



**DAMM<sup>1</sup>**



## **1. INTRODUCTION**

S.A Damm is constituted as the parent company of a network of companies involved in different areas of activity such as the production and packaging of beer, water and soft drinks, logistics and distribution services, restaurant and event organization. It focuses on growing, being responsible with the environment, ensuring efficiency and maintaining motivated the human team, the customers, the suppliers and the shareholders. Most of their activities take place in Spanish territory but they are currently carrying out a process of internationalization and expansion.

## **2. HISTORY OF DAMM**

It all started back in the 1876, when the Alsatian August Kuentzmann Damm<sup>2</sup>, his wife Melanie and his cousin Joseph Damm, emigrated to Spain running away from the Franco-Prussian War. They settled in Barcelona and started brewing and commercializing Strasburger beer in the Mediterranean coast under the symbol of a star, and therefore bringing to life the foundation of Damm. They have been following and conserving throughout all the years their original recipe based on 100% natural ingredients consisting in barley malt, rice, and hops. In 1897, Joseph Damm acquired the company as a consequence of August Kuentzmann's death in 1877. The merge of three Catalan breweries provoked the official incorporation and constitution of SA Damm in 1910, company that has not stopped growing since then, partnering and

---

<sup>1</sup> Case written by Carlos Riera, Arnau Mas, Clàudia Oliu, Adrià Planas and supervised by Professor Oriol Amat. Universitat Pompeu Fabra, 2020.

<sup>2</sup> Source: Annual Report of Damm 2018.

earning stakes of many other companies in order to expand their market. During the first three decades of the XX century, the company kept growing, in 1921 one of their best products was born, Estrella Dorada. In 1936, the company already had 615 employees.

Moreover, Damm Group initiated their expansion in Spain in 1947 partnering with other companies but it wasn't until 1972 that the group obtained the Compañía Internacional de Cervezas S.A.<sup>3</sup>, the owner of the factory in Santa Coloma de Gramenet, and in 1987 Cerveceras Asociadas S.A, the owner of the factory where the main production centre is currently located, the factory of El Prat de Llobregat.

Damm continued structuring and adding members to the Group, obtaining 100% of S.A. Balear de Cervezas and practically all the share capital of Cervezas Turia S.A. (later renamed Corporación Económica Delta, S.A). The latter, became Damm Group's motor to invest in innovation and diversification of the Company, after an injection of capital.

Without leaving behind marketing, in 1982 Damm sponsors the World Cup, and again appears in 1992 with the Olympic Games. In addition, it incorporated Compañía de Explotaciones Energéticas S.L. in 1998, to operate its energy activities.

Diversification of the business started with the water and soft drinks sector in 1999. The incorporation in this sector permitted to reinforce the competitiveness of the group by generating synergies in distribution and logistics. They purchased 65% share capital of Aguas de San Martín de Veri (between 1999-2000) and 50 % stake in Gestión Fuente Liviana (in 2001). As well as a 64.71% stake in Font Salem, S.L., a consolidated company in the soft drinks sector.

In 2000 Alfil Logistics, S.A. was born with the aim of improving distribution and logistics. Around the same period, they create Damm's foundation, in order to show their commitment and support to the local communities.

Additionally, technological initiatives were taken such as the creation of Ágora Europe, S.A, a company that allowed decreasing logistics costs and maximising the use of resources.

---

<sup>3</sup> Source: Damm Official Website.

Between 2001 and 2006 Damm kept acquiring stakes of different companies such as, Eckes Granini Ibérica (49%), Ebro Foods S.A, Rodilla (35%) in which later in 2015 Damm becomes the sole shareholder and the company keeps growing. In 2009, it also acquired a Portuguese Factory, enters into importing agreements with the UK and the first campaign ‘Mediterráneamente’ takes place. In 2011, the distributing company Pall-Ex Iberia is born and in 2012, Damm obtained the permit to produce and distribute Cacaolat. Furthermore, in 2014 the Damm Group approved the delisting of its shares from the Barcelona Stock Exchange.

Nowadays Damm continues to carry out its strategic industrial plan, improving and expanding their factories as well as the opening of new ones and incorporation of new products and companies. More of these cases keep showing up, such as the launch of Pirinea in 2016 (water brand), amongst other beer brands, the inauguration in 2017 of Malaga’s new factory of Victoria Beer, the acquisition of Goethe S.L (Mallorca) in 2018, in the same year the constitution of Damm Canarias (limited society) to boost sales in the Canary Islands, and the expansion in the catering industry since the Group Rodilla acquired 75% of Hamburguesa Nostra.

Finally, we can observe that both by the process of getting where they are and their future projects, Group Damm is committed to development, emerging technologies and the digitalization of their processes, in order to achieve efficient results. Below there is Figure 1 showing the main events of Damm’s history in chronological order.

1876	Kuentzmann Damm and his partner starts producing Strasburguer
1910	Three Catalan breweries merge to officially create SA DAMM
1921	Estrella Dorada was born
1936	The company has now 615 employees
1947	Initiation of the expansion of the company in Spain through partnerships

1972	Obtention of <i>Compañía Internacional de Cervezas S.A</i> and <i>Cerveceras Asociadas S.A</i>
1982	Damm sponsors the world cup
1992	Damm appears again in the Olympic games
1998	Incorporation of <i>Explotaciones Energéticas S.L.</i> to operate its energy activities
1999	Diversification of the business with the acquisition of soft drink companies
2000	Creation of Alfil logistics to manage distribution process
2001-2006	Acquisition of stakes of other companies like <i>Granini Ibérica</i> or <i>Ebro Foods S.A.</i>
2009	Acquisition of a factory in Portugal. First “Mediterráneamente” campaign.
2011	New distribution company, <i>Pall-Ex Iberia</i>
2014	Approval of the delisting of shares its shares from the Barcelona Stock Company
2014-2017	Expansion of factories in Mallorca, Malarga, the Canary Islands. Also, expansion in the catering industry
2018	Damm controls 24% of the Spanish beer production, has 4,574 employees and its implementing a new strategy plan based on internationalization

**Figure 1:** Main events of Damm’s history in chronological order

### 3. INDUSTRY

Damm's main business is the manufacture and commercialization of beer. However, Damm also manufactures soft drinks and mineral water. Moreover, they also invest in other commercial sectors through their filial "Corporació Econòmica Damm".

