

Following the Thread

Data & Methodology Documentation

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CONTENTS

Introduction	3
Datasets	3
Methodology	4
Dashboard – How to use	6

Introduction

This short report outlines the data and methodology used in the Planet Tracker report '[Following the Thread](#)'. It describes the datasets, the methodology employed, and the financial metrics and ratios used to perform the analysis.

Datasets

Refinitiv Eikon

Thomson Reuters Refinitiv Eikon was utilised to source the financial metrics and ratios. Planet Tracker found there to be an inherent size bias, with larger companies displaying a higher quantity of datapoints. This is especially true when looking at financial metrics other than Revenues and Market Capitalisation, where data availability is skewed towards more highly capitalised entities, mostly residing in developed markets.

Dun & Bradstreet (D&B)

Data from Dun & Bradstreet was used to estimate the proportion of revenues for each company associated with specific industries or business sectors, identified by NAICS (North American Industry Classification Standards) codes. The goal was to associate a revenue percentage exposure to the Textiles value chain, for each company in the dataset. Where D&B provided no datapoint, a manual adjustment was employed, which assumed the company to be sourcing 80% of its revenues from the Textiles value chain.

Methodology

Planet Tracker performed several iterations in order to arrive at a final Universe.

Step 1	<p>Collected companies (private and public equities) linked to textiles value chain, leveraging a series of financial data vendors, namely FactSet, Bloomberg, Refinitiv. Planet Tracker used the screener function on each database in one of the following two ways:</p> <ul style="list-style-type: none"> - Looking for key words relating to textiles supply chain activities in companies' business descriptions. - Identifying sectors and industries believed to be involved in the textiles supply chain. 	14,352 entities
Step 2	<p>Planet Tracker developed an algorithm which assigned a preliminary textiles supply chain node to the entities identified via the various screeners. The assignment of each node was determined by the presence, or lack thereof, of certain key words from companies' business descriptions. The algorithm was also deployed to exclude firms with no exposure to the textiles supply chain.</p>	10,441 entities
Step 3	<p>With the help of an external consultant (EvaluateServe), Planet Tracker reviewed and amended node assignments performed by the algorithm, performing an extra round of checks to weed out subsidiaries and unrelated firms, forming a preliminary Universe for the study.</p>	4,870 entities
Step 4	<p>Planet Tracker sourced Financial datapoints from Refinitiv Eikon for the companies within the Universe, for the period 2018-2022 where available. Entities with no datapoints were excluded.</p>	4,256 entities
Step 5	<p>2019 was chosen as the baseline year for the analysis to exclude the impacts of the pandemic, leaving 3,897 entities in scope, that is those providing a valid revenue datapoint for the year.</p>	3,897 entities

Initially all entities were exclusively assigned to a single node within the supply chain. A decision was taken that to improve the data used, the universe should be scanned for textiles value chain involvement using data from Dun & Bradstreet.

Planet Tracker used the Dun & Bradstreet data to identify revenue specifically tied to Textiles for each company, coming up with a percentage exposure to the Textiles Value Chain for each entity within the Universe. On the back of this analysis, all datapoints were adjusted to only reflect each entity's Textiles Value Chain involvement. If a company was found to be operating across multiple Value Chain stages, its financials were split across such stages, mirroring the percentage of revenues associated to each node.

Note - Within the database, countries represented are meant to be taken as the country where each legal entity is headquartered, not necessarily where the majority of business operations are conducted.

Financial Metrics and Ratios used, with relevant definitions

Financial Metric or Ratio	Definition
Capex	Capital expenditures (CapEx) are funds used by a company to acquire, upgrade, and maintain assets such as property, plants, buildings, technology, or equipment. Often used to fund new projects and/or investments. Linked to increasing the scope of operations.
EBIT	Measure of company's core operations. Earnings before interest and taxes (EBIT) measures a company's net income before income tax and interest expenses are deducted.
EBITDA	Earnings before interest, taxes, depreciation, and amortization (EBITDA) is another widely used measure of core corporate profitability, calculated by adding interest, tax, depreciation, and amortization expenses to net income. By stripping out the non-cash depreciation and amortization expense as well as taxes and debt costs dependent on the capital structure, EBITDA attempts to represent cash profit generated by the company's operations.
Enterprise Value	Enterprise value (EV) measures a company's total value, often used as a more comprehensive alternative to equity market capitalization. EV includes in its calculation the market capitalization of a company but also short-term and long-term debt and any cash on the company's balance sheet.
Equity	Commonly referred to as Shareholder equity, it represents the owner's claim after subtracting total liabilities from total assets. Shareholder equity is hence equal to a firm's total assets minus its total liabilities.
Free Cash Flow	A measure of financial health, Free cash Flow (FCF) is the cash flow available for the company to repay creditors or pay dividends and interest to investors. FCF reconciles net income by adjusting for non-cash expenses, changes in working capital, and capital expenditures.

Financial Metric or Ratio	Definition
Market Cap	Often used to determine a company's size, Market capitalization refers to how much a company is worth as determined by the stock market. It is defined as the total market value of all outstanding shares.
Net Debt	Net debt is a liquidity metric used to determine how well a company can pay all of its debts if they were due immediately. Calculated by subtracting a company's total cash and cash equivalents from its total short-term and long-term debt, Net debt shows how much cash would remain if all debts were paid off and if a company has enough liquidity to meet its debt obligations.
Net Income	Net income (NI) is calculated as revenues minus expenses, interest, and taxes. Indicator of a company's profitability.
Revenues	Also known as Sales, it represents the money received from normal business operations.
Total Debt	A company's total debt is the sum of short-term debt, long-term debt, and other fixed payment obligations (such as capital leases) of a business, incurred while under normal operating cycles.

Dashboard – How to

The dashboard provides three views. On the first tab, a comparison between the different supply chain nodes for a chosen Financial Metric. On the second tab an identical view but for a chosen Financial Ratio. On the third tab a deep dive for a desired node, in which the user can focus on either Financial Metrics or Ratios. All tabs allow for filtering on entity type (private or public), should a particular corporate type be of interest.

Within the first two tabs, the charts are interactive; clicking on any section in any of the charts will update the other charts too. If for instance a particular geography is of interest, clicking on the specific country on the map will update the results for that particular geography. The same is true for individual nodes selected via the bar chart.

The final tab provides a summary of what the median firm looks like for a chosen node, paired with a few top-level statistics on the node itself, such as distribution by size, top locations and major companies.

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