

Corporate Finance Basics

Q: What does EBITDA mean?

A: Earnings Before Interest, Taxes, Depreciation, and Amortization — a measure of core operating performance.

Q: What is Free Cash Flow (FCF)?

A: Cash generated by a company after accounting for capital expenditures, available for investors or reinvestment.

Q: What does Working Capital mean?

A: Current Assets minus Current Liabilities — indicates short-term financial health and liquidity.

Q: What is Net Profit Margin?

A: Percentage of revenue remaining after all expenses, taxes, and costs are deducted.

Q: What does Debt-to-Equity Ratio mean?

A: A measure of financial leverage calculated as total debt divided by shareholders' equity.

Q: What is Return on Equity (ROE)?

A: Net income divided by shareholders' equity — shows how effectively a company uses investor funds.

Q: What does CAPEX mean?

A: Capital Expenditure — funds used by a company to acquire or upgrade physical assets like equipment or buildings.

Q: What is Operating Income (EBIT)?

A: Earnings Before Interest and Taxes — profit from core business operations excluding financing and tax effects.

Q: What does Liquidity mean?

A: The ability of a company to meet its short-term obligations using its available assets.

Q: What is Break-even Point?

A: The level of revenue at which total costs equal total expenses, resulting in zero profit or loss.
