Mondelēz International

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Company Information and Background

Mondelez International is a large company with various food products. It considers itself to be a snack company which makes cookies, crackers, chocolate, gum, along with dairy and cheese products, and powdered drinks. Of its most famous snacks and products, Oreos, Ritz, belVita, Triscuit, and Trident gum are the most well-known and drive a substantial portion of revenue for Mondelez. Before it was known as Mondelez, the company Kraft Foods Inc. separated into two in 2011. It became an international snack-food company and a grocery company, ultimately creating Mondelez and making it a legal successor of Kraft Foods Inc. The company reported a revenue of $25,868 in 2019, which is a decrease of 0.27% from previous years. As of right now, the stock market price is $53.49 and reported total assets of $64,549. Mondelez International has 4.8% of the confectionary market. With an 8.47% market share, Kellog is one of Mondelez's main competitors. (Craft.co)

Profitability

In 2019, Mondelez International had a 14.6% return on equity, indicating that for every $1 equity invested in Mondelez International, the company earned about 15 cents. This is an 11.5% increase since 2018 and a 28.1% increase since 2017. The difference between 2017 to 2018 is due to a small increase in net income. The comparable company Kellogg's reported a higher return on equity, standing at 41.95% as of 2019. Mondelez International's value is extremely low, compared to the industry average of 37.31% over five years of data (Investing.com). Though Mondelez International showed gradual improvement throughout the past few years, they remain at a disadvantage when it comes to producing return on its owners' investments, specifically when compared to their most prominent competitor and industry overall.

Mondelez International had a 6.1% return on assets in 2019, meaning for every $1 in assets, Mondelez International earned 6.1 cents in income. The gradual increase from 2017's 4.7% through 2018's 5.4% is likely a result of the increase in net income. This value is not only adequate given the industry's five-year average of 4.86%, but also modestly advantageous with a 1.24% positive difference. (Investing.com) Kellogg's return on assets for its last reporting period was 5.8%, signifying that Mondelez International is using their assets comparably more efficiently. With a return on assets greater than both the industry five-year average and its main competitor, Mondelez International is effectively utilizing its assets to generate income.

Mondelez International had a strong net profit margin of 15%, a 15.4% increase from 2018 and a 32.7% increase from 2017. This value shows that for every $1 the company made in sales, it earned 15 cents in income. Mondelez International's profit margin is more than double that of Kellogg's profit margin of 7.05, even though Mondelez International had slightly less growth and a decrease in overall sales. In other words, for every $1 of sales, Kellogg's subtracts about 93 cents in expenses whereas Mondelez subtracts only 85 cents. The decrease in company's sales was mostly due to a smaller volume and unfavorable currency in 2019. Though the company's sales have been fluctuating for the last three fiscal years, the company managed to keep its net income slowly increasing. The company's net profit margin remains far above the industry's five-year average of 0.26%. This signals to investors that Mondelez International is better at controlling costs than Kellogg's and other competitors in the industry.

The earnings per share for Mondelez international in 2019 was $2.71. There was a 16.3% increase from 2018 and a 38.6% increase from 2017. Kellogg's earnings per share as of 2019 is $2.81, which is a 27% decrease from a $3.85 earnings per share in 2018. It is evident that Mondelez International is performing marginally worse than Kellogg's, however the company is slowly improving as recent past ratios, showing an upward trend, likely as a result of an increasing net income. Mondelez’s earnings per share fall between average to below average when compared to companies within its industry such as Keurig Dr Pepper Inc.’s $0.88 or PepsiCo’s $5.20 (ReadyRatios.com). Nonetheless, the company remains profitable with modest earnings per share, and its most recent ratios signal the likelihood of continued growth.

The company’s quality of earnings ratio stands at 1.021 as of 2019, a decrease from its 1.168 in 2018 and an increase from its 2017 0.887. This means that for every $1 of income, it is equivalent to around $1.02 generated in cashflow. The quality of earnings ratio for Kellogg was 1.20 in 2019 and 1.14 in 2018; somewhat better than Mondelez International’s. This profitability ratio shows that Mondelez International has improved in recent years on financing operating activities with cash inflows. However, it has been inconsistent between high and lower quality income, giving it no advantage in the industry.

The company had a financial leverage percentage of 8.42% in 2019, an increase from a 7.68% in 2018 and a 6.71% in 2017. The increase in value shows that the return on company’s debt exceeds the interest paid in debt. Mondelez does not accrue as much debt in order to increase its return on equity, meanwhile Kellogg's value of 31% surpasses Mondelez International’s by a substantial amount. This would signal to investors that Mondelez International is more efficient at borrowing or investing than Kellogg.

