

GMT Research Accounting Screen



Short Name	Under Armour-A	Description:	Relevant GMT Research Reports (please go to our website and login):
GICS Ind Name	Textiles, Apparel & Luxury Goods	Under Armour, Inc. develops, markets, and distributes branded performance products for men, women, and youth. The Company designs and sells a broad offering of apparel and accessories made of synthetic microfibers.	
GICS Industry	252,030		
Cntry of Dom	US		
Most Recent Balance Sheet Period	2017 Y		
Ticker	UAA US		
Latest Period	Y		
Current Fiscal Year	2017		
Well known auditor:	Pricewaterho		
Nunbe of auditors in past 5yrs:	1		
Country of incorporation:	Country of incorporation (United States) is same as domicile (United States).		
Country of financials:	Currency of financials (US Dollar) is same as country of risk (United States).		
Profit Manipulation	Latest financials complete		
Profit Manipulation: Beneish M-Score (See App 1)	Beneish M-Score of -2.51 in Y/FY17 suggests no profit manipulation.		
Cooking the Books: Montier's C-Score (App 2)	A C-Score of 4/6 is slightly worse than average; watch out for: Rising receivables. Rising inventory. Rising OCA. Falling depreciation.		
Financial Position			
Strength of Financial Position: Piotroski F-Score (App 3)	An F-Score of 3/9 suggests financials are deteriorating owing to: ROA. Leverage. Current Ratio. Increase in Shares. Gross Margin. Asset Turnover.		
Risk of Default: Altman Z-Score (App 4)	An Altman Z-Score of 4.35 is in the Safe Zone: Financially sound.		
Accounting Shenanigans			
Acquisition Accounting (App 5)	Global screen	Possible earnings manipulation through acquisition accounting in FY15 FY13 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?: FY15 FY14	
Excess Capital Raising (App 8)	Global screen	Net flows over 5yrs at 0% 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 17 red flags in the last financial period which is normal.	
Cash Balance		Cash & STI of USD0.3bn is within normal range.	
Restricted Cash		Restricted Cash of USD0bn is within normal range.	
Receivables		Receivables of USD0.6bn are equal to 12% of Sales which is in within normal range.	
Doubtful Debts		Delinquency at 0% of total receivables are within normal range.	
Payables		Payables of USD0.9bn have been extended by 4ppts relative to Sales over the past year which can be a sign of manufactured cash flow.	
Inventory		Inventories of USD1.2bn have been extended by 4ppts relative to Sales over the past year which can be a sign of channel stuffing.	
Profit Manipulation: Gross Working Capital		An increase in working capital at 10% of sales owing to higher Inventories and Payables suggests inflated cash flows and/or profit over the past year.	
Cash Extraction Fraud: Prepaid Expenses		Prepaid Expenses of USD0.3bn are large relative to sales (5.2%) and inventory (22.2%), raising the risk of illegal cash extraction fraud.	
Capitalisation of Expenses		na	
Affiliate Investments		There are no investments in associates.	
Auditing Costs		No information available	
Deferred Tax Assets		Large Deferred Tax Assets/Sales of 4% in the 90%ile relative to peers, might reflect losses at subsidiaries or of Acquisition Accounting.	
Deferred Tax Liabilities		Deferred Tax Liabilities/Sales of 4% are within normal range.	
Derivatives		Derivatives equal to 0% of equity within normal range.	
Other Large Curious Assets and/or Liabilities		Within normal range.	
Depn & Amort		Within normal range.	
Interest Cover		EBIT Interest Cover of 0.8x is low.	
Leverage		Total Debt/Profit of 10.3x and assets to equity of 2x are within normal range.	
Related Party Fraud		No evidence of related party transactions.	
Other Tests:		New CFO. Unable to reconcile -29% of other comprehensive income which is unusually high. Other comprehensive income is -29% of income which is unusually high. Gross Margin volatility is unusually low at 2.3% in the 13%ile relative to peers which is sometimes a trait of frauds.	

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

Summary of accounting risk for Y/FY17

- Profit manipulation	High risk: Montier.
- Financial position	Weak: Piotroski.
- General accounting	Normal
- Shenanigans	No evidence
= Accounting risk:	High

This spreadsheet expires on 30th June 2018, in 70 days.

