# Bachelor’s Degree in Commerce

## Bachelor’s Thesis

## “Impact of the DANA Disaster on Mercadona’s Financial Situation in 2024”

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**FACULTY OF COMMERCE AND LABOR RELATIONS**

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FACULTAD DE COMERCIO Y RELACIONES LABORALES
Universidad de Valladolid

# UNIVERSITY OF VALLADOLID
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## BACHELOR’S THESIS

### “Impact of the DANA Disaster on Mercadona’s Financial Situation in 2024”

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**ABSTRACT**

Mercadona, Spain's leading company in the retail distribution sector, was directly impacted in its operations and financial results by the DANA storm that affected Valencia on October 29, 2024. This study aims to assess the company's financial position during 2024, comparing its performance with previous years to determine the extent of the storm's impact. Alongside the financial analysis, the study will also explore the strategies and actions Mercadona implemented to navigate the crisis. Once this research has been carried out, it will be possible to confirm that, despite having experienced significant adversity, Mercadona was able to maintain its financial stability and leadership position, achieving the strongest financial results in its history.

**Keywords:** Mercadona, DANA, business model, financial analysis, crisis management.

**RESUMEN**

Mercadona, líder en el sector de la distribución en España, vio directamente afectadas sus operaciones y resultados por la DANA ocurrida el 29 de octubre de 2024 en Valencia. Este trabajo de Fin de Grado tiene como objetivo estudiar la situación contable de Mercadona en el año 2024, comparando los resultados con ejercicios de años anteriores para evaluar la influencia de la DANA. Además de examinar el impacto en los resultados, se investigarán las estrategias y medidas que Mercadona llevó a cabo para gestionar esta crisis. Una vez realizada esta investigación, será posible confirmar que, a pesar de haber experimentado una adversidad tan grave, Mercadona fue capaz de mantener su fortaleza financiera y su posición de liderazgo, obteniendo los mejores resultados financieros a lo largo de su historia.

**Palabras clave:** Mercadona, DANA, modelo de negocio, análisis financiero, gestión de la crisis

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# Introduction

Mercadona, a company founded in 1977 in Valencia, is one of the most prestigious and well-known companies in the Spanish business world. Thanks to its efficient business model and its extensive network of supermarkets, it has managed to position itself as the undisputed leader in the distribution sector in Spain.

However, despite its outstanding success and dominance, Mercadona is not exempt from the consequences of external factors affecting its operating environment.

In this regard, the extreme weather event known in Spain as a DANA (i.e., Isolated High Level Depression) which struck the region of Valencia on October 29, 2024, not only caused tragic consequences for the local population and the wider Valencian autonomous community, but also directly affected Mercadona's facilities and business operations.

Due to Mercadona's deep-rooted territorial and emotional ties to Valencia, well as its business presence in the aforementioned area, it is interesting and relevant to analyze the consequences of the DANA on its economic and financial activity.

The main objective of this Final Degree Project is to carry out a detailed, evidence-based and realistic accounting analysis of the company Mercadona S.A. in the year 2024. Specifically, it aims to assess the extent to which the DANA in the Valencian Community may have affected aspects such as its operations, costs, financial situation, etc. In addition, the study will also examine the strategy and the different actions that Mercadona implemented in response to this crisis, which continues to have repercussions today.

This research is relevant to the Bachelor's Degree in Commerce because it applies both practical and theoretical knowledge from different subject taught throughout the program to a representative case of a company operating in the commercial sector in Spain.

Moreover, the completion of this project will provide a deeper understanding of the business model, competitive position and financial evolution of the leading company in the food distribution sector in Spain. The year 2024 was marked by the DANA, which seriously affected Valencia, the city where Mercadona has a large part of its logistics and commercial infrastructure. The originality of this work lies in this point, since it analyzes the impact that an extreme external phenomenon had on Mercadona's results and operations, and thus provides valuable information on business resilience and crisis management.

The results of this work may be useful for other companies in the same or similar sectors, which enable them to learn from Mercadona's experience and adopt effective prevention and response strategies.

In order to successfully carry out this research, a comprehensive methodology will be used to provide both qualitative and quantitative information. The main research methods consist of collecting and analyzing Mercadona's official accounting data (obtained from its annual report, profit and loss statements other specialized documents) through different analysis procedures and then evaluating their possible relationship with the effects of the DANA.

In addition, a comparison will be made of Mercadona's balance sheet and profit and loss account in 2024 with those from previous years in order to be able to identify more precisely the influence that the DANA had on key aspects such as expenses, income and financial statements.

This Final Degree Project is structured in three main chapters, followed by a final chapter that presents the main drawn from the analysis.

The first chapter serves as a contextualization, offering an overview of Mercadona and key aspects such as its history and business model. It also includes an in-depth analysis of the environment in which the company operates, using tools such as PESTEL analysis, Porter's Five Forces and the SWOT matrix. Finally, Mercadona's position within its sector is examined through variables such as market share net profits and the number of stores and employees.

The second chapter focuses on the study of Mercadona's accounting situation in the year 2024, analyzing different relevant variables and establishing comparisons with those obtained from previous years in order to evaluate the evolution.

This includes a detailed vertical and horizontal analysis of its balance sheet, complemented by the calculation and interpretation of different financial ratios. This is followed by an analysis of the financial results obtained by Mercadona in the same year based on its profit and loss accounts paying special attention to operating results, financial results, profit before tax and net profit. Finally, the chapter concludes with an analysis of Mercadona's economic and financial profitability.

The third chapter is dedicated to the study of the DANA catastrophe that occurred on October 29, 2024 in Valencia.

It begins by introducing different theoretical concepts necessary to better understand the nature of this meteorological phenomenon and its effects. Subsequently, the consequences of this phenomenon in the Valencian territory, both socially and economically, are detailed. The chapter also outlines the measures that Mercadona took to mitigate the damage and ends with an analysis of the influence that the DANA had on the company’s balance sheet and profit and loss account in the year 2024.

The undergraduate thesis concludes with a final section that summarizes the main conclusions obtained from the analysis developed in the previous chapters.

# Chapter 1

# Mercadona's History and Sector Contextualization

## 1.1 History and Evolution of Mercadona

Mercadona was founded in 1977 by Francisco Roig Ballester and Trinidad Alfonso Mocholí, who decided to expand their family business, Cárnicas Roig, by transforming their butcher's shops into businesses focused on the sale of grocery products (Mercadona, Historia, n.d.)

It was not until 1981 when Juan Roig (the current executive president and majority shareholder of the supermarket chain Mercadona), together with his brothers and his wife, decided to buy Mercadona from Francisco Roig Ballester; taking over the management of the company and starting its activity as an independent company (Mercadona, Historia, n.d.).

During the late 1980's and 1990's, Mercadona acquired different Supermarkets chains, including Superette, Cesta Distribución, Dinos, Super Aguilar and Supermercados Vilaró, among others. This allowed Mercadona to expand across different regions of Spain (Mercadona, Historia, n.d.).

In addition, during these years, Juan Roig and his wife Hortensia María Herrero became the majority shareholders of the company. More than two hundred stores were opened, permanent employment were offered to the workers (more than 16,000) and brands such as Hacendado, Bosque Verde and Deliplus were created (Mercadona, Historia, n.d.).

It is important to highlight the year 1993, as one of the milestones that would mark the exponential growth and success of Mercadona. It was in that year that the commercial strategy of "Always Low Prices" (SPB) was implemented, which would later volve into the well-known "Total Quality Model". These strategies will be explained in more detail in the following sections (Mercadona, Historia, n.d.).

During the 21st century, Mercadona has experienced great growth based on innovation, quality, social responsibility and a strong commitment to employees and customers. Today, Mercadona has consolidated its position as the leading company in the food distribution sector in Spain, with just over 1,600 supermarkets in Spain and 62 in Portugal, following the successful launch of its internationalization project in 2019 and its continued expansion in Portugal. Furthermore, its workforce now includes more than 100,000 employees, which demonstrates the scale of the company (Mercadona, Historia, n.d.).

## 1.2 Mercadona's Business Model

A business model defines how value is created for the customer, how that value is transformed and flows throughout the company, and how is ultimately exchanged for money (Villalobos, 2024).

### 1.2.1 Total Quality Management Model

In the early 1990s, the Total Quality Management Model was introduced in Mercadona as part of a strategic decision taken by Juan Roig. This model seeks, in general terms, perfection throughout the company's value chain with the aim of meeting the expectations and needs of the stakeholders linked to the organization as fully as possible (Blanco & Gutiérrez, 2008).

Mercadona has maintained and leveraged this strategy to this day, as it bases all its decisions on the aforementioned concept of "Total Quality", seeking to satisfy equally and with the same intensity the five components of the company: the customer or "the boss", the employee, the supplier, society and, lastly, capital (Mercadona, Modelo de Calidad Total, n.d.).

Mercadona operates under a universal premise: "in order to be satisfied, you must first satisfy others". Therefore, the company's main objective, like that of most businesses, is to ensure that the needs of "the boss" are completely satisfied. As a result, most of the decisions taken revolve around this goal, which aims to provide consistent quality and the highest level of food safety in all products (Blanco & Gutiérrez, 2008).

This objective would be impossible to achieve without satisfied, motivated and committed employees. For this reason, Mercadona applies a human resources model based on important aspects such as job stability, training and internal promotion, among many others (Mercadona, Modelo de Calidad Total, n.d.).

On the other hand, customer satisfaction is primarily achieved through its high-quality products, which is why Mercadona works together with its suppliers and inter-suppliers to offer an efficient product assortment for "the boss". This company's relationship with suppliers is based on trust, cooperation and stability (Mercadona, Modelo de Calidad Total, n.d.).

As far as society is concerned, Mercadona contributes to social development and progress in an efficient, responsible and sustainable way. Society is the environment in which the company operates and develops its activity, therefore, its satisfaction is also a priority (Mercadona, Modelo de Calidad Total, n.d.).

Finally, once all the stakeholders mentioned above have been satisfied, profit follows, whicl leads to the satisfaction of capital. In turn, this capital must continue to support and satisfy the needs of the other components of the company (Mercadona, Modelo de Calidad Total, n.d.).

This is the Total Quality Management Model that Mercadona follows. Although, its application may seem straightforward, it is very complex to meet the needs of all the stakeholders of the organization. However, Mercadona is able to achieve this, which gives it a significant competitive advantage that could explain why it is the leading supermarket chain in Spain, and enjoys great prestige at the international level.

### 1.2.2 "Always Low Prices" Strategy

When Juan Roig implemented the Total Quality Management Model in the early 1990s, a new commercial strategy also emerged, known as SPB (Siempre Precios Bajos or "Always Low Prices"). From that moment on, Mercadona committed itself to always maintaining consistent prices and long-term loyalty to its suppliers by consistently purchasing from them at stable rates (Blanco & Gutiérrez, 2008)

Unlike other competitors who use strategies such as creating "membership clubs" or establishing "periodic discounts" to build customer loyalty, Mercadona is committed to achieving stability in prices, suppliers and workforce. This ensures that customers can always rely on finding competitive prices without depending on sporadic promotions or marketing campaigns. Additionally, this approach also encourages responsible consumption by customers, as it does not encourage impulsive consumption or hoarding behavior (Santos, 2025).

Mercadona prioritizes quality and innovation in order to develop products that meet consumers' needs, while offering them at unbeatable prices. As mentioned in subsection 1.2.1, the company collaborates together with its suppliers and inter-suppliers to offer its customers an "efficient, top-quality product assortment at a competitive price" (Santos, 2025).