Based on the profitability ratios, Mondelez International has improved its performance based on recent years and is doing relatively well when compared to one of their main competitors. However, it is still somewhat average in the food industry. The ratios also demonstrate that even with a small decrease in sales, the company is utilizing their resources efficiently.

Asset Turnover

Mondelez International had a 0.406 total asset turnover ratio as of 2019. For the previous two years, the total asset turnover was 0.412 and 0.416 respectively. This ratio has relatively remained consistent; however, it has slowly decreased through the fiscal years. This suggests that Mondelez International generated $0.41 in revenue for every $1 in assets. A slight decrease in asset turnover ratio suggests that the company was not as efficient with using assets to generate income. Kellogg was slightly more efficient utilizing its assets, as its total turnover ratio is 0.77 as of 2019. When compared to the industry average of 0.64, Mondelez international has become less efficient, as it has been decreasing for the last two years, whereas Kellogg's has been improving, even exceeding the industry average. (Investing.com)

Moreover, the company's fixed asset turnover ratio of 3.005 as of 2019, has also slowly decreased from 3.023 in 2018 and 3.064 in 2017. Mondelez International made $3.01 in revenue for every $1 they had invested in property, plant and equipment. PP&E value has increased from 2018 to 2019, which suggests that this slight decrease is primarily due to a decline in sales. Mondelez International has performed slightly worse in the last two years, compared to Kellogg in 2019 with a ratio of 3.698. These ratios would suggest to investors that Mondelez International is worse at utilizing its equipment to revenue than Kellogg.

Mondelez International receivable turnover ratio is 11.56 as of 2019, which is an increase from 10.47 and 9.77 in 2018 and 2017 respectively. This suggests that Mondelez International collects its accounts receivables around 11 times during the year. This number even though slightly below the industry average of 16.4, is on the same level with Kellogg's 11.05 ratio. (Investing.com)

Lastly, Mondelez Internationals' inventory turnover ratio is currently at 6.05 is of 2019. There was no change since 2018, however it decreased from 6.30 in 2017. This implies that Mondelez International can sell and replace its inventory 6 times per year. The decline can be linked to the company's decline in the costs of goods sold. Kellogg's has an advantage over Mondelez International as Kellogg's inventory turnover ratio is 7.30 as of 2019. In comparison to the industry ratio of 9.31, Mondelez International is relatively worse off. (Investing.com)

Overall, the asset turnover ratios suggest that the company is performing slightly worse than the industry and one of its competitors. The ratios imply that the company's efficiency of using and turning over its assets is slowly declining as the years progress. However, the receivables ratio suggests that Mondelez International is on the same level as other companies in the industry when it comes to turning over inventory and therefore is not losing its standing in the industry.

Liquidity

Mondelez International has a current ratio of 0.50 as of 2019. For the previous two years, the current ratio was 0.45 and 0.48, respectively. This ratio has relatively maintained consistent; however, it signifies that the company has more current liabilities than it does current assets, indicating that they cannot pay off their current liabilities if they were to be due today.

According to industry standards, a current ratio for a food and kindred products company is about 1.52. When a current ratio is above one, it means that the company has more current assets than current liabilities and would be able to pay off debts if they were to be due today. Mondelez's current ratio is more than half the times smaller than the industry ratio signifying that they do not have enough assets to pay off debts as easily or quickly as other companies in the food production business can. All in all, according to the current ratio, as compared to the industry standard, Mondelez is extremely below and does not generate enough current assets or perhaps takes on too many debts.

In addition to the current ratio indicating a lack of current assets, the quick ratio is another way to calculate how well the company can meet its short – term debts. Instead of examining all current assets, the quick ratio looks at the amount of cash and cash equivalents, market securities, and accounts receivable a company has in comparison to their current liabilities. This ultimately conveys the ability of a company to use its near cash or quick assets. In 2017, the quick ratio was 0.22 which did not increase in 2018 and moved slightly to 0.23 in 2019. This signifies a low amount of cash and near cash assets but a high number of short-term debts that must be extinguished. This doesn't look well for the company especially when the ratios are compared to industry ratios. In 2019, the industry quick ratio was 0.76 which was a decrease from 0.86 in 2018 and an increase from 0.74 in 2017. When compared to the food production industry, Mondelez is not meeting the average ratio value of other companies that it is competing with. This ultimately means that while it doesn't accumulate cash and quick assets, it also doesn't accumulate short-term liabilities year to year.

Finally, the cash ratio is the last ratio that interprets liquidity of Mondelez. It calculates the amount of cash and cash equivalents as compared to short-term debts. Mondelez had a cash ratio of 0.05 in 2017 which increased each year by an extremely small fraction, resulting in a cash ratio of 0.07 in 2018 and 0.08 in 2019. This is extremely low as compared to industry standards which range from 0.13 in 2017, 0.29 in 2018, and 0.14 in 2019. While the industry ratios do fluctuate, Mondelez's ratio is smaller than the industry in all three years. This signifies that when compared to other companies in the industry, Mondelez is severely lacking cash as compared to the amount of current liabilities they have to pay off.

