PERFORMANCE OF LEADING FAMILY BUSINESSES IN THE GROUP OF EMERGING COMPANIES IN HUNGARY

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Abstract: *The main purpose of the study is to analyze the significance of family businesses within the group of emerging companies. The research into the success factors, potential growth and internationalization of family businesses has recently come into the focus of international interest. This study analyses family businesses that have been admitted to Hungary's group of emerging companies in the past two years, on the basis of their official annual reports. The elements of the sample were taken from the specialized database of the Hungarian subsidiary of Bisnode, international data service company. On the one hand, we have studied if these businesses are able to produce risk premium over the risk-free rate (owner's excess earnings). On the other hand, we are examining what capital structure they use to manage their successful business. Is it possible to conclude that family businesses with high return on equity (and positive risk premium) accomplish their successes with safe (relatively low risk) capital structure? Or does it work vice versa: the majority of leading family businesses with high return on equity are characterized by risk exposure related to their capital structure (rate of indebtedness over 60%, i.e. leverage over 1.5). Our studies have been conducted in the past 3 years, in the time period of 2014–2016, on the basis of publicly accessible and verifiable data of the annual report. In order to set the foundation for our analysis, we provide an overview on the major international literature focusing on the significance of family businesses, as well as the key Hungarian publications on this issue. For the selection of the sample and the justification of its relevance, we are providing an overview on Hungary's leading company rankings. The analyses are concluded via the statistical study of the time sequence data of financial indicators.*

Keywords: *family businesses; equity risk premium; capital structure.*

JEL Classification: *M10; L26; G39.*

1. Introduction and Research Question

Leading companies in Hungary – general overview
The leading Hungarian enterprises have been monitored by both the professional press (Heti Világgazdaság [Weekly Review of World Economy] and Figyelő [Observer] journals) and the research sector for years. In the period following the economic crisis, this entrepreneurial segment gained particular significance. GDP growth, employment, the ratio of foreign and domestic ownership, export share and

internationalization are the key terms that lead the main direction of studies (Halpern-Muraközy, 2010; Ábel-Czakó, 2013, Reszegi-Juhász, 2014; Czakó-Juhász-Reszegi, 2016). In addition to these issues, the enterprise size-based distribution, the share of different sectors, as well as the regional location of enterprises are also important aspects (Némethné, 2010).

There are two major media outlets within the specialized press which deals with this issue. Every year, Heti Világgazdaság publishes the ranking of Top 500 sales revenues and profits in Hungary, which is also a list of the most successful companies. This analysis includes sector-based distribution, as well as regional breakdown. The data and the analysis are collected and prepared by the Hungarian subsidiary of Creditreform Kft. international data service and analyst company. The relevance and accuracy of the data sets can be verified against the database of the Hungarian Central Statistical Office (KSH), the www.e-beszamolo.im.gov.hu website and with the use of the interface of the Opten company information portal. Figyelő journal publishes the ranking of the Top 200 Hungarian sales revenues on a yearly basis, according to two different aspects: ranking and analysis of companies having the highest sales revenues, as well as ranking and analysis of emerging companies. The latter ranking includes those companies in the Hungarian SME (small and medium-sized enterprise) sector that achieved the best performance in the past year considering the combination of employee headcount, sales revenues and profit. The data sets and supervision of methodology of Figyelő journal are managed by Bisnode Kft. international business information service company. The analyses are conducted by associates of Hungarian universities (Corvinus, Budapest Business School).

