

AOL Inc.

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### ***Overview***

AOL is a web services company. Company provides online services, content and products to the customers, and also advertises, subscribes and publishes in addition to services including the online advertising on its owned and operated properties and also through the third party websites. Moreover, company has three reportable segments, which includes advertising offerings on operated and owned sites which include company's subscription offerings and advertising offerings on properties.

### ***Ratio Analysis***

The profitability of AOL Inc. is satisfactory as the trends of the company from 2008 to 2012 shows that the company has been increasing its profits. This statement can be endorsed by the evaluation of the profitability ratios. , return on equity also shows increase over the years. As the return on equity was -0.28 in 2008 and 0.55 is in 2012. This figure is regularly thought of a standout amongst the most paramount fiscal degrees. It measures the capability of a firm to create benefits from its net value that is capital short liabilities. The financial statements of joint stock companies are calculated various ratios that are subsequently used in the context of equity analysis. The profitability indicators inform investors about the company's performance. Some have a high ROE in light of the fact that they require value. In addition to this, the gross margin of AOL Inc. from 2008 to 2012 is reflecting that profitability structure of the company is decreased from 0.45 to 0.28; the gross margin describes the ability of the company's management to effectively use its assets to generate profits.

Moreover, net margin or net profit margin is also showing the same increase in the profitability structure of AOL Inc. In this context, the net margin shows further increase over the year that is from 2008 to 2012 that is from - 0.37 to 0.48. Therefore, the overall performance of the AOL is encouraging for the investors in terms of profitability.

Year	2012	2011	2010	2009	2008
<b>Gross Margin</b>	0.28	0.28	0.41	0.42	0.45
<b>Operating Margin</b>	0.55	0.02	-0.40	0.14	-0.28
<b>Net Margin</b>	0.48	0.01	-0.32	0.08	-0.37

This shows that the liquidity position of the AOL is satisfactory. The current ratio increased from 1.18 to 1.74 from 2008 to 2012 respectively; this ratio indicates the extent to which current assets cover current liabilities.

Year	2012	2011	2010	2009	2008
<b>Current Ratio</b>	<b>1.74</b>	<b>1.57</b>	<b>2.22</b>	<b>0.91</b>	<b>1.18</b>

### ***Valuation***

#### ***P/E***

From the analysis of price earnings ratio of AOL Inc., it is found that the margin of safety of the firm is - 0.54, which is above 50%; thus, the shares should be bought as the safety margin reflects enough indication for the safety of investment of investors.

#### ***FCF Valuation***

In addition to this, the analysis of FCF valuation of AOL Inc. indicates that the margin of safety is -2.5; thus, put on watch list as the safety margin is below 20%.

***Susceptibility to Bankruptcy******Piotroski F-Score***

The Piotroski Screening (F-Score) score of AOL Inc. is 6 which is between 0 and 7; keeping this in view, the company is weak as there is high probability of failing. For that reason, the company has high probability of bankruptcy.

***Altman Z-Score***

The Z-Score of AOL Inc. is 2.282 presents that value is between 1.8 and 2.7. In this view, it is important and crucial that the investor should be cautious as there is moderate probability of bankruptcy for AOL.

**References**

Data retrieved from:

<http://www.mergentonline.com.ezproxy.apollolibrary.com/companydetail.php?compnum=ber=128434>

Jane, L. R. (2008). *Financial Accounting: A Business Approach*, 2nd ed. Pearson Educational Ltd., pp. 25-28.