

# Chp 5. FINANCIAL ANALYSIS AND REPORTING (PART 2)

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Equity Research –  
2020/2021



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UNIVERSIDADE DE LISBOA



**Master in Finance**  
Ranking 2020



# CONTENT

## **Forecasting Financial Statements:**

- 1. Case Study 1**
- 2. Case Study 2**

# 1

## **Forecasting Financial Statements: Case Study 1**

FINANCIAL ANALYSIS AND REPORTING

# FORECASTING FINANCIAL STATEMENTS: EXAMPLE 1

## Company's characteristics:

- The company operates in the manufacturing industry;
- Operational costs are mostly fixed (overhead costs), except COGS;
- Bargaining power over suppliers is higher than over customer.

ASSETS		EQUITY	
Intangibles	167,500	Equity Capital	50,000
Fixed Assets	3,450,000	Reserves	595,000
Deprec.	(603,750)	Net Income	67,504
Financial Inv.	18,500	LIABILITIES	
Inventories	86,354	Debt (long-t)	2,165,000
Receivables	136,800	Debt (short-t)	246,000
Other assets	32,400	Payables	167,800
Cash & Equiv.	72,005	Other liabilities	68,496
	3,359,800		3,359,800

Equity = 712,504

D/E = 3.38x

Debt = 2,411,000

NWC?

Debt = 2,647,296

D/E = 3.72x

Current Assets
Cur. Liabilities



# FORECASTING FINANCIAL STATEMENTS: EXAMPLE 1

Expected replacement CAPEX is about US\$120,750, to be paid 80% up-front and 20% in 14 months. As the company decided to launch new products it will require an expansion CAPEX around US\$36,500 for each of the next two years (50% up-front and 50% in 18 months).

Existent Fixed Assets and replacement CAPEX are depreciated at 3.5%/year (what is the average useful life of existent assets?), while depreciation rate of expansion CAPEX is at 5%/year.

<p><b>Operating Activities</b></p> <p>+ EBITDA <span style="float: right;">334,560</span></p> <p>- Income Tax</p> <p>- ΔNWC</p> <p><b>Investment Activities</b></p> <p>- CAPEX <span style="float: right;">(114,850)</span></p> <p>± Other Inv.</p> <p><b>Financing Activities</b></p> <p>- Financial Ex.</p> <p>- Dividends</p> <p>- ΔDebt</p> <p><b>Change in Cash</b></p>	<p style="text-align: center;"><b>ASSETS</b></p> <p>Intangibles <span style="float: right;">167,500</span> <span style="float: right;">167,500</span></p> <p>Fixed Assets <span style="float: right;">3,450,000</span> <span style="float: right;">3,607,250</span></p> <p style="padding-left: 20px;">Deprec. <span style="float: right;">(603,750)</span> <span style="float: right;">(730,551)</span></p> <p>Financial Inv. <span style="float: right;">18,500</span></p> <p>Inventories <span style="float: right;">86,354</span></p> <p>Receivables <span style="float: right;">136,800</span></p> <p>Other assets <span style="float: right;">32,400</span></p> <p>Cash &amp; Equiv. <span style="float: right;">72,005</span></p> <p style="text-align: center;">3,359,800</p>	<p style="text-align: center;"><b>EQUITY</b></p> <p>Equity Capital <span style="float: right;">50,000</span></p> <p>Reserves <span style="float: right;">595,000</span></p> <p>Net Income <span style="float: right;">67,504</span></p> <hr/> <p style="text-align: center;"><b>LIABILITIES</b></p> <p>Debt (long-t) <span style="float: right;">2,165,000</span></p> <p>Debt (short-t) <span style="float: right;">246,000</span></p> <p>Payables <span style="float: right;">167,800</span></p> <p>Other liabilities <span style="float: right;">68,496</span> <span style="float: right;">110,896</span></p> <p style="text-align: center;">3,359,800</p>	<p>Revenue <span style="float: right;">935,000</span></p> <p>- COGS <span style="float: right;">(514,250)</span></p> <p>= Gross profit <span style="float: right;">420,750</span></p> <p>- SG&amp;A <span style="float: right;">(86,190)</span></p> <p>= EBITDA <span style="float: right;">334,560</span></p> <p>- D&amp;A <span style="float: right;">(126,801)</span></p> <p>= EBIT <span style="float: right;">207,759</span></p> <p>- Interest</p> <p>= EBT</p> <p>- Taxes</p> <p>= Net Income</p>
<p><b>Cash Flow Statement</b></p>			<p><b>Income Statement</b></p>

# FORECASTING FINANCIAL STATEMENTS: EXAMPLE 1

Current interest rates are 3.75% for short-term debt and +75 bps for long-term debt.

Company's effective tax rate is around 25% (exclude effects from deferred tax assets and deferred tax liabilities). The company already handed in payments on account to the tax administration throughout the year (withholding system?) equivalent to 25% of expected pre-tax profits.

<table border="1"> <tr> <td colspan="2"><b>Operating Activities</b></td> </tr> <tr> <td>+ EBITDA</td> <td>334,560</td> </tr> <tr> <td>- Income Tax</td> <td>(25,277)</td> </tr> <tr> <td>- ΔNWC</td> <td></td> </tr> <tr> <td colspan="2"><b>Investment Activities</b></td> </tr> <tr> <td>- CAPEX</td> <td>(114,850)</td> </tr> <tr> <td>± Other Inv.</td> <td></td> </tr> <tr> <td colspan="2"><b>Financing Activities</b></td> </tr> <tr> <td>- Financial Ex.</td> <td>(106,650)</td> </tr> <tr> <td>- Dividends</td> <td></td> </tr> <tr> <td>- ΔDebt</td> <td></td> </tr> <tr> <td><b>Change in Cash</b></td> <td></td> </tr> </table>	<b>Operating Activities</b>		+ EBITDA	334,560	- Income Tax	(25,277)	- ΔNWC		<b>Investment Activities</b>		- CAPEX	(114,850)	± Other Inv.		<b>Financing Activities</b>		- Financial Ex.	(106,650)	- Dividends		- ΔDebt		<b>Change in Cash</b>		<table border="1"> <tr> <th colspan="2">ASSETS</th> </tr> <tr> <td>Intangibles</td> <td>167,500    167,500</td> </tr> <tr> <td>Fixed Assets</td> <td>3,450,000    3,607,250</td> </tr> <tr> <td>    Deprec.</td> <td>(603,750)    (730,551)</td> </tr> <tr> <td>Financial Inv.</td> <td>18,500</td> </tr> <tr> <td>Inventories</td> <td>86,354</td> </tr> <tr> <td>Receivables</td> <td>136,800</td> </tr> <tr> <td>Other assets</td> <td>32,400</td> </tr> <tr> <td>Cash &amp; Equiv.</td> <td>72,005</td> </tr> <tr> <td></td> <td><b>3,359,800</b></td> </tr> </table>	ASSETS		Intangibles	167,500    167,500	Fixed Assets	3,450,000    3,607,250	Deprec.	(603,750)    (730,551)	Financial Inv.	18,500	Inventories	86,354	Receivables	136,800	Other assets	32,400	Cash & Equiv.	72,005		<b>3,359,800</b>	<table border="1"> <tr> <th colspan="2">EQUITY</th> </tr> <tr> <td>Equity Capital</td> <td>50,000</td> </tr> <tr> <td>Reserves</td> <td>595,000</td> </tr> <tr> <td>Net Income</td> <td>67,504    75,832</td> </tr> <tr> <th colspan="2">LIABILITIES</th> </tr> <tr> <td>Debt (long-t)</td> <td>2,165,000</td> </tr> <tr> <td>Debt (short-t)</td> <td>246,000</td> </tr> <tr> <td>Payables</td> <td>167,800</td> </tr> <tr> <td>Other liabilities</td> <td>68,496    110,896</td> </tr> <tr> <td></td> <td><b>3,359,800</b></td> </tr> </table>	EQUITY		Equity Capital	50,000	Reserves	595,000	Net Income	67,504    75,832	LIABILITIES		Debt (long-t)	2,165,000	Debt (short-t)	246,000	Payables	167,800	Other liabilities	68,496    110,896		<b>3,359,800</b>	<table border="1"> <tr> <td>Revenue</td> <td>935,000</td> </tr> <tr> <td>- COGS</td> <td>(514,250)</td> </tr> <tr> <td>= Gross profit</td> <td>420,750</td> </tr> <tr> <td>- SG&amp;A</td> <td>(86,190)</td> </tr> <tr> <td>= EBITDA</td> <td>334,560</td> </tr> <tr> <td>- D&amp;A</td> <td>(126,801)</td> </tr> <tr> <td>= EBIT</td> <td>207,759</td> </tr> <tr> <td>- Interest</td> <td>(106,650)</td> </tr> <tr> <td>= EBT</td> <td>101,109</td> </tr> <tr> <td>- Taxes</td> <td>(25,277)</td> </tr> <tr> <td>= Net Income</td> <td>75,832</td> </tr> </table>	Revenue	935,000	- COGS	(514,250)	= Gross profit	420,750	- SG&A	(86,190)	= EBITDA	334,560	- D&A	(126,801)	= EBIT	207,759	- Interest	(106,650)	= EBT	101,109	- Taxes	(25,277)	= Net Income	75,832
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# FORECASTING FINANCIAL STATEMENTS: EXAMPLE 1

