

Czech University of Life Sciences Prague

Faculty of Economics and Management



Bachelor Thesis

Financial Report Analyses for a Hotel Business in Nigeria.

Case Study: Transcorp Hotel PLC.

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Czech University of Life Sciences Prague

Faculty of Economics and Management

BACHELOR THESIS ASSIGNMENT

Emmanuel Nnabuife Okocha

Business Administration

Thesis Title:

Financial Report Analyses for a Hotel Business in Nigeria. Case Study: Transcorp Hotel PLC.

Objectives of thesis

This thesis will examine the financial statements of Transcorp Hotel Plc. It will highlight the challenges faced by hotels during a pandemic, and how hotel businesses generate revenue for the government. It will look into the impact of these revenues to the Nigeria economy at large. There will be a comparison of results with a major competitor in the industry. Furthermore, the thesis will analyze the eight years financial reports of the hotel and perform eight years financial analyses using the relevant statistical data analyzing tool (MS Excel).

Methodology

The financial analysis will be used to describe the financial state of the company. The data were sourced from the published annual reports of Transcorp Hotel Plc for the year ended 31st December 2020. The period covered is from 2013 – 2020 (8 years). Basic method of statistical analyses such as Trends (Graphical Representation) will be considered. Some examples of the financial ratios used in this research work are as follows: Return of Asset (ROA), Liquidity, Return on Equity (ROE), Gross Profit Margin, etc. These ratios will enable us to determine the financial strength of Transcorp Hotel Plc for the stated periods.

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Declaration

I declare that I have worked on my bachelor thesis titled "Financial Report Analyses for a Hotel Business in Nigeria: Transcorp Hotel PLC." by myself and I have used only the sources mentioned at the end of the thesis. As the author of the bachelor thesis, I declare that the thesis does not break any copyrights.

In Prague on 15th of March 2022

_____Emmanuel Nnabuike OKOCHA_____

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Financial Report Analyses for a Hotel Business in Nigeria.

Case Study: Transcorp Hotel PLC.

Abstract

Hospitality is described as the act of welcoming and attending to the basic needs of customers or strangers, primarily in the areas of food, drink, and lodging. It describes the relationship between a visitor and a host, as well as being hospitable. All over the world, hospitality opens opportunities to people and brings sustainable prosperity to entire communities through acquiring new skills, education, and investment. Hospitality establishments include hotels that provide accommodation for customers and restaurants that prepare meals, snacks, or drinks for immediate consumption. This thesis will examine the financial statements of Transcorp Hotel Plc from 2013 to 2020 year end. It will highlight the challenges faced by hotels during a pandemic, and how hotel businesses generate revenue for the government. Secondary data was obtained from Transcorp Hotel Plc official website covering a period of eight (8) years from 2013 to 2020. The data were validated and reliable as it has been audited and approved, certified and published for the general public usage. Findings from the study shows that the financial position of Transcorp Hotel Plc prior and during the COVID-19 pandemic is very poor. However, I want to believe that there is still a good future for Transcorp Hotel to be financially stable. With proper management and strategic goals, the hotel can surely bounce back irrespective of the ongoing pandemic.

Keywords: Hospitality, Financial Analysis, Industry, Economy, Hotel Business, Nigeria, Financial Statements.

Analýza finanční zprávy pro hotelový byznys v Nigérii.

Případová studie: Transcorp Hotel PLC.

Abstrakt

Pohostinnost je popisována jako pohoštění a uspokojování základních potřeb zákazníků nebo cizinců, především v oblasti jídla, pití a ubytování. Popisuje vztah mezi návštěvníkem a hostitelem a také vstřícnost. Po celém světě otevírá pohostinnost lidem příležitosti a přináší udržitelnou prosperitu celým komunitám prostřednictvím získávání nových dovedností, vzdělávání a investic. Mezi pohostinská zařízení patří hotely, které poskytují ubytování zákazníkům, a restaurace, které připravují jídla, občerstvení nebo nápoje k okamžité konzumaci. Tato diplomová práce se bude zabývat finančními výkazy společnosti Transcorp Hotel Plc od roku 2013 do konce roku 2020. Poukáže na problémy, kterým hotely čelí během pandemie, a na to, jak hotelové podniky generují příjmy pro vládu. Sekundární údaje byly získány z oficiálních internetových stránek společnosti Transcorp Hotel Plc a pokrývají období osmi (8) let od roku 2013 do roku 2020. Údaje byly validní a spolehlivé, protože byly auditovány a schváleny, certifikovány a zveřejněny pro použití širokou veřejností. Ze závěrů studie vyplývá, že finanční situace společnosti Transcorp Hotel Plc před a během pandemie COVID-19 je velmi špatná. Chci však věřit, že společnost Transcorp Hotel má před sebou ještě dobrou budoucnost a bude finančně stabilní. S řádným řízením a strategickými cíli se hotel jistě může odrazit ode dna bez ohledu na probíhající pandemii.

Klíčová slova: pohostinství, finanční analýza, průmysl, ekonomika, hotelnictví, Nigérie, účetní závěrka.

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1. Introduction

Due to globalization, companies can cross borders of foreign countries to compete with other international companies globally. Because of its higher degree of competitiveness, companies frequently face more challenging situations. On the other hand, a company can leverage these developments to gain a competitive advantage and increase profits.

As a result, each company must know its financial results and activities to overcome today's competitors and achieve profitability. Those findings might be based on economic analysis, regarded as one of the most important financial management tools.

Financial analysis is a dependable source of financial information that can be used to identify weaknesses that could lead to problems and strengths that could be beneficial in the future. The primary purpose of the financial analysis is to provide feedback about the overall status of the company's management.

Although, the numerical results do not correspond to the accurate evaluation of the analysis. The correct interpretation of the final findings and the search for causes and consequences are more necessary to help users grasp the link between managerial decision-making and the company's financial status and performance. Based on these results, management monitors the company's financial stability, profitability, and liquidity and makes decisions that lead to future organizational optimization.

Hospitality is without a doubt one of the most important sources of revenue for most governments in the world. Aside from its economic impact, hospitality has social, cultural, and environmental usefulness around the world.

In this thesis, I will analyze the financial report of Transcorp Hotel Plc, Nigeria by using financial analysis methods.

1.1. Background to the Study.

Financial analysis is a sector that represents an important aspect of a company's financial management. According to IFRS, financial analysis provides feedback between the expected and actual effects of managerial decisions. It is closely related to the subject of financial accounting, which uses financial statements such as the balance sheet, income statements, statement of cash flows, and statement of change in equity to give data and information for financial decision-making.

Those financial statements, as well as accounting, should be created correctly to meet the needs of financial management and, as a result, leads to decision-making. Nonetheless, accounting data do not reflect future forecasts and do not provide a complete picture of the company's financial status, including its strengths, weaknesses, trends, and overall management quality. Financial analysis is utilized to overcome those deficiencies. It is a systematic strategy for comparing data gathered

from several sources in order to draw conclusions about the company's general management and financial status.

Financial analysis evaluates the financial management's past, present, and projected future. Thus, its objective is to provide diagnosis using specialized methodological tools to record and analyze all aspects of financial management. When these objectives are met in the present and in the future, it shows that the company is deemed financially sound.

1.2. Purpose of the study.

The country's economic downturn has impacted the operations and business status of various industries. Despite the harsh conditions imposed by the economic recession, the hospitality industry has managed to thrive throughout this challenging time and has increased in recent years. The hospitality industry's contribution to a Nigerian hotel will be examined in this study to analyze financial data from 2013 to 2020 of Transcorp Hotel Plc in Nigeria based on operating income for the previous year.

The focus of the analysis will be on the companies' average statistics and changes over Eight years. We will investigate the profitability and liquidity of the hospitality industry, assuming that financial borrowing and total debt have a significant impact on their profitability. In other words, from 2013 to 2020, we will demonstrate the financial performance of the hotel industry.

There will also be a presentation of specific company data and the most critical changes in the companies' numbers over the last Eight years.

1.3. Research Questions.

The research work for this dissertation was designed to answer the following questions:

- (i.) What are the challenges faced by hotels during a pandemic?
- (ii.) What can we say about the Eight years financial reports of Transcorp Hotel Plc?
- (iii.) How do hotel businesses generate revenue for the government?

2. Objectives

This thesis will examine the financial statements of Transcorp Hotel Plc. It will highlight the challenges faced by hotels during a pandemic, and how hotel businesses generate revenue for the government. It will look into the impact of these revenues to the economy at large. Furthermore, the thesis will analyze the eight years financial reports of the hotel and perform eight years financial analyses using the relevant statistical data analyzing tool (MS Excel).

The following are the summarized objectives of this thesis:

- (i.) To gather the financial report for the Transcorp Hotel Plc from 2013-2020 and analyze it by applying financial ratios methods.
- (ii.) To highlight the importance of hospitality to industries
- (iii) To highlight the challenges faced by hotels during the pandemic
- (iv) To discover the effect of COVID-19 on hospitality industries.
- (v) To identify how hotel businesses generate revenue for the government.

3. Literature Review

3.1. Concept of Hospitality.

Hospitality is described as the act of welcoming and attending to the basic needs of customers or strangers, primarily in the areas of food, drink, and lodging. It describes the relationship between a visitor and a host, as well as being hospitable. Hospitality is defined as treating people as you would like to be treated, in other words, making a visitor feel completely at ease not only as your guest but as a guest of the entire family, i.e., the hotel family. It is one of the most resilient and dynamic industries on earth. It is an industry where innovation and technology are being integrated to improve the overall guest experience (EHL EDU, 2021). Hospitality is characterized as a deliberate, organized, and sustained effort to create and maintain mutual understanding between an entity and the general public, also known as the business of making and keeping friends and fostering a better understanding atmosphere.

