CONTENTS

Introduction

Financial Analysis is the process of selecting, evaluating, and identifying the financial strength and weaknesses of the firm by properly establishing relationship between items of financial statements. Firms, bank, loan officers and business owners all use financial analysis to learn more about a company's current financial health as well as its potential.

Types of Ratios

Common-size

One of the most useful ways for the owner of a small business to look at the company's financial statements healthy. Common size ratios can be developed from both balance sheet and income statement items.

➢ Vertical Common-size analysis

Is expressed as a percentage, focuses on the relations among financial statement items at a given point in time.

Balance sheet: Aggregate amount is **total assets**.

Income statement: Aggregate amount is **revenues or sales**.

➢ Horizontal Common-size analysis

Examines the change in a financial statement item over time.

This can involve nothing more complicated than showing year-to-year changes in each financial statement item in both dollar and percentage terms.

Ratio Analysis

- ♣ Liquidity Ratios
- ♣ Solvency Ratios
- ♣ Activity Ratios
- ♣ Profitability Ratios

Liquidity Ratios

are the ability to satisfy the company's short-term obligations using assets that can be most readily converted into cash.

Working Capital

From this calculation, you already know you have positive net working capital with which to pay short-term debt obligations before you even calculate the current ratio

Net Working Capital = Current Assets - Current Liabilities

Current Ratio

This ratio reflects the number of times short-term assets cover short-term liabilities and is a fairly accurate indication of a company's ability to service its current obligations. A higher number is preferred because it indicates a strong ability to service short-term obligations.

$$\textit{Current Ratio} = \frac{\textit{Current Assets}}{\textit{Current Liabilities}}$$

A ratio less than **1** is considered **risky** by creditors and investors because it shows the company **isn't** running efficiently and can't cover its current debt properly. A ratio less than 1 is always a bad thing and is often referred to as negative working capital. On the other hand, a ratio above **1** shows outsiders that the company can pay all of its current liabilities and still have current assets left over or positive working capital.

Quick Ratio

This ratio, also known as the acid test ratio, measures immediate liquidity the number of times cash, accounts receivable, and marketable securities cover short-term obligations, this ratio is a more reliable variation of the Current ratio because inventory, prepaid expenses, and other less liquid current assets are removed from the calculation.

$$\text{Quick ratio} = \frac{\textit{Cash Equivalents} + \textit{Marketable Securities} + \textit{Net Receivables}}{\text{Current Liabilities}}$$

A higher number is preferred because it suggests a company has a strong ability to service short-term obligations. This ratio is a more reliable variation of the Current ratio because inventory, prepaid expenses, and other less liquid current assets are removed from the calculation.

Cash Ratio

The best indicator of the company's short-run liquidity. A higher number is preferred because it suggests a company has a strong ability to service short-term obligations.

$$\text{Cash ratio}=\frac{\textbf{cash equivilants+marketable securities}}{\textbf{current liabilities}}$$

Solvency Ratios

(Also called Debit) These ratios describe a company' s ability to meet its long-term debt obligations such as bank loans, bonds payable, etc. Leverage and coverage ratios are the two primary types of solvency ratios.

Leverage ratios focus on the balance sheet while Coverage ratios focus on the income statement and cash flows.

Debt Ratio

(Also known as debt to assets ratio) This ratio measures debt level of a business as a percentage of its total assets. If the percentage is too high, it might indicate that it is too difficult for the business to pay off its debts. *The higher the debt ratio, implying greater financial risk.*

Debt Ratio = Total Liabilities / Total Assets

Debt to – Equity Ratio

It is a leverage ratio and it measures the degree to which the assets of the business are financed by the debts and the shareholders' equity of a business. An increasing trend in debt-to-equity ratio is alarming because it means that the percentage of assets of a business that are financed by the debts is increasing . A debt-to-equity ratio of **1** means that half of the assets of the business are financed by debts and half by shareholders' equity.

Debt-to-Equity Ratio = Total Liabilities / Total Equity

Times interest earned ratio

(Also known as interest coverage Ratio) It calculates how many times a company's operating income (earnings before interest and taxes) can cover the company's interest expense in the future. A higher times interest earned ratio indicates that the company's interest expense is low relative to its earnings before interest and taxes (EBIT) which indicates better long-term financial strength, and vice versa.

Obviously the larger ratios are considered more favorable than smaller ratios.

Times Interest Earned = EBIT / Interest Expense

Cash Coverage Ratio

It is useful for determining the amount of cash available to pay the interest expense and to ensure that there is enough cash to pay for its new interest burden. **EBITDA** = (EBIT + depreciation + amortization) It is expressed as a ratio of the cash available to the amount of interest to be paid. To show a sufficient ability to pay.

the ratio should be substantially greater than 1.

Cash Coverage Ratio = EBITDA / Interest Expense

Activity Ratios

Activity ratios assess the efficiency of operations of a business. Activity ratios analyze how well a company uses its assets and liabilities internally to generate sales.

Account receivable turnover ratio

is the number of times per year that a business collects its average accounts receivable. The ratio is intended to evaluate the ability of a company to efficiently issue credit to its customers and collect funds from them in a timely manner. a **Higher number is preferred**

$$\text{Receivable Turnover} = \frac{\text{sales}}{\text{Average Accounts Receivable}}$$

Days sales in receivable ratio

Days sales outstanding (DSO) is a measure of the average number of days that it takes a company to collect payment after a sale has been made. DSO is often determined on a monthly

$$\text{Days sales in receivable ratio} = \frac{\text{Accounts Receivable}}{\text{Total credit sales}/365}$$

Inventory turnover ratio

Inventory turnover is a ratio showing how many times a company's inventory is sold and replaced over a period of time

$$\text{Fixed assets to equity Ratio} = \frac{\text{Sales}}{\textit{Average Inventory}}$$

Days sales of inventory ratio

The days sales of inventory value (DSI) is a financial measure of a company's performance that gives investors an idea of how long it takes a company to turn its inventory (including goods that are a work in progress, if applicable) into sales. Generally, a lower (or shorter) DSI is preferred, but it is important to note that the average DSI varies from one industry to another. The DSI is calculated as:

$$\text{Fixed assets to equity Ratio} = \frac{\text{Inventory}}{\text{Cost of Sales}}\ x\ 365$$

Accounts payable turnover

Is ratio is a short-term liquidity measure used to quantify the rate at which a company pays off its suppliers

$$\text{Fixed assets to equity Ratio} = \frac{\text{Cost of Good sold}}{\textit{Average Accounts payable}}$$

Days cost of sales in payables

(DPO) is a company's average payable period that measures how long it takes a company to pay its invoices from trade creditors, such as suppliers. a Higher number is preferred

$$\text{DPO} = \frac{365}{\text{Accounting payable}}$$

Total Asset Turnover

ASSET TURNOVER RATIO MEASURES THE VALUE OF A COMPANY'S SALES OR REVENUES GENERATED RELATIVE TO THE VALUE OF ITS ASSETS .ALSO CAN OFTEN BE USED AS AN INDICATOR OF THE EFFICIENCY WITH WHICH A COMPANY IS DEPLOYING ITS ASSETS IN GENERATING REVENUE.

$$\text{Total Assets Turnover} = \frac{\text{net sales}}{\text{average Total assets}}$$

Operating cycle

Is the time period between the acquisition of goods and final cash realization resulting from sales and subsequent.

Operating Cycle (Days) = DIO + DSO – DPO

♠ **DIO = Days Inventory Outstanding** ♠ **DSO = Days Sales Outstanding** ♠ **DPO = Days Payable Outstanding**

Fixed Assets turnover

Also know as (sales to fixed assets ratio) measure the efficiency with which accompany uses it's fixed assets to generate it's sales revenue

$$\text{Fixed assets turnover} = \frac{\text{Net Sales}}{\text{Average Fixed Assets}}$$

Working Capital turnover

This ratio measures a company's ability to finance current operations. Working capital (current assets - current liabilities) is another measure of liquidity and the ability to cover short-term obligations. This ratio relates the ability of a company to generate sales using its working capital to determine how efficiently working capital is being used. In general, a Higher number is preferred because it indicates a company has a satisfactory level of working capital.

$$\text{Working Capital turnover} = \frac{\text{sales}}{\text{working capital}}$$

Profitability Ratios

These ratios show a company's overall efficiency and performance. Profitability ratios are divided into two types: margins and returns.

Margins represent the firm's ability to translate sales dollars into profits.

Returns represent the firm's ability to measure the overall efficiency of the firm in generating returns for its shareholders.

Gross Profit Margin

This is the ratio which is used to understand how much cost incurred to manufacture a product. It also helps in understanding the efficiency of the company and how is it using its resources to produce the product.

$$\text{Gross Profit Margin} = \frac{\text{Gross Profit}}{\text{Net Sales}}$$

Net Profit Margin

It is the most common profitability ratio which is used to measure the profit after deducting all the expenses, losses, provisions for bad debt.

$$\text{Gross Profit Margin} = \frac{\text{Net Profit}}{\text{Net Sales}} x\ 100$$

Operating Profit Margin

(Also known as return on sales ratio) It is profitability ratio showing operating income as a percentage of revenue. So it is used to evaluate the operating efficiency of the company.

$$\text{Operating Profit Margin} = \frac{\text{Operating Profit}}{\text{Net Sales}} x\ 100$$

Earnings per common share

It is a profitability indicator which shows the amount of income earned on a share of common stock during an accounting period.

