Business Analytics Course Work (Math 513)
Financial Analysis of Rightmove PLC and WPP PLC

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Introduction

Understanding the financial landscape of organizations across many sectors is essential for stakeholders and investors in the dynamic world of global business (Palepu et al., 2022). Companies can assess their financial performance using financial statements as a tool (Elliott & Elliott, 2021). By providing insight into the company's past and present, this research helps management make future projections based on financial data that is now accessible (Bragg, 2019). By comparing an organization's current financial situation to that of other companies, financial analysis enables firms to meet better performance requirements (Barton et al., 2022).

In financial analysis, assessing and contrasting the financial and market data of two businesses sheds light on their operational efficacy and fiscal stability (O'Sullivan et al., 2022). It provides investors and stakeholders with the crucial data needed to make investment decisions by assessing growth prospects, competitive position, and other important criteria (Penman, 2021).

A thorough examination of potential investment opportunities is necessary for making educated judgments in the ever-changing financial markets. The main goal of this report is to conduct a detailed financial analysis of Rightmove PLC and WPP PLC using data obtained from the company's website. Several packages in R, a free software environment for statistical computing and graphics (R Core Team 2022), and Microsoft Excel (Microsoft 365) were used to analyze aggregates derived from these financial statements.

The specific objectives include:

i. To use horizontal and vertical analysis of their financial statements in determining the organizations' financial trajectories and performance.

ii. To use key financial ratios to provide information on liquidity, profitability, and gearing of the two companies.

iii. To use the Capital Asset Pricing Model (CAPM) in evaluating each company's risk and expected return to determine whether they are overvalued or undervalued.

iv. To provide useful recommendations using the findings from the analysis of the financial statement of Rightmove PLC and WPP Plc.

Company Profiles

Company Profile Rightmove PLC

Residential properties for sale are made possible by Rightmove plc, the company that runs Rightmove.co.uk, the leading online property portal in the UK utilized by estate agents and house sellers. Serving most of the UK residential property market, Rightmove was founded in 2000 and has its headquarters in London (Rightmove, 2023). In 2023, Rightmove's market value exceeded £5 billion, as it is a publicly traded corporation on the London Stock Exchange (London Stock Exchange, 2023).

Rightmove, a leading real estate platform, is utilized by over 90% of UK estate agents for property listings (Rightmove, 2023). Much of its revenue, as per the 2022 Annual Report, comes from fees charged to real estate firms for premium advertising and listings. In 2023, Rightmove sustained its market leadership with 55 million monthly site visitors, supported by nationwide multi-year agency agreements.

Rightmove PLC total assets of 101.76m dropped by 5.82m in 2022 from 107.58 in 2021. Their Current Assets were valued at 67.80m in 2022 compared to 72.28m in 2021. This again signified a drop of 4.48m in 2022 compared to 2021. Non-Current Assets dropped from 35.30m in 2021 to 33.96m in 2022, a decrease of 1.34m. RMV’s current liabilities dropped by 2.10m from 27.63m in 2021 to 25.53m in 2022 also the Stockholders Equity dropped by 2.37m from 70.53m in 2021 to 68.16m in 2022 (Rightmove Annual Report, 2022)

In addition, the income statement of Rightmove showed Sales and Net Revenue in 2022 was 332.62m which was 27.74m more than 2021. Selling General and Administrative expenses increased by 12.49m in 2022 to 91.28m compared to 78.79m in 2021. Net Operating Income Expense reduced significantly by 390,000, from 451,000 in 2021 to 61,000 in 2022. Finally, there was also a slight increase in the Income Tax Expense Benefit in 2022 at 45.60m compared to 42.55m denoting a 3.05m increase (Rightmove Annual Report, 2022).

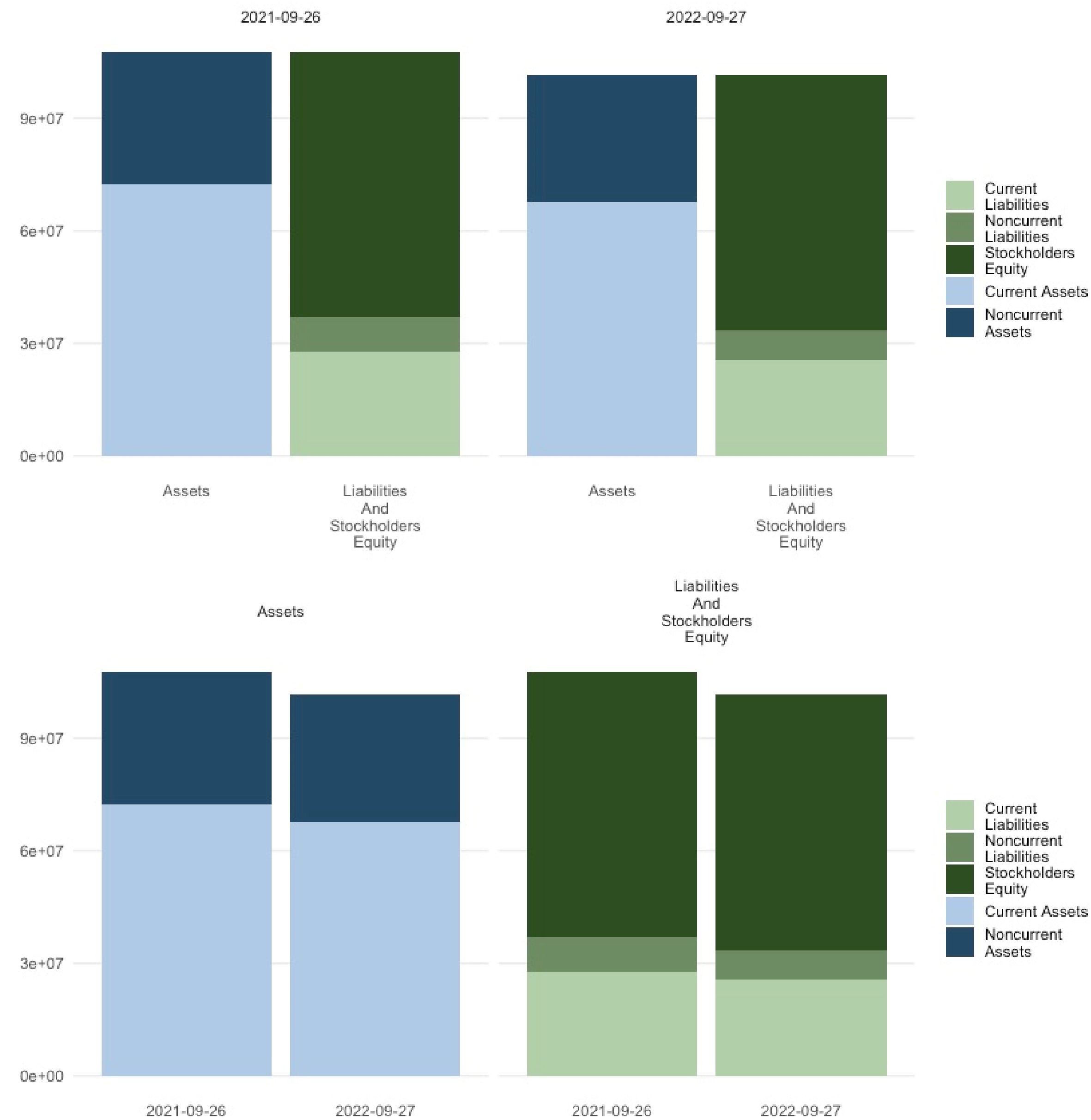

Figure 1: Rightmove Plc Assets and Liabilities (2021/2022)

