Czech University of Life Sciences Prague

Faculty of Economics and Management

Department of Economic Theories

Bachelor Thesis

Financial Analysis of AMREST Holdings SE

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BACHELOR THESIS ASSIGNMENT

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Economics and Management

Thesis title

Financial analysis of Amrest Holdings SE

Objectives of thesis

Compare financial ratios of the company with its competitors and averages in industry. Evaluate financial management system and highlight its up and down sides. Asses financial statements and reports in order to come up with a conclusion about company's ”financial health”.

Methodology

For reaching the goal these methods will be used: calculation of profitability indicators and evaluation of financial ratio.

The proposed extent of the thesis

40 pages

Keywords

Finance, Financial economics, Analysis, Statistics, Corporate Finance, Financial Analysis, Correlation analysis, Linear regression, AmRest LTD., cashflow ratios, profitability assessment

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Recommended information sources

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Prague on 07. 03. 2019

Declaration

I declare that I have worked on my bachelor thesis titled "Financial Analysis of AMREST Holdings SE." 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 their person.

In Prague on 11.03.2019 ____________________________

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I would like to thank Ing. Pavel Srbek for his guidance, expertise, end exceptional level of support and willing to help. I also thank my classmates, my wife and personally George Athanasopoulos from Statista.com for making statistical data available for me.

FINANCIAL ANALYSIS OF AMREST HOLDINGS SE

ABSTRACT

The main purpose of this bachelor thesis is to perform financial analysis of Amrest Holdings SE, evaluate its reported financial results and determine the company's position among its competition on the market. This bachelor thesis consists of two main parts: theoretical and practical. In the beginning of theoretical part there is a superficial glance at key market players and groups of companies operating on European fast food and quick service markets. Then in the literature review there is a brief description and key features of IFRS and US GAAP financial reporting standards, which are the frameworks used worldwide by companies to report financial results to controlling authorities and investors. As the core analyzing technique used in this bachelor thesis, primary framework horizontal and vertical analysis techniques have been used. Together with horizontal analysis were used financial ratios, in particular: Profitability ratios, Activity ratios, Debt ratios, Liquidity ratios and Market ratios. And the final part — the analysis itself, performed and structured in tables, based upon methods and techniques which have been in short described above.

The position of Amrest Holdings SE is strong and the company is steadily expanding opening new and new restaurants around Europe, Russia and China. The company does not show high profits relatively to its assets because it puts all the resources to expansion and growth. Company's stock price is increasing over time which tells about interest from investors and their high expectations of future profits.

Keywords: Finance, Financial economics, Analysis, Statistics, Corporate Finance, Financial Analysis, Correlation analysis, Linear regression, AmRest LTD., cashflow ratios, profitability assessment

FINANČNÍ ANALÝZA SPOLEČNOSTI AMREST HOLDINGS SE

ABSTRAKT

Hlavním cílem této bakalářské práce je provést finanční analýzu společnosti Amrest Holdings SE, vyhodnotit její vykazované finanční výsledky a určit pozici společnosti mezi jejími konkurenty na trhu. Tato bakalářská práce se skládá ze dvou hlavních částí: teoretické a praktické. Začátek teoretické části se věnuje vnějšímu pohledu na klíčové subjekty na trhu a skupiny společností působících na evropských trzích rychlého občerstvení a rychlých služeb. Následně v literární části je uveden stručný popis a klíčové rysy standardů účetního výkaznictví IFRS a US GAAP, které jsou celosvětově používané pro podávání zpráv o finančních výsledcích kontrolním orgánům a investorům. V této bakalářské práci byly použity základní analýzy, konkrétně primární rámcové horizontální a vertikální techniky analýzy. Společně s horizontální analýzou byly použity finanční ukazatelé, zejména: ukazatele rentability, ukazatele aktivity, ukazatele zadluženosti, ukazatele likvidity a tržní poměry. Závěrečná část - samotná analýza, provedená a strukturovaná v tabulkách, založená na metodách a technikách, které byly stručně popsány výše.

Pozice společnosti Amrest Holdings SE je silná a společnost neustále rozšiřuje otevření nových a nových restaurací po celé Evropě, Rusku a Číně. Společnost nevykazuje vysoké zisky v poměru k jejímu majetku, protože investuje veškeré zdroje na expanzi a růst. Cena akcií společnosti se časem zvyšuje, což vypovídá o zájmu investorů a jejich vysokém očekávání ohledně budoucích zisků.

Klíčová slova: Finance, Finanční ekonomika, Analýza, Statistika, Podnikové finance, Finanční analýza, Korelační analýza, Lineární regrese, AmRest LTD., Poměry peněžních toků, hodnocení ziskovosti

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1 Introduction

Business and entrepreneurship are complex and vital fields of people’s economic activity. It is impossible to imagine today’s world without markets, trade, commerce, currencies etc. And all these things couldn’t be possible without accounting and finance. If somebody is selling watermelons on the street, he might not need such sophisticated things as income statement or balance sheet. But if this individual opens up one more point of sale and hires somebody to help him out, he is going to need calculate revenues and expenses, as well as reward of his partner, and as business will grow, there are more and more things businessman has to do in order to keep revenues and expenses under control. So eventually the businessman ends up with finance and accounting departments, huge balance sheets and hundreds of people going through company’s financial statements to evaluate market value of the company or find out if company’s common stock worth buying right now.

Financial analysis can assist small businesses in their planning. Evaluation of a company's balance sheet, income statement and cash flow statement – interpreting trends and identifying strengths and weaknesses – might yield enough information to enable management to make projections of revenues and profits for three to five years. (Crawford, 2017)

The main subject of this Bachelor thesis, Amrest Holdings SE has gone way further than just “watermelons”, it has total number of 1662 restaurants (May 2018) around the globe, holds and lends franchise rights of world’s famous brands such as KFC, Starbucks, Pizza Hut, and many others.

But all this successful rapid growth and expansion wouldn’t be possible without correctly chosen market strategies and managerial decision making, which of course depends on financial management of the company and competent supervision of its cash flows. And relevance of the bachelor thesis’s topic lies in importance of correct evaluation and accurate interpretation of company’s financial results using commonly used financial ratios and other economic activity indicators, which are going to be used for this particular research.

2 Goals and Methodology

2.1 Goals

The main purpose of this bachelor thesis is to perform financial analysis of Amrest Holdings SE, evaluate its reported financial results and determine the company's position among its competition on the market. Along with that, see through just numbers in balance sheets and income statement to find out if Amrest Holdings SE is underperforming or "doing great", and understand what could be possible reasons behind for some particular numbers in financial reports of Amrest Holdings SE.

2.2 Methodology

This bachelor thesis consists of two main parts: theoretical and practical. In the beginning theoretical part there is a superficial glance at key market players and groups of companies operating on European fast food and quick service markets. All the information used for European fast food market overview part was found in open sources, but it was not quite up-to-date. Since going through every annual report of every competitor company in comparison to find information I needed was not an option, I found a way to get statistical data from up-to-date, relevant and trustworthy source, a website statista.com. Which only was possible using ISIC card to get 3-month premium to access statistical database. Then there is brief description and key features of IFRS and US GAAP financial reporting standards, which are the frameworks used worldwide by companies to report financial results to controlling authorities and investors. Next are shortly covered general concepts about financial statements structure and a company's fair value estimation. As the core analyzing technique used in this bachelor thesis, For fulfilling the objective of writing this thesis as primary framework horizontal and vertical analysis techniques have been used. Off course, no anyhow relevant and noteworthy analysis can be made without using financial ratios calculation and comparison. In particular: Profitability ratios, Activity ratios, Debt ratios, Liquidity ratios and Market ratios. Those ratios are widely used as key indicators of financial performance and commonly used to quickly determine whether a business is in a good condition on the first look or it is worth further analysis.

And the final part — the analysis itself, performed and structured in tables, based upon methods and techniques which have been in short described above.

3 European restaurants and hospitality market overview

3.1 Key market players

Hospitality is one of the largest industries in Europe. In fact, a recent study conducted by HOTREC (the trade association for hotels, restaurants and cafés in Europe) found that the industry can be a key driver for job creation in Europe, even in times of crisis. And the region's certainly seen a lot of uncertainty lately, thanks to policy changes and decisions related to BREXIT and the recent French election.

