Financial Analysis Examples - Page 1

YEAR 20___ Pro-Forma

Loan assumptions for analysis:	PV	I	N	PMT	SALE PRICE
	220,500	7%	180	1,981.92	245,000
10% down payment					

PGI	(Potential Gross Income)	141,372
- V+C (3%)	(Vacancy & Collection loss)	< 4,241 >
- Other Expenses		0
Effective Gross Income		137,131
- Operating Expense		< 46,121 >
NOI	(Net Operating Income)	91,010
- Debt Service		< 23,783 >
BTCF	(Before Tax Cash Flow)	67,227

± Tax   Tax = (NOI - Depreciation - Interest + Reserve for Replacements) x Tax Rate

ATCF   (After Tax Cash Flow)

NOI - Depr - Int + RR = Taxable Income
X Tax Rate
Tax Liability

How to Use Calculation Formulas to Compute the below Ratios

A		50
B | C		**135 | .37**

A / B = C -----------------> **50 /135 = .37**

A / C = B -----------------> **50 / .37 = 135**

B X C = A -----------------> **135 X .37 = 50**

Financial Analysis Examples - Page 2

Overall Capitalization Rate (ROI)

$$\frac{\text{NOI}}{\text{R° } | \text{ PV}} \qquad \frac{91{,}010}{245{,}000} = 37\% \text{ ROI}$$

(Cap Rate) (Present Value)

R° = Return on Investment NOI = Net Operating Income

Operating Expense Ratio

$$\frac{\text{OE}}{\text{OER } | \text{ EGI}} \qquad \frac{46{,}121}{37{,}131} = 33.6 \text{ OER}$$

(Effective Gross Income)

Debt Service Coverage Ratio

$$\frac{\text{NOI}}{\text{DSCR } | \text{ DS}} \qquad \frac{91{,}010}{23{,}783} = 3.83 \text{ DSCR}$$

(DCR)

NOI is 3.83 times the annual debt amount
* Banks want 1.3 or higher

Cash on Cash Return
Equity Dividend Rate

$$\frac{\text{BTCF}}{\text{CCR } | \text{ Equity}} \qquad \frac{67{,}227}{220{,}500} = 2.74 \text{ EDR}$$

(EDR)

Cash Breakeven Ratio

(Operating expense + debt service - reserve for replacement)

$$\frac{\text{OE + DS - RR}}{\text{CBR } | \text{ PGI}} \qquad \frac{(46{,}121) + (23{,}783) - (0)}{141{,}372} = .49 \text{ CBR}$$

CBR = Occupancy rate producing BTCF of 0

Rate of Return on Investment (%)

Stockholders' Equity / BTCF (before tax cash flow)	24,500 / 67,227	= 36.4% ROI (Before Income Tax)

Debt to Equity Ratio

TOTAL LIABILITIES / Debt to Equity Ratio (%) | Stockholders' Equity	220,500 / 24,500	= 9% DER

This is the amount of debt to equity. Debt is $ 9.00 for each $1.00 of equity.

Margin of Safety

1.00 - Cash Breakeven Ratio = __%   1.00 - .49 = 51% Margin of Safety

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Gross Rent Multiplier   This is an unreliable way to value property as it does not consider operating expenses. Can be calculated using monthly or annual figures.

PRICE / GRM | Gross Rent	150,000 / 15,000	= 10 GRM

Loan to Value Ratio

LOAN AMT / LTV | VALUE	220,500 / 245,000	= .90 LTV

Debt to Income Ratio

Home buyer unrelated example

PITI + EXPENSES	925 = 37% Debt Ratio
Income | % Debt Ratio	2,500

Vacancy & Collection Ratio

V&C	4,241 = 3% VCR
VCR | PGI	141,372

EBITDA Earnings before interest, taxes, depreciation, amortization