



A86045 Accounting and Financial Reporting (2018/2019)

Session 3

Financial Analysis: EPS and Segments

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SESSION 3 OBJECTIVES & OVERVIEW



Session 3 Overview

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	135

Course Overview

PGS	1. Financial reporting under IFRS	13. Inventories	PT PGS
	2. Financial analysis: Ratio analysis	14. Construction contracts	
	3. Financial analysis: Segments and EPS	15. Non-financial liabilities	
	4. Review session	16. Review session	
PT	5. Revenues	17. Mid term test	
	6. Costs and expenses	18. Financial Instruments 1	
	7. Taxation - Direct and Indirect	19. Financial Instruments 2	
	8. Non-current assets - Intangible assets	20. Cash Flow Statement	
	9. Non-current assets - Tangible assets	21. Group accounts/Business comb	
	10. Financial leases	22. Review session	
	11. Impairment of assets	23. Final test	
	12. Review session		

Objectives of Session 3

At the end of this session session students will be able to:

- **Apply** the basic techniques of financial analysis
 - Ratio analysis
 - Trend analysis
 - Common size analysis
- **Perform** a high level assessment of a company's:
 - Profitability
 - Liquidity
 - Efficiency
 - Investment
- **Calculate** Basic EPS, Fully diluted EPS and the weighted average of shares outstanding
- **Understand** what an Operating segment is and a Reportable segment is and the disclosures required by IFRS 8



SESSION 2 RECAP AND PRE-WORK

Session 2 summary

- Recap Session 1 and the 4 basic financial statements
- Financial analysis
- Ratio analysis (profitability, liquidity, efficiency and investment)
- Ratio, trend and common size analysis
- Reading, research and assignment for next session



Required Reading and research assignment

- Reading
 - Melville
 - Chapter 22 – Ratio Analysis (26 pages)
 - IFRS
 - None
- Exercises
 - Melville Exercises 22.1 – 22.6
 - Melville On-line multiple choice questions for the above chapter
 - Exercise EX 2 Financial Analysis Exercises
- Research assignment
 - European companies in the Top Global 100 companies using IFRS
 - RA 2 Data collection template for chosen companies
 - Calculate the profitability, liquidity, efficiency and investment ratios
 - Perform a three year trend analysis of the Profit and loss accounts
 - Perform a two year comparison of the statement of financial position
 - Identify reasons for significant fluctuations from the Company's Annual Report



RATIO ANALYSIS

Ratio analysis

- Profitability
 - Gross margin
 - Operating margin
 - Net profit margin
 - Return on capital employed (ROCE)
 - Return on equity (ROE)
- Liquidity
 - Current ratio
 - Quick ratio (acid test)
- Efficiency
 - Asset turnover
 - Inventory turnover (DOI)
 - Accounts receivable turnover (DSO)
 - Accounts payable turnover (DPO)
- Investment ratios
 - Earnings per share (EPS)
 - Price earnings ratio (P/E)
 - Dividend cover
 - Dividend yield
 - Capital Gearing/Leverage
 - Interest cover

Ratios are useful to understand a company's situation. However, they can be even more useful if we compare and confront them both over time and with other companies.

Ratios can also help understand what is going on within a business through segmental analysis



TREND ANALYSIS



Trend analysis

2013

2012

2011

- Profitability
 - Gross margin
 - Operating margin
 - Net profit margin
 - Return on capital employed (ROCE)
 - Return on equity (ROE)
- Liquidity
 - Current ratio
 - Quick ratio (acid test)
- Efficiency
 - Asset turnover
 - Inventory turnover /DOI
 - Accounts receivable turnover/DSO
 - Accounts payable turnover/DPO
- Investment ratios
 - Earnings per share (EPS)
 - Price earnings ratio (P/E)
 - Dividend cover
 - Dividend yield
 - Capital Gearing/Leverage
 - Interest cover



COMMON SIZE ANALYSIS

Common size analysis

Company 1

Company 2

Company 3

- Profitability
 - Gross margin
 - Operating margin
 - Net profit margin
 - Return on capital employed (ROCE)
 - Return on equity (ROE)
- Liquidity
 - Current ratio
 - Quick ratio (acid test)
- Efficiency
 - Asset turnover
 - Inventory turnover /DOI
 - Accounts receivable turnover/DSO
 - Accounts payable turnover/DPO
- Investment ratios
 - Earnings per share (EPS)
 - Price earnings ratio (P/E)
 - Dividend cover
 - Dividend yield
 - Capital Gearing/Leverage
 - Interest cover



EARNING PER SHARE – IAS 33

Significance of EPS

- EPS is widely used as a means of assessing a company's financial performance
- EPS feeds into the **Price/Earnings ratio**, which is an important indicator of investment potential
- EPS is the **only ratio** which is defined by an international standard (IAS33)

Scope of IAS33

- IAS33 applies only to companies whose shares are **publicly traded**.
- The **consolidated financial statements** of a group of companies disclose EPS for the group as a whole.

Calculation of Basic EPS

Profit or loss for the period attributable to ordinary shareholders*

Weighted average number of ordinary shares outstanding during the period

* i.e. Excludes profit or loss attributable to non-controlling interests.
Also after any preference dividends on preference shares

Basic EPS - example

Continuing operations

	£'000s
Profit before tax	650
Taxation	<u>(200)</u>
Profit from continuing operations	450

Discontinued operations

Profit from discontinued operations	<u>70</u>
Profit for the period	520

1. The company's issued share capital consists of 500,000 10% Preference shares of £1 each and one million ordinary shares of £1 each.

2. A preference dividend of £50,000 was paid during the year.

$$\frac{\text{£520,000} - \text{£50,000}}{1,000,000} = 47\text{p per share} \quad \text{EPS}$$

$$\frac{\text{£450,000} - \text{£50,000}}{1,000,000} = 40\text{p per share} \quad \text{EPS - Continuing operations}$$



Calculation of the weighted average number of shares

- a). No. of shares outstanding at beginning of the period
plus
- b). No. of shares issued during the period x a time weighting factor
less
- c). No. of any shares bought back by the company (if any) x time weighting factor.



Example – Weighted average calculation

On 1 January 2017, a company's issued share capital consisted of 60,000 ordinary £1 shares. On 1 March 2017, the company issued 30,000 ordinary shares. On 1 October 2017, the company bought back 10,000 ordinary shares. Both the share issue and the buy-back were made at full market price.

Calculate the weighted average number of ordinary shares outstanding in the year to 31 December 2017.

$$60,000 + (30,000 \times 10/12) - (10,000 \times 3/12) = 82,500 \text{ shares.}$$

OR

$$(60,000 \times 2/12) + (90,000 \times 7/12) + (80,000 \times 3/12) = 82,500 \text{ shares.}$$

Calculation of Diluted EPS

Diluted EPS is the EPS figure that would arise if all *dilutive potential ordinary shares* were issued.

