# Industry Comparative Report

## Real Autobody Company

**Provided By**

# Real Autobody Company

| | |
|---|---|
| Industry: | 423120 - Motor Vehicle Supplies and New Parts Merchant Wholesalers |
| Revenue: | $10M - $50M |
| Periods: | 12 months against the same 12 months from the previous year |

## Report Summary


## Liquidity 92 out of 100

A measure of the company's ability to meet obligations as they come due.

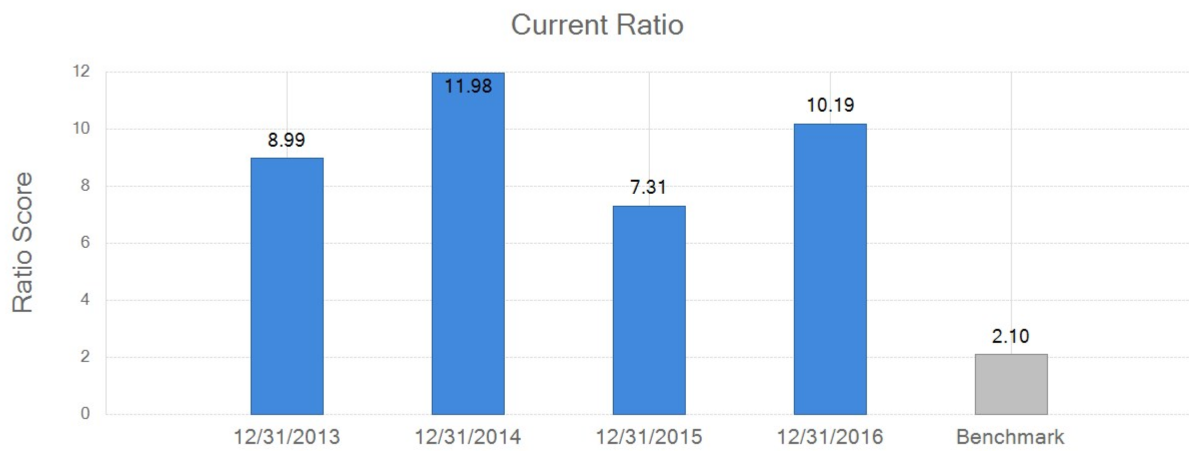
**Operating Cash Flow Results**
The company is generating solid, positive cash flow from operations at this time, and cash flow relative to sales has even improved from the prior period, which is excellent to see. These are very good results. It is particularly nice to see parallels between cash flow and profits: both appear to be quite strong, currently. Typically, results such as these demonstrate effective management of both the Balance Sheet and Income Statement, at least with regard to cash.

**General Liquidity Conditions**
There have been very good results in this area. The company's income has risen and liquidity has improved. Better, the company's overall liquidity position looks quite good, even when measured against competitors. This **does not** necessarily mean that the company will never have problems with highly liquid asset accounts, since all financial analysis is limited to capturing results at a particular point in time. But at this point, the basic foundation seems strong. For example, notice that the "key" liquidity indicators as depicted in the graph area of the report are very strong. Indeed, both the **composition** of the company's liquidity base and the **scope** of it are quite good. If management can maintain this strength over time, the company should be able to invest in the things that

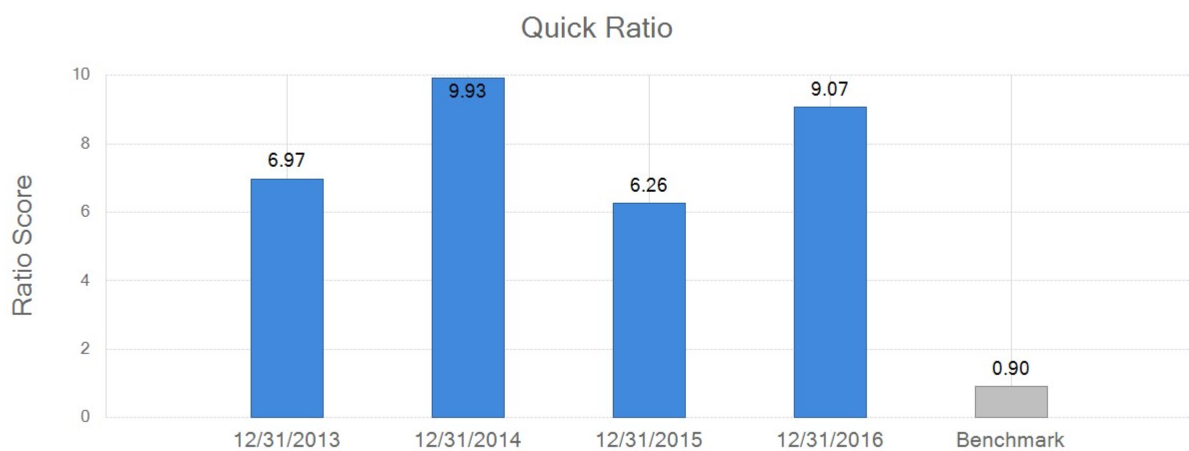
are important to profit growth. The real advantage to strong liquidity is the ability to push future profits higher. Notice how the positive movements in the profitability section help to drive the liquidity barometers.

The company is doing a good job with both its accounts receivable days and its accounts payable days, two key liquidity turnover ratios. Both of these statistics are lower than those of other companies in this industry. This would also indicate that the company **may** have the ability to increase "AP turns" as a source of vendor financing if cash gets too low for some reason.