The Oxford English Dictionary defines hospitality as the 'friendly and generous welcome of strangers or visitors,' while the Chambers English Dictionary defines it as "entertaining strangers and guests kindly and without reward: showing kindness, generous, and bountiful." Some scholars describe hospitality as "the business of making people feel comfortable, safe, and happy." Hospitality comes from the Latin words HOSPE, which means "guest" or "host," and "hospitium," which means "guest chamber inn" or "quarters" (Chon and Sparrow, 2000). In educating tourism educators, hospitality serves as a combination of psychological and psychological elements and the protection and quality of service. The provision of physiological and psychological comfort within given levels of service is what hospitality is all about (Cooper et al., 1996).

Hospitality is described as a "warm and generous conduct toward visitors and guests to make them feel welcome": "food, drink, space, and entertainment provided by a company or organization to customers." The act of being hospitable, generously providing care and kindness to people, and the warm relationship between the guest and the host is hospitality (Rundell, 2007).

All over the world, hospitality opens opportunities to people and brings sustainable prosperity to entire communities through acquiring new skills, education, and investment. Hospitality needs the guest to feel that the host is hospitable through feelings of kindness, a desire to please, and sincere respect for the guest as a person. When considering hospitality in this light, ideas like generosity, friendliness, the host-guest relationship, entertainment, and accessible experiences come to mind (Lashley, 2000). Hospitality refers to the act of serving others while maintaining a high level of quality and perfection. The industry should be a "space" where everyone may keep their distinctive style and individuality (Hogan, 2008).

Hospitality is described as the courteous reception, welcome, and overall care of a visitor or stranger. Treating guests with great courtesy, warmth and are entertained is the primary goal of hospitality. The basic principle of hospitality is to make guests feel comfortable all of the time

(King, 1995). One of the main purposes of any act of hospitality is to "consolidate the understanding that hosts and visitors share the same moral universe" or "to permit the formation of a moral universe to which both host and guest agree to belong (Lashley & Morrison, 2000)."

While the basic principle of hospitality has remained the same, the needs and wants of travelers have changed dramatically with the passing of time and the advancement of technology and science, necessitating the provision of various services and facilities in terms of accommodation and other basic need such as food and beverages.

Hospitality establishments include hotels that provide accommodation for customers and restaurants that prepare meals, snacks, or drinks for immediate consumption. Hotel, motel, resort desk clerks, fast-food chefs, restaurant cooks, waiters, waitresses, and mixed food preparation and serving staff are all job requirements in the food and beverage hospitality industry (NAICS, 2012). It serves as the method, appearance, formality, and protocol that a guest receives from his host. It requires the greeting and entertainment of those who need or are welcomed to use an organization's services. A guest can decide to extend his stay because of the warm welcome he receives from his host. Hospitality creates an atmosphere of convenience, satisfaction, and warmth for a guest or client.

In the last twenty years or more, the hotel industry has changed dramatically in terms of technology, marketing, consumer behaviour, and many other aspects. Simply put, more people are eating out frequently, and more people are staying in hotels for vacations, leisure, or business and conference activities (Alicia, 2017).

Hospitality consists of two different services: providing overnight lodging for people living away from home and providing food for people eating away from home. These programs cater to particular human requirements, such as the need to sleep and eat. The term hospitality is a comprehensive word that is not only limited to hospitality industries. It is used in industries to aid industry growth and boost the relationship between the manager and the customers (Jones, 2000).

Pritchard & Stringer (1981) asserts that hospitality is fundamentally a relationship dependent on hosts and visitors and the host-guest relationship is the central defining feature of hospitality from which several other aspects arise. The concept of hosts and visitors is vastly different from that of managers and clients, and social and cultural factors heavily influence it.

3.1.1. Defining the Hospitality Industry.

The hospitality industry is comprehensive than how people usually view it; we usually think it is only hotels and restaurants. However, the term is broad with different services. The word hospitality is derived from an old French word, "hospice," which means "to provide care or shelter for travelers." The word hospice was an early form of what is now called a "nursing home." Thus, hospitality is an umbrella that covers various businesses, including hotels, tourism, restaurants, etc. It can also be referred to as institutions that provide shelter, entertainment, warm reception,

and food for people away from their homes. However, the main goal of the hospitality industry is making a guest or a client comfortable throughout his stay. (Drummond, 1989).

The hotel businesses help in generating revenue directly for local and domestic economies through money spent by tourists and other travelers. Indirectly, the business contributes to community development by providing infrastructural amenities such as roads, communication networks, electricity, streetlights, among others (College, 2008).

Today, the hospitality industry is one of the world's fastest-growing industries, creating job opportunities for people worldwide. According to The World Travel and Tourism Council (WTTC), it was estimated that in 2004, the industry represented 10.4% of the global economy and created almost ten million jobs.

However, there is a more important reason why people interested in these professions should consider hospitality a career option. Managers and supervisors, and talented staff are discovering that transferring from one section of the hospitality sector to another is often the best way to progress. The idea is that the hospitality industry is more than just a common tradition and a dedication to "liberality and goodwill" that binds it together as a distinct entity.

3.2 Early History of Hospitality.

The concept of hospitality is mentioned in the writings dates back to ancient Rome, ancient Greece, and Biblical times. Due to people's spiritual well-being, they believed that hospitality to strangers is necessary in ancient times. At the time, religion was the principal force that motivates hospitality among people (EHL EDU, 2021).

In ancient Greece, priests, missionaries, and pilgrims travel to holy places such as oracles and temples that held a prominent position in their religion.

Travelers who were not on the road for religious reasons were mainly on military, diplomatic, or political missions during the Roman era. Many military travelers avoided staying in the available lodgings along the route. Inns in cities had a terrible image and were harmful to tourists; outside cities, they didn't exist or serve a purpose. As a result, the military tourists preferred to sleep in the tents they had brought with them. In ancient Persia, people traveled in big caravans, which carried ornate tents for caravan routes.

At some particular point, they built temporary shelters called Khanas at strategic spots along these roads. These were basic structures with four walls that provided security from natural elements and adversaries who attacked during the night. Taverns and inns supplied lodging for traveling merchants, actors, and academics in the later years of the Roman Empire. The lodgings were still rudimentary. There were sometimes accommodations for people but no stables for the horses, and other times stables but no accommodations.

Throughout history, technological advancements, the introduction of modes of transportation, economic and cultural improvement, and more excellent leisure and wanderlust all influenced the

evolution of hospitality. Today, hospitality and its primary and specialized complementary services stimulate and facilitate tourism growth in a given location, city, or country.

Preparation and service provision in the hospitality business employs many people. It utilizes products from a wide range of companies, allowing this activity to contribute to the communities' overall economic and social development in which it operates.

3.2.1 The Brief Historical Establishment of Hotel Industry in Nigeria.

The history of hotel industry in Nigeria can be linked to the Nigerian Railway Caterers under the supervision of Mr. Roberts Forth. He operated catering services on Nigerian Railway Cabins, which consisted majorly the restaurant and bar. Mr. Roberts Forth operated this business for a short period before it was eventually acquired by the Nigerian Railway as a limited liability company. This establishment was later sold in 1945 to Nigerian UAC and GBOLIVANT company.

In 1946, the name was first changed from “Railway Caterers” to “Nigerian Hotel Limited.” The hotel guest house was later taken over by Mr. Roberts Forth in 1962 from the Nigerian government. He oversaw the operation of the guest house. Later that year, the guest grew to become the Ikoyi Hotel Lagos, and soon enough other hotel businesses started their operation all over the country. Olympic Hotel was the first private hotel that was established in 1944 by Nicolas. It was located at No. 6, Broad Street, Lagos (Nigerian Infopedia, 2019).

In 1974, the following are the list of hotels managed by the Nigerian Hotel Limited:

- Ikoyi Hotel in Lagos
- Airport Hotel in Lagos
- Bristol Hotel in Lagos
- Sokoto Hotel in Sokoto
- Arewa Hotel in Kaduna
- Metropolitan Hotel in Calabar
- Premier Hotel and Lafia Hotel in Ibadan
- Lake Chad Hotel at Maiduguri

Currently, Nigeria has hotels spread across the 36 States/Regions having realized its importance to the economic development of the nation. Hotels pay taxes to the Federal government according to their earnings. This research work is all about Transcorp Hotels Plc, which has two major branches in Nigeria: Transcorp Hilton Abuja and Transcorp Hotel Calabar. It is one of the 5-Star hotels that generate high revenues to the government. Transcorp Hotels Plc was incorporated on the 12th of July, 1994 in Nigeria. The above listed hotels ensure the comfort of foreign tourists who bring foreign currencies to invest which will later enhance the economic development of the country.

3.3. The Nigerian Hospitality Industry.

The hospitality industry is responsible for providing services for people away from their homes regardless of their stay. These services vary based on the person's specific needs away from home and the organization offering the services. In some regions, the industry makes massive income from it which serves as the primary source of foreign exchange. E.g., Fiji, Hong Kong. This industry contributes to the growth of the Nigerian economy by providing employment opportunities for people, funding a large percentage of the country's Gross Domestic Product, earning foreign currencies through goods and services provided to foreign visitors, thus, improving the balance of payments (Baker, 2000).

Since the hospitality industry has different sectors, the hotel sector is booming in Nigeria. Travelers from foreign countries and within the country find it more comfortable to stay due to the warm reception they received from their host. The foods served in the hotels are nourishing to their health, and the kind of entertainment they received is encouraging.

