

The coca cola company financial statement analysis

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Company Profile

- The Coca Cola Company
- One Coca Cola Plaza Atlanta, GA 30313
- Website: www.thecoca-colacompany.com
- Exchange/symbol: NYSE / KO
- Total shares outstanding: 99.87 billion

The purpose of this report is to analyze and the financial position and discuss the strengths and weaknesses of the financial operations of The Coca Cola Company, one of the largest manufacturers, distributors, and marketers of non-alcoholic soft drinks, concentrates, and syrups. The primary activity is selling concentrates and syrups to bottling partners who convert these to finished, canned, and/or bottled, soft drink products for retail and wholesale distribution.

The company owns more than 450 brands including Sprite, Fanta, and Dasani has 30 manufacturing facilities, and maintains majority ownership in 136 partner facilities that operate in more than 200 countries.

Financial Overview 2008

Sales	\$31.9 billion
Income	\$ 5.8 billion
Market capitalization	\$99.87 billion

Earnings per share (EPS)	\$ 2. 49
Revenue per share	\$13. 67
Book value per share	\$ 8. 58

Key Financial Ratios

Industry Average 1	Liquidit y	Solvency
Quick ratio	0. 60	0. 80
Current ratio	0. 94	1. 00
Current liabilities/net worth	0. 63	0. 41
Current liabilities/inventory	5. 94	4. 85
Total liabilities/net worth	0. 98	0. 81
Fixed assets/net worth	0. 41	0. 44
Efficiency/Asset Management		
Collection period	35. 31	32. 1

Sales/inventory	14. 61	21. 0
Assets/sales	1. 27	6. 97
Sales/net working capital	-39. 34	12. 6
Accounts payable/sales	0. 19	0. 08
Accounts receivable/sales	0. 10	0. 109
Financial Leverage		
Total debt/total assets	0. 49	0. 60
Total debt/total equity	0. 98	-
EBIT/interest (times interest)	15. 98	-
Profitability		
Gross profit margin(gross profit/sales)	0. 64	0. 594
Net profit margin (net income/sales)	0. 18	0. 14
Return on sales	0. 18	-

Return on assets (ROI)	0. 14	0. 108
Return on net worth (ROE)	0. 28	0. 166
Marketability/Price		
Price/earnings (P/E)	17. 2	16. 5
Price/book value	4. 82	4. 11
Price/sales	3. 09	2. 59
Price/cash flow	14. 00	12. 40

1 Industry averages are taken from MSNMoneyand Dun & Bradstreet

Analysis of Financial Ratios

Based on the current ratio Coca Cola must convert each dollar of current assets into at least \$1. 06 in cash in order to meet its obligations. The current sales level provides \$2. 63 for each dollar of assets in service. The current ratio, excluding inventory, is in line with the industry average. Current liabilities in relation to inventory and net worth comprise a higher proportion compared to industry averages. The average collection period and receivables-to-sales are in line with industry averages. However, most of Coca Cola's efficiency ratios are cause for concern. The level of accounts

payables to sales is more than twice the industry average. The company's current liabilities exceed the current assets by \$81. 2 billion. Sales to networking capital are negative and raise issues about the company's working capital management policies and represent the company's primary weakness. Debt represents the largest factor affecting shareholder equity. The company's profitability ratios all exceed industry averages which are its primary strength.

Recommendations

It is important to note the structure of the company's asset base. Equity investments in bottling enterprises represent 14. 3% of total assets. Intangible assets including trademarks and goodwill represent more than 35% of total assets. There is no need to change these factors because these investments with manufacturing and marketing partners combined with patents, trademarks, and name recognition account for the better than average profitability ratios.

Coca Cola would benefit from a reduction in short term debt. Accounts payable and accrued expenses. Accounts payable and accrued expenses represent 47. 7% of current liabilities. The current level of accounts payable and accrued expenses exceeds the current level of total equity investments, combined cash and marketable securities, and combined accounts receivable and inventories, taken individually. The company should reduce the level of accounts payable and accrued expenses to a level where the company's equity investments exceed them.

Conclusion

Coca Cola's current assets are effectively being converted into sales revenues. Liquidity is in line with industry averages. Solvency is within a reasonable range with industry averages but better management of working capital, specifically current liabilities is indicated. The company's networking capital position is negative and must be brought to positive levels. Coca Cola is highly leveraged, however, the company continues to be profitable. As opposed to attempting to further increase the company's asset base, which would likely involve the employment of additional debt, Coca Cola should reduce the level of accounts payable and accrued expenses and the level of loans and notes payable to levels that can be covered by the existing levels of cash, accounts receivables, inventories, and equity investments. Read also Johnson and Johnson financial analysis

References:

1. Beverages Industry Profile: Global. (2009, March). Beverages Industry Profile: Global, Retrieved March 23, 2009, from Business Source Premier database.
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4. Dun & Bradstreet. SIC: 2086, Bottled, and Canned Soft Drink, All Asset Ranges. Retrieved March 23, 2009, from Key Business Ratios database.
5. MSN Money. Coca-Cola Co: Key Ratios. Retrieved March 23, 2009, from [http://moneycentral.msn.com/companyreport? Symbol= KO](http://moneycentral.msn.com/companyreport?Symbol=KO)