Global Winner for Best Data and Analytics Platform

Top 3 Most Impactful & Best in AI Category

Top 30 Most Attractive Companies

Top 10 Most Innovative Companies

25 Hottest Fintech Companies

MYFINB.COM

SAMPLE COMPANY

Digital CFO Financial Analytics

DIGITAL CFO

Financial Analaytics

Submitted by

MyFinB Digital CFO Team

16 July 2020

CAVEAT / DISCLAIMER

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Information is limited

The analysis is based on the information submitted by the user.

Restructuring takes time

Minimum 6 months till 10 months especially due to everchanging Covid dynamics and regulatory measures

High level points given

Insights shared in this report entails a lot more detailed findings, deliverables and explanations

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BACKGROUND OF COMPANY

23-year old company that has grown from a Construction & Engineering setup to a multi-disciplined conglomerate diversifying into strategic business ventures namely Oil & Gas, Property, Oil Palm Plantation and Concession.

Construction & Engineering

WHAT IS THE INDUSTRY FACING NOW?

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- The value of construction work done in Q1 2020 contracted by 6.3 percent on a quarter-on-quarter basis. It was down to RM35.0 billion from RM37.0 billion in Q4 2019. This was the largest contraction on the record, amid severe blow from the COVID-19 outbreak that led businesses, including the construction sector, halting operations.

- The non-residential building subsector declined the most (-11.0 percent vs -10.3 percent in Q4), followed by special trades (-8.6 percent vs 3.8 percent), residential building (-7.6 percent vs 2.7 percent), and civil engineering (-2.3 percent vs 7.9 percent) in the first quarter 2020.

- Civil engineering sub-sector remained dominant and was the main contributor to the value of construction work done with a 44.9% share. Non-residential buildings contributed 25.9%, residential buildings (24.1%) and special trades activities (5.0%)

CASE STUDY:
WHAT DID THE NUMBERS TELL US?

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KEY FINANCIAL DATA

RM'000,000	2019	2018	%Chg
Sales	1,040.00	1,229.00	-15.4%
Profit Before Tax	(28.00)	25.00	-212.0%
Profit After Tax	(31.00)	14.00	-321.4%
Total Asset	4,847.00	4,441.00	9.1%
Total Liabilities	4,404.00	3,968.00	11.0%
Current Liabilities	1,346.00	1,435.00	-6.2%
Shareholder Fund	443.00	473.00	-6.3%

CASE STUDY: WHAT WERE THE ISSUES?

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Financial Issues	Financial Ratios	Current Year [2019]	Previous Year [2018]
① Profit margins have severely declined due to inadequate revenue levels and inefficient cost structure	Rate of Cost Growth	-11.3%	N.A
	Rate of Sales Growth	-15.4%	N.A
	Cost/Sales Growth	4.7%	N.A
	Profit Margin (after tax)	-3.0%	1.1%
	Profit Margin Growth	-4.1%	N.A
② Faster liability growth than sales growth	Current Liability ratio	27.8%	32.3%
	Total Liabilities-to-Equity Ratio	994.1%	838.9%
	Total Liab. Growth vs Sales Growth	26.4%	N.A
	Rate of Sales Growth	-15.4%	N.A
③ Declined capacity of firm's assets to generate profits	Return On Assets Growth	-1.0%	N.A
	Return on Assets (after tax)	-0.6%	0.3%
	Profit Before Tax Growth	-212.0%	N.A
	Asset Growth	9.1%	N.A

