Sales & Marketing Solutions

Quick Reference Guide

Key Business Ratios

Logging In

▶ To log in to D&B® Key Business Ratios

1. In Internet Explorer, go to http://kbr.dnb.com.
2. Type your user ID and password, and click Log In.

Calculating Key Business Ratios

▶ To calculate a ratio

1. From the criteria selection bar on the Ratio Spreadsheet, do one of the following to select an industry:
   - To select an industry from a list of Standard Industry Classification (SIC) codes, click the SIC arrow. In the drop-down list, check each SIC code you want, and click OK.
   - To select an industry from a list of types of businesses, click the Line of Business arrow. In the drop-down list, check each item you want, and click OK.
   - Type the name of the industry in the Line of Business field, and click Find.
2. Click the Years arrow. In the drop-down list, check each year you want, and click OK. You can calculate ratios for any or all of the three years prior to the current year, i.e., current year is 2003—you can select 2002, 2001, and/or 2000.
3. Click the Asset Range arrow. In the drop-down list, check each range you want, and click OK.

   Each time you select criteria from any of the three filter categories, the results section on the left side of the Ratio Spreadsheet page will be updated.

   The right side of the page shows the Solvency ratios for each line item. Click on the other ratio tabs to see Efficiency and Profitability ratios.

   Use the page navigation links, located at the top and bottom left, to display other pages.

   Click any of the report icons, located in the left-most column, to display all 14 ratios in a report format.

Performing a Comparative Analysis

▶ To perform a comparative analysis of a company's business ratios with the industry

1. After you have calculated the ratios for the industry, years, and asset ranges you want to use for the comparison, do one of the following:
   - Click the report icon for the line of business you want to compare to display the ratios in report format.
   - Click the Report tab, select the industry and asset range you want to use for your comparison from the drop-down lists at the top of the page.
2. Click the My Financials tab.
3. Enter the company, location and contact information in the appropriate fields.
4. Enter the values from the company's financial statement in the appropriate fields, and then click Submit.

   The Comparative Analysis Report showing the variances between the company and the industry selected will be displayed.
5. If you wish to:
   - Edit any of the company's financial information or change the industry/asset range you're comparing against, click Edit. Enter the changes, and click Submit again to update the Comparative Analysis Report.
   - Print the report, click Print. A preview version of the report will be displayed in a separate window and the Print dialog box appears. Enter any changes to the print settings, if required, and then click Print.
   - Export the report, click Export. The File Download dialog box appears. To download the report, click Open. The report will be displayed in Microsoft® Excel. To save the report, click Save. Specify the location and file name, and then click Save. The file will be saved in a comma separated value (.CSV) format.

Displaying Ratios in Report Format

▶ To display ratios in report format

1. After you have selected the ratios for the industry, years, and asset ranges you want on the Ratio Spreadsheet page, do one of the following:
   - Click the report icon for the line of business you want to display.
   - Click the Report tab. The first item listed on the Ratio Spreadsheet will be displayed in report format. If you wish to change the industry and/or asset range, select from the drop-down lists at the top of the page.
2. If you wish to:
   - Print the report, click Print. A preview version of the report will be displayed in a separate window and the Print dialog box appears. Enter any changes to the print settings, if required, and then click Print.
   - Export the report, click Export. The File Download dialog box appears. To download the report, click Open. The report will be downloaded and displayed in Microsoft Excel. To save the report, click Save. Specify the location and file name, and then click Save. The file will be saved in a comma separated value (.CSV) format.

Changing Your Screen Resolution

The screen resolution setting, measured in pixels, determines how much information can be displayed on your desktop. You can choose from two settings, 800 x 600 or 1024 x 768. The lower resolution, 800 x 600, makes items on the screen appear large although the actual screen area is small. The higher resolution, 1024 x 768, reduces the size of items on your screen and increases the size of your desktop.

▶ To change your screen resolution

- On the navigation bar, select the setting of your choice from the drop-down list, and then click Go.

