**REPORT ON HARBOUR ENERGY PLC**

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# **EXECUTIVE SUMMARY**

A significant participant in the oil and gas sector, Harbour Energy has seen significant financial swings between 2019 and 2023. Although the company's net profit margin showed fluctuation during the pandemic (e.g., -137.19% in 2020), its gross profit margin remained relatively solid, ranging from 37.17% in 2023 to 79.65% in 2019. This illustrates how market volatility affects a company's performance more broadly. An important measure of financial health, the Altman Z-score, fell to 1.33 in 2023, indicating continued financial distress and the need for better risk management and capital structure.

The current ratio varied in terms of liquidity, rising to 1.86 in 2021 while falling to 0.82 in 2023, raising doubts about the short-term solvency. Similar patterns were seen in the fast ratio, which does not include inventories. It dropped to 0.73 in 2023, indicating a significant reliance on inventory to meet short-term obligations. By 2023, the company's solvency metrics—such as its debt-to-equity ratio—had improved and were lower than in previous years, coming in at 0.33. With $2,588 million in 2023, operational cash flow (OCF) improved as a result of increased efficiency. Investing cash flow (ICF), on the other hand, continued to be negative, indicating capital-investments.  
In terms of strategy, Harbour Energy is moving toward more environmentally friendly operations, pledging to cut carbon emissions and funding renewable energy projects. Long-term growth potential is provided by the company's focus on innovation and sustainability, despite financial problems. In order to prosper, Harbour needs to keep improving its financial standing, lessen its reliance on oil prices, and seize market opportunities in renewable energy and technology.

# **INTRODUCTION**

## **BACKGROUND OF COMPANY**

Harbour Energy plc serves as one of Britain’s significant independent oil & gas corporation with main focus on upstream activities like hydrocarbon explorations, extraction as well as production. This corporation originates from 2014 when EIG international energy partners had obtained a North Sea estate (Global Data, 2024). From then onwards, the company has rapidly made expansions via numerous smart acquisitions with inclusion of merger with Chrysaor in distinct regions with inclusion of Southeast Asia, North Sea as well as other international marketplaces. This company has a long term plan of reducing carbon emissions as well as focusing on sustainable energy measures.

## **COMPETITOR COMPANY OVERVIEW**

Major rival company of Harbour Energy plc is ConocoPhillips. This rival company has main headquarters in the US and serves as an international energy business with main focus on discoveries, productivity as well as selling of natural gas & crude oil (ConocoPhillips, 2024). This company currently operates in approximately 15 states and has a huge foothold within the North Sea; this forms the basis of rivalry with Harbour Energy Plc. This company’s extensive portfolio and significant investments in low-carbon energy endeavors has resulted in serious threat to Harbour Energy’s expansive marketable position.

## **INDUSTRY OVERVIEW**

The Harbour Energy plc is engaging in the oil & gas business which serves to be extremely competitive as well as capital-intensive. In past couple of years, this business has dealt with distinct obstacles with inclusion of volatile oil prices, regulatory demands as well as an international trend towards energy from renewable sources. North Sea, wherein this company is presented serves as important area for explorations of oil & gas, but currently its advancing with lesser productions. Many companies like Harbour have made attempts to integrate conventional energy productions with novel projects in CCS (Carbon capture and storage) as well as other sustainable energy tech for meeting international energy transition objectives.

# **FINANCIAL PERFORMANCE ANALYSIS OF HARBOUR ENERGY PLC**

The financial assessment of Harbour Energy plc has been assessed in this portion from 2019-2023, putting a strong focus on essential metrics included like profitability ratios, liquidity ratios as well as overall financial health. The assessment will concentrate on the manner through which companies have managed alterations in the market, specifically caused by covid-19 epidemic in 2020. For more insights into this company’s financial performance 7 resilience amidst the epidemic, we will assess how this company may have handled the resources & dealt with exterior pressures.

## **PROFITABILITY RATIOS**

Financial measures known as profitability ratios are commonly used by investors and financial analysts for evaluating an organization's ability to turn earnings when compared to its revenue, financial resources, operational expenses, and equity held by shareholders over an amount of time. They show the effective way a business makes use of the assets it has to generate revenue and add value for investors (Vipond, 2024).

