

GMT Research Accounting Screen



Short Name	Fila Korea Ltd	Description:	Relevant GMT Research Reports (please go to our website and login):
GICS Ind Name	Textiles, Apparel & Luxury Goods	Fila Korea Ltd. imports and wholesales a variety of textile and apparel products. The Company's products include men's, women's, and children's activewear, sportswear, undergarment, and footwear.	
GICS Industry	252,030		
Cntry of Dom	KR		
Most Recent Balance Sheet Period	2017 Y		
Ticker	081660 KS		
Latest Period	Y		
Current Fiscal Year	2017		
Well known auditor:	Samil Pricew		
Numbe of auditors in past 5yrs:	2	Samil Pricew. Samil.	
Country of incorporation:	Country of incorporation (South Korea) is same as domicile (South Korea).		
Country of financials:	Currency of financials (Korean Won) is same as country of risk (South Korea).		
Profit Manipulation		Latest financials complete	
Profit Manipulation: Beneish M-Score (See App 1)		Beneish M-Score of -1.55 in Y/FY17 suggests likely profit manipulation, triggered by: High sales growth.	
Cooking the Books: Montier's C-Score (App 2)		A C-Score of 0/6 implies improving financials and unlikely manipulating profit.	
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 8.04 is in the Safe Zone: Financially sound.	
Accounting Shenanigans			
Acquisition Accounting (App 5)	Global screen	Possible earnings manipulation through acquisition accounting in FY16 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 0/4 in Y/FY17. 64% of companies score similarly and just 2.4% of frauds. Rest easy. Triggered Fake Cash Flow in last 5yrs?: FY14 FY13	
Excess Capital Raising (App 8)	Global screen	Net flows over 5yrs at 2% of Sales are normal.	
Debt Reconciliation (App 9)	Global screen	Material unreconcilable change of debt in 2 of the last 5 years.	
Other Financial Items			
Number of Red Flags (Out of a possible 75)		Triggers 20 red flags in the last financial period which is high.	
Cash Balance		Cash & STI of KRW132.3bn is within normal range.	
Restricted Cash		Restricted Cash of KRW0bn is within normal range.	
Receivables		Receivables of KRW376bn are equal to 15% of Sales which is in within normal range.	
Doubtful Debts		Delinquency at 0% of total receivables are within normal range.	
Payables		Large Payables of KRW349.2bn equal to 18% of Sales are in the 86%ile relative to peers, can be a sign of hidden debt.	
Inventory		Inventories of KRW578.4bn are equal to 23% 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 KRW25.1bn, equal to 1% of Sales, raise the risk of illegal cash extraction.	
Capitalisation of Expenses		Capitalised expenses relative to pre-tax profits (1.3%) are within normal range.	
Affiliate Investments		Investments in Associates of KRW26.6bn are equal to 2% of equity and 6% of OP, within normal range.	
Auditing Costs		Auditing expenses of 1.4bp of sales are unusually low in the 9%ile relative to peers, suggesting a poor audit.	
Deferred Tax Assets		Large Deferred Tax Assets/Sales of 4% in the 86%ile relative to peers, might reflect losses at subsidiaries or of Acquisition Accounting.	
Deferred Tax Liabilities		Deferred Tax Liabilities/Sales of 12% are within normal range.	
Derivatives		Derivatives equal to 0% of equity within normal range.	
Other Large Curious Assets and/or Liabilities		Large Other LT Liabilities of KRW212.4bn include Pension Liabilities of KRW163.4bn.	
Depn & Amort		Within normal range.	
Interest Cover		EBIT Interest Cover of 4.1x is within normal range.	
Leverage		Total Debt/Profit of 17.6x is too high.	
Related Party Fraud		No evidence of related party transactions.	
Other Tests:		Evidence of share price manipulation as 20 day MA Bid/Ask VWAP in excess of 60% for 4% of the time over last 6m. New CEO. No or new CFO. Unable to reconcile 87% of other comprehensive income which is unusually high. Other comprehensive income is -209% of income which is unusually high.	

Short-Seller's Report (for Asian companies only)

Summary of accounting risk for Y/FY17

- Profit manipulation	Normal
- Financial position	Strong: Piotroski.
- General accounting	Problematic accounting with 20 red flags
- Shenanigans	No evidence
= Accounting risk:	Medium

This spreadsheet expires on 30th June 2018, in 66 days.