In 2017Q2 the company distributed 30% of 2016 profits, which were already proposed in 2016Q4. The company expects to keep the payout ratio constant for 2017 dividends.

Equity Capital remains the same as in 2016YE (no issuance of new capital or acquisition of own shares/treasury shares).

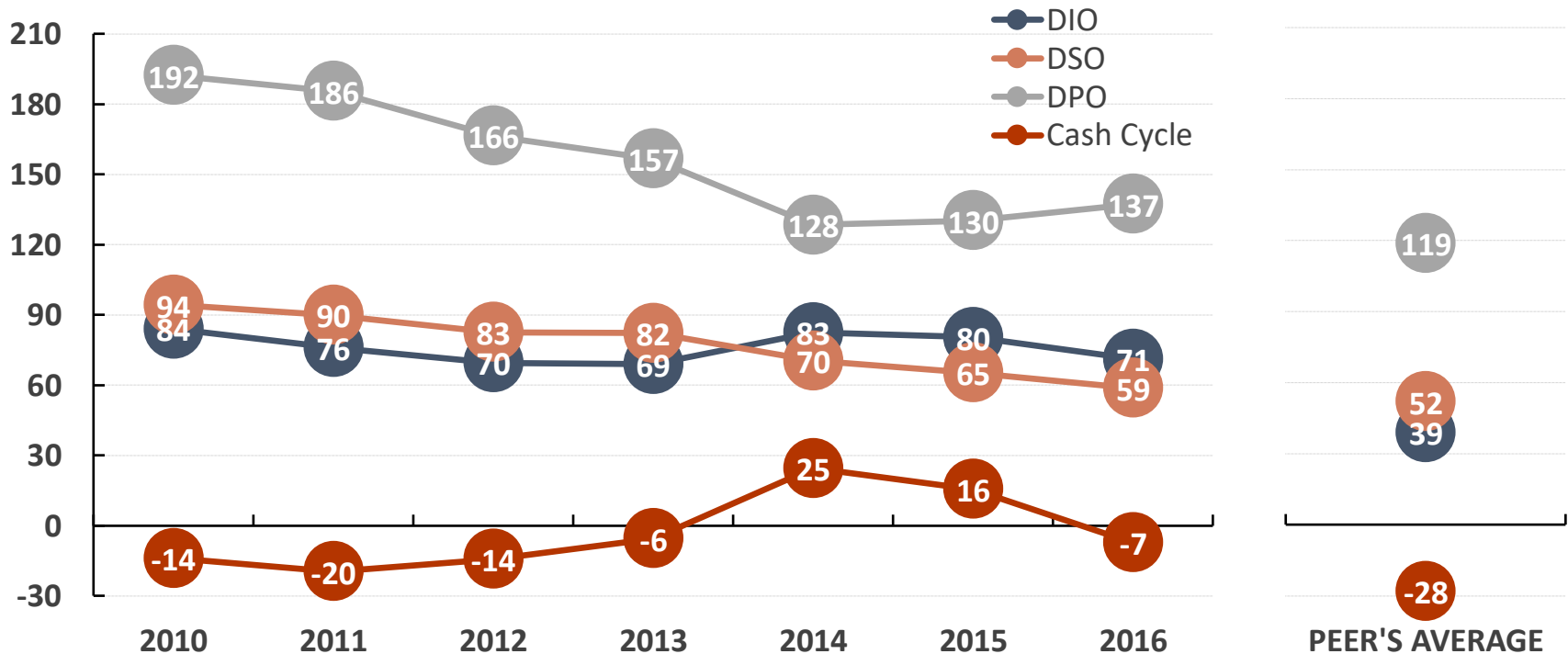
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<p><b>Cash Flow Statement</b></p>			<p style="text-align: center;"><b>Income Statement</b></p>



# FORECASTING FINANCIAL STATEMENTS: EXAMPLE 1

Look to the growth of the cash conversion cycle of your subject company and compare all its components with the industry's peer group.

Look to the bargaining power in the value chain of the industry....







# 2

## **Forecasting Financial Statements: Case Study 2**

FINANCIAL ANALYSIS AND REPORTING

# FORECASTING FINANCIAL STATEMENTS: EXAMPLE 2

## Company's characteristics:

- The example considers an airline company operating in the EMEA region. For operational purposes, the company's business structure is set out into two segments: (i) **Europe**, and (ii) **Middle East and Africa**.
- Yields are lower and less flexible in Europe due to stiver competition from LCC and significant market fragmentation.
- Load factor is lower in Europe due to excess ASK.
- The weight of Fees & Charges over Revenue is expected to remain stable in Europe, while decreasing in the Middle East and Africa derived from expected increases in the load factor in the region.
- The company is planning a major renewal of the fleet, without increasing the total fleet. The strategy is to sell old and inefficient aircraft, acquire modern and more efficient (less heavy?) aircraft, and renew the cabin of the existent fleet to increase the average number of seats per aircraft (enhancing company's ASK).

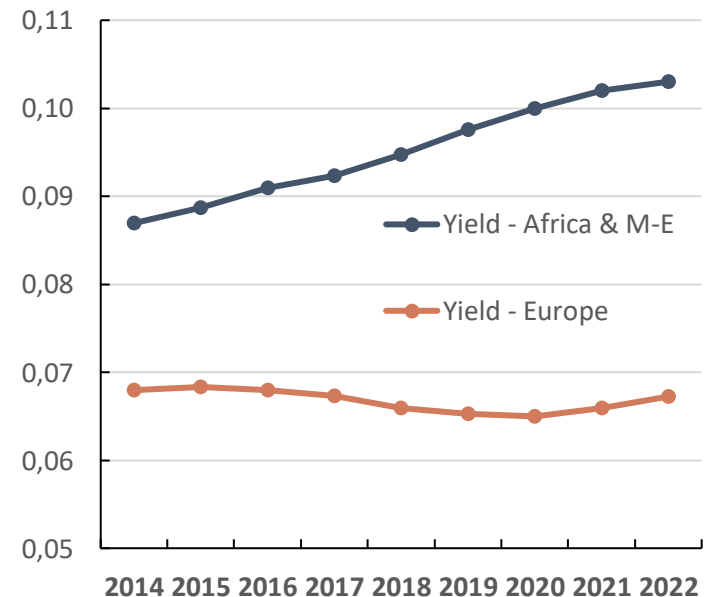
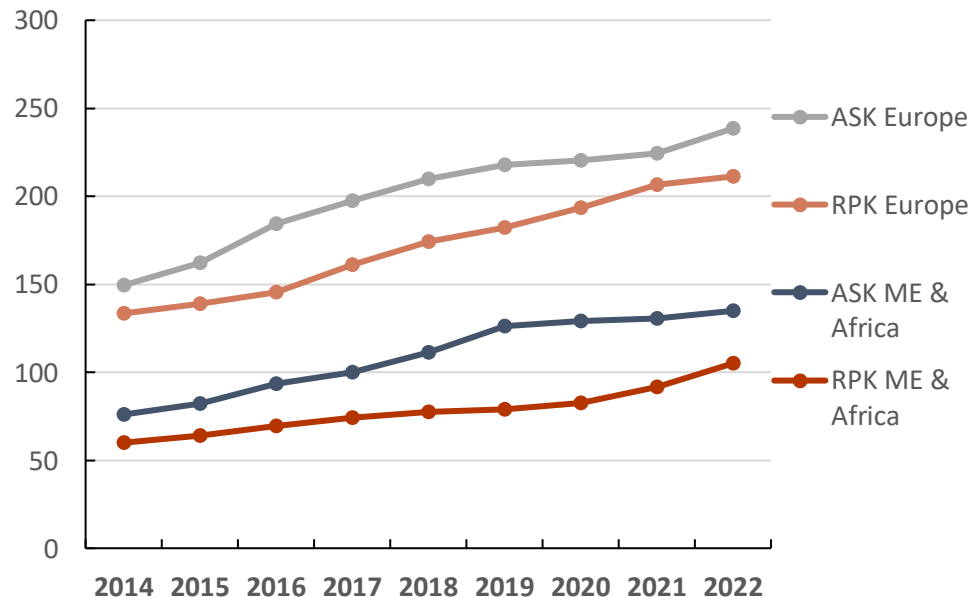
# FORECASTING FINANCIAL STATEMENTS: EXAMPLE 2

