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COVER PAGE AND DECLARATION

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| | Master of Business Administration (M.B.A.) |
| Specialisation: | International Business |
| Affiliated Center: | CEO |
| Module Code & Module Title: | MGT570: <i>Financial Management</i> |
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| Word Count: | 3287 |
| Date of Submission: | 16 November 2021 |

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European International University



MGT570: *Financial Management*

Module Assignment: *Financial Report*

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Introduction:

Associations are relied upon to give assistants, particularly investors and stake holders, with their investment information and for security of their venture as well. Financial Analysis is the method of contrasting the relationship between at least two items of Financial Statements from an organization's annual reports. It is, for most purpose, utilized as a method of making reasonable correlations across time and between various Organizations or Companies. Financial Experts expect an association's future benefit and rationality with these monetary measures. This report shows monetary end results based on comprehensive analysis of a Companies' Financial Statements and ABB is selected for this assignment.

About ABB

ABB Ltd, is a Swedish–Swiss Multinational Corporation Headquartered in Zürich, Switzerland, operating mainly in robotics, power, heavy electrical equipment, and automation technology areas.

ABB is a leading global technology company that uplifts the transformation of society and industry to achieve a more productive, sustainable future. By linking software to its electrification, robotics, automation and motion portfolio, ABB pushes the boundaries of technology to drive performance to new levels. With a history of excellence stretching back more than 130 years, ABB's success is driven by about 100,000+ talented employees in over 100+ countries. (*ABB Articles of Incorporation 2021 English, 2021*)

Performance Evaluation

Financial Ratio Analysis is a best quantifiable method that management of a company use to gather insights into a business' profitability, efficiency, short- and long-term Solvency and Market-based Ratios. This analysis provides detailed information to internal and external stakeholders by analyzing the information available in the company's Income Statement, Balance Sheet and Statement of Cash Flows. Based on Financial Statements of ABB for last 4 years from 2017 to 2020, below analysis was made herein;

Profitability:

Profitability Ratios shows how effectively and efficiently a company can generates profits and value for shareholders. Below analysis was made as per profitability for ABB;

Gross Margin:

GP ratio for ABB was maintained at average of 31% for year 2017 and 2018. However, it was at little higher at 32% in year 2019 and reduced to 30% in year 2018. As per industry standards, a 65% of Gross Margin is considered to be healthy and in scenario of ABB GP is considered to be very low.

EBITDA Margin:

EBITDA is called Earnings before Interest, Taxes, depreciation and amortization. In case of ABB, EBITDA ratio is very good in year 2017 at 9% as compared to recent years where it is gradually decreasing year by year as 8% in year 2018, 7% in year 2019 and 2020. Generally, an EBITDA Margin of below 10% is considered to be as healthy and above average by forecasters but at the same time it also indicates towards cash flow problems to a company. In case of ABB EBITDA is also considered as low.

Net Profit Margin:

Net profit margin for ABB in year 2017 was 9% and it decreased to 8% in year 2018 and further decreased to 5% in year 2019 but it shows a good jump and went to 20% in year 2020 was a very healthy increase for ABB. As a general rule, a 10% net profit margin is considered to be an average margin, a 20% margin is considered high or very good, and a 5% margin is low and as per this standard, year 2019 was a poor year with respect to ABB and year 2020 was considered as highly profitable year.

Return on Equity:

ROE is calculated as total net income divided by shareholders equity. ROE of ABB was 14% in year 2017 and 15% in year 2018 where as it decreased to 10% in year 2019 but then shows a very positive jump to 32% in year 2020. A good industry ROE is considered to be 15-20% where only 2018 was went bad in this regard.

Return on Assets:

ROA is calculated as total net income divided by Total Assets. ROA was showing same trend as shown by ROE. It was 5% in year 2017 and 2018 and decreased to 3% in year 2019 and shows high increase in year 2020 and went up to 13%. An ROA of 5% or higher is typically considered good, whereas 20% or more is considered excessive.

Return on Investment:

ROI is calculated as income before interest and taxes and divided by capital employed. ROI of ABB was 8%, 9% 7% and 6% starting from year 2017 till 2020. It means that ROI of ABB was going down gradually. However as per market standard 7% of ROI is considered to be good and only year 2020 was below this standard and rest of all years are going well.

