

Lecture #3

Review of Last Week (Chapter 2 - CFM)

Stock Price / HPR – the highest in Class / Lowest in Class

ENTRY LEVEL

VALUE CREATION LEVEL

FINANCIAL ANALYSIS

I/S and CF – Differences (Taxes – Depreciation, Amortization of Fees (Capitalized))

- Capex (Non deductible)
- Working Capital (Timing Differences) – Changes in Balance Sheet

Income Statement (Starwood)

- Unlike the Balance Sheet that is a snap-shot at a particular time, the Income Statements show the flow over time (one year / one quarter/ one month)
- Measures profitability for that period
- EBITDA

Cash Flow Statement (Starwood)

- Working Capital
- Capex (Maintenance / Growth Capex)
- Acquisitions
- Selling Assets/property – Disposition of Assets
- Principal Payments
- Raising New Financing/IPO Equity
- Beginning/Ending Cash

FINANCIAL RATIOS (for graduate students that have taken the Quant Class, we will jump into Financial Ratios – Calculations for a Public Company – see Agenda #4):

HOMEWORK:

RATIO ANALYSIS FOR EACH OF THEIR COMPANIES
