



Medtronic PLC

COMPANY OVERVIEW & BRIEF
FINANCIAL ANALYSIS

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Medical technology industry

Medical technologies are products, services or solutions used to save and improve people's lives

*There are more than **500,000** medical technologies available in hospitals, community-care settings and at home*

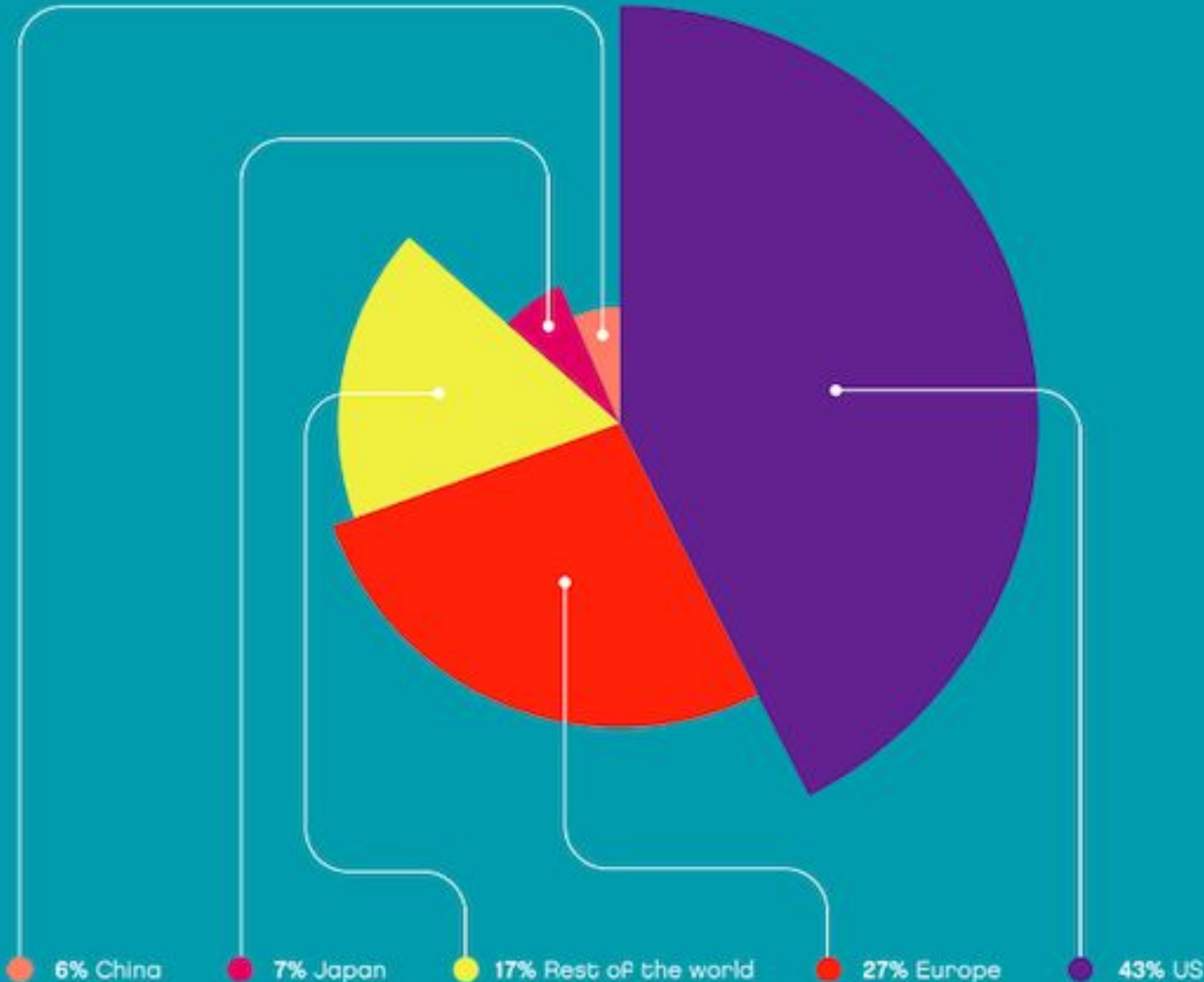
- **Medical devices** (MDs) are products, services or solutions that prevent, diagnose, monitor, treat and care for human beings by physical means.
- **In vitro diagnostics** (IVDs) are non-invasive tests used on biological samples (for example blood, urine or tissues) to determine the status of one's health.
- **Digital health and care** refers to tools and services that use information and communication technologies (ICTs)