- Potential ordinary shares generally occur in connection with **convertible loan stocks** and **share options**.
- Shares are regarded as dilutive if the effect of their issue would be to reduce basic EPS.

Diluted EPS must be disclosed for the previous accounting period as well as for the current accounting period.

IAS33 presentation and disclosure requirements

- **Basic EPS** and **diluted EPS** must be presented in the statement of comprehensive income.
- EPS figures must be presented even if they are **negative** (i.e. if there is a loss per share).
- The **earnings figures** used in EPS calculations must be **disclosed and reconciled** to the profit or loss shown in the financial statements.
- The **weighted average number of shares** used in the calculation of basic EPS and diluted EPS must be **disclosed and reconciled** to each other.



SEGMENT ANALYSIS – IFRS 8

Segmental Analysis

IFRS 8 Definition of an operating segment

An Operating Segment is a component of an entity:

- a) That engages in **business activities** from which it may earn **revenues and incur expenses***
- b) Whose operating results are regularly reviewed by the company's **Chief Operating Decision Maker** to make decisions about resources to be allocated to the segment and to assess its performance*
- c) For which **discrete financial information** is available*

Reportable Segment

A single or combined operating segment which meets *any* of the following quantitative thresholds:

- I. **Revenue** is at least 10% of total revenue
- II. **Profit or loss** is at least 10% of combined profit or loss of all reportable segments
- III. **Assets** are at least 10% of total assets

If reportable segments do not cover **at least 75%** of total external revenues, additional segments must be identified until this threshold is met.



Disclosures required by IFRS8

- General information
- Information about reportable segments
- Reconciliations
- Entity-wide information

General information

An entity should disclose the factors used to identify its reportable segments and the types of products or services from which each reportable segment earns its revenues.

The way in which the entity is organised internally should be made clear.

The entity should also disclose whether or not any operating segments have been combined for segment reporting purposes.



Information about reportable segments

- Segment profit or loss

and, if provided to the chief operating decision maker:

- Segment total assets
- Segment total liabilities
- Segment external and internal revenue
- Segment interest expense and interest revenue
- Segment depreciation and amortisation
- Segment tax expense or income
- Segment non-cash items other than depreciation and amortisation (if material)
- Segment additions to non-current assets

Reconciliations

- total revenue of reportable segments to the entity's revenue
- total profit or loss of reportable segments to the entity's profit or loss
- total assets of reportable segments to the entity's assets
- total liabilities of reportable segments to the entity's liabilities

Entity-wide information

- revenue for each product or service (or each group of products or services)
- revenue and non-current assets for the entity's home country and (in total) for all foreign countries
- if any single customer accounts for at least 10% of total external revenue, the amount of revenue derived from each such "major customer"



SM 1 - Segmental analysis - LVMH

€ millions	Group	Wines & Spirits	Fashion & Leather Goods	Perfumes & Cosmetics	Watches & Jewelry	Selective Retailing	Other and Holding Companies	Eliminations and not allocated	Total
Sales outside the Group	42,636	5,051	15,422	4,534	3,722	13,272	635		42,636
Intra-group sales		33	50	1,026	83	39	16	(1,247)	0
Total revenue	42,636	5,084	15,472	5,560	3,805	13,311	651	(1,247)	42,636
Cost of Sales	(14,783)								
	27,853								
Marketing and selling expenses	(16,395)								
General and administrative expenses	(3,162)								
Income (loss) from JVs and associates	(3)								
Profit from recurring operations	8,293	1,558	4,905	600	512	1,075	(309)	(48)	8,293
Other operating income and expenses	(180)	(18)	(29)	(8)	(90)	(42)	7		(180)
Operating profit	8,113	1,540	4,876	592	422	1,033	(302)	(48)	8,113
Depreciation and amortisation expense		(159)	(669)	(254)	(223)	(452)	(65)		(1,822)
Impairment expense		1			(50)	(58)	(2)		(109)
Cost of net financial debt	(62)								
Other financial income and expenses	(117)								
Net financial income and expenses	(179)								
Income taxes	(2,318)								
Net profit before minority interests	5,616								
Minority interests	(487)								
Net profit, group share	5,129								
Gross Margin	65%								
Operating margin	19%	30%	32%	11%	11%	8%	-46%	4%	19%
Net profit margin	13%								
Intangible assets and goodwill	30,228	6,277	12,583	1,280	5,684	3,348	1,056		30,228
Property, plant & equipment	13,206	2,740	3,058	607	537	1,701	4,570	(7)	13,206
Inventories	10,908	5,115	1,905	634	1,420	2,111	16	(293)	10,908
Other operating assets	14,208	1,449	1,235	1,108	598	845	1,279	7,694	14,208
Total assets	68,550	15,581	18,781	3,629	8,239	8,005	6,921	7,394	68,550
Operating profit on total assets	12%	10%	26%	16%	5%	13%	-4%	-1%	12%



RESEARCH ASSIGNMENT 2

Research assignment 2

- Bayer
- L'Oreal
- LVMH
- Nestlé
- Shell
- Unilever

1. Calculate the profitability, liquidity, efficiency and investment ratios
2. Perform a three year trend analysis of the Profit and loss accounts
3. Perform a two year comparison of the statement of financial position
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SM 2 RA 2 Template

Research assignment template
Company

Income Statement

	% Change On PY	2016 € millions	% Change On PY	2015 € millions	2014 € millions
Net sales	#DIV/0!		#DIV/0!		
Other revenues	#DIV/0!		#DIV/0!		
Total revenues	#DIV/0!	<u>0</u>	#DIV/0!	<u>0</u>	<u>0</u>
Cost of sales	#DIV/0!		#DIV/0!		
Gross profit	#DIV/0!	<u>0</u>	#DIV/0!	<u>0</u>	<u>0</u>
Operating expenses	#DIV/0!		#DIV/0!		
Research & development	#DIV/0!		#DIV/0!		
Selling, general and administrative expenses	#DIV/0!		#DIV/0!		
Depreciation, amortization and provisions	#DIV/0!		#DIV/0!		
Other income (expense)	#DIV/0!		#DIV/0!		
Operating profit	#DIV/0!	<u>0</u>	#DIV/0!	<u>0</u>	<u>0</u>
Finance income (expense)	#DIV/0!		#DIV/0!		
Share of result of associated companies	#DIV/0!		#DIV/0!		
Pre-tax profit	#DIV/0!	<u>0</u>	#DIV/0!	<u>0</u>	<u>0</u>
Income tax	#DIV/0!		#DIV/0!		
Net profit continuing operations	#DIV/0!	<u>0</u>	#DIV/0!	<u>0</u>	<u>0</u>
Discontinued operations	#DIV/0!		#DIV/0!		
Net profit	#DIV/0!	<u><u>0</u></u>	#DIV/0!	<u><u>0</u></u>	<u><u>0</u></u>

Profitability

Gross margin (Gross profit/Revenues)	%	#DIV/0!	#DIV/0!	#DIV/0!
Operating margin (Operating profit/Revenues)	%	#DIV/0!	#DIV/0!	#DIV/0!
Net profit margin (Net profit/Revenues)	%	#DIV/0!	#DIV/0!	#DIV/0!
Return on equity (Net profit/Shareholders' equity)	%	#DIV/0!	#DIV/0!	#DIV/0!
Return on Capital employed (PBIT/Shareholders' equity + Long-term debt)	%	#DIV/0!	#DIV/0!	#DIV/0!

