



A Financial Analysis of China COSCO SHIPPING Holdings

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Abstract. This paper presents a comprehensive financial analysis of COSCO SHIPPING Holdings Co., Ltd., a leading entity in China's shipping industry. It examines the company's financial health from 2021 to 2023, focusing on solvency, operating capacity, and profitability metrics. The analysis reveals that COSCO SHIPPING maintains strong short- and long-term debt repayment capabilities, indicated by stable current, quick, and cash ratios despite slight fluctuations. However, the company's operating efficiency showed a downward trend, particularly in inventory and asset turnover rates, which suggests potential areas for operational improvement. Additionally, profitability indicators have declined significantly due to macroeconomic challenges, such as trade protectionism, evolving global trade patterns, and heightened industry competition. The paper underscores the impact of external economic factors on COSCO SHIPPING's financial performance and suggests that diversifying financing structures could enhance risk management. Despite challenges, COSCO SHIPPING's strategic focus on digitalization, green initiatives, and emerging markets positions it to navigate industry shifts while sustaining financial stability in a volatile global market.

Keywords: COSCO Shipping, Financial Analysis, Operational Efficiency.

1 Introduction

Looking at the development of the global economy and trade, trade growth is lower than expected, while regional trade has increased. In 2023, China's economic growth have recovered from fluctuations and continued to develop steadily in 2024. The shipping industry is an important carrier of the globalization of economic and trade development, and its own development is also largely restricted by the complex and ever-changing forms of global trade. For port and shipping companies, the cargo throughput of coastal ports is expected to reach 10.8 billion tons in 2023, a year-on-year increase of 7.0% (of which foreign trade cargo throughput increased by 9.4% year-on-year, and domestic trade cargo throughput increased by 5.4% year-on-year), a ten-year high [1]. Judging from multi-level indicators, China's port and shipping industry has developed steadily, and its transportation capacity, management level, and construction investment are far beyond the international advanced level.

COSCO SHIPPING Holdings Co., Ltd. is one of the most influential and representative enterprises in China's shipping industry. It has a complete global resource layout and has been in a state of stable growth in recent years. It has also attracted much attention in the capital market. According to the "Annual Review and Forecast of Global Container Terminal Operators" report released by Drewry, COSCO SHIPPING Ports ranks third in the world in terms of equity throughput. In recent years, COSCO SHIPPING has continuously optimized its capital layout, established terminal companies in the form of participation, holding or sole investment, organized the construction, marketing, production and management of related businesses, and obtained operating income. In recent years, the shipping industry has deepened reforms, and the trend of "alliance, centralization and digitalization" has gradually dominated the business philosophy of the company. As a leading enterprise, COSCO SHIPPING Holdings' business development model has guiding significance for other shipping companies and is crucial to the development of China's shipping industry [2].

2 Financial Analysis

By understanding the company's situation, consulting COSCO SHIPPING Holdings' 2021-2023 annual reports and analyzing COSCO SHIPPING Holdings' consolidated financial statement data through financial ratio analysis, the following conclusions were drawn.

2.1 Debt Solvency Analysis

Debt-paying ability reflects the ability of an enterprise to repay its due debts. Debt-paying ability is divided into short-term debt-paying ability and long-term debt-paying ability.

Analysis of Short-Term Debt Repayment Capacity. The main indicators of short-term debt-paying ability include current ratio, quick ratio, cash ratio and cash flow ratio.

The total assets of COSCO SHIPPING Holdings in 2023 are RMB 46,242,938.06 million, the current assets in 2023 are RMB 12,734,879.82 million, and the current liabilities in 2023 are RMB 4,923,573,835.05 million. The current ratio is the current assets divided by the current liabilities, and the current ratios for the three years are 1.59, 1.64, and 1.67 respectively. From the current ratio, COSCO SHIPPING Holdings showed a fluctuating state from 2021 to 2023, but it is in line with the general rules of the industry. In addition, it can be seen directly from the figure that the trend line of current assets is significantly higher than the current liabilities. There is a certain gap between the current assets and current liabilities for the three years, indicating that the company's current assets have a good ability to repay current liabilities, the liquidity of assets is good, and the short-term debt repayment ability is good (see Fig. 1).

