

Kraft Heinz Company

Corporate Profile

- Identity of company's major products and services, current position in industry, and history
- Composition of sales
- Product life-cycle stages/experience curve effects¹⁷
- Research & development activities
- Past and planned capital expenditures
- Board structure, composition, electoral system, anti-takeover provisions, and other corporate governance issues
- Management strengths, weaknesses, compensation, turnover, and corporate culture
- Benefits, retirement plans, and their influence on shareholder value
- Labor relations
- Insider ownership levels and changes
- Legal actions and the company's state of preparedness
- Other special strengths or weaknesses

Industry Characteristics

- Stage in its life cycle
- Business-cycle sensitivity or economic characteristics
- Typical product life cycles in the industry (short and marked by technological obsolescence or long, such as pharmaceuticals protected by patents)
- Brand loyalty, customer switching costs, and intensity of competition
- Entry and exit barriers
- Industry supplier considerations (concentration of sources, ability to switch suppliers or enter suppliers' business)
- Number of companies in the industry and whether it is, as determined by market shares, fragmented or concentrated
- Opportunity to differentiate product/service and relative product/service price, cost, and quality advantages/disadvantages
- Technologies used
- Government regulation
- State and history of labor relations
- Other industry problems/opportunities

Analysis of Demand for Products/Services

- Sources of demand
- Product differentiation
- Past record, sensitivities, and correlations with social, demographic, economic, and other variables
- Outlook—short, medium, and long term, including new product and business opportunities

Analysis of Supply of Products/Services

- Sources (concentration, competition, and substitutes)
- Industry capacity outlook—short, medium, and long term
- Company's capacity and cost structure
- Import/export considerations
- Proprietary products or trademarks

Analysis of Pricing

- Past relationships among demand, supply, and prices
- Significance of raw material and labor costs and the outlook for their cost and availability
- Outlook for selling prices, demand, and profitability based on current and anticipated future trends

Financial Ratios and Measures

(in multiyear spreadsheets with historical and forecast data)

I. Activity ratios, measuring how efficiently a company performs such functions as the collection of receivables and inventory management:

- Days of sales outstanding (DSO)
- Days of inventory on hand (DOH)
- Days of payables outstanding (DPO)

II. Liquidity ratios, measuring a company's ability to meet its short-term obligations:

- Current ratio
- Quick ratio
- Cash ratio
- Cash conversion cycle (DOH + DSO – DPO)

III. Solvency ratios, measuring a company's ability to meet its debt obligations. (In the following, "net debt" is the amount of interest-bearing liabilities after subtracting cash and cash equivalents.)

- Net debt to EBITDA (earnings before interest, taxes, depreciation, and amortization)
- Net debt to capital
- Debt to assets
- Debt to capital (at book and market values)
- Financial leverage ratio (Average total assets/Average total equity)
- Cash flow to debt
- Interest coverage ratio
- Off-balance-sheet liabilities and contingent liabilities
- Non-arm's-length financial dealings

IV. Profitability ratios, measuring a company's ability to generate profitable sales from its resources (assets).

- Gross profit margin
- Operating profit margin
- Pretax profit margin
- Net profit margin
- Return on invested capital or ROIC (Net operating profits after tax/Average invested capital)
- Return on assets or ROA (Net income/ Average total assets)
- Return on equity or ROE (Net income/Average total equity)

V. Financial Statistics and Related Considerations, quantities and facts about a company's finances that an analyst should understand.

- Growth rate of net sales
- Growth rate of gross profit
- EBITDA
- Net income
- Operating cash flow
- EPS
- Operating cash flow per share
- Operating cash flow in relation to maintenance and total capital expenditures
- Expected rate of return on retained cash flow
- Debt maturities and ability of company to refinance and/or repay debt
- Dividend payout ratio (Common dividends/Net income available to common shareholders)
- Off-balance-sheet liabilities and contingent liabilities
- Non-arm's-length financial dealings

IIV. You need to make sure to provide an overview of the active Fixed Income Securities (bonds) and the characteristics of the different Fixed Income Securities of Kraft Heinz.