FINANCIAL REVIEW
(ULTIMATE +) for ENTERPRISE

Company: **SAMPLE COMPANY**

Industry: **ICT Service**

Currency: **SGD**

Country: **Singapore**

Latest FY: **2018**

Date of Report: **27 May 2019**

Report Sections:

DISCLAIMER

The rating scores published by MyFinB are solely statements of opinion and not statements of fact or recommendations to purchase, hold, or sell any securities or make any other investment decisions.

Accordingly, any user of scores issued by MyFinB should not rely on any such scores or other opinion issued by MyFinB in making any investment decision. Scores are based on information received by MyFinB. MyFinB has established policies and procedures to maintain the confidentiality of non-public information received during the scoring process.

This report may not be reproduced in whole or in part in any form or manner whatsoever. This report is forwarded to the Subscriber in strict confidence for use by the Subscriber as one factor in connection with rating and other business decisions. The report may contain information compiled from information which MyFinB does not control and which has not been verified unless indicated in this report.

Whilst every endeavor is made to ensure that the information provided is updated and correct, MyFinB disclaims any liability for any damage or loss that may be caused as a result of any error or omission arising out of or in any way related to the contents of this report.

Certain figures in the financial statements may have been adjusted for analytical classification purposes in accordance with the methodology and research processes.

FINANCIAL STATEMENTS

INCOME STATEMENT

SGD	2018	2017	%Chg
Sales	85,667	87,824	-2.5%
Cost of Sales	(59,625)	(61,567)	3.2%
Gross Profit	**26,042**	**26,257**	**-0.8%**
Operating Expenses	(24,278)	(22,752)	-6.7%
Operating Profits	**1,764**	**3,505**	**-49.7%**
Depreciation	(2,025)	(1,857)	-9.0%
Finance Cost	(505)	(380)	-32.9%
Others Income / (Expense)	1,541	(507)	403.9%
Profit Before Tax	**775**	**761**	**1.8%**
Taxation	(207)	(212)	2.4%
Profit After Tax	**568**	**549**	**3.5%**

BALANCE SHEET

SGD	2018	2017	%Chg
Current Assets	**47,463**	**48,669**	**-2.5%**
Cash	11,491	11,124	3.3%
Trade Debtors	19,988	21,864	-8.6%
Stocks	15,863	15,584	1.8%
Other CA	121	97	24.7%
Fixed Assets	**32,344**	**32,964**	**-1.9%**
Property, Plant & Equipment	9,536	9,599	-0.7%
Other Investments	22,808	23,366	-2.4%
Total Assets	**79,807**	**81,633**	**-2.2%**
Current Liabilities	**28,738**	**29,696**	**-3.2%**
Trade Creditors	11,058	13,337	-17.1%
Overdrafts	-	-	N.A
Short Term Loans	17,330	16,039	8.0%
Other Current Liabilities	350	320	9.4%
Long Term Liabilities	**261**	**303**	**-13.9%**
Loans	216	246	-12.2%
Other Long Term Liabilities	45	57	-21.1%
Total Liabilities	**28,999**	**29,999**	**-3.3%**
Equity / Reserves	**50,808**	**51,635**	**-1.6%**
Total Liabilities and Capital	**79,807**	**81,634**	**-2.2%**

CASHFLOW STATEMENTS

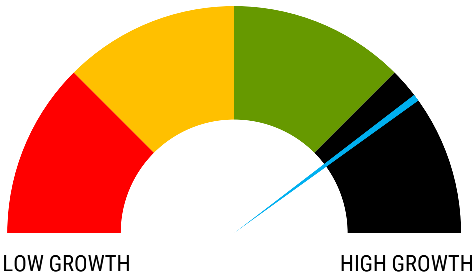
Currency: SGD	2018	2017
Operating Activities:		
Profit for the year	$6,132	$4,515
Adjustments		
Depreciation, Amortisation and Impairment	$2,340	$2,239
Loss / (Gain) on disposal	$0	$0
Interest expenses / (income)	$345	$260
Loss / (Gain) on foreign exchange, net	$0	$0
Share of loss of associates	-$1,787	-$2,017
Writebacks	$0	$0
Reversal	$0	$0
Others	-$1,935	-$11
Operating profit before working capital changes	$5,094	$4,985
Inventories	-$59	-$24
Trade receivables	-$195	-$562
Other receivables, deposits and prepayments	$0	$0
Advances to suppliers	$0	$0
Trade payables	$77	$94
Other payables and accruals	$0	$0
Due to related party (trade)	$0	$0
Others	$1,647	$1,656
Cash generated from operations	$6,563	$6,149
Income tax paid	-$608	-$834
Net Cash From Operating Activities	**$5,955**	**$5,315**
Investing Activities:		
Interest received	$16	$39
Purchase of Property, Plant and Equipment	-$2,349	-$2,261
Addition in Intangible Assets	-$1,124	-$258
Others	$1,506	-$2,352
Net Cash From Investing Activities	**-$1,951**	**-$4,832**
Financing Activities:		
Increase in Borrowings	$7,397	$6,860
Interest Paid	-$380	-$351
Dividends	-$5	-$5
Others	-$11,020	-$6,926
Net Cash From Financing Activities	**-$4,009**	**-$422**
Net (decrease) / increase in cash and cash equivalents	**-$4**	**$61**
Effect of exchange rate changes in cash and cash equivalents	-$4	$60
Cash and cash equivalents at beginning of financial year	$534	$462
Cash and cash equivalents at end of financial year	$525	$534

