

Management's achievement claims perspective 1169



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Management's Achievement Claims Perspective

It is to no one's surprise that Coca-Cola is one of the world's largest companies. Fourteen years ago, Coca-Cola began building credibility to its investors by never over-promising, just consistently hitting long-term growth targets. In Great Britain, Coca-Cola surpassed two leading teas of consumption per capita. People said it would not be possible, but Coke did it. That is just one example.

Coca-Cola's management believes in the theory that people need 64 ounces of liquid everyday to survive. Right now, Coke only accounts for an average of less than two of those ounces. They believe that by adding strength to the world's strongest brand, it will help people make Coke a more frequent choice for those 64 ounces.

The part of this Annual Report that I personally wanted to attack was the lack of sales in Canada and Coca-Cola's goals in improving them. Being native of Canada and a big Coke fan, I know that Coke has struggled in my

homeland for several years. M. Douglas Ivester answered my concern by stating

that Coke allowed the retail prices of their products to out pace their value in the eyes of our consumers. Since 1994-1995, Canada's unit per case volume increased 4%. Coke is expecting an even greater increase in 1996 because their

Canadian bottler signed with two major grocery retailers. Coca-Cola used Canada

as a lesson they can use as a guide worldwide never repeat.

CEO, Robert Goizueta believes that there is no limit to your growth. He will not allow boundaries to be set. It is evident to me that Coke is not setting boundaries considering that they have a bottler in almost every corner

of the world. Coke is focused on strengthening world wide markets and creating

new ones. In this report, they state how they will improve sales in Nigeria, China, South Africa, and Canada.

Of all the Financial Reports I have read (Anderson Consulting, Home

Depot, Green Park, etc.), Coca-Cola is a company in which I believe what the

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management claims. Coke has a great responsibility of making investors, employees, and consumers happy all over the world. Why would they blow it??

Coke realigned their management team at the beginning 1996 to more accurately

reflect the global nature of their business. That says growth all over it.

Comparison to Industry Standards

Coca-Cola Industry

Standard 1.) Quick Ratio . 2 . 7

This states that Coke through these calculations is not as liquid as the industry standard.

2.) Current Ratio 1. 0% 1. 4%

3.) Profit Margin 11% 9%

4.) Return on Equity 55% 9. 5%

This is very good percentage, above industry standard.

5.) Asset Turnover 1. 2% 3. 6%

6.) Return on Assets 20% 8. 5%

7.) Debt to Equity 75. 3% 66. 5%

A little high compared to industry, but still has not peaked at 100%.

The present value of Coca-Cola's discounted cash flow compared with the market value shows that Coca-Cola is greatly undervalued. This makes Coca-Cola

a good investment for the future.

Conclusion

After doing several ratios and comparing them to the industry average, I see nothing but a solid investment for 1997. Coca-Cola has not yet peaked in its profit increase and return on equity. This company is so big that if the company burned down to the ground, they would have no trouble borrowing the money to rebuild, just based on the strength of their Trademarks alone.

Coca-

Cola's trademark is worth \$1 for accounting purposes, but in the neighborhood of

\$40 billion in actuality.

Coke has an unbelievable cash flow because their capital requirements are low for a company of their size. They only have 32, 000 employees worldwide.

Unlike wine, Coke products can go from production to consumption in a matter of

hours. As far as their advertising goes, they now use many different agencies instead of just one. This will add more creativity and ideas.

When we finally have our meeting with the investment club, Coke will be one of the stocks I invest in because of the sense of security it gives you.