GMT Research Accounting Screen



Ratios		Global/Sector/ Country		Fila Korea Ltd 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			
Balance Sheet: Assets											(0-100%)	(+/-50%)	(+/-50%)			
Av Cash & Equiv./Sales (%)	GICS Industry	5.6	10.2	7.6	-4.6	-2.0	3.2	10.4	24.0	379	30%	+41%	+25%	Fallen over 1yr.		
Unrestricted Cash/COGS (%)	GICS Industry	8.3	27.3	14.3	-18.9	-5.9	5.1	16.6	40.3	314	27%	+23%	+11%			
ST Investments/Sales FY (%)	GICS Industry	1.0	0.0	0.0	+1.0	+1.0	0.1	1.6	8.5	172	42%	+26%	+18%	ST Investments/Sales FY (%) present.		
Av. Trade & Notes Rec/Sales (%)	GICS Industry	15.1	26.5	12.1	-11.5	+2.9	7.2	12.1	20.0	356	64%	-50%	+29%			
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	22.9	63.0	23.3	-40.1	-0.4	13.0	19.6	29.8	375	62%	-50%	-12%			
Inventory Days	GICS Industry	168	277	155	-109	+13	62	103	187	314	76%	-49%	+15%			
Finished Goods/Inventory (%)	GICS Industry	84	86	100	-1.8	-15.9	33	60	89	417	73%	-27%	-48%			
Av. Other ST Assets/Sales (%)	GICS Industry	1.8	3.7	2.4	-1.8	-0.6	2.0	3.6	7.4	376	17%	-41%	-18%			
PPE/Sales (%)	GICS Industry	13.2	20.1	5.1	-6.9	+8.1	9.2	22.8	45.7	360	32%	-44%	+31%	Fallen over 1yr. Risen over 3yrs.		
Affiliate Inv/Equity (%)	Global	2.2	1.3	31.2	+0.8	-29.1	0.5	3.0	13.1	7,896	43%	+28%	-49%			
LT Inv & Rec/Sales (%)	GICS Industry	0.2	0.1	0.1	+0.0	+0.0	0.2	1.5	10.0	249	17%	+4%	-6%			
Deferred Tax Assets/Sales FY (%)	GICS Industry	3.5	4.2	2.5	-0.7	+1.1	0.2	0.9	2.7	277	86%	-44%	+29%	Deferred Tax Assets/Sales FY (%) high.		
Prepaid Expenses/Sales (%)	GICS Industry	1.0	2.9	0.3	-1.9	+0.7	0.3	1.3	3.4	167	40%	-45%	+30%	Risen over 3yrs.		
Prepaid Expenses/Inventory (%)	GICS Industry	4.3	4.6	1.1	-0.3	+3.3	1.2	3.7	10.7	99	54%	-12%	+38%	Risen over 3yrs.		
Intangibles/Sales FY (%)	GICS Industry	56.9	64.3	15.1	-7.4	+41.8	0.1	1.0	9.2	316	97%	-50%	+48%	Intangibles/Sales FY (%) high. Risen over 3yrs.		
Av. Other LT Assets/Sales FY (%)	GICS Industry	1.5	1.6	0.1	-0.1	+1.4	0.4	1.8	5.8	332	45%	-22%	+22%			
Av. Assets/Sales (%)	GICS Industry	128	226	126	-97.9	+1.9	65.5	95.1	139.4	380	74%	-50%	-7%			
Balance Sheet: Liabilities and Equity																
Av. Payables (Trade, Bills, Accr/Sales (%)	GICS Industry	17.7	33.7	12.3	-16.0	+5.4	5.3	10.0	15.5	379	86%	-50%	+41%	Av. Payables (Trade, Bills, Accr/Sales (%) high. Risen over 3yrs.		
Trade Payable Days	GICS Industry	45	44	58	+1.4	-12.7	24.5	45.6	81.5	348	49%	+5%	-39%			
ST Debt/Total Debt (%)	GICS Industry	25	50	29	-24.8	-4.6	37.0	69.8	100.0	342	13%	-40%	-11%			
Av. Other ST Liabs/Sales (%)	GICS Industry	2.3	4.2	2.0	-1.9	+0.3	3.8	6.8	10.9	380	8%	-41%	+1%			
Av. Deferred Tax Liab/Sales FY (%)	GICS Industry	11.8	13.0	0.0	-1.2	+11.7	0.7	3.6	12.1	256	79%	-47%	+48%	Risen over 3yrs.		
Av. Other LT Liabs/Sales (%)	GICS Industry	8.4	9.6	2.8	-1.2	+5.6	0.4	1.8	5.1	298	88%	-39%	+45%	Av. Other LT Liabs/Sales (%) high. 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	35.3	34.1	-0.9	+1.1	+36.2	0.3	2.4	11.4	9,628	95%	+35%	+49%	Minority/Total Equity (%) high. Risen over 1yr. Risen over 3yrs.		
