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FINANCIAL PERFORMANCE ANALYSIS AT SC UNOTIP SRL

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Abstract: *In a world where economic challenges and changes are permanent, economic entities, and especially the management of these entities, need correct and useful information to be able to make effective economic decisions regarding the present and future activity of the entities. Financial performance analysis is an indispensable and permanent managerial task, without which plans regarding future investments or strategies cannot be drawn up. The aim of the paper is to analyze the financial performance of the company SC UNOTIP SRL, based on the data from the financial statements for 5 consecutive years, with the help of the indicators that can best characterize the financial performance. Following this analysis, the authors formulate conclusions and recommendations regarding the improvement of the analyzed company's performance.*

Keywords: *financial performance, net sales, added value, result, profitability*

JEL Classification: M10

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1. INTRODUCTION

The economic, social, political, cultural environment, etc. which surrounds us and which is characterized by a permanent and rapid change, causes economic entities to process information as best as possible, as efficiently as possible and as quickly as possible, so that they can make wise and effective decisions regarding the present and future activity of entity. Processing the information means performing an analysis that can lead to the best decision-making.

1.1. Materials and methods

` Database: in order to be able to analyze the financial performance of the company SC UNOTIP SRL, the authors collected and processed the financial information primarily from the financial statements of the company, for the period 2016-2020 (a deep analysis requires the processing and assessment of the financial data on a period of at least 3 years; having all the Financial Statements at their disposal, the authors consider that the financial data for 5 consecutive years constitute a sufficient basis to carry out the analysis). The financial statements include (among others) the entity's patrimony, structured by assets and sources of financing, as well as all the revenues and expenses recorded in that financial year.

With the help of financial data, the authors determined and interpreted the indicators that can best characterize the financial performance of the economic entity, indicators known and recognized in the specialized literature. The calculations, respectively the presentation of the results, was made with the help of the Microsoft Excel program.

1.2. Financial performance analysis and indicators (brief presentation of literature)

Anghel et al., (2022) consider that analysis is a method by which the process of knowing the environment is carried out. Analyzing involves decomposing phenomena into their component parts, a method that can best ensure knowledge of phenomena. In a broad sense, the analysis of financial performance is the basis of all present and future activity of the company. The financial analysis has the role of informing, evaluating the economic potential and, last but not least, leading to the efficient management of the entity's assets. According to Anghel (2022), financial analysis represents "the process of examining the performance and risks of an enterprise in the context of the industry and the economic environment in order to propose an intelligent decision".

The performance is considered as "a special result obtained in the field of management, economic, commercial, etc. which involves the efficiency, effectiveness and competitiveness of companies and their procedural and structural behaviors" (Verboncu and Zalman, 2005). According to this quote we notice the major difference between performance and result. Performance represents a relative quantity, being determined by comparison with other quantities (objectives, results obtained by competitors, etc.), while the result is an absolute quantity. From our point of view, performance means progress and continuous desire for self-improvement. A. Bourguignon (2014) proposes a definition of performance applicable both at the level of the enterprise and at the level of the individual: "who achieves his goals is a performer". From our point of view, it does not fully define the concept of performance because meeting objectives does not always mean performing.

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In the analysis of financial performance, the literature knows and recognizes a series of indicators that are used in the analysis process (the evolution of the turnover, the results of the financial year, the added value, ratios of the structure of the patrimony, liquidity and solvency indicators, profitability indicators, etc.), indicators based on which we will analyze the financial performance of SC UNOPTIP SRL.

The analysis of the entity's patrimony, as well as the structure rates, gives us an overview of the entity's patrimony, the composition of fixed and current assets, the technical endowment, the level of stocks, the degree of indebtedness or financial autonomy of the entity. All this information leads to the analysis of the financial position of the entity, of the existing correlations between the patrimonial elements (Anghel et al., 2022).

Liquidity and solvency indicators characterize the entity's ability to meet short-term and long-term payment obligations. The analysis of these indicators, respectively the correct knowledge of the entity's financial situation, represents the first step in the development of investment plans, respectively of planning the fulfillment of payment obligations.