From among the general results presented by the academic sector in relation to leading Hungarian companies, the analyses studying the entrepreneurial growth factors (Bélyácz, 2015; Balla-Mundaca, 2015; Katits-Szalka, 2015), and the researches focusing on the entrepreneurial performance determining factors and the potential effects of internationalization (Halpern-Muraközy, 2010; Reszegi-Juhász, 2014, 2016) are highlighted. Ábel and Czakó (2013) summarize the theoretical explanations for internationalization and export performance, present the Hungarian research results on exporting companies, and formulate the crucial success factors of export on the basis of conclusions drawn from 10 case studies. The responding companies are medium-sized companies with Hungarian majority ownership, were founded after 1990, are involved in high-volume export activities and have over 50 employees. Additionally, Reszegi and Juhász (2014) analyze in details the double duality of owner clusters and the total factor productivity in the selected Hungarian entrepreneurial sample of about 5000 elements. In the sample, for enterprises with 20–49 employees, the value of the number of sample units / total number of companies in the national economy is 22%, whereas the corresponding value in the case of enterprises engaging 50–249 employees is 48%, and the share of large companies is 61%. Therefore, in the case of medium-sized and large companies, the examined sample certainly includes half of the existing enterprises (Reszegi-Juhász, 2014, p. 73.). However, it should be highlighted that from among the entire SME sector, the sample covers 70% of the total number of Hungarian SMEs (with 20–249 employees).

The specialized research focus of our study is aimed at the most successful family businesses, which – in most of the cases – still belong to the SME sector or have met the criteria for large companies following their long-term standing as SMEs.

Below, we provide a summary on the role of family businesses as reflected in the international literature.

Definition, role of family businesses

Family businesses comprise a determinant segment of the business environment worldwide. There are several international studies that confirm the significance of family businesses within the national economy on the basis of their GDP contribution, as well their position in employment. The international economic power and prospective strengthening of family businesses in the future are suggested by the fact that while in 2005 15% of the Fortune TOP 500 companies were family-owned companies, in 2014 their share came to be 19% (Makó et al., 2016). According to the Eurofound annual report 2015, family businesses within the small and medium-sized enterprise (SME) sector represent a share of over 85%, and nearly two thirds of the employees – almost 60 million people on European level – are engaged by family businesses. The increased activity observed in the field of research on family businesses in recent years has focused on the issues relating to succession. According to researchers, however, the peculiar characteristic of family businesses – which manifest itself in the characteristics of the ownership system, the issue of succession, as well as management methods – has an influence on both strategic and operative thinking, and therefore – in addition to succession – there are several research fields of interest in connection with family businesses.

Family businesses represent a relatively heterogeneous group, and researchers have not reached consensus in relation to their definitions (Miller et al., 2007), as it is challenging to specify such a comprehensive and exact definition that meets the academic demand, and at the same time allows a summary of the peculiar characteristics of family businesses regardless of their size. Beyond the aforementioned, the variety of definitions is also proven by a study that was conducted in 2008 on commission by the Directorate-General for Internal Market, Industry, Entrepreneurship and SMEs of the European Commission (then called Directorate-General Enterprise and Industry), which analyzed the national use of definitions in 33 countries (EU 27, Iceland, Norway, Lichtenstein, Turkey, Croatia and Macedonia), and searched for the shared elements in the definitions, which can potentially result in a uniform European definition. Based on the 90 definitions explored, Mandl (2008) did not find such a standard and universal definition for the "family business" category that was widely and exclusively used in all the possible fields, such as public and political debates, legal regulations, statistical data services, as well as in the area of socio-economic researches. This article interprets the concept of family businesses as per a definition proposed by an expert group, according to which:

"An enterprise can be considered a family business if the majority of the decision rights are held by the natural person(s) who have founded the company, or such natural person(s) who have acquired ownership in the company, as well as their spouses, parents, children of the aforementioned person(s), or the direct offspring of their children. The decision rights can be indirect or direct; at least one representative of the family or relatives formally participates in the management of the company, or in the case of companies listed at the stock exchange if at least 25% of the voting shares are owned by the founder (or buyer) of the company, or the family or offspring thereof." (Mandl, 2008, p. 48)

Research history related to the financial performance and capital structure of family businesses

A significant proportion of literature on family businesses makes mention of the performance of family businesses (Chrisman et al., 2003), and the majority of the studies researches into the difference between the performance of family and non-family businesses. In the past decade, several such empirical studies have been published – enriching the associated international literature – that examined the relationship between performance and ownership structure.

According to the overview of research materials focusing on European family and non-family businesses, in the light of ROE indicators the results are rather controversial. On the basis of an Italian sample, Culasso et al. (2012) concluded that non-family businesses proved to have better return on equity, while Kowalewski et al. (2010), Maury (2006), and Sraer-Thesmar (2007) reached an opposite conclusion in view of Polish, Western-European and French stock exchange companies respectively.