ENHANCED RATIOS

RATIO	2018	2017
Profitability Ratio		
(1) Operating Margin (%)	2.06%	3.99%
(2) Net Profit Margin (After Tax) (%)	0.66%	0.63%
(3) Profit Before Tax Growth (%)	35.79%	N.A
(4) Profit Margin Growth (%)	0.04%	N.A
(5) Rate of Sales Growth (%)	4.91%	N.A
(6) Rate of Cost Growth (%)	-6.52%	N.A
(7) Cost / Sales Growth (%)	-7.95%	N.A
(8) Return on Assets Growth (%)	3.32%	N.A
(9) Return on Assets (After Tax) (%)	0.71%	0.67%
(10) Asset Growth (%)	-0.08%	N.A
Liquidity Ratio		
(11) Cash to Current Liabilities (%)	39.99%	37.46%
(12) Sales to Total Assets (%)	107.34%	107.58%
(13) Sales to Inventory (%)	540.04%	563.55%
(14) Asset Efficiency (%)	106.13%	108.80%
Activity Ratio		
(15) Current Ratio (x)	1.65	1.64
(16) Quick Ratio (x)	1.10	1.11
(17) Cash Ratio (x)	0.40	0.37
Leverage Ratio		
(18) Debt to Assets (%)	21.99%	19.95%
(19) Debt-Equity (%)	34.53%	31.54%
(20) Current Liability Ratio (%)	36.01%	36.38%
(21) Total Liabilities-to-Equity Ratio (%)	57.08%	58.10%
(22) Return on Shareholders' Equity (%)	1.53%	1.47%
(23) Total Liabilities Growth vs Sales Growth (%)	-12.28%	N.A
(24) Equity Multiplier (x)	1.57	1.58

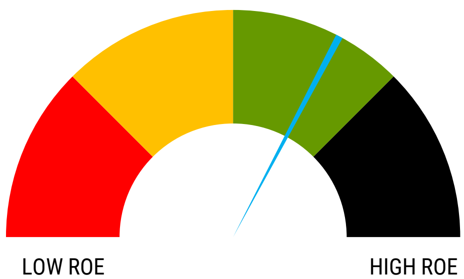
KEY FINDINGS

CUSTOMER GROWTH



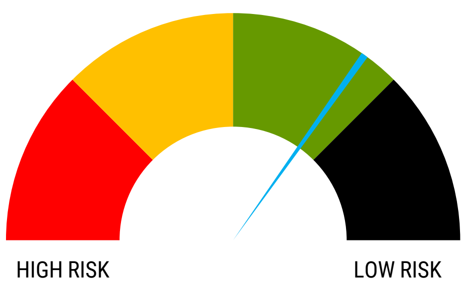
The firm experienced a reasonable level of sales growth. There had been positive demand for its goods and services. Costs have abated and under control during the period. Every dollar of sales generated has resulted to a lower cost of operations for the firm compared to the previous period. The firm recorded very good profit margins for the period. The firm witnessed good improvement in profit margins over the year.

