

PERFORMANCE ANALYSIS THROUGH FINANCIAL RATES IN THE CASE OF NUCLEARELECTRICA, SOCIETATEA ENERGETICA ELECTRICA AND S.N.G.N. ROMGAZ

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Abstract: *This paper presents an analysis of the financial performance for the period 2013-2019 based on the financial statements of three companies in the energy field (Nuclearelectrica and Societatea Energetica Electrica in the field of electricity and SNGN Romgaz in the field of oil and gas), listed at Bucharest Stock Exchange, in order to select shares for the investment decision. The analysis from the perspective of third parties, especially creditors (solvency, liquidity) was combined with the analysis from the perspective of investors through profitability, in order to have a detailed picture of the profitability perceived by potential investors. In the last part of the paper, we centralized the results of the analysis in the form of a score function whose result would reflect the total performance of the three companies.*

Keywords: *financial performance, profitability indicators, return of shares*

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1. INTRODUCTION

The investors's major objective is to maximize the value of the capital (assets). Therefore, the company whose capital they invest in must be efficient.

The literature provides several approaches to the concept of performance, which is obtained in conditions of efficient use of resources and reflects the newly created value. In the opinion of some authors (Dicu, C., Bondoc, M.D., 2019), performance is recorded when a company is efficient and effective (characterized by efficiency and effectiveness) at the same time. Efficiency means maximizing the ratio between the (*financial*) *effects and the efforts*, while effectiveness *means* achieving and exceeding objectives.

In the accounting approach, performance has the narrowest representation, being identified as the ability of the company to generate profit. The accounting vision of the financial performance is based on the normative provisions. Thus, the International Financial Reporting Standards (IFRS), mention as the main source of assessment of the financial performance the annual financial statements through: the Profit and Loss Account and the Statement on Changes in Equity.

In the financial approach, the performance reflects "the growth of the enterprise in conditions of profitability and value creation" (Venkatraman, N., Ramanujam, V., 1986).

The decision to invest in a share is conditioned by the profitability of that share, implicitly by the performance of the issuing company. In order to have a complete picture of a company's financial performance, the potential investors will make analyzes based on the company's financial data, looking to answer questions such as: How well did the company perform in



relation to its previous performance and compared to its competitors? How will the company evolve in the future? Based on the expectations of future performance, what is the value of this company or the securities it issues?

There are several studies that have documented the predictive value of the information available in the financial statements.

Ou and Penman (1989) develop a single summary measure able to provide forecasts one year before earnings - one summary measure which indicates the direction of one-year-ahead earnings changes.

Holthausen and Larcker (1992) consider that the analysis of financial and accounting statements is useful in predicting the profitability of a share.

Abarbanell and Bushee (1997) examine how the fundamental signals generated by the data in the financial statements provide information about the subsequent changes of the earnings (returns) of shares.

Nissim and Penman (2001) provide arguments on the usefulness of the accounting reports in designing the future earnings flows.

2. MATERIALS AND METHODS

The value of using indicators in an analysis is that they allow the analyst to assess the past performance, the current financial condition of the company and to obtain useful information to estimate future results, while making it easier for investors to compare the companies in the same industry and to include the best investment option.

In order to assess the operational performance and the financial condition of the company, it is useful to take into account some activity indicators (fixed asset turnover, current asset turnover, total asset turnover etc.), liquidity indicators (current liquidity, rapid liquidity - quick ratio etc.), solvency indicators (global indebtedness ratio, interest rate coverage, debt equity ratio, etc.) and profitability indicators (net profit margin, operating profit margin, return on assets, return on equity etc.). (Fabozzi, F. J., Peterson Drake, P., 2009).

Since the performance evaluation is not limited to an analysis of the results obtained in a single financial year but involves a comparison of information over time, we chose the research period 2013-2019 and 3 companies in the energy field, listed on the Bucharest Stock Exchange: Nuclearelectrica (SNN) and Societatea Energetica Electrica (EL) in the field of electricity and S.N.G.N. Romgaz (SNG) in the field of oil and gas.