#### 3.1 BEER INDUSTRY

Beer industry in Spain is really successful with a continuous growth as beer is one of the most consumed alcoholic beverages.

Figure 2 shows the evolution of beer sales distinguishing between sales in households and sales in hotel industry. It can be seen that in both channels sales of beer have only increased between 2012 and 2018. Throughout the years, sales in hotel industry have been greater but in the last two years the gap has been reduced.

In 2013, there was a little reduction in sales in hotel industry and also stabilization in the household sales but, after that, the beer industry hasn't stopped to increase its sales. This fact can be explained by highlighting that in 2013 there was a recession due to the crisis in Greece and considering that many tourists coming to Spain are from European countries it is understandable that sales decreased. But it didn't take too long for Europe to recover and consequently beer industry continued in its increasing trend really fast.

Summing up all this information it is believed that beer industry is living a good moment. It is a strong market and will continue to increase its sales in coming years.

Some more relevant data is that in 2017 Spain was the fourth beer producer in Europe behind Germany, UK and Poland<sup>4</sup>. In recent years the biggest beer producers in Spain have increased sales outside Spain reaching 3 millions of hectolitres.

Moreover, there is some data that reinforce all the explained above. The Spanish population has spent a 2% more of their income in beer during the 2018 with respect to 2017<sup>5</sup>. This numbers help to be optimistic about this industry and to believe that it will continue to grow.

In addition, in 2017 the industry created 80,000 new jobs and had in total almost 350,000 while also contributing to the State with more than 3,600 million euros through

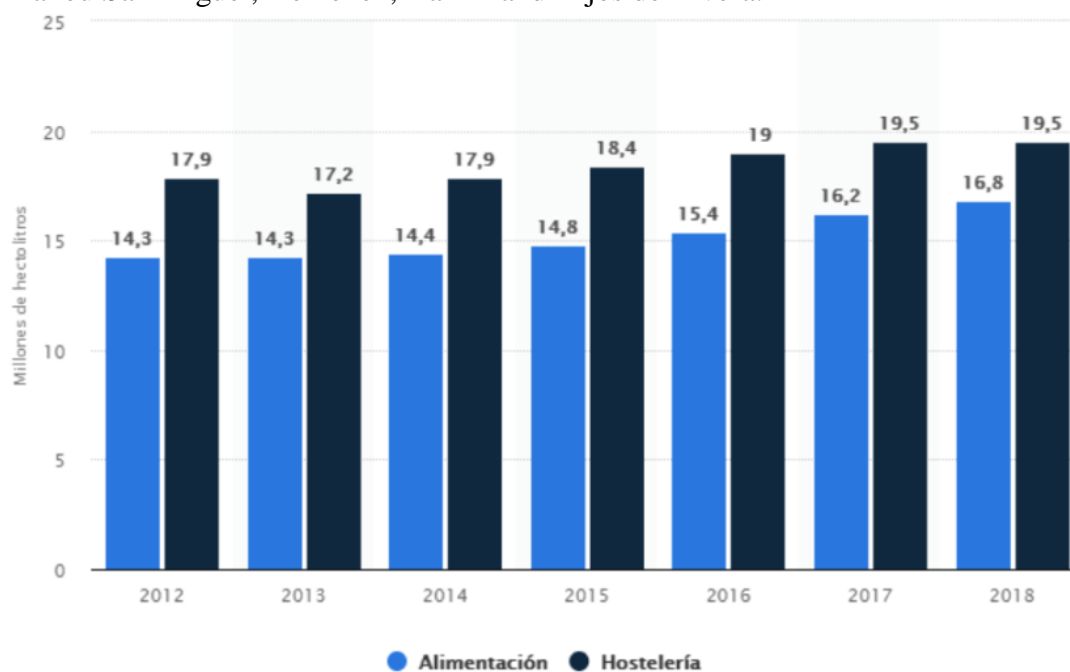
---

<sup>4</sup> Source: EU-beer-statistics-2018-web.pdf

<sup>5</sup> Source: <https://es.statista.com/>

taxes making it a really important source of financing for the State<sup>6</sup>. In addition, it is worth to say that competition is increasing as every year there are more companies entering the industry.

Beer market is really concentrated. In 2017, the total production was 37.6 million of hectolitres, 93% of this amount was produced by the four dominant producers in Spain: Mahou San Miguel, Heineken, Damm and Hijos de Rivera.



**Figure 2.** Annual sales evolution in Spain by channels between 2012-2018

**Source:** <https://es.statista.com/estadisticas/812927/evolucion-anual-del-volumen-de-las-ventas-de-cerveza-en-espana-por-canal/>

### 3.2 SWOT ANALYSIS OF THE INDUSTRY

**Strengths:** By looking at the socio-economic report of the beer industry made in 2018<sup>7</sup> it can be concluded that the main strength of this industry is the increase in consumption over the years as well as population has spent more income in consuming beer.