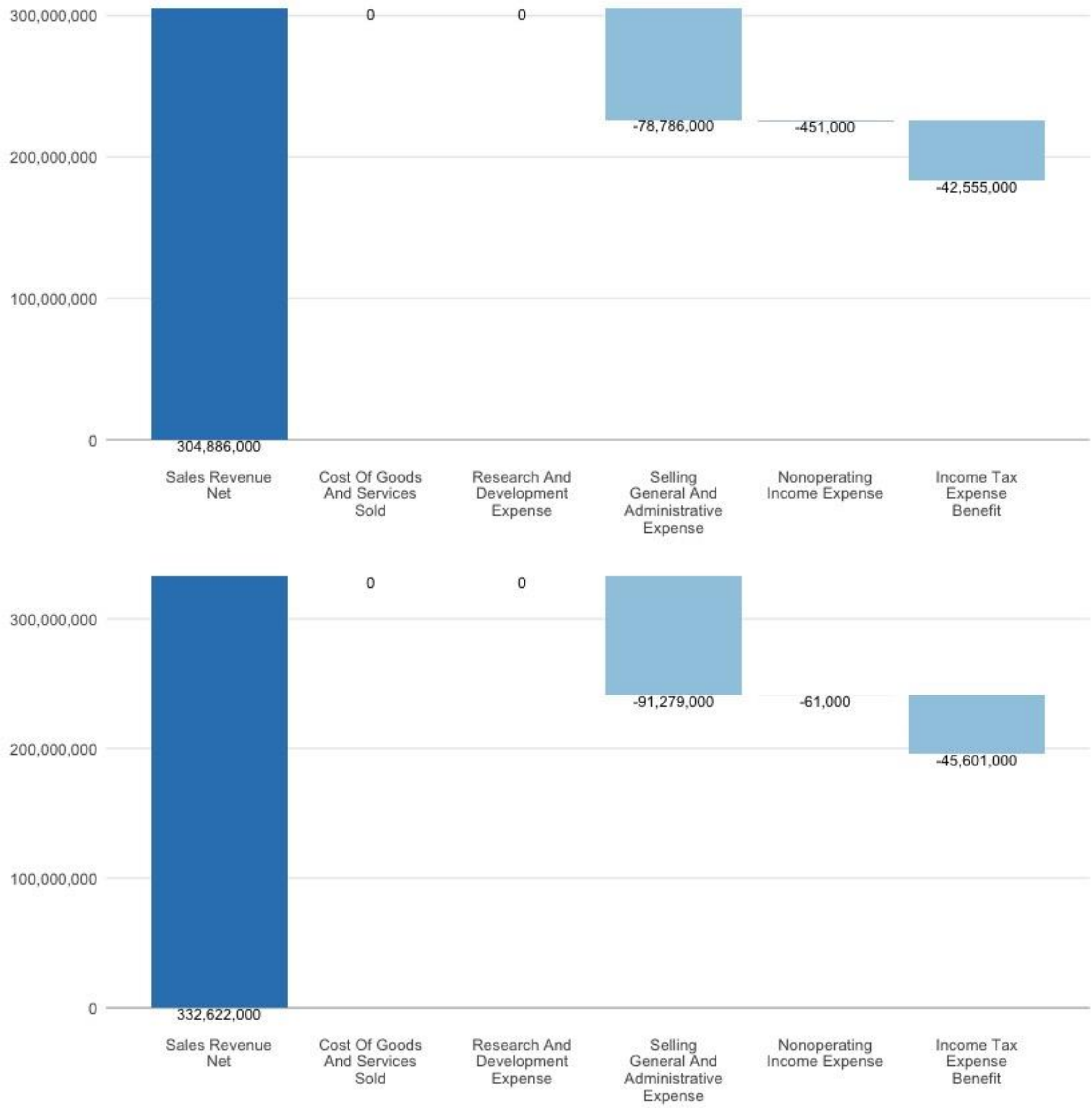

Figure 2: Rightmove Plc Revenue and Expenses (2021/2022)

Company Profile WPP PLC

The greatest problem and greatest potential both come from the internet's rise as the essential marketing medium (Shen, 2002; Schwartz, 1998). In a short amount of time, the internet has transformed into a powerful middleman for advertisers when it comes to branding and direct marketing (Shen, 2002). With its headquarters located in London, WPP plc is a multinational communications, advertising, and public relations business. Since its founding in 1985, WPP has expanded to employ over 100,000 people in 112 countries and is now the largest advertising group in the world in terms of revenue (WPP, 2022). Numerous of the top media, communications, and creative firms in the world, including Ogilvy, Wunderman Thompson, GroupM, Mindshare, Wavemaker, and Hill Knowlton Strategies, are owned by WPP (WPP Annual Report, 2021). Operating as a holding company, WPP offers a wide range of branding, design, communications, digital, data, and marketing services to clients worldwide through its numerous creative agencies. Leading companies use WPP agencies to launch products, manage reputations, create commercial possibilities, interact with consumers, and draw in talent (WPP, 2022).

WPP uses data analytics to support the planning, development, and management of communications campaigns, which generates over £10 billion in revenue annually (WPP, 2022). WPP PLC total assets of 28.82m increased by 0.95m in 2022 from 27.87 in 2021. Their Current Assets were valued at 15.10m in 2022 compared to 15.34m in 2021 denoting a drop of 0.24m in 2022. Their Non-Current Assets increased from 12.53m in 2021 to 13.72m in 2022, an increase of 1.19m. WPP's current liabilities increased by 1.22m from 16.49m in 2021 to 17.71m in 2022 also the Stockholders Equity increased by 0.09m from 4.07m in 2021 to 4.16m in 2022 (WPP Annual Report, 2022).

In addition, the income statement of WPP showed Sales and Net Revenue in 2022 was 14.43m which was 1.63m more than 12.80m in 2021. Selling General and Administrative expenses increased by 0.21m in 2022 to 1.18m compared to 0.97m in 2021. The Net Operating Income Expense reduced significantly by 0.08m in 2022. Finally, from the income statement, there was also a slight increase in the Income Tax Expense Benefit in 2022 at 0.38m compared to 0.23m denoting a 0.15m increase (WPP Annual Report, 2022).

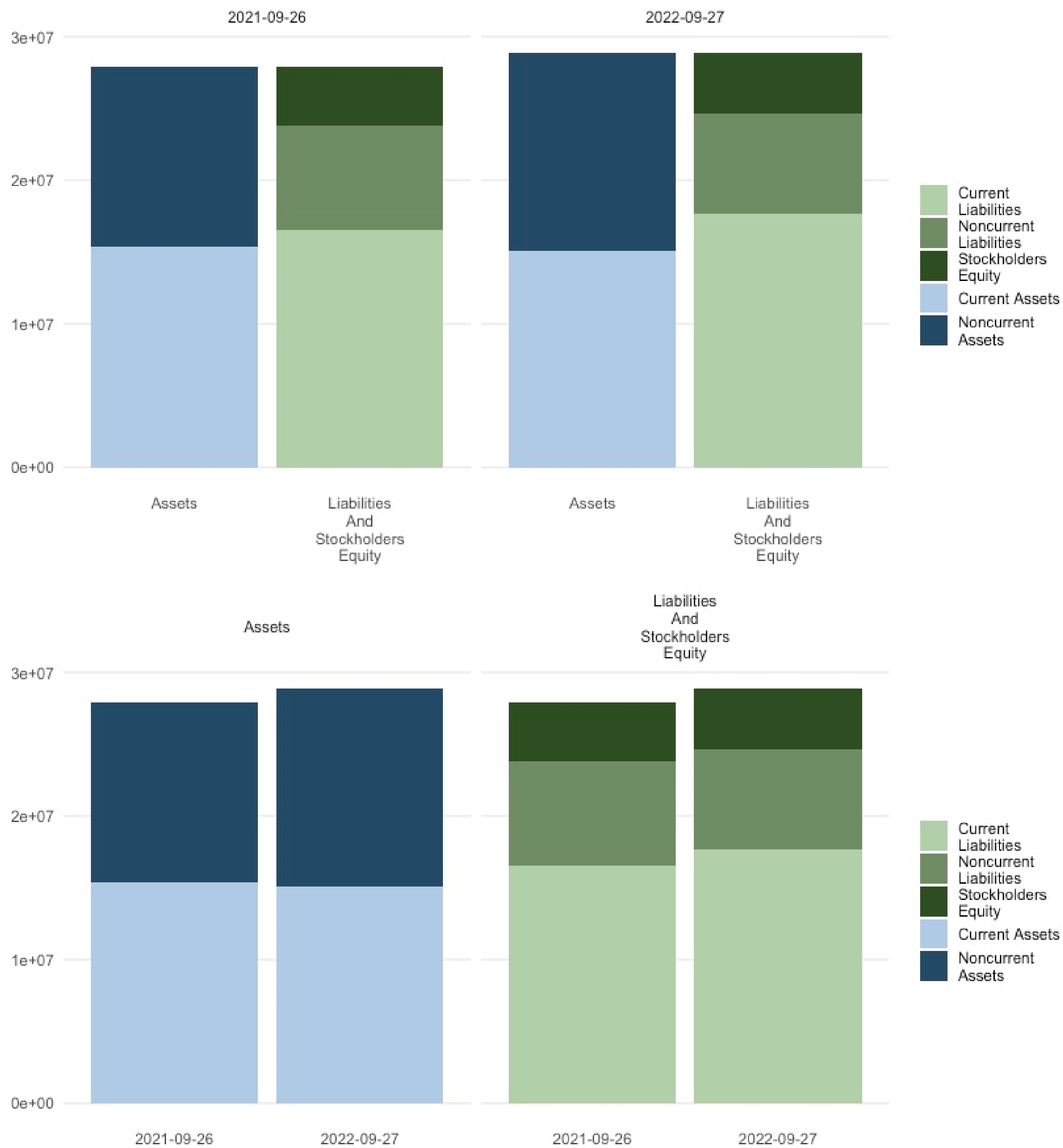

Figure 3: WPP Assets and Liabilities (2021/2022)

