FINANCIAL RATIOS OF CANADIAN COMPANIES (Q4 2008 to Q3 2013)

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In this paper we are presenting some financial ratios of Canadian companies. The period included in our report goes from the fourth quarter of 2008 up to the third quarter of 2013. Specifically, we are presenting the information for non financial industries that include the average of seventeen industries. Specific information per industry is available under request.

The financial ratios here presented are four:

a) Return on Capital Employed (ROCE), that measures the profitability of the business
b) Return on Equity (ROE), that measures the profitability for the shareholders
c) Operating Margin, that measures the generation of wealth from the sales
d) Leverage, that measures the relationship between debt and equity
e) Days sales outstanding, working capital in account receivables
f) Days inventory outstanding, working capital in inventory
g) Total assets turnover, efficiency of assets to generate sales

Besides this, information on the annual growth rate of total operating revenue, operating profit, net profit and total assets is presented.

The seventeen non-financial industries are:

1. Agriculture, forestry, fishing and hunting
2. Oil and gas extraction and support activities
3. Mining and quarrying (except oil and gas)
4. Utilities
5. Construction
6. Manufacturing
7. Wholesale trade
8. Retail trade
9. Transportation and warehousing
10. Information and cultural industries
11. Real estate and rental and leasing
12. Professional, scientific and technical services
13. Administrative and support, waste management and remediation services
14. Educational, healthcare and social assistance services
15. Arts, entertainment and recreation
16. Accommodation and food services
17. Repair, maintenance and personal services

In order to make comparable these information through the time, rolling four quarter (or annual) periods are considered. In each case the periods are from the fourth quarter (Q4) to the third quarter (Q3) of the next year.

Our source is the aggregated information that is available in StatCan, the official statistics national agency of Canada. The calculation of ratios, rates and analysis is done by Acus Consulting Ltd.

Canada
Total, non-financial industries
(excluding management of companies and enterprises)

	2008-09 Q4-Q3	2009-10 Q4-Q3	2010-11 Q4-Q3	2011-12 Q4-Q3	2012-13 Q4-Q3
Nopat / Capital employed	4.7%	5.5%	6.2%	5.8%	5.5%
Net profit / Total equity	6.6%	11.5%	10.7%	11.2%	10.2%
Total liabilities / Total equity	1.59	1.48	1.46	1.42	1.38
Days sales outstanding	47	47	47	46	47
Days inventory outstanding	39	38	38	38	39
Operat. revenues / total assets	0.82	0.81	0.83	0.82	0.80
Increase in total assets		4%	6%	6%	3%
Increase in operating revenue		3%	8%	5%	0%
Increase in operating profit		22%	20%	-1%	-3%
Increase in net profit		90%	0%	13%	-5%

Note: This information per industry is available under request

WHAT IS A FINANCIAL RATIO

A financial ratio is the comparison between two items from the financial statements. This comparison is done by dividing two numbers and getting a percentage, proportion or ratio. When this comparison is done with the right numerator and denominator then we will have a powerful criterion for the financial analysis. The financial ratios are numbers that can help us analyze a business, in order to know if it is in the right path or else to try to identify opportunity areas or activities that can be improved.

WHY IS THIS INFORMATION USEFUL FOR YOU

The information here presented is useful for almost any company. For companies in Canada it is a benchmark to know if your own company is within these numbers or if you should be reviewing in detail your strategy in order to have the expected financial results. For companies in other countries, it is still a benchmark of what similar companies in Canada are doing, compared with the same industries or the market in each country.

In general, any financial ratio is useless unless we can compare it with some other figures. This comparison has to be done, first with the history and trend of the same company, second, with other companies in the same industry, and third, with the whole market. For these two last reasons is that we need information like the one we prepare in order to have a reference for a comparison.

SOME CONCLUSIONS

Some major things we can see in these numbers are:

a) Return over capital employed (Nopat / capital employed): The best profitability for the company in the period here presented was in 2010-2011 when this ratio was 6.2%. In the last four quarters (2012-2013) this ratio has decreased to 5.5%.

b) Return over equity (net profit / total equity): The best profitability for the shareholders in the period here presented was in 2009-2010 when this ratio was 11.5%. In the last four quarters (2012-2013) this ratio has decreased to 10.2%.

c) Leverage (total liabilities / total equity): The leverage has presented a steady decrease through the last five years, having gone from 1.59 to 1.38 in the last twelve month period.

d) Working capital (days sales outstanding and days inventory outstanding): These ratios have remained quite stable in the last five years, having been 47 and 39 days respectively.

e) Total assets turnover (operating revenues / total assets): This ratio has varied in the last five years between 0.80 and 0.83, with no visible specific trend.

f) In the last twelve months, total assets have increased 3% compared with the previous twelve month period. Operating revenue (sales) has had no increase, while operating profit has had a decrease of 3% and net profit a decrease of 5% compared with the previous twelve month period.

VARIANCE AMONG INDUSTRIES

The ratios and rates here presented are the average of all industries. If we analyze per industry there is a significant variance among them. For an idea of what we are talking about we can see the following table where the aggregated, as well as the maximum and minimum figures are presented.

Q4 2012 to Q3 2013	Average all industries	Maximum	Minimum
Nopat / Capital employed	5.5%	23.1%	1.3%
Net profit / Total equity	10.2%	33.3%	0.5%
Total liabilities / Total equity	1.38	3.00	0.95
Days sales outstanding	47	142	14
Days inventory outstanding	39	120	5
Operat. revenues / total assets	0.80	2.08	0.18
Increase in total assets	3%	9.0%	-5.8%
Increase in operating revenue	0%	5.5%	-18.7%
Increase in operating profit	-3%	14.1%	-38.3%
Increase in net profit	-5%	37.2%	-43.2%

About Acus Consulting. This firm supports companies, organizations and government agencies in financial and strategic analysis, investment project evaluations, financial modeling and valuations, financial planning and decision making. It is based in Toronto.

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