

# GMT Research Accounting Screen



Short Name	Columbia Sportswear	Description:	Relevant GMT Research Reports (please go to our website and login):
GICS Ind Name	Textiles, Apparel & Luxury Goods	Columbia Sportswear Company designs, manufactures, markets, and distributes active outdoor apparel. The Company's products include outerwear, sportswear, rugged footwear, and related accessories. Columbia's products are sold to specialty and department store retailers in the United States and other countries.	
GICS Industry	252,030		
Cntry of Dom	US		
Most Recent Balance Sheet Period	2017 Y		
Ticker	COLM US		
Latest Period	Y		Short-Seller's Report (for Asian companies only)
Current Fiscal Year	2017		
Well known auditor:	Deloitte & T		Summary of accounting risk for Y/FY17
Numbe of auditors in past 5yrs:	1		- Profit manipulation Low risk: Montier.
Country of incorporation:	Country of incorporation (United States) is same as domicile (United States).		- Financial position Strong: Piotroski.
Country of financials:	Currency of financials (US Dollar) is same as country of risk (United States).		- General accounting Normal
			- Shenanigans Evidence: Fake Cash Flow.
			= Accounting risk: Low
Profit Manipulation		Latest financials complete	This spreadsheet expires on 30th June 2018, in 70 days.
Profit Manipulation: Beneish M-Score (See App 1)		Beneish M-Score of -2.82 in Y/FY17 suggests no profit manipulation.	
Cooking the Books: Montier's C-Score (App 2)		A C-Score of 2/6 slightly better than average but watch out for: Rising OCA. Falling depreciation.	
Financial Position			
Strength of Financial Position: Piotroski F-Score (App 3)		An F-Score of 6/9 suggests financials are improving.	
Risk of Default: Altman Z-Score (App 4)		An Altman Z-Score of 8.85 is in the Safe Zone: Financially sound.	
Accounting Shenanigans			
Acquisition Accounting (App 5)	Global screen	Possible earnings manipulation through acquisition accounting in FY14 owing to material acquisitions, goodwill and rising deferred tax assets.	
Window Dressing (App 6)		No evidence of window dressing.	
Fake Cash Fraud: Overly profitable (App 7)	Global screen	Scores 3/4 in Y/FY17. Medium Fraud Alert: 23% of frauds score 3 points and 10% of all companies. Further investigation needed. Triggered Fake Cash Flow in last 5yrs?: FY17	
Excess Capital Raising (App 8)	Global screen	Net flows over 5yrs at 4% of Sales are normal.	
Debt Reconciliation (App 9)	Global screen	No material unreconcilable changes in debt in the last 5 years.	
Other Financial Items			
Number of Red Flags (Out of a possible 75)		Triggers 15 red flags in the last financial period which is normal.	
Cash Balance		Cash & STI of USD0.8bn is extremely high at 27% of sales, in the 82%ile relative to peers, which is a trait of fake cash flow frauds.	
Restricted Cash		Restricted Cash of USD0bn is within normal range.	
Receivables		Receivables of USD0.4bn are equal to 14% of Sales which is in within normal range.	
Doubtful Debts		Delinquency at 0% of total receivables are within normal range.	
Payables		Large Payables of USD0.4bn equal to 16% of Sales are in the 83%ile relative to peers, can be a sign of hidden debt.	
Inventory		Inventories of USD0.5bn are equal to 19% of Sales which is within normal range.	
Profit Manipulation: Gross Working Capital		No evidence of profit/cash flow manipulation through working capital.	
Cash Extraction Fraud: Prepaid Expenses		Prepaid Expenses of USD0.1bn are large relative to sales (2.4%) and inventory (12.8%), raising the risk of illegal cash extraction fraud.	
Capitalisation of Expenses		Capitalised expenses relative to pre-tax profits (0%) are within normal range.	
Affiliate Investments		There are no investments in associates.	
Auditing Costs		No information available	
Deferred Tax Assets		Large Deferred Tax Assets/Sales of 5% in the 91%ile relative to peers, might reflect losses at subsidiaries or of Acquisition Accounting.	
Deferred Tax Liabilities		Deferred Tax Liabilities have increased by 1ppts relative to sales over the past year which suggests that profits reported to shareholders are higher than those reported to tax authorities.	
Derivatives		Derivatives equal to 1% of equity within normal range.	
Other Large Curious Assets and/or Liabilities		Within normal range.	
Depn & Amort		Within normal range.	
Interest Cover		The company has no debt.	
Leverage		The company has no debt.	
Related Party Fraud		No evidence of related party transactions.	
Other Tests:		No or new CFO. Gross Margin volatility is unusually low at 1% in the 1%ile relative to peers which is sometimes a trait of frauds.	

