Company Credit Risk Report

Demo Corporation

CVR number: 11001122

August 05, 2021

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Credit Risk Report
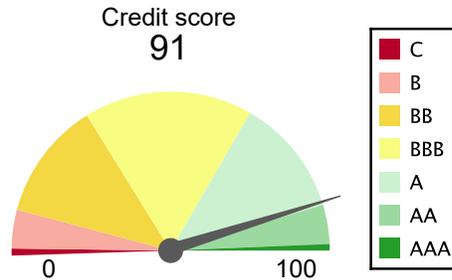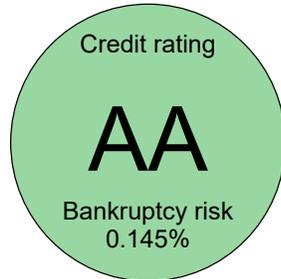
Demo Corporation

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<div style="background:#3b3bdb; text-align:center"><h2>Credit Overview</h2></div>

Credit rating

AA

Bankruptcy risk
0.145%

Credit score
91

■	C
■	B
■	BB
■	BBB
■	A
■	AA
■	AAA

0   100

Bankruptcy risk:	0.145%	**Credit score**	91
Current rating (2019):	AA	**Credit Limit (kDKK):**	59.80
Previous rating (2018):	BBB	**Net sales (kDKK):**	4000.0
Industry bankruptcy risk:	0.621%	**Net earnings (kDKK):**	825.1
Industry code:	68.10 Buying and selling of own real estate		

Credit rating distribution

AAA	AA	A	BBB	BB	B	C
	0.139% 0.145%	0.212%	0.523%		2.185% 13.297%	
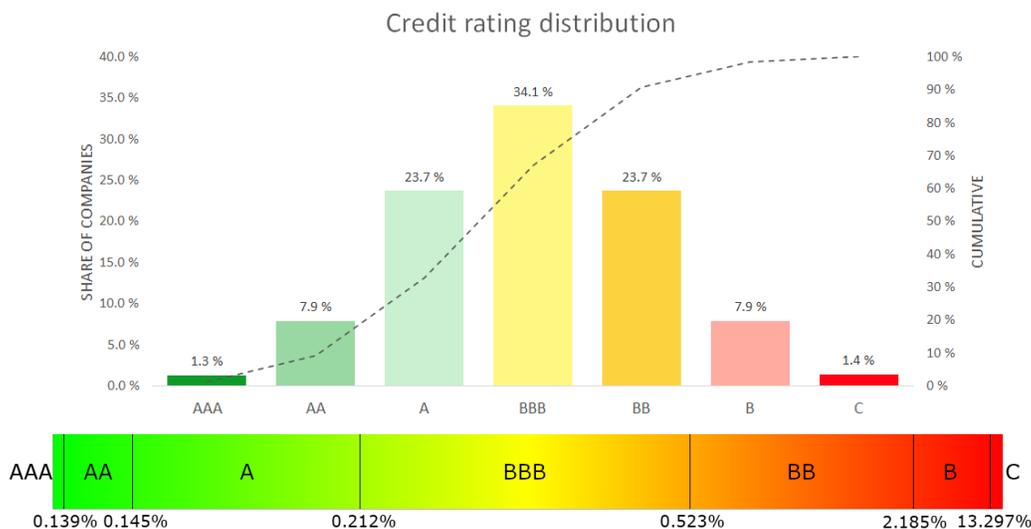
The credit rating of a company is based on its bankruptcy risk (for more information about how the credit risk of a company is calculated see the appendix). The picture above depicts the distribution of credit ratings. The companies with the lowest risk will achieve AAA-rating whereas the most risky 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.

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Credit risk visualizations & explanations

The image below displays a sample of all Danish companies by representing each selected company with a small colored dot. It illustrates the distribution of their credit risk ratings with respect to overall profitability and solvency measured by ROA and Equity ratio, respectively. The colors indicate a specific level of credit risk. For example, companies exhibiting the highest credit risk are indicated by a red dot, while companies with the lowest credit risk are represented by a dark green dot.

