An Analysis Of easyHotel PLC Company's Performance

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Abstract

The aim of this study was to perform the overall performance of easyHotel PLC with the risk and performance associated with corporate governance.The data acquired from the annual report of easyHotel PLC starting from the year 2014 to 2018. Risk assessment is through the use of credit risk, liquidity risk, and operating risk. The paper uses the existing liquidity ratio and operating ratio to see the relationship of risk factors to profitabilibity. This study also employing ratios include the return on assets (ROA) and return on equity (ROE). The results show one factor significant to performance of the group which is the highest significant to the profitability.

Keywords : Company Performance, ROA , ROE, Current Ratio.

1.0 INTRODUCTION

1.1 Overview

Founded as a “Super Budget” hotel company in 2004, easyHotel opened its first hotel in South Kensington,London in 2005. The company was founded on the London Stock Exchange by Dir Stelious Haji-loannou, nine years after his easyJet release and four yeara after easyJet’s IPO. Although easyHotel owned its first South Kensington hotel (which was later sold and franchised in 2007), its primary objective in its early years was to expand through franchise contracts. easyHotel has succeded in winning new franchise contracts and opening its own hotels with a property 30 operating hotels comprising 2,332 rooms infranchise run hotels and 1.1340 rooms owned by easyHotel . In the outcomes of the recent corporate collapses, various governance has been introduced to enhance corporate governance on the role of risk management. The boear acknowledges the essential necessary risk management and governance to ensure easyHotel long term success. It is the responsibility of the Board to guide the governance practices of the company. Therefore, the Board is committed to operating in a transparent manner, presenting a statement decscribing the arrangements established by the Board to ensure that the highest standards of governance ar applied and maintained throughout the company.

The risk of financial loss to the Group and the Company if a customes or a counterparty to a financial instrument fails to meet its contractual obligations. The Group and the Company exposure to credit risk from trade and other receivables is considered insignificant based on the fact that customers primarily prepay for hotel occupancy and after carefully reviewing the financial performance and forecasts of counterparties to financial instruments as well as holding security over their trasing accounts. Credit risk also arisesfrom cash and cash equvalents and deposits with banks and financial institutions. Also independently accredited parties with minimum score “A” are approved for banks and financia institutions. For credit risk management, the Group and the Company do not enter into derivatives. The maximum amount of exposure to credit risk is measured in the amount of financial assets held at the end year at £ 20,941 (credit risk).

Market risk stems from the use of interest bearing, tradable and foreign currency financial instruments by the Group and the Company. It’s the risk that a financial instruments fair value and future cash flows will fluctuate due to interest rate(interest rate risk) or foreign currency (currency risk) adjustments. The business does not have to report fair value or interest rate risk of cash flow.(Risk for the market).

Liquidity risk arises from the management of working capital by the Group and the Company, as well as the financial charges and principa; repayments on its debt instruments. It is the risk that the Group and the Company will find it difficult to fulfill their financial obligations as due. The policy of the Group and the Company is to ensure that they always have enough cash to enable them to fulfill their liabilities when due. The Group and the Company are financing their operations through a mix of equity and borrowing to achieve this goal. The objective of the Group and the Company is to finance future growth and achieve a balance between continuity and flexibility through their bank facilities and intergroup loans.Instead of which £ 7.2 m was drawn, the Group has a £ 8.7 m bank facility. At the end of the financial year, these forecasts showed that, under all reasonable expected conditions, the Group and the Company planned to have enough liquid resources to meet their obligations.(Risk of liquidity)

1.2 Research Objectives

1. To study the internal factor that influence of the company performance

2. To study the external factor that influence of the company performance.

3. To study both the internal and external factor of the company performance.

1.3 Research Questions

1. Is there any relationship between internal factor towards company performance ?

2. Is there any relationship between external factor towards company performance?

3. Is there any relationship between internal and external factor towards company performance?

1.4 Scope of study

The sample of study consists one company Hotel sector in United Kingdom which is easyHotel PLC. The accounting and the financial ratio was refers from the selected companies, annual report for five years from 2014 until 2018.

1.5 Organisations of the report

This study included the five chapter of corporate governance. The first chapter is we discuss about the overview of the company include background, objectives, research questions, scope of study and the organisation of the report .For the chapter two consists of literature review that's discuss about the profitability and the determinats. In chapter three we consists sampling techniques, statistical package for sciences and the statistical techniques. Chapter four discusses the results and the finding of the study, which include the descriptive analysis, correlation, coefficient and R square. Finally, chapter five includes summary and conclusion of the study, the limitation of the study and the future suggestion.

2.0 LITERATURE REVIEW

In this review of literature, the goals of this study are to observe the secondary records that ca n be obtained from the choice of magazines, articles and advantages.First, we're talking about governance corporate. In modern corporations, corporate governance is important because of the organizations ' separation of management and ownership control. Shareholders ' interests conflict with managers ' interests.Because of the varying interests of the investors of the busin ess, the principal agent dilemma is expressed in the management and path related issues. Ther e is no single definition of corporate governance, but it could be interpreted from different per spectives. Berle and Means (1932) and Smith (1776) much earlier. Vilanova et al (2009) suggests that the concept of Corporate Social Responsibility(CSR) is made up of five dimensions, including vision, community relations, workplace, transparency, and marketplace. Corporate governance is important to the performance and success of the company.A large part of the research in this area records how the financial reporting and qual ity aspects of corporate governance systems are affected.Brown and Caylor (2009) found that governance increases operating performance calculated on the basis of asset return (ROA) an d capital return (ROE).Rossouw and Sison (2006) sought to systematically compare the ethic s underpinning corporate governance around the world.

Second, we're talking about credit risk. A credit risk is the danger of a debt default that could result from a borrower's failure to make the pay ments required. The risk in the first resort is the lender's risk, which includes missed principal and interest, interruption of cash flow, and increased collection costs. The loss can be partial or complete. In Das's opinion, A. & Ghosh, S.(2007) In emerging-economy banks, credit risk is higher that in developed economies and is the product of a large number of bank-specific factors relative to their counterparts in emerging economies. Waemustafa and Sukri, S.(2015) determined that particular bank determinants had an impact on credit risk in Islamic banks and traditional banks. Credit risk includes one party's inability or failure to meet its responsibility as agreed upon the Al-Saati (2013) agreement.

