

FINANCIAL RATIOS - FAST

How is My
Business
Doing???

Cheat Sheet: Balance Sheet Ratios		
Ratios to evaluate credit health and management's operating capital efficiency.		
Interest Coverage Ratios	Calculation	Healthy
<i>Ratios that specifically measure a business's ability to make interest payments.</i>		
EBIT Interest Coverage	Earnings Before Interest & Taxes / Interest Expense	> 3.0x
EBITDA Interest Coverage	Earnings Before Interest, Taxes, Depreciation & Amortization / Interest Expense	> 4.0x
EBITDA less CapEx Interest Coverage	(EBITDA - 2 Year Average Capital Expenditures) / Interest Expense	> 3.0x
Leverage Ratios	Calculation	Healthy
<i>Ratios that measure the use of debt. High leverage makes good times better and bad times worse.</i>		
Debt to Equity	(Current Debt + Long Term Debt) / Common Equity	< 75%
Debt to Tangible Equity	(Current Debt + Long Term Debt) / (Common Equity - Intangible Assets)	< 100%
Debt To Total Capital	(Current Debt + Long Term Debt) / (Total Debt + Market Capitalization)	< 30%
Cash Flow to Total Debt	Cash Flow from Operations / Total Debt	> 10%
Liabilities to Assets	Total Liabilities / Total Assets	< 50%
Liquidity Ratios	Calculation	Healthy
<i>Ratios that measures a business's ability to service its working capital requirements and debt.</i>		
Cash Ratio	(Cash & Short Term Investments) / Current Liabilities	> 0.75x
Quick Ratio	(Cash & Short Term Investments + Receivables) / Current Liabilities	> 1.0x
Current Ratio	Current Assets / Current Liabilities	> 1.5x
Asset & Inventory Ratios	Calculation	Healthy
<i>Ratios that measure efficiency of cash required to maintain inventory.</i>		
Asset Turnover	Sales / Average Total Assets	> 1.0x
Fixed Asset Turnover	Sales / Average Net Property, Plant, and Equipment	> 2.0x
Inventory Turnover	COGS / Average Inventory	> 8.0x
Cash Conversion Cycle	Days Sales Outstanding + Days Inventory Outstanding - Days Payable Outstanding	< 45 days
Supporting Calculations	Calculation	
Days Sales Outstanding	(Average Accounts Receivable / Sales) x 365	< 45 days
Days Inventory Outstanding	(Average Inventory / Cost of Sales) x 365	< 45 days
Days Payable Outstanding	(Average Accounts Payable / Cost of Sales) x 365	> 45 days

I F E

CONSULTING