3.3.1. Transcorp Hotels Plc.

Transcorp Hotels Plc, formerly known as Transnational Hospitality & Tourism Services Limited, is the hospitality subsidiary of Transnational Corporation of Nigeria Plc (Transcorp) founded in 1989. This hotel offers world-class hospitality and catering services to fulfill the needs of an ever-increasing number of local and international businesses and leisure travelers visiting Lagos (Lagos is one of the 36 States/Regions in Nigeria). It became public in 1994 and was given its current name. The hotel became listed on Nigerian Stock Exchange in January 2015.

Transcorp Hotels Plc's main activity is providing hospitality services, which includes the development of other tourism facilities. It has steadily increased its presence in Nigeria's hospitality business by developing and acquiring hotels and tourist amenities. Transcorp Hotels Plc owns or controls two of Nigeria's top five-star hotels, the Transcorp Hilton Hotel Abuja and Transcorp Hotel Calabar.

The Transcorp Hilton hotel has about 670 rooms, and it provides cuisine and meeting rooms services to business travelers and tourists alike. In addition, the Transcorp Hilton offers a guest reward program and other Hilton Honors global programs. As for the Transcorp Hotel Calabar, it has about 146-rooms and provides round the clock room service, conferencing facilities, dining, airport pick up, a fitness center, internet wireless facility in all guest rooms, and many more.

3.3.2. Structure of the Industry.

The hospitality business is a billion-dollar cluster of enterprises that include hotel, food services, recreation, entertainment, amusement, and travel. Strangers can find solace, enjoyment, and direction through these organizations. The structure of the industry is explained further:

1) Lodging.

a) Hotels (from small, private country hotels to luxury five-star hotels).

b) Meetings, Conventions, and Expositions.

2) Foodservice.

a) Restaurants (including take-out food, fast food, fine dining, ethnic restaurants, coffee bars, etc.)

b) Managed services (food services provide for airlines, military facilities, schools, universities, hospitals, company cafeterias, etc.)

3) Travel – Air, Cruise, Rail, Automobile.

4) Recreation – Attractions, Gaming, Parks, Recreation.

3.4. Importance of Hospitality to Industries.

Hospitality is vital in a restaurant setting because customers expect to be treated well when they arrive and pay for a meal that they didn't have time to prepare themselves. Another part of the consumer experience that feels particularly personal is hospitality. Being hospitable demonstrates that you care about your clients' well-being and that you value their faith in your company enough to spend money on a dinner.

"In the hotel industry, hospitality is vitally important. It helps to create a welcoming environment to people may relax after a long day of traveling and business meetings in the hotel industry.

An industry's success is determined by its level of hospitality, whether it is good or terrible. People expect to be treated well in the travel and tourism industry when they invest in a vacation because it costs hard-earned money. When aiding consumers, it is the responsibility of a travel agent and other industry professionals to treat them with the highest care. People who are happy with a company's level of service are more likely to submit a favorable review online, which can inspire potential travelers to include that company in their vacation plans.

3.5. The Hotel Industry.

The hotel industry has been evolving and changing since its inception. The transition from small, privately owned inns to the central hotel and motel companies was mainly due to improved transportation. The transit and destination patterns have changed, and the industry has changed with them. The hotel industry has changed due to the change in transportation and destination patterns and travelers' changing needs by delivering varieties of services to them (Lashley, 2000).

Hotel businesses play an essential role in the global economy by providing recreational and entertainment opportunities, meeting and conference facilities, and business communication. Hotels are ideal for transportation when they are necessary for economies and cultures. Hotels contribute to the nation's and community's well-being by producing goods and related services (Medlik & Hadyn Ingram, 2002). Visitors spend money at hotels and make a direct and indirect contribution to the local economy. International currency is earned when foreign tourists use the facilities of these hotels. The hospitality business provides employment opportunities, particularly for laborers and managers. These hotels provide thousands of jobs to both locals and foreigners in

a variety of industries. Locals can also use hotels as an alternate source of facilities. Many hotels serve as the social hub of their neighborhoods

The primary function of hotels is to provide lodging for people, usually on a short-term basis. Hotels in Nigeria offer additional guest services such as swimming pools, resorts, restaurants, etc. Some hotels have conference halls and facilities for rentals to groups or organizations that hold conventions and meetings. Some hotels have large and small halls; these halls vary in size, price, and purpose of the event (Slattery, 1999).

Its size also influences a hotel's organizational structure. A big hotel, like Transcorp Hotels Plc, has distinct departments. To provide adequate services to the guests, each department is accountable for a specific set of duties.

A satisfied guest is the end outcome of a hotel operation, and this can only be realized through the collaboration of all the hotel departments' personnel. Rooms division, food and beverage, marketing and sales, human resources, accounting, and engineering are the primary departments of a large hotel. They have their directors, and they report to the hotel's general manager. The organizational systems of midscale and smaller hotels are less complicated. However, someone must be in charge of each of the critical outcome areas that ensure the operation's success.

Hotels can be classified according to various criteria such as:

- Price range (luxury, midscale, budget, or economy).
- Five-star classification, function (resorts, health spas, meetings, conferences), location (city center, resort, airport, freeway).
- Types of services offered (convention, casino).
- Distinctiveness of style.

These are all factors that can be used to classify hotels (historic, bed-and-breakfast). The variety and type of services supplied at a hotel are usually reflected in the price and quality of the hotel.

3.5.1. Revenue Generating Department in Hotels.

The hotel departments are classified into two categories: The central revenue-producing departments and minor revenue-producing departments. The major revenue-generating departments are the organization's primary source of money.

The hotel's minor revenue-generating departments include:

a) **Laundry:** The hotel may have its laundry or contract with a third-party laundry service. In any instance, hotel laundry is a service supplied by the hotel and is paid for.

b) **Telephone Department:** Local, trunk, and STD calls are charged to guests. Charging can be done by the telephone operator or by telephone meters in the case of direct billing. In a small hotel, the only switchboard would most likely be managed by the receptionist. A distinct telephone department occurs in major hotels, where the board is staffed by operators who work in shifts.

c) **Swimming Pool:** While hotel guests are not charged to use the pool, their visitors may be. Many hotels provide a complimentary swim and a buffet meal (charged per person) by the pool.

The major hotel revenue-generating departments include:

1. **The Department of Rooms** These are the departments in charge of the actual room sales. This revenue-generating section accounts for roughly 60% of the entire hotel revenue.
2. **Food and beverage department:** These are the departments in charge of producing and selling food and beverage items. All kitchens, bakeries, confectioneries, stores, and pantry are included. All of these people work behind the scenes and are responsible for the entire food preparation process, from the storage of raw materials to the presentation of the final dish.
3. **Restaurants (both general and specialty):** These establishments have set hours of operation.
4. **Bar:** Offers alcoholic and non-alcoholic drinks as well as food. It requires a permit to operate. Nightclubs, nightclubs, disco bars, cafés, cyber cafes, and coffee shops are all included. Entertainment centers, beer halls, buffets, and pubs are all examples of entertainment centers in a larger sense.
5. **Room Service:** In most prominent hotels, room service is available 24 hours a day, seven days a week.
6. **Banquets:** Among the F&B service departments, this is the department that generates the most money. Dinners, lunches, wedding receptions, cocktail parties, conferences, club meetings, and outdoor catering are just a few banquet activities.

3.6. Impact of Covid-19 on hospitality industry.

The unique Coronavirus pandemic, also known as COVID-19, has spread to every corner of the globe, wreaking havoc on nations' companies and industries. The severe acute respiratory syndrome coronavirus-2 (SARS-CoV-2) was identified as the outbreak's causative agent by the World Health Organization in January 2020, resulting in the disease coronavirus illness.

COVID-19 is a devastating disease that has killed millions of people around the world. At the time of this research, there is little or no recognized cure for the infection. Africa is one of the affected continents, while Nigeria is one of the impacted countries; this has negatively affected not just the hotel industry but every other industry in the country and a big security challenge. The epidemic was initially discovered in Wuhan, China, in December 2019.

According to Anderson et al., (2020), the first instance of the pandemic was reported in Nigeria (Nigeria Center for Disease Control, 2020) on the 27th of February 2020. This was traced back to an Italian who arrived in Nigeria and infected a Nigerian from Ogun State with the virus (Ogun State is one of the 36 States/Regions in Nigeria). The issue has gotten worse since then. By mid-March 2020, COVID-19 cases had been discovered in about 146 countries.

On March 30, 2020, the Federal Government of Nigeria issued a two-week lockdown in three States: Ogun, Lagos, and Abuja. The World Health Organisation reported approximately 7 million confirmed cases and 4,000 deaths worldwide as of June 10, 2020.

COVID-19 has an impact on every part of the world. Due to the inaccessibility of the vaccines from developed countries to treatment the virus, the Nigerian government has turned to non-pharmaceutical techniques such as social distance, face masks, self-quarantines, border closures, and local lockdowns, among others, in an attempt to prevent the virus's spread. The consequences of these infection-control techniques resulted in the closure of enterprises, notably the hospitality industry. Many social and cultural activities, as well as games and sporting activities, have been postponed, as have educational institutions and centers of study, as well as international borders. All of these regulations and restrictions has negatively impacted on the hospitality industry.

It is important to note that the hospitality business in Nigeria grew at an extraordinary rate prior to the Covid-19 era. Based on PricewaterhouseCoopers research in 2017, hotels, which are a crucial component of the Nigerian hospitality industry, have received significant investment totaling more than \$3 billion in the last three years (Bello, 2018). In 2016, the hotel business contributed N1.7 billion (\$US 5.5 million) to Nigeria's Gross Domestic Product (GDP), accounting for 4.8 percent of the country's total GDP in 2016. In 2015, the industry directly created 651,000 jobs, accounting for 1.6 percent of overall employment in the country and another 1.6 percent worth 661,000 in 2016 (Ekwujuru & Jumia Travel, 2017).

