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The Impact of Unusual Events on the Financial Condition of Companies – A Case Study

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1. Introduction

Globalization is ingrained in our lives. On one hand, it significantly facilitates life; on the other hand, it brings along a set of threats. One such threat is the rapid spread of crises. In economic terms, a crisis is defined as an economic downturn resulting in reduced production, decreased investment, and lower societal income. This phenomenon often accompanies a rise in unemployment. The coronavirus pandemic initiated socio-economic turbulence on an unprecedented scale. The spread of the coronavirus in early 2020 led to increased stock price volatility worldwide, a decline in nominal interest rates, and a decrease in real GDP. Immense uncertainty was associated with the ultimate scale of the epidemic, measured by the number of infected individuals and deaths from COVID-19. In the first phase of the pandemic, governments worldwide took various preventive actions primarily aimed at protecting the lives and health of citizens. Isolation, travel restrictions, and prohibitions on various activities were all primarily geared towards preventing the spread of infections. Unfortunately, these actions did not leave Polish companies unaffected. Restrictions, bans, and limitations most often had a negative impact on businesses, especially those operating in industries related to human contact. Problems were noted in gastronomy, tourism, and the entertainment industry. Conversely, companies operating in the areas of online commerce, courier services, medical services, and the production of hygiene or medical products flourished.

The aim of this article is to demonstrate the impact of unusual phenomena on the financial results of companies from different industries. The analysis covers the years 2019-2022, encompassing both the Covid-19 pandemic and the war in Ukraine. The companies subjected to the study are from the gastronomy, clothing, and medical industries, listed on the Warsaw Stock Exchange.

To achieve this goal, a literature review was conducted, and a case study was utilized.

2. Covid-19 Pandemic and the War in Ukraine - Characteristics of Phenomena

The Covid-19 epidemic began in November 2019 in central China. In March 2020, the World Health Organization declared it a pandemic. The first diagnosed case in Poland was confirmed on March 4, 2020.

On an international and national scale, actions were taken to counteract the spread of infections. Travel was restricted, and many countries implemented quarantines or curfews. States decided to reinstate border controls, and borders were simply closed. The possibility of gatherings was limited, maintaining distance and wearing masks was recommended. Students, pupils, and employees shifted to remote work. The entire social system of the world was disrupted.

The impact of this phenomenon on the Polish economy was multifaceted. There was a reduction in both demand and supply. Representatives of many industries significantly limited or were forced to cease operations due to introduced restrictive measures aimed at reducing the growth of infections. Economic restrictions most heavily affected the sectors of gastronomy, tourism, entertainment, culture, education, and retail trade. Some industries did not strongly feel the impact - especially those related to food production and sales or construction. There were also sectors that "benefited" from the outbreak of the pandemic. E-commerce and courier services rapidly developed. Companies producing hygiene articles generated unexpected profits.

However, in 2020, at the industry level, a simultaneous decline in both revenues and profitability was most often observed – such a situation was encountered by almost 34 out of the 76 analysed industries.[1] A common reaction of companies to the new situation was primarily cost reduction, including limiting salaries and temporarily reducing employment. This directly affected household incomes, leading to demand-side constraints. Problems with loan repayments began to arise, and the banking sector was forced to create reserves due to liquidity risk. Additionally, the reduction in interest rates directly affected the financial performance of banks.

Problems with supply chain execution in the global system led to a temporary halt or suspension of the production of certain goods and services. The drastic decrease in economic activity directly translated into macroeconomic indicators, including a decline in GDP. In Poland, Covid-19 put an end to almost 30 years of uninterrupted economic growth.[2] The country's enormous expenditures related to combating the pandemic also resulted in an increase in the budget deficit and the financing of state tasks with public debt, further negatively impacting Poland's economy. Unfortunately, state interventionism during this period contributed to

[1] https://nbp.pl/wp-content/uploads/2022/09/raport_4_kw_2020.pdf [download date 11.2023]
[2] Grondys, K., Ślusarczyk, O., Hussain, H. I., & Androniceanu, A. (2021), Risk Assessment of the SME Sector Operations during the COVID-19 Pandemic. International Journal of Environmental Research and Public Health, 18(8), s. 1

inflation, which was exacerbated by the war in Ukraine. The number of initiated restructuring proceedings increased, indicating solvency issues in many industries.

The upheaval in the economy affected financial markets, threatening their stability. Significant declines in stock market indices were observed. Institutions responsible for overseeing financial markets introduced a series of recommendations, thereby changing the way data is reported. For example, the European Securities and Markets Authority, in an issued statement, indicated that entities listed on capital markets are obligated to disclose information regarding the impact of the Covid-19 pandemic on the financial situation and development prospects of issuers.[3] Additionally, it was pointed out that financial reports should be prepared in a way that ensures transparency of the real and potential effects of Covid-19 using quantitative and qualitative assessments of company operations.

The Polish economy continues to grapple with the consequences of the Covid-19 pandemic, the extent of which is difficult to estimate at present. The possibility of effectively overcoming the crisis caused by the pandemic has been disrupted by Russia's aggression against Ukraine. The outbreak of the war in Ukraine quickly changed the operating conditions of Polish companies once again. Its direct impact is felt to varying degrees. The increase in raw material and energy prices, which worsens the operating conditions of Polish entrepreneurs, becomes particularly significant. The war has hit sectors such as gastronomy and rental, flat rental, finance, and insurance services. Additionally, many companies were forced to limit investment outlays and increase prices for offered products and services. Russia's attack on Ukraine and the sanctions imposed on Russia and Belarus have restricted markets for some industries. Industries such as industrial processing, gastronomy, accommodation, finance and insurance, and construction feel the strong impact of the war. Construction, in particular, is grappling with the outflow of male workers – the previous Ukrainian employees. All of this contributed to a record-breaking inflation surge. The macroeconomic environment for companies, due to the described events, significantly hampers the functioning of Polish entrepreneurs. Unfortunately, due to political reasons, Poland did not reach for measures from the KPO [Krajowy Program Odbudowy - National Reconstruction Plan], which will significantly prolong the recovery from the crisis.

3. Tools for assessing the financial condition of companies

Economic analysis is "the science of methods for examining economic activity and assessing its economic effects." It is one of the essential management tools, allowing an explanation of whether economic phenomena are occurring in accordance with the principles of rational management. (...) Economic analysis enables the reduction of risk associated with economic activity. This risk cannot be eliminated, as it is an inherent characteristic of economic entities operating in market conditions. However, it can be rationalized to a significant extent through good information. The lack of an adequate system for monitoring economic activity, an element

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[3] https://www.esma.europa.eu/ press-news/esma-news/ euesma-recommends-action- -financial-market-participants-covid-19-impact. [download date 23.05.2023]

of which is economic analysis, fosters the assumption of excessive risk.[4] The scope of the economic analysis of the company is presented in Table 1.

Table 1. Scope of economic analysis in the company.

Economic analysis	
Financial analysis	**Technical-economic analysis**
• Determinants defining the financial situation of the entity, originating from the immediate and broader environment. • Preliminary and detailed analysis of the balance sheet and income statement (in horizontal and vertical arrangements). • Cash flow analysis. • Ratio analysis, including: • Liquidity area • Indebtedness area • Profitability area • Operating efficiency area	• Production analysis (quantity and assortment) • Manufacturing technology analysis • Production organization analysis • Technical equipment available to the company • Analysis of material supply • Analysis of employment, wages, and labour productivity

Source: Own work.