Regarding profitability indicators, literature (Zhussupova, Z. et al., 2018; Bayaraa, B., 2017; Yen, M.-F. et al., 2022) most often uses ROS indicators/rates (Return on Sales), ROA (Return on Assets) and ROE (Return on Equity). The three indicators can best characterize the profitability of the entity: ROS – refers to the return on sales, ROA – considers the return on assets held, respectively ROE – (the most important indicator from the point of view of investors) considers the return on invested capital. Thus, ROS, ROA and ROE combine and characterize the most important aspects of the activity of an economic entity. The indicators can also be used to characterize the performance of an economic entity itself, but also to compare the financial performance of different entities from different fields (Herman, E., et al. 2022; Popa et al., 2021; Pelloneova, N. , 2021; Afrimayani and Devianto, 2021; de Lima et al., 2022).

In addition to these calculated indicators, a comprehensive analysis obviously begins with the analysis of the evolution and structure of the basic financial indicators, such as turnover, added value or the result of the year.

2. DEFINING THE RESEARCH PROBLEM

The purpose of the paper is to carry out an analysis, to correctly characterize and provide a real picture of the financial performance of SC UNOTIP SRL, a company with production activity in the field of printing. The company operates in Mureș county and has been on this market for more than 20 years.

In this case study, we will present the analysis of the indicators underlying the financial performance of SC UNOTIP SRL, in the period 2016-2020.

Based on the above-mentioned indicators, the analysis of the financial performance of SC UNOTIP SRL is conducted to determine and interpret the results and formulate conclusions and recommendations regarding the improvement of the company's activity.

3. RESEARCH RESULTS

3.1. Prezentation of SC UNOTIP SRL:

SC UNOTIP SRL is a company established in 2001, with the main field of activity: offset printing. With an experience of more than 20 years, the company maintains itself on the Romanian printing market, having its headquarters and operating in Mureș county. In the case of the company S.C. UNOTIP SRL, the revenues consists of the income from the sale of production to which is added income from the sale of goods and services (to a very small extent), being a company that also carries out production, trade and services .

With the help of well-trained and specialized personnel in the field, the company carries out orders on high-productivity machines, the Heidelberg Printmaster brand, with a speed of 13,000 sheets 35x50cm/hour. All ancillary finishing operations: stamping, embossing, lamination, selective varnishing, automatic box gluing are also carried out on high-performance automatic machines. Since the beginning, the company has relied on the concept of maximum quality, offering during these 20 years of activity high quality products and services.

Among the most important customers are the companies Nettfront SRL, Aquaserv SA, Artthing SRL or Marbo Secoprod SRL. In order to be able to meet customer requirements, the company UNOTIP SRL calls on reliable suppliers, such as: Romanian Paper Distribution SRL, Europapier SRL, Electronic Design & Consulting Group SRL, Grup Tico Romania SRL, Anvico SA or Traoli SRL.

3.2. Analysis of the financial performance of SC UNOTIP SRL

3.2.1. The evolution and structure of income

The sales/revenues made by an economic entity constitute the first condition and element of survival, which can lead to efficiency and profitability. The analysis of the income dynamics and structure is the first stage in the economic-financial analysis of an entity. The level of net sales is one of the most important performance indicators, an indicator that includes income from the production sold and income from the sale of goods. In Table no.1. the net sales/turnover level for the analyzed period, namely 2016-2020, is presented.

Table no. 1. Net sales/revenues evolution (lei)

Indicator	Analyzed period				
Years	2016	2017	2018	2019	2020
Net sales/revenues (lei)	319.166	245.741	349.461	355.304	460.218

Source: made by authors based on financial statements

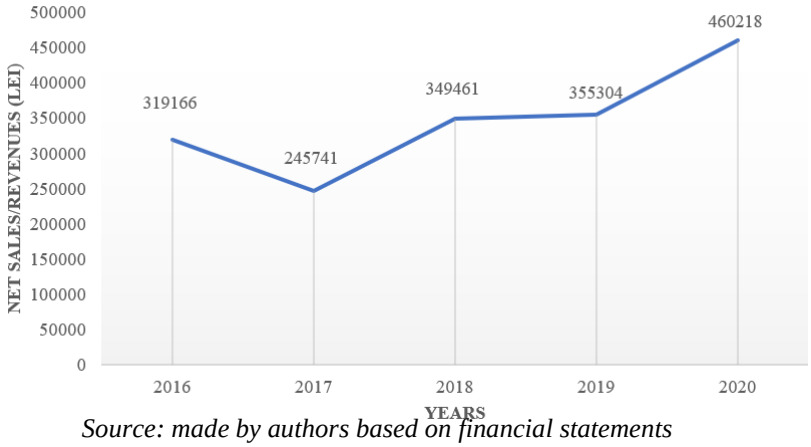
Figure no.1. shows the oscillating movement of the net sales/revenues in the period 2016-2020. The year 2017 is the weakest of the 5 analyzed, the company having a considerably reduced number of orders, a fact caused by local competition and not only that. Starting from 2018, an upward movement of net sales is observed, and it will reach its highest value in 2020. This considerable increase of 214,477 lei from 2017 to 2020 is due to the increase in the number of customers, their loyalty and, therefore, the increase in the number of orders.