Source: MyFinB

CASE STUDY:
CAUSE-AND-EFFECTS | PRE-RESTRUCTURING

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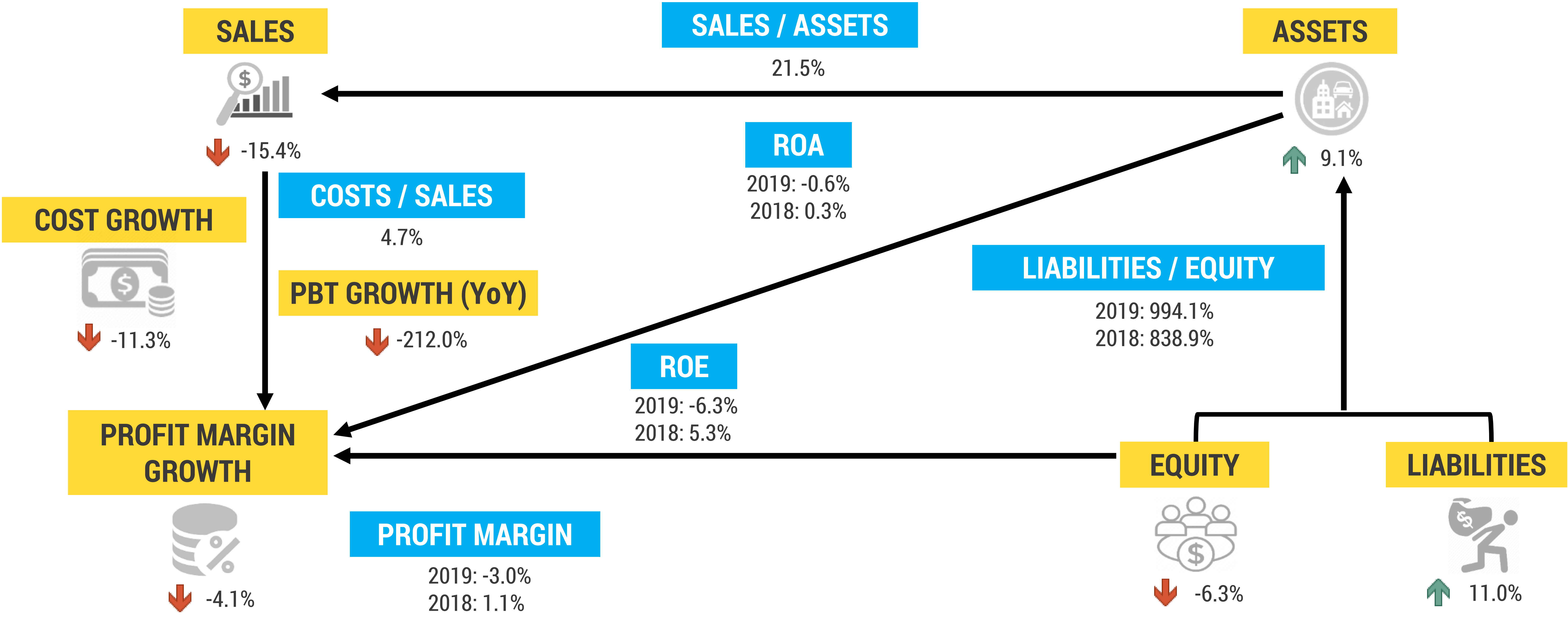

LEGEND: Financial variable | Ratios | % Change YoY

Source: MyFinB

TOP 5 RECOMMENDATIONS 2018/19 into 2021/22

SAMPLE COMPANY

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01

EXPENDITURES ASSESSMENT

Check if there are any structural or one-off expenditures

02

PRODUCT/SERVICE MIX EVALUATION

Review the contributions to profitability by product/service line

03

CREDITOR PAYMENTS

Assess creditor payment policies and drawdown facilities

04

INTERNAL FINANCING EVALUATION

Ascertain the extent the firm relies on internal financing

05

COSTS ASSESSMENT

Examine how the fixed and variable costs have trended over the years

THE IMPACT

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Financial Issues	Recommendations	Financial Ratios	Pre-Restructuring (2018-2019)	Post-Restructuring (2020-2021)
① Profit margins have severely declined	**Expenditures Assessment:** Check if there are any structural or one-off expenditures that materially affect the firm's bottomline **Product/Service Mix Evaluation:** Review the firm's product/service mix and their contributions to profitability by product/service line	Rate of Cost Growth	-11.3%	-57.3% to -19.5%
		Rate of Sales Growth	-15.4%	0.2% to 9.2%
		Cost/Sales Growth	4.7%	0.5% to 2.1%
		Profit Margin (after tax)	-3.0%	-60.3% to -31.3%
		Profit Margin Growth	-4.1%	-14.0% to -7.6%
② Faster liability growth than sales growth	**Creditor Payments:** Assess creditor payment policies and drawdown facilities to have better understanding on how the firm manages its liabilities **Internal Financing Evaluation:** Ascertain the extent the firm relies on internal financing to expand or manage its working capital needs	Current Liability ratio	27.8%	13.5% to 23.7%
		Total Liabilities-to-Equity Ratio	994.1%	349.3% to 534.4%
		Total Liab. Growth vs Sales Growth	26.4%	-12.9% to 10.4%
		Rate of Sales Growth	-15.4%	0.2% to 9.2%
③ Declined capacity of firm's assets to generate profits	**Costs Assessment:** Examine how the fixed and variable costs have trended over the years – relative to assets	Return On Assets Growth	-1.0%	-16.5% to -9.6%
		Return on Assets (after tax)	-0.6%	-13.3% to -10.7%
		Profit Before Tax Growth	-212.0%	-5.0% to 40.0%
		Asset Growth	9.1%	12.1% to 14.6%

