Assignment Number 3-3

Financial Analysis and Performance

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PMBA Program

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Financial Literacy

History of The Gap

The Gap, Inc. clothing and accessories retail chain that owns five brands: The Gap, Banana Republic, Old Navy, Piperlime and Athleta. The Gap has 134,000 employees and 3,246 stores worldwide (The Gap). In 2008 they were overtaken as the world's largest specialty apparel chain by Spanish-based Inditex Group, but they remain the largest in the U.S (Keeley & Clark, 2008).

The Gap was founded in 1969 Doris and Don Fisher in San Francisco, California. Mr. Fisher decided to open a clothing store "…because he couldn't find a pair of jeans that would fit." (The Gap). The store's iconic name was derived from the missing fashion that Mr. Fisher felt existed in the generation gap.

In the early days, The Gap carried records and jeans hoping the cross-promotion would launch their sales. This strategy almost ran them into bankruptcy. Mr. Fisher then ran ads in local newspapers with the tag line of selling 4 tons of jeans. The ads worked and the store sold out of clothes.

The Gap added several chain locations and ran on a streamlined supply chain model. The stores only carried Levi Strauss & Co. jeans, all of the prices were the same across stores, and the retail spaces were small (usually 3,000 to 4,000 square feet.) The stores were also mostly rental space in shopping centers like malls.

In the 1980's The Gap turned away from other name brands and under the leadership of CEO Millard "Mickey" Drexler became not only a retailer of fashion, but a fashion label of its own. The change raised the name of The Gap into direct competition with retailers like Benetton and The Limited.

The Gap has continued success with its other brands, online sales and growing internationally. They are continually looking to the future and entering emerging markets. In 2010, banking their populations on rising income, The Gap opened two stores in Shanghai and two more in Bejing, China.

The Gap has lots of company when it comes to industry competitors. They compete with outlet discounters, specialty chains, department stores, independent stores, and online clothing/jewelry/accessory stores. The Gap's major competitors include: J. Crew, TJX, Macy's, Nordstrom, and Levi Strauss.

Brand recognition is very important to fashion retailers. The Gap brand has suffered from a lack of focus.

> "Today you see a retail brand that has failed to evolve with consumers, with fashions that have missed the mark and marketing that has veered off course. Among the criticisms: Its target market, ranging from babies to men, pregnant women to teens, is much too broad; designs have been schizophrenic; its TV presence has waxed and waned; and an ill-advised logo change invoked consumer uproar." (Zmuda, 2011).

The specialty apparel retail segment is an established industry that runs on a seasonal business cycle. The industry is inundated with competitors from small boutiques to huge big box stores. The low barriers to entry mean new entrants pop-up every day and a major down-side to The Gap's success exists. By being the largest fashion retailer in the U.S., all of their styles are instantly ubiquitous. Wearing The Gap brand means customers instantly join millions of other customers wearing the exact-same thing. Now a desirable outcome if consumers are trying to make a statement about their personality and uniqueness.

Primary activities of The Gap

Operating Activities

Primary Operating Activities are all the activities The Gap needs to do well to stay in business. The Gap needs to operate their retail business and online stores selling fashions, accessories and shoes. They also need to guess what will be next season's hot fashion.

Investing Activities

The Gap invested back into their business according to their cash flow statement. It's possible they invested in furnishing new stores or expanding sales floor space.

Financing Activities

The Gap has been paying out dividends and purchasing quite a bit of treasury stock. When companies purchase their own stock it generally sends the signal that they feel their stock is undervalued.

Contribution to financial understanding from different sources of data

Company Annual Report

Annual reports are produced by public companies and given to shareholders, employees, and sometimes posted to their website. Investors can make use of the document to make assessments of the company because it details their finances and future plans. It's also considered a piece of marketing. Unlike the federally mandated 10-K report, the annual report is generally printed on high-quality stock with a lot of attention paid to its design.

Independent Auditors Reports

These reports provide an autonomous verification (or disagreement) of claims made by a company or their representatives. Interested parties can use this certification in order to make investment decisions, approve loans or form their opinion about the company and their activities.

