Industry Comparative Report

Real Wholesale Copier Company

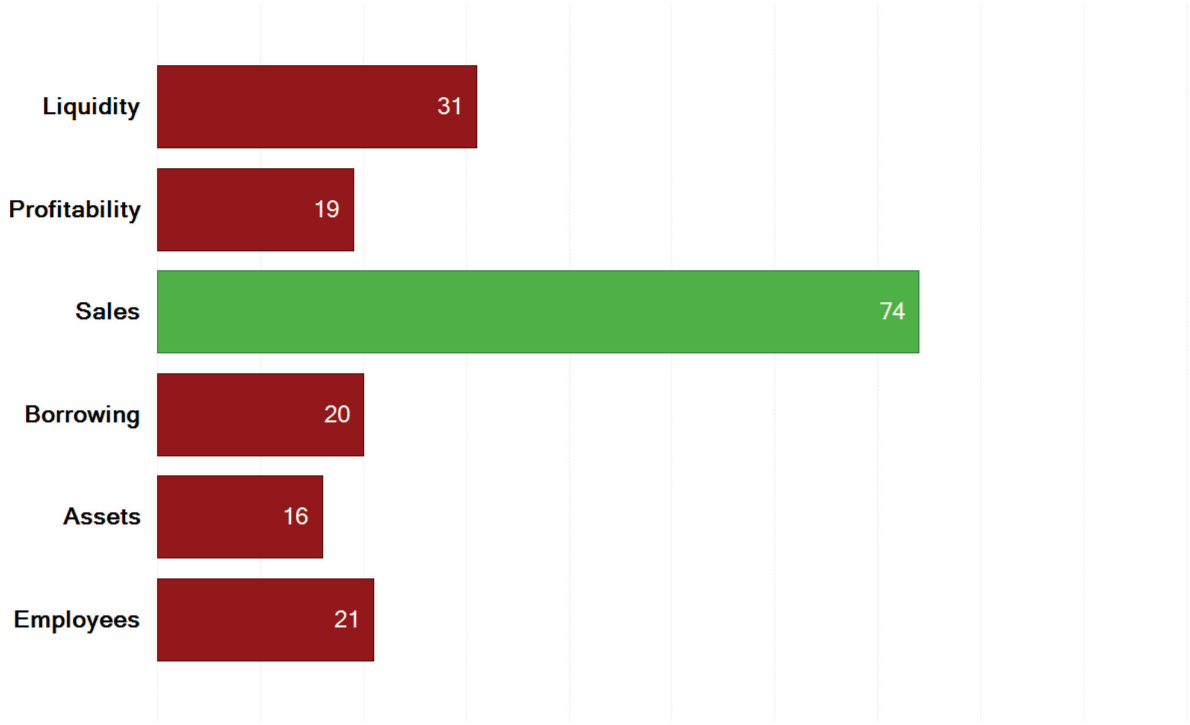
Provided By

Financial Score

Real Wholesale Copier Company, LLC Narrative Report

Industry: 423990 - Other Miscellaneous Durable Goods Merchant Wholesalers
Revenue: $10M - $50M
Periods: 12 months against the same 12 months from the previous year

Report Summary



Liquidity 31 out of 100

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

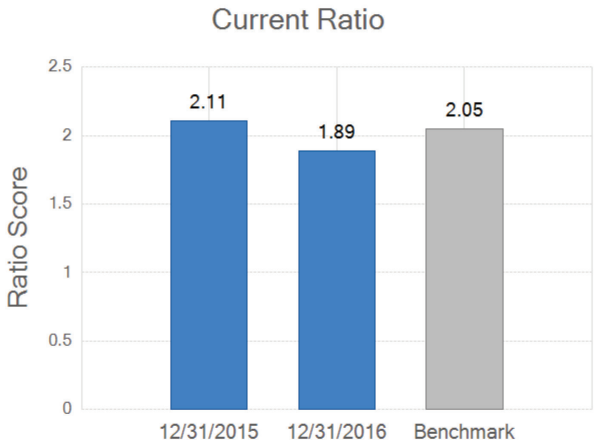
Operating Cash Flow Results
Cash flow from operations is positive this period, which is good but also unusual given that net profitability is weak. Cash flow is important here because liquidity conditions appear to be less than ideal, which will be discussed further below. It would be positive if the company could continue to generate positive cash flow to boost its short-term liquidity in particular; improving profitability results may provide a means for doing this.

