Industry Comparative Report

Real Insurance Company

Provided By

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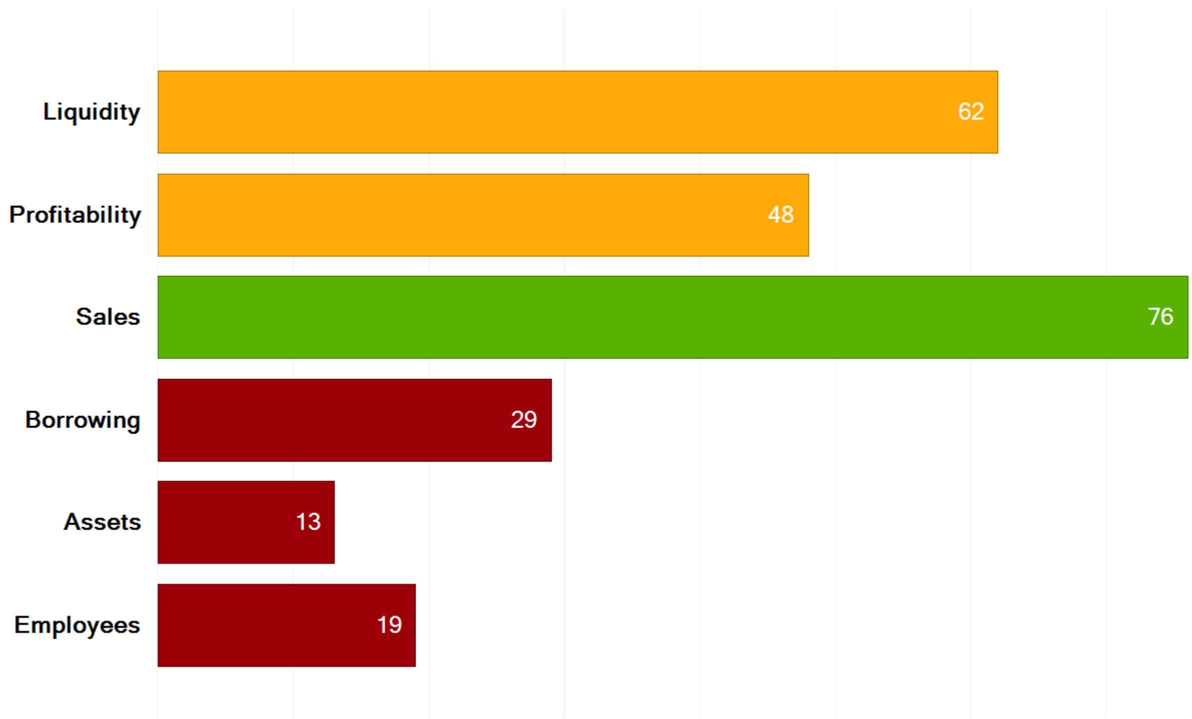
SINCE 1987

Narrative Report

Industry: 524210 - Insurance Agencies and Brokerages
Revenue: $1M - $10M
Periods: 12 months against the same 12 months from the previous year

Report Summary



Liquidity 62 out of 100

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

Operating Cash Flow Results
Operating cash flow is currently at a healthy level for the company, although it has decreased a bit relative to sales since last period. These results, coupled with the company’s profits, should help to build more strength in the Balance Sheet if maintained over time.

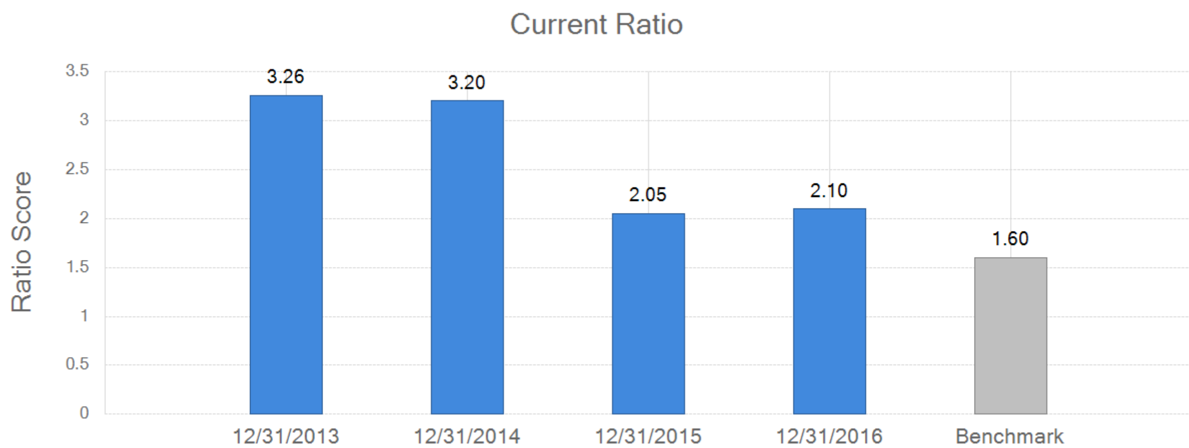
General Liquidity Conditions
The company's **solid** liquidity position has stayed about the same as last period. The specific area of strength remains basically the same; much of the liquidity base is invested in cash and other highly liquid assets, which is good because these are the assets that are used to pay the bills. An increase in sales helped to maintain the company's position.

The company might work to increase non-cash liquid assets -- **the firm's liquidity strength becomes a bit more fragile below the cash and near-cash assets (receivables)**. In other words, it might be a good idea to improve the total liquidity base of assets. If sales continue to improve, this should be achievable.

