

Table of Contents

Introduction	2
Chapter 1: Two Cash Flow Statements	6
Indirect Cash Flow Reporting.....	7
Direct Cash Flow Reporting.....	12
Chapter 2: Liquidity Analysis	16
External Liquidity Presentations.....	18
Cash Roll-forward Presentations.....	19
Free Cash Flow.....	20
Presenting the Capital Structure.....	22
EBITDA in Context.....	24
Capitalization Tables.....	26
Internal Liquidity Presentations.....	28
Internal Sources & Uses Tables.....	28
Internal Leverage Ratios.....	30
Chapter 3: Return Analysis	37
Accruals versus Cash Flow.....	38
Analyzing the Difference.....	38
Communicating Variances.....	42
Internal Return Presentations.....	45
Return on Invested Capital Base.....	46
Currency Issues.....	50
Cash Return Ratio Analysis.....	55
Chapter 4: Cash Flow Forecasting	59
Long-term Cash Flow Forecasting.....	59
Forecasting Operating Cash Flow.....	61
Forecasting the Capital Base.....	65
Short-term Cash Flow Forecasting.....	68
Specific Predictions.....	69
Patterns in Cash Flow.....	72
Testing and Using Cash Flow Forecasts.....	75

Chapter 5: Value Analysis..... 78

- Enterprise Valuation..... 79
 - Comparable Companies Analysis..... 82
 - Precedent Transactions Analysis..... 84
 - Discounted Cash Flow Analysis..... 86
 - Enterprise Value in Context 90
- Internal Investment Valuation 94
 - Payback Models 95

Conclusion 99

APPENDICES 100

Appendix A: Suggested Reading 101

Appendix B: Actual Cash Flow™ 103

- Cash Flow: What Are We Trying to Measure? 103
 - Operating Outflows 105
 - Operating Inflows..... 106
- The Capital Base..... 107
- Interest, Dividends, and Economic Income..... 110
- The Cash Flow Report..... 112
 - The Basic Report..... 112
 - Daily Cash Reporting 116

Appendix C: Bibliography ii

Appendix D: Index iv

About the Author x

Table of Figures

Exhibit 1-1: Sample Indirect Cash Flow Report	9
Exhibit 1-2: Sample Direct Cash Flow Report	11
Exhibit 2-1: Cash Roll-forward.....	18
Exhibit 2-2: Capitalization Table	27
Exhibit 2-3: Internal Sources & Uses.....	28
Exhibit 2-4: Repatriation Ratios.....	29
Exhibit 2-5: Direct Cash Flow Ratios	31
Exhibit 3-1: Cash Flow versus Accrual Analysis Table	38
Exhibit 3-2: Accrual versus Cash Flow Chart.....	39
Exhibit 3-3: Cumulative Accrual versus Cash Flow Chart	40
Exhibit 3-4: Internal Cash Flow versus Accrual Analysis	44
Exhibit 3-5: Return on Capital Base Analysis	46
Exhibit 3-6: Cash Flow Translation Analysis	52
Exhibit 3-7: Capital Base Translation Analysis	53
Exhibit 3-8: Transaction Risk Analysis	54
Exhibit 4-1: Reconcilement of Operating Receipts.....	62
Exhibit 4-2: Forecasted Operating Receipts	64
Exhibit 4-3: Sample Cash Flow Forecast.....	65
Exhibit 4-4: Extended Sample Cash Flow Forecast.....	66
Exhibit 4-5: Daily Receipts Forecast	70
Exhibit 4-6: Inventory Payments Projection	71
Exhibit 4-7: Analysis of the Timing of Payroll Cash Flows	73
Exhibit 4-8: Cumulative Plot of Daily Net Cash Flow	74
Exhibit 5-1: Comparable Companies Analysis	83
Exhibit 5-2: Precedent Transactions Analysis	85

Exhibit 5-3: Discounted Cash Flow Analysis 87

Exhibit 5-4: Pro Forma EBITDA 89

Exhibit 5-5: Enterprise Value in Context 91

Exhibit 5-6: Sample Payback Model 96

Exhibit B-1: Funds Flow Cycle Illustration 104

Exhibit B-2: Uninvested Capital Funds Flow Cycle 109

Exhibit B-3: Sample Actual Cash Flow Report 113

Exhibit B-4: Adjusted Actual Cash Flow Report 115

Exhibit B-5: Running Actual Cash Flow Report 116

Exhibit B-6: Analysis of the Timing of Cash Flows 118