	2016	2017F	2018F	2019F		2016	2017F	2018F	2019F
CASH FLOW STATEMENT	Goodwill	383			BALANCE SHEET	<b>EQUITY</b>	<b>9,222</b>	<b>30% E/L+E</b>	
	Intangibles	1,574				Issued Capital	1,350		
	PP&E	3,123		1.42 FAT		Reserves	6,891		
	Aircrafts & Engines	16,123				Net profit/loss	981	11% ROE	
	Spare parts	723				<b>LIABILITIES</b>	<b>21,755</b>	<b>70% L/L+E</b>	
	AFS	912				Borrowings	9,983		
	Inventories	562				Pension provisions	2,984		
	Receivables	3,493	45.0 DSO			Other fin. Liabil.	734		
	Deferred charges	172				Borrowings	1,613		
	Other assets	398				Payables	4,723		
	Financial Assets FV	2,283				Income Tax Oblig.	163		
	Cash & Equiv.	1,231	19% Cash Ratio			Other liabilities	1,555		
	<b>ASSETS</b>	<b>30,977</b>				<b>EQUITY + LIABILIT.</b>	<b>30,977</b>		
	<b>Operating Activities</b>	<b>3,246</b>				+Traffic rev. EU	16,812		
	+EBIT	1,679				+Traffic rev. ME&A	8,234		
	+D&A	1,993				+Acilliary	3,283		
	-Income Tax	(211)				-Fuel	(8,145)		
	-ΔNWC	(215)				-Staff	(6,516)		
	<b>Investment Activities</b>	<b>(2,107)</b>	<b>-65% % CFO</b>			-Fees&Charges	(3,909)		
-CAPEX	(2,432)			-Maint&Repair	(2,346)				
+Other Inv.	325			-Other Costs	(3,401)	margins			
<b>Financing Activities</b>	<b>(1,158)</b>			<b>=EBITDAR</b>	<b>4,013</b>	<b>14.2%</b>			
-Interest paid	(396)			-Rent Costs	(340)				
-Dividends	(578)			=EBITDA	3,672	13.0%			
-ΔDebt	(184)			- D&A	(1,993)				
<b>Change in Cash</b>	<b>(19)</b>			<b>= EBIT</b>	<b>1,679</b>	<b>5.9%</b>			
Begining	1,250			- Interest	(396)		4.24 ICR		
End	1,231			=EBT	1,283	4.5%			
				- Taxes	(302)				
				<b>= Net Income</b>	<b>981</b>	<b>3.5%</b>			

# FORECASTING FINANCIAL STATEMENTS: EXAMPLE 2

## Company's forecasts:

- In the **IO&CP** you identified the following forecasts for the industry:



- From 2017 onwards Yields are lower in Europe despite the higher increase in Demand (RPK) comparing to Supply (APK), as airline companies are focused on improvements in the load factor (PLF)

# FORECASTING FINANCIAL STATEMENTS: EXAMPLE 2

## Company's forecasts:

- Forecasts of **Yields** for the European segment are **+0.0020** comparing to the industry average, due to brand loyalty, better service than competitors (strategy of differentiation?) and higher geographical coverage (better competitive positioning?).
- In the Middle East & Africa, the company is a price taker (vs. price setter), therefore should experience the same Yields as the industry.

	2017F	2018F	2019F	2020F	2021F	2022F
Yield - Europe	0.0673	0.0660	0.0653	0.0650	0.0660	0.0673
<b>Yield Company Europe</b>	<b>0.0693</b>	<b>0.0680</b>	<b>0.0673</b>	<b>0.0670</b>	<b>0.0680</b>	<b>0.0693</b>
<b>Yield - M. East &amp; Africa</b>	<b>0.0923</b>	<b>0.0947</b>	<b>0.0976</b>	<b>0.1000</b>	<b>0.1020</b>	<b>0.1030</b>



# FORECASTING FINANCIAL STATEMENTS: EXAMPLE 2

## Company's forecasts:

- Passenger Load Factor (PLF)** forecasts in Europe are -185 bps FY2017, below the industry average of 81.6%, due to the transition period of strategies already in place for fleet renovation and routes optimization. Thereafter, it is expected to increase +165 bps YoY. In ME&A the PLF should be -55 bps comparing to industry forecasts, as the company is still finding the pace in the region.

	2017F	2018F	2019F	2020F	2021F	2022F
RPK Europe	161.2	174.3	182.3	193.6	206.5	211.3
ASK Europe	197.6	209.9	217.8	220.7	224.6	238.8
<b>PLF Europe</b>	<b>81.60%</b>	<b>83.00%</b>	<b>83.70%</b>	<b>87.70%</b>	<b>91.90%</b>	<b>88.50%</b>
RPK ME & Africa	74.4	77.5	79.2	82.6	91.9	105.2
ASK ME & Africa	100.3	111.6	126.5	129.3	130.8	135.0
<b>PLF ME &amp; Africa</b>	<b>74.20%</b>	<b>69.50%</b>	<b>62.60%</b>	<b>63.90%</b>	<b>70.20%</b>	<b>77.90%</b>

	2017F	2018F	2019F	2020F	2021F	2022F
<b>PLF Europe - Company</b>	<b>79.75%</b>	<b>81.40%</b>	<b>83.05%</b>	<b>84.70%</b>	<b>86.35%</b>	<b>88.00%</b>
<b>PLF ME&amp;A - Company</b>	<b>73.65%</b>	<b>68.95%</b>	<b>62.05%</b>	<b>63.35%</b>	<b>69.65%</b>	<b>77.35%</b>

# FORECASTING FINANCIAL STATEMENTS: EXAMPLE 2

**Top-Down Approach  
for Revenue**

## Company's forecasts:

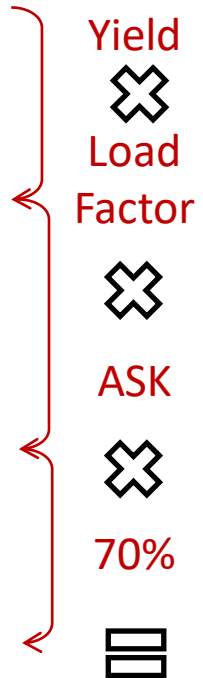
- From the total fleet, the company aims to allocate 70% to Europe and the remaining fleet to operations in the Middle East & Africa. Estimates for **Revenue** are as follows:

	2017F	2018F	2019F	2020F	2021F	2022F
Yield Company Europe	0.0693	0.0680	0.0673	0.0670	0.0680	0.0693
Yield - Africa & M-E	0.0923	0.0947	0.0976	0.1000	0.1020	0.1030

	2017F	2018F	2019F	2020F	2021F	2022F
PLF Europe - Company	79.75%	81.40%	83.05%	84.70%	86.35%	88.00%
PLF ME&A - Company	73.65%	68.95%	62.05%	63.35%	69.65%	77.35%