Source: MyFinB

CASE STUDY:
CAUSE-AND-EFFECTS | POST-RESTRUCTURING

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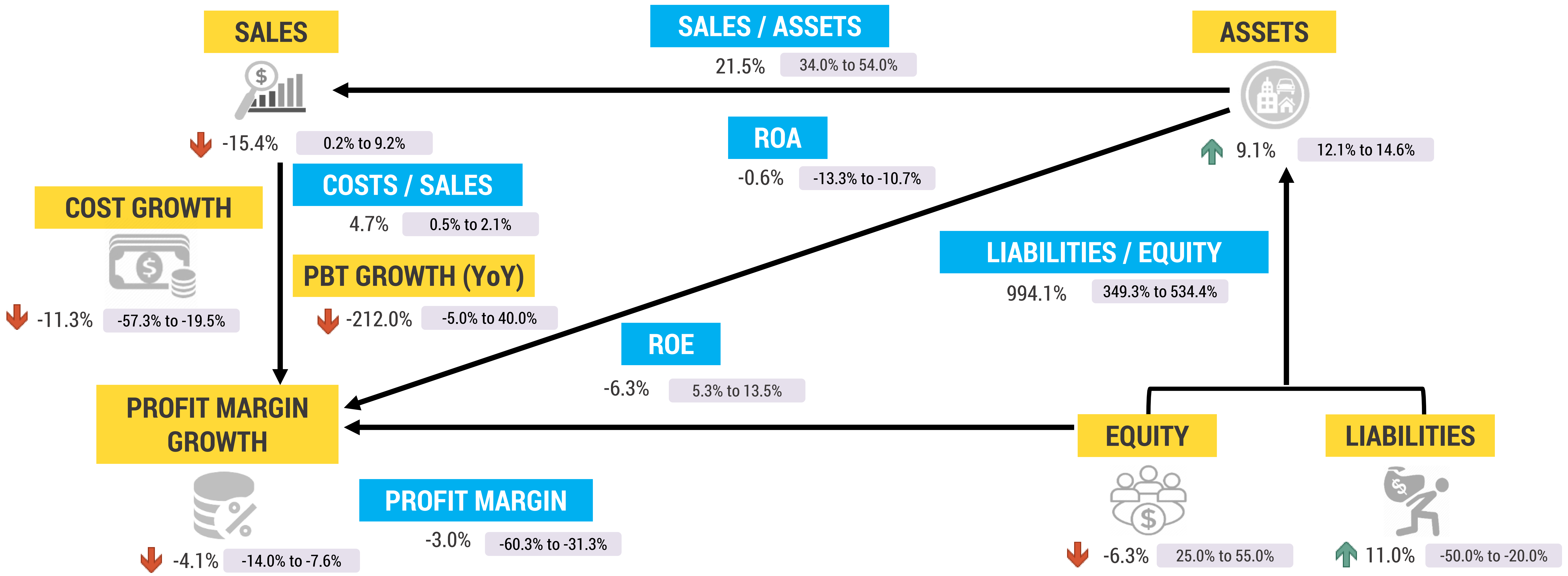

LEGEND: Financial variable | Ratios | % Change YoY | Post-Restructuring % Range

Source: MyFinB

KEY TAKEAWAYS

- Company appears to be expanding by aggressive gearing process rather than margins and pricing management.
- Overall financial health was poor due to high level of debts and declining profit margins. Going into 2020 and 2021, the recovery of Malaysian economy is difficult to predict. A lower cast scenario where a prolonged pandemic spilling over into 2021 will slow down the economy and impede their trajectory.
- The company will have high risk exposure to liabilities relative to equity as the shareholder funds were not adequate to cover the firm's obligations. Hence, there is a potential issue of going concern.
- Need to review client database and adopt innovative technology to automatically notify the company if there is any concentration risk of clients that have resulted in severe decline in profitability rate.
- In 2020/21, for them to succeed, revising financing strategies or merging to consolidate operations within their vertical is key with an enhanced tech-driven business model.

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