



TAFGAI

THE ACCOUNTING & FINANCE GROUP
IN ARTIFICIAL INTELLIGENCE

FINANCIAL & RISK ANALYSIS

SAMPLE COMPANY

Industry: **Building Construction**

Latest FY: **2020**

Country of Origin: **Singapore**

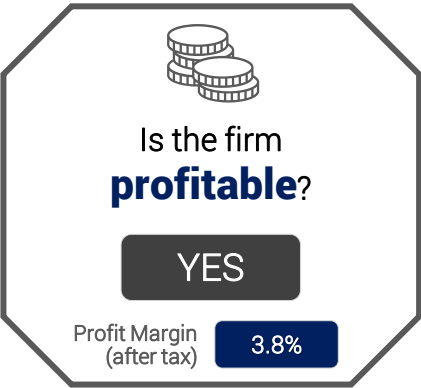
Currency: **Singapore Dollar (SGD)**

Date of Analysis: **12th February 2021**

Premium Report

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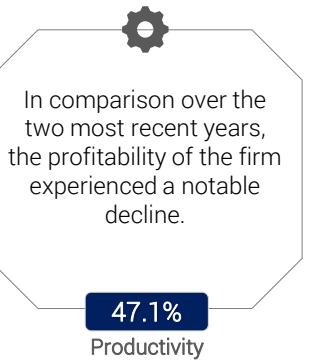
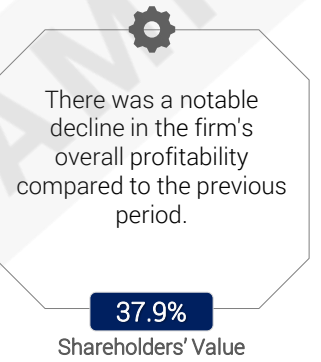


FINANCIAL HEALTHCHECK

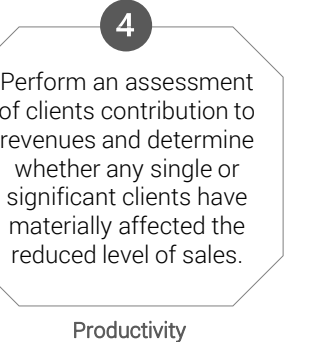
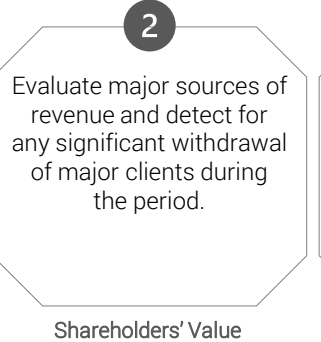
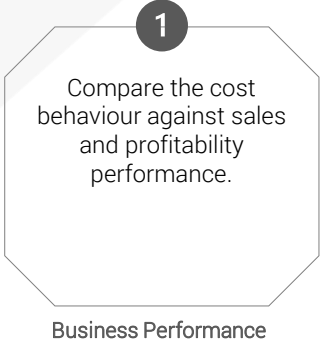
Entity may be experiencing some volatility and challenges in its sales and profitability. Sales for the firm had been very neutral and reflected a muted performance. Demand for its goods and services were not apparent. Modest increase in costs was experienced by the firm during the period. The cost of generating additional revenue was slightly higher compared to the previous year. Profit levels remained modest relative to sales. May not be adequately attractive for shareholders who may demand for higher margins. Small decline in profit margins was experienced where this could signify increasing competition and operational costs during the period.

Limited value to shareholders in terms of profitability, margins and liability exposure. The shareholders experienced major constraints 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 liability exposure during the period. There is very little risk that the liability exposure would affect the firm's underlying valuation for the period. There was a notable decline in the firm's overall profitability compared to the previous period. Profit levels remained modest relative to sales. May not be adequately attractive for shareholders who may demand for higher margins.

FINANCIAL RISK AREAS



FINANCIAL OUTLOOK



Was the firm 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

Cost Growth /Sales

6.4%

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

48.3%

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.

Was the company **relying heavily on short-term obligations**?



