

Financial Analysis of Two Automotive Companies



Click on the content you want to know more about.

MENU.
Click to return to this page.

**FUTURE
INVESTMENT**

**THE AUTOMOTIVE
FIXES EVERYTHING**

THE OTHER OPTION

CONTEXT

THE DECISION

REFERENCES

2-SP02-01-094

Publication date: October 4, 2024

Last review: October 4, 2024

FUTURE INVESTMENT

In the last week of 2024, Agustín is sitting in his office, in front of his computer, analyzing information, numbers, and financial graphics. Agustín is trying to develop a financial assessment about two investment options, in earnest, with professionalism, and responsibility. For his investment, he is considering \$11,100,000.00 pesos (MXN), an amount which is a considerable sum for Agustín, that he has managed to save with a lot of effort in the last few years.

The options that Agustín is considering for investment of the amount mentioned are two: in a company that is property of his brother or in the Volvo® company.

¹¹ MXN=0.0518 USD (X-RATES).

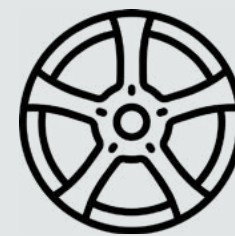
THE AUTOMOTIVE FIXES EVERYTHING

This company is owned by Roberto, Agustín's brother; it started operations five years ago and it is an automobile tire and spare parts distributor. In 2024, the company is growing, and it is expanding throughout the state of Nuevo León (México).

**The company has the following business segments
in the sale of automotive products:**



CAR TIRES



CAR ACCESORIES



MOTORCYCLE TIRES



**MOTORCYCLE
ACCESORIES**



BICYCLE TIRES

Images: Freepik and juicy_fish in Flaticon, 2024.

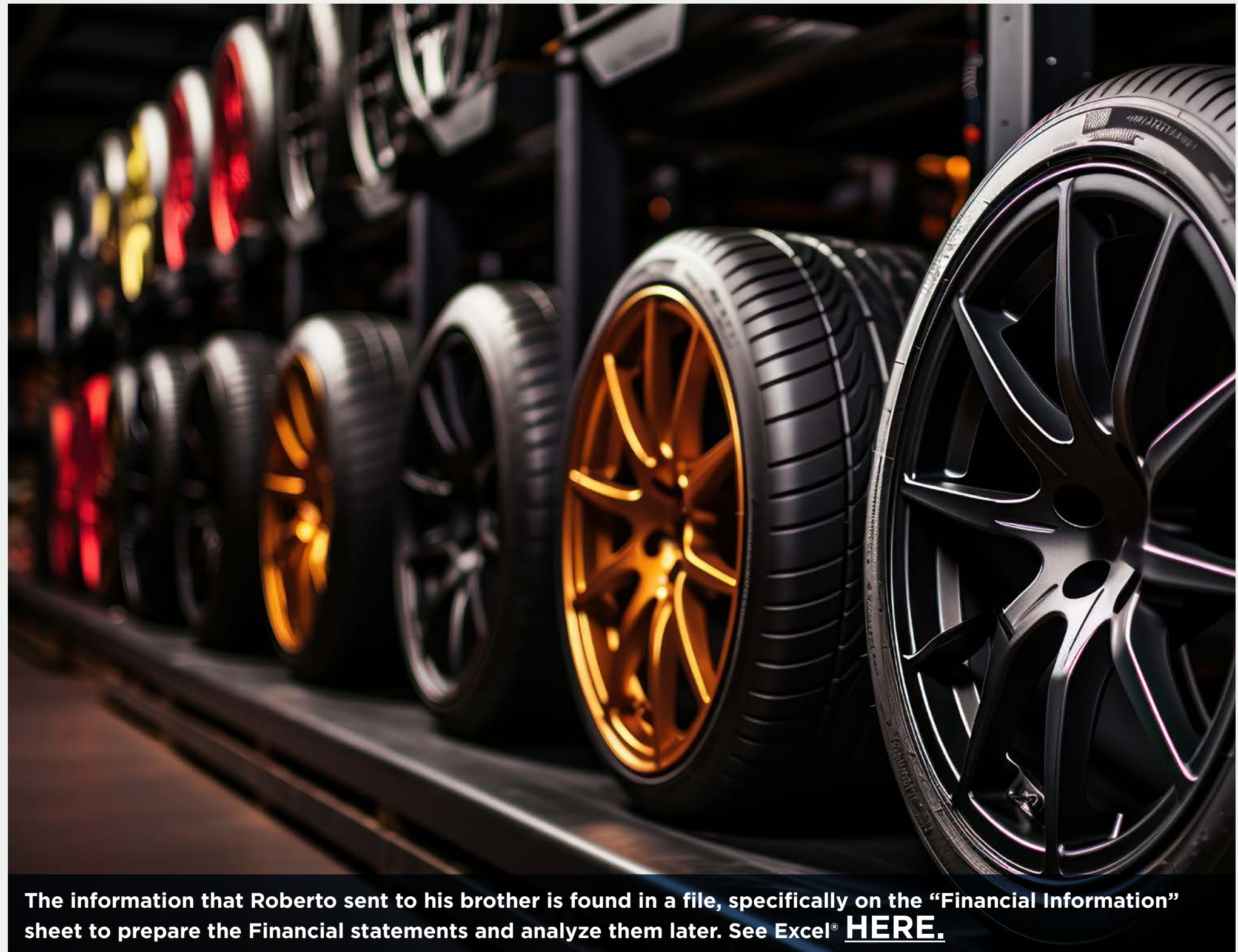


M
E
N
U

CIC



As Roberto feels that the business is going well, he offers Agustín the chance to become partner with 30% of the shares, and thus participate in the expansion towards new markets, both from Nuevo León as well as from neighboring states. In August 2024, Roberto tells Agustín: “Brother, if you invest in my company, you will be the company’s second partner and you will be investing on a familiar, safe alternative with a stable return; I will provide you with financial information for you to reach a decision”.



