Additional Information for Financial Calculations
Eli Lilly and Company
Pfizer Inc.

The following information has been provided to aid in the calculations for the Financial Statement Analysis event, based on the guidelines that will be used for the 2011 - 2012 school year.

GENERAL FINANCIAL COMMENTS

1. All financial statement items should be presented as shown on the Companies' financial statements (e.g., The LLY statements are presented as Dollars in millions and taken to one decimal place. The PFE statements are also presented as Dollars in millions but are presented as whole numbers only). Students should use this same format for all calculations.
2. All ratios and percentages should be rounded to two decimal points.
3. When asked to identify "All Other Assets", it is asking for all assets not identified as either Current Assets or Plant Assets (i.e., land, building and equipment). While the statements typically have a line item for Other Assets, there may be additional assets listed that are not part of current or plant assets.
4. Income from Operations, as part of the Horizontal Analysis, should utilize Income before Taxes.
5. Operating Expenses, as part of the Vertical Analysis, should include: Marketing, selling, and administrative expenses, asset impairments, restructuring, amortization of intangible assets, and other deductions taken before taxes.

LIQUIDITY RATIOS

Liquidity Ratios measure the corporation's ability to generate short-term funds to meet obligations and cash needs through the management of current assets and liabilities.

ACTIVITY OR EFFICIENCY RATIOS

Efficiency ratios indicate how well assets are utilized by the organization. Efficiency in using assets minimizes the need for investment by lenders or owners. These ratios measure how well assets or capital are being utilized through the sale of inventory, and collection of receivables.

SOLVENCY OR FINANCIAL STRENGTH RATIOS

Financial strength is an indicator of business risk. When business conditions turn bad, financially stronger companies have more staying power. They are less likely to face insolvency and are less likely to make drastic cutbacks that would restrain their ability to grow once better times resume. These ratios often indicate the corporation's ability to survive over a long period of time.

PROFITABILITY RATIOS

Profitability ratios measure the operating success of an enterprise. The first two ratios tell you how much of each Revenue dollar is left over, after subtracting costs, as profit to the company. The remaining ratios are widely regarded as the ultimate measure of corporate performance.

MARKET OR VALUATION RATIOS

Market ratios help the investor decide whether a stock is inexpensive or costly, more risky or less risky, in comparison to other investment opportunities. In addition, the Payout Ratio allows the investor to evaluate the income-related opportunities of investing in a particular security.

LIQUIDITY RATIOS

Current Ratio:

$$\frac{\text{Current Assets}}{\text{Current Liabilities}}$$

Quick Ratio:

$$\frac{\text{Cash + Cash Equivalents (short-term investments)}}{\text{Current Liabilities}}$$

Current Cash/Debt Coverage:

$$\frac{\text{Net Cash from Operating Activities}}{\text{Average Current Liabilities}}$$

ACTIVITY OR EFFICIENCY RATIOS

Receivable Turnover:

$$\frac{\text{Revenue}}{\text{Average Accounts Receivable}}$$

Asset Turnover:

$$\frac{\text{Revenue}}{\text{Average Total Assets}}$$

Inventory Turnover:

$$\frac{\text{Cost of Sales}}{\text{Average Inventory}}$$

SOLVENCY OR FINANCIAL STRENGTH RATIOS

Debt/Total Equity: $$\frac{\text{Total Debt (Short Term + Long Term)}}{\text{Total Equity}}$$

Times Interest Earned: $$\frac{\text{EBIT}}{\text{Interest Expense}}$$

Cash/Debt Coverage: $$\frac{\text{Net Cash from Operating Activities}}{\text{Total Liabilities}}$$

PROFITABILITY RATIOS

Gross Margin: $$\frac{\text{Gross Profit}}{\text{Net Sales}}$$

Profit Margin: $$\frac{\text{Net Income}}{\text{Net Sales}}$$

EPS: $$\frac{\text{Net Income}}{\text{Weighted Average Common Shares Outstanding}}$$

(Students must show calculation for this ratio – simply using EPS from Income Statement will result in a deduction)
(Use the Notes to the Financial Statements)

Return on Assets: $$\frac{\text{Net Income}}{\text{Average Assets}}$$

Return on Equity: $\dfrac{\text{Net Income}}{\text{Ave. Stockholders' Equity}}$

MARKET OR VALUATION RATIOS

P/E: $\dfrac{\text{Stock Closing Price (on the Balance Sheet date)}}{\text{EPS}}$

Payout Ratio: $\dfrac{\text{Cash Dividends}}{\text{Net Income}}$