YES

Current Liability Ratio

0.65

Assesses the proportion of total liabilities that are due in the near term. A secondary measure of liquidity as it does not measure the firm's ability to pay for the liabilities.

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**?

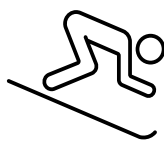


YES

Return on Asset

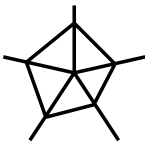
1.8%

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.



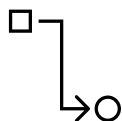
Is the company operating in a risky industry?

YES



What is the overall sentiment on the industry in the last 12 months?

NEGATIVE



Would the industry situation significantly affect the company?

YES



Is the information about the company readily available?

YES



Is there negative news reported on the company?

NO



Is there negative news reported on the company's officers?

NO

WORKING CAPITAL REQUIRED

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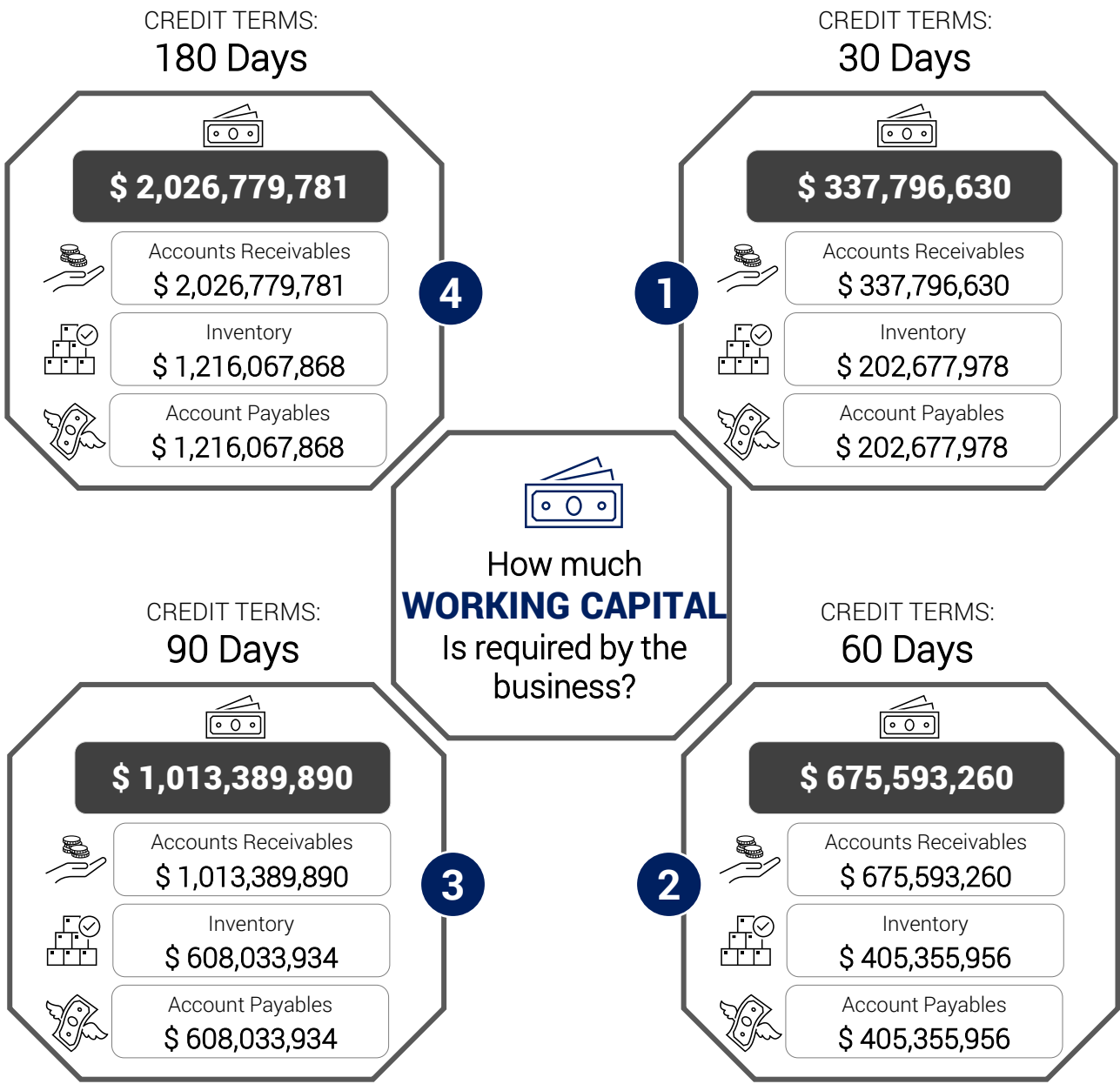