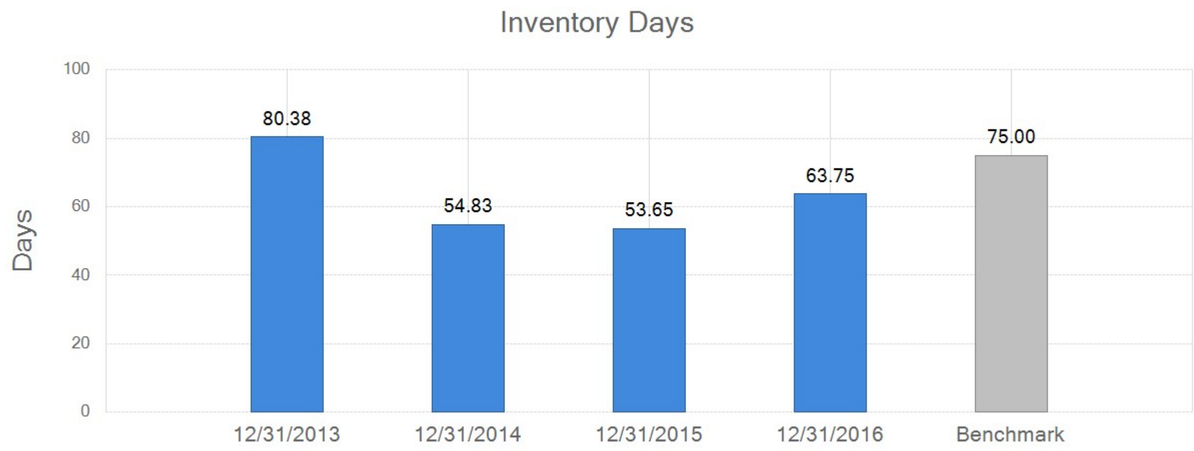
**LIMITS TO LIQUIDITY ANALYSIS:** Keep in mind that liquidity conditions are volatile, and this is a general analysis looking at a snapshot in time. Review this section, but do not overly rely on it.



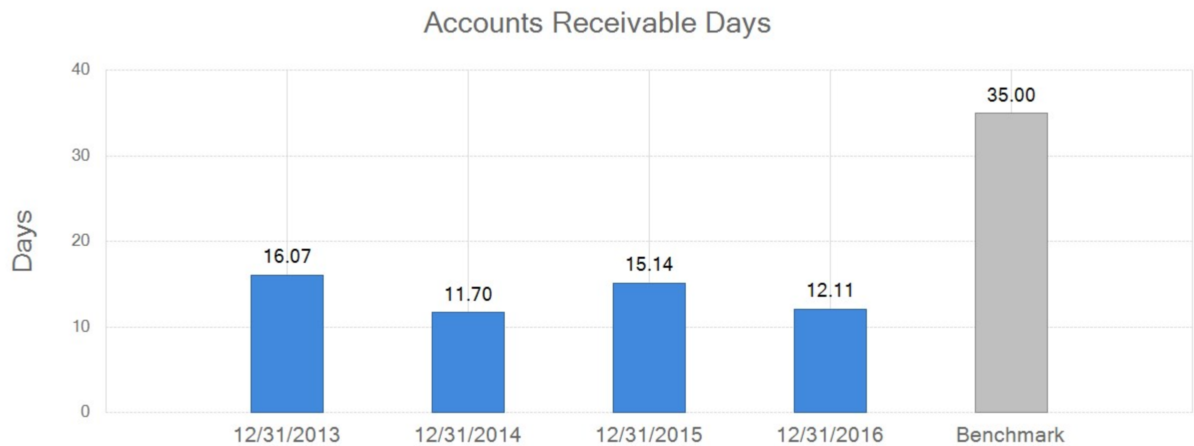

**Generally, this metric measures the overall liquidity position of a company. It is certainly not a perfect barometer, but it is a good one. Watch for big decreases in this number over time. Make sure the accounts listed in "current assets" are collectible. The higher the ratio, the more liquid the company is.**



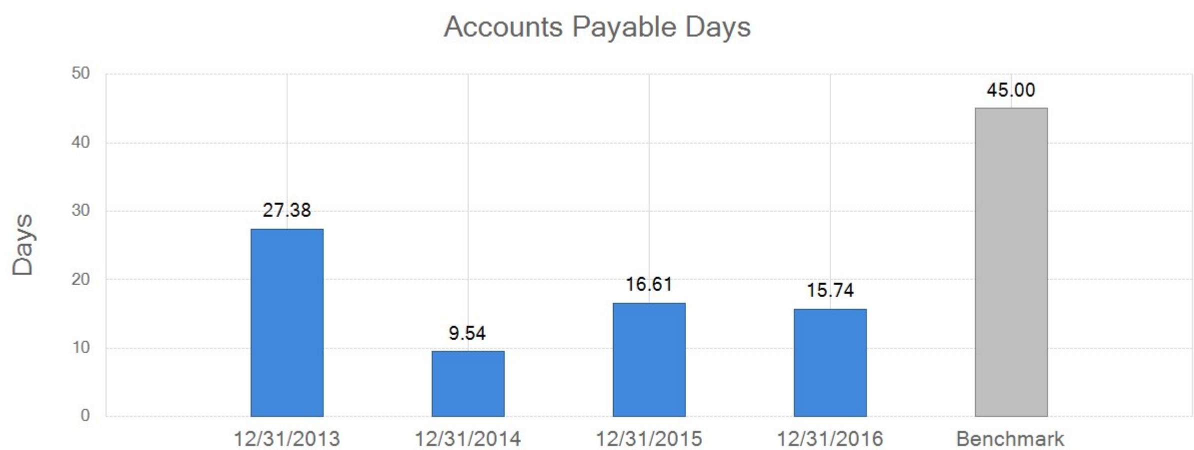

**This is another good indicator of liquidity, although by itself, it is not a perfect one. If there are receivable accounts included in the numerator, they should be collectible. Look at the length of time the company has to pay the amount listed in the denominator (current liabilities). The higher the number, the stronger the company.**




**This metric shows how much inventory (in days) is on hand. It indicates how quickly a company can respond to market and / or product changes. Not all companies have inventory for this metric. The lower the better.**




**This number reflects the average length of time between credit sales and payment receipts. It is crucial to maintaining positive liquidity. The lower the better.**




**This ratio shows the average number of days that lapse between the purchase of material and labor, and payment for them. It is a rough measure of how timely a company is in meeting payment obligations. Lower is normally better.**

