

Key Investor Metrics

www.athman.com

أثمان ATHMAN

رؤية محلية بمعايير عالمية

Local Insights / International Standards

Key Investor Metrics

1		Growth Indicators	
Indicator	Formula	Use	Comments
Sales & Earnings Growth	<p>Sales Growth = (current year sales – last year sales) / last year sales</p> <p>Earnings Growth = (current year net income – last year net income) / last year net income</p>	To estimate potential growth of revenue and profitability	Companies that grow their earnings faster than their sales mean that they've both selling more and spending relatively less at the same time
Free Cashflow	<p>Free Cashflow (FCF) = EBIT * (1- tax rate) + Depreciation – change in CAPEX</p>	To estimate liquidity and ability to invest in expansion or projects	Companies with steadily growing free cash flow are not only growing their business, but they're generating lots of cash to invest, save, or return to shareholders
Net Profit Margin	<p>Net Profit Margin = Net Profit/ Revenue</p>	To estimate the percentage of profit from sales	A consistently positive net profit margin rate indicates revenue is larger than all expenses.

2	<h2>Dividends</h2>
---	--------------------

Indicator	Formula	Use	Comments
Dividends	Dividends = net income – retained earnings	To estimate how much in dollars of net profit is distributed to share holders.	Very important indicator for investors which gives an overview of how much in dollars will he/she receive at the end of every accounting period.
Pay-out Ratio	Pay-out Ratio = dividends / net income	To estimate the percentage of net profit to be distributed to share holders	This indicate the percentage of dividends to be payed out from the net profits in an accounting period.
Dividends Growth	Dividends Growth = (current year dividends – last year dividends) / last year dividends	To estimate how much would dividends pay-out increase annually.	To keep investors, companies seek to keep this ratio positive.

Key Investor Indicators

3		Growth	
Indicator	Formula	Use	Comments
Price to Sales Ratio PS	PS = market value per share/ revenue per share.	how much investors are paying for the stock per dollar of the company's revenues.	A low ratio could imply that stock is undervalued.
Price to Cashflow Ratio P/FCF	P/FCF = market value per share / operating cashflow per share.	measures how much cash a company generates relative to its market value.	It can be a tool used to compare between companies to assess investing decision.
Price to Earning Ratio PE	PE = market value per share / net income per share.	It measures current share price relative to its per-share earnings.	It's quick and easy to use when we're trying to value a company using earnings.
Price to Book Ratio PB	PB = Market Price per share/book value per share (Book value= Assets – Liabilities)	PB ratio measures the market's valuation of a company relative to its book value	Investing in companies with a low PB ratio is a commonly used method of reducing risk

4 New Projects

Indicator	Formula	Use	Comments
Payback Period	<p>Payback Period (number of years) = Payback period = Initial Investment / Cash Inflows</p>	<p>Payback period is concerned with the number of periods needed to pay back an initial investment. Break-even point is concerned with the specific period in which its revenue (sales) will equal to company total costs.</p>	<p>Depends on the industry and amount invested. Average SME investment have a payback period of 3 to 7 years. It disregards time value of money.</p>
Net Present Value (NPV)	<p>NPV= cashflow / (1 + R)^t ... + cashflow / (1+ R)ⁿ Where R = Internal Rate of Return T= time period cash flow is received N = number of periods</p>	<p>NPV is used to analyse an investment decision and give company management a clear way to tell if the investment will add value to the company.</p>	<p>Typically, if an investment has a positive net present value, it will add value to the company and benefit company shareholders.</p>

4	<h2>New Projects</h2>
---	-----------------------

Indicator	Formula	Use	Comments
<p>Internal Rate of Return (IRR)</p>	<p>There is no specific equation that measures the IRR but, To solve for IRR use NPV formula and set NPV at zero and solve for R.</p>	<p>IRR measure the profitability of investments, the growth rate.</p>	<p>The higher the IRR, the more desirable it is to invest. IRR is NPV equivalent to zero. In MIRR, NPV is equivalent to the outflow. MIRR improves on IRR by assuming that positive cash flows are reinvested at the firm's cost of capital. MIRR is used to rank investments or projects a firm or investor may undertake. MIRR is designed to generate one solution, eliminating the issue of multiple IRRs.</p>
<p>Modified Internal Rate of Return (MIRR)</p>	<p>$MIRR = (Future\ value\ of\ positive\ cash\ flows / present\ value\ of\ negative\ cash\ flows)^{(1/n)} - 1.$</p> <p>Where</p> <p>N = number of periods</p>	<p>The Modified Internal Rate of Return (MIRR) is a financial measure of an investment's attractiveness. It is used in capital budgeting to rank alternative investments of equal size.</p>	

Contact us

تواصل معنا

Looking forward **New**
successful achievements with you

نتطلع لصنع المزيد من
الإنجازات وقصص النجاح



WWW.ATHMAN.COM



info@athman.com



+966 58223 1100



مركز جده التجاري، مكتب: 405
2916 المعادي، حي الحمرا
جدة 6881-23212 المملكة العربية
السعودية

رؤية محلية بمعايير عالمية

Local Insights / International Standards

ATHMAN Financial Advisory
Jeddah Business Center, Office: 405
2916 Al Maadi, Al Hamra Dist.
Jeddah 23212
Saudi Arabia