General Liquidity Conditions
Like last period, the **liquidity position still seems weak** specifically because, **as of this specific time**, the company does not seem to have enough money invested in highly liquid accounts (like cash). More money may need to be invested in liquid accounts because these are the accounts from which all bills are paid. Also, the liquidity area has not improved much from last period. For example, the company's current ratio and quick ratio are relatively unchanged from last period. It's important to remember that liquidity is used to invest in the items that are important to net profitability.

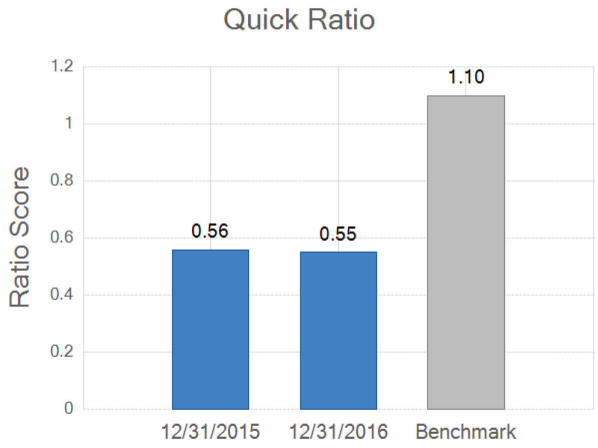
On this note, it may be difficult to make real headway in this area unless profits are made in the future. As will be discussed in the next section of the report, the company was unprofitable this period. Profits fund liquid asset accounts over time.

The company seems to be proficiently managing its receivables and payables. Both its accounts receivable days and accounts payable days statistics are lower than industry averages. Collecting receivables quickly can have a favorable effect on the cash account over time and paying bills/payables quickly is typically pleasing to creditors. It is also positive that the company may be able to extend its payment period as a source of financing, if need be.

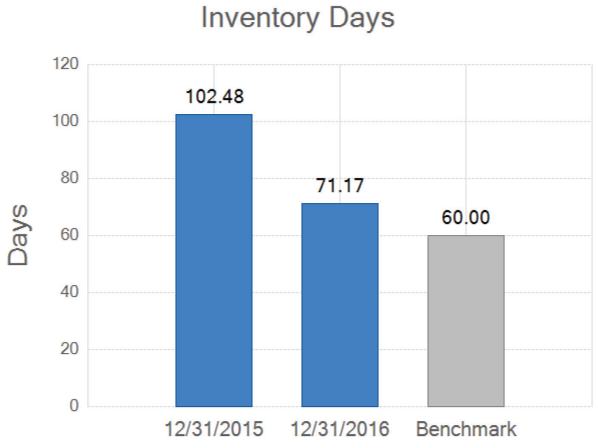
LIMITS TO LIQUIDITY ANALYSIS: Keep in mind that liquidity conditions are volatile, and this is a general analysis looking at a snapshot in time. Review this section, but do not overly rely on it.



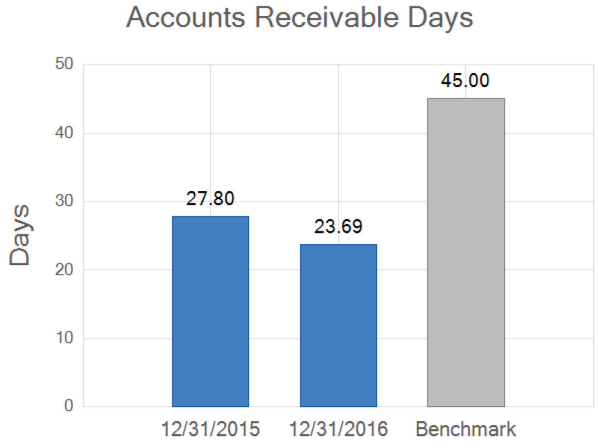
Generally, this metric measures the overall liquidity position of a company. It is certainly not a perfect barometer, but it is a good one. Watch for big decreases in this number over time. Make sure the accounts listed in "current assets" are collectible. The higher the ratio, the more liquid the company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



