

Three Statement Overview

| Cash flow statement | |
|-------------------------------------|--|
| Net income | |
| + Depreciation and amortization | |
| +/- Change in inventories | |
| +/- Change in accounts receivable | |
| +/- Change in accounts payable | |
| +/- Change in other operating items | |
| = Cash flow from operations | |
| - Capital expenditure | |
| = Cash flow from investing | |
| +/- Change in short term debt | |
| +/- Change in long term debt | |
| +/- Issue / (buyback) of shares | |
| = Cash flow from financing | |
| = Net cash flow | |

Cash flows used or provided as part of normal operations

Cash flows used or provided from investing

Cash flows used or provided from financing

The sum of all cash flows during the period

Positive cash flow increases cash on the balance sheet

| Balance sheet | |
|--|--|
| Assets - Uses of finance | Sources of finance |
| <ul style="list-style-type: none"> Cash and equivalents ◦ Securities ◦ Inventories / stock ◦ Accounts receivable ◦ Other current assets ◦ Total current assets ◦ Property plant and equipment ◦ Goodwill ◦ Other intangibles ◦ Deferred tax assets ◦ Total non current assets | <ul style="list-style-type: none"> ◦ Short term debt / revolver ◦ Accounts payable ◦ Taxes payable ◦ Deferred revenue ◦ Total current liabilities ◦ Long term debt ◦ Lease liabilities ◦ Deferred tax liabilities ◦ Provisions ◦ Other non current liabilities ◦ Total non current liabilities ◦ Preferred shares ◦ Ordinary / common shares ◦ Additional paid in capital ◦ Treasury shares ◦ Retained earnings ◦ Total equity |

Cash equivalents and securities are short term investments for cash

Inventory and receivables key to selling products

Produces products, forecast using BASE

Represents the premium paid when making acquisitions

Debt used for less than 1 year, and only for as long as needed. Incurs interest

Money, products or services owed by the business

Debt used for more than 1 year. Incurs interest

Owners of the business

Positive net income increases retained earnings on the balance sheet, while dividends decrease it

Forecast using BASE

| Income statement | |
|-------------------------------------|--|
| Sales / Revenue | |
| - Cost of goods sold (COGS) | |
| = Gross profit | |
| - Selling, general and admin (SG&A) | |
| = Operating profit | |
| - Net interest expense | |
| = Profit before tax | |
| - Tax expense | |
| = Net income | |

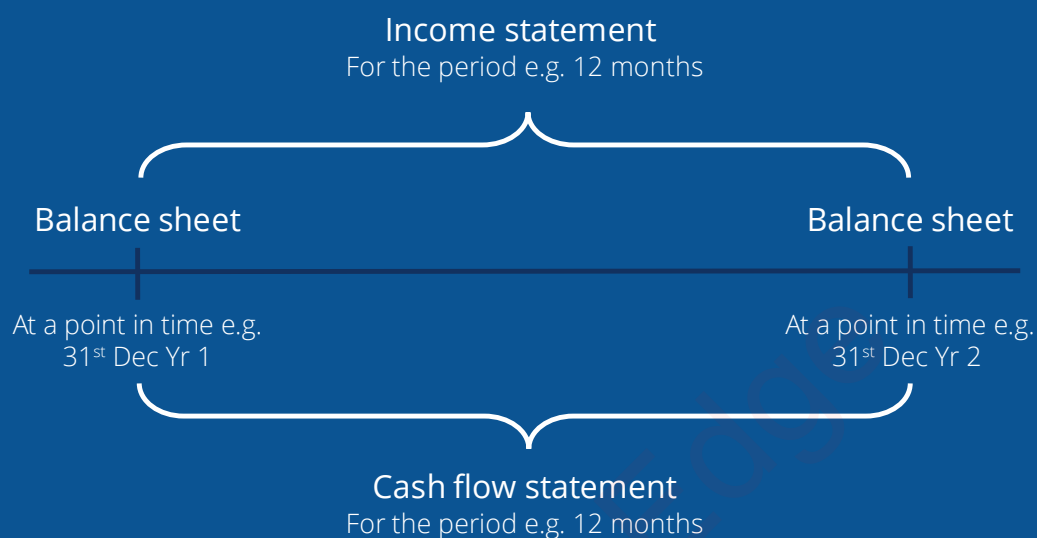
COGS are the costs that have gone into making / providing the product / service

SG&A are costs that have supported making / providing the product / service

Finance costs

Profits generated by the business's operations, aligned to EBIT

Three Statement Timeline



Key Definitions

| Term | Formula | Definition |
|--|--|--|
| EBIT | Core controlled operating profit + non recurring expenses - non recurring income | Shows recurring profit generated by core continued controlled net operating assets |
| EBITDA | EBIT + depreciation + amortization | Shows recurring profit generated by net operating assets, removing impact of depreciation and amortization policies |
| Normalized net income | Reported net income + non recurring items (net of any tax impact) | Shows recurring profits |
| Gross margin | $\frac{\text{Gross profit}}{\text{Sales}} \times 100\%$ | Shows proportion of sales that turns into gross profit as result of buying / selling products |
| EBIT margin | $\frac{\text{EBIT}}{\text{Sales}} \times 100\%$ | Shows proportion of sales that turns into EBIT as result of buying / selling products, and paying support costs |
| Net profit margin (return on sales) | $\frac{\text{Net income}}{\text{Sales}} \times 100\%$ | Shows the proportion of sales that turns into net income as a result of operating the business, paying interest, and tax |