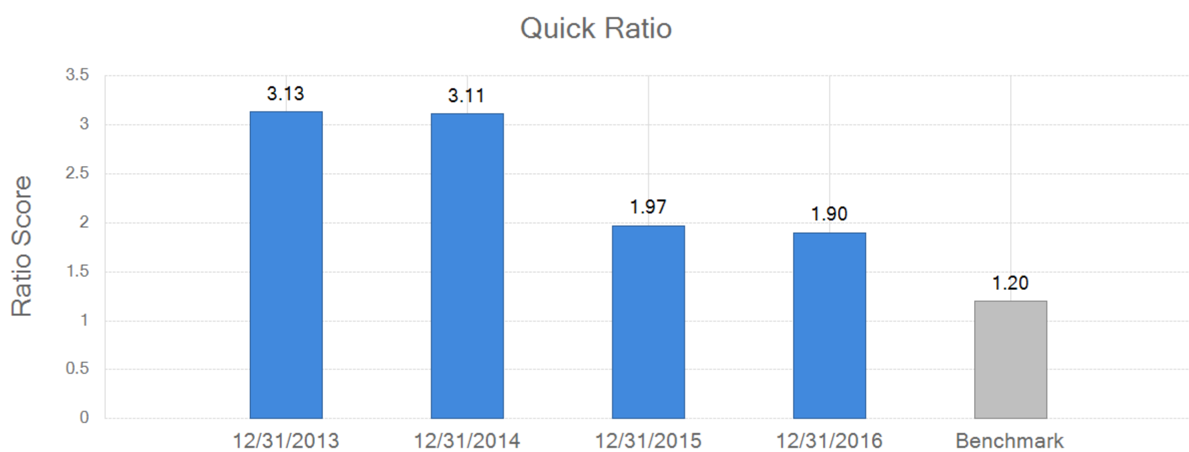
One other aside -- the rather steep drop in net margins should be noted in this area (it will be discussed in detail in the next area as well). Where sales drive short-term liquidity, margins drive long-term liquidity.

The company's accounts payable days number is low relative to others in this industry, meaning that payables are being met relatively quickly. However, accounts receivable days are only about average. The company may want to monitor accounts receivable and accounts payable days to ensure that bills are not being paid more quickly than receivables are being collected for an extended period of time. Generally, we look for vendors to be a source of cash rather than a use of cash over time.

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.



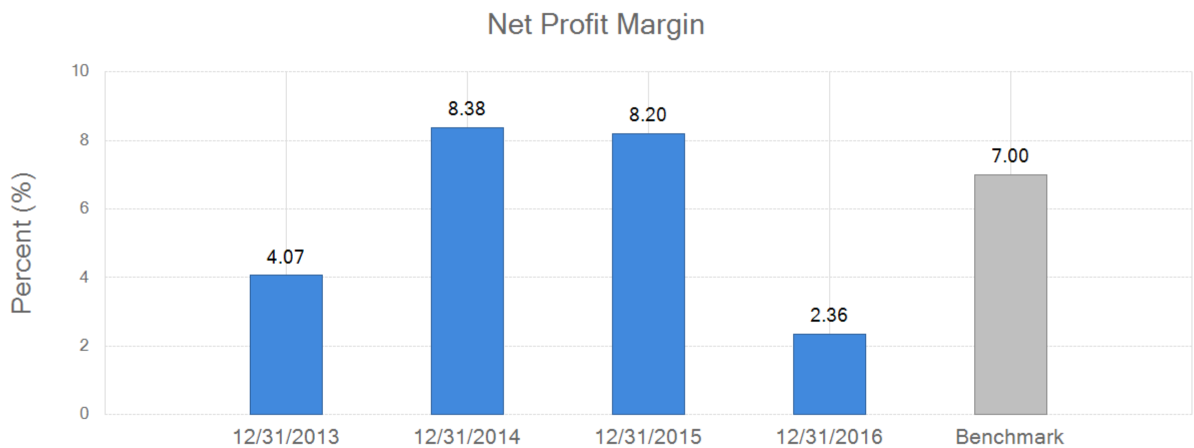
This is another good indicator of liquidity, although by itself, it is not a perfect one. If there are receivable accounts included in the numerator, they should be collectible. Look at the length of time the company has to pay the amount listed in the denominator (current liabilities). The higher the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

Profits & Profit Margin 48 out of 100

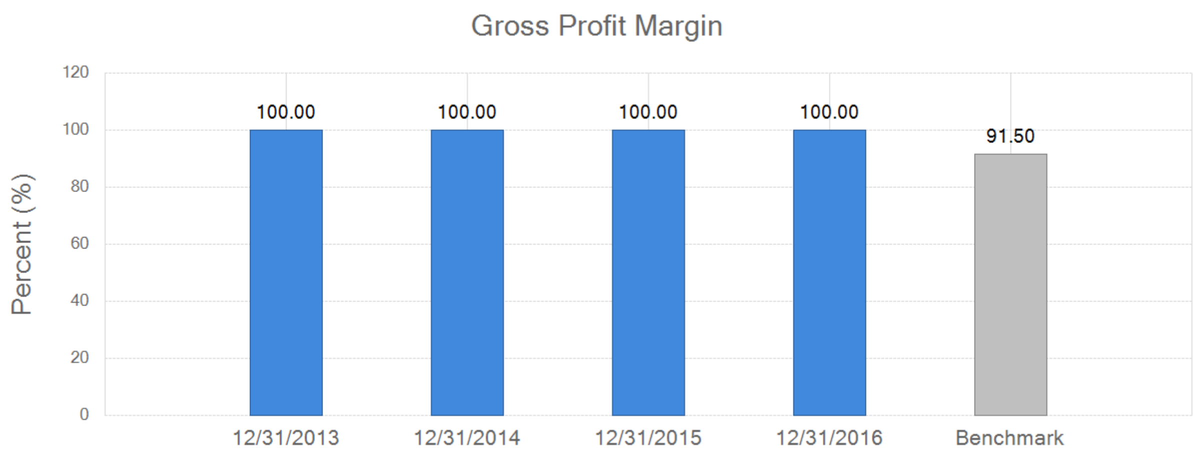
A measure of whether the trends in profit are favorable for the company.

Although the company's sales have risen since the prior period, its net profits have fallen this period by 69.94%. The area that managers at the company will want to watch at the moment is the company's net profit margin, which also fell this period. The net profit margin measures the cents of net profit that the company earns on every dollar it generates in sales revenue -- it is a measure of how effectively the company is balancing its sales revenues and its operating expenses. This company's net margin fell because the company spent significantly more on operating costs this period. Because operating costs rose at a faster rate than sales, the company's net margin and net profits fell.