The hospitality business is claimed to have contributed greatly to the economic, social, and cultural growth of host towns prior to the advent of the Covid-19 epidemic. The global COVID-19 pandemic has wreaked havoc on the hotel industry, resulting in an unprecedented disaster. COVID-19's issues affect nearly every aspect of a hospitality organization, including revenue production, room occupancy levels, staffing planning, and food and beverage provisions, to name a few.

With the emergence of Covid-19 and the ensuing bans on worldwide and domestic travel, embargoes on public meetings, social distancing, and state and regional lockdowns, things have changed dramatically in the hospitality industry.

Coronavirus's severe impact on the tourist industry has a terrible impact on hotels in Nigeria. COVID-19 also forced international passengers to cancel their plans. Due to the pandemic, thousands of small hotels, resorts, motels, travel agencies, and other travel-related businesses have had to close their doors; this will make them see a sharp decline in their revenues and profits for the year end 2020.

Due to health fear, many hotels have seen a drop in bookings. Booking cancellations of billions of dollars were reported in hotels around the world, prompting the hotel industry to seek a \$150 billion bailout. Hotels that were booked by eager vacationers and corporate conference attendees

prior to the current covid-19 outbreak are receiving calls to postpone or cancel their already scheduled events (Ozili & Arun, 2020).

As a result, most hotels and restaurants have temporarily halted operations, resulting in the loss of 24.3 million jobs worldwide and 3.9 million jobs in the United States alone due to a drop in hotel occupancy during the pandemic period (Ozili & Arun, 2020). The hotel industry suffered massive economic losses as a result of the covid-19 outbreak. Due to the Covid-19 pandemic, patronage in the sector plummeted by 50 percent or more. As a result, the Nigerian hospitality industry is seeing a significant drop in demand for its primary products, and the physical capacity of hotel facilities in Nigeria is underutilized.

Due to low patronage and the inability to pay employee salaries, many hotels have already closed their doors, while some even went bankrupt due to their inability to pay off their debts. Many companies have already reduced their personnel, while others have slashed employee compensation by half.

3.6.1. Restriction on Hospitality Industry.

The hotel industry has been affected particularly hard by the pandemic. Trading restrictions have disproportionately harmed the hospitality industry. The restrictions have ranged from forced closures and opening hours limits to elements that affect client capacity and demand, such as limits on the number of individuals who can meet indoors, household mixing prohibitions, alcohol sales, and table-service requirements. As at the time of this research work, there were still some restrictions placed by the Nigerian governments.

The restrictions enacted and enforced by the Nigerian government to combat the spread of the Covid-19 virus led to the closure of the country's borders, airspace, and sea borders put a strain on inbound tourists and business travelers from outside the country.

Thus, border closures and restrictions on public gatherings deprived the hospitality industry, including hotels, rest stops, and restaurants.

Despite the recent trend of technology integration, the hospitality business in Nigeria is highly labor-intensive. However, due to the rise and resurrection of the Covid-19 pandemic, current realities in Nigeria's hospitality industry reveal low patronage of restaurant enterprises, big crashes in airline catering services, closed hotels, and clubs, including event centers. Massive losses and widespread unemployment have resulted as a result of these events (ILO, 2020).

3.7. Financial Statements Analysis.

Financial statements are the major means of reporting financial information for internal and external users. Both public and private companies must comply with strict requirements for preparing financial statements (Gill, 1999).

The financial statement analysis examines the financial data to make informed business decisions. Other financial information, such as the income statement, statement of retained earnings, balance

sheet, and statement of cash flows, can be analyzed (Houston, 2012). However, my major focus shall be on key financial indicators like the Profits, Revenues/Sales, and Expenses for period 2013 to 2020.

The information gleaned from this research can help internal and external stakeholders make better decisions and provide a company with valuable information on overall performance and specific areas for improvement. Budgeting, selecting where to decrease expenditures, increasing revenues, and future capital investment prospects can benefit from the analysis. When evaluating the findings of the analysis, a corporation must think about its previous performance and its relation to current and future performance goals. Time-Series analysis will also be used to check any possible trend and for strategic investment decisions.

3.7.1. History of Financial Analysis.

The historical roots of the financial analysis are dated back to the origin of money. However, the methods of financial analysis used in those days have changed in many ways. Nowadays, only the principles and reasons for compilation remain the same. New techniques are used in the United States. There was a significant amount of theoretical work through which new practical application of the methods was realized.

The term "financial analysis" comes from English. In continental Europe (especially in German-speaking countries), the concepts of "balanced analysis" or even "total criticism" are more likely to be used. The original understanding of the financial analysis was centered on viewing the differences in accounting indicators, in absolute terms, primarily monetary values.

The next evolutionary step was introduced as a review of financial statement data to assess a company's rentability. Especially during the Great Depression of the 1930s, liquidity and the firm's survival became important. Thus, the attention turned to profitability and efficiency.

Financial analysis can be the analysis of the financial situation in a company, industries or state. The analysis uses accounting and statistical information from the distant or recent past, and it also works with existing trends and with predictions in some cases.

3.7.2. Approaches to Financial Analysis.

The two primary approaches to financial analysis can be divided into:

- A fundamental (qualitative) analysis is based on a broad understanding of the links between economic and non-economic phenomena and professional experience and future tendencies.
- The technical (quantitative) analysis uses mathematical, statistical, econometric, and other computational tools to compile economic data and develop conclusions.

3.7.3. Methods of Financial Analysis.

Fundamental technical analysis is based on a broad understanding of the links between economic and non-economic phenomena. This analysis is a sort of analysis that compiles economic data and draws conclusions using mathematical, statistical, econometric, and other computing tools. Those methods can be divided into the following categories:

- a) Absolute ratios analysis
- b) Cash flow analysis
- c) Proportion ration analysis
- d) Differential ratios analysis
- e) System of ratios analysis

3.7.4 Users of Financial Statement

There are various kinds of users of financial statements. The users include people and institutions who use financial statements to succeed in the business world for a large spectrum of business purposes. Those users can be divided into two main groups.

1. Internal users (they are inside the business) – those who utilize the financial statements include:
 - Equity investors look for an estimation of the value of their corporation. Their primary concern is focused on the generation of profitability and return on their investments (dividends).
 - Creditors are more interested in the corporation's ability to repay debt and to get information regarding the corporation's cash flow over the debt life cycle. The short-term credit ratings inform creditors about the ability to meet requirements for the liquidity of the company. Long-term bond ratings show an organization's solvency and ability to repay the debt over the long term.

The information gathered from the financial analysis is used by the management to make strategic and operating decisions. It is primarily concerned with total profitability, efficiency, and performance.

2. External users are in the external position of the company, and they are interested in the financial strength of a company to help assist them in making investment decisions. Those can be:
 - Institutional investors
 - Financial Institutions (banks, lending institutions)
 - Government

- Vendors
- Labor unions
- And others (e.g., suppliers, competitors)

The basis for a worthwhile financial analysis is high-quality materials. . The valuable results cannot be built if documents are not handled appropriately and professionally or if the wrong materials are used. Financial statements exist to capture the flow of company finance in all of its forms and at all stages of business activity. Each of them expresses a different type of information, and those statements are:

3.7.5. Basic financial statements.

The income statement (Profit & loss statement) – represents the company's operating results for some time. It gives an overview of its total revenues (sales), cost of operating the business (expenses), and net profit or loss.

The balance sheet is composed of three main parts: assets, liabilities, and owner's equity. The linkage between these three items can be expressed through the basic accounting equation: $\text{Assets} = \text{Liabilities} + \text{Equity}$.

The statement of owner's equity describes the balance sheet's equity account activities.

3.7.6. Statement of Cash.

Statement of cash flows combines information from both the balance sheet and the income statements. It reflects the changes of the cash account and monitors the cash flow changes from operations, investments, and financing.

The income statement and the balance sheet are combined in the view of cash flows. It reflects cash account movements and tracks changes in cash flow from operations, investments, and financing.

Other information in annual reports

For publicly traded companies, an annual 10-K report is needed. The annual report provides information about the company's financial situation and operations to both business owners and other external users of financial data. It can also be used as a promotional tool, particularly in larger organizations with a huge client base and expansion plans. As a result, these businesses place a premium on the graphic style of their annual reports.

There are also footnotes to the financial statements. These notes include further details on the depreciation approach, inventory methodologies, and other essential information that aid the study. Nowadays, sources such as the internet and other technological advancements might be another way to obtain knowledge.

3.8. Financial Ratios.

The concepts of financial ratios are fundamental to mathematics and paramount in many other fields of knowledge. Many phenomena can be expressed as some proportional relationship between specific variable, which often lead to some new unique entity (Barnes, 1987).

The researcher got the financial reports (2013 to 2020) from the hotel management through their official website. The data collected were analyzed based on the Financial Decision-Making formulas. The key areas the researcher considered were the Liquidity Ratios, Profitability Ratios, and Capital Efficiency Ratios.

Current ratio is the most used financial ratio. It helps to measure the company's ability to settle its short-term liabilities within an accounting year. The result should be within the range 0,2 –0,5 but higher figures are much better.

The Gross profit margin helps us to know how efficient the hotel business is in managing its operation. It is used to measure the financial health of a business and it is calculated as Gross Profit divided by Revenue then multiplied by 100.

