

# MODULE “D”

## FINANCE ANALYSIS FOR EVALUATION OF KEY MANAGEMENT COEFFICIENTS

### → STANDARD ANALYSIS OF THE FINANCE COEFFICIENTS

- ✓ TEST OF OPERATING AND GENERAL EFFECTIVENESS
- ✓ TEST OF PROFITABILITY MEASURES
- ✓ TEST OF INVESTMENT UTILIZATION
- ✓ TEST OF FINANCIAL CONDITION
- ✓ TEST OF FINANCIAL LEVARAGE
- ✓ TEST OF GROWTH PERFORMANCE
- ✓ BREAK-EVEN ANALYSIS

### → CORPORATE FINANCE ANALYSIS

- ✓ CORPORATE EVALUATION TEST – GENERAL STATUS ACCORDING TO THE EXCHANGE CAPITALIZATION RATE
- ✓ TEST OF THE RATE OF THE FINANCIAL RISK - ALTMAN’S Z-FACTOR ANALYSIS

### → ROBERT MORICE’S FINANCIAL ANALYSIS

- ✓ ASSETS %
- ✓ LIABILITIES %
- ✓ INCOME DATA %
- ✓ RATIOS

**STRIP MALL & RETAIL PARK (Study Date - 30/06/0000)**

<b>FINANCIAL RATIO ANALYSIS</b>											
	<b>FINANCE BUSINESS PLAN</b>										
years	(0 001)	0 000	0 001	0 002	0 003	0 004	0 005	0 006	0 007	0 008	0 009
<b>TEST OF OPERATING AND GENERAL EFFECTIVENESS</b>											
Return on Equity	( 13.44)	( 12.80)	22.46	25.69	24.34	22.31	20.46	23.95	24.51	25.07	25.67
Operating Return on Equity	( 13.44)	( 12.80)	24.54	28.20	26.78	24.58	22.62	26.61	27.23	27.86	28.52
Return on Total Assets (ROI)	( 4.01)	( 3.85)	7.53	11.72	14.84	17.67	20.38	23.87	24.42	24.98	25.57
Operating Return on Total Assets	( 4.01)	( 3.85)	8.23	12.87	16.33	19.46	22.53	26.52	27.14	27.76	28.42
<b>TEST OF PROFITABILITY MEASURES</b>											
Gross Profit Percent	0.00	0.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
Operating Profit (Loss) / Total Sales (%)	0.00	0.00	40.67	53.97	61.46	67.90	74.11	85.49	85.78	86.05	86.33
Profit Margin (AIT)	0.00	0.00	37.23	49.16	55.87	61.65	67.04	76.95	77.20	77.44	77.70
Operating Income Per Share	( 0.12)	( 0.11)	0.24	0.34	0.41	0.46	0.51	0.60	0.61	0.63	0.64
Earnings Per Share	( 0.12)	( 0.11)	0.22	0.31	0.37	0.42	0.46	0.54	0.55	0.57	0.58
<b>TEST OF INVESTMENT UTILIZATION</b>											
Assets Turnover	0.00	0.00	0.20	0.24	0.27	0.29	0.30	0.31	0.32	0.32	0.33
Equity Turnover	0.00	0.00	0.60	0.52	0.44	0.36	0.31	0.31	0.32	0.32	0.33
Fixed Asset Turnover	0.00	0.00	0.25	0.27	0.29	0.30	0.31	0.32	0.34	0.35	0.36
Average Collection Period	0.00	0.00	3.00	3.01	3.01	2.99	3.01	2.98	3.00	3.01	3.01
Days Inventory	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Inventory Turnover	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Working Capital Turns	0.00	0.00	2.14	4.60	11.40	27.90	19.33	8.93	5.88	4.43	3.59
<b>TEST OF FINANCIAL CONDITION</b>											
Current Ratio	0.57	1.71	14.35	9.26	5.10	3.13	5.06	10.93	16.10	21.09	25.91
Quick Ratio	0.57	1.71	14.35	9.26	5.10	3.13	5.06	10.93	16.10	21.09	25.91
Working Capital Ratio	( 0.00)	0.00	0.10	0.05	0.02	0.01	0.02	0.03	0.05	0.07	0.09
Dividend Payout	0.00	0.00	0.32	0.22	0.19	0.17	0.15	1.00	1.00	1.00	1.00
<b>TEST OF FINANCIAL LEVERAGE</b>											
Total Assets to Equity	3.36	3.33	2.98	2.19	1.64	1.26	1.00	1.00	1.00	1.00	1.00
Debt to Equity	2.36	2.33	1.98	1.19	0.64	0.26	0.00	0.00	0.00	0.00	0.00
Debt to Total Assets	0.70	0.70	0.66	0.54	0.39	0.21	0.00	0.00	0.00	0.00	0.00
<b>Growth Performance</b>											
Total Sales Growth %			8 399.00	8.17	3.86	2.00	2.04	1.99	2.00	1.98	2.03
Operating Expense Growth %			1 714.00	( 68.55)	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Operating Profit Growth %			326.38	43.53	18.27	12.69	11.37	17.66	2.34	2.31	2.36
Net Profit (AIT) Growth %			307.22	42.82	18.05	12.56	10.95	17.06	2.34	2.29	2.37
Retained Earning Growth %			86.57	1 050.30	136.22	66.60	45.24	0.00	0.00	0.00	0.00
<b>Break-Even Analysis</b>											
Break-Even Sales Factor	0.00	0.00	1.69	2.17	2.59	3.11	3.86	6.89	7.03	7.17	7.32
Break-Even Margin	0.00	0.00	1.69	2.17	2.59	3.11	3.86	6.89	7.03	7.17	7.32

