Financial Analysis for public Greek hospitality sector companies

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I hereby declare that the work submitted is mine and that where I have made use of another’s work, I have attributed the source(s) according to the Regulations set in the Student’s Handbook.

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Abstract

The purpose of this dissertation is to examine the financial performance of the forty largest hotel companies in Greece. One of the most significant parts of businesses is their financials and it is the part of a business that makes everything else flourish, especially in such an important sector for the Greek economy, tourism. Talking a look at Greece’s GDP and its correlation with tourism, it is shown that the first was highly influenced by the second. Furthermore, it is important to identify the potential shift in the financial position of the companies during the years under analysis and the general state of the sector as a whole. In order to examine these changes, data from the hotels with the highest revenue were used for the years 2013 to 2017. Calculating a wide range of ratios (Current ratio, ROA, ROE) and analyzing key financial figures (Assets, Profits, Losses, Debt and Equity) for those companies we found and presented the changes over the years and presented the most significant. Finally, the results of the financial analysis identify many problems that the hotel sector faces or may face in the future, and proposes suggestions to normalize or eliminate those problems.

Charilaos Ziskos
15/01/2019
Preface

This dissertation on the topic of Financial analysis of public Greek companies was written as part of the MSC program of Hospitality and Tourism Management of the International Hellenic University. My main drive in choosing this topic as my dissertation is my background as a hotel manager for four years now. The lack of general financial knowledge that managers have is an important factor that needs a deep investigation. I believe that the topic of financial analysis would be essential in my personal development as a manager and the appropriate ending in the MSc in Hospitality and Tourism Management. Having already briefly examined topics of financial analysis in previous courses throughout the year, my aim was to dive into the analysis of big tourism companies in Greece and examine how they perform financially, what are their strengths and weaknesses, which internal or external factors have affected their financial position, what they could improve and even how the Greek crisis has affected them over the years. Achieving an overall better understanding of the financials of companies and how they work in a sector, that is sometimes underrated or undervalued, especially in Greece, is important. That being said, I believe that this dissertation will help me develop individually, but also contribute to the literature by presenting a financial analysis of the major companies that operate in the Greek tourism sector. Finally, I would like to acknowledge the help received from my supervisor Dr. Grose for his guidance and support and also my family and my fiancé for their support and assistance during my time of study.
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1. Introduction

Most people have implanted the idea of tourism as the 3S’ (Sea, Sand, Sun), which comes from the big flow of tourists coming into Greece during ’70s and ’80s, from northern Europe. These people came upon the sun, the long beaches and the sea, missing from their countries and this was way mass tourism came to life. Greece has very good natural resources (e.g. climate, landscape, sea etc.), good hotel and other tourism infrastructure (e.g. airports, harbours, sidewalks, cleanliness etc.), but moderate to poor quality services and customer service. The last, in combination with high prices, cause a tricky relationship between value for money of the Greek tourism product versus its competitors (Sigala, 2014).

The creation of this image was not all of a sudden. It was the result of a long process over the past years. The poor experiences that foreign tourists came upon, assisted in it. Into this negative image, the luck of strategic promotion and marketing extended the trend.

Special forms of tourism came later. They offer travellers the ability to enrich their activities with different types of actions during or as the reason for their traveling. These activities can be agritourism, healing or medical tourism, religious tourism, ecological tourism or winter tourism. In this way the country becomes a popular destination, not only for its “classic (mass)” type, but also for those who want to make alternative holidays, seeking, apart from relaxation, the sightseeing that the country has to offer, and the unique experience within nature and its products.

1.1 Purpose of the study

In the uncertain and unstable financial environment that the Greek country has been operating these past years, most of its industries have suffered great distress. One of those industries, and possibly the most important one, is the tourism sector. Tourism is one of the most important factors of a country’s economy. Especially for a country like Greece. The constitution of tourism is strongly connected with the hotel industry, the leisure and travel, the entertainment and the food and beverage field. The general economic crisis constitutes the topic of which many, if not the most, fields are considering. It is said that tourism and its components can be vital in order for the country to succumb the difficulties faced. It is, therefore, crucial for an analysis to be conducted in order to assess whether the tourism sector has suffered much, or it is still operating strong within this economic environment. This paper’s purpose is to investigate the sector’s degree of influence in the country’s economy, by examining the financial data from the top forty hotel companies in Greece, according to the operating income of 2017. This five-year analysis aims to assess and identify the financial position of those companies, and how this position has shifted over the years under analysis. Moreover, by examining the financial position and the key financial figures of those top hotel companies, an understanding regarding the influence of said companies in the overall Greek economy can be developed.
The analysis will be based on financial data obtained for each company for the five-year period (2013 – 2017) and their change over the years. The analysis involves the most important financial measures such as assets, liabilities and the capital structure of the companies. By examining these measures, we are able to identify the state that the companies are in and how the general economic environment has affected them over time. Moreover, by calculating, presenting and analysing some individual financial ratios, we will be able to criticize the companies’ management and whether it operates efficiently. This aims to determine if the significant changes made to the companies’ financials are an outcome of poor management or financial instability of the sector as a whole. Concluding, by the analysis presented, one will be able to identify whether the companies have strengthened or weakened their financial position over the years under analysis. Also, it can be helpful to potential investors, willing to invest in the tourism sector, to determine which is the most profitable company out of the sample under examination.

1.2 Template of the Study

What is more important and should be in every researcher’s mind when conducting a financial analysis should be the accuracy of his/hers results. For the results to be realistic and sufficient, data have been selected from the International Hellenic University databases and the official financial statements presented by each company. Also, secondary data were collected from articles and online articles, books, electronic and non-electronic publications and official, relevant on the topic, websites. That way, we assure the integrity of the data taken and the results obtained in order for the analysis to be more realistic. The structure of this paper consists of two main parts. On the first part, general information about tourism is discussed. The main topics of analysis are tourism as a system, the different types of tourism, the industries directly connected to the industry and an analysis on the hotel part of the industry. Another topic that is discussed is the current situation in the Greek tourism, nowadays and over the years and the numbers which characterize it, reflecting this on the hotel sector. The second part consists of two subsectors. On the first a brief explanation about GDP and employment how tourism formulates its role on it, in Greece and Europe. On the second subsector a financial analysis on the 40 biggest hotel companies of Greece is illustrated. A financial ratio analysis is also added, in order to understand the salutation of the sector in general.
2. Tourism in General

2.1 Tourism System

Tourism is a word that all understand but most of the times it is hard to define. UNWTO defines tourism as actions and activities of persons that travel to and stay in places outside of their usual environment for not more than one consecutive year for leisure, business and/or other purposes. In other words, there it is a temporary movement of people to destinations outside their normal places of work and residence, followed by activities undertaken there and the facilities created to cater their needs. The person who undertakes these actions is called “tourist”. In Figure 1 the Number of International tourist arrivals worldwide for 2005 till 2017 is shown. During the years the numbers are growing, and this is influenced by many factors and creates the need of researching and studying on tourism.

Most authors define tourism as an industry. The idea of an industry is appealing, from a political view. Governments refer to tourism as an industry because it gives unity to the idea, appearing cohesive as an activity, can be easier to measure its economic impacts and its importance and easier to manage and plan for. In reality, tourism is hard to define because it is highly fragmented, mixes with many different sectors, becoming difficult to measure, becoming reactive, rather than proactive. It is an activity or a phenomenon, which can be defined as system rather than an industry. Hall, 2000 defines system as an integrated whole whose essential properties arise from the relationships between consistent parts into the environment. This discipline is used to formalize ideas and explain multiple and complex interactions with other systems, because a system cannot occur in isolation.

