Department of Economics and Finance

Bachelor Degree in Economics and Business

Chair of Introduction to Business Economics

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Financial statement analysis and performance evaluation of Amer Sports Corporation

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To my grandfather who is not here anymore,

and to my family for their unconditional support.

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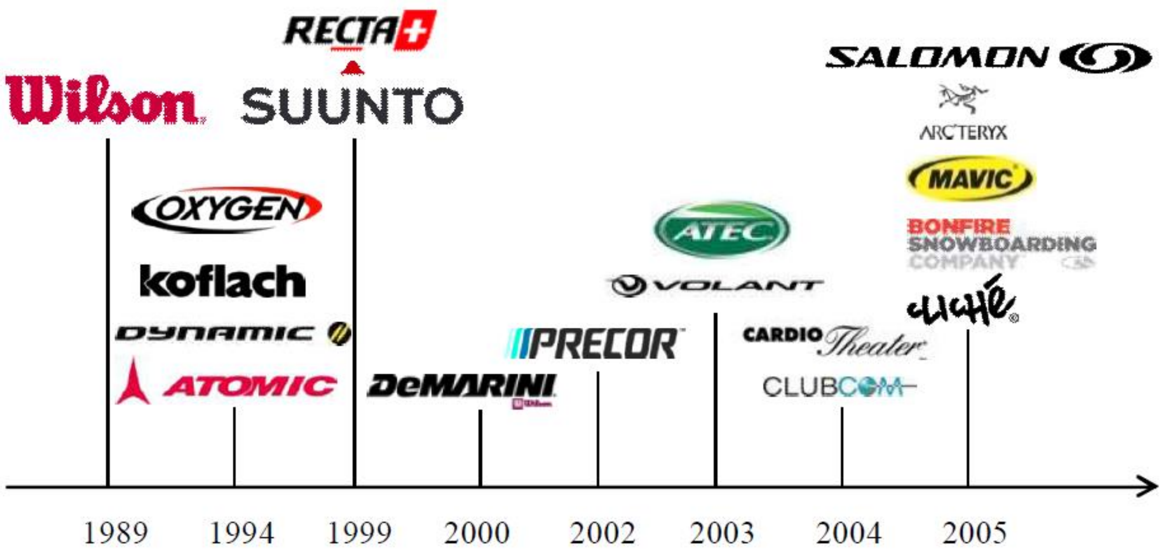
Introduction

The goal of this thesis is to investigate and to check the financial stability of Amer Sports Corporation through the Financial Statements analysis. The first chapter is dedicated to a detailed company overview ranging from its roots to its milestones and aspirations, an overview that is needed to define the guiding company principles, culture and investments strategy which is fundamental to understand and somehow forecast the company future trends. In the second chapter, the Financial Statements analysis will provide a clear picture of the financial stability of the Corporation and how the Corporation finances itself. While analysing its ratios will provide a snapshot of the Corporation's operational efficiency. Consequently, I preferred the Method of Comparables to give a more deep, realistic, and complete analysis of the Corporation, using as a benchmark its direct competitors. Through the following method, it is possible to have an extensive and rich overview how well the Corporation is performing in the Market and not as a standalone entity. Eventually, after the results of our exhaustive analysis, a Fundamental Analysis will be presented to try to forecast the future path of the Corporation bearing in mind climate change, considered that most revenues come from winter sports apparel and equipment. Finally, advice, comments, and considerations will be given to conclude the Amer Sport's study.
What should be said before starting our long analysis, sporting goods industry is a highly competitive and growing, but also maturing industry. The rising of living standards as well as, a more solid and widespread sports culture and greater leisure time spent on the mental and physical condition of the body fostered this already flowering industry. Due to the increasing demand, Companies and Corporations started to differentiate their offerings by investing in new products, improving their R&D and/or acquiring strategic companies.

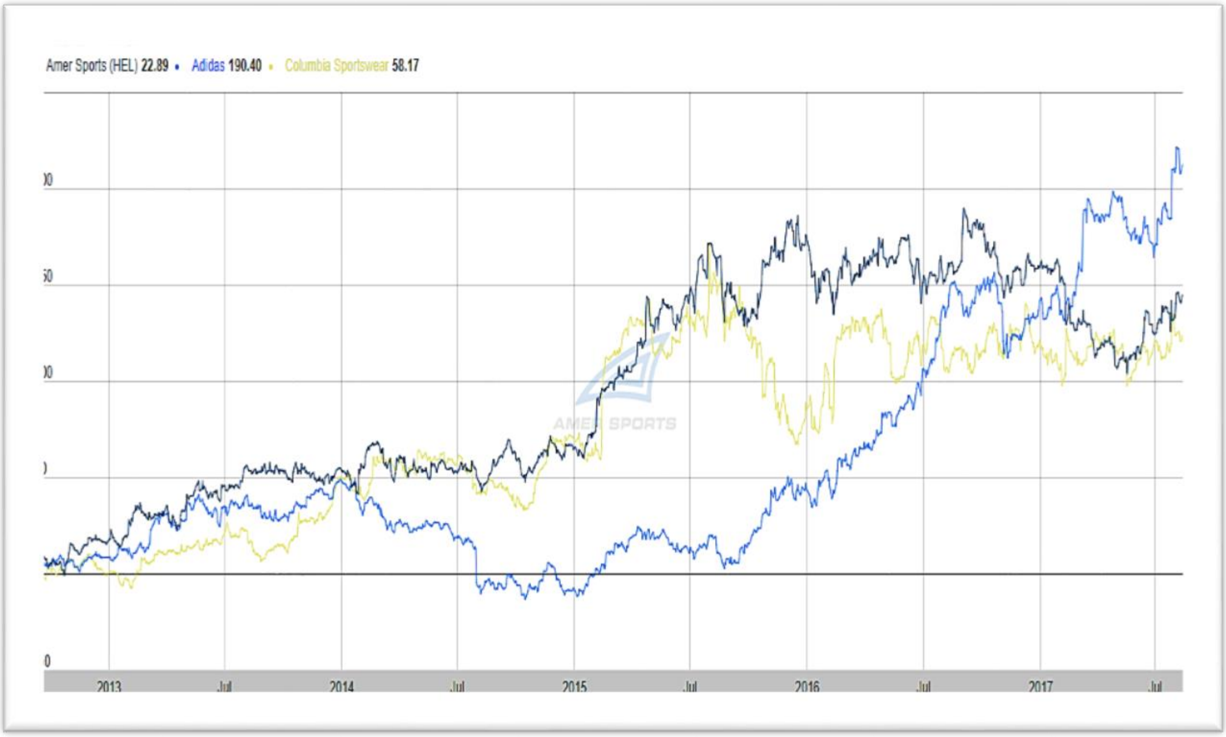
Amer Sports has a wide portfolio of brands, which enables better-targeted offering to each relevant market segment and establishment of a differentiated and authentic brand positioning for each brand. Brands have increased their importance in recent years as brand management did, as a tool of strategic control systems to create additional value for the organization and its shareholders besides the common use in acquisitions.



- *Figure 1: Brand acquisition of Amer sports until 2005.*

Another important characteristic of the Corporation is that the product mix sale varies considerably, due to changes in seasonal and geographic demand for particular types of apparel, footwear, equipment, and accessories. The relative popularity of various sports and changing design trends affect the demand, and all sporting goods providers need to respond to these trends and shifts in consumer preferences by adjusting the existing product offerings, developing new products, styles, and categories, and influencing sports preferences by a huge marketing strategy involving athletes and the Amer Sports community itself. In 2016 Amer Sport kept on growing following is Sustainable Growth Model that consists of annual investments for the future, annual profit improvement and eventually annual growth. Furthermore, it succeeded in reaching its annual milestones with Footwear & Apparel net sales at approximately EUR 1 billion, Business to Consumer bypassing EUR 200 million, and China bypassing EUR 100 million. Eventually, it also kept an eye on the future by investing in digitalization, retail openings, and in R&D to develop new products and technologies for future commercialization. It has built warehouses and operations capacities to support its long-term growth objectives.

In addition, it acquired ENVE Composites in Cycling and EvoShield in Baseball, to strengthen its leadership positions.



This graph gives us a snapshot of how well Amer Sports is performing in the market in comparison with two other direct competitors: Adidas and Columbia Sportswear.

The shares are the ones traded on the Helsinki Stock Exchange and it can be noticed a steadily positive trend for Amer Sport except for some fluctuations from 2015 to 2017.

Nowadays, it is not performing well in the stock market with respect to Adidas, but clearly better than Columbia. The values indicated on the top left of the graph are the shares prices(HEL) of the beginning of September.

Globally, this graph indicates how the industry has grown during these recent years; the increase in demand for apparel, equipment, gears, and sportswear was followed by an appreciation in the shares prices.

1 The Company

1.1 Historical Overview

Amer Sports is a Finnish headquartered sporting good company. Formerly Amer-Yhtymä Oyj, it has its roots in 1950 as a tobacco manufacturer and distributor. After having acquired the right to produce and sell Philip Morris cigarettes in Finland in 1961, it purchased the Finnish company Weilin+Göös, in 1970, which added a publishing and printing division. The company was listed for the first time on the Helsinki Stock Exchange in 1977. In the 1980s, Amer acquired the firm Korpivaara which allows the corporation to enter into the vehicle import industry, gaining exclusive rights to import and distribute brands such as Citroën and Toyota. From that moment onwards, the company began its rapid and inexorable expansion, starting with the textiles and plastics markets. In 1986, Amer began to change its shape into what it has now, the one of a huge sporting company with internationally recognized brands. Firstly, by acquiring a majority stake in the golf equipment maker MacGregor Golf, secondly by buying the hockey gear maker known as Koho-Tuote. However, the fundamental and game changer step was done in 1989 when the Corporation acquired the Chicago-based Wilson Sporting Goods Company for a total of USD 200 million, a leading producer of golf clubs, racquets, and other sporting equipment. Nowadays, Wilson is the world's leading manufacturer of ball sports equipment: tennis, baseball, American football, golf, basketball, softball, badminton, and squash. This acquisition represented a strong change in the strategic mindset of the company, in its directions and in the nature of its business operations. Strategic change aimed at the safeguard its future business and growth potential. Following the shape of the previous investment, in 1994, Amer acquired Atomic the Austrian manufacturer of winter sports equipment, Atomic. Continuing this trend, the corporation expanded its operations by acquiring Suunto in 1999, a manufacturer of outdoor and diving instruments. The US based baseball and softball bat firm DeMarini Inc was purchased in January 2000 by the Wilson Group, becoming part of Wilson's Team Sports Division. Soon after, in 2001, Amer Group launched its new marketing name, Amer Sports which then was changed into the official one of Amer Sports Corporation in 2004, to stress the focus on its business nature: sports. In the years between 2001 and 2004, Amer maintained its strategic expansion plan with the acquisitions of Precor Inc, a US based supplier of fitness equipment, ATEC a leading manufacturer of pitching machines for baseball and softball and Volant a North-American ski brand. Eventually, in 2004, many business areas were divested due to the changes in the main business areas of the company and because of that Amer exited from its tobacco business as Philip Morris agreed to buy back the exclusive right Amer Tobacco Ltd held to produce and sell Philip Morris cigarettes in Finland. In the recent years. Amer Sports confirmed its leading position in the international scenario by acquiring in 2016 ENVE Composites LLC, a fast-growing brand in high-end carbon wheels, components, and accessories for road and mountain biking, and EvoShield, the leading brand of protective gear for baseball and softball. These investments served to the company to protect its businesses in the future from competition and to permit a sustained and stable future growth through the following years. The last acquisition of Amer Sports was this year, with Armada the iconic ski brand.

1.2 VISION AND STRATEGY

1.2.1 The Corporation Vision

Before analysing Amer Sports' vision it is important to understand its mission. Amer Sports mission is to provide everyone from first-time participants to professional athletes with the world's best sports and fitness equipment, footwear, and apparel. Clearly, from the mission statement it is possible to observe how strongly is the Corporation concerned about the quality of its products and how it aims to serve a wide range of costumers of different ages, tastes, and needs. Beyond this mission statements there are the values and the core driving principles that lead the business operations of the corporation such as to improve the well-being of its customers and to satisfy every kind of need in different scenarios providing high tech products. From these conceptual key points, now it is easy to understand Amer Sports vision which is to be the industry's leading sports company, fuelled by authentic brands that inspire athletic achievement and enjoyment. One main element of this vision statement is the core strength of the corporation: brands. Indeed, thanks to the several investments made during the years, Amer Sports, achieved to be in a leading position in the industry. Through its brands, it is able to serve varieties of customers at different price levels and through its high level of fund devolved in the R&D sector, it can improve year by year its product. Until now the corporation seemed to be in line with its mission and especially with its vision thanks also to the values that are shared among the employees. Value such as teamwork fundamental to reach the best possible solution, passion for sports essential to deliver always the best product in the market, fair play, determination to win useful to beat the competition, and innovation vital not to die. Innovation that is also the prime mover of Amer Sports actions and investments. Because in order to maintain its leading position, the corporation can't ever stop to improve its products, to devolve funds to the R&D sector and to invest in promising high-tech companies. By improving its products, I mean improving all the supply chain. From raw materials and work in process to finished goods. Cost production reduction, improvement of efficiency and diminution of defect goods are also key points to work on not to be outcompeted. Basically, mostly every firm primary goal, especially in this case, is to provide quality goods at the less possible cost, as fast as possible, and with no or minimum production error. Achieving this status is hard, costly, and time consuming but Amer Sports quite well arrived at this point due to the fact that through the years has constantly expanded its boundaries and has grown always respecting its guidelines and providing innovative goods to its customers.

1.2.2 The Corporation Strategy

The sporting goods industry is a very high populated market. As a natural consequence it is strongly competitive and existing firms strive to maintain or to improve their positions. To survive in this very challenging scenario what is fundamental is to have a solid strategy aimed at reaching growth, efficiency and innovation objectives. Strategy that has to be supported by a systematic and valuable supply chain, that in this case starts with the purchase of a wide range of raw materials from various suppliers. The main raw materials include steel, rubber and oil-based parts. These materials are mainly used to manufacture the plastic parts, carbon fibres and metal parts of the final products. In addition, Amer Sports strategically located its production and manufacture sites in countries with low labour costs to adapt a huge production cost cutting policy. Approximately 24% of Amer Sports' production value is in China, 36% elsewhere in Asia Pacific, 27% in EMEA and 13% in the Americas. With this ancillary background, Amer Sports' strategy is explicitly stated on its website:

1. Clear portfolio roles and business synergies
2. Faster growth in soft goods
3. Winning with consumers
4. Winning in go-to-market
5. Operational excellence.

The first point states simply that each part, each unit of the portfolio has a specific role that is fundamental to achieve business synergies between departments, brands and business units. The second point is an important goal for the Corporation that is striving to reach it through expanding its channels, its product range and geographically. In 2016, soft goods accounted for approximately EUR 1 billion of the Group's net sales. The third point is about the marketing strategy that the Corporation deploys. Basically, it offers to their customers hand-to-toe solutions aimed at supporting and surrounding the customer for the whole purchase and post purchase experience. Post purchase experience that is the one by which the company it is able to build long and profitable relationships with its customers. Instead, talking about the winning in go-to-market the Corporation means expanding the distribution footprint in both established and new markets while also achieving growth in own retail and e-commerce. Amer Sports sells its products to trade customers and directly to consumers through 287 branded retail stores and 69 e-commerce stores and other more factory outlets.

Lastly, with operational excellence the Corporation intends tight management, improvement of the gross margin and operational efficiency. As stated on the website, operational excellence, is achieved by the Corporation through the tightly management of all core operations with scorecards and Key Performance Indicators, significant improvements made in customer service, sourcing, product quality and working capital and eventually through the implementation of production flexibility in Winter Sports Equipment. An analysis of these targets reveals that while Amer Sports is on track to accomplishing most of them, there are concerns about the long-term sustainability of the company especially amid its vulnerability to economic and climate change. Naturally, Growth strategies vary between brands and markets. Now Amer Sports is also focused on reaching emerging markets customers through its huge system of channels.

In analysing Amer Sports ‘strategies are it also possible to understand its long-term goals. Goals which can be achieved by improving and expanding the portfolio with strategic acquisitions that will strengthen the Corporation reputation and R&D sector.

From what it is observable based on Amer Sports’ history and present conditions, the Corporation has been able to position itself as a leader in its sector through smart moves, profitable investments, courage, and a solid and true company culture.

Starting from the Tobacco Business to choosing sports equipment industry as the primary growth area was one the first strategic game changer step that permitted to the Corporation to become the largest sports equipment company worldwide even though it is in a perennial fight with its direct competitors that are always trying to take its place.

What Has to be said is that this point has been achieved through an efficient supply chain management, a balanced and precise portfolio, various iconic global brands, game changers products and a full support costumer service.

1.3 BRANDS AND GLOBAL OPERATIONS

1.3.1 Brands

First, we should define what the world brand entails. A brand is a distinguishing image, logo, symbol, world, or sentence or a combination of more concepts that a company uses to differentiate from the others. A brand also symbolises a set of principles and emotions behind a determined product; symbolises a lifestyle and some common share values. We might say a brand is an extension of a company and at the same time it is the company itself. Most companies have different kinds of brands in their portfolio in order to offer a wide range of differentiated products to serve as much various customers as possible. To balance the brands portfolio and to make it effective and profitable, a good brand management is vital for the survival of the company itself. For brand management it is intended a function of marketing that uses techniques to increase the perceived value of a product line or brand over time, techniques aimed at building a long and profitable relationship with customers. It is vital for the company to have an interactive and loyal community of customers so to have a large amount of feedbacks and to be closer to the changing needs of its clients. When we consider the Amer Sports Corporation, we can clearly see a wide range of brands acquired through strategic acquisitions over the years. In its portfolio, Amer Sports owns several brands such as:

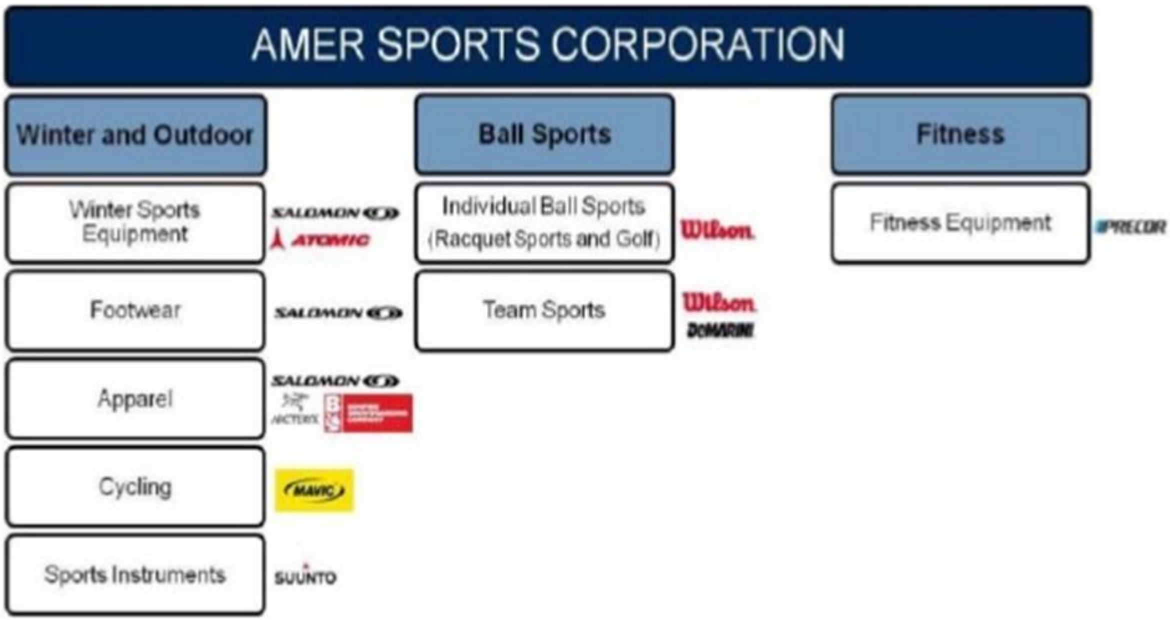
- *Salomon*, boots, skis and apparel producer for both alpine and Nordic skiing bringing innovative solutions to footwear, mountaineering, hiking, trail running, and many other sports.
- *Wilson*, the world's leading manufacturer of ball sports equipment. Wilson's core sports are tennis, baseball, American football, golf, basketball, softball, badminton and squash.
- *Atomic*, skis manufacture that tailors its products from ski racers and free-skiers to cross-country skiers and backcountry skiers.
- *Arc'teryx*, a technical high-performance outerwear and equipment company.
- *Mavic*, a French manufacturer of wheel-tyre systems, pedals, helmets, shoes and apparel, designed for riding road, MTB, triathlon and track.
- *Suunto*, dive computers, instruments and sports watches manufacturer used by adventure seekers all over the globe.
- *Precor*, designer and builder of premium commercial fitness equipment for workouts.
- *DeMarini*, an American manufacturer of baseball bats and others sports equipment.
- *Louisville Slugger* which is the Official Bat of Major League Baseball (MLB) ® and the #1 bat in MLB.

- *ENVE Composites*, a manufacturer of handmade carbon fibre bicycle rims and components.
- *Sports Tracker*, the sport and fitness application for running, cycling and every-day training.
- *Armada*, which is known as the athlete-focused ski brand with athlete-driven, design obsessed and technologically superior products.

These brands give to the Corporation a strategic and a competitive advantage over the other direct competitors. Furthermore, with its wide brands portfolio the Corporation is flexible and dynamic to changing environments, ready to respond to threats such as competitors' innovative products and has a barrier to entry for other possible entrants. Amer Sports is globally oriented, and its sustained growth is possible through a prompt brand portfolio management.

The Corporation's portfolio allows it to serve a vast range of consumers and a great independence to move is left to the Brands. Independence and Flexibility are vital because when Amer started to apply a strategy of either strategic acquisition either a consolidation one, it left to the acquired firm enough room to move freely due to their higher knowledge of the markets, of the customers' needs and of the seasonality fluctuations of that specific market.

Talking about another factor that granted to Amer the success is the precise portfolio management with highly profitable investments and with wise divestments with products that didn't fit anymore in the shape of the Corporation. Eventually, nowadays Amer is still seeking profitable and strategic brands to acquire in order to strengthen its position and to bring new key knowledge inside the corporation. In addition, a consistent focus on the R&D sector allows the Corporation to manufacture high quality and high-tech products which permits the firm to increase its revenues by extracting higher price premiums from its customers.



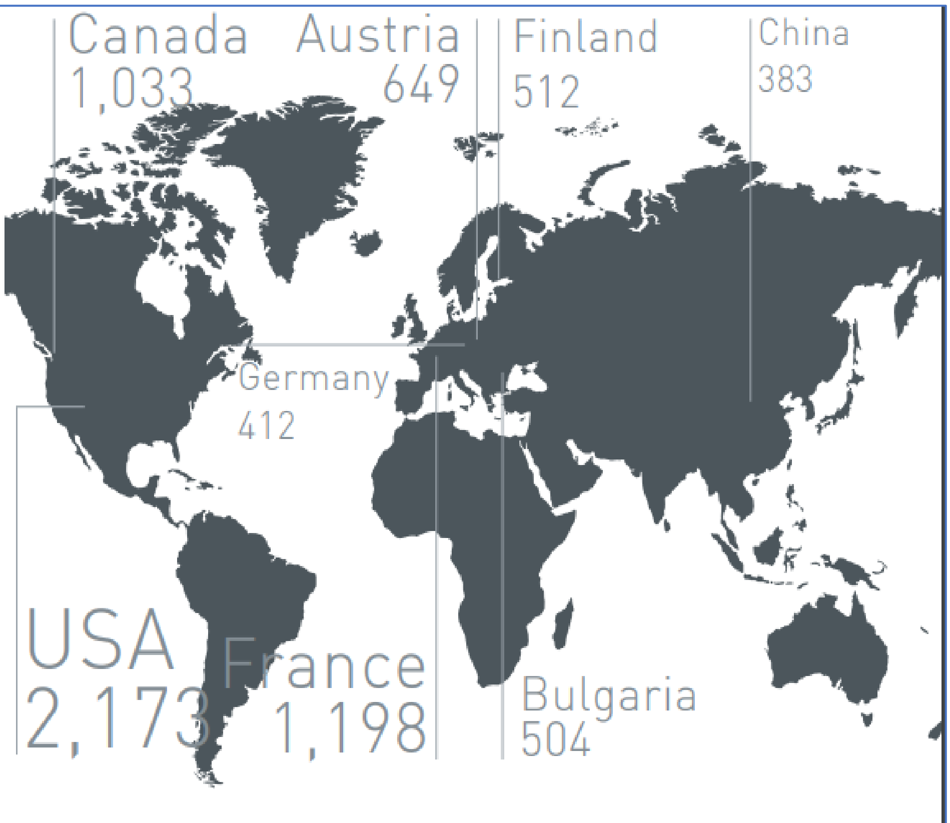
- *Figure 2: Amer Sports Brands division.*