Notes to the Financial Statements

Notes detail particulars that are omitted from the main report for the basis of intelligibility. Notes contain information like the methodology used to arrive at different numbers. Other important but extended information is included in the notes instead of the body of the report as to not obscure the rest of the details.

Security Exchange Commission (SEC) filings

"The mission of the U.S. Securities and Exchange Commission is to protect investors, maintain fair, orderly, and efficient markets, and facilitate capital formation." (Securities and Exchange Commission). The SEC mandates several reports from publicly traded companies.

Form 10-K

"The annual report on Form 10-K provides a comprehensive overview of the company's business and financial condition and includes audited financial statements." (Securities and Exchange Commission). This form details the business and industry the company occupies, risks the company faces, any legal proceedings the company is involved in and company financials.

Form 10-Q

The 10-Q is a similar report to the 10-K but it only reports the company's activities for the previous 3 months.

Form 8-K

The SEC requires public companies to file a form 8-K to notify stakeholders when a significant unscheduled material event takes place. A qualifying event could include (but not limited to) bankruptcy, Director or CEO changes, layoffs, plant closures, control of the company changes, change in credit, etc.

Management Discussion and Analysis

"The purpose of MD&A is … to provide readers information necessary to an understanding of [a company's] financial condition, changes in financial condition and results of operations." (Securities and Exchange Commission, 2003)

There are three main goals of the MD&A:

- to allow investors to hear the story of the company's financials straight from management;
- to give the circumstances and lens through which the financial information should be viewed.
- to make available information about the company's cash flow, so investors can determine if the financials are a good indicator of future earnings.

The MD&A is ultimately the company's side of the story when it comes to their financials.

Financial Reporting

Looking at any financial statement by itself only provides part of a company's whole financial image. It takes elements of different statements to paint a complete picture of a firm's fiscal well-being. Like a doctor takes into account several health indicators like blood-pressure, cholesterol and weight together to diagnose their patient, so too does the financial analyst gather several markers into their assessment.

Income Statement

The main function of the income statement is to detail a firm's revenue over a particular time span. The income statement offers more than just a look at the company's returns. It supplies a snapshot of executive's successes or failures to control costs, managing income and taxes. Basically how the folks in charge of their investment are doing.

Major trends of the Income Statement utilizing horizontal analysis (year-to-year comparison).

The Gap's sales went up 3.3% from 2009 to 2010. This beat the rate of inflation for the year which was 1.6% (Bureau of Labor Statistics, 2010). At the same time their Net income went up 9.3%. The disparity here could be attributed to The Gap finding savings in operations costs.

Their cost of goods sold (COGS) went up 3.2% in 2010 from 2009. This means every sale cost The Gap a little more than last year. COGS only takes into account the materials directly used in the product, not rent or fuel, so this increase probably signals a rise in raw component cost such as cotton.

Comment on major trends of the Income Statement utilizing vertical analysis (common-size data).

The Gap has remained pretty consistent on its common size data. COGS stayed almost the same at 59.6%. Net income also stayed roughly the same.

Balance Sheet

The Balance Sheet sums up a firm's assets, liabilities and shareholders' equity. This provides the financial analyst with information on how the company is balancing its debts vs. their assets.

Comment on major trends of the Balance Sheet utilizing horizontal analysis (year-to-year comparison).

Cash and ST Investments went down 35.7%. This could be caused by The Gap buying treasury stock and investing back in the company.

Comment on major trends or relationships of the Balance Sheet utilizing vertical analysis (common-size data).

Inventories were 23.7% of Total Current Assets compared to 19.3% the previous year. This means The Gap has more inventory on hand that hasn't been selling.

Statement of Cash Flows

The Statement of Cash Flows summarizes the cash a company generates and spends through operating, investing and financing activities. A careful inspection of the statement can help analysts indentify discrepancies that could be missed by looking at the income statement.

Comment on major trends or relationships of the Statement of Cash Flows for the following activities:

Operating Activities

The Gap's Net Operating Cash Flow went up 11.9% indicating that either more sales or cost savings have given them a net gain of cash.

