Financial Analysis Project

Trend Analysis

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| **CONDENSED INCOME STATEMENT** | | | | |
| **Horizontal Analysis (trend)** | | | | |
| **($ in millions)** | | | | |
| **Fiscal year ended:** | **2021** | **2020** | **Amount of Increase or (Decrease)** | **Percent of  Increase or  (Decrease)** |
| **Net Sales  (Revenue)** | **1,898,094** | **1,284,500** | **$ 613,594.00** | **148%** |
| **Cost of Goods Sold** | **985,818** | **676,328** | **$ 309,490.00** | **146%** |
| **Gross Margin  (Gross Profit)** | **912,276** | **608,172** | **$ 304,104.00** | **150%** |
| **Operating Expenses (Selling & Admin)** | **169,684** | **129,974** | **$ 39,710.00** | **131%** |
| **Income from Operations** | **742,592** | **478,198** | **$ 264,394.00** | **155%** |
| **Other Gains & Losses** | **-14,938** | **-28,002** | **$ 13,064.00** | **53%** |
| **Income before Income Tax** | **727,654** | **450,196** | **$ 277,458.00** | **162%** |
| **Income Tax Expense** | **111,070** | **69,899** | **$ 41,171.00** | **159%** |
| **Income before Nonrecurring Items** |  |  |  |  |
| **Nonrecurring Items (Extraordinary)** |  |  |  |  |
| **Net Income** | **616,584** | **380,297** | **$ 236,287.00** | **162%** |

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| **CONDENSED CLASSIFIED BALANCE SHEET** | | | | |
| **Horizontal Analysis (trend)** | | | | |
| **($ in millions)** | | | | |
| **Dated:** | **2021** | **2020** | **Amount of  Increase or  (Decrease)** | **Percent of  Increase or  (Decrease)** |
| **Current Assets** | **694,156** | **586,647** | **$ 107,509.00** | **118%** |
| **Property, Plant, &  Equipment, net** | **79,061** | **78,522** | **$ 539.00** | **101%** |
| **Other Assets** | **71,946** | **43,223** | **$ 28,723.00** | **166%** |
| **TOTAL Assets** | **890,985** | **737,451** | **$ 153,534.00** | **121%** |
|  |  |  |  |  |
| **Current Liabilities** | **276,412** | **264,297** | **$ 12,115.00** | **105%** |
| **Long-term Liabilities** | **888,286** | **1,032,909** | **$ (144,623.00)** | **86%** |
| **Contributed Capital** |  |  |  |  |
| **Retained Earnings** | **2,635** | **-295,978** | **$ 298,613.00** | **-1%** |
| **Treasury Stock & Other Stockholders' Equity** | **2,699** | **-295,458** | **$ 298,157.00** | **-1%** |
| **TOTAL Liabilities & Stockholders' Equity** | **890,985** | **737,451** | **$ 153,534.00** | **121%** |

Common Size Financial Statements

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| **CONDENSED INCOME STATEMENT** | | | | |
| **Vertical Analysis (common-size)** | | | | |
| **($ in millions)** | | | | |
| **Fiscal year ended:** | **2021** | | **2020** | |
| **Net Sales  (Revenue)** | **1,898,094** | **100.00%** | **1,284,500** | **100.00%** |
| **Cost of Goods Sold** | **985,818** | **51.94%** | **676,328** | **52.65%** |
| **Gross Margin  (Gross Profit)** | **912,276** | **48.06%** | **608,172** | **47.35%** |
| **Operating Expenses (Selling & Admin)** | **169,684** | **8.94%** | **129,974** | **10.12%** |
| **Income from Operations** | **742,592** | **39.12%** | **478,198** | **37.23%** |
| **Other Gains & Losses** | **-14,938** | **-0.79%** | **-28,002** | **-2.18%** |
| **Income before Income Tax** | **727,654** | **38.34%** | **450,196** | **35.05%** |
| **Income Tax Expense** | **111,070** | **5.85%** | **69,899** | **5.44%** |
| **Income before Nonrecurring Items** |  |  |  |  |
| **Nonrecurring Items (Extraordinary)** |  |  |  |  |
| **Net Income** | **616,584** | **32.48%** | **380,297** | **29.61%** |

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| **CONDENSED CLASSIFIED BALANCE SHEET** | | | | |
| **Vertical Analysis (common-size)** | | | | |
| **($ in millions)** | | | | |
| **Dated:** | **2021** | | **2020** | |
| **Current Assets** | **694,156** | **100.00%** | **586,647** | **100%** |
| **Property, Plant, &  Equipment, net** | **79,061** | **11.39%** | **78,522** | **13%** |
| **Other Assets** | **71,946** | **10.36%** | **43,223** | **7%** |
| **TOTAL Assets** | **890,985** | **128.36%** | **737,451** | **126%** |
|  |  |  |  |  |
| **Current Liabilities** | **276,412** | **100.00%** | **264,297** | **100%** |
| **Long-term Liabilities** | **888,286** | **321.36%** | **1,032,909** | **391%** |
| **Contributed Capital** |  |  |  |  |
| **Retained Earnings** | **2,635** | **0.95%** | **-295,978** | **-112%** |
| **Treasury Stock & Other Stockholders' Equity** | **2,699** | **0.98%** | **-295,458** | **-112%** |
| **TOTAL Liabilities & Stockholders' Equity** | **890,985** | **322.34%** | **737,451** | **279%** |