Amount of Net Working
Capital Requirement

1

Scenario

Currency: SGD



NARRATIVE INSIGHTS

Based on four scenarios of operating cash cycle days, the firm is estimated to have funding gaps of between \$337,796,630 and \$2,026,779,781.

For every 30 days of delay of conversion into cash, the firm would require at least \$337,796,630 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.

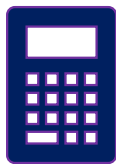
CASHFLOW FROM OPERATIONS



POSITIVE

Overall, the cashflow from operations was positive, mainly due to a profitable position. There was an outflow of \$742,496 coming from receivables, an inflow of \$607,377 from payables.

CASHFLOW FROM FINANCING



NEGATIVE

Overall, the cashflow from finances was negative, mainly due to a decrease position in borrowings. There was an outflow of \$476,482 coming from dividends, an outflow of \$192,059 from interest paid.

CASHFLOW FROM INVESTMENTS



POSITIVE

Overall, the cashflow from investments was positive, mainly due to an inflow in purchases of property, plant and equipments and an inflow in addition in intangible assets, at a value of \$370,768 and \$20,000 respectively.

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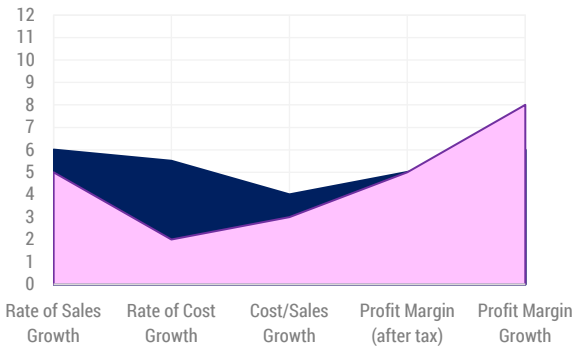


The Company



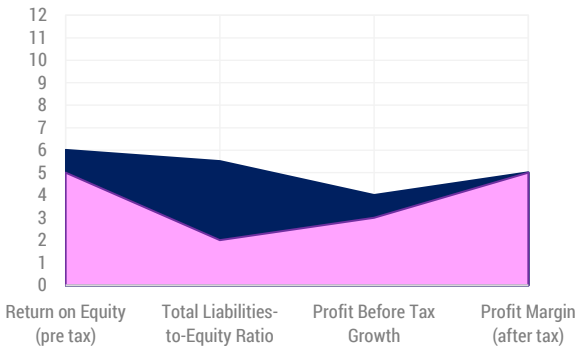
Industry

Business Performance



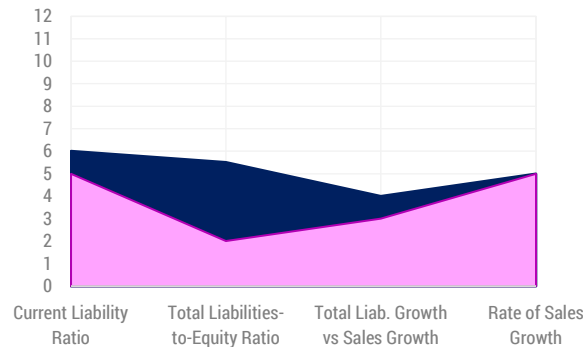
	Company	Industry	Variance
Rate of Sales Growth	-0.5%	7.0%	-7.5%
Rate of Cost Growth	6.8%	4.4%	2.4%
Cost/Sales Growth	6.4%	1.4%	5.0%
Profit Margin (after tax)	3.8%	5.0%	-1.2%
Profit Margin Growth	-4.9%	2.0%	-6.9%