SHAREHOLDER VALUE CREATION



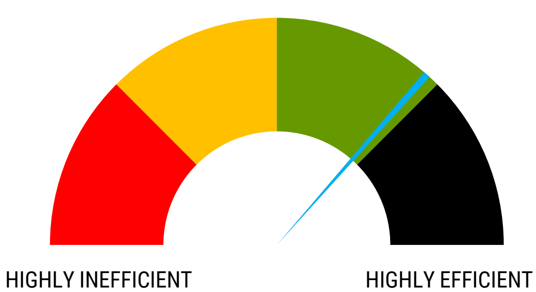
The shareholders attained moderately average returns based on their investments during the period. Firm's underlying valuation would likely be subdued during the period. The firm had a lower than industry average, when total liability exposure was measured against its shareholder funds during the period. There is very little risk that the liability exposure would affect the firm's underlying valuation for the period. The firm experienced notable positive growth compared to the previous year. The firm recorded very good profit margins for the period. Valuation for the firm based on earnings could be helped by strong earnings and margin performance for the period.

RISK LEVELS



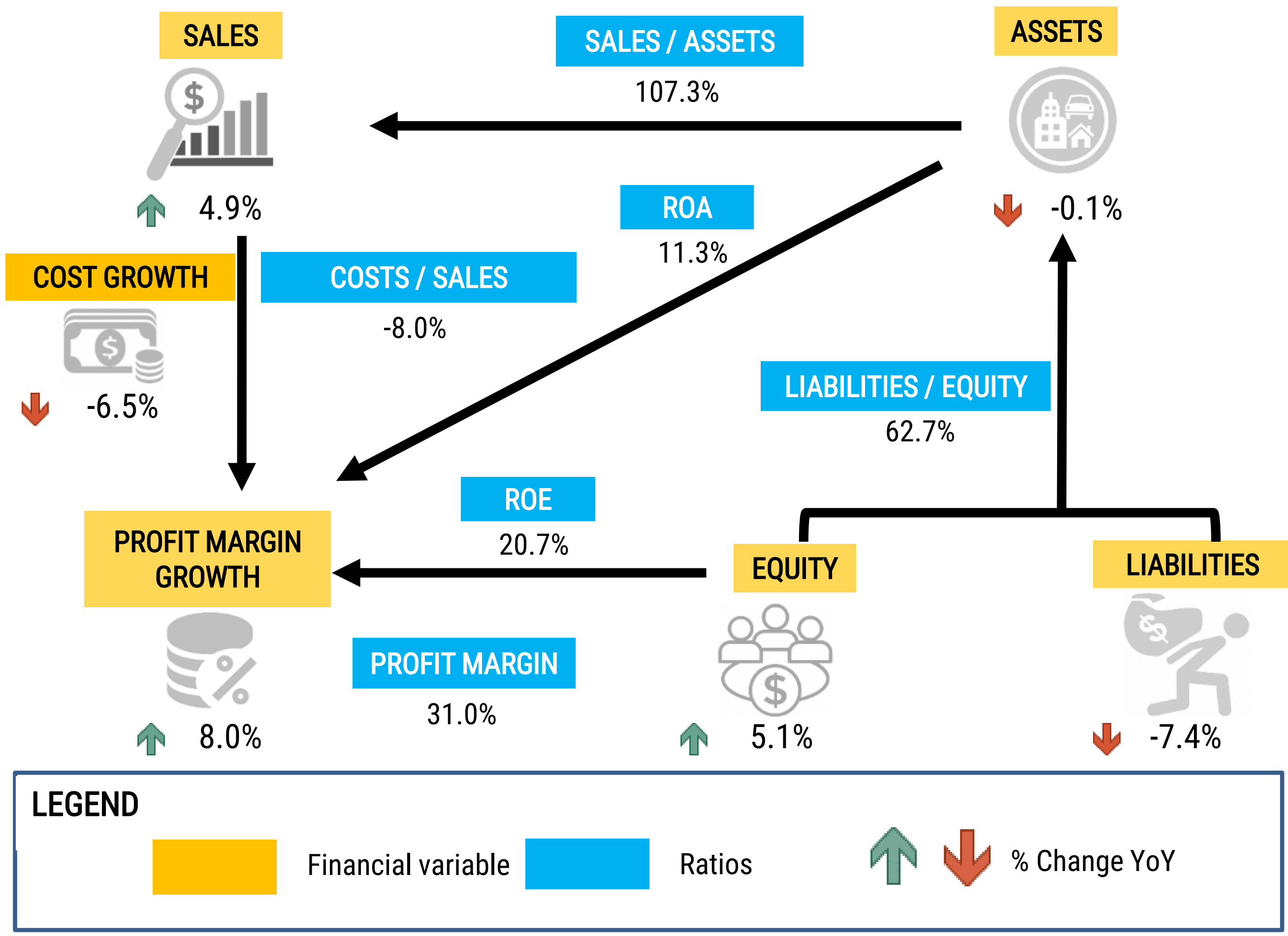
Does not appear to be heavily dependent on short-term creditors to support working capital needs. The firm's total liability exposure was slightly lower than average relative to its shareholder funds during the period. There were more than adequate shareholder funds to cover its obligations. The pace for revenue growth was higher than the liability growth for the firm during the period. The firm's mode of expansion had been driven by sales management and resulted to a faster sales growth compared to liability growth. The level of sales for the firm experienced a reasonable increase. This would indicate that there was a positive demand for its goods and services. The positive sales growth during the period appear to be driven by both its market positioning and price points.