Liquidity

Current ratio (Current assets/Current liabilities)	Ratio:1	#DIV/0!	#DIV/0!
Quick ratio (Current assets - inventory/Current liabilities)	Ratio:1	#DIV/0!	#DIV/0!

Efficiency ratios

Asset Turnover (Sales/Non-current assets)	Times	#DIV/0!	#DIV/0!
Inventory holding period (DOI) (Cost of sales/inventory x 365)	Days	#DIV/0!	#DIV/0!
Inventory turnover (Cost of sales/inventory)	Times	#DIV/0!	#DIV/0!
Trade receivables collection period (DSO)	Days	#DIV/0!	#DIV/0!
Trade payable payment period (DPO)	Days	#DIV/0!	#DIV/0!

Investment ratios

Earnings per share (EPS) (Net Profit/Weighted Av No. of Shares)	€	#DIV/0!	#DIV/0!	#DIV/0!
Price Earnings ratio (P/E) (Share price/EPS)	Times	#DIV/0!	#DIV/0!	#DIV/0!
Dividend cover (Net Profit/Dividends)	Times	#DIV/0!	#DIV/0!	#DIV/0!
Dividend yield (Dividend/Share Price)	%	#DIV/0!	#DIV/0!	#DIV/0!
Capital Gearing/Debt/Equity ratio (LT Debt/LT Debt+Equity)	Ratio	#DIV/0!	#DIV/0!	#DIV/0!
Interest cover (PBIT/Interest expenses)	Times	#DIV/0!	#DIV/0!	#DIV/0!

Other

Effective tax rate (Income tax expense/Income before tax)	%	#DIV/0!	#DIV/0!	#DIV/0!
R&D as a % of revenues (R&D expense/Revenues)	%	#DIV/0!	#DIV/0!	#DIV/0!
Intangibles as a % of total assets (Intangible assets/ Total assets)	%	#DIV/0!	#DIV/0!	#DIV/0!
Intangibles as a % of equity (Intangible assets/Equity)	%	#DIV/0!	#DIV/0!	#DIV/0!

Statement of financial position

Non-current assets

Goodwill	#DIV/0!		
Intangible assets	#DIV/0!		
Property, plant & equipment	#DIV/0!		
Investments	#DIV/0!		
Deferred taxes	#DIV/0!		
Other	#DIV/0!		
		<u>0</u>	<u>0</u>

Current assets

Inventories/Long-term contracts	#DIV/0!		
Trade receivables	#DIV/0!		
Other current assets	#DIV/0!		
Short-term investments	#DIV/0!		
Cash and cash equivalents	#DIV/0!		
Assets held for disposal	#DIV/0!		
		<u>0</u>	<u>0</u>

Total assets #DIV/0! 0 0

Current liabilities

Short-term Borrowings	#DIV/0!		
Trade payables	#DIV/0!		
Income taxes	#DIV/0!		
Provisions	#DIV/0!		
Other current liabilities	#DIV/0!		
Liabilities held for disposal	#DIV/0!		
		<u>0</u>	<u>0</u>

Non-current liabilities

Long-term Borrowings	#DIV/0!		
Provisions	#DIV/0!		
Deferred tax liabilities	#DIV/0!		
Pensions and employee benefits	#DIV/0!		
Other	#DIV/0!		
		<u>0</u>	<u>0</u>
Shareholders' equity	#DIV/0!		
Total equity and liabilities	#DIV/0!	<u><u>0</u></u>	<u><u>0</u></u>

Weighted Average number of shares outstanding #DIV/0!

Share price	#DIV/0!		
Market capitalization	#DIV/0!	<u>0</u>	<u>0</u>
Dividend per share	#DIV/0!		



