

# Example of financial analysis of utiw essay

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



#### - Cash Equivalents

The company has entered into arrangements with its partnering distribution clients that designated cash accounts to UTIW from receivables from the end clients of its distribution partners. These cash accounts are identified as the company as “ cash equivalents”. As of 2013, the company’s cash equivalents were reported as US\$ 27. 6 million as of January 31, 2013 and US\$ 37. 4 million as of January 31, 2012.

UTIW often acts as a customs broker. When the company does this act in behalf of its clients, it pays in advance for customs duties and taxes. These payments are not recognized by the company as part of its revenues and expenses but nevertheless, consume cash resources of the company. These are the cash accounts that are receivable from the company’s clients and are recognized in the company’s balance sheet as “ cash equivalents”.

#### - Accounts receivable

Based on the accounts receivables of UTIW, the company has very little bad debt compared to its Accounts Receivable line. The allowance for and expense paid out for bad debt is only US\$ 4. 5 million for 2013, US\$ 6. 9 million for 2012 and about US\$ 4. 4 million in 2011. This represents about 0. 1% only of the AR of the company.

#### - Receivable turnover

Using the financial calculations shown in the preceding table, it can be concluded that the receivable turnover for UTIW in 2013 is 808. 3 times and about 869. 4 times for 2012. The receivables turnover for these years is calculated the same way, by taking present year’s gross revenues and dividing it by the difference between the ARs of the current and previous

years. The Receivable Turnover ratio means that the company can cover the receivables from its clients with its gross revenues in excess of 800 times. The smaller the receivables ratio, the better it is for the company since it is collecting from its clients at a more efficient rate. However, there had been a larger percentage of account Receivables to Total Assets for 2013 compared to the same statistic in 2012. This could be due to the enlargement of the volumes handled by UTIW. The company, acting as a customs broker often advances payments such as customs fees and taxes in behalf of its client. A larger Accounts Receivable to Total Assets ratio is an indication of more business for UTIW.

#### - Inventories

UTIW does not keep any inventories. Unlike its competitors such as UPS or FedEx, which account for inventories such as jet fuel, diesel and unleaded gasoline, UTIW does not account these materials because the company is a management company, offering logistics expertise and management, rather than actual physical logistics which is performed by UPS and FedEx. Thus, no inventories are stated in the company's financial statements.

#### - Fixed Assets

### **The fixed assets are grouped and depreciated as follows:**

- Land – no depreciation
- Buildings – straight line depreciation, useful life of 20 to 40 years
- Improvements other than buildings – straight line depreciation, depending on term of improvements or lease
- Equipment and Furniture/fixtures – straight line depreciation, useful life for vehicles are between 6 to 15 years, aircraft, 12 to 30 years, plant equipment

from 6 to 8. 25 years, technology equipment from 3 to 5 years

- Construction work in progress - no depreciation since these are charged to expenses

The company has very little capital assets compared to its total assets.

UTIW's fixed asset turnover is 20.1 times for the year 2013 and 25.1 times for the year 2012. For UTIW, whatever fixed assets they use is evaluated based on the final carrying value of the asset will be not be recovered using an undiscounted future cash flow assessment of the asset's returns. If it does not provide a positive present cash flow, the asset is written down using a fair assessment value. However, because the company does not load up on fixed assets, the percentage of depreciation over the total revenue of the company is only about 1%, which is a very low figure considering the company deals with logistics.

The company relies very little on capital and operating leases as well. The operating lease utilization is virtually zero (very little operating lease per year, only about US\$ 150, 000) while capital lease utilization is only about 3% of total revenues.

The nature of the company's business uses a lot of other assets, being cash therefore the total asset turnover is only about 2.1 times.

- Capitalized and Operating Leases

UTIW leases property plant and equipment. It leases furnitures, fixtures and equipment under the normal lease term of two to five years. The company also leases buildings under a normal term lease of three to ten years. For capital leases, the company's borrowing rate is about 6.0% per year.

With carriers, UTIW engages in short-term agreements to ensure that there

is space for its operations. The prices of the space from carriers are negotiated based on market conditions and the UTIW only pays for space it utilizes. The company's committed obligations for 2013 for example, is only US\$ 14, 368.

UTIW has obligations for operating leases under varying lease terms (between one to ten years). Operating leases cover property, plant and equipment as well as motor vehicles. The operating lease expense for 2013 is about US\$ 150, 000. UTIW

#### - Debt

UTIW is servicing its long-term debt obligations. The current long-term debt of the company is about US\$ 204. 4 million. In 2012, the company's long-term debt obligation was US\$ 231. 2. However, in 2011 the debt obligation of the company was only US\$ 61. 2 million. The company has utilized debt financing for the expansion of its operations in 2012.

UTIW issues notes as debt instruments. Two tranches were released. Series A notes, which will mature in February 2022, has an original value of US\$ 150, 000 and an interest rate per year of about 4. 1%. Series B Notes which will mature in February 2020 has a valuation of US\$ 50, 000 and an interest rate of 3. 5% per year. The company also accessed other facilities at 5. 17% per year.

#### - Income Tax

The company's income tax rate is determined based on the geographic composition of its operations. The company operates in many countries with varying income tax regimes. The tax payments shown below reflect the overall summary of income tax payments in all territories the company

operates in.

The company pays some income taxes in a deferred manner, noting these as liabilities in the company's balance sheet. These deferred taxes are added to the company's tax payments, for example in fiscal year 2013 and 2012 UTIX recorded additional tax expenses of US\$37. 1 million and \$8. 4 million, respectively.

The income tax rate is approximately 35% as shown in the table below. The company paid a total of US\$ 51. 9 million for 2013, US\$ 35. 7 million for 2012 and US\$ 33. 2 million in 2011.

#### - Stock Analysis

The company employs a share-based compensation package that was put into effect in 2009. The plan issues awards to employees which include stock options. Originally, a total of 6, 250, 000 shares were reserved for this compensation plan.

In 2009, the stock option shares that were granted was 234, 000, with about 66, 934 exercisable shares valued at US\$ 18 per share. In 2012, the number of granted shares was 179, 961, with about 8, 408 shares exercisable. These shares had an improved value of US\$ 19 per share.

**There is no information on the restricted stocks for the company in their yearend financial statements.**

#### - Operating Segments

UTIW has various operating segments. These segments are Freight Forwarding and Contract Logistics and Distribution. Freight forwarding includes airfreight and sea freight forwarding. It also includes customs brokerage and other services. The Logistics and Distributions segment

provides all logistics distribution services. UTIW operates in and outside the United States, having about 270 cities in its operations. It also operates about 250 distribution centres worldwide.

#### - Revenue

The revenue performance of the company is shown below. Unfortunately, the quarterly data for the company's performance for the previous year cannot be located (is not available).

The company's 2013 performance was not as good as the 2012 performance however. These graphs below show the company's revenue and income performances for the 2013, 2012 and 2011.