



Company Credit Risk Report

Demo Corporation

CVR number: 11001122

September 21, 2020

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Credit Risk Report

Demo Corporation

11001122

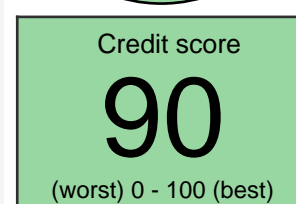
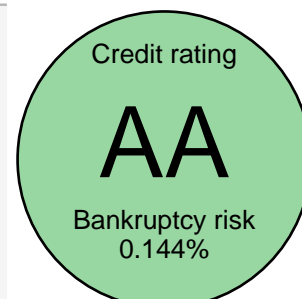
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Credit Overview

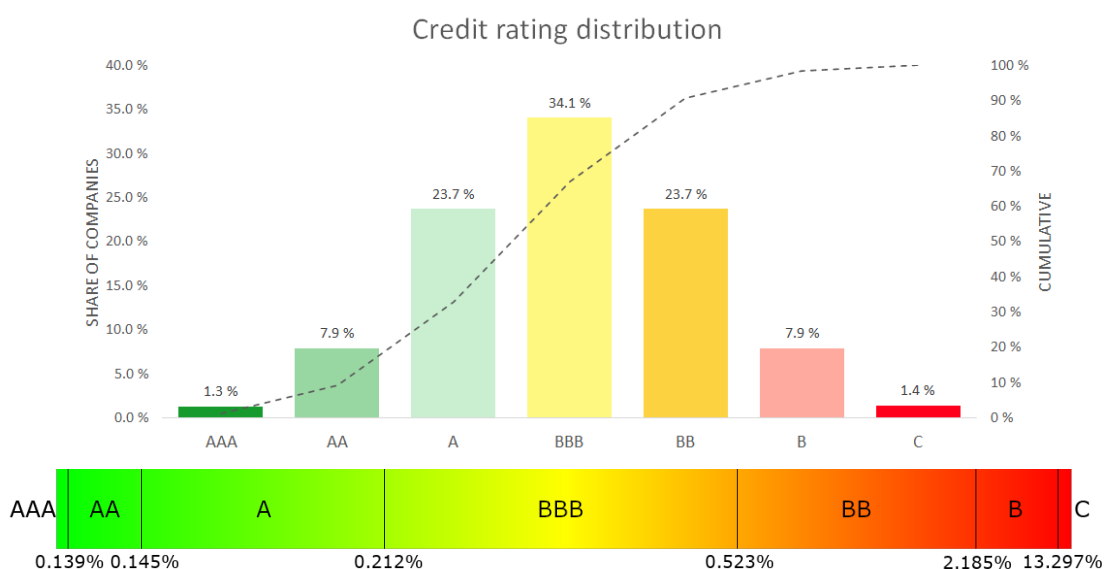
Summary

| | |
|----------------------------------|---|
| Bankruptcy risk: | 0.144% |
| Current rating (2019): | AA |
| Previous rating (2018): | BBB |
| Industry bankruptcy risk: | 0.815% |
| Industry code: | 68.10 Buying and selling of own real estate |
| Net sales (kDKK): | 4000.0 |
| Net earnings (kDKK): | 825.1 |



Credit Limit (kDKK): 59.80

Credit Rating Distribution



The credit rating of a company is based on its bankruptcy risk (for more information about how the credit risk of a company is calculated see the appendix). The picture above depicts the distribution of credit ratings. The companies with the lowest risk will achieve AAA-rating whereas the most risky companies will be given the worst rating of 'C'.

The rating is based on the bankruptcy risk in such a way that a certain share of all companies will receive a certain rating. The chart above visualizes how the credit ratings are distributed, so for example the top 1.3% of companies (or companies at or above the 987th permille) will receive a 'AAA' rating and companies whose bankruptcy risk falls between the 500-767 permilles will receive a 'BBB' rating.

The credit score is simply the rank of the company in question with respect to all other companies. The scale of our credit score is 0-100, where 100 is the company that is least likely to go bankrupt and 0 is the company that is most likely to go bankrupt.

CreditReports.dk does not take responsibility of the validity of the credit limit or any other numbers presented in the report. The limit should be used solely as an indicative credit limit. The credit decisions should be based on a thorough analysis of the company's creditworthiness.

Company Overview & Credit History

Company Overview

| | |
|---------------------------|---|
| Municipality: | Kobenhavn |
| Postal code: | 1799 |
| Address: | Centralgade 123 |
| Website: | https://www.creditreports.dk |
| CVR number: | 11001122 |
| Registration date: | 36526 |
| Industry code: | 68.10 Buying and selling of own real estate |

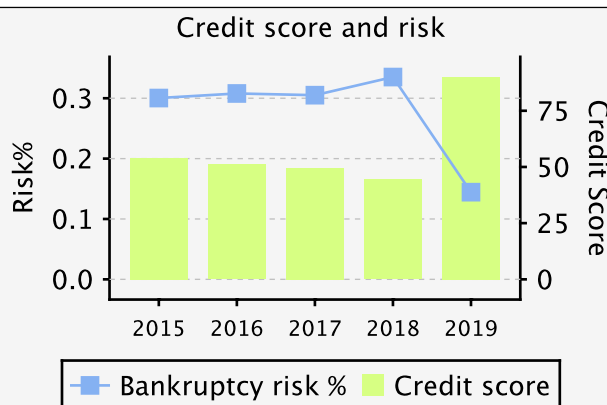
Credit Analysis

| | | | |
|--|-------|---------------------------------|--------|
| Equity ratio (%) | 94.2% | Bankruptcy risk | 0.144% |
| Interest bearing liabilities (kDKK) | 0.0 | Credit rating | AA |
| ROA-% | 4.2% | Credit score | 90 |
| Net sales growth | 1.8% | Industry bankruptcy risk | 0.82% |

Demo Corporation have a good equity ratio which is at 94%, but their other financials are not that great. They have had low growth, which is indicated by an average annual gross profit growth of 0% over the last three years. They also have not been so great in terms of profitability, since their ROI was 4% last year. Because of the good equity ratio that Demo Corporation have, their financial situation is not alarming, but Demo Corporation definitely have room to improve with regards to their growth and profitability.