Shareholders' Value



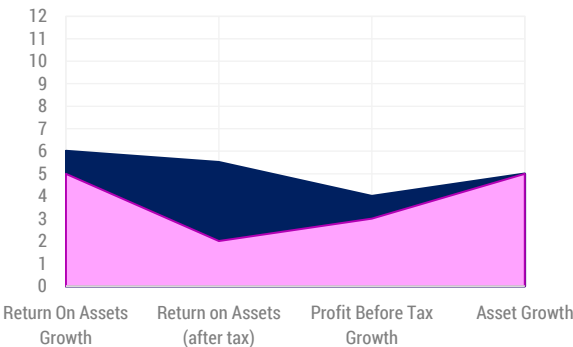
	Company	Industry	Variance
Return on Equity (pre tax)	6.1%	3.0%	3.1%
Total Liabilities-to-Equity Ratio	130.3%	9.0%	121.3%
Profit Before Tax Growth	-53.7%	6.0%	-59.7%
Profit Margin (after tax)	3.8%	5.0%	-1.2%

Risks & Liabilities



	Company	Industry	Variance
Current Liability Ratio	36.9%	2.4%	34.5%
Total Liabilities-to-Equity Ratio	130.3%	9.0%	121.3%
Total Liab. Growth vs Sales Growth	23.0%	0.6%	22.4%
Rate of Sales Growth	-0.5%	7.0%	-7.5%

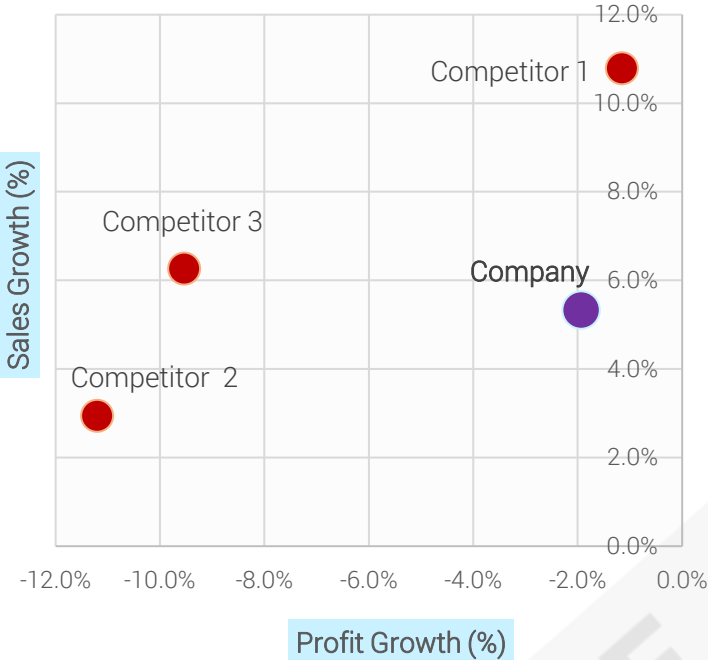
Productivity



	Company	Industry	Variance
Return On Assets Growth	-2.9%	1.0%	-3.9%
Return on Assets (after tax)	1.8%	1.6%	0.2%
Profit Before Tax Growth	-53.7%	6.0%	-59.7%
Asset Growth	14.0%	3.6%	10.4%

BUSINESS PERFORMANCE

Peer Analysis: Business Performance



From a topline growth perspective, THE COMPANY's sales fared lower than the average of its peers; it grew 5.3% as compared to 10.8% (Competitor 1), 2.9% (Competitor 2), 6.3% (Competitor 3).

Meanwhile, comparing profit growth levels, THE COMPANY's profits fared better than the average of its peers; it declined by 1.9% as compared to -1.2% (Competitor 1), -11.2% (Competitor 2), -9.53% (Competitor 3).