	2017F	2018F	2019F	2020F	2021F	2022F
Fleet	580	585	576	562	565	570
ASK / year (millions)	415,520	501,127	527,059	536,132	538,994	543,764

	2017F	2018F	2019F	2020F	2021F	2022F
Revenues Europe	16,075	19,417	20,621	21,297	22,154	23,213
Revenues ME&A	8,474	9,816	9,576	10,189	11,488	12,997



70%  
30%

# FORECASTING FINANCIAL STATEMENTS: EXAMPLE 2

	2016	2017F	2018F	2019F
Goodwill	383			
Intangibles	1,574			
PP&E	3,123			
Aircrafts & Engines	16,123			
Spare parts	723			
AFS	912			
Inventories	562			
Receivables	3,493			
Deferred charges	172			
Other assets	398			
Financial Assets FV	2,283			
Cash & Equiv.	1,231			
<b>ASSETS</b>	<b>30,977</b>			

BALANCE SHEET

	2016	2017F	2018F	2019F
<b>EQUITY</b>	<b>9,222</b>			
Issued Capital	1,350			
Reserves	6,891			
Net profit/loss	981			
<b>LIABILITIES</b>	<b>21,755</b>			
Borrowings	9,983			
Pension provisions	2,984			
Other fin. Liabil.	734			
Borrowings	1,613			
Payables	4,723			
Income Tax Oblig.	163			
Other liabilities	1,555			
<b>EQUITY + LIABILIT.</b>	<b>30,977</b>			

CASH FLOW STATEMENT

<b>Operating Activities</b>	<b>3,246</b>
+EBIT	1,679
+D&A	1,993
-Income Tax	(211)
-ΔNWC	(215)
<b>Investment Activities</b>	<b>(2,107)</b>
-CAPEX	(2,432)
+Other Inv.	325
<b>Financing Activities</b>	<b>(1,158)</b>
-Interest paid	(396)
-Dividends	(578)
-ΔDebt	(184)
<b>Change in Cash</b>	<b>(19)</b>
Beginning	1,250
End	1,231

INCOME STATEMENT

+Traffic rev. EU	16,812	16,075	19,417	20,621
+Traffic rev. ME&A	8,234	8,474	9,816	9,576
+Acilliary	3,283			
-Fuel	(8,145)			
-Staff	(6,516)			
-Fees&Charges	(3,909)			
-Maint&Repair	(2,346)			
-Other Costs	(3,401)			
<b>=EBITDAR</b>	<b>4,013</b>			
-Rent Costs	(340)			
<b>=EBITDA</b>	<b>3,672</b>			
- D&A	(1,993)			
<b>= EBIT</b>	<b>1,679</b>			
- Interest	(396)			
<b>=EBT</b>	<b>1,283</b>			
- Taxes	(302)			
<b>= Net Income</b>	<b>981</b>			

# FORECASTING FINANCIAL STATEMENTS: EXAMPLE 2

## Company's forecasts:

- **Ancillary** revenue are 16.2% of revenue for Europe and 12.3% for the ME & Africa region.
- Due to fleet restructuring:
  - **Staff Costs** should stabilize and grow at a CAGR of +2.1%, and;
  - Costs of **Maintenances and Repairs** should decrease -125 bps each year.
- **Fees & Charges** are dependent on traffic revenue: 14.3% for Europe and 18.2% for the ME & Africa.
- **Other Costs** should be adjusted to inflation, forecasted at 1.7% CAGR from 2017F-2020F.
- The ratio **Fuel/Traffic Revenue** should decrease -80 bps in 2017F and -15 bps thereafter, as a consequence of the feet renovation.

# FORECASTING FINANCIAL STATEMENTS: EXAMPLE 2

	2016	2017F	2018F	2019F
Goodwill	383			
Intangibles	1,574			
PP&E	3,123			
Aircrafts & Engines	16,123			
Spare parts	723			
AFS	912			
Inventories	562			
Receivables	3,493			
Deferred charges	172			
Other assets	398			
Financial Assets FV	2,283			
Cash & Equiv.	1,231			
<b>ASSETS</b>	<b>30,977</b>			

BALANCE SHEET

	2016	2017F	2018F	2019F
<b>EQUITY</b>	<b>9,222</b>			
Issued Capital	1,350			
Reserves	6,891			
Net profit/loss	981			
<b>LIABILITIES</b>	<b>21,755</b>			
Borrowings	9,983			
Pension provisions	2,984			
Other fin. Liabil.	734			
Borrowings	1,613			
Payables	4,723			
Income Tax Oblig.	163			
Other liabilities	1,555			
<b>EQUITY + LIABILIT.</b>	<b>30,977</b>			

CASH FLOW STATEMENT

<b>Operating Activities</b>	<b>3,246</b>
+EBIT	1,679
+D&A	1,993
-Income Tax	(211)
-ΔNWC	(215)
<b>Investment Activities</b>	<b>(2,107)</b>
-CAPEX	(2,432)
+Other Inv.	325
<b>Financing Activities</b>	<b>(1,158)</b>
-Interest paid	(396)
-Dividends	(578)
-ΔDebt	(184)
<b>Change in Cash</b>	<b>(19)</b>
Beginning	1,250
End	1,231

+Traffic rev. EU	16,812	16,075	19,417	20,621
+Traffic rev. ME&A	8,234	8,474	9,816	9,576
+Acilliary	3,283	3,646	4,353	4,518
-Fuel	(8,145)	(7,787)	(9,229)	(9,487)
-Staff	(6,516)	(6,652)	(6,792)	(6,935)
-Fees&Charges	(3,909)	(3,841)	(4,563)	(4,692)
-Maint&Repair	(2,346)	(2,316)	(2,287)	(2,259)
-Other Costs	(3,401)	(3,459)	(3,518)	(3,578)
<b>=EBITDAR</b>	<b>4,013</b>	<b>4,140</b>	<b>7,197</b>	<b>7,765</b>
-Rent Costs	(340)			
=EBITDA	3,672			
- D&A	(1,993)			
<b>= EBIT</b>	<b>1,679</b>			
- Interest	(396)			
=EBT	1,283			
- Taxes	(302)			
<b>= Net Income</b>	<b>981</b>			

INCOME STATEMENT

# FORECASTING FINANCIAL STATEMENTS: EXAMPLE 2

## Company's forecasts:

- When the company is in a shortage of aircraft due to repairs and maintenances, **Rental Costs** are incurred. Typically, they are about 2.0% of traffic revenue.
- **Goodwill** is not amortized, although IFRS requires impairment tests at least annually. The goodwill is related to the acquisition of a competitor in Africa when the company entered the market and no impairments are expected in the foreseen period.
- **Intangibles** are related to patents and licenses. The company opted to amortize intangibles until expiration (currently the average useful life is 20 years).
- **PP&E** are depreciated at a rate of 12.5%/year. About 20% of all CAPEX is for PP&E. The remaining 80% of CAPEX is for Aircraft, and the depreciation rate is 8%/year.
- **CAPEX** is estimated either considering company's disclosures in the notes to the financial statements and reports from aircrafts manufacturers.

# FORECASTING FINANCIAL STATEMENTS: EXAMPLE 2

$$PP\&E_{t+1} = PP\&E_t - D\&A_{t+1} + CAPEX_{t+1}$$

$$3,360 = 3,123 - 390 + 628$$

D&A should be included in the three main financial statements:

- *P&L* as an expense;
- *BAL* decreasing the book value of depreciable and amortizable assets;
- *Cash Flow Statement* as an adjustment to operational profits.

