

*Sorry, I didn't have my contact info that clear. So, here it is...*

**Drop me a message on LINE**



**Connect on LinkedIn**



**For old-fashioned people like me, just call 081 874 0397**

**I didn't mention it at the event, but if you want to have a chat about the challenges you are facing in your business, please book a call.**

**If I can help, I will.**

**Book your free 1-hour call at [drstotz.as.me/BusinessCall](https://drstotz.as.me/BusinessCall)**



*A. Stotz*  
**ACADEMY**

**Andrew Stotz, PhD, CFA**



*A. Stotz*

INVESTMENT  
RESEARCH

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# 3 Financial Measures that Matter Most

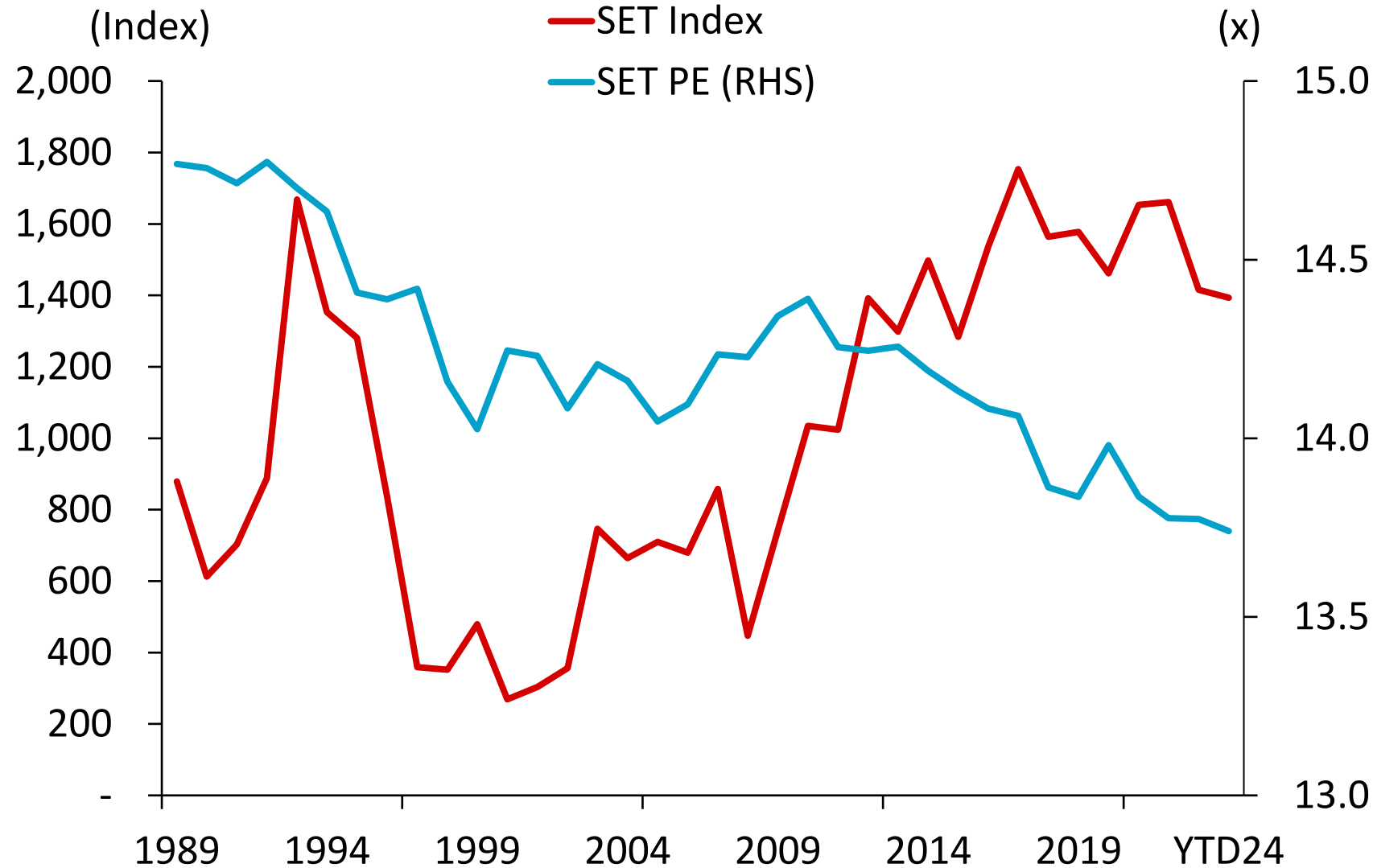
Presented by: Andrew Stotz, PhD, CFA

# 3 Measures that Matter Most



- **The state of society**
- Collecting the data
- Creating financial statements
- Calculating the various ratios
- The 3 measures that matter
- Your measures
- Your benchmark
- Your World Class Benchmarking triangles

# What is happening to Thailand's stock exchange?







# A. Stotz ACADEMY

Andrew Stotz, PhD, CFA

- We live in an age of distraction

# We live in an age of distraction

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- ★ Smartphones break up attention through constant task and stimulus **switching**
- ★ Social media, like Facebook and TikTok, disrupt focus, promoting habitual **device-checking**
- ★ A shift to short-form media on YouTube and TikTok, **reduces attention spans**

# We live in an age of distraction

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- ★ Despite known drawbacks, multitasking is encouraged, **impairing performance**
- ★ Excessive digital and social media use leads to mental health issues, making it **hard to connect**
- ★ Maintaining student attention is increasingly difficult, **hurting learning and academic performance**



Andrew Stotz, PhD, CFA



**Have you ever heard  
someone say that “greedy  
Capitalists only care about  
profit?”**

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**Or**  
**“The job of a CEO is to  
maximize profit?”**

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**Are these true?**


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# What is the objective of the management of a business?

To maximize the business's value, **not its profit**

$$Value = \sum \frac{CF_n}{(1 - r_n)^n}$$


$CF_n$  = An estimate of the profitability, measured as cash flows, produced by the business until infinity

Reduced by

$r_n$  = An estimate of the riskiness of each of those future cash flows

- The value of a business is the sum of its future cash flows
- Reduced by the riskiness of those cash flows
- **Business managers maximize shareholder value by balancing risk and return**

**If given the choice, which  
would you choose?  
Shareholder or  
stakeholder Capitalism?**

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# Capitalism

Capitalism is an **economic system** emphasizing private ownership and free markets, contrasting with systems like socialism that prioritize state control and collective ownership.

## Private ownership

Allows individuals and corporations to control and personally profit from producing, distributing, and exchanging goods and services.

## Free markets

Allow supply and demand, not government, to determine the prices of goods and services, the allocation of resources, and the direction of production and investment.

## Voluntary exchange

Individuals and entities engage in economic transactions freely and without coercion based on mutual consent and perceived mutual benefit.

## Company value maximization

Allocates resources efficiently via competitive efforts of management teams, enhancing use and performance monitoring.

# Democracy

A **system of government** where power is vested in the people, who exercise rule either directly or through elected representatives, rather than a single ruler or a select few holding control.

- Four pillars of capitalism
- Private ownership
- Free markets
- Voluntary exchange
- Company value maximization

**Is there a difference when  
you set up a stakeholder  
vs. shareholder Capitalism  
company?**

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# You get the right to operate by the government through your **Certificate of Incorporation**

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- ★ Legally defines the corporation as independent for transactions and litigation
- ★ Offers limited liability to shareholders, protecting personal assets
- ★ Details capital structure for capital raising
- ★ Ensures continuity, unaffected by ownership changes
- ★ Fulfills legal and tax criteria for operation



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# Your fiduciary duty is to

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Andrew Stotz, PhD, CFA

- ★ Represent the interest of shareholders and maximize the company's value

# I moved to Thailand from Los Angeles in 1992



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- Since then, I've become
- Teacher
- Financial analyst
- Business owner



# I moved to Thailand to teach finance at a university

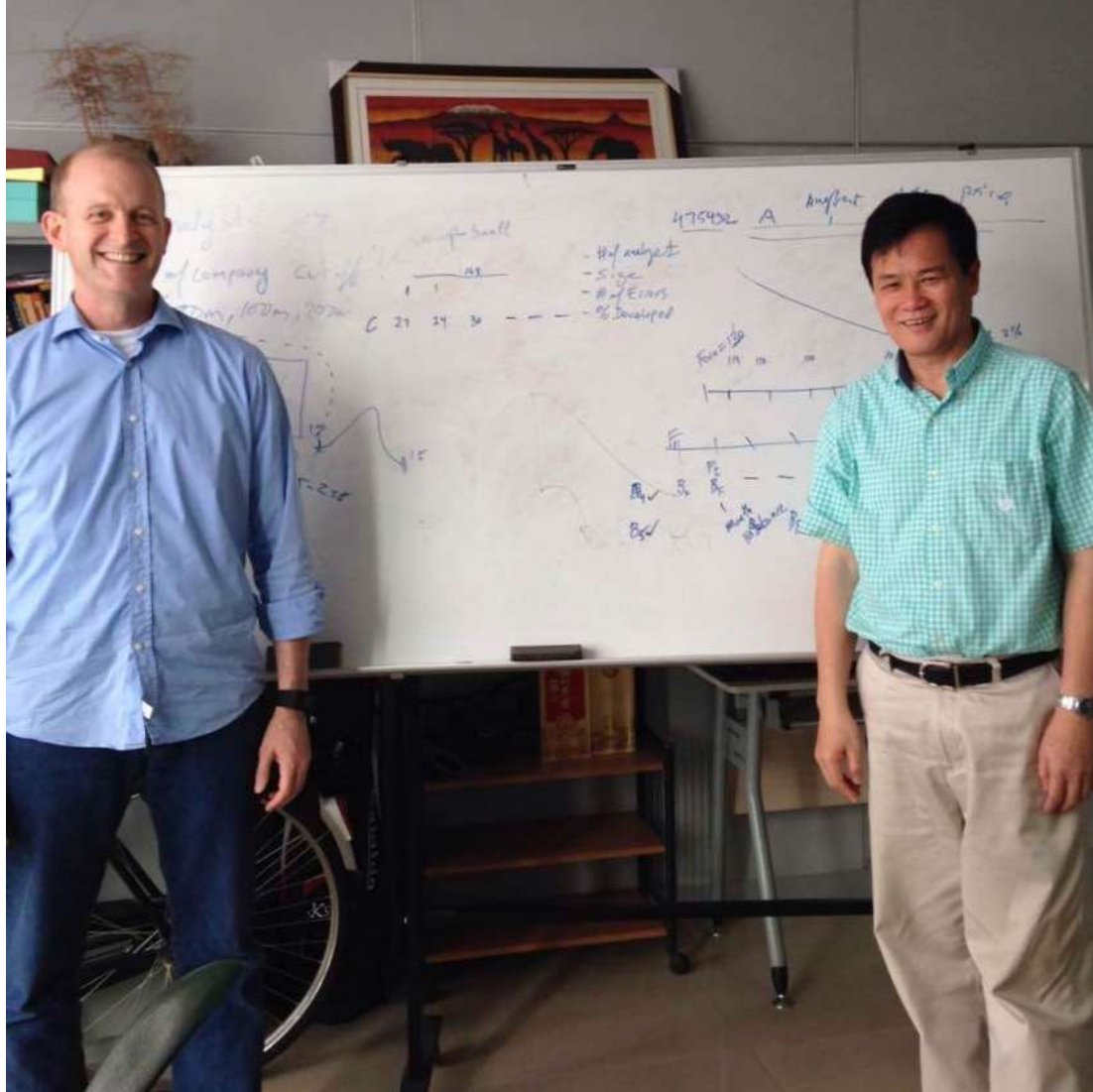


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- It has now been more than 30 years, and I never left Thailand, nor teaching

# Completed my Ph.D. at 50; never stop learning



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**Andrew Stotz, Ph.D., CFA**  
Visiting Faculty



**Andrew Stotz, PhD, CFA**



- Adjunct faculty at
- Thammasat Business School
- Sasin School of Management
- Chulalongkorn Business School Bachelor's and Masters in Finance



# I'm still teaching to this day



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- So far, I've taught more than 2,000 students in the Valuation Master Class
- I'm teaching courses at Sasin's executive education
- Train companies around Asia with my Finance Made Ridiculously Simple Boot Camp

# My passion for teaching has led me to write 5 books

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The screenshot shows the Amazon author page for Andrew Stotz. At the top, the Amazon logo and location (Bangkok 10110) are visible. Below the navigation bar, the author's name 'Andrew Stotz' is displayed. To the left is a circular profile picture of Andrew Stotz, a man in a suit and tie, with a 'Following' button below it. To the right of the profile picture are five book covers:

- Transform Your Business**: Kindle Edition, \$9.99. The cover features a portrait of Andrew Stotz.
- My Worst Investment Ever**: Kindle Edition, \$0.00. The cover shows a person's hand covering their face in distress.
- How to Start Building Your Wealth: Investing in the Stock Market**: Kindle Edition, \$9.99. The cover is yellow with a bar chart and an upward arrow.
- Valuation Mistakes & How to Avoid Them**: Kindle Edition, \$9.99. The cover features a large stylized '9'.
- Business Leaders in Asia**: Paperback, \$26.99. The cover shows a silhouette of a person made of dots.

Wrote 5 books



# And also host the My Worst Investment Ever podcasts



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**At 24 while working at Pepsi, I studied with the father of the quality movement, Dr. Deming**

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# Today, I host The Deming Institute Podcast

## Our new host is Andrew Stotz.

Andrew has been learning and practicing Deming for more than 30 years, and we are delighted that he has joined our team.

Andrew's enthusiasm and dedication to Deming are inspiring.



Andrew Stotz, PhD, CFA



# I became a financial analyst in 1993

---



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**Andrew Stotz, PhD, CFA**

- Worked for 20 years as an analyst and head of research
- Was head of research at the number one foreign broker, CLSA



# Voted No. 1 Analyst in Thailand in 2008 and 2009



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# Two-term president of CFA Society Thailand

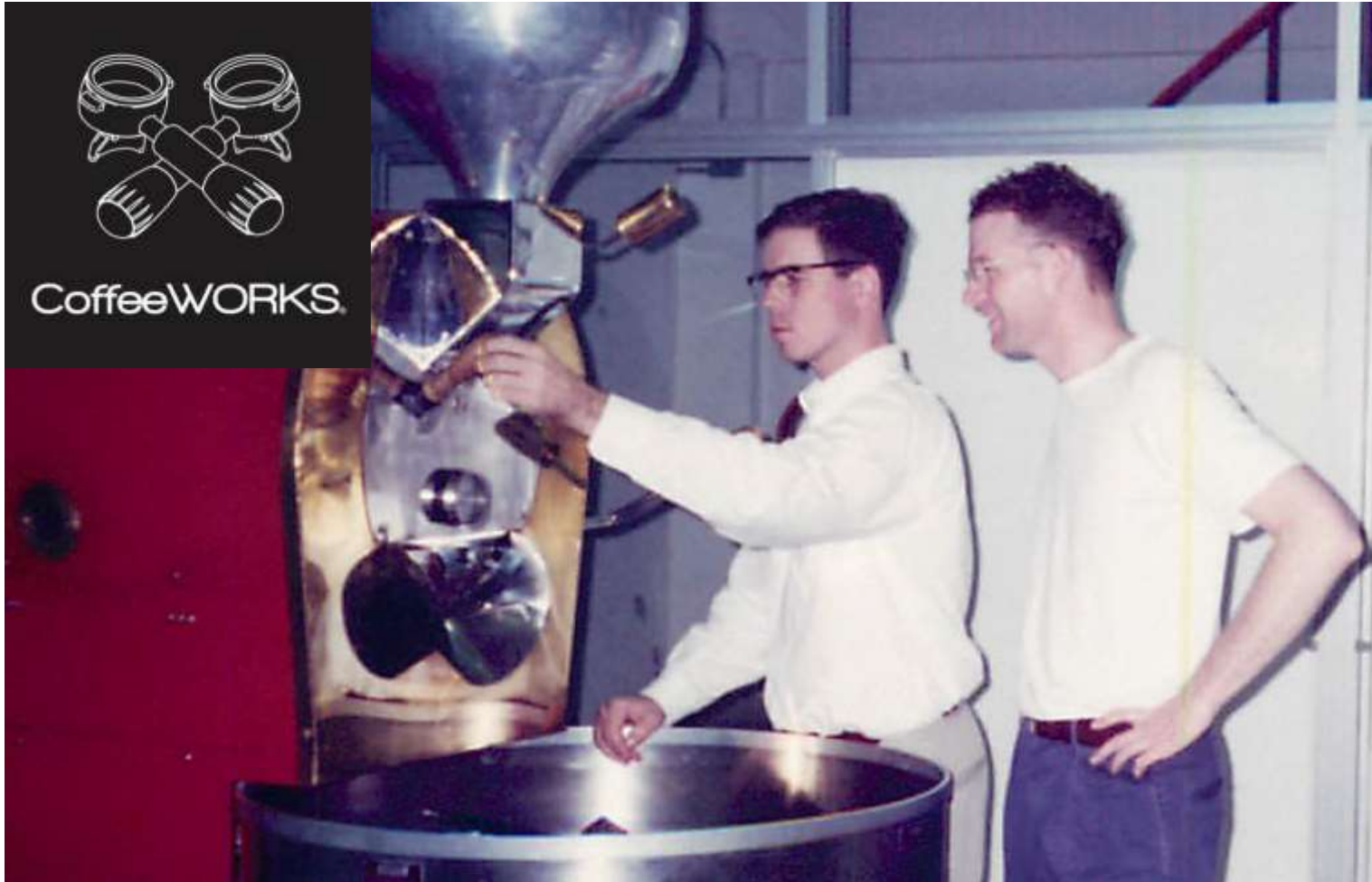
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# Co-founded CoffeeWORKS in 1995



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“We supply coffee to every leading brand in Thailand”



# Survived the 1997 Asian Financial Crisis



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# Co-founded my finance business in 2013

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*A. Stotz*

*A. Stotz*  
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# These experiences have led to what we do for our clients today

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- ★ We help businesses fix their finances, increase profit, value their business, and invest their surplus
- ★ **Profit Boot Camp** – Double profits in 12 months (without overwhelming your team)
- ★ **Outsource CFO** – Get on-time and accurate monthly financial statements
- ★ **Value Maximizer** – Maximize business value when raising capital, going public, or exiting

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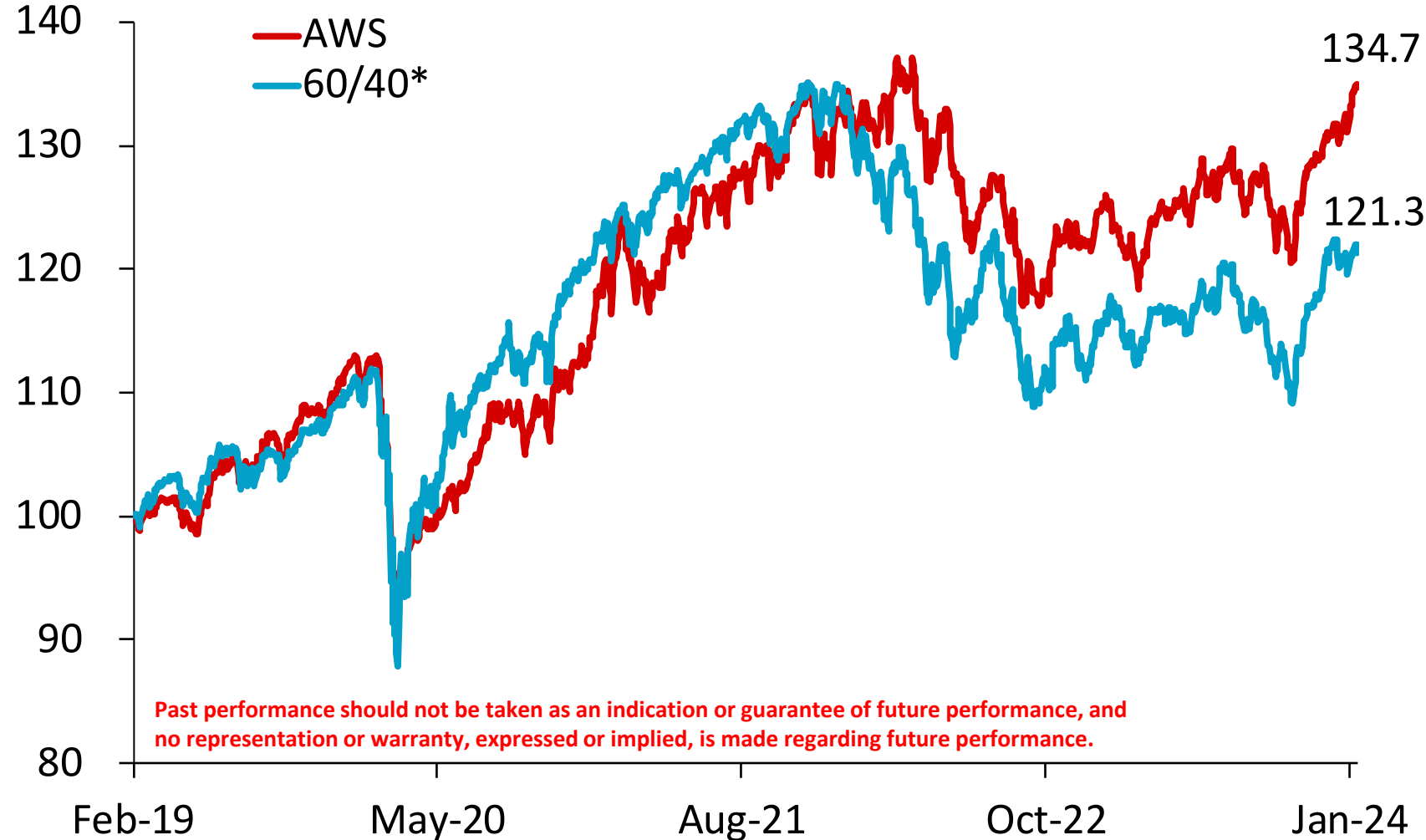
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*A. Stotz* INVESTMENT  
RESEARCH

# We also run investment strategies applied to US\$70 million of assets

Total return, rebased to 100



Sources: A. Stotz Investment Research, Refinitiv. Notes: \*60% equity (MSCI AC World & KKP PGE-H), 40% bonds (SCBGLOB). The benchmark's and strategy's performance is calculated from the funds' NAV, which is after management fees but does not consider sales charges, e.g., front-end fees. Price data as of 31 January 2024.

