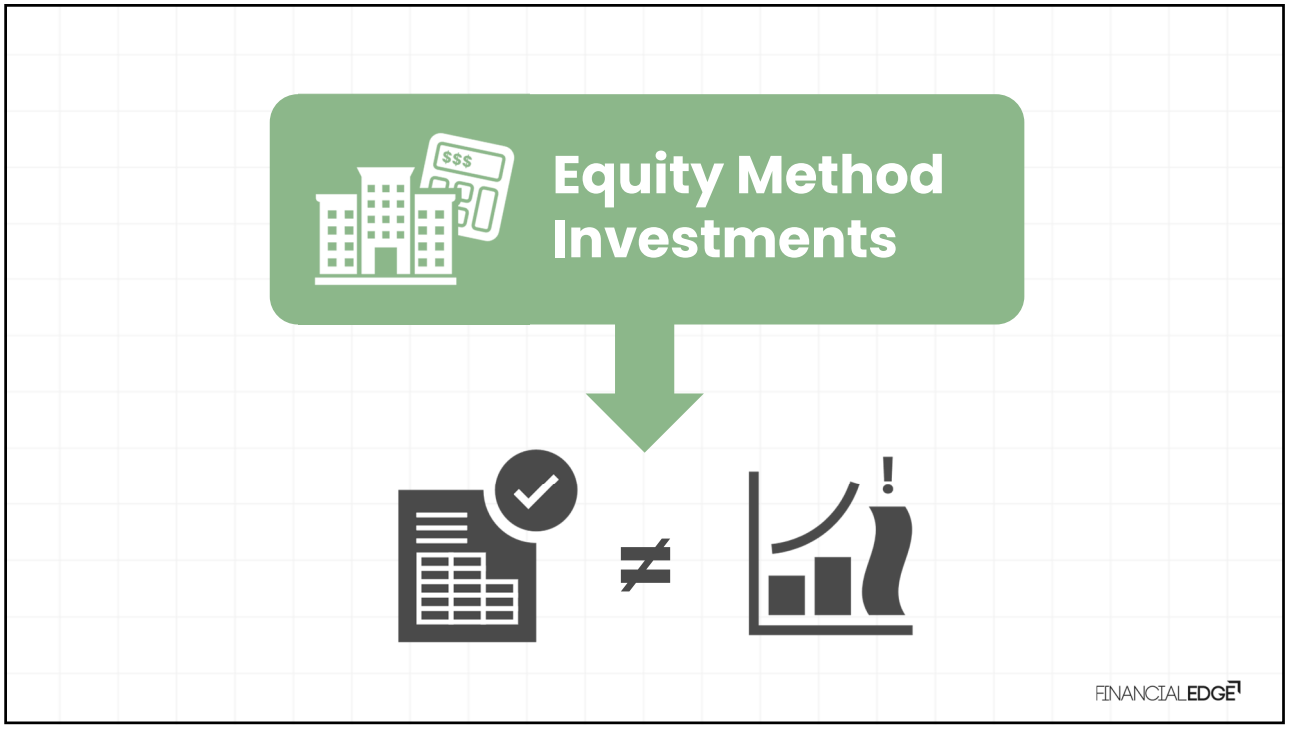
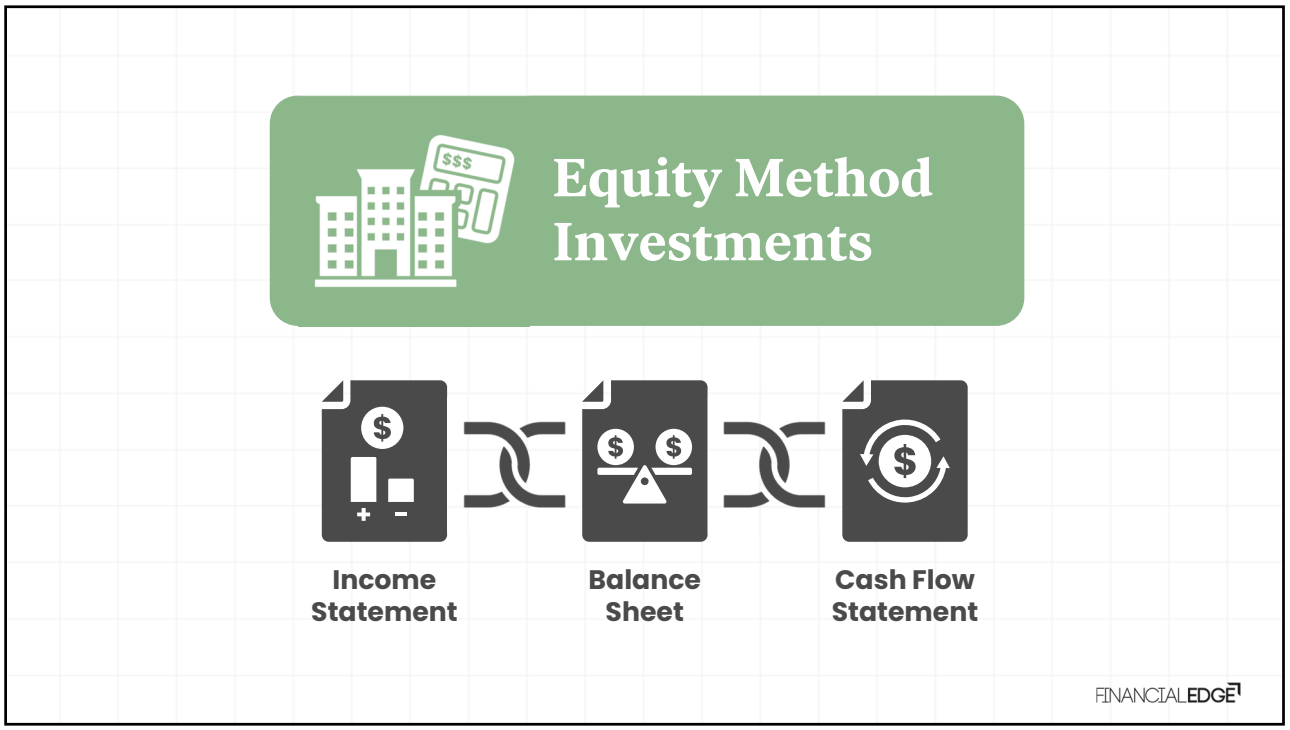
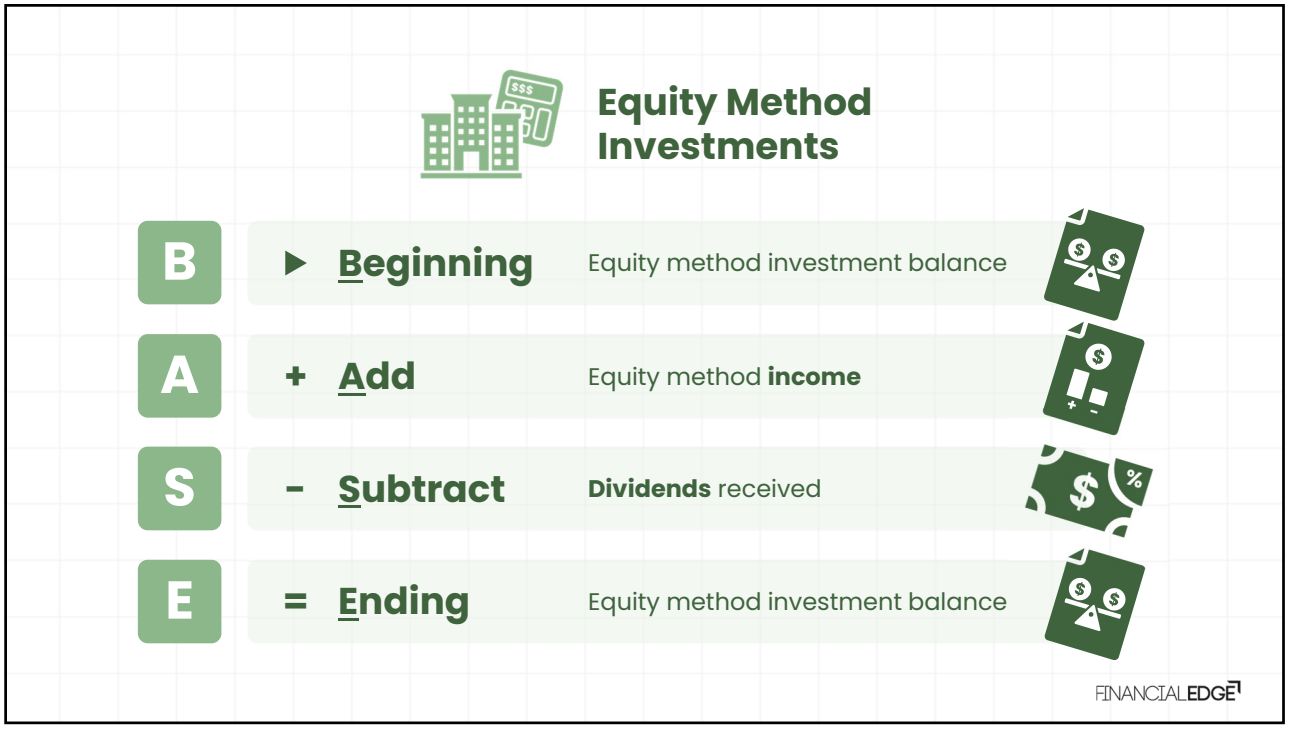




