



Mercadona's inter-supplier case

Author: Jorge Andreu Fuster al314498@uji.es

Tutor: Antonio Vico Martínez

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I. Summary

The aim of this paper is to try to demonstrate whether a company with a strong link with Mercadona offers better economic and financial profitability figures than companies operating in the same sector. For this purpose, this study will buy the main financial ratios of a company considered to be an inter-supplier of Mercadona with the three most important competitors in the sector.

In order to be able to respond to this, the balance sheets of the companies analyzed for the years 2011-2016 are used as a basis. These are then treated to give the reader the necessary tools to take the correct conclusions.

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1. Introduction

In this bachelor's Thesis, an analysis of the company Verdifresh, Mercadona's inter-supplier. Mercadona's inter-suppliers are those companies that have a strong commercial relationship with Mercadona, complying with four basic aspects ([Ramos Maroño, 2016](#)):

1. The first is a contractual agreement, where the guaranteed purchase volume and the form of disengagement are defined in cases where the supplier wishes to unilaterally break the agreement. The separation time is three years, giving Mercadona enough time to reach another agreement with a third company.
2. The second is the duration, the standard term being 15 years, which can be up to 25 years in some cases.
3. Thirdly, there is the exclusive manufacture of Mercadona. In this way, it competes with other chains with exclusive and differentiated products.
4. Transparency of information is fourth and last. The information must flow continuously and without barriers, including cost accounting, which is secured by a contract in order to negotiate prices correctly.

The main objective of this research is to analyze the financial statements of Verdifresh. In this way, the corresponding profitability and liquidity indicators will be known. This analysis will allow us to obtain an evolution of these in each company, and it will be possible to compare the same company with others of the same characteristics, in this way we will be able to obtain a ranking according to the corresponding indicators. The financial analysis of each of the above will be based on the information contained in the financial statements obtained thanks to the SABI ("Sistema de Análisis de Balances Ibéricos").

Thanks to this analysis, we can conclude a diagnosis of each company analyzed that allows the reader to draw his own conclusions about what has happened so far and what is likely to happen in the future, with respect to the Verdifresh.

1.1. Justification and interest of the topic

There are a large number of economists who argue that companies that have a strong commercial relationship with Mercadona, that is to say, their inter-suppliers, become companies with a high rate of return, high solvency and great liquidity. This fact has not been called into question, at least an exhaustive study of it has not been carried out. Therefore, this paper attempts to address the following question: is Mercadona's statement about the profitability of its collaborating entities really true?

In order to try to answer this question, the report will, as has already been said, focus on the comparison of one of its inter-suppliers and the three direct competitors in the sector.

2. Analysis of the financial statements

A correct analysis of the financial statements of a company allows the different economic agents to reduce the risk of uncertainty to which they are exposed. To this end, this analysis must provide the necessary tools so that the agents can issue judgments useful for their decision making. Therefore, the analysis of the financial statements is a procedure of interest to both internal and external users of the company or companies analyzed.

For the analysis to be a good tool, the analyst must start with the financial statements of the companies as raw material, but at the same time, must take into account the circumstances of the environment in which the company or companies operate. Therefore, it is necessary to analyze the sector of the companies analyzed, the past, present and potential economic situation, as well as the strategies of the companies to face an uncertain future. Thus, five stages in the analysis should be done:

1. Analysis of the environment of the sector in which the different entities operate, as well as the macroeconomic and political environment.
2. Analysis of the company's strategy, which must have been adapted to the environment, identifying strengths and weaknesses, as well as entry barriers.
3. Interpretation of the content of the financial statements. This section should take into account the audit reports and the content of the report.
4. Profitability-risk binomial analysis
5. Historical analysis and future projection. This is focused on trying to obtain an informed assessment of the company, which combines current and past information about the company, with a vision of the positioning of the company in the future with a sound basis.

3. Analysis and information on companies

3.1. Verdifresh

Martinavarro is the owner of Grupo Alimentario Citrus, which in turn owns Verdifresh. Martinavarro was born in 1946 and its first headquarters was located in Riba-roja (Valencia). Verdifresh was founded in 2000 and became an inter-supplier to Mercadona in that year. In 2003 it moved its headquarters to Antequera (Málaga) and later, in 2006, it started up another production plant in Aranda del Duero (Burgos). In 2007 the company Mesturados Canarios was created with headquarters in Granadilla de Abona (Tenerife). It was in 2008 that the Citrus Food Group was born, which includes the companies described above and whose ownership remains with the company Martinavarro. From that date until now, the group has continued to create entities such as ALNUT or ESPACE.



In 2016, the company obtained a turnover of 117,289,884 euros, reporting a profit after tax of 15,173,512 euros.

3.2. Analysis of the sector

Verdifresh belongs to the industrial sector of the economy, more specifically to the packaged food sector.

Verdifresh S.L. belongs to the sector described above in which it faces many direct competitors. Its main focus is on the production of ready-to-eat salads that are prepared and packaged. Within this subsector, it has a wide variety of products, thus covering the different needs and preferences of customers when consuming these products.

The company not only produces ready-to-eat salads, it also has other varieties of products, such as: pre-made dishes such as vegetable salads and precooked pasta, among others. It also has soft drinks and/or juices. These include Smoothies.

It is of vital importance to highlight that the company is, as has already been said, an inter-supplier of Mercadona and that, therefore, the products described above are manufactured exclusively for them. Mercadona and Verdifresh are thus competing with other supermarket chains and brands with exclusive and differentiated products.

With regard to entry barriers, it should be noted that there are no significant legal barriers beyond the health requirements. In spite of this, and due to the large initial investment, that must be made to obtain land and machinery to cultivate, we can say that there is a strong barrier to the entry of new competitors.

For its part, the consumer has great power, due to the great competitiveness that exists in the sector. Therefore, companies will have to compete via prices, reducing their costs as much as possible in order to obtain an adequate margin.

3.3. Description of the competitors analyzed.

3.3.1. Vega Mayor – Florette Ibérica

In 1989 the company Vega Mayor was born, the result of a union of farmers from Navarra with a lot of experience in the sector. In 2001 the company was renamed Florette. In 2007, the second Iniesta (Cuenca) production plant was opened. Florette acquired Tallo Verde, constituting Florette the Taint. The last acquisition of the group is in 2013, when Sogesol is taken over by the group and its name changes to Florette Murcia.



The group's operating income in 2016 reached 168,768,000 euros, giving an after-tax profit of 8,751,000 euros.

3.3.2. Industrias Alimentarias de Navarra (IAN)

Grupo Industrias Alimentarias de Navarra (IAN) began its activities in 1973 and is constituted as a cooperative. In 1988, in order to boost its growth, it decided to stop being a cooperative and set up the Viscofan group. In 2002, the company decided to strengthen its most well-known brand, Carretilla. Also, this year, it decided to implement a diversification strategy, establishing itself in South America and Asia.

In 2016, operating income was 116,807,000 euros, which represented an after-tax profit of 3,165,000 euros.

3.3.3. Bonduelle

In 1947 the Bonduelle brand was born, owned by the Bonduelle family. In 1968, the company diversified into the world of frozen foods. It was 1985 when Bonduelle landed in Spain. Finally, in 2017, he made the decision to offer ready-to-eat dishes in the traditional packaging format, that is, canned dishes.

The company invoiced a total of 33,245,401 euros in 2016, reporting losses of 565,190 euros.

4. Financial Evolution

To determine whether it is financially advisable to invest in a company, a financial study or analysis of the company and the sector must be carried out. This study uses financial information obtained through SABI on the four companies in the precooked food sector. The financial data used are the balance sheets and P&L statements for each of them. The investigation period runs from 2011 to 2016, the latest date for which all necessary data is available for each of the companies.

4.1. Profitability Analysis

The quotient between the accounting result and the level of investment made by an entity gives rise to profitability in the form of relative magnitude.

It will be necessary to have a profit and loss account and the balance sheet of each of the entities to analyze the corresponding analysis. Two types of relative profitability are taken into account in this report. The first of these is based on economic management and the second on financial management.

It is vitally important to know how to differentiate between both returns. In this way, it is possible to discriminate between companies that are not profitable due to problems in the development of their economic activity or that are not profitable due to deficiencies in the management of their financing policy. The result of the analysis may help to change the way both areas are managed, although it is true that changing the financial structure is less complex than changing the economic structure.

4.1.1. ROA Analysis

ROA (Return on Assets) is the profitability of the investments made by the company as an economic or production unit. These investments correspond to those shown in the balance sheet of the annual accounts of each one of the companies analyzed.

This relative return quantifies the return without taking into account the form of financing of the assets or, what is the same, independently of the financial structure of the same and its cost.

In order to draw conclusions and answer the initial question of this report, the analysis used is based on two methods; firstly, Cross-Section 2016. The second of these is a time series showing the evolution of each company between 2011 and 2016, as well as the average for the sector over the same period of time.

4.1.1.1. Cross-Section

In this section, a comparison is made of each company with the sector in which they work for 2016. Thanks to this analysis, the analyst can evaluate the efficiency of each company, compare them with each other, and see which of them is the most profitable, depending on the assets, presented. The year 2016 has been used as it is the most current year in which accounts can be obtained for each and every one of the companies.

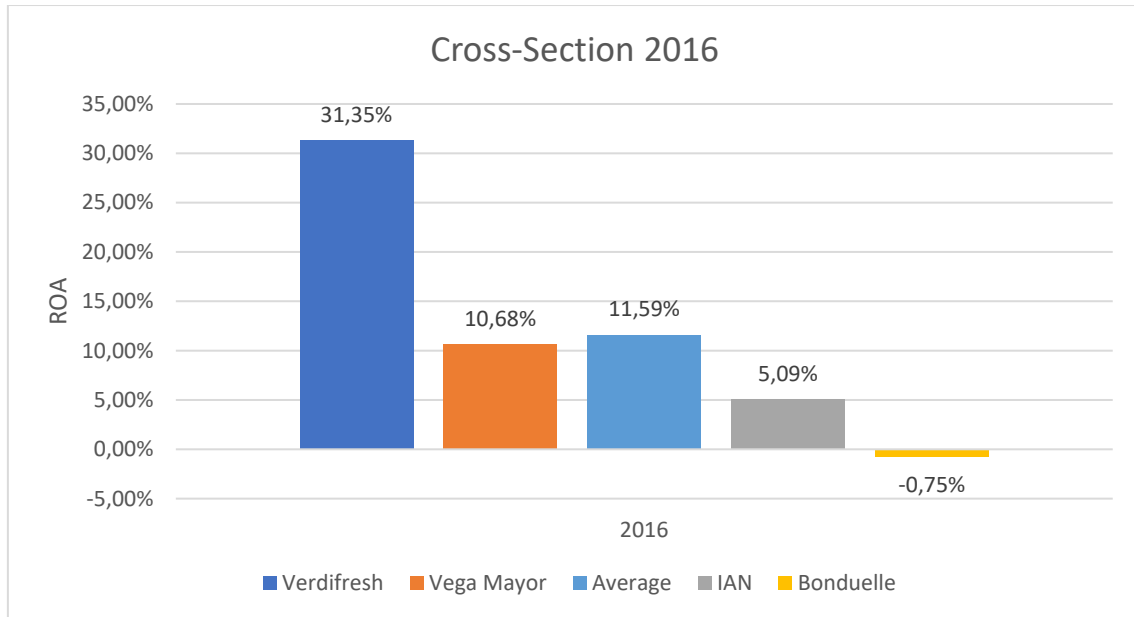


Figure 1: Cross-Section 2016. Own elaboration

The graph shows the return on assets of each of the companies, as well as the average for the sector for 2016. As can be identified, only Verdifresh exceeds the average of the sector (11.59%), remaining close to the same Vega Mayor. It should be noted that Verdifresh achieves almost three times the average profitability of the sector.

For the year under analysis, the company that obtains the highest profitability is, as already mentioned, Verdifresh with a 31.35% profit over assets. The second place, very close to the average, is held by the company Vega Mayor, with a ratio of 10.68%. The third largest entity is Industrias Alimentarias de Navarra, which has a return on assets of 5.09%, slightly less than half the sector average. Finally, the only entity that shows a negative relative profitability is Bonduelle, with -0.75%.

4.1.1.2. Time Series

A) Each company in the period 2011-2016

In this section, each entity is analyzed individually, which leads to the observation of the changes experienced throughout the period studied. The table below shows the different ROA of the companies between 2011 and 2016. For better interpretation, the same data is shown, but in a graph below this table.

ROA						
ROA	2016	2015	2014	2013	2012	2011
Verdifresh	31,35%	28,39%	31,08%	29,42%	28,48%	24,51%
Vega Mayor	10,68%	9,88%	8,47%	3,04%	3,48%	2,70%
IAN	5,09%	2,50%	4,13%	3,56%	4,97%	5,10%
Bonduelle	-0,75%	-21,18%	0,26%	-4,93%	1,69%	-6,09%

Table 1: ROA of each company between 2011-2016. Own elaboration.

The following graph shows the evolution of the four companies in terms of economic profitability over the period analyzed.

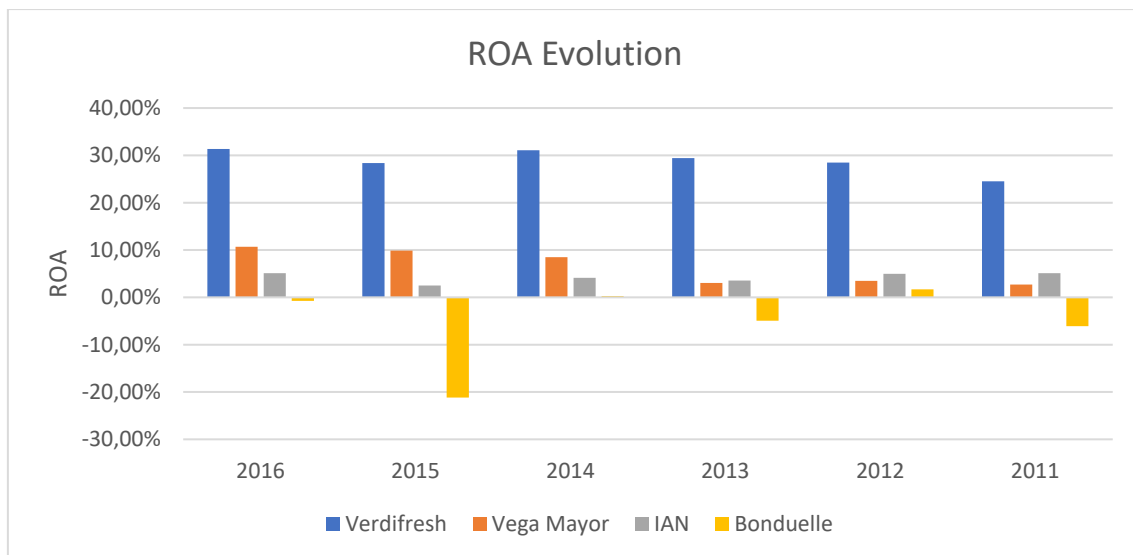


Figure 2: ROA Evolution. Own elaboration.

In this section we will expose the data that can be extracted from the table and the graph:

Verdifresh: As the graph shows, Verdifresh is the company that obtains the best economic return between 2011 and 2016. The year with the lowest rate of return on assets was 2011 (24.51%), the year in which Spain relapsed into the crisis. From that year to the current one, only in 2015 did the rate slow down. This deceleration is due to the fact that the company's total assets are considerably increased, which leads to a reduction in the rate of return on assets. However, on the after-tax profit side, the level continues its trend and increases by around 1.1 million euros compared to 2014. It should be noted that it is the company that maintains ROA most stably over the period analyzed.

Vega Mayor: The graph shows how the rate of return on assets has risen from 2.70% in 2011 to 10.68% in 2016. In this way, it ranks second in terms of economic profitability. The graph also shows that in 2013 so the ROA was slightly lower than the previous year and this is due to a slight decrease in the after-tax profit and an increase in the level of assets of the company.

This may suggest that this year the company decided to make the necessary investments in order to obtain a higher return. This can be seen in the year immediately following, 2014, in which the profit was just over 12 million euros compared to 2013 and was also the highest ever recorded by the company.

Industrias Alimentarias de Navarra (IAN): both the graph and the table show how the economic profitability of the company suffered a slowdown in all the years analyzed, except in 2016, when it returned to pre-crisis levels. In the early years, the fall in the rate is due to an increase in the company's assets, as the level of profits remains practically stable. The sharp fall in 2015 (2.50%) is due to the fact that the level of turnover fell sharply, giving rise to the lowest level of profits in the period analyzed.

On the other hand, the increase in ROA in 2016 (5.09%) is due to an increase in the company's profit, practically doubling the amount of turnover, reporting a profit higher than in the rest of the years analyzed.

Bonduelle: As shown in the chart, Bonduelle is the only company that shows negative economic rates of return. Only in 2012 and 2014 does it have positive rates of return on assets. This is due to the losses it has in all years, with the exception of 2012, when it makes a profit. The rate is also positive in 2014 because the company does manage to generate sufficient profits without considering the financial structure, i.e. if we add the accounting result and the financial expenses (excluding financial management), the company achieves a positive rate of return on assets.

It should also be noted that the worst year in terms of economic profitability is 2015 (-21.18%) and this is due to the fact that this year is the year in which it obtained the highest losses as an accounting result. It is also important to note that this entity is the one that shows the most unstable rate of return on assets among the companies analyzed.

The following graph shows the return on assets, grouped by company, according to the years analyzed.

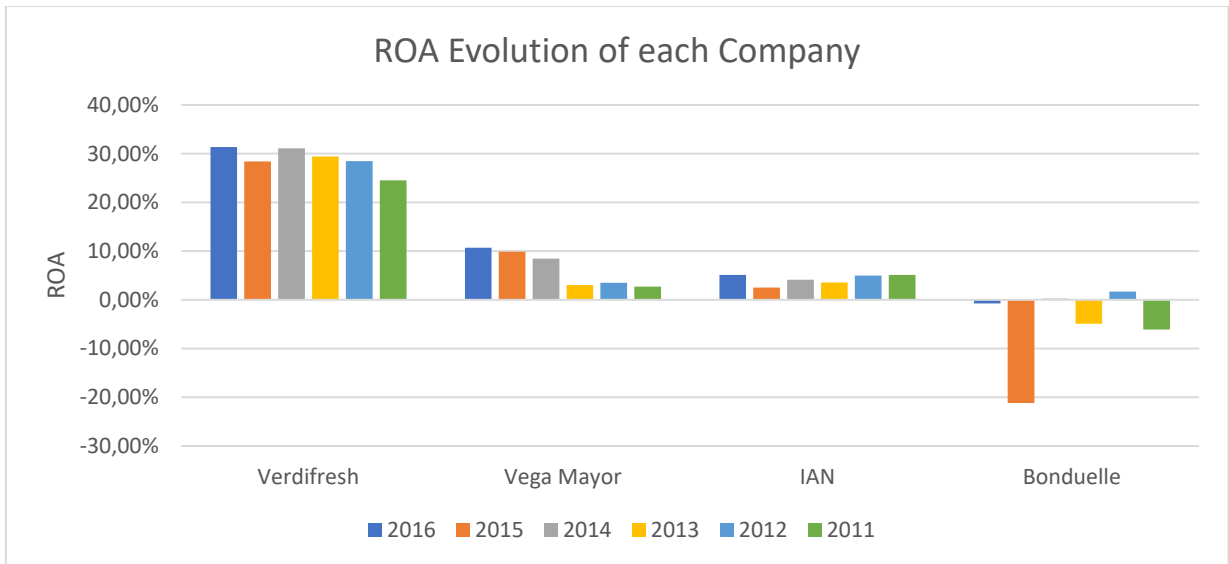


Figure 3: ROA Evolution of each Company. Own elaboration.

As can be seen in the graph, Verdifresh is the company with the highest rate of return on assets of the four companies analyzed and, in addition, it is the one that maintains the rate most stable over time. On the other hand, if we take into account the evolution, Vega Mayor is in second place, since its economic profitability has been growing, with special emphasis in the last three years analyzed.

Therefore, we can say that we reach the same conclusions with both graphs.

Once the conclusions of the table and the graph have been presented, the average of each of the companies analyzed is presented using a graph. In this way, it will be possible to compare and establish which entity offers the highest average rate of return on assets.

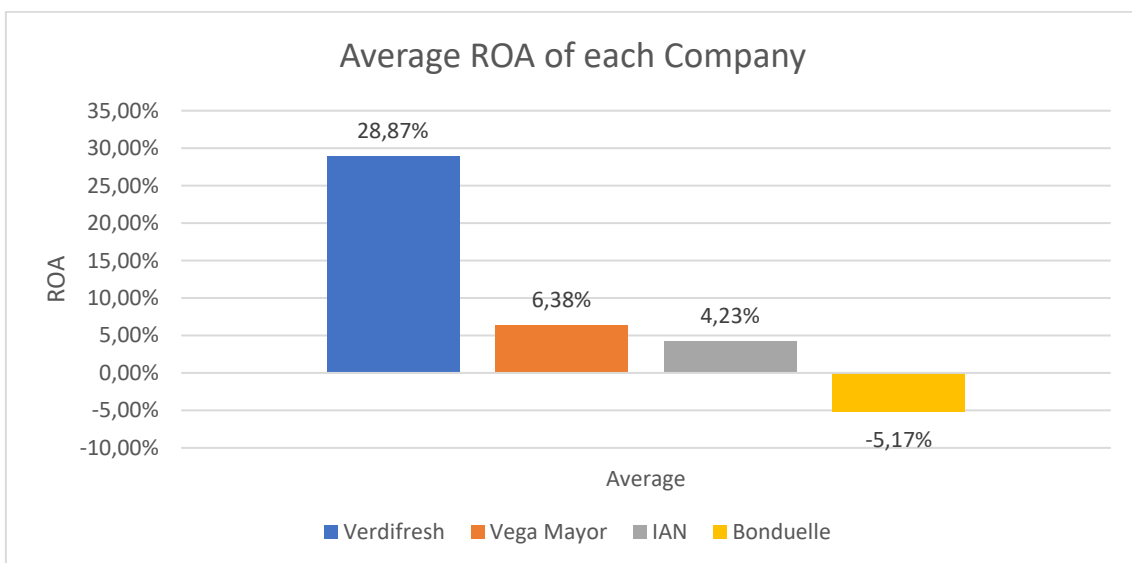


Figure 4: Average ROA of each Company. Own elaboration.

The graph shows clearly that the company with the highest average economic profitability between the four companies and the six years analyzed is Verdifresh, which practically reaches an average of 29%. In second place is Vega Mayor, with an average of 6.38%. The third place is occupied by Industrias Alimentarias de Navarra, with 4.23%. The worst company in terms of return on assets is Bonduelle, which not only ranks last, but is also the only one with a negative average rate.

B) Sector Average over 2011-2016.

This section shows a graph where the average of the sector is represented, taking the values of the four companies analyzed. The graph also shows the trend in the sector over the years analyzed. There is also a summary table where the values can be seen.

ROA						
ROA	2016	2015	2014	2013	2012	2011
Verdifresh	31,35%	28,39%	31,08%	29,42%	28,48%	24,51%
Vega Mayor	10,68%	9,88%	8,47%	3,04%	3,48%	2,70%
IAN	5,09%	2,50%	4,13%	3,56%	4,97%	5,10%
Bonduelle	-0,75%	-21,18%	0,26%	-4,93%	1,69%	-6,09%
Sector Average	11,59%	4,90%	10,99%	7,77%	9,66%	6,56%

Table 2: ROA Sector average over 2011-2016. Own elaboration.

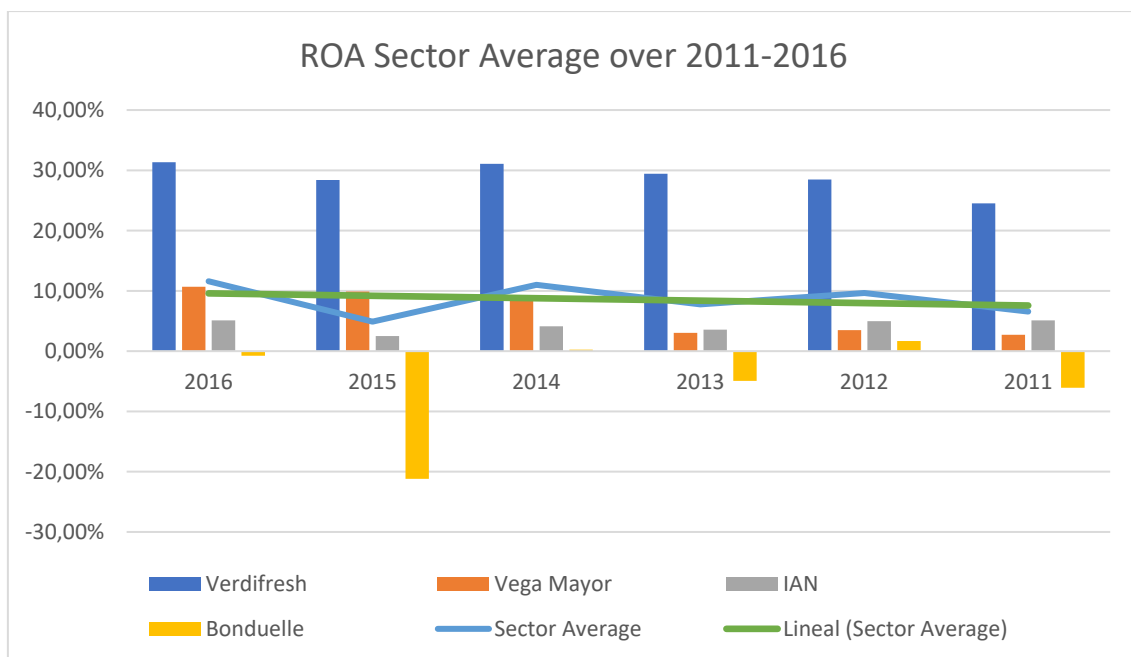


Figure 5: Sector Average over 2011-2016. Own elaboration.

The blue line shows the average profitability of the sector over the years studied. The green line shows the trend of financial profitability in the period 2011-2016. The bars show the rates of return on equity of the four institutions analyzed.

From the graph it can be seen that the trend in the sector is increasing over the period analyzed. If it is compared the average for the sector with each of the companies over the six years, it can be concluded that:

- Verdifresh: is well above the industry average in each and every one of the six years, being the only one that does so.
- The rest of the entities are below the average for the sector, with the exception of 2015, when Vega Mayor was above the average economic profitability for the sector.
- In 2015, the average for the sector suffered a sharp fall due to the large losses suffered by Bonduelle and its negative rate of return on assets, causing the average to fall to 4.9%, the worst figure in the sector in the six years analyzed.
- Both Industrias Alimentarias de Navarra and Bonduelle are always below the average for the sector.

4.1.1.3. ROA Decomposition

A) Margin

This section analyses the margins that each entity has, comparing them with each other and with the sector. The following table shows the evolution of each institution in terms of margin, as well as the average for the sector for each of the six years analyzed. A graph showing the data is attached.

Margin						
ROA	2016	2015	2014	2013	2012	2011
Verdifresh	13,15%	10,82%	11,13%	11,05%	12,09%	12,45%
Vega Mayor	5,21%	4,95%	4,32%	1,86%	2,13%	1,60%
IAN	3,40%	3,16%	3,41%	2,82%	3,77%	3,96%
Bonduelle	-0,63%	-21,29%	0,27%	-3,96%	1,54%	-3,77%
Sector Average	5,28%	-0,59%	4,78%	2,94%	4,88%	3,56%

Table 3: ROA Decomposition: Margin. Own elaboration.

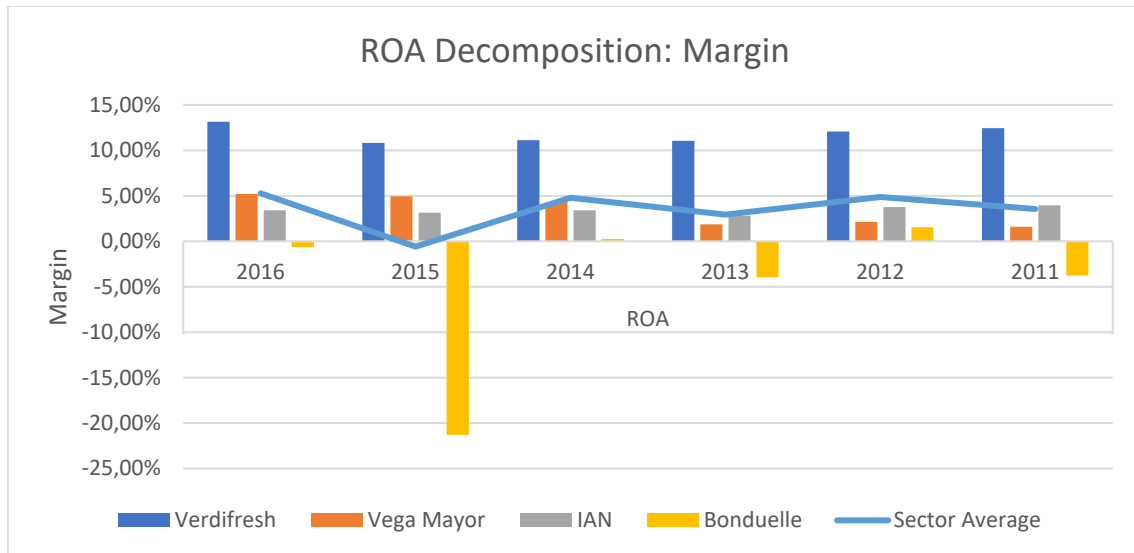


Figure 6: ROA Decomposition: Margin. Own elaboration.