This has been possible by the economic and fiscal stability but mainly by the importance of the hotel industry as the study highlights beer as the most consumed cold

<sup>6</sup> Source: El Independiente

<sup>7</sup> Source: Socio-economic report of beer industry in Spain 2018.

beverage outside households. Another strength mentioned by this study is the range of consumers which beer is able to reach.

Beer attracts any kind of consumers independently of their social class or level of income which increases the amount of potential consumer.

*Weaknesses:* When looking at the weak points of this industry there are only a few but important ones. Especially in Spain, the industry is really concentrated as four companies dominated almost all market making it less attractive for other companies to enter as almost all the market is already covered by powerful companies. Another weakness is the irregular sales over a year. The industry is affected by seasonality as it is known that a huge amount of annual sales are on summer so it could be good to try to increase sales in other seasons to avoid relying too much on summer.

*Opportunities:* Beer industry has many opportunities and relating to Damm the most important one is the growing tourism in Spain. Most of the sales are made in the tourism industry and an increase in this sector will make beer industry to keep growing. As well, from a beer market analysis made by Technavio<sup>8</sup>, international beer markets have a growing demand especially for black beer in Europe, and for craft beer and imported brands in the US. This information is really important as beer companies can focus on developing new types of beers as the demand of consumers is looking for new experiences.

*Threats:* The main threat for the industry is the import of European beers to Spain. Although the socio-economic report mentioned above states that imports were reduced by 3% in 2018, the sector should take into account that European countries see Spain as a growing beer market and want to enter it as it is a good business opportunity for them.

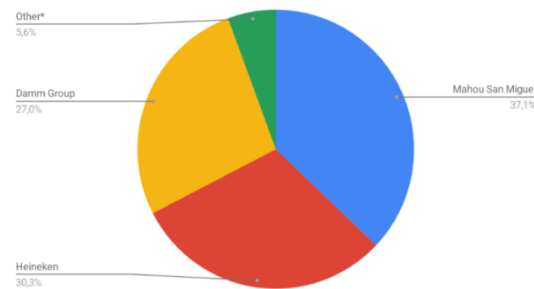
### 3.3 COMPETITORS AND SALES RANKING

Damm Group is among the three top Spanish brewers in terms of production and consumption, these three form the 83% of beer consumed around the whole country. Therefore, being Mahou San Miguel and Heineken the other two companies, of course they are their greatest competitors in Spain.

---

<sup>8</sup> Source: Study made by Technavio. <https://analysis.technavio.com/beer-market-analysis-research>

This industry is one of the industries with higher concentration of business in the country, it is said that this is due to the competition between a low number of suppliers and a very similar product, giving place to great differences of size between companies. This creates a big rivalry between the already established companies as shown in Figure 3<sup>9</sup>.



**Figure 3:** Beer producers in Spain

Other minor competitors would be: Corporación Hijos de Rivera with Estrella Galicia, controlling 5% of consumption, Compañía Cervecería de Canarias (Cercasa), subsidiary of the world's largest brewer AB InBev, and La Zaragozana, with its beer Ambar dominant in Aragón.

Damm's main public is in Spain, so it is more relevant to study its competitors in the country, however this does not mean that the company is not international, it does indeed, work with other countries and therefore has worldwide competitors. Such as, ABInBev<sup>10</sup> public company founded in Leuven, Belgium, it has 175,000 more employees than Damm. Then, there is MillerCoors<sup>11</sup> which was founded in 1855 in Chicago, Illinois, which generates \$9.7B more revenue than Estrella Damm.

In 2019, the group with most sales in Spain was Mahou-San Miguel with 12.3 million of hectolitres of beer. The followers were Heineken with 10.5 million of hectolitres, Group Damm with 10.08 million and Hijos de Rivera with 3.09 millions.<sup>12</sup>

<sup>9</sup> Source: <https://es.statista.com/estadisticas/474216/marcas-de-cerveza-lideres-en-espana/>

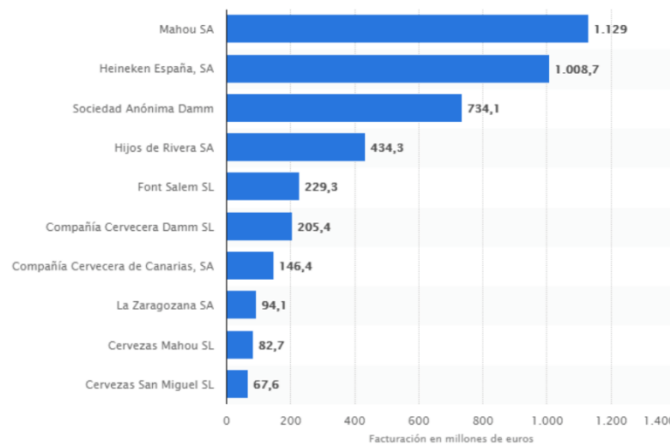
<sup>10</sup> Source: ABInBev Official Website.

<sup>11</sup> Source: MillerCoors Official Website

<sup>12</sup> Source: <https://ranking-empresas.eleconomista.es/sector-1105.html>



In Figure 4 it is showed the principal beer producers in Spain regarding invoicing in 2017. The dominant ones are Mahou and Heineken with more than 1,000 millions of euros.



**Figure 4.** Principal Beer producers in Spain regarding invoicing in 2017

**Source:** <https://es.statista.com/estadisticas/474891/empresas-lideres-del-sector-de-la-fabricacion-de-cervezas-espana/>

## 4. PRESENT SITUATION OF THE COMPANY

### 4.1 QUALITATIVE ANALYSIS

#### WHO?

In order to achieve an efficient management, the group has created different governing organisms and at the same time has established clear working procedures. Moreover, Damm has prioritized the investment in the formation of its employees and has achieved a high level of satisfaction of their employees.