GMT Research Accounting Screen



Ratios		Global/Sector/ Country	Under Armour-A 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	5.7	3.9	15.2	+1.7	-9.6	3.2	10.4	24.0	379	30%	-19%	+43%	Fallen over 3yrs.	
Unrestricted Cash/COGS (%)	GICS Industry	11.4	9.7	37.7	+1.7	-26.3	5.1	16.6	40.3	314	37%	+2%	+25%		
ST Investments/Sales FY (%)	GICS Industry	0.0	0.0	0.0	+0.0	+0.0	0.1	1.6	8.5	172	na	na	na		
Av. Trade & Notes Rec/Sales (%)	GICS Industry	12.4	10.9	7.9	+1.4	+4.4	7.2	12.1	20.0	356	52%	+29%	+36%	Risen over 3yrs.	
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	23.3	19.0	17.4	+4.3	+5.9	13.0	19.6	29.8	375	63%	+38%	+36%	Risen over 1yr. Risen over 3yrs.	
Inventory Days	GICS Industry	138	120	117	+18	+22	62	103	187	314	67%	+35%	+26%	Risen over 1yr.	
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	4.2	3.2	3.9	+1.0	+0.3	2.0	3.6	7.4	376	56%	+28%	+1%		
PPE/Sales (%)	GICS Industry	17.0	13.9	8.6	+3.1	+8.4	9.2	22.8	45.7	360	39%	+29%	+32%	Risen over 3yrs.	
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	4.4	4.8	2.7	-0.4	+1.7	0.2	0.9	2.7	277	90%	-39%	+37%	Deferred Tax Assets/Sales FY (%) high. Risen over 3yrs.	
Prepaid Expenses/Sales (%)	GICS Industry	5.2	3.6	2.8	+1.5	+2.3	0.3	1.3	3.4	167	89%	+43%	+40%	Prepaid Expenses/Sales (%) high. Risen over 1yr. Risen over 3yrs.	
Prepaid Expenses/Inventory (%)	GICS Industry	22.2	19.0	16.2	+3.2	+5.9	1.2	3.7	10.7	99	92%	+38%	+43%	Prepaid Expenses/Inventory (%) high. Risen over 1yr. Risen over 3yrs.	
Intangibles/Sales FY (%)	GICS Industry	12.1	12.6	3.0	-0.5	+9.1	0.1	1.0	9.2	316	83%	-38%	+41%	Intangibles/Sales FY (%) high. Risen over 3yrs.	
Av. Other LT Assets/Sales FY (%)	GICS Industry	2.0	2.2	1.1	-0.3	+0.8	0.4	1.8	5.8	332	52%	-28%	+14%		
Av. Assets/Sales (%)	GICS Industry	77	67	60	+9.4	+17.3	65.5	95.1	139.4	380	31%	+26%	+20%		
Balance Sheet: Liabilities and Equity															
Av. Payables (Trade, Bills, Accr/Sales (%)	GICS Industry	14.8	10.5	10.7	+4.3	+4.2	5.3	10.0	15.5	379	76%	+45%	+37%	Risen over 1yr. Risen over 3yrs.	
Trade Payable Days	GICS Industry	59	41	42	+18.4	+17.6	24.5	45.6	81.5	348	64%	+42%	+31%	Risen over 1yr. Risen over 3yrs.	
ST Debt/Total Debt (%)	Global	17	3	10	+13.3	+6.4	13.0	44.2	88.3	13,723	23%	+35%	+20%	Risen over 1yr.	
Av. Other ST Liabs/Sales (%)	GICS Industry	0.8	0.9	0.9	-0.0	-0.1	3.8	6.8	10.9	380	1%	-6%	-8%		
Av. Deferred Tax Liab/Sales FY (%)	GICS Industry	3.6	3.7	2.8	-0.1	+0.8	0.7	3.6	12.1	256	49%	-24%	+26%		
Av. Other LT Liabs/Sales (%)	GICS Industry	3.3	2.7	1.4	+0.5	+1.9	0.4	1.8	5.1	298	67%	+8%	+35%	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	0.0	0.0	0.0	+0.0	+0.0	0.3	2.4	11.4	9,628	na	na	na		
Assets/Equity (x)	GICS Industry	2.0	1.8	1.6	+0.2	+0.4	1.4	1.8	2.6	373	58%	+35%	+36%	Risen over 1yr. Risen over 3yrs.	
Balance Sheet: Other															
Av. GFA/D&A (yrs)	GICS Industry	7.5	7.0	6.4	+0.5	+1.2	8.4	14.3	22.8	371	15%	-3%	-15%		