As can be seen in the graph, Verdifresh obtains a much higher margin than the rest of the entities, being above the sector average at all times. For the last year analyzed, 2016, the bank's margin was more than double that of the sector. In addition, Verdifresh shows the most stable trend of the four companies analyzed. Therefore, there is no doubt that the entity is in the lead.

For its part, Vega Mayor ranks second, followed by Industrias Alimentarias de Navarra. Bonduelle undoubtedly occupies the last place.

B) Rotation

This section shows the rotations of the four entities analyzed for the time sequence between 2011 and 2016. The table shows these values and, additionally, the average for the sector in each of the six years. A graph showing this data is also shown.

Rotation						
ROA	2016	2015	2014	2013	2012	2011
Verdifresh	2,38	2,62	2,79	2,66	2,36	1,97
Vega Mayor	2,05	1,99	1,96	1,63	1,64	1,69
IAN	1,50	0,79	1,21	1,26	1,32	1,29
Bonduelle	1,19	1,00	0,96	1,24	1,10	1,62
Sector Average	1,78	1,60	1,73	1,70	1,60	1,64

Table 4: ROA Decomposition: Rotation. Own elaboration.

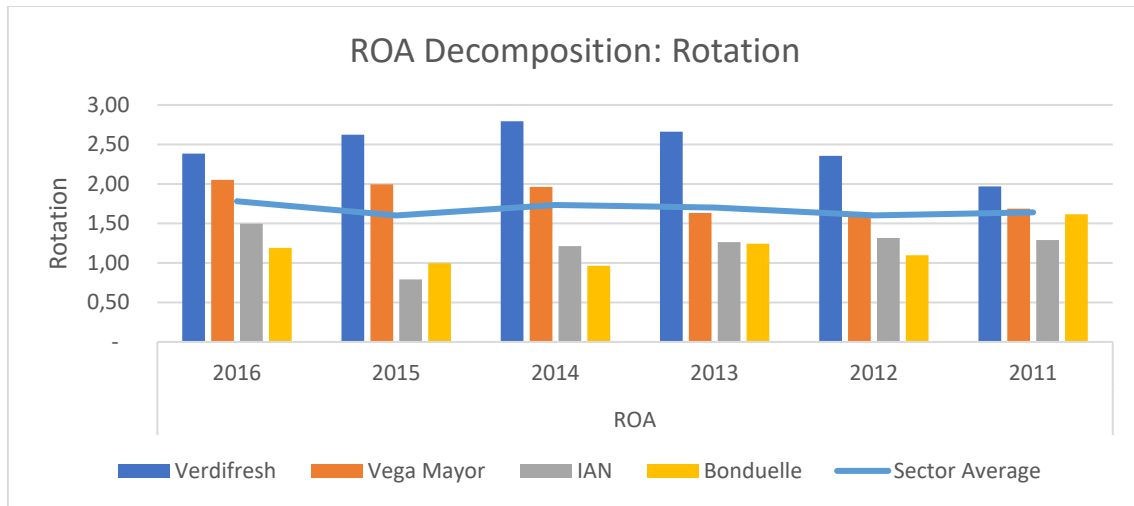


Figure 7: ROA Decomposition: Rotation. Own elaboration.

As can be seen in the graph, Verdifresh always obtains higher rotation levels than the rest of the entities and, in addition, the sector average. This indicates that he is able to empty all his stocks more times than his direct rivals.

For its part, Vega Mayor is in second place as it offers higher rotations than those of INA and Bonduelle, and in the last three years has exceeded the sector average.

Therefore, it can be concluded that the advantage that Verdifresh obtains over the rate of return on assets is due to a higher turnover and a higher sales margin.

4.1.2. ROE Analysis

ROE (Return on Equity) is the financial profitability of the contributions made by the owners in order to make up the entity's business assets. This profitability tries to analyze the final profitability of the company by facilitating the investor's decision as it takes into account the investment-business-risk trinomial.

Financial profitability is made up of two factors: economic profitability (ROA), discussed in the previous section, and a new factor called financial leverage. Good management of the latter enhances the effect of economic profitability. Therefore, the sign of it will depend on whether or not the return on the assets is higher than the cost of financing it. All this weighted by the proportion represented by the external debt within the financial structure of the entity.

In performing this analysis, the two factors mentioned above are broken down into ROA and leverage. From this separation it can be seen that, the higher the profitability, the higher the cost of financing, the greater the debt of an entity, the higher the economic profitability and, therefore, the higher the financial profitability. In short, what a company

should try to do when managing its financing is to ensure that the leverage margin is always positive.

4.1.2.1. Cross-Section

In this section a Cross-Section analysis of the year 2016 is carried out. It compares the four food businesses with the sector in which they are located for that year. This analysis allows the analyst to assess which entity best manages its funding policy.

The following graph shows the different financial returns obtained by each of the four entities for the year 2016, compared with the average for the sector for that year.

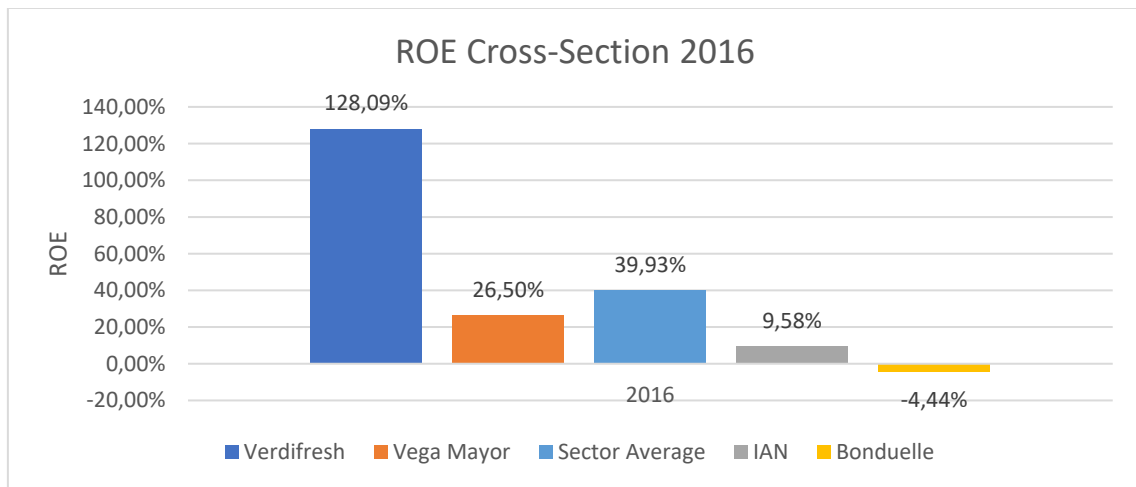


Figure 8: ROE Cross-Section 2016. Own elaboration.

It can be observed that, as with the analysis of financial profitability, Verdifresh is above the average for the sector in terms of the rate of return on equity, obtaining a relative return of more than three times in comparison with the sector.

The graph also shows that Vega Mayor occupies second place, with a difference of 17% with the entity that occupies third place, which is Industrias Alimentarias de Navarra. Bonduelle ranks last, reaching a negative rate of -4.44%.

41.2.2. Time Series

A) Each company in the period 2011-2016

This section presents a graph showing the evolution of financial profitability from 2011 to 2016. The main conclusions that can be drawn from this graph will then be drawn. A table showing the data for better visualization is shown first.

ROE						
	2016	2015	2014	2013	2012	2011
Verdifresh	128,09%	108,34%	97,83%	88,52%	101,00%	101,18%
Vega Mayor	26,50%	25,15%	22,13%	7,99%	9,29%	7,10%
IAN	9,58%	4,33%	6,13%	5,45%	7,56%	8,03%
Bonduelle	-4,44%	-61,83%	-1,88%	-10,45%	2,77%	-18,38%

Table 5: ROE Evolution over 2011-2017. Own elaboration.

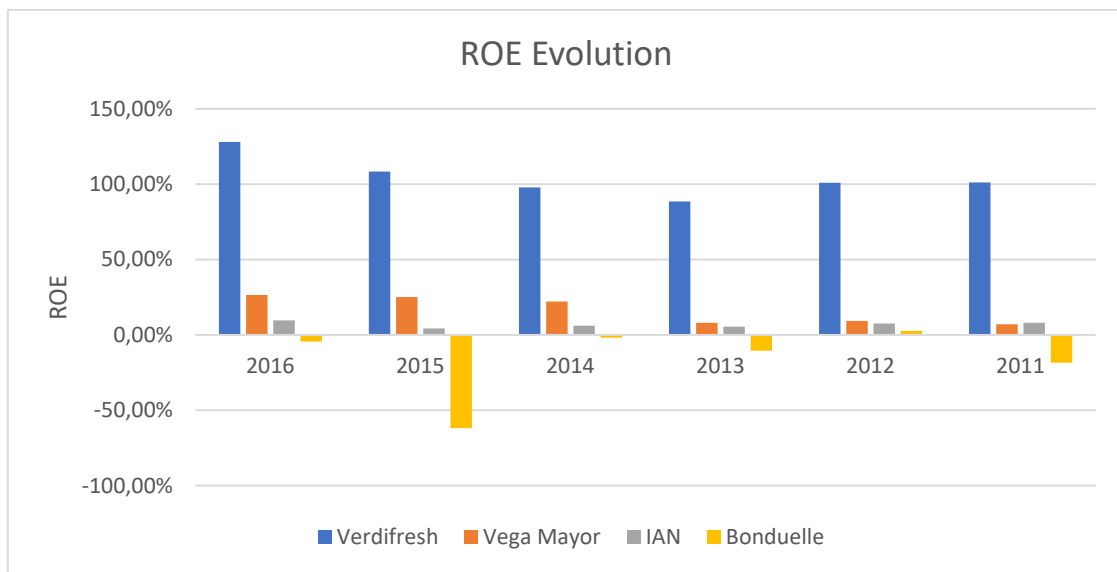


Figure 9: ROE Evolution 2011-2016. Own Elaboration.

Next, the data that can be extracted from the table and the graph are presented:

Verdifresh: as shown in the graph, it is the company that obtains the highest financial profitability among the companies analyzed. It is also the company with the most stable rate. The best year was 2016, when it achieved a return on equity of 128.09%. The institution's worst year in terms of ROE was 2013 (88.52%). From that year until the end of the period analyzed, the institution has increased its ROE until reaching the above-mentioned rate of 128.09%.

If we break down ROE into ROA plus financial leverage, we obtain that the sharp fall in 2013 is due to a considerable decrease in the company's debt, where the debt goes from representing practically 2.6 times the net assets to only 2 times. Since then, its ROE has increased due to the increase in the degree of leverage since the leverage margin is practically the same.

Vega Mayor: the evolution of Vega Mayor between 2011 and 2016 is growing, with the exception of 2013, where the company has a small slowdown in the rate of return on equity (7.99%). The best year for Vega Mayor is, without a doubt, 2016, when it reached a rate of 26.50%. On the other hand, the institution's worst year was 2011 (7.10%). The relapse in 2013 is due to a fall in the degree of leverage, accompanied by a decrease in the leverage margin.

Industrias Alimentarias de Navarra: the graph shows how the entity suffers a decrease in general terms in terms of ROE from 2011 to 2015. In this period only in 2014 there is a slight upturn. However, the downward trend was interrupted by a strong increase in the rate of return on equity in 2016, rising from 4.33% to 9.58%, the latter being the best year for the institution in the years analyzed.

The sharp fall in 2015 is due to the fall in the leverage margin, which in turn is due to a sharp fall in the rate of return on assets. As already explained in section 4.1.1.1.2. of this report, this fall in the ROA ratio is due to an abrupt drop in turnover which the company presents in its annual accounts.

Bonduelle: for its part, the institution shows the worst figures in terms of financial profitability. It is the only company that shows negative rates and, furthermore, only in 2012 will it achieve a positive return on equity.

Within the period analyzed, the worst year for Bonduelle was 2015, when it achieved an ROE of -61.83%. The only year in which it showed a positive relative profitability was 2012 (2.77%). Finally, as with economic profitability, Bonduelle is the entity with the most unstable rate of return on equity of the four companies compared.

The following chart shows the return on equity, grouped by company, according to the years analyzed.

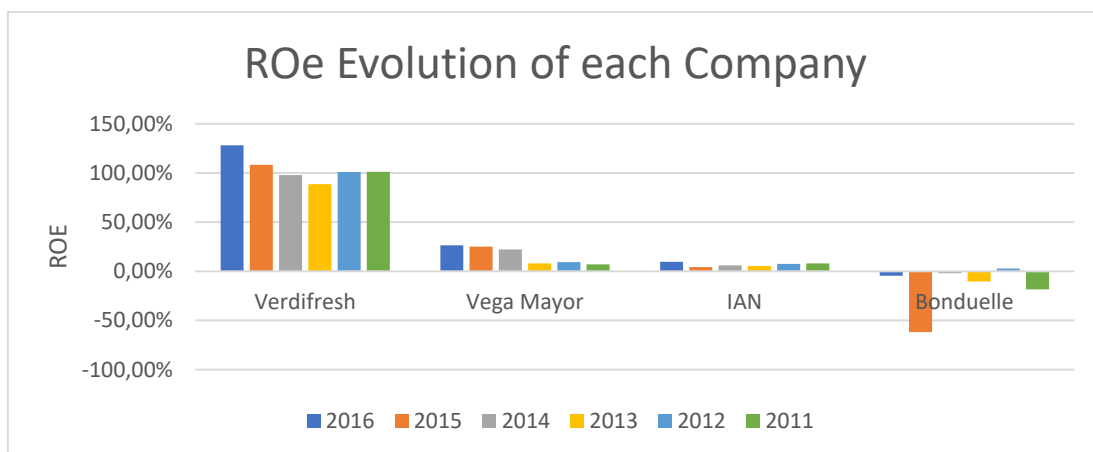


Figure 10: ROE Evolution of each Company. Own elaboration.

