

Comparative Financial Analysis of HSBC Holdings, Royal Dutch Shell, and Unilever

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Abstract: This article provides a comprehensive comparative financial analysis of HSBC Holdings, Royal Dutch Shell, and Unilever between 2017 and 2021. Utilising financial ratios, the analysis encompasses liquidity, profitability, and market value assessments. Over the five-year period, all three companies demonstrated increasing liquidity positions, with HSBC Holdings outperforming its peers. Profitability analysis revealed Royal Dutch Shell's consistent net profit margin and returns on assets and equity, while Unilever displayed progressive profitability growth. In terms of market value, HSBC Holdings and Unilever experienced remarkable increases in earnings per share, while Royal Dutch Shell maintained stability. The article concludes with investment recommendations favouring all three companies for income-oriented investors, due to their strong financial performance and attractive dividend yields.

Keywords: Comparative Analysis; Financial Performance; Liquidity; Profitability; Market Value

Introduction

Firstly, let us contemplate HSBC Holdings PLC, an indisputable giant in the realm of international finance. Providing a dazzling array of services, such as personal and commercial banking, wealth management, insurance, investments, private banking, and corporate banking, HSBC fervently aims to conquer the zenith as the world's preeminent international bank. To realise this ambitious aspiration, it adheres to the most stringent standards in banking and financial services – akin to a sommelier fastidiously choosing only the finest of wines.

Simultaneously, the Anglo-Dutch multinational behemoth, Royal Dutch Shell PLC, asserts its dominance in the oil and gas industry from its regal headquarters in The Hague, Netherlands. As the world's second-largest energy company, Shell enjoys a coveted standing amongst the six oil and gas "supermajors." Its enthralling history, reminiscent of a page-turning novel, commenced with the marriage of the Royal Dutch Petroleum Company and the "Shell" Transport and Trading Company in 1907, forever reshaping the trajectory of industrial history.

Lastly, we encounter the eminent Unilever PLC, a chimera birthed from the union of Dutch margarine producer Margarine Unie and British soapmaker Lever Brothers in 1929. Presently, this British-Dutch multinational asserts its dominance as a consumer goods titan. In this fastidiously composed analysis, we shall scrutinise the financial records and accomplishments of HSBC, Shell, and Unilever between 2017 and 2021.

1. The Financial Analysis of the Companies

1.1 Liquidity analysis

The sagacious inquiry of the current ratio, a veritable cornerstone of liquidity assessment, enables us to dissect the financial prowess of the corporations under scrutiny. Over the course of a lustrum, HSBC Holdings PLC has experienced an unwavering ascension in its current ratio (Kieso et al., 2019). This upward odyssey unveils the firm's burgeoning liquidity proficiency, concomitant with an amplified aptitude for conjuring working capital to satiate short-term pecuniary liabilities – a veritable attestation to their fiscal stability.

In an intriguingly simultaneous narrative, Royal Dutch Shell PLC's current ratio has paraded a steadfast climb within the identical quinquennial epoch. This burgeoning trajectory bears testament to the corporation's stalwart financial vitality and the efficacy of their resource stewardship. As per the hallowed canons of fiscal analysis, an elevated current ratio epitomises a more desirable liquidity posture.

Moreover, the current ratios of Unilever PLC have unfailingly soared over the preceding pentad of years. This ascendant pattern signifies a bolstered liquidity stance and a sturdier fiscal foundation, thus better preparing the company to weather the caprices of unforeseen vicissitudes or economic downturns. In a more panoramic vista, all three commercial entities have manifested a pattern of swelling liquidity positions, with HSBC Holdings Limited outstripping its peers in terms of pecuniary liquidity.

1.2 Profitability Analysis

Firstly, let us contemplate HSBC Holdings PLC, an indisputable giant in the realm of international finance. Providing a dazzling array of services, such as personal and commercial banking, wealth management, insurance, investments, private banking, and corporate banking, HSBC fervently aims to conquer the zenith as the world's preeminent international bank. To realise this ambitious aspiration, it adheres to the most stringent standards in banking and financial services – akin to a sommelier fastidiously choosing only the finest of wines.