This products range, within the framework of the SPB strategy, responds to customer needs in categories such as food, beverages, hygiene and household cleaning. In addition, Mercadona employs a co-innovation model, which consists of sharing consumer experiences in order to transfer their specific needs, preferences, and habits to suppliers. This collaborative model allows for the development of innovations and continuous product improvements (Santos, 2025).

Finally, Mercadona is also known for its own brand, "Hacendado", which is the leading brand in each category. However, Hacendado is not considered a private label brand since it prioritizes quality over price, unlike most private label products (Santos, 2025).

## 1.3 Analysis of Mercadona's Environment

In general terms, Mercadona is a company that operates within the retail distribution sector, and was ranked as the highest-rated company in this sector in 2025, according to the Corporate Reputation Business Motor (Merco, 2025).

To classify its core business, the National Classification of Economic Activities (CNAE) is referred to, which identifies the main activity of a given company (Social, n.d.).

Mercadona falls under CNAE code 4711, which covers non-specialized retail trade with a predominant focus on food, beverages and tobacco products (SABI, n.d.).

In summary, Mercadona is dedicated to the retail sale of food, cleaning products, and personal hygiene, and it operates within the segment of large supermarkets (Blanco & Gutiérrez, 2008).

### 1.3.1 Analysis of the General Environment (Macro-Environment)

The general environment or macro-environment refers to a board group of external factors beyond a company's direct control but critical to its operations and success. These includes political, economic, social, technological, environmental and legal (PESTEL) forces, which affect all companies in a given region equally. Studying this environment plays a fundamental role in developing any company's strategy (Gregorio, 2022).

To understand the macro-environment of a company, the most commonly used tool is the Pestel Matrix, which examines the aforementioned factors that affect the business and their impact (Buye, 2021).

This matrix, as seen below, can help to understand Mercadona's general environment by assessing the six factors within the Spanish territory, since Spain is where the vast majority of Mercadona's supermarkets are located, and 100% of the company's capital is owned by Spanish investors.

- Political factors

Mercadona operates in Spain, a parliamentary democracy under a constitutional monarchy.

The current government, democratically elected in 2023, is formed by a coalition between the PSOE and Sumar political parties, along with other left-wing parties. This government is highly concerned about social justice, labor reform and environmental protection, which could regulatory challenge for Mercadona depending on the nature of future legislation.

However, Spain is going through a period of political uncertainty and instability, as several high-profile corruption scandals involving prominent public officials have been uncovered. Although the coalition continues to govern, this could change, which would potentially lead to policy shifts or reforms that might directly impact Mercadona's operations.

On the other hand, Spain is a member of the European Union, which provides a stable business environment, with a common legal framework and access to different EU development and innovation funding programs. This may benefit companies like Mercadona in terms of both regulation and financial support (Redondas, 2023).

- Economic factors

The Spanish economy is one of the largest in the Eurozone. After the COVID-19 pandemic, the country has shown signs of recovery and improvement, with notable growth in GDP and employment figures. However, some challenges remain, such as high public debt and dependency on foreign markets. (CaixaBank, La economía española acabó bien 2024 y encara 2025 con optimismo, 2025)

In 2024, Spain's economy grew by 3.2%, despite geopolitical uncertainty, inflation and tight monetary policies. That year, Mercadona contributed 33,35 billion euros to the national economy, equivalent to 2.1% of Spain's GDP (CaixaBank, La economía española acabó bien 2024 y encara 2025 con optimismo, 2025)

Regarding labor market, Spain is in a relatively positive situation. At the end of 2024, the unemployment rate was 10.29%, the lowest since the second quarter of 2008 (Estadística, n.d.).

Mercadona ended the year with 103,000 direct employees in Spain. Taking into account indirect and induced employment, the company was responsible for generating 743,700 jobs, which represented 3.71% of the total national employment (Mercadona S. , 2024).

In terms of fiscal impact, Mercadona contributed 12,6 billion euros to the Spanish public treasury in 2024, covering corporate and income taxes, VAT and social security contributions. This accounted for 2.15% of total public in Spain (Mercadona S. , 2024).

- Socio-cultural factors

Spain is currently facing a serious demographic challenge. It has one of the most aging populations in the world and one of the lowest fertility rates in the European Union. This aging demographic could require Mercadona to adapt its operations to meet the specific needs of older consumers, who tend to demand more health-oriented products and may also require an expanded and more efficient home delivery service (Redondas, 2023).

Most of the Spanish population resides in major cities. However, Spain is currently experiencing a housing affordability crisis, with high rental and mortgage costs consuming a large portion of household income. This problem could lead to consumers' increased price sensitivity and reduced discretionary spending.

Additionally, Spanish society, is undergoing a shift in consumer behavior, driven by increased awareness of health, sustainability, and product origin. Such shift has prompted Mercadona to expand its product range to include fresh, healthy items and a wider variety of allergen-free foods, which particularly target groups such as vegans and people with celiac disease.

- Technological factors

Digitalization, artificial intelligence, automation and smart logistics are increasingly present in Spanish society, and Spain is making significant strides in these areas (Redondas, 2023).

In response, Mercadona has invested €250 million in digitally modernizing all of its internal processes to enhance operational efficiency and productivity (Mercadona, actualidad, 2024).

This digital transformation plan includes upgrading corporate offices, logistics centers, and physical stores. Its main objectives include facilitating decision-making, creaitng intelligent cost-optimizing systems for logistics centers, improving product traceability through digital tools and improving customer shopping experiences and developing digital platforms for new business lines (Mercadona, actualidad, 2024).

- Ecological / Environmental factors

In 2024, various regions in Spain were severely affected by droughts and high temperatures due to climate change. These extreme weather conditions affected agriculture and livestock farming severely and had a knock-on effect on Mercadona's supply chains and pricing, especially for crops, dairy and meat products.

Moreover, Spanish consumers are increasingly environmentally conscious, which is witnessed by a growing demand for sustainable sourcing, ethical business practices and environmentally friendly products.

Mercadona must adopt sustainable practices to meet these demands, which can enhance its reputation and market share. In fact, the company has already responded by implementing various measures such as introducing eco-friendly stores, offering more local and sustainable products, and using reusable and recyclable packaging that reduces plastic use.

- Legal factors

This section refers to the laws and regulations in Spain that positively or negatively affect how Mercadona must operates.

Spanish labor law is highly protective of workers' rights, which ensures fair wages, regulated working hours, social security coverage and non-discriminatory practices. Currently, Yolanda Díaz, Minister of labor, is negotiating with other political parties to reduce the of working week to 37.5 hours. Also, the national minimum wage has been raised to €1,184 per month in 14 annual payments (Molina, 2025) (Moncloa, 2025).

Environmental legislation is also relevant. After adopting the ISO 14064 international standard and the Greenhouse Gas (GHG) Protocol, Mercadona has reduced its greenhouse gas emissions by 27% since 2015 (Mercadona S. , 2024).

Additionally, Mercadona strictly comply with national and EU regulations covering consumer protection, hygiene standards for retail establishments, waste management, tax compliance, advertising and communication, food safety and product labelling. (Redondas, 2023).

### 1.3.2 Analysis of the Specific Environment (Micro-Environment)

The other key element in analyzing a company's external environment is the specific environment or microenvironment. Unlike the general environment, this analysis focus on factors that are more immediately connected to the companies, such as customers, suppliers or competitors, which primarily affect companies operating within the same sector or those with similar characteristics. Moreover, a company can actively influence these factors through the decisions it makes to develop its activity (Gregorio, 2022).

To understand a company's microenvironment, the most commonly used tool is Michael Porter's Five Forces model, developed by in 1979. This tool allows analysis of the attractiveness and competitiveness of a given industry by examining five fundamental competitive forces: 1) the bargaining power of customers, 2) the bargaining power of suppliers, 3) the threat of substitute products of services 4) the threat of new entrants, and 5) the intensity of rivalry among existing competitors (Hernández, n.d.).

As with the PESTEL analysis conducted earlier, the Porter's Five Forces model will be applied with specific reference to the Spanish market, for the same reasons mentioned previously.

- Bargaining Power of Customers: Medium - High

Customers, according to José Ángel Hernández Pérez, are defined as “the individuals or groups that purchase goods and services”.

As their bargaining power increases, the profitability and attractiveness of the sector typically decrease. Customers tend to demand lower prices and higher quality in the products and/or services they buy.

In Spain, customers targeted by Mercadona have access to a wide variety of supermarkets and specialized stores, which results in a relatively high level of bairgaining power (Trenza, 2021).

However, Mercadona counteracts this through its customer loyal strategy, which is driven by its “Always Low Prices” policy and its extensive line of high-quality private label products, as explained earlier in subsection 1.2.2. These offer good products at reduced prices without compromising quality, which not only contributes to customer retention, but also works as a powerful differentiation strategy.

In summary, Mercadona seeks to guarantee a broad and affordable offering by combining quality products with competitive and attractive prices (Trenza, 2021).

- Bargaining Power of Suppliers: Low

Unlike many other companies, Mercadona includes and integrates its suppliers into its internal operational system, which cultivates a close relationship based on trust, cooperation and long-term stability (Trenza, 2021).

Suppliers can benefit from consistent pricing and prompt payment terms (within 30 days). In turn, they are required to pass on any cost savings to Mercadona without lowering product quality (Trenza, 2021).

- Threat of New Entrants: Low

Although the retail sector in Spain is highly competitive and diverse, the threat of new competitors at the national level is low (Trenza, 2021).

It could be said that the retail trade sector in non-specialized establishments behaves like an oligopoly, with a small number of companies dominating the market. However, these companies are large, well-positioned and have great prestige and power (Trenza, 2021).

Moreover, there are other entry barriers that make it difficult to access this sector, such as economies of scale, substantial capital investment requirements, and strong brand loyalty among customers (Trenza, 2021).

All these factors make it extremely difficult for new companies to successfully challenge the established firms.

- Threat of Substitute Products / Services: Medium-High

In the environment where Mercadona operates, there are many suppliers offering a wide variety of substitute products and service that perform the same function or satisfy the same needs. For this reason, customers can easily switch to other supermarkets or specialized retailers that offer goods with similar characteristics (Trenza, 2021).

However, Mercadona's emphasis on Total Quality Management and its "Always Low Prices" strategy, besides being key differentiating elements, also help to mitigate this risk. These approaches enhance its value proposition by consistently offering the best quality at the best possible price (Trenza, 2021).

- Rivalry Among Existing Competitors: High

Rivalry among competitors is often considered the most determining force in Porter's model. It consists of the intensity with which companies take actions to consolidate their market position and protect their competitive situation (Hernández, n.d.).

In the Spanish retail sector, rivalry is high because there are large and powerful companies like Carrefour, Lidl or Dia that continuously try to increase their market share via pricing strategies, promotional campaigns, and improvements in their private label brands (Trenza, 2021).

Nevertheless, Mercadona maintains a leading position with over 25% market share thanks to its competitive pricing, strong branding and customer-centered approach.

### 1.3.3 SWOT Analysis

Following the analysis of Mercadona's external environment, which involves studying the external factors that surround and influence it, it is essential to examine on the company's internal capabilities and limitations.

The SWOT framework provides an effective tool that allows the study of the internal characteristics of a company through the analysis of its strengths and weaknesses. Additionally, the SWOT analysis also involves studying the external situation of the company, which makes it possible to detect possible threats and opportunities present in the market and sector. This is analysis is based on two basic pillars, namely internal factors (i.e., strengths and weaknesses) and external factors (i.e., opportunities and threats) (Sánchez

Huerta, 2020).