Credit History

| Year | Credit score | Credit rating | Bankruptcy risk |
|------|--------------|---------------|-----------------|
| 2019 | 90 | AA | 0.144% |
| 2018 | 44 | BBB | 0.335% |
| 2017 | 50 | BBB | 0.305% |
| 2016 | 51 | BBB | 0.308% |
| 2015 | 54 | BBB | 0.300% |



The credit score refers to a company's risk relative to other companies. The value ranges from 0 to 100, and the higher the score the lower the risk. For example, a credit score of 78 means that the company in question has a lower risk than 78 % of all companies. A credit score is showed in addition to the rating, as some rating classes can cover a wide range of credit scores.

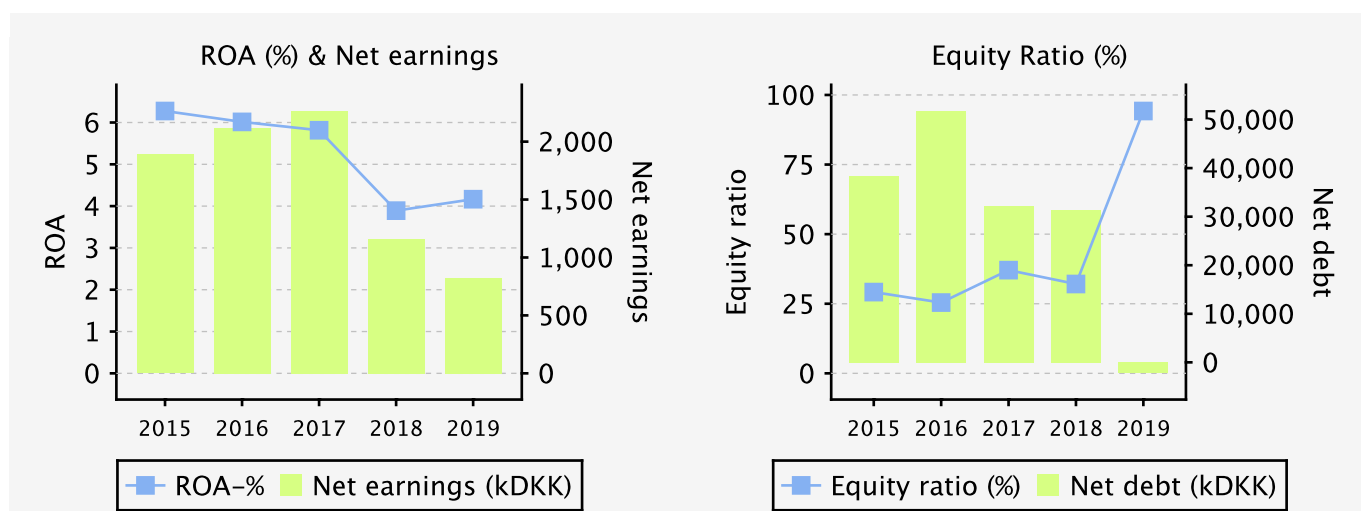
Financial overview

Financial overview (kDKK)

| | 2015 | 2016 | 2017 | 2018 | 2019 | 2020e | 2021e | 2022e |
|------------------------------|---------|---------|---------|---------|---------|---------|---------|---------|
| Net sales | 3931.2 | 3925.9 | 3946.0 | 3929.7 | 4000.0 | 4027.3 | 4076.9 | 4115.9 |
| EBITDA | 3452.5 | 3503.3 | 3323.1 | 2170.7 | 1320.2 | 2218.4 | 2127.6 | 2028.7 |
| EBIT | 3534.1 | 3378.3 | 3323.1 | 2170.7 | 1320.2 | 2218.4 | 2127.6 | 2028.7 |
| Pre-tax profit (PTP) | 1888.8 | 2116.6 | 2264.3 | 1161.7 | 825.1 | 1723.3 | 1632.5 | 1533.6 |
| Net earnings | 1888.8 | 2116.6 | 2264.3 | 1161.7 | 825.1 | 1378.6 | 1306.0 | 1226.9 |
| Net debt | 38333.6 | 51753.9 | 32132.2 | 31335.6 | -2258.8 | -2530.9 | -2638.8 | -2746.1 |
| Balance sheet total (assets) | 56310.9 | 56015.8 | 58284.0 | 53269.9 | 10116.0 | 11601.7 | 11821.4 | 12016.6 |

