

Stock market performance

[Business](#), [Marketing](#)



1. 1 In this report I intend to critically evaluate the financial management of Eidos Plc using matters such as investment, financing and stock market performance. Eidos is not only the largest video games developer and publisher in the UK but also one of the leading in the world. They boast publishing operations across Europe (France, Germany, Spain and the UK) and are also embarking into the US and as far a field as Japan and Australia. During 2003 they have managed to increase turnover by a hefty 30% compared to the 12-month period ending 30th June 2002 as well as displaying a strong balance sheet with cash funds of i?? 58. 2 million. Eidos have produced big name games such as Tomb Raider, which since its debut in 1996 has sold over 30 million copies worldwide and holds the fastest selling PC game of all time, Championship Manager 4, claiming to be in " an exciting new phase" in their journey of development as a dynamic company.

2 Eidos state many objectives and 'missions' and subsequently through this mission say they are committed to the game play experience and are driving the business forward by taking positive steps to sustain long term growth. Subsequent objectives are to make the transition to a " customer focused, market-smart developer and publisher" and it is believed to be in a strong position to exploit opportunities that arise and are presented to provide a benefit to shareholders, thus maximising shareholder wealth.

To ensure sustainable growth they will drive their corporate aims and objectives to achieve this and be able to deliver enhanced stakeholder value by acquiring the best in new games and creating a balanced, innovative and market-smart portfolio of quality games. Their plan is to be the number one

provider of original content to the entertainment software market whilst establishing and maintaining high standards of corporate governance - the process by which the group is directed, managed and risks are identified and controlled.

As already stated above one of Eidos' aims are to identify and control risks that arise in general running of the company. Business risk is the variability of the company's income before interest, which may be affected by factors such as market power, and level of growth yet it isn't linked to the company's financial structure but rather to general business and economic conditions instead. 2. 2 Financial Risk on the other hand is the additional variability in the returns to shareholders that arises due to the financial structure containing debt.

At the low level of debt the company has it ensures that returns to shareholders are not heavily dispersed, thus also keeping down the company's financial costs. At this low level it decreases the probability of the company not being able to make a return to shareholders. 3. Market Performance 3. 1 The last price published on Yahoo! Finance (appendix 1) was 159. I have compared Eidos to the FTSE 100 and FTSE 250 as to check their performance in relation both the top 100 and 350 companies in the UK, these are compared on the graph below (Fig. 1):

Where at present Eidos PLC are out performing in the FTSE 100 by 13. 02% as well as continually out performing both the FTSE 350 and TechMark 100 as outlined in the Directors' Remuneration and backing up the strong position they find themselves in. 3. 2 Eidos' E. P. S figure is given as 13. 8p

disclosing an increase from (22.9p) in 2002. This is a proficient measure of growth over time and is also used to estimate the future growth of the company.

Eidos reported a profit after tax of 2 million for the year to 30th June 2003 compared to the previous fifteen months up to 30th June 2002 where a loss of 30.7 million was incurred. This shows a 25.4p rise in E. P. S before goodwill and amortisation thus showing that the E. P. S is a good indication to the future of a company but to gain a better view of Eidos' future I felt it would be necessary to look further back than just 2002 to observe the trend, if any.

Its importance is recognised by some management who use E. P. S to as part of their strategic planning 3.3 The current trend at Eidos PLC is 'strong bullish', this alone implies high volatility due to the positive value. The quarterly volatility figure is 42.49%, this backs up the previous statement regarding trend. As volatility increase so does the risk within the company due to the higher expected changes in the stock price. Normally with this high percentage Eidos would be classed as high-risk company but this is only as quarterly figure, still I would be inclined to state it as a high-risk company due to the fact that it was seen to be rising still last month.

3.4 Correlation is the relationship between the stock and the index; those that are highly correlated will perform similar to the index. Currently Eidos' is at 0.2, due to this we can conclude that both the stock and index are moving in the same direction but due to the diminutive figure this also implies that in Eidos' case both the stock and index are independent from

one another, and therefore, unrelated. Below is a graph to illustrate a similar position to that of Eidos (Fig. 2):