Within this analysis, the indicators are not necessarily standardized, and the number that can be created or used is practically unlimited. However, there are widely accepted indicators that have proven useful in financial analyses. The most important of them are grouped in Figure 1.

Figure 1. Ratio analysis types

<i>Liquidity Ratios</i>	<i>Profitability Ratios</i>	<i>Solvency Ratios</i>
Current ratio	Operating profit margin	Global indebtedness ratio (debt to asset ratio)
Quick ratio	Net profit margin	Debt to equity ratio
	Return on assets (ROA)	Interest coverage
	Return on equity (ROE)	

3. DATA ANALYSIS AND RESEARCH RESULTS

The evaluation of the financial performance in terms of liquidity rates signals the possibility of repaying the current debts if the company capitalizes the current assets.

The **current ratio** measures the ability of a company to meet its short-term debts using the current assets in the balance sheet. The advantage of examining the current assets and liabilities is that the book values and the market values are likely to be similar. (Ross, S.A., et al., 2003). The indicator is calculated as the ratio between the current assets and total short-term debts.

$$\text{Current ratio} = \text{Current assets} / \text{Current liabilities} \quad (1)$$

The higher its value, the greater the company's ability to pay its current debts without resorting to long-term resources or new loans. A current rate of 1.0 indicates that the book value of its current assets is equal to the book value of its current liabilities.

In general, a current liquidity of less than 1 is a negative signal, indicating that the company needs to borrow or sell some of its fixed assets in order to pay its current debts. On the other hand, a high current rate (higher than 3) may indicate an inefficient use of the short-term assets (eg stocks without movement).

Table 1. Current ratios of SNG, EL and SNN, between 2013 and 2019

Year	SNG			EL			SNN		
	Current assets thousand RON	Current liabilities thousand RON	Current ratio	Current assets thousand RON	Current liabilities thousand RON	Current ratio	Current assets thousand RON	Current liabilities thousand RON	Current ratio
2013	4231007	761765	5.55	4121558	1453107	2.84	3420660	1905375	1.79
2014	4364309	669223	6.52	3765253	1216312	3.10	1777247	478733	3.71
2015	4187640	626077	6.69	3843116	1408394	2.73	1863834	421149	4.43
2016	4719395	947180	4.98	3592684	1274741	2.82	1992193	436.850	4.56
2017	4524840	1140993	3.97	2208457	1224265	1.80	2239865	452.184	4.95
2018	2689580	795786	3.38	1752918	1168165	1.50	2194769	564.204	3.89
2019	2431135	568322	4.28	1694843	1454015	1.17	2508894	539.763	4.65

Source: Authors calculations based on annual financial reports of SNG, EL, SNN

Throughout the analyzed period, the companies recorded a high current liquidity rate, with the exception of EL in the last three years, in which case the indicator had a downward trend, reaching in 2019 the minimum level of 1.17, above the recommended threshold of 1.

This decrease resulted from the decrease of the value of current assets, but especially from the increase of the short-term debts by RON 285.9 million in 2019, of which RON 231.7 million represented the increase of overdrafts due to the increase of the financing need at group level, especially for distribution companies, and RON 26.9 million are the lease liabilities related to the previous operational leasing contracts, as a result of the application of IFRS 16 “Leasing contracts” using the modified retrospective method.

The **quick ratio**, also known as the “acid test” expresses the company's ability to meet its short-term liabilities from receivables, short-term investments and cash.

