

## **BRD GSG Research – Glossary & definitions**

### **Glossary and definitions**

#### **GENERALITIES**

##### **Performances**

Performances are given for:

- the stock in absolute terms,
- the stock relative to its benchmark (the benchmark used is a local one).

Performances are given for 1, 3, 6 and 12 months (rolling).

Example of the calculation for a one-month relative performance:

$$\text{Relative (1M)} = [\text{Stock Price (Last)} / \text{Stock Price (-1M)}] / [\text{Index Price (Last)} / \text{Index Price (-1M)}] - 1$$

##### **Graphs**

The graph shows two curves:

- the share price (adjusted for splits and other corporate events),
- the relative performance of the stock versus the local benchmark index.

For a better comparison, the relative performance is set to the stock price at the beginning of the chart (which is the basis for the comparison).

A **rising** relative curve indicates outperformance versus the index.

Calculation for relative performance at a given time t:

$$\text{Relative (t)} = \text{Stock Price (Initial)} \times [\text{Stock Price (t)} / \text{Stock Price (Initial)}] / [\text{Index Price(t)} / \text{Index Price (Initial)}]$$

##### **Market capitalisation**

Number of shares in issue multiplied by the latest closing price for the shares (the types of shares taken into account are: ordinary or preferred shares and investment certificates)

Market capitalisation is given in the stock currency.

##### **Free float**

Free float in millions or as a % of market capitalisation.

##### **High/low 12 months (52-week range)**

High and low (adjusted for any corporate action) over the past 12 months.

#### **IMPORTANT NOTE**

By default, valuation ratios are calculated using the last closing share price and the last market capitalisation.

Valuation ratios for past and current years can also be calculated on average historical (adjusted) prices and average market capitalisations, for a better comparison of valuation ratios over the year with historical market conditions.

Documents or screens clearly specify when average historical share price and market capitalisations are used.

#### **INDUSTRIAL COMPANIES**

##### **Valuations**

###### **P/E**

Share price, divided by the adjusted (and diluted) EPS.

###### **Price/cash flow**

Share price divided by cash flow per share (diluted). The cash flow is the operating cash flow (including change in working capital).

###### **Price/free cash flow**

Share price, divided by free cash flow per share (diluted).

**Price/book value**

Share price, divided by book value per share.

**EV**

Market capitalisation + Restated net debt (adjusted for pension provisions, finance leasing, securitization, etc.) + Revalued minorities - Revalued associates + Other adjustments (specific to sectors).

The EV is dynamic, i.e. calculated year on year.

**EV/revenues**

EV divided by total revenues.

**EV/EBITDA**

EV divided by EBITDA.

**EV/DACF**

Specific to oil sector: EV divided by DACF is a proxy for EV/EBITDA after tax.

**Net yield**

Dividend paid to shareholders (excluding tax issues, voted during the financial year and payable the following year), divided by the share price.

**Per share data**

**Number of shares, fully diluted**

Number of shares at year-end, fully diluted for convertibles and warrants (if meaningful). Treasury stocks and share buybacks are also taken into account.

**Average**

Averages for [Yr t] are calculated as: (item [Yr t] + item [Yr t-1]) / 2.

**EPS (adj.)**

Adjusted net income (excluding exceptional and goodwill amortisation reintegrated) divided by the average fullydiluted number of shares.

**Goodwill per share**

Goodwill amortisation for the year, divided by the average fully-diluted number of shares.

**Cash flow per share**

Cash flow from operating activities (including change in working capital), divided by the average fully-diluted number of shares.

**Book value per share**

Shareholders' equity excluding minority interest, divided by the year-end number of shares.

**Net dividend per share**

Dividend paid to shareholders (excl. tax issues) voted during the financial year and payable the following year.

**Income statement**

**Production (oil sector)**

Specific to oil sector: hydrocarbon production (oil & gas). In thousands of barrels of oil equivalent per day.

**Brent price (oil sector)**

Average realisation and forecast in \$ per barrel.

**Revenues**

As disclosed by the company.

**Gross income**

Equals total revenues less cost of revenues.

**EBITDA**

Earnings before interest, tax, depreciation, amortisation. EBITDA is before income from associates.

**Operating income**

Operating income after charge of goodwill: EBITA less goodwill amortisation for the year.

**Net interest income**

Includes: interest income less interest expenses.

**Reported net income**

Net income after minorities, as reported by companies.

**Cash flow statement**

**Change in working capital**

Working capital is inventory plus receivables, less payables.

**Other operating cash movement**

All movements of cash (except those related to the working capital) defined as operational: dividends from associates, net interest income (or expense) paid, taxation paid and other cash movements.

**Cash flow from operating activities**

EBITDA, plus change in working capital and all operating cash movements.

**Net capital expenditure**

Net capital expenditure consists of capital expenditure (-), as well as sale of assets (+).

Capital expenditure are shown as negative.

**Free cash flow**

Cash flow from operating activities plus net capital expenditure.

**Cash flow from investing activities**

Acquisitions of subsidiaries, securities and other investments + disposals of subsidiaries, securities and other investments.

**Cash flow from financing activities**

Debt movements + share issue proceeds + share buyback + dividends paid + other movements in cash flow statement.

