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Bachelor Thesis

Financial analysis of a selected company

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Thesis title

Financial analysis of a company Linet spol. s.r.o.

Objectives of thesis

This bachelor thesis intends to find out the quantitative effect of financial decisions of selected company for given period of time and to estimate company´s future prospects. Following questions are set as guidelines to fulfil this aim:
Is the company financially healthy?
What actions should be taken into consideration to achieve higher performance?

Methodology

In process of achieving objectives of this bachelor thesis are implemented methods of financial analysis. These methods consist of horizontal and vertical analysis, ratio indicators, profitability and in the end is assessed comparative analysis which reports company´s performance in comparison with other companies on the market.

The proposed extent of the thesis

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Keywords

Financial analysis, financial health, profitability, horizontal analysis, vertical analysis, comparative analysis, ratio indicators

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Declaration

I declare that I have worked on my bachelor thesis titled "Analysis of a selected company" 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 copyrights of any other person.

In Prague on 23.3. 2020 ______________________________

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Analysis of a selected company

Abstract

Based on public financial data, an examination of the financial situation of Linet spol. s.r.o. was conducted. Consequently, I came to the following findings:

The calculation of the horizontal analysis revealed an increasing trend of Total assets, especially Fixed assets which prove the growth of the company and its plants as with an increase of 99% and a nominal value of 1.5bil. CZK in five years. Horizontal analysis of the Profit and loss account showed overall increasing Total revenue. The company reports record sales apart from the year 2016/2017 when Total revenue decreased by about 10% (332mil. CZK). However, the fiscal years 2015/2016 was the year with the historically highest Total revenue. This year was also proportionally the least profitable as Operating profit was only 219mil. CZK (a decrease of 53%).

Vertical analysis reported changes from the fiscal year 2015/2016 when a dramatic change in the capital structure of the company happened. This change influenced the amount of Equity that decreased to 13% (from previously 49%) of its share on Total liabilities. It influenced also Other sources that increased to value 3.4bil. CZK which accounted for 88% of Total liabilities.

Analysis of ratio indicators reveals a weakness of the company in values of liquidity ratios since the fiscal year 2015/2016. The Cash ratio reported low values in almost all years as the referential value was reached only once in 2014/2015. Profitability ratios show interesting results during the first two years even in comparison with the industry when all indicators exceeded the values of the baseline.

Spider graphs display, low liquidity, high results of Return on Equity and an alarming result of Fixed Assets to Equity and Debt to Equity of Linet spol. s.r.o. since the year 2015/2016. Despite these results, Linet spol. s.r.o. can be seen as a finacially healthy company in comparison to other companies in the manufacturing sector. These analyses reflect the change of capital structure. This changed the style of the company´s financing as it became more aggressive which is based on the increase in Short-term payables.

Keywords: Financial analysis, horizontal analysis, vertical analysis, ratio indicators, profitability, liquidity, Linet spol. s.r.o., rentability, Spider analysis

Analýza vybrané společnosti

Abstrakt

Na základě veřejně dostupných finančních dat byla provedena analýza finanční situace společnosti Linet spol. s.r.o. Na základě čehož jsem došla k následujícím poznatkům:

Výsledky horizontální analýzy znázorňují trend aktiv, především dlouhodobých aktiv, která dokazují růst společnosti a jejích výrobních závodů a to o 99%, a nárůstem o 1,5 mld. CZK za pět let. Horizontální analýza výkazu zisku a ztrát poukazuje na to, že společnost každoročně vykazuje rekordní tržby, kromě fiskálního roku 2016/2017, kdy celkové tržby meziročně poklesly o 10% (332 mil. CZK). Celkový růst tržeb společnosti Linet spol. s.r.o. se nemusí zákonitě promítnout do provozního výsledku hospodaření, jako tomu bylo v roce 2015/2016, kdy společnost dosáhla historicky nejvyšších tržeb, v kontrastu s nejnižším provozním výsledkem hospodaření za analyzované období v hodnotě 219 mil. CZK (meziroční pokles 53%).

Vertikální analýza znázornila efekt rozhodnutí valné hromady, která se týkala dramatické změny kapitálové struktury společnosti v roce 2015/2016. Tato změna způsobila snížení vlastního kapitálu na 13% (z původních 49%) z celkových pasiv. Snížení vlastního kapitálu zapříčinilo nárůst cizích zdrojů, které tvořili 88% pasiv s hodnotou 3,4 mld. CZK.

Analýza poměrových ukazatelů poukázala na nízké hodnoty likvidity a to především počínaje rokem 2015/2016. Okamžitá likvidita má nízké hodnoty téměř po celou dobu analyzovaného období, kdy referenční hodnota byla dosažena pouze v roce 2014/2015. Ukazatelé aktivity vykazují během prvních dvou let neobvykle dobré výsledky a to i v porovnání s průměrem průmyslového odvětví.

Spider analýza zobrazuje nízkou likviditu, vysokou hodnotu ROE a vysoké hodnoty stálých aktiv a ukazatele zadluženosti analyzované společnosti. Navzdory těmto ukazatelům, které nevykazují uspokojivé hodnoty – Linet spol. s.r.o. má dobré finanční zdraví v porovnání se společnostmi ve zpracovatelském průmyslu. Během analýz je patrná změna kapitálové struktury, která se vyznačuje agresivním postojem k financování, což je založeno na navýšení krátkodobých závazků.

Klíčová slova: finanční analýza, horizontální analýza, vertikální analýza, poměrové ukazatele, profitabilita, likvidita, rentabilita Linet spol. s.r.o., spider analýza

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List of abbreviations

Avg.	Average
a.s.	corp
bil.	Billion
CZK	Czech crown
EAT	Earnings after Tax
EBIT	Earnings before Interest and Tax
EBT	Earnings before Taxes
EUR	Euro
Fin.	Financial
Fix.	Fixed
Liab.	Liabilities
mil.	Million
mld.	Billion (in Czech language)
n.d.	No date
prev.	Previous
spol. s.r.o.	Limited liability company
rec.	Receivable
ROA	Return on Assets
ROCE	Return on Capital Employed
ROE	Return on Equity
ROS	Return on Sales
thus.	Thousand
USD	United States Dollar

1 Introduction

The inseparable part of the coordination of competitive and prosperous business is applying management principles to financial resources of a company or in other words financial management. The primary tool for an assessment of the economic situation of a company is financial analysis, which is essential for every company that intends to be successful in today´s competitive environment.

The thesis aims to assess financial analysis based on the evaluation of financial data of a selected company which is Linet spol. s.r.o. the financial situation of the company is analyzed for a period of five fiscal years (2013–2018) based on an economic calculus. The theme of the work was selected regarding the study program.

The selected company for this bachelor thesis is Linet spol. s.r.o., a major European producer of hospital and nursing beds. The results are conducted based on the evaluation of annual reports and financial reports of the Czech Ministery for Industry and Trade.

The whole thesis consists of two parts. The first part is theoretical, it includes a description of financial analysis with a focus on methodology and information needed for the determination of the financial situation of a company. This chapter also describes who uses economic analysis and its importance for internal and external users. The second part “Results” is a practical part and consists of the introduction of Linet spol. s.r.o. and application of methods of financial analysis that are demonstrated by calculations and interpretation of the results.

2 Objectives

This thesis intends to find out the quantitative effect of the financial decisions of the selected company for a given period of time and tends to estimate the company´s future prospects. The following questions are set as guidelines to fulfill this aim.

Is the company financially healthy?
What actions should be taken into consideration to achieve higher performance?

3 Literature review

3.1 Financial analysis

Financial analysis is a tool that objectively evaluates a company´s financial performance while taking into account the industry and an economic environment. The analysis has a whole range of descriptions but all economists agree that it is an examination consisting of a set of activities and it is used for various decision making in corporate finance. The most appealing is the following explanation: “Financial analysis is a process of examining a company´s performance in the context of its industry and economic environment in order to arrive at a decision or recommendation. Often, the decisions and recommendations addressed by financial analysts” (Brealey & Myers, 2000).

It is an activity of a company which is a very important part of the management decision making of a company and reflects every financial decision shown in financial reports. Financial reporting plays an important role because it provides information about the company´s performance, economic position, and change in financial performance which is useful to a wide range of users in the process of decision making.

Therefore, by applying accurate measurements on financial data is increased informative capability. It might display not only economical trends but helps to set policies, identify new business opportunities and it also is a source of information based on which past decisions can be evaluated. According to Principles of Corporate finance “knowing where you stand today is a necessary prelude to contemplating where you might be in the future“ (Brealey & Myers, 2000) so it can be stated that financial analysis has two main purposes, the first is an evaluation of the current situation of a company and the second to be able to do future financial decisions in consideration of past decisions.

3.2 Users of financial analysis

Data from the financial analysis is used by management but also by a whole range of other subjects who come into contact with the enterprise. The ratios and relationships used as measures are easy to derive, but their effective use depends on an analyst in interpreting trends and recognizing exceptions and changes due to management actions or accounting policies (Helfert, 2001). Users of economic analysis are divided into two groups, internal and external users.

Internal users are shareholders, managers and other employees of the company. This group of users uses financial analysis in four possible ways for planning operations, strategy development and financial planning, performance assessment and valuation known as investor communication (Helfert, 2001). Internal users are interested in the prosperity of a firm and its functioning because the financial situation influences their economic conditions and stability as well as provided benefits.

External users refer to any other parties having a financial interest or a potential financial interest in the enterprise which includes institutions interested in only the financial information of the enterprise. Normally, this group of users is not directly involved in the day-to-day management of the enterprise (Koen & Oberholster, 1999). Published information for external users is usually limited, therefore it never goes as in-depth as the internal analysis does. Among external users are banks, business partners, investors, government institutions and competitors.

3.3 Sources of financial analysis

In the process of conducting financial analysis are implied only good quality and reliable sources with complex data related to the business, which can be transformed by an analyst on useful economic information. A fundamental source of economic analysis is a financial statement.

Financial statement

A financial statement is the main source of economic information about the results of operations, financial position, and cash flow. A financial statement is the result of an accounting recordkeeping process that records the economic activities of a company, following the applicable accounting standards and principles (Robinson et al., 2012). It can be compiled in full or shortened extent. To the full extent, it is prepared by enterprises required to verify the financial statement by an auditor[1]. Subjects that are not required by law to do an audit, may publish a simplified financial statement. The financial statement is used in combination with other information (Robinson et al., 2012).
In the Czech Republic three types of financial statements are used:

[1] In the Czech Republic, the current Act on Auditors requires all banks, mutual funds, foundations, and certain other non-profit organizations to audit their financial statement. Joint-stock companies have to be audited if in both the current and the previous accounting period meet at least one of the following criteria: turnover exceeds 80mil CZK, total assets exceed 40mil. CZK and the average number of employees exceeds 50. Other accounting units that meet at least two of the above criteria. (Ministerstvo zahraničních věcí České republiky, 2020).

- Annual financial statement
- Extraordinary financial statement
- Interim financial statement

An annual financial statement is required by law in the Czech Republic, it is prepared by accountants based on a 12-month consecutive period of time. The most common set of financials are based on the calendar year, but they can also be based on a company´s fiscal year (My Accounting course, 2019). The financial statement informs external users about the current economic situation of the company. On the other hand, an extraordinary financial statement is prepared for exceptional situations such as the liquidation or privatization of the enterprise. The third type of financial statement is interim and it covers a period shorter than one year and unlike the annual financial statement, interim statements do not have to be audited.

Financial statements generally encompass the following:

- Balance sheet
- Profit and Loss account
- Cash flow statement

A **balance sheet** captures the financial condition of a business at a specific point in time and it consists of Assets, Liabilities and Equity. Depending on the outcomes from the Profit and Loss account, Equity increases or decreases on the balance sheet.

The **Profit and Loss account** provides information about the business over a specific period time, it gives an overview of the financial performance. It includes revenue, gross profit, Operating profit, and Accounting profit or loss for the owner of an enterprise. Profit or loss in the income statement is then shown on the balance sheet which is another major source needed for economic analysis.