Efficiency

An Efficiency Ratio calculates a company's ability to use its assets for the purpose of generating income. Here are some analyses on ABB's financial statements based on efficiency ratios;

Asset Turnover Ratio:

Asset turnover ratio is calculated by dividing Total Sales on Average Total Assets. Asset turnover ratio for ABB from year 2017 till 2020 was almost remain constant which is average 61%. It was highest as 63% in year 2018 and lowest as 60% in year 2020. Market research shows that average Asset Turnover Ratio for Retail sector is 2.5% whereas it is 0.5% for sector serving its utilities.

Inventory Turnover Ratio:

A good inventory turnover ratio is ranging from 5 to 10 which indicates that you sell and re-stock your inventory every around 2 months. This ratio is calculated by Dividing Cost of Goods Sold on average inventory. Inventory turnover ratio in year 2017 and 2020 is almost same but it was high in year 2019 as 4.5 and higher in year 2018 as 4.77. A good industry shows an inventory turnover ratio between 5 to 10.

Account Receivable Turnover Ratio:

Method to calculate Accounts Receivable Turnover Ratio is dividing net credit sales on average accounts receivable. Account Receivable Turnover Ratio for ABB is 3.24 in year 2017, then it increases to 4.52 in year 2018 and again going to downwards in year 2019 as 4.36 and in year 2020 as 3.94. As per market standards an average AR Turnover ratio is considered to be good is between 5.7 to 7.8.

Short-term Solvency

Short term solvency ratio is important to check the present financial condition of a business. This analysis is helpful for short term scrutiny of a business.

Below is current ratio analysis of ABB under the head of current ratio.

Current Ratio:

A current ratio shows how much current assets a company has to cover their current liabilities. In general, a good market standard shows a current ratio of 1.5 to 2 considered to be good. In the case of ABB, Current ratio was 1.34 in year 2017 and it was gradually decreasing and reached to 1.25 in year 2020.

Long-term Solvency

A Long-term Solvency Ratios are key measurement used to quantify an undertaking's capacity to meet a company's long-term obligation and commitments. A Long-term Solvency Ratios demonstrates whether an organization's income is adequate to meet its long-term liabilities and in this manner is a proportion of its monetary wellbeing.

Debt Ratio:

Debt ratio of a company shows how much total assets a company has to deal with their long and short-term liabilities. A market standard shows a good Debit ratio to be 0.3 to 0.6 whereas ABB has a very good Debt Ratio throughout these 4 years. They have a maintained Debt Ratio of 0.61 to 0.70 which shows a good and healthy financial position of a company.

Equity ratio:

Equity ratio of a company shows what is the ratio of shareholders equity with respect to total assets. A market standard shows a good equity ratio to be 0.5 or 50% whereas ABB has a low equity ratio of 0.35 in year 2017 and it increased to 0.39 in year 2020 however it is still low as per market standard.

Quick Ratio:

A quick ratio of 1 is viewed as the good and speedy recovery of current liabilities. An organization that has a quick ratio of under 1 will be unable to completely take care of its present liabilities for the time being, while an organization having a quick ratio higher than 1 can right away dispose of its current liabilities. As per financials of ABB their quick ratio is 1.12 in year 2017 and it went to 0.95 in year 2018. Again, in year 2019 it increases to 1.10 and show downwards trend in year 0.96.

Cash Ratio:

A cash ratio of not lower than 0.5 to 1 is usually preferred however in the case of ABB it was 0.34 in year 2017, 0.23 in year 2018, 0.20 in year 2019 and then reached to 0.37 in year 2020 which is highest in these 4 years.

Market-based Ratios

Market based ratios are helpful to assess the current share price of a company. These ratios are used by current and prospect investors to decide if an organization's share prices are over-evaluated or underestimated. Below is analysis of ABB on market-based ratios.

Earnings Per Share:

Earnings per share is calculated as total earnings of a company over its number of shares. A standard market ratio is depending on size, structure and business volume of an organization. For ABB, 1.02 in year 2017 and then it fluctuates in every next year however it shows a good increased number of 2.37 in year 2020.