EPS is a very important profitability ratio, particularly for shareholders of a company, because it is a direct measure of dollars earned per share.

$$\text{Earnings per common share} = \frac{\textbf{net income} - \textbf{preferred dividends}}{\textbf{weighted average number of common shares outstanding}}$$

Return on Assets (ROA)

It is the profitability ratio which is used to evaluate the company's level of efficiency in employing its assets to generate profit. The assets of the company if not used optimally will not be able to make the desired amount of profit and the return will also be lower.

$$\text{Return on Asset} = \frac{\text{Net Income}}{\text{Assets}} x100$$

Return on Equity (ROE)

Every equity investor looks for this ratio before investing in any company as it gives the insight into the company's profit-generating ability to the investors. The potential, as well as existing investors, keep a check on this ratio as it measures the return on the investment made in shares of the company.

$$\text{Return on Asset} = \frac{\text{Net Income}}{\text{Shareholder's Equity Investment}}$$

Sales to Fixed Assets

This ratio measures the firm's ability to make productive use of its property, plant and equipment by generating sales dollars.

$$\text{Sales to Fixed Assets} = \frac{\text{net sales}}{\text{average net fixed assets}}$$

JUHAYNA FOOD INDUSTRIES

Juhayna Food Industries is a leading Egypt-based manufacturer specialized in the production, processing and packaging of dairy, juice, and cooking products. Since its founding in 1983, it has secured a frontrunner position in the dairy and juice industries in Egypt and has expanded its presence in the Middle East, a feat made possible through its firm commitment to delivering a wide range of high-quality, healthy, and safe products that have become trusted household names.

Founded by **Safwan Thabet**, Juhayna Food Industries was built on a vision to introduce the market to a new business model for food production that holds innovation at its core. Today, with seven fully operational facilities, a vast network of distribution centers serving more than 65,000 retail outlets nationwide, and a 550-feddan, fully-owned dairy farm that has the capacity to house 8,000 milking cows covering a sizeable portion of the company's raw milk needs, Juhayna continues to raise the benchmark for premium quality Egyptian manufactured products.

In its 30 years of operations, Juhayna's dairy segment has cultivated an ever-increasing number of customers loyal to its brands, affording it a comfortable lead above all its dairy competitors with consistently strong market shares. It is also the sole supplier of dairy for McDonalds Egypt alongside many other leading fast-food restaurants, hotels, airlines, and educational institutions.

Juhayna Food Industries

Consolidated income statements

		2016	2015	2014
Net sales		4,992,857,769	4,231,161,876	368,406,043
cost of sales		(3,538,392,068)	(2,749,358,490)	(2,693,047,871)
gross profit		**1,454,465,671**	**1,481,803,386**	**991,012,172**
other income	(5)	62,488,905	18,029,288	24,099,241
Operating Expense:				
sales & distribution expenses		(838,838,598)	(655,110,355)	(469,306,956)
General & admin. exp.	(6)	(174,957,155)	(145,936,135)	(141,116,792)
Other expense	(7)	(38,074,000)	(51,975,491)	(23,435,397)
board of director's remuneration		(12,020,000)	(11,180,000)	(10,375,040)
results from operating activity		**453,064,823**	**635,630,693**	**370,877,228**
the holding company's share in the losses		(3,062,375)	-	-
revenue of investment held for sale		5,570,557	-	3,743,537
scots of the end of service	(8)	(4,819,059)	(10,670,309)	(19,996,076)
finance income and finance cost		(302,005,092)	(174,561,177)	(126,771,520)
profit income and income tax		**148,748,854**	**450,399,207**	**227,853,349**
tax differences from previous years		6,272,636	230,726	601,345
income tax expenses		(36,799,512)	(72,339,921)	(50,480,863)
investment tax		(12,495,860)	(18,595,535)	-
deferred tax	(26)	(52,074,373)	(79,761,486)	(7,884,151)
net profit of the year distributed as		**53,651,745**	**279,932,991**	**170,089,680**
parent company share in profit		53,516,967	279,829,317	169,963,652
non controlling interest		134,778	103,674	126,028
		53,651,745	**279,932,991**	**170,089,680**

Juhayna Food industries

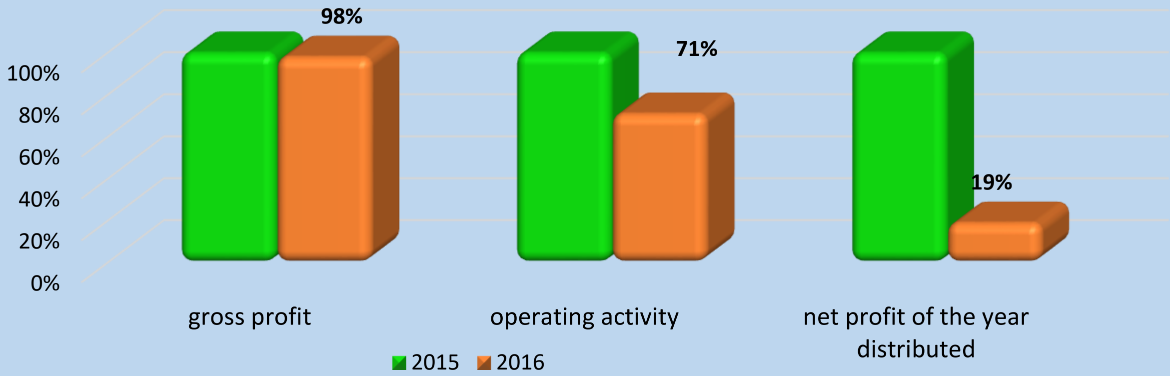
consolidated Balance sheet

Assets		2016	2015	2014
non-current assets				
property, plant and Equipment (net)	(11)	3,066,250,784	2,761,272,193	2,094,365,402
projects under construction	(12)	383,210,481	430,869,824	1,067,146,333
plant wealth	(13-1)	13,469,421	-	26,421,716
plant wealth- under preparation	(13-2)	3,955,808	14,304,029	-
Biological wealth	(14)	87,892,482	40,066,067	-
long-tern investment	(10)	7,087,625	10,150,000	50,929,445
other-long term assets	(29)	10,580,999	773,504	781,776
Goodwill	(33)	97,092,890	97,092,890	97,092,890
non-current assets		3,669,540,490	3,354,528,507	3,336,737,562
current assets				
investment held for sale			50,929,445	-
Biological assets-existing agriculture		17,279,535	33,021,211	32,588,675
inventories	(16)	1,325,879,207	573,855,519	524,935,526
Account receivable (net)	(17)	353,019,114	188,010,060	200,626,169
cash and cash equivalents	(18)	129,591,229	794,917,810	420,113,682
current assets		1,825,769,085	1,640,734,045	1,178,264,052
Total Assets		5,495,309,575	4,995,262,552	4,515,001,614
Equity				
Issued and paid up capital	(19)	941,405,082	941,405,082	941,405,082
legal reserve		497,245,972	467,347,006	435,553,732
General reserve -issuance premium	(19-1)	330,920,428	330,920,428	330,920,428
retained earnings		478,308,360	418,147,094	414,262,886
Total comprehensive income for year after periodic dividends		43,524,181	264,306,933	161,550,850
total equity attributable to the shareholders		2,291,404,023	2,422,126,543	2,283,692,978
non-controlling interest		756,990	818,776	761,931
total equity		2,292,161,013	2,422,945,319	2,284,454,909
non-current liabilities				
long term loans	(20)	803,788,665	1,013,338,245	705,695,751
other long term liabilities	(24)	47,701,407	69,840,935	85,003,065
Differed revenues	(25)	108,442,056	15,559,653	3,477,116
Differed tax liabilities	(26)	206,673,187	154,598,814	74,837,328
non-current liabilities		1,166,605,315	1,253,337,647	869,013,260
current liabilities				
provisions for claims	(22)	9,428,008	11,959,876	8,571,220
Banks-over draft	(18)	25,031,480	32,443,129	17,197,765
Banks-credit facilities	(21)	1,049,803,834	637,074,206	742,348,289
short term loans				16,000,000
Account payable	(23)	627,047,375	317,813,113	272,772,151
income tax		34,483,198	72,339,921	50,480,863
Long -term loans-current portion	(20)	290,749,352	247,349,341	254,163,157
current liabilities		2,036,543,247	1,318,979,586	1,361,533,445
total liabilities		3,203,148,562	2,572,317,233	2,230,546,705
total equity and total liabilities		5,495,309,575	4,995,262,552	4,515,001,614

Horizontal Analysis

Income statements

		2016		2015
Net sales		4,992,857,769	118%	4,231,161,876
cost of sales		(3,538,392,068)	129%	(2,749,358,490)
gross profit		**1,454,465,671**	98%	**1,481,803,386**
other income	(5)	62,488,905	347%	18,029,288
Operating Expense:				
sales & distribution expenses		(838,838,598)	128%	(655,110,355)
General & admin. exp.	(6)	(174,957,155)	120%	(145,936,135)
Other expense	(7)	(38,074,000)	73%	(51,975,491)
board of directors remuneration		(12,020,000)	108%	(11,180,000)
net operating activity		**453,064,823**	71%	**635,630,693**
the holding company's share in the losses		(3,062,375)		-
revenue of investment held for sale		5,570,557		-
scost of the end of service	(8)	(4,819,059)	45%	(10,670,309)
finance income and finance cost		(302,005,092)	173%	(174,561,177)
profit income		**148,748,854**	33%	**450,399,207**
tax differences from previous years		6,272,636	2719%	230,726
income tax expenses		(36,799,512)	51%	(72,339,921)
investment tax		(12,495,860)	67%	(18,595,535)
deferred tax	(26)	(52,074,373)	65%	(79,761,486)
net profit of the year distributed		**53,651,745**	19%	**279,932,991**
parent company share in profit		53,516,967	19%	279,829,317
non-controlling interest		134,778	130%	103,674



Interpretation:

1- Gross Profit decreased 2% at 2016 because of the increasing in cost of revenue.

