Currently, Littleton has $220 million in *NOA* and $440 million in annual sales, generating a *NOPAT* of $33 million. Littleton's management group believes expanding international would result in incremental sales of $90 million, requiring an investment in additional *NOA*, including supporting working capital of $30 million. Due to a substantial marketing effort, Littleton anticipates its international operating income, after tax, to be $6 million.

Based solely on the above financial consideration, explain whether you would recommend management to expand internationally.

E6.17 Following the passage of the Tax Cut and Jobs Act, Bedford Inc., a small appliance manufacturing firm, is considering adding robotics into its assembly process. With the new tax law, companies can deduct 100 percent of qualified equipment for tax purposes while depreciating on a straight-line basis on their financial statements.

Currently, Bedford has $250.0 million in annual sales, generating a *PM* of 4.5 percent on sales and an *ATO* of 2.5. Bedford's engineering group believes the robotics can be installed and operational within the first few months of the year. Bedford's CFO believes the robotics will reduce operating costs that would pass on to lower sale prices, yielding increased annual sales. The CFO estimates that investing $30 million in the robotics will increase sales by $16.5 million and increase the *PM* to 6.0 percent because fewer workers will be needed.

Based solely on the above financial consideration, explain whether or not you would recommend management consider upgrading automating its assembly process.

E6.18 Moonitz Inc., a consumer products firm, is considering adding a data analytics program in which it can evaluate its customers, shopping transactions and other relevant customer data to craft individualized promotions and recommend additional product offerings.

Currently, Moonitz has $385 million in annual sales, generating a *PM* of 4.0 percent on sales and an *ATO* of 5.0. Moonitz's marketing group believes the data analytics program will increase annual sales by $40 million, with an additional investment in working capital of $4 million to support the increased sales. Costs to run the data analytics program will reduce firm-wide *PM* to 3.9 percent.

Based solely on the above financial consideration, explain whether or not you would recommend management consider adding this new program.

E6.19 From fiscal 2017 to fiscal 2018, **Starbucks'** (SBUX) *RNOA* increased from 33.7 percent to 76.1. For fiscal 2018, SBUX's *PM* was 16.6 percent, and its *ATO* was 4.60. For fiscal year 2017, the company's *PM* was 11.6 percent and *ATO* was 2.90.

Perform a change in *RNOA* analysis to identify the drivers for the significant increase in SBUX's *RNOA*.

E6.20 From fiscal year 2017 to fiscal year 2018, Bed, Bath and Beyond's (BBY) *RNOA* decreased from 16.6 percent to 10.3. For fiscal year 2018, BBY's *PM* was 3.8 percent and *ATO* was 2.73. For fiscal year 2017, BBY's *PM* was 6.0 percent and *ATO* was 2.75.

Perform a change in *RNOA* analysis to identify the drivers for the significant increase in BBY's *RNOA*.

E6.21 The TJX Companies is a Fortune 100 company with more than 4,300 $\boxed{\text{stores and 270,000 associates. It}}$ is the parent company for the stores TJ Maxx, Marshall's, and HomeGoods. Macy's is one of the nation's premier retailers, operating approximately 680 department stores under the names Macy's and Bloomingdale's as well as 190 specialty $\boxed{\text{stores.}}$ Each company applies a different business model.

Following are selected financial data for TJX and Macy's (in millions of dollars).

	2018 Sales	2018 CGS	2018 Net Inc	2018 *NOPAT*	2018 *NOA*	2017 *NOA*	2018 *NFL*	2017 *NFL*	2018 *CSE*	2017 *CSE*
TJX	38,973	27,832	3,060	3,096	4,253	4,115	(796)	(1,033)	5,049	5,148
Macy's	25,739	15,215	1,098	1,031	10,025	10,161	3,589	4,428	6,436	5,733

Calculate the following for TJX and Macy's:

a. Gross margin percentage
b. Profit margin percentage (*PM*)
c. Asset turnover (*ATO*)
d. Return on net operating assets (*RNOA*)
e. Financial leverage (*LEV*)
f. Spread (*RNOA* – *RNFL*)