The internal analysis includes aspects such as strategy, human resources and tangible or intangible company assets. Depending on the internal characteristics that each company possess, some positive factors or “strengths” and some negative factors or “weaknesses” can be highlighted.

In the case of Mercadona, based on the data presented previously, the following conclusions can be drawn about its internal environment.

To begin with, Mercadona is the leading company in the distribution sector, and is the supermarket with the largest market share in Spain, characterized by strong brand recognition. Furthermore, its business model based on total quality and low pricing, allows the company to fully satisfy the needs of its stakeholders and also achieve high customer loyalty.

In addition, the joint working model with suppliers and inter-suppliers guarantees quality and stability, offering customers a varied and exquisite assortment of products.

Mercadona’s private label, Hacendado, enjoys a good reputation and leads in many categories. Moreover, regarding human resources, Mercadona offers stable employment through permanent contracts and competitive salaries. Lastly, its network of more than 1,600 stores across Spain provide widespread accessibility for most of the population.

Nevertheless, Mercadona faces internal weaknesses. The most significant one is its strong dependence on the Spanish national market, since most of its revenue depends on its activity in this country. This reliance could make the company vulnerable to various situations, such as periods of economic recession in Spain and changes in local consumer habits.

Moreover, compared to its international competitors like Carrefour and Lidl, Mercadona has a limited global footprint. Its limited presence outside Spain represents a disadvantage in its growth opportunities, especially considering the saturation of its home market.

From an external perspective, based on the characteristics of Mercadona’s macroenvironment and microenvironment, which are explained in subsection 1.3.1 and 1.3.2, Mercadona has several promising opportunities. One of the most notable could be its continuous international expansion. As mentioned earlier, Mercadona’s initial results in Portugal, where it now operates more than 60 stores, have been positive. This suggests that the Mercadona model could be successfully adapted to other European markets.

Additionally, evolving social trends and customer preferences towards healthier lifestyles and sustainability also provide a great opportunity to broaden its offerings. The increasing demand for vegan, gluten-free, organic and environmentally friendly products align with existing initiatives, which represents room for development and improvement.

On the other hand, Mercadona must also be mindful of external threats. Competitive pressure is increasing, not only from traditional retail chains as they fight aggressively to increase their market share through promotions, development of private labels or advertising, but also from digital delivery platforms, such as Glovo, Just Eat and Uber Eats. These disruptors are offer an alternative shopping experience and are reshaping consumer expectations and adding new dimensions to competition.

What is more, political instability in Spain also poses a potential threat. Changes in government or legislation, especially in commercial and food-related legislation, could occur and may affect Mercadona's operations.

## 1.4 Mercadona's Position in the National Market

In the field of marketing, according to Gabriel Olamendi, positioning could be defined as "the place a product or service occupies in the consumer's mind".

A positioning strategy consists of defining and strengthening the image that a company or brand wants to project. This allows the target public audience to identify the company and value it positively over the rest of the competitors, which represents a great competitive advantage (Olamendi, n.d.).

However, this section does not aim to address brand perception. Rather, its aim is to carry out an analysis of the objective position that Mercadona occupies within the market in which it operates. For this purpose, different aspects will be evaluated and compared to those of other companies that engage in similar activities to Mercadona: retail trade in non-specialized establishments with a focus on food products, beverages and tobacco.

There are multiple factors that could be examined to perform a real and objective analysis of Mercadona's position in its market. Moreover, there is no universally established set of criteria follow to develop the aftermentioned study. Therefore, several some significant and representative variables will be selected, which will allow a clear observation of Mercadona's dominance over its competitors.

First of all, one of the main factors used to understand the place that a company occupies in a certain market is market share. Simply put, market share is the proportion of sales of a particular company in a specific market in relation to the total sales of that market (INEAF, n.d.).

The market in which Mercadona operates is divided among the participation of other companies and numerous consumers. Therefore, the area that Mercadona occupies within that market according to its sales is what will be known as its market share (Riquelme, 2018).

Second, another key element when determining the position of a certain company in a specific market is turnover, which refers to the total amount invoiced for all the sales of goods or services by a company (Dobaño, Facturación de una empresa: qué es y su importancia, 2024).

Analyzing a company's turnover will allow us to know the liquidity it has available and to identify which products/services are most successful, which is key to facilitating strategic decision-making (BBVA, ¿Qué es la facturación anual de una empresa?, 2025).

Third, Mercadona's net profit serves as another valuable indicator for assessing its financial performance. This allows us to compare the company's profitability and financial health with those of its competitors.

Finally, the total number of employees and retail stores could be considered, as these data reflect the real dimensions of the company. On the one hand, the number of stores serves to compare Mercadona's physical presence in the national territory to that of its competitors. On the other hand, the number of employees illustrates the company's size, by showing the scope of human resources necessary to carry out the company's operations (Lomaxim, 2019).

Table 1 presents a summary of the data of Mercadona and those of another four supermarket chains present in Spain, which are Mercadona's major competitors.

Table 1. Mercadona's Position in the Spanish Market

| Company | Market Share | Turnover | Net Profit | Number of retail stores | Number of employees |
|---|---|---|---|---|---|
| **Mercadona** | 26.6 | €37,057 M | €1,380 M | 1,603 | 103,000 |
| **Carrefur** | 9.8 | €11,728 M | €1,081 M | 1,474 | 33,826 |
| **Lidl** | 6.5 | €6,572 M | €182 M | 700 | 18,500 |
| **Eroski** | 4.3 | €5,885 M | €81,7 M | 1,502 | 27,625 |
| **Dia** | 3.6 | €5,123 M | €28 M | 2,302 | 14,000 |

Source: Adapted from SABI (Sistema de Análisis de Balances Ibéricos) & KANTAR

Once these data are reviewed, Mercadona's status as the undisputed leader in the food distribution sector in Spain becomes clear. As it is shown in Table 1, it holds the highest market share in its segment, which is more than double that of its closest competitor. This reflects clear commercial dominance (as the top seller in the market) and, in a way, a notable preference by consumers for this supermarket.

In line with this market share, Mercadona also report the highest turnover in the sector and, as well as the highest in the company's history. With more than €37billion in revenue, the company has proven its ability to convert its sales volume into substantial and consistent earnings.

This leadership in sales is further reinforced by its net profit obtained in 2024, which again stands as the industry. This figure highlights Mercadona's profitability and efficient financial management.

On the other hand, although it is not the leader in terms of the number of stores present in Spain, Mercadona ranks second company in terms of territorial presence. Such extensive distribution allows easy accessibility for most of the Spanish population, which effectively meets the needs of the national market.

Finally, Mercadona's large workforce further mirrors its importance as a major employer in Spain's social and economic sphere. As mentioned earlier, the company offers good and stable working conditions to its employees and adopts different measures regarding in terms of aspects such as professional training and social integration, which contributes to improving the quality of life of its workers and the well-being of the societies in which it operates.

# Chapter 2

# Analysis of Mercadona’s Financial Statements

Financial statement analysis is a critical component of business analysis, which consists of evaluating a company’s financial health, risks and future prospects. This includes analyzing the company’s financial position and performance, often through balance sheet review (Wild, Subramanyam, & Halsey, 2007).

Accounting analysis is the process of evaluating the extent to which a company’s accounting practices reflects its economic reality. To do this, it is necessary to understand the transactions and events experienced by the company, and observe the effects of its policies on the financial statements. Financial statements are, in short, the main source of information for financial analysis (Wild, Subramanyam, & Halsey, 2007).

Financial analysis is defined as the set of techniques used to study a company’s financial statements, with the aim of evaluating its financial condition, position and management. This, in turn, allows for the analysis of the company’s general trends and the evaluation of its current situation, which is very important for making appropriate strategic decisions and minimizing the risk of making mistakes (Padilla, 2014).

However, this analysis is not only relevant from an internal perspective, but can also be significant for different agents who may be interested in knowing the situation of a particular company. These agents are commonly known as “stakeholders”, and this group, as explained in chapter 1, includes customers, suppliers, investors, analysts, creditors, tax regulators, etc; that is, all those who may have some kind of interest in the company (Padilla, 2014).

## 2.1 Analysis of the Balance Sheet

When analyzing the content of the financial statements of a given company at a given point in time, two types of analysis methods can be used (Padilla, 2014).

On the one hand, the vertical analysis method makes it possible to determine the proportional weight of a particular account at a given point in time within the total financial statement to which it belongs. By comparing the figures vertically, it is possible to determine the structure and composition of the financial statements and to draw conclusions about the current situation of the company (Padilla, 2014).

The horizontal analysis method, on the other hand, is based on the comparison of identical financial statements in two or more consecutive periods in order to see how the accounts have developed from one year to the next. This allows the company to determine whether its results in a given period have been positive or negative (Padilla, 2014).

### 2.1.1 Composition of assets

Assets comprise the goods, rights and other resources that a given enterprise possesses in order to carry out all of its operations. These assets arise from past events, which means that they are already owned or controlled by the enterprise, and they have the capacity to produce future income for the enterprise that owns them (Alcarria Jaime, 2008).

On the one hand, non-current assets are made up of resources that are of lasting use (generally more than one year) to the company for the development of its activity. This section includes aspects such as intangible fixed assets (e.g., patents, trademarks, etc.), tangible fixed assets (e.g., land, machinery, buildings, etc.), real estate investments or long-term financial investments (Alcarria Jaime, 2008).

Current assets, on the other hand, consist of the group of items that are expected to be sold or consumed within the normal operating cycle (less than one year, as a general rule). This group includes inventories (goods to be sold or consumed in the production process), trade receivables, cash (in hand or in bank accounts) and other liquid assets (such as short-term financial investments) (Alcarria Jaime, 2008).

Table 2 shows the data corresponding to the different elements that make up the assets presented by Mercadona in its balance sheets from 2022 to 2024.

Table 2. Mercadona's Assets Expressed in Thousands of Euros

| | Assets 2022 | | Assets 2023 | | Assets 2024 | |
|---|---|---|---|---|---|---|
| **Non-current assets** | 7,998,197 | 66.57% | 8,100,250 | 60.79% | 8,242,641 | 55.91% |
| Intangible assets | 138,037 | 1.15% | 93,021 | 0.70% | 83,106 | 0.56% |
| Property, plant and equipment | 6,777,794 | 56.42% | 6,824,356 | 51.21% | 6,949,071 | 47.13% |
| Other fixed assets | 1,082,366 | 9.01% | 1,182,873 | 8.88% | 1,210,464 | 8.21% |
| | | | | | | |
| **Current assets** | 4,015,726 | 33.43% | 5,224,804 | 39.21% | 6,501,176 | 44.09% |
| Inventories | 860,175 | 7.16% | 801,847 | 6.02% | 790,768 | 5.36% |
| Trade receivable | 113,778 | 0.95% | 144,681 | 1.09% | 191,871 | 1.30% |
| Other current assets | 84,004 | 0.7% | 73,892 | 0.55% | 30,383 | 0.21% |
| Cash and equivalent | 2,957,769 | 24.62% | 4,204,384 | 31.55% | 5,488,154 | 37.22% |
| | | | | | | |
| **Total assets** | 12,013,923 | 100% | 13,325,054 | 100% | 14,734,817 | 100% |

Source: Adapted from SABI (Sistema de Análisis de Balances Ibéricos)

- Vertical Analysis

Table 2 shows that, over the years, the percentage represented by non-current assets within the total assets has been progressively decreasing, although it remains to be higher than the weight of current assets. In 2022 it represented 66.57% of assets, in 2023, 60.79%, and finally, in 2024, it accounted for just over 55%. Tangible fixed assets are the most important asset in all three years, but their percentage has also declined.