---

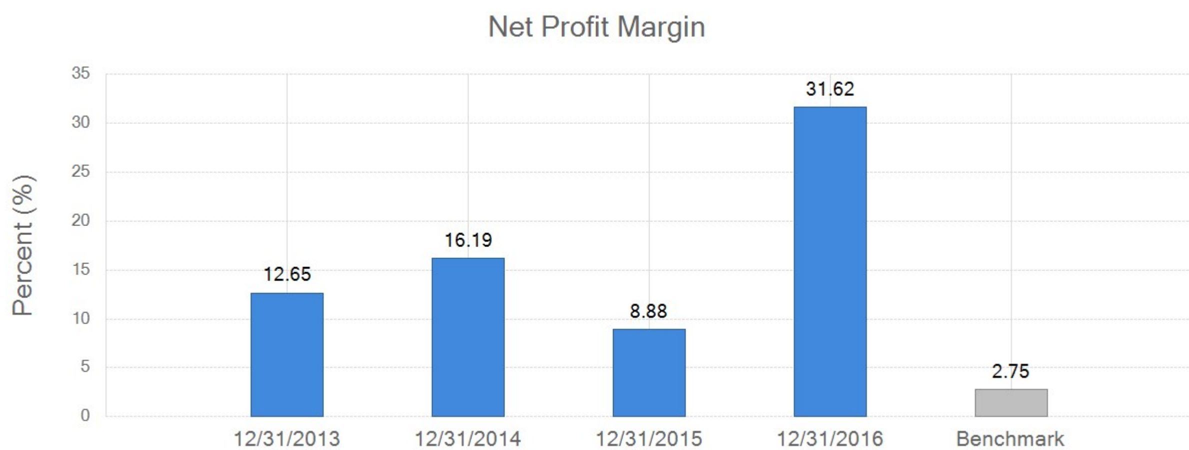
## Profits & Profit Margin **90 out of 100**

A measure of whether the trends in profit are favorable for the company.

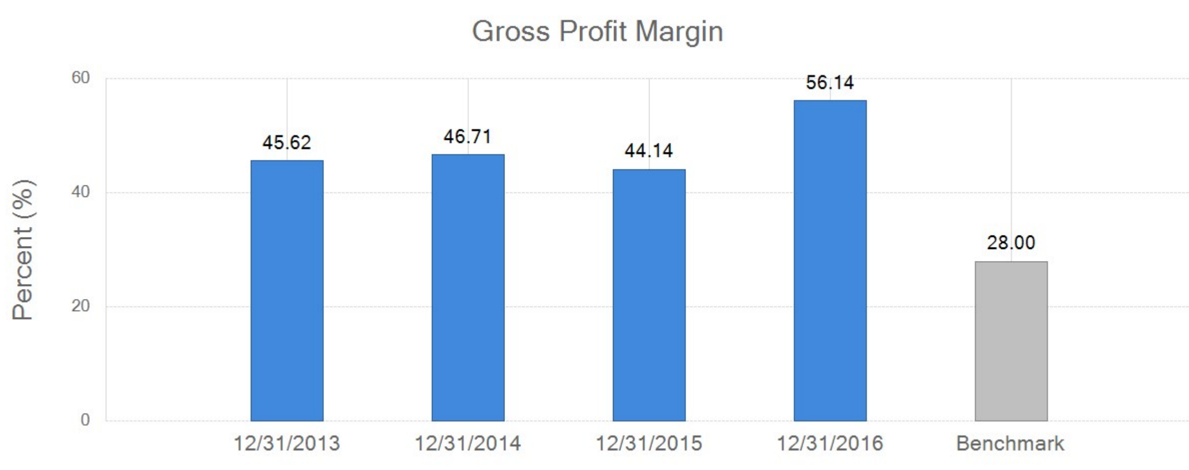
This section of the report will examine the company's profits from several different angles. The company's net profit dollars have increased this period, and net profit margins rose by 256.18%, which is quite good. This means that the company has substantially more net profit dollars **and** is retaining as profit more cents of each dollar earned in sales. This is a positive combination that should increase the profit health of the company over time. It may also indicate that the company is growing profitably within the relevant range of the business. Keep in mind that these results are relative to the industry that the company operates in, so this firm is doing well even relative to the profits similar firms are earning at this time.

Gross profits have increased too, which is another positive result. This means that more gross dollars of profit can be pushed down through the company. Furthermore, the company has also improved gross margins, which are the cents of gross profit earned on each dollar of sales. It is particularly encouraging to see both gross and net margins improving concurrently. This indicates that the company is managing both its direct costs (costs of sales) and its indirect costs (general and administrative costs) very effectively, and is becoming more efficient even while growing and increasing sales.

**Key management read:** If the company increases gross profits over time, it should see **relatively** larger increases in the bottom line net profits. The rate of net profit increases will rise. Gross profits are another form of leverage because fixed costs will tend to decrease as a percentage of revenue as sales increase.

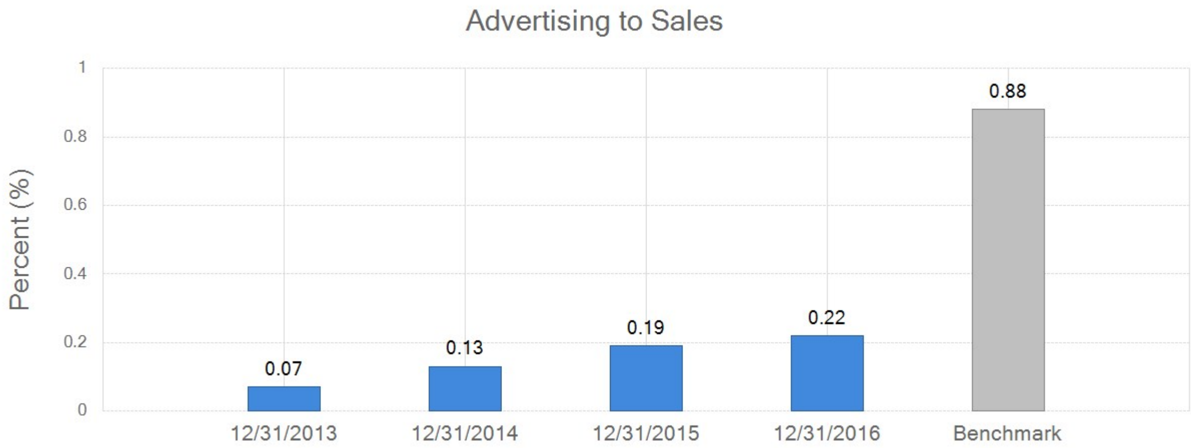



**This is an important metric. In fact, over time, it is one of the more important barometers that we look at. It measures how many cents of profit the company is generating for every dollar it sells. Track it carefully against industry competitors. This is a very important number in preparing forecasts. The higher the better.**