Bayer

Research assignment template Company Bayer	% Change On PY	2017	% Change On PY	2016	2015		% Change On PY	31 December 2017	31 December 2016
		£ millions		Restated £ millions	£ millions	Statement of financial position		£ millions	£ millions
Income Statement						Non-current assets			
Net sales	0%	35,015	-24%	34,943	46,085	Goodwill	-10%	14,751	16,312
Other revenues	#DIV/0!		#DIV/0!			Intangible assets	-14%	11,674	13,567
Total revenues	0%	35,015	-24%	34,943	46,085	Property, plant & equipment	-42%	7,633	13,114
Cost of sales	-3%	(11,382)	-44%	(11,756)	(21,040)	Investments	586%	4,007	584
Gross profit	2%	23,633	-7%	23,187	25,045	Deferred taxes	-23%	4,915	6,350
Operating expenses	#DIV/0!		#DIV/0!			Other	9%	2,034	1,864
Research & development	2%	(4,504)	3%	(4,405)	(4,274)	Current assets	-13%	45,014	51,791
Selling, general and administrative expenses	1%	(13,142)	-10%	(12,952)	(14,364)	Inventories/Long-term contracts	-22%	6,550	8,408
Depreciation, amortization and provisions	#DIV/0!		#DIV/0!			Trade receivables	-22%	8,582	10,969
Other income (expense)	-9%	(84)	-45%	(92)	(166)	Other current assets	-39%	1,750	2,886
Operating profit	3%	5,903	-8%	5,738	6,241	Short-term investments	-44%	3,529	6,275
Finance income (expense)	40%	(1,346)	-4%	(959)	(996)	Cash and cash equivalents	299%	7,581	1,899
Share of result of associated companies	-433%	20	-33%	(6)	(9)	Assets held for disposal	20710%	2,081	10
Pre-tax profit	-4%	4,577	-9%	4,773	5,236	Total assets	-9%	75,087	82,238
Income tax	31%	(1,329)	-17%	(1,017)	(1,223)				
Net profit continuing operations	-14%	3,248	-6%	3,756	4,013				
Discontinued operations	353%	4,846	1159%	1,070	85				
Net profit	68%	8,094	18%	4,826	4,098				
Profitability						Current liabilities			
Gross margin (Gross profit/Revenues)	%	67%		66%	54%	Short-term Borrowings	-43%	1,935	3,401
Operating margin (Operating profit/Revenues)	%	17%		16%	14%	Trade payables	-20%	5,129	6,410
Net profit margin (Net profit/Revenues)	%	23%		14%	9%	Income taxes	-52%	422	884
Return on equity (Net profit/Shareholders' equity)	%	22%		15%		Provisions	-20%	4,344	5,421
Return on Capital employed (PBIT/Shareholders' equity + Long-term debt)	%	12%		11%		Other current liabilities	-32%	1,652	2,421
						Liabilities held for disposal	#DIV/0!	111	
Liquidity									
Current ratio (Current assets/Current liabilities)	Ratio:1	2.2		1.6		Non-current liabilities			
Quick ratio (Current assets - inventory/Current liabilities)	Ratio:1	1.7		1.2		Long-term Borrowings	-23%	12,483	16,180
						Provisions	144%	1,366	1,780
Efficiency ratios						Deferred tax liabilities	-13%	1,153	1,330
Asset Turnover (Sales/Non-current assets)	Times	0.8		0.7		Pensions and employee benefits	-28%	8,020	11,134
Inventory holding period (DOI) (Cost of sales/inventory x 365)	Days	210		261		Other	17%	1,611	1,380
Inventory turnover (Cost of sales/inventory)	Times	1.7		1.4				24,633	31,804
Trade receivables collection period (DSO)	Days	71.6		91.7		Shareholders' equity	16%	36,861	31,897
Trade payable payment period (DPO)	Days	131.6		159.2		Total equity and liabilities	-9%	75,087	82,238
Investment ratios						Weighted Average number of shares outstanding	5%	872,107,808	832,502,828
Earnings per share (EPS) (Net Profit/Weighted Av No. of Shares)	£	928.10		579.70		Share price	5%	104.00	99.13
Price Earnings ratio (P/E) (Share price/EPS)	Times	0.1		0.2		Market capitalization	10%	90,699	82,526
						Dividend per share	4%	2.80	2.70
Dividend cover (Net Profit/Dividends)	Times	331		215					
Dividend yield (Dividend/Share Price)	%	3%		3%					
Capital Gearing-Debt/Equity ratio (LT Debt/Equity)	Ratio	0.3		0.5					
Interest cover (PBIT/Interest expenses)	Times	4.4		6.0					
Other									
Effective tax rate (Income tax expense/Income before tax)	%	-29%		-21%	-23%				
R&D as a % of revenues (R&D expense/Revenues)	%	-13%		-13%	-9%				
Intangibles as a % of total assets (Intangible assets/ Total assets)	%	35%		36%					
Intangibles as a % of equity (Intangible assets/Equity)	%	72%		94%					
Market capitalization as a % of Equity (Market Cap/Equity)		246%		259%					

Research assignment template										
Company L'Oreal		% Change On PY	2017	% Change On PY	2016	2015		% Change On PY	31 December 2017	31 December 2016
Income Statement			€ millions		€ millions	€ millions			€ millions	€ millions
Net sales		1%	26,023	2%	25,837	25,257	Statement of financial position			
Other revenues		#DIV/0!		#DIV/0!			Non-current assets			
	Total revenues	1%	26,023	2%	25,837	25,257	Goodwill	1%	8,872	8,793
Cost of sales		0%	(7,359)	1%	(7,342)	(7,277)	Intangible assets	-19%	2,579	3,179
	Gross profit	1%	18,664	3%	18,495	17,980	Property, plant & equipment	-5%	3,571	3,757
Operating expenses		#DIV/0!		#DIV/0!			Investments	-6%	8,767	9,308
Research & development		3%	(877)	7%	(850)	(794)	Deferred taxes		531	548
Selling, general and administrative expenses		0%	(13,111)	2%	(13,106)	(12,798)	Other	#DIV/0!		
Depreciation, amortization and provisions		#DIV/0!		#DIV/0!				-5%	24,320	25,585
Other income (expense)		-49%	(276)	181%	(544)	(193)	Current assets			
	Operating profit	10%	4,400	-5%	3,996	4,194	Inventories/Long-term contracts	-8%	2,494	2,699
Finance income (expense)		-116%	3	40%	(19)	(14)	Trade receivables	0%	3,923	3,942
Share of result of associated companies		-6%	324	2%	346	341	Other current assets	-6%	1,555	1,659
	Pre-tax profit	9%	4,727	-4%	4,323	4,521	Short-term investments	#DIV/0!		
Income tax		-26%	(901)	-1%	(1,215)	(1,223)	Cash and cash equivalents	75%	3,047	1,746
	Net profit continuing operations	23%	3,826	-6%	3,109	3,299	Assets held for disposal	#DIV/0!		
Discontinued operations		#DIV/0!	(240)	#DIV/0!				10%	11,019	10,046
	Net profit	15%	3,586	-6%	3,109	3,299	Total assets	-1%	35,339	35,630
Profitability										
Gross margin (Gross profit/Revenues)	%	72%		72%		71%	Current liabilities			
Operating margin (Operating profit/Revenues)	%	17%		15%		17%	Short-term Borrowings	-6%	1,161	1,234
Net profit margin (Net profit/Revenues)	%	14%		12%		13%	Trade payables	0%	4,141	4,135
Return on equity (Net profit/Shareholders' equity)	%	14%		13%			Income taxes	-8%	159	173
Return on Capital employed (PBIT/Shareholders' equity + Long-term debt)	%	19%		17%			Provisions	10%	889	811
Liquidity							Other current liabilities	-1%	2,823	2,854
Current ratio (Current assets/Current liabilities)	Ratio:1	1.2		1.1			Liabilities held for disposal	#DIV/0!		
Quick ratio (Current assets - inventory/Current liabilities)	Ratio:1	0.9		0.8				0%	9,173	9,207
Efficiency ratios							Non-current liabilities			
Asset Turnover (Sales/Non-current assets)	Times	1.1		1.0			Long-term Borrowings	-58%	13	31
Inventory holding period (DOI) (Cost of sales/inventory x 365)	Days	124		134			Provisions	31%	435	333
Inventory turnover (Cost of sales/inventory)	Times	3.0		2.7			Deferred tax liabilities	-29%	597	843
Trade receivables collection period (DSO)	Days	44.0		44.5			Pensions and employee benefits	-58%	302	712
Trade payable payment period (DPO)	Days	164.3		164.5			Other	#DIV/0!		
Investment ratios									1,347	1,919
Earnings per share (EPS) (Net Profit/Weighted Av No. of Shares)	€	6.41		5.56			Shareholders' equity	1%	24,819	24,504
Price Earnings ratio (P/E) (Share price/EPS)	Times	28.8		31.2			Total equity and liabilities	-1%	35,339	35,630
Dividend cover (Net Profit/Dividends)	Times	2		2			Weighted Average number of shares			
Dividend yield (Dividend/Share Price)	%	2%		2%			outstanding	0%	559,233,644	559,190,339
Capital Gearing-Debt/Equity ratio (LT Debt/Equity)	Ratio	0.0		0.0			Share price	7%	184.95	173.40
Interest cover (PBIT/Interest expenses)	Times	(1,574.7)		225.0		328.6	Market capitalization € billion	7%	103,760	97,400
Other							Dividend per share	8%	3.55	3.30
Effective tax rate (Income tax expense/Income before tax)	%	-19%		-28%		-27%				
R&D as a % of revenues (R&D expense/Revenues)	%	-3%		-3%		-3%				
Intangibles as a % of total assets (Intangible assets/ Total assets)	%	32%		34%						
Intangibles as a % of equity (Intangible assets/Equity)	%	46%		49%						
Market capitalization as a % of Equity (Market Cap/Equity)	%	418%		397%						