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Figure no.1 – Net sales/revenues evolution (2016 – 2020)



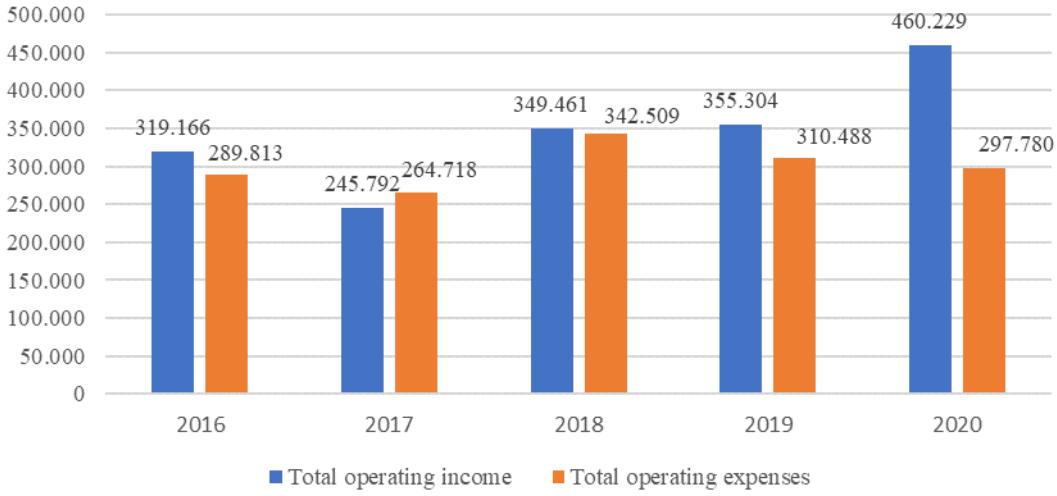
Source: made by authors based on financial statements

As regards the structure of the operating income, it is achieved almost entirely from the sold production, the income from the sale of goods or other operating income representing an insignificant share in the total income.

3.2.2. Analysis of operating expenses

The analysis of the achieved revenues, respectively the assessment of their level, can only be done in parallel with the analysis of operating expenses (Figure no. 2).

Figure no. 2: The level of operating income and expenses (lei)



Source: made by authors based on financial statements

Figure no. 2. presents the evolution of operating income and expenses of SC UNOTIP SRL during the analyzed period 2016-2020. It can be observed that throughout the analyzed

period the revenues are higher than the expenses, with the exception of 2017. In this year, the total expenses constitute a higher value compared to the total revenues, thus resulting in a loss caused by the decrease in the number of orders. The year 2020 is notable for the value of the total operating income considerably higher than the total operating expenses, with 162,449 lei, resulting in a profit for the company, a profit obtained as a result of the large number of orders, the expansion of the customer list, but also the loyalty existing customers until 2020.

Analyzing the structure of expenses, respectively starting from the fact that the turnover is achieved almost entirely from the sold production, in 2020, the largest share of operating expenses was represented by expenses with materials (49.49%), followed by expenses with employees (30.18%). These values/weights are considered absolutely normal in the case of production activities.

