



Universidad del Desarrollo
Universidad de Excelencia

Finance I

Fall 2012

Session 15:

Financial Analysis



- 1. Introduction**

- 2. Recap**

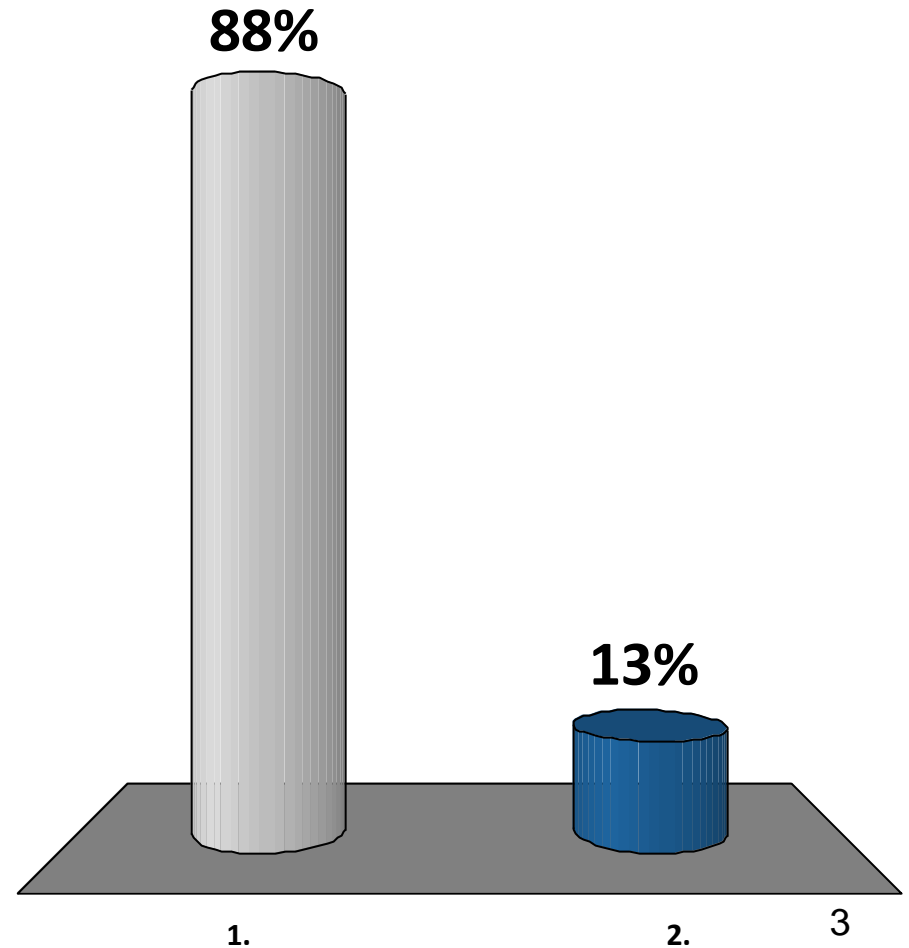
- 3. Applied examples**

- 4. Closing**

1. Do you think that studying BEFORE class could improve your learning experience

1. Yes

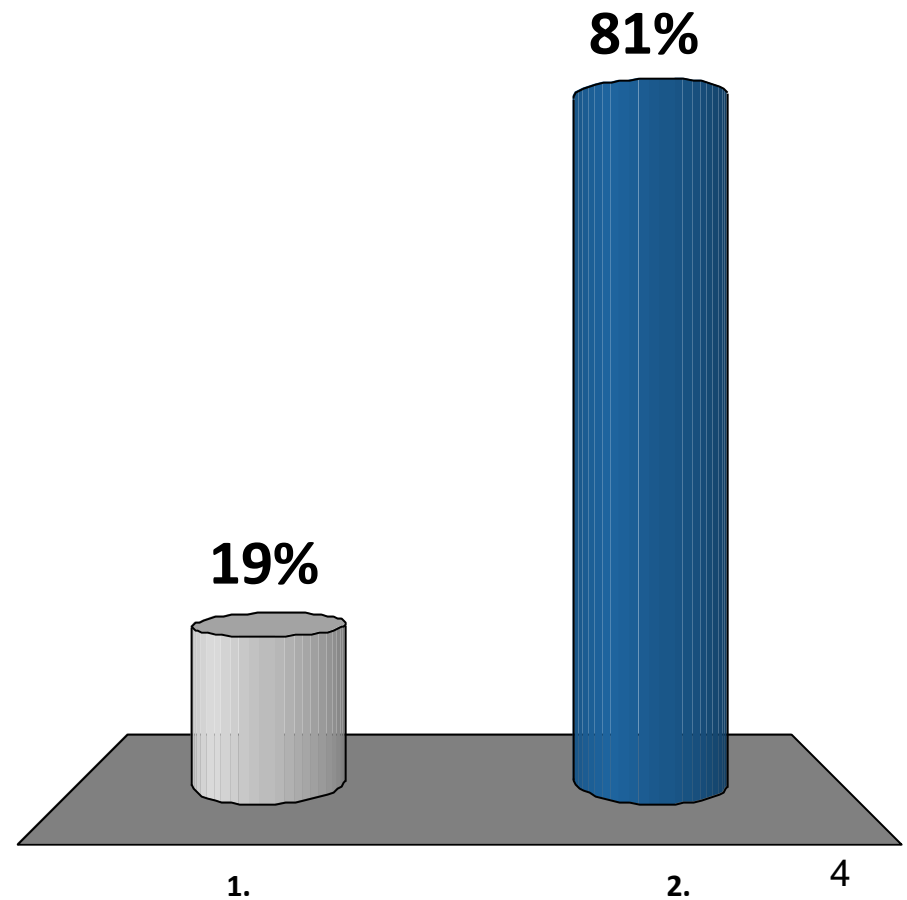
2. No



2. Did you study for today's class?

1. Yes

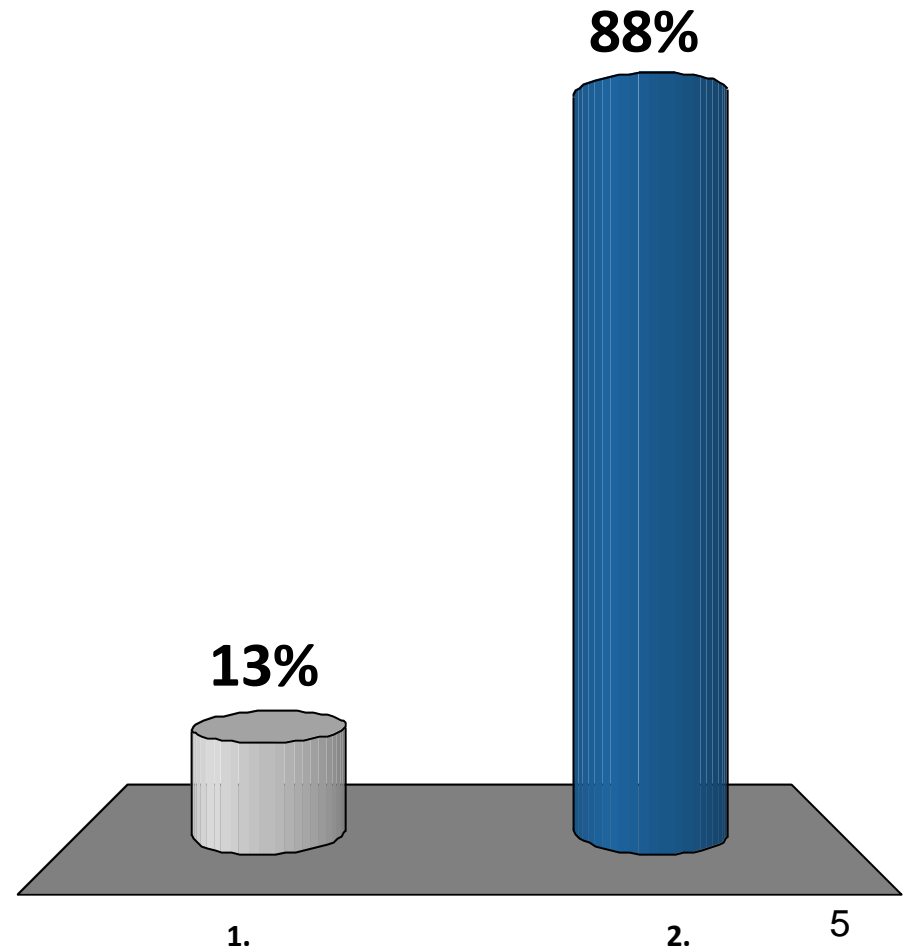
2. No



3. Are you learning more with the current class format (without ppt)?

1. Yes

2. No



▶ **The new class format is not fulfilling its objectives**

- Students aren't studying before class
- Lectures are less organized, as the class is not intended to be a lecture
- Exercises and examples are not being understood, as students lack the required knowledge to solve them
- The learning process is damaged

▶ **My goal is not to make you study, is to help you learn... even if you don't study**