Price-Earnings (P/E) Ratio:

Price earnings ratio depicts current share price of a company with respect to its earning per share. There is no such market standard for price earning however PE ratio for ABB in year 2017 was 0.12 in year 2017 and 2018 and then it increased to 0.18 in year 2019 and goes too down in year 0.05.

Dividend Per Share:

Dividend ratio is simply calculated as total dividend over number of shares. It shows how much dividend is paid against one outstanding share. Dividend per share for ABB 0.59 in year 2017 and 2018 and it increased to 0.61 and 0.62 in year 2019 and 2020.

Dividend Yield Ratio:

Generally, a 2 to 6% of the dividend yield ratio is considered healthy in the market however a higher dividend yield ratio is considered good as it shows strong financial conditions of the company. Dividend yield ratio of ABB was 4.95 in year 2017 and it gradually increasing and reached to 5.16 in year 2020.

Recommendations for Improvements

Although year 2020 was a very successful year for ABB, however there needs some improvements in some areas as respect to various results of above analysis. Various highlights are;

- ABB Revenues was \$26.1 billion in year 2020 which was at reduced by 7% from last year
- Income from operations \$1,593 million with a margin of 6.1%
- Operational EBITA is \$2,899 million in year 2020
- Basic EPS was \$2.44 for year 2020
- Cash flow from operating activities \$1,693 million, cash flow from continuing operating activities \$1,875 million
- Dividend per share was proposed at 0.80 for year 2020

Profitability

Below are various recommendations where improvement is required;

Gross Margin:

GP margin for ABB is too low as per standard. This should be around 65%. For its improvement, ABB should Streamline their operating activities and reduce operating expenses.

EBITDA Margin:

There are various factors that can affect EBITDA margin like inflation, market competition, government regulations, competition etc. however to increase ABB's EBITDA margin company should use short increase in prices.

Net Profit Margin:

Although NP ratio of ABB is already going well but in case for the purpose to increase it further, ABB could focus on revenue increase and plan some investment projects. Reducing operations cost can also have positive impact on Net Profit.

Return on Equity:

ABB is already maintained with a good Return on Equity.

Return on Assets:

ABB is already maintained with a good Return on Assets.

Return on Investment:

Return on investment are need to be improved. For this purpose, ABB needs to identify Investments with Potential Benefits. For this purpose, ABB should focus on their Capital Employed.

Efficiency

Below are some recommendations with respect to efficiency of ABB

Asset Turnover Ratio:

Asset turnover of ABB going good already but for its further increase they have to focus on increase in sales and revenue. Another aspect is to accelerate collections from creditors.

Inventory Turnover Ratio:

As per market standard, inventory turnover ratio of ABB is low but not too much. For its improvement ABB needs to implement better Order Management system. ABB have to eliminate old stock and reduce purchase quantity.

Account Receivable Turnover Ratio:

Account receivable turnover ratio of ABB is also very low as per market standard. For its improvement ABB should Simplify their billing structure as well as make sure about booking of invoices on time. Receivable management is very important in this regard.

Short-term Solvency

Current Ratio:

There are various methods to improve current ratio;

- ABB should made delay in Capital nature of expenses that would require any cash payments
- ABB should see if any term loans can be re-amortized
- By selling any capital nature of assets that are not generating a return to the business but will be helpful in short-term cash flow

Long-term Solvency

Debt Ratio:

Debt ratio is maintained very good but this can be further improved. ABB can increase the amount they pay monthly toward their debt. Extra payments can help lower the overall debt more quickly. Another way is to postpone large purchases so they are using less credit facility.

Equity ratio:

This area of ABB is so poor and needs to be checked.

- ABB should use more financial leverage.
- ABB should focus to Increase profit margins
- ABB needs to improve asset turnover

Quick Ratio:

Best way to increase quick ratio is to improve increase inventory turnover. Furthermore, focus is to be required improve invoice collection period and ABB needs to pay off liabilities as early as possible

New Project Investment Analysis

For the purpose of growth of a company, experts need to assess various types of capital investment projects and decide which is the most profitable project. Currently ABB is involved in connecting software to its electrification, robotics, automation and motion portfolio services. These all are related to technological services. So, for the purpose to remain in same industry, there are various investment projects but the best relevant industry for diversification is Cyber Security.