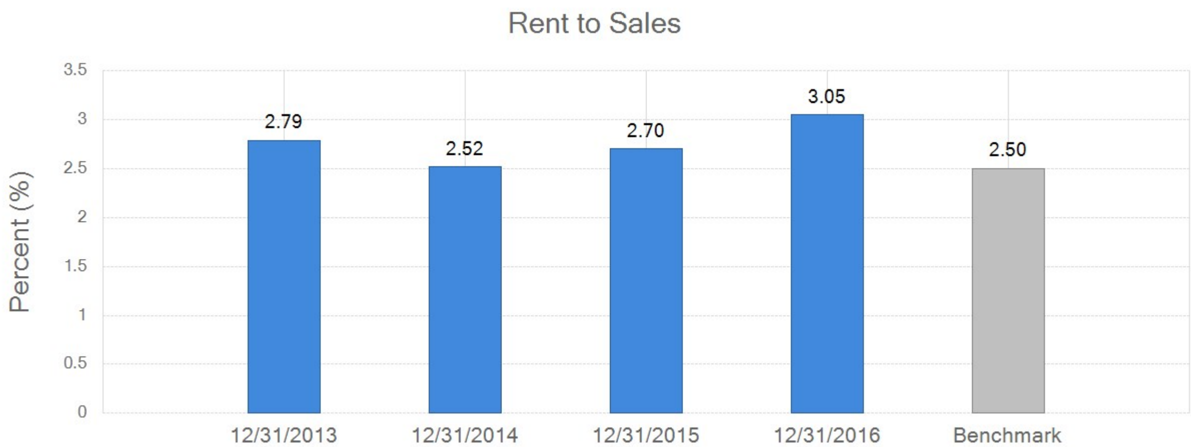



**This number indicates the percentage of sales revenue that is not paid out in direct costs (costs of sales). It is an important statistic that can be used in business planning because it indicates how many cents of gross profit can be generated by each dollar of future sales. Higher is**

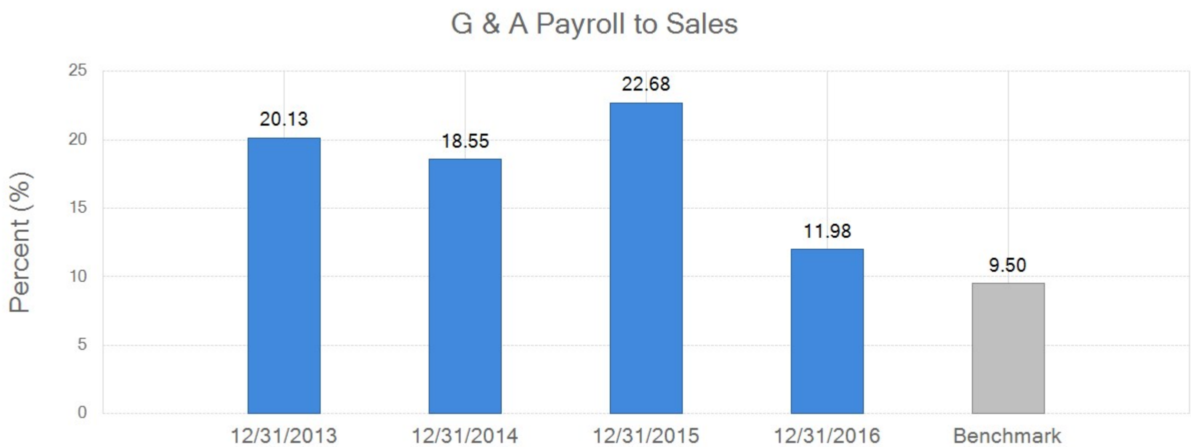
normally better (the company is more efficient).




**This metric shows advertising expense for the company as a percentage of sales.**




**This metric shows rent expense for the company as a percentage of sales.**



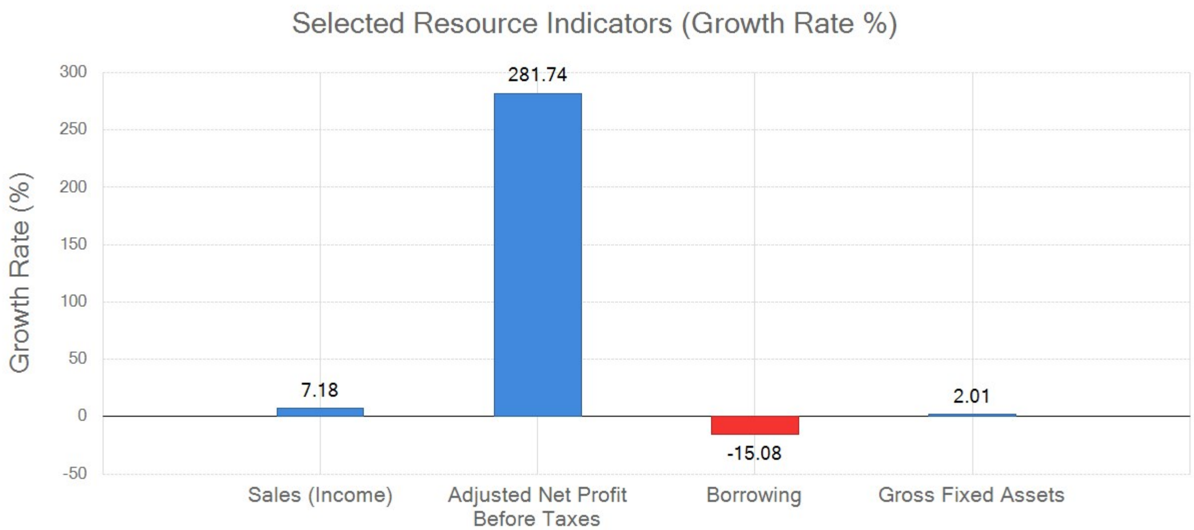

**This metric shows G & A payroll expense for the company as a percentage of sales.**

---

## Sales **79 out of 100**

A measure of how sales are growing and whether the sales are satisfactory for the company.

Sales increases by themselves do not mean much; companies are typically more interested in net profitability results. Sales changes are also relatively easy to interpret -- sales are either up or down. However, this company's sales results for this period are a bit deeper and more intriguing. The company has increased sales with about the same amount of fixed assets. Basically, the company is "driving" more sales through relatively the same level of resources. This is a good dynamic in the sales area that will **potentially** yield higher net profitability in the long run.




