

GMT Research Accounting Screen



Short Name	Wolverine World	Description:	Relevant GMT Research Reports (please go to our website and login):
GICS Ind Name	Textiles, Apparel & Luxury Goods	Wolverine World Wide, Inc. manufactures and markets branded footwear and performance leathers. The Company's products include shoes, slippers, occupational and safety footwear, and performance outdoor footwear, among others.	
GICS Industry	252,030		
Cntry of Dom	US		
Most Recent Balance Sheet Period	2017 Y		
Ticker	WWW US		
Latest Period	Y		Short-Seller's Report (for Asian companies only)
Current Fiscal Year	2017		
Well known auditor:	Ernst & Youn		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: Piotrioski.
Country of financials:	Currency of financials (US Dollar) is same as country of risk (United States).		- General accounting Normal
			- Shenanigans No evidence
			= Accounting risk: Low
Profit Manipulation		Latest financials complete	This spreadsheet expires on 30th June 2018, in 66 days.
Profit Manipulation: Beneish M-Score (See App 1)		Beneish M-Score of -2.6 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 receivables. Falling depreciation.	
Financial Position			
Strength of Financial Position: Piotroski F-Score (App 3)		An F-Score of 7/9 suggests financials are improving.	
Risk of Default: Altman Z-Score (App 4)		An Altman Z-Score of 4.9 is in the Safe Zone: Financially sound.	
Accounting Shenanigans			
Acquisition Accounting (App 5)	Global screen	No evidence of acquisition accounting.	
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	
Excess Capital Raising (App 8)	Global screen	Net flows over 5yrs at 3% 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 16 red flags in the last financial period which is normal.	
Cash Balance		Cash & STI of USD0.5bn is within normal range.	
Restricted Cash		Restricted Cash of USD0bn is within normal range.	
Receivables		Receivables of USD0.3bn are equal to 11% of Sales which is in within normal range.	
Doubtful Debts		Delinquency at 0% of total receivables are within normal range.	
Payables		Large Payables of USD0.3bn are within normal range.	
Inventory		Inventories of USD0.3bn are equal to 12% 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 USD0bn are large relative to sales (1.9%) and inventory (16.4%), 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		Large Deferred Tax Liabilities/Sales of 27% in the 89%ile relative to peers suggest that profits reported to shareholders are higher than those reported to tax authorities.	
Derivatives		Derivatives equal to 2% of equity within normal range.	
Other Large Curious Assets and/or Liabilities		Large Other LT Liabilities of USD0.2bn include Pension Liabilities of USD0.1bn.	
Depn & Amort		Within normal range.	
Interest Cover		na	
Leverage		Total Debt/Profit of 5x and assets to equity of 2.5x are within normal range.	
Related Party Fraud		No evidence of related party transactions.	
Other Tests:		Unable to reconcile 1967% of other comprehensive income which is unusually high. Other comprehensive income is 1967% of income which is unusually high. Gross Margin volatility is unusually low at 2% in the 9%ile relative to peers which is sometimes a trait of frauds.	