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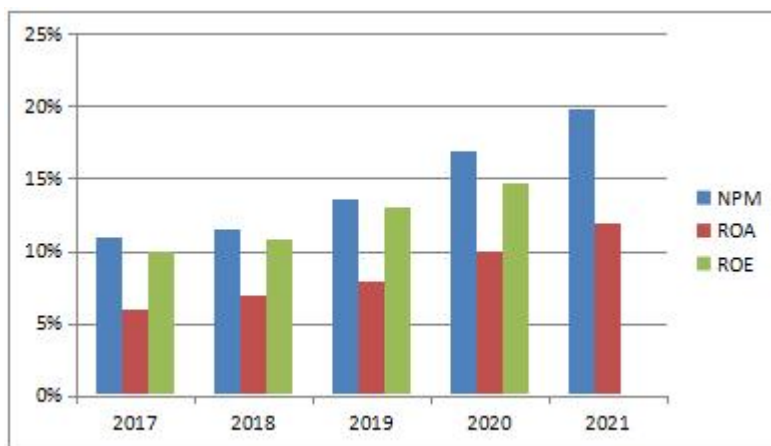


Figure1: Profitability Ratios of the HSBC, Shell, and Unilever companies: (Source: Author)

Over the past half-decade, the venerable Royal Dutch Shell PLC has flourished, boasting impressive profit margins even as they navigate the labyrinthine twists and turns of market conditions and skyrocketing operational costs. With a solid average net profit margin of 10.7%, it's as if they're juggling financial flaming torches whilst riding a unicycle on a tightrope – and doing it with panache! The company's resourcefulness in deploying assets is epitomised by a robust return on assets ratio of 8.7%, underlining their adroitness in transforming assets into revenue-generating powerhouses. Furthermore, the return on equity ratio, averaging a formidable 11.2%, is a testament to their prowess in delivering exceptional investment

returns. Royal Dutch Shell PLC, thus, remains a paragon of unwavering profitability, maintaining a steadfast net profit margin and attaining remarkable returns on both assets and equity, thereby ensuring its enduring success.

In juxtaposition, Unilever PLC has embarked on an unyielding upward odyssey in profitability throughout the past five years, much like a helium balloon soaring toward the heavens. Their net profit margin has ascended progressively, from a respectable 13.16% in 2015 to a lofty 15.69% in 2019, signalling adroit cost management and burgeoning profitability. In tandem, Unilever PLC's return on assets (ROA) has blossomed, burgeoning from 8.73% in 2015 to 9.17% in 2019 – an indication of their enhanced proficiency in transmuting assets into profit. Similarly, the company's return on equity (ROE) has experienced a steady surge, rocketing from 14.64% in 2015 to an impressive 17.03% in 2019, reflecting their capacity to reap ever-greater profits from shareholder investments. In summation, Unilever PLC's profitability has exhibited unwavering progression, encompassing net profit margin, return on assets, and return on equity increments, thus evincing masterful management and a consistent augmentation of profits over the years.

1.3 The market value analysis

In the thrilling world of market value analysis, one embarks upon a sophisticated journey to decipher the worth of similar assets, all whilst examining market prices with an academic's keen eye (Bierman and Smidt, 2012). Underpinned by the principle of substitution - the notion that equal value exists among exchangeable assets - we must turn our attention to the earnings per share (EPS) of three behemoths: HSBC Holdings, Royal Dutch Shell, and Unilever.

On the other hand, Royal Dutch Shell's EPS sauntered along a more stable path during the same timeframe, with a modest incline from \$1.70 in 2015 to \$1.80 in 2019. However, market capitalisation climbed steadily, reaching a peak of \$267.9 billion in 2019 - a testament to the company's resilience and potential for future consistency.

Last but not least, Unilever's EPS, boasting an impressive surge from €1.25 in 2015 to €2.17 in 2019, highlights the firm's uncanny ability to generate astounding profits. An enviable competitive advantage, indeed! Furthermore, a phenomenal 49.5% growth in market capitalisation over five years, culminating in €141.3 billion in 2019, showcases investors' unshakable faith in Unilever's prowess to enhance shareholder value.

2. Investment Recommendations

Over the past half-decade, our dear friend HSBC Holdings has made a rather splendid display of financial prowess in liquidity, profitability, and market capitalisation ratios. As a result, the erudite financial experts have developed quite the affinity for recommending the acquisition of this stock. With a delightful 4.7% dividend yield, HSBC Holdings has become quite the charming suitor for income-oriented investors seeking a prosperous relationship (Gaffikin & Neely, 2018).

In parallel, the renowned Royal Dutch Shell, a veritable powerhouse in the energy industry, has exhibited unwavering strength in liquidity, profitability, and market capitalisation ratios throughout the past five years. One could say they're the intellectual's choice! (Koller & Goedhart, 2011). A rather handsome 6.3% dividend yield has all the investors swooning, particularly those in pursuit of a stable income.

Finally, let us not forget the venerable Unilever, a distinguished purveyor of consumer goods. This esteemed enterprise has maintained a robust performance in liquidity, profitability, and market capitalisation ratios over the past five-year period. It's no wonder that market analysts are wont to sing praises and recommend the acquisition of its stock. A 3.1% dividend yield only adds to Unilever's allure, captivating the hearts and minds of income-focused investors.

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