Medical technology global Medical

**445 billion
USD**

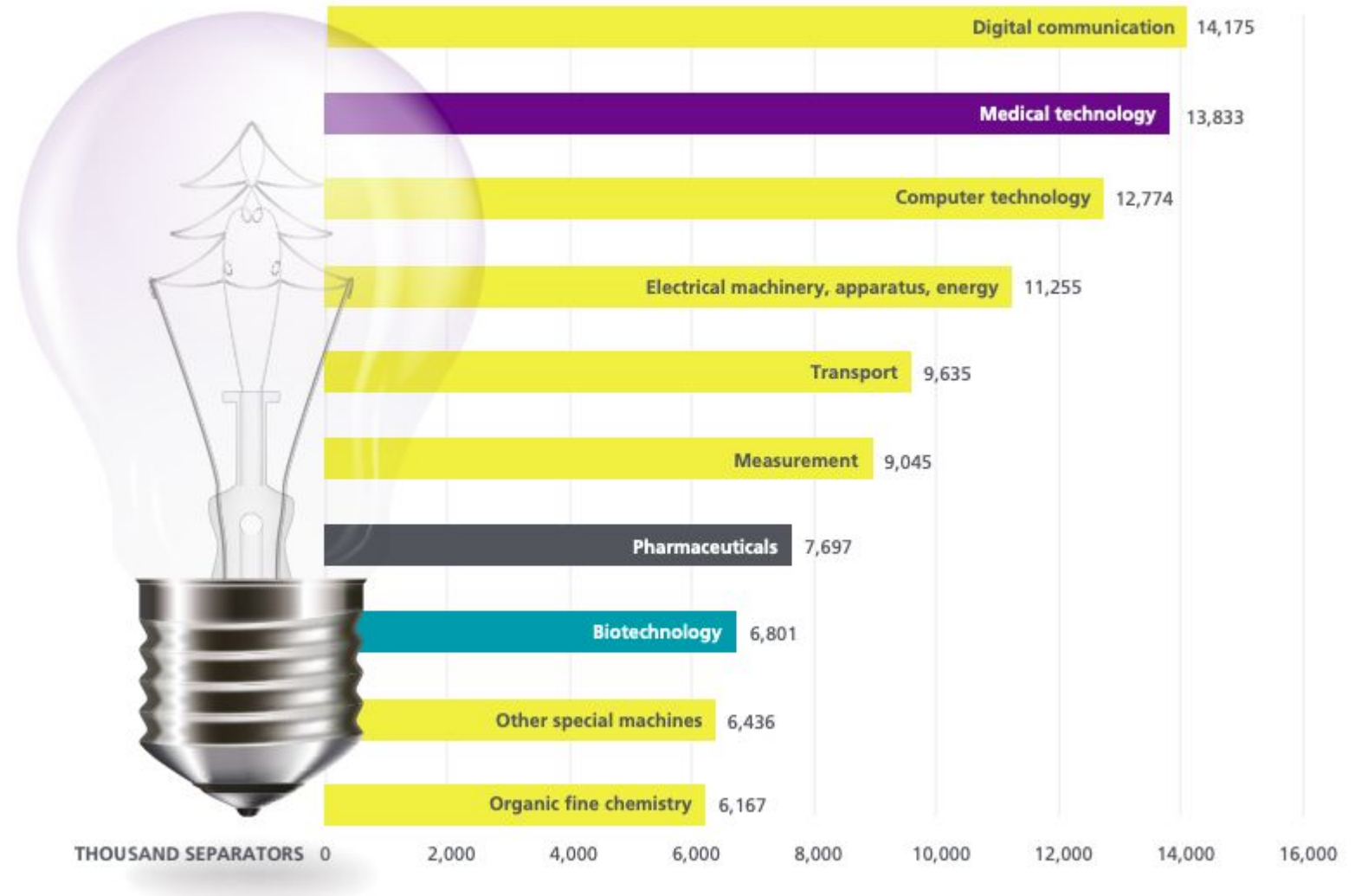
**Based on manufacturer
prices, 2018**

Source; Medtech Europe



Innovation & dynamism in Medical technology industry

- The average global R&D investment rate is estimated to be around **8% in the medical technology sector.**
- Products typically have a lifecycle of only **18-24 months** before an improved product becomes available



Top 10 technical fields in patent application Number of patent application filings with the EPO (European patent office) 2019

About Medtronic

Overview and history

- Founded in 1949, **Medtronic PLC (public limited company)** legally **headquartered in Dublin Ireland**, and operational and executive headquarters in Fridley, Minnesota is among the world's largest medical technology, services and solutions companies
- Ranked as the world's largest medical device company by 2017 revenues. It today serves patients in more than **150 countries** around the world.
- **Recorded to be the largest completed corporate tax inversion in history**, Medtronic Inc acquired Irish based Covidien PLC – which is a previous US tax inversion to Ireland in 2007 – for \$42.9 billion in cash and stock, thus allowing it to avoid taxation on more than \$14 billion held overseas, and avail of Ireland's beneficial low corporation tax regime

