**LSWA: #6**

Case: *Ceres Gardening*

*Reading: “Understanding financial statements”*

Problem

Framing/ Reframing

Analysis &

Evaluation

Reflection and Purpose

Practical Wisdom/ Action

**A&E PF R&P PW**

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**Low Stakes Writing Assignment #6 (Below)**

• How has the company grown?

• What is its strategy?

• Is it financially healthy

**Use the excel spread sheet data to try to answer the following**

**I know you don’t yet know how to do this. But use common sense to try to get as much information as possible out of the data**

**Think about interpreting simple trends**

**1/ What is going up or down over time? What could this mean?**

**For Organic gardening products (Ceres)**

**Up:**

**Good trend with long term growth [The revenue is steady ]**

**Increase revenues by over 70% in just five years (growing profits by over 25%) [ The market is big but not diamond (profitable) ]**

**Doubling sales [ Good ]**

**Causal hobbyists’s growth is faster than the core customer. [ The target population is big ]**

**Good quality and delivery service [ high cost of the service ]**

**Adding independent sales representatives and creating new seedling varieties,**

**Those strategies let to significant revenue increases through 2004. [ Franchising industry ]**

**A new tactic to accelerate growth in the retail channel**

**( discount for a minimum stock order, seedling, and live plant purchases ) with some extension payment.**

**[ Having good relationship with retailer ]**

**Down:**

**Not profitable comparing to high growth sales. [ May be due to high cost of product or servise ]**

**Core customer’s growth is slow. [ Main revenue doesn’t come from this population, and will not be.. ]**

**Poor marketing effort [ Not able to focus population for which they have to target ]**

**Seasonal sales did not let to increased sales. [ They may need some non-seasonal product such as in-house plant. ]**

**Many dealers did not pay for product until they had sold it.**

**[ Not good economy relationship, may cause trouble for running the company due to shortage of capital investment ]**

**2/ What are the big items and small items in the accounts? What could this mean?**

**Big items:**

**Accounts Receivable [ Money owned to a company by its debators, Incoming revenue ]**

**Current Assets [ This can be converted into cash right now ]**

**Non-current Asset [ This will not be converted into cash within one year ]**

**Accounts Payable [ Money owned by a company to its creditors ]**

**Current Liabilities [ Amount due to be paid to creditors within twelve months ]**

**Long-Term Debt [ Any amount of outstanding debt a company holds ]**

**Shareholder’s Equity [ How the company has been financed with the help of common shares and preferred shares. ] [ Total Assets - Total Liabilities ]**

**Small items:**

**Cash [ Capital ]**

**Inventories [ Future trends ]**

**Plant, Property, & Equipment [ merchandise ]**

**Land [ Natural resources ]**

**Other assets**

**Current Portion of London-term Debt [ Debt due within one year of the data of the balance sheet]**

**3/ What surprises are there? What things do you not understand?**

**Many of the newest dealers had approached organic gardening conservatively,**

**limiting their space allocation by carrying seeds rather than seedlings for the casual gardener.**

**Wydown was concerned that increasing these terms any further would likely result in**

**increasing costs going forward, putting pressure on margins.**

**Even given you lack of experience or understanding …..you have to come off the fence. Analyze the data the best you cam and decide yes/ no they are in good shape and them list the top ten pieces of data, trends, ratios, patterns that support you position. Trust your common sense!!**

**1/ Dealers inventories were approximately $23 million at the end of 2006.**

**2/ The company sales had increased from $35.1 million in 2005 to an estimated $42.6 million in 2006.**

**3/ The GetCeres\_TM program**

**4/ Ceres successfully raised prices slightly on most of its products.**

**5/ The retail channel now accounts for over 80% of total revenues.**

**6/ Current Portion of London-term Debt is low**

**7/ High ratio Shareholder’s Equity**

**8/ Good ratio Accounts Receivable**

**9/ Optional Inventories**

**10/ Current Assets > Current Liabilities**

**They are in good shape.**