



Applied Financial Statement Analysis

Course outline

Aim

The course aims to build on the existing knowledge of participants in an applied manner using everyday internal equity research. It aims to make staff more confident with financial statement information when conversing with clients.

Topics

Introduction

- The structure of an equity research note
- The three financial statements:
 - the balance sheet,
 - the profit and loss account and
 - the cash flow statement

Profit vs. cash flow

- Why cash flow is king
- A 'quick read' of a cash flow statement
- EBIT vs. EBITDA and its derivatives
- The concept & calculation of free cash flow
- Cash flow drivers

Critical areas within financial statements

- Understanding minority interest/associates/affiliates and subsidiaries
- Amortisation/goodwill and intangible assets
- Cash and cash flow equivalents
- Balance sheet reserves
- Liquidity and the importance of liquidity risk assessment
- Capitalisation and its consequences

Key ratios and statistics

- Revenue and profit based
- Liquidity and leverage ratios
- Cash flow based
- Shareholder ratios

Key ratios and statistics

- Valuation techniques - profit, dividend, asset and cash flow based techniques
- The concept and calculation of Enterprise Value (EV)
- Interpreting EV based valuation multiples

Course Objectives:

At the end of the course participants will be able to:

- Explain why cash flow continues to be critical when assessing corporates
- 'Read' a typical cash flow statement highlighting its strengths & weaknesses
- List & be able to explain a number of typical areas of misunderstanding within the core financial statements, such as capitalisation
- Explain & interpret the key ratios and statistics used in an equity research note
- List the different techniques used to value corporates and be able to determine how Enterprise Value (EV) is calculated