The company in question is highlighted with a blue marker to visualize its financial position in terms of profitability and solvency. A company's credit risk can differ significantly from other companies in the same area of the graph. Text below the image will provide a detailed explanation for any possible deviations and its underlying reasons to the best extent possible. Alternatively, the text may also indicate that the company is categorized as a "typical" case, meaning its credit risk aligns with the credit risk of other companies with similar financial position.
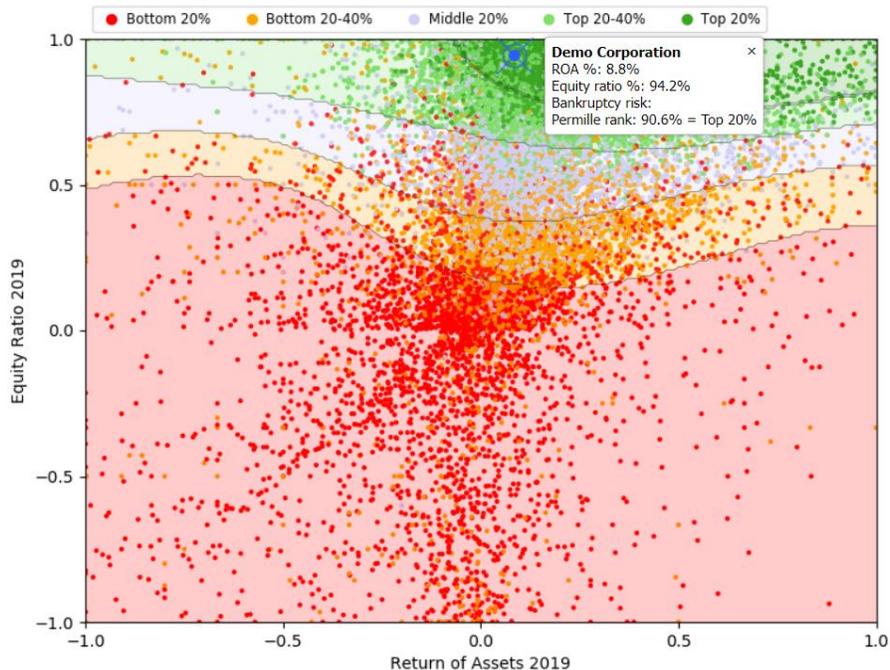
Automatically generated text

Based on the visualization above, it can be determined that Demo Corporation has achieved a satisfactory level of profitability and maintains an excellent level of solvency. For instance, in 2019, the company recorded a ROA-% of 8.8 % and exhibited an impressive equity ratio of 94.2 %. The net sales for 2019 were 4,000 kEUR, reflecting a modest growth rate of 2.4 % compared to the previous year. Additionally, as indicated by an outstanding quick ratio of 3.9x at the end of 2019, the company possesses enough liquid assets to overcome any near-term challenges. Furthermore, the company operates within an industry that has a lower-than-average credit risk.

Considering these factors, among others, our credit risk model has assessed that the company bears a very low bankruptcy risk of 0.14 %, which corresponds to a credit rating of AA (excellent). This is lower than the average bankruptcy risk within the industry (0.6 %). This is a very typical assessment for companies with similar levels of profitability and solvency.

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Company Overview & Credit History

Company Overview

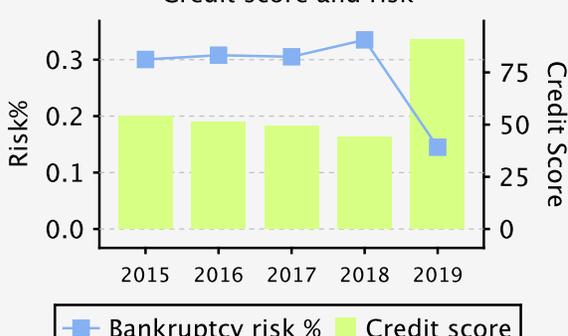|	
Municipality:	Kobenhavn
Postal code:	1799
Address:	Centralgade 123
Website:	https://www.creditreports.dk
CVR number:	11001122
Registration date:	36526
Industry code:	68.10 Buying and selling of own real estate