- We'll start using ppt again on Mondays, and on Wednesdays we'll focus on exercises and real life examples

1. Introduction

2. Recap

3. Applied examples

4. Closing

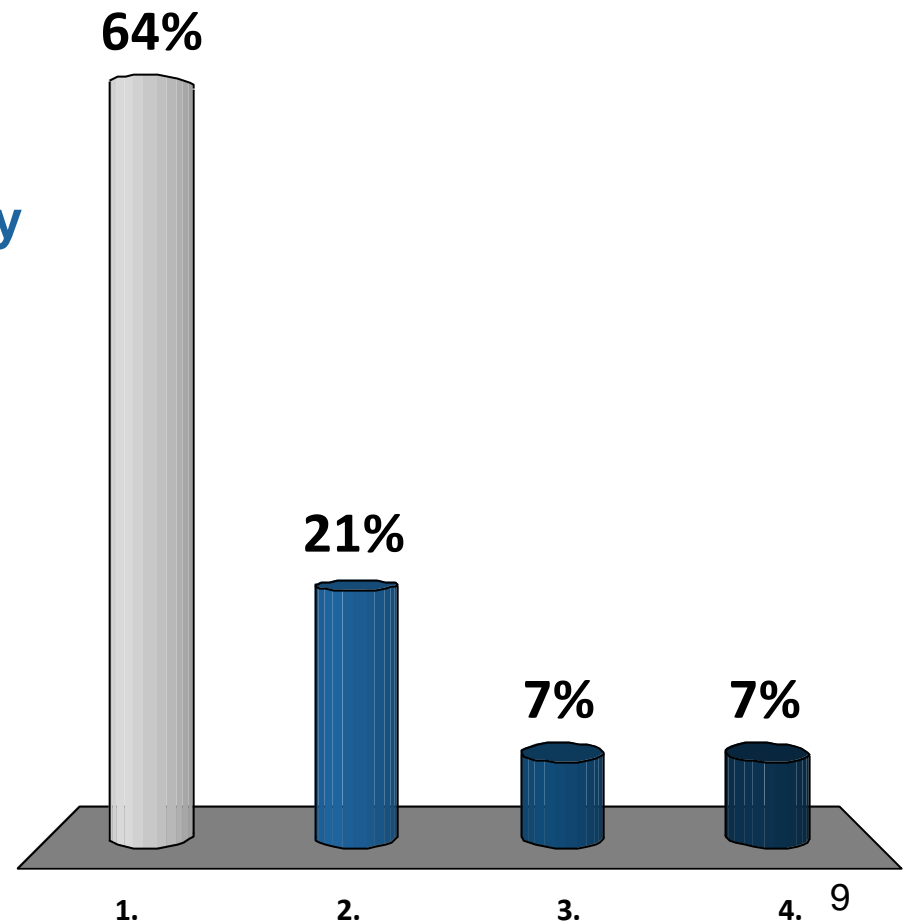
- ▶ **What are the most commonly used financial statements?**

- ▶ **Ratios can be constructed to analyze de financial and operational information of a company, typically in 4 main areas:**
 - Financial condition (Debt)
 - Liquidity
 - Efficiency
 - Profitability
 - Book mentions a fifth, regarding Market value (only for traded companies)