Return on Equity (ROE) is another financial decision tool that is usually used to access how a business is profitable and its capital efficiency. In other words, this ratio can help to understand how well the hotel is generating profits from its capital. How is it calculated? It is calculated as

the Operating profit divided by Shareholders Equity (Capital Employed). Shareholders Equity is equal to the Total Assets minus Current Liabilities. It mostly expressed in percentages.

The last financial indicator we considered was the Return on Assets. This indicator tells us how well a company utilizes its assets in terms of profitability. It is one of the vital calculators used in this research work and it is calculated as the Profit after Tax divided by Total Assets. Also, it is usually expressed as in percentage.

3.8.1. Profitability.

Profitability of a company is determined by its capacity to convert revenues into profit. Profitability ratios show a company "s efficiency and performance. There are two types: margins and returns. At various measurement phases, ratios that show margins represent the company's ability to turn sales into profits, while returns represent the company's ability to provide returns to shareholders.

3.8.2. Revenue and Revenue Growth.

Revenue or sales growth is the increase in revenue over a time period. Calculate the Revenue Growth is calculated by subtracting the previous year revenue from the actual year revenue and then divide the result by the previous year revenue. It is usually expressed in percentages.

3.8.2. Definition of Basic Keywords.

This section focuses on the main ideas of this research work. However, several terms related to financial research may be included in this thesis; the researcher focuses on a few of the definitions of terms intended to cover the thesis's fundamental points.

- **Financial Performance:** In a broad sense, financial performance refers to the extent to which financial objectives are being accomplished and is an essential part of risk management in finance. It's the practice of calculating monetary value on the outcomes of a company's policies and operations.
- **Financial Statement:** It is defined as "an official document of the firm which investigates the whole financial information of the firm." The primary goal of financial statements is to provide information about the firm's financial aspects"
- According to Berk (2015, 54), Financial statements are defined concisely as "accounting reports which are published quarterly or annually by a firm to offer prior information and a snapshot of the firm's financial status."
- **Hospitality Industry:** The hospitality industry is a broad category of fields within the service industry that includes lodging, food and drink service, event planning, theme parks, travel and tourism.
- **Hotel Industry:** The hotel industry is the section of the service industry that deals with guest accommodation or lodgings.

- **Transcorp Hilton Hotel Plc:** Transcorp Hotels Plc is a hotel development and management company. The company portfolio consists of over five select service hotels comprising over 670 rooms in leisure, business and convention markets across Nigeria.
- **COVID-19:** The coronavirus disease 2019 (COVID-19) is a communicable respiratory disease caused by a new strain of coronavirus that causes illness in humans. The virus can spread from an infected person's mouth or nose in small liquid particles when they cough, sneeze, speak, sing or breathe.

4. Methodology

4.1. Research Methodology and Design.

The financial analyses will be used to describe the financial state of the hotel business. The data were sourced from the published annual reports of Transcorp Hotels Plc for the year ended 31st December 2020. The period covered is from 2013 – 2020 (Eight years). The researcher believed that the period is sufficient enough for its purpose and to prevent Type II error.

The research methodology used for this research work is Trend Analysis, and we shall be doing some financial ratio calculations for an Eight year's period. The Financial Decision Calculator used in this research work enabled us to determine the financial strength of Transcorp Hotels Plc for the stated periods. Profitability and Liquidity were the two major ratios considered for the purpose of this research.

Financial statements of the reportable segments of Transcorp Hotels Plc are consolidated and reported in the Annual Report for each period. Based on my observation, the Annual Report is prepared at the end of November or the start of December of the year. The Annual Report is published on the official website of the company.

Consolidated Financial Statements of Transcorp Hotel Plc (hereinafter referred to as “Financial Statements”) are prepared in accordance with International Financial Reporting Standards (“IFRS”), issued by the International Accounting Standards Board, as well as with additional requirements set forth in Company and Allied Matter Act (CAMA).

Transcorp Hotels Plc prepares and reports its financial statements in Nigeria's Local Currency (hereinafter referred to as “NGN”) and due to rounding, numbers presented in the financial statements, some figures would be estimated.

Profitability Ratios – It can be used to measure the profitability of a firm. It indicates the capacity of a firm to make profit (Lasher, 1997; Tulsian, 2014; Rashid, 2018 & Adebisi et al., 2016). Profitability ratio can be subdivided into the following:

- a) Return on Asset Ratio: It tells us how the hotel business generates profit as a result of using assets. (Gadoiu, 2018). It can be calculated as follow:

$$\text{Return on Asset (ROA) Ratio} = \frac{\text{Profit After Tax (Net Income)}}{\text{TotalAsset}} \times 100$$

- b) Return on Equity Ratio: It tells investors how effectively their resources are being utilized. With ROE ratio, a person could determine whether a firm is a profit-creator or a profit-burner (Kijewska, 2016). Return on equity can be calculated as follow:

$$\text{Return on Equity (ROE) Ratio} = \frac{\text{Profit After Tax (NetIncome)} \times 100}{\text{StockHolderEquity}}$$

- c) Gross Profit Margin Ratio: This ratio enabled us to know the efficiency of the hotel business in managing its operating expenses. GPMR can be calculated as follows:

$$\text{Gross Profit Margin Ratio} = \frac{\text{Gross Profit} \times 100}{\text{Revenue}}$$

- d) Operating Profit Margin: This is another key element of profitability measurement. It is the ratio of operating profit to net revenue.

$$\frac{\text{Operating Profit}}{\text{Net Revenue}} \times 100$$

Liquidity Ratio – It is also known as the solvency ratios and they majorly focused on a firm's ability to meet its short-term obligations. Liquidity ratios help us to identify the available company's resources that can be used to settle its current expenses (Costea & Hostiu, 2009 & Tugan, 2012). This ratio can further be broken down into Current and Cash ratios.

- a) Current Ratio: It can be calculated by dividing current assets on current liabilities. This ratio is further illustrated as follows:

$$\text{Current Ratio} = \frac{\text{Current Asset}}{\text{Current Liability}}$$

- b) Cash Ratio: It can be calculated by dividing cash & cash equivalents of a firm on current liabilities. The ratio is further illustrated as follows:

$$\text{Cash Ratio} = \frac{\text{Cash \& cash equivalents}}{\text{Current Liabilities}}$$

Why are these financial ratios so important for this research work? They are important because they would enable any potential investors to make prudent decision when considering investing in this hotel business.

4.2. Research Instruments

In the thesis, financial statements covering the period from December 31, 2013 to December 31, 2020 will be used. I will be focusing and performing the analysis mostly on the Company's Statements of Income (hereinafter referred to as "Income statement") and Company's Statements of Financial Position (hereinafter referred to as "Balance sheet"). The Financial Statements were prepared and reported in the local currency – NAIRA.

Most of the data were collected directly from the company's website, which can be accessed at: <https://www.transcorphotels.com/investor-relations/annual-reports/>. Other sources were also used to collect relevant data for this research work.

4.3. Validation and Reliability of Instruments.

The financial reports were already validated and standardized by the hotel management. Hence, it is found reliable and appropriate for the study. The drafted questionnaire was examined by the researcher's supervisor before it was finally administered to the participants.

4.4. Data Collection and Analyses.

This study collected and grouped secondary data. The secondary data were achieved through the official website of Transcorp Hotels Plc. The use of the data is a company's audited financial statements. The data period consisted of (2013-2020). The data collected were applied on various financial ratios and calculated mathematically. After that, the data was analyzed, applied to Microsoft Excel Software to achieve the results (Mugenda & Mugenda, 2003).

5. Results.

5.1. About Transcorp Hotel

As originally explained in **Chapter 3.3.1** of this research work, Transcorp Hotels Plc is one of Africa's leading hospitality companies, aimed to redefining service standards across the continent while remaining truly African. It became public in 1994 and was given its current name. The hotel was also listed on Nigerian Stock Exchange in January 2015.

Transcorp Hotels Plc's main activity is providing hospitality services, which includes the development of other tourism facilities. The hotel has about 670 rooms, and it provides cuisine and meeting rooms services to business travelers and tourists alike. In addition, Transcorp Hilton Plc offers a guest reward program and other Hilton Honors global programs.

5.2. Revenue and Revenue Growth.

Table 1 shows the 8 years revenue figures and their annual percentage changes. The Financial Year 2020 saw it greatest decline in Revenue with 51% Negative. The previous years were not looking promising as well even before the COVID-19 pandemic. 2013 and 2014 Financial Years also saw their lowest Revenue Growth with 0,5% and 2% respectively. I believe one significant reason for this would have been low customers' patronage. In my opinion, this is not a good sign for the business.

Table1: Revenue and Revenue Growth of Transcorp Hotel

	2013	2014	2015	2016	2017	2018	2019	2020
Revenue	14,768,454	14,486,575	13,383,004	14,559,553	12,962,580	16,475,720	19,499,897	9,647,364
Revenue Growth	0,5%	2%	8%	9%	11%	27%	18%	(51%)

Source: Own Calculations

5.3. Profitability.

5.3.1. Operating Profit Margin

Table 2 describes the EBIT, revenues, and the operating profit margins for 8 years period. Changes occurred in the revenue due to the Covid-19 pandemic as there was a low-sales of 9,647,364 NAIRA in 2020 compared to the previous years. This also resulted in a sharp decrease on the operating profit (EBIT) for the same period with a negative amount of 8,743,483. The financial year 2019 had its highest revenue amount, but this does not translate to higher profitability. The operating profit margin was higher in 2013 with a percentage of 41,7 compared to other financial years. There were slight differences between the EBITs in 2015, 2016, and 2018 Financial years.

