A financial analysis on the kroger co

Finance, Financial Analysis

The Kroger Co. is among the companies listed in the New York Stock Exchange. As such, shares of this company have been offered to the public for ownership and are presently traded in the bourse. To be able to make a wise decision as to whether or not a prospective investor should buy into The Kroger Co. , sufficient information regarding its financial condition and operational well-being will have to be available and then looked into. With the shares of The Kroger Co.

being currently traded in the stock market, present and prospective investors have to monitor the state of things, the rate of growth and the progress and prospects of the company. As stated in its 2006 Fact Book, The Kroger Co. is one of the largest retailers in the United States based on annual sales, holding the #26 ranking on the Fortune 100 list. Kroger was founded in 1883 and was incorporated in 1902. The company Fact Book further states that at the end of the fiscal year 2006, Kroger operated (either directly or through its subsidiaries) 2, 468 supermarkets, 631 of which had fuel centers.

Approximately 39% of these supermarkets were operated in company-owned facilities, including some company-owned buildings on leased land. The Kroger Co. also manufactures and processes some of thefoodfor sale in its supermarkets. As of February 3, 2007, the company operated 42 manufacturing plants. Congruent to lines in the Fact Book, the company website says that The Kroger Co. ps many states with store formats that generally include grocery and multi-department stores, convenience stores and mall jewelry stores. Read also Walmart Financial Analysis paper

They operate under nearly two dozen banners, all of which share the same belief in building strong local ties and brandloyaltywith their customers. With its headquarters located in Cincinnati, Ohio, Kroger employs approximately 310, 000 full-time and part-time associates. The company's Annual Report claims that thanks to thehard workand dedication of their associates, Kroger delivered consistently strong results in 2006, exceeding their original expectations for both identical supermarket sales growth and earnings per share.

Their fiscal 2006 results illustrate the balance between margin and sales growth that is the foundation of Kroger's strategic plan. These details are to be covered by this paper through a thorough analysis of the company's financial statements for the year 2006, including 2005 and 2004. One very important thing that investors look into before buying shares of a company is capacity of the company to generate profits, which would be translated as returns for the investment of the shareholders in the form of dividends – whether cash or stock.

To evaluate the profitability of a company, the following rates or ratios are computed and given a lot of consideration in deciding to invest or not to invest: the profitability and margin ratios and the ownership ratios. The profitability and margin ratios represent the relationships between income and sales or investments. These ratios provide a basis for determining the ability of the company to be efficient in generating income from every dollar of sales revenue and to reward shareholders with profits and dividends.

The gross profit margin ratio reflects the company's ability to recover its manufactured or purchased cost of merchandize from revenues. It is computed as gross profit (sales less cost of sales) over or divided by net sales. On the other hand, the net profit margin ratio is widely used as a measure of the overall profitability of operations. It is computed as net profit (gross profit less operating and administrative expenses) over or divided by net sales. The following is the computation of such ratios for The Krogers Co. ’s operations during the years 2004, 2005 and 2006: