

Toni Pijoan Martí

Tubacex's strategic plan (2013-2017): A reviewer analysis

*Treball Fi de Carrera
dirigit pel Dr Joan Ripoll i Alcon*

Universitat Abat Oliba CEU
FACULTAT DE CIÈNCIES SOCIALS
Llicenciatura en Administració i Direcció d'Empreses

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Resumen

En este trabajo se lleva a cabo un análisis del Plan Estratégico (2013-2017) del grupo Tubacex. El objetivo del mismo es verificar si se cumple el contenido de dicho Plan, especialmente el objetivo de doblar el valor de la empresa en cinco años.

El trabajo se divide en dos partes. En la primera, se lleva a cabo el análisis estratégico de la compañía, fundamental para poder realizar nuestras proyecciones financieras y en la segunda, se analiza el contenido del Plan Estratégico y se explica en qué grado se cumple dicho plan, en concreto el principal objetivo.

Resum

En aquest treball s'analitza el Pla Estratègic (2013-2017) del grup Tubacex. L'objectiu és verificar si es compleix el contingut del Pla Estratègic, especialment doblar el valor de l'empresa en cinc anys.

El treball es divideix en dues parts. A la primera s'efectua l'anàlisi estratègica de l'empresa que és essencial per tal de poder calcular les projeccions financeres i a la segona s'explica el contingut del Pla Estratègic i es veu quin és el seu grau de compliment pel que fa a l'objectiu més important.

Abstract

In this bachelor thesis, we analyze the Strategic Plan (2013-2017) of Tubacex. The goal of the thesis is to verify if the Strategic Plan is fulfilled or not, emphasizing the aim of doubling the firm's value in five years.

The bachelor thesis is divided in two parts. The first one is concerning to carry out the strategic analysis of the company, such an essential fact to forecast the firm's financial results. The second part is related to the content of the Strategic Plan and ascertaining in which measure Tubacex fulfills its main goal.

Palabras clave /Keywords

Strategic Plan - Strategic analysis - Stakeholders- Strategic goals - Forecasting - Regression analysis – Company valuation

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Introduction

All companies ought to have a strategic plan to know in which direction the company is going to. For the partners of the firm and for its main stakeholders, it is very important that this strategic plan could be reliable. In spite of it, not all the companies publish their strategic plans, only a few firms do so. Tubacex is one of these firms.

The main aim of the thesis is to verify if Tubacex's strategic plan (2013-2017) is reliable or not by mean of the analysis of this company. The thesis has two parts; the first one is the strategic analysis on Tubacex in which we carry out a macro economical analysis and micro economical analysis. This part will help us to have a clear image of the firm, its market, competitors and so forth.

The second part is based on the forecast that we are going to carry out for the period 2013-2017. We have almost 20 years of database which will help us to forecast the balance sheet and profit and loss accounts. We are going to use several approaches in the forecast analysis. One of which will be based on the historical data. The other one will be the regression analysis. All of these methods will be explained in more detail afterwards. The first part is absolutely necessary to give us a clear image of the company's profile and therefore to be able to carry out the forecast analyses taking into account the conclusions that we will have figured out in the first part.

The last part of the bachelor thesis wants to verify if the forecast analysis is similar comparing to Tubace'x strategic plan. But if, we will say that the main stakeholders cannot rely on this strategic plan and if our forecast is similar, Tubacex's stakeholders will be able to trust in Tubacex's strategic plan.

We have carried out this thesis due to we cannot rely on a company, we should rely on ourselves. Usually a company trends to develop more optimistic than realistic forecast to seduce its main stakeholders. Before investing in a company (if they show the strategic plan), it is very important to verify the reliability of the strategic plan, otherwise the investment could fail.

PART I: STRATEGIC ANALYSIS

1. Tubacex business

1.1 Mission, vision and values

Tubacex's mission¹ is to innovate. This company is a multi-national industrial group in the global market of seamless stainless steel tubes. It is sought customer satisfaction through a portfolio of products and services that are constantly being developed. It is a reliable company that fulfils its obligations with internal and external clients. Growth it is pursued in a sustainable way. It is undertaken effectively management the return on all investments and to reward shareholders. Excellence is a feature which is achieved through rigorous process management and the systematic application of ongoing improvement. Tubacex is a safe and pleasant workplace, whilst respecting the environment. It is sought the contribution of developing of the society and also the same of Tubacex's suppliers, developing as a professionals and people, working as a team and constantly measuring the results.

Tubacex's vision² explains that the company wants to be a global supplier and a benchmark in innovate tubular solutions in advanced materials, offering service and management excellence, fulfilling and exceeding customer expectations, whilst profitability sustainable and focused on people development.

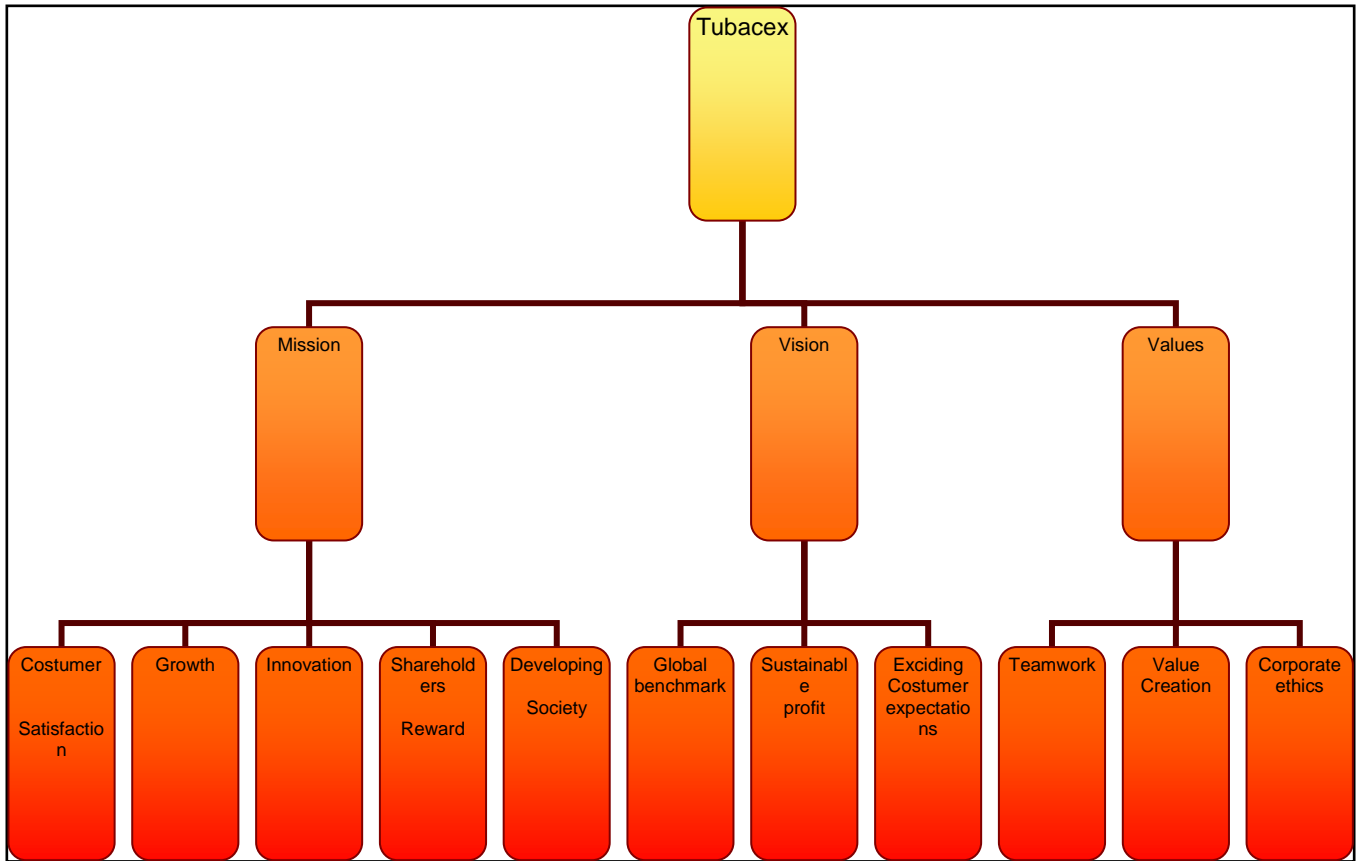
Tubacex's main values³ are the leadership; the organisation is focussed on achievement, customer satisfaction, continuous improvement, creativity and innovation, teamwork, creation of value and profitability, diversity and dignity in the workplace and corporate ethics.

¹ Tubacex strategic plan 2013-2017

² Ibid

³ Ibid

Figure 1: Tubacex's mission, vision and values



Source: Own elaboration

1.2 Shareholder or stakeholder model⁴ that the company is focused on

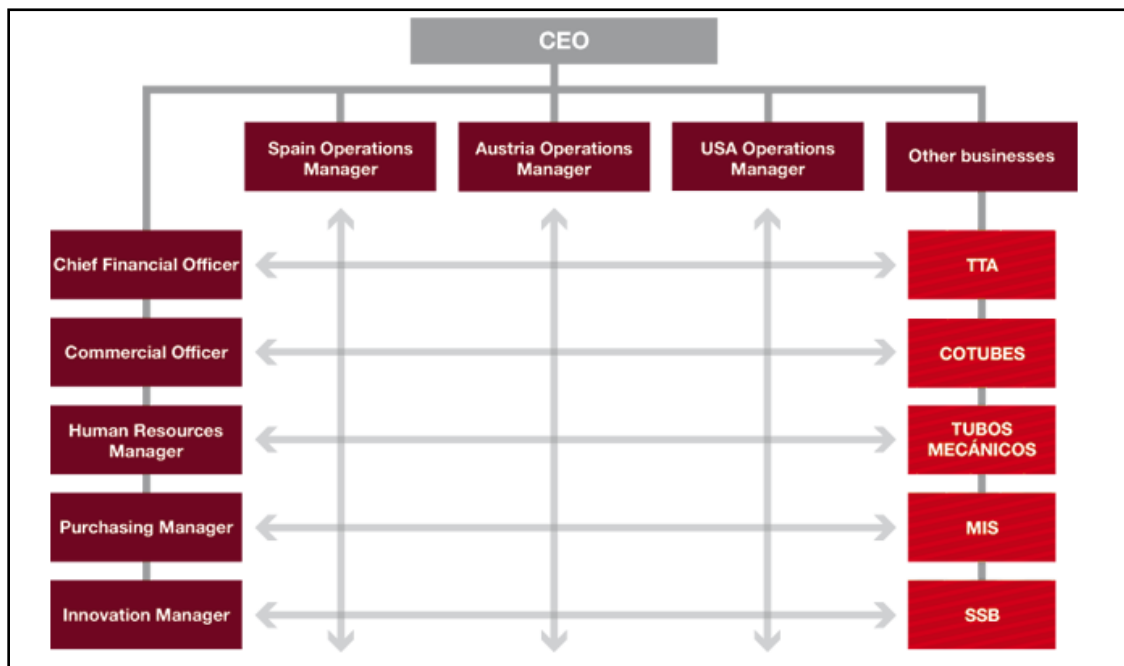
The company is focused on the stakeholders. The stakeholders are the organizations in which the company is influenced and also Tubacex influences them. The company tries to have a good relationship with these organisations which the most important ones are the costumers, suppliers, employees, financial institutions and shareholders. The shareholder model consists on making such a big effort to satisfy shareholders, for instance paying good dividends or having high profits influencing in a positive way the stock exchange market. This model does not mind how the firm could achieve the results; the most important fact is to reach them. Tubacex is focused on stakeholder's model due to the good product which it tries to sell and the way that the company does. The firm cares about the labour conditions of workers, tries to get around a negative environmental impact, concerns about the costumer and shareholders satisfaction.

⁴ Johnson-Exploring Corporate Strategy-8th Edition Prentice Hall-

1.3 Tubacex organizational chart and corporate structure

Tubacex is organized by the matrix ⁵structure which combines different structural dimensions simultaneously (in this case combines geographical division and product division).

Figure 2: Organizational chart



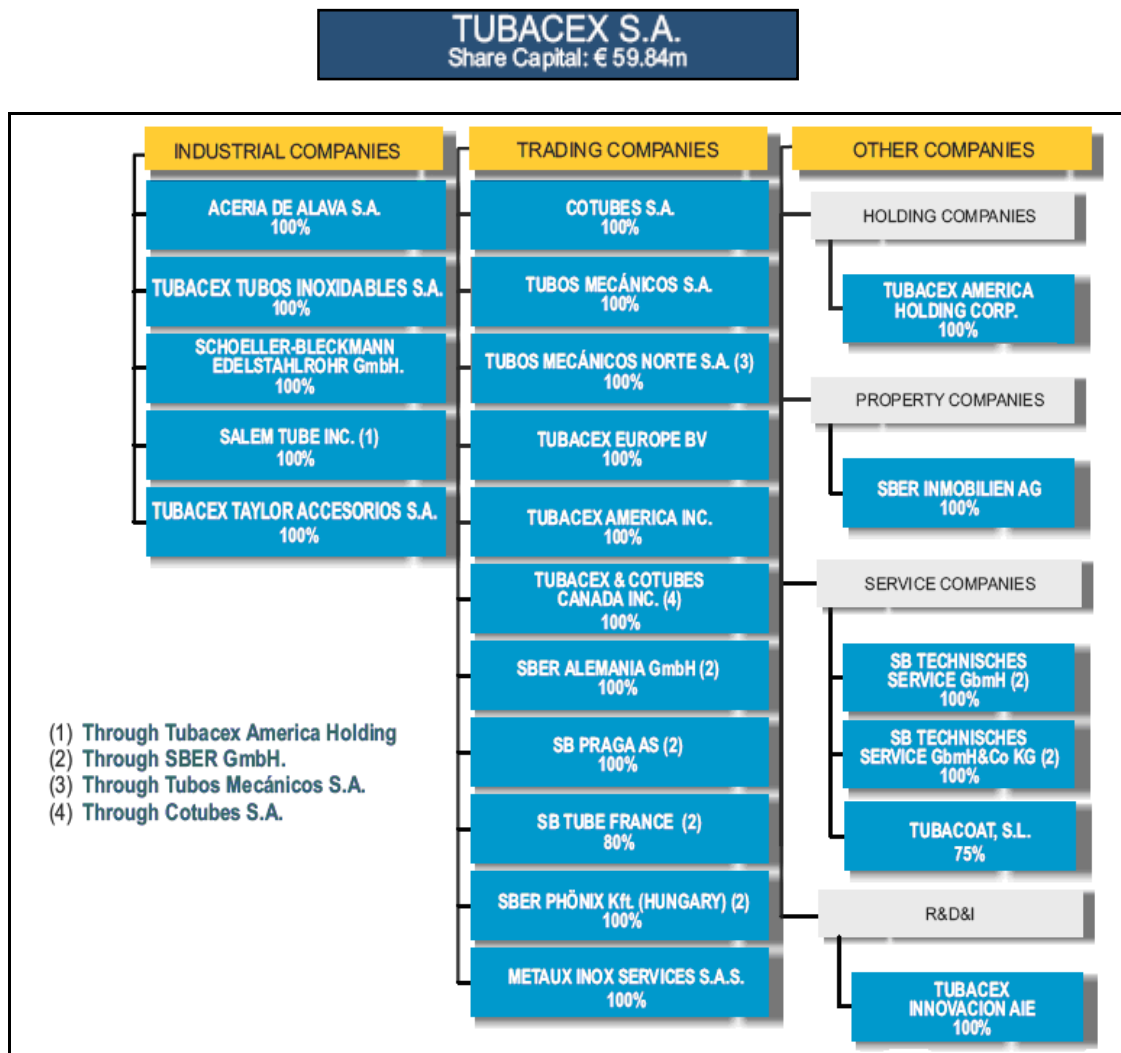
Source : Tubacex's webpage

The main advantage of this model is the high degree of specialization of the company and the wide information which they have access to. For instance if there is a drop in the demand of one product, the product officer, either the geographical manager can exchange their point of view and try to find a good solution for this problem. On the other hand, the process of taking decisions requires a lot of time because of the possible disagreements between the product manager and the geographical manager. Both levels have to inform to the officers of the company and it is possible that the product manager could say a different thing than the geographical manager.

⁵ Tubacex's webpage

As we can see in the chart, Tubacex group is divided in three groups⁶: industrial companies, trading companies and other companies. Industrial companies are those ones which basically produce the stainless steel and the pipes. Moreover we have the trading companies which are in charge of selling the wide range of products which Tubacex produces that will be described in detail later.

Figure 3: Corporate structure



Source: Tubacex's Annual report 2012

Other companies are divided in four sections. Holding companies is the first section in which is integrated Tubacex America Holding Corporation which includes American

⁶ Tubacex's Annual report 2012

companies of Tubacex such as Salem Tube (industrial company). Besides, there are the section services companies in which Tubacex has 100% of property except Tubacoat which has the 75%. Finally there is the research, development and innovation section. There we find Tubacex Innovation AIE that is in charge of innovating and developing the high added value products which Tubacex is selling in the market.

1.4 Corporate financial states

Tubacex's social capital at the end of 2012 was 59,8 million euros.

The two tables which are beneath are the breakdown⁷ of direct and indirect shareholders. If it is counted all percentages does not reach 100% because here there are the biggest shareholders.

Figure 4: Shareholder's breakdown

Individual or corporate name of director	Number of direct voting rights	Number of indirect voting rights	% of total voting rights
Mr. ÁLVARO VIDEGAIN	134,000	9,400	0.108
Mr. ANTONIO GONZÁLEZ-ADALID	34,700	0	0.026
ATALAYA INVERSIONES, S.R.L.	6,653,503	0	5.003
BAGOETA S.L.	0	24,052,798	18.088
Mr. GERARDO ARÓSTEGUI	0	43,000	0.032
GRUPO CORPORATIVO EMPRESARIAL DE LA CAJA DE AHORROS Y MONTE DE PIEDAD DE NAVARRA SAU	11,742,504	0	8.830
Mr. IGNACIO MARCO-GARDOQUI	43,500	10,411	0.041

Individual or corporate name of shareholder	Number of direct voting rights	Number of indirect voting rights	% of total voting rights
CAIXA BANK, S.A.	0	11,742,504	8.830
CARTERA INDUSTRIAL REA, S.A.	6,648,940	0	5.000

Source : Tubacex's 2012 annual report

We see that CaixaBank is a key stakeholder due to, at the same time that this institution could give credit lines or loans to the company, is an important shareholder. Moreover, Bagoeta is a key player owning an 18% of the total shares of the company. Both organizations are key players due to they can influence the process of taking relevant decisions.

⁷ Tubacex's 2012 annual report

Figure 5: Tubacex Bank debt in euros

	2012	2011	2010	2009	2008	2007	2006	2005	2004
Pasivo líquido	247.190.000	314.149.000	277.288.000	215.581.000	320.023.000	312.127.000	282.262.000	206.689.000	165.365.000
Deudas financieras	153.990.000	225.441.000	212.219.000	152.292.000	210.011.000	200.124.000	190.660.000	135.038.000	100.269.000
Acreedores comerciales	53.949.000	47.957.000	40.651.000	38.189.000	72.043.000	96.709.000	79.711.000	67.634.000	43.724.000
Otros pasivos líquidos	39.251.000	40.751.000	24.418.000	25.100.000	37.969.000	15.294.000	11.891.000	4.017.000	21.372.000
Total pasivo y capital propio	675.281.000	626.955.000	586.889.000	526.024.000	674.964.000	603.081.000	539.615.000	456.930.000	386.325.000

Source : Own elaboration extracted of Tubacex annual accounts

In 2012 Tubacex had 293 millions of financial debt; more than 50% had to be paid in one year (70% of the total liabilities of Tubacex were financial debt). This numbers show that banks are a very good partner of this firm and also could be the most important stakeholders of the firm. In 2013 Tubacex has to return around 150 million Euros. It is impossible to return since the company does not generate this huge amount of cash flow in one year. Probably banks will give more time to Tubacex to return the loans.

Figure 6: Tubacex debt against its suppliers in euros

	2012	2011	2010	2009	2008	2007	2006	2005	2004
Pasivo líquido	247.190.000	314.149.000	277.288.000	215.581.000	320.023.000	312.127.000	282.262.000	206.689.000	165.365.000
Deudas financieras	153.990.000	225.441.000	212.219.000	152.292.000	210.011.000	200.124.000	190.660.000	135.038.000	100.269.000
Acreedores comerciales	53.949.000	47.957.000	40.651.000	38.189.000	72.043.000	96.709.000	79.711.000	67.634.000	43.724.000
Otros pasivos líquidos	39.251.000	40.751.000	24.418.000	25.100.000	37.969.000	15.294.000	11.891.000	4.017.000	21.372.000
Total pasivo y capital propio	675.281.000	626.955.000	586.889.000	526.024.000	674.964.000	603.081.000	539.615.000	456.930.000	386.325.000

Source : Own elaboration extracted of Tubacex annual accounts

The figure 6 shows the evolution of the current liabilities of Tubacex in the last few years. The account Trade and other payables represents 34,58% of the total current liabilities. It's the second biggest account in the current liabilities.

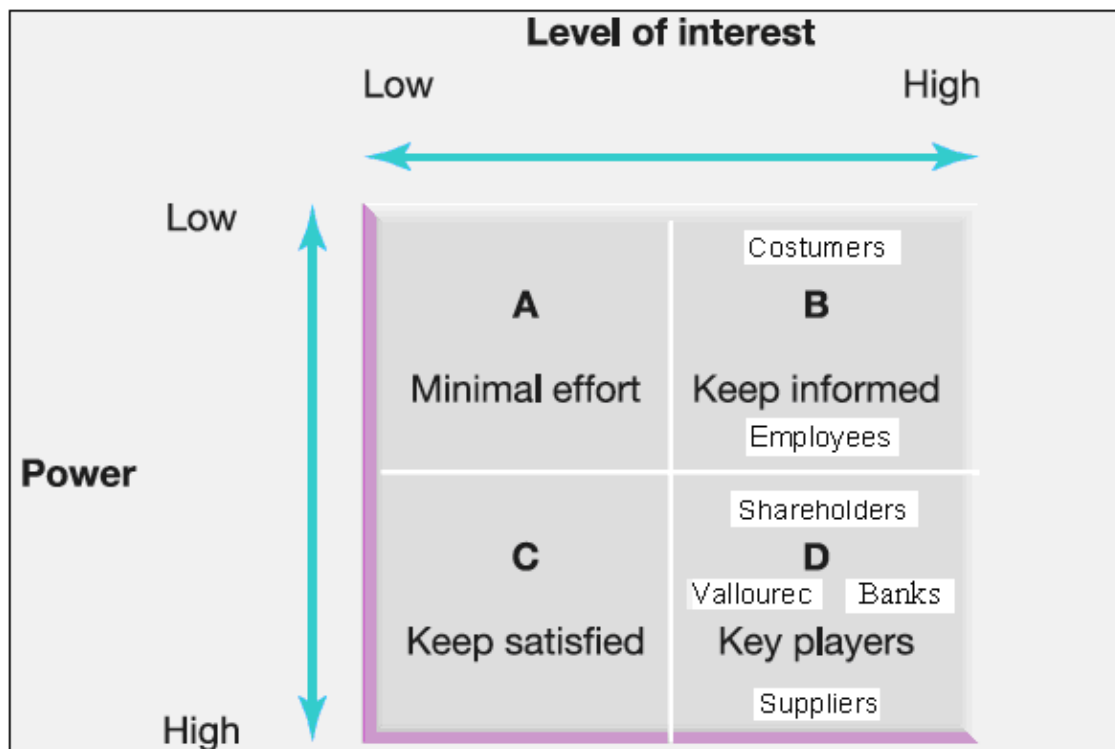
Tubacex production system is full integrated. This means that they produce the stainless steel and they produce the pipes .The only raw materials that they buy are nickel and molybdenum which are needed to produce the stainless steel. The main Tubacex supplier of nickel is MMC Norilsk Nickel which is the leader in the nickel's market. Its partnership for both companies is very important , so for Tubacex Norilsk is a key player as well.

1.5 Stakeholders map

The stakeholder's mapping shows the relation between the level of power and interest of Tubacex's stakeholders. There are four divisions in which we can classify Tubacex's stakeholders. The first one as we have mentioned before are the "key players" whose high level of power and interests mean that they are key partners for the company. Vallourec is a key player because there is a partnership with Tubacex in which both organizations are collaborating in the research and development of tubes for electric power generation boilers. Secondly there is the group "keep informed". The level of interest of the stakeholders is high though the power is low. Thirdly we have the group keep satisfied whose power is high but whose level of interest is low. Tubacex does not have any stakeholder in this level. Finally there is the group called "minimal effort" which any organization does not care because the level of interest and the power of stakeholders are

very small. In the group “keep informed” we have Tubacex costumers⁸ which are the big oil and gas producers such as Gazprom, Exxon Mobil, Petro China, BP and so forth. They don’t have the bargaining power but Tubacex is very interested in keep them as a consumers. Though the prices of raw materials dropped in 2008, 2011 and 2012 , Tubacex increased the prices against its costumers and they kept on buying Tubacex’s products. This is a clear example which shows the bargaining power that this enterprise has. Employees must keep informed as well since they don’t have so much power but it is important for the firm that they could be satisfied.

Figure 7: Stakeholders map



Source : Own elaboration using Johnson Exploring Corporate Strategy 8 edition.

⁸ Tubacex’s Annual report 2012

2. Strategic analysis

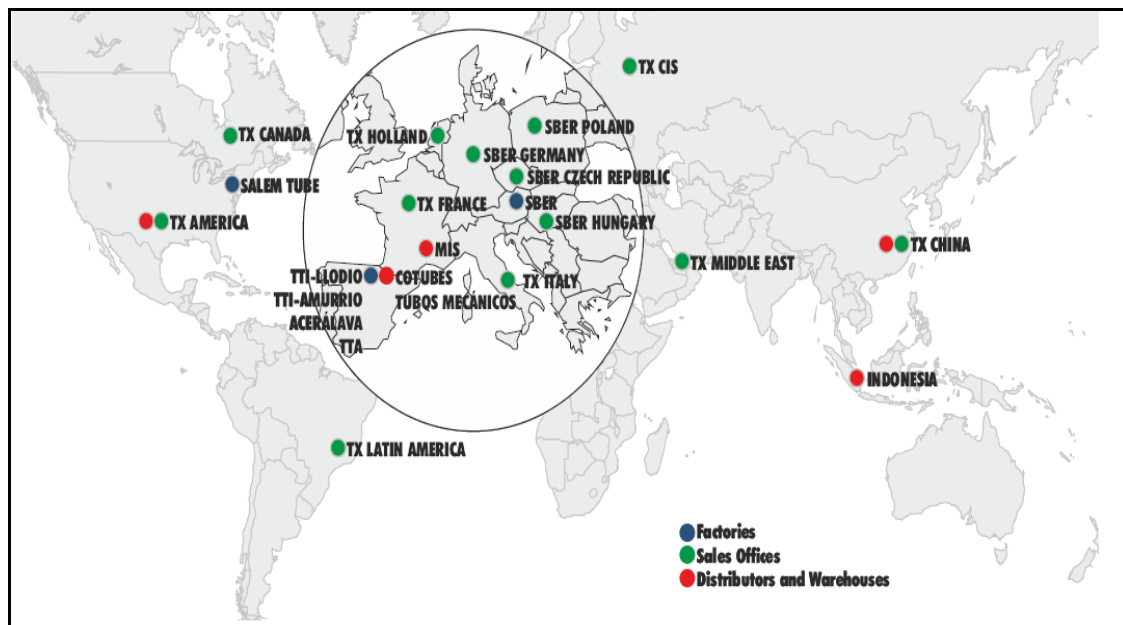
2.1 Macro economical analysis

2.1.1 Pestel analysis

2.1.1.1 Political factors

Tubacex operates in a lot of countries such as Spain, France, US, Canada, Holland, Germany, Italy, Poland, Austria, Russia, Brazil, China and Indonesia. In these countries there is political stability and democracy whereby this fact helps to minimize the risk of political issues that could affect negatively the company.

Figure 8: Tubacex Worldwide Presence



Source : Tubacex webpage

Tubacex's costumers extract oil in so many different countries. The top ten countries which produce more oil⁹ are Russia, Saudi Arabia, United States, Iran, China, Canada, Iraq, United Arab Emirates, Venezuela, and Mexico. The main gas producers are Russia, United States, Canada, Qatar, Iran, Norway, China, Saudi Arabia, Indonesia and Netherlands. Quite often in Africa and Asia there are geopolitical factors which could affect negatively Tubacex due to a part of firm's costumers extract oil and gas in these continents. If there was a conflict the extract of oil and gas could be affected and therefore the production of oil and gas could be reduced. Nowadays there is not any

⁹ List of countries by oil and gas production Wikipedia

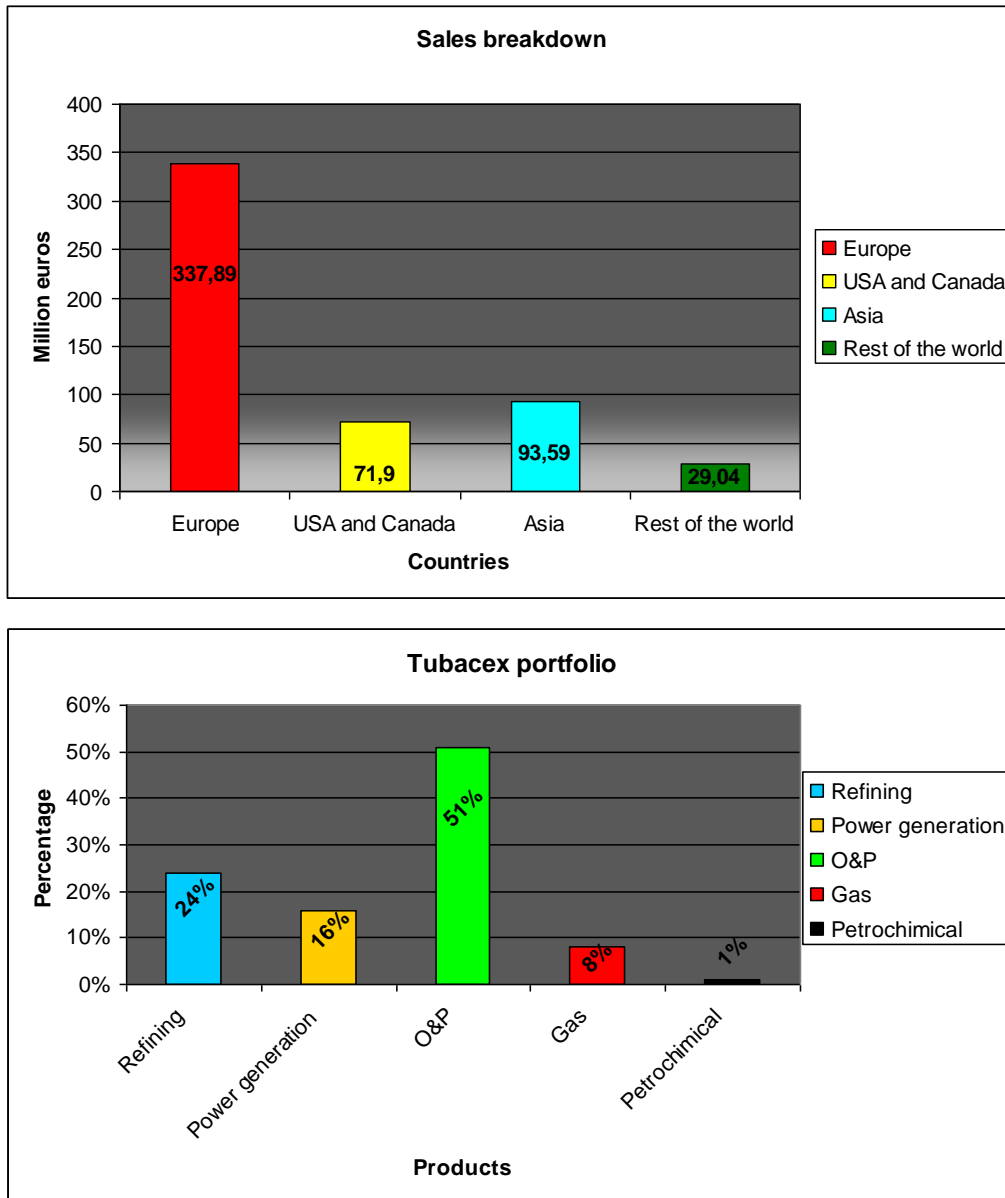
geopolitical conflict which could threaten Tubacex's results because the 10th main producers of oil and gas there is not any political conflict there. Moreover, Tubacex's main costumers are the biggest extractors of oil and gas producers and these ones operate in the main producer countries. So we can conclude that political factors cannot threaten Tubacex financial results.

Last year UE approved an antidumping law which locks the competence coming from China. This fact will put so many difficulties to chinese producers to sell in Europe for the next five years. These are very good news for Tubacex because it will have fewer competitors at least until 2017.

2.1.1.2. Economic factors

Tubacex's core business is the production of seamless stainless steel tubes whose main costumers are oil, refining, power generation, gas and petrochemical industries. The main part of its revenues comes from Europe which represents more than 60% of the total sales. Afterwards, US is the second country according to Tubacex total turnover. It is followed by Asia and the group "the rest of the world" which is included Brazil and the revenues are growing very fast in this country.

Figure 9 Sales and geographical breakdown in 2012



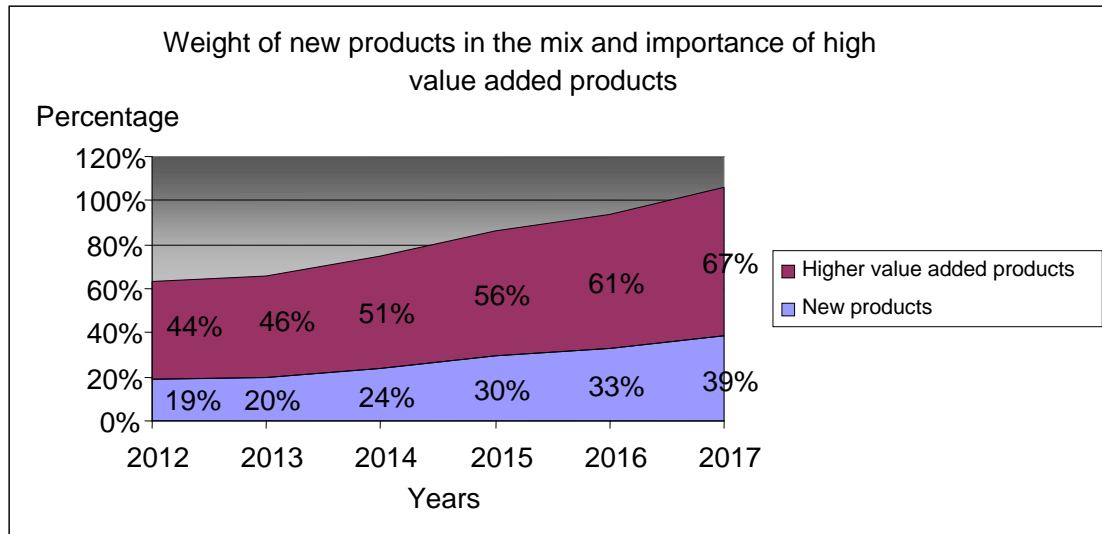
Source : Tubacex webpage

The high added value products such the Oil Country Tubular Goods (OTCG)¹⁰ tubes, Umbilicals¹¹, Nuclear, High alloys are growing in Tubacex portfolio. In 2012 the high added value products represented around 20% of Tubacex's total turnover. This amount was lower than expected in the second quarter of 2012 (they thought that the high added value product would have reached 31,8 % of the total products).

¹⁰ OCTG are a kind of pipes that are used in the offshore extraction of oil and gas. They play in a really extreme conditions so it is required a very high quality

¹¹ Umbilicals are those structures which by control remote control the extraction of oil and gas in the subsea.

Figure 10: Weight of new products in the mix












































Source: Own source based on Tubacex Strategic plan 2013-2017

In the strategic plan 2013-2017 shows the constantly increase of relative importance of high added value products against total product. In 2012 there were 44% of high added value products and in 2017 it is expected to be 67% more than a half will be new products. Afterwards we are going to explain the reasons why this part of the strategic plan is realistic.

The wide range of products and countries in which Tubacex has its business, minimize the risk when there is an economic downturn which could affect negatively the demand. In the Figure 11 shows the sectors which Tubacex operates in and also which products the subsidiaries are in charged of producing.

When there is a global crisis which affects all countries it's not possible to get round this risk. Tubacex as an industrial company, its results are narrowly linked to the economy. The higher the prices of oil and gas are the higher the revenues are because an increase of the price of these commodities means that oil and gas companies produce more. Therefore Tubacex's demand would increase if it fulfilled the hypothesis. The prices of raw materials, mainly nickel, it is important for the company to remain low otherwise the final product will be more expensive and the demand could decrease but the chances are low due to Tubacex's demand is inelastic. Due to the production costs are very high, the firm produces when has already sold a product. Tubacex is covered through raw material swaps because of the volatility of raw materials (nickel and molybdenum) is quite high. This fact ensures the company maintaining the profit margins whereby it had already planned. This coverage is so important in those sells which the price is already fixed.

Figure 11: Demand sectors for products manufactured by Tubacex group

Sectors	TTI Spain	SBER Austria	SALEM USA	ACERALAVA Spain	TTA Spain
 Chemical and Petrochemical 				—	
Energy 				—	
Oil And Gas 				—	
Mechanical 					—
Aerospace 				—	—
Electronics 	—			—	—
Food Industry 				—	
Technologies 				—	—
Forging 	—	—	—		—
Rerolling Long products Sections 	—	—	—		—

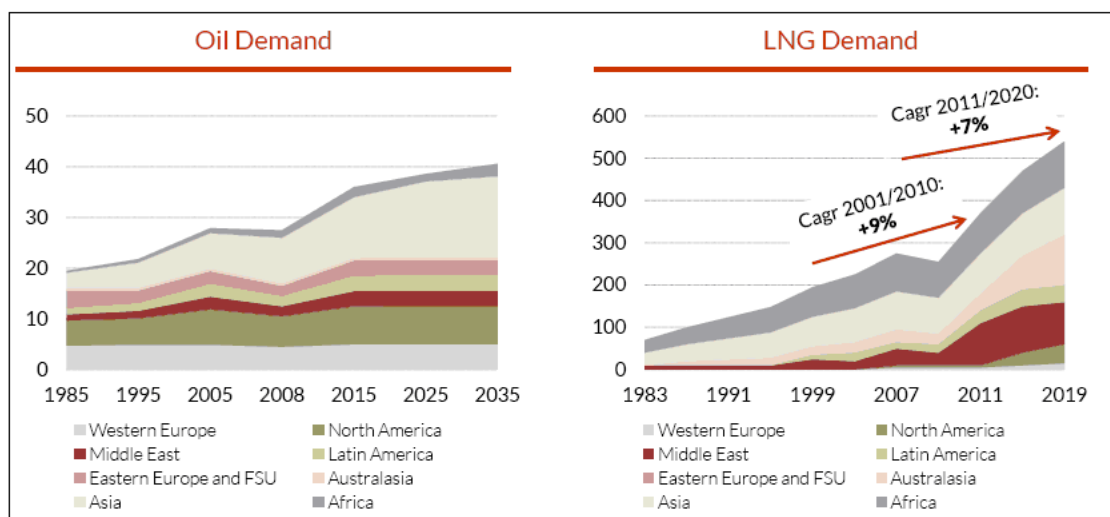
Source: Tubacex annual report 2012

2.1.1.3 Social factors

The social trends influence this kind of business. Tubacex's core business is the production and selling of seamless stainless steel tubes to the main oil extraction companies and gas as well. If there is growth in the global economy, people will be able to spend more and probably they will buy new cars, motorbikes, houses and so forth. It will take a long time to come up with an important energy discovery which could replace the oil and gas energy. This means that the demand of oil and gas will go up (in the case if the GDP arises) and therefore the market will increase. Meanwhile the oil and gas companies

(Tubacex costumers) carry on their business because it is very profitable so Tubacex don't have to worry about alternative energies in the short and medium term.

Figure 12: Market evolution: Oil and gas demand



Source: Douglas-Westwood

The figure which is above shows the increase of the demand of oil either LNG (liquid gas). Between 2013 and 2017 the oil demand will go up 3 points (34 until 37), this means that oil demand will arise around 8,8% specially the period 2013-2017. On the other hand there is the gas demand whose outlook is very optimistic since the demand is forecasted to go up by 7%.

2.1.1.4 Technological factors

Technological factors are very important due to the continue investment which this kind of business requires. Despite the fact of being a drop in Tubacex demand and results as well, Tubacex has been investing¹² an average around 30,4 million Euros every year in new facilities and machines the last five years. Probably some firms, rather than investing, they disinvest as too achieve good results. Those companies which have not been investing these years, although they would invest now they cannot go back to 2008 and they are one step back comparing to Tubacex. It has been crucial to invest those years because now the firm has a wider range of products which add more value than the traditional ones. Those products are mainly OCTG and umbilical. These products require high quality standards because of the hard conditions of oil and gas extraction in deep waters. Investing in these products have enabled to improve them. Investing in the

¹² Table which shows up the amount of money invested in the company during the period 2008-2012, page 21

offshore sector has been a good decision since this sector is expected to grow¹³ by 50% in the next five years. The foreseeable future is to carry on investing in order to satisfy the costumers and to be able to compete with the other firms. Another reason which technological factors are so important is because the other firms are improving its products, every year there are better and if Tubacex wants to maintain or gain quote market, it has to keep investing. Not only investing means to gain in terms of technology. It also means reducing costs in order to be more competitive. This fact is very important because the product which Tubacex products do not have so many features that could be distinguished comparing to the direct competence so it is very important to have the lowest cost as possible.

2.1.1.5 Environmental factors

Environmental factors are very important since costumers value the preserve of our planet and nature clean. Tubacex producing method respects the climate and tries to pollute as less as possible to keep our planet clean. In this aspect the subsidiaries Acería de Álaba, TTI, Sber and Salem Tube fulfil the ISO 14001¹⁴ certificate. Environmental protection has been playing a very important role in the firm. Tubacex has already invested a huge amount of money in order to guarantee environmental protection and will continue to invest in this field in the future. Organisation's aim is to tackle to the raw materials and energies, as well as the optimization of applied technologies for the protection of our environment. Tubacex basically sells seamless pies. This means that there is no risk of being an oil or gas spillage from Tubacex's costumers.

2.1.1.6 Legal factors

Legal affairs affect directly Tubacex. In Europe there is a legislation which regulates the steel sector and we are going to outline the most important laws.

Accession Act of the Kingdom of Spain to membership of the European Communities (12/06/1985).

Directive 2003/87/EC of the European Parliament and of the Council of 13 October 2003, establishing a scheme for greenhouse gas emission allowance trading within the Community and amending Council Directive 96/61/EC.

¹³ <http://www.eeegr.com/uploads/DOCS/sns-john-westwood-douglas-westwood-.pdf>

¹⁴ ISO 14001 is a certificate which proves that the company fulfils specific environmental requirements. <http://www.rpd-mohesi.com/uploads/custompages/ISO%2014001%20Enviromental%20Systems%20Handbook.pdf>

Directive 2010/75/E.U. of the European Parliament and of the Council of 24 November 2010 on industrial emissions (integrated pollution prevention and control).

The Directives are directly applicable to the European Union Countries.

2.1.2 Identification the key drivers of change

Pestel analysis has helped us to get an overview of the environment in which the company has its business. Our main aim has been to identify the key drivers of change which Tubacex has to consider. Economic factors are concerning Tubacex due to its business success is linked to the evolution of oil and gas prices. Technological factors are concerning Tubacex because of the high levels of investments which are required in this sector and also the necessity of coming up with new products. Legal and environmental facts may concern the company since higher investments could be required in order to pollute less for instance.

2.1.2.1 Building scenarios

Building scenarios is absolutely necessary for verifying if the strategic plan is trustable. We are bound to forecast how Tubacex's revenues are going to perform; therefore, thanks to our sale's prediction it will be easier to predict the other accounts. It is necessary to build up more than one scenario since the more options we will have the more the chances will be of guessing correctly the total turnover. Achieving the amount of firm's sales will enable us to forecast the other accounts of P&L and Balance Sheet such as procurements, salaries, costumers, inventories and so forth.

According to our research we build two possible scenarios. The first one is that oil prices will fall. This one is the scenario which is forecasted by IMF and the World Bank. We will take both forecasting prices into consideration. The second scenario is that oil prices will arise among 2013-2017. This forecast has been made by OECD.

Each economic organization has different functions and they are very trustable. For this reason we are going to give in each forecast the same likelihood.

Scenario 1: Oil and gas prices drop

IMF forecast¹⁵ says that oil prices are bound to drop in the period 2012-2017 by 15,31%. On the other hand World Bank's forecast ¹⁶ says that prices will fall but not as much as IMF prediction. They think that prices are likely to drop by 4,6% until 2017. As we said

¹⁵ IMF commodity price forecasts, September 2013 <http://knoema.com/yxptpab/crude-oil-prices-forecast-long-term-to-2025-data-and-charts>

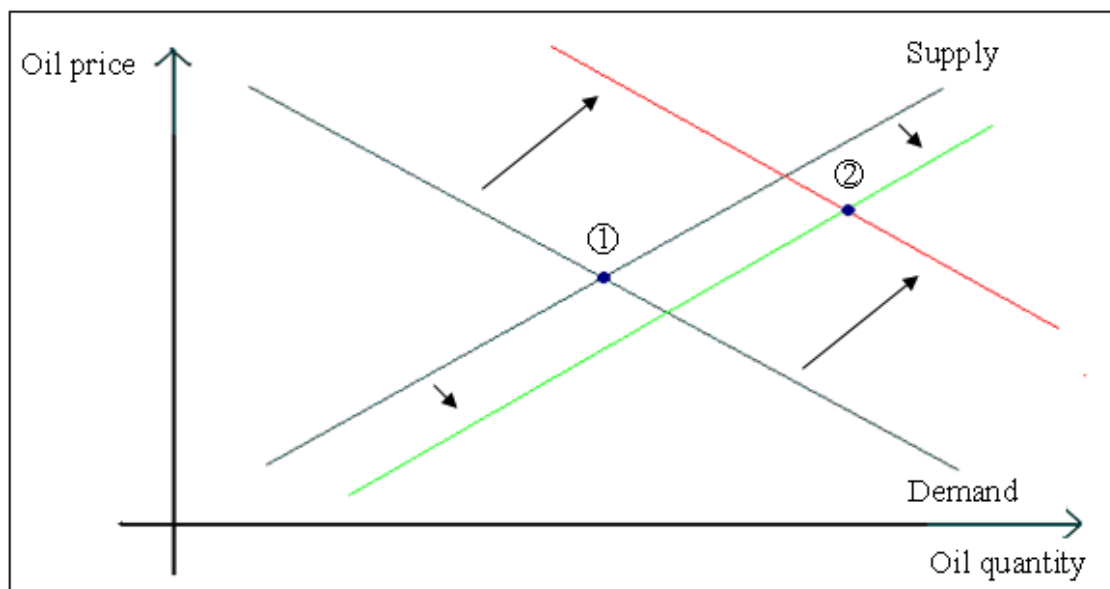
¹⁶ World Bank Commodity Forecast Price data, October 2013

before oil prices are linked to Tubacex sales due to the higher the prices are the more Tubacex costumers invest and therefore Tubacex's turnover is higher. According to both organizations price will fall, Tubacex's costumers are bound to decrease its investments and therefore the total turnover is likely to drop next years.

Scenario 2: Oil and gas prices increase

This is the forecast of OECD¹⁷. It says that prices will go up by 38% until 2017. So this means that Tubacex's costumers will increase its investments and therefore the firm will sell more. A study says the demand 18 of oil is expected to increase next years. Oil demand will arise around 8,8%. Also it is said that the extraction of oil in a very hard conditions (offshore), is expected to soar in the following years. These are good news for Tubacex due to the high added value products such as OCTG or umbilical are expected to increase its importance in the firm's portfolio. These products are sold around 23% more expensive than traditional ones and the profit margin is higher either. So in the period 2013-2017 the revenues are likely to go up.

Figure 13: Oil and demand supply scenario 2



Source: Own source

In our forecast we are going to assign the same likelihood in each forecast because the three organisations are reliable so the three scenarios (represented in two) have the same chances to happen.

¹⁷ http://www.oecd-ilibrary.org/economics/the-price-of-oil-will-it-start-rising-again_5k49q186vxnp-en

¹⁸ Douglas-Westwood study <http://www.eeegr.com/uploads/DOCS/sns-john-westwood-douglas-westwood-.pdf>

2.2 Micro economical analysis

2.2.1 Porter's five forces

2.2.1.1 Industry rivalry

It is very important to know the cost structure of Tubacex in order to know how is the flexibility which has in the case that the demand change radically in a short period of time.

Figure 14: Other operating expenses

	Thousands of euros	
	2012	2011
Operating lease expenses	798	747
Repair and upkeep expenses	14,060	17,857
Independent professional services	7,106	8,393
Transport	11,200	9,898
Insurance premiums	1,617	1,651
Utilities	31,440	22,874
Taxes other than income tax	796	417
Other expenses	13,737	14,562
Change in operating allowances (Note 14)	402	135
	81,156	76,534

Source: Tubacex annual report 2012

Figure 15: Staff costs

	Thousands of euros	
	2012	2011
Wages, salaries and similar expenses	76,909	67,648
Contributions to pension plans	1,869	1,533
Social security costs	22,246	17,875
Other employee benefit costs	5,551	4,917
Provisions for employee benefits (Note 21)	2,000	1,207
	108,575	93,180

Source: Tubacex annual report 2012

Tubacex's fix costs are mainly the amortizations, staff costs, and other operating expenses (all are fix costs except the account transport and utilities). The percentage average of the fix costs comparing to the total costs is 32%. It is not very high considering that we are analyzing an industrial company. This means that if there was an economic downturn, demand would drop but losses would not be very high (would be higher if fix

costs would represent more). In the last economic downturn we saw this fact. There were losses but it could have been worse.

Tubacex has a few competitors due to there are high barriers of entrance in stainless steel industry and a high barriers of leaving as well. The main entrance barriers¹⁹ are the followings.

Figure 16 Barriers of entrance

Capital requirements	It is needed a huge investment to be able to be in this industry
Economies of scale	Fix cost per unit are lower than the fix cost per unit of the company which has just arrived.
Government policies	<i>Regulation No 1907/2006</i> mainly restricts the working conditions. EU approved antidumping measures for the next five years to Chinese tube producers.
Product differentiation	Tubacex produces seamless stainless steel. The majority of the competitors produce welding pies

Source: Own source and note 10

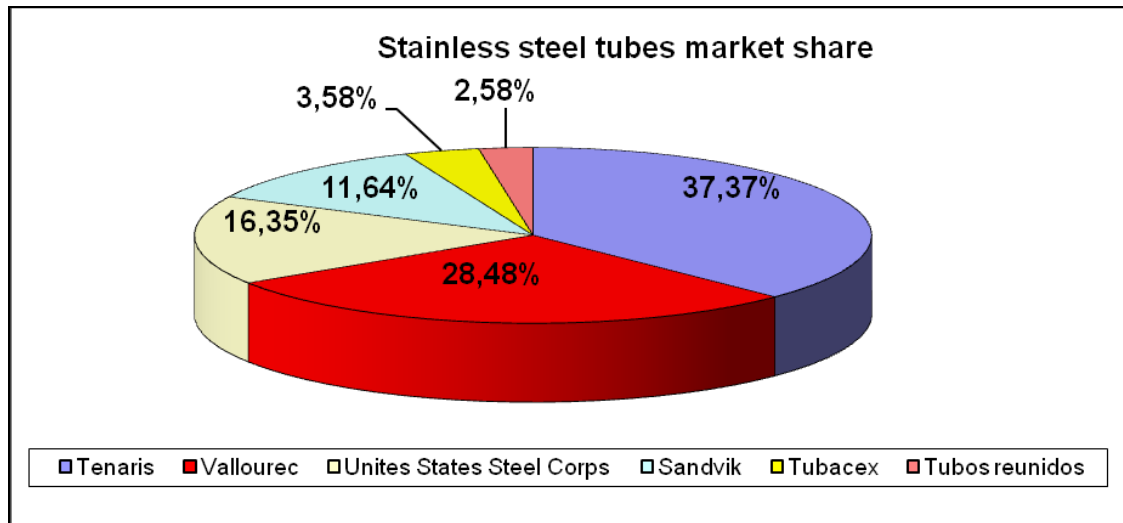
The main barriers of leaving are the difficulty of selling all facilities so this is a problem from the companies which would like to sell its business. Another problem is the high cost that would suppose fire all the employees. So a company when it wants to go into a business with high barriers of entrance and leaving as well, they think twice before making such an important decision.

Tubacex operates in an oligopolistic market whose direct competitors are Tenaris, Vallourec, United States Steel Corp, Sandvik and Tubos Reunidos . Acerinox, Outokumpu and POSCO are indirect competitors because they don't sell seamless stainless steel tubes, they sell welded stainless pipes. Now they are not relevant because they only compete against Tubacex in the welded stainless steel pipes that represent just 3,5%²⁰ of Tubacex production. They could be a threaten in the future if they start to produce seamless stainless steel products. According to our study Tubacex only have the 3,58% of the total market share and it is far away from the market's leader, Tenaris.

¹⁹ Source: <http://www.equitymaster.com/detail.asp?date=12/29/2008&story=4&title=Steel-Five-force-analysis>

²⁰ Bloomberg report

Figure 17 Seamless stainless steel breakdown



Source: Own source

Tubacex Competitors produce a wide range of stainless steel products. We are going to describe them in the figure 18.

There is an alliance between Vallourec and Tubacex. Both collaborate in the research and development of power generation boilers. In this way the investments which they carry out both companies are more profitable rather than performing independently. This partnership enables Tubacex to introduce new developments in the power generation boilers that will increase the revenues and the profit margin of this product.

