Czech University of Life Sciences Prague

Faculty of Economics and Management

Department of Economics

Diploma Thesis

Financial statement analysis

Case study of Blackrock INC.

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DIPLOMA THESIS ASSIGNMENT

Bc. Jay Raval, BS

Economics and Management

Thesis title

Financial statement analysis; Case study of Blackrock INC.

Objectives of thesis

The main aim of the thesis is to determine the main factors affecting a company's performance in a time frame of 2015-2018.
There were stated also sub objectives; Evaluate company's profitability and financial leverages to understand how asset management company works. Bring out the analysis of company's asset structure using the absolute indicators.

Methodology

Methodology will be based on financial statement analysis. There will be used indicators of liquidity, profitability, activity and debt ratios. The vertical and horizontal analysis will be applied. The data set will contain financial statements for period 2015-2018.

The proposed extent of the thesis

60-80

Keywords

Financial analysis, Assets management ,Investments , Horizontal analysis, Vertical analysis, Ratio analysis, Liquidity, Profitability, Balance sheet , Annual reports

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Recommended information sources

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Declaration

I declare that I have worked on my diploma thesis titled “Financial statement analysis -Case study of Blackrock INC ‘‘and I have used only the sources mentioned at the end of the thesis. As the author of the diploma thesis, I declare that the thesis does not break copyrights of any their person.

In Prague on ______________________________

Acknowledgement

I would like to thank my supervisor Ing.Karel Malec, PhD. for his time, expert suggestions and support, all because of that I could finish my thesis.

Further acknowledgement to my parents to let me go abroad for studies and support me financially, mentally. Moreover to my friends and last but not the least to all mighty God in whom I trust.

Financial analysis of Blackrock Inc.

Finanční analýza Blackrock Inc.

Abstrakt

Tématem této diplomové práce je Finanční analýza společnosti Blackrock Inc. což je největší investiční společnost k 30. červnu 2019, spravovaná aktiva společnosti BlackRock činila 6,84 bilionů USD. Sídlo společnosti je v New Yorku ve Spojených státech amerických. Moje bakalářská práce je zaměřena na finanční analýzu společnosti. V této práci jsou dvě části, nejprve teoretická a druhá praktická. Tato část je zaměřena na přehled finanční analýzy a základních teorií a konceptů z literatury. Později se v praktické části skládá z několika populárních metod finanční analýzy, jako jsou finanční ukazatele, horizontální a vertikální analýza a du Pontova analýza. Pomáhá nám podrobně analyzovat společnost Black rock INC. Tato práce nám poskytuje detailní pohled na každý obsah a na veškerý obsah uvedený v účetní závěrce. Pomocí poměrové analýzy můžeme získat také informace o vzájemných vztazích mezi ukazateli. Veškerá tato praktická analýza byla provedena z účetní závěrky společnosti. Spolu s brainstormingovou prací dat zahrnuje také analýzu tabulek a grafů.

Klíčová slova: Finanční analýza, Správa aktiv, Investice, Horizontální analýza, Vertikální analýza, Poměrová analýza, Likvidita, Ziskovost, Rozvaha, Výroční zpráva

Financial analysis of Blackrock INC.

Abstract

The theme of this diploma thesis is Financial Analysis of Blackrock Inc., which is the largest investment management company, as of June 30, 2019, BlackRock's assets under management totaled US$6.84 trillion, The company's headquarter is in New York, United States of America. My thesis is focused on the financial analysis of a company. There are two-part in this thesis first is the theoretical part and other is the practical part. Theoretical part is focused on an overview of financial analysis and basic theories and concept from literature. Later it consists of some popular methods of financial analysis such as financial ratios, horizontal and vertical analysis and du Pont analysis in the practical part of this thesis. It helps to have in detail analysis of Black rock INC. This thesis gives us a detail view into each, and every content mentioned in the financial statement. With the help of ratio analysis, we can also obtain the information regarding interrelationships among indicators. All this practical analysis has been done from the financial statements of a company. Along with the brainstorming work of data it also includes analysis of the tables and charts.

Keywords: Financial analysis, Asset management, Investments, Horizontal analysis, Vertical analysis, Ratio analysis, Liquidity, Profitability, Balance sheet, Annual report

Table of Contents

List of tables

List of figures

List of Abbreviations

INC – Incorporated

EBIT – earnings before interest and tax

EBITDA – Earnings before interest, tax, depreciation and amortization

EBT – earnings before tax

ROA – return on assets

ROE – Return on equity

ROS – return on sales

1 Introduction

Blackrock is one of the leading asset management firm situated in the USA. I always wanted to analyze a company which is involved in asset management business because unlike other companies related to finance these firms have multiple dimensions to work as the financial analyst, economist and as an asset manager for their clients ranging from individuals to institutional giants. They follow multiple markets such as stocks, bonds, commodity and other investment options such as real estate, private equity, hedge fund and arts. They analyze the client's financial demand and prepare a high-quality strategy and oversees it with time. As the company have business in multiple countries it has a good geographical expertise. Which can help the company to analyze and forecast about any economies across the world. With changing time this industry has adopted new developments such as continuously changing the method of analysis, improving technological advancements and not just that but also to provide its clients with cutting edge technological services.

I have chosen this company because unlike their competitors like Vanguard, Charles Schwab, Allianz, Goldman Sachs this company has just history of 31 years. In just 3 decades the company's total assets management has reached up to US$6.84 trillion. Assets Managed as of June 2019. So, I wanted to understand how this business works and financial analysis is the method by which I can analyze it thoroughly. Asset management industry connects many industries and work upon to create a better result. It connects information technology, economics, money market, corporate sector and political affairs as well, that is why it is important to understand the business and analyze the factors which can affect the performance. There are also some internal and external factors which affect this business crucially such as company's performance can be included as internal factors and political movement, international change in commodity prices can be considered as an external factor.

2 Objectives and Methodology

2.1 Objective

The main aim of the thesis is to determine the main factors affecting a company's performance in a time frame of 2015-2018. There were stated also sub-objectives; Evaluate a company's profitability and financial leverages to understand how asset management company works. Bring out the analysis of a company's asset structure using the absolute indicators.

2.2 Methodology

This diploma thesis is divided into theoretical and practical part. It will be well mixture of a theory and financial analysis. The first part defines fundamental terms, theory and methods of financial analysis. The second part describes company profile, industry analysis and particularly focuses on implementation of financial analysis of Blackrock Inc. I will use some popular financial analysis method to achieve my aim of the thesis, such as horizontal-vertical analysis of a financial statements, ratio analysis, absolute indicators and du pont analysis. Below i will describe the list of the ratios that i will use in my thesis. Due to nature of the company's business i will apply following 4 ratios, because the business of a company is an assets management, so activity ratio doesn't go along well and so as market ratios.

2.2.1 Profitability Ratio: Profit is the main backbone of any business unit. Profitability ratio shows company's efficiency to generate profits from the amount that it possesses. Profitability ratios consider better higher as any business unit can achieve. For example, in 2018 Standard & Poor's 500 index had an average net profit margin of 10.7% so all companies with net profit margin more than 10.7% considered outperformer than normal market.

- Gross profit= $\frac{Gross\ Profit}{Total\ revenue}$ ....(1)

Gross profit ratio shows the gross profit earning capacity of a firm. Gross profit is the profit wthout deducting company's operating expanses.I will describe more in detail in the chapter theoretical part.

- Net Profit= $\frac{Net\ profit}{Total\ reveue}$ ....(2)

After calculating gross profit if we deduct all the operating expanses in that case we can have net profit ratio.It shows how much financial obligations can be take care after deducting the financial oligations.

- Return on assets= $\frac{EBIT}{Total\ assets}$ ....(3)

It indicates all the accessible resources of the organization which are utilized to produce benefit out of them it shows in general profit for capital.The higher the ROA indicates the better profit earning capacity.

- Return on equity= $\frac{Net\ Income}{Shareholder's\ equity}$...(4)

It shows the profit earning capacity on the capital invested by the shareolders.It is the very important ratio because it covers various ratios all together.I will describe in detail to my following chapters.

- Return on capital employed= $\frac{EBIT}{Long\ term\ liabilities+Equity}$ ....(5)

Unlike the ROE this one focus on capital invested for a longer period of time.It shows the shareholders's capital as well as the creditor's capital.

2.2.2 Leverage Ratio: We can examine the capital structure of a company with the help of a leaverage ratio.It shows the amount of debt is involved in order to create an assets. Usually firms with relatively higher leaverage ratios may have higher expected returns but when the economy has some changes or in the times of recession the risk of loss can be more.

- Debt to asset ratio: $\frac{Total\ Debts}{Total\ Assets}$ ....(6)

This ratio represents total assets financed by total liabilities. Unlike many of the ratios this one targets the lower the better rule. More description will be in following chapters.

- Debt to Equity Ratio: $\frac{Total\ Liabilities}{Shareholder's\ equities}$ ....(7)

This ratio show case the liabilities covered by the shareholder's equities. This ratio will be discussed more deeply in the following chapter.

- Debt to capital: $\frac{Total\ Debt}{Total\ debt+Shareholder's\ equity}$ .... (8)

This ratio is little bit different from the previous ratio because it considers total debt in the calculations. It shows how much risk is involved and how much weaker is solvency.

2.2.3 Coverage ratios: Coverage ratios analyze how efficiently company's income can cover interest expenses and lease payments. Interest expenses and lease payments are part of a company's debt. Ideally company's coverage ratio should be minimum 2.

- Interest Coverage = $\frac{EBIT}{Interest\ Payments}$ .... (9)

This ratio shows case a company's ability to cover its interest liability by earnings before tax. The higher the ratio indicates the stronger solvency in terms of payments of lease payments. This ratio will be discussed more deeply in the following chapter.

- Fixed Charge Coverage = $\frac{(EBIT - Lease\ payments)}{(Interest\ payments + Lease\ payments)}$ ....(10)

This ratio indicates the effect by including long term liabilities as well. The higher the ratio indicates the stronger solvency in terms of payments of lease payments. This ratio will be discussed more deeply in the following chapter.

2.2.4 Liquidity ratio: Liquidity ratio shows weather a company's current assets will be sufficient to meet its short term obligations or not. Creditors use this ratio to understand company's liquid capacity. Ideal liquidity ratio should be from 1 to 1.5.

- Current ratio : $\frac{Current\ assets}{Current\ liabilties}$ ....(11)

This ratio shows the capacity of a company to handle its short-term obligations. Usually it is better to have 1 or more than that because otherwise it indicates company's weaker situation in terms short term obligations.

- Quick ratio : $\frac{Current\ assets - Inventory}{Current\ liabilties}$ ....(12)

Quick ratio makes it little more different by adding inventory in it. This ratio if more than 1 it indicates greater liquidity.

- Cash ratio: $\frac{Cash\ \&\ Cash\ equivalent}{current\ liabilities}$ ....(13)

(Due to nature of the analysis and the company's business, activity ratio and capital market ratios are not used in practical part of this thesis and neither are further described)

3 Theoretical Part

This part of this master thesis will be devoted to the theoretical part. Following part of this thesis will involve some basic concepts of financial analysis and sources and users of a data. I will use some of the authentic books related to financial analysis in order to gain some deep understanding about financial analysis and different methods to do it effectively. I will apply my all knowledge to understand my work. Financial analysis is the focus of analytical part of this thesis. I will make different kinds of financial analysis methods with the data derived from annual reports and some media websites to understand this market-based company. The data will be used to conduct several analysis related to financial analysis such as horizontal-vertical analysis, du pont analysis etc. Besides, I will mention financial ratios and indicators, its structure and aim, as these are important for my work.