**COSCO SHIPPING Holdings' liquidity ratio trend chart
(in ten thousand CNY)**

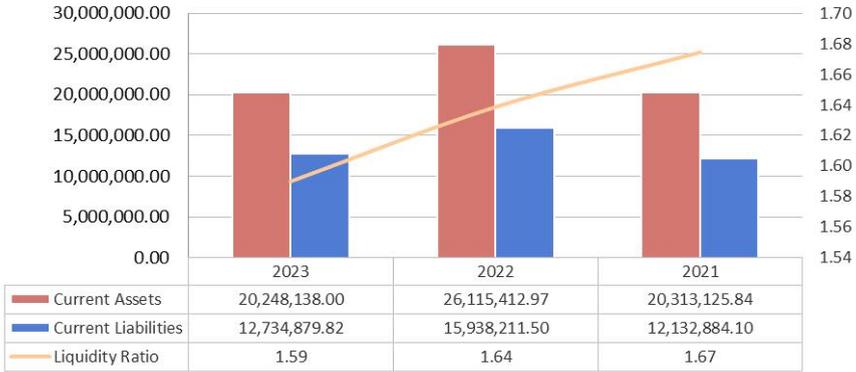


Fig. 1. Current ratio trend of COSCO SHIPPING Holdings.

COSCO SHIPPING's current assets in 2023 mainly include cash and cash equivalents, trading financial assets, accounts receivable, and other receivables, totaling RMB19,592,002.49 million.

The quick ratio is quick assets divided by current liabilities. The quick ratio in 2023 is 1.54, with a small fluctuation in the past three years. The quick ratio is an indicator that can generally reflect the company's short-term debt repayment ability. Generally speaking, this indicator is more beneficial to the company's development when it is slightly higher than 1. Shipping companies generally hold a higher level of monetary funds to ensure the normal operation of production and operation activities, and the revenue model of the main business of shipping companies makes accounts receivable account for a higher proportion of current assets. This indicator of COSCO SHIPPING Holdings is in line with the general characteristics of the industry, with strong ability to repay current liabilities in the short term and low risks in operation (See Fig. 2).

The cash ratio is the most direct indicator of a company's ability to directly repay its current liabilities. If a company lacks cash, the probability of a financial crisis will greatly increase. The higher the cash ratio, the better the company's ability to pay, and the more guaranteed it is to repay its debts. But at the same time, the cash ratio should not be too high, because cash is the least profitable asset. Too high may mean that the company's current assets have not been reasonably used, and the profitability of cash assets is low; of course, it should not be too low, which means that there is a lack of substantial protection for the company's debts. Assets that account for a large proportion of quick assets are money, accounts receivable and prepaid. Among them, monetary funds have declined to a certain extent compared with 2022. COSCO Shipping Holdings has always been very conservative and cautious about holding cash. The cash ratio is 1.43, an increase of about 50% over the previous year. Companies can appropriately improve the operating capacity of funds and increase profitability.

Judging from these three short-term debt repayment ability indicators, COSCO SHIPPING Holdings has excellent short-term debt repayment ability. Although these three ratios have been declining in recent years, the data shows that the company still holds a certain amount of highly liquid assets that can repay debts in the short term.



Fig. 2. Trend of COSCO SHIPPING Holdings' quick ratio.

Long-Term Solvency Analysis. The main indicators of long-term solvency are asset-liability ratio, shareholder equity ratio, equity multiplier, and property ratio. The key to the financial security and stability of an enterprise can be reflected by long-term solvency, which reflects the overall degree of protection of the enterprise's assets for its debts. Users of corporate financial statements are often also concerned about this [3].