**This data is based on the two most recent available periods.**

---

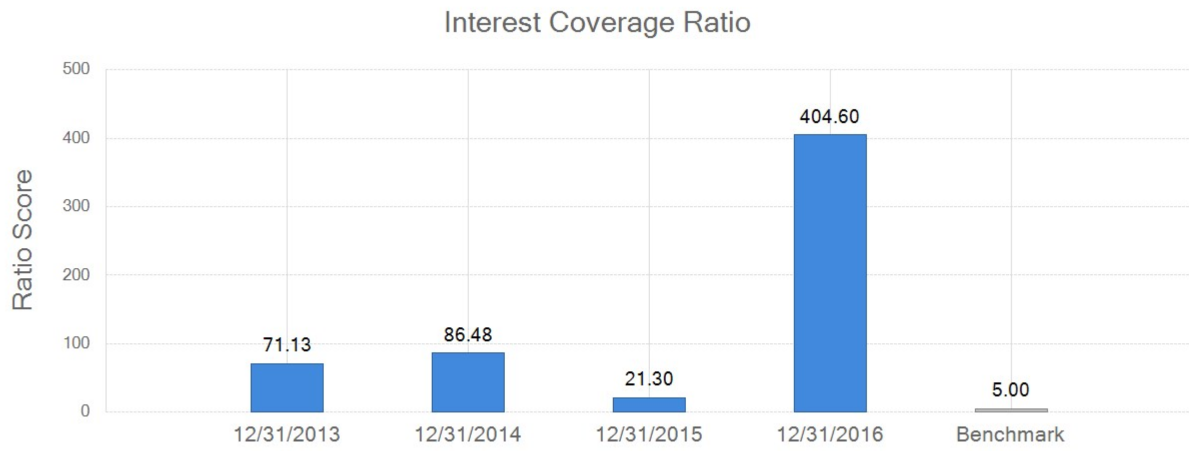
## Borrowing 89 out of 100

A measure of how responsibly the company is borrowing and how effectively it is managing debt.

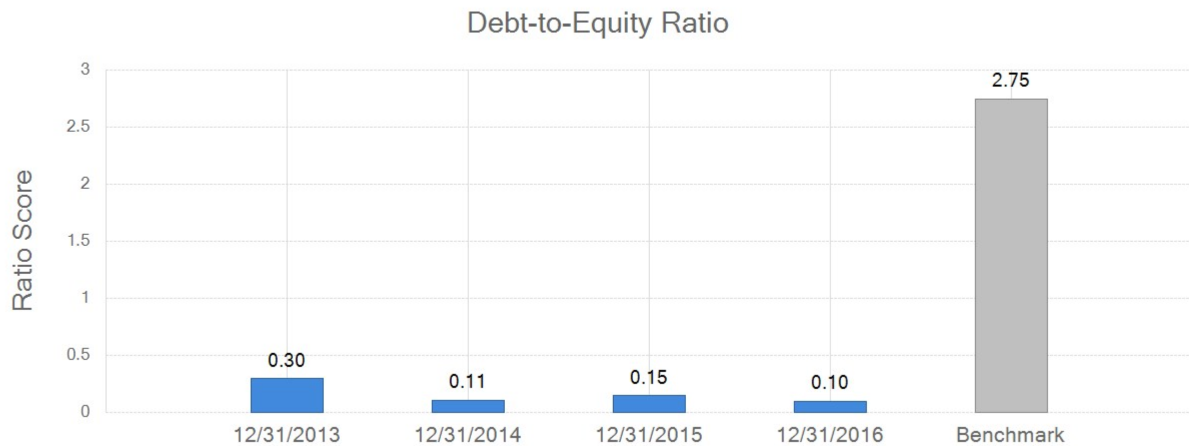
Net profitability improved by 281.74% while debt was lowered. In other words, a reduction in total debt coincided with improved profitability, at least for this period. Not only this, but the net profit margins and overall liquidity actually improved. This is a very good situation -- profitability was able to expand without additional debt. This dynamic should help long-term profitability, especially if it can be continued over multiple periods.

The overall trend in this area seems to be positive. The company has a relatively low level of debt as compared to its equity, and has demonstrated the ability to generate adequate earnings (before interest and non-cash expenses) to cover its interest obligations. Since the company seems to be able to cover its current debt obligations and is not highly levered, it may be able to borrow effectively to help foster future growth. Of course, this must be carefully evaluated by the company’s management.

Capacity planning is a challenge here. This involves simply thinking out into the future: how long can profitability improve without increasing borrowing? Analyzing the relationship between investments in resources (such as assets) and profitability improvement, as well as effectively forecasting sales and cash flow, can help answer this question and lead to the best borrowing policies for the near future.




**This ratio measures a company's ability to service debt payments from operating cash flow (EBITDA). An increasing ratio is a good indicator of improving credit quality. The higher the better.**




**This Balance Sheet leverage ratio indicates the composition of a company's total capitalization -- the balance between money or assets owed versus the money or assets owned. Generally, creditors prefer a lower ratio to decrease financial risk while investors prefer a higher ratio to realize the return benefits of financial leverage.**