One of the branches of studies focusing on the leverage of family businesses is represented by studies according to which family businesses have lower leverage than non-family businesses (Villalonga & Amit, 2006). This partly responds to opinions that emphasize the conservative and risk-avoiding behaviour of family businesses in terms of finances, which attitude may stem from the entanglement of family and company finances, and their aversion to damage to reputation resulting from incorrect investment-related decisions (Voordeckers & Steijvers, 2006).

There is a debate among researchers about the capital structure of family businesses, as there are results according to which family businesses operate with significantly lower amounts of debt and leverage. If considering the outcomes of European history researches, the results of Psillaki (2010) and Ampenberger et al. (2011) – concluded in relation to French companies and 600 German companies respectively – unanimously reflect lower leverage in the case of family-run businesses, such as in the studies of Gottardo & Moisello (2014) covering 3004 medium-sized and large Italian companies, the analysis of Burgstaller & Wagner (2015) conducted with 470 small and medium-sized Austrian companies.

According to research results, classical financing theories may serve as baseline for the evaluation of family businesses' financial decisions, however, the particular characteristic, the goal and value system (i.e. the so-called socio-emotional features), the pace of growth, life cycle, profitability, extent of internationalization of the family businesses, as well as the typical characteristics of the sector and the financial, cultural features of the specific country are to be also taken into consideration.

2. Sample Selection and Methodology

Sample selection

The database of our study, the list of Top 200 Emerging companies have been compiled by Bisnode – one of Europe's leading business information service provider – on the basis of its database covering the entire Hungarian business world. This is the source of the financial statements of the companies, which can be publicly accessed and verified at the official website of the government: www.e-beszamolo.im.gov.hu. Admission and membership in this entrepreneurial group is bound to strict criteria. Parameters of admission: headcount of medium-sized

company category, values of net sales revenues and/or balance sheet total. Criteria of membership: the headcount cannot be reduced, the sales revenues may not decrease, the result cannot be negative. As per the official criteria of 2015, a company is regarded as a medium-sized enterprise if its headcount is between 50 and 249, its net sales revenues is EUR 10–50 million (HUF 3.131–15.656 billion), while its balance sheet total amounts to EUR 10–43 million (HUF 3.131–13.464 billion). The list focuses on the non-financial sector: companies with governmental or municipal majority shareholding, players belonging to the financial sector, non-profit and public benefit companies are not included. The ranking of the list has been established on the basis of three indicators: ROIC, the per capita added value and growth rate in combination with the headcount (and sales revenues).

According to the 2016 list of Top 200 Emerging companies, 41.5% of the most dynamic medium-sized companies (83 companies) are in Hungarian ownership. From among the emerging companies of Hungarian owners, this year we have identified 50 family businesses. According to the sectoral classification, it can be concluded that the most successful companies include mainly carrier and forwarding companies, enterprises working on major governmental orders in road construction, companies in the processing industry – primarily those specialized in metalworking –, as well as commercial companies.

In 2016, family businesses performed well, as half of the elite group consisting of the 10 most dynamic companies, and furthermore one fourth of the 50 most successful medium-sized companies were represented by family businesses. The most successful family company – the one that ranked 2nd on the list of Top 200 Emerging companies – is 77 Elektronika Műszeripari Kft, which is known and recognized world-wide, and was awarded the Grand Prize for Innovation in 2016.

From among the 50 family businesses that were added to the list of Top 200 Emerging companies in 2016, 30 companies had not yet been present on the list in 2015. Therefore, there are 20 such family businesses that have come into our focus also with respect to data series encompassing several years. This group of companies will be analyzed below. The companies are indicated with their abbreviated names. The following table shows the key financial parameters of the sample elements in the studied interval (Table 1).

These 20 companies take dominant roles even beyond the group of Top 200 Emerging companies. Some of them are companies that are listed among the Hungarian Top 500, too. As compared to the sales revenues list of Top 500 for the time period of 2014–2016, the characteristics of our sample are summarized in Table 2. In terms of sales revenues, there are 2 outstanding companies. By 2016 both companies were added to the Top 500 ranking of sales revenues.

