Czech University of Life Sciences Prague

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Diploma Thesis

Financial analysis of a chosen firm

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DIPLOMA THESIS ASSIGNMENT

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Thesis title

Financial analysis of a chosen firm

Objectives of thesis

The objective of this master thesis is to evaluate the financial situation of a chosen company and to find out what factors represent the biggest risks and opportunities for future growth opportunities. By evaluation the financial situation of the firm we aim to find out what are the areas could represent possible risks from internal and external environment of the company. We also want to assess the level of competitiveness of the firm on the market in which the firm operates

Methodology

In this master thesis we will use both quantitative and qualitative analysis in order to evaluate the financial situation of the firm. We will use comparison and deduction as a method fulfill the objective of the thesis. We will use both primary and secondary data. The source of primary data will be surveys and interviews meanwhile secondary data will be collected mostly from annual reports.

The proposed extent of the thesis

60-80

Keywords

Financial analysis, evaluation, company, risks, competitiveness, growth, market

Recommended information sources

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Declaration

I declare that I have worked on my diploma thesis titled "Financial analysis of a chosen firm" by myself and I have used only the sources mentioned at the end of the thesis. As the author of the diploma thesis, I declare that the thesis does not break copyrights of any their person.

In Prague on 25.03.2021 ______________________________

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Financial analysis of a chosen firm

Abstract

The traditional means of financial analysis such as horizontal, vertical and ratio analysis can represent valuable insights for a company. The purpose of such analysis is to obtain an overview of both the internal and external environment of the company. In this thesis the main aim is to evaluate the financial performance of a company operating in the road freight transportation industry not only by itself but also with the inclusion of the direct competitors of the analysed company. Furthermore, an overview of the whole market is necessary in order to evaluate whether the industry in which the company is operating is in a condition which could represent a threat or an opportunity for growth. After the application of the above mentioned steps, a SWOT matrix will be created for the purpose of not only identifying but to propose strategies and practical measures which could improve the overall financial performance of the company. These strategies and measures will take into account the results obtained through the financial analysis and also the questionnaire which was implemented in order to gain insights from the management, employees and main clients.

Keywords: horizontal analysis, vertical analysis, ratio analysis, financial performance liquidity, leverage, activity, profitability, competition, market, SWOT,

Finanční analýza vybraného podniku

Abstrakt

Tradiční prostředky finanční analýzy, jako je horizontální, vertikální a poměrová analýza, mohou pro společnost představovat cenné poznatky. Účelem takové analýzy je získat přehled o vnitřním i vnějším prostředí společnosti. V této práci je hlavním cílem zhodnotit finanční výkonnost společnosti působící v odvětví silniční nákladní dopravy a zároveň zahrnout do analýzy přímé konkurenty společnosti. Dále je nezbytný přehled celého trhu, aby bylo možné vyhodnotit, zda je odvětví, ve kterém společnost působí, ve stavu, který by mohl představovat hrozbu nebo příležitost k růstu. Po uplatnění výše uvedených kroků bude vytvořena matice SWOT za účelem nejen identifikace, ale také navrhování strategií a praktických opatření, která by mohla zlepšit celkovou finanční výkonnost společnosti. Tyto strategie a opatření zohlední výsledky získané finanční analýzou a dotazníkem, které byly implementovány za účelem získání poznatků z vedení, od zaměstnanců a od hlavních klientů.

Klíčová slova: horizontálna analýza, vertikálna analýza, pomeřová analýza,finančná výkonnosť,likvidita, pákový pomeř, aktivita, ziskovosť,konkurent,trh, SWOT

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1 Introduction

Growing a business requires strategic thinking and responsible financial behaviour. These factors have to be aligned with the challenges that are facing small and medium enterprises in the 21st century. In such a global world that we are living in today the amount of competition on the markets has been constantly rising and it forces companies to seek for more optimal ways how to increase the effectivity of their labour and capital factors.

In this diploma thesis I will focus on the evaluation of financial indicators of the company Farkas + spol s.r.o, and how they can explain the overall performance of the company. With the evaluation of certain financial indicators, I should obtain a picture of where there could be areas that could use new measures to improve the performance. These measures will be adjusted to the certain needs of the company and also they will be aligned to the financial disposability, therefore they should be rather easy to adapt with relatively low costs.

In the first part of the diploma thesis I will look at the current scientific observations regarding the importance of financial analysis. In this chapter I will look for the main definitions and approaches of financial analysis. The aim of this chapter is to look for reasonable evidence of how certain factors can impact the financial performance of the company and to look for counterarguments between certain statements with proper justification of these standpoints.

In the second chapter I will analyse the current and past financial performance of the company and deduct reasonable justifications of their financial state. I will also look at financial statements from previous years to look for past trends and events that could explain if there were notable differences between certain years. In this chapter I will also look at the markets that the company operates to find out how the company could adjust certain measures to improve performance by looking at what possible threats and opportunities may arise in the near future

The third chapter will be dedicated to the measures that the company can apply in the future to improve their performance and to grow their market shares. The measures will be adjusted to the current state of the company to ensure that it will not represent a high financial burden for the operating processes.

2 Objectives and Methodology

2.1 Objectives

The objectives of this diploma thesis are aimed at evaluating the financial performance of a company, situated in the road freight transportation industry situated in the south-central parts of Slovakia. This will be done by conducting the traditional means of financial analysis such as horizontal, vertical and ratio analysis with the addition of competition analysis and a market overview. With the results obtained through the previously mentioned methods, further analysis will be performed by comparing the selected ratios towards the company´s main competitors which are in direct competition with the company. The performance evaluation will be done by comparing liquidity, profitability, leverage and activity ratios as this approach gives a more detailed overview than a general industry average. After performing the analysis, a survey analysis will be conducted in order to identify the main problems based on the standpoints of the management, employees and its key clients. Based on these findings along with the financial analysis a SWOT analysis will be conducted in order to find suitable measures aimed at improving the company´s financial performance and the overall competitiveness towards its main competitors. After putting together all the above mentioned approaches this diploma thesis should be able to answer the following research questions.

- Can the traditional means of financial analysis conducted on small company give a proper validation of their current financial position compared to its competitors?
- Do the problems identified through the traditional means of financial analysis reflect the actual problems that the company is facing?

2.2 Methodology

In this master thesis both quantitative and qualitative analysis techniques will be used in order to evaluate the financial situation of the firm. This process will be done by evaluating the financial indicators based on the balance sheets and income statements of the company. The main approaches will be horizontal, vertical and ratio analysis over the spam of a five-year period starting from 2015 and ending in 2019. Further ratio analysis will be performed on the competitors of the analysed company where comparison will be used in order to determine the performance levels of the mentioned companies. The selected ratios for this master thesis are liquidity, profitability, leverage and activity ratios. The comparison will be done through comparing the average values of the performance of all competitors towards the analysed company. The reason behind this approach is due to the limitations of industry averages in this sector, therefore this approach gives a more detailed and suited overview. After conducting the competitors' analysis, an overview of the road freight transportation industry is necessary in order to obtain the state of this sector. Based on the results, conclusions can be made whether the industry in which the company operates is under threat or represents an area where further growth can be attained. In the final part of the thesis a survey analysis will be introduced in order to gain insights from the company´s internal and external environment based on which with the addition of the overall financial analysis of the company a SWOT analysis will be conducted where the goal is not simply to identify but to propose strategies which can positively influence the financial performance of the company and increase the levels of competitiveness towards its competitors.

3 Literature Review

3.1 Definition of financial analysis

Financial analysis consists of two words: finance and analysis. If we look at them separately the word finance can be defined according to Drake and Fabozzi (2010) as the use of the principles of economic theory in order to allocate money under uncertain circumstances. The second part analysis can be explained as the process of studying or examining in an organized way to learn more about it. These two definitions will play a crucial role in the practical part of this diploma thesis as I will look for organized ways and structures within the company in order to find rational connections between the company´s current financial situation and its environment.

Within the economic field financial analysis has been defined in multiple ways as some aimed to look at it from a more general point of view and some aimed to define it as precisely and specifically as possible. Gibson (2000) defines it as a way of providing financial information in order to make economically sustainable financial decisions. This process is being conducted by various in depth data analysis methods which may come from the balance sheet of the company or other finance related documents that reflect the company´s current and previous financial records. Fridson and Alvarez (2011) highlights the importance of perseverance when it comes to financial analysis as many times the financial statements include more than they reveal. This can be understood as financial analysis is not just simply recording financial performance and making general conclusions but rather a process where the analyst is looking for specific rational connections between the recorded numbers and the reality. It can be explained as a proactive approach to deeper understanding where the real valuable information comes after all the usual questions have been answered.

It can be stated that in order to fulfil the objectives and aims of this master thesis, the approach to financial analysis must be rather proactive as the second definition described in order to avoid just simple financial recording. O´Regan (2016) in his book Financial Information Analysis described this approach as the sum of processes and techniques which are used to extract valuable information from balance sheets, income statements or any other supportive documents in order to make decisions backed up by facts rather than intuition. These processes and techniques involve several analytical and technical skills as information is being shared according to the up to date regulations and laws, which might indicate difficulties in the processes of understanding.

3.1.1 Approaches to financial analysis

It is important to note that based on who is acquiring the financial information, there can be various approaches which might share similarities but can also have different scopes and depth. Brag (2007) in his book explained that due to the complexity of financial information, financial analysis can be seen in three different approaches.

The first approach which suits the methodology defined in this master thesis, is defined as a continuing process of monitoring the current process within the company. In order to conclude such analysis, the approach has to be proactive which means that the analyst has to be able to identify the key operations within the company and apply suitable measures that will have a positive influence on certain indicators. This approach to financial analysis is rather beneficial to the management who are directly involved in the decision making process.

Another approach to financial analysis can be identified through investment evaluation. In this approach the accounting divisions are using tools to reflect capital expenditures or financing options. The most common objective of this approach is to quantify the returns on investments and also to create an overview of suitable financing options. This method rather looks at financial analysis from more of an investment standpoint.

The final approach according to Brag (2007) is concerned with the demands of the management. In this type an analyst is called in order to provide answers to questions which were raised by the management. Such questions are rather used to create scenarios where the goal is to find out what will be the result of a certain action. This approach requires in depth knowledge of both approaches mentioned previously. The margin for error is the highest in this approach since the management is raising specific questions and the analyst must be able to identify accurately the issue, verify the assumptions, find the appropriate data and create suitable conclusions.

A rather different and interesting approach to financial analysis can be seen also through the developments in the field of finance. As the economic and financial field represent an area which is constantly changing due to the new challenges, new approaches are coming to spotlight as well in the information driven society. Wilson and Campbel (2016) stated in their article that the financial environment as we look at it today has substantially changed compared to the environment from 15 years ago. They argue that the main reason for this shift is due to the rising amount of financial services provided on the markets which happened due to the rise of efficiency in data evaluation. The changing shift can be noticed in the article shared by Lahmiri and Bekiros (2019) who analysed whether machine learning can predict such a thing as bankruptcy for a company based on analysing risk by taking into account data regarding markets, cash flow, credit and other factors. Their research concluded that machine learning models can in fact provide valuable information regarding decision making for the company.

As the efficiency of the evaluation of financial information has been rising it is important to note that the models and steps of the new approaches are based on the rather traditional approaches. These modern approaches can provide valuable information only under very specific circumstances, therefore the accessibility and practical usage can be limited.

3.1.2 Users of financial information

O´Regan (2016) categorized the users of financial information the following way:

- Shareholders and investors: This group uses financial information in order to determine the value of their investments. The source of information in their case are usually annual reports.

- Financial analysts: Analysts play a key role in the world of finance as it was earlier mentioned that reading financial statements can be hard to understand because reporting has to be according to regulations and laws. This group, therefore uses the information provided in annual reports to advise their clients regarding their investments

- Management: This group uses primary financial information to navigate the direction of the set operating decisions.

- Employees: For the employees of the company financial data might be relevant in order to find out whether the company can offer them safe long term employment.

- Lenders: Banks and other institutions need to know whether their loans are going to be repaid, so for them it is crucial to analyse financial statements in order to find out if the borrowers will be able to repay the loan on time.

- Taxation or other authorities: Official authorities will follow financial statements in order to determine whether the company recorded their financial information in line with the regulation in order to prevent customers from fraud.

Brigham and Houston (2013) The most important users out of the above mentioned can be narrowed down to management, lenders and shareholders.

3.1.3 Methods of financial analysis

There are two ways how an analyst can tackle the financial information from the provided sources:

- Horizontal analysis

- Vertical analysis

According to Friedlob and Schleifer (2003) the main differences can be found in the comparison methods of data. When an analyst is approaching financial information applying horizontal analysis, then the same ratios are being compared over multiple years. Vertical analysis tends to look at the individual components as a percentage from a bigger summary in a particular year.

Horizontal analysis

Narayanaswamy (2017) provides additional information to horizontal analysis as the percentages play a significant role as they show whether a company has been growing or declining compared to the previous years. These changes represent the base for horizontal analysis and it can be calculated according to the following formula:

$$Change = \frac{\text{Amount from present year} - \text{Base year amount}}{\text{Base year amount}}$$

Vertical analysis

Narayanaswamy (2017) explains that vertical analysis can be beneficial especially in situations when two companies who differ in sizes are being compared to each other. Since the main characteristic of vertical analysis is the fact that the amounts of financial statements are represented as percentages of the total sum, this can point out the effectiveness of the company´s performance.

$$X = \frac{P_\beta}{\sum P_\beta}$$

Where: X – represents the indicator

- P_β- Absolute amount of an indicator from the balance sheet
- $\sum P_\beta$- Sum of all amounts of the item

3.1.4 Techniques of financial analysis

There has been an ongoing debate which financial analysis technique can provide the most valuable information regarding assessing the performance of a company or making trading decisions. Fundamental and technical analysis represent two schools of thought which are most common in the field of finance when it comes to financial analysis. In the previous chapter it was discussed how financial information can be looked at, now the objective is to define the types of analysis that can be used within the approach. Both fundamental and technical analysis use a wide range of data in order to determine where the analysed company stands from the financial point of view, however the differences can be found within the approach towards data regarding financial information.

Scwager and Etzkorn (2017) in their book described the difference between the two approaches the following way:

- Fundamental analysis: Fundamentalists use disposable data rather to predict future growth opportunities based on their current position. In fundamental analysis can involve connections between financial and other areas as well.

- Technical analysis: Technicians look for patterns in the data itself and based on that information they predict future positions. This technique can present beneficial insights especially when an analyst wants to conduct trading decisions. It involves calculations with wide data ranges that are being arranged according to statistical, econometric and other methods.

O´Regan, (2016) argues that the differences in the two approaches can be found also with regards to the time scope. Fundamentalists tend to look more precisely on the long term approach as taking into account multiple factors that can determine the main financial risks and opportunities for the company. On the other hand, technical analysts feel comfortable with shorter time horizons as they tend to look for patterns within the data and their conclusions are derived from charts. The statement he proclaimed that technical analysis can be applicable rather for trading than investing, highlights why fundamental analysis represents a more suitable approach. In order to create reasonable measures, it is important to understand the fundamentals of the company´s financial indicators and also to understand the environment in which it functions.

Etzkorn and Schwager, (2017) explained that it is impossible to make a general statement whether fundamental analysis is better than technical analysis. Their reasoning lies behind the fundamental question, which is connected to the purpose of the analysis. It can be simply stated that fundamental analysis can provide more specific study on a single company, however technical analysis can bring a more general oversight of the whole market or economy. As in their words, technical analysis is more suitable for trading purposes, the objectives of this master thesis are not aimed at trading but rather on a single company analysis.