Conversely, current assets are closing the gap with non-current assets in terms of the percentage within total assets. In 2024, this account represents 44.09% of assets, which is a notable increase compared to 39.21% in 2023 and 33.43% in 2022. This increase is mainly due to the growing importance of cash in Mercadona's balance sheet, which represented 37.22% in 2024.

This analysis suggests that Mercadona is intentionally changing the structure of its balance sheet, becoming a more liquid company than in previous years and giving less importance to fixed assets.

- Horizontal analysis

Non-current assets have shown a gradual but steady growth over the last few years.

This positive trend is due to the increase in the value of tangible fixed assets, which grew by 0.69% in 2023 and by 1.83% in 2024. In addition, other fixed assets increased by 9.29% in 2023 and then by 2.33% in 2024. Such growth is mainly attributable to the expansion of infrastructures (e.g., new stores, new facilities, logistics centers, etc.) and an increase in long-term investments.

However, tangible fixed assets are the only item within non-current assets that has decreased. In 2023, it decreased by 32.6% with respect to 2022, and in 2024 it decreased again by 10.7%. This decrease is likely due to the amortization of different intangible assets or the lower investment in them.

On the other hand, current assets have experienced a significant growth over the years, with their total value in 2024 being more than €2 billion higher than their total value in 2022.

Stocks have fallen slightly, which could be due to increased logistical efficiency or improved inventory turnover. The “other liquid assets” account has also declined, but its reduction is more important, as it has been reduced by almost 60% from 2023 to 2024.

In contrast, trade receivables increased by 27.2% in 2023 and by 32.6% in 2024. This is likely due to an increase in credit sales, which can lead to a higher risk of non-payment.

Cash is the asset that grew the most in percentage terms, which indicates that Mercadona has been accumulating liquidity throughout these years. In 2024, cash grew by more than 30% compared to the previous years, reaching a figure of around €5,5 billion euros. This money can be used for investments or as a buffer in difficult situations, such as the DANA or the COVID-19 pandemic.

### 2.1.2 Composition of liabilities

Liabilities represent all the debts or obligations that the company has due to the development of its activity. These debts usually arise from the acquisition of goods and services, and the delivery of certain assets or cash by the company is necessary to settle these debts (Alcarria Jaime, 2008).

As with assets, liabilities are also made up of two groups:

Non-current liabilities refer to the group of debts held by the company with a maturity date of more than one year. Within this group, we can find long-term bank loans and other types of long-term debt (Alcarria Jaime, 2008).

Current liabilities are the set of obligations that the company expects to be settled with in the normal operating cycle (less than one year as a general rule). This category includes accounts such as debts to suppliers, short-term bank loans, outstanding remuneration or debts to service providers (Alcarria Jaime, 2008).

Table 3 shows the data relating to the liabilities that Mercadona experienced from 2022 to 2024.

Table 3. Mercadona's Liabilities Expressed in Thousands of Euros

| | **Liabilities 2022** | | **Liabilities 2023** | | **Liabilities 2024** | |
|---|---|---|---|---|---|---|
| **Long-term liabilities** | 37,049 | 0.83% | 34,767 | 0.70% | 33,288 | 0.63% |
| Loans | 4,216 | 0.09% | 3,767 | 0.08% | 5,255 | 0.10% |
| Other long-term liabilities | 32,833 | 0.73% | 31,000 | 0.62% | 28,063 | 0.53% |
| | | | | | | |
| **Current liabilities** | 4,448,104 | 99.17% | 4,953,713 | 99.30% | 5,265,423 | 99.37% |
| Accounts payable | 3,119,435 | 69.55% | 3,430,350 | 68.77% | 3,517,417 | 66.38% |
| Other current liabilities | 1,328,669 | 29.62% | 1,523,363 | 30.54% | 1,748,006 | 32.99% |
| | | | | | | |
| **Total liabilities** | 4,485,153 | 100% | 4,988,480 | 100% | 5,298,711 | 100% |

Source: Adapted from SABI (Sistema de Análisis de Balances Ibéricos)

- Vertical analysis

Almost all of Mercadona's debt is financed through short-term liabilities. The main source of financing in this category is trade payables - in other words, debts to its suppliers. However, their proportion has decreased slightly, from 69.55% in 2022 to 68.77% in 2023, and finally, just over 66% in 2024.

The proportion of non-current liabilities is almost negligible and, at the same time, has been decreasing over the years. This indicates an almost total absence of long-term financing.

- Horizontal analysis

Non-current liabilities decrease in both proportion and absolute value from 2022 onwards, which reflects a predominantly short-term debt structure.

The long-term creditors account decreases by 10.65% in 2023, although it increases again by 38.7% in 2024. This suggests some type of long-term financing. However, the absolute value of this account remains very small, so this growth in long-term debt does not represent any major change in Mercadona's financial structure.

Other fixed liabilities also decreased steadily in 2023 and in 2024, indicating that Mercadona is reducing its long-term commitments.

With regard to current liabilities, both "trade payables" and "other current liabilities" increased in 2023 and then again in 2024.

Trade payables are the largest liability account, which can be explained by the great importance of Mercadona's suppliers for the correct development of its activity. The 10% increase in 2023 and the 2.5% increase in 2024 are related to a higher volume of Mercadona's purchases.

The other current liabilities account, which is not directly related to debts associated with suppliers, increased by around 14% in both 2023 and 2024, which indicates a need for liquidity in the short term.

### 2.1.3 Composition of stockholder's Equity

Net worth is the difference between the value of a company's assets and liabilities. It includes the contributions made by the owners both at the time of its creation and afterwards (referred to as capital), as well as accumulated results and other changes in equity (e.g., reserves, subsidies, adjustments for changes in the value of assets and liabilities, etc) (Alcarria Jaime, 2008).

Table 4 shows the data corresponding to Mercadona's equity in 2022, 2023 and 2024, which are presented in its balance sheet.

Table 4. Mercadona's Equity Expressed in Thousands of Euros

| | **Stockholders' equity 2022** | | **Stockholders' equity 2023** | | **Stockholders' equity 2024** | |
|---|---|---|---|---|---|---|
| **Total stockholders' equity** | 7,258,770 | 100% | 8,336,574 | 100% | 9,445,106 | 100% |
| Contributed capital | 15,921 | 0.21% | 15,921 | 0.19% | 15,921 | 0.17% |
| Others own resources | 7,512,849 | 99.79% | 8,320,653 | 99.81% | 9,429,185 | 99.83% |

Source: Adapted from SABI (Sistema de Análisis de Balances Ibéricos)

- Vertical analysis

Capital represents an almost negligible share of net worth, amounting to just over

0.20% of the total equity in all the balance sheets under analysis. The remaining equity accounts for almost 100% of the total net worth across all periods.

- Horizontal analysis

Mercadona has not carried out any capital increases or reductions, so this account has remained constant at €15,921 million.

On the other hand, the rest of the shareholders' net worth increased notably in both 2023 and 2024, with Mercadona holding almost €9.5 billion in its own funds in the latter year. These funds are primarily used as reserves and are subsequently reinvested in the company.

Mercadona's balance sheet structure is clear: minimum share capital and self-financing as its main source of resources. This structure means that Mercadona is highly solvent and has a high capacity for self-financing, and does not need to rely heavily on capital increases or external financing.

## 2.2 Financial Situation: Analysis and Composition of Ratios

Financial ratio analysis is one of the most widely used tools for financial evaluation. Mathematically, a financial ratio is the relationship between two variables, and it is used to analyze a company's balance sheet or income statement in order to obtain information about its financial situation. In addition, comparing ratios from different years helps to identify trends (Holded, 2021).

Some of the most important ratios are:

### 2.2.1 Liquidity ratios

Liquidity or short-term solvency refers to a company's ability to pay its debts in the short term, i.e. those debts that have a maturity of less than one year (Santander, n.d.).

This group of ratios focuses on the day-to-day business of the company, assessing whether current assets are sufficient to cover current liabilities. Some of the most commonly used ratios or indicators to measure this condition are: (Santander, n.d.).

- Liquidity ratio

The liquidity ratio assesses the company's ability to cover its short-term debts or liabilities with its current assets. The formula for calculating this figure is as follows: (Holded, 2021).

$$Liquidity\ ratio = \frac{Current\ assets}{Current\ liabilities}$$

If the resulting figure is less than 1, it means that the company has a liquidity shortage and may have problems paying its short-term debts. Conversely, if this ratio is higher than 1, it means that the company is in a good liquidity position, being able to pay its short-term obligations. However, a very high figure (above 2) indicates excess liquidity, so it would be advisable for the company to take advantage of this situation to make some investments and try to generate profitability.

Table 5 presents a summary of this ratio calculated on the basis of the different accounting data required and obtained by Mercadona from 2022 to 2024:

Table 5. Mercadona's Liquidity Ratio

| | **2022** | **2023** | **2024** |
|---|---|---|---|
| **Current Assets** | 4,015,726 | 5,224,804 | 6,501,176 |
| **Current Liabilities** | 4,448,104 | 4,953,713 | 5,265,423 |
| **Liquidity Ratio** | 0.903 | 1.055 | 1.235 |

Source: Adapted from SABI (Sistema de Análisis de Balances Ibéricos)

As can be seen in the table, Mercadona has progressively improved its ability to meet its immediate debts only with its current assets.

In 2022, the liquidity ratio was below 1, which corresponds to a lack of liquidity that may pose problems in meeting debts maturing in the short term.

However, in both 2023 and 2024, the figure is higher than 1, which shows a process of recovery and a stable liquidity position. This allows Mercadona to meet its short-term obligations from its available assets. Possible causes of this improvement include the increase in sales or more efficient liquidity management.

- Acid test

Like the liquidity ratio, this indicator measures the company's ability to pay its debts in the short term. However, the formula is different, as it takes into account only the most liquid current assets already available to the company or those that are quickly receivable. The formula for calculating the cash ratio is as follows: (Dobaño, Ratio de prueba ácida, 2024).

$$Acid\ test = \frac{(Current\ assets - Inventories)}{Current\ liabilities}$$

If the result of the ratio is less than 1, it means the company may have difficulty meeting the most immediate payments. The company is in the optimum point when this figure is greater than 1, but without reaching a situation of immediate excess liquidity, for the same reason explained above for the liquidity ratio (Dobaño, Ratio de prueba ácida, 2024).

Table 6 shows the data related to Mercadona's cash ratio in the years 2022, 2023 and

2024:

Table 6. Mercadona's Acid Test

| | 2022 | 2023 | 2024 |
|---|---|---|---|
| **Current Assets - Inventories** | 3,155,551 | 4,422,957 | 5,710,408 |
| **Current liabilities** | 4,448,104 | 4,953,713 | 5,265,423 |
| **Acid test** | 0.709 | 0.893 | 1.085 |

Source: Adapted from SABI (Sistema de Análisis de Balances Ibéricos)

In both 2022 and 2023, Mercadona was unable to cover its current liabilities with its most liquid assets, excluding inventories. While it was true that in 2023 the cash ratio improved, it did not reach the optimal level, which corresponds to an insufficient liquidity situation. This may pose a risk, as the company could have trouble meeting short-term payments without relying on inventories, external financing or other sources.

In 2024, Mercadona achieved a result above 1, which means that the company could pay all its short-term debts only with its current cash and receivables. This reduces dependence on inventory or external financing, and thereby improves short-term solvency.

