
Financial analysis as a strategic lever for managing company performance: a case study

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Abstract:

This article aims to present the essential concepts and significance of financial analysis through a literature review and a case study of an Algerian company, examining financial data from 2021 to 2023. The study applies both functional and financial equilibrium indicators, as well as financial ratios, to evaluate the company's financial health and operational performance. It provides a detailed assessment of liquidity, financing structure, and efficiency, offering a clear understanding of the company's strengths and weaknesses over the three-year period.

The findings highlight the strategic role of financial analysis as a key lever for managing corporate balance and improving overall performance. By examining financial indicators, the study shows how profitability, stability, and resource allocation can be optimized to support informed decision-making. Ultimately, the research confirms that financial analysis is not only a diagnostic tool but also a strategic instrument for guiding sustainable growth and ensuring long-term financial stability.

Keywords: financial analysis; performance; equilibrium; strategic lever.

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1. Introduction :

Financial analysis represents a fundamental tool for understanding a company's financial health, performance, and strategic positioning. In an increasingly competitive and uncertain economic environment, the ability to interpret financial data effectively has become indispensable for managers, investors, and policymakers. Through systematic evaluation of financial statements, financial analysis helps assess profitability, solvency, liquidity, and overall financial equilibrium key dimensions for ensuring business sustainability and growth.

However, despite its strategic importance, many firms still face challenges in applying financial analysis as a decision-making instrument rather than a mere compliance exercise. This raises a central research question: How can financial analysis serve as a strategic lever for managing both financial equilibrium and performance within companies?

Based on the objectives of this study, the following hypotheses are proposed:

-Hypothesis 01: Company X's financial performance and profitability improve over the period 2021–2023, reflecting effective operational and financial management.

-Hypothesis 02: The structure of financing, including the balance between equity and debt, has a direct impact on the company's liquidity and solvency, thereby influencing its overall financial stability.

To address this problem, the present study formulates the following assumption: a well-structured financial analysis, based on the combined use of functional and financial equilibrium indicators along with financial ratio methods, enables a more accurate assessment of a company's financial performance and supports strategic decision-making.

Accordingly, this study aims to:

1. Present the fundamental concepts and significance of financial analysis through a comprehensive literature review;
2. Apply these concepts to a practical case involving an Algerian company;
3. Analyze and interpret the company's financial data for the years 2021, 2022, and 2023, focusing on both equilibrium and profitability;
4. Highlight the strategic role of financial analysis as a management tool for maintaining financial stability and enhancing performance.

To achieve these objectives, the research adopts a descriptive and analytical methodology, combining theoretical exploration of existing literature with an empirical case study. The case study applies financial analysis tools to real-world financial statements, thereby illustrating how functional and financial equilibrium indicators, together with ratio analysis, contribute to diagnosing the company's financial condition and guiding managerial decisions.

The study adopts a descriptive and analytical approach combining literature review and empirical analysis. The empirical component is based on secondary financial data extracted from company X's audited balance sheet and income statements for the fiscal years 2021-2023. Financial equilibrium indicators and ratio analyses were computed using Excel spreadsheet. While the case study approach provides in-depth insight into one company's financial dynamic, it limits generalization to other sectors.

2. Fundamental Concepts of Financial Analysis and performance:

2.1 Financial analysis:

Financial analysis refers to the analysis of activities related to all operations carried out by the company, which appear through its main financial statements and related clarifications, as well as financial ratios for performance evaluation, in order to assist in making planning and investment decisions. (Wainganker, 2022).

For example, the relationship between revenues and expenses, the relationship between fixed assets and long-term liabilities, as well as the relationship between current assets and current liabilities, then interpret the results, identify strengths and weaknesses in planning and financial policy, and find the necessary solutions by evaluating the control systems used. (SHOBHIT, 2025).