For this master thesis fundamental analysis represents a better option as one of the main sources of financial information will be balance sheets and income statements and technical analysis is rather being used at a larger scale for companies that are being traded publicly on the stock market.

3.2 Fundamental analysis

Thomsett (2006) backs up all the previous statements which were made about the use of fundamental analysis in finance. Thomsett, however put special emphasizes on how the data is being interpreted in the financial statements since a lot depends on whether a company applies a more conservative or aggressive approach to their income statements. Purely looking at the numbers presented on the income statements of several companies might not give us a true answer whether one company performs better than the other because they might have used different accounting approaches. For this reason, it is necessary to apply the tools of fundamental analysis which can be specific ratios or trends based on previous years. Two approaches can be applied when it comes to fundamental financial analysis.

1) Bottom up approach – goes from simpler objects to more complex structures: company- industry (market) – economy
2) Top down approach – goes from complex structures to simpler objects: economy- industry (market)- company

3.2.1 Company

This master thesis focuses mainly on the company´s performance as it will also provide insights into the current structure of the economy where threats and opportunities will be presented. The sources which will provide the necessary information to conduct an analysis on the financial performance of the company will be the balance sheet and the income statements from multiple years.

Balance sheet

According to Makouji (2010) the balance sheet provides picture in a specific time about the company´s financial situation based on what they own, what they owe and also illustrates the equity of the company. The author also acknowledges the fact that in order to come to conclusions the analyst must be able to understand each component of the balance sheet which are:

- Assets
- Liabilities
- Equity

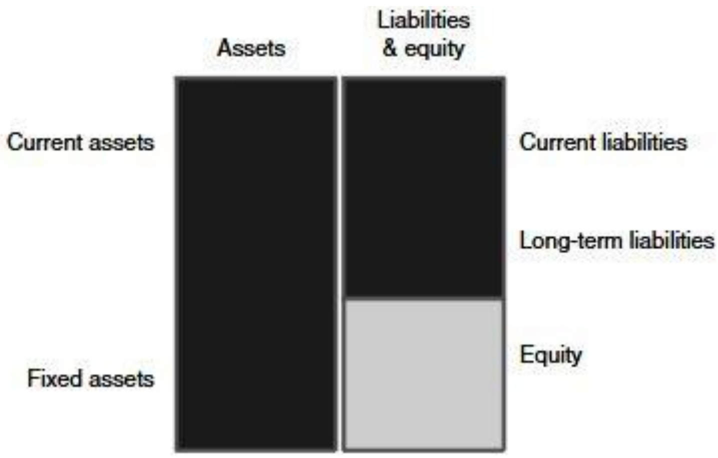
Companies may own different sorts of assets which could be harder to see at first and for this reason the asset section of the balance sheet is divided into smaller segments which helps us to have a clearer understanding of it. The balance sheet can have the following type of assets on its record: cash, accounts receivable, inventory, investments, buildings and land. Based on the availability at which they can be turned into cash they are put into current and non-current assets (McCrary, 2010).

Liabilities represent the money which are to be paid back to the source in the short or long term future. The most commonly mentioned liabilities are bank loans, payable accounts and lease capital. Liabilities represent also a subject which must be monitored with special attention as higher amounts may present an existential threat if they are not backed by reasonable understanding of the business and overall market (Vance, 2003).

Equity represent the amount that the company would actually own if all assets were to be sold at the recorded amount and all liabilities were to be settled. It includes invested capital and retained earnings which are the gains and losses from business activity (Vance, 2003).

Frodsham and Lichtenstein (2011) point out the fact that balance sheets can vary depending on the country of their origins as different locations may be accustomed to different accounting standards and requirements. Although, this fact may indicate different conclusions based on the country of origin, the underlining idea is the same everywhere.

Figure 1 Example of the structure of a balance sheet



Source: (Frodsham, Lichtenstein 2011)

The above listed figure illustrates a simplistic view of a general balance sheet. One simplistic rule that can be applied when looking at a balance sheet is that assets are the resources which the company can use and they are backed up by liabilities and equity. Therefore, the following formula can be applied (Vance, 2003).

$$\text{Assets} = \text{Liabilities} + \text{Equity}$$

Source: (Vance, 2003)

Graham (1998) explains that in order to determine whether a company is in a healthy condition just purely based on the figures which are shown on the balance sheet is almost impossible. The reason behind this is the fact that there is no general rule to apply for evaluating a good or bad state of balance sheet for all economic actors on the market. Companies operate in different industries and each industry has its specifications, therefore such generalization can be misleading.

The income statement

Graham (1998) describes that the income statement is a record of actions over a limited time period which reflects the revenues of the company and all the expenses which are related to it. The result is a simple record of a profit and loss over a limited time scope. Vance (2003) extended this statement by including also certain adjustments such as depreciation which then can be added or subtracted at the end of recorded period.

Thomsett (2006) acknowledges the fact that the income statement and balance sheet together form a combination of documents which can provide information that could lead to rational conclusions regarding the operations of the company. In his opinion the following trends must be followed with caution.

- Revenue growth- according to him the growth in revenue represents an indicator which requires more caution than any other on the income statement. He states that the assumption of continuous growth in revenue is a reflection of a healthy business condition is wrong because continuous growth has to be backed also by earnings in the long run, therefore if the company is reporting growth in revenue it can also mean that the earnings are diminishing.

- Gross profit margin- the previously mentioned revenue growth can also mean that the gross profit can decline. The gross profit margin can be considered as a reasonable indicator since it is tracking whether the ratio between the revenue and the costs are remaining on a similar level even though the revenue is growing.

- Expenses related to revenue- It is rational to assume that when expenses are higher than revenues it may be alarming at first, however this must be looked at in a reasonable time frame. High expenses in a one-year time frame could be explained as result of growth expansion, however if this trend continues to follow further than it can indicate problems. The absolute worst case scenario according to him is that even though revenues grow, the costs associated with it are also rising which impacts the gross profit plus all related expenses are rising as well which would result in an even higher financial burden.

- Operating profit margin- this margin helps to keep track of the business related actions. Net profit at the end of the reporting year can be affected by all other factors such as selling long term assets, therefore the operating profit margin helps to focus purely on the primary operations of the company.

The relationship between the balance sheet and the income statement can be considered as closely related. The formula which was mentioned in the balance sheet part can be expanded by including records such as revenues and expenses.

$$\text{Assets} = \text{Liabilities} + \text{Equity} + \text{Revenue} - \text{Expenses}$$

Source: (Vance, 2003)

The formula follows a logical pathway as during an accounting period the expenses and revenue are then transferred into retained earnings which are part of the equity account on the balance sheet (Vince. 2003). This statement is also backed up by McCrary (2010) who indicates that the outcome of the income statement is reflected in the balance sheet of the company as an adjustment to equity.

Financial ratios

Financial ratios represent one of the most important part of fundamental analysis. Drake and Fabozzi, (2010) defines financial ratios simply as evaluating one piece of financial information to another and by doing this analyst can test the company´s different performance segments. The table below shows which ratios can provide information regarding the performance of individual segments of the income statements.

Table 1 Classification of financial ratios

Liquidity	The ability to convert assets into cash during a short period of time
Profitability	Evaluates how well the company is managing expenses
Activity	Is used to evaluate the benefits provided by certain assets
Financial leverage	Tells us how much financial risk the company has taken on
Return on Investments	Compares the measures of benefits such as profits with the amounts of investments

Source: Own creation of the author

Liquidity ratio

Rice (2003) stated that there are three different ratios which can be applied in order to evaluate the company´s liquidity, however they both involve certain limitations as well.

Current ratio represents such ratio that can measure the liquidity of a company. It can be calculated as:

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

Another way how liquidity can be measured is by calculation of the quick ratio

$$Quick\ ratio = \frac{\text{Current Assets} - \text{Inventory}}{\text{Current Liabilities}}$$

Cash ratio can show the company´s immediate ability to pay their financial obligations towards debtors.

$$Cash\ ratio = \frac{\text{Cash} + \text{Cash equivalents}}{\text{Current Liabilities}}$$

Rice explained the limitations of the liquidity ratio by pointing out the liquidity problems tend to occur in much shorter time spams than 1 year. Ideally, a solution could be to look at monthly forecasts of what paying obligations the company will have to undergo and when the customers will forward their payment into the company. Such calculation can be only done from within the company. O´Regan (2016) considered the evaluation of cash flow statements as an another source that could provide background on the liquidity of the company as it shows the cash generating efficiency of the company.

Profitability ratio

Gibson (2012) defined multiple ways how profitability can be calculated. He argued that when evaluating the results of profitability, it is more useful to seek percentages than absolute numbers as they tend to reveal more. The following formulas can be used in order to measure the company´s profitability:

$$\text{Net profit margin} = \frac{\text{Net Income}}{\text{Sales}} \text{ x } 100$$

Net profit margin can show how well the company can generate profit from its sales. It can be useful especially within the application of the fundamental analysis principle which looks at company´s performance over the course of several years in order to assess whether the currently applied practices are working.

$$\text{Return on assets} = \frac{\text{Operating profit}}{\text{Assets}} \text{ x } 100$$

Return on assets can show how well can the company use its assets in order to generate profits. Limitations can be found especially in business environments where seasonal factors can influence the ratio.

Return on equity represents the amount of profit at the disposal of management for the benefit of the shareholders of the company. According to Bull (2008) it effectively portrays how a company is managing the funds that the shareholders contributed. Walsh (2008) thinks that return on assets and return on equity present the two most important ratios in terms of profitability. He states that for a single business a good return on equity can ensure a financial framework for future growth.

$$\text{Return on equity} = \frac{\text{Net Income}}{\text{Shareholder´s Equity}}$$

A special emphasizes has been put over the gross profit margin. The reason for the significance of this ratio can be found in the practical usage of comparison method. O´Riley explains that the result of the gross profit margin represents a number that does not changes significantly over the years, therefore it can provide a valuable base for comparison between companies within one industry and one jurisdiction.

$$\text{Gross profit margin} = \frac{\text{Gross Profit}}{\text{Revenue}} \text{ x } 100$$

Activity ratio

Activity ratios can show how well the company is using their assets in order to obtain sales. This ratio can be also beneficial especially when it comes to comparing industry averages between companies. According to Warrad and Rania (2015) activity ratios can show better performance indication of a company than profitability ratios as activity ratios show accurate usage of assets for generating profit.

$$Asset\ turnover = \frac{Revenue}{Average\ total\ assets}$$

Total asset turnover shows whether a company is using assets effectively in order to generate sales, meanwhile fixed asset turnover focuses on only on fixed assets.

$$Fixed\ asset\ turnover = \frac{Revenue}{Average\ fixed\ \ assets}$$

Financial leverage

Brealey, Myers and Allen (2020) indicates whether a company´s investments are being financed by debt. The ratio itself indicates if the assets and the operations of the company are financed by debt or equity. According to Walsh (2006) the purpose of the ratio is to measure the mix of funds in the balance sheet and to make comparison between those funds that have been supplied by the owners (equity) and those which have been borrowed (debt).

$$\text{Debt to Equity ratio} = \frac{\text{Total Debt}}{\text{TotalEquity}}$$

According to Walsh (2006) there are three ways how this ratio can be used: Debt over equity- This is the most common approach that is usually being implemented when it comes to the analysing of financial leverage. Every part of interest that is carrying debt is expressed as a ratio to equity.

- Equity over total funds- This method is the least common
- Total debt over total funds- In this approach total debt whether it has interest or not is expressed as a percentage of the total funds of the company.

The expectations from the financial leverage ratio can be derived according to Helfer (2001) as the funds which are being borrowed at a fix interest are used in order to invest into assets that will positively impact the company´s growth. Walsh (2006) also points out that this ratio can be especially beneficial when the goal of the financial analysis is to point out risks for the management as a high level of debt usually translates to higher levels of risks. Debt can also positively influence profits and negatively operational risks, therefore there is a need for finding proper balance between these two factors.

3.2.1 Market

Market can be defined in multiple ways, however taking into account the geographical location of the analysed company the definition provided by the European Union will provide the base for this part. According to (Ferro, 2019) a market is an area of conformation between competing, undertakings, and temporal sense where the subjects are capable of limiting their supply or demand of the products or services at question.

In the sense of financial analysis of a single company, brief market analysis can provide insights regarding the upcoming future prices that can be tied to their costs of operating as it can directly influence financial performance. In the case of Farkas + spol.s.r.o. can be the freight load transportation by road market. Overview and summarizations can be a great source of future predictions in this sector. Schwager (2017) Another market can be the crude oil market, however the changes in this market can be frequent and are more volatile to shocks, therefore in this thesis the significance will be put on the freight load overview. Another factor is also the fact that according to Sadorsky (2008) the effect of changes of oil prices is being reflected differently with different company sizes. He also states that small business can benefit especially from innovative approaches that are not being limited by bureaucratic management schemes as in the case of large companies.

As the analysed company is involved in the freight road business, figures provided by the Eurostat can provide useful information regarding the direction of the freight road market.

According to the EU commission report the road freight transportation is the first choice option when it comes to choosing between air, water and rail. This is mainly due to the fact that road transportation can provide more flexibility, reliability, time and especially convenience in the accessibility of location delivery.

Figure 2 Percentages of freight tonne-km transported in EU 28 in 2016

Source: Eurostat, statistical data 2018

The table above illustrates the share of road freight delivery compared to inland waterways and railways. While it was estimated in 2011 by the EU commission that the share of road freight transportation will decrease the opposite has happened. The table illustrates that from 2013 to 2016 it grew by 1.5%. The main reasons why road freight is favoured instead of railway are the following:

- Less competition in the rail freight industry than in the road freight industry
- Door to door delivery is not possible in rail freight, however it is possible in road freight
- The usage of every kilometre is charged in the railway industry, meanwhile it the road freight some passages are free of charge
- Limited number of railroads

The above mentioned factors all put road freight transport in favour of train freight transport which can be an indication of stability for the companies operating in the road freight transportation such as the company who is being analysed in the practical part of the thesis.

3.3 Limitations of financial analysis

The benefits and the depth of financial analysis were described in the previous chapters, however what could be the possible limitations of financial analysis conducted on a company? Helfter (2001) understands that in order for a financial analysis to be effective the analyst has to be able to choose appropriate techniques and methods. The problem can occur when an analysis of a very narrow section on the balance sheet is being magnified to the point where it loses its relevance to the broader picture. This can be highlighted especially when it comes to ratio analysis. Hefter acknowledges the fact that a ratio can relate any magnitude to any other, the choices are limited only by the imagination of the analyst.

Brigham and Houston (2004) also raised similar issues when it comes to financial analysis and one of the most interesting aspects was a theory called "window dressing". This theory is about making a financial statement look stronger than it actually is. An example of how this can happen is by acquiring a loan which was repaid right after the analysis was conducted for the soul purpose of improving the strengths of the ratios. Another limitation could be also regarding the generalisation of a certain ratio. Brigham and Houston used the example of demonstrating that for instance a high level of current ratio can indicate positive outcomes because the company then qualifies as highly liquid, however this can be interpreted in another way as the company is holding cash in the bank which is a non-earning asset. This implies that the assets are not being utilized to their full potential. The example demonstrates a clear situation when an analyst can make two different conclusions from one ratio, however this can be eliminated by deeper understanding of the company´s financial standpoint.