Leiper in 1979 (updated 1990) considered the phenomenon tourism as a system, which is functioning under various elements. His model considers the activity of tourist, the human element, which is helping the identification of industry sectors into a geographical place, inherited to all travel (Picture 1). Accordingly, tourism takes place in a range of external environments such as social, cultural, economic, technological, physical, political and legal environments.
Tourist is a system by himself, working as an actor of the whole, after all tourism is a human experience. The geographical elements are Tourist Generation Region, Tourist Destination Region and Transit Route. The first one provides the “push” to stimulate and motivate people to travel. The second, energizes the tourism system, the “pull” to visit destinations and creating demand for travel, making destination the place “where the most noticeable and dramatic consequences of the system occur” (Leiper, 1990). The transit route represents all the intermediate places which a tourist can visit en-route, not just the period of travel to the destination. Finally, the tourism sector, as the final element of the model, which involves all the businesses and organizations helping to deliver the tourism product. All these elements interact to deliver the tourism product, within different contexts.
2.2 Differences of tourism

Tourism differentiates according to the distinct characteristics of the people who make use of the tourist facilities, the origin of them and the purpose of the visit. Basically, it is a general classification of the tourists themselves, rather than the industry.

Tourism differences are:
- Domestic tourism: this type is accounted when people travel inside the country of its residence (e.g. A person from Greece that lives in Athens, traveling to Crete). Figure 2 shows the number of domestic arrivals in accommodations in Greece from 2006 till 2017.
- Outbound tourism: this type of tourism considers the residents of a country that travel abroad, to another country of their choice (e.g. A resident of Greece traveling to Spain).
- Inbound tourism: this type of tourism considers the residents of different countries, traveling to a destination, located to a given country (e.g. An American citizen, traveling to Greece).
  - International tourism: the total inbound and outbound tourism.
  - Internal tourism: the total domestic and inbound tourism.
  - National tourism: the total domestic and outbound tourism.

Figure 3. Domestic arrivals in tourism accommodation in Greece (Statista.com, 2018)

2.3 Industries directly connected to tourism

The industries that are directly connected to tourism and contribute in the whole process of the creation of the tourism product are the businesses that generate economic activity and are supported by tourists.
• Hotels, rooms to let, holiday villages, camping facilities, conference centers, time-sharing complexes. On Figure 3 the number of arrivals in tourism accommodation facilities, during the years, displayed. It is important to mention that at the start of the economic crisis in 2012 there is a decline, but moving forward things get back to normal, with numbers stabilizing and ascent over the latest years.
• Transportation companies, road, air and sea transportation, car rentals, travel agencies, tour-operators
• Marines, skiing facilities
• Restaurants, recreation centers, entertainment centers, bars, coffee shops etc.
• Conferences creations, exhibition creations, festivals and other cultural events
• Tourism-oriented trade e.g. souvenir shops

Figure 4. Number of arrivals in accommodation facilities 2006-2017 (Statista.com, 2018)

2.4 Definition of Hotels
An establishment that provides accommodation, meals, and other food services to travellers and tourists is the most common definition of hotels. It is, therefore, an economic unit that provides hospitality, this being the main product. Hotels can be run either as an independent unit or as a part of a larger complex, or hotels that are part of hotel groups and companies.

2.4.1 The hotel product
The whole of the material goods and services offered by a hotel is called hotel product. Services are intangible and cannot be owned by the tourist. The quality of services is characterized by subjectivity. The quality of many hotel services depends entirely on the behaviour of its employees, especially on cases where the service as a product is
consumed at the moment is produced. Services are therefore characterized by perishability, they cannot be stored and should be consumed when bought and when a unit of production is not sold, its lost forever. The amount of available hotel product is defined by the size of the hotel and the quality defines its economic success and evolution.

The hotel product is the result of a mesh composition of goods and services, such as:

- Natural and constructed environment
- Reputation of the hotel's location
- Architectural decoration and layout of the hotel
- Comfort, view, cleanliness and facilities of the bedrooms
- Food, beverages and other offered goods
- Service, willingness and positivity of the employees
- Music, entertainment and generally any convenience

It should be borne in mind that the hotel product is offered in a place that is not subject to change because the hotel cannot move and not be transported. Also, consumption of services requires the customer to be physically present on site. The hotel product is sensitive due to its variety of composition and presents the following characteristics:

- It is multi-faceted and complex. It is a product which consists of many products, which are different. These products are offered at different times in different spaces and different people
- The services consumption length differs in every consumer. His opinion on the overall quality is completed after the service
- It cannot be stored. The hotel room that was not rented one day, it cannot be rented the next, thus covering it previous day's revenue loss.
- It cannot be transported or distributed in the different places but obliges the consumer to move to the place that the service is provided in order to consume it
- It is connected and depends to other factors, e.g. weather conditions, earthquakes, terrorist acts, or other disasters that can cause a problem in its quality.

2.4.2 Classification of hotels

The star classification of hotel categories has resulted from travellers’ need for reliable information about services, facilities and amenities. Certification of a hotel into a star category is for the visitor an assurance that the hotel will provide services according to the specifications of the respective category.

- 1 Star hotel: A small business, usually run by a family. The services are limited to basic of an accommodation and are usually provided by the owner and his/her family.
• 2 Stars hotel: is a small to medium size business. The services remain basic, but the staff may be professional.

• 3 Stars hotel: is a medium-sized business, usually run by and occupying professional staff. All rooms have the basic amenities plus some extra. A restaurant exists in the premises and offers breakfast and other meals according to the hotel’s itinerary. It also has room service available to the guest.

• 4 Star hotel: is a medium to large enterprise that operates with remarkable professional staff. The hotel has a quality that varies from decoration and furniture to the quality of the mattresses. The rooms are comfort and larger than the previous categories. It offers a range of additional amenities, including 24-hour service and dry cleaning.

• 5 Star hotel: In this category the luxury is obvious. The rooms are larger. All the amenities a hotel has to offer are available. The interior decoration and the quality of the furniture are excellent. The staff are impeccable, well-trained and always at your disposal. The hotel’s restaurant is usually one of the best in the area and offers culinary delights.

This system, a lot countries already existed, was officially established by the HOTREC organization (Hotels, Restaurants & Cafés in Europe under the aegis of 39 associations from 24 European countries). In 2007 drew up the European Hospitality Quality Scheme (EHQ) which has been certified by the existing national regulatory boards as the assessment of each European country’s hotels.

Under the aegis of HOTREC, the hotel organizations of Austria, the Czech Republic, Germany, Hungary, the Netherlands, Sweden and Switzerland created the European Hotelstars Union in September 2009. The system has started operating in these countries in January 2010. More countries have joined HOTREC by exercising the "hotelstars" scheme themselves (Estonia in 2011, Latvia in 2011, Lithuania in 2011, Luxembourg in 2011, Malta in 2012, Belgium in 2012, Denmark in 2013, Greece in 2013). The "European Hotelstars Union" system is based on the German hotelstars system. This system had a wide impact on hotel classifications in the centre of Europe with five stars.

2.4.3 Subgroups of hotels

The accommodation into hotels can be also classified by the target markets that each hotel attracts. The most common types of markets include business, airport, suites, residential, resort, timeshare, casino, convention and conference hotels. In Figure 4 the overnight stays in tourism accommodations in Greece are displayed. Throughout the years there is an increase, with the year 2012 having a lower point due to the economic crisis.

• Business Hotels: These hotels are the largest group of hotel types and cater primarily to business travelers and usually located in downtown or business districts. Although Business hotels primarily serves business travelers, many
tour groups, individual tourists and small conference groups find these hotels attractive.

- **Airport Hotels:** These types of hotels typically target business clientele, airline passengers with overnight travel layovers or cancelled flights and airline personnel. Some hotels also provide meeting facilities to attract guests who travel to a meeting by air and wish to minimize ground travel. Another attraction of these hotels is instead of charging the guest on a daily basis guest can also pay for their room on an hourly basis.

- **Suite Hotels:** These types of hotels are the latest trend and the fastest growing segments in the hotel industry. The main attraction of these hotels is guestrooms with a living room and a separate bedroom. In exchange for more complete living room suite hotels generally have fewer and more limited public areas and guest services than other hotels.