Table 1. Key data of the most successful Hungarian family businesses 2014–2016

Name/Year	Sales revenues (million HUF)			Profit (million HUF)		
	2014	2015	2016	2014	2015	2016
77 Elektronika	14,492	16,821	24,486	2,224	4,607	3,566
KRAVTEX	2,690	3,920	8,278	321	3,284	3,102
ECSERI Term	7,665	11,137	11,530	763	4,293	6,568
Dominó Trans	4,016	4,550	4,780	451	687	581
Kallos Cosmetics	4,153	5,236	5,740	854	327	377
Terrán Tetőcserép	4,668	5,866	7,136	320	1,446	1,415
TARR Épitő	7,320	7,834	8,502	1,041	599	624

	Sales revenues (million HUF)			Profit (million HUF)		
Name/Year	2014	2015	2016	2014	2015	2016
JÁSZ-PLASZTIK Autóc	13,871	18,314	23,936	306	2,196	3,974
AUTÓCENTRUM	6,435	9,883	12,353	228	2,121	3,394
MATERIAL-PLAST	3,187	4,016	4,944	318	1,546	2,369
PROPHYL	1,699	2,047	2,196	459	982	875
FERZOL Lemez	4,851	5,752	6,884	866	1,187	786
HE-DO Útép	9,342	9,959	10,228	1,199	1,213	4,161
BAKI-TRANS Szállítm	3,625	4,022	4,632	366	1,121	884
MIXVILL Ker	4,380	5,184	5,815	666	356	284
BI-KA Logiszt	5,286	5,881	6,144	107	1,795	1,608
Budapest Bortársaság	5,029	5,751	6,212	346	1,957	1,813
BA-HA-MA'S Élelm	5,295	6,180	7,088	116	969	1,046
Keskeny és Társai	4,640	5,391	5,967	836	2,054	2,667
Secret Control	2,269	2,461	2,787	1,080	710	213

Source: own compilation on the basis of Bisnode's data sets and the annual reports (2014, 2015, 2016)

Table 2. The most successful Hungarian family businesses in the Top 500 ranking of sales revenues

Top 500, sales revenues	Criteria (500) (million HUF)	Best in sample (million HUF)	Name (rank)	2nd rank in sample (million HUF)	Name (rank)
2014	18,250	14,491	77 E	13,870	Jász Pl. Autoc.
2015	19,716	18,314	Jász Pl. Autoc	16,821	77 E
2016	20,292	24,486	77 E (425)	23,936	Jász Pl. Autoc. (430)

Source: own compilation on the basis of the annual rankings (2014, 2015, 2016) of HVG and Figyelő journals (Sales revenues: million HUF)

As compared to the profit list of Top 500 for the time period of 2014–2016, the characteristics of our sample are summarized in Table 3.

Table 3. The most successful Hungarian family businesses in the Top 500 ranking of profit

Top 500, profit after taxes	Criteria (500.)	Sample 1st position	Name (rank)	Sample 2nd position	Name (rank)	Sample 3rd position	Name (rank)
2014	927	2,224	77 E (217)	1199	He-Do (409)	1080	Secret (445)
2015	1112	2036	77 E (279)	1466	Ecseri (371)	1313	Secret (418)
2016	1171	4376	77 E (142)	2269	Kravtex (210)	1682	Ecseri (335)

Source: own compilation on the basis of the annual rankings (2014, 2015, 2016) of HVG and Figyelő journals (Profit after taxes: million HUF)