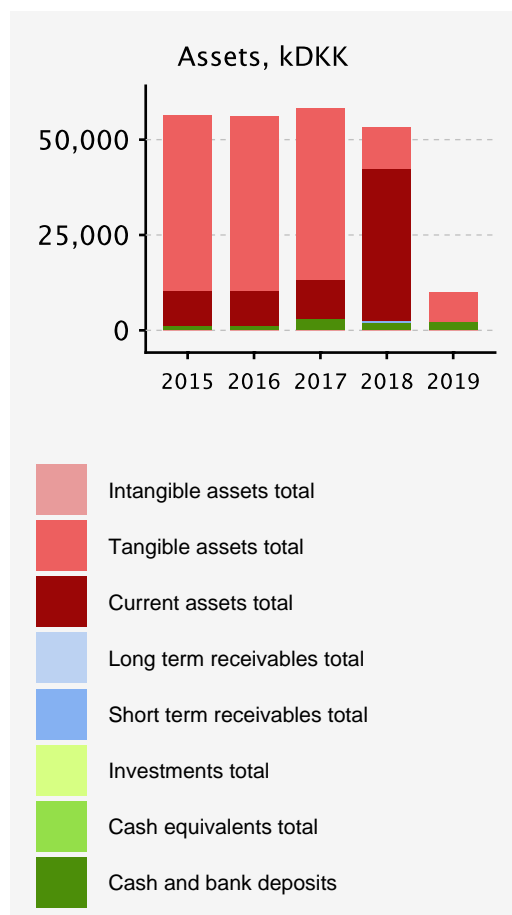
KEY RATIOS

| | 2015 | 2016 | 2017 | 2018 | 2019 | 2020e | 2021e | 2022e |
|----------------------------------|---------|---------|---------|---------|---------|---------|---------|---------|
| Equity ratio (%) | 29.2% | 25.4% | 37.1% | 32.1% | 94.2% | 88.4% | 88.4% | 88.5% |
| Relative indebtedness (%) | 1014.3% | 1014.3% | 1014.3% | 1014.3% | 1014.3% | 1014.3% | 1014.3% | 1014.3% |
| Relative net indebtedness (%) | 983.2% | 1326.1% | 851.3% | 866.2% | -41.9% | -29.3% | -31.2% | -33.2% |
| Gearing (%) | 233.2% | 285.0% | 148.7% | 183.3% | -23.7% | -24.7% | -25.2% | -25.8% |
| ROA-% | 6.3% | 6.0% | 5.8% | 3.9% | 4.2% | 20.4% | 18.2% | 17.0% |
| Financing costs (%) | 3.4% | 2.7% | 2.4% | 2.9% | 3.0% | 0.0% | 0.0% | 0.0% |
| Quick ratio | 0.9 | 0.9 | 2.2 | 0.8 | 3.9 | 1.9 | 1.9 | 2.0 |
| Current ratio | 7.0 | 7.0 | 9.0 | 14.3 | 3.9 | 1.9 | 1.9 | 2.0 |
| Cash and cash equivalents (kDKK) | 1222.3 | 1201.2 | 3081.1 | 2139.2 | 2258.8 | 1443.0 | 1460.8 | 1474.7 |



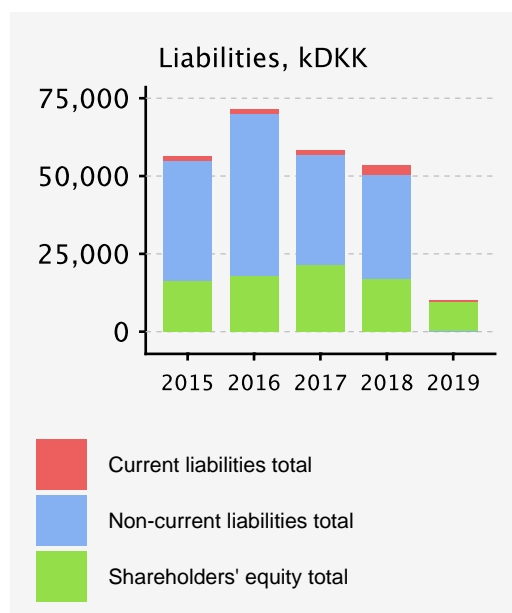
Balance Sheet Overview

Assets overview (kDKK)



| | 2015 | 2016 | 2017 | 2018 | 2019 |
|-------------------------------------|----------------|----------------|----------------|----------------|----------------|
| Intangible assets total | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| <i>Intangible assets %</i> | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Tangible assets total | 45968.8 | 45758.0 | 45092.3 | 10939.6 | 7843.2 |
| <i>Tangible assets %</i> | 81.6% | 81.7% | 77.4% | 20.5% | 77.5% |
| Current assets total | 9000.0 | 9000.0 | 10000.0 | 39838.0 | 0.0 |
| <i>Current assets %</i> | 16.0% | 16.1% | 17.2% | 74.8% | 0.0% |
| Long term receivables total | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| <i>Non-current receivables %</i> | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Short term receivables total | 119.8 | 56.6 | 110.6 | 353.1 | 14.0 |
| <i>Current receivables %</i> | 0.2% | 0.1% | 0.2% | 0.7% | 0.1% |
| Investments total | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| <i>Investments %</i> | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Cash equivalents total | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| <i>Cash equivalents %</i> | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Cash and bank deposits | 1222.3 | 1201.2 | 3081.1 | 2139.2 | 2258.8 |
| <i>Cash and bank deposits %</i> | 2.2% | 2.1% | 5.3% | 4.0% | 22.3% |
| Balance sheet total (assets) | 56310.9 | 56015.8 | 58284.0 | 53269.9 | 10116.0 |

Liabilities overview (kDKK)



| | 2015 | 2016 | 2017 | 2018 | 2019 |
|--|----------------|----------------|----------------|----------------|----------------|
| Shareholders' equity total | 16436.1 | 18157.7 | 21608.5 | 17092.7 | 9532.1 |
| <i>Equity %</i> | 29.2% | 25.4% | 37.1% | 32.1% | 94.2% |
| Non-current liabilities total | 38389.7 | 51795.8 | 35213.3 | 33207.8 | 0.0 |
| <i>Non-current liabilities %</i> | 68.2% | 72.5% | 60.4% | 62.3% | 0.0% |
| Current liabilities total | 1485.0 | 1467.5 | 1461.8 | 2969.1 | 583.4 |
| <i>Current liabilities %</i> | 2.6% | 2.1% | 2.5% | 5.6% | 5.8% |
| Balance sheet total (liabilities) | 56310.8 | 71421.0 | 58283.7 | 53269.6 | 10115.5 |