Table 2: EBIT, Revenue, and Operating Profit Margin of Transcorp Hotel

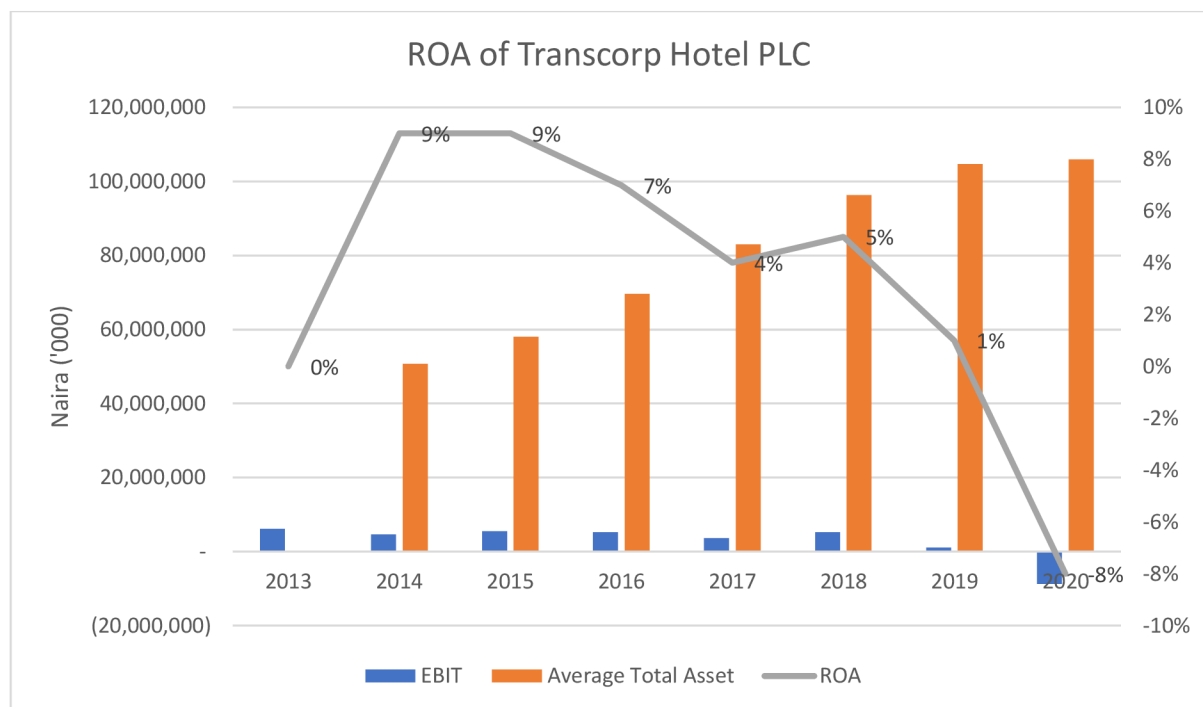
	2013	2014	2015	2016	2017	2018	2019	2020
EBIT	6,163,838	4,645,971	5,476,152	5,201,787	3,608,645	5,187,367	1,133,926	(8,743,483)
Revenue	14,768,454	14,486,575	13,383,004	14,559,553	12,962,580	16,475,720	19,499,897	9,647,364
Operating Profit Margin	41.7%	32.1%	40.9%	35.7%	27.8%	31.5%	5.8%	(90.6%)

Source: Own Calculations

5.3.2. Return on Asset

Figure 1 illustrates the ROA of Transcorp Hotel from 2013 until 2020. There was a great decline on the ROA from 2019 to 2020 with 1% and -8% respectively. The ROA was quite stable in 2014 and 2015, but still fell sharply in 2017 with 4%. The Average Total Asset kept increasing for the examined 8 years period with the highest amount in 2020 FY. Overall, the EBIT is disappointing with its lowest amount in 2020 during the COVID-19 Pandemic.

Figure 1: Return on Asset

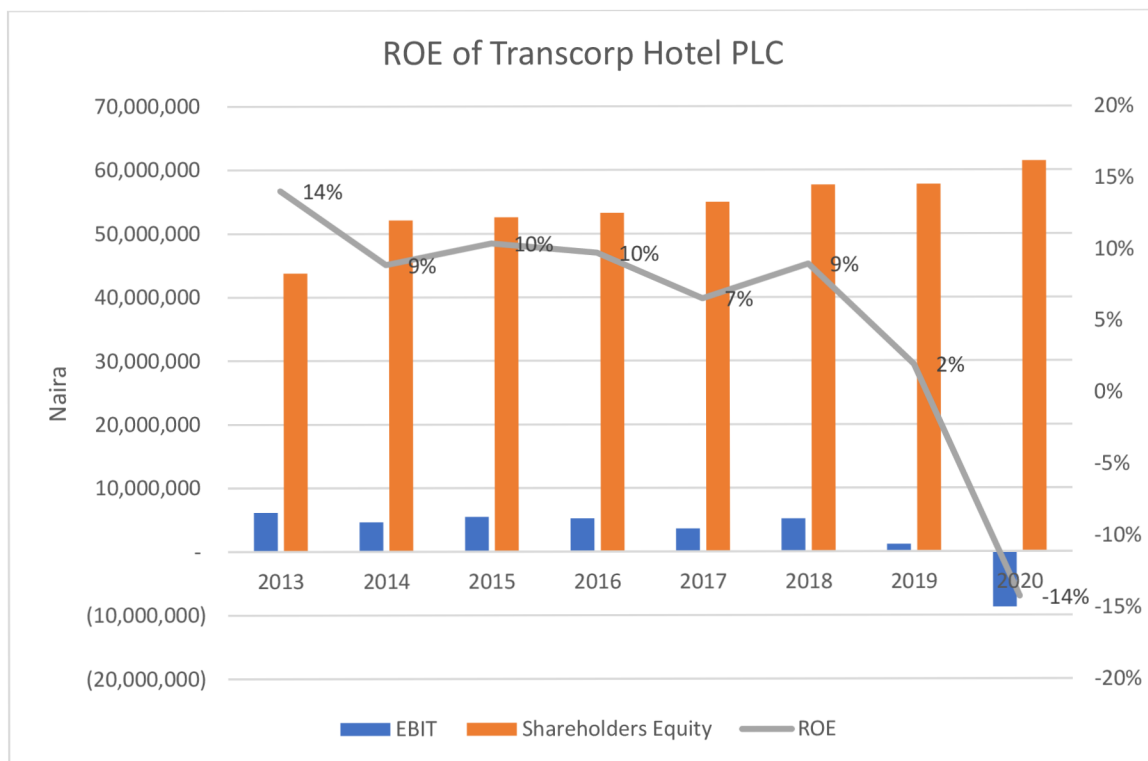


Source: Own graph

5.3.3. Return on Equity.

Figure 2 shows the 8 years ROE of Transcorp Hotel PLC. The highest ROE happened in 2013 with 14%, while the lowest occurred in 2020 during the Pandemic with an estimated -14%. The ROA was pretty much stable from 2014 to 2018. There has been a slight increment in the Shareholders Equity from 2014 to 2019, while 2020 saw its highest amount with over 60,000,000 NAIRA.

Figure 2: Return on Equity



Source: Own graph; Figure 2

5.4. Liquidity

5.4.1. Current Ratio.

Table 3 shows the total current assets, current liabilities, and current ratios of Transcorp Hotel Plc for 8 years. The highest current ratio happened in 2015 with 2,05 while the lowest current ratio occurred in 2020 with 0,18. The Current ratios looked good in 2013, 2014, and 2015, having the percentages 1,19, 1,58, and 2,05 respectively. This was because the hotel had higher current assets during those periods with a relatively low current liability

Table 3: Current Ratios

	2013	2014	2015	2016	2017	2018	2019	2020
Current Assets	18,343,977	16,073,951	26,167,450	11,706,906	8,200,552	5,314,802	5,884,679	4,995,548
Current Liabilities	15,362,959	10,167,820	12,794,749	13,306,033	11,816,479	19,627,117	22,267,396	27,996,509
Current Ratio	1.19	1.58	2.05	0.88	0.69	0.27	0.26	0.18

Source: Own Calculations

5.4.2. Cash Ratio.

This table is all about Cash Ratio information. It contained information such as the Cash & Cash Equivalent and the Current Liabilities from 2013 till 2020. The highest percentage could be seen only in 2015 with number 1,09. Overall, the Cash Ratios of Transcorp Hotel PLC are disappointing as they only contained lower numbers below 1.