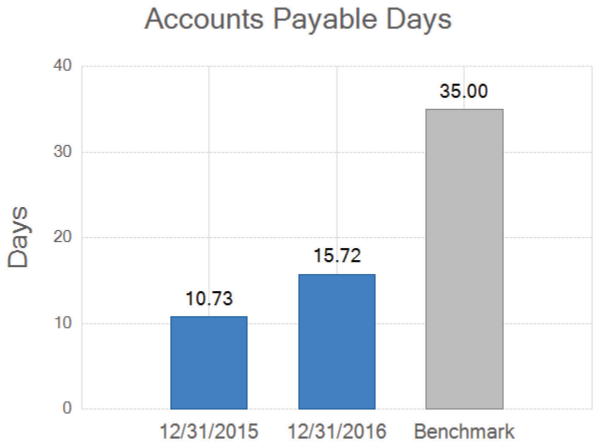
This is another good indicator of liquidity, although by itself, it is not a perfect one. If there are receivable accounts included in the numerator, they should be collectible. Look at the length of time the company has to pay the amount listed in the denominator (current liabilities). The higher the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

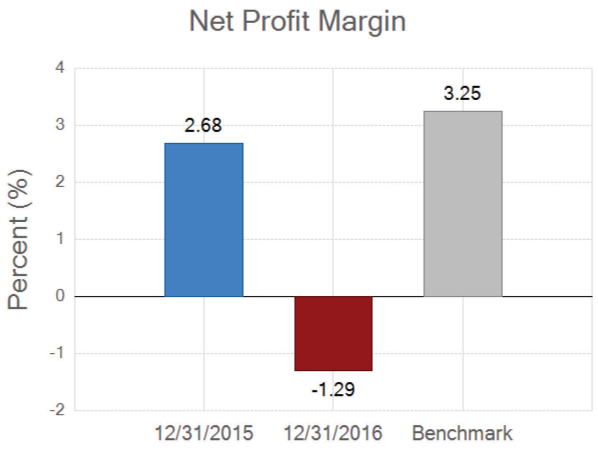
Profits & Profit Margin 19 out of 100

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

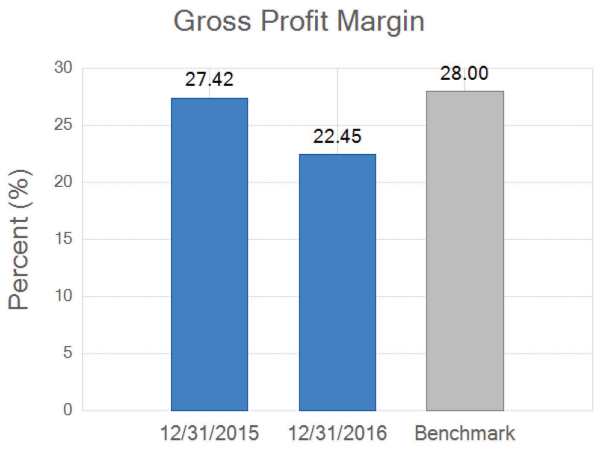
Something seems out of line in the gross margin area, and needs attention. Even though sales grew, gross profits (in dollars) actually fell by 12.07%. This means that the costs of sales are canceling out sales dollars -- they have risen at a much faster rate than sales. When net profit margins are generally weak, the company needs excellent management of sales dollars.

The other issue here is that net profitability and net margins have also fallen. Furthermore, keep in mind that net margins are weak right now. The company's challenge is to increase sales, but also to improve the bottom line. Increasing sales is important, but will not really help the company if the additional volume is canceled out by significantly higher costs of sales.

In summary, the company's performance is rather weak this period. It needs improved net profitability and net margins in the future. Finally, the company might want to consider what the optimal sales range might be. It is generally unusual to generate more volume and lose margin and profitability in the long run. The company may need to assess where its efficiency is maximized on the sales curve -- think of where it would bring in the most profitability. It does not appear that this point is at the current sales level.