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Ratios		Global/Sector/ Country	Columbia Sportsw Ratios			Ratio Change		Peer Group Comparison Ratios				Percentiles and Red Flags			Red Flag Comment
			Y/FY17	Y/FY16	Y/FY14	-1yr Chg	-3yr Chg	20th %ile	50th %ile	80th %ile	No of Peers	Y/FY17	-1yr Chg	-3yr Chg	
												(0-100%)	(+/-50%)	(+/-50%)	
Balance Sheet: Assets															
Av Cash & Equiv./Sales (%)	GICS Industry		26.8	19.4	23.1	+7.4	+3.7	3.2	10.4	24.0	379	82%	-39%	-19%	Av Cash & Equiv./Sales (%) high. Risen over 1yr.
Unrestricted Cash/COGS (%)	GICS Industry		51.5	43.5	36.1	+8.0	+15.4	5.1	16.6	40.3	314	86%	-5%	-3%	Unrestricted Cash/COGS (%) high.
ST Investments/Sales FY (%)	GICS Industry		3.9	0.0	0.0	+3.8	+3.8	0.1	1.6	8.5	172	67%	+39%	+32%	ST Investments/Sales FY (%) present. Risen over 1yr. Risen over 3yrs.
Av. Trade & Notes Rec/Sales (%)	GICS Industry		14.2	14.8	15.5	-0.7	-1.3	7.2	12.1	20.0	356	60%	-27%	-28%	
Delinquent AR/AR (%)	Global		0.0	0.0	0.0	+0.0	+0.0	0.9	5.9	22.7	1,912	na	na	na	
Av. Inventory/Sales (%)	GICS Industry		18.6	20.5	18.3	-2.0	+0.3	13.0	19.6	29.8	375	45%	-27%	-5%	
Inventory Days	GICS Industry		132	139	114	-7	+18	62	103	187	314	65%	-31%	+23%	
Finished Goods/Inventory (%)	GICS Industry		0	0	0	+0.0	+0.0	33	60	89	417	na	na	na	
Av. Other ST Assets/Sales (%)	GICS Industry		1.7	1.1	3.9	+0.6	-2.2	2.0	3.6	7.4	376	15%	+19%	-36%	
PPE/Sales (%)	GICS Industry		11.4	12.0	13.6	-0.6	-2.2	9.2	22.8	45.7	360	26%	-13%	-19%	
Affiliate Inv/Equity (%)	Global		na	na	na	na	na	0.5	3.0	13.1	7,896	na	na	na	
LT Inv & Rec/Sales (%)	GICS Industry		0.0	0.0	0.0	+0.0	+0.0	0.2	1.5	10.0	249	na	na	na	
Deferred Tax Assets/Sales FY (%)	GICS Industry		4.6	4.9	3.7	-0.3	+0.9	0.2	0.9	2.7	277	91%	-37%	+26%	Deferred Tax Assets/Sales FY (%) high.
Prepaid Expenses/Sales (%)	GICS Industry		2.4	1.6	1.9	+0.8	+0.5	0.3	1.3	3.4	167	69%	+36%	+23%	Risen over 1yr.
Prepaid Expenses/Inventory (%)	GICS Industry		12.8	7.9	10.2	+4.9	+2.6	1.2	3.7	10.7	99	84%	+42%	+36%	Prepaid Expenses/Inventory (%) high. Risen over 1yr. Risen over 3yrs.
Intangibles/Sales FY (%)	GICS Industry		8.0	8.2	8.6	-0.2	-0.6	0.1	1.0	9.2	316	78%	-30%	-34%	
Av. Other LT Assets/Sales FY (%)	GICS Industry		1.1	1.1	0.8	-0.0	+0.3	0.4	1.8	5.8	332	37%	-14%	+2%	
Av. Assets/Sales (%)	GICS Industry		86	81	81	+4.5	+4.8	65.5	95.1	139.4	380	40%	+12%	+0%	
Balance Sheet: Liabilities and Equity															
Av. Payables (Trade, Bills, Accr/Sales (%))	GICS Industry		16.3	15.2	16.0	+1.1	+0.3	5.3	10.0	15.5	379	83%	+27%	+6%	Av. Payables (Trade, Bills, Accr/Sales (%)) high.
Trade Payable Days	GICS Industry		67	62	59	+5.1	+7.9	24.5	45.6	81.5	348	71%	+23%	+19%	
ST Debt/Total Debt (%)	Global	No Debt	0	0	0	na	na	13.0	44.2	88.3	13,723	na	na	na	
Av. Other ST Liabs/Sales (%)	GICS Industry		0.0	0.0	0.0	+0.0	+0.0	3.8	6.8	10.9	380	na	na	na	
Av. Deferred Tax Liab/Sales FY (%)	GICS Industry		4.0	3.4	3.6	+0.6	+0.4	0.7	3.6	12.1	256	51%	+34%	+16%	Risen over 1yr.
Av. Other LT Liabs/Sales (%)	GICS Industry		4.2	2.2	1.8	+1.9	+2.4	0.4	1.8	5.1	298	73%	+35%	+38%	Risen over 1yr. Risen over 3yrs.
Preferred Equity/Equity (%)	Global		0.0	0.0	0.0	+0.0	+0.0	0.2	5.1	20.7	908	na	na	na	
