# 9 key ratios

| Evaluation of ... | Ratio | Definition | Comment |
|---|---|---|---|
| **Real solvency** | Real equity / Total assets | Equity + current accounts / Total assets | The credit current accounts of shareholders, partners, directors or business managers are regarded as quasi-equity. |
| **Repayment capacity** | Coverage of short-term financial obligations by the net operational cash flow | Net operational cash flow / Long-term debts lapsing within the year + net interest on loan capital (excluding current account interest) | The net operational cash flow is the net cash flow after tax that the company generates from its operations without taking account of the financing costs and income from financial investments. |
| **Liquidity** | Current ratio | Adjusted) current assets / (Adjusted) short-term loan capital | In both the numerator and the denominator we ignore the current accounts of shareholders and managers. |
| **Need for working capital** | Need for operating capital / Operating income | Inventories + short-term (operational receivables – operational debts) / Operating income | Need for operating capital: excluding current accounts and advances of business managers/directors.<br>Operating income, excluding recovery of social security contributions. |
| **Net added value margin** | Net added value / Operating income | Operating income – purchases – external services and miscellaneous goods / Operating income | The net added value does not take into account the recovery of social security contributions, the interim costs and the directors' fees. We regard these three items here as labour costs. |


| Evaluation of … | Ratio | Definition | Comment |
|---|---|---|---|
| **Labour intensity of added value** | Labour cost / Net added value | Real labour cost / Net added value | The real labour cost is the labour costs plus the interim costs and directors' fees. The recovery of the employer's social security contributions is deducted from the labour cost. |
| **Operating return** | EBITDA / Turnover | EBITDA / Turnover | EBITDA (Earnings before interest, taxes, depreciation and amortization) eliminates the impact that financing, applied valuation methods and the tax regime have on company results, thereby forming an excellent basis for comparing companies' returns. |
| **Net financial return** | Net return | Net profit + net interest burden on current account / Real equity | Given that for this study we regard directors' current accounts and advances as equity, we do not include the payment that these receive here as an expense, but instead as a quasi-dividend. |
| **Profitability of the resources deployed** | ROCE (Return on capital employed) | EBIT / Real equity + Interest-bearing loan capital | EBIT = Earnings before interest and taxes (operating result) |