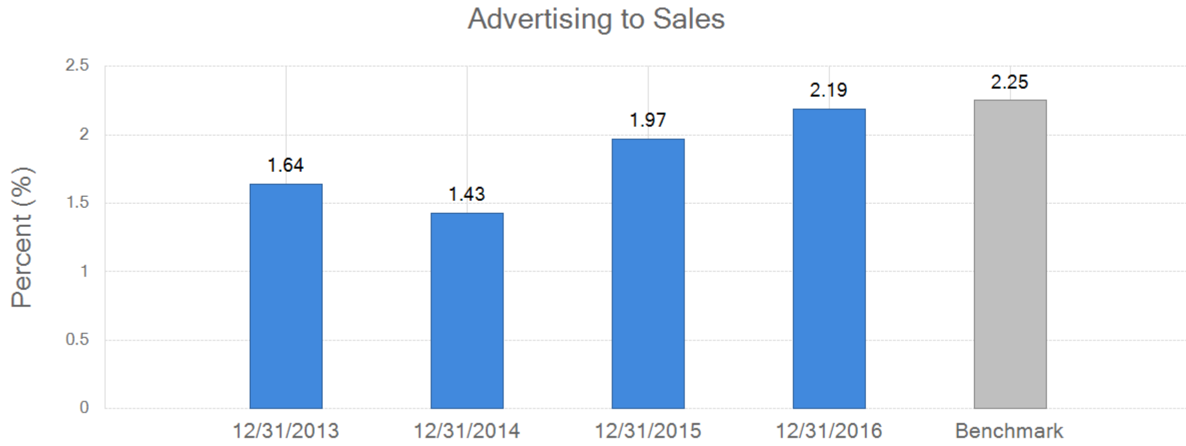
Despite its decline, the company's net margin is still fairly good this period -- it is in line with the net margins that are being earned by other companies in this same industry. This is illustrated in the graph area of the report. Still, the company would probably prefer to increase its net profits and net margin over time by increasing sales and keeping expenses in check. Companies generally like to generate above average net profits in the business if possible. Earning high net profits will generally allow a company to see improvements in other areas of the business, such as increased liquidity and higher returns on equity and assets.



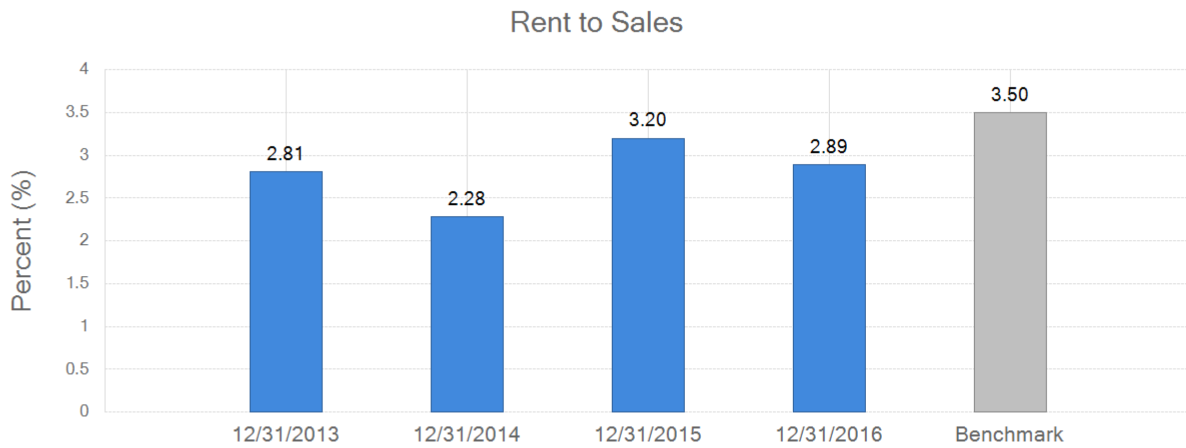
This is an important metric. In fact, over time, it is one of the more important barometers that we look at. It measures how many cents of profit the company is generating for every dollar it sells. Track it carefully against industry competitors. This is a very important number in preparing forecasts.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



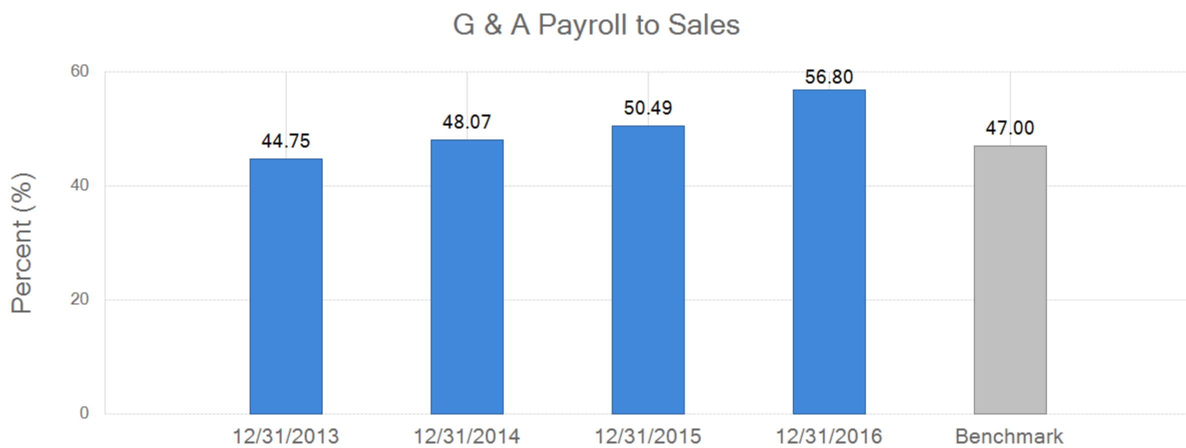
This number indicates the percentage of sales revenue that is not paid out in direct costs (costs of sales). It is an important statistic that can be used in business planning because it indicates how many cents of gross profit can be generated by each dollar of future sales. Higher is normally better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



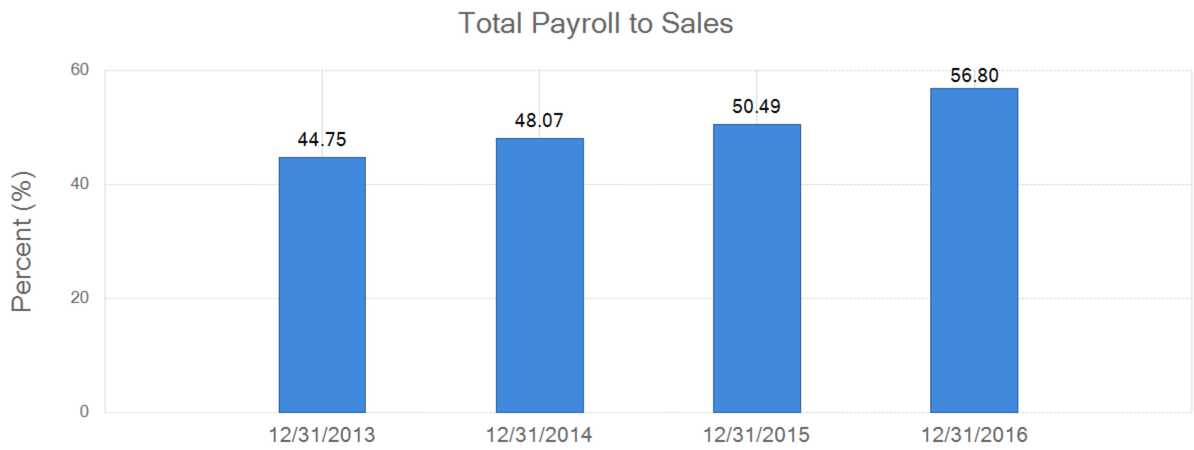
This metric shows advertising expense for the company as a percentage of sales.



