NOPAT

- Nopat is equal to:

Ebit (adjusted)-corporate taxes (without debt)=

or more precisely

profit(adjusted)+interest expenditures(1-t)

Nopat: the formulas

Ebit (+)	100
Interest cost (-)	20
PTP (=)	80
Tax rate = 50%	40
Profit	***40***

Option 1	
Ebit (+)	100
Interest cost (-)	==
Tax rate = 50%	50
Nopat	***50***

Option 2: Profit + IC(1-t)	
Profit (+)	40
Interest cost (1-t) (+)	10
Nopat	***50***

Option 3: Ebit (1-t)	
Ebit (+)	100
(1-t) (-)	50%
Nopat	***50***

Income statement (basic)

Sales (+)	100
Costs of Goods and Services (-)	20
Labour Costs (-)	10
Earnings before Interests, Taxes & D&A - EBITDA (=)	**70**
Depreciation & Amortization - D&A (-)	20
Interest costs (-)	10
Pre-tax profit PTP (=)	**40**
Taxes (t=40%)	16
Profit	***24***

Adjusted Profit

- In order to estimate the adjusted profit exceptional costs (i.e. integration costs) should be deducted and R&D costs should be amortised according to the amortisation period considered

Profit	40
Integration costs (+)	5
Research costs capitalised	50
n. of years of capitalisation of R&D costs	10 years
Costs to be added and deducted	+50 and - 5
Adjusted Profit	***90***

Nopat

- Nopat is not affected by the firm's capital structure choices

	Unlevered firm	levered firm (1)	levered firm (2)
Invested capital	10,000	10,000	10,000
Equity	10,000	5,000	2,000
Debt	0	5,000	8,000
Sales	16,667	16,667	16,667
Cogs	13,000	13,000	13,000
Depreciation	2,000	2,000	2,000
EBIT	1,667	1,667	1,667
Interests (i=5%)	0	250	400
Pre-tax Profit	1,667	1,417	1,267
Tax (0.4 tax rate)	667	567	507
Net Profit	1,000	850	760
Nopat=NP+Int*(1-t)	1,000	1,000	1,000