

The analysis of selected parameters characterising economic condition of Drewex SA

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Abstract: *The analysis of selected parameters characterising economic condition of Drewex SA.* In this paper changes of the major values affecting the economic condition of any enterprise, regardless of the form of business and type of activity were analysed on the example of Drewex SA - a representative of furniture industry. This values analysis can provide many useful data, namely facilitate the decision of potential investors and contractors. The data can be useful for further, more detailed analysis, primarily in the competitiveness analysis of individual wood industry enterprise at the domestic wood industry market but also compared to companies from other countries.

Keywords: net profit, operating profit, liabilities, economic condition, furniture industry.

INTRODUCTION

Although the analysis of the economic situation of selected company even by the beginner investigator may seem quite simple, but an amateur analyst can skip a number of important economic values. That unfortunately happens quite often. Conducting the analysis in the direction of future investments in the stock market an amateur analyst focuses mostly on values such as net profit and gross profit, values resulting from company functioning in given period.

In addition, beginner researcher in his analysis focuses mostly on the results of period which he is interested in, forgetting that the values of past periods can significantly affect future results and decisions taken by company's managers, related with its future market strategy. An amateur investor is also affected by the current mood of the stock exchange, and so the market psychology, following "the crowd" one time, another time taking decisions "against the market." Failures may result in discouragement to invest in the stock market. While the novice researcher may be affected by current mood, the flawed decisions can bring uncertainty and large losses in the future for prospective contractor.

In the analysis of the company economic situation many factors are used in greater or lesser degree affecting the company situation. The most significant are: the financial result, operating profit, sales revenues, selling costs, receivables or liabilities.

RESULTS

In this paper changes in selected economic values of representative of furniture industry, Drewex SA in 2009-2013 were analysed. The data was taken from the publicly available company's quarterly statements. The analysis was based on economic values describing company's financial condition, namely:

- a) total assets;
- b) working assets;
- c) equity capital;

- d) long-term liabilities;
- e) short-term liabilities;
- f) net profit;
- g) operating profit.

Figure 1 shows the changes in the volume of total assets, working assets and equity capital achieved by the Drewex SA company in each quarter in 2009-2013. Baselines are mentioned economic values achieved by Drewex SA in the 2nd quarter of 2009.

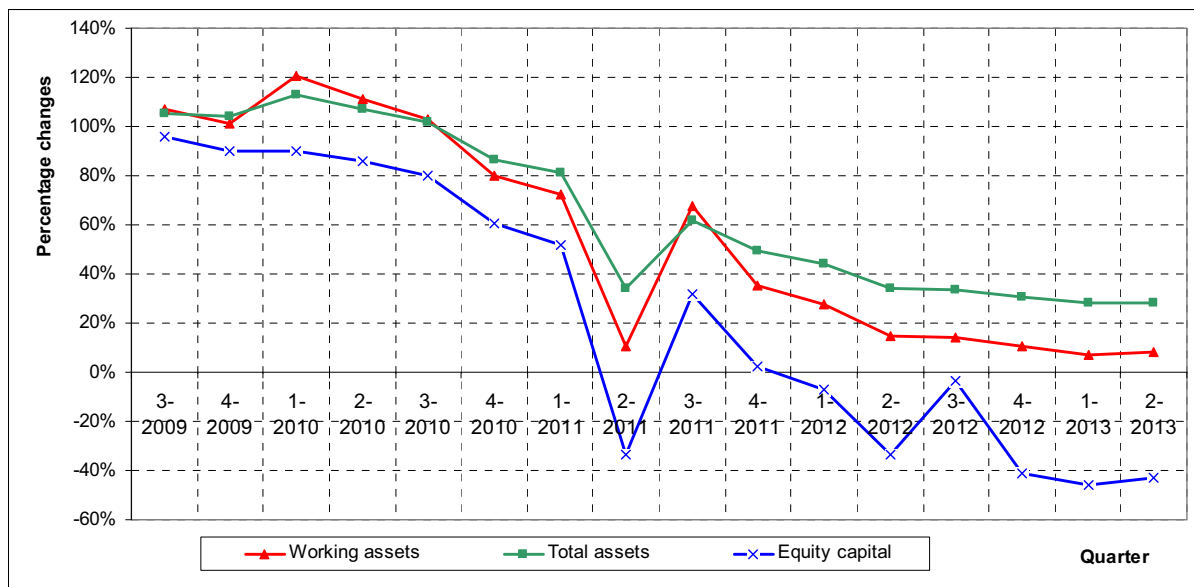


Figure 1. Changes of total assets, working assets and equity capital of Drewex SA in 2009-2013 in relation to 2nd quarter 2009 (2nd quarter 2009 = 100%)

Figure 1 analysis shows that in all analysed period values of total assets, working assets and equity capital changes showed a downward trend. The highest values of total assets, working assets and equity capital could be observed in 2009-2010, however these values were not higher than 25% of a value noted in 2nd quarter 2009.