PRODUCTIVITY



The assets have generated above average profit growth for the firm over the period. The capacity of the firm's assets to generate profits was above average. It was able to utilise its assets to generate good level of profitability. The profitability growth of the firm was notably positive compared to the previous year. The growth of the firm's total assets was fairly benign during the period. The firm's expansion plans do not appear to be aggressive from asset-based expansion.

CAUSE-AND-EFFECT ANALYSIS



From a top-line growth standpoint, SAMPLE COMPANY registered lower revenues compared to the previous period. Its profits improved by 0.0% due to the decline in operational expenses. Total costs grew at a slower compared to sales, by 8.0%.

Revenue changes had been affected by the contraction of assets - SAMPLE COMPANY decreased its asset base by 0.1% with recorded sales growth of 4.9%. In addition, ROA increased from 0.7% to 0.7% because of improvement in profits, likely due to the decrease in operational costs.

Total liabilities decreased by 3.3% whilst equity decreased by 1.6%. Consequently, debt to equity levels were manageable as equity was sufficient to cover debt obligations.

SAMPLE COMPANY posted ROE of 1.5% during the period, on the back of equity of $50,808 (change of -1.6%) and profit of $568 (change of 3.5%).

Based on Financial Year **2018**

CASHFLOW FROM OPERATIONS

POSITIVE

Overall, the cashflow from operations was positive, mainly due to a profitable position in profitability. There was an outflow of $195 coming from receivables, an inflow of $77 from payables and an outflow of $59 in inventory.

CASHFLOW FROM FINANCING

NEGATIVE

Overall, the cashflow from finances was negative, mainly due to an increase position in borrowings. There was an outflow of $5 coming from dividends, an outflow of $380 from interest paid.

CASHFLOW FROM INVESTMENTS

NEGATIVE

Overall, the cashflow from investments was negative, mainly due to an outflow in purchases of property, plant and equipments, and an outflow in addition in intangible assets, at a value of $2,349 and $1,124 respectively.

WORKING CAPITAL ANALYSIS

HOW MUCH IS REQUIRED BY THE BUSINESS?

CREDIT TERMS (NO. OF DAYS) - 4 SCENARIOS	30	60	90	180
FUNDING AMOUNT REQUIRED (SGD)				
Accounts Receivables	$ 1,441	$ 2,882	$ 4,323	$ 8,646
Inventory	$ 865	$ 1,729	$ 2,594	$ 5,187
Accounts Payables	$ 865	$ 1,729	$ 2,594	$ 5,187
Net Working Capital Requirement (Amount)	**$ 1,441**	**$ 2,882**	**$ 4,323**	**$ 8,646**

Based on four scenarios of operating cash cycle days, SAMPLE COMPANY is estimated to have funding gaps of between $1,441 and $8,646.

For every 30 days' of delay of conversion into cash, SAMPLE COMPANY would require at least $1,441 for its working capital needs.

Its last reported cashflow from operations was positive mainly due to a profitable position in profitability. No other sources of funding are available. . .

RISK METRICS

EXCELLENT	GOOD	MODERATE	LOW
High Financial Strength	Above Average Financial Strength	Average Financial Strength	Low Financial Strength
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

Credit Score	8.6	Indicative Probability of Default	13.7%
Indicative Credit Migration (1-Tier Higher Risk)			13.8%

RECOMMENDED FINANCING AMOUNT (SGD)

Indicative Recommended Credit Limit ($)		Impact on L/E with additional financing
$721	Minimum	58.49%
$4,325	Maximum	65.59%

Taking into account the overall credit score of 8.6 and its existing leverage, SAMPLE COMPANY should only be financed based on a minimum of $721, and up till $4,325. This needs to take into account other factors such as industry and management risks, as well as factors to mitigate the risks and the financing structure to ringfence those said risks.

Net working capital requirement was tabulated based on an assumption of 30, 60, 90 and 180 credit terms and inventory days to turnaround the sales.

