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THE ECONOMIC AND FINANCIAL DIAGNOSIS OF BMW

DIAGNOSTICUL ECONOMICO-FINANCIAR AL COMPANIEI BMW

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Abstract: *BMW (Bayerische Motoren Werke AG) defines itself as one of the most renowned automobile and motorcycle manufacturing companies in the world, globally recognized for innovation, quality, and performance. Founded in 1916, BMW has succeeded in building a solid reputation in the automotive industry, enjoying a rich history and a constant commitment to excellence. BMW is considered one of the most valuable automotive brands in the world, with annual revenues of billions of euros and a global presence in over 140 countries. Its strong financial performance highlights the company's ability to adapt and innovate in a constantly evolving sector. The time horizon targeted for the study spans four consecutive financial years, covering the period before the pandemic (2019), during the pandemic (2020 and 2021), and after the pandemic (2022). In this context, an economic diagnosis will be carried out, based on a SWOT analysis, along with a financial diagnosis, based on financial indicators.*
Keywords: *economic diagnosis, financial diagnosis, SWOT analysis, financial indicators, BMW.*
JEL: *G30, G32, L62, M41.*

Introduction

The company's economic reality provides the informational support necessary for the financial diagnosis. This can be carried out, in its most comprehensive form, based on the SWOT analysis, which identifies favorable aspects for continuation, as well as unfavorable ones for improvement, in the context of a business. Financial information, primarily that derived from the financial reports, forms the main foundation of the financial diagnosis. The core of the financial diagnosis content is represented by financial indicators. These are key elements for managerial decisions that concern the company's evolution and future.

Basic content

The economic diagnosis is based on the SWOT analysis, which highlights the strengths and weaknesses related to internal factors of the organization, as well as the opportunities and threats related to external factors.

A brief SWOT analysis of the BMW Group is presented as follows:

Strengths	***Weaknesses***
➢ Strong brand and global recognition. ➢ Product diversification. ➢ Innovation and advanced technology. ➢ Solid financial performance. ➢ Global presence.	➢ High production costs. ➢ Dependence on the premium segment. ➢ Issues related to diesel emissions.
Opportunities	***Threats***
➢ Growth of the electric vehicle market. ➢ Innovations in autonomous driving. ➢ Expansion into emerging markets. ➢ Sustainability and environmental responsibility.	➢ Intense competition. ➢ Strict emission regulations. ➢ Global economic fluctuations. ➢ Shifts in consumer preferences.

Table no. 1: SWOT Analysis of the BMW Group

Year	2019	2020	2021	2022
ROA (Return on Assets)	**0,08**	**0,06**	**0,10**	**0,10**
Absolute deviation		-0,02	0,03	0,00
Relative deviation		79,14%	152,80%	103,87%
Growth/Decline rate		-20,86%	52,80%	3,87%
Average growth/decline rate				7,90%
ROE (Return on Equity)	**0,30**	**0,22**	**0,29**	**0,27**
Absolute deviation		-0,08	0,07	-0,02
Relative deviation		73,22%	132,55%	91,97%
Growth/Decline rate		-26,78%	32,55%	-8,03%
Average growth/decline rate				-3,72%
ROS (return on Sales)	**0,17**	**0,14**	**0,20**	**0,17**
Absolute deviation		-0,04	0,06	-0,03
Relative deviation		79,16%	144,05%	87,16%
Growth/Decline rate		-20,84%	44,05%	-12,84%
Average growth/decline rate				-0,20%
ROI (Return on Investment)	**0,27**	**0,21**	**0,33**	**0,33**
Absolute deviation		-0,06	0,11	0,00
Relative deviation		77,56%	154,05%	100,03%
Growth/Decline rate		-22,44%	54,05%	0,03%
Average growth/decline rate				6,12%

Source: author’s projection based on the available specialized literature

The financial diagnosis begins with profitability indicators, which express the ability of various elements associated with the financial position or performance to generate net profit:

