

FINANCIAL RATIOS

CORRECTION





INVESTMENTS

QUESTION 1

WHAT IS THE AGE RATIO OF THE BICYCLES?

Answer 60%. If we apply the formula:

- Gross value (new) = €5000 per bike
 - Net value (amortized) = €2000 per bike

Comments: The bikes have a lifespan of 5 years. They were bought new exactly 3 years ago, so they are worth "accountingly" 2/5ths of their new value = €2000 each.

Bonus: What if you decided to sell them? If you sell them for more than €2,000 per bike, you will have made a capital gain, as they were sold above their value. You will record this capital gain as an exceptional item.

QUESTION 2

WHAT IS THE AGE RATIO OF THE UTENSILS?

Response 60%

Comments: same principle, the utensils were used for 3 years out of a 5-year lifespan. They are 60% worn.

QUESTION 3

WHAT IS YOUR OPINION ON THE LEVEL OF AGING OF INVESTMENTS AT OUICHEF!?

Answer: very well depreciated

Comments: One at 0%, the other at 40%, we can legitimately consider that the equipment is aging.



STOCKS

QUESTION 4

WHAT IS THE STOCK TURNOVER RATE FOR CHEF'S HATS?

- Answer: 68.43 days (68 and 69 are accepted)

Comments: we apply the formula indicated in the memo: $(\text{initial stock value} + \text{final stock value}) / 2 / \text{turnover} * 365$.

QUESTION 5

WHAT IS THE STOCK TURNOVER RATE FOR APRONS?

- Answer: 211.22 days (211 and 212 accepted)

QUESTION 6

WHAT IS YOUR OPINION ON INVENTORY MANAGEMENT?

Answer: generally poor.

The turnover rate is poor, particularly for aprons. We should order fewer quantities at the beginning of next year to try to regulate and sell off old stock.



QUESTION 7

WHAT IS THE LONG-TERM DEBT RATIO?

- Answer: 37.63% ($\text{€}56,000$ (loan debt) / $\text{€}148,813$ (equity) $\times 100 = 37.63\%$)

Comments: Short-term debt is never considered when analyzing a company. Only debt with a maturity of more than one year is relevant. A debt-to-income ratio of 37% is very good! The company has relatively little debt.

QUESTION 8

WHAT IS THE SHORT-TERM DEBT RATIO?

- Answer: 14.59%
- Calculation: $\text{€}21,713$ (corporate tax due last year) / $\text{€}148,813$ (equity)
- Comments: in year N, no short-term debts (no negative bank account for example).

QUESTION 9

WHAT IS YOUR OPINION ON OUICHEF! DEBT?

- Answer: Long-term debt is slightly too high ($>30\%$), however, the company appears solid and has a good repayment capacity: its situation is not alarming.



PROFITABILITY

QUESTION 10

WHAT IS THE PROFIT MARGIN ON THE SERVICES?

Answer 282%

Comments: Excellent margin! In traditional restaurants, the margin rate is usually around 30%. In other words, when I sell a dish for €100, it cost me about €30 in food.

QUESTION 11

WHAT IS THE PROFIT MARGIN ON CHEF'S HATS?

Response 167%

Comments: we apply the formula, bought for €7.50 excluding tax, sold for €20 = $(20 - 7.5) / 7.5$. That's a lot, generally a gross margin around 50% is already a good average.

QUESTION 12

WHAT IS THE PROFIT MARGIN ON THE APRONS?

Answer: 140%

Comments: Bought for €10 excluding VAT, sold for more than double that at €24. Same here, quite a good profit margin!



PROFITABILITY

QUESTION 13

WHAT IS THE ECONOMIC RATE OF RETURN?

Response 15.5% (15 and 16 accepted)

QUESTION 14

WHAT IS YOUR OPINION ON THE RENT FROM OUICHEF?

Not bad at all! With the average profitability in the restaurant industry being 12%, we are slightly above that.

QUESTION 15

WHAT IS THE AMOUNT OF THE EBITDA?

Answer: €113,130

Comments: We apply the formula from the memo, starting with the net result. And we work our way up slowly, adding the expenses: exceptional, then financial, then fixed-term deposits, etc.

QUESTION 16

WHAT IS OUICHEF! WORTH BASED ON EBITDA?

Answer: €565,650

Comments: 5 times EBITDA. If you have some money to spare, you can make an offer to the founders of OUIchef!



**SO,
EXACTLY?**

