

Cash flow KPIs

Measure performance with easy-to-understand metrics



Introduction

Cash flow based metrics and KPI's are increasingly being used by managers and investors to understand the underlying valuation, efficiency and profitability of their business.

The short guide outlines some of the most widely used cash flow ratios and KPI's which can provide a powerful and easy to understand insight into the true performance of a business.

Choosing a cash flow metric

Operating cash flow and free cash flow are two of the metrics most widely used when calculating cash ratios and KPI's. Choosing which metric to use is the first step when carrying out cash flow analysis. Either metric can be used when calculating the KPI's and ratios.

Operating cash flow

Operating cash flow is the cash flow generated by a business's operations, excluding investing and financing activity.

Free cash flow

Free cash flow is a business's Operating Cash Flow minus the capital expenditure required to maintain and expand its capital base.

Ratios & KPIs

FUNDAMENTAL

Cash flow per share

= Free Cash Flow ÷ Number of Outstanding Shares

Shows the amount of free cash flow per outstanding share of the company's stock.

VALUATION

Cash flow yield

= Free Cash Flow ÷ Market Capitalisation

Shows the cash flow yield on a company's market valuation.

EFFICIENCY

Cash Conversion Cycle

= Days of Sales Outstanding + Day Inventory Outstanding – Days Payables Outstanding

Shows how quickly cash on hand can be turned into cash sales.

PROFITABILITY

Cash Flow Margin

= Free Cash Flow ÷ Revenue %

Shows a company's cash flow margin as a percentage of sales.

RETURN

Cash Flow Return On Invested Capital

= Free Cash Flow ÷ Total Capital %

Shows the amount of cash flow generated as a percentage of total capital employed.

LEVERAGE

Net debt to free cash flow

= Net Debt ÷ Free Cash Flow

Shows how many years of free cash flow would be required to repay current outstanding debt.

About Ripple Treasury

Founded in 2012, Ripple is the leading provider of blockchain-based enterprise solutions across traditional and digital finance. Its solutions span global payments, custody, liquidity, and treasury management, serving as a one-stop shop for moving, storing, exchanging, and managing value. Ripple's stablecoin, RLUSD, and the cryptocurrency XRP underpinning these solutions allow Ripple and its customers to shape the modern financial system.



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