The limitations can be demonstrated also on small firms. Brigham and Houston, (2004) provided an example which can demonstrate the case of small firms. As ratio analysis can provide valuable information on the performance of a company, in small firms the need for looking more in depth is crucial. According to Brigham and Houston small firms are more likely to produce a single product or to have a very limited customer base. The fact that the company can show great profitability at a certain point, it cannot be taken as an assurance for future growth. As a small firm might be reliant on single important customer shows need for diversification, however this can be understood only by going more in depth on financial analysis. Therefore, this implies that especially in the case of small firms the need for looking beyond ratios is necessary to make constructive conclusions regarding financial risks and opportunities that the company is facing. In order to avoid these misleading techniques Brigham and Houston proposed the following sets of guidelines to follow:

- Check the quality of the data whether it comes from directly the firm of from third party accounting company.
- Making sure to look beyond the numbers and determine whether the company is diversified enough
- Evaluate the company´s medium and long term goals.

3.4 The use of financial analysis for small businesses

In order to determine the use of financial analysis information, first the term "small business" has to be defined. According to the definition formed by the European Union a small business is considered as an "enterprise which employs fewer than 50 persons and whose annual turnover and/or annual balance sheet total does not exceed EUR 10 million. Looking from a national point of view, the definition of small and medium enterprises is the same as the definition set out by the European Union. The company that is being analysed falls within the boundaries set out by the European Union for a company to be considered as a small enterprise as the structure of the company and all the other necessary information regarding finances will be introduced in the practical part of the thesis.

The practical uses of information deducted from financial analysis for small business has been discussed in the field of finance on a frequent basis.

Thomas and Evanson (1987) conducted an empirical study to determine the association of the usage of financial ratios and business success for small companies.

The study concluded that the ratios provided valuable information, however it was not crucial for their growth or survival. The biggest factor which primarily effected the success rate of the small business was the selection of the location of their business within an area. The study also showed that ratio analysis was performed as a one-time indicator and not as a frequent evaluation of previous performance for determining future risks or opportunities.

Salazar, Soto and Mosqeda, (2012) conducted a similar study which showed a rather different outcome. The results showed that those companies that frequently monitored their short term assets and liquidity were defined as more competitive on the market. Through frequent analysis of the company´s financial information the companies were better equipped to manage their operating strategies which increases the level of competitiveness on the market. This viewpoint can be also backed up by Bradley (2000) who in his research looked for evidence to prove that the lack of financial planning can lead to filing for bankruptcy in small business. The results of this study were counterproductive to the study conducted by Thomas and Evanson as in this study the business that filed for bankruptcy listed great location for their business. The main issues were connected to problems regarding capitalization below an optimal level which can be connected to the inadequate financial planning.

The use of information from financial analysis can be deducted also from the reasons of conducting such analysis. Helfert (2001) described that there could be multiple reasons why to conduct a financial analysis, however the two explanations that are being mentioned the most are:

1) For the purpose of evaluating the profitability of the actions conducted by the company
2) To determine how efficiently the company is using its resources. The goal is to find areas where the resources are not being used to their full potential

For fulfilling the objectives of this diploma thesis, the above mentioned criteria will have a significant role, therefore they are suitable for usage.

The provided evidence indicates that the use of information deducted from financial analysis can provide benefits for a small business. In order to make suitable decisions and most importantly to be able to detect clear cause and effect schemes, the management has to be informed regarding their financials.

4 Practical Part

4.1 Introduction of Farkas + spol. s.r.o.

In order to better understand the financial situation of the company I will first introduce the basic characteristics of the company including the historical background and organizational structure.

4.1.1 Historical background

According to the internal documentation of Farkas + spol. s.r.o. the beginnings of the company can be found in the early 1990´s when they functioned under the name of Farkas Združenie. The business aspect of the company was aimed at road freight transportation of products manufactured in Slovakia which were then exported to supermarkets. The company was founded in Vinica which is located at south central part of Slovakia with a population of 1800 inhabitants. The location presented an opportunity from a strategic point of view due to the high number of supermarkets in the area. At the time the company had 5 employees and were operating two delivery vans up to the weight volume of 3.5 tons. The initial idea of this specialization came after a demand of soft drink delivery services to supermarkets. The company managed to cover the market in the south central area of Slovakia. By 1995 the company operated 5 lorries with a loading area up to 20 tons and 3 vans up to 3.5 tons. The purchase of high capacity vehicles was due to the rising demand of the transportation market as the economic activity in the area was constantly growing. The aim of the company was to shift away from low capacity vehicles to high capacity as the rate of return on these investments were more promising.

The room for expansion was small because of the barriers on the market which were mainly caused by the customs declaration procedures. The company recognized that in order to move forward and expand their business they needed to find a strategic partner that could help them to conduct international transportation. In 1995 the company managed to negotiate a partnership with M&G Spedition which served as a third party for obtaining loads for the newly obtained taut liner vehicles with the loading capacity up to 24 tons. This partnership resulted in moving from domestic transportation to international transportation. The main destinations of exports were transported to:

- Germany
- France
- Netherlands
- Belgium
- Czech Republic

In 2003 the destination list was expanded with the addition of the United Kingdom. This destination presented a promising location as the demand for loads was high. From this point the company mainly focused on covering the loads between Slovakia and the United Kingdom.

Entering the European Union

In the year 2004 the company indicated a change in the structure of ownership and the name of the business was renamed to its current name Farkas + spol. s.r.o. The company became a private entity with limited liability, this was due to the changes on the market since Slovakia entered the European Union which represented an opportunity for expansion. On the other hand, it also initiated an increase in competitors since the barriers that were keeping other entities entering this market were not present anymore. Experience and reliability were the two factors that helped the company to maintain their partnerships and further expand their capacities. From 2005 the company only started operating Road Train Jumbo set lorries which allowed them to transfer 38 euro pallets instead of the general 34. This change resulted in a strengthened position on the transportation as the objective of the company is to satisfy the constantly changing demands of the customers by always looking for ways to innovation.

Overcoming the global financial crisis

In 2007 the company managed to overcome the struggles of the economic crisis that resulted in the decline of offered loads for international transport. At the time the company operated 10 road train lorries across Europe and managed to cover all the capacities in this period. The management recognized the need for looking for diversification of risks and started investing into innovative solutions to decrease the costs of operating by obtaining a customized petrol station that is used for fuelling the lorries at the company´s headquarters.

Current situation in 2020

As of now the company is operating 11 road train lorries which are labelled under the highest Euro emission category which also points at the company´s efforts to look at sustainable measures for environment protection. Currently, there are 20 employees looking after the company and the structure of them will be explained in the following chapters ahead.

4.1.2 Organizational structure of the company and ownership

The headquarters and the office buildings are situated in Vinica (SK) where the management operates. The chief executive officer of the company is Zoltan Farkas and the chief operating officer is Ladislav Farkas. They are both collectively engaged in the creation of the entity and have the highest impact on the direction of objectives. The company also operates other departments which report to the above mentioned subjects. Currently, the company operates 5 departments which are:

- Department of Economics: The department consists of one employee who is responsible for maintaining proper documentation of incoming and outgoing invoices and also for making sure that the payment deadlines are met. Another responsibility of the department is to monitor the incoming and outgoing funds of the company and report to the chief operating officer.

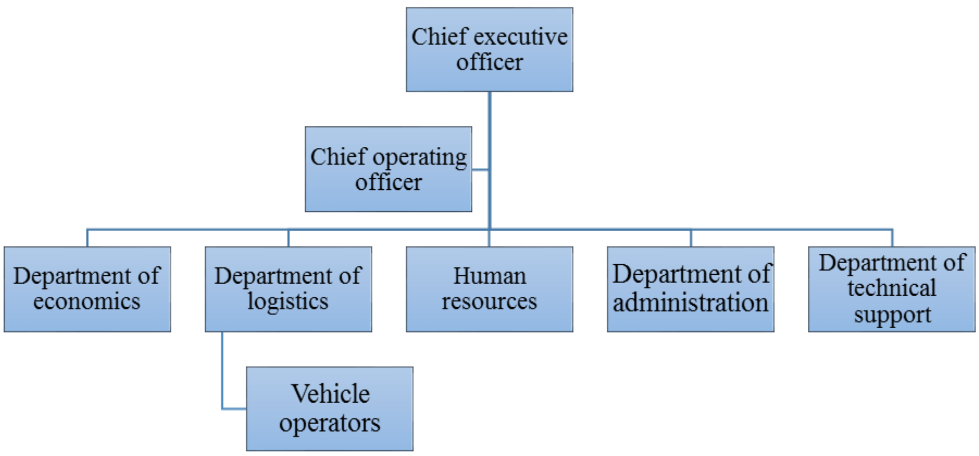
- Department of logistics: There are currently two employees who are responsible for the proper functioning of the logistics department. The main responsibilities of the department are obtaining loads for the lorries. This involves proper overview of the freight rates which are being offered on the market. Another tasks which falls under this department is to organize transportation activities with planning loading slots for the vehicles and dealing with the customer’s specific demands.

- Technical support department: The responsibilities of the technical support department are connected regarding the maintenance of the lorries and making sure that they are operating in an efficient way. These tasks involve changing oil, tyre management, brake maintenance and also providing recommendations to the drivers regarding adjustments of their driving styles as the company is receiving weekly reports about the performance of the lorries and drivers.

- Human resources: The functioning of the human resources department is carried out by one employee. The employee is responsible for looking after the legal aspects of employment guidelines and also making sure the new recruits possess the necessary qualifications which are needed for the job. This process involves checking references, conducting interviews regarding experience and other necessary skills. Any complaint coming from the employees are also reported to this department which then based on the seriousness of the issue can either report forward or take immediate action to solve the brought up issue.

- Administration department: The main objectives and responsibilities for this department are connected to dealing with communication inquiries, maintaining online services, providing administration support to other departments and also arranging appointments for the executive management.

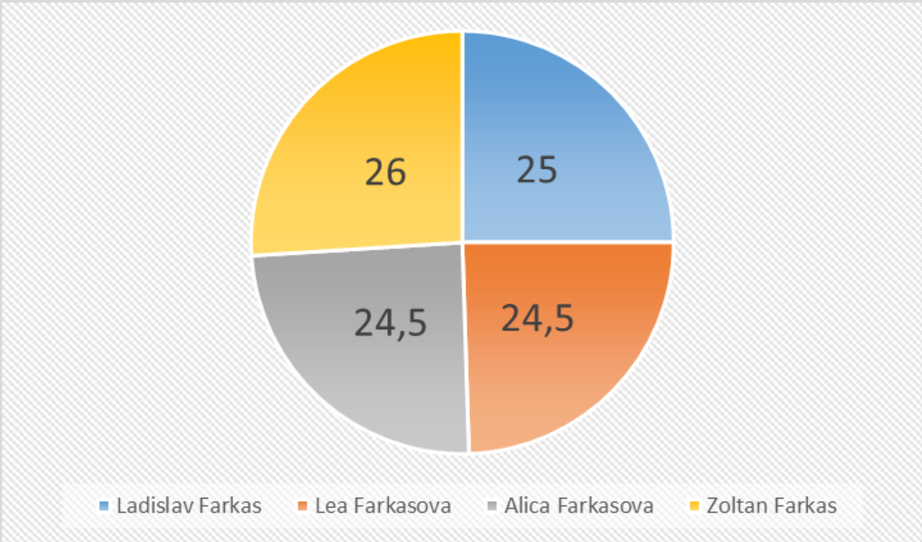
Figure 3 Organizational structure of Farkas + spol.s.r.o.



Source: Own creation of the author

The ownership of the company is illustrated in the pie chart below. The structure of ownership has been the same since 2004 when the company underwent a change in the name and also became a company with limited liability. The majority owners are Zoltán and Ladislav Farkas who are also the founding members of the company.

Figure 4 Ownership of Farkas + spol. s.r.o in 2019 in percentages



Source: own creation of the author

4.2 Financial analysis of Farkas + spol. s.r.o.

In this part of I will conduct both horizontal and vertical analysis of both the balance sheet and the income statements of the company which were analysed over the course of 5 years starting from 2015 and ending with the year 2019. The purpose of such analysis is to obtain information regarding the financial performance of the company. After looking at the financial performance individually, the main competitors of the company will be introduced as well with a general overview.

4.2.1 Horizontal financial analysis of the balance sheet

The balance sheet represents the structure of assets, liabilities and equity over the analysed years. Based on the analysis of individual sections of the balance sheet illustrates how they developed over the years. The table below illustrates the changes which occurred in the main parts of the balance sheet over the analysed period. The amounts which are highlighted in red represent negative changes, meanwhile green highlights translate to positive changes. In this case it is important to note that in the case of liabilities a decrease reflects a positive outcome and not a negative.

Table 2 Balance sheet changes of Farkas + spol s.r.o. in 2015-2019

	2016		2017		2018		2019	
	EUR	%	EUR	%	EUR	%	EUR	%
Assets	221 444	25.79	20 400	1.89	-292 083	26.54	-168 947	20.90
Non-current assets	38 712	7.29	118 341	20.77	-155 928	22.66	-137 668	25.86
Land and property	38 712	7.29	118 341	20.77	-155 928	22.66	-137 668	25.86
Current assets	182 815	56.02	-98 089	19.27	-137 263	33.39	-31 049	11.34
Total inventory	2 759	5.63	-9 140	17.66	1 181	2.77	-430	0.98
Current receivables	125 824	48.08	-41 966	10.83	-126 106	36.49	-34 101	15.54
Financial accounts	38 068	119.80	-46 983	67.27	-12 338	53.97	3482	33.09
Liabilities	201 844	44.47	166 981	25.46	-478 990	28.22	-68 234	19.85
Current liabilities	82 688	109.38	216803	136.97	-280 397	74.76	-15 114	15.96
Non-current liabilities	127 682	35.65	-92 717	19.084	-159 868	40.67	-116844	50.10
Net assets	19 606	4.84	-146 581	34.54	186 907	67.29	-100 713	21.67
Equity	-114 021	30.14	-136 745	51.75	192 604	151.07	-109 306	34.15
Share capital	0	0	0	0	0	0	0	0
Other capital funds	0	0	0	0	320 000	52.78	0	0
Equity + liabilities	494 450	25.79	20 400	1.89	-292 083	26.54	-168 947	20.90

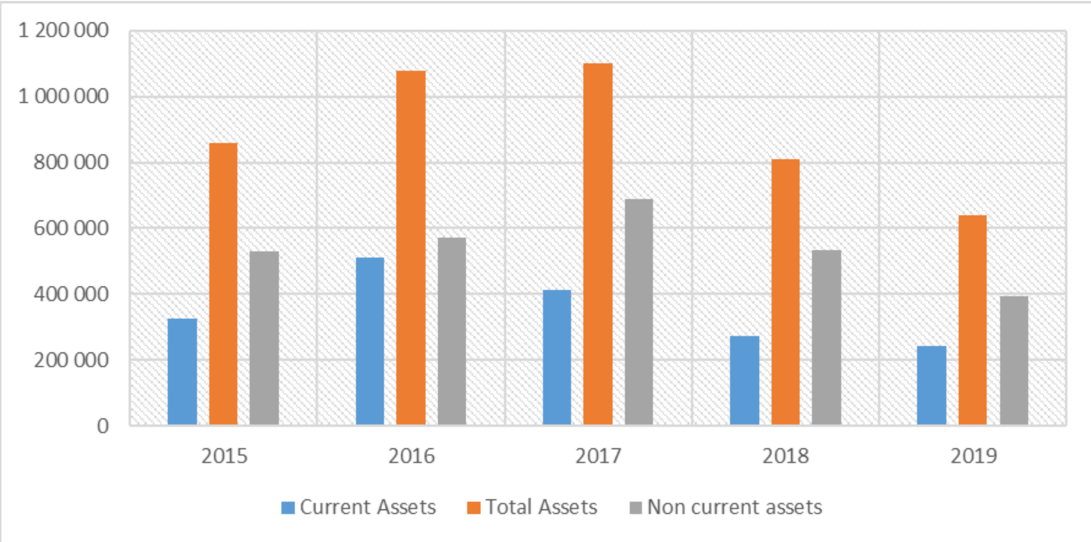
Source: own creation of the author

Throughout the analysed period the total assets decreased by 25.53%. The biggest impact of this decrease came after the year 2017 when the number of total assets declined by 26.54%. Both current and non-current assets influenced the decline of total assets. In the case of current assets, the highest impact on the decline had the changes in current receivables, meanwhile looking purely at noncurrent assets it was due to the decline of the value of land, property and equipment. The graph on the next page illustrates the development of total assets of Farkas + spol. s.r.o.