3.1 About Blackrock INC.

Assets under management: US$6.84 trillion
Number of investment teams: over 135
Employees approximately: 14700
Clients: over 100 countries
Number of investment funds: over 1000
Offices: 30 countries
(annual report 2018)

As I mentioned before the company's managed assets was at 6.84 trillion across equity, fixed income, cash management, alternative investment, real estate and advisory strategies. BlackRock, Inc. (BlackRock) is an investment management company. It provides a large range of investment and risk management services to clients worldwide. This business involves various client profile such as asset managers, banks, insurance companies, pension funds, official institutions, retail distributors and other investors.It provides a diverse platform of active (alpha) and index (beta) investment strategies help the clients to choose a perfect strategy for their investment. When choosing the services or

strategy they keep in mind factors such as the amount of investment, risk and their expected returns from their input. This company has single and multi-asset portfolios investing techniques in various sources such as fixed income, equities, alternatives and Blackrock INC.Money market instruments, moreover, they offer its products directly and through intermediaries in a range of investment options such as open-ended as well as closed-end mutual funds, separate accounts, ishares exchange-traded funds (ETFs), collective investment funds and other pooled investment vehicles. It offers an (Aladdin)
investment system, which provides technological services, risk management mechanism, outsourcing and advisory. The company provides all these services under BlackRock Solutions name.(annual report 2018)

After discussing the basics of the company, the following are some basic points to understand this company better.

3.1.1 Asset management: Asset management is to manage clients capital and managing it in order to create more profitable business and options. They provide better information and strategies in order to manage the assets. This assets can include stocks, bonds, commodities ,real estate, private equity etc. They handle investment accordng to the stretegies decided by their highly professional anlyst staff. Asset managemetn companies have client base from individual clients to giant business firms such as banks,investment companies etc. Asset management is to work with assets by keeping in mind clients profit expectation,risk taking ability,time duration of investment,short term and long term goals. Portfolio managers choose an investment vehicle by considering all the factors such as income needs, tax circumstances, liquidity expectations,personal psychological traits. Asset management can be explained by two general concepts, (annual report 2018)

- Provider of services regarding guidance and advice: In this type, a firm plays the role of an advisor or financial services provider. The Firm coordinates or supervises a client's financial portfolio. Portfolio can include accounts, investments, budgets, taxes and insurance, for example, Blackrock INC.
- Related with corporate finance: In corporate finance asset management is to maintain a company's tangible and intangible assets to make the highest and best use.

3.1.2 Separate account: Separate account is managed for the investment seekers who want to manage a pool of individual assets, which means it must be with the high net worth investors who wants to have manged by professional money experts. Portfolio mangers join forces with speculation directors to offer speculators focused on venture methodologies for discrete record resources. To oversee resources for different procedures a speculator would probably need to open numerous different records. Assets in a different record are not pooled with ventures of other investors.These accounts are independently overseen and it centers around a solitary target.It can facilitate investors to select from various options depends on its risk-taking ability and amount of investments. Usually, the minimum investment amount is approximately $100,000 to $200,000.(annual report 2018)

3.1.3 Open-ended and close-ended funds: These terms are related to the mutual funds or investment portfolios that investors choose. The difference between the two depends on the flexibility and purchase of the units. A closed-ended venture is administered by a speculation or asset mangers, and is composed in a similar manner as a traded on an open market organization. This kind of store offers a fixed number of offers through a speculation organization, raising capital by putting out a first sale of stock (IPO). After the IPO, shares are recorded on a trade. Speculators can buy shares through a financier firm on the auxiliary market.For example, closed-ended funds raise a fixed amount of capital through an initial public offering.

Open-ended funds are exchanged now and again directed by fund managers during the day. There is no restriction to what number of offers an open-end store can offer, which means shares are without restrictions.So when speculators purchase new offers, the reserve organization makes new, substitution ones. Shares can be issue untill there will be a need for that in the market.

Prices for an open-end funds are usually fixed at the begining of a day with its net asset value. But it is also depend on stock's performance a day. As market is a highly fluctuated and depend on many factor . Net asset value can be derived by funds total value minus its liability. This value is decided by the daily manner so the fund can be only purchased by that value. (https://investopedia.com)

3.1.4 Exchange-traded funds: I shares is the product of the Blackrock for Exchange-traded funds.As the name suggests this is the fund which involves the trading of multiple securities. They track indices it can include multiple sectors as their investment. Unlike the index funds, it can be bought and sold daily just like common stocks, so it can be said that they provide the convenience of a stock and also the benefits of diversification as mutual funds. (https://investopedia.com)

3.1.5 Aladdin: Blackrock developed an operating system which enables a client with the latest information of a market to manage the money in a real-time. This platform comes with information, tips and deep analysis of a market. Aladdin is widely known and advanced technological software in the asset management industry. Company is having a considerable amount of income by providing these technological services for example last year company generated 785 million from it. (https://seekingalpha.com)

3.1.6 Industry overview: This industry is considered as highly profitable and with intense competition. It has the main focus on outperforming the market by providing better management of assets to fulfil objectives of an institute or individual. With an increasing population and more digital and financial awareness, this industry has new opportunities and new markets. World markets have recovered well in my observed period 2015-19. look at the other side of a coin then this industry has a problem with constant changes in regulations some of the changes can be very sensitive for the industry, random variation in foreign exchanges, dependability to market decreasing margins due to increasingly intensifying competition. According to one fact , As the industry has been entering into more developed phase, recent performance in growth has been hit by reducing the margins as it used to be before.In this industry they follow all the industries thoroghly.There has been some trends in this industries such as outsourcing. Outsourcing is normally an effective way to reduce cost and backoffice processes.

There are many ways to get an open information about data analysis.Managers looking to make a wise investments on how they cancoutperform in fluctuating markets and chenging trends.There is one thing to nitice is that it has now in the company that the investment tenure has been shift in the other words it has changed to active ownership rather than active managment before it used to two to three years of investment tenure now it is for eight to ten years of having same equity.

Technological advancement is the major need of today's asset managment industry because company with the old system can make even small upgrades difficult. Asset managers are reaching at a point where they will need to give up on their traditional approach.At the core of this new approach is the information combination layer which enables an asset managment to connect to a wide scope of outsider administrations and applications, which sets aside a few minutes and expenses of building and working just a small amount of keeping up the inheritance framework.

With the ongoing huge drop in market capitalization for remain solitary asset managers, potential venders might be slanted to lessen their value desires. This impact might be most noteworthy for little players without appropriation scale or item broadness, making them a lot less expensive and conceivably progressively pertinent targets. Numerous banks and back up plans see their hostage resource the board unit as a potential token for adaptation if there should arise an occurrence of an emergency. As the estimation of this token is declining, potential venders might be progressively disposed close an arrangement, prompting expanded solidification. **(https://wsj.com)**

3.2 Financial analysis

Financial analysis is a very important task to evaluate the company financially and make an important financial decision. Financial analysis helps to reveal whether the business is profitable enough to invest, whether it can pay all its debts and many other important facts. For proper analysis continues the knowledge of company's finance is necessary. It helps to make important investment decisions. Financial analysis is done by managers. Other parties such as investors, business partners, government agencies, employees, auditors, trade unionists and other professionals. Investors are interested in returns on the other side creditors are interested in will be particularly interested in the liquidity of their trading partners, whether they are strong enough to pay their debts or not. Govt. is interested in the company's ability to taxes, employees of a company are interested in the company's stability so that they can have wages regularly. Financial analysis covers all performance forecasting with potential threats as well. The basic methods of financial analysis: Financial analysis can be divided into 2 parts. (Robinson and Henry ,2009)

Financial analysis is all about preparing the details, materials and documents for the high-quality decision-making about the operation of the company. After an effective anaalysis summary can be formed from analysis. So one can know if the performance is alligned with the impressive benchmarks.This works for every data point separately as well as for company’s general budgetary condition. The main basis is organization's past, to decide whether the performance is improving or intensifying. Commonly, the previous three years of execution is adequate, however on the off chance that entrance to more seasoned information is accessible, one should utilize that too. Looking at the performance over a wide span of time money related condition likewise encourages an analyst to spot patterns. On the off chance that, for instance, liquidity has diminished reliably, you can make changes. The subsequent premise is to check with competitive environment. This can give a significant honest view on company’s performance. Having income development of 10 percent every year may sound great, yet on the off chance that contenders are developing at 25 percent, it features underperformance. The last premise comprises of authoritative pledges. Loan specialists, speculators and key clients typically require certain money related execution benchmarks. Keeping up key money related proportions and information focuses inside foreordained points of confinement can enable these outsiders to secure their inclinations. Accounting and Management go hand in hand in accounting one can get accurate financial data, that link to one period than by analysing them we can get the insight of the business. Financial analysis is important for management, shareholders (owners), creditors and other external users. Banks can use it so that they can prepare some provisions of unsecured sources and shareholders to have their concern regarding the returns from their investments, suppliers will be interested in the ability to pay the invoice in time and the opportunity of the long-time cooperation,employees can have the benefits in terms of maintaining jobs and wage settlements and so on. (Birgham, F. Eugene, Houston, F. Joel ,2009)

3.3 Fundamental analysis

Fundamental analysis is defined as an analysis by underlying factors that affect a company's actual business and its prospects. Financial analysis can evaluate past, present and we can also predict future outcomes of a company. Fundamental analysis can help to build a successful portfolio or an investment channel which can facilitate an investor to have an advantage over others. Fundamental analysis is a quite different concept than technical analysis because technical analyis only focus on price moves and technical trend and pattern. Fundamental analysis is a method of analyzing and evaluating equities and other financial instruments. In fundamental analysis income statements, balance sheets, cash flow and other publicly available documents are used to analyze the company's financial performance and potential future outcomes. Unlike the technical analysis there are also indicators like unemployment numbers and interest rates which can be also be considered.

Fundamental analysis helps to get the true value of a stock so that investors can make a wise decisions to choose a correct stock because market value is normally a differnt phenomena than its book value. It can be also called as an intrinsic value of the stocks. We can use the financial health of the company, price developments throughout the company, industry life cycle and macroeconomics environment. (https://ig.com)

3.3.1 Intrinsic Value: If the market value is lower than the intrinsic value, the share is underestimated so it can be recommended to buy, because it is expected its growth to the correct value in the future, and this situation can be considered as a best for the potential investor to jump into the market. However, sometimes the situation can be seen as a contrary when the intrinsic value is lower than the market, in this case, it can be recommended for sale. The third option is equality between the inner and the market value of the shares, it says that share prices are correctly calculated and there will be some piece of advice to hold it. In this case. The basic principle is called "Stock picking", finding a convenient title for our investment strategy. (Robinson and Henry ,2009)

Investors pay attention to the purchase of a stock which has an advantage in intrinsic value and it can rise in future and give big returns. Investors go short to buy the shares of a company that are weak but has a high intrinsic value.
The various fundamental factors can be described as two categories as follows.