Financial analysis is the oldest branch of economic analysis, initially focusing solely on the analysis of the income statement and balance sheet. Its origins date back to 1870 when L. Cohnstaedt made the first attempts to compare the balance sheets of companies.[5] It is defined as an element of economic analysis that demonstrates the efficiency of a company by examining the financial processes and phenomena within the company. Providing information for evaluating the company's situation, it enables the making of appropriate economic decisions and, consequently, serves as a tool for optimizing results. Based on the collected data, management is empowered to make both short-term and long-term financial decisions, controlling the course of economic processes related to the company.

Analysing their compliance with the adopted assumptions and understanding the perception of the financial situation by counterparties is crucial. The source of data for financial analysis is the financial statement, which, according to applicable legal regulations, is prepared by the manager of capital companies or partners conducting affairs of a general, civil, or partnership company. The responsible party for preparing the financial statement also includes the managing partner overseeing affairs of a limited partnership or a limited joint-stock partnership.

[4] W. Janik, A. Paździor M. Paździor, Analiza ekonomiczna działalności przedsiębiorstwa. wyd. Politechnika Lubelska, Lublin 2017, s.13

[5] K. Schmalz, Bilans und Betriebsanalyse in Ameryka, Stuttgart 1927, s. 228–233, za: T. Waśniewski, Analiza finansowa w przedsiębiorstwie, Fundacja Rozwoju Rachunkowości w Polsce, Warszawa 1997,
s.14

Financial analysis is typically conducted based on data from financial statements prepared at the end of the fiscal year. Considering various criteria, financial analysis can be classified based on:

- Purpose (internal and external),
- Time (retrospective, current, prospective),
- Research method (functional, comprehensive, decisional),
- Detail (general and detailed),
- Subject (financial and achievements of the entity).[6]

In assessing the entity's condition, ratio analysis is commonly used, providing crucial information to those managing the entity. It identifies areas that are poorly managed or associated with significant operational risks. Additionally, it allows evaluating and comparing the current, past, and future financial results of the entity, understanding the financial condition, and prospects for its development in the longer term.[7]

Financial ratios can be divided according to various criteria. The most used criterion is the purpose of analysis, allowing the examination of specific areas of the company's operations:

- Liquidity ratios,
- Leverage ratios,
- Profitability ratios,
- Operational efficiency ratios.

The first set of ratios enables forming opinions on the solvency of the entity and its ability to timely settle current obligations.[8] They connect the working capital of the company with its current liabilities, simultaneously answering the question of whether there is a threat to the continuity of operations in the short term.

Tab. 2. Selected Liquidity ratios.

Indicator	Pattern	Interpretation
Current liquidity and III degree of liquidity	$\frac{current\ assets}{current\ liabilities\ (\ short\ term)}$	It informs how many times current assets cover current liabilities of the entity. The recommended value falls within the range of 1.2-2.0. A higher value is better; however, an excessively high value indicates

[6] K. Stępień, A. Kasperowicz-Stępień, Analiza finansowa jako narzędzie wykorzystywane do badania sytuacji finansowej jednostki gospodarczej. Zeszyty Naukowe Akademia Ekonomiczna w Krakowie nr 750, Kraków 2007, s.173
[7] J. Duraj, Analiza ekonomiczna przedsiębiorstwa, Warszawa 1993, s.16.
[8] L. Bednarski, Analiza finansowa przedsiębiorstwa, Warszawa 1999, s.78-79

		overliquidity and inefficient management of the company's working capital.
Current liablility - Quick ratio	$\frac{current\ assets\ inventory}{current\ liabilities\ (\ short\ term)}$	It informs how quickly available current assets cover current liabilities of the entity. The reference value falls within the range of 1.0 - 1.2. A higher value indicates better financial liquidity. Too high a value compared to the reference suggests financial over-liquidity, while significant differences between current and quick liquidity ratios indicate freezing too many funds in inventory.
Ratio of cash and cash equivalents to current liabilities	$\frac{short - term\ investment}{current\ liabilities\ (\ short\ term)}$	It indicates the extent to which current obligations can be settled with the cash available to the company. The higher this ratio, the better. Recommended values fall within the range of 0.1 - 0.2. However, excessively high values indicate inefficient use of assets, resulting in reduced profitability for the company.

Source: Own Work.

Another group of indicators is the leverage ratios. When analyzing this group of indicators, we refer to the structure of liabilities and, consequently, the sources of capital financing the company's assets. Debt analysis allows determining the company's ability to settle all obligations. This analysis will answer the question of whether there is a threat to the company's existence in the longer term.

Table 3. Selected Leverage Ratios.

Indicator	Pattern	Interpretation
Total indebtedness	$\frac{total\ liabilities}{total\ assets}$	This ratio provides information about the company's indebtedness. The higher the ratio, the worse, as it indicates higher company debt. A value above 0.67 is considered to indicate excessive credit risk,

		increasing the overall business risk. Low or decreasing values of this ratio indicate an improvement in the company's financial situation due to a reduction in the use of external capital (debt)
Long-term indebtedness	$\frac{long - termn\ debt}{equity}$	It complements the overall debt ratio. A value above 1.0 indicates excessive debt for the company, posing a risk to its financial stability and credibility. A rising trend and high values of this ratio are interpreted negatively, as they indicate an increasing burden of debt on equity. A decrease in the value of this ratio is interpreted positively, indicating an improvement in the company's creditworthiness. In such a case, the company's operations are more heavily financed by equity.
Total liabilities to equity	$\frac{external\ liabilities}{equity}$	It indicates how many times liabilities exceed equity. That is, the amount of liabilities per 1 PLN of equity. Values above 1.0 indicate a significant burden of equity with debt. An increase in this ratio is interpreted as a deterioration of the company's financial situation, while a decrease is seen as an improvement in the financial situation due to a reduction in debt.

Source: Own work.

Another analysed area of the company's financial activity is its profitability. Utilizing indicators, we compare selected profit categories to the revenues, assets, or equity at the company's disposal. The higher the values the indicators assume, the higher the profitability. The literature does not indicate threshold values, so their evaluation is based on an analysis of changes over time. Profitability analysis will answer the question of the size of achieved or potential benefits resulting from the conducted business. It provides information about the speed of return on the capital invested in the economic entity's operations and allows assessing the efficiency of the management in generating profits using available resources.[9]

[9] M. Sierpińska, T. Jachna, Ocena przedsiębiorstwa według standardów światowych, Warszawa 1997, s.103

Table 4. Selected Profitability Ratios.

Indicator	Pattern	Interpretation
Return on Equity (ROE)	$\frac{net\ financial\ result}{equity} * 100$	This ratio evaluates the efficiency of using equity in a company. Therefore, it is the most frequently analysed indicator by investors as suppliers or potential suppliers of capital. This ratio is comparable to the return-on-investment ratios available in the market, which can be an alternative for an investor. The higher this ratio, the better, as it indicates an increase in the profitability of equity. Low values of this ratio indicate a low return on invested capital.
Return on Assets (ROA)	$\frac{net\ financial\ result}{equity} * 100$	This ratio informs about the company's ability to generate net income from the committed capital, and hence, total equity. High values of this ratio indicate a high return on committed capital. An increase in the ratio is considered positive, while a decrease is viewed negatively, as it indicates a decline in the overall asset profitability.
Return on Net Sales (ROS)	$\frac{net\ financial\ result}{sales\ revenue} * 100$	The sales profitability ratio indicates the burden of sales with all the costs of the entity's operations and tax burdens. The lower the values of this ratio, the more sales the company must generate to achieve the desired result, as a larger portion of revenues is consumed by operating costs. An increase in the level of this ratio should be viewed positively, while a decrease is viewed negatively. A decrease indicates poor cost control in the company

Source: Own work.

The last and most frequently analysed area of the entity's activity is related to efficient management. When conducting the analysis, we evaluate the turnover of the company's assets and capital, which are used to conduct business. Due to the fact that this group of indicators assesses the efficiency of asset utilization, this analysis provides information about the managerial skills of the staff.