Investing Activities

They paid more in capital expenditures, up to 59% in 2010 from 2009. This means The Gap is re-investing in the business by purchasing equipment, properties or securities that were not slated for immediate resale.

Financing Activities

The Gap bought back almost three times as much capital stock in 2010 than in 2009. This implies that The Gap feels that their stock is undervalued and is picking them up on the downswing expecting a rise in value in the future.

Financial Analysis

Ratios are most useful when used in a comparative manner. Either the ratios can be compared within the same company over a period of time or across different companies in similar industries.

Comment on major longitudinal trends (positive or negative) for the following categories of financial ratios:

Liquidity

Current and Quick ratios are used to measure the liquidity of a company. The higher the ratio the more able a company can pay its debts. If a company is too liquid, it might not be taking advantage of leveraging opportunities. In the highly competitive retail fashion business, companies are expected to be a little more leveraged than other industries. Even so, The Gap has done a good job of not being over-leveraged. Both the current and quick ratio went down slightly. This is not an immediate threat to the company and was possibly caused by poor retail sales across the country due to high energy prices and recovering from the recent economic crash.

Asset Management

This set of ratios tries to measure how successful the firm has been in managing its assets to create sales. The Gap didn't report accounts receivable or day sales outstanding for 2009. As such there's no way to talk to changes there.

The Gap's Inventory Turnover went down implying worse sales and excess inventory. This is also seen in the Days' Inventory ratio which went up slightly possibly indicating soft demand for The Gap's fashions.

Debt Management

Debt ratios give a quick look at how much debt a company has versus its ability to pay those obligations.

All of The Gap's debt ratios went up from 2009 to 2010. The Gap has taken on more debt during the year but that's not necessarily a bad thing since interest rates for that period were extremely low.

Profitability

These ratios show the ability of a company to create revenue above and beyond its expenses and fixed costs.

The Gap's profit margin remained flat at 0.08 while ROA and ROE went up slightly. The Gap's management has apparently bee using assets efficiently to create revenue.

Market Value

Market Value ratios attempt to crystallize the "actual" worth of a company versus what the free market thinks the company is worth.

The Gap's Earning's Per Share ratio went up meaning they grew from a per share measure. Their Market-to-book ratio went up slightly which could indicate that the stock may be undervalued but rising.

Financial Performance

Discuss if the firm created value for its shareholders and stakeholders utilizing the following measures:

Return on Assets (ROA)

ROA went up meaning The Gap has been creating value for shareholders and stakeholders by more efficiently using their assets.

Return on Equity (ROE)

The Gap's Return on Equity (ROE) went up meaning the company has been doing a better job getting a higher rate of return on stockholder equity. It's possible that this ratio went up because The Gap has been widening operating margins on sales by saving on employee, raw material, or administrative costs.

Du Pont Analysis

The Dupont Analysis attempts to explain changes in ROE. For example ROE could rise (usually indicating that shareholder equity is going up) when the company simply incurs more debt (possibly declining shareholder value.) ROE and the DuPont ratios are both 29.5% for The Gap because they don't report any long term debt. 29.5% for both of those ratios is pretty good for any industry.

Free Cash Flow

The Gap's Free Cash Flow went up to $2.91 per share in 2010. This is slightly better than 2009s $2.53 per share. While not overwhelming, The Gap is moving in the right direction.

Working Capital

The Gap's working capital went up 11.9% over the previous year. They have the money to cover short-term debt.

Economic Value Added (EVA)

The primary objective of a public company is to generate value for its shareholders. EVA measures the value created over time. This metric is best used year over year to ensure the company continually adds value for shareholders.

Market Value Added (MVA)

MVA is the divergence from the current market value of a company and funds supplied by shareholders. A positive MVA indicates that the firm has increased value. Conversely, a negative rating signals that the firm has lost value. The Gap is running a positive MVA, creating value for shareholders. The Gap's lack of long term debt helps this ratio.

Discuss how a balanced scorecard can be used to assess organizational performance and value to stakeholders.