Higher fluctuations of the current assets can be due to the higher liquidity that these items possess. The items that are being included in the current assets are the following: inventory, non-current receivables, current receivables and financial accounts. The highest influence on the current assets have current receivables which represents the money owed by customers to the company.

Non-current assets represent long term investments of the company. The objects that make up non-current assets of the company are land, property and equipment. Non-current assets experienced a steady growth up to the year 2017. Between the years 2015 and 2016 non-current assets rose by 12.37% and then it was followed by another growth of 15.30% in 2017. Non-current assets reached the peak of their value in 2017 during the analysed period. The following two years were followed by a slow decline which resulted in a total of 42.6% decline in 2019 compared to 2017.

Figure 5 Development of assets of Farkas + spol.s.r.o. in 2015-2019 in EUR

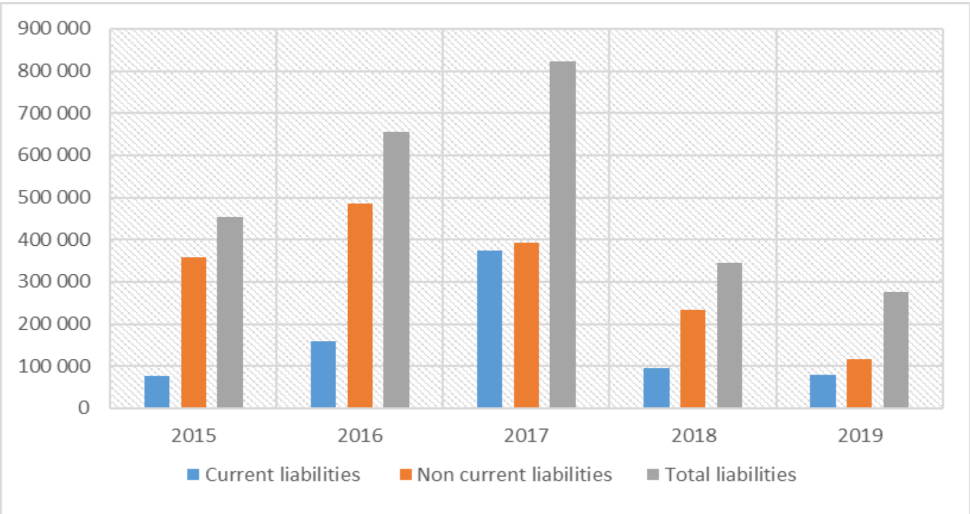


Source: own creation of the author

In order to understand better what the company outright owns it is necessary to look at the net assets. Net assets represent the difference between what the company owns and what it owes, therefore it is connected to the liabilities. The graph below illustrates this difference and a notable difference can be seen in the year 2017. First, the decline from 2016 to 2017 was due to the rise of liabilities by 25.46% meanwhile the amount of total assets increased by a slight 1.89%. In 2018 total liabilities decreased by 58.22% and total assets decreased by 26,54%

Throughout the analysed period total liabilities were growing up until 2017 when they reached their peak and from there in the following two years declined continuously. In 2015, total liabilities were at the value of 453 927 EUR, meanwhile in 2019 this amount went down by 39.3 % which resulted in the amount of 275 528 EUR. In between this period, it can be seen in the graph below that both current and non-current liabilities were increasing until 2017. Current liabilities rose by 396.18% from 2015 to 2017 and non-current liabilities reported a 9.76% gain. In 2017 the value of liabilities reached 822 753 EUR which was followed by a 58.22% decrease in 2018. In the last year of the analysed period the total liabilities of the company decreased by a 19.85% decrease. The main reason behind the growth was due to the fact that liabilities towards partners were increasing until 2017 and from there in the following two years they declined.

Figure 6 Development of liabilities of Farkas + spol.s.r.o. in 2015-2019 in EUR

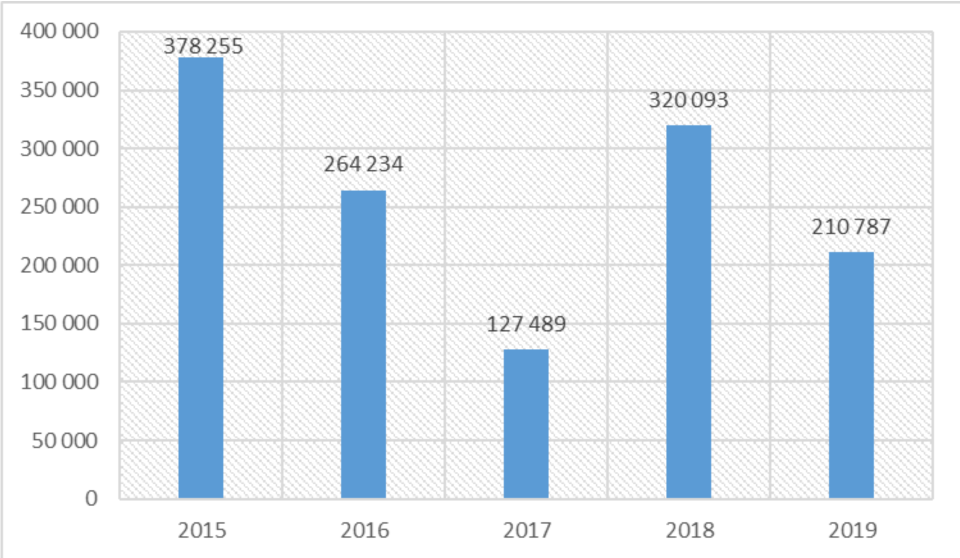


Source: own creation of the author

In the case of liabilities, it is also important to note that among current liabilities trade liabilities were increasing up until 2017 which highly influence the overall current liabilities. This could have been a problem in the case that current receivables would not be able to cover the negative drop of these liabilities, however this is not the case.

The development of the equity part of the balance sheet has followed a rather different path than the liabilities and assets of the company. In 2015, the equity of the company was at the level of 378 255 EUR and by 2017 it went down to 127 489 which was a 66.30% decrease. This decrease was mainly due to the fact that the liabilities of the company were raising during this period. In 2018 equity rose by a notable 151.10% which was mainly due to the increase of other capital funds of the company. From 2018 to 2019 equity went down by 34.15% as the liabilities increased in this period.

Figure 7 Development of equity of Farkas + spol.s.r.o. in 2015-2019 in EUR



Source: own creation of the author

4.2.2 Horizontal financial analysis of the income statement

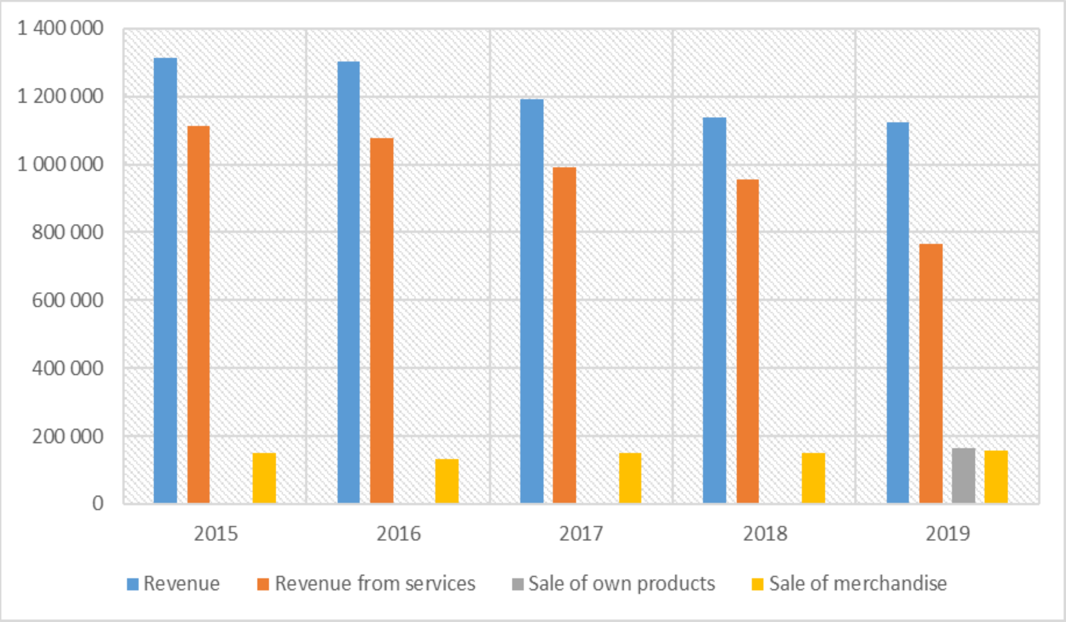
The income statement of the company illustrates whether the company is making profit or loss throughout a certain period of time. In the case of Farkas + spol. s.r.o. the company has been reporting constantly negative figures, therefore it was making a loss.

Farkas + spol.s.r.o. is a company that is primarily focused on the transportation of goods services. Based on this statement the figures illustrate that main source of income are to be from the services side of the business. On the Graph 4 it can seen that the sales of services were declining throughout the whole analysed period. In

2015 the level of sales coming from services were at the level 1 115 005 EUR, meanwhile in 2019 it was 765 918 EUR. This decline in terms of percentages is 31.30%. The explanation for this fact is that the company was affected by the outcome of the referendum which took place in the United Kingdom where the population opted to leave the European Union. As the company is highly depended on the exports aimed to the United Kingdom this created a level of uncertainty in the following periods as the number of exports started to decrease. As a response, Farkas + spol. s.r.o. decided to diversify the risks of operating by putting higher levels of emphasizes on other destinations and acquiring a wine making company with less success. These actions were reflected on the income statement since the revenue from the sales of own products in the first two years at the level of 0, however from 2017 when it was 1 735 EUR it increased by an astonishing 9 317.52%. Looking at it from a broader viewpoint where every part of the revenue is present, the total number of sales was declining throughout the analysed period. In 2015 the revenue was reported at 1 313 836 EUR, however in 2019 it was 1 122 477 EUR. In overall the revenue declined by 14.56% including both revenue from the services and revenue from selling own products.

The graph below illustrates each compartment of the revenue structure.

Figure 8 Revenue development of Farkas + spol.s.r.o. in 2015-2019 in EUR



Source: own creation of the author

Income is mainly affected by the levels of expenses. If expenses outweigh income, it can indicate some future problems in terms of profitability. In the case of Farkas + spol. s.r.o. the expenses of the company were rising in the first two years of the analysed period. In 2015 the operating expenses were at the level of 1 354 003 EUR and in 2016 they were at a similar level since they only rose by 2.4%. A significant change came after the year 2016 when the overall operating expenses declined by 6.38%. In the final year of the analysed period the company reported their operating expenses at the amount 1 216 919 EUR which is less by 10.12% compared to the amount which was reported in 2015.

In terms of expenses related to financial activities, these expenses were declining throughout the whole analysed period. These expenses are connected to mainly for maintenance of bank accounts as well as insurance on financial assets and other bank expenses as deposit fees. In 2015 financial expenses were at the level of 52 905 EUR and in 2019 it went down to 14 905 EUR, in terms of percentages this meant a 71.82% decrease.

After deducting all the interests expenses and taxes the profit and loss of the company was developing according to the table below.

Table 3 Profit and loss after tax changes of Farkas + spol s.r.o. in 2015-2019

Profit and loss for after tax	2016		2017		2018		2019	
	EUR	%	EUR	%	EUR	%	EUR	%
	18 242	19,05	22 723	19.93	9 349	6.84	18 090	14.20

Source: own creation of the author

In the table the amounts represent changes from the previous year. The changes are expressed in absolute amounts and percentages. In the case of percentages, the red label represents a negative change which means that the losses increased. The green label on the other hand indicates a positive change which means that the losses decreased.

4.2.3 Vertical analysis of the balance sheet

The reason for conducting vertical analysis of the balance sheet is to underline how each item affects the total values. In the following graph the main items of the balance sheet will be shown over the years as some items may increase their influence and some may decrease.

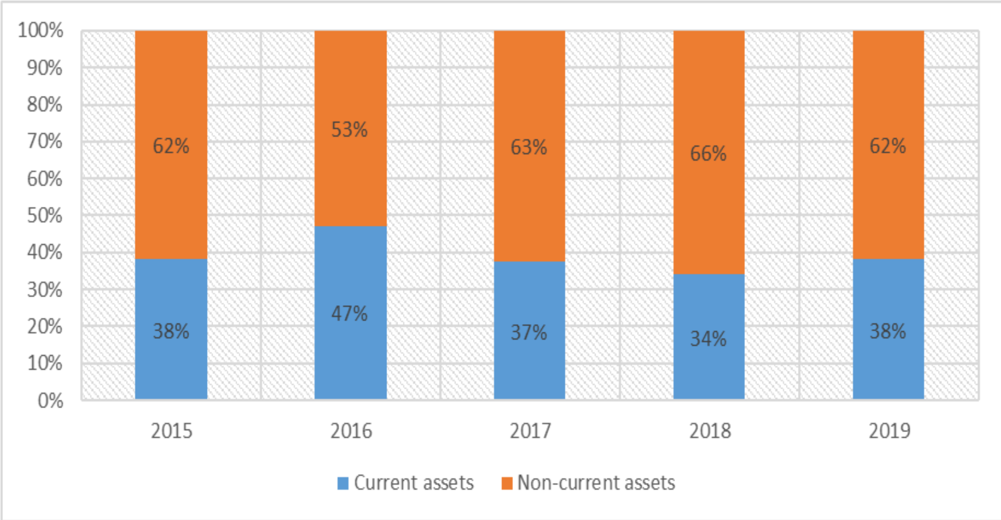
Table 4 Vertical analysis of assets of Farkas + spol s.r.o. in 2015-2019 in %

ASSETS					
	2015	2016	2017	2018	2019
Current Assets					
Total Inventory	6%	5%	4%	5%	7%
Non Current recievables	2%	0%	0%	0%	0%
Current recievables	30%	36%	31%	27%	29%
Financial accounts	4%	6%	2%	1%	2%
Total Current Assets	38%	47%	37%	34%	38%
Non Current Assets					
Property land and equipment	62%	53%	63%	66%	62%
Total Non Current Assets	62%	53%	63%	66%	62%
Total Assets	100%	100%	100%	100%	100%

Source: own creation of the author

As it is shown on the table above non-current assets have the highest influence on the development of total assets. There are no significant changes in the values, however the only noteworthy change can be found in the year 2016 when the non-current assets made 53% of the total assets and current assets filled the remaining 47%. By taking a closer look on the current assets it can be seen that the item with the most influence on the assets among current assets has current receivables. This can be translated into a statement that the company is making money, however that money has not yet been transferred into the bank accounts of the company. This was especially notable in the year 2016. The fact that non-current assets have a dominant position on the asset structure should not be a surprise, since the company currently holds road train lorries as well as land to grow wine yards and machinery necessary for wine making. These items which were mentioned are all qualified to be listed among non-current assets. Based on the current structure of the business it could be concluded that non-current assets would hold a dominant position in the future as well.