- Quantitative factors: Quantitative factors derived from financial information. This financial information concludes information about the company from the balance sheet, income statement, cash flow.

- Qualitative factors: These factors are less tangible, unlike quantitative. It includes data about the company regarding business model, competitive advantage, management, corporate governance, customer base, market share etc (Gary Koop 2008)

3.4 Sources of Financial analysis

As per my diploma thesis title suggest Financial statements are the main and authentic source of analysis. Information about the company's financial standings can be derived from the financial statements. Below i will mention the financial statements which will be the basic and the fundamental source of information especially for the profound and detailed financial analysis. Although the purpose of financial analyses used by the company's stakeholders most probably by the managers and chief executive officers or the analyst who are going to make some big strategic decisions. It is always an advisable option to take the data directly from the financial statements because they are the first hand information to interact with internal or external factors of the company. By analysing the information properly one can able to find some phenomena, causes, or patterns. This patterns can be varied depends on the amount of period of time it belongs to because financial statements can be for quarterlly or annually. For the depeer and wider analysis of a situation one can also take a statement which covers more than one year's data.

Financial statements provide a summary of the accounting of a business enterprise, the balance-sheet represent the assets, liabilities and capital as on a certain data and the income statement showing the results of operations during a certain period. Financial statements generally consist two important statements (T Subramaniam, 2009)

3.4.1 The income statement: Income statement helps to analyse a company's performance over a while.The most important statement in accounting is probably the income statement, because it tells the monthly net income or net loss of the business. By reading this statement carefully, the owner of the business can determine not only whether his business is doing better than it was last month, but also the reasons for its progress or regress. (Peterson and Fabozzi, 2012)

It evaluates the company's performance by the thorough analyses of incomes and expenses of a company. It has several main components such as revenues, expenditure, gains and losses. No company can survive in a market for a longer period without proper profits,earnings. It shows how effectively the company can use the invested capital in it. (Fridson and Alvarez ,2002)

Structure of an income statement can be descried as below, it consist of the financial terms which is mainly used in income statement.

Operating Revenue: It means the revenues realized from primary activities such as the revenue generated from the selling of a product or services of a company. As companies like BLACKROCK INC. get their revenue from the fees earned for the services offered and it follows in most of the service provider firms.

Non-operating revenues: Revenues realized from the non- core business activities such as revenues from outside of the purchases and sale of goods and services, interest earned from business capital in banks, rental properties, royalty payments etc. (Birgham, F. Eugene, Houston, F. Joel ,2009)

Gains: It includes the profit made by selling some long term assets, they are pretty much non-business activity and not frequent. It can also includes the major law suits that is outside of a primary activities of a company. Gain is occured in an income statement when the income from the transaction is more than a book value. (Fridson and Alvarez ,2002)

Expenses and loss: It has the cost incurred to produce a product or provide services such as cost of goods sold, depreciation, general and administrative expenses. Day to day transactions such as electricity, transportation, wages to workers etc. It can also include some interest payments to bank loans etc. Some losses incurred with long term assets, one time or unusual costs such as paying the lawsuit etc can be included in losses. (Fridson and Alvarez ,2002)

3.4.2 Balance sheet: Balance sheet shows an absolute image of how the company is performing on a particular financial year. It includes the company's assets, liabilities and shareholders' equity. It has two fundamental shortcomings. First, although it is in theory useful to have a summary of the values of all the assets owned by an enterprise, these values frequently prove elusive in practice. Second, some of the information can be interpreted wrongly by an analyst. (Robinson and Henry, 2009)

Total assets: Total Liabilities + Total Equity...(14)

Assets: There are different types of assets, or resources which can be added.Current assets changes in a different form during the financial year and they are consumed at once. These assets create a part of the assets that are quickly convertible to cash, they are very liquid and stays in the business within a relatively short period, such as cash, marketable securities, accounts receivable, and inventories.Fixed assets stays in the business for a longer period and has very low liquidity. It includes land, mineral resources, buildings, equipment, machinery, and vehicles, all of which are used over a longer timeframe.Other assets, such as deposits, patents, and various intangibles, including goodwill that arose from an acquisition. Major sources of the funds obtained are Current liabilities, which are obligations to vendors, tax authorities, employees, and lenders due within one year or less,Long-term liabilities, which can be paid on the long run usually more than a year, such as bonds, loans, and mortgages. **Equity:** Equity also known as the capital that belongs to the owners. Its share in the total assets is an indicator of Equity is not a constant quantity, but it varies according to the profit of a certain period. If the company achieves profit, the equity grows. If the company is loss-making, equity decreases. Equity is also considered as a shareholder's equity and needs to surrender to them in case of the liquidation process. Below is some content in equity.

Stocks: Stocks represent an ownership interest in a company it can be publically traded stocks or several funds contributed by the owners. It can be also referred to as capital. Some types of capital funds can be also be included in this.

Retained earnings: These earnings are net after deducting dividends paid to investors. Usually, a business unit with high retained earnings considered as a healthy organization. Companie's retained earnings depend on many factors such as profitability, dividend policy, amount of years the company is in that particular business.

Reserves: In a company when excess profits are conserved for some particular reason it can be reserved capital of a company it can include legal reserves and other funds which has been created form the amounts of profits from retained earnings.As our thesis is based on BLACKROCK INC. which is related to asset management business and market it is important to note that equity value can be different from those of market value so it becomes very significant to take into account of both values and try to analyse the difference between it.

Liabilities: They are legally binding obligation to pay to any other person or an entity. It purpose or sometimes also to fulfil an old obligation if the borrowing conditions are affordable. Liabilities mainly have 2 types,

Short term liabilities: The liabilities which are taken for a shorter term such as less than a year can be considered as a long term liabilities it consists liabilities as accrued expenses, taxes payables, dividends payables and other short term debts.

Long term liabilities: Long term liability as the name suggest it due to minimum after a year it can be 2-3 to 5 years also, it can include deferred tax liabilities, pensions, loans, debentures etc.

3.4.3 Cash flow statement

A cash flow statement is a financial statement consists of data regarding all cash inflows a company receives from its business and also from external investments, along with the outflows to sustain business activity. It can give investors an insight regarding the cash operation of an entity. The cash flow statement is one of the most precise reports of all the financial statements because it covers the cash made by the business in three main ways—through operations, investment, and financing. The sum of these three segments is called the net cash flow.

It is structured in three parts as follows

- **Cash flow from operating activities:** Operating activities consists of all primary activities to the accounting unit's entrepreneurial operations and all activities considered under this section. Basically, it is related with production, sales, delivery of a product or services and regarding payments for the merchandise weather it can be cash or credit. It shows the money flow by the business's ongoing activity.

- **Cash flow from investment activities:** As the name suggests it comes from the investment gains and losses also by the changes in fixed assets received or issued loans. Investment activities also includes all type of long-term uses of cash, such as buying or sale of a long-term assets such as land, property, machineries etc. Some big changes in cash position or property can be also included under investing activities.
- **Cash flow from financial activities:** It consists of the overview of cash used in business financing, cash flow among the companies and its owners and creditors. Generally, comes from debt or equity. It is useful to determine the company's efficiency to pay the dividends or share buybacks. Cash flow of financial activities also gives insight into a company's financial strength and the management of a capital structure. That is why cash flow is an important statement to understand company's cash structure.

3.5 Methods of financial analysis

There are four most commonly used methods as below

3.5.1 Horizontal and vertical analysis
3.5.2 Ratio analysis
3.5.3 Du Pont analysis
3.5.4 Trend analysis

3.5.1 Horizontal and vertical analysis: According to P. Subramaniam under the horizontal analysis, financial statements are compared with several years and based on that, a company can make a strategic plan and have better decisions.This can help an analyst to see if company is growing or declining with any specified pattern. It can indicate the potential reason of a change or growth. When doing the horizontal analysis ususally it goes for minimum of 3 years or 5 years if an anlyst wants more precise detailed picture. If this analysis is held by with the data of 8 or more than years than it can provide some significant result and help a company to go beyond their competetios.

The current year's figures are compared with the base year this process is intended to check how much changes are their and how financial information is changed from one year to another. So, by this analysis, we can see the changes in business by comparisons of more than one year.The vertical analysis helps to determine the relationship with various items appeared in the financial statement. It measures the quantities relationship of the various items in the financial statement on an observed period.It can be also called as 'static analysis'.

The vertical analysis method allows analyzing data in a corresponding way, where each line item on a financial statement is recorded as a proportion of another item. It express the data as a percentage. For this exercise the most effective way of doing is to compare it with other companies.Which can facilitate an analyst to understand the structure of a financial statement in an easy way.

3.5.2 **Ratio analysis:** It is one of the most common tools to use for financial analysis, it is done by the ratios derived from the data of the financial statements. Some aspects of ratio analysis should be understood. First ,we derive an answer for ratio than it indicates some aspects of a company's performance,for example, by comparing the data of multiple companies we can say which company is more profitable or stable. Ratio is used as an index for evaluating the financial performance of the business concern by determining the relationships among the data. There are many ratios classified in accountancy to evaluate a business unit. Now we will discuss further below about ratios in detail. (Fridson and Alvarez, 2002)

3.5.2.1.1 **Profitability Ratio**: Profitability ratio shows the ability to generate a profit on the capital invested in it. Many equity analysts would consider profitability as one of the major indicators which attract investors. Profitability reflects a company's competitive position in the market, and Profitability ratio helps to measure the profitability position of the business concern. It has several semi ratios as we can see below. (www.cfainstitute.org)

Gross profit ratio: Higher gross profit margin indicates some combination of higher product pricing and lower product costs. The ability to charge a higher price is constrained by competition, so gross profits are affected by competition. Operating profit eliminate the effect of operating cost from the gross profit margin by deducting it from gross profit. It is important in the matter of controlling operating expenses and administrative overheads. Net income includes both recurring and non-recurring items, to offer a better view of a company's potential future profitability. (Formula: 1)

Net profit ratio: Net profit is calculated by deducting all expenses from revenue. Interestingly this ratio includes recurring as well as non-recurring components. Generally, the net profit ratio is an ideal index to show case company's profitability after full filling all other financial obligations. It show case the amount of net profit from the each dollar of money gain in the company (Formula: 2)

Return on Assets: After that ROA measures the return earned by a company on its assets, a higher ratio indicates the more income generated by a given level of assets. The higher the ROA is better for the company because it means the company has more money less investment, it shows at all the available for assets of the company which are used to generate profit out of them it shows overall return on capital. (Formula: 3)

Return on equity: Return on equity shows the profitability of capital invested by shareholders of the company. This ratio shows whether an investor having proper returns on their investment or not. ROE measures the return earned by a company on its equity capital it can also include minority equity, preferred equity, and common equity as well. As a matter of fact, interest on debt capital is not included in the return on equity capital. Changes in the results of ROE may be relatable with return on common equity.

If ROE is calculated as 1 means every dollar of shareholder's equity can generate 1 dollar of net income of an investment of a single dollar. Which can be an easy indicator to check how much efficiency a company have to generate income or in the other words their efficiency of equity financial management to fund company's operation and growth.

