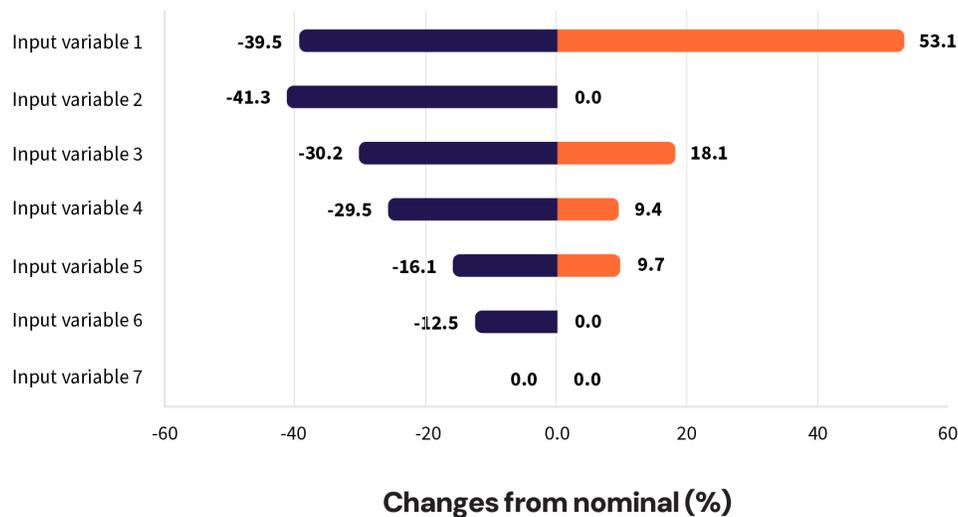


How to read a tornado chart

What is a tornado chart?

Tornado charts represent the relative impact of the input variables on the project's NPV. It is important to understand that these charts do not show which variables will create a positive or negative outcome for the project, but rather the most important variables to consider when evaluating this scenario.



How to read a tornado chart

Vertical axis: This axis accounts for all the input variables that were used in the evaluation. These variables are displayed in the order of the impact they have on the NPV (e.g. variables that are at the top of the list have a greater impact on NPV than those at the bottom of the list).

Horizontal axis: This axis outlines the percent change in NPV when a single variable is set to its high, nominal, or low value, while all other variables remain constant at their nominal value. The centre (or nominal) point represents the baseline NPV, calculated when all input variables remain unchanged at their nominal value (i.e., 0% variation). Bars extending to the left indicate negative impacts to the NPV, while bars extending to the right show a positive impact. The length of each bar reflects the sensitivity of the NPV to that variable (e.g., longer bars indicate a greater influence, and shorter bars suggest less impact).

