



# Companies A70, B80, C90, D0 and E10 or how relative financial analysis can be

*If you wish to ask questions (and get answers from the author of this case study), please do not hesitate to use the e-mail of the web site [www.vernimmen.com](http://www.vernimmen.com)*

## Questions

### 1. Financial analysis of Company A70 or B80 or C90 or D0 or E10:

- Analyze the income statement and comment on the corporate policy regarding growth, margin and efficiency of human and financial resources.
- Analyze the investments required by the firm's business: acquisition of fixed assets or increase in working capital. Compute the turnover ratios of the components of the working capital need. Do not include tax.
- Analyze the financing needs resulting from both the above investments and the financial structure of the firm.
- Analyze the return on capital employed (ROCE) and the return on shareholders' equity (ROE).
- Summarize your financial analysis of the Company .

### 2. Financial policy

Identify the key elements of these three very different financial policies. Derive generic models of financial policy according to the macroeconomic conditions and the interest rates.

### 3. Conclusion

Try to identify A70, B80, C90, D0 and E10 considering that:

- A70's financial statements are reported in FRFm
- B80's financial statements are reported in FRFbn
- C90 and D0's financial statements are reported in €bn
- E10's financial statements are reported in \$bn
- A70, B80, C90 and D0 are all French industrial firms, E10 is not

*Note: given the wide range of this analysis, focus more on the major trends (ie. between the starting point and the ending point) than on the limited variations (ie. from one year to another). Tables can be downloaded from the [www.vernimmen.com](http://www.vernimmen.com) website.*

**A70**

**B80**

**C 90**

**D0**

**E10**

## **APPENDICES**

### **Appendix 1: Company A70: Issuance of shares in 1973**

|                                                   |                                 |
|---------------------------------------------------|---------------------------------|
| Issue of shares                                   | FRF 122 m                       |
| Initial number of shares                          | 487 250                         |
| Final number of shares                            | 535 975 ie. + 48 725 (+10%)     |
| Initial Shareholders' Equity                      | FRF 103 m                       |
| Final Shareholders' Equity                        | FRF 225 m ie. +FRF 122 m(+118%) |
| Initial Market Value                              | FRF 2 230 m                     |
| Final Market Value                                | FRF 2 352 m ie. +FRF 122 m(+5%) |
| Percentage of control of the main shareholder A70 |                                 |
|                                                   | Initial 75%                     |
|                                                   | Final 71%                       |
| Price Earning Ratio (P/E)                         | 74                              |

## **Appendix 2: Company B80: Issuance of shares in 1987**

|                                                            |                                 |
|------------------------------------------------------------|---------------------------------|
| Issue of shares                                            | FRF 5 bn                        |
| Initial number of shares                                   | 16,8 m                          |
| Final number of shares                                     | 18,4 m ie. + 1,6 m(+10%)        |
| Initial Shareholders' Equity                               | FRF 11 bn                       |
| Final Shareholders' Equity                                 | FRF 16 bn ie. + FRF 5 bn (+45%) |
| Initial Market Value                                       | FRF 25 bn                       |
| Final Market Value                                         | FRF 30 bn ie. + FRF 5 bn (+20%) |
| Percentage of control of the B80 family (in voting rights) |                                 |
|                                                            | Initial 50%                     |
|                                                            | Final 42%                       |
| Price Earning Ratio (P/E)                                  | 5                               |