FINANCIAL MANAGEMENT

GROUP N°2 – SESSION 13 – PRESENTATION N°2

RENAULT

Passion for life

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SUMMARY

CAPITAL STRUCTURE

The **ratio** is used to evaluate a company's financial leverage

DEBT TO EQUITY = DEBT/EQUITY

2017 DATA = 49891/33385

2018 DATA = 52675/35489

	Year 2017	Year 2018
Debt to Equity	1,49	1,48

CAPITAL STRUCTURE

% of Assets from debt

DEBT RATIO = DEBT/(DEBT+EQUITY)

2017 DATA = 49891/(49891+33385)

2018 DATA = 52675/(52675+35489)

2017

DEBT RATIO = 0,6%

2018

DEBT RATIO = 0,6%

GENERAL RATIOS

P/E ratios are used by investors and analysts to determine the relative value of a company's shares

P/E Ratio = Market Capitalization / Net Income

2017 DATA = 25 328 984 / 5 114 000

2018 DATA = 15 684 942 / 3 302 000

2017

P/E RATIO = 4.95

2018

P/E RATIO = 4.75

GENERAL RATIOS

Measures how many dollars of net income have been earned by each share of common stock

EPS = Net Income / Number of shares outstanding

2017 DATA = 5 114 000 / 290 470

2018 DATA = 3 302 000 / 289 230

2017

EPS = 17.61€

2018

EPS = 11,42€

GENERAL RATIOS

Sum of declared dividends issued by a company for every ordinary share outstanding. Important metric to investors because the amount a firm pays out in dividends directly translates to income for the shareholder

DPS = Total Dividend / Number of shares outstanding

2017 DATA = 916 000 000 / 290 470 000

2018 DATA = 1 027 000 000/ 289 230 000

2017

DPS = 3.15€

2018

DPS = 3,55€

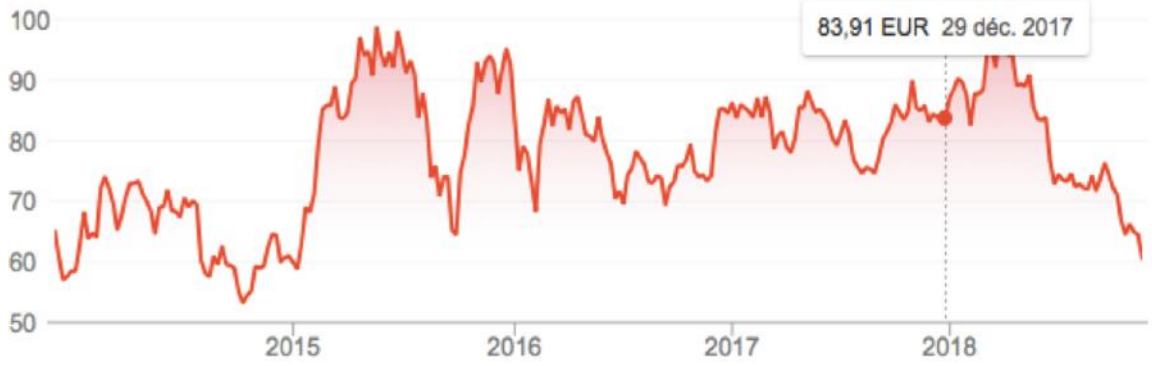
GENERAL RATIOS

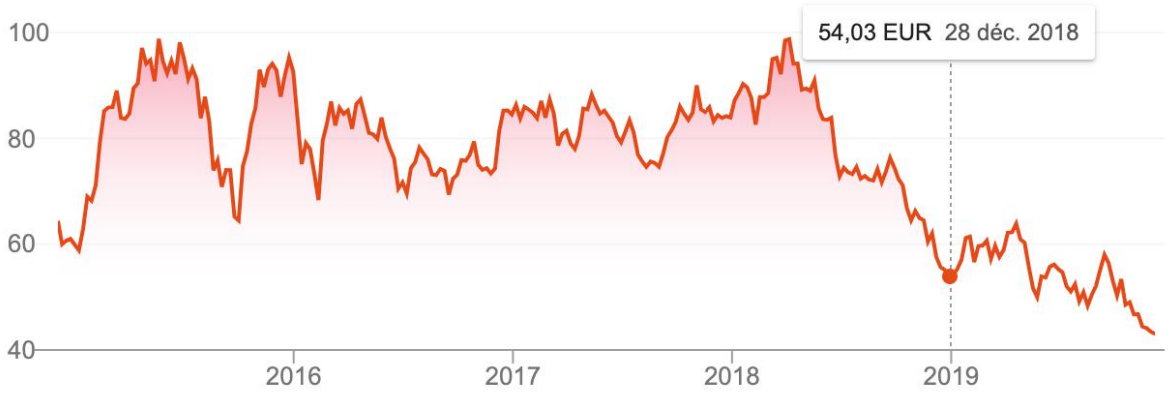
The amount of money a company pays shareholders (over the course of a year) for owning a share of its stock divided by its current stock price