In order to achieve the results, I will use formula mentioned as before. (Formula: 4)

Return on Capital Employed: Return on Capital Employed abbreviated as ROCE measures profitability of a capital which is invested for a longer maturity term. This ratio measures returns for shareholder's capital as well as creditor's capital. In this ratio effects of current capital have been excluded because of its limited applicability in order to understand overall sustainable profitability of a company

This ratio concludes two important calculations first is operating profit and then capital employed. Net operating profit also know as EBIT or earnings before interest and taxes. EBIT stands for an income from operations of a company.

Return on capital employed formula can be calculated by dividing net operating profit by the employed capital as per formula mentioned before (Formula 5)

3.5.2.2 Leverage Ratio

The leverage ratios indicate how much of foreign resources are being used to cover the company assets. Generally, foreign capital is cheaper than their domestic capital. It is an important measure for risk regarding the business. It shows where the business unit can pay off their debt or not and how effectively. It shows the amount of Debt has been generated along with income. It includes a detailed analysis of the components of its financial structure.

The analyst is focused to study the company's utilization of liabilities for a few fundamental reasons. One reason is that the sum of liabilities in a company's capital structure is important for evaluating the company's risk and return characteristics, particularly its financial leverage. Below we can see the overall structure of total leverage ratio. (Mike Piper, 2010)

Debt to assets: This ratio represents the number of total assets that are financed and supported by total liabilities. Lower ratio constructs the meaning that the company can pay off all its debt. The lower ratio shows the company can pay off all its debts. If the ratio is higher it means the company is unable to pay all its debts. It can be calculated as formula mentioned before. (Formula : 6)

Debt to Equity Ratio: The equity ratio can be also called as an investment ratio because it measures the number of assets that are financed by owners' investments by comparing the total equity in the company to the total liabilities.
It can be calculated as formula mentioned before. (Formula : 7)

Debt-to-Capital Ratio: This ratio indicates the percentage of a company's capital (debt plus equity) represented by debt. As we have seen in the previous ratio, a higher ratio generally means higher financial risk and it can be also described as weaker solvency.
It can be calculated as formula mentioned before. (Formula : 8)

3.5.2.3 Coverage Ratios

Interest Coverage: This ratio measures how many times a company's income before interest and taxes could cover its interest payments. Sometimes it is also called as "times interest earned." A higher interest coverage ratio indicates a stronger image of a company to pay its debts from operating earnings. It can be calculated as formula mentioned before.
(Formula : 9)

Fixed Charge Coverage: This ratio is slightly different than previous ratios because It measures the number of times a company's earnings (before interest, taxes, and lease payments) can cover the company's interest and lease payments. Similar to the interest coverage ratio, a higher fixed charge coverage ratio indicates stronger solvency in terms of payment of expenses here it includes lease payments as well, this ratio is used to understand the quality of the preferred dividend, with a higher ratio indicating a more secure preferred dividend. (Gary Koop, 2008) (Formula : 10)

3.5.2.4 Liquidity analysis

Liquidity analysis, which measures on cash flows, a company's capacity to meet its short-term Liabilities. Liquidity measures how rapidly resources are changed over into cash. Liquidity proportions too degree the capacity to pay off short-term Liabilities In day-to-day operations, liquidity administration is ordinarily accomplished through productive utilization of assets. Within the medium term, liquidity within the non-financial segment is additionally tended to by managing the structure of liabilities. The level of liquidity required varies from one industry to another. A particular company's liquidity position may change concurring to the expected require for reserves at any given time. The level of liquidity requirement changes from one industry to another. A specific company's liquidity position may alter concurring to the anticipated requirements for saves at any given time. (Gary Koop, 2008)

Current ratio: This ratio measures current assets in comparison to current liabilities whether companies current assets can cover all current liabilities or not. The current ratio of 1.0 indicates that the company has the same amount of current assets to pay its short term liabilities. If the ratio is less than 1.0 it indicates the company has a problem to pay its short term obligations. (Formula : 11)

Quick Ratio: Quick ratio makes little change in the previous ratio and transforms in a better view because it only includes only the more liquid current assets, by because inventory is not that much cash liquidity. The ratio is with a higher result than 1.0 represent great liquidity. (Formula : 12)

Cash ratio: It measures specifically the ratio of a company's total cash and cash equivalents to its current liabilities. This ratio indicates the company's ability to pay its short-term debt with cash and cash equivalents, it can also include easily marketable securities. Creditors use this ratio to decide the company's short term payment ability by cash. (Formula : 13)

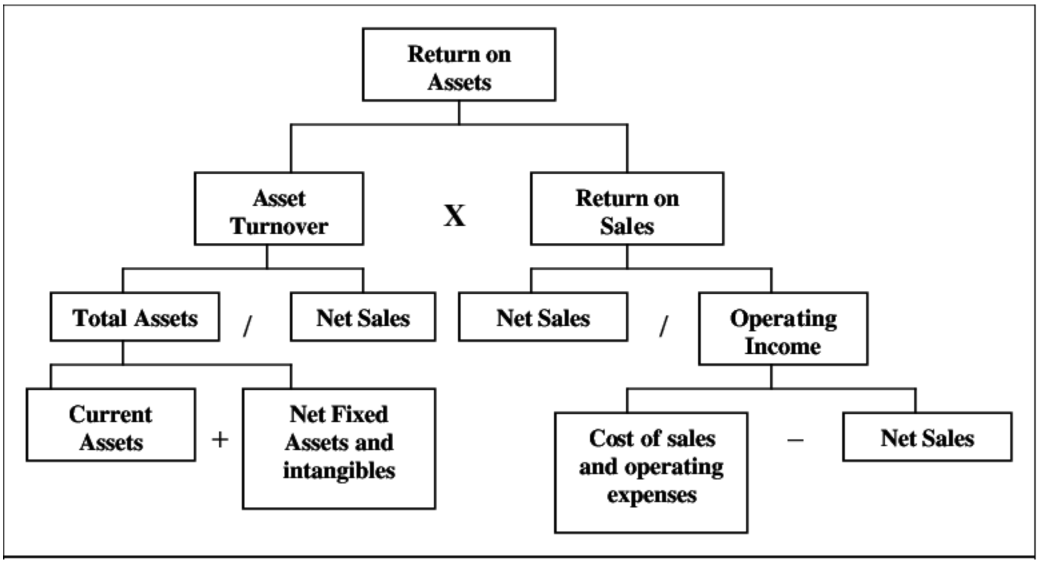
As the nature of a business this company does not involve in the activity of preparing merchandise for the sales purpose or the credit sales.It creates a phenomena where limited amount of data is available which makes me not to involve the **activity ratio.**This work is dedicated to do financial analysis of a company which also refrain me to conduct **market ratios.**

3.6 Du Pont analysis

The pyramid of financial ratios

This pyramid framework was firstly used Donaldson Brown, who developedthe formula while at E. I. du Pont de Nemours named chemical factory, then applied it during the 1920s as vice president of finance at General Motors. The two main aims of the pyramid of financial ratios are to determine how 2 ratios are inter connected which describes the effect of one onto other and analysis of complex internal ties within this pyramid. Any change in one of the ratio will affect the whole system because as we show before they are interconnected. It consists of return on equity and defining the individual items entering into this indicator. (Fridson and Alvarez ,2002)

Figure 1: Du Pont Diagram



Online source: www.reasearchgate.net

Du Pont diagram is a detailed elaboration of the indicators, from which it can describe the fundamental objectives of the firm and the basic aim of the study. The diagram shows mutual connection liquidity, financial structure and profitability of the company, profit margin, turnover of total assets and the use of debt to total return. The left side shows the items from profit and loss account, on the other side right side shows the items from the balance sheet. The most significant factor of the diagram can be described by the fact that it shows mutual relations of the indicators.

3.6.1 Du Pont Formula

The modified du Pont formula analyze mainly the sources of return on shareholder's investment. The modified DuPont Formula enables investors to judge the quality of a company's return on equity in much the same way that other financial tests can be applied to the quality of earnings. (Fridson and Alvarez ,2002)

Du Pont $= Return\ on\ assets \times Financial\ leverage \equiv Return\ on\ equity$

$\frac{Income}{Equity} \times \frac{Assets}{Equity} \equiv \frac{Income}{Equity}$ ....(14)

4 Practical Part

Practical part is to apply various methods of financial analysis that i discribed in the theoretical part with literature analysis. There will be an analysis of a gathered data mainly from the company's official annual report. There will be a trend analysis ,ratio analysis etc to fulfill the goals set for this thesis. Before application of methods of financial analysis on the company itself, there will be a brief introduction of the company.

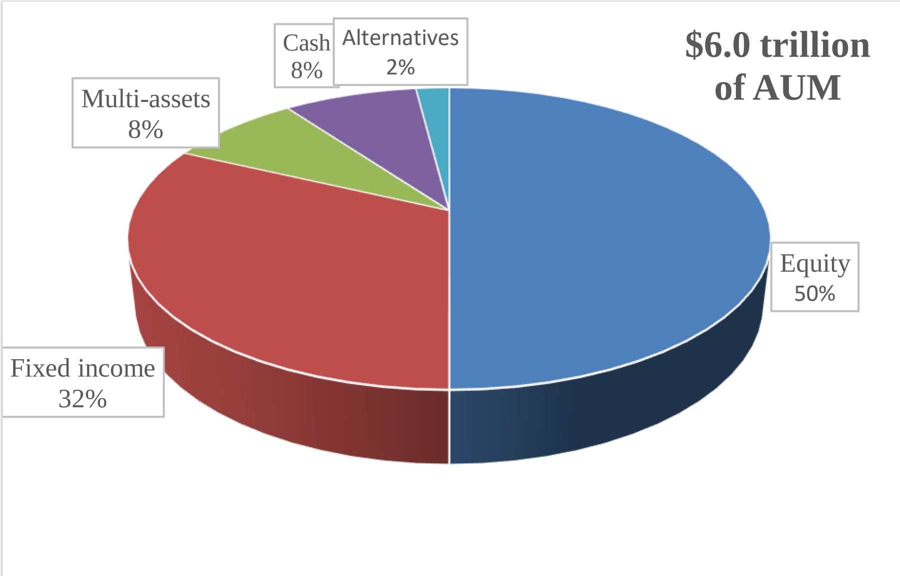
Brief overview about the company

BlackRock, Inc. is a publicly owned investment management company. With the help of a platform of active (alpha) and index (beta) investment strategies, this company can tailor investment outcomes and asset allocation solutions for clients. The firm primarily provides its services to the institutional, intermediary, and individual investors including corporate, public, union, and industry pension plans, insurance companies, third-party mutual funds, endowments, public institutions, governments, foundations, charities, sovereign wealth funds, corporations, official institutions, and banks. It is one of the world's leading asset management firms with offices spread in 30 countries and client base in more than 100 countries. Blackrock is an asset management firm with around 6 Trillion USD assets under management as per the ending of 2018. The company's total assets are divided into 5 sections as below,

- Equity
- Fixed income
- Multi-assets
- Cash
- Alteratives

Below you can see a detailed overview of assets under management

Figure 2: Overview of total assets under management as per December 2018



Source: Author's work from annual reports 2019

From the below chart you can understand the breakdown of assets. The most important portion in the total assets is held by equity with 50 per cent share, which can represent company¨s farsight and strategy of value investment by using equity more. Another part after that belongs to fixed income which falls for 32 per cent which shows how much the company is stable by having 32 per cent stable income, this is also the reason why investors trust in this company have been intact. Other assets include multi assets and cash individually with 8 percentages. Only 8 per cent of cash is involved in the company's total assets managed. It can be said that the company is more relying on long term value investing and doing business by having a big margin of investment.

