

Investigating the investment value of Elmo company based on SWOT analysis

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Abstract. Startups face huge challenges in all aspects, and corporate finance is an essential part of surviving in a very competitive industry environment. Corporate finance determines the possibility of business development, and the capital chain is an important factor for the company's survival. In order to assess the value of an investment in universal startups and to determine the appropriate channels for obtaining investment, the small industrial technology company Elmo, Inc. was selected as a representative. In this paper, we analyze the investment value of Elmo, a start-up company, using SWOT analysis, which is commonly used in business analysis, to evaluate the strengths, weaknesses, opportunities, and treats of the company, and the results show that Elmo has high investment value. The analysis of the investment value of the company will serve as investment advice for investment institutions and create more financing opportunities for startups, thus promoting the development of startups. The company's investment value analysis can also help the company to clarify its development direction and investment requirements, find suitable financing methods and stabilize its capital chain.

Keywords: Investment value; SWOT analysis; startup; entrepreneur.

1. Introduction

The importance of investment in business cannot be overstated, and investment becomes a decisive factor in the growth of a company. All types of investments have a significant impact on the future growth of a company. Many observers consider angel investments to be one of the key drivers behind the startup and growth of new businesses (Council on Competitiveness), despite a paucity of information to confirm whether or not this is true[1]. Foreign investments, especially direct investments, play an important role in further deepening the structural transformations in the economy, accelerating the investment activity of enterprises, modernization of production, and technical and technological re-equipment[2]. A significant impact of entrepreneurship capital on economic output[3]. Many startups see the capital chain problem as the biggest risk affecting the business, and the assessment of the value of an investment in the business is an important criterion for successful financing. Therefore, the possibility of enterprise financing and its investment advantages and disadvantages are the core of this paper. International financial markets are progressively becoming one huge, integrated, global capital market—a development that is contributing to higher stock prices in developed as well as developing economies[4]. When firms in countries with less-developed capital markets raise capital in the public markets of countries (like the U.S.) with highly developed markets, they get more than lower-cost capital; they also import at least aspects of the corporate governance systems that prevail in those markets[5]. In the general environment, corporate finance becomes essential. Venture capitalists (VCs) not only finance but also add value to start-up companies[6]. The investment requirements of a business generally require a detailed study of all aspects of the business as a whole. The subject of this paper is a study of the investment value of Elmo Motion Control Technologies, which is mainly considered in four aspects using the SWOT analysis. SWOT Analysis from a historical, theoretical, and time frame perspective, is an effective situation analysis technique that plays an important role in the fields of marketing, public relations, advertising, and any fields requiring strategic planning[7]. The attempt to improve the corporate strategy development process has fostered a range of approaches that have enjoyed different levels of support and popularity over time. One of the most popular is the SWOT analysis[8].

By analyzing the company's Strengths, weaknesses, opportunities, and threats in detail, we can determine whether its investment value is high or low. In addition, this paper also provides a basic assessment of the company in terms of its background information, main business, business advantages, and financial information. Since Elmo is a private non-listed company, its financial information is not disclosed, so another company of a similar type in this industry, ABB Ltd., is chosen for financial report comparison and evaluation. At the same time, we compare ABB's current development strengths and weaknesses with Elmo's and draw out Elmo's strengths and possible future development direction. The paper concludes that Elmo's strengths are more evident in the industry and the investment value is high.

The remainder of the paper is organized as follows: Section 2 describes the introduction of the company; Section 3 compares two competing company and point out the advantages of Elmo company; Section 4 performs a SWOT analysis of Elmo company; Section 5 conducts an investment suggestion. The last section presents our conclusions.

2. Firm Description

Elmo Inc. is a motion control solutions provider, focusing on the development, manufacturing, and marketing of motion control-related products. Elmo Company was founded in Israel in 1988, the products are completely developed and manufactured in Israel, and later set up branches around the world. It has sales and technical support centers in China, the United States, Germany, Italy, Poland, South Korea, the United Kingdom, Switzerland, and Singapore. The Company is owned and managed by Mr. Haim Monhait. Elmo Motion Control's main business is the development of servo drives, advanced networked motion multi-rail controllers, and complete motion control solutions for industrial and harsh environment motor design. Products are of medical&LAB automation, AGV&smart warehouse, material handling, semiconductor, packaging&labeling, harsh environment, robotics, laser cutting, pick&place, underwater systems, etc. Elmo mainly develops and sells industrial robots, collaborative robots, intelligent warehousing, AGV which is short for an automated guided vehicle, and unmanned automated guided carriage car equipped with non-contact guidance with a microcontroller as controlling core and battery as power[9], ROV, dispensing robots, etc.