As can be seen in the graph, Verdifresh is the company with the highest rate of return on equity of the four companies analyzed and, furthermore, it is the one that maintains the rate most stable over time. On the other hand, if we take into account the evolution, Vega Mayor is in second place, since its financial profitability has been growing, with special emphasis on the last three years compared.

Therefore, we can say that we reach the same conclusions with both graphs.

Once the conclusions of the table and the graph have been presented, the average of each of the companies analyzed is presented using a graph. In this way, it will be possible to compare and establish which institution offers the highest average rate of return on equity.

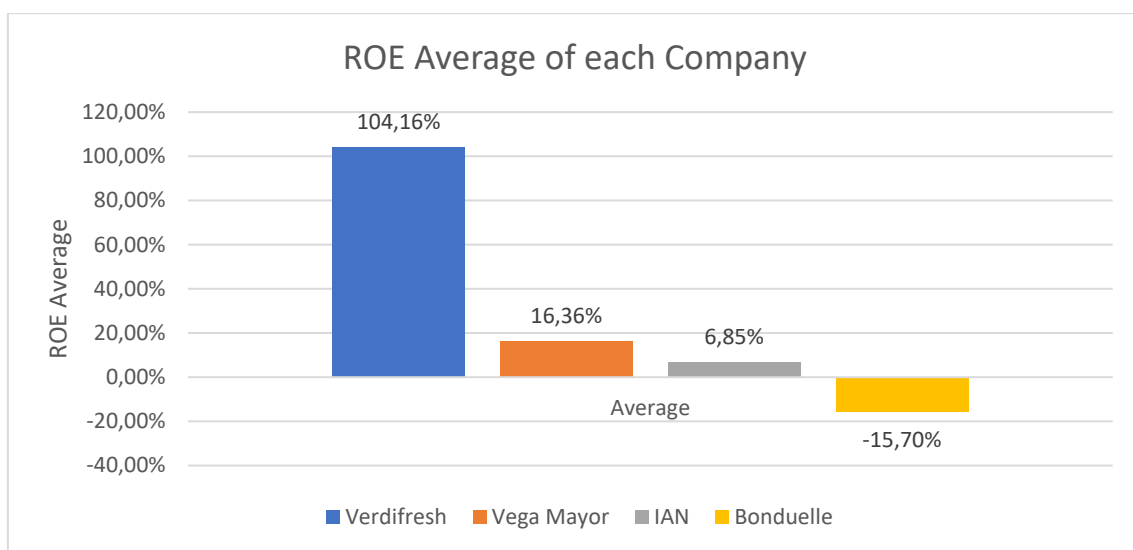


Figure 11: ROE Average of each Company. Own elaboration.

The graph shows clearly that the company with the highest average financial profitability between the four companies analyzed and the six years compared is Verdifresh, which has an average of just over 104%. In second place is Vega Mayor, with an average of 16.36%. The third place is occupied by Industrias Alimentarias de Navarra, with 6.85%. The worst company in terms of return on assets is dealt with in this analysis is Bonduelle, which not only ranks last, but is also the only one with a negative average rate (-15.07%).

B) Sector Average over 2011-2016.

This section shows a graph where the average of the sector is represented, taking the values of the four companies analyzed on the one hand and, on the other, the trend shown by the sector over the years analyzed. There is also a summary table where the values can be seen.

ROE						
	2016	2015	2014	2013	2012	2011
Verdifresh	128,09%	108,34%	97,83%	88,52%	101,00%	101,18%
Vega Mayor	26,50%	25,15%	22,13%	7,99%	9,29%	7,10%
IAN	9,58%	4,33%	6,13%	5,45%	7,56%	8,03%
Bonduelle	-4,44%	-61,83%	-1,88%	-10,45%	2,77%	-18,38%
Sector Average	39,93%	19,00%	31,05%	22,88%	30,15%	24,48%

Table 6: Sector ROE average over 2011-2016. Own elaboration.

The table shows the average financial profitability of each company for the different years studied. The data shown in red are for companies that do not exceed the industry average for that year.

A graph showing the data shown in the table above is shown below.

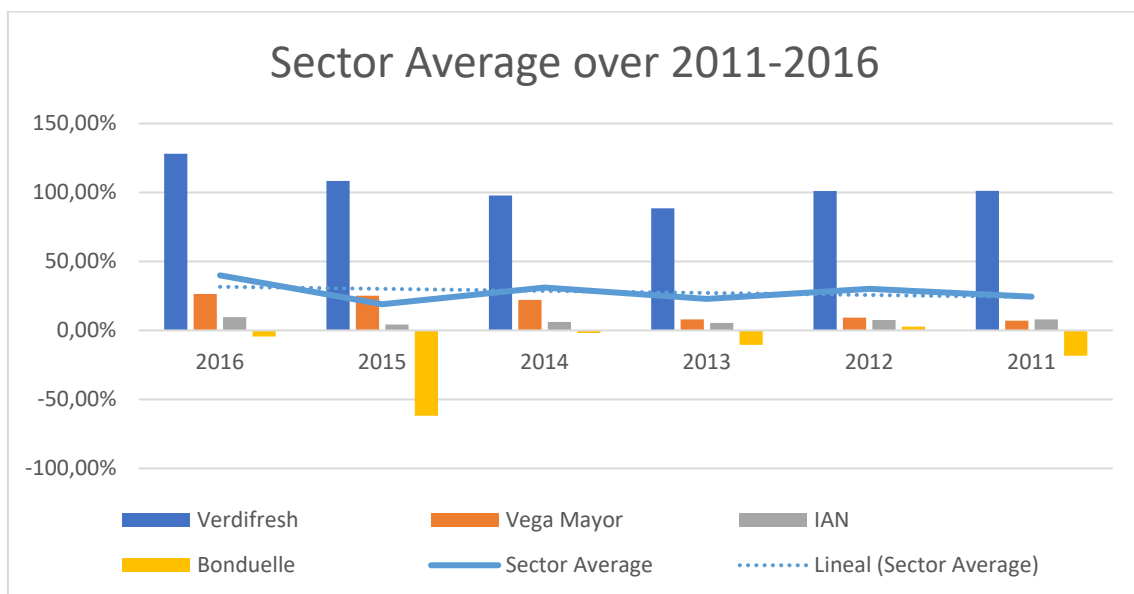


Figure 12: Sector ROE Average over 2011-2016. Own elaboration.

The blue line shows the average profitability of the sector over the years studied. The red dashed line shows the trend of financial profitability in the period 2011-2016. The bars show the rates of return on equity of the four institutions analyzed.

From the graph it can be seen that the trend in the sector is increasing over the period analyzed. If it is compared the average for the sector with each of the companies over the six years, it can be concluded that:

- Verdifresh is above the industry average in each one of the six years, being the only one that does it. It is therefore in first place.

- The rest of the entities are below the average for the sector, with the exception of 2015, when Vega Mayor managed to be above the average economic profitability for the sector.
- In 2015, the average for the sector suffered a sharp fall due to the large losses suffered by Bonduelle and its negative rate of return on equity, causing the average to fall to 19%, the worst figure in the sector in the six years analyzed.
- Both Industrias Alimentarias de Navarra and Bonduelle are always below the average for the sector.

4.1.3. ROE decomposition

After analyzing the different perspectives in order to make a comparison of the financial returns, the components of the concept of financial returns described above are examined in more details and the main conclusions of these will be developed.

The components are: financial leverage (FA), economic profitability (ROA) and cost of debt or financial cost (FC). Therefore, the financial return will be equal to the economic return on economic capital (ROA) plus/minus the financial leverage (FA), which is derived from the difference between the return generated by the assets and the cost of financing, weighted by the ratio of debt to equity (leverage ratio). Therefore, it is of vital importance to maintain a difference between return on assets and cost of financing with a positive sign.

i) Verdifresh

Verdifresh					
	2015	2014	2013	2012	2011
ROA	31,35%	28,39%	31,08%	29,42%	28,48%
Financial Cost	0,83%	1,01%	1,09%	0,28%	0,56%
Leverage Ratio	3,17	2,92	2,23	2,03	2,60
Leverage margin	30,52%	27,37%	29,99%	29,14%	27,92%
Financial Leverage FL	96,74%	79,95%	66,75%	59,10%	72,52%
ROE = ROA+ FL	128,09%	108,34%	97,83%	88,52%	101,00%

Table 7: ROE decomposition for Verdifresh. Own elaboration.

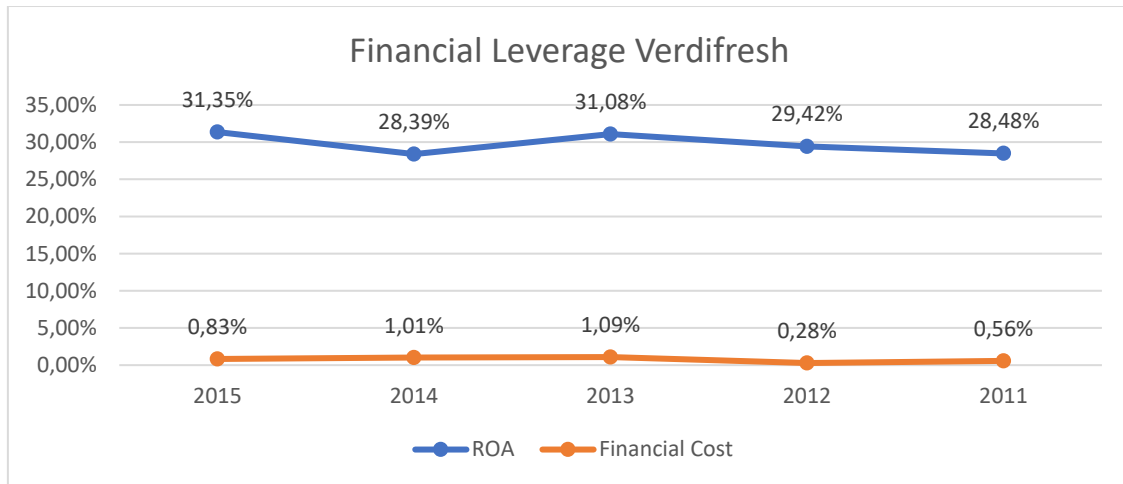


Figure 13: Financial Leverage of Verdifresh. Own elaboration.

From the chart and table, it can be deduced that the return on assets is always higher than the cost of financing, i.e. $ROA > FC$. This means that the leverage margin has a positive sign every year. The year in which it obtained the highest leverage margin was 2016, when the difference was 30.52%.

In that year, the company had the highest debt to equity ratio and, as it was also the year with the highest leverage ratio, financial leverage soared to 96.74%. All this added to the fact that the company's economic profitability reaches just over 128%.

ii) Vega Mayor

Vega Mayor					
	2015	2014	2013	2012	2011
ROA	10,68%	9,88%	8,47%	3,04%	3,48%
Financial Cost	0,36%	0,47%	0,68%	0,41%	0,62%
Leverage Ratio	1,53	1,62	1,75	1,89	2,02
Leverage margin	10,32%	9,41%	7,79%	2,63%	2,87%
Financial Leverage FL	15,82%	15,27%	13,65%	4,96%	5,80%
ROE = ROA+ FL	26,50%	25,15%	22,13%	7,99%	9,29%

Table 8: ROE decomposition for Vega Mayor. Own elaboration.

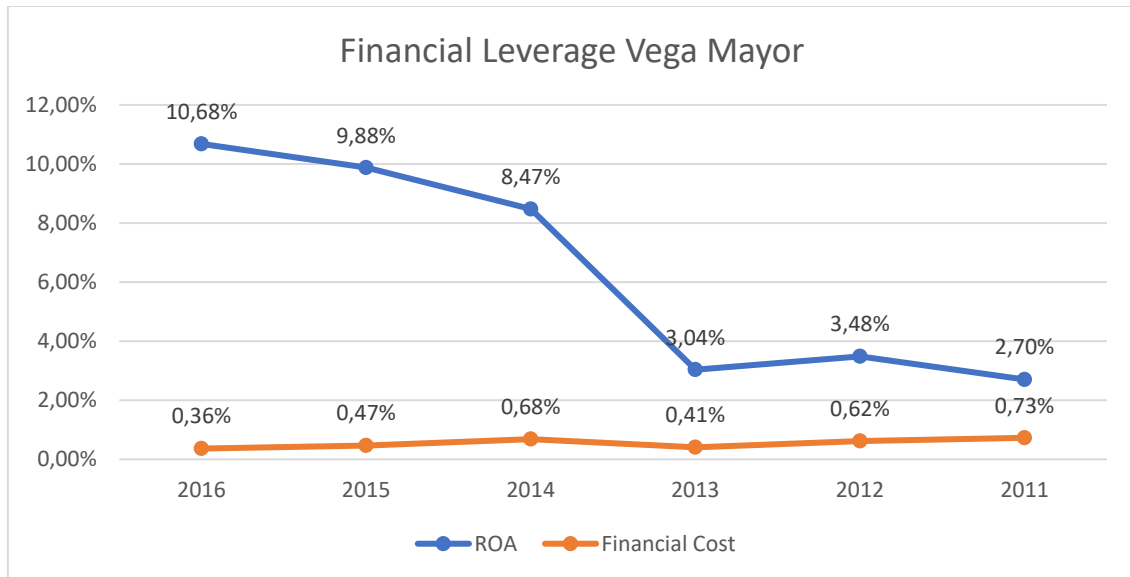


Figure 14: Financial Leverage of Vega Mayor. Own elaboration.

In the financial leverage of Vega Mayor, two perfectly distinguished periods can be observed. The first corresponds to 2011 and 2012, in which the entity obtains a positive return on assets, but with values close to those of the cost of financing them. From 2013 onwards, the second period will be observed. In this new period, the return on assets is considerably increased, while the cost of financing is maintained or even slightly reduced.

This has led to a considerable increase in the financial margin in the second period, reaching a maximum of 15.82% in 2016, the highest figure among the years analyzed. On the other hand, the degree of leverage is decreasing year after year from 2011 to 2016, but the effect is not strong enough to slow down the rise in financial leverage from year to year, thus increasing financial profitability.

iii) *Industrias Alimentarias de Navarra*

Industrias Agroalimentarias de Navarra					
	2015	2014	2013	2012	2011
ROA	5,09%	2,50%	4,13%	3,56%	4,97%
Financial Cost	1,81%	0,49%	0,89%	0,32%	0,41%
Leverage Ratio	1,37	0,91	0,61	0,58	0,57
Leverage margin	3,28%	2,01%	3,25%	3,24%	4,56%
Financial Leverage FL	4,49%	1,83%	1,99%	1,89%	2,60%
ROE = ROA+ FL	9,58%	4,33%	6,13%	5,45%	7,56%

Table 9: ROE decomposition for Industrias Alimentarias de Navarra. Own elaboration.

