

# Operating Leases

A Calcbench Analysis



**CALCBENCH**

*Next Generation Interactive Financial Data*



# Executive Summary

## Operating Leases

- Do not appear on the balance sheet today
- Are decisions based on financing, nothing more.
- Should be treated as a liability with the “right to use” treated as an asset

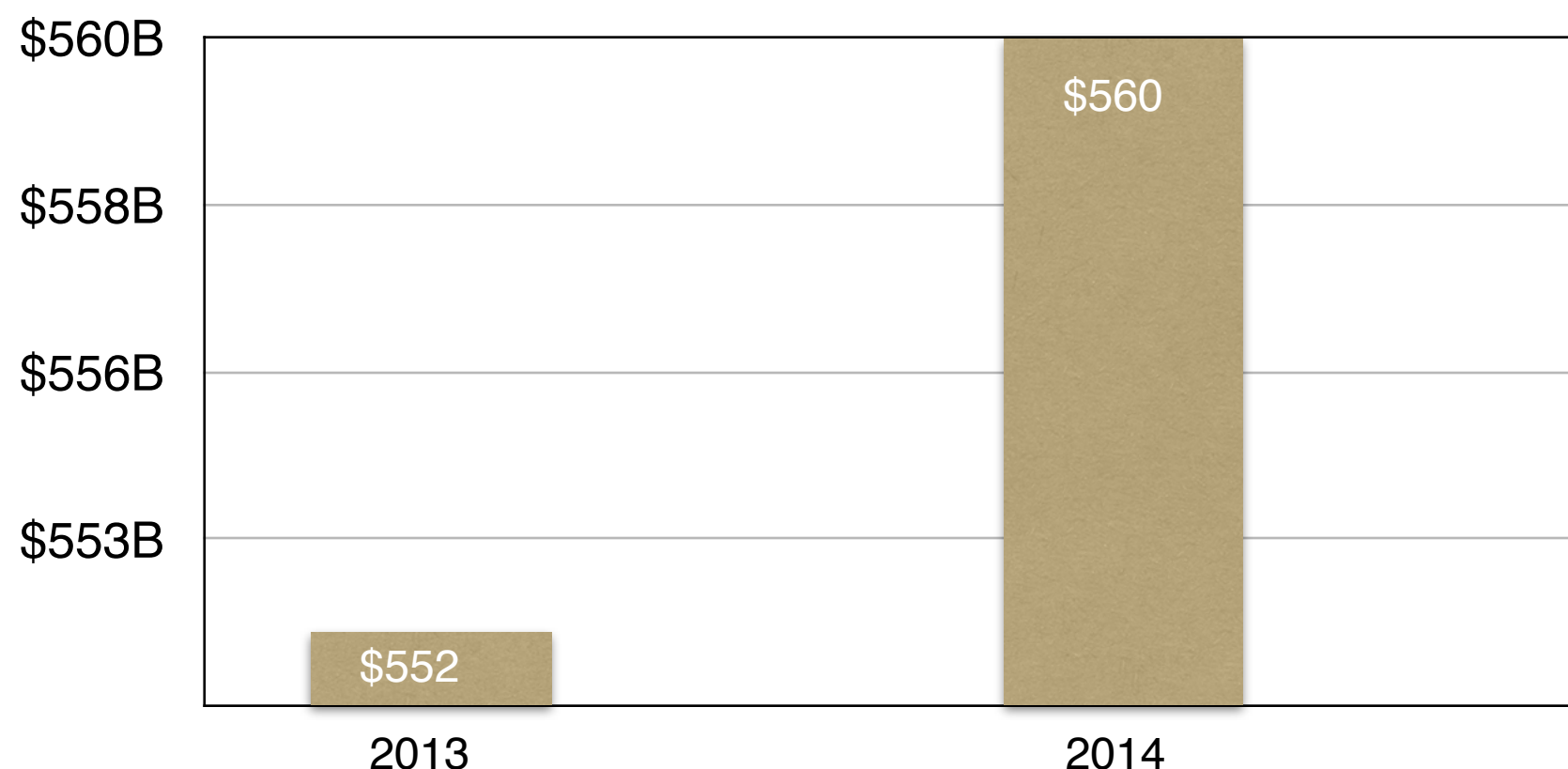
## Calcbench can help expose the details

- Firm level comparative analytics
- Term structures of leasing arrangements
- Sector level summaries
- Changes in leasing obligations over time



# Operating Lease Summary Statistics

S&P 500 Firms Filing 10-K's as of April 2014 (388 Firms):



Increase of 1.5% YoY for firms filing sets of information as of April 2014.