4.1 Horizontal analysis of assets, 2015-18

This section analyzes development of company's assets by an absolute change with monetary measures and percentage. financial and relative indicator. There will be an analysis of the time duration 2015-2018.

Table 1: Horizontal analysis of assets, 2015-18

Years	**2018**		**2017**		**2016**		**2015**	
	In mill. $	**In %**	**In mill. $**	**In %**	**In mill. $**	**In %**	**In mill. $**	**In %**
Cash &Equivalents	-592	-8.59	803	13.18	8	0.13	360	6.29
Accounts Receivables	-42	-1.56	349	14.85	113	5.05	117	5.52
Investment	-185	-9.34	386	24.20	17	1.08	-343	-17.86
Assets of consolidated variable entities	2039	119.73	548	47.45	-90	-7.23	-2385	-65.70
Separate assets	-63187	-36.29	-2,754	-1.56	-5306	-2.91	-12754	-6.54
Property and equipment	51	8.61	33	5.90	-22	-3.79	114	24.41
Intangible assets	450	2.59	26	0.15	-9	-0.05	28	0.16
Goodwill	306	2.31	102	0.78	-5	-0.04	162	1.25
Other assets	492	30.07	571	53.62	210	24.56	154	21.97
TOTAL ASSETS	**-60668**	**-27.55**	**64**	**0.03**	**-5084**	**-2.26**	**-14547**	**-6.07**

Source: Author's work from annual reports 2019

Table shows horizontal analysis of an asset with the time duration from 2015 to last year which is 2018. It consists of the absolute and relative changes. The first thing which is eyepopping is that the amount of total assets has been reduced by 27.55% in 2018 which happened due to the overall fall in the global equity market at the end of 2018. Last year 2018 was bad for stock market US index S&P was down by more than 6%. (www.cnbc.com) This negative trend has happened mainly due to a decrease in separate assets and overall downfall in cash, investments and accounts receivable.

Assets of consolidated variable entity somehow manage to survive in this global downfall of 2018. Even though the market was bad but still the company has positive goodwill and intangible assets.Net Property of the company has been increased continuously only with one exception in the year of 2016/15 with the growth was -22 %. Other assets have witnessed such a steady growth with intangible assets as well. But, comparison wise other assets have more growth than intangible assets.

Figure 3 : The total Assets in theyears 2015-2018 (in mil.$)

Source: Author's work from annual reports 2019

- Above chart contains information about total assets and liabilities from 2015 to 2018. It is easy to notice that in every year assets are much higher than liabilities. Total assets reduced a lot in 2018 but so as liabilities. So, it can be said that the company is using its assets to control its liabilities on some manageable extent. The year 2016 and 2017 were quite similar with a not bigger change in assets and liabilities.

4.2 Vertical analysis of total assets, 2015-18

This section analyz the changes in the structure of a company's total assets in the time duration 2015-2018. It shows the structure how total assets are covered by various assets weather it is long term or short term assets.

Table 2- Vertical analysis of total assets, 2015-18

Years	**2018**	**2017**	**2016**	**2015**
Cash &Equivalents	3.95	3.13	2.77	2.7
Accounts Receivables	1.67	1.23	1.07	1
Investment	1.13	0.9	0.72	0.7
Assets of consolidated variable interest entities:	0.61	0.77	0.52	0.52
Separate account assets	56.58	64.02	66.01	66.9
Separate account collateral lending agreements	11.04	10.98	12.62	13.9
Property and equipment	0.4	0.27	0.25	0.3
Intangible assets	15.02	12.71	10.5	9.03
Goodwill	8.48	6	5.96	5.8
Other assets	1.33	0.74	0.59	0.4
TOTAL ASSETS	100	100	100	100

Source: Author's work from annual reports 2019

From above table we can have deep understanding about the total assets and its contents, it is easily recognizable that in 2018 separate account assets fall for the largest share and collateral lending agreements with 11.04 % it is because this company belongs to asset management business in order to maintain investment business and to provide customers with a different services they manage separate account assets. Although its an investment management firm dealing in investments still above we can see cash and equivalents are increasing year by year which can represent which can help the company to better maintain its current liquidity. Intangible assets have also a significant amount of share with 15.02, unlike its previous years before it was around 10% to 12% on an average. So in summary except for separate account assets, all assets have seen a gradual growth.

4.3 Horizontal analysis of Income Statement, 2015-18

This section analyzes the changes in company's income statement in the time duration 2015-2018. It will be helpfull to understand the income patterns and sources of it.Expanses can be also analyzed from the horizontal aalysis.

Table 3: Horizontal analysis of Income statement, 2015-18

	2018		2017		2016		2015	
Years	**In mill. $**	**In %**	**In mill. $**	**In %**	**In mill. $**	**In %**	**In mill. $**	**In %**
Total investment advisory, administration fees and securities lending r	685.00	6.30	1020.00	10.36	8	0.08	251	2.62
Performance fees	-182.00	-30.64	299.00	101.36	-155	-34.44	28	6.64
Technology services revenue	128.00	19.48	69.00	11.73	60	11.36	-107	-16.85
Distribution fees	-28.00	-2.37	-15.00	-1.25	38	3.28	5	0.43
Advisory and other revenue	-5.00	-1.68	-34.00	-10.24	-25	-7.00	47	15.16
Total Revenue	**598.00**	**4.40**	**1339.00**	**10.92**	**-74**	**-0.60**	**224**	**1.85**
Distribution and servicing cost	12	0.72	55.00	3.42	1199	293.15	-11	-2.62
Direct Fund expenses	103	11.51	138.00	18.23	-58	-7.12	11	1.37
General administration	192	13.28	168.00	13.15	-102	-7.39	-73	-5.02
Employee compensation and benefits	67	1.58	375.00	9.67	-127	-3.17	176	4.60
Amortization of intangible assets and Restructuring charge	21	23.60	-86.00	-49.14	47	36.72	-29	-18.47
Total Expenses	**395**	**4.73**	**650.00**	**8.45**	**959**	**14.23**	**74**	**1.11**
Operating income	**203**	**3.86**	**689.00**	**15.09**	**-1033**	**-18.45**	**150**	**2.75**
	0							
Non operating Income(expanses)	-12	-13.19	-19.00	-17.27	48	77.42	-17	-21.52
Income before tax	119	2.26	804.00	18.05	-147	-3.19	-767	-14.29
Income tax expanses	766	249.51	-980.00	-76.15	37	2.96	119	10.52
NET INCOME	**-647**	**-13.07**	**1784.00**	**56.31**	**-184**	**-5.49**	**-886**	**-20.91**
Earnings per share for common shareolders								
Basic	-3.68	-12	11.27	58.48	-0.83	-4.13	0.52	2.66
Diluted	-3.54	-11.8	11.10	58.36	-0.77	-3.89	0.54	2.81
Cash dividends declared and paid per share	2.02	20.2	0.84	9.17	0.44	5.05	1	12.95

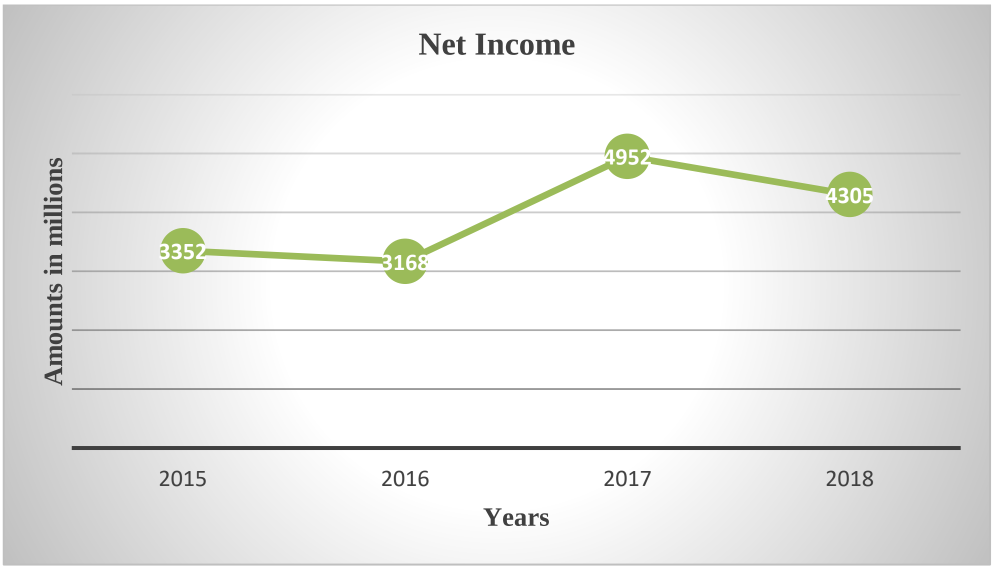
Source: Author's work from annual reports 2019

- Above table we can see the horizontal analysis of income statement , first we can take a look at total revenue which was maximum with a hike of 1339 million,which was around 11%growth in comparison to the previous year 2016 ,but the latest the year of 2018 was kind of setback for a company with only 4% growth, the same pattern follows with investment fees,
- it increases almost every year with flexible growth rate, only with an exception of 2015 were it wasn't able to generate on a good amount as its previous year. Operating

income was increased with $203 million from 2017 which is mainly reflected higher base fees and technology services revenue, partially offset by lower performance fees, higher compensation and benefits, higher general and administration expense, and higher volume-related expense. Total expenses pretty fluctuated over the period, the highest can be seen in 2016.

- Income tax was highly volatile over the time especially in 2017 it was negative 980 million due to tax benefit of $1.2 billion related to the 2017 Tax Cuts and Jobs Act (the "2017 Tax Act") but year after that in 2018 it witnessed a huge rise at 766 million in 2018. So overall this rise was compensated by the previous year's tax benefit which means that the company won't have much overall gain from that. Distribution and servicing cost were improved gradually and the company has managed to reduce it.
- There is one negative trend can be seen in case of general administration it was a reduction in the 2015 and 2016 but somehow it started to increase with 13% yearly in 2017 and it continues with the same intensity in the following year as well. Employee compensation was highest in 2017 and the rest of the years were fluctuating.

Figure 4: Net income in the year 2015-2018 (in mil.$)



Source: Author's work from annual reports 2019

4.4 Vertical analysis of Income statement, 2015-18

This section analyzes the changes in the structure of a company's income statement in the time duration 2015-2018. It shows the income and expanse patterns.