Over the ten years since the start of the millennium, reports the study, the number of jobs overall in the EU economy grew by just 7.1%. The hospitality sector, meanwhile, created 29% more jobs in comparison to the year 2000. The numbers speak for themselves, illustrating the strength and opportunities associated with the European restaurant and foodservice landscape.

The five largest foodservice groups in Europe — McDonald's, Compass Group, Sodexo, Elior, and Yum! Restaurants International (KFC Franchise holder) — account for nearly half the sales of the region's top 50 foodservice companies. McDonald's and Yum! are in the QSR (Quick Service Restaurants) segment, but the other three focus on the contract segment.

McDonald's alone, the largest company of the bunch, has more than double the sales of the second-largest group (with 3.36 times the sales of Compass Group in 2017). Its first European outpost opened in the Netherlands in 1971 and today, the company has more than 8,000 restaurants in 39 different European countries (79% of its European outposts are franchised).

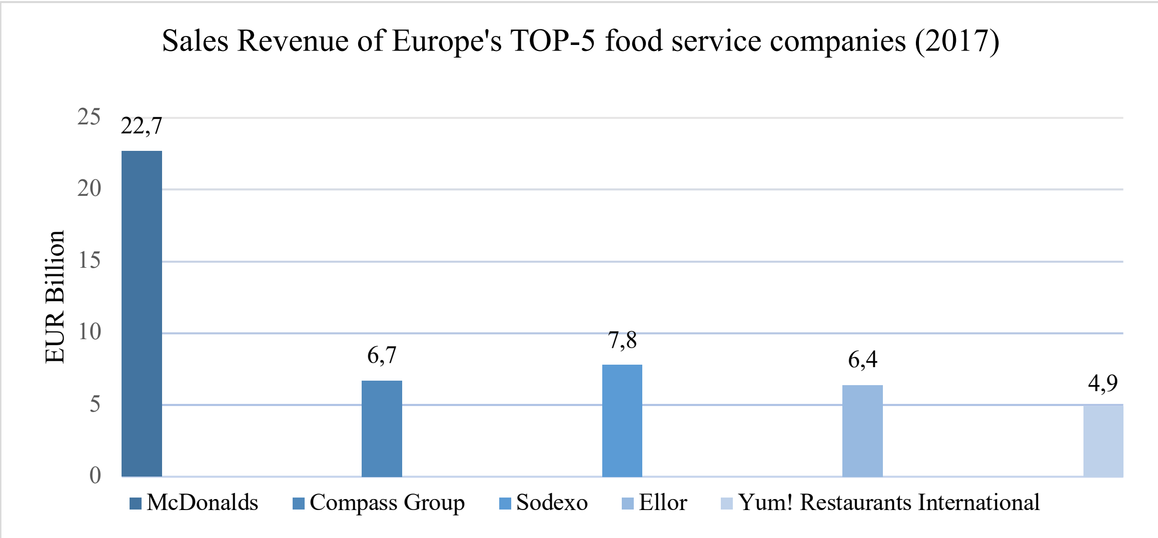
In addition to maintenance and cleaning services, Compass Group offers contract catering at sporting events, military bases, schools, hospitals, and businesses — boasting a client base that spans some 15,000 locations in the UK and Ireland.

A Paris-based multinational vendor of multiple outsource services, Sodexo offers a wide range of food services around the globe, including take-away; patient and visitor dining; student dining; vending machines; and staff restaurants. The company serves more than 450,000 meals a day in India alone. Founded in 1966 in Marseilles, in 2017 it touts itself as the 19th-largest employer worldwide with revenues of €7.78 billion.

Ellor Group is one of the most notable global players in the contracted food and support services industry, offering catering services to businesses in the education, healthcare, travel, and leisure sectors. A leader in its main markets (Europe, North America, and Latin America), Elior operates in 15 countries and recently entered the Indian market. It's currently number three in concessions catering worldwide, and number four in contract catering worldwide.

Yum!, the parent company of KFC, Pizza Hut and Taco Bell restaurants, made a 2016 announcement to significantly expand the European footprint of Pizza Hut through master franchise agreement with Amrest Holdings SE. The deal will see the pizza chain grow its presence throughout Eastern and Central Europe, with more than 300 new restaurants to be developed, owned, and operated by Amrest Holdings SE (ranked 27th of the European Top 50) over the next four years. (Aaron Allen & Associates, 2017)

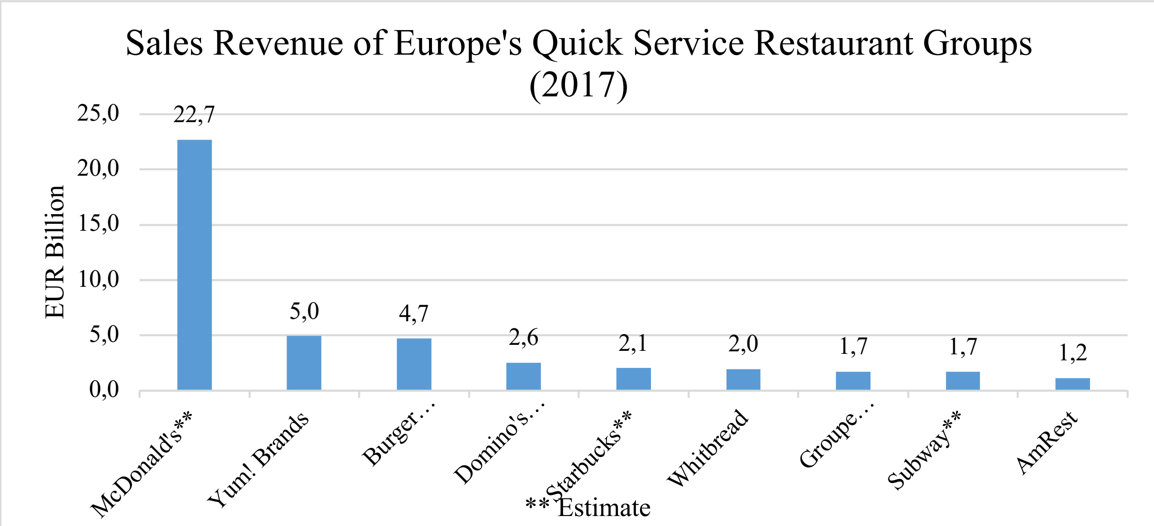
Figure 1 Sales Revenue of Europe's TOP-5 food service companies (2017)



Source: Leading foodservice groups in Europe 2017 | Statista. (2018). Retrieved from https://www.statista.com/statistics/792751/leading-foodservice-groups-in-europe/

If we refer to Figure 1, it is obvious that Yum! Restaurants international holds the last 5th place in TOP-5 if we are talking about food service companies in general. Now let's have a look on Figure 2, which presents Europe's leaders among QSR groups

Figure 2 Sales Revenue of Europe's Quick Service Restaurant Groups (2017)



Source QSR sector: leading companies by sales in Europe 2017 | Statista. (2018). Retrieved from https://www.statista.com/statistics/792790/qsr-sector-leading-companies-by-sales-in-europe/

Here is Amrest on the 9th place in Europe, as you can see Starbucks and Burger king together have almost 6 times higher revenues as Amrest does, this can be caused by many reasons, but the main one is that Amrest runs very little share of Starbucks and Burger King restaurants in Europe (related to total quantity).

4 Financial analysis methodology

4.1 Financial statements

If you recall Cuba Gooding Jr.'s remarkable line from the movie Jerry Maguire, "Show me the money!", well, that is what financial statements pretty much do. They show you the money. They show where a firm's money came from, where are they now and where are they would be heading first thing tomorrow morning.

Financial statements are essential and inseparable parts of company's year or quarter report. While reading these reports you would learn more about recent activities of shareholders and key management figures, but the most importantly can find out a lot about company's financial and cash performance.

So, what exactly are these financial statements anyway? Let us look into the history of accounting reporting and preceding concepts of what we know now.

The first "framework" was probably the one developed by the Financial Accounting Standards Board (FASB) in the United States of America in 1973, and in 1975 in the United Kingdom the Institute of Chartered Accountants in England and Wales (ICAEW) produced "The Corporate Report", which "aimed to be the starting point for a major review of the users, purposes and methods of modern financial reporting".

