Total scores ☐

Group number…………………………………………….

Group Project: Financial Statement Analysis (Total 25 points)

Based on OISHI's financial information in Attachment # 1, answer the questions in the spaces provided. (Answer in one decimal point)

1. (3 points) What is OISHI's net profit (Profit for the year) growth in 2017? What is OISHI's net profit (Profit for the year) growth in 2016? Compare the two growth rates.

2. (2 points) What is OISHI's return on equity (ROE) in 2017? What is OISHI's ROE in 2016?

3. (2 points) Based on the DuPont analysis, what is the reason for the improvement in OISHI's ROE in 2017? Does OISHI's strong net profit growth and ROE in 2017 come from improving margin strategy of improving turnover strategy?

4. (2 points) Give the two most important reasons attributed to the higher net profit margin in 2017.

5. (6 points) What is the growth in revenue from sale of goods in 2017? What is the total asset turnover ratio in 2017 and 2016? Give two reasons for the decline in the total asset turnover ratio in 2017 compared to 2016. With the decline in the total asset turnover ratio in 2017, why OISHI can still report a strong growth in net profit and ROE?

6. (3 points) What is the estimated growth in revenue from sale of goods in net profit in 2018? Why the net profit in 2018 is expected to increase at a higher rate than the growth in revenue from sale of goods?

7. (3 points) What is the estimated ROE in 2018? Compare the estimated ROE in 2018 to the ROE in 2017. Based on the DuPont analysis, what is the reason for the decline in ROE in 2018 compared to 2017?

8. (4 points) We assume that OISHI's operating efficiency and asset utilization rates are constant in the future and that if OISHI desires to increase its sales, the company will need to invest in new capacity, while keep the fixed asset utilization ratio constant. What possible action(s) can OISHI do to improve its financial leverage and ROE in 2018? Explain why such action(s) will result in higher financial leverage and ROE?

Attachment # 1: OISHI's financial information

EBIT margin (%)	6.31%	9.16%	11.40%	11.67%
Net profit margin (%)	5.46%	8.24%	10.65%	11.08%
Oishi Group Public Company Limited and its Subsidiaries (Consolidated)				
Financial Ratios and Assumptions				
(Bt mn)	**2015**	**2016**	**2017**	**2018E**
% sales revenue growth YoY	3.8%	5.0%	-1.1%	**2.0%**
% services revenue growth YoY	#DIV/0!	0.0%	56.7%	**2.0%**
% gross margin of goods	34.4%	36.5%	38.2%	**38.2%**
% gross margin of services	#DIV/0!	6.2%	31.8%	**31.8%**
% selling expenses growth YoY	-8.8%	4.9%	1.7%	**1.0%**
% administrative expenses growth YoY	6.5%	2.2%	-5.1%	**1.0%**
Average cost of interest-bearing debts	3.47%	3.04%	2.36%	**2.36%**
% tax rate	0.4%	3.4%	3.2%	**3.2%**
Cash and cash equivalents as % of sales and services income	4.62%	4.35%	10.67%	**5.00%**
Trade account receivable as % of sales and services income	4.15%	3.11%	5.24%	**5.24%**
Accounts receivable days (days)	15.1	11.4	19.1	19.1
Accounts receivable turnover (x)	24.1	32.1	19.1	19.1
Inventories as % of cost of sale of goods	4.65%	5.72%	3.86%	**3.86%**
Inventories days (days)	17.0	20.9	14.1	14.1
Inventories turnover (x)	21.5	17.5	25.9	25.9
Other receivable, loans and current assets as % of sales and services income	0.87%	1.51%	1.22%	**1.22%**
Fixed assets turnover (on beginning net fixed assets) (x)	1.73	1.93	1.87	2.05
Other non-current assets as % of sales and services income	2.86%	2.34%	2.31%	**2.31%**
Trade accounts payable	1,004.0	970.4	977.1	996.6
Trade account payable as % of cost of sales and services	11.89%	11.17%	11.65%	**11.65%**
Accounts payable days (days)	43.4	40.8	42.5	42.5
Accounts payable turnover (x)	8.4	9.0	8.6	8.6
Other payable, loans and current liabilities as % of sales and services income	6.15%	7.94%	7.68%	**7.68%**
Other non-current liabilities as % of sales and services income	0.46%	0.59%	0.63%	**0.63%**
Dividend payout ratio (%)	52.7%	41.4%	43.9%	**43.9%**
DuPont Analysis				
ROA (average assets) (%)	7.72%	12.23%	15.20%	16.13%
ROE (average equity) (%)	**18.24%**	**25.84%**	**28.30%**	**25.42%**
Net profit margin (%)	5.46%	8.24%	10.65%	11.08%
Total asset turnover (average assets) (x)	1.41	1.48	1.43	1.46
Equity multiplier (x)	2.36	2.11	1.86	1.58