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	124	119	104	5	20	70.6	110.2	186.0	312	57%	+6%	+27%		
Av. Gross Working Capital/Sales (%)	GICS Industry	53.3	43.3	39.7	+10.0	+13.6	40.4	53.6	72.2	379	49%	+36%	+30%	Risen over 1yr. Risen over 3yrs.	
Contingent Liab/Equity (%)	GICS Industry	128.0	103.7	100.5	+24.2	+27.5	2.0	13.6	59.2	253	93%	+43%	+40%	Contingent Liab/Equity (%) high. Risen over 1yr. Risen over 3yrs.	
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	0.3	0.7	0.0	-0.4	+0.3	-1.4	0.0	1.1	2,405	69%	-23%	+6%		
Return on Production Assets (%)	GICS Industry	1.6	31.0	48.9	-29.4	-47.2	4.5	14.9	33.7	382	12%	+46%	+46%	Return on Production Assets (%) low. Fallen over 1yr. Fallen over 3yrs.	
Non-Prod. Assets/COGS FY (%)	GICS Industry	74.1	72.7	1.4	+1.4	+72.7	34.6	67.1	132.2	299	54%	+14%	-39%	Risen over 3yrs.	
Gross Debt/Profit (x)	GICS Industry	10.3	3.8	1.4	+6.5	+9.0	0.9	4.0	13.7	306	73%	+38%	+36%	Risen over 1yr. Risen over 3yrs.	
												(0-100%)	(+/-50%)	(+/-50%)	
Sales/Employee (US\$)	GICS Industry	314,972	317,456	288,259	-2,485	+26,713	56,779	148,854	359,649	286	74%	+8%	-31%	Risen over 3yrs.	
Gross Margin (%)	GICS Industry	45.0	46.4	49.0	-1	-4	15	30	52	322	70%	+18%	+19%		
GM Volatility 5yrs (%)	GICS Industry	2.3					2.9	6.3	20.0	303	13%			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	3.5	3.0	2.3	+0.5	+1.2	1.4	2.8	4.7	376	36%	-31%	-34%		
Operating Margin T12M (%)	GICS Industry	0.6	8.7	11.5	-8.1	-10.9	2.8	7.2	14.9	374	9%	+47%	+45%	Operating Margin T12M (%) low. Fallen over 1yr. Fallen over 3yrs.	
Non-Op Y/Op Y (%)	GICS Industry	226.0	8.8	3.6	+217.3	+222.4	2.9	10.4	36.5	329	96%	+48%	+47%	Non-Op Y/Op Y (%) high. Risen over 1yr. Risen over 3yrs.	
EFF Int Rate less MLR (ppt)	Country	2.9	3.2	2.6	-0.3	+0.3	3.5	5.2	7.7	1,652	13%	-6%	+29%	EFF Int Rate less MLR (ppt) low.	
Cash Return less Policy Rate (ppt)	Country	-1.2	-0.5	-0.1	-0.7	-1.1	0.1	0.7	3.5	1,091	0%	-34%	-33%	Cash Return less Policy Rate (ppt) low. Fallen over 1yr. Fallen over 3yrs.	
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	na	33.8	39.2	na	na	17.9	32.0	38.0	1,931	na	na	na		
CF Tax/IS Tax (%)	GICS Industry	97.3	103.5	77.0	-6.3	+20.3	64.9	98.7	151.1	285	52%	+11%	-14%		
X Items/Op Y (%)	Global	0.0					0.8	6.2	37.4	1,297	na				
Minority Int/Profit B4 MI (%)	Global	na	0.0	0.0	na	na	-0.1	1.8	12.8	8,362	na	na	na		
Net Income Margin (%)	GICS Industry	-1.0	5.3	6.7	-6.3	-7.7	1.3	4.7	11.2	383	92%	+45%	+42%	Net Income Margin (%) low. Fallen over 1yr. Fallen over 3yrs.	
Capitalised Int/PTP (%)	Global	na	0.5	0.1	na	na	0.0	0.0	0.0	13,642	na	na	na		
Cap of Intang. Assets/PTP (%)	Global	Loss making	0.0	0.0	na	na	0.9	4.0	16.7	728	na				
EBIT Interest Cover (x)	GICS Industry	0.8	14.7	59.7	-13.9	-59.0	1.7	7.4	41.1	351	88%	+38%	+41%	EBIT Interest Cover (x) low. Fallen over 1yr. Fallen over 3yrs.	

