FIN-510 (Assignment-3)

Siemens (SIEGY)/Samsung (KRX)

Please focus on the Statement of Cash Flows only and perform the following tasks:

- **Please answer whether each company uses the direct or indirect method for determining cash flows. Once you have determined the foregoing, please prepare a statement of cash flows for each company using the other method.**

▪ For the operating operations component of the statement, Siemens (SIEGY) uses the indirect method.

▪ For the operating activities portion of the statement, Samsung (KRX) uses the direct technique.

▪The movement of money into and out of your company is known as cash flow.

▪ Cash spent symbolizes outflows, while cash received represents inflows.

▪ A cash flow statement is a type of financial statement that shows where a company's money comes from and how it is used over time.

▪ The three main categories of a company's cash flows are financing, investments, and cash flows from operations.

▪ There are various techniques for examining a company's cash flow. This covers free cash flow, unleveraged cash flow, and debt service coverage.

How does cash flow revenues from operations compare with operating income on the income statements? How do you account for any difference?

Cash flow from operational activities (CFOA) is a measure of the cash that comes in and goes out of a company's daily operations. Net income is a company's profit over a particular period. Net income is the starting point for calculating cash flow from operational activities. Nevertheless, both are critical in determining a company's financial status. Net income is an important metric of profitability that influences stock prices and bond values. Net income is adjusted through cash flows from operational activities, which also omit non-cash factors such as depreciation and amortization, which may be deceptive about a company's underlying financial status. A company with strong operating cash flows has more money coming in than it is spending. Even if a company has positive operating cash flows, it might nevertheless lose money since net income reflects the bottom-line profit. A cash flow statement summarizes the cash flows generated by a company's investing, financing, and operating activities. An income statement allows users to

see a company's revenues, earnings, costs, and losses over a specific time period. These numbers are then used to calculate a firm's income-related statistics.

What are the major sources of operating, financing and investing cash inflows and outflows for each company? How do these influence each company's performance? Is cash flow from operations sufficient to retire debt, cover capital expenditures and pay dividends?

Operating: Operations Funds, Additional Funds, Funds, Receivables the amount needed to cover travel expenses, assets, and obligations are the cash outflows.

Financing: Cash inflows and outflows include stock price fluctuations and amounts utilized to pay off loans.

Investing: Cash inflows are the proceeds from sales, investments made to purchase assets, and cash outflows are the costs associated with purchasing those assets.

The cash inflows and outflows for operating, financing, and investing for each company are as previously mentioned.

It would be difficult to pay dividends, cover capital costs, and service debt if all three operations were not adequately managed, affecting the company's success. These three factors are critical for any firm; if any of them is not utilised correctly, the company's cash flow will suffer. It becomes incredibly difficult for the company to pay dividends or repay debts.

The company's performance improves when the cash inflows and outflows from operations, financing, and investment are managed appropriately, that is, when the cash inflows and outflows are arranged in the correct order. Financing handled properly can retire the debts, investing is used to cover the costs of capital expenditures, and operating is used to pay dividends for each company.

What else strikes you as significant about the statements, and why?

- **Evaluate the cash flow performance of each company using the analysis framework discussed in your text, Ch5, Section 4.1.**

For the three months that ended in June 2022, Siemens AG's free cash flow per share was $1.51. For the trailing twelve months (TTM) that ended in, it had $5.91 in free cash flow per share.

The average Free Cash Flow per Share Growth Rate for Siemens AG during the previous 12 months was -1.10% each year. The average Free Cash Flow per Share Growth Rate over the last three years was 13.20% annually. The average Free Cash Flow per Share Growth Rate over the previous five years was 10.90% annually. The

average Free Cash Flow per Share Growth Rate over the last ten years was 4.80% annually.

The greatest three-year average free cash flow per share growth rate for Siemens AG during the last 13 years was 49.00% annually. The lowest annual rate was -25.50%. The median annual growth rate was 6.90%.

Free cash flow history and growth rate for Siemens AG on a yearly and quarterly basis from 2010 to 2022. Operating cash flow less capital outlays can be used to compute free cash flow, a metric of financial success.
For the quarter ended June 30, 2022, Siemens AG's free cash flow was 6536.32, up year over year.
Over the twelve months ended June 30, 2022, Siemens AG's free cash flow increased by for the previous year.
The yearly free cash flow for Siemens AG in 2021 increased from $11.951 billion in 2020 by 19.71%.
The yearly free cash flow for Siemens AG in 2020 was $9.983B, up 1.76% from 2019.
The yearly free cash flow for Siemens AG in 2019 was $9.81B, a 2.18% decrease over the prior year.