- ▶ **Is it meaningful to calculate a ratio with no point of comparison?**

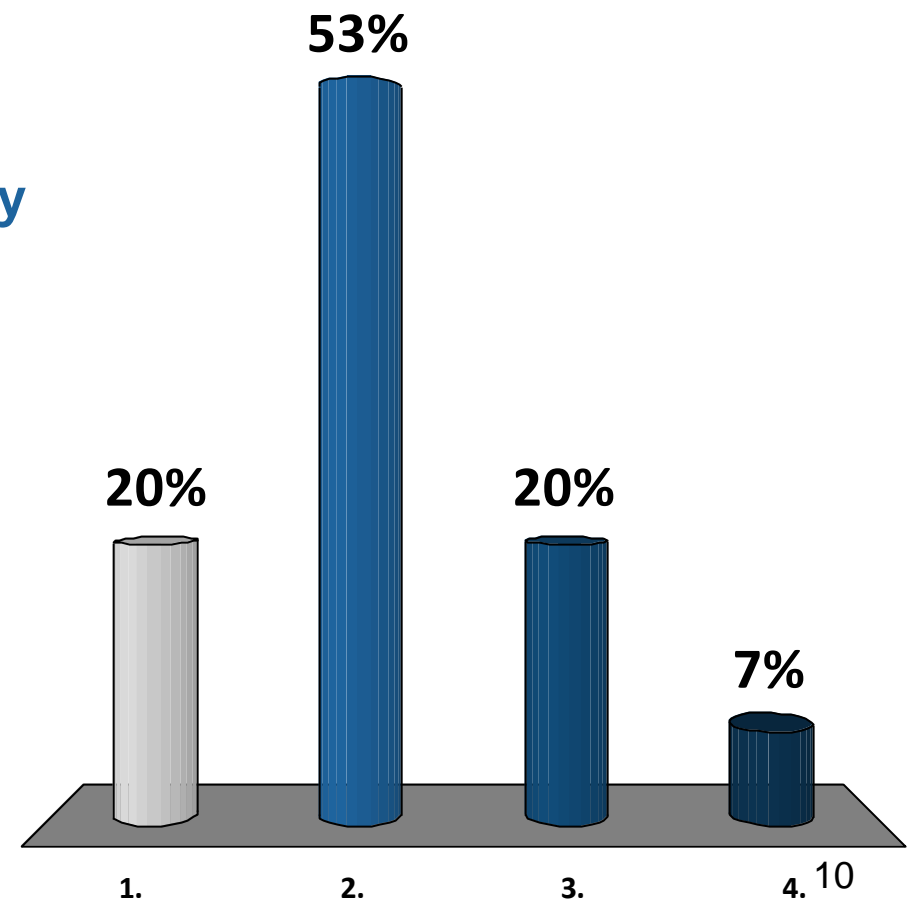
4. Which financial statement should you analyze to understand the asset position of the company?

- ✓ 1. Statement of Financial Position/
Balance Sheet
- 2. Statement of Comprehensive
Income / Income Statement
- 3. Statement of Changes in Equity
- 4. Statement of Cash Flows



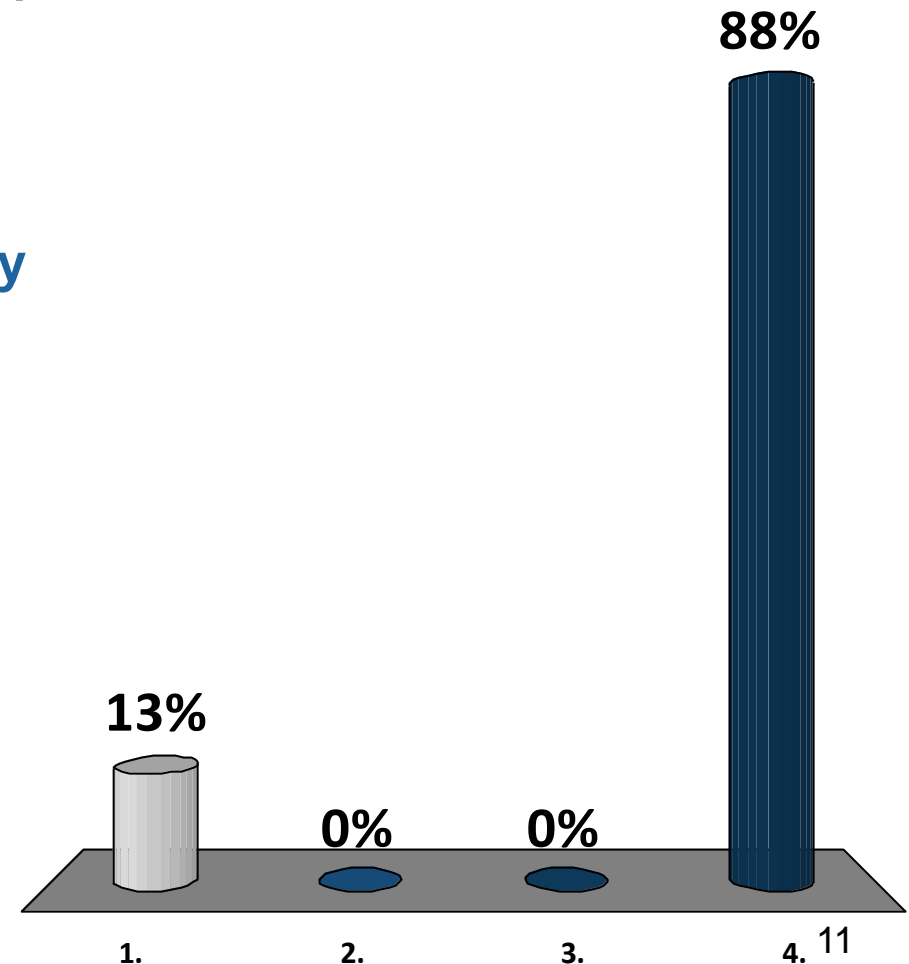
5. Which financial statement should you analyze to understand the operational result of a company?

