Financial Ratios

Variable Definition and Ratios

Variable	Definition and Ratio
CA.CL	The current ratio to determine a company's ability to pay its short-term debt obligations (i.e. how a company's cash or soon to be cash items can be used to pay its short-term obligations within a year). **CA.CL = Current Assets / Current Liabilities**
CF.CL	An operating cash flow liquidity ratio measuring how current liabilities are being covered by the cash flows generated from operations. Ratios above 1 show that a company has generated more cash than required to pay its current liabilities in the same period. Low ratios might indicate that a company needs more capital. **CF.CL = Cash Flow / Current Liabilities**
CF.NCL	A cash flow liquidity ratio with a longer-term horizon, measuring the company's ability to pay long-term debts with the cash generated from operations in the current period. **CF.NCL = Cash Flow / Non-Current Liabilities**
CF.SALES	An operating ratio showing a company's ability to turn its sales into cash. Low ratios may suggest a change in the terms of sales or inefficient management of accounts receivables. **CF.SALES = Cash Flow / Sales**
CL.FinExp	A debt to interest payments ratio measuring the rate of interest a company is paying on its short-term debt obligations. **CL.FinExp = Current Liabilities / Financial Expenses**
DEBTORS.SALES	A liquidity ratio measuring how much of a company's sales occur on credit. A high ratio can be a negative indicator to debt providers, as it suggests the company operates with high credit sales and may compromise its ability to pay back its interest payment obligations. **DEBTORS.SALES = Debtors / Sales**
EBIT.Capital	Return on Capital Employed (ROCE) states the amount of capital & equity the company has used to generate its profits. **EBIT.Capital = EBIT / Capital Employed**

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EBIT.FinExp	An interest coverage ratio which measures a company's ability to pay back interest on its outstanding debt. High ratios indicate a company can more easily pay back its interest. **EBIT.FinExp = EBIT / Financial Expenses**
EBITDA.SALES	EBITDA margin ratio. A profitability ratio showing the amount in which a company expects to receive after operating costs have been paid. Higher values indicate efficient processes have kept expenses low, resulting in higher earnings. **EBITDA.SALES = EBITDA / Sales**
EQ.Turnover	A ratio to determine whether a company is creating enough turnover to justify continued operations for its shareholders. **EQ.Turnover = Shareholders' Equity / Turnover**
logSALES	A proxy variable to measure firm size, adjusted for 2016 inflation levels using the Spanish CPI index. **logSALES = log(Sales)**
logTA	A proxy variable to measure firm size, adjusted for 2016 inflation levels using the Spanish CPI index. **logTA = log(Total Assets)**
SALES.EBIT	A profitability ratio indicating the percentage of a company's earnings remaining after operating expenses and before interest and tax expenses have been considered. **SALES.EBIT = Sales / EBIT**
SALES.FA	Fixed Asset Turnover ratio which measures a firm's operating performance and efficiency. It is a measure of a company's ability to generate sales from its fixed asset investments (e.g. property, plant, and equipment). Higher ratios indicate that a company has used its fixed asset investments to generate sales more effectively. **SALES.FA = Sales / Fixed Assets**
TL.EQ	A gearing ratio measuring how a company finances its operations through debt or through the shareholders' funds, reflecting the ability of a business to cover outstanding debt obligations through shareholders' equity. **TL.EQ = Total Liabilities / Shareholders' Equity**
TL.TA	A leverage ratio measuring a company's ability to use its assets to pay off its liabilities. Higher ratios indicate a higher degree of leverage. **TL.TA = Total Liabilities / Total Assets**
WC.EBIT	Working Capital (Current Assets - Current Liabilities). A short-term liquidity to earnings ratio. **WC.EBIT = Working Capital / EBIT**