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Faculty of Economics and Management

Department of Economics



Master's Thesis

Economic Analysis of selected company REDTAG

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DIPLOMA THESIS ASSIGNMENT

Bachelor of Science Nahid Mohammad Abdul, BSc

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Thesis title

Economic Analysis of Chosen Company

Objectives of thesis

The main objective of this diploma thesis is to assess Redtag company's economic performance in the Middle East clothing retail industry, evaluate its leadership position, analyze its operations, and propose strategies for growth and expansion.

Methodology

The practical part applies financial analysis methods to examine Redtag company's performance during the period 2018-2022. These methods involve applying moderate approaches such as STEP analysis, SLEPT analysis, and Porter's analysis. Additionally, an analysis of the surrounding environment is conducted to identify opportunities and threats (OT) as part of the SWOT analysis. The internal analysis utilizes the BCG matrix, Human Resources assessment, and sales reports to define strengths and weaknesses (SW).

The proposed extent of the thesis

60 – 80 pages

Keywords

economic analysis, business model, profitability, financial analysis, retail industry, clothing line, SWOT, STEP, Porter's five forces model.

Recommended information sources

GILLESPIE, Andrew. *Economics for business*. Oxford ; New York: Oxford University Press, 2019. ISBN 978-0-19-878603-0.

KOTLER, Philip; KELLER, Kevin Lane. *Marketing management*. Upper Saddle River: Pearson Prentice Hall, 2012. ISBN 978-0-13-600998-6.

Robin Lewis and Michael Dart ., Black, *The New Rules of Retail: Competing in the world's toughest marketplace*, Hardcover – 2014 ISBN 978-0071833537

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Declaration

I declare that I have worked on my bachelor thesis titled "Economic Analysis of Redtag" by myself and I have used only the sources mentioned at the end of the thesis. As the author of the bachelor thesis, I declare that the thesis does not break any copyrights.

In Prague on 15.11.2023

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Economic analysis of Redtag Company

Abstract

This thesis focuses on the economic analysis of REDTAG from its establishment in 2006 to 2022. REDTAG prides itself on offering great quality products across Fashion & Home at affordable prices with over 225 stores including in The Middle East, Africa, and West Asian countries, with its unique customer approach.

This thesis uses data for the years 2018 to 2022 respectively to compare its progress in the retail business market, with the objective to analyze the economic status of the company.

In recent years, there has been a steady increase in both revenue and profitability for the company. Between 2018 and 2021, the company's revenue rose from \$1.17 billion to \$1.49 billion, with an average annual growth rate (CAGR) of 9.2%. Over the same period, Redtag's net income also grew, going from \$58.3 million to \$82.6 million, at an average annual growth (CAGR) rate of 13.8%. This impressive performance is primarily a result of the company's expansion strategy, which involves expanding its number of stores and making investments in e-commerce.

Not only has the company seen a remarkable increase in online sales, with a significant growth of 38% in 2021 compared to the previous year, but they have also identified their apparel segment as a major driver of revenue. In fact, it accounts for an impressive 63% of the total share in 2021. This particular segment has consistently displayed consistent growth over the past three years, boasting a compound annual growth rate (CAGR) of 7.8%. Furthermore, Redtag has expanded its product portfolio to include other categories beyond apparel, such as home and living, beauty, and electronics. This diversification strategy further enhances their potential for success and market dominance.

The company's strong financial performance is evident through its revenue growth in specific categories. These categories have contributed 12% of its total revenue in 2021, showing a significant increase from the 8% reported in 2018. This demonstrates the company's ability to adapt and capitalize on market trends. Moreover, the company's robust balance sheet further supports its financial stability. With a debt-to-equity ratio of only 0.27 in 2021, the company maintains a prudent approach to managing its debt levels compared to equity. This indicates that it has a relatively low level of debt, which reduces financial risk and enhances investor

confidence. Furthermore, the company's healthy cash balance is worth noting as well. Closing out the year with \$230 million in cash and cash equivalents highlights their ability to maintain liquidity and seize strategic opportunities when they arise. Overall, this strong financial performance combined with their expansion strategy positions the company for continued growth in the future. With these favorable circumstances at hand, stakeholders can feel confident about investing in or partnering with this promising organization.

The primary challenge facing the company revolves around its fluctuating income, and the solution lies in dedicating more time and expertise to improve financial planning processes. Even though the company primarily focuses on long-term projects that entail extensive administrative procedures, there's room for enhancement in managing accounts receivables. Furthermore, financial planning also extends to the company's investments, particularly its significant investment in R&D activities, which have the potential to generate substantial revenues. To address this, REDTAG should consider diversifying a portion of its investments and expanding its financial and fixed assets. Additionally, the company should aim to achieve a similar level of Return on Sales, especially as the fashion sector is thriving in European nations and e-commerce contributions are being compared to those in the Middle East. Achieving this Return on Sales relies on factors such as EBIT, which can be influenced by effective financial planning, and sales, which can be boosted through an improved marketing strategy.

Keywords:- retail, business performance, economic analysis, SWOT, budget, deficit, achievements, strategies, competition, PESTLE analysis, porter's five forces.

Ekonomická analýza společnosti Redtag

Abstrakt

Tato práce se zaměřuje na ekonomickou analýzu společnosti REDTAG od jejího založení v roce 2006 do roku 2022. Společnost REDTAG se pyšní tím, že nabízí velmi kvalitní výrobky v oblasti módy a domácích potřeb za přijatelné ceny ve více než 225 prodejnách, včetně prodejen na Blízkém východě, v Africe a v zemích západní Asie, a to díky svému jedinečnému přístupu k zákazníkům.

Tato diplomová práce využívá údaje za roky 2018, až 2022 k porovnání jejího vývoje na trhu maloobchodního podnikání s cílem analyzovat ekonomickou situaci společnosti.

V posledních letech vykazuje společnost konzistentní růst tržeb a ziskovosti. V letech 2018 až 2021 se tržby společnosti zvýšily z 1,17 miliardy USD na 1,49 miliardy USD, což představuje souhrnnou roční míru růstu (CAGR) ve výši 9,2 %. Ve stejném období vzrostl čistý zisk společnosti Redtag z 58,3 milionu USD na 82,6 milionu USD, což představuje 13,8% CAGR. Výkonnost společnosti lze přičíst její strategii expanze, která zahrnuje zvýšení počtu prodejen a investice do elektronického obchodu.

Společnost také zaznamenala výrazný nárůst online prodeje, který v roce 2021 vzrostl o 38 % oproti předchozímu roku. Pokud jde o kategorie výrobků, většinu tržeb společnosti Redtag tvoří segment oděvů, jehož podíl v roce 2021 dosáhne 63 %. Tento segment v posledních třech letech trvale roste, přičemž CAGR činí 7,8 %. Společnost také rozšiřuje svou nabídku v oblasti neoděvních výrobků, která zahrnuje domácnost a bydlení, kosmetiku a elektroniku.

Tyto kategorie se na jejich tržbách v roce 2021 podílely 12 %, oproti 8 % v roce 2018. Finanční výkonnost společnosti podporuje její silný kapitál, přičemž poměr dluhu k vlastnímu kapitálu v roce 2021 činí 0,27, což naznačuje, že společnost má relativně nízkou úroveň dluhu v porovnání s vlastním kapitálem. Společnost má také zdravou hotovostní bilanci, přičemž na konci roku 2021 disponovala hotovostí a peněžními ekvivalenty ve výši 230 milionů USD. Celkově lze říci, že její finanční výsledky a strategie expanze jí umožňují další růst i v budoucnu.

Hlavním problémem společnosti jsou kolísající příjmy, řešením by bylo investovat více času a dovedností do procesů finančního plánování. Finanční plánování se týká také vymáhání pohledávek, přestože se společnost zaměřuje na dlouhodobé projekty, které zahrnují vysoké administrativní postupy, existuje určitý prostor pro zlepšení. Finanční plánování se týká také investic, společnost vysoce investuje do výzkumných a vývojových činností, které mohou potenciálně přinést vysoké výnosy. Společnost REDTAG by se měla pokusit částečně diverzifikovat investice a rozšířit svůj finanční či dlouhodobý majetek. Společnost by také měla dosáhnout stejné úrovně návratnosti tržeb, protože odvětví módy je v evropských zemích na vzestupu, a také zvýšit příspěvek obchodu ve srovnání se Středním východem. Návratnost tržeb závisí na zisku EBIT, který lze ovlivnit finančním plánováním, a na tržbách, které lze zvýšit lepší marketingovou strategií.

Table of Content

1. Introduction.....	12
2. Objectives.....	14
3. Literature Review.....	15
3.1 Economic Analysis and its purpose	15
3.2 History of economic analysis and its necessity	17
3.3 Economic Analysis of a company	18
3.4 The Users of Economic Analysis	19
3.5 External Analysis	20
3.5.1 Microeconomics and macroeconomics	20
3.5.2 Macroenvironment and microenvironment	20
3.5.3 Analysis of External Macro Environment	21
3.5.4 PESTLE Analysis	22
3.5.4.1 Factors of Pestle Analysis.....	22
3.5.5 Analysis of external Microenvironment	25
3.5.5.1 Porter’s five forces	25
3.6 Internal Analysis	26
3.6.1 Swot Analysis.....	27
3.7 Financial Analysis.....	27
3.7.1 Objectives of Financial Analysis	27
3.7.2 Financial statements.....	27
3.7.2.1 Balance Sheet.....	28
3.7.2.2 Income Statement.....	32
3.7.2.3 Cash Statement.....	32
4. Methodology	34
4.1 Financial Statement Analysis.....	34
4.1.1 Horizontal Analysis	34
4.1.2 Vertical Analysis.....	34
4.2 Ratio Analysis.....	34
4.2.1 Liquid Ratios.....	35
4.2.2 Asst Management Ratios	35
4.2.3 Debt Management Ratios.....	35

4.2.4 Profitability Ratios.....	37
4.2.5 Market Value	38
4.3 Spider Analysis	38
5 Practical part.....	39
5.1 Introduction of the company... ..	39
5.2 EXTERNAL ANALYSIS	40
5.2.1 Analysis of the macroenvironment	40
5.2.1.1 PESTLE.....	40
5.2.2 Analysis of microenvironment.....	49
5.2.2.1 Porter’s five forces model.....	49
5.3 Financial Analysis.....	52
5.3.1 Financial statement analysis	52
5.3.1.1 Horizontal analysis.....	52
5.3.1.2 Vertical analysis	56
5.3.1.3 Balance sheet rules.....	58
5.3.1.3.1 Golden rule.....	58
5.3.1.3.2 Rule of balanced risk.....	59
5.3.1.3.3 Pari rule	59
5.3.2 Ratio analysis	59
5.3.2.1 Profitability ratios	60
5.3.2.2 Liquidity ratios	61
5.3.2.3 Difference ratio	61
5.3.2.4 Activity ratios.....	62
5.3.2.5 Solvency ratios	63
5.3.3 Altman model	64
5.3.4 Economic Value Added	65
5.3.5 Spider Analysis	65
5.4 SWOT analysis	67
5.4.1 Strengths.....	67
5.4.2 Weaknesses	69
5.4.3 Opportunities.....	69
5.4.4 Threats.....	70
6. Discussion.....	71
7. Conclusion	73

Abbreviations

GRDI	Global Retail Development Index
CAGR	Compound Annual Growth Rate
GCC	Gulf Cooperation Council
ARTS	Annual Retail Trade Survey
UAE	United Arab Emirates
GDP	Gross Domestic Product
EBIT	Earnings Before Interest and Taxes
ROE	Return on Equity
BHD	Bahraini Dinar
BBK	Bank of Bahrain and Kuwait
MPO	Market Price of the Organization
EVA	Economic Value Added
BMA	Bin Musa Abdul Latif International Group

List of Images

Image 1: Environment of a company

Image 2: Porter's five forces

Image 3: Main Components of SWOT Analysis

Image 4: Explains a Balance Sheet

Image 5: Cash/Accrual Accounting

Image 6: Cash Direct to Indirect flow method

Image 7: Showing how important E-commerce contribution in the Middle East

Image 8: Employment growth in GCC over the year 2019

Image 9: GCC population pyramid 2020

List of Graphs

Graph 1: Golden rule of Balance sheet

Graph 2: Working capital

Graph 3: Spider Analysis

1 Introduction

Economic analysis has always captivated my interest on a personal level. It offers invaluable insights that can be utilized to compare and contrast work projects, evaluate investment opportunities, and gauge the effects of implementing changes within a company. The ultimate objective is to comprehend the performance of something, with a strong emphasis on its profitability.

Selecting a company for economic analysis within the retail industry provides a valuable learning opportunity. Today, the retail sector plays a significant role in the global economy, not only by selling goods to the public but also by providing employment to 15.19 million individuals worldwide (Marija K in 2022). It is typically the largest industry in terms of both revenue and employment within an economy. Consequently, its impact on the world economy is substantial, accounting for approximately 31% of the world's GDP (DUBLIN BUSINESS WIRE in 2016). The products offered in this industry encompass a wide range, including food, household items, electronics, clothing, shoes, accessories, hardware, and more.

Based on my personal experience in this field, there exists an opportunity to better comprehend product demand, its scale, and the consumer base driving that demand. The retail sector operates by identifying and satisfying these demands through bulk purchasing and subsequent sales to consumers. The retail industry is a powerhouse in the global economy, making a substantial impact through its impressive annual sales and employment opportunities. With its straightforward concept of procuring goods from suppliers in bulk and offering them to consumers for profit, retail has emerged as a vital player on the world stage. From essential items like food and clothing to books and household products, the range of physical goods sold is vast. This expansion has given rise to colossal companies such as Walmart, Amazon, Ikea, Carrefour, as well as regional giants like Kaufland, Albert, Tesco in Europe – all contributing significantly to this thriving sector

Despite its fundamental concept of buying and selling goods in bulk, the global retail market achieved remarkable sales of \$26 trillion U.S. dollars in 2021 and is projected to reach \$30 trillion by 2024, contributing 11-12% to the world economy, as reported by GRDI (Tugba S, 2022). The essence of the retail industry lies in purchasing goods in bulk from manufacturers and selling them in smaller quantities to consumers. This simple yet powerful concept has

evolved retail into a prominent industry, encompassing a wide array of products, from groceries to books and household items. Amidst this ongoing growth, the apparel industry has emerged as a particularly influential and attractive component.

The global apparel market's revenue was estimated at around \$1.5 trillion U.S. dollars in 2021, and it's expected to reach approximately \$2 trillion by 2026, (Smith P. , 2022). The demand for fashion continues to grow worldwide, with a significant boost coming from the Middle East region's expanding retail sector.

In the Gulf Cooperation Council (GCC) markets of the Middle East, annual fashion sales total \$50 billion, underlining the region's strong financial presence. Some GCC countries exhibit some of the highest per capita spending globally, with approximately \$500 per person in Saudi Arabia and \$1,600 per person in the United Arab Emirates (UAE). While Dubai is known as the region's shopping hub, other markets like Saudi Arabia are quickly catching up. (Iftahy A and Youssef A, 2019), Saudi Arabia is increasing its retail contribution by 1.2% annually, making it an attractive destination for retail chains, including progressive brands like REDTAG.

Therefore, I've chosen REDTAG as the company for my economic analysis. I'll be proceeding with the Economic Analysis of REDTAG using various strategic tools such as STEP, SLEPT, and Porter's analysis. These methods will help identify opportunities and threats (OT) in the SWOT analysis. Subsequently, I'll delve into internal analysis using the BCG matrix, human resources assessment, and sales analysis to understand strengths and weaknesses (SW).

2 OBJECTIVES

This diploma thesis aims to conduct an economic analysis of the selected company, REDTAG. The primary objective is to analyze the company's overall economic situation, including its financial position, business performance, and external environment. Additionally, the thesis will address the following research questions. (i) is REDTAG still performing as well as it did in its earlier stages?(ii). What are the possibilities for REDTAG to expand beyond the Middle East market and establish itself as a brand?(iii). If expansion opportunities exist, will REDTAG choose to invest in itself or opt for a franchise model?

3. Literature Review

In the context of this thesis on the economic analysis of REDTAG, let's explore economic analysis comprehensively.

3.1 Economic Analysis and Its Purpose

Economic analysis: It is a tool used for making informed decisions, whether it's related to evaluating business feasibility, monitoring ongoing activities, or in exceptional cases, investigating discrepancies. Economic analysis is essentially an examination of various subjects or issues from an economist's standpoint. It can encompass the study of economic systems, production processes, or even entire industries. The primary goal of this analysis is to assess how efficiently the economy, or any component within it, is functioning. For instance, when conducting an economic analysis of a company, the primary focus is typically on its profit generation, (MBN Market Business News, 2022).