- **Extended Stay Hotels:** Extended stay hotels is somewhat similar to the suite hotels, but usually offers kitchen amenities in the room. These kinds of hotels are for travelers who want to stay more than a week and does not want to depend on the service of the hotel. They do not provide any F&B (Food and Beverage) service or Laundry service etc. These kinds of hotels are considered by guests as "Home away from home".

- **Apartment Hotels:** Apartment/Residential hotels provide long-term or permanent accommodation for Guest.

- **Resort Hotels:** Resort hotels are usually located in the mountains, on an island, or in some other exotic locations away from cities. Resort hotels provide enjoyable and memorable guest experiences that encourage guest to repeat to the resort.

- **Bed and Breakfast Hotels:** These are houses with rooms converted into overnight facilities and can size up to 20 to 30 guest rooms. They are also known as 'Home Stay's'. The owner of the B&B usually stays on the premises and is responsible for serving breakfast to guest.

- **Timeshare and condominium Hotels:** A new type or segment of the hospitality industry is the timeshare hotels. These sometimes are referred to as "Vacation-interval" hotels. Timeshare hotels are where the guests purchase the ownership of accommodation for a specific period. Condominium are similar to timeshare but the difference between the two lies in the type of ownership.

- **Casino Hotels:** Hotels with gambling facilities may be categorized as a distinct group called Casino Hotels. Although the food and beverage operations in casino is luxurious their functions are secondary to and supportive of casino operations. Casino hotels attract guest by promoting the gambling and other entertainments.

- **Conference Centers:** These types of hotels focus on meeting and conferences and overnight accommodation for meeting attendees. These hotels mostly located outside the metropolitan areas and have facilities like golf, swimming pools, tennis courts, fitness centers, spas etc.
- Convention Centers: Convention hotels are larger in size compared to conference centers and likely to have more than 1500 rooms. These hotels are huge and have sufficient number of guest rooms to house all the attendees of most conventions, even the size of the meeting rooms, ball rooms, exhibit rooms are quite huge. They usually cater to convention market for state, regional, national, and international associations.

Figure 5. Number of overnight stays in tourism accommodation in Greece (Statista.com, 2018)
3. Tourism in Greece

3.1 General Information about Tourism in Greece

Greece is a Mediterranean country on the archipelago with a rich economic, religious and intellectual activity that takes place in this area for more than three and a half thousand years (Buhalis, 2001). A tradition in the field of tourism and hospitality already existed in the ancient history and the civilization. Visitors were considered sacred and hospitality was worshiped in the name of Zeus, the father of the gods of Greek mythology or god of sky and lightning, and was known as the god of hospitality, who protected visitors and inspired local people catering them (Buhalis, 2001).

The development of modern tourism in Greece started in the 1950s to meet the growing tourist demand. According to Buhalis (2001), Greek tourism product is a mixture of natural, cultural and historical attractions spread throughout the country, and the great diversity of services offered mostly by Small and Medium-sized Tourism Enterprises or SMTE (Buckley & Papadopoulos, 1986 Buhalis, 2001).

The main products of the Greek tourism are "sun, sand and sea", a wealth of history, culture, tradition and spectacular scenery. Greece's tourist infrastructure is well developed, tourist offer is most of the times planned to be expanded and Greece to be positioned as a year-round destination. The tourism infrastructure can potentially cover all four seasons and the different and challenging needs of the twenty-first century.

Tourism is one of the most important factors of a country's economy. Especially for a country like Greece. The constitution of tourism is strongly connected with the hotel industry, the leisure and travel, the entertainment and the food and beverage field. The general economic crisis constitutes the topic of which many, if not the most, fields are considering. It is said that tourism and its components can be vital in order for the country to succumb the difficulties faced.

According to Sigala, 2014, tourism in Greece has entered a long-standing crisis, with characteristics of slow but steady decay during many years. It is established that if the past years, most of the competitor countries of Greece (i.e. Egypt, Tunisia, Turkey etc..) wouldn't be facing emergency situations and problems, which benefitted the country occasionally, tourism in Greece would have faced a more substantial level of decay. Furthermore, the general crisis of the field is maintained by the image of country, which is not ideal the past years. She is adding that the deeper reasons for this crisis are not aggravated but are related with the way that tourism is treated by the country, by the government, by the businesses, by the society and by the citizens.

It is worth noting that tourism has been the locomotive of Greece’s economic development, over the last 30 years, but largely developed in an anarchic and uncoordinated manner. Careful and long-term planning, appropriate to the heavy industry of national importance, was inadequate. The constant change and
replacement of persons related to tourism, led to the reversal of previous plans, resulting in no strategic, administrative and operational coherence. At the same time, the lack of tourism education and consciousness, resulted in treating tourism as one occasionally profitable industry, and not the attention it deserves.

Referring to the image of individual components of tourism products in the country, is more appropriate. We can identify two main products that make up the portfolio of tourism, mass tourism and various alternative or special forms of tourism. Among these two major tourism products there are significant differences and differentiations, both in their image and management and in the quality of the services offered and customer service (Nella and Christou, 2011).

3.2 The sizes of Greek tourism

Table 1. Greek Tourism contributions and aspects in 2017 (SETE, 2018)

<table>
<thead>
<tr>
<th>Numbers for the year 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total contribution to GDP</td>
</tr>
<tr>
<td>Total contribution to employment</td>
</tr>
<tr>
<td>Total employment</td>
</tr>
<tr>
<td>Income from inbound tourism</td>
</tr>
<tr>
<td>Non-residents arrivals</td>
</tr>
<tr>
<td>Average expense per person</td>
</tr>
<tr>
<td>Part of the market (2017)</td>
</tr>
<tr>
<td>Seasonality</td>
</tr>
<tr>
<td>Contribution of offering</td>
</tr>
<tr>
<td>Hotel infrastructure</td>
</tr>
<tr>
<td>Top 5 airports (in foreign arrivals)</td>
</tr>
</tbody>
</table>

In Table 1 the numbers of Greek Tourism for the year 2017 are presented, as calculated by SETE. The importance of tourism in Greece can be drawn by understanding the size on the numbers and what these represent for the Greek economy.
3.1 The size of the hotel industry in Greece

Every year the Hellenic Chamber of Hotels Association are presenting the number of hotels, calculated by stars and the number of rooms and beds existing in each category. Table 2 shows the numbers as calculated for each hotel category and combined for 5 years.

Table 2. Numbers on tourism accommodations 2013-2017 (Grhotels.gr, 2018)

<table>
<thead>
<tr>
<th>Year</th>
<th>5*</th>
<th>4*</th>
<th>3*</th>
<th>2*</th>
<th>1*</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>Hotels</td>
<td>361</td>
<td>1277</td>
<td>2358</td>
<td>4203</td>
<td>1478</td>
</tr>
<tr>
<td></td>
<td>Rooms</td>
<td>57878</td>
<td>100289</td>
<td>95674</td>
<td>119157</td>
<td>28334</td>
</tr>
<tr>
<td></td>
<td>Beds</td>
<td>117555</td>
<td>194010</td>
<td>183722</td>
<td>223932</td>
<td>54206</td>
</tr>
<tr>
<td>2014</td>
<td>Hotels</td>
<td>375</td>
<td>1298</td>
<td>2402</td>
<td>4198</td>
<td>1472</td>
</tr>
<tr>
<td></td>
<td>Rooms</td>
<td>59581</td>
<td>101334</td>
<td>96742</td>
<td>118929</td>
<td>28193</td>
</tr>
<tr>
<td></td>
<td>Beds</td>
<td>120902</td>
<td>196402</td>
<td>185922</td>
<td>223562</td>
<td>53933</td>
</tr>
<tr>
<td>2015</td>
<td>Hotels</td>
<td>419</td>
<td>1340</td>
<td>2436</td>
<td>4110</td>
<td>1452</td>
</tr>
<tr>
<td></td>
<td>Rooms</td>
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<td>102690</td>
<td>96308</td>
<td>116015</td>
<td>27890</td>
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<tr>
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<td>199088</td>
<td>185081</td>
<td>218143</td>
<td>53331</td>
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<td>2016</td>
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<td>1485</td>
<td>2515</td>
<td>3900</td>
<td>1387</td>
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<tr>
<td></td>
<td>Rooms</td>
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<td>107805</td>
<td>96129</td>
<td>108383</td>
<td>26926</td>
</tr>
<tr>
<td></td>
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<td>153131</td>
<td>211064</td>
<td>186056</td>
<td>204193</td>
<td>51600</td>
</tr>
</tbody>
</table>