Taken out from the sample, the most profitable companies prove to have the following tendency in the studied interval (Figure 1).
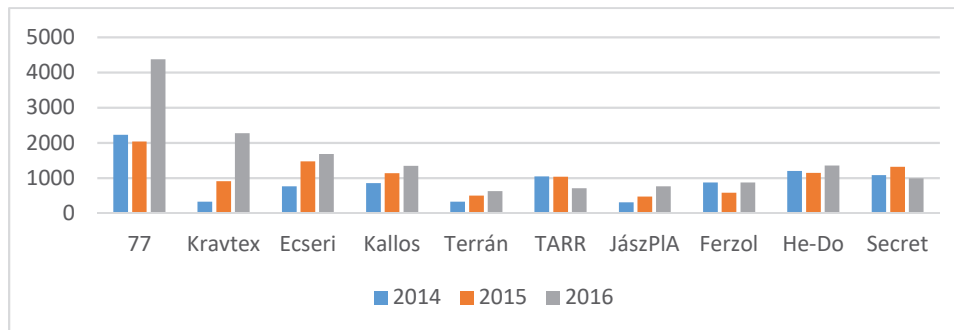
Figure 1. Profit after taxes in the most successful family businesses (Data: million HUF)
Source: own compilation on the basis of the annual rankings (2014, 2015, 2016) of HVG and Figyelő journals

It is apparent that the companies of the sample were successful not only in boosting their sales revenues, but for half of the sample profit levels are also high, and show upward tendencies.

Consequently, the two focal points of our analysis: review of the equity risk premium and analysis of the capital structure.

Methodology

The research questions have been formulated in relation to the sample consisting of the above 20 companies, and the analyses have been conducted on this sample. We have studied whether the sample companies have been able to produce risk premium over the risk-free rate (owner's excess earnings) in the recent period. Furthermore, we are examining whether they use risky capital structure to manage their successful business. This study also facilitates the analysis of DuPont's correlation (Virág-Fiáth, 2010; Bélyácz, 2015; Katits-Szalka, 2015; Zulfigar et al., 2016).

We use the trends of the prime interest rate of the Hungarian National Bank and the methodology of the international ROE researches (Hermann, 2008; Culasso et al., 2012; Droj, 2012, 2015; Spicka, 2015, Gergely-Rózsa, 2018) to estimate the risk premium. Our research is primarily of descriptive nature, and the analysis of trends in the equity risk premium is also completed with the examination of quartile values, mean and standard deviation values (Tarnóczi–Fenyves, 2017).

DuPont' correlation aggregates the effects of the key functional subfields of companies on the return on equity (Virág-Fiáth, 2010). Based on the foregoing, high profit on equity can originate from a high value of returns on sales, which suggests excellent selling and marketing activities, or improving cost management, or the combination of these two. ROE growth may be generated by the increase in the efficiency of asset use. At the same time, ROE value also grows if the financing risk, i.e. leverage (liabilities / equity ratio) increases. (Katits-Szalka, 2015). It is therefore justified to conduct a detailed analysis on the capital structure risk (Balla-Mundaca, 2015, Herczeg, 2014). In the case of capital structure, a time sequence study is performed on the leverage rates, with the examination of quartile values, mean and

standard deviation values. Thereafter, we explore the internal composition of the capital structure, and analyze the proportion of short-term credits.

We presume that positive equity premium will be detected in the studied interval. Furthermore, it is suggested that in certain cases it can be accomplished by assuming financing risk (leverage over 1).

3. Research Results

Results of the ROE review

For the risk premium calculation, the time sequence trend of the prime interest rate of the National Bank is needed. For this purpose, we downloaded the available data from the official site of the National Bank of Hungary, and every year we calculated the annual risk-free rate values by using time-proportionate weighted averages.

Table 4. Data set of the prime interest rates of the National Bank of Hungary

2009	2010	2011	2012	2013	2014	2015	2016
8.71%	5.48%	6.10%	6.69%	4.19%	2.40%	1.66%	1.05%

Source: Website of the National Bank of Hungary and own calculations
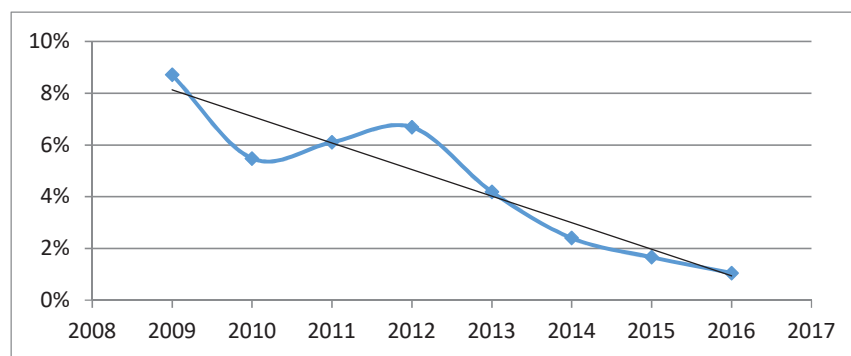
Figure 2. Data set for the prime interest rates of the National Bank of Hungary with trend function
Source: Website of the National Bank of Hungary and own calculations

