

Analysis Of Renner S.A.'s Resource Mobilization Strategy—A Case Study

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Abstract:

Background: Renner S.A. is a company that has been achieving satisfactory economic and financial performance for the last 17 years. It is a surprising result for a company operating in a market where many fight for it. The Company operates in a competitive sector with approximately 7% of sales, competing with large and small domestic and foreign companies.

Data And Methodology: The work utilised accounting data from the Investor Relations website of the Renner stores (2023). The data collected from Renner's balance sheet allowed us to create indicators with information on the company's economic performance. These data enabled the development of the coefficients "h", the ratio between the subscription of new shares and the internal accumulation of the company, "a", the Internal accumulation coefficient and "e", the Debt to Equity" ratio, presented in the Theoretical Framework of this work. The article calculates the weighted average cost of capital (WACC) and analyses its components. The work analyses the company's financial records and compares them to the predicted patterns outlined in the Pecking-Order Theory. By examining quantitative data, the study aims to comprehensively understand the company's resource mobilisation trajectory and determine if it aligns with that Theory.

Results: The indicators of the mobilisation of resources show financial solidity. The company has mainly used equity throughout the period to finance its activities and projects instead of resorting to loans. This expansion of the productive capacity with its own resources, especially using part of the net profit, came out cheaper than acquiring third-party resources. Because of this efficient management, the undertaking shall have an adequate level of equity for its operational and investment needs. This "Debt to Equity" ratio below 1 means that the company relies less on debt to finance its operations and has a more solid financial position. This proportion indicates that the company is managing its finances well and has less risk exposure, providing investors with more security. In this way, the company used its own capital to finance itself. Thus, the company avoided dependence on bank loans or external investors. By primarily using equity as a funding source, the company had more control over its operations and strategic decision-making. Therefore, using equity provided greater financial stability since there is no need to pay interest or share profits with third parties. The profitability of investments limits the expansion of resource mobilisation. This decline in the company's profitability is because increasing production reduces the profit margin. There is a trade-off between profit margin and sales growth.

Conclusion: Own capital is the source of relevant funds for Renner S.A., which makes it possible to carry out investments at a lower cost. This result reinforces the belief that the company offers less risk to shareholders, which can attract new investments. This form of fundraising prevailed throughout the analysed period, contrary to what the Peking Order theory advocates about changes in funding sources. The company mainly relies on using earnings over the period. This proposition is consistent with the results of the Optimal Capital Structure Theory.

Key Word: Debt to Equity ratio; WACC; Pecking-Order Theory; Optimal Capital Structure Theory.

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I. Introduction

The A. J. Renner S.A. Group started in 1912. The company started as a small fabric factory but expanded its activities and became a reference in the textile industry. Over the years, the group diversified its activities and operated in other sectors, such as construction, real estate incorporation, wind energy, and agribusiness.

From 1940, with the sale of varied products, the organisation became a department store. This change was due to the growing demand of consumers for products in one place in order to facilitate purchases. Thus, the store began to sell clothing, appliances, furniture, household items and toys. The store's transformation into a warehouse brought with it the introduction of new services, such as the possibility of credit and the creation of specialised departments.

The company expanded its business to other states in 1994, which allowed it to establish itself as a reference in national fashion retail in Brazil. In 1998, J. C. Penney Brazil Investments Ltda. Acquired Renner stores and, in 2005, sold its stake in Bovespa. With the sale, the company was left without a controlling shareholder.

The company's strategy has allowed it to be successful in an intensely competitive market. The Company operates in a competitive sector with a share of approximately 7% in the sales sector, competing with large and small domestic and foreign companies. The company's product is competitive. This means that it is a product similar to that of competitors, and therefore, the sale depends on creating new products and offering commodities at competitive prices in the market. The company is forced to spend a lot on advertising, constantly seeking to create new products and sell at lower prices than competitors to differentiate the product.

Because of the ease with which rivals can copy the goods sold, this classification of differentiated competitive goods is necessary. The characteristics of these products mean that the Company needs to invest in advertising and the constant launch of new products with minor modifications. Therefore, the commercialization of Renner products depends on the price and quality of the product. This makes the company compelled to spend money on advertising to increase sales.

