

About fedex and ups and who has better financial health

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FedEx and UPS: Who has better financial health? UPS and FedEx are two of the world's leading company in the package and parcel industry. To determine which of these two companies has better financial position, it would be necessary to compare their performances in terms of efficiency, liquidity and profitability using key indicators to determine the same.

Efficiency

Efficiency is the ability of the company to use its resources to become profitable. In this aspect, both companies are competitive in the use of their assets to generate sales (Asset Turnover) and its ability to collect receivables (AR Turnover). Both companies have negligible difference in paying off their creditors in AP turnover.

Liquidity

Liquidity is the ability of the company to cover its operation and its obligations. In this aspect UPS fared better in the previous two years compared to FedEx (1.70 to 1.60, 1.96 to 1.70) indicating the financial stability of the company. It is supported by a better financial position with a cash ratio that higher than its liability compared to FedEx (.62 to .39, .57 to .48). This better financial position reflects in UPS higher operating cash flow ratio compared to FedEx (1.09 to .83 in 2011) indicating its ability to cover its operation and short term debts with its available cash.

Profitability

Ultimately, a company will be valued by its shareholder by its profitability or ability to give returns to its investors. In this aspect, UPS clearly dominated FedEx in all aspects of profitability that includes ROA (Return on Asset), Return on Equity (ROE) and Margin before interest and tax.

ROA is an important indication of a company's vitality because it tells how much profit a company makes given its present resources. In this aspect, UPS dominated FedEx.

Year

FedEx

UPS

2011

5.30%

10.96%

2010

4.75%

10.38%

2009

0.40%

6.75%

Return on Equity is the scoreboard how much profit a company makes given its present capital in the Balance Sheet. In this aspect, UPS is way ahead of FedEx by as much as 600% last year.

Year

FedEx

UPS

2011

9.54%

54.07%

2010

8. 57%

43. 71%

2009

0. 72%

43. 52%

Finally, industry comparison shows that UPS makes more profit more than twice than FedEx as indicated in the ratio of earnings before interest in tax.

Year

FedEx

UPS

2011

5. 98%

11. 53%

2010

5. 68%

11. 39%

2009

2. 15%

7. 77%

2008

2. 32%

10. 60%

2007

3. 19%

8. 67%

Conclusion:

Of the two companies, UPS is conclusively in a better financial position than FedEx. It is only in the efficiency aspect that FedEx came near UPS in terms of its financial position. With regard to financial vitality and profitability as indicated by liquidity and profitability ratios, UPS was clearly ahead of FedEx. Its ratio on profitability which is many times over FedEx indicates the company's ability to profit and give return to its shareholders and is the ultimate indication that it is a better company compared to FedEx .

Moreover, UPS profitability is grounded on solid fiscal discipline indicated by its liquidity that it can cover its obligations and supported by its operational efficiency to generate sales with a very competitive (comparable to FedEx) use of its resources thus making it a better company in terms of its financial position.