3.2.3. The level and evolution of added value

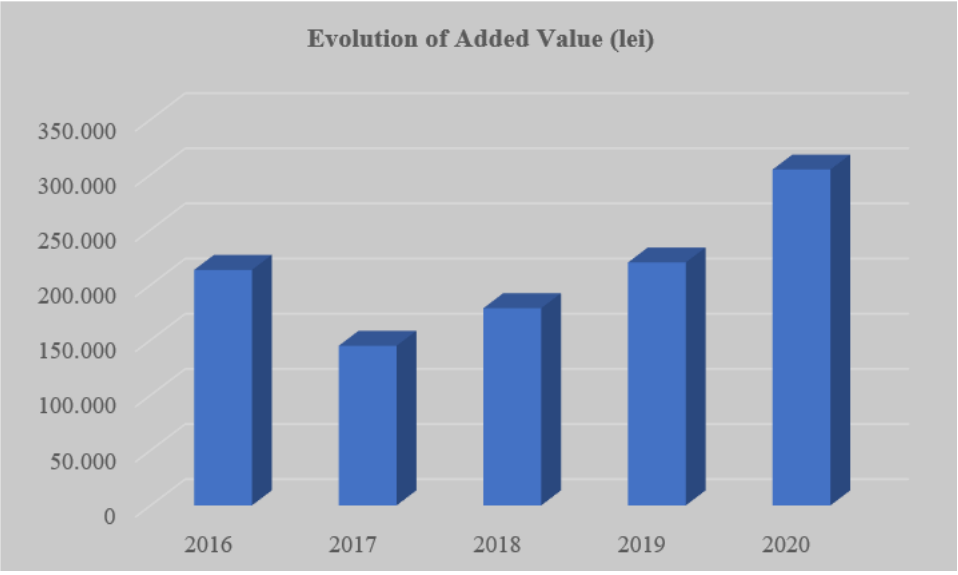
In the analysis of the financial performance of economic entities, one of the most important performance indicators is Value Added (VA). The added value reflects the efficiency of the use of the resources available to the economic entity. In the case of the company SC UNOTIP SRL, which has almost exclusively production activity (without the sale of goods), the added value reflects the difference between the value of production and intermediate consumption, values that are reproduced in Table no. 2 and Figure no. 3.

Table no. 2: The level and evolution of added value (lei)

Indicators (lei)	2016	2017	2018	2019	2020
Production	319.166	245.741	334.383	355.304	460.218
Intermediate consumption	105.632	100.989	155.603	135.022	155.670
Added value	**213.534**	**144.752**	**178.780**	**220.282**	**304.548**

Source: made by the authors, based on the Financial Statements

Figure no. 3 The level and evolution of Added Value (lei)



Source: made by authors based on financial statements

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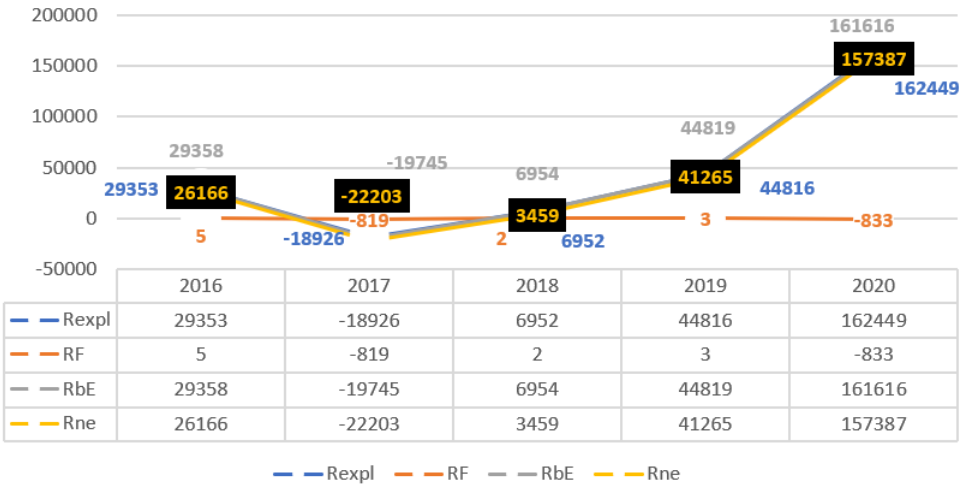
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Positive values primarily, but especially the level of positive values (high) indicate a high efficiency of the use of the resources available to company. This indicator indicates a performance, a good efficiency of the production activity carried out by SC UNOTIP SRL.

3.2.4. Presentation of the net result

The finality of the economic activities is embodied in the achieved result, which can be analyzed in the form of Operating Result (Rexpl), Financial Result (RF), Gross Operating Result (RbE) and Net Result (Rnet). These results are presented in Figure no.4. The most significant category being the Net Result, which can best characterize the activity performed.

Figure no.4 – Evolution of results (lei) 2016 – 2020



	2016	2017	2018	2019	2020
Rexpl	29353	-18926	6952	44816	162449
RF	5	-819	2	3	-833
RbE	29358	-19745	6954	44819	161616
Rne	26166	-22203	3459	41265	157387

Source: made by authors based on financial statements

The evolution of the net result registers, in most of the analyzed period, with the exception of 2017, a positive net result, therefore the profit of the company. In 2017, the net result registered a negative value, mainly caused by the increase in tangible assets following the purchase of a machine, with the help of external financing sources. This negative value of the net result in 2017 led the company to loss. After 2017, the company manages to register an upward value of the net result as a result of the increase in the income level, the result being positive, the company enjoys profit. The year 2020 stands out with a considerably higher value of the net result compared to the other years analyzed, increasing compared to the previous year by 116,122 lei. The profit recorded this year is due, for the most part, to obtaining profitable long-term contracts.