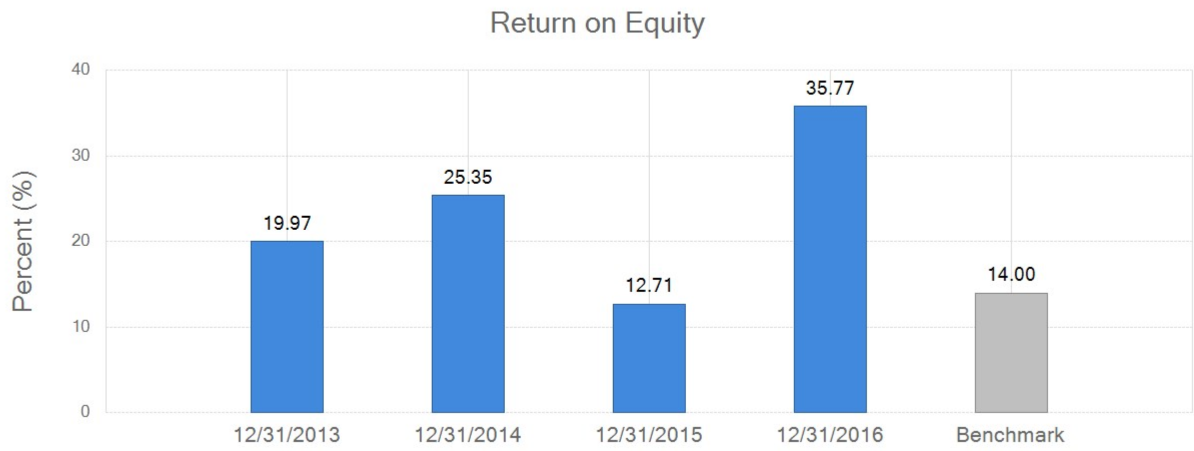
---

## Assets **87 out of 100**

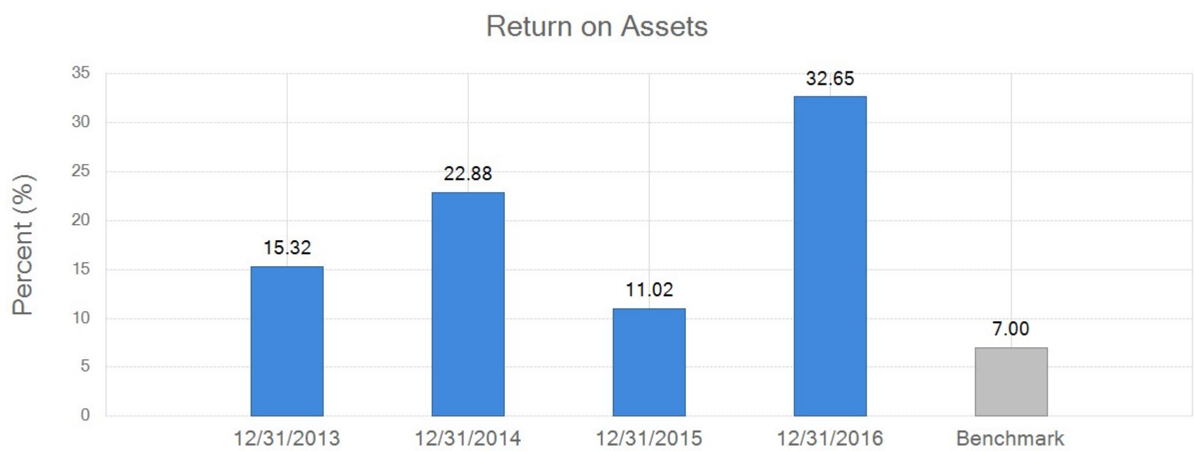
A measure of how effectively the company is utilizing its gross fixed assets.

This period, profitability improved significantly but fixed asset levels stayed relatively flat. This means: 1) profitability was able to improve without adding assets, and 2) the company **may** not need additional assets to continue to improve profitability at this specific time. In other words, the company may be able to grow profitability a bit more with the level of assets currently in place. This should also continue to help improve net margins, which also improved this period. An improvement in net margins is an indication of improved efficiency as the company has a relatively stable asset base.

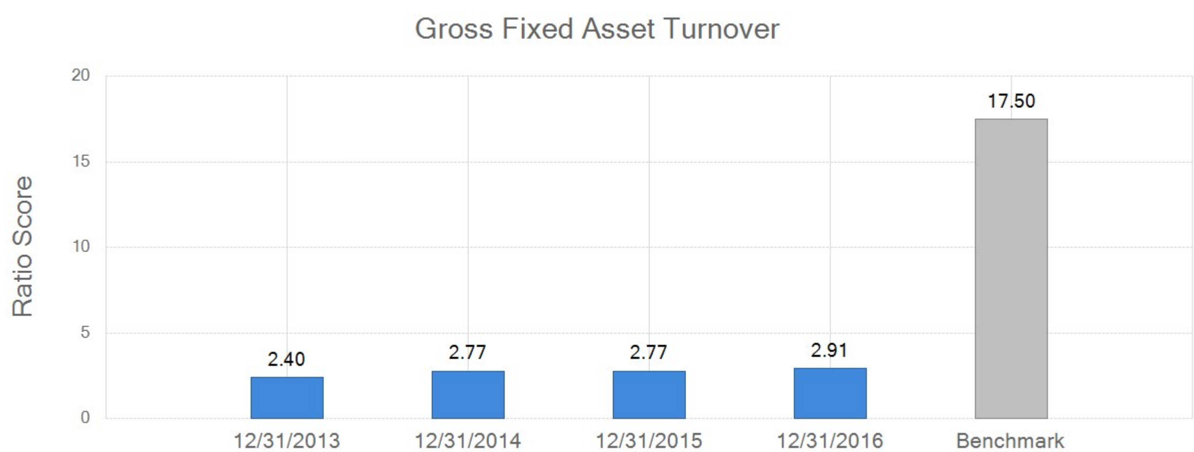
Before leaving this area, we would want to point out one component that was discovered to be below average. The company seems to be generating a **poor score for fixed asset turnover**, which means that it is generating insufficient revenue relative to fixed assets. Over time, this can possibly affect overall return on assets, which is actually very good right now. Of course, the lower score for this one metric could just be a one-time occurrence. On a positive note, the company's profits are moving positively in relation to assets and it generated a good return on equity this period.




**This measure shows how much profit is being returned on the shareholders' equity each year. It is a vital statistic from the perspective of equity holders in a company. The higher the better.**




**This calculation measures the company's ability to use its assets to create profits. Basically, ROA indicates how many cents of profit each dollar of asset is producing per year. It is quite important since managers can only be evaluated by looking at how they use the assets available to them. The higher the better.**