Demetrio Carceller Arce is the president of group Damm since 1994<sup>13</sup>. He's got a high degree of studies and experience in the business and financial sectors.

During his career, he has worked for companies like "Banco Santander de Negocios" or "McKinsey & Company". Apart from being the president of group Damm, Carceller is also the president of the oil company Disa and vice president of the construction firm Sacyr and Ebro Foods. Since 2018, he is also canceller in Freixenet.

<sup>13</sup> Source: Damm Official Website

The governing body of Damm is composed with a board of directors, the steering committee and the shareholders. In order to control the activities of the governing body, the group Damm has managed to create: a Code of Conduct (which states the proceedings when there is conflicts of interest), and a Compliance Regulation committee (together with the department of internal auditory), that elaborate an internal map of risks.

Referring to the employees, Damm concluded the year 2018 with 4,574 employees (300 hundred of these are out of Spain) and 81% of these employees have undefined contract. Damm has spent more than 700,000€ in the formation of its employees and as a result, 93% of the employees have received specific brand formation. Furthermore, Damm carries out work environment surveys in order to find areas for improvement in the operation and in the satisfaction of the collaborators and those have shown that 75.2% fell proud to work at Damm.

#### *WHAT?*

Damm Corporate offers different kinds of products and services within the market of drinks. Its main source of revenues comes from selling its several brands of beer, led by the well-known Estrella Damm, and followed by others like Voll-Damm, Xibeca or Free-Damm. However, it also sells water bottles like Veri, Font Major or Pirinea; dairy products such as the chocolate drink Cacaolat; and other alcoholic and non-alcoholic drinks like sangria, cider, tonic, coffee and tea.

Damm operates in more than 120 countries, but its main source of income is Spain, where it is the third beer company in revenues with a 27% of market share and, especially, Catalonia, where it is with no discussion the first company in the sector. This can also be seen as a drawback because of the huge dependency in the Catalan market. Having most of the sales coming from one market might increase the risk and could cause a great problem if something bad happened in that market such as any circumstance that affected the overall economy.

The company also operates in the sector of restoration through the group Rodilla, which was fully acquired in 2015 and is composed of four brands: Rodilla and Hamburguesa Nostra (classical restaurants), Jamaica Coffee Shop and Café de Indias (coffee shops).

In this sector, unlike the market of beer, Damm has more presence outside Catalunya than inside, owning a total of 200 establishments in the Spanish territory, several of them in Madrid.

Finally, Damm offers services of distribution, not only of its own products but also of others such as Granini, through Damm Distribució Integral (DDI), which operates all over the Spanish territory, and services of logistics inside and outside of Spain through Alfil Logistics and Pall-Ex Iberia. Apart from that, this corporate owns Damm Fundació, which was created with the intention of supporting base football in Catalonia and other cultural activities such as the promotion of artistic initiatives.

### *HOW?*

Damm is willing to achieve a complete vertical integration: from the obtaining of the raw material to the final distribution of their products. This way, Damm will ensure the quality of their raw materials and will mitigate the business exposure.

Referring to the suppliers, the group Damm gives clear priority to local suppliers in order to maintain its ecological commitment by minimizing long-distance transportation and at the same time keeping transportation costs low. This strategy is reflected in the numbers as out of 6,000 suppliers, 95% come from the Iberian Peninsula. Many of the most relevant subsidiaries of the group like Damm Distribución Integral SL, Pall-Ex Iberia and Alfil Logistics are specialized in the distribution and logistics services accomplishing an efficient issuing of the Damm products as well as favouring the vertical integration of the production process.

Damm is also really committed to research and development and they are innovating as much as they can that's why they have been increasing the budget in research, development and technological innovation. In 2018, the company invested 6.7 millions of euros in R&D<sup>14</sup>. The group has an Innovation Committee of Beer with the main objective of analysing the new trends in order to come up with ideas for their products.

---

<sup>14</sup> Source: Damm Official Website

Damm is also characterized for their new values: Loyalty, Innovation, Customer Value and Energy, highlighting the importance of people, of creating new products, of maintaining a good client service and of working actively.

As one of the big companies of Catalonia Damm is committed to improving the natural environment.

During these years the company has been applying some measures in order to reduce the impact of their activities and develop environmentally friendly products. An important feature has been the 20% reduction of energetic consumption in their main factory located in El Prat de Llobregat<sup>15</sup>. They have also been generating electric energy through photovoltaic panels and replacing machines for more efficient ones.

## *4.2 PRESENT SITUATION OF THE COMPANY*

Revenues from last year (2018) were 8.7% higher than in 2017 revealing that Damm is succeeding in achieving their goal. Damm had a profit of 112.6 million in 2018 and had an invoicing of 1,264 million. Also, the group invested more than 100 million to increase their productive capacity and reach the 25 million hectolitres a year. Currently Damm is the third beer producer in Spain having 27% of the market share.

Damm has incremented revenues in all of its subsidiaries pertaining to different markets and at the same time, Damm has invested in obtaining fixed assets so as to increase their operating revenues through the acquisitions of subsidiaries which their main activities are distribution and restoration. The Group highlighted as one of the main operations that Rodilla acquired more than 21 restaurants of Hamburguesa Nostra, as well as strengthening their position in the Balearic Islands.

Right now, as already said by the Executive Director of Damm in the annual report of 2018<sup>16</sup>, the company is in the middle of the implementation of their strategic plan for 2017 to 2021 which is based on internationalization and has as main objective to double revenues in 5 years.