Minority/Total Equity (%)	Global		1.8	1.3	0.9	+0.5	+1.0	0.3	2.4	11.4	9,628	45%	+28%	+23%	
Assets/Equity (x)	GICS Industry		1.3	1.3	1.3	+0.1	+0.0	1.4	1.8	2.6	373	17%	+21%	+7%	
Balance Sheet: Other															
Av. GFA/D&A (yrs)	GICS Industry		11.9	11.2	11.5	+0.7	+0.4	8.4	14.3	22.8	371	37%	+1%	-20%	
Restricted Cash/Equity (%)	GICS Industry		0.0	0.0	0.0	+0.0	+0.0	0.1	0.3	5.9	60	na	na	na	
Cash Conversion Cycle (Days)	GICS Industry		117	132	111	-14	6	70.6	110.2	186.0	312	53%	-37%	+8%	
Av. Gross Working Capital/Sales (%)	GICS Industry		51.9	51.9	52.9	-0.0	-1.0	40.4	53.6	72.2	379	45%	-10%	-17%	
Contingent Liab/Equity (%)	GICS Industry		38.6	34.9	46.0	+3.6	-7.4	2.0	13.6	59.2	253	72%	+27%	-23%	
Pension Liabilities/Equity (%)	Global		0.0	0.0	0.0	+0.0	+0.0	0.7	2.8	10.0	7,570	na	na	na	
Net Derivatives/Equity (%)	Global		0.7	0.8	0.9	-0.1	-0.2	-1.4	0.0	1.1	2,405	76%	-12%	-13%	
Return on Production Assets (%)	GICS Industry		35.6	33.9	32.8	+1.7	+2.8	4.5	14.9	33.7	382	81%	-19%	-18%	Return on Production Assets (%) high.
Non-Prod. Assets/COGS FY (%)	GICS Industry		109.6	89.4	20.2	+20.2	+89.4	34.6	67.1	132.2	299	73%	-33%	-42%	Risen over 1yr. Risen over 3yrs.
Gross Debt/Profit (x)	GICS Industry		No Debt	0.1	0.1	na	na	0.9	4.0	13.7	306	na	na	na	
Income Statement															
												(0-100%)	(+/-50%)	(+/-50%)	
Sales/Employee (US\$)	GICS Industry		398,530	394,661	394,403	+3,869	+4,127	56,779	148,854	359,649	286	82%	-15%	-12%	Sales/Employee (US\$) high.
Gross Margin (%)	GICS Industry		47.0	46.7	45.5	+0	+2	15	30	52	322	73%	+4%	-7%	
GM Volatility 5yrs (%)	GICS Industry		1.0					2.9	6.3	20.0	303	1%			GM Volatility 5yrs (%) low.
Other Op Y/Op Y (%)	GICS Industry		0.0	0.0	0.0	+0.0	+0.0	1.8	6.4	20.7	119	na	na	na	
D&A/Sales T12M (%)	GICS Industry		2.4	2.5	2.6	-0.1	-0.1	1.4	2.8	4.7	376	58%	+17%	+15%	
Operating Margin T12M (%)	GICS Industry		10.7	10.8	9.5	-0.1	+1.2	2.8	7.2	14.9	374	64%	-1%	-18%	
Non-Op Y/Op Y (%)	GICS Industry		1.6	0.6	0.4	+1.0	+1.2	2.9	10.4	36.5	329	11%	+4%	+2%	
EFF Int Rate less MLR (ppt)	Country		4.7	6.1	13.3	-1.4	-8.5	3.5	5.2	7.7	1,652	40%	-34%	-46%	
Cash Return less Policy Rate (ppt)	Country		-0.7	-0.2	0.1	-0.5	-0.8	0.1	0.7	3.5	1,091	0%	-31%	-28%	Cash Return less Policy Rate (ppt) low. Fallen over 1yr.
Affil Y/Op Y (%)	Global		0.0	0.0	0.0	+0.0	+0.0	0.3	2.2	11.9	6,391	na	na	na	
Eff Tax Rate (%)	Country		57.9	22.8	28.5	+35.1	+29.4	17.9	32.0	38.0	1,931	96%	+48%	+45%	Eff Tax Rate (%) high. Risen over 1yr. Risen over 3yrs.
CF Tax/IS Tax (%)	GICS Industry		52.5	120.5	95.2	-68.0	-42.7	64.9	98.7	151.1	285	87%	+37%	+30%	CF Tax/IS Tax (%) low. Fallen over 1yr. Fallen over 3yrs.
X Items/Op Y (%)	Global		0.0					0.8	6.2	37.4	1,297	na			
Minority Int/Profit B4 MI (%)	Global		6.4	3.3	3.3	+3.1	+3.1	-0.1	1.8	12.8	8,362	68%	+32%	+26%	Risen over 1yr.
Net Income Margin (%)	GICS Industry		4.3	8.1	6.5	-3.8	-2.3	1.3	4.7	11.2	383	54%	+38%	+21%	Fallen over 1yr.
Capitalised Int/PTP (%)	Global		na	na	na	na	na	0.0	0.0	0.0	13,642	na	na	na	
Cap of Intang. Assets/PTP (%)	Global		0.0	0.0	0.0	+0.0	+0.0	0.9	4.0	16.7	728	na			
EBIT Interest Cover (x)	GICS Industry		613.0	246.4	188.8	+366.6	+424.1	1.7	7.4	41.1	351	4%	-48%	-48%	