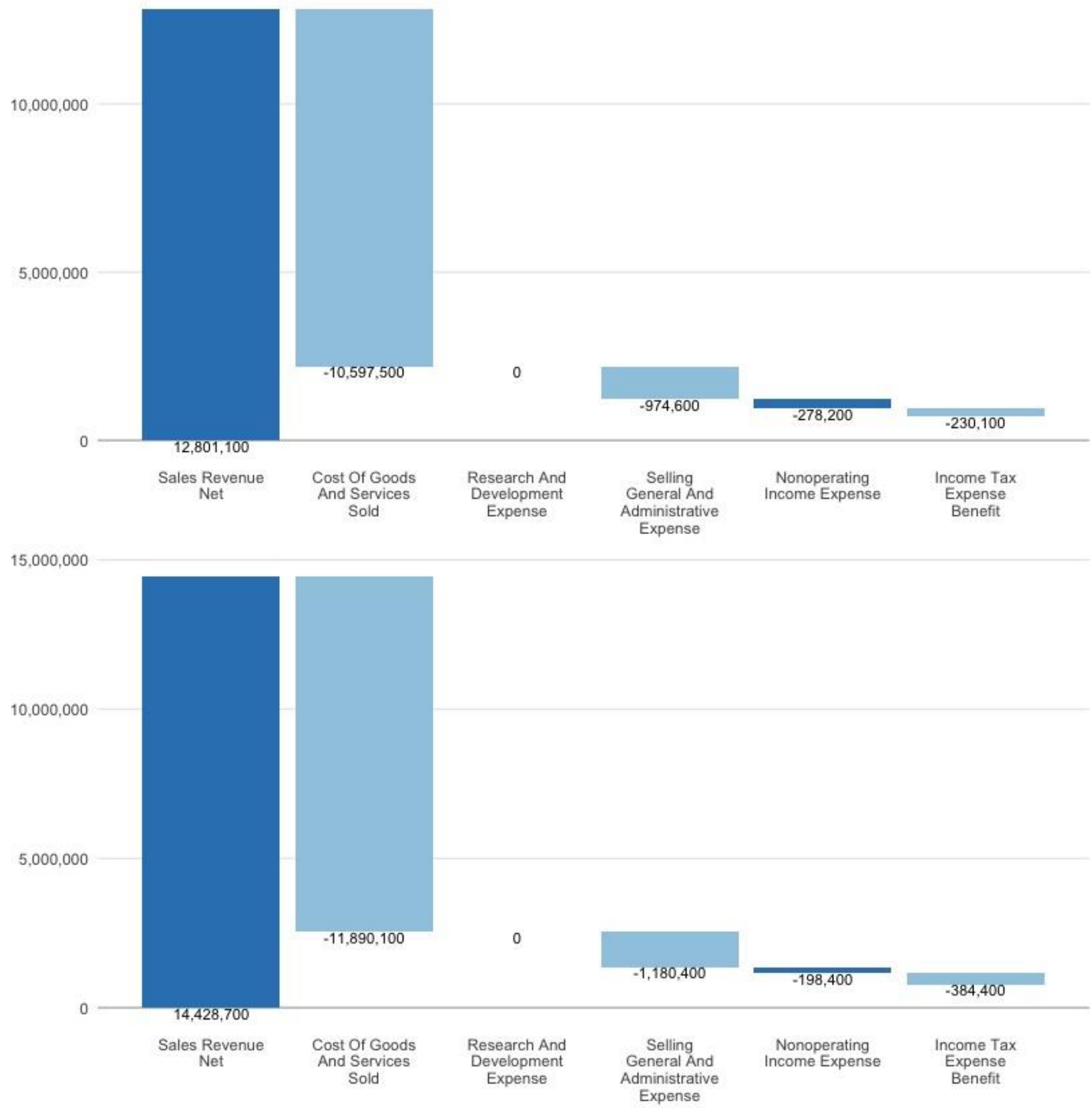

Figure 4: WPP Revenue and Expenses (2021/2022)

Analysis of Financial Statements and Financial Ratios

For fair benchmarking between Rightmove and WPP, take size disparities into consideration and use vertical analysis to translate financial statements into a common-size format (Brooks, 2015), thereby expressing each item as a percentage of a base figure Net Sales for the income statement and Assets for the balance sheet. Insights into the financial performance and growth trends of the firms are also provided by the horizontal study of the financial statements of Rightmove and WPP. For this investigation, financial statements that were obtained from the websites of the companies were used.

Revenue and Operating Expenses

Rightmove grew their revenues by 9.10% in 2022. This could have been because of a rise in the number of property transactions as property listings and transactions on the platform could contribute to higher revenue, also expansion either by entering new geographic areas or by introducing new features and services could have attracted users and client which has in turn increased revenue. WPP also grew its revenue by 12.71% in 2022. This could have been due to the increased demand for online advertising and marketing services after the covid-19 pandemic as more businesses may have invested more in marketing campaigns to promote their products or services. There was an increase in operating expenses for Rightmove (25.84% in 2021 and 27.44% in 2022) vs WPP (7.61% in 2021 and 8.18% in 2022). This increase was peculiar in both companies and as such should be further probed. The cost of goods sold slightly dropped in proportion for WPP from 82.79% in 2021 to 82.41% in 2022 but recorded an increase of 12.20% over 2021 this could be attributed to rising cost of inputs as well as increase in labor costs, including wages and benefits for employees involved in the production process. However, Rightmove didn’t have cost of goods sold as they are purely a service-based company and not necessarily into production activities.

Taking an account of the Net Income, the proportion of this to their sales revenue dropped for both companies Rightmove was 60.05% in 2021 and 58.83% in 2022 and for WPP it was 5.63% in 2021 and 5.37% in 2022; one of the reasons for this is the significant increase in operating expenses for both companies in 2022 which could be as a result of economic factors such as inflationary pressures or changes in economic conditions which could have impacted costs such as wages, cost of materials etc. Interestingly both companies Rightmove grew by 6.87% vs 2021 and WPP grew by 7.59% vs 2021.

Assets and Liabilities

From the balance sheet, we could see that both companies had a decrease in current assets with Rightmove recording -6.20% while WPP recorded -1.55%; cash and cash equivalents at carrying value also decreased by -6.63% and -35.83% respectively; while Rightmove had an overall decrease in total assets of -5.41% vs 2021, WPP recorded a 3.41% increase in total assets vs 2021 largely driven by a growth in accounts receivable by 12.7%, deferred tax assets by 18.47% and non-trade receivables by 25.22%. This points to improved liquidity for WPP, reinforcing the company's ability to cover short-term obligations. Additionally, a rise in deferred tax assets reflects prudent tax planning, enhancing profitability. Overall, these positive trends underscore robust financial performance and strategic management of assets at WPP and vice versa for Rightmove. Property, plant & equipment also showed a decrease of -13.02% vs 2021 for Rightmove compared to a 10.37% increase for WPP reflecting potential expansion, improved operational capabilities, or modernization. This suggests a commitment to long-term growth and enhanced production capacity and vice versa for Rightmove.

While Rightmove recorded a decline in liabilities of -9.31% vs 2021 driven by decrease in accounts payable and accrued liabilities suggesting efficient working capital management and potentially favorable vendor terms. The company may have settled obligations promptly. WPP liabilities increased by 3.61% due to the increase in accounts payable and accrued liabilities. Additionally, Rightmove recorded a decrease of -3.36% in stockholders' equity which raises concerns about the company's financial health and value. It may indicate a decline in the market value of assets. while WPP recorded an increase of 2.25% on stockholders' equity which signifies a strengthened financial foundation for the company. It reflects positive retained earnings, indicating profitability and potential for future dividend distributions. Investors often view higher equity positively as it implies a larger cushion against financial risks and greater company value.