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.



This metric shows total payroll expense for the company as a percentage of sales.

Sales 76 out of 100

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

The company has done a good job of increasing sales this period. Although sales increases by themselves do not typically indicate that much (companies are more interested in increasing profitability), increasing sales is certainly a good trend. It is favorable, though, that the company has increased sales while fixed assets have stayed relatively flat. This is a dynamic that should increase "asset turns" over time. It is less favorable that the company's employee base grew faster than sales this period. Over the long run, companies prefer to increase sales faster than the rate at which they hire people. For a deeper analysis of employee utilization, refer to the Employees section of this report.

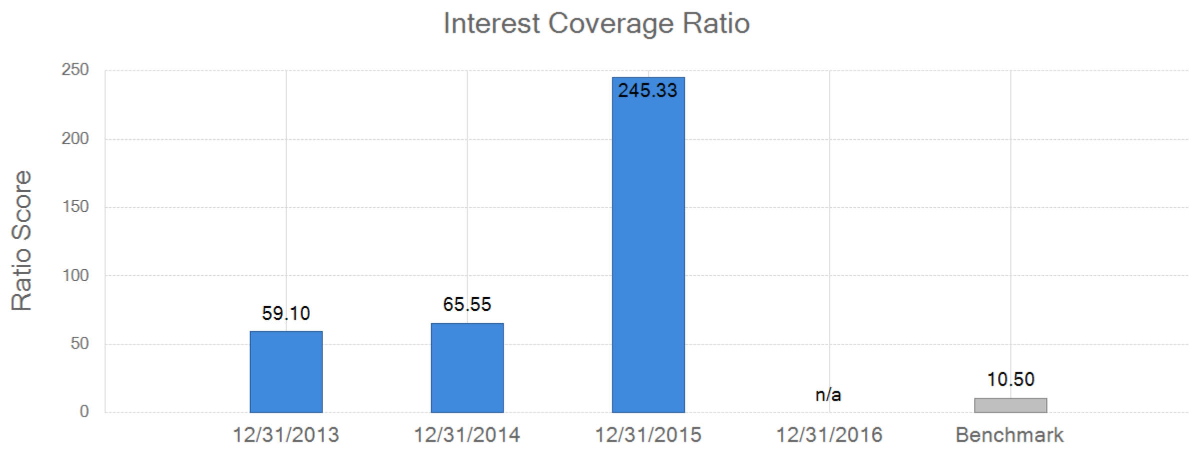
Borrowing 29 out of 100

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

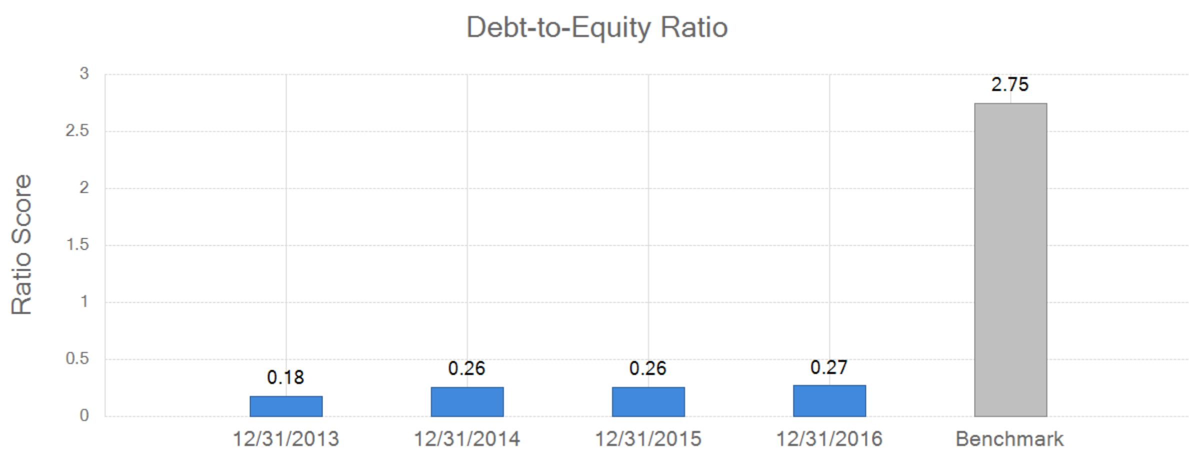
In this case, the company increased total debt, but net profitability has actually slipped by 69.94%. Every cost item can be seen as an investment, from borrowed funds (loans) to people to postage stamps. Debt is particularly crucial because it carries risk (even short-term debt does). Unless improvements in profitability can be seen over time, it may be best to consider choosing not to invest in debt at this time.

Another condition to be aware of is that net margins fell, as mentioned previously. Over the short term, it is acceptable to lose a little efficiency while adding debt. However, over the long term, even debt should improve profitability and profit margins.

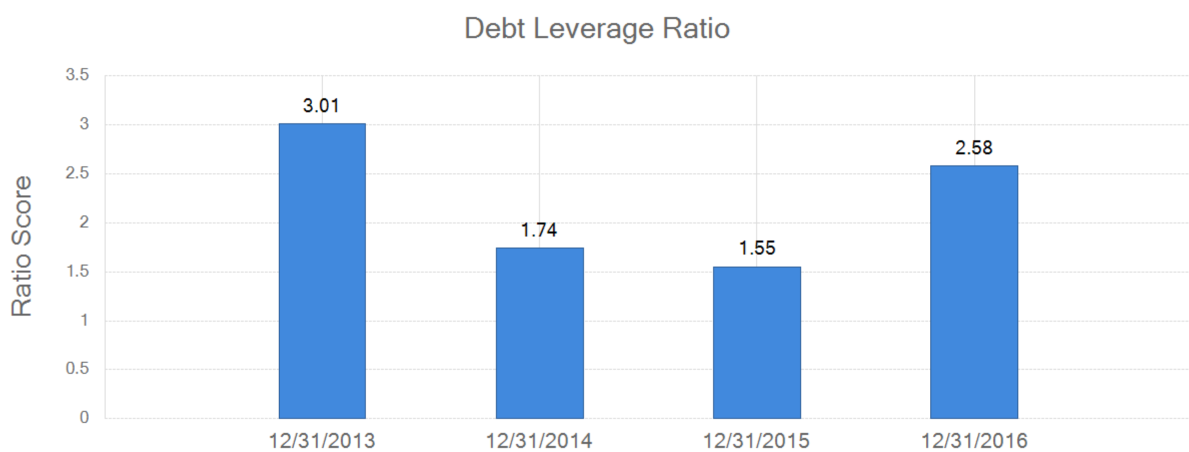
It should also be noted that debt is not a significant part of this company's Balance Sheet. The company's debt-to-equity ratio is low, even when compared to the competition. Therefore, in general, performance in this area should not be emphasized too much when assessing overall financial health.



