**Procurement Journey**

**ESPD Additional Financial Ratios**

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| **Ratio Name** | **Definition** | **Comparison to BACH ESPD options** |
| Acid Test Ratio | Liquid Assets (Cash and Cash Equivalents + Marketable Securities + Accounts Receivable) /  𝐶𝑢𝑟𝑟𝑒𝑛𝑡 𝐿𝑖𝑎𝑏𝑖𝑙𝑖𝑡𝑖𝑒𝑠 | Typically most inventories are relatively liquid so other broader BACH ratios are most relevant. If working capital issues are known within a certain industry then working capital ratio such as RS1 Inventories / Net turnover could be requested. |
| Cash Interest Cover Ratio | 𝐸𝑎𝑟𝑛𝑖𝑛𝑔𝑠 𝑏𝑒𝑓𝑜𝑟𝑒 𝐼𝑛𝑡𝑒𝑟𝑒𝑠𝑡,𝑇𝑎𝑥𝑎𝑡𝑖𝑜𝑛, 𝐷𝑒𝑝𝑟𝑒𝑐𝑖𝑎𝑡𝑖𝑜𝑛 𝑎𝑛𝑑 𝐴𝑚𝑜𝑟𝑡𝑖𝑠𝑎𝑡𝑖𝑜𝑛 /  𝐼𝑛𝑡𝑒𝑟𝑒𝑠𝑡 𝑃𝑎𝑦𝑎𝑏𝑙𝑒 | BACH R22, EBITDA over interest on financial debt, is the same. |
| Return on Capital Employed | 𝐸𝑎𝑟𝑛𝑖𝑛𝑔𝑠 𝑏𝑒𝑓𝑜𝑟𝑒 𝐼𝑛𝑡𝑒𝑟𝑒𝑠𝑡 𝑎𝑛𝑑 𝑇𝑎𝑥 /  𝑇𝑜𝑡𝑎𝑙 𝐴𝑠𝑠𝑒𝑡𝑠 − 𝐶𝑢𝑟𝑟𝑒𝑛𝑡 𝐿𝑖𝑎𝑏𝑖𝑙𝑖𝑡𝑖𝑒𝑠 | BACH R38, Return on Equity, is very similar |
| Operating Profit ratio | 𝑂𝑝𝑒𝑟𝑎𝑡𝑖𝑛𝑔 𝑃𝑟𝑜𝑓𝑖𝑡 /  𝑇𝑢𝑟𝑛𝑜𝑣𝑒𝑟 | BACH R34, Net operating profit / net turnover is the same. |
| Gearing | Total Long Term Liabilities (excluding Pension Liability and Provisions) /  Shareholder Funds | BACH R12, Liabilities to Equity ratio, is very similar. |
| Net Profit Margin | Net Profit /  Revenue | BACH R34, Net operating profit / Net turnover, very similar and focussing on operating percentage instead of total discounts less relevant non-operating which are typically out of business control. |
| Profit before interest and taxes (PBIT) | Net profit + Interest + Taxes. | Typically PBIT/EBIT unhelpful by itself as not related to business size. So if divided by net turnover, like BACH R35 then it can be easier compared between organisations. |
| Interest coverage | Earnings before interest and taxes (EBIT) / interest payments due in the period | BACH R24, Interest and similar charges / gross operating profit, is very similar |
| Net current assets | Current assets / current liabilities | BACH R13 and R16 in separation consider the relative ratios of current to non-current and BACH R11 and R12 consider the assets and liabilities in comparison to total equity. |
| Gearing: debt-to-equity | Total debt / total equity | BACH R12, Liabilities to Equity ratio, is very similar. |