LVMH

Trova il futuro che ti cerca.

Research assignment template Company LVMH	% Change On PY	2017	% Change On PY	2016	2015	% Change On PY	31 December 2017	31 December 2016
		€ millions		€ millions	€ millions		€ millions	€ millions
Income Statement						Statement of financial position		
Net sales	13%	42,636	5%	37,600	35,664	Non-current assets		
Other revenues	#DIV/0!		#DIV/0!			Goodwill	59%	16,514
						Intangible assets	3%	13,714
Total revenues	13%	42,636	5%	37,600	35,664	Property, plant & equipment	9%	13,206
Cost of sales	13%	(14,783)	4%	(13,039)	(12,553)	Investments and other financial assets	-6%	1,428
Gross profit	13%	27,853	6%	24,561	23,111	Deferred taxes	-16%	1,738
Operating expenses	#DIV/0!		#DIV/0!			Other	12%	868
Research & development	#DIV/0!		#DIV/0!			18%	47,468	40,224
Selling, general and administrative expenses	12%	(19,557)	6%	(17,538)	(16,493)	Current assets		
Depreciation, amortization and provisions	#DIV/0!		#DIV/0!			Inventories/Long-term contracts	3%	10,908
Other income (expense)	48%	(180)	-45%	(122)	(221)	Trade receivables	2%	2,737
Operating profit	18%	8,116	8%	6,901	6,397	Other current assets	41%	3,699
Finance income (expense)	-59%	(179)	4%	(432)	(414)	Short-term investments	#DIV/0!	
Share of result of associated companies	-200%	(3)	-123%	3	(13)	Cash and cash equivalents	5%	3,738
Pre-tax profit	23%	7,934	8%	6,472	5,970	Assets held for disposal	#DIV/0!	
Income tax	10%	(2,318)	7%	(2,109)	(1,969)	9%	21,082	19,398
Net profit continuing operations	29%	5,616	9%	4,363	4,001	Total assets	15%	68,550
Discontinued operations	#DIV/0!		#DIV/0!					
Net profit	29%	5,616	9%	4,363	4,001			
Profitability								
Gross margin (Gross profit/Revenues)	%	65%		65%	65%	Current liabilities		
Operating margin (Operating profit/Revenues)	%	19%		18%	18%	Short-term Borrowings	31%	4,530
Net profit margin (Net profit/Revenues)	%	13%		12%	11%	Trade payables	9%	4,540
Return on equity (Net profit/Shareholders' equity)	%	19%		16%		Income taxes	78%	763
Return on Capital employed (PBIT/Shareholders' equity + Long-term debt)	%	22%		20%		Provisions	15%	404
Liquidity						Other current liabilities	8%	4,766
Current ratio (Current assets/Current liabilities)	Ratio:1	1.4		1.5		Liabilities held for disposal	#DIV/0!	
Quick ratio (Current assets - inventory/Current liabilities)	Ratio:1	0.7		0.7		17%	15,003	12,810
Efficiency ratios						Non-current liabilities		
Asset Turnover (Sales/Non-current assets)	Times	0.9		0.9		Long-term Borrowings	79%	7,046
Inventory holding period (DOI) (Cost of sales/inventory x 365)	Days	269		295		Provisions	6%	2,474
Inventory turnover (Cost of sales/inventory)	Times	1.4		1.2		Deferred tax liabilities	-100%	3,910
Trade receivables collection period (DSO)	Days	18.7		20.9		Pensions and employee benefits	#REF!	
Trade payable payment period (DPPO)	Days	89.7		93.7		Other	16%	9,857
Investment ratios						23,287		18,909
Earnings per share (EPS) (Net Profit/Weighted Av No. of Shares)	€	11.14		8.65		Shareholders' equity	8%	30,260
Price Earnings ratio (P/E) (Share price/EPS)	Times	22.0		20.9		Total equity and liabilities	15%	68,550
Dividend cover (Net Profit/Dividends)	Times	2		2		Weighted Average number of shares		
Dividend yield (Dividend/Share Price)	%	2%		2%		outstanding	0%	504,010,291
Capital Gearing-Debt/Equity ratio (LT Debt/Equity)	Ratio	0.2		0.1		Share price	35%	245.00
Interest cover (PBIT/Interest expenses)	Times	45.3		16.0	15.4	Market capitalization	35%	123,483
Other						Dividend per share	25%	5.00
Effective tax rate (Income tax expense/Income before tax)	%	-29%		-33%	-33%			4.00
R&D as a % of revenues (R&D expense/Revenues)	%	0%		0%	0%			
Intangibles as a % of total assets (Intangible assets/ Total assets)	%	44%		40%				
Intangibles as a % of equity (Intangible assets/Equity)	%	100%		85%				
Market capitalization as a % of Equity (Market Cap/Equity)	%	408%		327%				