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● In Thailand, our strategies are available at FINNOMENA and InnovestX

Oh, and I live with my mom in Bangkok



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# 3 Measures that Matter Most



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- Your World Class Benchmarking triangles

# The data

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- ★ In our business, we use lots of data, especially company financial statement data
- ★ For today's event, we started with data from 26,000 companies worldwide
- ★ We gathered their financial statements going back to 1995



Andrew Stotz, PhD, CFA

# Cleaning the data

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- ★ We removed financial and real estate sector companies
  - **This is because the structure of their business is so different from the other industries**
- ★ We added newly listed companies as they came onto the market; in other words, a company didn't have to exist over the whole period



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# Cleaning the data

---

- ★ We excluded a company from the study if it had many years of incomplete data
- ★ For those that remained, we removed a company in any particular year when it didn't have complete data in that year
  - **We included the years with complete data**



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# Cleaning the data

---

- ★ From the companies that remained, we removed any years when a company had very extreme numbers
  - **Greater than 5 standard deviations from the mean**

# Cleaning the data

---

- ★ Once we went through all these steps, we ended up with a final universe as follows
- ★ Global
  - **1996: 1,315 companies**
  - **2022: 13,094 companies**
- ★ Thailand
  - **1996: 14 companies**
  - **2022: 265 companies**



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# 3 Measures that Matter Most



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# Let's review the financial statements

---

- ★ From the raw data, we calculated the following long-term averages
  - **20 years – To understand long-term performance**
  - **10 years – To understand mid-term performance**
  - **3 years – To understand recent performance**
- ★ What follows is a summary the P&L for companies globally and in Thailand



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<b>Average</b>	<b>20-yrs</b>	<b>10-yrs</b>	<b>3-yrs</b>
<i>Avg. number of companies</i>	11,355	12,924	12,963
<b>Global</b> ←			
<b>P&amp;L (US\$bn)</b>			
Revenue	27,461	34,873	41,899
Cost of goods & services	(19,411)	(24,624)	(29,230)
<b>Gross profit</b>	<b>8,049</b>	<b>10,249</b>	<b>12,670</b>
SG&A and others	(5,287)	(6,749)	(8,201)
<b>Earnings bef int. &amp; taxes</b>	<b>2,762</b>	<b>3,500</b>	<b>4,469</b>
Other expenses	(1,063)	(1,334)	(1,613)
<b>Net profit</b>	<b>1,699</b>	<b>2,165</b>	<b>2,855</b>



<b>Average</b>	<b>20-yrs</b>	<b>10-yrs</b>	<b>3-yrs</b>
<i>Avg. number of companies</i>	237	268	261
<b>Thailand</b> ←			
<b>P&amp;L (US\$bn)</b>			
Revenue	201	263	284
Cost of goods & services	(167)	(218)	(233)
<b>Gross profit</b>	<b>34</b>	<b>45</b>	<b>52</b>
SG&A and others	(17)	(24)	(29)
<b>Earnings bef int. &amp; taxes</b>	<b>17</b>	<b>21</b>	<b>22</b>
Other expenses	(6)	(8)	(10)
<b>Net profit</b>	<b>11</b>	<b>13</b>	<b>12</b>



# Let's convert those to common size statements

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- ★ For the P&L – Put each item, each year, in relation to the revenue of that year
- ★ For the balance sheet – Put each item, each year, in relation to the total assets of that year



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<b>Average</b>	<b>20-yrs</b>	<b>10-yrs</b>	<b>3-yrs</b>
<i>Avg. number of companies</i>	11,355	12,924	12,963
<b>Global</b>			
<b>Common size P&amp;L (%)</b>			
Revenue	100	100	100
Cost of goods & services	(71)	(71)	(70)
<b>Gross profit</b>	<b>29</b>	<b>29</b>	<b>30</b>
SG&A and others	(19)	(19)	(20)
<b>Earnings bef int. &amp; taxes</b>	<b>10</b>	<b>10</b>	<b>11</b>
Other expenses	(4)	(4)	(4)
<b>Net profit</b>	<b>6</b>	<b>6</b>	<b>7</b>





<b>Average</b>	<b>20-yrs</b>	<b>10-yrs</b>	<b>3-yrs</b>
<i>Avg. number of companies</i>	237	268	261
<b>Thailand</b>			
<b>Common size P&amp;L (%)</b>			
Revenue	100	100	100
Cost of goods & services	(83)	(83)	(82)
<b>Gross profit</b>	<b>17</b>	<b>17</b>	<b>18</b>
SG&A and others	(9)	(9)	(10)
<b>Earnings bef int. &amp; taxes</b>	<b>8</b>	<b>8</b>	<b>8</b>
Other expenses	(3)	(3)	(4)
<b>Net profit</b>	<b>6</b>	<b>5</b>	<b>4</b>



# Let's review the financial statements

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- ★ Next, let's look at the asset side of the balance sheet

<b>Average</b>	<b>20-yrs</b>	<b>10-yrs</b>	<b>3-yrs</b>
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<i>Avg. number of companies</i>	11,355	12,924	12,963
---------------------------------	--------	--------	--------

**Global**

**Common size bal. sheet assets (US\$bn)**

Cash and ST-investments	11	11	12
-------------------------	----	----	----

Accounts receivable	13	12	12
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Inventories	8	8	8
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Other current assets	3	3	3
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<b>Current assets</b>	<b>35</b>	<b>35</b>	<b>35</b>
-----------------------	-----------	-----------	-----------

Net fixed assets	32	31	30
------------------	----	----	----

Intangibles and goodwill	17	18	18
--------------------------	----	----	----

Other long-term assets	16	16	16
------------------------	----	----	----

<b>Total assets</b>	<b>100</b>	<b>100</b>	<b>100</b>
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<b>Average</b>	<b>20-yrs</b>	<b>10-yrs</b>	<b>3-yrs</b>
----------------	---------------	---------------	--------------

<i>Avg. number of companies</i>	237	268	261
---------------------------------	-----	-----	-----

## ***Thailand***

### **Common size bal. sheet assets (US\$bn)**

Cash and ST-investments	10	11	10
-------------------------	----	----	----

Accounts receivable	10	9	8
---------------------	----	---	---

Inventories	8	8	7
-------------	---	---	---

Other current assets	2	2	1
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<b>Current assets</b>	<b>30</b>	<b>29</b>	<b>27</b>
-----------------------	-----------	-----------	-----------

Net fixed assets	44	43	43
------------------	----	----	----

Intangibles and goodwill	11	13	14
--------------------------	----	----	----

Other long-term assets	15	15	16
------------------------	----	----	----

<b>Total assets</b>	<b>100</b>	<b>100</b>	<b>100</b>
---------------------	------------	------------	------------



**Andrew Stotz, PhD, CFA**





# Let's review the financial statements

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- ★ Next, we looked at the liabilities side of the balance sheet

<b>Average</b>	<b>20-yrs</b>	<b>10-yrs</b>	<b>3-yrs</b>
<i>Avg. number of companies</i>	11,355	12,924	12,963
<b>Global</b>			
<b>Common size bal. sheet liab. (US\$bn)</b>			
ODs & short-term loans	7	7	6
Accounts payable	8	8	8
Other current liab.	12	12	14
<b>Current liabilities</b>	<b>27</b>	<b>27</b>	<b>28</b>
Long-term debt	21	21	21
Other LT liabilities	12	12	12
<b>Total liabilities</b>	<b>60</b>	<b>60</b>	<b>61</b>
Paid-up capital	18	17	17
Retained earnings	24	25	25
Others	(2)	(2)	(2)
<b>Total equity</b>	<b>40</b>	<b>40</b>	<b>39</b>
<b>Total liab and equity</b>	<b>100</b>	<b>100</b>	<b>100</b>



<b>Average</b>	<b>20-yrs</b>	<b>10-yrs</b>	<b>3-yrs</b>
<i>Avg. number of companies</i>	237	268	261
<b>Thailand</b>			
<b>Common size bal. sheet liab. (US\$bn)</b>			
ODs & short-term loans	8	8	8
Accounts payable	7	7	7
Other current liab.	7	7	7
<b>Current liabilities</b>	<b>23</b>	<b>22</b>	<b>21</b>
Long-term debt	24	24	25
Other LT liabilities	8	9	11
<b>Total liabilities</b>	<b>55</b>	<b>55</b>	<b>58</b>
Paid-up capital	15	14	13
Retained earnings	24	24	22
Others	7	7	8
<b>Total equity</b>	<b>45</b>	<b>45</b>	<b>42</b>
<b>Total liab and equity</b>	<b>100</b>	<b>100</b>	<b>100</b>



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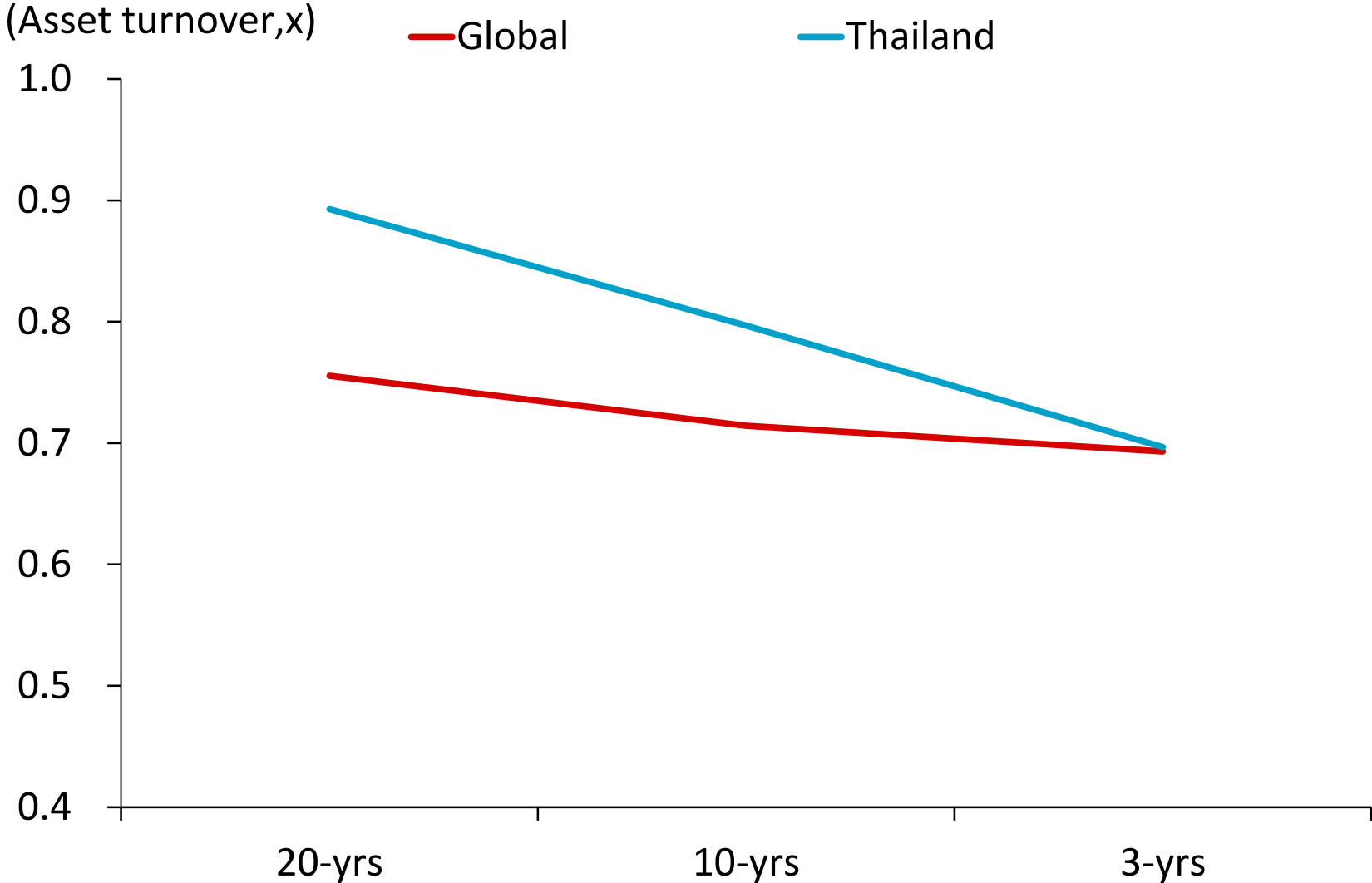


<b>Average</b>	<b>20-yrs</b>	<b>10-yrs</b>	<b>3-yrs</b>
<i>Avg. number of companies</i>	11,355	12,924	12,963
<b>Global</b>			
<b>Margins (%)</b>			
Gross profit margin	29.3	29.4	30.2
EBIT margin	10.1	10.0	10.7
Net profit margin	6.2	6.2	6.8
<b>Profitability (%)</b>			
Return on assets	4.7	4.4	4.7
Return on invested cap.	10.0	9.9	10.4
Return on equity	12.7	12.1	13.1



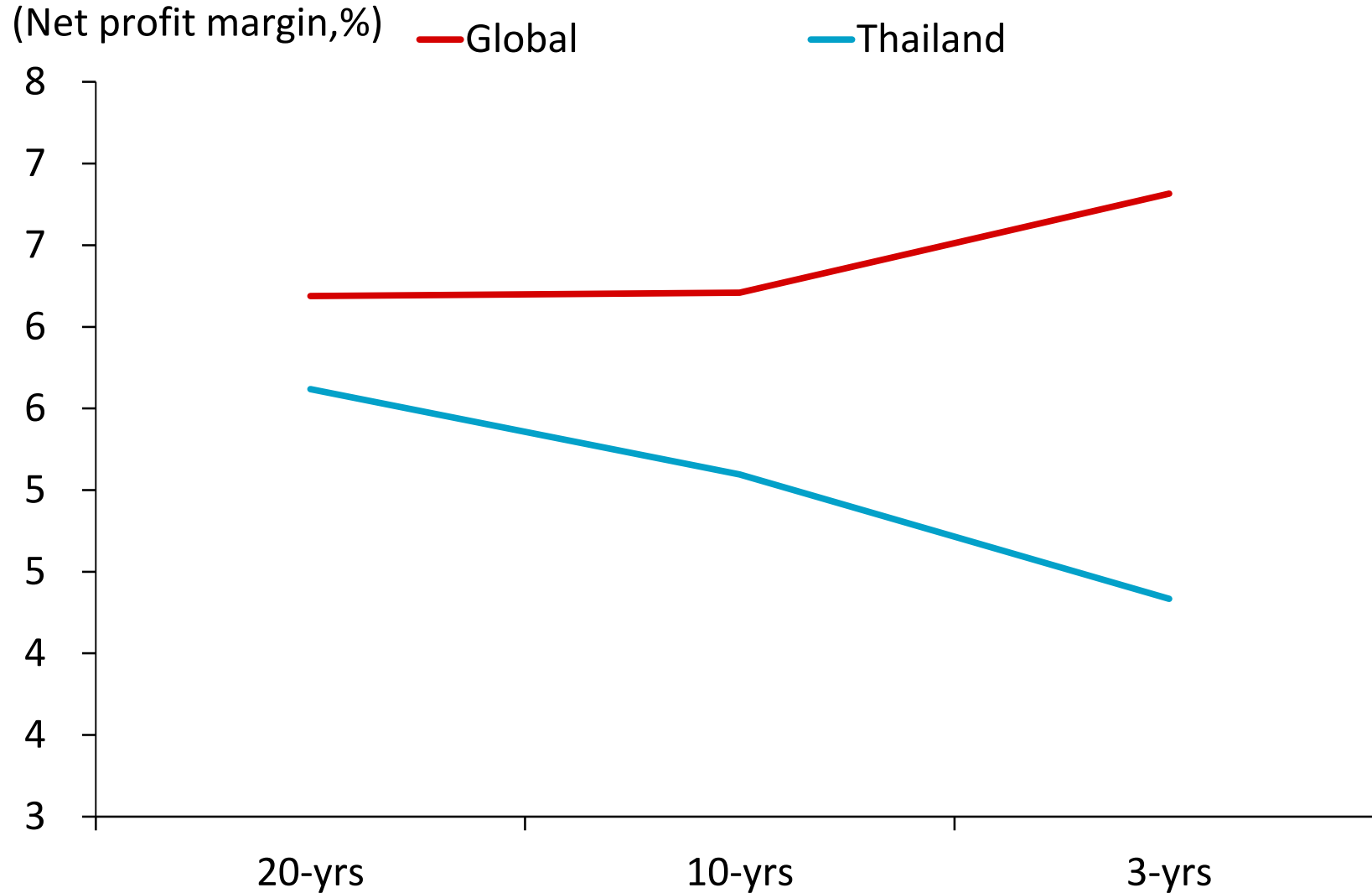
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<i>Avg. number of companies</i>	237	268	261
<b>Thailand</b>			
<b>Margins (%)</b>			
Gross profit margin	17.0	17.3	18.2
EBIT margin	8.4	8.1	7.9
Net profit margin	5.6	5.1	4.3
<b>Profitability (%)</b>			
Return on assets	5.0	4.1	3.0
Return on invested cap.	8.9	7.9	6.5
Return on equity	12.5	10.4	8.3

# From outperformance to inline

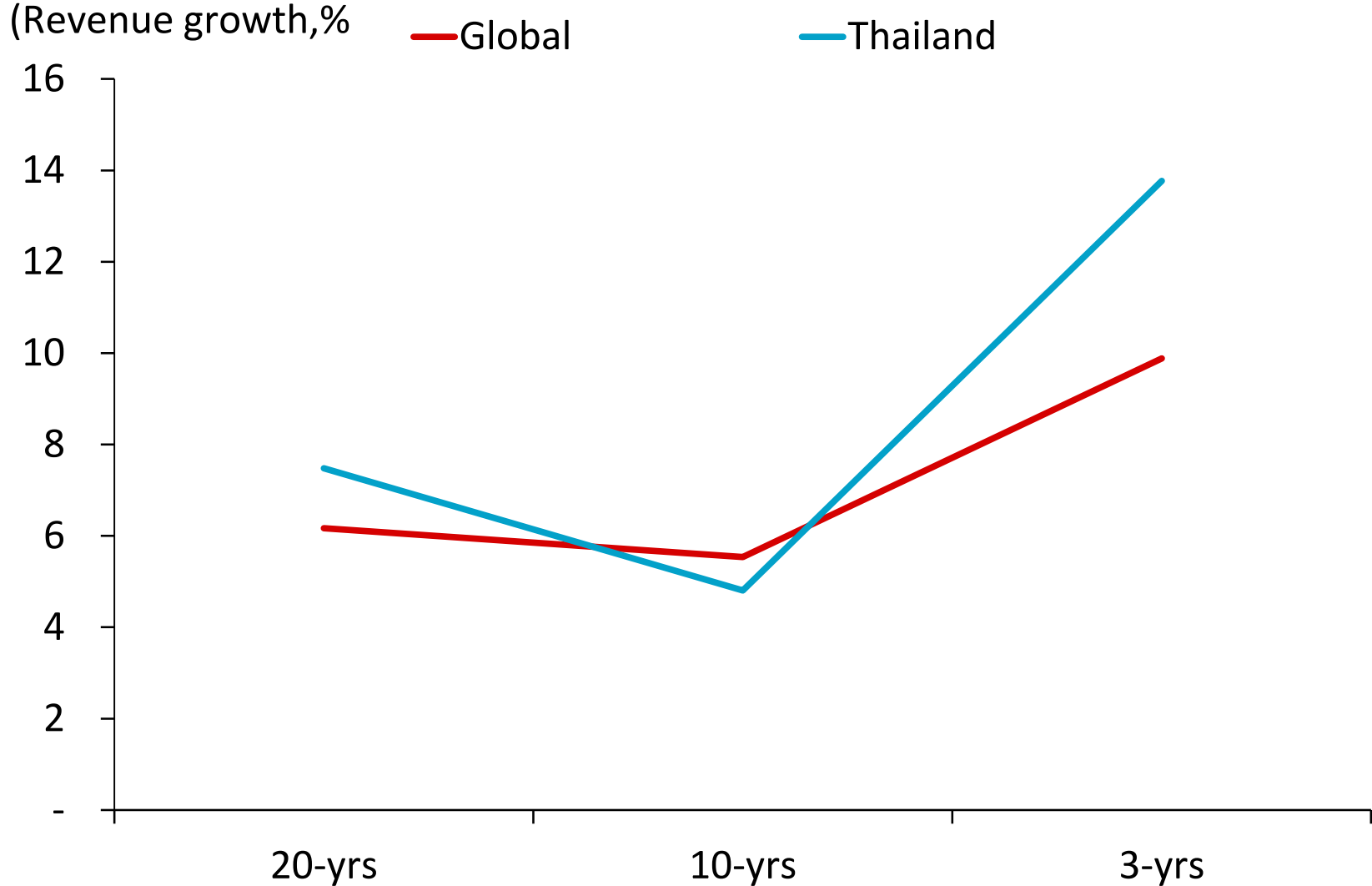


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# Collapse of profitability in Thailand



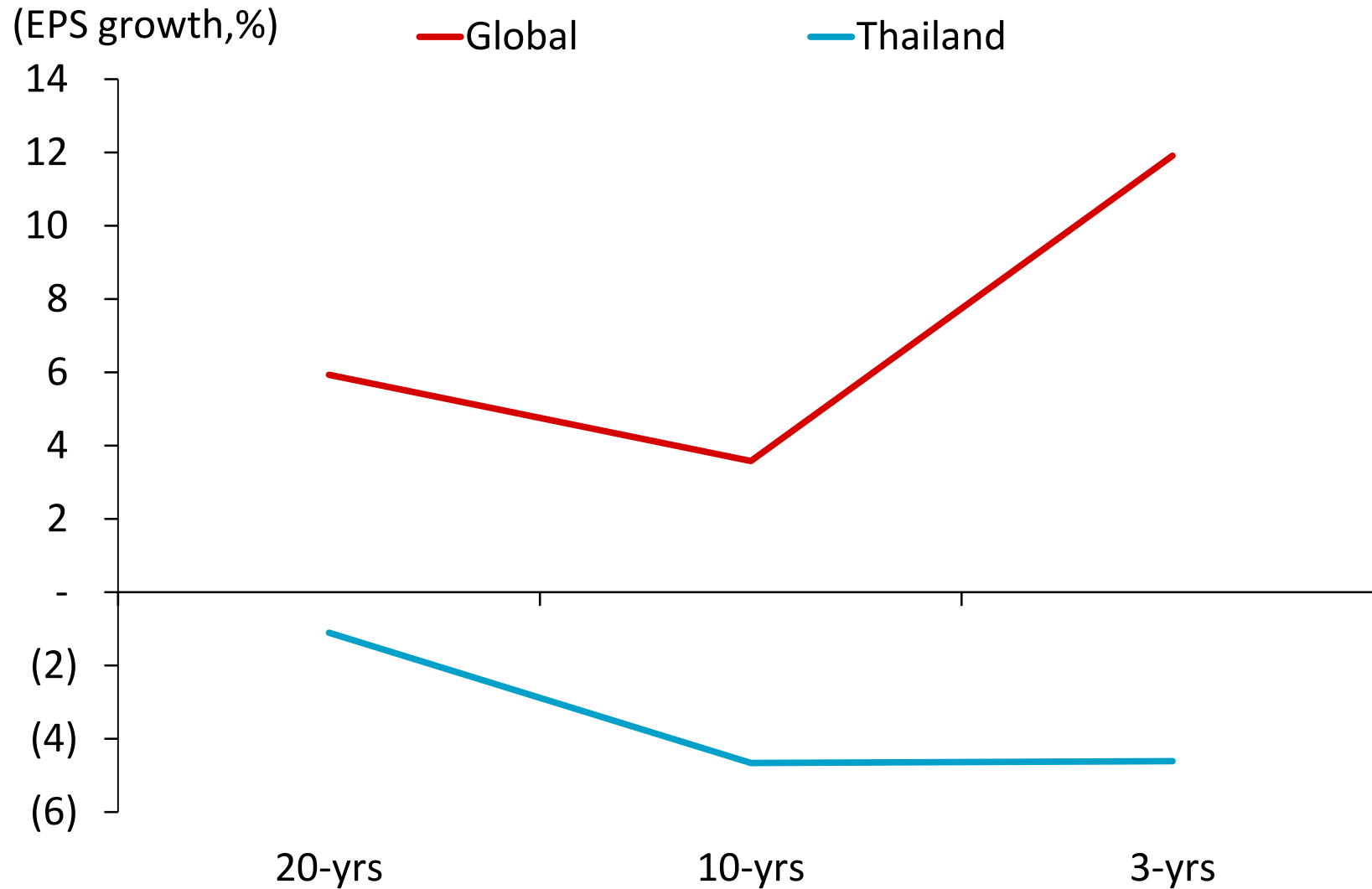
# Revenue growth accelerating in Thailand



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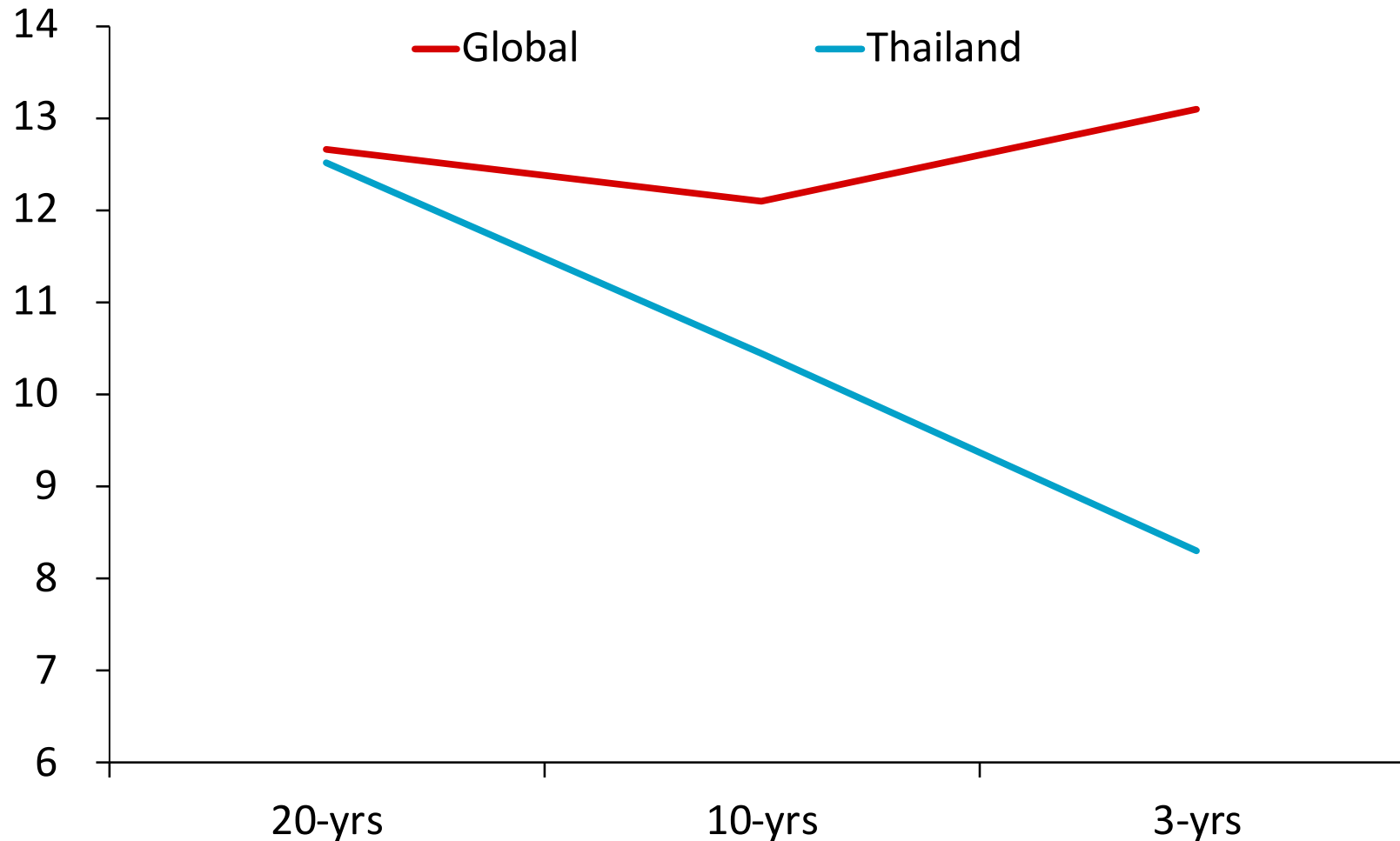


# Thai profit growth has been a disaster



# Return on equity going straight down

(Return on equity, %)



# 3 Measures that Matter Most



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# 3 Financial Measures that Matter Most (TO ME!)