### **GROSS PROFIT MARGIN**

An organization's gross margin is the percentage representation of gross profit over total sales volume. A higher gross margin allows a company to keep more financial resources (Global Data, 2024). From 2019-2023, Harbour Energy’s profit margins have shifted because of modifications in sales as well as operating expenses. The company has elevated profit margin of 79.6% in 2019 owing to good revenue of $1,584.7 million as well as reduced operating costs of $322.6 million. But, in 2020 this margin declined to 71.1% owing to global epidemic. Year 2021 saw a dramatic decline of 32.2% because of higher costs. Year 2022 saw a rise to 47.6% because sales had elevated to $5,431.2 million. In 2023, this margin reduced to 37.17% which indicates that market will remain to be volatile.

**Formula**: (Revenue - Operating Costs) / Revenue × 100 (Mahdi, 2020)

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **YEAR** | **FORMULA** | **VALUES** | **COMPUTATION** | **GROSS PROFIT MARGIN** |
| **2019** | (Revenue - Operating Costs) / Revenue × 100 | Revenues: $1,584.7m  Operating Costs: $322.6m | $1,584.7m-$322.6m/ $1,584.7m x 100: 79.6 | 79.6% |
| **2020** | Revenues: $949.4m  Operating Costs: $273.8m | $949.4m- $273.8m/$949.4m x 100: | 71.1% |
| **2021** | Revenues: $3,618m  Operating Costs: $2,453.2m | $3,618m- $2,453.2m/ $3,618m x 100: 32.2 | 32.2% |
| **2022** | Revenues: $5,431.2m  Operating Costs: $2,844.8m | $5,431.2m-$2,844.8m/$5,431.2m x 100: 47.6 | 47.6% |
| **2023** | Revenues: $3,751m  Operating Costs: $2,357m | $3,751m- $2,357m/$3,751m X 100: 37.17 | 37.17% |

**TABLE 1- 3.1.1 Gross Profit Margin**

### **NET PROFIT MARGIN**

A business's net profit margin indicates its earnings as the percentage of sales. From 2019-2023 we see fluctuations in Harbour Energy’s net profit margin (Handayani, 2020). In 2019, the net profit margin stood at 10.37% which shows sufficient profitability. The year 2020 was not good for company as there was financial loss reported of -137.1% margin because of global epidemic. This margin was somewhat increased to 2.79% in 2021 still remained low. In 2022, this margin further reduced to 0.15% in spite of increased sales. Harbour’s margin somewhat improved to 0.85% in 202, demonstrating persistent profitability challenges in a highly unstable industry.

**Formula:** (Net Profit/Revenue) x 100 (Budiyanta, 2021)

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **YEAR** | **FORMULA** | **VALUES** | **COMPUTATION** | **NET PROFIT MARGIN** |
| **2019** | (Net Profit/Revenue) x 100 | Revenues: $1,584.7m  Net Profit: $164.3m | ($164.3m/$1,584.7m) X 100: 10.37 | 10.37% |
| **2020** | Revenues: $949.4m  Net Profit: -$1,302.2m | (-$1,302.2m/$949.4m) x 100: -137.1 | -137.1% |
| **2021** | Revenues: $3,618m  Net Profit: $101.1m | ($101.1m/$3,618m) x 100: 2.79 | 2.79% |
| **2022** | Revenues: $5,431.2m  Net Profit: $8.2m | ($8.2m/$5,431.2m) x 100: 0.15 | 0.15% |
| **2023** | Revenues: $3,751m  Net Profit: $32m | ($32m/$3,751m) X 100: 0.85 | 0.85% |

**TABLE 2-3.1.2 Net Profit Margin**

### **RETURN ON ASSET**

(ROA) measures an organization's earnings in relation to its total assets. We can see significant fluctuations in this company’s ROA (Boyte-White, 2024). In 2019, this company showed an ROA of 2.7% which indicates sufficient asset utilization. Nevertheless, in 2020 there was a huge drop of -27.9% because of large net losses owing to epidemic. ROA somewhat rose to 0.7% in 2021 as earnings rebounded, but stayed insignificant. Even though this company had large total asset base, the ROA still reduced to 0.07% in 2022 owing to low net income. In 2023, we see an improvement of 0.32% which states that earning returns from asset base were still an issue.