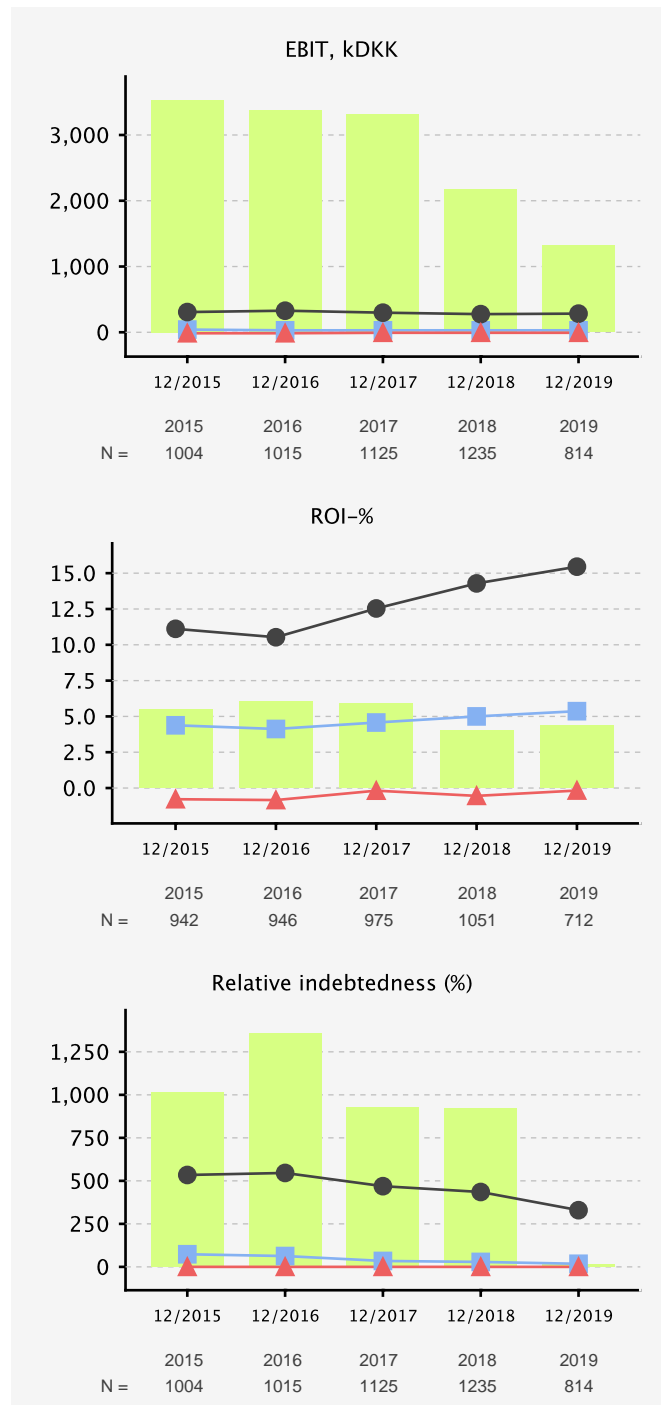
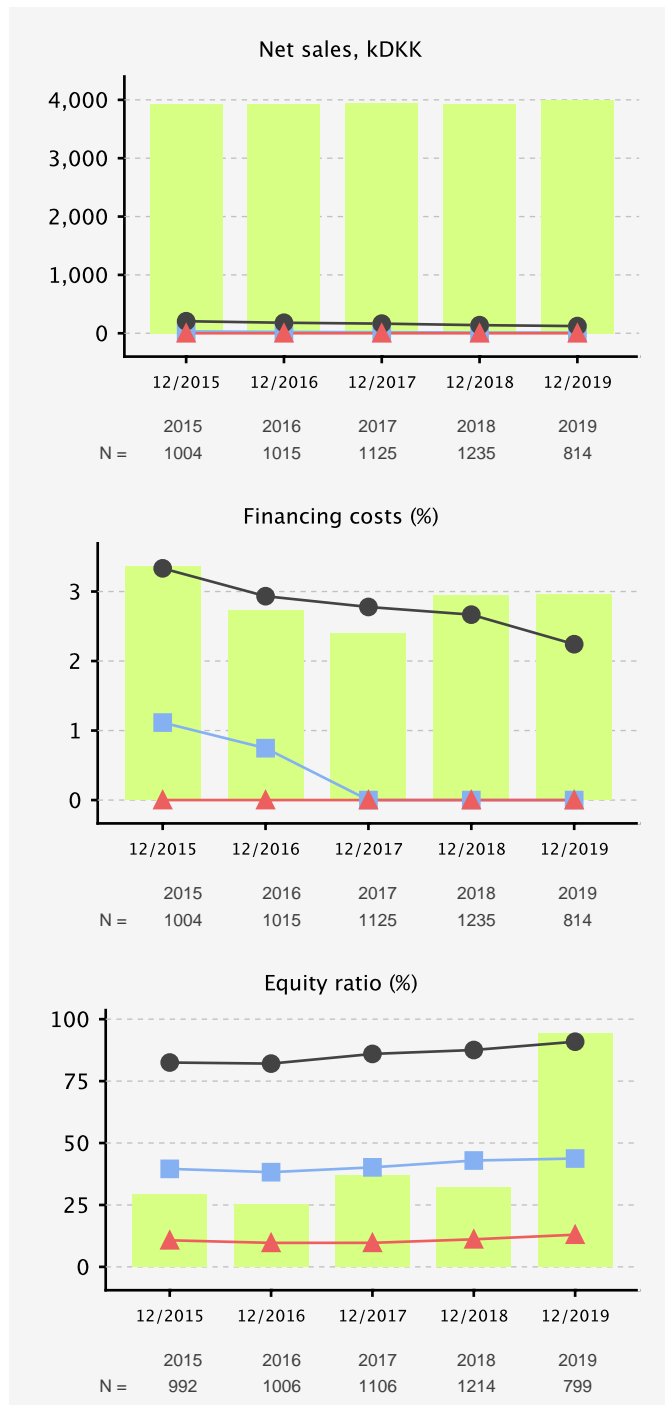
Industry Comparison

Demo Corporation

68.10 Buying and selling of own real estate

Comparison group

68.10 Buying and selling of own real estate



N = size of the comparison group in each year

mm/yyyy = fiscal year end (company), yyyy = fiscal year (comparison group)

