

SECTION A

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Financial analysis is the evaluation of a company's financial performance and financial condition. Key to such evaluation is the annual report, which is the communication between the management of the company and the owners. The annual report contains financial statements, from which information can be drawn about the company's assets, liabilities, equity, income, and cash flows, among other things (Booth et al. 2014).

The two organisations that will be analysed in this report are: William Hill PLC and Paddy Power Betfair PLC.

William Hill PLC is one of the world's leading gambling companies and one of the most recognisable names on the UK High street, having taken bets in licensed betting offices since 1966. Today they have 2,342 of the 8,500 shops in the market. They offer sports betting on football, horseracing and other sports as well as gaming on machines. Their customers have access to more than a million betting opportunities every week. This includes in-play and pre-match sports betting, and a wide range of gaming products. The UK is William Hill's primary market, generating 82% of Group net value in 2017 and they also generate revenues in other countries via williamhill.com (William Hill PLC annual report 2017).

Paddy Power Betfair PLC is one of the world's leading sports betting and gaming operators, formed from the 2016 merger of Paddy Power PLC and Betfair Group PLC. Today they operate four sports betting and gaming brands; Paddy Power, Betfair, Sportsbet and TVG. They are online-led, mobile-led and sports-led: and their proprietary technology, unique products and innovative marketing all combine to offer a superb experience to their customers. They employ over 7,000 people in sixteen locations across the globe; from Dublin to Los Angeles, and London to Melbourne. They operate over 600 betting shops in the UK and Ireland. They are the largest retail betting operator in Ireland and the fifth largest retail betting operator in the UK (Paddy Power Betfair annual report 2017).

The key ratios in determining the performance of a firm include: Profitability, Efficiency, Liquidity, Investment and Financial Structure.

Investment ratios are: Earnings per share, Dividend per share, Dividend cover and Gearing ratio. Liquidity ratios are Current ratio and Acid test (Quick) ratio.

Profitability ratios include Operating profit margin, Gross profit margin, Return on Equity and Return on Capital Employed.