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.



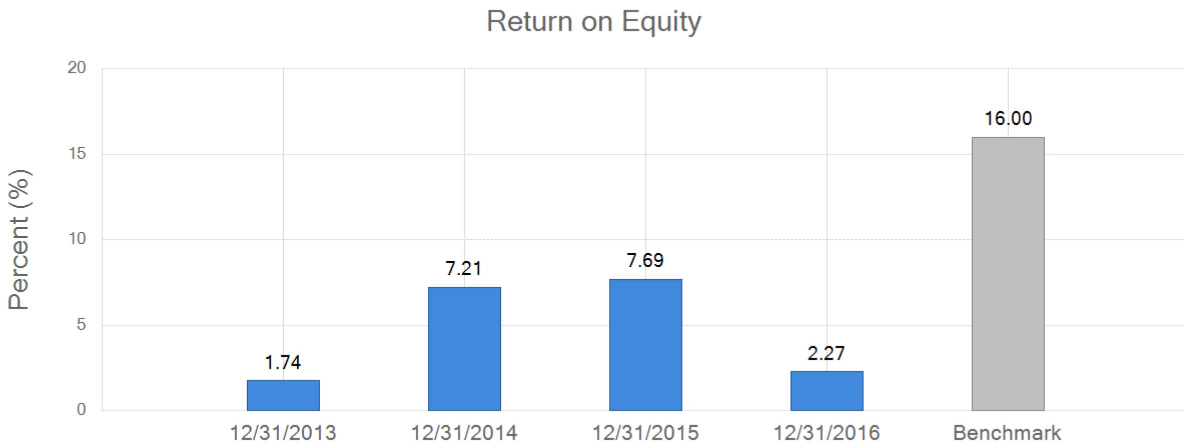
This ratio measures a company's ability to repay debt obligations from annualized operating cash flow (EBITDA).

Assets 13 out of 100

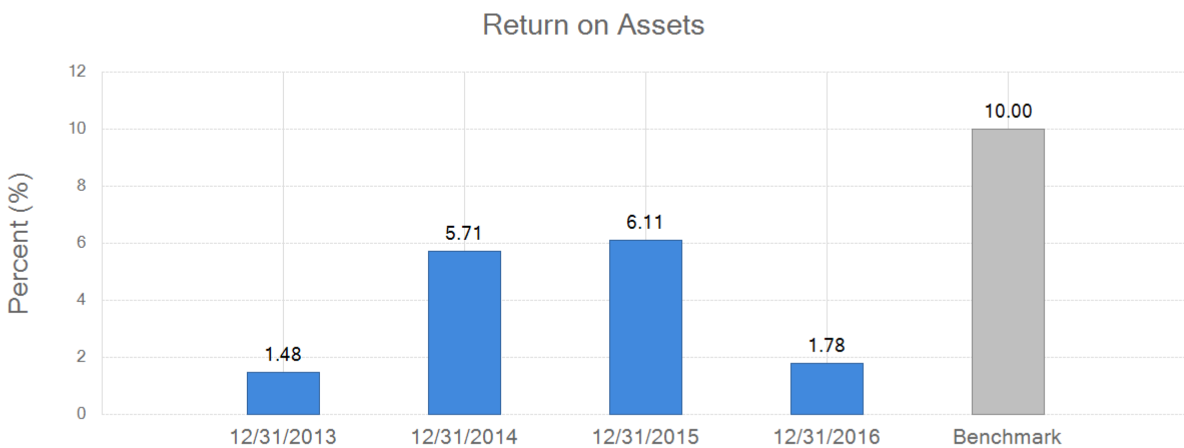
A measure of how effectively the company is utilizing its gross fixed assets.

The results in this area are not very positive. Less profitability is moving through a relatively unchanged fixed asset base, which lowers performance in this area. Another way of saying this is the profitability per asset dollar statistic has fallen. This is not a favorable result, particularly because the net profit margin also fell. This means the company is less efficient in overall operations than it was last period.

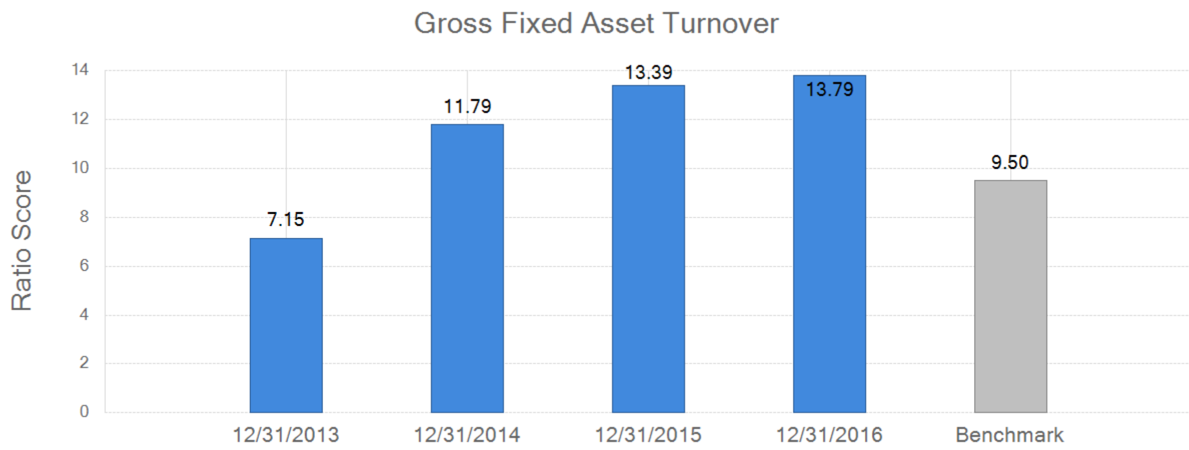
The company seems to be doing a poor job of managing its assets. Notice that the company generated a relatively poor return on assets and equity this period, which is a negative result for investors and creditors. It may be important for the company to improve this area in the future, because assets generally are costs that the company expects to get monetary benefit from.