The free cash flow yield for Samsung Electronics' most recent 12 months is 5.0%.
The average free cash flow yield for Samsung Electronics for the fiscal years ending in December 2017 to 2021 was 6.2%.
From the fiscal years ending in December 2017 through 2021, Samsung Electronics had a median free cash flow yield of 4.7%.
Samsung Electronics' free cash flow yield reached a five-year high of 12.5% in December 2018.
In December 2017, Samsung Electronics' free cash flow yield decreased to 2.7%, which was a five-year low.
Free cash flow yield for Samsung Electronics fell in 2017 (2.7%, -77.4%), in 2019 (6.7%, -46.5%), in 2020 (4.7%, -29.6%), and in 2021 (4.5%, -4.6%) but rose in 2018 (12.5%, +368.0%).

- **Please perform common size analysis for both companies as discussed in your text, Ch5, Section 4.2.**

The market capitalization or net value of Siemens AG is $89.90 billion. The company is worth $100.01 billion. In the previous 52 weeks, the stock price fell by -31.36%. Siemens AG's price volatility has been greater than the market average due to the company's beta value of 1.14. 2.68 million shares, or 0.17% of the total shares, were sold short as per the most recent short interest report. Siemens AG generated 68.61 billion in sales and 2.80 billion in profit during the last 12 months. $1.30 was the earnings per share. Siemens AG's average price objective is $70.72, which is 26.24% more expensive than the stock's current price. The general consensus is

"Buy." With $23.15 billion in debt and $13.04 billion in cash, the firm has a net cash position of $10.11 billion, or -$6.30.

A current ratio that is higher than 1 shows that the company can cover all of its immediate financial commitments. The corporation is in a good position because of Samsung's current ratio of 2.53, which indicates that for every dollar of short-term debt, the company has assets that can be sold to satisfy financial commitments. According to Apple, Inc.'s current ratio, the company has $1.17 in current assets that may be sold off to pay its short-term debt when it becomes due for every dollar of short-term debt. In contrast to Apple Inc., Samsung's ratio indicates that it is in a stronger situation.

The ratio of debt to equity reveals the capital structure of the business and the amount owing to outside creditors (Maynard, 2017). The ratio, which indicates how heavily a company's capital is dependent on debt, can be stated as a percentage. In contrast to Apple, which has a staggering debt-to-equity ratio of 87%, Samsung has a modest debt-to-equity ratio of 0.41% in 2018, according to financial filings. The ratio demonstrates that whereas Apple Firm has significant leverage and may not be advantageous for the long-term financial returns of the company, Samsung Company has low leverage and can draw investors.

- **Please compute the free cash flow, cash flow performance and cash flow coverage ratios discussed in your text Ch6, Secs. 4.3-4.4, and the other ratios outlined in Ch6, Sec. 4.4, Ex. 16.**

Siemens

Cash flow from operations refers to the cash received as a result of a company's normal business activities. This is the cash flow before any borrowing or investment. In monetary terms, it is net income.

During the three months ended June 2022, Siemens AG's Net Income From Continuing Operations was $-1,618 Mil. Depreciation, depletion, and amortization totaled $930 million. Working capital was reduced by $327 million. It has a cash flow of $646 million from deferred taxes. It has $0 million in cash from discontinued operations. It has an asset impairment charge of $0 million. It was paid $0 million in stock-based compensation. And its cash flow from other sources was $3,283 million.

Samsung

SAMSUNG Electronics' Operational Cash Flow, which is calculated by subtracting income taxes from profits before interest, taxes, and depreciation, gives insight into the quality of a company's reported earnings (EBITDA). In other terms, operating cash flow is the amount of money earned by a corporation through selling things or delivering services. Investors and analysts typically use

Operational Cash Flow to assess the quality of a company's profitability. It often eliminates spending on long-term investments or investments in marketable assets. The majority of SAMSUNG ELECTRONICS's fundamental measures, such as Cash Flow from Operations, are included in a valuation analysis module that assists investors in identifying companies that are now trading for more or less than their true value.