---

<sup>15</sup> Source: Annual Report of Damm 2018

<sup>16</sup>Source:

[https://www.dammcorporate.com/sites/default/files/paragraph/investors\\_presentations\\_attach/DAMM\\_2018\\_CAT\\_digital\\_web.pdf](https://www.dammcorporate.com/sites/default/files/paragraph/investors_presentations_attach/DAMM_2018_CAT_digital_web.pdf)

Damm is already present in more than 120 countries, gaining importance in the national markets from the United Kingdom, United States, Sweden, Canada, Australia or Chile.

Also, Damm is expanding in Asian countries like India, where they have introduced their first brand. Currently the Group has more than 250 employees, out of the 4600 employees, which are fully dedicated to international activities of the company.

Moreover, during the last year the group has launched different brands like Complot and has improved their image by highlighting their production made with natural ingredients. Lately, the company has started to sell their products online and although there are few products to buy, they intend to continue expanding the range of products available to buy so as to become a modern and up to date company making use of the advantages e-commerce offers.

The Group has been very active in development and innovation to improve their environmental performance and trying to minimize their ecological footprint. One of the main characteristics has been the transformation from a linear model to a circular model which consist on recycling most of the materials and resources in order to reduce the remains. In doing this, Damm has been recognized as one of the most impulsive circular model company.

Estrella Damm” where they are held multiple events related to culture, sport or gastronomy. Moreover, they sponsor some of the most important events in Catalonia such as “Canet Rock”, “Festival Cap Roig” and events outside of Catalonia such as “Mutua Madrid Open” or “World Padel Tour”. With all these sources of advertising Damm is reaching a huge number of consumers.

Lastly, the general operating expenses are greater than last year and this is mainly due to the increase in distribution channels, the increase in the marketing-related activities and the increase in sponsoring of events of high relevance. The most known marketing strategy is the campaign “Mediterráneamente” consisting of small documentaries that started in 2009. Apart from advertising in TV, Damm takes advantages from their “Old Factory.

## 5. MAIN PROBLEMS AND CHALLENGES OF THE GROUP

In relation with the financial statements the group shows a good performance. The balance sheet shows a strong financial position with good liquidity ratios and good ROE. Although the cash flow has been facing strong variations in the net value of change in cash throughout the years, during 2018 the cash flow net value of change was negative meaning that there had been higher cash outflows than cash inflows during that period.

In 2018, despite of having less cash inflow from operating activities than in 2017 (-0,34%), the group increased the cash outflows from investing and financing activities from 2017 to 2018 by 74% and 45% respectively. Given the decrease in cashflow from operating activities it is risky to increase this much in investment and at the same time pay dividends to shareholders.

On the other hand, the company is facing different challenges that can be divided into changes related to: internationalization, digitalization, and the reduction of the environmental footprint.

With respect to internationalization<sup>17</sup>, the group must study the social and political circumstances taking place in the different countries where they are planning to start their activity. A country with a lot of political instability related to poor governance and high levels of corruption may bring to much uncertainty which may cause the operation to be risky. For example, the unforeseen change of a law may impact the profitability of the company in that region.

Also, when internationalizing and entering in a different cultural environment the company should hire local talent who can understand the specific needs from the region and may know how the group can satisfy them.

Moreover, the Damm group must also consider the currency volatility. Borrowing in local currency and managing working capital effectively can reduce the impact of currency fluctuations but this may be challenging to achieve.

Finally, if the group is planning to keep the main production plants in Spain, they must be aware that overseas customers will take longer to receive their goods than customers

---

<sup>17</sup>Source: <https://www.expansion.com/empresas/2018/07/13/5b48d6ad22601d395e8b4616.html> and <https://www.uhy.com/the-challenges-of-internationalisation/>

in a domestic market so longer payments terms are inevitable which can increase the risk of late or non-payment of accounts receivable.

Another key challenge for Damm is its digitalization, whose objective is described by Laura Gil, director of the department of Digital Transformation, as “to improve the experience of the consumer, to improve the communication and relation with suppliers and bars and to implement a new policy of corporate social responsibility in order to be more transparent and improve the work quality of the staff”,<sup>18</sup>.

To achieve these goals, the department of Digital Transformation was launched in 2016, and was assigned the function of guiding the adaptation of the company towards a more digital model.

More than 10 million euros have been invested in several projects of digitalization, which consist in the use of data analytics to develop forecasting models as a support to the force of sales; the use of 3D printers in production plants; the implementation of teleworking or the process of renewal of their webpages among others.

Moreover, Damm has become this year the main partner of Barcelona Tech City, an association that groups 800 technological and digital companies, and has opened a new space called “Estrella Damm Pier01”, in order to “have an active antenna for the detection of new models of businesses of interest and talent and start-ups with which Damm can collaborate”,<sup>19</sup>, as the CEO of Barcelona Tech City ensured.

And last but not least, Damm is facing the challenge of reducing the environmental footprint of their production and raising awareness among society about environmental issues, mainly concerning the preservation of the seas.

To do that, they are carrying out several projects planned by the Department of Energetic Optimization and Environment, such as the development of a biodegradable glass that can replace those made of plastic or the substitution of the plastic rings that join the cans for ones made of biodegradable carton. Also, Damm is taking measures concerning the optimization of resources and their origin: its water consumption has decreased a 37% during the last ten years; all the energetic energy consumed in

---

<sup>18</sup> Source: <https://www.businessinsider.es/que-sirve-transformacion-digital-cervecera-como-damm-336887>

<sup>19</sup> Source: <https://barcelonatechcity.com/ca/press-releases/damm-inaugura-un-espacio-dedicado-a-la-innovacion-en-barcelona-tech-city/>

factories comes from renewable energy sources and certified as green; and it keeps using proximity resources (95% of their suppliers are in the Iberian Peninsula).