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Ratios		Wolverine World Ratios			Ratio Change		Peer Group Comparison Ratios				Percentiles and Red Flags			Red Flag Comment
Country		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														
Av Cash & Equiv./Sales (%)	GICS Industry	18.1	11.3	7.9	+6.8	+10.2	3.2	10.4	24.0	379	70%	-39%	-34%	Risen over 1yr. Risen over 3yrs.
Unrestricted Cash/COGS (%)	GICS Industry	33.5	24.1	13.4	+9.4	+20.1	5.1	16.6	40.3	314	74%	-7%	-4%	
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	11.4	11.3	12.9	+0.1	-1.5	7.2	12.1	20.0	356	45%	-1%	-30%	
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	11.8	14.0	15.0	-2.2	-3.2	13.0	19.6	29.8	375	16%	-29%	-30%	
Inventory Days	GICS Industry	79	97	93	-17	-14	62	103	187	314	34%	-41%	-34%	
Finished Goods/Inventory (%)	GICS Industry	96	96	96	+0.1	-0.3	33	60	89	417	88%	-7%	-19%	Finished Goods/Inventory (%) high.
Av. Other ST Assets/Sales (%)	GICS Industry	2.0	2.1	3.1	-0.1	-1.0	2.0	3.6	7.4	376	20%	-6%	-24%	
PPE/Sales (%)	GICS Industry	6.0	5.6	5.2	+0.5	+0.8	9.2	22.8	45.7	360	10%	+7%	+6%	PPE/Sales (%) low.
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	4.3	5.5	5.3	-1.1	-0.9	0.2	0.9	2.7	277	90%	-47%	-42%	Deferred Tax Assets/Sales FY (%) high.
Prepaid Expenses/Sales (%)	GICS Industry	1.9	2.0	2.3	-0.1	-0.4	0.3	1.3	3.4	167	62%	-13%	-27%	
Prepaid Expenses/Inventory (%)	GICS Industry	16.4	14.2	15.4	+2.1	+1.0	1.2	3.7	10.7	99	88%	+35%	+21%	Prepaid Expenses/Inventory (%) high. Risen over 1yr.
Intangibles/Sales FY (%)	GICS Industry	47.3	50.5	52.8	-3.2	-5.5	0.1	1.0	9.2	316	95%	-48%	-47%	Intangibles/Sales FY (%) high.
Av. Other LT Assets/Sales FY (%)	GICS Industry	3.1	2.8	3.5	+0.3	-0.4	0.4	1.8	5.8	332	65%	+15%	-26%	
Av. Assets/Sales (%)	GICS Industry	103	98	93	+5.2	+9.9	65.5	95.1	139.4	380	57%	+15%	+10%	
Balance Sheet: Liabilities and Equity														
Av. Payables (Trade, Bills, Accr/Sales (%)	GICS Industry	13.1	12.6	10.3	+0.5	+2.8	5.3	10.0	15.5	379	67%	+16%	+30%	Risen over 3yrs.
Trade Payable Days	GICS Industry	42	45	32	-3.2	+10.0	24.5	45.6	81.5	348	45%	-24%	+23%	
ST Debt/Total Debt (%)	GICS Industry	5	5	5	-0.1	-0.3	37.0	69.8	100.0	342	3%	-5%	-1%	
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	26.9	32.0	31.5	-5.0	-4.6	0.7	3.6	12.1	256	89%	-50%	-50%	Av. Deferred Tax Liab/Sales FY (%) high.
Av. Other LT Liabs/Sales (%)	GICS Industry	9.9	7.5	6.6	+2.4	+3.4	0.4	1.8	5.1	298	90%	+37%	+42%	Av. Other LT Liabs/Sales (%) high. 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	0.6	0.8	0.5	-0.2	+0.1	0.3	2.4	11.4	9,628	27%	-19%	+8%	
Assets/Equity (x)	GICS Industry	2.5	2.5	2.7	+0.0	-0.2	1.4	1.8	2.6	373	77%	+9%	-19%	
Balance Sheet: Other														
Av. GFA/D&A (yrs)	GICS Industry	11.1	9.9	7.8	+1.1	+3.3	8.4	14.3	22.8	371	34%	+6%	+0%	
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	79	93	109	-14	-30	70.6	110.2	186.0	312	26%	-37%	-40%	
Av. Gross Working Capital/Sales (%)	GICS Industry	39.8	42.3	41.5	-2.5	-1.7	40.4	53.6	72.2	379	18%	-28%	-20%	
Contingent Liab/Equity (%)	GICS Industry	56.0	66.4	82.3	-10.4	-26.3	2.0	13.6	59.2	253	79%	-37%	-40%	
Pension Liabilities/Equity (%)	Global	14.9	14.7	13.7	+0.2	+1.2	0.7	2.8	10.0	7,570	86%	+16%	+27%	Pension Liabilities/Equity (%) high.
Net Derivatives/Equity (%)	Global	2.0	0.1	1.0	+1.9	+1.0	-1.4	0.0	1.1	2,405	84%	+34%	+19%	Risen over 1yr.
Return on Production Assets (%)	GICS Industry	5.3	29.3	40.7	-24.0	-35.4	4.5	14.9	33.7	382	22%	+45%	+44%	Fallen over 1yr. Fallen over 3yrs.
Non-Prod. Assets/COGS FY (%)	GICS Industry	60.6	52.1	8.5	+8.5	+52.1	34.6	67.1	132.2	299	44%	-14%	-33%	Risen over 3yrs.
Gross Debt/Profit (x)	GICS Industry	5.0	6.3	5.7	-1.3	-0.7	0.9	4.0	13.7	306	55%	-27%	-17%	
Income Statement														
Sales/Employee (US\$)	GICS Industry	635,135	425,700	418,348	+209,435	+216,787	56,779	148,854	359,649	286	91%	-47%	-46%	Sales/Employee (US\$) high. Risen over 1yr. Risen over 3yrs.
Gross Margin (%)	GICS Industry	38.9	38.5	39.4	+0	-0	15	30	52	322	62%	+3%	+3%	
GM Volatility 5yrs (%)	GICS Industry	2.0					2.9	6.3	20.0	303	9%			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	1.6	1.7	1.9	-0.2	-0.3	1.4	2.8	4.7	376	76%	+24%	+24%	
Operating Margin T12M (%)	GICS Industry	1.0	6.4	8.3	-5.4	-7.3	2.8	7.2	14.9	374	10%	+43%	+40%	Operating Margin T12M (%) low. Fallen over 1yr. Fallen over 3yrs.
Non-Op Y/Op Y (%)	GICS Industry	144.4	30.9	21.1	+113.5	+123.3	2.9	10.4	36.5	329	94%	+46%	+46%	Non-Op Y/Op Y (%) high. Risen over 1yr. Risen over 3yrs.
FFI Int Rate less MLR (ppt)	Country	na	na	na	na	na	3.5	5.2	7.7	1,652	na	na	na	
Cash Return less Policy Rate (ppt)	Country	-1.4	-0.6	-0.1	-0.8	-1.3	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	20.8	26.2	na	na	17.9	32.0	38.0	1,931	na	na	na	
CF Tax/IS Tax (%)	GICS Industry	na	153.9	147.5	na	na	64.9	98.7	151.1	285	na	na	na	
X Items/Op Y (%)	Global	0.0					0.8	6.2	37.4	1,297	na			
Minority Int/Profit B4 MI (%)	Global	na	-0.2	0.6	na	na	-0.1	1.8	12.8	8,362	na	na	na	
Net Income Margin (%)	GICS Industry	0.0	3.5	4.8	-3.5	-4.8	1.3	4.7	11.2	383	90%	+37%	+34%	Net Income Margin (%) low. Fallen over 1yr. Fallen over 3yrs.
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	Loss making	0.0	0.0	na	na	0.9	4.0	16.7	728	na			
EBIT Interest Cover (x)	GICS Industry	#N/A	#N/A	#N/A	na	na	1.7	7.4	41.1	351	na	na	na	