The more recently formed IASB drew on the work previously done in both the UK and the USA when it produced the "Framework for the Preparation and Presentation of Financial Statements", which defined the objective of financial statements as:

"To provide information about the financial position, performance and changes in financial position of an enterprise that is useful to a wide range of users in making economic decisions"

The framework was first published in 1989 but not adopted by the IASB until 2001. It is very important that anyone who prepares financial statements now' recognize the range of those who may use them to make economic decisions. If the information in the financial statements turned out to be incorrect, it is now thought that any of the

users could make a claim for damages if a loss was suffered as a result of such inaccuracies. Previously it was considered that only shareholders could take such an action. (O'Hare, 2015)

For example, the Companies Act, 1973, requires that financial statements be prepared by companies on an annual basis. Such annual financial statements must at least consist of an auditors' report, a directors' report, an income statement with notes thereto, a balance sheet with notes thereto, and a cash flow statement.

Under the Act, a company's annual financial statements should fairly present the state of affairs of the company and its business as at the end of the financial year concerned and the profit or loss of the company for that financial year. The minimum disclosure requirements in respect of the annual financial statements of companies are set out in Schedule 4 to the Act. (Becker, 2002)

Issued in 1984, "Recognition and Measurement in Financial Statements of Business Enterprises" (SFAC No. 5) indicates that in order to be recognized an item should meet four criteria, subject to the cost-benefit constraint and materiality threshold:

1. DEFINITION. The item fits one of the definitions of the elements.
2. MEASURABILITY. The item has a relevant attribute measurable with sufficient reliability.
3. RELEVANCE. The information related to the item is relevant.
4. RELIABILITY. The information related to the item is reliable.

This concepts statement identifies five different measurement attributes currently used in practice and recommends the composition of a full set of financial statements for a period. (Gibson, 2013)

4.2 Financial reporting standards in EU

4.2.1 Overview

As a part of economically developed world, European Union uses IFRS (International Financial Reporting Standards) as a basis to create guidelines and policies for companies to report their financial activities properly.

All limited liability companies have to prepare financial statements to monitor the health of their business and provide a true and fair view of their financial position. The EU has introduced rules to promote the convergence of accounting standards at global level and to ensure consistent and comparable financial reporting across the EU.

Under EU rules, listed companies (those whose securities are traded on a regulated market) must prepare their consolidated financial statements in accordance with a single set of international standards called IFRS (international financial reporting standards).

Other requirements apply to non-listed companies and small businesses. (European comission, 2018)

4.2.2 IFRS Financial statements

Regulation (EC) No 1606/2002 requires all listed companies to prepare their consolidated financial statements in accordance with a single set of international standards. These are the IFRS (international financial reporting standards), previously known as IAS (international accounting standards).

IFRS provide a common accounting language used by more than 100 countries. They make company accounts understandable and comparable across international boundaries.

Regulation (EC) No 1606/2002 lays down:

«a mandatory rule: all EU listed companies must use IFRS as adopted by the EU for their consolidated financial statements

discretionary provisions: EU countries can opt to extend the use of IFRS to annual financial statements and non-listed companies as well» (European comission, 2018)

4.2.3 IFRS world adoption

Approximately 120 nations and reporting jurisdictions permit or require IFRS for domestic listed companies, although approximately 90 countries have fully conformed with IFRS as promulgated by the IASB and include a statement acknowledging such conformity in audit reports. Other countries, including Canada and Korea, have made their transition to IFRS in 2011. Mexico has started requiring IFRS for all listed companies starting 2012. Still other countries have plans to converge their national standards with IFRS. (IFRS Foundation, 2018)

4.3 Financial reporting standards in the US

4.3.1 Overview

Even though analysis methods used in this bachelor thesis do not directly incorporate usage of US financial reporting standards and guidelines, it's very important to consider their existence and influence on the world's reporting techniques. The United States are famous for their "rejection" of what the rest of the world take as a measurement and usually have their own way of doing things. For example, inches, miles, PM/AM time, and many more. Financial reporting standards are not an exception, just like with Japan or China, USA uses its own system to account, collect, control and regulate financial activities of companies. The system is called US GAAP, or just GAAP. With all alleged similarities with IFRS, these two have a lot of disparities and features, which have to be considered. For example, in year 2018 PwC released a 220 pages-long guide describing key distinctions and differences between GAAP and IFRS.

It does not matter whether you report directly using US GAAP or not, it is imperative to know or at least be familiar with general principles of GAAP, because the majority of world's companies have mother-company on the US or the company itself is US based.

And on the other hand, It would appear that the use of IFRS in the United States by public companies will not be required for the foreseeable future. However, as discussed in above, knowing both accounting frameworks, being financially bilingual, is increasingly important for US capital market participants.

4.3.2 US GAAP Financial statements

ASC 205, Presentation of Financial Statements, provides the baseline authoritative guidance for presentation of financial statements for all US GAAP reporting entities. ASC 205-10-45-1A lists the required financial statements under US GAAP. General presentation and disclosure requirements ASC 205-10-45-1A a full set of financial statements for a period shall show all of the following:

1. Financial position at the end of the period
2. Earnings (net income) for the period, (which may be presented as a separate statement or within a continuous statement of comprehensive income [see paragraph 220-10-45-1A])
3. Comprehensive income (total nonowner changes in equity) for the period in one statement or two separate but consecutive statements (if the reporting entity is required to report comprehensive income, see paragraph 220-10-15-3)
4. Cash flows during the period

4.4 Fundamental analysis of a company

Is the study of a company's financial strength, based on historical data; sector and industry position; management; dividend history; capitalization; and the potential for future growth. The combination of historical information and fiscal status collectively represent all data not directly related to the price of stock, and this body of information is used to define value investing and to compare one stock to another. (Thomsett, 2006) The stock market fundamentalist depends on statistics. He examines the auditors' reports, the profit-and-loss statements, the quarterly balance sheets, the dividend records, and policies of the companies whose shares he has under observation. He analyzes sales data, managerial ability, plant capacity, and the competition. He turns to bank and treasury reports, production indexes, price statistics, and crop forecasts to gauge the state of business in general, and reads the daily news carefully to arrive at an estimate of future business conditions. Taking all these into account, evaluates the company's stock; if it is selling currently below his appraisal, he regards it as a buy. (Reilly, 2012)

So fundamental analysis of a company, and its stock is basically valuation of company's openly audited and disclosed financial statements, such as:

- Balance sheets
- Profits and losses statement
- Cash flow statement
- Profit distribution statements

and many more.

Important point is that in order to obtain any somehow reliable and relevant result in fundamental analysis, has to be evaluated at least 3 previous years of company's activity.

Really useful and relatively reliable way to convert raw statement data into convenient form for understanding is **financial ratios**. There are some well-known and widely used:

- **Profitability ratios**, to measure the earning power of a firm
- **Activity ratios,** to assess firm's turnover and activity proportions
- **Liquidity ratios,** to find out how fast a company can cover its liabilities
- **Debt ratios,** to measure the firm's ability to pay debt obligations
- **Market value ratios**, to better understand company's stock price

All the ratios mentioned above are covered more deeply in next sections.

4.5 A company's fair value

Fair value is the sale price agreed upon by a willing buyer and seller, assuming both parties enter the transaction freely and knowledgeably. Many investments have a fair value determined by a market where the security is traded. Fair value also represents the value of a company's assets and liabilities when a subsidiary company's financial statements are consolidated with a parent company. (Investopedia.com, 2018)

The IASC first used the term ‘fair value’ in IAS 16 Accounting for Property, Plant and Equipment where it was defined as: ‘The amount for which an asset could be exchanged between knowledgeable, willing buyer and a knowledgeable seller in an arm’s length transaction’

IAS 16 [1982] used fair value solely in the context of the measurement of any nonmonetary consideration given in exchange for an item of property, plant and equipment. It did not use fair value in the context of the (optional) revaluation of property, plant and equipment at subsequent balance sheet dates. (Walton, 2012)

The concept of fair value is pretty much different from book value of a company, mainly because the book value is most commonly company’s assets less company’s liabilities. While fair value estimation uses more complex methods, such as:

Most business appraisers use more sophisticated valuation methods than book value, including those described below:

- Capitalization of earnings – The calculation begins with annual earnings over one or more years. It then divides earnings by a “cap rate” that reflects the cost of capital and the risk of the company. For example, suppose a company has average annual earnings of $200,000 and a cap rate of 10%. Its estimated value under the capitalization of earnings method would be $200,000/10% = $2 million.
- Discounted cash flow – This method, often used to value new businesses or companies with volatile earnings, begins by forecasting future earnings over several years. To account for the time value of money, a discount rate is then applied to each year of forecasted earnings. The discount rate reflects a weighted average cost of capital for similar companies. Finally, a discounted residual value is established at the end of the forecast period. The business value is the sum of all discounted cash flows over the forecast period plus the discounted residual value.