**Net change in cash resulting from cash flow**

Free cash flow + cash flow from financing and investing activities + adjustment due to foreign exchange valuation.

**DACF (oil sector)**

Debt-adjusted cash flow. Represents the operating cash flow excluding financial expenses after taxes.

**Balance sheet**

**Total long-term assets**

Includes intangible assets, tangible assets, long-term investments and other long-term assets.

**Working capital**

Defined as inventory plus receivables less payables.

**Shareholders' equity**

Shareholders' equity excludes minority interests (given after earning distribution).

**Provisions**

Pension provisions and other provisions.

**Net debt (-)/cash (+)**

Financial debt net is shown as negative where cash is shown as positive.

It consists of long and short-term debt, less cash, less cash equivalents and less short-term investments.

**Accounting ratios**

**ROIC/WACC**

Return on invested capital, divided by weighted average cost of capital.

**ROIC (return on invested capital)**

EBITA after tax (using a normative tax rate), divided by average invested capital.

**Invested capital**

Invested capital is the sum of: intangible assets, cumulated goodwill amortisation and write-offs, tangible assets and working capital.

Adjustments (deduction of provisions, off-balance-sheet items) according to the specifics of each sector.

**ROE**

Reported net income, divided by average shareholders' equity (excluding minorities).

Averages are calculated as  $(\text{item [Yr t]} + \text{item [Yr t-1]}) / 2$ .

**EBITDA margin**

EBITDA divided by revenues.

**EBITA margin**

EBITA divided by revenues.

**Yoy growth ratio**

Year-on-year growth ratio for the specified item.

Equal to  $(\text{item [Yr t]} - \text{item [Yr t-1]}) / \text{ABS}(\text{item [Yr t-1]})$ .

**Net debt/equity (gearing)**

Net debt, divided by shareholders' equity + minority interest.

**Interest cover**

EBITA divided by net interest charges.

**Payout ratio**

Dividends divided by the reported net income.

**BANKS**

**Valuations**

**Price/GOI**

Share price divided by gross operating income per share.

**Price/ tangible book value**

Share Price divided by tangible book value per share.

**Per share data**

**Gross operating income (GOI) ps**

Total income less all operating expenses, before provisions/average fully diluted shares outstanding.

**Tangible book value ps**

Tangible equity divided by the number of shares, basic year end/outstanding

**Income statement**

**Other income**

Contains dividends and investment income, revenues from insurance business and other non-interest income.

**Total income**

Net banking income (NBI): interest income plus non-interest income. Net banking income is net of interest expenses.

**Total expenses**

Equal staff costs plus depreciation and amortisation (ex. goodwill amortisation) and all other operating expenses.

**Gross operating income**

Total income less total expenses (operating).

GOI is before provisions and goodwill amortisation.

**Net provisions**

Provisions for bad debt (general), provisions for bad debt (specific), fund for general banking risks and other provisions.

Provisions are for the year.

**Operating income after prov.**

Gross operating income (GOI) less total net provisions for the year.

**Others**

Includes income from associates, exceptional items and others.

**Minority interests**

Minority interest + dividends payable on preferred shares.

**Balance sheet****Total assets**

Equal net customer loans, interbank loans, trading & investment portfolio, participating interests, embedded value assets, intangible assets, tangible assets and other assets.

**Net customer loans**

Equal gross customer loans – provisions stock (general & specific).

**Non performing loans (NPLs)**

As disclosed by the company.

**Customer deposits**

As disclosed by the company.

**Tier I**

Capital As disclosed by the company.

**Risk Weighted Assets (RWAs)**

As disclosed by the company.

**Profitability****ROIC**

Adjusted net income (excluding exceptionals and goodwill amortisation), divided by average invested capital.

**Invested capital**

Sum of: shareholders' equity, cumulative goodwill written-off and goodwill amortisation outstanding.

**Return on RWAs**

Adjusted net income (excl. exceptionals & goodwill amortisation) minus minority interests, divided by average Risk Weighted Assets.

**Risk Weighted Assets (RWAs)**

As disclosed by the company.

**ROE**

Reported net income, divided by average shareholders' equity (excluding minorities).

**ROTE**

Adjusted net income (excluding exceptionals and goodwill amortisation), divided by average invested capital, divided by average shareholders' equity (excluding minorities).

**Accounting ratios****Net interest margin**

Net interest income, divided by average interest-earning assets.

**Cost/income ratio**

Total expenses, divided by total income.

**Provisions charge/GOI**

Net provisions (for the year) divided by gross operating income.

**Provisions charge/RWAs**

Net provisions (for the year), divided by average Risk Weighted Assets.

The result is displayed in basis points (1/10,000).

**NPL/loans (%)**

Non-performing loans, divided by gross customer loans.

**Provisions outstanding/NPLs (%)**

Provision stock (specific and general), divided by non-performing loans.

**Tier I capital ratio (%)**

Tier I capital, divided by Risk Weighted Assets.

**Core Tier I ratio (%)**

Tier I capital minus preferred shares, divided by Risk Weighted Assets.

**Total solvency ratio (%)**

Total solvency capital, divided by Risk Weighted Assets.