GMT Research Accounting Screen



Ratios		Global/Sector/ Country	Under Armour-A 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	Loss	1.4	1.1	na	na	na	0.3	1.1	2.2	1,697	na	na	na	
Cash Interest Exp./CFO (%)	GICS Industry	12.7	5.9	1.9	+6.8	+10.8	0.2	4.8	25.8	271	66%	+26%	+27%		
Capex/Sales (%)	GICS Industry	5.7	8.0	4.6	-2.3	+1.1	1.4	3.2	7.2	371	71%	-34%	+23%		
Decrease Investments/Sales (%)	GICS Industry	0.0	0.6	0.0	-0.6	+0.0	0.0	0.5	4.8	141	na				
Other Investing Activities/Sales (%)	GICS Industry	0.0	0.1	0.4	-0.1	-0.4	0.1	1.1	4.4	292	na				
Debt Repay/ST Debt -1FY (%)	Global	2,463	2,788	113	-324.5	+2,349.9	20.0	88.4	210.9	10,373	95%	-43%	+46%		Debt Repay/ST Debt -1FY (%) high. Risen over 3yrs.
Free Cash Flow Margin (%)	GICS Industry	-1.0	-0.5	2.5	-0.5	-3.5	-4.2	2.4	8.7	377	68%	+8%	+23%		
FCF-Divs/Sales (%)	Global	na	-0.5	na	na	na	-7.2	0.9	6.8	10,563	na	na	na		
No. of Mat. Capital Inc -5yrs	Global	0					0.0	0.0	1.0	9,451	na				
Other Fin. Activities/Sales (%)	GICS Industry	0.1	0.4	0.2	-0.3	-0.1	0.0	0.3	1.4	329	28%				
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	3					0.0	3.0	5.0	12,251	55%				
Acq&Disp Con./Sales Av. -5yrs (%)	Global	4.1					0.2	1.4	6.9	12,251	70%				
Executive Comp/Sales (bp)	GICS Industry	60.9					7.4	22.6	73.1	84	76%				
Executive Comp/PTP (bp)	GICS Industry	na					67.6	188.6	669.0	84	na				
CEO Tenure (yrs)	Global	22.3					1.4	4.5	10.8	5,466	95%				CEO Tenure (yrs) high.
CFO Tenure (yrs)	Global	0.9					1.1	3.3	8.3	716	15%				CFO Tenure (yrs) low.
Av. Executive Tenure (yrs)	Global	5.0					4.1	7.4	11.9	3,291	28%				
Av. Board Tenure (yrs)	Global	9.9					3.9	6.4	9.9	3,672	80%				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, Under Armour-A 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 17 red flags out of 75 placing it in a percentile of 79 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)	17		
- Percentile vs Global Peers (0% is good, 100% is bad)	79%		

Summary of change in financials over 1 year

Number of Red Flags (Out of a possible 62)	17	Result: High number of red flags.	Explanation
- Percentile vs Global Peers (0% is good, 100% is bad)	92%	Over the financial year prior to Y/FY17, Under Armour-A triggered a total of 17 red flags out of 62 placing it in a percentile of 92 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.

Summary of change in financials over 3 yrs

Number of Red Flags (Out of a possible 62)	24	Result: High number of red flags.	Explanation
- Percentile vs Global Peers (0% is good, 100% is bad)	99%	Over the 3 financial years prior to Y/FY17, Under Armour-A triggered a total of 24 red flags out of 62 placing it in a percentile of 99 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.