Operating cash flow is the difference between the company's reported income and actual cash flows. If a firm does not have enough cash or cash equivalents to fulfill its present commitments, investors and management should be worried about its ability to meet both short-term and long-term debt obligations. SAMSUNG ELECTRONICS LTD has 59.2 B in Cash Flow from Operations, according to the most current financial records. This is much higher than the average for the consumer goods industry and significantly higher than the average for the electronic equipment sector. The operating cash flow of all firms listed in the United Kingdom is significantly smaller than the company's.

Please discuss the relationships between the balance sheet, income statement and cash flow statement. How are they connected and otherwise interrelated? All things being equal, which is the most important to an analyst? Why?

A balance sheet is used in business to show the leftover assets after expenses. Because the term itself contains balance, which alludes to how much money is still kept in the organization, it discloses how much a corporation possesses. Cash inflows and outflows are the only components of cash flow. The balance sheet shows how much money is owned, how much money is spent, how much money is brought into the firm, and how much money is used. The income statement displays the same information about how money is produced and spent as the balance sheet.

While these three represent the same thing, they are presented in various ways. The balance sheet shows a company's holdings, while the cash flow shows how that money is held after cash inflows and outflows. The income statement also includes information on money owned by a corporation.

A balance sheet may be useful to an analyst since it clearly illustrates all of a company's assets and liabilities. Everything is stated clearly, making evaluation easy. An analyst may easily examine this because all of the company's activities and financial status are publicly apparent.

Briefly describe the business models for each company selected. What is each company's greatest cash need?

Siemens integrates the real and digital worlds to help clients overcome today's key challenges. Siemens Digital Industries is a pioneer in industrial automation and digitalization. Digitization advances and enhanced production process flexibility

provide industrial enterprises throughout the world with new opportunities and alternatives, allowing them to better fulfill the increasingly diversified demands of their consumers and reduce time to market.

They prepare for the next phase of digital transformation and combine cutting-edge technologies such as artificial intelligence, edge computing, industrial 5G, autonomous handling systems, blockchain, and additive manufacturing into our Digital Enterprise portfolio as a pioneer in innovation.

Siemens' smart infrastructure combines buildings, industries, and energy systems intelligently to adapt and modify how we live and work. Smart infrastructure supports the way we all want to live: happily, comfortably, sustainably, and in harmony. It motivates companies and organizations to be more efficient, responsible, and intelligent. To be in sync with our surroundings and to care for our world, technology and human inventiveness must work together. This is done at both the macro and micro levels, from physical goods, components, and systems to linked, cloud-based digital offers and services.

The primary competency of Mobility's five business units is contemporary, IT-based mobility. The infrastructure of the world has issues in providing transportation for people and goods to all corners of the planet.

How does the way the company does business effect its cash flow position, both negatively and positively? How might it change its business practices to collect and use cash more efficiently?

Cash flow is defined as the net amount of cash and cash equivalents entering and leaving a firm. Money received represents inflows, while money spent represents outflows.

▪ The capacity of a company to produce positive cash flow, and more particularly, to optimize long-term free cash flow (CFC), ultimately determines its ability to create value for its shareholders. FCF is the revenue generated by a company's ongoing operations after deducting all capital outlays (CapEx). A cash flow statement is a financial statement that shows the source and destination of a company's funds over time. The movement of money into and out of a business is referred to as cash flow. Inflows are represented by cash received, whereas outflows are represented by cash spent.

▪Cash flow is the movement of money in and out of a business.

▪Cash received represents inflows and cash spent represents outflows.

▪A cash flow statement is a financial statement that reports the source and use of a company's funds over a period.

▪A company's cash flows are generally classified into cash flows from operations, investments, and financing.

▪There are several ways to analyze a company's cash flow. This includes debt service coverage, free cash flow, and unleveraged cash flow.

▪Cash go with the drift is the quantity of coins that is available in and is going out of a company.

▪ Businesses absorb money from sales as income and use it to pay expenses. They might make money from investments, royalties, licensing deals, and interest rates. They might even sell goods on credit, hoping to recoup the money owing at a future date.

▪ The stability sheet, which provides a snapshot of the assets and liabilities of a corporation.

▪ The earnings declaration, which displays the company's profitability over an extended period of time.

▪ The coins float declaration, which serves as a checkbook for the business to balance the opposing claims.

▪ Over the course of the specified period, it statistics the company's coin transactions (the inflows and outflows). It indicates whether or not the entire amount of sales recorded at the earnings declaration was received.