According to the calculation and analysis of COSCO SHIPPING Holdings' financial statements, the company's asset-liability ratio in 2023 is 47.40%, the equity ratio is 52.60%, the equity multiplier is 1.90, the property ratio is 0.90, the debt service coverage ratio (debt repayment period) is 1.72, the interest coverage multiple is -0.99, and the cash interest coverage multiple is 1.39 (See Table 1).

Table 1. COSCO SHIPPING Holdings' long-term solvency index.

Financial indicators	2023	2022	2021
Debt-to-asset ratio	47.40%	50.42%	56.68%
Shareholders' equity ratio	52.60%	49.58%	43.32%
Equity Multiplier	1.90	2.02	2.31
Ownership ratio	0.90	1.02	1.31

Here this section mainly analyzes COSCO SHIPPING's long-term debt repayment ability from the two indicators of asset-liability ratio and property rights ratio.

The debt-to-asset ratio is used to measure the level of corporate debt and the degree of risk. From the perspective of long-term debt repayment ability, the lower the debt-to-asset ratio, the more guaranteed the company's debt repayment; the debt-to-asset ratio also represents the company's ability to raise debts. The lower the debt-to-asset ratio, the easier it is to raise debts. Different industries have different standards for determining the value of the debt-to-asset ratio, and it is generally believed that a ratio of about 40%-60% is more appropriate. From the data of COSCO SHIPPING Holdings in the past three years, it can be concluded that the company has a relatively small financial risk, and the part of its assets that comes from debt is small. From the perspective of creditors, COSCO SHIPPING Holdings is very safe, but at the same time, the income that accompanies the low risk may be relatively stable; for shareholders, the company's financial leverage ratio is too low, and the company's management adopts a safe and conservative model, and the considerable degree of income is not advantageous.

The equity ratio and equity multiplier are two commonly used financial leverage ratios. The equity ratio focuses on revealing the robustness of the financial structure and the ability of the company's own funds to bear debt repayment risks. Generally speaking, the lower the equity ratio, the stronger the company's long-term debt repayment ability and the higher the degree of protection of creditors' rights and interests.

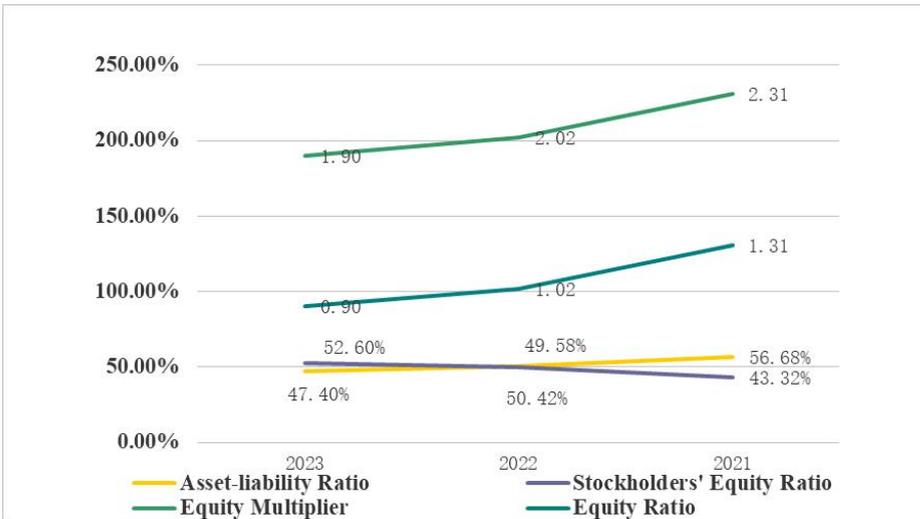


Fig. 3. Analysis of COSCO SHIPPING Holdings' asset-liability ratio, equity multiplier, and property rights ratio.