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Ratios		Global/Sector/ Country	Wolverine World 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		675.7	3.4	2.4	+672.3	+673.3	0.3	1.1	2.2	1,697	1%	-49%	-49%	
Cash Interest Exp./CFO (%)	GICS Industry		15.5	11.4	13.4	+4.2	+2.1	0.2	4.8	25.8	271	70%	+22%	+15%	
Capex/Sales (%)	GICS Industry		1.4	2.2	1.1	-0.8	+0.3	1.4	3.2	7.2	371	20%	-22%	+7%	
Decrease Investments/Sales (%)	GICS Industry		0.0	0.0	0.0	+0.0	+0.0	0.0	0.5	4.8	141	na			
Other Investing Activities/Sales (%)	GICS Industry		1.4	0.4	0.1	+1.0	+1.3	0.1	1.1	4.4	292	56%			
Debt Repay/ST Debt -1FY (%)	Global		93	2,330	469	-2,237.4	-375.8	20.0	88.4	210.9	10,373	51%	-48%	-44%	
Free Cash Flow Margin (%)	GICS Industry		7.2	9.7	10.3	-2.4	-3.1	-4.2	2.4	8.7	377	25%	+18%	+21%	
FCF-Divs/Sales (%)	Global		6.3	8.7	9.4	-2.5	-3.2	-7.2	0.9	6.8	10,563	22%	+18%	+21%	
No. of Mat. Capital Inc -5yrs	Global		0					0.0	0.0	1.0	9,451	na			
Other Fin. Activities/Sales (%)	GICS Industry		0.3	0.7	0.0	-0.4	+0.3	0.0	0.3	1.4	329	54%			
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		0.3					0.2	1.4	6.9	12,251	25%			
Executive Comp/Sales (bp)	GICS Industry		95.7					7.4	22.6	73.1	84	87%			Executive Comp/Sales (bp) high.
Executive Comp/PTP (bp)	GICS Industry		na					67.6	188.6	669.0	84	na			
CEO Tenure (yrs)	Global		11.1					1.4	4.5	10.8	5,466	80%			CEO Tenure (yrs) high.
CFO Tenure (yrs)	Global		2.6					1.1	3.3	8.3	716	42%			
Av. Executive Tenure (yrs)	Global		na					4.1	7.4	11.9	3,291	na			
Av. Board Tenure (yrs)	Global		na					3.9	6.4	9.9	3,672	na			