**Formula:** (Net Income/Net Assets) x 100 (Boyte-White, 2024)

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **YEAR** | **FORMULA** | **VALUES** | **COMPUTATION** | **ROA** |
| **2019** | (Net Income/Total Assets) x 100 | Net Income: $164.3m  Total Assets: $6,092.4m | $164.3m/$6,092.4m x 100: 2.7 | 2.7% |
| **2020** | Net Income: -$1,302.2m  Total Assets: $4,660.0m | -$1,302.2m/$4,660.0m x 100: -27.9 | -27.9% |
| **2021** | Net Income: $101.1m  Total Assets: $14,505m | $101.1m/ $14,505m x 100: 0.7 | 0.7% |
| **2022** | Net Income: $8.2m  Total Assets: $12,566m | $8.2m/$12,566m x 100: 0.07 | 0.07% |
| **2023** | Net Income: $32m  Total Assets: $9,897m | ($32m/$9,897m) X 100: 0.32 | 0.32% |

**TABLE 3-3.1.3 Return on Asset**

### **RETURN ON EQUITY**

ROE is a technique of quantifying the return of a firm on net assets, because equity of shareholders corresponds to a corporation's assets less its liabilities (Team, 2024). From 2019-2023, we have seen fluctuating return on equity of Harbour Energy Plc. In 2019, the corporation showed a very good ROE of 14.52%, which shows good profitability as per shareholder equity. But in 2020, this ROE was reduced to 7.9% owing to – equity. ROE was enhanced to 21.34% in year 2021 because of effective net income as well as recovery in shareholder equities. But, in 2022 this ROE fell to 0.8% which shows a small return in spite of increasing equity. ROE showed marginal increase of 2.08% in 2023 which shows modest enhancement but constant issues in delivering returns for shareholder.

**Formula**: (Net Income/Shareholder’s Equity) X 100 (Wall Street , 2024)

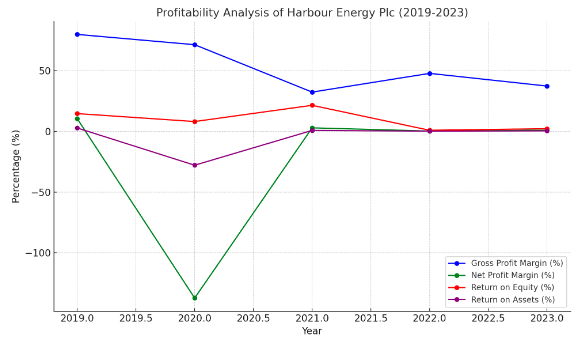
|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **YEAR** | **FORMULA** | **VALUES** | **COMPUTATION** | **ROE** |
| **2019** | (Net Income/Shareholder’s Equity) X 100 | Net Income: $164.3m  Shareholder’s Equity: $1,131.5m | $164.3m/$1,131.5m X 100: 14.52 | 14.52% |
| **2020** | Net Income: -$1,302.2m  Shareholder’s Equity: -$162.9m | -$1,302.2m/-$162.9m X 100: 7.99 | 7.99% |
| **2021** | Net Income: $101.1m  Shareholder’s Equity: $473.5m | $101.1m/$473.5m X 100: 21.34 | 21.34% |
| **2022** | Net Income: $8.2m  Shareholder’s Equity: $1,021.3m | $8.2m/ $1,021.3m X 100: 0.8 | 0.8% |
| **2023** | Net Income: $32m  Shareholder’s Equity: $1,540m | $32m/1,540m X 100: 2.08 | 2.08% |

**TABLE 4-3.1.4 Return on Equity**

### **OVERALL INTERPRETATIONS**

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Year | Revenue ($m) | Gross Profit ($m) | Net Profit ($m) | Equity ($m) | Assets ($m) | Gross Profit Margin (%) | Net Profit Margin (%) | Return on Equity (%) | Return on Assets (%) |
| 2019 | £1,584.7 million | £1,262.1 million | £164.3 million | £1,1315  million | £6,092.4  million | 79.65% | 10.37% | 14.52% | 2.7% |
| 2020 | £949.4million | £675.6 million | £1,302.2  million | £-162.9 million | £4,660  million | 71.18% | -137.19% | 7.99% | -27.94% |
| 2021 | £3,618.0million | £1,164.8  million | £101.1 million | £473.5 million | £14,505 million | 32.2% | 2.79% | 21.34% | 0.7% |
| 2022 | £5,431.2million | £2,586.4  million | £8.2 million | £1,021.3 million | £12,566  million | 47.6% | 0.15% | 0.8% | 0.07% |
| 2023 | $3,751 million | £1,394.  million | £32.0 million | £1,540 million | £9,897  million | 37.17% | 0.85% | 2.08% | 0.32% |

**TABLE 5-3.1.5 Overall Interpretations**

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**Figure 1: Analysis of Profitability Ratios**

In the figure, we can see significant variations in this company’s profitability ratios from 2019 to 2023. First of all, the gross profit margin was ugh at 76.95% in 2019 but fell significantly due to global pandemic affecting all markets. It was decline to 32.2% in 2021 and rose somewhat to 37.17% IN 2023. Furthermore, the net profit margin showed distinct variations like peak of 10.37% in 2019 but this variation was declined to -137.19% in 2020 because of epidemic. Net profit margin was increased somewhat in 2023 (0.85%). There were significant fluctuations in ROE as it was at peak in 2021 i.e. 21.34% before reducing to 2.08% in year 2023. Lastly, ROA showed variations like 21.34% in 2021 and fell to 2.08% in 2023. ROA was seen to be constantly low. This indicates the company’s profitability problems would remain to be in spite of recovery efforts being done.