The work is divided into three chapters, in addition to the introduction and final comments. The second chapter presents the theoretical framework. In the third chapter, it presents Data and Methodology. The fourth chapter describes the results obtained with the application of the methodology.

II. Theoretical Framework

Lynch & Rothchild (2000) analyses an organisation's financial situation by branch of activity and product offered. Porter (2015) explains that competition in a differentiated competitive market occurs through prices, creation of new products and advertising.

This expensive and harsh dispute leads to a reduction in the profit margin. Competitors repeatedly use price warfare, advertising spending, and product creation, reducing profit margins. This dispute tends to be intense because entering companies into the sector is not difficult because there are no substantial barriers to entering other companies. The lack of barriers to entry allows new companies to enter the market and compete with those already established. Consequently, the entry of new companies increases the pressure on existing companies' prices and profit margins. Thus, companies in the competitive sector tend to present lower profit margins due to higher marketing spending and the search for product innovations to stand out from competitors.

Buffett (2021) said that the financial fragility of companies operating in competitive markets requires an operational strategy to expand investments and the range of financial solidity. In turn, increased investment requires equity capital and debt capital. This increase in available funds occurs through the internal accumulation of the Company (by retention of profits and formation of reserves for depreciation) and or by the issuance of new shares. In other words, financing the investment requires the expansion of equity (CA) and or an increase in debt. (AE).

There are benefits and costs to resource mobilisation alternatives, and the proportion that maximises profits is not trivial, as it depends on the alignment of interests of owners and managers against the risks and costs associated with each combination. Equity financing by issuing shares and retaining profits opposes interests between owners and managers. Investment financing by issuing shares increases the total number of shares in circulation on the market and reduces the percentage of existing shareholders in the Company. This form of financing disappoints the shareholder. Retention of profits can also adversely affect the Company's executives. This discomfort is because the retention of profits for financing the Company's growth contradicts the interests of managers remunerated for participating in the Company's results. Borrowing to finance the expansion of productive capacity can increase the financial fragility of the Company. Increasing debt raises interest costs and decreases the Company's profit margin. In addition, a high level of indebtedness can leave the Company vulnerable to fluctuating interest rates and economic crises, making it even more challenging to pay off debts. Therefore, financing by loan can result in default and bankruptcy.

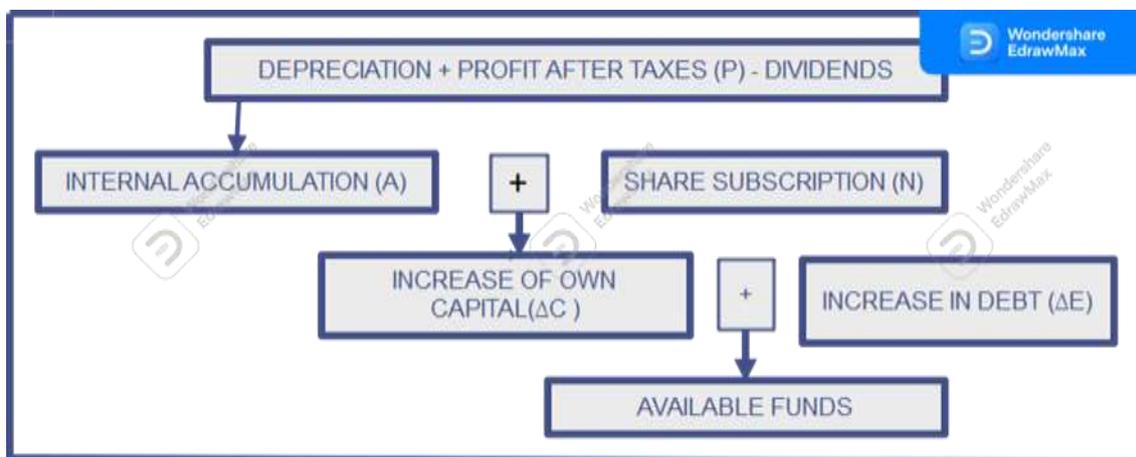
According to accounting principles, the representation of the Company's resources with the balance sheet data, in the form of equations, provides a quantitative statement of the use of equity and third-party capital in the financing of the Investment.