Economic analysis serves two primary purposes. First, it involves a scientific exploration of how the allocation of goods and services, especially when resources are limited, is determined. This aspect of economic analysis is akin to the scientific study of electromagnetism or molecular biology, with the sole aim of understanding the world around us.

However, the development of this positive theory of economics also implies other practical applications. Economic analysis provides insights into how changes in laws, regulations, and government interventions impact various markets. It also sheds light on how these changes affect people, sometimes allowing us to conclude that a particular rule change is, on the whole, socially beneficial. Such analyses blend positive analysis, which predicts the effects of rule changes, with value judgments, a process known as normative analysis.

For example, consider a gasoline tax implemented to fund highway construction. This tax may appear to harm gasoline buyers by raising prices but benefit drivers by providing smoother roads and reducing congestion. Since gasoline buyers and drivers are typically the same individuals, a normative analysis may suggest that this change is advantageous for everyone. Such outcomes, where everyone benefits from a change, are usually uncontroversial (Preston R. McAfee and Stanley J., 2005)

3.2 History of Economic Analysis and its necessity

Before we explore economic analysis, let's first learn about its history. Why does this history matter?

Studying how economies work has a long history, with many people trying to figure it out. Even in today's way of looking at it, we need to think about this history. We might want a more organized story, but practical limits and what we know now make that hard. Even if we could, there would be too much information. Also, we can't ignore what we've learned in sociology within these same limits. It's important to include all the relevant parts to really understand economic analysis. (JOSEPH A.SCHUMPETER, 1954)

Economics has been in existence since the Bronze Age but, since the time of Adam Smith the term economics has actually had a real meaning, he succeeded in creating economic thought. "Initially, the economists believe that markets should not be regulated. The one who was behind this logic was Adam Smith who explained his logic in the book "wealth of the nations". Then, after the Great Depression, economists realized that there is no way that the economy will regulate itself and the ideas of Keynes (interventionism or Keynesian economics) took place. Two main methods were chosen – fiscal and monetary policy, but for Keynesians, Fiscal was the best option. After Keynes, the Chicago school of Monetarists came believing that Keynesian policy is too conservative and harmful and they believed that monetary policy is the most liberal and optimal way to regulate markets." (Smith A. , 1776)

World War I have given many understandings to the world, it gave birth to the Pretence of peace which failed and lead to World War II, and the world leaders understood it giving a tremendous loss to even the countries which were not part of any wars. Many economists started and implemented crucial analyses to keep the world economically realistic about the facts of what is happening, it is since then analyzing many economic conditions are implemented and practiced seriously. Which Economic analysis has expanded and entered into every aspect of countries, international trade, and businesses to multiple companies as well? Hence today we depend on economic analysis for a company to define its functionality. (Matthew J, Robert C Kelly, Pete R., 2022). Adam Smith is certainly considered the father of modern economics (ANDREW, B, 2022). However, it is Joseph A.Schumpeter who worked on the monumental History of Economic Analysis, and hence it is after his expeditions that Economic Analysis has come into the spotlight and was implemented everywhere from a Nation to a company and that is how Economic Analysis of a company is today in existence. (Schumpeter, 1994).

3.3 Economic Analysis of a Company

Economic analysis is like taking a good look at how a company is doing in the economy. The owner wants to know if the company is making money and running well. They compare it to other companies, whether they make a profit or not. The goal is to figure out how to make the company better. They might look at different options to achieve a specific goal, considering things like limits and assumptions. For instance, even if a company is working harder, it might still be behind its competitors. So, the idea is to find ways to make the company work better.(Graeber, 2011)

Economic analysis plays a crucial role for companies as it allows them to make informed decisions by comparing different options. By evaluating alternatives, companies can work towards specific goals while taking into account limitations and assumptions. For instance, if your company's productivity has been on the rise but you're still falling behind competitors, conducting economic analysis can help identify factors that may be impacting your market share. Take the example of Blackberry which was once a significant player in the mobile market with 3% global market share. Despite having competitive products and good productivity, their market share was eventually overtaken by Apple. (Castaldo, 2012)

3.4 The Users of Economic Analysis

Before the start of each analysis, it is necessary to determine to whom and for what purpose the analysis will serve. Because different entities may want to find out different facts about the same organization depending on what purpose the information will be used for. The users of the company's economic analysis are not only managers and related companies, but also its shareholders, investors, banks, suppliers, tax services, and so on. However, the typical users of economic analysis are

Managers: They typically utilize the information provided by economic analysis to monitor goal achievement and make decisions regarding the company's future development. Information plays a crucial role in both strategic and operational management. The evaluation process focuses on various aspects of the business, whether it be complex or partial.

Investors: They analyze the assets and profitability of an enterprise to determine whether to invest. They also analyze profitability, share price movements, and development prospects to decide whether to transfer shares. Additionally, they examine the level of asset profitability, the risk of insolvency, and competitiveness to assess the performance of the operator. Lastly, they analyze the financing situation to make decisions regarding dividend distribution policies. Below are the preferred decisions for an investor to analyze based on their investment approach.

Objective => Alternatives => Assumptions => Cost / Benefit => Compares Costs / Benefits

source: WBDG Cost Effective Committee | The Economic Analysis, 2020

Creditors: They analyze the rewards and risks of the loan to determine whether to lend to a business. They also analyze its liquidity to assess the debtor's short-term solvency, evaluate its profitability to gauge the debtor's long-term solvency, and assess its value to decide whether to transfer the claim.

Suppliers: Through thorough analysis, businesses can determine if they are a good fit for long-term collaboration with potential partners. This includes evaluating the level of sales credit and deciding whether it is appropriate to extend payment terms to support the growth of the business. Taking these factors into consideration allows companies to make strategic decisions that benefit both parties involved.

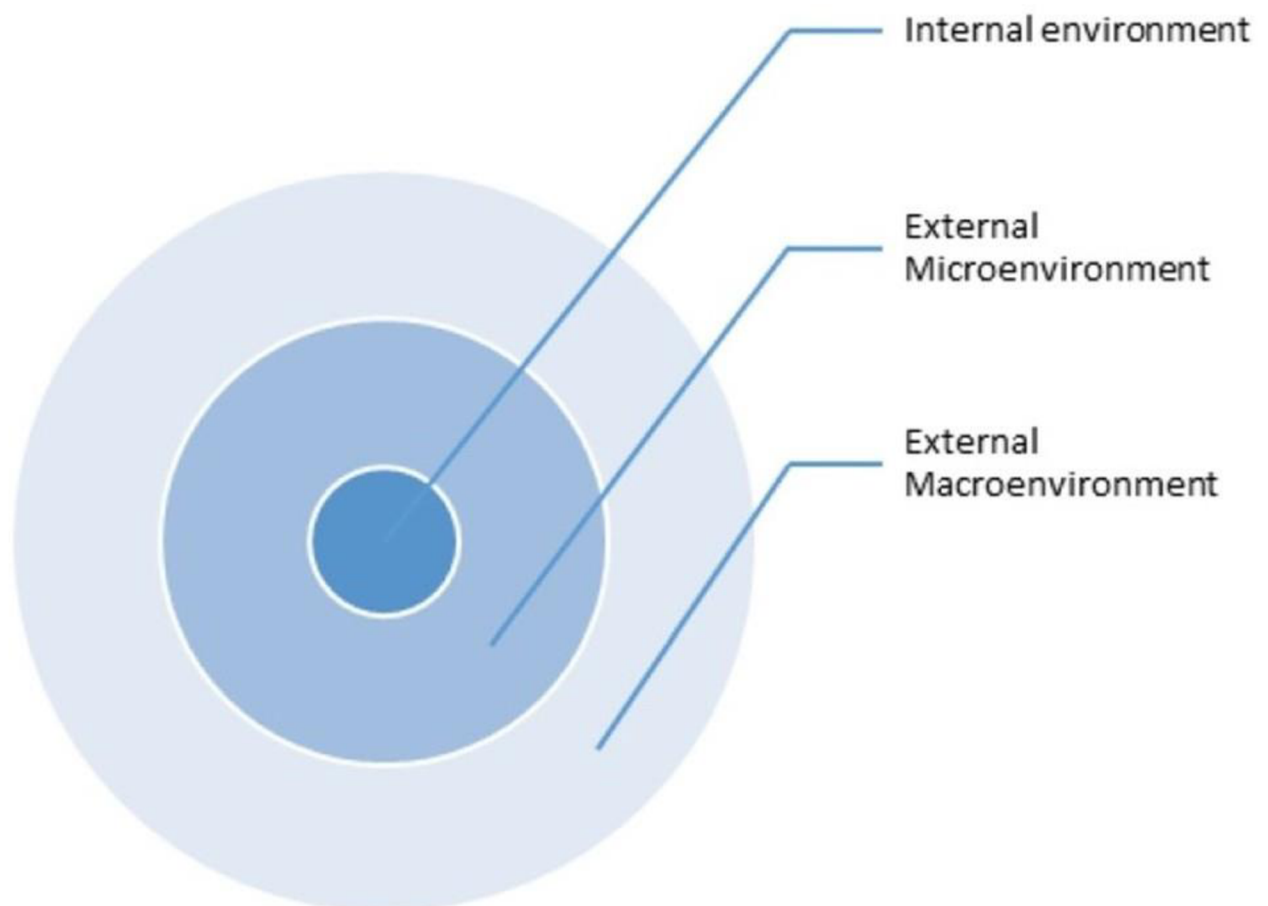
Government: It plays a crucial role in evaluating the business's tax compliance, adherence to govern regulations and market standards. Additionally, it helps assess the income and employment status of employees within the organization. Its purpose is to ensure that all aspects of the business are in line with legal requirements and industry norms, providing peace of mind for both the company and its stakeholders. (Patrali Chaterjee, 2002)

3.5 External Analysis

In order for a company to achieve success and financial profitability, it is imperative to go beyond solely focusing on financial data. Taking into consideration the analysis of the external environment is equally crucial. This entails breaking down the external environment into two components: Macroenvironment and Microenvironment. The macro environment encompasses the broader context in which the company operates, while the

microenvironment represents the immediate circle with which the company interacts on a daily basis. By understanding and adapting to both these environments, a company can better position itself for growth and long-term success. (Campbell | D. G. STONEHOUSE | B. HOUSTON, 2002)

A pictured example for the environment of the company



Source:(brinkart.com)

Image1: Environment of a company

3.5.1 Microeconomics and Macroeconomics

Microeconomics delves into the fascinating world of decision-making, examining how both individuals and companies strategically allocate limited resources. On the other hand, macroeconomics takes a step back to examine the larger economic picture - analyzing and understanding an entire economy as a unified entity. By studying both micro and macro perspectives, we can gain comprehensive insights into how our economic systems function at various scales. (Charles potters, 2021)

3.5.2 Macroenvironment and Microenvironment

The microenvironment is about things inside a company that affect how it works. These factors are unique to each company and can impact how well it achieves its goals. For instance, the people who supply things to the company, those who sell its products, its customers, and the competition are part of the microenvironment. It's like the immediate surroundings or the specific area where a business operates. On the other hand, the macro environment includes bigger factors that can affect any business, such as population, nature, politics, money, society, and technology.

Macro environment analysis plays a crucial role in shaping a company's strategy by identifying potential opportunities and threats. By examining factors such as politics, the economy, people, and technology, businesses can gain valuable insights to make informed decisions. Many companies employ specialized experts who study these broader trends and provide strategic advice based on their findings. This approach empowers management to proactively prepare for various scenarios and navigate the business landscape successfully. (KHADIJA KHARTIT, 2021)

3.5.3 Analysis of the External Macro environment

The concept of the Macroenvironment refers to the external factors that can greatly impact a company and its specific industry or market. These factors could include various elements such as economic trends, political climate, technological advancements, and social changes. The Macroenvironment essentially shapes the entire industry landscape in which a company operates by combining the influence of numerous diverse factors. (Campbell | STONEHOUSE D. G. | HOUSTON, 2002)

3.5.4 PESTLE analysis

This thesis uses a method called PESTLE analysis to understand the bigger picture of the industry environment. PESTLE looks at Political, Economic, Social, Technological, Legal, and Environmental factors. This helps companies figure out what influences a new business or industry. Different businesses care about different things, and doing a PESTLE analysis helps find possible problems for the SWOT analysis too.

And why do we use it for a company? A PESTLE analysis allows a strategic and systematic evaluation of a business's prospects, risks, and opportunities in a new environment. While a SWOT analysis concentrates on a company's internal processes, PESTLE provides information on external factors. PESTLE can be used for large and small factors. PESTLEa can be used for large-scale, and small-scale projects. (The University of Sydney, 2022)

3.5.4.1 Factors of Pestle Analysis

Political: Understanding how the government controls and influences the economy and industries is really important. Political factors include things like laws, economic policies, and the overall political situation. These factors can affect industries in big ways, like through trade taxes, conflicts, how much they tax, and government financial policies..

Economic: Economic factors are really important for a company's future in the market. They affect how a company sets its prices and how much people want to buy. Important economic things to think about include how prices are changing, how much money people have to spend, how many people are out of work, how much it costs to borrow money, and how the value of money in different countries is changing. Businesses need to understand and adjust to these things to do well and succeed in the market.

Social: Different things in society, like the number of people and the way they live, can affect businesses. They can change when people buy a lot, how they shop, and the things they like. What people believe in, how healthy they are, and what they think about things also matter. All these social things, like religion, ethics, and what people learn, are important for businesses to understand so they can offer what people want.

Technological: Technology can affect industries in different ways, either directly or indirectly. Some industries feel the impact more than others. New technology can change what customers choose to buy and how much they can spend. Things like automation, technological progress, patents, communication, information technology, research and development, and awareness of technology are all part of these technological factors.

Legal: Laws can influence how a company works inside and outside. The rules and regulations can affect how industries make their rules and handle things like jobs, safety, and

guidelines. Legal factors cover things like employment laws, consumer protection, industry rules, regulators, and environmental rules.