© 2025 Financial Edge Training





© 2025 Financial Edge Training

Equity Method Investments

+ Add Equity method **income**

=

Last Year's Equity Method Income

X

Growth Rate Assumption

Growth often exceeds core business

FINANCIALEDGE

Equity Method Investments

- Subtract **Dividends** Received

=

Equity Method Income

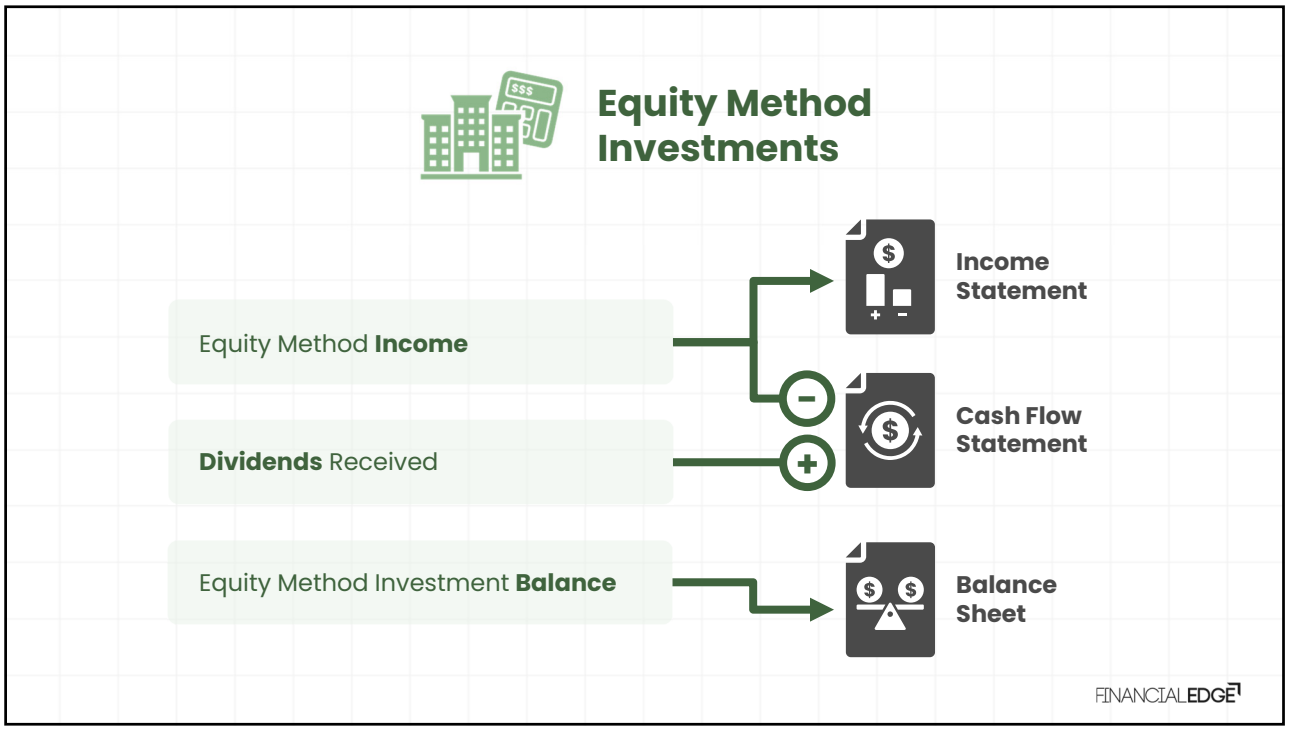
X

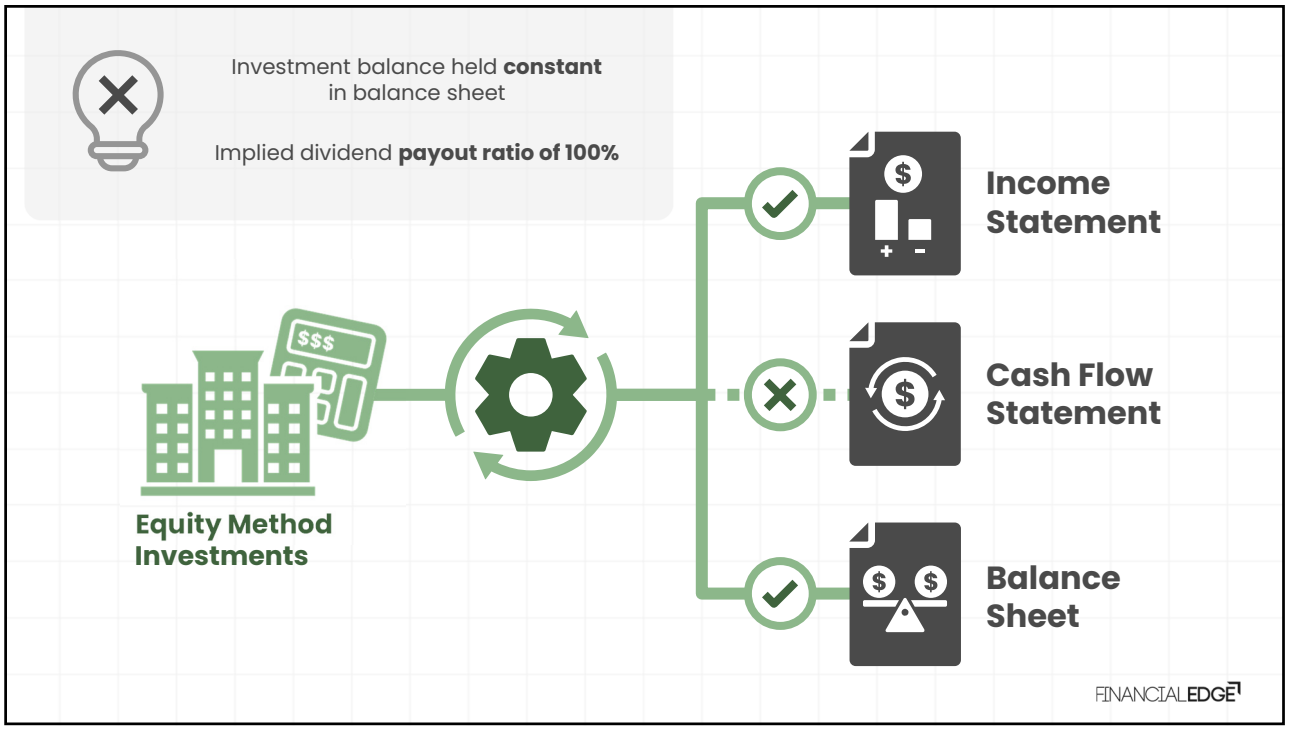
Dividend Payout Ratio

Payout ratio often well below core business

FINANCIALEDGE

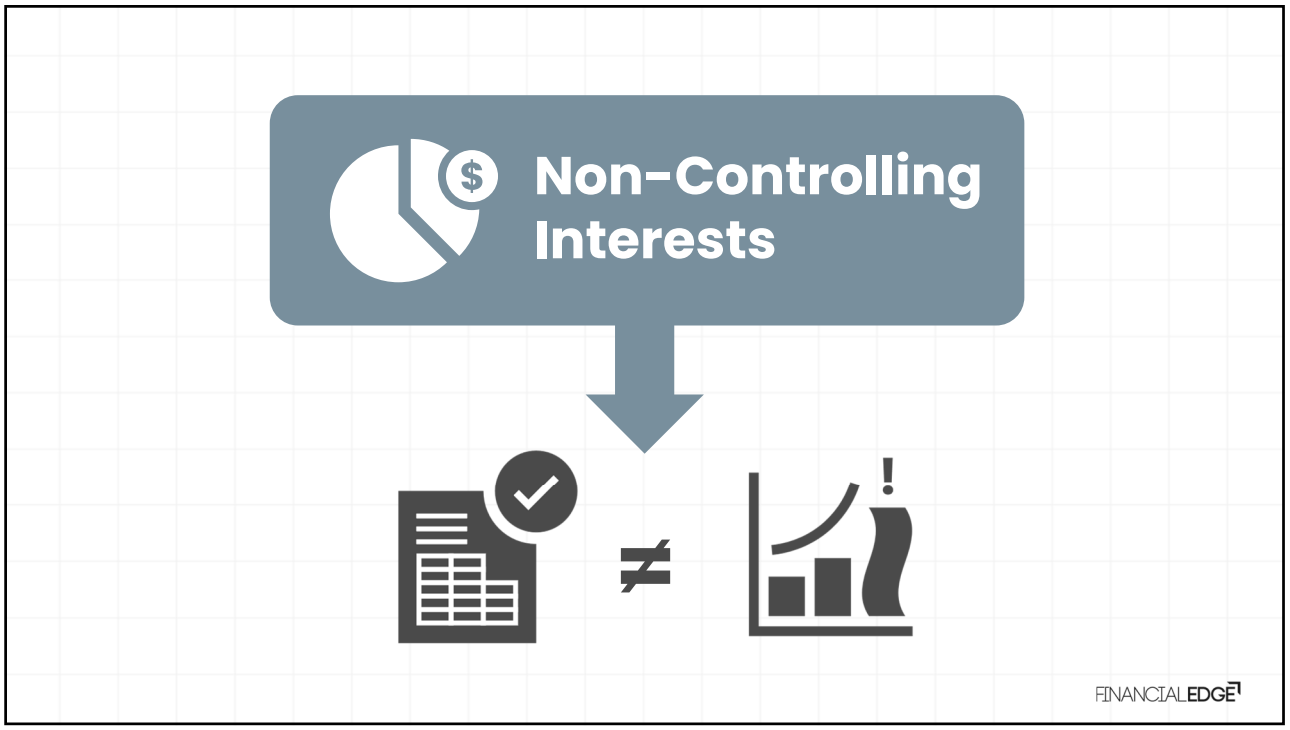
© 2025 Financial Edge Training





© 2025 Financial Edge Training





© 2025 Financial Edge Training

Non-Controlling Interests



Income Statement | Balance Sheet | Cash Flow Statement

FINANCIALEDGE

Non-Controlling Interests

B	▶ Beginning	Non-controlling interests **balance**
A	+ Add	**Profit** attributable to non-controlling interests
S	- Subtract	**Dividends** paid to non-controlling interests
E	= Ending	Non-controlling interests **balance**