Nestlé

Research assignment template		Company Nestlé				Statement of financial position			
	% Change On PY	2017	% Change On PY	2016	2015		% Change On PY	31 December 2017	31 December 2016
		CHF millions		CHF millions	CHF millions			CHF millions	CHF millions
Income Statement									
Net sales	0%	89,791	1%	89,469	88,785	Non-current assets			
Other revenues	4%	330	6%	317	298	Goodwill	-10%	29,748	33,007
						Intangible assets	1%	20,615	20,397
						Property, plant & equipment	1%	27,775	27,554
						Investments	7%	17,631	16,428
Cost of sales	2%	(44,923)	-1%	(44,199)	(44,730)	Deferred taxes	-4%	1,967	2,049
						Other	7%	454	424
							-2%	98,190	99,859
Gross profit	-1%	45,198	3%	45,587	44,353	Current assets			
						Inventories/Long-term contracts	8%	9,061	8,401
Operating expenses	#DIV/0!		#DIV/0!			Trade receivables	0%	12,422	12,411
Research & development	-1%	(1,724)	3%	(1,736)	(1,678)	Other current assets	-8%	1,757	1,909
Selling, general and administrative expenses	-3%	(28,745)	3%	(29,544)	(28,643)	Short-term investments	-50%	655	1,306
Depreciation, ammortization and provisions	#DIV/0!		#DIV/0!			Cash and cash equivalents	-1%	7,938	7,990
Other income (expense)	304%	(4,617)	-30%	(1,144)	(1,624)	Assets held for disposal	1328%	357	25
							0%	32,190	32,042
Operating profit	-23%	10,112	6%	13,163	12,408				
Finance income (expense)	-3%	(619)	2%	(637)	(624)	Total assets	-1%	130,380	131,901
Share of result of associated companies	7%	824	-22%	770	988				
Pre-tax profit	-22%	10,317	4%	13,296	12,772				
Income tax	-37%	(2,779)	34%	(4,413)	(3,305)				
Net profit continuing operations	-15%	7,538	-6%	8,883	9,467				
Discontinued operations	#DIV/0!		#DIV/0!						
Net profit	-15%	7,538	-6%	8,883	9,467				
Profitability									
Gross margin (Gross profit/Revenues)	%	50%		51%	50%	Current liabilities			
Operating margin (Operating profit/Revenues)	%	11%		15%	14%	Short-term Borrowings	-13%	10,536	12,118
Net profit margin (Net profit/Revenues)	%	8%		10%	11%	Trade payables	1%	18,872	18,629
Return on equity (Net profit/Shareholders' equity)	%	12%		13%		Income taxes	-4%	1,170	1,221
Return on Capital employed (PBIT/Shareholders' equity + Long-term debt)	%	14%		19%		Provisions	39%	863	620
						Other current liabilities	-7%	4,601	4,923
Liquidity									
Current ratio (Current assets/Current liabilities)	Ratio:1	0.9		0.9		Liabilities held for disposal	100%	12	6
Quick ratio (Current assets - inventory/Current liabilities)	Ratio:1	0.6		0.6			-4%	36,054	37,517
Efficiency ratios									
Asset Turnover (Sales/Non-current assets)	Times	0.9		0.9		Non-current liabilities			
Inventory holding period (DOI) (Cost of sales/inventory x 365)	Days	74		69		Long-term Borrowings	44%	15,932	11,091
Inventory turnover (Cost of sales/inventory)	Times	5.0		5.3		Provisions	-7%	2,445	2,640
Trade receivables collection period (DSO)	Days	40.4		40.5		Deferred tax liabilities	-8%	3,559	3,865
Trade payable payment period (DPO)	Days	122.7		123.1		Pensions and employee benefits	-16%	7,111	8,420
						Other	5%	2,502	2,387
						Shareholders' equity	-5%	31,549	28,403
						Total equity and liabilities	-1%	62,777	65,981
								130,380	131,901
Investment ratios									
Earnings per share (EPS) (Net Profit/Weighted Av No. of Shares)	CHF	2.44		2.87		Weighted Average number of shares			
Price Earnings ratio (P/E) (Share price/EPS)	Times	34.1		29.2		outstanding	0%	3,092,000,000	3,091,000,000
						Share price	-1%	83.20	83.80
Dividend cover (Net Profit/Dividends)	Times	1.0		1.2		Market capitalization	13%	256,223,000,000	226,310,000,000
Dividend yield (Dividend/Share Price)	%	3%		3%		Dividend per share	2%	2.35	2.30
Capital Gearing-Debt/Equity ratio (LT Debt/Equity)	Ratio	0.3		0.2					
Interest cover (PBIT/Interest expenses)	Times	17.7		21.9	21.5				
Other									
Effective tax rate (Income tax expense/Income before tax)	%	-27%		-33%	-26%				
R&D as a % of revenues (R&D expense/Revenues)	%	-2%		-2%	-2%				
Intangibles as a % of total assets (Intangible assets/ Total assets)	%	39%		40%					



Shell

Research assignment template													
Company Shell		% Change		% Change				% Change	31 March		31 March		
		On PY	2017	On PY	2016	2015		On PY	2017		2016		
			\$ millions		\$ millions	\$ millions			\$ millions		\$ millions		
Income Statement													
Net sales	31%		305,179	-12%	233,591	264,960							
Other revenues	#DIV/0!			#DIV/0!									
Total revenues	31%		305,179	-12%	233,591	264,960							
Cost of sales	#DIV/0!			#DIV/0!									
Gross profit	31%		305,179	-12%	233,591	264,960							
Operating expenses	31%	(252,044)		-15%	(193,116)	(228,458)							
Research & development	-9%	(922)		-7%	(1,014)	(1,093)							
Selling, general and administrative expenses	-13%	(10,509)	1%	(12,101)	(11,956)								
Depreciation, amortization and provisions	5%	(26,223)	-6%	(24,993)	(26,714)								
Other income (expense)	-15%	2,466	-21%	2,897	3,669								
Operating profit	241%	17,947	1190%	5,264	408								
Finance income (expense)	26%	(4,042)	70%	(3,203)	(1,888)								
Share of result of associated companies	19%	4,225	1%	3,545	3,527								
Pre-tax profit	223%	18,130	174%	5,606	2,047								
Income tax	466%	(4,695)	-642%	(829)	153								
Net profit continuing operations	181%	13,435	117%	4,777	2,200								
Discontinued operations	#DIV/0!		#DIV/0!										
Net profit	181%	13,435	117%	4,777	2,200								
Profitability													
Gross margin (Gross profit/Revenues)	%		19%		20%	100%							
Operating margin (Operating profit/Revenues)	%		6%		2%	0%							
Net profit margin (Net profit/Revenues)	%		4%		2%	1%							
Return on equity (Net profit/Shareholders' equity)	%		7%		3%								
Return on Capital employed (PBIT/Shareholders' equity + Long-term debt)	%		8%		3%								
Liquidity													
Current ratio (Current assets/Current liabilities)	Ratio:1		1.2		1.2								
Quick ratio (Current assets - inventory/Current liabilities)	Ratio:1		0.9		0.9								
Efficiency ratios													
Asset Turnover (Sales/Non-current assets)	Times		1.0		0.7								
Inventory holding period (DOI) (Cost of sales/Inventory x 365)	Days		37		42								
Inventory turnover (Cost of sales/Inventory)	Times		9.9		8.6								
Trade receivables collection period (DSO)	Days		47.7		57.1								
Trade payable payment period (DPD)	Days		66.6		83.3								
Investment ratios													
Earnings per share (EPS) (Net Profit/Weighted Av No. of Shares)	€		1.63		0.61								
Price Earnings ratio (P/E) (Share price/EPS)	Times		15.7		45.6								
Dividend cover (Net Profit/Dividends)	Times		0.43		0.16								
Dividend yield (Dividend/Share Price)	%		15%		14%								
Capital Gearing-Debt/Equity ratio (LT Debt/Equity)	Ratio		0.4		0.4								
Interest cover (PBIT/Interest expenses)	Times		5.5		2.8	2.1							
Other													
Effective tax rate (Income tax expense/Income before tax)	%		-26%		-15%	7%							
R&D as a % of revenues (R&D expense/Revenues)	%		0%		0%	0%							
Intangibles as a % of total assets (Intangible assets/ Total assets)	%		6%		6%								
Intangibles as a % of equity (Intangible assets/Equity)	%		12%		13%								
Market capitalization as a % of Equity (Market Cap/Equity)	%		107%		115%								
Cost of sales													
Opening inventory			21,775		15,822								
Purchases and manufacturing expenses			252,044		193,116								
			273,819		208,938								
Closing inventory			(25,223)		(21,775)								
			248,596		187,163								