Figure 9 Asset structure of Farkas + spol s.r.o. in 2015-2019 in %



Source: own creation of the author

Liabilities and equity illustrate how the assets of the company are being financed. In the graph below all items are divided by total equity and liability. The main aim of this approach is to show how much of the total assets are being financed by liabilities and equity.

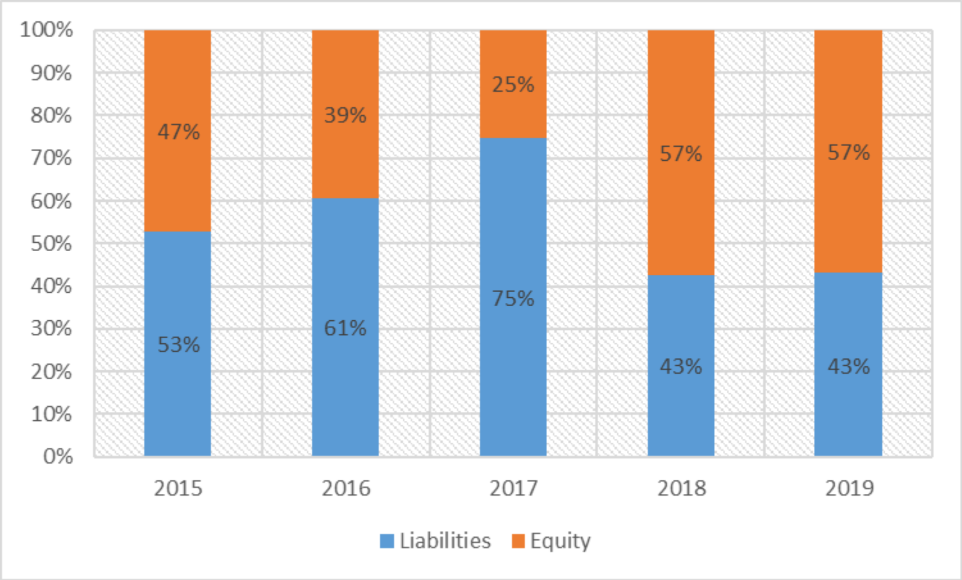
Table 5 Vertical analysis of liabilities of Farkas + spol s.r.o. in 2015-2019 in%

Liabilities + equity					
	2015	2016	2017	2018	2019
Current liabilities	9%	15%	39%	14%	25%
Non current liabilities	44%	46%	36%	29%	18%
Total liabilities	53%	61%	75%	43%	43%
Equity	47%	39%	25%	57%	57%
Equity + liabilities	100%	100%	100%	100%	100%

Source: own creation of the author

The table illustrates that up until the year 2017 the total assets of the company were mainly financed by debt. A swift change occurred after 2017 when equity became more dominant and liabilities started to decline. This occurrence can be explained by the fact that the company sold parts of their non-current assets as it can be also seen in the horizontal analysis of the company. Graph 4.2.1.1 illustrates the decline of non-current assets. These assets were then transferred into equity in terms of cash which are disposable for the company to finance other assets. The changes among the liabilities and equity are captured in the graph below.

Figure 10 Equity structure of Farkas + spol s.r.o. in 2015-2019 in %



Source: own creation of the author

4.2.4 Vertical analysis of the income statement

The table on the following page illustrates how certain items influence the revenue of the company. Based on the vertical analysis it can be stated that the company is able to create a gross profit from their business activities, however it is also visible that operating expenses represent a burden for the company. The items which are influencing operating expenses are personnel expenses, taxes and amortization costs. Among these items personnel expenses has the highest influence on the outcome of operating expenses. Personnel expenses comprise wages, bonuses, insurance and pension expenses and as the minimum wage continues to grow in the following years it can be an alarming issue in the future, especially taking into account also the decreasing values of the revenue which can be seen in the graph 4. The graph illustrates that revenue declined by nearly 15% from 2015 to 2019, however based on the income statement of the company personnel expenses increased by 33%. Based on this if the operating expenses will continue to grow in the years ahead it will be even harder to achieve profits.

Table 6 Vertical analysis of income of Farkas + spol s.r.o. in 2015-2019 in%

	2015	2016	2017	2018	2019
Sales / Revenue	100%	100%	100%	100%	100%
Cost of sales	80%	84%	79%	79%	82%
Gross profit	20%	16%	21%	21%	18%
Operating expenses	27%	30%	35%	34%	30%
Operating profit/loss	-7%	-14%	-13%	-13%	-12%
Income from the sale of non-tangible assets	2%	3%	2%	1%	0%
Other income	1%	5%	2%	1%	1%
Inventory changes	0%	0%	0%	0%	2%
Total other operating income	4%	8%	4%	3%	3%
Profit or loss from other operating income	-3%	-7%	-9%	-10%	-9%
Income from financial activities	0%	0%	0%	0%	0%
Finance related expenses	4%	2%	3%	2%	1%
Profit and loss from financial activities	-4%	-2%	-3%	-2%	-1%
Profit and loss from all activities	-7%	-9%	-12%	-12%	-10%
Income tax	0%	0%	0%	0%	0%
Earnings after taxes	-8%	-9%	-12%	-12%	-10%

Source: own creation of the author

4.2.5 Ratio analysis of Farkas + spol. s.r.o.

The purpose of the ratio analysis is to assess the financial performance of the company by different sets of ratios. The previous chapters gave a detailed structure of the items which can be found in the balance sheet and the income statement, however in this chapter the goal is to measure some of those items against each other to obtain information which can be useful for determination of the financial position of the company. The ratios which are going to be used in this chapter are the following:

- Liquidity ratios
- Leverage ratios
- Profitability ratios
- Activity ratios

Liquidity of Farkas + spol. s.r.o.

Based on the results which can be seen in the table below we can state that the results of each indicator of liquidity. The low amounts of the working capital ratios are indicating that the company is not experiencing difficulties of paying of their short term liabilities with their disposable current assets.

Table 7 Liquidity indicators of Farkas + spol s.r.o. in 2015-2019

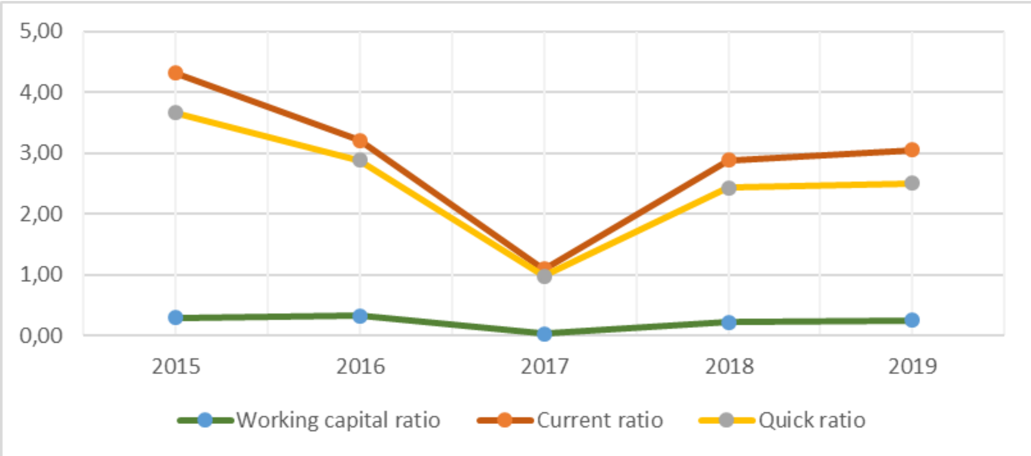
	2015	2016	2017	2018	2019
Liquidity ratios					
Working capital ratio	0,29	0,32	0,03	0,22	0,26
Current ratio	4,32	3,22	1,10	2,89	3,05
Quick ratio	3,67	2,89	0,98	2,43	2,51

Source: own creation of the author

The current ratio indicates how much of the company´s short term assets would need to use in order to pay their short term liabilities. The table below indicates that in 2015 and 2016 the values of current ratios were 4.32 and 3.22. These values are considered high as it indicates that the company has 4 and 3 times more current assets than current liabilities. If the current ratio would be below 1 would indicate a dangerous liquidity position.

In the case of the quick ratio a similar positive outcome is witnessed as the calculated values are above 1. In 2017 however the quick ratio was 0.98 which meant that by the exclusion of inventory assets the company would not have been able to cover their short term liabilities. It is also important to note that a high value of the current ratio indicates that the company is using its current assets ineffectively.

Figure 11 Liquidity indicators of Farkas + spol s.r.o. in 2015-2019



Source: own creation of the author

Leverage ratios of Farkas + spol. s.r.o.

The purpose behind the usage ratios is to find out more about the capital structure of the company. The aim is to evaluate how the assets of the company are being financed. An extensive amount of outside financing can but the company in a high risk situation in case of lower revenue numbers, therefore it is important to balance out the risks. The table below illustrates the obtained results of the leverage ratios throughout the analysed period

Table 8 Leverage indicators of Farkas + spol s.r.o. in 2015-2019

	2015	2016	2017	2018	2019
Leverage ratios					
Debt ratio	0,53	0,61	0,75	0,43	0,43
Debt to equity	1,20	2,48	6,45	1,07	1,31
Financing ratio	0,44	0,24	0,12	0,40	0,33

Source: own creation of the author

First in the table we have the debt ratio. The highest amount was recorded in 2017 when it reached 0.75. This value means that 75% of the assets of the company is being financed through debt. In general, the optimal value of the debt ratio is considered to be between 0.3 and 0.6. The decrease from 2017 to 2018 is due to the high decrease of 59% of total liabilities. This drop helped to improve the debt ratio, however the average debt ratio for the whole analysed period is 0.55 which is close to the end border of the optimal value.

It is important to note that the financing ratio and debt ratio can be analysed next to each other since the sum of the mentioned ratios is equal to 1. The debt ratio looks at how much of the assets are covered by liabilities and the financing ratio illustrates the other side of this coverage which is the owner´s equity. It is therefore rather beneficial to have the financing ratio higher than the debt ratio.

The debt to equity ratio is a more detailed ratio which shows how depended is the company on debt. The optimal values for this ratio can vary depending on the industry, however in most cases it is commonly accepted that the ratio should not be above the value of 2. The table above illustrates that in 2017 more than two thirds of the capital was financed through debt and not from the owner´s equity. Taking into consideration the fact that from an investor point of view this ratio should be somewhere between the interval 1 and 1.5, like in the case of 2015 or 2016 which was just slightly above the interval, these values indicated positive outcomes since the company was not leveraged mainly through debt, however on the other hand it also acknowledged the fact that borrowed funds to a certain limit can positively influence future operations by investing into proper areas.

Profitability ratios of Farkas + spol. s.r.o.

In order to determine how effectively the company its assets to generate profits, profitability ratios will provide more insight. The table below shows the results obtained from both return ratios and margin ratios. Margin ratios focus on the ability to convert sales into profits, meanwhile return ratios are looking at generating profits for the owners or shareholders.

Table 9 Profitability indicators of Farkas + spol s.r.o. in 2015-2019

	2015	2016	2017	2018	2019
Profitability ratios					
Return on total assets	-0,11	-0,11	-0,12	-0,16	-0,17
Return on equity	-0,25	-0,43	-1,07	-0,40	-0,52
Gross profit margin	19,56	15,65	21,49	21,16	18,20
Net profit margin	-7,57	-9,41	-11,95	-11,50	-10,07

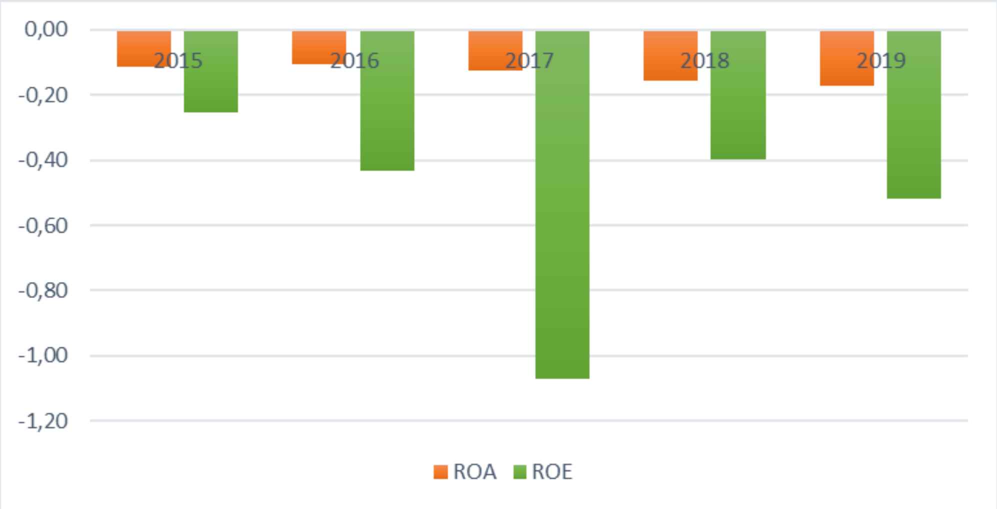
Source: own creation of the author

The gross profit margins throughout the analysed period were at an acceptable level. The optimal levels of gross profit margins vary depending on the industry, however in general an acceptable level is between 15 and 20. The company managed to keep the values between these two intervals and in the years 2017,2018 it managed to keep the gross profit margin above 20. It is important to note here that in the gross profit margin the overhead costs are not included, therefore the fluctuations can be tied to only to the control of direct costs of the sales.

The net profit margin has been constantly worsening in the first three years of the analysed period, however from 2017 until 2019 an improvement of 15.7%. As the sales were constantly decreasing then an explanation of the improvement can be tied to the better control over the overhead costs.

The return on assets has also worsened during the analysed period and the most notable change was recorded from 2017 to 2018. This is due to the fact that the total amount of assets has been decreasing from 2017 and also the volume of sales has been decreasing which has a direct impact on the net profit of the company. In general, it is considered that a relatively good value for the return on assets is a 0.5. however, this varies across industries. Higher return on assets reflects higher efficiency of asset usage.

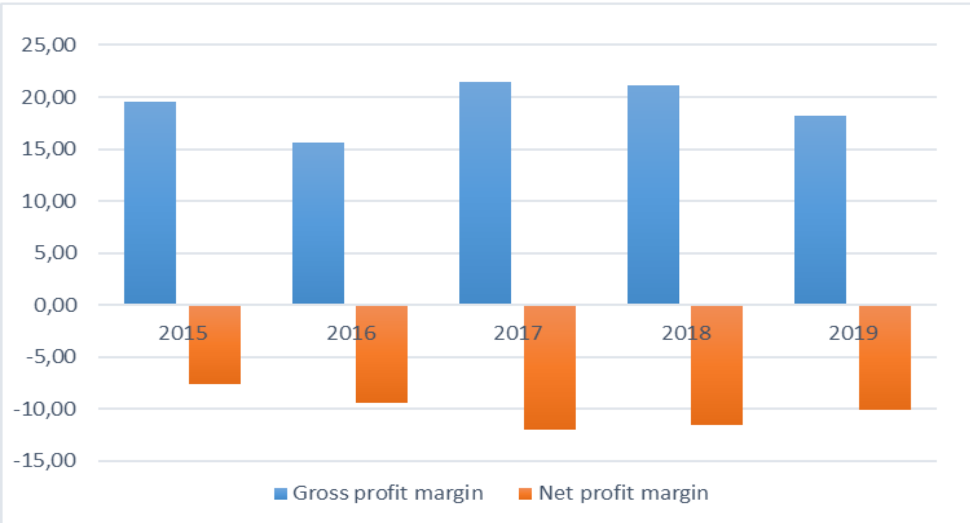
Figure 12 Return indicators of Farkas + spol s.r.o. in 2015-2019



Source: own creation of the author

When it comes to the return on equity the numbers can be found also in negative figures. The most notable change is reported in 2017 when the return on equity worsened by 81.4%. This can be explained by the fact that in 2017 the company reported the lowest amount of equity on their balance sheet.