- Comparables and Discounts – Some appraisers modify their estimates of value based on an analysis of recent sales of comparable companies in the same market or industry. Under any valuation method, results may be discounted to account for a reduction in value due to a minority interest (less than 50% of a company) or lack of marketability – the inability to resell shares quickly or easily in a competitive market. Small private companies often qualify for high marketability discounts.

The cost to conduct a comprehensive business valuation can range from a few thousand dollars up to $50,000 or more. Regardless of the cost or methods, it is important for the process to be conducted objectively by a qualified professional based on facts. Normally, the end result of this process is a document in which the appraiser describes the methodology and provides an estimated fair market value that will satisfy the scrutiny of the IRS and courts. In turn, this estimated value is a useful input for the owner in developing succession, estate or personal retirement planning.

An appraisal also may help owners pursue steps for increasing business value over time. As economic cycles and market conditions change, so may the value of a business – and it can be useful to update the process and valuation outcome every few years.

In summary, although many business owners have a vague idea of what their companies are worth, most are merely guessing – and over time, wrong guesses can prove costly. In the worst case, not knowing fair market value could cause owners to sell businesses for less than they actually worth. For these reasons, the cost to hire a professional business valuation process usually is money well spent. (Business Know-How, 2018)

5 Financial statement analysis tools

5.1 Financial ratios and other tools

5.1.1 Horizontal analysis

Horizontal analysis (also known as *trend* analysis) compares data between certain periods of time — generally the most recent month (or year) compared with the same month of the base year. Alternatively, a comparison could be made to the base month. The analysis includes the two sets of figures plus the changes between the two sets in both absolute and relative terms.

It is possible to calculate absolute and relative value using following equation:

$$\frac{quantity\ of\ items\ this\ year}{quantity\ of\ items\ base\ year} * 100 = relative\ change$$

$$quantity\ of\ items\ this\ year - quantity\ of\ items\ base\ year = absolute\ change$$

Horizontal analysis may be conducted for balance sheet, income statement, schedules of current and fixed assets and statement of retained earnings. Also, similar type of analysis is used in sales projection, when the same week day of last year and present day are being compared.

5.1.2 Vertical analysis

Vertical analysis (also known as common-size analysis) is a popular method of financial statement analysis that shows each item on a statement as a percentage of a base figure within the statement.

To conduct a vertical analysis of balance sheet, the total of assets and the total of liabilities and stockholders' equity are generally used as base figures. All individual assets (or groups of assets if condensed form balance sheet is used) are shown as a percentage of total assets. The current liabilities, long term debts and equities are shown as a percentage of the total liabilities and stockholders' equity.

To conduct a vertical analysis of income statement, sales figure is generally used as the base and all other components of income statement like cost of sales, gross profit, operating expenses, income tax, and net income etc. are shown as a percentage of sales. (Accounting for Management, 2018)

In a vertical analysis, the percentage is computed by using the following formula:

$$\frac{quantity\ of\ individual\ item}{quantity\ of\ base\ item} * 100 = relative\ change$$

6 Financial ratios

6.1 Profitability ratios

6.1.1 Gross Profit margin

Is the percent of revenues that remain after deducting the cost of goods sold. This indicator is often used in analysis when two or more similar companies are being evaluated.

$$Gross\ profit\ margin = \frac{Sales - Cost\ of\ googs\ sold}{Sales}$$

For example, if four out of five analyzed companies have 25-30 % gross profit margin, and the last company has 7%, it shows that there's something wrong with the company, or it uses completely different business model than its competition. Off course, the higher gross profit margin is, the better for the company, but it doesn't mean that it brings more earnings.

6.1.2 Operating profit margin

Measures how much profit a company makes on a dollar of sales, after paying for variable costs of production such as wages and raw materials, but before paying interest or tax.

$$Operating\ profit\ margin = \frac{EBIT}{Sales}$$

This particular ratio refers to ability of a company to be profitable. In other words, how efficiently the company manages its expenses in order to maximize profit. Company's managers don't have much control over production costs, but they're pretty much in power to manage salaries, bonuses, premiums, lease payments and office spaces rent payments. So operating profit margin more or less shows how strong the manager team is and how well they can allocate given resources.

6.1.3 Return on Assets

Is an indicator of how profitable a company is relative to its total assets.

$$ROA = \frac{Net\ income}{Total\ assets}$$

That means a money expression of how much net income company yields from one dollar of its assets. Again, size of the company, business model and industry average of ROA must be considering when performing an analysis.

6.1.4 Return on Equity

Is the amount of net income returned as a percentage of shareholders equity.

$$ROE = \frac{Net\ income}{Shareholders'\ equity}$$

Shareholder’s equity is amount of capital remaining after subtracting all the liabilities from all the company’s assets. And then, by dividing net income by resulted number, return on equity occurs. Rising ROE usually means that company is getting better with generating profits without serious capital inflows. So again, the higher the better. But however, ROE can rapidly go up if shareholders’ equity goes down. As well as large amount of debt money can increase ROE, because it decreases equity.

6.2 Activity ratios

6.2.1 Inventory turnover

Is a ratio showing how many times a company's inventory is sold and replaced over a period of time.

$$Inventory\ turnover = \frac{Cost\ of\ goods\ sold}{Inventory}$$

Higher inventory turnover is better, it typically shows that the company is able to sell large amounts of inventory in short period of time and demand for products is strong. Also, it can show efficiency of stock management and whether sales and purchase departments are working together or not. Seasonality must be considered as well, because large retail companies tend to have larger stock before seasonal selling peaks (for example Christmas) and consequently lower than average stock after those periods.

6.2.2 Average collection period

Is the average number of days between:

- the date that a credit sale is made
- the date that the money is received from the customer.

$$ACP = \frac{Accounts\ receivable}{Annual\ sales/365}$$

Relatively high ACP rate can be caused by loose credit policy, in order to increase sales, or this can also mean that particular customers bring more revenue and company lets them pay later, increasing their loyalty. In addition to previously described causes economic situation also influences ACP rate, because customers tend to pay later due to irregular cashflows.

6.2.3 Total assets turnover

Is an efficiency ratio that measures a company's ability to generate sales from its assets by comparing net sales with total assets.

$$Total\ assets\ turnover = \frac{Sales}{Total\ assets}$$

In general, higher ratio is preferred. Is being calculated on annual basis and lower ratio could be indicating that company doesn't use its resources efficiently and has some internal problem with business processes. This ratio also has several downsides: ratio assumes that the more the sales the better, but the needed feature is ability to create profits, so more sales doesn't automatically mean more profit. The ratio can bring anyhow relevant information only in capital-intensive sectors and industries, service providers have far less assets in their base and such comparison would be incorrect. Or, for example, company has chosen the path of outsourcing its production plants, this can show much bigger numbers in turnover, when, in fact, company has been less profitable than competitors.

6.3 Debt ratios

6.3.1 Debt ratio

It can be interpreted as the proportion of a company's assets that are financed by debt.

$$Debt\ ratio = \frac{Total\ liabilities}{Total\ assets}$$

So it's simple, debt ratio shows how leveraged the company is, also implying higher level of risk. If the ratio is greater than 1, it means that company owes more "money" that it actually "has". In more correct words, company's liabilities exceed its' assets. The indicator differs from industry to industry, but 0,5 is considered to be more or less reasonable. When the ratio equals 0,5 it means that the company has 2 times more assets than liabilities, or company's liabilities are only 50% of company's total assets.

6.3.2 Interest coverage ratio

Is a measure of a company's ability to meet its interest payments.

$$Interest\ coverage\ ratio = \frac{EBIT}{Interest}$$

This ratio refers to company's ability to hold over interest payments of its loans. Creditors and investors use this ratio to assess risks and possible downsides of investing/lending money to a firm. For instance, an investor is mainly aimed at companies which promise an increase of value of invested funds, a great deal of such increase is based on profits and operational efficiency. So, an investor wants to see the company able to pay bills in time, without losing money to creditors for overdue liabilities. When a creditor, on the other side, analyses company's ability to pay interest on debt and evaluates how much risk it can imply.