A **cash flow statement** displays sources and the usage of finance within a company. It clarifies if the source of finances is corporate earnings or external sources. The purpose is to report, in a standard format, how it has generated and absorbed cash over the reporting period (usually 12 months). The statement includes details about operations, financing, and investments, and it is intended to provide information for assessing the company´s liquidity and viability. It adds more information to the balance sheet and income statement (Coyle, 2000).

3.4 Objectives of financial analysis

The objective of the financial analysis is to provide complex economic information. Continuous knowledge of the financial situation of the company enables managers and owners of the company to make the right financial decisions including a determination on optimal capital structure, allocation of free cash flow, distribution of profit (Knapková & Pavelková, 2010), recognition of strengths and weaknesses, etc.

The main goal of financial analysis is to evaluate financial management and the role of financial management is to achieve financial stability. A stability assessment is done based on two main criteria:

- The ability to create profit, increase of assets and capital appreciation – this criterion is considered as the most important because it captures the purpose of a business as it is. Persons entering a business do so with the purpose to extend one´s wealth.

- Ensuring the solvency of the enterprise – It is a secondary goal but it is important to take into account that without solvency it is usually impossible for a company to continue operations and it foreshadows the end of the business activity (Růčková, 2019).

Other reasons for conducting financial analysis of an enterprise are:

- Evaluation of property and capital structure
- Diagnosis of the financial situation by using ratio indicators and pyramidal decomposition
- Evaluation of the influence of the internal and external environment
- Identification of strengths and weaknesses
- Detection of possible failures and insufficient value of indicators
- Analysis of past financial development
- Provision of data about reserves in operating and investment activities (FinAnalysis, 2019)

4 Methodology

In this chapter, selected methods of financial analysis are presented and in the practical section of this thesis are applied in the process of conducting financial analysis for Linet spol. s.r.o.

Among basic methodical tools of economic analysis are groups of absolute and ratio indicators. Absolute indicators are divided into the horizontal and vertical analysis, and ratio indicators are represented by a whole range of indicators that evaluate the economic performance and health of the company. Lastly, the calculated financial results of Linet spol. s.r.o. are review and compared with the industrial average in the process of Spider analysis.

4.1 Analysis of absolute indicators

Analysis of absolute indicators is based on information obtained from financial statements. The goal of the analysis is to display the development of a trend (horizontal analysis) or examine the percentage analysis of components (vertical analysis) (Knapková & Pavelková, 2010).

Absolute indicators are exceptionally sensitive to a company´s size and events, and for this reason, it is complicated or almost impossible to compare the results of the analysis of absolute indicators among companies. However, the result can be analyzed year-on-year (Businessinfo.cz, 2019).

4.1.1 Horizontal analysis

In horizontal analysis, sometimes referred to as trend analysis, a company shows the change (trend) in its operating results and financial position over time in percentage. This method is usually used with the income statement and sometimes with the balance sheet. It is used less frequently in the analysis of the statement of cash flows because many items do not occur consistently on this statement (Nikolai et al., 2010).

The results of horizontal analysis in absolute values are more objective. Compared to percentage results that are more clear and more often used for comparison of business environments because using percentage helps to eliminate the difference in the size of a company. The formula for horizontal analysis of the change since the base period is expressed:

$$\text{Absolute change} = \text{Indicator}_t - \text{indicator}_{t-1} \tag{1}$$

$$\% \text{ change} = \frac{\text{Absolute change} \times 100}{\text{Indicator}_{t-1}} \tag{2}$$

$_t$ = Analyzed indicator in time t

$_{t\text{-}1}$ = Previous year of analyzed indicator in time t

(Knapková & Pavelková, 2010)

Horizontal analysis can be done in a year-on-year comparison with chain index or as a comparison with the base year by using a method of the base index (Růčková, 2019).

4.1.2 Vertical analysis

Vertical analysis is, as the name suggests, prepared in vertical form, and when one observes the outcome of the analysis, the observation moves from upward to downward. Therefore, at the time of presenting the components as a percentage of the total which is shown either at the top or at the bottom.

$$\text{Vertical analysis of income statement} = \frac{\text{income statement item}}{\text{Total sales}} \times 100 \tag{3}$$

$$\text{Vertical analysis of balance sheet} = \frac{\text{balance sheet item}}{\text{Total assets (Total liabilities)}} \times 100 \tag{4}$$

(Sinha, 2012)

When compiling vertical analysis, relative sizes of components of different accounts on a financial statement are analyzed, i.e. their structure. Vertical analysis is based on the comparison in percentage against a chosen base, further specified as 100%. The result explains what is the proportion of each component on the Profit and Loss account (the base is Total revenue) or on the balance sheet (the base are Total assets or Total liabilities). The aim is to demonstrate the proportional share of each item.

4.2 Analysis of ratio indicators

Analysis of ration indicators is a fundamental tool, frequently used in financial analysis. Parsing of financial statements with ration indicators is one of the most used methods, mainly because it allows external analysts to get a quick idea about critical aspects of the company´s financial health. The essence of ration indicators is that it puts various parts of the balance sheet, income and cash flow statement into proportion (Knapková & Pavelková, 2010).

Based on the financial aspects analyzed, ration indicators are divided into four major groups, as follows: profitability, liquidity, activity and solvency.

4.2.1 Profitability ratios

This group of ratios measures the ability of the company to generate profits from its operations. It measures the overall effect achieved by business activity connected to certain inputs such as assets, Shareholders equity or sales (Kislingerová, 2001). For conduction of analysis of profitability ratios is needed Profit and Loss account, and balance sheet.

4.2.1.1 Return on Equity (ROE)

ROE is an indicator of capital profitability, which is important for potential investors since investors need information on whether the investment will pay off or not.

$$\mathrm{ROE} = \frac{\mathrm{EAT}}{\mathrm{Shareholders\ Equity}} \tag{5}$$

(Knapková & Pavelková, 2010)

The interpretation of the result of Return on Equity depends on what is the norm for the company, the industry or company peers.

4.2.1.2 Return on Assets (ROA)

Return on assets is a key indicator of the group of indicators and it measures operating efficiency (regardless of the source of capital by which business activity was financed). This ratio provides evidence on how well company´s managers are using the assets they control to generate income.

$$\mathrm{ROA} = \frac{\text{Operating income (EBIT)}}{\text{Average total assets}} \qquad 6$$

(Friedlob & Plewa, 1996)

In the process of evaluating results of Return on Assets we have to, as with Return on equity, compare it with past figures or against similar company´s ROA in the same industry.

4.2.1.3 Return on Capital Employed (ROCE)

This ration determines long-term analysis on Return of Equity because unlike ROE, ROCE takes into account long-term sources of funding. That is why Return on capital employed is used more frequently than Return on Equity in financial analysis.

ROCE determines a company´s profitability and the efficiency the capital is applied. A higher ROCE implied more economical use of capital. Therefore, ROCE should be higher than the capital cost. If not, the company is less productive and inadequately building shareholders value.

$$\mathrm{ROCE} = \frac{\text{EBIT}}{\text{Total Assets} - (\text{Short} - \text{term payables})} \qquad 7$$

(The Strategic CFO™, 2018)

4.2.1.4 Return on Sales (ROS)

The indicator evaluates the operational efficiency of the company. The ratio measures how much net profit is being made from 1 CZK of sales. To interpret the indicator (margin of profit) correctly, it is necessary to know the development of the long-term trend in the company and the average value in the industry. (Financial analysis, 2019). Generally, if the profit margin is lower than the industry average, then the price of the good is most likely low and expenses are too high.

$$\mathrm{ROS} = \frac{\text{Operating Profit}}{\text{Net Sales}} \qquad (8)$$

(Růčková, 2019)

4.2.2 Liquidity ratios

The liquidity ratios measure the ability of a firm to meet its short-term obligations and reflect the short-term financial strength/solvency of a firm (Khan & Jain, 2008). Liquidity is a prerequisite for the company to remain in business and for its financial stability.

4.2.2.1 Current ratio

The Current ratio displays the amount of Current assets (liquidity) available for paying one unit of Short-term payables. The higher the value of the indicators is the more likely the company is to maintain its solvency and in this case, the value of the Current ratio is in a range between 1.5 and 2.5 (Růčková, 2019).

$$\text{Current ratio} = \frac{\text{Current assets}}{\text{Short} - \text{term payables}} \qquad (9)$$

(Kislingerová, 2001)

4.2.2.2 Quick ratio

The Quick ratio is similar to Current ration, only with the difference that Inventory is substracted because they are often hard to change to cash. The optimal value is recommended to be between 0.7 and 1.11.

$$\text{Quick ratio} = \frac{\text{Current assets} - \text{Inventory}}{\text{Short} - \text{term payables}} \qquad (10)$$

(Kislingerová, 2001)

4.2.2.3 Cash ratio

The Cash ratio measures company´s ability to meet its Short-term payables. It calculates the proportion of Short-term payables that could be covered by Cash and bank accounts. The adequate value of this ratio is between 0.2 – 0.5 and the importance is seen only for the short-term perspective.

$$\text{Cash ratio} = \frac{\text{Cash} + \text{bank accounts}}{\text{Short} - \text{term payables}} \qquad 11$$

(Sedláček, 2001)

4.2.3 Activity ratios

Activity ratios are analyzed as indicators of ongoing operational performance – how effectively assets are used by a company (Robinson et al., 2012). It reflects the quality of the management because it reveals whether the management is using company resources effectively.

4.2.3.1 Assets turnover ratio

Assets turnover ratio reveals information on how efficiently the company uses its assets or in other words it measures how many times the assets are turned around per year. In general, the higher the ratio, the more successful the company is in using its assets.

$$\text{Assets turnover ratio} = \frac{\text{Sales Revenue}}{\text{Total Assets}} \qquad 12$$

(Růčková, 2019)

4.2.3.2 Inventory turnover ratio

The ratio aims to find out how many times is inventory turned around in the form of Current assets and reused again for purchases of new inventories. If the outcome of the Inventory ratio is higher than the industrial average, it indicates that the company does not have unnecessary illiquid stock. In practice the higher the ratio is the more efficient the company is considered to be, however, it is important to view it as a trend.

$$\text{Inventory turnover} = \frac{\text{Inventory}}{\text{Revenue}} * 360 \qquad 13$$

(Knapková & Pavelková, 2010)

4.2.3.3 Receivable turnover ratio

The reason for the calculation Receivable turnover ratio is to find out how many days per year it takes to collect companies´ receivables. In other words, it measures not only the average amount of days between the sale of a good and collection of money from customers but also the effectiveness of the management. As this ratio is better to analyze as a trend, there is no reference value, however, it is preferred to have the lowest possible outcome.

$$\text{Receivable turnover ratio} = \frac{\text{Accounts receivable}}{\text{Revenue}} * 360 \qquad (14)$$

(Kislingerová & Hnilica, 2008)

4.2.3.4 Accounts payable turnover

This ratio calculates the average amount of days with which a company pays off its debt to suppliers. The ratio is compared with the Receivable turnover ratio and it is suggested to have the same or higher Accounts payable turnover than the outcome of Receivable turnover.

$$\text{Accounts payable tunrover} = \frac{\text{Trade payables}}{\text{Production consumption}} * 360 \qquad (15)$$

(Knapková & Pavelková, 2010)

4.2.3.5 Fixed assets turnover

Fixed assets turnover measures the effectiveness of use a particular part of Fixed assets. It informs the user of the analysis of how many times are Fixed assets turned into Net sales per year.

$$\text{Fixed assets turnover} = \frac{\text{Net Sales}}{\text{Fixed Assets}} \qquad (16)$$

(Vochozka, 2011)

4.2.4 Leverage ratios

The leverage ratio aims to find out the proportion of operations financed by debts or Shareholders Equity, which is called capital structure. Finding optimal capital structure is essential for the healthy development of a business, and is a source of valuable information for potential investors, shareholders and loan providers. Indebtedness does not always have to be a negative indicator since it contributes to higher rentability but at the same time, it decreases the stability of a company (Růčková, 2019).