Credit Analysis

Equity ratio (%)	94.2%	**Bankruptcy risk**	0.145%
Interest bearing liabilities (kDKK)	0.0	**Credit rating**	AA
ROA-%	4.2%	**Credit score**	91
Net sales growth	1.8%	**Industry bankruptcy risk**	0.62%

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	91	AA	0.145%
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.
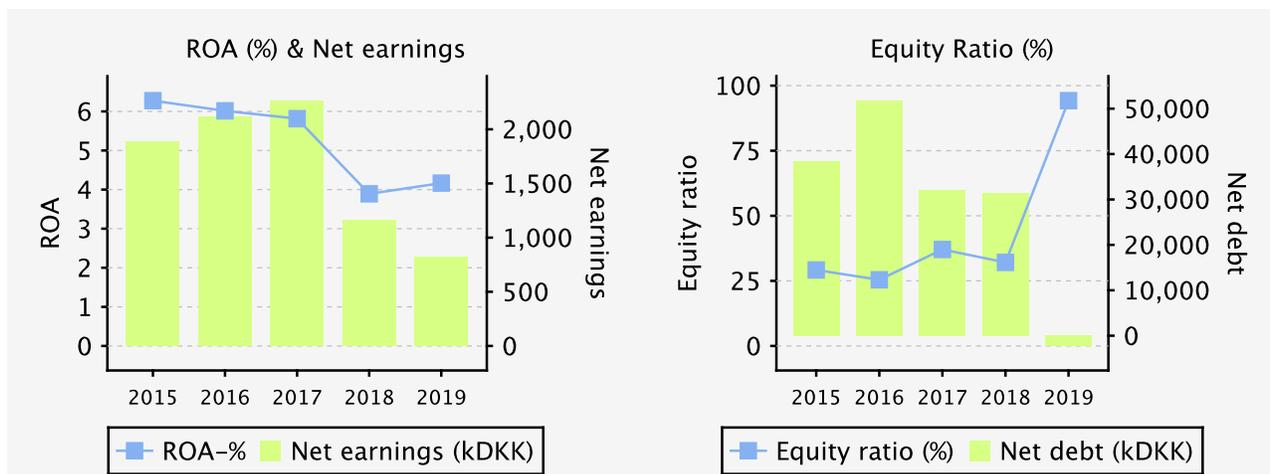
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Financial overview

Financial overview (kDKK)

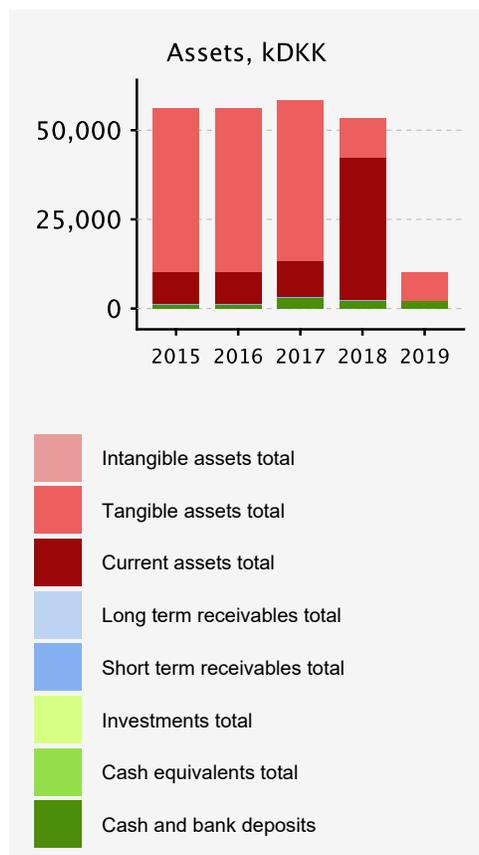|	2015	2016	2017	2018	2019	2020e	2021e	2022e
Net sales	3931.2	3925.9	3946.0	3929.7	4000.0	4027.3	4076.9	4115.9
EBITDA	3452.5	3503.3	3323.1	2170.7	1320.2	2218.4	2136.0	2045.7
EBIT	3534.1	3378.3	3323.1	2170.7	1320.2	2218.4	2136.0	2045.7
Pre-tax profit (PTP)	1888.8	2116.6	2264.3	1161.7	825.1	1723.3	1640.9	1550.6
Net earnings	1888.8	2116.6	2264.3	1161.7	825.1	1378.6	1312.7	1240.5
Net debt	38333.6	51753.9	32132.2	31335.6	-2258.8	-2530.9	-2645.5	-2761.0
Balance sheet total (assets)	56310.9	56015.8	58284.0	53269.9	10116.0	11601.7	11828.1	12031.5