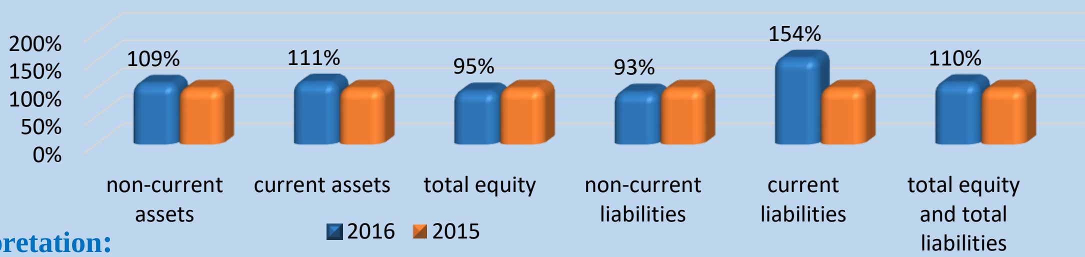
2- Operating Income decreased by 29% at 2016 because sales & distribution expenses and other administrative expenses.

3- Net income decreased by 81% at 2016, that is a reflect of increasing in tax differences from previous years.

Horizontal Analysis

Financial position statements

Assets		2016		2015
property, plant and Equipment (net)	(11)	3,066,250,784	111%	2,761,272,193
projects under construction	(12)	383,210,481	89%	430,869,824
plant wealth	(13-1)	13,469,421		-
plant wealth- under preparation	(13-2)	3,955,808	28%	14,304,029
Biological wealth	(14)	87,892,482	219%	40,066,067
long-tern investment	(10)	7,087,625	70%	10,150,000
other-long term assets	(29)	10,580,999	1368%	773,504
Goodwill	(33)	97,092,890	100%	97,092,890
non-current assets		**3,669,540,490**	**109%**	**3,354,528,507**
investment held for sale			0%	50,929,445
Biological assets-existing agriculture		17,279,535	52%	33,021,211
inventories	(16)	1,325,879,207	231%	573,855,519
Account receivable (net)	(17)	353,019,114	188%	188,010,060
cash and cash equivalents	(18)	129,591,229	16%	794,917,810
current assets		**1,825,769,085**	**111%**	**1,640,734,045**
Total Assets		**5,495,309,575**	**110%**	**4,995,262,552**
Equity				
Issued and paid up capital	(19)	941,405,082	100%	941,405,082
legal reserve		497,245,972	106%	467,347,006
General reserve -issuance premium	(19-1)	330,920,428	100%	330,920,428
retained earnings		478,308,360	114%	418,147,094
Total comprehensive income		43,524,181	16%	264,306,933
total equity attributable		2,291,404,023	95%	2,422,126,543
non-controlling interest		756,990	92%	818,776
total equity		**2,292,161,013**	**95%**	**2,422,945,319**
long term loans	(20)	803,788,665	79%	1,013,338,245
other long term liabilities	(24)	47,701,407	68%	69,840,935
Differed revenues	(25)	108,442,056	697%	15,559,653
Differed tax liabilities	(26)	206,673,187	134%	154,598,814
non-current liabilities		**1,166,605,315**	**93%**	**1,253,337,647**
provisions for claims	(22)	9,428,008	79%	11,959,876
Banks-over draft	(18)	25,031,480	77%	32,443,129
Banks-credit facilities	(21)	1,049,803,834	165%	637,074,206
short term loans				
Account payable	(23)	627,047,375	197%	317,813,113
income tax		34,483,198	48%	72,339,921
Long -term loans-current portion	(20)	290,749,352	118%	247,349,341
current liabilities		2,036,543,247	154%	1,318,979,586
total liabilities		3,203,148,562	125%	2,572,317,233
total equity and total liabilities		**5,495,309,575**	**110%**	**4,995,262,552**



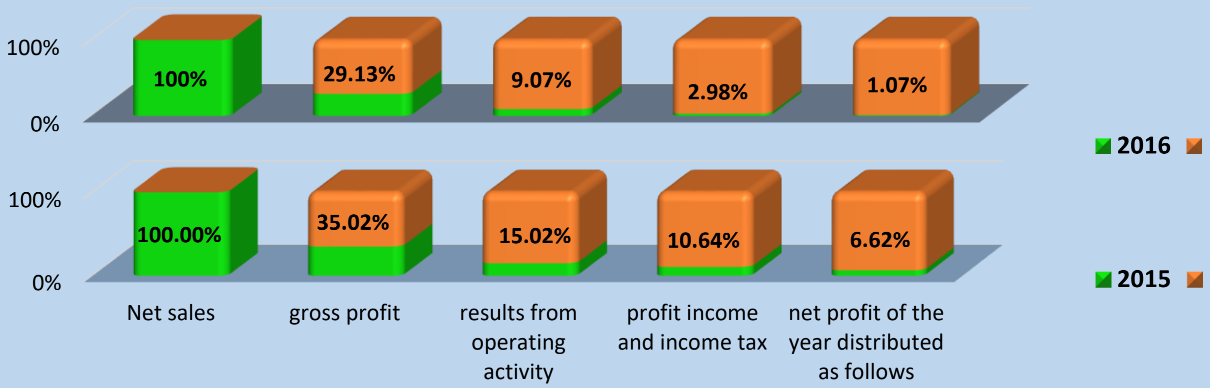
Interpretation:

- Current assets increased by 11% at 2016 because of the increasing in inventories and account receivable but cash highly decreased.
- Non-current assets increased by 9% because of sold land lease contract footnote 29.
- Total liability increased by 25% Because of deferred tax liability from fixed assets and deferred revenue from sold land lease contract.
- Total Equity is slightly decreasing by 5% at 2016.

Vertical Analysis

Income Statements

		2016		2015	
Net sales		4,992,857,769	100%	4,231,161,876	100.00%
cost of sales		(3,538,392,068)	70.87%	(2,749,358,490)	64.98%
gross profit		**1,454,465,671**	29.13%	**1,481,803,386**	35.02%
other income	(5)	62,488,905	1.25%	18,029,288	0.43%
Operating Expense:					
sales & distribution expenses		(838,838,598)	16.80%	(655,110,355)	15.48%
General & admin. exp.	(6)	(174,957,155)	3.50%	(145,936,135)	3.45%
Other expense	(7)	(38,074,000)	76.00%	(51,975,491)	1.23%
board of director's remuneration		(12,020,000)	24.00%	(11,180,000)	0.26%
results from operating activity		**453,064,823**	9.07%	**635,630,693**	15.02%
the holding company's share in the losses		(3,062,375)	0.06%	-	0.00%
revenue of investment held for sale		5,570,557	0.11%	-	0.00%
scots of the end of service	(8)	(4,819,059)	0.10%	(10,670,309)	0.25%
finance income and finance cost		(302,005,092)	6.05%	(174,561,177)	4.13%
profit income and income tax		**148,748,854**	2.98%	**450,399,207**	10.64%
tax differences from previous years		6,272,636	0.13%	230,726	0.01%
income tax expenses		(36,799,512)	0.74%	(72,339,921)	1.71%
investment tax		(12,495,860)	0.25%	(18,595,535)	0.44%
deferred tax	(26)	(52,074,373)	1.04%	(79,761,486)	1.89%
net profit of the year distributed as follows		**53,651,745**	1.07%	**279,932,991**	6.62%
parent company share in profit		53,516,967	1.1%	279,829,317	6.61%
non-controlling interest		134,778	0.0027%	103,674	0.0025%



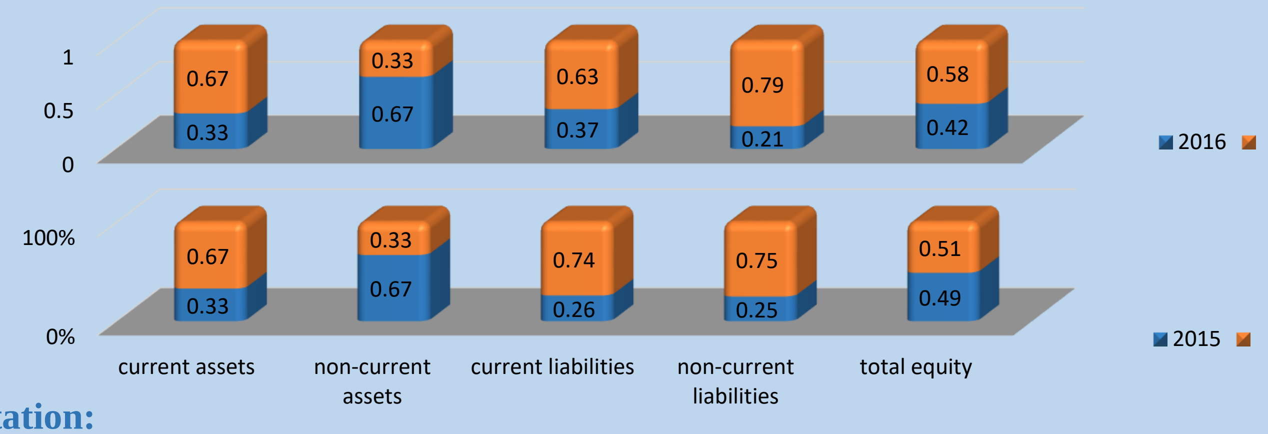
Interpretation:

1) Gross profit decreases at 2016 reflection of the cost of revenues.
2) Operating Income decreases at 2016 because the sales & distribution expenses increased.
3) Net income decrease because increasing the interest expenses and foreign exchange from footnote 8.