FINANCIALEDGE

© 2025 Financial Edge Training

Non-Controlling Interests

+ **Add** **Profit** attributable to non-controlling interests



=

Last Year's Profit Attributable to Non-controlling Interests

X

Growth Rate Assumption

Growth is often similar to core business

FINANCIALEDGE

Non-Controlling Interests

- **Subtract** **Dividends** paid to non-controlling interests



=

Non-Controlling Interests Profit

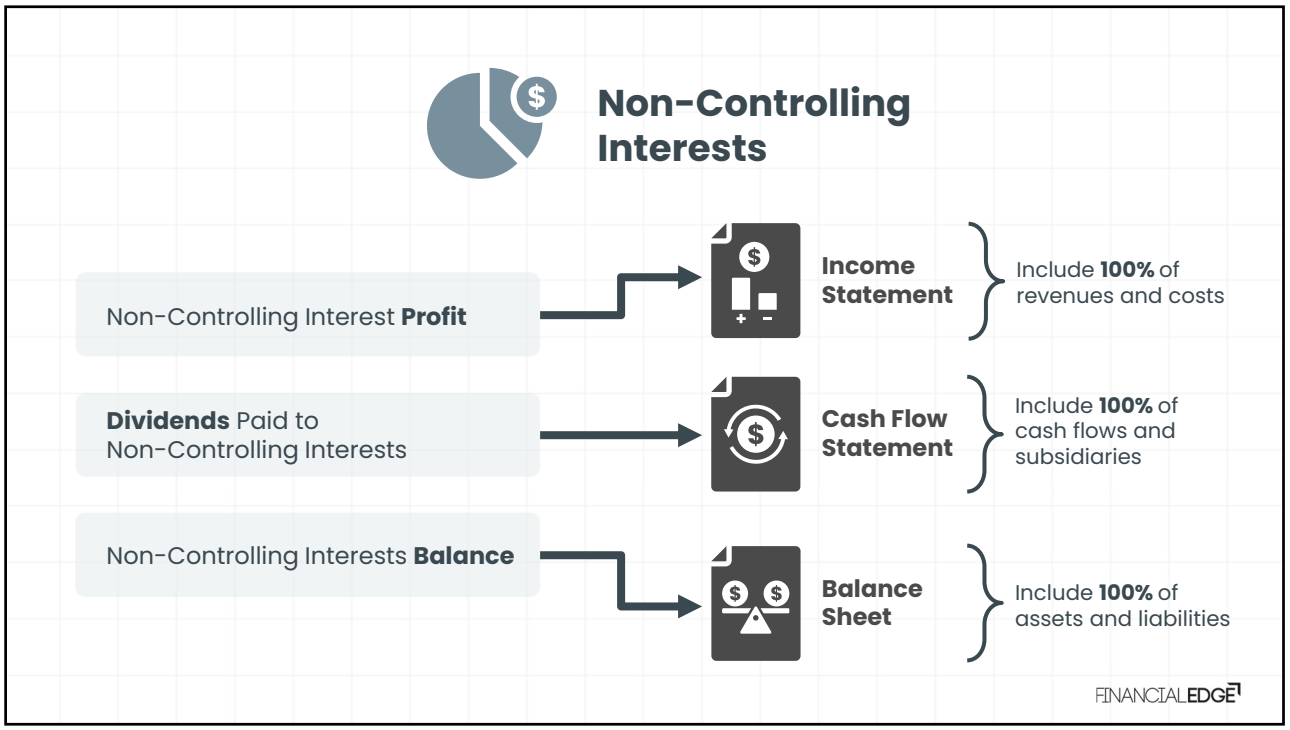
X

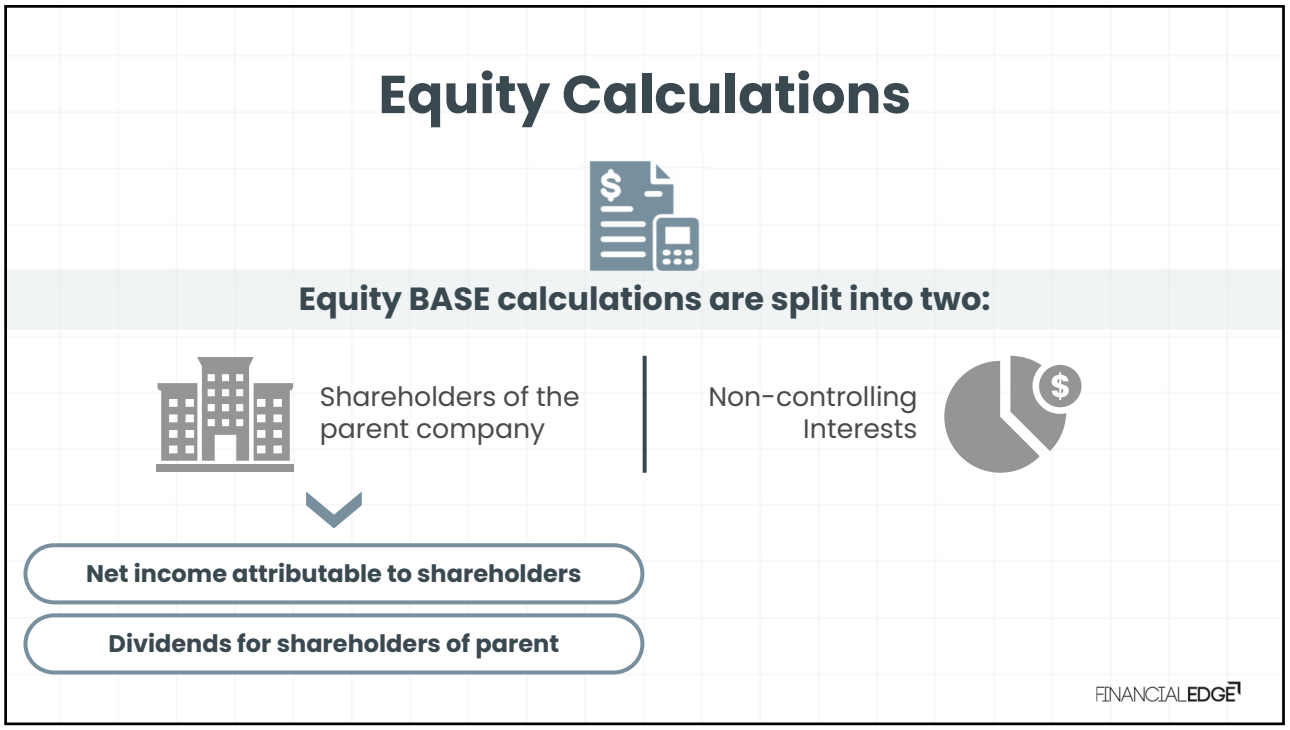
Dividend Payout Ratio

Payout ratio depends on subsidiary maturity

FINANCIALEDGE

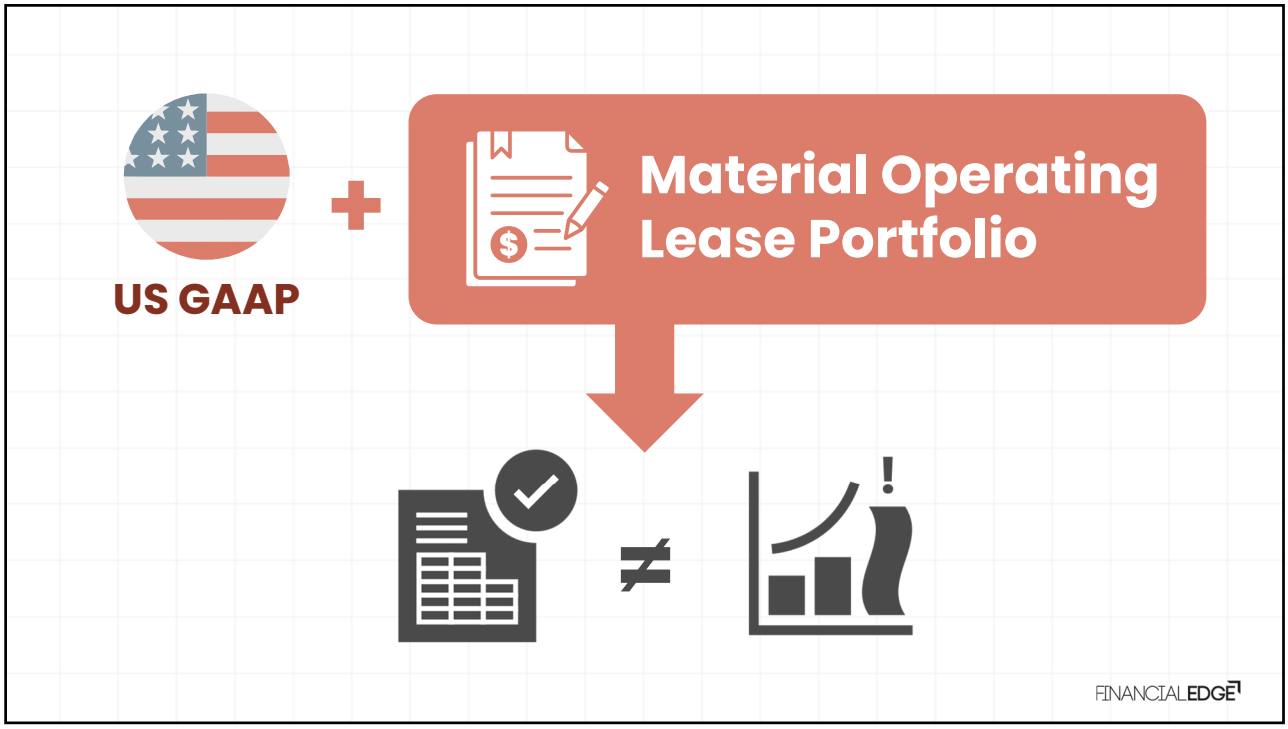
© 2025 Financial Edge Training





© 2025 Financial Edge Training





© 2025 Financial Edge Training

Material Operating Lease Portfolio



Income Statement | Balance Sheet | Cash Flow Statement

FINANCIALEDGE

Material Operating Lease Portfolio

Lease Expense



Income Statement

Reflects the **annual rental payments**

Lease Asset

Reflects the **present value of the future lease payments**

Lease Liability

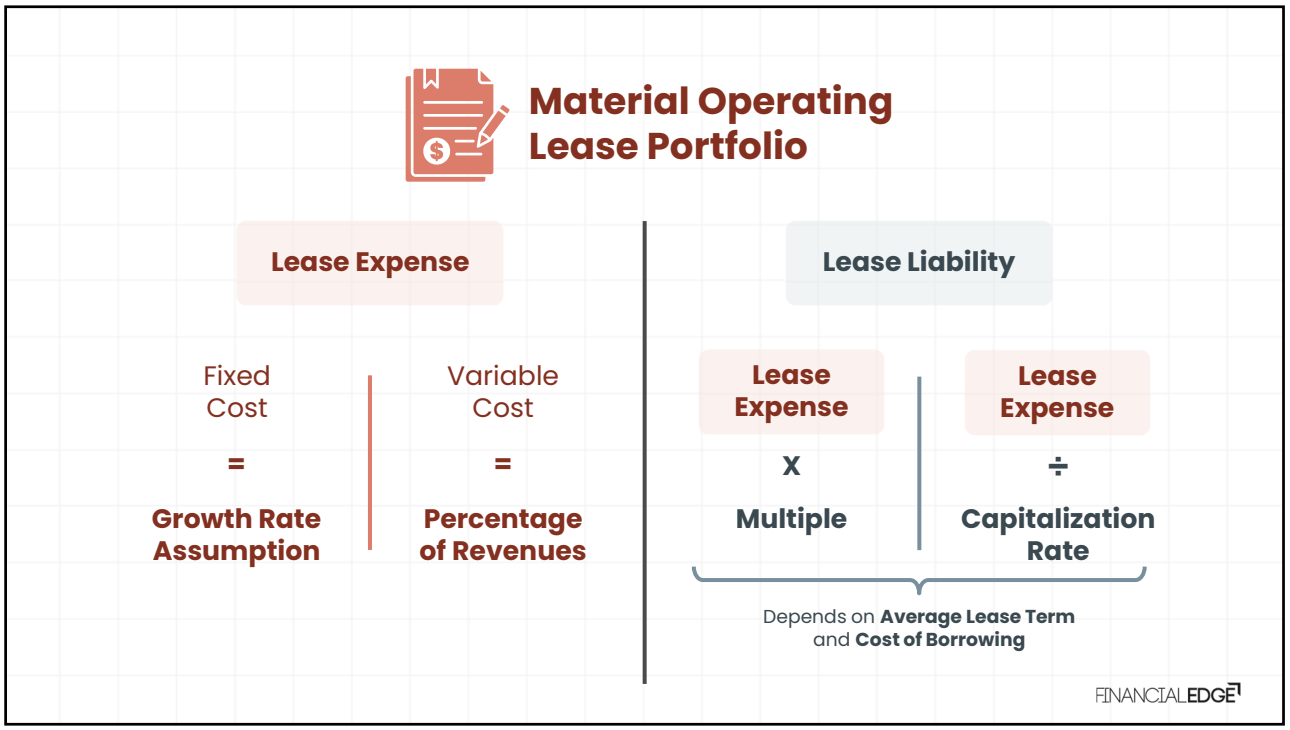


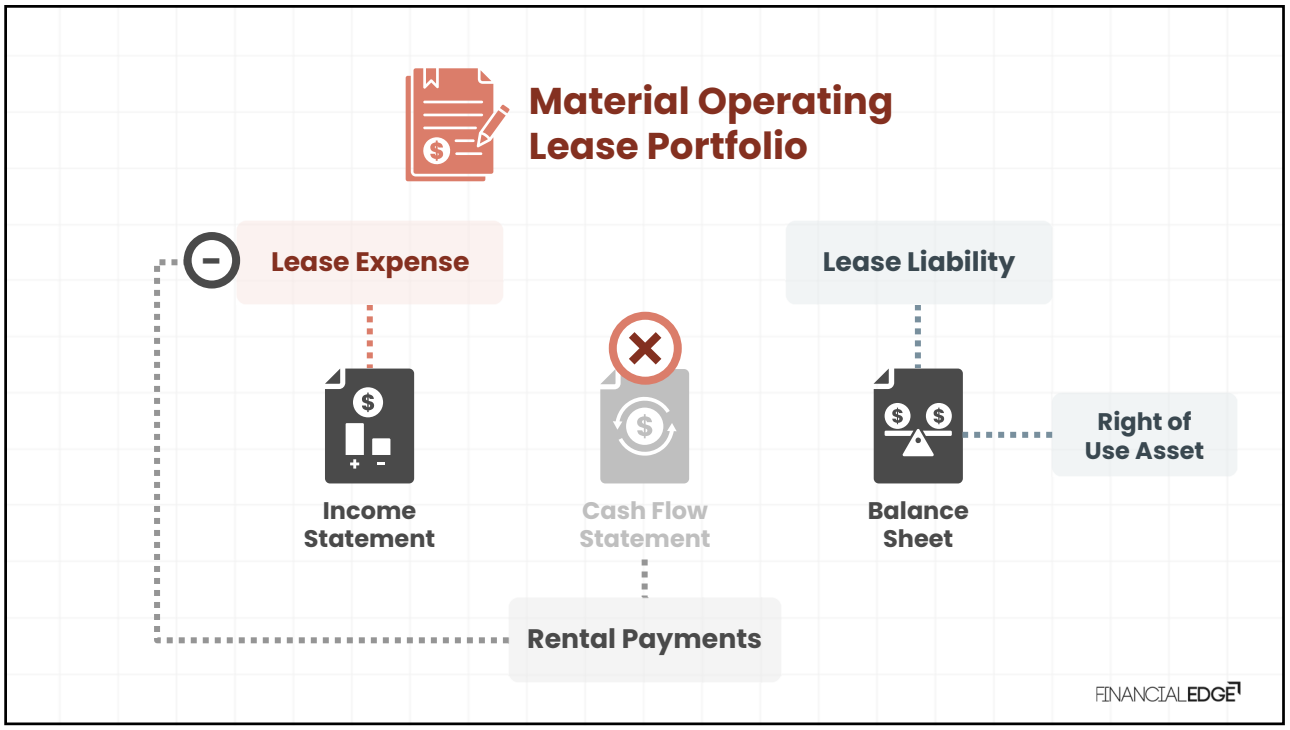
Balance Sheet

Change in the **lease liability** each year is **also** the change in the **right of use asset** each year