Financial analysis is defined as the systematic study using accounting and financial tools, methods, and information of the bank, in order to give an estimate about the past, current and future risks resulting from the financial position and performance. (Team, 2023). It is also known as a method of reviewing the finance-related activities of banks and corporations to assess their performance and suitability. Financial analysis is used to see if the organization is stable, unstable, or in a competitive state (cleartax, 2023)

Financial analysis is the primary component of financial planning, which assesses current financial health through the examination of assets, liabilities, income, and expenditures. This analysis involves the creation of financial statements such as balance sheet, income statement, and cash flow statement, which provide a snapshot of the financial condition at a given point in time. These documents help planners identify strengths, weaknesses, and potential areas for improvement (TM, 2024). Financial analysis consists of studying the financial situation of the company to highlight its strengths or weaknesses. On the other hand, it consists of assessing the profitability and solvency of the company as well as understanding the past, diagnosing the present and trying to predict the future. It is defined as a set of techniques and methods aimed at interpreting the reality of a company by focusing on the exploitation of accounting documents, economic and financial information relating to the sector of activity of the company. The choice of a financial structure amounts to making a choice between debt and equity. (Lwandu, 2010)

Analysis of financial statements focuses primarily on data provided in the company's annual reports which contained the financial statement and other supplementary information. They use it as a tool and techniques on current financial

data to evaluate performance and estimate future risks. Financial statement analysis and interpretation is a vital instrument for good management decision making in business (Olayinka, 2022).

From these definition, it appears that financial analysis serves not only as a diagnostic tool but also as a strategic decision-making instrument that supports financial equilibrium and performance improvement. This dual role justifies its relevance as a lever for strategic management, which is precisely the focus of this study.

Financial analysis tools include the balance sheet and income statement. The balance sheet is a statement containing assets, liabilities and capital of business at some specific point of time. it is prepared from source of trial balance and other information. the aim of balance sheet is to find out the financial position of business on a particular point of time. (Rao, 2022) .It provides a representation of company's financial situation, divided into two main categories: assets and liabilities and each part contains amounts and sums which, once totaled, must always be equal between assets and liabilities. However the three primary financial statement are the income statement, the balance sheet and statement of cash flows. we need all three statements to properly understand and evaluate financial performance. the financial statement provides only limited insight into a company's performance and must be combined with key financial ratio and ultimately an understanding of the company's market, competitive position, and strategy before evaluating a company's current performance and value. (Alexander, 2018)

2.2 Performance:

A general etymological and semantic analysis of the word performance - (Bourguignon, 1995) has shown that, in the field of management, the term performance refers to multiple meanings that revolve around the three primary senses below: 1)- **Performance as success**: Performance does not exist in itself; it depends on representations of success, which vary from one company to another and among different actors. Thus, performance can be broader than productivity, which describes only its economic dimension. 2)- **Performance as the result of action**: Unlike the previous sense, this one does not carry any value judgment. The measurement of performance is understood as the ex-post evaluation of the results achieved (Henri, 1896) . 3)- **Performance as action**: In this sense less common in French than in English performance is viewed as a process and "not as a result that appears at a specific point in time." (Baird, 1986).

From this definition, it can be inferred that performance is a subjective concept, dependent on a reference point, namely the objective (or goal); moreover, it is multidimensional, since goals are multiple; and finally, it corresponds either to the process or to the result of the action (SABIR, 2024).

3. The case study :

In the following, we will calculate the functional equilibrium indicators and the financial equilibrium indicators, as well as conduct an analysis using the ratio method.

3.1 The functional equilibrium Indicators:

The functional equilibrium indicators that we will calculate are: Net Working Capital (NWC), Working Capital Requirement (WCR), and Net Treasury (NT) or Net Cash (NC)

Calculation of Net Working Capital (NWC):

- We calculate the Net Working Capital (NWC) from the top of the balance sheet:

$$\text{NWC} = \text{Long-term resources} - \text{Fixed assets}$$

Table N°01: Calculation of Net Working Capital (NWC) from the top of the balance sheet DZD

Designation	2021	2022	2023
Long term resources	77 639 264 526	76 955 620 023	81 450 423 199
Fixed Assets	61564734654	61 126 263 835	66 042 850 590
NWC	16 074 529 872	15 829 356 188	15 407 572 609

Source: Developed by us from the summarized balance sheets for the years 2021, 2022, and 2023.