Since Elmo is private and unlisted, officials do not disclose any of its financial conditions or financial results. Therefore, the following financial situation analysis data are from other competitive companies in the same industry. The reference company is ABB.Ltd. ABB Ltd. is a Swiss-Swedish multinational company headquartered in Zurich, Switzerland, operating in the fields of robotics, motors, energy, and automation. ABB is one of the world's largest engineering companies, with subsidiaries or offices in more than 100 countries. ABB has two core business units, Power Technology and Automation Technology, which provide products and services to customers. ABB started as a manufacturer of large electrical equipment but later expanded into robotics and automation technology. ABB's Motion business area offers a range of motor and drive services and has a large share of the world market. This makes it Elmo's biggest competitor. Back in 2014, ABB introduced the collaborative robot YuMi, whose innovative dual-arm assembly robot allows people and machines to work side-by-side, bringing new automation potential to the industry[10]. Meanwhile, ABB, which was merged by ASEA and BBC, made a number of acquisitions at its inception to ensure the quality supply of its various products. At the end of the last century, ABB also undertook a worldwide strategic expansion, vigorously improving its market position and brand presence. As of 2021, ABB has 105,000 employees, with a large and complete staff system. According to ABB's annual financial statements, the financial analysis is as follows. From the income statement of the last five years, sales rose from 2017 to 2019, but declined overall from 2020 to 2021, with Sales growth of 8.15% as of 2021, and estimated sales will continue to grow at a growth rate of approximately 5% per year for the next three years. Its operating profit from 2017 to 2019 will continue to rise to as much as Fr9000million, but in 2020 to 2021 than before the overall decline, but still maintain the upward trend, the next three years estimated operating profit than 2021 will have

fallen, but 2022-2024 overall upward trend. As for its EBIT data, ABB has been maintaining a stable upward trend since 2018. Its net income has dropped from 2019-2020 and even only to Fr276million in 2020. In 2021, its net income increases to Fr4228million, and its net income growth rate is up to 1432.32%. About ABB's EBITDA, its overall upward trend in the last five years. Till 2021 its growth rate is 33.79%. After examining its cash flow, ABB's net operating cash flow growth reaches 91.59% in 2021. Its net investing cash flow growth decreases sharply to -66.76% in 2021 compared to the previous year. Finally, its free cash flow maintains a good outlook, with a growth rate of 144.73% in 2021. According to Yahoo finance, ABB's share price reached its highest value in the last three years in late 2021 and early 2022, and has been trending upwards until then, with slight fluctuations during the month. And it has been trending downward over time from January 2022 to the present. The period from March 2020 to January 2022 is the largest increase in the last five years. Also previously there was a large turnaround period in 2018 and has been slowly rebounding since then with slight fluctuations between months.

After a comprehensive analysis of ABB, it is easy to see its strong competitiveness and significant advantages, but Elmo also has relative advantages compared to ABB. Elmo is more specialized and focused in its main business area, with more patents and more advanced motion servo technology, and its own supply chain for its products. Although its market share is smaller, it is still able to accurately capture users through the application of precision parts and its particular strengths for applications in extreme environments. Although Elmo is currently small, the core of its business is focused on technology research, and if it can increase its marketing efforts and raise the right amount of capital and go public, it will gain the same size market share as ABB in a few years. Elmo's research in technology is also its greatest strength, and its specific products are more tailored to customer needs and have greater market potential. Based on the financial analysis conducted for ABB, Elmo may face a similar situation, but if Elmo's capital chain issues are resolved and corporate financing is successful, it could continue to expand its business globally. Therefore, Elmo will gain more by continuing to invest in its technology research costs and acquiring more market resources.

3. SWOT Analysis

SWOT analysis is a strategic planning and strategic management technique. This essay uses it to help identify strengths, weaknesses, opportunities, and threats related to business competition or project planning of the company.

3.1 Strength

(1) The industry application diversity. Elmo's motion servo technology is suitable for all kinds of extreme environments, and its products are involved in industrial production, automobile, service industry, medical treatment, and scientific inquiry. Different types of robots can be widely used in different industries, such as transportation, warehousing, collaboration, and autonomous driving.

(2) The global market is an advantage because of its sales and technical support centers around the world. This will enable Elmo's products to be widely used in relevant fields in various countries around the world, with different market potentials under the guidance of different needs, so as to bring better profits. At the same time, globalization means more technical demands for Elmo and more types of clients.

(3) Technology According to Elmo's financial information and personnel structure, 39.8% of its employees are engineers, and it has been investing heavily in technology research and development. The main core of the company's development is still in the field of technology, with less investment in marketing. Therefore, its technological expertise and leadership are its biggest competitive advantage.

(4) Elmo's products also have their advantages. The safety and ease of use of the products are the hallmarks of Elmo's technology. In the operation of all its products, the company mainly focuses on

and improves safety-related technologies and simplifies them for easy introduction into the general market, which can be seen in the company's different types of robotic products.

(5)Elmo's main research frontier technology is the motion control technology that can be used for service work in extreme environments, and Its products lead the world in ruggedness and durability in extreme environments.

(6)Elmo has been established for thirty-four years and has achieved remarkable results in the field of specialized motion servo technology, with a wide range of high-precision technology products applied to different industries.

(7)Elmo has its own more complete and secure production chain, able to guarantee the technical support and quantity and quality of its products, as well as the proprietary nature of the technology and the adaptability of each part.

3.2 Weakness

(1)Elmo's products have a certain complexity and are not suitable for general industry and mass market. Its product audience is narrow, mainly for industrial production and high-tech industries to provide motion servo part of the related products and technology, itself has a strong exclusivity. The complexity of the product also determines that it is difficult to be applied to life.