- Working capital

This is a financial indicator used mainly for the same purpose as the two ratios explained previously, since it examines the financial resources available to the company once it has covered its short-term debts with its current assets. In addition, it also makes it possible to assess whether a company is able to make the investments or purchases inherent to any business activity without compromising its financial situation. This parameter is calculated as follows: (BBVA, Fondo de maniobra de una empresa: qué es, cómo calcularlo e interpretarlo, n.d.)

$$Working\ capital = Current\ assets - Current\ liabilities$$

If the current assets are higher than the current liabilities, working capital is positive and, therefore, the company can pay its short-term debts with its current assets and also maintain buffer for unforeseen events. Conversely, negative working capital indicates that the company may have problems in meeting its short-term obligations, since the most immediate debts cannot be covered by current assets (BBVA, Fondo de maniobra de una empresa: qué es, cómo calcularlo e interpretarlo, n.d.).

Table 7 shows shows the evolution of Mercadona's working capital from 2022 to 2024, based on its current assets and current liabilities in the respective years.

Table 7. Mercadona's Working Capital

| | 2022 | 2023 | 2024 |
|---|---|---|---|
| **Current assets** | 4,015,726 | 5,224,804 | 6,501,176 |
| **Current liabilities** | 4,448,104 | 4,953,713 | 5,265,423 |
| **Working Capital** | -432,378 | 271,091 | 1,235,753 |

Source: Adapted from SABI (Sistema de Análisis de Balances Ibéricos)

As with the liquidity ratio, the working capital was negative in 2022, but Mercadona reversed the situation in 2023 and eventually achieved a solid financial position in 2024.

In 2022, current assets were insufficient to cover short term debts, implying a liquidity problem. One year later, Mercadona recovered its financial equilibrium and was in a more secure position, although the working capital remained relatively low, albeit positive. Finally, in 2024, a large and healthy working capital was achieved, which enable the company to meet short-term payments and operate normally.

### 2.2.2 Long-term solvency ratios

Long-term solvency ratios assess a company's capacity to pay its debts in the long term, in other words, those obligations which maturity date is more than one year (Santander, n.d.).

These indicators assess the level of indebtedness and also provide insight into whether a given company will be able to remain stable over time in terms of its finances. The most commonly used ratios are: (Santander, n.d.)

- Debt ratio

This indicator compares the total debt of a given Company with its net worth, i.e. the accumulated reserves and the capital contributed by shareholders at the time of the incorporation of subsequently. The formula for this ratio is as follows: (Argudo, 2020)

$$Debt\ ratio = \frac{Total\ Liabilities}{Stockholders'equity + Total\ Liabilities}$$

A given company is considered low in debt if its debt ratio is below 0.4, so that it could take on more debt to make investments. Between 0.4 and 0.6 is considered the optimal point, where the company would have a good debt situation. Above 0.6, the company would be excessively indebted (Argudo, 2020).

Table 8 presents the calculation of Mercadona's debt ratio in 2022, 2023 y 2024, based on the data obtained from its total liabilities and equity in these years.

Table 8. Mercadona's Debt Ratio

| | 2022 | 2023 | 2024 |
|---|---|---|---|
| **Total Liabilities** | 4,485,153 | 4,988,480 | 5,298,711 |
| **Stockholders' equity** | 7,528,770 | 8,336,574 | 9,445,106 |
| **Total Liabilities + Equity** | 12,013,923 | 13,325,054 | 14,743,817 |
| **Debt Ratio** | 0.373 | 0.374 | 0.359 |

Source: Adapted from SABI (Sistema de Análisis de Balances Ibéricos)

As can be seen in table 8, Mercadona's debt ratio remains healthy and relatively stable over the three years analyzed. This is a positive factor as it means that net worth is the company's main source of financing, which is a sign of financial stability and solvency.

In 2024 there was a slight reduction in dependence on external financing, as net worth increased more than total liabilities compared to 2023. This reinforces its financial solvency and improves the company's image in the eyes of certain agents, such us potential investors and financial institutions.

However, as explained above, Mercadona's ratio is below the optimal value of 0.4, so it could take on more debt in order to make different investments and obtain profitability.

- Collateral ratio

This is an indicator that analyses the solvency of a company, as it provides information on the real risk of bankruptcy. It assesses the capacity of a given company to meet its debts with its total assets. This ratio therefore compares a company's real assets, which are those that would have value in the event of a supposed liquidation, with the total debts borne by the company. This indicator is calculated as follows: (Nogales, n.d.).

$$Collateral\ Ratio = \frac{Total\ Assets}{Total\ Liabilities}$$

A Company is at real risk of bankruptcy if this ratio is below 1.5, as it indicates a lack of solvency and an inability to pay debts in the long term. Values between 1.5 and 2 are considered optimal and indicate that the company has a good solvency situation and is able to meet its long-term obligations. Finally, if this ratio is higher than 2, it indicates that there is excess solvency, so the company may choose to increase its debts and make investments to generate profitability (Nogales, n.d.).

Table 9 reflects the data related to Mercadona's collateral ratio from 2022 to 2024.

Table 9. Mercadona's Collateral Ratio

| | 2022 | 2023 | 2024 |
|---|---|---|---|
| **Total assets** | 12,013,923 | 13,325,054 | 14,743,817 |
| **Total liabilities** | 4,485,153 | 4,988,480 | 5,298,711 |
| **Collateral Ratio** | 2.679 | 2.671 | 2.783 |

Source: Adapted from SABI (Sistema de Análisis de Balances Ibéricos)

Throughout the three years analyzed, Mercadona maintained a high and stable collateral ratio, which implies a strong financial position.

In 2024, its capacity to meet its debts with its total assets was even greater than in previous years, although this increase is not very significant. The results confirm that Mercadona has a solid solvency position, a healthy asset structure and a great capacity to settle its obligations without problems.

- Autonomy ratio

This is a ratio that evaluates the proportion of a given company's net worth in relation to its total debts. It provides information on the company's degree of financial autonomy and its capacity to finance its activities through the generation of capital. The formula for calculating this indicator is: (IEAvanzado, 2023)

$$Autonomy\ ratio = \frac{Stockholders'\,equity}{Total\ Liabilities}$$

The higher the ratio, the more net worth is financing a higher percentage of the company's investment. In other words, the company has less debt. As a result, the company has greater financial autonomy since debt has less influence on the company's decision-making. (IEAvanzado, 2023)

However, high financial autonomy does not necessarily mean that it is well financed. In order to understand this factor, it is important to analyze profitability. (IEAvanzado, 2023)

Table 10 shows the evolution of Mercadona's autonomy ratio from 2022 to 2024, based on the data obtained from its equity and total liabilities in the respective years.

Table 10. Mercadona's Autonomy ratio

| | 2022 | 2023 | 2024 |
|---|---|---|---|
| **Stockholders' equity** | 7,528,770 | 8,336,574 | 9,445,106 |
| **Total liabilities** | 4,485,153 | 4,988,480 | 5,298,711 |
| **Autonomy Ratio** | 1.679 | 1.671 | 1.783 |

Source: Adapted from SABI (Sistema de Análisis de Balances Ibéricos)

As already analyzed in the debt ratio, Mercadona's level of self-financing and financial independence is high, which implies lower financial risk and greater stability.

Over the period under study, the autonomy ratio remained above 1.5, which demonstrates a consistent financing structure, mainly focused on the use of own resources. As mentioned before, this gives Mercadona a high level of financial independence and a lower level of leverage.

In 2024, Mercadona reached its highest ratio value, which further strengthened its solvency and reduced financial risk.

- Debt quality ratio

This is an indicator that shows the proportion of debt that a given company can be required to have in the short term, compared to the total debt it has at that moment. This ratio is calculated as follows: (Argudo, 2020)

$$Debt\ Quality\ Ratio = \frac{Current\ Liabilities}{(Long - term\ liabilities + Current\ liabilities)}$$

The company is in the optimal point when the figure of this ratio is between 0.2 and 0.5. If the ratio is lower than the first figure, it means that there are few short-term debts and very good debt quality. On the other, hand, if the figure is higher than 0.5, it means that the company has a lot of short-term debt and poor debt quality, which can lead to problems in meeting these obligations (Argudo, 2020).

Table 11 shows the data related to Mercadona's debt quality ratio in the years 2022, 2023 and 2024.

Table 11. Mercadona's Debt Quality Ratio

| | 2022 | 2023 | 2024 |
|---|---|---|---|
| **Current Liabilities** | 4,448,104 | 4,953,713 | 5,265,423 |
| **Total Liabilities** | 4,485,153 | 4,988,480 | 5,298,711 |
| **Debt Quality Ratio** | 0.992 | 0.993 | 0.994 |

Source: Adapted from SABI (Sistema de Análisis de Balances Ibéricos)

During the three years, more than 99% of Mercadona's debt was short term, so this company has a debt structure which is heavily weighted towards short-term obligations. This significant financial pressure. However, as shown by the other ratios, Mercadona has a great capacity to cover these debts due of its excellent solvency and liquidity situation. Even so, it is not an ideal situation. Having more debt in the long-term would allow more time to obtain the necessary resources and reduced short-term financial pressure.

## 2.3 Profit and Loss Analysis

The profit and loss account is an accounting stament that forms part of the annual accounts of a given company and provides information on the management of the income and expenses incurred by the company during a specific period (Dobaño, Cuenta de pérdidas y ganancias (PyG): qué es y cómo realizarla, 2025).

This financial instrument has multiple uses and is of great interest to the different stakeholders of the company, since it provides information on important aspects such as the profitability of the company and facilitates decision making based on the results (Dobaño, Cuenta de pérdidas y ganancias (PyG): qué es y cómo realizarla, 2025).

The most important items from Mercadona's profit and loss account are shown in Table 12, which also represents the results obtained by the different years indicated:

Table 12. Mercadona's Profit and Loss Account Expressed in Thousands of Euros

| | **2022** | **2023** | **2024** |
|---|---|---|---|
| **Operating profit** | 973,684 | 1,224,812 | 1,666,830 |
| Operating income | 27,867,697 | 31,697,060 | 34,059,430 |
| Operating expenses | 26,894,013 | 30,472,248 | 32,392,600 |
| **Financial result** | -45,976 | 91,212 | 204,090 |
| Finance Income | 6,107 | 92,273 | 204,090 |
| Finance costs | 52,083 | 1,061 | 0 |
| **Profit before tax** | 927,708 | 1,316,024 | 1,870,920 |
| **Profit for the year** | 718,151 | 1,008,930 | 1,383,911 |

Source: Adapted from SABI (Sistema de Análisis de Balances Ibéricos)

a) Operating profit (EBIT)

This figure shows the profit resulting exclusively from the company's main activity, after subtracting operating expenses, such as the consumption of goods and materials, personnel expenses and other operating expenses (Server Izquierdo, 2003).

In 2024, there is a clear growth compared to the two previous years, mainly thanks to the increase in sales. Both revenues and expenses increased compared to 2023, but the increase in revenues (+7.45%) was proportionally higher than the increase in expenses (+6.31%).

b) Financial result

Mercadona started with a negative financial result in 2022, caused by relatively high financial expenses (interests paid) and low income in this same category (interests received). However, from 2023 onwards, this situation reversed, with the financial result turning positive.

Financial revenues in the last two years show a large increase compared to 2022. The opposite is true for financial expenses, which decreased significantly in 2023 and even reached zero in 2024.

This improvement in the financial result may be due, in the first place, to the reduction of Mercadona's non-current liabilities in these years, which lowered the interest payable. Other possible causes are improvements in cash management or the realization of different investments.

c) Profit before tax (PBT)

Profit before tax is the sum of the financial result and the operating result.

Its growth throughout the periods analyzed in Table 12 is consistent with the evolution of the operating and financial results, respectively.

