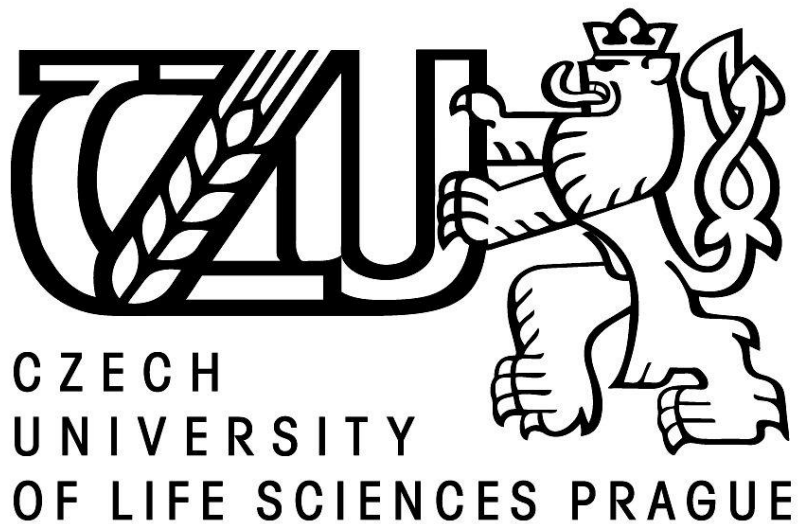


CZECH UNIVERSITY OF LIFE SCIENCES PRAGUE

Faculty of Economics and Management

Department of Economics



Diploma Thesis

The financial analysis of Stavební firma

HOBST a.s.

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ABSTRACT

The diploma thesis focuses on the financial analysis of the company Stavební firma HOBST a.s. The company focuses on the heavy engineering such as bridges, concrete walls and water management constructions. The first part of the thesis explains the main terms related to the financial analysis. It starts with the explanation of the financial statements, different methods of the analysis and lastly, there is briefly explained the current situation on the Czech construction market. The main part of the diploma thesis, practical part, focuses on the analysis itself. The analysis is done for four years: 2012 – 2015. There is the horizontal and vertical analysis of the main financial statements, such as balance sheet and income statement. This analysis gives us a deep look into the individual items of the mentioned financial statements. It is followed by the ratio analysis, which shows some of the important indicators which are subsequently compared with the values of industry averages. Last but not least, the practical part analysis the composition of the individual construction from the contract owner view, and from the type of the construction views. There is a regression analysis of the relationship between revenues of the constructions for state and the amount of investment of state into infrastructure.

KEY WORDS

Financial analysis, profitability, liquidity, activity, construction company

OBJECTIVES

The goal of a theoretical part of this diploma thesis is to determine and explain the main terms that are related to the financial analysis and to describe the main methods of the analysis.

The practical part of the thesis aims to evaluate the financial stability of a chosen company Stavební firma HOBST, a.s. using the methods, procedures and calculations of the financial analysis. The financial analysis will be done for four years: 2012 - 2015; therefore there will be done a comparison of these years. Also there will be done a regression analysis of the types of the construction that were constructed in the mentioned years.

METHODOLOGY

The literature review was done using the methods of synthesis, extraction, induction and deduction. Author tried to explain the main terms about financial analysis using these methods. There were described the main terms connected with financial analysis and subsequently there were explained the different methods. There were also briefly described the main financial statements that are necessary for a proper financial analysis such as balance sheet and income statement.

In the analytical part, there were used the methods of the financial analysis that were applied to a concrete data from the financial statements of the year 2012, 2013, 2014 and 2015 from the company Stavební firma HOBST, a.s. The second part consists the regression analysis, which studies the types of construction and how it is influenced by the state budget.

CONCLUSION

The aim of this diploma thesis was to evaluate the financial stability of the selected company Stavební firma HOBST a.s. The sources of the financial data, which was used in this thesis for the main calculating, such as balance sheet and income statement, were obtained by the companies accounting manager together with the data of the construction of the years 2012 – 2015.

The theoretical part of this diploma thesis did explain the main terms related to the financial analysis, including the financial statements as sources of the data for the analysis. It explained the methods of the financial analysis such as, analysis of the absolute indicators followed by the ratio analysis. There were also briefly explained the situation on the construction market in the Czech Republic.

The main part of this thesis is however the practical part. In this part, there were applied the methods of the financial analysis that were discussed in the theoretical part to the real data of the chosen company. The two main financial statements, that were used, are balance sheet and income statement. The data were analysed across four financial years – 2012, 2013, 2014, 2015. From the first view on the financial statement, specifically on the profits of these four years, it was clear that the years will differ a lot. Because of the different financial situations of the company throughout the years, it is possible to identify the strengths and weaknesses of this company.

From the horizontal and vertical analysis of the balance sheet and income statement, there is easily seen that, the company does not have any huge problem. The long-term assets are slowly increasing over the years. There is a huge increase in the accounts of liabilities. There is also an increase of the receivables, which is caused by the increase of contracts. However, it should not be such high, and the management should maybe improve the strategy of receiving the money for the work. Big difference is also seen in the accounts of inventories; this difference is mainly made by the low amount of the work-in-progress at the end of 2015. The management should always try to finish all its work towards the end of the day. The profit of the company was during these four years always increasing in the comparison with the previous year, which is of course the aim of the business.

Concerning the ratio analysis, in almost every ratio, the company is above average. The biggest difference between the value of the company and the industry average is in the liquidity ratios. They have too much of the current assets, in the comparison with the current liabilities. It is definitely not necessary to have such a liquid assets. This is one of the most important things that the management should improve. They should invest some of the money, so they might be making higher profit. As far as profitability ratio, the company is again almost always above average, but it is not such significant difference as at the liquidity ratios. For the higher profitability, they should focus on the return on assets, since it was the lowest value out of the rest of the profitability ratio. But it is important to mention that even the lowest ratio ROA is still above the industry average. Activity ratios are quite stable. The one unstable activity ratio is Inventory turnover. It is caused by the different amount of the work-in-progress at the ends of the years.

The next analysis is focusing more on the construction itself. There was done an analysis of all the constructions that has started in the four analysed years and that constructions which had higher revenues than 250 000 CZK. In this part of the thesis, there was analysed the composition of the type of the construction. There were four types of the constructions – Road transportation, Buildings, Water management construction and Railroad transportation. Out of this analysis it is possible to say, that the most profitable type of constructions are constructions at railroad transportation and road transportation. This goes along with the last analysis, which is regression analysis. It examines the relationship between the revenues of the company from the state constructions and amount of the investment of the state into infrastructure. With very high correlation coefficient it is possible to say, that there is very

strong positive relationship between these two variables. As a conclusion of this analysis, it is possible to say that for the future of the company, it is more profitable to focus on the big state construction which include road or railroad construction, because state is investing a lot of money into the improvement of infrastructure.

The company is over all very financially stable company. The first analyzed year 2012 was not successful, but since then, the company has been making profit. And they have become a stable company in the industry of constructions, with a high number of contracts whether state or public. It is also important to mention that construction industry has been flourishing in recent years, and that state has been improving the infrastructure a lot, which can make a huge difference in the profit of this company. This implies that the company's amount of the profit is highly dependent on government procurement.

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