# Example of One Firm

## Fedex Corp:

### Leases

Period Ending: 5/31/2014 (from [10-K](#) reported on: 7/14/2014)

#### NOTE 7: LEASES

We utilize certain aircraft, land, facilities, retail locations and equipment under capital and operating leases that expire at various dates through 2046. We leased 10% of our total aircraft fleet under operating leases as of May 31, 2014 and May 31, 2013. A portion of our supplemental aircraft are leased by us under agreements that provide for cancellation upon 30 days' notice. Our leased facilities include national, regional and metropolitan sorting facilities, retail facilities and administrative buildings.

Rent expense under operating leases for the years ended May 31 was as follows (in millions):

	2014	2013	2012
Minimum rentals	\$ 2,154	\$ 2,061	\$ 2,018
Contingent rentals <sup>(1)</sup>	197	192	210
	<u>\$ 2,351</u>	<u>\$ 2,253</u>	<u>\$ 2,228</u>

(1) Contingent rentals are based on equipment usage.

A summary of future minimum lease payments under noncancelable operating leases with an initial or remaining term in excess of one year at May 31, 2014 is as follows (in millions):



	Operating Leases		
	Aircraft and Related Equipment	Facilities and Other	Total Operating Leases
2015	\$ 448	\$ 1,614	\$ 2,062
2016	453	1,450	1,903
2017	392	1,540	1,932
2018	326	1,129	1,455
2019	273	955	1,228
Thereafter	550	6,264	6,814
Total	<u>\$ 2,442</u>	<u>\$ 12,952</u>	<u>\$ 15,394</u>

Data is drillable.

History is available.



# Example of Many Firms

	Total Lease Liability	Implied Lease years	Ratio Year 1 to Year 5	Total Liabilities	Implied Liabilities Increase
Walgreens Boots Alliance, Inc.	\$ 23,157,870,755	14.0	1.3	\$ 16,621,000,000	139%
CVS HEALTH Corp	\$ 19,040,701,443	13.0	1.5	\$ 36,289,000,000	52%
Wal Mart Stores Inc	\$ 12,976,789,477	12.0	1.7	\$ 117,769,000,000	11%
Fedex Corp**	\$ 12,469,255,261	9.0	2.0	\$17,793,000,000	70%
Jpmorgan Chase & Co	\$ 10,243,473,730	8.5	1.8	\$ 2,341,061,000,000	0%
Mcdonalds Corp	\$ 9,795,423,648	11.3	1.7	\$ 21,428,000,000	46%
Verizon Communications Inc	\$ 12,324,211,061	7.4	2.2	\$ 219,032,000,000	6%
Citigroup Inc	\$ 7,853,567,604	10.0	2.5	\$ 1,630,485,000,000	0%
Crown Castle International Corp	\$ 6,115,806,620	19.0	1.2	\$ 14,406,048,000	42%
Home Depot Inc	\$ 5,894,011,513	10.6	1.9	\$ 30,624,000,000	19%
Whole Foods Market Inc	\$ 4,819,781,151	17.8	1.0	\$ 1,931,000,000	250%
Exxon Mobil Corp	\$ 5,617,058,609	6.3	7.8	\$ 168,429,000,000	3%
Tjx Companies Inc /DE/	\$ 6,538,290,039	7.2	2.0	\$ 6,864,151,000	95%
Wells Fargo & Company/MN	\$ 5,955,419,514	7.8	2.0	\$ 1,501,893,000,000	0%
American Tower Corp /MA/	\$ 4,843,882,830	12.8	1.4	\$ 17,278,193,000	28%
Kroger Co	\$ 5,125,306,361	9.1	1.8	\$ 25,114,000,000	20%
Gap Inc	\$ 5,442,688,676	6.9	2.1	\$ 4,707,000,000	116%
KDHLS Corp	\$ 2,684,279,759	24.1	1.2	\$ 8,440,000,000	32%
Dollar General Corp	\$ 5,250,921,260	9.5	1.6	\$ 5,514,066,000	95%
Yum Brands Inc	\$ 4,419,675,953	9.0	1.7	\$ 6,732,000,000	66%
Lowes Companies Inc	\$ 3,934,596,185	12.2	1.3	\$ 21,859,000,000	18%

Data based on 2014 filings

Total Dollar values reported using a discount function\*

\*Discount using a 2% initial AIR and increase by 50 bps each successive year. \*\*Fedex using last reported 10-K in June 2014. Next 10-K scheduled June 2015.

