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1. Financial health check

Analysis of financial statement of tesla over the past five years

Tesla financial statements of 2021-25 show the trend of increasing scale and then diversification as a strategy and optimization of operations as the market balance changes around the world.

Revenue and Profitability Trends

It started with an all-time high performance in 2021, where Tesla recorded its most net income and an operating margin of 14.6 percent due to lowering cost at a better pace than the subsequent drops in average selling prices. This lasted into 2022 and 2023 as the Model Y was the most sold car in the world and the Cybertruck was introduced. Nonetheless, in 2024 and 2025, the company entered into a challenging business environment such as a protracted low interest rate. In response to this, Tesla turned its attention to the high-margin AI-enabled services and energy storage.

Segment Diversification

Although automotive is the main one, the Energy Generation and Storage segment also became a significant area of profitability. Towards the end of 2025, the energy revenue increased 44 per cent per annum with a Megapack record deployment and the opening of Megablock.

Cash Flow and Liquidity

During the five years, Tesla had a strong balance sheet. The increase in the cash and investments ticked off to 16.1 billions of cash and investments up to 41.6 billions of cash and investments in Q3 2021 and Q3 2025 respectively. This liquidity financed huge sums of the capital spending, greater than 10 billion dollars in 2024 on AI infrastructure and international production in Texas, Berlin, and Shanghai.

Strategic Pivot

The 2025 statements suggest passing to robotics and AI companies with the instance of a ride-hailing company in the Bay Area reaching the ride-hailing service through the use of Robotaxi. The company is committed to long-term value creation despite macro economic threats and challenges, with regard to autonomous driving and Optimus.

Analysis of the financial ratios

The five-year financial analysis shows that there were major changes in profitability, liquidity, efficiency, gearing, investment performance, and cash flow position. In general, the company demonstrates great initial growth and successful tightening of the margin and rise in its efficiency with a good liquidity position and limited financial risk.

Profitability Ratios

The profitability has reduced significantly in the course of the five years. Gross profit margin also changed slightly between 2021 and 2022 but declined drastically since 2023. This can be interpreted to imply escalated cost of production or price bothering potentially, as a result of rivalry or heightened cost of inputs.

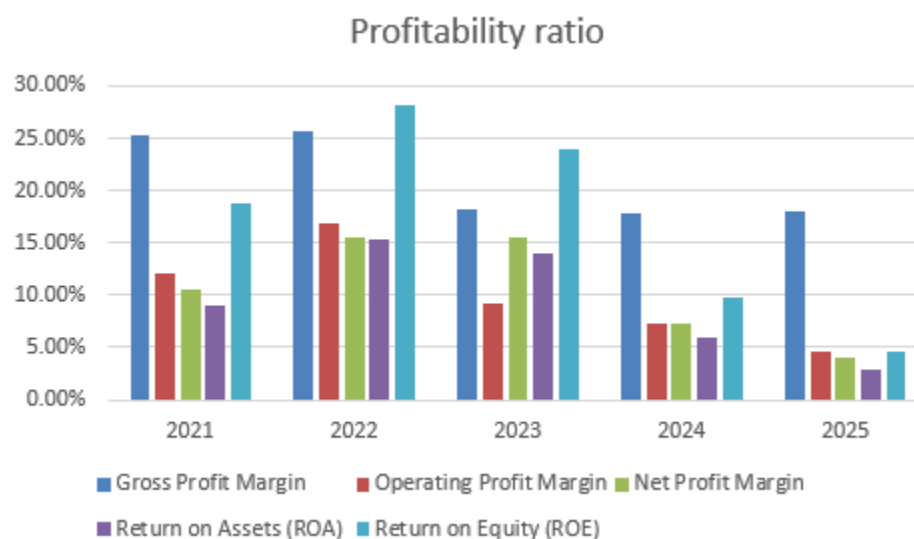


Figure 1: Profitability ratio

(Source: Self – created in excel)

The declining operating profit margin is rapid as it has declined not only 16.8 in 2022 but also to 4.6 in 2025. This means that operating costs such as research and development, bureaucracy, or sales costs are rising at high rates in comparison to revenue and decreasing capacity to operate. Equally, the net profit margin had fallen to 4.1% in 2025 as compared to a record of 15.5% in 2022-23. This attests to the overall profitability erosion even though it was strong in the past.

Its returns also deteriorated greatly. ROA improved to 2.8% (2025), compared to 15.3, and ROE decreased to 4.7. This shows that the firm is reducing its efficiency on assets as well as in the stock of shareholders returns. The decreasing trend indicates that the earnings are not commensurable with the increment in the assets and equity.

Liquidity Ratios

The long-term financial stability is good as liquidity position has steadily increased over the years.

Comparing the current ratio has responded positively to the current standards. There has been a rise of current ratio by 2.164 compared to the 1.375 of 2021 which indicates that the company has over 2.164 times the required current assets to address current liabilities. The quick ratio also became much better (it increased by 1.083 to 1.774), which indicates that even the absence of inventory does not indicate that the firm will have difficulties in covering the short-term commitments. This represents quality liquid assets including receivables and cash. Nonetheless, cash ratio also decreased marginally compared to 0.892 in 2021 and not more than 0.521 in 2025. Although still rational, it implies that the cash reserves as compared to liabilities are decreasing possibly as a result of cash reinvestments or growth. In general, the company has a high liquidity, but the tendency to grow the correlation with non-cash current assets is observed.