- Calculation of Net Working Capital (NWC) from the bottom of the balance sheet:

$$\text{NWC} = \text{Current assets} - \text{Current liabilities}$$

Table N°02: Calculation of Net Working Capital (NWC) from the bottom of the balance sheet DZD

Designation	2021	2022	2023
Current assets	38 451 939 936	44 174 951 397	40 340 540 439
Current liabilities	22 377 410 061	28 345 595 206	24 932 967 827
NWC	16 074 529 875	15 829 356 191	15 407 572 612

Source: Developed by us from the summarized balance sheets for the years 2021, 2022, and 2023.

Interpretation and commentary:

As indicated in the two previous tables, the Net Working Capital (NWC) is positive during the three years 2021, 2022, and 2023. This means that long-term resources exceed fixed assets. We can therefore conclude that long-term resources fully finance fixed assets and generate a surplus that is used to finance operating assets (current assets). According to our analysis, when the Net Working Capital (NWC) is positive, it indicates that company X is in good financial health.

Calculation of Working Capital Requirement (WCR):

$$\text{WCR} = (\text{ACE} + \text{ACHE}) - (\text{DE} + \text{DHE}) \quad \text{Where:}$$

ACE = Current assets related to operations / ACHE = Other current assets outside operations

DE = Current liabilities related to operations / DHE = Other current liabilities outside operations

Table N°03 : Calculation of Working Capital Requirement WCR DZD

Designation	2021	2022	2023
ACE+ACHE	36 457 281 634	42 706 264 425	37 314 938 398
DE+DHE	14 917 887 155	15 487 230 578	14 112 980 261
WCR	21 539 394 479	27 219 033 847	23 201 958 137

Source: Developed by us from the summarized balance sheets for the years 2021, 2022, and 2023.

Operating Working Capital Requirement (OWCR):

$OWCR = \text{Operating Current Assets (OCA)} - \text{Operating Current Liabilities (OCL)}$

Table N°04 : Calculation of Operating Working Capital Requirement (OWCR) DZD

Designation	2021	2022	2023
OCA	26941560419	32377010837	28 956 582 170
OCL	11 994 344 775	12627311184	11 350 007 851
OWCR	14 947 215 644	19 749 699 653	17 606 574 319

Source: Developed by us from the summarized balance sheets for the years 2021, 2022, and 2023.

-Non-Operating Working Capital Requirement (NOWCR):

$NOWCR = \text{Non-Operating Current Assets (NOCA)} - \text{Non-Operating Liabilities (NOL)}$

Table N°05 : Calculation of Non-Operating Working Capital Requirement (NOWCR) DZD

Designation	2021	2022	2023
NOCA	9515721215	10329253588	8 358 356 228
NOL	2 923 542 380	2 859 919 394	2 762 972 410
NOWCR	6 592 178 835	7 469 334 194	5 595 383 818

Source: Developed by us from the summarized balance sheets for the years 2021, 2022, and 2023.

Interpretation and commentary:

After calculating the Working Capital Requirement (WCR) for the three years, we notice that the WCR is positive for 2021, 2022, and 2023, respectively, indicating a short-term financing need. This means that the company's operations show a financing requirement each year, implying that operating needs exceed operating resources.

Calculation of Net Cash (NC): $NC = \text{Net Working Capital (NWC)} - \text{Working Capital Requirement (WCR)}$.

We can calculate Net Cash (NC) using two methods: $NC = \text{Cash Assets} - \text{Cash Liabilities}$

$(TN = \text{Trésorerie active (TA)} - \text{Trésorerie passive (TP)})$

Table N°06 : Calculation of Net Cash (NC) DZD

Désignation	2021	2022	2023
TA	1 994 658 300	1 468 686 970	3 025 602 038
TP	7 459 522 906	12 858 364 628	10 819 987 566
TN	-5 464 864 606	-11 389 677 658	-7 794 385 528

Source: Developed by us from the summarized balance sheets for the years 2021, 2022, and 2023.