KEY RATIOS

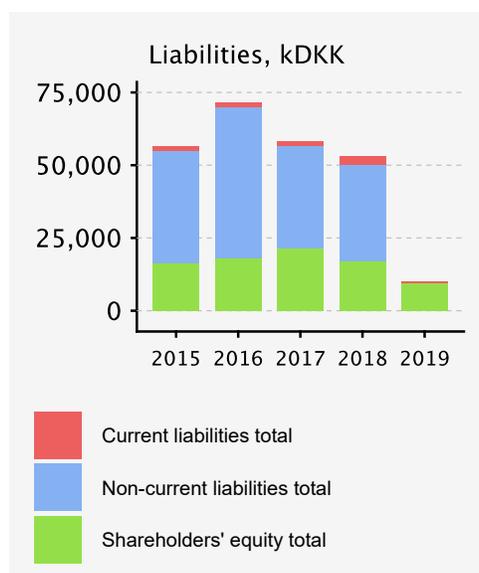|	2015	2016	2017	2018	2019	2020e	2021e	2022e
Equity ratio (%)	29.2%	25.4%	37.1%	32.1%	94.2%	88.4%	88.4%	88.5%
Relative indebtedness (%)	1014.3%	1014.3%	1014.3%	1014.3%	1014.3%	1014.3%	1014.3%	1014.3%
Relative net indebtedness (%)	983.2%	1326.1%	851.3%	866.2%	-41.9%	-29.3%	-31.3%	-33.5%
Gearing (%)	233.2%	285.0%	148.7%	183.3%	-23.7%	-24.7%	-25.3%	-25.9%
ROA-%	6.3%	6.0%	5.8%	3.9%	4.2%	20.4%	18.2%	17.1%
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	2274.2	2302.2	2324.3

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Balance Sheet Overview

Assets overview (kDKK)

Assets, kDKK

- Intangible assets total
- Tangible assets total
- Current assets total
- Long term receivables total
- Short term receivables total
- Investments total
- Cash equivalents total
- Cash and bank deposits

	2015	2016	2017	2018	2019
Intangible assets total	0.0	0.0	0.0	0.0	0.0
Intangible assets %	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*
Tangible assets total	45968.8	45758.0	45092.3	10939.6	7843.2
Tangible assets %	*81.6%*	*81.7%*	*77.4%*	*20.5%*	*77.5%*
Current assets total	9000.0	9000.0	10000.0	39838.0	0.0
Current assets %	*16.0%*	*16.1%*	*17.2%*	*74.8%*	*0.0%*
Long term receivables total	0.0	0.0	0.0	0.0	0.0
Non-current receivables %	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*
Short term receivables total	119.8	56.6	110.6	353.1	14.0
Current receivables %	*0.2%*	*0.1%*	*0.2%*	*0.7%*	*0.1%*
Investments total	0.0	0.0	0.0	0.0	0.0
Investments %	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*
Cash equivalents total	0.0	0.0	0.0	0.0	0.0
Cash equivalents %	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*
Cash and bank deposits	1222.3	1201.2	3081.1	2139.2	2258.8
Cash and bank deposits %	*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)