1.3.2 Global Operations

Amer Sports Global Operations are all the business operations that permit the well-functioning and the synergies between the Corporation business units. Global Operations also entails all the processes from the R&D sector with the product development to manufacturing, sourcing and outsourcing. Considering the manufacturing and the sourcing of the Corporation we have to talk about its production value which allows significant cost savings and strong operational efficiencies. Giving some numbers, we can see as 24% is located in China, 36% elsewhere in Asia Pacific, 27% in EMEA and 13% in the Americas. Clearly, most f the production plants are located in the Asia Pacific region because there Amer can exploit cost reductions in production due to low labour costs and low taxation. Exploiting these efficiencies is a key strategic point to be at the leader position and to be competitive with the other firms. The Corporation has in mid to keep on expanding and growing, aiming at countries close to the main markets like Vietnam and Cambodia for future facilities and production plants. Indeed, ensuring low cost of production, it is a way to increase revenues but also a way to have a wider price safe zone when it comes to lowering prices (so decreasing margins) due a to a hypothetical price war. As we said earlier Amer Sports' production facilities are globally spread. Bur, the most important ones are located in Bulgaria, Austria, France, Finland, Canada and the United States. Other facilities are, instead, owned by subcontractors, for example the ones located in Eastern Europe. Owning so many plants all over the Globe means having a system of distribution that must be on time, efficient and also close to the production centres. Amer has these centres, the most important ones, in the United States, in Austria, in Germany and in France. Few things have to be said about the distribution system of the Corporation. It is one of the most important feature of a firm and the more efficient it is the more you can cut various kinds of costs and the more all your operations will be in time without any eventual shortage in the stores all over the globe. It has five main regional distribution centres one in Nashville in the USA, one in Irvine in the UK, one Überherrn in Germany, one in Lyon in France and the last one in Altenmarkt in Austria. Helping the distribution process, Amer, owns different warehouses, from the regional ones to the country ones. Another interesting feature of the Corporation is that it manufactures only the 23% of its products while 13% are manufactured by vendors which are partially outsourced and in addition 64% of the total production value is outsourced. The Corporation production huge complex needs an equal huge network of suppliers of raw materials to be transformed into ski boots, bindings, fitness equipment, rackets and ski edges. This network of suppliers is a part of a bigger system that is the Amer Sports global supply chain. It has the duty to deliver on time all the products at the right place. Obviously, the number of suppliers with which the Corporation has an economic relationship is huge. Along with customers, Amer work hard to always improve the strategic plan governing its supply chain network. When Amer Sports' Brand were taken in consideration into this analysis it was clear how much raw materials the Corporation needs every day to have the facilities working all day seven day per week and how much diverse raw materials it needs because of the technology and of the variety of products it offers to its customers. Materials like rubber, components, carbon fibres, steel and oil-based ones, are purchased or taken from a large number of sources. Before, during and after the production process, even before that the product is going to be sold, in the Amer Sports' Global Operations we can find the Quality Management which entails all the processes fundamental for the company to ensure their products respect the strict Corporation standards and quality requirements. The same tests have to be performed from its external suppliers, especially when we the Group consider the Asia-Pacific sector. In practice, if an item doesn't pass the tests, it can be recalled or returned, and the Group has some legal power on suppliers to sanction them and to ensure that this kind of problem will not occur again in the future.

PERSONNEL BY COUNTRY

	2016	2015
USA	2,173	1,883
France	1,198	1,153
Canada	1,033	951
Austria	649	661
Finland	512	491
Bulgaria	504	530
Germany	412	388
China	383	374
Japan	256	235
Mexico	232	101
UK	198	194
Poland	171	165
Russia	125	136
Switzerland	86	87
Taiwan	84	82
Italy	77	95
Australia	69	68
Spain	69	59
Czech Republic	57	60
South Korea	55	63
Other countries	183	178
Total	8,526	7,954



- *Figure 3: Amer Sports Personnel*

1.4 MILESTONES

1.4.1 Past Years in Brief.

Amer Sport in the last years performed very well in the global market. Its strategic plans were successful and, at the current stage, Amer enjoys the benefits as a leader in the sporting industry. Before taking into consideration its future financial targets, we should say that for the Corporation the 2016 was a pretty profitable and luminous year. Indeed, for the 7th year the Corporation has shown profitable return on investments, profitable growth, improvement of efficiencies and cost savings, and an overall improvement in the global operations. Amer follows as corporation guideline for the future and for future investments its Sustainable Growth Model. It implies fundamental but at the same time very hard goals to achieve such as profits improvement, sustained growth, and annual investment for the future. Since Amer Sports achieved efficiently its targets, it was able to increase the dividends to shareholders improving the intrinsic ROE in the company shares. These financial and non-financial targets were achieved by following the Amer Sports' corner points already discussed earlier in the strategy section.

Net sales by operating segment

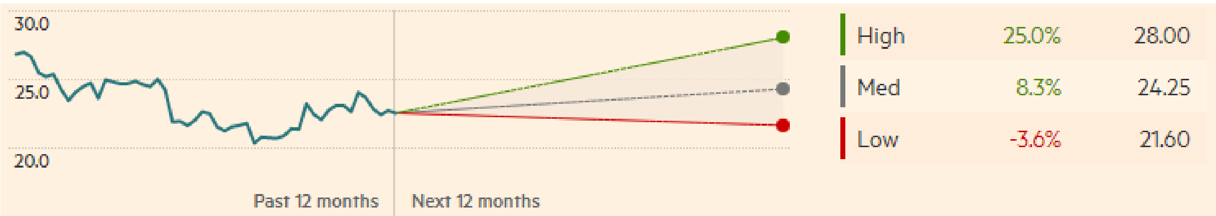
EUR million	2016	2015	Change%	Change%*)	% of sales 2016	% of sales 2015
Outdoor	1,601.8	1,530.1	5	5	61	60
Ball Sports	671.1	647.0	4	4	26	26
Fitness	349.2	357.3	−2	−1	13	14
Total	2,622.1	2,534.4	3	4	100	100

- *Figure 4: Net sales by operating segment in 2016*

This figure shows the increase in net sales from 2015 to 2016. We consider this figure for two reasons: the first one is to give some numbers to show how well the company achieved to increase its revenues by increasing its net sales and the second one, at the same time the most important one, to show how most of the times a period of sustained and annul growth in combination with successful investments in different sectors and more business unit synergies leads to a steady increase in sales year by year. Now, we considered the net sales change from 2015 to 2016, but it is the 7th consecutive year in which the company shows this positive trend in its net sales and so consequently in its revenues.

1.4.2 *Future Milestones*

Despite its positive trend, Amer seems it won't stop expanding and investing. In fact, this mental corporation set is necessary in the competitive scenario in which Amer is moving. A scenario, that sees the Corporation as one of the leaders of the sporting industry but with perennial threats from its direct competitor that are always trying to erode its market share. Anyway, Amer set some strategic future milestones to be reached by the 2020 and some others financial targets as stated in the corporation website. Financial targets such as increase in Net sales by mid-single digit organic, currency-neutral annual growth; increase in annual profit with a focus on the growth of the annual EBIT ahead of net sales growth; the ratio between free cash flow / net profit has to be at least 80% (Cash flow conversion); and last, the ratio between the year-end net debt / EBITDA has to be max 3x. Amer Sports' target is also to reach 3.5 billion euros in net sales by 2020 and to reach an higher EBIT margin to provide a reward in 650,000 shares by spring 2021. Instead, to increase productivity Amer Sports, in February 2017, allowed to be allocated more money into the restructuring program, started previously in the 2016. The goal of this program is to reduce operating expenses by 100 EBIT margin basis points by the end of 2018. Furthermore, the financial markets analysts think Amer Sports will outperform the market.



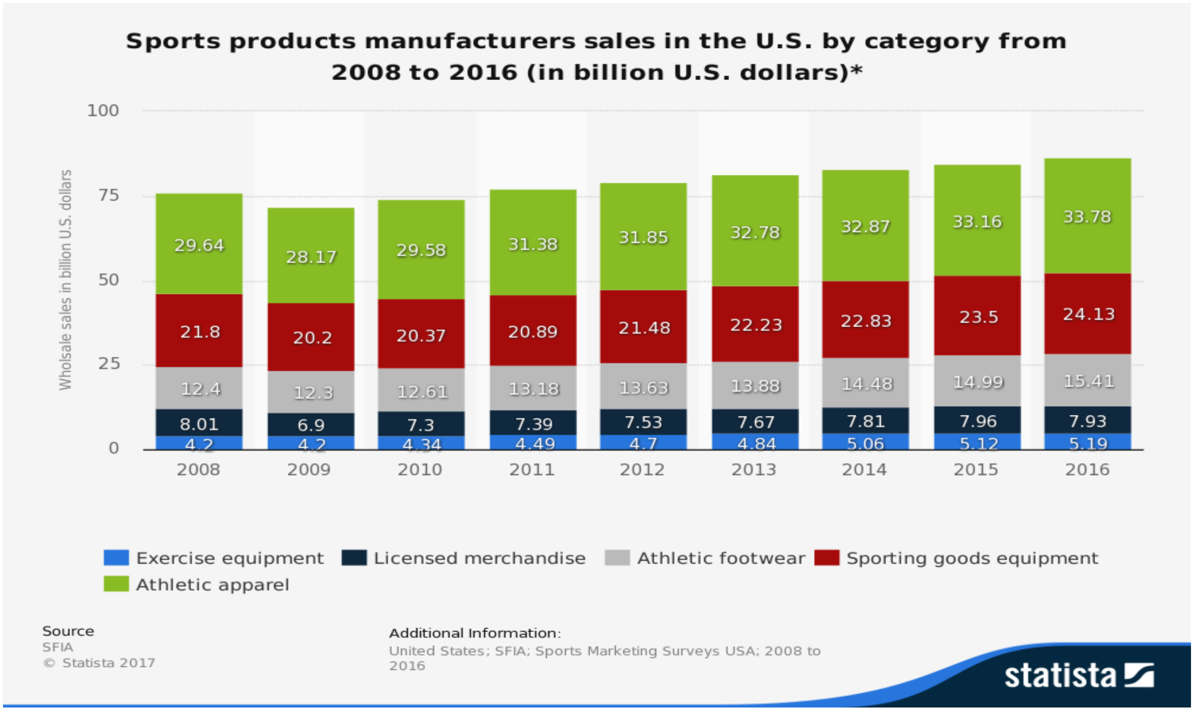
- *Figure 5: Share Price Forecast for the coming year (the beginning of September is the line in between)*

Amer Sports will have a median share price of 24.25, with a low estimate of 21.60 and a high estimate of 28.00. That means, that Amer hypothetically has enough strength on a financial and on a non-financial basis to reach those pre-fixed targets that has in mind by 2020. It is clear to see why on a financial basis, because positive forecasts are an incentive for outsiders to invest into the company and to mix their expectations for the future with the existing ones. Mix that will allow the Corporation to be more controlled and stronger.