Next is operational risk. Operational risk is "the risk of a change in value caused by the fact that actual losses, incurred for inadequate or failed internal processes, people and systems, or from external events (including legal risk), differ from the expected losses". According to King(2001), operational risk is characterized as a measure of the link between organizational activities and business variation. Through reducing the amount of financial uncertainty compared to the company's earnings, the company will boost shareholder. The important thing is to identify risk factors in the decision-making process of management and assess the effect of risk factors on Kubo and Sakai(2011). According to Flores et al.(2006), using case study to understand the weakness and practices of exposure to operational risk incidences that need to be modified in order to avoid loss of competitive position.

Liquidity risk is the possibility that a corporation or bank may not be able to meet short-term financial requirements. It usually happens because of the inability to turn a security or hard as set into cash without a system loss of assets and/or profits. According to Lancaster and Stevens(1998), in describing liquidity, the inference is that there is a sense of cash flow from operations. Operating cash flow ratios provide a unique insight into a retail firm's ability to pay compared to conventional accrual based. Yun(2008) found that liquidity is positively linked to the effect of corporate governance. The extent to which corporate governance enhances operational and financial transperance and decrease information asymmetry is related to the influence of corporate governance on stock market liquidity. Bencivenga et al.(1996), Levine (1991) Liquidity is a key factor in the functioning of stock markets due to its multiparty importance. Having a liquid market is essential to economic growth, either for developed and emerging countries.

Last but not least, corporate governance related last article is market risk. Market risk is the risk that because of changes in market factors, the price of an investment will decrease. Both variables can affect the overall financial market performance and can only be balanced by diversifying into non-market-related-capital-such as some alternative asset classes. According to Berle and Means(1932), Williamson (1984) in corporate governance internal and external mechanisms designed to assist shareholders with adequate corporate oversight to maximize their values. Kroszner et al.(2007) found it hard to access capital markets to gain external financing. Investors have become more optimistic about the economy and their consumption and investment habits have become more moderate. Ulrich Hege et al.(2018) found that significant improvements in the standard of governance robustly lead to less exposure to foreign currency.

3.0 METHODOLOGY

3.1 Introduction

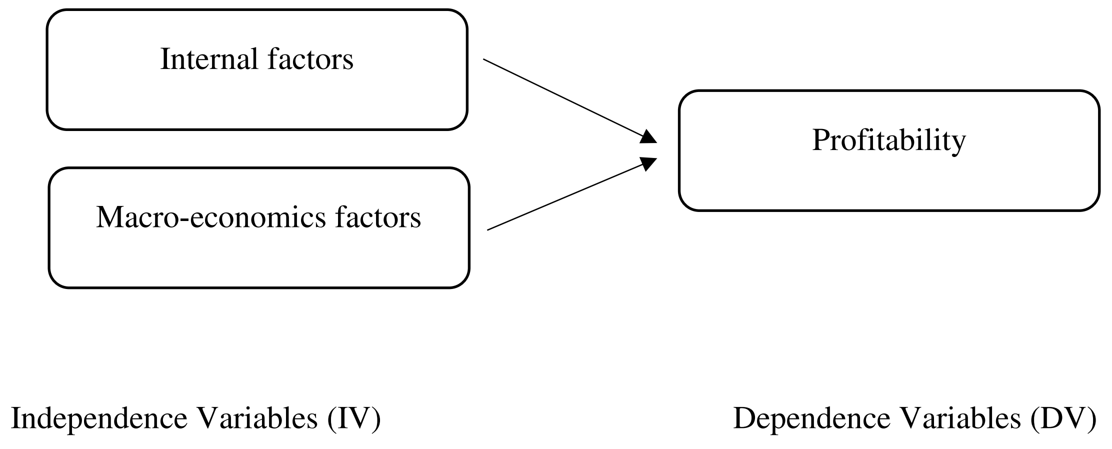
Methodology is the theoretical and systematic examination of the methods applied to a study area. Which requires the conceptual study of an information branch's body of methods and concepts.Research Methodology is commonly used by getting a good result at the end of the research to achieve the study’s goals. This study conducts ratio analysis of the data obtained from secondary sources including annual reports from 2014 to 2018, newspapersand websites. The financial information statements were requested from the United Kingdom hotel company. Analysis was carried out using the package of SPSS software.

3.2 Sampling Technique

Research unit is a primary entity or the individual being examined in a study. For example, in a research or study, people,groups, social orgnizations and more could be a unit of research. While in this study, the population is the companies that rely on easyHotel PLC in the hotel sector. Data from each company’s annual reports from 2014 to 2018 are used to measure the dependent variables and the independent variables.

3.3 Data Analysis

The research framework is shown as below :



3.4 Statistical Package for Social Sciences (SPSS)

In this study, we using SPSS to make the data to be more systematic. In the other way, SPSS is easy to key in the data , flexibility and scalability accessible to us with all skill level and outfits projects of all sizes and complexity. Using SPSS we can calculate the data very easy using the formula and can get the answer perfectly.

Those apps would help make the decision easier. In this study, SPSS statistics have been used . The features used to measure descriptive statistics, correlation, differential and so on betwee n independent variables and variable dependent.
The characteristics were based on quantitative data from primary and secondary data. Model 1, 2 and 3 demonstrated the hypothesis.

Model 1: Pooled model of internal factors to the liquidity risk of Lenovo Liquidity risk = a + a1ROAi + a2ACPi + a3DTIi + a4ORi + a5OMi + a6CGIi + εit

Model 2: Pooled model of external factors to the liquidity risk of Lenovo Liquidity risk = a + a1GDPi + a2Inflationi + a3IRi + a4ERi + a5MRi + εit

Model 3: Pooled model of liquidity risk of Lenovo Liquidity risk = a + a1ROAi + a2ACPi + a3DTIi + a4ORi + a5OMi + a6CGIi + a7GDPi + a8Inflationi + a9IRi + a10ERi + a11MRi + εit

3.4 Statistical Technique

In this study, we collect annual report from 2014 untill 2018 of the hotel as a sample data. We focus on the income statement and the balance sheet, and use the information into the report. Besides that, we also calculate the each year of corporate governance index score for easyHotel PLC in five principles , which are accountability, transparency, independence, fairness and sustainability. Morever, the macroeconomic factors, for example gross domestic product, unemployment, inflation rate, interest rates, and exchange rate of the company come from the World Bank.