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- ★ Asset turnover
- ★ Net profit margin
- ★ Revenue growth



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<b>Average</b>	<b>20-yrs</b>
<i>Avg. number of companies</i>	<i>11,355</i>
<b>Global</b>	
<b>Profitability (%)</b>	
<b>1. Asset turnover (x)</b>	<b>0.8</b>



<b>Average</b>	<b>20-yrs</b>
<i>Avg. number of companies</i>	<i>11,355</i>
<b>Global</b>	
<b>Profitability (%)</b>	
<b>1. Asset turnover (x)</b>	<b>0.8</b>
<b>2. Net profit margin</b>	<b>6.2</b>

<b>Average</b>	<b>20-yrs</b>
<i>Avg. number of companies</i>	<i>11,355</i>
<b>Global</b>	
<b>Profitability (%)</b>	
<b>1. Asset turnover (x)</b>	<b>0.8</b>
<b>2. Net profit margin</b>	<b>6.2</b>
<b>Return on assets</b>	<b>4.7</b>




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  $ATO \times NPM = ROA$

Average	20-yrs
<i>Avg. number of companies</i>	11,355
<b>Global</b>	
<b>Profitability (%)</b>	
<b>1. Asset turnover (x)</b>	<b>0.8</b>
<b>2. Net profit margin</b>	<b>6.2</b>
<b>Return on assets</b>	<b>4.7</b>
<b>Growth (%)</b>	
<b>3. Revenue growth</b>	<b>6.2</b>



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 Year on year % change in revenue

Average	20-yrs	10-yrs	3-yrs
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<i>Avg. number of companies</i>	11,355	12,924	12,963
---------------------------------	--------	--------	--------

**Global**

**Profitability (%)**

<b>1. Asset turnover (x)</b>	<b>0.8</b>	<b>0.7</b>	<b>0.7</b>
------------------------------	------------	------------	------------

<b>2. Net profit margin</b>	<b>6.2</b>	<b>6.2</b>	<b>6.8</b>
-----------------------------	------------	------------	------------

<b>Return on assets</b>	<b>4.7</b>	<b>4.4</b>	<b>4.7</b>
-------------------------	------------	------------	------------

**Growth (%)**

<b>3. Revenue growth</b>	<b>6.2</b>	<b>5.5</b>	<b>9.9</b>
--------------------------	------------	------------	------------

Operating profit	7.6	7.4	15.0
------------------	-----	-----	------

Net profit	8.3	8.2	17.1
------------	-----	-----	------

Recurring EPS	5.9	3.6	11.9
---------------	-----	-----	------

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Average	20-yrs	10-yrs	3-yrs
<i>Avg. number of companies</i>	237	268	261

## ***Thailand***

### **Profitability (%)**

<b>1. Asset turnover (x)</b>	<b>0.9</b>	<b>0.8</b>	<b>0.7</b>
------------------------------	------------	------------	------------

<b>2. Net profit margin</b>	<b>5.6</b>	<b>5.1</b>	<b>4.3</b>
-----------------------------	------------	------------	------------

<b>Return on assets</b>	<b>5.0</b>	<b>4.1</b>	<b>3.0</b>
-------------------------	------------	------------	------------

### **Growth (%)**

<b>3. Revenue growth</b>	<b>7.5</b>	<b>4.8</b>	<b>13.8</b>
--------------------------	------------	------------	-------------

Operating profit	4.6	3.4	12.1
------------------	-----	-----	------

Net profit	0.9	(2.9)	(9.2)
------------	-----	-------	-------

Recurring EPS	(1.1)	(4.7)	(4.6)
---------------	-------	-------	-------



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# Why I use ROA

---

- ★ In the world of finance, it is common to compare companies based on
  - **Gross, EBIT, or net margin**
  - **Return on equity (ROE)**
  - **Return on invested capital (ROIC)**
- ★ So why do I use ROA?

# Why I use ROA

---

- ★ After all, ROA has one big weakness relative to ROE: it is not easily compared across industries



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19-yr average	Global	Cons. Disc.	Cons. Staples	Energy	Health Care	Indust.	Info. Tech.	Mater.	Real Estate	Comm. Serv.	Util.
<b>BS - Assets (%)</b>											
Cash and ST-invest.	11	13	9	7	13	11	22	9	10	10	5
Accounts receivable	13	16	9	10	13	18	18	11	8	9	7
Inventories	8	12	13	6	9	10	8	11	37	1	2
Other current assets	3	3	3	3	3	4	5	3	5	3	3
<b>Current assets</b>	<b>35</b>	<b>44</b>	<b>33</b>	<b>26</b>	<b>38</b>	<b>44</b>	<b>53</b>	<b>34</b>	<b>60</b>	<b>23</b>	<b>18</b>
Long-term investments	3	3	3	5	2	4	2	4	5	3	3
Net fixed assets	32	29	32	56	16	27	18	46	13	33	35
Intangible assets	7	4	10	3	16	6	4	3	1	16	3
Goodwill	10	5	15	3	21	8	11	5	1	17	4
Other long-term assets	13	15	7	7	8	12	11	7	20	8	36
<b>Total assets</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>
<i>Avg. # of co.</i>	<i>10,657</i>	<i>2,127</i>	<i>1,058</i>	<i>469</i>	<i>844</i>	<i>2,853</i>	<i>1,801</i>	<i>1,618</i>	<i>500</i>	<i>601</i>	<i>414</i>



# Why I use ROA

---



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- ★ Let's investigate the typical balance sheet to better understand why I like about this measure

<b>Assets (%)</b>	<b>23-yr avg</b>	<b>Liab. &amp; Eq. (%)</b>	<b>23-yr avg</b>
Cash & ST-invest.	11	Ods & ST loans	7
Accounts rec.	13	Accounts payable	8
Inventories	8	Other curr. liab.	12
Oth. curr. assets	3	<b>Curr. liabilities</b>	<b>28</b>
<b>Current assets</b>	<b>35</b>	Long-term debt	21
LT investments	3	Other LT liab.	12
Net fixed assets	32	<b>LT liabilities</b>	<b>33</b>
Intangible assets	7	<b>Total liabilities</b>	<b>60</b>
Goodwill	10	Paid-up capital	18
Other LT assets	13	Retained earnings	22
<b>Total assets</b>	<b>100</b>	<b>Total equity</b>	<b>40</b>
<i>Avg. # of cos.</i>	<i>10,657</i>	<b>TTL liab. and eq.</b>	<b>100</b>



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 Note: Global: All cos. Excluding Real Estate companies





**Business is about your people**

# Why I use ROA

---

- ★ First, I want a measure that most employees can understand
- ★ Second, value is created on the asset side of the balance sheet
- ★ Third, financing decisions are reflected on the liabilities side of the balance sheet and employees rarely have a say in that



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<b>Assets (%)</b>	<b>23-yr avg</b>
Cash & ST-invest.	11
Accounts rec.	13
Inventories	8
Oth. curr. assets	3
<b>Current assets</b>	<b>35</b>
LT investments	3
Net fixed assets	32
Intangible assets	7
Goodwill	10
Other LT assets	13
<b>Total assets</b>	<b>100</b>
<i>Avg. # of cos.</i>	<i>10,657</i>

- Three balance sheet accounts most employees directly impact:
- Account receivable
- Inventory
- Net fixed assets



**If you want to have a chat about the challenges you are facing in your business, please book a call.**

**If I can help, I will.**

**Book your free 1-hour call at [drstotz.as.me/BusinessCall](https://drstotz.as.me/BusinessCall)**



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**ACADEMY**

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# 3 Measures that Matter Most



- The state of society
- Collecting the data
- Creating financial statements
- Calculating the various ratios
- The 3 measures that matter
- **Your measures**
- Your benchmark
- Your World Class Benchmarking triangles



**Asset turnover: Revenue generated from 100 in assets**

<b>Attendee</b>	<b>Rank #1 to 16</b>	<b>Attendee</b>	<b>Rank 17 to 32</b>
10	642	28	103
9	293	4	91
11	225	23	91
6	212	22	86
2	206	26	73
18	184	<b>Thailand</b>	<b>70</b>
15	176	<b>Global</b>	<b>69</b>
8	171	3	57
CW	168	7	52
27	167	24	49
20	165	17	44
14	163	19	44
12	140	29	24
13	130	5	23
21	120	1	9
25	115	16	0



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## Net profit margin (%)

Attendee	Rank #1 to 16	Attendee	Rank 17 to 32
18	23	8	5
22	17	<b>Thailand</b>	<b>4</b>
11	13	CW	4
27	11	24	4
15	10	7	3
21	10	9	2
26	9	13	1
25	8	12	1
10	7	6	(1)
29	7	4	(2)
<b>Global</b>	<b>7</b>	17	(3)
14	6	19	(3)
5	6	1	(5)
20	6	3	(13)
2	6	23	(15)
28	5	16	(1,037)



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## Revenue growth (%)

Attendee	Rank #1 to 16	Attendee	Rank 17 to 32
22	93	21	10
15	65	5	7
27	63	2	6
28	41	7	6
18	39	23	5
10	37	11	4
12	28	26	4
24	28	3	(7)
8	25	17	(11)
9	24	19	(11)
13	22	6	(19)
CW	18	4	(20)
25	14	20	(27)
<b>Thailand</b>	<b>14</b>	1	(29)
14	11	29	(47)
<b>Global</b>	<b>10</b>	16	(93)



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# Some problems with this analysis

---

- ★ We are not comparing apples to apples
- ★ The asset turnover of a tech company will be different from that of a manufacturing company



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# 3 Measures that Matter Most



- The state of society
- Collecting the data
- Creating financial statements
- Calculating the various ratios
- The 3 measures that matter
- Your measures
- **Your benchmark**
- Your World Class Benchmarking triangles



Here's the method I use as  
an **investor** and **business**  
**owner** to measure whether  
a company has a  
**competitive advantage**

# The **World Class** **Benchmarking** scorecard we developed 10 years ago



# Here's how I construct the scorecard for any company

---

- ★ We gather the yearly and quarterly financial data of 26,000 companies worldwide
- ★ We then calculate each company's **Profitable Growth** score
  - Which is a composite measure of both profitability and growth



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# Here's how we construct the scorecard for any company

---

- ★ After that, we rank the subject company relative to sector peers of similar size
  - Decile ranking is from 1 (best) to 10 (worst)
  - A score of 1 or 2 is financially world class
- ★ We assess the company's performance over the prior four years and the past 12 months (PTM)



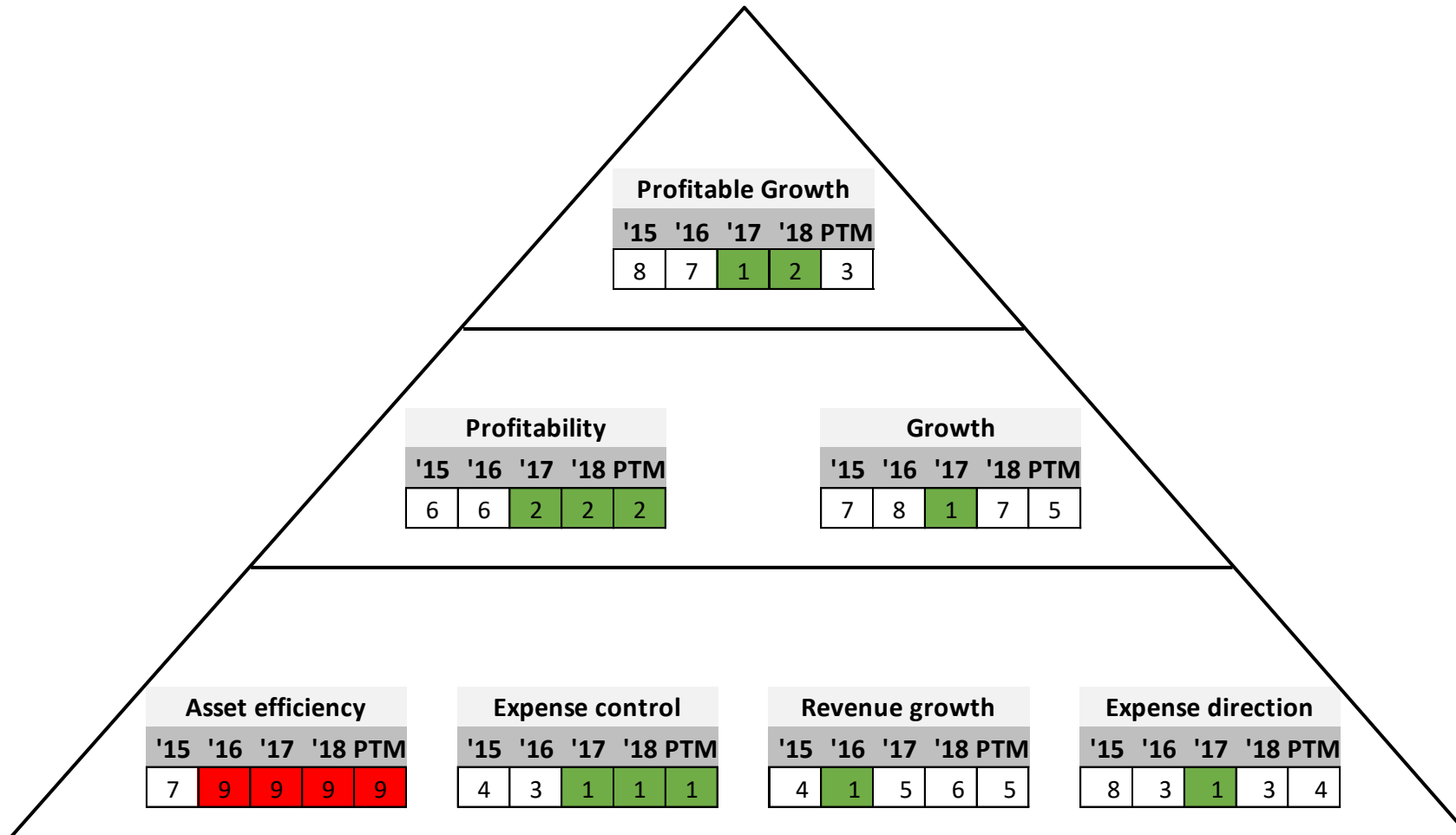
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**Is the company  
financially  
world class?**

# This triangle is the scorecard



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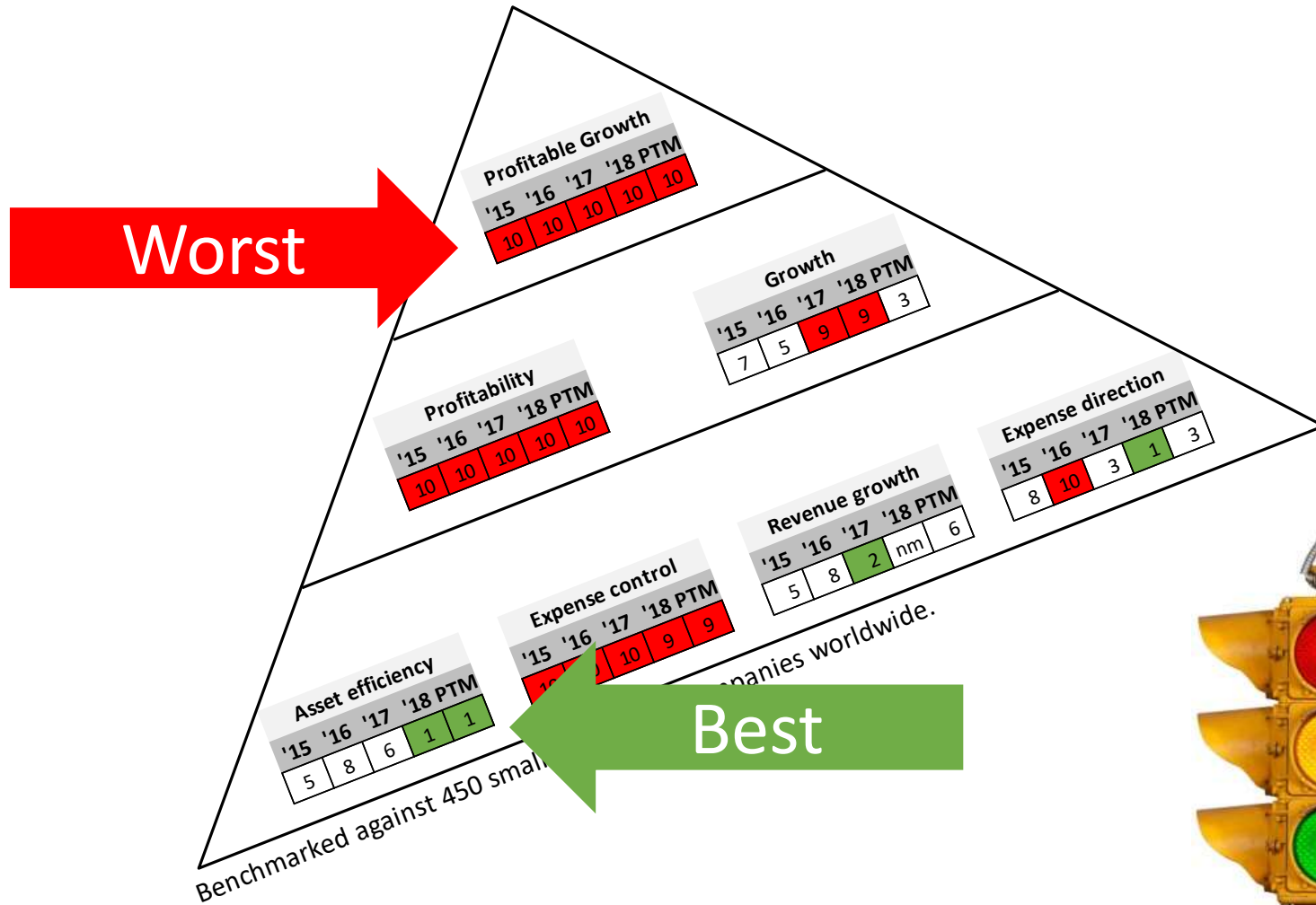
Benchmarked against 100 small Utilities companies worldwide.



# Green in a stoplight means go and in WCB green means best



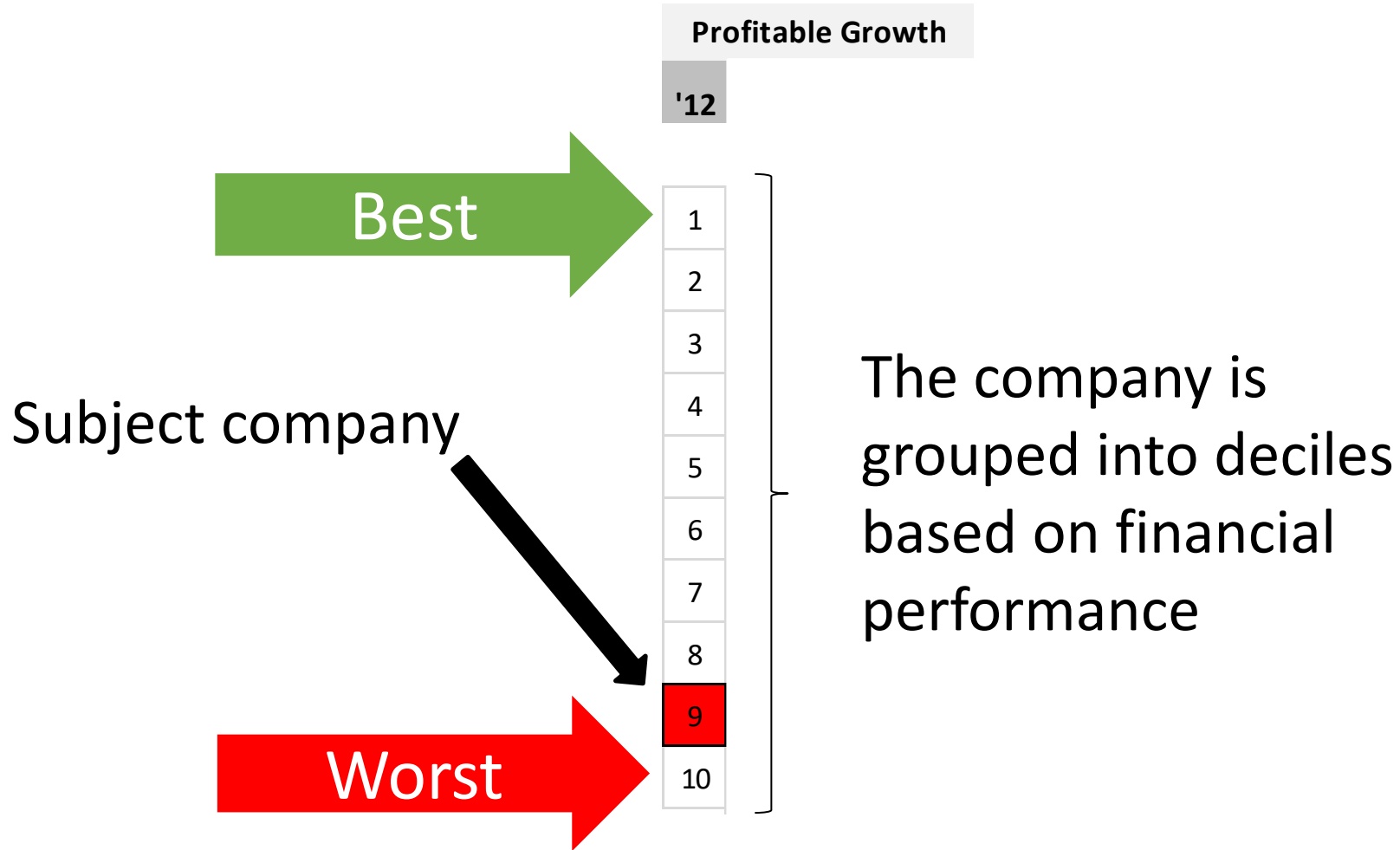
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- To avoid any confusion...
- Green is positive
- Red is negative
- 1 is best and 10 is worst
- Everyone in the company can understand a 1 to 10 rank

# We rank a company from 1 (best) to 10 (worst)



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# We track the company for 5 periods, updated quarterly



Subject company



Profitable Growth				
'12	'13	'14	'15	PTM
				1
1		2	1	
2		3	2	
3		4	3	
4		5	4	
5		6	5	1
6		7	6	2
7		8	7	3
8		9	8	4
9	1	10	9	5
10	2		10	6
	3			7
	4			8
	5			9
	6			10
	7			
	8			
	9			
	10			

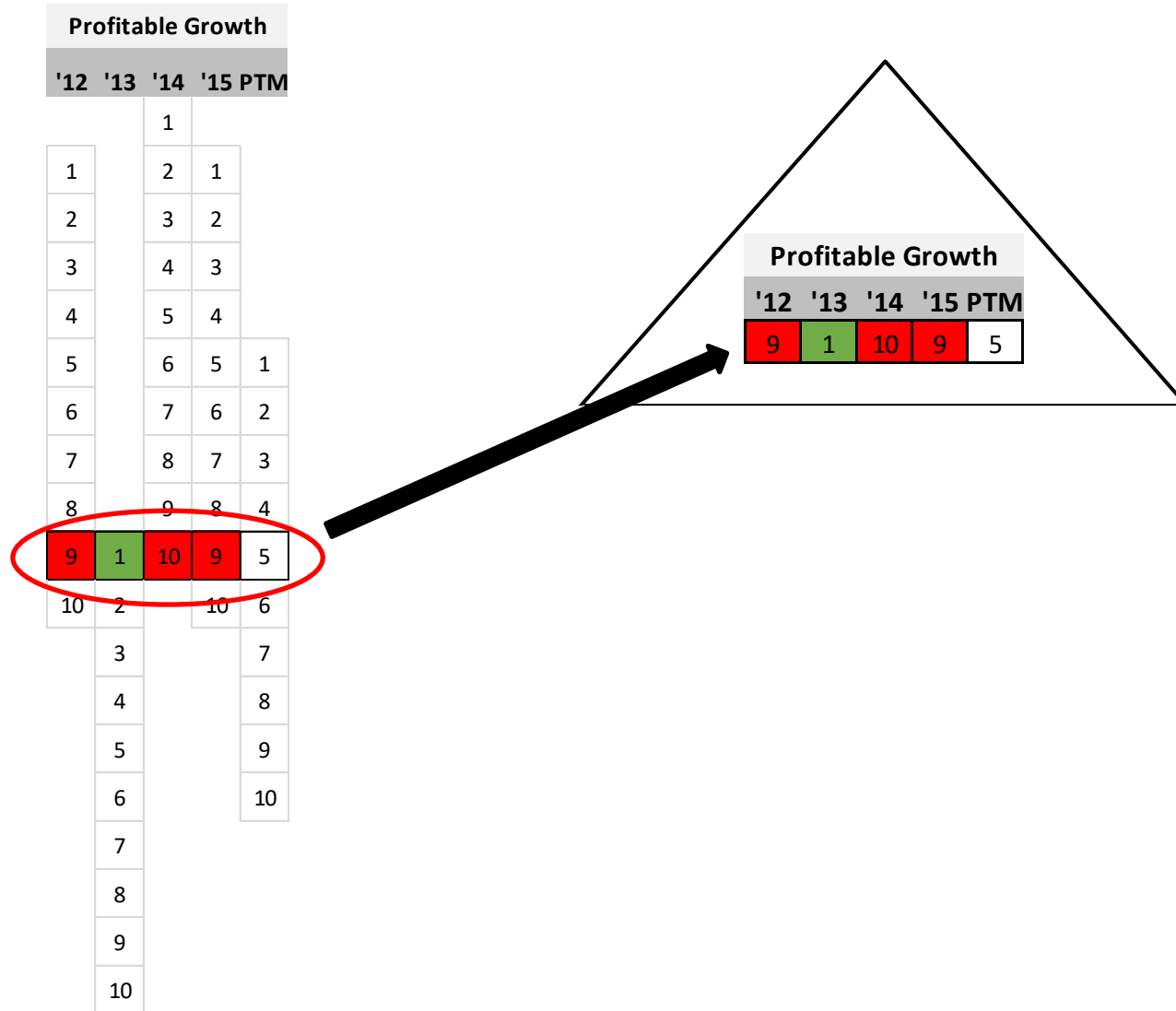
← Five periods of ranking

Company was ranked in the 9<sup>th</sup> decile in 2015

This shows that in the past 12 months the company's decile ranking among its peers improved to No. 5 from No. 9

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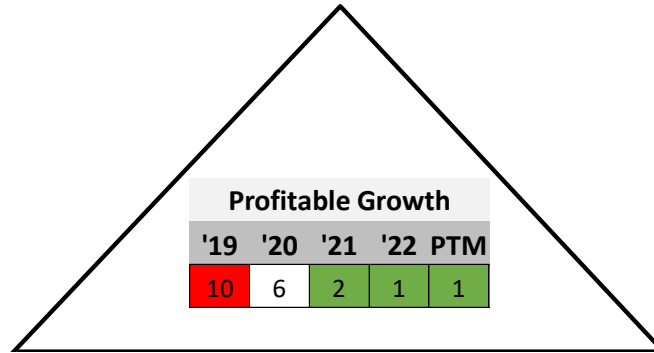
# We put the company's 1 to 10 rank into the triangle



A man in a dark suit, white shirt, and dark tie is smiling and pointing his right hand towards the camera. His left hand is open and gesturing. The background is a blurred cityscape under a blue sky. A white text box with a black border is overlaid on the right side of the image.