Financial Ratios

Furthermore, the gross profit margin for Rightmove was 100% because they are a service-based company and so not have cost of goods sold as such their revenue was equal to their gross profit unlike WPP their gross profit margin increased from 17.21% in 2021 to 17.59% in 2022 which could reflect the efficiency of the production process and pricing strategy. The net profit margins for both companies dropped. Rightmove has higher net profit margins than WPP. This suggests RMV is better at converting sales revenue into bottom-line profits after expenses (Libby et al., 2022). Rightmove's asset-light online business likely has lower operating costs.

However, WPP has a higher ROCE. This signals WPP generates greater operating profits from its capital investments (Elliott, 2022). This is tied to WPP owning extensive ad business assets. Rightmove has significantly higher current and quick ratios compared to WPP in both years, indicating Rightmove has greater liquidity and better ability to meet its short-term obligations (AccountingTools, 2022). This aligns with online companies often having fewer physical assets than advertising/agency businesses. RMV has near zero inventory and receivables days as an internet business. In contrast, WPP has much higher collection periods and inventory balances (Palepu et al., 2021). This reflects WPP's go-to-market structure. WPP utilizes substantially higher financial leverage with a gearing ratio above 60% both years (Bragg, 2022). Rightmove operates with lower debt levels, relying more on equity financing than debt. The ratios reflect the differing natures of the online vs agency sectors.

Table 1: Financial Ratios for Rightmove and WPP

Type of Ratio	**Type of Ratio**	**2022**		**2021**	
		RIGHTMOVE	**WPP**	**RIGHTMOVE**	**WPP**
Liquidity Ratios	Current Ratio	2.66	0.85	2.62	0.93
	Quick Ratio	2.41	0.56	2.21	0.64
Profitability Ratios	Return on Capital Employed (ROCE)	3.17	0.12	2.83	0.11
	Gross Profit Margin	1	0.18	1	0.17
	Net Profit margin	0.59	0.05	0.6	0.06
Efficiency Ratios	Inventory Days (ID)	0	0	0	0
	Receivables Collection Days (RCD)	0.06	187.3	0.06	188.2
	Payables Days (PD)	0.29	1.47	0.49	1.53
	Day Sales Outstanding	21.62	177.13	0.00	0.00
Gearing Ratio	Gearing Ratio (GR)	10.59	62.57	11.78	64.26
Investment Ratios	Dividend per share ratio (DPSR)	80.76	3.20	74.94	2.57
	Earnings per share ratio (EPSR)	233.51	6.80	212.9	5.89
Additional Ratios	Return on Equity (ROE)	287.07	18.63	259.59	17.71
	Berry Ratios	3.64	2.15	3.87	2.26

Source: *Authors Computation, 2023*

Table 2: Horizontal and Vertical Analysis for Rightmove and WPP Income Statements

item	Rightmove PLC						WPP PLC					
	2022	2021	Horizontal Variation	% Horizontal Variation	2022 Vertical Analysis	2021 Vertical Analysis	2022	2021	Horizontal Variation	% Horizontal Variation	2022 Vertical Analysis	2021 Vertical Analysis
Net Income Loss	195681000	183094000	12587000	6.87%	58.83%	60.05%	775400	720700	54700	7.59%	5.37%	5.63%
Income Loss from Continuing Operations Before	241282000	225649000	15633000	6.93%	72.54%	74.01%	1159800	950800	209000	21.98%	8.04%	7.43%
Operating Income Loss	241343000	226100000	15243000	6.74%	72.56%	74.16%	1358200	1229000	129200	10.51%	9.41%	9.60%
Gross Profit	332622000	304886000	27736000	9.10%	100.00%	100.00%	2538600	2203600	335000	15.20%	17.59%	17.21%
Sales Revenue Net	332622000	304886000	27736000	9.10%	100.00%	100.00%	14428700	12801100	1627600	12.71%	100.00%	100.00%
Cost of Goods and Services Sold	0	0	0	0.00%	0.00%	0.00%	11890100	10597500	1292600	12.20%	82.41%	82.79%
Operating Expenses	91279000	78786000	12493000	15.86%	27.44%	25.84%	1180400	974600	205800	21.12%	8.18%	7.61%
Research and Development Expense	0	0	0	0.00%	0.00%	0.00%	0	0	0	0.00%	0.00%	0.00%
Selling General and Administrative Expense	91279000	78786000	12493000	15.86%	27.44%	25.84%	1180400	974600	205800	21.12%	8.18%	7.61%
Non-operating Income Expense	-61000	-451000	390000	-86.47%	-0.02%	-0.15%	-198400	-278200	79800	-28.68%	-1.38%	-2.17%
Income Tax Expense Benefit	45601000	42555000	3046000	7.16%	13.71%	13.96%	384400	230100	154300	67.06%	2.66%	1.80%

Source: Authors Computation, 2023

Table 3: Horizontal and Vertical Analysis for Rightmove and WPP Balance Sheet

Items	Rightmove PLC						WPP PLC					
	2022	2021	Horizontal Variation	% Horizontal Variation	Vertical Analysis		2022	2021	Horizontal Variation	% Horizontal Variation	Vertical Analysis	
					2022	2021					2022	2021
Assets	101760000	107577000	-5817000	-5.4%	100.0%	100.0%	28822500	27870800	951700	3.4%	100.0%	100.0%
Assets Current	67797000	72277000	-4480000	-6.2%	66.6%	67.2%	15098300	15335600	-237300	-1.5%	52.4%	55.0%
Cash And Cash Equivalents at Carrying Value	40136000	42985000	-2849000	-6.6%	39.4%	40.0%	2491500	3882900	-1391400	-35.8%	8.6%	13.9%
Available For Sale Securities Current	0	0	0	0.0%	0.0%	0.0%	0	0	0	0.0%	0.0%	0.0%
Accounts Receivable Net Current	21363000	18050000	3313000	18.4%	21.0%	16.8%	7403900	6600500	803400	12.2%	25.7%	23.7%
Inventory Net	0	0	0	0.0%	0.0%	0.0%	0	0	0	0.0%	0.0%	0.0%
Deferred Tax Assets Net Current	593000	1057000	-464000	-43.9%	0.6%	1.0%	107100	90400	16700	18.5%	0.4%	0.3%
Non-trade Receivables Current	462000	5157000	-4695000	-91.0%	0.5%	4.8%	1390900	1110800	280100	25.2%	4.8%	4.0%
Other Assets Current	5243000	5028000	215000	4.3%	5.2%	4.7%	3704900	3651000	53900	1.5%	12.9%	13.1%
Available for Sale Securities Noncurrent	0	0	0	0.0%	0.0%	0.0%	0	0	0	0.0%	0.0%	0.0%
Property Plant and Equipment Net	10429000	11990000	-1561000	-13.0%	10.2%	11.1%	2529200	2291500	237700	10.4%	8.8%	8.2%
Goodwill	0	0	0	0.0%	0.0%	0.0%	1451900	1359500	92400	6.8%	5.0%	4.9%
Intangible Assets Net Excluding Goodwill	22074000	21141000	933000	4.4%	21.7%	19.7%	8453400	7612300	841100	11.0%	29.3%	27.3%
Other Assets Noncurrent	1460000	2169000	-709000	-32.7%	1.4%	2.0%	1289700	1271900	17800	1.4%	4.5%	4.6%

