BIZVOC CHEAT SHEET

FINANCE TERMS

ROE = Net Income ÷ Equity

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RETURNS AND RATIOS 01

ROI Return on Investment
Profit from an investment divided by what it cost, shown as a percentage.

ROE Return on Equity
The amount of net income returned as a percentage of shareholders' equity.

ROA Return on Assets
An indicator of how profitable a company is relative to its total assets.

EPS Earnings Per Share
A company's profit divided by the outstanding shares of its common stock.

P/E Ratio Price-to-Earnings Ratio
Share price divided by earnings per share: how much investors pay for each unit of profit.

Current Ratio
Current assets divided by current liabilities: can the company pay what is due within a year?

Quick Ratio
Like the current ratio, but without inventory, so only the assets that turn into cash quickly.

Debt-to-Equity Ratio
Total debt divided by shareholders' equity: how much of the business is financed by borrowing.

VALUATION 02

Market Capitalization
Share price times the number of shares: what the market says the company's equity is worth.

EV Enterprise Value
Market capitalization plus debt, minus cash: the price of buying the whole business.

DCF Discounted Cash Flow
Valuing an investment by estimating its future cash flows and discounting them back to today.

NPV Net Present Value
The difference between the present value of cash inflows and outflows over time.

IRR Internal Rate of Return
The discount rate that makes the net present value (NPV) of cash flows equal to zero.

WACC Weighted Average Cost of Capital
The average rate a company pays for its money, debt and equity weighted by their share of the total.

FCF Free Cash Flow
Cash from operations minus capital expenditure: the cash left for lenders and shareholders.

RAISING MONEY 03

Capital Structure
The specific mixture of debt and equity used by a company to finance its overall operations and growth.

Leverage
The use of borrowed capital to finance an investment, expecting profits to exceed the cost of borrowing.

Bonds
A fixed income instrument representing a loan made by an investor to a borrower.

Credit Rating
An agency's assessment of how likely a borrower is to repay, such as AAA or BB.

Venture Capital
Capital provided by investors to start-up firms and small businesses with long-term growth potential.

IPO Initial Public Offering
The process of offering shares of a private corporation to the public in a new stock issuance.

Dividends
A share of the profit that the board decides to pay out to shareholders.

MARKETS AND INVESTING 04

Stocks
A security that signifies ownership in a corporation and a claim on part of its assets and earnings.

Portfolio
All the investments a person or institution holds, such as stocks, bonds and cash.

Diversification
A strategy employed by investors to minimize risk by investing in a variety of assets.

Volatility
How much and how quickly a price moves up and down; a common measure of risk.

Bull Market
A market in which prices are rising or expected to rise.

Bear Market
A market in which prices have fallen for a sustained period, usually by 20% or more.

DEALS 05

M&A Mergers and Acquisitions
The area of corporate finance dealing with the buying, selling, and combining of companies.

Due Diligence
A buyer's or investor's detailed check of a business before a deal: its finances, contracts and risks.

LBO Leveraged Buyout
Buying a company mainly with borrowed money, often secured on the target's own assets.

Goodwill
The amount paid for a company above the fair value of its net assets, recorded as an intangible asset.

ACRONYMS 06

CAGR Compound Annual Growth Rate

YoY Year-over-Year

QoQ Quarter-over-Quarter

EBIT Earnings Before Interest and Taxes

A list is easy to read and easy to forget. BizVoc turns these terms into flashcards with translations in different languages and brings each one back right before you would forget it. Five minutes a day.

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