**Practice time!**

# Tesla: A. Stotz Profitable Growth



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**Andrew Stotz, PhD, CFA**

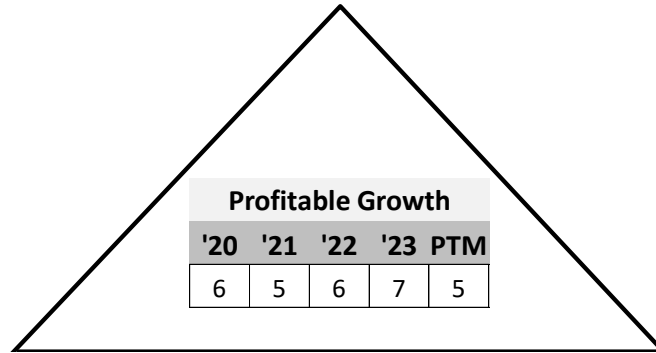
- Is Tesla a financially strong or weak company?

Benchmarked against 950 large Cons. Disc. companies worldwide.

Source: A. Stotz Investment Research. Notes: 1 = top ranking and 10 = worst. Most recent year's data is based on the past 12 months (PTM) of published data.



# Toyota: A. Stotz Profitable Growth



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A. STOTZ INVESTMENT RESEARCH

**Andrew Stotz, PhD, CFA**

- Is Toyota a financially strong or weak company?

Benchmarked against 950 large Cons. Disc. companies worldwide.

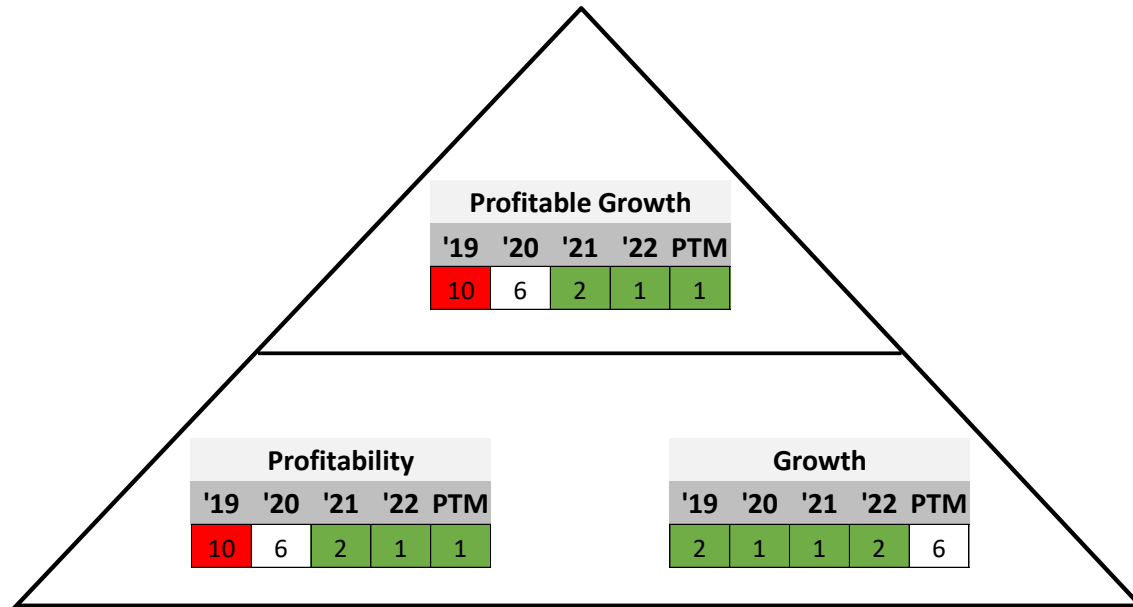
Source: A. Stotz Investment Research. Notes: 1 = top ranking and 10 = worst. Most recent year's data is based on the past 12 months (PTM) of published data.

# Tesla: A. Stotz Profitable Growth



**WORLDCLASS  
BENCHMARKING**  
A. STOTZ INVESTMENT RESEARCH

**Andrew Stotz, PhD, CFA**



What is Tesla's strength?  
Profitability or Growth?

Benchmarked against 950 large Cons. Disc. companies worldwide.

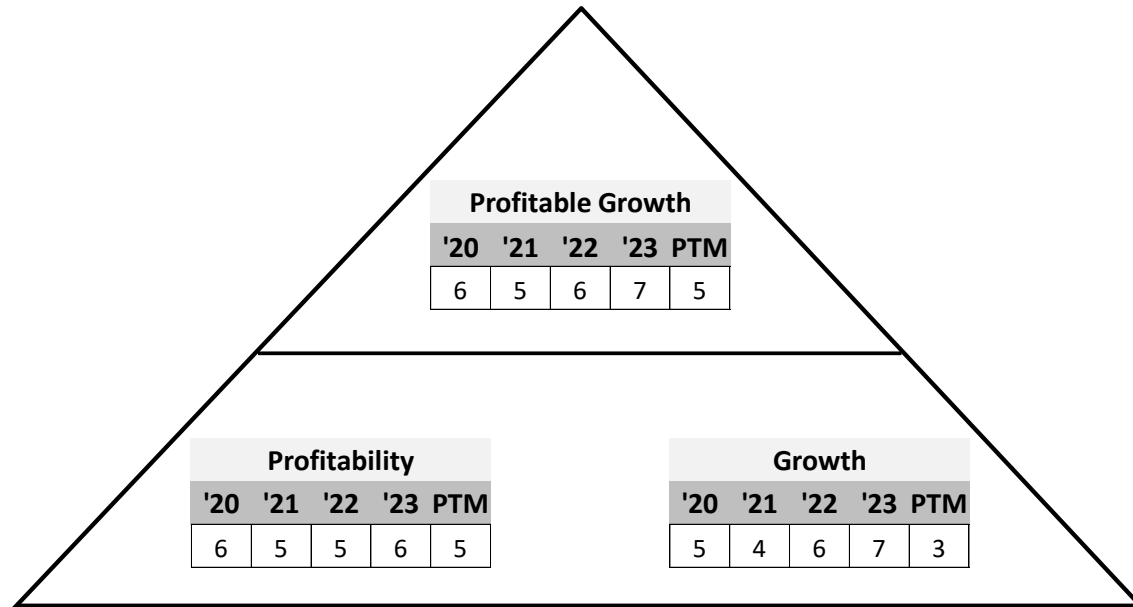
Source: A. Stotz Investment Research. Notes: 1 = top ranking and 10 = worst. Most recent year's data is based on the past 12 months (PTM) of published data.

# Toyota: A. Stotz Profitable Growth



**WORLDCLASS  
BENCHMARKING**  
A. STOTZ INVESTMENT RESEARCH

**Andrew Stotz, PhD, CFA**



What is Toyota's weakness?  
Profitability or Growth?

Benchmarked against 950 large Cons. Disc. companies worldwide.

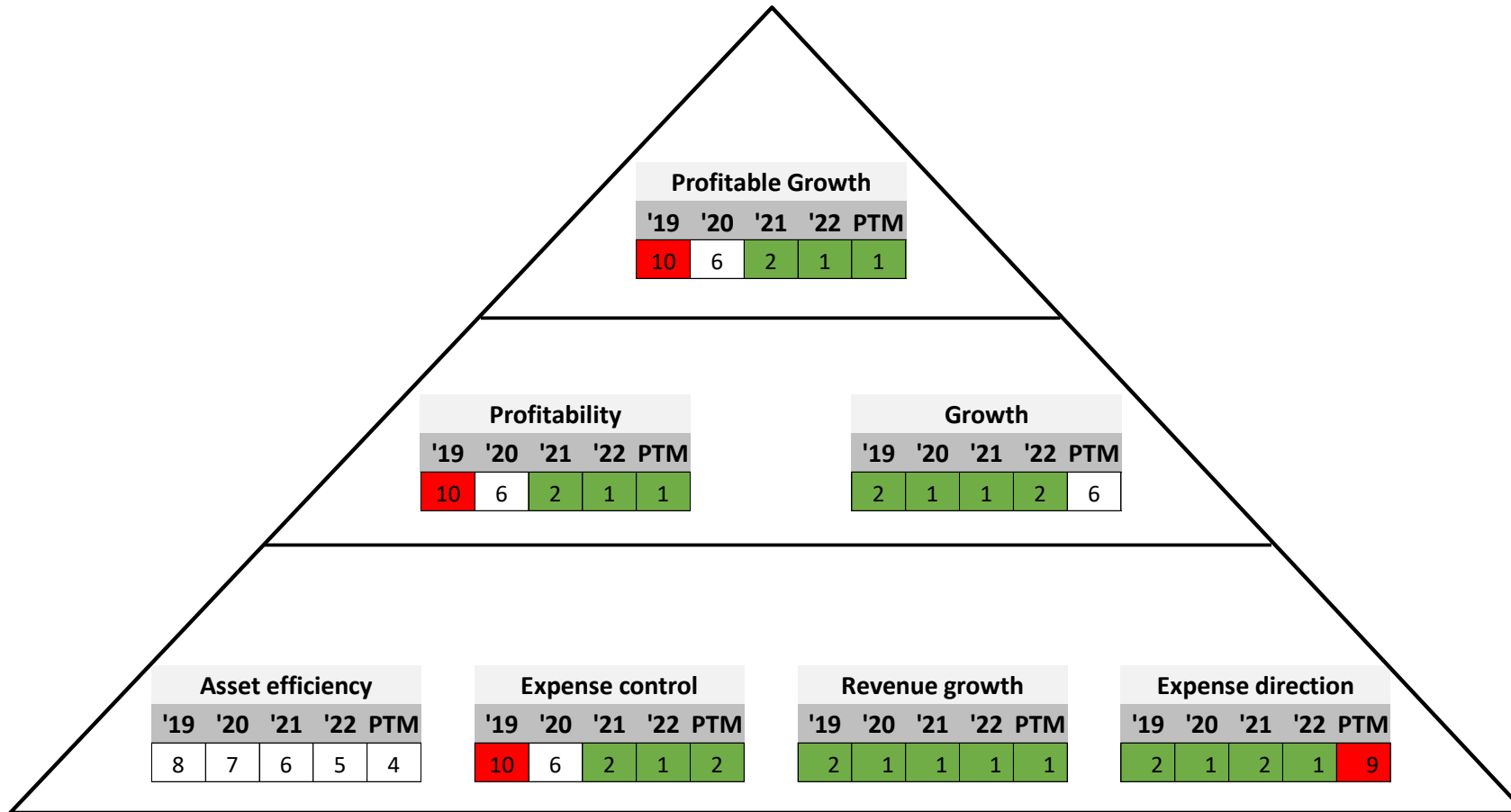
Source: A. Stotz Investment Research. Notes: 1 = top ranking and 10 = worst. Most recent year's data is based on the past 12 months (PTM) of published data.

# Tesla: A. Stotz Profitable Growth



**Andrew Stotz, PhD, CFA**

What is Tesla's main room for improvement?



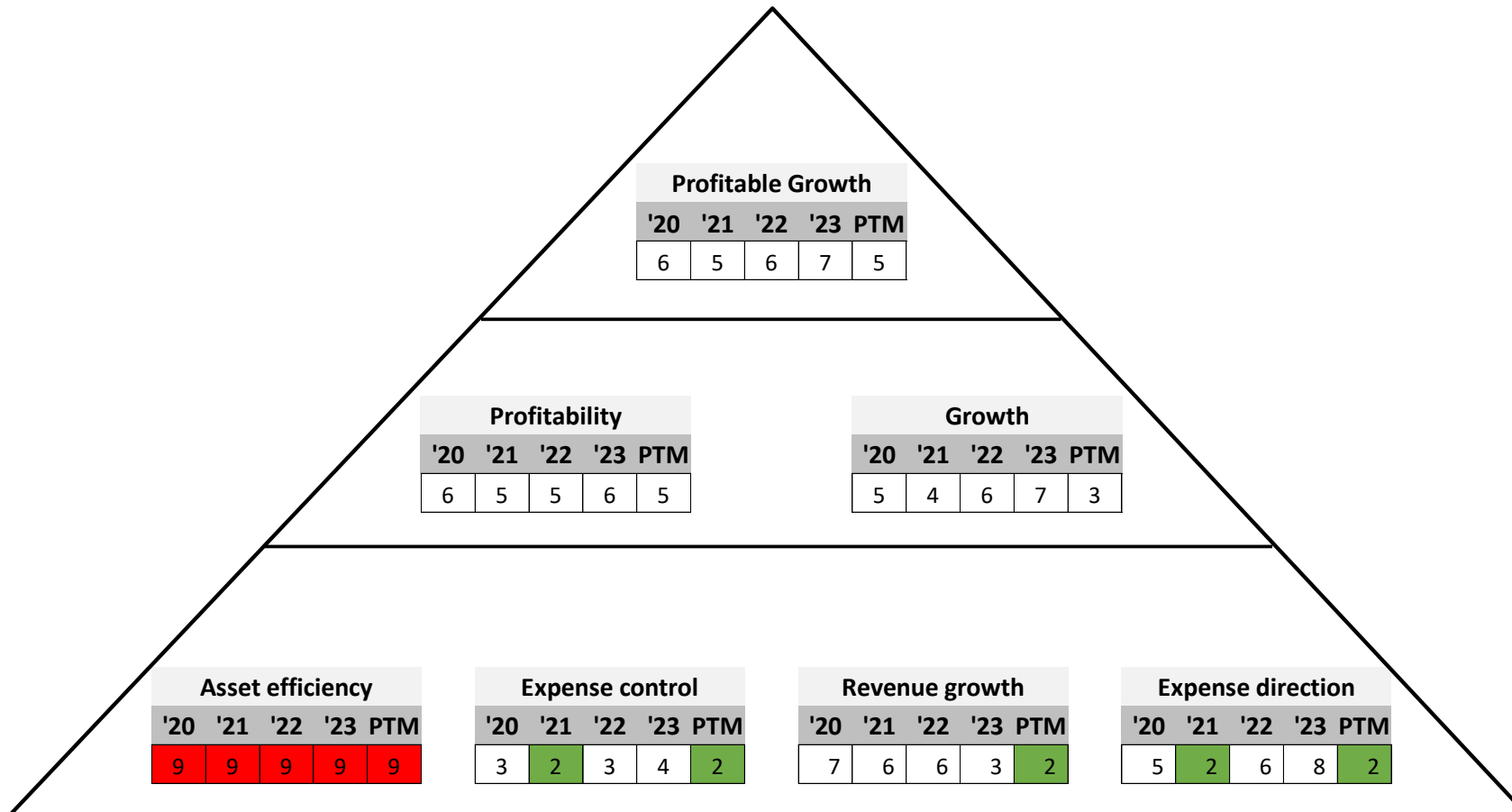
Benchmarked against 950 large Cons. Disc. companies worldwide.

# Toyota: A. Stotz Profitable Growth



**Andrew Stotz, PhD, CFA**

What is Toyota's main weakness?



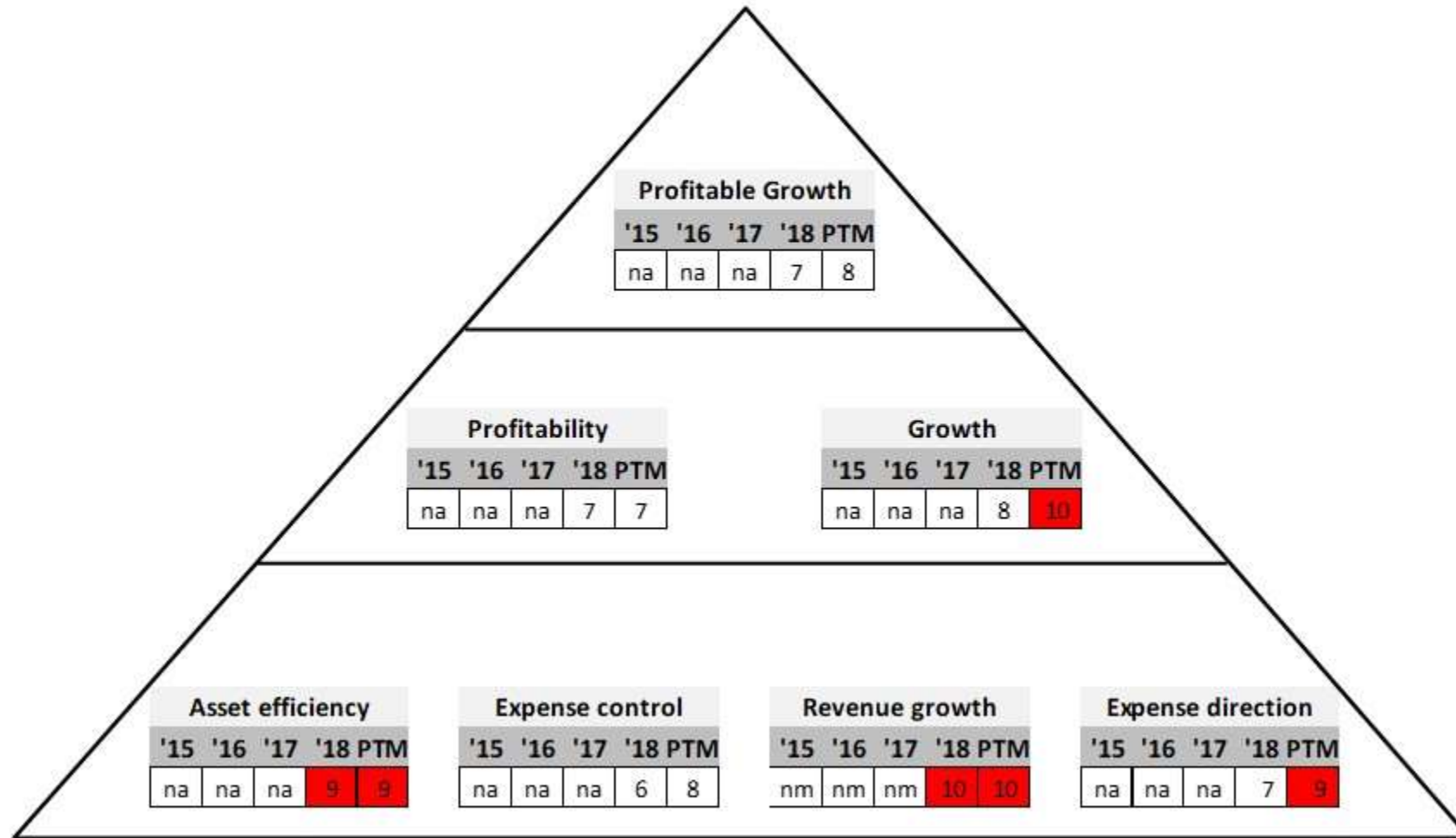
Benchmarked against 950 large Cons. Disc. companies worldwide.