6.4 Liquidity ratios

6.4.1 Current ratio

Is a firm's ability to pay off its short-term liabilities with its current assets. Value 2 is acceptable, but really depends on the industry.

$$Current\ ratio = \frac{Current\ assets}{Current\ liabilities}$$

This ratio is important measure of liquidity because short-term liabilities and debts must be paid within one year, so the company has not only very limited time to meet its financial requirements and pay, but the most importantly to raise funds to pay. And companies with more liquid assets (cash, cash equivalents, securities etc.) are more likely to pay dues within shorter periods of time.

6.4.2 Quick ratio

Is an indicator of a company's short-term liquidity, and measures a company's ability to meet its short-term obligations with its most liquid assets. Value 1 is acceptable, but really depends on the industry.

$$Quick\ ratio = \frac{Current\ assets - Inventory}{Current\ liabilities}$$

Or, sometimes, acid-test ratio, which measures the ability of a company to pay its liabilities only with quick assets. That means assets, which can be easily converted into cash within 90 days period. For example, accounts receivable and current accounts (and many more). The ratio is called “acid test” in reference to history of early gold mining, when miners used to test found metals with acid to determine whether the metal is gold or a base metal.

6.5 Market ratios

6.5.1 Price/Earnings (PE) ratio

Is the ratio for valuing a company that measures its current share price relative to its per-share earnings.

$$PE = \frac{Market\ price\ per\ share}{Earnings\ per\ share}$$

In ordinary words, it’s the price an investor is willing to pay to receive one dollar of company’s profit or earnings. For the best possible results, off course, better be valuated alongside with other companies from the same sector. The second thing, company’s debt can also affect stock price and/or earnings, so PE ratio never should be used alone as key decision-making base. And, indeed, firms which stock is being traded on stock markets can sometimes manipulate their reported earnings to change PE and other indicators for underlying reasons. So it’s better to use several ratios and methods at once.

6.5.2 Market to book ratio

Is a company’s value at any point in time as determined by the financial marketplace divided by the company’s assets divided by the total number of shares outstanding.

$$Market\ to\ book\ ratio = \frac{Market\ price\ per\ share}{Book\ value\ per\ share}$$

This type of evaluation is used to find out whether company’s stock is overvalued or undervalued. Ratio of one means that company’s stock value equals company’s net assets value. Which, really, doesn’t happen in real life. Stock price consists of willing of investors to buy this stock and many other market factors, while book value is made of what company does and what assets it possesses. For example, some Silicon Valley startup company can have almost no assets, except for a clever idea which possibly can generate a lot of hype and promises lots of dividends and money in the future, causing the stock price to grow quarter over quarter, while company itself still has no assets.

6.5.3 Book value per share

Is used to calculate the per share value of a company based on its equity available to common shareholders.

$$Book\ value\ per\ share = \frac{Equity}{Number\ of\ shares}$$

Sometimes this ratio is referred as amount a shareholder would receive if a company disappears. Generally, shows how much one share costs in terms of firm’s equity. Also, is an indicator for undervalued company, if book value per share is less than market value per share.

7 Practical part

7.1 General information about Amrest Holdings SE and overview

Amrest Holdings SE ("the Company", "Amrest", "Equity holders of the parent") was established in the Netherlands in October 2000 as a joint-stock company. On September 19, 2008, the Commercial Chamber in Amsterdam registered the change in the legal status of the Company to a European Company (Societas Europaea) and of its name to Amrest Holdings SE. On December 22, 2008, the District Court for Wrocław- Fabryczna in Wrocław registered the seat of Amrest in the National Court Register. The address of the Company's registered office is: pl. Grunwaldzki 25-27, Wrocław (50-365), Poland.

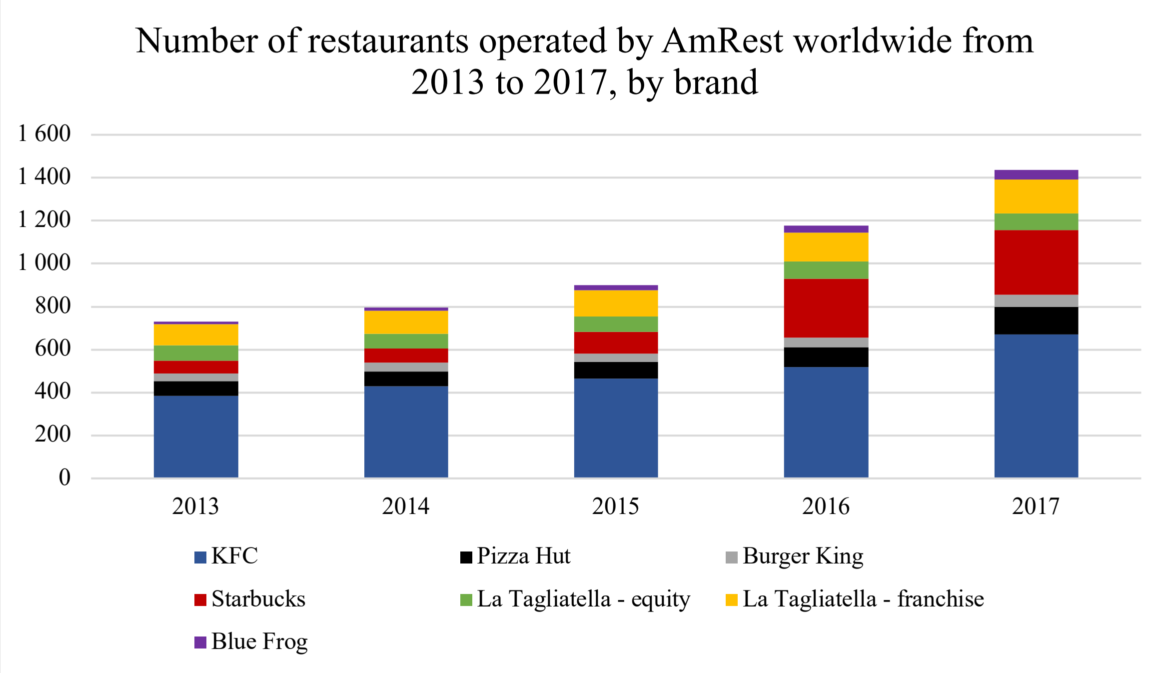
Amrest is the first public company in Poland operating in the form of a European Company. The purpose of transforming Amrest into a European Company was to increase its operating effectiveness and reduce operating and administrative expenses.

Here after, the Company and its subsidiaries shall be referred to as "the Group". The Group's consolidated financial statements for the 12-month period ended December 31, 2017 cover the Company, its subsidiaries and the Group's shares in associates.

These consolidated financial statements were approved by the Company's Management Board on March 8, 2018.

The Group's core activity is operating Kentucky Fried Chicken ("KFC"), Pizza Hut, Burger King and Starbucks restaurants through its subsidiaries in Poland, the Czech Republic (further Czech), Hungary, Slovakia, Russia, Serbia, Croatia, Bulgaria, Romania, Germany, France, Austria, Slovenia and Spain, on the basis of franchises granted. In Spain, France, Germany and Portugal the Group operates its own brands La Tagliatella, Trastevere and il Pastificio. This business is based on the franchise agreements signed with non-related companies and own restaurants. It is supported by the central kitchen which produces and delivers products to the whole network of own brands. Additionally, in China, Spain and Poland the Group operates its own brands Blue Frog and KABB (China).

Figure 3 Number of restaurants operated by Amrest worldwide from 2013 to 2017, by brand



Source: Number of restaurants operated Amrest worldwide from 2006 to 2018, b. (2018). Amrest: restaurant numbers by brand 2013-2018 | Statista. Retrieved from https://www.statista.com/statistics/941175/Amrest-restaurant-numbers-by-brand/

On April 27, 2005, the shares of Amrest Holdings SE were quoted for the first time on the Warsaw Stock Exchange ("WSE").

As at December 31, 2017, FCapital Dutch B.V. was the largest shareholder of Amrest and held 56.38% of its shares and voting rights. The parent entity of the Group on the top level is Grupo Far-Luca, S.A. de C.V. The directly dominant person of Grupo Far-Luca, S.A. de C.V., Mr. Carlos Fernández González.