BALANCE SHEET	
ASSET	LIABILITIES AND EQUITY
Current Assets	Current Liabilities
financial asset	Accounts payable
Non-Current Assets	Non Current Liabilities
Property and Equipment	Long-term obligations
Investments	Equity
	Capital
	Retained Profit
TOTAL ASSET	TOTAL LIABILITIES AND EQUITY

The following analysis uses the simplified hypotheses:

- Short-term debts entirely finance the circulating asset.
- Financial applications are not a source of profit, but a reserve to deal with possible disruptions between expenditure and revenue flows; in this sense, the financial asset is equal to zero. Property and Equipment will therefore be equal to Equity plus Long-term Obligations.
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- The depreciation is zero.

Faced with the adoption of these assumptions, the funds available for the funding of the Company resulting from the increase of equity and third-party capital. The expansion of own capital results from the internal accumulation of the Company (due to the retention of profits and the formation of reserves for depreciation) and the mobilisation of new resources through the launch of new shares. Debt capital can also finance long-term debt.



The components of equity and third-party equity can be presented in equations restricted to accounting principles, thus constituting accounting identities. They portray the mobilization of resources by the firm without any theoretical assumptions about them. Thus, the amount of resources mobilized by the firm, called available funds, after some algebraic operations, can be indicated as:

$$\Delta C + \Delta E = (1 + e) \Delta C = (1 + e) (A + N) = (1 + e) (1 + h) aP$$

The scheme described below summarises these indicators for evaluating the Company's financial performance. It allows us to assess the role of third-party and own capital used in the financing of the Company.

$h = N/A$, the ratio between the subscription of new shares and the internal accumulation of the company;

$a = A/P$, Internal accumulation coefficient. A represents accumulated profits, and P indicates profit after taxes. In;

$e = \Delta E/\Delta C$, Debt to Equity represents variation of debt over variation of own capital.

The equation below measures the financial cost of the loans. It is one of the stages of the WACC:

$$r_d = \frac{D}{D+E} \times kd \times (1 - (t_c/100))$$

Where:

r_d = cost of third party capital;

D = long term debt;

E = value of equity;

k_d = rate of interest;

t_c = legal person income tax.

The third-party capital cost (r_d) is the minimum remuneration that makes an investment economically feasible, producing a return capable of covering the opportunity cost of the invested capital. The interest rate that the company pays to creditors or investors who provide loans or buy company debt bonds represents that cost.

The cost of equity can measure the capacity of the company to mobilize resources through shares (r_e).

$$r_e = R_F + \beta[R_M - R_F]$$

▪ Where:

- r_e = cost of own capital;
- R_F = risk-free interest rate;
- β = beta coefficient of action;
- R_M = return of the market portfolio;
- $R_M - R_F$ = market risk premium;
- $\beta[R_M - R_F]$ = risk premium of the asset.

The cost of equity (r_e) is the minimum remuneration that makes an investment economically feasible, producing a return capable of covering the opportunity cost of the invested capital.

Cost of third-party capital

The increase in debt increases the cost of borrowing, leading companies to seek equity financing. Modigliani & Miller (1959, p.274) support this proposition and conclude that: risk increases as loans become more expensive to resources: In other words, *the increased cost of borrowed funds as leverage increases will tend to be offset by a corresponding reduction in the yield of common stock*. This burden of financing causes increased transaction costs, such as interest rates and bank fees, while using own resources does not involve additional costs.

Thus, this difference in cost between loans and own resources incentivises companies to use their resources rather than resort to external financing. Thus, two firms of equal capital value could not get the same loan amount if one was in debt. Consequently, the debt varies according to the firm's size and business situation.

However, the effect of indebtedness on business performance is controversial in the academic world. In a divergent position, the Agency Theory advocates the importance of the form of funding. According to this Theory, the most profitable companies tend to be more indebted due to debt's disciplining role on managers, Jensen & Meckling (1976).