# 3 Measures that Matter Most

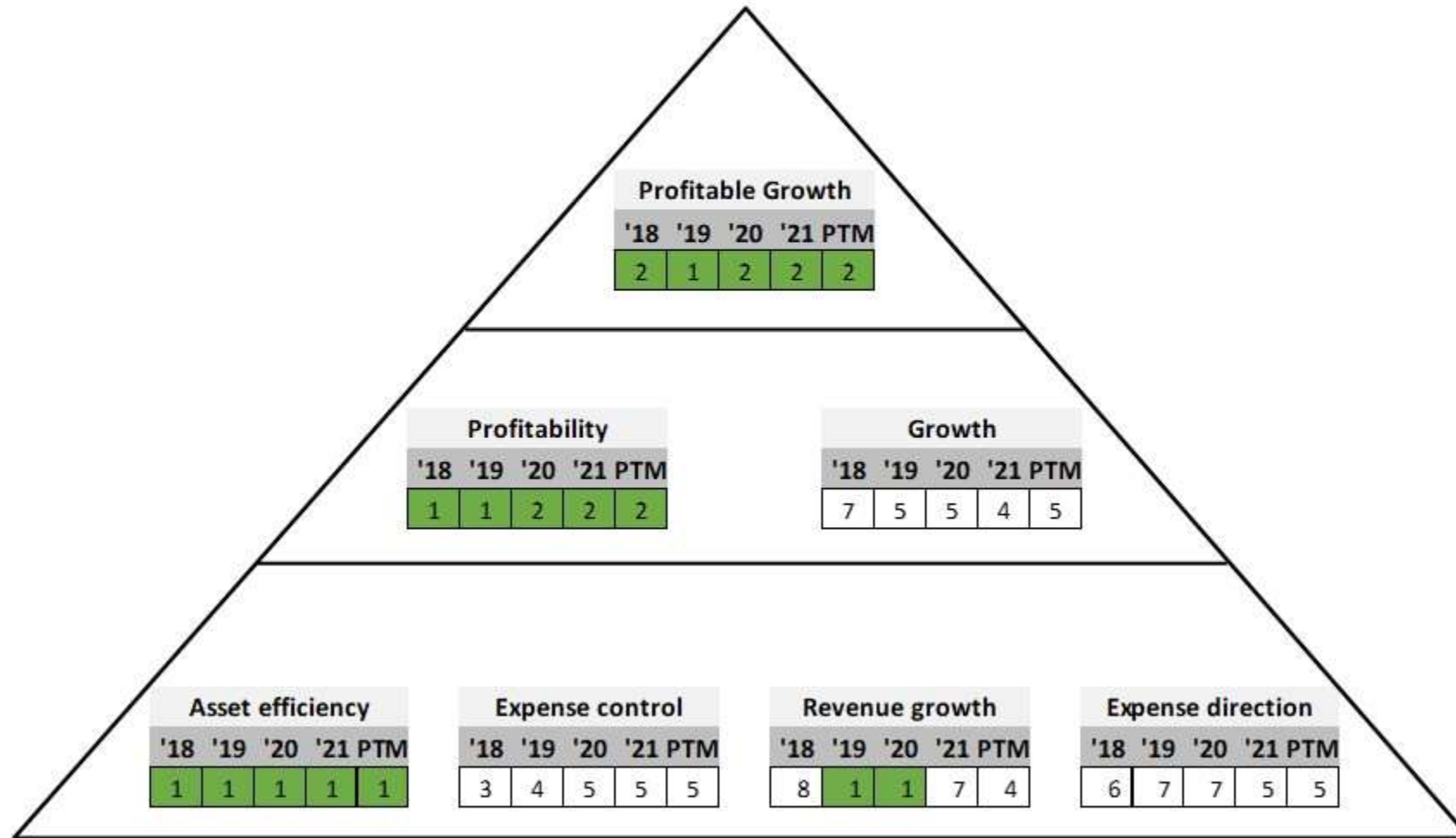


- The state of society
- Collecting the data
- Creating financial statements
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- Your measures
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- **Your World Class Benchmarking triangles**



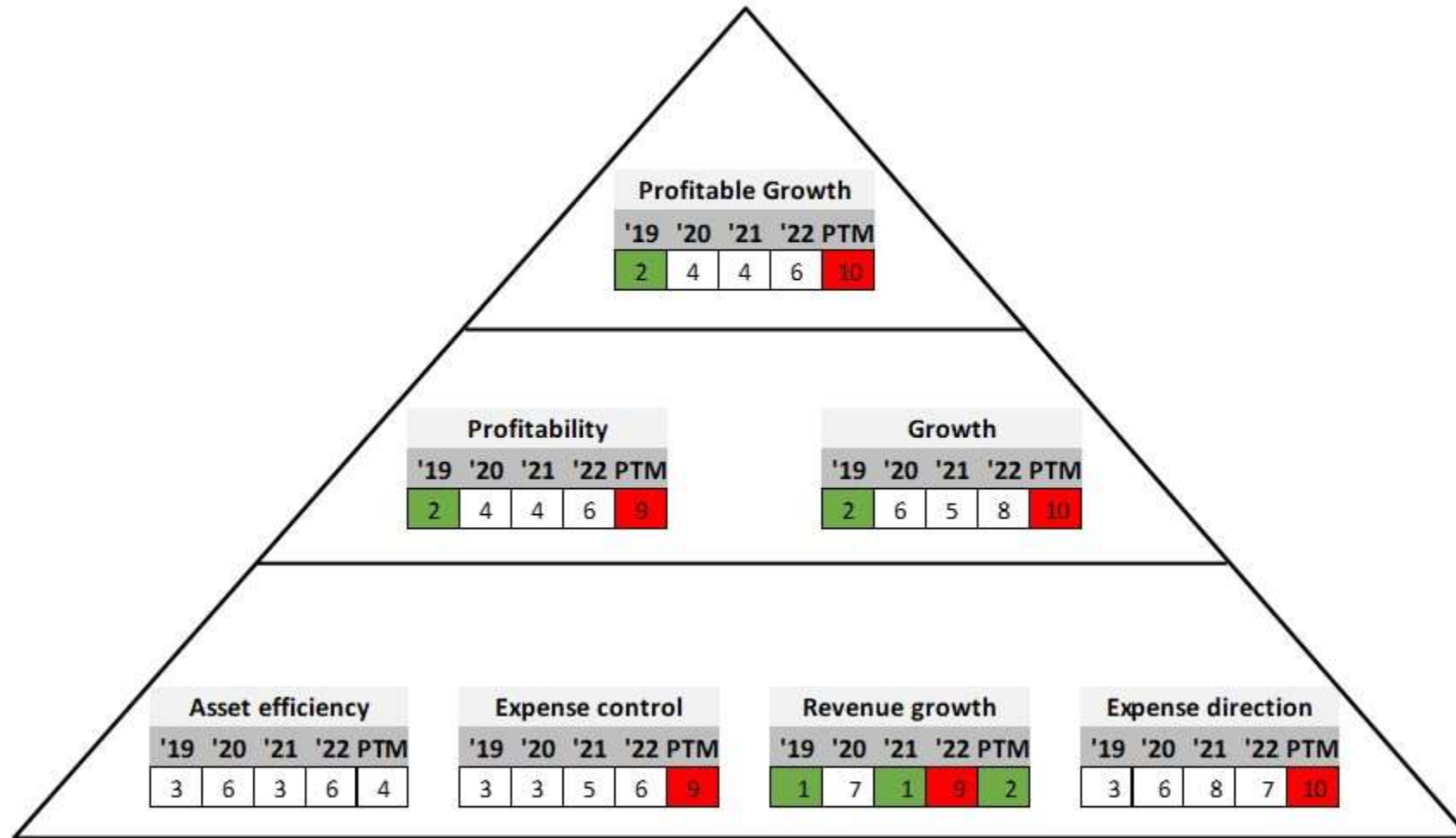


Benchmarked against 700 small Cons. Disc. companies worldwide.



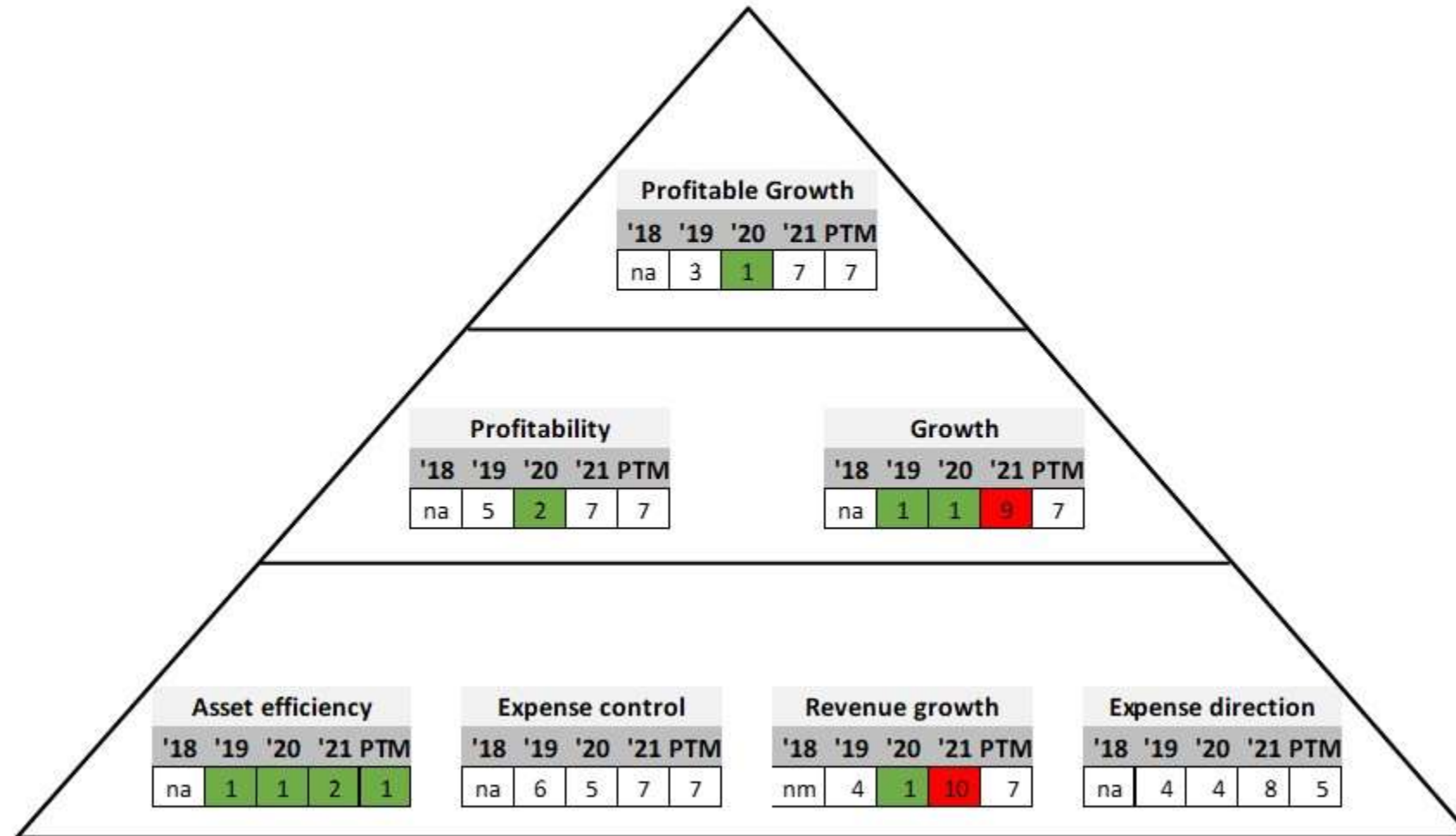
Benchmarked against 840 small Info Tech companies worldwide.

### 3: A. Stotz Profitable Growth

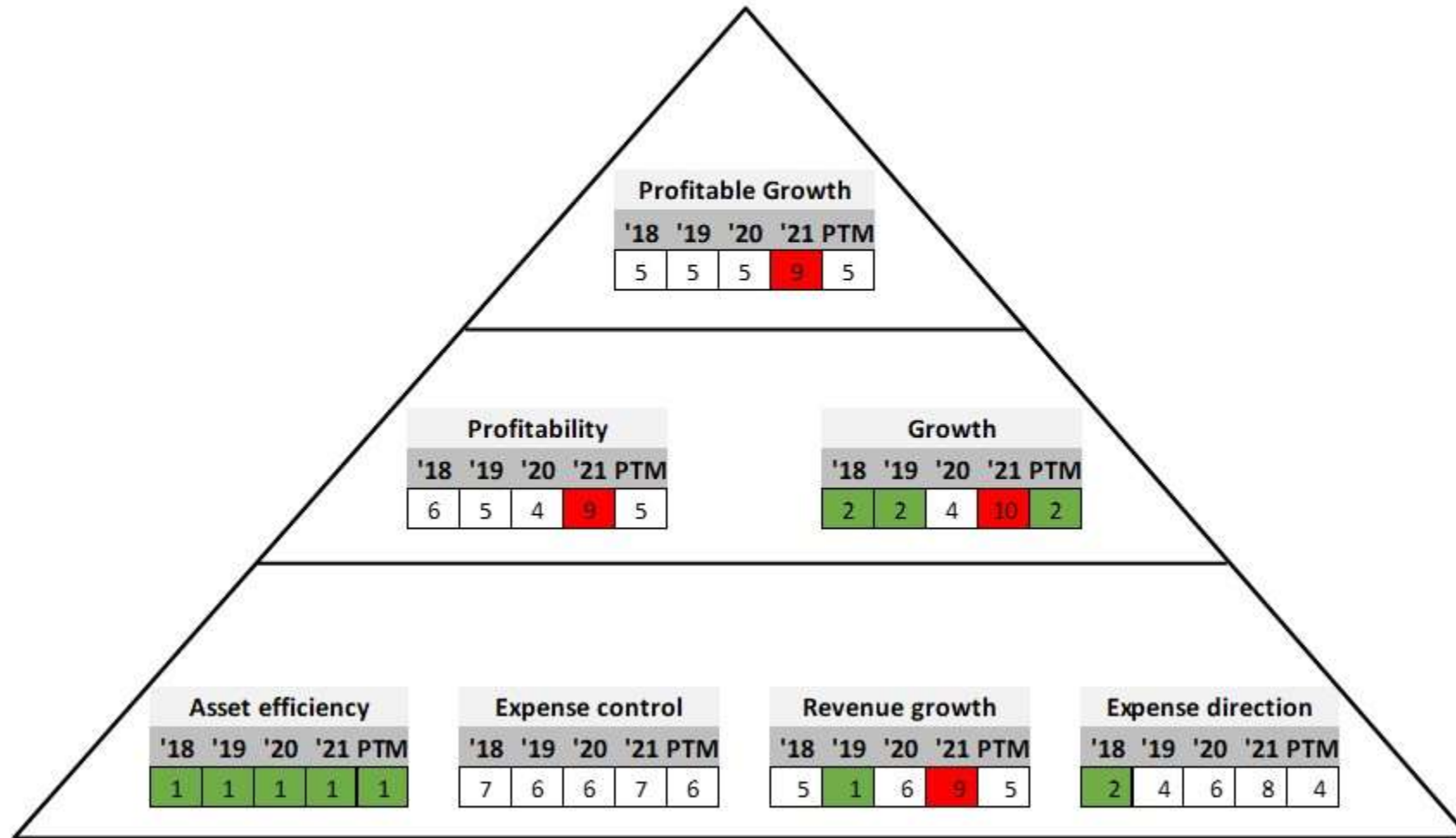


Benchmarked against 790 small Info Tech companies worldwide.

## 4: A. Stotz Profitable Growth

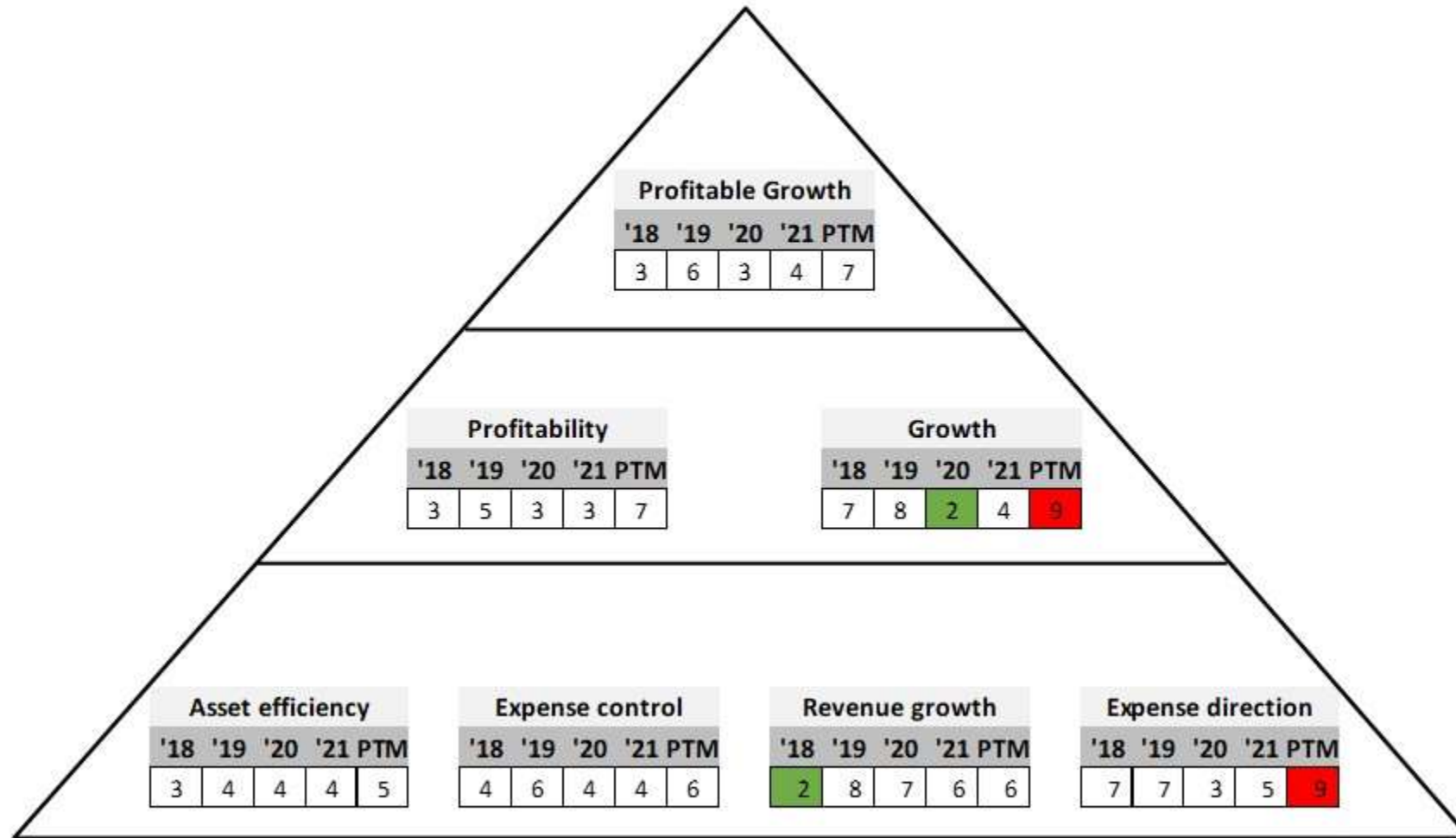


Benchmarked against 750 small Industrials companies worldwide.



Benchmarked against 360 small Materials companies worldwide.

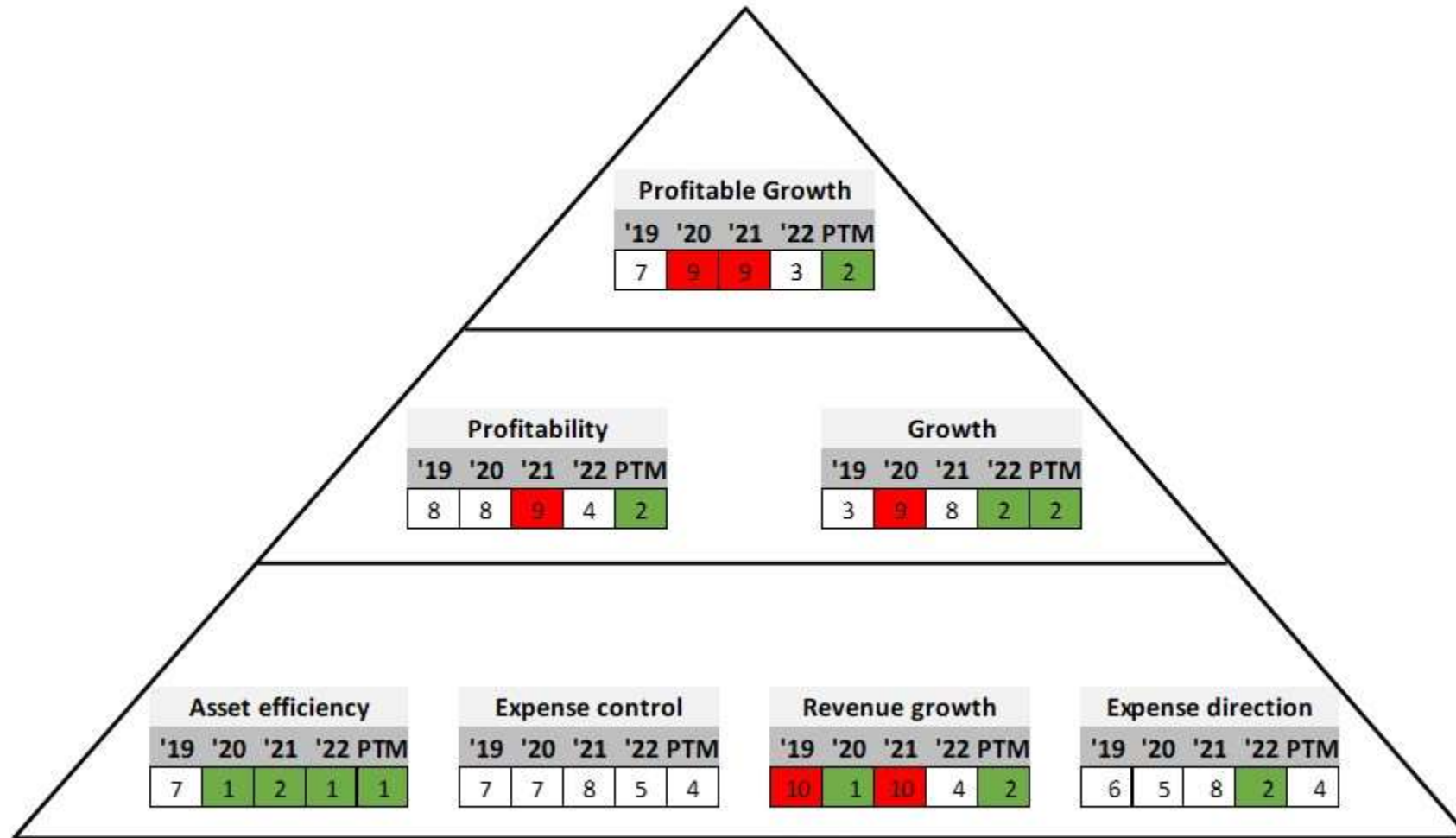




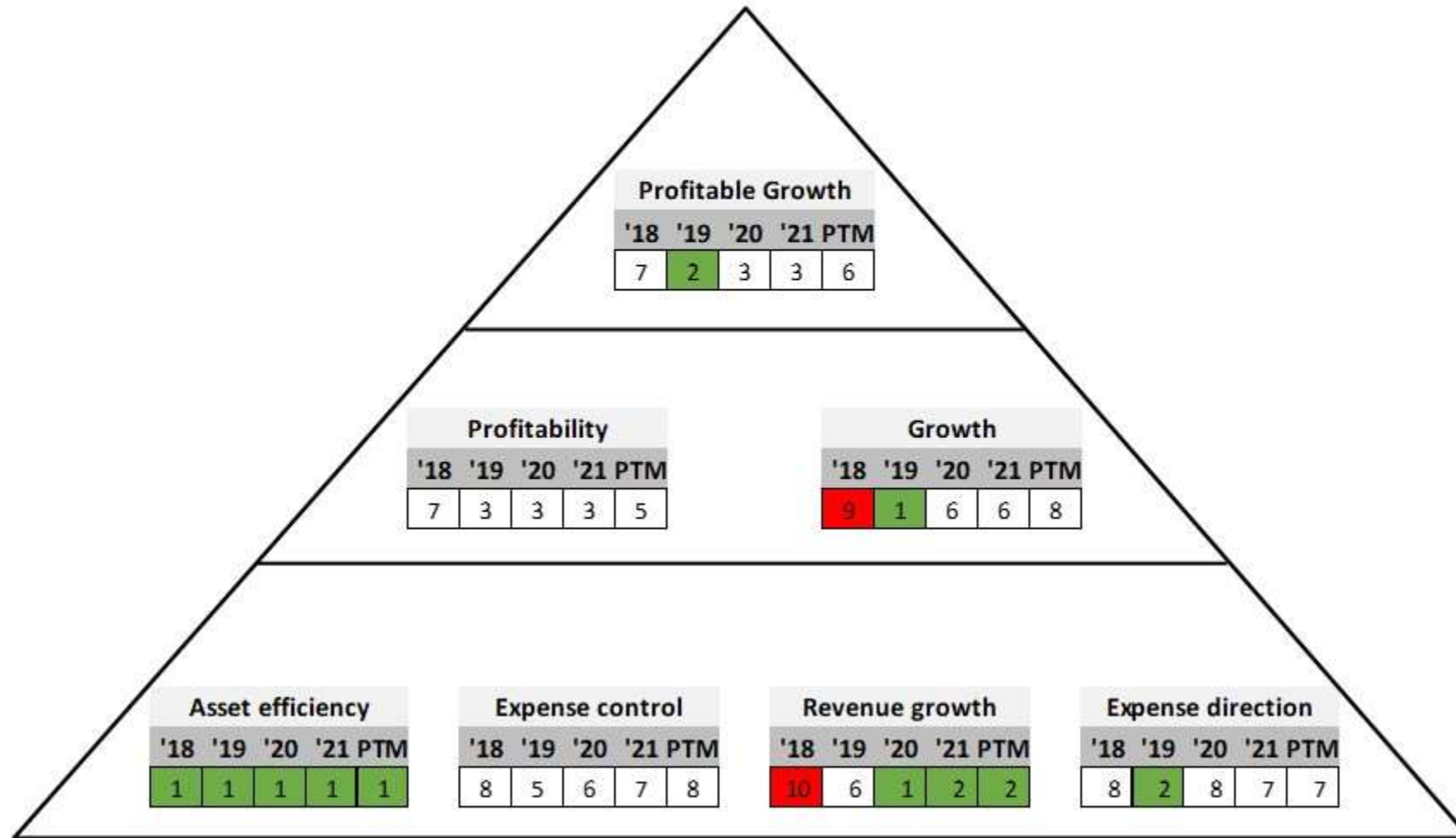
Benchmarked against 700 small Cons. Disc. companies worldwide.