- **Company**
- **Upper quartile** The number above which lies the top 25% of the data (largest values)
- **Median** The midmost observation (or average of two observations) in the data set, i.e. 50% of observations
- ▲ **Lower quartile** The number below which lies the bottom 25% of the data (smallest values)

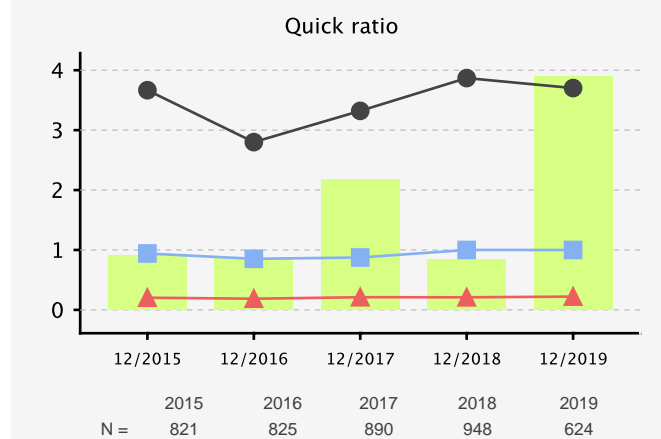
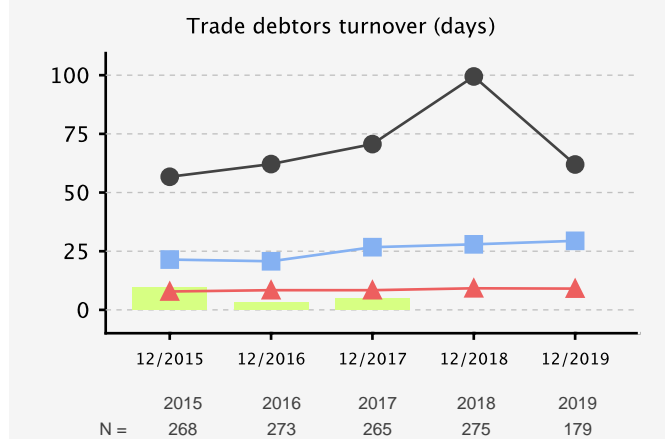
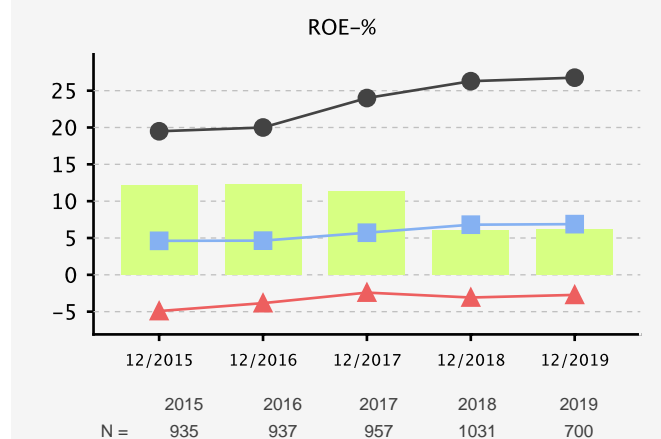
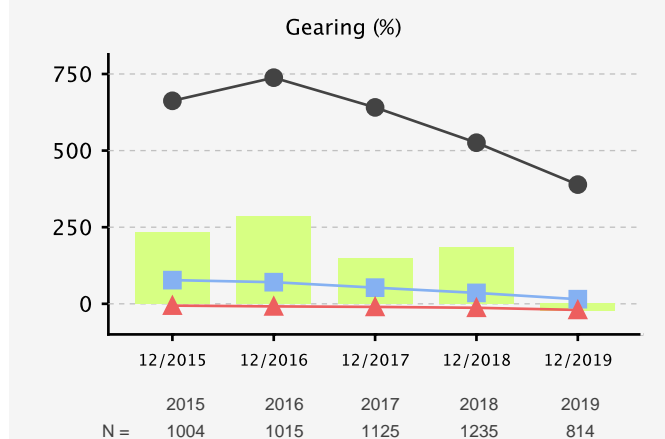
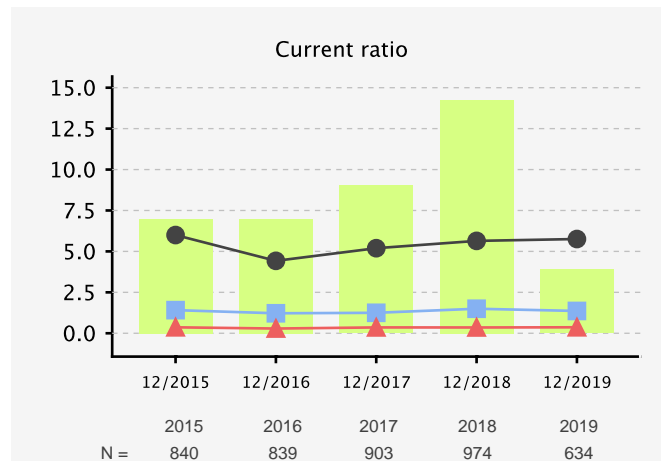
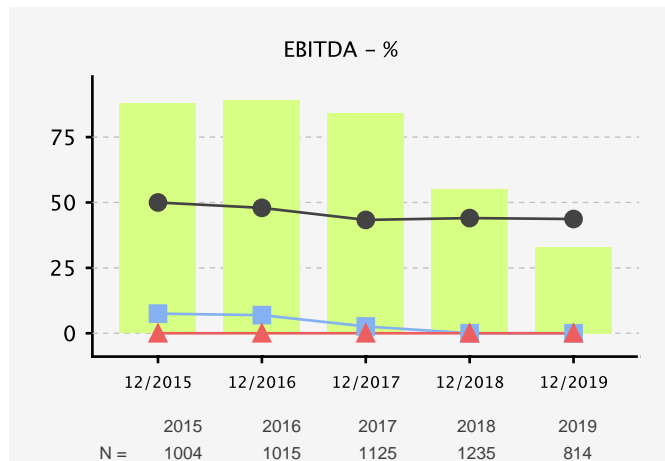
Industry Comparison