Liabilities, kDKK

- Current liabilities total
- Non-current liabilities total
- Shareholders' equity total

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

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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)

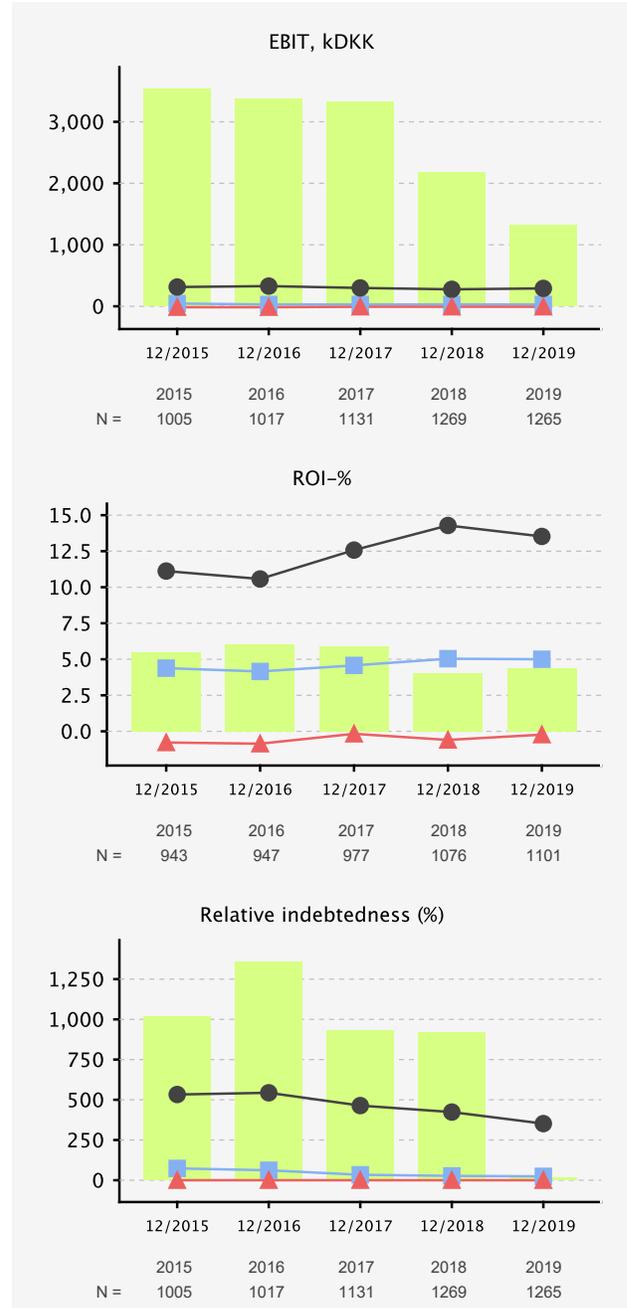# Demo