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Ratios		Global/Sector/ Country	Columbia Sportsw Ratios			Ratio Change		Peer Group Comparison Ratios				Percentiles and Red Flags			Red Flag Comment
			Y/FY17	Y/FY16	Y/FY14	-1yr Chg	-3yr Chg	20th %ile	50th %ile	80th %ile	No of Peers	Y/FY17	-1yr Chg	-3yr Chg	
Cash Flow												(0-100%)	(+/-50%)	(+/-50%)	
CFO/Net Profit (x)	GICS Industry		3.2	1.4	1.4	+1.8	+1.9	0.3	1.1	2.2	1,697	12%	-35%	-34%	
Cash Interest Exp./CFO (%)	GICS Industry		0.2	0.4	na	-0.2	na	0.2	4.8	25.8	271	19%	-1%	na	
Capex/Sales (%)	GICS Industry		2.2	2.1	2.9	+0.1	-0.7	1.4	3.2	7.2	371	35%	+3%	-16%	
Decrease Investments/Sales (%)	GICS Industry		1.5	0.9	5.4	+0.6	-3.9	0.0	0.5	4.8	141	67%			
Other Investing Activities/Sales (%)	GICS Industry		3.8	0.0	5.9	+3.8	-2.1	0.1	1.1	4.4	292	77%			
Debt Repay/ST Debt -1FY (%)	Global		1,000	3,341	1,000	-2,341.5	+0.0	20.0	88.4	210.9	10,373	92%	-48%	-2%	Debt Repay/ST Debt -1FY (%) high.
Free Cash Flow Margin (%)	GICS Industry		11.7	9.5	6.0	+2.2	+5.7	-4.2	2.4	8.7	377	13%	-11%	-22%	
FCF-Divs/Sales (%)	Global		9.6	7.4	4.1	+2.2	+5.5	-7.2	0.9	6.8	10,563	15%	-13%	-23%	
No. of Mat. Capital Inc -5yrs	Global		0					0.0	0.0	1.0	9,451	na			
Other Fin. Activities/Sales (%)	GICS Industry		0.4	0.3	0.7	+0.1	-0.3	0.0	0.3	1.4	329	55%			
Corporate Governance												(0-100%)	(+/-50%)	(+/-50%)	
Auditing Exp/Sales (bp)	GICS Industry		na					2.5	6.3	13.2	179	na			
RPT Balances/Equity (%)	Global		0.0					0.3	1.9	11.0	1,434	na			
Number of Acq&Disp -5yrs	Global		1					0.0	3.0	5.0	12,251	36%			
Acq&Disp Con./Sales Av. -5yrs (%)	Global		1.8					0.2	1.4	6.9	12,251	55%			
Executive Comp/Sales (bp)	GICS Industry		na					7.4	22.6	73.1	84	na			
Executive Comp/PTP (bp)	GICS Industry		na					67.6	188.6	669.0	84	na			
CEO Tenure (yrs)	Global		30.3					1.4	4.5	10.8	5,466	98%			CEO Tenure (yrs) high.
CFO Tenure (yrs)	Global		na					1.1	3.3	8.3	716	na			
Av. Executive Tenure (yrs)	Global		10.5					4.1	7.4	11.9	3,291	72%			
Av. Board Tenure (yrs)	Global		22.9					3.9	6.4	9.9	3,672	99%			Av. Board Tenure (yrs) high.