It is calculated as the ratio between the current assets, less inventories and the current liabilities. This rate can often be more useful than the current liquidity, as stocks are considered more difficult to capitalize on. There are opinions in the economic theory according to which a rate between 0.8 and 1 would represent an optimal situation in terms of partial solvency (Robu, V., Georgescu, N., 2001).

$$\text{Quick ratio} = (\text{Current assets} - \text{Inventories}) / \text{Current liabilities} \quad (2)$$

Table 2. Quick ratio of SNG, EL and SNN, between 2013 and 2019

Years	SNG				EL				SNN			
	Current assets thousand RON	Inventories thousand RON	Current liabilities thousand RON	Quick Ratio	Current assets thousand RON	Inventories thousand RON	Current liabilities thousand RON	Quick ratio	Current assets thousand RON	Inventories thousand RON	Current liabilities thousand RON	Quick ratio
2013	4231007	463946	761765	4.95	4121558	33809	1453107	2.813	3420660	386303	1905375	1.59
2014	4364309	392108	669223	5.94	3765253	24305	1216312	3.076	1777247	336261	478733	3.01
2015	4187640	559784	626077	5.79	3843116	23258	1408394	2.712	1863834	323223	421149	3.66
2016	4719395	575983	947180	4.37	3592684	22750	1274741	2.801	1992193	331057	436850	3.8
2017	4524840	389515	1140993	3.62	2208457	21620	1224265	1.790	2239865	332349	452184	4.22
2018	2689580	245992	795786	3.07	1752918	63585	1168165	1.450	2194769	368742	564204	3.24
2019	2431135	311013	568322	3.73	1694843	74370	1454015	1.11	2508894	405168	539763	3.9

Source: Authors calculations based on annual financial reports of SNG, EL, SNN

As in the case of current liquidity, during the entire period analyzed, these companies recorded a high quick ratio, except for EL which recorded lower but over unity rates, the minimum level of the indicator (1.11) being also reached in 2019, a value above the threshold of 1, indicating that the liquid assets fully cover the short-term liabilities.

A key point of the ratio analysis is the analysis of **profitability** because the ability to generate profit from the invested capital is a determining factor of the overall value of a company and of the securities it issues; thus the profits can be distributed to the shareholders or reinvested in the company.

The **operating profit margin** represents the operating profit as a percentage of sales. The operating profit is the profit from the basic operations of the company or the profit before deducting interest and income tax expenses (EBIT- Earnings before interest and taxes). It enables all manufacturing, distribution, administration, research and development expenses etc., but not the financing costs or taxes (Glen, A., 2010).

$$\text{Operating profit margin (\%)} = \text{EBIT/Sales} \quad (3)$$

A higher operating margin suggests a higher potential for the company to remunerate the banks, the state, the shareholders and its own activity (through self-financing) and to cope with increased competition or costs.

A low value of this ratio may indicate some operational weaknesses and the mismanagement of resources, which means that the profit generated from the core operations is insufficient compared to the total revenue generated from sales.

Table 3. Operating profit margin of SNG, EL, SNN between 2013 and 2019

Years	SNG			EL			SNN		
	EBIT thousand RON	Sales thousand RON	EBIT/Sales (%)	EBIT thousand RON	Sales thousand RON	EBIT/Sales (%)	EBIT thousand RON	Sales thousand RON	EBIT/Sales (%)
2013	1177395	3894267	30.23%	338116	5156633	6.56%	461096	1933075	23.85%
2014	1712882	4493341	38.12%	510632	5043728	10.12%	175209	1796119	9.75%
2015	1424687	4052684	35.15%	568640	5502795	10.33%	160139	1749911	9.15%
2016	1258593	3411868	36.89%	585852	5517802	10.62%	159369	1648408	9.67%

Performance analysis through financial rates in the case of Nuclearelectrica, Societatea Energetica Electrica and S.N.G.N. Romgaz

2017	2158845	4585189	47.10%	197034	5603235	3.52%	375327	1899937	19.75%
2018	1531905	5004197	30.61%	260976	5612784	4.65%	535216	2128667	25.14%
2019	1237100	5080482	24.35%	234222	6279834	3.73%	636522	2377772	26.77%

Source: Authors calculations based on annual financial reports of SNG, EL, SNN

During the analyzed period, SNG had the largest operating margin that evolved upwards until 2017, when it reached the maximum level of 47.1%, after which in 2018 and 2019 it decreased significantly reaching the values of 30.61% respectively 24.35%. SNN's operating margin entered an upward trend in 2015, increasing from 9.15% to 26.77% in 2019. It recorded modest operating margin values, which decreased significantly in 2017 compared to 2016, against the background of the decrease of EBIT, the main cause being the increase of the operational expenses, as a result of the increase by 7.9% of the expenses with the purchase of electricity compared to the previous year.

