Financial Condition Analysis

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Executive Summary

The stakeholders of an organization may learn more about the company's financial health and performance over a specified period, thanks to financial analysis. This study analyzes ABC Healthcare Corporation's finances using ratio and trend analysis. Comparing the business's financial health against its main rival, HCA Healthcare, using the price/earnings and price/book ratios. A review of the company's financials shows that the company's market value and book value have been falling over the previous three years. Likewise, its financial viability has been dwindling. From the point of view of the company's shareholders, the company's performance and financial standing are quite weak. According to this study, the P/E ratio has been trending upward. Management should seek to increase revenue, decrease operating expenditures, and devote funds to strategic investments that boost efficiency to maximize the benefit of stakeholders.

Company Background

The ABC Healthcare Corporation provides services to American consumers. The company primarily provides healthcare to certain populations in several US states. Maria Gomez is the company's founder. ABC Healthcare Corporation's present CEO is Maria Gomez. The company operates various healthcare facilities, including medical offices, hospitals, and urgent care facilities.

Overall Financial Analysis

The financial data presented here makes it clear that ABC Healthcare Corporation's performance has deteriorated in several respects during the previous three years. A company's profitability may be gauged by its earnings per share. Stockholders' earnings per share (EPS) reflect the profit allocated to each existing share, as stated (Gündoğdu & Kahraman, 2020). There has been a steady reduction in the EPS ratio over the last three years, from 9.15 in 2017 to 7.87 in 2018 to 6.91 this year. Stockholders have seen less return on their investment due to the company's declining net profit during the past three fiscal years, as measured by the EPS ratio. This demonstrates that the business's success and profitability have been treated as dropping within the time frame under consideration. There has been no change in its worth on the market. From 2017 to 2019, the price per share of ABC Healthcare Corporation has been $83.62. This demonstrates that there has been no growth in value for stockholders.

The goal of a company's shareholders, according to (Kutlu Gundogdu & Kahraman, 2019), is to increase their returns via capital appreciation or payouts. There has been no growth in the wealth of the firm's shareholders as a result of capital gains for three years, which makes investing in the business less appealing. An essential financial indicator, book value per share, may be used to evaluate the worth of a company at a certain point in time. In 2017, the average book value per share was $226; by 2018, it had dropped to $2099.05; by 2019, it had dropped even more to $199.1. This indicates a declining book value for the company. This demonstrates that during the last three years in question, its total financial assets have decreased. Weak financial standing and declining performance from 2017 through 2019 indicate the company's precarious state.

Financial Ratio Analysis

In this subsection, we examine the firm's financial health using two different ratios. The price-to-earnings ratio (P/E) is the first. The price-earnings ratio (P/E ratio) is a helpful tool for valuing a company's shares about its revenues. The ratio is used to the present value of a company's profits to ascertain the price investors are prepared to pay for the company's stock today. The price-to-earnings (P/E) ratio is a useful metric for judging whether the market value of a company's stock is high or low. Over the previous three years, the P/E ratio has increased. Investors were ready to pay $9.1 for $1 of the company's profits in 2017, as shown by the P/E ratio of 9.10. In 2018, the P/E ratio was at 10.63, and in 2019, it is projected to reach 12.10. As a result, the price per share of the company's stock has increased concerning its profits (Omerali & Kaya, 2022). Even if profits fell over the period under review, the company's stock remained in strong demand on the market.

The price-to-book ratio constituted the second metric. Price-to-book correlations are often employed to evaluate companies based on their present market capitalization concerning their book value, as stated by Chandra (20110). Over the previous three years, the P/B ratio has risen from 0.37 in 2017 to 0.42 this year. If the 2019 ratio is any indication, investors are only ready to pay $0.42 for each dollar invested in book value capital for the business (Rezaei, 2015). As long as the ratio stays below 1, investing in the company is a safe bet. Both the price-to-book and price-to-earnings ratios indicate that the firms are doing well relative to their peers in the market and in terms of luring investors. Its market worth and profitability, although still high, have decreased throughout the evaluation period.