4.2.4.1 Debt ratio

Generally, it is preferred to have a lower outcome because it demonstrates stronger capital structure and lower risk for creditors of the company. The ideal value is less than 0.5, which can be interpreted as no more than half of the company´s assets is financed by debt because too much debt might compromise the entire operation. Although the recommended value is no more than 0.5, safe value is considered to be 0.4.

$$\text{Debt ratio} = \frac{\text{Total liabilities}}{\text{Total assets}} \qquad (17)$$

(Kislingerová & Hnilica, 2008)

4.2.4.2 Equity ratio

This ratio displays the proportion of assets financed by shareholders. The Equity ratio is considered to be one of the most important leverage ratios because it evaluates financial stability and independence.

$$\text{Equity ratio} = \frac{\text{Equity}}{\text{Total Assets}} \qquad (18)$$

(Mendelova univerzita v Brně, n.d.)

4.2.4.3 Debt to Equity ratio

Debt to Equity ratio evaluates to what degree the Equity would be able to cover Total liabilities in case of a downturn of the company. In other words, it calculates the riskiness of company´s economic structure.

$$\text{Debt to Equity} = \frac{\text{Total liabilities}}{\text{Shareholders Equity}} \quad (19)$$

(Albrecht et al., 2008)

4.3 Spider graph analysis

Spider graph is a useful tool of financial analysis, especially during a process of intercompany or business environment comparison because it allows the user to compare more indicators in one analysis and display it synoptically.

This graphical analysis enables its user to quickly and clearly evaluate the position of the analyzed company in a comparison with a competitor or industry average or median.

In practice is used 16 ratio indicators (the number can be raised or decreased) that are expressed in percentage against compared values of competitor or industry, further displayed in a graph as a base of 100%. Ratio indicators are respectively divided into four quadrants representing ratio groups – rentability, liquidity, leverage, and activity ratio.

Similarly, as with other analyses, it is important to closely observe calculated values and interpret them correctly because some indicators are meant to be higher and with others, the lower value is better for the enterprise (Synek et al., 2011).

4.3.1 Additional formulas used for Spider analysis

$$\text{Equity to Fixed assets} = \frac{\text{Equity}}{\text{Fixed assets}} \quad (20)$$

$$\text{Equity Multiplier} = \frac{\text{Total assets}}{\text{Equity}} \quad (21)$$

$$\text{Fixed assets to Equity} = \frac{\text{Fixed assets}}{\text{Equity}} \quad (22)$$

(Synek et al., 2011)

5 Results

5.1 Characteristics of a selected company

Source of information	Annual reports 2013-2018 of Linet spol. s.r.o., www.mpo.cz
Name of entity	LINET spol. s.r.o.
Legal address	Želevčice 5, 274 01, Slaný, Czech Republic
Type of business entity	Limited liability company
Company registration number	005 07 814
Reference	C 163 under Municipal Court in Prague since 3th of September 1990
Business activities	Production, trade and services not listed in annexes 1 to 3 of the Trade License Act – daycare for children under the age of three years – provision or intermediation of customer loan
Managing Directors	Ing. Zbyněk Frolík, Ing. Tomáš Kolář, Ing. Jaroslav Chvojka
Holder of procuration	Ing. Pavel Chýňavka
Nominal Capital	50 000 000 CZK
Business branch	Manufacturing industry

5.2 Profile of the company

Linet spol. s.r.o. was founded by Ing. Zbyněk Frolík. The company was established on 3rd September 1990 in Želevčice u Slaného, Czech Republic. The registered capital was 387 900 CZK.

Since 2011, Linet spol. s.r.o. (further referred to as "Linet") became part of the multinational holding organization LINET Group SE, based in Dordrecht, Netherlands. Production plants of the group are located in Wickede, Germany and in cities Fryčovice and Slaný, Czech Republic.

According to the annual report of Linet 2017/2018, the company has more than 800 stable employees (Table 5) and 50 000 beds made per year (from which around 80% is intended for export to over 70 countries worldwide), Linet is also the biggest exporter of medical devices and the leader in the production of hospital and nursing beds in Europe. The company manufactures a wide range of products with innovative features such as anti decubitus mattresses, healthcare furniture, and beds for regular treatments, intensive care and also beds for retirement homes. In order to provide the highest efficiency possible, Linet is continuously improving its portfolio and working on the development of its products with the vision to increase the comfort of patients and decrease the physical effort of healthcare providers.

Numerous patents have been developed at Linet´s own research and development department by which Linet demonstrates their effort to provide the best solutions for their customers. Among those are devices for the contactless monitoring of a patient´s vital signs, mattresses with automatic pressure optimization, mechanics of bedside rail, etc. (JUSTIA Patents: Linet spol. s.r.o., 2020).

The future vision of the company is to keep improving its products, strengthen its position on the market and to increase the number of exported products.

5.3 Company structure

Table 1 List of subsidiaries of Linet spol. s.r.o.

Subsidiaries	Linet´s share	Location	Headquarter
LINET France Sas	100%	France	Chambrays les Tours
LINET Italia	100%	Italy	Poncarale
LINET UK	100%	Great Britain	Hampshire
LINET Sweden AB	100%	Sweden	Solna
LINET Americas	100%	USA	Charlotte
Linet do Brasil Participacoes Ltda	90%	Brasil	Sao Paolo
Mateřská škola Linetka, s.r.o.	100%	Czech Republic	Želevčice
wissner-bosserhoff Belgium BVBA	100%	Belgium	Mechelen
wissner-bosserhoff Mexico S de RL de CV	10%	Mexico	Naucalpan
BORCAD Medical a.s.	100%	Czech republic	Fryčovice

Source: Annual report of Linet spol. s.r.o. 2017/2018, own construction

6 Financial analysis of Linet spol. s.r.o.

In this chapter is conducted financial analysis of the selected company with the usage of annual reports and available information online. The fiscal year of Linet spol. s.r.o. is from 1st of April to 31st of March.

Linet is considered to be a large company based on the number of employees and Total revenue of 3.2bil. CZK in 2017/2018.

6.1 Analysis of absolute indicators

As a part of the financial analysis, the analysis of absolute indicators was calculated, including analysis of trends and percentage analysis of components in a time horizon of five fiscal years 2013 – 2018 (calculations include also the fiscal year 2012/2013 to display the trend for five years).

6.1.1 Horizontal analysis of balance sheet

6.1.1.1 Horizontal analysis of Assets

Table 2 Horizontal analysis of Assets

(thousands / CZK)	2012/2013	2013/2014	2014/2015	2015/2016	2016/2017	2017/2018
Total Assets	**2 545 850**	**2 859 178**	**3 599 629**	**3 891 063**	**4 627 410**	**4 799 243**
change in %		**11.42%**	**25.90%**	**8.10%**	**18.92%**	**3.71%**
Fixed Assets	**1 352 780**	**1 519 409**	**2 253 720**	**2 314 342**	**3 103 050**	**3 025 478**
change in %		**12.32%**	**48.33%**	**2.69%**	**34.08%**	**-2.50%**
Intangible fixed assets	5 542	8 171	15 297	19 883	35 957	51 845
change in %		47.44%	87.21%	29.98%	80.84%	44.19%
Tangible fixed assets	461 262	452 524	534 253	522 274	820 603	794 671
change in %		-1.89%	18.06%	-2.24%	57.12%	-3.16%
- Lands a buildings	306 002	291 185	291 950	315 550	513 539	494 504
change in %		-4.84%	0.26%	8.08%	62.74%	-3.71%
- Equipment	140 441	129 332	172 360	167 953	263 611	290 659
change in %		-7.91%	33.27%	-2.56%	56.96%	10.26%
Long-term fin. assets	885 976	1 058 714	1 704 170	1 772 185	2 246 490	2 178 962
change in %		19.50%	60.97%	3.99%	26.76%	-3.01%
Current Assets	**1 153 466**	**1 281 996**	**1 290 900**	**1 507 324**	**1 423 832**	**1 643 853**
change in %		**11.14%**	**0.69%**	**16.77%**	**-5.54%**	**15.45%**
Inventory	155 392	182 529	225 024	299 533	324 030	327 983
change in %		17.46%	23.28%	33.11%	8.18%	1.22%
Receivables	972 169	1 061 111	860 490	1 104 313	1 071 498	1 272 806
change in %		9.15%	-18.91%	28.34%	-2.97%	18.79%
Cash and bank accounts	23 523	38 355	205 386	103 478	11 541	43 062
change in %		63.05%	435.49%	-49.62%	-88.85%	273.12%

Source: balance sheet of Linet spol. s.r.o. (2013-2018), own construction

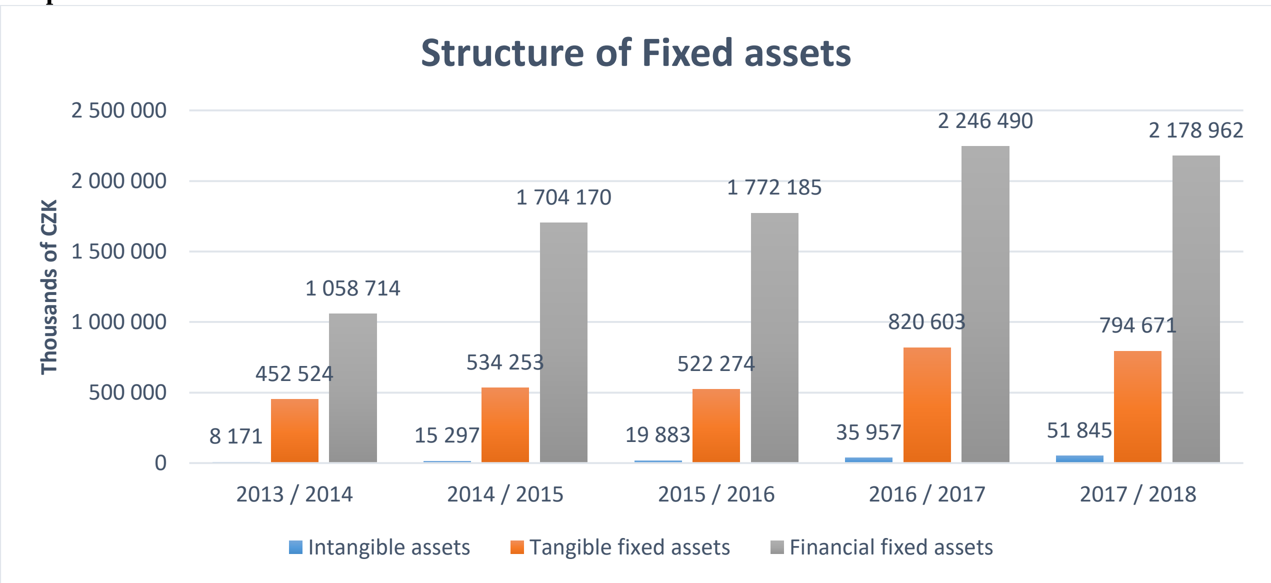
Table 2 displays the values of Assets with percentage change compared to the previous year. Below are described changes in items of Assets of Linet company and the main causes.

At first glance, it is evident that Total assets have an increasing trend. Over the analyzed period of five years can be seen the total change of 68% in Total assets which is an increase about 1.94bil. CZK. This represents average growth of almost 14% per year. The highest change of 26% in Total assets and 48% in Fixed assets can be seen in fiscal year 2014/2015. According to the financial statement from 2014/2015, this year was important in terms of investments of the company which is reflected mainly in the growth of Fixed assets about 6.45mil. CZK as Linet increased its shares in the following subsidiaries: LINET France SAS, LINET Italia, Linet do Brasil Participacoes Ltda. And WISSNER-BOSSERHOFF Belgium BVBA (percentage share of Linet in its subsidiaries is displayed in Table 1).

The biggest contributor to the growth of Total assets are Fixed assets that grew about 99% (1.5bil. CZK) in five years. In contrast with Current assets that increased only about 28% (36mil. CZK).