Cyber Security projects helps to protect any industrial control system assets from ever-growing cybersecurity threats that can cause a risk to businesses. As suggested by management of ABB, total investment to be made by ABB is 40% and rest of investment is to be settled by Debts which are 60%. It is aggressively considered that debts are more attractive way of investment although its troubling side effects the organizations such as its financial costs and high risk etc. but on the same time it adds more and more value to a company. Corporate tax rates and various government and bank regulations, which of course vary from situation to situation, have significant effect on debts. (*How Much Debt Is Right for Your Company?*, 2021)

Over-all, many investors consider for a company to have a debt ratio between 30% to 60% however, for a pure risk perspective, debt ratios of 40% or lower are considered good, while a debt of 60% or more makes it more difficult with respect to sustainability.

NPV and WACC

The NPV of an investment project is an estimate of its worth based on the projected cash in and out flows and the WACC. With a higher weighted average cost of capital, the projected cash flows will be discounted at a greater rate and in result it reduces the net present value. Same is the reverse case if WACC is lower than NPV will be high. WACC can be a measure for comparing similar business risks. The weighted average cost of capital (WACC) is a basically an average of the cost of equity and debt. These weights are the percentage of capital sourced from each source respectively in the terms of market value. The advantages of using such a WACC are its easiness, lenience, and allowing quick decision making. The disadvantages are its imperfect scope to apply and its inflexible assumptions coming in the way of evaluation of new projects.

Advantages of the Net Present Value Method

NPV method is a simple way to determine if a project delivers value or not. There are various benefits of using NPV method. Few of these, with perspective of ABB, are mentioned below;

- Dissimilar with internal rate of return, use of NPV method makes sense as it does not consider that the cash flows will be reinvested at IRR which is almost impossible. Cash flows cannot be reinvested at the project's rate of return. Reinvesting the cash flows at IRR would mean you are investing back the cash flows from your project into the market at the equivalent rate as that of your project's rate of return. (*Borad, 2021*)
- NPV consider each and every cash flow you have defined for the project feasibility. It's not like payback period method or discounted payback period method which ignores cash flows beyond the payback period.
- NPV is considered to be a good measure of profitability If you wish to choose one single project from many other options.
- Discount rates are used in calculation of NPV. All the risk factors of undertaking the project gets factored into this method.

Use of Own Cash or Retained Earnings (RE)

It is imperative to recognize that retained earnings do not meant the surplus cash or cash left over after the dividends are paid. Somewhat, RE determine what a company did with its profits. These are the amount of profit the company has reinvested in the business since its startup. In general terms, retained earnings means the accumulation of net profit over the years of a company. It is an aggregate of how much profit a company has made throughout the years and is not yet distributed to owners.

Retained Earnings has no link with net-cash flow. It does not appear on the cash-flow statement, Instead, retained earnings has its own separate financial statement called the Statement of Comprehensive income.

For clarity regarding use of Cash or Retained Earnings, it is important that Cash must not be used for any investment purpose. Cash is used for day-to-day operations of the company, whereas retain earnings are basically accumulated profits of a company which is reinvested into this business.

Discussion on Retain Earnings

There are two uses of profit earned by a company, one is to pay taxes and other is to use this after-tax profit as dividend payment. If dividend is not paid to shareholders, then it is retained in form of Retain Earnings.

In the case of ABB, if they start new project then they have an equity of around 40% and rest of investment will be in the form of Debts. For Debts, they have to pay finance cost to financial institutions at end of every month or annually. For equity side, company has to pay dividends rather to retain that after tax profit in retained earnings. One disadvantage of not paying dividends is when profits are retained rather than distributed, even a highly profitable corporation may be less attractive to stock investors than would an otherwise similarly profitable corporation that distributes dividends generously to stockholders.