Dividend Yield = DPS / Price per Share

2017 DATA = 3.15 / 83,91 = 3,75%

2018 DATA = 3,55 / 54,03 = 6,57%





GENERAL RATIOS

% of a company's earnings that is paid out as dividends to shareholders

Pay-out Ratio = Total Dividend / Net Income

2017 DATA = 916 000/ 5 114 000

2018 DATA = 1 027 000 / 3 302 000

2017

Pay-out RATIO = 17.9%

2018

Pay-out RATIO = 31.1%

GENERAL RATIOS

Measures how effectively management is using a company's assets to create profits

As a shortcut, investors can consider a return on equity near the long-term average of the S&P 500 (14%) as an acceptable ratio and anything less than 10% as poor.

2017 DATA = 5 114 / 33 385

2018 DATA = 3 302 / 35 489

Return on equity = Net Income / Total shareholder's equity (t-1)

2017

ROE= 15.31%

2018

ROE = 9,3%

Dividend Discount Model

$$P_N = \frac{Div_{N+1}}{r_E - g}$$

2017 DATA :
Dividend / action : 3,15 €
ROE 2017 = 15%

2018 DATA :
Dividend / action : 3,55 €
ROE 2018 = 9,3%

Equity valuation with the Dividend Discount Model

2017 DATA :

Dividend / action : 3,15 €

Requity 2017 = 6,02%

Free Cash Flow 2017:

2 101 000 000

Market Interest rate: 2,5%

PV calculation:

PV = C/R

PV = 2 101 000 000 / 0,025

PV = 84 040 000 000

2018 DATA :

Dividend / action : 3,55 €

Requity 2018 = 6,02%

Free Cash Flow 2018:

1 878 000 000

Market Interest rate: 2,5%

PV calculation:

PV = C/R

PV = 1 878 000 000 / 0,025

PV = 75 120 000 000

Equity valuation with the Dividend Discount Model

2017 DATA :

Dividend / action : 3,55 €

ROE 2017 = 15%

PV = 84 040 000 000

g = (FP – PV) / PV

g = (86 141 000 000 - 84 040 000 000) / 84 040 000 000

g = 2,5%

FV calculation:

FV = PV (1+ interest rate)

FV = 84 040 000 000 (1+ 0,025)

FV = 86 141 000 000

2018 DATA :

Dividend / action : 3,55 €

ROE 2018 = 6,02%

PV = 75 120 000 000

g = (FP – PV) / PV

g = (76 998 000 000 - 75 120 000 000) / 75 120 000 000

g = 2,5%

FV calculation:

FV = PV (1+ interest rate)

FV = 75 120 000 000 (1+ 0,025)

FV = 76 998 000 000

Dividend Discount Model

$$P_N = \frac{Div_{N+1}}{r_E - g}$$

2017 DATA :
Dividend / action : 3,15 €
Requity 2017 = 6,02%

g = 2,5 %

P_{2017} = 89,49 €

2018 DATA :
Dividend / action : 3,55 €
Requity 2018 = 6,02%

g = 2,5 %

P_{2018} = 100,85 €

Conclusion

- The company's finance leverage were higher in 2017 than 2018, so the company improved in its indebtedness.
- In terms of PER, Renault got a higher annual net benefit payment on it shares in the market of the year 2018.
- The net income after tax that is divided by the common stockholders were higher in 2017 because they maked a 40% better income.
- However in 2018 Renault had a better dividends ratio per ordinary share outstanding, in this year the dividend yeld were more attractive (6,3%) to the market.
- That's why the percentage of the company's earnings that is paid out to shareholders was almost double that the previous year.
- Finally Renault used in a more effective way the companys assets to create profits in 2017, as we know, (14%) as an acceptable ratio and anything less than 10% as poor.

THANK YOU

FOR YOUR ATTENTION