Environmental: Environmental factors involve things connected to the surroundings and general efforts to protect the environment. Although the environment matters more for certain industries like tourism, agriculture, or food production, these factors can affect various industries and it's good to know about them. Environmental factors include climate, location, what stakeholders and consumers care about, efforts to balance environmental impact, weather, and global climate changes. (The University of Sydney, 2022)

3.5.5 Analysis of External Microenvironment

The external microenvironment consists of elements or factors in close proximity to your company that have a direct and measurable impact on your organization. As a business owner, it is crucial to thoroughly analyze this nearby environment before making strategic decisions. The microenvironment typically influences various aspects of small businesses, including customers, employees, market intermediaries, suppliers, competitors, media, shareholders, and the general public. (Wilmington Chamber of Commerce, 2022)

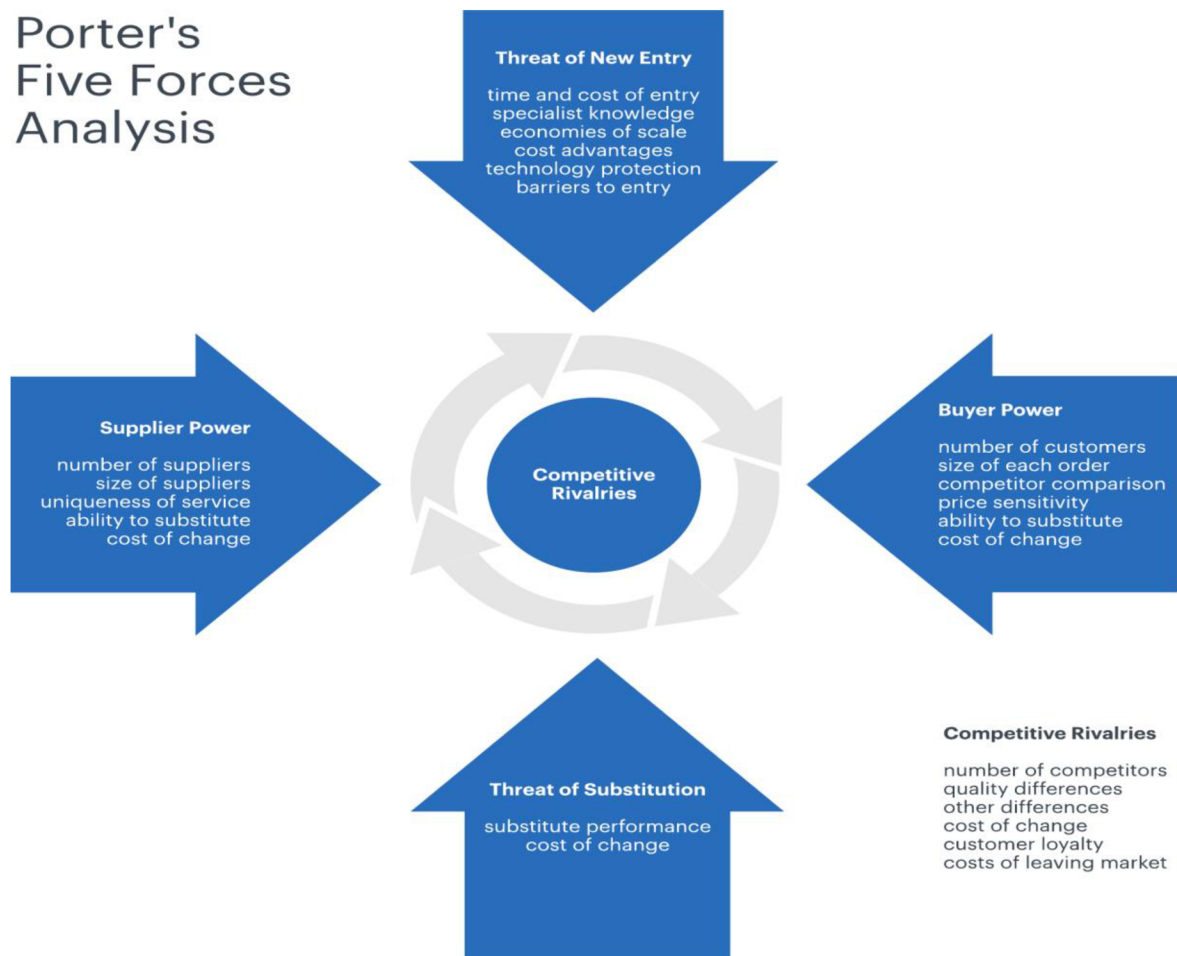
3.5.5.1 Porter's five forces model

Porter's Five Forces is a highly effective model that examines the competitive landscape of any industry. By analyzing these five forces, it enables companies to identify their strengths and weaknesses within the industry. Moreover, this analysis assists in understanding the structure of the industry and devising an effective business strategy accordingly. Whether it's a booming sector or a niche market, Porter's model can be applied across various industries to determine the level of competition and enhance long-term profitability. The model is named after Michael E. Porter, an esteemed professor at Harvard Business School renowned for his expertise in strategic management. (Gordon Scott | Patrice Williams, August 01, 2022)

Therefore, Porter's five forces are:

The five forces are often used to gauge how tough the competition is, how appealing and profitable an industry or market is. Porter's Five Forces assists managers and analysts in grasping the competitive environment a company deals with and how well it's positioned in it.

Porter's Five Forces Analysis



Source: (Lucid Content, 2022)

Image 2: Porter's five forces

1. Competition in the Industry:

The initial aspect of the Five Forces talks about how many competitors a company has and their capacity to offer lower prices. If there are many competitors providing similar products and services, the company has less influence. Suppliers and buyers check out a company's competition to find better deals or lower prices. On the other hand, if there is not much rivalry among competitors, the company can charge higher prices and decide the terms of deals, leading to increased sales and profits.

2. Potential of New Entrants into an Industry

A company's strength is influenced by how easily new competitors can join its market. If it's quick and inexpensive for a rival to enter and compete effectively, the established company's position may become much weaker. An industry with tough barriers to entry is good for existing companies in that industry because they can ask for higher prices and get better deals.

3. Power of Suppliers

The next part of the Porter model talks about how suppliers can easily make the cost of inputs go up. This depends on how many suppliers provide important inputs for a product or service, how special these inputs are, and how expensive it would be for a company to change to a different supplier. If there are only a few suppliers in the industry, the company becomes more dependent on them. This gives the supplier more power to increase input costs and gain other advantages in a trade. On the flip side, when there are many suppliers or it's not costly to switch between them, a company can keep its input costs down and make more profit.

4. Power of Customers

Customers' ability to push prices down or their level of influence is one of the Five Forces. This depends on the number of buyers a company has, how important each customer is, and the cost for a company to find new customers or markets. If a company has a smaller but more influential customer base, each customer has more power to bargain for lower prices and better deals. A company with many smaller, independent customers will find it easier to charge higher prices for increased profitability. While the Five Forces model can help businesses increase profits, they need to keep an eye on any changes in these forces and adapt their business strategy accordingly.

5. Threat of Substitutes

The final part of the Five Forces looks at substitutes. These are goods or services that can be used instead of a company's products or services and can be a threat. If a company makes goods or services that don't have many similar alternatives, it can have more power to raise prices and negotiate good deals. However, if there are similar substitutes, customers can choose not to buy the company's product, which can weaken the company's power. Knowing

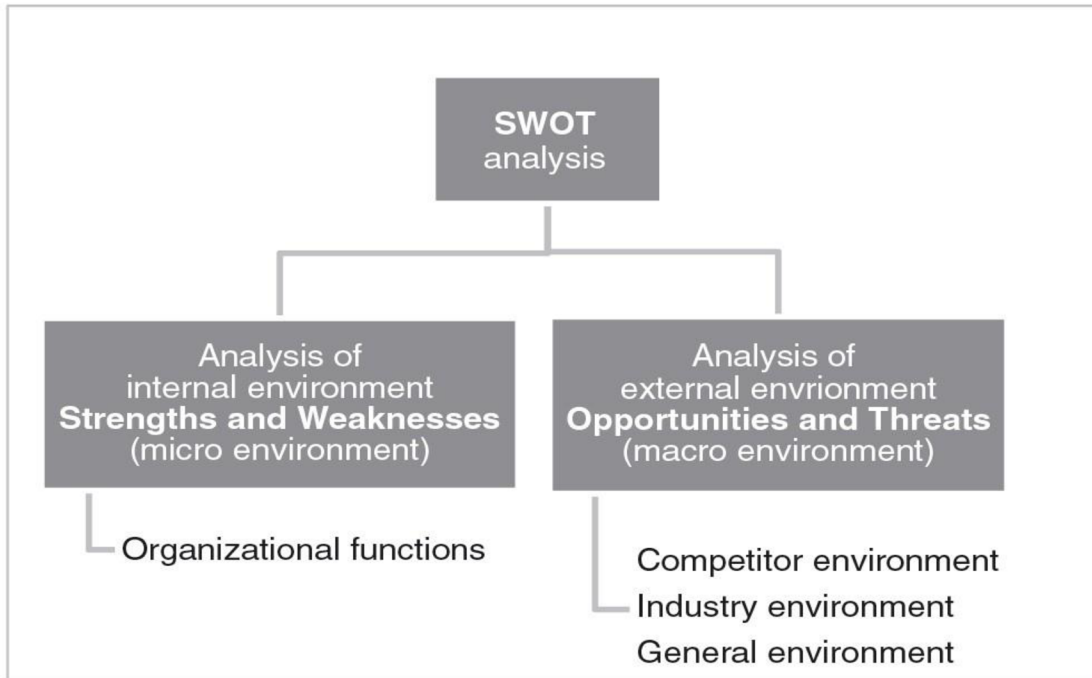
about Porter's Five Forces and how they relate to an industry can help a company change its business plan to use its resources better and make more money for its investors.(Lucid Content Team, 2022)

3.6 INTERNAL ANALYSIS

Internal analysis is when a company looks at its inside parts like resources, assets, strengths, weaknesses, and other things to understand what it's good at and where it needs to improve. This helps the people in charge make decisions and plans, figuring out what the company is good at and what it's not so good at. Basically, internal analysis helps a company see what it can do better inside the company to handle things and make improvements. . (Cascade Team, 2022)

3.6.1 SWOT ANALYSIS

A SWOT analysis looks at what a company is good at and where it needs to improve inside (like strengths and weaknesses) and what opportunities and challenges it faces outside. By checking what's good and not so good inside, it helps find the company's resources and strengths. Looking outside, it helps see the chances and risks in the market, considering what competitors are doing and what's happening in the industry. The goal of a SWOT analysis is to use what the company knows about its inside and outside to make a plan for what to do next.(Tanya Sammut-Bonnici and David Galea, January 2015)



Source: (Tanya S., Bonnici B., and David G., 2015)

Image 3: Main Components of SWOT Analysis

3.7 Financial Analysis

Financial analysis means figuring out what a company is good at financially and where it needs to improve by looking at its financial statements. These statements are organized collections of data that follow a logical and conceptual framework. They help understand some financial aspects of a business. Financial performance is about doing financial activities, and more broadly, it's about how well financial goals are met. This involves measuring the results of a company's decisions and actions in terms of money. It's used to check how financially healthy a company is over a certain period (Dr. Donthi Ravinder, Muskula Anitha., 2013).

The key factors of financial statements are:

- Balance sheet
- Profit and loss statement

- Cash flow Statement.

3.7.1 OBJECTIVES OF FINANCIAL ANALYSIS

The main goals of analyzing financial statements are to give decision-makers information about a business so they can make decisions. The information is used by management to check how well the company is running, by investors to decide where to put their money, by lenders to see if the company can repay loans, and by employees and unions to understand how the company is doing economically, especially in wage and salary negotiations. But, in simpler terms, financial analysis has these objectives:

1. To see if a business is financially stable and sound.
2. To figure out how much money a business can make.
3. To guess the value of things like buildings and goods the business owns.
4. To predict how the business might grow in the future.
5. To check if the business can pay back short-term and long-term loans.
6. To see how well the business is being managed. (Dr. Donthi Ravinder, Muskula Anitha., 2013)

3.7.2 Financial statements

3.7.2.1 Balance sheet

The balance sheet shows what a company owns, owes, and the value for its owners at a specific time. It's important that both sides of the balance sheet are equal, meaning assets should be the same as liabilities plus equity. The part about assets starts with cash and similar items, which should be the same as what's shown at the end of the cash flow statement. After that, the balance sheet tells us how much is left in each main account from one period to another. The profit from the income statement is also included in the balance sheet as a change in retained earnings, but only after accounting for dividends. (CFI Team | Jeff Schmidt, 2022)

Here are the key points:

- It tells us how well a business is doing financially
- It's like taking a picture of the company's money situation at a specific date, such as December 31, 2020.
- Has three sections: assets, liabilities, and shareholders' equity
- $\text{Assets} = \text{Liabilities} + \text{Shareholders Equity}$ (CFI Team | Jeff Schmidt, 2022)

A Simple Balance Sheet



Source: [corporatefinanceinstitute.com](https://www.cfi.com)

Image 4: Explains a Balance Sheet.

Assets

An asset is something a company owns and has a clear, measurable value. If needed, a company can turn an asset into cash through a process called liquidation. Assets are usually listed as positive (+) on a balance sheet and are divided into two types: current assets and noncurrent assets. Current assets are things a company plans to turn into cash within a year, such as:

- Cash and cash equivalents

- Prepaid expenses
- Inventory
- Marketable securities
- Accounts receivable

Noncurrent assets are usually long-term investments that a company doesn't plan to turn into cash quickly. These might include:

- Land
- Patents
- Trademarks
- Brands
- Goodwill
- Intellectual property
- Equipment used to produce goods or perform services

Companies invest in assets to achieve their goals, so it's important to have a basic understanding of what assets are. Without this knowledge, it can be hard to grasp the balance sheet and other financial papers that show how well a company is doing.

Liabilities

Liability is the opposite of an asset. While an asset is something a company owns, a liability is something it owes. Liabilities are money responsibilities to pay someone else, which is why they're usually shown as negatives (-) on a balance sheet. Like assets, liabilities are split into two types: current liabilities and noncurrent liabilities. Current liabilities are debts that the company needs to pay within a year, such as

- Payroll expenses
- Rent payments
- Utility payments
- Debt financing
- Accounts payable
- Other accrued expenses

Noncurrent liabilities are usually long-term debts or obligations that a company doesn't have to pay within the next year. These might include:

- Leases
- Loans
- Bonds payable
- Provisions for pensions
- Deferred tax liabilities

Liabilities can also involve a responsibility to give goods or services in the future.

Equity

Equity, also known as owners' equity or shareholders' equity, basically means everything that belongs to the owners of a business once all the debts are taken care of. If you add up all the things a business owns (assets) and subtract what it owes to others (liabilities), what's left is the owners' equity. This usually has two main parts. First, there's the money the owners put into the business when they buy a share. Second, there are the earnings the company makes over time and keeps. (Tim Stobierski, April 02, 2020)

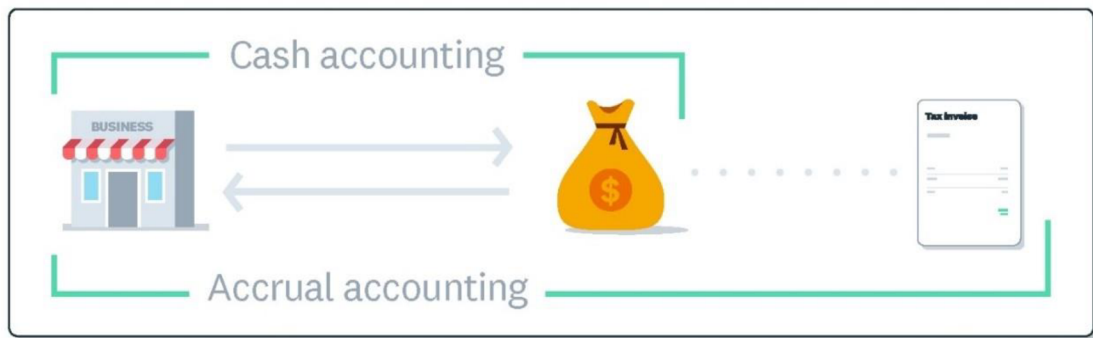
Accruals

Accruals are money amounts that a business has earned or spent but hasn't paid yet. Businesses use accruals to keep track of what they owe or are owed. It can be money expected to come in, like payment from a customer, or money expected to go out, such as what's owed to a supplier, employee, or the tax office. Accruals are recorded on the balance sheet as an asset if it's money owed to the business or a liability if the business owes it to someone else.

Common examples of accruals:

- Unpaid invoices – where a sale has taken place but the cash is yet to change hands.
- Sales taxes – where tax has been collected but not yet submitted to the government.
- Salary and wages – where pay has been earned but payday hasn't come around yet. (Xero | Accruals , 2022)

In accounting it is very important as there is lot of prediction involved



Source: (Xero, 2022)

Image 5: Cash/Accrual Accounting.

Accrual accounting

Businesses with both their cash on hand and the money they're owed use accrual accounting. This method looks at money that will be involved with the business, whether coming in or going out, beyond just the immediate cash situation. On the other hand, there's cash accounting, which only looks at cash that has already been received or spent. Accrual accounting is a bit more complicated, but it gives a more accurate long-term picture of the business's finances. Some investors and lenders prefer dealing with businesses that use accrual accounting, and in some cases, tax offices might require certain types and sizes of businesses to use it. (Xero | Accrual accounting , 2022)

There are two kinds of accruals: accrued expenses and accrued revenues. Accrued revenues are earnings made in one financial period, but the money is received in another period. Accrued expenses are costs incurred in one period but paid in another. Some common types include salaries to be paid and interest to be paid. Salaries to be paid are wages earned by employees in one period but not given until another period. Interest to be paid is the cost of borrowed money that has added up but not yet been paid. The main types of accrued revenues are interest earned and accounts receivable. Interest earned is money gained from investments. Accounts receivable are payments owed to a company for goods or services that haven't been paid for yet. (Rebekiah H, Steven S, 2021)

3.7.2.2 Income statement

An income statement is a financial paper that shows how much money a company made and spent during a certain time in the year. Companies use it to figure out their net income, which is important for taxes. This statement can be done every month, every three months, or once a year and is also called a profit and loss statement.