2 Financial Statement Analysis

2.1 Brief Industry Analysis

The sporting goods industry is an ever-growing market where a multitude of firms fight against each other. Since it is a very populated market, it is very hard to enter and gain a substantial or even a minimal market share. Furthermore, it has high barriers to entry due to the significant starting fixed costs and to the “amount” of knowledge, expertise and know-how the other competitors have acquired during the years. Competition is harsh, and survival is based upon technological improvement and innovation. That is why investing in new blooming companies with a high degree of innovation is vital. Strategic investments, cost cutting, and fine global planning of actions are the key elements for a firm to survive but at the same time to elevate itself among the others. In the recent years, and we can say from the last part of the previous century, we observed an increase in life expectancy, an increase in the aggregate households’ income, an increase in the weekly amount of time people practice some sport, an increase in the pursuit of a healthy lifestyle and increase in the importance of healthy food. These changes in nowadays culture, were and are economically converted into an increase in sales of sports equipment, apparel and footwear. Indeed, this can be seen in the figure below that shows the sports products manufacturers sales in the U.S. by category from 2008 to 2016 in billions USD.



- *Figure 6: Sports products manufacturers sales*

2.2 Balance Sheet Analysis

2.2.1 *Five-year Review*

From this starting point, we can proceed with the Balance Sheet analysis to analyse the corporation most salient figures. First of all, we must say that the Balance sheet of a firm or of a corporation is a snapshot of the wealth of the company. In this case we are going to analyse the consolidated Balance Sheet of Amer Sports. But before entering the Balance Sheet analysis, here we have a Five-year review table.

Five-year review

EUR million	2016	Change, %	2015	2014	2013	Restated 2012
Net sales	2,622.1	3.5	2,534.4	2,228.7	2,136.5	2,064.0
Depreciation	60.0	17.4	51.1	44.8	42.2	40.2
Research and development expenses	97.5	25.5	77.7	76.2	76.2	72.2
% of net sales	4		3	3	4	3
EBIT	204.8	0.3	204.1	114.1	154.9	113.9
% of net sales	8		8	5	7	6
EBIT excluding items affecting comparability	221.7	4.5	212.1	168.3	154.9	138.7
% of net sales	8		8	8	7	7
Net financing expenses	–31.8		–36.1	–37.1	–28.6	–31.5
% of net sales	1		1	2	1	2
Earnings before taxes	173.0	3.0	168.0	77.0	126.3	82.4
% of net sales	7		7	3	6	4
Taxes	46.1	–0.6	46.4	21.6	36.0	24.5
Net result attributable to equity holders of the parent company	126.9	4.4	121.6	55.4	90.3	57.9
Capital expenditure and acquisitions	148.5	–3.3	153.6	51.6	45.3	52.9
% of net sales	6		6	2	2	3
Divestments	0.6		1.5	0.3	0.5	12.1
Non-current assets	1,051.5	9.2	963.2	807.0	755.7	783.3
Inventories	513.6	6.6	482.0	413.2	355.1	336.7
Current receivables	786.0	0.9	779.1	709.7	649.1	607.8
Cash and cash equivalents	364.0	9.8	331.4	240.2	270.0	142.5
Assets held for sale	-		-	3.5	-	-
Shareholders' equity	1,003.1	5.6	949.6	842.8	761.3	731.8
Interest-bearing liabilities	899.9	13.7	791.7	659.3	701.7	576.8
Interest-free liabilities	812.1	–0.3	814.4	671.5	566.9	561.7
Balance sheet total	2,715.1	6.2	2,555.7	2,173.6	2,029.9	1,870.3
Return on investment (ROI), %	11.4		12.4	8.2	11.8	8.5
Return on shareholders' equity (ROE), %	13.0		13.6	6.9	12.1	7.5
Return on shareholders' equity (ROE), excluding items affecting comparability, %	14.3		14.2	11.7	12.1	9.8
Equity ratio, %	37		37	39	38	39
Debt to equity ratio	0.9		0.8	0.8	0.9	0.8
Gearing, %	53		48	50	57	59
Free cash flow/net profit	0.5		1.0	1.0	0.5	1.2
Free cash flow/net profit, excluding items affecting comparability	0.5		1.0	0.6	0.5	0.9
Net debt/EBITDA	2.0		1.8	2.6	2.2	2.8
Net debt/EBITDA, excluding items affecting comparability	1.9		1.7	2.0	2.2	2.4
Average personnel	8,439	7.5	7,848	7,505	7,370	7,209

- *Figure 7: Amer Sports' Five-year Review.*

What is important to notice in this table, especially for the investors' interests, is how in the last year there was a decrease in the ROE (Return on Equity) and in the ROI Return on Investments). In both cases, it could be a problem of a decrease in Net Income or an increase in both Equity and Investments made during the year. In this case it is clear to see how the company increased both the Shareholders' Equity by 5.6% from 2015 to 2016 and Investments recognizable by the increase of Non-Current Assets. Earlier in the thesis, we said that in 2016 Amer Sports acquired ENVE Composites. So, this clearly matches the change in the value of the item. Talking about Net Sales, we assisted to a significant increase from 2012 to 2016 due to the success of the expanding program of the Corporation. Besides that, it increased only by 3.5% from 2015 to 2016. The same situation is identifiable for the EBIT, which almost doubled from 2014 to 2015 but without recording a significant increase last year (only 0.3%).

2.2.2 The Balance Sheet

We should compute the Quick Ratio to see if the company has enough cash to repay its short-term obligations. Amer Sports' quick ratio is 1.58 which means is a solid and solvent Corporation able to meet its short-term obligations. Another ratio we should focus our attention on is the Inventory Turnover Ratio which tells us how efficiently the Corporation is able to manage its inventory and how well it is capable of converting it into sales. Amer Sports Inventory Turnover Ratio is 5.10, which transformed in days is $((1 \div 5.10) \times 365) = 71.56$ days. It means that Amer Sports sells is whole inventory in 71.56 days, 5.10 times a year. The Corporation is doing quite a good job in efficiently managing and selling its inventory. The Ratio is not that impressive, but it is the one of a well-managed and efficient corporation. Looking at the table, we can also notice how some items, in the non-current assets sector, have increased such as Land and Water, Machinery and Equipment and Buildings and Construction, so Investments have been made, which led to a decrease in the ROI, due to a not equal proportional increase in Net Income. The item Cash and Cash Equivalents have decreased, probably for the ENVE Composite acquisition so it is not reasonable to look at that decrease with a worried sight, furthermore we have a favourable quick ratio, so we are sure the Corporation will be able to keep on going at least in the short term. Furthermore, the Corporation has much more assets than liabilities which makes it trusty. Liabilities did not have a significant increase or decrease. We noticed an increase in Bonds and Loans for the long term, probably due to the expansion strategy of the corporation, and at the same time a decrease in accounts payable and interest-bearing liabilities, so the corporation increased its long-term debts but always meeting its short-term obligations. One important indicator we can look at is Retained Earnings. In this case, it increased by 16.31% so that could mean two things: the net income increased more than dividends that the Corporations has to pay out, or since the Corporations has enough cash on its Balance to pay its short-term liabilities, it can retain most of the Net Income in order to foster its R&D investment and expansion strategy.