**STRIP MALL & RETAIL PARK (Study Date - 30/06/0000)**

<b>CORPORATE FINANCIAL ANALYSIS</b>											
	<b>FINANCE BUSINESS PLAN</b>										
years	(0 001)	0 000	0 001	0 002	0 003	0 004	0 005	0 006	0 007	0 008	0 009
<b>Year-End Share Capital (Common Stock) Projection</b> (in BGN '000)											
Nominal Share Capital (Common Stock)	8 000	14 250	14 250	14 250	14 250	14 250	14 250	14 250	14 250	14 250	14 250
Shares Outstanding	8 000	14 250	14 250	14 250	14 250	14 250	14 250	14 250	14 250	14 250	14 250
Nominal Value Per Share in BGN	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
Earnings Per Share in BGN	( 0.1185)	( 0.1059)	0.2194	0.3134	0.3700	0.4164	0.4620	0.5408	0.5535	0.5662	0.5796
Average Capitalization Rate in Public Sector	0.0750	0.0750	0.0750	0.0750	0.0750	0.0750	0.0750	0.0750	0.0750	0.0750	0.0750
Market Capitalization of Share in BGN	( 1.5800)	( 1.4119)	2.9258	4.1787	4.9329	5.5523	6.1605	7.2112	7.3796	7.5490	7.7277
Market Capitalization of Share Capital (Common Stock)	( 12 640)	( 20 120)	41 693	59 547	70 293	79 120	87 787	102 760	105 160	107 573	110 120
Net Book Value Per Share in BGN	0.8815	0.8276	0.9768	1.2201	1.5199	1.8661	2.2580	2.2580	2.2580	2.2580	2.2580
Net Book Value Per Share Capital (Common Stock) (Shareholders' Equity)	7 052	11 793	13 920	17 386	21 658	26 592	32 176	32 176	32 176	32 176	32 176
<b>Test of Corporate Projection</b>											
Market Capitalization of Share Capital (Common Stock)											
Net Book Value Per Share Capital (Common Stock)	(1.7924)	(1.7061)	2.9952	3.4250	3.2456	2.9753	2.7283	3.1937	3.2683	3.3433	3.4224
<b>Attention:</b>											
1. Values below 1 indicate that investments of the shareholders (partners) reduce their value, i.e. there is a process of relative market decapitalization.											
2. Values between 1 and 1,5 indicate that the minimum level of satisfactory management efficiency is achieved.											
3. Values above 1,5 indicate that investments of the shareholders (partners) multiply.											
<b>Conditions for Test Validity:</b>											
1. The Net Book Value of the Common Stock to be based on the actual (revaluated) net value of the assets at current cost convention.											
2. The Market Rating - Average Rate of Capitalization in Public Sector - not to pass through an uncommon, exceptionally high or low phase.											
<b>Altman Ratio Analysis</b>											
1.2x (1)	( 0.00)	0.00	0.11	0.06	0.03	0.01	0.02	0.04	0.06	0.09	0.11
1.4x (2)	( 0.06)	( 0.09)	( 0.01)	0.12	0.29	0.51	0.78	0.78	0.78	0.78	0.78
3.3x (3)	0.00	0.00	0.40	0.59	0.67	0.72	0.77	0.88	0.90	0.92	0.94
0.6x (4)	( 0.46)	( 0.44)	0.91	1.72	3.04	6.79	421.38	545.63	548.66	551.66	555.23
1.0x (5)	0.00	0.00	0.20	0.24	0.27	0.29	0.30	0.31	0.32	0.32	0.33
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<b>Z-Factor</b>	( 0.51)	( 0.52)	1.61	2.73	4.30	8.33	423.25	547.63	550.71	553.76	557.38
<b>Attention:</b>											
Z-Factor above 2.99 indicates financial health.											
Z-Factor between 2.99 and 1.81 is in danger zone.											
Z-Factor below 1.81 is in great financial danger.											