For the authors of the Agency Theory, indebtedness would reduce agency conflicts as it aligns the interests of managers with those of shareholders. Because of indebtedness, the manager seeks to carry out the payment of interest and the maintenance of indicators of financial health, forcing them to act in favour of the interests of shareholders to avoid negative consequences, such as company bankruptcy or loss of credibility with creditors. Thus, debt approximates the interests of managers with those of shareholders.

The Theory of Optimal Capital Structure has a different perspective on the role of debt in the company's financial situation. This vision is because debt is a source of financing for the company's growth and increase in net profit. Debt is viable when the cost of debt is lower than the return generated by the company's assets, Deangelo & Masulis (1980). In addition, borrowing can enable the expansion of investments that would not be possible if funded by equity.

However, investment financing is only feasible when the cost of third-party capital is lower or equal to that of equal capital. When the cost of third-party capital is higher than own capital, the return on investment decreases due to the higher cost of loans.

Third-party capital results from loans and financing obtained from banks and financial institutions. These sources of capital charge interest on the amount borrowed, which increases as the debt grows.

In view of the above considerations, the theory of Optimal Capital Structure states that companies seek profit maximisation with an optimal mix of debt and equity in their capital structure. This ideal structure is when the company balances the benefits and costs of equity and debt financing. The company can optimise its capital structure by carefully weighing the advantages and disadvantages of equity and debt financing. Equity financing offers the advantage of requiring no repayment and sharing the risk with investors. On the other hand, debt financing offers the possibility of expanding the company's productive capacity but comes with the obligation to repay the principal amount and interest. Therefore, finding the right balance between these two financing methods is crucial to achieving financial stability and maximising shareholder value.

Another theory that deals with the matter is the Pecking-Order. This theoretical current argues that companies tend to contain excess debt by replacing third-party financing with equity financing. This theory states that companies first use internal resources, such as retained profits and equity financing, before resorting to external financing, such as bank loans or the issuance of bonds. Furthermore, this theory also argues that companies do not have a specifically targeted debt policy but instead seek to maintain a conservative capital structure to avoid diluting equity control and other debt-related problems.

Worries that companies with fragile financial situations can increase the collection of resources per loan in response to rising interest rates. This increase in interest rate increases the cost of borrowing for companies, further impairing their financial situation. This worsening of the company's situation is because the change in the interest rate alters the company's liability/PL ratio and, consequently, the company's market value and the value of new financing, affecting the cost of capital. However, the company assumes this greater risk by relying on financial aid from the state, which is called a moral hazard.

Considering the above, the firm limits the debt. The company contains the growth of its debt with its assets that serve as collateral, while creditors have different applications and forecasts in case of insolvency of some debtors.

Cost of Own Capital

We argue that the internal accumulation coefficient, $a = A/P$, is also constrained. This delimitation is because companies follow a policy of paying dividends, not being able to retain dividends to finance production, and secondly, because primary issuance can also fail due to a lack of market. This limitation is because the market's absorption for new shares depends on the amount subscribed and the prices of such shares. In addition, it is also reasonable to assume that the price of such shares is inversely related to the quantity. Given this, companies should offer an incentive to sell in competition with other shares. In addition, the existing shareholder deserves compensation for the greater risk arising from the increased share of its shares in its portfolio.

By contrast, the claimed decline in share prices for increasing volumes of emissions results in a decrease in the equity value of the former shareholders, causing them to reject an unlimited issue. In addition, a large-scale issuance could cause majority shareholders to lose control of the company. Therefore, the company must not fail to distribute recurring dividends so that shareholders do not become discouraged from investing in the company, which would reduce the value of the shares and the company's ability to carry out new issues.

Because of the preceding, there is a limit to capturing resources through primary emission. The company's ability to get the public to accept its shares arises from a set of factors, including the size of the firm, its concept in the market, its past, its dividend policy, the expectations of the public and the expected profitability of other assets and shares.

Limitation on resource mobilisation and market

The profitability of investments limits the expansion of resource mobilisation. This decline in the company's profitability is because increasing production reduces the profit margin. There is a trade-off between profit margin and sales growth. This decline in the rate of profit would result from increased sales requiring an aggressive trade policy and, therefore, expenses for the company. The commercial approach reduces profits and increases expenses. This policy uses price war to increase sales which reduces profit margin. Also, increasing marketing expense to acquire new customers can expand revenue but reduces the return on investment. Thus, the mobilisation of resources for expanding the supply of goods involves consumer demand and competition in the market. In other words, the cost of the goods offered must be economically viable and marketable for production output.