+ Accounts receivables = Credit days X Daily revenue
+ Inventory = Inventory days X Daily costs of sales
+ Accounts payables = Credit days X Daily costs of sales

POTENTIAL ISSUES & RISKS

1	The firm experienced a reasonable level of sales growth. There had been positive demand for its goods and services. Management was able to improve sales possibly by improving sales processes and offering enticing yet competitive prices.
2	The shareholders attained moderately average returns based on their investments during the period. Firm's underlying valuation would likely be subdued during the period.
3	The level of sales for the firm experienced a reasonable increase. This would indicate that there was a positive demand for its goods and services. The positive sales growth during the period appear to be driven by both its market positioning and price points.
4	The growth of the firm's total assets was fairly benign during the period. The firm's expansion plans do not appear to be aggressive from asset-based expansion. The firm has adopted an conservative approach in asset acquisition during the period.
5	Costs have abated and under control during the period. Management was able to contain costs by reducing inefficiencies. Management may have leveraged technology to reduce its business costs.
6	The firm had a lower than industry average, when total liability exposure was measured against its shareholder funds during the period. There is very little risk that the liability exposure would affect the firm's underlying valuation for the period.
7	The firm's total liability exposure was slightly lower than average relative to its shareholder funds during the period. There could be a potential risk of overleveraging if not monitored and reviewed in a timely manner.
8	The assets have generated above average profit growth for the firm over the period. Management improved in reducing asset costs coupled with an increase in revenues therefore attained favourable returns on its asset base.

SENSITIVITY ANALYSIS

SENSITIVITY RATING 8.6

ROBUST	INTACT	MODERATE RISK	HIGHLY SUSCEPTIBLE
High ability to withstand balance sheet stressors	Reasonably good ability to withstand balance sheet stressors	Somewhat vulnerable to short term adverse changes in financial & economic conditions	Highly susceptible to even small changes in financial variables
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

WHAT-IF ANALYSIS

IMPACT ON PROFIT MARGIN		Total Sales Changed By								
		10.0%	7.5%	5.0%	2.5%	0.0%	-2.5%	-5.0%	-7.5%	-10.0%
Total Costs Changed By	-10.0%	52.66%	48.78%	45.02%	41.39%	37.88%	34.49%	31.23%	28.10%	25.09%
	-7.5%	50.77%	46.92%	43.21%	39.62%	36.15%	32.81%	29.59%	26.50%	23.54%
	-5.0%	48.87%	45.07%	41.40%	37.85%	34.43%	31.13%	27.95%	24.91%	21.98%
	-2.5%	46.97%	43.21%	39.58%	36.08%	32.70%	29.44%	26.31%	23.31%	20.43%
	0.0%	45.07%	41.36%	37.77%	34.31%	30.97%	27.76%	24.68%	21.71%	18.88%
	2.5%	43.17%	39.50%	35.96%	32.54%	29.25%	26.08%	23.04%	20.12%	17.32%
	5.0%	41.27%	37.65%	34.15%	30.77%	27.52%	24.40%	21.40%	18.52%	15.77%
	7.5%	39.38%	35.79%	32.34%	29.00%	25.80%	22.71%	19.76%	16.92%	14.22%
	10.0%	37.48%	33.94%	30.52%	27.24%	24.07%	21.03%	18.12%	15.33%	12.66%

RATING SHIFTS ANALYSIS

Overall, SAMPLE COMPANY appeared to be generally able to withstand varying levels of hypothetical shocks to its financial position. SAMPLE COMPANY scored a rating of 8.6; suggesting that it had reasonably good ability to withstand balance sheet stressors.

We applied the stress test on SAMPLE COMPANY's revenue and costs to see how SAMPLE COMPANY can cope with worsening conditions and assess the impact on its overall profitability. It was also noted that costs grew at a slower compared to sales, by -8.0%. Now what would happen to its margins if costs actually grew by 5% and 10% respectively?

Based on its most recent financial position, if there was a drop of 5% in its revenue position due to aggravating economic conditions; while facing a 10% increase in overall costs, SAMPLE COMPANY's overall profit margin would decline to 18.1% as a result. It was observed that based on its financial results, SAMPLE COMPANY registered a lower revenue compared to the previous period; while its profits expanded by 3.5% due to a reduction in operational expenses.

Other than potential macro factors, SAMPLE COMPANY needs to watch the following risks listed below as it could impact its margins further if not sufficiently addressed:

1. The firm experienced a reasonable level of sales growth. There had been positive demand for its goods and services. Management was able to improve sales possibly by improving sales processes and offering enticing yet competitive prices.

