

RETURN ON STRATEGIC EFFECTIVENESS (ROSE)

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Financial Strategies

<u>ROSE</u>	<u>Core Components</u>	<u>Individual Financial Drivers</u>
<p>↑ Operating Cash Flow</p>	<p>↓ Assets</p> <p>↑ Liabilities</p>	<p>↓ Days Receivable</p> <p>↓ Days Inventory</p> <p>↑ Days Payable</p>
<p>↑ Free Cash Flow</p>	<p>↓ Assets</p> <p>↑ Liabilities</p>	<p>↓ Days Receivable</p> <p>↓ Days Inventory</p> <p>↓ Capital Expenditures</p> <p>↑ Days Payable</p> <p>↓ Debt Repayment</p>
<p>↑ Net Profit</p>	<p>↑ Sales</p> <p>↓ Expenses</p>	<p>↓ COGS/Sales</p> <p>↓ MSGA/Sales</p>
<p>↑ ROE (Dupont Formula)</p>	<p>↑</p> <p>Net Profit ↑</p> <p>Sales ↑</p> <p>×</p> <p>Sales ↑</p> <p>-----</p> <p>Total Assets ↓</p> <p>×</p> <p>Total Assets ↓</p> <p>-----</p> <p>Equity ↓</p>	<p>↓ COGS/Sales</p> <p>↓ MSGA/Sales</p> <p>↓ Days Receivable</p> <p>↓ Days Inventory</p> <p>↑ Sales/Fixed Assets</p> <p>↓ Days Receivable</p> <p>↓ Days Inventory</p> <p>↑ Sales/Fixed Assets</p> <p>↑ Sales/Total Assets</p> <p>↑ Sales/Equity</p>

Improve ROSE by:

- ↑ Increase percentage, multiple, or core component
- ↓ Decrease percentage, multiple, or core component

↑ Increase ratio or ROSE Factor