

Financial Analysis: A User Approach
Chapter 5
Multiperiod Quantitative Financial Analysis

Multiperiod Financial Analysis

- The ratio analysis we discussed in the last chapter was presented based on a two-year time series and a cross-sectional basis
- It is often helpful to perform analysis across a longer time series
- Multiperiod analysis can be based on
 - Annual data (5 and 10 year times series) and
 - Quarterly data (quarter to quarter) and quarter to the same quarter in the prior year

Growth Analysis

- Growth rates in dollars and percentages over a five year period

STX	2003	2004	2005	2006*	2007	2008
Revenues	6,486	6,224	7,553	9,206	11,360	12,708
Gross Profit	1,727	1,459	1,673	2,137	2,185	3,205
Net Income	641	529	707	840	913	1,262

* Maxtor acquired during this year

WDC	2003	2004	2005	2006	2007	2008
Revenues	2,719	3,047	3,639	4,341	5,468	8,074
Gross Profit	443	461	590	829	900	1,739
Net Income	179	150	196	395	564	867

STX	03-04	04-05	05-06	06-07	08-07	08-03
Revenues	-4.0%	21.4%	21.9%	23.4%	11.9%	95.9%
Gross Profit	-15.5%	14.7%	27.7%	2.2%	46.7%	85.6%
Net Income	-17.5%	33.6%	18.8%	8.7%	38.2%	96.9%

WDC	03-04	04-05	05-06	06-07	08-07	08-03
Revenues	12.1%	19.4%	19.3%	26.0%	47.7%	196.9%
Gross Profit	4.1%	28.0%	40.5%	8.6%	93.2%	292.6%
Net Income	-16.2%	30.7%	101.5%	42.8%	53.7%	384.4%

Trend Analysis

- Similar to growth analysis (will show the same results, but in a different manner)
- The first (oldest) year is the base year and all other years are divided by the base

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STX	2003	2004	2005	2006	2007	2008
Revenues	100.0	96.0	116.5	141.9	175.1	195.9
Gross Profit	100.0	84.5	96.9	123.7	126.5	185.6
Net Income	100.0	82.5	110.3	131.0	142.4	196.9

WDC	2003	2004	2005	2006	2007	2008
Revenues	100.0	112.1	133.8	159.7	201.1	296.9
Gross Profit	100.0	104.1	133.2	187.1	203.2	392.6
Net Income	100.0	83.8	109.5	220.7	315.1	484.4

Quarterly Analysis

- Useful to gain insight into short-term changes in performance
- Useful to examine changes that are impacted by seasonality

	Q3-CY	Q2-CY	Q3-PY	CY Change	CY-PY Change
Revenues	3,104	3,420	2,828	(316)	276
COGS	2,288	2,531	2,225	(243)	63
GP	816	889	603	(73)	213
SG&A	453	469	356	(16)	97
Net Income	344	403	212	(59)	132

	Q3-CY	Q2-CY	Q3-PY	CY Change	CY-PY Change
Revenues	100.0%	100.0%	100.0%	-9.2%	9.8%
COGS	73.7%	74.0%	78.7%	-9.6%	2.8%
GP	26.3%	26.0%	21.3%	-8.2%	35.3%
SG&A	14.6%	13.7%	12.6%	-3.4%	27.2%
Net Income	11.1%	11.8%	7.5%	-14.6%	62.3%