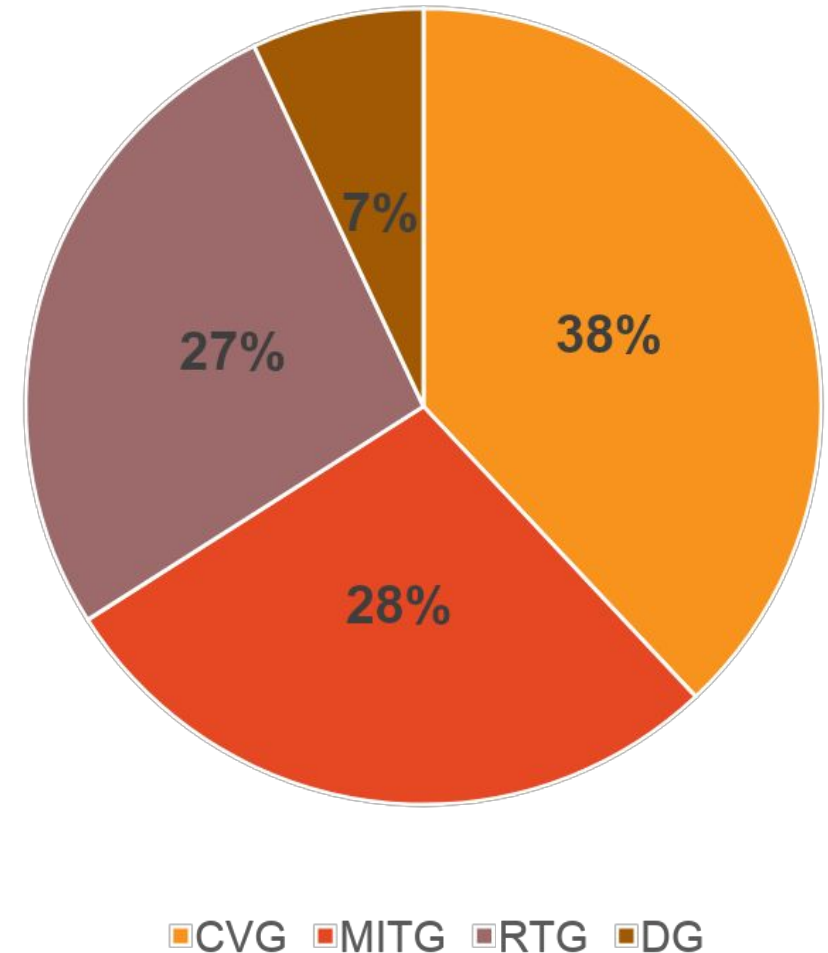
Business model and revenue generating business segments

Medtronic has four operating and reportable main groups with sub-divisions that primarily **develop, manufacture, distribute and sell** device-based medical therapies and services

- The cardiac and vascular group (CVG)
- The minimally invasive therapies group (MITG)
- The restorative therapies group (RTG)
- The diabetes group (DG)

Medtronic primary customers are hospitals, clinics, third-party health care providers, distributors and other institutions, including government health care programs and group purchasing organizations.

Net sales percentage by segment, fiscal year 2019



Medtronic's most notable acquisitions in FY19

- ❖ **Mazor robotics**, intended to add a long-term competitive advantage for Medtronic in the spine market.
- ❖ **EPIX therapeutics**, Providing advancement in the area of radio frequency ablation technology.
- ❖ **Nutrino**, offering Artificial intelligence capabilities to apply toward personalized closed-loop insulin pump systems in diabetes.

Medtronic pursues strategic tuck-in acquisitions that provide access to new technologies

Medtronic Competitive Strategy

- Differentiation Strategy
- Cost Leadership
- Focus Strategy

SWOT Analysis

Strengths:

- Innovative Technology
- Economic Profits
- Diversity of Employees

Strengths:

- Suppliers Risk
- Potential Layoffs

Opportunities:

- Areas of new markets
- Acquisitions of existing companies

Threats:

- Potential lawsuits for product failures
- Recalls by regulatory agencies

Corporate Governance

- Established a sound code of conduct in order to live up to the company's mission.
- Embed integrity at the core of sales and marketing practices to ensure complete transparency at promoting products.

Board of Directors

#	Name	Title
1	Omar Ishirak	Executive Chairman and Chairman of the Board
2	Richard H. Anderson	President and CEO, Amtrak
3	Craig Arnold	Chairman and CEO, Eaton Corporation
4	Scott C. Donnelly	Chairman, President and CEO, Textron, Inc.
5	Andrea J. Goldsmith	Dean of the school of engineering and applied science, Princeton University
6	Randall J. Hogan	Chairman, nVent Electric plc
7	Governor Michael O. Leavitt	Founder and Chairman of Leavitt Partners
8	James T. Lenehan	Financial Consultant and Retired Vice Chairman and President of Johnson & Johnson
9	Kevin E. Lofton	Retired CEO, Common spirit health
10	Geoffrey S. Martha	Chief Executive Officer, Medtronic plc
11	Elizabeth G. Nabel, M.D.	President of Brigham Health, Professor of medicine, Harvard Medical School
12	Denise M. O'Leary	Private Venture Capital Investor
13	Kendall J. Powell	Retired Chairman and CEO, General Mills