Table 4: Cash Ratios

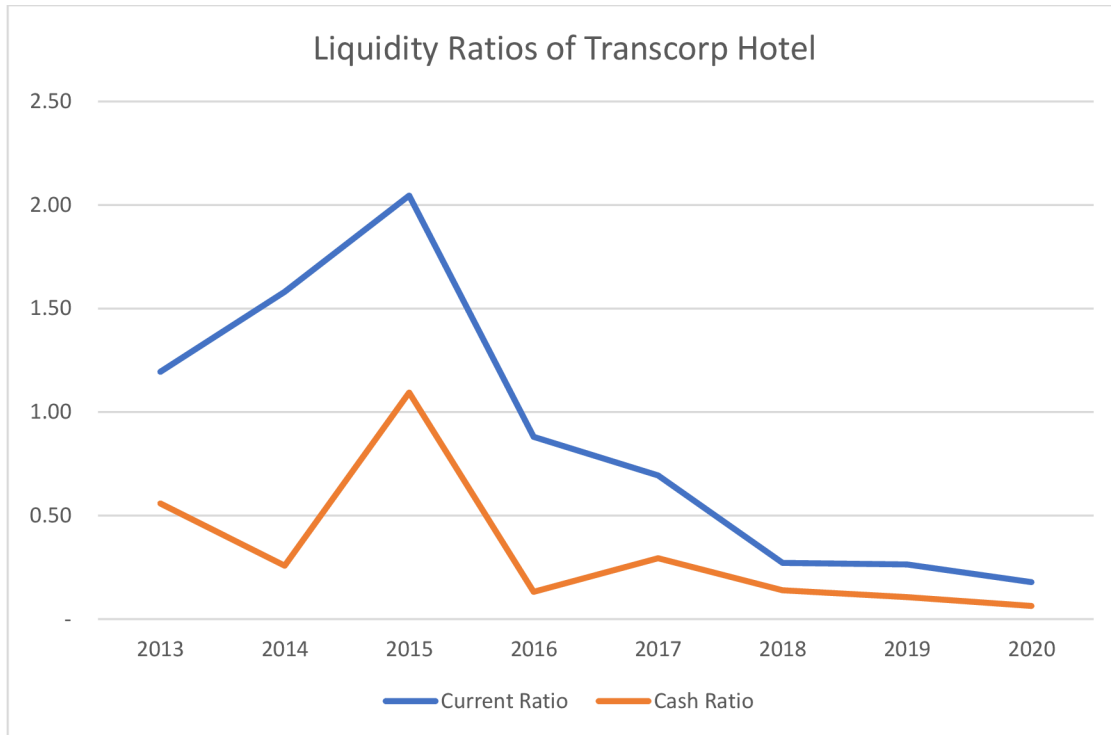
	2013	2014	2015	2016	2017	2018	2019	2020
Cash & Cash Equivalent	8,589,802	2,624,925	13,998,377	1,757,974	3,467,847	2,736,069	2,374,956	1,776,138
Current Liabilities	15,362,959	10,167,820	12,794,749	13,306,033	11,816,479	19,627,117	22,267,396	27,996,509
Cash Ratio	0.56	0.26	1.09	0.13	0.29	0.14	0.11	0.06

Source: Own Calculations

5.4.3. Summary of Liquidity Ratio.

Figure 3 shows the graphical representations of Current and Cash ratios from 2013 to 2020. The blue line represented the current ratios, while the orange line represented the cash ratios. Both ratios had an increase in 2015 and saw their lowest in 2020.

Figure 3: Liquidity Ratio Summary



Source: Own Graph

5.5. Comparison of Total Asset with a Competitor

The table below compares the Total Asset of Transcorp Hotel Plc with one of their major competitors: Ikeja Hotel Plc. The periods considered were 2019 and 2020 only. The highest amount could be seen in 2019 for Transcorp hotel with value of 112,246,052. In my opinion, Transcorp Hotel outperformed its competitor in this aspect.

Table 5: Transcorp Hotel PLC and Ikeja Hotel Total Asset

	2019	2020
	ths. NAIRA	ths. NAIRA
Transcorp Hotel	112,246,052	110,556,049
Ikeja Hotel	25,685,465	25,716,719

Source: Own Calculations

5.6. Comparison of Revenue and Profitability with a Competitor

Table 6 describe the Revenues and EBIT of Transcorp Hotel and Ikeja Hotel for 2019 and 2020. There were differences in figures as a result of customers turnouts. Transcorp made more sales in 2019 with 19,499,897 NAIRA as against its competitor for that same period. However, there was a huge Net Loss of Negative 8,743,483 NAIRA in 2020 for Transcorp Hotel compared to 1,621,065 NAIRA of that of its competitor for that same period. In my opinion, Transcorp Hotel is still bigger than the competitor that was examined considering the Revenue.

Table 6: Revenue and Profitability of Transcorp Hotel with a Competitor

	2019	2020
	ths. NAIRA	ths. NAIRA
REVENUE		
Transcorp Hotel	19,499,897	9,647,364
Ikeja Hotel	7,327,284	3,120,988
EBIT		
Transcorp Hotel	1,133,926	(8,743,483)
Ikeja Hotel	679,468	(1,621,065)

Source: Own Calculations

5.7. Comparison of Liquidity Ratios with a Competitor

Table 7 compared the liquidity ratio of Transcorp Hotel Plc with a major competitor in the same line of business. 2019 and 2020-year ends were the bases for the comparison. The highest percentage happened in 2019 with 1,52, while the lowest could be seen in 2020 with 0,06. Overall, the competitor outshined Transcorp Hotel PLC in this category.

Table 7: Comparison of Liquidity Ratios with a Competitor

LIQUIDITY	2019	2020
	%	%
CASH RATIOS		
Transcorp Hotel	0.11	0.06
Ikeja Hotel	0.47	0.30
CURRENT RATIOS		
Transcorp Hotel	0.26	0.18
Ikeja Hotel	1.52	1.42

Source: Own Calculations; Table 7

6. Discussion

In this chapter, I discussed on the 8 years Financial Statements of Transcorp Hotel PLC. My key focus here are the Gross Profit and Operating Profit Margins. Both the Gross Profit Margin and the Net Profit Margin of Transcorp Hotel PLC had been declining since 2014. It is not a good signal for the business as it indicates the inability to provide services at a price significantly higher than its costs. Also from my analysis, I could even notice that the Profit Margins became terrible during the Start of Covid-19. So many factors might have caused this as hospitality industry weren't getting enough clients to support their business. Transcorp Hotel PLC declared a Net Loss in 2020 FY. The Cash Ratio aspect was not looking good either. The highest Cash Ratio was achieved in 2015. This must have been as a result of high level of profitable investments and increased reserves. However, in 2020, the hotel experienced the lowest Cash Ratio for the last 8 years.

There has been a perpetual decrease in the Revenue Growth from 2014 to 2020-year end. The Revenue Growth metric makes us to understand the business health sales of Transcorp Hotel over a period of time. It makes us to know how successful the hotel is selling its services to the public. So, I can say this section was very disappointing but still not completely bad as compared to its competitor. From the results, I could see that the lowest revenue happened in 2020-year end and the highest occurred in 2019-year end. Well, this is to tell us the significant impact Covid-19 pandemic is having on hospitality industry at large. There was a sharp decline of sales for Transcorp Hotel PLC as a result of world governments travel restrictions.

Let us talk about the Return of Asset. There was a decline in the Return of Assets from the previous high of 9% (2014 – 2015) to a complete low of -8% (2020). This is a very big sign of trouble as it indicates that the hotel's Assets are failing to produce revenue growth. However, there was a slight increase on the ROA from period 2017 to 2018. Furthermore, I observed that the Average Total Assets continuous to increase for the examined periods (2013 to 2020). On the other hand, the EBIT continues to decline for the same years. It can only mean that the Hotel is investing heavily on Assets procurements.

According to the CEO's statements in 2020 Transcorp Hotel Annual Report, launching of new business lines and initiatives such as Drive-in Events, Food, Delivery, and Pick-up Laundry Services are some of the ongoing goals of the hotel. The CEO added that the hotel intends to use technology to increase its footprint on the African continent. Although it was also stated that the development of this technology platform will be a continuous process and should be fully lunched in 2021 year end.

In my opinion, all these capital expenses might have led to a continuous decline in the EBIT since 2013 to 2020. There are no enough Revenues to absorb the capital expenditures, however, in the long run, it will payoff. As the table analysis has showed in Chapter 5 of this thesis, I can conclude that the hotel does not maximum use its assets for getting more profits, or they over-invested in Assets that didn't generate profits.

Another key financial ratio I considered for this research work was the ROE. An increased Return on Equity is always better, while a falling ROE may indicate a less efficient usage of equity capital, just as we have it in Transcorp Hotel PLC. The highest percentage of ROE happened in 2013 Financial Year End, while the lowest ROE happened in 2020.

Overall, the shareholders equity continued to increase in all the examined years. This could be as a result of the hotel's reinvestment strategy (ploughing back the profits into the business). Another reason why the shareholders equity might have increased is the Issue of Shares. According to the 2020 Annual Report, the hotel had issued a total of 2,642,124,511 number of shares to its existing shareholders at a discounted value (Right Issue). However, after due considerations, there are still some concerns from prospective investors to undertake the risk on investing. Although there was a bit of stabled ROE from the period 2014 to 2018 (before the Covid-19 Pandemic).

I then moved further to the Liquidity Ratios. The main aspect I considered were the Current and Cash Ratios. A good Current Ratios start with 1.5 and above. As we can see in the case of Transcorp Hotel, they were able to achieve the acceptable Current Ratios in 2014 and 2015 financial years only. The cash ratio was disappointing as well.

6.1. Comparison with a Major Competitor – Ikeja Hotel Plc.

Ikeja Hotel Plc was first named as Properties Development Limited (PDL) on November 18, 1972. The main goal was to provide top-notch catering and hotel services to meet the needs of a continuous growing number of local and international clients entering the city of Lagos. Today, Ikeja Hotel Plc has a direct or indirect ownership of three of Nigeria's leading five-star hotels, such as, the Federal Palace Hotels & Casino, Sheraton Abuja Hotel, and Sheraton Lagos Hotel.

6.1.1. Scope of Comparison and Data Collection.

The comparison will cover the last two (2) Financial year end. I shall look into the General Information, Total assets, Revenue, Profitability, and Liquidity. Annual reports for 2019 and 2020 were collected for such comparison. The reports were gotten from the official website of Ikeja Hotel Plc. The researcher's aim is to access the direct impact of COVID-19 on these two establishments.