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.



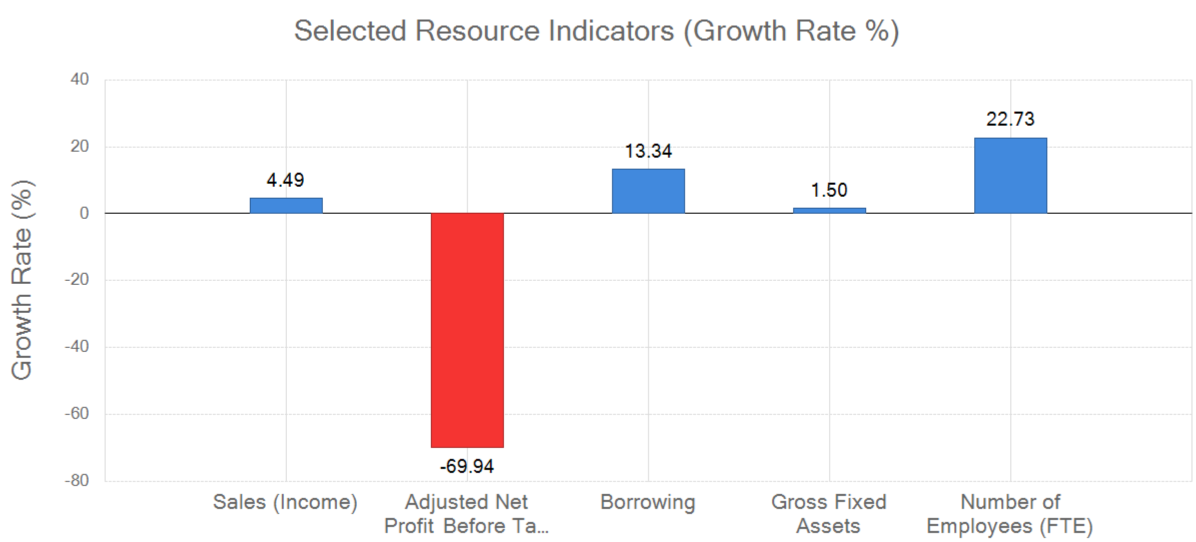
This asset management ratio shows the multiple of annualized sales that each dollar of gross fixed assets is producing. This indicator measures how well fixed assets are "throwing off" sales and is very important to businesses that require significant investments in such assets. Readers should not emphasize 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.

Employees 19 out of 100

A measure of how effectively the company is hiring and managing its employees.

The company has hired significantly more staff, but net profitability has fallen from last period. Companies prefer to see net profitability improve as employees are added. Unless this is a **deliberate strategy** to build the organization by hiring "infrastructure" staff, this is probably a situation that should be avoided. Managers **may** want to limit hiring until net profitability improves, or make sure they are only hiring people who will help improve net profitability. The scope of this analysis is limited, but it is still important to **note** unfavorable results that could threaten the company in the long run.

"Make everything as simple as possible, but not simpler." --- Albert Einstein



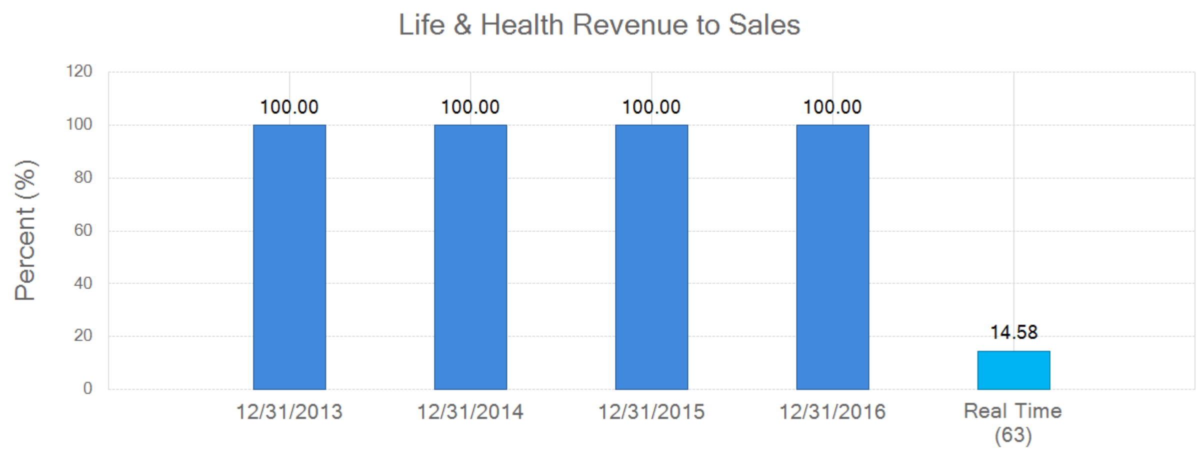
This data is based on the two most recent available periods.

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.

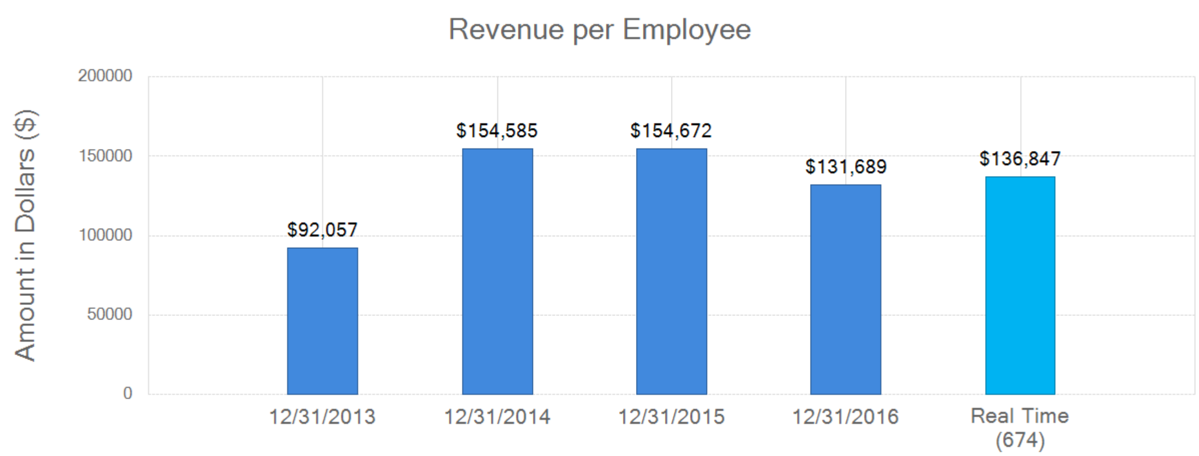
Industry-Specific Performance Ratios

What are the Key Performance Indicators for the business?