The natural trend that can be observed in Table 2 is changeover in Current assets, as the Fixed assets grow, Current assets increase the year on as well, which can be explained as an objective of the company that intends to grow its production and increase wealth.

Graph 1 Structure of Fixed assets



Source: Annual report of Linet spol. s.r.o. (2013-2018), own construction

Fixed assets of the company have an increasing tendency mainly due to the rapid increase of Financial fixed assets (105% in value of 1.1bil. CZK in five years), shown in Graph 1. As mentioned, this item is primarily represented by increasing the level of shares and participation in subsidiaries.

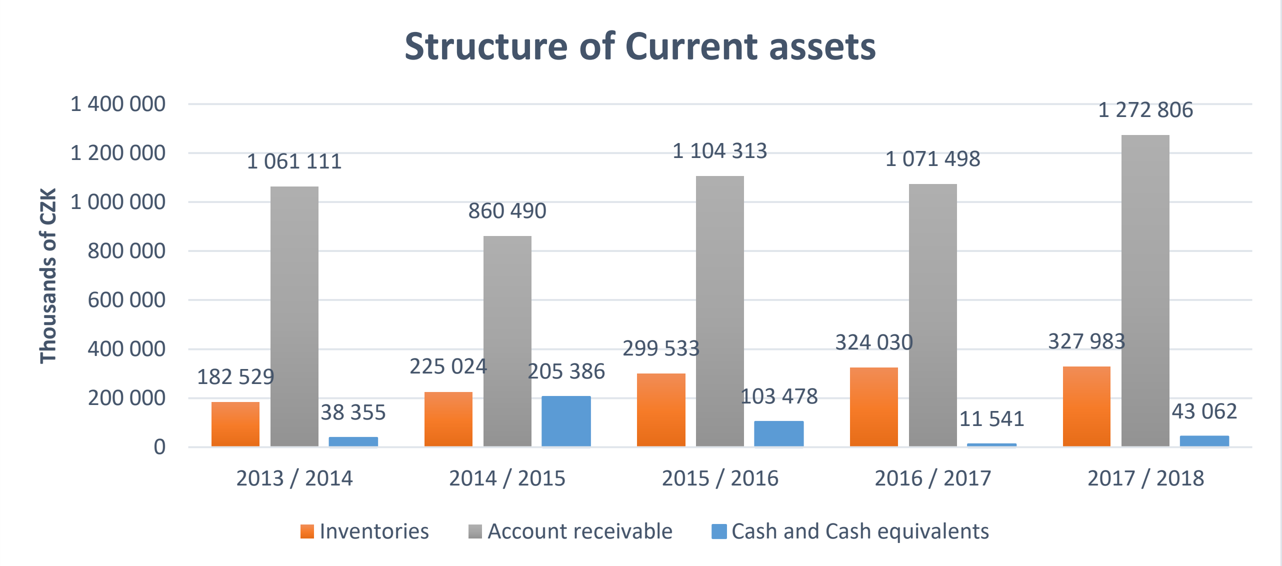
Fiscal year 2015/2016 was important in terms of acquisitions because of investments in Tangible assets, into new industrial construction with the cost of 33mil. CZK and purchase of new hardware for monitors with the cost of 4.4mil. CZK (Intangible assets).

Preceding fiscal year 2016/2017 when the company continues to grow its Fixed assets about 34% (3.1bil. CZK) and experiences the highest value of this item during the analyzed period. Linet invested in a construction of new production hall, Linet 5 in Slaný and that is the reason for the highest growth of 57% of Tangible fixed assets (298mil. CZK). Linet as in previous years increases its shares in subsidiary companies: Linet Americas, LINET Americas, Linet UK, LINET France SAS. The numbers were also increased by acquisition of BORCAD Medical a.s. that became fully owned by Linet.

The last fiscal year analyzed, Linet went down in terms of Fixed assets about 2.50% (68mil. CZK). This change happened despite buying the rest of the shares in BORCAD Medical a.s. but was caused by the revaluating of subsidiaries. This decrease could be described as a deviation of otherwise increasing trend of Fixed assets against the trend are Intangible assets that as the only item of Fixed assets increased.

Overall, along with the increase of Financial fixed assets are increasing as well as Tangible fixed assets as Linet is expanding plant construction and purchasing new machinery. According to the website of the company, the expansion of production is one of the main goal of the company as it is planned to increase the amount of exported products.

Graph 2 Structure of Current assets



Source: Annual report of Linet spol. s.r.o. (2013-2018), own construction

Graph 2 does not show any kind of trend of items of Current assets. The highest account of items of Current assets are Account receivables with its maximum in 2017/2018 (1.3bil. CZK), when Linet successfully integrated products of BORCAD Medical a.s. in the sales network which increased this item by about 19% (201mil. CZK). Another significant part of Current assets and the fastest-growing item are Inventories that increased its value by 80% (160mil. CZK) over the years. Cash and bank accounts is a minority part of Assets (1% of share, during some years displayed in Table 6), this pattern changed in fiscal year 2014/2015 when this item significantly increased to 167mil. CZK (435%).

6.1.1.2 Horizontal analysis of Liabilities

Table 3 Horizontal analysis of Liabilities

(thousands / CZK)	2012 / 2013	2013 / 2014	2014 / 2015	2015 / 2016	2016 / 2017	2017 / 2018
Total Liabilities	**2 545 850**	**2 859 178**	**3 599 629**	**3 891 063**	**4 627 410**	**4 799 242**
Change in %		**12.31%**	**25.90%**	**8.10%**	**18.92%**	**3.71%**
Equity	**1 377 742**	**1 443 673**	**1 761 937**	**521 872**	**709 068**	**914 185**
Change in %		**4.79%**	**22.05%**	**-70.38%**	**35.87%**	**28.93%**
Profit/loss prev. years	**318 782**	**327 484**	**432 038**	**170 704**	**503 338**	**480 382**
Change in %		**2.73%**	**31.93%**	**-60.49%**	**194.86%**	**-4.56%**
Other sources	**1186743**	**1 403 965**	**1 832 402**	**3 415 056**	**3 912 712**	**3 879 147**
Change in %		**18.30%**	**30.52%**	**86.37%**	**14.57%**	**-0.86%**
Payables	**1 127 123**	**1 363 338**	**1 752 328**	**3 304 712**	**3 865 268**	**38109**
Change in %		**20.96%**	**28.53%**	**88.59%**	**16.96%**	**-99.01%**
Long-term payables	471 713	577 410	866 314	356 953	1 069 745	1 219 334
Change in %		22.41%	50.03%	-58.80%	199.69%	13.98%
Liab. to credit instit.	458 317	288 277	452 530	278 716	561 788	8 172
Change in %		-37.10%	56.98%	-38.41%	10.56%	-98.55%
Short-term payables	655 410	785 928	886 014	3 000 871	2 795 523	2 591 546
Change in %		19.91%	12.73%	238.69%	-6.84%	-7.30%
Trade payables	267 122	425 829	421 194	1 106 606	577 045	588 496
Change in %		59.41%	-1.09%	162.73%	-47.85%	1.98%
Short-term accomondations	327 796	226 421	315 791	1 444 384	1 884 561	1 518 189
Change in %		-30.93%	39.47%	357.39%	30.48%	-19.44%
Accrued liabilities	1 318	1 630	11 540	5 290	5 630	5 910
Change in %		23.67%	607.98%	-54.16%	6.43%	4.97%

Source: Annual report of Linet spol. s.r.o. (2013-2018), own construction

Based on Table 3, can be observed an increasing trend of the amount of Liabilities. The reason for an increase of Liabilities in analyzed period by about 2.95bil. CZK (an increase of 67%), could be assigned as a strategy of the company, meaning that Linet has been growing and expanding its property holdings for which investments of capital are necessary.

In the fiscal year 2015/2016 happened 70% (1.24bil. CZK) decrease of Equity compare to the previous year. The reason for the extremely high decrease was the decision of shareholders about receiving profit share and advanced payment on profit share that were paid in the same year. (540 800thus. CZK (20 000thus. EUR) and 946 575 thus. CZK (35 000thus. EUR)). In the same year can be seen the need for more capital as Linet changed its capital structure, which increased Other sources about 86%, especially Short-term payables that rapidly increased about 239% compare to Long-term payables that decreased about 60% the same year.

Short-term payables of Linet were increasing during the first years. After an exceptional rise in fiscal year 2015/2016 (239%), it started decreasing in the last two years examined. In 2016/2017, it was almost 6.8% (-205thus. CZK) and in 2017/2018 it was 7.3% (204thus. CZK). According to the financial statement of Linet from 2016/2017 and 2017/2018, the decrease happened mainly because Linet Group SE and Linet decreased Liabilities mainly in the form of a management fee.

6.1.2 Horizontal analysis of Profit and Loss account

Table 4 Horizontal analysis of Profit and Loss account

(thousands / CZK)	2012 / 2013	2013 / 2014	2014 / 2015	2015 / 2016	2016 / 2017	2017 / 2018
Revenue from sales of own products and services	**1 748 391**	**2 023 521**	**2 349 487**	**2 914 019**	**2 527 876**	**2 534 117**
Change in %		**15.74%**	**16.11%**	**24.03%**	**-13.25%**	**0.25%**
Revenue from sold goods	**159 181**	**191 846**	**199 325**	**250 935**	**219 245**	**430 064**
Change in %		**20.52%**	**3.90%**	**25.89%**	**-12.63%**	**96.16%**
Production consumption	1 155 623	1 409 280	1 652 831	2 580 417	1 857 266	2 023 050
Change in %		21.95%	17.28%	56.12%	-28.02%	8.93%
Personnel expenses	**297 416**	**324 683**	**368 090**	**412 308**	**451 730**	**521 077**
Change in %		**9.17%**	**13.37%**	**12.01%**	**9.56%**	**15.35%**
Other operating revenue	**32 369**	**30 817**	**25 683**	**203 141**	**250 407**	**370 530**
Change in %		**-4.79%**	**-16.66%**	**690.96%**	**23.27%**	**47.97%**
Other operating expenses	**83 654**	**94 685**	**131 518**	**120 516**	**130 852**	**254 115**
Change in %		**13.19%**	**38.90%**	**-8.37%**	**8.58%**	**94.20%**
Operating profit/loss	385 797	462 710	461 590	218 946	490 234	409 782
Change in %		19.94%	-0.24%	-52.57%	123.91%	-16.41%
Income from long-term fin. assets	**2 523**	**35 781**	**32 155**	**43 147**	**60 758**	**40 021**
Change in %		**1 318.19%**	**-10.13%**	**34.18%**	**40.82%**	**-34.13%**
Interest expenses	**19 207**	**44 633**	**70 559**	**32 318**	**21 285**	**27 932**
Change in %		**132.38%**	**58.09%**	**-54.20%**	**-34.14%**	**31.23%**
Other financial revenues	60 435	100 806	183 499	49 416	72 531	227 485
Change in %		66.80%	82.03%	-73.07%	46.78%	213.64%
Other financial expenses	45 937	131 616	85 235	74 535	27 174	111 013
Change in %		186.51%	-35.24%	-12.55%	-63.54%	308.53%
Profit/Loss from fin. operations	**5 483**	**-60 592**	**65 408**	**-15 840**	**86 642**	**130 840**
Change in %		**-1 205.09%**	**207.95%**	**-124.22%**	**646.98%**	**51.01%**
Profit/Loss before taxes	**391 280**	**402 118**	**526 998**	**203 106**	**576 876**	**540 622**
Change in %		**2.77%**	**31.06%**	**-61.46%**	**184.03%**	**-6.28%**

Source: Annual report of Linet spol. s.r.o., own construction

From Table 4, it is apparent that the higher concentration of Revenue from sales of own products compare to Revenue from sales of goods sold due to the nature of the company but both of these items have an increasing trend except the year 2016/2017, when these items decrease about 13%. According to the financial statement, this year, Linet experienced a decrease in sales on domestic as well as on the international market. As the trend line of Revenues is changing at the same time is changing the Production consumption that decreased by 28%

As most of Linet´s production is intended for export, it is inherently influenced by many factors such as in the fiscal year 2017/2018 when Other operating expenses increased by about 94% (123mil.