	2016	2017F	2018F	2019F
Goodwill	383	383	383	383
Intangibles	1,574	1,495	1,421	1,350
PP&E	3,123	3,360	3,400	3,390
Aircrafts & Engines	16,123	17,345	17,796	18,031

	2017F	2018F	2019F	
Amortizations	79	75	71	
Depreciations PP&E	390	420	425	
Depreciations Aircraft	1,290	1,388	1,424	
<b>D&amp;A</b>	<b>1,759</b>	<b>1,882</b>	<b>1,920</b>	
CAPEX Replacement	1,794	1,839	1,885	
CAPEX Expansion	1,345	460	188	
<b>CAPEX Total</b>	<b>3,139</b>	<b>2,298</b>	<b>2,073</b>	
<i>PP&amp;E</i>	20%	628	460	415
<i>Aircrafts</i>	80%	2,511	1,839	1,659

# FORECASTING FINANCIAL STATEMENTS: EXAMPLE 2

	2016	2017F	2018F	2019F
Goodwill	383	383	383	383
Intangibles	1,574	1,495	1,421	1,350
PP&E	3,123	3,360	3,400	3,390
Aircrafts & Engines	16,123	17,345	17,796	18,031
Spare parts	723			
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Inventories	562			
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Deferred charges	172			
Other assets	398			
Financial Assets FV	2,283			
Cash & Equiv.	1,231			
<b>ASSETS</b>	<b>30,977</b>			

BALANCE SHEET

	2016	2017F	2018F	2019F
<b>EQUITY</b>	<b>9,222</b>			
Issued Capital	1,350			
Reserves	6,891			
Net profit/loss	981			
<b>LIABILITIES</b>	<b>21,755</b>			
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Payables	4,723			
Income Tax Oblig.	163			
Other liabilities	1,555			
<b>EQUITY + LIABILIT.</b>	<b>30,977</b>			

CASH FLOW STATEMENT

<b>Operating Activities</b>	<b>3,246</b>			
+EBIT	1,679			
+D&A	1,993			
-Income Tax	(211)			
-ΔNWC	(215)			
<b>Investment Activities</b>	<b>(2,107)</b>			
-CAPEX	(2,432)	(3,139)	(2,298)	(2,073)
+Other Inv.	325			
<b>Financing Activities</b>	<b>(1,158)</b>			
-Interest paid	(396)			
-Dividends	(578)			
-ΔDebt	(184)			
<b>Change in Cash</b>	<b>(19)</b>			
Beginning	1,250			
End	1,231			

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-Maint&Repair	(2,346)	(2,316)	(2,287)	(2,259)
-Other Costs	(3,401)	(3,459)	(3,518)	(3,578)
<b>=EBITDAR</b>	<b>4,013</b>	<b>4,140</b>	<b>7,197</b>	<b>7,765</b>
-Rent Costs	(340)	(491)	(585)	(604)
<b>=EBITDA</b>	<b>3,672</b>	<b>3,649</b>	<b>6,612</b>	<b>7,161</b>
- D&A	(1,993)	(1,759)	(1,882)	(1,920)
<b>= EBIT</b>	<b>1,679</b>	<b>1,890</b>	<b>4,730</b>	<b>5,241</b>
- Interest	(396)			
<b>=EBT</b>	<b>1,283</b>			
- Taxes	(302)			
<b>= Net Income</b>	<b>981</b>			

INCOME STATEMENT



# FORECASTING FINANCIAL STATEMENTS: EXAMPLE 2

## Company's forecasts:

- **Inventories** should be 2.0% of Revenue;
- **Payables** for 2017YE are expected at 16.0% of Revenue and increasing thereafter +20 bps.
- **Days Receivables Outstanding (DSO)** are 45 days in 2016 and is expected to reach the industry average of 39 days by 2020F (decrease of 2 days per year, starting from 2018YE).
- **Deferred charges** are related to Fees & Charges paid in advance, and are expected to reach about 0.7% of Revenue each year.
- **Other (current) assets and liabilities** should grow at the inflation rate forecasted at 1.7% CAGR from 2017F-2019F.
- **Income tax obligations are** hard to forecast, as they may refer to temporary differences between taxable profit and accounting profit, which may well include both deferred tax assets and deferred tax liabilities. Therefore, we set the item as of 2016 (it only represents 0.53% of total assets!).

# FORECASTING FINANCIAL STATEMENTS: EXAMPLE 2

	2016	2017F	2018F	2019F
Goodwill	383	383	383	383
Intangibles	1,574	1,495	1,421	1,350
PP&E	3,123	3,360	3,400	3,390
Aircrafts & Engines	16,123	17,345	17,796	18,031
Spare parts	723			
AFS	912			
Inventories	562	564	672	694
Receivables	3,493	3,477	3,957	3,900
Deferred charges	172	197	235	243
Other assets	398	405	412	419
Financial Assets FV	2,283			
Cash & Equiv.	1,231			
<b>ASSETS</b>	<b>30,977</b>			

BALANCE SHEET

	2016	2017F	2018F	2019F
<b>EQUITY</b>	<b>9,222</b>			
Issued Capital	1,350			
Reserves	6,891			
Net profit/loss	981			
<b>LIABILITIES</b>	<b>21,755</b>			
Borrowings	9,983			
Pension provisions	2,984			
Other fin. Liabil.	734			
Borrowings	1,613			
Payables	4,723	4,511	5,441	5,693
Income Tax Oblig.	163	163	163	163
Other liabilities	1,555	1,581	1,608	1,636
<b>EQUITY + LIABILIT.</b>	<b>30,977</b>			

CASH FLOW STATEMENT

<b>Operating Activities</b>	<b>3,246</b>			
+EBIT	1,679			
+D&A	1,993			
-Income Tax	(211)			
-ΔNWC	(215)			
<b>Investment Activities</b>	<b>(2,107)</b>			
-CAPEX	(2,432)	(3,139)	(2,298)	(2,073)
+Other Inv.	325			
<b>Financing Activities</b>	<b>(1,158)</b>			
-Interest paid	(396)			
-Dividends	(578)			
-ΔDebt	(184)			
<b>Change in Cash</b>	<b>(19)</b>			
Beginning	1,250			
End	1,231			

+Traffic rev. EU	16,812	16,075	19,417	20,621
+Traffic rev. ME&A	8,234	8,474	9,816	9,576
+Acilliary	3,283	3,646	4,353	4,518
-Fuel	(8,145)	(7,787)	(9,229)	(9,487)
-Staff	(6,516)	(6,652)	(6,792)	(6,935)
-Fees&Charges	(3,909)	(3,841)	(4,563)	(4,692)
-Maint&Repair	(2,346)	(2,316)	(2,287)	(2,259)
-Other Costs	(3,401)	(3,459)	(3,518)	(3,578)
<b>=EBITDAR</b>	<b>4,013</b>	<b>4,140</b>	<b>7,197</b>	<b>7,765</b>
-Rent Costs	(340)	(491)	(585)	(604)
<b>=EBITDA</b>	<b>3,672</b>	<b>3,649</b>	<b>6,612</b>	<b>7,161</b>
- D&A	(1,993)	(1,759)	(1,882)	(1,920)
<b>= EBIT</b>	<b>1,679</b>	<b>1,890</b>	<b>4,730</b>	<b>5,241</b>
- Interest	(396)			
<b>=EBT</b>	<b>1,283</b>			
- Taxes	(302)			
<b>= Net Income</b>	<b>981</b>			

INCOME STATEMENT

# FORECASTING FINANCIAL STATEMENTS: EXAMPLE 2

## Company's forecasts:

- We are now able to estimate the **NWC**:

	2016	2017F	2018F	2019F
<b>Current Assets</b>	<b>4,625</b>	<b>4,643</b>	<b>5,276</b>	<b>5,256</b>
Inventories	562	564	672	694
Receivables	3,493	3,477	3,957	3,900
Deferred charges	172	197	235	243
Other assets	398	405	412	419
<b>Current Liabilities</b>	<b>6,441</b>	<b>6,256</b>	<b>7,212</b>	<b>7,492</b>
Payables	4,723	4,511	5,441	5,693
Income Tax Oblig.	163	163	163	163
Other liabilities	1,555	1,581	1,608	1,636
<b>NWC</b>	<b>(1,816)</b>	<b>(1,613)</b>	<b>(1,937)</b>	<b>(2,236)</b>
$\Delta$ NWC		<b>203</b>	<b>(323)</b>	<b>(299)</b>

**For the purpose of valuation, NWC should include only operating assets/liabilities.**

Working Capital (WC) = Net Working Capital (NWC) + Net Financial Position

NWC is the WC net of cash and net of short-term financial obligations



# FORECASTING FINANCIAL STATEMENTS: EXAMPLE 2

## ACCOUNTING BALANCE SHEET

Non-Current Assets	Equity
	Non-Current Liabilities
Current Assets	Current Liabilities
	<b>WC</b>