Assets/Equity (x)	GICS Industry	2.5	2.6	1.8	-0.1	+0.6	1.4	1.8	2.6	373	76%	-25%	+41%	Risen over 3yrs.		
Balance Sheet: Other																
Av. GFA/D&A (yrs)	GICS Industry	8.6	17.4	10.6	-8.8	-1.9	8.4	14.3	22.8	371	21%	-48%	-36%			
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	178	331	141	-153	37	70.6	110.2	186.0	312	77%	-50%	+37%	Risen over 3yrs.		
Av. Gross Working Capital/Sales (%)	GICS Industry	61.9	113.4	51.5	-51.5	+10.4	40.4	53.6	72.2	379	65%	-50%	+24%			
Contingent Liab/Equity (%)	GICS Industry	3.1	2.4	0.5	+0.7	+2.5	2.0	13.6	59.2	253	25%	+14%	+19%			
Pension Liabilities/Equity (%)	Global	13.2	13.6	0.5	-0.3	+12.8	0.7	2.8	10.0	7,570	85%	-21%	+46%	Pension Liabilities/Equity (%) high. Risen over 3yrs.		
Net Derivatives/Equity (%)	Global	0.1	1.4	0.1	-1.3	+0.1	-1.4	0.0	1.1	2,405	64%	-33%	-1%			
Return on Production Assets (%)	GICS Industry	24.1	2.0	42.7	+22.1	-18.6	4.5	14.9	33.7	382	68%	-47%	+34%	Risen over 1yr. Fallen over 3yrs.		
Non-Prod. Assets/COGS FY (%)	GICS Industry	53.0	55.2	-2.2	-2.2	+55.2	34.6	67.1	132.2	299	38%	+29%	-34%	Risen over 3yrs.		
Gross Debt/Profit (x)	GICS Industry	17.6	Loss	5.0	na	+12.5	0.9	4.0	13.7	306	84%	na	+39%	Gross Debt/Profit (x) high. Risen over 3yrs.		
Income Statement																
											(0-100%)	(+/-50%)	(+/-50%)			
Sales/Employee (US\$)	GICS Industry	na	na	na	na	na	56,779	148,854	359,649	286	na	na	na			
Gross Margin (%)	GICS Industry	49.0	43.3	47.3	+6	+2	15	30	52	322	76%	-25%	-8%			
GM Volatility 5yrs (%)	GICS Industry	7.9					2.9	6.3	20.0	303	55%					
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	2.6	2.1	1.2	+0.6	+1.4	1.4	2.8	4.7	376	54%	-33%	-36%			
Operating Margin T12M (%)	GICS Industry	8.6	1.2	11.7	+7.4	-3.1	2.8	7.2	14.9	374	56%	-47%	+23%	Risen over 1yr.		
Non-Op Y/Op Y (%)	GICS Industry	2.2	4,222.0	17.2	-4,219.9	-15.0	2.9	10.4	36.5	329	15%	-50%	-34%			
EFF Int Rate less MLR (ppt)	Country	3.1	1.3	2.5	+1.8	+0.6	0.6	1.8	3.3	603	77%	+43%	+25%	Risen over 1yr.		
Cash Return less Policy Rate (ppt)	Country	-0.3	-0.3	-1.5	-0.0	+1.2	-0.3	2.1	9.6	671	19%	+6%	+26%	Cash Return less Policy Rate (ppt) low.		
Affil Y/Op Y (%)	Global	5.7	521.8	10.9	-516.1	-5.1	0.3	2.2	11.9	6,391	68%	-50%	-35%			
Eff Tax Rate (%)	Country	40.5	27.8	19.4	+12.7	+21.2	18.8	24.2	32.4	566	88%	+37%	+39%	Eff Tax Rate (%) high. Risen over 1yr. Risen over 3yrs.		
CF Tax/IS Tax (%)	GICS Industry	60.5	23.2	47.4	+37.4	+13.1	64.9	98.7	151.1	285	83%	-24%	-9%	CF Tax/IS Tax (%) low.		
X Items/Op Y (%)	Global	0.0					0.8	6.2	37.4	1,297	na					
Minority Int/Profit B4 MI (%)	Global	42.3	-3.9	2.8	+46.2	+39.5	-0.1	1.8	12.8	8,362	94%	+48%	+46%	Minority Int/Profit B4 MI (%) high. Risen over 1yr. Risen over 3yrs.		
Net Income Margin (%)	GICS Industry	2.5	33.4	7.4	-31.0	-4.9	1.3	4.7	11.2	383	69%	+50%	+35%	Fallen over 1yr. Fallen over 3yrs.		
Capitalised Int/PTP (%)	Global	0.3	na	na	na	na	0.0	0.0	0.0	13,642	88%	na	na			
Cap of Intang. Assets/PTP (%)	Global	1.3	1.9	0.9	-0.6	+0.4	0.9	4.0	16.7	728	25%					
EBIT Interest Cover (x)	GICS Industry	4.1	0.6	7.3	+3.4	-3.2	1.7	7.4	41.1	351	62%	-26%	+18%			