Table 5 Selected Turnover Ratios.

Indicator	Pattern	Interpretation
Asset turnover	$\frac{net\ sales\ revenue}{total\ assets}$	"The indicator provides information about the ability of assets to generate sales revenue. Higher values of the total asset turnover ratio indicate better efficiency in managing the company's assets."
The inventory turnover days ratio	$\frac{inventory}{net\ sales\ revenue}$ *365	This indicator provides information about how many days cash is tied up in inventory. An increase in this indicator should be interpreted negatively. The accumulation of inventory may be a sign of a lack of sales growth. However, it is always dependent on the production technology used in the company and the inventory level maintenance policy.
Receivables turnover in days	$\frac{short{-}term\ receivables}{net\ sales}$ * 365	This indicator informs the analyst about how many days cash is frozen in receivables. It represents the duration of the so-called receivables collection period. Of course, it depends on the company's policy towards its customers. However, an increase in this indicator should be interpreted negatively and associated with a deterioration in receivables management in the company. This could be a result of, for example, a deterioration in receivables collectability, which will ultimately affect financial liquidity.

Rotation of short-term liabilities in days	$\frac{short\ term\ liabilities}{net\ sales} * 365$	This ratio informs about the average number of days that elapse from the creation of a liability to its payment. Assuming that liabilities are paid on time, an extension of this ratio is a positive phenomenon. In the long run, the company can benefit from trade credit (a cost-effective source of financing). However, if the liabilities are not paid on time, it indicates a deteriorating financial situation for the company.

Source: Own work.

4. The Impact of Unusual Events on the Financial Results of Selected Companies Listed on the Warsaw Stock Exchange

Mercator Medical S.A. Group is a Krakow-based representative in the medical industry, operating on the global market. The company's main business focus is the production of medical gloves and the distribution of single-use medical materials. The Group sells its products in nearly 70 countries worldwide. The company operates 23 production lines allowing to produce 345 million gloves per month. With a global reach, its subsidiaries are in Poland, the Czech Republic, Thailand, Romania, Ukraine, Hungary, Italy, Germany, and France.

The company was awarded the title of Małopolska Leader 2020, thus being recognized for its initiatives, spectacular achievements, and significant economic and socially impactful investments.

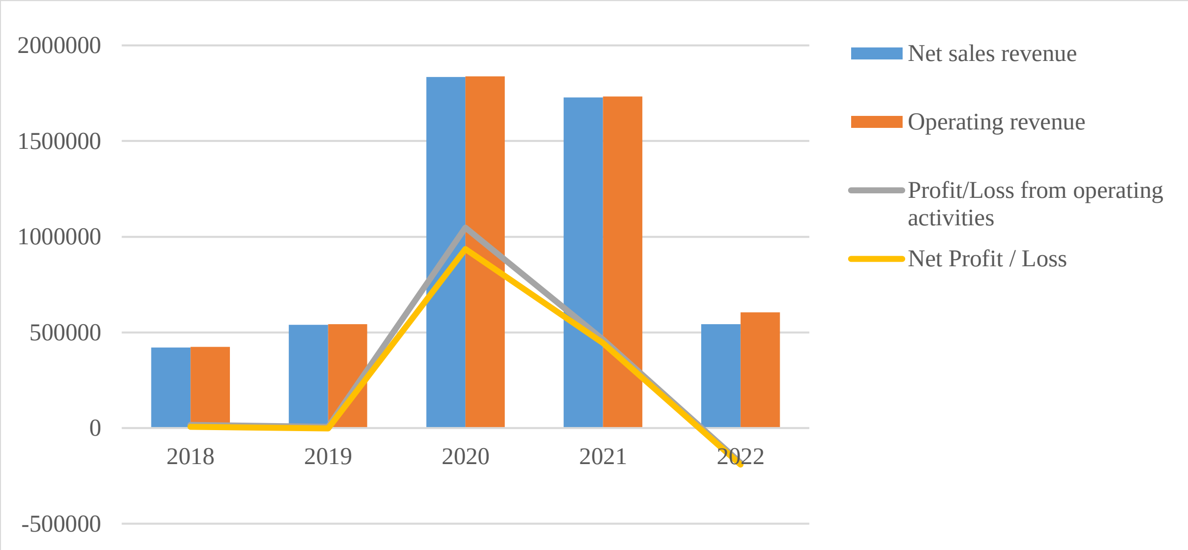
Table 6. Selected Financial Data of the Mercator Medical S.A. Capital Group (in thousands of Polish zloty).

Year/ Financial statement	2018	2019	2020	2021	2022
Net sales revenue	420 410	540 333	1 834 174	1 733 349	542 512
Operating revenue	424 313	542 193	1 838 668	1 733 088	605 483
Operating expenses	407 682	535 611	791 047	1 269 655	786 698
Profit/Loss from operating activities	**16 631**	**7 193**	**1 047 621**	**463 433**	**-181 215**
Financial income	465	3 789	22 388	929	17 947
Financial costs	8 748	8 913	8 596	7 984	22 947

Gross Profit / Loss	8 348	2 069	1 040 566	477 225	-186 215
Net Profit / Loss	7 220	-2 031	935 659	444 852	-190 786

Source: Own elaboration based on financial statements.

Fig. 1 Revenues and Financial Result of Merckator Medical Group in the years 2018-2022.



Source: Own elaboration based on financial statements.

In 2019, the value of sales revenue increased by 29% compared to the same period of the previous year. Sales of disposable gloves accounted for 94% of total revenue during the analysed period. The year 2020 proved to be record-breaking, with the company achieving nearly a 240% growth in revenue. In 2020, the leading product category was diagnostic disposable gloves, generating over 98% of revenues. This was a result of the outbreak of the Covid-19 pandemic. The average selling price of diagnostic gloves increased by 223.6% in 2020, reflecting market price dynamics. Sales of other product categories, such as household and surgical gloves, declined due to lockdowns and the cessation of many planned surgical procedures.

In 2021, sales revenues were also relatively high, but the group experienced a 5.8% decrease. During this period, revenues from the sales of diagnostic gloves constituted over 99% of total revenues. In 2022, the company recorded a more than 68% decline in total sales revenues. This was primarily due to a decrease in prices of offered products—post-pandemic, manufacturing companies had high inventory levels, and there was increased supply due to manufacturers expanding production capacities during the pandemic.

The net result for 2019 is negative, amounting to minus 2.0 million PLN, compared to a net profit of 7.2 million PLN in 2018. This is primarily due to margin reductions in the unit's business segments and increased costs associated with servicing the unit's debt. The net financial result in 2020 amounted to 935.6 million PLN. In addition to the sudden increase in sales revenue due to the coronavirus pandemic, its magnitude was influenced by decisions made by the management, including implemented cost-saving programs, conversion of production lines from natural latex to synthetic, withdrawal (suspension) from less profitable areas of activity, withdrawal of less profitable products from the offer, and the development of the e-Commerce channel. Conversely, the net profit for 2021 was 444.9 million PLN, compared to a net profit of 935.6 million PLN for 2020. The significant drop in the result was driven by decreasing demand for the company's products, resulting in a decline in sales revenue. Additionally, costs increased, primarily raw material costs—latex. This increase was accompanied by a rise in the costs of producing the necessary thermal energy for production, an increase in biomass prices, and an increase in transportation and information technology costs.

The net loss for 2022 is 190.8 million PLN, compared to a net profit of 444.9 million PLN for 2021. The main factors influencing the incurred loss in business operations are primarily the continued decline in revenues from the unit's core activities, a decrease in margins, and further increases in electricity prices caused by the energy crisis, as well as increases in gas prices, transportation services, and information technology services. The company's management, after conducting an impairment test, decided to make write-downs updating the values of fixed assets and intangible assets in factories in Thailand, resulting in increased operating costs. Additionally, because the company has subsidiaries in Ukraine and Russia, the outbreak of the war affected the business operations of the group. Sales to Ukraine fell by over 85%, and to Russia by 37%.