Liabilities And Stockholders Equity	1.02E+08	1.08E+08	-5817000	-5.4%	100.0%	100.0%	28822500	27870800	951700	3.4%	100.0%	100.0%
Liabilities	33597000	37045000	-3448000	-9.3%	33.0%	34.4%	24662100	23801800	860300	3.6%	85.6%	85.4%
Liabilities Current	25526000	27628000	-2102000	-7.6%	25.1%	25.7%	17708300	16485400	1222900	7.4%	61.4%	59.1%
Accounts Payable Current	3482000	5233000	-1751000	-33.5%	3.4%	4.9%	16149300	15151400	997900	6.6%	56.0%	54.4%
Accrued Liabilities Current	22044000	22395000	-351000	-1.6%	21.7%	20.8%	1559000	1334000	225000	16.9%	5.4%	4.8%
Deferred Revenue Current	0	0	0	0.0%	0.0%	0.0%	0	0	0	0.0%	0.0%	0.0%
Commercial Paper	0	0	0	0.0%	0.0%	0.0%	0	0	0	0.0%	0.0%	0.0%
Deferred Revenue Non-current	0	0	0	0.0%	0.0%	0.0%	0	0	0	0.0%	0.0%	0.0%
Long Term Debt	7242000	8832000	-1590000	-18.0%	7.1%	8.2%	5730000	5978900	-248900	-4.2%	19.9%	21.5%
Other Liabilities Noncurrent	829000	585000	244000	41.7%	0.8%	0.5%	1223800	1337500	-113700	-8.5%	4.2%	4.8%
Commitments and Contingencies	0	0	0	0.0%	0.0%	0.0%	0	0	0	0.0%	0.0%	0.0%
Stockholders' Equity	68163000	70532000	-2369000	-3.4%	67.0%	65.6%	4160400	4069000	91400	2.2%	14.4%	14.6%
Common Stock Value	838000	860000	-22000	-2.6%	0.8%	0.8%	114100	122400	-8300	-6.8%	0.4%	0.4%
Retained Earnings accumulated Deficit	66731000	69100000	-2369000	-3.4%	65.6%	64.2%	3566700	3494000	72700	2.1%	12.4%	12.5%
accumulated Other Comprehensive Income Loss Net of Tax	594000	572000	22000	3.8%	0.6%	0.5%	479600	452600	27000	6.0%	1.7%	1.6%
Common Stocks Including Additional Paid in Capital	0	0	0	0.0%	0.0%	0.0%	0	0	0	0.0%	0.0%	0.0%

Source: Authors Computation, 2023

Capital Asset Pricing Model (CAPM) Analysis

Other techniques were employed to analyze investments and determine projected returns prior to the creation and broad implementation of the Capital Asset Pricing Model (CAPM). The Dividend Discount Model (DDM) is one such approach that was used before CAPM.

Based on the idea that a company's value equals the total of all its future dividend payments, discounted back to their present value, the dividend discount model (DDM) is a technique used to estimate a company's stock price (Koller et al., 2020).

The DDM's central tenet is that a company's dividend payments to shareholders serve as the primary driver of a stock's fair value. To calculate the present value of those cash flows, it entails projecting the company's future dividend payments and discounting them back at the proper necessary rate of return (Penman, 2021).

The formula for the basic DDM is:

$$\text{Stock Value} = \frac{Dividend_1}{(1+r)^n} + \frac{Dividend_2}{(1+r)^n} + \frac{Dividend_n}{(1+r)^n}$$

where:

Dividend*t* = The expected dividend at time *t*,

r = The required rate of return.

n = The required rate of return.

Though it has shown to be a useful tool for company valuation, it should be emphasized that the Dividend Discount Model (DDM) is not always applicable. A primary constraint is its dependence on the dividend growth assumption, which may not align with the factual dividend payment patterns of corporations (Gordon, 1959). Also, because it primarily concentrates on dividend cash flows, this model might not be the ideal choice for evaluating the value of stocks from companies that do not regularly pay dividends (Damodaran, 2012). Furthermore, the market environment and risk variables that affect the stock price are not specifically considered by DDM. Its applicability in an unstable market setting is thus limited (Miller & Modigliani 1961).

William Sharpe created the Capital Asset Pricing Model (CAPM) in 1964 to calculate an asset's expected return depending on its level of risk. According to Fama and French (2004), the Capital Asset Pricing Model (CAPM) is a financial model that assesses an asset's riskiness in relation to the market to ascertain the projected needed rate of return. The Capital Asset Pricing Model (CAPM) describes the relationship between systematic risk, or the general perils of investing, and expected return for assets, particularly stocks (U.S. Department of Commerce, Commercial Law Development Program, 2021).

CAPM is a financial model that computes the expected rate of return on an asset or investment. CAPM does this by utilizing the projected return on the market as well as a risk-free asset, as well as the asset's correlation or sensitivity to the market (beta). Despite its flaws, the CAPM method is still commonly employed due to its simplicity and ease of comparison of investment choices.

The formula is calculated using the parameters below:

$ERi = Rf + \beta i\ (ERm - Rf)$

where:

ERi = expected return of investment

Rf = risk-free rate

βi = beta of the investment

ERm = Expected returns on market portfolio

$(ERm - Rf)$ = market risk premium

Investors anticipate receiving compensation for both time value of money and risk. The time value of money is taken into consideration in the CAPM formula by the risk-free rate. The additional risk that the investor takes on is considered by the other components of the CAPM calculation. When a stock's predicted return is compared to its risk and time value of money, the CAPM formula aims to determine if the stock is reasonably valued. To put it another way, one may determine whether the present price of a stock is consistent with its expected return by understanding the various components of the CAPM.

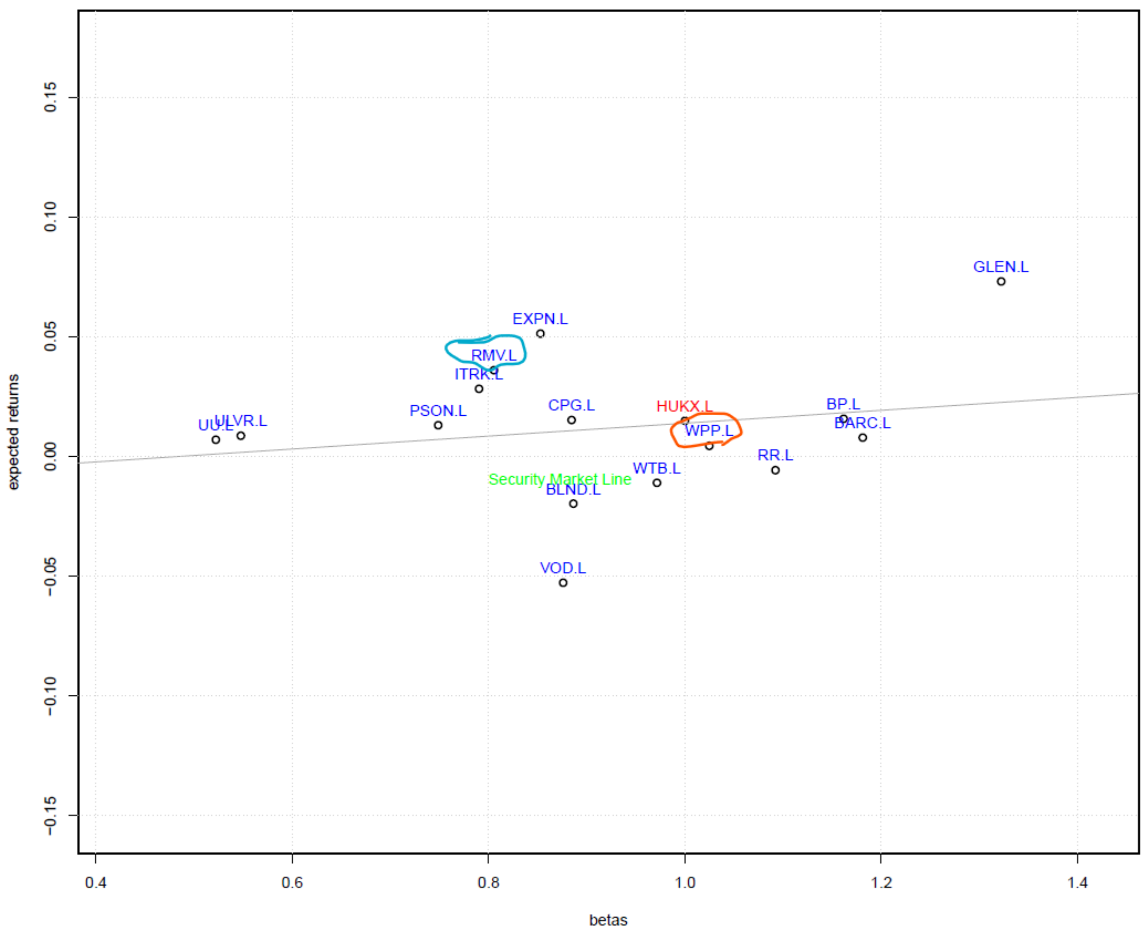

Figure 5: CAPM Analysis for RMV, WPP and selected Companies

The Security Market Line on the CAPM graph indicates whether an investment's projected return (as measured by beta) offsets its systematic risk. A security is deemed to be reasonably priced for its risk if its predicted return is on par with or higher than the SML. It might be undervalued if it is below the SML and overvalued if it is above the SML.

We may infer the following information about RMV.L and WPP.L from the given CAPM plot:

- The position of RMV.L is above the security market line. This indicates that RMV.L has a larger expected return than its level of systematic risk (beta) would support, according to the CAPM model. In other words, RMV.L seems to be an inexpensive investment that offers higher returns than expected for the level of risk involved.
- The security market line is near to WPP.L. This shows that WPP.L's expected return is consistent with what the CAPM model's beta would predict. Essentially, WPP.L's returns indicate that the company is properly valued given its degree of systematic risk, which is fully compensated for.