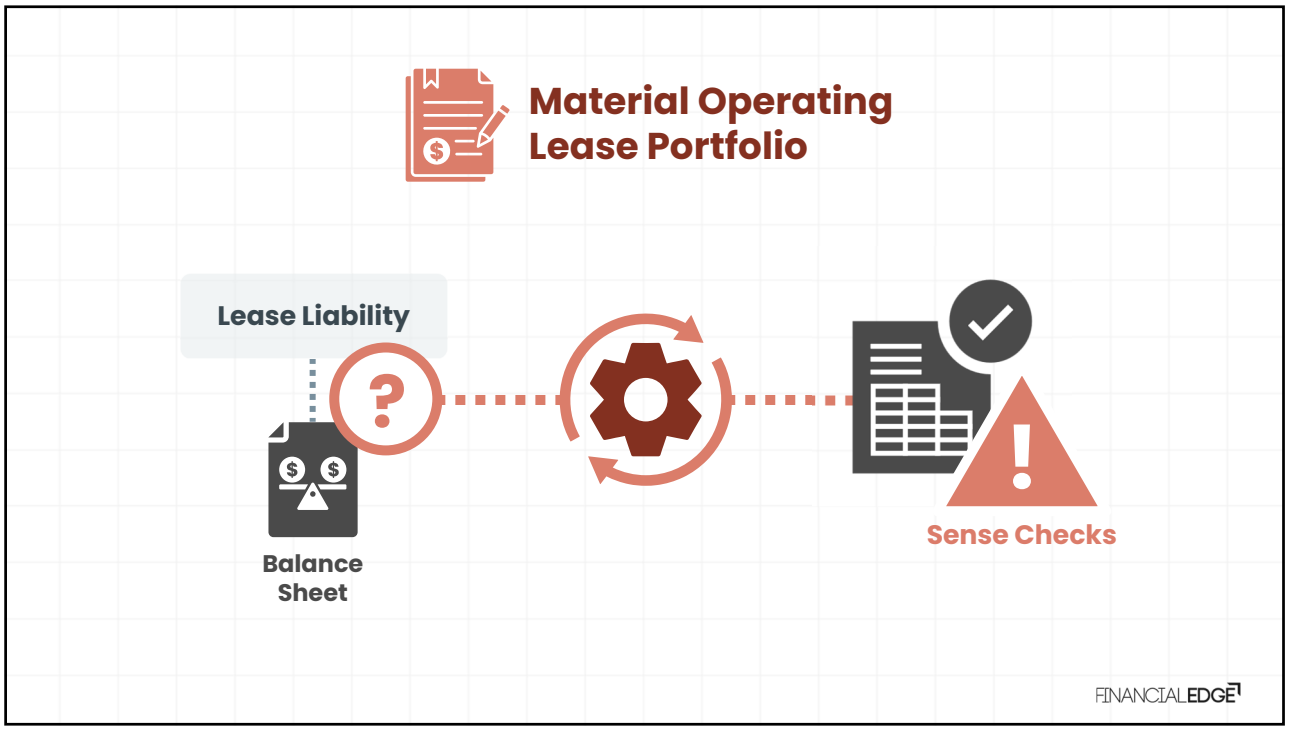
FINANCIALEDGE

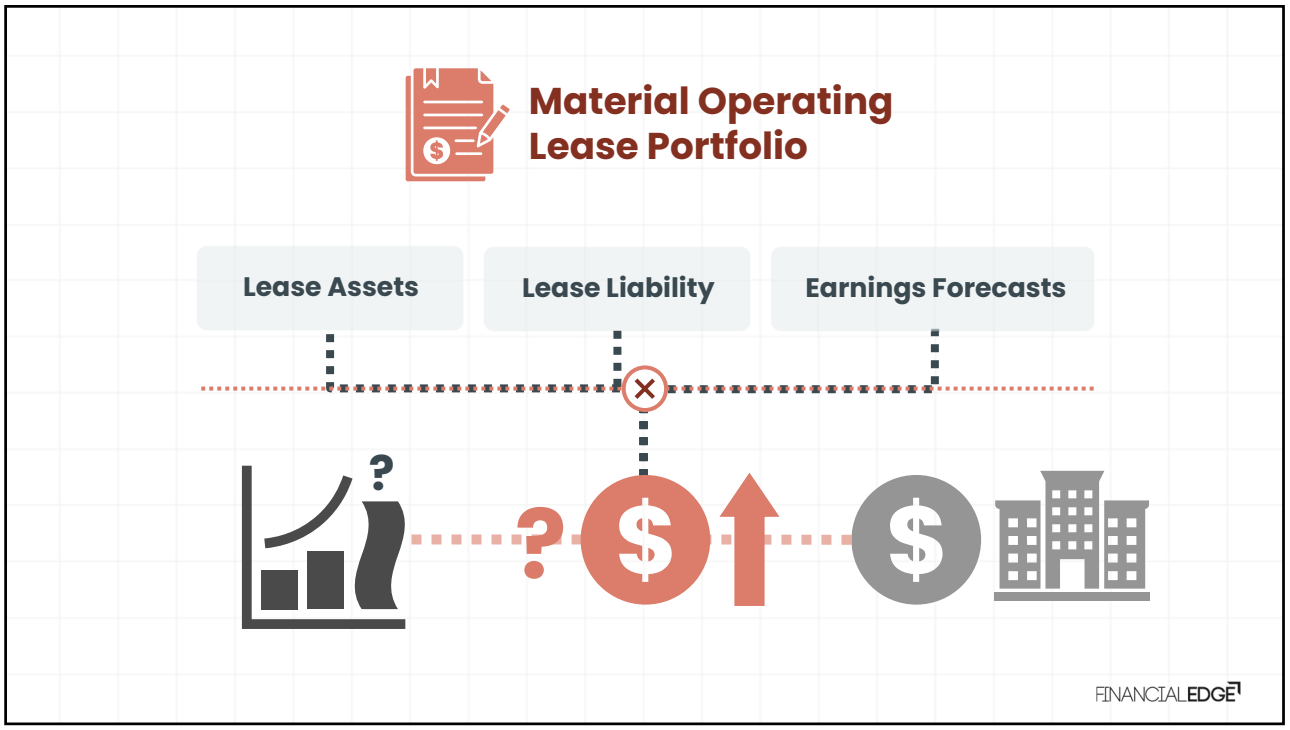
© 2025 Financial Edge Training



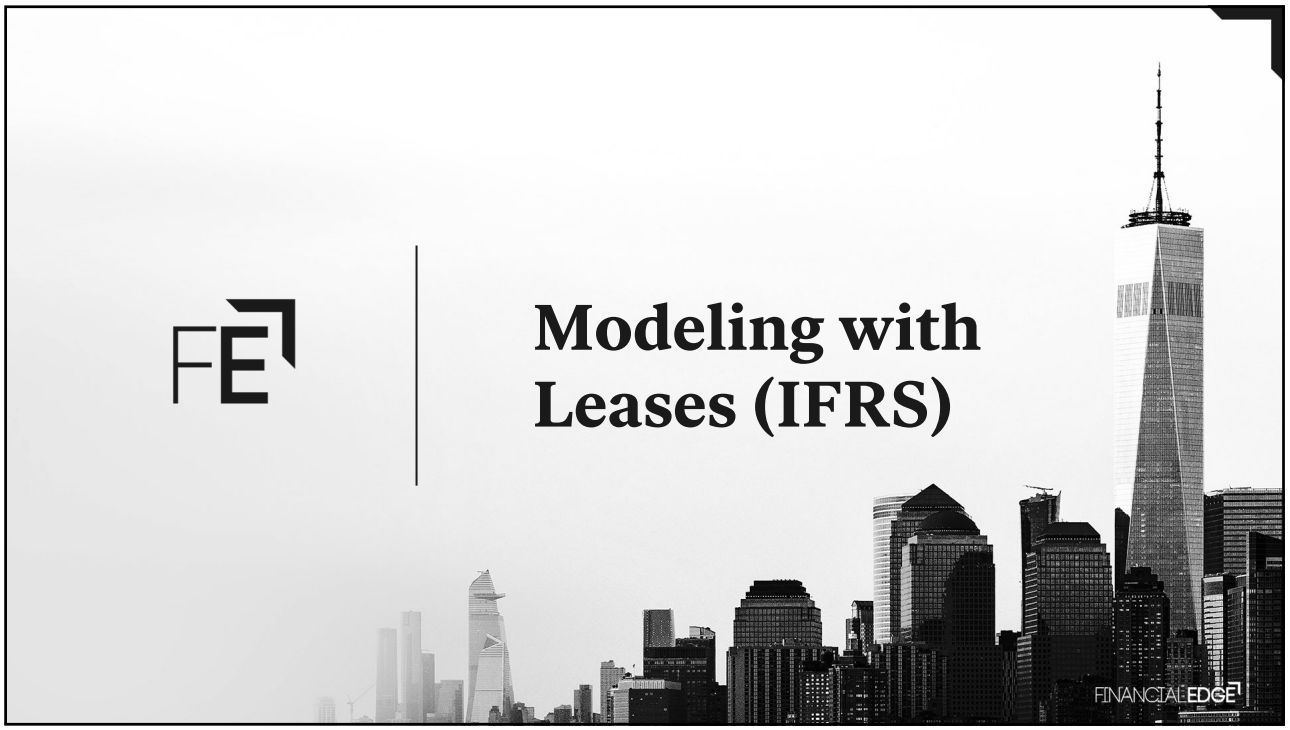


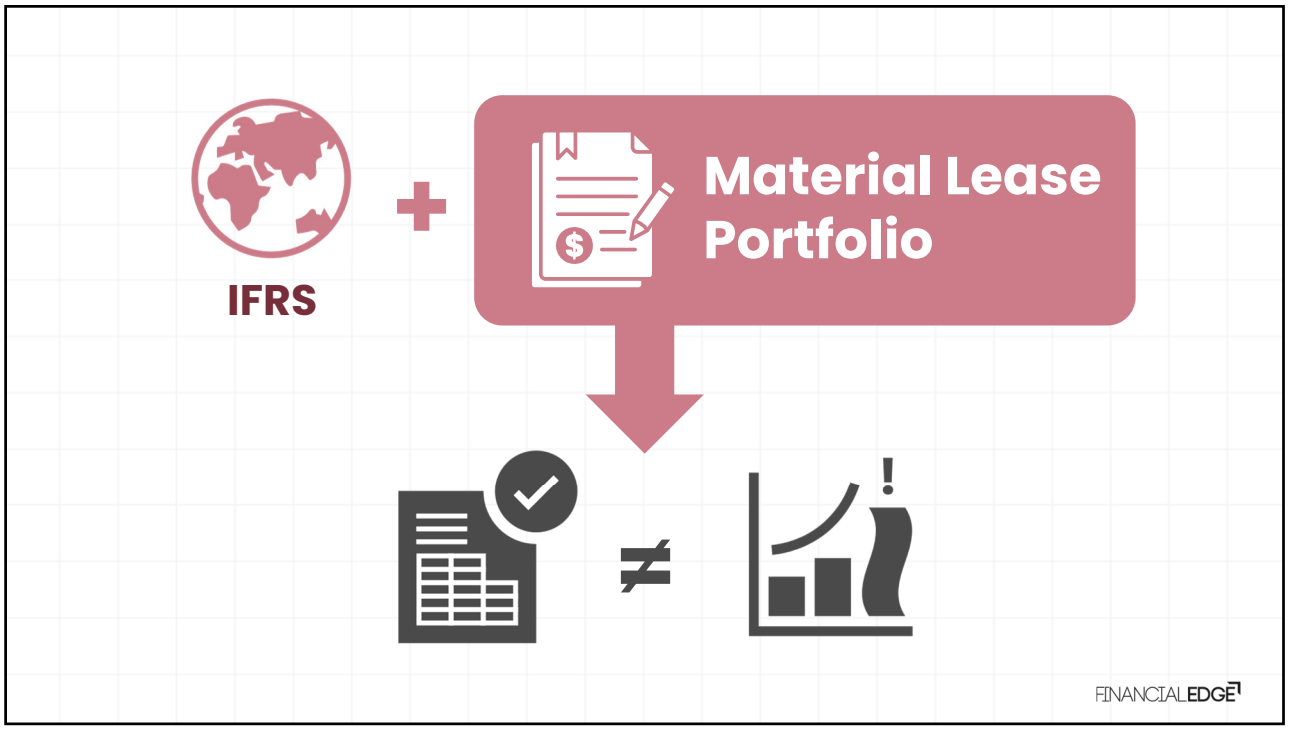
© 2025 Financial Edge Training



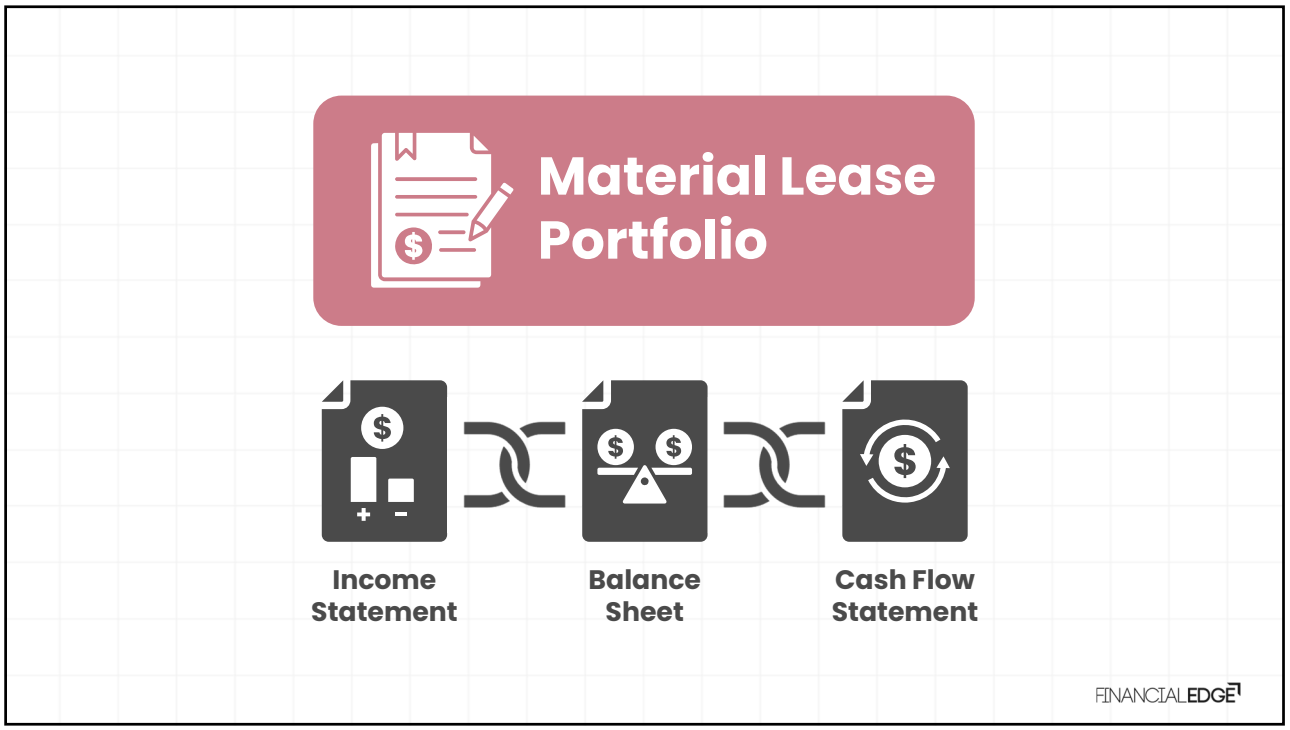