### **ALTMAN Z-SCORE**

A financial model called the Altman Z-Score is used to forecast a company's risk of going insolvent. It assesses the financial well-being of an organisation by taking profitability, leverage, liquidity, and efficiency into account. The score aids in evaluating the degree of risk and the capacity of an organisation to handle financial challenges (stablebread, 2024). The Altman Z-Score for Harbour Company Plc from 2019 to 2023 illustrates the company's resilience throughout the pandemic and its slow post-pandemic recovery.

**Formula:** ​ζ = 1.2A + 1.4B + 3.3C + 0.6D + 1.0E (stablebread, 2024)

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **YEAR** | **Working Capital ($m)** | **Retained Earnings ($m)** | **EBIT ($m)** | **Total Assets ($m)** | **Total Liabilities ($m)** | **SALES** | **MVE** | **Z-Score** |
| 2019 | $1,155.6 million | $619.0 million | $455.0 million | $1,941.0 million | $4,960.9 million | $1,596.5 million | £538.8million | 2.824 |
| 2020 | $1,155.6 million | $650.3 million | $343.8 million | $1,721.3 million | $4,822.9 million | $949 million | £174.3million | 1.248 |
| 2021 | $1,318.4 million | $762.6 million | $640 million | $14,505 million | $14,031 m | $3,451 million | £3,210.77 million | 0.7544 |
| 2022 | $1,057 million | $3,829.5 million | $2,541 million | $12,566 million | $11,545 m | $5,431 million​ | £4,585.16 million | 1.9356 |
| 2023 | −54 million | $1,080 m | $2,144 m | $9,897 m | $8,357 m | $2,144 m | $3,517.12 million | 1.33 |

**TABLE 6-3.1.6 Altman Z-score**

The Harbour Energy’s Altman z-score serves as a critical assessment of financial sustenance, which was seen to have variations from 2019-2023. The score has indicated significant financial distress. The Altman z-score of 2019 stood at 2.84 which indicates generally secure zone with reduced insolvency probability. But, in 2020 this score reduced significantly to 1.248 giving an inclination of financial strain owing to global epidemic as well as reduced revenues. This score was declined to 0.7544 in 2021 which out our Harbour corporation in severe risk, as liabilities were increased alongside considerable asset increase. In 2022, z-score was seen to have improved somewhat to 1.9356 which indicates substantial enhancement but was still short of safe zone i.e. 2.99. Lastly, year 2023 saw a low z-score of 1.33 which suggests constant financial fragility. All in all, this Altman Z-score assessment has indicated that Harbour company saw enhanced financial risks over the time frame 2019-2023, specifically in 2020 & 2021, in spite of insignificant recovery in the years that followed.

## **LIQUIDITY RATIOS**

### **CURRENT RATIO**

From 2019-2023, Harbour Energy’s current ratio which assesses the company’s capability to pay short-term liabilities with short-term assets has seen severe variations. The current ratio in 2019 was 0.93 which suggests that Harbour had approximately sufficient assets to meet the liabilities but fell a little short of optimum criteria i.e. 1.0. In 2020, this ratio was tumbled to 0.14 which shows liquidity stress because current optimum had surpassed the current assets. 2021 saw an improved situation of 1.86. The ratio again reduced to 0.52 in 2022 but was somehow rebounded to 0.82 in 2023. However, persistent liquidity problems existed.

**Formula:** Current Assets/Current Liabilities (Hayes, 2024)

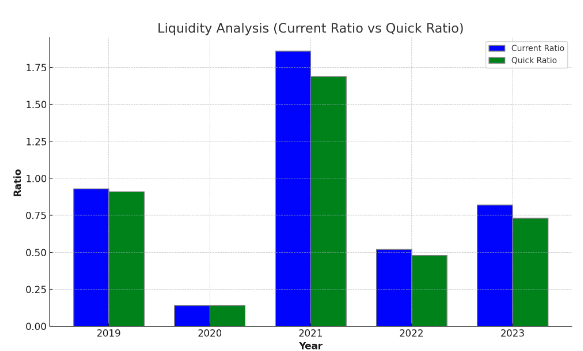
### **QUICK RATIO**

Removing inventory, the fast ratio assesses liquidity and displays the company's ability to meet urgent demands without relying on stock sales. In 2019, this company had quick ratio of 0.91 which indicates reduced capability of fulfilling urgent liabilities. In 2020, it remained to be extremely low i.e. 0.14 which shows significant liquidity problems. 2021 saw a quick ratio of 1.69% which suggests the firm has sufficient liquidity assets of satisfying the creditors without any dependence on inventory sales. But, in 2022 quick ratio declined to 0.48 with a marginal increase of 0.73 in 2023 which suggests that liquidity problems are still persistent, with this firm hugely depending on inventories for meeting short-term commitments.

