

## Financial analysis to empanel a Vendor

You are part of a team of colleagues tasked with the selection of a vendor for a 3 year contract, supplying the government medical equipment for its public hospitals. You have been given the financials of several suppliers who are potential bidders for this contract, including the financials (below) for a trader in medical products and equipment who operates within the broader region.

As part of your vendor due diligence, it is required to verify their technical, operational and financial credentials in order to be qualified for the service contract. You have been specifically tasked for verifying the financial credentials, and are studying the bidder's financials (below) to determine if they will meet the necessary requirements under the service contract. The initial set of financial KPI's that determine the viability of the bidder include: (a) the financial track record of the bidder's operations over the past 3 years, (b) the liquidity of the bidder, and (c) the solvency of the bidder.

Upon studying the financials, you may be asked to present your preliminary views of this bidder, in particular as to its ability to satisfy the preliminary set of financial health parameters, more so given that this is an important procurement contract with widespread and long term implications for the public society at large.

### **Balance Sheet Extracts (in SAR millions):**

<b>BALANCE SHEET</b>	<b>Dec-20</b>	<b>Dec-21</b>	<b>Dec-22</b>
Cash	375.1	367.35	314.65
Receivables	830.8	912.95	815.3
Inventory	314.65	114.7	246.45
Other Current Assets	178.25	406.1	444.85
<b>Total Current Assets</b>	<b>1698.8</b>	<b>1801.1</b>	<b>1821.25</b>
Buildings	17.05	20.15	21.7
Plant & Equipment	341	341	319.3
Other Fixed Assets	38.75	44.95	62
Gross Fixed Assets	396.8	406.1	403
less Accumulated Depreciation	10.85	13.95	13.95
Net Fixed Assets	385.95	392.15	389.05
Investments in Associated, JVs and Partnerships	627.75	502.2	579.7
Deferred Tax Assets	0	51.15	80.6
Other Non-Operating Fixed Assets	6.2	10.85	17.05
<b>Total Fixed Assets</b>	<b>1019.9</b>	<b>956.35</b>	<b>1066.4</b>
<b>Total Assets</b>	<b>2718.7</b>	<b>2757.45</b>	<b>2887.65</b>
Current Portion of Long-Term Debt	26.35	12.4	0
Overdrafts	992	954.8	770.35

Other Operating Current Liabilities	97.65	79.05	192.2
Trade Payables	633.95	423.15	567.3
Tax Provision	48.05	63.55	75.95
<b>Total Current Liabilities</b>	<b>1798</b>	<b>1532.95</b>	<b>1605.8</b>
Long Term Debt	13.95	209.25	155
Convertible Debt	381.3	437.1	334.8
Due to Related Party	0	0	103.85
Other Long-Term Liabilities	12.4	12.4	12.4
<b>Total Term Liabilities</b>	<b>407.65</b>	<b>658.75</b>	<b>606.05</b>
Share Capital	80.6	80.6	175.15
Revaluation Reserves	223.2	193.75	159.65
Retained Profits	209.25	291.4	341
Total Equity	513.05	565.75	675.8
<b>Net Worth</b>	<b>513.05</b>	<b>565.75</b>	<b>675.8</b>
<b>Total Liabilities and Net Worth</b>	<b>2718.7</b>	<b>2757.45</b>	<b>2887.65</b>

#### Income Statement Extracts:

INCOME STATEMENT	Dec-20	Dec-21	Dec-22
Sales	3853.3	3785.1	3780.45
Gross Profit	96.1	79.05	54.25
Other Operating Income	116.25	139.5	75.95
Other Non-Operating Income	48.05	68.2	85.25
Operating Expenses	68.2	77.5	51.15
Depreciation and Amortisation	4.65	4.65	4.65
Interest and Financial Expenses	134.85	155	113.15
Income from Related Party	68.2	79.05	52.7
Profit Before Tax	120.9	128.65	99.2
Tax	13.95	17.05	10.85
Net Profit	106.95	111.6	88.35
Dividends	26.35	80.6	66.65
Profits Retained	80.6	31	21.7

#### Cash Flow Statement Extracts:

CASH FLOW STATEMENT	Dec-21	Dec-22
Cash Flow from Operations	23.25	368.9
Cash Flow from Investing	-15.5	-105.4
Cash Flow from Financing	-15.5	-3121.7

### **Indicative Panel Questions:**

Q 1) What is your overall view of the financial viability of the bidder with respect to initial set of conditions, viz (a) the financial track record of the bidder's operations over the past 3 years, (b) the liquidity of the bidder, and (c) the solvency of the bidder

Q 2) From the financials, do you see any risk issues that may affect the ability of the bidder to meet its obligations under the service contract over the period?

Q 3) The panelist should continue probing w.r.t the above question? Why do you consider this a risk issue and how could it affect the delivery of their obligations?

Q 4) What metrics would you establish to determine the pre-qualify the liquidity and solvency of the bidders?

Q 5) The supplier insists that as part of the contract, the government provides them an advance payment (which can go up to 20% of the annual contract value). What considerations would you have in evaluating such a request?