

Profitability Ratio's

Ratio's can be used to identify trends and to analyze financial information. Ratio's strengthened shows improvement in profitability

Change in revenue (%)

- $(CY \text{ Revenue} - PY \text{ Revenue}) / PY \text{ Revenue}$
- Indicates % change in revenue



Operating profit Margin (%)

- Operating Profit / Revenue
- Indicates the how much of revenue generates operating profit



Gross Profit Margin (%)

- $(\text{Revenue} - \text{Cost of Sales}) / \text{Revenue}$
- Indicates the % of gross profit



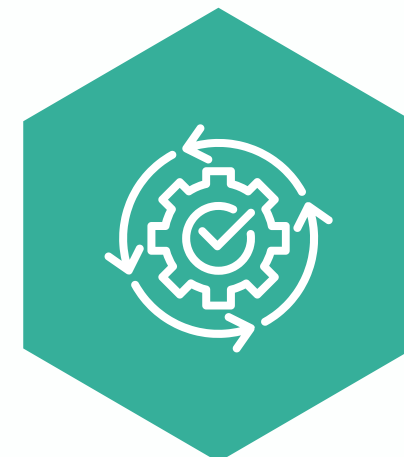
EBIT Margin (%)

- EBIT / Revenue
- Shows earnings before interest and tax as a % of revenue



Change in gross profit (%)

- $(\text{Gross Profit CY} - \text{Gross Profit PY}) / \text{GP Prior Year}$
- Indicates the change in gross profit which can be due to change in revenue / cost of sales



EBITDA Margin (%)

- EBITDA / Revenue
- Shows profit without effect of financing / accounting policies as a % of revenue



CY - Current Year
PY - Prior Year
EBITDA - Earnings before Interest, Tax, Depreciation and Amortization

Profitability Ratio's

Operating Cost as % of Revenue

- $\text{Operating Cost} / \text{Revenue}$
- Shows % of revenue spent on operating costs



Operating cash flow to operating profit

- $\text{Net Cashflows from operating activities} / \text{Operating profit}$



Major Operating Expenses as a % of Revenue (%)

- $\text{Operating Expenses} / \text{Revenue}$
- Shows % of revenue spent on operating expenses



Degree of operating leverage

- $\text{Total Contribution} / \text{Operating profit}$
- $\% \text{ of change in operating profit} / \% \text{ Change in revenue}$
- Indicates how much a company's operating income changes in response to change in sales



Change in operating expenses (%)

- $(\text{Expenses CY} - \text{Expenses PY}) / \text{Expenses PY}$
- Indicates increased / reduced costs



Change in other income / expenditure (%)

- $(\text{Figure CY} - \text{Figure PY}) / \text{Figure PY}$
- Indicates increased / reduced costs



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Profitability Ratio's

Effective Interest Rate (%)

- Total Finance Cost / Total interest bearing debt at end of PY
- Indicates average finance cost %



Earnings per share (cents)

- Profit attributable to equity holders / Issued Shares x 100
- Give an indication of earnings per share



Net Profit Margin (%)

- Net profit / Revenue
- Assess whether enough profit is made from sales (Could indicate control over costs)



Headline Earnings Per Share (Cents)

- Headline Earnings / Issued Shares x 100.
- Give an indication of earnings per share



Change in Net profit (%)

- $(\text{Net profit CY} - \text{Net profit PY}) / \text{Net profit PY}$
- Changes could indicate improved cost control / more revenue



Common size statement of profit and loss and other comprehensive income

- All items are expressed as a % of revenue
- %'s are easier to compare and understand



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