Figure 6. Hotel properties 2013-2017 (Grhotels.gr, 2018)
Figure 5 gives a graphical presentation of the number of hotels existing in each star category through the years 2013-2017. With the blue colour the 5 stars hotels are represented. There is an increase in the number of that type during the 5 years that are examined in the chart. With orange are the 4 stars hotels that are also increase in numbers during the years that are displayed on the chart. The 3 stars hotels (grey) are also increasing during 2013-2017. On the opposite side, the 2 stars hotels are decreasing, in a higher rate in the last years rather that the first 2 years of comparison (yellow colour). Accordingly, the 1-star hotels (light blue colour) are also declining in numbers during the 5 years that are displayed on the Table and the Figure above.
4. Travel and Tourism, GDP and employment

As one of the world’s largest economic sectors, Travel and Tourism creates jobs, drives exports, and generates prosperity across the world. Its global economic impact of in the year 2017 accounts for 10.4% of global GDP and 313 million jobs, or 9.9% of total employment (WTTC, 2018). Therefore, it is an important economic activity in most countries around the world, through its direct economic impact but also having significant indirect and induced impacts.

4.1 Contribution of Travel and Tourism to GDP

The direct contribution of travel and tourism to GDP reflects the internal spending on tourism and the government’s individual spending. This is the total amount of money spending by a government on travel and tourism services linked to visitors, for cultural (e.g. museums) or recreational (e.g. national parks) activities. There is a long-run relationship in GPD and tourist arrivals. A distinction between the purpose of traveling, leisure and business traveling, and the contribution of both are displayed on Figure 8. The contribution of leisure travelers is by far higher than business ones. It is still important to understand that both are equally important in determining the total contribution of tourism in GPD for Greece.

Figure 7. The purpose of travel and contribution to GDP (WTTC, 2018)

The total contribution of travel and tourism includes its wider impacts (the indirect and induced impacts) on the economy. The breakdown of GDP’s contribution elements for the Greek tourism is displayed on Figure 7.
The indirect contribution included in the GDP is consisted of:

1. Travel and Tourism investments – being an important aspect of both current and future activity and includes investment activity such as the purchase of new aircraft or cruise ship or the construction of new hotels.

2. Government collective spending, which helps travel and tourism activity in different ways as it is made on behalf of the community - e.g. tourism marketing and promotion, administration, security services, resort area security services, resort area sanitation services, etc.

3. The supply chain connected directly to tourism and tourism facilities, having to deal with tourists and tourist goods (e.g. purchases of food and cleaning services by accommodations, fuel and catering services by transportation services, and IT services by tour operators and travel agents).

The induced contribution relates to the GDP and jobs supported by the spending of those who are directly or indirectly employed by the travel and tourism industry.

Figure 8. Breakdown of Greek tourism contributing to GDP (WTTC, 2018) (WTTC, 2018)
4.1.1 Europe

Figure 9. Total contribution of Travel and Tourism in the GDP of Europe (Statista.com, 2018)

The direct contribution of Travel and Tourism to GDP in 2017 was 66.2bn Euro (3.6% of GDP). This is forecast to rise by 2.8% to 685.1bn Euro in 2018. It is also forecasted that the numbers will grow in 2028 to 869bn Euro. The numbers are shown on Figure 8 above. This primarily reflects the economic activity generated by industries such as hotels, travel agents, airlines and other passenger transportation services.

4.1.2 Greece

The total contribution of travel and tourism in Greece is shown on the figure below. There is an increase in its contribution over the years, with an exception of 2016, when the economic crisis and the import of immigrants in the country, and mostly its islands, were at rise.
The direct contribution of travel and tourism to GDP in Greece, for the year 2017, was 14.3bn Euro (8.0% of GDP). This is forecast to rise by 5.6% to 15.1bn Euro in 2018 and to 52.8bn Euro during the year 2018. Figure 9 above shows the contribution to GDP in Greece and the forecasts mentioned. As stated above, this reflects the activity generated by most of the hospitality and leisure components that are directly supported by tourists. The total contribution of travel and tourism to GDP (including wider effects, was 35.0bn Euro in 2017 (19.7% of GDP) and is expected to grow by 5.3% to 36.9bn Euro (20.2% of GDP) in 2018.

4.2 Employment

Over the past ten years, one in five of all jobs created across the world has been in the sector. With the right regulatory conditions and of course government support, approximately 100 million new jobs could be created in the next decade. Over the longer term, forecast growth of the travel and tourism sector will continue to be bloom as more people are willing to travel and see the wonders of the world.

4.2.1 Globally

The total contribution of travel and tourism to employment was 36,618,500 jobs in 2017 (9.8% of total employment). This is forecast to rise by 2.1% in 2018 to 37,403,500 jobs (9.9% of total employment) (WTTC, 2018).

4.2.2 Greece

In Greece the industry generated 459,000 jobs in 2017 (12.2% of total employment) and this is forecasted to grow by 5.2% in 2018, 482,500 jobs (12.4% of total employment). Figure 10 shows how many jobs were created in tourism over the years and a forecast for the year 2028, where 592thousand jobs will be directly connected to the industry.
The total contribution of travel and tourism to employment (including wider effects) was 934,500 jobs in 2017 (24.8% of total employment). This is forecast to rise by 5.6% in 2018 to 987,000 jobs (25.4% of total employment) (WTTC, 2018).
5. Financial Analysis of The Tourism Sector

5.1.1 Sample under analysis

In order to perform a detailed, comprehensive and reliable analysis, the chosen sample had to be carefully selected and to fulfill certain requirements that are the same for each company. Firstly, the basis for analysis is the same within the sample, which is the operating revenue for the last available year which is 2017. Secondly, all the companies are located and operate in Greece, and thirdly, are active, large or medium sized companies. In short, the chosen sample comprises of the forty hotels in Greece that present the highest operating revenue for the year 2017. This categorization is reliable because the operating revenue is one of the figures that most analysts look at when analyzing or comparing companies regardless of sector or size, and therefore the results ought to be more realistic.

The categorization is shown in the Figure below. Notably, it can be seen that the biggest company according to its revenue is Mitsis CO.S.A with revenue of almost 104.10 million euros. The company was founded in 1976 by the founder Konstantinos Mitsis who started as an entrepreneur in the knitting business. Nowadays, the company owns a variety of deluxe 4-star and 5-star hotels in Crete, Kos, Rhodes and Kamena Vourla and it employs more than 4.000 employees. Following Mitsis Company, comes Lampsa S.A. presenting operating revenue close to 64 million euros. The company owns some of the most known hotels in Greece, which include King George hotel and Great Bretagne in the center of Athens, Sheraton hotel in Rhodes and it also operates outside the region of Greece by having Hyatt Regency and Mercure Excelsior hotels in Belgrade under its ownership. The company was founded in 1878 and has since grown rapidly by constantly expanding its business within and outside of the tourism sector. The third largest company that is presented in the chart is the famous Sani S.A., one of the most famous hotels in Greece that is established and operates in Halkidiki, Greece. It is a relatively new company, given the fact that it was established in 1971 and it is one of the most rapidly grown tourism companies in the country, with presented revenue of almost 63 million euros.

