***OFCF and NOPAT rather than FFCF and NI***

Some practitioners and textbooks discuss net operating profit after tax (NOPAT) and operating free cash flow (OFCF), defined as:

These formulas are the same as the NI and FFCF formulas, but with interest expense set to zero (**IntExp=0**).

***Formulas: NOPAT & OFCF vs NI & FFCF***

Substitute into OFCF formula to see relationship with FFCF:

So the OFCF equals the FFCF, but without the benefit of the interest tax shield per year:

***EBIT and NI***

Earnings before interest and tax (EBIT) is sometimes used to construct similar formulas.

Let's check that it works for Just Group:

***Negative Net Income, Taxes and Carry-Forward Losses***

The Net Income (NI) equation above works for positive before-tax income: .

But if a business's NI is negative then it's actually a loss.

The loss is not reduced by one minus the tax rate () unless the loss can be deducted from another part of the business's profit.

If this is not the case, then the loss will be a 'carry-forward tax loss' and can be offset against any future profits, causing a time difference of when the tax saving is received.