As shown in Figure 3, COSCO SHIPPING Holdings' equity ratio has been on a downward trend in the past three years. The equity multiplier, also known as the

financial leverage ratio, refers to the multiple of total assets equal to shareholders' equity. When a company has liabilities, the equity multiplier is greater than 1. From the information in the figure combined with the actual situation of COSCO SHIPPING Holdings, it can be seen that the scale of the company's liabilities has been reduced to a certain extent, the financial risk is low and can be effectively controlled, and the long-term debt repayment capacity has been steadily improved, which is of great significance to the company's stable operation and gaining the trust of shareholders.

Judging from the convergence of changes in the three indicators of asset-liability ratio, equity ratio, and equity multiplier in the figure, the three indicators are moving in the same direction and are on a downward trend. This is very consistent with COSCO SHIPPING Holdings' development strategy of seeking steady progress in recent years. Along with the slow growth of the global economy and continued geopolitical tensions, the growth rate of demand in the container shipping market has slowed down. Factors such as the easing of supply chain congestion and newly delivered ships have significantly increased the market's effective shipping capacity, and the supply and demand relationship has changed. Affected by this, the shipping market has accelerated its return to normal, and market freight rates have continued to decline. In today's volatile market environment, steady progress is exactly what enterprises and the market need.

According to the above data, COSCO SHIPPING Holdings should optimize the company's existing assets and financing structure on the existing basis. Risk diversification and decentralization are important strategies for effectively managing international trade financing risks. The risks faced by enterprises can be reduced by formulating diversified investment strategies, and finding multiple trade financing channels and combinations. A single debt structure and financing structure will increase the debt risk of enterprises [4]. Therefore, enterprises should expand financing channels and transform from a single commercial bank loan to a diversified financing method. In addition to the financing method of commercial bank credit loans, enterprises can also raise funds through issuing stocks, issuing bonds, borrowing from the capital market, leasing financing and supply chain financing. When financing, consider a more scientific combination of financing methods, including the term, cost, and risk of financing, so as to objectively adjust the debt repayment structure of the enterprise and improve its debt repayment ability [5].

2.2 Operating Capacity Analysis

The main indicators of operating capacity analysis include accounts receivable turnover rate, average collection period of accounts receivable, inventory turnover rate, inventory turnover days, current asset turnover rate, and fixed asset turnover rate.

Table 2. COSCO SHIPPING Holdings' operational capability indicators.

Financial indicators	2023	2022	2021
Accounts receivable turnover rate (times)	19.22	33.46	54.66

Inventory turnover rate (times)	21.62	35.09	71.19
Current assets turnover rate (times)	0.76	1.68	3.29
Fixed asset turnover rate (times)	1.66	3.88	6.69
Inventory turnover days (days)	16.65	10.26	5.06
Average collection period of accounts receivable (days)	18.73	10.76	6.59

Accounts Receivable. Since the company's credit sales revenue could not be found, the accounts receivable turnover rate was temporarily calculated based on operating revenue. The original value of accounts receivable in a broad sense includes notes receivable, accounts receivable financing, and net accounts receivable after the bad debt provision is restored. The accounts receivable turnover rate is calculated by dividing the operating income by the average original value of accounts receivable at the beginning and end of the period. In 2023, COSCO SHIPPING Holdings' accounts receivable turnover rate was 19.22 times. Because the credit sales revenue is not higher than the operating revenue, the actual accounts receivable turnover rate may be slightly smaller than the calculated one, and the actual average collection period of accounts receivable may be slightly longer than the calculated one.

According to the operating capacity analysis chart of COSCO SHIPPING Holdings, it can be seen that the average collection period of accounts receivable of the enterprise has gradually increased, and there are certain problems in the liquidity of accounts receivable. COSCO SHIPPING Holdings' debtors are mainly in the water transportation industry and related industries. The largest number of debtors are shipping agencies in various places, and a considerable number of them are related parties. In recent years, Chinese water transportation industry has developed well, relevant laws and regulations have become more and more perfect, and the possibility of debt recovery is high. However, it is still necessary to pay attention to issues such as the turnover rate and collection period of accounts receivable.