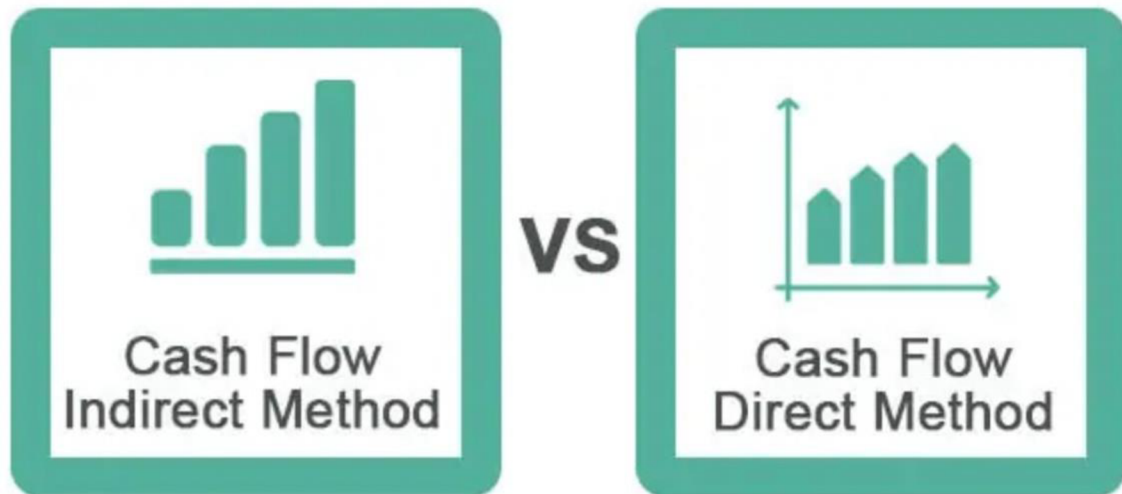
Key terms of Income statement

- Revenue
- Cost of Goods Sold
- Gross Profit
- Marketing, Advertising and promotion expenses
- General and Administrative Expenses (G&A)
- Earnings Before Interest, Tax, Depreciation and Authorization (EBITDA)
- Income
- Taxes paid (ByteScout, 2022)

3.7.2.3 Cash Flow Statement

A cash flow statement is a useful tool for managing finances by keeping track of how money moves in and out of an organization. It's one of the three important reports (along with the income statement and the balance sheet) that helps understand how well a company is doing. This statement is handy for making short-term plans by forecasting cash. It reveals where the money comes from and helps you see where it goes. Cash comes in from business operations, investments, and finances. The statement also tells you about money going out, like expenses for business activities and investments at a specific time. The information from the cash flow statement helps managers make informed decisions to control business operations. Companies aim to have more money coming in than going out to keep the business running smoothly without needing to borrow. (Vidhya Krishnan, 2022)

The cash flow statement has three parts: operating, investing, and financing activities. Usually, the investing and financing sections are figured out in a similar way. However, when it comes to calculating cash flow from operational activities, there are two main methods used – the indirect method and the direct method. (Roshan Waingankar, 2022)



Source: wallstreetmojo.com

Image 6: cash direct to indirect flow method

Direct Cash flow method: - The direct method of cash flow focuses on the actual cash received from customers and paid to suppliers, employees, and others. It includes cash payments for things like income tax and interest, starting with transactions involving cash and ignoring those that don't involve actual cash.

The indirect method: - The indirect method of cash flow begins with the company's net income. It adjusts the net income by adding or subtracting various factors to show the cash generated from operations. In contrast, the process starts with net income and involves adjusting the other elements. (Roshan Waingankar, 2022)

4.METHODOLOGY

4.1 Financial statement analysis

4.1.1 Horizontal analysis

Horizontal analysis is a method used to study financial statements by comparing certain financial details from one time period to those of other periods. This helps analysts see historical trends. The approach involves comparing values from the current year with a chosen base year to find any increase or decrease in specific values. In horizontal analysis, these changes are shown as a percentage and in U.S. dollars. To calculate the percentage change, you pick a base year and a comparison year. Then, you find the dollar change by subtracting the base year's value from the comparison year's value and dividing it by the base year. Finally, you multiply the result by 100. (CFI Team | Horizontal Analysis, 2022)

$$\text{Horizontal Analysis(\%)} = \frac{\text{Amount in comparison year} - \text{Amount in Base Year}}{\text{Amount in Base Year}} \times 100$$

Horizontal Analysis (Dollar) = Amount in Comparison Year – Amount in Base year

Source : Calculation of Horizontal analysis: (CFI Team | Horizontal Analysis, 2022)

4.1.2 Vertical Analysis

Vertical analysis is a tool in accounting that helps compare different parts of financial documents. When using vertical analysis, each item on a financial statement is shown as a percentage of another item. For example, on an income statement, each item is presented as a percentage of gross sales. Similarly, on a balance sheet, entries are shown not in actual money but as a percentage of the total assets. Doing a vertical analysis on a company's cash flow statement means showing every cash inflow or outflow as a percentage of its total cash inflows. (CFI Team | Vertical analysis, 20 February 2022)

$$\text{Vertical Analysis Formula} = \left(\frac{\text{Statement line item}}{\text{Total Base Figure}} \right) \times 100$$

Source: Calculation of Vertical Analysis: (Indeed editorial team |, 2022)

4.2 Ratio Analysis

Ratio analysis is when we examine financial statements and use ratios to understand how well a business is doing over a specific time. This helps us figure out the financial health of a

company. Looking at certain key financial ratios allows us to evaluate a corporation's condition. Ratio analysis can also help identify where a company might be facing financial problems. (EduPristine, 2014)

The ratios may be divided into these types:

1. Liquidity ratios, that look at the availability of cash for operations.
2. Asset management ratios evaluate the efficient utilization of the resources.
3. Debt management ratios keep track of debt to be within reasonable bounds, and keep the debt level at its optimal level.
4. Profitability ratios measure the degree of accounting profits.
5. Market value ratios help investors discriminate between overvalued and undervalued securities while making investment decisions. (Hussain old | Teaching)

4.2.1 Liquid Ratios

We begin by examining a company's liquidity ratios. These ratios assess the amount of cash that is ready to manage the company's everyday operations. One crucial ratio we look at is the current ratio. Which is defined as,

$$\text{Current ratio} = \frac{\text{Total Current Assets}}{\text{Total Current Liabilities}}$$

The current ratio of a company provides a fast way to check its current assets and current liabilities. These should be almost the same. After that, we examine a stricter ratio that gives a more precise view of the company's cash position by excluding the value of inventories from the current assets. This gives us the quick ratio, also known as the acid test ratio. Which is as follows

$$\text{Quick or Acid Test} = \frac{\text{current assets} - \text{inventories}}{\text{Current liabilities}}$$

4.2.2 Asset Management Ratios:

The ratios for managing assets measure how well a company utilizes its key resources, including items like inventory.

$$\text{Inventory Turnover} = \frac{\text{Cost of goods sold}}{\text{Inventories (average)}}$$

This ratio shows how well a company uses its inventory effectively. It's good for a company to sell things quickly with fewer inventories. This means keeping a small stock and selling it fast, but having less stock may result in fewer sales. Another important thing is handling receivables. A company should try to sell things for cash rather than credit. To check how well this is going, we use the Days Sales Outstanding.

$$\text{Days sales outstanding} = \frac{\text{Receivables}}{\text{Sales per day}}$$

A wider way to check how well assets are used is through the fixed assets turnover. This ratio is described as follows:

$$\text{Fixed Assets Turnover} = \frac{\text{Annual Sales}}{\text{Net fixed Assets (average)}}$$

Certain companies invest a lot in fixed assets like buildings and equipment, such as electric utilities or real estate investment trusts. On the other hand, companies like software development firms might not invest much in equipment. It's suitable to compare companies in the same type of business. Another way to measure how well assets are used is with the following ratio:

$$\text{Total assets turnover} = \frac{\text{Annual Sales}}{\text{Total Assets (Average)}}$$

This ratio checks all the assets a company has and sees how the company uses them.

4.2.3 Debt Management Ratios

Companies borrow money to operate because it's cheaper than using their own funds. However, having too much debt can cause issues for the company. To check how much debt a company has, we use the debt ratio or leverage ratio, defined as follows:

$$\text{Debt Ratio} = \frac{\text{Total debt}}{\text{Total assets}}$$

So, companies must make sure they don't have too much debt. Another ratio, the interest coverage ratio or times interest earned, checks if a company can pay its interest on time. This ratio is defined as:

$$\text{Interest coverage} = \frac{\text{EBIT}}{\text{Interest charges}}$$

If this ratio is 10, it means the company has \$10 for every dollar of interest it owes. This is a pretty safe ratio, and the chance of not being able to pay is very low.

4.2.4 Profitability Ratios

The next group of ratios checks how well a company can make money. Investors are interested in these ratios to find the most profitable companies to invest in. The first ratio is the net profit margin. Which is defined as

$$\text{Net Profit Margin} = \frac{\text{Net income}}{\text{Total operating revenue}}$$

In this ratio, net income is what's left after paying taxes, and it's the money available to the company's owners. The next ratio checks how profitable a firm is from the management's perspective. In this case, the bottom number is EBIT, which stands for earnings before interest and taxes. If EBIT is too little, the financial managers at the company may struggle to pay the interest on time. Therefore, gross profit margin can be defined as follows:

$$\text{Gross profit margin} = \frac{\text{EBIT}}{\text{Total operating revenue}}$$

Another ratio that investors like to check is the net return on assets. We can describe it as:

$$\text{Net return on assets} = \frac{\text{Net income}}{\text{Total Average assets}}$$

The same type of ratio that the management wants to examine is the gross return on assets. It is defined as follows:

$$\text{Gross return on assets} = \frac{\text{EBIT}}{\text{Total average assets}}$$

The shareholders are especially interested in three ratios. First, there's the return on common equity, which shows how much profit the shareholders make on their investment in the company. It is defined as:

$$\text{Return on common equity} = \frac{\text{Net income to stockholders}}{\text{Average common equity}}$$

Secondly, there's the dividend payout ratio. This shows the part of the money given to the shareholders from the income after taxes. It is defined as:

$$\text{Dividend payout ratio} = \frac{\text{Total Cash Dividends}}{\text{Net income}}$$

The dividend payout ratio is crucial for the management too. They cannot give out big dividends when the company needs the money for new profitable projects. The company's growth relies on the retention rate, which is the money not paid as dividends. Therefore, we define the third measure, the sustainable growth rate, as:

$$\text{Sustainable growth rate} = ROE \times \text{Retention ratio}$$

Where ROE represents how much profit a company makes for its owners which is return on equity for a firm.

4.2.5 Market Value

From an investor's perspective, it's crucial to understand the gap between a company's market value (what the stock is worth on the market) and its accounting value or book value. To grasp this difference, we use the Market/Book ratio, defined as:

$$\text{Market/Book ratio} = \frac{\text{Market price/share}}{\text{Book Value/share}}$$

Investors looking for good deals prefer to have this ratio as low as can be. We finish our list by adding two more ratios, defined as follows:

$$P - E \text{ ratio} = \frac{\text{Market price/share}}{\text{Earnings/share}} \text{ and } \text{Dividend yield} = \frac{\text{Dividend / share}}{\text{Market price / share}}$$

4.3 SPIDER ANALYSIS

Another way to assess a company is through spider analysis. This method provides a clear visual representation of the company's performance. It's handy because it considers various factors to evaluate the company's overall condition, including profitability, ability to meet financial obligations, activity, and capital structure. The advantage is that the graph can be used for evaluating the company alone, or the person conducting the financial analysis can compare the results with the average ratios in the industry. (Dr. Willy A. Sussland, June 26, 2018)

5 Practical part

5.1 Introduction of the company

REDTAG is a Retail Company it is launched in 2006 by BMA International LLC which is Middle East most popular retailer since 1998. At first, Burhan Mohammed who was already considered as a top retailer for establishing BMA International with multiple retail stores felt the need for a complete family shopping store which lead to the establishment of REDTAG after which there was no turn back till date they have around 215 stores around Middle East, Africa, and Asia under the name Retail Global Fashion wll with the registration number (31325-1)

REDTAG registered address is 1001-5000 Al Khobar, Ash Sharqiyah, Saudi Arabia as its headquarters are based in Saudi Arabia. Besides Saudi Arabia, Redtag is spread across the United Arab Emirates, The Kingdom of Bahrain, Oman, Kuwait, Egypt, Yemen, Uzbekistan, Nigeria, Tanzania, Angola, and Libya. Furthermore is proud of having franchise networks across Pakistan, India, and Bangladesh, the company has around 11000 employees and today the company's most established positions were given to the employees who started working in the organization during the early times back store, warehouse in charge to junior sales executives. REDTAG always believed in the willingness and going the extra mile to give their best in working, learning, and adapting to the transformation of REDTAG to grow further with the organization moreover many of their employees were given training according to their roles time by time positions they are to take. With this high percentage of experienced people working in the Organisation, it has achieved the position that they are in today, (REDTAG, 2022)

The company's business profile is very broad. REDTAG is a one-stop shop for women, men, kids, and homes it is a total family shopping center. Redtag has become a leading clothing and fashion retailer in the Middle East that has achieved great success in providing quality and affordable clothing to its customers. Redtag Middle East has been able to combine innovative fashion trends with traditional designs, making it a leader in the fashion industry in the region. The brand has also successfully launched a number of new collections and collaborations, making it one of the most sought-after fashion labels in the Middle East.

5.2 EXTERNAL ANALYSIS

5.2.1 Analysis of macroenvironment

The chosen analysis for evaluating REDTAG's macroenvironment is PESTLE.

5.2.1.1 PESTLE

1. Political Factors

When it comes to the political situation in the Middle East, it is certainly approved that the situation is stable. As entire Middle Eastern Nations are Monarchy there is no Tax and establishment of business is comparatively possible as the Kingdom benefits the business set up based on the job opportunities these organisation is creating for the local population. As REDTAG is an organization that does not need much of Educational background from the floor level to certain managerial levels, they hire and train the hired local citizens to grow within their organization and same time they do charity by giving funds to clothing to most often to orphans, elderly and in needy.

In the Middle Eastern culture, which is Islamic, there is a strong emphasis on giving back to the community. This practice not only earns them a lot of attention in the media but also attracts many visitors. Although there are political leaders in place, their impact is often nominal, and the real influence comes from the support of the monarchy system. The retail industry in the Middle East is predicted to grow at a Compound Annual Growth Rate (CAGR) of 4.0 percent, increasing from US\$ 360.4 Billion in 2020 to US\$ 438.5 Billion in 2025. After a decline in 2020, retail sales are expected to rebound and continue growing until 2025, driven by population growth and an influx of international tourists. (Reogma, 2021)

The chances can also be talked about and understood by looking at how much E-Commerce is growing.



Source: reogma

Image 7: Showing how important E-commerce is in contributing to retail in the Middle East.

In the Middle East, the e-commerce market is expected to grow a lot, around 35 percent every year, reaching US\$ 48.6 billion by 2025 from US\$ 28.4 billion in 2020. By 2025, the UAE and Saudi Arabia, which are the two biggest e-commerce markets in the region, are expected to be at the forefront, making up more than 79 percent of all e-commerce sales. The growth is due to more people using digital services, increased awareness of e-commerce benefits like discounts and sales, a rising population of millennials and expatriates, support from the government, secure payment methods, and better delivery systems. (Reogma, 2021)

Because of the increasing use of digital technology in the Middle East, thanks to some small political choices, people in the entire region are already managing their daily tasks online. This includes things like paying bills and handling paperwork. This has affected the local population, especially the younger generation, who are now more comfortable with buying things online.