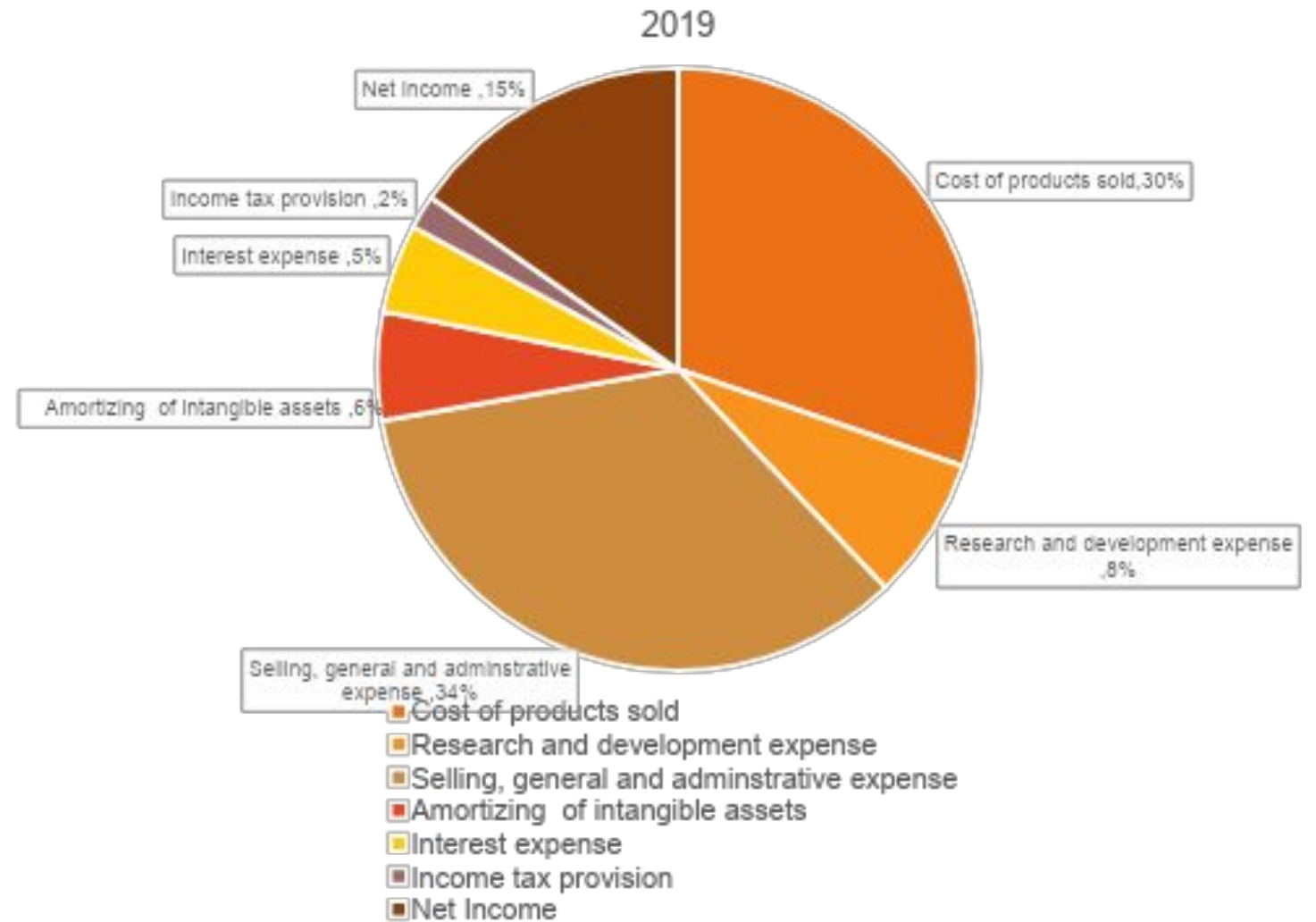
Audit Report

- Medtronic was audited by Pricewaterhouse Coopers LLP. For financial statements of 2019.
- PwC found the financial statements presented to give a true and fair view of company's assets , liabilities and financial position for the period ended.
- The financial statements have been properly prepared in accordance with the US generally accepted accounting principles.

Income statement

Medtronic plc				
Statement of Income for the Year Ended April 26,				
	2019	2018	2019	2018
Net Sales	30,557	29,953	100%	100%
Cost and Expenses				
Cost of products sold	9,155	9,087	30.0%	30.3%
Research and development expense	2,330	2,258	7.6%	7.5%
Selling, general and administrative expense	10,418	10,238	34.1%	34.2%
Amortizing of intangible assets	1,764	1,823	5.8%	6.1%
Restructuring charges	198	30	0.6%	0.1%
Certain litigation charges	166	61	0.5%	0.2%
Gain on sale of businesses	-	(687)	0.0%	2.3%
Other operating expense	258	535	0.8%	1.8%
Operating profit	6,268	6,640	20.5%	22.2%
Other non operating income	(373)	(181)	1.2%	0.6%
Interest expense	1,444	1,146	4.7%	3.8%
Income before income taxes	5,197	5,675	17.0%	18.9%
Income tax provision	547	2,580	1.8%	8.6%
Net Income	4,650	3,095	15.2%	10.3%

Income statement



Balance Sheet

Property, plant, and equipment				
Balance Sheets				
	April 26, 2019	April 27, 2018	2019	2018
Assets				
Current Assets				
Cash and cash equivalents	4,393	3,669	4.9%	4.0%
Investments	5,455	7,558	6.1%	8.3%
Accounts receivable, less allowance	6,222	5,987	6.9%	6.6%
Inventories, net	3,753	3,579	4.2%	3.9%
Other current assets	2,144	2,187	2.4%	2.4%
Total Current Assets	21,967	22,980	24.5%	25.1%
Property, plant, and equipment	4,675	4,604	5.2%	5.0%
Goodwill	39,959	39,543	44.6%	43.3%
Other intangible assets, net	20,560	21,723	22.9%	23.8%
Tax assets	1,519	1,465	1.7%	1.6%
Other assets	1,014	1,078	1.1%	1.2%
Total Assets	89,694	91,393	100.0%	100.0%

Balance Sheet contd.