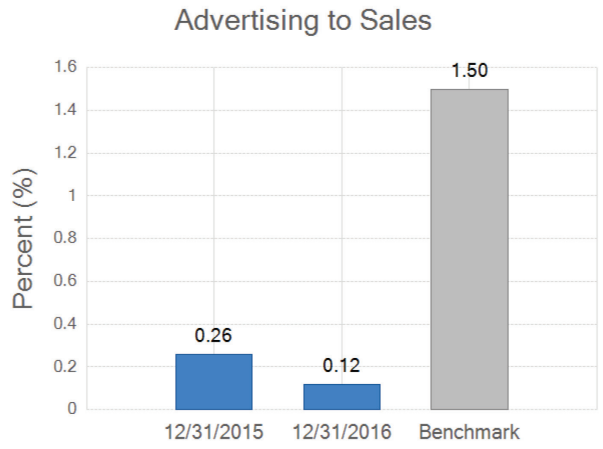
This is an important metric. In fact, over time, it is one of the more important barometers that we look at. It measures how many cents

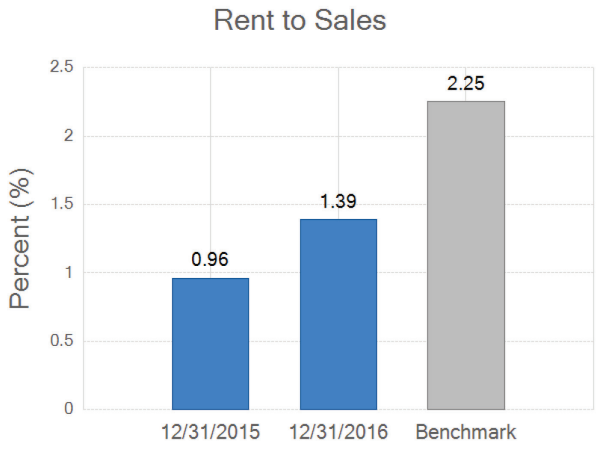


This number indicates the percentage of sales revenue that is not paid out in direct costs (costs of sales). It is an important statistic

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.

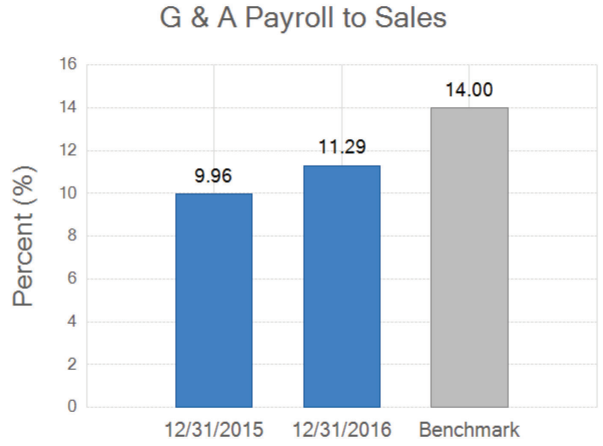
that can be used in business planning because it indicates how many cents of gross profit can be generated by each dollar of future sales. Higher is normally better (the company is more efficient).

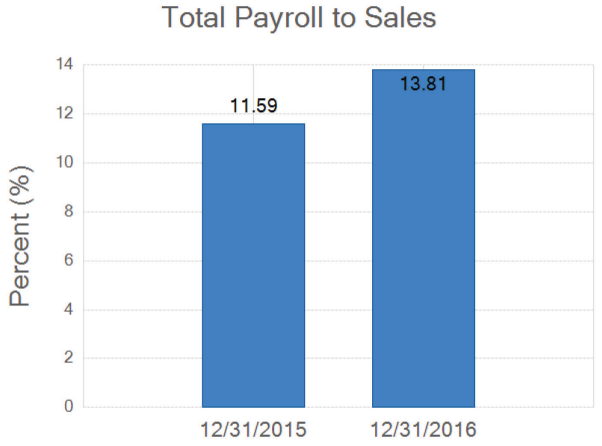




This metric shows advertising expense for the company as a percentage of sales.

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 74 out of 100

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

A positive result is that sales have grown by 7.41% this period. However, the company's fixed asset and employee levels have both increased at a faster rate than sales. Companies prefer to see increases in assets and employees leverage even higher **rates** of sales increases over time. For example, if sales increases are outpaced by asset increases over time, "asset turns" (the amount of revenue driven through each dollar of fixed assets) will tend to fall, which is not good. This is something to keep in mind. However, it would be a mistake to draw too many conclusions from these general results. In general, **sales activities are only important in how they affect profitability -- the bottom line.**