Pursuant to the information available to the Company, as at the date of release of 2017 annual report, that is March 8, 2018 the following shareholders submitted information on holding directly or indirectly (through subsidiaries) 5% or more of the total vote at the General Shareholders Meeting of Amrest Holdings SE:

Table 1 Amrest Holdings SE shareholder structure

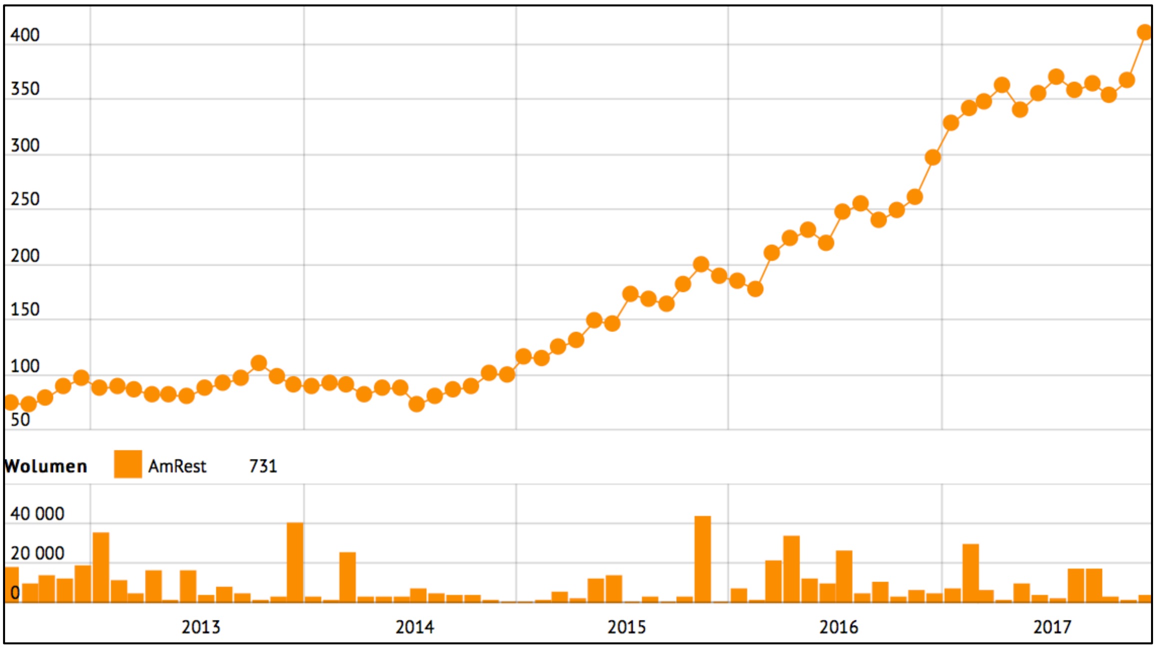
Shareholders	**Shares amount**	**Share in Equity%**	**Shares amount at AGM**	**Share at AGM%**
FCapital Dutch B.V.*	11 959 697	56.38%	11 959 697	56.38%
Nationale-Nederlanden OFE	1 484 893	7.00%	1 484 893	7.00%
Gosha Holding S.à.r.l.**	2 263 511	10.67%	2 263 511	10.67%
Other shareholders	5 505 792	25.95%	5 505 792	25.95%
Total	21 213 893			

Source: Amrest Holdings SE Annual Report 2017

** FCapital Dutch B. V. is the dominant entity of FCapital Lux (previously Cullinan S.à.r.l.) (holding 5 232 907 Amrest shares) and the subsidiary of Finaccess Capital, S.A. de C.V. Grupo Finaccess SAPI de CV is the directly dominant entity of Finaccess Capital, S.A. de C.V. and a subsidiary of Grupo Far-Luca, S.A. de C.V. The directly dominant person of Grupo Far-Luca, S.A. de C.V., Mr. Carlos Fernández González, is the Supervisory Board member of Amrest*

*** Gosha Holding S.à.r.l. is the entity which relates to Mr. Henry McGovern and Mr. Steven Kent Winegar, Supervisory Board members of Amrest.*

Figure 4 Amrest Holdings SE stock price graph, WSE:EAT



Source: https://www.Amrest.eu/pl/inwestorzy/notowania

7.2 Horizontal analysis

It is time to start with horizontal analysis, here are consolidated income statement and balance sheet of Amrest Holdings SE from year 2014 to 2017.

Table 2 Amrest Holdings SE Income statement

INCOME STATEMENT *In thousands of Polish Zloty*	**December 31, 2015**	**December 31, 2014**	**Change**	**December 31, 2016**	**December 31, 2015**	**Change**	**December 31, 2017**	**December 31, 2016**	**Change**
Continuing operations restaurant sales	3123773	2770529	*12,75%*	3947314	3123773	*26,36%*	4943953	3947314	*25,25%*
Franchise and other sales	214967	182122	*18,03%*	260055	214967	*20,97%*	321554	260055	*23,65%*
Total sales	3338740	2952651	*13,08%*	4207369	3338740	*26,02%*	5265507	4207369	*25,15%*
Company operated restaurant expenses:									
Food and material	972180	886838	*9,62%*	1180839	972180	*21,46%*	1440242	1180839	*21,97%*
Payroll and employee benefits	686198	609537	*12,58%*	908674	686198	*32,42%*	1200058	908674	*32,07%*
Royalties	153366	136881	*12,04%*	197991	153366	*29,10%*	252444	197991	*27,50%*
Occupancy and other operating expenses	947661	868230	*9,15%*	1194264	947661	*26,02%*	1505513	1194264	*26,06%*
Franchise and other expenses	141330	124951	*13,11%*	168648	141330	*19,33%*	213821	168648	*26,79%*
General and administrative G&A expenses	251600	195359	*28,79%*	294796	251600	*17,17%*	387221	294796	*31,35%*
Impairment losses	16848	40414	*-58,31%*	16329	16848	*-3,08%*	32852	16329	*101,19%*
Total operating costs and losses	3142997	2842756	*10,56%*	3961541	3169183	*25,00%*	5032151	3961541	*50,03%*
Other operating income	26186	19454	*34,60%*	22346	26186	*-14,66%*	33526	22346	*27,03%*
Profit from operations	**195743**	**109895**	***78,12%***	**268174**	**195743**	***37,00%***	**266882**	**268174**	***-0,48%***
Finance costs	43694	50688	*-13,80%*	48089	43694	*10,06%*	59633	48089	*24,01%*
Finance income	9646	5929	*62,69%*	3326	9646	*-65,52%*	3397	3326	*2,13%*
Income from associates	588	195	*201,54%*	59	588	*-89,97%*	-	59	
Profit before tax	**162283**	**65331**	***148,40%***	**223470**	**162283**	***37,70%***	**210646**	**223470**	***-5,74%***
Income tax expense	4944	19261	*-74,33%*	32726	4944	*561,93%*	29317	32726	*-10,42%*
Profit for the period	**157339**	**46070**	***241,52%***	**190744**	**157339**	***21,23%***	**181329**	**190744**	***-4,94%***
Profit attributable to:									
Non-controlling interests	2697	5597	*-51,81%*	180	2697	*-93,33%*	952	180	*428,89%*
Equity holders of the parent	160036	51667	*209,75%*	190564	160036	*19,08%*	182281	190564	*-4,35%*
Profit for the period	**157339**	**46070**	***241,52%***	**190744**	**157339**	***21,23%***	**181329**	**190744**	***-4,94%***
Basic earnings per share in Polish zloty	7,54	2,44	*209,02%*	8,98	7,54	*19,10%*	8,59	8,98	*-4,34%*
Diluted earnings per share in Polish zloty	7,54	2,44	*209,02%*	8,98	7,54	*19,10%*	8,59	8,98	*-4,34%*

Source: Amrest.eu. (2018). Periodical reports | Amrest.eu. [online] Available at: https://www.Amrest.eu/en/investors/periodical-reports [Accessed 28 Feb. 2019]

From the Table 2 you can see that sales revenue has increased for 13% between 2014 and 2015, and has been growing around 25% in 2016 and 2017. If to talk about expenses, in 2017, after several acquisitions and expansion, expenses rose accordingly, with total 101% difference between 2016 and 2017 in Impairment losses and 31% in General & administrative expenses. All that consequently led to Profit from operations growth rate falling from 78% in 2015 and 37% in 2016 to -0,48% in 2017. In the last year 2017 Profit before and after taxes growth rate shows negative dynamic, around -5%, while two years ago this indicator was around 148% before taxes and 241% after taxes. Over past 2 years the growth rate of non-controlling interest shareholders profit has been decreasing, and then in 2017 it suddenly increased by 428%.