One of the initiatives that had more scope among population was the release of the summer advertisement of 2019. In this one, Estrella Damm set aside the traditional idealized and optimistic clip that plenty of consumers await every summer and, instead, produced a conscientious video about the preservation of the Mediterranean. This one became trending topic in Catalunya and reached the 11 million displays in YouTube.



## 6. APPENDIX: FINANCIAL STATEMENTS

### 6.1. DAMM BALANCE SHEETS

	Average sector top 4 <sup>20</sup>	%	Average sector	%	2018	%	2017	%	2016	%	2015	%	2014	%
<b>Non-Current Assets</b>	807.544	73,11%	15.333	71,16%	1.216.964	69,58%	1.086.955	65,30%	988.890	63,08%	922.454	76,29%	902.304	74,27%
Intangible fixed assets	51.712	4,68%	1.606	7,45%	141.657	8,10%	109.243	6,56%	67.182	4,29%	70.390	5,82%	70.123	5,77%
Tangible fixed assets	272.134	24,64%	7.084	32,88%	556.433	31,81%	485.711	29,18%	446.485	28,48%	435.218	35,99%	429.340	35,34%
Other fixed assets	483.698	43,79%	6.643	30,83%	518.874	29,67%	492.001	29,56%	475.223	30,31%	416.846	34,47%	402.841	33,16%
<b>Current assets</b>	296.975	26,89%	6.215	28,84%	532.066	30,42%	577.705	34,70%	578.818	36,92%	286.705	23,71%	312.652	25,73%
Inventories	33.252	3,01%	1.004	4,66%	98.986	5,66%	91.640	5,51%	76.444	4,88%	71.334	5,90%	64.546	5,31%
Debtors	111.649	10,11%	2.187	10,15%	228.512	13,07%	185.977	11,17%	164.104	10,47%	137.738	11,39%	140.859	11,59%
Cash & cash equivalent	66.011	5,98%	1.392	6,46%	192.513	11,01%	291.421	17,51%	236.028	15,06%	67.364	5,57%	91.117	7,50%
Other current assets	86.063	7,79%	1.632	7,57%	12.055	0,69%	8.667	0,52%	102.242	6,52%	10.269	0,85%	16.130	1,33%
<b>Total assets</b>	1.104.519	100,00%	21.548	100,00%	1.749.030	100,00%	1.664.660	100,00%	1.567.708	100,00%	1.209.159	100,00%	1.214.956	100,00%
<b>Net Equity</b>	616.540	55,82%	11.883	55,15%	888.364	50,79%	837.599	50,32%	750.550	47,88%	673.023	55,66%	486.732	40,06%
Capital	61.370	5,56%	1.741	8,08%	874.371	49,99%	827.019	49,68%	741.807	47,32%	663.795	54,90%	479.345	39,45%
Other shareholders' funds	555.170	50,26%	10.142	47,07%	13.993	0,80%	10.580	0,64%	8.743	0,56%	9.228	0,76%	7.387	0,61%
<b>Non-current liabilities</b>	147.537	13,36%	3.582	16,62%	542.459	31,01%	520.743	31,28%	536.801	34,24%	284.749	23,55%	179.041	14,74%
Long-term debt	100.434	9,09%	2.451	11,37%	444.685	25,42%	427.470	25,68%	450.132	28,71%	216.086	17,87%	103.675	8,53%
Provisions	43.020	3,89%	14.961	69,43%	17.925	1,02%	16.500	0,99%	2.643	0,17%	1.139	0,09%	524	0,04%
Other non-current liabilities	4.083	0,37%	-13.830 <sup>21</sup>	-64,18%	79.849	4,57%	76.773	4,61%	84.026	5,36%	67.524	5,58%	74.842	6,16%
<b>Current liabilities</b>	340.442	30,82%	6.083	28,23%	318.207	18,19%	306.318	18,40%	280.357	17,88%	251.387	20,79%	549.183	45,20%
Loans	17.615	1,59%	1.058	4,91%	37.555	2,15%	31.523	1,89%	40.714	2,60%	30.910	2,56%	58.261	4,80%
Creditors	68.117	6,17%	2.265	10,51%	207.795	11,88%	185.563	11,15%	164.030	10,46%	149.751	12,38%	142.712	11,75%
Other current liabilities	254.710	23,06%	2.760	12,81%	72.857	4,17%	89.232	5,36%	75.613	4,82%	70.726	5,85%	348.210	28,66%
<b>Total Equity and Liabilities</b>	1.104.519	100,00%	21.548	100,00%	1.749.030	100,00%	1.664.660	100,00%	1.567.708	100,00%	1.209.159	100,00%	1.214.956	100,00%

**Table 1. Balance Sheet from 2014 to 2018 (in thousands of Euros)**

<sup>20</sup> For the industry averages we have used the last available year in Sabi and have based on net income to rank companies. The top four companies are Mahou, Heineken, Damm and Hijos de Rivera.

