

HME Industry  
Financial Metrics Worksheet

## Ratio Formulas

### *Liquidity Ratios:*

#### **Working Capital**

**A measure of short-term debt-paying ability within the next 12 months**

Current Assets - Current Liabilities = Working Capital

\_\_\_\_\_ - \_\_\_\_\_ = \_\_\_\_\_

#### **Quick Ratio**

**A measure of short-term debt-paying ability**

(Cash + Accounts Receivable Trade Only + Marketable Securities) / Current Liabilities = Quick Ratio

( \_\_\_\_\_ + \_\_\_\_\_ + \_\_\_\_\_ ) / \_\_\_\_\_ = \_\_\_\_\_

#### **Current Ratio**

**A measure of short-term debt-paying ability**

Current Assets / Current Liabilities = Current Ratio

\_\_\_\_\_ / \_\_\_\_\_ = \_\_\_\_\_

### *Solvency Ratios:*

#### **Debt / Equity**

**A measure of a company's financial leverage**

Total Liabilities / Total Shareholder's Equity or Owner's Equity = Debt / Equity

\_\_\_\_\_ / \_\_\_\_\_ = \_\_\_\_\_

#### **Debt / EBITDA**

**A measure of long-term debt-paying ability**

Total Liabilities / (Net Income + Interest Expense + Federal Income Taxes + Depreciation + Amortization)  
= Debt / EBITDA

\_\_\_\_\_ / ( \_\_\_\_\_ + \_\_\_\_\_ + \_\_\_\_\_ + \_\_\_\_\_ +  
\_\_\_\_\_ ) = \_\_\_\_\_

#### **Interest Coverage**

**An indicator of a company's ability to meet its interest payment obligations and a measurement of long-term credit risk**

(Net Income + Interest Expense + Federal Income Taxes) / Interest Expense = Interest Coverage

( \_\_\_\_\_ + \_\_\_\_\_ + \_\_\_\_\_ ) / \_\_\_\_\_ = \_\_\_\_\_

# HME Industry Financial Metrics Worksheet

## *Efficiency Ratio:*

### **DSO (Days Sales Outstanding)**

**A measure of the average number of days that a company takes to collect revenue after a sale has been made**

(Accounts Receivable Trade Accounts / Sales) \* number of days = DSO

( \_\_\_\_\_ / \_\_\_\_\_ ) \* \_\_\_\_\_ = \_\_\_\_\_

## *Profitability Ratios:*

### **Gross Margin**

**A measure of the profitability for the company's products**

Gross Profit divided by Sales = Gross Margin

\_\_\_\_\_ / \_\_\_\_\_ = \_\_\_\_\_

### **Operating Income Margin**

**The profitability of a company's basic business activities**

(Gross Profit - Operating Expenses) / Sales = Operating Income Margin

( \_\_\_\_\_ - \_\_\_\_\_ ) / \_\_\_\_\_ = \_\_\_\_\_

### **Net Profit Margin**

**An indicator of management's ability to control costs**

Net Income / Sales = Net Profit Margin

\_\_\_\_\_ / \_\_\_\_\_ = \_\_\_\_\_

### **EBITDA / Sales**

**A measurement of the company's profitability or cash flow in relation to sales**

(Net Income + Interest Expense + Federal Income Taxes + Depreciation + Amortization) / Sales

= EBITA / Sales

( \_\_\_\_\_ + \_\_\_\_\_ + \_\_\_\_\_ + \_\_\_\_\_ + \_\_\_\_\_ ) /  
\_\_\_\_\_ = \_\_\_\_\_

### **Wages / Sales**

**An indicator of management's ability to control costs**

(Wages + Commissions + Payroll Taxes + Health Insurance + 401k contribution) / Sales

= Wages / Sales

( \_\_\_\_\_ + \_\_\_\_\_ + \_\_\_\_\_ + \_\_\_\_\_ + \_\_\_\_\_ ) /  
\_\_\_\_\_ = \_\_\_\_\_

# HME Industry Financial Metrics Worksheet

## Ratio Calculations

### *Liquidity Ratios:*

Ratio Name & Significance	Ratio Calculations
<b>Working Capital</b> <i>A measure of short-term debt-paying ability within the next 12 months</i>	
<b>Quick Ratio</b> <i>A measure of short-term debt-paying ability</i>	
<b>Current Ratio</b> <i>A measure of short-term debt-paying ability</i>	

### *Solvency Ratios:*

Ratio Name & Significance	Ratio Calculations
<b>Debt / Equity</b> <i>A measure of a company's financial leverage</i>	
<b>Debt / EBITDA</b> <i>A measure of long-term debt-paying ability</i>	
<b>Interest Coverage</b> <i>An indicator of a company's ability to meet its interest payment obligations and a measurement of long-term credit risk</i>	

### *Efficiency Ratio:*

Ratio Name & Significance	Ratio Calculations
<b>DSO (Days Sales Outstanding)</b> <i>A measure of the average number of days that a company takes to collect revenue after a sale has been made</i>	

# HME Industry Financial Metrics Worksheet

## *Profitability Ratios:*

Ratio Name & Significance	Ratio Calculations
<b>Gross Margin</b> <i>A measure of the profitability of the company's products</i>	
<b>Operating Income Margin</b> <i>The profitability of a company's basic business activities</i>	
<b>Net Profit Margin</b> <i>An indicator of management's ability to control costs</i>	
<b>EBITDA / Sales</b> <i>A measurement of the company's profitability or cash flow in relation to sales</i>	
<b>Wages / Sales</b> <i>An indicator of management's ability to control costs</i>	