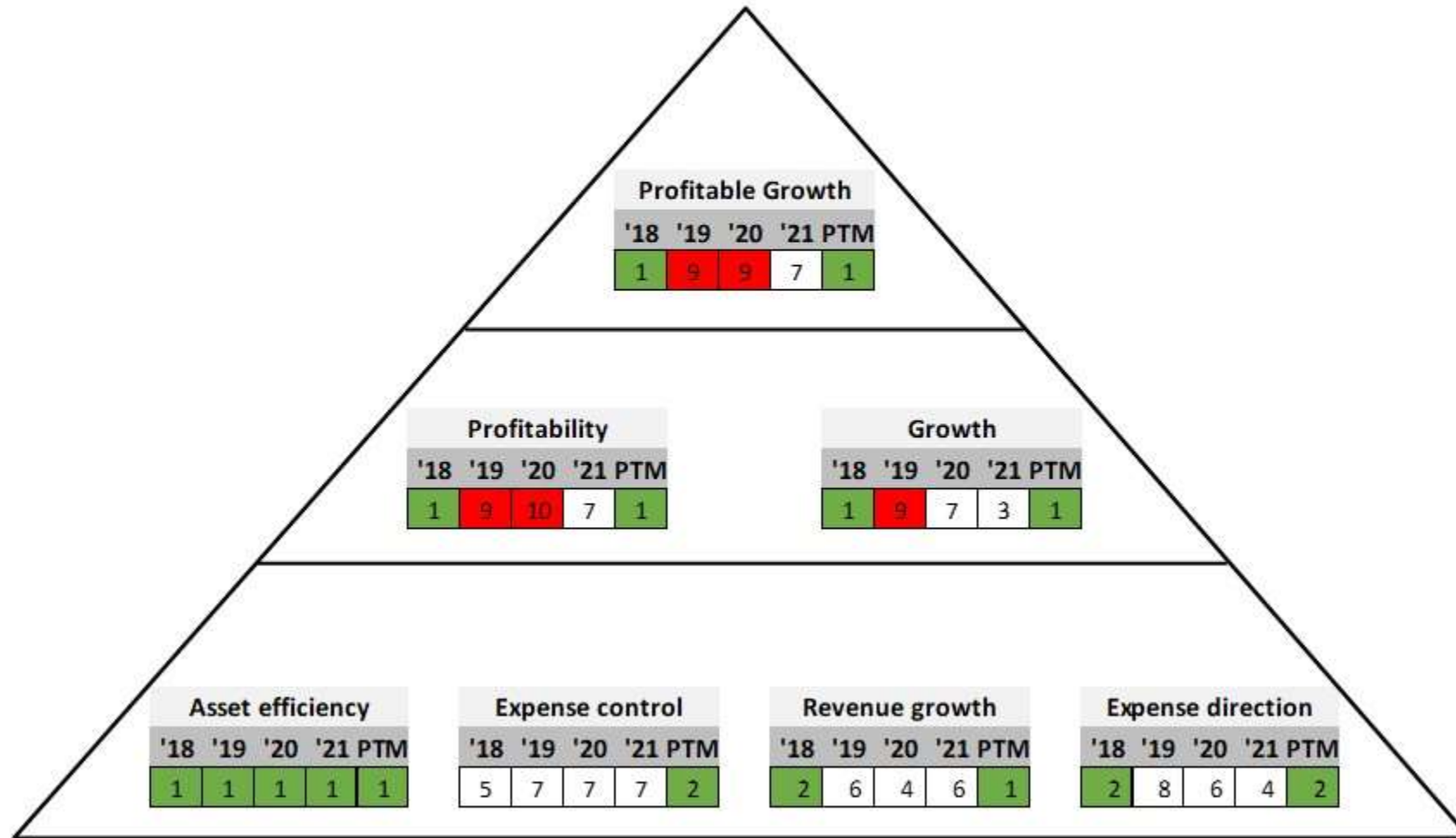
# 8: A. Stotz Profitable Growth



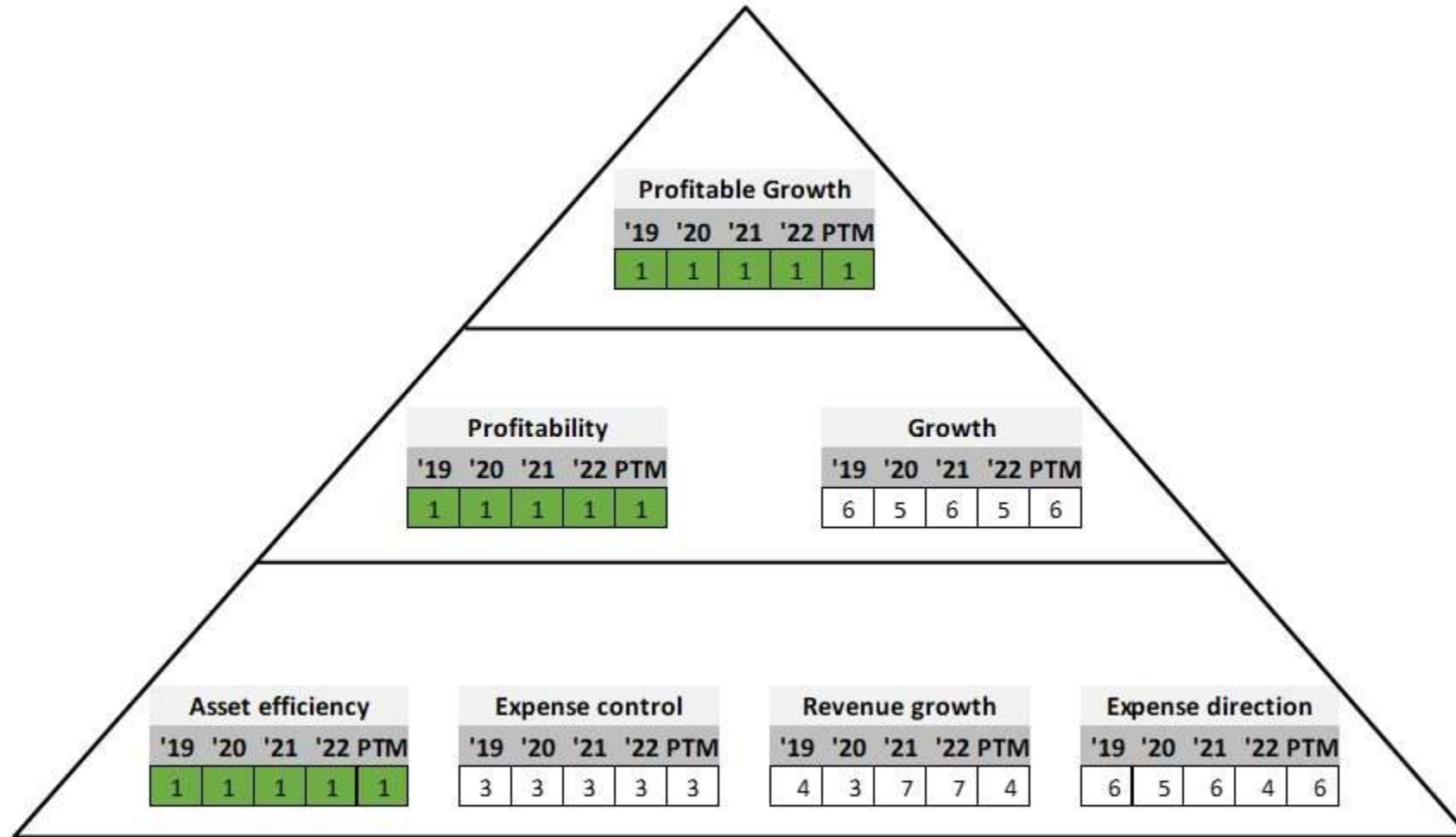
Benchmarked against 240 small Cons. Staples companies worldwide.



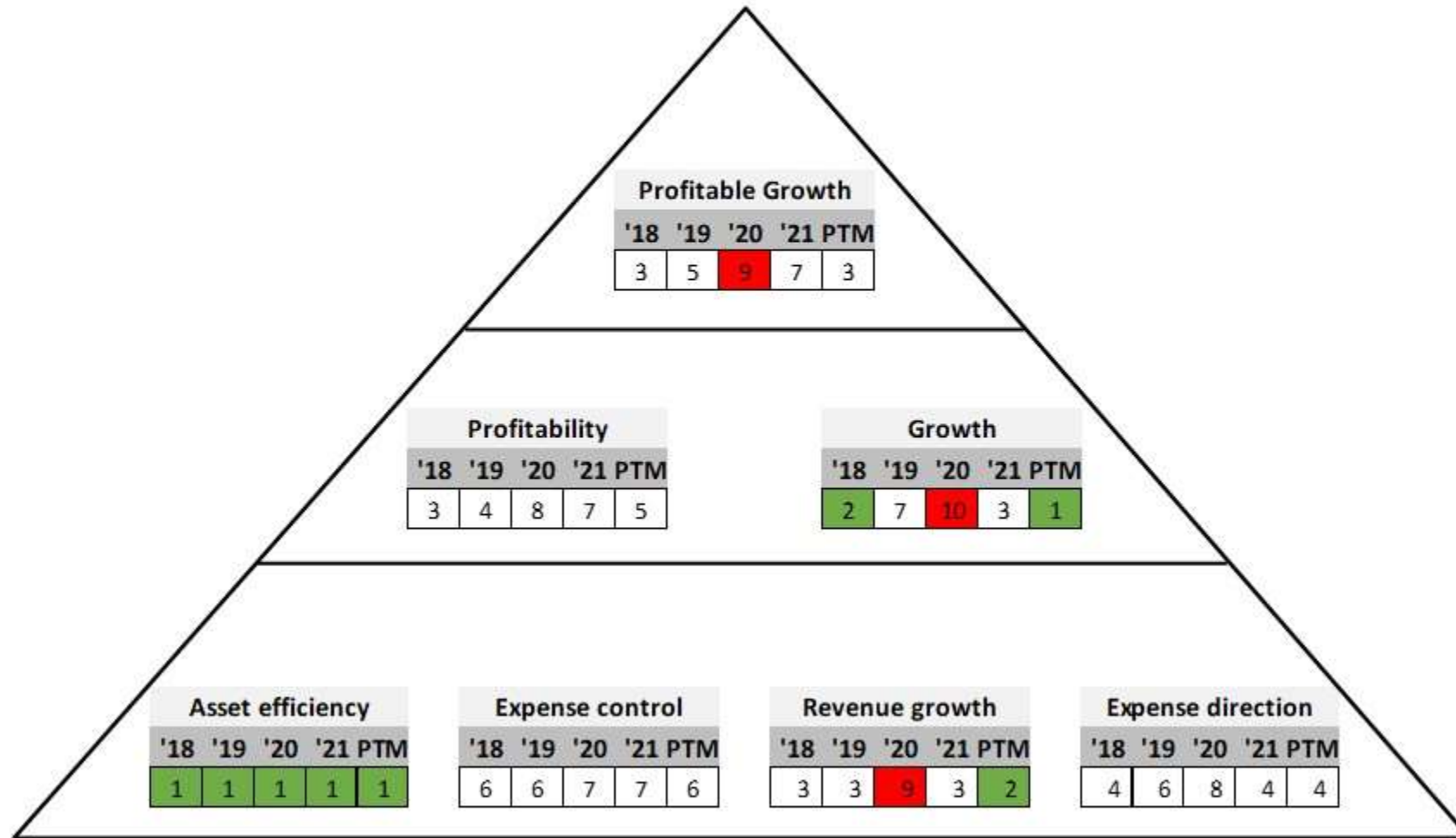
Benchmarked against 440 medium Cons. Staples companies worldwide.



Benchmarked against 690 small Industrials companies worldwide.

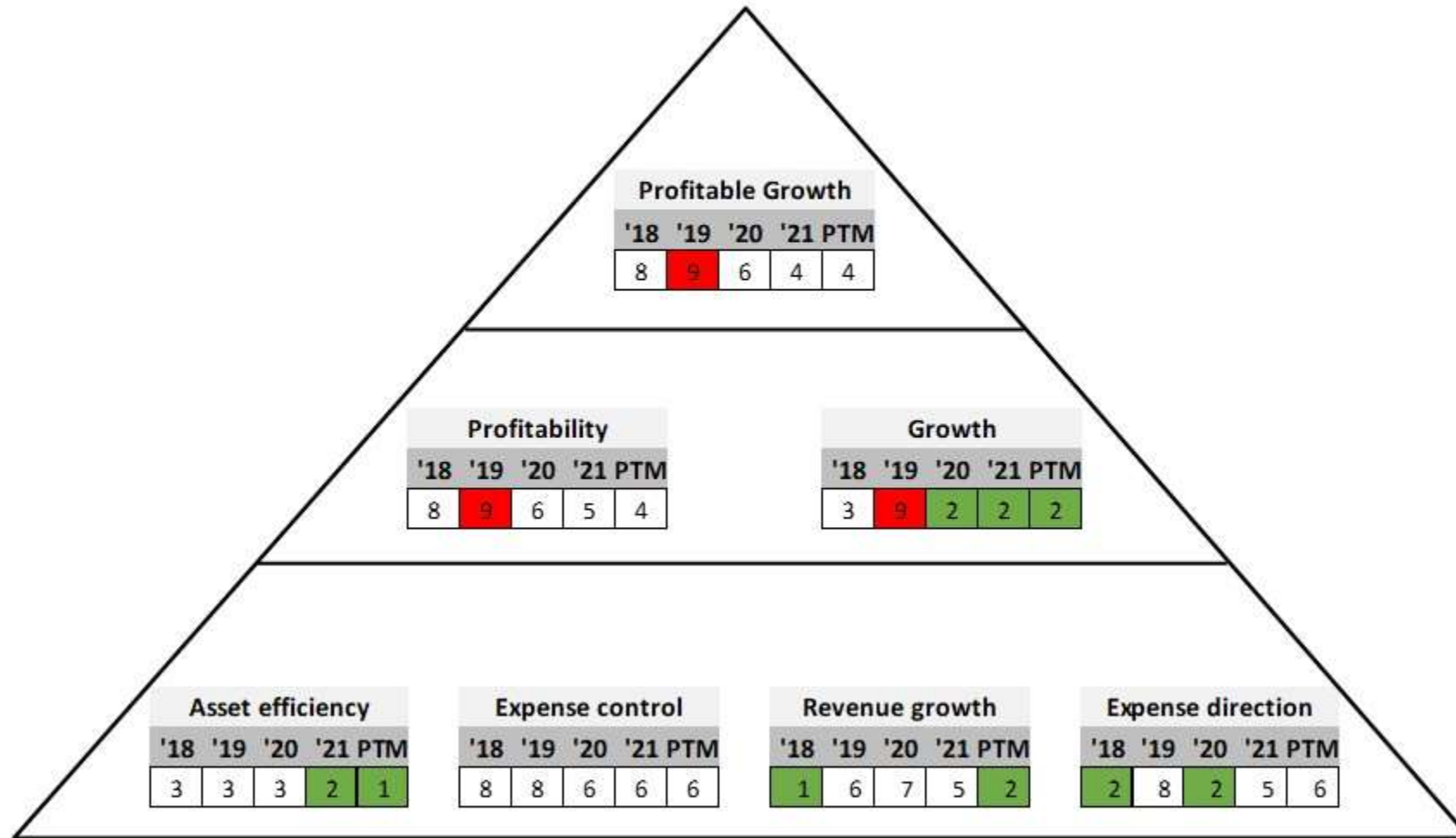


Benchmarked against 700 small Cons. Disc. companies worldwide.



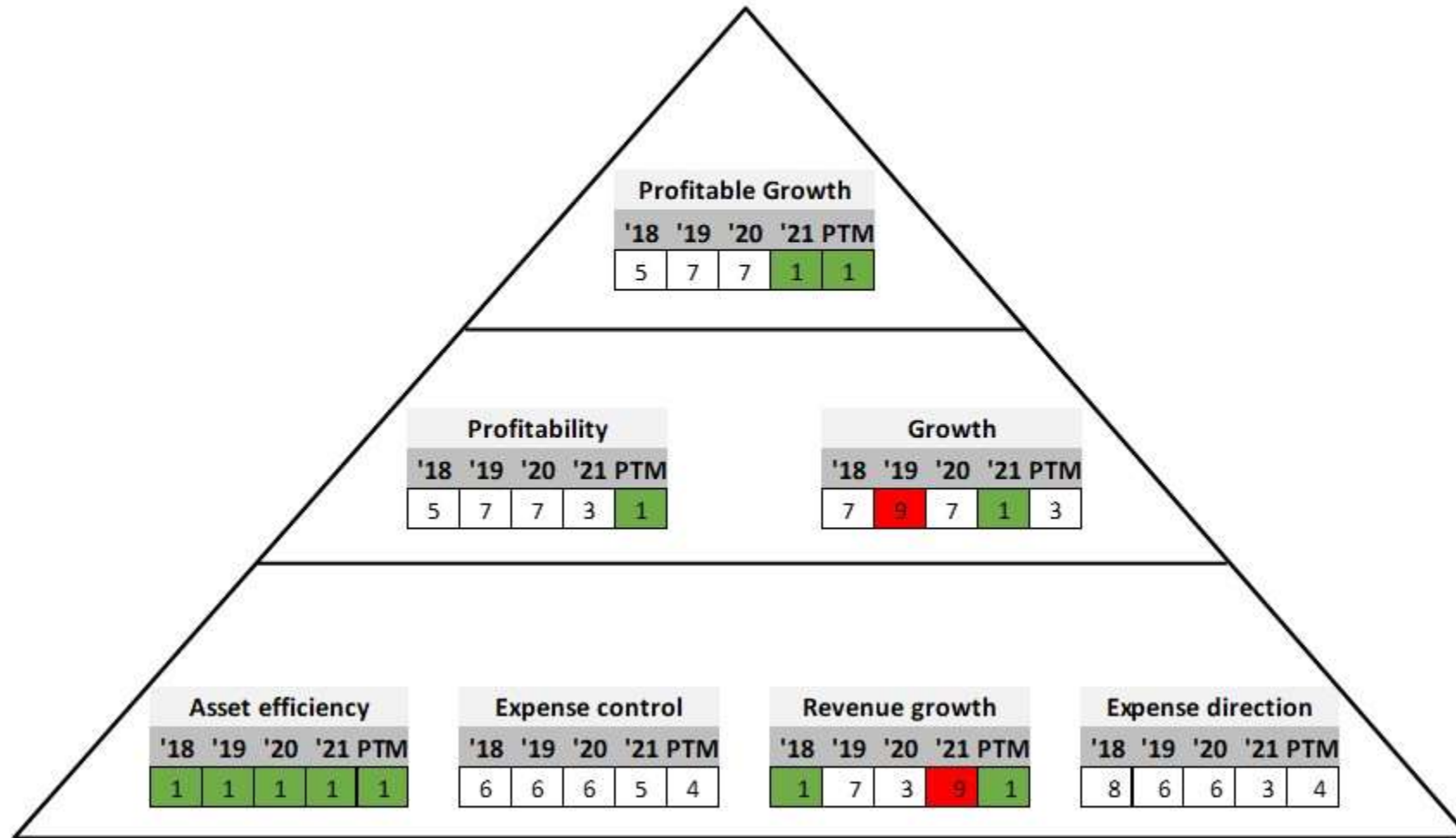
Benchmarked against 690 small Industrials companies worldwide.



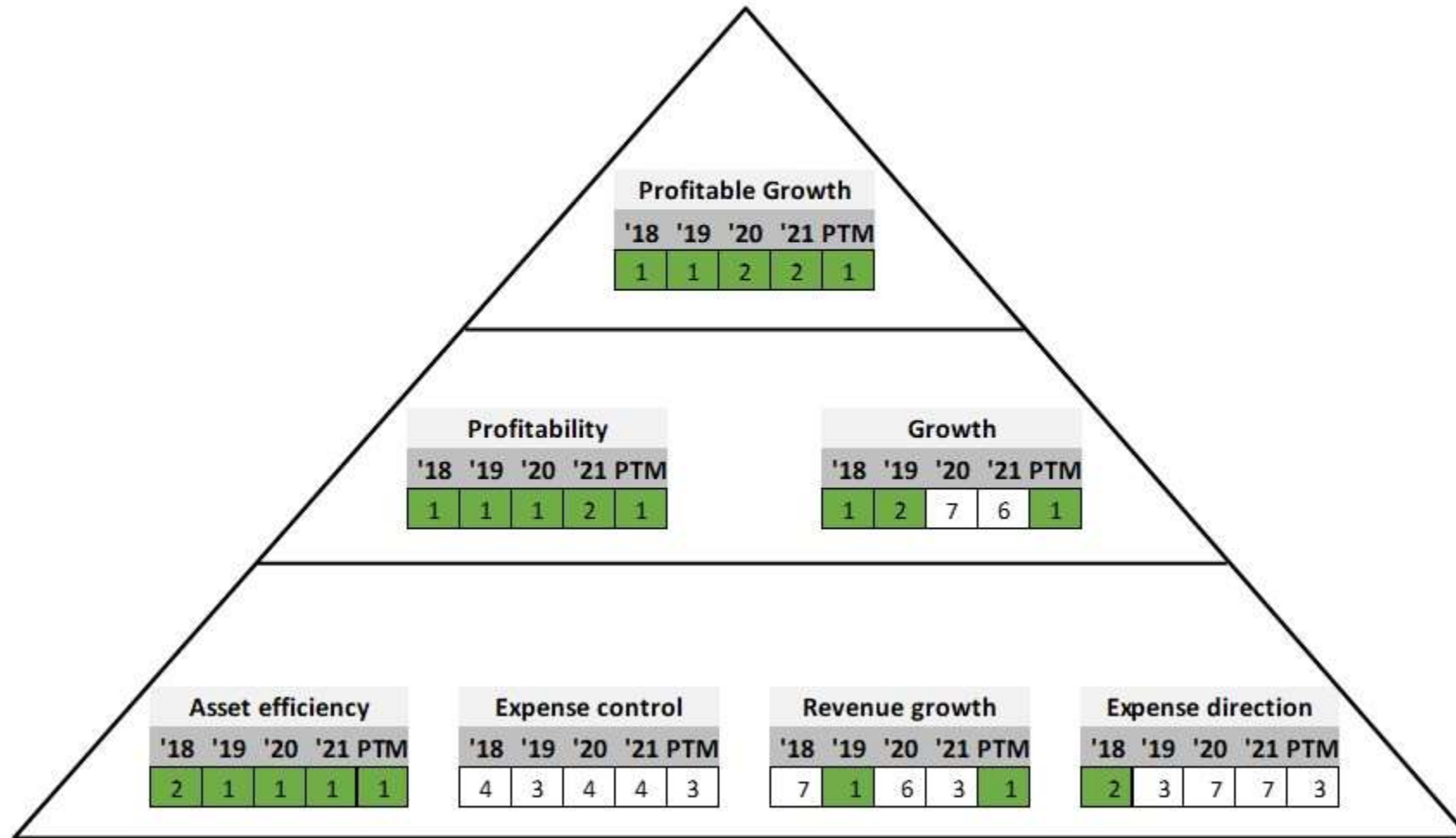


Benchmarked against 700 small Cons. Disc. companies worldwide.