When it's done correctly the balanced scorecard can cover many different angles of a company to align all stakeholder goals and activities. Businesses are full of diametrically opposed forces. Customers want quality products and services and have no interest in whether or not a company is making money. On the other hand, investors want to maximize profits by any legal means necessary. Investors barely have an interest in employees getting paid. These forces can be equalized by following a properly created balanced scorecard.

Discuss the implications of acquiring additional capital to fund growth based on your evaluation of Internal Growth Rate (IGR) and (SGR):

The Gap's IGR is 12.6% and their SGR is 22.9%. The Gap's IGR is a reasonable growth rate but it's on the borderline and they may need to borrow more capital to grow more. With loans as cheap as they are right now, this might not be a bad thing. The Gap should make up their mind early though since interest rates won't stay as low as they are forever.

Comment whether the stock price is under or over valued based on your analysis of financial performance.

According to the analysis The Gap is undervalued and is giving signals to buy. The Comparative Stock Valuation Analysis places the stock at $26.33 per share where the closing price was at $19.39.

Financial Forecast

Discuss the importance of assumptions in developing Pro Forma (forecasted) financial statements.

Assumptions are important are important in developing Pro Forma financial statements because it's a financial analysts' best forecasting tool until crystal ball technology is perfected. Assumptions fill the gap between now and the unknowable future. Historical data shouldn't be trusted implicitly but it is the best information financial analysts have to predict future earnings.

Comment on the effect of non-operating and transitory items in forecasting financial statements.

For The Gap, non-operating and transitory items didn't affect their financial forecast very much. All of the items were assumed to stay the same so they had minimal impact. For a company whose non-operating and transitory items are not consistent, it would be fairly difficult to predict these numbers.

Discuss how the company will finance sales growth based on your forecasted financial statements.

The Gap will grow from its core business of selling retail clothing and accessories. It will also grow when it sells the extra treasury stock it's been buying while their stock price is low.

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Gap Inc.

Income Statement - Annual (Industrial)

		31-Jan-11 Final	31-Jan-10 Final	Percent Increase	31-Jan-11 Final	31-Jan-10 Final
Sales/Revenue		**$14,664.0**	**$14,197.0**	**3.3%**	**100.0%**	**100.0%**
Cost of Goods Sold (COGS) incl. D&A		8,746.0	8,473.0	**3.2%**	59.6%	59.7%
	COGS excluding D&A	8,098.0	7,818.0	**3.6%**		
	Depreciation & Amortization E	648.0	655.0	**-1.1%**		
Gross Income		**5,918.0**	**5,724.0**	**3.4%**	**40.4%**	**40.3%**
SG&A Expense		742.0	3,889.0	-80.9%	5.1%	27.4%
Other Operating Expense		3,165.0	0.0			
EBIT (Operating Income)		**2,011.0**	**1,835.0**	9.6%	**21.6%**	**0.0%**
Nonoperating Income (Expense) - Net		18.0	7.0	157.1%	0.1%	0.0%
Interest Expense		7.0	6.0	16.7%	0.0%	0.0%
Unusual Expense (Income) - Net		40.0	20.0	100.0%	0.3%	0.1%
Pretax Income		**1,982.0**	**1,816.0**	9.1%		
Income Taxes		778.0	714.0	9.0%	5.3%	5.0%
Consolidated Net Income		**1,204.0**	**1,102.0**	9.3%	**8.2%**	**7.8%**
Net Income		**1,204.0**	**1,102.0**	9.3%	**8.2%**	**7.8%**
Net Income available to Common		**1,204.0**	**1,102.0**	9.3%		
EPS (recurring)		1.922	1.597	20.4%		
EPS (basic)		1.893	1.588	19.2%		
	Net Income available to Comn	1,204.0	1,102.0	9.3%		
	/ Average Shares	636.0	694.0	-8.4%		
EPS (diluted)		1.878	1.577	19.1%		
EBITDA		**2,659.0**	**2,490.0**	6.8%		

Gap Inc.

