

Basis of Preparation

Data used in this publication has been sourced from the S&P Capital IQ platform.

Peer group classification

The Agriculture, Building Products, Construction & Engineering, Food & Beverage, Mining & Resources, Retail and Transport & Logistics peer group samples underpinning this report have been selected according to the Global Industry Classification Standard ("GICS") listed in the table opposite.

Accounting periods

Financial information in this publication draws from the most recently published full year accounts as at 13 October 2021 (i.e. the most recently published full year financial information prior to this date has been used). Prior year comparable figures may differ from our 2020 report for companies in the sample that adjusted their 2020 accounts following the release of our report or restated their accounts when presenting current year results. Adjustments may occur if there has been a change in accounting policy.

Peer group sample	GICS groups included
Agriculture	Beverages Food Products Food and Staples Retailing
Building Products	Building Products Construction Materials Metals and Mining Trading Companies and Distributors
Construction & Engineering	Aerospace and Defense Commercial Services and Supplies Construction and Engineering Energy Equipment and Services Metals and Mining Real Estate Management and Development
Food & Beverage	Chemicals Food Products Hotels, Restaurants and Leisure Personal Products
Mining & Resources	Chemicals Construction and Engineering Electric Utilities Metals and Mining Oil, Gas and Consumable Fuels Trading Companies and Distributors
Retail	Auto Components Commercial Services and Supplies Distributors Electronic Equipment, Instruments and Components Food and Staples Retailing Household Durables Internet and Direct Marketing Retail Multiline Retail Personal Products Specialty Retail
Transport & Logistics	Commercial Services and Supplies Containers and Packaging Distributors Metals and Mining Road and Rail Transportation Infrastructure

The full peer group samples are included on pages 26 - 30.

Basis of Preparation

Source data

This publication contains high level financial information sourced from the S&P Capital IQ database of the latest available published financial statements of ASX listed entities for the 2021 financial year. The information contained herein is based on sources we believe reliable, but we do not guarantee its accuracy, and it should be understood to be general information only. The information is not intended to be taken as advice with respect to any specific organisation or situation and cannot be relied upon as such.

McGrathNicol accepts no responsibility for errors or omissions in financial information underpinning this publication, nor the loss of any person arising from use of or reliance on information herein. All readers of this publication must make their own enquiries or obtain professional advice in relation to any issue or matter referred to in this publication.

Limitations

McGrathNicol acknowledges that at the level of detail applied, the analysis has limitations, some of which are noted below. For this reason, the analysis focuses on performance relative to the prior period, rather than in absolute terms against peers.

Days sales outstanding

Debtors include GST, whilst sales do not. To the extent that a company makes more or less of its sales in Australia (or another jurisdiction that levies a consumption tax), results will vary.

Days inventory outstanding

To the extent that a company has more or less labour included in its cost of sales, results will vary.

Days purchases outstanding

Creditors include GST, whilst cost of sales do not. To the extent that a company acquires inventory or input services in Australia (or another jurisdiction that levies a consumption tax), results will vary. To the extent that a company has more or less labour included in its cost of sales, results will vary.

In addition, to the extent that there has been an accounting adjustment that has affected a company's sales, purchases, debtors, inventory or creditors, this has not been isolated in the analysis and may be reflected as a change in working capital.

Calculation methodology

The working capital metrics referred to in this report have been calculated, as follows:

Days Sales Outstanding ("DSO")

DSO is the number of days' worth of sales represented by the outstanding debtors at the relevant calculation date. The calculation used in this publication is:

$$\text{DSO} = \frac{\text{Debtors}}{\text{Sales}} \times 365$$

A low DSO metric is desirable and indicates that it takes a relatively low number of days for a company to collect debtors.

Days Purchases Outstanding ("DPO")

DPO is the number of days' worth of purchases represented by the outstanding creditors at the relevant calculation date. The calculation used in this publication is:

$$\text{DPO} = \frac{\text{Creditors}}{\text{Cost of Sales}} \times 365$$

A low DPO metric indicates that it takes fewer days for a company to pay its trade creditors. A high DPO is desirable from a cash flow and working capital management perspective, but can be an indicator of tight liquidity and the cause of strained supplier relationships.

Days Inventory Outstanding ("DIO")

DIO is the number of days' worth of purchases represented by the inventory balances at the relevant calculation date. The calculation used in this publication is:

$$\text{DIO} = \frac{\text{Inventory}}{\text{Cost of Sales}} \times 365$$

A low DIO metric is desirable and indicates a relatively high turnover of inventory.

Days Working Capital ("DWC")

DWC is a relative measure of total working capital tied up in a company relative to sales. The calculation used in this publication is:

$$\text{DWC} = \frac{\text{Debtors} + \text{Inventory} - \text{Creditors}}{\text{Sales}} \times 365$$

A low DWC metric is favourable as it indicates a low level of working capital relative to the size of the business.

International benchmarking

AU

Australia (ASX 500)

Asia

China (SS 180 Index); Hong Kong (Hang Seng Index); Japan (S&P Japan 500); and Singapore (FTSE Straits Times Index)

EU

Europe (S&P Europe 350); and United Kingdom (FTSE 350 Index)

US

USA (S&P 500); and Canada (TSX 180)