Source: GMT Research, Bloomberg

## Summary of financials in Y/FY17

Average Ratio Percentile Score (0 is good, 100 is bad)	56%	Result: Very poor score. Number of red flags normal.	Explanation
- Percentile vs Industry Peers (0% is good, 100% is bad)	82%	In Y/FY17, Columbia Sportsw recorded an average percentile score (0 is good, 100 is bad) of 56% across all 75 financial ratios listed below. This places it in a percentile of 82 relative to around 379 GICS industry peers globally, which is a very unusual result. The company triggered a total of 15 red flags out of 75 placing it in a percentile of 66 relative to our sample of 16,000 companies globally, which is a moderate result.	Each of the 50 financial ratios listed below is percentile ranked relative to an appropriate peer group drawn from 16,000 companies globally between 2010 and 2015. In general, low percentile scores are good while high scores are poor. Red flags are mainly triggered when a company's ratio is above the 80th percentile; however, for certain ratios a red flag is triggered when it is below the 20th percentile. Red flags are highlighted below in red.
Number of Red Flags (Out of a possible 75)	15		
- Percentile vs Global Peers (0% is good, 100% is bad)	66%		

## Summary of change in financials over 1 year

Number of Red Flags (Out of a possible 62)	12	Result: Number of red flags normal.	Explanation
- Percentile vs Global Peers (0% is good, 100% is bad)	77%	Over the financial year prior to Y/FY17, Columbia Sportsw triggered a total of 12 red flags out of 62 placing it in a percentile of 77 relative to our sample of 16,000 companies globally, which is a moderate result.	Red flags are normally triggered by a score between +30 and +50 which suggests an aggressively deteriorating financial ratio. These are highlighted in red below.

## Summary of change in financials over 3 yrs

Number of Red Flags (Out of a possible 62)	6	Result: Number of red flags normal.	Explanation
- Percentile vs Global Peers (0% is good, 100% is bad)	43%	Over the 3 financial years prior to Y/FY17, Columbia Sportsw triggered a total of 6 red flags out of 62 placing it in a percentile of 43 relative to our sample of 16,000 companies globally, which is a moderate result.	Red flags are normally triggered by a score between +30 and +50 which suggests an aggressively deteriorating financial ratio. These are highlighted in red below.

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## Appendices

### Appendix 1: Beneish M-Score

	Calculation	FY13	FY14	FY15	FY16	FY17	Y/FY17	Index Calculation	Comments on latest period
Days Sales in Receivables Index	$+(0.92 \times 0.95)$	0.93	0.81	0.99	0.96	0.95	0.95	$(\text{Net Receivables}_t / \text{Sales}_t) / \text{Net Receivables}_{t-1} / \text{Sales}_{t-1}$	Receivables of 52 days have fallen by 2 days YoY
Gross Margin Index	$+(0.528 \times 0.99)$	0.97	0.97	0.99	0.99	0.99	0.99	$[(\text{Sales}_{t-1} - \text{COGS}_{t-1}) / \text{Sales}_{t-1}] / [(\text{Sales}_t - \text{COGS}_t) / \text{Sales}_t]$	12m Trailing Gross Margin of 47% has improved by 0.3ppts YoY
Asset Quality Index	$+(0.404 \times 0.80)$	0.91	2.77	1.26	0.97	0.80	0.80	$[1 - (\text{Curr Ass}_t + \text{PP\&E}_t + \text{Sec}_t) / \text{Assets}_t] / [1 - (\text{Curr Ass}_{t-1} + \text{PP\&E}_{t-1} + \text{Sec}_{t-1}) / \text{Assets}_{t-1}]$	Other LT Assets/Total Assets of 12.7% has fallen by 3.3ppts YoY
Sales Growth Index	$+(0.892 \times 1.04)$	1.01	1.25	1.11	1.02	1.04	1.04	$\text{Sales}_t / \text{Sales}_{t-1}$	12m Trailing Sales have risen 4% YoY
Depreciation Index	$+(0.115 \times 1.01)$	1.06	0.82	0.96	0.92	1.01	1.01	$(\text{Depr}_{t-1} / (\text{PP\&E}_{t-1} + \text{Depr}_{t-1})) / (\text{Depr}_t / (\text{PP\&E}_t + \text{Depr}_t))$	12m Trailing Depreciation/Sales of 17.6% has fallen by 0.1ppts YoY
SG&A Index	$-(0.172 \times 0.99)$	0.96	1.01	1.02	0.99	0.99	0.99	$(\text{SG\&A Expense}_t / \text{Sales}_t) / (\text{SG\&A Expense}_{t-1} / \text{Sales}_{t-1})$	12m Trailing SG&A/Sales of 36.4% have risen by 0.5ppts YoY
Total Accruals to Total Assets	$-(4.679 \times 0.06)$	-0.11	-0.03	0.04	-0.04	-0.06	-0.06	$\text{Profit from Continuing Ops}_t - \text{Cash Flows from Ops}_t / \text{Total Assets}_t$	Total Accruals (Net Profit less CFO)/Total Assets are -6%
Leverage Index	$-(0.327 \times 0.91)$	0.92	0.86	1.05	1.10	0.91	0.91	$[(\text{Curr Liab}_t + \text{Total LT Debt}_t) / \text{Total Ass}_t] / [(\text{Curr Liab}_{t-1} + \text{Total LT Debt}_{t-1}) / \text{Total Ass}_{t-1}]$	LT Debt + Current Liabilities/Total Assets of 20% have risen by 1.8ppts YoY
<b>Beneish M-Score for Y/FY17</b>	<b>-4.84 =</b>	<b>-3.05</b>	<b>-1.84</b>	<b>-2.12</b>	<b>-2.74</b>	<b>-2.82</b>	<b>-2.82</b>	<b>An M-Score of &gt;-2.22 signals that the company is likely to be a manipulator</b>	<b>Beneish M-Score of -2.82 in Y/FY17 suggests no profit manipulation</b>