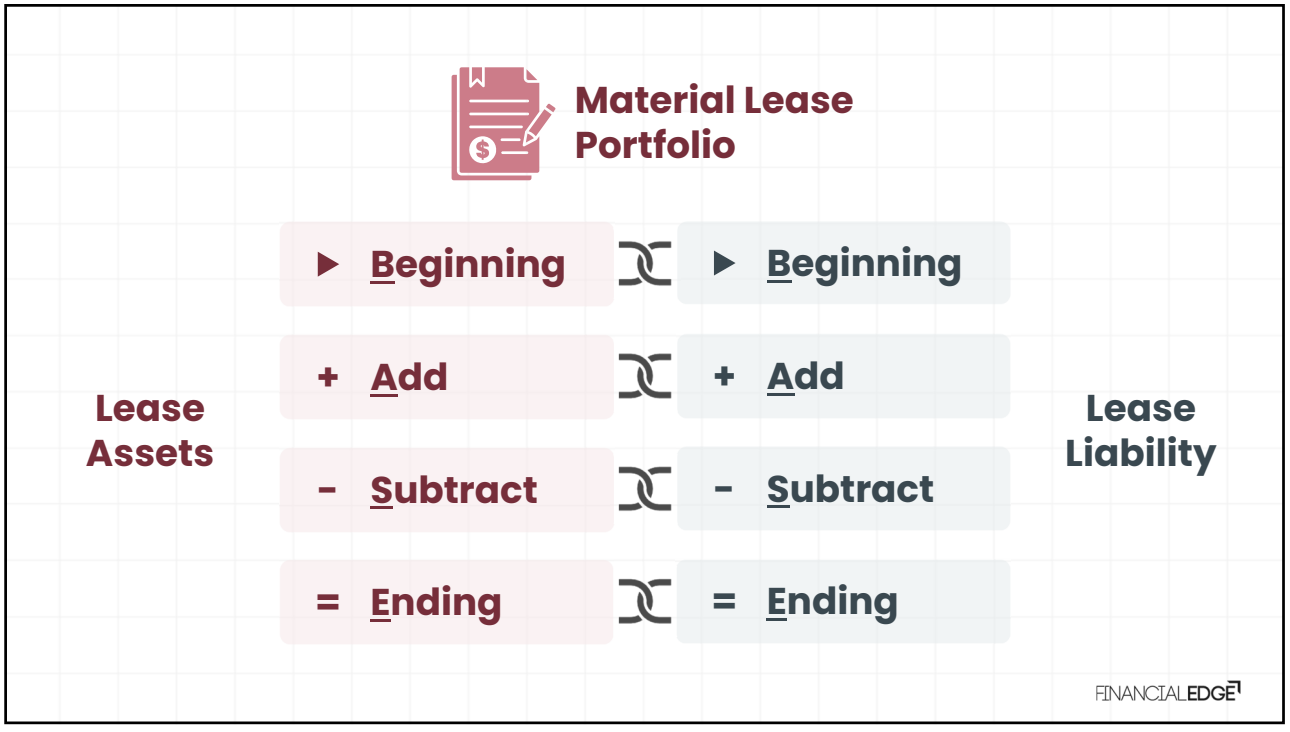
© 2025 Financial Edge Training





© 2025 Financial Edge Training





© 2025 Financial Edge Training

Material Lease Portfolio

PP&E

▶ Beginning	Right of Use (ROU) Asset **Balance**	
+ Add	**Lease Capex**	
- Subtract	**Depreciation**	
= Ending	Right of Use (ROU) Asset **Balance**	

