Morrisons future growth for the last few years and whats predicted for the next f...

“ Morrison’s Growth” Morrisons is one of the biggest supermarket chains in the international business market. The supermarket is continuously striving to achieve better financial results than the past. It has been observed that it lacked stores which means that the availability of Morrisons superstores were limited for the public. In order to curb this issue the management of Morrisons opened 43 new stores in the year 2009/2010. These new stores required investment in refurbishment, however, as soon as the stores were ready to be used the staff and the whole group of Morrisons started struggling to strengthen the reputation of Morrisons for the value and quality of products it offers. The Optimization Plan launched in 2006, ended up creating greater sales growth and profits higher than the market. However, more recently the December 2010 sales growth reveals only 1% increase in the sales on the occasion of Christmas which attracts far higher sales. This increase of 1% is much smaller than its rivals and point towards an alarming future of the organization (Heraldscotland, 2011). The future targets of Morrison are to expand the space of its supermarket stores up to 1. 5m square feet in the coming years till January 2013. The company is spending much capital on extending its space which may be a hurdle for the future growth. The profits increased from 655m pounds in 2009 to 858m pounds in 2010 (Steiner, 2010). The profit before tax of the company has increased by 21% in 2010. The earnings per share also increased accordingly by 23% in 2010. The cash flow situation of the company is also strong if we analyze its past activities. However, the increased capital expenditure may be questioned for the appropriateness and efficiency of such large investments. In 2009/10 the company spent 906m pounds in order to develop a new regional distribution centre and opened 45 new stores. The increased capital expenditure resulted in increased debt of the company. The gearing of the company was 19% which was, however, below the industry average yet required attention (Morrisons 2009). The company's strategy is to provide the ease of availability to its customers and hence is expanding the space to attain this purpose. The optimization plan currently adopted by the company is considered as an important feature of its strategy which is leading towards increased sales, profits and dividends. The investments are, however, made in order to ensure future growth trends and business's success in the market. The annual dividend growth averages around 30 percent per annum since the optimization plan has been adopted. The shareholder return has been observed to be 16 percent per annum after the adoption of this plan. The overall result of the company's strategies and policies is a good control over the activities of the company. The balance sheets of the company's prior years' show a healthy return and the financing structure seems secure. The credit facilities are not limited to a single source but also include bonds which are to mature between 2010 and 2018 (Morrisons 2010). In conclusion, we can say that Morrisons overall business strategy ensures future growth, however, its current gearing should be reduced in order to avoid the risks associated in the competitive supermarket industry. The credit structure needs to be reviewed in order to ensure that the company does not face liquidity risk as much of the investments are made in order to expand the space. The cash flows are sufficient to cover the current debt requirements and the sales growth also shows an increasing trend. The only point of concern is to ensure that the expansion plans are carefully constructed and the company keeps industry averages under consideration when analyzing the financial statements. Bibliography: http://www.

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