5. THE RELATIONSHIP BETWEEN OPERATING INCOME AND FINANCIAL CHARGES

CORRECT RELATIONSHIP BETWEEN OPERATING INCOME AND FINANCIAL CHARGES

IT IS NECESSARY TO CHECK WHETHER IT IS THE OPERATIONAL PROFITABILITY THAT IS LOW OR THE FINANCIAL MANAGEMENT THAT IS PROBLEMATIC.

$$\frac{EBIT}{Interest\ expense} = \frac{\frac{EBIT}{Sales} * \frac{Sales}{Financial\ debts}}{\frac{Interest\ expense}{Financial\ debts}} = \frac{ROS * Turnover\ On\ Financial\ Debts}{ROD}$$

	T= x	T = x+1
ROS	0.21	0.21
TOFD = (Sales ÷ Financial debts)	5.81	3,43
ROD	0.26	0.29
ICR = (EBIT ÷ Interest expense)	**4.69**	**2,49**

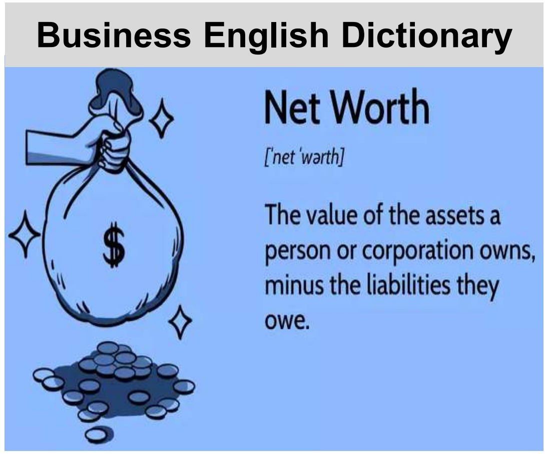
6. THE ECONOMIC VALUE OF THE TOTAL ASSETS AND THE VALUE OF LIABILITIES

Accounting Net Worth

Firm value | **Adjusted Net Worth**

VALUE DELL'AZIENDA → PATRIMONIO NETTO RETTIFICATO = { PATRIMONIO NETTO CONTABILE ± RETTIFICHE }

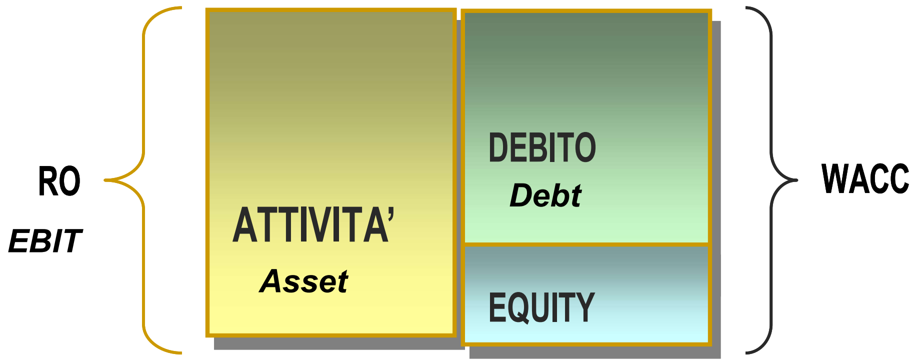
Corrections



Si opera una stima analitica a valori correnti di sostituzione

An analytical estimate is made at current replacement values

7.a THE FINANCIAL STRUCTURE THAT MAXIMIZES CORPORATE VALUE



Teaching material taken from the handout "La fattibilità economico-finanziaria" by Andrea Quintiliani

$$K_E = r_f + \beta\,(r_m - r_f]$$

Cash Flow from Operation (CFO)
± Cash Flow from Investing (CFI)
= **Free Cash Flow from Operations (FCFO)**

$$WACC = \frac{D}{D+CN}\, i_n (1-t) + \frac{CN}{D+CN} K_E$$

Flusso di cassa dell'attività caratteristica (CFO)
± Flusso di cassa dell'attività di investimento (CFI)
= **Flusso di cassa operativo (FCFO)**

Free Cash Flow from Operations (FCFO)

Company value

$$Value = \frac{FCFO_1}{(1+WACC)^1} + \frac{FCFO_2}{(1+WACC)^2} + \frac{FCFO_3}{(1+WACC)^3} + \ldots + \frac{FCFO_\infty}{(1+WACC)^\infty}$$