The profit of €1,870,920 (expressed in thousands of euros) in 2024 reflects a clear improvement in Mercadona's performance, as it has managed to increase its ordinary profit by more than 100% in just two years. This is a notable improvement in both operational and financial terms.

On the other hand, Mercadona does not present extraordinary expenses or income in any of the years, so it is a stable profit structure over time.

d) Profit for the year

As can be seen in the table, Mercadona increases its net profits every year. In 2023, these increased by 40.5% with respect to 2022, while in 2024 they increased by 37.2% with respect to the previous year.

While it is true that Mercadona has to pay a higher amount of corporate tax each year (€209,557 in 2022, €307,094 in 2023 and €487,009 in 2024, all of them expressed in thousands of euros), the growth in pre-tax profit is large enough to allow Mercadona to achieve higher net profits each year.

## 2.4 Profitability Analysis

Profitability refers to the ability of a given company to generate profits from the resources at its disposal. It is thus a key factor for business sustainability in the long-term (Esteban, Arteche, & Etcheverry, n.d.).

Profitability analysis is key to assessing a company's return on investment. While there are different ways to calculate this variable, economic profitability and financial profitability are among the most important (Esteban, Arteche, & Etcheverry, n.d.).

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### 2.4.1 Economic profitability

Firstly, economic profitability provides information on the profitability of a company in relation to its total assets. It compares the profits obtained by the company at a given moment in time with the assets used during that period taking into account the profits obtained before interest and taxes. The formula is as follows: (Vitoria, 2025).

$$Economic\ Profitability = \frac{EBIT}{Total\ Assets} \times 100$$

This indicator shows the total profit a company makes for every €100 invested in assets, regardless of how it is financed. (Vitoria, 2025)

Table 13 shows the different data on Mercadona's economic profitability in the years 2022, 2023 and 2024. For this purpose, EBIT and total assets in these years are taken into account.

Table 13. Mercadona's Economic Profitability

| | **2022** | **2023** | **2024** |
|---|---|---|---|
| **EBIT** | 973,684 | 1,224,812 | 1,666,830 |
| **Total assets** | 12,013,923 | 13,325,054 | 14,743,817 |
| **Economic profitability** | 8.10 | 9.19 | 11.31 |

Source: Adapted from SABI (Sistema de Análisis de Balances Ibéricos)

As can be seen in this table, Mercadona progressively increased its capacity to generate profits from its assets. While in the year 2022 it only generated €8.10 of profit for every €100 invested in the asset (which is still an accurate result), this figure increased to €9.19 in 2023 and, finally, to €11.31 in the year 2024.

### 2.4.2 Financial profitability

Financial profitability measures the profits obtained from the financial capital invested by shareholders. This information is very important for investors and shareholders, as it indicates the return that these agents obtain on their investment. The formula for calculating financial profitability is as follows: (Vitoria, 2025).

$$Financial\ Profitability = \frac{Profit\ for\ the\ year}{Stockholders'Equity} \times 100$$

This formula shows the profit that the company generates for every €100 of net worth (Vitoria, 2025).

Table 14 shows the net worth data and the different results of the financial year presented by Mercadona in the years 2022, 2023 and 2024. Based on these data, the financial profitability of the aforementioned company is calculated for the respective years.

Table 14. Mercadona's Financial Profitability

| | 2022 | 2023 | 2024 |
|---|---|---|---|
| **Profit for the year** | 718,151 | 1,008,930 | 1,383,911 |
| **Stockholders' equity** | 7,528,770 | 8,336,574 | 9,445,106 |
| **Financial profitability** | 9.54 | 12.10 | 14.65 |

Source: Adapted from SABI (Sistema de Análisis de Balances Ibéricos)

Mercadona presented good results throughout the three years, increasing from €9.54 of profit per €100 euros of net worth in 2022 to €14.65 in 2024. This last figure represents a strong financial result, maximizing the value of net worth.

It can be seen that the financial profitability is higher than the economic profitability in all the three years. This means that there is a positive return on net worth, that the debt has been financed efficiently and that Mercadona has financed part of its assets to improve the profitability of its net worth (a process known as financial leverage).

# Chapter 3

# Impact of DANA in Valencia

## 3.1 Definition, Causes and Characteristics of DANA

According to the Spanish State Meteorological Agency (AEMET), a DANA or Isolated Depression at High Levels is a "phenomenon that consists of a closed depression at high altitude that becomes isolated and completely separated from the general atmospheric circulation. Furthermore, it moves independently of this flow and can become stationary or even retrograde, that is, it may move from east to west".

This definition may seem very technical and difficult to understand for those without sufficient knowledge of the subject. Therefore, it is important to explain in more detail what a DANA actually is.

### 3.1.1 "Cold Drop" vs "DANA"

Actually, the terms "cold drop" and "DANA" refer to the same meteorological phenomenon. However, cold drop is an older concept that has gradually been replaced by the more modern and precise term DANA (Eltiempo.es, n.d.).

This change occurred, firstly, because the term "cold drop" began to be misused in everyday language, becoming a catch-all term expression people used to describe any kind of heavy or intense rainfall (Eltiempo.es, n.d.).

Moreover, due to technological advances in meteorology and new ways of understanding phenomena occurring in the troposphere, it was decided that the concept of cold drop should be replaced with a more modern and accurate term that describes the formation and evolution of these high-altitude disturbances in a way that aligns with observational reality (León, n.d.).

### 3.1.2 Meteorological Formation and Dynamics

In the highest levels of the atmosphere, approximately 9,000 meters above sea level, strong air currents circulate around the Earth at high speeds. These currents are known as jet streams (León, n.d.).

There are different types of jet streams depending on the latitude. At our latitude, for example, we typically find the subtropical jet stream, which is a narrow zonal belt of very strong winds. This jet stream is found at lower latitudes and higher altitudes than the polar jet stream, which will be explained later. Additionally, the subtropical jet is typically located at altitudes between 11,000 and 13,000 meters (León, n.d.).

However, the best-known and most frequent jet stream at these latitudes is the polar jet stream, which carries winds exceeding 180 kilometers per hour. It generally flows from west to east in a zonal patterns around the Earth, forms a boundary between cold polar air to the north and warmer air from the south (Eltiempo.es, n.d.).

This jet streams exhibits waves or undulations, and when these intensify, a pinching process can occur, causing the jet to split from the general circulation—a process known as isolation. In this way, a portion of the jet becomes completely detached from the main atmospheric flow, drifting southward from its original zone and forming a pocket of cold air with closed circulation at high altitudes, rotating counterclockwise in the Northern Hemisphere (Eltiempo.es, n.d.).

Therefore, the DANA phenomenon can be described as a process involving intense circulations that break away and isolate themselves from their source, eventually closing in on themselves (León, n.d.).

### 3.1.3 Risks Associated with a DANA

DANA is a well-known and feared phenomenon in Spain, especially along the Mediterranean coast, where various disasters throughout history have been linked to them. However, a DANA does not necessarily imply flooding or extreme rainfall - not are such conditions always caused by a DANA - (Eltiempo.es, n.d.).

As explained earlier, a DANA is a cold air mass that becomes isolated at high altitudes. When this cold air mass encounters very warm surface temperatures, a thermal gradient (i.e., a large temperature difference between atmospheric layers) is created. This results in a highly unstable atmospheric profile, where air masses can rise easily and become saturated with water vapor, which potentially leads to intense storms (Eltiempo.es, n.d.).

This is exactly what happens in the Mediterranean, where the combination of thermal contrasts, high humidity and energy stored in the sea after the hot summer months creates conditions that are conductive to flash floods and torrential rainfall (Eltiempo.es, n.d.).

In the specific case of Valencia, it is a region that experiences long periods of drought interrupted by heavy rainfall. The inland mountain ranges force the humid Mediterranean air to rise, leading to condensation and intense precipitation that can flood coastal lowlands through seasonal watercourses. Furthermore, climate change has worsened these risks, as rising polar temperatures cause grater distortions in the Jetstream, allowing cold air to penetrate further south and intensifying phenomena like the DANA (Galvez-Hernandez, Dai, & Muntaner, 2025).

The city of Valencia and its surrounding municipalities lie on a flat alluvial plain next to a riverbed, which makes them particularly vulnerable to flooding from heavy rainfall in the upper river basin. As a result, the Valencia region has suffered several major floods throughout its history, such as the Turia River flood in 1957 and the 2019 floods in Alicante (Galvez-Hernandez, Dai, & Muntaner, 2025).

## 3.2 Impact of the DANA

On October 29, 2024, the Spanish province of Valencia was devastated by a DANA, which brought torrential rainfall and severe flooding. The consequences of this phenomenon in the Mediterranean region were catastrophic, including the death of more than 200 people, the destruction of critical infrastructure, and in general, significant social and economic repercussions throughout the community (Gras, n.d.)

The daily lives of hundreds of thousands of people were disrupted due to the flooding and the extensive damage it caused.

Water levels in certain areas triggered the flooding of homes and garages, resulting in both material losses and, tragically, human casualties. Furthermore, there was a major collapse in public infrastructure, with serious damage to key road networks, railways lines, power grids, communication networks and public buildings such as schools and healthcare centers (Gras, n.d.).

These disruptions in mobility posed significant challenges for businesses. On the one hand, they hindered the recovery of damaged companies and, on the other, they interfered with the operations of those not directly damaged by cutting off communication with suppliers and customers. Additionally, they limited the effectiveness of emergency response efforts for those affected (Gras, n.d.).

The Spanish Government and the Generalitat Valenciana estimated that €2.6 billion would be needed to restore the infrastructure in the areas affected by the DANA (Galvez-Hernandez, Dai, & Muntaner, 2025).

Moreover, the economy of the Valencian Community was severely impacted, given that the province of Valencia contributes 5% of Spain’s GDP and 53% of the GDP of the Valencian Community. In the 13 most severely affected municipalities alone lies 10% of the province’s business fabric, mainly composed of small businesses that play a crucial role in both employment and provincial GDP generation. However, not only was business activity disrupted in these municipalities, but normal operations were also affected, across the commercial sectors of more than 60 additional affected municipalities (Económicas, 2024).

The sectors most impacted by the DANA were agriculture (representing 2.2% of the province's Gross Value Adde), manufacturing (15.3% of the production structure), and commerce, transportation, hospitality and leisure (24% of GVA) (CaixaBank, Impacto económico de las inundaciones en la provincia de Valencia, n.d.).

Among them, the agri-food sector was the hardest hit, as nearly half of the agricultural land was damaged and production losses were extremely high, reaching 100% in some cases. Thousands of hectares of farmland were severely impacted by the storm, putting the livelihoods of numerous producers at risk and potentially leading to long-term economic damage (CaixaBank, Impacto económico de las inundaciones en la provincia de Valencia, n.d.).

The industrial sector, which holds great significance in the area affected by the DANA, was also seriously damaged. A large number of industrial parks and logistics centers, many of which were involved maritime export activities, sustained major losses (CaixaBank, Impacto económico de las inundaciones en la provincia de Valencia, n.d.).

Retail trade was suffered greatly. According to the Valencia Chamber of Commerce, more than 5,000 businesses suffered direct consequences from the DANA, with over 60% experiencing severe structural or financial damage. Additionally, a significant number of the 21,000 service establishments located in the affected areas also reported direct damage (CaixaBank, Impacto económico de las inundaciones en la provincia de Valencia, n.d.).

However, despite the immense material and economic and material toll, the most devastating consequence was the loss of over 200 lives. This tragedy left a deep void in the hearts of their loved ones and, deeply, moved both Spanish and international community (Económicas, 2024).