(2)According to Elmo's high-tech research results and financial data, it can be seen that the technology project, etc. requires a large amount of capital investment, and at the same time has the investment risk of unsuccessful technology research, so the enterprise faces certain financial constraints and financing disadvantages. At the same time, if the technology research is not successful, Elmo faces the risk of stagnation of the company's development.

3.3 Opportunity

(1)With the general development of high-tech products worldwide and the improvement of human life production level and demand, motion control and servo technology have more and more development space and market potential. Elmo products with good performance, safety, and ease of use can be applied to more and more scenarios such as medical, manufacturing, and service industries. At the same time, as the economic level improves, more and more companies use Elmo technology and products as key links in their industrial chain. This will be an important opportunity for Elmo to make further market expansion.

(2)At the same time, with the development of digital sharing information platforms and the advancement of various Internet media, Elmo has more ways to showcase its capabilities and expand the scale of its industry. It can explore more fields of application and will also attract more customers to focus on cutting-edge motion control and servo technology, expanding more market vitality of the company.

(3)Further globalization of trade and manufacturing as a result of economic globalization will also benefit global companies such as Elmo, whose sales and technical support centers in various countries around the world form a unified corporate system with its headquarters in Israel, allowing for more efficient product development and promotion. Globalization also brings more potential users to Elmo, allowing it to create motion control products with different functions for different customers in different countries, regions, and needs.

3.4 Threat

(1)Elmo faces technological competition, with more companies of the same size and industry and with a similar level of technology, such as Yaskawa Electric Corp., Mitsubishi Electric Corp., ABB Ltd., Rockwell Automation, Inc., and Siemens AG.

(2)Since Elmo has been focusing on technology product development as its core business and has not paid much attention to marketing, its brand influence is weak compared to that of competing companies.

3.5 Investment suggestion

Investment recommendations for Elmo should focus on the technology side. At the micro – company level, the importance of technology investment is defined as adopting new technological equipment or innovative processes[10]. It has been researching the world's top technology as the main breakthrough and occupation point in the market, so the advancement of fundamental technology is the key to Elmo's financing. From the perspective of personnel cost, 39.8% of Elmo's team are technical engineers, in terms of personnel investment, it can consider continuing to add more technical research-oriented personnel to ensure the company's leading position in the field of technology. Elmo has been investing more in motion control servo technology, focusing the investment on the company's research and increasing the cost investment will have the opportunity to develop more products. According to the latest news, Elmo was acquired by Bosch Rexroth in September 2022 for \$600million. It combines Elmo's strength and innovation with Bosch Rexroth's expertise in industrial automation. Elmo's technology enables Bosch Rexroth to integrate smartphone-sized drives into robots or vehicles, for example, for automated transport. But Elmo is supposed to look for more funding. Using equity investment to provide additional capital for Elmo is a better option. Elmo company has a large advantage in terms of motion control technology leadership and the global market, so it is a good choice to invest in it.

4. Conclusion

There are more and more startups worldwide as the economy grows, and the competitive pressure in the industry is increasing, so many startups are facing various existential crises, the deadliest of which is the breakage of the capital chain. The right choice of corporate finance can help startups to get through the incubation period smoothly and gain more profit step by step. There are many ways to finance a business, and the main components to evaluate are business operations, finances, and personnel. Therefore, in this paper, in order to know the probability and requirements for startups to obtain corporate financing, a company focusing on motion servo control technology, Elmo, was selected and evaluated in all aspects so as to conduct its investment value study. This paper uses professional SWOT analysis to analyze its strengths, weaknesses, opportunities, and threats to arrive at its investment value.

After analysis and research, Elmo has a high investment value. Its main investment focus is in the following areas. Firstly, Elmo has high technical requirements for its products in its main business, and its new product development is among the world's leading, while it has its own production chain. Secondly, Elmo's cost investment is mainly applied to scientific and technological research and development, with a lean staff structure, mostly engineers, and less investment in marketing. Third, Elmo also has its own sales and technical support centers around the world, with obvious advantages in global trade. Fourth, Elmo has a good financial guarantee and product supply after the acquisition, and its market potential in various cutting-edge fields of technology is great. The investment recommendation derived from the above reasons is an equity investment or a full acquisition to increase investment in technology development projects and expand its global market. It can also invest in improving its personnel structure by adding more management and marketing staff while maintaining the same proportion of engineering and technical staff.

There are still some research shortcomings in this paper. Firstly, Elmo does not have public financial data, and the most accurate and realistic official information is not available, so the assessment of Elmo's development is all hypothetical compared to the data. Secondly, the analysis of Elmo's industry in this paper is insufficient. The paper does not study the motion control servo technology in depth, nor does it consider the extent of its application and the existence of more advanced and precise competitors in the industry, and it also does not study the overall performance of the industry in the world. Future research should focus on analyzing the industry in which Elmo is located, finding more detailed and accurate development directions and investment values for the industry, assessing its exact positioning within the industry, and conducting a comparison of the

advantages of as many of its competitors as possible in order to arrive at more scientific investment recommendations for such startups.

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