

Formulas:

Operating Cash Flow:  $OCF = EBIT + \text{Depreciation} - \text{Taxes}$

Return on Assets:  $ROA = \frac{\text{Net Income}}{\text{Assets}}$

Return on Equity:  $ROE = \frac{\text{Net Income}}{\text{Equity}}$

Retention Ratio:  $b = \frac{\text{Net Income} - \text{Dividends}}{\text{Net Income}} = 1 - \text{dividend payout ratio}$

Sustainable Growth Rate:  $SGR = \frac{ROE \times b}{1 - (ROE \times b)}$

Effective Annual Rate:  $EAR = \left(1 + \frac{r}{M}\right)^M - 1$ ,

where  $r$  = stated annual rate,  $m$  = compounding periods per year

Weighted Average Cost of Capital:  $WACC = \frac{D}{V}(R_D)(1 - t_C) + \frac{P}{V}(R_P) + \frac{E}{V}(R_E)$