The companies, who pay dividends on a regular basis, they show a stability to investors who are looking for healthy returns for a long period. Investors who select dividend payment companies have more trust on them and hence in case of a rough year, they still know that they will receive their return as company will pay dividends.

| Income Statement: (Amount in Millions) | 2020 | 2019 | 2018 | 2017 | 2016 |
|---|-----------------|-----------------|-----------------|-----------------|-----------------|
| Sales of products | 21,214 | 22,554 | 22,366 | 20,438 | 20,327 |
| Sales of services and other | 4,920 | 5,424 | 5,296 | 4,758 | 4,602 |
| Total revenues | 26,134 | 27,978 | 27,662 | 25,196 | 24,929 |
| Cost of sales of products | (15,229) | (15,811) | (15,961) | (14,485) | (14,629) |
| Cost of services and other | (3,027) | (3,261) | (3,157) | (2,865) | (2,767) |
| Total cost of sales | (18,256) | (19,072) | (19,118) | (17,350) | (17,396) |
| Gross profit | 7,878 | 8,906 | 8,544 | 7,846 | 7,533 |
| Selling, general and administrative expenses | (4,895) | (5,447) | (5,295) | (4,765) | (4,532) |
| Non-order related research and development expenses | (1,127) | (1,198) | (1,147) | (1,013) | (967) |
| Impairment of goodwill | (311) | - | - | - | - |
| Other income (expense), net | 48 | (323) | 124 | 162 | (105) |
| Income from operations | 1,593 | 1,938 | 2,226 | 2,230 | 1,929 |
| Interest and dividend income | 51 | 67 | 72 | 73 | 71 |
| Interest and other finance expense | (240) | (215) | (262) | (234) | (201) |
| Losses from extinguishment of debt | (162) | - | - | - | - |
| Non-operational pension (cost) credit | (401) | 72 | 83 | 33 | (38) |
| Income from continuing operations before taxes | 841 | 1,862 | 2,119 | 2,102 | 1,761 |
| Income tax expense | (496) | (772) | (544) | (583) | (526) |
| Income from continuing operations, net of tax | 345 | 1,090 | 1,575 | 1,519 | 1,235 |
| Income from discontinued operations, net of tax | 4,860 | 438 | 723 | 846 | 799 |

| | | | | | |
|---|--------------|--------------|--------------|--------------|--------------|
| Net income | 5,205 | 1,528 | 2,298 | 2,365 | 2,034 |
| Net income attributable to noncontrolling interests | (59) | (89) | (125) | (152) | (135) |
| Net income attributable to ABB | 5,146 | 1,439 | 2,173 | 2,213 | 1,899 |
| <u>Amounts attributable to ABB shareholders:</u> | | | | | |
| Income from continuing operations, net of tax | 294 | 1,043 | 1,514 | 1,441 | 1,172 |
| Income from discontinued operations, net of tax | 4,852 | 396 | 659 | 772 | 727 |
| Net income | 5,146 | 1,439 | 2,173 | 2,213 | 1,899 |
| <u>Basic earnings per share attributable to ABB shareholders:</u> | | | | | |
| Income from continuing operations, net of tax | 0.14 | 0.49 | 0.71 | 0.67 | 0.54 |
| Income from discontinued operations, net of tax | 2.30 | 0.19 | 0.31 | 0.36 | 0.34 |
| Net income | 2.44 | 0.68 | 1.02 | 1.03 | 0.88 |
| <u>Diluted earnings per share attributable to ABB shareholders:</u> | | | | | |
| Income from continuing operations, net of tax | 0.14 | 0.49 | 0.71 | 0.67 | 0.54 |
| Income from discontinued operations, net of tax | 2.30 | 0.19 | 0.31 | 0.36 | 0.34 |
| Net income | 2.44 | 0.68 | 1.02 | 1.03 | 0.88 |
| <u>Weighted-average number of shares outstanding (in million used to compute:</u> | | | | | |
| Basic earnings per share attributable to ABB shareholders | 2,111 | 2,133 | 2,132 | 2,138 | 2,151 |
| Diluted earnings per share attributable to ABB shareholders | 2,119 | 2,135 | 2,139 | 2,148 | 2,154 |
| | | | | | |
| Balance Sheet: (Amount in Millions) | 2020 | 2019 | 2018 | 2017 | 2016 |
| Cash and equivalents | 3,601 | 3,544 | 3,445 | 4,526 | 3,644 |
| Marketable securities and short-term investments | 2,108 | 566 | 712 | 1,083 | 1,953 |
| Receivables, net | 6,820 | 6,434 | 6,386 | 5,861 | 9,696 |
| Contract assets | 985 | 1,025 | 1,082 | 1,141 | - |
| Inventories, net | 4,469 | 4,184 | 4,284 | 3,737 | 4,347 |