The highest value of total assets was observed in 1st quarter 2010. Value of total assets in this period was higher than in 2nd quarter 2009 about 20%. In subsequent quarters total assets recorded a downward trend. One of the most difficult periods for the company was 2nd quarter 2011, the value of total assets was declined to about 35% of the value of 1st quarter 2009. After short improving in the next quarter, in subsequent quarters values of total assets declined again. The lowest values occurred in the last quarters of analysis. Value of total assets reached then 28% level (2nd quarter 2013).

Course of changes in working assets looks similarly. The highest value of working assets was recorded in the 1st quarter of 2010 and reached 120,87%. In subsequent quarters Drewex's SA working assets values gradually decreased and finally reached 7,21% in 1st quarter 2013.

Also, values of Drewex's SA equity capital since 3rd quarter of 2009 showed a gradual decrease. For the first time a significant decrease in equity capital values were observed in the 2nd quarter 2011 and reached -33,74%. Despite the improvement in the 2nd half of 2011, in subsequent quarters values of equity capital showed a further decrease to even -45,78%.

Figure 2 shows a graphic illustration of changes in long-term and short-term liabilities of Drewex SA.

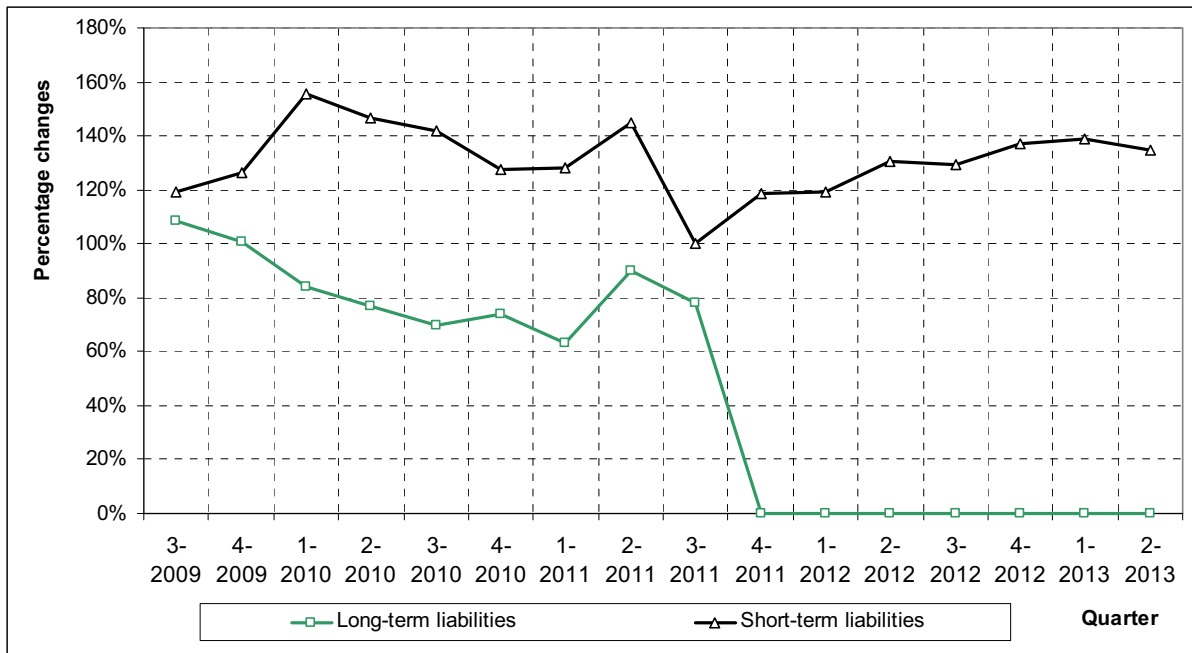


Figure 2. Drewex’s SA long-term and short-term liabilities changes in 2009-2013 in relation to 2nd quarter 2009 (2nd quarter 2009 = 100%)

Figure 2 analysis shows that values of short-term liabilities throughout all analysed period remained on the similar level. Initially, Drewex’s SA short-term liabilities increased – the highest value was observed in 1st quarter 2010 (the value was about 55,46% higher than the value of 2nd quarter 2009). In subsequent quarters company sought to limit an amount of the short-term liabilities and its lowest value can be observed in the 3rd quarter of 2011 (100,34% of the 2nd quarter 2009 value). In subsequent quarters, current liabilities increased again, but not higher than 40% of baseline value.

Graphical illustration of changes in Drewex’s SA long-term liabilities runs differently. The value of long-term liabilities in 3rd quarter 2009 is the highest value of long-term liabilities in all analysed period and reaches 108,27% of value in 2nd quarter 2009. In subsequent quarters company gradually reduces values of long-term liabilities, and in 4th quarter of 2011 reaches level 0. At this level long-term company’s debt remains to the end of analysed period.