It is also worth mentioning the three companies that come last in our sample. These are Santa Marina S.A. with a revenue of almost 16.50 million euros, Takos Akinita S.A. with 16.35 million and last on the list we have Akti Ariadni S.A. with 15.20 million euros. We can observe from the sample, that the difference between the operating revenue between the first three companies is greater than the difference between the revenue of the last three companies, specifically Mitsis Co.S.A. has over 40 million more revenue to the second one, while Santa Marina has no more than 0.15 million euros difference with the second to last, Akti Ariadni S.A..
5.1.2 Assets

The assets of a company are one of the most important financial figures that analysts, potential investors and shareholders are looking at when evaluating a company. They represent a resource with financial value that a company owns and expects to provide benefits in the form of income in the future. Simply put, it's an objective that is expected to provide future cash flows to the holding company or organization. Assets are an important part of the balance sheet of a company because while in theory having many assets sounds ideal, in practice it can be harmful if companies have poor control over them. In Figure 13 below, we can see the total assets of our sample, the lowest and the highest amount and the mean of the sample during the five year under analysis. From 2013 to 2017 the company that owned the most assets out of the 40 companies consistently is Helios S.A. which is a company that mostly operates in Crete and other Greek islands while the companies that presented the lowest amount of assets were Santa Marina S.A. for 2013 and 2014, and Athens Airport Hotel Company for 2015, 2016 and 2017. Santa Marina operates in the islands of Greece like Mykonos, but also holds accommodations in winter destinations like Arachova, while Athens Airport Hotel Company owns the Sofitel hotels across Greece. The total assets owned by the biggest companies in the hospitality sector peaked in 2017 reaching 5857 million euros. A very positive remark here is that the total assets of the industry were growing each year from 2013 to 2017 starting at 3951 million euros and ending up in the 2017 figure, a total increase of 48.26%. This increase is mostly due to the improvement of the net worth of the companies and possibly the decrease of their liabilities, something that is very hard to achieve in the unstable environment of the Greek economy.

However, while sector-wise there was an increase in the total assets, some companies suffered decreases in their assets. The companies with the biggest decrease in their assets during the five-year period was M.E.T.A. S.A. with a 30.01% decrease from 34 to 23 million euros and Kipriotis G & Sons S.A. with 20.00% decrease from 183 to 146 million euros. Two other companies that are high in the decreases list are Atrium Palace S.A. with a total increase of 19.15% from 63 to 50 million euros and T.E.I.M. Blue GR S.A. which decreased its assets by 14.70% from 97 to 82 million euros.
On the contrary, there were certain companies that increased their assets highly from 2013 to 2017. There were five companies that stood out due to their high asset increase, but on the top of the list we have Santa Marina S.A. that managed to increase its assets by no less than 430% from 12 to 67 million euros. The other companies with the biggest increase in their assets were Golf Residences S.A. with a total increase of 264.73% from 26 to 96 million euros, Louis Hotels S.A. with an increase of 184.50% from 63 to 178 million euros followed by Sani S.A. that increased its assets from 107 to 287 million, a total of 168.00% and Ikos Oceania S.A. with an increase of 167.50% from 25 to 67 million euros. The thing that is important to note in this section of the paper is that the total assets of the companies were increased, which is a good sign for the sector as a whole and shows the overall strong financial position by the biggest hotel industries in Greece.

![Figure 13. Assets](image)

### Table 3. Assets

<table>
<thead>
<tr>
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<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>5.857.573</td>
<td>5.493.128</td>
<td>4.768.034</td>
<td>4.029.738</td>
<td>3.950.860</td>
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<td>115.135</td>
<td>112.882</td>
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<tr>
<td>Highest</td>
<td>569.509</td>
<td>565.049</td>
<td>561.688</td>
<td>473.599</td>
<td>467.360</td>
</tr>
</tbody>
</table>

### 5.1.3 Capital Structure

After analyzing the assets of the companies, I believe it's mandatory to also analyze their capital structure. Capital structure is defined as the combination of equity and debt that the companies employ in order to grow and be financially healthy. It is believed that many companies can choose the amount of leverage they want to employ in the sense that they choose the amount of liabilities they can withstand.
given their equity. The amount of liabilities can vary from one year to another and it depends on the goals of the company. For example, for a given year a company may choose to increase its liabilities in order to expand or make a big investment, thinking that it can repay this debt with the future revenue from that investment. However, it is very hard for a company to manage its debt efficiently for large periods of times, and that is why some companies end up leveraging more than they can handle and they end up having financial troubles or even going bankrupt due to the large amount of debt.

In Figure 14 below, we can see the total debt of the companies, their mean, the highest and lowest amount for the 5 years of analysis. In the figure it can be seen that the companies’ total debt did not increase by a huge amount from 2013 to 2017, notably from 1,437 million to 1,669 million, a total change of 16%. The increase in the total debt is not too high, considering the financial environment the companies work in, meaning that most companies in situations of economic crises are forced into increasing their liabilities in order to pay their obligations. It is also worth mentioning, that as we saw in the previous section, the companies managed to increase their assets by almost 48.26%, an increase that is significantly higher than the increase in their liabilities, therefore managing to improve their net worth and their overall financial position.

The company with the highest debt for all five years of analysis was Helios S.A. The company presented total debt of 280 million in 2013, 330 million in 2014, 276 million in 2015, 350 million in 2016 and 264 million in 2017. It is not surprising that Helios S.A. was the company with the highest amount of debt, because it was the company with that hold the most assets. Helios S.A. is an example of a company that manages its capital structure efficiently, taking up large amounts of debt but managing to use it correctly and effectively in order to expand, invest in acquiring new assets and overall increase its net worth. It is reasonable for some of the companies with the biggest asset changes over the years to also have the highest increase in their liabilities. One of those companies is Louis Hotels S.A. which as mentioned in the previous section had one of the biggest increases in its assets. This increase is also seen by the company’s change in liabilities which increased by 114% from 39 in 2013 to 84 million euros in 2017. Also, Ikos Oceania S.A. that increased its assets 167.50% during the five-year span, increased its liabilities by 500% from 9 million in 2013 to 55 million euro in 2017. While it is normal for a company to increase its debt when expanding, there is a disproportionate increase in the assets and liabilities for Ikos Oceania S.A. which might be an indicator that the company is more leveraged that it should be and could face financial problems in the future.

On the other hand, the companies that presented the lowest debt obligations were Toxotis S.A. with 2.5 million in 2013, Athens Airport Hotel Company S.A. with 1.3 million euros for both 2014 and 2015, and Sunwing Hotel S.A. for 2016 and 2017 presenting 23.94 and 22.23 million euro respectively. Nevertheless, the companies that showed the greatest declines in their debt obligations were Lampsa S.A. with a decline of 84% from 43 million in 2013 to 6.9 million in 2017 and Sani S.A. that decreased its liabilities from 30 million in 2013 to 14.9 million in 2017 and total decline
of 50%. These two companies are unique in the sense that they managed to lower their debt, while increasing their assets and specially Sani S.A. which, as discussed earlier, was one of the companies with the highest increase in its assets.

Figure 14. Debt

![Debt Graph]

Table 4. Total Debt

<table>
<thead>
<tr>
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<th></th>
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</thead>
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<tr>
<td>Total</td>
<td>1.669.098</td>
<td>1.827.284</td>
<td>1.602.738</td>
<td>1.456.716</td>
<td>1.437.112</td>
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<td>Mean</td>
<td>46.364</td>
<td>52.208</td>
<td>47.139</td>
<td>45.522</td>
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<td>Highest</td>
<td>264.369</td>
<td>349.933</td>
<td>276.054</td>
<td>330.623</td>
<td>280.000</td>
</tr>
<tr>
<td>Lowest</td>
<td>22.23</td>
<td>23.94</td>
<td>1.300,00</td>
<td>1.300,00</td>
<td>2.542,05</td>
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The other component of the capital structure is equity. Increases in the equity of a company over a period of time is important because it shows an influx of funds towards it by the shareholders. Those funds are essential because they can be used instead of debt to fund some of the company’s obligations or investments. The total equity of the companies as well as the mean, highest and lowest figures are presented in Figure 15 below. As can be seen the equity of the companies increased from 1.70 million in 2013 to almost 3.00 million in 2017, a total increase of 75.20%. Comparing the increases in the debt and equity of the companies we can make a significant conclusion. The debt was increased by only 16% while the equity by 75.20% which means that the companies prefer funding their investments through their shareholders funds and therefore their leverage level has decreased. This means that they are exposed to less risk and that they manage to use the funds of their shareholders effectively thus lowering their financial risk.