2. The shareholders attained moderately average returns based on their investments during the period. Firm's underlying valuation would likely be subdued during the period.

3. The level of sales for the firm experienced a reasonable increase. This would indicate that there was a positive demand for its goods and services. The positive sales growth during the period appear to be driven by both its market positioning and price points.

NB: For more factors please refer to the risk section found in the report.

CREDIT RISK CHECKLIST

PHASE ONE (I)

	ROADMAP STATEMENT	ACTION PLAN	CHECK LIST	TARGET DATE
BUSINESS PERFORMANCE REPORT (BPR)	Costs have abated and under control during the period.	• Compare the cost behaviour against sales and profitability performance. • Clarify how sustainable the cost containment will be. • Identify trends and drivers in the industry that may affect expenditure levels in the future.		
SHAREHOLDER VALUE REPORT (SVR)	The firm had a lower than industry average, when total liability exposure was measured against its shareholder funds during the period. There is very little risk that the liability exposure would affect the firm's underlying valuation for the period.	• Perform a comparison analysis between the trends of the levels of liability and sales in the business, over the two most recent operating years of the business. • Perform an analysis of the payment policies for suppliers of the firm, as well as its banking facilities to gain a better understanding of the liability management of the firm. • Determine how easy it is for the firm to obtain financing for its operations over the short and long-term. • Review the current business plans/strategies for future business expansion and/or capital raising. • Establish whether the firm can rely on expanding its internal financing or manage its working capital to efficiently run the business as a going concern.		
RISK AND LIABILITIES REPORT (RLR)	The level of sales for the firm experienced a reasonable increase. This would indicate that there was a positive demand for its goods and services. The positive sales growth during the period appear to be driven by both its market positioning and price points.	• Determine which products or multiple of products contributed most to the increased level of sales. • Assess the market place for products which may be used to replace the firm's good and service; determine to what extent that they can affect the momentum of the sales increase. • Rank the customers of the firm by contribution to sales and determine whether there were any significant changes or movements. • Perform a price analysis to determine whether there had been any price adjustments which resulted in higher volumes but lower prices. • Perform an assessment to determine whether lowering of margins were responsible for the increased sales growth.		
PRODUCTIVITY REPORT (PRR)	The growth of the firm's total assets was fairly benign during the period. The firm's expansion plans do not appear to be aggressive from asset-based expansion.	• Establish management antecedents of the firm's expansion plans if any. • Examine the firm's current level of resources in terms of its current assets and how these are being deployed. • Evaluate historical trends of asset levels - both for fixed and current levels. • Ascertain the use and functions of the asset types that were acquired.		

CREDIT RISK CHECKLIST

PHASE TWO (II)

	ROADMAP STATEMENT	ACTION PLAN	CHECK LIST	TARGET DATE
BUSINESS PERFORMANCE REPORT (BPR)	The firm witnessed good improvement in profit margins over the year.	• To check if there are any extraordinary income items or projects that are one-off in nature that caused the surge. • Find out whether the improvements were part of a conscious strategy undertaken by the firm as part of its expansion plans. • Ascertain whether the firm is planning or undergoing a divestment or pursuing a non-organic growth.		
SHAREHOLDER VALUE REPORT (SVR)	The firm experienced notable positive growth compared to the previous year.	• Determine whether the main reason for profits growth was due to margins/sales management or leverage. • Ascertain the level of risks undertaken by the firm to generate the current/recent profit growth. • Evaluate the sustainability of the performance in subsequent years as this may be a one-off streak. • Examine whether there are single major client or large contract that resulted in the strong performance. • Ascertain whether there are any possible mergers and acquisitions or non-organic growth to maintain position.		
RISK AND LIABILITIES REPORT (RLR)	The pace for revenue growth was higher than the liability growth for the firm during the period. The firm's mode of expansion had been driven by sales management and resulted to a faster sales growth compared to liability growth.	• Evaluate liability trends in past years and compare against revenue. • Assess creditor payment policies and drawdown facilities to have better understanding how the firm manages its liabilities. • Examine the firm's access to trade finance and long-term financing facilities. • Obtain insights on the firm's expansion plans and financing strategies. • Ascertain the extent the firm relies on internal financing to expand or manage its working capital needs.		
PRODUCTIVITY REPORT (PRR)	The profitability growth of the firm was notably positive compared to the previous year.	• Examine to what extent price margins or debt acquisition was responsible for the increased level of profits. • Assess to what extent was the increase in profitability, generated by increased risks undertaken by the firm. • Analyse whether the profitability growth experienced by the firm is sustainable, or whether it was more of a short term improvement. • Determine whether the increased level of profitability growth was a result of a single client / contract. • Identify whether the firm's dominant position, can be maintained through organic or non-organic means,		

