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FINANCIAL REVIEW

LEVEL 1

Company: **SAMPLE COMPANY**
Date of Report: **2/17/2019**
Industry: **Building Construction**
Currency: **Malaysia Ringgit**

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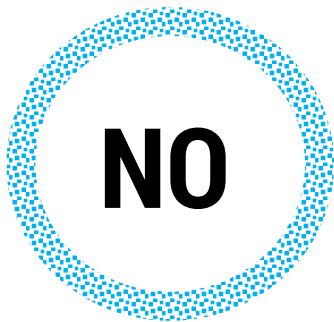


COMPANY INFORMATION

Date of Report: 17 February 2019

| | | | | | |
|--|---|---------------------------------------|---------------------------------|------------------------------|--|
| Company Name: SAMPLE COMPANY | | Registration Number: N.A. | | Country: SINGAPORE | |
| MSIC Code: N.A. | Industry: Building Construction | Latest Financial Year: 2018 | Market Listing: BURSA | Currency: SGD | |

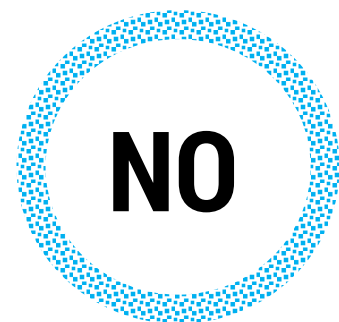
Sufficient equity to pay liabilities?



Is the firm profitable?



Is the firm growing?



FUNDAMENTAL AREAS TO LOOK AT

ISSUES RELATING TO BUSINESS PERFORMANCE

Modest increase in costs was experienced by the firm during the period.

Small decline in profit margins was experienced where this could signify increasing competition and operational costs during the period.

Sales for the firm had been very neutral and reflected a muted performance. Demand for its goods and services were not apparent.

IMPACT OF STRATEGIES ON SHAREHOLDER VALUE

There was a notable decline in the firm's overall profitability compared to the previous period.

The shareholders experienced major constrains to their investments during the period. The valuation of the firm could be eroded significantly because of the decline in ROE.

The Shareholder funds of the firm was somewhat average, relative to its total total liability exposure during the period. There is very little risk that the liability exposure would affect the firm's underlying valuation for the period.

RISK AREAS TO WATCH FOR

There is unlikely to be any movement in the direction of sales for the firm and indicated an indifferent growth position. Little evidence of any demand changes for its goods and services.

The firm registered a faster liability growth than its sales growth during the period. The drive for expansion appeared to be driven by aggressive gearing process, rather than margins and pricing management.

Slightly above average level on short-term creditors/financing to support asset base - does not appear to be heavily dependent on short-term creditors to support working capital needs.

EFFECTIVENESS OF RESOURCES

In comparison over the two most recent years, the profitability of the firm experienced a notable decline.

There was a moderate growth of the firm's asset base during the period. It appeared to be in an expansionary mode via asset growth.

The firm's profitability experienced a slightly negative growth compared to previous period when compared against its asset base.

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Based on Financial Year

2018

Was the company able to generate higher sales?

NO

Sales Growth -0.5%

This indicates where the firm's topline is growing or not and to find out if there are any structural or cyclical factors affecting it.

Did sales move faster than cost growth?

NO

Growth Cost/Sales 6.8%

This gives a broad picture if the costs are growing in line with the growth in sales or if the firm is exposed to higher cost structure even if the sales is growing.

Was the company financially strong generally?

NO

Credit Score 48.1%

The credit score takes into account balance sheet and P&L of the company. A higher score indicates a stronger credit position.

Was the exposure to liabilities manageable?

NO

Liabilities to Equity 130.3%

This reflects the extent the firm is exposed to fixed obligations versus the capital it has built over the years and whether it has adequate buffer.

Did the company have buffer for its short-term obligations?

YES

Current Ratio 2.71

A higher current ratio indicates a higher liquidity position but need to check the level of inventories and actual cash levels- in order to meet short-term dues.