Table 7. Selected Financial Data of the Mercator Medical S.A. Capital Group (in thousands of Polish zloty)

Year/ Financial Data	2018	2019	2020	2021	2022
Total assets	376 122	386 711	1 289 312	1 288 523	1 083 068
Fixed assets	183 212	195 651	193 793	374 352	385 512
Current assets	192 910	191 060	1 095 519	914 171	697 556
Inventory	97 224	89 415	207 000	230 395	200 659
Receivables	78 967	83 911	339 562	148 475	74 693
Other financial assets	513	2951	149 117	195 695	198 860
Cash and cash equivalents	16 206	14 783	399 840	339 606	223 344
Total liabilities	376 122	386 711	1 289 312	1 288 523	1 083 068
Equity	128 069	134 460	1 043 140	1 145 207	1 009 223
Long-term liabilities	86 264	99 603	6 282	10 262	13887
Short-term liabilities	161 789	152 648	239 890	133 054	59958
Total liabilities	248 053	252 251	246 172	143 316	73845

Source: Own compilation based on financial statements

During the analysed period, the basic balance sheet data of the company exhibited significant fluctuations. In the first year of analysis, the growth in assets was directly related to the increase in fixed assets and investment development in Thailand. Inventory optimization led to a reduction, while the rise in receivables was directly attributable to increased sales revenue. A positive phenomenon was the growth in equity, where other capitals increased because of exchange rate differences. Long-term indebtedness increased due to the decision to take out new loans and borrowings for the development of the factory in Thailand. Short-term liabilities, both related to supplies and revolving loans, decreased. In the analysed company, the value of assets sharply increased in the subsequent year of 2020. This was a result of the record-breaking increase in sales due to the pandemic and the generated high margins. The sharp increase in the cost of goods purchased mainly influenced the value of inventory in the analysed year. The increase in receivables was mainly due to the increase in advances recorded for the delivery of goods and services. The huge demand for gloves made prepayments for goods and services during this period a market standard. The increase in cash at the end of the reporting year was PLN 385.1 million. Equity increased by 675.8%, mainly due to the growth of retained earnings amounting to PLN 916.2 million. The company repaid long-term liabilities, mainly those resulting from current and investment activities in Thailand. Short-term liabilities increased by almost 56%, mainly due to the increase in the prices of delivered goods and services. In 2021, there was a decrease in assets, mainly due to a decrease in current assets. The receivables balance decreased significantly, with a considerable portion in the previous reporting period being advances for goods and services. The value of cash and cash equivalents in current assets also decreased. The company invested surplus cash generated in the previous period in the purchase of government bonds and corporate bonds. The increase in the value of fixed assets results from the purchase of land for existing factories in Thailand and investments related to the construction of another factory in this country. Another analysed year brought a decrease in the total value of assets. In the area of fixed assets, this was due to capital expenditures on a new production line and impairment losses on fixed assets. Among current assets, receivables decreased primarily due to a direct decline in sales revenue. The cash balance also decreased. Once again, the company decided to invest in securities—shares, investment certificates in closed-end funds, as well as government and corporate bonds. In 2022, the company's equity decreased due to a decrease in retained earnings. Positive changes include the decrease in short-term liabilities, mainly due to the decrease in public-law liabilities. Short-term liabilities for the supply of goods and services also decreased. This was mainly the result of price normalization.

Table 8. Selected Liquidity Ratios of Mercator Medical Group S.A.

Year/Indicator	**2018**	**2019**	**2020**	**2021**	**2022**
Current ratio	1,19	1,25	4,57	6,87	6,43
Quick ratio	0,59	0,67	3,70	5,14	8,29
Acid-test ratio	0,10	0,10	1,67	2,55	3,73

Source: Own analysis based on financial statements

Throughout the analysed period, liquidity ratios consistently increased. This was a result of the above-average profitability during the pandemic, and consequently, the shaping of the structure of current assets. As clearly indicated by the earlier presented analysis, during the examined period, the company had a significant amount of cash on hand. The accumulated cash was systematically invested in financial instruments.

Table 9. Selected Indicators of Indebtedness of Mercator Medical Group S.A.

Year/Indicator	2018	2019	2020	2021	2022
Overall indebtedness	0,66	0,65	0,19	0,11	0,07
Long-term indebtedness	0,67	0,74	0,01	0,01	0,01
Indebtedness of equity	1,94	1,88	0,24	0,13	0,07

Source: Own analysis based on financial statements

During the analysed period, the leverage ratios showed improvement. The most significant changes are observed in the years 2020-2021, during which the company generated above-average revenues and realized high profit margins. The long-term debt leverage ratio, at the time when the company achieved its highest profits, is close to 0. The company was capable of repaying long-term debt from the generated capital. All other indicators demonstrate the financial security of the company.

Table 10. Selected Profitability Ratios of Mercator Medical Group S.A. Financial Performance (%)

Year/Indicator	2018	2019	2020	2021	2022
ROE	5,64	-1,51	89,70	38,84	-18,90
ROA	1,92	-0,53	72,57	34,52	-17,62
ROS	1,72	-0,38	51,01	25,75	-0,35

Source: Own analysis based on financial statements

In 2019, all profitability ratios deteriorated. The company incurred a loss, which was the result of the accumulation of unfavourable factors such as currency exchange rate fluctuations, competition from gloves from China, or rising raw material prices. The following two years showed above-average profitability ratios. This was the result of significantly increased sales revenues, combined with above-average profit margins. At the end of 2022, all profitability ratios deteriorated. The company incurred a loss. Lower operating costs did not compensate for the decline in sales and lower profit margins. This was due to a decline in interest from customers in the products offered by the company, market saturation with the offered assortment, and normalization of product prices.

Table 11. Selected Operating Efficiency Ratios of Mercator Medical Group S.A.

Year/Indicator	2018	2019	2020	2021	2022

Asset turnover ratio	1,12	1,40	1,42	1,34	0,50
Inventory turnover ratio in days	84,41	60,40	41,19	48,68	135,00
Receivables turnover ratio in days	68,56	56,68	67,57	31,37	50,25
Liabilities turnover ratio in days	140,47	103,12	47,74	28,12	40,34

Source: Own analysis based on financial statements

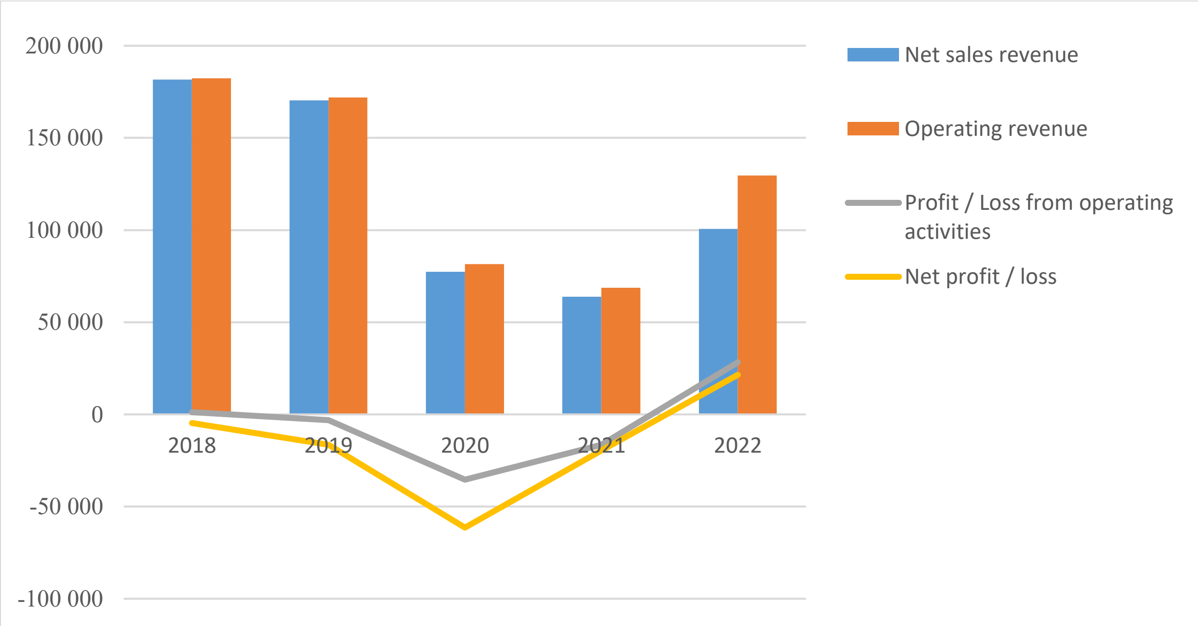
The increase in the asset turnover ratio in the first two analysed periods should be positively assessed. It directly results from the growth in sales revenue. In 2021, a slight decrease in the ratio was recorded, which was caused by a decline in sales revenue. In the first two periods, there was a decrease in the inventory turnover ratio, which is a positive phenomenon. In the subsequent periods, its increase is a result of rising product acquisition costs and a gradual decline in sales revenue. Similarly, the ratios of short-term receivables turnover shape up. The increase in the days of accounts receivable turnover in 2020 is directly related to the implemented trade policy, dictated by the market situation, and the associated use of a prepayment system. Increasing sales revenue allowed for a significant reduction in short-term liabilities. In 2022, there was a reversal of positive trends, which was a result of declining interest in the products offered by the company.

Table 12. Selected Financial Data of the Sfinks Polska S.A. Capital Group (in thousands of Polish złoty)

Year/Financial statement	2018	2019	2020	2021	2022
Net sales revenue	181 611	170 357	77 336	63 896	100 573
Operating revenue	182 345	171 997	81 523	68 708	129 539
Operating costs	181072	175188	116563	85 252	101 296
Profit / Loss from operating activities	1 273	-3 191	-35 040	-16 544	28 243
Financial income	446	1334	528	13254	6949
Financial costs	6381	16830	20612	16149	16593
Gross profit / loss	-4 662	-18 687	-55 124	-19 439	18 599
Net profit / loss	-4 682	-16 411	-61 420	-19 580	21 482

Source: Own analysis based on financial statements

Figure 2. Revenue and Financial Results of the Sfinks S.A. Capital Group in the years 2018-2022.



Source: Own analysis based on financial statements.

From the presented data, it is evident that the value of sales revenue systematically decreased during the analysed period. In the years 2018-2019, this was primarily due to the change in the group's business model, transforming owned restaurants into franchise restaurants. This results in transferring revenues and costs to franchisees. During this period, franchise sales revenue gradually increased. In 2019, the company ended the year with a loss exceeding PLN 16 million. In March 2020, a state of epidemic was declared in Poland, leading to the temporary ban on providing gastronomic services. As a consequence of the epidemic-related measures in Poland, sales revenue in the Sfinks Polska S.A. Capital Group fell by 55%. The year 2021 is another year in which the Sfinks Polska S.A. Capital Group recorded a decrease in sales revenue. Lower revenues in this period result from the continuation of the company's business profile change and the reduction in the size of the network due to the closure of some locations. The administrative ban on conducting business made operating these locations simply unprofitable. During the restrictions period, the company could only sell through online channels. In 2022, there was an increase in unit sales revenue. Due to the lifting of restrictions and the possibility of operating in physical locations, the company reopened restaurants, leading to an increase in revenue.

In the initial period of the analysis, the value of operating costs decreased. This was primarily the result of reducing marketing activities. One-time events adversely affected the amount of these costs – a provision was created for a potential contractual penalty. Due to the announcement of restrictions on the operation of the gastronomy industry, the company's management in 2020 took steps to reduce operating costs. General management costs were reduced by 30%. Unfortunately, the worsening conditions in the industry resulted in the need to make impairments due to the permanent loss of the value of assets. Impairment tests recognized a loss in the company's asset value amounting to PLN 30,188 thousand.

Additionally, due to the unfavourable exchange rate movements, the company recognized costs of negative exchange rate differences amounting to PLN 5,054 thousand, further worsening the unit's financial result. These events had an adverse impact on the company's financial result. In 2021, the company recorded an increase in general management costs, which resulted from higher marketing expenses and the end of temporary reductions for fixed contractors negotiated in 2020 due to the pandemic. A positive impact on the company's financial results in this period was the conclusion of an annex changing the repayment schedule of the loan. In 2022, the company's operating costs increased, which was a result of inflation leading to an increase in the cost of sales, especially the prices of raw materials and energy. At the time of preparing the report, these costs were not fully compensated by an increase in the prices of offered services. The financial result of the group was also influenced by the court's approval of the agreement in the second half of 2022 within the framework of simplified restructuring proceedings. Interest on obligations and ancillary costs of obligations to some creditors were cancelled. Additionally, some obligations were converted into shares of Sfinks Polska S.A. These operations were reflected in other operating and financial revenues or costs. Ultimately, the company reported a net financial result of PLN 21,482 thousand.

Table 13. Selected financial data of the Sfinks Polska S.A. Capital Group (in thousands of Polish zlotys).

Year/ Financial Data	2018	2019	2020	2021	2022
Total assets	142188	269456	158890	129552	120932
Fixed assets	111906	244216	141599	107770	100189
Current assets	30282	25240	17291	21782	20743
Inventory	2464	2584	1761	1509	1767
Receivables	15867	15109	13999	14108	14602
Other financial assets	285	162	45	247	675
Cash and cash equivalents	11666	7385	1486	5918	3699
Total liabilities	142188	269456	158890	129552	120932
Equity	2175	-18233	-79300	-99670	-72311
Long-term liabilities	33691	147232	111506	89199	151181
Short-term liabilities	106322	140457	126684	140023	42062
Total liabilities	140013	287689	238190	229222	193243

Source: Own analysis based on financial statements.

From the data presented in Table 13, it is evident that in the financial year 2019, the company recorded an increase in the total balance. However, this is directly attributable to the first-time application of IFRS 16. Long-term liabilities changed due to long-term lease agreements for gastronomic premises. The neutralization of the impact of IFRS 16 resulted in maintaining a high level of short-term liabilities, primarily caused by reclassifying the entire loan to short-term liabilities. This was due to the company's failure to comply with a loan agreement with the bank. The company's equity in 2019 reached negative values, a consequence of accumulated losses from previous accounting periods. Within the 12 months of 2020, the company experienced a significant decrease in the total balance, exceeding PLN 113 million. The main factors influencing these balance sheet data were the recognition of the impairment of the company's assets, as a result of adverse changes in business operations caused by the Covid-19 pandemic. The company recorded negative exchange rate differences from the valuation of lease agreements during this period. Liabilities in this period are characterized by a high balance of short-term obligations. The credit granted by BOŚ S.A. was included in the aforementioned short-term liabilities. This loan was covered by simplified restructuring proceedings. These facts had an unfavourable impact on the unit's operations, primarily in the form of financing its activities with a trade credit. The company's inability to settle obligations was a consequence of disruptions in economic activities caused by the Covid-19 pandemic. Once again, the company's equity decreased, reflecting the generation of a loss in the previous reporting period. The situation was similar in 2021. In 2022, the company recorded a decrease in the total balance. This was primarily due to a decrease in obligations following the approval of the arrangement. From the financial standpoint of the entity, changes in the structure of liabilities are also significant, such as reclassifying loans granted by BOŚ S.A. and subsidies from PFR to long-term liabilities, covered by the terms of the arrangement. Additionally, the repayment term of the loan granted by ARP S.A., received under the Act on granting public aid for the rescue or restructuring of entrepreneurs, was extended from 2022 to 2030. As a result of the arrangement coming into force, the value of short-term liabilities also decreased, mainly due to their partial write-off or conversion into the company's shares. Equity increased due to the generation of a positive result from operating activities in the 2022 financial year and the conversion of liabilities into company shares.

Table 14. Selected liquidity indicators of the Sfinks Polska S.A. Capital Group.

Year/Indicator	2018	2019	2020	2021	2022
Current ratio	0,28	0,18	0,14	0,16	2,38
Quick ratio	0,26	0,16	0,12	0,14	0,45
Cash ratio	0,11	0,05	0,01	0,03	0,09

Source: Own analysis based on financial statements.

Liquidity ratios in 2018 worsened compared to the previous year and remain at a low level, primarily due to the reclassification of liabilities from an investment loan at BOŚ S.A. to short-term liabilities. From 2019 to 2021, liquidity ratios are at a very low level. This indicates the company's difficulties in promptly settling liabilities, resulting mainly from constraints imposed by the Covid-19 pandemic and transactions related to Piwiarnia Warka (in 2017, the company acquired the rights to the largest pub network in Poland for a price of 12 million, payable over 6 years). Financial liquidity ratios in 2022 significantly improved, primarily as a result of the approval of the restructuring arrangement.

Table 15. Selected leverage ratios of the Sfinks Polska S.A. Capital Group.

Year /Indicator	2018	2019	2020	2021	2022
Overall indebtedness	0,98	1,07	1,50	1,77	1,60
Long-term indebtedness	15,49	-8,08	-1,41	-0,89	-2,09
Equity indebtedness	64,37	-15,78	-3,00	-2,30	-2,67

Source: Own analysis based on financial statements.

Indicators of indebtedness during the analysed period remain at a high level. This situation is caused not only by the pandemic but also by investments related to Piwiarnia and Fabryka Pizzy. In 2018, the company signed an annex to a loan agreement with a bank, which improved the company's liquidity. In 2019, these indicators further deteriorated. In the subsequent fiscal year, the indicators of indebtedness worsened again. This was influenced, among other things, by decisions regarding successive economic lockdowns due to the Covid-19 pandemic. In 2020, the company initiated a restructuring procedure, which covered debt incurred before November 1, 2020. Additionally, in that year, it received a loan from ARP S.A. The obtained loan, along with the finalization of the agreement, changed the structure of the company's obligations. In 2021, the indicators of indebtedness remained at a high level. In 2022, the company applied to ARP S.A. to extend the repayment term of the loan. The decision is favorable for the company; the repayment deadline has been postponed to 2030. Additionally, the arrangement proceeding was approved by the court. During the analysed period, drastic declines in sales revenues due to pandemic restrictions generated negative cash flows from the unit's core operations. This led to the necessity of financing operations from external funds, systematically increasing indebtedness. Despite the measures taken, including the restructuring procedure, indicators of indebtedness persist at a high level.

Table 16: Selected profitability ratios of the Sfinks Polska S.A. Capital Group (in %).

Year/Indicator	2018	2019	2020	2021	2022
ROE	-215,26	90,01	77,45	19,64	-29,71
ROA	-3,29	-6,09	-38,66	-15,11	17,76
ROS	-2,58	-9,63	-79,42	-30,64	21,36

Source: Own analysis based on financial statements.

Profitability ratios throughout the entire analysed period take on low values. Equity has negative values, and the company consistently incurs losses. Profitability ratios worsened in 2019. This was due to an increase in operating costs, including salaries, write-downs updating the value of assets, and receivables. In the subsequent reporting period, the company experienced a significant decline in sales revenues due to pandemic restrictions. Cost constraints could not compensate for the sales declines. Additionally, during this period, the company made write-downs due to the permanent impairment of the value of assets, receivables, and intangible assets. Exchange rate fluctuations and the weakening of the Polish zloty resulted in the company recognizing negative exchange rate differences in the financial statements. Despite the fact that sales revenues continued to decline in the next analysed period, profitability ratios improved. The company recorded an improvement in the financial result from sales and operating activities. This was mainly due to lower write-downs for the permanent value of assets, most of which were written down in 2020. In the last analysed period, profitability ratios improved. This was primarily due to the unlocking of the economy and the restoration of business activities. One-time events, such as the approval of the arrangement, which led to the partial cancellation of obligations, also influenced the improvement in profitability ratios.

Table 17. Selected efficiency ratios of the Sfinks Polska S.A. Capital Group.

Year/Indicator	2018	2019	2020	2021	2022
Asset turnover ratio	1,28	0,63	0,49	0,49	0,83
Inventory turnover ratio in days	4,95	5,54	8,31	8,62	6,41
Receivables turnover ratio in days	31,89	32,37	66,07	80,59	52,99
Liabilities turnover ratio in days	213,68	300,94	597,91	799,87	152,65

Source: Own analysis based on financial statements.

Throughout the entire analysed period, efficiency ratios did not assume favourable values. The lengthening of inventory turnover and receivables turnover ratios indicates that cash is tied up longer in these assets. The company dramatically financed its operations with liabilities. The improvement in ratios in the last year of the analysis is directly attributable to actions aimed at improving financial liquidity and debt, as described in the earlier sections.

Russia's aggression against Ukraine has no direct impact on the operational activities of the group. However, the company emphasizes that macroeconomic indicators such as GDP, inflation, and the weakening of the Polish zloty have deteriorated. These factors have a direct impact on the group's operations. Additionally, a change in consumer trends has been observed due to a decrease in purchasing power. Another factor directly affecting the group's operations is the increase in raw material prices, including gas. Prices of products used in the restaurant have also reached high levels. Export restrictions due to sanctions imposed on Russia and the situation in Ukraine may adversely affect the group's operations.

The history of the Monnari Trade S.A. Capital Group dates back to the year 2000. It engages in the sale of clothing in specialized stores, targeting women over 30 years old. The company focuses on creating its own comprehensive collections, which it sells through its own network of brand stores and an online store. The women's clothing collections include a range of items such as blouses, sweaters, jackets, coats, skirts, pants, blazers, and accessories. The capital group consists of over 300 companies providing services in sales and distribution support, supply, design, logistics, human resource management, personnel services, and financial accounting. Subsidiaries also include companies engaged in leasing commercial space where sales salons are located and property management. The company does not have its own production facility, and all sewing services are outsourced to external companies in Poland, China, and other countries.