SHAREHOLDERS' EQUITY AND LIABILITIES EUR million	Notes	2016	2015
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY	18		
Share capital		292.2	292.2
Premium fund		12.1	12.1
Fund for own shares		−15.5	−18.1
Translation differences		33.1	17.0
Fair value and other reserves	26	27.8	43.8
Remeasurements		−47.2	−35.1
Invested unrestricted equity reserve		163.1	163.1
Retained earnings		410.6	353.0
Net result		126.9	121.6
TOTAL SHAREHOLDERS' EQUITY		1,003.1	949.6
LIABILITIES			
LONG-TERM LIABILITIES			
Bonds	19	697.5	534.1
Loans from financial institutions	19	131.0	81.4
Other interest-bearing liabilities	19	17.7	19.0
Deferred tax liabilities	15	36.3	40.6
Defined benefit pension liabilities	6	78.0	70.1
Other interest-free liabilities		22.4	25.9
Provisions	21	5.1	2.5
		988.0	773.6
CURRENT LIABILITIES			
Interest-bearing liabilities	19	53.7	157.2
Accounts payable		256.3	275.7
Accrued liabilities	20	347.3	337.3
Current tax liabilities		32.1	27.9
Provisions	21	34.6	34.4
		724.0	832.5
TOTAL LIABILITIES		1,712.0	1,606.1
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		2,715.1	2,555.7

Consolidated balance sheet

ASSETS EUR million	Notes	2016	2015
NON-CURRENT ASSETS			
Intangible rights	13	265.5	240.5
Goodwill	13	373.4	346.2
Other intangible assets	13	66.8	41.6
Land and water	13	15.0	14.8
Buildings and constructions	13	62.6	57.9
Machinery and equipment	13	127.5	123.4
Other tangible assets	13	0.3	0.3
Advances paid and construction in progress	13	20.6	10.3
Available-for-sale financial assets	14	0.4	0.4
Deferred tax assets	15	110.1	116.2
Other non-current receivables		9.3	11.6
TOTAL NON-CURRENT ASSETS		1,051.5	963.2
CURRENT ASSETS			
INVENTORIES	16		
Raw materials and consumables		47.5	41.9
Work in progress		10.7	6.8
Finished goods		455.4	433.3
		513.6	482.0
RECEIVABLES			
Accounts receivable	16	607.3	563.9
Current tax assets		17.4	12.1
Prepaid expenses and other receivables	17	161.3	203.1
		786.0	779.1
MARKETABLE SECURITIES			
Other securities		52.5	-
CASH AND CASH EQUIVALENTS	14	311.5	331.4
TOTAL CURRENT ASSETS		1,663.6	1,592.5
TOTAL ASSETS		2,715.1	2,555.7

- *Figure 8: Amer Sports' Balance Sheet.*

2.2.3 The Managerial Balance Sheet

INVESTED CAPITAL OR NET ASSETS	CAPITAL EMPLOYED
NET WORKING CAPITAL **661.9**	**NET FINANCIAL POSITION** **710,3**
NET FIXED ASSETS **1,051.5**	**SHAREHOLDERS' EQUITY** **1003.1**
1713.3	**1713.3**

- *Table 1: Amer Sports' managerial balance sheet 2016*

Table 1 represents Amer Sports' managerial balance sheet for the year 2016 which has been computed considering the cash in the right-hand side of the table. It is a very useful tool for analysts to have a deeper insight into a company or a corporation figures. Indeed, it shows important items such as the Net Working Capital or NWC and the Net Financial Position or NFP. We first start our analysis from the most important one: the Net Working Capital. The NWC is the difference between all the current assets except for the cash item of the corporation and all the current liabilities, except from current maturities of long term debts. It is a measure of liquidity and solvency to a certain extent, because it indicates how the management has been able to efficiently deploy its assets and at the same time it shows the capability of a business to repay its short-term obligation, when the NWC is positive and significantly high. With respect from the previous year 2015 which was 584.8, the Amer Sports' NWC has increased by 13.18%. It shows a positive trend, which is very important for investors to check the efficacy of the management and how a company is far away from the red line symbolized by the bankruptcy or when the NWC is negative. In the Amer Sports' case is well above that hypothetical line. It is positive and Current Assets are much more than the Current Liabilities which is an indicator of good assets management and liquidity for the Corporation. Going down in the left-hand site of the managerial balance sheet, we have the Net Fixed Assets which are just the value of the sum of the non-current assets minus the accumulated depreciation. Since the amount of Net Fixed Assets is slightly below the amount of fixed assets, it means that the assets are relatively “new”. Net Fixed Assets have increased by 9.16% over the last year reflecting the investing and acquisitions strategy of the company. This in turn means that for an investor or an acquirer point of view they are valuable and will last for some periods in the future, impacting company operations positively. While analysing the right-hand side of the managerial balance sheet, we see on the bottom right the Net Financial Position account. It is computed by subtracting from the amount of cash and cash equivalents, the non-current liabilities plus the current maturities of long term debts, in the current liabilities side. It shows how much debts the company is carrying and if the figure is negative, as it is in this case, we can talk about a Net Debt. It has to be said that, for such huge companies or corporations as Amer Sports’, it is common to leverage in order to expand, promote and invest in new businesses or assets. Therefore, even if it is a Net Debt in our case, the corporation is solid, liquid and so safe in the short term from any kind of financial distress, due to n high NWC. What has to be observed, is that the Net Debt increased by 18.50% from 2015, following the flow of Amer Sports’ investments, which were heavily fuelled by loans. The last item on our right-hand side is the Common Shareholders’ Equity which has increased by 5.56% over the last year. This is a positive sign for the company, indicating that the value of the assets has increased more in percentage relative to the percentage increase in total liabilities. So, the company it is in a good shape, liquid and away from any financial distress.

2.3 Cash Flow Statement Analysis

2.3.1 The Cash Flow Statement

The first item we should focus our attention is the Free Cash Flow one. The Free Cash Flow is just a monetary surplus created by the company during the year, in poor terms is the excess cash that the Corporation at the end of the year has. The Free Cash Flow catches the attentions of investors because it indicates the ability of a firm, a company, or a corporation to generate cash after expanding or maintaining its existing assets. Furthermore, it is also an indicator of how company can foster the growth of its businesses, repay its debts, buy back stocks, and pay out dividends. This year, Amer Sports Free Cash Flow was positive but almost half in respect of the previous year, due to a lower change in cash and cash equivalents but mostly because there was a significant decrease of interest-free current liabilities in the operating activities side. Basically, it means that a portion of debts was paid back. If we analyse one by one, the components of the Amer Sports' Cash Flow Statement, we have a picture of a solvent and profitable company which it is able to generate enough cash to repay its debts and to keep on investing and growing. Indeed, if we start from the Operating Activities side we can see as the final Total Net Cash Flow from operating activities is positive, even if has decreased by 28.94% from last year. This decrease was due to a repayment of interest-free current liabilities, as we mentioned before. While, if we look at the Total Net Cash Flow from Investing Activities we can see how the company is investing a significant amount each year, to expand its operations, to acquire strategic businesses and to remain competitive and as a leader in the industry. With respect to the 2015, investing activities have slightly decrease by 2.69%. Instead, focusing our attention on the last part of the Cash Flow Statement, we can see as the Total Net Cash Flow from financing activities has slightly decrease too by 6.64%, due to lower withdrawals of long term borrowings. Still, it is a positive figure on the financing activities side which means more money are entering inside the Corporation thus increasing somehow the value of its assets. Since the cash flow from financing activities gives us an idea of the relationship between the creditors and the Corporation, we can say that the Corporations is repaying back part of its debts every year without having any problem. To conclude our Cash Flow Statement analysis, we have to say we are in front of an efficient and solid Corporation which is able to generate enough profits or better cash to repay and meet all of its obligations including the ones with the shareholders, to keep on investing and expanding and to balance the cash out flows and in flows making sure to always have positive figure and enough Free Cash Flow to meet unexpected events.

Consolidated cash flow statement

EUR million	Notes	2016	2015
NET CASH FLOW FROM OPERATING ACTIVITIES			
Earnings before interest and taxes		204.8	204.1
Depreciation		60.0	51.1
Adjustments to cash flow from operating activities	22	3.2	0.4
Cash flow from operating activities before change in working capital		268.0	255.6
Increase (–) or decrease (+) in inventories		–12.5	–51.3
Increase (–) or decrease (+) in trade and other current receivables		–37.8	2.8
Increase (+) or decrease (–) in interest-free current liabilities		–7.2	54.6
Change in working capital		–57.5	6.1
Cash flow from operating activities before financing items and taxes		210.5	261.7
Interest paid		–28.4	–29.3
Interest received		1.1	1.1
Income taxes paid and received		–32.9	–22.0
Financing items and taxes		–60.2	–50.2
Total net cash flow from operating activities		150.3	211.5
NET CASH FLOW FROM INVESTING ACTIVITIES			
Acquired operations		–56.8	–76.3
Divested operations		-	1.0
Capital expenditure on non-current tangible assets		–58.6	–48.3
Capital expenditure on non-current intangible assets		–33.1	–29.0
Proceeds from sale of tangible non-current assets		0.6	0.6
Net cash flow from investing activities		–147.9	–152.0
NET CASH FLOW FROM FINANCING ACTIVITIES			
Change in short-term borrowings		50.9	–115.4
Withdrawals of long-term borrowings		210.0	368.0
Repayments of long-term borrowings		–156.1	–153.8
Dividends paid		–64.7	–52.8
Other financing items *)		–12.0	–15.9
Net cash flow from financing activities		28.1	30.1
CHANGE IN CASH AND CASH EQUIVALENTS		30.5	89.6
Cash and cash equivalents			
Cash and cash equivalents at year end	14	364.0	331.4
Translation differences		2.1	1.6
Cash and cash equivalents at year beginning		331.4	240.2
Change in cash and cash equivalents		30.5	89.6

