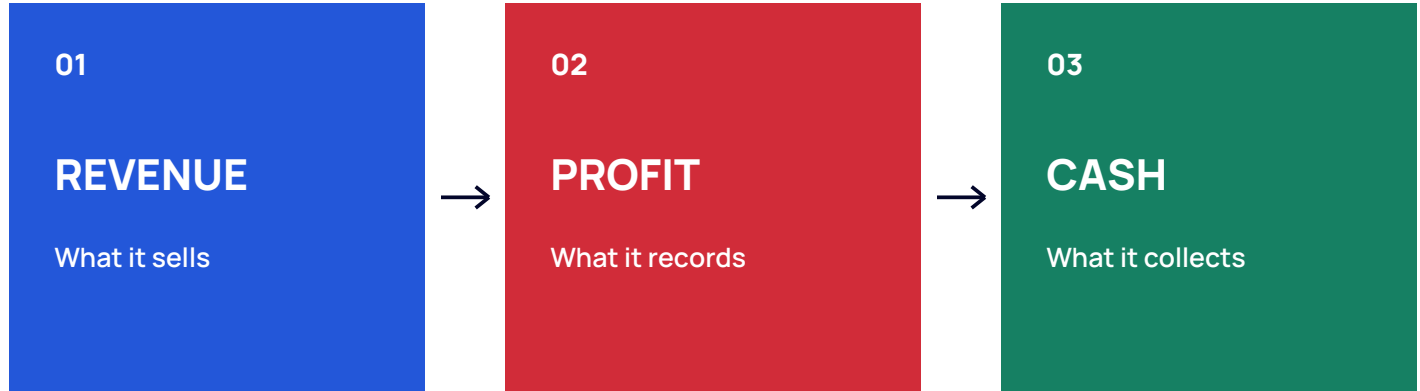

A DIGITAL GUIDE TO GET STARTED

Read a business. Before you invest.

Revenue. Profit. Cash.

Three different readings. One better question.

FOLLOW THE MONEY



Does growth leave cash available, or does it demand ever more financing?

Worked case + exercise + reusable worksheet

Beginner to intermediate. A guide for business owners, professionals and investors who want to understand the business behind the numbers.

01 / DESCRIBE THE BUSINESS

Before the numbers, understand the operation.

Write down who pays, what they receive, why they return and what the company must do before collecting cash. Identify its economic unit: a customer, contract, store or product.

FROM CUSTOMER TO COLLECTION



Between selling and collecting, inventory, wages and capital may have to be funded.

01 Does growth come from price, volume or acquisitions?

02 Which costs increase with every sale?

03 How much capital must it fund before delivery?

10 MIN

Choose a company and explain its business in five sentences, without its slogan. Mark what comes from a source and what is your own hypothesis. Where information is missing, write **“not verified”**.

The next signal: a renewal, collection, margin or utilisation measure that could contradict your account.

02 / PROFIT AND CASH

A sale is not always a cash receipt.

Profit is an accounting measure. Cash flow follows the money. Read the financial statements and the notes together to connect both stories.

Income statement

Revenue, expenses and profit for the period.

Balance sheet

Assets, obligations and equity at a date.

Cash-flow statement

Operating, investing and financing cash flows.

Notes

Accounting policies, detail and commitments.

THE SHORTCUT USED HERE

$$\text{Operating cash flow} - \text{Cash capital spending} = \text{Cash after capex}$$

“Cash after capex” is the difference used in this guide. It is not a universal definition or cash automatically available for dividends.

Depreciation is an accounting expense; buying a machine uses cash. Also review debt, leases, acquisitions and other obligations. Comparing companies requires checking what each number includes.

03 / WORKED CASE

Taller Norte.

Growth consumes cash.

Fictional company. Every amount is in hypothetical monetary units. By assumption, depreciation and working capital are the only adjustments to profit in this exercise.

MEASURE	YEAR 1	YEAR 2
Revenue	1,000	1,200
Net profit	100	120
Depreciation	30	40
Increase in working capital	20	70
Operating cash flow	110	90
Cash capital spending (capex)	60	100
Cash after capex (simplified)	50	-10