Balance Sheet - Annual (Industrial)

		31-Jan-11 Final	31-Jan-10 Final	Percent Change	31-Jan-11 Final	31-Jan-10 Final
Assets						
	Cash & ST Investments	$1,670.0	$2,599.0	-35.7%	24.4%	33.9%
	Total Accounts Receivable	205.0	0.0	0.0%	3.0%	0.0%
	Inventories	1,620.0	1,477.0	9.7%	23.7%	19.3%
	Other Current Assets	431.0	588.0	-26.7%	6.3%	7.7%
	Total Current Assets	**3,926.0**	**4,664.0**	-15.8%	**57.4%**	**60.8%**
	Net Property, Plant & Equipment	2,563.0	2,628.0	-2.5%	37.5%	34.3%
	Total Investments and Advances	13.0	1.0	1200.0%	0.2%	0.0%
	Intangible Assets	176.0	186.0	-5.4%	2.6%	2.4%
	Other Assets	156.0	186.0	-16.1%	2.3%	2.4%
	Total Assets	**6,834.0**	**7,665.0**	-10.8%	**100.0%**	**100.0%**
Liabilities & Shareholders' Equity						
	ST Debt & Curr. Portion LT Debt	0.0	0.0	0.0%	0.0%	0.0%
	Accounts Payable	1,049.0	1,027.0	2.1%	15.3%	13.4%
	Income Tax Payable	50.0	41.0	22.0%	0.7%	0.5%
	Other Current Liabilities	996.0	1,063.0	-6.3%	14.6%	13.9%
	Total Current Liabilities	**2,095.0**	**2,131.0**	-1.7%	**30.7%**	**27.8%**
	Long-Term Debt	0.0	0.0	0.0%	0.0%	0.0%
	Provision for Risks & Charges	27.0	-		0.4%	#VALUE!
	Deferred Taxes	-231.0	-320.0	-27.8%	-3.4%	-4.2%
	Other Liabilities	863.0	963.0	-10.4%	12.6%	12.6%
	Total Liabilities	**2,754.0**	**2,774.0**	-0.7%	**40.3%**	**36.2%**
	Common Equity	4,080.0	4,891.0	-16.6%	59.7%	63.8%
	Total Shareholders' Equity	**4,080.0**	**4,891.0**	-16.6%	**59.7%**	**63.8%**
	Total Equity	**4,080.0**	**4,891.0**	-16.6%	**59.7%**	**63.8%**
	Liabilities & Shareholders' Equity	**6,834.0**	**7,665.0**	-10.8%	**100.0%**	**100.0%**
Cash Conversion Cycle (Days)		24.6	-			
	Days of Sales Outstanding	2.6	-			
	Days of Inventory on Hand	64.6	64.3	0.6%		
	Days of Payables Outstanding	42.6	43.3	-1.5%		
Book Value per Share		6.94	7.24	-4.1%		
Tangible Book Value per Share		6.64	6.96	-4.6%		

Gap Inc.

Statement of Cash Flows - Annual (Industrial)

		Net Cash Flows	31-Jan-11 Final	31-Jan-10 Final
Operating Activities				
	Net Income before Extraordinaries		$1,204.0	$1,102.0
	Depreciation, Depletion & Amortization		648.0	573.0
	Deferred Taxes & Investment Tax Credit		93.0	-50.0
	Other Funds		46.0	74.0
	Funds from Operations		**1,991.0**	**1,699.0**
	Changes in Working Capital		-247.0	229.0
	Net Operating Cash Flow	**11.9%**	**1,744.0**	**1,928.0**
Investing Activities				
	Capital Expenditures		557.0	334.0
	Net Assets from Acquisitions		0.0	0.0
	Sale of Fixed Assets & Businesses		0.0	1.0
	Purchase/Sale of Investments		125.0	-225.0
	Other Funds		3.0	21.0
	Net Investing Cash Flow	**-2.9%**	**-429.0**	**-537.0**
Financing Activities				
	Cash Dividends Paid		-252.0	-234.0
	Change in Capital Stock		-1,959.0	-491.0
	Issuance/Reduction of Debt, Net		3.0	-50.0
	Other Funds		81.0	4.0
	Net Financing Cash Flow	**-14.5%**	**-2,127.0**	**-771.0**
	Exchange Rate Effect		25.0	13.0
	Miscellaneous Funds		0.0	0.0
	Net Change in Cash		-787.0	633.0
	Free Cash Flow		**935.0**	**1,360.0**