### Appendix 2: Montier C-Score

	FY13	FY14	FY15	FY16	FY17	Y/FY17	Point Calculation	Comments
Profit	0	1	1	0	0	0	A growing divergence between Profit and Operating Cash Flow (1 point)	12m Trailing Accruals Margin of 9.6% has improved from 3.5% YoY
Receivables	0	0	0	0	0	0	Receivable Days are increasing (1 point)	Receivables of 51 days have fallen by 2 days YoY
Inventory	0	0	1	1	0	0	Inventory Days are increasing (1 point)	Inventory of 19 days has fallen by 2 days YoY
Other current assets	0	0	0	0	1	1	Other Current Assets to Sales are increasing (1 point)	Other Current Assets/Sales of 2% have risen by 0.5ppts YoY
Depreciation	1	0	0	0	1	1	Depreciation relative to PPE jobs usfa bs	Depreciation of 11.9yrs has risen by 0.7yrs YoY
Asset growth	1	1	0	0	0	0	High asset growth in excess of 10% (1 point)	Asset growth of 10% is below 10%
<b>Montier's C-Score</b>	<b>2</b>	<b>2</b>	<b>2</b>	<b>1</b>	<b>2</b>	<b>2</b>	<b>Score 0-1 is good; 2-4 is average, 5-6 is bad</b>	<b>A C-Score of 2/6 slightly better than average</b>

### Appendix 3: Piotroski F-Score

	FY13	FY14	FY15	FY16	FY17	Y/FY17	Point Calculation	Comments
Net Income Score	1	1	1	1	1	1	Positive Return on Assets in the current year (1 point)	12m Trailing Return on Assets of 10%
Operating Cash Flow Score	1	1	1	1	1	1	Positive Operating Cash Flow in the current year (1 point)	12m Trailing CFO Margin of 13.8%
Return on Assets Score	0	1	1	1	0	0	Higher Return on Assets than previous year (1 point)	12m Trailing ROA has fallen to 10% from 10.1% YoY
Quality of Earnings Score	1	1	0	1	1	1	Operating Cash Flow are greater than ROA (1 point)	12m Trailing CFO Margin of 13.8% is above Net Profit Margin of 8.6%
Long-Term Debt to Assets Score	1	0	0	1	1	1	Lower ratio of Long Term Debt than previous year (1 point)	LT Debt/Total Assets has fallen to 0% from 1% YoY
Current Ratio Score	0	0	1	1	0	0	Higher Current Ratio this year compared to the previous year (1 point)	Current Ratio has fallen to 3.64x from 3.89x YoY
Shares Outstanding Score	0	0	1	0	1	1	No new shares were issued in the last year (1 point)	Increased number of shares by 0.2%
Gross Margin Score	1	1	1	1	1	1	A higher Gross Margin compared to the previous year (1 point)	12m Trailing Gross Margin of 47% has improved by 0.3ppts YoY
Asset Turnover Score	0	1	1	0	0	0	A high Asset Turnover ratio compared to the previous year (1 point)	Asset turnover has fallen to 1.17x from 1.23x YoY
<b>Piotroski F-Score</b>	<b>5</b>	<b>6</b>	<b>7</b>	<b>7</b>	<b>6</b>	<b>6</b>	<b>Score 0-1 weak and deteriorating; 8-9 strong and improving</b>	<b>An F-Score of 6/9 suggests financials are improving</b>

### Appendix 4: Altman Z-Score

	FY13	FY14	FY15	FY16	FY17	Y/FY17	Altman Z-Score for a manufacturing company	Comments
Solvency	0.92	0.80	0.65	0.69	0.71	0.71	Working Capital (Current Assets less Current Liabilities)/Tangible Assets	Ability to meet short term obligations
Cumulative profitability	1.04	1.11	1.18	1.18	1.10	1.10	Retained Earnings/Tangible Assets	Determines cumulative historic profitability
Profitability	0.28	0.42	0.50	0.47	0.43	0.43	EBIT/Tangible Assets	Measures earnings away from the effects of taxes and leverage
Market confidence	4.63	4.27	4.71	5.65	5.38	5.38	Market Capitalisation/Total Liabilities	Whether a firm's value able to cover liabilities
Efficiency	1.08	1.33	1.42	1.31	1.22	1.22	Sales/Tangible Assets	An asset turnover metric to measure efficiency
Leverage	na	na	na	na	na	na	Book Value of Equity/Total Liabilities	Leverage
<b>Altman Z-Score for Y/FY17</b>	<b>7.96</b>	<b>7.92</b>	<b>8.46</b>	<b>9.31</b>	<b>8.85</b>	<b>8.85</b>	<b>Anything &lt;1.81 for a manufacturer or &lt;1.11 for other companies is problematic</b>	<b>Safe Zone: Financially sound</b>