**Formula:** Current Assets-Inventory/Current Liabilities (Seth, 2024)

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **YEAR** | **FORMULA** | **VALUES** | **COMPUTATION** | **CURRENT RATIO** | **QUICK RATIO** |
| **2019** | Current Ratio = Current Assets / Current Liabilities | Current Asset: $648.6 m  Current Liabilities: $696.8 m  Inventories: $16.3m | $648.6 m/$696.8 m: 0.93  $648.6 m- $16.3m/ $696.8 m: 0.91 | 0.93% | 0.91% |
| **2020** | Current Asset: $414.2 m  Current Liabilities: $2,883.3 m  Inventories: $12.7 m | $414.2 m/$2,883.3 m: 0.14  $414.2 m-$12.7 m/$2,883.3 m: 0.14 | 0.14% | 0.14 |
| **2021** | Current Assets: $2,294 m  Current Liabilities: $1,235 m  Inventories: $211.4 m | $2,294 m/$1,235 m:1.86  $2,294 m-$211.4 m/$1,235 m: 1.69 | 1.86% | 1.69% |
| **2022** | Current Assets: $2,127 m  Current Liabilities: $4,096 m  Inventories: $143 m | $2,127 m/$4,096 m: 0.52  $2,127 m-$143 m/$4,096 m:0.48 | 0.52% | 0.48% |
| **2023** | Current Assets: $1,816 m  Current Liabilities: $2,212 m  Inventories: $200 m | $1,816 m/$2,212 m: 0.82  $1,816 m-$200 m/$2,212 m: 0.73 | 0.82% | 0.73% |

**TABLE 7-3.2 Liquidity Ratios**

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**Figure 2: Liquidity Analysis**

## **EFFICIENCY RATIOS**

### **ASSET TURNOVER**

The asset turnover ratio measures an organization's ability to generate profits from its assets. For instance, Harbour Energy’s asset turnover ratio which ranged from 0.28 to 0.38 from 2019-2023 has indicated inconsistent asset utilization for production of income. The asset turnover ratio peaked at 0.45% in 2020 but then declined again in 2023. This indicates the firm’s failure in sustaining optimal asset utilization as the assets increased.

**Formula:** Revenue/Total Assets (Ebony, 2024)

### **INVENTORY TURNOVER**

The inventory turnover ratio illustrates how frequently the company replaces and sells its inventory over time. The inventory ratio of Harbour company declined from 58.2% to 12.7% from 2019 to 2023. This shows decline in inventory management & sales efficiencies. The significant decline in 2021 and afterwards, specifically in 2023 at 12.7% showed a slower inventory turnover. The reason behind is reduced sales as well as surplus inventories.

**Formula:** Cost of Goods Sold/Average Inventory (Team, 2024)

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **YEAR** | **FORMULA** | **VALUES** | **COMPUTATION** | **ASSET TURNOVER** | **INVENTORY TURNOVER** |
| **2019** | **Asset Turnover=** Revenue/Total Assets  **Inventory Turnover=** Cost of Goods Sold/Average Inventory | Revenue: $1,505 m  Total Assets: $5,367 m  COGS: $949 m  Average Inventory: $16.3 m | $1,505 m/$5,367 m:0.28  $949/$16.3: 58.2 | 0.28% | 58.2% |
| **2020** | Revenue: $2,089 m  Total Assets: $4,634 m  COGS: $1,027 m  Average Inventory: $12.7 m | : $2,089m/$4,634: 0.45  $1,027/$12.7: 68.5 | 0.45% | 68.5% |
| **2021** | Revenue: $3,618 m  Total Assets: $14,505m  COGS: $2,453 m  Average Inventory: $211.4 m | $3,618/$14,505: 025  $2,453/$211.4: 22.2 | 0.25% | 22.2% |
| **2022** | Revenue: $5,431 m  Total Assets: $12,566 m  COGS: $2,845 m  Average Inventory: $143 m | $5,431/$12,566: 0.43  $2,845/$143: 15.2 | 0.43% | 15.2% |
| **2023** | Revenue: $3,751 m  Total Assets: $9,897 m  COGS: $2,357 m  Average Inventory: $200 m | $3,751/$9,897: 0.38  $2,357/$200 m: 12.7 | 0.38% | 12.7% |