The information that Roberto sent to his brother is found in a file, specifically on the “Financial Information” sheet to prepare the Financial statements and analyze them later. See Excel® [HERE](#).

Image. Rorozoa in Freepik, 2024.



M
E
N
U

CIC



THE OTHER OPTION

Agustín's second investment option is the international financial markets, specifically a public company: Volvo®, listed in Nasdaq, Stockholm. Agustín is aware that the company is going through an interesting moment, with strong presence in the electric vehicles and sustainable mobility solutions market. Volvo's® Mission and Vision towards the future is attractive for Agustín and he is checking the financial information of the last few years to reach the decision.

The future investor is going through the [Volvo Group](#) website and he finds that this multinational company has information that is of the public domain, for instance:

Volvo® is an industrial vehicle producer company, including trucks, buses, and construction equipment. It was founded in 1927, in Gothenburg, Sweden.

- CEO: Martin Lundstedt (Oct.22, 2015 -)
- Founded: April 14, 1927, Gothenburg, Sweden
- Founders: SKF, Assar Gabrielsson, Gustav Larson

- Headquarters: Gothenburg, Sweden
- Number of employees: 91,265 (2024)
- Subsidiaries: Volvo Trucks, Volvo Construction Equipment, Volvo Penta, MORE
- Volvo's shares are mainly listed in the Nasdaq, Stockholm Stock Exchange (OMX Stockholm), under ticker VOLV A for A class shares, and VOLV B for B class shares (Volvo® Group, n/d).



Image. Freepik, 2024.

CONTEXT

On the other hand, Agustín also found on the Internet that [Volvo](#)[®] started listing their “VolvoCars” share on October 29, 2021, and that this share earned more than 10% in the Stockholm Stock Exchange (Nasdaq, Stockholm). According to the aforementioned article: “...this decision to list in the Stock Exchange supports initiatives like the electrification of all their production in 20230, as well as boosting the sales of their off-roads in China, their main market, and in the USA” (*El Economista*, 2021).

Agustín had heard that the Volvo[®] company was going to arrive in Nuevo León, so he looked up information on the internet, also regarding this topic; Agustín’s findings are the following:



Volvo anuncia inversión de 700 mdd
para construir nueva planta
en Ciénega de Flores



Nearshoring, es una oportunidad
para aprovechar y capitalizar



Reforma judicial no da certeza
jurídica a la inversión: empresas
de EU en México



Arribarán con Sheinbaum parques
industriales para el nearshoring

THE DECISION

Agustín feels he is facing a tough decision as both are excellent options and each generates benefits in different aspects. He thinks that he should take more factors into consideration, in parallel with his financial analysis of all the information he has collected.

As an example of his reflections, we find the one that refers to investing in Volvo's® shares. Additional to being an automotive company, it is a global company with influence on multiple sectors, which brings security in volatility times. On the other hand, he is also attracted by the opportunity of being a shareholder in his brother's company.

Agustín is aware that he cannot ignore the risks of both options, and what is most important, he is determined to complete the analysis to learn the financial situation of both companies. The latter, according to Agustín, should include different analyses, among others: profitability, operations, liquidity, and financial position. The investor intends to develop these analyses with the corresponding techniques.

Agustín is wondering: "Which is the most convenient investment option for me?"

REFERENCES

AFP. (21 de octubre de 2021). "Volvo debuta en bolsa y sus acciones aceleran más de 10%". El Economista: <https://www.eleconomista.com.mx/mercados/Volvo-Cars-debuta-en-bolsa-y-sus-acciones-aceleran-mas-de-10-20211029-0030.html>.

González, M. (23 de marzo de 2023). "Nearshoring, es una oportunidad para aprovechar y capitalizar". El Financiero: <https://www.elfinanciero.com.mx/monterey/2023/03/27/mireya-g-gonzalez-nearshoring-es-una-oportunidad-para-aprovechar-y-capitalizar/>.

Hernández, E. (22 de agosto de 2024). "Reforma judicial no da certeza jurídica a la inversión: empresas de EU en México". Forbes: <https://www.forbes.com.mx/reforma-judicial-no-da-certeza-juridica-a-la-inversion-empresas-de-eu-en-mexico/>.

Investing. (23 de agosto de 2024). "Volvo anuncia inversión de 700 mdd para construir nueva planta en Ciénega de Flores": <https://mx.investing.com/news/world-news/volvo-anuncia-inversion-de-700-mdd-para-construir-nueva-planta-en-cienega-de-flores-2881416>.

Navarrete, F. (15 de agosto de 2024). "Arribarán con Sheinbaum parques industriales para el nearshoring". El Financiero: <https://www.elfinanciero.com.mx/empresas/2024/08/15/arribaran-con-sheinbaum-parques-industriales-para-el-nearshoring/>.

Volvo Group. (s/f). "Shaping the world": <https://www.volvogroup.com/en/>.

X-rates. (19 de septiembre de 2024): "Exchange Rate Mexican Peso to Us Dollar": <https://www.x-rates.com/calculator/?from=MXN&to=USD&amount=1>.