The **net profit margin** measures the percentage of revenue represented by net profit. Unlike the operating margin, the net margin also takes into account expenses that are not related to the company's operating activity, but which can have a decisive impact on the company's development, such as interest expenses or profit tax. The net margin includes all the aspects that influence the company's activity: the operational part, the financing part as well as the tax part, registering therefore lower values compared to the operational margin (the operating result rate).

$$\text{Net profit margin (\%)} = \text{Net profit/Sales} \quad (4)$$

Table 4. Net profit margin of SNG, EL, SNN between 2013 and 2019

Years	SNG			EL			SNN		
	Net profit thousand RON	Sales thousand RON	Net profit margin	Net profit thousand RON	Sales thousand RON	Net profit margin	Net profit thousand RON	Sales thousand RON	Net profit margin
2013	995554	3894267	25.56%	314344	5156633	6.10%	423391	1933075	21.90%
2014	1409881	4493341	31.38%	401405	5043728	7.96%	133065	1796119	7.41%
2015	1194305	4052684	29.47%	482160	5502795	8.76%	149144	1749911	8.52%
2016	1024579	3411868	30.03%	468897	5517802	8.50%	112449	1648408	6.82%
2017	1854748	4585189	40.45%	171559	5603235	3.06%	303876	1899937	15.99%
2018	1366168	5004197	27.30%	230395	5612784	4.10%	390546	2128667	18.35%
2019	1089623	5080482	21.45%	206677	6279834	3.29%	540943	2377772	22.75%

Source: Authors calculations based on annual financial reports of SNG, EL, SNN

During the analyzed period, the lowest net profit margin was recorded by EL, which also had small fluctuations and a downward trend, followed by SNN, whose rate was increasing, reaching in 2019 even the highest level (22.75%) of the 3 companies. The highest average net profit margin was recorded by SNG, a maximum of 40.45% in 2017, decreasing significantly in the next 2 years, contrary to the positive dynamics of its economic activity.

The return on assets (ROA) and the return on equity (ROE) are two of the most conclusive indicators of a company's profitability.

The **return on assets (ROA)** or the **economic return** measures the efficiency of the use of assets, in terms of profit (how many RON in profit generates RON 1 invested in the company's assets). The higher the ratio, the more profit is generated by a certain level of assets.

$$ROA(\%) = \text{Net profit} / \text{Total assets} \quad (5)$$

Table 5. Return on assets of SNG, EL, SNN between 2013 and 2019

Years	SNG			EL			SNN		
	Net profit thousand RON	Total asset thousand RON	ROA (%)	Net profit thousand RON	Total assets thousand RON	ROA (%)	Net profit thousand RON	Total assets thousand RON	ROA (%)
2013	995554	10477170	9.50%	314344	10199721	3.08%	423391	11700214	3.62%
2014	1409881	10812104	13.04%	401405	8147667	4.93%	133065	9799361	1.36%
2015	1194305	10684702	11.18%	482160	8391285	5.75%	149144	9559164	1.56%
2016	1024579	10977498	9.33%	468897	8398153	5.58%	112449	9285852	1.21%
2017	1854748	10851952	17.09%	171559	7617334	2.25%	303876	9188549	3.31%
2018	1366168	9134899	14.96%	230395	7529072	3.06%	390546	8866205	4.40%
2019	1089623	8253173	13.20%	206677	7817272	2.64%	540943	8810854	6.14%

Source: Authors calculations based on annual financial reports of SNG, EL, SNN

SNG also ranks first for this indicator, for the period 2013-2019, ROA reaching the maximum value of 17.09% in 2017. The decrease of the value of this indicator in the case of EL starting with 2015, when it registered a maximum of 5.75%, was mainly caused by the decrease in its net profit, with total assets declining at a slower rate. For SNN, ROA was 6.14% in 2019, the highest value in the analyzed period, as a result of an upward evolution of the net profit.