FINANCIALEDGE

Material Lease Portfolio

Amortizing Bank Loan

▶ Beginning	Lease Liability **Balance**	
+ Add	**Lease Capex + Lease Interest**	
- Subtract	**Lease Payments**	
= Ending	Lease Liability **Balance**	

FINANCIALEDGE

© 2025 Financial Edge Training

Lease Assets

+ Add Lease Capex 

% of Revenue

(Same approach as PP&E)

Lease Additions

Revenues %

(Footnotes)

- Subtract Depreciation 

% of the Opening Asset Balance

(Same approach as PP&E)

FINANCIALEDGE

Lease Liability

+ Add Lease Capex 

% of Revenue

(Same **Capex as Lease Assets**)

- Subtract Lease Payments 

Lease Depreciation + Lease Interest

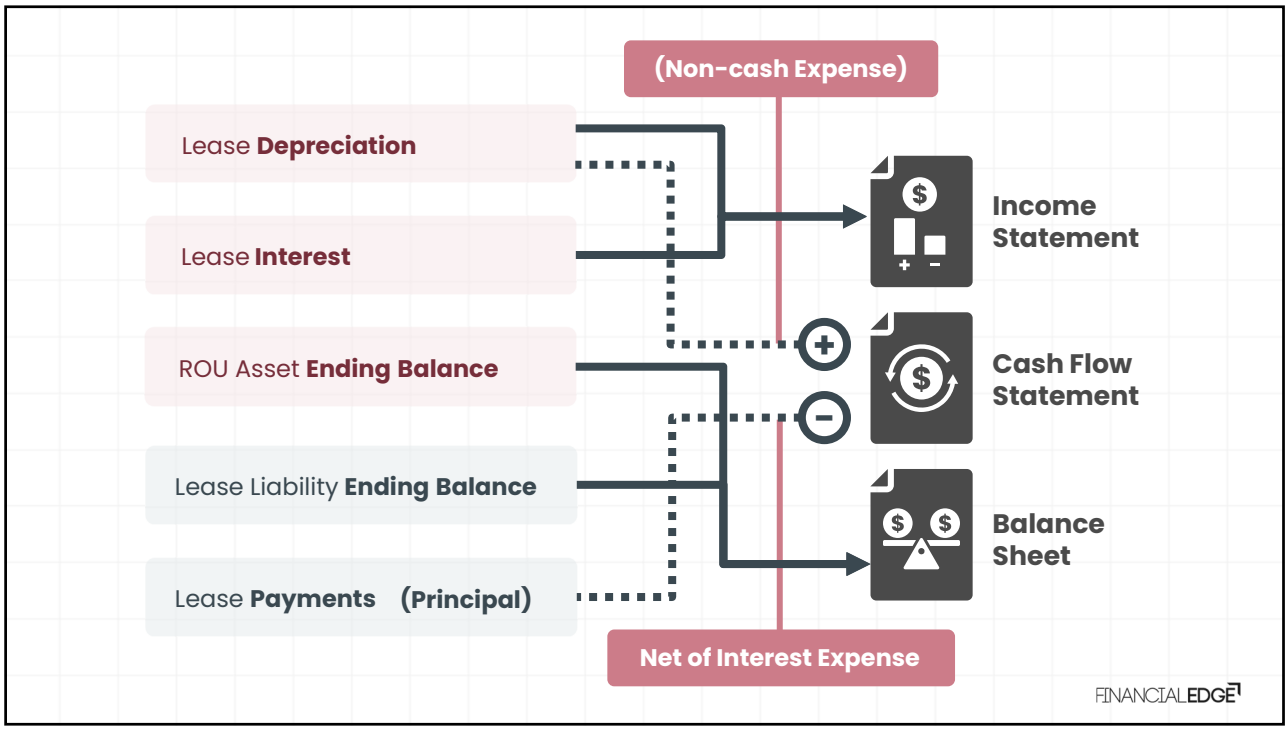
+ Add Lease Interest 

Interest Rate Assumption x **Opening Balance**

Effective Interest Rate (Footnotes)

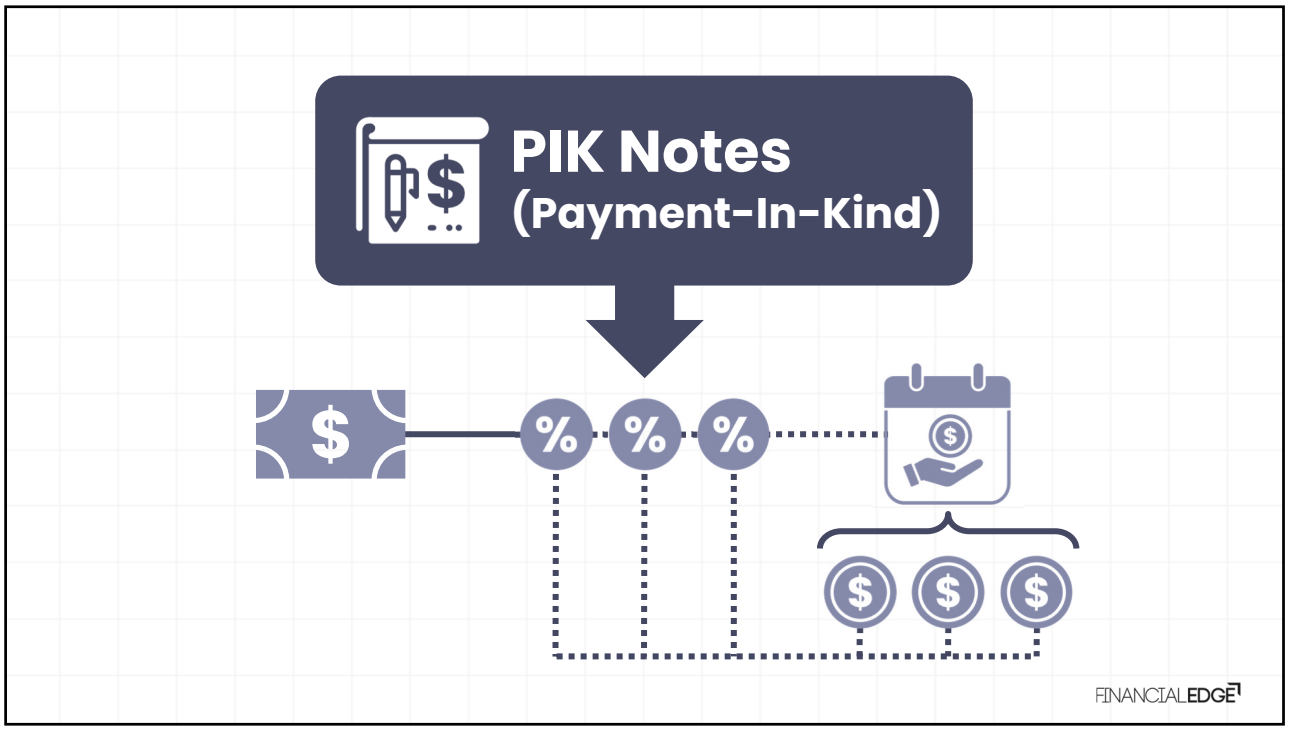
FINANCIALEDGE

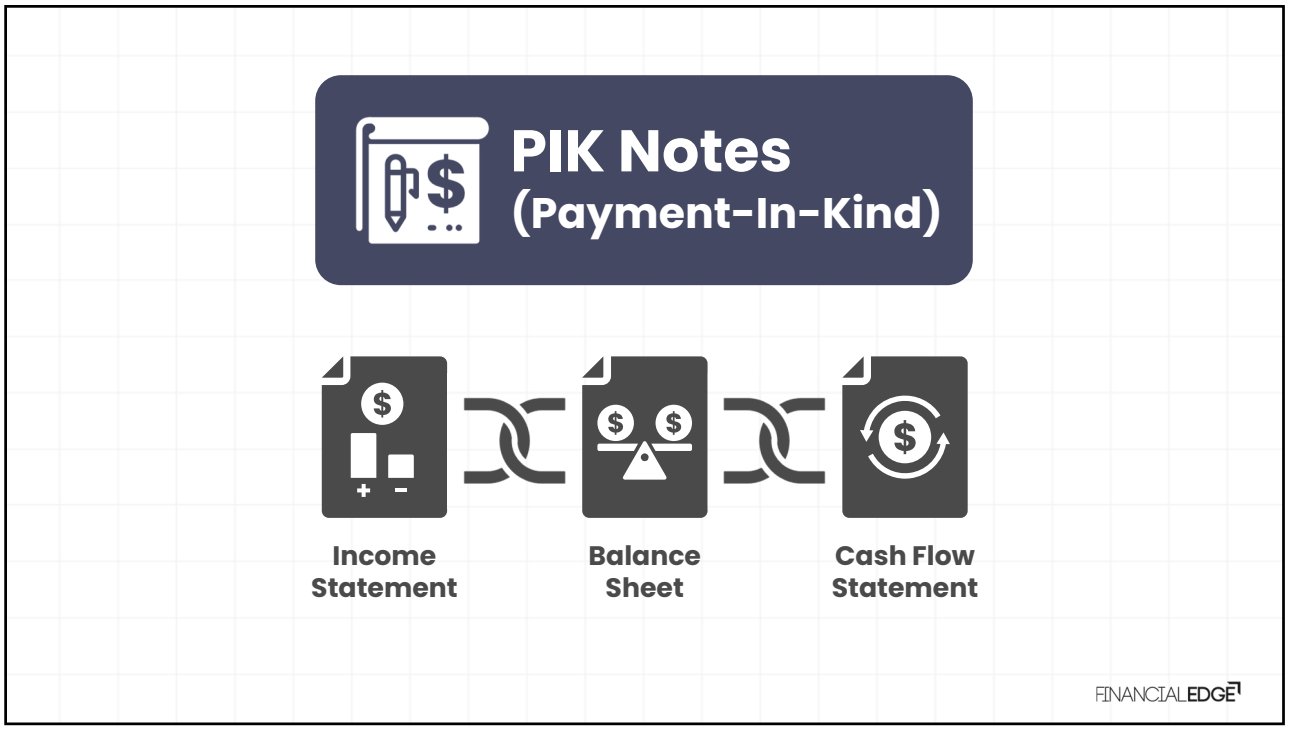
© 2025 Financial Edge Training





© 2025 Financial Edge Training





© 2025 Financial Edge Training

PIK Notes
(Payment-In-Kind)