The Total Assets based on Transcorp Hotel Plc is larger than its competitor: Ikeja Hotel. The Total Assets differences were estimated to be 86,560,587 NAIRA in 2019 and 84,839,330 NAIRA in 2020. In terms of revenues, the two hotels reported a lower sale in 2020 as compared to 2019. That being said, Transcorp Hotel still outperformed their competitor in this category. Both hotels declared a net loss for the 2020 Financial Year. The research strongly believes the ongoing COVID-19 pandemic is responsible for these losses across the industry. The loss incurred in 2020 was very huge in Transcorp Hotel Plc as against their competitors, such as Ikeja Hotel. In 2019, there was a slight profit made and Transcorp Hotel narrowly outperformed its competitor with a difference of 454,458 NAIRA.

In terms of liquidity ratios for the examined years, I can say Transcorp Hotel couldn't outperformed its competitor. For instance, in 2019-year end, Ikeja Hotel Plc has a Cash Ratio of 0,47, which is quite higher than what was calculated for Transcorp. The same goes with the 2020-year end. According to this fact, I can conclude that there more liquid assets in Ikeja Hotel Plc compared to Transcorp Hotel.

7. Conclusion

I performed the financial analysis on Transcorp Hotel PLC using the methods defined in **Chapter 3 of the thesis: Research Methodology**, with the aim of finding answers to the thesis objectives defined in **Chapter 1.3: Objectives of the study**. The financial statements of Transcorp Hotel PLC for the last 8 years, 1st of January 2013 to 31st of December 2020, were used in the analyses. My general opinion on the company is quite negative. The hotel has poorly performed in prior years, and majorly affected in 2020 Year end by the Covid-19 Pandemic. This is also supported by the results of my analysis. The analysis focused on below areas of the hotel establishment:

- Revenue and revenue growth
- Profitability
- Liquidity

7.1. Problems and Recommendations.

This financial analysis was strictly based on Transcorp Hotel PL and decisions were made according to the researcher's independent opinion. The researcher was able to compare the hotel with one major competitor only (Ikeja Hotel) because of limited resources such as time, finances, travel restrictions, and others.

During the course of this project, several problems were further identified. The problems were identified by comparing the results against its past results. These identified problems include but not limited to the following:

- ROE is decreasing (2013 - 2020)
- ROA is decreasing (2013 - 2020)
- Operating Profit Margin is decreasing (2013 – 2020)
- Current ratio is decreasing (2013 - 2020)
- Cash ratio is decreasing (2013 - 2020)

By looking into each of the above listed problems, I made the following recommendations: (1) Increase revenue; (2) Keep cost of sales at lower level; (3) Increase net income; and (4) Increase cash and cash equivalents level. But considering the current situation of the pandemic, the above recommendations might be somehow challenging to achieve. This is because one major factor that influence sales are the customers. And when tourists aren't coming into the country, it could become very difficult for the hospitality industry to operate in full scale and then profitably.

7.2. Final Remarks.

As mentioned above, the financial analysis of Transcorp Hotel PLC focused on several areas of the business. The major source of information was gotten from the official website of the hotel. So, I hope the thesis will help to get a whole picture of how Transcorp Hotel PLC performed in the last 8 financial years. Overall, I am not impressed with the financial position of Transcorp Hotel. Even before the Covid-19 Pandemic, the hotel was already struggling in terms of financial performance. Well, since this research was only compared to just one competitor in the same line of business, one can't still tell if Transcorp Hotel was under performing or not. The COVID-19 Pandemic is a hit on the hospitality industry at large and not just about Transcorp Hotel.

I want to believe that there is still a good future for Transcorp Hotel to be financially stable. With proper management and strategic goals, the hotel can surely bounce back irrespective of the ongoing pandemic.

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11. Appendix

Balance Sheet and Income Statement Extracts

The below table shows the Eight years financial position of Transcorp Hotel PLC

Transcorp Hotel PLC Balance Sheet

Assets	2013	2014	2015	2016	2017	2018	2019	2020
Cash and Cash Equivalent	8,589,802	2,624,925	13,998,377	1,757,974	3,467,847	2,736,069	2,374,956	1,776,138
Inventories	904,579	779,100	658,216	683,615	666,150	526,851	479,289	544,817
Trade and Other Receivables	8,849,596	12,669,926	11,510,857	9,265,317	4,066,555	2,051,882	2,297,589	1,690,333
Prepayments	-	-	-	-	211,680	407,445	732,845	984,260
Total Current Assets	18,343,977	16,073,951	26,167,450	11,706,906	8,412,232	5,722,247	5,884,679	4,995,548
Total Non Current Assets	48,046,797	53,398,491	62,721,991	76,582,444	89,490,274	103,063,443	106,361,373	105,560,501
Total Assets	66,390,774	69,472,442	88,889,441	88,289,350	97,902,506	108,785,690	112,246,052	110,556,049
Liabilities and Capital	2013	2014	2015	2016	2017	2018	2019	2020
Trade and Other Payables	11,642,333	7,086,385	6,643,246	5,764,926	3,665,688	7,804,949	10,209,030	19,450,017
Borrowings	-	-	3,238,531	6,116,876	6,953,103	9,885,906	10,870,296	7,820,496
Contract Liabilities	-	-	-	-	188,489	187,469	185,152	170,990
Deferred Income	-	-	-	-	-	-	208,442	252,796
Current Tax Payable	3,720,626	3,081,435	2,912,972	1,424,231	1,009,199	1,748,793	706,532	302,210
Dividend Payable	-	-	-	-	-	-	87,944	-
Total Current Liabilities	15,362,959	10,167,820	12,794,749	13,306,033	11,816,479	19,627,117	22,267,396	27,996,509
Total Non Current Liabilities	7,286,101	7,215,154	23,535,453	21,730,646	31,140,359	31,521,045	32,239,473	21,116,306
Capital / Owner's Equity	43,741,714	52,089,468	52,559,239	53,252,671	54,945,668	57,637,528	57,739,183	61,443,234
Total Liabilities and Capital/Owner's Equity	66,390,774	69,472,442	88,889,441	88,289,350	97,902,506	108,785,690	112,246,052	110,556,049

Balance Sheet Horizontal Analysis

The horizontal analysis tells us about the percentage growth of each line items over 8 years period. We could see that there had been a major Cash and Cash Equivalent decline since 2014-year end.

Assets	2014/2013	2015/2014	2016/2015	2017/2016	2018/2017	2019/2018	2020/2019
Cash and Cash Equivalent	69%	433%	87%	97%	21%	13%	25%
Inventories	14%	16%	4%	3%	21%	9%	14%
Trade and Other Receivables	43%	9%	20%	56%	50%	12%	26%

Prepayments	0%	0%	0%	0%	0%	0%	34%
<i>Total Current Assets</i>	12%	63%	55%	30%	35%	11%	15%
Total Non Current Assets	11%	17%	22%	17%	15%	3%	1%
Total Assets	5%	28%	1%	11%	11%	4%	2%
Liabilities and Capital							
	2014/2013	2015/2014	2016/2015	2017/2016	2018/2017	2019/2018	2020/2019
Trade and Other Payables	39%	6%	13%	36%	113%	31%	91%
Borrowings	0%	0%	89%	14%	42%	10%	28%
Contract Liabilities	0%	0%	0%	0%	1%	1%	8%
Deferred Income	0%	0%	0%	0%	0%	0%	21%
Current Tax Payable	17%	5%	51%	29%	73%	60%	57%
Dividend Payable	0%	0%	0%	0%	0%	0%	100%
<i>Total Current Liabilities</i>	34%	26%	4%	11%	66%	13%	26%
<i>Total Non Current Liabilities</i>	1%	226%	8%	43%	1%	2%	35%
Capital / Owner's Equity	19%	1%	1%	3%	5%	0%	6%
Total Liabilities and Capital/Owner's Equity	5%	5%	2%	0%	16%	4%	12%

Source: Own Calculation

INCOME STATEMENT ANALYSIS

Transcorp Hotel PLC Income Statements

	2013	2014	2015	2016	2017	2018	2019	2020
Revenue	14,768,454	14,486,575	13,383,004	14,559,553	12,962,580	16,475,720	19,499,897	9,647,364
Cost of Sales	3,122,418	3,285,861	3,132,002	3,625,369	3,438,087	4,233,787	4,781,618	3,275,900
	11,646,036	11,200,714	10,251,002	10,934,184	9,524,493	12,241,933	14,718,279	6,371,464
<i>Other Operating Income</i>	46,613	137,162	108,327	560,571	1,170,315	769,609	497,433	160,534
<i>Finance Income</i>	402,878	277,729	590,316	565,496	217,131	11,359	104,367	5,949
<i>Movement in credit loss allowances</i>	-	-	-	-	-	-	(52,640)	55,732
Gross Profit	12,095,527	11,615,605	10,949,645	12,060,251	10,911,939	13,022,901	15,267,439	6,593,679
Less All Expenses	5,931,689	6,969,634	5,473,493	6,858,464	7,303,294	7,835,534	14,133,513	15,337,162
EBIT	6,163,838	4,645,971	5,476,152	5,201,787	3,608,645	5,187,367	1,133,926	(8,743,483)

Source: Own Calculations

Income Statement Vertical Analysis

The vertical analysis is very crucial for trend analysis, and it assists to identify relative changes in accounts over time.

	2013	2014	2015	2016	2017	2018	2019	2020
Revenue	100%	100%	100%	100%	100%	100%	100%	100%
Cost of Sales	21.1%	22.7%	23.4%	24.9%	26.5%	25.7%	24.5%	34.0%
Gross Profit Margin	81.9%	80.2%	81.8%	82.8%	84.2%	79.0%	78.3%	68.3%
Less All Expenses	40.2%	48.1%	40.9%	47.1%	56.3%	47.6%	72.5%	159.0%
Operating Profit Margin	41.7%	32.1%	40.9%	35.7%	27.8%	31.5%	5.8%	-90.6%

Source: Own Calculations