The **return on equity** or the **financial return (ROE)** measures the efficiency of using equity to obtain net profit (how many RON brings in profit RON 1 invested in equity by the shareholders).

This indicator is calculated as the ratio between the net profit obtained by the company and the equity, the latter practically representing the shareholders' contribution to the financing of the respective business.

$$ROE (\%) = \text{Net Profit} / \text{Equity} \quad (6)$$

If it is not a question of reducing the equity, a high return on equity translates into the fact that the shareholders' investment materialized in the equity was used efficiently by the company, generating profit, this being the investors' major objective.

Table 6. Return on equity of SNG, EL, SNN between 2013 and 2019

Years	SNG			EL			SNN		
	Net profit thousand RON	Equity thousand RON	ROE (%)	Net profit thousand RON	Equity thousand RON	ROE (%)	Net profit thousand RON	Equity thousand RON	ROE (%)
2013	995554	9292774	10.71%	314344	6659370	4.72%	423391	7698437	5.50%
2014	1409881	9712018	14.52%	401405	6317138	6.35%	133065	7432661	1.79%
2015	1194305	9692223	12.32%	482160	6442590	7.48%	149144	7495325	1.99%
2016	1024579	9676161	10.59%	468897	6520487	7.19%	112449	7336046	1.53%
2017	1854748	9310877	19.92%	171559	5655556	3.03%	303876	7428146	4.09%
2018	1366168	7668617	17.82%	230395	5628441	4.09%	390546	7179131	5.44%
2019	1089623	7174053	15.19%	206677	5589527	3.70%	540943	7334934	7.37%

Source: Authors calculations based on annual financial reports of SNG, EL, SNN

ROE has the same dynamics as the other three profitability indicators. In the case of SNG, the return on equity reaches the maximum value of 19.92% in 2017, after which it decreased due

to the decrease of net profit and equity to 15.19% in 2019, being but much higher than ROE registered by the other 2 companies in any year of the analyzed period.

After a fall from 5.50% in 2013 to 1.53% in 2016, SNN a sustained growth of ROE in the period 2016-2019, reaching a maximum of 7.37% in 2019, amid the widening gap between ROA and the financing cost. In the case of EL, after an increase between 2013-2015 of up to a maximum of 7.48%, ROE entered a downward trend due to the decrease in net profit, at a faster rate than the decrease in equity, reaching 3.70% in 2019.

Solvency reflects the company's ability to meet long- and medium-term maturities. The solvency ratios provide information on the relative amount of debt in the company's capital structure and the adequacy of income and cash flow to cover interest and other fixed expenses (such as leasing or rental payments) as they are due.

Including a certain level of debt in a company's capital structure is beneficial, as it can reduce the total cost of a company's capital and increase the return on equity. On the other hand, a higher level of debt in a company's capital structure increases the risk of nonpayment and results in higher borrowing costs for the company, to compensate creditors for taking on a higher credit risk.

Understanding a company's use of debt may provide the analysts with a view of the company's future business prospects, because the board's financing decisions can signal their beliefs about a company's future. For example, issuing long-term debts to repurchase ordinary shares may indicate that management believes that the market underestimates the company's prospects and that the shares are undervalued.

There are two types of solvency ratios: the debt ratios, which focus on the balance sheet, and hedging rates, which focus on the profit and loss account. These reports are useful in assessing the solvency of a company.

The performance analysis from the solvency perspective was based on the following indicators: debt to assets, debt-to-equity and interest coverage from profits.

The **global indebtedness ratio** measures the percentage of total debt-financed assets. It is calculated in percentage, as the ratio between the total debts of the company and the total assets.

$$\text{Global indebtedness ratio (\%)} = \text{Total debt} / \text{Total assets} \quad (7)$$

Generally, a higher debt means a higher financial risk, determined by the volatility of the interest rates and the difficulties of taking out new loans in case of need and, therefore, a lower solvency.