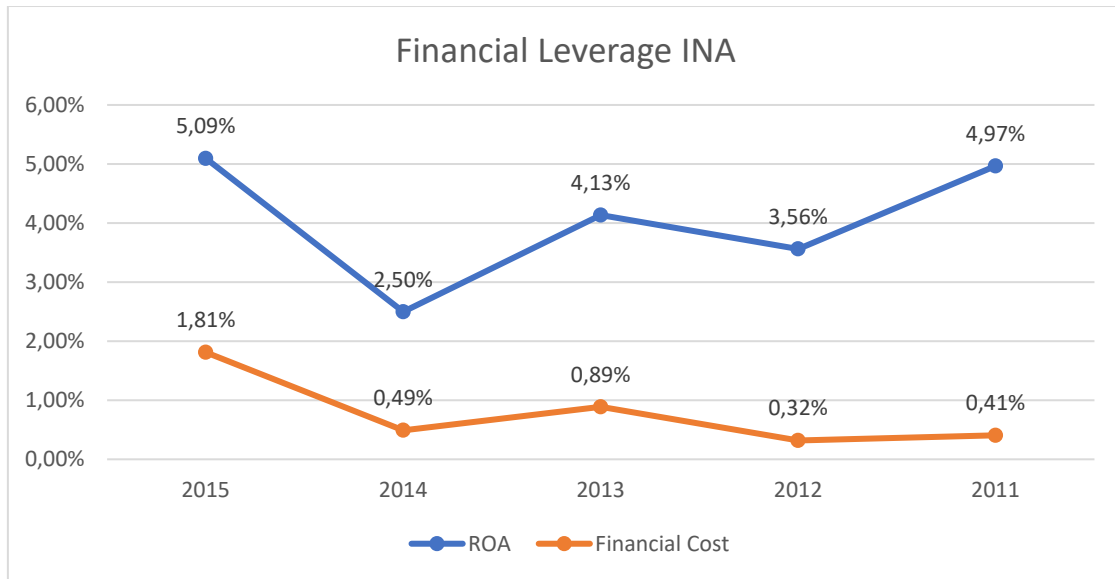


Figure 15: Financial Leverage of Industrias Alimentarias de Navarra. Own elaboration.

Industrias Alimentarias de Navarra did not follow a clear pattern during the period. As the graph shows, the worst year in terms of net interest income was 2014, when the margin was just over 2%. This is due to the sharp fall in economic profitability suffered in this year and explained earlier in the preceding sections.

However, in the year immediately following, the company achieved its second best financial leverage in the years analyzed, mainly due to the sharp increase in the return on assets. The financial cost in this period was increased, thus slowing down the increase in the financial rate of return. Despite this, and taking advantage of a positive margin, the institution achieved a strong increase in the level of return on equity, increasing its leverage from 0.91 times to 1.37 times.

iv) *Bonduelle*

	2015	2014	2013	2012	2011
ROA	-0,75%	-21,18%	0,26%	-4,93%	1,69%
Financial Cost	2,29%	1,87%	2,21%	2,34%	0,89%
Leverage Ratio	1,21	1,76	1,09	0,76	1,34
Leverage margin	-3,04%	-23,05%	-1,95%	-7,26%	0,81%
Financial Leverage FL	-3,69%	-40,65%	-2,13%	-5,53%	1,08%
ROE = ROA+ FL	-4,44%	-61,83%	-1,88%	-10,45%	2,77%

Table 10: ROE decomposition for Bonduelle. Own elaboration.

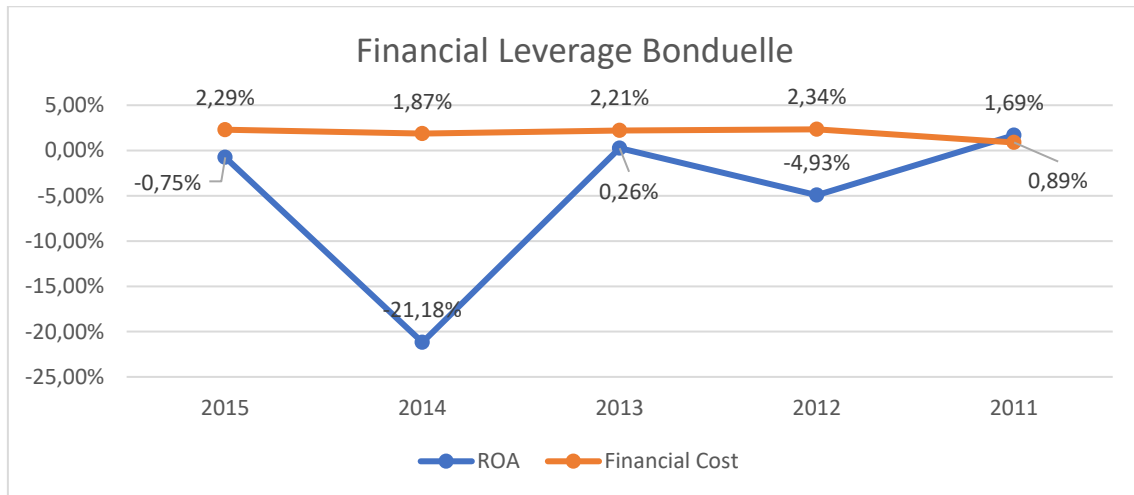


Figure 16: Financial Leverage of Bonduelle. Own elaboration.

As it can be seen from the chart, only in 2011 does it obtain a leverage margin with a positive sign. This is because the rates of return on assets are negative for all periods except 2011 and 2013. In 2013, despite having a positive ROA, the cost of financing these assets exceeds the profitability generated by them.

Therefore, the only year in which it has a positive rate of return on equity is 2011. The worst year for the institution is 2014, when the leverage margin plummets to a minimum of 23.05%. This is due to the sharp fall in the return on assets for this period.

4.2. Liquidity analysis

To measure an institution's liquidity, it is essential to take into account the economic maturity cycle. A cycle is defined by the [Royal Spanish Academy](#) (2018) as: "Series of phases through which a periodic phenomenon happens". From this definition it can be deduced that it is the succession of events that occur repeatedly with a certain periodicity.

The present study examines the economic maturation cycle as the time in which raw materials are acquired, stored until their use for production, manufacturing, storage, sale of goods and subsequent payment.

The average economic maturation period is, therefore, the time that runs from the time an entity invests a monetary unit to start the production process, until it collects the money for the recovery by charging its customers. In other words, the days that elapse before the entity's operating cycle is turned around.

Because this cycle is divided into several phases, the maturation period is divided into two subperiods, the average storage period for raw materials and the average billing period for customers.

The first of these refers to the time that elapses from the time the company buys the materials from its suppliers until they leave the warehouse to be included in the production process. The second of these refers to the time that the institution grants its customers to pay the amount of the purchases they have made. Therefore, the average economic maturation period is the sum of the two previous subperiods.

On the other hand, it is also of vital importance to name the average payment term to suppliers, since the difference between the average economic maturation period and the previous term results in the average financial maturation period. This will tell us how often an entity needs financing. The longer the term for payment to suppliers, the smaller the difference and therefore the less financing a company will need.

4.2.1. Average Financial Maturity Period

4.2.1.1. *Time Series*

a) Each Company in the period 2011-2016.

This section presents the analysis taking into account the evolution of the different entities during the period 2011-2016 in terms of the average period of financial maturity. To do this, we proceed to segregate the different sub-sections into which it can be divided. Therefore, a table with the values and a graph showing the data obtained for each of the divisions of the average financial maturing period are used.

i) Period of storage of stocks and raw materials.

The first is the average storage period for stocks and raw materials:

Storage period for goods and raw materials						
	2016	2015	2014	2013	2012	2011
Verdifresh	24	21	22	22	26	29
Vega Mayor	18	15	13	14	16	16
IAN	144	315	198	198	208	208
Bonduelle	38	38	32	20	102	114

Table 11: Storage Period for Goods and Raw Materials. Own elaboration.

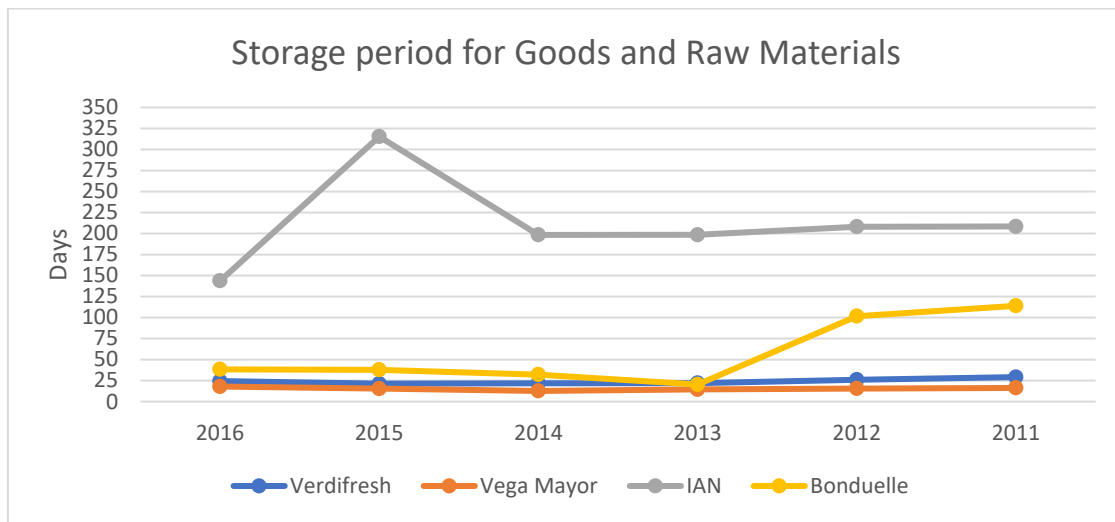


Figure 17: Storage Period for Goods and Raw Materials. Own elaboration.

From the previous table and the previous graphic, it can be extracted that:

Verdifresh: shows a very stable average storage period, with a fluctuation that oscillates from 29 days in 2011, this being its maximum in the years analyzed, to 21 days in 2015, where it reaches its minimum. In 2016, the last year I analyze, the average storage period for stocks and raw materials is 24 days.

Vega Mayor: is the company whose fluctuation is the most stable of the four analyzed. The average interval of days for storage of stocks and raw materials is between 13 and 18 days. The minimum is reached in 2013 and the maximum is for 2016.

Industrias Alimentarias de Navarra: it is, without a doubt, the entity with the longest average storage period for stocks and raw materials and is also the least stable company in this area. The year that reached its peak in terms of days of storage is 2015, with 315 days. This meant that the entity was unable to sell its inventories for almost 11 months. The minimum level corresponds to the immediately subsequent exercise of 144 days.

Bonduelle: it can be seen that the institution goes through two phases. The first corresponds to fiscal years 2011 and 2012, where the company has a considerably long average storage period, starting in 2011 with an average of 114 days. The second period corresponds to the years 2013 to 2016, where the entity has reduced its average storage of stocks and raw materials. In this period, the average is between 20 and 38 days.

The average for each company is shown below to facilitate comparison.

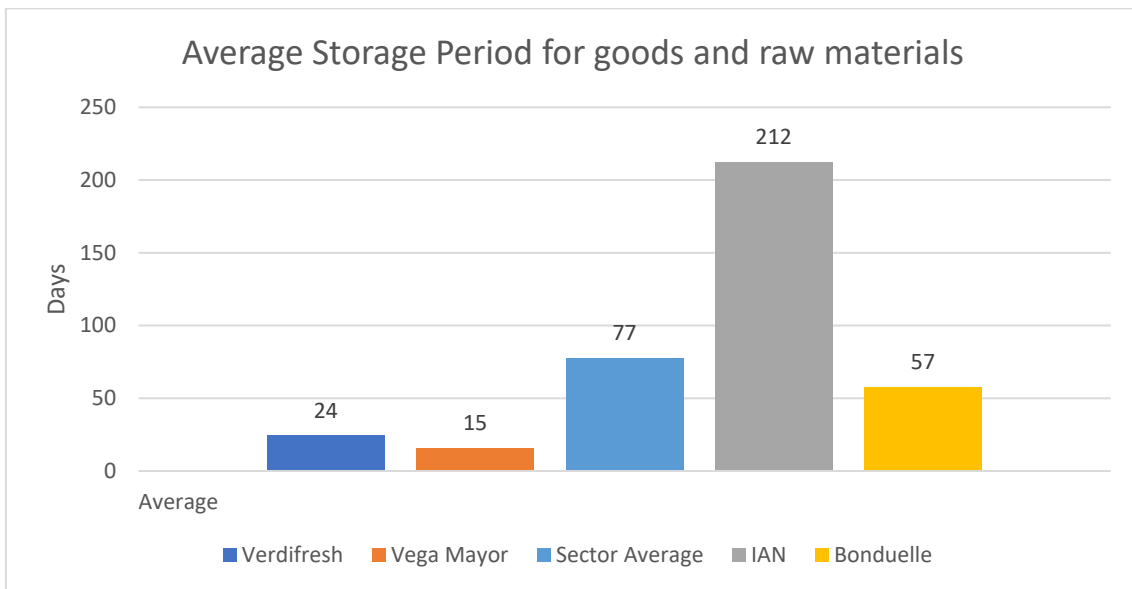


Figure 18: Average Storage Period for Goods and Raw Materials. Own elaboration.

It can be seen that the company whose average storage of stocks and raw materials is Vega Mayor with an average of 15 days. Secondly, there is Verdifresh, with an average of 24 days of storage. In third place, we found Bonduelle at 57 days old. The fourth and, therefore, last position is held by Industrias Alimentarias de Navarra with 212 days, being the only company that exceeds the average for the sector.

ii) Customer payment period

The second division deals with the average period of collection from customers.

Customer payment period						
	2016	2015	2014	2013	2012	2011
Verdifresh	30	31	30	30	27	26
Vega Mayor	52	52	46	53	56	54
IAN	60	123	72	69	75	76
Bonduelle	48	45	39	38	67	49

Table 12: Customer payment period. Own elaboration.