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Solvency Ratios

Solvency ratios measure the financial soundness of a business and how well a company can satisfy its short- and long-term obligations. D&B uses six key financial business ratios to measure a company's solvency:

- **Quick Ratio**, also called "acid test" or "liquid" ratio, considers only cash, marketable securities and accounts receivable because they are considered to be the most liquid forms of current assets. A Quick Ratio less than 1.0 implies "dependency" on inventory and other current assets to liquidate short-term debt.

Cash + Accounts Receivable ÷ Current Liabilities

- **Current Ratio** is a comparison of current assets to current liabilities, commonly used as a measure of short-run solvency, i.e., the immediate ability of a business to pay its current debts as they come due. Potential creditors use this ratio to measure a company's liquidity or ability to pay off short-term debts.

Current Assets ÷ Current Liabilities

- **Current Liabilities to Net Worth Ratio** indicates the amount due creditors within a year as a percentage of the owners or stockholders investment. The smaller the net worth and the larger the liabilities, the less security for creditors. Normally a business starts to have trouble when this relationship exceeds 80%.

Current Liabilities ÷ Net Worth

- **Current Liabilities to Inventory Ratio** shows, as a percentage, the reliance on available inventory for payment of debt (how much a company relies on funds from disposal of unsold inventories to meet its current debt).

Current Liabilities ÷ Inventory

- **Total Liabilities to Net Worth Ratio** shows how all of a company's debt relates to the equity of the owners or stockholders. The higher this ratio, the less protection there is for the creditors of the business.

Total Liabilities ÷ Net Worth

- **Fixed Assets to Net Worth Ratio** shows the percentage of assets centered in fixed assets compared to total equity. Generally the higher this percentage is over 75%, the more vulnerable a business becomes to unexpected hazards and climate changes.

Fixed Assets ÷ Net Worth

Efficiency Ratios

Efficiency ratios measure the quality of a business' receivables and how efficiently it uses and controls its assets, how effectively the firm is paying suppliers, and whether the business is overtrading or undertrading on its equity. D&B uses five key financial business ratios to measure a company's efficiency:

- **Collection Period Ratio** is helpful in analyzing the collectabiliy of accounts receivable, or how fast a business can increase its cash supply.

Accounts Receivable ÷ Sales x 365 Days

- **Sales to Inventory Ratio** provides a yardstick for comparing stock-to-sales ratios of a business with others in the same industry. A high ratio may indicate that sales are being lost because of low inventory and/or customers are buying elsewhere. A low ratio may indicate that inventories are obsolete or stagnant.

Annual Net Sales ÷ Inventory

- **Assets to Sales Ratio** shows how efficiently a business is using its assets to generate revenue. A high ratio may indicate the business is not aggressive, or that its assets are not fully used. A low ratio may indicate a company is selling more than can be safely fulfilled by its assets.

Total Assets ÷ Net Sales

- **Sales to Net Working Capital Ratio** shows the number of times working capital turns over annually in relation to net sales. A high turnover rate may indicate that the business relies heavily on credit.

Sales ÷ Net Working Capital

- **Accounts Payable to Sales Ratio** shows how a company pays its suppliers in relation to the sales volume being transacted. A low percentage may indicate a healthy ratio. A high percentage may indicate that the business may be using suppliers to help finance its operation.

Accounts Payable ÷ Net Sales

Profitability Ratios

Profitability ratios measure how well a company is performing by analyzing how profit was earned relative to sales, total assets and net worth. D&B uses three key financial business ratios to measure a company's efficiency:

- **Return on Sales (Profit Margin) Ratio** measures the profits after taxes on the year's sales. The higher the ratio, the better the prepared the business is to handle downtrends brought on by adverse conditions.

Net Profit After Taxes ÷ Net Sales

- **Return on Assets (ROA) Ratio** shows the after tax earnings of assets and is an indicator of how profitable a company is. Return on assets ratio is the key indicator of the profitability of a company. It matches net profits after taxes with the assets used to earn such profits. A high percentage rate indicates the company is well run and has a healthy return on assets.

Net Profit After Taxes ÷ Total Assets

- **Return on Net Worth Ratio** measures the ability of a company's management to realize an adequate return on the capital invested by the owners in the company.

Net Profit After Taxes ÷ Net Worth

Contacting Customer Support

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