Table no. 2: Profitability indicators for BMW for the time horizon 2019-2022

Year	2019	2020	2021	2022
Current Liquidity	**1,10**	**1,14**	**1,13**	**1,09**
Absolute deviation		0,04	-0,01	-0,03
Relative deviation		103,64%	99,13%	96,92%
Growth/Decline rate		3,64%	-0,87%	-3,08%
Average growth/decline rate				-0,14%
Quick Liquidity	**0,91**	**0,94**	**0,92**	**0,86**
Absolute deviation		0,02	-0,01	-0,07
Relative deviation		102,69%	98,61%	92,92%
Growth/Decline rate		2,69%	-1,39%	-7,08%
Average growth/decline rate				-2,01%
Immediate Liquidity	**0,22**	**0,26**	**0,29**	**0,26**
Absolute deviation		0,04	0,03	-0,02
Relative deviation		118,99%	110,08%	91,51%
Growth/Decline rate		18,99%	10,08%	-8,49%
Average growth/decline rate				6,23%
General Solvency	**1,36**	**1,40**	**1,49**	**1,59**
Absolute deviation		0,04	0,09	0,10
Relative deviation		102,97%	106,45%	106,72%
Growth/Decline rate		2,97%	6,45%	6,72%
Average growth/decline rate				5,36%

Source: author’s projection based on the available specialized literature

In terms of profitability indicators, the values are satisfactory and particularly well-balanced. The Return on Assets (ROA) consistently falls within the international optimal range of 0.05 - 0.15, indicating that the company’s assets are being used at optimal efficiency. The Return on Equity (ROE) exceeds the optimal benchmark of 0.15 - 0.20, reflecting a strong equity base within the company and signaling its openness to external financing through credit, as the annual interest rates of many such loans are lower than the ROE value. The Return on Sales (ROS), acting as a barometer of performance indicator dynamics, yields satisfactory values of around 0.15 - 0.20. Meanwhile, the Return on Investment (ROI), as a component of economic profitability (ROA), stands at an average value of approximately 0.30, illustrating very effective management of the company’s investment assets.

A slight decline can be observed in all four indicators during the pandemic year of 2020, followed by a swift recovery as early as 2021.

The study continues with the analysis of liquidity and solvency. These indicators reflect the company's ability to meet various types of debt using different types of owned assets.

Table no. 3: Liquidity and solvency indicators for BMW for the time horizon 2019-2022

Diagnosis	***Conclusions***	***Recommendations***
SWOT analysis	➢ BMW benefits from a strong and globally recognized brand, associated with luxury, performance, and innovation. ➢ Innovation and advanced technology remain constant priorities, with BMW being a leader in areas such as electric propulsion, autonomous driving, and digital connectivity. ➢ The growth of the electric vehicle market offers BMW the opportunity to expand its range of electrified products and enhance its competitiveness. ➢ Expansion into emerging markets, such as China and India, presents major growth opportunities.	➢ Reduction of production costs. ➢ Diversification of revenue sources. ➢ Addressing emission-related issues. ➢ Exploring new markets. ➢ Continuous innovation. ➢ Sustainability. ➢ Monitoring consumer trends.
Profitability indicators	➢ Balanced, satisfactory values across all profitability indicators, with a noticeable decline in 2020, followed by a very rapid recovery.	➢ The continuation of the investment, financing, sales, and operational policies, as they have proven, overall, to be highly effective and well-suited to the company.
Liquidity and solvency indicators	➢ Liquidity levels fall within the optimal ranges, with current and immediate liquidity showing lower values, while quick liquidity is relatively high, due to the generous payment terms granted to customers, which result in a considerable volume of trade receivables. ➢ Solvency is satisfactory and improving.	➢ Efforts to improve the tense relationship between "generous collection terms – tight payment deadlines" within the framework of trade credit. ➢ Careful management of indebtedness

Source: author's projection based on the available specialized literature

In terms of current liquidity, we observe values that tend toward the lower limit of the optimal range of 1.00 - 2.00. Nevertheless, the values fall within this interval throughout the entire analysis period. This indicates that current assets are sufficiently aligned with the maturity of current liabilities. While current liquidity tends toward the minimum of the optimal range, quick liquidity approaches the upper limit of its optimal range of 0.60 - 1.00. This can be explained by the relatively generous collection periods from customers, which generate a consistently high volume of trade receivables. Immediate liquidity, the most synthetic measure, once again trends toward the lower end of its optimal range of 0.20 - 0.60, highlighting an oversized volume of current liabilities in relation to the cash, bank accounts, and other cash equivalents held by the company. General solvency has been strengthening year over year, positioning itself in the range of 1.00 - 1.66, indicating a moderate and decreasing risk of insolvency. The pandemic context during the 2020–2021 period does not appear to have negatively impacted the company's liquidity or solvency indicators.

Conclusions. The undertaken approach concludes with the formulation of conclusions and recommendations:

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