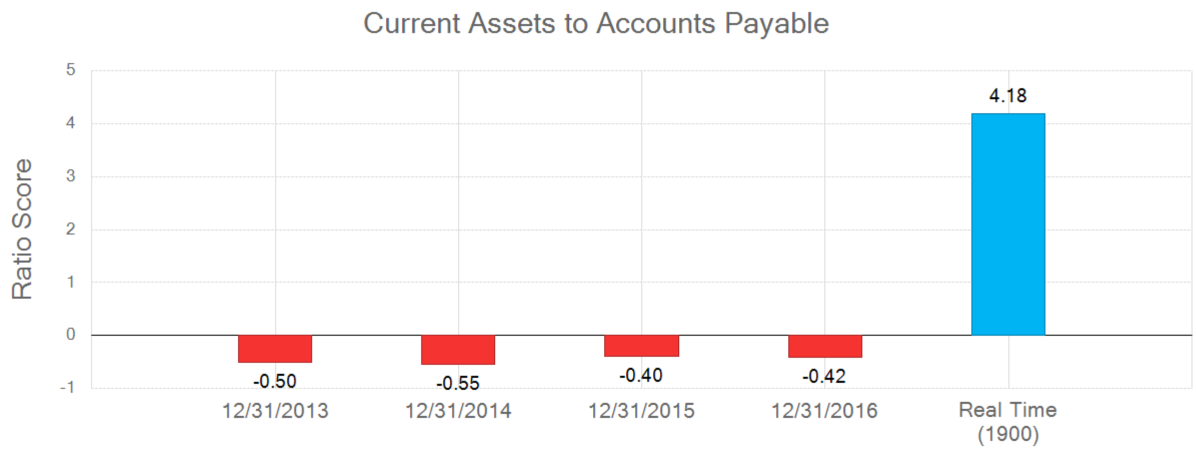
This section of the report provides **Key Performance Indicators** (or KPIs) for the business being analyzed, and they are specific to the business's industry and revenue. Track these KPIs over time and compare them to the industry averages to identify areas where the business might be able to improve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



Life & Health Revenue to Sales = Life & Health Revenue / Sales



Revenue per Employee = Sales / Employees



Current Assets to Accounts Payable = Current Assets / Accounts Payable

Raw Data

Income Statement Data	12/31/2013	12/31/2014	12/31/2015	12/31/2016
Sales (Income)	$1,380,851	$2,937,112	$3,402,788	$3,555,612
Property & Casualty Revenue	$0	$0	$0	$0
Life & Health Revenue	$1,380,851	$2,937,112	$3,402,788	$3,555,612
Cost of Sales (COGS)	$0	$0	$0	$0
Depreciation (COGS-related)	$0	$0	$0	$0
Direct Materials	$0	$0	$0	$0
Direct Labor	$0	$0	$0	$0
Gross Profit	$1,380,851	$2,937,112	$3,402,788	$3,555,612
Gross Profit Margin	100.00%	100.00%	100.00%	100.00%
Depreciation	$13,753	$28,369	$28,642	$26,996
Amortization	$117,000	$233,981	$293,174	$281,316
Overhead or S,G,& A Expenses	$1,182,822	$2,383,281	$2,796,044	$3,142,796
G & A Payroll Expense	$617,935	$1,411,770	$1,718,097	$2,019,448
Rent	$38,758	$67,088	$109,018	$102,678
Advertising	$22,666	$42,107	$67,033	$78,000
Other Operating Income	$0	$0	$0	$0
Other Operating Expenses	$0	$0	$0	$0
Operating Profit	$67,276	$291,481	$284,928	$104,504
Interest Expense	$3,217	$7,877	$2,459	$0
Other Income	$2,884	($17,428)	$24,220	$15,452
Other Expenses	$10,794	$20,038	$27,692	$36,086
Net Profit Before Taxes	$56,149	$246,138	$278,997	$83,870
Adjusted Net Profit Before Taxes	$56,149	$246,138	$278,997	$83,870
Net Profit Margin	4.07%	8.38%	8.20%	2.36%
EBITDA	$190,119	$516,365	$603,272	$392,182
Taxes Paid	$0	$0	$0	$0
Extraordinary Gain	$0	$0	$0	$0
Extraordinary Loss	$0	$0	$0	$0
Net Income	$56,149	$246,138	$278,997	$83,870
Balance Sheet Data	**12/31/2013**	**12/31/2014**	**12/31/2015**	**12/31/2016**
Cash (Bank Funds)	$1,232,083	$1,391,778	$1,002,432	$1,017,440
Accounts Receivable	$44,559	$111,006	$122,091	$208,022
Inventory	$0	$0	$0	$0
Other Current Assets	$54,028	$40,909	$42,299	$130,425
Total Current Assets	$1,330,670	$1,543,693	$1,166,822	$1,355,887
Gross Fixed Assets	$192,994	$249,135	$254,036	$257,858
Accumulated Depreciation	$106,408	$100,901	$116,370	$143,366
Net Fixed Assets	$86,586	$148,234	$137,666	$114,492
Gross Intangible Assets	$0	$0	$0	$0
Accumulated Amortization	$0	$0	$0	$0
Net Intangible Assets	$0	$0	$0	$0
Other Assets	$2,375,026	$2,616,765	$3,261,791	$3,241,776
Total Assets	$3,792,282	$4,308,692	$4,566,279	$4,712,155
Accounts Payable	($2,636,766)	($2,816,691)	($2,906,268)	($3,239,403)
Short Term Debt	$253	$56	$700	$3,211
Notes Payable / Current Portion of Long Term Debt	$0	$0	$0	$0
Other Current Liabilities	$3,044,872	$3,299,411	$3,475,789	$3,882,482
Total Current Liabilities	$408,359	$482,776	$570,221	$646,290
Notes Payable / Senior Debt	$0	$0	$0	$0
Notes Payable / Subordinated Debt	$0	$0	$0	$0