Financial statements

Consolidated statement of comprehensive income

for the year ended 30 September 2014

	Note	2014 £	2013 £
System sales	2	**17,327,350**	15,198,682
Revenue	4	**3,543,948**	2,643,498
Cost of sales		**(1,158,444)**	(380,524)
Gross profit		**2,385,504**	2,262,974
Administrative expenses		**(1,702,747)**	(925,425)
Operating profit	5	**682,757**	1,337,549
Analysed as:			
Adjusted EBITDA*	5	**1,729,918**	1,704,064
Restructuring and listing costs	5	**(555,499)**	—
Depreciation		**(410,771)**	(366,515)
Share based payments	26	**(80,891)**	—
		682,757	1,337,549
Finance income	8	**16,640**	28,307
Finance expense	9	**(126,822)**	—
Profit before taxation		**572,575**	1,365,856
Taxation	10	**(164,656)**	(351,247)
Profit for the year		**407,919**	1,014,609
Other comprehensive income		**—**	—
Total comprehensive income		**407,919**	1,014,609
Attributable to equity holders of the Company		**407,919**	1,014,609
Earnings per share for profit attributable to the ordinary equity holders of the Company			
Basic and diluted (pence)	11	**1.2**	4.1

* Adjusted EBITDA represents Earnings before Interest, Taxation and Depreciation adjusted for restructuring and listing costs and share based payments charges.

The notes on pages 25 to 43 form part of these financial statements.

Figure 1: Example of income statement

4.0 FINDING AND ANALYSIS

Introduction

Analysis of financial statements is the way to inspect and evaluate the monetary statements of an organization (for example, the asset report or benefit and loss), thus gaining an understanding of the organization's finances and empowering more compelling fundamental leadership. The financial statement records the data, but this information must be evaluated by analyzing the financial statements to help investors, shareholders and other individuals who have been invested.

4.1 DESCRIPTIVE ANALYSIS

Descriptive Statistics

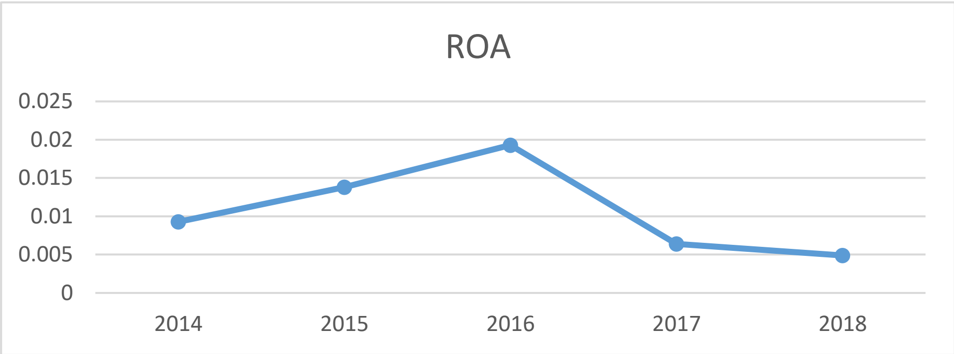
	Mean	Std. Deviation	N
ROA	.010740	.0058663	5
ROE	.014279278783162	.008394177202173	5
CURRENT RATIO	5.298140	2.3624651	5
AVERAGE-COLLECTION PERIOD	74.118060	48.7358861	5
DEBT TO INCOME	25.413400	8.6378029	5
OPERATIONAL RATIO	.124920	.0214712	5
OPERATING MARGIN	.132880	.0425253	5
CG INDEX	.440	.0894	5
GDP	2.040	.5771	5
Inflation	1.480	1.1541	5
InterestRate	.4500	.11180	5
ExchangeRate	1.3760	.13777	5
STDV	1.494780	.2948627	5

Table 1. Descriptive statistics of dependent and company specific variables

The data collected has been run from SPSS system using regression analysis with five sample annual report from 2014 untill 2018 from the company. There are recorded the mean, standard deviation and sample in the Table 1.

1. **COMPANY PERFORMANCE**

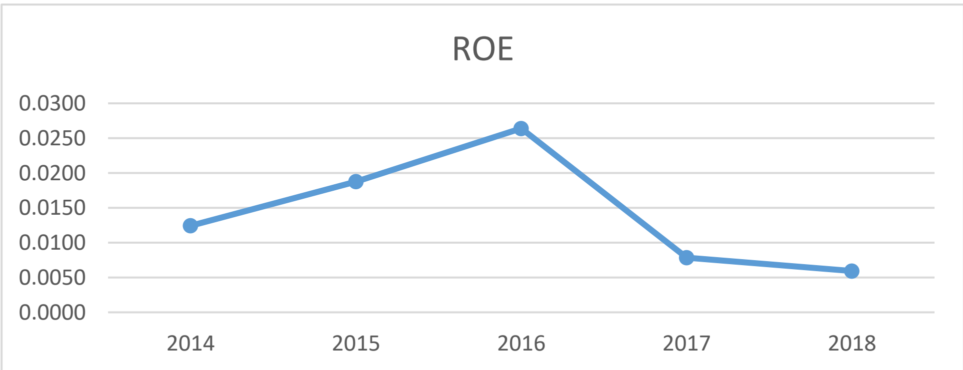
a. **Return on Asset**



Graph 1. Return on Asset ratio easyHotel PLC from 2014-2018

ROA is the return on asset that has been used to calculate the performance of company. The graph shows that the ROA of easyHotel PLC fluctuated over the year 2014 to 2018. The ROA easyHotel PLC was increase consecutively from 2014 (0.01) to 2016 (0.02). It was dropped down in 2017(0.006) and slightly down in 2018 (0.005). Based on the graph 1, the highest ROA for easyHotel PLC among 5 years is 2016(0.02), while the lowest shows is in 2018(0.005). Based on the table 1, the average ROA for the easyHotel PLC is 0.1074 and for the standard deviation is 0.0057.