The company that presented the highest equity for the whole sample period was T.E.MES. S.A. The company had equity of 302 million in 2013, 351 million in 2014, 341
million in 2015, 340 in 2016 and 363 million in 2017, an overall change of 20.2%. This company as it seen by its liabilities that did not rise too much, opted in financing its expansions through its shareholders’ funds. The most indicative example of a company that did the same thing exceptionally is Sani S.A. which managed to increase its assets by 168% simultaneously lowering its liabilities but increasing its equity by 300%. This means that Sani S.A. opted in completing its investments like the takeover of Ikos S.A. in 2015 mainly using its shareholder’s funds, refusing to employ debt, therefore keeping risk at low levels.

On the contrary, the companies that presented the lowest equity over the five years under analysis were Takos Akinita S.A. in 2013, Louis Hotels S.A. in 2014 and Ikos Oceania S.A. in 2015, 2016 and 2017. Tasos Akinita S.A. is a company that was founded in Creta and holds equity equal to 4.3 million euros. In 2014 Louis Hotels S.A. was found holding the lowest equity out of the 40 companies, which is somewhat surprising considering that it is one of the largest companies in the sample, holding a total of 28 four-star and five-star hotels in Greece and Cyprus. For 2015, 2016 and 2017 the company with the lowest equity is Ikos Oceania S.A. which is a company that owns five five-star hotels in several Greek islands. This is not surprising if we look at the company’s debt which increased from 9 million in 2013 to 56 million in 2017, meaning that the company used almost exclusively external sources in the forms of loans and borrowings in order to finance its investments and opted not to use its shareholder’s funds. Moreover, Ikos Oceania S.A. was the company with the highest decline in its equity during the five-year period, presenting a total decrease of 63.7%.

Figure 15. Equity
Table 5. Equity

<table>
<thead>
<tr>
<th>Equity</th>
<th>2017</th>
<th>2016</th>
<th>2015</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>2,993,571</td>
<td>2,623,962</td>
<td>2,154,993</td>
<td>1,723,309</td>
<td>1,708,852</td>
</tr>
<tr>
<td>Mean</td>
<td>76.758</td>
<td>69.052</td>
<td>58.243</td>
<td>49.237</td>
<td>48.824</td>
</tr>
<tr>
<td>Highest</td>
<td>363</td>
<td>340</td>
<td>341</td>
<td>351</td>
<td>302</td>
</tr>
<tr>
<td>Lowest</td>
<td>4.769</td>
<td>4.415</td>
<td>6.022</td>
<td>589</td>
<td>4.394</td>
</tr>
</tbody>
</table>

5.2. Financial Ratios

5.2.1 Current Ratio

The current ratio is one of the most important indicators of a company’s financial health. It is a liquidity ratio that measures the ability of a company to pay its short-term liabilities. Current ratio becomes more important when examining companies in the hospitality industry, because such companies have larger amounts of current liabilities than others, in the form of salaries, wages, short-term equipment leasing and others. Moreover, companies in this sector require generally more liquidity, because of the cyclical nature of the sector and the intense requirement for cash, even in times of economic turbulence. The benchmark current ratio for the hospitality sector is thought to be near 1 and that is what the stakeholders are normally looking for in their companies.

However, the reality is quite different than the theoretical suggestions. As presented in Figure 16 below, rarely the companies meet the theoretical benchmark of 1. Specifically, the Figure presents the average, the highest and the lowest values of current ratio in our sample during the period under examination. We can observe that the average current ratio for the companies remained almost the same from 2013 to 2017, increasing by only 0.02 points, which is a negligible change. It is also worth mentioning that the year with the lowest average current ratio was 2014 presenting a ratio of 0.76, showing that the companies during that particular year may had difficulties to pay off their obligations. However, during the following years leading up to 2017 the ratio improved by almost 23.50% to reach the 0.93 value of 2017, which is really close to the benchmark, showing that it became easier for the companies to pay their liabilities during that year.

Analyzing the companies separately, it is obvious that many companies present very high values of current ratio, which is a good sign for their financial position. Particularly interesting is the fact that the highest ratios were presented by the same company for each year, Sunwing Hotels Hellas S.A. The company presents current ratios of 4.09 in 2013, 2.78 in 2014, 2.46 in 2015 and 3.86 and 4.73 for 2016 and 2017 respectively, while its average current ratio for the 5-year period was 3.58. Those figures are incredibly high, and they indicate that the company is capable to pay its liabilities by almost 4 times if needed. However, those results may also be translated in a negative manner. The amount of current assets required to cover four times the liabilities is so high, that it may implicate that the company cannot manage it well, in the sense that perhaps it could decrease its assets to make investments or expand instead of keeping it in hand. In some cases, it’s better to have a lower current ratio in exchange of a
profitable investment of expansion. Therefore, this high number could be a sign of the financial inability of the company to manage its current asset in the most efficient way. On the other hand, the companies that present very low ratios may face problems in the future, even in the form of bankruptcy. The companies with the lowest ratios where, Elounda S.A. Hotels & Resorts in 2013 with a ratio of 0.05, Golf Residences S.A. with a ratio of 0.08 in 2014, in 2015 Helios S.A. with a ratio of 0.08, 2016’s lowest was Meeting Point Hotel Management Hellas S.A. with a ratio of 0.01, and finally for the year 2017 the company with the lowest ratio of 0.06 was Kipriotis G & Sons S.A. The figures for these companies are really low and below benchmark which means that if they do not start managing their assets well or lowering their liabilities, they will most likely face financial troubles in the future.

Although these were the companies with the highest and lowest current ratios over the years, it is also worth mentioning the companies that increased or decreased their current ratios largely over the course of the 5 year under analysis. The biggest change was Star Beach S.A. which increased its current ratio by 351% over the period under analysis, something that will impact positively its financial position. Moreover, Athens Airport Hotel Company S.A. managed to increase its current ratio by 146% in 5 years probably by good financial management of its assets and liabilities. However, there are some companies that decreased their numbers, such as Faiax S.A. and Ikos Oceania S.A. which decreased their current assets by 80% and 70% respectively from 2013 to 2017.

\[\text{Figure 16. Current Ratio}\]

\[
\begin{array}{c c c c c c}
\text{Current Ratio} \\
\hline
\text{MIN} & \text{2013} & \text{2014} & \text{2015} & \text{2016} & \text{2017} \\
\text{MAX} \\
\text{MEAN} \\
0.00 & 1.00 & 2.00 & 3.00 & 4.00 & 5.00 \\
\end{array}
\]

5.1.2 Return on Equity

Going forward with the presentation of the most significant financial ratios, we have the analysis of the Return on Equity (ROE). ROE is a profitability ratio that shows the amount of income return as a percentage of the shareholder’s equity. In short, it shows how much money a company makes from the funds that the shareholders have invested in it. Figure 17 below, shows the mean ROE that the companies presented during the sample period as well as the highest and the lowest ROE. We can observe in the Figure that the mean ROE witnessed a huge increase in 2014 given its 2013
negative value. Specifically, the average ROE in 2013 was -2.72% while in 2014 it was 19.70%. Also, the mean dropped again and stabilized in 2015 and 2016 around 3.00% only to jump at a new high of 11.54% in 2017. This shows that the effectiveness of the companies in managing their shareholder’s funds is changing almost every year, a possible sign of the unstable economic environment that the companies in Greece operate in.

