

## FINANCIAL ANALYSIS - EXAMPLES (Page 1)

### YEAR 2008 Pro-Forma (The Oasis, assisted living facility)

Loan assumptions for analysis:	PV	I	N	PMT	SALE PRICE
	220,500	7%	180	1,981.92	245,000

	PGI	(Potential Gross Income)	141,372
	- V+C (3%)	(Vacancy & Collection loss)	< 4,241 >
	<u>- Other Expenses</u>		<u>0</u>
	Effective Gross Income		137,131
	<u>- Operating Expense</u>		<u>&lt; 46,121 &gt;</u>
	NOI	(Net Operating Income)	91,010
	<u>- Debt Service</u>		<u>&lt; 23,183 &gt;</u>
	BTCF	(Before Tax Cash Flow)	67,227
<hr/>			
	<u>± Tax</u>	Tax = (NOI - Depreciation - Interest + Reserve for Replacements) x Tax Rate	
	ATCF	(After Tax Cash Flow)	

$$\text{NOI} - \text{Depr} - \text{Int} + \text{RR} = \text{Taxable Income}$$

$$\frac{\text{X Tax Rate}}{\text{Tax Liability}}$$

Overall Capitalization Rate (ROI)

$$\frac{\text{NOI}}{\text{R}^\circ \mid \text{PV}} = \frac{91,010}{245,000} = 37\% \text{ ROI}$$

(Cap Rate) (Present Value)

R° = Return on Investment

Operating Expense Ratio

$$\frac{\text{OE}}{\text{OER} \mid \text{EGI}} = \frac{46,121}{37,131} = 33.6 \text{ OER}$$

(Effective Gross Income)

## FINANCIAL ANALYSIS - EXAMPLES (page2)

Debt Service Coverage Ratio

$$\frac{\text{NOI}}{\text{DSCR} \mid \text{DS}} = \frac{91,010}{23,783} = 3.83 \text{ DSCR}$$

(DCR)

NOI is \_\_\_\_ times the annual debt amount

---

Cash on Cash Return  
Equity Dividend Rate

$$\frac{\text{BTCF}}{\text{CCR} \mid \text{Equity}} = \frac{67,227}{220,500} = 2.74 \text{ EDR}$$

(EDR)

---

Cash Breakeven Ratio

$$\frac{\text{OE} + \text{DS} - \text{RR}}{\text{CBR} \mid \text{PGI}} = \frac{46,121 + 23,783}{141,372} = .49 \text{ CBR}$$

CBR = Occupancy rate producing BTCF of 0

---

Rate of Return on Investment (%)

$$\frac{\text{Stockholders' Equity}}{\text{BTCF}} = \frac{24,500}{67,227} = 36.4\% \text{ ROI (Before Income Tax)}$$

Debt to Equity Ratio

$$\frac{\text{TOTAL LIABILITIES}}{\text{Debt to Equity Ratio (\%)} \mid \text{Stockholders' Equity}} = \frac{220,500}{24,500} = 9\% \text{ DER}$$

Margin of Safety

$$1.00 - \text{Cash Breakeven Ratio} = \_\_% \quad 1.00 - .49 = 51\% \text{ Margin of Safety}$$

---

## FINANCIAL ANALYSIS - EXAMPLES (page3)

Loan Constant (*k*)

$$\frac{\text{Annual Debt Service}}{k \mid \text{Orig Mtg Principal}} = \frac{23,783}{220,500} = .1078 k$$

---

Gross Rent Multiplier

$$\frac{\text{PRICE}}{\text{GRM} \mid \text{Gross Rent}}$$

---

Loan to Value Ratio

$$\frac{\text{LOAN AMT}}{\text{L/V} \mid \text{VALUE}}$$

---

Debt to Income Ratio

$$\frac{\text{PITI} + \text{EXPENSES}}{\text{Income} \mid \% \text{ Debt Ratio}}$$

---

### HOW TO USE CALCULATION FORMULAS

$$\frac{\text{PERCENTAGE}}{\text{RATE} \mid \text{BASE}}$$

Percentage / Base = Rate  
Percentage / Rate = Base  
Rate X Base = Percentage

\

---



## FINANCIAL ANALYSIS WORKSHEET (page2)

Debt Service Coverage Ratio

$$\frac{\text{NOI}}{\text{DSCR} \mid \text{DS}} \\ \text{(DCR)}$$

NOI is \_\_\_\_ times the annual debt amount

\* Banks want 1.3 or higher

---

Cash on Cash Return  
Equity Dividend Rate

$$\frac{\text{BTCF}}{\text{CCR} \mid \text{Equity}} \\ \text{(EDR)}$$

Cash Breakeven Ratio

$$\frac{\text{OE} + \text{DS} - \text{RR}}{\text{CBR} \mid \text{PGI}}$$

CBR = Occupancy rate producing BTCF of 0

---

Rate of Return on Investment (%) (Before income tax)

$$\frac{\text{Stockholders' Equity}}{\text{BTCF}}$$

---

Debt to Equity Ratio

$$\frac{\text{TOTAL LIABILITIES}}{\text{Debt to Equity Ratio (\%) \mid Stockholders' Equity}}$$

This is the amount of debt to equity. Debt is \$ \_\_\_\_ for each \$1.00 of equity.

---

Margin of Safety

1.00 - Cash Breakeven Ratio = \_\_%

---

## FINANCIAL ANALYSIS WORKSHEET (page3)

Loan Constant ( $k$ )

$$\frac{\text{Annual Debt Service}}{k \mid \text{Orig Mtg Principal}}$$

---

Gross Rent Multiplier

$$\frac{\text{PRICE}}{\text{GRM} \mid \text{Gross Rent}}$$

---

Loan to Value Ratio

$$\frac{\text{LOAN AMT}}{L/V \mid \text{VALUE}}$$

---

Debt to Income Ratio

$$\frac{\text{PITI} + \text{EXPENSES}}{\text{Income} \mid \% \text{ Debt Ratio}}$$

---

Vacancy & Collection Ratio

$$\frac{\text{VC}}{\text{VCR} \mid \text{PGI}}$$

---

HOW TO USE CALCULATION CIRCLES

$$\frac{\text{PERCENTAGE}}{\text{RATE} \mid \text{BASE}}$$

Percentage / Base = Rate  
Percentage / Rate = Base  
Rate X Base = Percentage

---

EBITDA Earnings before interest, taxes, depreciation, amortization