**TABLE 8-3.3 Efficiency Ratios**

## **SOLVENCY RATIOS**

### **DEBT TO EQUITY RATIO**

The debt-to-equity ratio of Harbour Energy varied substantially between 2019-2020. It stood at 1.93 in 2019 which shows huge reliability on debts. The ratio elevated to 13.4% in 2020 owing to – equity which indicates financial sustenance. By 2023, it had enhanced to 0.33 which shows reduced debt levels as well as a higher equity stance.

**Formula:** Total Debt/ Shareholders’ Equity (Global Data, 2024)

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **YEAR** | **FORMULA** | **VALUES** | **COMPUTATION** | **DEBT TO EQUITY RATIO** |
| 2019 | Total Debt/ Shareholders’ Equity | Total Debt= $2,187.9m  Shareholder’s Equity= $1,131.5 m | $2,187.9m/$1,131.5 m: 1.93 | 1.93% |
| 2020 | Total Debt= $2,186.7  Shareholder’s Equity= $(162.9)m | $2,186.7/$(162.9)m: | 13.4% |
| 2021 | Total Debt= $2,886 million  Shareholder’s Equity=$474 m | $2,886 m/$474 m: 6.09 | 6.09% |
| 2022 | Total Debt= $1,238m  Shareholder’s Equity=$1,021 m | $1,238m/$1,021 m: 1.21 | 1.21% |
| 2023 | Total Debt= $509 m ​  Shareholder’s Equity=$1,540 m | $509m/$1,540m: 0.33 | 0.33% |

**TABLE 9-3.4 Solvency Ratios**

## **CASH FLOW RATIOS**

The three types of cash flows are:

### **OPERATING CASH FLOW**

The OCF of Harbour Energy varied from $874m in 2019 to $2588m in 2023. The company showed – OCF in 2020 at -$20.3m, reason behind the huge losses that year because of Covid. OCF improved a little in 2021 to $2985.4m boosted by improved net income & cash adjustments. It stayed solid in 2022 & 2023, showing that company as elevated operational efficiencies, specifically through good working capital administration.

**Formula:** Net Income+ Non-Cash Expenses + Changes in Working Capital (Team, 2024)

### **INVESTING CASH FLOW**

The ICF of Harbour Energy has shown persistent negativity which culminated at -$644m in 2021 owing to large capital expenditures. In 2023, ICF enhanced marginally to -$677m which shows slow investments. The constant negative ICF has shown Harbour’s continued focus on capital investments for expanding further.

**Formula:** Cash inflows from sale of Assets−Cash outflows for purchase of assets

### **FINANCING CASH FLOW**

The FCF of Harbour Energy showed variation with a significant influx of $1113.4m in 2020 because the debts had increased. The FCF was – in 2019 & 2020, but showed improvement in 2023 which reflects reduced debt repayments as well as healthier financial position.

**Formula:** Cash inflows from debt/Equity−Cash outflows for dividends/repayment of debt

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **YEAR** | **FORMULA** | **VALUES ($m)** | | **COMPUTATION** |
| **2019** | **OCF**= Net Income+ Non-Cash Expenses + Changes in Working Capital  **ICF**= Cash inflows from sale of Assets−Cash outflows for purchase of assets  **FCF**= Cash inflows from debt/Equity−Cash outflows for dividends/repayment of debt | Net-Income: $164.3  Change in WC: -$48.2  Non-cash Expenses: $757.9 | COPA= $241.4m  CID/E= $0m  COD/R= $46.5m | OCF= $164.3+ $757.9+ (-$48.2): 874  ICF= $0m- $241.4m: -241.4  FCF= $0m- $46.5m: -46.5 |
| **2020** | Net-Income= $(1,302.2) CISA= $38.5m  Change in WC= $610.6  Non-cash Expenses= $671.3 | COPA= $26.6m  CID/E= $1202m  COD/R= $88.6m | OCF= $(1,302.2) + $671.3 + $610.6: $-20.3m  ICF= $38.5m - $266.6m: -$228.1m  FCF= $1,202m - $88.6m: $1,113.4m |
| **2021** | Net-Income= $1,614, CISA= $0m  Changes in WC= $53  Non-cash Expenses= $1,318.4 | COPA= $644m  CID/E= $0m  COD/R= $365m | OCF= $1,614 + $1,318.4 + $53: $2,985.4m  ICF= $0m - $644m: -$644m  FCF= $0m - $365m: -$365m |
| **2022** | Net-Income= $8 m CISA= $0m  Changes in WC= $199  Non-cash Expenses= $1318 million. | COPA= $634m  CID/E= $0m  COD/R= $396m | OCF= $8 + $1,318 + $199: $1,525m ICF= $0m - $634m: -$634m FCF= $0m - $396m: -$396m |
| **2023** | Net-Income= $32 CISA= $41m  Changes in WC: $199  Non-cash Expenses= $2,357 m | COPA= $718m  CID/E= $509m  COD/R= $409m | OCF= $32 + $2,357 + $199: $2,588m ICF= $41m - $718m: -$677m FCF= $509m - $409m: $100m |