Table 4: Vertical analysis of Income statement, 2015-18

Years	2018	2017	2016	2015
Total investment advisory, administration fees and securities lending revenue	81.37	79.91	80.32	79.77
Performance fees	2.90	4.37	2.41	3.65
Technology services revenue	5.53	4.83	4.80	4.28
Distribution fees	8.13	8.70	9.77	9.40
Advisory and other revenue	2.06	2.19	2.71	2.89
Total Revenue	**100**	**100**	**100**	**100**
Distribution and servicing cost	11.80	12.23	13.11	3.32
Direct Fund expenses	7.03	6.58	6.17	6.61
General administration	11.54	10.63	10.42	11.19
Employee compensation and benefits	30.43	31.27	31.63	32.47
Amortization of intangible assets and Restructuring charge	0.77	0.65	1.43	1.04
Total Expenses	**61.57**	**61.37**	**62.77**	**54.62**
Operating income	**38.43**	**38.63**	**37.23**	**45.38**
Non operating Income(expanses)	0.56	0.04	0.90	0.50
Income before tax	37.88	38.67	36.33	37.31
Income tax expanses	7.56	2.26	10.50	10.13
NET INCOME	**30.32**	**36.41**	**25.84**	**27.17**

Source: Author's work from annual reports 2019

In the above table, we have described total revenue as 100% and we have analyzed all other revenues with a relative difference with it. about revenue,then company make a significance share from their investment advisory fees and all other income they get from the client for their administration services, out of these expanses around 60% of the income company use it for expanses mainly employee benefits and compensation was 50% out of that moreover general administration and distribution and servicing cost made the rest of the expenses. It is noticeable from the above table that company's expenses have increased over the years it was 55% in 2015 later it goes increasing and reaches up to 61 to 62% in 2018, these increases related to operating income which decreases over the time.

In spite of decreasing operating income net income doesn't affect much due to the stimulation in income tax expenses especially in 2017 where we can see net income at 36.41% due to the tax benefits that company have as discussed in horizontal analysis.

4.5 Horizontal analysis of Liabilities and Equity, 2015 –2018

This section analyzes the changes in the company’s liabilities and equity in the time duration 2015-2018.

Table 5: Horizontal analysis of Liabilities and Equity, 2015 –2018

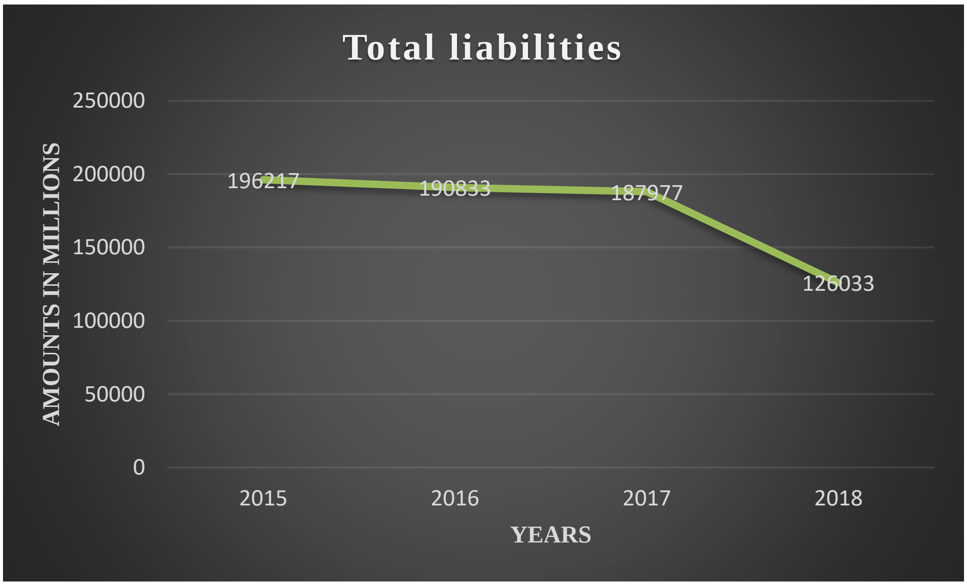
	2018		2017		2016		2015	
Years	**In Mil. $**	**In %**	**In Mil. $**	**In %**	**In Mil. $**	**In %**	**In Mil. $**	**In %**
Accrued compensation and benefits	-165	-7.66	273	14.52	-91	-4.62	106	5.68
Accounts payable and accrued Liabilities	131	11.28	67	6.12	26	2.43	33	3.19
Liabilities of consolidated variable interest entities	1,004	272.09	153	70.83	39	22.03	-3457	-95.13
Borrowings	-35	-0.70	99	2.01	-15	-0.30	8	0.16
Separate account liabilities	-59,652	-39.78	848	0.57	-1762	-1.17	-10436	-6.47
Separate account collateral liabilities under securities lending agreements	-3,535	-14.61	-3602	-12.96	-3544	-11.31	-2318	-6.89
Deferred income tax	44	1.25	-1313	-27.13	-11	-0.23	-138	-2.77
Other liabilities	263	16.17	619	61.47	-26	-2.52	147	16.59
Total liabilities	**-61,944**	**-32.95**	**-2856**	**-1.50**	**-5384**	**-2.74**	**-16055**	**-7.56**
Temporary equity	598	-19.29	741	60.73	461	7.45	429	38.00
Additional paid-in capital	-88	-0.46	-81	-0.42	-68	-0.35	19	0.10
Retained earnings	2,343	13.83	3279	24.00	1627	13.52	1869	18.39
Accumulated other comprehensive loss	259	59.95	-284	-39.66	268	59.82	175	64.10
Treasury stock, common	1,420	35.80	782	24.55	696	27.96	595	31.41
Total BlackRock, Inc. stockholders' equity	576	1.81	2700	9.28	595	2.09	1137	4.15
Nonredeemable noncontrolling interests	9	18.00	-2	-3.85	-25	-32.47	-42	-35.29
Total permanent equity	**585**	**1.84**	**2698**	**9.26**	**570**	**1.99**	**1095**	**3.98**
Total liabilities, temporary equity and permanent equity	**-60,668**	**-27.55**	**64**	**0.03**	**-5084**	**-2.26**	**-14531**	**-6.06**

Source: Author's work from annual reports 2019

- Equity was increasing year by year with various percentages but the most important year was 2017 where it increases with 9.26%. Improving equity every year helps the company to generate better income and help to achieve better ROE. Among the equity additional paid-in-capital is the only aspect which was having negative progress over the year apart from that all equities are increasing. Retained earnings have the same positive growth.
- Total liabilities are having negative nature basically with the various level of changes from 2015 where the reduction of liability was 8% than its previous year. In 2018 the company reduce its liability with 33% than last year. Accounts payable and accrued liability were increasing so as liabilities from consolidated

variable interest entities but due to separate accounts liabilities, it helps to reduce liability all over. Deferred tax liability had a negative trend from 2015 by 1-2 percentage every year but in 2017 it reduces by 27% and year after that in it has a positive result with 1.25% this effect was due to tax reforms in 2017 as I mentioned earlier.

Figure 5: Total liabilities, 2015-2018 (in mil.$)



Source: Author's work from annual reports 2019

From the above chart, liability has a negative trend which starts at 196217 in 2015 it continues for straight down to 126033 in 2018. It shows the company's strategy to reduce the liability over the years. It is important to notice that in 2018 the reduction is even more than total in all the previous years. Company reduce its liability by 33% in 2018 in comparison to 2017 which create a considerable amount of cash outflow. This negative trend was the reason why the company was able to maintain its net income and return on equity higher even after the decrease in assets in 2018.

Figure 6: Total equity, 2015-2018 (in mil.$)

Source: Author's work from annual reports 2019

Total equity in the above chart shows a straight positive trend without any backdrop from 2015 to 2018. The growth rate of equity was highest in 2017 and it continues in the following year as well. Initially, the company has equity of $ 28580 million as equity but with a yearly improvement, it was able to reach to $ 32433 million. Improvement inequity can create a positive impression in the mind of investors. Additional paid-in capital and retained earnings were the main factors in equity.

4.6 Vertical analysis of equities and liabilities, 2015 -18

This section analyze the changes in the structure of a equities and liaibliities in the time duration 2015-2018. It shows the amount of equity and liaiblities involved.

Table 6: Vertical analysis of equities and liabilities, 2015 -18

Years	2018	2017	2016	2015
Accrued compensation and benefits	1.25	0.98	0.85	0.87
Accounts payable and Accrued Liabilities	0.81	0.53	0.43	0.47
Liabilities of consolidated variable interest entities	0.86	0.17	0.10	0.08
Borrowings	3.12	2.28	2.23	2.19
Separate account liabilities	56.58	68.08	67.71	66.84
Separate account collateral liabilities under securities lending agreements	12.94	10.98	12.62	13.91
Deferred income tax	2.24	1.60	2.20	2.15
Other liabilities	1.18	0.74	0.46	0.46
Total liabilities	**78.98**	**85.35**	**86.61**	**86.98**
Temporary equity	0.69	0.19	0.09	0.05
Additional paid-in capital	10.01	7.74	7.01	7.61
Retained earnings	6.47	4.69	5.07	4.03
Accumulated other comprehensive loss	0.43	0.20	0.24	0.20
Treasury stock, common	3.38	1.80	0.96	1.10
Total BlackRock, Inc. stockholders' equity	20.98	14.62	13.37	12.99
Nonredeemable noncontrolling interests	0.04	0.03	0.02	0.03
Total permanent equity	**21.02**	**14.65**	**13.39**	**13.02**
Total liabilities, temporary equity and permanent equity	**100**	**100**	**100.00**	**100.00**

Source: Author's work from annual reports, 2019

- In the above table take a look on liabilities, it changes in 2018 with a reduction of 5% than in previous years, it was at 86.98% record high in 2015 then it went on improving. So, it can be said that the company has improved its status in liabilities to equity ratio. Now dive in the total structure of liabilities, we will find that it has the major portion of separate account liabilities and separate account lending agreement. Unlike any other company accounts payables and accrued liabilities hold a little amount of share in total liabilities and equity with just 3% in 2018 and it was basically around 2% in all previous years.

- In case of equity, additional paid-in capital is the highest part along with retained earnings, as we show it earlier this company has a significant amount of goodwill and intangible assets company's additional paid-in capital is also high and make around 50% of the total equity of a company. Retained earnings are increasing every year and make it 6.47% share in total equities and liabilities in 2018, the same pattern follows with retained earnings which make of 6.47% of total equities and liabilities in 2018.

4.7 Ratio analysis

Following section will focus on the ratio analysis with the main ratios applicable to the company analysed. Ratio analyses covers various of areas of a company and it shows the detail view into the various aspect of a financil statements.

4.7.1 Liquidity ratio; It show case the company's liquidity capacity to cover its short term obligations.There will be an analysis in the time duration 2015-18.

Table 7: Liquidity ratio of Blackrock, 2015-2018

Liquidity Ratio	2018	2017	2016	2015
Current ratio	2.79	1.17	3	2.7
Cash ratio	5.02	6.06	7.02	5.83
Quick ratio	-	-	-	-

Source: Author's work from annual reports 2019

- Liquidity ratio says the solvency of a company to pay their short term liabilities ,it needs to be balanced with the profitability of a company because it represents negative relation with profitability , if the liquidity is excessive which can lead to reduced profitability, as we can see above company had managed to maintain their current ratio with average of 2.8 only one shortfall was there in 2017 with 1.17, which can be directly linked to the highest net profit ratio as below.
- Despite being in the asset management business, this company still maintain high cash ratio. Cash ratio of a Blackrock was the highest in 2016 with 7.02 and reducing gradually after that but still at 2018 with 5.02 is still pretty impressive ratio to be mentioned. By analysing the difference between two ratios we can say company has more cash liquidity more than liquid assets which bring us the above numbers where cash ratios are around 5 to 7 over these years in comparison to current ratio which is just 2-3 and in 2017 just 1.17 which can be seen from the increased net profit in the balance sheet.