Demo Corporation

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Key Ratios

Profitability

| | 2015 | 2016 | 2017 | 2018 | 2019 | 2020e | 2021e | 2022e |
|--------------------------------------|-------|-------|-------|-------|-------|-------|-------|-------|
| EBITDA - % | 87.8% | 89.2% | 84.2% | 55.2% | 33.0% | 55.1% | 52.2% | 49.3% |
| EBIT - % | 89.9% | 86.1% | 84.2% | 55.2% | 33.0% | 55.1% | 52.2% | 49.3% |
| Net Earnings % | 48.0% | 53.9% | 57.4% | 29.6% | 20.6% | 34.2% | 32.0% | 29.8% |
| Profit before dep. and eo. items (%) | 46.0% | 57.1% | 57.4% | 29.6% | 20.6% | 34.2% | 24.0% | 22.4% |
| Pre tax profit less eo. % | 48.0% | 53.9% | 57.4% | 29.6% | 20.6% | 42.8% | 40.0% | 37.3% |
| ROA-% | 6.3% | 6.0% | 5.8% | 3.9% | 4.2% | 20.4% | 18.2% | 17.0% |
| ROI-% | 5.5% | 6.0% | 5.9% | 4.0% | 4.4% | 22.4% | 20.6% | 19.2% |
| ROE-% | 12.2% | 12.2% | 11.4% | 6.0% | 6.2% | 13.9% | 12.6% | 11.6% |

Solvency

| | 2015 | 2016 | 2017 | 2018 | 2019 | 2020e | 2021e | 2022e |
|-------------------------------|--------|--------|--------|--------|--------|--------|--------|--------|
| Equity ratio (%) | 29.2% | 25.4% | 37.1% | 32.1% | 94.2% | 88.4% | 88.4% | 88.5% |
| Relative indebtedness (%) | 101430 | 135672 | 929416 | 920590 | 14585. | 101430 | 33546. | 33546. |
| Relative net indebtedness (%) | 983.2% | 1326.1 | 851.3% | 866.2% | -41.9% | -29.3% | -31.2% | -33.2% |
| Gearing (%) | 233.2% | 285.0% | 148.7% | 183.3% | -23.7% | -24.7% | -25.2% | -25.8% |
| Financing costs (%) | 3.4% | 2.7% | 2.4% | 2.9% | 3.0% | 0.0% | 0.0% | 0.0% |

Liquidity

| | 2015 | 2016 | 2017 | 2018 | 2019 | 2020e | 2021e | 2022e |
|----------------------------------|--------|--------|--------|--------|--------|--------|--------|--------|
| Quick ratio | 0.9 | 0.9 | 2.2 | 0.8 | 3.9 | 1.9 | 1.9 | 2.0 |
| Current ratio | 7.0 | 7.0 | 9.0 | 14.3 | 3.9 | 1.9 | 1.9 | 2.0 |
| Cash and cash equivalents (kDKK) | 1222.3 | 1201.2 | 3081.1 | 2139.2 | 2258.8 | 1443.0 | 1460.8 | 1474.7 |
| Cash ratio | 2.2% | 1.7% | 5.3% | 4.0% | 22.3% | 0.0% | 12.4% | 12.3% |

Capital use efficiency

| | 2015 | 2016 | 2017 | 2018 | 2019 | 2020e | 2021e | 2022e |
|--------------------------------|--------|--------|--------|--------|--------|-------|-------|-------|
| Trade debtors turnover (days) | 9486.5 | 3174.3 | 4703.5 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Current assets / Net Sales (%) | 228.9% | 229.2% | 253.4% | 1013.8 | 0.0% | 0.0% | 0.0% | 0.0% |
| Net working capital (kDKK) | 8857.1 | 8790.4 | 11729. | 39361. | 1689.4 | 106.1 | 107.4 | 108.4 |
| Net working capital (%) | 225.3% | 223.9% | 297.3% | 1001.6 | 42.2% | 2.6% | 2.6% | 2.6% |

Turnover ratios

| | 2015 | 2016 | 2017 | 2018 | 2019 | 2020e | 2021e | 2022e |
|-----------------|------|------|------|------|------|-------|-------|-------|
| Assets turnover | 0.1 | 0.1 | 0.1 | 0.1 | 0.5 | 0.5 | 0.4 | 0.4 |

Financial statements

Income statement (kDKK)

| | 2015 | 2016 | 2017 | 2018 | 2019 | 2020e | 2021e | 2022e |
|---|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Net sales | 3931.2 | 3925.9 | 3946.0 | 3929.7 | 4000.0 | 4027.3 | 4076.9 | 4115.9 |
| Social security expenses | -276.2 | -178.2 | -356.5 | -284.7 | -222.9 | -150.5 | -162.2 | -173.6 |
| Other operating expenses | -202.6 | -244.4 | -266.4 | -1474.3 | -580.4 | -391.8 | -422.2 | -452.0 |
| Reduction in value of non-current assets | 81.6 | -125.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| EBIT | 3534.1 | 3378.3 | 3323.1 | 2170.7 | 1320.2 | 2218.4 | 2127.6 | 2028.7 |
| Other financial income | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Other financial expenses | -1645.3 | -1261.7 | -1058.8 | -1009.0 | -495.1 | -495.1 | -495.1 | -495.1 |
| Pre tax profit less extra ordinaries | 1888.8 | 2116.6 | 2264.3 | 1161.7 | 825.1 | 1723.3 | 1632.5 | 1533.6 |
| Pre-tax profit (PTP) | 1888.8 | 2116.6 | 2264.3 | 1161.7 | 825.1 | 1723.3 | 1632.5 | 1533.6 |
| Net earnings | 1888.8 | 2116.6 | 2264.3 | 1161.7 | 825.1 | 1378.6 | 1306.0 | 1226.9 |