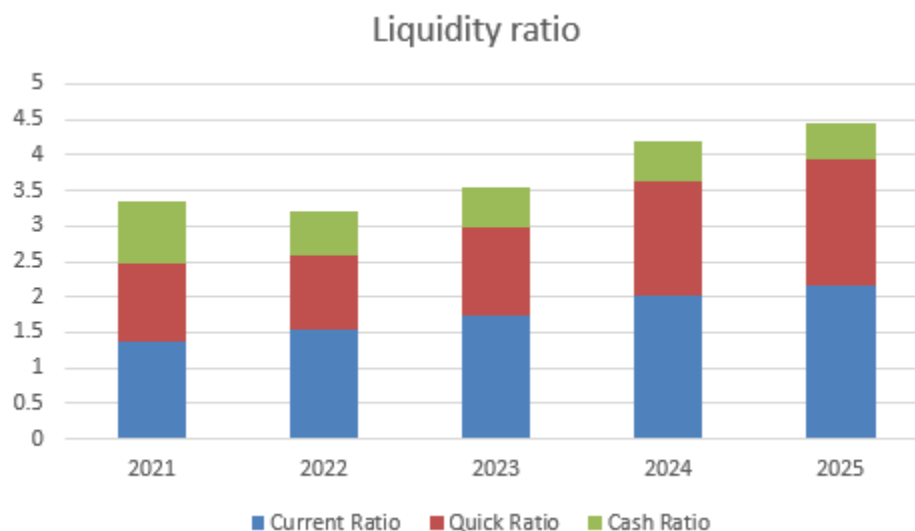


Figure 2: Liquidity ratio

(Source: Self – created in excel)

Efficiency Ratios

The efficiency ratios show a decline in the utilization of assets and efficiency of operations that is gradual. The change in asset turnover ratio showed that it dropped to 0.688 in 2025 compared to 0.989 in 2022 which indicated that the company was making diminished earnings using its assets. This could signify excessive allocation of assets or slow growth of revenues. The inventory turnover ratio decreased to 6.37 in 2025 against 8.159 in 2021. It means that there is slower movement of the inventory possibly as caused by fluctuation in demand or inefficiency of the supply chain.

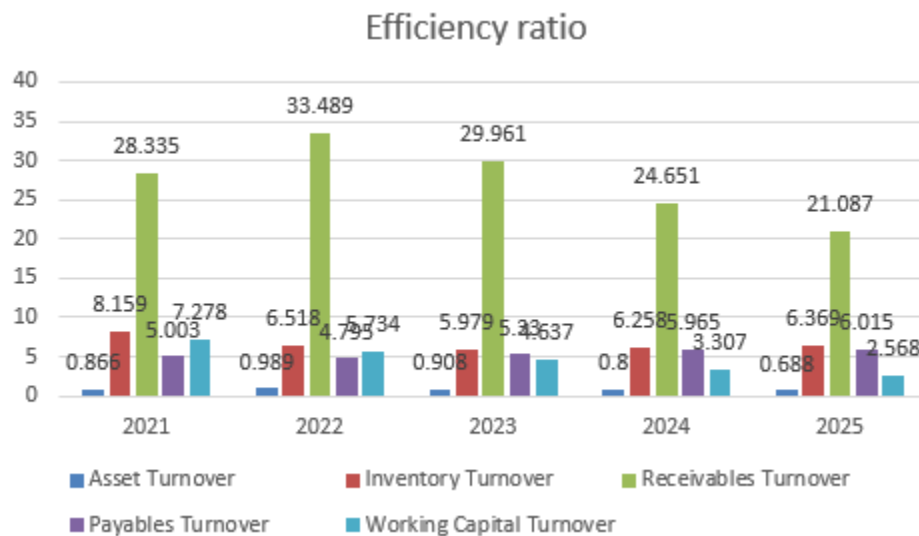


Figure 3: Efficiency ratio

(Source: Self – created in excel)

The receivables turnover ratio further decreased 33.489 in 2022 to 21.087 in 2025 and therefore at the company more time is required to receive payments of the customers thereby impacting the cash flow. Conversely the turnover ratio of payables was also on the rise showing the company is paying the suppliers in a shorter period. Although this is likely to build better supplier relationships, it might also diminish the working capital. The change in working capital turnover

ratio has been reduced significantly with 7.278 reducing to 2.568 implying an indication of poor working capital utilization. The corporation is investing an upper hand on the working capital although is making poor returns in terms of revenue streams.

Gearing (Leverage) Ratios

It has a low-risk capital structure which uses very low amounts of debt. Debt-to-equity ratio is also which implies that the company is mostly funded by equity, but not debt. Similarly, debt ratio is also low (0.061 in 2025) which does support the perception of low financial leverage.