Figure 18: Main Products of Tubacex and its competitors

Direct and indirect Tubacex Competitors and Tubacex	Products which sell
Acerinox (indirect)	Flat products: stainless steel billets, black coil, cold rolled coil and so on. Long products: stainless steel angles, billets and so forth
Otokumpu (indirect)	Welded stainless steel pipes, bar, wire rod
POSCO (indirect)	High alloys and stainless steel scrap, hot roll steel, wire rod and so forth
Centravis (direct)	Hollow bars, instrumentation tubes, boiler tubes, furnace tubes, Heat-exchanger tubes, general tubes and tubes of nickel alloys. All pipes are produced of seamless stainless steel.
Sandvik (direct)	Seamless tube and pipe, nickel alloys, titanium and so on
Vallourec	OCTG, Seamless pipes, boiler tubes and so forth
Tenaris (direct)	OCTG, umbilical tubing, power generation...
Tubos Reunidos (direct)	The core business is the selling of seamless stainless steel tubes which main costumers are oil and gas producers, power generation, mechanical engineering and the automotive sector.
United States Steel Corps	This company produces stainless steel pipes such as Oil Country Tubular Goods (OCTG).
Tubacex	Seamless stainless steel pipes, hollow bars, stainless steel bar, billets. Moreover they have fittings such as high nickel alloy (high value added product). Finally there are OCTG, umbilicals, precision tubing, subsea, nuclear, urea and SC Boilers.

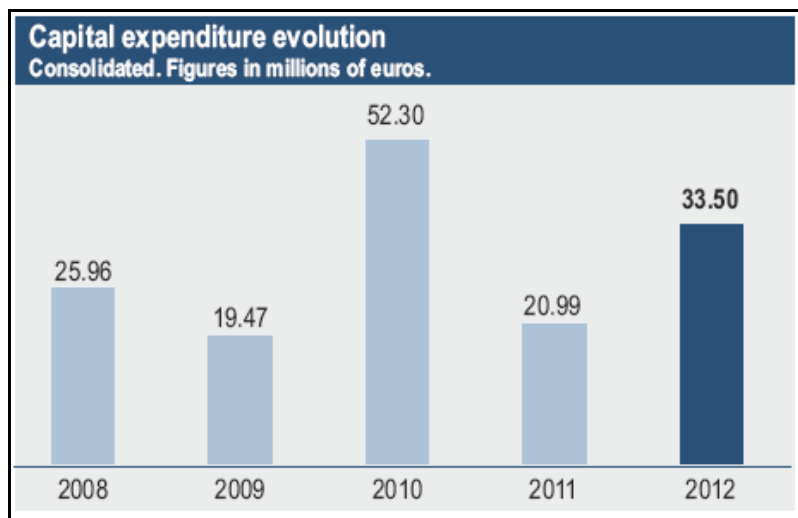
Source: Official web pages of the firms.

2.2.1.2 Potential entrants

For Tubacex and their rivals is very difficult to have new competitors because big investments are required to go through in stainless steel industry. In the hypothetical case that there would be a new rival, this one would have higher costs than competence due to the new rivals would not have economies of scale nor learning curves. Also there are high exit barriers because it is very difficult to sell all facilities, fire al employees and so forth. Big companies could carry out a retaliation policy decreasing the prices even though they

would have losses to kick the new entrants off. Potential entrants could be the companies which are already in the stainless steel industry such as Acerinox, Outokumpu and POSCO. These companies have the facilities, machines and technology to produce tubes and are a dangerous threatens for Tubacex. The potentials entrants which Tubacex does not worry about them are those ones which aren't in the industrial sector and they want to go into it.

Figure 19: Tubacex investments in the last 5 years



Source: Tubacex annual report 2012

2.2.1.3 Substitutes products

There are substitutes such as welded stainless steel tubes that can replace seamless stainless steel tubes. In fact Tubacex produces welded tubes as well but just for fitting products and only represent 3,5% of the total production. The rest of products are seamless stainless steel pipes. Producing welding pipes is much cheaper than the production of seamless stainless steel pipes because the production system is much more simply. In seamless pipes the company has to test the product in very high pressures because after all Tubacex costumers will use them to extract oil and gas so seamless stainless steel pipes have to past a very rigorous tests in order to be possible to sell them in the market. On the other hand, it is required to carry out some tests before selling welding tubes but there are less rigorous than the tests for seamless stainless steel pipes. Seamless tubes are more expensive comparing to the welding ones but the quality of the first ones is higher. Welding tubes could be more expensive in some cases due to seamless pipes can be thinner and lighter than welded pipes (this means reducing expenses). The gas and oil companies they'd rather prefer to assume as less risk as possible so they use to purchase seamless pipes. We can conclude than welding pipes is

a substitute product but is not 100% substitute product since the features of both products are different.

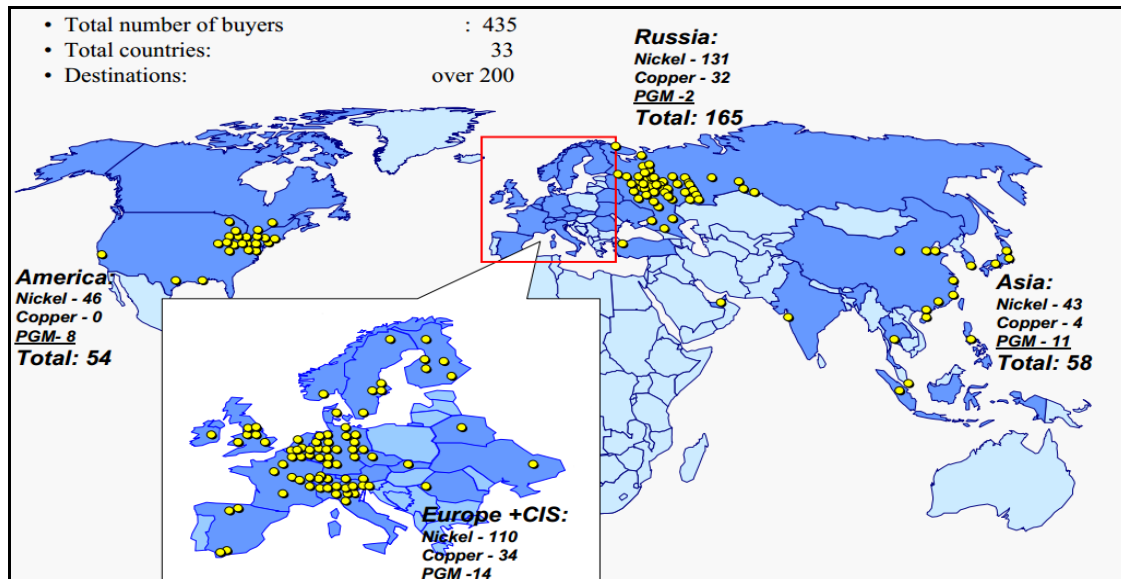
2.2.1.4 Power of buyers

Tubacex has the bargaining power since there are a few companies which can supply seamless stainless steel tubes. Tubacex costumers are the big oil and gas producers such as Gazprom, Exxon Mobil, Petro China, BP and so forth. They don't have the bargaining power. Tubacex is very interested in keep them as a consumers. Though the prices of raw materials dropped in 2008, 2011 and 2012 , Tubacex increased the prices against its costumers and they kept on buying Tubacex's products. This is a clear example which shows the bargaining power that the firm has. There is no risk of vertical integration by costumers due it is not feasible to invest huge amount of money in industrial facilities and as we said before the barriers of entrance and leaving to this sector are very high so it is very difficult that this fact would take place.

2.2.1.5 Power of suppliers

The main Tubacex supplier of nikel is MMC Norilsk Nickel which is the leader in the nickel's market. This fact gives a lot of bargaining power to MMC. Its partnership for both companies is very important, so for Tubacex Norilsk is a key player. Tubacex has not the bargaining power since it is not the leader of its market and MMC Norilsk has a wide range of costumers so it wouldn't affect so much if it would lose Tubacex as a costumer. Also, there is no risk of vertical integration by the suppliers because they would have to invest a huge amount of capital in industry facilities, machineries and so forth. This fact helps a little bit Tubacex when has to bargain with MMC Norilsk, but the supplier company continues to have the negotiation power and Tubacex has a little margin to negotiate.

Figure 20: MMC Norilsk Nickel geographic breakdown



Source: http://www.nornik.ru/_upload/news_lang/filename_document2_5005.pdf

2.2.2 Complementary products

OCTG and umbilicals are complementary products. Both ones are high added value products recently developed by Tubacex. Its main aim is to extract oil in offshore conditions. OCTG are the pipes that they are used to extract the oil and the functions of the umbilicals are controlling the equipments by remote control which are located in the subsea. Despite the fact that the demand is very inelastic, a huge variation of the prices one of these products will affect the other one. For example if the prices of OCTG products would soar, the demand of OCTG would drop the same as the umbilical's demand.

So complementary products exist in Tubacex's portfolio and it is very important to decide the price of one product because it could affect the demand of another product.

After analyzing the Tubacex's 6th force we can conclude that Tubacex's strategic position is quite good. Despite the fact that Tubacex has just the 3,58% of the market share, they have the bargaining power against its buyers. There are not perfect substitute's products which could replace seamless stainless steel pipes, these are good news because if there are not a clear substitute products the demand will keep being inelastic. There are four other forces in which Tubacex is not in an advantage position. Firstly, there are potential entrants in the market which means that Tubacex (in the case that these potential entrants would become entrants) would have to carry out a higher effort to keep its quote market.. Secondly Tubacex does not have the bargaining power against his supplier so, as we have explained before, this is bad for the company. Thirdly, Tubacex has a low market share far away from the market leader. And fourthly Tubacex has complementary

products. This is not exactly a negative issue but Tubacex has to be careful when they establish the prices.

2.2.3 Critical success factors

The customer values the quality of the product and the fulfilment of the product deliveries. The product cannot have any mistake due to it is used to extract oil and gas. This means that a little mistake of the product would affect negatively oil and gas companies (Tubacex's main customers and this cannot happen). The evolution of the global economy and the performance of oil prices will determine how the company is going to perform in the future.

2.2.4 Strategic capabilities

Tubacex main capabilities are the high technology of their facilities. The production system is completely integrated. They produce the stainless steel and then they make the tubes. Every year they are investing in research and development, building new facilities. Tubacex was seeking to strengthen the development of production capacity in those segments requiring a high level of expertise such as oil, gas and power generation sectors which the growth is higher than other sectors. These investments will help the development of extraction of oil in extreme conditions (offshore and deep water extraction) and power generation at state-of-the-art plants. Tubacex's strategic plan²¹ shows the increasing of the importance of high added value products (new products which have one of the highest technologies in the market) in their portfolio in order to diversify more the business and minimize the market risk. Those products have a higher profit margin than the traditional products. Mainly the firm has been focusing on investing in new facilities which produce high added value products. They have to carry on investing the subsequent years as to maintain the competitive advantage on its competitors. It must be highlighted that Tubacex has been investing the last four years 152,22 million Euros fulfilling the strategic plan 2008- 2012. We have to value this fact considering that this huge amount of money has been spent in the middle of the deepest economic downturn in many years. These years, companies instead of investing, they have been disinvesting because of the crisis but Tubacex did the opposite.

There are a few companies which produce seamless stainless steel pipes. Most of the companies produce welding stainless steel tubes. This is good for Tubacex because the pipes which they produce have more quality rather than welding tubes and the potential customer prefers the pipe which Tubacex produces.

²¹ It is going to be explained later that this part of the strategic plan is trustworthy

2.3 SWOT analysis

After analyzing the external (macro) and internal (micro) factors we have all tools to carry out the SWOT analysis.

Figure 21: SWOT analysis

Strengths	Weaknesses
<ol style="list-style-type: none"> 1. High degree of technology of their production plants 2. Integrated production system 3. High degree of diversification but could be higher 4. Bargaining power again its buyers 5. High added value product is gaining importance in Tubacex's portfolio 6. Antidumping measures against Chinese pipes 7. Does not have a 100% substitute product 	<ol style="list-style-type: none"> 1. Bad payment conditions 2. Does not have the bargaining power against its supplier. 3. It is very far from the market's leader 4. Low cash flow 5. More than 60% of Tubacex business is located in Europe
Opportunities	Threats
<ol style="list-style-type: none"> 1. Growth expectations in oil and gas sectors 2. Increase the percentage of high added value products of Tubacex's portfolio. 3. Sell more in emerging countries whose growth is so high 	<ol style="list-style-type: none"> 1. Renewal energies could be a threaten in the long term 2. More competitors which are in the stainless steel industry but they are producing different products 3. Geopolitical conflicts 4. Evolution of oil and gas prices

Source: Own source

Tubacex's main strengths are the high technology of their production plants and also its production system which is completely integrated. It is an strength due to the costs are lower if they would have to outsource. Another strength which we could point out is the high degree of diversification. Tubacex operates all around the world, and is diversifying their products focusing on selling high added value products which every year are

increasing its importance in Tubacex's portfolio. Geographic diversification is very important as well. For instance, an economic crisis of one country does not affect so much Tubacex's final results. Product diversification minimizes the risk either. If there is a product whose revenues decrease, can be compensated with an increase of sales of another product. Moreover, this organization has the bargaining power against the customers. Despite the fact that the prices of raw materials decreased last year, Tubacex raised the price of the final products and the customers kept on buying and the demand increased. This example shows the inelasticity of the demand and the dominant power that Tubacex has though its market share is low. The antidumping measures which approved European Union means that Tubacex will have fewer competitors the next five years.

Moreover, it is very important the firm's core product does not have a perfect substitute product. Otherwise the demand would be elastic and probably the organization would not have the bargaining power against its customers.

One of the main weaknesses of Tubacex is the bad payment conditions. The company is not paid after the product has been sold. In the last seven years the company has been paid 105 days after selling a product. Tubacex paid to its suppliers every 91 days on average. The company has to take a loan to pay the costs of products which produce and it is bad for the company because it has to pay interest to receive the loan. So the cash flow of the company ought to be higher in order to not increase Tubacex leverage. Tubacex has to try to receive the money from its customers earlier and pay after 90 days (it is very difficult to improve the payment conditions because Tubacex's supplier has the bargaining power). In this way the working capital will be reduced and financial debt will go down as well. Another weakness is that more than 60 per cent of Tubacex business is located in Europe. It should be more diversified in other continents, especially in those countries whose growth is higher than some countries in Europe. Besides, Tenaris, the leader of the market is far away of Tubacex. The firm has to make as much effort as possible to gain positions but it will take such a long time to catch the market's leader.

Oil and gas sectors are expected to grow in the foreseeable future due to the global economy is bound to grow in the following years. Also there are indicators which show that the demand of both products will go up the same as the prices. This is a good opportunity for Tubacex to increase its revenues. Another good opportunity is to increase the percentage of high added value products such as OTCG or Umbilicals whose margin is higher rather than other products. A good chance to achieve a better growth in sales is focusing more in emerging countries which are growing very fast, faster than Europe and US. Not only the GDP, in 2012 the revenues in the emerging markets increased more than in Europe and US.

Tubacex has a lot of threats. One of which could be the gradual replacement of oil to renewal energies. Even though this won't happen in the imminent future it has to be taken into account. There are some companies which are producing welding stainless steel pipes but not seamless stainless steel pipes yet. They have the industrial facilities to do it so this threaten could become in a fact in a few years. Another threaten could be the geopolitical conflicts which could affect negatively the Company. The oil and gas prices are concerning to Tubacex due to the higher the prices are the more investments are being carry out by the oil/gas companies and therefore Tubacex sells more or less according to this fact. In an economic downturn oil and gas prices shrink so that is the reason why Tubacex diversify its business selling different products in different countries. Although Tubacex diversifies, it was affected negatively when the global economy went down. In the case of being a deep economic crisis such the last one it was impossible to get round of it but if the crisis had been located just in a few countries; probably Tubacex wouldn't have been affected.

PART II: STRATEGIC PLAN: ANALYSIS AND FORECASTING

3. Strategic Plan 2013-2017

3.1 Strategic objectives. 5 years strategic goals

3.1.1 Double the company's value in five years

According to the strategic plan ²²now the value of the company is 300 million Euros. The goal is to double this value. There are three types of strategies for achieving this goal.

Business strategy is the first one which says that Tubacex wants to improve its product mix diversifying more. The sales channels they have to improve as well as pricing policy and organic and inorganic growth.

Industrial strategy aims to achieve an operational excellence through the Compete program which consists in daily management and continuous improvement.

And finally Financial Strategy aims to reduce the financial cost of Tubacex for the next years. Moreover, it wants to improve the Share Price Management and reducing the working capital.

3.1.2 To reduce Market volatility

This goal is going to be achieved through a high degree of diversification of the markets, products and geographically.

Furthermore it is going to keep up the alliances which Tubacex has in order to try to achieve this goal.

Finally there is going to be a strictly check of the break even. This means that there is bound to be work force flexibility, an internal cost control.

3.1.3 To be a benchmark supplier

In order to fulfil this objective, Tubacex will try to provide excellence products and service through being reliable and rigorous offering a quality product, the best service in class and an exquisite treatment.

There are going to be performed some indicators to check if the firm is fulfilling the objectives.

²² http://www.tubacex.com/media_archivos/Corporate_Presentation_2013_7.pdf

Service level has to higher than 90% of the total orders; in one year the firm has to receive less than fifteen claims (measure of quality); it has to be launched at least three new products in a year; the satisfactory survey has to reach an A and the market share has be until 15-20% of the total market. The organization is going to fulfil these indicators through some actions. These ones will be operational excellence, hiring advanced engineers and product managers, building appropriate systems (cost controlling and planning) and fulfilling the culture and values of Tubacex.

3.1.4 To be the company for which people want to work.

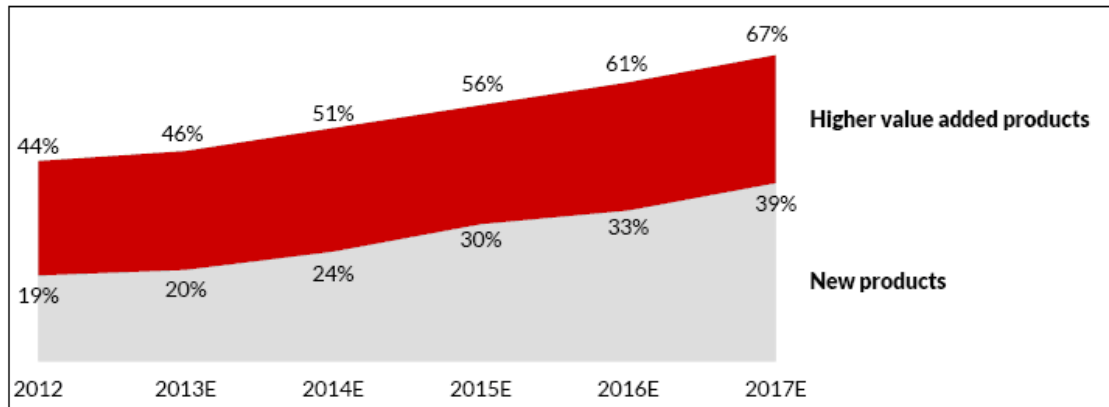
It is not easy to achieve this goal. It is very important that employees feel safeness. The aim of the company is the maximum safe working conditions. If people fill that, Tubacex will have done a very important step to achieve the final goal.

