An Evaluation of MarketWatch Company

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It is a financial information website that provides business news, stock market data, and analysis (MarketWatch, n.d.; MarketWatch, Inc., 2003). It is a subsidiary of Dow Jones, and the company is owned by News Corp. It is part of the Dow Jones Consumer Media Group and the Wall Street Journal. The company normally operates with a stock market simulation and BigCharts.com. It provides a radio update every thirty minutes on its website (marketwatch.com). The company partners with other companies like CBS News and Financial News. It was founded by Larry Kramer and others in 1997.

Financial Performance

The company's financial performance analysis aims to analyze its financial standing based on its financial statements. This gives the company a general outlook regarding financial progress or decline, and it is important because it is used in future decision-making. The company's financial statements are the tools that are used to calculate financial performance. The table below shows the financial performance of the MarketWatch company.

Financial performance of the MarketWatch Company from 2015-2017

Financial ratio	2015	2016	2017
Current ratio	340.5	283.9	340.3
Debt to total asset ratio (%)	2.17	5.21	2.38
ROA (%)	18.41	16.96	16.62
ROE (%)	23.52	22.58	21.03

The table above shows that the current ratio fluctuated from 2015 to 2017, but the debt-to-total-asset ratio, return on equity (ROE), and return on assets (ROA) experienced a reduction over three years. However, despite the decline in the company's financial performance, it was insignificant. Therefore,

the company needs to find out the cause of the issue. From 2015 to 2016, the company experienced financial progress, but its performance dropped in the following year.

Financial Ratio Analysis

Ratio	2015	2016	2017
Gross profit margin (%)	-56.28	-49.76	-52.72
Profit margin (%)	4.45	5.16	7.22
Return on asset (%)	2.48	2.97	3.97
Return on equity (%)	13.64	10.83	9.90
Quick Ratio	0.62	0.42	0.29
Current Ratio	1.11	1.15	1.23
Operating Cash Flow to Current Liabilities	0.26	0.28	0.15
Debt Ratio (%)	73.83	73.66	73.66
Debt to Equity Ratio (%)	286.11	284.61	283.53
Times Interest Earned Ratio	13.95	9.79	14.72
Inventory Turnover	13.97	16.04	17.82
Accounts Receivable Turnover	3.42	5.34	10.12
Asset Turnover	0.52	0.54	0.49

A financial ratio is calculated from the current financial status of the company. It is used to analyze a company's financial health and its potential. The ratios are calculated from the daily financial records of the company. The following are the financial ratios to be analyzed based on the MarketWatch company.

Liquidity ratios measure the company's ability to cover its short-term obligations. They are categorized as the current ratio and the quick ratio. The current and quick ratios of the company declined in 2016 and then increased in 2017.

Operating ratios are the ratios that are used to measure the efficiency of the company's operations. These ratios include inventory turnover ratio, return on assets, receivable ratio, and sales ratio. The company experienced increased sales, receivables, and returns on assets over the three years. This shows that the company experienced increased revenue due to increased sales.

Solvency ratios are the ratios that measure the stability of the company and the company's ability to pay back its debts. They indicate the financial health of the company. Solvency ratios include debt ratio, working capital, and net sales to working capital. The company experienced a decreased debt ratio and an increase in working capital, showing that it can withstand its debts. Over the last three years, the company has experienced a revenue increase. This shows that there has been progress in the MarketWatch company's business over the last three years.

According to financial and performance records, MarketWatch Company is currently stable in its business (News Corporation, 2017). The issue that may affect its operation is the high debt seen in its financial record. However, over the last three years, the percentage of debt has decreased and working capital has increased. This shows that the company is stable enough to operate smoothly and can pay its debt.

Return On Equity

It is the amount of the net income returned as a percentage of the shareholders' equity. It reveals the corporation's profitability relative to the capital the company generates from the shareholders' investment. Therefore, return on equity equals net income divided by shareholders' equity. That is:

ROE = net income/shareholder equity.

The other ways to determine ROE are as follows.

= Net profit margin x Total assets turnover x Equity multiplier

= Net income/Sales x Sales/Total assets x Total assets/Common Equity

According to the MarketWatch company financial statement, the balance sheet figures are in millions.

Total assets are equal to 29,010.

Common equity is equal to 3,889.

Net profit is equal to 1,736.

Sales are equal to 6,288.

Therefore, ROE = Net income/Sales x Sales/Total assets x Total assets/Common Equity

ROE = 1736/6288 x 6288/29010 x 29010/3889

= 0.45

ROE is one of the profitability ratios that measure the ability of the company to produce a profit from the investment from the shareholders. Therefore, ROE shows the profit generated by the shareholders' investment in the MarketWatch company. It also shows how effectively the company's management uses the invested capital to fund the growth and operation of the MarketWatch company. In this case, the company generates a return on equity of 0.45. This is a low ROE for the investor. This shows that the investors get very little from their investments. To improve this, the management of the MarketWatch company should identify ways to improve its operations that will lead to an increase in sales so that its revenue generation can increase. One of the ways management can do this is to reduce operation costs by reducing expenditure costs. Also, the company should innovate to expand its market and sales. Proper marketing of the company in the market will help achieve this. Also, it should identify and analyze the weaknesses and strengths of its competitors and build a strong foundation that will outdo them in the market. This will be done by developing good relationships with customers and the general public and ensuring that the products the company delivers to the market are of higher quality. This will shift the customers from its competitors to MarketWatch company's products. Hence, it will increase its sales and revenue generation; thus, the return on equity will be high for investors.

The company's expenditure for the last annual report is $165.00 million. The company's expenditures include the depreciation of the assets, daily expenditures, and taxes to the government.

Beta value is used to measure the risk of the stock when it is included in a well-diversified portfolio. It is difficult to predict the MarketWatch company's beta value in the market. This is so because its position in the market normally fluctuates. At other times, the beta value is 1. At this time, the company experiences an increase in sales, and when it is below 1, the company experiences a decrease in sales.

Stock Analysis

Table for sales flow for three years in millions

Products	2015	2016	2017
Adverts	53	56	57
News	30	32	29
Promotion	41	43	39

The product sales of MarketWatch fluctuate over time. Over the three years, the advert section provided the company with higher revenue than other products. But there was no constant increase in sales. The company experienced increases in sales from 2015 to 2016, but there was a relative decrease in sales from 2016 to 2017. This shows that some factors led to a decrease in sales. Some of the factors that may lead to a reduction in sales are stiff competition in the market from competitors, the decrease in the demand for the services provided by the company on the market, and the influence of the government through taxation and regulation policies. Therefore, it is important for the company to benchmark its performance on the market and improve its products, which will increase revenue generation. Also, the company should develop innovative ways to increase its sales by employing modern operation methods and improving the technology system of operation. It should improve its marketing strategy to promote the company's products on the market.

MarketWatch Company is one of the older companies in the field of social media and communication. Since its establishment, the company has grown steadily. The company is aware of the market and its weaknesses during this period. Therefore, I recommend that the company recruit a more skilled individual who can change the company's operations and improve its performance. The company should improve its production. The company should evaluate individual and departmental performance. The company should develop a strategy with a mission, objectives, and goals to improve the performance of the company and increase its sales, thus increasing revenue and profit generation.

Another strategy that the company should consider is the marketing strategy. The company should develop a marketing strategy that will increase the company's visibility in the market. This will be done through the effective use of social media, creating good public relations with society, and handling customer complaints with great care to improve the quality of its operations. Customer complaints should be used to improve the quality of the company's products for its customers.

References

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