Vertical Analysis

Financial position statements

		2016		2015	
Assets					
property, plant and Equipment (net)	(11)	3,066,250,784	56%	2,761,272,193	55%
projects under construction	(12)	383,210,481	7%	430,869,824	9%
plant wealth	(13-1)	13,469,421	0%	-	
plant wealth- under preparation	(13-2)	3,955,808	0%	14,304,029	0%
Biological wealth	(14)	87,892,482	2%	40,066,067	1%
long-tern investment	(10)	7,087,625	0%	10,150,000	0%
other-long term assets	(29)	10,580,999	0%	773,504	0%
Goodwill	(33)	97,092,890	2%	97,092,890	2%
non-current assets		**3,669,540,490**	**67%**	**3,354,528,507**	**67%**
investment held for sale				50,929,445	
Biological assets-existing agriculture		17,279,535	0%	33,021,211	1%
inventories	(16)	1,325,879,207	24%	573,855,519	11%
Account receivable (net)	(17)	353,019,114	6%	188,010,060	4%
cash and cash equivalents	(18)	129,591,229	2%	794,917,810	16%
current assets		**1,825,769,085**	**33%**	**1,640,734,045**	**33%**
Total Assets		**5,495,309,575**	**100%**	**4,995,262,552**	**100%**
Equity					
Issued and paid up capital	(19)	941,405,082	17%	941,405,082	19%
legal reserve		497,245,972	9%	467,347,006	9%
General reserve -issuance premium	(19-1)	330,920,428	6%	330,920,428	7%
retained earnings		478,308,360	9%	418,147,094	8%
Total comprehensive income		43,524,181	5%	264,306,933	28%
total equity attributable		2,291,404,023	42%	2,422,126,543	48%
non-controlling interest		756,990	0%	818,776	0%
total equity		**2,292,161,013**	42%	**2,422,945,319**	49%
long term loans	(20)	803,788,665	15%	1,013,338,245	20%
other long term liabilities	(24)	47,701,407	1%	69,840,935	1%
Differed revenues	(25)	108,442,056	2%	15,559,653	0%
Differed tax liabilities	(26)	206,673,187	4%	154,598,814	3%
non-current liabilities		**1,166,605,315**	21%	**1,253,337,647**	25%
provisions for claims	(22)	9,428,008	0%	11,959,876	0%
Banks-over draft	(18)	25,031,480	0%	32,443,129	1%
Banks-credit facilities	(21)	1,049,803,834	19%	637,074,206	13%
short term loans					
Account payable	(23)	627,047,375	11%	317,813,113	6%
income tax		34,483,198	1%	72,339,921	1%
Long -term loans-current portion	(20)	290,749,352	5%	247,349,341	5%
current liabilities		2,036,543,247	37%	1,318,979,586	26%
total liabilities		3,203,148,562	58%	2,572,317,233	51%
total equity and total liabilities		**5,495,309,575**	100%	**4,995,262,552**	100%



Interpretation:

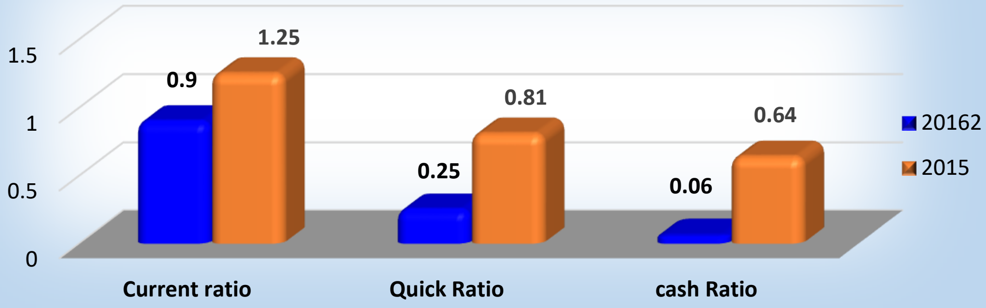
- Cash decrease by 14% because time deposit maturing with 3 months footnote 18.
- Inventory at 2016 is increasing by 13% which indicate a good percentage of sales.
- Current Assets and Noncurrent Assets stable not change.
- Total Liability was increase by 7% because of loans footnote 20 ,21.
- Total Equity decreased percentage by 7%.

Juhayna Food Industries

Ratio Analysis – Year– To-Year Change

Liquidity Ratios	2016	2015
Current Ratio	0.9	1.25
Quick " Acid test " Ratio	0.25	0.81
Cash Ratio	0.06	0.64
Activity ratios		
Receivable Turnover	48.43	46.32
Receivable Turnover in Days	7.54	7.88
Payable Turnover	11.80	15.99
Payable Turnover in Days	30.93	22.83
Inventory Turnover	3.73	5.00
Inventory Turnover in days	97.98	72.94
Operating cycle	74.59	57.99
Working capital turnover	-23.69	13.15
Fixed Assets turnover	1.71	1.74
Total Assets Turnover	0.95	0.89
Solvency Ratios		
Debt Ratio	58%	51%
Debt / Equity Ratio	140%	106%
Times Interest Earned	178%	349%
Cash coverage Ratio	272%	462%
Profitability Ratios		
Gross profit margin	29%	35%
Operating profit margin	9%	15%
Net profit margin	1%	7%
Return on Assets	1%	6%
Return on Equity	2%	12%
Earnings per common share	6%	30%

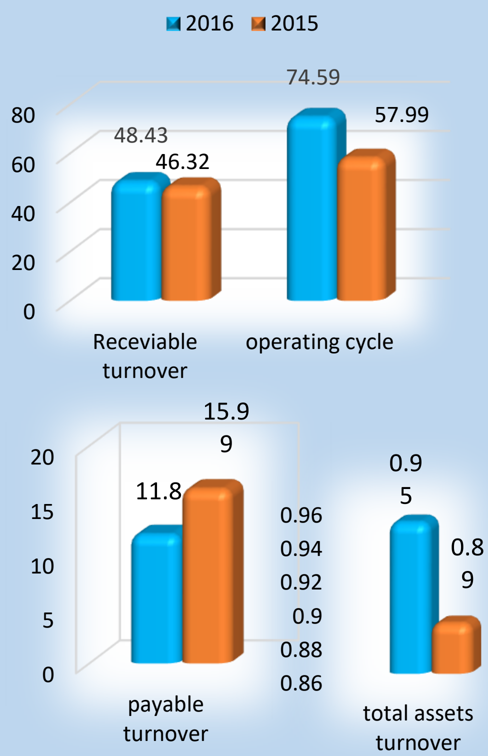
Liquidity ratios



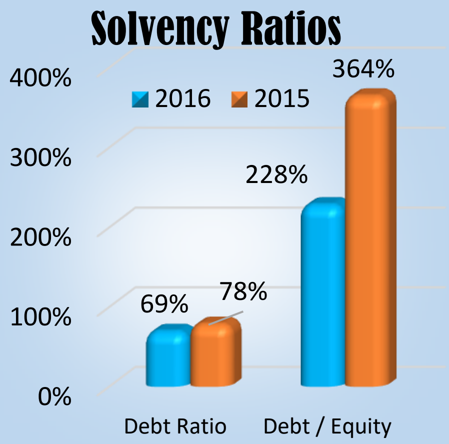
Overall ; as a trend analysis ,we see that Liquidity Ratios for Juhayna 2016 is clearly worth than Its baseline 2015 , because current ratio , Quick ratio and Cash ratio which compared to the baseline “2015” are decreased by 34% , 56% , 54% . this may imply that the company’s ability to service short –time obligations is un favorable and the resources are not being fully utilized because time deposit maturing with 3 months footnote 18.

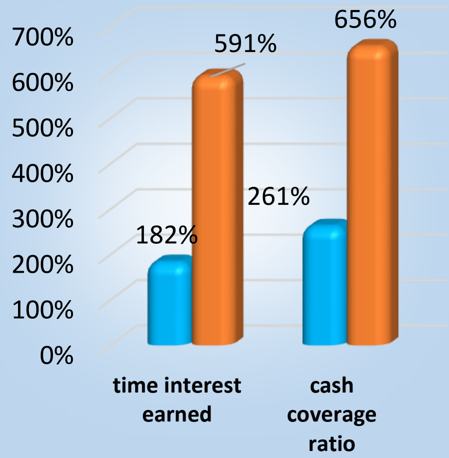
We can interpret that the company has an indicator of high performance and effective management in 2016 comparing to baseline 2015 , as the company’s ability to issue credit to its customer and collect funds increased by 2 times and days take to collect its receivables slightly decreased , and the ability to pays off suppliers decreased by 4 times but the days takes to pay off suppliers decreased by 8 days which indicates good performance , the ability to generate sales using total assets slightly increased and Operating cycle increased by 15 times which represent a high performance comparing to 2015