**TABLE 10 (A)-3.5 Cash Flow Ratios**

|  |  |  |  |
| --- | --- | --- | --- |
| **YEAR** | **OCF** | **ICF** | **FCF** |
| **2019** | 874m | -241.4m | -46.5m |
| **2020** | -$20.3m | -$228.1m | $1,113.4m |
| **2021** | $2,985.4m | -$644m | -$365m |
| **2022** | $1,525m | -$634m | -$396m |
| **2023** | $2,588m | -$677m | $100m |

**TABLE 10 (B)- 3.5 Cash Flow Ratios**

## **COMPANY AND ITS COMPETITORS**

|  |  |  |  |
| --- | --- | --- | --- |
| **Metric** | **Harbor Energy** | **ConocoPhillips** | **Helmerich & Payne (H&P)** |
| Revenue | $3.75 Billion | $83.6 Billion | $2.87 Billion |
| Gross-Profit Margin | 37.17% | 17.22% | 40.76% |
| Net-Profit Margin | 0.85% | 13.15% | 22.63% |
| ROE | 2.08% | 22.92% | 15.70% |
| ROA | 0.32% | 11.46% | 10.12% |
| Debt-to-Equity Ratio | 0.33% | 36.4% | 19.7% |
| Asset Turnover | 0.38% | 0.87 | 0.66 |
| Inventory Turnover | 12.7% | 17.4% | 18.05 |
| Current Ratio | 0.82% | 1.43% | 1.40% |
| Quick Ratio | 0.73% | 1.21% | 1.90% |

**TABLE 11-3.6 Company Competitors**

# **NON-FINANCIAL PERFORMANCE ANALYSIS**

The non-financial performance of Harbour Energy specifically in terms of ESG issues is very important for determining this firm’s long-term sustenance & corporate responsibilities.

## **ENVIRONMENTAL IMPACT**

This company for its oil & gas business in under assessment for the ecological imprint. The company has made devotion to reducing GHG i.e. greenhouse gas emissions by incorporating cleaner technologies as well as enhancing operational efficiencies. Harbour Energy has made announcements of its ambitions to attain net-zero emissions by 2050 which is in correspondence to international push for decarburization (Quaintel, 2024). The company plan incorporates various initiatives like CCS (Carbon Capture & Storage) as well as methane emission reduction. But, many rivals have made statements that the company should speedup up its transition to renewable energies in order to remove its environmental impact.

## **SOCIAL RESPONSIBILITY**

The company values social responsibility whilst promoting a safer and more inclusive working environment. The firm is maintaining a lower incidence rate by incorporating strict safety standards & assists local communities by making investments in worker & infrastructure enhancement. But, it also faces societal issues like the ones related to environmental degradation along with displacement in regions where company operates.

## **GOVERNANCE**

The Harbour Energy conforms to Britain governance norms, which ensures transparencies as well as accountability via strict board supervision. It maintains diversification in leadership as well as distinct standards on executive compensations, risk administration along with anti-corruption. But, enhanced expectations for improved ESG disclosures along with dealing with shareholder activism may offer constant governance issues.

# **PESTLE ANALYSIS**

## **POLITICAL**

The company is working in highly regulated business shaped by international as well as local energy policies. Modifications in government rules, taxations along with trade policies have direct effect on oil & gas industry’s activities. The political instability in oil rich countries along with energy export restrictions could have an impact on this company’s supply chain & profitability.

## **ECONOMIC**

Oil price shocks along with global demand could have huge impact on company’s income. As it operates on an international scale, the company has to deal with currency fluctuations too. Interest rates, inflation as well as economic slowdowns in major areas could increase operating expenses & diminish consumer demand for energies.