All in all, Mondelez has much more short-term debts then they do cash and current assets to be able to effectively pay it off. Mondelez's ratios are typically much lower than industry standards and may be struggling to pay off debts. In addition, in all three ratios, there was little change from year to year according to the trend analysis. Overall, the company is doing worse than industry standards and should be careful when accumulating more debts.

Solvency

Mondelez International's solvency analysis was conducted by calculating three ratios: times interested earned ratio, cash coverage ratio, and debt to equity ratio. First, the times interest earned ratio reveals the company's ability to meet the interest payments on its debt. It calculates Net Income, Interest Expense, and Income Tax Expense relative to Interest Expense. In 2019, the company's ratio was 9.52, 8.99 in 2018, and 10.45 in 2017. For example, this means that the company could pay interest 9 times with its before tax income. The higher the ratio, the better. Creditors favor a company with a higher times interest earned ratio because it gives them confidence that the company can pay back the interest. Kellogg's times interest earned ratio for 2019 was 5.9. Since a higher ratio is more favorable, Mondelez is doing better than Kellogg's at paying off interest because their ratio is higher.

Furthermore, the cash coverage ratio reveals the cash flows from operating activities relative to interest paid. Mondelez had a cash coverage ratio of 8.16 in 2019 and 8.04 and 6.52 for the 2018 and 2017, respectively. This ratio reveals how easily cash flows from operations can pay off current debts. Kellogg's ratio for 2019 was 4.14 which is much lower the Mondelez's ratio in 2019. The higher the ratio, the more cash flow, meaning that the business has financial stability.

Finally, the debt-to-equity ratio compares total debt to total equity in the company. It reveals the percentage of financing that is provided by creditors. The debt-to-equity ratio for Mondelez in the year 2019 was 1.36. In the previous two year, the ratio stayed about the same at 1.44 in 2018 and 1.41 in 2019. The industry ratio is much lower and was 0.67 in 2019. The higher the ratio is, the more creditor financing is used by the company than investor financing. A ratio of 1.0 would imply that investors and creditors have an equal stake in the business assets. The lower the ratio, the more stable the business is financially. Therefore, Mondelez's large ratio, which is higher than 1.0, indicates the business may not be as financially stable as others in the industry. The high ratio reveals that there is more creditor/lending than there is investor financing. This is concerning as it only means that Mondelez will have more debts as it receives more money from creditors and lenders, rather than from investing activities.

All in all, the solvency ratios help measure Mondelez's ability to meet its debts and can be used to show investors and lenders how well the company is doing. Mondelez has a higher debt to equity ratio, cash coverage ratio, and times interest earned ratio than Kellogg's. This means that overall, Mondelez has the ability to meet debts and proves to investors that the company is financially stable and has a security net.

Market Ratios

The market ratios that were calculated for Mondelez for the year 2017, 2018, 2019 were price per earnings ratio and the dividend yield ratio. First, the price per earnings ratio measures the share price relative to the annual net income earned by the firm per share. This allows investors to see the demand for a company share. Therefore, a high ratio is advisable because it signifies increased demand because investors anticipate earnings growth in the future. Mondelez's price per earnings ratio was 20.55 in 2019, 17.40 in 2018, and 22.18 in 2017. The company had the highest market share of all three years in 2019 which was $55.08. While industry standards for this ratio could not be found, the ratio for Kellogg's was 18.17 in 2017, 14.89 in 2018 and 24.70 in 2019. These values are very similar and shows that Mondelez is doing well when compared to Kellogg's, and signals investors that Mondelez is better at adapting to the changing marketplace.

In addition to the PE ratio, the dividend yield ratio which is the dividend per share divided by the price per share was calculated. An acceptable and desirable yield ratio is about 4% to 6%. If it is lower, it could give investors pause when buying stock. Mondelez has a dividend yield ratio of 1.98% in 2019, 2.4% in 2018, and 1.92% in 2017. As compared to Kellogg's dividend yield ratio which was 3.51% in 2017, 3.15% in 2018, and 3.66% in 2019, Mondelez is slightly lower and both are lower than the suggested 4%-6%. This may appeal to investors that are looking for the company's growth opportunities instead of a higher current income.

Overall, when comparing Mondelez to one of its biggest competitors, it is doing well. The stock prices are relatively similar and the dividend yield ratio, while not at its most desirable amount, is not far off. Nonetheless, Mondelez has a lower dividend yield ratio and needs to be concerned about investors' confidence in the company.