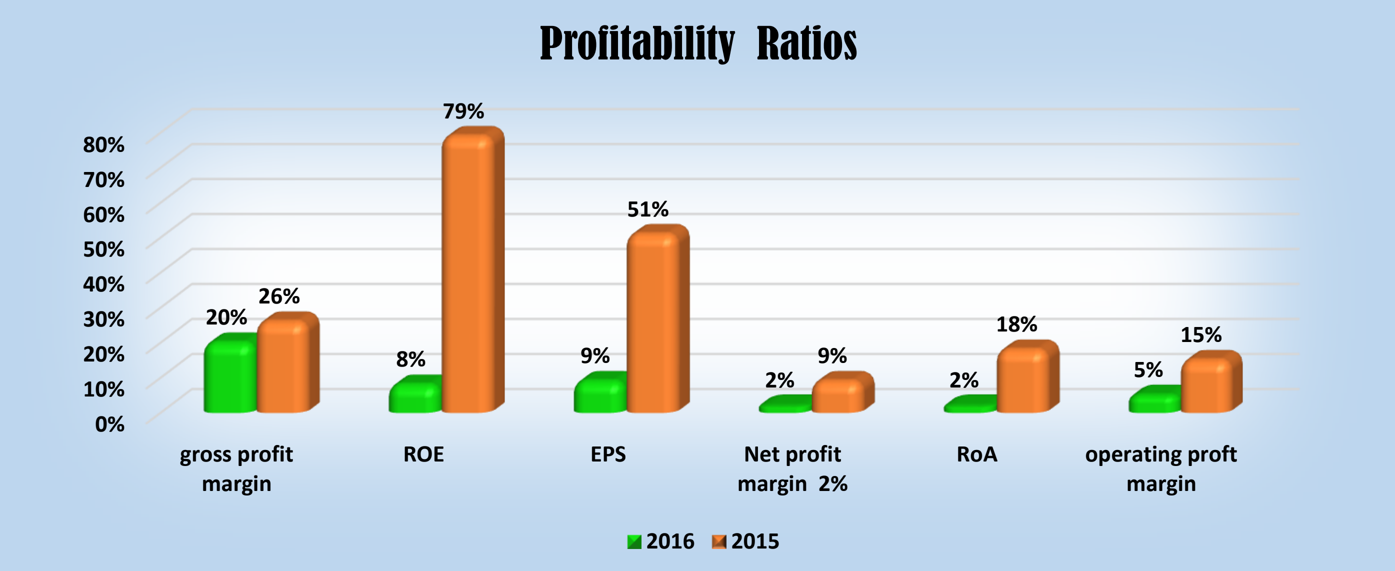
Activity ratios



Solvency Conclusion can interpret that in the year 2016, the risk of the firm is getting higher as the Debt Ratio (low is better) goes up by 7% . And the Debt-to-Equity Ratio (Low is better) also goes up which meaning the Percentage of Assets that are financed by the debts increases by 34% at 2016. And Interest Coverage Ratio (High is better) And Cash Coverage Ratio (High is better) indicates worse long-term financial strength as the company's operating income ability to meet interest payments decreased by 175% and the cash available to Pay interest expense decreased by 190% at 2016.







the company shows an decreased trend in all Profitability ratios as compared to past year 2015. as the company is generating less profits from all of its resources at high cost that leads to decrease net revenue which affecting the company ability to bay its obligation. And decreases share profit.as Gross profit margin, Operating profit margin, Net profit margin, Return on Assets, Return on Equity and Earnings per common share all goes down. All these things indicate bad sign for investors about the company

ARABIAN FOOD INDUSTRIES CO (DOMTY)

Established in 1990, the Arabian Food Industries Company had a humble beginning offering a modicum of products with only two types of white and mozzarella cheeses, respectively. Since then its flagship cheese brand, Domty, has grown to hold an unparalleled position amongst market competitors. This has been made possible through a combination of strategic endeavors, most notably those that have helped secure market trust and consumer loyalty owed to the company's continuous commitment to quality. Domty now offers a wide range of products and flavors , with a family of nearly 200 SKUs— that have helped expand its market reach and made it available on all supermarket shelves.

Today, Domty boasts a distribution fleet of over 600 trucks operating from 27 sub strategically located distribution hubs across the country, ensuring a streamlined delivery system directly to all kinds of retail; a feat made possible by a dedicated workforce of over 2600 employees. At the core of our success lie the values of innovation, quality ingredients, taste, and value for money.

Our Mission to Provide our valuable Consumers with a diversified range of quality, nutritious and affordable products in the food and beverages industry.

Our Vision Domty strives to be and maintain its frontrunner status in the food and dairy industry and to be viewed as a trusted entity by all of its stakeholder, including its consumers, employees and shareholders.

Arabian Food Industries (Domty.CA)

Consolidated Income statements

		2016	2015	2014
sales		1,702,407,794	1,400,098,083	1,129,111,714
Cost of sales		(1,366,921,337)	(1,033,706,238)	(888,568,710)
Gross profit		**335,486,457**	**366,391,845**	**240,543,004**
Operating expenses				
selling and marketing expenses	21	(238,063,613)	(151,747,994)	(159,567,959)
General and administrative expenses	22	(37,650,864)	(20,848,494)	(16,565,011)
net other operating income/expenses	23	20,725,055	15,518,101	11,006,647
provisions	11	(165,250)	(1,861,513)	(2,011,165)
Reversal of provisions				4,984,867
Operating income		**80,331,785**	**207,451,945**	**78,390,383**
financial income		17,835,555	263,469	47,430
financial expenses	24	(63,474,812)	(42,289,460)	(31,103,422)
profit before income taxes		**34,692,528**	**165,425,954**	**47,334,391**
income tax expenses	20	(9,110,455)	(36,698,056)	(19,067,768)
profit for the year		**25,582,073**	**128,727,898**	**28,266,623**
attributed to :				
equity holders of the patent		25,581,832	128,727,565	28,266,359
minority interest		241	333	264
		25,582,073	**128,727,898**	**28,266,623**
basic & dilutes earnings per share attributed to equity holders of the parent	27	0.079	0.420	11.710

Arabian Food Industries (Domty.CA)

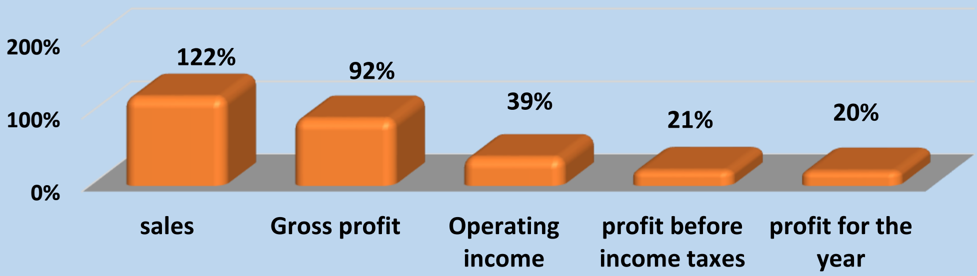
Consolidated Balance Sheets

		2016	2015	2014
Assets				
property, plant and equipment	5	353,482,012	188,537,569	177,217,849
projects under construction	6	175,059,876	20,175,099	23,122,956
Total non-current assets		**528,541,888**	**208,712,668**	**200,340,805**
inventories	7	273,974,888	164,879,475	119,114,154
accounts and notes receivable	8	371,179,731	243,348,832	196,913,309
prepayment and other receivables	9	171,592,326	89,994,714	163,623,621
cash on hand and at banks	10	288,266,798	28,069,474	24,333,213
Total current assets		**1,105,013,743**	**526,292,495**	**503,984,297**
Total assets		**1,633,555,631**	**735,005,163**	**704,325,102**
Equity				
issued and paid up capital	16	56,521,739	50,000,000	50,000,000
share premium		292,789,166	-	-
legal reserve		18,894,127	14,445,807	11,001,561
other reserve		170,196	170,196	170,196
retained earnings	17	26,470,677	6,681,462	83,894,541
revaluation surplus		82,711,039	-	-
profit for the year		25,581,832	91,594,898	28,266,359
merger reserve	26	(4,503,358)	(4,503,358)	(4,503,358)
Equity attributable to equity holders		**498,635,418**	**158,389,005**	**168,829,299**
minority interest		1,771	1,527	1,194
Total equity		**498,637,189**	**158,390,532**	**168,830,493**
non-current liabilities				
term loans-non current portion	15	14,910,000	26,828,800	38,035,182
machines installments-non current portion	18	76,775,637	17,604,205	15,068,463
sales tax payable on plant & equipment	19	4,541,615	5,459,432	6,424,699
long term notes payable		332,071	380,850	507,800
deferred tax liabilities	20	20,940,087	17,980,989	19,254,836
Total non-current liabilities		**117,499,410**	**68,254,276**	**79,290,980**
Current liabilities				
short term credit facilities	12	798,586,749	316,137,812	264,105,265
term loans- current portion	15	11,921,824	11,525,000	18,325,000
trade and notes payable	13	97,310,168	78,828,392	83,137,703
machines installments- current portion	18	50,052,252	22,607,687	41,376,940
provisions	11	12,598,664	12,028,104	10,289,966
accrued expenses and other payable	14	40,798,018	29,261,457	23,669,802
income tax payable		6,151,357	37,971,903	15,298,953
Total current liabilities		**1,017,419,032**	**508,360,355**	**456,203,629**
total liabilities		**1,134,918,442**	**576,614,631**	**535,494,609**
Total equity and liabilities		**1,633,555,631**	**735,005,163**	**704,325,102**

Horizontal Analysis

Income statements

	2016		2015
sales	1,702,407,794	122%	1,400,098,083
Cost of sales	(1,366,921,337)	132%	(1,033,706,238)
Gross profit	335,486,457	92%	**366,391,845**
Operating expenses			
selling and marketing expenses	(238,063,613)	157%	(151,747,994)
General and administrative expenses	(37,650,864)	181%	(20,848,494)
net other operating income/expenses	20,725,055	134%	15,518,101
provisions	(165,250)	9%	(1,861,513)
Reversal of provisions			
Operating income	80,331,785	39%	**207,451,945**
financial income	17,835,555	6770%	263,469
financial expenses	(63,474,812)	150%	(42,289,460)
profit before income taxes	34,692,528	21%	**165,425,954**
income tax expenses	(9,110,455)	25%	(36,698,056)
profit for the year	25,582,073	20%	**128,727,898**
attributed to :			
equity holders of the patent	25,581,832	20%	128,727,565
minority interest	241	72%	333
	25,582,073	20%	**128,727,898**
basic & dilutes earnings per share attributed to equity holders of the parent	0.079	19%	0.420