Medtronic plc Balance Sheets				
	April 26, 2019	April 27, 2018	2019	2018
Liabilities And Equity				
Current liabilities				
Current debt obligations	838	2,058	0.9%	2.3%
Accounts payable	1,953	1,628	2.2%	1.8%
Accrued compensation	2,189	1,988	2.4%	2.2%
Accrued income taxes	567	979	0.6%	1.1%
Other accrued expenses	2,825	3,431	3.3%	3.8%
Total Current Liabilities	8,472	10,084	9.4%	11.0%
Long term debt	24,486	23,699	27.3%	25.9%
Accrued compensation and retirement benefits	1,651	1,425	1.8%	1.6%
Accrued income taxes	2,838	3,051	3.2%	3.3%
Deferred tax liabilities	1,278	1,423	1.4%	1.6%
Other liabilities	757	889	0.8%	1.0%
Total Liabilities	39,482	40,571	44.0%	44.4%
Shareholders' equity				
Additional paid in capital	26,532.0	28,127.0	29.6%	30.8%
Retained earnings	26,270.0	24,379.0	29.3%	26.7%
Accumulated other comprehensive loss	(2,711)	(1,786)	-3.0%	-2.0%
Total Shareholders' Equity	50,091	50,720	55.8%	55.5%
Noncontrolling interests	121	102	0.1%	0.1%
Total Equity	50,212	50,822	56.0%	55.8%
Total Liabilities and Equity	89,694	91,393	100.0%	100.0%

Financial Ratios

Liquidity Ratios

Measure	FY 2019	FY 2018
Current Ratio	2.6	2.3
Quick Ratio	1.9	1.7
Collection Period	71.9 days	73.4 days
Days to Sell Inventory	144.7 days	145.6 days

Financial Ratios

Asset Utilization

Measure	FY 2019	FY 2018
Cash Turnover	7.6	8.2
Accounts Receivable Turnover	5.0	5.0
Inventory Turnover	2.5	2.5

Financial Ratios

Operating Performance

Measure	FY 2019	FY 2018
Gross Profit Margin	70%	69.7%
Operating Profit Margin	20.5%	22.2%
Net Profit Margin	15.2%	10.3%

Financial Ratios

Capital Structure and Solvency

Measure	FY 2019	FY 2018
Total Debt to Equity	0.78	0.80

Return on Investment

Measure	FY 2019	FY 2018
Return on Equity	9.2%	6.1%

Financial Ratios

Market Measures

Measure	FY 2019	FY 2018
Price to Earnings	32.7	33.6
Earnings Yield	3.00%	2.98%
Dividends Yield	2.00%	2.39%

DuPont Analysis

ROE = Net Profit Margin x Asset Turnover x Financial
Leverage

$$= 15\% \times 0.33 \times 1.80$$

Medtronic Accounting Policies

Fiscal Year End

- Use of 52-53 week fiscal years ending in the last week of April

Estimates

- The report makes it clear that some estimates are used in determining income tax, intangible assets and liability valuations

Revenue recognition

- Medtronic recognizes revenue when the control of the product is transferred from the company to the customer (whenever the product is shipped) regardless of when payment is received

Medtronic Accounting Policies

Cont'd

Allowance for doubtful accounts

- Allowance determined based on historical data and customer specific data. The allowances are settled with debt write offs when it becomes clear the account is no longer collectible

Inventories

- Medtronic applies the first in first out (FIFO) method for inventory valuation which is also coupled by the lower cost or market value in accordance with the generally accepted accounting principles

Currency transactions

- Non-U.S dollars currencies translated to U.s Dollars at period end exchange rates with currency impact recorded as adjustments and recognized as a component of accumulated other comprehensive loss on the balance sheet and other operating expenses in income statement for transaction gains/losses

Medtronic Accounting Policies

Cont'd (Assets)

Tangible Assets

- Capitalization is used in determining asset value when the asset is added to or improved in any way, while repairs/maintenance is considered an expense. The straight-line depreciation method is used to amortize the asset value over its useful life. Any difference between the estimated salvage value and actual selling value is recognized as gain/loss in earnings

Intangible Assets

- Goodwill is determined by the difference between an asset's fair value and its purchase price
- Goodwill and other intangible assets are estimated to have a useful life of 20 year by the company and are thus depreciated using the straight-line method. If the asset is no longer valuable, it is written off and recognized as impairment loss.



Oriental weavers

COMPANY OVERVIEW & BRIEF
FINANCIAL ANALYSIS

About the industry

Carpet and rug manufacturing industry. Rising trends including an increase in the demand for eco-friendly carpet, growing acceptance of carpet tiles, and inclination towards contemporary area rugs are shifting the dynamics of the carpet market.

List of TOP Manufactures in Carpets and Rugs Market include: -

- Mohawk Industries Inc.
- Shaw Industries Group, Inc.
- Tarkett S.A.
- Dixie Group, Inc.
- Oriental Weavers Company for Carpet.
- Ikea Group
- ABBey Carpet and Floor
- Axminster Carpets Ltd
- Floor Coverings International
- Foamex International Inc

Segmentation: Global Carpets and Rugs Market

- Global carpets and rugs market is categorized into four notable segments which are based on basis of type, product, materials and application.
- On the basis of type, the market is segmented into carpet and rugs
- On the basis of product, the market is segmented into woven, tufted, knotted, needle-punched, flat-weave, hooked and others
- On the basis of material, the market is segmented into synthetic fiber and natural fiber
- On the basis of application, the market is segmented into residential, commercial, industrial and Institutional

History on Oriental Weavers

- Oriental Weavers (OW) is one of the most recognized brands in the machine woven rug and carpet industry today. Established in 1981 by Mr. Mohamed Farid Khamis who recently passed away.
- Oriental Weavers is a manufacturing company operating in multiple countries.
- OW is the flagship company of the Orientals Group, which is a multinational organization that incorporates several companies dedicated to the production of woven rugs and carpeting, along with related raw materials.
- OW is the holding company with 7 subsidiaries.
- With a simple vision the company became a leading worldwide exporter and by far the largest player in the Egyptian market.
- Oriental Weavers products are manufactured at 31 factories (Including feeding industry) in Egypt, China and the United States.