In conclusion, WPP.L is probably properly valued and in line with the risk-return tradeoff outlined by the CAPM, whereas RMV.L appears to be an undervalued company that is producing larger returns than its risk level can support. WPP.L is providing expected returns for its beta level, while RMV.L is offering excess returns over its peers with similar risk profiles, which should appeal to investors.

Limitations of Financial Ratios and CAPM Model

- Financial ratios are based on historical data, it is difficult to anticipate the future because patterns might alter. An investor's capacity to generate exact forecasts may be hampered by inaccuracy with which past performance reflects current circumstances (Nuhu, 2014).

- Since there isn't a single, widely accepted standard for comparing financial ratios, the criteria that are employed at any given time are determined by the firm, its industry, the situation, and the goal which may not be acceptable in all situations.
- The single-period assumption of the CAPM may not adequately account for the complexity of long-term investments with changing risk variables and changing economic situations over time.
- Although the CAPM assumes a constant beta, betas can fluctuate owing to changes in market conditions, financial leverage, or a company's business risk. As a result, the model's ability to predict returns in dynamic markets is limited.

Conclusion and Recommendations

Conclusion

The general aim of the study was to analyze the financial statements of the two companies Rightmove PLC and WPP PLC, coming up with important indices and metrices to measure their performance over the period of 2021 and 2022. The specific objectives included using horizontal and vertical analysis of their financial statements in determining the organizations' financial trajectories and performance, using key financial ratios to provide information on liquidity, profitability, and gearing of the two companies, using the Capital Asset Pricing Model (CAPM) in evaluating each company's risk and expected return to determine whether they are overvalued or undervalued, and to provide useful recommendations using the findings from the analysis of the financial statement of Rightmove PLC and WPP Plc.

The financial statements used for the analysis were obtained from their corporate website of Rightmove PLC and WPP PLC. Aggregates from these financial statements covering periods between 2021 and 2022 were analyzed using several packages in R, Microsoft Excel.

Resulting from the findings gotten from the financial analysis of Rightmove and WPP, the following conclusion were drawn:

Rightmove's service-based business strategy, which has low costs of goods sold, is efficient, as seen by its continuous retention of gross profit margin. However, WPP's gross profit margin is comparable to industry standards for businesses engaged in marketing and advertising, though it is smaller than Rightmove's. The rise from 17% to 18% is an improvement in revenue retention following direct expense coverage.

In both years, Rightmove's net margins have been higher than those of WPP, meaning that a greater portion of its sales revenue is kept as profit after expenses. Given its reduced net margins, WPP is keeping a smaller portion of its income in profit.

Rightmove greatly exceeds WPP in terms of ROCE, reflecting greater efficiency in deploying capital to produce profits.

Rightmove has a better return on equity (ROE) indicates that it is more effective at making a profit from shareholders' equity, which is indicative of strong financial performance and efficient use of equity capital. Even with higher ROE numbers, WPP's efficiency in producing returns on equity is lower than that of Rightmove PLC.

Rightmove's lower gearing ratio posits the company as a more conservative capital structure and lesser debt-related financial risk. WPP has a larger gearing ratio, indicating a greater reliance on debt to fund operations.

Based on the quick and current ratios, this analysis helps to conclude that Rightmove has stronger short-term liquidity and a more reliable ability to fulfill its immediate obligations. Conversely, WPP exhibits lower ratios, meaning that it could be difficult to pay short-term obligations.

Finally, from the CAPM plot, WPP.L is probably properly valued and in line with the risk-return tradeoff outlined by the CAPM, whereas RMV.L appears to be an undervalued company that is producing larger returns than its risk level can support. WPP.L is providing expected returns for its beta level, while RMV.L is offering excess returns over its peers with similar risk profiles.

Recommendations

The following insightful recommendations have been provided for Rightmove PLC and WPP PLC, their management, stakeholders, and possible investors based on the findings of the financial analysis:

- Rightmove should keep utilizing its low cost of goods sold, effective service-based business strategy. WPP may investigate methods to raise its gross profit margin even higher, such as enhancing operational effectiveness or changing pricing tactics.
- WPP should strive to increase net profit margins by utilizing operating leverage, cost management measures, and price initiatives. WPP would be able to keep a larger portion of revenue as bottom-line earnings with higher margins.
- Rightmove has a greater ROCE and effectively deploys capital. Effective project analysis and capital budgeting procedures should be maintained. WPP stands to gain from measures that improve the efficiency of capital allocation.
- To sustain greater ROE, Rightmove should continue to fund operations from retained earnings as opposed to taking on excessive debt. WPP may choose to reduce its exposure to financial risk because of high debt levels by funding growth with more equity, partner capital, or retained earnings.
- To lower interest rates and risk, WPP may explore debt paydowns as a means of deleveraging its capital structure. Additionally, it can set ideal debt-to-equity ratio guidelines that are in line with industry standards.
- Improved liquidity coverage ratios and short-term financial flexibility can be achieved by WPP by fortifying its existing asset position and cash flow creation. Inventory control and receivables management are also beneficial.
- When compared to its wider sector counterparts, Rightmove stock looks like an attractive buy at current levels, since it appears to be undervalued with surplus returns. WPP provides returns consistent with its risk profile, making it a viable investment choice for investors that prioritize benchmarks.

- Rightmove's undervaluation and effective business model may attract potential investors. They should, however, keep a close eye on market conditions and evaluate any possible hazards. Prior to placing an investment in WPP, investors must assess the company's approaches to enhancing profitability and handling debt.
- The management of both businesses should also be on the lookout for outside influences that could have an impact on their respective industries, such as alterations in the law or the state of the economy. Reevaluating and adjusting plans on a regular basis will promote resilience and long-term success in changing marketplaces.
- To stay competitive and financially sound, both businesses should periodically assess and modify their business plans in reaction to market conditions. It is essential to communicate with stakeholders about the company's long-term objectives, strategy, and financial standing.

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Appendices

Financial Ratios

Type of Ratio	Type of Ratio	Formulae
Liquidity Ratios	Current Ratio	(Current assets / Current liabilities) * 100
	Quick Ratio	(Quick assets / Current liabilities) * 100
Profitability Ratios	Return on Capital Employed (ROCE)	Operating profit / Capital Employed
	Gross Profit Margin	(Gross profit / Sales revenue) * 100
	Net Profit margin	(Net profit / Sales revenue) * 100
Efficiency Ratios	Inventory Days (ID)	(Inventories held / Cost of sales) * 365
	Receivables Collection Days (RCD)	(Trade receivables / Credit sales revenue*) * 365
	Payables Days (PD)	(Trade payables / Credit purchases**) * 365
	Day Sales Outstanding	(Accounts Receivable/Net Credit Sales) * 365
Gearing Ratio	Gearing Ratio (GR)	(Non-current liabilities / (Total equity* + non-current liabilities)) * 100
Investment Ratios	Dividend per share ratio (DPSR)	(Dividends / Number of ordinary shares) * 100
	Earnings per share ratio (EPSR)	(Earnings / Number of ordinary shares) * 100
Additional Ratios	Return on Equity (ROE)	(Net profit / Shareholders Equity)
	Berry Ratios	Gross profit / Operating Expenses

Aggregations to fit into Balance Sheet Template Rightmove PLC

Assets = Assets Current + Assets Noncurrent

Assets Current =

+ **Cash and Cash Equivalents at Carrying Value** (Cash & Deposits)

+ **Available for Sale Securities Current**

+ **Accounts Receivable Net Current** (Trade Debtors)

+ **Inventory Net**

+ **Deferred Tax Assets Net** Current (Deferred Taxation)

+ **Non-trade Receivables** Current (Other Debtors)

+ **Other Assets Current** (Prepayments)

Assets Noncurrent =

+ **Available For Sale Securities Noncurrent**

+ **Property Plant and Equipment Net** (Tangible Assets)

+ **Goodwill**

+ **Intangible Assets Net Excluding Goodwill** (Intangible Assets)

+ **Other Assets Noncurrent** (Investments & Other fixed Assets)

Liabilities And Stockholders' Equity = Liabilities + Stockholders Equity

Labilities = **Liabilities Current** (Accounts Payable Current + Accrued Liabilities Current + Deferred Revenue Current + Commercial Paper)