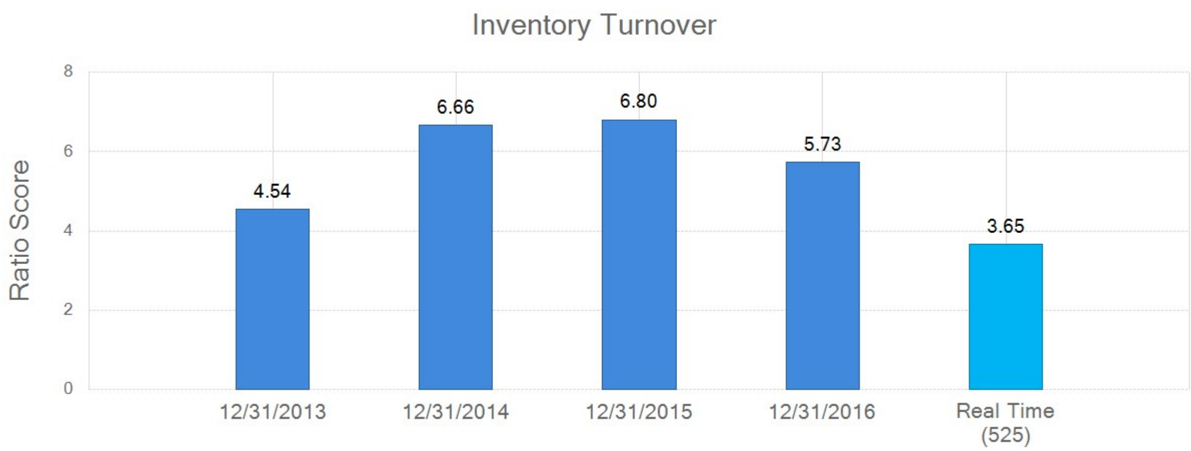

**This asset management ratio shows the multiple of annualized sales that each dollar of gross fixed assets is producing. This indicator measures how well fixed assets are "throwing off" sales and is very important to businesses that require significant investments in such assets. Readers should not emphasize this metric when looking at companies that do not possess or require significant gross fixed assets. The higher the ratio, the more effective the company's investments in Net Property, Plant, and Equipment are.**

**A NOTE ON SCORING:** Each section of this report (Liquidity, Profits & Profit Margin, etc.) contains a numerical score/grade, which is a rough measure of overall performance in the area. Each grade represents a score from 1 to 100, with 1 being the lowest score and 100 being the highest. Generally, a score above 50 would be a "good" score and a score below 50 would be a "poor" score. The scores are derived by evaluating the company's trends, either positive or negative, over time and by comparing the company to industry averages for different metrics.

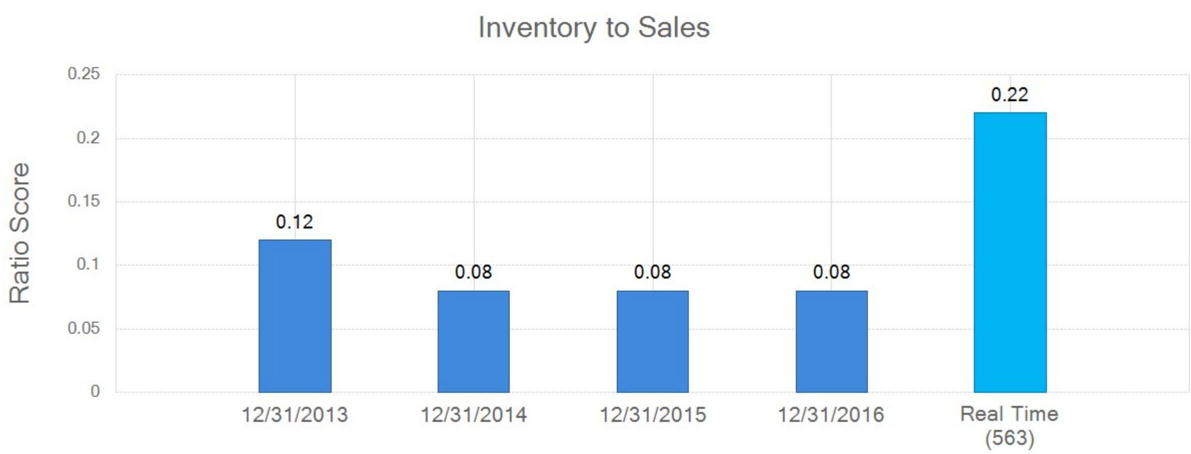
# Industry-Specific Performance Ratios

### What are the Key Performance Indicators for the business?

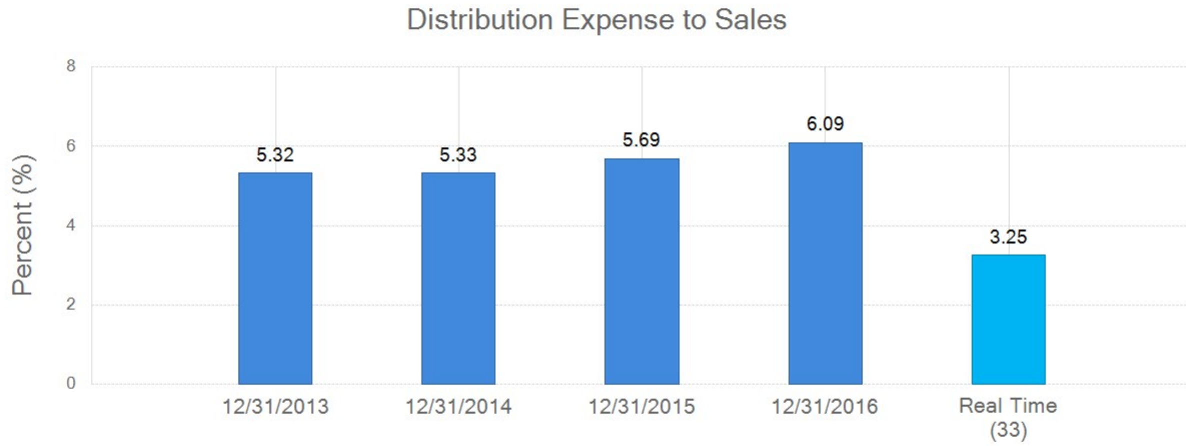
This section of the report provides **Key Performance Indicators** (or KPIs) for the business being analyzed, and they are specific to the business's industry and revenue. Track these KPIs over time and compare them to the industry averages to identify areas where the business might be able to improve operations.




**Inventory Turnover = Cost Of Sales / Inventory**




**Inventory to Sales = Inventory / Sales**




**Distribution Expense to Sales = Distribution Expense / Sales**

## Industry Scorecard

| Financial Indicator | Current Period | Industry Range | Distance from Industry |
|---|---|---|---|
| **Current Ratio**<br>= Total Current Assets / Total Current Liabilities | 10.19 | 1.60 to 2.60 | +291.92% |

**Explanation:** Generally, this metric measures the overall liquidity position of a company. It is certainly not a perfect barometer, but it is a good one. Watch for big decreases in this number over time. Make sure the accounts listed in "current assets" are collectible. The higher the ratio, the more liquid the company is.

| Financial Indicator | Current Period | Industry Range | Distance from Industry |
|---|---|---|---|
| **Quick Ratio**<br>= (Cash + Accounts Receivable) / Total Current Liabilities | 9.07 | 0.60 to 1.20 | +655.83% |