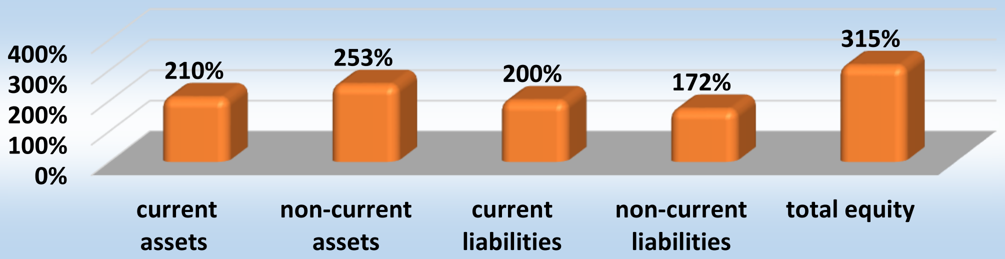
Interpretation:

1) Gross Profit decreased 8% at 2016 because of the increasing in cost of revenue.
2) Operating Income decreased by 61% at 2016 because sales & distribution expenses and other administrative expenses.
3) Net income decreased by 80% at 2016, that is a reflect of increasing in financial expenses.

Horizontal Analysis

Financial position statements

		2016		2015
Assets				
inventories	7	273,974,888	166%	164,879,475
accounts and notes receivable	8	371,179,731	153%	243,348,832
prepayment and other receivables	9	171,592,326	191%	89,994,714
cash on hand and at banks	10	288,266,798	1027%	28,069,474
Total current assets		**1,105,013,743**	**210%**	**526,292,495**
property, plant and equipment	5	353,482,012	187%	188,537,569
projects under construction	6	175,059,876	868%	20,175,099
Total non-current assets		**528,541,888**	**253%**	**208,712,668**
Total Assets		**1,633,555,631**	**222%**	**735,005,163**
Current liabilities				
short term credit facilities	12	798,586,749	253%	316,137,812
term loans- current portion	15	11,921,824	103%	11,525,000
trade and note payable	13	97,310,168	123%	78,828,392
machines installments- current portion	18	50,052,252	221%	22,607,687
provisions	11	12,598,664	105%	12,028,104
accrued expenses and other payable	14	40,798,018	139%	29,261,457
income tax payable		6,151,357	16%	37,971,903
Total current liabilities		**1,017,419,032**	**200%**	**508,360,355**
term loans-non current portion	15	14,910,000	56%	26,828,800
machines installments-non current portion	18	76,775,637	436%	17,604,205
sales tax payable on plant & equipment	19	4,541,615	83%	5,459,432
long term notes payable		332,071	87%	380,850
deferred tax liabilities	20	20,940,087	116%	17,980,989
Total non-current liabilities		**117,499,410**	**172%**	**68,254,276**
Total liabilities		**1,134,918,442**	**197%**	**576,614,631**
-		-		-
Equity				
issued and paid up capital	16	56,521,739	113%	50,000,000
share premium		292,789,166		-
legal reserve		18,894,127	131%	14,445,807
other reserve		170,196	100%	170,196
retained earnings	17	26,470,677	396%	6,681,462
revaluation surplus		82,711,039		-
profit for the year		25,581,832	28%	91,594,898
merger reserve	26	-4,503,358	100%	-4,503,358
equity attributable to equity holders		498,635,418	**315%**	158,389,005
minority interest		1,771	116%	1,527
total equity		**498,637,189**	**315%**	**158,390,532**
total equity and total liabilities		**1,633,555,631**	**222%**	**735,005,163**



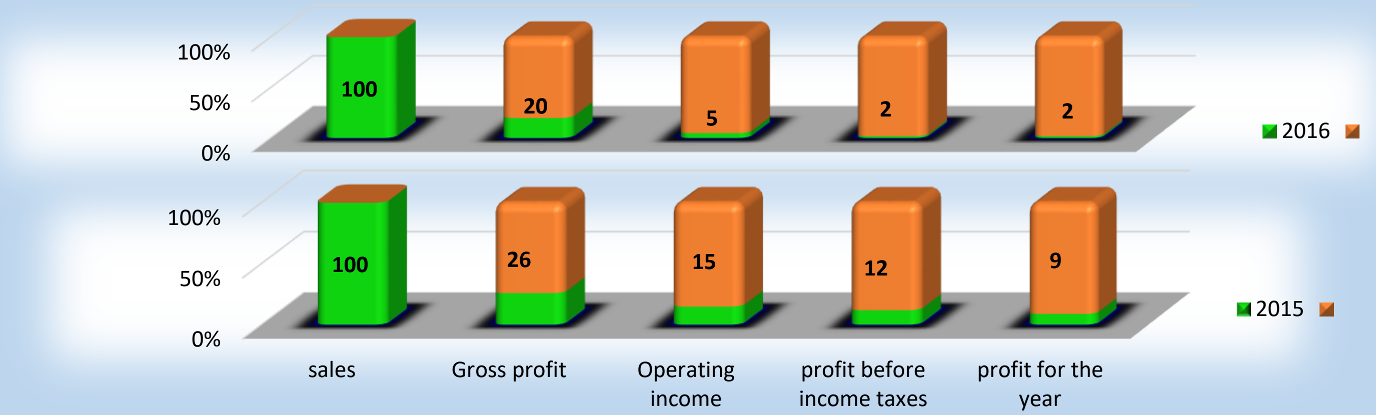
Interpretation:

1) Current assets increased by 110% at 2016 because of the cash too high increased
2) Non-current assets increased by 9% because of buildings and equipment of projects under construction.
3) Total liability increased by 100% Because of foreign currency footnote 12 and deferred tax liabilities
4) Total Equity is increasing by 122% at 2016 because of retained earnings.

Vertical Analysis

Income Statements

	2016		2015	
sales	1,702,407,794	100%	1,400,098,083	100%
Cost of sales	(1,366,921,337)	80%	(1,033,706,238)	74%
Gross profit	335,486,457	**20%**	**366,391,845**	**26%**
Operating expenses				
selling and marketing expenses	(238,063,613)	14%	(151,747,994)	11%
General and administrative expenses	(37,650,864)	2%	(20,848,494)	1%
net other operating income/expenses	20,725,055	1%	15,518,101	1%
provisions	(165,250)	0.01%	(1,861,513)	0.13%
Reversal of provisions				
Operating income	80,331,785	**5%**	**207,451,945**	**15%**
financial income	17,835,555	1.1%	263,469	0.02%
financial expenses	(63,474,812)	4%	(42,289,460)	3%
profit before income taxes	34,692,528	**2%**	**165,425,954**	**12%**
income tax expenses	(9,110,455)	1%	(36,698,056)	3%
profit for the year	25,582,073	**2%**	**128,727,898**	**9%**
attributed to :				
equity holders of the patent	25,581,832	0.02%	128,727,565	9%
minority interest	241	0%	333	0%



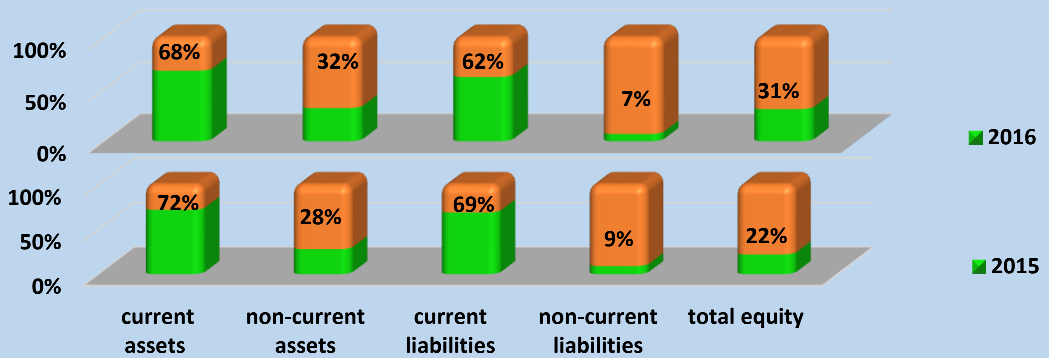
Interpretation:

1. Gross profit decreases at 2016 reflection of the cost of revenues
2. Operating Income decreases at 2016 because the sales & distribution expenses increased.
3. Net income decrease because increasing the interest expenses and foreign currency footnote 12.