Financial statements

Balance sheet - Assets (kDKK)

| | 2015 | 2016 | 2017 | 2018 | 2019 | 2020e | 2021e | 2022e |
|-------------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Intangible assets total | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Buildings | 45968.8 | 45758.0 | 45092.3 | 10939.6 | 7843.2 | 9056.7 | 9168.3 | 9256.1 |
| Tangible assets total | 45968. | 45758. | 45092. | 10939. | 7843.2 | 9056.7 | 9168.3 | 9256.1 |
| Investments total | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Other stocks | 9000.0 | 9000.0 | 10000.0 | 39838.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Current assets total | 9000.0 | 9000.0 | 10000. | 39838. | 0.0 | 0.0 | 0.0 | 0.0 |
| Long term receivables total | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Current trade debtors | 102.2 | 34.1 | 50.8 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Current other receivables | 17.7 | 22.5 | 8.9 | 109.2 | 12.6 | 12.7 | 12.8 | 13.0 |
| Prepayments and accrued income | 0.0 | 0.0 | 50.8 | 243.9 | 1.4 | 1.4 | 1.5 | 1.5 |
| Short term receivables total | 119.8 | 56.6 | 110.6 | 353.1 | 14.0 | 14.1 | 14.3 | 14.4 |
| Cash equivalents total | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Cash and bank deposits | 1222.3 | 1201.2 | 3081.1 | 2139.2 | 2258.8 | 1443.0 | 1460.8 | 1474.7 |
| Cash (generated) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 1087.9 | 1178.0 | 1271.3 |
| Balance sheet total (assets) | 56310. | 56015. | 58284. | 53269. | 10116. | 11601. | 11821. | 12016. |

Financial statements

Balance sheet - Liabilities (kDKK)

| | 2015 | 2016 | 2017 | 2018 | 2019 | 2020e | 2021e | 2022e |
|--|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Share capital | 6051.4 | 5656.4 | 5276.4 | 5076.4 | 76.4 | 76.4 | 76.4 | 76.4 |
| Retained earnings | 10384.7 | 12501.3 | 14067.9 | 10854.6 | 8630.6 | 8795.7 | 9071.4 | 9332.6 |
| Profit of the financial year | 0.0 | 0.0 | 2264.3 | 1161.7 | 825.1 | 1378.6 | 1306.0 | 1226.9 |
| Shareholders' equity total | 16436. | 18157. | 21608. | 17092. | 9532.1 | 10250. | 10453. | 10635. |
| Appropriations total | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Non-current loans from credit institutions | 38389.7 | 51795.8 | 35213.3 | 33207.8 | 0.0 | 0.0 | 0.0 | 0.0 |
| Non-current liabilities total | 38389. | 51795. | 35213. | 33207. | 0.0 | 0.0 | 0.0 | 0.0 |
| Current loans from credit institutions | 1166.1 | 1159.3 | 0.0 | 267.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Other current creditors | 318.9 | 308.2 | 1461.8 | 2702.1 | 583.4 | 1351.0 | 1367.7 | 1380.7 |
| Current liabilities total | 1485.0 | 1467.5 | 1461.8 | 2969.1 | 583.4 | 1351.0 | 1367.7 | 1380.7 |
| Balance sheet total (liabilities) | 56310. | 71421. | 58283. | 53269. | 10115. | 11601. | 11821. | 12016. |

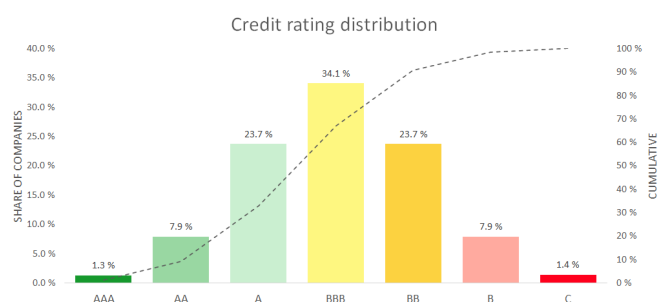
Credit Rating, Score, and Limit

Appendix

Credit rating

Credit rating is a way to classify companies into larger groups, making it easy to quickly compare a given company to all the others in our database. In our system, the credit rating is based on the bankruptcy risk of a company. The companies with higher risks have lower credit ratings and the low-risk companies have high ratings. We use the standard seven rating categories that range from AAA-C where AAA is the category containing companies with the lowest bankruptcy risks and C is the category containing companies with the highest bankruptcy risks. Each rating class contains of a certain fixed share of all companies in the system. The distribution of companies to different rating classes is illustrated in the graph below. It must also be noted that if the company has data for only few historical years, then the estimation of bankruptcy risk will be more imprecise.

Credit Risk Distribution



Credit score

The credit score refers to a company's risk relative to other companies. The value ranges from 0 to 100, and the higher the score the lower the risk. For example, a credit score of 78 means that the company in question has a lower risk than 78 % of all companies. A credit score is showed in addition to the rating, as some rating classes can cover a wide range of credit scores.

Credit limit

The credit limit provided in the report is an approximation on how much credit should be extended to a company. It is based on the bankruptcy risk of a company, but also its potential to meet the credit obligations. Thus, it also takes the solvency as well as the company's ability to generate cash flows into account.

Bankruptcy risk

While bankruptcy risk models based on logistic regression are relatively easy to understand and are good for visualizing the bankruptcy risk, they have the downfall of using constant weights for variables that are included in the model. That is why we have invested countless of hours into the development of state-of-the-art machine-learning models for bankruptcy risk estimation. Compared to regression models, machine learning models are much more versatile and can observe more complex and dynamic relationships between different variables.