**STRIP MALL & RETAIL PARK (Study Date - 30/06/0000)**

<b>ROBERT MORRIS ASSOCIATES FORMAT - Financial Statement Studies Analysis</b>											
	<b>FINANCE BUSINESS PLAN</b>										
years	(0 001)	0 000	0 001	0 002	0 003	0 004	0 005	0 006	0 007	0 008	0 009
<b>ASSETS %</b>											
Cash & Equivalents	0.19	0.55	9.99	5.61	2.68	1.27	1.71	3.57	5.47	7.37	9.27
Trade Receivables (net)	0.00	0.00	0.17	0.20	0.22	0.24	0.25	0.26	0.26	0.27	0.28
Inventory	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
All Other Current	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total Current Assets	0.19	0.55	10.16	5.81	2.90	1.51	1.96	3.82	5.73	7.64	9.55
Fixed Assets (net)	90.15	89.32	82.18	87.94	92.63	96.13	98.04	96.18	94.27	92.36	90.45
Intangibles (net)	9.66	10.13	7.65	6.25	4.47	2.36	0.00	0.00	0.00	0.00	0.00
All Other Non-Current	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
TOTAL ASSETS	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
<b>LIABILITIES %</b>											
Notes Payable Short-Term Debt	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Currently Matured L/T/D	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Trade Payables	0.00	0.00	0.34	0.11	0.12	0.13	0.13	0.13	0.13	0.13	0.13
Income Taxes Payable	0.00	0.00	0.06	0.09	0.12	0.15	0.18	0.22	0.23	0.23	0.24
All Other Current	0.33	0.32	0.31	0.42	0.33	0.21	0.08	0.00	0.00	0.00	0.00
Total Current Liabilities	0.33	0.32	0.71	0.63	0.57	0.48	0.39	0.35	0.36	0.36	0.37
Long-Term Debt	69.87	69.62	65.77	53.75	38.45	20.33	0.00	0.00	0.00	0.00	0.00
Deferred Taxes	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
All Other Non-Current	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Net Worth	29.80	30.06	33.52	45.62	60.98	79.19	99.61	99.65	99.64	99.64	99.63
TOTAL LIAB. & NET WORTH	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
<b>INCOME DATA %</b>											
Net Sales	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
Gross Profits	0.00	0.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
Operating Expenses	0.00	0.00	20.41	5.93	5.71	5.60	5.49	5.38	5.28	5.17	5.07
All Other Expenses (net)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Profit Before Taxes	0.00	0.00	40.67	53.97	61.46	67.90	74.11	85.49	85.78	86.05	86.33
<b>RATIOS</b>											
Current	0.57	1.71	14.35	9.26	5.10	3.13	5.06	10.93	16.10	21.09	25.91
Quick	0.57	1.71	14.35	9.26	5.10	3.13	5.06	10.93	16.10	21.09	25.91
Sales / Receivables	0.00	0.00	119.99	119.54	119.44	120.31	119.77	120.67	120.19	119.75	119.44
Cost of Sales / Inventory	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Cost of Sales / Payables	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Sales / Working Capital	0.00	0.00	2.14	4.60	11.40	27.90	19.33	8.93	5.88	4.43	3.59
EBIT / Interest	0.00	0.00	3.19	3.54	5.17	8.76	25.51	0.00	0.00	0.00	0.00
(Net Earnings + Depreciation + Amortization) / Principal Paid on L.T. Debt	0.00	0.00	0.00	0.90	1.02	1.12	1.21	0.00	0.00	0.00	0.00
Net Fixed Assets / Net Worth	3.03	2.97	2.45	1.93	1.52	1.21	0.98	0.97	0.95	0.93	0.91
Total Debt / Net Worth	2.36	2.33	1.98	1.19	0.64	0.26	0.00	0.00	0.00	0.00	0.00
% Operating Profit / Tangible Net Worth	( 13.44)	( 12.80)	24.54	28.20	26.78	24.58	22.62	26.61	27.23	27.86	28.52
% Operating Profit / Total Assets	( 4.01)	( 3.85)	8.23	12.87	16.33	19.46	22.53	26.52	27.14	27.76	28.42
Sales / Net Fixed Assets	0.00	0.00	0.25	0.27	0.29	0.30	0.31	0.32	0.34	0.35	0.36
Sales / Total Assets	0.00	0.00	0.20	0.24	0.27	0.29	0.30	0.31	0.32	0.32	0.33
% Depr., Dep., Amort. / Sales	0.00	0.00	20.35	18.81	18.11	17.76	17.38	9.13	8.95	8.77	8.60