## FUNCTIONAL BALANCE SHEET

Fixed Assets (It)	Permanent Capitals (It)
Circulating Assets	Operating Resources
Active Cash	Financial Obl. (st)
	<b>WC</b>
	<b>NFP</b>

Circulating Assets	<b>NWC</b>
	Operating Resources

# FORECASTING FINANCIAL STATEMENTS: EXAMPLE 2

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<b>ASSETS</b>	<b>30,977</b>			

BALANCE SHEET

	2016	2017F	2018F	2019F
<b>EQUITY</b>	<b>9,222</b>			
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<b>EQUITY + LIABILIT.</b>	<b>30,977</b>			

CASH FLOW STATEMENT

<b>Operating Activities</b>	<b>3,246</b>			
+EBIT	1,679	1,890	4,730	5,241
+D&A	1,993	1,759	1,882	1,920
-Income Tax	(211)			
-ΔNWC	(215)	(203)	323	299
<b>Investment Activities</b>	<b>(2,107)</b>			
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<b>Financing Activities</b>	<b>(1,158)</b>			
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-Dividends	(578)			
-ΔDebt	(184)			
<b>Change in Cash</b>	<b>(19)</b>			
Beginning	1,250			
End	1,231			

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<b>=EBITDAR</b>	<b>4,013</b>	<b>4,140</b>	<b>7,197</b>	<b>7,765</b>
-Rent Costs	(340)	(491)	(585)	(604)
<b>=EBITDA</b>	<b>3,672</b>	<b>3,649</b>	<b>6,612</b>	<b>7,161</b>
- D&A	(1,993)	(1,759)	(1,882)	(1,920)
<b>= EBIT</b>	<b>1,679</b>	<b>1,890</b>	<b>4,730</b>	<b>5,241</b>
- Interest	(396)			
<b>=EBT</b>	<b>1,283</b>			
- Taxes	(302)			
<b>= Net Income</b>	<b>981</b>			

INCOME STATEMENT

# FORECASTING FINANCIAL STATEMENTS: EXAMPLE 2

## Company's forecasts:

- The company pays an average interest rate of 3.5% over **borrowings**.
- **Other financial liabilities** require a 4.75% interest rate/year.
- **Pension provisions** is the difference between pension benefit obligations and plan assets. As the item is presented in the liabilities side the plan has a deficit, i.e., the plan is underfunded. An analyst should check company's disclosures regarding changes in funded status. In this example, we forecast pension provisions as equal to 2016. Changes in this item can be considered cash inflows/outflows from financing activities.
- The statutory corporate income **tax rate** is expected to be stable at 25% (company's effective tax rate is similar to the statutory rate).

# FORECASTING FINANCIAL STATEMENTS: EXAMPLE 2

	2016	2017F	2018F	2019F
Goodwill	383	383	383	383
Intangibles	1,574	1,495	1,421	1,350
PP&E	3,123	3,360	3,400	3,390
Aircrafts & Engines	16,123	17,345	17,796	18,031
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Deferred charges	172	197	235	243
Other assets	398	405	412	419
Financial Assets FV	2,283			
Cash & Equiv.	1,231			
<b>ASSETS</b>	<b>30,977</b>			

BALANCE SHEET

	2016	2017F	2018F	2019F
<b>EQUITY</b>	<b>9,222</b>			
Issued Capital	1,350			
Reserves	6,891			
Net profit/loss	981	1,087		
<b>LIABILITIES</b>	<b>21,755</b>			
Borrowings	9,983			
Pension provisions	2,984	2,984	2,984	2,984
Other fin. Liabil.	734			
Borrowings	1,613			
Payables	4,723	4,511	5,441	5,693
Income Tax Oblig.	163	163	163	163
Other liabilities	1,555	1,581	1,608	1,636
<b>EQUITY + LIABILIT.</b>	<b>30,977</b>			

CASH FLOW STATEMENT

<b>Operating Activities</b>	<b>3,246</b>	<b>3,084</b>		
+EBIT	1,679	1,890	4,730	5,241
+D&A	1,993	1,759	1,882	1,920
-Income Tax	(211)	(362)		
-ΔNWC	(215)	(203)	323	299
<b>Investment Activities</b>	<b>(2,107)</b>			
-CAPEX	(2,432)	(3,139)	(2,298)	(2,073)
+Other Inv.	325			
<b>Financing Activities</b>	<b>(1,158)</b>			
-Interest paid	(396)	(441)		
-Dividends	(578)			
-ΔDebt	(184)			
<b>Change in Cash</b>	<b>(19)</b>			
Beginning	1,250			
End	1,231			

+Traffic rev. EU	16,812	16,075	19,417	20,621
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-Maint&Repair	(2,346)	(2,316)	(2,287)	(2,259)
-Other Costs	(3,401)	(3,459)	(3,518)	(3,578)
<b>=EBITDAR</b>	<b>4,013</b>	<b>4,140</b>	<b>7,197</b>	<b>7,765</b>
-Rent Costs	(340)	(491)	(585)	(604)
<b>=EBITDA</b>	<b>3,672</b>	<b>3,649</b>	<b>6,612</b>	<b>7,161</b>
- D&A	(1,993)	(1,759)	(1,882)	(1,920)
<b>= EBIT</b>	<b>1,679</b>	<b>1,890</b>	<b>4,730</b>	<b>5,241</b>
- Interest	(396)	(441)		
<b>=EBT</b>	<b>1,283</b>	<b>1,450</b>		
- Taxes	(302)	(362)		
<b>= Net Income</b>	<b>981</b>	<b>1,087</b>		

INCOME STATEMENT

# FORECASTING FINANCIAL STATEMENTS: EXAMPLE 2

## Company's forecasts:

- The company aims to maintain the same amount of **Spare parts** over time.
- Equity research reports on financial assets owned by the company (both **AFS** and at **FV**) report price targets which are very similar to the book value of these assets in the company's balance sheet. Therefore, they are kept at 2016 carrying amount.
- **Other investments** are very difficult to assess, and may well be related to financial assets classified either as AFS or as FV. Thus, there are no predictions for these cash flows.
- **Issued Capital** remains the same as in 2016YE (no issuance of new capital or acquisition of own shares/treasury shares).
- The company aims to keep the constant **dividend policy** of €0.428/sh for each of the 1,350 million shares outstanding until 2017, increase to €0.685/sh in 2018 and reach the target of €1.35/sh in 2019.



# FORECASTING FINANCIAL STATEMENTS: EXAMPLE 2

	2016	2017F	2018F	2019F
Goodwill	383	383	383	383
Intangibles	1,574	1,495	1,421	1,350
PP&E	3,123	3,360	3,400	3,390
Aircrafts & Engines	16,123	17,345	17,796	18,031
Spare parts	723	723	723	723
AFS	912	912	912	912
Inventories	562	564	672	694
Receivables	3,493	3,477	3,957	3,900
Deferred charges	172	197	235	243
Other assets	398	405	412	419
Financial Assets FV	2,283	2,283	2,283	2,283
Cash & Equiv.	1,231			
<b>ASSETS</b>	<b>30,977</b>			

BALANCE SHEET

	2016	2017F	2018F	2019F
<b>EQUITY</b>	<b>9,222</b>			
Issued Capital	1,350	1,350	1,350	1,350
Reserves	6,891	7,294		
Net profit/loss	981	1,087		
<b>LIABILITIES</b>	<b>21,755</b>			
Borrowings	9,983			
Pension provisions	2,984	2,984	2,984	2,984
Other fin. Liabil.	734			
Borrowings	1,613			
Payables	4,723	4,511	5,441	5,693
Income Tax Oblig.	163	163	163	163
Other liabilities	1,555	1,581	1,608	1,636
<b>EQUITY + LIABILIT.</b>	<b>30,977</b>			