Conclusion

Overall, Mondelez International is underperforming when compared to the industry standards. Its profitability ratios indicate that Mondelez International is slowly increasing its standing in the industry as most of the ratios trend upwards through the years. However, they remain below the industry average, making them at a disadvantage for investors and stockholders as their return power is relatively small, compared to other companies. Liquidity ratios are very low as compared to industry standards and reveal a possible shortage of assets as compared to short-term debts that are due. Nonetheless, Mondelez has the ability to meet debts and proves this through the solvency ratios. They reveal that the company is financially stable and has a security net. Even with slightly declining sales, the company was able to reduce their costs of goods sold, improving its profitability ratios. Finally, according to market ratios, Mondelez is doing well but needs to be concerned about collecting debts and maintaining financial stability and future growth. All in all, Mondelez International has a strong brand, and can continue to remain stable, and should continue being a major competitor in the food production industry.

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Appendix A

	2019	2018	2017
Return on Equity	**14.6%**	**13.1%**	**11.4%**
Net Income/Average Total Stockholders' Equity	3,885/[(27,351+25,713)/2]	3,381/ [(25,713+26,074)/2]	2,922/ [(26,074+25,215)/2]
Return on Assets	**6.1%**	**5.4%**	**4.7%**
Net Income/Average Total Assets	3,885/[(64,549+62,729)/2]	3,381/ [(62,729+63,109)/2]	2,922/ [(63,109+61,538)/2]
Financial Leverage Percentage	**8.54%**	**7.68%**	**6.71%**
Return on Equity – Return on Assets	0.146-0.061	0.131-0.054	0.114-0.047
Net Profit Margin	**15.0%**	**13.0%**	**11.3%**
Net Income/Net Sales Revenue	3,885/25,868	3,381/25,938	2,922/25,896
Earnings Per Share	**$2.71**	**$2.33**	**$1.96**
Net Income/Weighted Average of Common Shares Outstanding	3,885/1435	3,381/1451	2,922/1488
Quality of Income	**1.021**	**1.168**	**0.887**
Cash Flows from Operating Activities/Net Income	3,965/3,885	3,948/3,381	2,593/2,922
Total asset Turnover	**0.406**	**0.412**	**0.416**
Net Sales Revenue/Average Total Assets	25,868/ [(64,549+62,729)/2]	25,938/ [(62,729+63,109)/2]	25,896/ [(63,109+61,538)/2]
Fixed Assets Turnover	**3.005**	**3.023**	**3.064**
Net Sales Revenue/Average Net Fixed Assets	25,868/ [(8,733+8,482)/2]	25,938/ [(8,482+8,677)/2]	25,896/ [(8,677+8,299)/2]

Receivable turnover Ratio	**11.56**	**10.47**	**9.77**
Net Credit Sales/Average Net Receivables	25,868/ [(2,212+2,262)/2]	25,938/ [(2,262+2691)/2]	25,896/ [(2,691+2,611)/2]
Inventory Turnover Ratio	**6.05**	**6.05**	**6.30**
Cost of Goods Sold/Average Inventory	15,531/ [(2,546+2,592)/2]	15,586/ [(2,592+2,557)/2]	15,831/ [(2,557+2,469)/2]
Current Ratio	**0.50**	**0.45**	**0.48**
Current Assets/Current Liabilities	7,630/15,322	7,604/16,737	7,520/15,793
Quick Ratio	**0.23**	**0.22**	**0.22**
(Cash & Cash Equivalents + Net Accounts Receivables + Marketable Securities)/Current Liabilities	(1,291+2,212)/15,322	(1,100+2,626)/16,737	(761+2,691)/15,793
Cash Ratio	**0.08**	**0.07**	**0.05**
Cash & Cash Equivalents/Current Liabilities	1,291/15,322	1,100/16,737	761/15,793
Times Interest earned Ratio	**9.52**	**8.99**	**10.45**
Net Income + Interest Expense + Income Tax Expense/Interest Expense	(3,885+456+2)/456	(3,381+520+773)/520	(2,922+382+688)/382
Cash Coverage Ratio	**8.16**	**8.04**	**6.52**
Cash Flows from Operating Activities/ Interest Paid	3965/486	3948/491	2,593/398
Debt-to-equity Ratio	**1.36**	**1.44**	**1.41**

Total Liabilities/Total Stockholders' Equity	37,198/27,351	37,016/25,713	36,883/26,074
Price/ Earnings Ratio	**20.55**	**17.40**	**22.18**
Market Price per Share/Earnings per Share	55.08/2.68	40.03/2.30	42.8/1.93
Dividend Yield Ratio	**0.020**	**0.024**	**0.019**
Dividends per Share/Market Price per Share	1.09/55.08	0.96/40.03	0.82/42.8