| | | | | | |
|---|---------------|---------------|---------------|---------------|---------------|
| Prepaid expenses | 201 | 191 | 176 | 159 | 176 |
| Other current assets | 760 | 674 | 616 | 585 | 688 |
| Current assets held for sale and in discontinued operations | 282 | 9,840 | 5,164 | 5,043 | 548 |
| Total current assets | 19,226 | 26,458 | 21,865 | 22,135 | 21,052 |
| Restricted cash, non-current | 300 | - | - | - | - |
| Property, plant and equipment, net | 4,174 | 3,972 | 4,133 | 3,804 | 4,743 |
| Operating lease right-of-use assets | 969 | 994 | - | - | - |
| Investments in equity-accounted companies | 1,784 | 33 | 87 | 72 | 170 |
| Prepaid pension and other employee benefits | 360 | 133 | 83 | 143 | 90 |
| Intangible assets, net | 2,078 | 2,252 | 2,607 | 2,425 | 1,996 |
| Goodwill | 10,850 | 10,825 | 10,764 | 9,536 | 9,501 |
| Deferred taxes | 843 | 910 | 1,006 | 1,212 | 1,118 |
| Other non-current assets | 504 | 531 | 469 | 571 | 532 |
| Non-current assets held for sale and in discontinued operations | - | - | 3,427 | 3,560 | - |
| Total assets | 41,088 | 46,108 | 44,441 | 43,458 | 39,202 |
| Accounts payable, trade | 4,571 | 4,353 | 4,424 | 3,736 | 4,446 |
| Billings in excess of sales | - | - | - | - | 1,241 |
| Contract liabilities | 1,903 | 1,719 | 1,707 | 1,792 | 1,398 |
| Short-term debt and current maturities of long-term debt | 1,293 | 2,287 | 2,031 | 726 | 1,003 |
| Current operating leases | 270 | 305 | - | - | - |
| Provisions for warranties | 1,035 | 816 | 948 | 909 | 1,142 |
| Other provisions | 1,519 | 1,375 | 1,372 | 1,277 | 1,765 |
| Other current liabilities | 4,181 | 3,761 | 3,780 | 3,509 | 3,936 |

| | | | | | |
|---|---------------|---------------|---------------|---------------|---------------|
| Current liabilities held for sale and in discontinued operations | 644 | 5,650 | 4,185 | 4,520 | 218 |
| Total current liabilities | 15,416 | 20,266 | 18,447 | 16,469 | 15,149 |
| Long-term debt | 4,828 | 6,772 | 6,587 | 6,682 | 5,800 |
| Non-current operating leases | 731 | 717 | - | - | - |
| Pension and other employee benefits | 1,231 | 1,793 | 1,828 | 1,589 | 1,834 |
| Deferred taxes | 661 | 911 | 927 | 1,050 | 918 |
| Other non-current liabilities | 2,025 | 1,669 | 1,689 | 1,849 | 1,604 |
| Non-current liabilities held for sale and in discontinued operations | 197 | - | 429 | 470 | - |
| Total liabilities | 25,089 | 32,128 | 29,907 | 28,109 | 25,305 |
| Commitments and contingencies | | | | | |
| Stockholders' equity: | | | | | |
| Common stock, CHF 0.12 par value (2,168,148,264 issued shares at December 31, 2020 and 2019, respectively) | 188 | 188 | 188 | 188 | 192 |
| Additional paid-in capital | 83 | 73 | 56 | 29 | 24 |
| Retained earnings | 22,946 | 19,640 | 19,839 | 19,594 | 19,925 |
| Accumulated other comprehensive loss | (4,002) | (5,590) | (5,311) | (4,345) | (5,187) |
| Treasury stock, at cost (137,314,095 and 34,647,153 shares at December 31, 2020 and 2019, respectively) | (3,530) | (785) | (820) | (647) | (1,559) |
| Total ABB stockholders' equity | 15,685 | 13,526 | 13,952 | 14,819 | 13,395 |
| Noncontrolling interests | 314 | 454 | 582 | 530 | 502 |
| Total stockholders' equity | 15,999 | 13,980 | 14,534 | 15,349 | 13,897 |
| Total liabilities and stockholders' equity | 41,088 | 46,108 | 44,441 | 43,458 | 39,202 |