1. Statement of Financial Position/
Balance Sheet
- ✓ 2. Statement of Comprehensive
Income / Income Statement
3. Statement of Changes in Equity
4. Statement of Cash Flows



6. Which financial statement should you analyze to understand sources of cash of the company?

1. Statement of Financial Position/
Balance Sheet
2. Statement of Comprehensive
Income / Income Statement
3. Statement of Changes in Equity
- ✓ 4. Statement of Cash Flows



1. Introduction

2. Recap

3. Applied examples

4. Closing

3. Applied Examples

- ▶ **“Meaningful” ratios vary from industry to industry, company to company, business areas, etc.**

- ▶ **There is no “one size fits all” ratio**

- ▶ **The analyst’s point of view and experience should help determine the best ratio on each case**

- ▶ **When comparing ratios, you should be certain that the companies you are comparable in all relevant terms**
 - Business or business model
 - Organizational
 - Operational
 - Market

3. Applied Examples

▶ Debt ratios:

- Debt/Assets
- Debt/Equity
- Long term debt/ Fixed assets
- Times interest (Interest cover) = $(\text{EBIT} + \text{Dep}) / \text{interest}$

▶ Liquidity ratios

- Current ratio= current assets/ current liabilities
- Acid test= $(\text{cash} + \text{short term securities} + \text{receivables}) / \text{current liabilities}$
- Cash ratio = $(\text{cash} + \text{short term securities}) / \text{current liabilities}$

3. Applied Examples

▶ Productivity ratios:

- Sales/ Average Assets
- Days in inventory: average inventory/daily cost of goods sold
- Average collection period: average receivables /average sales

▶ Profitability ratios

- Net Profit Margin = $(\text{EBIT} - \text{Tax})/\text{sales}$
- Return on Assets = $(\text{EBIT} - \text{Tax}) / \text{Av. Assets}$
- Return on Equity = $(\text{Earnings to shareholders}) / \text{Av. Equity}$
- Payout ratio or Dividend ratio = $\text{dividends}/\text{earning to shareholders}$

3. Applied Examples

▶ Market value ratios:

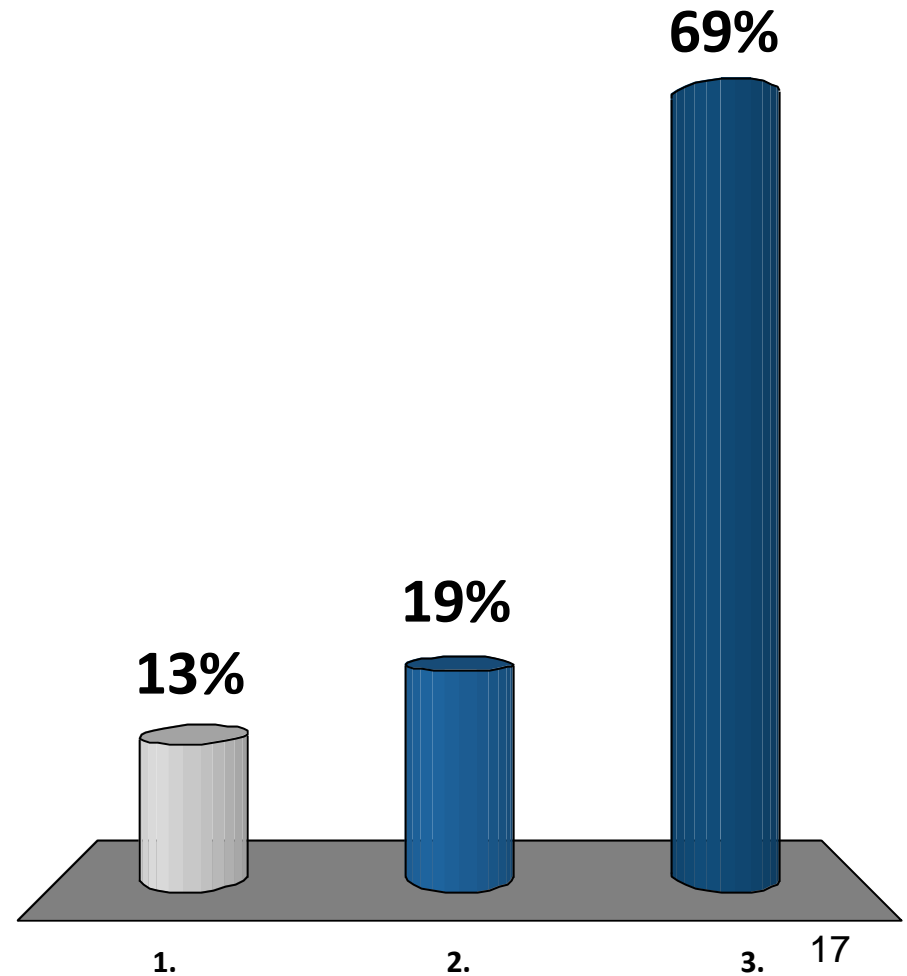
- Price/earnings = Stock Price/Earnings per share
- Dividend yield = Dividend per share / Stock price
- Market to Book ratio = Stock price/ book value per share

▶ Are there other ratios?