Regarding the companies that present the highest Return on Equity over the five years, they were Ikos Oceania S.A. in 2013, Louis Hotels S.A. for both 2014 and 2015, Sani S.A. for 2016 and Meeting Point Hotel Management Hellas S.A. for 2017. Another point that has to be made in the observations is that no company has a stable ROE over the 5 years. It is fluctuating for almost all of them, with some presenting the biggest positive changes. Notably the companies with the biggest changes in ROE from 2013 to 2017 were Divanis Hotels S.A. with an increase from -4.85% in 2013 to 11.47% in 2017 and M.E.T.A. S.A. that presented a ROE of 14.04% in 2017 compared to the -11.31% in 2013.

For the companies that came lower to the list of, presenting the lowest ROE during the five years, those were Athenaeum Hotel & Touristic Enterprises S.A. in 2013, Krommydakis S.A. in 2014, while Ikos Oceania S.A. had the lowest ROE for the three consecutive years of 2015, 2016 and 2017. Whilst having the lowest ROE in the last three years under analysis, the company from Halkidiki, Ikos Oceania S.A., presented the most decreasing values in the whole sample, indicating a ROE of -34.09% in 2017 from the 2013 value of 18.34%. However, the company with the worst numbers throughout the years was undoubtedly Kipriotis G and Sons S.A. The five-hotel owner, award winning company had negative ROE values in each year of the analysis, indicating either a lack of good financial management, or a generally financially troubled firm.

Figure 17. Return on Equity (%)

![Return on Equity (%)](image)
5.1.3 Return on Assets

Return on assets (ROA), is a financial ratio that allows us to value how effectively the assets of a company are being used. While the hospitality industry is primarily a services industry, its prosperity heavily depends upon the correct exploitation and usage of its total assets. Many people in the industry believe that having more assets equals better performance and more profit, but this is wrong. An expansion or a general increase in the assets can leave a company with huge debt, if it is not used efficiently, which can be catastrophic for the finances of the firm. From the Figure 18 below, we notice that the firms under analysis performed relatively well over the years, presenting positive values for three out of five years. 2013 and 2015 were the years that the mean of the ROA of the companies was negative, but this is not too worrying since the figures of the following years (2014 and 2016) are positive. Generally, even though the figures are not very high, they are positive and most importantly the change of the mean during the five years of observations was positive moving up from -1.31% in 2013 to 2.55% in 2017. This shows that the companies on average improved in managing their assets efficiently, by increasing their profit with each investment.

The companies that seem to manage their investments more efficiently and therefore present the highest ROA, were Ikos Oceania S.A. for 2013, Hatzilazarou S.A. for two consecutive years 2014 and 2015, Sani S.A. for 2016 and Club Mediterranee Hellas S.A. for 2017. It is worth mentioning, that while those companies present the higher figures for the specific years, only two of them have a steady, positive and big ROA throughout the five years of analysis. Those two companies are Sani S.A. and Hatzilazarou S.A. that seem to be the more consistent in using their assets to generate earnings. On the hand, the other three companies of the top list present large fluctuations over the years like Club Mediterranee S.A. which presented negative ROA for each year except 2017, mainly because of some huge increases in its profits. Also, Ikos Oceania S.A. while having the biggest ROA for 2013, had a negative course of the years, presenting negative figures from 2015 to 2017.

On the contrary, there were companies that performed poorly, indicating negative Return on Assets. Those were Athenaeum Hotel & Touristic for the years 2013 and 2014, Meeting Point Hotel Management Hellas with a devastatingly low figure of -89.20% for 2015, Kipriotis G & Sons for 2016 and Astir Palace Vouliagmeni S.A. for 2017. The positive fact about these companies is that they did not face huge fluctuation in their ROA over the years, apart from Meeting Point Hotel Management Hellas, which is a sign of stability in their investments. Moreover, most of the companies presented an upward course in their ROA which is a good sign, showing that the management is aware of the financial problems and are trying to fix it, moving away from a financially unstable future.
5.1.4 Performance of the Companies based on Profit and Loss

Arguably the most important financial indicator for the stakeholders of a company is the profit or loss that a company makes during a year. Generally, the goal for every company is, or should be, to maximize its profits. A company makes profit when its revenue is higher than its expenses at a given point in time. This can be achieved either by increasing the revenue or by decreasing the expenses of a company. The profits or losses are also important from a potential investor perspective, because it is the easiest indicator of whether it is worth investing in a company or not. In short, no investor wants to put their money in a company that presents losses in its accounts for many consecutive years. In the following figure, we can observe the total results of the companies under analysis for each year, their average results and the companies that presented the highest profits or the largest losses.

At a first glance at the following figure, we can see that the most profitable year for the companies was 2017, by a large margin than the second most profitable year, 2016. Notably, the profit for the total sample of the companies was doubled in a year, showing a strong performance from the whole sector. On the other hand, total losses of 69.303 million euros were presented in 2013 a figure that is very high and indicates poor performance by the companies. However, the fact that 2013 that was the only year in which the companies presented losses is very positive, and as seen in Figure 19 the profits follow a steady upward trend in the following years. Most importantly, the total increase in the profits of the companies from 2013 to 2017 was 204%.

Unsurprisingly, the average results of the company follow the same pattern. 2017 was the most profitable year with average profits of 1.808 million euros, while 2013 is the year that the companies presented losses of 1.980 million euros. From that point onwards, we observe a stable rise in the average profits of the companies which doubled from 2015 to 2016 and from 2016 to 2017. These figures indicate a strong performance by the whole sector during the latest years, and the fact that while Greece is in an economic distress, the tourism sector can still prosper.
Taking a look at the companies that presented the highest profits for each year individually, Star Beach S.A. presented the highest profits for 2013, Hatzilazarou S.A. had the highest profits for 2014 and 2015, Sani S.A for 2016 and Porto Carras S.A. for 2017. As for the companies that suffered the largest losses throughout the years those were Porto Carras S.A in 2013, Astir Palace Vouliagmeni S.A. in 2014, Aldemar S.A. in 2015, and T.E.MES S.A. (Tourism Enterprises of Messinia) for 2016 and 2017. It is surprising to see Porto Carras having the highest profits in 2017 and also the greatest losses in 2013. It is a very positive sign for the company’s managers, that in four years they managed to change the image of the company completely from being the worst company in the sector, to be the most profitable by increasing its profits by no less than 310%. However, there are companies that consistently presented losses throughout the sample period. Those companies were T.E.MES S.A., Astir Palace Vouliagmeni S.A., Chandris Hotels S.A., Athenauum Hotel & Touristic, Kipriotis G. and Sons S.A., Krommydakis S.A. and T.E.I.M. Blue Gr S.A. Although this is a concerning factor for the companies individually and the sector, the positive fact is that all these companies have decreased their losses which justifies the increase in the average profits of the companies.

It is obvious that some companies face financial problems which is the reason for the consecutive losses they present, but it is very promising that on average the whole sector seems profitable. The total and average values are positive and relatively high, something that is positive for the country’s economy, considering the environment of economic distress that the country is in, especially during the latest years.

Figure 19. Profit and Loss

Table 6. Profit and Loss

<table>
<thead>
<tr>
<th>Profit/Loss</th>
<th>2017</th>
<th>2016</th>
<th>2015</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>72.337</td>
<td>35.009</td>
<td>14.850</td>
<td>8.151</td>
<td>-69.303</td>
</tr>
<tr>
<td>Mean</td>
<td>1.808</td>
<td>898</td>
<td>391</td>
<td>233</td>
<td>-1.980</td>
</tr>
</tbody>
</table>
Conclusion

The purpose of this study was to obtain financial data of the forty biggest hotel companies that operate in Greece and demonstrate their financial position and the biggest shifts over the years of analysis. The results were obtained by mainly interpreting the average values of the company in order to access whether there was a change in their financial position. However, it was deemed necessary for some individual data of the companies to be presented and indeed they have. This way we were able to show the main findings, the problems that occurred and some suggestions to solve the problems.

