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

The composition of a company's current versus long-term assets is influenced by several key factors:

- **Industry Type**: Different industries have varying asset needs. Manufacturing firms typically have higher long-term assets due to machinery, while retail companies hold more inventory and receivables as current assets.
- **Growth Stage**: Startups often have more current assets for liquidity, growth-stage companies invest in long-term assets for expansion, and mature firms balance both asset types.
- **Investment Strategy**: Companies with significant capital expenditures or acquisitions increase their long-term assets. Conversely, firms focusing on liquidity may have more current assets.
- **Operational Efficiency**: Effective management of inventory and receivables minimises current assets, while poor efficiency increases them.
- **Financial Policies**: Companies preferring high liquidity maintain larger current assets. Debt structures also influence asset composition, with high long-term debt often tied to long-term asset investments.
- **Economic Conditions**: Economic booms encourage investment in long-term assets, while downturns may lead to asset liquidation for liquidity.
- **Regulatory Environment**: Changes in accounting standards and tax policies can shift asset classifications and encourage capital investments.
- **Technological Advancements**: Investments in new technology increase long-term assets, while rapid tech changes shorten asset lifespans, requiring frequent updates.
- **Management Decisions**: Strategic priorities and M&A activities can significantly alter the balance between current and long-term assets.
- **Market Demand**: High demand increases inventory and receivables (current assets), while seasonal businesses see fluctuations in current assets.

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

A company's debt-to-equity ratio (D/E ratio) is a key indicator of its financial leverage and stability, impacting its creditworthiness and access to capital.

Impact on Creditworthiness

1. **High D/E Ratio**: Indicates high leverage, suggesting the company relies heavily on debt financing. This can signal higher financial risk to creditors, potentially lowering the company’s credit rating. A lower credit rating increases borrowing costs and may limit access to additional credit.

2. **Low D/E Ratio**: Suggests the company uses less debt relative to equity, indicating lower financial risk. This generally enhances creditworthiness, leading to better credit ratings, lower borrowing costs, and easier access to loans.

Impact on Access to Capital

1. **High D/E Ratio**: May deter investors and lenders who view the company as over-leveraged, limiting its ability to raise capital. Equity investors might demand higher returns to compensate for increased risk, while lenders may impose stricter covenants or higher interest rates.
2. **Low D/E Ratio**: Attracts investors and lenders by showing prudent financial management and lower risk. This facilitates access to both debt and equity financing at more favourable terms, supporting growth and expansion opportunities.

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?

Here are the following statistics on how Debt-to-Equity ratio has changed over the 4 years. It can be seen below that the Debt-to-Equity ratio is almost same over the years close to 2.0. It indicates that the company is relying more on debt financing than equity.

Year	**Debt to Equity Ratio**
2018	2.12
2019	1.91
2020	1.97
2021	2.28

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

Yes, Revenue has grown over the three years. Merchandise sales segment is driving the revenue of the company.

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?

Yes, as indicated below the company is able to maintain its Gross Margin close to 4% approximately.

Year	Gross Margin
2019	4.14
2020	4.28
2021	4.37

How can investors utilise free cash flow analysis to compare different companies in the same industry?

Investors can utilise free cash flow (FCF) analysis to compare different companies in the same industry by focusing on several key aspects:

1. **Operational Efficiency**: FCF indicates how efficiently a company generates cash from its operations after accounting for capital expenditures. By comparing FCF across companies, investors can identify which firms are more efficient in converting revenue into cash, reflecting better operational performance and cost management.
2. **Financial Health**: High and consistent FCF suggests strong financial health, providing a cushion against economic downturns and funding for future growth without relying on external financing. Comparing FCF allows investors to gauge the financial stability and risk profile of different companies.
3. **Valuation**: FCF is a critical input for valuation metrics like the FCF yield (FCF/Market Cap) and the price-to-FCF ratio. Investors can use these ratios to compare valuations, identifying potentially undervalued or overvalued companies relative to their peers.
4. **Growth Prospects**: Companies with higher FCF have more flexibility to invest in growth opportunities such as research and development, acquisitions, or market expansion. Comparing FCF helps investors assess which firms are better positioned to capitalise on growth prospects.
5. **Dividend Potential**: FCF is a key determinant of a company's ability to pay and sustain dividends. Investors seeking income can compare FCF to understand which companies have the capacity to offer attractive and reliable dividend payouts.