**Questions for MicNova Table Groups – December 2019**

All three pages of financials are taken from ***Morningstar***’s Key Ratio pages for Ecolab. All three have the same financial information at the top. The bottom are ratios for profitability, financial health and efficiency. You also have the ***Value Line*** for Ecolab. See if you can find the answers to the following questions.

1. What is their TTM (trailing twelve month) interest coverage? \_\_\_\_\_\_\_\_ What does this tell you? Does this number agree with what ***Value Line*** says about interest coverage? \_\_\_\_\_\_\_ What rating does ***VL*** give Ecolab for Financial Strength? \_\_\_\_\_\_\_ ***Morningstar*** gives Ecolab an exemplary rating for management. With Ecolab’s Debt to Capital at 46.8% on the SSG what is your judgment about Ecolab’s debt? \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
2. What is the asset turnover ratio for the TTM? \_\_\_\_\_\_\_\_\_\_ Is it consistent with previous years? What impact would you expect this information to have on the ROE?
3. Terminology can sometimes be confusing. For example note the following:
   * Net income is the same as net profit
   * Net profit margin is the same as net margin

With this in mind, what does ***Morningstar*** say the TTM net margin is? \_\_\_\_\_\_\_\_\_\_ What are the trends? How might this affect the ROE? What does ***Value Line*** say the net profit margin is? \_\_\_\_\_\_\_\_\_\_ Given the terms are the same are the figures the same? \_\_\_\_\_\_\_

Remember ***Morningstar*** uses GAAP (generally-accepted-accounting procedures) while ***Value Line*** adjusts for one-time events, smoothing the data using Non-GAAP numbers. Could this account for the difference?

1. Some investors like to invest in companies that pay a dividend—especially for income, but also for other reasons such as management efficiency. Dividend Aristocrats are companies that consistently raise their dividend. Has Ecolab done this? \_\_\_\_\_\_\_\_\_\_\_ The payout ratio tells us how safe the dividend is. The BI community wants it to be no more than 50%. How does Ecolab measure up? \_\_\_\_\_\_\_\_\_\_ Who can give the formula for calculating the payout ratio?
2. What other ratios would you like to know more about?