Currently we utilize the Gradient boosting model using XGBoost library, which was used to obtain the best results in testing. Other models we studied include neural networks and random forest models. To learn more about our bankruptcy risk assessment methodology visit <https://www.creditreports.dk/credit-risk-assessment-methods/>

Vocabulary

Appendix

| | |
|----------------------------|---|
| Accounting period | A period over which a financial statement is made. Usually 12 months starting from January and ending in December, but other options are possible. |
| Accounts payables turnover | Tells how many days it takes on average for a company to pay back its supply purchases. |
| Asset turnover ratio | The ratio between a company's net sales and the average total assets. |
| Assets | The side of a company's balance sheet that tells what it owns. Divided into current and non-current assets. |
| Balance sheet | Balance sheet provides information about what a company owns and how it is financed at the end of its accounting period. |
| Bankruptcy risk | The probability of a company going bankrupt. Calculated using statistical models. |
| Cash ratio | The ratio of cash and cash equivalents to current liabilities. |
| Credit limit | A suggested maximum limit of credit for a company based on its credit risk profile. |
| Credit rating | An evaluation of the credit risk of a company. Usually in grade letter form, e.g., A or B. |
| Credit risk | The risk of a company not being able to meet its financial obligations, leading to defaults. |
| Credit score | An evaluation of a company's credit risk, based on different risk measures and functions. |
| Current assets | Assets which are meant to be owned by the firm for a maximum of one accounting period. E.g. inventories. |
| Current ratio | Measures a company's ability to cover its short-term debts with liquid assets. Calculated by dividing current assets by current liabilities. |
| EBIT | Earnings before Interest and Tax. Net sales minus expenses excluding tax and interest. |
| EBITDA | Earnings before Interest, Taxes, Depreciation and Amortization. Net sales minus expenses excluding taxes, interest and depreciation & amortization. |
| Equity | Equity is the amount of money invested into a company plus its retained earnings. |
| Equity & Liabilities | The side of the balance sheet which tells how assets are financed. |
| Equity ratio | The ratio between equity and balance sheet total. |
| Financial assets | Tangible assets in a liquid form that is used in the daily operations. |
| Financial costs | The costs associated with the company's financing. For example, interest payments and other costs related to loans. |
| Financial ratio | Measures used to assess a company's financial position. |
| Gearing | Measures a company's financial leverage. Interest-bearing net debt divided by equity. |
| Goodwill | An intangible asset which provides a competitive advantage, such as a strong brand or reputation. In an acquisition, goodwill appears on the balance sheet of the acquirer in the |
| Gross investment | The monetary value of investments made within an accounting period. |
| Gross margin | A measure of profitability calculated by subtracting variable and fixed costs from net sales. |
| Industry | Companies that operate in a similar line of business form an industry. In practice, industry definitions and boundaries are vague. |

Vocabulary

Appendix

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| Intangible assets | Assets which do not physically exist but are valuable nonetheless, e.g., brand value. |
| Interest coverage ratio | The ratio between EBIT and interest expense. Measures how easily a company is able to pay interest on its outstanding debt. |
| Interest expense | Interest payments incurred by debt financing. |
| Interest income | Interest payments received from lending to other entities. |
| Interest-bearing debt | A debt which requires interest payments. E.g. a bank loan. |
| Interest-bearing net debt | A company's total interest-bearing debt minus cash and cash equivalents. |
| Inventories | Goods ready to be sold or to be sold later; in other words finished and unfinished goods + raw materials used to produce them. |
| Inventory turnover ratio | The ratio between cost of goods sold and average inventory. Measures how many times a company has sold and replaced its inventory during an accounting period. |
| Liabilities | Financing obtained from outside the company and must be paid back. |
| Liquidity | Company's liquidity describes its ability to meet its financial obligations with liquid assets. |
| Long term | In business accounting measures long-term often refers to a time period longer than 12 months. In investment measures long-term refers to a time period longer than 7-10 years. |
| Long term receivables | Receivables which are due in more than 12 months. |
| Medium term | In investment measures medium-term often refers to a time period lasting up to ten years. |
| Net earnings | A company's total earnings. Revenues minus all the expenses. The amount left for shareholders. |
| Net investment | The amount of investments which increase the capacity. Gross investments minus depreciations. |
| Net sales | The monetary value of sales during an accounting period minus value-added tax. |
| Non-cash charge | Charges which do not have a cash flow effect but affect the income statement and/or balance sheet. |
| Non-current assets | Assets which are intended to be owned by the company for more than one accounting period. |
| Non-interest-bearing debt | Debt for which a firm does not have to pay interest. E.g. accounts payable. |
| Operating profit | Net sales minus variable and fixed costs and depreciation & amortization. See EBIT. |
| Operative cash flow | The cash flow generated by a company's operations. |
| Quick ratio | Measures a company's ability to cover its short-term debts with liquid assets. Calculated by dividing liquid assets by current liabilities. |
| Receivables turnover | Tells how many days it takes on average for customers to deliver the cash payment for their purchases. |
| Relative indebtedness | Measures the extent to which a company's operations are financed with debt. Total debt divided by sales. |
| Retained earnings | Earnings that are not paid out to shareholders but kept within the company and used to finance its operations. |
| Return on assets | Measures how much returns are generated to capital providers (both equity and debt). Calculated by dividing EBIT by total assets. |

Vocabulary

Appendix

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| Return on equity | Measures the rate of return for an equity investment. Calculated by dividing net earnings by equity. |
| Risk | The uncertainty involved in every business. In practice, risk can be observed from the unexpected fluctuation in a company's returns. |
| ROA | See return on assets. |
| ROE | See return on equity. |
| ROI | Tells us how much returns an investment generates. |
| Shareholder's equity | The amount of equity on the balance sheet. Constitutes of invested money and retained earnings. |
| Short term | A period less than 12 months. |
| Short term receivables | Receivables which are due in less than 12 months. |
| Tangible assets | Assets that are physical in nature. E.g. machinery. Compare to intangible assets. |
| Tax rate | The tax rate used to calculate annual taxes. |
| Working capital | The part of a company's capital that is needed to maintain day-to-day operations. Calculated as the difference between current assets and current liabilities. |

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