Interpretation and commentary:

The net cash, which remained negative over the three financial years, reflects an unbalanced financial situation characterized by the company's inability to cover its short-term debts with available cash. The unfavorable change observed between the first and second years indicates increased cash flow pressures. Despite a slight improvement in the third year, the balance remains negative, revealing the persistence of short-term financing difficulties.

3.2 The financial equilibrium Indicators:

The financial equilibrium indicators that we will calculate are: Financial Working Capital (FWC), Own Working Capital (PWC), and Foreign Working Capital (FWC) .

- Calculation of the Financial Working Capital (FWC):

we try to calculate the FWC from the top of the balance sheet: $FWC = \text{Permanent Capital} - \text{Fixed Assets}$

Table N°07: Calculation of Financial Working Capital from the Top of the Balance Sheet DZD

Désignation	2021	2022	2023
Permanent Capital	61 804 649 681	58 649 599 504	59 618 198 193
Fixed Assets	45 825 092 841	42 833 710 033	45 259 025 356
FWC	15 979 556 840	15 815 889 471	14 359 172 837

Source: Developed by us from the summarized balance sheets for the years 2021, 2022, and 2023.

Calculation of the Financial Working Capital (FWC) from the Bottom of the Balance Sheet:

$FWC = \text{Current Assets} - \text{Short-Term Debts (STD)}$

Table N° 08: Calculation of Financial Working Capital from the Bottom of the Balance Sheet DZD

Désignation	2021	2022	2023
Current Assets	37 729 894 506	43 549 539 423	38 976 802 551
Short-Term Debts	21 750 337 664	27 733 649 952	24 617 629 714
FWC	15 979 556 842	15 815 889 471	14 359 172 837

Source: Developed by us from the summarized balance sheets for the years 2021, 2022, and 2023.

Interpretation and commentary:

After calculating the Financial Working Capital (FWC) for the three years, we notice that the FWC amounts are positive throughout this period. This means that company X has a financial safety margin, enabling it to cover its short-term obligations with liquid or quickly realizable assets. This is a sign of financial stability.

Calculation of Own Working Capital (OWC): $OWC = \text{Equity} - \text{Fixed Assets}$

Table N°09: Calculation of Own Working Capital (OWC) DZD

Désignation	2021	2022	2023
Equity	42 177 091 815	42 813 468 484	45 012 598 541
Fixed Assets	45 825 092 841	42 833 710 033	45 259 025 356
OWC	-3 648 001 026	-20 241 549	-246 426 815

Source: Developed by us from the summarized balance sheets for the years 2021, 2022, and 2023.

Interpretation and commentary:

After calculating the Own Working Capital (OWC) from the top of the balance sheet for the three years, we observe that the OWC amounts are negative. This indicates that company X is in a state of financial imbalance, as its equity is insufficient to cover its fixed investments.

- Calculation of the Foreign Working Capital (ForWC):

$\text{ForWC} = \text{Medium- and Long-Term Debts (MLTD)} + \text{Short-Term Debts (STD)}$

Table N°10 : Calculation of the Foreign Working Capital (ForWC)

DZD

Désignation	2021	2022	2023
MLTD	19 627 557 866	15 836 131 020	14 605 599 652
STD	21 750 337 664	27 733 649 952	24 617 629 714
ForWC	41 377 895 530	43 569 780 972	39 223 229 366

Source: Developed by us from the summarized balance sheets for the years 2021, 2022, and 2023.

Interpretation and commentary:

The Foreign Working Capital (ForWC) is positive over the three years. This indicates that the company is able to generate sufficient income from its main activities to cover its operating expenses and potentially achieve additional profits.

3.3 Analysis by using the Ratio method:

In the following, we will calculate the following ratios: Liquidity and solvency ratios and Financial structure ratios.