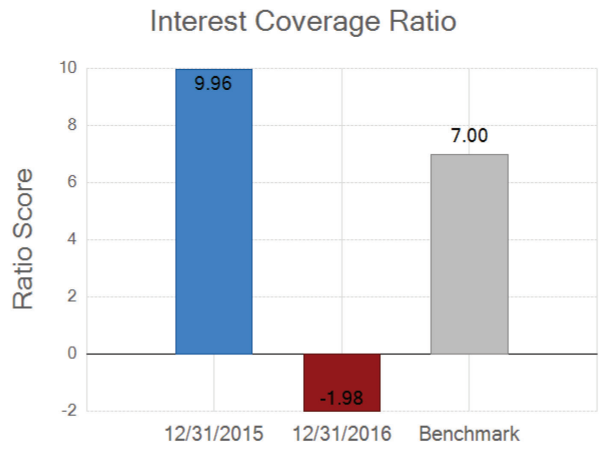
Borrowing 20 out of 100

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

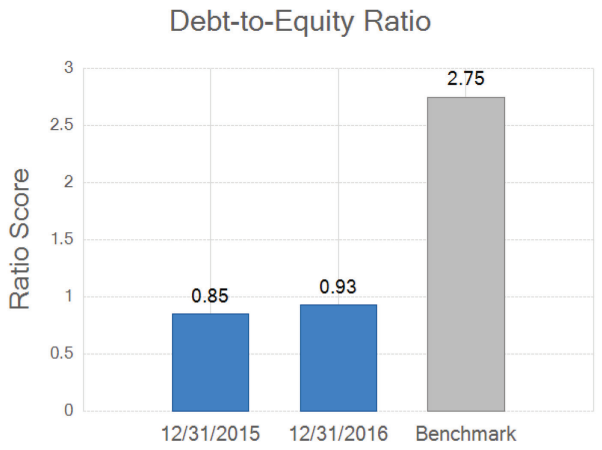
The purpose of using debt is to improve profitability. If this can be accomplished, the company can "trade on equity" -- the company can improve returns on the business (improve returns on equity). This is often easy to understand but difficult to do. For example, the issue here is that total debt stayed about the same as last period, but

profitability decreased by 151.75%. It is also worth noting the decline in net profit margins. It is typically best to improve the amount of profitability generated on existing debt resources over time. Even though these results did not diminish the overall liquidity position, the dynamics here are still not favorable for this specific period.

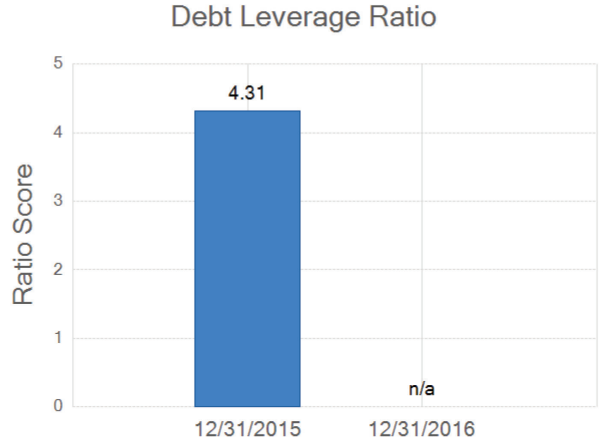
Basically, the company's overall score in this area does not compare well to the industry. It does not seem to be generating enough earnings (before interest and non-cash expenses) relative to interest expenses, even with a low level of debt (compared to equity) on its Balance Sheet. The company may want to focus some of its attention on earnings, as this is the likely source of the problem. In summary, both the trend and coverage ratios are not very good for this area.



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).