# Data by Economic Sector (SIC)

	<b>Estimated Future Lease Liabilities</b>	
<b>Retail Trade</b>	<b>\$</b>	<b>166,617,140,004</b>
<b>Manufacturing</b>	<b>\$</b>	<b>110,685,209,950</b>
<b>Finance, Insurance, &amp; Real Estate</b>	<b>\$</b>	<b>99,442,962,950</b>
<b>Transportation &amp; Public Utilities</b>	<b>\$</b>	<b>97,707,436,555</b>
<b>Services</b>	<b>\$</b>	<b>37,861,060,114</b>
<b>Mining</b>	<b>\$</b>	<b>9,628,785,550</b>
<b>Wholesale Trade</b>	<b>\$</b>	<b>4,215,303,150</b>
<b>Construction</b>	<b>\$</b>	<b>1,588,080,980</b>
<b>TOTAL</b>	<b>\$</b>	<b>527,745,979,252</b>

Data for 2014



# Takeaways

- **\$527 Billion** in debt through operating leases that firms are not required to put onto their balance sheets.
- **Retail industry** is biggest lessee
- Firms with Operating Lease commitments is **growing** slightly
- **Calcbench** can get you this information faster than anyone else



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## Calcbench Premium Suite

### About This Report:

This report was created using data analyzed via Calcbench's Premium Suite, an online interactive platform that helps finance leaders access and analyze financial data thoroughly and efficiently.

Our accessible and intuitive platform can aid in better understanding competitor financials, identifying potential risk areas, analyzing trends across industry sectors, or conducting more effective due diligence.

\*Please note all data is based on Calendar Quarters, NOT Fiscal Quarters. Fiscal quarters provided upon request

The image displays two screenshots of the Calcbench Premium Suite interface. The top screenshot shows a detailed financial comparison report for Google Inc. (GOOGL) for the year 2012, comparing its performance to peer companies. The bottom screenshot shows the 'Foods - Well Known' sector, listing various food and beverage companies with their financial metrics.

**Google Inc. (GOOGL) - 2012 Financial Data (USD Millions)**

Category	2012 Actual	2012 Peer Avg
<b>Assets</b>		
Cash and cash equivalents	\$18,898,000,000	\$14,778,000,000
Marketable securities	\$29,819,000,000	\$33,313,000,000
Total cash, cash equivalents, and marketable securities (including securities loaned of \$3,140 and \$5,079)	\$48,717,000,000	\$48,091,000,000
Accounts receivable, net of allowance of \$581 and \$421	\$424,000,000	\$785,000,000
Inventories	\$100,000,000	\$700,000,000
Receivable under reverse repurchase agreements as	\$1,528,000,000	\$1,144,000,000
Deferred income taxes, net	\$408,000,000	\$0
Prepaid revenue share, expenses and other assets as	\$2,817,000,000	\$2,132,000,000
<b>Total current assets</b>	<b>\$52,886,000,000</b>	<b>\$60,454,000,000</b>
Property and equipment, net	\$1,874,000,000	\$2,911,000,000
Non-marketable equity investments	\$1,874,000,000	\$1,449,000,000
Intangible assets, net	\$6,084,000,000	\$7,473,000,000
Goodwill	\$11,452,000,000	\$15,517,000,000
<b>Total assets</b>	<b>\$73,168,000,000</b>	<b>\$87,344,000,000</b>
<b>Liabilities and Stockholders' Equity</b>		
Accounts payable	\$2,453,000,000	\$2,912,000,000
Deferred revenue	\$2,453,000,000	\$2,912,000,000
Long-term debt	\$5,795,000,000	\$3,258,000,000
Other long-term liabilities	\$1,729,000,000	\$1,471,000,000
Stockholders' equity	\$63,838,000,000	\$77,811,000,000
<b>Total liabilities and stockholders' equity</b>	<b>\$73,168,000,000</b>	<b>\$87,344,000,000</b>

**Food & Beverage Sector - Key Financial Metrics (USD Millions)**

Company	Revenue	Operating Income	Operating Cash Flow
Altria Inc. (MO)	\$178,862,000,000	\$48,216,238,488	\$45,858,621,689
B&G Foods, Inc. (BGF)	\$158,977,000	\$19,900,000	\$6,723,000
BIG HEART PET BRANDS (BHP)	\$133,812,000	\$149,005,000	\$100,528,000
BOSTON BEER CO INC (SAB)	\$3,819,400,000	\$384,500,000	\$308,300,000
BROWN CHEESECAKE & DESSERT CO (BCK)	\$580,222,000	\$85,584,000	\$85,330,000
CAMPBELL SOUP CO (CPB)	\$7,175,000,000	\$1,105,000,000	\$1,120,000,000
CARTE BLANCHE INC (CBK)	\$41,842,884	(\$3,747,000)	(\$4,886,430)
COCA COLA CO (KO)	\$48,917,000,000	\$13,779,000,000	\$10,645,000,000
CONSTELLATION BRANDS, INC. (CST)	\$3,171,400,000	\$884,200,000	\$658,300,000
CRUET BROWN ALLIANCE, INC. (CBK)	\$168,267,000	\$5,135,000	\$13,105,000
Dive Foods International, Inc. (DFI)	\$711	\$30,480	(\$12,900)
Dr Pepper Snapple Group, Inc. (DPS)	\$5,995,000,000	\$1,114,000,000	\$482,000,000