The workers have to follow Tubacex's culture. It is very important the communication between departments and also between each level. The recognition of the good job of the employee is so important.

All this facts aim that workers feel good in Tubacex. If they feel good the employee's yield will go up.

3.2 Improving the mix: Focussing on high added value products.

Figure 22: Weight of the new products in the mix



Source: Tubacex strategic plan

There is commitment with innovation and development of new products. The firm is going to focus on new high added value products in those sectors (oil, gas and power generation) in which there are an outlook of positive growth.

3.2.1 OCTG and subsea umbilicals

In the last five years, more than 50% of new oil discoveries were made in deep waters. The extraction conditions are very tough due to the hard levels of corrosion and extreme temperatures.

The technology required in the subsea extraction is increasingly complex. This means that Tubacex will have to keep investing a lot of money in OCTG and in the umbilicals.

OCTG are those tubes used in petroleum industry, to extract oil and gas in offshore conditions. The umbilicals are the complementary product of OCTG and will gain importance in Tubacex portfolio. As we said before both products will gain importance in Tubacex's product breakdown.

3.2.2 Power generation

The energy generated from coal plants has very good perspectives. It is expected that they will grow an average rate of 2,1% until 2030.

Coal has lower geopolitical risk than oil. In the last five years China has doubled its coal capacity.

Boilers have to be efficient and fulfil the environmental requirements of pressure and temperature resistant materials.




3.3 Enhancing the exposure to the fastest growing markets

Brazil is bound to have the highest expected growth rate in oil extraction capacity next years but the extract conditions will be really tough. Basically it will be offshore, deepwater and pre-salt extraction.

3.4 Financial statements

There are going to be three distinguished phases. The first one (2013-2014), the company will try to generate as much cash as possible, reducing its working capital. The second phase (2015-2016) the company will seek growth and the third one (2017) the main goal will be the consolidation.

Figure 23: Tubacex roadmap

	Phase I 	Phase II 	Phase III 
Product Mix	High Added Value Prod. 30% vs. 70% Traditional	High Added Value Prod. 40% vs. 60% Traditional	High Added Value Prod. 50% vs. 50% Traditional
Sales growth	>15%	> 15%	> 10%
EBITDA Margin	10%	12%	15%
Net Debt / EBITDA	< 3x	2 - 3x	2 - 3x
RoCE	10%	12%	15%
WC / Sales	45%	40%	35%

Source: Tubacex strategic plan 2013-2017

4. Testing if the Tubacex's strategic plan is reasonable

4.1 Forecast approach

In order to check if the strategic plan is realistic, we have carried out our forecasts. The method that it has been used in most of forecasts has been the regression analysis. To develop this method it is necessary to have two different variables (X and Y). When you have the X you only have to substitute the X for the number that you have and then you get the Y. In the regression analysis, we have been used the lineal regression (the figure is a straight line). It is very important that the correlation between X and Y would be close to 1. In most of our forecast we have met this requirement. In all the cases the correlation will be positive, bigger than 0. We haven't forecast any account which there is negative correlation (in this case the R^2 ought to be lower than 0 and close to -1).

In all forecast we have used a database of twenty years. Due to the forecasts are based on the performance of X and Y in the past, the more data we had, the more the changes were of achieving a good forecast result.

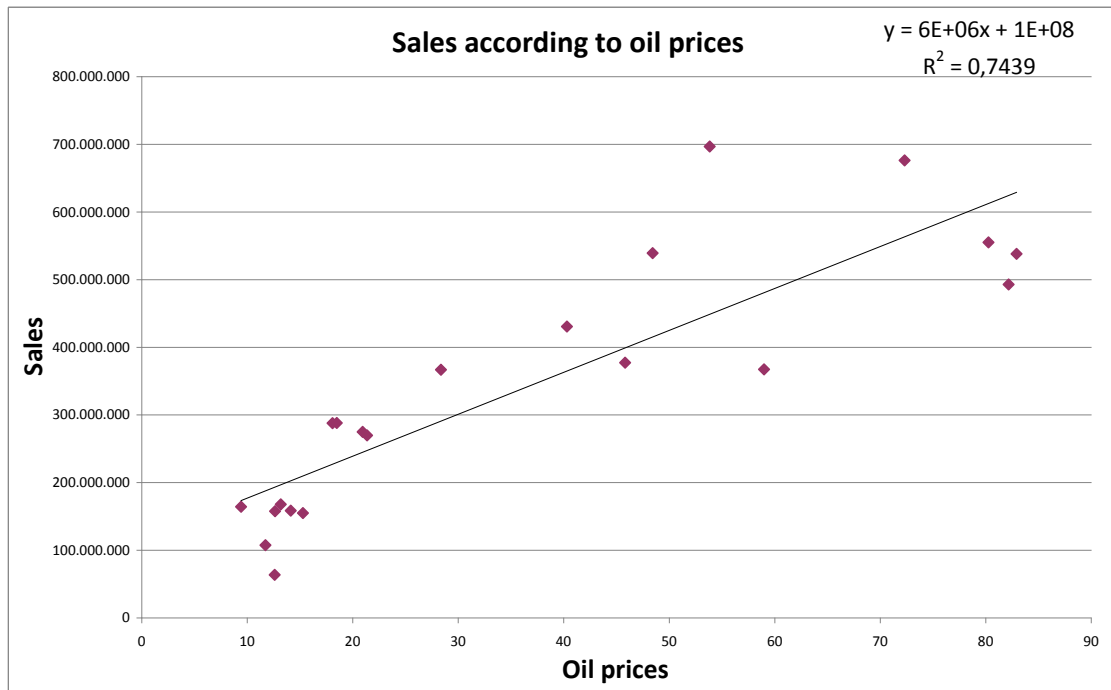
4.1.1 Profit and loss forecast

The first account that we have forecasted has been sales account. Why have we started with this account? Because the sales forecast set how the other accounts are going to perform. Depending on which amount of revenues the company will have, they are going to produce more or less. If it is expected that the demand will soar, the firm will try to buy more facilities in order to produce more and try to satisfy all demand.

In the equation of the lineal regression analysis Y is the sales. The first thing that we have done is to think about which variable influences more the revenue's performance. After thinking for a while, we thought that oil price was the variable which influenced more the revenues performance. We found all the historical data but the problem was the oil's future prices. This was more difficult to find but finally we found the oil future prices.

The problem is that there are many predictions, so we have taken into account the forecasts from IMF, World Bank and OECD because they are really trustable and usually they guess correctly the forecasts. We have assigned the same likelihood in each forecast.

Figure 24 Revenues forecasts



Source: Own elaboration

As we can see the R^2 is 0,7439. The correlation is high because this number is close to 1. This correlation says that the higher the oil prices will be the higher the revenues will be either. We knew the oil prices so we only had to substitute the price in the equation which is in the right part of the graph.

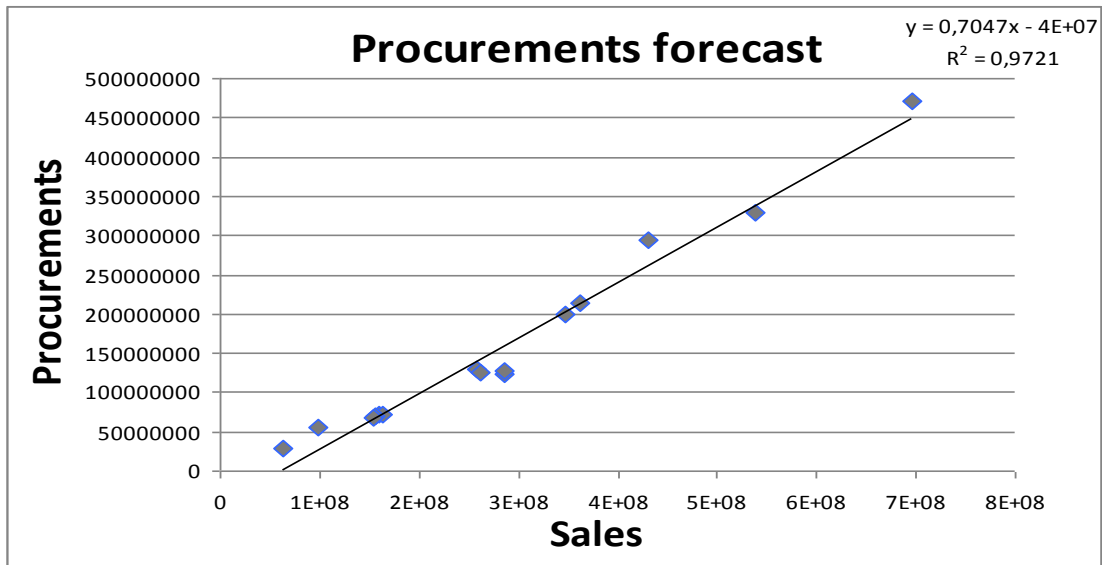
Figure 25: Oil prices and sales forecast

	2013	2014	2015	2016	2017
Oil price brent/euros	80,27	82,73	82,65	83,67	85,91
Total turnover	555.000.000	596.407.940	595.926.530	601.999.704	615.442.157

Source: Own Source

After reaching the amount of sales of Tubacex, we are able to forecast the other accounts of P&L. First of all we are going to forecast how the procurements are bound to perform in the following years. Here the X is the sales and the Y is the procurements.

Figure 26: Procurements forecast

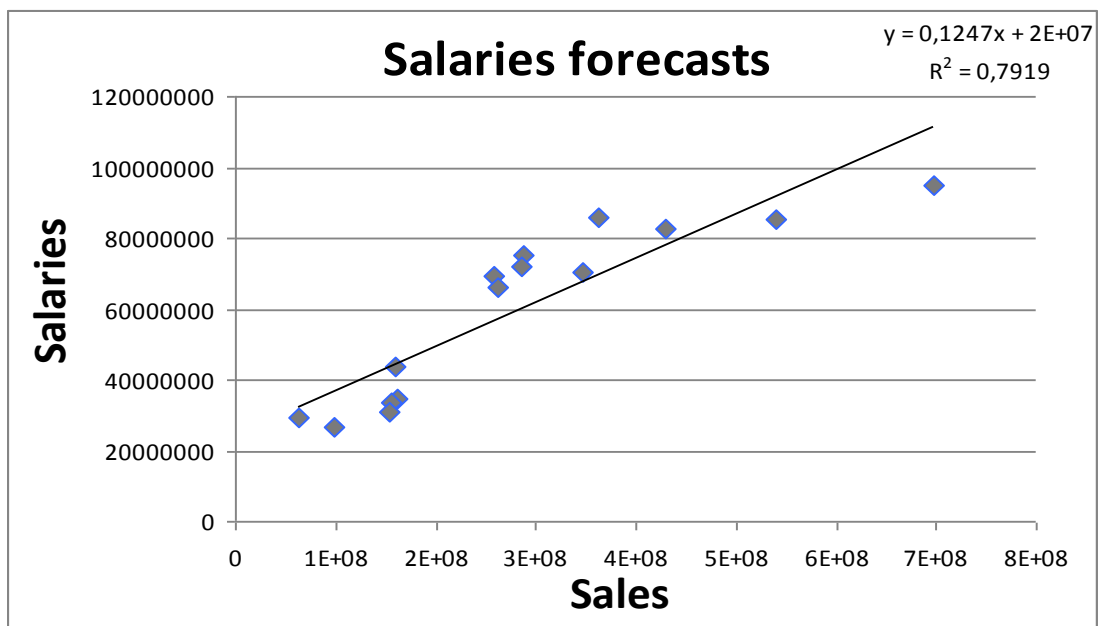


Source: Own source

As we can see, the R^2 is almost 1. This means that the correlation between sales and procurements are about to be perfect.

The next forecast that we have made has been the salaries forecasts. The Y is going to be the salaries and the X is going to be the revenues. We consider than the more the company sells, the higher the salaries are.

Figure 27 : Salaries forecasts

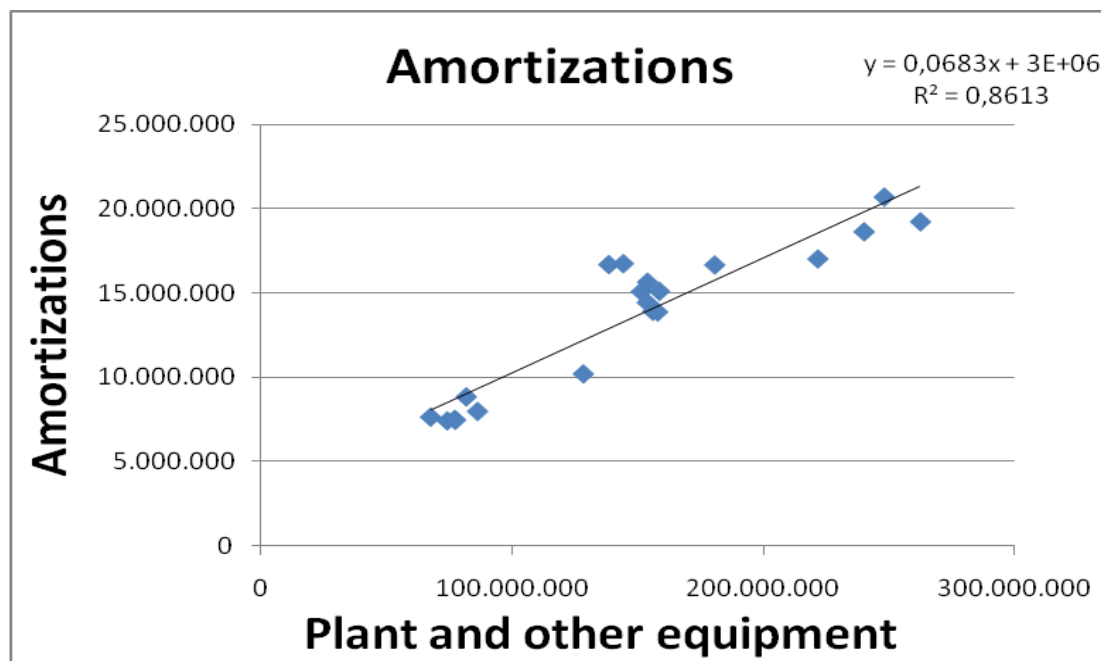


Source: Own source

Our deduction is right because the correlation between both variables is almost 0,8, close to 1.

The amortization account as the same of the other accounts, it has been possible to carry out the regression analysis forecast. In this forecasts, the X has been the account Plant and other equipments because it is directly linked with the amortizations. A variation of the account plant and other equipment will mean a variation of the amount of amortizations.

Figure 28: Amortizations



Source: Own source

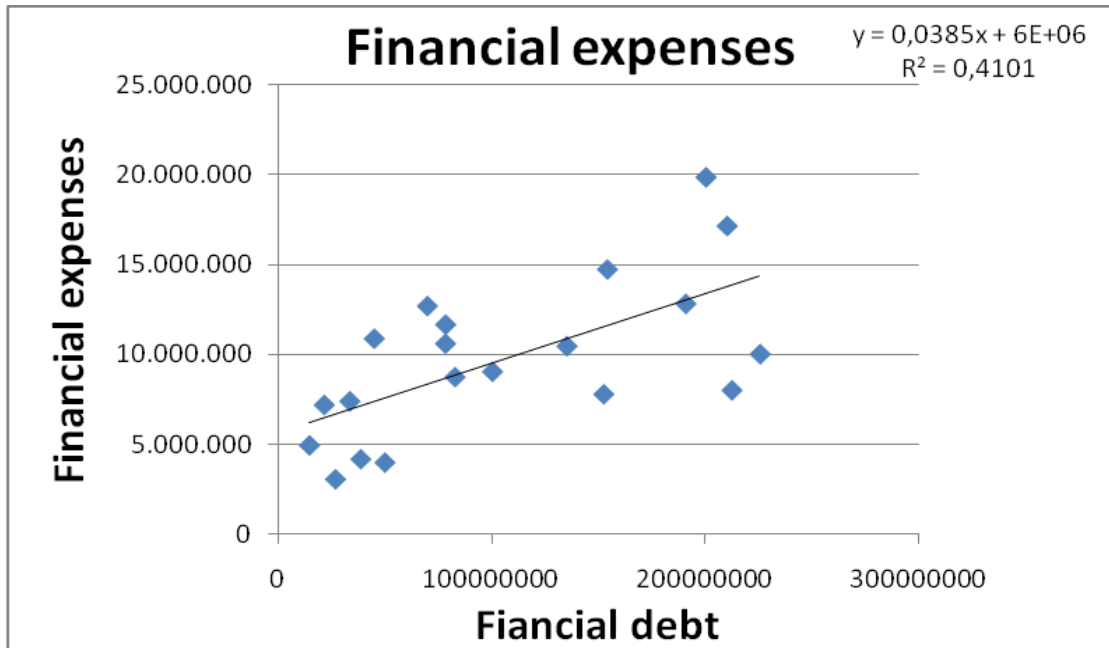
As we can see the correlation between plant and other equipments and the amortizations are narrowly linked. This is the reason why the R^2 is 0,86.

After forecasting all this accounts our EBIT in 2013 is 46,5 million of Euros an increase of 75% comparing to 2012.

Afterwards we forecasted the financial expenses and the financial yields as to know the results before taxes.

In the financial expenses account the X has been the financial debt because is variable in which the financial expenses are more influenced in.