b. **Return on Equity**

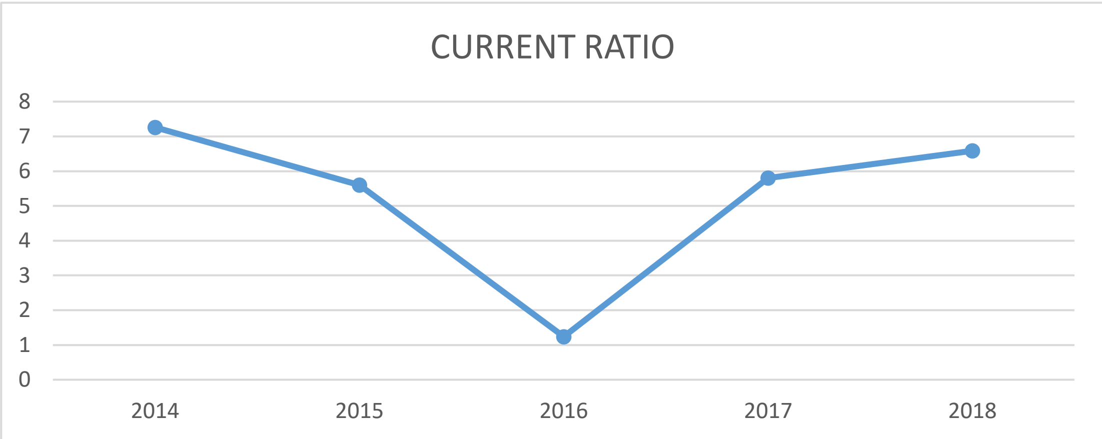


Graph 2. Return on Equity ratio easyHotel PLC from 2014-2018

ROE is the return of equity that has been used to measure on common stockholders investment in the easyHotel PLC. We can see the graph shows the ROE of easyHotel PLC fluctuated over the years. The ROE of easyHotel PLC was increase from 2014 (0.0125) to 2016 (0.0260). It was drop on the 2017 (0.0080) and slightly down on 2018 (0.0060) . The highest ROE shows in 2016 (0.0260) and the lowest in 2018 (0.0060). Based on the Table 1, the average of ROE for the easyHotel PLC is 0.1428 and the standard deviation is 0.0084.

2. LIQUIDITY RISK

Current Ratio

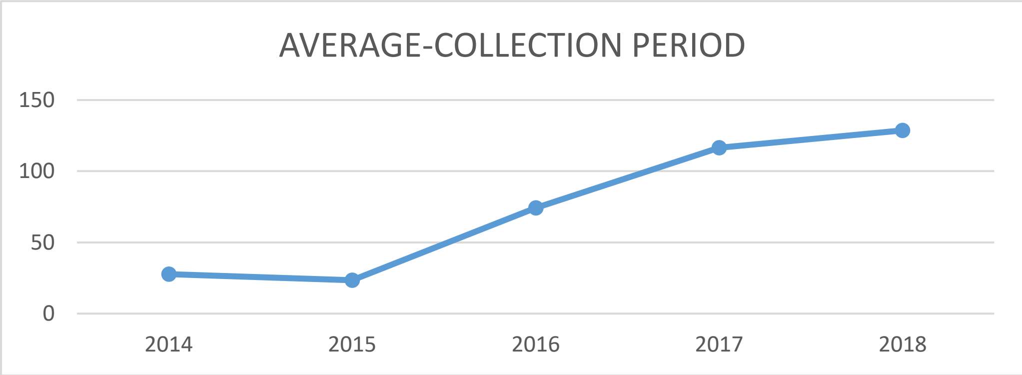


Graph 3. Current ratio easyHotel PLC from 2014-2018

Current ratio also known a liquidity ratio that measures whether a firm has enough resources to meet its short-term obligations. This contrasts the current assets of a firm with its current liabilities and is expressed as follows: the current ratio is an indicator of the liquidity of a company. For 2014, the current ratio is (7.2) and slightly below 2015 (5.8). In 2016, it was dropped (1.2). The graph shows an increase in the current ratio in 2017 (5.9) and in 2018 (6.8) The highest current ratio is 2014 (7.2) whereas 2016 (1.2) is the lowest. Table 1 shows an ave rage current ratio of 5.2981 for easyHotel PLC and a standard deviation of 2.3625.

3. **CREDIT RISK**

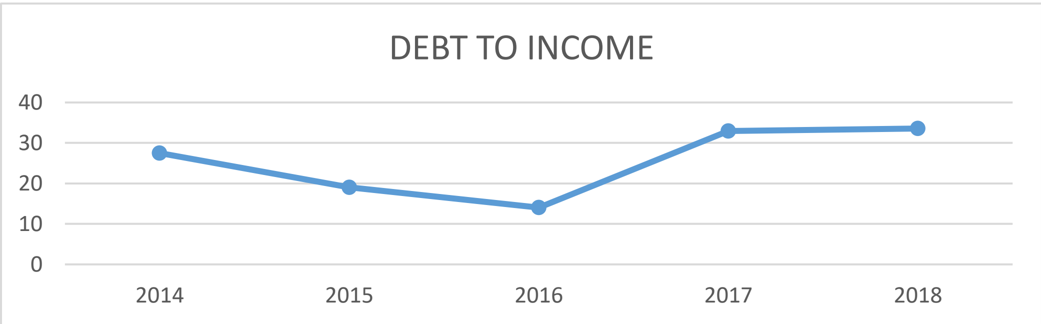
Average Collection Period



Graph 4. Average collection period easyHotel from 2014-2018

The typical recovery period is the amount of time it takes for a company to receive payments on account receivable owed by its customers. The graph shows the fluctuating trend of easyH otel PLC average collection period.In 2014 it takes 27.699 days to collect back the account receivable. In 2015 it slightly down and it takes 23.4341 days to collect the account receivable. Then it was increase in 2016 74.2944 days and rise to 2017 it takes 116.5121 days. It was increase in 2018 and takes 128.6807 days. The average for 5 years average collection period for easyHotel PLC is 74.1180 days and standard deviation is 48.7359 days. The longer the times take to collect receivables, the larger the effect on company cash flow.