- Calculation of Liquidity and solvency ratios:

3.3.1 - Calculation of Liquidity ratios:

Calculation of General Liquidity Ratio: General Liquidity Ratio (GLR) = Current Assets / Short-Term Debts (STD)

Table N°11 : Calculation of the General Liquidity Ratio

DZD

Désignation	2021	2022	2023
Current Assets	37 729 894 506	43 549 539 423	38 976 802 551
STD	21 750 337 664	27 733 649 952	24 617 629 714
GLR Ratio	1,73	1,57	1,58

Source: Developed by us from the summarized balance sheets for the years 2021, 2022, and 2023.

Interpretation:

After calculating the general liquidity ratios for the three years, we observe that they are all greater than 1. This observation over a three-year period is encouraging and highlights the company's financial strength. It suggests that the company has a solid liquidity base to meet its short-term obligations.

A general liquidity ratio greater than 1 indicates that the company has sufficient liquid assets to cover its current liabilities, reflecting prudent and efficient financial management. This provides the company with flexibility to meet its financial commitments without jeopardizing daily operations.

This ratio demonstrates that financial analysis helps assess the company's ability to meet its immediate obligations without resorting to external financing.

- Quick Ratio (Restricted Liquidity Ratio): Restricted Liquidity Ratio = (Receivables + Available Cash) / Short-Term Debts (STD)

Table N° 12: Calculation of the Restricted Liquidity Ratio

DZD

Désignation	2021	2022	2023
Receivables (1)	20 151 711 167	19 461 135 676	18 053 594 778
Available Cash (2)	1 994 658 300	1 468 686 970	3 025 602 038
(1) + (2)	22 146 369 467	20 929 822 646	21 079 196 816
STD	21 750 337 664	27 733 649 952	24 617 629 714
Restr Liquidity Ratio	1,02	0,75	0,86

Source: Developed by us.

Interpretation and commentary:

We observe that the restricted liquidity ratios of 1.02, 0.75, and 0.86 show an unfavorable trend in the company's ability to meet its short-term debts without relying on inventory. While the first ratio reflects a balanced situation, the following two indicate insufficient available liquidity, revealing financial weakness and a risk of short-term cash flow tension.

This demonstrates that financial analysis makes it possible to accurately quantify liquidity risk and assess the company's capacity to meet its obligations without difficulty.

Calculation of **Immediate Liquidity Ratio**:

Immediate Liquidity Ratio = Available Cash (AC) / Short-Term Debts (STD)

Table N°13 : Calculation of Immediate Liquidity Ratio

DZD

Désignation	2021	2022	2023
Available Cash	1 994 658 300	1 468 686 970	3 025 602 038
STD	21 750 337 664	27 733 649 952	24 617 629 714
Immedi Liquidity Ratio	0.09	0,05	0,12

Source: Developed by us.

Interpretation and commentary:

We note that this ratio indicates the proportion of short-term debts that the company can immediately cover using its available cash. In our case, company X can cover 9% of its short-term debts with available cash in 2021, 5% in 2022, and 12% in 2023.

3.3.2 - Calculation of solvency Ratios:

Calculation of Overall Solvency Ratio: Overall Solvency Ratio = Total of Assets / Total Debts

Table N°14 : Calculation of Overall Solvency Ratio

DZD

Désignation	2021	2022	2023
Total of Assets	83 554 987 349	86 383 249 457	84 235 827 908
Total des debts	41 377 895 530	43 569 780 972	39 223 229 366
Overall Solvency Ratio	2,02	1,98	2,15

Source: Developed by us.

Interpretation and commentary:

We note that this ratio is greater than 1 during the three years studied, which means that company X can repay all its debts using its assets, both short-term and long-term.

The analysis of overall solvency highlights potential imbalances between financing and investment, allowing for adjustments to financing policies. This aims to sustainably improve the company's financial performance.

Calculation of Financial Autonomy Ratio:

Financial Autonomy Ratio = Equity / Total of Debts

Tableau N°15 : Calculation of Financial Autonomy Ratio **DZD**

Désignation	2021	2022	2023
Equity	42 177 091 815	42 813 468 484	45 012 598 541
Total of Debts	41 377 895 530	43 569 780 972	39 223 229 366
Financial Autonomy Rat	1,02	0,98	1,15

Source: Developed by us.