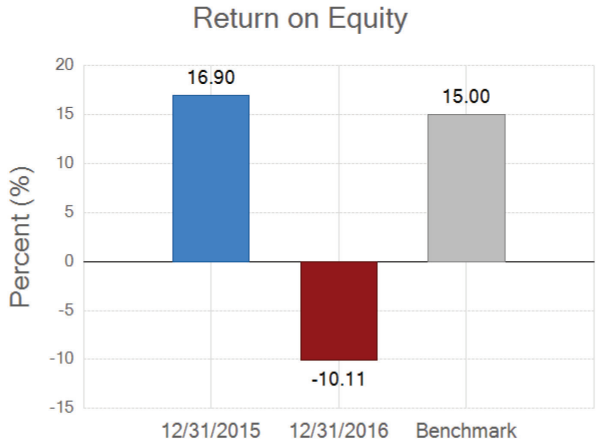
Assets 16 out of 100

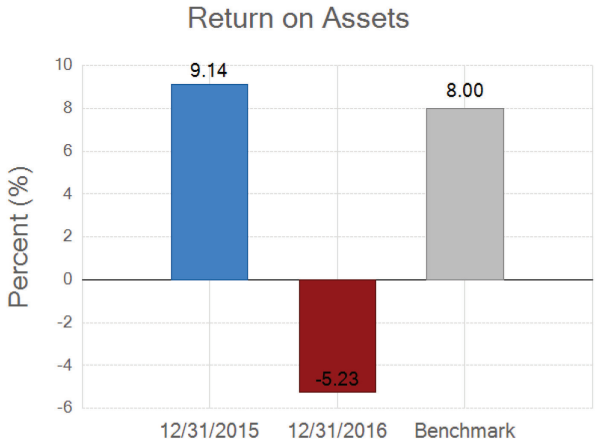
A measure of how effectively the company is utilizing its gross fixed assets.

The goal of increasing a resource in a business is to improve profitability. In this case, the company added fixed assets, but those assets have yet to improve profitability. In fact, profitability is down from last period. This is a bit concerning, especially given the lower profit margins mentioned earlier. Generally, it is expected to see net margins (a measure of efficiency) improve as resources such as assets are added. Since assets represent a bundled

cost that must be paid for over time, they must generate adequate returns in the form of improved profitability to justify bringing them in.

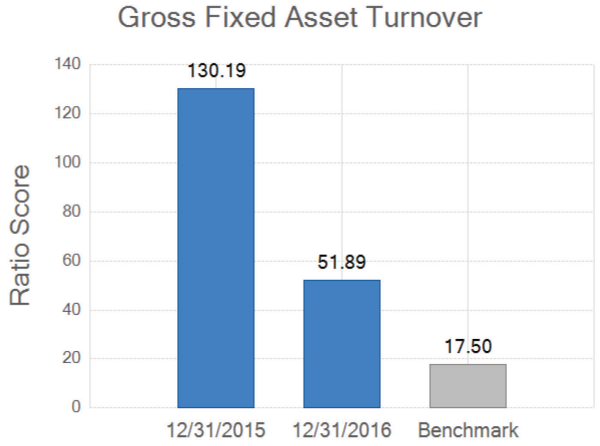
Finally, notice that the company generated a relatively poor return on assets and equity this period, which is a negative result for investors and creditors. It may be important for the company to improve this area in the future, because assets generally are costs that the company expects to get monetary 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.

