

Q88 mgmt-12

Why does EBIT fall as the firm
take more debt?

⇒ financial distress costs.

⇒ as debt levels growed risk
& financial distress where.

flows become the most debt.
⇒ operational customers may be
Block the assets.

⇒ Managerial distraction.

⇒ High debt can to focus more
on the debt servicing growth.

⇒ Reduced operational flexibility.

The higher debt obligation
firm less the ratio

⇒ opportunities that could
enhance EBIT.