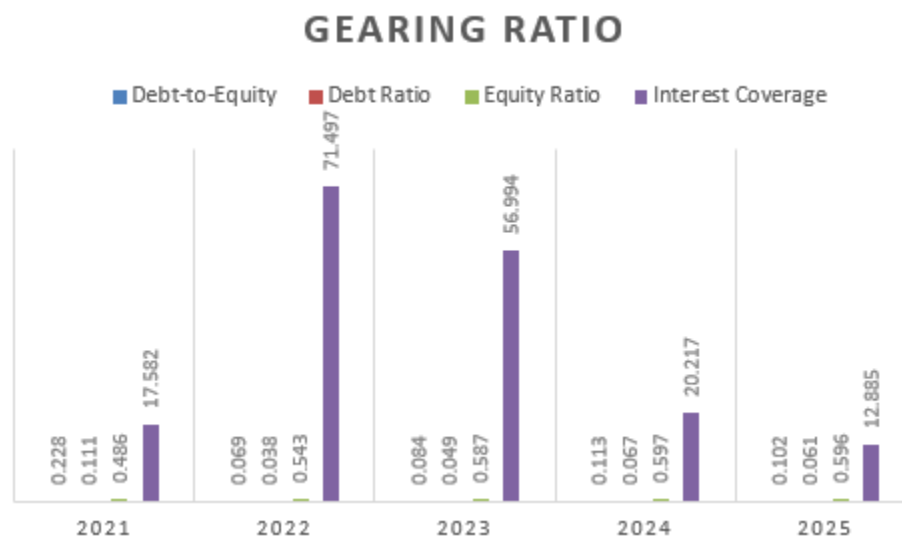


Figure 4: Gearing ratio

(Source: Self – created in excel)

There was an improvement of the equity ratio, which dropped to approximately 0.486 in 2021 and 0.596 in 2025 indicating that a greater percentage of the assets is funded by the shareholders to the more advantageous financial stability. The interest coverage ratio, although going down to 12.885 (2025) was previously very robust (maximum reached 71.497 in 2022). This means that the company is in a position to comfortably pay its interest requirements even with the declining profitability. On the whole, the company possesses the conservative financing strategy, which reduces the financial risk and has the potential to reduce returns.

Investment Ratios

Shareholder returns are decreasing the performance of the investments. Earnings per share (EPS) increased to maximum values in 2021 at (\$4.89), and decreased in 2022, slightly increased in 2023, and significantly decreased in 2025. This means decreasing profitability and decreasing earnings to the shareholders. No dividend of the company shows that it adheres to the retention strategy of retaining profits and reinvesting them in expansion instead of distributing them. Although this can help profitable growth in the long term, it can disappoint people who are concerned about earnings. The absence of the P/E ratios prevents the market-based assessment, although declining EPS could indicate less investor appeal in the long term.

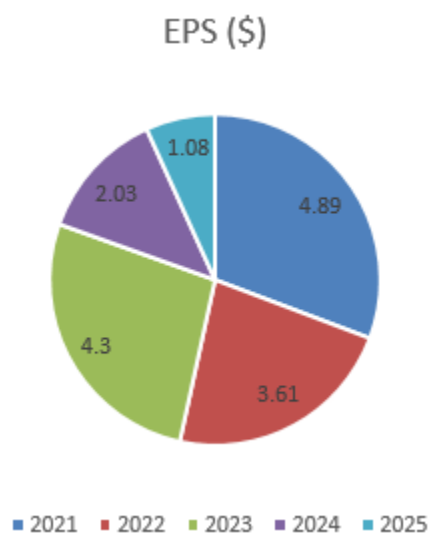


Figure 5: Investment ratio

(Source: Self – created in excel)

Cash Flow Ratios

The cash flow analysis is fair but not very stable. The operating cash flow ratio reduced to 0.465, which shows that it is less capable of meeting the short-term liabilities using the operating cash flows. Cash flow margin also declined and ended up with a margin of about 15%-16% indicating a declining efficiency in the transformation of revenue into cash.

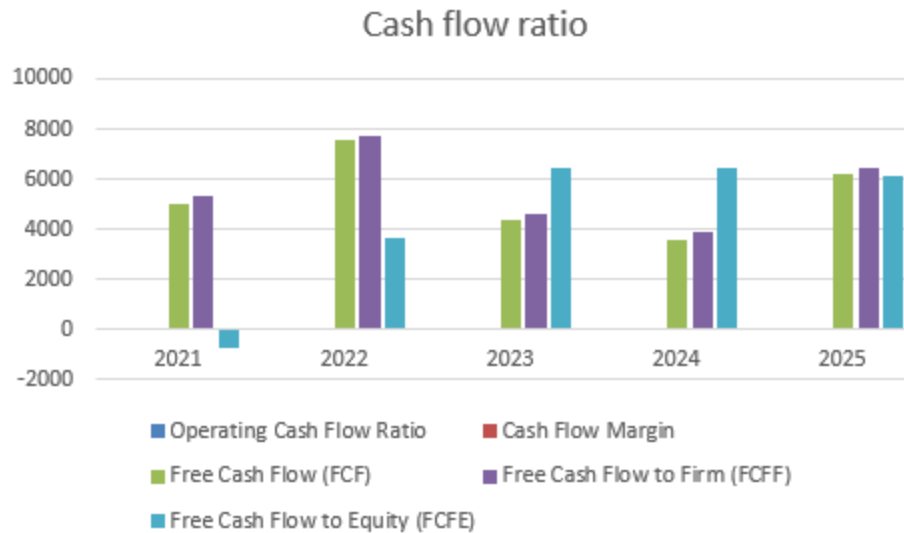


Figure 6: Cash flow ratio

(Source: Self – created in excel)

Nonetheless, there are positive values of free cash flow (FCF) throughout and this factor represents the fact that the company still produces excess cash after spending on capital investments. Despite having decreased in 2023 to 2024, FCF recuperated highly in 2025. Trend in FCFF and FCFE indicate that the company has a good cash generating capacity that sustains its activities as well as investor dividends. These high FCFE at the older age shows that there is better cash flow to the equity holders, although the accounting profits are reduced.