Economic factors

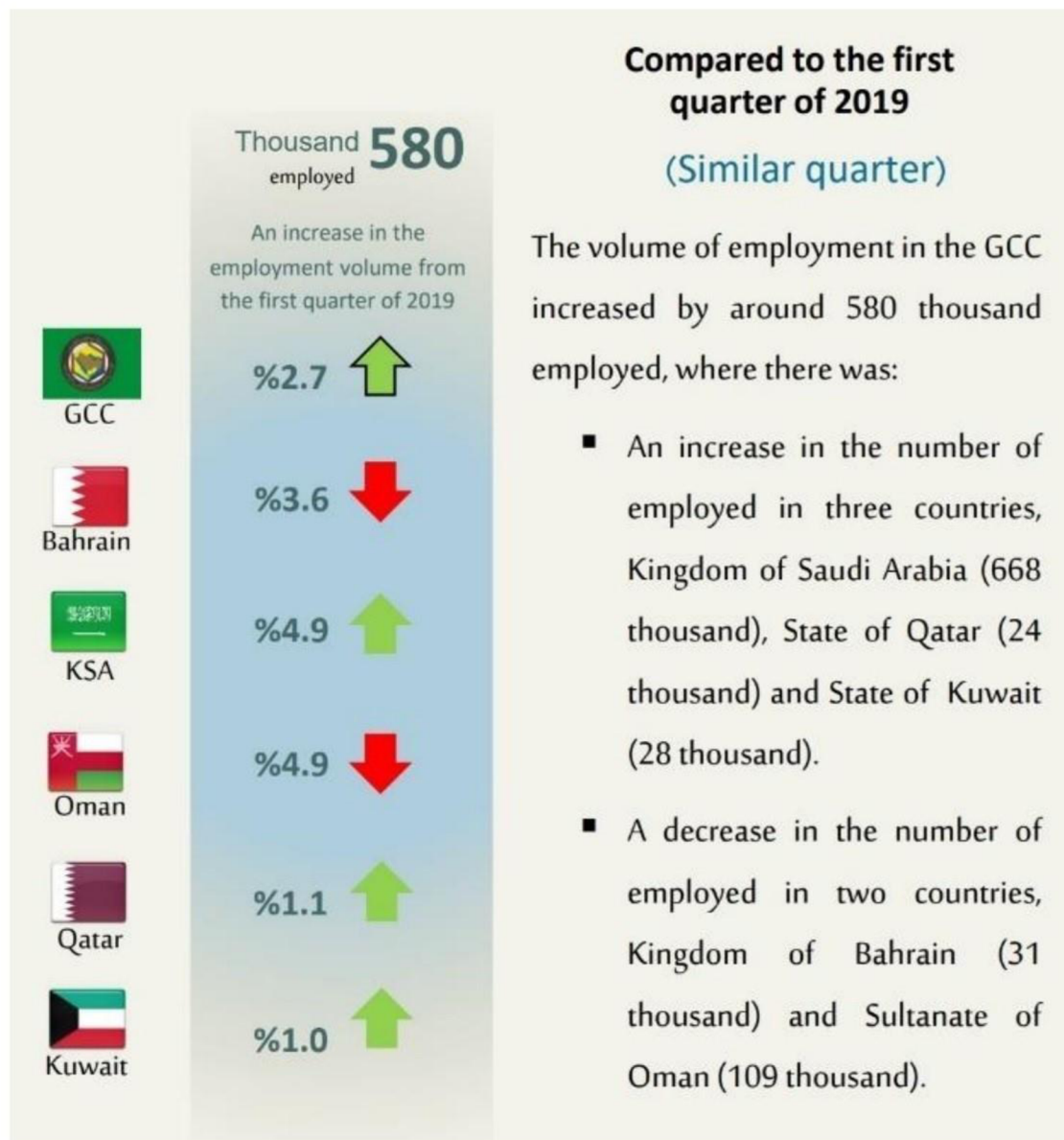
The economy in the Middle East is doing well, and the countries in the GCC (Gulf Cooperation Council) are working to make it strong without relying too much on oil and gas. They are focusing on areas like tourism, technology, education, and real estate, which have

seen significant growth. These countries are mostly interested in investments. It's important to note that the Middle East has low government debt and the lowest unemployment rate globally. In the past, women were not encouraged to work, but now, under the rule of the Crown Prince of Saudi Arabia, Mohammed bin Salman Al Saud, women are encouraged to work, and they can even drive cars and airplanes. The income distribution between locals and expats used to be a concern, but with UAE and Bahrain providing golden visas for over 10 years, the gap has been filled, and people are paid and valued equally. So, the Middle East is currently experiencing a successful time economically.

The whole area is working together more than it has in a long time, both in social and economic aspects. This was evident during the FIFA World Cup, and in 2023, we expect to see many investments that involve multiple countries, as well as more companies going public to help financial markets. This could be something positive and different from what's happening globally. (PWC, 2023)

The Gulf countries have the highest salaries, making them more open to workers from other countries. The UAE is at the top of the list with \$3,235 per month, followed by Kuwait with \$1,906, Bahrain with \$1,748, and Saudi Arabia with \$1,725 per month. The salary has gone up by 17% in the last five years and is expected to be 20% by 2025. (Al Arabia, 2020)

The unemployment ratio is actually -0.9% over all in the GCC nations there has been an increase of 2.7% people being employed,



Source : gccstat.org

Image 8 : employment growth in GCC over the year 2019

The volume of employment in the GCC increased by around 580 thousand employed, where there was: An increase in the number of employed in three countries, Kingdom of Saudi Arabia (668 thousand), State of Qatar (24 thousand) and State of Kuwait (28 thousand). A decrease in the number of employed in two countries, Kingdom of Bahrain (31 thousand) and Sultanate of Oman (109 thousand).

As a bottom line, the ideal rate of unemployment in GCC countries is 3.5% - 4.5%. If unemployment is low, problems in the labour market can occur. Firstly, there will be wage inflation due to an increase in demand for labour. Secondly, productivity can go lower because of labour skills. In the end, the companies have to pay higher wages to less-qualified

workers. The situation can be problematic because the companies can later decide to leave the domestic market and build offices and factories in a different country. To avoid this conflict GCC countries chosen to employ cheaper labor from India, Pakistan, Bangladesh, and the Philippines where the construction sector is dealt with Bangladesh, traffic to lower level police officers are hired from Pakistan, and sales and basic starting level jobs are preferred from India and Philippines, this specific hiring practice of hiring also helps the GCC nations to make these specific labor to prepare themselves in advance for these jobs and also their climatic conditions due to which their local population can only focus on specific positions.

REDTAG positions itself as an innovative retail company, offering job opportunities for both educated and non-educated individuals. This allows for a balanced management of local and expatriate hires, making REDTAG a contributor to employment in the GCC nations. However, a challenge is that employees may be recruited by competitors.

The current annual inflation growth in GCC countries is 2.6%, which is considered a positive achievement. Despite the global economic slowdown caused by COVID-19 and the ongoing conflict between Ukraine and Russia, the demand for oil and gas has helped the GCC countries. However, their dependence on imports has limited the control of inflation. In the current situation, global inflationary risks persist, but regional inflation is expected to decrease due to higher interest rates and slower global growth. The forecasted inflation rate for 2023 in the GCC is around 2.7%, indicating financial stability, which is beneficial for the country, households, companies, and foreign investments.

The GCC nations belongs to wealthy countries due to their oil and gas rich incomes currently show their potential. And also simultaneously they also increased and shown growth in their non-oil private sector. GDP is perfect proof that the GCC nations made great progress since the country's birth. With a GDP of \$2.25 trillion dollars and GDP annual growth of 2.4% in 2024 and with various investments and plans implemented it is expected that by 2050 GCC will be 13 trillion dollars worth. it is necessary to say that the Gulf countries are in a safe position. On the contrary, it is expected that the GDP growth will increase in the following years. (World Bank Gulf Economic Update, 2022) GCC countries especially The Kingdom of Saudi Arabia, Bahrain, Kuwait, Qatar, UAE, and Oman can be pronounced as very successful nations because despite being an oil-rich economy they are also establishing themselves strongly in many non-oil economic growths as well. Same time the development in the retail

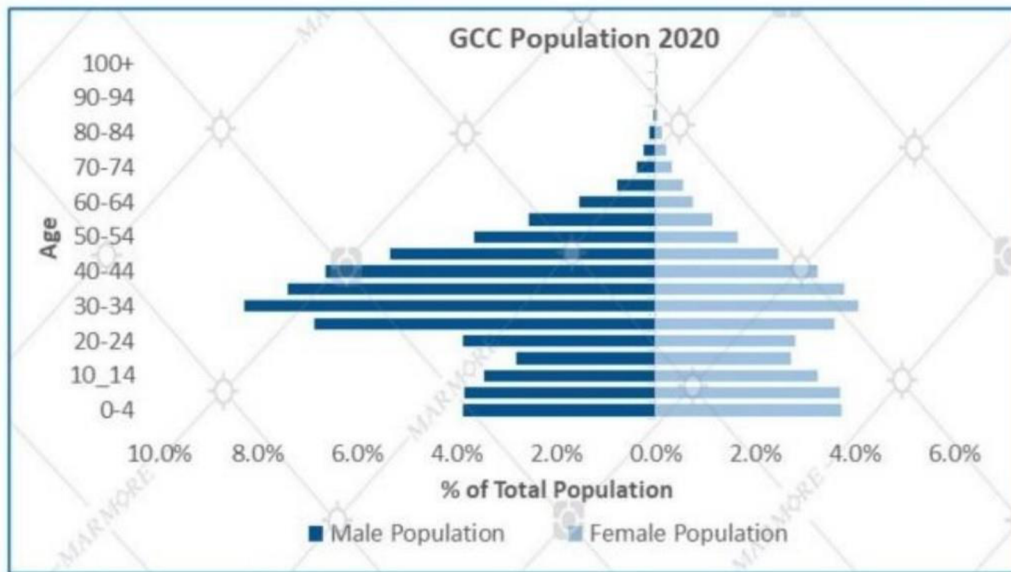
industry is seen as booming as well. Comparing to nations that pay taxes, GCC countries are tremendously successful for their investments around the globe as well. Implementation of VAT also will help the economy thrive better.

The GCC nations have the world's most strongest currencies due to these nations staying united under the GCC umbrella their currencies, especially Kuwait, Bahrain, and Oman stay the world's top 3 strongest currencies in the world. Because of the higher volume of international trade for Oil and Gas, these gulf countries are influenced by the exchange rate. Since REDTAG operates in international markets so far of course in some parts of Asia and Africa but still the influence of the currency has a bigger factor. REDTAG is very dependent on exchange rates. It is evident that the local currencies of Arab nations appreciate towards Euro or Dollars. Due to the currency appreciation, GCC nations receives the advantage regarding the imported goods or services. REDTAG can benefit from cheaper goods and services imports from abroad. On the other hand, since REDTAG is also operating in West Asia and north Africa, the exports will get more expensive.

Social factors

Like many other countries, the GCC nations also face a challenge with their aging population, which could potentially affect REDTAG's future. Although this issue is expected to become more apparent in the distant future, the GCC population is projected to decrease significantly and age by the end of this century. The median age of the GCC population is anticipated to increase from 32 in 2022 to 51 in 2100. The old-age dependency ratio, which measures the number of people aged 65 and above supported by those aged 16-64, will also rise over time, reaching 60.2 in 2100. This suggests that, by 2100, every 100 working individuals will need to support 60 elderly individuals in the GCC. (Lasrado, 2022)

GCC Population Pyramid



Source: [Marmore MENA Intelligence](#)

Image 9: GCC Population Pyramid 2020

As it was mentioned, REDTAG does have opportunities for both men and women and also for both highly educated and uneducated as well. As the majority students of Gulf Cooperation Council receives secondary school education only and most of the expats are firm believers in taking over their family business or starting one of their own firms their interests in higher education remains unprogressed mostly.

Because of the efficient team, REDTAG has a positive approach towards giving opportunities to employees of both educated and non educate dbackgrounds as mentioned, they have a training program which initially explains the expectations of the company mostly people above 24 and below 35 are the 80% employees in REDTAG from the local population which benefits them in many ways. On the other hand there are employees hired from 21 to 50 from the expat communities as well.

Mostly educated class from the local community show little interest in Retail and those who show they only show in a higher positions only which REDTAG usually gives to most experinedced and most qualified only where expats only in the most of the cases. Because the GCC citizens 86% obtain their parents businesses or government jobs therefore, the local governments are now for this younger generations they have invested a lot in the Educational system as well which can eventually make local population be suitable for the other emerging

businesses such as in UAE space ventures have begun, and in Saudi several constructions taking over.

Business and Environmental factors.

REDTAG operates primarily in the bulk buying and selling sector, where business and environmental factors are closely intertwined. The company invests over 100 million dollars annually in procurement, merchandising, and marketing. Additionally, REDTAG is actively involved in charitable initiatives, receiving grants from the Monarchs for both its charity work and its commitment to local hiring practices, contributing to employment opportunities and aligning with the kingdom's priorities.

The GCC nations provide various ways of support for companies hiring local people, such as grants, tax benefits, and other financial help. These encouragements aim to boost economic growth and job opportunities in the area. Moreover, certain countries offer training programs to assist locals in acquiring the necessary skills for these jobs. These programs go by different names, including Local Employment Initiatives, National Employment Initiatives, Job Creation Incentive Programs, Economic Diversification Programs, and Skill Development Programs.

The GCC nations have a big goal for Arab countries to be global leaders in innovation and development by 2050. It's evident that the GCC aims to lead in innovation and technology. This could be advantageous for REDTAG, which offers a range of services catering to the needs of entire families, such as clothing and household items. It is probable that REDTAG will attract more customers in the future. REDTAG also affirms that the number of customers from all age groups is increasing rapidly each year. (Gulf Business, 2022)

Legal factors

Legal factors can have great influence on business. Because REDTAG operates not just in the Middle East market but also in parts of Africa and Asia, REDTAG is obliged to abide by all laws. From the early 2000s, the minimum wage has been introduced and it started first in the kingdom of Saudi Arabia by 2004 then followed by Jordan and Kuwait followed in 2005 and 2006 respectively. Lebanon, Bahrain, Qatar and the United Arab Emirates (UAE) also implemented minimum wage laws for all workers in 2021. Currently UAE pays around \$650 per month as the minimum wage where as other nations Bahrain: \$202 per month, Kuwait: \$259 per month, Oman: \$369 per month, Qatar: \$356 per month and Saudi Arabia: \$263 per

month. The minimum wage influences the amount of the assessment base for the health insurance and social security. An important role for any business has taxes and tariffs which was not so great in the middle east due to islamic law. But Islamic countries in the Middle East have implemented VAT in order to increase government revenues and shift the taxation burden from individuals to businesses.

The introduction of VAT has also helped to create a more transparent and efficient tax system, which is beneficial for businesses operating in the region. VAT was first introduced to the Middle East in the early 2000s. Bahrain was the first country to implement VAT in the region in 2002. Kuwait followed in 2003, Oman in 2020, Qatar in 2021, Saudi Arabia in 2021, the United Arab Emirates in 2021, and Yemen in 2020, and their VAT percentages are as follows Bahrain: 5%, Kuwait: 15%, Oman: 5%, Qatar: 5%, Saudi Arabia: 15% and the United Arab Emirates: 5%. These taxes are not so high in comparison to any other tax-paying nations but same time industries with high local working populations are exempted from tax and also from paying no or reduced electricity and REDTAG is exempted from paying VAT and also pays reduced electricity and thanks to its charity due to which REDTAG also receives incentives which reduce their import and export taxes as well. Also there are labor laws in the Middle East are designed to ensure that employers are providing fair and adequate wages and benefits to their employees.

These laws may include regulations governing hours, overtime pay, minimum wage, and other forms of compensation. Health and Safety for employers in the Middle East must provide a safe and healthy working environment for their employees. This includes ensuring compliance with the relevant health and safety regulations and providing appropriate equipment and training. Anti-discrimination laws in the Middle East protect against discrimination on the basis of gender, religion, race, and other protected characteristics. Employers must ensure that their policies, procedures, and practices are compliant with these laws.

Contractual Obligations: Employers in the Middle East are required to provide written contracts to their employees, outlining the terms and conditions of their employment, including job description, compensation and benefits, hours of work, and other essential factors. **Data Protection:** Employers must ensure that their data protection practices are compliant with relevant laws and regulations, including those related to the storage, use, and

transfer of personal data. Immigration: Employers in the Middle East must ensure compliance with (Middle East Law Portal, 2021).

5.2.2 Analysis of microenvironment

5.2.2.1 Porter's five forces model

1. The threat of new entrants to the industry

REDTAG faces competition from both local and international competitors, such as Zara, Mango, Gap, and H&M. These companies have established brand recognition, customer loyalty, and a strong presence in the fashion industry. They have larger budgets to market their products and can leverage their size to offer lower prices. Additionally, new online retailers are emerging, such as ASOS and Boohoo, that are targeting a similar customer segment and offering a wider variety of products at lower prices. This increases the competition for REDTAG and could hinder its ability to gain market share and profits. REDTAG operates in many sectors: hazardous waste management, construction activities, production and processing of fuels and lubricants, geological activities, production of hazardous chemicals.

Due to broad that portfolio, it is unlikely that any new company will include the same services. Regarding the barriers, in some industries, it is not easy to enter the market. But, REDTAG is beating the competition by offering a unique shopping experience. The company focuses on delivering an innovative and interactive in-store experience that engages customers and encourages them to explore the products. This allows them to introduce customers to their products and build brand loyalty. Additionally, REDTAG is leveraging its smaller size to quickly respond to changing trends and create new product lines that appeal to their target customer segment. Moreover, the company is leveraging its online presence to reach a wider customer base and offer a convenient shopping experience. Finally, REDTAG is using aggressive pricing to attract customers and increase its profits. For example Eco Friendly clothing and home ware.