Interpretation and commentary:

The ratios are greater than 1 in the first and third years, which means that the company can repay all its debts with its equity, indicating that company X is financially autonomous. However, in the second year, the ratio is almost equal to 1, which suggests that the company finances nearly all of its debts with its own funds.

The analysis of this ratio shows that this financial tool is essential for diagnosing the financing structure and anticipating the need for adjustments.

Calculation of Financial Structure Ratios: we will study four financing ratios, calculated as follows:

-Calculation of the Permanent Financing Ratio: Permanent Financing Ratio = Permanent Capital / Fixed Assets

Table N°16 : Calculation of the Permanent Financing Ratio **DZD**

Désignation	2021	2022	2023
Permanent Capital	61 804 649 681	58 649 599 504	59 618 198 193
Fixed Assets	45 825 092 841	42 833 710 033	45 259 025 356
Permanent Finan Ratio	1,35	1,37	1,32

Source: Developed by us.

Interpretation and commentary:

We note that this ratio is greater than 1, which means that the company's financial situation is balanced. In other words, permanent capital is sufficient to fully finance fixed assets and generates a safety margin equal to the Net Working Capital (NWC).

Calculation of the Equity Financing Ratio: Equity Financing Ratio = Equity / Fixed Assets

Table N°17 : Calculation of the Equity Financing Ratio **DZD**

Désignation	2021	2022	2023
Equity	42 177 091 815	42 813 468 484	45 012 598 541
Fixed Assets	45 825 092 841	42 833 710 033	45 259 025 356
Equity Financing Ratio	0,92	1	1

Source: Developed by us.

Interpretation and commentary:

The equity financing ratios of 0.92, 1, and 1 reflect a positive evolution in the company's financial structure. A ratio of 1 means that equity fully covers fixed assets, indicating satisfactory financial autonomy. The first ratio (0.92) reveals a slight dependence on debt to finance fixed assets, but this situation improves from the second year onward, with total and stable coverage of long-term investments by equity, which strengthens the company's financial stability.

Calculation of the Fixed Assets Ratio (FAR):

Fixed Assets Ratio (FAR) = Fixed Assets / Total Assets

Table N°18 : Calculation of the Fixed Assets Ratio (FAR)

DZD

Désignation	2021	2022	2023
Fixed Assets	45 825 092 841	42 833 710 033	45 259 025 356
Total of Assets	83 554 987 349	86 383 249 457	84 235 827 908
Fixed Assets Ratio	0,55	0.5	0.54

Source: Developed by us.

Interpretation and commentary:

The fixed assets ratio measures the proportion of fixed assets in relation to the company's total assets. This ratio provides an indication of the share of financial resources invested in long-term assets compared to the company's total assets. The progressive increase in the fixed assets ratio can be explained by several factors: the acquisition of long-term assets such as land, equipment, or facilities; investments in expansion or modernization projects; or a strategy aimed at strengthening the company's asset base to ensure future growth.

Calculation of the Total Financing Ratio: Total Financing Ratio = Equity / Total Liabilities

Table N°19 : Calculation of the Total Financing Ratio

DZD

Désignation	2021	2022	2023
Equity	42 177 091 815	42 813 468 484	45 012 598 541
Total Liabilities	83 554 987 349	86 383 249 457	84 235 827 908
Total Financing Ratio	0,5	0.5	0.53

Source: Developed by us.

Interpretation and commentary:

A total financing ratio of 0.5, stable over three years, indicates that the company finances its resources equally between equity and debt. This structure reflects financial balance but also reveals a moderate dependence on borrowing.

Operating Profitability Ratio (Commercial Profitability Ratio):

The operating profitability ratio (or sales profitability) measures the portion of sales that remains as net profit after all expenses. Operating Profitability Ratio = Net Profit / Sales

Table N°20 : Calculation of Commercial Profitability Ratio

DZD

Désignation	2021	2022	2023
Net Profit	-1 506 728 563	636 376 668	2 199 130 126
Sales	33 834 273 853	30 822 666 753	65 989 177 358
Opert Profit Ratio	-0,04	0,021	0,03

Source: Developed by us.