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Ratios		Global/Sector/ Country	Fila Korea Ltd 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		0.5	0.0	0.7	+0.5	-0.2	0.3	1.1	2.2	1,697	77%	-17%	+14%	
Cash Interest Exp./CFO (%)	GICS Industry		146.0	-377.5	29.9	+523.5	+116.0	0.2	4.8	25.8	271	96%	+48%	+43%	Cash Interest Exp./CFO (%) high. Fallen over 1yr. Fallen over 3yrs.
Capex/Sales (%)	GICS Industry		1.6	2.4	0.8	-0.9	+0.7	1.4	3.2	7.2	371	23%	-22%	+16%	
Decrease Investments/Sales (%)	GICS Industry		0.2	0.0	0.0	+0.2	+0.2	0.0	0.5	4.8	141	33%			
Other Investing Activities/Sales (%)	GICS Industry		0.6	25.4	5.1	-24.8	-4.4	0.1	1.1	4.4	292	38%			
Debt Repay/ST Debt -1FY (%)	Global		128	123	119	+4.9	+8.9	20.0	88.4	210.9	10,373	68%	+8%	+8%	
Free Cash Flow Margin (%)	GICS Industry		-0.4	-2.8	4.1	+2.4	-4.4	-4.2	2.4	8.7	377	66%	-12%	+26%	
FCF-Divs/Sales (%)	Global		-0.5	-3.1	3.8	+2.6	-4.3	-7.2	0.9	6.8	10,563	59%	-15%	+25%	FCF-Divs/Sales (%) low.
No. of Mat. Capital Inc -5yrs	Global		3					0.0	0.0	1.0	9,451	98%			No. of Mat. Capital Inc -5yrs high.
Other Fin. Activities/Sales (%)	GICS Industry		2.6	0.2	0.4	+2.4	+2.2	0.0	0.3	1.4	329	86%			Other Fin. Activities/Sales (%) high.
Corporate Governance												(0-100%)	(+/-50%)	(+/-50%)	
Auditing Exp/Sales (bp)	GICS Industry		1.4					2.5	6.3	13.2	179	9%			Auditing Exp/Sales (bp) low.
RPT Balances/Equity (%)	Global		0.0					0.3	1.9	11.0	1,434	na			
Number of Acq&Disp -5yrs	Global		4					0.0	3.0	5.0	12,251	66%			Number of Acq&Disp -5yrs high.
Acq&Disp Con./Sales Av. -5yrs (%)	Global		8.2					0.2	1.4	6.9	12,251	82%			Acq&Disp Con./Sales Av. -5yrs (%) high.
Executive Comp/Sales (bp)	GICS Industry		5.5					7.4	22.6	73.1	84	14%			
Executive Comp/PTP (bp)	GICS Industry		77.0					67.6	188.6	669.0	84	22%			
CEO Tenure (yrs)	Global		0.2					1.4	4.5	10.8	5,466	0%			CEO Tenure (yrs) low.
CFO Tenure (yrs)	Global		na					1.1	3.3	8.3	716	na			
Av. Executive Tenure (yrs)	Global		6.3					4.1	7.4	11.9	3,291	41%			
Av. Board Tenure (yrs)	Global		4.8					3.9	6.4	9.9	3,672	30%			