CZK). That was mainly influenced by the change of the exchange rate of EUR/CZK due to the decision of the Czech National Bank to end interventions. In the same fiscal year, it also increased Other financial revenue (213%, 155mil. CZK) and expenses (309%, 84mil. CZK) which was due to the change in the exchange rate but of USD/CZK.

Table 5 Average number of employees

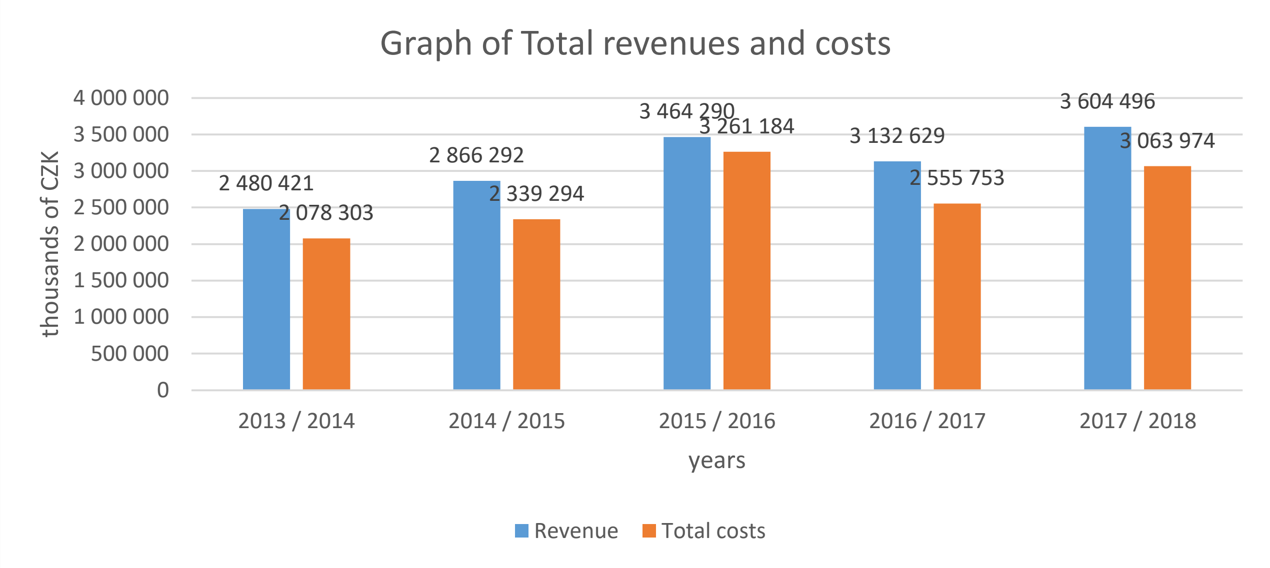
(persons)	2013/2014	2014/2015	2015/2016	2016/2017	2017/2018
Employees	538	592	690	786	820
Managers	8	8	9	8	9
Total number of employees	546	600	699	794	829

Source: Annual reports of Linet spol. s.r.o. (2013-2018), own construction

An increasing trend has also Personnel expenses that contains labor cost, social security cost, financial bonuses and health insurance of employees. This item increased by about 60% (19mil. CZK) in 5 years with its highest change in 2017/2018 when the Personnel expenses increased by 15,4% (change of 69mil. CZK) and the company increased the average number of employees about 34 persons (Table 5). In comparison with the year 2015/2016 when Linet increased the number of employees the most (98 persons), the personnel expenses increased only about 12% (change of 44mil. CZK).

Table 5 shows that the average number of employees increased in 5 years about 50% (283 employees). Higher personnel expenses of Linet happen due to the increasing number of employees but also because the company has to react to the situation on the labor market by increasing incomes, especially to workers in the manufacturing sector. Reinforcing human resources demonstrates the growth of the company and because of this trend, the company cooperates with external employees from recruitment agencies during periods of higher production.

Graph 3 Total revenues and costs



Source: Annual reports of Linet spol. s.r.o. (2013-2018), own construction

For better understanding of the trend was constructed Graph 3 representing the proportion of Total revenues and Total costs, resulting in the difference between them, Profit/Loss before taxes.

Although the year 2015/2016 shows the highest value of Revenue (3.46bil. CZK) and an increase of 21%, at the same time increased also Total cost about 39%. This disproportional growth makes it despite the highest Revenue in the company´s history the least profitable year from the analyzed period with an annual decrease of an item Profit before Taxes about 62% (324mil. CZK). On the other hand, the following year 2016/2017, even when the Revenue of the company decreased for around 10%, the Profit before taxes was higher, accounting for an increase of 184%, to value of 577mil. CZK which is the highest value during analyzed five years. This event was mainly driven by a decrease in total cost of about 22% (over 705mil. CZK).

The development of Total costs replicates the development of Revenue over the years. As described this structure has the overall increasing trend with a single decrease in 2016/2017. According to the annual report of Linet (2016/2017), the decrease of Revenue was mainly driven by unfavorable political situations in the USA, France, and Middle East.

6.1.3 Vertical analysis of balance sheet

6.1.3.1 Vertical analysis of Assets

Table 6 Vertical analysis of Assets

	2013/2014	2014/2015	2015/2016	2016/2017	2017/2018
Total Assets	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**
Fixed Assets	**5.14%**	**62.61%**	**59.48%**	**67.06%**	**63.04%**
Intangible fix. Assets	0.29%	0.42%	0.51%	0.78%	1.08%
Tangible fix. Assets	15.83%	14.84%	13.42%	17.73%	16.56%
- Lands and buildings	10.18%	8.11%	8.11%	11.10%	10.30%
- Equipment	4.52%	4.79%	4.32%	5.70%	6.06%
Current Assets	**44.84%**	**35.86%**	**38.74%**	**30.77%**	**34.25%**
Inventories	6.38%	6.25%	7.70%	7.00%	6.83%
Short-term rec.	36.81%	23.79%	28.64%	23.52%	25.26%
Cash and bank accounts	1.34%	5.71%	2.66%	0.25%	0.90%
Accruals	2.02%	1.53%	1.78%	2.17%	2.71%

Source: own construction

Based on Table 6, it can be said that Current assets have always the lower level of shares on Total assets than Fixed assets, this fact is typical for companies operating in the manufacturing sector, as Linet is. The Table shows Assets that have the overall constant level with average Fixed assets around 60%, Current assets 37% and Accruals 2% of total share of Assets.

The lowest value of shares of Fixed assets was in 2013/2014 (53%) that the year on resulted in the highest change in the proportion of Fixed assets, with 9% increase in the following year. On the other hand, the highest proportional share of Fixed assets (67%) can be observed in 2016/2017, when this item reached not only the highest share but also the highest value of 3.1bil. CZK.

Regarding Current assets, the highest share of this item is defined by Short-term receivables even though it decreased during the analyzed years from 37% in 2013/2014 to 25% in 2017/2018.

Notably, Cash and bank accounts have a very low value, on average, around 1%, which indicates that the company does not hold back Cash for most of the time. On the contrary, Cash and bank accounts accounted for near 6% of shares on Total assets in 2014/2015.

6.1.3.2 Vertical analysis of Liabilities

Table 7 Vertical analysis of Liabilities

	2013 / 2014	2014 / 2015	2015 / 2016	2016 / 2017	2017 / 2018
Total liabilities	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**
Equity	**50.49%**	**48.95%**	**13.41%**	**15.32%**	**19.05%**
Profit/loss – prev. years	11.45%	12.00%	4.39%	10.88%	10.01%
Retained Earning	45.07%	42.17%	36.22%	7.92%	12.38%
Other sources	**49.10%**	**50.91%**	**87.77%**	**84.56%**	**80.83%**
Reserves	1.42%	2.22%	1.49%	1.03%	1.42%
Payables	48.00%	49.00%	85.00%	84.00%	79.00%
Long-term payables	20.19%	24.07%	9.17%	23.12%	25.41%
- Liab. To credit instit.	10.08%	12.57%	7.16%	12.14%	0.17%
Short-term payables	27.49%	24.61%	77.12%	60.41%	54.00%
- Payables to banks	7.92%	8.77%	37.12%	40.73%	0.32%
Accruals	0.06%	0.32%	0.14%	0.12%	0.12%

Source: own construction

In Table 7, it can be observed the first two analyzed years, Linet had a balanced amount of Equity and Other sources, changing the proportion level when Equity decreased to 12% in 2015/2016. Decreasing the value of Equity necessitated the need for capital from other sources. Linet had increased the proportion of its debts which is visible from Other sources which remained for the next years when Other sources have created a major amount of Total Liabilities. Since rapid the increase of Other sources in 2015/2016, the company has been decreasing the percentual share of this item as Equity is increasing, and despite the gradual percentual growth, it demonstrates the prosperity Linet.

6.1.4 Vertical analysis of Profit and Loss account

Table 8 Vertical analysis of Profit and Loss account

	2013 / 2014	2014 / 2015	2015 / 2016	2016 / 2017	2017 / 2018
Total Revenue	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**
Revenue from sales of own products and services	**91.34%**	**92.18%**	**92.07%**	**92.02%**	**85.49%**
Revenue from sales of goods	**8.66%**	**7.82%**	**7.93%**	**7.98%**	**14.51%**
Production consumption	**63.61%**	**64.85%**	**81.53%**	**67.61%**	**68.25%**
- Expenses on sold goods	6.13%	7.80%	5.56%	5.52%	11.83%
Personnel expenses	14.66%	14.44%	13.03%	16.44%	17.58%
Other operating revenues	1.39%	1.01%	6.42%	9.12%	12.50%
Other operating expenses	4.27%	5.16%	3.81%	4.76%	8.57%
Operating profit/loss	**20.89%**	**18.11%**	**6.92%**	**17.85%**	**13.82%**
Revenues from long-term fin. Assets	1.62%	1.26%	1.36%	2.21%	1.35%
Interest expenses	2.01%	2.77%	1.02%	0.77%	0.94%
Other financial revenues	4.55%	7.20%	1.56%	2.64%	7.67%
Other financial expenses	5.94%	3.34%	2.36%	0.99%	3.75%
Profit/Loss from fin. Operations	**-2.74%**	**2.57%**	**-0.50%**	**3.15%**	**4.41%**
Profil/Loss before taxes	**18.15%**	**20.68%**	**6.42%**	**21.00%**	**18.24%**

Source: own construction

Table 8 is concerned with an analysis of Profit and Loss account by method vertical analysis. The Revenue from sales of own products and services, and Revenue from sales of goods show overall stable values. Change in proportion of those two items happened in fiscal year 2017/2018 when sales of own products and services decrease about 7% of total share due to the rapid increase of Revenue from sales of own products and services, displayed in Table 4.

Production consumption is slightly increasing and to it are connected Expenses on sold goods that are increasing over years as well, which is influenced by the price of the material and the total amount of produced goods. The increase can be described as one with a natural progression of the company, besides the variation in form of high increase of Expenses on goods sold in 2015/2016 (7.8%) and extreme increase Production consumption in 2016/2017 (82%).

Personnel expenses (Table 8) show stable results in the first three years of the analyzed period, however, the increase of production is connected also the demand for the labor force. Therefore, during the years 2016/2017 and 2017/2018 the percentage is raising (to 16 and 18%), according to the annual report of Linet this event occurred as Linet is under a pressure of not having enough labor force and has to react on a situation on the labor market and increase the income of employees.

Other operational revenue is in the first and second fiscal year below 1.5%, years on it increases up to 12.5% in 2017/2018. This item includes Revenues from disposals of fixed assets, Revenues from disposals of materials and Other operating revenues, the biggest part of the total number is item Revenues from other long-term financial assets.

Percentual share of Operating Profit/Loss in the analysis is decreasing with an exceptionally low decline in 2015/2016 which is further explained in chapter Horizontal analysis of Profit and Loss account.