Company Product Portfolio

Annual production capacity of 23.5 million m2 (2017)

To meet the high-end demand in Egypt in recent years, Oriental Weavers' operations have grown to include the imported handmade rugs of the highest quality made in partnership with craftsmen in China, India and Iran.

Oriental Weavers was listed in the Egyptian Stock Exchange (EGX) since 1997, and, today, its shares represent consolidated earnings for the company and its subsidiaries.

As of today:

- 95% of its manufacturing happens in Egypt.
- 30+ years operating in the industry
- 130 countries worldwide in which Oriental Weavers products are sold

Competitive Strategy

- Leadership strategy
- Vertical integration
 - Turnkey production process
 - PP raw material
 - Spinning & dyeing
 - Weaving
 - Packing
 - Distribution
- Differentiation strategy
 - High quality

SWOT Analysis

Strengths

- 40+ years
- 31 factories
- Distribution & warehouses
- 60% exported to 130 countries
- Global clients
- Vertical integration

Opportunities

- Expand global market

Weaknesses

- No control over the feed, raw material, to the PP plant
- Big companies are difficult to operate

Threats

- Outdated

Board Members

#	Name	Title
1	Mr. Mohamed Farid Fouad Khamis	Founder; Non-Executive Board Member
2	Mr. Salah Abdel Aziz Abdel Motalab	Chairman
3	Eng. Medhat Hussein	Executive Board Member ; Managing Director
4	Mrs. Yasmine Mohamed Farid Khamis	Executive Board Member
5	Mrs. Farida Mohamed Farid Khamis	Executive Board Member
6	Mr. Mohamed Mahmoud Fawzy Khamis	Executive Board Member
7	Mr. Amr Mahmoud Fawzy Khamis	Executive Board Member
8	Mr. Mahmoud Amin Saad	Executive Board Member
9	Mr. Mohamed Katary Abd Allah	Executive Board Member
10	Wadouda Abd El Rahman Badran	Non-Executive Board Member
11	Mr. Mahmoud Fawzy Fouad Khamis	Non-Executive Board Member
12	Mr. El Sayed Moaatassem Rashed	Non-Executive Board Member
13	Mr. Mohamed M. Farid Khamis	Non-Executive Board Member
14	Misr Life Insurance	Non-Executive Board Member
15	Misr Insurance Holding Company	Non-Executive Board Member
16	Mr. Mohamed Mohamed Ali Amer	Non-Executive Board Member

Management

#	NAME	TITLE
1	Mr. Medhat Hussein	Managing Director
2	Mrs. Yasmine Mohamed Farid Khamis	Group Senior Vice President
3	Mrs. Farida Mohamed Farid Khamis	Vice President of Corporate Finance
4	Mr. Mohamed Mahmoud Fawzy Khamis	Vice President General Commercial Director
5	Mr. Amr Mahmoud Fawzy Khamis	Vice President of Manufacturing and Operations
6	Mr. Mahmoud Amin Saad	Director of International Operations
7	Mr. Mohamed Katary Abdullah	Director of Financial Affairs
8	Mr. Shehta Farouk	Group Financial Controller
9	Radwa Mostafa Kamel	Group Treasury and Budgeting Manager
10	Mr. Alaa ElDeen Mahmoud Shehata	CEO of MAC

Audit Report

- Oriental Weavers was audited by Bakertilly Wahid Abdulghaffar and Co. For financial statements of 2019.
- Bakertilly found the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Oriental Weavers Carpets Company (S.A.E) as of December 31, 2019 and of its consolidated financial performance and its cash flows for the year then ended in accordance with Egyptian Accounting Standards and in compliance with related Egyptian laws and regulations.

Oriental Weavers Carpets Company (An Egyptian Joint Stock Company)

Consolidated statement of income for the financial year ended December 31, 2019, (All amounts are in Egyptian Pounds)

FY	31/12/2019	31/12/2018	2019	2018
Net sales	10,133,640,844	10,404,684,745	100%	100%
Cost of sales	9,056,876,237	9,431,424,565	89%	91%
Gross profit	1,076,764,607	973,260,180	11%	9%
Add / (less):				
Financial investments revenues	7,992,345	179,250	0.08%	0.00%
Liquidation gain from financial investments available for	--	14,322,737		0.14%
Capital gain	15,129,496	1,537,757	0.15%	0.01%
Other revenues	315,968,451	147,571,111	3.12%	1.42%
Treasury bills returns	54,066,734	44,457,778	0.53%	0.43%
Interest income	59,702,385	97,934,415	0.59%	0.94%
Provision no longer needed	--	2,500,000		0.02%
Distribution expenses	-125,442,298	-104,424,020	-1.24%	-1.00%
General & administrative expenses	-339,380,372	-306,384,859	-3.35%	-2.94%
Formed provisions & impairment	-120,736,281	-102,054,690	-1.19%	-0.98%
Financing expenses	-128,130,231	-114,522,449	-1.26%	-1.10%
Foreign exchange differences	146,105,967	11,263,812	1.44%	0.11%
Net profit for the year before income tax	962,040,803	665,641,022	9.49%	6.40%
Add / (less):			0.00%	0.00%
Current income tax	-103,264,620	-104,663,799	-1.02%	-1.01%
Deferred tax	-3,697,506	-10,743,621	-0.04%	-0.10%
Income tax for the year	-106,962,126	-115,407,420	-1.06%	-1.11%
Net profit for the year after income tax	855,078,677	550,233,602	8.44%	5.29%
Attributable to:			0.00%	0.00%
The parent company	774,770,772	503,737,298	7.65%	4.84%
Non controlling interest	80,307,905	46,496,304	0.79%	0.45%
Basic earnings per share in the separate financial statements	1.49	1.59		