Source: GMT Research, Bloomberg

Summary of financials in Y/FY17

		Result: Scores within normal range. Number of red flags normal.	Explanation
Average Ratio Percentile Score (0 is good, 100 is bad)	52%	In Y/FY17, Wolverine World recorded an average percentile score (0 is good, 100 is bad) of 52% across all 75 financial ratios listed below. This places it in a percentile of 67 relative to around 379 GICS industry peers globally, which is a moderate result. The company triggered a total of 16 red flags out of 75 placing it in a percentile of 72 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.
- Percentile vs Industry Peers (0% is good, 100% is bad)	67%		
Number of Red Flags (Out of a possible 75)	16		
- Percentile vs Global Peers (0% is good, 100% is bad)	72%		

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, Wolverine World 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: Number of red flags normal.	Explanation
Number of Red Flags (Out of a possible 62)	10	Over the 3 financial years prior to Y/FY17, Wolverine World triggered a total of 10 red flags out of 62 placing it in a percentile of 73 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)	73%		

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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	$+(0.92 \times 1.01)$	0.80	0.92	0.88	0.99	1.01	1.01	$(\text{Net Receivables}_t / \text{Sales}_t) / (\text{Net Receivables}_{t-1} / \text{Sales}_{t-1})$	Receivables of 42 days have increased by 0 days YoY
Gross Margin Index	$+(0.528 \times 0.99)$	0.97	1.01	1.01	1.02	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 38.9% has improved by 0.4ppts YoY
Asset Quality Index	$+(0.404 \times 0.96)$	0.97	1.03	1.00	0.97	0.96	0.96	$[1 - (\text{Curr Ass}_t + \text{PP\&E}_t + \text{Sec}_t) / \text{Assets}_t] / [1 - (\text{Curr Ass}_{t-1} + \text{PP\&E}_{t-1} + \text{Sec}_{t-1}) / \text{Assets}_{t-1}]$	Other LT Assets/Total Assets of 49.5% has fallen by 2.1ppts YoY
Sales Growth Index	$+(0.892 \times 0.94)$	1.64	1.03	0.97	0.93	0.94	0.94	$\text{Sales}_t / \text{Sales}_{t-1}$	12m Trailing Sales have fallen -6% YoY
Depreciation Index	$+(0.115 \times 1.07)$	0.58	0.96	1.04	1.18	1.07	1.07	$(\text{Depr}_{t-1} / (\text{PP\&E}_{t-1} + \text{Depr}_{t-1})) / (\text{Depr}_t / (\text{PP\&E}_t + \text{Depr}_t))$	12m Trailing Depreciation/Sales of 21.4% has fallen by 1.6ppts YoY
SG&A Index	$-(0.172 \times 0.85)$	0.97	1.05	0.98	0.99	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 37.9% have risen by 5.8ppts YoY
Total Accruals to Total Assets	$-+(4.679 \times 0.02)$	-0.02	-0.06	-0.03	-0.07	-0.02	-0.02	$\text{Profit from Continuing Ops}_t - \text{Cash Flows from Ops}_t / \text{Total Assets}_t$	Total Accruals (Net Profit less CFO)/Total Assets are -2%
Leverage Index	$-(0.327 \times 0.99)$	1.08	1.14	1.01	1.03	0.99	0.99	$[(\text{Curr Liab}_t + \text{Total LT Debt}_t) / \text{Total Ass}_t] / [(\text{Curr Liab}_{t-1} + \text{Total LT Debt}_{t-1}) / \text{Total Ass}_{t-1}]$	LT Debt + Current Liabilities/Total Assets of 46% have risen by 0.3ppts YoY
Beneish M-Score for Y/FY17	-4.84 =	-2.31	-2.86	-2.74	-2.86	-2.60	-2.60	An M-Score of >-2.22 signals that the company is likely to be a manipulator	Beneish M-Score of -2.6 in Y/FY17 suggests no profit manipulation