DEBT TO INCOME

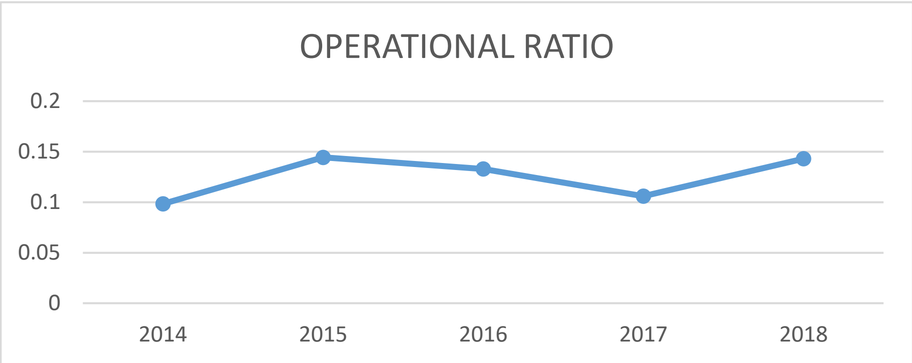


Graph 5. Debt to income ratio of easyHotel PLC from 2014-2018

The debt to income ratio is a measure of personal finance that compares the monthly debt payment of an individual to the gross monthly income of the individual. Once taxes and other deductions are taken out, net profit is paid. The debt-to-income ratio is the amount of net gross income that is used to cover the monthly debt payments. The graph shows that debt to income rose to 2015 (19.0011) in 2014 (27.5003) and marginally decreased to 2016 (14.0344). In 2017(32.9672) and 2018 (33.564) it increased. In general, the larger business operations and those with stable cashflow can sustain higher debt ratios provided they efficient cost structures. The average debt to income ratio for easyHotel PLC is 25.4134 and standard deviation is 8.6378.

4. OPERATIONAL RISK

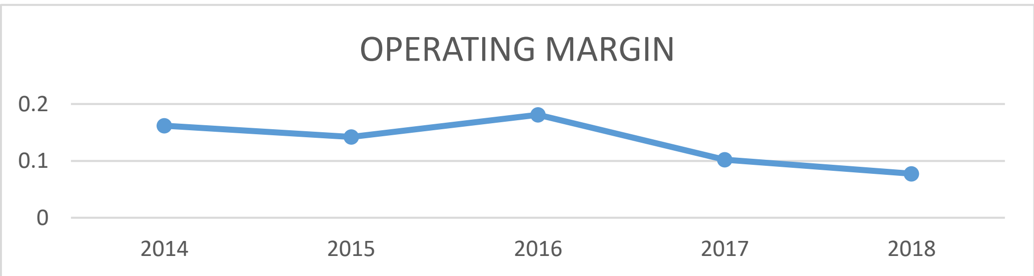
Operational Ratio



Graph 6. Operational Ratio for easyHotel PLC from 2014-2018

The operating ratio is useful way to evaluate a company core operations because it is based on operating income. The operating ratio is also indirect measure of efficiency. The higher the ratio, the more efficiently company weaker creating profits. From the graph shows, in 2014 easyHotel PLC had the lowest operational ratio because it was efficient managed its operating expenses. The average operational ratio for easyHotel PLC is 0.1249 and standard deviation is 0.0215 that's shows the company efficiency in management.

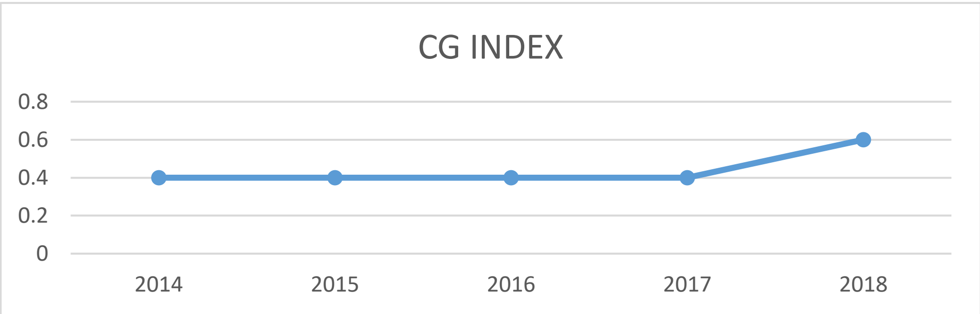
5. OPERATING MARGIN



Graph 7. Operating Margin of easyHotel PLC from 2014-2018

The operating margin measures how much profit a business makes on a dollar of sales, after paying for variable production costs such as wages and raw materials, but before paying interest or tax. It is calculated by dividing the operating profit of a company through its net sales. The graph shows the pattern of variability. In 2018, the lowest operating margin is (0.0775), while 2016 (0.181) is the largest. The operating margin for easyHotel PLC is 0.1329 based on table 1 and 0.0425 for the standard deviation. This shows thateasyHotel PLC's average operating profit is 0.1329 of total revenue.

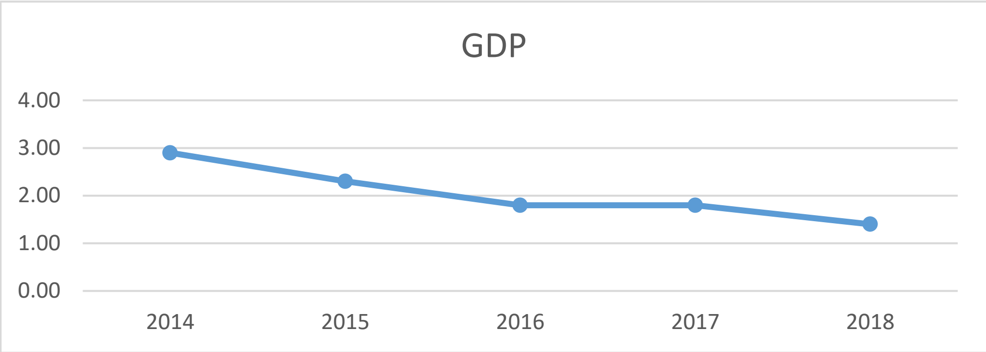
6. COPORATE GOVERNANCE INDEX (CGI)



Graph 8. Corporate Governance Index easyHotel PLC from 2014-2018

The Corporate Governance Index (CGI) is calculated on the basis of five principles: accountability, transparency, independence, fairness and sustainability. Meeting the standards that reflect the rule, bringing more than 50 percent of the non-executive committee to the audit committee, women executive on board, and engaging in the program of social responsibility.Each parameters had a score of 1. EasyHotel PLC has reached 0.4% between 2014 and 2017 and reached 0.6% in 2018.