Income statement notes

FISCAL YEAR	NON OPERATING GAIN - EGP	% FROM TOTAL SALES	OPERATING INCOME - EGP	% FROM TOTAL SALES
2019	452,859,415	4.4%	509,181,391	5%
2018	308,503,048	3%	359,637,974	3.5%

- *Concerns over the operating income levels and business sustained profitability*

Oriental Weavers Carpets Company (An Egyptian Joint Stock Company)						
Consolidated balance sheet for financial year December 31, 2019 (all amounts are in Egyptian pounds)						
FY	31/12/2019	31/12/2018	2019	2018	EGP Change	Change %
Fixed assets	4,473,925,087	4,961,049,587	39.0%	38.5%	(487,124,500)	-9.8%
Projects in progress	204,947,831	247,497,801	1.8%	1.9%	(42,549,970)	-17.2%
Investments available for sale	117,715,509	129,315,952	1.0%	1.0%	(11,600,443)	-9.0%
Goodwill	159,933,791	201,933,791	1.4%	1.6%	(42,000,000)	-20.8%
Total non current assets	4,956,522,218	5,539,797,131	43.2%	43.0%	(583,274,913)	-10.5%
Inventory	3,341,649,791	3,681,151,398	29.1%	28.6%	(339,501,607)	-9.2%
Trades and notes receivable	1,591,551,637	1,942,176,507	13.9%	15.1%	(350,624,870)	-18.1%
Debtors and other debit accounts	288,023,011	330,291,417	2.5%	2.6%	(42,268,406)	-12.8%
Treasury bills	845,396,719	764,025,473	7.4%	5.9%	81,371,246	10.7%
Cash at banks and on hand	453,772,002	623,748,906	4.0%	4.8%	(169,976,904)	-27.3%
Total current assets	6,520,393,160	7,341,393,701	56.8%	57.0%	(821,000,541)	-11.2%
Total assets	11,476,915,378	12,881,190,832	100.0%	100.0%	(1,404,275,454)	-10.9%
Issued and paid up capital	443,404,845	443,404,845.00	3.9%	3.4%	-	0.0%
Reserves	1,665,292,366	1,627,369,670.00	14.5%	12.6%	37,922,696	2.3%
Retained earnings	210,068,714	514,374,284.00	1.8%	4.0%	(304,305,570)	-59.2%
Net profit for the year	774,770,772	503,737,298.00	6.8%	3.9%	271,033,474	53.8%
Exchange differences arising on translation of financial statements	3,634,647,595	4,224,548,609.00	31.7%	32.8%	(589,901,014)	-14.0%
Total equity attributable to the parent company	6,728,184,292	7,313,434,706.00	58.6%	56.8%	(585,250,414)	-8.0%
Non controlling interest	823,849,414	845,873,091.00	7.2%	6.6%	(22,023,677)	-2.6%
Total equity	7,552,033,706	8,159,307,797.00	65.8%	63.3%	(607,274,091)	-7.4%
Long term loans	230,407,654.00	376,409,080.00	2.0%	2.9%	(146,001,426)	-38.8%
Housing and Development Bank loan	61,476.00	203,124.00	0.0%	0.0%	(141,648)	-69.7%
Deferred tax liabilities	141,176,804.00	135,589,008.00	1.2%	1.1%	5,587,796	4.1%
Total Non current liabilities	371,645,934.00	512,201,212.00	3.2%	4.0%	(140,555,278)	-27.4%
Provisions	61,745,858.00	79,494,590.00	0.5%	0.6%	(17,748,732)	-22.3%
Banks-Credit accounts	1,886,686,082.00	2,163,698,865.00	16.4%	16.8%	(277,012,783)	-12.8%
Long term liabilities-Current portions	110,196,514.00	123,444,851.00	1.0%	1.0%	(13,248,337)	-10.7%
Suppliers and notes payable	832,796,884.00	1,218,620,591.00	7.3%	9.5%	(385,823,707)	-31.7%
Dividends payable	7,799,372.00	18,869,267.00	0.1%	0.1%	(11,069,895)	-58.7%
Creditors and other credit accounts	566,012,034.00	516,480,376.00	4.9%	4.0%	49,531,658	9.6%
Tax payable	87,998,994.00	89,073,283.00	0.8%	0.7%	(1,074,289)	-1.2%
Total current liabilities	3,553,235,738.00	4,209,681,823.00	31.0%	32.7%	(656,446,085)	-15.6%
Total liabilities	3,924,881,672.00	4,721,883,035.00	34.2%	36.7%	(797,001,363)	-16.9%
Total equity and liabilities	11,476,915,378.00	12,881,190,832.00	100.0%	100.0%	(1,404,275,454)	-10.9%

Selected financial ratios

measure	Financial year 2019	Comments
Current ratio	1.8	OW has a modest ability to meet short term debt however, it's heavily contingent on ability to sell current inventory
Quick ratio	0.8	
Days to sell inventory	124 days	
Cash turnover	18.8	
Inventory turnover	2.9	
Total debt to equity	0.64	
Return on equity	12%	
Stock earnings yield %	21%	

OW Accounting Policies

Foreign currency Translation

- Presentation and Transaction Currency
- The Financial Statements are presented in Egyptian pound which represents the company presentation and transaction currency.
- Transaction and Balances Transactions denominated in foreign currencies are recorded at the prevailing exchange rates at the date of the transaction.

