

Club Activity

- Purpose
 - Look at a Cash Flow Statement
 - Identify the Operating, Investing and Financing sections
 - Do some simple cash flow analysis

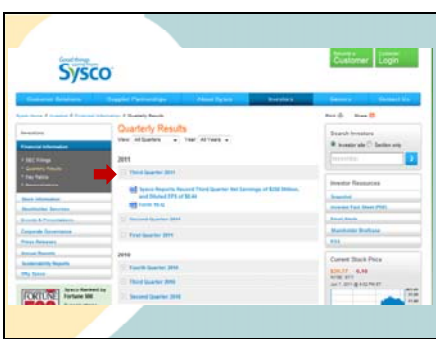
I hope I have at least peaked your interest in looking at a cash flow statement. As I've shown there is lots of good stuff to learn there about the operations of the business you own a piece of. Much of it is very easy to read and understand and all of it will help you to make better investing decisions about a company. So how might you get started? Here's an idea for a club activity.

It's purpose is to help you

Look at a Cash Flow Statement

Identify the Operating, Investing and Financing sections

Do some simple cash flow analysis



First of all, I'd suggest you get up your courage by finding the

latest annual or quarterly report with the latest cash flow statement in it for a company your club owns. I find that the nicest versions of these can be found on the company websites in their investor relations sections.

Plan of Attack

- Open up the file and find the cash flow statement
- Find the Operating, Investing and Financing sections

To get your momentum going,

open up the file and find the cash flow statement,

Find the Operating, Investing and Financing sections

Plan of Attack

- Net Income/Cash from Operations
- Receivables?
- Inventory?
- Accounts Payable?

Compare the

net income at the top of the operating section to the Cash from operations at the bottom of that section. Are the companies operations producing or consuming cash? What are the major items that appear to be influencing this?

Are their receivables or

inventory increasing (negative amounts)?

How about their accounts payable? (positive amount).

If anything looks out of line, what does management say about it in the report or in their earnings conference call?

Plan of Attack

- Free Cash Flow
 - Cash from operations (CFO)
 - Capital expenditures (Capex)
 - Dividends paid (Div)
- CFO-Capex-Div

See if you can calculate the free cash flow.

Start with the cash from operations at the bottom of the first section.


See if you can find the capital expenditures in the second section, the investing section. It might be called something like Additions to plant and equipment. If there is also a line for sales of plant and equipment, you should net the two amounts.

Finally, if your company pays a dividend, you'll find a line for dividends paid in the third section, the financing section.

Subtract the three amounts. Is there still cash left over? If not, do you see in the financing section where additional debt or shares of stock are being issued? What is company management saying about that? Does this create any concerns for you about how their earnings will be growing in the future?

Congratulations

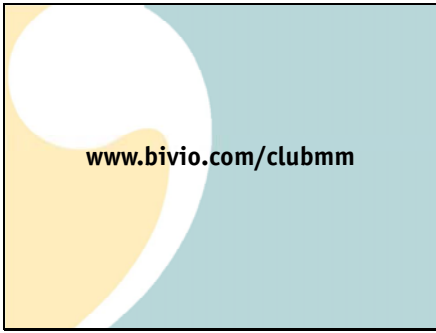
- Pat yourselves on the back!



And that's it.

Pat yourselves on the back. You've taken another step into understanding more about the business of a company you own. You're positioning yourself better to understand what might be coming for their future earnings and therefore what might be happening

to their stock price going forward!



Thank you for coming tonight. Just a reminder that you can find this presentation already posted as a PDF file on the clubMM website at this address. We'll also post the recording as soon as we're able to get it edited.

Questions?