FINANCIAL ANALYSIS

For this analysis we are using modtech's results in the "Industry Activity Indicators" for the first year. Modtech first year has been difficult, because from the beginning it was created to become the number one wholesaler in the world, but the market has not enough capacity to provide modtech with all the products that it needs to satisfy its clients. This situation has made the company struggle with price and inventory and almost every quarter the company solds out; also the competitors, like nippon, have very low prices which make very difficult to make profit because modtech needs to set low prices to be able to keep its costumers.

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| --- | --- |
| **ROI** | -5.2% |
| **ROS** | -19.3% |
| **ROA** | -4.2% |
| **ROE** | -5.5% |
| **GROSS PROFIT MARGIN** | 6.7% |
| **NET PROFIT MARGIN** | -20.3% |

**Modtech's Profitability Ratios**

**Return on Investment (ROI):** This value (-5.2%) shows that the investments that the company is making are not giving enough revenues. The problem that modtech is facing is that is investing money in sales offices in US, EU and Brasil and also the maintenance of the home office, but it is not selling the amount of PC's and Chips require to support all the infrastructure that it has build.

**Return On Sales (ROS):** this value (-19,3) shows that the company is not making profit on the sales, the main reason is that the cost to get the products from other companies is too high, and there are competitors that has very low prices, so modtech has being struggling to find the correct price to be able to sale and make profit.

**Return On Assets (ROA):** this value (-4,2) shows that the company's investment in assets has no proportional impact on sales, this is because modtech is facing problem to find in the market enough products to sell them in all the offices around the world, so the company is selling less than the optimum for the number of offices.

**Return On Equity (ROE):** this value (-5.5%) shows that the company has problem to make profits out of the money invested by shareholders. There are two main reasons for this, the first one is a lot of inactivity in the beginning keeping a lot of cash in the bank without investing it, and then after investing the money in new offices to become a wholesaler, the fact that modtech does not find in the market the number of products that it needs, high cost and low prices has an impact on the revenues which are not proportional to the money invested.

**Gross Profit Margin:** This value (6.7%) is very low because of the problem explained before related to pricing, cost structure and efficiency of the business.

**Net Profit Margin:** This value (-20.3%) that for every sale the company is not making enough profit, because after discounting all the cost related to that sale the profit sometimes is low or negative because the price is not good, because the cost is really high but the competitors have low prices.