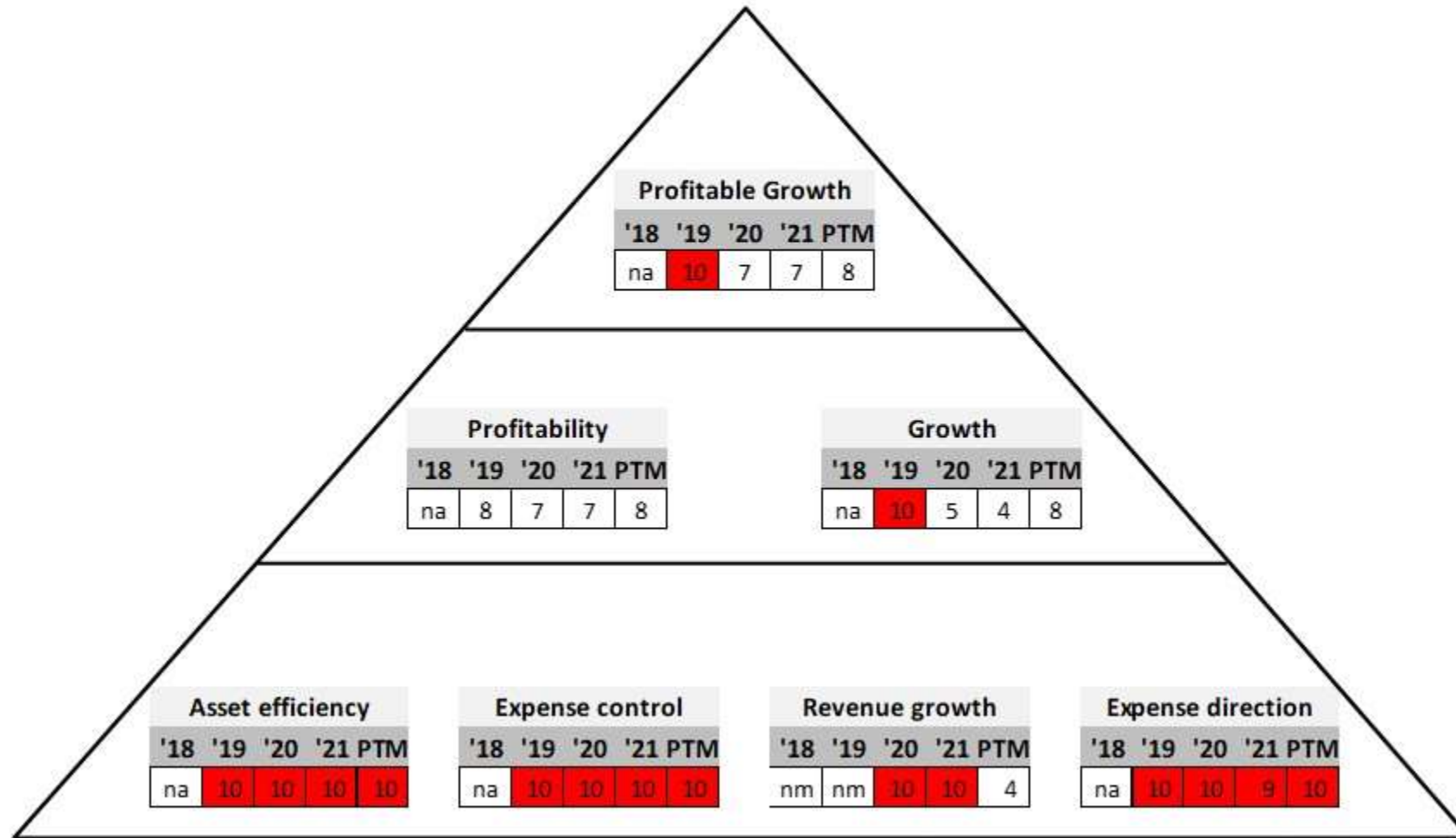




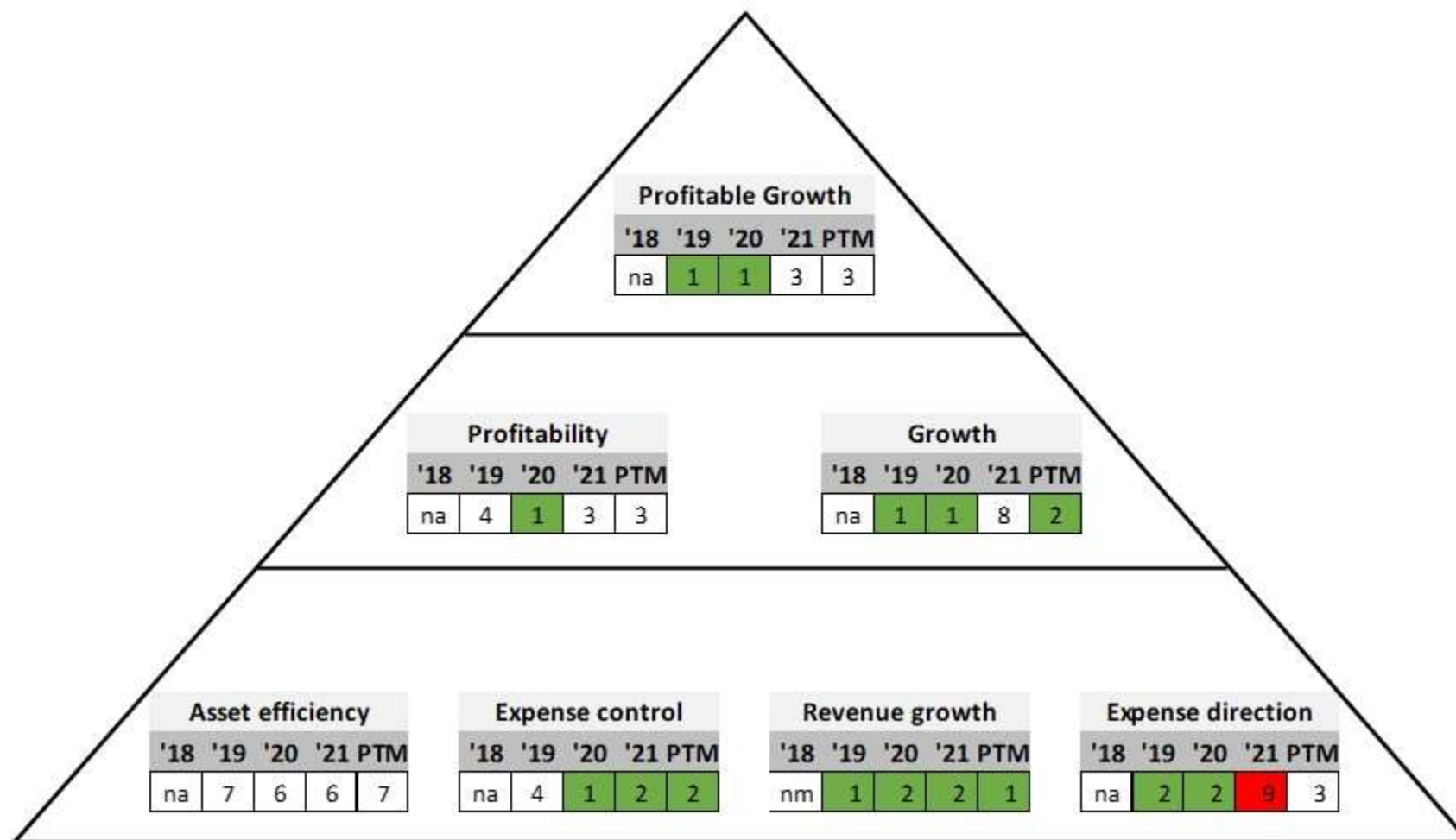
Benchmarked against 360 small Materials companies worldwide.



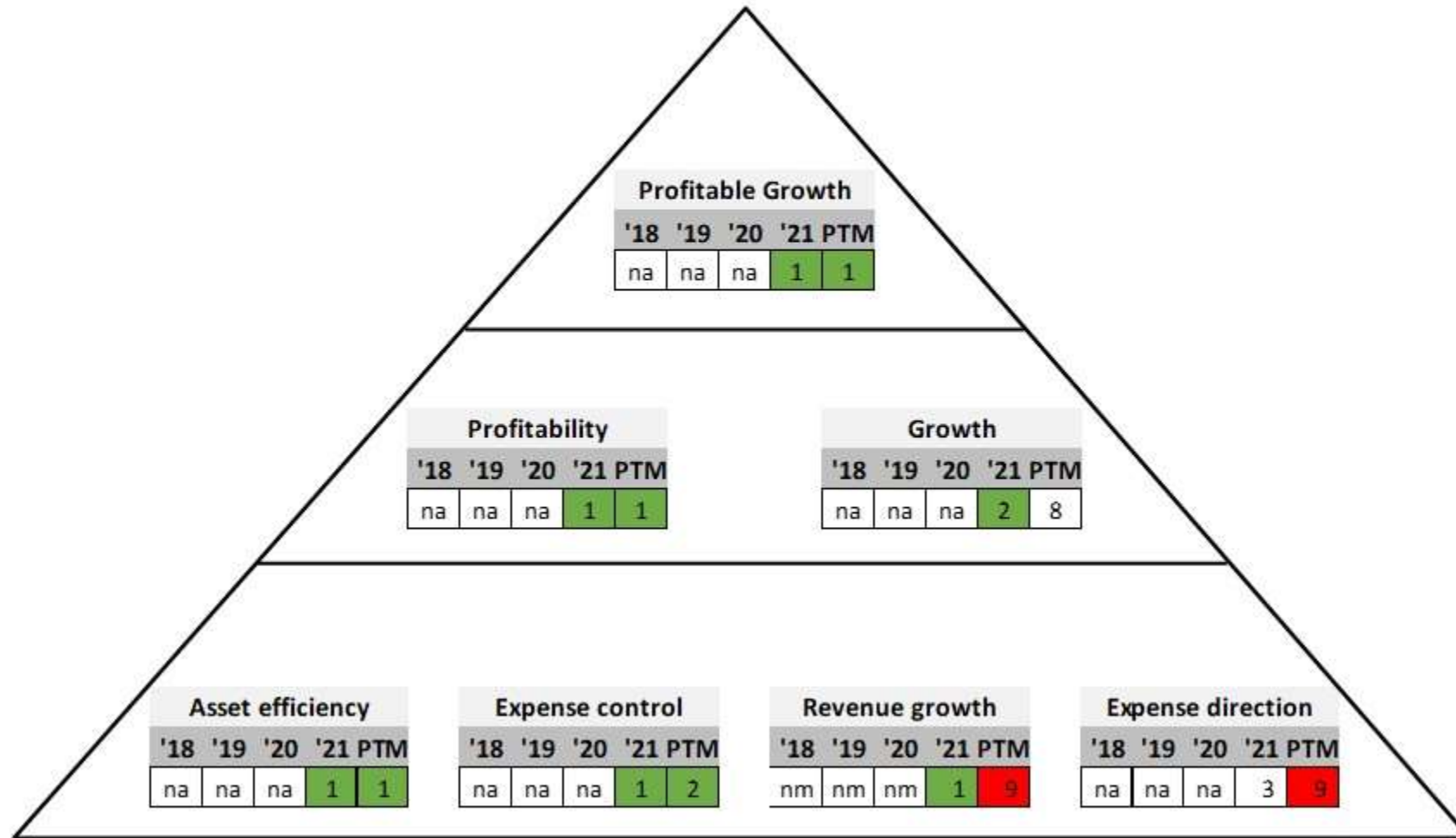
Benchmarked against 690 small Industrials companies worldwide.



Benchmarked against 240 small Cons. Staples companies worldwide.

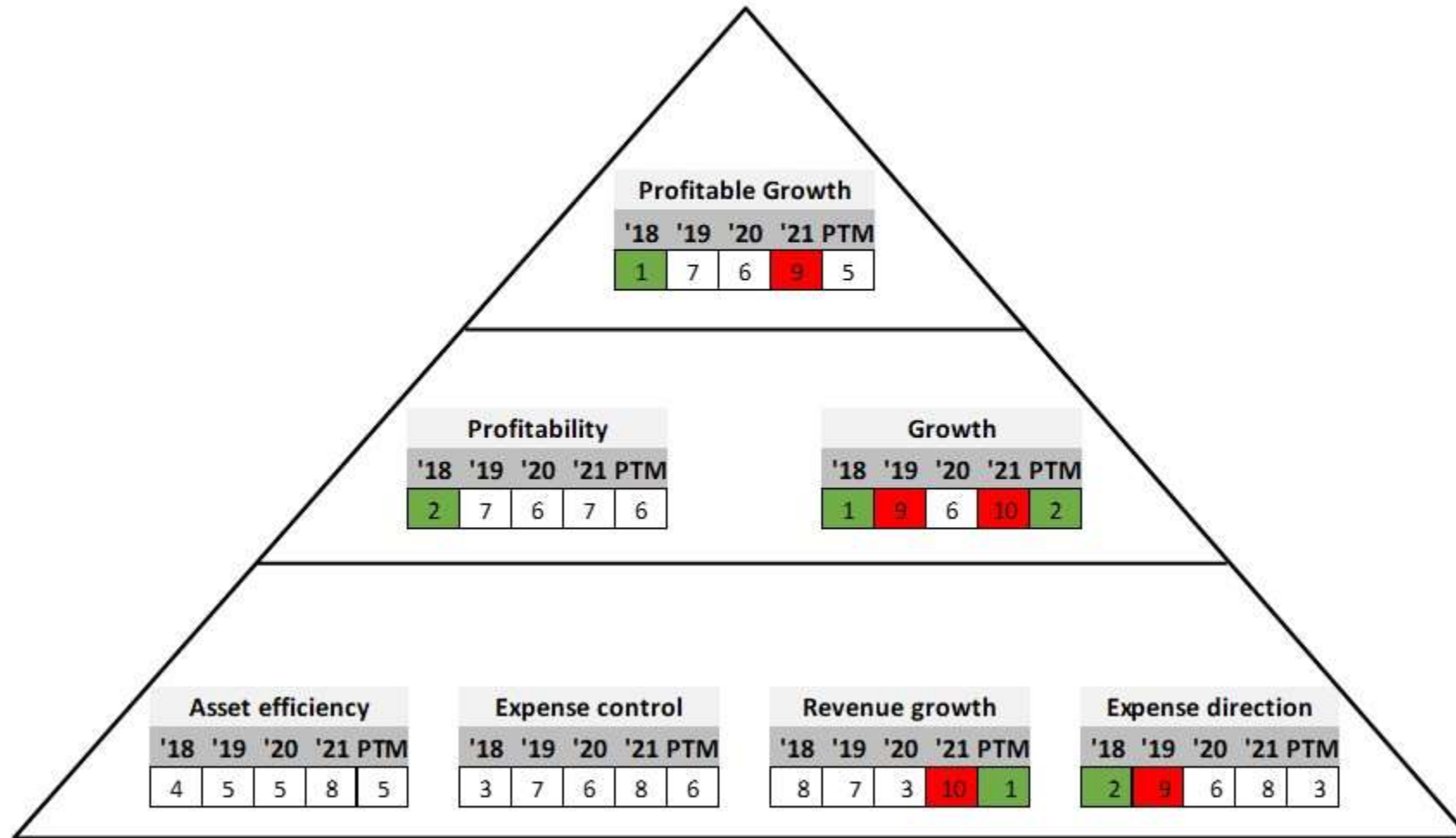


Benchmarked against 690 small Industrials companies worldwide.



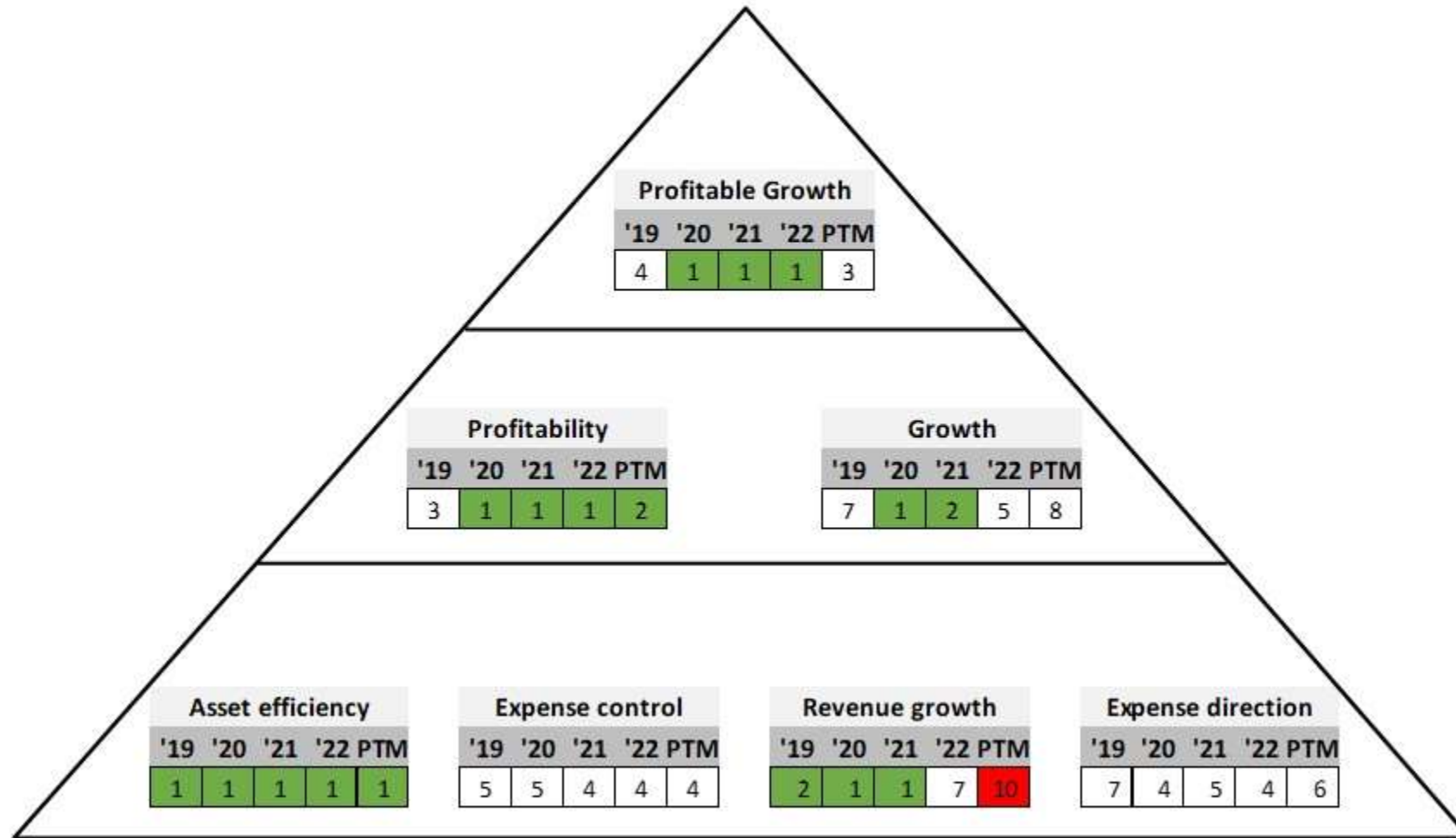
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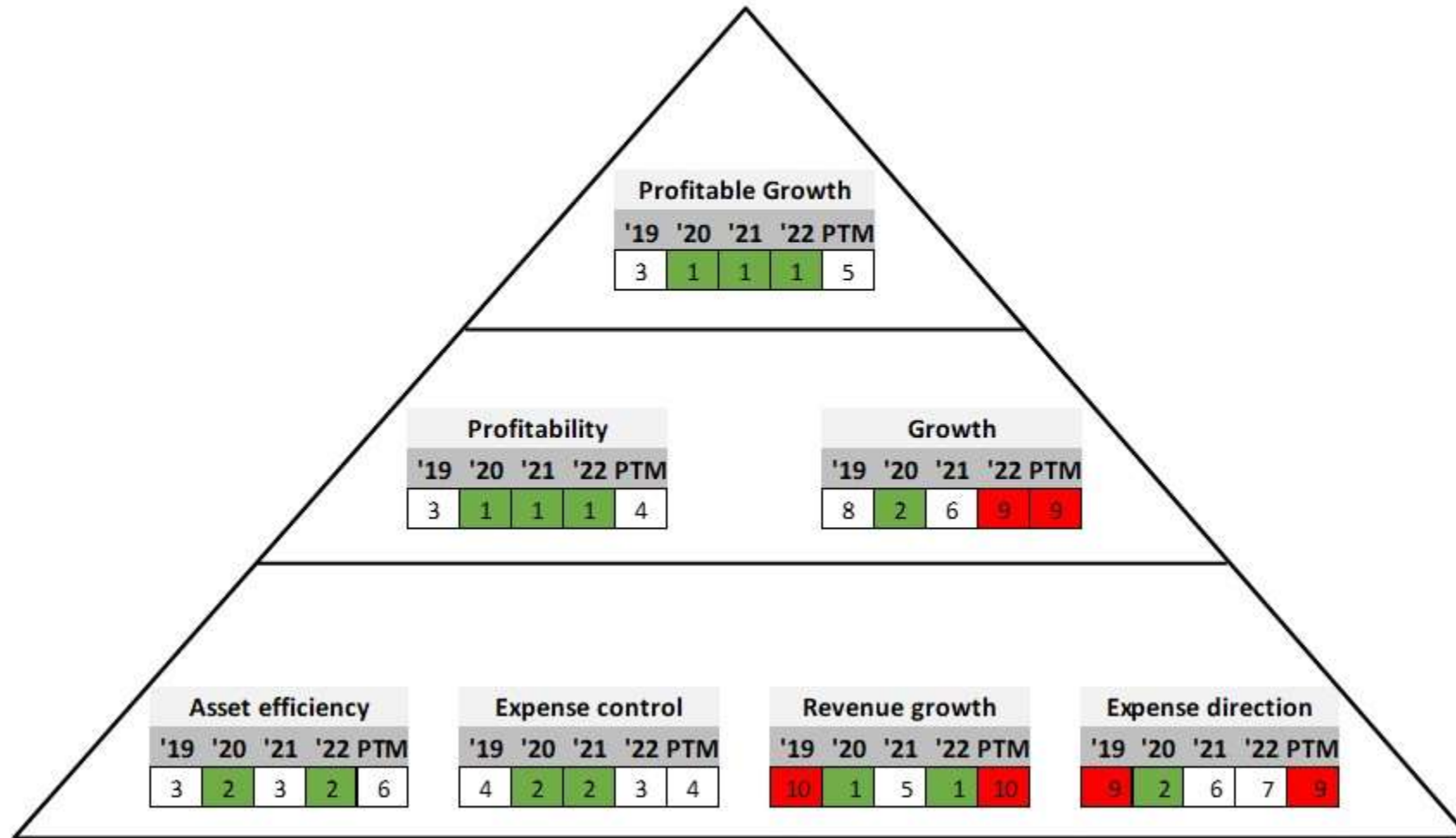


Benchmarked against 790 small Info Tech companies worldwide.