### Appendix 5: Acquisition Accounting

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	Point Calculation	FY13	FY14	FY15	FY16	FY17	Y/FY17	Point Calculation	Comments
Material acquisition?	1 point	0	1	0	0	0	0	An acquisition in excess of 5% of sales.	No recent material acquisitions (>5% sales)
Rise in intangible assets -1yr?	1 point	0	1	0	0	0	0	Either a rise in Intangible Assets over 1 year	na
Material intangibles on balance sheet?	1 point	1	1	1	1	1	1	Or Intangibles are >=50%ile relative to peers	Intangible Assets/Sales of 8% are in the 78%ile
Rise in deferred tax assets -1yr?	1 point	0	1	1	1	0	0	Either a rise in Deferred Tax Asset over 1 year	na
Large deferred tax assets	1 point	1	1	1	1	1	1	Or a large Deferred Tax Asset in the 80%ile relative to industry peers	DTA/Sales of 4.6% is in the 91%ile relative to industry peers
<b>Acquisition Accounting</b>		<b>2</b>	<b>3</b>	<b>2</b>	<b>2</b>	<b>2</b>	<b>2</b>	<b>A score of 3 suggests possibility of acquisition accounting to inflate profits</b>	<b>Possible earnings manipulation through acquisition accounting</b>

# GMT Research Accounting Screen



## Appendix 6: Debt Window Dressing

	FY13	FY14	FY15	FY16	FY17	Y/FY17	Point Calculation	Comments
Has high debt repayment/ST debt?	1	1	1	1	1	1	Debt Repayment relative to the ST Debt one year prior is in excess of 130%	Debt Repayment/ST Debt -1FY of 1000% is in the 92%ile relative to global peers
Has high effective interest rate?	0	1	0	0	0	0	Effective Interest Rate is in excess of the 80%ile relative to country peers	Effective Int Rate of 6.1% is in the 48%ile relative to country peers
Has moderate debt?	0	0	0	0	0	0	If Debt to Sales >15%ile of industry peers	na
<b>Window Dressing</b>	<b>1</b>	<b>2</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>A score of 3 suggests strong likelihood of window dressing</b>	<b>Unlikely to be debt window dressing</b>

## Appendix 6a: Investment Window Dressing

	FY13	FY14	FY15	FY16	FY17	Y/FY17	Point Calculation	Comments
High level of investment repayment/sales?	0	1	0	0	0	0	If Invest Repay/Sales in excess of the 80%ile relative to industry peers	Inv. Repayment/Sales of 1% is in the 67%ile relative to industry peers
High inv. repay./investments -1FY?	1	1	1	1	1	1	If Invest Repay in excess of 100% of previous year's Investments	Investment Repayment/Investment -1FY of 7687%
<b>Window Dressing Investments</b>	<b>0</b>	<b>2</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>A score of 2 suggests a strong possibility of window dressing</b>	<b>Unlikely to be window dressing investments</b>

## Appendix 7: Fake Cash Flow

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	Point Calculation	FY13	FY14	FY15	FY16	FY17	Y/FY17	Point Calculation	
High operating margin	Critical criteria: 1	0	0	0	0	0	0	Operating Margin >80%ile relative to industry peers	A 12m Trailing Operating Margin of 11% is in the 64%ile
High return on production assets	point	0	0	1	1	1	1	Op Profit/(PPE + Inv) in the >80%ile relative to industry peers	A 12m Return on Production Assets of 36% is in the 81%ile
High level of non-production assets	1 point	1	0	0	0	1	1	(Total Assets-Production Assets)/(COGS or Sales) >80%ile versus peers	Non Production Assets/COGS (or Sales) of 110% is in the 73%ile
Build-up of non-production assets		0	0	0	0	0	0	Increase in Non Prod Assets rel to Sales or COGS >80%ile peers	Non Production Assets/COGS (or Sales) changed by 17% over 1 year
Low dividends and buybacks	1 point	1	0	0	1	0	0	Dividends and Buybacks are less than 30% profit	Dividends and buybacks of 41%
A relatively unknown auditor		0	0	0	0	0	0	Relatively obscure auditor	Well known auditor: Deloitte & T
Incorporation and Domicile		0	0	0	0	0	0	Different country of incorporation vrs domicile	Country of incorporation (United States) is same as domicile (United States).
Debt structure	1pt if >1	1	0	0	0	1	1	If Short Term Debt >75% Total Debt, or no debt at all	No Debt
Sector		1	1	1	1	1	1	Operates in sector prone to fraud	Textiles, Apparel & Luxury Goods industry is prone to fraud.
<b>Fake Cash Flow Fraud</b>	<b>Max 4pts</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>3</b>	<b>A score of 3 or 4 is problematic and requires further investigation</b>	<b>Medium Fraud Alert: 23% of frauds score 3 points and 10% of all companies</b>