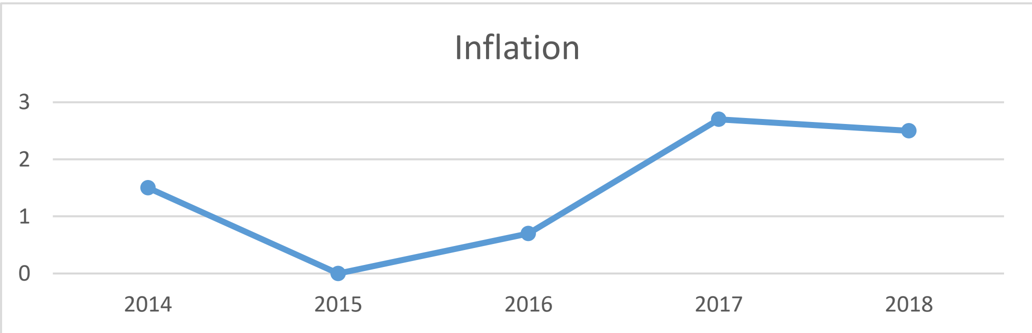
7. GROSS DOMESTIC PRODUCT (GDP)



Graph 9. Gross Domestic Product (GDP) United Kingdom from 2014-2018

Gross domestic products are a numerical indicator of the market value of all the final goods a nd services produced, often annually, over a specific period of time. The variable used in this study is the annual growth in percentage of GDP in United Kingdom. The graph shows that that UK GDP growth slightly down from year 2014 (2.9%) to 2018 (1.4%). From table 1, we can see that's Growth Domestic Product (GDP) mean is 2.04%.

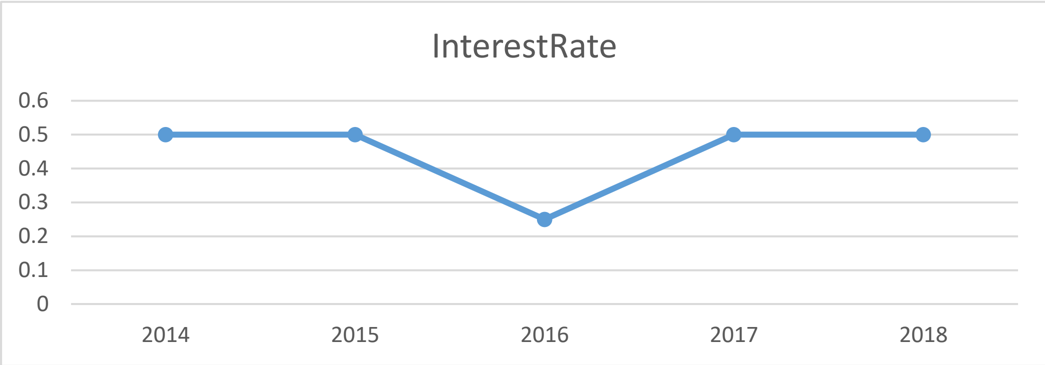
8. INFLATION RATE



Graph 10. Inflation rate of United Kingdom from 2014-2018

Inflation is a gradual increase in the overall price level of goods and services in an economy o ver a period of time. United Kingdom's inflation rate fluctuates from 2014 to 2018.The highest inflation rate in 2017 is 2.7%, while the lowest in 2015 is 0%. The table 1 shows that the inflation rate mean is 1.48%.

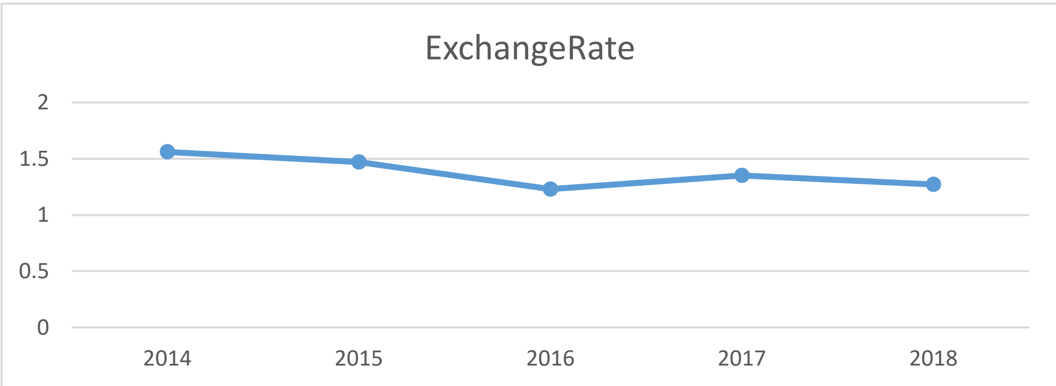
9. INTEREST RATE



Graph 11. Interest Rate of United Kingdom from 2014-2018

Interest rate of United Kingdom fluctuated from 2014 to 2018. It was constant from 2014 to 2015 is 0.5% but it was slightly down in 2016 0.25% and rise again in 2017 and 2018 is 0.5%.The average of interest rate United Kingdom in 2014 to 2018 is 0.45%

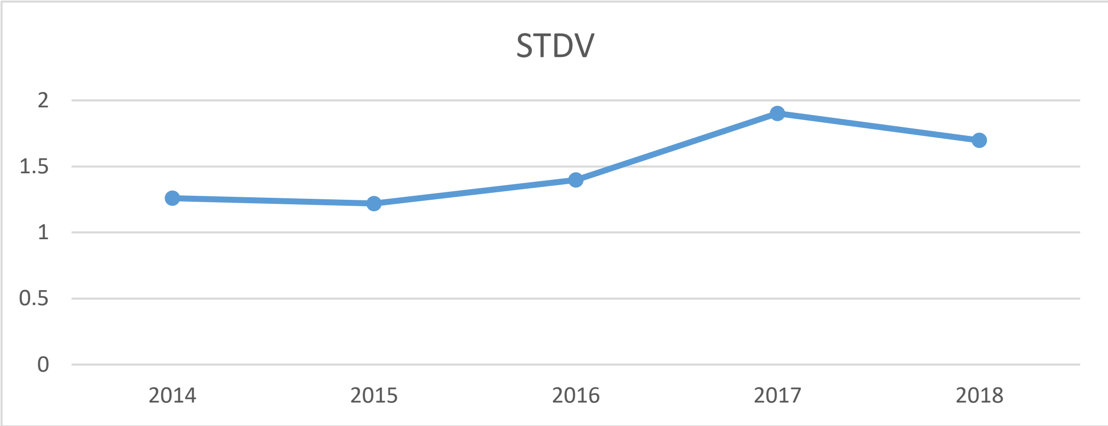
10. EXCHANGE RATE



Graph 12. Exchange Rate of United Kingdom from 2014 to 2018

The graph shows the exchange rate of USD to UK. The value od UK decrease from 2014 (1.56) to 2016 (1.23) but rise a bit in 2017 (1.35) and fall down in 2018 (1.27). Based on the table 1, the average of 1USD exchange to UK is 1.376 .