Table 7. Debt-to-Assets ratio of SNG, EL, SNN between 2013 and 2019

Years	SNG			EL			SNN		
	Total assets thousand RON	Total debt thousand RON	Debt-to-assets ratio	Total assets thousand RON	Total debt thousand RON	Debt-to-assets ratio	Total assets thousand RON	Total debt thousand RON	Debt-to-assets ratio
2013	10477170	1184396	11.30%	10199721	3540351	34.71%	11700214	4001776	34.20%
2014	10812104	1100086	10.17%	8147667	1830529	22.47%	9799361	2366700	24.15%
2015	10684702	992477	9.29%	8391285	1948695	23.22%	9559164	2063838	21.59%
2016	10977498	1301337	11.85%	8398153	1877666	22.36%	9285852	1949806	21.00%
2017	10851952	1541076	14.20%	7617334	1961779	25.75%	9188549	1760403	19.16%
2018	9134899	1466282	16.05%	7529072	1900631	25.24%	8866205	1687074	19.03%
2019	8253173	1079120	13.08%	7817272	2227745	28.50%	8810854	1475920	16.75%

Source: Authors calculations based on annual financial reports of SNG, EL, SNN

The global indebtedness ratios of the analyzed companies, reflected by the ability to cover their debts with their assets, went through minor changes during the analyzed period: it decreased for EL and SNN and had an irregular evolution for SNG. This result is explained by the fact that the total assets of the companies remained relatively stable, while the total debts decreased for EL and SNN and fluctuated in size for SNG. The three analyzed companies are characterized by a low degree of global indebtedness and SNG records the lowest level of debt-to-assets ratio.

The **debt-to-equity ratio** indicates the proportion in which the debt is used to finance a company (Fabozzi, F.J., Peterson Drake, P., 2009). It is one of the indicators that measures the financial lever effect within a company, by reporting debts to equity.

$$\text{Debt-to-equity ratio (Levier)} = \text{Total debt} / \text{Equity} \quad (8)$$

A ratio of 1.0 indicates equal amounts of debt and equity. An over unity value means a lower solvency, describing a company oriented more towards indebtedness, willing to take higher risks waiting appropriate profits.

According to the relation

$$\text{ROE} = \text{ROA} + (\text{ROA} - \text{Rd}) * \text{Levier} \quad (9)$$

the indebtedness of a company is justified only if the ROA is higher than the cost of indebtedness (Rd), thus obtaining an extra financial return.

Table 8. Debt-to-equity ratio of SNG, EL, SNN between 2013 and 2019

Years	SNG			EL			SNN		
	Total debt thousand RON	Equity thousand RON	Debt-to-equity ratio	Total debt thousand RON	Equity thousand RON	Debt-to-equity ratio	Total debt thousand RON	Equity thousand RON	Debt-to-equity ratio
2013	1184396	9292774	0.13	3540351	6659370	0.53	4001776	7698437	0.52
2014	1100086	9712018	0.11	1830529	6317138	0.29	2366700	7432661	0.32
2015	992477	9692223	0.1	1948695	6442590	0.30	2063838	7495325	0.28
2016	1301337	9676161	0.13	1877666	6520487	0.29	1949806	7336046	0.27
2017	1541076	9310877	0.17	1961779	5655556	0.35	1760403	7428146	0.24
2018	1466282	7668617	0.19	1900631	5628441	0.34	1687074	7179131	0.23
2019	1079120	7174053	0.15	2227745	5589527	0.40	1475920	7334934	0.20

Source: Authors calculations based on annual financial reports of SNG, EL, SNN

The analysis of the indebtedness of the three companies in the period 2013-2019 shows a stability of this indicator, without major changes and values just below 0.5, except in 2013 for EL and SNN, when the lever was 0.53 and 0.52, respectively. Therefore, none of the analyzed companies is exposed to the financial risk.