Other financial revenues are highly fluctuating because this item is influenced by an exchange rate that is impossible to control by the company. The lowest percentage value of 1.6% was reported in 2015/2016. This occurrence happened due to the development of the exchange rate that was stable and that is the reason for a decrease in Other financial revenue about 5.6%. On the other hand, the fiscal 2017/2018 was dynamical in changes of exchange rates and that is according to the annual report of Linet the main reason for the increase of Other financial revenues to 7.7% because the Czech National Bank ended interventions of EUR and happened depreciation of exchange rate of USD/CZK. Same as Other financial revenues it is also unreal for the company to control Other financial expenses and that is why this item is fluctuating as well.

Share of item Profit/Loss from financial operations on Total sales do not reach more than 4.5% during these five years and occurs to be even negative, resulting in the Net loss in 2013/2014 -2.7% (-61mil. CZK) and 2015/2016 -0.5% (-16mil. CZK).

6.2 Analysis of ratio indicators

Horizontal and vertical analysis captures the development of items from the balance sheet or Profit and Loss account in time, analysis of ratio indicators examines items put in proportion. This shows a different perspective of the financial situation of the enterprise (Kislingerová, 2001).

6.2.1 Analysis of profitability ratios

Table 9 Analysis of profitability ratios

	2013/2014	2014/2015	2015/2016	2016/2017	2017/2018
ROA	16%	14%	6%	12%	9%
ROCE	22%	17%	23%	27%	19%
ROE	23%	25%	36%	71%	53%
ROS	15%	17%	5%	18%	16%

Source: own construction

Return on Assets (ROA)

The indicator ROA does not show to have any trend, especially since 2015/2016 the development is highly irregular (Table 9). The value of ROA was 16% in 2013/2014, this outcome of the analysis represents the highest profitability of Total assets in the analyzed period which was due to the lowest value of total assets (2.86bil. CZK). In 2015/2016 Linet experienced a decrease of values of ROA, down to the value of 6%. This value occurred because that year Linet had the lowest value of EBIT during the examined period (2.78bil. CZK), however, Total assets have an increasing trend. Despite the highest Earnings before interest and taxed (490mil. CZK), ROA was reaching the value of first to years, however, the result was only 12% in 2016/2017 due to high level of Assets in current and previous period (Average total assets 4.3bil. CZK).

Return on capital employed (ROCE)

Indicator Return on Capital Employed analysis profitability of long-term invested capital, further employed in company´s operations. In other cases, the increase of indebtedness leads to a decrease of profit for shareholders.

In analyzed fiscal years Linet´s current interest rates did not exceed 3.57% which is a positive sign for users of the analysis, considering calculated values of ROCE from Table 7. The trend we can observe is the average value of ROCE around 20% besides the year 2016/2017 when the value increases up to 27%.

Return on Equity (ROE)

Return on Equity is a key indicator especially for shareholders and investors because it gives them an idea on how much profit is made from one crown of invested capital.

In 2013/2014 the creditors made profit 22 pennies from one crown invested, in the next years the trend was favorable as the indicator increases with a dramatic rise to 71% in 2016/2017. The value of 71% was caused by the highest result of Profit in the current year (503mil. CZK) and by the second-lowest result of Shareholders Equity (709mil. CZK). In 2017/2018 the year on, Table 9 displays the decrease of value to 53%.

Return on Sales (ROS)

Calculated Return on Sales ratio in Table 9 indicates how effectively analyzed company can turn sales into profit, results might differ in terms of percent (from 2-50%) depending on the business activity of a company and that is the reason why it will be analyzed as a trend of a selected company.

The average value of ROS indicator in five years is almost 17%, the trend is constant and that is a positive phenomenon. Unlike fiscal year 2015/2016 when the company´s Return on Sales was exceptionally low with only 5%. The result was caused by historically highest sales (3.16bil. CZK) in contrast with the lowest value of Profit in current period (171mil. CZK), further explained in the chapter Horizontal analysis of Liabilities.

6.2.2 Analysis of liquidity ratios

Liquidity ratios reflect the ability of an enterprise to pay off debts which is a basic condition for the successful functioning of any company. The degree of liquidity of Linet spol. s.r.o. is calculated in this chapter (Table 10) by use of three indicators – Current, Quick, and Cash ratio.

Table 10 Analysis of liquidity ratios

	2013 2014	2014/2015	2015/2016	2016/2017	2017/2018
Current ratio	1.631	1.457	0.502	0.509	0.634
Quick ratio	1.399	1.203	0.402	0.393	0.508
Cash ratio	0.049	0.232	0.034	0.004	0.017

Source: own construction

Current ratio

The first analyzed year is the only year that is above the suggested theoretical value, accounting for 1.6. The following years show values that are decreasing with an insignificant increase in 2017/2018 to 0.6. Table 10 displays three consecutive years with values under 1, which is considered to be very low, it informs the users of ratio indicators about the fact that Current assets cover only a small proportion of Short-term payables. The main reason is the increase of Short-term payables in 2015/2016 (238%) with a slight decrease in the following years (both years around 7%), however, Short-term payables remained high compared to the beginning of the analyzed period. This could be problematic in case of unexpected expenses as the company could struggle to meet its obligations.

Quick ratio

In 2013/2014 and 2014/2015, the values exceed recommended maximal values 1.11 as they were 1.4 and 1.2 however since then the values are below the minimal norm of 0.7 with the lowest value in 2016/2017 of 0.4. Quick ratio corresponds with the development of Current ratio because from Current assets were only substracted inventories.

Cash ratio

The suggested value was reached only once during the analyzed period, in 2014/2015 when Linet´s Cash ratio was 0.2. Besides this year the company has a very low value of Cash ratios, especially in the year 2016/2017 when Cash and bank accounts decreased by 89% (92mil. CZK) which is the reason for the extremely low value of 0.004. According to notes on the account 2016/2017 of Linet, this event was mainly caused by the purchase of remaining share (20.4%) in Borcad Medical, a.s.

The result of the analysis of the Cash ratio is that the company does not have sufficient cash to immediately covert its Short-term payables.

6.2.3 Analysis of activity ratios

Activity ratios show how effectively the company uses its assets and analyzed parts, meaning how long the company has bonded financial means in assets. The analysis combines accounting information from both, balance sheet and Profit and Loss account.

Table 11 Analysis of activity ratios

	2013/2014	2014/2015	2015/2016	2016/2017	2017/2018
Total assets turnover	0.77	0.71	0.81	0.59	0.62
Inventory turnover	30	32	34	42	40
Receivable turnover	148	111	107	129	135
Accounts payable turnover	109	92	154	112	105
Fixed assets turnover	4.90	4.77	6.06	3.35	3.73

Source: own construction

Total assets turnover ratio

Total assets turnover is a ratio that examines the use of Total assets of the company and how many times it is turned over in a year. The value of the indicator might differ based on the business sector, however, the recommended value is around 1 or higher.

Calculated values of the ratio are every year under recommended value and is decreasing over time which indicates that revenue is lower in comparison with Total assets. The phenomena could be seen as negative, meaning that the company is not efficient in using its assets to generate sales (Table 11).

Inventory turnover ratio

Linet spol. s.r.o. has an increasing number of this ratio which means that it takes longer to the company to sell its inventories, the difference from the beginning and the end of the examined period is 10 days. The highest value was in 2016/2017 and it was 42 days.

Receivable turnover ratio and Accounts payable turnover

Linet company has an average value of the ratio of 126 days during five analyzed years. The values from Table 11 show that the least satisfactory results were reported in 2013/2014 when the collection of debts took 148 days. On the other hand, the company managed to collect the credit extend to customers the most effectively in 2015/2016 when Short-term debts were paid in 107 days and it was also the only year when Accounts payable (126days) exceeded Receivable turnover.

The comparison of Receivable turnover and Accounts payable turnover informs the user of financial analysis about the accountable difference between these two items as an average value of Accounts payable turnover is 114 days, which means that Linet uses commercial loans that its creditors do. The average difference of 12 days during examined five years.

Fixed Assets turnover

This ratio measures the effectivity of the use of Fixed assets. It informs how many times per year are Fixed assets turned into Revenue, the value should not be less than 1.

During the first two fiscal years, Linet´s fixed assets were turned over almost five times and increased over value 6 in fiscal year 2015/2016. The highest value from the analyzed period is 6.06 and it is due to the increase of Net sales (6.16mil. CZK) in contrast with the decrease of Fixed assets (by almost 12mil. CZK). Table 11 displays, dramatic drop the year on, when the Fixed assets were turned over only 3times, which is the lowest from all values of the ratio. The decrease was caused by the highest increase of Fixed assets from all analyzed years (298mil. CZK) and by a decrease in Net sales (418mil. CZK).

6.2.4 Analysis of leverage ratios

Table 12 Analysis of leverage ratios

	2013/2014	2014/2015	2015/2016	2016/2017	2017/2018
Debt ratio	49%	51%	86%	85%	81%
Equity ratio	0.50	0.49	0.12	0.15	0.19
Debt to Equity	0.97	1.04	7.01	5.52	4.24

Source: own consturction

Debt ratio

During the first two fiscal years, it can be observed that the ratio is slightly above the recommended value, Table 12 informs about Linet´s Total assets are halfly financed by Liabilities. However, in 2015/2016 the Debt ratio is reported at 86% which means that the company has high degree of debt financing and in a case of difficulties, Linet could be in a risk of not being able to generate enough cash flow to service its debts. In the following years, the ratio is decreasing to values 85 and 81% and because it is still above 60% it is considered to be a poor Debt ratio. Based on the outcome of Debt ratio, the company might appear to be risky to its creditors.

Equity ratio

Calculated Equity ratios in Table 10 shows a greater proportion of the company´s assets financed with Equity in 2013/2014 (50%) and 2014/2015 (49%). The proportion of Assets financed with Equity rapidly decreased in 2015/2016 when the value was only 12% but it continues to increase which is a good trend (2017/2018 was the reported value of 19%).

Debt to Equity

Referential value of Debt to Equity is in a range from 1.0 – 1.5 The ratio has a value of 1.0 if the amount of borrowing is exactly equal to the amount of stockholder investment. The higher the debt-to-equity, the more debt the company has (Albrecht et al., 2008).

Table 12 shows that, until the year 2015, the company has recommended values of Debt to Equity ratio, however after this year Linet does not show any values below the value of 4 which indicates very high indebtedness of the company.

6.3 Spider analysis

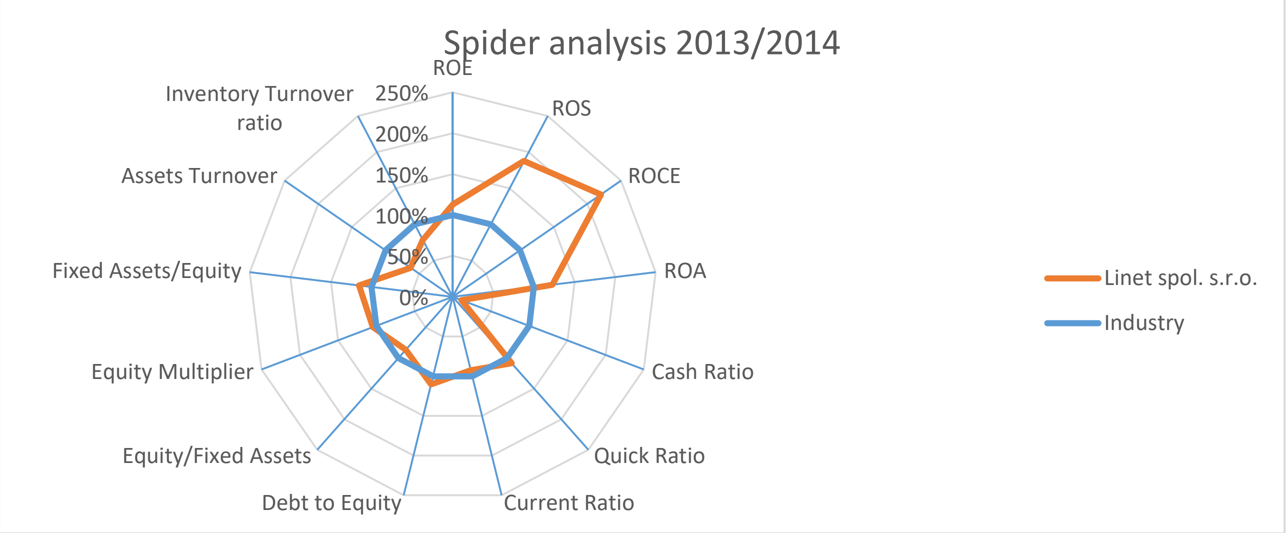
Spider analysis was chosen for analysis of the business environment, particularly in comparison with average value of the manufacturing sector that Linet belongs to. The decision to compare the economic results of the selected company, with the industrial average was made based on a research of competitors in the Czech Republic. Linet is a leader in the production of hospital beds not only on the Czech market but one of the TOP producers on a global scale. In the Czech Republic, is no competitor that reaches any similar economic results therefor, if Linet was compared with other producers of hospital beds, the outcome of Spider analysis would not be accurate.