Identification of trends, strengths and threats

The financial ratios reveal some apparent structural trends which are in line with the new academic and industry discoveries. The company is losing the trend of profitability, as indicated by decreasing gross and net margin, ROA and ROE. This is in line with the latest findings that portray that numerous companies are reporting a decrease in their level of profitability caused by increased expenses and ineffective use of assets which adversely affects the overall performance (NOVI and NI, 2024). It is also verified that the efficiency ratios like asset turnover and receivables collection are directly correlated with profitability, i.e. the decline of these variables decreases earning potential (Majka, 2024).

Simultaneously, the company also portrays high liquidity and solvency as evidenced by increasing current and quick ratio and low rates of debt. According to recent 2023 studies, companies that are in high liquidity status are in a better place to pay their debts and operations even when their profits become bad (NOVI and NI, 2024). This implies that the firm is stable in regard to financial issues although the returns are falling.

The low gearing (debt) level is a major strength since it minimises financial risks, and it is also long term sustainable. Research indicates that fewer debt-to-equity ratios have a positive impact on financial resilience and make a company less vulnerable to external shocks (Harinurdin, 2023). Also, there are no signs of negative and/or unstable free cash flow, which demonstrates that the company still produces internal funds that can be reinvested and used in operations.

But there exist significant threats. The first is clearly the decreasing percentage of efficiency ratios such as asset turnover and working capital turnover. It has been studied that poor use of assets results in reduced revenue generation and minimised profitability in the long-term . Equally, a reduction in the turnover of receivables indicates a reduced cash collection rate and this may cause liquidity stress in future.

The other significant threat is the fact that the profitability ratios are continuously decreasing, which indicates an increase in costs or competition. The options presented globally in the recent past reveal that scores of companies are experiencing margin compression in the form of inflation, demand swings and inefficiencies within their operations (Kissin , 2025).

2. Working Capital Management Analysis

Assessment of the cash operating cycle

The cash operating cycle (CCC) of Tesla changed to -25.76 days of FY 2021 to -1.32 days of FY 2022, which further changed to a positive value of 9.52 days of FY 2023 before decreasing a notch on the other side to 13.02 days of FY 2024. A CCC is the interval between cash paid out of operations and money paid back by customers, hence a shorter cycle indicates that the organisation is less tied up in working capital (Wang, 2019).

Close to zero cycle of FY 2021 and negative cycle of FY 2022 represent a high liquidity efficiency: Tesla was receiving cash due to sales at a higher rate than paying suppliers. The subsequent transition to a positive cycle is an indication that cash was held longer in operations. This is largely in line with the increase in DSO of approximately 13 days to 17.61 days implying the company took a longer time to collect its receivables and a decrease in DPO of approximately 90.98 down to 62.78 days indicating that Tesla can pay its suppliers in increased speed. The academic research is mostly aiming at demonstrating that CCC is linked to poor performance or more financing pressure, and CCC decrease may increase value creation and lessen the necessity of external financing (Johan et al., 2024).