Table 3. Relationship between COSCO SHIPPING Holdings' accounts receivable and operating income in 2023.

	Ending balance	Opening balance	growth	Growth ratio
Operating income	175,447,746.64	391,058,496,607.	-215,610,749,965.73	-55.14%
	1.45	18		
Accounts receivable	6,734,565,282.3	10,500,903,563.9	-3,766,338,281.59	-35.87%
	5	4		
Operating income/Accounts receivable ratio	3.84%	2.69%		42.95%

As can be seen from Table 3, the proportion of accounts receivable increased in 2023. With a significant decrease in operating income, the proportion of accounts receivable increased, and financial risks increased to a certain extent.

Inventory Turnover. Inventory turnover rate is calculated by dividing operating costs by the average inventory balance. In 2023, the company's inventory turnover rate is 21.62 times, and the inventory turnover days are calculated as $360/\text{inventory turnover rate}$. In 2023, the company's inventory turnover days are 16.65 days. Compared with the data in recent years, COSCO SHIPPING Holdings' inventory turnover rate has been declining year by year. The slowdown in inventory turnover is a problem that needs attention, which may lead to a series of problems such as obsolete inventory, overestimated sales, and the inability to maintain a balanced relationship between sales and inventory.

Current Assets Turnover and Fixed Assets Turnover. Asset turnover ratio is equal to operating income divided by the average current or fixed asset balance at the beginning and end of the period. Generally speaking, the higher the asset turnover ratio, the better the management quality and utilization efficiency of the company's assets. In 2023, COSCO SHIPPING Holdings' fixed asset turnover ratio was 1.66, a significant decrease from 2022 and 2021. The turnover ratio of fixed assets of shipping companies largely reflects their operating capacity, because production and operation activities are closely related to fixed assets such as ships. COSCO SHIPPING Holdings also needs to further improve the turnover efficiency of total assets, mainly because the turnover efficiency of inventory and accounts receivable has declined, and it is necessary to appropriately adjust marketing strategies, improve the level of accounts receivable management and reduce inventory. Current asset turnover ratio is equal to operating income divided by the average current assets at the beginning and end of the period. In 2023, COSCO SHIPPING Holdings' current asset turnover ratio was 0.76, which has also declined to a certain extent compared with the previous period.

COSCO SHIPPING Holdings' fixed assets are relatively stable. As a water transport company, COSCO SHIPPING Holdings' fixed assets have their own particularities, with a large proportion of mobile fixed assets, and depreciation and fixed asset disposal have their own particularities. The gross profit margin of fixed assets is 23.60%, which is basically the same as other large companies in the industry. Compared with the previous year, the growth rate of fixed assets was 7.69%, and the growth rate of fixed assets in 2022 was 2.36%, with a large difference in growth rate. The business characteristics of COSCO SHIPPING Holdings determine the high proportion of its fixed assets. Ships and containers are indispensable for container shipping companies. However, it is worth mentioning that high fixed assets reduce the liquidity of overall assets. This is also one of the main reasons why COSCO SHIPPING Holdings has controlled the scale of fixed assets in recent years. In addition, the amount of intangible assets of COSCO SHIPPING Holdings is also on the rise, which is mainly related to COSCO SHIPPING Holdings' promotion of digital transformation of container shipping in recent years [6].

2.3 Profitability Analysis

The main indicators of profitability analysis include return on assets (earnings before interest and taxes, profit margin on assets, net profit margin on assets), return on shareholders' equity, operating gross profit margin, operating profit margin, net operating profit margin, and net profit margin on costs and expenses.

Overall, COSCO SHIPPING Holdings' profitability indicators have declined significantly. The main reason may be that macroeconomic conditions have brought many challenges to enterprises. The weak recovery of global trade and investment, the stubborn core inflation, the high accumulation of debt and derivative risks in some economies, and the intensification of geopolitical tensions will damage the growth momentum of the world economy [7]. The container shipping industry is facing long-term issues such as slowing demand growth, evolving trade patterns, and accelerated decarbonization, as well as the reality of intensified industry competition and increased capacity supply.

