



What do we mean  
by Free Cash Flow?



---

# What do we mean by Free Cash Flow?

---

- ❖ Cash Flow is the life blood of a business
- ❖ It is the cash created or consumed by the business while creating value for its customers



---

# What do we mean by Free Cash Flow?

---

- ❖ There are a number of different definitions of Cash Flow - you need to be aware of the differences



---

# What do we mean by Free Cash Flow?

---

- ❖ Cash Flow from Operating Activities
  - ❖ This is the starting point of the Cash Flow Statement
  - ❖ The cash generated by the business before financing or investment are taken into account



---

# What do we mean by Free Cash Flow?

---

- ❖ Free Cash Flow to Equity - FCFE
- ❖ Cash that is available after financing and reinvestment in the business



---

# What do we mean by Free Cash Flow?

---

- ❖ Free Cash Flow to the Firm - FCFF
- ❖ Assumes no leverage = Unlevered Free Cash Flow
- ❖ Used for DCF modelling



---

# What do we mean by Free Cash Flow?

---

- ❖ Net Change in Cash
- ❖ Bottom of the Cash Flow Statement
- ❖ Change in the cash balance at the year end compared to the previous year.





What do we mean  
by Free Cash Flow?