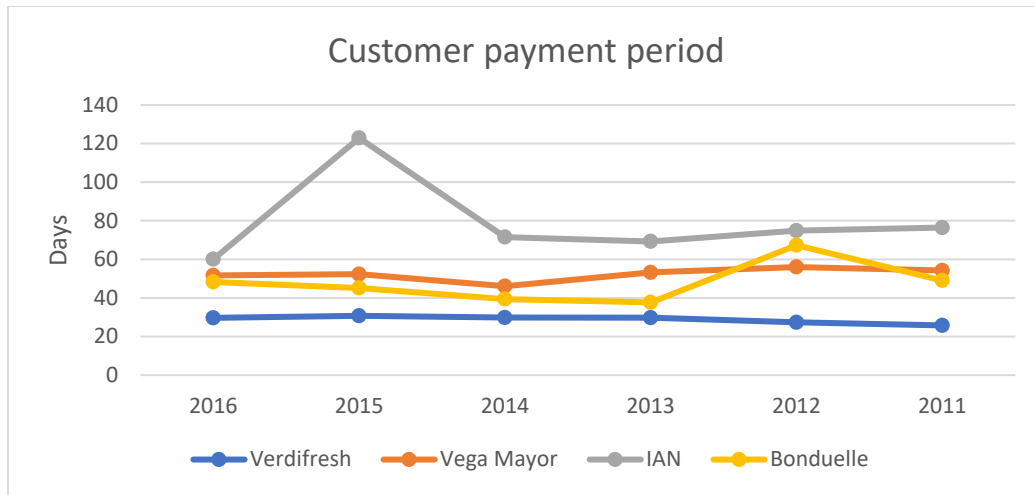


Figure 19: Customer payment period. Own elaboration.

From the previous table and the previous graphic, it can be extracted that:

Verdifresh: this is the company with the shortest and, at the same time, the most stable collection period for customers over time. This may be due to the contractual agreements it has with Mercadona because, let it be remembered that the entity is one of Mercadona's inter-suppliers. The oscillation is between 26 and 31 days.

Vega Mayor: it can be observed that it has a considerably stable collection period from customers, with a variation of 46 to 56 days. The maximum is reached in 2012 and the minimum in the immediately following year, i.e. 2013.

Industrias Alimentarias de Navarra: once again it is the entity, without a doubt, with the longest collection period from customers throughout the period analyzed. The worst year in this sequence is 2015, with a maximum of 123 days. The following year, he was able to reduce this deadline to 60 days. If it is considered that 2015 is an atypical data, it can be observed that the collection period from customers remains stable throughout the years analyzed.

Bonduelle: it does not show a stable trend over the periods analyzed. The collection period ranges from 38 days to 67 days. Although it is true that in the last three periods the terms have remained somewhat more stable, at around 44 days.

The average for each company is shown below to facilitate comparison.

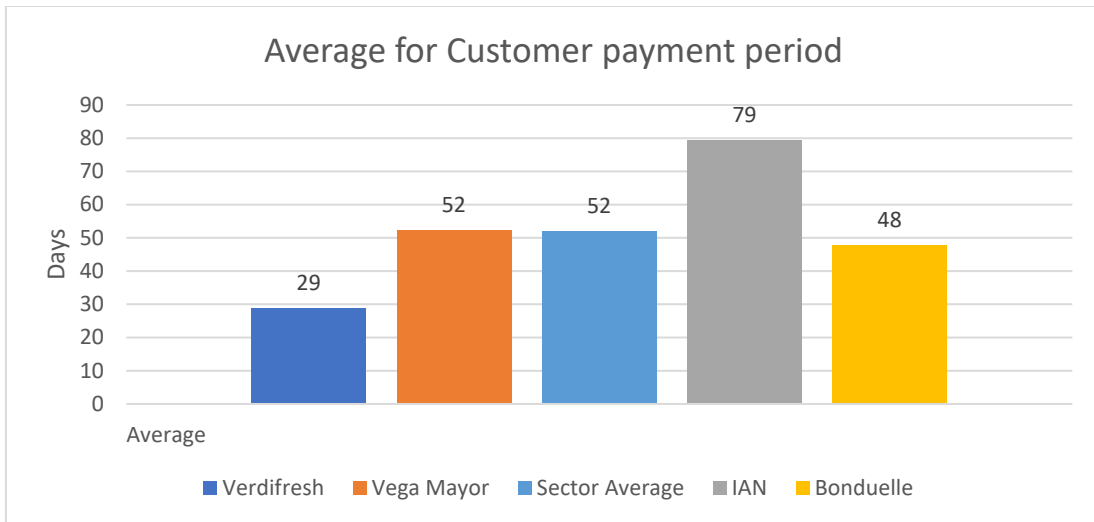


Figure 20: Average for Customer payment period. Own elaboration.

The graph shows that the average for the customer collection period is 52 days. Verdifresh with 29 days and Bonduelle with 48, are the only entities that are below the industry average. Although it is true that Vega Mayor is right on the average, which is 52 days. For its part, Industrias Alimentarias de Navarra is the only company that is above average with 79 days to collect payments from customers.

iii) Economic Maturity Period

As mentioned above, the average economic maturity period is the sum of the average storage period for stocks and raw materials plus the average collection period from customers.

The average periods of economic maturation summarized in a table and shown in a graph are shown below.

Economic Maturity Period						
	2016	2015	2014	2013	2012	2011
Verdifresh	54	52	52	52	53	55
Vega Mayor	70	68	59	68	72	70
IAN	204	438	270	268	283	285
Bonduelle	87	83	72	58	169	163

Table 13: Economic Maturity Period. Own elaboration.

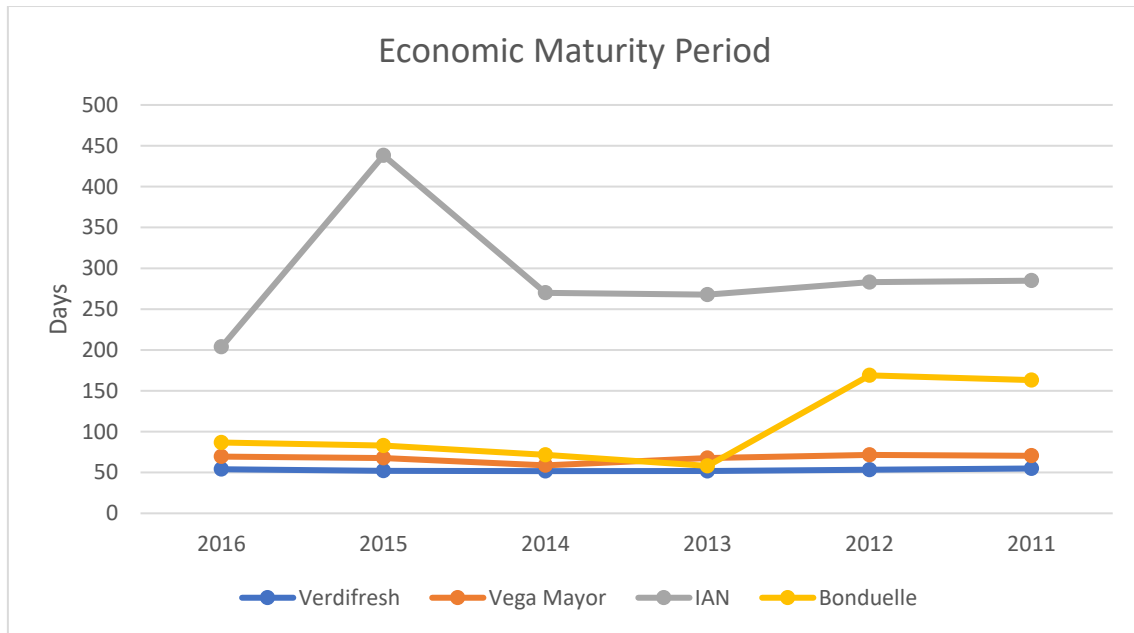


Figure 21: Economic Maturity Period. Own elaboration.

From the previous table and the previous graphic, it can be extracted that:

Verdifresh: is the company that maintains its economic maturation period more stable over time because the curve shown in the graph for the entity is practically flat. Its values range from 52 to 54 days.

Vega Mayor: the company shows a similar behavior to the previous one, maintaining its economic period in a stable way, but not so much in comparison to Verdifresh. Its values range from 68 to 72 days.

Industrias Alimentarias de Navarra: this is the company that suffers the longest period of time to complete its operation, exceeding the year in the case of 2015. Although it is true that in the following year it takes the lowest value of the time sequence analyzed. The values range from 204 days in 2016 to 438 days in 2015.

Bonduelle: is the second entity with the highest maturation period in all years except 2013. It can be seen how the entity is divided into two periods. The first is 2011 and 2012, with a relatively long deadline of over 150 days in both cases. The entity's second period is from 2013 to 2016, when the time frame for completing its operating cycle is abruptly reduced.

The average for each company and the sector is shown below to facilitate comparison between them.

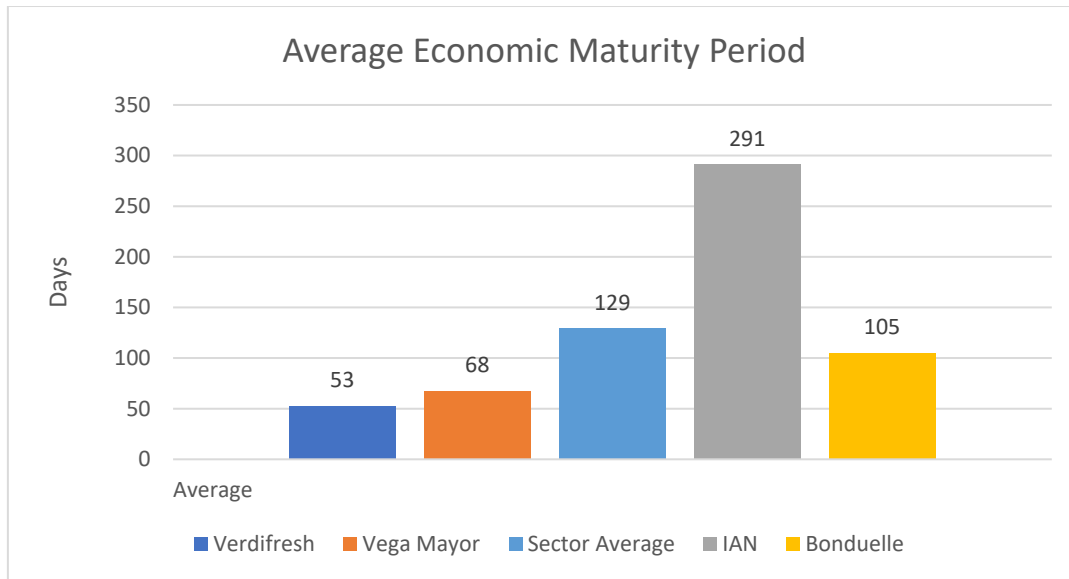


Figure 22: Average Economic Maturity Period. Own elaboration.

The average for the sector in the six years analyzed was 129 days. It can be seen from the graph that the only company that exceeds this average is Industrias Alimentarias de Navarra. Verdifresh, for its part, is well below average. It only takes 53 days to complete its circle of exploitation. Vega Mayor occupies second place, with 68 days. Bonduelle, on the other hand, is just below the average with 105 days to complete her financial period. Period to pay suppliers

This section sets out the period of time available to entities to make payment to their suppliers during the six years analyzed. The payment terms for vendors are shown below, summarized in a table and shown in a graphic.

Period to pay suppliers						
	2016	2015	2014	2013	2012	2011
Verdifresh	44	49	60	58	63	72
Vega Mayor	110	103	102	110	99	76
IAN	63	156	65	68	78	84
Bonduelle	46	41	39	38	198	85

Table 14: Period to Pay Suppliers. Own elaboration.

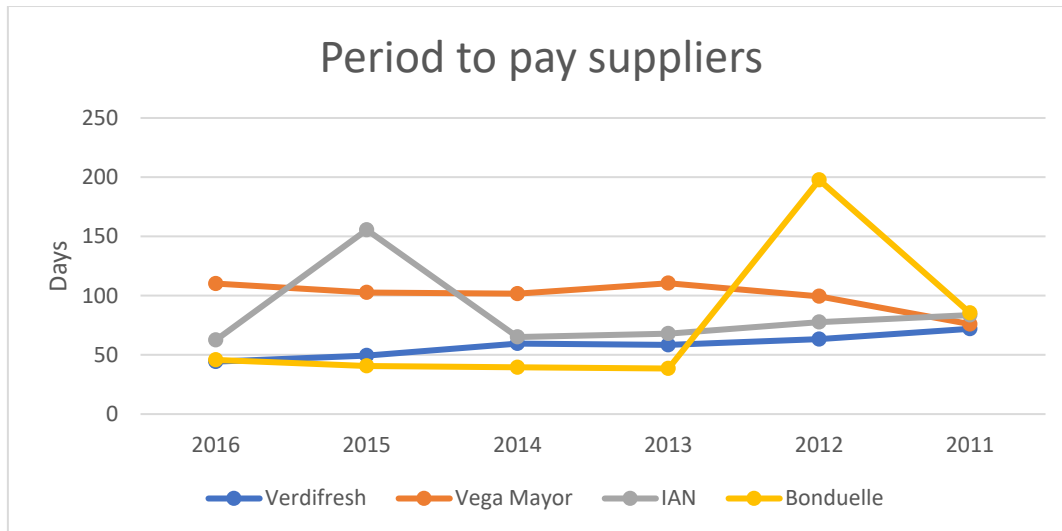


Figure 23: Period to Pay Suppliers. Own elaboration.

From the previous table and the previous graphic, it can be extracted that:

Verdifresh: the bank is showing a clear downward trend. It goes from having 63 days to pay its suppliers in 2011 to only 44 days in 2016. This, if sustained over time, can lead to financing problems if the payment period for suppliers falls below the company's financial period.

Vega Mayor: Unlike Verdifresh, the entity shows an upward trend in the time available for payment to its suppliers. The minimum term it has to make its payments is in 2011, with 76 days, while the longest term is given in 2016 with 110 days.

Industrias Alimentarias de Navarra: if 2015 is excluded because it is an atypical year, as it suffers a sudden increase in the payment period without being sustained over time, it can be observed that there is a downward trend, which, like Verdifresh, if it were to continue over time, could lead to financing problems.

Bonduelle: the entity shows two sides. The first of these is given in 2011 and 2012, with terms of between 85 and 198 days to make payments. The second occurs in the rest of the years (2013-2016). In the latter, the deadlines for making payments to its suppliers are drastically reduced, albeit with a slightly high trend in this subperiod.

