Czech University of Life Sciences Prague

Faculty of Economics and Management

Department of Economics

Bachelor Thesis

Economic Analysis of Google Inc., Twitter Inc., and Facebook Inc.

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Abstract

The following thesis is about 3 world famous corporations: Google Inc., Twitter Inc., and Facebook Inc. It contains description of what is fundamental analysis of a company, how to apply it and how to evaluate company's performance. It comprises different kinds of financial ratios which are important for the investors. It also focuses on technical analysis, which include graphical and mathematical. Thesis describes the purpose of mathematical analysis, depicts the indicators that use mathematical approximation. The observation of graphical analysis includes types of graphs for visual perception and main types of graphic models.

In the practical part was done strategic analysis of Google Inc., Twitter Inc., and Facebook Inc. that includes PEST and SWOT analyses. Than these companies were compared according to financial indicators. Research revealed that Facebook outruns it competitors in profitability ratio, liquidity ratio ad solvency ratio. Google has a better result in efficiency ratio and market-based ratios. Twitter is lagging behind in financial performance. Companies were also compared by stock market results in different periods of time as a part of technical analysis. Google appears to be the leader in all the observed periods.

Key words: Google, Twitter, Facebook, financial analysis, technical analysis

Objectives:

Thus, the main purpose of this bachelor thesis is to assess the investment attractiveness of Google, Facebook and Twitter.

To achieve this goal it is necessary to solve the following tasks:

- highlight methods and approaches to the assessment and analysis of the economic activity and financial condition of the company
- to analyze the economic activity and financial condition of companies
- to compare the investment attractiveness of companies to identify the best one

Methodology:

The research in this bachelor thesis is built on a four-step system, which consists of:

1. Collection and study of all necessary information on the basis of scientific literature, official documents and Internet resources

2. Conducting a fundamental analysis, based on the primary analysis of the companies to identify them the most competitive, as well as on the financial analysis of companies to identify the most solvent of them.

3. Carrying out technical analysis based on graphical and mathematical methods for the study of market dynamics and the price movement of securities of these companies.

4. Comparison and description of the results and make a conclusion about the investment attractiveness of companies

The theoretical part of the thesis is devoted to the fundamental analysis which is an assessment of a variety of external and internal factors that significantly affect the financial and economic activities of a company, the results of which are reflected in the market value of its securities.

The main purpose of the fundamental analysis is to determine the current market value of the security and its subsequent monitoring to make appropriate investment decisions.

According to the traditional approach, fundamental analysis is carried out at three stages:

1. the analysis of the country's economy or macroeconomic analysis

2. the analysis of industry

3. the analysis of the company's investment attractiveness

Each stage has its own specific features.

And practical part of the thesis consist of technical analysis which can be defined as a method of price forecasting, based on the study of the movement of the price itself and not on economic indicators. Technical analysis is a study of market dynamics, most often through graphs, in order to predict the future direction of price movement. As is known, the most important factor influencing the price movement of an individual stock is the trend of the entire market represented by the Dow Jones industrial index and other indices. If the stock market grows, then the prices of the overwhelming majority of shares increase. Also, when the stock market falls, there is a simultaneous fall in many stocks.

As well as graphical analysis which involves working with the graphical display of the history of price fluctuations. Price data is processed through their direct visual perception. Graphic analyst usually operates with such categories as: support / resistance levels, trend lines, channel lines, definition of various price models, etc. An important feature of the graphical analysis of prices is that there is a place for its subjective interpretation, but at the same time it allows the use of formalized approaches.

And mathematical analysis include methods that use filtering or mathematical approximation of time series. In technical analysis, the series of price values for a certain period of time, the volume of trade and the number of open positions are used as the base time series. The main tool of analytical methods is the indicator, which in turn is a set of functions from one or several basic time series, with a specific time window.

Conclusion:

Google Inc., Facebook Inc. and Twitter are global technology companies that set trends on the market. All three companies have a strong brand, but not always behind the popularity and fame of the brand lies the high productivity of the company. After the analysis, it became clear that the main source of income for all three companies is advertising revenue, which is why companies compete. However, the types of technology for the advertising service that companies provide is different. Google is based on contextual advertising, and Facebook and Twitter provide targeted service. To the question "which is company more attractive to investors?" unequivocally difficult to answer. However, of the three in all respects, two can be distinguished: Google and Facebook. Google's total revenue is higher than Facebook's, but analysis of financial indicators showed that Facebook's more efficient. While Google is a leader on the stock market. In this case, it is important to remember about the diversification of investments. Diversification - investing in different assets to reduce risks. At the same time, ideally, risk reduction should have a minimal effect on portfolio returns. In order to diversify risks in investments, it is customary to include different classes of financial instruments in a portfolio, for example, different financial instruments of the same type - shares of several companies. An investor can distribute his funds between the shares of Google and Facebook to avoid risk.

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