The global economic situation is complex and changeable, and the rise of trade protectionism has had a significant impact on the entire shipping industry. At the same time, with the opening of the shipping market and the intensification of competition, the continuous emergence of potential competitors is also a threat to COSCO SHIPPING Holdings' market share that cannot be underestimated. At the same time, the international shipping market is greatly affected by policies and regulations, such as trade barriers and environmental protection policies, which may bring uncertainty to the company's operations. It is difficult to open up foreign markets. In order to expand the economies of scale and help build a new development pattern of "dual circulation", enterprises need to integrate and optimize existing resources and continue to expand emerging markets, regional markets and third-country markets. The opportunity cost and sunk cost of the initial investment will increase, and the profit margin will be further compressed.

Table 4. COSCO SHIPPING Holdings' assets and return on equity.

Financial indicators	2023	2022	2021
EBITDA	7.53%	36.86%	63.53%
Return on assets	6.79%	36.08%	61.80%
Net asset return	5.83%	28.39%	50.16%
Return on equity	11.43%	60.68%	115.80%

Operating gross profit is operating income minus operating costs. Operating gross profit margin is operating gross profit divided by operating income, which reflects the profitability of the company. As can be seen from Figure 4, COSCO Shipping Holdings' overall profitability will be relatively stable in 2021 and 2022. The scale of operating income will decrease in 2023, and costs and expenses will increase significantly to a certain extent. According to COSCO SHIPPING Holdings' 2023 annual report, the operating costs incurred by COSCO SHIPPING Holdings' container shipping business department were RMB 142,571,048,729.11, the terminal business

department was RMB 7,183,454,385.31, and the operating costs offset between segments were RMB 2,999,199,165.50.

The profit changes of COSCO Shipping Holdings are very significant, and companies with insufficient stability should pay more attention to it. The net profit of COSCO SHIPPING Holdings in 2023 was RMB 28,395,658,537.78, and the net profit of COSCO SHIPPING Holdings in 2022 was RMB 131,458,608,110.71, a decrease of -78.40%. From 2020 to 2021, COSCO Shipping Holdings' net profit grew very rapidly, and the growth rate slowed down from 2021 to 2022. Although the net profit in 2023 exceeded the industry average and the company's net profit in 2021, such a large drop still requires vigilance.

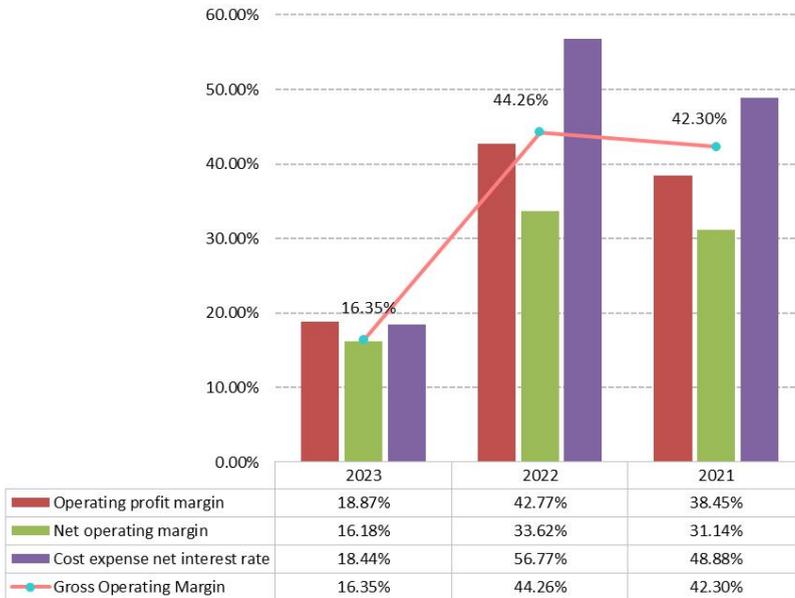


Fig. 4. Analysis of relevant indicators of COSCO SHIPPING Holdings’ operating profit margin.