- As we mentioned in the theoretical part this business doesn't possess inventory for selling purpose because they dealt with investments and provide services. So quick ratio doesn't not applicable for this type of business unit. The main reason is that inventory is not the part of financial statement. So, I am not able to calculate quick ratio. Without inventory the result will stay same as current ratio.

4.7.2 Profitability ratios

In the following work i will gather the data of profitability ratio in the time duration 2015-18. It will help me to analyse the profitabilitiy ratios in order to undertand the company's profitability capacity which is one of the objective of my work.

Table 8: Profitability ratios of Blackrock, 2015-2018

Profitability Ratios	2018	2017	2016	2015
Gross profit	50%	49%	49%	54%
Net Profit	30.32%	36.41%	25.84%	29.34%
Return on assets	4%	3%	2%	2%
Return on equity	13%	16%	11%	12%
ROCE	3%	2.50%	2%	4%

Source: Author's work from annual reports 2019

A profitability ratio is an index specifies the ability of a company to generate profit relative to revenue. It covers various aspects such as above, we can see first in return on assets it shows the net earnings relative to assets. It is noticeable that it is growing over the years, the ratio is not so strong but as we can see it is improving yearly. On the other hand, return on equity has progress especially in 2017 with almost 16% after having 10.68% in 2016. Gross profit ratio of a company was flexible around 50% in 5 years which can be considered as an ideal for any company. Net profit ratio is considerably well on an average of around 30%. It was stimulating from 2015 and had the highest peak in 2017 with 36.41 %, which can be justified by the increased revenue that year.

4.7.3 Leverage Ratios

In the following work i will gather the data of leaverage ratio in the time duration 2015-18. It will help me to analyse the debt ratios and other ratios related to company's paying capabilities.

Table 9: Leverage Ratios of Blackrock, 2015-2018

Leverage ratios	2018	2017	2016	2015
Debt ratio	0.8	0.86	0.87	0.87
Debt to equity ratio	0.78	0.92	1.13	1.29
Interest coverage	30.23	26.63	22.73	23.56
Fixed charge coverage	16.23	14.11	17.55	15.2

Source: Author's work from annual reports 2019

By the above table we can analyse the extent of risk to be considered in the business, Debt ratio should be good around 0.5 or less, because companies assets should not be financed with debt by more than half especially in 2015 it was alarmingly 0.89, it is good that company has recovered slowly, but its higher ratio makes company achieve higher net profit as we have seen in analysis of income statement. Also in return on equity, we can notice the higher results. About debt to equity ratio company was in good condition before in 2015 with 1.52 ratio but then it was degrading continuously with 0.78 in 2018.

4.8 Du Pont Analysis

Du Pont analysis is also basically ROE decomposition, this method will be conducted by some ratio indicators. Du Pont analysis can help to gain knowledge about the company's return on assets and what are the exact sources of it. From this analysis, we can understand which can be the areas to improve the profit.

Table 10: Pyramid ROE decomposition of Blackrock, 2015-2018

Pyramid ROE Decomposition	2018	2017	2016	2015
ROE	13.26	15.67	10.86	11.73
ROA	2.7	3.2	2.1	2.21
Leverages	0.8	0.86	0.87	0.87
ROS	0.47	0.48	0.46	0.46
Total assets turnover	0.089	0.0618	0.0557	0.0506

Source: Author’s work from annual reports 2019

After considering the table it is noticeable that the Return on Assets has the highest influence on the ROE.take a closer look on it we can see how it goes, ROA was more in 2017 so with ROE. In the year 2016, ROE faced a deep downturn and reach on 10.86% and it was the same case with ROA as well, both ratios are reducing and increasing by following each other. In the year 2015 and 2015, there was a slight increase in both of the ratios. Return on sales doesn't seem to change a lot over the years, which can be the reason why income and equity don't have very big changes which can affect the ratio. Still, the relation can be seen as in 2017 ROS was highest which bring ROE on the top that year.

4.9 Analysis of Absolute Indicators

Table 11: Absolute Indicators of Blackrock, 2015-2018

Absolute indicators (in millions $)	**2015**	**2016**	**2017**	**2018**
Total assets	225261	220177	220241	159573
Total revenue	12335	12261	13600	14198
EBT	4602	4455	5259	5378
EAT	3352	3168	4952	4305

Source: Author's work from annual reports 2019

From the above table, we can compare some significant indicators to analyses the company's general situation. Total assets have decreased over the years but as we can see above it doesn't make much difference in revenue. In spite of decreasing assets revenue has improved. Assets have decreased by 30% than what it was in 2015 and on the other hand the company's revenue has increased by 14% in 2018. From this, it is clear that assets company owner doesn't have much relation with the revenue it generates because this company is a service provider and managing assets. So companies main growth indicator is not the assets, in this case, the company will represent profit from the net profit inflow of the year and amounts of assets managed every year.

Earnings before tax have increased over the years than in 2015 where it started by 4602 million a year. EBT has improved by 16% in 4 years. EAT goes same with the EBT only exception we can see in 2017 where it was the highest with 4952 million. In 2017 due to tax reforms the company had a tax benefit which helps the company to gain the highest EAT. If we outlined the tax benefits in 2017 still in 2018 the company gained 4305 million which were 33% more than in 2016. So it can be said that even without tax benefits the company was able to have higher EAT in 2018.

4.10 Assets under management

Followin chapter will be dedicated to understand company's business more deeply and having an overview of company's strategy as per the changing markets and world economies below, I will analyze total numbers of client's assets which were managed by a company and how it changed.Below I will analyse companies business to manage assets by their product type from 2015 to 2018.

Table 12: Assets under management, 2015-2018

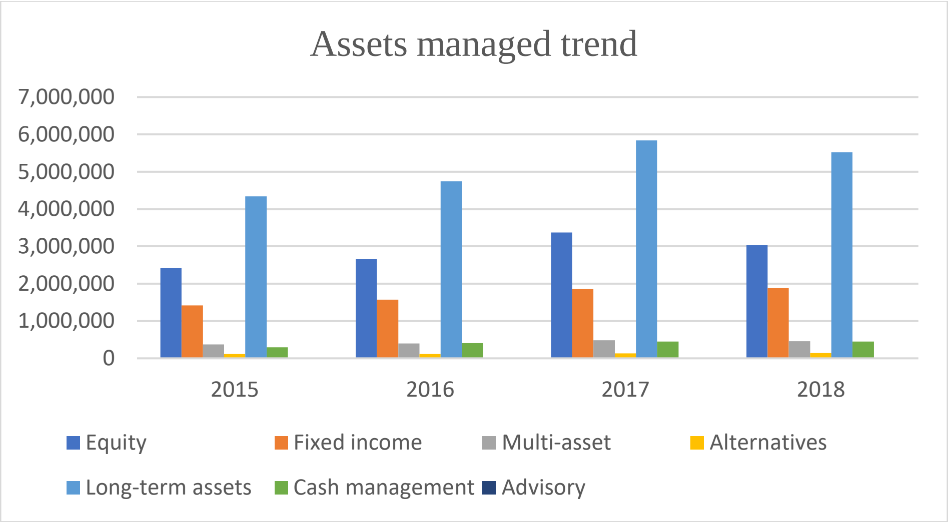
Assets (in millions $)	2015	2016	2017	2018
Equity	2,423,772	2,657,176	3,371,641	3,035,825
Fixed income	1,422,368	1,572,365	1,855,465	1,884,417
Multi-asset	376,336	395,007	480,278	461,884
Alternatives	112,839	116,938	129,347	143,358
Long-term assets	**4,335,315**	**4,741,486**	**5,836,731**	**5,525,484**
Cash management	299,884	403,584	449,949	448,565
Advisory	10,213	2,782	1,515	1,769
Total	**4,645,412**	**5,147,852**	**6,288,195**	**5,975,818**

Source: Author’s work from annual reports 2019

Total assets managed by Blackrock INC. has increased by 28% from the year 2015, it is noticeable that in 2017 the growth was even better. The main component in the total asset was equity it was on an average 50% in all years observed it follows by fixed income assets which shows the company's investments are much more depending on value investing and stable. Now if we take look into the detail of each asset then equity had the biggest impact of the down market, equity was reduced by almost 10% in the year 2018 due to bad market condition in 2018. Equity shows a negative trend in 2018 for the first time in the observed period, which represent a very bad market condition in 2018. Company has increased its business in multi assets in a pretty significant way as we can see an increase of 20% in 2018 since 2015.

Company has inclined towards cash management and short term investment more as we can see how it grew by 44% from 2015 to current year. On the other hand, the advisory section has reduced with great impact as it was started with 10,213 million and it ends up with 1769 million.

Figure 7: Trend of assets managed, 2015-2018 (in millions $)



Source: Author's work from annual reports 2019

5 Results and Discussions

Blackrock INC. is managing assets from clients which varies from individual to institutional. The dominant share of clients is from institutional clients, which has a high amount of assets to be managed. This firm helps its clients to risk management by providing cutting edge analysis by a highly qualified team of an analyst and professionals. From the analysis of assets managed it is certain that Blackrock INC. belongs to the value of investing and handle assets by making highly analysed decisions. From total assets, 50% share is taken by an equity and 32% goes to fixed income which says this business has very less stimulation and effects from any tiny day to day happenings. By analysing assets vertically, it established that separate accounts assets have the largest share in total assets which was the reason why it matters to the overall trend in total assets. The second-largest share goes to intangible assets. Over the observed period, it is important to notice that separate account assets share had been in a negative trend but still on the dominant position. Intangible assets and cash equivalents had been steadily increasing and improving their position in total assets structure. But to analyse the overall change in a structure, separate account assets and intangible assets played a key role.

In an observed period from 2015-2018 assets were analysed horizontally and mainly the big change were found in 2017 and 2018 because of reduction of total assets by 28%. It can be connected to the general market failure in this year were the equity market were suffered considerably. An index belongs to US stock market S&P 500 falls more than 6% a year and according to trade analyst, it was the worst period in a decade.

If I analyse into more detail behind this reduction separate assets played a significant role because it reduced by 37% than in the previous year which leads to a 27% reduction in overall total assets. The second biggest effect was from cash & equivalents which includes money market funds, short term investment which has maturity in less than 3 months. Company is managed to tackle this loss by assets of consolidated entities and intangible assets performance. Unlike the market's bad performance, the company's goodwill and other intangible assets had improved. In my observed period, the second most reduction in total assets happened in 2015 were total assets were down by 6%. The pattern of reduction was same just as 2018 because separate assets play a vital role by reduction of 6.5 %, unlike that, all assets were in positive trend but due to the huge volume of separate assets, other assets were side-lined.

To understand the structure of the income statement, vertical analysis has been done. The company make around 40% of operating income which means it has around 60% total expenses. Main revenues include service fees, securities lending revenue, technology revenues etc. Expenses include mainly employee benefits which make around 50% of all, these can be also linked to the well-improved goodwill of company over the observed period. Because from 2015-2018 company is spending almost 30-32% of total revenue on their employees which can create a positive impact on the market. General administration, distribution and servicing cost were the other expenses. Income tax goes around 10 % from 2015-2018 it has a significant downfall to 2% due to the tax reforms introduced in 2017. The effect of that tax reforms has also some effect on 2018 as it was just 8%, unlike previous years where it was around 10%. Apart from that, there has not been any major change in the income statement structure to notice and to be analysed.