*) Including, for example, cash flow from hedging intercompany balance sheet items

FREE CASH FLOW **)		64.4	121.7

- *Figure 9: Amer Sports' Cash Flow Statement*

2.4 Income Statement Analysis

2.4.1 The Income Statement

Now, we head into the analysis of the Income Statement, one of the most important tool to assess the profitability and to see how well or how bad a company or a corporation performed during a given year. We will use as a base year the year 2015. We start from the most straight forward item, which is the Net Sales or Revenues one. As we can clearly see, there has been an increase in net sales of about 3.46%. Net Sales is one of the most relevant item for Amer Sports in terms of performance and the fact that it increased from one year to another, indicates that the company is performing well on a global scale. For Amer Sports, net sales are calculated as revenues minus all the value added taxes and subtracting or adding foreign exchange differences. The increase in Net Sales is due to many reasons: efficient global and regional marketing programme, technology improvement perceived by customers which boosts sales and of course catching new market segments. An increase in Net Sales, as a natural consequence, leads to an increase in Cost of goods sold, that for Amer Sports represents all the costs associated for producing a single unit. Costs such as wages, manufacturing costs and direct overhead costs. Even though the Cost of goods sold increased as a natural consequence of the increase in Sales, it did not offset the latter which meant for the company a higher Gross Margin. In the Cost of goods sold there were already calculated depreciation and amortization. Indeed, we don't find the item of the EBITDA (Earnings before interests taxes depreciation and amortization) but directly the one of the EBIT (Earnings before interests and taxes). Going further with the analysis, we can see as the expenses for the Research and Development increased by 25.48% due to a more extensive R&D sector, indicating a focus of the Company on continuously improving products and technology. It is also interesting to see how Administrative and other expenses decreased by 2.06%, meaning that even if the company its expanding, it has a conscious eye on the efficiency side of the Corporation, regarding facing less costs as possible to produce the best possible outcome. Nonetheless, the EBIT, one of the most relevant evaluation item for a Company, increased by only 0.34%, meaning that the company has not been able to fully exploit its expanding strategy outcomes this year, due to higher marketing expenses which were vital to reach the increase in Net Sales. We should wait and see what will be the next year EBIT, to check if this huge marketing campaign, which produced quite significant expenses in 2016, will bring the desired rewards to the Corporation, through consumers retention and consumers acquisition. Anyway, the final result so the Net Income, for Amer Sports in 2016 was 126.9 million, which represented an increase of about

4.35%. This is a quite impressing sign, considering the fact that we are analysing a consolidated income statement, which means that it shows the aggregate performance of all the Amer Sports companies. Naturally, some company could be more performing than another one; some company could be a key player for its knowledge and know-how and not for its sales. Which means that the Corporation as a whole is more than covering all the expenses of the less "active" firm with the elevate performances of the other ones. Eventually, the Net Result is increasing and positive which means that the company is well performing in the market, is pursuing its goals efficiently and it is successfully expanding, but always with a vigilant eye on new trends and technology to maintain its leader and profitable position.

Consolidated income statement

EUR million	Notes	2016	2015
NET SALES	2	2,622.1	2,534.4
Cost of goods sold	7, 30	–1,409.7	–1,388.5
License income		6.8	7.3
Other operating income	4	8.8	4.8
Research and development expenses	7	-97.5	–77.7
Selling and marketing expenses	7, 30	-731.1	–677.5
Administrative and other expenses	7, 8, 9, 30	-194.6	–198.7
EARNINGS BEFORE INTEREST AND TAXES	30	204.8	204.1
% of net sales		7.8	8.1
Financing income	10	1.1	1.1
Financing expenses	10	-32.9	-37.2
Financing income and expenses, net		-31.8	-36.1
EARNINGS BEFORE TAXES		173.0	168.0
Income taxes	11	-46.1	-46.4
NET RESULT		126.9	121.6
Attributable to:			
Equity holders of the parent company		126.9	121.6
Earnings per share of the net result attributable to equity holders of the parent company, EUR	12		
Undiluted		1,08	1,04
Diluted		1,07	1,03

- *Figure 10: Amer Sports' Income Statement.*

2.5 Profitability Analysis

2.5.1 Is it Profitable?

To check if Amer Sports is a profitable firm, we must compute different ratios to see the return of the Corporation on certain items such as investments or assets. We start from assets, indeed, by computing the Return on Assets or ROA which is 4.67%. The result is not outstanding, due to the fact that we took the items from the consolidated statements. Anyway, we can say that the Corporation is still profitable, but it is earning a modest amount of money from the management of its assets. Basically, the Return on Assets indicates how well a Corporation can generate earnings out of its assets. To make a brief comparison, if we take the Return on Assets of the Adidas Group we can see as it is over the 5% (actually is it 6.72%)benchmark, which is considered the starting point for money managers. Adidas Group seems to have a higher capability to generate money from its assets and therefore Amer Sports could be seen not as an outstanding profitable corporation but as a well profitable one. There has also been a decrease in the Amer Sports' ROA from 4.75% in 2015 to 4.67% in 2016, but this small decrease was due to acquisitions so to a significant increase in the amount of total assets on the corporation balance sheet statement. Another significant ratio that we have to consider in order to assess the profitability of the corporation and the attractiveness of the latter to the sight of outsider investors, is the Return on Equity or more commonly known as ROE. The ROE simply indicates how much money are the shareholders earning out of their equity investments. The higher is the ratio, the more the management its using efficiently its equity base and the higher will be the return for shareholders, and as a natural consequence the more the corporation will be able to attract more easily outside investors. The ROE for Amer Sports in 2016 was 13% which is lower than the previous percentage of 13.6% of 2015, because there has been an increase in the average shareholders' equity without a significant increase in the Net Income. It is still a good figure and Net Income is supposed to be higher for 2017 due to the fact that the corporation is expecting to harvest the fruits of its 2016 huge marketing campaign. Comparing Amer Sports' ROE with the one of the Adidas Group, we can see as it is lower. In fact, the Adidas Group one is 15.7%. The outstanding fact is that it increased from 11.2% to 15.7%, so recording an increase of 40% from a year to another. It means that the Adidas Group has almost doubled its Net Income, indicating a booming period for the Group and so a serious threat for Amer Sports reputation, position and profitability. This booming year for the Adidas Group, which registered also an increase in its net sales, could have been one of the major justifications for Amer Sports marketing campaign. Amer Sports' could have realized that it has to catch up a bit with its direct competitors which are well visible and know and which are eroding in a certain degree its profitability. The last part of our profitability analysis is dedicated to the profit margins analysis. It is useful because we can see which are the different amounts of profits at different levels generated from sales revenues. In this way, we are able to detect critic points where the company loses the most part of its net sales revenues due to expenses or taxation. The first one is the Gross profit margin (Gross Profit/Net Sales) which is 46.23%,that is the ability of the Corporation the efficiently utilize its raw materials, direct overheads and labour in order to produce profits; the second one is the Operating profit margin(Operating Profit/Net Sales) which is 7.81%, that is the percentage of profit resulting from management strategic undertakings influencing the SG&A part of the income statement; the third one is the Pre-Tax profit margin(Pre-tax profit/Net Sales) which is 6.59%, that indicates the percentage of profit regarding net sales which has not been taxed already(management techniques to manipulate that number in order to avoid high taxation) ; and lastly, the Net Income margin(Net Income/Net Sales) which is 4.83% and has increased from 2015, despite the increase in the amount of net sales in 2016. The net income margin, simply indicates the real percentage of net profits excluded of kind of expenses from net sales, which is the real measure of the Corporation profitability. In comparison with the Adidas Group one (5.3%) it is slightly lower, but it still gives us a nice indication on Amer Sports' as a profitable company, meaning that is well able to generate a significant amount of profits.