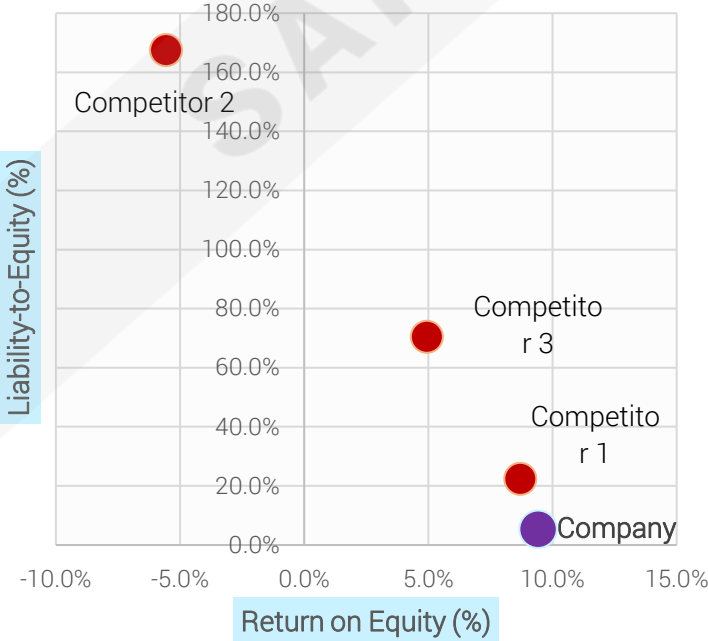
THE COMPANY was ranked 3rd in terms of its sales growth and 2nd in terms of its profit growth as compared to its peers.

THE COMPANY's sales growth position was behind by 5.45% against Competitor 1, which was ranked 1st in position.

THE COMPANY's profit growth position was behind by 0.78% against Competitor 1 which was ranked 1st in position.

RISK RETURNS

Peer Analysis: Risk Return



On a standalone basis, THE COMPANY took on 8.3x more risk to generate every unit of return.

Competitor 1 registered a liability to equity ratio of 22.4% (lower than THE COMPANY), and ROE of 0.0% (lower than THE COMPANY).

Competitor 2 registered a liability to equity ratio of 167.6% (lower than THE COMPANY), and ROE of 0.0% (lower than THE COMPANY).

Competitor 3 registered a liability to equity ratio of 70.4% (lower than THE COMPANY), and ROE of 0.0% (lower than THE COMPANY).

STRATEGIC RISK CHECKLIST

ACTION STEPS

BUSINESS PERFORMANCE	PHASE 1	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.		
		Conduct a competitive analysis of similar products and services in the marketplace.	Evaluate the price elasticity of the underlying goods and services.	Phase out slow moving offerings in the sales mix.	Review pricing policy and margins - whether any adjustments had resulted in lower volume but higher margins.	Rank and tier the quality of customers; evaluate the value-add that each customer brings to the firm.
SHAREHOLDERS' VALUE	PHASE 1	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.
		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.
RISKS & LIABILITIES	PHASE 1	Assess the market place for products and services which may be used as a replacement or substitute for the firm's existing products and services.	Perform an assessment of the changes in demand for the goods and services, at different varying prices.	Identify the individual products which contribute least to the topline and consider removing them from the product range.	Perform a price analysis to determine whether there had been any price adjustments which resulted in higher volumes but lower prices.	Develop and review a customer/client database and individually assess each customer/client for their potential to the firm.
		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	PHASE 1	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.	
		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.

WORDCLOUD

NEUTRAL

WORDCLOUD

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WORDCLOUD

Impact on the
business

POSITIVE

The related news extracted has a sentiment score of **16.2** This means that the overall sentiment or tone of the extracted news is somewhat positive / enthusiastic.





With the coronavirus pandemic threatening the global openness and integration that have allowed Singapore to prosper, President Halimah Yacob said there's "great urgency" to transform the city-state's economy. "Much of our economy thrives because we have made ourselves a vibrant hub for the region and an attractive place for trade, investments, talent and ideas," Halimah said Monday, addressing the first session of parliament since July's general election. "We cannot take our hub status for granted, or assume that its scope and role will remain the same." She said the country will resume air travel safely and help its companies develop links to new markets. Meanwhile, efforts to bolster resilience in critical areas such as food, health care and supply chain management can become new sources of growth, while the Southeast Asian nation will also make a major push for sustainable growth including for green financing across the region, she said.