**Explanation:** This is another good indicator of liquidity, although by itself, it is not a perfect one. If there are receivable accounts included in the numerator, they should be collectible. Look at the length of time the company has to pay the amount listed in the denominator (current liabilities). The higher the number, the stronger the company.

| Financial Indicator | Current Period | Industry Range | Distance from Industry |
|---|---|---|---|
| **Net Profit Margin**<br>= Adjusted Net Profit before Taxes / Sales | 31.62% | 0.50% to 5.00% | +532.40% |

**Explanation:** This is an important metric. In fact, over time, it is one of the more important barometers that we look at. It measures how many cents of profit the company is generating for every dollar it sells. Track it carefully against industry competitors. This is a very important number in preparing forecasts. The higher the better.

| Financial Indicator | Current Period | Industry Range | Distance from Industry |
|---|---|---|---|
| **Inventory Days**<br>= (Inventory / COGS) * 365 | 63.75 Days | 60.00 to 90.00 Days | 0.00% |

**Explanation:** This metric shows how much inventory (in days) is on hand. It indicates how quickly a company can respond to market and/or product changes. Not all companies have inventory for this metric. The lower the better.

| Financial Indicator | Current Period | Industry Range | Distance from Industry |
|---|---|---|---|
| **Accounts Receivable Days**<br>= (Accounts Receivable / Sales) * 365 | 12.11 Days | 20.00 to 50.00 Days | +39.45% |

**Explanation:** This number reflects the average length of time between credit sales and payment receipts. It is crucial to maintaining positive liquidity. The lower the better.

| Financial Indicator | Current Period | Industry Range | Distance from Industry |
|---|---|---|---|
| **Accounts Payable Days**<br>= (Accounts Payable / COGS) * 365 | 15.74 Days | 30.00 to 60.00 Days | +47.53% |

**Explanation:** This ratio shows the average number of days that lapse between the purchase of material and labor, and payment for them. It is a rough measure of how timely a company is in meeting payment obligations. Lower is normally better.

| Financial Indicator | Current Period | Industry Range | Distance from Industry |
|---|---|---|---|
| **Interest Coverage Ratio**<br>= EBITDA / Interest Expense | 404.60 | 2.00 to 8.00 | +4,957.50% |

**Explanation:** This ratio measures a company's ability to service debt payments from operating cash flow (EBITDA). An increasing ratio is a good indicator of improving credit quality. The higher the better.

| Financial Indicator | Current Period | Industry Range | Distance from Industry |
|---|---|---|---|
| **Debt-to-Equity Ratio**<br>= Total Liabilities / Total Equity | 0.10 | 1.50 to 4.00 | +93.33% |

**Explanation:** This Balance Sheet leverage ratio indicates the composition of a company’s total capitalization -- the balance between money or assets owed versus the money or assets owned. Generally, creditors prefer a lower ratio to decrease financial risk while investors prefer a higher ratio to realize the return benefits of financial leverage.

| Financial Indicator | Current Period | Industry Range | Distance from Industry |
|---|---|---|---|
| **Return on Equity**<br>= Net Income / Total Equity | 35.77% | 8.00% to 20.00% | +78.85% |

**Explanation:** This measure shows how much profit is being returned on the shareholders' equity each year. It is a vital statistic from the perspective of equity holders in a company. The higher the better.

| Financial Indicator | Current Period | Industry Range | Distance from Industry |
|---|---|---|---|
| **Return on Assets**<br>= Net Income / Total Assets | 32.65% | 4.00% to 10.00% | +226.50% |

**Explanation:** This calculation measures the company's ability to use its assets to create profits. Basically, ROA indicates how many cents of profit each dollar of asset is producing per year. It is quite important since managers can only be evaluated by looking at how they use the assets available to them. The higher the better.

---

**Gross Fixed Asset Turnover** | 2.91 | 10.00 to 25.00 | -70.90%

= Sales / Gross Fixed Assets

**Explanation:** This asset management ratio shows the multiple of annualized sales that each dollar of gross fixed assets is producing. This indicator measures how well fixed assets are "throwing off" sales and is very important to businesses that require significant investments in such assets. Readers should not emphasize this metric when looking at companies that do not possess or require significant gross fixed assets. The higher the ratio, the more effective the company's investments in Net Property, Plant, and Equipment are.

---

**Gross Profit Margin** | 56.14% | 20.00% to 36.00% | +55.94%

= Gross Profit / Sales

**Explanation:** This number indicates the percentage of sales revenue that is not paid out in direct costs (costs of sales). It is an important statistic that can be used in business planning because it indicates how many cents of gross profit can be generated by each dollar of future sales. Higher is normally better (the company is more efficient).

---

**Advertising to Sales** | 0.22% | 0.25% to 1.50% | +12.00%

= Advertising / Sales

**Explanation:** This metric shows advertising expense for the company as a percentage of sales.

---

**Rent to Sales** | 3.05% | 1.00% to 4.00% | 0.00%

= Rent / Sales

**Explanation:** This metric shows rent expense for the company as a percentage of sales.

---

**G & A Payroll to Sales** | 11.98% | 5.00% to 14.00% | 0.00%

= G & A Payroll Expense / Sales

**Explanation:** This metric shows G & A payroll expense for the company as a percentage of sales.

---

**Z-Score** | 20.21 | 1.10 to 2.60 | +677.31%

= (6.56 * X1 + 3.26 * X2 + 6.72 * X3 + 1.05 * X4) X1 = (Current Assets - Current Liabilities) / Total Assets; X2 = Retained Earnings / Total Assets; X3 = EBIT / Total Assets; X4 = Total Equity / Total Liabilities;

**Explanation:** The Z-Score is a ratio which measures the overall health of a business. In some cases, it can be used as an early predictor of a firm's probability of bankruptcy in the next year. How to interpret the Z-Score: a score of 2.60 or above implies a low risk of bankruptcy; a score between 1.10 and 2.60 is an average risk; a score of 1.10 or lower signals a high risk of bankruptcy.

---

**NOTE:** Exceptions are sometimes applied when calculating the Financial Indicators. Generally, this occurs when the inputs used to calculate the ratios are zero and/or negative.

**READER:** Financial analysis is not a science; it is about interpretation and evaluation of financial events. Therefore, some judgment will always be part of our reports and analyses. Before making any financial decision, always consult an experienced and knowledgeable professional (accountant, banker, financial planner, attorney, etc.).