Trend Analysis

In this scenario, the ratios of earnings per share (EPS) to book valuation per share (B/S) and the price of shares (Market Price) are the primary indicators of trend. The following graph displays the per-share net income and book value over the preceding three years;

Chart 1: Trend analysis

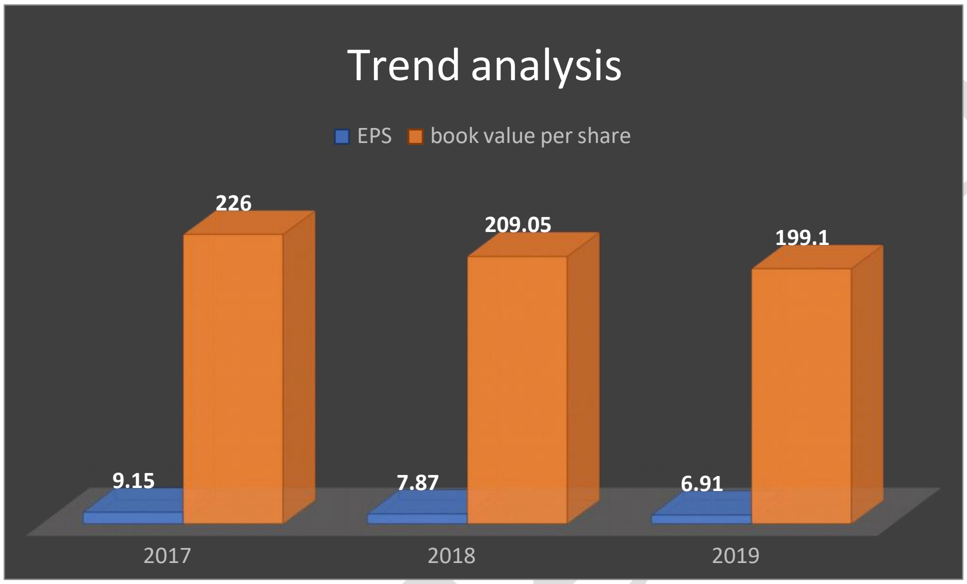

Chart 1 shows a declining trend in the EPS ratio from 2017 through 2019. During this time, the book value of every share also went down. Nevertheless, the stock's market value has stayed unchanged since 2017.

Competitive Comparative Analysis

HCA Healthcare is a significant rival of the corporation. Below is a comparison between ABC Healthcare Corporation and its primary rival, HCA Healthcare, based on their P/E and P/B ratios.

	ABC Healthcare Corporation			**HCA Healthcare**		
	2017	**2018**	**2019**	**2017**	**2018**	**2019**
P/E ratio	9.14	10.63	12.10	14.79	11.69	14.68
P/B ratio	0.37	0.40	0.42	-	-	-

Table 1: PE and P/B ratios

As can be seen in Table 1, HCA Healthcare had a greater P/E than the firm in question during the last three years. To illustrate, in 2019, HCA Healthcare commanded a price of $14.68 per dollar of profits, whereas ABC Healthcare Corporation commanded a price of $12.10. HCA Healthcare's P/B ratio cannot be compared to ABC Healthcare's since no such data exists for 2017–2019.

Recommendations

ABC Corporation's management may take several immediate and long-term actions to boost the company's stock price. Management must first investigate means of expanding income. In order to boost profits, expanding into new product markets is recommended by (Zahid, Akram, & Kahraman, 2022). The corporation may increase its future income and profits by entering new markets or introducing innovative new goods. For instance, it may decide to put money into telemedicine in the hopes of expanding its patient population and, therefore, its income stream. Second, the business must establish measures to cut short-term operational costs. Shareholder value may be increased by decreasing operational costs, as suggested (Ahmad & Rathore, 2020). Reduce operational costs by eliminating wasteful practices across departments. Strategic investments should be made as well. That is why the business must invest in assets that improve its efficiency in the workplace, so it can attract additional individuals in the future and generate more profits for those who own it.

Conclusions

In conclusion, our research indicates that shares of ABC Healthcare Corporation continue to appeal to buyers. There has been a steady fall in the company's market and book values. The company's profit margin has also been shrinking. Therefore, the management should take the actions suggested in this document to maximize future shareholder returns.

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