+20%

Revenue and profit grow

50 → -10

Cash after capex turns negative

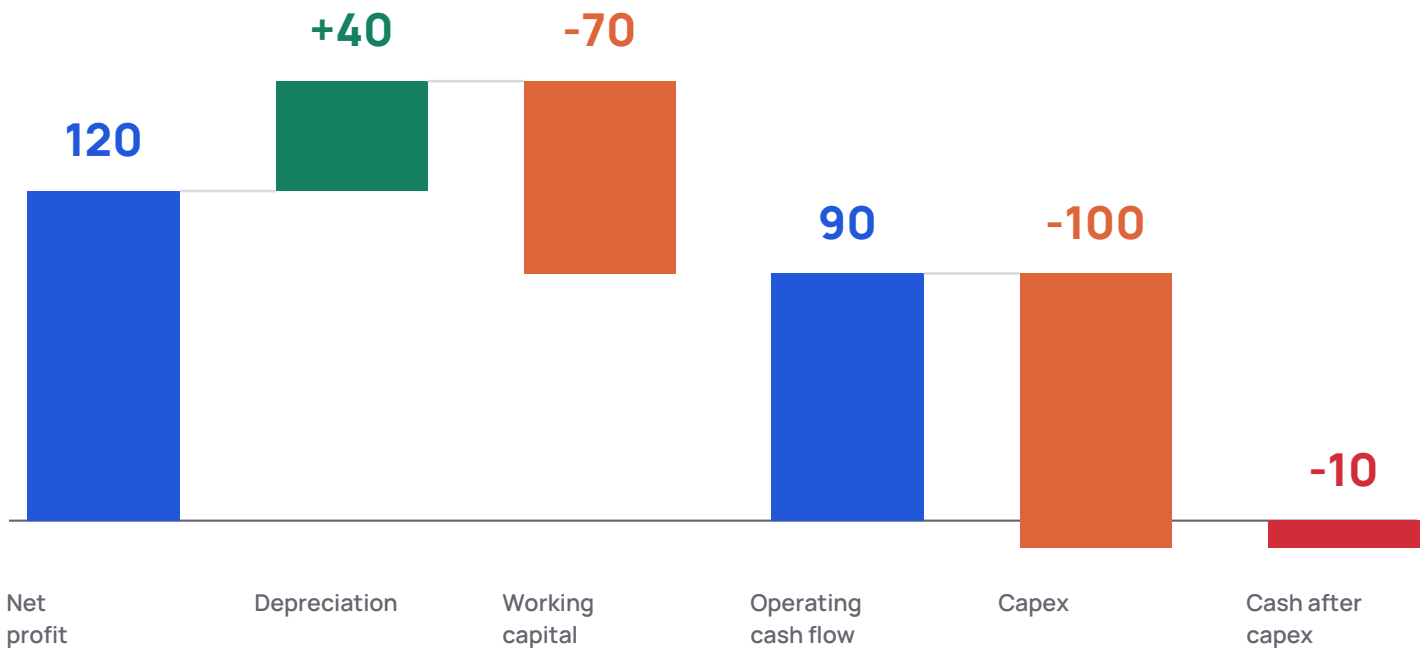
The cash-after-capex margin falls from 5% to -0.83%. The next question is whether this absorption of capital will be temporary or persistent.

04 / FOLLOW THE MONEY

From profit to cash. Step by step.

Year 2 shows why higher profit can coexist with a financing need. Each column represents a measure from the same fictional case.

YEAR 2 / HYPOTHETICAL MONETARY UNITS



Year 2 arithmetic

$$120 + 40 - 70 = 90$$

$$90 - 100 = -10$$

Year 1, for comparison: $100 + 30 - 20 = 110$; $110 - 60 = 50$.

05 / SCENARIOS AND EXERCISE

Change an assumption. Keep asking the question.

Productive expansion

New capacity attracts profitable demand and customers pay on time. Check collections, utilisation and future operating cash flow. The investment still has to prove its usefulness.

Demanding financing

Inventory and receivables build up without sufficient profitability. Check balance ageing, provisions, maturities and debt terms.

YOUR EXERCISE

In Year 2, change only the increase in working capital, from **70 to 30**. Keep profit at 120, depreciation at 40 and capex at 100. What remains after investing?

SOLUTION

$$120 + 40 - 30 = 130$$

$$130 - 100 = 30$$

$$30 / 1,200 = 2.5\% \text{ margin}$$

Can that capital be released without harming customers or production? The calculation shows a sensitivity, not an improvement already achieved.

06 / A WORKSHEET TO REVISIT

Leave a reading you can revisit.

Copy or print this worksheet. Separate the data, your interpretation and what remains to be checked.

01 FACT

Source, period, currency and value

02 IMPACT AND ALTERNATIVE

Mechanism I propose

Alternative explanation

03 NEXT SIGNAL

Data that would invalidate my reading

Date and source of the next check

04 LATER REVIEW

What changed

What I keep and why

07 / THE ALTA EDICIÓN METHOD

The number is a start. Judgment is built.

-
- | | | |
|-----------|-------------|--|
| 01 | Fact | What do we know, and what is the source? |
|-----------|-------------|--|
-
- | | | |
|-----------|---------------|---|
| 02 | Impact | How could it affect the business and its capital? |
|-----------|---------------|---|
-
- | | | |
|-----------|------------------|---|
| 03 | Scenarios | Which alternatives could explain the outcome? |
|-----------|------------------|---|
-
- | | | |
|-----------|--------------------|---|
| 04 | Next signal | Which data would support or invalidate the reading? |
|-----------|--------------------|---|
-
- | | | |
|-----------|---------------|---|
| 05 | Review | What changed, and what should we correct? |
|-----------|---------------|---|
-

CONCEPTUAL SOURCE

SEC, Beginners' Guide to Financial Statement, February 4, 2007. Reference for connecting financial statements, depreciation and cash flow. Accessed September 30, 2026.

sec.gov/investor/pubs/begfinstmtguide.htm

Case, calculations, diagrams and worksheet: original ALTA EDICIÓN work. General educational material; not a valuation, model portfolio or personalised advice. Edition 2.0, based on the September 29, 2026 workbook.

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