Figure 13 Profit margins of Farkas + spol s.r.o. in 2015-2019



Source: own creation of the author

Activity ratios of Farkas + spol. s.r.o.

The table below illustrates the obtained results for the activity ratios that were used. Taking into account the company´s business activities the ratios that are being used are asset turnover and fixed asset turnover. The purpose behind choosing these two indicators is the utilization of comparison when it comes to the competitors in the following chapter. The asset turnover of the company takes into account the total assets available to the company and checks the return on them, meanwhile the fixed asset turnover takes into account only a portion of these assets. In the case of Farkas + spol.s.r.o. non-current assets play a significant role in the total structure of assets, this ratio plays an important role.

The asset turnover ratio in the table below was calculated by dividing the average assets of the company with the revenue. The average assets take into account the average values of the last two recorded values, therefore for the year 2015 the average assets were made up by the recorded values from 2014 and 2015. The asset turnover over the 5-year period increased by 4 %. Higher values of this ratio indicate higher efficiency, therefore the growth is seen as a positive outcome.

Table 10 Activity indicators of Farkas + spol s.r.o. in 2015-2019

	2015	2016	2017	2018	2019
Activity ratios					
Asset turnover	1,49	1,34	1,09	1,19	1,55
Fixed asset turnover	2,60	2,37	1,90	1,87	2,42

Source: own creation of the author

The fixed asset turnover represents an important ratio as non-current assets represents a majority part of assets. The fixed asset turnover has improved over the spam of 5 years by 7%, which is a positive outcome as the efficiency has grown.

4.3 Competitors analysis

The main goal of this chapter is to put more context into the previously stated information as the competitor’s analysis can give more insight on how well the company is actually performing, compared to the companies in the same industry who are located in the same market. In order to be able to do that, the ratio which were calculated for the analysed company will be compared to the ratios of the competitors. The values for the competitors were obtained through Finstat, where the balance sheets and income statements of the companies can be located.

Farkas + spol. is located in the region of Velký Krtíš, where the road haulage and forwarding services is covered mainly by the following companies.

- MH Sped
- Ps team
- Detva Trans Šufliarsky

The companies mentioned above were identified as the direct competitors of Farkas + spol.s.r.o. as they operate on the same market and their truck fleet is also sharing many similarities with the analysed company. For the purpose of more accurate comparison, several other companies will be introduced in the comparison tables. These companies are also in the road freight transportation industry; however, they are oriented on different load destinations.

From the above mentioned companies, the strongest position is taken by MH Sped which was formed in 2010. Their portfolio of services is made up by offering transportation of goods, storage of goods and logistics solutions which includes the combination of the earlier mentioned services with the addition of ensuring ferry bookings. Their truck fleet is between 25-30 trucks, which have the same specialization as the trucks owned by the analysed company. Their route portfolio however is more inclined towards Italy, Spain and France. The table below illustrates a brief overview of their financial performance through the same period as in the case of Farkas + spol.s.r.o.

Table 11 Financial overview of MH Sped in 2015-2019

MH Sped					
	2015	2016	2017	2018	2019
Total Assets	6 514 609	7 182 857	7 260 973	6 801 974	5 946 694
Total Liabilities	5 496 183	5 586 661	5 221 605	4 599 029	4 307 843
Total Equity	1 018 426	1 596 196	2 039 368	2 202 945	1 638 851
Total Equity + Liabilities	6 514 609	7 182 857	7 260 973	6 801 974	5 946 694
Revenue	7 129 845	7 247 852	8 199 943	8 997 524	9 806 327
Earnings after interest and tax	468 314	597 770	443 172	163 577	133 987

Source: own creation of the author

The average assets of the company are higher by 28% throughout the whole period, however what needs to be addressed as well is the proportion between equity and liabilities. From the table it can be deducted that the assets of the company which is equal to total equity are mostly financed by debt, as 72% of total equity is represented by liabilities. This puts the company into greater risk as in times of crisis when the supply of loads is decreasing it could be harder to cover all their fleet with cost efficient loads. It is also important to note that the diversified service portfolio of the company can provide greater value. Their diversified portfolio is also reflected on the revenue as the average revenue of the company is 8 276 298 EUR which is higher by around 150% compared to the average revenue of the analysed company. The company has also reported profits during the analysed period, which reflects the levels of professionalism that the company offers.

P.S team is the company which is located the closest to the headquarters of the analysed company. This fact plays a crucial role as it represents a threat especially when it comes to hiring talented drivers. In terms of equipment P.S Team is operating traditional mega trailers which means that in terms of capacity Farkas + spol. s.r.o. can provide better conditions for loads. Their focus is mainly on countries such as Germany, Romania, Netherlands and France. The table below illustrates the financial performance of the company through the analysed period.

Table 12 Financial overview of PS team in 2015-2019

PS TEAM					
	2015	2016	2017	2018	2019
Total Assets	810 301	809 051	677 651	484 234	332 433
Total Liabilities	681 378	667 820	546 620	407 684	206 148
Total Equity	128 923	141 231	131 031	76 550	126 285
Total Equity + Liabilities	810 301	809 051	677 651	484 234	332 433
Revenue	1441161	1350413	1346691	1272377	1130301
Earnings after interest and tax	12 233	6 545	-10 196	-54 481	-4 746

Source: own creation of the author

As it can be viewed on the table the assets of PS team are significantly lower compared to the analysed company. The average assets of Farkas + spol. s.r.o. are higher by 34.1% but what is more notable from the table it´s the decreasing trend of the total assets. From 2015 the assets of the company declined by 83%. The liabilities of the company followed a similar pathway as in the case of the analysed company as in the year 2019 the liabilities of Farkas + spol. s.r.o. were higher by 28%. From the revenue point of view in the last 3 years it has been declining and the company also reported losses in those years. What also stands out in the case of PS Team is also that fact that the company in the past refused to purchase new trucks and was keen on buying used trucks for less value, however in the past two years the company did not buy any new machinery.

The last direct competitor on the market for Farkas + spol.s.r.o. is Detva Trans Šufliarsky. This company is in direct competition since they are operating on the same routes as the analysed company and they a fraction of their fleet with the same trucks as Farkas + spol.s.r.o. The company was formed in 2007 and they are connected to the same load provider as the analysed company which means that they are bidding for the same loads, therefore this comparison plays a crucial role from the competitiveness point of view.

Table 13 Financial overview of Detva Trans Šufliarsky in 2015-2019

Detva Trans Šufliarsky					
	2015	2016	2017	2018	2019
Total Assets	570 128	821 236	959 904	727 339	1 157 202
Total Liabilities	429 987	643 934	767 642	513 850	943 702
Total Equity	140 141	177 302	192 262	213 489	213 500
Total Equity + Liabilities	570 128	821 236	959 904	727 339	1 157 202
Revenue	1346407	1291328	1403234	1547490	1931058
Earnings after interest and tax	26826	37161	11960	10615	10

Source: own creation of the author

The financial situation of Detva Trans can be observed in the table above. The total assets of the company were growing throughout the whole analysed period with the exception of the year 2017. The average assets of the company are 847 162 which is by 29% lower than in the analysed company as the assets were growing so were the liabilities as well. Changes in the equity are not significantly turbulent, however the liabilities were at an all-time high in 2019. From 2018 to 2019 the total liabilities increased by 59%. The revenue of the company has also been increasing in the analysed period and in 2019 it also reached the highest level. A key advantage of Detva Trans is their diversified fleet, since they operate not only traditional mega trailers but also jumbo sets which are present in the analysed company. This gives them flexibility of acquiring loads because even though the jumbo sets offer more space for storage, however the weight limit is 22-23 tones and in the case of standard mega trailers the weight limit is 24-25 tones.

Comparison of ratios between Farkas + spol.s.r.o. and its competitors

In order to be able to determine the true performance of a company it is necessary to put the already obtained results of the ratio analysis for comparison to the subjects which are performing on the same market. To make the comparison more straightforward it involves the major companies in the region of Banská Bystrica who are in the transportation of goods sector.

Table 14 Liquidity ratio comparison in 2015-2019

Liquidity ratios								
		MH Sped	PS Team	Detva T	AB trans	Obrtal	Belotrans	FARKAS +
Current ratio	2015	1,62	0,91	1,57	0,90	2,32	2,70	4,32
	2016	1,25	0,88	1,45	0,84	2,04	2,76	3,22
	2017	1,27	0,87	1,37	0,95	1,39	2,87	1,10
	2018	1,67	0,87	0,98	1,12	1,13	1,89	2,89
	2019	1,24	1,19	1,18	2,03	0,87	1,53	3,05
Quick ratio	2015	1,60	0,89	1,55	5,95	2,19	2,67	3,67
	2016	1,23	0,86	1,42	4,97	1,89	2,72	2,89
	2017	1,26	0,80	1,32	6,77	1,29	2,86	0,98
	2018	1,64	0,82	0,95	3,45	1,02	1,89	2,43
	2019	1,22	1,11	1,16	1,79	0,85	1,53	2,51

Source: own creation of the author

The table above illustrates two liquidity ratios of the companies who are operating on the same market as the analysed company. The current ratio shows the company is able to cover its short term obligations by its current assets. In 2015 the average current ratio of the competitors of Farkas + spol.s.r.o. was 1.67, however the current ratio of the analysed company was way above the average resulting at 4.32. This amount can be classified as too high, meaning that the competition is utilizing their current assets more efficiently than the analysed company. In the following years the company managed to keep the current ratio above the average of its competitors, the only exception was recorded in the year 2017 when the analysed company fell behind by 0.35. What is also important to note is the fact that PS team´s current ratio was above the amount 1 only once during the analysed period and it was in 2019 which could indicate cash problems for the company. The current ratio gives us a better version of the current ratio as it makes sure that inventory is not included. The situation however does not change and the analysed company is only fell behind the average of the competitors in the year 2017. In order to determine which company performs the best only based on liquidity ratios would be misleading because it does not give us detailed information about the timing. In the case of bad liquidity ratio numbers there are several ways how the company could improve them. For instance, by improving collection period can have a significant boost on the improvement of the ratio.

Profitability ratios are also important means how to assess the company´s position on the market. The table below illustrates 4 indicators of profitability where two of them are return ratios and the rest are margins. Return on assets represents how well the company is utilizing its assets in terms of profit generation. The analysed company is performing the worst among its competitors. The average ratios of the competitors in the years between 2015-2017 were all positive values, however the amounts that are tied to the analysed company are all negative values, due to the fact that the company reported negative profits throughout the whole analysed period. The best performing company among the competitors within the category of return on assets is MH Sped. It is important to state that this company is managed by a group of people who were part of STD Donivo in the past, which was a significant competitor on the transportation of goods market. Their experience on how to utilize and properly plan routes on vehicles of unique specialization such as the road train jumbo sets came in as highly rewarding aspect on performance.

Table 15 Profitability ratio comparison in 2015-2019

Profitability ratios								
		MH Sped	PS Team	Detva T	AB trans	Obrtal	Belotrans	FARKAS +
Return on assets	2015	0,07	0,02	0,05	0,02	0,01	0,04	-0,11
	2016	0,08	0,01	0,05	0,02	-0,02	0,03	-0,11
	2017	0,06	-0,02	0,01	0,03	-0,01	0,00	-0,12
	2018	0,02	-0,11	0,01	0,07	-0,02	-0,08	-0,16
	2019	0,02	-0,01	0,01	0,02	-0,03	-0,10	-0,17
Return on equity	2015	0,46	0,09	0,19	0,05	0,02	0,12	-0,25
	2016	0,37	0,05	0,21	0,09	-0,07	0,10	-0,43
	2017	0,22	-0,42	0,06	0,20	-0,05	0,01	-1,07
	2018	0,07	-0,71	0,05	0,27	-0,07	-0,27	-0,40
	2019	0,08	-0,04	0,00	0,04	-0,12	-0,41	-0,52
Gross margin	2015	0,31	0,27	0,34	0,26	0,23	0,24	0,20
	2016	0,36	0,31	0,36	0,26	0,22	0,25	0,16

	2017	0,34	0,33	0,32	0,19	0,27	0,25	0,22
	2018	0,27	0,29	0,39	0,09	0,26	0,25	0,21
	2019	0,23	0,28	0,43	0,11	0,22	0,29	0,20
Profit margin	2015	6,57	0,85	1,94	0,75	0,47	1,61	-7,57
	2016	8,25	0,48	2,62	0,80	-1,75	1,49	-9,41
	2017	5,40	-0,76	0,81	1,14	-1,00	0,20	-11,95
	2018	1,82	-4,28	0,68	1,96	-1,37	-3,60	-11,50
	2019	-1,37	-0,42	0,00	1,04	-2,23	-4,00	-10,07

Source: own creation of the author

In terms of gross profit margin, the analysed company is doing worse than its competitors. The average gross margin of the competitors in 2015 was 0.27 and the analysed company fellow below this average by 7. Another worrying factor is also when only AB Trans, Obrtal s.r.o. and PS team is taken into account. Their average gross margin throughout the whole analysed period is 0.24 meanwhile Farkas + spol.s.r.o. is 0.20. This comparison is important mainly because these companies have a very similar management and vehicle structure and none of them are considered as big firms on the overall transportation market. The only competitor that Farkas + spol.s.r.o. was able to outperform in terms of gross profit margin was Detva Trans Šufliarsky but only from 2017. The fluctuations of the profit margin were less notable in the last three years of the analysed company. Compared to its competitors the company is doing a lot worse. Taking into account that almost all companies reported negative values on their income statements in the year 2019, Farkas + spol. s.r.o. was performing significantly worse than all of their competitors.

The table below shows the comparison of leverage ratios between the competitors and the analysed company. In terms of leverage the analysed company tends to perform a fairly better than in the case of profitability ratios. The debt ratio shows how much of the assets are financed by debt and the table shows that in 2015 Farkas + spol.s.r.o. had the lowest share of liabilities in total assets Which can be a good indicator as the company is less dependent on financing obligations towards its debtors

Table 16 Leverage ratio comparison in 2015-2019

Leverage ratios								
		MH Sped	PS Team	Detva T	AB trans	Obrtal	Belotrans	FARKAS +
Debt ratio	2015	0,84	0,84	0,75	0,66	0,62	0,68	0,53
	2016	0,78	0,83	0,78	0,79	0,67	0,64	0,61
	2017	0,72	0,81	0,80	0,86	0,74	0,61	0,75
	2018	0,68	0,84	0,71	0,73	0,72	0,70	0,43
	2019	0,72	0,62	0,82	0,38	0,72	0,77	0,43
Debt to equity	2015	5,40	5,29	3,07	1,97	1,64	2,17	1,12
	2016	3,50	4,73	3,63	3,87	2,03	1,80	1,55
	2017	2,56	4,17	3,99	6,35	2,84	1,54	2,96
	2018	2,09	5,33	2,41	2,74	2,55	2,29	0,74
	2019	2,63	1,63	4,42	0,60	2,60	3,26	0,76

Source: own creation of the author

PS Team averaged 0.79 in their debt ratio assessment which puts them into a riskier position as liabilities have a big share on their assets. AB Trans in the year 2017 recorded a record high 86%, however in this year the average debt ratio of all the competitors was 0.73 and even the analysed company recorded their all-time high in this year with 0.75. When it comes to debt to equity ratio the company also tends to outperform its competitors. In general, the debt to equity ratio is considered good when it is below 1, the table illustrates that in the last two years for Farkas + spol.s.r.o. can be considered good, however for the competitors the amounts are way above 1. In 2015 the average for the competitors was 3.25 mainly driven by MH Sped, meanwhile in 2019 it was 2.52.