REDTAG has established eco friendly clothing and home wear by offering sustainable alternatives to their customers. For example, REDTAG has a section called eco which offers organic and recycled clothing and accessories that are made from organic cotton, hemp, and

bamboo. Additionally, REDTAG uses recycled materials to create home goods such as furniture, bedding, and curtains. These items help reduce the environmental impact and offer customers an ethical alternative to traditional materials. In addition, REDTAG also offering eco-friendly packaging, such as recyclable or compostable packaging, to further reduce their environmental footprint.

2. The competition in the retail industry

Currently, there is no existing competition within the GCC market with exact same portfolio. This is an advantage for REDTAG, due to the broad portfolio, the company is giving more revenues. On the other hand, REDTAG has more possible rivals in each sector. Because of REDTAG's broad portfolio, REDTAG is threatened by smaller companies that have only focused on one business activity. Customers may assume that other brands with only one focus are more specialized in that certain field

3. The threat of substitutes products

REDTAG is a fashion and lifestyle retail company that offers a wide variety of goods and services. Their popular goods are Clothing, Footwear, Accessories, Home and Living, Sportswear, Beauty and Perfumes, Gifts and Souvenirs. And their Services are Online Shopping, In-store Shopping, Customer Support, After Sales Service, Gift Registry, VIP Membership, Promotions and Discounts, Gift Cards, Mobile App and Delivery Services Those services are very specific and that's why is hard to tell if a company can have threat of substitute services. There are certainly possible threats of new retailers, that can competition develop sooner. In the present time, the company can benefit from non-existing substitutes.

4. The power of customers

REDTAG owns a certain advantage when it comes to its portfolio of services. The company has a loyalty program called REDTAG rewards due to which every customer that buys even a single product gets updates via SMS, and also through their mobile application they target customers moments and marketize their approach during pay days, birthdays, EID, anniversaries etc. They provide VIP services and exclusive discounts to reservation schemes. As the company is highly dependent on customer footfall conversions, their value for customer and belief for customer is king can be seen every where. As they are currently

existing majorly in Islamic nations they retain customers by doing charity, In the Middle East charity is highly respected and valued therefore it also brings media attention due to which all customers get aware of, thus the sentiment giving for the needy brings in more footfall and also proves REDTAG's social responsibility.

5. The power of suppliers

The power of suppliers can have a high influence on REDTAG's operations. REDTAG possesses suppliers ability to influence the terms and conditions of their products and services that REDTAG can purchase from them. This power is determined by the quality of the products and services provided, the prices charged, and the number of suppliers available. REDTAG seeks to leverage its power to obtain the best value for its customers by negotiating competitive prices and ensuring quality products and services. REDTAG owns Production house. Apart from the expensive equipment, the company needs suppliers for sustainable and eco-friendly products and services

5.3 Financial Analysis

This part of the thesis analyses REDTAG's financial health based on financial information from the company's financial statements and financial information from the Ministry of Industry and Trade. The analysis uses all methods from the methodology chapter. The financial analysis uses data from the selected period 2018-2022.

5.3.1 Financial statement analysis

This chapter covers Horizontal analysis and Vertical analysis of the balance sheet and the income statement. Afterward, the chapter analyses if REDTAG follows the Balance sheet rules.

5.3.1.1 Horizontal analysis

For the practical part, the thesis uses both methods of Horizontal analysis: the difference comparison and the percentage comparison. If we have a look at the asset structure, it is evident that REDTAG has invested in a variety of different assets in order to help it grow and remain competitive. REDTAG has invested in cash and cash equivalents, accounts receivable, inventory, prepaid expenses, property, plant and equipment, and intangible assets. This diversified asset structure allows REDTAG to have access to the resources it needs to succeed in the marketplace; therefore, the company has quite a fluctuating structure. On the other hand, the average growth of total assets is 2%. The higher differences are mainly in current assets. It is necessary to mention that the company is a service-oriented business, thus they don't produce goods but supply services. The highest difference was in inventory between the years 2020-2019. Between the years 2020-2019, inventory increased by 822%. Inventory is a part of working capital. Inefficient management of working capital leads to dramatic losses.

The percentage is high but for REDTAG, inventory does not influence the company very much. The year 2020 was crucial for REDTAG, the reason was the decline of sales due to Covid19. The company had to concentrate mainly on online sales. But eventually the same sales drop turned positive as their sales grew by the end of Covid19. REDTAG, which was known for pulling sales only by footfall where the customer has to walk in, has today been able to contribute sales from online as well from the stores. Due to their online presence, REDTAG has seen an increase of 30% on their sales and the increase is due to the approach of

customers switching especially in youngsters for the comforts that REDTAG has provided them with. Another item of working capital is account receivables.

The company has more short-term receivables (time maturity max. 12 months) than long-term receivables (time maturity more than one year). In 2020, there was a reduction of long-term account receivables and short financial assets. The important thing to mention is that REDTAG's revenues are based on projects, many of these projects are long-term. The year 2020 was crucial for REDTAG, the reason was the decline of the Home Ware. The company had to concentrate mainly on smaller projects. Horizontal analysis confirms that there was a decrease in long-term account receivables by 63% in the 2021-2020 period. On the contrary, there was a 10% growth in short-term account receivables.

In the end, REDTAG still reached a positive income. In 2021, REDTAG actually reached a stronger position. Non-current assets are considered stable. Moreover, there was an increase from 10% in 2021 to 19% in 2022. The increase is due to investment in new Fashion trends. In 2022, REDTAG invested in the new concept of eco-friendly products. Lastly, accrued expenses represent the expenses for services and insurance. The accruals are not that important for the company.

Table 1: Horizontal analysis of assets – the percentage comparison

	2018-2019	2019-2020	2020-2021	2021-2022
Total Assets	10%	-15%	33%	-20%
Total non current sales	-4%	2%	0%	6%
Non current intangible assets	-48%	89%	-9%	-48%
Non-current Tangible Assets	-4%	2%	-1%	6%
Long-term financial assets				0%
Current assets	13%	-18%	44%	-26%
Inventory	5%	822%	-22%	-63%
Long-term Account Receivables	79%	-63%	24%	80%
Short-term Account Receivables	-8%	10%	23%	-23%
Short-term financial assets	23%	-43%	141%	-14%
Cash	60%	33%	-22%	-29%
Bank Accounts	23%	-44%	144%	-13%
Accruals	118%	-40%	-43%	82%

Source: REDTAG WLL 2018 to 2022 (Own processing)

Table 2: Horizontal analysis of assets – the difference comparison

(Thousands BHD)	2018-2019	2019-2020	2020-2021	2021-2022
TOTAL ASSETS	30,990	-50,523	96,985	-78,389
Total Non-Current Assets	-2,364	1,344	-333	3,791
Non-current Intangible Assets	96	85	-16	-80
Non-current Tangible Assets	-2,460	1,259	-467	3,871
Long-term financial assets	0	0	150	0
Current assets	30,898	-50,049	98,491	-83,457
Inventory	55	9,744	-2,401	-5,352
Long-term Account Receivables	28,005	-40,250	5,648	-22,971
Short-term Account Receivables	-11,590	13,154	33,845	-40,916
Short-term financial assets	14,428	-32,697	61,399	-14,218
Cash	227	200	-177	-179
Bank Accounts	14,201	-32,897	61,576	-14,039
Accruals	2,456	-1,818	-1,173	1,277

Source REDTAG WLL 2018 to 2022 (Own processing)

Horizontal analysis of equity is interesting. Like it was mention before, the company suffered from the poor year 2020. As the item retained earnings of the current year has unstable amounts every year. The highest increase is in the period 2020-2021 where retained earnings of the current year grew by 431%. The reason was the establishment of online business. In 2021, the positive growth of retained earnings continues growing by another 350%. Even though retained earnings positively grow, the company experienced a continuous reduction in accumulated retained earnings from the previous years.

The reason for the continuous decrease is paid dividends. The category of balance sheet belongs to total liabilities. The company has dramatically more short-term payables than long-term debts. Short-term payables are subjects of business relationships with the company's suppliers. The company also trades with its directorial company BMA international in the Middle East and abroad. Although the company records losses in 2020, there was also a reduction of payables by 23%. The explanation is that due to Pandemic fewer orders, the company purchased less from its suppliers. Additionally, REDTAG didn't apply for new loans.

Table 3: Horizontal analysis of total liabilities & equity – the percentage comparison

	2018-2019	2019-2020	2020-2021	2021-2022
TOTAL LIABILITIES & EQUITY	9.80%	-14.55%	32.69%	-19.91%
Equity	23.81%	-7.56%	-8.57%	-0.27%
Registered capital	11.11%	0.00%	1.64%	0.00%
Capital funds	0.00%	0.00%	0.00%	0.00%
Funds from earnings	-33.34%	0.00%	0.00%	0.00%
Accumulated retained earnings from previous year	58.77%	2.81%	-17.48%	-31.01%
Retained earnings - current year (+ / -)	-36.48%	-90.87%	431.29%	349.79%
Total Liabilities	-11.25%	-29.21%	145.65%	-39.92%
Payables	-11.59%	-22.68%	143.76%	-45.58%
Long-term payables	-40.91%	-24.27%	15.39%	-44.45%
Short-term payables	-7.80%	-22.55%	154.15%	-45.62%
Accruals	-8.05%	-87.28%	247.75%	174.17%

Source: REDTAG, 2018-2022 (Own processing)

Table 4: Horizontal analysis of total liabilities & equity – the difference comparison

(Thousands BHD)	2018-2019	2019-2020	2020-2021	2021-2022
TOTAL LIABILITIES & EQUITY	30,990	-50,523	96,985	-78,389
Equity	45,199	-17,763	-18,631	-543
Registered capital	0	0	484	0
Capital funds	2,952	0	0	0
Funds from earnings	-2,952	0	0	0
Accumulated retained earnings from previous years	59,262	4,492	-28,763	-42,115
Retained earnings - current year (+ / -)	-14,063	-22,255	9,648	41,572
Total Liabilities	-14,209	-32,760	115,616	-77,846
Payables	-13,216	-22,859	112,041	-86,586
Long-term payables	-5,336	-1,870	898	-2,993
Short-term payables	-7,880	-20,989	111,143	-83,593
Accruals	-993	-9,901	3,575	8,740

Source: REDTAG, 2018-2022 (Own processing)

Horizontal analysis of Income statement only confirms how crucial was the year 2020. After a deep look in item revenues from the sale of own products and services decreases by 130,561 BHD. Production consumption also radically decreased in 2020 and radically grew in 2021. Among other interesting items belong to other operating revenues and other operating expenses. Other operating revenues include received subsidies, revenues from written-off receivables and received insurance premiums. The highest share of the increase in 2021 is due to online sales and control of the pandemic. The operating expenses cover expenses on insurance and expenses on written off receivables. There was also a radical increase in 2021 by 10,549 BHD.

Table 5: Horizontal analysis of Income Statement – the difference comparison

BHD	2018-2019	2019-2020	2020-2021	2021-2022
Revenues from the sale of own products and services	1,826.00	-130,561.00	200,802.00	94,999.00
Production consumption	14,377.00	-92,818.00	158,385.00	42,460.00
Change in inventory of own products	730	6,374.00	8,720.00	2,951.00
Personal expenses	4,332.00	565	13,907.00	15,723.00
Value adjustments in the operational area	-7,191.00	234	9,590.00	7,979.00
Other operating revenues	5,986.00	2,790.00	17,363.00	-4,528.00
Other operating expenses	2,129.00	7,388.00	10,549.00	-10,256.00
Operating profit/loss	-6,565.00	-27,680.00	17,014.00	47,572.00
Revenues from long-term financial assets - shares	22,980.00	-47,207.00	-	-
Costs spent for sold shares	31,604.00	-47,207.00	-	-
Interest revenues	106	737	123	61
Interest expenses	19	19	132	32
Other financial revenues	1,455.00	1,535.00	2,868.00	-2,303.00
Other financial expenses	2,694.00	2,821.00	5,068.00	-3,557.00
Profit/Loss from financial operations	-9,776.00	568	1,945.00	1,225.00
Net turnover for the accounting period	32,353.00	-182,830.00	221,156.00	88,107.00

Source: REDTAG, 2018-2022 (Own processing)

5.3.1.2 Vertical analysis

Vertical analysis calculates the structure of the company's assets and total liabilities with equity, the analysis assumes that both of these items equal to 100%. According to the table, in the monitored periods 2018-2022, current assets had a significantly higher share on total assets. The average share of current assets equals 78%. Because the company is not a manufacturer, inventory has a very low share. On the contrary, there is a decrease in a share of long-term account receivables on current assets. In 2022, the share was only 1.87%. In the matter of short-term financial assets, there was only a decrease in 2020. The reason may cause lower revenues in that year.

Table 6: Vertical analysis of Balance sheet – assets

	2018	2019	2020	2021	2022
TOTAL ASSETS	100.00%	100.00%	100.00%	100.00%	100.00%
Non-Current Assets	22.16%	19.46%	23.23%	17.42%	22.96%
Non-current Intangible Assets	0.06%	0.03%	0.06%	0.04%	0.03%
Non-current Tangible Assets	22.10%	19.43%	23.17%	17.34%	22.88%
Long-term financial assets	0.00%	0.00%	0.00%	0.04%	0.05%
Current assets	77.18%	79.23%	75.85%	82.18%	76.15%
Inventory	0.36%	0.34%	3.68%	2.17%	1.01%
Long-term Account Receivables	11.20%	18.28%	7.82%	7.33%	1.87%
Short-term Account Receivables	46.11%	38.68%	49.71%	46.06%	44.53%
Short-term financial assets	19.50%	21.93%	14.64%	26.63%	28.74%
Cash	0.12%	0.17%	0.27%	0.16%	0.14%
Bank Accounts	19.38%	21.75%	14.37%	26.47%	28.60%
Accruals	0.66%	1.31%	0.92%	0.39%	0.90%

Source: REDTAG, 2018-2022 (Own processing)

Equity has a higher share than total liabilities. Besides the year 2021, where the situation almost equal. The highest in equity has logically accumulated retained earnings from previous years due to e-com and recovery from covid. On the other hand, the company should be aware, that the walk in sales are continuously declining from 2020. Also, retained earnings of the current year were very low in 2020. Even though the company had high revenues from the sale of own products and services in 2021 due to the online availability and sales, the customer retention earnings in 2021 was just 3%. On the other hand, in 2022 the contribution grew to 17%. The average share of total liabilities is 37%. REDTAG has more short-term payables than long term payables. Long-term payables are perpetually reducing the share; this can be positive but also negative for a company. The company might have good solvency but also there is a possibility of not using efficient financing.