III. Data and Methodology

The data

The work utilised accounting data from the Investor Relations website of the Renner stores (2023). The data collected from Renner's balance sheet allowed us to create indicators with information on the company's economic performance. These data enabled the development of the coefficients "h", the ratio between the subscription of new shares and the internal accumulation of the company, "a", the Internal accumulation coefficient and "e", the Marginal tax on debt, presented in the Theoretical Framework of this work. (section 2).

By analysing these coefficients, we can better understand the company's financial health and the factors contributing to its economic performance. For example, the coefficient "h" helps us assess the company's ability to generate new capital by issuing shares and its dependence on internal resources to grow. A higher value of this coefficient suggests a more robust and sustainable financial position, indicating a higher proportion of new shares subscribed compared to internal accumulation. Similarly, the "a" coefficient sheds light on the firm's internal accumulation capacity, which is crucial for financing its operations and investments. This ratio, represented by the A/P, indicates the company's ability to generate internal funds for reinvestment and future growth. Lastly, the "e" ratio checks how dependent the company is on third-party capital. These parameters are crucial for investors as they provide insight into the company's expansion strategy and ability to generate new capital.

The Weighted Average Cost of Capital (WACC) assesses the company's financial situation. The WACC requires calculating the cost of equity capital and third-party capital. The calculation of equity capital requires the estimation of the beta (β) coefficient. It is an indicator used to measure the volatility or sensitivity of a stock to market movements. His calculator uses the historical variation of the stock price in the market index.

Procedure methodology

The fundamentalist theory proposed by Ou& Penman (1989) supported the methodology. Empirical research found the indicators to assess the Company's financial performance and the WACC. These indexes have been developed as historical accounting information to evaluate resource mobilisation and financial results. According to the authors of this current, such as Ou& Penman (1989), information available on the market combined with how provided by the Company help an analysis of the performance of the Company, as corroborated by Piotroski (2001).

The weighted average cost of capital (WACC) is the average rate of return required by investors, taking into account the cost of raising its own resources (equity) and third-party resources (debt) that a company uses in its operations. Thus, the WACC takes the following form:

WACC= cost of equity + cost of debt.

The cost of equity acquisition requires the calculation of the beta coefficient:

$$\beta = \text{Cov}(R_a, R_m) / \text{Var}(R_m)$$

Where:

- β is the beta coefficient;
- $\text{Cov}(R_a, R_m)$ is the covariance between stock returns (R_a) and market returns (R_m);
- $\text{Var}(R_m)$ is the variance of market returns.

This formula represents the relationship between the variation of the stock concerning the change in the market. A β larger than 1 indicates that the stock tends to be more volatile than the market, while a β smaller than 1 suggests that the share tends to be less volatile.

The work then performs the equity and third-party capital cost, as predicted in the WACC formula.

All these procedures are summarised in the Mazzon Methodological Matrix (1978):

MAZZON'S METHODOLOGICAL MATRIX (1978)