11. MARKET RISK (STDV)



Graph 13. Market Risk of easyHotel PLC from 2014-2018

The market risk of easyHotel PLC in 2014 is 1.2583 . The highest market risk for easyHotel PLC is 1.9016 in 2017 and finally dropped to 1.6973 in 2018. Based on table 1, the average market risk for easyHotel PLC is 1.4948.

4.2 SPSS ANALYSIS

The SPSS analysis of liquidity risk on company specific variables will be discussed in four perspective, namely correlation, model summary, anova and coefficient.

I. Correlations

Table 2: Correlation of dependent variable and company internal and external factors of easyHotel PLC.

Correlations

		ROA	ROE	CURRENT RATIO	QUICK RATIO	AVERAGE-COLLECTION PERIOD	DEBT TO INCOME	OPERATIONAL RATIO	OPERATING MARGIN	CG INDEX	GDP	Inflation	InterestRate	ExchangeRate	STDV
Pearson Correlation	ROA	1.000	1.000	-.836	-.836	-.515	-.989	.283	.857	-.557	.169	-.830	-.816	-.153	-.619
	ROE	1.000	1.000	-.825	-.825	-.532	-.991	.283	.863	-.556	.185	-.840	-.807	-.136	-.637
	CURRENT RATIO	-.836	-.825	1.000	1.000	-.034	.767	-.321	-.555	.304	.330	.430	.960	.640	.113
	QUICK RATIO	-.836	-.825	1.000	1.000	-.034	.767	-.321	-.555	.304	.330	.430	.960	.640	.113
	AVERAGE-COLLECTION PERIOD	-.515	-.532	-.034	-.034	1.000	.589	.104	-.738	.626	-.873	.806	-.002	-.753	.926
	DEBT TO INCOME	-.989	-.991	.767	.767	.589	1.000	-.360	-.837	.527	-.209	.901	.736	.080	.697
	OPERATIONAL RATIO	.283	.283	-.321	-.321	.104	-.360	1.000	-.171	.473	-.541	-.406	-.208	-.479	-.154
	OPERATING MARGIN	.857	.863	-.555	-.555	-.738	-.837	-.171	1.000	-.728	.594	-.736	-.633	.247	-.752
	CG INDEX	-.557	-.556	.304	.304	.626	.527	.473	-.728	1.000	-.620	.494	.250	-.430	.384
	GDP	.169	.185	.330	.330	-.873	-.209	-.541	.594	-.620	1.000	-.423	.232	.918	-.704
	Inflation	-.830	-.840	.430	.430	.806	.901	-.406	-.736	.494	-.423	1.000	.378	-.254	.868
	InterestRate	-.816	-.807	.960	.960	-.002	.736	-.208	-.633	.250	.232	.378	1.000	.592	.185
	ExchangeRate	-.153	-.136	.640	.640	-.753	.080	-.479	.247	-.430	.918	-.254	.592	1.000	-.537
	STDV	-.619	-.637	.113	.113	.926	.697	-.154	-.752	.384	-.704	.868	.185	-.537	1.000
Sig. (1-tailed)	ROA	.	.000	.039	.039	.187	.001	.322	.032	.165	.393	.041	.046	.403	.133
	ROE	.000	.	.043	.043	.178	.001	.322	.030	.165	.383	.038	.049	.413	.124
	CURRENT RATIO	.039	.043	.	.000	.478	.065	.299	.166	.310	.294	.235	.005	.122	.428
	QUICK RATIO	.039	.043	.000	.	.478	.065	.299	.166	.310	.294	.235	.005	.122	.428
	AVERAGE-COLLECTION PERIOD	.187	.178	.478	.478	.	.148	.434	.077	.129	.026	.050	.499	.071	.012
	DEBT TO INCOME	.001	.001	.065	.065	.148	.	.276	.039	.180	.368	.018	.078	.449	.095
	OPERATIONAL RATIO	.322	.322	.299	.299	.434	.276	.	.392	.210	.173	.249	.369	.207	.402
	OPERATING MARGIN	.032	.030	.166	.166	.077	.039	.392	.	.082	.145	.078	.126	.344	.071
	CG INDEX	.165	.165	.310	.310	.129	.180	.210	.082	.	.132	.199	.343	.235	.262
	GDP	.393	.383	.294	.294	.026	.368	.173	.145	.132	.	.239	.353	.014	.092
	Inflation	.041	.038	.235	.235	.050	.018	.249	.078	.199	.239	.	.265	.340	.028
	InterestRate	.046	.049	.005	.005	.499	.078	.369	.126	.343	.353	.265	.	.146	.383
	ExchangeRate	.403	.413	.122	.122	.071	.449	.207	.344	.235	.014	.340	.146	.	.176
	STDV	.133	.124	.428	.428	.012	.095	.402	.071	.262	.092	.028	.383	.176	.
N	ROA	5	5	5	5	5	5	5	5	5	5	5	5	5	5
	ROE	5	5	5	5	5	5	5	5	5	5	5	5	5	5
	CURRENT RATIO	5	5	5	5	5	5	5	5	5	5	5	5	5	5
	QUICK RATIO	5	5	5	5	5	5	5	5	5	5	5	5	5	5
	AVERAGE-COLLECTION PERIOD	5	5	5	5	5	5	5	5	5	5	5	5	5	5
	DEBT TO INCOME	5	5	5	5	5	5	5	5	5	5	5	5	5	5
	OPERATIONAL RATIO	5	5	5	5	5	5	5	5	5	5	5	5	5	5
	OPERATING MARGIN	5	5	5	5	5	5	5	5	5	5	5	5	5	5
	CG INDEX	5	5	5	5	5	5	5	5	5	5	5	5	5	5
	GDP	5	5	5	5	5	5	5	5	5	5	5	5	5	5
	Inflation	5	5	5	5	5	5	5	5	5	5	5	5	5	5
	InterestRate	5	5	5	5	5	5	5	5	5	5	5	5	5	5
	ExchangeRate	5	5	5	5	5	5	5	5	5	5	5	5	5	5
	STDV	5	5	5	5	5	5	5	5	5	5	5	5	5	5

The correlation of liquidity risk to both internal and external factors of easyHotel PLC is shown in Table 2. The ROA,ROE, operating margin, operational ratio, GDP of company are positively correlated to liquidity risk, while current ratio, quick ratio, average-collection period, debt to income, corporate governance index, inflation interest rate, standard deviation and exchange rate of easyHotel PLC are negatively correlated to liquidity risk.

