increase from the previous year, and a profit of \$10.7 billion dollars (Chalmers, 2012). This shows a very strong financial position, and few companies have similar strength to compete with Google. The company further retains dominance over its competitors by holding 79% and 89% desktop search and mobile search markets respectively. This coupled with the strong financial position shows that the company is in good shape both financially and market dominance.

Over the past few years, the company has continually increased its investment in its operations. The majority of the investment is in its production equipment and purchases that are facility-related. This has seen an increase in the net value of property and equipment rise from \$9.6 billion in 2011 to \$11.8 billion in 2012. Total assets also increased from \$72.6 billion in 2011 to \$93.8 billion in 2012 (Chalmers, 2012). This is positive because it shows that the company has invested in increasing the efficiency of its operations and products.

The company's performance is positive. In 2009, the company recorded a net income of \$6.5 billion, in 2010, the amount rose to \$8.5 billion. The amount rose further to \$9.7 billion and \$10.7 billion in 2011 and 2012 respectively. Cash flow from operations further rose from \$14.5 billion to 16.6 billion in 2011 and 2012 respectively.

The company's presidency and CEO roles are shared between the company's cofounders: Larry Page and Sergey Brin. They deserve an A for the

company's strong financial position, strategic acquisitions, viable dynamic product development and market dominance considering that the company has only been in operation for 17 years.

Tesla Motors Inc.

Overview

Tesla Motors is an American public traded company that manufactures and sells electric cars and their components (Springer, 2013). The company is best known for producing the first fully electric sports car. The company is considered a pioneer in the field of green energy, though the concept is still considered futuristic. It does not deal in other cars and hence relies on the adoption of the new technology by the mass market. This has seen the company record inconsistent revenue growth rates over the years.

Financial outlook

Real revenue growth and nominal annual growth rate have been consistent, averaging 78%. This type of irregular revenue growth highly affects the company's balance sheet resources. In the third quarter of 2012, the company's mark-up index dropped by 27% which resulted into a reduction of gross profit margin of 81% and a further 87% in gross profit dollars. The inconsistency in revenues has resulted into reduced cash flow (Tesla Motors, 2012).

The company has recorded 100% annual asset growth compared to 70% annual growth rate in revenues. Liability has grown by 58% which increases the need for increased equity. The current book equity stands at negative \$50 million. The company has used \$900 million in equity to keep it running.

This has made it difficult for the company to finance its debts. This shows a poor financial position.

The company has experienced losses in its operating income. This has overwhelmed the need to improve the efficiency of working capital. This is highly unsustainable and can only be compensated by increased equity investments. Further, returns on assets are negative and take up around 30% of the company's balance sheet capital.

Starbucks Corporation

Overview

Starbucks is a global coffee company and is also the largest coffee house company globally. The company operates more than 20, 000 stores distributed in 62 countries across different continents. The coffee market has experienced growth over the past decade with consumers being more educated and sensitive to the components of their beverages. The market is highly concentrated with the top 50 companies taking up more than 70% of the market. Starbucks corporation is the market leader. Dunkin' Donuts and McDonalds are its main competitors (Schultz, 2011).

Financial outlook

The company has experienced growth over the past few years. Results for the 2012 financial year showed a 14% increase in revenues from \$11. 7 billion in 2011 to 13. 3billion. this growth was a result of 20% increase in revenues from licensed stores, 7% increase in sales from comparable stores and 50% Channel Development revenue growth (Starbucks, 2012).

the company's operating margin increased from 14. 8% in 2011 to 15. 0% in 2012. The operating income was \$2. 0 billion. Increase in leverage and lack

of charges in 2012 were the main factors behind the expansion of the operating margin. Cash flow from operations increased from \$1.6 billion in 2011 to \$1.8 billion in 2012. Capital expenditures further increased from \$532 million in 2011 to \$856 in 2012. After the capital expenditures the available cash flow was used for returning \$1.1 billion to shareholders (Starbucks, 2012).

Because of the company's financial strength and expansion strategies, the president deserves an A grade for his efforts. The company has been able to expand vigorously without denting its financials.

Conclusion

Financial records are vital for investors. However, the interpretation of the results can be a daunting task. Proper interpretation is important in determining the current financial position as well as the future prospects of a company.

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