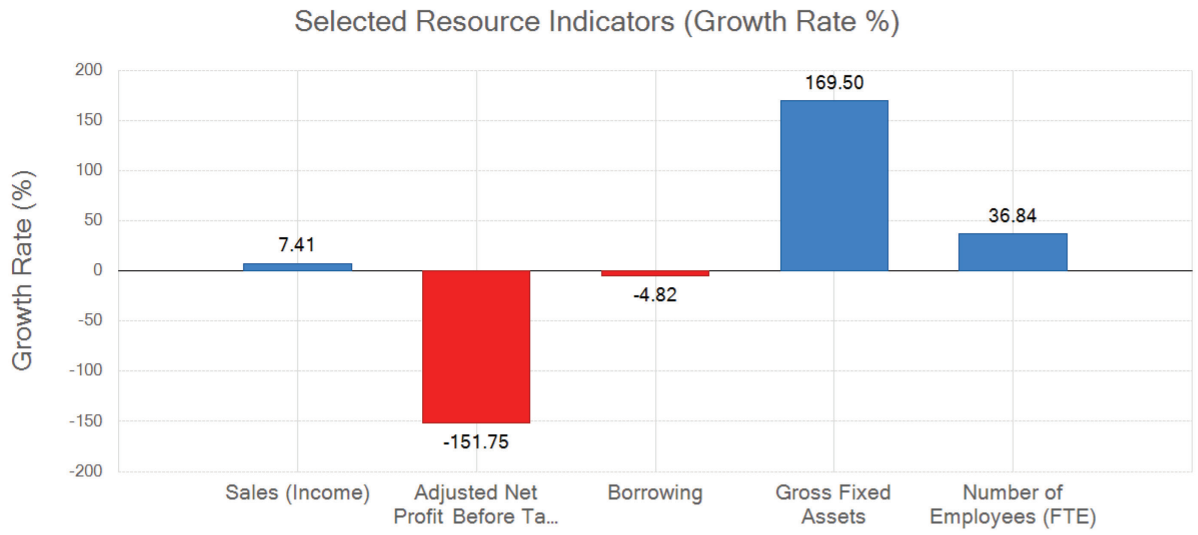
Employees 21 out of 100

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

The company hired a significant amount of people this period, and net profitability has fallen. Unless this is part of a strategic plan to hire people who will add future profitability, these results are generally unfavorable. The company **may** want to freeze hiring, or make sure that all new employees will contribute directly to profitability. Since hiring takes time and resources, it needs to result in improved profitability over the long run. **This is especially true here because the company has also been buying assets, which are yet another form of cost.**

On a more general note, while the methods used here are based on traditional financial analysis, financial analysis is generally limited because it looks backward, not forward. Good hiring decisions are based on an analysis of future conditions, not on what has happened already. This is a real limitation, which should be noted by the reader.

"I criticize by creation -- not by finding fault." -- Cicero



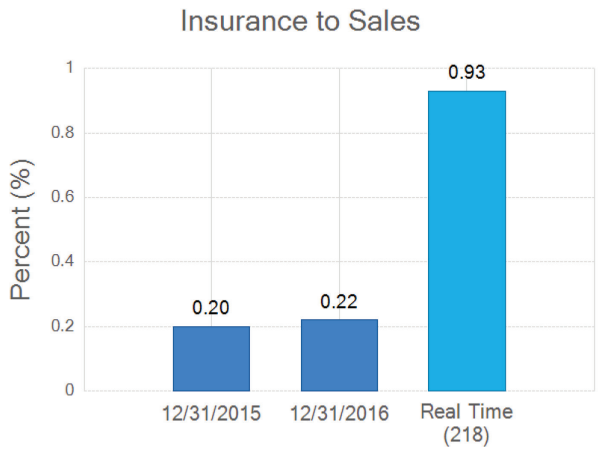
This data is based on the two most recent available periods.

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.

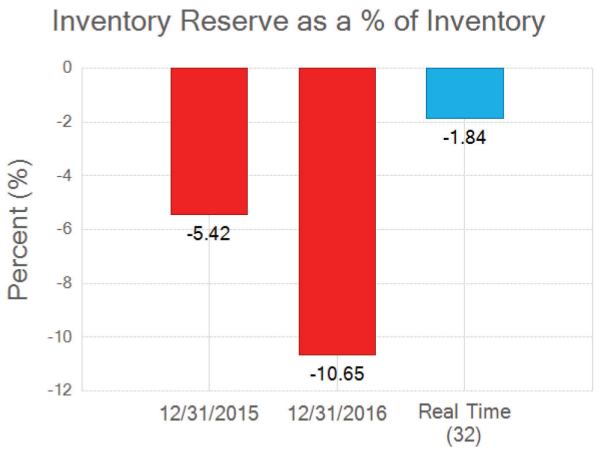
Industry-Specific Performance Ratios

What are the Key Performance Indicators for the business?

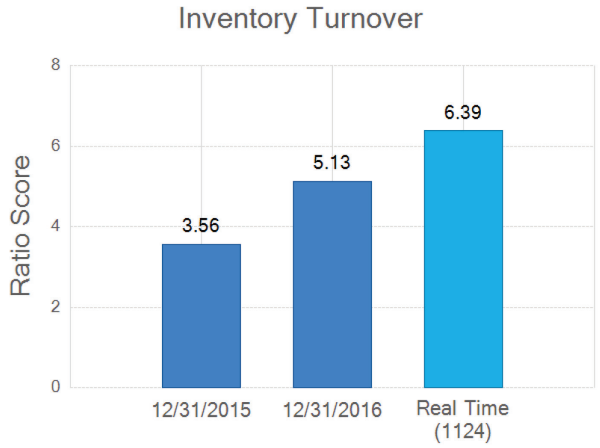
This section of the report provides **Key Performance Indicators** (or KPIs) for the business being analyzed, and they are specific to the business's industry and revenue. Track these KPIs over time and compare them to the industry averages to identify areas where the business might be able to improve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