Liquidity Ratios

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| **Liquidity Ratios** | | | | |
| **Fiscal year ended:** | **2021** | **2020** | **Competitor** | **Industry Average** |
| **Working capital (current assets-current liabilities)** | **$ -** | **$ -** | **$ (469.40)** |  |
| **Evaluation** |  | | | |
| **Current ratio current assets current liabilities** | **1.00** | **1.00** | **0.91** |  |
| **Evaluation** |  | | | |
| **Inventory turnover cost of goods sold average inventory** | **4.22** | **2.37** |  |  |
| **Evaluation** |  | | | |
| **Days in inventory 365 days inventory turnover** | **86.55** | **154.32** |  |  |
| **Evaluation** |  | | | |
| **Acct. rec. turnover net credit sales avg net accounts receivable** | **5.25** | **4.25** | **0.14** |  |
| **Evaluation** |  | | | |
| **Avg collection period 365 days acct rec turnover** | **69.46** | **85.88** | **2,626.14** |  |
| **Evaluation** |  | | | |
| **Operating cycle days in inv + avg collection period** | **5.25** | **4.25** |  |  |
| **Evaluation** |  | | | |

Solvency Ratios

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| **Solvency Ratios** | | | | |
| **Fiscal year ended:** | **2021** | **2020** | **Competitor** | **Industry Average** |
| **Debt to assets ratio total liabilities total assets** | **$ 1.00** | **$ 1.00** | **$ 1.00** |  |
| **Evaluation** |  | | | |
| **Times interest earned NI + Int Exp + Inc Tax Exp interest expense** | **(48.00)** |  | **(662.41)** |  |
| **Evaluation** |  | | | |
| **Free cash flow Net cash provided by Oper. Act - capital expend.-cash dividends** |  |  |  |  |
| **Evaluation** |  | | | |

Profitability Ratios

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| **Profitability Ratios** | | | | |
| **Fiscal year ended:** | **2021** | **2020** | **Competitor** | **Industry Average** |
| **Earnings per share NI - Preferred dividends Weighted avg com. shares out** |  |  |  |  |
| **Evaluation** |  | | | |
| **Price-earnings ratio market price per share earnings per share** |  |  |  |  |
| **Evaluation** |  | | | |
| **Gross profit rate gross profit net sales** | **0.48** | **0.47** | **0.70** |  |
| **Evaluation** |  | | | |
| **Profit margin Net income Net sales** | **0.32** | **0.30** | **(0.12)** |  |
| **Evaluation** |  | | | |
| **Return on assets net income avg total assets** | **0.69** | **0.52** | **0.06** |  |
| **Evaluation** |  | | | |
| **Asset turnover net sales average total assets** |  |  |  |  |
| **Evaluation** |  | | | |
| **Payout ratio cash dividends declared on CS net income** |  |  |  |  |
| **Evaluation** |  | | | |
| **Return on CS equity NI - preferred dividends avg CS equity** |  |  |  |  |
| **Evaluation** |  | | | |

Company background and relevant industry

* **Current relevant industry**: Communications and Information Technology, The ICT sector combines manufacturing and services industries whose products primarily enable the function of information processing and communication through electronics, including transmission and display. The ICT sector contributes to technological progress, output and productivity growth.
* **Background**: Ubiquiti sells equipment, and provides the related software platforms, worldwide through a network of over 100 distributors, on-line retailers and direct to customers through our webstores. Ubiquiti Inc. is focused on democratizing network technology on a global scale. There devices play a role in creating networking infrastructure in over 200 countries and territories around the world. There professional networking products are powered by their inhouse UNMS and UniFi software platforms to provide high-capacity distributed Internet access and unified information technology management, respectively.
* They target the service provider and enterprise markets through our highly engaged community of service providers, distributors, value added resellers, webstores, systems integrators and corporate IT professionals, which we refer to as the Ubiquiti Community. We target consumers through digital marketing, including through our webstores, retail chains and, to a lesser extent, the Ubiquiti Community.

Analysis in support of recommendation

Recommendation

* Although net income and other income is up in the last 3 years the amount of assets that Ubiquiti has gone down in the last 2 years from 2020 to 2021. This could mean that they are not able to continue on the projected growth that there stock price suggests and means that they are overvalued right now. My recommendation is to **wait until the stock price comes down** to the 240-dollar range where it is no longer on an artificial growth boost from the 2020 to 2021 income numbers. This company has a good chance to continue to grow through many years but right now for investing purposes it would be best to wait until a lower price and then buy in and hold for years while the company continues its market growth in the industry.