3.2.5. Profitability analysis

Profitability is one of the essential criteria for assessing the "economic quality" of the enterprise. The rates of return reflect the ability of the company to ensure the best remuneration

of the capital invested with the help of the resources at its disposal, as well as the appropriate use of the assets held, in addition to an effective sales policy. The future economic-financial policy of the company and the behavior of existing and potential investors depend on these rates.

For a better view of the financial situation of SC UNOTIP SRL, we analyzed the profitability rates ROS, ROA and ROE, as follows in Figure no. 5:

Figure no.5 – The evolution of profitability rates (%)



Source: made by authors based on financial statements

Analyzing the value and evolution of the rates above, we can conclude the following:

- 2017 shows negative values, which are due to the negative result recorded in that financial year;
- the value of the ROE indicator in 2017 (-261.95%) was determined on the one hand by the negative result recorded, but also by the very high level of debts in that year, simultaneously with the lowest level of Equity in the entire period analyzed;
- as the net result increases (in the period 2018-2020, the net result increases from 3,459 lei to 157,387 lei) and the profitability indicators show higher and higher values, indicating better efficiency and profitability;
- the fairly high level of the ROE indicator (which reflects the efficiency of invested capital), follows the trend of Equity, which holds an increasingly large share in the company's financing sources, parallel to the more significant increase in the Net Result.

The literature appreciates that if the three indicators are positive, respectively in the case of ROS and ROA are higher than 5%, and ROE higher than 10-15%, the level is already

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acceptable (Hatem, 2014; Herciu, 2010). We can affirm that the value of the ROS, ROA and ROE indicators from the years 2019 and 2020 are far above the acceptable level.

3.2.6. Liquidity and solvency analysis

Liquidity and solvency indicators are presented in Table no. 3, indicators, which present weaker/critical values in the case of liquidity at the beginning of the analyzed period (especially the immediate liquidity has very low values), a situation that improves at the end of the analyzed period. From the point of financial solvency, the year 2020 presents a very good situation, a year in which the entity's assets cover 2.21 times the total liabilities.

Table no. 3. Liquidity and solvency indicators

Years	**2016**	**2017**	**2018**	**2019**	**2020**
Current liquidity	0,75	0,48	0,63	0,70	1,33
Reduced liquidity	0,75	0,48	0,63	0,70	1,33
Immediate liquidity	0,19	0,06	0,07	0,26	0,81
Financial solvency	1,14	1,25	1,03	1,24	2,21

Source: made by authors based on financial statements

Current liquidity and reduced liquidity have identical values, because the company has no stocks: the materials and materials necessary for the production activity are purchased on the basis of firm orders, and the trading activity is insignificant, therefore, there are no stocks of goods either.

4. CONCLUSIONS

Based on the analysis carried out and the calculated indicators, we can appreciate the activity of SC UNOTIP SRL as an efficiency, with potential for development, a trend that is very well observed in the period 2018-2020. Performance indicators such as Net sales, Value Added, Net Result, as well as profitability ratios (ROS, ROA and ROE) show good values and levels, especially in the period 2018-2020, with a continuous improvement, which can leads to even better profitability and performance in the future.

Proposals and recommendations regarding the future activity of SC UNOTIP SRL:

- Reduction of debt collection terms from 90 days to 30-60 days. We believe that by collecting receivables faster, society will pay off short-term debts more easily and not only that;
- Increasing performance by specializing employees through various courses, internships to increase work productivity, product quality and the desire for innovation;

- Intensive promotion of the company through social networks (Facebook, Instagram, etc.) and by creating a presentation site and an online store for the sale of products;
- Reduction of production costs by purchasing a larger quantity of raw material in order to obtain a discount;
- Using economic analysis tools to give the company a clearer picture of the financial situation by using an ERP system (Enterprise Resource Planning – An integrated management system for resource planning).

In conclusion, it can be appreciated that SC UNOTIP SRL develops a profitable activity, maintaining itself on the market and successfully obtaining new collaborations.

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