

## COURSE OUTLINE

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### Advanced Financial Statement Analysis

#### Who is it for?

- Accountants
- Financial Analysts
- Evaluation Officers
- Appraisal Executives
- Corporate Finance Executives
- M&A Officers
- Project Managers

#### What is it about?

This workshop aims to give delegates the opportunity to examine the various means to assess the operational and financial performance of their organisations as well as their competitors, suppliers and clients. Ensuring that the basics are in place, this workshop will quickly go on to look at some of the more advanced ratios for assessing the financial health of an organization – both from an internal perspective as well as an external ‘asset valuation’ perspective. We will consider industry specific ratios during the workshop and consider what information they tell us. Delegates are encouraged to bring with them the financial statements of their own organisations, their competitors, their suppliers and / or their clients to ensure that the concepts covered can be applied to their own specific companies.

#### What will it cover?

##### **Understanding Money**

- Fiat currencies
- Fractional Reserving

##### **Funding**

- The business cycle
- Debt & Equity
- Bonds & Loans
- Commercial & Investment Banks
- Derivatives & securitisation
- Risk Management

##### **The role of banks**

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- Commercial & investment banking
- Fractional reserving
- Debt & Equity Capital Markets

### **The Financial Statements**

- Income Statement
- Balance Sheet
- Cash Flow Statement
- Interaction of Statements

### **Stakeholder Analysis**

- Director v Shareholder v Creditor perspectives
- Stakeholder analysis / mapping

### **Core Financial Analysis**

- Return on Assets Ratio
- EBIT & EBITDA
- Operating v Financial Gearing

### **Core Financial Analysis – Income Statement**

- Gross Profit Ratio
- Operating Ratio & Operating Profit Ratio
- Net Profit Ratio
- Expense Ratio
- Interest Cover Ratio

### **Core Financial Analysis – Balance Sheet**

- Current Ratio
- Liquid Ratio
- Absolute Liquid Ratio
- Financial Gearing Ratio
- Proprietary Ratio
- Capital Gearing Ratio
- Assets-Proprietorship Ratio
- Capital Inventory to Working Capital Ratio
- Current to Fixed Assets Ratio

### **Core Financial Analysis – Income Statement & Balance Sheet**

- Stock Turnover Ratio
- Accounts Receivable Turnover Ratio
- Accounts Payable Turnover Ratio
- Working Capital Requirement
- Fixed Asset Turnover Ratio
- Return on Equity
- Return on Shareholders' Funds
- Return on Capital Employed
- Capital Turnover Ratio
- Working Capital Turnover Ratio
- Return on Total Resources Ratio

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- Total Assets Turnover Ratio

### Shareholder Analysis

- EPS
- Dividend Cover

### Altman Z Scores

- EBITDA to Total Assets
- Retained Earnings to Total Assets
- Working Capital to Total Assets
- Sales to Total Assets
- Market Capitalisation to Total Liabilities

### Du Pont Analysis

- ROCE
- Asset Turnover
- Leverage
- ROE

### Off Balance Sheet

- Commitments
- Contingent liabilities
- Order books & contracts
- Brand
- Goodwill

### Cash Flow

- Operating Cash Flow
- Free Cash Flow
- Other Cash Flow ratios

### Cost of Capital

- Determining the cost of capital
- CoC and the WACC

### Credit Risk Assessment

- Macro risks – political, economic & environmental
- Industry risks
- Company risks – financial & non financial

### Asset Valuation - introduction

- Historic cost accounting
- Mark to book
- Mark to market
- Mark to model

### Asset Valuation - fundamentals

- Valuing property / bonds & other assets
- The impact of interest rates
- Buying a future cash flow
- PE Ratios & Yields
- Value v Momentum Investing. Cyclical & Defensive stocks

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### Creating Value

- Discounted Cash Flows
- Building the business case
- Asset Valuation techniques

### Building the Business Case

- Break even analysis
- Discounted Cash Flow
- Discount factors & Net Present Value (NPV)
- Internal Rate of Return (IRR)

### Enterprise Value

- Debt valuation
- Equity valuation

### Investment Analysis

- Capital Asset Pricing Model
- Alpha & Beta
- Systematic & unsystematic risk

### 5 Keys to valuation

- PE & PEG Ratios
- Enterprise value
- Free Cash Flow
- Price to Sales
- Cash Flow ROI

### Lending decisions

- Cash flow v Asset Backed

### Industry specific ratios - Banks

- Provision coverage
- Provision charge
- Reserve adequacy
- Charge-off
- NPL coverage
- Capital adequacy
- NII
- Liquidity ratios

### Industry specific ratios - Insurance

- From GPW to NPE
- IBNR & Reserving / Triangulations
- Loss Ratio, Expense Ratio & Combined Ratio

### Industry specific ratios – O&G and Natural Resources

- P/CF
- EV/EBITDA

### Other considerations

- Price to Book
- Yield v Growth

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- Cyclical v Defensive
- Value v Momentum
- Yield Curves
- EPS & DPS
- EVA
- RAROC

### **Why not to rely on ratios**

- Measuring management
- Measuring the economic moat
- Reliability of the numbers
- Which is the best ratio?
- Do they always work?

### What will I learn?

- Focus on the assessment of business performance through the analysis of financial statements as well as the valuation of off- balance sheet obligations and commitments
- Understand the different approaches for pricing a company's fair value for a variety of purposes
- Analyse the different problems and risk variables that a company might encounter via the proper analysis of its financial statements