We have seen that the numbers of Sabi when summing up the accounts they did not match, therefore, total assets weren't equal to total liabilities, it is because of this that we have made some adjustments, smoothing the difference among all the accounts to change minimally the reality

<sup>21</sup> Other Non-current liabilities is negative because, using the numbers of Sabi, the sum of long-term debt plus provisions was higher than the total amount of NCL

## 6.2. DAMM INCOME STATEMENTS

Income statement	2018	2017	2016	2015	2014
Continuing operations:					
Revenue (Sales)	1.249.891	1.153.057	1.037.190	954.928	898.374
Other operating income	14.512	10.227	7.781	7.711	14.414
Changes in inventories of finished goods and work in progress	5.455	8.830	5.374	3.837	-2.600
Raw materials and consumables used (COGS)	-479.583	-430.879	-372.337	-339.503	-317.230
<b>GROSS MARGIN</b>	<b>790.275</b>	<b>741.235</b>	<b>678.008</b>	<b>626.973</b>	<b>592.958</b>
Employee costs	-180.438	-160.963	-140.022	-135.659	-127.431
Depreciation and amortization	-75.298	-69.648	-63.976	-65.725	-72.721
Other expenses	-407.349	-361.714	-348.482	-313.280	-299.641
Net gain/(loss) for impairment and disposal of non-current assets	-609	-2.761	-5.362	-1.422	-212
<b>OPERATING PROFIT (EBIT)</b>	<b>126.581</b>	<b>146.149</b>	<b>120.166</b>	<b>110.887</b>	<b>92.953</b>
Investment income	6	7	9	6	7
Other interest and similar income	2.371	4.576	845	1.178	2.340
Finance expense and similar expense	-9.194	-10.160	-5.018	-5.874	-7.828
Exchange rate differences	274	-887	-511	1.553	907
Share of the profit or loss of investments accounted for using the equity method	17.279	25.033	19.061	16.194	14.721
Net gain/(loss) from disposal of financial instruments	9	1.269	0	-170	0
<b>PRE-TAX PROFIT/LOSS (EBT)</b>	<b>137.326</b>	<b>165.987</b>	<b>134.552</b>	<b>123.774</b>	<b>103.100</b>
Income tax	-22.474	-51.281	-31.766	-29.988	-23.747
<b>PROFIT ON CONTINUING OPERATIONS</b>	<b>114.852</b>	<b>114.706</b>	<b>102.786</b>	<b>93.786</b>	<b>79.353</b>
<b>(LOSS)/PROFIT FOR THE FINANCIAL YEAR</b>	<b>114.852</b>	<b>114.706</b>	<b>102.786</b>	<b>93.786</b>	<b>79.353</b>
Attributable to non-controlling interests	-2.013	-2.239	-1.521	-1.458	-809
<b>PROFIT FOR THE FINANCIAL YEAR ATTRIBUTED TO PARENT COMPANY</b>	<b>112.839</b>	<b>112.467</b>	<b>101.265</b>	<b>92.328</b>	<b>78.544</b>
Earnings per share (in euros):					
From continuing operations	0,45	0,46	0,42	0,38	0,29
From continuing and discontinued operations	0,45	0,46	0,42	0,38	0,29

**Table 2.** Income Statement from 2014 to 2018 (in thousands of Euros)

### 6.3. DAMM RATIOS

RATIOS		Average top 4	Average sector	2018	2017	2016	2015	2014
<b>LIQUIDITY</b>								
<b>Current ratio</b>	Current assets / Current liabilities	0,872	1,022	1,672	1,886	2,065	1,140	0,569
<b>Liquidity ratio</b>	(Current assets – Inventories) / Current liabilities	0,775	0,857	1,361	1,587	1,792	0,857	0,452
<b>Acid test</b>	Cash / Current liabilities	0,194	0,229	0,605	0,951	0,842	0,268	0,166
<b>Real working capital</b>	Current assets- Current liabilities	-43467	132	213859	271387	298461	35318	-236531
<b>Working capital needed</b>	Operating Current assets- Operating Current liabilities	81735	1030	143569	115028	97545	78175	103882
<b>Operating CA</b>	Inventories + debtors + minimum cash <sup>22</sup>	149852	3295	351364	300591	261575	227926	246594
<b>Operating CL</b>	Creditors	68117	2265	207795	185563	164030	149751	142712
<b>Working capital surplus/deficit</b>	Real working capital- Working Capital Needed	-125202	-898	70290	156359	200916	-42857	-340413
<b>DEBT</b>								
<b>Indebtedness</b>	Liabilities / Assets	1,000	0,449	0,492	0,497	0,521	0,443	0,599
<b>Quality of debt</b>	Current liabilities / Liabilities	0,308	0,629	0,370	0,370	0,343	0,469	0,754
<b>Repayment capacity</b>	Cash flow / Loans	7,506	2,680	5,010	5,777	4,059	5,113	2,596
<b>Cost of debt</b>	Financial expenses / Loans	0,412	0,118	0,245	0,322	0,123	0,190	0,134
<b>Financial expenses</b>	Financial expenses / Sales	0,009	0,007	0,007	0,009	0,005	0,006	0,009
<b>ASSETS MANAGEMENT</b>								
<b>NCA turnover</b>	Sales / Non-current assets	1,037	1,143	1,027	1,061	1,049	1,035	0,996
<b>CA turnover</b>	Sales / Current assets	2,820	2,819	2,349	1,996	1,792	3,331	2,873
<b>Inventory turnover</b>	COGS (cost of goods sold) / Inventories	9,425	6,733	4,845	4,702	4,871	4,759	4,915
<b>TERMS</b>								
<b>Inventory terms</b>	Inventory / Daily cost of sales	38,725	54,210	75,336	77,629	74,938	76,691	74,266
<b>Days receivable</b>	Debtors / Daily cost of sales	130,027	118,085	173,915	157,542	160,870	148,082	162,070
<b>Days payable</b>	Creditors / Daily cost of sales	79,329	122,297	158,148	157,191	160,798	160,997	164,202
<b>PROFITABILITY, SELF-FINANCING AND GROWTH</b>								
<b>Margin</b>	EBIT / Sales	0,123	0,110	0,101	0,127	0,116	0,116	0,103
<b>Turnover</b>	Sales / Assets	0,758	0,813	0,715	0,693	0,662	0,790	0,739
<b>Financial leverage</b>	Assets / Equity * EBT / EBIT	1,667	1,735	1,815	1,750	1,865	1,610	2,250
<b>Fiscal effect</b>	Net profit / EBT	0,772	0,787	0,822	0,678	0,753	0,746	0,762
<b>ROE</b>	Net profit / Equity	0,138	0,134	0,127	0,134	0,135	0,137	0,161
<b>ROI</b>	EBIT / Assets	0,093	0,090	0,072	0,088	0,077	0,092	0,077
<b>Self-financing on sales</b>	Cash flow / Sales	0,158	0,162	0,151	0,158	0,159	0,166	0,168
<b>Self-financing on assets</b>	Cash flow / Assets	0,120	0,132	0,108	0,109	0,105	0,131	0,125