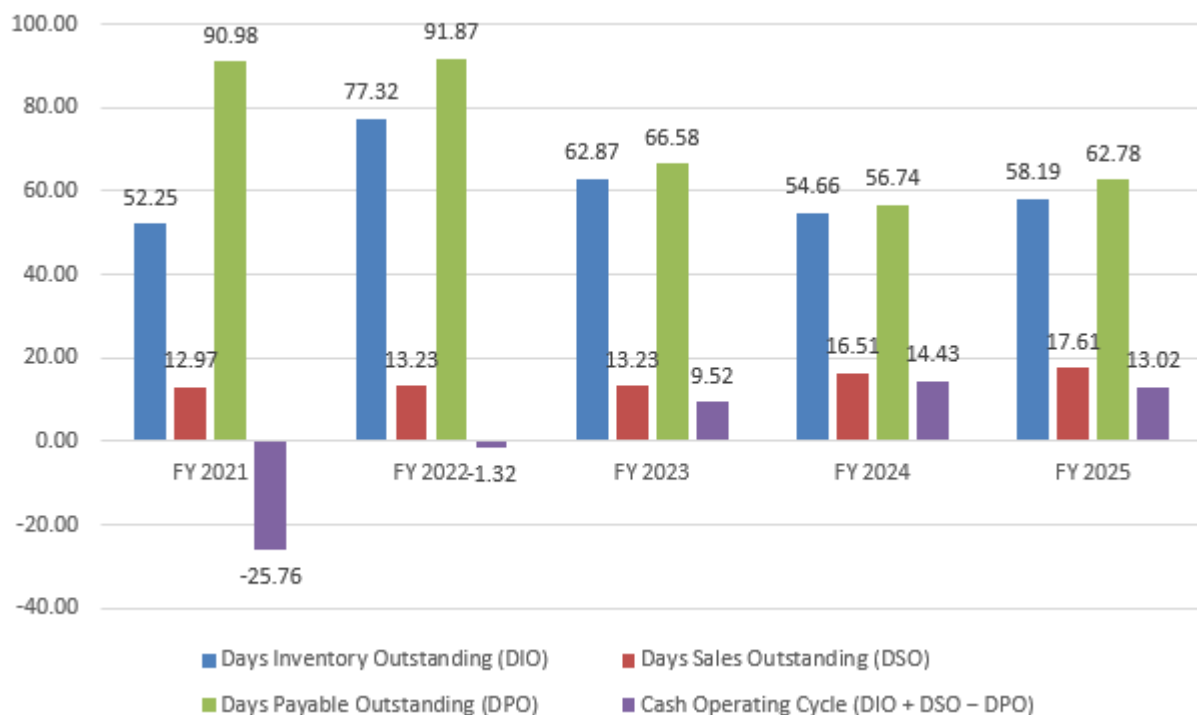


Figure 7: Cash operating cycle

(Source: Self – created in excel)

It has marginally improved FY 2025 to FY 2024, and this is a positive sign that the company can stabilize, yet the cycle is positive and Tesla requires cash to bridge the gap between inventory and receivables outflow and the receipts. Practically, the company is not liquid as it was during the period of 2021 and 2022. Yet the cycle is comparatively brief in regard to a manufacturing

company. Working capital management is hence a significant tool of maintaining cash flexibility (Wang, 2019).

Strategies to improve liquidity through working capital reforms

To enhance liquidity, Tesla can work on first concentrating on the receivables management. Because the increase in DSO has occurred, appropriate tightening of credit terms to the company, increased use of early-payment incentives and more collections discipline should be implemented. A more detailed customer-risk model may also be useful, particularly due to the liquidity and performance studies on working capital management that reveal the key to the union of receivables, inventory and payables (Kayani et al., 2019).

Furthermore, Tesla ought to decrease cash held up in inventory. Although it is still much better than in FY 2022, it can be noted that inventory days still indicate significant cash invested in stock. The extensive buffer stock can be minimised by having better demand forecasting, production scheduling and coordination with suppliers without interference in delivery performance. Decreasing CCC by minimising inventory and increasing collections is usually reported in the literature as value-enhancing since it releases the cash flow and reduces the necessity to use external financing (Zeidan and Shapir, 2017).

Short-term vs long-term financing options

Short-term financing is intended to meet short-run operational requirements like payroll, stock buy or other daily requirements. The common instances are working capital loans and any short-term debt and they are generally paid the same year. They are ideal when a company requires the opportunity to cover a working-capital gap; however, they also involve refinancing risk and they may become costly in case the gap remains large.

The long term finance, on the other hand, is applied to investment ventures that are capable of sustaining growth in a number of years e.g. factories, machinery, infrastructure, or a significant technology project. Long term financing consists of debt whose maturity is more than 12 months and may be a few years. It provides more predictable scheduling of repayment and is aligned more

to longer-lived assets, but may impose a loss of financial flexibility and create longer-run leverage risk.

In the case of Tesla, temporary liquidity management associated with receivables, stock, and seasonal cash requirements is more appropriate to be managed by short-term financing, whereas the long-term financing suits the capacity expansion, investment in batteries, and the construction of the factories. Short-term funding allows the working capital expenditures on a daily basis whereas long-term funding is meant to sustain long-term strategic capital expenditure. A reasonable balance decreases rollover pressure and aids to match up financing with asset life (corporatefinanceinstitute.com, 2020a).

3. Strategic Financial Restructuring Plan

Recommended restructuring options

A combination of three parts restructuring mix namely selective divestiture, targeted equity injection and a no broad merger unless strategic position, is the best choice. Accordingly, Tesla must look at disposition or considering non-core, low-payoff or capital-intensive periphery assets without which the market could acquire them at a higher price. Research findings demonstrate that clearing of conglomerate discounts enhances valuation in cases where it enhances strategic focus whereas weaker market responses in cases where it reduces strategic focus. This renders the time and asset choice to be vital (Curi and Murgia, 2018).

Furthermore, Tesla needs to rely on intense equity funding on the areas of its expansion that have the highest growth and the highest cap of AI infrastructure, autonomy and energy manufacturing. The literature demonstrates that ethical equity issues which are approved by shareholders can be accepted well by the market whereas the issue of equity which is privately placed may be value-enhancing where such issues create certification, monitoring and strategic capital as opposed to dilution. Equity is particularly favourable when a company desires flexibility and not to tie a knot in the service of debts that are more severe (Holderness, 2018).

In this aspect complete merger is not relevant to Tesla. Merging would likely bring governance and integration risk to the company that would not be necessary since Tesla has good liquidity and

a good brand reputation. Only in cases where there is clear technology, supply-chain or distribution synergy is a better choice a strategic alliance or a bolt-on acquisition.

Impact on shareholder value, debt structure, and operational flexibility

Given that a properly selected divestiture may enhance shareholder value it enables the investors to better price the remaining core business and releases cash held through the assets that are not earning Tesla the hurdle rate. Strategic clarity is not only cash proceeds, which is the key advantage. The Tesla filings indicate a high level of diversification in revenue sources between automotive, energy and services, hence, merging those layers that deliver low returns would allow the management to invest capital in areas where the company has the highest competitive edge. Nevertheless, when a divestiture is neither planned nor conducted when the market is in stress or with a poor valuation, the data indicates that the economy can punish the decision, implying that asset selection and time is a subject of concern (Curi and Murgia, 2018).

