



Australian Government
Department of Industry,
Innovation and Science

Business

Financial Analysis

Financial analysis

The purpose of the Financial Performance section is to identify and assess the financial performance and resources of the business and to identify the financial challenges facing it. The analysis is set out in the tables below.

Revenue and profitability

Performance metric	2013-14	2014-15	2015-16	Unit	Target June 2017
Revenue Growth	24.5%	25.4%	9.2%	%	¹ TBD
Gross Margin %	54.5%	53.4%	52.6%	%	52.9%
Operating Expenses	48.7%	50.1%	45.0%	%	43.9%
EBIT	5.8%	3.2%	6.6%	%	9.0%

¹TBD – To Be Determined

Findings and symptoms	Revenue growth has trended up over the past 3 years; Gross Margin have declined marginally over the 2014, 2015, and 2016 FY's; Operating Expenses improved significantly over the 2016 FY.
Root cause	Gross Margins have declined due to the increase in materials (as a % of sales), this could be due to more price driven competition and/or increasing material costs; a reduction in 'Other Operating Expenses' has improved the Operating Expenses (as a % of sales).
Recommended action	Work to increase gross margins and reduce expenses by reviewing the operating costs, inclusive of: materials and suppliers; services providers; pricing methodologies; quality positioning; etc.

Working capital and liquidity

Performance metric	2013-14	2014-15	2015-16	Unit	Target June 2017
Debtor Days	47	43	24	Days	¹ TBD
Creditor Days	53	69	36	Days	¹ TBD
Stock Turnover	4.4	7.2	6.1	Times p.a.	>6
Current Ratio	0.8	0.7	1.1	Times	>1.5

¹TBD – To Be Determined

Findings and symptoms	Debtor and Creditor Days appear to performing well – Debtors are collected faster than Creditors are paid; Stock Turnover declined marginally to 6.1 during the 2016 FY, however 6 times per annum is viewed as good; Current Ratio has been improved to 1.1 during the 2016 FY.
Root cause	Good purchasing controls appear to be influencing good Stock Turn results; the Current Ratio appears to improved largely due to a significant decline in short term borrowings.
Recommended action	Continue to monitor current liabilities (creditors, borrowings, etc.) to ensure the business is not over-exposed to highly leveraged obligations in the short term.

Returns

Performance metric	2013-14	2014-15	2015-16	Unit	Target June 2017
Return of Total Assets (ROA)	4.5%	3.1%	7.2%	%	¹ TBD
Return on Equity (ROE)	48.8%	43.2%	17.2%	%	¹ TBD

¹TBD – To Be Determined

Findings and symptoms	ROA improved substantially over the 2016 FY; ROE declined significantly over the 2016 FY.
Root cause	ROA improved due to the combination of revenue growth and decline in total asset value; ROE has declined in the 2016 FY due to the drop in net profit and the increase in equity – YWE is earning less income from its shareholders equity.
Recommended action	Improving profitability will positively impact ROA and ROE, reviewing the financial performance performance along with improving the productivity of operations is suggested.

Funding

Performance metric	2013-14	2014-15	2015-16	Unit	Target June 2017
Net Debt	\$2,854,763	\$3,050,237	\$1,860,159	\$	¹ TBD
Debt to Equity	8.2	6.2	2.1	Times	¹ TBD

¹TBD – To Be Determined

Findings and symptoms	Net Debt has declined significantly over the 2016 FY; Debt to Equity has improved to 2.1 over the 2016 FY.
Root cause	Short term debt has declined; the decline in Net Debt has seen Equity increase by approximately \$628,000.
Recommended action	Continue to monitor the debt position of YWE. While it is important to ensure the business is not over exposed to high debt levels it is also good to be aware that it is not always good to be averse to debt, particularly when there are growth opportunities available.

Productivity

Performance metric	2013-14	2014-15	2015-16	Unit	Target June 2017
Salaries and Wages	24.2%	25.5%	29.2%	%	28.1%
Sales per FTE	¹ \$187,727	¹ \$196,133	\$214,154	\$	¹ TBD

¹To BE Determined

Findings and symptoms	Salaries and Wages increased to 29.2%, as a % of revenue, during the 2016 FY; Sales per FTE increased by approximately \$18,000 during the 2016 FY.
Root cause	Salaries and Wages grew due to the appointment of additional employees to meet increased volumes of work; Sales per FTE's have increased based on the revenue growth of YWE.
Recommended action	Again, reviewing operations to ensure that the business is effectively managing its margins and is allocating its resources effectively to provide optimum profitability.