Financial Analysis

	2010	2009	
Liquidity Ratios:			
Current Ratio	1.87	2.19	↓
Quick Ratio	1.10	1.50	↓
Asset Management Ratios:			
Accounts Receivable Turnover	71.53	0.00	↑
Days Sales Outstanding	5.10	0.00	↑
Inventory Turnover	5.40	5.74	↓
Days' Inventory	0.19	0.17	↓
Fixed Asset Turnover	5.72	5.40	↑
Total Asset Turnover	2.15	1.85	↑
Accounts Payable Turnover	8.34	8.25	↑
Debt Management Ratios:			
Debt Ratio	0.40	0.36	↓
Debt-to-Equity Ratio	0.68	0.57	↓
Times Interest Earned (T.I.E.)	287.29	305.83	↓
Fixed Charge Coverage	379.86	415.00	↓
Profitabiltiy Ratios:			
Profit Margin	0.08	0.08	↔
Return on Assets (ROA)	0.18	0.14	↑
Return on Equity (ROE)	0.30	0.23	↑
Market Value Ratios:			
Adjusted Closing Price	19.27	19.08	↑
EPS (Basic)	1.89	1.59	↑
Price-to-Earnings Ratio (PE)	10.18	12.02	↓
Average Shares Outstanding	636.00	694.00	
Cash Flow per Share	2.91	2.53	↑
Cash Flow per Share Ratio	6.62	7.54	↓
Book Value per Share Ratio	10.75	11.04	↓
Market-to-Book Ratio	1.79	1.73	↑

Pro Forma Assumptions are highlighted in yellow.

Financial Performance

Current Dividend Paid	0.51				
Dividend Payout Ratio	22.4%				
Plowback Ratio	77.6%				
Return on Equity (ROE)	29.5%				
Dividend Growth Rate	16.2%				
Stock Growth Rate	7.9%				
Expected Dividend (D1)	0.60				
Current Price of Stock	19.18				
Cost of Stock (Ks)	0.11				
EPS (Basic)	1.89				
P/E Ratio	10.13				
EPS Growth	10.3%				
Price-Earnings-Growth (PEG) Ratio	0.98				
Effective Tax Rate	39.3%				
Earnings Before Interest & Taxes (EBIT)	2,011.00				
Net Operating Profit After Tax (NOPAT)	1,221.62				
Total Invested Capital	3,554.00				
Effective Interest Rate	0.00				
Cost of Debt (Kd)	0.00				
Weighted Average Cost of Capital (WACC)					
Total Debt (Current Portion of LTD + LTD)		0.00	0.0%	0.0%	0.0%
Total Stockholders' Equity		4,080.00	100.0%	11.0%	11.0%
WACC		4,080.00	100.0%		11.0%
Economic Value Added (EVA)	830.39				
Number of Shares of Stock	636.00				
Total Common Equity	4,080.00				
Market Value Added (MVA)	8,118.48				
Du Pont Ratio	29.5%				
Internal Growth Rate	12.6%				
Sustainable Growth Rate	22.9%				

Pro Forma Assumptions are highlighted in yellow.

5 Year average P/E Ratio	13.91
Last Closing price	19.39
EPS (basic)	1.89
Comparative Stock Valuation Analysis	26.33

Forecast Assumptions

Sales Growth	3.3%
Cost of Goods Sold	59.6%
SG&A Expense	5.1%
Effective Tax Rate	39.3%
Accounts Receivable Turnover	71.53
Inventory Turnover	5.40
Fixed Asset Turnover	5.72
Accounts Payable Turnover	8.34
Dividend Payout Ratio	22.4%

Gap Inc. pro forma income statement

Income Statement - Annual (Industrial)