The injection of equity would probably lower the level of reliance on debt and would maintain a high level of balance as this is worthwhile since Tesla already has rather low leverage relative to current assets. Debt structure will facilitate protection of interest coverage, lessen refinancing risk particularly in a high rate market. Nevertheless, in cases where the capital invested is put in the projects whose returns are higher than cost of equity, dilution can benefit the shareholders. Also best practice by the finance literature indicates that the approvals and structure of the equity issuance is having a significant impact on the market reaction and Tesla ought to focus on transparent, shareholder-friendly issue increases instead of emergency capital increases (Holderness, 2018).

Most operational flexibility would be enhanced by a balanced restructuring and not aggressive leveraged restructuring. Tesla remains a business that is capital-intensive, though it requires the ability to swivel between cars, electricity storage, autonomy, and robotics. Tesla is in a position to maintain strategic optionality because it reported record quarterly cash generation and huge balance at the cash-and-investments in Q3 2025. Its aim must be to save cash in the R&D and expansion of the plants and reduce the drag of under- performer and non-core assets (Frank and Shen, 2019).

International and ethical considerations

Tesla should have its restructuring worldwide and address the issues of tax, currency, inflation, and stakeholders. On taxes, Tesla is taxed across key jurisdictions and its disclosures reveal that Gigafactory Shanghai has a reduced 15 percent tax credit up to 2023 after which it will experience the standard rate of 25 percent in tax, which is important to any restructuring of the placement of assets and profits or financing to a different jurisdiction. The existing body of academic research about multinational capital structure reveals that tax disparities have an impact on the choice of debt and capital structure and therefore Tesla should not engage in aggressive tax-engineering and instead adopt compliant transfer pricing and substance-based structuring (Huizinga et al., 2008).

Another significant factor is the currency risk. According to the filings, Tesla is a company that globally operates in various currencies and they do not habitually hedge foreign-currency exposure and their performance consists of foreign-currency gains and losses. Studies have indicated that foreign-currency hedging is able to minimise the volatility and is linked with greater company value in the exposed firms. In the case of Tesla, any reorganisation must be accompanied by more assertive FX policy: natural hedging as much as possible, selective derivative hedging when necessary, more coordinated treasury operation across geographical markets (Luo and Wang, 2018).

There is also inflation and the pressure of interest rates. The evidence of the outcomes of using less leverage and lower investment efficiency has been proven to be linked to inflation uncertainty and higher real rates which will justify the option of Tesla avoiding the risk of over-debting and instead maintaining its flexibility. The service of fixed obligation is also made more difficult in a high-inflation environment when margins are contracted so that Tesla ought to balance funding time to route capital to working capital and factories to strategic infrastructure (Hatzinikolaou et al., 2002).

Lastly, the restructuring should be ethically acceptable. When the process of downsizing and restructuring is handled badly, it may create damaged reputations and stakeholder trust whereas CSR-sensitive restructuring would have better success because inspiration should be communicated strictly and the effects of the restructuring should be handled reasonably. It implies that Tesla ought to accompany any divestition or personnel change with retraining, where feasible,

redeployment, supplier communication and vividly explain to people why the shift would result in prolonged value development and sustainability objectives.

4. Investment Appraisal and Capital Budgeting

Investment appraisal of three projects

Net Present Value (NPV)

NPV involves a comparison between the present value and the cash inflows in the future and the investment. The positive value of NPV implies that the project should be undertaken, and the negative value of NPV implies that the project loses value where the value of cash flows is present throughout the years and that NPV is also based on time value of money, since the cash flows of the project existing in the future are discounted.

Project 1 discounted inflows amount to approximately -4133m versus the outlay of 50m thus having NPV of approximately -868m. It loses that much in value, and thus it is the poorest of the three alternatives. The yield of Discounted inflows of project 2 is approximately £41.69m hence its NPV is approximately -i.e. -£8.30m. It is slightly better than Project 1 not yet showing its investor the first money decent at the necessary rate. The highest discounted inflows are found in project 3 in the amount of approximately 48.02m with the NPV at the amount -1.98m. Being still negative, it is the least ugly project as it is nearest to breakeven.

Payback period (PB)

Payback period is the measure of the speed with which a project turns back to its initial investment in terms of its cash inflows. It is a basic liquidity-oriented method that is mostly applied in practice since it puts emphasis on the level of promptness of returned capital and the duration of risk. Nonetheless, it is also not consistent to time value of money and any subsequent cash flow after payback point and therefore is less useful and efficient in making decisions in the long term (corporatefinanceinstitute.com, 2020b).

In the case of Project 1, the payback period is 4.5 years, which implies that it will be recouped halfway during Year 5. This implies low liquidity, and it has a slower liquidity recovery as

compared to other choices. The payback period of Project 2 is 4.55 years which is a bit higher than the payback of Project 1.

By comparison, Project 3 has a payback period of 3.6 years, claiming back the initial investment of £50m, much sooner. This is an indication of high insourcing early cash flows, minimizing risk and enhancing liquidity. Payback periods that have much time scope and payback periods that have less time are normally thought of as less appealing since a company has the chance of getting back their investments in a shorter time. It is capable of indicating reduced risk, but there are some disadvantages of using payback period only (stonex.com, 2026).

