**Jargons**

**PP&E**

Property, plant, and equipment (PP&E) are tangible long-term assets. Equipment, machinery, buildings, and vehicles are PP&E assets. PP&E are also called fixed assets. Investment analysts and accountants use PP&E to determine if a company uses funds efficiently.

**Depreciation & Amortization**

Depreciation and amortization are ways to calculate asset value over a period of time. Depreciation is the amount of asset value lost over time. Amortization is a method for decreasing an asset cost over a period of time.

**CapEx**

Capital expenditures (CapEx) are funds used by a company to acquire, upgrade, and **maintain physical assets such as property, plants, buildings, technology, or equipment**

**Unlevered Free Cash Flow**

A financial metric that shows how much cash a company generates from its operations before accounting for interest payments and other capital structure-related expenses. UFCF is a key indicator that analysts and investors use to assess a company's **financial health** and ability to expand without the influence of debt and other financial obligations. It can also be used to **pay both shareholders and debtholders**.

**WACC**

The weighted average cost of capital (WACC) is the average rate that a business pays to finance its assets. It is calculated by averaging the rate of all of the company's sources of capital (both debt and equity), weighted by the proportion of each component.

**Terminal value (TV)**

Terminal value (TV) is the value of an asset, business, or project **at the end of a forecast period**, when future cash flows can be estimated. It's an important financial metric that can help people **forecast future cash flows and indicate a business or investment's long-term earning potential.**

**PV of Terminal Value**

In finance, the present value (PV) of terminal value is the discounted value of a company's terminal value at the beginning of its projection period.

**Enterprise value (EV)**

Enterprise value (EV) is a metric that measures a company's total value, including its debts and liquid assets. It's often used as a more comprehensive alternative to market capitalization, which only considers a company's equity. EV can be used to estimate the cost of purchasing a company, track a company's value over time, set financial goals, and make decisions about investments and business changes.

**Equity value**

Equity value is the value of a company that is available to its owners or shareholders. It's also known as market value of equity or market capitalization

**Capital Structure of a company**

**A comparison of a chart

Description automatically generated**

A diagram of a cash flow

Description automatically generated**Discounted Cash Flow (DCF) modelling**

Discounted Cash Flow (DCF) modelling is a financial model that **estimates the value of an asset by forecasting its future cash flows and discounting them to the present value.** The present value is the amount investors should be willing to pay for the asset. DCF models are used to value companies, projects, investments, and anything else that has a series of cash flows.

**DCF models are considered a fundamental analysis technique**, meaning they are both quantitative and qualitative in nature. They require detailed assumptions that are used to forecast future cash flows, which can be affected by a variety of factors, such as market demand, the economy, technology, competition, and unforeseen threats or opportunities. These factors can't be quantified reliably, so investors should understand this drawback and consider other factors as well.

**DCF models are based on the idea that a company's value is determined by its ability to generate cash flows for its investors in the future, rather than by supply and demand for its stock**

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1. **What factors can affect the composition of a company's current assets vs. long-term assets?**

The composition of a company’s current assets versus long-term assets is influenced by several factors related to its business operations, financial strategy, and industry type. Companies in industries with high liquidity needs, such as retail or manufacturing, tend to have a higher proportion of current assets, like cash, accounts receivable, and inventory, to meet short-term operational demands. On the other hand, capital-intensive industries, such as real estate or heavy machinery, typically maintain a larger proportion of long-term assets, including property, equipment, and intangible assets like patents, to support long-term growth and production.

Another key factor is the company’s financial strategy. A company focusing on aggressive expansion may invest more in long-term assets to secure future growth, while a company prioritizing liquidity and risk management might hold more current assets to cover immediate obligations. Additionally, market conditions and economic cycles can also influence asset composition; during uncertain times, companies may shift towards more liquid assets to safeguard against potential downturns, whereas in stable periods, they may allocate more resources towards long-term investments that promise higher returns over time.

1. **How can a company's debt-to-equity ratio impact its creditworthiness and access to capital?**

A company's debt-to-equity ratio is a critical measure of its financial leverage, and it plays a significant role in determining its creditworthiness and access to capital. A high debt-to-equity ratio indicates that a company relies heavily on borrowed funds compared to its equity. This can raise concerns among lenders and investors about the company's ability to meet its debt obligations, especially during economic downturns or periods of reduced revenue. Higher leverage increases the risk of default, leading to lower credit ratings, higher borrowing costs, and more restrictive loan terms, which can limit the company’s ability to access additional capital.

On the other hand, a lower debt-to-equity ratio suggests that a company is financing its operations more conservatively through equity rather than debt. This can enhance the company's creditworthiness, as it signals financial stability and a lower risk of default. With a strong equity base, companies are more likely to attract investors and secure favourable financing terms from lenders, including lower interest rates and larger credit lines. However, excessively low leverage might also indicate underutilization of debt financing, potentially limiting growth opportunities if the company is overly cautious about taking on new debt.

1. **Debt-to-Equity Ratio: How has the debt-to-equity ratio changed over the four years? (take in consideration total liabilities and total equity). Is the company relying more on debt financing or equity financing?**

**Observations:**

* In 2018, the debt-to-equity ratio was 2.12, indicating that the company was utilizing more debt relative to its equity.
* By 2019, the debt-to-equity ratio decreased to 1.91, showing a reduction in the company’s reliance on debt financing.
* In 2020, the debt-to-equity ratio increased slightly to 1.97, signalling a gradual shift towards more debt usage.
* By 2021, the debt-to-equity ratio jumped significantly to 2.28, marking a substantial increase in the company's dependence on debt financing.

**Conclusion:**

The company initially reduced its reliance on debt financing from 2018 to 2019. However, from 2019 onward, the company began to increase its use of debt, with the most notable rise in 2021. This trend suggests that the company is increasingly relying on **debt financing over equity financing in recent years, potentially increasing its financial risk**

1. **Revenue Growth: How has the company total revenue grown over the three years? What segments are driving this growth (merchandise sales, membership fees)?**

**Observations:**

* Total Revenue Growth: The company's total revenue increased by 9.21% from 2019 to 2020 and further accelerated to 17.49% from 2020 to 2021.
* Merchandise Sales Growth: Merchandise sales, the major contributor to total revenue, grew by 9.29% between 2019 and 2020 and by 17.66% between 2020 and 2021.
* Membership Fee Growth: Membership fee revenue saw a more modest growth, increasing by 5.64% from 2019 to 2020 and 9.49% from 2020 to 2021, but it contributed much less to overall revenue compared to merchandise sales.

**Conclusion:**

The company’s total revenue has shown **consistent growth over the three-year period**, with **merchandise sales being the primary driver of this growth**. The sharp rise in merchandise sales, especially in the 2020-2021 period, indicates a strong performance in this segment. Although membership fees have grown steadily, their contribution remains relatively small compared to merchandise sales. **Overall, the company's revenue growth is predominantly fuelled by its success in merchandise sales.**

1. **Gross Margin: Calculate and compare the gross margin (consider total revenue and total expense) across the three years. Is the company able to maintain or improve its margins?**