CREDIT RISK CHECKLIST

PHASE THREE (III)

	ROADMAP STATEMENT	ACTION PLAN	CHECK LIST	TARGET DATE
BUSINESS PERFORMANCE REPORT (BPR)	The firm experienced a reasonable level of sales growth. There had been positive demand for its goods and services.	• Ascertain whether the sales growth is contributed by multiple product / service lines. • Gauge the intensity of competition that may affect sales growth momentum. • Assess the contribution of key customers and detect any fundamental changes / movements. • Review pricing policy and margins - whether any adjustments had resulted in lower volume but higher margins. • Check whether higher sales growth comes at the expense of lowering margins.		
SHAREHOLDER VALUE REPORT (SVR)	The shareholders attained moderately average returns based on their investments during the period. Firm's underlying valuation would likely be subdued during the period.	• Ascertain whether the losses are due to structural or cyclical (seasonal) effects. • Further examine the relevance and demand of the firm's products in the marketplace. • Obtain listings of key clients and ascertain whether any pullout from any of its customers that caused the decline. • Assess whether there have been structural downward changes in pricing expectations from customers. • Gather past performance data and future estimates on pipelines and orders for a longer trend analysis.		
RISK AND LIABILITIES REPORT (RLR)	Does not appear to be heavily dependent on short-term creditors to support working capital needs.	• Request for aging creditor list for purposes of determining the payout schedule to creditors as they come due. • Explore longer-term financing for the firm to lengthen duration of short-term creditor financing. • Check cost of financing by creditors and impact on profitability. • Compare the current level of creditors and check the pace of revenue growth for the firm. • Evaluate existing relationships with creditors and check for existence of supplier concentration or related-party suppliers.		
PRODUCTIVITY REPORT (PRR)	The assets have generated above average profit growth for the firm over the period.	• Establish understanding of how the acquired assets formed part of the expansion plans of the firm. • Check their rates of revenue and profitability arising from the rapid asset expansion trends experienced by firm. • Ascertain the types of assets being acquired; trade versus non-trade. • Evaluate whether the acquired assets are part of a horizontal or vertical types of expansion.		

CREDIT RISK CHECKLIST

PHASE FOUR (IV)

	ROADMAP STATEMENT	ACTION PLAN	CHECK LIST	TARGET DATE
BUSINESS PERFORMANCE REPORT (BPR)	Every dollar of sales generated has resulted to a lower cost of operations for the firm compared to the previous period.	• Clarify with management the future direction of the business and ascertain the sustainability of cost and revenue growth. • Examine the value chain operations of the entity and identify the factors that enabled it to achieve economies of scale. • Affirm that the improved cost structure is due to improved processes and operational efficiency undertaken by firm.		
SHAREHOLDER VALUE REPORT (SVR)	The firm recorded very good profit margins for the period. Valuation for the firm based on earnings could be helped by strong earnings and margin performance for the period.	• Need to check the quality of earnings through its customer profile for sustainability and concentration. • Ascertain the extent of and rationale for inter-company transactions, if any and its impact on overall profitability. • Look for any existence of one-off or single customer contract and projects that gave rise to large profit margins.		
RISK AND LIABILITIES REPORT (RLR)	The firm's total liability exposure was slightly lower than average relative to its shareholder funds during the period. There were more than adequate shareholder funds to cover its obligations.	• Evaluate liability trends in past years and compare against revenue. • Assess creditor payment policies and drawdown facilities to have better understanding how the firm manages its liabilities. • Examine the firm's access to trade finance and financing facilities. • Obtain insights on the firm's expansion plans and financing strategies. • Ascertain the extent the firm relies on internal financing to expand or manage its working capital needs.		
PRODUCTIVITY REPORT (PRR)	The capacity of the firm's assets to generate profits was above average. It was able to utilise its assets to generate good level of profitability.	• Gain insights on how the assets contribute to the profitability growth of the firm during the period. • Check with management for any risks associated with rapid expansion of profits relative to assets. • Evaluate whether the acquired assets are part of a horizontal or vertical types of expansion. • Need to check the quality of earnings through its customer profile for sustainability and concentration. • Ascertain the extent of and rationale for inter-company transactions, if any and its impact on overall profitability.		