Appendix 2: Montier C-Score

	FY13	FY14	FY15	FY16	FY17	Y/FY17	Point Calculation	Comments
Profit	0	0	1	0	0	0	A growing divergence between Profit and Operating Cash Flow (1 point)	12m Trailing Accruals Margin of 8.6% has improved from 8.4% YoY
Receivables	0	0	0	0	1	1	Receivable Days are increasing (1 point)	Receivables of 41 days have increased by 0 days YoY
Inventory	0	0	1	0	0	0	Inventory Days are increasing (1 point)	Inventory of 12 days has fallen by 2 days YoY
Other current assets	0	1	0	0	0	0	Other Current Assets to Sales are increasing (1 point)	Other Current Assets/Sales of 2% have fallen by 0.1ppts YoY
Depreciation	0	1	1	1	1	1	Depreciation relative to PPE jobs usfa bs	Depreciation of 11.1yrs has risen by 1.1yrs YoY
Asset growth	0	0	0	0	0	0	High asset growth in excess of 10% (1 point)	Asset growth of -1% is below 10%
Montier's C-Score	0	2	3	1	2	2	Score 0-1 is good; 2-4 is average, 5-6 is bad	A C-Score of 2/6 slightly better 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 6.5%
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 8.6%
Return on Assets Score	0	1	0	0	1	1	Higher Return on Assets than previous year (1 point)	12m Trailing ROA has risen to 6.5% from 5.3% YoY
Quality of Earnings Score	1	1	1	1	1	1	Operating Cash Flow are greater than ROA (1 point)	12m Trailing CFO Margin of 8.6% is above Net Profit Margin of 6.7%
Long-Term Debt to Assets Score	1	1	1	0	1	1	Lower ratio of Long Term Debt than previous year (1 point)	LT Debt/Total Assets has fallen to 33% from 34% YoY
Current Ratio Score	1	0	0	1	0	0	Higher Current Ratio this year compared to the previous year (1 point)	Current Ratio has fallen to 2.97x from 3.09x YoY
Shares Outstanding Score	0	0	1	1	1	1	No new shares were issued in the last year (1 point)	Decreased number of shares by -1.1%
Gross Margin Score	1	0	0	0	1	1	A higher Gross Margin compared to the previous year (1 point)	12m Trailing Gross Margin of 38.9% has improved by 0.4ppts YoY
Asset Turnover Score	1	1	1	0	0	0	A high Asset Turnover ratio compared to the previous year (1 point)	Asset turnover has fallen to 0.97x from 1.03x YoY
Piotroski F-Score	7	6	6	5	7	7	Score 0-1 weak and deteriorating; 8-9 strong and improving	An F-Score of 7/9 suggests financials are improving

Appendix 4: Altman Z-Score

	FY13	FY14	FY15	FY16	FY17	Y/FY17	Altman Z-Score for a manufacturing company	Comments
Solvency	0.63	0.66	0.65	0.67	0.66	0.66	Working Capital (Current Assets less Current Liabilities)/Tangible Assets	Ability to meet short term obligations
Cumulative profitability	0.77	0.94	1.09	1.14	1.08	1.08	Retained Earnings/Tangible Assets	Determines cumulative historic profitability
Profitability	0.47	0.60	0.54	0.42	0.06	0.06	EBIT/Tangible Assets	Measures earnings away from the effects of taxes and leverage
Market confidence	1.13	1.13	0.67	0.88	1.27	1.27	Market Capitalisation/Total Liabilities	Whether a firm's value able to cover liabilities
Efficiency	1.98	2.19	2.20	2.00	1.82	1.82	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	4.97	5.53	5.16	5.12	4.90	4.90	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	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	0	0	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 47% are in the 95%ile
Rise in deferred tax assets -1yr?		1	1	0	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 4.3% is in the 90%ile relative to industry peers
Acquisition Accounting		2	2	2	2	2	2	A score of 3 suggests possibility of acquisition accounting to inflate profits	No evidence of 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?	1	1	1	1	0	0	Debt Repayment relative to the ST Debt one year prior is in excess of 130%	Debt Repayment/ST Debt -1FY of 93% is in the 51%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	na
Has moderate debt?	1	1	1	1	1	1	If Debt to Sales >15%ile of industry peers	Debt/Sales of 33% is in the 67%ile relative to industry peers
Window Dressing	2	2	2	2	1	1	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	0	0	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