The analysis of changes of the Drewex SA profits in 2009-2013 shows Figure 3.

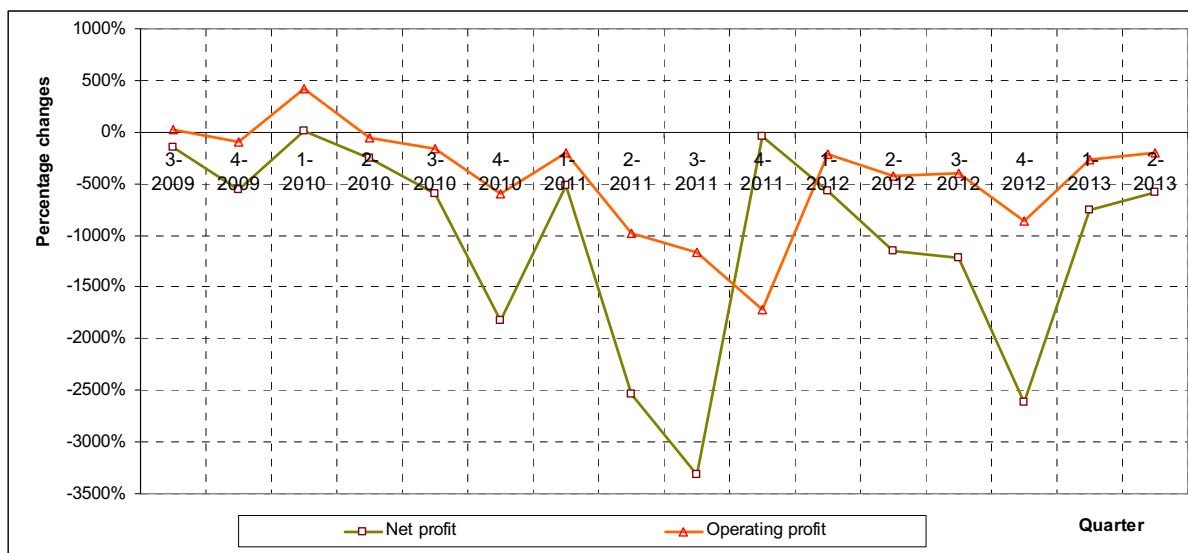


Figure 3. Drewex's SA net profit and operating profit changes in 2009-2013 in relation to 2nd quarter 2009 (2nd quarter 2009 = 100%)

Changes in net profit and operating profit values shown in Figure 3 are similar and characterized by high volatility. The course of changes in net profit shows the difficult situation of the company. Net profit is quarter-on-quarter lower. The highest value of Drewex's SA net profit was noted in 1st quarter 2010, but it was only 5,18% of the 2nd quarter 2009 value. The lowest values of net profit are even 25 times lower than the reference value.

The changes of Drewex's SA operating profit looks disadvantageous, too. As in the case of net profit, the best results of operating profit values occurred in 1st quarter 2010, because its value are 4 times higher than recorded in 2nd quarter 2009. This could indicate that the economic situation of the company improves, but the subsequent quarters did not sign about that. The lowest value of the operating profit recorded by Drewex SA was observed in 4th quarter 2011 and it was more than 17 times lower than recorded in 2nd quarter 2009.

CONCLUSIONS

Analysis of values characterized the economic situation of the Drewex SA company leads to the conclusion that the company is in a difficult situation, as evidenced by the bankruptcy proceedings since the end of 2011. Net profit and operating profit values reached by company in all analysed period were unsatisfying. Operating profit, like net profit, often reaches negative values. The worst results of operating and net profit Drewex SA reported in 2nd, 3rd and 4th quarters of 2010. These low net income values were the cause of decrease of the company's assets amount. Despite the efforts undertaken by the company consisted to limiting primarily long-term liabilities, Drewex SA was not able to avoid bankruptcy. An opportunity for the company may be the bankruptcy proceedings with the possibility of making an arrangement in which the company receives the time required to settle liabilities and make necessary changes that in long-term allow company to be more competitive in the market.

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Streszczenie: *Analiza wybranych wielkości charakteryzujących kondycję ekonomiczno – finansową spółki Drewex SA. W niniejszym opracowaniu poddano analizie zmiany najważniejszych wielkości ekonomicznych wpływających na efektywność gospodarowania każdego przedsiębiorstwa niezależnie od formy prawnej jego działalności oraz branży, w której funkcjonuje. W pracy ocenie efektywności gospodarowania poddano przedstawiciela branży meblarskiej, spółkę Drewex SA. Analiza przedstawionych wielkości dostarczyć może wielu pomocnych danych, przede wszystkim ułatwić ocenę sytuacji ekonomiczno – finansowej przedsiębiorstwa potencjalnym inwestorom i kontrahentom oraz posłużyć w dalszych szczegółowych analizach konkurencyjności jednostki na rynku drzewnym w Polsce a także na tle innych przedstawicieli branży na świecie.*

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