Figure 29: Financial expenses



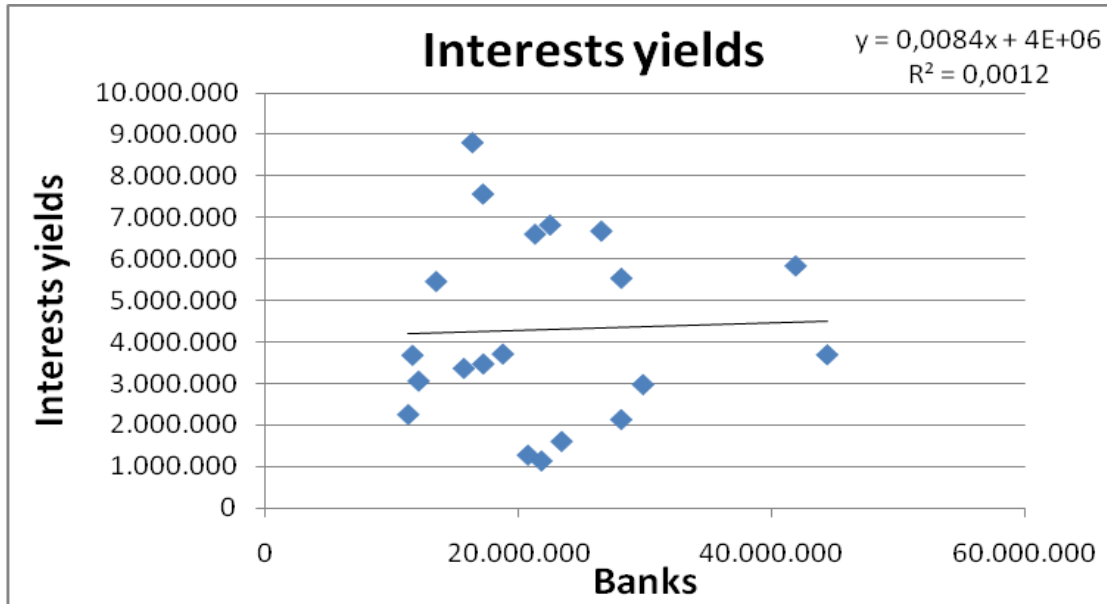
Source: Own source

As we can appreciate in the graph, the correlation is quite low. Even though it is not as good as it was expected, the graph tells us that the higher the debt is the more the company will have to pay in interests. This is true but also the interest rates change every year so that is the reason why the correlation is not so good.

The forecasting of the financial yields has been a little bit more complex. At the beginning we wanted to include the accounts banks and the other liquid assets as the X. But the graph was a straight line which was decreasing. This does not have any sense due to the more cash you have; the higher are the yields that you receive. So we only took the account banks as to forecasting the amount of interest yields.

Despite the fact that the correlation between interest rates and the account banks is low we are going to use this forecast. It is very difficult to achieve a good correlation because the volatility of interest rates is very high. Last year (2017) we have changed the formula and we have supposed that the interest rate was the same as 2016 due to if we had applied the formula the interest rate would have been more than 60% of the total debt which does not have any sense.

Figure 30: Interests rates forecast



Source: Own source

Now we only have to calculate the corporation tax and we are going to have all the P&L account forecasted. To calculate the corporation tax rate, we have calculated the percentage average of the tax in those years which the company had profits. This percentage is 14'21%, lower than the theoretical one (30%).

Tubacex has given dividends in 2013. We suppose that they are going to carrying on giving dividends and they will increase every year 5%.

Figure 31 Profit and Loss between 1994-2017

Cuentas de pérdidas y ganancias	2002	2001	2000	1999	1998	1997	1996	1995	1994
Ingresos de explotación									
Importe neto Cifra de Ventas	286.703.000	286.670.000	262.032.467	159.987.560	162.560.340	155.956.550	154.268.750	156.680.720	99.165.770
Consumo de mercaderías y de materias	n.d.	n.d.	n.d.	n.d.	n.d.	n.d.	n.d.	n.d.	n.d.
Resultado bruto	73.140.000	72.804.000	55.860.640	33.072.380	46.966.060	45.097.520	48.728.330	38.817.800	9.726.060
Otros gastos de explotación	54.016.000	55.918.000	35.369.648	22.175.170	22.379.800	21.658.030	24.162.310	20.317.660	9.229.560
Resultado Explotación (EBIT)	19.124.000	16.886.000	20.490.992	10.897.210	24.586.260	23.439.490	24.566.020	18.500.140	496.500
Ingresos financieros	5.552.000	8.820.000	6.833.237	5.848.210	3.707.170	2.988.860	3.726.890	3.486.630	2.267.360
Gastos financieros	10.573.000	12.668.000	11.638.185	3.955.020	4.143.790	3.025.080	4.911.720	10.850.600	7.367.990
Resultado financiero	-5.021.000	-3.848.000	-4.804.948	1.893.190	-436.620	-36.220	-1.184.830	-7.363.960	-5.100.630
Result. ordinarios antes Impuestos	14.103.000	13.038.000	15.686.044	12.790.400	24.149.630	23.403.270	23.381.190	11.136.180	-4.604.130
Impuestos sobre sociedades	-23.959.000	-712.000	745.802	978.180	1.349.950	1.494.630	509.540	n.d.	n.d.
Average tax	-169,89%	-5,46%	4,75%	7,65%	5,59%	6,39%	2,18%		
Resultado Actividades Ordinarias	38.062.000	13.750.000	14.940.242	11.812.220	22.799.680	21.908.640	22.871.650	11.136.180	-4.604.130
Ingresos extraordinarios	1.170.000	5.013.000	2.363.125	5.844.360	191.310	2.089.720	845.530	3.874.910	3.276.620
Gastos extraordinarios	22.825.000	3.175.000	1.656.143	1.697.910	1.216.310	2.611.420	4.720.420	4.839.350	6.170.860
Resultados actividades extraordinarias	-21.655.000	1.838.000	706.982	4.146.450	-1.025.000	-521.700	-3.874.890	-964.440	-2.894.240
Resultado del Ejercicio	16.407.000	15.588.000	15.647.224	15.958.660	21.774.680	21.386.950	18.996.760	10.171.730	-7.498.370
Materiales	123.286.000	128.146.000	125.615.139	73.014.120	72.126.480	69.934.750	67.071.320	84.207.220	55.163.840
Gastos de personal	75.173.000	71.846.000	66.119.223	43.712.360	34.646.360	33.479.680	31.071.150	26.035.060	26.787.450
Dotaciones para amortiz. de inmovil.	15.104.000	13.874.000	14.437.465	10.188.700	8.821.440	7.444.600	7.397.950	7.620.640	7.488.420

Cuentas de pérdidas y ganancias	2011	2010	2009	2008	2007	2006	2005	2004	2003
Ingresos de explotación									
Importe neto Cifra de Ventas	486.602.000	361.776.000	371.465.000	671.804.000	696.731.000	539.073.000	430.497.000	347.452.000	258.918.000
Consumo de mercaderías y de materias		n.d.	n.d.	n.d.	n.d.	n.d.	n.d.	n.d.	n.d.
Resultado bruto	60.243.000	43.953.000	99.002.000	133.630.000	114.473.000	108.369.000	38.803.000	63.183.000	46.538.000
Otros gastos de explotación	53.741.000	49.824.000	134.416.000	77.918.000	25.001.000	61.083.000	1.799.000	37.090.000	35.168.000
Resultado Explotación (EBIT)	6.502.000	-5.871.000	-35.414.000	55.712.000	89.472.000	47.286.000	37.004.000	26.093.000	11.370.000
Ingresos financieros	3.072.000	1.619.000	1.148.000	2.145.000	7.581.000	6.686.000	6.614.000	3.695.000	5.475.000
Gastos financieros	9.992.000	7.974.000	7.759.000	17.126.000	19.837.000	12.794.000	10.437.000	9.014.000	8.713.000
Resultado financiero	-6.920.000	-6.355.000	-6.611.000	-14.981.000	-12.256.000	-6.108.000	-3.823.000	-5.319.000	-3.238.000
Result. ordinarios antes Impuestos	-418.000	-12.226.000	-42.025.000	40.731.000	77.216.000	41.178.000	33.181.000	20.774.000	8.132.000
Impuestos sobre sociedades	-3.561.000	-6.257.000	-15.957.000	3.148.000	20.798.000	10.274.000	7.832.000	5.587.000	622.000
Average tax	851,91%	51,18%	37,97%	7,73%	26,93%	24,95%	23,60%	26,89%	7,65%
Resultado Actividades Ordinarias	3.143.000	-5.969.000	-26.068.000	37.583.000	56.418.000	30.904.000	25.349.000	15.187.000	7.510.000
Ingresos extraordinarios	n.d.	n.d.	n.d.	n.d.	n.d.	n.d.	n.d.	668.000	442.000
Gastos extraordinarios	n.d.	n.d.	n.d.	n.d.	n.d.	n.d.	n.d.	2.343.000	1.908.000
Resultados actividades extraordinarias	n.d.	n.d.	n.d.	n.d.	243.000	43.000	75.000	-1.675.000	-1.466.000
Resultado del Ejercicio	3.143.000	-5.969.000	-26.068.000	37.583.000	56.661.000	30.947.000	25.424.000	13.512.000	6.044.000
Materiales	312.474.000	213.246.000	173.294.000	407.196.000	470.890.000	328.601.000	293.494.000	198.740.000	129.048.000
Gastos de personal	93.180.000	85.935.000	82.138.000	114.310.000	94.675.000	85.357.000	82.555.000	70.447.000	69.414.000
Dotaciones para amortiz. de inmovil.	20.705.000	18.642.000	17.031.000	16.668.000	16.693.000	16.746.000	15.645.000	15.082.000	13.918.000

Cuentas de pérdidas y ganancias	2017	2016	2015	2014	2013	2012
Ingresos de explotación	2,18%	1,01%	-0,08%	7,46%	4,24%	
Importe neto Cifra de Ventas	615.442.157	601.999.704	595.926.530	596.407.940	555.000.000	532.420.000
Consumo de mercaderías y de materias	393.702.088	384.229.191	379.949.425	380.288.675	351.108.500	
Resultado bruto	101.124.598	99.582.738	97.036.838	100.305.927	93.332.682	71.415.000
Otros gastos de explotación	51.834.408,95	50.726.444,79	50.219.810,55	50.260.379,86	46.770.857,59	44.868.000
Resultado Explotación (EBIT)	49.290.190	48.856.293	46.817.027	50.045.547	46.561.824	26.547.000
Ingresos financieros	4.356.643,86	4.286.525,11	4.227.359,12	4.227.359,12	4.162.792,68	1.290.000
Gastos financieros	9.271.160,53	9.053.792,65	9.720.710,90	10.360.230,89	10.611.372,61	14.704.000
Resultado financiero	- 4.914.516,67	- 4.767.267,54	- 5.493.351,78	- 6.132.871,77	- 6.448.579,93	-13.414.000
Result. ordinarios antes Impuestos	44.375.672,83	44.089.025,17	41.323.675,63	43.912.675,45	40.113.244,29	13.133.000
Impuestos sobre sociedades	6.307.529,08	6.266.785,17	5.873.720,19	6.241.718,93	5.701.670,27	1.040.000
Average tax	14,21%	14,21%	14,21%	14,21%	14,21%	7,92%
Resultado Actividades Ordinarias	38.068.143,76	37.822.240,00	35.449.955,44	37.670.956,52	34.411.574,02	12.093.000
Ingresos extraordinarios	0	0	0	0	0	n.d.
Gastos extraordinarios	0	0	0	0	0	n.d.
Resultados actividades extraordinarias	0	0	0	0	0	n.d.
Resultado del Ejercicio	38.068.143,76	37.822.240,00	35.449.955,44	37.670.956,52	34.411.574,02	12.093.000
Materiales	393.702.088,02	384.229.191,41	379.949.425,45	380.288.675,19	351.108.500,00	333.194.000
Gastos de personal	96.745.636,98	95.069.363,09	94.312.038,25	94.372.070,09	89.208.500,00	108.575.000
Dotaciones para amortiz. de inmovil.	23.869.833,53	23.118.412,00	24.628.228,00	21.441.267,45	21.350.318,18	19.236.000

Source: Own source

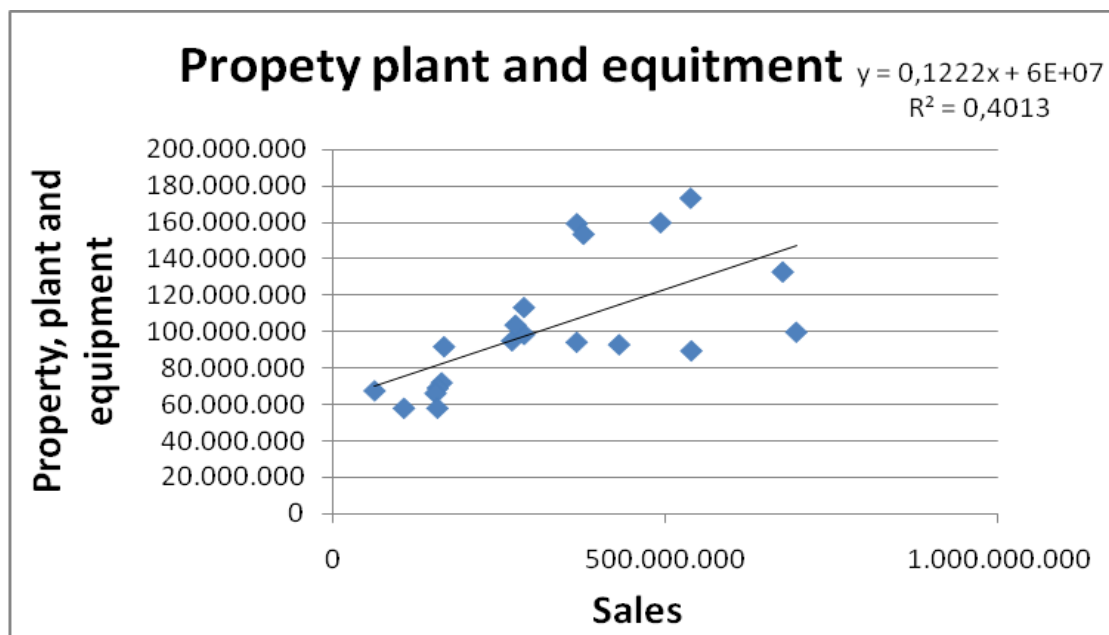
4.1.2 Balance sheet forecast

The approach that we have used in the forecasting of the Balance Sheet accounts has been the same as in the Profit and Loss account.

We have started with the account Property plant and other equipment. The variable that we have chosen as an X has been the sales since the more you sell the more cash you have to invest in the machinery plants and so forth.

We can see in the Figure 32 that the correlation could be better. We are not going to consider that is good enough because the relation between sales and equipment is weak. We have taken a moving average of the variation of the property plants and other equipment and we have added 15 million in the years 2013 in order that our forecast could have sense. If an industrial company such Tubacex is growing, the invested money arises so this account has to increase the subsequent years.

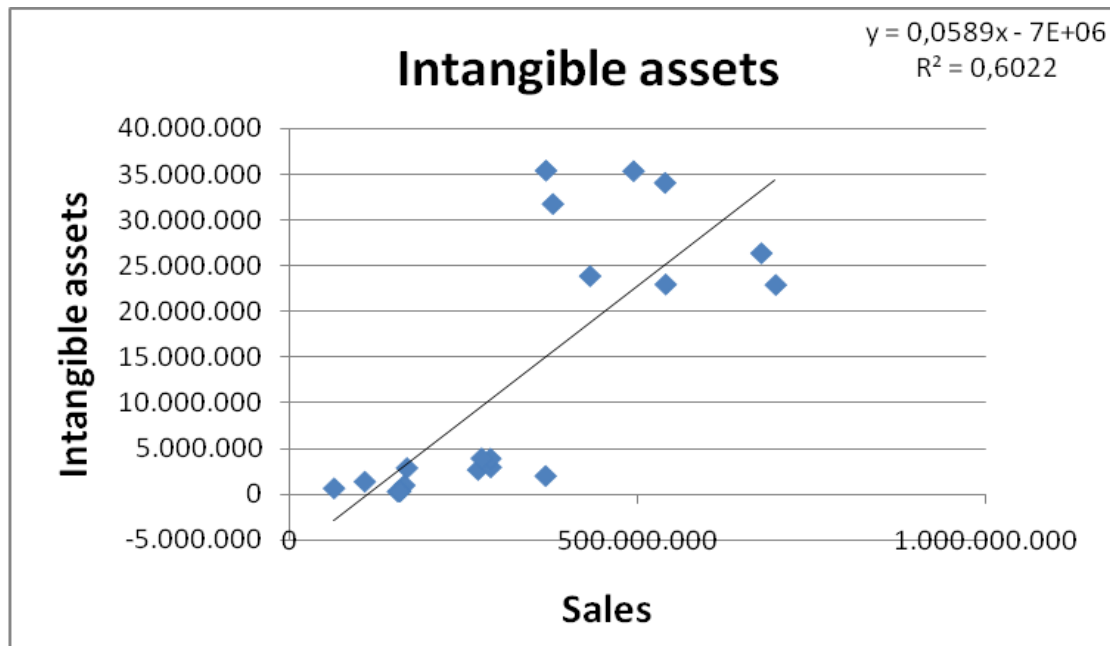
Figure 32: Property plant and equipment forecast



Source: Own source

The intangible assets is the next account that we have forecasted. Here as the same as the previous forecast, the variable X will be the total turnover.

Figure 33: Intangible assets forecast



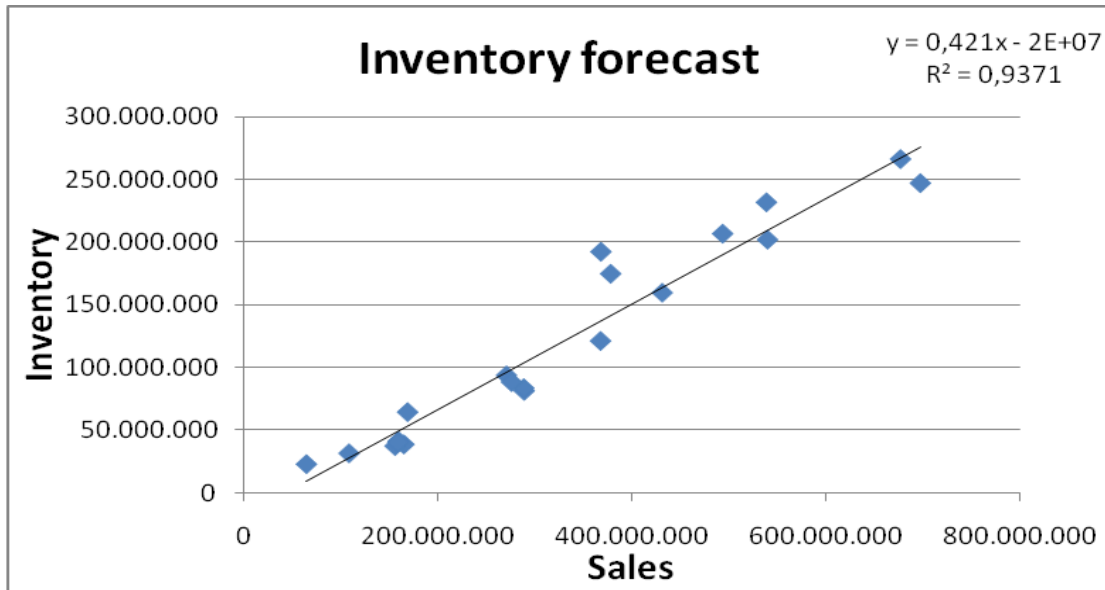
Source: Own source

The correlation between sales and intangible assets is positive and quite close to 1. This is good because the higher the R^2 is the more reliable our prediction is. But we have summed 10 million because that account had to increase comparing to the previous year because the total turnover will arise in 2013 so it was logical that intangible assets would arise as well.