Attachment # 1: OISHI's financial information (continued)

Statement of comprehensive income				
(Bt mn)	**2015**	**2016**	**2017**	**2018E**
Income				
Revenue from sale of goods	12,878.8	13,521.5	13,370.8	13,638.2
Revenue from services	0.0	114.9	180.0	183.6
Interest and dividend income	1.0	4.7	5.3	5.5
Net gain on foreign exchange	1.2	0.3	0.0	0.0
Other income	82.1	125.5	121.0	123.4
Total income	**12,963.2**	**13,767.0**	**13,677.1**	**13,950.8**
Expenses				
Cost of sale of goods	8,446.8	8,581.4	8,264.6	8,429.9
Cost of services	0.0	107.8	122.8	125.3
Selling expenses	1,546.4	1,622.7	1,649.9	1,666.4
Administrative expenses	2,157.9	2,206.4	2,094.9	2,115.8
Net loss on foreign exchange	0.0	0.0	0.0	0.0
Other expenses	0.0	0.0	0.0	0.0
Total expenses	**12,151.1**	**12,518.3**	**12,132.2**	**12,337.4**
Profit before finance costs and income tax expense	**812.1**	**1,248.6**	**1,544.9**	**1,613.4**
Finance costs	105.5	86.3	53.7	31.8
Profit before income tax expense	**706.5**	**1,162.3**	**1,491.2**	**1,581.6**
Income tax expense (revenue)	2.8	39.3	47.9	50.8
Total comprehensive income	**703.7**	**1,123.0**	**1,443.3**	**1,530.8**
Non-controlling interest	-8.5	-9.1	-8.5	-9.0
Profit for the year	**712.2**	**1,132.1**	**1,451.8**	**1,539.8**
Other comprehensive income for the year, net of income tax	25.8	149.0	-2.3	0.0
Total comprehensive income for the year	**738.0**	**1,281.2**	**1,449.5**	**1,539.8**
Basic earnings per share (EPS)	3.80	6.04	7.74	8.21
Dividend per share (DPS)	2.00	2.50	3.40	3.61

Attachment # 1: OISHI's financial information (continued)

Statement of financial position

(Bt mn)	2015	2016	2017	2018E
Assets				
Current assets				
Cash and cash equivalents	595.2	593.6	1,446.5	691.1
Current investments	3.7	3.7	0.0	**0.0**
Trade accounts receivable	534.4	424.4	709.4	723.6
Inventories	392.8	490.5	319.2	325.6
Other receivables, loans and current assets	112.1	205.4	165.7	169.0
Total current assets	**1,638.2**	**1,717.6**	**2,640.8**	**1,909.3**
Non-current assets				
Investments in subsidiaries and other long-term investments	0.0	0.0	0.0	0.0
Property, plant and equipment, intangible assets and leasehold rights	7,082.4	7,240.9	6,753.5	7,049.1
Other non-current assets	368.3	319.6	312.4	318.6
Total non-current assets	**7,450.7**	**7,560.5**	**7,065.9**	**7,367.8**
Total assets	**9,088.9**	**9,278.1**	**9,706.7**	**9,277.0**
Liabilities and equity				
Current liabilities				
Short-term loans from financial institutions	19.8	0.0	0.0	677.8
Trade accounts payable	1,004.0	970.4	977.1	996.6
Current portion of long-term loan from a financial institution	600.0	500.0	0.0	0.0
Current portion of financial lease	0.0	22.7	13.0	0.0
Other payables, loans and current liabilitiess	792.3	1,082.7	1,040.3	1,061.1
Total current liabilities	**2,416.1**	**2,575.8**	**2,030.3**	**2,735.5**
Non-current liabilities				
Long-term loan from a financial institution	500.0	0.0	0.0	0.0
Debentures	2,000.0	2,000.0	2,000.0	0.0
Finance lease liabilities	30.3	13.0	0.0	0.0
Other non-current liabilities	59.3	80.4	85.9	87.6
Total non-current liabilities	**2,589.5**	**2,093.4**	**2,085.9**	**87.6**
Total liabilities	**5,005.6**	**4,669.2**	**4,116.2**	**2,823.1**
Equity				
Issued and paid-up share capital	375.0	375.0	375.0	375.0
Premium on ordinary shares	609.4	609.4	609.4	609.4
Retained earnings				
Appropriated to legal reserve	37.5	37.5	37.5	37.5
Unappropriated	3,007.9	3,412.9	4,393.7	5,248.1
Other components of equity	35.1	162.6	162.8	162.8
Total equity attributable to owners of the company	**4,064.9**	**4,597.4**	**5,578.4**	**6,432.8**
Non-controlling interest	18.3	11.5	12.1	21.1
Total liabilities and equity	**9,088.9**	**9,278.1**	**9,706.7**	**9,277.0**

Group members