Vertical Analysis

Financial position statements

		2016		2015	
Assets					
inventories	7	273,974,888	17%	164,879,475	22%
accounts and notes receivable	8	371,179,731	23%	243,348,832	33%
prepayment and other receivables	9	171,592,326	11%	89,994,714	12%
cash on hand and at banks	10	288,266,798	18%	28,069,474	4%
Total current assets		**1,105,013,743**	**68%**	**526,292,495**	**72%**
property, plant and equipment	5	353,482,012	22%	188,537,569	26%
projects under construction	6	175,059,876	11%	20,175,099	3%
Total non-current assets		**528,541,888**	**32%**	**208,712,668**	**28%**
Total Assets		**1,633,555,631**	**100%**	**735,005,163**	**100%**
Current liabilities					
short term credit facilities	12	798,586,749	49%	316,137,812	43%
term loans- current portion	15	11,921,824	1%	11,525,000	2%
trade and note payable	13	97,310,168	6%	78,828,392	11%
machines installments- current portion	18	50,052,252	3%	22,607,687	3%
provisions	11	12,598,664	1%	12,028,104	2%
accrued expenses and other payable	14	40,798,018	2%	29,261,457	4%
income tax payable		6,151,357	0%	37,971,903	5%
Total current liabilities		**1,017,419,032**	**62%**	**508,360,355**	**69%**
term loans-non current portion	15	14,910,000	1%	26,828,800	4%
machines installments-non current portion	18	76,775,637	5%	17,604,205	2%
sales tax payable on plant & equipment	19	4,541,615	0%	5,459,432	1%
long term notes payable		332,071	0%	380,850	0%
deferred tax liabilities	20	20,940,087	1%	17,980,989	2%
Total non-current liabilities		**117,499,410**	**7%**	**68,254,276**	**9%**
Total liabilities		**1,134,918,442**	**69%**	**576,614,631**	**78%**
-		-		-	
Equity					
issued and paid up capital	16	56,521,739	3%	50,000,000	7%
share premium		292,789,166	18%	0	0%
legal reserve		18,894,127	1%	14,445,807	2%
other reserve		170,196	0%	170,196	0%
retained earnings	17	26,470,677	2%	6,681,462	1%
revaluation surplus		82,711,039	5%	0	0%
profit for the year		25,581,832	2%	91,594,898	12%
merger reserve	26	-4,503,358	0%	-4,503,358	-1%
equity attributable to equity holders		498,635,418	31%	158,389,005	22%
minority interest		1,771	0%	1,527	0%
total equity		**498,637,189**	**31%**	**158,390,532**	**22%**
total equity and total liabilities		**1,633,555,631**	**100%**	**735,005,163**	**100%**



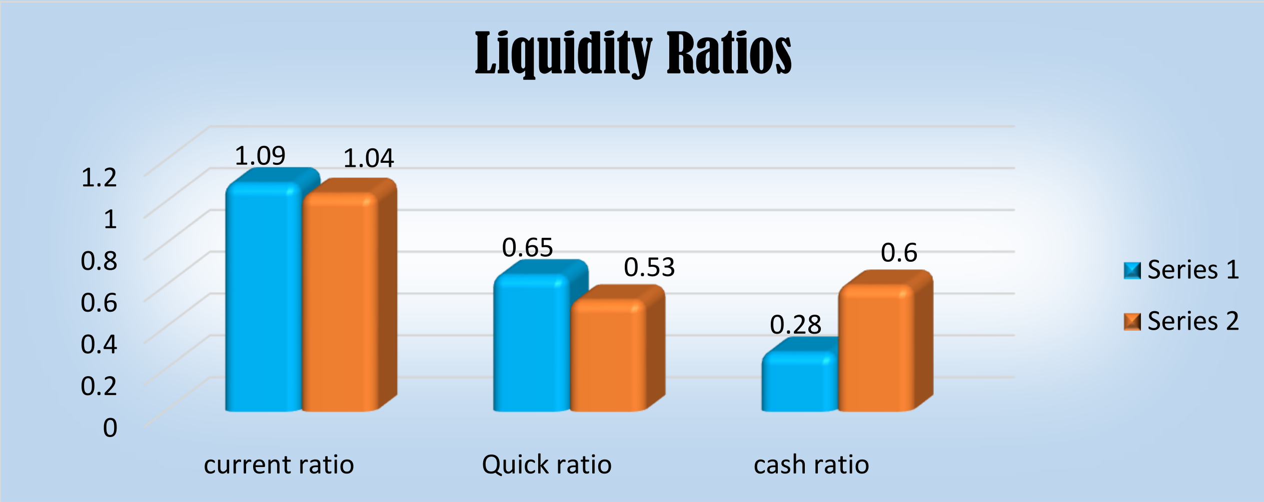
Interpretation:

1) Cash increased at 2016 by 14% .(good sign)
2) Inventory at 2016 is decreasing by 5% which indicate a good percentage of sales.(good sign)
3) Current Assets and Noncurrent Assets slightly change.
4) Total Liability was decrease by 9%. (good sign)
5) Total Equity increased percentage by 9%. (good sign)

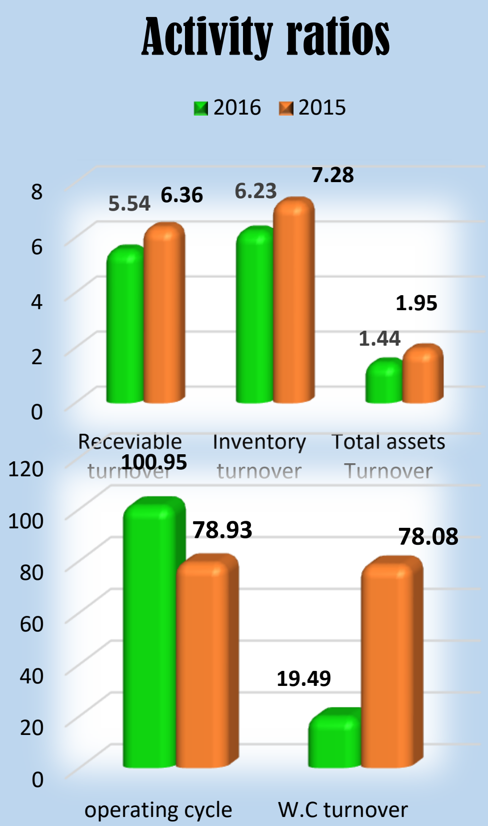
Arabian Food Industries (Domty.CA)

Ratio Analysis – Year– To-Year Change

Liquidity Ratios	2016	2015
Current Ratio	109%	104%
Quick " Acid test " Ratio	65%	53%
Cash Ratio	28%	6%
Activity ratios		
Receivable Turnover	5.54	6.36
Receivable Turnover in Days	65.88	57.39
Payable Turnover	15.52	12.76
Payable Turnover in Days	23.52	28.59
Inventory Turnover	6.23	7.28
Inventory Turnover in days	58.59	50.14
Operating cycle	100.95	78.93
Working capital turnover	19.44	78.08
Fixed Assets turnover	6.28	7.66
Total Assets Turnover	1.44	1.95
Solvency Ratios		
Debt Ratio	69%	78%
Debt / Equity Ratio	228%	364%
Times Interest Earned	182%	591%
Cash coverage Ratio	261%	656%
Profitability Ratios		
Gross profit margin	20%	26%
Operating profit margin	5%	15%
Net profit margin	2%	9%
Return on Assets	2%	18%
Return on Equity	8%	79%
Earnings per common share	9%	51%

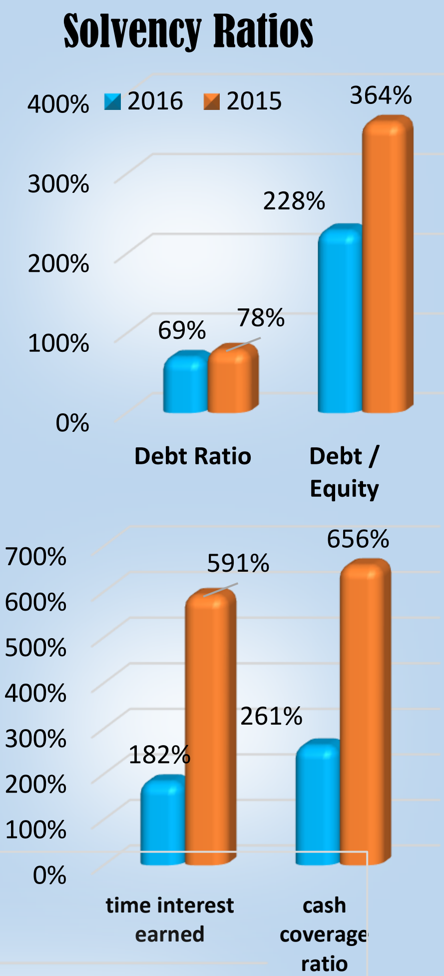


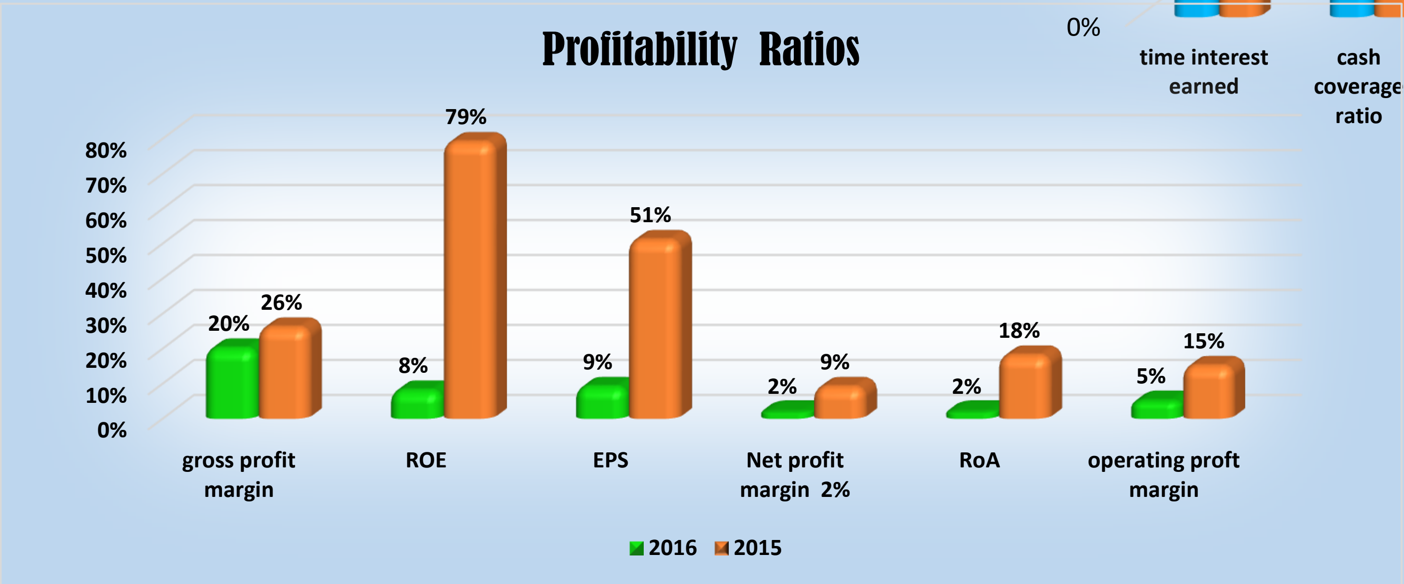
Overall ; as a trend analysis ,ratios indicate that Liquidity Ratios for Domty .Co 2016 is clearly better than Its baseline 2015 , because current ratio , Quick ratio and Cash ratio which compared to the baseline "2015" are increased by 5% , 12% , 22% respectively , which may imply that the company's ability to service short –time obligations is favorable with high trend of cash ratio means wealthy of cash and cash equivalent.