- Many!!!!
- All you can think (and make sense of)

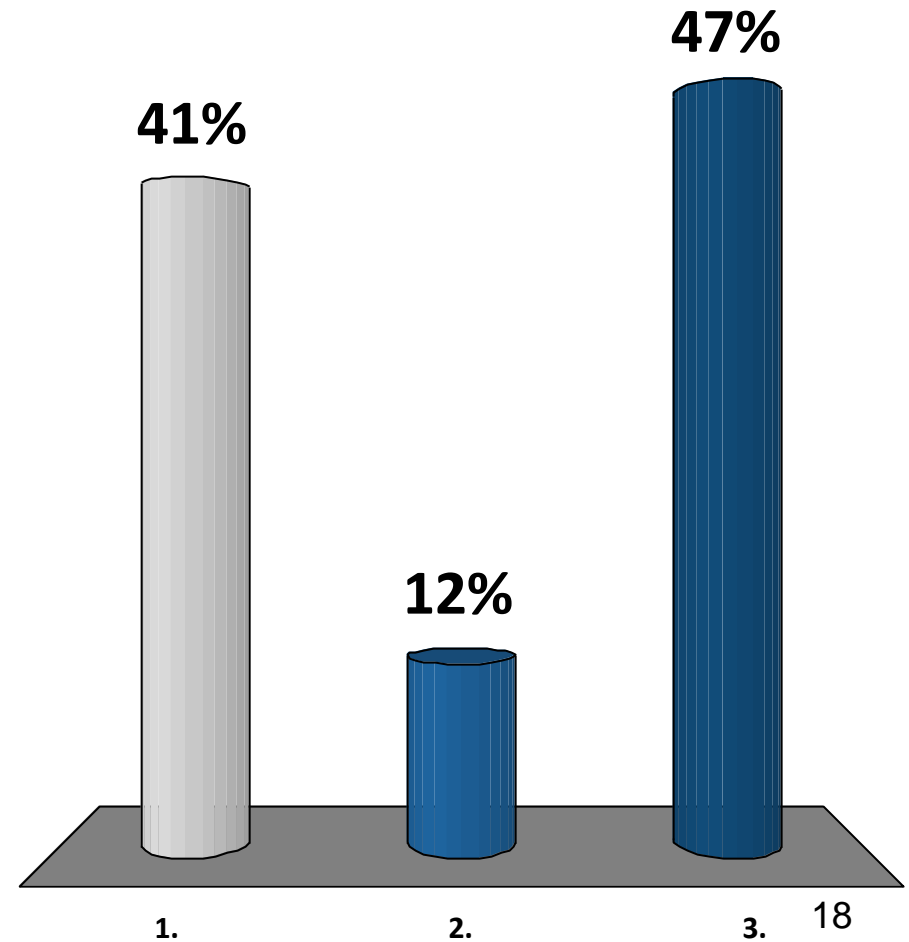
6. Should you use the same ratio for a car company and a coffee company?