The next forecast that we have solved (other fixed assets) we have not developed the regression analysis. The result of this account between 2013-2017 does not have to much sense. In 2012 this account was 53 million of euros and in 2013 according to the regression analysis had to be 36 million euros. The X that we used were sales. The sales in 2013 have increased comparing to 2012 so this account had to be higher and was lower comparing to the previous year. Also the R^2 was 0,09 wich is very low. So we have carried out a moving average of the variation of this account in the 20 years database. We add extra 5 millions in 2013 because the result was not good enough. Finally, the result that we have reached is logical so we accept this approach for all the years.

Forecasting the inventory through the regression analysis has been posible. The X that we have taken have been the sales.

Figure 34: Inventory forecast

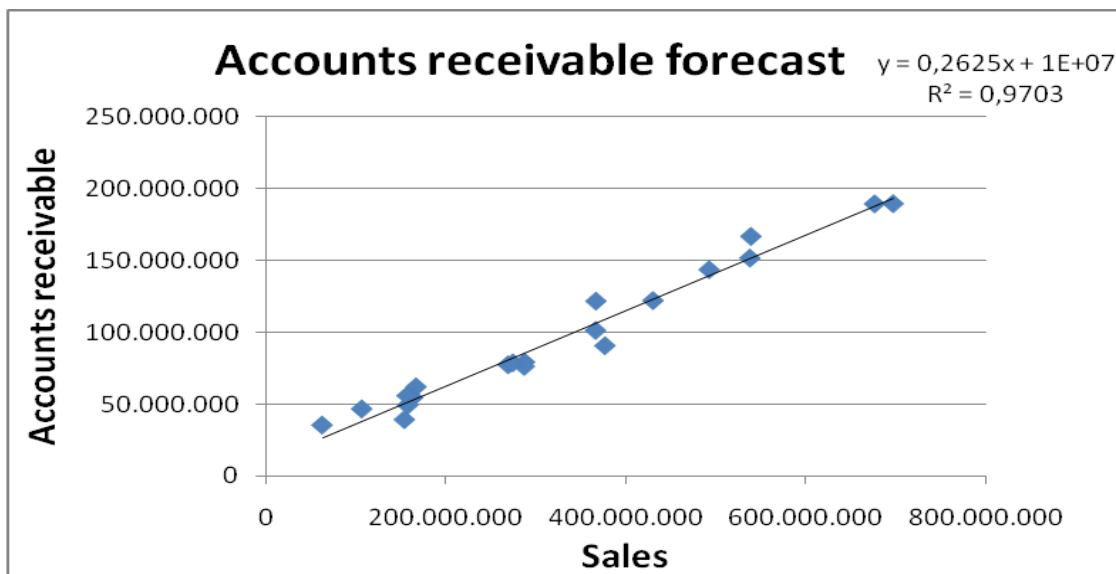


Source: Own elaboration

As we can see in the next figure, the correlation among sales and inventory is very close to 1 so this is very positive fact for the prediction because shows that is very trustable.

Accounts receivable forecast, its R^2 has been better than the previous forecast. This means that the correlation between sales (X) and the accounts receivable (Y) is very positive and almost perfect.

Figure 35: Accounts receivable forecast



Source: Own source

The account other liquid assets we have supposed that it will be the same in the next five years due to the last years this account has not changed so much. Also the correlation between sales and other liquid accounts was 0'07, as we can see is very low so we have preferred to maintain this account constant the subsequent years.

The next account that we have forecasted is the banks account. To calculate the banks account we have not carry out the regression analysis. The only thing that we have done has been accounting the entrances and the withdrawals of cash in each year. To calculate the cash flow we have to add the cash at the beginning of the period, the EBITDA, the variation of investments comparing to the previous year, working capital and the variation of the fix liabilities. Also we have to add the the financial result of the year, the corporation tax and the dividends. If we operate all this correctly we will achieve the total Banks account. To check if it is right or not, the only thing that we have to do is calculate all the balance account and if the amount of the assets is the same as the net worth plus the total liabilities, the cash flow has been calculated in the right way. As we can see in the table the cash flow is higher than the company's debt. So we are going to reduce our cash in order to reduce our financial debt. In this way, Tubacex is going to save money not paying interests and will improve its results. The cash that is going to be destinate in reducing the financial debt will be the 80% of the total cash flow. We don't apply a higher percentage in reducing the financial debt in order to have a security cash.

Figure 36: Cash flow forecast before reducing debt

	2017	2016	2015	2014	2013
Cash flow at the beggining of	159.140.907	134.799.882	114.249.306	87.769.235	20.637.000
EBITDA	49.290.189,50	48.856.292,71	46.817.027,41	50.045.547,22	46.561.824
Variation of investments	- 11.001.779	- 12.589.969	- 11.965.588	- 1.331.615	- 6.317.301
Variation of Working capital	20.791.474	1.314.770	82.389	7.086.555	48.580.300
Variation of fix liabilities	8.958.311	5.013.981	3.479.877	3.010.704	4.484.720
Financial result	- 28.485.848	- 8.823.014	- 8.912.853	- 8.919.415	- 8.577.403
Corporation tax	- 2.957.115	- 5.690.304	- 5.387.675	- 5.845.641	- 5.399.081
Dividends	- 3.927.768	- 3.740.731	- 3.562.601	- 3.392.954	- 3.231.384
Banks (Cash flow)	191.808.371	159.140.907	134.799.882	114.249.306	87.769.235
Cash flow of the year	32.667.464	24.341.025	20.550.576	26.480.072	67.132.235

Source: Own source

Figure 37: Cash flow after reducing the debt

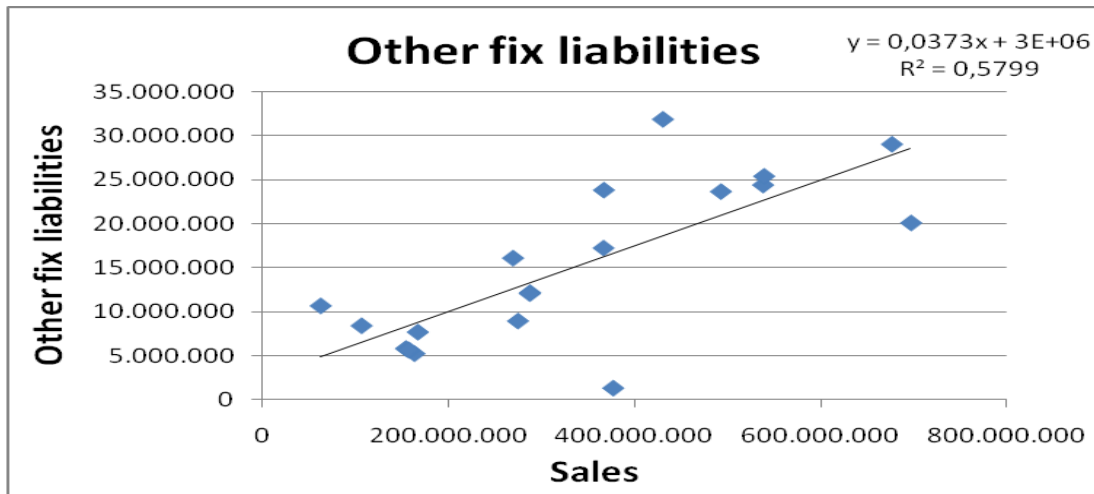
	2017	2016	2015	2014	2013
Cash flow at the beginning of the period	42.457.602	34.110.132	27.066.561	19.380.081	20.637.000
EBITDA	49.290.189,50	48.856.292,71	46.817.027,41	50.045.547,22	46.561.824
Variation of investments	- 11.001.779	- 12.589.969	- 11.965.588	- 1.331.615	- 6.317.301
Variation of Working capital	- 5.342.497	- 18.158.050	- 16.358.072	- 28.270.612	- 21.635.088
Variation of fix liabilities	8.958.311	5.013.981	3.479.877	3.010.704	4.484.720
Financial result	- 4.914.517	- 4.767.268	- 5.493.352	- 6.132.872	- 6.448.580
Corporation tax	- 6.307.529	- 6.266.785	- 5.873.720	- 6.241.719	- 5.701.670
Dividends	- 3.927.768	- 3.740.731	- 3.562.601	- 3.392.954	- 3.231.384
Banks (Cash flow)	69.212.013	42.457.602	34.110.132	27.066.561	19.380.081
Cash flow of the year	17.044.678	2.473.594	2.746.444	4.584.828	1.113.482

Source: Own source

Next account of the balance sheet forecast is the long term accounts payable. At the beginning we tried to carry on the regression analysis but the result that we got didn't have any sense, basically because of the low correlation between the sales and the accounts payable. So finally we have calculated the moving average variation of this account and the result that we have achieved is logical.

The account other fix liabilities, we have been able to forecast it through the regression analysis. We have taken as X the Sales and the correlation is 0,58, quite good.

Figure 38: Other fix liabilities forecast

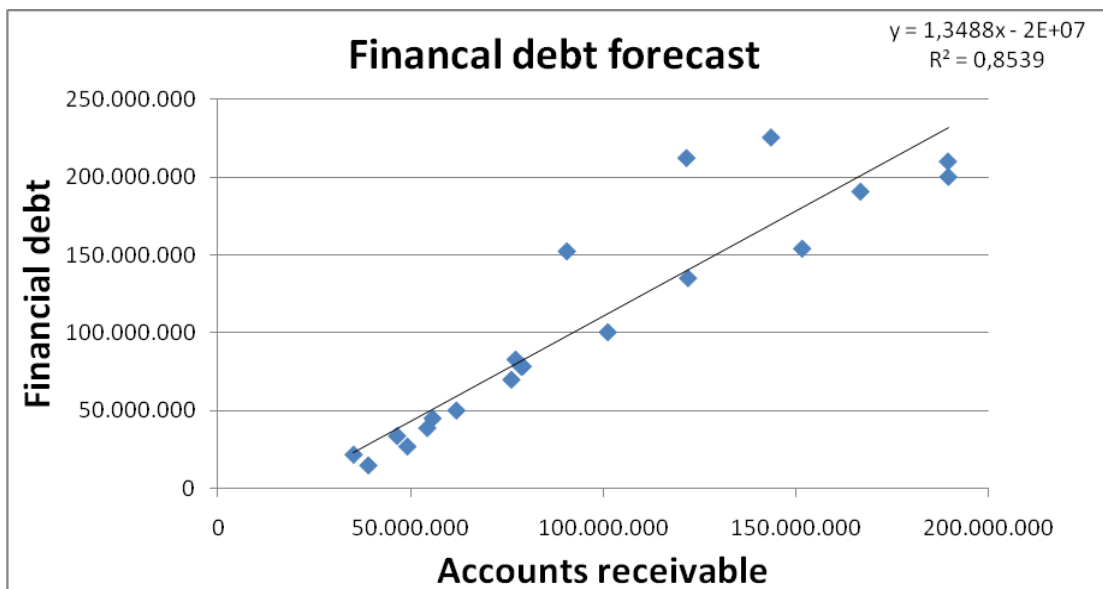


Source: Own source

We have considered that the provision will all the years constant.

Afterwards we have predicted the evolution of the financial debt through the regression analysis.

Figure 39: Financial debt forecast



Source: Own source

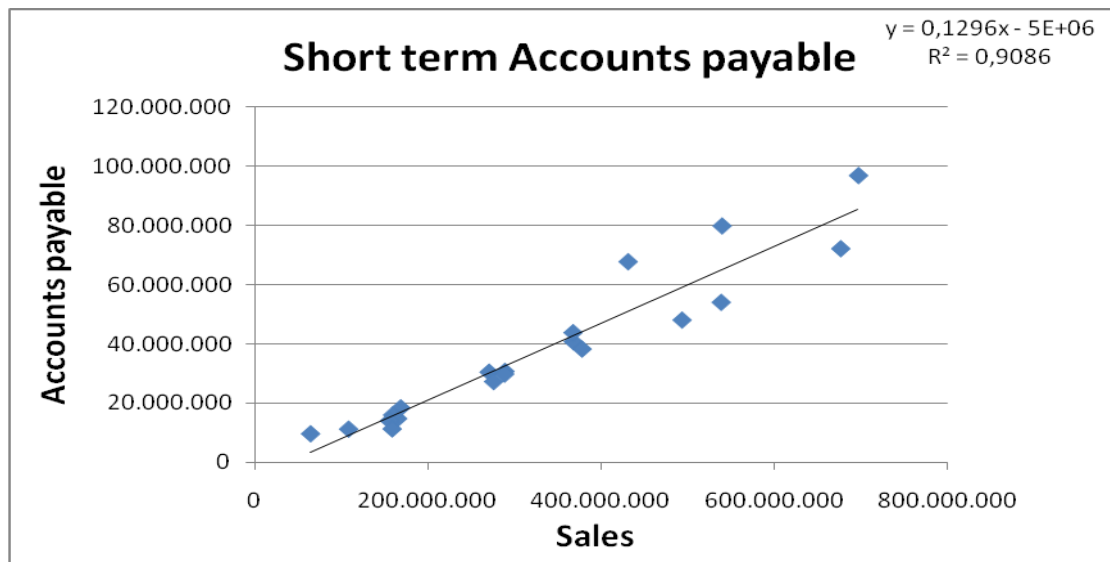
As we can see in the Figure 39, the variable which influences the financial debt is the accounts receivable. This is logical because if the firm has credits against its costumers

and if the costumers don't pay when the sell is done, they need this money to pay to the employees, suppliers and so on. As we can see the correlation is very high which is good because gives more reliability to our prediction.

Due to we generate a huge amount of money of cash flow, Tubacex is going to reduce its debt applying an 80% of the cash flow. In this way the company will reduce the interest expenses.

In the short term accounts payable we have also carried aut the same approach.

Figure 40: Short term accounts payable forecast

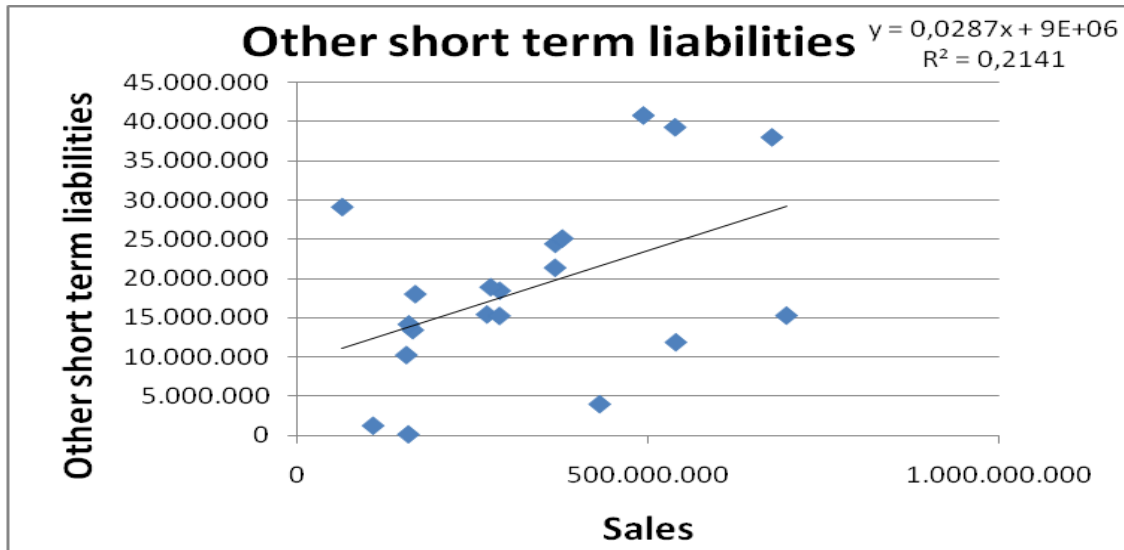


Source: Own source

Here, the correlation between sales and the accounts payable is very positive. This fact are good news for our prediction.

Finally the last account that we have forecasted in the Balance Sheet has been the account other short term liabilities. In this account we have been able to carry out the regression analysis, even though the correlation between other short term liabilities and sales could be better. We can see this in the figure 41.