Research assignment template											
Company Unilever		% Change On PY	2017	% Change On PY	2016	2015		% Change On PY	31 December 2017	31 December 2016	
Income Statement			€ millions		€ millions	€ millions			€ millions	€ millions	
Net sales		2%	53,715	-1%	52,713	53,272	Non-current assets				
Other revenues		#DIV/0!		#DIV/0!			Goodwill	-4%	16,881	17,624	
	Total revenues	2%	53,715	-1%	52,713	53,272	Intangible assets	17%	11,520	9,809	
Cost of sales		1%	(27,306)	-2%	(26,983)	(27,450)	Property, plant & equipment	-11%	10,411	11,673	
	Gross profit	3%	26,409	0%	25,730	25,822	Investments	108%	2,848	1,367	
Operating expenses		#DIV/0!		#DIV/0!			Deferred taxes	-20%	1,085	1,354	
Research & development		-8%	(900)	-3%	(978)	(1,005)	Other	-22%	557	718	
Selling, general and administrative expenses		-2%	(16,652)	-2%	(16,951)	(17,302)	Current assets				
Depreciation, ammortization and provisions		#DIV/0!		#DIV/0!			Inventories/Long-term contracts	-7%	3,962	4,278	
Other income (expense)		#DIV/0!		#DIV/0!			Trade receivables	2%	5,222	5,102	
	Operating profit	14%	8,857	4%	7,801	7,515	Other current assets	143%	488	317	
Finance income (expense)		56%	(877)	14%	(563)	(493)	Short-term investments	454%	770	599	
Share of result of associated companies		-25%	173	17%	231	198	Cash and cash equivalents	-2%	3,317	3,382	
	Pre-tax profit	9%	8,153	3%	7,469	7,220	Assets held for disposal	1465%	3,224	206	
Income tax		-13%	(1,667)	-2%	(1,922)	(1,961)					
	Net profit continuing operations	17%	6,486	5%	5,547	5,259	Total assets	7%	60,285	56,429	
Discontinued operations		#DIV/0!		#DIV/0!							
	Net profit	17%	6,486	5%	5,547	5,259					
Profitability							Current liabilities				
Gross margin (Gross profit/Revenues)	%		49%		49%	48%	Short-term Borrowings	46%	7,968	5,450	
Operating margin (Operating profit/Revenues)	%		16%		15%	14%	Trade payables	-3%	13,426	13,871	
Net profit margin (Net profit/Revenues)	%		12%		11%	10%	Income taxes	29%	1,088	844	
Return on equity (Net profit/Shareholders' equity)	%		45%		33%		Provisions	35%	525	390	
Return on Capital employed (PBIT/Shareholders' equity + Long-term debt)	%		29%		31%		Other current liabilities	#DIV/0!			
Liquidity							Liabilities held for disposal	16900%	170	1	
Current ratio (Current assets/Current liabilities)	Ratio:1		0.7		0.7			13%	23,177	20,556	
Quick ratio (Current assets - inventory/Current liabilities)	Ratio:1		0.6		0.5		Non-current liabilities				
Efficiency ratios							Long-term Borrowings	48%	16,462	11,145	
Asset Turnover (Sales/Non-current assets)	Times		1.2		1.2		Provisions	-49%	794	1,033	
Inventory holding period (DOI) (Cost of sales/Inventory x 365)	Days		53		58		Deferred tax liabilities	-7%	1,913	2,061	
Inventory turnover (Cost of sales/Inventory)	Times		6.9		6.3		Pensions and employee benefits	-29%	2,734	3,867	
Trade receivables collection period (DSO)	Days		28.4		28.3		Other	4%	818	787	
Trade payable payment period (DPO)	Days		143.6		150.1		Shareholders' equity	-15%	14,387	16,980	
Investment ratios							Total equity and liabilities	7%	60,285	56,429	
Earnings per share (EPS) (Net Profit/Weighted Av No. of Shares)	£		2.30		1.94		Weighted Average number of shares				
Price Earnings ratio (P/E) (Share price/EPS)	Times		20.5		24.4		outstanding	-1%	2,814,000,000	2,853,900,000	
Dividend cover (Net Profit/Dividends)	Times		0.86		0.82		Share price	0%	47.20	47.40	
Dividend yield (Dividend/Share Price)	%		6%		5%		Market capitalization	-2%	132,820,800,000	135,274,860,000	
Capital Gearing-Debt/Equity ratio (LT Debt/Equity)	Ratio		1.1		0.7		Dividend per share	14%	2.69	2.37	
Interest cover (PBIT/Interest expenses)	Times		10.3		14.3						
Other											
Effective tax rate (Income tax expense/Income before tax)	%		-20%		-26%	-27%					
R&D as a % of revenues (R&D expense/Revenues)	%		-2%		-2%	-2%					
Intangibles as a % of total assets (Intangible assets/ Total assets)	%		47%		49%						
Intangibles as a % of equity (Intangible assets/Equity)	%		197%		162%						
Market capitalization as a % of Equity (Market Cap/Equity)	%		923%		797%						