1. Yes
2. No
- ✓ 3. Depends



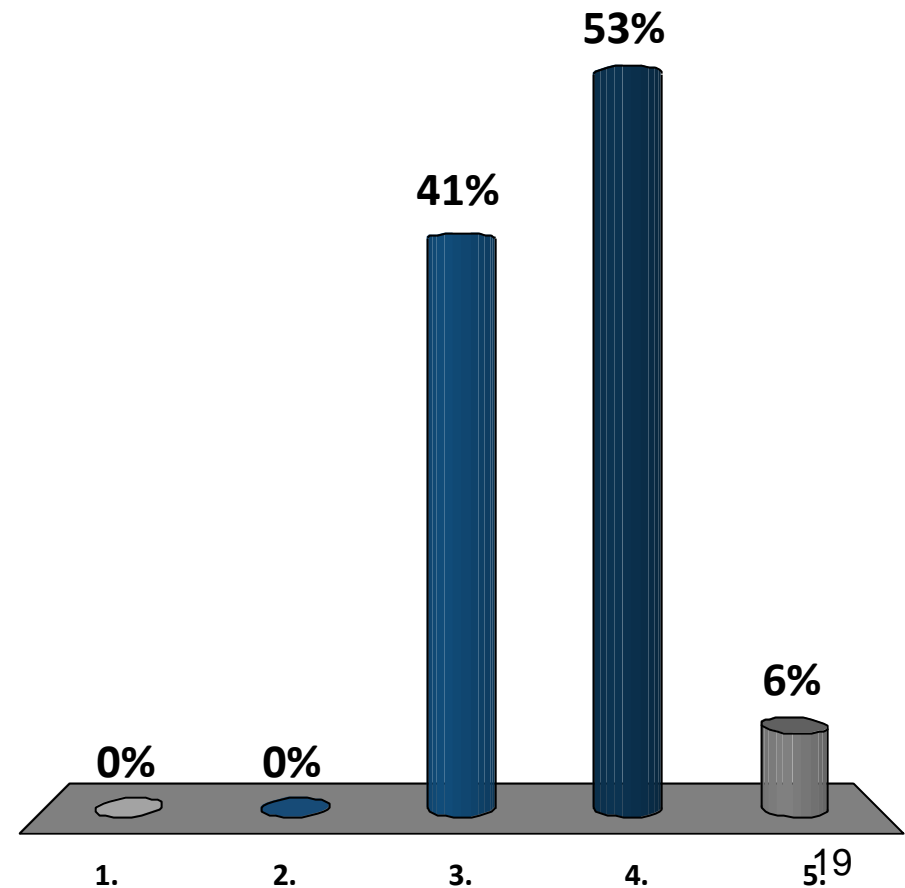
7. Should you use the same liquidity ratio to compare two companies from the same industry?

- 1. Yes
- 2. No
- ✓ 3. Depends



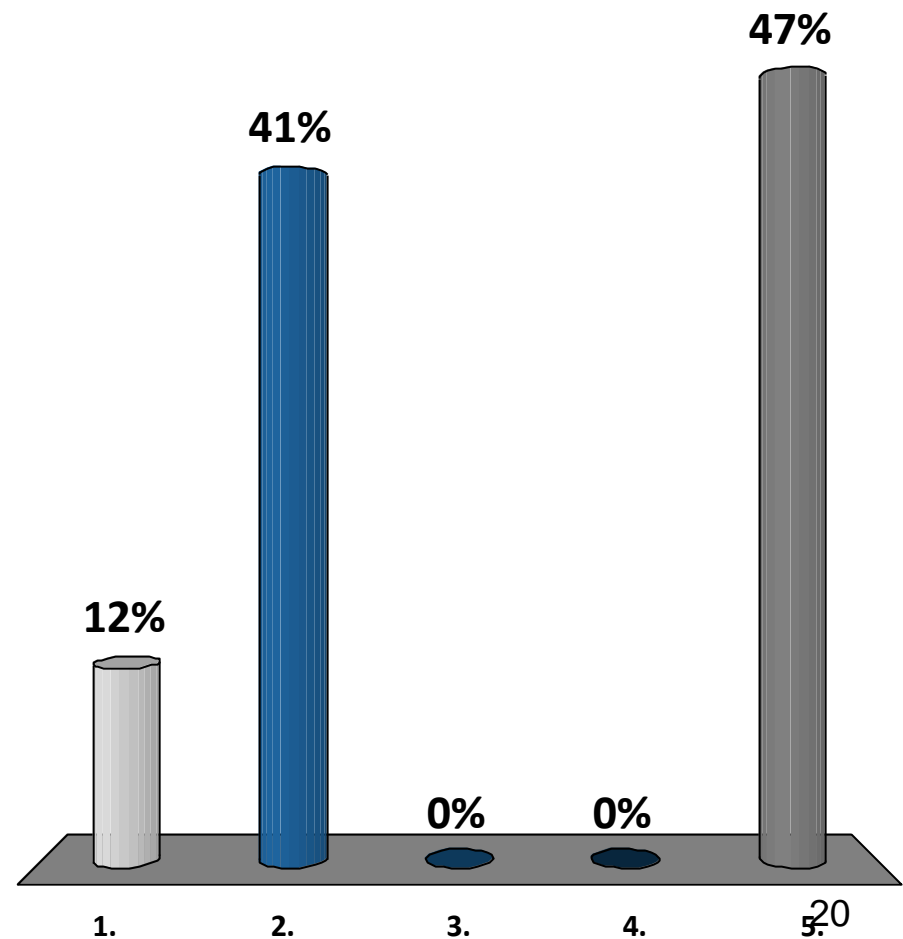
8. If you want to analyze the level of financial debt of a company, which ratio would be more appropriate?

