

Financial Analysis Night Beer S.A

The beer industry is linked to different cultures worldwide, this sector is constantly developing and innovating. There are 5 competitive forces for the strategic design of companies; the rivalry of existing competitors (3), the threat of new entrants (2), substitute products (3), client (4) and supplier (2) bargaining power, industry risks to which faces NightBeer SA they are considered means.

The threat of new entrants is measured by existing barriers in terms of requirements for machinery, capital and manufacturing plants. On the other hand, the bargaining power of buyers is high because of the variety of products, there are several substitutes for the products they manufacture. Likewise, suppliers, since they don't have a variety of clients, don't constitute threatening forces.

Forecast Analysis

For the forecast, the increase of the Operating Income (OI) for (5,0%) 2021 and (3,4%) 2022 could not stand the increase of the Cost of Sales (CS) (6,5%) and (7,4%), nor the increase of the Operating Expense (10,9%) and (-1,4%) respectively causing an decreasing on the EBITDA (\$18.947.411.820 to \$18.946.410.976) (2021-2022), additionally, a decreasing too in the EBITDA margin would pass to 36,5%(2021) to 35,3%(2022).

The high variation of the Non-Operational along with the weight that represents the Income Tax facing to OI that change (3,3%) 2018, (9,8%)2021) and (7,4%)2022, would generate a Return on Sales (ROS) of 11,9%(2021) and 13,7% (2022). For that reason, the strategy to be implemented is an increasing on television advertising because It would generate a growing of sales. Therefore, the production increased.

Cash Conversion Cycle (CCC) will fluctuate between 107d and 171d during the forecast, because of the decreasing of the average days of suppliers 37d (2020), 43d (2021) and 31d (2022), caused by an increasing on the CS in higher proportion than the suppliers payable, and conversely, the average days of inventories and portfolio increase. Due to this, the collection policy will be modified.

The increase of the Asset Turnover (RAT) for the first two years would be meaningful going for 0,76x to 0,94x, nevertheless, for the last three years, the increase was smaller, because the Decreasing of Total Assets (2,0%) could not be stand by the growth of the OI. Added to this, the variation of the ROS will cause that the ROA fluctuates among 14,9%(2020), 13,3%(2021) and 16,1% (2022). On the other hand, TDF/EBITDA would pass from 0,94x to 0,80x because the TDF decreases (15,5%) more that the EBITDA (-0,01%) for the last two years. The strategy to be applied will be buy machinery.

Nevertheless, the Debt Service Coverage will increase from 3,51x (2021) to 5,06x (2022), because of the bigger decrease of the interest expense (10,7% and 13,4%) and current portion in bigger proportion than the aforementioned decrease of the **TDF**.

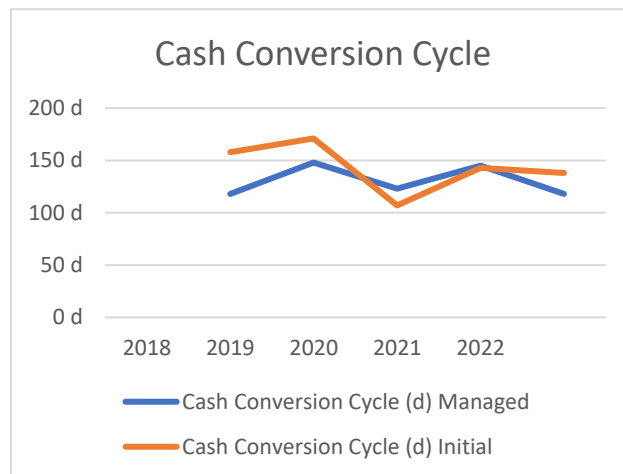
The Level of Total Indebtedness will pass from 65,0% to 56,3% for the last two years, because the decrease of Total Liability (TL) 15,0%(2022). It is bigger than the

aforementioned decrease of total assets; the decrease of TL, added to the increased of Total Equity 22,3%(2022), will cause that the Financial Leverage decreases from 1,10x (2021) to 0,76x (2022) and Total Leverage from 1,86x to 1,29x respectively. As a result, the company decided to invest into a fiduciary.

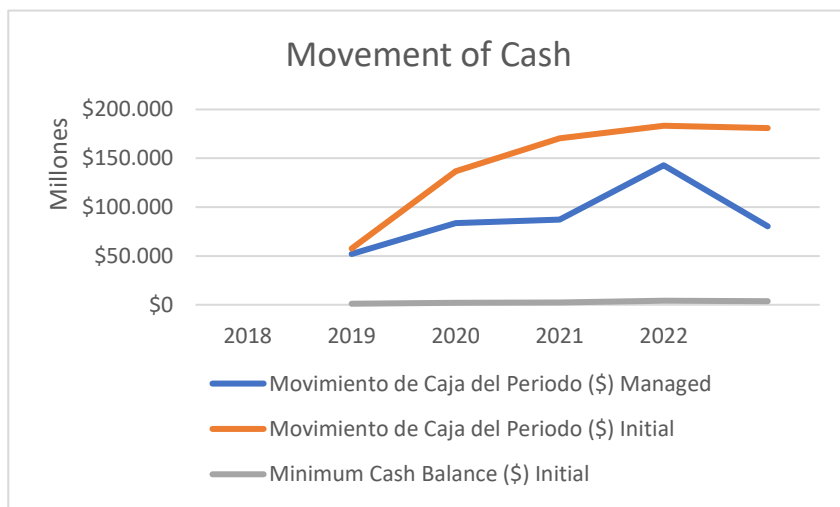
In conclusion, despite the decrease of the operational performance and the CCC because the poor management of the CS, expenses and non-operating factors a decrease of the Average Days of Suppliers, the Level of Total Indebtedness and the Payment Capacity is high. However, the excess of Liquidity affects the performance of the company.

Managed Forecast.

After applying the strategies in the financial forecast there are the following results: The EBITDA would have an increase in the last three years, from 136,5% to 2,6%, due to an increase on sales (49,81% -2020 to 4,6%-2022), causing and increasing in the ROS during the last three years (14,5%-2020; 12,5% 2021 and 6,5% 2022) even if this increase its smaller in comparison with the last year, caused by an increase in the cost of advertising (37,0% 2021 to 57,6% 2022).



On the other hand, the company decided to change the collection policy seeking to improve the CCC. This one ends in 118d for the last year, because the average portfolio days decreases, going from 116d to 80d.



With the machinery acquisition, the RAT would increase during the whole forecast (1,16x-2021 to 1,39x-2022). This means that the company is being more efficient with its assets, reflected on the ROA (17,9%-2020; 14,5%-2021 and 9,0%-2022).

To conclude, despite the strategies that were adopted by the company, the liquidity was still excessive. Due to this, the company decided to invest into a fiduciary to reduce the excess of liquidity remaining.