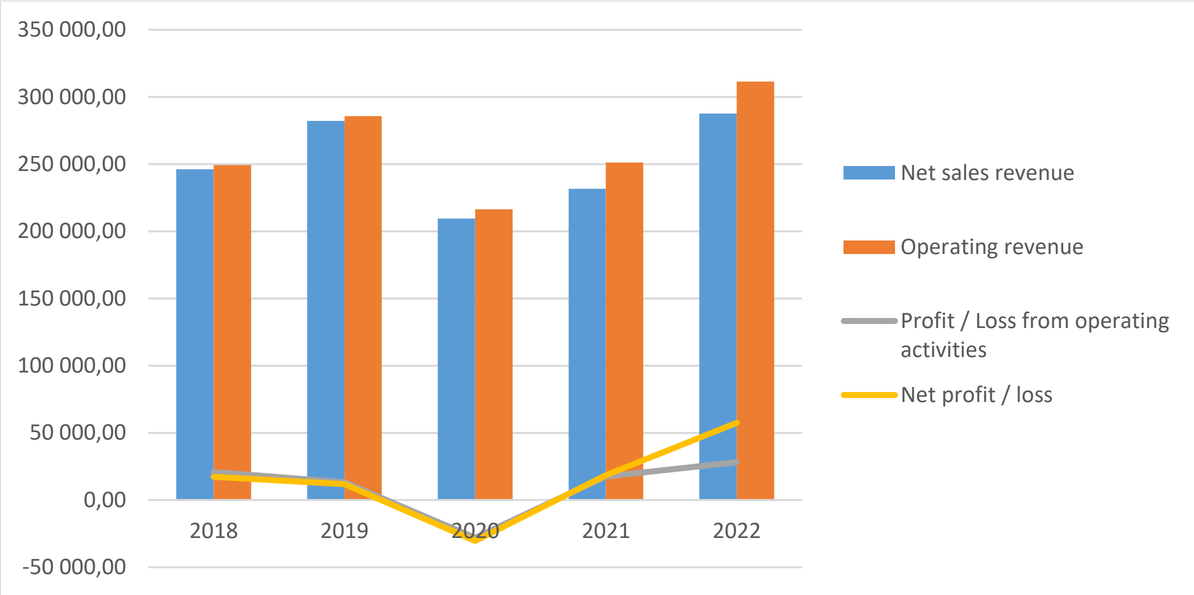
Table 18 Selected Financial Data of Monnari Trade S.A. Capital Group (in thousands of Polish złoty).

Year/ Financial data	2018	2019	2020	2021	2022
Net sales revenue	246 274	282 201	209 408	231 600	287 730
Operating revenue	249 310	285 825	216 465	251 152	311 362
Operating costs	228 486	272 573	244 594	233 527	283 228
Profit/ Loss from operating activities	20824	13 252	28 129	17 625	28 134
Financial revenue	16 206	2 112	1 094	4 818	45 050
Financial costs	421	1 163	3 762	2 859	6 009
Gross profit/ loss	36 609	14 201	-30 797	19 584	67 175
Net profit/ loss	17 365	11 761	-30 439	18 480	57 443

Source: Own elaboration based on financial statements.

In 2019, the company recorded a growth in sales revenue of 15%. During the same reporting period, general administration costs and selling costs increased by nearly 19%. The main cost factors were salaries and leasing costs in shopping centres. Factors influencing revenue during this period included: Sunday trading restrictions, competition, and price pressure. For the 2019 financial year, the company reported a profit of PLN 17,365 thousand. In 2020, the company's revenues significantly declined. The main reason for the 25% drop in revenue was the Covid-19 pandemic and its particularly burdensome effects on trade and service industries. During this period, macroeconomic indicators, including a decrease in GDP, played a significant role, attributed to a decline in household demand due to a decrease in the growth dynamics of household incomes and a drop in clothing and footwear prices.

Figure 3: Revenues and financial results of Monnari Trade S.A. Capital Group in the years 2018-2022.



Source: Own elaboration based on financial statements.

This doesn't change the fact that despite numerous negative macroeconomic factors, the administrative closure of shopping centres, where the group has its sales salons, had the greatest negative impact on the group's operations during this period. In the following financial year, the pandemic continued to adversely affect the results; however, the shift in sales to the e-commerce channel and the expansion of franchises (salons mainly located on shopping streets rather than in shopping centres) significantly improved the group's performance. In the last analysed period, sales revenues in the group increased. However, it should be noted that the footfall in shopping malls did not return to pre-pandemic levels.

In the initial period of the analysis, the company experienced an increase in sales and general administration costs, with the largest items being salaries, social security contributions, and other benefits, as well as leasing costs in shopping centres. During the analysed period, the number of employees increased. It is also worth noting that the group's results are significantly burdened by the negative results of one of the developing dependent companies. Due to trade restrictions and the inability to conduct economic activities, the company's management tried to reduce costs. This primarily affected salaries due to reduced working hours, reduced salon rental costs, delivery-related costs, and central office costs. Unfortunately, despite these measures, the group ended the year with a loss at the sales level. The result from operating activities only deepened the loss, primarily due to administrative restrictions related to the Covid-19 pandemic. The cost-cutting measures undertaken by the group did not compensate for the decline in revenues.

In the following financial year, compared to the previous period, the group saw a revenue increase of 11%. The group continued to try to limit costs, especially in the areas of salaries (due to a decrease in the number of employees), maintaining a cost-cutting regime for deliveries, and limiting costs related to leasing in shopping centres. In 2022, the group recorded an increase in costs, mainly due to the minimum wage increase, the expansion of the sales network by 33 salons, and the increase in the dollar exchange rate against the Polish zloty. In 2022, the company generated a profit, but this result was influenced not only by the slow recovery of revenues but also by one-time events, such as the sale of shares in perpetual usufruct by a subsidiary and the partial cancellation of subsidies from the Polish Development Fund.

Table 19. Selected financial data of Monnari Trade S.A. Capital Group (in thousands of Polish złoty).

Year/Financial data	2018	2019	2020	2021	2022
Total assets	262 900	307 707	309 762	336 116	354 967
Fixed assets	126 765	178 817	193 247	152 352	149 676
Current assets	136 135	128 890	116 515	183 764	205 291
Inventory	69 551	82 858	56 262	62 900	87 202
Receivables	25 014	28 958	33 339	23 199	19 357
Other assets	1 300	3 431	701	22 874	35 849
Cash and cash equivalents	40 270	13 643	26 213	74 791	62 883
Total liabilities	262 900	307 707	309 762	336 116	354 967
Equity	216 068	222 926	188 881	209 354	266 521
Long-term liabilities	2 811	28 657	50 694	20 706	20 867
Short-term liabilities	44 021	56 124	70 187	106 056	67 579
Total liabilities	46 832	84 781	120 881	126 762	88 446

Source: Own elaboration based on financial statements.

At the end of 2019, the group's balance sheet total increased. This was mainly due to the commissioning of a newly built central warehouse, storage hall, and the implementation of IFRS 16 regulations. The structure of current assets also changed, including an increase in inventories resulting from better stocking of collections and a significant decrease in short-term investments due to expenditures on investment properties, investments in new warehouse halls, and the acquisition of another clothing brand. In 2019, the group recorded an increase in equity, had no long-term debt from loans and borrowings, while short-term liabilities increased. In the following reporting year, the value of the balance sheet total increased, primarily associated with the growth of fixed assets – including the increase in the value of investment properties and the establishment of additional lease agreements for warehouse space. Current assets significantly decreased, mainly due to a reduction in inventories. During the Covid-19 pandemic, the group intentionally conducted a sales campaign to avoid freezing working capital in inventories. Additionally, the company deliberately pursued a cautious policy regarding orders. The value of equity decreased, reflecting the generated loss. Moreover, the company took out long-term loans this year, which was reflected in the deterioration of the company's debt ratios. In 2021, there was a decrease in the balance sheet total, mainly due to a decrease in assets under operating lease agreements – a decrease in the value of agreements with fixed rent. The value of current assets increased significantly – mainly short-term investments due to a received advance payment and the signing of a contract for the sale of real estate. The value of the company's equity increased due to an increase in retained earnings, while long-term debt decreased due to its repayment. Unfortunately, the debt level remained at a similar level, as short-term debt increased mainly due to an increase in debt from the purchase of goods and services. In 2022, an increase in the balance sheet total was recorded, primarily resulting from the growth of current assets associated mainly with the development of the sales network and an increase in inventories. The position of short-term investments significantly decreased which was the result of investing free funds in bonds. As a result of generating profits, the company's equity increased. The company repaid long-term liabilities, but once again, short-term liabilities from the purchase of goods and services increased.