Interpretation and Commentary:

The commercial profitability ratios of -0.04, 0.021, and 0.03 reflect a favorable evolution of the company's performance. The negative ratio in the first year indicates a net loss relative to sales, revealing an inability to generate profit from commercial activities. The improvement in the second year, returning to a positive zone (2.1%), marks a recovery in profitability, confirmed by the increase to 3% in the third year. This trend reflects better cost control and increased operational efficiency.

Analyzing this ratio helps to understand the source of losses or profits, guide commercial strategy based on the results, and consequently monitor performance.

Calculation of Economic profitability ratio: $\text{Economic profitability ratio} = \text{Operating profit} / \text{Permanent capital}$

Table N°21 : Calculation of Economic profitability ratio DZD

Désignation	2021	2022	2023
Operating profit	1 785 522 130	5 181 058 082	8 740 515 789
Permanent capital	61 804 649 681	58 649 599 504	59 618 198 193
Eco profitability ratio	0,03	0,09	0,15

Source: Developed by us.

Interpretation and Commentary:

The economic profitability ratios of 3%, 9%, and 15% indicate a consistent improvement in the company's ability to generate profit from its total assets. This upward trend reflects enhanced operational efficiency and more effective use of resources. The increase over three years demonstrates growing performance and strong potential for value creation.

This ratio provides insight into operational strengths and weaknesses, allows monitoring of the impact of strategic decisions, and underscores the importance of financial analysis as a key tool for evaluating the real economic performance of Company X and guiding corrective or optimization measures.

- **Financial profitability ratio:** $\text{Financial profitability ratio} = \text{Net profit} / \text{Shareholders' equity}$

Table N°22 : Calculation of Financial profitability ratio

DZD

Désignation	2021	2022	2023
Net profit	-1 506 728 563	636 376 668	2 199 130 126
Shareholders' equity	42 177 091 815	42 813 468 484	45 012 598 541
Fin profitability ratio	-0,03	0,015	0,05

Source: Developed by us.

Interpretation and Commentary:

The evolution of the financial profitability ratios (-0.03; 0.015; 0.05) reflects a clear improvement in the company's ability to generate returns for its shareholders' equity. The negative ratio in the first year indicates a net loss, showing that the company was unable to provide a return on equity at that time. The shift to a positive ratio of 1.5% in the second year, followed by 5% in the third year, demonstrates a gradual recovery and strengthening of financial performance, highlighting improved profitability and more efficient use of equity.

4. Results and discussion

The financial analysis of Company X for 2021–2023 reveals key insights into its operational efficiency and financial stability. Net Working Capital remained positive throughout, showing that long-term resources not only finance fixed assets but also support operations, confirming solid financial health. Working Capital Requirement was consistently positive, reflecting short-term financing needs, while Net Cash remained negative, indicating persistent liquidity challenges. Financial Working Capital was positive, ensuring a safety margin, whereas Own Working Capital was negative, highlighting that equity alone cannot fully cover fixed assets. Foreign Working Capital remained positive, signaling that debt financing supports operations. Liquidity ratios reveal general stability but some short-term constraints, while solvency and financial structure ratios indicate a balanced and gradually strengthening financial framework. Profitability improved steadily, with operating, economic, and financial profitability showing a clear upward trend, reflecting better cost management, asset utilization, and shareholder value creation.

5. Conclusion :

The study confirms that Company X has strengthened its performance and operational efficiency while maintaining a balanced financial structure. Positive Net Working Capital and improving profitability ratios demonstrate financial resilience, yet persistent short-term liquidity challenges suggest the need for enhanced cash management strategies. Overall, the analysis highlights the strategic power of financial analysis as a tool to monitor performance, guide decisions, and drive sustainable growth in a dynamic business environment.

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