CASH FLOW STATEMENT

<b>Operating Activities</b>	<b>3,246</b>	<b>3,084</b>		
+EBIT	1,679	1,890	4,730	5,241
+D&A	1,993	1,759	1,882	1,920
-Income Tax	(211)	(362)		
-ΔNWC	(215)	(203)	323	299
<b>Investment Activities</b>	<b>(2,107)</b>	<b>(3,139)</b>	<b>(2,298)</b>	<b>(2,073)</b>
-CAPEX	(2,432)	(3,139)	(2,298)	(2,073)
+Other Inv.	325	0	0	0
<b>Financing Activities</b>	<b>(1,158)</b>			
-Interest paid	(396)	(441)		
-Dividends	(578)	(578)	(925)	(1,823)
-ΔDebt	(184)			
<b>Change in Cash</b>	<b>(19)</b>			
Beginning	1,250			
End	1,231			

+Traffic rev. EU	16,812	16,075	19,417	20,621
+Traffic rev. ME&A	8,234	8,474	9,816	9,576
+Acilliary	3,283	3,646	4,353	4,518
-Fuel	(8,145)	(7,787)	(9,229)	(9,487)
-Staff	(6,516)	(6,652)	(6,792)	(6,935)
-Fees&Charges	(3,909)	(3,841)	(4,563)	(4,692)
-Maint&Repair	(2,346)	(2,316)	(2,287)	(2,259)
-Other Costs	(3,401)	(3,459)	(3,518)	(3,578)
<b>=EBITDAR</b>	<b>4,013</b>	<b>4,140</b>	<b>7,197</b>	<b>7,765</b>
-Rent Costs	(340)	(491)	(585)	(604)
<b>=EBITDA</b>	<b>3,672</b>	<b>3,649</b>	<b>6,612</b>	<b>7,161</b>
- D&A	(1,993)	(1,759)	(1,882)	(1,920)
<b>= EBIT</b>	<b>1,679</b>	<b>1,890</b>	<b>4,730</b>	<b>5,241</b>
- Interest	(396)	(441)		
<b>=EBT</b>	<b>1,283</b>	<b>1,450</b>		
- Taxes	(302)	(362)		
<b>= Net Income</b>	<b>981</b>	<b>1,087</b>		

INCOME STATEMENT

# FORECASTING FINANCIAL STATEMENTS: EXAMPLE 2

## Company's forecasts:

- **Long-term debt** should be rolled-over and increase in 2017F to finance about 25% of CAPEX. Thereafter, the company aims to reduce long-term debt by 10%/year.
- **Other financial liabilities** are mostly connected with leases and are expected to be stable. Adjust to inflation is forecasted at 1.7% CAGR from 2017F-2020F.
- Despite the €1,613 million in **short-term debt** that is due in the next year, the company aims to rollover part of that amount and only pay off €50 million a year in debt.
- The company targets a buffer of at least €900 million in **cash & cash equivalents**. One option to reach the target of cash is to sell financial assets AFV or at FV.

# FORECASTING FINANCIAL STATEMENTS: EXAMPLE 2

	2016	2017F	2018F	2019F
Goodwill	383	383	383	383
Intangibles	1,574	1,495	1,421	1,350
PP&E	3,123	3,360	3,400	3,390
Aircrafts & Engines	16,123	17,345	17,796	18,031
Spare parts	723	723	723	723
AFS	912	912	912	912
Inventories	562	564	672	694
Receivables	3,493	3,477	3,957	3,900
Deferred charges	172	197	235	243
Other assets	398	405	412	419
Financial Assets FV	2,283	2,283	2,283	2,283
Cash & Equiv.	1,231	904		
<b>ASSETS</b>	<b>30,977</b>	<b>32,048</b>		

BALANCE SHEET

	2016	2017F	2018F	2019F
<b>EQUITY</b>	<b>9,222</b>	<b>9,731</b>		
Issued Capital	1,350	1,350	1,350	1,350
Reserves	6,891	7,294		
Net profit/loss	981	1,087		
<b>LIABILITIES</b>	<b>21,755</b>	<b>22,317</b>		
Borrowings	9,983	10,768	9,691	8,722
Pension provisions	2,984	2,984	2,984	2,984
Other fin. Liabil.	734	746	759	772
Borrowings	1,613	1,563	1,513	1,463
Payables	4,723	4,511	5,441	5,693
Income Tax Oblig.	163	163	163	163
Other liabilities	1,555	1,581	1,608	1,636
<b>EQUITY + LIABIL.</b>	<b>30,977</b>	<b>32,048</b>		

CASH FLOW STATEMENT

<b>Operating Activities</b>	<b>3,246</b>	<b>3,084</b>		
+EBIT	1,679	1,890	4,730	5,241
+D&A	1,993	1,759	1,882	1,920
-Income Tax	(211)	(362)		
-ΔNWC	(215)	(203)	323	299
<b>Investment Activities</b>	<b>(2,107)</b>	<b>(3,139)</b>	<b>(2,298)</b>	<b>(2,073)</b>
-CAPEX	(2,432)	(3,139)	(2,298)	(2,073)
+Other Inv.	325	0	0	0
<b>Financing Activities</b>	<b>(1,158)</b>	<b>(271)</b>		
-Interest paid	(396)	(441)		
-Dividends	(578)	(578)	(925)	(1,823)
-ΔDebt	(184)	747		
<b>Change in Cash</b>	<b>(19)</b>	<b>(327)</b>		
Beginning	1,250	1,231		
End	1,231	904		

INCOME STATEMENT

+Traffic rev. EU	16,812	16,075	19,417	20,621
+Traffic rev. ME&A	8,234	8,474	9,816	9,576
+Acilliary	3,283	3,646	4,353	4,518
-Fuel	(8,145)	(7,787)	(9,229)	(9,487)
-Staff	(6,516)	(6,652)	(6,792)	(6,935)
-Fees&Charges	(3,909)	(3,841)	(4,563)	(4,692)
-Maint&Repair	(2,346)	(2,316)	(2,287)	(2,259)
-Other Costs	(3,401)	(3,459)	(3,518)	(3,578)
<b>=EBITDAR</b>	<b>4,013</b>	<b>4,140</b>	<b>7,197</b>	<b>7,765</b>
-Rent Costs	(340)	(491)	(585)	(604)
<b>=EBITDA</b>	<b>3,672</b>	<b>3,649</b>	<b>6,612</b>	<b>7,161</b>
- D&A	(1,993)	(1,759)	(1,882)	(1,920)
<b>= EBIT</b>	<b>1,679</b>	<b>1,890</b>	<b>4,730</b>	<b>5,241</b>
- Interest	(396)	(441)		
<b>=EBT</b>	<b>1,283</b>	<b>1,450</b>		
- Taxes	(302)	(362)		
<b>= Net Income</b>	<b>981</b>	<b>1,087</b>		

# FORECASTING FINANCIAL STATEMENTS: EXAMPLE 2

## Company's forecasts:

- Now everything is properly linked and we can complete the forecast.
- The fundamental equation of accounting has to hold:

$$\mathbf{Assets = Equity + Liabilities}$$

# FORECASTING FINANCIAL STATEMENTS: EXAMPLE 2

	2016	2017F	2018F	2019F
Goodwill	383	383	383	383
Intangibles	1,574	1,495	1,421	1,350
PP&E	3,123	3,360	3,400	3,390
Aircrafts & Engines	16,123	17,345	17,796	18,031
Spare parts	723	723	723	723
AFS	912	912	912	912
Inventories	562	564	672	694
Receivables	3,493	3,477	3,957	3,900
Deferred charges	172	197	235	243
Other assets	398	405	412	419
Financial Assets FV	2,283	2,283	2,283	2,283
Cash & Equiv.	1,231	904	1,970	2,897
<b>ASSETS</b>	<b>30,977</b>	<b>32,048</b>	<b>34,163</b>	<b>35,224</b>

BALANCE SHEET

	2016	2017F	2018F	2019F
<b>EQUITY</b>	<b>9,222</b>	<b>9,731</b>	<b>12,004</b>	<b>13,791</b>
Issued Capital	1,350	1,350	1,350	1,350
Reserves	6,891	7,294	7,457	8,831
Net profit/loss	981	1,087	3,197	3,610
<b>LIABILITIES</b>	<b>21,755</b>	<b>22,317</b>	<b>22,160</b>	<b>21,433</b>
Borrowings	9,983	10,768	9,691	8,722
Pension provisions	2,984	2,984	2,984	2,984
Other fin. Liabil.	734	746	759	772
Borrowings	1,613	1,563	1,513	1,463
Payables	4,723	4,511	5,441	5,693
Income Tax Oblig.	163	163	163	163
Other liabilities	1,555	1,581	1,608	1,636
<b>EQUITY + LIABILIT.</b>	<b>30,977</b>	<b>32,048</b>	<b>34,163</b>	<b>35,224</b>