	Pro Forma	31-Jan-11 Final	31-Jan-10 Final
Sales/Revenue	**15,147.9**	**$14,664.0**	**$14,197.0**
Cost of Goods Sold (COGS) incl. D&A	9,028.2	8,746.0	8,473.0
COGS excluding D&A		8,098.0	7,818.0
Depreciation & Amortization Expense		648.0	655.0
Gross Income	**6,119.8**	**5,918.0**	**5,724.0**
SG&A Expense	772.5	742.0	3,889.0
Other Operating Expense		3,165.0	0.0
EBIT (Operating Income)	**2,182.2**	**2,011.0**	**1,835.0**
Nonoperating Income (Expense) - Net	18.0	18.0	7.0
Interest Expense	7.0	7.0	6.0
Unusual Expense (Income) - Net	40.0	40.0	20.0
Pretax Income	**2,117.2**	**1,982.0**	**1,816.0**
Income Taxes	831.1	778.0	714.0
Consolidated Net Income		**1,204.0**	**1,102.0**
Net Income	**1,286.1**	**1,204.0**	**1,102.0**
Net Income available to Common	**1,286.1**	**1,204.0**	**1,102.0**
EPS (recurring)		1.922	1.597
EPS (basic)		1.893	1.588
Net Income available to Common		1,204.0	1,102.0
/ Average Shares		636.0	694.0
EPS (diluted)		1.878	1.577
EBITDA		**2,659.0**	**2,490.0**

Gap Inc. pro forma balance sheet

Balance Sheet - Annual (Industrial)

	Pro Forma	31-Jan-11 Final	31-Jan-10 Final
Assets			
Cash & ST Investments	1,336.0	$1,670.0	$2,599.0
Total Accounts Receivable	211.8	205.0	0.0
Inventories	1,672.3	1,620.0	1,477.0
Other Current Assets	431.0	431.0	588.0
Total Current Assets	**3,651.0**	**3,926.0**	**4,664.0**
Net Property, Plant & Equipment	2,647.6	2,563.0	2,628.0
Total Investments and Advances	13.0	13.0	1.0
Intangible Assets	176.0	176.0	186.0
Other Assets	156.0	156.0	186.0
Total Assets	**6,643.6**	**6,834.0**	**7,665.0**
Liabilities & Shareholders' Equity			
ST Debt & Curr. Portion LT Debt	0.0	0.0	0.0
Accounts Payable	1,082.8	1,049.0	1,027.0
Income Tax Payable	50.0	50.0	41.0
Other Current Liabilities	996.0	996.0	1,063.0
Total Current Liabilities	**2,128.8**	**2,095.0**	**2,131.0**
Long-Term Debt	0.0	0.0	0.0
Provision for Risks & Charges	27.0	27.0	-
Deferred Taxes	-231.0	-231.0	-320.0
Other Liabilities	863.0	863.0	963.0
Total Liabilities	**2,787.8**	**2,754.0**	**2,774.0**
Common Equity		4,080.0	4,891.0
Common Stock Par/Carry Value	55.0	55.0	55.0
Additional Paid-In Capital/Capital Surplus	2,939.0	2,939.0	2,935.0
Retained Earnings	12,765.0	11,767.0	10,815.0
Cumulative Translation Adjustment/Unrealized For. Exch. Gain	185.0	185.0	155.0
Unrealized Gain/Loss Marketable Securities		-	-
Other Appropriated Reserves		-	-
Treasury Stock	-10,866.0	-10,866.0	-9,069.0
Total Shareholders' Equity	**5,078.0**	**4,080.0**	**4,891.0**
Total Equity	**5,023.0**	**4,080.0**	**4,891.0**
Liabilities & Shareholders' Equity	**7,865.9**	**6,834.0**	**7,665.0**
Cash Conversion Cycle (Days)		24.6	-
Days of Sales Outstanding		2.6	-
Days of Inventory on Hand		64.6	64.3
Days of Payables Outstanding		42.6	43.3
Book Value per Share		6.94	7.24
Tangible Book Value per Share		6.64	6.96
Cash Forced Balance	1,222.3		