In terms of activity ratios asset turnover and fixed assets were taken into account. These two ratios show how effectively the company is using its total and fixed assets. In the case of total asset turnover, the best performing companies are Belotrans and AB trans. The analysed company falls behind in both indicators and was not able to outperform the average of competitors in a single year.

Table 17 Activity ratio comparison in 2015-2019

Activity ratios								
		MH Sped	PS Team	Detva T	AB trans	Obrtal	Belotrans	FARKAS +
Asset turnover	2015	1,29	1,95	2,06	1,72	1,71	2,36	1,49
	2016	1,06	1,67	1,86	2,18	1,45	2,25	1,34
	2017	1,14	1,81	1,58	2,43	1,38	2,29	1,09
	2018	1,28	2,19	1,83	2,43	1,31	2,31	1,19
	2019	1,54	2,77	2,05	2,24	1,40	2,28	1,55
Fixed assets turnover	2015	1,98	4,87	4,91	4,12	3,23	10,88	2,60
	2016	1,63	3,34	3,91	6,03	2,67	11,62	2,37
	2017	1,82	3,65	2,86	9,85	2,27	18,32	1,90
	2018	2,22	5,24	3,18	16,41	2,00	29,18	1,87
	2019	2,91	8,30	3,43	12,97	2,12	35,81	2,42

Source: own creation of the author

Active debts

Another important aspect of the competitive analysis is taking a look at the debts of the company. These debts are associated towards state institutions in terms of tax or social insurance payments. The presence of such debts can indicate instability. From the above mentioned companies only Belotrans and Obrtal has actively recorded debts.

- Total debt of Belotrans- 102 493.21 EUR
- Total debt of Obrtal s.r.o. 21 791.87 EUR

These debts are not associated with private banks entities, however they are connected to social and health insurance companies and tax entities. These factors can present bankruptcy risks, especially in the case of Belotrans as the amount of debt is significantly notable.

4.4 Road freight market overview

One of the key indicators that could portray the aim of a market is the GDP growth. In the table below one can witness the growth numbers of the gross domestic product in the key markets to which Farkas + spol.s.r.o. is directly connected to. The overall growth of economy in a country could indicate better overall performance and higher demands in exports. The average growth of all selected countries excluding the overall growth of the EU-28 is 2.7% per year in the span of 5 years.

Table 18 GDP growth in selected countries in % from 2014-2018

	2014	2015	2016	2017	2018
EU-28	1,7	2,3	2,0	2,6	2,0
HU	4,2	3,8	2,2	4,3	5,1
CZ	2,7	5,3	2,5	4,4	2,8
SK	2,8	4,8	2,1	3,0	3,9
FR	1,0	1,1	1,1	2,3	1,7
NL	1,4	2,0	2,2	2,9	2,6
UK	2,6	2,4	1,9	1,9	1,3

Source: EU transport in figures 2020

The amount of exports which are leaving and the amount of imports that are entering the country play also a key indicator. The table below illustrates the size of both exports and imports expressed in billions of EUR and also the share of the amounts which are held within the EU 27 in %. The adjustment for the EU 27 territory is necessary because the analysed company operates only within the EU.

Table 19 Exports and Imports in billions EUR and % of EU 27 in 2018

	EU-27 exports	% of total EXP	EU-27 imports	% of total IMP
HU	83,277	78%	75,250	73%
CZ	136,544	80%	116,206	74%
SK	64,072	81%	61,814	79%
FR	257,678	52%	369,370	65%
NL	406,551	66%	219,812	40%

Source: EU transport in figures 2020

In the case of Hungary and Slovakia the percentages hold a higher significance as it represents the starting and ending destination for the company. From the strategic point of view this is a favourable situation for them as in the case of Slovakia the share of exports and imports is almost identical which translates to a higher demand of not only exports but imports as well. This occurrence is also backed up by the company as based on their experience Slovakia, Hungary and Czech Republic are their top destinations when it comes to delivering goods from France, Germany and the Netherlands.

The relevance of the road freight transportation market plays a major role for the financial performance of the analysed company. Freight transportation can take place in different forms. The main forms are

- Road- cargo
- Sea- cargo
- Railway- cargo
- Air- cargo

The table below illustrates the relevance the share of freight transportation in all categories. According to the information provided by the EU commission it can be stated that road freight transportation plays a key role in the overall market. From 2014 until 2018 in total 14 708.2 tonne kilometres were delivered, from which 8 125 tkm were done by road cargo alone which equals to 55.4% from the total. It is important to mention that the data set published by the EU is only taking into account haulage of heavy good vehicles which are above 3.5 tonnes.

Table 20 Freight transportation in EU in tkm from 2014-2018

	2014	2015	2016	2017	2018
Road	1527,4	1560,9	1620,6	1707,3	1708,9
Sea	871,7	861,8	906,7	919,0	979,2
Rail	388,7	395,9	411,1	414,8	423,3
Air	2,1	2,1	2,4	2,2	2,2

Source: EU transport in figures 2020

From 2015 until 2018 the road freight transportation grew by 9.5% and it is believed that as the overall consumption will rise so will the demand after road freight transportation. The only period when the road freight transportation had a declining trend in the spam of the last 20 years was from 2007 until 2012. From 2013 until 2018 the demand grew at a steady pace and in 2018 it reached its all-time high.

The above mentioned factors outline the importance of road freight transportation and that puts the company in a favourable position. The economic and political factors play high importance in the direction of the road freight transportation. As the global economy continues to expand and economies will continue to grow the need for diverse means of delivering goods will remain important. The limitations of such overview could be the political aspects of the development as it is unclear how countries will respond to the challenges that are arising in today´s economy. As the analysed company prior to 2020 was partly dependent on the exports and important heading to and from the UK, after Brexit came into effect from the 1st of January 2021 the company looked for other destinations as the barriers and higher costs put the company into a position of risk. These factors outline the need of continuous assessment of the economic and also political situation and the next part of the thesis will take into consideration the viewpoint of the management of these factors.

5 Results and Discussion

The aim of this chapter is to take into account the results which were obtained in the last chapter and involve the management of the company. One of the main goals of the thesis was to propose measures that could move the company into a better competing position on the road freight market. In order to be able to propose such measures a questionnaire was set up for the management of the company and the employees who are involved in the decision making process with the addition of the company’s main clients.

5.1 Summarization of results of the financial analysis

The main goal of the thesis was to analyse the financial performance of Farkas + spol. s.r.o. and make rational conclusion with the addition of measures that could help the company perform better in a highly competitive market. The obtained result could be a source of valuable information for the management of the company as it can give them an overview of their current situation and also a glimpse of the performance of their direct competitors. The obtained results of the financial analysis could be summarized the following way:

- In terms of assets, non-current assets have a dominant position of the balance sheet through the whole analysed period. This can be associated with more risk as non-current assets may be subjected to loss of value over an extended period of time. The non-current assets represented over 60% of the total assets throughout the whole analysed period with the exception of 2016 when it was 53%

- The company recorded positive net working capital throughout the whole period, meaning that the current assets were always greater than current liabilities. Taking into account also the company´s competitors, PS Team recorded negative working capital between 2015-2018 and also Obrtal s.r.o. recorded negative figures in the year 2019. This puts Farkas + spol.s.r.o. in a position of stability.

- The liquidity ratios of the analysed company were always above the average values of their competitors except for the year 2017. There reason for the lower values in 2017 was the fact that the current liabilities of the company were significantly higher than in the previous years. Based on the internal documentation of the company the average yearly prices of diesel petrol increased by 9.36% therefore this has a direct influence on the costs of the company. It can be also stated that the analysed company is highly liquid, however this can also indicate inefficiency in the usage of its current assets as the company has recorded significantly higher values for the liquidity ratios except for the year 2017 as mentioned earlier.

- In terms of leverage two ratios were taken into account. The debt ratio of the analysed company was performing well throughout the analysed period. The average debt ratio was 0.55 where the worst value was recorded in 2017. Involving also the competitors of the company, it can be stated that Farkas + spol.s.r.o. is approaching debt with more caution than its competitors. In the case of debt to equity which takes into account the total liabilities of the company to the shareholder´s equity Farkas + spol.s.r.o. recorded values which were significantly better. In the last two years of the whole period the equity portion was larger than liabilities meanwhile in the case of MH Šped liabilities outweighed the shareholder’s equity by more than 2x times in the last two years. In terms of leverage it can be stated that the competition tends to use more debt than equity which can be associated with leverage risks.

- The profitability ratios indicated backlash compared to liquidity and leverage ratios. In 2015-2016 Farkas + spol.s.r.o. was able to perform better than the average of all competitors in terms of gross margin, however in all other cases the company performed worse. The gross margin indicates that the company is able to cover its costs of goods sold with their net sales, however all the other costs which are associated with business performance represent a high burden for the company.

- The figures related the market overview outline the importance of road freight transportation in an economy. One might say that a proper subsidy for road freight is train freight, however the limitations of this kind of transportation were outlined in the literature review part. The key factor that plays into the effectiveness of road freight transportation is the high frequency of competition. This can be also backed up by the fact that the region where the company is currently operating is occupied by at least 6 other companies who have a relatively significant market share of the loads.

5.2 Questionnaire results of Farkas + spol. s.r.o.

The questionnaire involved questions which were aimed at finding out the standpoints of the management, employees and the clients of the company on the current situation concerning business activities. The aim of this questionnaire was the identification of possible areas that could be used in the following chapter for the Swot analysis of the company. The total number of respondents was 35 where 20 were employees of the company including the founding members and the remaining 15 respondents were the clients of the company. The response rate of the questionnaire was 100%. The example of the questionnaire which was sent out can be found in the attachments of the diploma thesis.

The first question was related to the quality of services provided by Farkas + spol.s.r.o. According to 74 % of respondents the quality of services provided by Farkas + spol.s.r.o. was labelled high. The remaining 26 % concluded that the level was neutral. On a positive note most of the company´s clients labelled the quality of services as high. The main reason for this choice were tied to the loyalty aspect and easy cooperation and communication means between the company and its clients. The respondents who labelled the quality of services as neutral mainly stated that their reason for this choice was related to the quality of the vehicles as some of the trucks are older.

When it came to identifying the main competitor of Farkas + spol.s.r.o. 66% of the respondents picked MH Sped as the company´s main competitor. This was mainly due to the fact that the company is operating trucks of the same size and they are bidding for loads of similar characteristics such as weight and length. When it came to PS team 8% of the respondents picked them as their main competitor and all of them respondents were drivers of the company. The main reason behind this choice was the location of the company as it can be found the closest to the company. The remaining 26% of the respondents picked Detva Trans because the company has similar characteristics as the analysed company in terms of vehicle and trailer numbers and from 2018 they are bidding for the same loads as the analysed company.

Regarding the position of the company towards its main competitor 43% of the respondents thought that the company holds a neutral position towards its main competitor meanwhile only 20% considered a neutral and the remaining 37% picked a rather weak position. Among the respondents who picked a rather weak position identified MH Sped as the main competitor of Farkas + spols.s.r.o. One of the reasons stated was that the weak position is mainly due to the fact that the competition is using smart planning systems for their route planning, meanwhile the analysed company is less focused on new innovate solutions that could increase the effectiveness and the quality of the services provided. The respondents who chose strong position as their response, they mainly backed up their choice by outstanding reputation among clients and high levels of experience in a highly competitive market. It is important to note that among the respondents who picked strong positions, none of them were part of the management as these respondents identified themselves as clients and drivers.

The question regarding the identification of the biggest threats was answered the following way. From all the respondents 66% thought that the biggest risk for the company is associated with Brexit as the company was highly connected to this market. What was surprising being the fact that only one respondent from the management thought that Brexit is the biggest threat as mostly the clients and the drivers picked Brexit. According to the management the biggest threat for the company represents the lack of skilled labour force. Looking purely at the drivers, 33% of them picked ageing equipment and 77% Brexit as the biggest threat, meanwhile 93% of the clients identified Brexit. This should not be a surprise as the company mostly looked for loads heading to the U.K, however the management feels confident that they can cover their trailers even if they would have had to leave the U.K market.

When it came to identifying the areas where the company lacks behind the most, marketing and innovation were the two most commonly picked choices. The third choice was limited options of trailers for loads as the company only operates road train trailers. What was interesting was the fact that the management voted for marketing with a 100% margin. When it came to the clients of the company, 66% of them picked innovation and the remaining 34% picked innovation. Among the drivers the choices were more spread out as 50% picked limited options of trailers, 33% picked marketing and the remaining 16% chose innovation. Based on the explanations the most commonly stated factors among marketing were the lack of digital presence of the company and based on the clients' responses an online booking system would be beneficial for them as other companies are using them already.

According to 49% the respondents the biggest strength of the company is their experience in the field. The second most identified strength was transparency, mainly backed by strong client relationships and long lasting employment contracts which indicate transparent negotiating. The company takes big pride in rewarding their divers who has shown loyalty to the firm since the origin of the company. A small fraction of 14% of the total respondents picked also diverse destination portfolio of the company, however this assessment came purely from the drivers.

The question regarding the help from the state was answered with the choice rather low by 60% of respondents The remaining 40% opted for neutral. This criticism was mainly backed by rising costs of toll payments on the roads and expanding the barriers for entry. From the driver´s side of view the concern was mainly coming from the need of regular testing of their mental state and the high cost of obtaining a driving license and all other documents necessary for transportation. The clients of the company backed their answers by connecting the issue to rising costs and the lack of transparency on the distribution of the money obtained through toll payments.

5.3 SWOT analysis

The swot matrix below represents a detailed overview of the strengths and weaknesses that come from the internal factors of the company and the opportunities and threats originating from the external factors. The goal of the SWOT analysis is not just to simply define the components but to connect them in a way that the company could base strategic decisions around them.

SWOT matrix of Farkas + spol.s.r.o.

Environmental Factors → Corporate factors ↓	O • Timocom pro software • Standard mega trailers • Dali Trans partnership • Online booking	T - Skilled labour - Brexit - Rising costs - Lack of training
S • Rich experience • Long standing partnerships • Strong leverage position	S-O • Investing into fleet management software • Building a company • website with the possibility of booking loads • Expanding the client portfolio with Dali trans	S-T • Spreading awareness of the load destinations for potential new drivers. • Offering loyalty bonuses for long standing drivers.
W • Low marketing presence • Operating only road train sets • Low fuel efficiency	W-O • Starting to acquire standard mega trailers • Offering promotion space on the curtain of the trailer	W-T • Increasing the attractiveness of destinations by offering more options. • Offering drivers training programs to increase fuel efficiency

Source: Own creation of the author

Strenghts

Farkas + spol.s.r.o. was established in 1992 which leaves them with plenty of experience in the road freight transportation industry. They overcame the global financial crisis and also the fast entry of newcomers when Slovakia entered the EU. All these experiences forced the company to look for ways how to maximize their effectiveness and how to improve their overall performance. MG Spedition is one of their key partners and their long standing business relationship has been crucial for the company´s success. Another strenght which was obtained through the ratio analysis of the company can be found in their approach towards debt. Farkas + spol.s.r.o. has shown dedication to minimize their debt and finance their business activities through equity. In the case of their competitors it was not always the case.