Were the shareholders well rewarded by the firm's performance?

NO

Return on Equity 6.14%

This measure relates to how much profits the firm is generating for the company's shareholders; a higher ROE needs to be measured against the risks it is taking.

Were the profit levels growing?

NO

Pre-Tax Profit -53.7%

A company that is showing consistent earnings growth indicates a positive outlook. A company that shows negative growth may indicate tougher times ahead.

Were the assets generating profits?

YES

Return on Asset 1.8%

This is a measure of how well the firm is utilising its assets to generate profits for the firm. A productive asset backed by a cost-efficient operation is a good indicator of a well-run firm.

KEY FINANCIAL RATIOS - SUMMARY



COMPANY INFORMATION

Date of Report: 17 February 2019

| | | | |
|----------------------|-----------------------|-------------------------------|------------------|
| Company Name: | | Registration Number: | Country: |
| SAMPLE COMPANY | | N.A. | MALAYSIA |
| MSIC Code: | Industry: | Latest Financial Year: | Currency: |
| N.A. | Building Construction | 2018 | MYR |

KEY FINANCIAL DATA

| MYR | 2018 | 2017 | %Chg |
|---------------------|----------------|----------------|--------|
| Sales | 201,275,678.00 | 202,238,336.00 | -0.5% |
| Profit Before Tax | 11,196,299.00 | 24,194,056.00 | -53.7% |
| Profit After Tax | 7,732,039.00 | 17,659,692.00 | -56.2% |
| Total Asset | 420,173,976.00 | 368,677,637.00 | 14.0% |
| Total Liabilities | 237,720,342.00 | 194,069,747.00 | 22.5% |
| Current Liabilities | 155,082,125.00 | 122,699,512.00 | 26.4% |
| Shareholder Fund | 182,453,634.00 | 174,607,890.00 | 4.5% |

PERFORMANCE METRICS

| Business Potential Ratios | Company Percentage | Risk & Valuation Ratios | Company Percentage |
|------------------------------|--------------------|------------------------------------|--------------------|
| Rate of Sales Growth | -0.5% | Return on Equity (pre tax) | 6.1% |
| Rate of Cost Growth | 6.8% | Total Liabilities-to-Equity Ratio | 130.3% |
| Cost/Sales Growth | 6.4% | Profit Before Tax Growth | -53.7% |
| Profit Margin (after tax) | 3.8% | Profit Margin (after tax) | 3.8% |
| Profit Margin Growth | -4.9% | Current Liability Ratio | 36.9% |
| Return On Assets Growth | -2.9% | Total Liab. Growth vs Sales Growth | 23.0% |
| Return on Assets (after tax) | 1.8% | Rate of Sales Growth | -0.5% |
| Profit Before Tax Growth | -53.7% | | |
| Asset Growth | 14.0% | | |

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FINANCIAL RATIOS EXPLANATION



"BEAR" RATINGS

| BLACK (B) | EMERALD (E) | AMBER (A) | RED (R) |
|---|--|---|---|
| High Intrinsic Value | Above Average Intrinsic Value | Average Intrinsic Value | Low Intrinsic Value |
| Greater than or equal to 10, less than or equal to 12 | Greater than or equal to 7, less than 10 | Greater than or equal to 4, less than 7 | Less than 4, greater than or equal to 1 |

DESCRIPTION

METHODOLOGY

The Financial Scores are the result of conducting the regression analysis of more than 100,000 companies since 1992 and have been validated/back tested against credit downgrades, defaults, corporate actions and significant shifts in the economic cycles: by countries and industry groups.