## Appendix 8: Excess Capital Raising

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(USDm)	FY13	FY14	FY15	FY16	FY17	FY13-17
Sales	+1,685	+2,101	+2,326	+2,377	+2,466	+10,955
- OPCF	+274	+186	+95	+275	+341	+1,171
- Capex	(69)	(60)	(70)	(50)	(53)	(302)
- Dividends (incl MI at subs)	(31)	(40)	(44)	(48)	(51)	(214)
- Buybacks	+0	(15)	(70)	(0)	(36)	(121)
- (Acquisitions)/disposals	+0	(188)	+0	+0	+0	(188)
<b>= Net internal cash generation</b>	<b>+174</b>	<b>(118)</b>	<b>(88)</b>	<b>+177</b>	<b>+202</b>	<b>+346</b>
<b>Externally generated cash flows</b>						
- Debt issuance, net	(0)	+16	+2	(2)	(14)	+2
- Equity issuance	+21	+27	+25	+13	+20	+107
<b>= Net external financing</b>	<b>+21</b>	<b>+43</b>	<b>+27</b>	<b>+11</b>	<b>+6</b>	<b>+109</b>
<b>Net surplus/(deficit)</b>	<b>+195</b>	<b>(74)</b>	<b>(61)</b>	<b>+188</b>	<b>+207</b>	<b>+455</b>
Net flows/Sales (%)	+12	(4)	(3)	+8	+8	4
Relative to Global Sector (%ile):						70%
Av. cash balance/sales (%)	26	23	17	19	27	
Relative to Global Sector (%ile)	82%	78%	68%	73%	82%	
Core cash required (10% of Sales):						80
Surplus cash at year end (cash balance less core cash):						688
Possible fake cash flow over past 5yrs (only if 5yr surplus is greater than zero):						455
Possible fake cash/excess cash balance (%):						66
Maintains unusually high Cash Balance at 27% of Sales but otherwise OK.						

## Appendix 9: Debt Reconciliation

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(USDm)	FY13	FY14	FY15	FY16	FY17	FY13-17
Balance sheet (BS) debt YE	0	16	17	14	0	
Change in debt: BS	(0)	+16	+1	(3)	(14)	(0)
Change in debt: Cash flow (CF)	(0)	16	2	(2)	(14)	+2
<b>Unrec chg BS and CF debt</b>	<b>+0</b>	<b>(0)</b>	<b>(1)</b>	<b>(1)</b>	<b>+0</b>	<b>(2)</b>
Unrec chg/total debt (%)	+0	(3)	(4)	(7)	+0	0
Possible reason:	ok	ok	ok	ok	ok	
No material unreconcilable changes in debt in the last 5 years.						
<b>Reasons:</b>						
- Assets paid with debt (such as operating leases) is a non-cash item. Capex should be restated.						
- Proceeds raised from convertible bonds (CBs) are sometimes regarded as equity, not debt.						
- Large acquisitions can lead to difficulties in reconciling debt.						
- If no reason is found, further work is needed.						

## Appendix 10: Ownership Type (latest Bloomberg data)

	(%)	Active Versus Passive	
Individual	59	Free Float (%)	43
Investment Advisor	35	No. Instit. Owners	311
Hedge Fund Manager	3	Institutional (%)	40
Pension Fund (ERISA)	1	- <b>Passive Instit. (ETFs) (%)</b>	<b>18</b>
Bank	1	- <b>Active Instit. (%)</b>	<b>22</b>
Other	1		

## Appendix 11: Insiders (latest Bloomberg data)

		Comment
Insider Shares O/S (%)	21.58	
Chg Insider Hldgs -6m (%)	0.10	Changes in insider holdings can be due to options, etc. as opposed to actively buying or selling
Number of Insider Shares Purchased (m)	+0.0	shares
Number of Insider Shares Sold (m)	-0.1	
Average Purchase Price of Insider Shares	0.00	Current share price is USD78.97
Average Sell Price of Insider Shares	76.50	
Shares Outstanding (m)	70	
Insider Shares Traded -6m/Total Shares (%)	0.00	

## Appendix 12: Comprehensive Income (latest Bloomberg data)

	(USDm)	Comment
Comprehensive Income	119	
<b>Less:</b>		
Net Income/Net Profit (Losses)	105	
<b>Other comprehensive income comprised of:</b>		
na	na	Other comprehensive income is 13% of income which is within normal range. Able to reconcile all but 13% of other comprehensive income which is within the normal range.
na	na	
na	na	
na	na	
na	na	
na	na	
na	na	
Amount unable to reconcile:	14	