SM 3 Common size Analysis

Years ended 31 December 2017	Bayer € Millions	L'Oreal € Millions	LVMH € Millions	Nestlé CHF Millions	Shell \$ Millions	Unilever € Millions
Profitability ratios						
Return on capital employed (ROCE)	13%	19%	22%	14%	8%	30%
Gross margin	67%	72%	65%	50%	19%	49%
Operating margin	17%	17%	19%	11%	5%	16%
Net profit margin	23%	14%	13%	8%	4%	12%
Liquidity ratios						
Current ratio	2.2	1.2	1.4	0.9	1.2	0.7
Quick ratio	1.7	0.9	0.7	0.6	0.9	0.6
Efficiency ratios						
Asset turnover	0.8	1.1	0.9	0.9	1.0	1.2
Inventory holding period (DOI)	210	124	269	74	37	53
Trade receivables collection period (DSO)	89	55	23	50	60	35
Trade payables payment period (DPO)	164	205	112	153	83	179
Investment ratios						
Earnings per share (EPS)	9.3	6.4	11.1	2.4	1.6	2.3
Price earnings (PE)	11	29	22	34	41	21
Dividend yield	3%	2%	2%	3%	6%	5%
Dividend cover	3.3	1.8	2.2	1.0	0.4	0.9
Capital gearing	0.3	0.0	0.2	0.3	0.4	1.1
Times interest cover	3.8	77.2	68.8	14.4	5.5	8.9
Other ratios						
Effective tax rate	29%	19%	29%	27%	26%	20%
Market Capitalisation as a % of Equity	246%	417%	408%	409%	277%	958%
R&D as a % Sales	13%	3%	0%	2%	0%	2%
Intangibles as a % of equity	72%	46%	100%	80%	12%	197%

SM 4 Common Size Analysis

2013 Data

2013 Data

Ratios

Profitability

	Siemens	Novartis	Vodafone	Telefonica	Shell	BP	ENI	BG Group	Total	LVMH	L'Oreal	Nestlé	Unilever	Inditex	H&M	Volkswagen	BMW	BNP Paribas	HSBC	Rio Tinto
Gross Margin	27%	68%	31%	0%	22%	21%	22%	85%	29%	66%	71%	48%	41%	59%	59%	18%	18%	68%	83%	82%
Operating margin	7%	19%	-4%	17%	6%	8%	8%	19%	10%	20%	16%	14%	15%	18%	17%	6%	6%	14%	28%	15%
Net profit margin	6%	16%	2%	9%	4%	6%	4%	13%	5%	14%	13%	11%	11%	14%	13%	5%	7%	9%	25%	2%
Return on capital employed (ROCE)	9%	7%	0%	4%	5%	8%	11%	3%	5%	7%	9%	9%	12%	17%	26%	3%	7%	0%	1%	1%
Return on equity	15%	12%	1%	18%	9%	18%	8%	7%	12%	14%	13%	16%	36%	26%	38%	10%	27%	6%	9%	2%

Liquidity

Current ratio	1.24	1.16	0.75	1.00	1.11	1.33	1.60	1.72	1.37	1.37	1.42	0.91	0.70	1.95	2.25	1.03	1.07	0.85	0.77	1.45
Quick ratio	0.83	0.88	0.73	0.97	0.79	0.93	1.40	1.61	1.01	0.64	1.09	0.66	0.47	1.47	1.29	0.79	0.80	0.85	0.77	1.08

Efficiency

Asset turnover	1.38	0.46	0.31	0.48	1.26	1.24	1.40	0.29	0.99	0.52	0.73	0.77	1.09	1.22	1.96	0.97	0.63	0.03	0.03	0.46
Inventory holding period (DOI)	103	135	5	31	36	32	101	48	312	119	64	49	90	116	65	58	0	0	222	
Inventory turnover	3.54	7.97	98.77	57.93	15.04	12.97	11.40	22.90	10.71	3.39	10.64	10.99	12.65	9.97	7.70	6.88	6.72	0	0	8.92
Trade receivables collection (DSO)	60	52	64	51	43	32	91	109	30	23	43	40	30	15	7	21	74	0	0	28
Trade payables payment (DPO)	62	114	194	72	58	95	681	65	120	185	122	146	179	34	41	173	0	0	325	

Investment ratios

Earning per share	5.3	3.76	0.87	1.01	2.60	123.87	1.42	64.8	3.73	6.87	5.13	3.14	1.71	3.81	10.36	18.63	8.10	3.69	0.84	198
Price earnings ratio P/E	16.80	18.94	214.48	11.72	27.41	17.46	12.30	0.20	11.94	19.30	24.89	20.57	37.40	29.06	26.83	10.96	10.52	15.35	13.08	0.28
Dividend cover	1.77	1.53	0.09	2.89	1.44	5.29	1.29	2.25	1.57	2.29	2.05	1.46	1.63	1.57	1.09	4.66	3.09	2.46	1.75	1.03
Dividend yield	3%	3%	5%	3%	3%	1%	6%	1%	5%	2%	2%	3%	2%	2%	3%	2%	3%	3%	4%	3%
Debt/Equity ratio (Gearing)	0.65	0.15	0.40	1.86	0.20	0.31	0.31	0.53	0.33	0.15	0.00	0.16	0.51	0.00	0.00	1.46	0.78	0.00	0.00	0.46
Interest cover	1,170	13	1	1	19	19	9	33	31	28	93	21	12	169	64	3	16			0

Other

Effective tax rate	28%	13%	79%	21%	51%	21%	64%	43%	56%	31%	26%	24%	26%	22%	24%	26%	33%	34%	21%	69%
Intangibles as % Total Assets	23%	47%	37%	35%	1%	11%	3%	6%	8%	38%	29%	36%	46%	6%	3%	0%	18%	1%	1%	6%
Intangibles as % of Equity	80%	79%	72%	153%	2%	26%	7%	12%	18%	77%	40%	68%	141%	9%	5%	0%	65%	14%	16%	13%
R&D as % of Revenues	6%	17%	0%	0%	0%	0%	0%	0%	0%	0%	4%	2%	0%	0%	0%	0%	0%	0%	0%	0%

N:B: Even though all these companies are of varying sizes and the underlying data is in the reporting currency of each of the companies i.e €, \$, £, CHF, SEK, they can easily be compared using these ratios



SUMMARY, VALIDATION AND PRE- WORK SESSION 4

Sessions 3 Summary

- Financial analysis, ratio analysis, trend analysis, common size analysis
- Earnings per share
- Segmental analysis
- Importance of industry context and understanding

Session 4 Pre-work

- Reading
 - Melville Chapters 23, 24
 - IAS 33
 - IFRS 8
- Exercises
 - Melville
 - Textbook Chapters 23, 24
 - Website Multiple choice Chapters 23, 24
 - Course exercises EX3

Session 4 Review

- Reading
 - Melville Chapters 1,2,3,4,8,21,22
 - IAS 1
- Exercises
 - Melville
 - Textbook Chapters 3,22
 - Website Multiple choice Chapters 1,2,3,4,21,22
 - Course exercises Ex1,EX2

Session Validation

- How is earnings per share calculated?
- When is it necessary to calculate the weighted average number of shares outstanding?
- What do we mean by “diluted” earnings per share?
- What is an Operating Segment?
- What is a Reportable Segment?
- What disclosures are required by IFRS 8?