Goodwill

- Goodwill arising on the acquisition of subsidiaries is measured at cost less accumulated impairment losses. The carrying amount of goodwill is reviewed on regular basis; an impairment loss of goodwill is recognized if the carrying amount of the asset or its cash generating unit is exceeds its recoverable amount.

Inventory

- Inventory is valued at the end of the year at which is lower of cost or net realizable value according to the following basis:
 - Raw materials, Spare parts, packaging materials, are determined using the **moving average method**
 - Cost of work in process is determined at **industrial cost**
 - Cost of finished products at which is **lower of cost or net realizable value** includes all the direct and indirect industrial expenses.

OW Accounting Policies

Fixed Assets and Depreciation

- Purchases and sales are stated at the cost of transaction at the time it was purchased.
- Recognition and Initial Measurement Fixed assets are recognized initially at cost
- Depreciable value is determined based on fixed asset cost less its residual value.
- Depreciation of assets is charged in the income statement on a straight-line basis over the estimated useful lives of each part of fixed assets.
- Land is not depreciated
- The estimated useful lives are as follows:
 - Buildings & Constructions 25-50 years
 - Machinery & Equipment 10 years
 - Vehicles 5-8 years
 - Tools & Supplies 5 years
 - Show-room Fixture 3 years
 - Furniture & office equipment 5-10 years
 - Computers & programs 3 years

Treasury Bills

- Treasury Bills are recorded at face value, where the unearned revenue is recorded in the liabilities, accordingly the net treasury bills presented after deducting the unearned revenue.

OW Accounting Policies

Revenue Recognition

- Revenue is recognized when it is probable that the economic benefits associated with the transaction **will inflow to the entity** and the amount of revenue can be measured reliably.
- The following are the special considerations of the revenue recognition:
 - Revenue from sales is recognized when goods- related rewards and risks are transferred to the buyer **upon the delivery of the products and invoicing.**

Treasury shares

- Treasury shares are stated at cost and shall be deducted from equity.
- Gain or loss on the dispose of the shares shall be recognized directly in equity.

Cash flow statement

- Consolidated Cash flow statement is prepared using the indirect method.

Comparative ratios – FY19

Meaure	Medtronic	Oriental Weavers	Comments
Current ratio	2.6	1.8	Medtronic exhibits better liquidity – and readiness to meet short-term obligations
Quick ratio	1.9	0.8	
Collection period	71.9	63	The two industries seem to have similar credit terms extended to customers
Days to collection	144.7	124	
Cash turnover	7.6	18.8	May indicate OW need for short-term financing, excessive credit sales

Comparative ratios – FY19

Measure	Medtronic	Oriental Weavers	Comments
A/R Turnover	5	5.7	
Inventory turnover	2.5	2.9	
Working capital turnover	2.3	3.3	
PPE turnover	6.6	2.1	Suggests Medtronis is more efficient in utilizing their fixed assets. With more efficient capital investments

Comparative ratios – FY19

Measure	Medtronic	Oriental Weavers	Comments
Gross profit	70.0%	11.0%	OW have significantly higher COGS %, that could partially be due to industry profit margins variation
Operating profit	20.5%	5.0%	
Net profit	15.2%	9.4%	
Long-term debt to equity	0.49	0.06	Medtronic may have been more aggressive than OW financing their growth with debt. (higher leverage)

Comparative ratios – FY19

Measure	Medtronic	Oriental Weavers	Comments
Return on assets	6.5%	6.6%	Two companies show comparable profitability from using total assets
Return on equity	9.2%	12.0%	Comparable deployment of shareholders capital
Price to earnings	32.7	7	
Earnings yield	3%	14.2%	

Comparative ratios – FY19

	Dupont analysis
Medtronic	$ROE = 0.092 = 0.15 \times 0.33 \times 1.8$ $ROE = 0.092 = \text{Profit margin} \times \text{Asset turnover} \times \text{Leverage}$
OW	$ROE = 0.12 = 0.094 \times 0.83 \times 1.55$ $ROE = 0.12 = \text{Profit margin} \times \text{Asset turnover} \times \text{Leverage}$

- ❖ OW Lower profit margins and low financial leverage compared to MED is compensated by better total asset utilization to result in comparable return on equity

Comparative policies – FY19

Policy type	Medtronic	Oriental Weavers
Revenue Recognition	When control of product transferred from the company to the customer regardless of payment receipt	When goods related rewards and risks are transferred to the buyer
Inventory valuation	Weighted average coupled with LCM value	FIFO coupled with LCM value
Fixed assets and depreciation	Straight-line depreciation method is used	Straight-line depreciation method is used
Goodwill of acquisitions	Measured at cost less accumulated impairment losses	Measured at asset purchase price less its fair value

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