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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	$+(0.92 \times 1.13)$	0.98	0.96	1.13	1.22	1.13	1.13	$(\text{Net Receivables}_t / \text{Sales}_t) / (\text{Net Receivables}_{t-1} / \text{Sales}_{t-1})$	Receivables of 45 days have increased by 5 days YoY
Gross Margin Index	$+(0.528 \times 1.03)$	0.98	0.99	1.02	1.04	1.03	1.03	$[(\text{Sales}_{t-1} - \text{COGS}_{t-1}) / \text{Sales}_{t-1}] / [(\text{Sales}_t - \text{COGS}_t) / \text{Sales}_t]$	12m Trailing Gross Margin of 45% has deteriorated by 1.4ppts YoY
Asset Quality Index	$+(0.404 \times 0.81)$	2.27	0.80	2.52	0.83	0.81	0.81	$[1 - (\text{Curr Ass}_t + \text{PP\&E}_t + \text{Sec}_t) / \text{Assets}_t] / [1 - (\text{Curr Ass}_{t-1} + \text{PP\&E}_{t-1} + \text{Sec}_{t-1}) / \text{Assets}_{t-1}]$	Other LT Assets/Total Assets of 19.5% has fallen by 4.5ppts YoY
Sales Growth Index	$+(0.892 \times 1.03)$	1.27	1.32	1.28	1.22	1.03	1.03	$\text{Sales}_t / \text{Sales}_{t-1}$	12m Trailing Sales have risen 3% YoY
Depreciation Index	$+(0.115 \times 0.93)$	1.04	0.96	1.21	1.03	0.93	0.93	$(\text{Depr}_{t-1} / (\text{PP\&E}_{t-1} + \text{Depr}_{t-1})) / (\text{Depr}_t / (\text{PP\&E}_t + \text{Depr}_t))$	12m Trailing Depreciation/Sales of 16.4% has risen by 1.1ppts YoY
SG&A Index	$-(0.172 \times 0.85)$	0.98	1.00	0.99	1.00	0.85	0.85	$(\text{SG\&A Expense}_t / \text{Sales}_t) / (\text{SG\&A Expense}_{t-1} / \text{Sales}_{t-1})$	12m Trailing SG&A/Sales of 44.4% have risen by 6.6ppts YoY
Total Accruals to Total Assets	$+ (4.679 \times 0.04)$	0.03	-0.01	0.08	-0.04	-0.04	-0.04	$\text{Profit from Continuing Ops}_t - \text{Cash Flows from Ops}_t / \text{Total Assets}_t$	Total Accruals (Net Profit less CFO)/Total Assets are -4%
Leverage Index	$-(0.327 \times 0.89)$	0.88	0.93	0.84	0.95	0.89	0.89	$[(\text{Curr Liab}_t + \text{Total LT Debt}_t) / \text{Total Ass}_t] / [(\text{Curr Liab}_{t-1} + \text{Total LT Debt}_{t-1}) / \text{Total Ass}_{t-1}]$	LT Debt + Current Liabilities/Total Assets of 46% have risen by 5.1ppts YoY
Beneish M-Score for Y/FY17	-4.84 =	-1.58	-2.32	-1.04	-2.31	-2.51	-2.51	An M-Score of >-2.22 signals that the company is likely to be a manipulator	Beneish M-Score of -2.51 in Y/FY17 suggests no profit manipulation

Appendix 2: Montier C-Score

	FY13	FY14	FY15	FY16	FY17	Y/FY17	Point Calculation	Comments
Profit	1	0	1	0	0	0	A growing divergence between Profit and Operating Cash Flow (1 point)	12m Trailing Accruals Margin of 5.7% has improved from 2.2% YoY
Receivables	0	0	1	1	1	1	Receivable Days are increasing (1 point)	Receivables of 45 days have increased by 5 days YoY
Inventory	1	0	1	0	1	1	Inventory Days are increasing (1 point)	Inventory of 23 days has risen by 4 days YoY
Other current assets	1	1	0	0	1	1	Other Current Assets to Sales are increasing (1 point)	Other Current Assets/Sales of 4.3% have risen by 0.9ppts YoY
Depreciation	1	0	1	1	1	1	Depreciation relative to PPE jobs usfa bs	Depreciation of 7.5yrs has risen by 0.5yrs YoY
Asset growth	1	1	1	1	0	0	High asset growth in excess of 10% (1 point)	Asset growth of 10% is below 10%
Montier's C-Score	5	2	5	3	4	4	Score 0-1 is good; 2-4 is average, 5-6 is bad	A C-Score of 4/6 is slightly worse than average