In a process of examining Spider analysis, the industrial average is specified as a base of 100%. Graphs below display 13 indicators that were selected based on the availability of accounting information. According to Synek (2011) are used formulas 5-13 and 19-22.

Economic information that is used in the process of conduction the Spider analysis was obtained from financial statements of Linet and for the calculation of an industrial average were used information from the website of the Czech Ministry of industry and trade: Analytical Materials (Tables 13 and 14).

6.3.1 Graphs of Spider analysis

Graph 4 Spider analysis 2013/2014



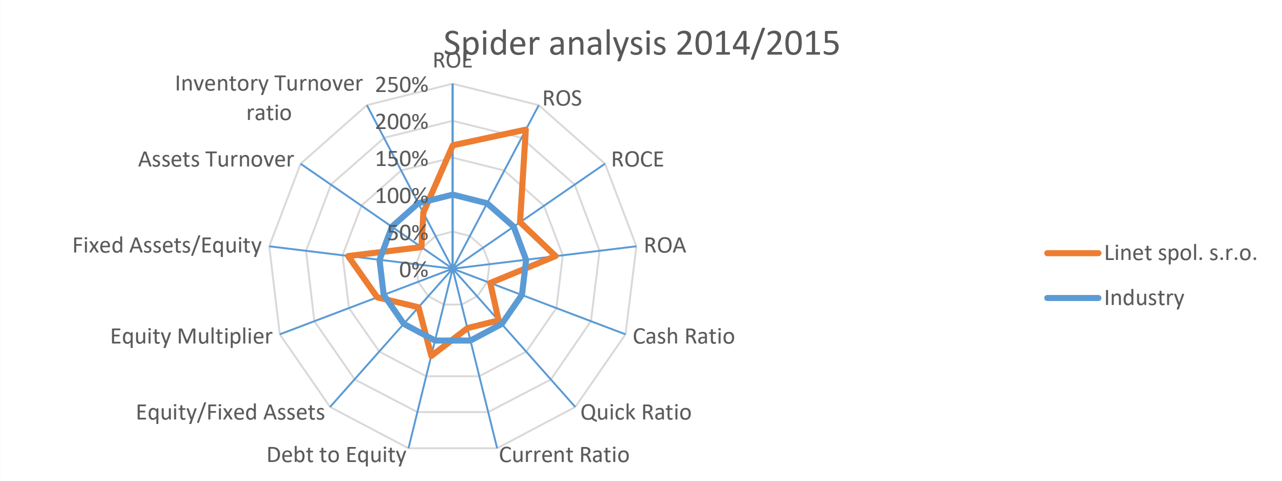
Source: own construction

Graph 4 shows that all activity ration exceeds industrian average and very an overt indicator is Rentability of Sales that exceeds the base by almost 90%, meaning that Linet´s efficiency is higher in terms of turning Sales into Profit which is reflected by company´s ability to turn into profit about 15% from one crown of Sales in the given period. On the other hand, the industrial average is only 8% for the same indicator. Positive values show also indicator Return on Capital Employed of Linet. That means Linet is more profitable in terms of long-term invested capital by creditors than average companies in the same industry accounting for 10% for the average company and 22% for Linet.

Liquidity ratios are in a range of around 9% around the industrial average but that does not imply for Cash ratio that is about more than 90% lower compared to the base, which is because the company keeps low amount of an item Cash and bank accounts.

The graph shows less favorable results for average companies within the business sectors for Inventory turnover as it reports higher values, particularly about 8 days more than Linet (that has a value of 30). The values in Graph 4 significate that an average company in the manufacturing sector is selling their goods slower.

Graph 5 Spider analysis 2014/2015



Source: own construction

Graph 5 displays again higher activity ratios of Linet than the industrial average is, especially of Return on Sales that increased from 15% last year, to 17% in 2014/2015 (accounting for more than 200% higher result than is the base), meanwhile, the average ROS in the manufacturing stayed inchanged (8%). Although Return on Capital Employed of Linet dropped the year on, it remains about more than 11% higher than the base.

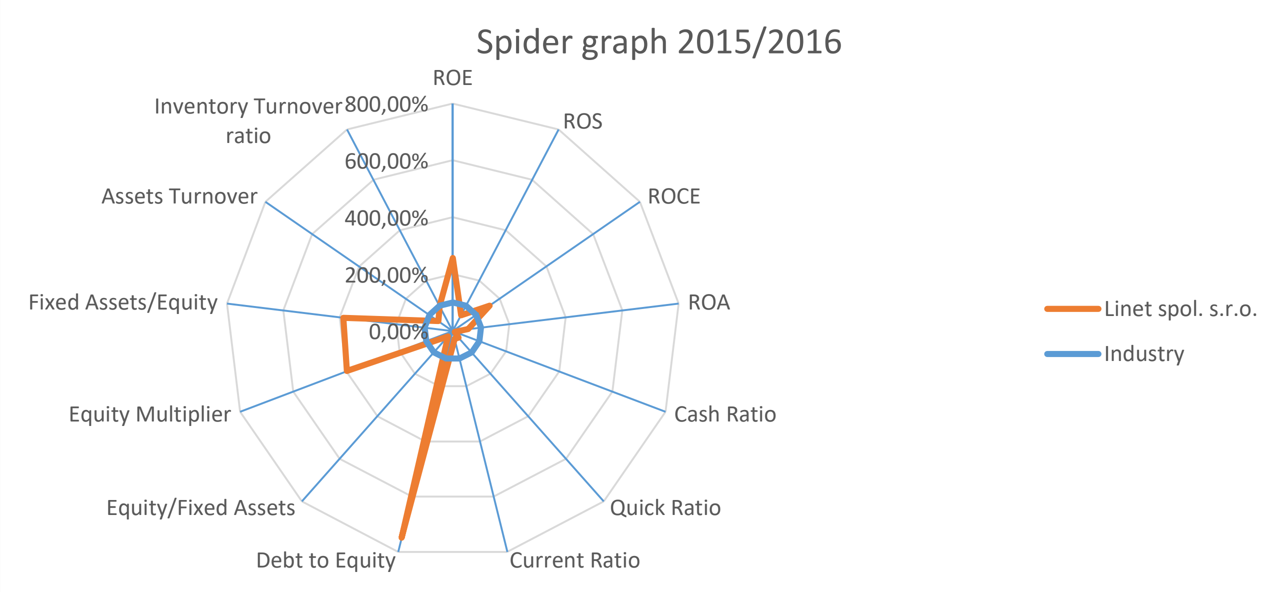
Liquidity ratios ratios changed, markable is Cash ratio that as the only on from this group of ratio increased but continues to be below the industrial average (about 46% below the base).

The average industrial Debt to Equity ratio is 0.86 in these years and, although, Linet has a higher value, 1.04, it is considered to be healthy value. The outcome informs the user of the analysis about that in general, the companies within the sector tend to finance its Assets slighty more by Equity than Linet as it uses more debts.

Assets turnover ratio is almost 50% below the average value. It indicates that Linet is using its assets less efficiently to produce sales than companies in the sector.

Lastly, it can be seen that the change in Inventory turnover which increases by 2 more days but the industry dropped its average value from 38 last year, to 34 day in 2014/2015, thefore Linet is closer to the base with almost 87%.

Graph 6 Spider analysis 2015/2016



Source: own construction

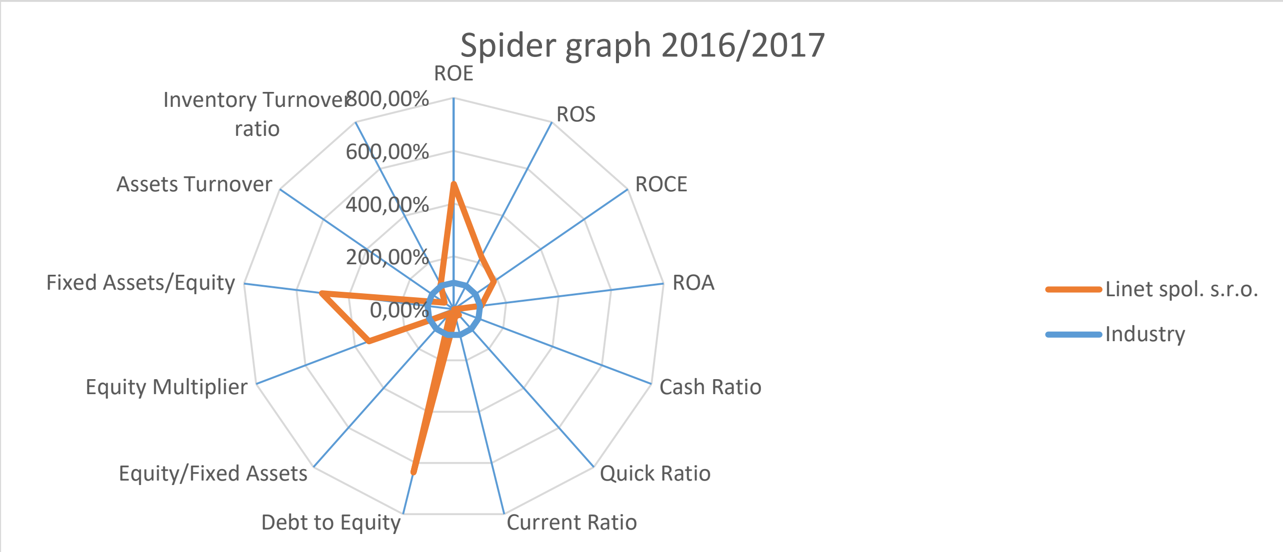
In the fiscal year 2015/2016, the value of all ratios dramatically changed and this impiles also for all activity indicators (displayed in Graph 6). The value of Return on Equity increased and is on 235%, meanwhile Return on Sales is only 63% and Return on Assets is 54% of the manufacturing sector average. All analyzed liquidity ratio decreased as well, therefore the values are below the baseline and reported outcomes are approaching 0% in comparison.

The outcome of the Spider graph was highly affected by the value of Shareholders Equity, insomuch as, was reported the lowest outcome for an analyzed period (521mil. CZK). Therefore, ROE, leverage ratio, Debt to Equity is at its highest (749%) whereas Equity to Fixed Assets is only 26%. Another markable indicator is Fixed assets to Equity, which is higher about 287% than the average company within the sector. The average value in the manufacturing sector is 0.9 whereas Linet reports 3.4 which means that the company uses a large amount of debt to finance a portion of Fixed assets. Such a high level of Fixed assets to Equity ratio shall be objectionable to Linet. Comparatively, the average company in the same industry finances Fixed assets and part of working capital with Equity.

Significant is also an increase of Equity multiplier of Linet that is over 300% above the base with the highest result exceeding the value of 7.5. Essentially, the outcome is another proof of an increase of debts financing company´s Assets.