Corporation

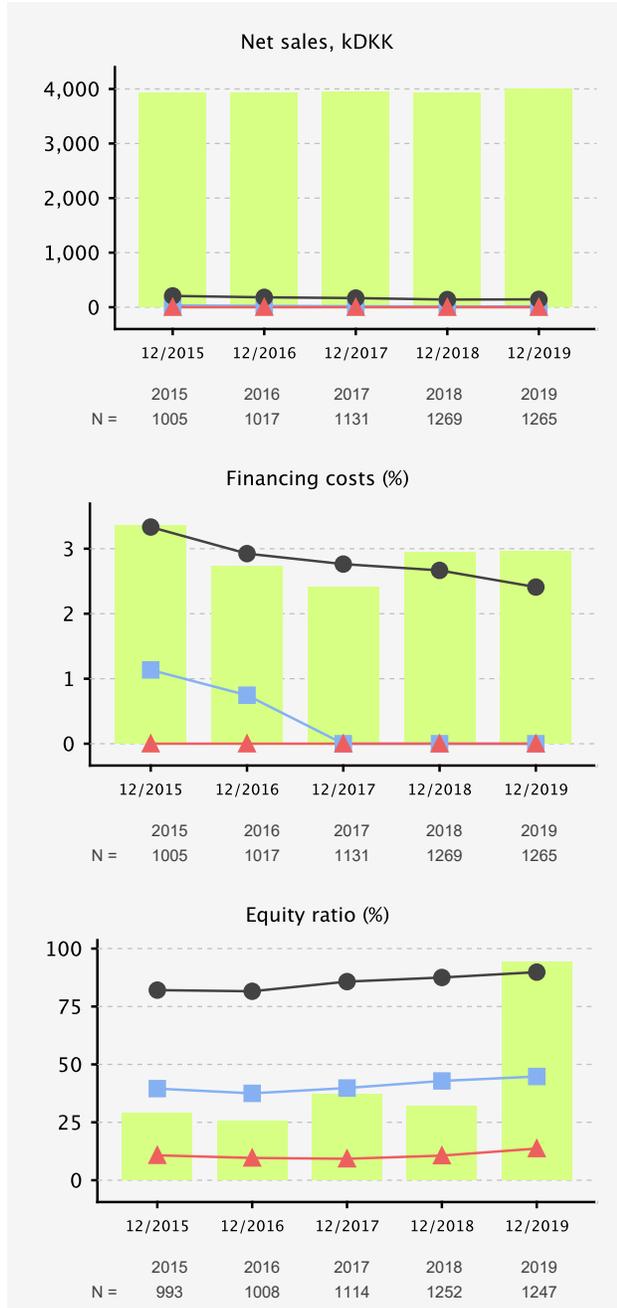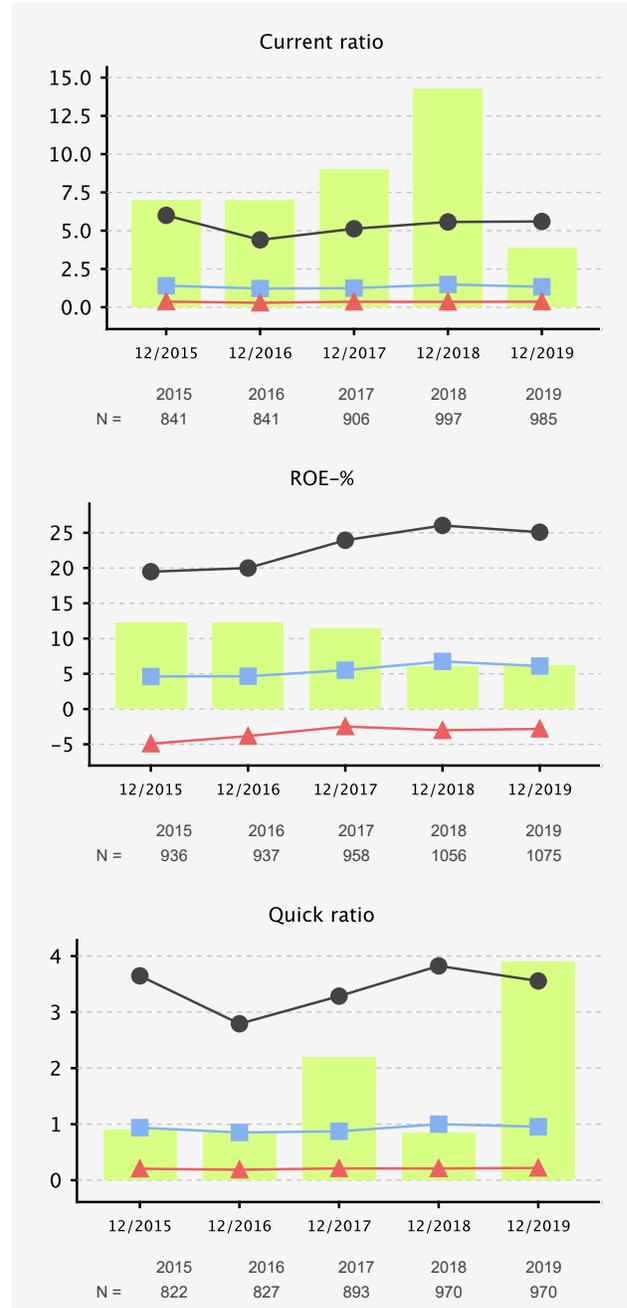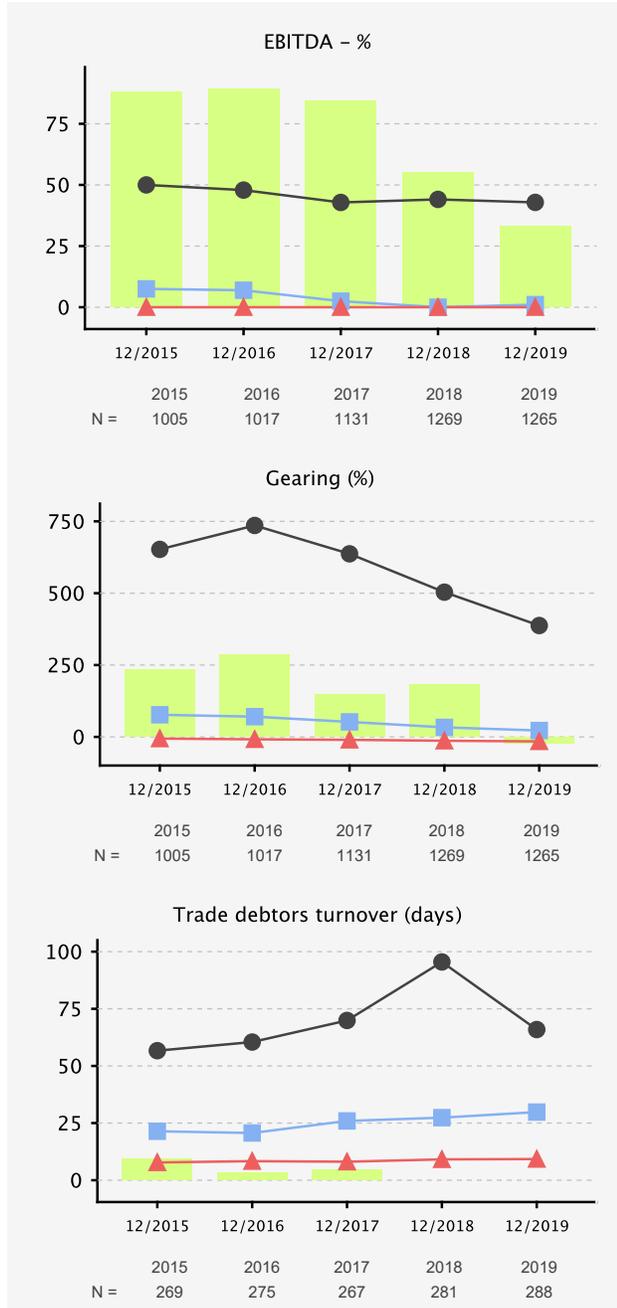11001122