1. Sales to Assets
2. Net Profit Margin
3. Debt to Equity
4. Debt ratio
- ✓ 5. Depends



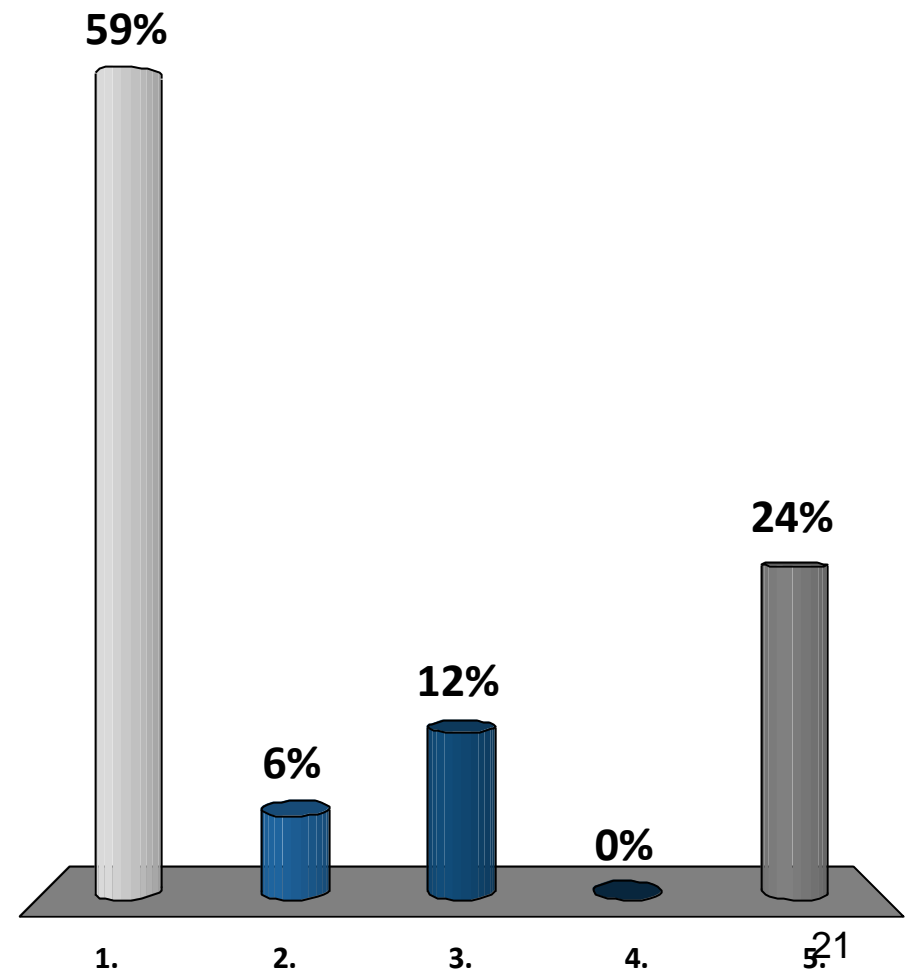
9. If you want to analyze the liquidity of a company, which ratio would be more appropriate?

1. Sales to Assets
- ✓ 2. Current ratio
3. Debt to Equity
4. Debt ratio
5. Depends



10. If you want to analyze the efficiency of a company, which ratio would be more appropriate?

- ✓ 1. Sales to Assets
- 2. Current ratio
- 3. Debt to Equity
- 4. Market to Book
- 5. Depends



Puntuaciones de participantes

80	Anna ABRELL	48	Siva VAN DER MEER
64	Chong-Ren JIAN	40	Gavin LACEY
64	Josefa ROBLES	40	Carlos HADDAD
54	Pedro ANASTASSIOU	38	Andrés CARRASCO
54	Javier LABRA	32	Miguel Angel CAMBARA
51	Alejandra ILI NUÑO	32	Martin DIAZ
48	Daniela TOLEDO	16	Felipe CABALLERO
48	Roberto ALLENDE		
48	Antonio CORREA		
48	Javier SILBERSTEIN		

1. Introduction
2. Recap
3. Applied examples
4. Closing

▶ **Next class: chapter 29 and 30**

▶ **Quiz based on 29 only**

- I will upload 2 “Memorias”. Please browse them to understand what they include

▶ **Assignment due on Wednesday at 16:00**

▶ **Next Monday: Group Videos**

- CD, pendrive or link at the beginning of class