Since the end of the crisis, Hungary's monetary policy has been characterized by the continuous and intense decrease of the prime interest rates of the National Bank. In the period after the crisis, the value of the risk-free rate was around 6–7%, which dropped to 2.4% by 2014, and then it sank below 1% by 2017. The decreasing sequence of prime interest rates may generate a phenomenon that allows enterprises to produce positive and increasing risk premiums for their owners even with decreasing returns on equity. We have examined if this phenomenon is relevant to our sample of companies.

During the analysis of ROE values, we calculated the value sequence of the sample quartiles. Thereafter, we calculated the average without the distorting values of the upper and lower quartile (average ROE of 10 companies - average1), and then we calculated the average again by excluding the upper quartile only that has positive distorting effect (average ROE of 15 companies - average2). The results are summarized in Table 5.

Table 5. ROE and risk premium data sets trends

	2014	2015	2016
Lower quartile	*17.2%*	*17.5%*	*16.8%*
Median	26.1%	24.2%	26.0%
Upper quartile	*42.8%*	*29.3%*	*33.2%*
Average1	27.4%	23.7%	25.6%
Average2	34.1%	30.6%	32.8%
Risk pr1	**25.0%**	**22.0%**	**24.5%**
Risk pr2	**31.7%**	**29.0%**	**31.7%**

Source: Own calculations on the basis of the company database

The sample can be described by high and steady equity risk premiums. Even the 5 companies in the lower quartile have relatively high ROE values around 17%, and the median shows a firm value of 26%. Regardless of the extremely high values of the upper quartile, the ROE values of the sample section consisting of the rest 15 companies would vary between 30% and 34%, and this is accompanied by robust and high excess earnings over the risk-free rate, the value of which is 31%. High, but slightly decreasing profits on equity, combined with low and decreasing prime rate level result in excellent equity risk premium.

Results of the capital structure review
The capital structure review was started with the calculation of leverage (liabilities / equity) values. Similarly, the quartile values were analyzed first. The capital structure is characterized by very low leverage, and the values are increasingly advantageous in the period under review. By ignoring the companies in the lower and upper quartiles, the average of the remaining 10 companies (average1) drops from 83% to 62%. Disregarding only the slightly less favourable values of the upper quartile, the average of the remaining 15 companies (average2) decreases from 93% to 65%. Consequently, the leverage values clearly show a safe financing policy of very low risk (Table 6).

Table 6. Leverage data sets trends in the sample

	2014	2015	2016
Lower quartile	*43.2%*	*27.7%*	*26.8%*
Median	66.3%	56.5%	45.3%
Upper quartile	*153.7%*	*97.0%*	*134.1%*
Average1	83.2%	63.4%	62.1%
Average2	93.2%	63.2%	64.7%

Source: Own calculations on the basis of the company database

Thereafter, we also looked into the internal composition of the capital structure. It was found that 7 companies do not have any long-term liabilities, and in the case of 4 other companies the average value of the long-term liabilities / total liabilities is below 10%. In the entire sample, the average of the proportion of long-term liabilities is 18% with a standard deviation value of 22%. The sample, therefore, is not characterized by long-term indebtedness.
Within short-term liabilities, the proportion of short-term credits and loans was analyzed. As a result, the secure capital structure was confirmed from other aspects,

as well. The average proportion was 11% with a low standard deviation value of 14%. Less than half of the companies have short-term credits over 4%.

Results of the review of DuPont's correlation

Considering the two types of averages calculated with the sample, high risk premium values are accompanied by safe capital structure in the studied interval. In consequence, the question arises: how does the value sequence of the return on sales (ROS) influence, determine the favourable value sequence of ROE? Our analyses have led to the following conclusions (Table 7).

