



TO: Dave Loft, Technology Consulting President

FROM: , Controller

DATE: May 7, 20 .

SUBJECT: Possible investment opportunity

Cabela's Incorporated is a specialty retailer in the sporting goods industry. They sell merchandise and equipment related to hunting, camping and fishing, as well as other outdoor apparel and accessories.

Throughout the research and analysis of Cabela's Incorporated several relative financial ratios regarding the financial status of the company were used in determining the possible investment opportunity at hand (see attached: Ratio Analysis). The quick ratio demonstrates whether or not a company's current assets will be able to cover their liabilities or debt. With a 1.69:1 quick ratio in 2010 and a 2.23:1 quick ratio in 2011, it is evident that Cabela's Inc. is more than capable of covering their debts. Accounts receivable turnover is a ratio which explains how many times in a year a company is able to completely collect their receivables. After calculations, it was determined that Cabela's Inc. was able to collect their receivables about 53 times in both 2010 and 2011. The results of computing what is called the debt ratio, gives an idea of how many of a company's assets were financed through debt or liabilities. Cabela's Inc. has a debt ratio of 77% in 2010 and 2011. This number is very high; this means that more than three quarters of the company's assets were financed through liabilities. Another ratio that was used in the analysis of this company is the gross profit rate. This percentage demonstrates the profitability of a company. When we see the percentage increase from year to year that means the profitability has increased from the previous year, which is a good indication the company will continue to be profitable. Such, is the case for Cabela's Inc., going from 41% to 43% from 2010 to 2011. Lastly, the net income percentage was calculated to determine how efficiently the company can convert revenue into income. Again, we want to see this number increasing from year to year. Cabela's Inc. had a 1% increase in this number from 2010 to 2011.

increased by even more; \$602,592. On the income statement we can see that the total revenue and net income are increasing from one year to the next, a good indication of profitability.

After careful research of the company, the downside is that the debt ratio is very high. This means that Cabela's Inc. relies heavily on loans and other liabilities. After examination of the company's quick ratio, we can see that they have more than they need to cover their debts. Even though many of the company's assets are financed through liabilities, they are dependable in their capability of paying their debts.

In conclusion I recommend investing in Cabela's Incorporated. They have liquid assets, and have been dependable in the past and are growing in profitability.