### 3.2.1 Beyond Natural Causes: Other Factors Behind the DANA Catastrophe

While the torrential rains brought by the DANA in October 2024 were the main trigger of the catastrophic floods that hit the Valencian Community, this natural meteorological phenomenon is not the only factor to blame, the intensity of the DANA does not match the severity of the tragedy. Behind the catastrophe lies a series of political, economic and structural factors that, over time, have contributed to the vulnerability of the territory and, consequently, of its population (Galvez-Hernandez, Dai, & Muntaner, 2025).

One of the central contributing factors was the region's history of uncontrolled urbanization, particularly during Spain's housing boom (1997-2007). During that period, there was a major wave of urban expansion which was driven by private interests and poorly regulated by local authorities, which led to mass construction in flood-prone areas. This uncontrolled urban growth also resulted in the disappearances of natural buffers, such as riverbanks, wetlands, and other permeable surfaces that typically help to absorb excess rainfall. In their place, the region became increasingly covered by impermeable materials, such as roads, buildings and concrete infrastructure, which exacerbated runoff and overwhelmed existing drainage systems. Urban development was promoted as a driver of economic growth, but such growth often came at the expense of environmental safety (Galvez-Hernandez, Dai, & Muntaner, 2025).

Moreover, inefficiencies within municipal authorities responsible for risk management and prevention, combined with the lack of enforcement and compliance with various regulations by regional and national governments have increased society's exposure to natural disasters. This is referred as institutional vulnerability, a concept that describes how institutions are weakened by external influences, particularly corruption (Galvez-Hernandez, Dai, & Muntaner, 2025).

This institutional vulnerability played a key role in Valencia's urban expansion into food-risk areas, thereby contributing to the catastrophe that occurred on October 29, 2024.

For an extended period, a clientelist political network dominated the Valencian Community, tarnishing its institutions and encouraging corrupt land-use practices and mutually beneficial exchanges between public officials, private real estate developers, and politicians. Urban growth, seen as a guarantee of economic prosperity, was prioritized over sustainability (Galvez-Hernandez, Dai, & Muntaner, 2025).

Furthermore, the Coastal Law of 2013, passed in a context of high urban pressure and impoverished municipalities, reduced the number of protected areas in urban zones and enabled local governments to focus their development on the tourism sector. As a result, the Valencian coast, one of the most urbanized and visited in the world, saw a notable rise in construction activity during that period (Galvez-Hernandez, Dai, & Muntaner, 2025).

Another relevant factor stems from a historical precedent, namely, the "Great Flood" of Valencia in October 1957, when the city of Valencia suffered a major flood caused by the overflow of the Turia River. Just like with the DANA, the floodwaters swept away vehicles, damaged buildings, and tragically, took the lives of 81 people (Carrion, 2007).

After this event, the then mayor of Valencia, with approval from the Spanish government, promoted the "Plan Sur", under which the Turia River was diverted through a 12-kilometer canal south of the city center, primarily to protect the capital of the capital of the autonomous community from future flooding (Carrion, 2007).

However, this plan did not account for the future expansion of southern municipalities such as Paiporta, Catarroja, Benetússer and Picanya. This explains why these areas were severely impacted by the floods caused by the DANA (Carrion, 2007).

The disaster was also worsened by institutional inefficiency in response to the crisis. The inaction of early warning systems and emergency mechanisms was largely due to the dissolution of the Valencian Emergency Unit in 2023, when Carlos Mazón won the regional elections (Galvez-Hernandez, Dai, & Muntaner, 2025).

Additionally, following the 2008 crisis and the ensuing recession, the Spanish government was forced to implement budget cuts, reducing investment in key public services such as healthcare, social assistance and civil protection. This explains why, in the Valencian Community, the infrastructures responsible for managing emergencies were weakened, severely limiting the local government's response in October 2024 (Galvez-Hernandez, Dai, & Muntaner, 2025)

These weakened public services and fragmented, vulnerable institutions left the municipalities surrounding Valencia unprotected both during the flooding and in the days that followed, when recovery efforts were significantly hindered (Galvez-Hernandez, Dai, & Muntaner, 2025).

With regard to crisis management, the government's political strategy focused more on shifting blame rather than on supporting affected individuals and restoring damages. Carlos Mazón, President of the Valencian Community at the time of the DANA, blamed the Central Government and the Military Emergency Unit for their inaction and delays in providing assistance. The Central Government, in turn, sharply criticized Mazón's management, stating that the emergency alert was issued too late and that the regional president was absent at a critical moment, allegedly due to a lunch, during which time numerous deaths occurred (Press, 2025).

Neither the regional nor the central government declared a state of emergency, as they did not consider the event to qualify as a Level 3 national emergency. This decision posed a barrier to mobilizing resources, delaying aid distribution and limiting urgent response actions (Galvez-Hernandez, Dai, & Muntaner, 2025).

On October 30, one day after the heavy rains and flooding, Mazón requested military assistance from the Central Government, which initially deployed 500 personnel. This number rose to 1,200 within two days, and later to 10,000 within three days of the DANA event. However, this staggered deployment, driven by growing social and political pressure, proved to be insufficiently effective (Galvez-Hernandez, Dai, & Muntaner, 2025).

The absence of a coordinated recovery strategy prolonged the humanitarian, social, and economic crisis, which is still ongoing in Valencia and across Spain. Numerous demonstrations have taken place demanding accountability and the resignation of both President Carlos Mazón and members of the Spanish Central Government. However, despite widespread protests, no political consequences have occurred, and the Government remains in place (Galvez-Hernandez, Dai, & Muntaner, 2025).

## 3.3 Impact of the DANA on Mercadona

In the last months of 2024 Mercadona faced the tragic consequences of the DANA that struck on October 29. In addition to the severe social and economic damage caused in the affected regions, the catastrophe had a direct impact on the company, as 21 of its stores were affected (Mercadona S. , 2024).

Mercadona made significant efforts to restore operations in those locations as quickly as possible. Within just two days, the company was able to reopen 11 of its stores, while the remaining 10 stores, which had suffered more extensive damage, were gradually brought back into operation. The last store, located in Catarroja, resumed activity on January 14, 2025 (Mercadona S. , 2024).

Furthermore, Mercadona's online service was also disrupted in the areas of Spain affected by the DANA. The service was progressively restored, reaching full functionality in early 2025 (Mercadona S. , 2024).

On a human level, approximately 1,000 Mercadona employees were personally affected by the DANA. Like many residents in the impacted regions, these individuals suffered significant material losses, including damage to homes and vehiciles, and, tragically, some experienced the loss of loved ones (Mercadona S. , 2024).

The impact of the DANA also extended to Mercadona's network of 72 suppliers. These suppliers experienced disruptions due to power outages, limited access caused by roads and infrastructure damage, and damage to facilities, all of which hindered both production (with goods rendered unisable) and product delivery (Mercadona S. , 2024).

As for Mercadona's logistics network, the flooding caused by the DANA severely affected the Riba-roja de Túria platform, located in Valencia. The frozen goods warehouse was completely destroyed. Additionally, production at the bread factory was halted for several months and its buffer warehouse also suffered flooding and structural damage (Mercadona S. , 2024).

### 3.3.1 Crisis Management by Mercadona

#### *3.3.1.1 Mercadona's Responsibility Towards its Members*

Mercadona was one of the companies most actively engaged with Valencian society following the devastating DANA on October 29, 2024.

Through the "Alcem-sel" initiative, which means "let's rise" in Valencian, Mercadona responded to the adversity from the outset, providing swift support to the affected population and communities. This included more than €100 million in targeted actions such as investing in human and material resources to reopen and rehabilitate stores and warehouses, distributing essential productions to local residents, reconstructing and refurbishing public spaces (e.g., soup kitchens, parks, streets) and offering financial assistance to affected employees (Mercadona, actualidad, 2024).

In terms of restoring operations, Mercadona made great efforts to restore all 21 affected supermarkets in the shortest time possible. As previously noted, the last affected store reopened on January 14, 2025, just over two months after the disaster. This milestone was made possible through internal reorganization, resource optimization and the collaboration of over 200 suppliers. The process required an investment of approximately €11 million (Mercadona, actualidad, 2024).

To support the 1,000 employees affected by the floods, Mercadona allocated €40 million in direct financial aid to help them recover and avoid starting over from scratch. Just three weeks after the disaster, all affected staff received financial assistance to repair or rebuild their homes and replace personal belongings and vehicles. The aid was distributed as follows: (Mercadona, actualidad, 2024)

- Total loss of main residence (completely or partially destroyed): €50,000
- Partial loss of main residence (furniture or structural damage): €25,000
- Small personal belongings: €5,000
- Car: €15,000
- Motorcycle: €5,000
- Scooter and bicycle: €500

On November 21, 2024, all affected employees received their corresponding compensation based on their individual circumstances.

In relation to ensure workplace safety, Mercadona equipped all staff involved in cleanup efforts with the necessary protective gear from the beginning. The company also took preventive safety measures, such as modifying store opening hours in areas at risk of flooding and closing early in municipalities with limited or no street lighting (Mercadona S. , 2024).

Regarding its 72 affected suppliers, Mercadona took continuous action to support them by expediting payments and shortening payment deadlines. These measures enabled Mercadona's suppliers to recover more quickly and allocate resources to support their own employees and sub-suppliers (Mercadona S. , 2024).

For logistic operations, Mercadona invested €500,000 to mitigate the effects of the DANA and restore warehouse operations. Additionally, the company contributed €100,000 toward the recovery of the L'Oliveral industrial park, where its logistics hub is located. (Mercadona S. , 2024).

#### *3.3.1.2 Social Actions Undertaken by Mercadona Following the DANA*

Mercadona is a company deeply committed to its community and conducts its business according to a responsible and ethical approach as part of its Total Quality Management Model. For years, the company has followed its own Social Action Plan, which allows it to identify and respond to the needs of its customers, thus fostering a closer relationship with society (Mercadona, Cuidemos el planeta, n.d.).

This social responsibility was once again demonstrated in the aftermath of the DANA. Mercadona responded quickly and compassionately to help restore social well-being in the affected communities.

As in previous years, Mercadona participated in several food drives organized by the Spanish Federation of Food Banks. In 2024, donations from the "Gran Recogida campaign", which aimed at addressing the basic nutritional needs of vulnerable individuals and the areas affected by the DANA, reached €2.3 million, largely thanks to customer generosity. Mercadona contributed 10% of the total raised, along with an additional 5% specifically to support those impacted by the DANA (Mercadona, actualidad, 2024).

In response to the basic needs of affected Valencian residents, Mercadona launched a €1 million initiative to rebuild soup kitchens in the damaged areas and provide logistics support, including delivery vans, to ensure that supplies reached those in need (Mercadona, actualidad, 2024).

Additionally, Mercadona collaborated with local residents and municipal authorities to restore public spaces damaged by the DANA. These activities included removing debris and cleaning and painting damaged areas. The company partnered with 16 suppliers and invested €3 million in this initiative (Mercadona, actualidad, 2024).

#### 3.3.1.3 Collaboration Through the "Proyecto Legado"

The legacy of Juan Roig and his wife Hortensia Herrero demonstrates their long-standing commitment to sharing values such as dedication and community service, reflected across various sectors. In sports, this legacy includes sponsorship of the Valencia Basket Club, L'Alqueria del Basket and the Trinidad Alfonso Foundation. In the realm of arts and culture, the Hortensia Herrero Foundation plays an important role. The Roig Arena represents their investment in entertainment, while Marina de Empresas promotes entrepreneurship and education. These organizations played an active role in supporting citizens affected by the DANA through various initiatives (Empresas, n.d.).