Table 3 Amrest Holdings SE Balance sheet

BALANCE SHEET *In thousands of Polish Zloty*	**December 31, 2015**	**December 31, 2014**	**Change**	**December 31, 2016**	**December 31, 2015**	**Change**	**December 31, 2017**	**December 31, 2016**	**Change**
Assets									
Property, plant and equipment	1060019	1016329	*4,30%*	1343738	1060019	*26,77%*	1690155	1343738	*25,78%*
Goodwill	583091	578322	*0,82%*	769063	585378	*31,38%*	909310	777508	*16,95%*
Other intangible assets	574109	528070	*8,72%*	604139	574109	*5,23%*	612690	617327	*-0,75%*
Investment properties	22152	22152	-	22152	22152	-	22152	22152	-
Investments in associates	828	403	*105,46%*	888	828	*7,25%*	-	888	-
Other non-current assets	51801	47060	*10,07%*	62503	51801	*20,66%*	95853	62503	*53,36%*
Deferred tax assets	33352	28434	*17,30%*	49674	33352	*48,94%*	59302	44834	*32,27%*
Total non-current assets	2325352	2220770	*4,71%*	2852157	2327639	*22,53%*	3389462	2868950	*18,14%*
Inventories	64346	51638	*24,61%*	82086	63550	*29,17%*	93628	82086	*14,06%*
Trade and other receivables	92090	66345	*38,80%*	99384	91929	*8,11%*	162004	99384	*63,01%*
Corporate income tax receivables	5458	6735	*-18,96%*	12797	5458	*134,46%*	4174	12797	*-67,38%*
Other current assets	44007	19184	*129,39%*	102898	43355	*137,34%*	121571	102898	*18,15%*
Cash and cash equivalents	317871	257171	*23,60%*	291641	317871	*-8,25%*	548248	291641	*87,99%*
Total current assets	523772	401073	*30,59%*	588806	522163	*12,76%*	929625	588806	*57,88%*
Total assets	**2894124**	**2621843**	***10,39%***	**3440963**	**2849802**	***20,74%***	**4319087**	**3457756**	***24,91%***
Equity									
Share capital	714	714	-	714	714	-	714	714	-
Reserves	678306	692624	*-2,07%*	648886	678306	*-4,34%*	606366	648886	*-6,55%*
Retained earnings	464456	304420	*52,57%*	655020	464456	*41,03%*	837301	655020	*27,83%*
Translation reserve	110447	86216	*28,10%*	4413	110447	*-96,00%*	133917	4413	*2934%*
Equity attributable to shareholders of the parent	1032973	911542	*13,32%*	1309033	1033029	*26,72%*	1310464	1309033	*0,11%*
Non-controlling interests	71045	64100	*10,83%*	67577	71045	*-4,88%*	35184	67577	*-47,93%*
Total equity	1104074	975642	*13,16%*	1376610	1104074	*24,68%*	1345648	1376610	*-2,25%*
Liabilities									
Interest-bearing loans and borrowings	1035946	1116047	*-7,18%*	1039033	1035946	*0,30%*	1811975	1039033	*74,39%*
Finance lease liabilities	7921	7312	*8,33%*	7880	7921	*-0,52%*	7001	7880	*-11,15%*
Employee benefit liability	26677	39606	*-32,64%*	19850	26677	*-25,59%*	12488	19850	*-37,09%*
Provisions	3680	9305	*-60,45%*	23717	4245	*458,70%*	39543	42346	*-6,62%*
Deferred tax liability	90492	103591	*-12,64%*	117818	90492	*30,20%*	114242	117818	*-3,04%*
Other non-current liabilities	14901	17145	*-13,09%*	8429	14901	*-43,43%*	24508	8429	*190,76%*
Total non-current liabilities	1179617	1293006	*-8,77%*	1216727	1180182	*3,10%*	2009757	1235356	*62,69%*
Interest-bearing loans and borrowings	89418	337	*26433,53%*	223255	89418	*149,68%*	157880	223255	*-29,28%*
Finance lease liabilities	1323	767	*72,49%*	1636	1323	*23,66%*	1777	1636	*8,62%*
Trade and other accounts payable	461774	344873	*33,90%*	614929	461774	*33,17%*	779839	613093	*27,20%*
Corporate income tax liabilities	12918	7218	*78,97%*	7806	13031	*-40,10%*	24186	7806	*209,84%*
Total current liabilities	565433	353195	*60,09%*	847626	565546	*49,88%*	963682	845790	*13,94%*
Total liabilities	1745050	1646201	*6,00%*	2064353	1745728	*18,25%*	2973439	2081146	*42,88%*
Total equity and liabilities	**2849124**	**2621843**	***8,67%***	**3440963**	**2849802**	***20,74%***	**4319087**	**3457756**	***24,91%***

Source Amrest.eu. (2018). Periodical reports | Amrest.eu. [online] Available at: https://www.Amrest.eu/en/investors/periodical-reports [Accessed 28 Feb. 2019]

Starting with company's assets, as is it visible in the Table 3 above, they showed steady growth around 10-20% per year, both current and non-currents assets. While with equity it is not so simple, at first there is growth ascending assets' growth for 3-4% every year, and then there is 2,25% decrease in 2017 comparing with 2016. That most likely happened because company's liabilities were increasing too, which was also caused by new tax burdens in new countries and loans interest liabilities. Like that, total liabilities showed almost double growth-rate versus total assets (42,88% vs 24,91%). With overall growth of assets and inventories, as well as property, plants and equipment, the company is growing and steadily expanding, cowering new and new areas with restaurants and operating units.

The number of restaurants grew up by 62% in just 2 years (from 904 in 2015 to 1440 in 2017). It very likely that the drivers for such rapid growth are loans and borrowings. In particular, 26433% increase of short term loans in 2015, and consequent 3134% increase in translation reserve. The last one occurred because of a bank loan of EUR 177.75 million and debt instrument Schuldscheindarlehen (SSD) issue of EUR 26 million are hedging net investment in Hungarian subsidiary Amrest Capital ZRT and in the Spanish subsidiaries. (Amrest Holdings SE, 2018) Next a 458,7% increase of provisions happened because of 100% acquisitions Starbucks in Romania, Bulgaria, and Germany. Mainly implementing tax risks connected with operating on new markets in new countries. And, corporate income tax expenses increase in between 2016 and 2017 has occurred because of operating on new markets and countries with high level of tax burden.

7.3 Financial ratios analysis

Table 4 Financial ratios analysis of Armest Holdings SE and competitors 2015 - 2017

Profitability ratios			
Gross profit margin	*2015*	*2016*	*2017*
Amrest SE	**6%**	**6%**	**4%**
McDonald's	**39%**	**41%**	**47%**
Yum!	**43%**	**97%**	**96%**
Operating profit margin	*2015*	*2016*	*2017*
Amrest SE	**5%**	**5%**	**4%**
McDonald's	**28%**	**31%**	**42%**
Yum!	**22%**	**26%**	**47%**
Return on assets	*2015*	*2016*	*2017*
Amrest SE	**5%**	**6%**	**4%**
McDonald's	**13%**	**14%**	**16%**
Yum!	**16%**	**20%**	**25%**
Return on equity	*2015*	*2016*	*2017*
Amrest SE	**14%**	**14%**	**13%**
McDonald's	**48%**	**189%**	**-193%**
Yum!	**83%**	**-85%**	**-22%**

Liquidity ratios			
Current ratio	*2015*	*2016*	*2017*
Amrest SE	**0,93**	**0,69**	**0,96**
McDonald's	**1,31**	**1,77**	**1,84**
Yum!	**0,15**	**1,15**	**1,66**
Quick ratio	*2015*	*2016*	*2017*
Amrest SE	**5,00**	**3,96**	**4,38**
McDonald's	**3,23**	**1,38**	**1,82**
Yum!	**0,53**	**1,12**	**1,66**

Activity ratios			
Inventory turnover	*2015*	*2016*	*2017*
Amrest SE	**57,57**	**57,78**	**59,93**
Average collection period	*2015*	*2016*	*2017*
Amrest SE	**10,07**	**8,62**	**11,23**
Total assets turnover	*2015*	*2016*	*2017*
Amrest SE	**1,15**	**1,22**	**1,22**