Figure 41: Other short term liabilities forecast



Source: Own source

Figure 42: Balance sheet 1994-2017

Balance de situación	2003	2002	2001	2000	1999	1998	1997	1996	1995	1994
Inmovilizado restado las amort	155.979.000	158.627.000	157.947.000	153.766.831	128.381.520	81.848.290	77.532.570	74.246.980	67.659.050	77.247.920
Inmovilizado inmaterial	2.718.000	2.998.000	3.941.000	3.970.045	2.910.520	1.022.380	400.840	350.460	364.130	1.423.000
Inmovilizado material	95.126.000	98.609.000	113.491.000	103.777.495	91.866.900	72.009.070	69.042.680	66.174.960	57.922.960	57.914.460
Otros activos fijos	58.135.000	57.020.000	40.515.000	46.019.291	33.604.100	8.816.840	8.089.050	7.721.560	9.371.960	17.910.460
Activo circulante	185.257.000	189.528.000	177.164.000	190.721.533	168.934.500	137.744.080	120.806.260	95.734.090	114.048.680	90.251.800
Existencias	93.910.000	81.642.000	83.731.000	88.610.514	64.652.750	38.930.570	41.704.900	37.649.940	40.666.260	31.836.080
Deudores	77.236.000	79.107.000	76.148.000	78.646.905	61.876.740	54.321.760	49.159.190	39.024.690	55.684.640	46.479.820
Otros activos líquidos	14.111.000	28.779.000	17.285.000	23.464.114	42.405.010	44.491.750	29.942.170	19.059.460	17.697.780	11.935.900
Tesorería	13.478.000	28.122.000	16.345.000	22.487.565	41.920.050	44.408.150	29.846.760	18.755.390	17.200.320	11.273.100
Total activo	341.236.000	348.155.000	335.111.000	344.488.364	297.316.010	219.592.370	198.338.840	169.981.060	181.707.750	167.499.720
Fondos propios	174.358.000	178.178.000	169.104.000	159.579.906	151.177.630	139.912.370	125.103.750	107.383.030	77.521.900	69.162.570
Capital suscrito	59.840.000	59.840.000	59.840.000	61.164.689	61.164.690	69.319.980	75.834.200	81.171.730	79.215.260	79.168.050
Otros fondos propios	114.518.000	118.338.000	109.264.000	98.415.217	90.012.940	70.592.390	49.269.550	26.211.300	-1.693.360	-10.005.480
Pasivo fijo	38.303.000	42.597.000	51.232.000	60.453.059	59.826.850	12.868.210	16.315.100	23.400.780	25.794.490	35.118.480
Acreedores a L. P.	22.163.000	30.383.000	39.126.000	51.471.835	52.105.960	7.599.740	10.656.610	17.548.410	20.093.300	26.669.750
Otros pasivos fijos	16.140.000	12.214.000	12.106.000	8.981.224	7.720.890	5.268.470	5.658.490	5.852.370	5.701.190	8.448.730
Provisiones	16.140.000	12.214.000	12.106.000	8.981.224	7.720.890	5.268.470	5.658.490	5.852.370	5.701.190	8.448.730
Pasivo líquido	128.575.000	127.380.000	114.775.000	124.455.399	86.311.540	66.811.780	56.919.990	38.936.070	56.362.760	45.980.820
Deudas financieras	82.748.000	78.263.000	69.795.000	78.329.908	49.949.720	38.671.290	26.814.860	14.683.780	44.936.840	33.559.490
Acreedores comerciales	30.393.000	30.665.000	29.733.000	27.221.479	18.341.800	14.697.730	15.917.250	13.982.560	11.237.770	11.142.080
Otros pasivos líquidos	15.434.000	18.452.000	15.247.000	18.904.012	18.020.020	13.442.760	14.187.880	10.269.730	188.150	1.279.250
Total pasivo y capital propio	341.236.000	348.155.000	335.111.000	344.488.364	297.316.010	219.592.370	198.338.840	169.981.060	181.707.750	167.499.720

Balance de situación	2011	2010	2009	2008	2007	2006	2005	2004
Inmovilizado restado las amort	248.001.000	239.979.000	221.595.000	180.622.000	138.488.000	144.242.000	153.906.000	151.406.000
Inmovilizado inmaterial	35.319.000	35.371.000	31.731.000	26.352.000	22.895.000	22.958.000	23.857.000	2.045.000
Inmovilizado material	160.253.000	159.736.000	153.871.000	133.089.000	99.879.000	89.585.000	92.976.000	94.325.000
Otros activos fijos	52.429.000	44.872.000	35.993.000	21.181.000	15.714.000	31.699.000	37.073.000	55.036.000
Activo circulante	378.954.000	346.910.000	304.429.000	494.342.000	464.593.000	395.373.000	303.024.000	234.919.000
Existencias	206.680.000	192.335.000	174.771.000	266.044.000	246.933.000	201.926.000	159.721.000	121.296.000
Deudores	143.569.000	121.612.000	90.555.000	189.469.000	189.585.000	166.772.000	122.001.000	101.191.000
Otros activos líquidos	28.705.000	32.963.000	39.103.000	38.829.000	28.075.000	26.675.000	21.302.000	12.432.000
Tesorería	12.091.000	23.404.000	21.807.000	28.115.000	17.183.000	26.543.000	21.302.000	11.604.000
Total activo	626.955.000	586.889.000	526.024.000	674.964.000	603.081.000	539.615.000	456.930.000	386.325.000
Fondos propios	239.495.000	237.715.000	241.147.000	279.964.000	265.851.000	225.218.000	206.022.000	184.550.000
Capital suscrito	59.840.000	59.840.000	59.840.000	59.840.000	59.840.000	59.840.000	59.840.000	59.840.000
Otros fondos propios	179.655.000	177.875.000	181.307.000	220.124.000	206.011.000	165.378.000	146.182.000	124.710.000
Pasivo fijo	73.311.000	71.886.000	69.296.000	74.977.000	25.103.000	32.135.000	44.219.000	36.410.000
Acreedores a L. P.	49.602.000	48.015.000	67.949.000	45.891.000	4.960.000	6.689.000	12.295.000	19.130.000
Otros pasivos fijos	23.709.000	23.871.000	1.347.000	29.086.000	20.143.000	25.446.000	31.924.000	17.280.000
Provisiones	20.489.000	21.969.000	n.d.	27.839.000	4.551.000	9.169.000	13.945.000	17.280.000
Pasivo líquido	314.149.000	277.288.000	215.581.000	320.023.000	312.127.000	282.262.000	206.689.000	165.365.000
Deudas financieras	225.441.000	212.219.000	152.292.000	210.011.000	200.124.000	190.660.000	135.038.000	100.269.000
Acreedores comerciales	47.957.000	40.651.000	38.189.000	72.043.000	96.709.000	79.711.000	67.634.000	43.724.000
Otros pasivos líquidos	40.751.000	24.418.000	25.100.000	37.969.000	15.294.000	11.891.000	4.017.000	21.372.000
Total pasivo y capital propio	626.955.000	586.889.000	526.024.000	674.964.000	603.081.000	539.615.000	456.930.000	386.325.000

Balance de situación	2017	2016	2015	2014	2013	2012
Inmovilizado restado las amort	305.561.252	294.559.473	281.969.504	270.003.916	268.672.301	262.355.000
Inmovilizado inmaterial	25.689.500	28.128.428	28.100.073	28.128.428	35.689.500	34.033.000
Inmovilizado material	242.497.941	230.127.927	218.515.592	206.786.693	196.212.572	173.760.000
Otros activos fijos	61.243.645	59.421.530	57.612.356	56.530.063	58.120.547	54.562.000
Activo circulante	484.081.579	471.231.267	461.086.915	454.372.388	418.383.581	412.926.000
Existencias	213.655.000	231.087.743	230.885.069	231.087.743	213.655.000	231.623.000
Deudores	171.553.566	168.024.922	166.430.714	166.557.084	155.687.500	151.642.000
Otros activos líquidos	29.661.000	29.661.000	29.661.000	29.661.000	29.661.000	29.661.000
Tesorería	69.212.013	42.457.602	34.110.132	27.066.561	19.380.081	20.739.000
Total activo	789.642.831	765.790.740	743.056.419	724.376.304	687.055.882	675.281.000
Fondos propios	417.521.431	383.381.055	349.299.547	317.412.193	283.134.190	251.954.000
Capital suscrito	59.840.000	59.840.000	59.840.000	59.840.000	59.840.000	59.840.000
Otros fondos propios	357.681.431	323.541.055	289.459.547	257.572.193	223.294.190	192.114.000
Pasivo fijo	212.752.154	203.793.842	198.779.861	195.299.984	192.289.280	176.137.000
Acreedores a L. P.	166.159.161	157.702.253	152.914.802	149.416.968	147.950.780	151.685.000
Otros pasivos fijos	25.955.992	25.454.589	25.228.060	25.246.016	23.701.500	24.452.000
Provisiones	20.637.000	20.637.000	20.637.000	20.637.000	20.637.000	20.637.000
Pasivo líquido	159.369.247	178.615.843	194.977.011	211.664.127	211.632.412	247.190.000
Deudas financieras	57.944.753	79.319.290	96.641.841	113.252.750	119.775.912	153.990.000
Acreedores comerciales	74.761.304	73.019.162	72.232.078	72.294.469	66.928.000	53.949.000
Otros pasivos líquidos	26.663.190	26.277.392	26.103.091	26.116.908	24.928.500	39.251.000
Total pasivo y capital propio	789.642.831	765.790.740	743.056.419	724.376.304	687.055.882	675.281.000

Source: Own source

4.2 Analyzing the feasibility of the strategic plan

The strategic plan has a lot of points but mainly we have focused in checking if the financial aims of the strategic plan were feasible or not.

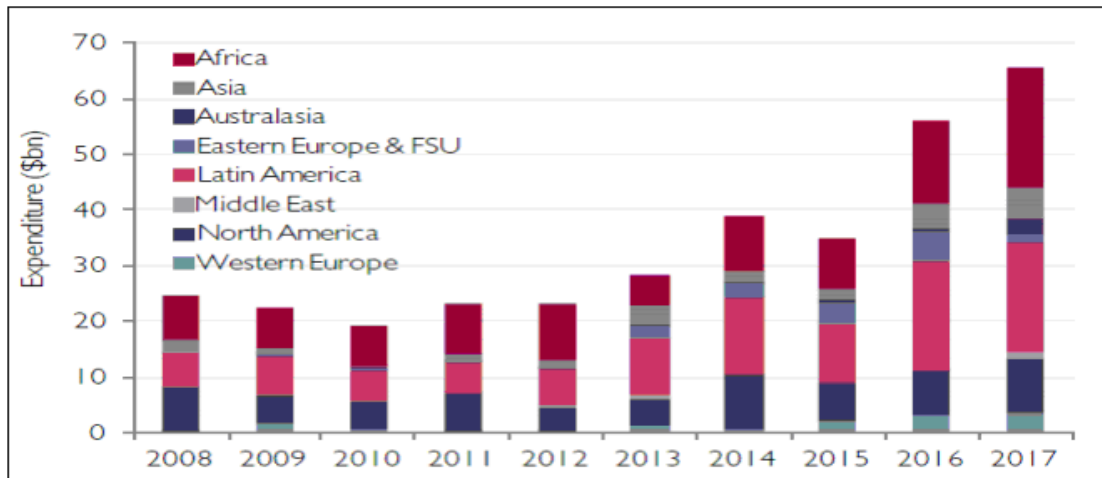
One of the points of the strategic plans says that they want to reduce the market volatility diversifying more. This fact is realistic because Tubacex will increase its new products every year in its portfolio. In 2012, Tubacex was very optimistic saying that the new products²³ would represent 31,8% of the total products. The new products only represented a 19% of the total products. Now in the strategic plan they are more realistic and they say that reaching 30% of new products will be a fact in 2015. The majority of new products will be OCTG and Umbilicals. The offshore extraction is growing very fast, that is the reason why Tubacex has been investing in the last five years around 150 million euros in these products. Focusing on the offshore sector has been a good decision since this sector is expected to grow²⁴ by 50% in the next five years. Tubacex says that the new products (the majority are OCTG and umbilicals) will increase by 20%. This fact shows that the firm carry out a conservative forecast. Tubacex is expected to grow in power generation sector due to the good perspectives of this sector²⁵ also developing new products. So the product diversification which Tubacex has said that is going to carry out in the subsequent years is realistic. Geographic diversification is realistic either, due to the last years Tubacex has been growing in emerging markets, especially Brazil so next years Tubacex will continue to operate in the same line. The figure 41 shows the fact that emerging countries will extract more oil rather than de developed countries

²³ http://tubacex.suscreativos.com/media/Presentacion_Corporativa_2012_449.pdf

²⁴ <http://www.eeegr.com/uploads/DOCS/sns-john-westwood-douglas-westwood-.pdf>

²⁵ http://www.worldenergy.org/documents/coal_summ.pdf

Figure 43: Deepwater five year Capex






Source: <http://www.eeegr.com/uploads/DOCS/sns-john-westwood-douglas-westwood-.pdf>

The objective of being a benchmark supplier depends on Tubacex. They have to try to learn from the others, if they do so, it is possible to achieve this goal..

Being the company in which people want to work is feasible because Tubacex's values take the safety of employees into consideration and Tubacex treats them very well so this objective won't be difficult to achieve it.

In the financial statements there are some objectives that the company expects fulfilling them between 2013- 2017.

Figure 44: Strategic plan vs. our projections

	Phase I 	Phase II 	Phase III 
Product Mix	High Added Value Prod. 30% vs. 70% Traditional	High Added Value Prod. 40% vs. 60% Traditional	High Added Value Prod. 50% vs. 50% Traditional
Sales growth	> 15%	> 15%	> 10%
EBITDA Margin	10%	12%	15%
Net Debt / EBITDA	< 3x	2 - 3x	2 - 3x
RoCE	10%	12%	15%
WC / Sales	45%	40%	35%
	Phase 1	Phase 2	Phase 3
Sales growth	5,31%	0,47%	2,23%
EBITDA margin	12,11%	11,97%	11,89%
Net debt/EBITDA	3,51	3,08	2,74
RoCE	9,78%	8,54%	7,82%
WC/Sales	34,96%	40,24%	41,51%

Source: Strategic plan and own elaboration

We can see that in Phase 1 the company almost fulfils all this ratios and in some ones are better than the strategic plan such as the EBITDA margin, the return on capital employed and the working capital/sales. Only in the sales growth ratio, the company's growth is lower than the expected growth in the strategic plan.

In the second phase, it is just fulfilled the EBITDA margin, the Net Debt/EBITDA ratio and the WC/Sales.

Finally in the phase 3, Tubacex only fulfils the Net Debt/EBITDA ratio.

The first aim of the strategic plan is to double the Tubacex market value. This fact has been fulfilled a 66% of the goal (at the end of 2012 the equity was 251,9 million of Euros and in 2017 the equity will be 417,5 million Euros). As we can see the company has been too optimistic but they were in the right direction saying that the company's value would double in five years.

5. Conclusions

In the first part of the thesis, we have talked about how Tubacex is in terms of strategy. First of all we have explained the mission, vision and values of the firm. Secondly we have defined which model the organization was focused on (shareholders model or stakeholder's model). Therefore, after ascertaining that Tubacex is focused on stakeholder's model, we have defined which stakeholders the company has and also the degree of importance for the firm. Thirdly we have carried out a macro analysis in which we have been ascertained the firm's environment and which PESTEL factors are more important to Tubacex. We have seen that Economic (the amount of sales depends on the evolution of oil prices) and Technological factors (industrial sector which is very cyclical and it is so important to invest every time) are concerning Tubacex because its business success depends on them.

After analyzing the macro environment we have studied the micro environment through the Five Porter's Forces. Also we have analyzed the 6th force. After the study we have concluded that Tubacex is not in a bad strategic position but could be better. Its main strengths are the power against its buyers; there are no perfect substitutes so that is good because the demand is inelastic. On the other hand Tubacex is not in the best position in the competitive rivalry, power of suppliers, potential entrants and complementary products. Afterwards we have built up two scenarios. The first one we have said that oil price will shrink among 2013-2017. This is the forecast of the World Bank and of IMF. The second scenario is that oil prices will go up according to OECD. In our forecast we have taken into account the three forecasts of IMF, World Bank and OECD. We have given the same likelihood in the three of them.

When we have analyzed the macro and micro environment we have carried out the SWOT analysis (Figure 21).

Strengths	Weaknesses
<ol style="list-style-type: none"> 1. High degree of technology of their production plants 2. Integrated production system 3. High degree of diversification but could be higher 4. Bargaining power against its buyers 5. High added value product is gaining importance in Tubacex's portfolio 6. Antidumping measures against Chinese pipes 7. Does not have a 100% substitute product 	<ol style="list-style-type: none"> 1. Bad payment conditions 2. Does not have the bargaining power against its supplier. 3. It is very far from the market's leader 4. Low cash flow 5. More than 60% of Tubacex business is located in Europe
Opportunities	Threats
<ol style="list-style-type: none"> 1. Growth expectations in oil and gas sectors 2. Increase the percentage of high added value products of Tubacex's portfolio. 3. Sell more in emerging countries whose growth is so high 	<ol style="list-style-type: none"> 1. Renewal energies could be a threaten in the long term 2. More competitors which are in the stainless steel industry but they are producing different products 3. Geopolitical conflicts 4. Evolution of oil and gas prices

SWOT analysis gives us a picture how the company is now (strengths and weaknesses) and how the company and its environment could be in the future (opportunities, threats).

The second part of the thesis has been explained the strategic plan and verified if it is trustable or not. It has been essential to have carried out the strategic analysis previously; otherwise our forecasts would not have been logical.

The first step that we have carried out has been figuring the Tubacex's sales. We knew that oil prices are one of the variables which influence more Tubacex's total turnover. We checked the correlation between the oil prices and the sales and was 0,74 (if is 1 the correlation is perfect). Our thoughts were true so we took the oil prices in order to forecast the total turnover. When we achieved the total revenues, the forecast of the other

accounts was very easy. Most of the accounts are linked to the sale's performance so we took the amount of sales as the X and the other account the Y.

In most of the accounts it has been carried out the regression analysis because we had 19 years of database. In the accounts which the result did not have and the correlation was very little, we have figured a moving averaged as to forecast that account. After forecasting all accounts we have been able to check if the company will fulfil or not its main goals of the strategic plan.

The company has four goals which not all have been fulfilled in the strategic plan.

The first one, double the company's value, it has fulfilled a 66% of this goal. This means that they have increased the value of the company a 66%, 34% far from the goal. This conclusion has reached after having carried out the strategic analysis and the forecast of P&L and Balance Sheet accounts. In order to achieve this goal, Tubacex has three strategies in its strategic plan: Business strategy, Industrial strategy and financial strategy. Business strategy will be fulfilled because they are going to broad its portfolio and diversify more geographically. Financial strategy will be fulfilled as well due to the company is likely to reduce its debt and therefore the financial expenses. It is no clear that Industrial Strategy is going to be fulfilled.

Reducing market volatility is the second goal of the strategic plan and it will be fulfilled as well, because as we said before, the firm is going to diversify more in terms of products and location. If there is a drop of sales in a product or in a country, it can compensate by another country or product. This means that the more diversified the firm is, the less the risk will be and therefore the volatility will fall as well.

Being the benchmark supplier for costumers is difficult to achieve but realistic.

Being the company for which people want to work is the last strategic goal . This aim is feasible to achieve due to the company is very involved in the safety of employees. Tubacex is a growing company; this is an important reason and it gives work security to its employees.

Taking into account that doubling the company's value is the most important goal and this aim is the direct consequence of the other goals, we could say that the strategic plan is reliable at least by 66%.

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