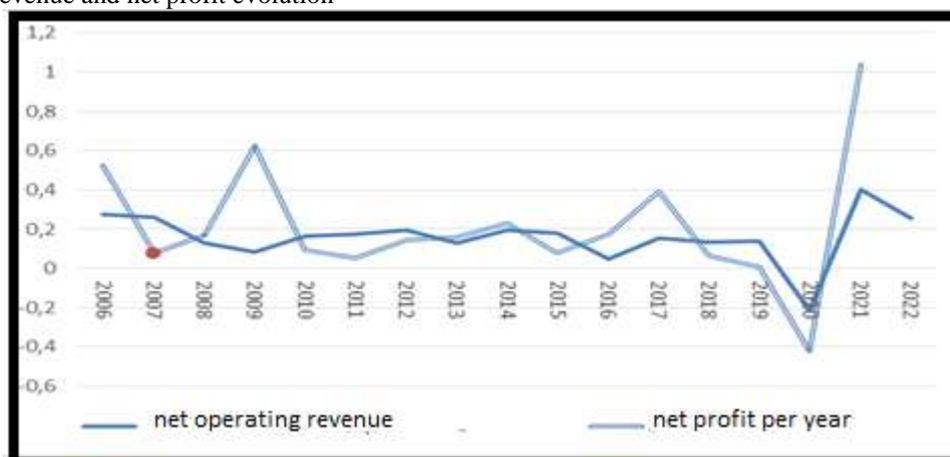
Theoretical Model and Assumptions	Research Problem	Research Hypotheses	Analysis technique
Adherence of Renner's trajectory to the predicted hierarchy theory (pecking order): 1. The company uses more internal resources. 2. the company uses short-term debt, such as bank loans. 3. The company can issue long-term debts such as bonds and debentures. 4. Emission of new shares. such as bank loans. 3. The company can issue long-term debts such as bonds and debentures. 4. Emission of new shares. The fundamentalist theory proposed by Ou & Penman (1989) supported the methodology. Empirical research found the indicators to assess the Company's financial performance and the WACC.	Do Renner's financing decisions follow the predicted Pecking-order Theory?	Ho: The capture of equity resources was higher than loans for financing the company's growth over the period considered.	Collecting BP data on the company's financing variables is the first step. Calculate the weighted average cost of capital (WACC) and analyze its components: cost of equity and third-party capital. The following auxiliary instruments are also used: $h = N / A$, the ratio between the subscription of new shares and the internal accumulation of the company; $a = A / P$, Internal accumulation coefficient; $e = \Delta E / \Delta C$, Debt to Equity ratio.
		H1: the company has replaced third-party capital financing with own capital to finance its growth.	

Source: Adapted from Mazzon (1978).

IV. Results

Renner is one of the companies with the highest profitability in the sector in the last five years, making it the largest company in the industry. The higher growth in profit versus operating revenue demonstrates a successful cost reduction strategy in 2005–2022. See the following graphic.

Graph of revenue and net profit evolution



The indicators of the mobilisation of resources show financial solidity. The data to construct these parameters are in Annex one and two and three. The company has mainly used equity throughout the period to finance its activities and projects instead of resorting to loans. This expansion of the productive capacity with its own resources, especially using part of the Net Profit, came out cheaper than acquiring third-party resources. Because of this efficient management, the undertaking shall have an adequate level of equity for its operational and investment needs.

These are the indicators.

$$h = N / A = 0,37\%$$

The ratio between the subscription of new shares and the internal accumulation of the company is 0.37%.

This proportion indicates that the company is preferring to retain more profits internally than to issue new shares to finance its growth. This means the company can generate profits and therefore does not need to resort to the capital market to finance its investments. In addition, this proportion indicates a reduced dependence on debt to boost the company's growth.

$$a = A/P = 55,33\%$$

The formula $a = A/P$ represents the relationship between internal accumulation and profits, where "a" is the coefficient of internal accumulation, A represents accumulated profits, and P indicates profit after taxes. In the specific case, $a = A/P = 55.33\%$. This index suggests that the internal accumulation of profits corresponds to 55.33% of the Profits after taxes.

Entrepreneurs have a policy of dividends, not being able to retain the rewards to finance production. Secondly, primary issuance also finds limits. This restriction is a market where the price of the shares may not result from the asset value. We mean by this that the valuation of the asset may not result in the rise of the price of the shares, while, on the other hand, the payment of the dividends ensures a specific and tangible gain to the shareholder. In conclusion, the firm adheres to a stable dividend policy meeting the expectations of its shareholders regardless of the magnitude of existing investment opportunities. Thus, the company distributes dividends only in the minimum amount legally established.