Table 7: Vertical analysis of Balance sheet – total liabilities and equity

BHD	2018	2019	2020	2021	2022
TOTAL LIABILITIES & EQUITY	100.00%	100.00%	100.00%	100.00%	100%
Equity	60.04%	67.70%	73.24%	50.46%	63%
Registered capital	8.40%	8.50%	9.95%	7.62%	10%
Capital funds	4.75%	4.33%	5.07%	3.82%	5%
Funds from earnings	2.80%	1.70%	1.99%	1.5W0	2%
Accumulated retained earnings from previous years	31.89%	46.11%	55.48%	34.51%	30%
Retained earnings - current year (+ / -)	12.19%	7.05%	0.75%	3.02%	17%
Total Liabilities	39.96%	32.30%	26.76%	49.54%	37%
Payables	36.06%	29.03%	26.27%	4826%	33%
Long-term payables	4.12%	2.22%	1.97%	1.71%	1%
Short-term payables	31.93%	26.81%	24.30%	46.55%	32%
Accruals	3.90%	327%	0.49%	1.27%	4%

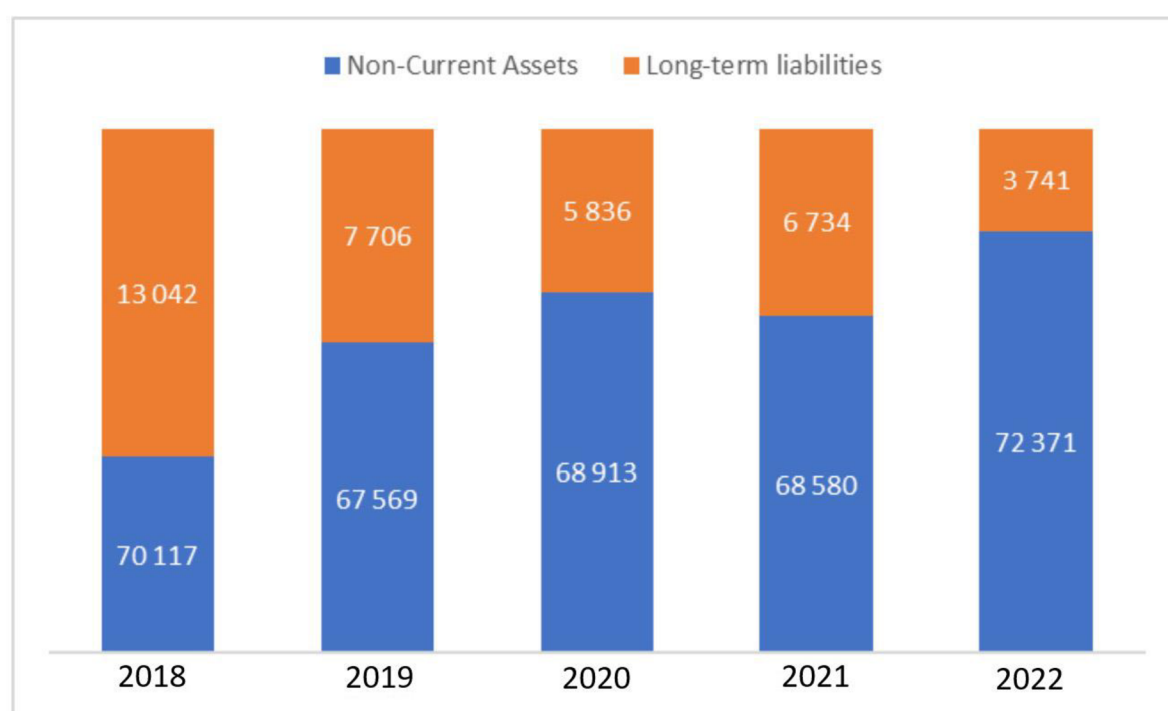
Source: REDTAG, 2018-2022 (Own processing)

5.3.1.3 Balance sheet rules

5.3.1.3.1 Golden rule

Golden rule of balance sheet suggests that non-current assets should be financed by long-term liabilities and current assets by current liabilities. Apart from the year 2018, REDTAG has more non-current assets than long-term liabilities. This means that longterm liabilities do not finance current assets. REDTAG meets the requirements of Golden rule, which means that since 2019, the company uses effective financing.

Graph 1 : Golden rule of Balance sheet (Thous. BHD)



5.3.1.3.2 Rule of balanced risk

Rule of balanced risk analyses the structure of the capital which the company uses. This rule mainly implies the risk that the company may have in the future if using more debt financing. The company meets this rule because REDTAG's capital is dominated by Equity.

Table 8: Rule of Balanced Risk

Thousands BHD	2018	2019	2020	2021	2022
Equity	189,845	235,044	217,281	198,650	198,107
Total liabilities	114,011	100,795	77,936	189,977	103,391

Source: REDTAG, 2018-2022 (Own processing)

5.3.1.3.3 Pari rule

The last rule, Pari rule, describes the effectiveness of a company's financing. According to this test, REDTAG does not have effective financing. Non-current assets are higher than equity. The company can invest more its capital and increase the amount of non-current assets. However, REDTAG has uncertainty about future projects. The company cooperates with institutions such as, for example, the BBK (Bank of Bahrain and Kuwait). The company should keep part of its equity as the reserve for retention payment purposes. During the received project, the company has to invest its own capital during the process. These retention payments are normal procedures in the construction industry. When the project is finished, the difficult administrative work is followed. In the end, the payment to the company can be proceeded within the period of even more than one year. If any issue occurs, there is a certain possibility that the retention payment does not need to be repaid in full amount.

Table 9: Pari rule

Thousands BHD	2018	2019	2020	2021	2022
Equity	189,845	235,044	217,281	198,650	198,107
Non-current Assets	70,117	67,569	68,913	68,580	72,371

Source: REDTAG, 2018-2022 (Own processing)

5.3.2 Ratio analysis

Ratio analysis uses data of REDTAG's balance sheet and income statement. In this chapter REDTAG's profitability, liquidity, activity, Net Working Capital and solvency are measured.

5.3.2.1 Profitability ratios

Profitability ratios analysis compares REDTAG's profitability ratios with selected purchasing and procurement, sales and marketing, customer service, inventory management, e-commerce and online sales. In connection with profitability ratios, the value should be as high as possible. Firstly, gross profit margin this ratio measures the percentage of sales revenue that is retained after deducting the cost of goods sold. A higher gross profit margin indicates that the company is able to sell its products at a higher mark up, which is a good indication of profitability as per Gross Profit Margin. The percentage of sales revenue that is retained after deducting all operating expenses including salaries, rent and marketing costs. A higher profit margin indicates that the company is able to control its costs effectively and generate more profit from its operations by operating profit margin.

Whereas Net Profit Margin is the ratio that measures the percentage of sales revenue that is retained as profit after deducting all expenses, including taxes and interest. A higher net profit margin indicates that the company is able to generate more profit from its operations. As it was mentioned in Financial statement analysis, the company had some operational difficulties due to the deficiency of bigger store operations due to pandemic affects in 2020 (1.03%). This was the only year when REDTAG's ROE was below the industry's average (4.99%). The highest ROE had a company in 2022 (26.98%) where the company participates in a great number of public procurements.

In 2022, REDTAG experienced a greater result than Industry. Similarly, like ROE, the company's ROA had a very disappointing result in 2020 (1.01%) and a great result in 2022 (21.15%). It is evident that the decreasing ratios were influenced by the company's own difficulties, the industry even grew between the years 2019 and 2020. REDTAG's weakest ratio is Operating Profit Margin. Although the ratio is positive, the company has a lower ratio than the industry from 2019 until 2022. Lastly, Gross Profit Margin evaluates how effectively a company invests its capital.

According to this ratio, REDTAG is very effective in investing its capital, mainly in the years 2018 and 2022. In 2022, the company reached 30%. On the other hand, the values of these ratios during years are very changeable. Overall, the analysed ratios show that the company is profitable besides the year 2020. The important year for the company was the year 2022 when the company experienced extreme growth.

Table 10: Profitability ratios: REDTAG

Profitability Ratios: REDTAG	2018	2019	2020	2021	2022
Gross Profit Margin	21.56%	11.85%	1.33%	8.52%	30.93%
Operating Profit Margin	10.59%	6.84%	0.96%	3.51%	11.01%
Return on Assets (ROA)	14.68%	8.67%	1.01%	4.55%	21.15%
Return on Equity (ROE)	20.31%	10.42%	1.03%	5.98%	26.98%
Net Profit Margin	6.50%	7.10%	6.40%	7.00%	8.10%

Source: REDTAG, 2018-2022 (Own processing)

5.3.2.2 Liquidity ratios

Liquidity explains how many times current assets cover short-term financial liabilities. REDTAG fulfils suggested values for liquidity. Moreover, the company's values are even higher. Thus, the company has enough assets to satisfy its obligations. If liquidity is high, the company is holding too much cash that can be utilized in other areas. Since the recommended value for cash ratio is 0.2 and REDTAG's average value of selected periods is 0.7, there is a certain space to question the possible investment. On the contrary, REDTAG operates in an industry where the company should keep reserves for retention payments. And since the company is an applicant of public procurements, where financial health is necessitated, it is a good representation that the company shows rather high liquidity.

Table 11: Liquidity ratios

Liquidity	2018	2019	2020	2021	2022
Current	2.42	2.95	3.12	1.77	2.41
Quick	2.06	2.26	2.65	1.56	2.32
Cash	0.61	0.82	0.6	0.57	0.91

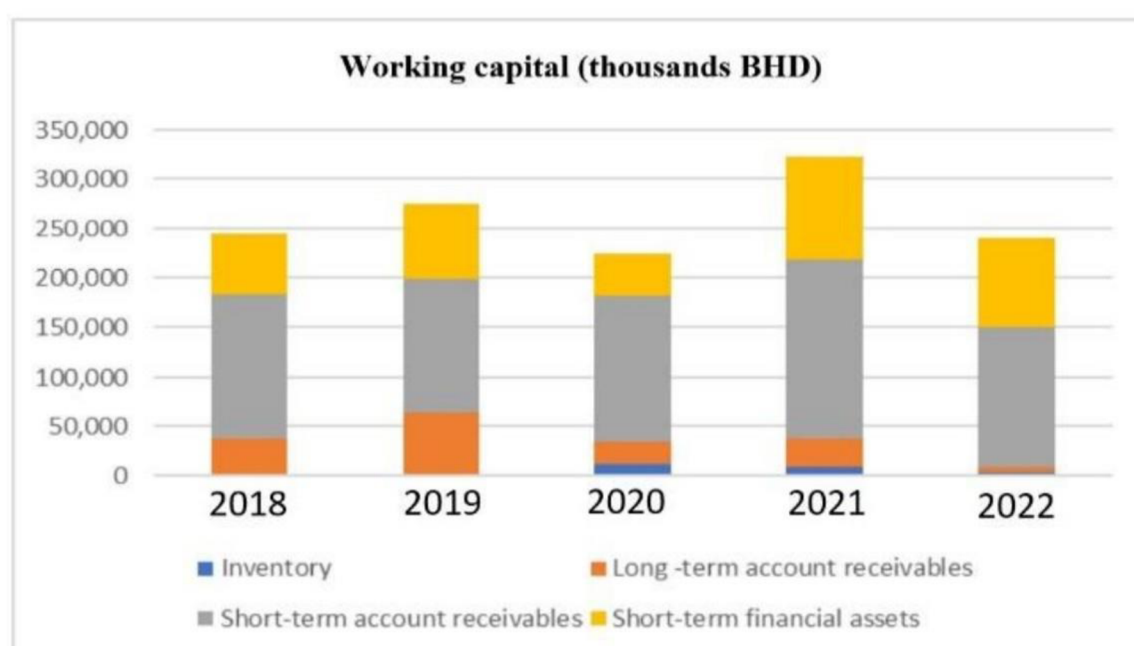
5.3.2.3 Difference ratio

Net Working Capital

Graph displays the structure of current assets, also termed working capital. As it was mentioned in the chapter Financial statement analysis, REDTAG is not a production house completely. Thus, inventory does not have high importance for the company. The more important items are account receivables and short-term financial assets. The amount of short-term account receivables does not change every year and the amount is stable. On the

contrary, long-term receivables are considered as a volatile item. In 2020, there was a decrease in current assets and the biggest decline in short-term financial assets. Net Working Capital subtracts short-term liabilities from current assets. The rest amount displays the remaining balance for further utilization. The company has positive NWC values in every examined period. The ratio shows that the company has a stable NWC ratio when the highest amount of 181,982.00 thousands (BHD) happened in 2019, The average amount of selected period equals to 151,756.80 thousands (BHD).

Graph 2 : Working capital



Source: REDTAG, 2018-2022 (Own processing)

Table 12: Net Working Capital

Thous. BHD	2018	2019	2020	2021	2022
NWC	143,204.00	181,982.00	152,922.00	140,270.00	140,406.00

Source: REDTAG, 2018-2022 (Own processing)

5.3.2.4 Activity ratios

The first analysed ratio is the Asset turnover ratio. The minimal recommended value for the Asset Turnover Ratio is according to literature 1.0. REDTAG requires the recommended values. Moreover, the company exceeds the recommended value in the years 2018, 2019,

2021 and 2022. In 2020 the ratio equalled 1.0. REDTAG is eligible to turn its assets to generate sales in every analysed year. Because REDTAG is a retail company, the Inventory turnover does not have such a high importance due to clearance sales. It is predictable that the company has low Inventory turnover. The higher importance for business are Number of days of account receivables and payables ratios. On average, REDTAG needs 149 days to turn the account receivables into cash. It is important to say that due to participating in public procurements, there is a higher requirement for the administrative procedures. These procedures can slow down the payment process and REDTAG cannot influence the whole procedures. In the matter of payables, REDTAG needs on average 92 days to repay its debts. This number is not satisfying but payables include the trade with its sister's companies. Additionally, the company often waits for supporting documentation like invoices. Lastly, cash conversion cycle is very changeable. The most sufficient year for the company was 2021, where REDTAG put its inputs resources into cash flow in 20 days. On the other hand, the worst period for REDTAG was 2020. Cash conversion cycle ratio can again confirm that the company struggled that year.

Table 13: Activity ratios

Activity	2018	2019	2020	2021	2022
Asset Turnover ratio	1.4	1.3	1	1.3	1.9
Inventory turnover ratio	388	371.5	28.3	59.9	190.6
Account receivable turnover	2.4	2.2	1.8	2.4	4.1
Account payable turnover	3.8	4.4	4	2.7	5.9
Inventory turnover (days)	1	1	13	6	2
Number days of account receivables (days)	149	162	198	148	87
Number days of payables (days)	94	82	91	134	61
Cash conversion cycle (days)	56	80	121	20	27

Source: REDTAG, 2018-2022 (Own processing)

5.3.2.5 Solvency ratios

Financial leverage is an important financial ratio. The recommended value differs from the literature and also from the industry. The recommended values from the literature should be maximally 60%. REDTAG satisfies this requirement only in the years 2019, 2020, and 2022. The highest Financial leverage ratio was in 2021 when the ratio reached even 98%. This was certainly very dangerous to the company. On the other hand, the Financial leverage ratio was high due to an increase in short-term payables that relate to new projects. The surprising

phenomena occurred in the year 2020. As was mentioned, the company shows the lowest revenues and the alarming profitability but according to the company's financial leverage, the company shows the lowest indebtedness.

The capitalization ratio showed more satisfying results than Financial leverage where the ratio was under 50% and meet the requirement that REDTAG does not represent a potential risk for stakeholders. Overall, the company has a strong potential for future growth. The company should try to achieve better financial planning, with stable financial leverage, it is possible that the company may use more debt financing in the future or attract more customers and investors. Additionally, REDTAG faces another obstacle and that is the requirement for public procurements which says that the company has to be financially healthy when applying for projects. REDTAG is successful in its Interest Coverage Earned ratio. A ratio higher than 7 times, means that a company is very successful in covering its interest expense, REDTAG fulfills this condition, especially in 2022.

Table 14: Solvency ratios

Solvency	2018	2019	2020	2021	2022
Financial leverage	67%	48%	37%	98%	59%
Capitalization Ratio	40%	32%	27%	50%	37%
Interest Coverage Earned	198	119	13	176	953

Source: REDTAG, 2018-2022 (Own processing)

5.3.3 Altman model

Even though REDTAG is a Retail company existing in the middle east, it is aiming to move to Europe where tax paying is immediate. According to Altman's Z-score analysis, the year 2022 was the only year that REDTAG was considered as prosperous and was not threatened by bankruptcy. From 2018 until 2018, the company was situated in the grey zone. The grey zone implies to a situation in which the company might be or might be not threatened by possible bankruptcy. In this scenario, it is recommended to analyse the company with the other analysis or models of financial analysis.

Table 15: Altman model

	2018	2019	2020	2021	2022
X1	0.45	0.52	0.52	0.36	0.45
X2	0.32	0.46	0.55	0.35	0.3
X3	0.15	0.09	0.01	0.05	0.21
X4	0.6	0.68	0.73	0.5	0.63
X5	1.41	1.27	1.05	1.31	1.92
Z-score	2.71	2.59	2.22	2.21	3.41

Source: REDTAG, 2018-2022 (Own processing)

5.3.4 Economic Value Added

(EVA) Economic Value Added (EVA) measures the difference between the Net Operating Profit After Tax and Weighted Average Cost of Capital. As since the GCC do not have tax paying nations where there is no corporate tax then EVA is net operating cost only after cost of capital. The Economic Value Added in purchasing and procurement, sales and marketing, customer service, inventory management, e-commerce and online sales. The chosen industry is connected to the industry in which REDTAG operates. Here, a negative value is that the chosen industry serves a negative benchmark of value creation for shareholders and thus, the industry is not attractive for investments. REDTAG positively surpasses the values of the industry. REDTAG reaches positive results in 2018, 2019, and 2022 when the industry displayed negative values in all analyzed years. The year 2020 reached a weaker result due to lower earnings, nevertheless, REDTAG's performance has a positive outcome. On the contrary, the company reached the highest result in 2022, where high earnings were gained. Furthermore, REDTAG, apart from the years 2020 and 2021, reached greater results than the industry in Europe. EVA analysis expresses that the company is a profitable and well-performing company.