The average for each company and the sector is shown below to facilitate comparison between them.

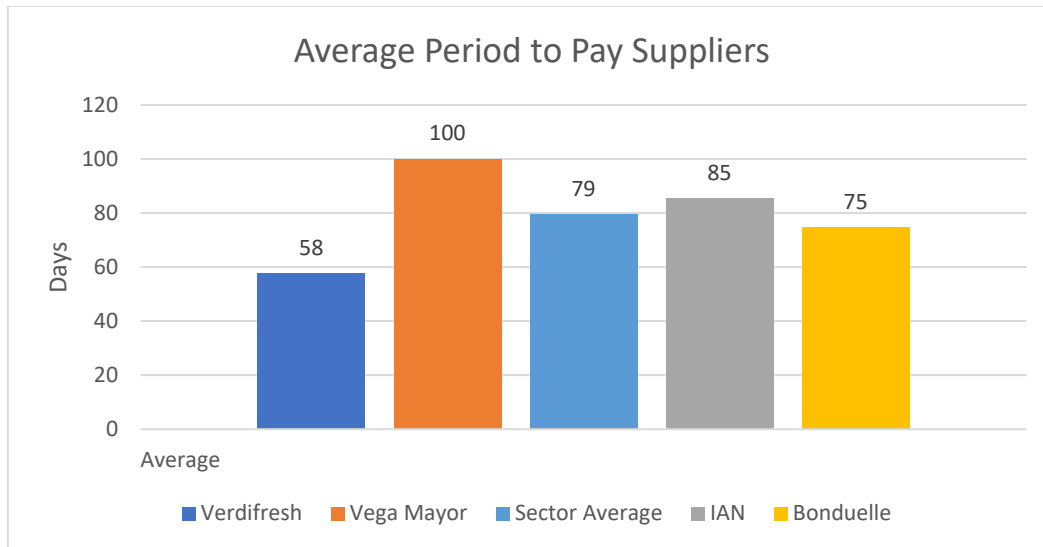


Figure 24: Average Period to Pay Suppliers. Own elaboration.

The average for the sector for the six years analyzed was 79 days. We can observe that only Vega Mayor and Industrias Alimentarias de Navarra have a payment term to suppliers on average higher than that of the sector (100 and 85 days respectively). The entity that has the least time to make payments to suppliers is Verdifresh, with 58 days. Bonduelle, for its part, is just below average at 75 days to catch up on its supplier debts.

iv) Average Financial Maturity Period

As indicated above, the average financial maturing period is the difference between the average economic maturing period and the period for payment to suppliers.

The following shows the average financial maturing periods summarized in a table and shown in a graph.

Financial Maturity Period						
	2016	2015	2014	2013	2012	2011
Verdifresh	10	3	-8	-7	-10	-17
Vega Mayor	-41	-35	-43	-43	-28	-5
IAN	141	283	205	200	205	201
Bonduelle	41	42	32	20	-29	78

Table 15: Financial Maturity Period. Own elaboration

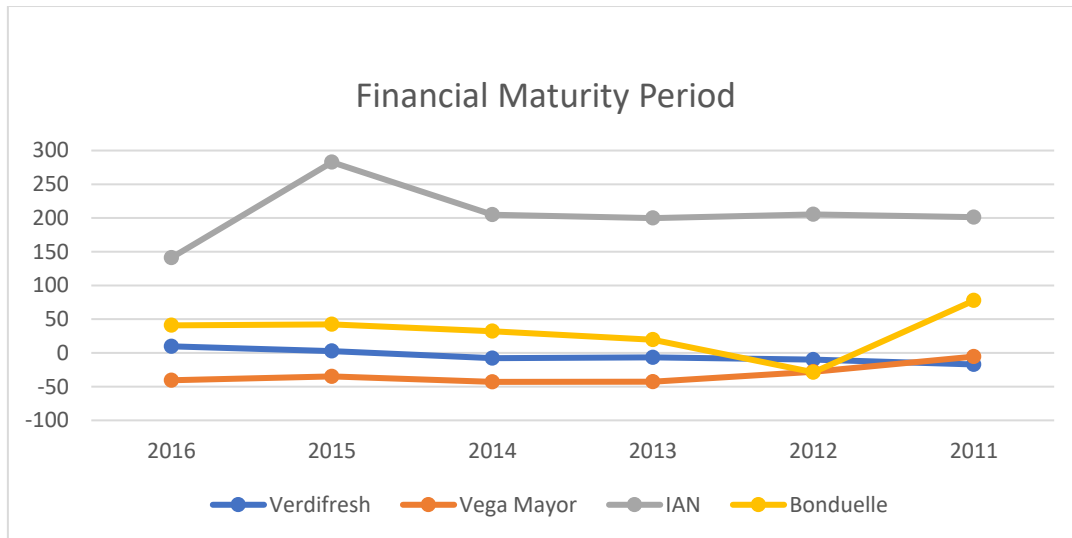


Figure 25: Financial Maturity Period. Own elaboration.

From the table above and the graph above it can be seen that: the only entity that has an average financial maturity period for all the years analyzed is Vega Mayor, ranging from -5 to -43 days. Verdifresh is another of the companies analyzed that has an average period of financial maturity with a negative value in some financial years, but, unlike Vega Mayor, the downward trend in the payment term to suppliers means that in recent years the financial maturity time has positive values. For its part, Industrias Alimentarias de Navarra is the company with the longest period in all the years. Finally, Bonduelle always has positive values, with the exception of 2012.

It is important to remember that a positive value in the economic maturation period indicates that the entity that will need financing while a negative value indicates that the entity does not need outside financing to complete its operating cycle.

The average for each company and the sector is shown below to facilitate comparison between them.

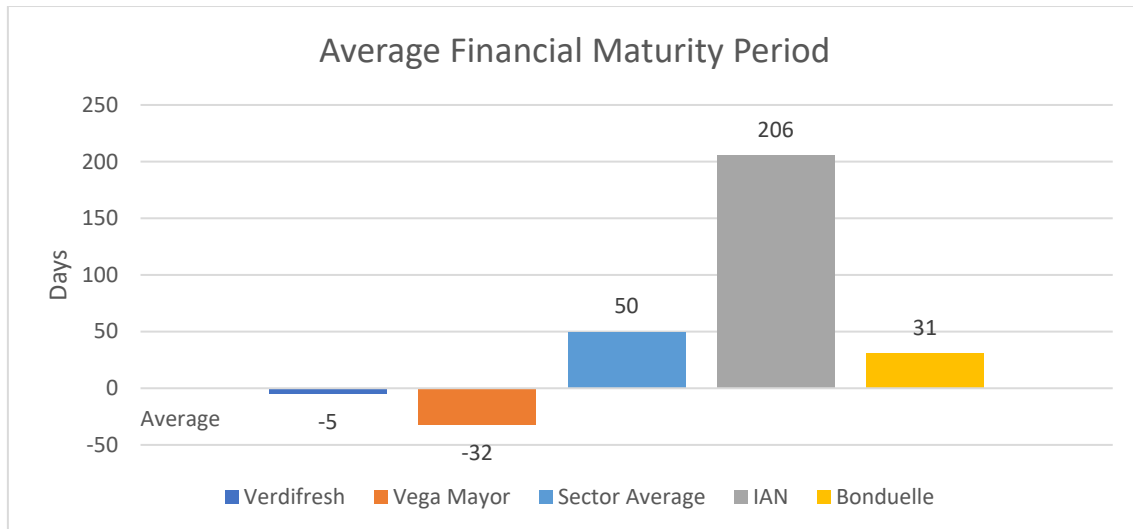


Figure 26: Average Financial Maturity Period. Own elaboration.

The average for the sector in the six years analyzed was 50 days. It can be observed that the only company above this average is Industrias Alimentarias de Navarra (206 days). The company with the lowest value is Vega Mayor, with an average negative value of -32 days. Verdifresh, on the other hand, also manages to have a negative term of financial maturity, standing at -5 days. Finally, Bonduelle is just below average at 31 days.

b) Sector Average over 2011-2016.

This section shows a graph where the average of the sector is represented, taking the values of the four companies analyzed on the one hand and, on the other, the trend shown by the sector over the years analyzed. There is also a summary table where the values can be seen.

Financial Maturity Period						
	2016	2015	2014	2013	2012	2011
Verdifresh	10	3	-8	-7	-10	-17
Vega Mayor	-41	-35	-43	-43	-28	-5
IAN	141	283	205	200	205	201
Bonduelle	41	42	32	20	-29	78
Sector Average	38	73	47	43	35	64

Table 16: Sector Average Financial Maturity Period. Own elaboration.

The table shows the average of the average period of financial maturity of each company for the different years studied, comparing them with the average of the sector for said year. The data shown in red are for companies that do not exceed the industry average for that year.

Below is a graph showing the data shown in the table above.

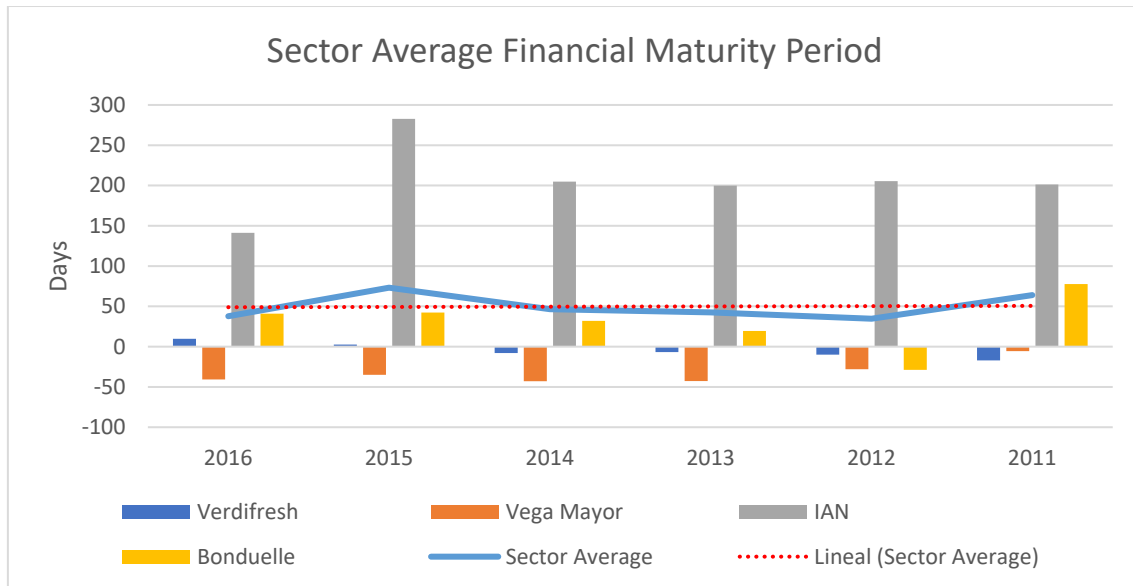


Figure 27: Sector Average Financial Maturity Period. Own elaboration.

The blue line shows the average period of financial maturity of the sector over the years studied. The red dashed line shows the trend of this in the period 2011-2016. The bars show the average period of financial maturity of the four entities analyzed.

From the graph it can be seen that the trend in the sector remains constant throughout the period analyzed. A comparison of the average for the sector with each of the companies over the six years analyzed shows that:

- Verdifresh is below the average for the sector in each and every one of the six years, being, together with Vega Mayor, the only entities that do so. However, the levels are somewhat worse compared to Vega Mayor.
- Vega Mayor is at the forefront since it is the company with the lowest average financial maturation period.
- Industrias Alimentarias de Navarra is always above the average for the sector and is therefore in last place.
- Bonduelle is below average for all years except 2011 and 2016. Therefore, it ranks third in terms of the average period of financial maturity.

4.2.2. Working Capital

The working capital is understood to be the part of the current assets that is financed with permanent resources. In other words, the difference between a company's current assets and current liabilities. The following image shows the above in a graphical way to make it easier to understand.

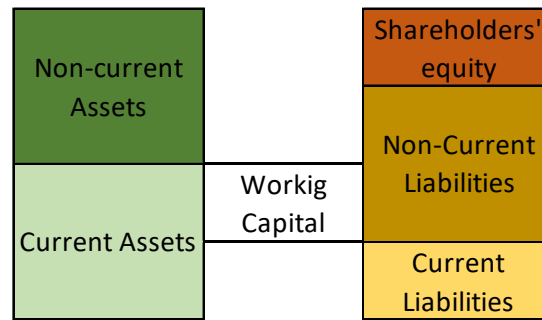


Figure 28: Working Capital. Own elaboration.

There are three possible situations:

- Working Capital = 0. All current assets are financed by short-term loans, which could lead to difficulties in renewing the liability.
- Working Capital < 0. It is a first warning indicator because it happens when non-current assets are being financed with short-term liabilities. Suspensions of payment could result from this as the fixed assets could not be realized in time to meet short-term debts.
- Working Capital > 0. This is the ideal situation because current assets are financed with long-term debt, providing a margin or financial cushion.

4.2.2.1. Time Series

a) Each Company in the period 2011-2016.

In this section, the different working balances of the institutions analyzed in the period 2011-2016 are presented. For this purpose, a table with the values obtained and a graph are shown for a better representation.

Working Capital						
	2016	2015	2014	2013	2012	2011
Verdifresh	- 10.759.793	- 6.476.432	- 9.458.861	- 7.245.501	- 8.870.714	- 10.910.961
Vega Mayor	3.135.000	- 187.000	- 2.417.000	- 4.542.000	- 4.404.000	- 4.040.000
IAN	24.420.000	32.540.000	36.679.000	35.943.000	34.262.000	34.519.000
Bonduelle	4.428.690	- 6.555.310	- 3.304.374	- 7.865.603	- 1.856.703	- 2.622.208
Sector Average	5.305.974	4.830.315	5.374.691	4.072.474	4.782.646	4.236.458

Table 17: Working Capital over 2011-2016. Own elaboration.