Source: GMT Research, Bloomberg

Summary of financials in Y/FY17

		Result: Very poor score. High number of red flags.	Explanation
Average Ratio Percentile Score (0 is good, 100 is bad)	56%	In Y/FY17, Fila Korea Ltd 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 83 relative to around 379 GICS industry peers globally, which is a very unusual result. The company triggered a total of 20 red flags out of 75 placing it in a percentile of 84 relative to our sample of 16,000 companies globally, which is a very unusual 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.
- Percentile vs Industry Peers (0% is good, 100% is bad)	83%		
Number of Red Flags (Out of a possible 75)	20		
- Percentile vs Global Peers (0% is good, 100% is bad)	84%		

Summary of change in financials over 1 year

		Result: Number of red flags normal.	Explanation
Number of Red Flags (Out of a possible 62)	10	Over the financial year prior to Y/FY17, Fila Korea Ltd triggered a total of 10 red flags out of 62 placing it in a percentile of 67 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.
- Percentile vs Global Peers (0% is good, 100% is bad)	67%		

Summary of change in financials over 3 yrs

		Result: High number of red flags.	Explanation
Number of Red Flags (Out of a possible 62)	18	Over the 3 financial years prior to Y/FY17, Fila Korea Ltd triggered a total of 18 red flags out of 62 placing it in a percentile of 96 relative to our sample of 16,000 companies globally, which is a very unusual 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.
- Percentile vs Global Peers (0% is good, 100% is bad)	96%		

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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	$+(0.92 \times 0.57)$	0.77	1.00	1.18	1.85	0.57	0.57	$(\text{Net Receivables}_t / \text{Sales}_t) / (\text{Net Receivables}_{t-1} / \text{Sales}_{t-1})$	Receivables of 55 days have fallen by 42 days YoY
Gross Margin Index	$+(0.528 \times 0.88)$	1.04	1.06	1.05	1.04	0.88	0.88	$[(\text{Sales}_{t-1} - \text{COGS}_{t-1}) / \text{Sales}_{t-1}] / [(\text{Sales}_t - \text{COGS}_t) / \text{Sales}_t]$	12m Trailing Gross Margin of 49% has improved by 5.7ppts YoY
Asset Quality Index	$+(0.404 \times 0.98)$	0.98	1.00	0.88	1.00	0.98	0.98	$[1 - (\text{Curr Ass}_t + \text{PP\&E}_t + \text{Sec}_t) / \text{Assets}_t] / [1 - (\text{Curr Ass}_{t-1} + \text{PP\&E}_{t-1} + \text{Sec}_{t-1}) / \text{Assets}_{t-1}]$	Other LT Assets/Total Assets of 52% has fallen by 1.2ppts YoY
Sales Growth Index	$+(0.892 \times 2.62)$	1.10	1.08	1.02	1.19	2.62	2.62	$\text{Sales}_t / \text{Sales}_{t-1}$	12m Trailing Sales have risen 162% YoY
Depreciation Index	$+(0.115 \times 0.32)$	0.89	0.98	1.09	3.27	0.32	0.32	$(\text{Depr}_{t-1} / (\text{PP\&E}_{t-1} + \text{Depr}_{t-1})) / (\text{Depr}_t / (\text{PP\&E}_t + \text{Depr}_t))$	12m Trailing Depreciation/Sales of 17% has risen by 11.5ppts YoY
SG&A Index	$-(0.172 \times 1.04)$	1.04	1.03	1.01	0.84	1.04	1.04	$(\text{SG\&A Expense}_t / \text{Sales}_t) / (\text{SG\&A Expense}_{t-1} / \text{Sales}_{t-1})$	12m Trailing SG&A/Sales of 40.4% have fallen by 1.7ppts YoY
Total Accruals to Total Assets	$+(4.679 \times 0.01)$	0.04	0.02	-0.16	-0.01	0.01	0.01	$\text{Profit from Continuing Ops}_t - \text{Cash Flows from Ops}_t / \text{Total Assets}_t$	Total Accruals (Net Profit less CFO)/Total Assets are 1%
Leverage Index	$-(0.327 \times 1.04)$	1.06	1.05	0.87	0.85	1.04	1.04	$[(\text{Curr Liab}_t + \text{Total LT Debt}_t) / \text{Total Ass}_t] / [(\text{Curr Liab}_{t-1} + \text{Total LT Debt}_{t-1}) / \text{Total Ass}_{t-1}]$	LT Debt + Current Liabilities/Total Assets of 51% have fallen by 2.2ppts YoY
Beneish M-Score for Y/FY17	-4.84 =	-2.46	-2.31	-3.02	-1.23	-1.55	-1.55	An M-Score of >-2.22 signals that the company is likely to be a manipulator	Beneish M-Score of -1.55 in Y/FY17 suggests likely profit manipulation