The **interest coverage ratio (TIE)** is a measure of the financial soundness of a company, showing how many times the operating profit covers the interest expenses. The indicator is calculated by relating the income before the payment of interest and taxes (EBIT) to the amount of interest related to debts due over a period of one year.

$$\text{Interest Coverage Ratio} = \text{EBIT} / \text{interest payments} \quad (10)$$

The lower the interest coverage ratio, the higher the chance of interest non-payment and bankruptcy. As a general rule, an interest coverage of less than 3 is worrying, unless the company would have exceptionally stable cash flows (Glen, A., 2010).

A higher interest coverage ratio indicates a higher solvency, providing greater assurance that the company can meet its debt from operating the income. On the other hand, a very high interest coverage ratio from profits could mean that the company ignores, at least in part, the debt financing which has the advantage of tax deductibility for interest payments.

Table 9. Interest coverage ratio of SNG, EL, SNN between 2013 and 2019

Year	SNG			EL			SNN		
	EBIT thousand RON	Interest payments thousand RON	Interest coverage ratio	EBIT thousand RON	Interest payments thousand RON	Interest coverage ratio	EBIT thousand RON	Interest payments thousand RON	Interest coverage ratio
2013	1177395	33	35679	338116	20168	16.76	461096	29523	15.62
2014	1712882	34	50379	510632	11250	45.39	175209	24927	7.03
2015	1424687	34	41903	568640	8166	69.64	160139	20553	7.79
2016	1258593	15	83906	585852	4439	131.98	159369	18116	8.80
2017	2158845	3	719615	197034	3390	58.12	375327	22645	16.57
2018	1531905	0	1531905	260976	5204	50.15	535216	16661	32.20
2019	1237100	543	2278	234222	12893	18.17	636522	16398	38.82

Source: Authors calculations based on annual financial reports of SNG, EL, SNN

During the analyzed period, all 3 companies had very high interest coverage ratios (the lowest being for SNN between 2014-2016 of 7.03, 7.79, respectively 8.80, far exceeding the critical threshold of 1), because, on the one hand, they recorded operating results of considerable size and, on the other hand, they reported interest payments of interest small or even equal to 0, as in the case of SNG, in 2018. Consequently, the interest payments had very high values (reaching a maximum of 1,531,905 for SNG).

Concluding the analysis, we used the rank method for the three companies, taking into account all the indicators used. This method uses a scalar scoring system based on the calculated values of the financial ratios and marks from 1 to 3 (1 for the best, 3 for the weakest). The result of the evaluation by this method is the aggregate value of the financial performance achieved by each company.

Table 10. Rank of indicators calculated for SNG, EL, SNN

Average value of the indicator for the period 2013-2019	SNG	Rank for SNG	EL	Rank for EL	SNN	Rank for SNG
Average current ratio	5.05	1	2.28	3	3.99	2
Average quick ratio	4.5	1	2.25	3	3.35	2
Average operating profit margin	34.64%	1	7.08%	3	17.73%	2
Average net profit margin	29.38%	1	5.97%	3	14.53%	2
ROA average return on assets	12.61%	1	3.90%	2	3.09%	3
ROE average return on equity	14.44%	1	5.22%	2	3.96%	3
Average debt to assets ratio	12.28%	1	26.04%	3	22.27%	2
Average debt to equity ratio	0.14	1	0.36	3	0.29	2
Average interest coverage ratio	352238	1	55.74	2	18.11	3
Average rank		1		2.67		2.33
Rank position		1		3		2

Source: calculations performed by the author based on the data presented above

Table no. 15 shows that SNG recorded the best score and therefore SNG shares represent an opportunity for investment, compared to the shares of the other two companies.

4. CONCLUSIONS

The analysis aimed at quantifying the financial performance of three companies in the energy field whose shares, traded on the Romanian capital market, represent for individual or institutional investors investment opportunities in the process of selecting a portfolio.

The financial performance of these three companies was measured through the profitability ratios, but also those of liquidity and solvency.

Following the centralization of the average value of the indicators and the application of the rank method, SNG ranked first among the three analyzed, allowing us to conclude that the investment in SNG shares was the most profitable of the three companies analyzed at that time.

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