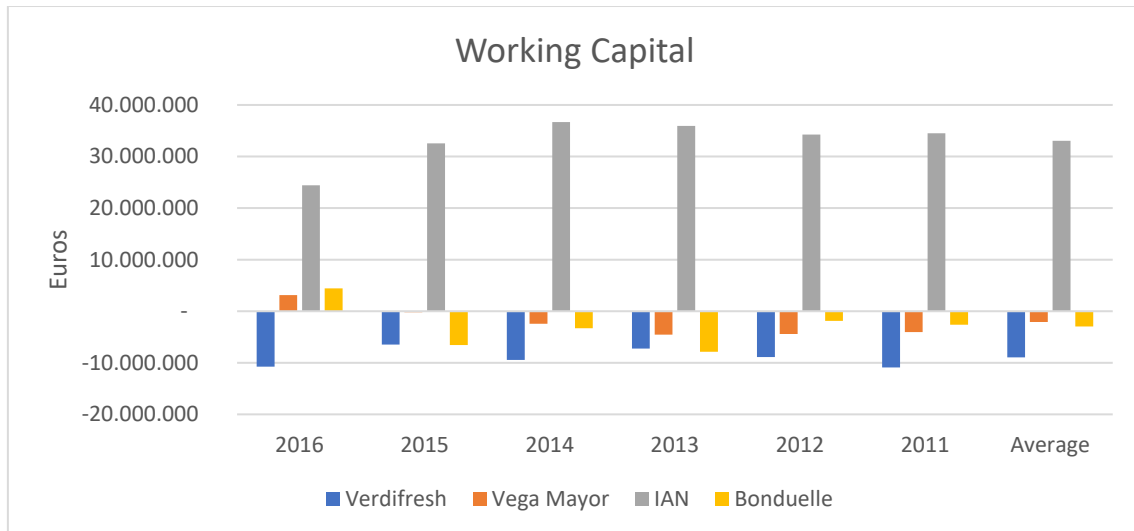


Figure 29: Working Capital for each Company. Own elaboration.

From the previous table and the previous graph, we can extract that:

Verdifresh: has a negative working capital for all the exercises analyzed. It is undoubtedly in last position if we compare the four companies analyzed in this time sequence.

Vega Mayor: only in the 2016 fiscal year does it obtain a positive working capital. For the rest of the years, the entity obtains negative working capital.

Industrias Alimentarias de Navarra: it is the only entity that manages to have a positive working capital in all the years analyzed. Therefore, it leads the way when comparing the four companies.

Bonduelle: For its part, the entity only manages to obtain a positive fund in 2016. For the rest of the years the sign of this is always negative.

b) Sector Average over 2011-2016.

In this section a graph is shown where the average of the sector is represented, taking the values of the four companies analyzed. A summary table is also shown where the figures can be observed.

Sector Average Working Capital						
	2016	2015	2014	2013	2012	2011
Verdifresh	-10.759.793	- 6.476.432	- 9.458.861	- 7.245.501	- 8.870.714	-10.910.961
Vega Mayor	3.135.000	- 187.000	- 2.417.000	- 4.542.000	- 4.404.000	- 4.040.000
IAN	24.420.000	32.540.000	36.679.000	35.943.000	34.262.000	34.519.000
Bonduelle	4.428.690	- 6.555.310	- 3.304.374	- 7.865.603	- 1.856.703	- 2.622.208
Sector Average	5.305.974	4.830.315	5.374.691	4.072.474	4.782.646	4.236.458

Table 18: Average Sector Working Capital. Own elaboration.

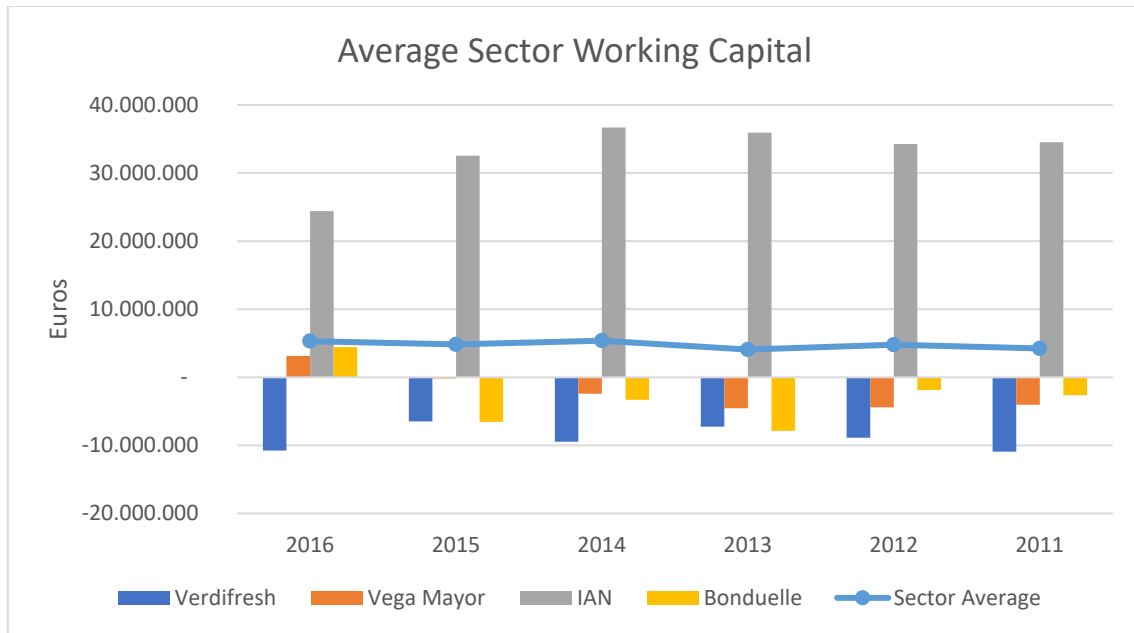


Figure 30: Average Sector Working Capital. Own elaboration.

The blue line shows the working capital of the sector during the years studied. The bars show the working capital of the four entities analyzed.

It can be seen from the graph that the trend in the sector remains relatively constant throughout the period. The only company that has an average working capital that is higher than the sector always is Industrias Alimentarias de Navarra, which makes it the leader when comparing the four companies. The rest of the institutions were below the average in all the years analyzed.

The company in the latter situation is Verdifresh because it is the entity with the lowest average working capital. Secondly, even though it has a negative working capital, Vega Mayor can be found because the average of the fund is somewhat higher than that of Bonduelle and, furthermore, it is more stable over the course of the years analyzed. Bonduelle is in third place.

4.2.3. Current Ratio

The Current Ratio is referred to as the ratio of current assets to current liabilities. Therefore, this ratio measures the company's ability to respond to its short-term payment obligations. It also allows comparisons to be made between entities of different sizes, as it is a relative magnitude of capacity to respond.

The key aspects of this ratio are:

- It is preferable to have a value over the unit because it indicates that the response capacity to meet short-term payments is higher than the level of these.

- It would not be advisable to have an excessively high value, understood to be higher than 2.2. This would be an indicator of low use of short-term financing or slow maturing of current assets or over-investment in liquid assets.

4.2.3.1. Time Series

a) Each Company in the period 2011-2016.

This section presents the different Current Ratios of the institutions for the period 2011-2016. A table and a graph are used for the presentation of these.

Current Ratio						
	2016	2015	2014	2013	2012	2011
Verdifresh	0,45	0,60	0,44	0,44	0,41	0,34
Vega Mayor	1,07	1,00	0,93	0,86	0,85	0,85
IAN	1,90	2,55	2,28	2,25	2,47	2,25
Bonduelle	1,54	0,68	0,83	0,38	0,82	0,92

Table 19: Current Ratio for each Company over 2011-2017. Own elaboration.

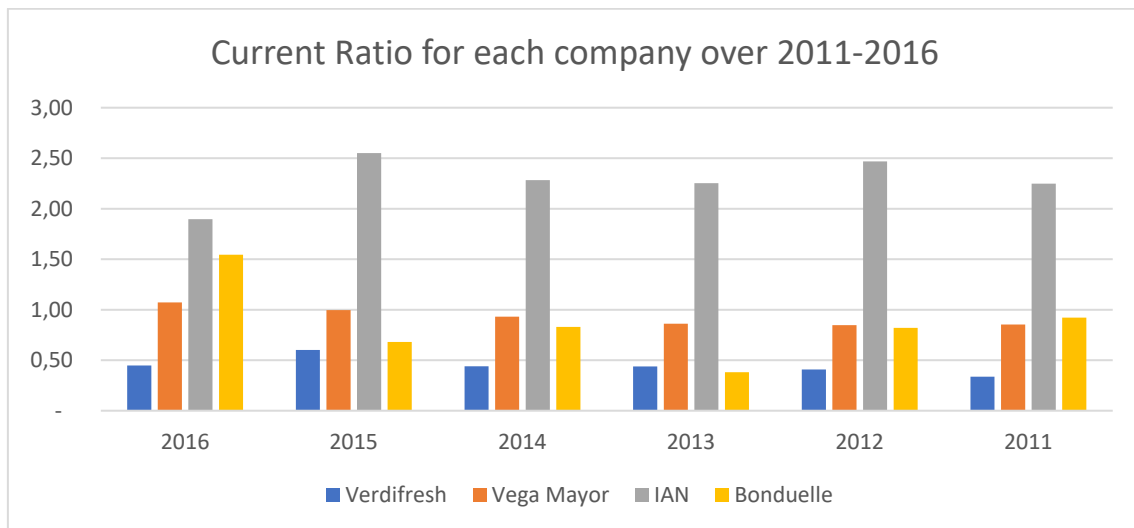


Figure 31: Current Ratio for each company over 2011-2016. Own elaboration.

From the graph it can be deduced that the only company that has a Current Ratio value that is always higher than the unit is Industrias Alimentarias de Navarra. The rest of the entities are always below the unit, with the exception of Vega Mayor, whose Current Ratio is equal to the unit in 2015.

b) Sector Average over 2011-2016.

Average Sector Current Ratio						
	2016	2015	2014	2013	2012	2011
Verdifresh	0,45	0,60	0,44	0,44	0,41	0,34
Vega Mayor	1,07	1,00	0,93	0,86	0,85	0,85
IAN	1,90	2,55	2,28	2,25	2,47	2,25
Bonduelle	1,54	0,68	0,83	0,38	0,82	0,92
Sector Average	1,24	1,21	1,12	0,98	1,14	1,09

Table 20: Average Sector Current Ratio. Own elaboration.

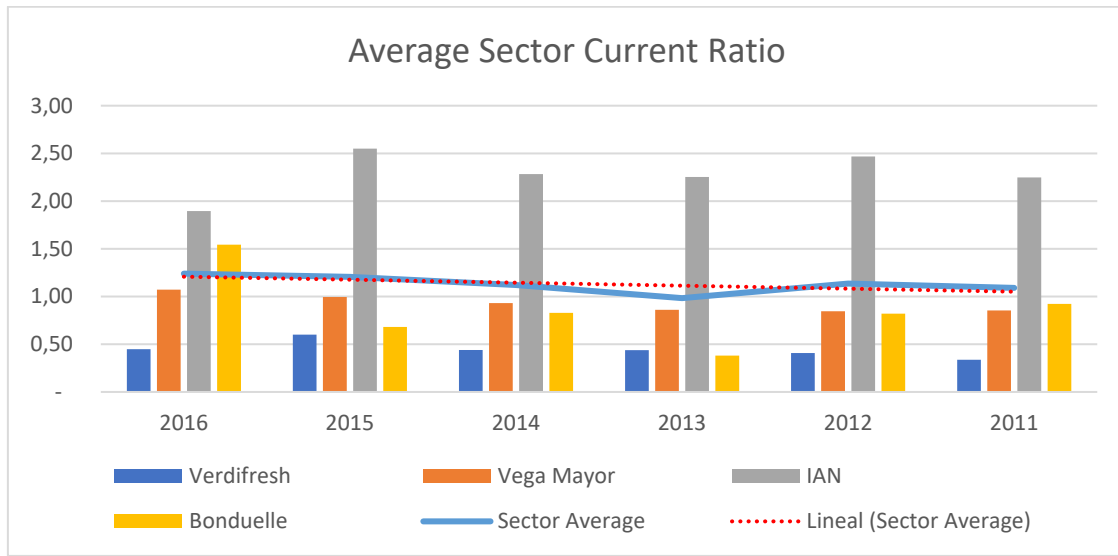


Figure 32: Average Sector Current Ratio. Own elaboration.

The blue line shows the Current Ratio of the sector over the years studied. The red discontinuous line shows the trend of the Current Ratio for the analyzed time sequence. The bars show the Current Ratio of the four entities analyzed.

It can be seen from the graph that the trend in the sector is slightly upward over the years. The only company that obtains a higher ratio than the unit in all the years is Industrias Alimentarias de Navarra. The rest of the entities show a ratio lower than the unit except Bonduelle and Vega Mayor which, in 2016, show a Current Ratio higher than one.

The entity that shows the lowest level is Verdifresh, which is in last place. The top spot in Current Ratio is IAN. In second place is Vega Mayor because, despite having negative values in almost all the exercises, it has a higher average than Bonduelle. Bonduelle is, therefore, the third largest institution in terms of the current ratio of the institutions.

5. Main conclusions

In conclusion, the following is a summary of the main data obtained throughout this report:

- As far as the profitability of the assets is concerned, there is no doubt that Verdifresh obtains a rate of return on assets that is much higher than that of its competitors and, therefore, than that of the sector. This is because the company obtains a margin and a rotation above its direct competitors and, in turn, above that of the sector.
- If financial returns are compared, there is also no doubt that Verdifresh offers a rate of return on equity that is much higher than that of its main rivals and, in turn, also well above that of the sector.
- The advantage it obtains with respect to financial profitability is motivated mainly by the large margin of the financial leverage it obtains, where it is three times greater than that of its most direct competitor (Vega Mayor) for 2016.
- In terms of liquidity, the entity shows the shortest economic maturity cycle of the four companies analyzed. This means that it manages to complete its exploitation cycle faster than its direct rivals.
- In addition, it shows a negative value for the average of the financial maturity periods of the six years analyzed, which leads us to believe that it will not have short-term financing problems.
- Although it is true that it has a negative average working capital for the years analyzed, if we take into account that its main customer is Mercadona and that it has a legal agreement with Mercadona in terms of minimum purchases, it is possible to think that Verdifresh will not have any problem when renewing its debts with banks.
- As with working capital, the Current Ratio, despite being lower than the unit, since if its main customer is Mercadona and has a guaranteed level of sales periodically, it can be deduced that it will not have any problem meeting its short-term payment commitments in the future.

Therefore, this report has shown that Verdifresh offers a relative return on assets and equity well above its main competitors in the sector, as well as robust liquidity levels.

Recalling the question raised in the introduction to this report: is Mercadona's statement about the profitability of its collaborating entities really true? Therefore, and answering the question, it can be concluded that, if we take this analysis as a representative sample of the rest of Mercadona's inter-supplier companies, the statement would be true, since it is demonstrated that both the economic and financial profitability and the liquidity are much higher than the average for the sector.

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