It is worth noting that in general, most of the data of the firms vary from year to year, potentially showing the unstable environment that they operate in. As far as the operating performance, the results were positive and we notice that while the companies on average presented losses in 2013, they improved their positions by 2017, generating profits. Moreover, we also concluded that the assets as well as the equity increased from 2013 to 2017, while the debt showed a minor decrease. Overall, the figures indicated an improvement in the financial position of the companies, showing that the tourism sector has grown, despite the distress of the Greek economy.

Based on the aforementioned results, it is safe to encourage a potential investor to invest in Greek tourism. However, there are problems that the companies, undoubtedly, face and definitely space for further improvement. The problems are identified mostly in the areas of liquidity and debt for the companies, in the sense that they could increase their liquidity without necessarily taking up more debt. The companies should consider increasing their liquidity by entering financing programs provided by the Greek government of the European Union, in order to expand their facilities, invest in other areas and manage to increase their revenue. Also, another investment that the companies can do is at their human resources. For example the companies can higher better financial managers or expand their current manager team to be able to handle their financials more efficiently.
Bibliography


Appendix

Figure 20. Leiper’s Tourism System (Sajit, 2015)

Figure 21. The Number of international tourist arrivals worldwide (Statista.com, 2018)
Figure 22. Domestic arrivals in tourism accommodation in Greece (Statista.com, 2018)

Number of domestic arrivals in tourism accommodation in Greece from 2006 to 2017 (in millions)

Figure 23. Number of arrivals in accommodation facilities 2006-2017 (Statista.com, 2018)

Number of arrivals in tourism accommodation in Greece from 2006 - 2017 (in millions)
Table 7. Greek Tourism contributions and aspects in 2017 (SETE, 2018)

<table>
<thead>
<tr>
<th>Numbers for the year 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total contribution to GDP</strong></td>
</tr>
<tr>
<td><strong>Total contribution to employment</strong></td>
</tr>
<tr>
<td><strong>Total employment</strong></td>
</tr>
<tr>
<td><strong>Income from inbound tourism</strong></td>
</tr>
<tr>
<td><strong>Non-residents arrivals</strong></td>
</tr>
<tr>
<td><strong>Average expense per person</strong></td>
</tr>
<tr>
<td><strong>Part of the market (2017)</strong></td>
</tr>
<tr>
<td><strong>Seasonality</strong></td>
</tr>
<tr>
<td><strong>Contribution of offering</strong></td>
</tr>
<tr>
<td><strong>Hotel infrastructure</strong></td>
</tr>
<tr>
<td><strong>Top 5 airports (in foreign arrivals)</strong></td>
</tr>
</tbody>
</table>
### Table 8. Numbers on tourism accommodations 2013-2017 (Grhotels.gr, 2018)

<table>
<thead>
<tr>
<th>Year</th>
<th>Hotels</th>
<th>5*</th>
<th>4*</th>
<th>3*</th>
<th>2*</th>
<th>1*</th>
<th>TOTAL</th>
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<tbody>
<tr>
<td>2013</td>
<td>361</td>
<td>1277</td>
<td>2358</td>
<td>4203</td>
<td>1478</td>
<td>9677</td>
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<tr>
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<td>Rooms</td>
<td>57878</td>
<td>100289</td>
<td>95674</td>
<td>119157</td>
<td>28334</td>
<td>401332</td>
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<td></td>
<td>Beds</td>
<td>117555</td>
<td>194010</td>
<td>183722</td>
<td>223932</td>
<td>54206</td>
<td>773425</td>
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<tr>
<td>2014</td>
<td>375</td>
<td>1298</td>
<td>2402</td>
<td>4198</td>
<td>1472</td>
<td>9745</td>
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<td>Rooms</td>
<td>59581</td>
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<td>96742</td>
<td>118929</td>
<td>28193</td>
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<tr>
<td></td>
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<td>196402</td>
<td>185922</td>
<td>223562</td>
<td>53933</td>
<td>780721</td>
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<tr>
<td>2015</td>
<td>419</td>
<td>1340</td>
<td>2436</td>
<td>4110</td>
<td>1452</td>
<td>9757</td>
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<tr>
<td></td>
<td>Rooms</td>
<td>63297</td>
<td>102690</td>
<td>96308</td>
<td>116015</td>
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<td>185081</td>
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<td>784315</td>
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<tr>
<td>2016</td>
<td>444</td>
<td>1412</td>
<td>2472</td>
<td>3990</td>
<td>1412</td>
<td>9730</td>
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<tr>
<td></td>
<td>Rooms</td>
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<td>104562</td>
<td>96033</td>
<td>111842</td>
<td>27302</td>
<td>407146</td>
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<td>203203</td>
<td>185560</td>
<td>210365</td>
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</tr>
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<td>2017</td>
<td>496</td>
<td>1485</td>
<td>2515</td>
<td>3900</td>
<td>1387</td>
<td>9783</td>
<td></td>
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<td></td>
<td>Rooms</td>
<td>74884</td>
<td>107805</td>
<td>96129</td>
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<tr>
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<td>211064</td>
<td>186056</td>
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<td>806044</td>
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Figure 25. Hotel properties 2013-2017 (Grhotels.gr, 2018)
Figure 26. The purpose of travel and contribution to GDP (WTTC, 2018)

Figure 27. Breakdown of Greek tourism contributing to GDP (WTTC, 2018) (WTTC, 2018)
Figure 28. Total contribution of Travel and Tourism in the GDP of Europe (Statista.com, 2018)

Figure 29. Total contribution of Travel and Tourism in Greece’s GDP (Statista.com, 2018)
Figure 30. Jobs created in Greek Tourism (WTTC, 2018)

Figure 31. Operating Revenue of 2017
Figure 32. Assets

![Assets Graph]

Table 9. Assets

<table>
<thead>
<tr>
<th></th>
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<tbody>
<tr>
<td>Total</td>
<td>5.857.573</td>
<td>5.493.128</td>
<td>4.768.034</td>
<td>4.029.738</td>
<td>3.950.860</td>
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<tr>
<td>Mean</td>
<td>150.194</td>
<td>144.556</td>
<td>128.866</td>
<td>115.135</td>
<td>112.882</td>
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<tr>
<td>Highest</td>
<td>569.509</td>
<td>565.049</td>
<td>561.688</td>
<td>473.599</td>
<td>467.360</td>
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</table>

Figure 33. Debt

![Debt Graph]
Table 10. Total Debt

<table>
<thead>
<tr>
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<tbody>
<tr>
<td>Total</td>
<td>1.669.098</td>
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<td>1.602.738</td>
<td>1.456.716</td>
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<td>52.208</td>
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<td>45.522</td>
<td>44.910</td>
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<td>264.369</td>
<td>349.933</td>
<td>276.054</td>
<td>330.623</td>
<td>280.000</td>
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<td>Lowest</td>
<td>22,23</td>
<td>23,94</td>
<td>1.300,00</td>
<td>1.300,00</td>
<td>2.542,05</td>
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Figure 34. Equity

Table 11. Equity

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<tr>
<td>Total</td>
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<tr>
<td>Mean</td>
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<td>69.052</td>
<td>58.243</td>
<td>49.237</td>
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<td>363</td>
<td>340</td>
<td>341</td>
<td>351</td>
<td>302</td>
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<tr>
<td>Lowest</td>
<td>4.769</td>
<td>4.415</td>
<td>6.022</td>
<td>589</td>
<td>4.394</td>
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</tbody>
</table>
Figure 35. Current Ratio

![Current Ratio Chart]

Figure 36. Return on Equity (%)

![Return on Equity Chart]
Figure 37. Return on Assets

![Return on Assets](image)

Figure 38. Profit and Loss

![Profit / Loss](image)

Table 12. Profit and Loss

<table>
<thead>
<tr>
<th>Profit/Loss</th>
<th>2017</th>
<th>2016</th>
<th>2015</th>
<th>2014</th>
<th>2013</th>
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