Forecasting P&L items

P&L Item	Forecast as
Revenues	Perform a top-down and bottom-up forecast; Research expected industry growth from Consulting reports; Calculate the firm's historical growth rate
Cost of goods sold	As a % of Revenues
Operating expenses	As a % of Revenues
Depreciation & Amortization	As a % of Fixed Assets; Build a detailed fixed assets roll forward schedule
Interest expenses	Interest rate * Financial Liabilities outstanding
Extraordinary items	Should be equal to 0 in your model
Taxes	Marginal tax rate * EBT

365

Forecasting Balance Sheet items

BS Item	Forecast as
Cash	Ending Cash = Beginning Cash + Net Cash Flow; Use the Cash Flow statement to obtain Net Cash Flow
Trade receivables	Calculate historical DSO (Days Sales Outstanding) and model as the average number of DSO multiplied by revenue
Inventory	Calculate historical DIO (Days Inventory Outstanding) and model as the average number of DIO multiplied by Cogs
Property, plant & equipment	Build a detailed fixed asset roll forward; Ending PP&E = Beginning PP&E + Capex – D&A
Capex	Calculate historical Capex expenditure and model as a % of the average historical Capex expenditure
Other assets	As a % of Revenues
Trade payables	Calculate historical DPO (Days Payables Outstanding) and model as the average number of DIO multiplied by Cogs
Other liabilities	As a % of Revenues
Financial liabilities	Build a detailed debt schedule; Debt Outstanding = Debt at Beginning + Debt drawdowns – Debt repayment
Shareholders' equity	Ending equity = Beginning Equity + Increases in capital – Dividend payments +(/-) Net Income (Loss)

365