## **SOCIAL**

As public concern about climate change develops, there is rising societal pressure for Harbour to transition to greener energy sources. Furthermore, communities touched by oil exploration may suffer environmental and socioeconomic issues, therefore corporate social responsibility must be a top priority for the corporation in order to retain a good social license to operate.

## **TECHNOLOGICAL**

Technological developments in energy efficiency and renewable energy sources present both a problem and an opportunity to Harbour Energy. Investment in emerging technologies such as carbon capture and storage (CCS) is critical for maintaining competitiveness while adhering to emissions laws. Failure to adapt may lead to operational inefficiencies and higher expense

## **LEGAL**

Harbour must adhere to strict environmental, health, and safety requirements, as well as labor laws in its operating countries. Noncompliance might result in hefty penalties, legal battles, or the loss of operating licenses. Furthermore, rising ESG regulations need increased openness in reporting procedures.

## **ENVIRONMENTAL**

Harbour, which operates in the fossil fuel business, is facing increased scrutiny for its environmental effect, notably in terms of carbon emissions and ecological destruction. The corporation must continue to invest in sustainable practices in order to reduce environmental hazards and fulfil global climate targets.

# **SWOT ANALYSIS**

## **STRENGTHS**

* Harbour Energy has a diversified portfolio of oil & gas assets across various geographies, reducing reliability on any one area or resource (Market Research, 2024).
* The company has effective management team as well as technical information to assist in ensuring efficient operations & innovations in explorations or productivities.
* Company has good reputation and numerous partnerships in oil & gas industry’ this may assist in helping with business growth & collab.

## **WEAKNESSES**

* Harbour Energy’s financial situation is not very good as compared to its competitors which has restricted the capacity to make investments in more projects.
* When oil prices are reduced, expenses of exploration, drills as well as productions could be quite significant.
* Company’s dependency on oil prices. Company’s performance can be affected by international oil price modifications which may have influence on revenue stabilities.

## **OPPORTUNITIES**

* Investing in renewable energy and environmental procedures have the ability to drive growth and diversify income streams.
* Emerging extraction and production technologies have the potential to lower operational costs while increasing efficiency.
* Opportunities for collaboration and joint ventures may give rise to new markets and improved technology.

## **THREATS**

* Oil price fluctuations can have a detrimental influence on revenues and profitability.
* Increasing environmental restrictions and efforts to reduce carbon emissions might result in greater compliance costs and operating difficulties.
* Global economic instability or geopolitical conflicts can have an impact on market conditions and reliability in operation.

## **STRENGTHS VS OPPORTUNITIES**

The company’s diversification in asset base along with operational experiences could enable the company to capitalize on renewable energy investment chances & technological enhancements. Such qualities could enable our company to discover more income streams and enhance operational efficiencies which shows alignment with energy industry overall trend towards sustenance & innovations.

## **WEAKNESSES VS THREATS**

Poor financial situation & elevated operating costs could expose the company to external pressures like unstable oil prices & severe environmental demands. Such concerns can aggravate financial constraints & operational problems which makes it difficult for the corporation to control costs while making profits in a highly volatile marketplace.

# **ANALYSIS OF NEW PLANS AND STRATEGIES**

The Harbour Energy plc has been working to diversify its portfolio by making investments in renewable energy projects which might reduce dependence on oil & gas. The strategic adjustment’s main aim is to coincide with international sustenance trends & to attract environmental conscious investors. The company is in search of advanced technology for improving operational efficiencies and reductions in manufacturing expenses. Joint ventures & strategic alliances are being made for more accessibility to novel markets & creative remedies. The company is making cost optimization its main priority and planning financial restructuring for strengthening of financial position along with resistance to marketable volatility. The new plans & strategies have objective of positioning Harbour Energy plc for long-term growth & stabilities in a vastly shifting energy industry.

# **CONCLUSION**

It has been concluded hereby that the Harbour Energy’s financial analysis from 2019 to 2023 has indicated fluctuating profitability, liquidity issues and moderate improvements. Even though operational expenses along with market volatility is constantly a major issue for the company, long-term opportunities are provided by initiatives like reduction in carbon emissions & promoting sustenance. Growth & stability in financed depends on constant strategic modifications.

# **RECOMMENDATIONS**

* Company should focus on improving working capital management to increase liquidity.
* To diversify the income sources, this company should put money into renewable energy projects.
* Boost operational effectiveness with cutting-edge technologies.
* To reduce the risks associated with changes in oil prices, increase financial reserves.
* Boost environmental disclosures and governance to keep up with global sustainability trends.
* Investigate joint partnerships as a way to enter new markets and spur innovation.

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