Table 20. Selected liquidity ratios of Monnari Trade S.A. Capital Group.

Year / Ratio	2018	2019	2020	2021	2022
Current ratio	3,09	2,30	1,66	1,73	2,21
Quick ratio	1,51	0,82	0,86	1,14	1,75
Acid-test ratio	0,91	0,24	0,37	0,59	0,93

Source: Own elaboration based on financial statements.

In 2018, the company operated at a stable level. The indicators suggested that the group should have no difficulty meeting its obligations. Importantly, during this period, the company did not use loans and borrowings. The group's situation in 2019 remained stable, with obligations being settled based on funds generated from the company's operations. After the government-imposed ban on activities in shopping centres, Monnari Trade S.A. began negotiations with banks to activate credit lines and discussions with the Polish Development Fund to obtain additional financing. Additionally, companies within the capital group received support from the Social Insurance Institution and the Guaranteed Employee Benefits Fund. Part of the granted loans was forgiven. All the measures taken aimed at stabilizing cash flows, even though for a period of over 60 days, the group was effectively deprived of revenues from its core business. In 2021, the group had sufficient cash inflows to efficiently settle its obligations. In 2022, Monnari Trade S.A. received a preferential loan, 75% of which was forgiven. Analysing the liquidity of the group, it can be concluded that despite the problems caused by the pandemic, the group maintained a level of financial liquidity allowing for the current settlement of obligations. This was undoubtedly the result of efficient and thoughtful actions related to current financial management in times of crisis and the skilful use of financial assistance offered under successive anti-crisis shields.

Table 21: Selected leverage ratios of Monnari Trade S.A. Capital Group.

Year / Ratio	2018	2019	2020	2021	2022
Total debt ratio	0,18	0,28	0,39	0,38	0,25
Long-term debt ratio	0,01	0,13	0,27	0,10	0,08
Equity ratio	0,22	0,38	0,64	0,61	0,33

Source: Own elaboration based on financial statements.

Leverage ratios are at a very good level. The company clearly finances its operations using equity capital. The company does not have long-term debt except for deferred income tax liabilities. In the following fiscal year, the group still did not have long-term debt, except as indicated in the previous year due to deferred income tax. In comparison to the previous year, the value of short-term debt increased significantly. However, this is directly related to the increase in inventory and better stocking of retail locations. The overall debt ratio increased, but this is mainly due to changes in the presentation of lease data following the implementation of IFRS 16. In the next fiscal year, leverage ratios deteriorated. This was primarily due to long-term loans taken by the company to stabilize its finances in the face of the development of the Covid-19 pandemic. In 2021, debt ratios were at a similar level, except for the long-term debt ratio, which decreased. This was due to the repayment of long-term obligations. Short-term debt increased, mainly due to the supply of goods and services. In 2022, debt ratios further improved. This was partly due to the forgiveness of 75% of the obligations arising from the granted preferential loan under the government assistance program for large companies.

Table 22: Selected profitability ratios of Monnari Trade S.A. Capital Group (%).

Year/Indicator	2018	2019	2020	2021	2022
ROE	8,04	5,28	-16,12	8,83	21,55
ROA	6,61	3,82	-9,83	5,50	16,18
ROS	7,05	4,17	-14,54	7,98	19,96

Source: Own elaboration based on financial statements.

The data presented in Table 23 indicates that throughout the entire analysis period, the company was profitable, except for the year 2020, when it incurred a loss. The initial period of analysis points to a stabilized situation for the company. Despite a slight decline in the unit's revenues from core operations in 2018, profitability from 2017 was maintained through negotiations with suppliers. In 2019, there was a decline in profitability across all analysed areas, primarily due to an increase in costs. In 2020, the group's operations proved unprofitable, and the company incurred a loss. This was a result of limitations on conducting business, during which the group's revenue dropped by over 25%. Cost constraints during this period were unable to offset the decline in revenue. The last two years of the analysis cover a period when drastic restrictions on the activities of the entities ended. The group generated significantly higher revenues (by almost 11%). At the same time, it continued to apply a cost regime. In 2022, the group managed to reduce costs by another 5%. Unfortunately, the company may face challenges in maintaining indicators in the coming years due to the fact that one-time events influenced the financial results.

Table 23: Selected operating efficiency ratios of Monnari Trade S.A. Capital Group.

Year/Indicator	2018	2019	2020	2021	2022
Asset turnover ratio	0,94	0,92	0,68	0,69	0,81
Inventory turnover ratio in days	103,08	107,17	98,07	99,13	110,62
Receivables turnover ratio in days	37,07	37,45	58,11	36,56	24,56
Liabilities turnover ratio in days	65,24	72,59	122,34	167,14	85,73

Source: Own elaboration based on financial statements.

Efficiency ratios indicate whether a company's assets are being utilized effectively. The higher these ratios, the better the asset utilization. From the analysed data, it is evident that these ratios deteriorated during the pandemic. The inventory turnover days ratio decreased (years 2020-2021), which would normally be a positive phenomenon under normal operating conditions. However, in this case, it was primarily due to decreasing inventory values. The company pursued a cautious policy related to stocking stores. Before the outbreak of the pandemic, receivables were collected by the company within about 40 days. In 2020—the worst period for the company during the pandemic—this cycle extended to nearly 60 days, only to shorten again. During the most severe restrictions, the payables cycle significantly extended. It is essential to note, however, that during this period, the company took out loans. The sharp improvement in the ratio in 2022 is the result, among other factors, of the partial write-off of liabilities from the granted preferential loan.

The war outbreak in Ukraine also impacted the group's operations, particularly in the context of deteriorating social sentiments. The increase in currency exchange rates, rising commodity prices, export and import restrictions, reduced investments, and labour market changes are also significant factors. Macroeconomic data from the domestic market is not optimistic—economic growth slowdown, inflation, and a decrease in the purchasing power of wages could adversely affect the entity's financial results.

5. Conclusion

Companies engaged in economic activities operate in specific conditions dictated by their environment. The recent years' history clearly illustrates how tangible the impact of this environment is on the functioning of entities. The Covid-19 pandemic and the war in Ukraine revealed the difficulties or opportunities faced by various industries. The outbreak of the pandemic resulted in the flourishing of Mercator Medical S.A.'s business, allowing the company to undertake new significant investments and expand its operations almost without external capital. However, the other two entities belonged to industries that struggled the most with the pandemic.

Sfinks S.A. grappled with a decline in sales revenue due to the temporary ban on activities, worsening financial results, and financial indicators. The pandemic, among other factors, led to difficulties in repaying previously obtained loans, ultimately necessitating the decision to undergo restructuring. The pandemic also prompted the company to make impairments due to the permanent loss of asset value, significantly impacting its financial results. According to the Authors' assessment, the company's problems were also influenced by pre-pandemic investments made in the gastronomy industry, exacerbating the crisis during the pandemic.

The last analysed entity is Monnari Trade S.A. During the pandemic, economic indicators deteriorated, but thanks to quick and efficient decisions by the Management, the group managed to maintain stability during the analysed period.

The results of the analysed companies were also affected by the outbreak of the war in Ukraine, which disrupted macroeconomic indicators, resulting in significantly higher costs for the companies. Primarily, raw material and energy prices, including gas prices, increased, affecting the cost of sales.

Additionally, changes in consumer behaviour negatively impacted the financial results of companies in the gastronomy and apparel industries. Interest in services and products in the gastronomy and apparel industries has not yet reached pre-pandemic levels. Meanwhile, in the medical industry, a decline in revenue is evident due to a decrease in Covid-19 cases.

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