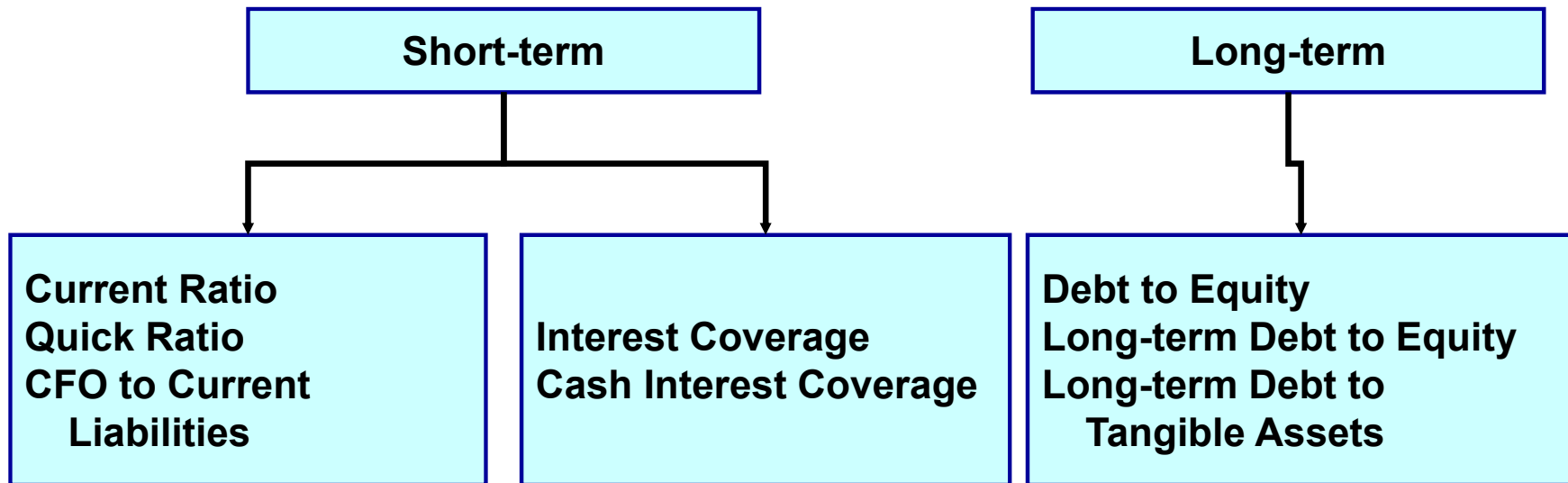


Common Liquidity Ratios



Short-Term Liquidity Ratios

- Does the company have enough cash coming in to cover obligations to pay out cash?
 - Ideally, ratios would be over 1
- **Current Ratio = Current Assets / Current Liabilities**
- **Quick Ratio = (Cash + Receivables) / Current Liabilities**
- **CFO to Current Liabilities = Cash from Operations / Avg. Current Liabilities**

Short-term Liquidity Ratios

	12/31/2009	12/31/2010	12/31/2011
Current Ratio	2.39	2.45	3.62
Quick Ratio	0.94	0.91	1.17
CFO-to-Current Liabilities	0.79	(0.58)	0.39

Current Ratio = Current Assets / Current Liabilities

Quick Ratio = (Cash + Accts Rec) / Current Liabilities

CFO-to-Current Liabilities = Cash from Operations / Avg. Current Liabilities

Interest Coverage Ratios

- Does the company have enough cash coming in from operations to cover interest obligations?
 - Ideally, ratios would be over 1
- **Interest Coverage = (Operating Income before Depreciation) / Interest Expense**
- **Cash Interest Coverage = (Cash from Operations + Cash Interest Paid + Cash Taxes) / Cash Interest Paid**

Interest Coverage Ratios

	12/31/2009	12/31/2010	12/31/2011
Interest Coverage	5.31	5.95	6.88
Cash Interest Coverage	7.56	(1.27)	3.80

Interest Coverage = (Operating Income before Depreciation) / Interest Expense

Cash Interest Coverage = (Cash from Operations + Cash Interest + Cash Taxes) / Cash Interest Paid

Long Term Debt Ratios

- **How does the company finance its growth?**
 - Also provide measure of bankruptcy risk
- **Debt to Equity = Total Liabilities / Shareholders' Equity**
 - Total Assets is sometimes used in the denominator
- **Long-Term-Debt to Equity = Total Long-Term Debt / Total Stockholders' Equity**
- **Long-Term Debt to Tangible Assets = Total Long-Term Debt / (Total Assets - Intangible Assets)**

Long-term Debt Ratios

	12/31/2009	12/31/2010	12/31/2011
Debt to Equity	0.67	1.69	1.05
Long-Term-Debt to Equity	0.41	1.15	0.76
Long-Term Debt to Tangible Assets	0.25	0.43	0.37

Debt to Equity = Total Liabilities / Total Stockholders' Equity

Long-Term-Debt to Equity = Total Long-Term Debt / Total Stockholders' Equity

Long-Term Debt to Tangible Assets = Total Long-Term Debt / (Total Assets - Intangible Assets)

Liquidity Ratio Conclusions

- **Plainview is in a strong short-term cash position**
 - Quick ratio over 1
 - High interest coverage ratios
- **Plainview has managed its leverage well through its expansion**
 - Small increases in debt-to-equity and LTD-to-Tangible Assets ratios
- **Liquidity is not a major concern for Plainview**