RECOMMENDATIONS FOR THE BUSINESS

Seasonal businesses could 1) shut down business operations in slow periods to decreases variable costs like supplies and utilities 2) shift the duties of salaried employees during the off season to cover for hourly employees to maximise your fixed cost investment 3) decrease temporary hourly staff.

Maintaining a sufficient cash flow to support the fixed costs may involve 1) credit control – monitoring slow paying customers and bad debts by imposing a penalty for delayed payment or discounts for early settlement; 2) cash flow projection spreadsheet to foresee and prevent potential problems and maintain effective financial management

Obtain short term financing through 1) an overdraft agreement if the business is confident of making the repayments quickly 2) accounts receivable financing through invoice discounting facilities 3) customer advances - insist that the customer make an advance payment before selling them goods or providing a service especially dealing with large orders that take a long time to fulfil .4) selling goods on installments to ensure that there is a constant flow of funds coming into the business that does not choke up the accounts receivable numbers.

Consider securing long term financing through 1) a full-fledged long-term loan from a bank 2) retained profits to avoid taking loans, pay interest, incur losses on discounted bills, and be self-sufficient in their financing 3) issue equities and debentures.

To boost repeat sales from existing customers 1) create exclusive discounts for loyal customers - offer repeat customers exclusive access to sales and discounts before they are available to the general public 2) provide exceptional customer support-whether in-person, over the phone or online to can set your business apart from the competition 3) increase your online/social media presence 4) upsell or cross-sell your products 5) get feedback from customers through surveys to find out what you're doing right and what you're doing wrong so customers come back.

Improve your return on assets by 1) reducing asset costs - reduce inventory costs by managing the levels of inventory to reflect your sales expectations; reduce equipment costs by selling idle fixed assets or leasing equipment instead of buying a piece of equipment that may sit idle if your needs change 2) increasing revenues - improve customer service or explore market segments you have not sold to previously 3) reducing expenses - watch for excessive payroll expenses, rising materials supplies and shipping costs that increase; reduce the number of employees you need by improving productivity; reduce the cost of materials by renegotiating with suppliers or finding new suppliers.

FINANCIAL RATIO EXPLANATION

"BEAR" RATINGS

BLACK (B)	EMARALD (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 significants shifts in the economic cycles: by countries and industry groups.

Business Performance

- 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

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

ShareholderValue

- 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

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

Risk and Liabilities

- 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

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

Productivity

- 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

- *Return on Assets Growth:* (Profit after tax / Total Assets (current year)) - (Profit after tax / Total Assets (previous year))
- *Return on Assets:* Profit after tax / Total asset
- *Profit Before Tax Growth: (Profit before tax (current year) - Profit before tax (previous year)) / Profit before tax (previous year)*
- *Asset Growth:* (Total Assets (Current year) – Total Assets (previous year)) / Total Assets (previous year)

HOW TO USE THE REPORTS (Illustration)

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.

ShareholderValue

- 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.

MYFINB.COM

MyFinB Group is an award-winning fintech company that specializes in AI - Natural Language Generation (NLG) since 2016.

One of MyFinB's (MFB) core missions is to help financial institutions enhance their speed, accuracy and competencies in analyzing large amounts of financial and business data in the areas of business financing, commercial underwriting, financial reviews and due diligence as well as active portfolio monitoring.

MFB helps process various data types and use AI to turn them into management reports to detect and classify risks, develop strategies for business growth and rationalize operations.

MFB works with regulators, institutions and practitioners to build the capacity of financial professionals in AI, Big Data and Analytics.

CONTACT US

MyFinB (M) Sdn. Bhd.
Level 13A, Menara Tokio Marine 189 Jalan Tun Razak, Hampshire Park, 50450 Kuala Lumpur, Malaysia

MyFinB Holdings Pte. Ltd.
6 Raffles Boulevard, Marina Square #03-308, Singapore 039594

Tel : (65) 6932 2658

MyFinB China
Raffles City Changning No. 1193, Changning Road Office Tower 3, 22nd Floor, Changning District, Shanghai 200051

MyFinB India
Software Technology Parks of India MNNIT Campus, Lucknow Road, Allahabad Uttar Pradesh, India 211004

MyFinB.com Inc.
Werqwise, 149 New Montgomery St, 4th Floor, San Francisco, CA 94105, USA

URL: www.MyFinB.com | Email: enquiry@MyFinB.com
Facebook: MyFinB | Twitter: @MyFinBGroup