B	▶ **Beginning**	PIK Note **Balance**	
A	+ **Add**	**Accrued Interest**	
S	- **Subtract**	Only when the instrument matures and the Note is repaid fully	
E	= **Ending**	PIK Note **Balance**	

FINANCIALEDGE

PIK Notes
(Payment-In-Kind)

+ **Add** **Accrued Interest** 

=

Contractual Interest Rate

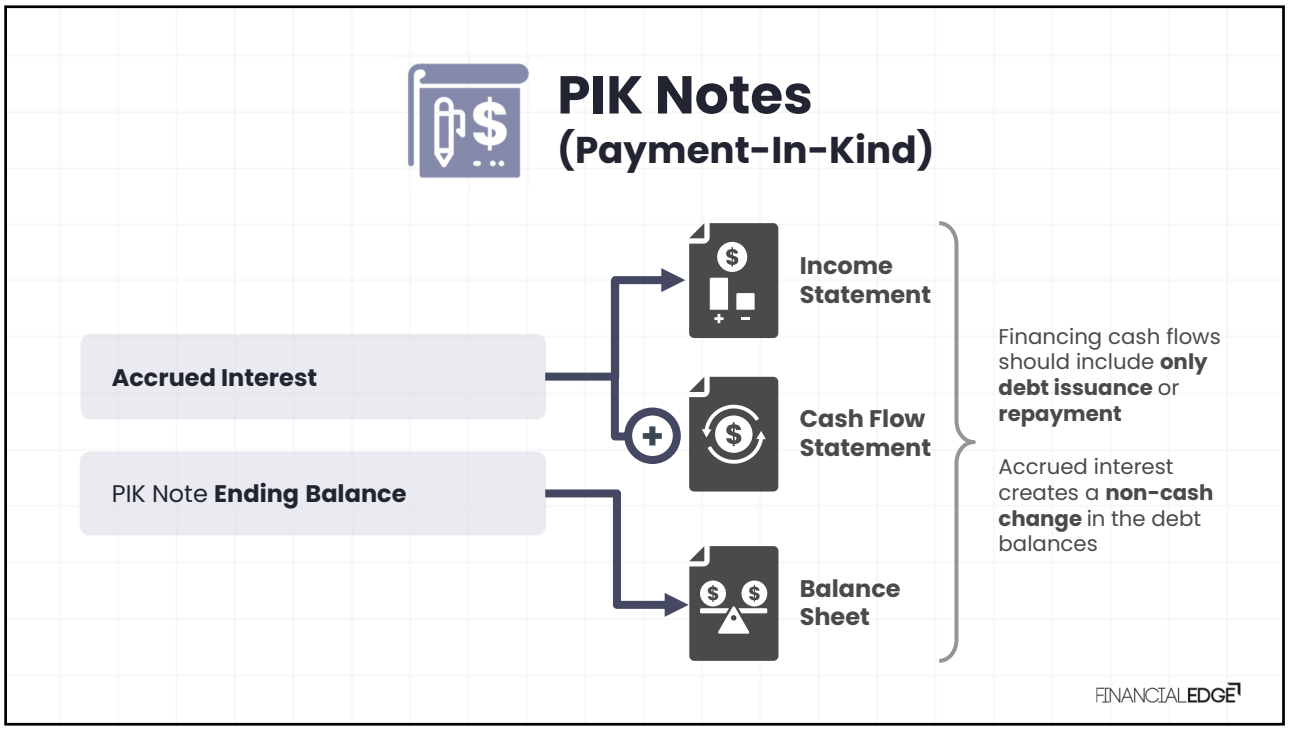
X

Opening PIK Note Balance

Prevents a Circularity

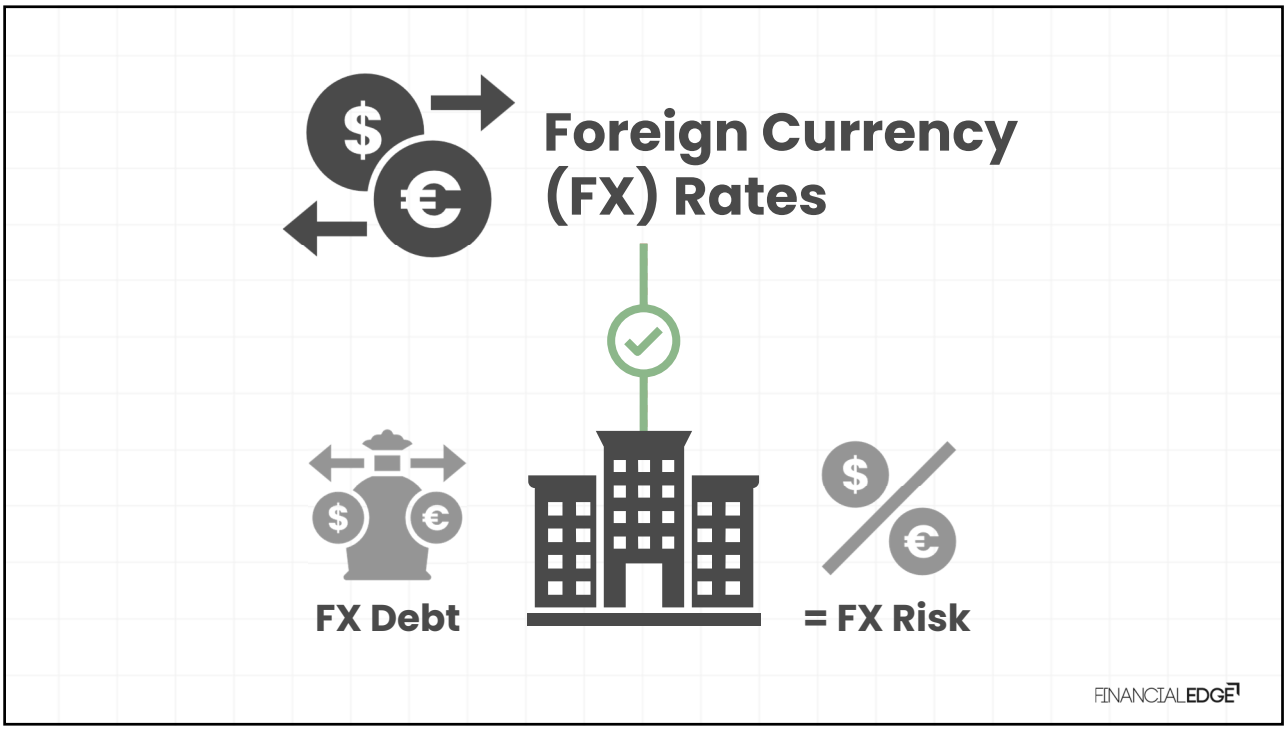
FINANCIALEDGE

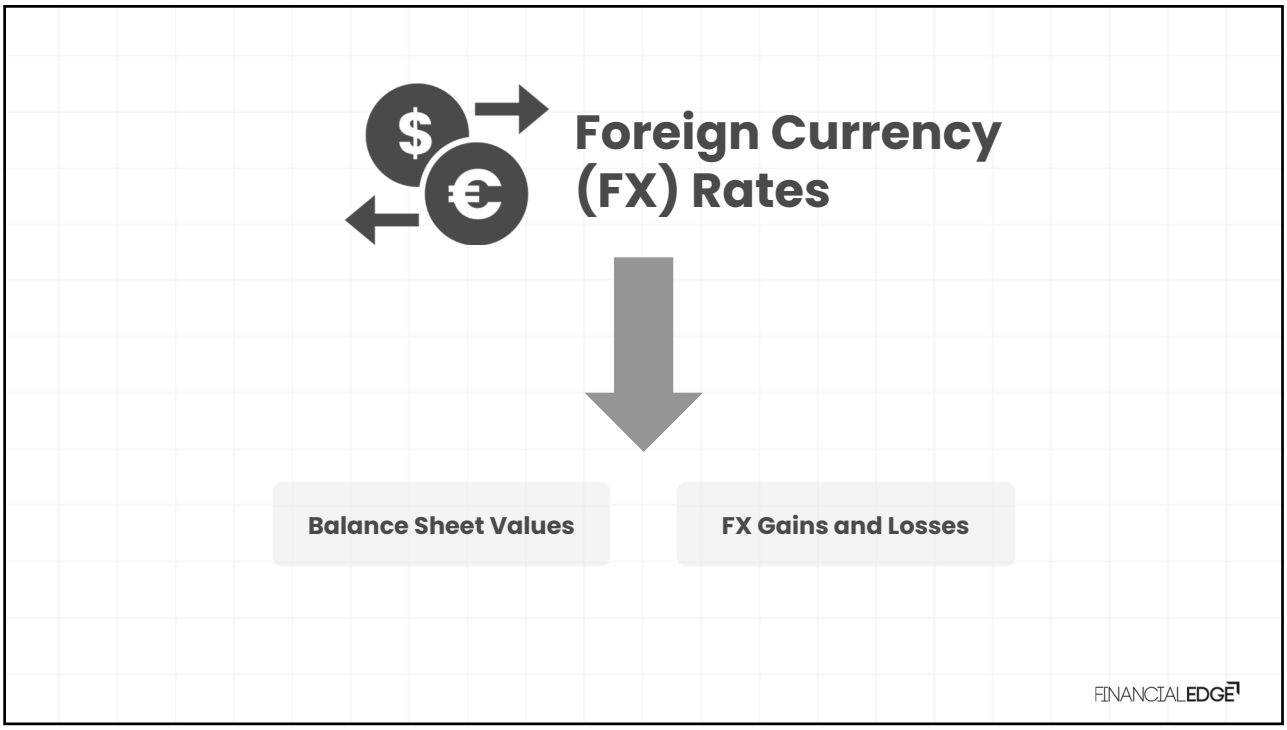
© 2025 Financial Edge Training



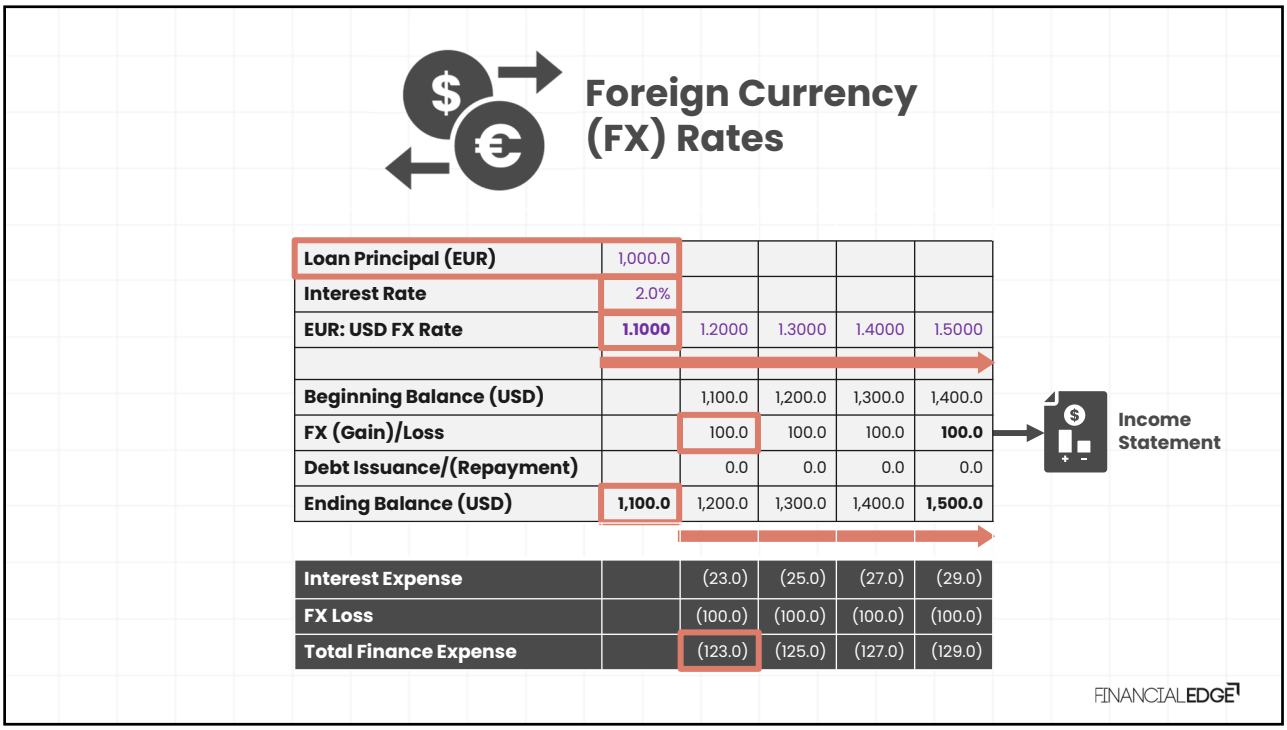


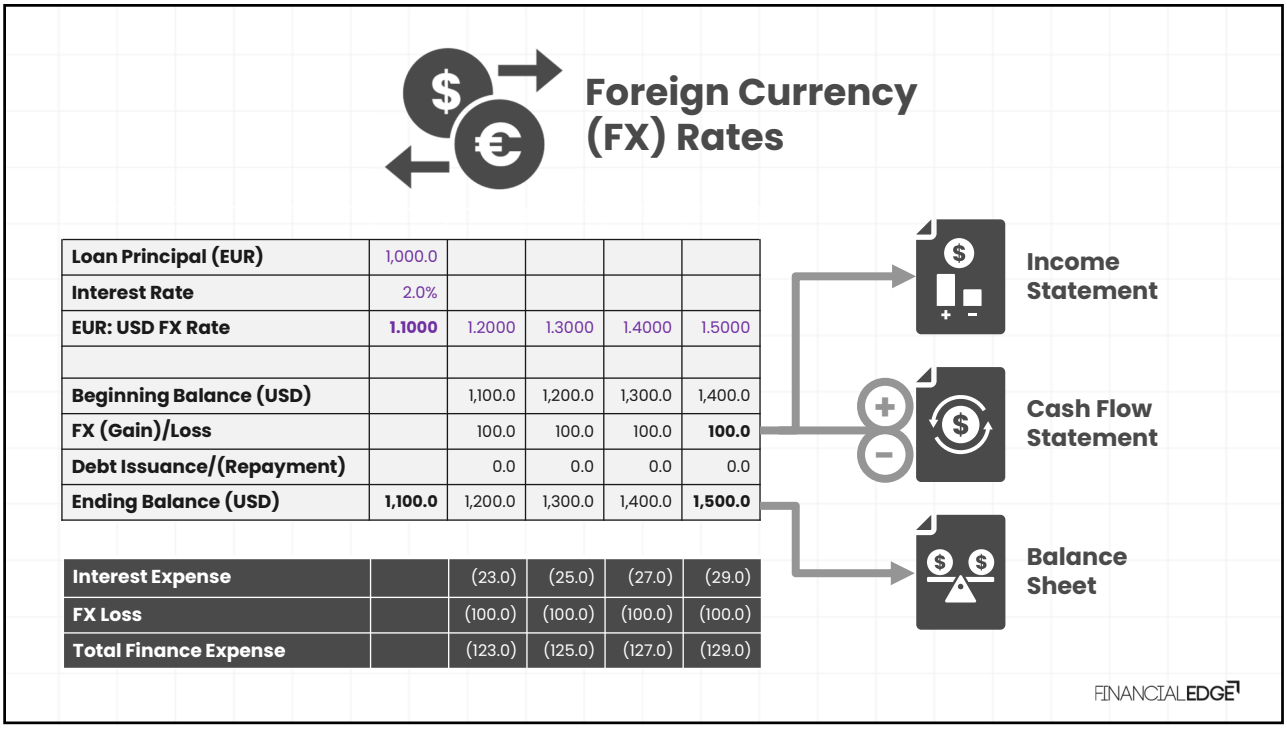
© 2025 Financial Edge Training



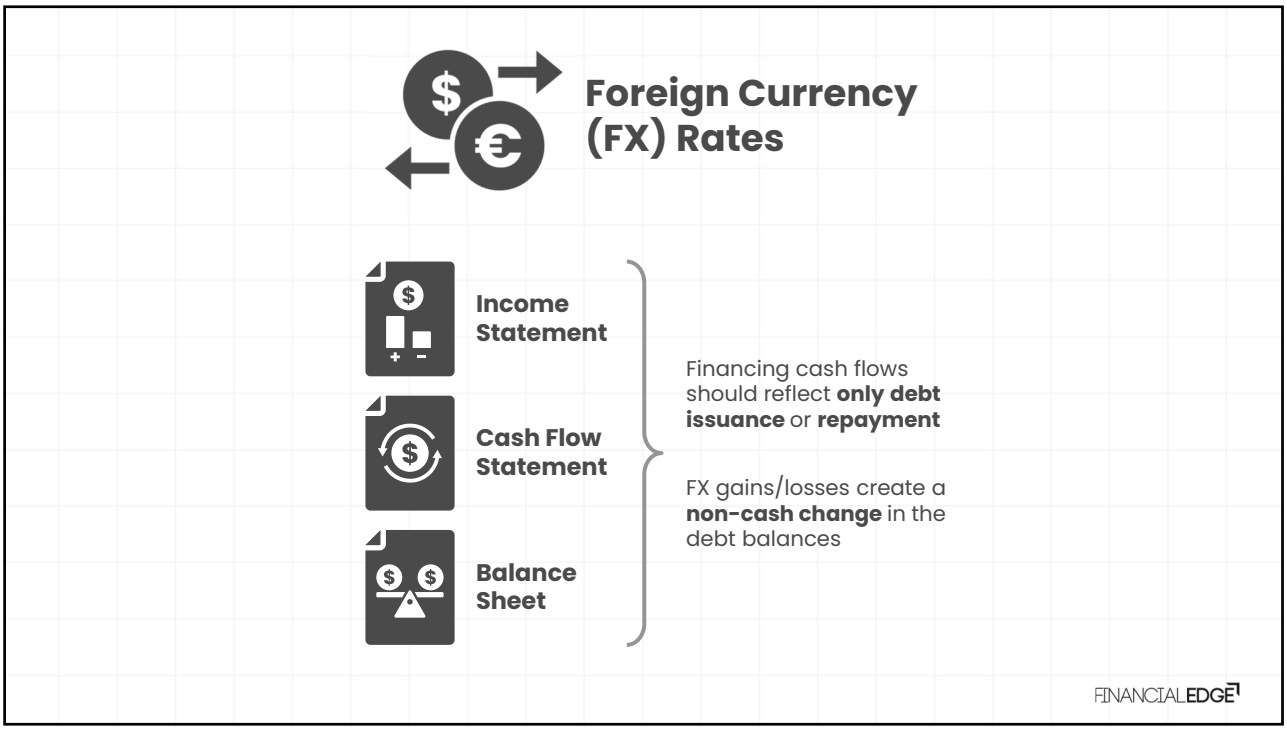


© 2025 Financial Edge Training





© 2025 Financial Edge Training





© 2025 Financial Edge Training



Property, Plant and Equipment (PP&E)



Start-up Businesses

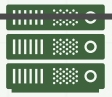


Project Finance



Expansion Capex

Forecast **Depreciation** Separately for Each **Capex Year**



Telecoms



Utilities

FINANCIALEDGE

Forecasting Capex

Expansion Capex Depreciation Profile	Capex	Year 1	Year 2	Year 3	Year 4	Year 5
Year 1	450.0	22.5	22.5	22.5	22.5	22.5
Year 2	200.0		10.0	10.0	10.0	10.0
Year 3	0.0			0.0	0.0	0.0
Year 4	0.0				0.0	0.0
Year 5	0.0					0.0