Table 3. Ratios from 2014 to 2018

<sup>22</sup> For minimum cash we used 7,5% of CL

## 6.4. DAMM CASH FLOW STATEMENT

	2018	2017	2016	2015	2014
<b>1.- CASH FLOW FROM OPERATING ACTIVITIES</b>					
Profit/(loss) for the financial year before taxes for continuing operations	137.326	165.987	134.552	123.774	103.100
Adjustments for:	62989	56882	75784	57289	61809
Depreciation and amortisation	75.298	69.648	63.976	65.725	72.721
Profit/(loss) from equity method	-17.279	-25.033	-19.061	-16.194	-14.721
Net profit/(loss) from impairment and disposal of non-current assets	609	2.761	5.362	1.422	212
Income from investments	-6	-7	-9	-6	-7
Income from investments	-2.371	-4.576	-845	-1.178	-2.340
Change in provisions	-1.832	4.671	21.172	3.670	-657
Finance expenses	9.194	10.160	5.018	5.874	7.828
Allocation of grants	-341	-360	-340	-641	-320
Exchange differences	-274	887	511	-1.553	-907
Net gain/(loss) Disposal of financial instruments	-9	-1.269	0	170	0
Changes in working capital	-53.653	4.604	-8.765	24.975	-5.712
Inventories	-8.201	-8.773	-5.007	-6.787	3.731
Trade and other receivables	-51.022	-36.600	-22.441	273	-20.664
Other current assets	-1.776	793	-940	1.857	-2.388
Other financial current assets	-491	14.874	168	379	1.535
Trade and other payables	9.619	24.406	16.981	21.521	12.286
Other current liabilities	-1.782	9.904	2.474	7.732	-212
Change in provisions and other non-current liabilities	0	0	0	0	-423
Cash generated from operations	146662	227473	201571	206038	158774
Income tax payment	-19.423	-34.561	-31.116	-34.991	-37.028
<b>Net cash flows from operating activities(I)</b>	<b>127.239</b>	<b>192.912</b>	<b>170.455</b>	<b>171.047</b>	<b>121.746</b>
<b>2.- CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Financial income and dividends received	12.642	11.664	10.260	14.704	11.613
Payments for investments	-181316	-231676	-227859	-100638	-80941
Investment in assets	-161.725	-156.022	-86.278	-86.142	-62.484
Financial investments	-5.369	-59.050	-91.284	-9.162	-9.503
Investments in group companies, joint venture and associates	-14.222	-11.945	-48.174	-2.500	-8.954
Payments for other debts	0	-4.659	-2.123	-2.834	0
Receipt from divestments	9093	128193	1786	10665	86209
Financial investments	508	123.408	0	6.889	83.798
Investments in group companies, joint venture and discontinuing associates	6.590	4.593	1.550	0	0
Investment in assets	477	192	236	556	612
Receipt from other debts	1.518	0	0	3.220	1.799
<b>Net cash flows from investing activities (II)</b>	<b>-159581</b>	<b>-91819</b>	<b>-215813</b>	<b>-75269</b>	<b>16881</b>
<b>3.- CASH FLOWS FROM FINANCING ACTIVITIES</b>					
Receipt and payments from equity instruments	10876	47883	20194	-159159	0
Acquisition of equity instruments	-380	-453	-379	-207.956	0
Disposal of equity instruments	11.256	48.336	20.573	48.797	0
Finance expenses and dividends paid	-93.882	-63.675	-50.487	-45.192	-47.510
Receipt and payments for financial liabilities instruments	16440	-29908	244315	84820	-105310
Issue of debt with financial institutions	210.000	25.000	75.000	300.000	30.000
Issue of bonds and similar debt	0	0	200.000	0	0
Repayment and amortization of debt with financial institutions	-193.560	-54.908	-30.685	-215.180	-135.310
<b>Net cash flows from financing activities (III)</b>	<b>-66566</b>	<b>-45700</b>	<b>214022</b>	<b>-119531</b>	<b>-152820</b>
<b>NET INCREASE/DECREASE OF CASH OR CASH EQUIVALENTS (I+II+III)</b>	<b>-98.908</b>	<b>55.393</b>	<b>168.664</b>	<b>-23.753</b>	<b>-14.193</b>
Cash at the beginning of the financial year	291.121	221.028	67.364	50.054	90.552
Cash or cash equivalents at the beginning of the financial year	300	15.000	-	41.063	14.758
Cash at the end of the financial year	192.513	291.121	221.028	67.364	50.054
Cash or cash equivalents at the end of the financial year	-	300	15.000	-	41.063

**Table 4.** Cash Flow Statement from 2014 to 2018 (in thousands of Euros).

## **7. QUESTIONS:**

- 7.1. Identify the main qualitative strengths and weaknesses of Damm.
- 7.2. Identify the main financial strengths and weaknesses of Damm.
- 7.3. Analyse the ratios and compare them to the ratios of the average.
- 7.4. Does Damm have capacity to grow?
- 7.5. Calculate the Z-Score.
- 7.6. Cause and effect diagram.
- 7.7. Recommendations.