+ **Accounts Payable Current** (Trade Creditors + Short Term Loans & Overdrafts)

+ **Accrued Liabilities Current** (Total Other Current Liabilities)

+ **Deferred Revenue Current**

+ **Commercial Paper**

+ **Deferred Revenue Noncurrent**

+ **Long-term Debt** (Long Term Debt)

+ **Other Liabilities Noncurrent** (Provisions for Other Liabilities)

+ **Commitments And Contingencies**

Stockholders Equity =

+ **Common Stock Value** (Share Capital)

+ **Retained Earnings Accumulated Deficit** (Retained Earnings)

+ **Accumulated Other Comprehensive Income Loss Net of Tax** (Other Reserves)

+ Common Stocks Including Additional Paid in Capital

Aggregations to fit into Income Statement Template Rightmove PLC

Net Income Loss = Profit (Loss) After Tax

+ Profit (Loss) after Tax = Profit (Loss) Before Tax – Income Tax Expense Benefit

+ Profit (Loss) Before Tax = Operating Income Loss + Non-operating Income Expense

+ Operating Income Loss = Gross Profit – Operating Expense

+ Gross Profit = Sales Revenue Net – Cost of Goods and Services Sold

+ Sales Revenue Net (Turnover)

- Cost of Goods and Services Sold

- Operating Expenses = Research and Development Expense + Selling General and Administrative Expense

+ Research and Development Expense

+ Selling General and Administrative Expense (Other Operating Income + Administrative Expenses)

+ Non-operating Income Expense (Other Income + Net Interest)

- Income Tax Expense Benefit (Taxation)

Rightmove PLC Aggregated Statement

Balance Sheet

Items	**Rightmove PLC**	
	2022	**2021**
Assets =	101760000	107577000
+ AssetsCurrent =	67797000	72277000
+ CashAndCashEquivalentsAtCarryingValue	40136000	42985000
+ AvailableForSaleSecuritiesCurrent	0	0
+ AccountsReceivableNetCurrent	21363000	18050000
+ InventoryNet	0	0
+ DeferredTaxAssetsNetCurrent	593000	1057000
+ NontradeReceivablesCurrent	462000	5157000
+ OtherAssetsCurrent	5243000	5028000

+ AvailableForSaleSecuritiesNoncurrent	0	0
+ PropertyPlantAndEquipmentNet	10429000	11990000
+ Goodwill	0	0
+ IntangibleAssetsNetExcludingGoodwill	22074000	21141000
+ OtherAssetsNoncurrent	1460000	2169000
LiabilitiesAndStockholdersEquity =	101760000	107577000
+ Liabilities =	33597000	37045000
+ LiabilitiesCurrent =	25526000	27628000
+ AccountsPayableCurrent	3482000	5233000
+ AccruedLiabilitiesCurrent	22044000	22395000
+ DeferredRevenueCurrent	0	0
+ CommercialPaper	0	0
+ DeferredRevenueNoncurrent	0	0
+ LongTermDebt	7242000	8832000
+ OtherLiabilitiesNoncurrent	829000	585000
+ CommitmentsAndContingencies	0	0
+ StockholdersEquity =	68163000	70532000
+ CommonStockValue	838000	860000
+ RetainedEarningsAccumulatedDeficit	66731000	69100000
+ AccumulatedOtherComprehensiveIncomeLossNetOfTax	594000	572000
+ CommonStocksIncludingAdditionalPaidInCapital	0	0

Income Statement

Items	**Rightmove PLC**	
	2022	**2021**
NetIncomeLoss =	195681000	183094000
+ IncomeLossFromContinuingOperationsBefore... =	241282000	225649000
+ OperatingIncomeLoss =	241343000	226100000
+ GrossProfit =	332622000	304886000
+ SalesRevenueNet	332622000	304886000
- CostOfGoodsAndServicesSold	0	0
- OperatingExpenses =	91279000	78786000
+ ResearchAndDevelopmentExpense	0	0
+ SellingGeneralAndAdministrativeExpense	91279000	78786000
+ NonoperatingIncomeExpense	-61000	-451000
- IncomeTaxExpenseBenefit	45601000	42555000

Aggregations to fit into Balance Sheet Template WPP PLC

Assets = Assets Current + Assets Non-Current

Assets Current =

+ **Cash and Cash Equivalents at Carrying Value** (Cash & Deposits)

+ **Available for Sale Securities Current**

+ **Accounts Receivable Net Current** (Trade Debtors)

+ **Inventory Net**

+ **Deferred Tax Assets Net Current** (Deferred Taxation)

+ **Nontrade Receivables** Current (Other Debtors)

+ **Other Assets Current** (Prepayments)

Assets non-current =

+ **Available For Sale Securities Noncurrent**

+ **Property Plant and Equipment Net** (Tangible Assets)

+ **Goodwill** (Goodwill)

+ **Intangible Assets Net Excluding Goodwill** (Intangible Assets)

+ **Other Assets Noncurrent** (Investments and Other Fixed Assets)

Liabilities And Stockholders' Equity = Liabilities + Stockholders Equity

Labilities = Liabilities Current (Accounts Payable Current + Accrued Liabilities Current + Deferred Revenue Current + Commercial Paper)

+ **Accounts Payable Current** (Trade Creditors + Short Term Loans & Overdrafts + Corporation Tax + Other Current Liabilities)

+ **Accrued Liabilities Current** (Accruals & Def. Inc.)

+ **Deferred Revenue Current**

+ **Commercial Paper**

+ **Deferred Revenue Noncurrent**

+ **Long-term Debt** (Long Term Debt)

+ **Other Liabilities Noncurrent** (Total Other Long Term Liab. + Provisions for Other Liab. + Pension Liabilities)

+ **Commitments And Contingencies**

Stockholders Equity =

+ **Common Stock Value** (Share Capital)

+ **Retained Earnings Accumulated Deficit** (Total Reserves)

+ **Accumulated Other Comprehensive Income Loss Net of Tax** (Balance Sheet Minorities)

+ **Common Stocks Including Additional Paid in Capital**

Aggregations to fit into Income Statement Template WPP PLC

Net Income Loss = Profit (Loss) After Tax

Profit (Loss) after Tax = Profit (Loss) Before Tax – Income Tax Expense Benefit

+ **Profit (Loss) Before Tax =** Operating Income Loss + Non-operating Income Expense

+ **Operating Income Loss =** Gross Profit – Operating Expense

+ **Gross Profit =** Sales Revenue Net – Cost of Goods and Services Sold

+ **Sales Revenue Net** (Turnover)

- **Cost of Goods and Services Sold** (Cost of Sales)

- **Operating Expenses =** Research and Development Expense + Selling General and Administrative Expense

+ **Research and Development Expense**

+ Selling General and Administrative Expense (General and Administrative Costs)

+ **Non-operating Income Expense** (Total Other Income & Int. Received + Interest Paid)

- **Income Tax Expense Benefit** (Taxation)

WPP PLC Aggregated Statement
Balance Sheet

Items	WPP PLC	
	2022	2021
Assets =	28822500	27870800
+ AssetsCurrent =	15098300	15335600
+ CashAndCashEquivalentsAtCarryingValue	2491500	3882900
+ AvailableForSaleSecuritiesCurrent	0	0
+ AccountsReceivableNetCurrent	7403900	6600500
+ InventoryNet	0	0
+ DeferredTaxAssetsNetCurrent	107100	90400
+ NontradeReceivablesCurrent	1390900	1110800
+ OtherAssetsCurrent	3704900	3651000
+ AvailableForSaleSecuritiesNoncurrent	0	0
+ PropertyPlantAndEquipmentNet	2529200	2291500
+ Goodwill	1451900	1359500
+ IntangibleAssetsNetExcludingGoodwill	8453400	7612300
+ OtherAssetsNoncurrent	1289700	1271900
LiabilitiesAndStockholdersEquity =	28822500	27870800
+ Liabilities =	24662100	23801800
+ LiabilitiesCurrent =	17708300	16485400
+ AccountsPayableCurrent	16149300	15151400
+ AccruedLiabilitiesCurrent	1559000	1334000
+ DeferredRevenueCurrent	0	0
+ CommercialPaper	0	0
+ DeferredRevenueNoncurrent	0	0
+ LongTermDebt	5730000	5978900
+ OtherLiabilitiesNoncurrent	1223800	1337500
+ CommitmentsAndContingencies	0	0
+ StockholdersEquity =	4160400	4069000
+ CommonStockValue	114100	122400
+ RetainedEarningsAccumulatedDeficit	3566700	3494000
+ AccumulatedOtherComprehensiveIncomeLossNetOfTax	479600	452600
+ CommonStocksIncludingAdditionalPaidInCapital	0	0

Income Statement

Items	WPP PLC	
	2022	2021
NetIncomeLoss =	775400	720700
+ IncomeLossFromContinuingOperationsBefore... =	1159800	950800
+ OperatingIncomeLoss =	1358200	1229000
+ GrossProfit =	2538600	2203600
+ SalesRevenueNet	14428700	12801100

- CostOfGoodsAndServicesSold	11890100	10597500
- OperatingExpenses =	1180400	974600
+ ResearchAndDevelopmentExpense	0	0
+ SellingGeneralAndAdministrativeExpense	1180400	974600
+ NonoperatingIncomeExpense	-198400	-278200
- IncomeTaxExpenseBenefit	384400	230100

Reflective Reports

Reflective Report 10867436

In this report, we analyzed the financial report of Rightmove Plc UK largest online real estate portal, and WPP Plc a multinational advertising agency. The tasks were assigned by sessions and personal interest, and I was responsible for some parts of the introduction, analysis of the two financial statements, I also contributed to the interpretation of the financial ratios to show the financial performance of the companies and some parts of the CAPM.