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| Profitability | | | | | | |
| Gross Margin | GP/Sales | 30% | 32% | 31% | 31% | 65% |
| EBITDA Margin | EBITDA/Sales | 7% | 7% | 8% | 9% | 10% |
| Net Profit Margin | NP/Sales | 20% | 5% | 8% | 9% | 10% |
| Return on Equity | Net income/SH Equity | 32% | 10% | 15% | 14% | 15-20% |
| Return on Assets | Net income/Total Assets | 13% | 3% | 5% | 5% | 5% |
| Return on Investment | EBIT/Capital Employed | 6% | 7% | 9% | 8% | 7% |
| Efficiency | | | | | | |
| Asset Turnover Ratio | Total Sales/Avg. Assets | 60% | 62% | 63% | 61% | 5% -2.5% |
| Inventory Turnover Ratio | CGS/Avg. Inventory | 4.22 | 4.50 | 4.77 | 4.29 | 5-10 |
| Account Receivable Turnover Ratio | Net Credit Sales/Avg. A/c Rec. | 3.94 | 4.36 | 4.52 | 3.24 | 5.7-7.8 |
| Short-term Solvency | | | | | | |
| Current Ratio | Current Assets/Current Liab. | 1.25 | 1.31 | 1.19 | 1.34 | 1.5-2 |
| Long-term Solvency | | | | | | |
| Debt Ratio | Total Debt/Total Assets | 0.61 | 0.70 | 0.67 | 0.65 | 0.61-0.70 |
| Equity ratio | Shareholders Equity/Total Assets | 0.39 | 0.30 | 0.33 | 0.35 | 0.50 |
| Quick Ratio | Current Assets-Inventory/Current Liab. | 0.96 | 1.10 | 0.95 | 1.12 | Below 1 |
| Cash Ratio | Cash+Marketable Securities/Current Liabilities | 0.37 | 0.20 | 0.23 | 0.34 | 0.5-1 |
| Market-based Ratios | | | | | | |
| Earnings Per Share | Total Earning/Num of shares | 2.37 | 0.66 | 1.00 | 1.02 | - |
| Price-Earnings (P/E) Ratio | Share Price/EPS | 0.05 | 0.18 | 0.12 | 0.12 | - |
| Dividend Per Share | Total Dividend/Num of shared | 0.62 | 0.61 | 0.59 | 0.59 | - |
| Dividend Yield Ratio | Dividend Per Share/Market Price per Share | 5.16 | 5.09 | 4.93 | 4.95 | - |
| <u>Recommendations for Improvements</u> | | | | | | |
| Profitability | | | | | | |
| Gross Margin | | | | | | |
| EBITDA Margin | | | | | | |
| Net Profit Margin | | | | | | |
| Return on Equity | | | | | | |
| Return on Assets | | | | | | |
| Return on Investment | | | | | | |
| Efficiency | | | | | | |
| Asset Turnover Ratio | | | | | | |

| | | | | | | |
|---|--|--|--|--|--|--|
| Inventory Turnover Ratio | | | | | | |
| Account Receivable Turnover Ratio | | | | | | |
| Short-term Solvency | | | | | | |
| Current Ratio | | | | | | |
| Long-term Solvency | | | | | | |
| Debt Ratio | | | | | | |
| Equity ratio | | | | | | |
| Quick Ratio | | | | | | |
| Cash Ratio | | | | | | |
| Market-based Ratios | | | | | | |
| Earnings Per Share | | | | | | |
| Price-Earnings (P/E) Ratio | | | | | | |
| Dividend Per Share | | | | | | |
| Dividend Yield Ratio | | | | | | |
| <u>New Project Investment Analysis</u> | | | | | | |
| Advantages of the Net Present Value Method | | | | | | |
| Capital | | | | | | |
| <u>Decision on Return Earnings</u> | | | | | | |
| ABB Statistics | | | | | | |
| <u>Conclusion</u> | | | | | | |

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