

# Lönsamhet och Finansiell Flexibilitet

## Rederinäringen i Sverige 1997-2006

Andreas Hagberg

### **AKADEMISK AVHANDLING**

för avläggande av ekonomie doktorsexamen i företagsekonomi som med tillstånd av Handelshögskolans fakultetsstyrelse vid Göteborgs universitet framlägges för offentlig granskning fredagen den 18 januari 2013, kl. 13.15 i CG-salen, Handelshögskolan, Vasagatan 1, Göteborg.

# ABSTRACT

University of Gothenburg  
School of Business, Economics and Law  
Department of Business Administration  
P.O. Box 610  
SE-405 30 Göteborg, SWEDEN

Author: Andreas Hagberg  
Language: Swedish, Summary in English  
ISBN: 978-91-7246-316-5  
170 pages  
Doctoral dissertation 2013

## **Profitability and Financial Flexibility Swedish Shipping Industry 1997-2006**

This study investigates if financial flexibility can explain firm performance in terms of profitability using financial data from all Swedish shipping companies during the period 1997-2006.

Financial flexibility is the capacity of a firm to avoid financial distress in times of negative economic change and to take advantage of investment opportunities in times of positive economic change. Financial flexibility is defined as constructed by capital structure and liquidity, and financial performance is measured as return on equity and return on total assets. The firms' capital structure makes additional financing possible and the cash levels of the firm create financial flexibility. The actions that financial flexibility make possible contribute to firm financial performance.

The study shows that financial flexibility has impact on the profitability of Swedish shipping companies. The findings show that profitability is affected negatively by increased leverage and positively by cash holdings. It appears that smaller companies have higher levels of cash holdings, and that larger companies have a higher leverage. One explanation for this is that larger companies have better access to financing through capital markets.

Another reason for smaller companies to preserve cash reserves is to use these as a buffer for times of negative economic development. The larger companies use their capital structure and leverage to be able to invest when the opportunity arises. The need for financial flexibility is more determined by investment opportunities than by financing opportunities, which is why it is also possible to conclude that larger companies may have more investment opportunities and that they are more profitable than smaller companies.

**Keywords:** Financial flexibility, capital structure, liquidity, performance, profitability, shipping

Printed in Sweden  
by Ineko AB  
Göteborg, 2012

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