For someone who has more experience working with Excel compared to R, the task seemed difficult from the beginning, but the software provided by Dr Alessandro was very helpful. This has also increased my interest in financial analysis. Using R for financial analysis provides more detailed data visualization and graphical representation of both companies.

Reading about both companies to write the introduction exposed me to the business nature of the companies. Both are service-rendering companies that provide a platform for business owners and sellers to relate with their prospective clients and buyers.

Using the balance sheet and income statement template provided for the coursework, I realized that different companies present the elements of their balance sheet and income statement in different ways based on the nature of the company's business also some companies have some elements sum up and only show the final figure. For example, RMV Plc has gross profit of 100% as they are a service-rendering organization and do not have any costs of goods sold except for their operational expenses.

Working on the income statement also revealed that an increase in sales revenue does not automatically lead to an increase in net profit or profit margin compared to the previous year as there could be an increase in expenses which would affect the net profit.

CAPM exposed me to how individual market portfolio can affect the general market portfolio and the need to compare companies from different sectors as this helps to provide a comprehensive understanding of the market as a whole and helps in making informed investment decisions.

Comparing both companies can be difficult as they both have different business models and coverage. Even though RMV Plc has a strong market presence in the UK, WPP Plc is a multinational firm that commands a substantial global presence across the media industry which means that it has a higher market presence. Looking at the CAPM RMV Plc yields a higher return than expected as it is above the security market line though this might indicate a higher volatility or risk. WPP has a higher increase in revenue compared to RMV.

In general, this coursework has equipped me with more knowledge in financial analysis, interpretation of financial ratios and market data to help companies make informed decisions.

Reflective Report 10886338

For this project, we were tasked with analyzing the financial report for WPP and RMV, my primary role was to get the financial ratios and make sure the report is structured properly, writing this project has given me more knowledge and validated experience on financial analysis as I worked with my group members and learnt from them.

My responsibility in this project was to calculate the financial ratios of both companies, this requires the understanding of the financial metrics and how they can be used to determine both companies' financial performances at their best, Using the financial ratio calculations for this project has enabled me to apply my analytical skills to interprets various financial metrics in financial reports and learn about ratio interpretation. So, in the end I was able to produce a correct and relevant ratio of both companies which helped me determine the overall finance performance of both WPP and RMV.

I makes sure the report has a logical and straightforward structure making it simple to follow and understand and this required me and my group members working together making sure the report was well organized with no mistakes, with their help I was able to give a coherent and logical structure of both companies.

There were challenges when we had to write this project and one of the challenges in this project is finding accurate and relevant information about both companies while trying to profile them, I had to go through enormous data to get an accurate and comprehensive information about each companies, it requires a lot of research, analysis interpretation of data, it helped me improve my research skills so I had to some deep surfing to get relevant data.

While I was determining the financial ratios, I realized to get the financial ratios I will have to get the efficiency ratios, this helped me utilize WPP AND RMV reports.

Reflective Report 10835879

For coursework, my team received the task of evaluating Rightmove PLC and WPP PLC by scrutinizing their financial statements and market data to determine the more promising investment option. I participated in compiling income statements and balance sheets using the provided templates for this coursework. My responsibilities entailed using R to confirm the accuracy of the statements and implement any corrections, as well as constructing visualizations of the income statements and balance sheets, highlighting trends in revenues, expenses, assets, and liabilities. Additionally, I was accountable for calculating various financial ratios for both organizations, including two supplementary ratios which required an understanding of financial metrics and their role in appraising a company's performance. Furthermore, I analyzed the companies positions within the Capital Asset Pricing Model (CAPM). Learning about CAPM through this coursework enlightened me on critical considerations when evaluating capital assets and distinguishing favorable ones.

The major challenge I encountered was getting a proper balance between the number of companies I used during the modelling. Identifying suitable companies to generate a linear relationship with a proper balance was challenging for me. However, I embraced this challenge as an opportunity to check several companies' stock share prices in different sectors. I selected the most suitable companies which enabled me to accomplish a good Security Market Line (SML) while pinpointing Rightmove PLC and WPP PLC's market index positions. This enabled me to expand my knowledge of stock share prices with attractive valuations appropriate for CAPM analysis relative to the focus companies.

I encountered another challenge calculating some of the ratios with R because the standard templates provided for this coursework do not provide options for some components which were required for calculating some of the ratios. Consequently, I manually sourced the components from the companies' statements, which was a slower process compared to using R.

Overall, working on this coursework has enriched my experience about financial analysis and shaped my thinking towards the business ideas I have in mind. I understood the ways of identifying a good business and bad business and how to track a company's performance. I have also learnt how to understand the stocks and securities market a lot better, which will help me in my investment journey. Additionally, the application of FAME database was new to me, and it was interesting to learn about it. My group also had a positive impact on my achievements as we continuously shared ideas and suggestions which were helpful to me.

Reflective Report 10760993

A wide number of topics connected to financial analysis were addressed in this coursework, which made it an excellent learning experience. These topics included applying the Capital Asset Pricing Model (CAPM), utilizing financial ratios, and conducting both vertical and horizontal financial statement analysis and finally delivering concrete recommendations based on the findings. Below were my takeaways from this task:

Using horizontal and vertical analysis enabled me to thoroughly study both organizations' financial patterns. As a result of comparing the financial statements throughout multiple periods and analyzing the proportional relationship of line items, I was able to gain insights into the trends and relative performance of Rightmove PLC and WPP Plc. This was successful in analyzing the financial health and stability of the businesses because it maps the trends and even detects anomalies in the data. The analysis revealed that RMV PLC had a higher net profit compared to WPP PLC also RMV had a lower cost of goods sold much more than WPP PLC since they are a service-based company and spend close to nothing managing online business.

To provide a comprehensive view of the companies' financial positions, it was necessary to employ important financial metrics like profitability, liquidity, and gearing ratios. While profitability ratio research demonstrated the companies' operational effectiveness, liquidity ratio analysis demonstrated their capacity to fulfill short-term obligations. Gearing ratios provided insight into the capital structure and financial leverage, which helped to provide a more complete picture of their financial health. All these ratios from the analysis pointed towards RMV as a better and more prosperous company that is financially stable and generating more revenue compared to WPP.

I was able to quantify the relationship between risk and projected return for each organization by using the CAPM. I obtained a more detailed understanding of the companies' worth by considering systematic and unsystematic risks. This method helped to determine if the stocks were overpriced or underpriced in the market. Using financial models, financial ratios, and the CAPM in a real-world setting improved my ability to translate theoretical knowledge into practical insights. The encounter broadened my understanding of each model's advantages and disadvantages. From this analysis, RMV stock should be targeted by investors as it was more rewarding compared to the risk involved.

The challenge demanded that expertise from finance, accounting, and quantitative analysis be combined. This multidisciplinary approach improved my capacity to see organizations thoroughly and make educated decisions that consider all aspects of their operations. A major part of this task was translating broad financial information into an understandable format for non-financial stakeholders. To make sure that decision-makers could comprehend and implement the results and recommendations, it was imperative that I worked on my communication abilities; working on this course work helped improve this skill in me.

Overall, the assignment improved my analytical skills, broadened my grasp of financial modeling, and sharpened my ability to effectively express difficult financial concepts. This experience has surely contributed to my continued development as a finance professional.