Inventory ratio of Linet increased also this year and with 34 days of Inventory bounded in the company, it is only 5% below the average level of the sector

Graph 7 Spider analysis 2016/2017



Source: own construction

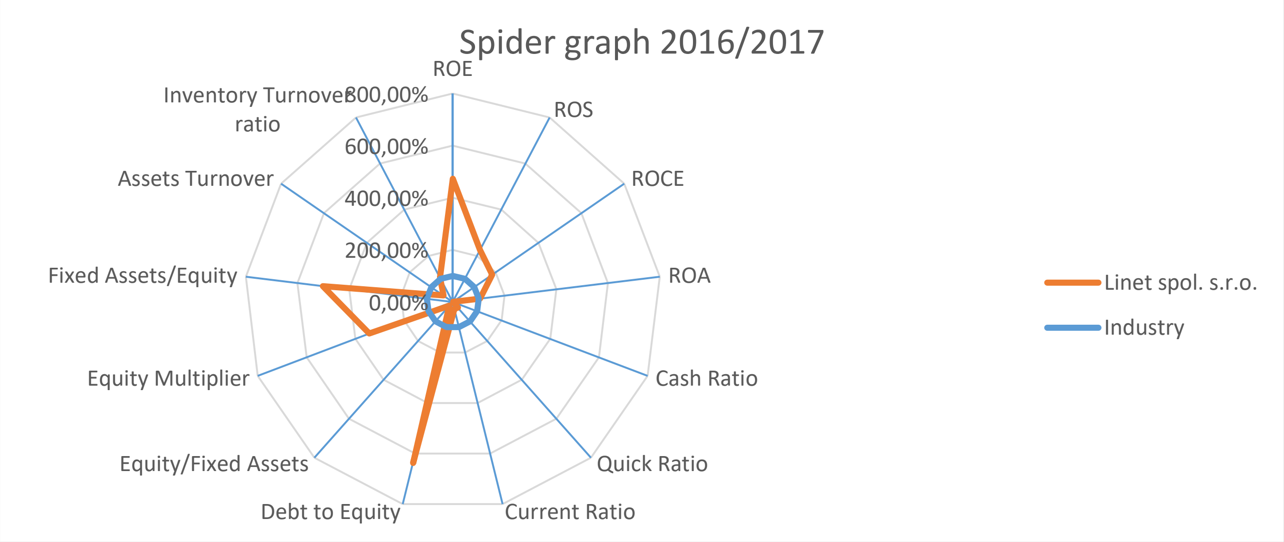
This Spider analysis (Graph 7) shows the increase of all rentability ratios, including Return on Sales that increased to value 18%, meanwhile ROS of the manufacturing sector remained unchanged, resulting in Linet having about 125% higher Return on Sales. Return on Equity of Linet spol. s.r.o. accounts for 500% which happened due to increase of Shareholders Equity but even higher increase of Net income (further explained chapter Horizontal Analysis).

Liquidity ratios increased apart of Cash ratio thus Quick and Current ratio are around 30% of the industrial value and remain a weakness of the Linet spol. s.r.o. as well as Debt to Equity ratio that on the other hand shows values that are too high (637%).

Assets turnover of Linet decreased to 44% which is the lowest reported value of this indicator. Although the sector that Linet is operating in, is very demanding in term of Assets and as can be seen in previous analysis such as horizontal or vertical, Linet is increasing the amount of Total assets every year by increasing its shares in subsidiaries and by other investments in order to increase production. However, the Revenue descreased and this fact have a direct effect on the outcome.

Inventory turnover increased to 109%, it exceeded the base for the only time during these five years and it means that Linet is less efficient in moving inventory in the course of business.

Graph 8 Spider analysis 2017/2018



Source: own construction

In the last Spider graph (Graph 8), is displayed the fiscal year 2017/2018 that shows again high values of Return on Equity and Debt to Equity. Notable are also Fixed assets to Equity that have had significantly higher value during all analyzed years as well as the fayear 2017/2018 when the indicator reacher over 250% above the baseline. The value of this indicator for manufacturing is 0.87 meaning that average companies in the manufacturing sector use more Shareholders Equity to finance Fixed Assets than Linet that uses more debt to do so.

The least visible are liquidity ratios that increase but are still deeply below the baseline, which means the company could continue to struggle more to pay short-term obligations than other companies in the same industry as Cash ratio is on 3.7%, Quick ratio is 38.2% and Current ratio is on 34% of the industrial value.

The Equity multiplier of Linet decreased compare to the previous fiscal year but it is still on 265%. Additionally, the trend of this ratio is decreasing since 2015/2016 which is a good sign of slow change of capital structure.

Not alike previous year Assets turnover increased to 49% which is still under the base but it is more favorable for the company than the previous year.

7 Discussion

The financial analysis of Linet was conducted in fiscal years from 2013 to 2018 when the company was influenced by internal decisions as well as external situations that were impossible for the company to control.

Horizontal analysis indicates a good ability to increase sales since the company reports record numbers every year apart one year when the Revenue decreased (2016/2017). The decrease of Revenue was due to several factors but mainly it was due to an unfavorable political situation in foreign markets.

According to Růčková (2019), liquidity ratios estimate the ability of a company to meet its Short-term obligations (which is important for creditors) as this is one of the profound conditions for the existence of a company. Based on chapter Analysis of liquidity ratios, we can see low outcomes of the analysis from the fiscal year 2015/2016 onwards, and similarly as leverage ratios that, on the contrary, show unusually high outcomes as Debt ratio is twice the recommended value (0.4) and Debt to Equity is over 7. Kislingerová (2001) described leverage ratios as indicators of how successful the management of a company in the acquisition of additional resources is. After an evaluation of these ratios, the current situation could be viewed as negative since all ratios are far from the recommended values in the period from 2015 to 2018. Although, it is important to consider previous years as well as it is these trends and factors that are the cause of the unsatisfactory results. As mentioned, in the chapter Horizontal analysis of Liabilities, in 2015/2016 a change happened in capital structure during which the amount of Equity significantly decreased. This event directly caused a change in the outcomes of these ratios as they include Short-terms payable and Equity. I think, as many of the recommended values were met before 2015/2016 and overall are increasing (or decreasing in the case of Debt ratio or Debt to Equity) in the following years, it is a sign of improving solvency and liquidity of the company. It appears to be a result of exceptional outgoings that even though the outcomes of these ratios inform the user of the analysis about possible risk, and it is therefore needless to say, that the company has not had any problem meeting its obligations.

According to Knapková and Pavelková (2010), Accounts payable turnover should have the same or higher value than Receivable turnover because in another case the company could face secondary insolvency. In my opinion, it is always preferable to have higher Accounts payable turnover than Receivable turnover, however, I would say that a small-size company could face possible insolvency in which group Linet does not belong. Secondly, based on the nature of the company that trades with customers that consist mostly of hospitals, clinics, and homes for the elderly, it is slightly more difficult for the company to balance these two ratios due to the organizational structure of clients of Linet.

8 Conclusion

The goal of this bachelor thesis was to conduct an economic analysis of the selected company and to examine the financial situation for a period of five years. All analyses were done from the point of view of an external user of economic analysis with the use of different sources in the form of literature, annual reports of Linet spol. s.r.o. and analytical material and results from the website of the Czech Ministery of Industry and Trade.

The essential premise for the successful execution of financial analyses is the summarization of used theoretical apparatus. The second chapter deals with characteristics of financial analysis, including the identification of users, data sources and objectives of the analysis. The following third chapter is dedicated to a description of the methodology in which was described the analysis of absolute indicators and Spider analysis, as well as a characterization of purpose and reference values for the analysis of ratio indicators.

As a subject of the practical application of financial analyses, a company producing hospital beds, mobile pieces of equipment and healthcare furniture, Linet spol. s.r.o. was selected. Linet is a major European manufacturer of hospital and nursing beds, and among the TOP 4 world producers in its field. Linet maintains its position for excellent quality and innovative features of its products.

After an evaluation of the results of the financial analysis, the author can say that the main event which affected the financial outcome of Linet was the allocation of profit among shareholders in 2015/2016 that influenced the following years. Other facts influencing the economic situation of the company that were revealed during the process of financial analysis is the impact of a dramatic change in exchange rates of foreign currencies, the political situation in different countries and most of the production of the company is intended for export.

An objective of this thesis was to determine what actions should be taken into consideration to achieve higher performance. Based on the results of this bachelor thesis, I would suggest to continue to grow the sales network worldwide in order to increase Revenue and strengthen Linet´s position among world-leading producers of hospital beds and equipment.

Although the situation regarding the development of foreign currencies is unclear at the moment (for example in April 2017 when the Czech National Bank ended its intervention), another action I would suggest is hedging as Linet exports most of its production. I am convinced that it is important to use financial tools to protect profit margins of exported goods as exchange rate hedging is about reassurance and not speculation. Further underlying this statement is the current situation regarding SARS-CoV-2 (commonly known as Coronavirus causing the disease Covid-19) that has caused massive devaluation CZK which is an advantage for exporters. With the current volatility in world markets, reassurance has become essential for future perspectives of the company.

Thirdly, I would recommend to keep increasing Shareholders Equity which will improve the values of leverage ratios. In this way the company is covered in case of need and will appear more solvent to its creditors. Further, I would suggest to decrease the amount of financing from Other sources because even though it is currently more economical to use them, a countinous increase could endanger the company. Additionally, the focus should be on the continuous decrease of Short-term payables and therefore increasing the values of liquidity ratios. Otherwise, the company could be facing difficulties and would not be able to pay its short-term debts.

Lastly, I would suggest to streamline debt collection in order to decrease the difference between paying Account payables and receiving Account Receivables. This change would improve the financial cycle and consequently, it would create new opportunities for profit reinvestments.

When viewed individually, the numbers from the analysis give the impression of the company deeply in debt, however, when viewed in a fuller context taking into consideration new strategy of the company that is using Other sources rather than Equity, it becomes clear that the company is on good trajectory towards improvement. Therefore, the company is financially healthy but using an aggressive approach to financing. Finally, with regards to current situation of SARS-CoV-2, it is expected that the company´s exports will grow because present intensive care facilities are not equipped to cope with this virus and are actively seeking additional medical provisions.

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10 Appendix

Table 13 Ratio indicators of the manufacturing sector

	2013/2014	2014/2015	2015/2016	2016/2017	2017/2018
ROE	20%	15%	14%	15%	13%
ROA	13%	10%	11%	10%	10%
Cash ratio	0.43	0.43	0.44	0.44	0.46
Quick ratio	1.29	1.29	1.29	1.32	1.33
Current ratio	1.76	1.76	1.83	1.89	1.86

Source: www.mpo.cz, own construction

Table 14 Financial information about the manufacturing sector

(thus./CZK)	2013/2014	2014/2015	2015/2016	2016/2017	2017/2018
Total assets	2 100 529 730	2 173 875 333	2 245 600 062	2 358 479 875	2 462 224 726
Fixed assets	1 011 393 907	1 042 577 199	1 049 348 147	1 080 641 801	1 172 055 271
Inventory	286 250 198	309 718 055	324 516 972	358 299 521	392 368 464
Equity	1 108 184 383	1 161 940 941	1 198 217 067	1 239 791 618	1 243 234 742
Other Sources	976 044 073	995 637 532	1 030 893 385	1 099 861 877	1 195 605 204
Short-term payables	490 963 338	623 413 347	641 256 891	682 377 476	760 221 320
Total revenue	2 700 391 595	2 993 078 912	2 994 561 332	3 228 164 699	3 347 460 854
Revenue from sales of own products and services	2 478 859 239	2 753 610 704	2 753 610 704	2 986 601 836	3 081 071 218
Revenue from sold goods	221 532 356	239 468 209	242 761 320	257 888 038	266 389 636
EAT	159 789 040	176 164 297	169 990 139	200 931 265	173 861 589
EBIT	209 602 678	238 289 927	235 108 056	247 608 325	216 878 125
Number of companies	784	828	828	830	824

Source: www.mpo.cz, own construction