Table 16: EVA – REDTAG a.s. (Thous. BHD)

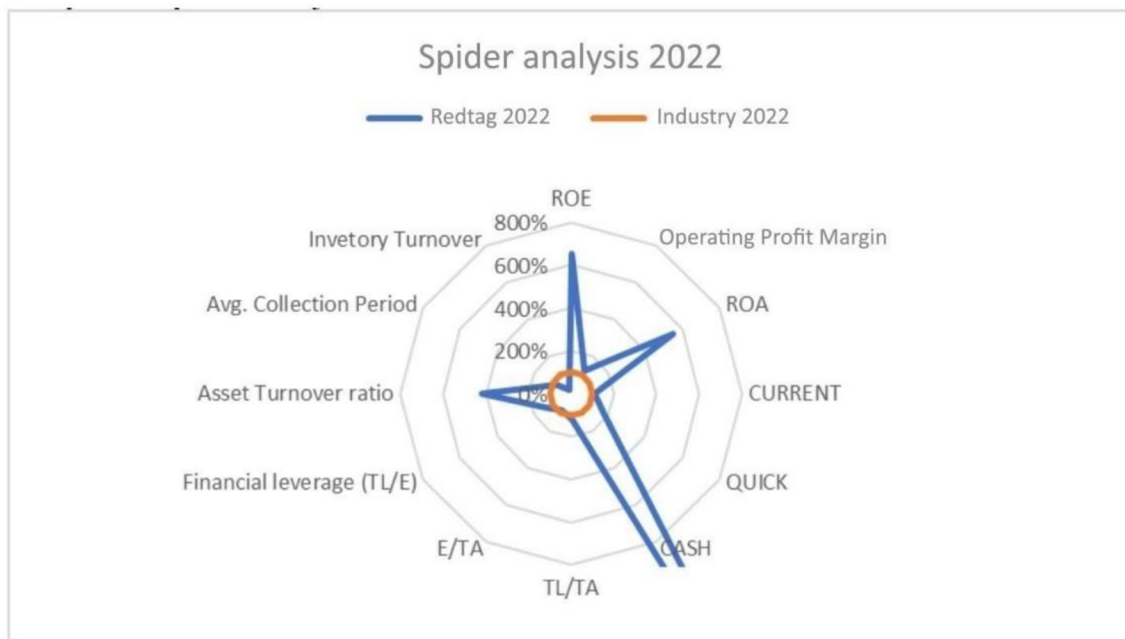
	2018	2019	2020	2021	2022
NOP	38,750	24,700	2,427	11,953	53,513
C*WACC	14,620	16,986	11,154	12,779	15,068
EVA	24,130	7,713	-8,726	-826	38,445
C	202,887	242,750	223,117	205,384	201,848

Source: REDTAG, 2018-2022, (Own processing)

5.3.5 Spider Analysis

With the examination of the company's profitability, solvency, activity and the structure of the capital, Spider analysis is a comprehensive analysis of the company's financial situation. The analysis compares REDTAG's results with the selected purchasing and procurement, sales and marketing, customer service, inventory management, e commerce and online sales. The selected year for Spider analysis is 2021. When comparing Profitability ratios, REDTAG has a surplus in ROE and ROA. However, REDTAG's Operating Profit Margin ratio is below the average of the industry. Within the scope of liquidity, REDTAG has a stronger position than Industry. The most shocking ratio is Cash ratio, where REDTAG exceeded the industry's average dramatically. This value is surprising, the average value of Cash liquidity in the industry is just 0.05%, which is under the recommended value. REDTAG's Cash ratio was 0.91 in 2022. The structure of the capital category is the least sufficient for REDTAG. REDTAG only outperforms the industry in total liabilities / total assets ratio by 20%. Regarding Financial leverage, the company has a higher ratio of 32% than the industry, that is a disappointing result.

Graph 3: Spider Analysis



Source: REDTAG, 2018-2022. Internal and External Audit 2018-2022) (Own processing)

5.4 SWOT analysis

Strengths	Profitability
	Financial health - Solvency
	Liquidity
	Broad portfolio of services
	Qualified employees
	International company
	Location of the company
	ISO certification
	Supplier to influential companies and institutions
	Company with history
Weaknesses	Return on Sales
	Fluctuating revenues
	Inefficient financing
	Dependency on public procurements and large projects
	Number days of account receivables
	High costs on R&D, Trainings
Opportunities	European green revolution
	Patents
	New technology
	New locations
Threats	Unemployment rate
	Decline in public procurement
	Economic Recession
	New entrants in industry
	Higher costs on equipment

(Source: Own processing)

5.4.1 Strengths

The results of the financial analysis confirm that REDTAG is a well-performing company. REDTAG showed well profitability, mainly in the ratio Return on capital employed and Return on Equities besides 2020 very high and REDTAG overtook the industry. Liquidity ratios fulfilled all the recommended values. Furthermore, REDTAG highly surpasses the industry with cash ratio. Another positive finding brought solvency ratios. Although the company experienced a poor year in 2020, the Capitalization ratio and Interest coverage still displayed positive values. Finally, REDTAG showed a good EVA ratio. Based on the data

presented that purchasing and procurement, sales and marketing, customer service, inventory management, e-commerce, and online sales are not valuable industries. Nevertheless, REDTAG proves that the company creates economic value with its capital investments.

Apart from financial health, the company shows positive results in broad offers of services. This is beneficial for the company in terms of revenues. For instance, if the lack of demand for existing fashion and trends occurs in one year, the company will still have several other services to offer that can be lucrative to the market. So, the company has various sources of revenue and is not dependent only on one business activity. The company owns well-experienced employees where 80% of employees hold more than five to ten years of working experience with in REDTAG and are very trust worthy. In the industry, in which REDTAG operates, the dependency on new technology and patents are highly desirable. Since REDTAG cooperates with research institutions and universities, the company shows absolute strength regarding human resources. The benefit of the international environment is influential, along with the growth potential. Thanks to its international presence, the company can also recruit even more qualified labor and establish new collaborations with institutions. Due to its international background, the company participated in many engaging projects that also created value for society from beating diabetes and cancer awareness to charity work.

In relation to company history, REDTAG was founded in 2002. It is proven that the company created during years many stores in many countries, provided opportunities to a huge number of people also served millions of customers. It can be appealing to new potential customers that REDTAG operates successfully its business activities for 21 years. In the GCC, the company has a favorable location. The main office operates in UAE where the company has access to universities and governmental institutions. Additionally, the company possesses more offices in The Kingdom of Saudi Arabia as it is the largest business hub for REDTAG in terms of physical store sales. REDTAG can pronounce itself as a trustworthy company due to ISO certification. Since the company has them in its possession, REDTAG is approved to submit applications for public procurements or grants. For customers, ISO standards a guarantee of quality. REDTAG already possesses ISO 9001:2015 certification for its Quality Management System, the ISO 9001 standard is a globally recognised standard for quality management systems that sets out requirements for organizations to follow to ensure they meet customer needs and expectations. In addition to the ISO 9001 certification, Redtag also received several recognitions and awards for its commitment to quality and sustainability,

including the Dubai Chamber CSR Label, the Dubai Quality Award, and the Dubai Service Excellence Scheme Award. (Redtag Group's, 2021)

5.4.2 Weaknesses

Concerning financial analysis. REDTAG showed a lower return on sales than the competition amongst retail industry. Lower Operating Profit Margin ratio can identify rising financial troubles. REDTAG's main issues are fluctuating revenues. Even though the economic cycle was pleasant during the analyzed period 2018-2022, the company found itself in financial difficulties in 2020. Additionally, REDTAG has even high differences in revenues each analysed year. The issue for a company can be in terms of uncertainty regarding future incomes and that could be problematic mainly for planning and investing activities. The issue with fluctuating revenues is partly connected with public procurements. As it was discovered, the company was put into financial difficulties due to the scarcity of public procurements. In the matter of account receivables, this item is the highest item of working capital. On average, the company needs 149 days to turn the account receivables into cash.

The company should improve its cash collections. The last problem that financial analysis recognizes is the effectiveness of capital financing, also involving Financial leverage that displayed very indecisive solvency. The company is able to utilize its capital for investments. However, the Altman model showed that the company situates in the grey zone, and there is a possibility of bankruptcy. The company should definitely observe more bankruptcy models. Despite the fact that REDTAG has qualified employees and experienced employees at the same time. The company must pay high costs for training and R&D activities. Some projects even take years to be finished. Since technology is the main driver of REDTAG's business activities, the company must put a large percentage of the budget on R&D.

5.4.3 Opportunities

With a good fashion sense and recognised brand mark as a trend setter, the company has possible opportunities to collaborate in more projects and attract more important customers. It is likely that since the European clothing sector is moving towards eco friendly. The ecofriendly atmosphere is mainly focused and needed. Participation in Fashion shows and high spending on R&D activities can attract new designers and retailers. Not only miscellaneous work but as well other benefits can attract future talents. The employees are

offered a worklife balance. After 2 years, the employees are entitled to 42 days of paid leaves including air tickets for ex-pats and extra money for locals. After 2 years every 1 year will also be accommodated as 21 days paid leave with air tickets and for some senior employees vacations granted every six months as well, REDTAG offers salary benefits, a friendly environment, professional training, language courses, and requalification, stability. In addition, REDTAG gives a chance to Ph.D. students who can study and work simultaneously. With new technology, R&D activities, and labor, the possibility of new patents is strong. Lastly, REDTAG can find another opportunity with expanding its activities into the new location.

5.4.4 Threats

Like for every industry, REDTAG can be threatened by the not many highly educated locals having little or no interest to work in retail companies. If this trend continues in the future, the company will have to contest in the recruitment of employees mostly ex-pats which will discredit them from the Kingdom's localization supportive organizations and might lose popularity and also face to pay similar fares for electricity and VAT, etc. Another threat is the economic cycle. Many sources speculate that a recession will occur in the near future, which could influence the industry rapidly. Since the economy in the middle east is reliant on oil and gas, the economic recession might cause a rapid attenuation in the brand's income. The company is jeopardized by increasing costs. With and recent implementation of VAT in the middle east, new entrants could appear in the market. Therefore, there is a possibility that the environmental industry will become more desirable in the future.

6 Discussion

Regarding financial health, the financial analysis observes financial data of the years 2018-2022. According to the result of the financial analysis, the thesis confirms that REDTAG is a prosperous and stable company within the Middle East market.

The ratio analysis examined REDTAG's profitability, liquidity, activity, and solvency. The profitability ratios were positive, besides the year 2020, where REDTAG barely reached a 1% ratio of profitability however covid and lockdowns have affected the business drastically. That actuality only confirms the financial problems that the company faced in which entire physical stores have gone a disastrous backlash. Although there are no recommended values for profitability, when comparing with the industry, REDTAG showed excellent results of ROE, Gross profit Margin and ROA ratios as well. Even though REDTAG has major revenues from the sale of clothing and home goods in the markets where it operates. Additionally, factors such as consumer demand, market competition, and economic conditions can also impact the company's revenue streams. REDTAG can improve marketing and customer relationship and additionally can raise prices on these services. The company's strategy is to highly invest in R&D, the management hopes for technology advantage in the future and therefore higher profits. (REDTAG, 2022)

The solvency ratio analysis displayed that the company reached excellent results in Capitalization ratio and Interest coverage. On the other hand, Financial leverage showed the disappointing results, in 2021, REDTAG reached even 98%. On the other hand, overall, financial leverage was stable in 2019, 2020 and 2022. Moreover, in 2020, the company even showed the least indebtedness from all analysed year. Further analysis showed that this was not a positive cause. The least indebtedness was caused by a decreased in short-term payables that were influenced by the Pandemic. (Dubai Chamber, 2022)

In case of liquidity, all results were above the recommended values. The interesting occurrence happened in 2020 when current and quick liquidity ratios showed the highest results of all analysed periods. On the contrary, only the cash ratio confirmed the reality of a decrease in short-financial assets. The cash ratio is a more important ratio than current and quick for stakeholders. Especially for creditors who require if a company has adequate cash balance to finance their current debts. (Gulf News, 2022)

Altman model examined REDTAG's bankruptcy. The results show that the company was in from 2018 until 2022 in the grey zone which could be potentially a signal of a possible

bankruptcy in the future. In 2021, the Z-score finally crossed a number 2.99 which means that the company does not need to be concerned about future bankruptcy. Moreover, EVA analysis finds that the company is a profitable and well-performing company, despite the Retail GCC identified that the selected industry shows negative values, the Middle East Retail community of trade shows positive values. In the end, compared to the business economy of Dubai and the other GCC retail industries, REDTAG approached excellent results. (The National, 2022)

7 Conclusion

The objective of the diploma thesis was to evaluate the complete economic situation of the selected company that includes REDTAG's financial health, business performance, and external environment and to show the possibilities of REDTAG expanding its presence into Europe. Furthermore, the analysis answers the research question if REDTAG is wellperforming company within the Middle East. The year 2020 wasn't very positive for the company. In the mentioned year, the amount of sales declined and REDTAG put its focus on both ecom and physical stores. The poor year was confirmed by horizontal analysis, REDTAG experienced a decline in accounts of Balance sheet and Income Statements. The highest decline had items such as retained earnings - current year, short-term financial assets and long-term account receivables.

Nevertheless, payables also decreased. Even though REDTAG experienced the poor year, the company prove its excellent position in 2022. Porter's five forces model assessed that the selected company has a strong position in the Arab countries. In the Middle East, despite many retail companies offering the same services and products as REDTAG, the company still performs and maintains its customer retention. PESTLE analysis evaluated the external macroenvironment that is surrounding REDTAG. The political factors identified that the political sphere is little to absolutely no politics as it is a monarchy which is very much in favor of REDTAG, therefore REDTAG will not have obstacles in the future regarding its business activities.

The economic factors brought positive but also negative discoveries. There are some alerts in the form of low GDP growth and low unemployment rate. The low GDP growth signalizes a possible recession. The permanent low unemployment rate is problematic because the company would pay higher costs on wages for local employees which also speaks about income inequality between locals and ex-pats as well. The positive findings of economic factors were the stable inflation rate and Currency value where the top 4 strongest currencies are from the Middle east where the Kuwaiti dinar, Bahraini dinar, Omani rial, and Jordanian dinar have high appreciation.

Lastly, the environmental factors proved that the environmental sector may awake higher attention in the future. It is highly probable that the fashion trends and the approach what REDTAG follows will impress the European audiences and create its own customer identity. This can be very beneficial to REDTAG; thus, the company can expect advancements in the

future to secure franchise opportunities with well established retail groups. Furthermore, the company could expect high demand for eco friendly sector

The author perceives the future of REDTAG company positively. The company can profit from many strengths such as overall good financial health, a broad portfolio of services or a qualified team of employees. There are opportunities that concern cooperation with important clients, patents and new technology. Nevertheless, the company might encounter some barriers like economic recession, and a decrease in public procurements. Certainly, there is a space for improvement. The main issue for the company is fluctuating income, the solution would be to invest more time and skills in financial planning processes. Financial planning also concerns the collection of account receivables, even though the company focuses on long-term projects that involve high administrative procedures, there is a certain space for improvement. Financial planning also concerns investments, the company highly invests in R&D activities that can potentially bring high revenues. REDTAG should try to partly diversify investments and expand its financial or fixed assets. The company should also achieve the same level of Return on Sales as the Fashion sector is booming in the European nations and also e-com contribution compared to the middle east. Return on Sales depends on EBIT, which can be influenced by financial planning, and sales which can be boosted by a better marketing strategy.

When we compare today's operations, revenues, and sales REDTAG is doing a supreme business from where its earlier stage was. With factors such as affordability and trends, REDTAG has major possibilities to establish itself outside the Middle East Market, especially in Europe. As currently, income shows a slight fluctuation which is also due to COVID but however more than going to invest itself as a brand and start it is better to sell a Franchise

8. Interview

I got an opportunity to connect with Rajiv Shankar Chief Information Officer and to interview David Pidgeon Chief Operations Officer of RedTag on 13th March 2023 at 08:00 in the morning Bahrain time (06:00 in the morning Prague time). Mr. David giving his time for me is a sign of appreciation for the efforts I have put into this analysis (which is mentioned by him during the 18 minutes interview given by both of them one after the other). Mr. Rajiv has informed us that they are already getting leads for the franchise but as per the Group BMA international they want to strategically open their own stores same as they did in Africa and parts of Asia. Certain discussions have been taking place and 2026 is when they are aiming to go forward with either a Franchise or with a direct investment based on their internal decisions that will benefit both brand value and financial benefits, The approaches which came for the franchise gave them a feel that somewhere brand value might get compromised. (I could not record the video or use it to upload anywhere due to their internal commitments but they are fine with me discussing and taking their views forward)

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