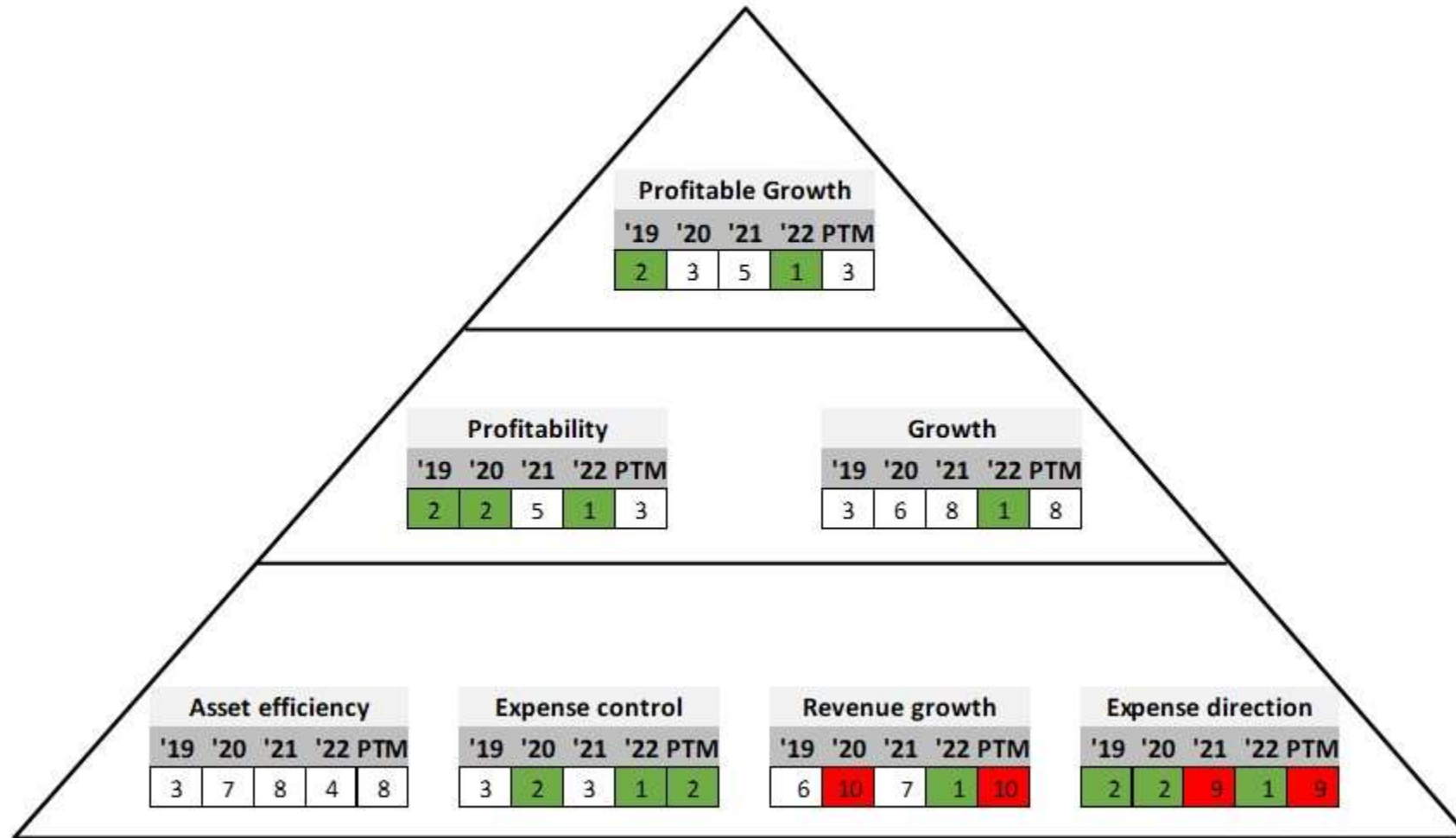




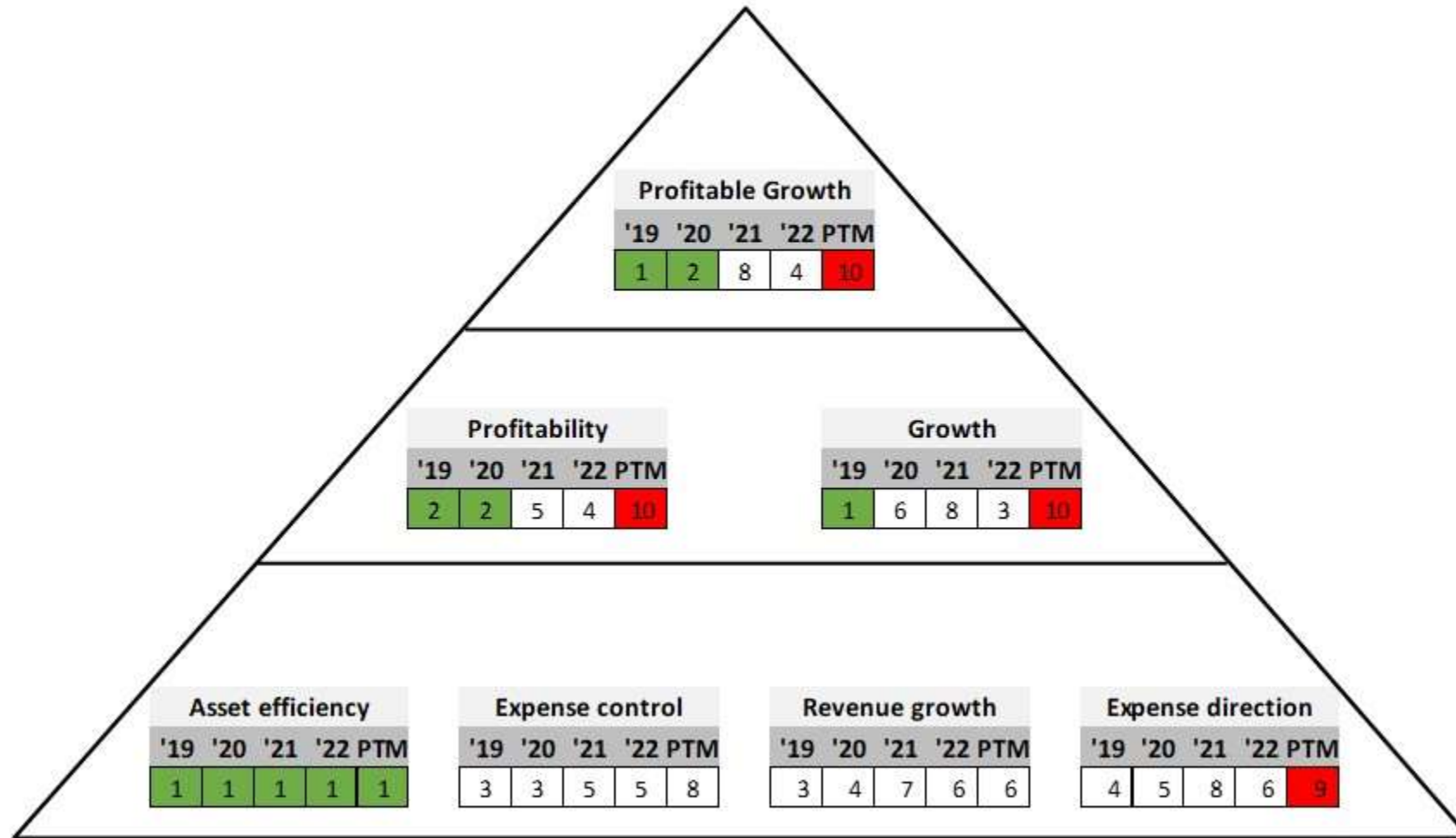
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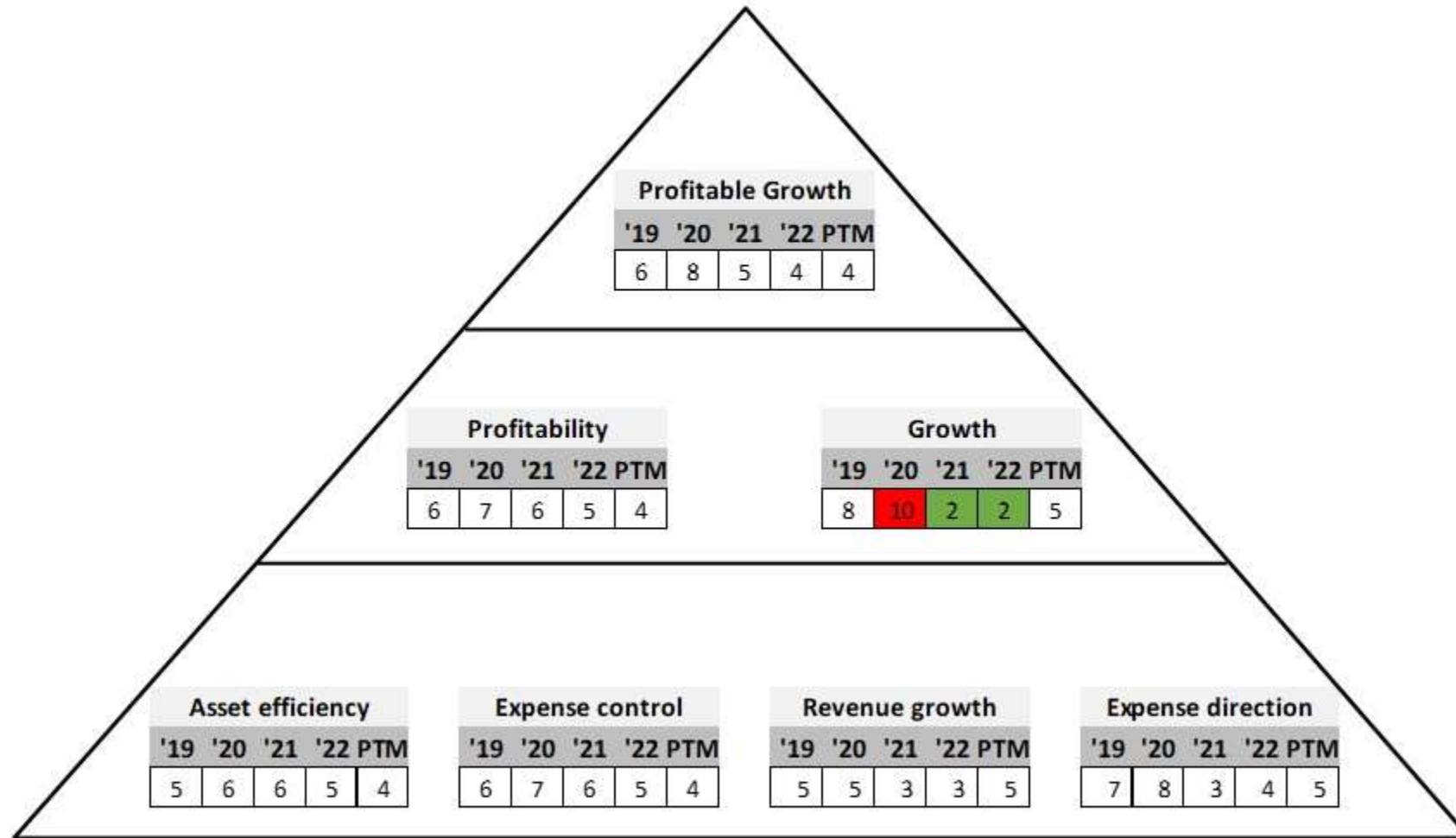
Benchmarked against 440 medium Cons. Staples companies worldwide.



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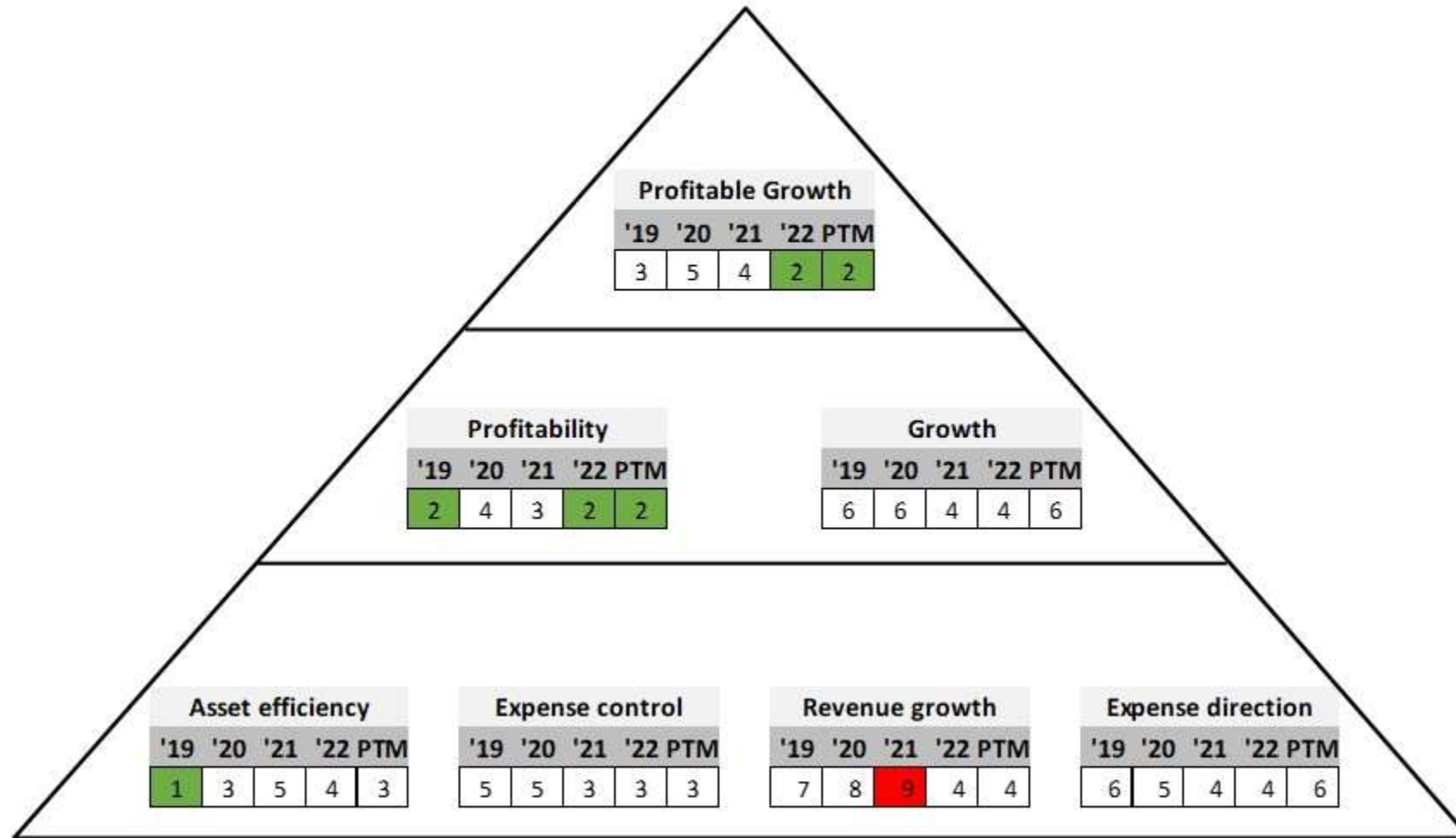


Benchmarked against 130 small Energy companies worldwide.



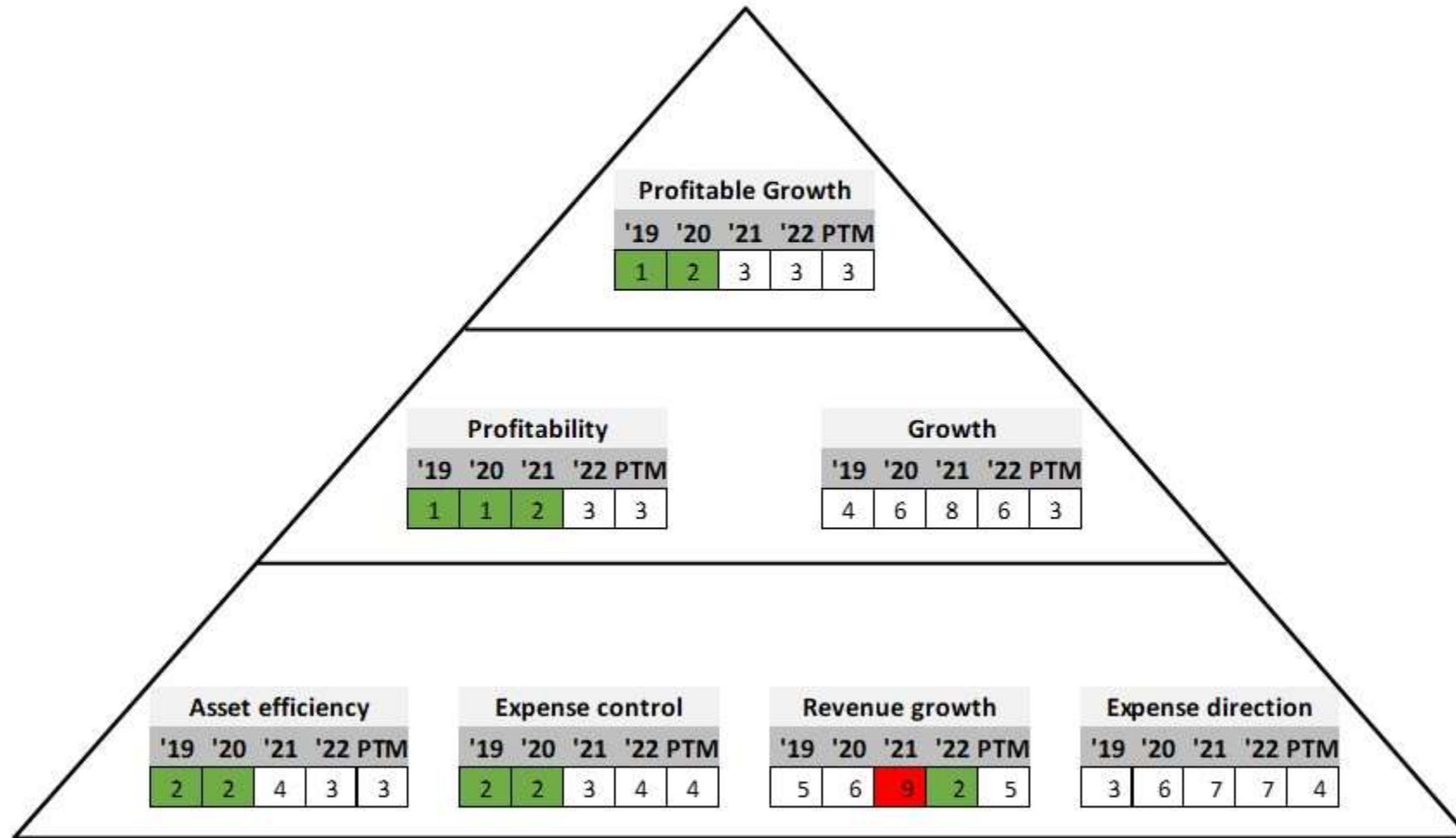
Benchmarked against 360 small Materials companies worldwide.



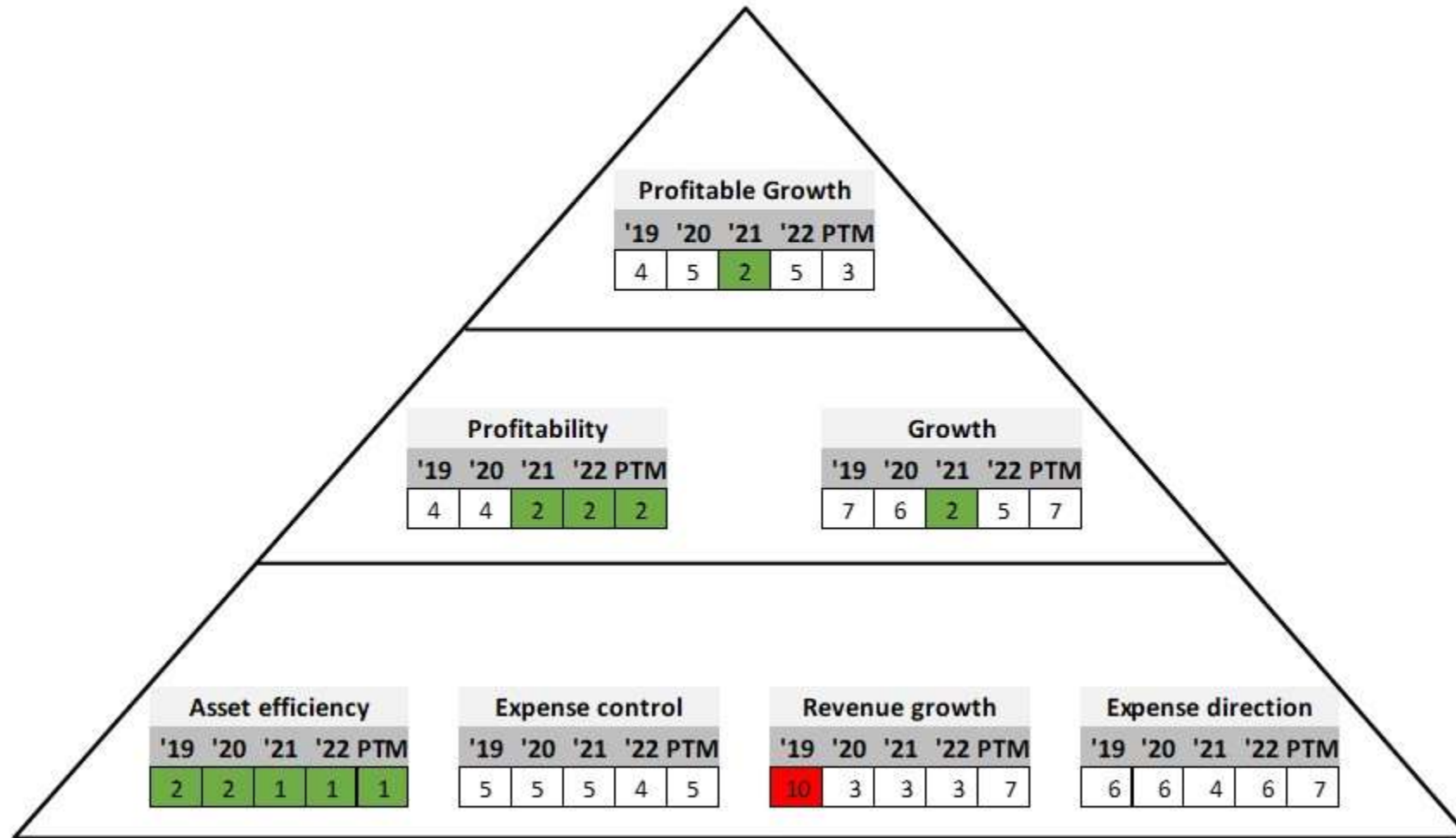


Benchmarked against 930 medium Cons. Disc. companies worldwide.

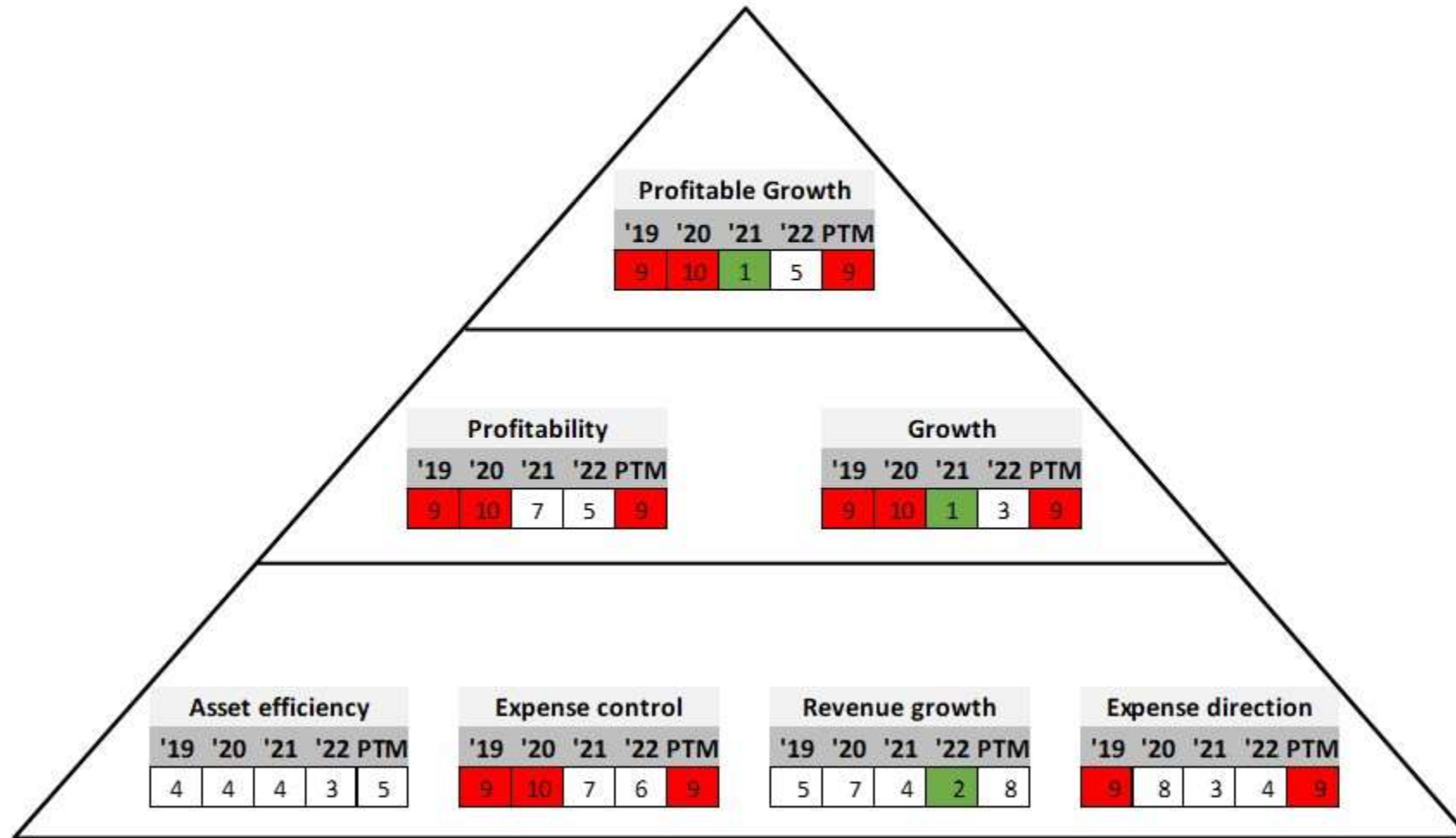




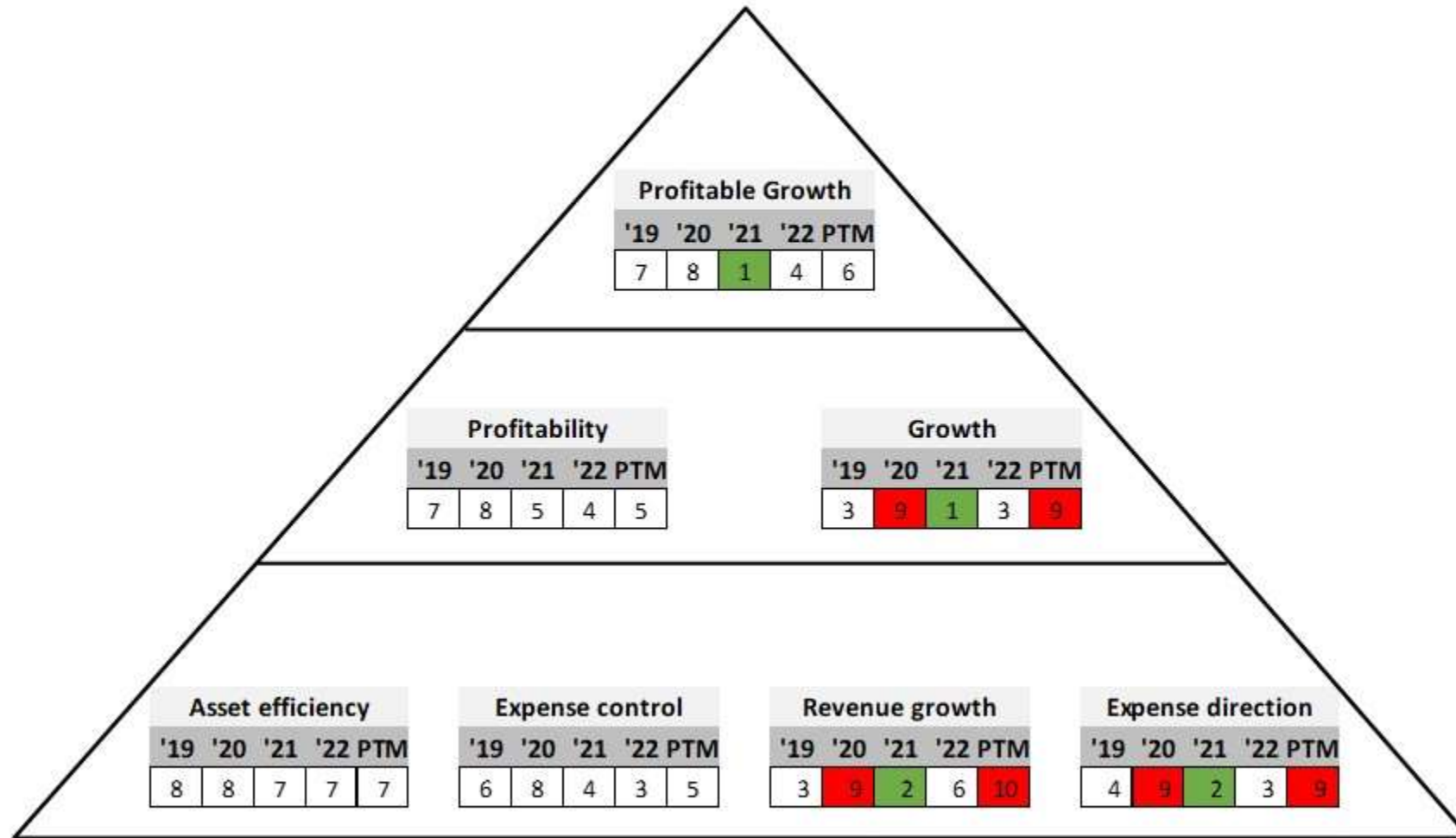
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