Appendix 2: Montier C-Score

	FY13	FY14	FY15	FY16	FY17	Y/FY17	Point Calculation	Comments
Profit	0	0	0	1	0	0	A growing divergence between Profit and Operating Cash Flow (1 point)	12m Trailing Accruals Margin of -1.3% has improved from -33.8% YoY
Receivables	0	1	1	1	0	0	Receivable Days are increasing (1 point)	Receivables of 54 days have fallen by 41 days YoY
Inventory	1	1	1	1	0	0	Inventory Days are increasing (1 point)	Inventory of 23 days has fallen by 40 days YoY
Other current assets	0	0	0	1	0	0	Other Current Assets to Sales are increasing (1 point)	Other Current Assets/Sales of 3.2% have fallen by 2.7ppts YoY
Depreciation	0	1	1	1	0	0	Depreciation relative to PPE jobs usfa bs	Depreciation of 8.6yrs has fallen by 8.8yrs YoY
Asset growth	1	0	0	1	0	0	High asset growth in excess of 10% (1 point)	Asset growth of -9% is below 10%
Montier's C-Score	2	3	3	6	0	0	Score 0-1 is good; 2-4 is average, 5-6 is bad	A C-Score of 0/6 implies improving financials and unlikely manipulating profit

Appendix 3: Piotroski F-Score

	FY13	FY14	FY15	FY16	FY17	Y/FY17	Point Calculation	Comments
Net Income Score	1	1	0	0	1	1	Positive Return on Assets in the current year (1 point)	12m Trailing Return on Assets of 2%
Operating Cash Flow Score	1	1	1	0	1	1	Positive Operating Cash Flow in the current year (1 point)	12m Trailing CFO Margin of 1.2%
Return on Assets Score	0	0	0	1	1	1	Higher Return on Assets than previous year (1 point)	12m Trailing ROA has risen to 2% from -2% YoY
Quality of Earnings Score	0	0	1	1	0	0	Operating Cash Flow are greater than ROA (1 point)	12m Trailing CFO Margin of 1.2% is below Net Profit Margin of 2.6%
Long-Term Debt to Assets Score	1	1	0	0	0	0	Lower ratio of Long Term Debt than previous year (1 point)	LT Debt/Total Assets has risen to 37% from 35% YoY
Current Ratio Score	1	1	0	0	1	1	Higher Current Ratio this year compared to the previous year (1 point)	Current Ratio has risen to 1.66x from 1.04x YoY
Shares Outstanding Score	1	0	0	0	0	0	No new shares were issued in the last year (1 point)	Increased number of shares by 7.1%
Gross Margin Score	0	0	0	0	1	1	A higher Gross Margin compared to the previous year (1 point)	12m Trailing Gross Margin of 49% has improved by 5.7ppts YoY
Asset Turnover Score	1	0	1	0	1	1	A high Asset Turnover ratio compared to the previous year (1 point)	Asset turnover has risen to 0.78x from 0.44x YoY
Piotroski F-Score	6	4	3	2	6	6	Score 0-1 weak and deteriorating; 8-9 strong and improving	An F-Score of 6/9 suggests financials are improving