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 2.3%
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 4.7%
Return on Assets Score	0	0	0	0	0	0	Higher Return on Assets than previous year (1 point)	12m Trailing ROA has fallen to 2.3% from 6.5% YoY
Quality of Earnings Score	0	1	0	1	1	1	Operating Cash Flow are greater than ROA (1 point)	12m Trailing CFO Margin of 4.7% is above Net Profit Margin of 1.8%
Long-Term Debt to Assets Score	0	0	0	1	0	0	Lower ratio of Long Term Debt than previous year (1 point)	LT Debt/Total Assets has risen to 23% from 22% YoY
Current Ratio Score	0	1	0	0	0	0	Higher Current Ratio this year compared to the previous year (1 point)	Current Ratio has fallen to 2.2x from 2.87x YoY
Shares Outstanding Score	0	0	0	0	0	0	No new shares were issued in the last year (1 point)	Increased number of shares by 0.8%
Gross Margin Score	1	1	0	0	0	0	A higher Gross Margin compared to the previous year (1 point)	12m Trailing Gross Margin of 45% has deteriorated by 1.4ppts YoY
Asset Turnover Score	0	0	0	0	0	0	A high Asset Turnover ratio compared to the previous year (1 point)	Asset turnover has fallen to 1.3x from 1.48x YoY
Piotroski F-Score	3	5	2	4	3	3	Score 0-1 weak and deteriorating; 8-9 strong and improving	An F-Score of 3/9 suggests financials are deteriorating