- Measures sales, expenses and profitability of the business
- Assess suitability for investment purposes
- Evaluates sustainability for generation of future inflows
- Identification of ways to improve current performance

Business Performance

- Rate of Sales Growth:* $(\text{Sales (Current year)} - \text{Sales (previous year)}) / \text{Sales (previous year)}$
- Rate of Cost Growth:* $(\text{Cost (Current year)} - \text{Cost (previous year)}) / \text{Cost (previous year)}$
- Cost/Sales Growth:* $\text{Cost} / \text{Sales (Current year)} - \text{Cost} / \text{Sales (Previous year)}$
- Profit Margin (After Tax):* $\text{Profit after Tax} / \text{Sales}$
- Profit Margin Growth:* $(\text{Profit after tax} / \text{sales (Current year)}) - (\text{Profit after Tax} / \text{Sales (previous year)})$

- Measures Return on Equity, Debt-to-Equity, Profit before Tax Growth, Profit Margin for latest year
- Understand the efficiency and effectiveness of investments
- Indicates how much funds are used for expansion/ secure new markets

Shareholder Value

- Return on Equity (Pre-tax):* $\text{Profit before Tax} / \text{Shareholders fund}$
- Total Liabilities-to-Equity Ratio:* $\text{Total Liabilities} / \text{Shareholder Fund}$
- Profit before Tax Growth:* $(\text{Profit before Tax (Current year)} - \text{PBT (previous year)}) / \text{Profit before Tax (previous year)}$
- Profit Margin (After Tax):* $\text{Profit after Tax} / \text{Sales}$

- Measures current liability, liability-to-equity, total liabilities growth and rate of sales growth of the business
- Determines the direction in which the business is heading
- Identify types of financing plans of the business Indicates the level of risk exposure and leverage faced by the business

Risk and Liabilities

- Current Liabilities Ratio:* $\text{Current Liabilities} / \text{Total Assets}$
- Total Liabilities-to-Equity Ratio:* $\text{Total Liabilities} / \text{Shareholder Funds}$
- Total Liabilities Growth vs Sales Growth:* $((\text{Liabilities (Current year)} - \text{Liabilities (Previous year)}) / \text{Liabilities (Previous year)}) - ((\text{Sales (Current year)} - \text{Sales (Previous year)}) / \text{Sales (Previous Year)})$
- Rate of Sales Growth:* $(\text{Sales (Current year)} - \text{Sales (previous year)}) / \text{Sales (previous year)}$

- Indicates the performance of assets
- Provides an overview on how the assets are being utilized and liabilities are managed
- Portrays the interrelation between assets efficiency and the profitability of the business

Productivity

- Return on Assets Growth:* $(\text{Profit after tax} / \text{Total Assets (current year)}) - (\text{Profit after tax} / \text{Total Assets (previous year)})$
- Return on Assets:* $\text{Profit after tax} / \text{Total asset}$
- Profit Before Tax Growth:* $(\text{Profit before tax (current year)} - \text{Profit before tax (previous year)}) / \text{Profit before tax (previous year)}$
- Asset Growth:* $(\text{Total Assets (Current year)} - \text{Total Assets (previous year)}) / \text{Total Assets (previous year)}$



PRACTICAL USES

Business Performance

If you are an investor or thinking of partnering with this company, the factors listed here could assist you in the decision whether to invest in a company or consider partnering with them via joint ventures.

For creditors and debt financiers, you would want to have a good understanding of whether this company's business performance is sustainable to generate future inflows to pay existing and/or future obligations.

Shareholder Value

Existing and even potential new shareholders should use this report to find out how much the profits are being generated and how these are being achieved.

It is also to gauge the adequacy of returns to shareholders who may come into the firm at different period of time.

Users could have a closer look at how internal reserves are used for expansion, new funds being raised to secure new markets/clients and how much dividends could be paid out to manage its ROE levels.

Risk and Liabilities

Financiers such as bank and private lenders should use this report under two circumstances:

1. At the point of lending
2. Upon lending, they can get a sense of how the balance sheet risks may evolve based on ascertaining their risk appetite at the onset.

The effects of ascertaining risk appetite usually come at a later stage; and it is a powerful indicator to determine where the firm is heading and how it is going to finance its plans

Productivity

Financiers with vested interests in the firm are required to know the performance of assets that have been invested by the firm.

The asset structure of the firm is a good indicator of how resourceful or efficient management has been in order to generate profits for the period; and to what extent this has been achieved.

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