KEY FINANCIAL RATIOS

FINANCIAL DATA

Currency: SGD	2019	2018	% Change
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%
Shareholders' Fund	\$ 182,453,634.00	\$ 174,607,890.00	4.5%

PERFORMANCE METRICS

 Business Potential Ratios		 Risk & Valuation Ratios	
	%		%
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 Liability 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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THE ACCOUNTING & FINANCE GROUP
IN ARTIFICIAL INTELLIGENCE

FINANCIAL & RISK ANALYSIS

The Accounting & Finance Group In Artificial Intelligence (TAFGAI)

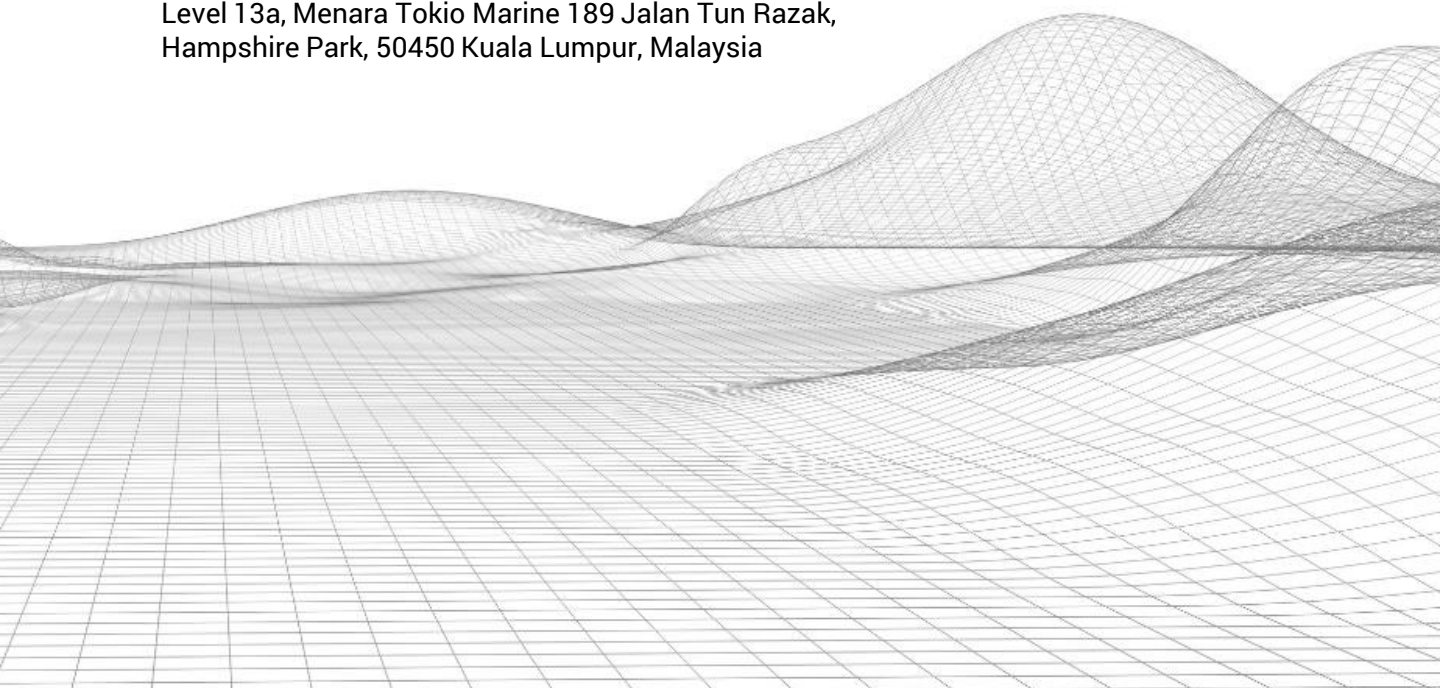
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