Appendix 4: Altman Z-Score

	FY13	FY14	FY15	FY16	FY17	Y/FY17	Altman Z-Score for a company in emerging markets	Comments
Solvency	5.08	0.48	1.60	0.18	1.84	1.84	Working Capital (Current Assets less Current Liabilities)/Tangible Assets	Ability to meet short term obligations
Cumulative profitability	2.04	2.13	1.66	1.23	1.35	1.35	Retained Earnings/Tangible Assets	Determines cumulative historic profitability
Profitability	1.11	0.96	0.93	0.05	0.89	0.89	EBIT/Tangible Assets	Measures earnings away from the effects of taxes and leverage
Market confidence	na	na	na	na	na	na	Market Capitalisation/Total Liabilities	Whether a firm's value able to cover liabilities
Efficiency	na	na	na	na	na	na	Sales/Tangible Assets	An asset turnover metric to measure efficiency
Leverage	1.08	1.24	1.01	0.66	0.70	0.70	Book Value of Equity/Total Liabilities	Leverage
Altman Z-Score for Y/FY17	12.55	8.06	8.45	5.36	8.04	8.04	Anything <1.81 for a manufacturer or <1.11 for other companies is problematic	Safe Zone: Financially sound

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	0	0	1	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	1	1	0	0	Either a rise in Intangible Assets over 1 year	na
Material intangibles on balance sheet?		1	1	1	1	1	1	Or Intangibles are >=50%ile relative to peers	Intangible Assets/Sales of 57% are in the 97%ile
Rise in deferred tax assets -1yr?	1 point	1	1	1	1	0	0	Either a rise in Deferred Tax Asset over 1 year	na
Large deferred tax assets		1	1	1	1	1	1	Or a large Deferred Tax Asset in the 80%ile relative to industry peers	DTA/Sales of 3.5% is in the 86%ile relative to industry peers
Acquisition Accounting		2	2	2	3	2	2	A score of 3 suggests possibility of acquisition accounting to inflate profits	Possible earnings manipulation through acquisition accounting

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?	0	0	1	0	0	0	Debt Repayment relative to the ST Debt one year prior is in excess of 130%	Debt Repayment/ST Debt -1FY of 128% is in the 68%ile relative to global peers
Has high effective interest rate?	0	0	0	0	1	1	Effective Interest Rate is in excess of the 80%ile relative to country peers	Effective Int Rate of 4.6% is in the 79%ile relative to country peers
Has moderate debt?	1	1	1	1	1	1	If Debt to Sales >15%ile of industry peers	Debt/Sales of 45% is in the 80%ile relative to industry peers
Window Dressing	1	1	2	1	2	2	A score of 3 suggests strong likelihood of window dressing	Unlikely to be debt window dressing

Appendix 6a: Investment Window Dressing

	FY13	FY14	FY15	FY16	FY17	Y/FY17	Point Calculation	Comments
High level of investment repayment/sales?	0	0	0	0	0	0	If Invest Repay/Sales in excess of the 80%ile relative to industry peers	Inv. Repayment/Sales of 0% is in the 33%ile relative to industry peers
High inv. repay./investments -1FY?	0	1	1	0	1	1	If Invest Repay in excess of 100% of previous year's Investments	Investment Repayment/Investment -1FY of 1000%
Window Dressing Investments	0	0	0	0	0	0	A score of 2 suggests a strong possibility of window dressing	Unlikely to be window dressing investments

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 point	0	0	0	0	0	0	Operating Margin >80%ile relative to industry peers	A 12m Trailing Operating Margin of 9% is in the 56%ile
High return on production assets		1	1	0	0	0	0	Op Profit/(PPE + Inv) in the >80%ile relative to industry peers	A 12m Return on Production Assets of 24% is in the 68%ile
High level of non-production assets	1 point	1	0	0	1	1	1	(Total Assets-Production Assets)/(COGS or Sales) >80%ile versus peers	Non Production Assets/COGS (or Sales) of 165% is in the 86%ile
Build-up of non-production assets		1	1	1	1	1	1	Increase in Non Prod Assets rel to Sales or COGS >80%ile peers	Non Production Assets/COGS (or Sales) changed by -262% over 1 year
Low dividends and buybacks	1 point	1	1	0	0	1	1	Dividends and Buybacks are less than 30% profit	Dividends and buybacks of 4%
A relatively unknown auditor		0	0	0	0	0	0	Relatively obscure auditor	Well known auditor: Samil Pricew
Incorporation and Domicile		0	0	0	0	0	0	Different country of incorporation vrs domicile	Country of incorporation (South Korea) is same as domicile (South Korea).
Debt structure	1pt if >1	0	0	0	0	0	0	If Short Term Debt >75% Total Debt, or no debt at all	Short term debt is 25% of total debt
Sector		1	1	1	1	1	1	Operates in sector prone to fraud	Textiles, Apparel & Luxury Goods industry is prone to fraud.
Fake Cash Flow Fraud	Max 4pts	3	3	0	0	0	0	A score of 3 or 4 is problematic and requires further investigation	64% of companies score similarly and just 2.4% of frauds