To begin with, Hortensia Herrero Foundation allocated €4 million with to support the recovery of traditional Valencian sectors in the most affected areas. These efforts specifically targeted the textile, music and education sectors in order to restore essential cultural and economic activities (Mercadona, actualidad, 2024).

The Trinidad Alfonso Foundation created a €4 million relief fund to assist nearly 200 sports clubs located in the impacted municipalities. Additionally, L'Alqueria del Basket provided immediate shelter for more than 200 displaced people in the days following the disaster, ensuring that their basic needs were met. Later, when the initial emergency period had passed, the facilities were converted into temporary camps to host volunteers who came to contribute to the ongoing recovery efforts (Mercadona, actualidad, 2024).

Finally, Marina de Empresas contributed significantly to the revitalization of the local business ecosystem. Its efforts helped to reactivate 4,600 businesses across 52 municipalities in the region. The goal was to minimize economic losses and prevent the permanent closure of local enterprises. Altogether, this initiative provided €35 million in financial aid to sustain the region's business network (Mercadona, actualidad, 2024).

## 3.4 Link between the DANA and Mercadona's Financial Performance

The DANA that struck the Valencia region on 29 October 2024 was a climatic catastrophe that directly affected Mercadona in different aspects, as mentioned in section 3.3. Among the most significant consequences were the 21 severely affected stores, the 1,000 Mercadona employees and suppliers affected, the paralysis of the online service in the affected areas, and the interruption of production and the damage suffered in different logistics warehouses.

In response, Mercadona allocated more than €50 million in financial support, distributed among direct aid to workers (€40 million), repairing and reopening of supermarkets (€11 million), logistics facility repairs (€0.5 million), reconstruction of soup kitchens and distribution of products (€1 million), recovery of public spaces (€3 million), and other related expenses.

The extent of the damage suffered by Mercadona was substantial, which directly affected its business activity. These consequences are directly transferred to the balance sheet presented by Mercadona in 2024 and the profit and loss account registered in the same period, despite no drastic drop in its overall results.

Mercadona's resilience and strong financial position helped to mitigate visible impacts on the financial statements.

The main objective of the analysis in this section is to determine to what extent Mercadona's 2024 financial statements reflects the consequences of the late October DANA, both on the balance sheet and the income statement.

### 3.4.1 Impact on the Balance Sheet

The DANA of 2024 did have a direct impact on the 2024 financial year. Although it occurred at the end of that year, its effects – including damage to infrastructure and relief investments - were reflected in the 2024 balance sheet.

Mercadona's cash account was very high in 2024, exceeding €5 billion, which allowed the company to absorb the costs related to the DANA without compromising operations or resorting to external financing. The resulting cash outflows for investments in the social and economic reconstruction of the damage caused by the DANA are present, but this is not reflected in the balance sheet. In fact, the cash account in 2024 is the highest in Mercadona's history.

With regard to tangible fixed assets, the destruction of logistics platforms and numerous stores has caused damage to the fixed assets account. However, the processes of reconstruction and reopening of stores can be capitalized as new investments, as they involve expenditure on infrastructure, machinery or furniture that directly affects this account. Therefore, although the fixed assets account could decrease due to the destruction of assets, the repair and reconstruction processes carried out mean that this account increases or remains stable.

The stockholders' equity value could have been higher had it not been for the DANA, as Mercadona had to use its own resources to finance part of the investments made to minimize the damage caused by the catastrophe.

On the other hand, non-current liabilities remain virtually insignificant, which indicates that Mercadona did not resort to long-term external financing to deal with this crisis.

With regard to trade creditors, as explained in section 3.3, Mercadona helped the 72 affected suppliers by releasing payments and reducing payment terms. This may have influenced this account, as the advance payments may have led to a relative reduction in debt balances with suppliers.

### 3.4.2 Impact on the Profit and Loss Account

In terms of the profit and loss account, Mercadona did not show a decline in its financial results in 2024 despite the investments made to mitigate the terrible consequences of the DANA.

This can be explained by multiple factors, some of which have already been discussed before. For example, Mercadona already had a solid financial position and high accumulated cash reserves, so it was able to absorb the impact without compromising its profitability or liquidity.

Furthermore, many of the investments and aid provided were financed with its own resources, so they do not have to be accounted for as a current operating expense. These are accounted for as fixed assets, meaning that there is not reduction in profit.

Finally, although the DANA occurred at the end of October, much of the recovery was completed in early 2025, so it will have a direct accounting impact on this year's financial statements.

However, although these aspects have meant that there is not major problem in the profit and loss account, there are some elements that help to understand how this phenomenon affected Mercadona's final financial situation in 2024.

For example, the "other operating expenses" account showed an increase of €76,000 in 2024 compared to 2023. This is likely due to the inclusion in this item of aspects such as cleaning costs, store refurbishment and increased personnel expenses (overtime for refurbishment work, temporary hiring, etc).

Operating profit and pre-tax profit increased significantly, which demonstrates that operating activity was not compromised. In addition, the financial result also increased thanks to a doubling of financial income and the absence of financial expenses, which means that Mercadona did not resort to external financing. The latter has also been seen in the previous section, when analyzing the effect of the DANA on Mercadona's non-current liabilities.

On the other hand, the profit and loss account does not show any extraordinary expenses, so investments and aid were absorbed within the normal structure of the company, without being classified as extraordinary.

Finally, the result for the year is the highest in Mercadona's history, but this improvement in result does not mean that there was no impact from the DANA. Rather, it means resilience and brilliant financial planning.

### 3.4.3 Possible Effects in 2025 Financial Statements

Looking ahead, the effects of the DANA are expected to carry into Mercadona's balance sheet and profit and loss account for the 2025 financial year. Under the "accrual principle" applied in accounting, income and expenses are recorded when they are generated, rather than when they are received or paid. However, some effects of economic events may be spread over several years in extraordinary situations, such as the DANA in this case.

- Balance sheet

On the balance sheet, there could be an increase in non-current assets or property, as some repairs, reconstructions or replacements of assets damaged during the disaster were not completed in 2024. For example, the reopening of the last stores or the complete refurbishment of some logistics facilities will be recorded in 2025 as new additions to the "property, plant and equipment" account.

Meanwhile, current liabilities could also be affected. Cash account could decrease as a result of the impact of the DANA, since Mercadona would have to finish paying various commitments, such as repairs, suppliers, insurance, etc. However, new collection rights could also be generated from insurance claims or public aid, which would increase the accounts receivable account.

Regarding to current liabilities, some suppliers or contractors responsible for rebuilding the supermarkets may have been hired at the end of 2024, meaning they could be paid in 2025. This would lead to an increase in the trade payables account.

Finally, regarding non-current liabilities, almost any company would find it necessary to resort to different methods of long-term financing in order to overcome a crisis of this magnitude. However, Mercadona is in an excellent financial position and has been able to allocate more than €50 million in just three months to aid, repairs, logistics, etc. It is therefore understandable that it has sufficient resources to act without the need for external financing.

- Profit and loss account

The profit and loss account for 2025 may also reflect ongoing effects from the DANA. Firstly, operating profit could be adversely affected, as various expenses associated with this item could increase. For example, there could be a possible increase in losses due to the impairment of assets that could not be recovered after the DANA. In addition, there could be various legal costs related to compensation, insurance, etc. which could also be accounted for.

However, the possible increase in depreciation of fixed assets is the aspect that could most adversely affect operating profit. New facilities and tangible assets will be capitalized in 2025, which will lead to an increase in depreciation expenses over the next few years, starting from 2025 financial year.

As regards the financial result, this could increase due to two factors. Firstly, it is unlikely that financial expenses will increase, as it does not appear that Mercadona will finance any part of the recovery process. On the other hand, Mercadona could receive insurance compensation or publica id for damage caused by the DANA, which could be recorded as financial income.

Finally, given that pre-tax profit is equal to the sum of operating profit and financial profit, it could increase or decrease depending on what is reflected in the profit and loss account on 31 December 2025. At first glance, it appears that the operating profit may decrease to a greater extent than the apparent increase in financial profit, which could adversely affect the final result for the financial year.

# Conclusion

This Final Degree Project has examined Mercadona's situation in 2024, analyzing not only its strategic and financial position, but also the effect that the DANA had on its results. Based on this research, it has been confirmed that the company is in a leading position within the food distribution sector in Spain, mainly due to its efficient business model, its extensive network of supermarkets and its effective ability to adapt to changes in the environment.

The first chapter of the thesis, which contextualizes Mercadona and its environment, has been key to understanding the scenario in which the company operates. Firstly, its history, business model and strategy play a fundamental role in identifying the factors that have led the company to its dominant position in the sector in which it operates. Secondly, the use of analytical tools such as PESTEL, Porter's Five Forces and the SWOT Matrix has shown that the food distribution sector in Spain is saturated and characterized by aggressive competition between existing companies, which means there is a need to innovate in products and processes. Finally, indicators such as market share, net profit and number of stores confirm that Mercadona is the undisputed leader in its sector and reinforce its position against its competitors.

The second chapter, focused on financial analysis, has provided insight into Mercadona's accounting structure and current situation. Analysis of the balance sheets presented by the company from 2022 to 2024 shows sustained growth and a balanced structure, highlighting its increased liquidity, low level of debt, and significant equity. Furthermore, the study of the different short- and long-term financial solvency ratios confirms the company's solid position, with controlled debt and a high capacity to meet its obligations.

Additionally, analysis of the profit and loss account shows Mercadona's positive trend in recent years, achieving its best results in 2024 despite the influence of the DANA. Furthermore, the study of economic and financial returns confirms the company's strong performance.

Finally, the third chapter of this Final Degree Project focuses on the study of the DANA that occurred in the Valencian Community in October 2024. It analyses aspects such as its formation, the causes of the disaster, the tragic consequences for the Valencian territory and, finally, the measures taken by Mercadona and the effects this had on its income statement.

The DANA significantly affected the company's infrastructure and logistics centres in the damaged areas. However, Mercadona responded quickly and efficiently to this crisis with the aim of mitigating the damage as soon as possible. To this end, the company made significant investments aimed at repairing and rebuilding is infrastructure and logistics centres, as well as consolidating its commitment through financial aid to its suppliers, employees and society.

All had an impact on Mercadona's income statement, although it is not clearly reflected as the company achieved its highest profit ever in 2024. However, some accounts were adversely affected, such as cash, stockholder's equity and net profit, which could have been higher had it not been for the DANA. In addition, accounts such as operating expenses increased, which reduced the result of the year.

In conclusion, the DANA reduced the potential for profits in 2024, but did not compromise Mercadona's solvency and profitability. This research therefore demonstrates that, despite experiencing significant adversity, the company has maintained its financial strength and leadership position. Its ability to absorb the impact of the DANA while continuing to carry out its daily operations highlights its strong structure and organization in dealing with the various challenges that may arise.

Mercadona's experience with DANA 2024 highlights the importance of business resilience as a determining factor for survival and success. This study can help other companies, regardless of their size or sector, to understand the importance of investing in prevention and establishing crisis management protocols as part of an organizational strategy that generates competitive advantages. These principles of resilience are important for achieving a solid market position, consolidating stable relationships with stakeholders and successfully dealing with unforeseen situations, which leads to long-term business sustainability.

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# List of Tools and Resources

1. **ChatGPT:** Used as a support tool to improve the clarity and coherence of the thesis, as well as to better understand specific aspects of the balance sheet and the income statements
2. **DeepL:** Employed to translate the final version of the work from Spanish into English, ensuring precision and fluency in the translation.