By analysing horizontally, I was able to notice some changes in the income and expenses of the company, the net income of a company fluctuated over the observed period. In 2015-16 company had a negative trend of net income but in 2017 it increases by 56%, the main reason for this rise can be related with income tax benefits what the company had in that year. Performance fees had decreased by 30% in 2018 and 2016 as well. In 2017 the company has jumped its performance fees revenue by 101%, which can be relatable with the high income in that year. Operating income had a mostly positive trend with only one exception in the year of 2016, where it decreases by 18%.

Company has more liabilities than equity as we see in debt ratio company has around 0.80%. Liability was more in 2015 with 86.98% of total equity and liabilities, only 13% were covered by equity. The overall trend of equities and liabilities were positive because from 2015 to 2018 liability was decreased by 110% than what it was in 2015. Structure of liabilities consists of separate accounts liability play a vital role. Equity was increased by 62% in 2018 than what it was in 2015. Inequity paid in capital plays a vital role by making almost 50 % of all equity, followed by retained earnings and treasury stock. In horizontal analysis main thing noticeable is decreasing liability, from figure 2 liability can be seen with a straight negative trend without any exception from 4 years. This reduction is due to separate account liabilities, only one major change was that liabilities from consolidated variable interest entities were increasing, unlike most other liabilities. This can be the reason if the company has decided to borrow money rather than any other sources maybe it was more practicality viable. In case of equity, it shows a quite opposite picture than liabilities because it showcases a straight growth from 2015 without any exceptions (figure 3). Additional paid-in the capital has seen very little amount of changes and only around 0.5% and in 2018 it was the only factor in equity which has a negative result. Betterment of equity can be the reason why a company's ROE has produced a better result mainly in 2017 and 2018. It has also helped the debt ratio to improve.

After the horizontal and vertical analysis of a financial statement, I prepared a ratio analysis. It was divided in 4 major ratios. It is important to understand that this company has investment services business so some ratios don't make sense here for example in liquidity ratio I couldn't achieve a quick ratio because we don't have inventory mentioned in a financial statement. Company has managed to achieve a higher current ratio it means company has higher liquidity standard and it believes more in cash investments and short-term investment with a maturity of less than 3 months. The reason the cash ratio is higher up to 5-7 is the proof of that. After that I have moved to profitability ratio which has two variants profit ratios and returns ratios. Net profit of a company in the observed period has been noted down around

30-35 %, by comparing to S&P 500 index's performance in 2018 company has delivered 3 times more result. I have analyzed that average net profit of S&P 500 index was 10.47% in 2018 and company had 30.3%. Return on assets is too low comparatively company's net profit ratio. Which means company still need to work upon it. Return on equity of a company has a range from 11% to 16%, it is important to notice that company has climbed to 16% of ROE from 11% in just one year as my general observation 2017 was successful for a company. Leverage ratio contains most importantly debt ratio which was straight for a company with very less fluctuation only a major change was seen in 2018 where debt ratio was declined to 0.8 from 0.86 in 2017 so companies' dependability on debt has decreased, this can be related with the decreasing liability of a company as we noticed in the vertical analysis of equities and liabilities. Debt to equity ratio follows the same pattern as debt ratio because of decreasing liability. Market value ratios are impressive of a company, even though it was fluctuated much but still company has managed to maintain on higher that is the reason company was able to maintain their asset inflow over the average. Dividend yield was getting low with straight downturn it has 2.16 in 2015 than it went down decreasing up to 1.96 in 2018, even though dividend yield has decreased company's book value has keep on increasing. Book value of a share was minimum in 2015 with 174 than it increased to 205.85 in 2018. Earnings per share was maximum in 2017 with 30.54, it is relatable with the financial performance of a company in that year.

5.7.1 Recommendations

- From the liquidity ratio I found out that company is maintaining ratio higher than its needed ideally so company should use their cash resources more in order to increase the income.
- Company's 63% income is coming from USA and 29% Europe so it is obvious that company don't have much input from other developing countries, so company should try to increase their clients in developing countries like China, India, Turkey and other countries.
- Although company is spending above than industry average on research and development still it's behind than its competitors which can affect a company to loose some competitive advantage in terms of innovation.
- With the growing issue of ageing company should more involved in after-retirement solutions programme in order to attract more mature clients.

6 Conclusion

The main objective of the thesis is to decide the potential factors which can affect company’s performance. Blackrock INC. is an asset management firm, which provide advisory services, management of assets and technological services. The company’s business doesn’t involve activities such as credit sales, inventories etc, moreover my work is dedicated in financial analysis of a company in order to get an idea of a business and factors affecting company’s performance from 2015 to 2018.Due to the factors mentioned I couldn’t use ratios such as activity ratio and market ratios. In my observed time period from 2015 I have seen that company’s number of assets which is managed is increased by significant amount which says the growth of a company, it also shows case client’s increasing trust in the company. ROE plays an important role to determine the company’s efficiency along with return inflow, assets inflow shows company’s performance. In an observed period company’s performance doesnt witness any big changes from 2015 and 2016, it has a stable growth. 2017 and 2018 was very flucuating with the result, 2017 was exceptionally well for the company in terms of financial result and performance but after that 2018 company was hit by the global impact of a market. Which create reduction in total assets of a company and net income. This change was happened mainly due to company’s over dependency on the equity, as i have marked from the assets managed by a company that it has a half of the assets just as equity and quarter of an assets are long term assets with a fixed income.

Due to this company has international expansion with more than 30 countries it has achieved a geographical advatage by using its resources wide spread in the world.As we have seen in discussion section the major share of income is driven from USA and Europe unlike the current world economy trends it should have also a share from a developing countries as well.So in future it might be the case that company can increase its market share in other developing coutntries as well.

Being in asset management business this company have separate account system, this separate accounts plays a key role in terms of assets and liability as well. So,decreasing assets was mainly due to separate accounts and decreasing liability was also due to these separate account liabilities. Intangible assets and cash & equivalents were the reason why the reduction in total assets were somehow reasonable because they were having positive result in 2018.In spite of decreasing assets in 2018 company has still manged to increase its total revenue but due to high income tax expanses net income was less than its previous year, it is important to notice that income tax played a big role to stand out the year 2017 as a most successful in all my observed time.Inspite of being in volatile market company still manage to increase its revenue and positve vibe form investors.Company's market impression can be analysed from it's increasing intengible assets such as goodwill,trademark,royalty etc.In my analyses i found it increasing in my observed time period.

Company might have used its assets to decrease its liability in the year of 2018 on the other hand equity has a same growth. In terms of ratio analysis, there are 4 major ratios with an addition of semi ratios from it. It is important to understand that not all ratios are related with every company in the market, it depends on the type of business to which it relates to. For example, here I am analysing this company which is connected to asset management industry. It provides an advisory and a technical service. So, this business does not have day to day production expanses, sales, credit system, creditors, debtors, inventory to sale etc so some ratios are not viable in this research because I didn't have that data in company's financial statements. First ratio in the list is liquidity ratio I found out that liquidity ratio is higher than normal standard especially cash ratio, it means that company have more competitive advantage in order to get some opportunity which demands urgent funding.

Total assets managed by a company has major contribution from equity and after that fixed income plays an important part. This business has very less fluctuation from the short-term operations as this company has assets which is long term and stable. It seems that company has changed its asset structure a bit due to new market trends by increasing cash related management services and changing its assets from advisory to technological services revenue.

According to DuPont analysis, general decline in return on equity is the result of a worsening net profit margin and improving asset turnover ratio as well as declining leverage. Therefore, according to me company's stakeholders do not need to be too concerned due to the company's general decline in profitability because it has side benefits like a general improvement in operational efficiency and declining leverage, which can create long term benefits.

BLK's risk management platform focus on the analysis and forcasting of the market and international affairs that can affect a business directly or indirectly.Blackrock provides technology services under name (Aladdin) by Blackrock Solution.Technological services provide the firm with competitive advantages to maintain its profitability and help to sustain in the business for a longer time. Company has expanded to more than 30 nations and has international exposure but still company makes majority amount of income from USA and second share comes from Europe.

This company has been facing a hard time recently with the changing time and uncertainty of the market, intense competition but beyond that company have provided better results even after the downfall of equity market there was not any significant change in a profit delivering efficiency.I have found that company is keeping itself updated with the changing market trends and client's need.

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8 Appendices

Annex 8.1 Total assets of the company in 2015-18

Years	2018	2017	2016	2015
Cash &Equivalents	6,302	6,894	6091	6083
Accounts Receivables	2657	2699	2350	2237
Investment	1796	1981	1595	1578
Assets of cosolidated variable entities	3742	1703	1155	1245
Separate assets	110940	174127	176881	182187
Property and equipments	643	592	559	581
Intengible assets	17839	17389	17363	17372
Goodwill	13526	13220	13118	13123
Other assets	2128	1636	1065	855
TOTAL ASSETS	159573	220241	220177	225261

Annex 8.2 Income statement of the company in 2015-18

Years	2018	2017	2016	2015
Total investment advisory, administration fees and securities lending revenue	11553	10868	9848	9840
Performance fees	412	594	295	450
Technology services revenue	785	657	588	528
Distribution fees	1155	1183	1198	1160
Advisory and other revenue	293	298	332	357
Total Revenue	**14198**	**13600**	**12261**	**12335**
Distribution and servicing cost	1675	1663	1608	409
Direct Fund expenses	998	895	757	815
General administration	1638	1446	1278	1380
Employee compensation and benefits	4320	4253	3878	4005
Amortization of intangible assets and Restructuring charge	110	89	175	128
Total Expenses	**8741**	**8346**	**7696**	**6737**
Operating income	5457	5254	4565	5598
Non operating Income(expanses)	79	91	110	62
Income before tax	5378	5259	4455	4602
Income tax expanses	1073	307	1287	1250
NET INCOME	4305	4952	3168	3352
Earnings per share for common shareolders				
Basic	26.86	30.54	19.27	20.1
Diluted	26.58	30.12	19.02	19.79
Cash dividends declared and paid per share	12.02	10	9.16	8.72

Annex 8.3 Equity and liabilities of the company in 2015-18

Years	2018	2017	2016	2015
Accrued compensation and benefits	1,988	2153	1880	1971
Accounts payable and accrued Liabilities of consolidated variable interest entities liabilitie	1,292	1161	1094	1068
Liabilities of consolidated variable interest entities	1373	369	216	177
Borrowings	4979	5014	4915	4930
Separate account liabilities	90285	149937	149089	150851
Separate account collateral liabilities under securities lending agreements	20655	24190	27792	31336
Deferred income tax	3571	3527	4840	4851
Other liabilities	1889	1626	1007	1033
Total liabilities	**126033**	**187977**	**190833**	**196217**
Temporary equity	1107	416	194	464
Additional paid-in capital	19168	19256	19337	19405
Retained earnings	19282	16939	13660	12033
Accumulated other comprehensive loss	691	432	716	448
Treasury stock, common	5387	3967	3185	2489
Total BlackRock, Inc. stockholders' equity	**32,374**	**31798**	**29098**	**28503**
Nonredeemable noncontrolling interests	59	50	52	77
Total permanent equity	**32433**	**31848**	**29150**	**28580**
Total liabilities, temporary equity and permanent equity	**159573**	**220241**	**220177**	**225261**