2.6 Other Performance Indexes

INDEXES	*AMER SPORTS*	*ADIDAS GROUP*
CURRENT RATIO (FE/L)	**2.29**	**1.31**
D/E RATIO (FE/L)	**0.84**	**0.15**
ROIC (P)	**8.13**	**13.48**
CASH CONVERSION CYCLE (EFF)	**141.53**	**83.5**
ASSETS TURNOVER (P/EFF)	**0.99**	**1.35**
FINANCIAL LEVERAGE(P/FE)	**2.71**	**2.34**
INTEREST COVERAGE (P/FE)	**6.77**	**21.63**
RECEIVABLES TURNOVER (EFF)	**4.48**	**9.08**

- *Table 2: Other performance indexes*

P=Profitability; FE= Financial Health; L= Liquidity; EFF= Efficiency

To complete our financial statements analysis, we need to go more in deep with the performance measurement one. We have already mentioned some performance measurement indexes such as the Quick Ratio, the ROE, the several Margins percentages on Net Sales, the ROA and the Inventory Turnover Ratio. As we did before, we use as a benchmark one of the direct competitors of Amer Sports, the Adidas Group which is another of the sporting goods giants, offering a wide range of technical, fitness and sports products. In terms of investments portfolio, it has a slightly different set in terms of business areas in comparison to Amer Sports, which has its most operations in the equipment, boots, rackets and other tools for people who loves the mountain and alpine sector. Adidas is more focused on sports in general and on lifestyle goods, which make Adidas a brand that define who you are to a certain extent. Looking now at what we are interested in, we see how Amer Sports has a Current Ratio of 2.29, that is higher than the Adidas Group one of 1.31. It is a positive figure for outside investors, because the Current Ratio, also called liquidity ratio or working capital ratio, indicates the ability of a company to repay its short-term and long-term liabilities. The higher it is, the more capable a company is to repay its obligations because it means has a larger value of assets relative to its liabilities. It has some limitations, one of them is the fact that since all current assets are inserted in the calculation, also the ones that cannot be easily converted into cash. So many companies might have a lower current ratio, but with the assets more efficiently allocated and promptly convertible into cash. Anyway, having a ratio higher than 1 e below 3 is a positive sign and since we are comparing two sporting goods company, we can state that the Amer might have less difficulties to repay its debts, so more financial stability. Another fundamental financial ratio is the Debt to Equity ratio. It measures the financial leverage of a company and it indicates how much debt in proportion to the value of the shareholders' equity a company it is using to finance its assets. The higher it is the Debt to Equity ratio, the higher a company its leveraging itself (increasing its debts so ask for loans) to finance or expand its current operations. Amer Sports' D/E Ratio is 0.84 while the Adidas Group one is 0.15. Both the results are low, especially the Adidas Group which is very low. We can say that Adidas Group has created a lower amount of debts relative to its equity values in order to finance its operations. It can indicate more disposable cash for investments or a non-aggressive expanding strategy of the company. We know that Amer Sport has been through an expanding period, characterized by heavy investments and acquisition through loans. This might explain why the D/E ratio it is higher. Furthermore, the lower the D/E Ratio the higher is the likelihood to receive loans from banks, due to the fact that you are carrying a small burden of debt. To conclude, we should say that we are considering two companies which are also capital intensive, and often capital-intensive companies have high D/E Ratios. So, the fact that they have low ratios shows to a certain extent how they are two profitable companies capable of creating cash to finance their operations instead of using leverage. Instead, talking about the ROIC or the Return on Invested Capital, Amer Sports has a ratio of 8.13, while the Adidas Group has 13.48. The ROIC simply shows how much effective a company uses, allocate and deploy its capital to generate revenues or into profitable investments. So, it reveals if capital is used properly and effectively, and reveals the percentage of revenues from each unit of capital invested. From the figures, it is clear how the Adidas Group is much more able to obtain more returns from its invested capital than Amer Sports, meaning or having more brand attractiveness, or better strategic investments decision or simply more effective management. Talking about the cash conversion cycle, Amer Sports has 141.53 days that is more than the Adidas Group one of 83.58. The cash conversion cycle, is a measure that expresses in how many days the company it is able to converts inputs into cash flow. More in details, it indicates ow many days the company can convert cash into inventory and accounts payables, through accounts receivables and sales, and then convert them back into cash. It is a measure of management effectiveness and overall wealth of the company. Thus, in Amer Sport has a less efficient management than the Adidas Group, even if it has several companies that have to be taken into account. Another measure of management effectiveness is the total asset turnover, which indicates how well a company is using its assets to generate revenues. The higher the total assets turnover ratio is, the more dollars a company is extracting from a single unit of asset. Amer Sports' figure is 0.99, while the Adidas Group one is 1.35, meaning that the latter its strategically deploying its assets better to generate revenues than Amer Sports does. We now turn to the Financial Leverage Ratio, which shows how much debts and equity is used to finance the assets. It has a quite similar meaning of the D/E Ratio, but with slightly differences such as that the higher the Financial Leverage the less stable and solid a company is and the less is able to payback its debts or to ask for new ones. Amer Sports' Financial Leverage ratio is 2.71 while the Adidas Group one is 2.34. They have similar figures, with the Adidas Group having a less burden of debts from the financing of its assets. Another measure of financial health and profitability that we have to analyse is he interest coverage ratio which is a very important to see a company solvency and ability to repay its debts. Indeed, it is quite often observed by the shareholders because a good interest coverage ratio has an impact on their returns. The interest coverage ratio shows how many times the company it is able to repay its interest expenses with its available earnings or the EBIT (Earnings before interest and taxes). It can be viewed as a margin to be considered safe from a hypothetical bankruptcy. The minimum acceptable threshold is 1.5, below 1 it is considered very dangerous due to the small margin of safety. Amer Sports' interest coverage ratio is 6.77 while Adidas group one is 21.63. It is clear how the Adidas Group in this case has a much lower denominator or in poor words less interest expenses. This is due to low borrowings made by the company which makes the ratio so astounding. Amer Sports' result is still brilliant because despite its expansion strategic programme, it was able to generate enough earnings with respect to its significant, but not that high, amount of interest expenses. They can be then considered more than safe with a high level of solvency and ability to pay back their debts which makes them attractive to foreign investors. We now turn to the last row of our table, which is the accounts receivables turnover ratio. It indicates the ability of the company to effectively manage its credits and collect its debts. Amer Sports has 4.48 while the Adidas Group has 9.08, so almost the double. A high receivables ratio indicates that the company collects pretty fast its receivables, has clients which pay on time and/or works on a cash basis. A low receivables ratio indicates a bad collecting process, clients which are in a financial distress and/or a high number of receivables outstanding. So, if we stick to the efficiency and cash basis side of the meaning of the ratio, we can say that the Adidas Group collects its receivables faster and therefore it has more available cash on a short-term basis.

2.6.1 Does it "sound"?

From what we have seen and taken into consideration, it does. We have seen how Amer Sports' is a solid company, able to repay its debts, to generate profits while covering all the costs but without stopping its investments strategy, to increase its sales and to face competition with new technologies and an important marketing campaign. Comparing performances with the Adidas Group, Amer has some areas in which it is less efficient and less performant. The Corporation comes from years of expansion strategy and heavy investments and acquisition, mixed with an impressive marketing strategy aimed to maintain its position and to fight back its competitors such as the Adidas Group. The latter works in the sporting goods industry and even if does not produce and sell the same Amer Sports' products, has the right basis (same industry similar goods, competitors in some areas) which makes it comparable to Amer Sports. At the end, we should way the 2017 results and balances to see if Amer Sports' will collect its expected rewards and if will achieve to become a more efficient Corporation among the leading ones.

3 Conclusion

In conclusion, this thesis aims at checking the financial stability and at evaluating the performance of the Amer Sports Corporation. Through financial statements analysis, ratios analysis, graphs and multi-years table we have been able to go beyond the financial figures to understand more in deep the financial health of the Corporation. We started from its roots and original business orientation, to its actual shape and global operations. We carried on with a brief five-years financial review, which introduced us to the analysis of different Financial Statements supported by the analysis of the respective significant ratios, from the balance sheet going through the income statement and to the cash flow statement. A Managerial Balance sheet was built and computed, to have a more extensive insight on the liquidity and efficiency of the corporation. As a natural conclusion, following the flow of the thesis, further performance ratios were included in the analysis; ratios measuring the efficiency, the liquidity, the financial health, the solvency and the liquidity of the corporation. The results of the analysis gave us a picture of a solid, solvent and liquid corporation, which is far away from the risk of bankruptcy and which is expanding and investing heavily and successfully. Acquisitions were conjoint with investments and the corporation had to leverage to achieve its vital milestones to maintain and enlarge its leading position. Despite augmented debts, profitable, strategic and smart investments are delivering pretty well rewards to the corporation, symbolized by the increasing figures in the Income statement such as net sales and net income. The significantly high amount of positive Net Working Capital and Cash & Cash Equivalents, are cardinal pillars of the financial health of the corporation. The future of the corporation will reside in a better management of the operations, in an increase in operational efficacy and in though battle against its competitors to defend and/or expand its current market share and profitability. One of them, the Adidas Group, has been used throughout the thesis as a benchmark for the comparison of the performance ratio. Furthermore, to see where the Amer Sports expansion strategy will bring the corporation, we have to wait the financial results of the 2017, to check which effects will the huge marketing campaign (deployed in 2016) have on the sporting goods industry, where Amer Sports is competing. The last advice I feel to give to external investors is to buy Amer Sports, due to the positive share price forecasts, showing an increase in the median price, and due to the positive growth rate for the coming years.

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