Debt ratios			
Debt ratio	*2015*	*2016*	*2017*
Amrest SE	**1,66**	**1,67**	**1,45**
Interest coverage ratio	*2015*	*2016*	*2017*
Amrest SE	**4,48**	**5,58**	**4,48**

Market ratios			
P/E ratio	*2015*	*2016*	*2017*
Amrest SE	**24,96**	**32,96**	**48,89**
McDonald's	**22,66**	**21,36**	**26,39**
Yum!	**16,86**	**15,19**	**21,07**
Market to book ratio	*2015*	*2016*	*2017*
Amrest SE	**3,62**	**4,56**	**6,62**
Book value per share	*2015*	*2016*	*2017*
Amrest SE	**0,052**	**0,065**	**0,063**

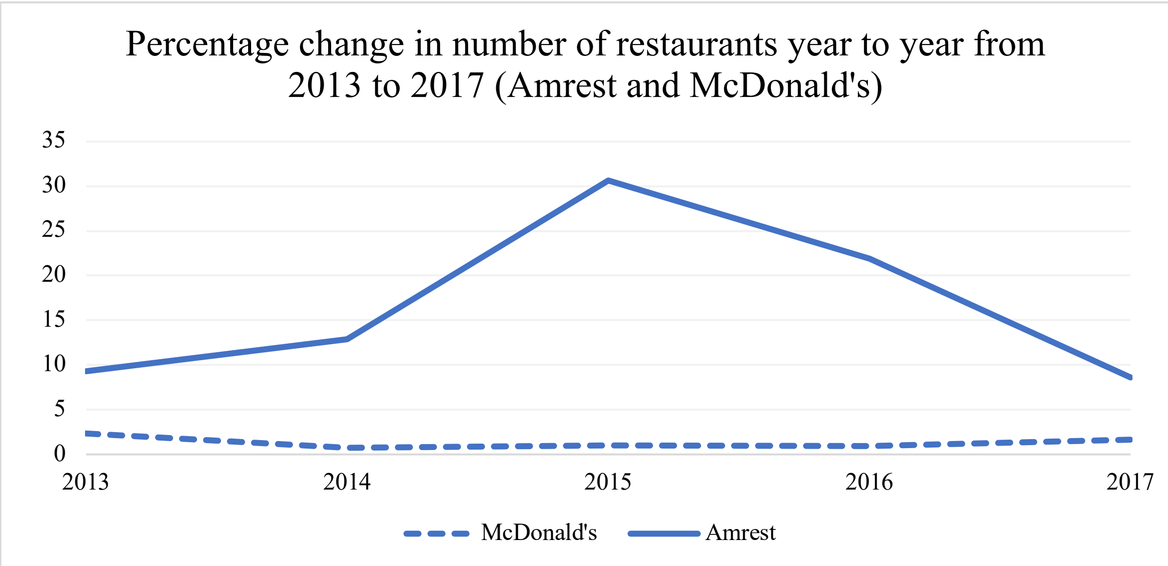
Source: Macrotrends.net. (2018). McDonald's Financial Ratios 2005-2017 | MCD. [online] Available at: https://www.macrotrends.net/stocks/charts/MCD/mcdonalds/financial-ratios [Accessed 28 Feb. 2019].

Amrest.eu. (2018). Periodical reports | Amrest.eu. [online] Available at: https://www.Amrest.eu/en/investors/periodical-reports [Accessed 28 Feb. 2019].

NASDAQ Exchange Official Website. (2019). NASDAQ | YUM Company Financials. [online] Available at: https://www.nasdaq.com/symbol/yum/financials [Accessed 6 Mar. 2019].

So, let us begin with ratios analysis, first is gross profit margin, as it says in Table 4, Amrest Holdings SE has very little gross profit margin rate, about 6%, which does not seem to fluctuate much, that is typical for a growing company. Profits grow, but expenses sometimes grow even faster. On the other side, we have McDonald's and Yum! which have 3-4 times bigger profit margin, this is more typical for mature companies and selling-franchise-business-model. The same is with return on assets and all the other profitability ratios, Amrest performs in a different way than McDonald's and Yum!, but that is because companies of a different market and scale are being compared. To emphasize the difference between Amrest and McDonald's let us remember that the main activity of McDonald's is selling master franchise to affiliates, whereas Amrest is mainly operates own restaurant network as a Yum!'s franchisee and expands its restaurant network as quick as conditions afford. It is enough to just take a look at Figure 5 see how fast Amrest is growing in relative terms comparing to McDonald's.

Figure 5 Percentage change in number of restaurants year to year from 2013 to 2017 (Amrest and McDonald's)



Source: Statista.com

Next, liquidity ratios, and current ratio of Amrest tells us, that most likely the company would not meet all its short-term liabilities if they are all due at once. While McDonald's and Yum! have their short-term debts well covered. In quick ratio, or "acid test" if you will, Amrest indicates outstanding ability of meeting liabilities only using the most liquid assets and being way further ahead comparing to competition in this analysis.

Next, activity ratios, inventory turnover rate is pretty impressive, average 58,3. That means the company can 58,3 times during the period sell inventory and replace it with new. Collection period is traditionally low for this type of business, averaging of 10 days. Total assets turnover rate with 3-year average of 1,2 means that company makes 1,2 Polish zloty of sales using assets worth 1 Polish zloty. Not much, but when company is aimed on expansion rather than profit maximization, it is acceptable.

Next, dent ratio. With average of 1,59 Amrest can cover its liabilities with assets 1,59 times. In 2017 rate decreased by 1,8 because in that period large amount of loans have been paid. And interest coverage is 4,84 in average.

Market ratios. One of the main benchmarks for evaluation of a company, P/E ratio. While McDonald's and Yum! do not show any remarkable growth in P/E ratio, Amrest has really good results, the P/E ratio increased from 24,96 in 2015 to 48,89 in 2017, almost 100% growth! That, in particular, means that an investor is willing to pay 48,89 Polish zloty for 1 Polish zloty of company's earnings. That is how high hopes and expectancies of future profits and revenues are, people on the market really believe in Amrest and awaiting positive financial results. Market to book ratio has also a positive trend of moving upwards and it has changed from 3,62 in 2015 to 6,62 in 2017. Which is again tells us about Amrest being overestimated on the financial marketplace by investors wanting to gain profit from ascending future stock price. And the last but not least, book value per share. This ratio has not shown any remarkable growth over 3 analyzed years, increased from 0,052 Polish zloty in 2015 to only 0,063 polish zloty in 2017. The main reason is shareholders' equity does not significantly increase over time.

8 Conclusion

The main goal of this Bachelor thesis is to conduct relevant and accurate financial analysis of Amrest Holdings SE, and I as the author, consider this goal reached. Relevance of this bachelor thesis is backed up by theoretical part and literature review, as well as short overview of European fast-food market with key market players and their market share presented in graph and text. Then there were described world's two main financial reporting standards, IFRS and US GAAP. Financial reporting standards section also has general principles of both standards and short insights about world utilization of them. Next, there are collected and structured general techniques and methods for assessing a company's financial results and performing analysis of annual financial statements. In particular: horizontal analysis, company's fair value assessment, financial ratios principles and meanings. The major part of theoretical section is based on relevant-to-the-topic literature and trusted online resources. All the sources of data are appropriately cited and structured in the end of the document.

After getting together all needed tools and means, the financial analysis was performed. Being guided by and based on theoretical part, analysis should be considered as complete and appropriate. However, there also are author's assumptions and suppositions which based on expertise gained from studying relevant subjects at university and collecting data from sources mentioned above. Therefore, they cannot be used as a basis and/or reliable source of information for decision making, but they are the very essence of what I did while performing the analysis.

To give you a quick summary of obtained results I can tell that Amrest is strong and surely rapidly growing group. The main objective of the company is, as mentioned above, outsell McDonald's on every market of presence, which can only be possible if Amrest continues opening new and new restaurants. European fast-food market is not so saturated and dense as US market, so Amrest chose the only right path to fight its main competitor. The company may not manage assets that well that it earns a lot relative to how much it spends, but it manages to expand and consume local competitors with visible ease. From the outside of the company, on financial market, investors are believing in Polish based fast-food chains operator, which makes stock price rise over time with no obstacles (see Figure 4).

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