Profitability index (PI)

Profitability index (PI), is the value generated across a unit of investment which can be determined by dividing the cash inflows in future (calculated in present value) by the initial investment. A PI of more than 1.0 indicates the presence of profit in the project since the inflows of the discounted cash of the projects have surpassed the outflows. On the other hand, PI below 1.0 indicates that there is no equivalence between the benefit and the cost, thus such projects are not usually taken up. PI of 1.0 means that there will be a scenario of no profit or loss of money in the project when the price equals one unit (Smiljanic, 2023).

In the case with project 1, the PI equals 0.826, i.e., an average of 1 equivalent of the project will produce only 0.83 in present value terms. This is a definite sign of a reduction in value or compares with its negative NPV. The Project 2 similarly has the PI value of 0.834 which is slightly above the Project 1 implying that the is performing slightly better. But as it still falls short of 1 it does not qualify as the minimum investment criterion.

The PI presented in project 3 is 0.96, which is the largest of the three projects. This implies that it returns 0.96 on every pound invested as compared to the acceptable verbal of 1. Though it still implies that there is a slight value loss, it is the least unappealing approach. In situations of mutually exclusive projects, the project with the largest PI is elected provided that all of them are not greater than 1.

Recommended project

Project 3 is recommended in comparison to other two projects, though it is worth noting that all of the 3 projects show unfavorable positions on the P/E front since they all have negative values of NPV and the values of profitability index are lower than 1. However, arriving at a mutually exclusive decision, Project 3 is the most appropriate opportunity since it has the highest profitability index (0.96), the least negative NPV and also the shortest payback period (3.6 years). This shows that it is recovering the capital invested much faster and reducing issues with value erosion as compared to project 1 and 2.

The investments are also cautious with the financial performance of the company. The profitability ratios used like gross profit margin, operating margin, net margin, ROA/ROE reflects a continued downward trend which points to decreasing efficiency in terms of return generation. The adoption of lower profit margins also reflects on the general profitability, diminishing the cash flow that can be used in reinvestment, debt repayment, and dividends (eoxs.com, 2025). In this regard, Project 3 will be more advantageous since exposure is minimized and cash recovery is quickened.

Liquidity wise, current and quick ratio has been improved, but the amount of cash ratio has been decreased which indicates less cash in the hands immediately. Firms that are more cash constrained ought to remember working on those projects that have shorter payback to ensure that it has some financial flexibility. The less time it takes to break even, the project has a better investment. These businesses desire to recoup the original expenditure on an investment or a project within the shortest time possible (preferredcfo.com., 2025).

This is also supported by non-financial risks. The electric vehicle sector is vulnerable to political, regulatory risks which are tariffs, incentives and trade restrictions that may have a huge negative influence on prices and demand. Moreover, customer loyalty will continue to be unstable, with growing competition level and transforming consumer attitudes. A capital funding that quickly recovers the capital in such a precarious set up lowers the risk of the bottom line taking a long time. On the whole, Project 3 is preferred due to being the least risky and the most economical project on financial and non-financial grounds.

Appropriate combination of projects

Under capital rationing companies have to choose the investment projects mix that maximizes the total value known to operate within the maximum. Many investors and companies use capital rationing in order to make sure that only the most viable investments are made. It assists in making sure that every business will only invest in projects that guarantee maximum returns (corporatefinanceinstitute.com, 2020c). It might seem that every high-return investment there is ought to be made.

Each project requires £50 million, so the company can select any two out of the three projects. Based on the PI values:

- Project 3: 0.96 (highest)
- Project 2: 0.834
- Project 1: 0.826

The optimal approach is to select the combination with the highest combined PI (or lowest value destruction).

If combinations are evaluated:

- Project 3 + Project 2 → Total PI = $0.96 + 0.834 = 1.794$
- Project 3 + Project 1 → Total PI = $0.96 + 0.826 = 1.786$
- Project 1 + Project 2 → Total PI = $0.826 + 0.834 = 1.660$

Therefore, Project 3 and Project 2 are the most suitable choice giving the highest aggregate index hence offering maximum value per 100 million money compared to the alternatives.

The conclusion is also in line with the logic of NPV. Despite the fact that all of the projects have negative NPVs, Project 3 has the highest least negative NPV followed by Project 2 and then Project 1. Projects 3 and 2 have then been chosen such that the net loss in value loss is reduced maximally with respect to other alternatives. Investopedia says that in case of limited capital, the priority of projects should be with the highest return compared to the cost of the firm.

Also, Project 3 has the shortest payback period, which positively affects liquidity, whereas the payback period in Project 2 is uniform and steady, allowing minimizing the risk. This sympathy generates the combination to be more resilient in the case of uncertainty.

Within a capital limit of less than £100 million, the firm ought to pick Project 3 and Project 2 as this decision becomes the most efficient as it minimizes the value destruction and is realistic, which would give the company a bonus risk profile.