Weaknesses

The company has no website where it could spread awareness of their offered services. When doing the research on the competition, MH Sped and Detva Trans both offered booking options on their websites. This simplifies the whole load booking process and builds trust in the client´s eyes as it shows dedication and professionalism. The limitations of operating only road train jumbo sets can also be seen as a weakness as it provides less flexibility than the standard mega trailers and their maintenance costs are higher.

Strengths- Opportunities strategy

Rich experience and a strong leverage position could move motivate the company into investing on digital solutions which could increase effectiveness of the whole fleet management system. Combining the Scania fleet management report with the Timocom load offering software would help to identify areas which could be improved and with that cut down costs. The company could also extend its partnership with Dali trans who are the main load providers of Technogym Veľký Krtíš which also offers exports into France, Belgium and Netherlands. By extending the client base the analysed company could decrease the risks of being too dependent on one client.

Strengths- Threats strategy

One of the main threats for the analysed company is the lack of skilled labour. In the competitor analysis PS team was mentioned as the company which is located the closest to the analysed company, meaning they are in direct competition for labour force. Farkas + spol.s.r.o. used to be highly depended on the U.K market and one of the main issues with this location was the unattractiveness of the location to the drivers. Currently the company is not accepting any loads heading to the U.K. as the management came into an agreement with the drivers. This could initiate a positive feedback for other potential drivers as the U.K. location cannot be seen as a setback anymore.

Weaknesses- Opportunities strategy

As the low fuel efficiency is directly connected to the running equipment of the company, it would be beneficial to acquire standard mega trailers in the future as they are more fuel efficient. This would result in decreasing fuel and maintenance costs. The company could also use the curtains of the trailers to spread awareness of either their own company or offering them to other companies where they would pay for the add.

Weaknesses- Threats strategy

As Brexit came into effect on 01.01.2021the company decided to orientate their destinations to other European countries. This took place after the drivers and the management jointly agreed on new destinations. The management should implement more communication strategies with the drivers and offer them training possibilities in areas such as safety and fuel efficiency improvement. This would increase the quality of the workforce and have an impact also on the effectiveness of the equipment used by the drivers.

5.4 Proposed measures

The measures which are mentioned below are associated with the current needs and problems of the company

- One of the key elements which were identified among the weaknesses of the company was the lack of innovation. After further examination of the problem the management pointed out that the company has access to wide range of data, however the utilization of such information is on a poor level according to the company´s management. Scania fleet management provides a system that allows the company to monitor their fleet and rank the effectiveness of their drivers. This tool is already accessible to the company, however the information gained from these reports are not being analysed. With further analysis over an extended period of time the company could compute more accurate costs which are associated with the job. For this reason, the company could extract the already provided information from the Scania fleet management monitoring system and pair it with the information regarding the information of the loads and keep track of the performance over an extended period of time. With this approach the company would be able to forecasts its costs based on the weight of the load, meaning the company would have the possibility to forecast the profitability of the load in advance.
- Diversification is a very important aspect for a company. Farkas + spol. s.r.o. has been a long client of MG Spedition which is the main provider of loads in the Eastern parts of Slovakia, however Farkas + spol.s.r.o. could extend their client base with companies which are located closer to the base of the company. One such company can be Dali Trans which is located 20 kilometres away from the base of the company and they are the main offering company of loads heading from Technogym. The extension of client base could provide more stability for the company as they would not be as dependent on a single client.
- The utilization of assets is also an important aspect of the company. It is known that Farkas + spol.s.r.o. is operating road train jumbo trucks which costs significantly more than the standard mega truck and also the operational costs are also higher than in the case of standard sized sets. If the load rates would also reflect the benefits of road train jumbo sets then this would not be a problem, however according to the logistics department the load rates for road train jumbo sets and standard mega sets are almost identical. For this

reason, it would be beneficial to diversify the fleet of trucks by acquiring standard mega trucks.

- The company in 2010 purchased its own petrol storage facility which helped them cut down costs regarding fuel purchasing. Investments of such type can help to boost long term success of the company, a similar approach can be also applied by purchasing a container for Ad-Blue which is a substance necessary for Euro VI vehicles. This would result in lowering the overall costs of this substance.
- Background checks on the clients from abroad can also help to avoid risks related to unpaid work. The company had experience with clients which offered them loads at promising rates, however when it came to payment collection it ended up in court where the client declared bankruptcy and had no financial instruments to pay the loses caused to the analysed company. To avoid such scenarios, the company should focus on well-known clients and in the case of newcomers they should ask for documentation regarding their payment terms and include references from other hauliers. Another way, how the company could minimize this risk is to ask for their Timocom identification number, which is connected to their online presence on the software where the loads are being offered. In the case of fraudulent behaviour these issues can be reported and refunded.
- Marketing is another area where the analysed company is falling behind the competition. As mentioned before MH Sped, which was identified as the company´s biggest competitor has a well structure website where all information regarding their services are provided with the addition of an online booking form, where a client can request offers for possible loads. This is especially important as the already existing client base of the analysed company pointed out the benefits to the subject. With this digital platform other clients would be able to see available trailers which are ready for booking. This would also increase the utilization of assets as planning would be simplified.

6 Conclusion

An internal financial elevation should represent a source of well-structured information based on which a company could make reasonable decisions regarding their business operations. This diploma thesis used sources which underline both the importance and the limitations of financial analysis with underlying the theoretical knowledge with practical interpretations. Financial analysis is usually being conducted by well-known methods, such as horizontal, vertical and ratio analysis based on which an analyst can create a framework of performance. This performance framework is however limited to the point that it takes into account only one subject. For this reason, it was necessary to introduce the main competitors of the company with the addition of other subjects based on which averages of ratios were created in order to determine the real performance of the analyse company.

First, horizontal analysis was conducted in order to determine the subjects of the balance sheet and income statements throughout the analysed period. As the company is operating in the road freight transportation industry, the majority of assets were part of the non-current assets which was also confirmed by the vertical analysis. The figures of the balance sheet and the income statement were then challenged by the ratio analysis. What was evident from the ratio analysis, was the fact that the company has high liquidity and compared to the competitors it performed significantly better. The high liquidity numbers, however could also indicate inefficiency in the way of how the company is using its assets. It is important to note that based on the liquidity ratio it is hard to determine the real situation as these numbers are recorded from the balance sheet and the income statement which are reported annually and the company has paying obligations throughout the whole year. In terms of leverage the company also showed more caution in financing their assets through equity rather than debt. The only year when the company fell behind the average of the competitors was in 2017 when the liabilities of the analysed company were significantly higher. In term of profitability the analysis concluded that Farkas + spol.s.r.o. performs significantly worse than its competitors. This was mainly due to the fact that the company recorded losses on its income statement as their costs regarding operations impacted the gross profit. This should raise alarming signals to the management as these costs are to be increased in the following years as the costs of social and health insurance are to be increased in line with the minimum wage. For this reason, the company should look into ways how to utilize its assets more effectively in order to increase their revenue. On a positive note the company does not have any recorded debts towards official institutions unlike some of its competitors.

With regards to the market overview, it can be stated that the future of the road freight transportation industry looks promising as the significance of road freight was highlighted compared to its main subsidies. As the GDP of the selected countries tends to give a general overview, the exports and imports tend to give an indicator which affects the transportation of goods in a more defined way. Hungary, Czech Republic and Slovakia represent key market locations for the company and the share of their exports and imports which are held within the European Union is at high levels which means positive outcome for the analysed company.

In the results and discussion part a questionnaire was introduced in order to obtain feedback from the internal and external environment of the company. The results of the questionnaire concluded that the biggest strengths of the company can be found in their experience and transparency in the field of road freight transportation. As their main competitor was identified as MH Sped, which based on the ratio analysis tends to perform better than the analysed company. The threats of the company were associated by lack of skilled labour available in the area and Brexit. The weaknesses were mainly associated with the lack of innovation and marketing activities. The clients of the company pointed out that while MH Šped has an already working booking system on their official website, the analysed company does not even have its own website. This is seen as a big setback in the 21st century of the business world. Based on the financial analysis and the results obtained through the questionnaire, exact measures were proposed which could be presented as valuable information for the management of the company.

As the objective of this financial analysis was to evaluate the financial situation of the company through the traditional means of financial analysis, it can be stated that both research questions stated in the objectives of this master thesis had been fulfilled, however it is also important to note that it was achieved by involving and combining various approaches. Based on the findings both from the financial analysis and the questionnaire the SWOT matrix was created alongside other measures, in order to propose strategies that could help the company to perform better.

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8Appendix

ASSETS of Farkas + spol.s.r.o.					
	2015	2016	2017	2018	2019
Current Assets					
Total Inventory	49 008	51 767	42 627	43 808	43 378
Non-Current receivables	-16 164	0	0	0	0
Current receivables	261 707	387 531	345 565	219 459	185 358
Financial accounts	31 776	69 844	22 861	10 523	14 005
Total Current Assets	326 327	509 142	411 053	273 790	242 741
Non Current Assets					
Property land and equipment	531 133	569 845	688 186	532 258	394 590
Total Non-Current Assets	531 133	569 845	688 186	532 258	394 590
Accruals and deferrals	1207	1130	1278	2386	2156
Total Assets	858 667	1 080 117	1 100 517	808 434	639 487

EQUITY of Farkas + spol.s.r.o					
	2015	2016	2017	2018	2019
Share Capital	6 641	6 641	6 641	6 641	6 641
Other Capital funds	606 347	606 347	606 347	926 347	926 347
Legal reserve funds	664	664	664	664	664
Net profit and loss from previous year	-139 617	-235 397	-349 418	-486 163	-613 559
Net profit and loss for the accounting period after tax	-95 780	-114 021	-136 745	-127 396	-109 306
TOTAL EQUITY	378 255	264 234	127 489	320 093	210 787
Accruals/defferals	26 485	160 112	150 276	144 579	153 172
	404 740	424 346	277 765	464 672	363 959
EQUITY + LIABILITY	404 740	424 346	277 765	464 672	363 959

LIABILITIES of Farkas + spol. s.r.o.					
	2015	2016	2017	2018	2019
Non-Current liabilities					
Liabilities related to social fund	3 596	4027	4448	4897	5440
Other non-current liabilities	354 533	481 784	388 646	228 329	110 942
Total non-Current liabilities	358 129	485 811	393 094	233 226	116 382
Long term bank loans	16 196	7 612	0	0	0
Current liabilities					
Trade liabilities	60 639	72 034	74 740	73 062	53 663
Liabilities to partners	3 042	73 260	287 433	10 433	10 418
Liabilities to employees	5 626	6 094	5 877	6 364	6 556
Libilities to social security	3 408	3 948	3 836	4 397	4 420
Tax liabilities and subsidy	2 880	2 947	3 200	433	4 518
Total Current liabilities	75 595	158 283	375 086	94 689	79 575
Short term provisions	4 007	4 065	4 352	2 856	7 467
Other liabilities	0	0	0	0	10
Current bank loans	0	0	50 220	12 991	72 094
TOTAL LIABILITIES	453 927	655 771	822 752	343 762	275 528

	2015	2016	2017	2018	2019
Net turnover	1 265 282	1 211 075	1 144 724	1 107 744	1 085 658
Revenue from the sale of merchandise	150 277	132 915	151 534	149 635	156 346
Revenue from the sale of services	1 115 005	1 078 160	991 455	955 559	765 918
Revenue from the sale of non-current intangible assets (land and property)	30 500	34 459	23 790	15 083	0
Other operating income	18 054	57 514	24 182	15 596	11 919
Revenue from the sale of own products	0	0	1 735	2 550	163 394
Changes in inventory			500	1 460	24 900
Operating income	1 313 836	1 303 048	1 193 196	1 139 883	1 122 477
Operating expenses					
Cost of merchandise sold	140 844	133 051	150 360	138 951	149 067
Consumed raw materials, energy consumption	429 736	383 507	370 422	358 074	362 654
Services	447 217	504 953	377 986	376 289	376 390
Personnel expenses	107 995	117 383	117 518	126 427	143 433
Taxes and fees	16 161	15 906	14 084	13 348	13 314
Amortization and value adjustments to non-current intangible assets and dep	167 964	202 414	226 609	203 852	143 144
Carrying value of non-current assets sold and raw materials sold	24 646	582	0	3 999	0
Value adjustments to receivables	16 165	2 010	13 600	0	0
Other operating expenses	3 275	26 844	27 651	25 679	28 917
TOTAL OPERATING EXPENSES	1 354 003	1 386 650	1 298 230	1 246 619	1 216 919
Profit and loss from operations	-40 167	-83 602	-105 034	-106 736	-94 442
Added Value	247 485	189 564	246 456	235 890	222 447

Income from financial activities					
Exchange rate gains	172	357	883	0	44
Interest income	0	2	0	0	0
Total	172	359	883	0	44
Expenses related to financial activities					
Interest expense	16 231	19 455	23 360	19 466	12 701
Exchange rate loses	575	653	635	129	136
Other expenses related to financial activities	36 099	7 791	5 719	1 065	2 071
Total	52 905	27 899	29 714	20 660	14 908
Profit and loss from financial activities	-52 733	-27 540	-28 831	-20 660	-14 864
PROFIT AND LOSS FOR THE ACCOUNTING PERIOD BEFORE TAX	-52 733	-27 540	-28 831	-20 660	-14 864
Income tax	2 880	2 880	2 880		
PROFIT AND LOSS FOR THE ACCOUNTING PERIOD AFTER TAX	-55 613	-30 420	-31 711	-20 660	-14 864

The Headquarters of Farkas + spol. s.r.o. in Vinica

Questionnaire Form

Dear respondents,

My name is Balázs Farkas and I am a second year student of Economics and Management. I am turning to you in order to obtain information regarding the market position of Farkas + spol.s.r.o. The questionnaire is anonymous and the information will be used purely on the evaluation of the company´s position.

Thank you for your time

Gender: Age:

male / female *19 or less / 20-30 / 31-50 / 51 or more*

Relation to the analysed company

Office worker / Vehicle operator (driver) / Client

1) **How do you rate the quality of services provided by the company? Please explain your choice**

Low / Neutral / High

....

....

2) **Who do you consider to be the main competitor among the choices stated below? Please explain your choice.**

Detva Trans Šufliarsky / MH Šped / PS Team / AB Trans / Obrtal s.r.o. / Belotrans

....

....

3) **How would you describe the position of the firm towards its competitors? Please explain your choice**.

Weak / Medium / Strong

....

....

4) **What represents the biggest threat for the company under today´s market conditions? Please explain your choice**.

Brexit / Lack of skilled labour force / Ageing equipment / Rising competition

....

....

5) **In which areas is the company performing the worst? Please explain your choice.**

Innovation / Digital solutions / Marketing / Limited options of trailers

....

....

6) **How would you rate the help from the state? Please explain your reason**

Low / Relatively low / Neutral / Relatively strong / Strong

....

....

7) **What represents the biggest strength of the company? Please explain your choice**

Transparency / Experience / Diverse destination portfolio

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