3 Analysis of the Development of the Shipping Industry and COSCO SHIPPING Holdings in the Past Six Months

In the first half of 2024, the Red Sea crisis caused ships to detour and coupled with the impact of Europe and the United States replenishing inventory, the global shipping market freight rates rose overall. The Clarksons Shipping Index averaged US\$25,498 per day in the first half of the year, up 5.7% year-on-year, the second highest level in the same period since 2009. In the first half of 2024, a total of 1,170 new ships and 71.698 million deadweight tons were sold worldwide, an increase of

15.5% year-on-year in deadweight tons, higher than the transaction scale in the same period of 2022 and 2023. In the first half of the year, the number of ships entering and leaving China's coastal and inland ports reached 15.2117 million times, and the cargo throughput reached 9.184 billion tons, up 14.35% and 4.85% year-on-year respectively, and shipping trade flourished [8].

According to the 2024 semi-annual report released by COSCO SHIPPING Holdings, the company achieved operating income of 101.201 billion yuan, a year-on-year increase of 10.19%; net profit attributable to shareholders of listed companies was 16.87 billion yuan, a year-on-year increase of 1.87%. Among them, the container transportation business completed 12.4595 million TEUs of bills of lading, a year-on-year increase of 9.34%, and achieved revenue of 97.477 billion yuan, a year-on-year increase of 10.41%; the terminal business completed a total throughput of 69.8585 million TEUs, a year-on-year increase of 8.19%, and achieved revenue of 5.091 billion yuan, a year-on-year increase of 4.95%.

Of COSCO SHIPPING Holdings performed particularly well in the first half of the year. During the reporting period, the company's supply chain revenue other than shipping reached 19.893 billion yuan, a year-on-year increase of 17.28%, becoming a new growth point. This shows the company's positive progress and good results in diversified development. The net cash flow generated by the company's operating activities reached 22.638 billion yuan, a year-on-year increase of 70.71%, laying a solid foundation for the company's digital intelligence, green and low-carbon transformation, and enhancing its core competitiveness [9, 10].

4 Conclusion

Through the above analysis, the development of COSCO SHIPPING Holdings is in a stable and progressive state, and the risks faced by the company are relatively controllable. However, as a shipping company, the development of COSCO SHIPPING Holdings is closely related to the macro-political and economic environment. Affected by multiple external influences in 2023, the profits of the entire shipping industry have declined significantly. At the same time, for the long-term interests of the company and overall layout considerations, COSCO SHIPPING Holdings Co., Ltd. COSCO SHIPPING Holdings continues to strengthen its layout and development in emerging markets, regional markets and third-country markets, and has increased its R&D investment in green production and intelligent production. This has further resulted in COSCO SHIPPING Holdings' profit margins being further compressed, and its operating capabilities and profitability have been relatively low. There has been a certain degree of decline in previous years.

However, in terms of solvency, the decline in current ratio, quick ratio, asset-liability ratio and other indices shows that COSCO Shipping Holdings' solvency has been greatly improved in both the short and long term, and the stability of corporate operations has been significantly improved.

In 2024, challenges and opportunities coexist. Affected by multiple factors such as early inventory replenishment in Europe and the United States, growth in cargo

volume in emerging markets, and continued fermentation of the Red Sea situation, the container shipping market presents a situation of growing demand and insufficient effective supply. The market freight rate level continues to rise, and the industry's profits have improved significantly compared with the second half of last year. At the same time, the development of the digital economy has covered various industries and fields, and the logistics industry has also made new breakthroughs and developments under the guidance of the digital economy. COSCO SHIPPING Holdings should seize the current opportunities, improve terminal operation efficiency, strengthen cost control, and vigorously strengthen the construction of digital supply chains.

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