Table 7. Trends of ROE and ROS data in the sample

	2014	2015	2016
ROE data sets			
Lower quartile	*17.2%*	*17.5%*	*16.8%*
Median	26.1%	24.2%	26.0%
Upper quartile	*42.8%*	*29.3%*	*33.2%*
ROS data sets			
Lower quartile	*6.9%*	*7.1%*	*7.6%*
Median	11.6%	10.8%	11.0%
Upper quartile	*16.0%*	*17.1%*	*18.7%*

Source: Own calculations on the basis of the company database

Based on the data in Table 7, it can be concluded that the favourable trends of ROE are generated by the stable and high ROS values. It is only the upper quartile where there is a small, rather insignificant deviation in the tendencies. Compared to the low and decreasing leverage, this process indicates that the efficiency of asset management (asset turnover rate) in the sample of companies is also advantageous, its average value is over 2.

Table 8. Export rate trends in the sample

	2014	2015	2016
Lower quartile	0.3%	2.0%	1.9%
Median	12.6%	18.6%	23.5%
Upper quartile	39.8%	37.6%	37.4%
Average	21.0%	24.9%	26.4%
Standard deviation	23.3%	25.0%	26.0%

Source: Own calculations on the basis of the company database

On the basis of the high ROS values, we performed further research in association with the export rate characterizing the sample. We wanted to know what proportion of the return on sales is generated by export. In the case of 3 companies, there is no export at all, while in the case of another 3 companies, the average export rate is below 1%. The rest of the companies, however, clearly show an increasing share of exports within sales revenues (Table 8).

Based on the results, the sample (regardless of the companies in the lower quartile) can be considered to perform high-volume export activities. As an additional result, the companies are characterized by expanding export operations in the studied interval.

4. Conclusions

In our study, we analyzed the performance of the most successful family businesses within the group of emerging Hungarian companies in the time period of 2014–2016. In the general introduction, we dealt with the rankings of leading companies and the key results of the research sector. Thereafter, we offered an overview on the role and performance of family businesses based on the associated international literature. Our sample consisted of 20 Hungarian family businesses that had been firmly present for 2 years on the list of Top 200 Emerging companies of the Hungarian economic journal titled Figyelő. This group of companies was analyzed in view of their returns on equity, equity risk premiums and capital structures.

We presumed that positive equity premium would be detected in the studied interval, and in some cases it could be achieved by assuming financing risks (leverage over 1).

The results confirmed our first presumption. The companies achieved a high and firm risk premium in the studied interval. In the case of the sample excluding the upper quartile (15 companies) the average ROE value varied between 30% and 34% in the analyzed period. Comparing it with the decreasing prime interest rates of the National Bank, the group of companies proves to be characterized by a steady risk premium level of 31%, which is a conservative estimate.

Our second presumption about the capital structure has not yet been confirmed. In the reviewed sample of companies, the leverage exceeds 1 (i.e. 100%) only in the upper quartile. The average value of the leverage indicator of the sample without the upper quartile fell from 93% to 65%, and therefore the sample is characterized by a safe and increasingly favourable capital structure. Another proof for the safe (low risk) capital structure is the fact that less than half of the companies have long-term liabilities (it may be a drawback for developments though). Furthermore, the rate of short-term credits and loans within the short-term liabilities is steadily low (around 10% on the average).

Another result is that based on DuPont's correlation it can be concluded that the main reason for ROE trends was the variation of ROS values. Following the ROS analysis, we looked into the share of export within the sales revenues. Regardless of some exceptions (3 companies are not involved in export operations at all, in the case of 3 other companies the share of exports is below 4%), we found that the sample could be considered to pursue high-volume export operations: 21%–25%–26% average values, respectively, in the years under review, however with high standard deviation.

Our study focused on an interesting, yet unstudied group of companies, primarily by way of exploratory, descriptive analysis. In our opinion, this group of companies has significant growth potential, which is also supported by high risk premiums and steadily low risk capital structures. Another advantage of our study is that it can serve as the foundation for the comparative analyses of similar samples of companies in Central and Eastern Europe.

Acknowledgements

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