Appendix 4: Altman Z-Score

	FY13	FY14	FY15	FY16	FY17	Y/FY17	Altman Z-Score for a manufacturing company	Comments
Solvency	1.07	0.79	0.56	0.51	0.45	0.45	Working Capital (Current Assets less Current Liabilities)/Tangible Assets	Ability to meet short term obligations
Cumulative profitability	0.64	0.62	0.68	0.58	0.49	0.49	Retained Earnings/Tangible Assets	Determines cumulative historic profitability
Profitability	0.61	0.60	0.61	0.46	0.03	0.03	EBIT/Tangible Assets	Measures earnings away from the effects of taxes and leverage
Market confidence	10.57	11.70	8.73	4.74	1.93	1.93	Market Capitalisation/Total Liabilities	Whether a firm's value able to cover liabilities
Efficiency	1.63	1.59	1.80	1.60	1.46	1.46	Sales/Tangible Assets	An asset turnover metric to measure efficiency
Leverage	na	na	na	na	na	na	Book Value of Equity/Total Liabilities	Leverage
Altman Z-Score for Y/FY17	14.52	15.29	12.37	7.89	4.35	4.35	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	1	0	1	0	0	0	An acquisition in excess of 5% of sales.	No recent material acquisitions (>5% sales)
Rise in intangible assets -1yr?	1 point	1	1	1	0	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 12% are in the 83%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 4.4% is in the 90%ile relative to industry peers
Acquisition Accounting		3	2	3	2	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	1	1	1	Debt Repayment relative to the ST Debt one year prior is in excess of 130%	Debt Repayment/ST Debt -1FY of 2463% is in the 95%ile relative to global peers
Has high effective interest rate?	0	0	0	0	0	0	Effective Interest Rate is in excess of the 80%ile relative to country peers	Effective Int Rate of 4.3% is in the 18%ile relative to country peers
Has moderate debt?	0	1	1	1	1	1	If Debt to Sales >15%ile of industry peers	Debt/Sales of 18% is in the 43%ile relative to industry peers
Window Dressing	0	1	2	2	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	na
High inv. repay./investments -1FY?	0	0	1	1	0	0	If Invest Repay in excess of 100% of previous year's Investments	na
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 1% is in the 9%ile
High return on production assets		1	1	1	0	0	0	Op Profit/(PPE + Inv) in the >80%ile relative to industry peers	A 12m Return on Production Assets of 2% is in the 12%ile
High level of non-production assets	1 point	0	1	1	1	0	0	(Total Assets-Production Assets)/(COGS or Sales) >80%ile versus peers	Non Production Assets/COGS (or Sales) of 74% is in the 54%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 -3% over 1 year
Low dividends and buybacks	1 point	1	1	1	1	1	1	Dividends and Buybacks are less than 30% profit	Dividends and buybacks of 0%
A relatively unknown auditor		0	0	0	0	0	0	Relatively obscure auditor	Well known auditor: Pricewaterhouse
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	0	0	0	0	0	0	If Short Term Debt >75% Total Debt, or no debt at all	Short term debt is 17% 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	2	3	3	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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(USDm)	FY13	FY14	FY15	FY16	FY17	FY13-17
Sales	+2,332	+3,084	+3,963	+4,825	+4,977	+19,182
- OPCF	+120	+219	+15	+364	+234	+952
- Capex	(88)	(141)	(301)	(388)	(283)	(1,200)
- Dividends (incl MI at subs)	+0	+0	+0	(3)	+0	(3)
- Buybacks	+0	+0	+0	+0	+0	+0
- (Acquisitions)/disposals	(148)	(11)	(539)	+0	+0	(698)
= Net internal cash generation	(116)	+68	(826)	(26)	(49)	(950)
Externally generated cash flows						
- Debt issuance, net	+95	+131	+385	+157	+98	+865
- Equity issuance	+32	+53	+10	+0	+9	+104
= Net external financing	+127	+184	+395	+157	+107	+970
Net surplus/(deficit)	+11	+252	(431)	+131	+58	+20
Net flows/Sales (%)	+0	+8	(11)	+3	+1	0
Relative to Global Sector (%ile):						26%
Av. cash balance/sales (%)	15	15	9	4	6	
Relative to Global Sector (%ile)	63%	64%	45%	23%	30%	
Core cash required (10% of Sales):						33
Surplus cash at year end (cash balance less core cash):						280
Possible fake cash flow over past 5yrs (only if 5yr surplus is greater than zero):						20
Possible fake cash/excess cash balance (%):						7
Normal amounts of cash flow generated.						

Appendix 9: Debt Reconciliation

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(USDm)	FY13	FY14	FY15	FY16	FY17	FY13-17
Balance sheet (BS) debt YE	153	284	666	817	917	
Change in debt: BS	+91	+131	+382	+151	+100	+855
Change in debt: Cash flow (CF)	95	131	385	157	98	+865
Unrec chg BS and CF debt	(3)	+0	(3)	(6)	+2	(10)
Unrec chg/total debt (%)	(2)	+0	(0)	(1)	+0	(1)
Possible reason:	ok	ok	ok	ok	ok	
No material unreconcilable changes in debt in 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	89	Free Float (%)	99
Hedge Fund Manager	4	No. Instit. Owners	731
Bank	3	Institutional (%)	111
Pension Fund (ERISA)	2	- Passive Instit. (ETFs) (%)	33
Government	1	- Active Instit. (%)	78
Other	2		

Appendix 11: Insiders (latest Bloomberg data)

		Comment
Insider Shares O/S (%)	0.87	
Chg Insider Hldgs -6m (%)	0.19	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 USD16.1
Average Sell Price of Insider Shares	16.79	
Shares Outstanding (m)	442	
Insider Shares Traded -6m/Total Shares (%)	0.00	

Appendix 12: Comprehensive Income (latest Bloomberg data)

	(USDm)	Comment
Comprehensive Income	(34)	
Less:		
Net Income/Net Profit (Losses)	(48)	
<i>Other comprehensive income comprised of:</i>		
na	na	Other comprehensive income is -29% of income which is unusually high. Unable to reconcile - 29% of other comprehensive income which is unusually high.
na	na	
na	na	
na	na	
na	na	
na	na	
na	na	
Amount unable to reconcile:	14	