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Appendices

Appendix 1: Ration calculation

Metric	Formula / basis	2021A	2022A
Support Calculations			
Working capital	Current assets - Current liabilities	7,395	14,208
Average accounts receivable	Average of current and prior-year A/R	1,900	2,433
Average accounts payable	Average of current and prior-year A/P	8,038	12,640
Average inventory	Average of current and prior-year inventory	4,929	9,298
Total capex (positive)	ABS(PPE) + ABS(solar) + ABS(intangibles)	6,514	7,172
Effective tax rate	Provision for income taxes / Pretax income	11.0%	8.3%
Net debt & lease financing	Debt proceeds + repayments + debt issuance costs + finance lease + collateralized lease repayments	(5,741)	(3,866)
Profitability Ratios			
Gross profit margin	Gross profit / Revenue	25.3%	25.6%
Operating profit margin	Operating income / Revenue	12.1%	16.8%
Net profit margin	Net income / Revenue	10.5%	15.5%
Return on assets (ROA)	Net income / Total assets	9.1%	15.3%

Return on equity (ROE)	Net income / Stockholders' equity	18.7%	28.2%
Liquidity Ratios			
Current ratio	Current assets / Current liabilities	1.375	1.532
Quick ratio	(Current assets - Inventory) / Current liabilities	1.083	1.051
Cash ratio	Cash & cash equivalents / Current liabilities	0.892	0.609
Efficiency Ratios			
Asset turnover ratio	Revenue / Total assets	0.866	0.989
Inventory turnover ratio	Cost of revenues / Average inventory	8.159	6.518
Receivables turnover ratio	Revenue / Average accounts receivable	28.335	33.489
Payables turnover ratio	Cost of revenues / Average accounts payable	5.003	4.795
Working capital turnover	Revenue / Working capital	7.278	5.734
Gearing Ratios			
Debt-to-equity ratio	Total debt / Equity	0.228	0.069
Debt ratio	Total debt / Total assets	0.111	0.038
Equity ratio	Equity / Total assets	0.486	0.543
Interest coverage ratio	EBIT / Interest expense	17.582	71.497
Investment Ratios			

Earnings per share (EPS)	Net income attributable to common stockholders / Diluted shares	\$4.89	\$3.61	
Price-to-earnings (P/E) ratio	Market price per share / EPS	N/A	N/A	
Dividend per share	No dividends declared	-	-	
Dividend yield	Dividend per share / Market price per share	-	-	
Dividend payout ratio	Dividend / Net income	-	-	
Cash Flow Ratios				
Operating cash flow ratio	Operating cash flow / Current liabilities	0.583	0.551	
Cash flow margin	Operating cash flow / Revenue	21.4%	18.1%	
Free cash flow (FCF)	Operating cash flow - Total capex	4,983	7,552	
Free cash flow to firm (FCFF)	OCF + after-tax interest - capex	5,313	7,727	
Free cash flow to equity (FCFE)	OCF - capex + net debt & lease financing	(758)	3,686	

Appendix 2: NPV, PBP and PI

Project 1				
Year	Discount factor	Cash flow	PV	NPV
1	0.91	10	9.09	-8.68
2	0.83	12	9.92	
3	0.75	14	10.52	
4	0.68	10	6.83	
5	0.62	8	4.97	

Project 2				
Year	Discount factor	Cash flow	PV	NPV
1	0.91	11	10.00	-8.30
2	0.83	11	9.09	
3	0.75	11	8.26	
4	0.68	11	7.51	
5	0.62	11	6.83	

Project 3				
Year	Discount factor	Cash flow	PV	NPV
1	0.91	5	£4.55	-£1.98
2	0.83	10	£8.26	
3	0.75	20	£15.03	
4	0.68	25	£17.08	
5	0.62	5	£3.10	

Project 1		
Particular	Formula	Value
	Total PV of cash inflows/Initial investment	
Profitability index		0.826484

Project 2		
Particular	Formula	Value
	Total PV of cash inflows/Initial investment	
Profitability index		0.833973

Project 3		
Particular	Formula	Values
Profitability index	Total PV pf cash inflows/I nitial investme nt	£0.96

Project 1		
Cash Flow	Cumulative	Payback period (in years)
-50	-50	4.5
10	-40	
12	-28	
14	-14	
10	-4	
8	4	

Project 2				
Year	Cash Flow	Cumulative	Payback period (in years)	
0	-50	-50	4.55	
1	11	-39		
2	11	-28		
3	11	-17		
4	11	-6		
5	11	5		

Project 3			
Year	Cash Flow	Cumulative	Payback period (in years)
0	-50	-50	3.6
1	5	-45	
2	10	-35	
3	20	-15	
4	25	10	

Appendix 3: Cash Operating Cycle

Metric	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
Input Data (\$ millions)					
Revenue	53,823	81,462	96,773	97,690	94,827
Cost of Revenue (COGS)	40,217	60,609	79,113	80,240	77,733
Accounts Receivable (AR)	1,913	2,952	3,508	4,418	4,576
Inventory	5,757	12,839	13,626	12,017	12,392
Accounts Payable (AP)	10,025	15,255	14,431	12,474	13,371
Cycle Components (Days)	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
Days Inventory Outstanding (DIO)	52.25	77.32	62.87	54.66	58.19
Days Sales Outstanding (DSO)	12.97	13.23	13.23	16.51	17.61
Days Payable Outstanding (DPO)	90.98	91.87	66.58	56.74	62.78
Cash Operating Cycle (DIO + DSO – DPO)	-25.76	-1.32	9.52	14.43	13.02