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Industry Comparison

Demo Corporation

68.10 Buying and selling of own real estate

Comparison group

68.10 Buying and selling of own real estate

EBITDA – %

	2015	2016	2017	2018	2019
N =	1005	1017	1131	1269	1265

Current ratio

	2015	2016	2017	2018	2019
N =	841	841	906	997	985

Gearing (%)

	2015	2016	2017	2018	2019
N =	1005	1017	1131	1269	1265

ROE–%

	2015	2016	2017	2018	2019
N =	936	937	958	1056	1075

Trade debtors turnover (days)

	2015	2016	2017	2018	2019
N =	269	275	267	281	288

Quick ratio

	2015	2016	2017	2018	2019
N =	822	827	893	970	970

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)

Key Ratios

Profitability

	2015	2016	2017	2018	2019	2020e	2021e	2022e
EBITDA - %	87.8%	89.2%	84.2%	55.2%	33.0%	55.1%	52.4%	49.7%
EBIT - %	89.9%	86.1%	84.2%	55.2%	33.0%	55.1%	52.4%	49.7%
Net Earnings %	48.0%	53.9%	57.4%	29.6%	20.6%	34.2%	32.2%	30.1%
Profit before dep. and eo. items (%)	46.0%	57.1%	57.4%	29.6%	20.6%	34.2%	24.1%	22.6%
Pre tax profit less eo. %	48.0%	53.9%	57.4%	29.6%	20.6%	42.8%	40.2%	37.7%
ROA-%	6.3%	6.0%	5.8%	3.9%	4.2%	20.4%	18.2%	17.1%
ROI-%	5.5%	6.0%	5.9%	4.0%	4.4%	22.4%	20.6%	19.4%
ROE-%	12.2%	12.2%	11.4%	6.0%	6.2%	13.9%	12.7%	11.8%

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%	-31.3%	-33.5%
Gearing (%)	233.2%	285.0%	148.7%	183.3%	-23.7%	-24.7%	-25.3%	-25.9%
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	2274.2	2302.2	2324.3
Cash ratio	2.2%	1.7%	5.3%	4.0%	22.3%	0.0%	19.5%	19.3%

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	937.3	948.9	958.0
Net working capital (%)	225.3%	223.9%	297.3%	1001.6	42.2%	23.3%	23.3%	23.3%

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	-161.5	-172.2
Other operating expenses	-202.6	-244.4	-266.4	-1474.3	-580.4	-391.8	-420.4	-448.4
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**	**2136.0**	**2045.7**
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**	**1640.9**	**1550.6**
Pre-tax profit (PTP)	**1888.8**	**2116.6**	**2264.3**	**1161.7**	**825.1**	**1723.3**	**1640.9**	**1550.6**
Net earnings	**1888.8**	**2116.6**	**2264.3**	**1161.7**	**825.1**	**1378.6**	**1312.7**	**1240.5**

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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	2274.2	2302.2	2324.3
Cash (generated)	0.0	0.0	0.0	0.0	0.0	256.7	343.3	436.7
Balance sheet total (assets)	**56310.**	**56015.**	**58284.**	**53269.**	**10116.**	**11601.**	**11828.**	**12031.**

Financial statements

Balance sheet - Liabilities (kDKK)

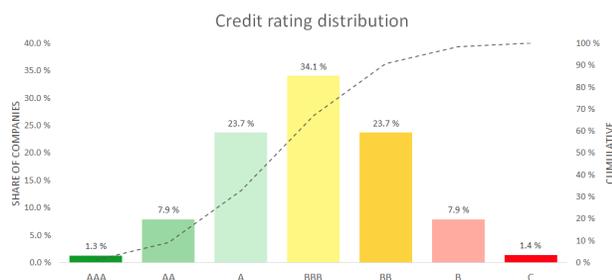|	2015	2016	2017	2018	2019	2020e	2021e	2022e
Share capital	6051.4	5656.4	5276.4	5076.4	76.4	76.4	76.4	76.4
Retained earnings	10384.7	12501.3	14067.9	10854.6	8630.6	8795.7	9071.4	9333.9
Profit of the financial year	0.0	0.0	2264.3	1161.7	825.1	1378.6	1312.7	1240.5
Shareholders' equity total	**16436.**	**18157.**	**21608.**	**17092.**	**9532.1**	**10250.**	**10460.**	**10650.**
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.**	**11828.**	**12031.**

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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 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/

Credit Risk Distribution

Credit rating distribution

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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

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

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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