Appendix 8: Excess Capital Raising

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(KRWm)	FY13	FY14	FY15	FY16	FY17	FY13-17
Sales	+736,136	+797,476	+815,750	+967,128	+2,530,324	+5,846,813
- OPCF	+65,663	+38,995	+27,423	(3,524)	+29,956	+158,513
- Capex	(8,198)	(6,780)	(13,301)	(31,430)	(41,649)	(101,358)
- Dividends (incl MI at subs)	(2,485)	(2,485)	(2,612)	(2,827)	(2,852)	(13,260)
- Buybacks	+0	+0	+0	+0	+0	+0
- (Acquisitions)/disposals	(41,590)	(39,740)	(47,222)	(237,858)	+0	(366,410)
= Net internal cash generation	+13,391	(10,010)	(35,712)	(275,638)	(14,545)	(322,515)
Externally generated cash flows						
- Debt issuance, net	+7,655	+2,390	+4,108	+373,859	+31,824	+419,835
- Equity issuance	+0	+10,175	+17,151	+1,996	+16,257	+45,580
= Net external financing	+7,655	+12,564	+21,259	+375,855	+48,081	+465,415
Net surplus/(deficit)	+21,046	+2,554	(14,453)	+100,217	+33,536	+142,900
Net flows/Sales (%)	+3	+0	(2)	+10	+1	2
Relative to Global Sector (%ile):						58%
Av. cash balance/sales (%)	7	8	7	10	6	
Relative to Global Sector (%ile)	34%	38%	34%	48%	30%	
Core cash required (10% of Sales):					13,767	
Surplus cash at year end (cash balance less core cash):					118,516	
Possible fake cash flow over past 5yrs (only if 5yr surplus is greater than zero):					142,900	
Possible fake cash/excess cash balance (%):					121	
Normal amounts of cash flow generated.						

Appendix 9: Debt Reconciliation

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(KRWm)	FY13	FY14	FY15	FY16	FY17	FY13-17
Balance sheet (BS) debt YE	281,607	293,233	313,973	1,176,834	1,146,632	
Change in debt: BS	+5,903	+11,626	+20,739	+862,861	(30,202)	+870,927
Change in debt: Cash flow (CF)	7,655	2,390	4,108	373,859	31,824	+419,835
Unrec chg BS and CF debt	(1,752)	+9,237	+16,632	+489,002	(62,026)	+451,092
Unrec chg/total debt (%)	(1)	+3	+5	+42	(5)	39
Possible reason:	ok	ok	None.	Acquisition?	ok	
Material unreconcilable change of debt in 2 of the last 5 years.						
Reasons:						
- 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	
Investment Advisor	62	Free Float (%)	72
Other	23	No. Instit. Owners	88
Government	9	Institutional (%)	66
Sovereign Wealth Fund	3	- Passive Instit. (ETFs) (%)	21
Holding Company	2	- Active Instit. (%)	45
Other	0		

Appendix 11: Insiders (latest Bloomberg data)

		Comment
Insider Shares O/S (%)	0.00	
Chg Insider Hldgs -6m (%)	-59.29	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)	-0.0	
Average Purchase Price of Insider Shares	0.00	Current share price is KRW123000
Average Sell Price of Insider Shares	102099.69	
Shares Outstanding (m)	12	
Insider Shares Traded -6m/Total Shares (%)	0.00	

Appendix 12: Comprehensive Income (latest Bloomberg data)

	(KRWm)	Comment
Comprehensive Income	(68,086)	
Less:		
Net Income/Net Profit (Losses)	62,388	
Other comprehensive income comprised of:		
Foreign Currency Trans. Adj.	(123,965)	Other comprehensive income is -209% of income which is unusually high. Unable to reconcile 87% of other comprehensive income which is unusually high.
Pension Related Adjustments	(46,331)	
Change In Fair Value of Derivatives	(14,643)	
Unrealized Gain (Loss) On Securities	424	
na	na	
na	na	
na	na	
Amount unable to reconcile:	54,042	