Expansion Capex Depreciation		**22.5**	**32.5**	**32.5**	**32.5**	**32.5**

=TRANSPOSE Function

Pick up the horizontal capex forecast

COUNTA Function

+

IF Statement

FINANCIALEDGE

© 2025 Financial Edge Training

Forecasting Capex

Expansion Capex Depreciation Profile	Capex	Year 1	Year 2	Year 3	Year 4	Year 5
Year 1	450.0	22.5	22.5	22.5	22.5	22.5
Year 2	200.0		10.0	10.0	10.0	10.0
Year 3	0.0			0.0	0.0	0.0
Year 4	0.0				0.0	0.0
Year 5	0.0					0.0
Expansion Capex Depreciation		**22.5**	**32.5**	**32.5**	**32.5**	**32.5**

COUNTA = 4

IF = <20

FINANCIALEDGE

Forecasting Capex

Expansion Capex Depreciation Profile	Capex	Year 1	Year 2	Year 3	Year 4	Year 5
Year 1	450.0	22.5	22.5	22.5	22.5	22.5
Year 2	200.0		10.0	10.0	10.0	10.0
Year 3	0.0			0.0	0.0	0.0
Year 4	0.0				0.0	0.0
Year 5	0.0					0.0
Expansion Capex Depreciation		**22.5**	**32.5**	**32.5**	**32.5**	**32.5**

Expansion Capex

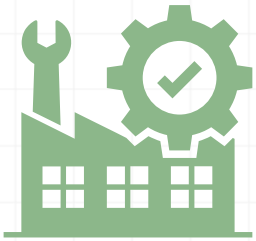
+

Maintenance Capex

FINANCIALEDGE

© 2025 Financial Edge Training

Fully Operational



=
Capex Depreciation Recognized

Under Construction (3 Years)



=
Capex Depreciation Recognized from year 4

FINANCIALEDGE

FINANCIALEDGE

www.FE.training

Please do not redistribute these materials without the express permission of Financial Edge Training.

FINANCIALEDGE