	Point Calculation	FY13	FY14	FY15	FY16	FY17	Y/FY17	Point Calculation	Comments
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 10%ile
High return on production assets		0	1	1	0	0	0	Op Profit/(PPE + Inv) in the >80%ile relative to industry peers	A 12m Return on Production Assets of 5% is in the 22%ile
High level of non-production assets	1 point	1	1	0	1	0	0	(Total Assets-Production Assets)/(COGS or Sales) >80%ile versus peers	Non Production Assets/COGS (or Sales) of 138% is in the 81%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 12% over 1 year
Low dividends and buybacks	1 point	1	1	0	0	0	0	Dividends and Buybacks are less than 30% profit	Dividends and buybacks of 51%
A relatively unknown auditor		0	0	0	0	0	0	Relatively obscure auditor	Well known auditor: Ernst & Youn
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 5% 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	0	3	2	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

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Appendix 8: Excess Capital Raising

(USDm)	FY13	FY14	FY15	FY16	FY17	FY13-17
Sales	+2,691	+2,761	+2,692	+2,495	+2,350	+12,988
- OPCF	+202	+315	+216	+296	+203	+1,231
- Capex	(39)	(30)	(46)	(48)	(32)	(195)
- Dividends (incl MI at subs)	(24)	(24)	(24)	(24)	(23)	(119)
- Buybacks	(1)	(11)	(100)	(58)	(57)	(226)
- (Acquisitions)/disposals	+0	+0	+0	+0	+39	+39
= Net internal cash generation	+139	+250	+44	+168	+129	+730
Externally generated cash flows						
- Debt issuance, net	(100)	(250)	(81)	+9	(40)	(462)
- Equity issuance	+12	+13	+18	+8	+21	+73
= Net external financing	(88)	(237)	(63)	+17	(19)	(389)
Net surplus/(deficit)	+51	+13	(18)	+185	+110	+341
Net flows/Sales (%)	+2	+0	(1)	+7	+5	3
Relative to Global Sector (%ile):						60%
Av. cash balance/sales (%)	7	8	8	11	18	
Relative to Global Sector (%ile)	36%	40%	39%	52%	70%	
Core cash required (10% of Sales):					50	
Surplus cash at year end (cash balance less core cash):					431	
Possible fake cash flow over past 5yrs (only if 5yr surplus is greater than zero):					341	
Possible fake cash/excess cash balance (%):					79	
Normal amounts of cash flow generated.						

Appendix 9: Debt Reconciliation

(USDm)	FY13	FY14	FY15	FY16	FY17	FY13-17
Balance sheet (BS) debt YE	1,150	901	810	821	783	
Change in debt: BS	(100)	(249)	(91)	+11	(38)	(467)
Change in debt: Cash flow (CF)	(100)	(250)	(81)	9	(40)	(462)
Unrec chg BS and CF debt	+0	+1	(10)	+2	+2	(6)
Unrec chg/total debt (%)	+0	+0	(1)	+0	+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.						

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Appendix 10: Ownership Type (latest Bloomberg data)

	(%)	Active Versus Passive	
Investment Advisor	84	Free Float (%)	97
Hedge Fund Manager	7	No. Instit. Owners	410
Individual	3	Institutional (%)	117
Pension Fund (ERISA)	3	- Passive Instit. (ETFs) (%)	40
Sovereign Wealth Fund	1	- Active Instit. (%)	77
Other	3		

Appendix 11: Insiders (latest Bloomberg data)

		Comment
Insider Shares O/S (%)	3.41	
Chg Insider Hldgs -6m (%)	-5.80	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)	-0.2	
Average Purchase Price of Insider Shares	0.00	Current share price is USD29.4
Average Sell Price of Insider Shares	29.61	
Shares Outstanding (m)	96	
Insider Shares Traded -6m/Total Shares (%)	0.00	

Appendix 12: Comprehensive Income (latest Bloomberg data)

	(USDm)	Comment
Comprehensive Income	6	
Less:		
Net Income/Net Profit (Losses)	0	
<i>Other comprehensive income comprised of:</i>		
na	na	Other comprehensive income is 1967% of income which is unusually high. Unable to reconcile 1967% of other comprehensive income which is unusually high.
na	na	
na	na	
na	na	
na	na	
na	na	
Amount unable to reconcile:	6	