Other Long Term Liabilities	$164,163	$414,354	$366,999	$366,999
Total Long Term Liabilities	$164,163	$414,354	$366,999	$366,999
Total Liabilities	$572,522	$897,130	$937,220	$1,013,289
Preferred Stock	$0	$0	$0	$0
Common Stock	$0	$0	$0	$0
Additional Paid-in Capital	$2,912,735	$2,858,399	$2,822,020	$2,787,701
Other Stock / Equity	$0	$0	($25,121)	($4,864)
Ending Retained Earnings	$307,025	$553,163	$832,160	$916,029
Total Equity	$3,219,760	$3,411,562	$3,629,059	$3,698,866
Total Liabilities + Equity	$3,792,282	$4,308,692	$4,566,279	$4,712,155
Number of Employees (FTE)	15.0	19.0	22.0	27.0

Common Size Statements

Income Statement Data	12/31/2013	12/31/2014	12/31/2015	12/31/2016	Industry* (5017)
Sales (Income)	100%	100%	100%	100%	100%
Property & Casualty Revenue	0%	0%	0%	0%	86%
Life & Health Revenue	100%	100%	100%	100%	15%
Cost of Sales (COGS)	0%	0%	0%	0%	3%
Depreciation (COGS-related)	0%	0%	0%	0%	--
Direct Materials	0%	0%	0%	0%	--
Direct Labor	0%	0%	0%	0%	37%
Gross Profit	100%	100%	100%	100%	97%
Depreciation	1%	1%	1%	1%	1%
Amortization	8%	8%	9%	8%	0%
Overhead or S,G,& A Expenses	86%	81%	82%	88%	71%
G & A Payroll Expense	45%	48%	50%	57%	43%
Rent	3%	2%	3%	3%	4%
Advertising	2%	1%	2%	2%	2%
Other Operating Income	0%	0%	0%	0%	0%
Other Operating Expenses	0%	0%	0%	0%	13%
Operating Profit	5%	10%	8%	3%	12%
Interest Expense	0%	0%	0%	0%	1%
Other Income	0%	-1%	1%	0%	0%
Other Expenses	1%	1%	1%	1%	0%
Net Profit Before Taxes	4%	8%	8%	2%	11%
Adjusted Net Profit Before Taxes	4%	8%	8%	2%	11%
EBITDA	14%	18%	18%	11%	13%
Taxes Paid	0%	0%	0%	0%	2%
Extraordinary Gain	0%	0%	0%	0%	0%
Extraordinary Loss	0%	0%	0%	0%	0%
Net Income	4%	8%	8%	2%	9%

Balance Sheet Data	12/31/2013	12/31/2014	12/31/2015	12/31/2016	Industry* (5017)
Cash (Bank Funds)	32%	32%	22%	22%	33%
Accounts Receivable	1%	3%	3%	4%	18%
Inventory	0%	0%	0%	0%	0%
Other Current Assets	1%	1%	1%	3%	3%
Total Current Assets	35%	36%	26%	29%	66%
Gross Fixed Assets	5%	6%	6%	5%	46%
Accumulated Depreciation	3%	2%	3%	3%	29%
Net Fixed Assets	2%	3%	3%	2%	17%
Gross Intangible Assets	0%	0%	0%	0%	13%

Accumulated Amortization	0%	0%	0%	0%	1%
Net Intangible Assets	0%	0%	0%	0%	3%
Other Assets	63%	61%	71%	69%	17%
Total Assets	100%	100%	100%	100%	100%
Accounts Payable	-70%	-65%	-64%	-69%	25%
Short Term Debt	0%	0%	0%	0%	0%
Notes Payable / Current Portion of Long Term Debt	0%	0%	0%	0%	1%
Other Current Liabilities	80%	77%	76%	82%	14%
Total Current Liabilities	11%	11%	12%	14%	51%
Notes Payable / Senior Debt	0%	0%	0%	0%	12%
Notes Payable / Subordinated Debt	0%	0%	0%	0%	1%
Other Long Term Liabilities	4%	10%	8%	8%	1%
Total Long Term Liabilities	4%	10%	8%	8%	26%
Total Liabilities	15%	21%	21%	22%	77%
Preferred Stock	0%	0%	0%	0%	0%
Common Stock	0%	0%	0%	0%	2%
Additional Paid-in Capital	77%	66%	62%	59%	6%
Other Stock / Equity	0%	0%	-1%	0%	-6%
Ending Retained Earnings	8%	13%	18%	19%	27%
Total Equity	85%	79%	79%	78%	23%
Total Liabilities + Equity	100%	100%	100%	100%	100%

*The industry common size figures shown above were taken from all private company data for companies with industry code 524210 for all years in all areas with yearly sales $1 million to $10 million.

Industry Scorecard

Financial Indicator	Current Period	Industry Range	Distance from Industry
Current Ratio = Total Current Assets / Total Current Liabilities	2.10	1.00 to 2.20	0.00%
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.			
Quick Ratio = (Cash + Accounts Receivable) / Total Current Liabilities	1.90	0.80 to 1.60	+18.75%
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.			
Net Profit Margin = Adjusted Net Profit before Taxes / Sales	2.36%	2.00% to 12.00%	0.00%
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.			
Interest Coverage Ratio = EBITDA / Interest Expense	--	6.00 to 15.00	--
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.			
Debt-to-Equity Ratio = Total Liabilities / Total Equity	0.27	1.50 to 4.00	+82.00%
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.			
Return on Equity = Net Income / Total Equity	2.27%	10.00% to 22.00%	-77.30%
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.			
Return on Assets = Net Income / Total Assets	1.78%	8.00% to 12.00%	-77.75%
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 = Sales / Gross Fixed Assets	13.79	5.00 to 14.00	0.00%
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 = Gross Profit / Sales	100.00%	85.00% to 98.00%	+2.04%
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).			

Debt Leverage Ratio = Total Liabilities / EBITDA	2.58	--	--
Explanation: This ratio measures a company's ability to repay debt obligations from annualized operating cash flow (EBITDA).			
Advertising to Sales = Advertising / Sales	2.19%	1.00% to 3.50%	0.00%
Explanation: This metric shows advertising expense for the company as a percentage of sales.			
Rent to Sales = Rent / Sales	2.89%	1.00% to 6.00%	0.00%
Explanation: This metric shows rent expense for the company as a percentage of sales.			
G & A Payroll to Sales = G & A Payroll Expense / Sales	56.80%	35.00% to 59.00%	0.00%
Explanation: This metric shows G & A payroll expense for the company as a percentage of sales.			
Total Payroll to Sales = (Direct Labor + G & A Payroll Expense) / Sales	56.80%	--	--
Explanation: This metric shows total payroll expense for the company as a percentage of sales.			

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.).