Activity Conclusion indicates that the inefficient performance by an ineffective management depending on our ratios trending payable turnover ratio increase in 2016 and day take to pay off its suppliers decreased by 5 days , but on the other hand there's a decreasing in Receivables turnover and inventory turnover in 2016 comparing to the baseline 2015 which estimate the inability to meet customer needs ! operating cycle trend bad performance as the time period between the acquisition of goods and final cash realization increased . also working capital and total assets which used in 2016 lead to disability to generate sales decreased comparing to 2015

We can interpret that in the year 2016, the risk of the firm is getting lower as the Debt Ratio (low is better) goes down by 9%. And the Debt-to-Equity Ratio (Low is better) also goes down which meaning the Percentage of Assets that are financed by the debts decreases by 136% at 2016. But Interest Coverage Ratio (High is better) And Cash Coverage Ratio (High is better) indicates worse long-term financial strength as the company's operating income ability to meet interest payments decreased by 409% and the cash available to Pay interest expense decreased by 395% at 2016.





The company shows an decreased trend in all Profitability ratios as compared to past year 2015. as the company is generating less profits from all of its resources at high cost that leads to decrease net revenue which affecting the company ability to bay its obligation. And decreases share profit.as Gross profit margin, Operating profit margin, Net profit margin, Return on Assets, Return on Equity and Earnings per common share all goes down. All these things indicate bad sign for investors about the company.

Juhayna to Domty Comparison

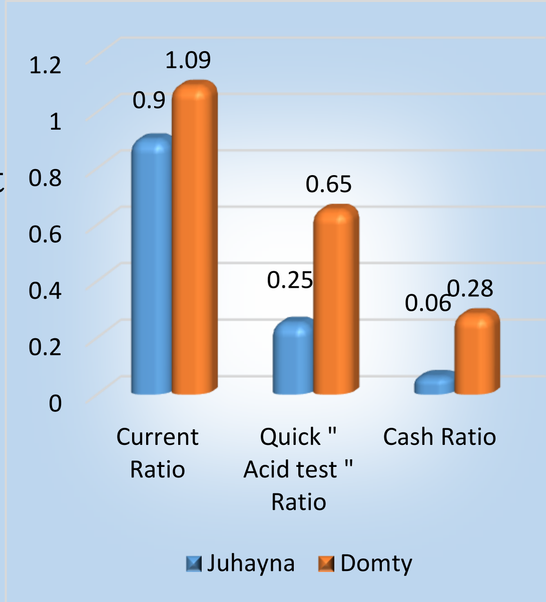
Detailed Ratio Analysis

Liquidity Ratios	Juhayna	Domty
Current Ratio	0.9	1.09
Quick " Acid test " Ratio	0.25	0.65
Cash Ratio	0.06	0.28
Activity ratios		
Receivable Turnover	48.43	5.54
Receivable Turnover in Days	7.54	65.88
Payable Turnover	11.80	15.52
Payable Turnover in Days	30.93	23.52
Inventory Turnover	3.73	6.23
Inventory Turnover in days	97.98	58.59
Operating cycle	74.59	100.95
Working capital turnover	-23.69	19.44
Fixed Assets turnover	1.71	6.28
Total Assets Turnover	0.95	1.44
Solvency Ratios		
Debt Ratio	58%	69%
Debt / Equity Ratio	140%	228%
Times Interest Earned	178%	182%
Cash coverage Ratio	272%	261%
Profitability Ratios		
Gross profit margin	29%	20%
Operating profit margin	9%	5%
Net profit margin	1%	2%
Return on Assets	1%	2%
Return on Equity	2%	8%
Earnings per common share	6%	9%

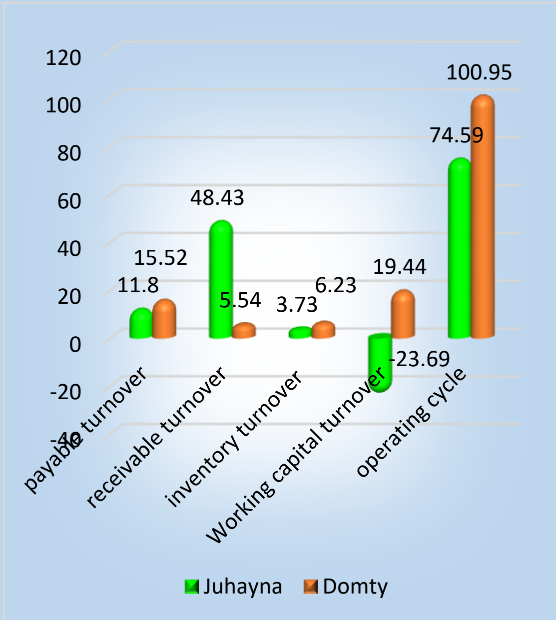
Juhayna to Domty Comparison

Detailed Ratio Analysis

Overall , Liquidity Ratios for Domty .Co is clearly better than Juhayna's because current , quick and cash ratios are higher for Domty , this may imply that the resources are not being fully utilized. The company is keeping more than the required 'Margin of Safety' and, in turn, blocking its growth. This implies that the resources may be tied up in the working capital (higher for Domty) and are not put to use in profitable ways. In this case, the company needs to stop playing safe and reduce the current ratio, so as to have optimum liquidity position.

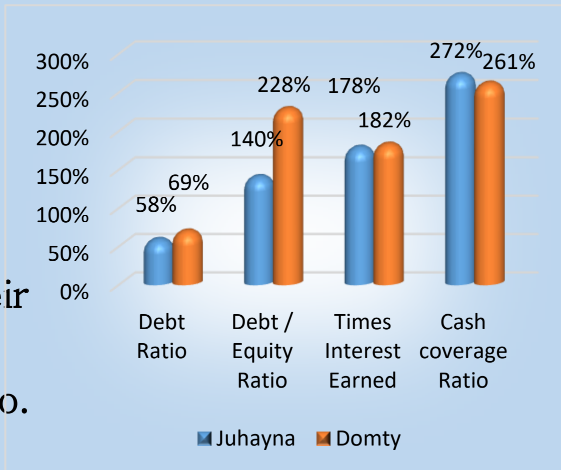


Activity Ratios of Domty.co in 2016 Comparing to Juhayna .Co indicate that the frim goes on the way to achieve its goals as the trends of Account payable turnover and inventory turnover are higher than Juhayna trend. And Higher working capital turnover and lower days take to pay off its suppliers & lower days take to turn its inventory into sales. Although Juhayna almost having lower activity ratios but still having a higher trend in receivable turnover and less operating cycle " Days " which indicate that the company

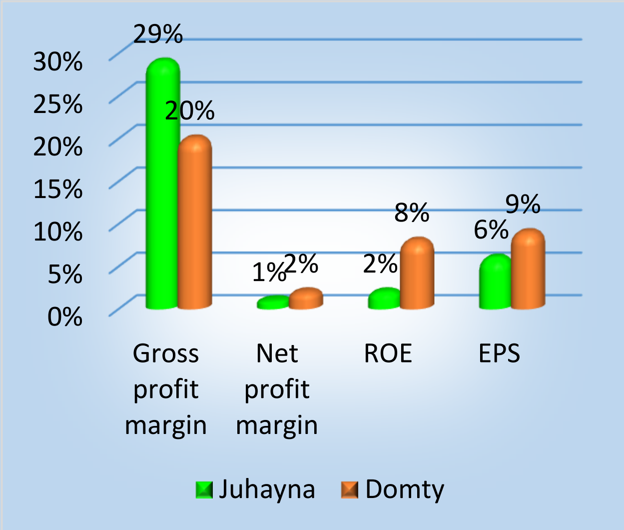


Solvency Conclusion

Juhanya has maintained a healthy debt Ratio and debt- to- Equity ratio. rather than Domty. but the Two companies' amount of cash available to pay the interest expense and its possible new interest burden deteriorated at 2016. And hardly meeting their interest obligations at 2016 compared with 2015 because of the fluctuating of the market interest ratio.



Profitability Conclusion



through out the analysis of two years, we found that two companies Gross profit margin, Operating profit margin, Net profit margin, Return on Assets, Return on Equity and Earnings per common share all goes down at 2016. because of the fluctuating of the market.

Conclusion Overall Analysis, After applying all the ratios we got an idea that the two Companies are profitable firm. But Juhayna is performing much better than Domty. Juhayna net profit ratio and debt equity ratio is better than Domty.

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