CASH FLOW STATEMENT

<b>Operating Activities</b>	<b>3,246</b>	<b>3,084</b>	<b>5,870</b>	<b>6,257</b>
+EBIT	1,679	1,890	4,730	5,241
+D&A	1,993	1,759	1,882	1,920
-Income Tax	(211)	(362)	(1,066)	(1,203)
-ΔNWC	(215)	(203)	323	299
<b>Investment Activities</b>	<b>(2,107)</b>	<b>(3,139)</b>	<b>(2,298)</b>	<b>(2,073)</b>
-CAPEX	(2,432)	(3,139)	(2,298)	(2,073)
+Other Inv.	325	0	0	0
<b>Financing Activities</b>	<b>(1,158)</b>	<b>(271)</b>	<b>(2,506)</b>	<b>(3,257)</b>
-Interest paid	(396)	(441)	(467)	(428)
-Dividends	(578)	(578)	(925)	(1,823)
-ΔDebt	(184)	747	(1,114)	(1,006)
<b>Change in Cash</b>	<b>(19)</b>	<b>(327)</b>	<b>1,066</b>	<b>927</b>
Beginning	1,250	1,231	904	1,970
End	1,231	904	1,970	2,897

INCOME STATEMENT

+Traffic rev. EU	16,812	16,075	19,417	20,621
+Traffic rev. ME&A	8,234	8,474	9,816	9,576
+Acilliary	3,283	3,646	4,353	4,518
-Fuel	(8,145)	(7,787)	(9,229)	(9,487)
-Staff	(6,516)	(6,652)	(6,792)	(6,935)
-Fees&Charges	(3,909)	(3,841)	(4,563)	(4,692)
-Maint&Repair	(2,346)	(2,316)	(2,287)	(2,259)
-Other Costs	(3,401)	(3,459)	(3,518)	(3,578)
<b>=EBITDAR</b>	<b>4,013</b>	<b>4,140</b>	<b>7,197</b>	<b>7,765</b>
-Rent Costs	(340)	(491)	(585)	(604)
<b>=EBITDA</b>	<b>3,672</b>	<b>3,649</b>	<b>6,612</b>	<b>7,161</b>
- D&A	(1,993)	(1,759)	(1,882)	(1,920)
<b>= EBIT</b>	<b>1,679</b>	<b>1,890</b>	<b>4,730</b>	<b>5,241</b>
- Interest	(396)	(441)	(467)	(428)
<b>=EBT</b>	<b>1,283</b>	<b>1,450</b>	<b>4,263</b>	<b>4,813</b>
- Taxes	(302)	(362)	(1,066)	(1,203)
<b>= Net Income</b>	<b>981</b>	<b>1,087</b>	<b>3,197</b>	<b>3,610</b>

# FORECASTING FINANCIAL STATEMENTS: EXAMPLE 2

Common-Size  
Financial Statements

	2016	2017F	2018F	2019F
Goodwill	1.2%	1.2%	1.1%	1.1%
Intangibles	5.1%	4.7%	4.2%	3.8%
PP&E	10.1%	10.5%	10.0%	9.6%
Aircrafts & Engines	52.0%	54.1%	52.1%	51.2%
Spare parts	2.3%	2.3%	2.1%	2.1%
AFS	2.9%	2.8%	2.7%	2.6%
Inventories	1.8%	1.8%	2.0%	2.0%
Receivables	11.3%	10.8%	11.6%	11.1%
Deferred charges	0.6%	0.6%	0.7%	0.7%
Other assets	1.3%	1.3%	1.2%	1.2%
Financial Assets FV	7.4%	7.1%	6.7%	6.5%
Cash & Equiv.	4.0%	2.8%	5.8%	8.2%
<b>ASSETS</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

## As % of Total Assets

	2016	2017F	2018F	2019F
<b>Operating Activities</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
+EBIT	51.7%	61.3%	80.6%	83.8%
+D&A	61.4%	57.0%	32.1%	30.7%
-Income Tax	-6.5%	-11.8%	-18.2%	-19.2%
-ΔNWC	-6.6%	-6.6%	5.5%	4.8%
<b>Investment Activities</b>	<b>-64.9%</b>	<b>-101.8%</b>	<b>-39.2%</b>	<b>-33.1%</b>
-CAPEX	-74.9%	-101.8%	-39.2%	-33.1%
+Other Inv.	10.0%	0.0%	0.0%	0.0%
<b>Financing Activities</b>	<b>-35.7%</b>	<b>-8.8%</b>	<b>-42.7%</b>	<b>-52.1%</b>
-Interest paid	-12.2%	-14.3%	-8.0%	-6.8%
-Dividends	-17.8%	-18.7%	-15.8%	-29.1%
-ΔDebt	-5.7%	24.2%	-19.0%	-16.1%
<b>Change in Cash</b>	<b>-0.6%</b>	<b>-10.6%</b>	<b>18.2%</b>	<b>14.8%</b>
Beginning	38.5%	39.9%	15.4%	31.5%
End	37.9%	29.3%	33.6%	46.3%

## As % of Cash Flow from Operating activities (CFO)

BALANCE SHEET

	2016	2017F	2018F	2019F
<b>EQUITY</b>	<b>29.8%</b>	<b>30.4%</b>	<b>35.1%</b>	<b>39.2%</b>
Issued Capital	4.4%	4.2%	4.0%	3.8%
Reserves	22.2%	22.8%	21.8%	25.1%
Net profit/loss	3.2%	3.4%	9.4%	10.2%
<b>LIABILITIES</b>	<b>70.2%</b>	<b>69.6%</b>	<b>64.9%</b>	<b>60.8%</b>
Borrowings	32.2%	33.6%	28.4%	24.8%
Pension provisions	9.6%	9.3%	8.7%	8.5%
Other fin. Liabil.	2.4%	2.3%	2.2%	2.2%
Borrowings	5.2%	4.9%	4.4%	4.2%
Payables	15.2%	14.1%	15.9%	16.2%
Income Tax Oblig.	0.5%	0.5%	0.5%	0.5%
Other liabilities	5.0%	4.9%	4.7%	4.6%
<b>EQUITY + LIABIL.</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

## As % of Total Assets

	2016	2017F	2018F	2019F
+Traffic rev. EU	59.3%	57.0%	57.8%	59.4%
+Traffic rev. ME&A	29.1%	30.1%	29.2%	27.6%
+Acilliary	11.6%	12.9%	13.0%	13.0%
-Fuel	-28.8%	-27.6%	-27.5%	-27.3%
-Staff	-23.0%	-23.6%	-20.2%	-20.0%
-Fees&Charges	-13.8%	-13.6%	-13.6%	-13.5%
-Maint&Repair	-8.3%	-8.2%	-6.8%	-6.5%
-Other Costs	-12.0%	-12.3%	-10.5%	-10.3%
<b>=EBITDAR</b>	<b>14.2%</b>	<b>14.7%</b>	<b>21.4%</b>	<b>22.4%</b>
-Rent Costs	-1.2%	-1.7%	-1.7%	-1.7%
<b>=EBITDA</b>	<b>13.0%</b>	<b>12.9%</b>	<b>19.7%</b>	<b>20.6%</b>
- D&A	-7.0%	-6.2%	-5.6%	-5.5%
<b>= EBIT</b>	<b>5.9%</b>	<b>6.7%</b>	<b>14.1%</b>	<b>15.1%</b>
- Interest	-1.4%	-1.6%	-1.4%	-1.2%
<b>=EBT</b>	<b>4.5%</b>	<b>5.1%</b>	<b>12.7%</b>	<b>13.9%</b>
- Taxes	-1.1%	-1.3%	-3.2%	-3.5%
<b>= Net Income</b>	<b>3.5%</b>	<b>3.9%</b>	<b>9.5%</b>	<b>10.4%</b>

## As % of Total Revenues

CASH FLOW STATEMENT

INCOME STATEMENT