II. Internal Factors

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	1.000[a]	.999	.999	.0001528	1.056

a. Predictors: (Constant), ROE

b. Dependent Variable: ROA

Table 3. Model summary of easyHotel PLC liquidity risk on internal factors

From table 3, model overview of external and internal variables, it shows us that the return on capital accoun ts for 99.9 percent of the variability in the dependent variable. The return on capital will be linked favorably to equity returns.

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.000	1	.000	5892.098	.000[b]
	Residual	.000	3	.000		
	Total	.000	4			

a. Dependent Variable: ROA

b. Predictors: (Constant), ROE

Table 4: Anova of easyHotel PLC on internal factors

We can conclude from table 4 that ROE has a great effect on dependent variables. This result show a significant value of 0.000 showinh that the representation of these variables is perfectly important.

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95.0% Confidence Interval for B		Collinearity Statistics	
		B	Std. Error	Beta			Lower Bound	Upper Bound	Tolerance	VIF
1	(Constant)	.001	.000		5.199	.014	.000	.001		
	ROE	.699	.009	1.000	76.760	.000	.670	.728	1.000	1.000

a. Dependent Variable: ROA

Table 5: Coefficients of easyHotel PLC liquidity risk on internal factors.

Based on table 5, ROE highly positive correlated and significants on influencing ROA with P-value <0.05. the ROE significants is 0.014 that shows there are have correlation between ROA.

Model 2: External Factors

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.993[a]	.987	.947	.0013442	2.522

a. Predictors: (Constant), InterestRate, GDP, Inflation

b. Dependent Variable: ROA

Table 6: Model summary of easyHotel PLC liquidity risk on external factors

From table 6, model summary of dependent and external factors, tells us that 94.7% of the variance in the dependent variable is explained by the Interest Rate, GDP and Inflation. The ROA will be positively related to the variable and giving less impace to company liquidity.

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.000	3	.000	25.060	.146[b]
	Residual	.000	1	.000		
	Total	.000	4			

a. Dependent Variable: ROA

b. Predictors: (Constant), InterestRate, GDP, Inflation

Table 7: Anova of easyHotel PLC liquidity risk on external factors

From table 7, we can learn that Interest Rate, GDP and Inflation has bad effect to the dependent variables. This result shows a significant value of 0.146 which indicated that these variables is not significant and no correlation.

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95.0% Confidence Interval for B	
		B	Std. Error	Beta			Lower Bound	Upper Bound
1	(Constant)	.028	.003		8.122	.078	-.016	.072
	GDP	.001	.001	.074	.515	.697	-.018	.019
	Inflation	-.003	.001	-.565	-3.763	.165	-.013	.007
	InterestRate	-.032	.007	-.619	-4.424	.142	-.126	.061

a. Dependent Variable: ROA

Table 8: Coefficients of easyHotel PLC liquidity risk on external factors

From table 8, we found that GDP, Inflation and Interest Rate has the negative effect to liquidity ratio with P-value <0.05. This indicates that the company liquidity is decrease and not significants with then dependent variable.

Model 3: Internal and External Factors

Model Summary[e]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	1.000[a]	.999	.999	.0001528	

a. Predictors: (Constant), ROE

b. Dependent Variable: ROA

Table 9: Model summary of easyHotel PLC internal and external factors

From table 9, model summary of dependent and both internal and external factors tell us that 99.9% of the variance in the independent variable is explained by the return on asset. This result is inconsistent.

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.000	1	.000	5892.098	.000[b]
	Residual	.000	3	.000		
	Total	.000	4			

a. Dependent Variable: ROA

b. Predictors: (Constant), ROE

Table 10: Anova of easyHotel PLC on both internal and external factors.

From table 10, we can see that return on equity has the greatest effect to the dependent variables. Since the significant value is below than 0.05, the regrssion model is good firm of data.

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95.0% Confidence Interval for B		Collinearity Statistics	
		B	Std. Error	Beta			Lower Bound	Upper Bound	Tolerance	VIF
1	(Constant)	.001	.000		5.199	.014	.000	.001		
	ROE	.699	.009	1.000	76.760	.000	.670	.728	1.000	1.000

a. Dependent Variable: ROA

Table 11: Coefficient of easyHotel PLC on both internal and external factors

Lastly , we found that ROE has the most significant effect on the ROA ratio from the coefficient table 11. This indicates that when the country return on assets increased,the corporate governance index will increase.

5.0 CONCLUSION & DISCUSSION

5.1 Discussion

This research aim to evaluate the internal and external factor affecting the easyHotel PLC company's corporate governance index of easyHotel PLC company. To complete the objective, internal factors (credit risk, company performance, and corporate governance) and external factors (gross domestic profit, interest rate,inflation and market risk (STDV) were used in study.

5.2 Limitation

This study is limited about Hotel industry in United Kingdom. Data that used for this study is also limited as it only use five years performance.

5.3 Recommendation

Based on the findings, the return on equity (ROE) shows the most significant relationship with the company performance . Hence, it is important for a company to manage it inventory and expenses efficiently in order to increase profit. The company performance is determines by internal factors and external factors. In this study, easyHotel PLC internal factors has most influence the company compare than external factors. Where the ROE shows the positive performance in this company.

There may be a few liquidity risks posed by the current ratio of easyHotel PLC. Once the liquidity deteriorat es, this means the company needs to improve the management of liquidity affecting operating activities. While the performance is favourable, which showed the increase in sales and return, the management of the operation, however, wants to improve to serve their liabilities as well.Additionally, liquidity management is one of the variables that is most important to ROE as a profitability. This company needs to improve the ma nagement of debt and cash utilization.In addition, this company needs to improve improved liquidity invento ry control by introducing liquidity control and inventory control following the industry trend or process shou ld be taken into account as part of the profitability contribution despite the fact that the results indicate liquid as well as GDP is not enormous for profitability.

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