In addition, it is reasonable to assume that the price of such shares is inversely related to quantity, allowing the company to offer an incentive to make its shares competitive against others. Thus, the decline in stock prices for increasing volumes of emissions results in a decrease in the equity value of the former shareholders, causing them to reject an unlimited emission. In this way, a large-scale issuance could cause majority shareholders to lose control of the company. Therefore, the capture of resources through primary emission is limited.

$$e = \Delta E / \Delta C = 76,08\%$$

This "Debt to Equity" ratio below 1 means that the company relies less on debt to finance its operations and has a more solid financial position. This proportion indicate that the company is managing its finances well and has less risk exposure, providing investors with more security. In this way, the company used its own capital to finance itself. Thus, the company avoided dependence on bank loans or external investors. By primarily using equity as a funding source, the company had more control over its operations and strategic decision-making. Therefore, using equity provided greater financial stability since there is no need to pay interest or share profits with third parties.

Weighted Average Cost of Capital (WACC)

Cost of third party capital

$$r_d = \frac{D}{D+E} \times kd \times (1 - (t_c/100))$$

$$r_d = 23,8\% \times 12,78\% \times 66\% = 1,08\%$$

The company has a low level of financial leverage, 1.08%. This small index means that the company has little debt about its equity. Therefore, the company is less at risk of insolvency and is less dependent on bank loans to finance its activities. The data to construct these parameters are in Annex two.

Third-party capital data	2022
Long-Term Debt	3.061.506
Capital	10.087.515
Interest paid	391.319
Corporative tax	34%
Risk-free interest, Selic	13,69
Average interest	12,78%

Cost of equity capital

Equity Capital	2022
Rf, Risk-free Rate.	10,76%
Rm, market returns (Ibovespa)	4,69%
Leveraged β	66,24%
unlevered β	77,00%
market value of the company	20.488.662,09

$$r_e = R_F + \beta[R_M - R_F]$$

$$r_e = 10,76\% + 66,26\% * [4,69\% - 10,76\%]$$

$$r_e = 10,76\% + 66,26\% * [-6,07\%] = 6,34\%$$

This index equity capital (6,34%) means that the company has access to low-cost financing, which makes it possible to make investments at a lower cost. This result indicates that the company is considered less risky by investors, which can increase confidence in the business and attract new investments. The data to construct these parameters are in Annex one and three.

WACC

$$WACC = \frac{D}{D + E} \times kd \times (1 - (t_c/100)) + R_F + \beta [R_M - R_F]$$

$$WACC = r_d + r_e = 1,08\% + 6,75\% = 7,83\%$$

This low-value WACC indicates that the company has a cheap source of financing. This amount was due to the capture of resources with a low cost of issuing shares, while the third-party capital cap was high but represented a reduced percentage of the capital structure.

V. Final Comments

The A. J. Renner S.A. Group started in 1912. The Company began as a small fabric factory but expanded its activities and became a reference in the textile industry. Over the years, the group diversified its activities and operated in other sectors, such as construction, real estate incorporation, wind energy, and agribusiness. Since 2005, there isn't a controlling shareholder in the Company. The Company has a successful trajectory in the market. The form of self-investment explains part of the success of the business.

The Company's resource mobilisation trajectory aligns with the Theory of Optimal Capital Structure. The Company's history of resource collection doesn't follow what the Pecking-Order Theory suggests. Own Capital financed mainly the expansion of investment between 2005 and 2022.

Unexpectedly, own capital is the main funding source for a company operating in a competitive sector with low-profit margins. Competition between companies is great, and competitors easily replace the products marketed. Other companies imitate the products sold by the Company, which are superfluous.

Faced with this framework, the Company does not expand its activities with debt and issuance resources because it is not economically viable. This production increment is because a higher investment volume would increase expenses and decrease profit margins. This impossibility of expanding production would result from the trade-off between profit margin and increased sales.

This decline in the rate of profit would result from increased sales requiring an aggressive trade policy and, therefore, expenses for the Company. The commercial approach reduces profits and increases expenses. This policy uses price war to increase sales which reduces profit margin. Also, increasing marketing expense to acquire new customers can expand revenue but reduces the return on investment. In addition, an increase in the Company's debt would result in increased debt interest rates. Thus, the mobilisation of resources for expanding the supply of goods involves consumer demand and competition in the market. In other words, the cost of the goods offered must be economically viable and marketable for production output.

Based on the results and analyses of the case study, research considering other items of the balance sheet for a more extended period may contribute to a greater understanding of the trajectory of resource mobilisation and the company's results.

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