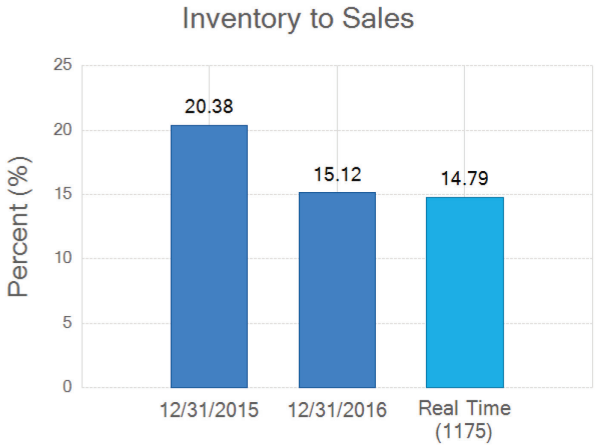
Insurance to Sales = Insurance / Sales



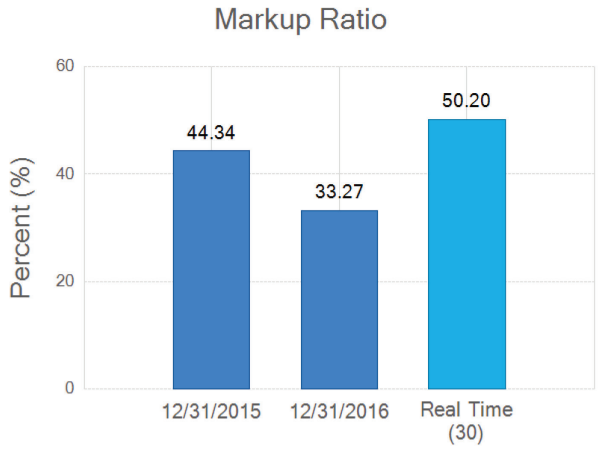
Inventory Reserve as a % of Inventory = (Inventory Reserve / Inventory) * -1



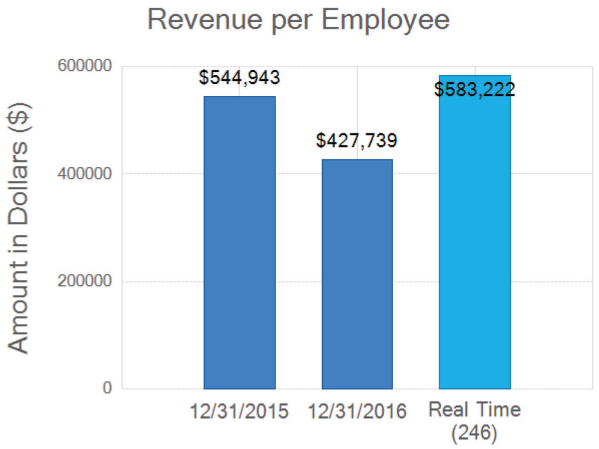
Inventory Turnover = Cost of Goods Sold / Inventory



Inventory to Sales = Inventory / Sales



Markup Ratio = (Sales - Purchases for Resale) / Purchases for Resale



Revenue per Employee = Sales / Employees

Raw Data

Income Statement Data	12/31/2015	12/31/2016
Sales (Income)	$20,707,820	$22,242,424
Cost of Sales (COGS)	$15,029,499	$17,249,236
Depreciation (COGS-related)	$2,918	$0
Purchases for Resale	$14,346,741	$16,689,575
Direct Materials	$0	$0
Direct Labor	$338,186	$559,661
Gross Profit	$5,678,321	$4,993,188
Gross Profit Margin	27.42%	22.45%
Depreciation	$21,786	$32,534
Amortization	$2,354	$4,870
Overhead or S,G,& A Expenses	$2,377,436	$5,159,255
G & A Payroll Expense	$2,061,803	$2,512,217
Rent	$198,137	$308,819
Advertising	$54,432	$26,655
Insurance	$41,998	$49,421
Bad Debts	$21,066	$51,631
Other Operating Income	$0	$0
Other Operating Expenses	$2,662,253	$0
Operating Profit	$614,492	($203,471)
Interest Expense	$64,990	$84,002
Other Income	$6,000	$0
Other Expenses	$0	$0
Net Profit Before Taxes	$555,502	($287,473)
Adjusted Net Profit Before Taxes	$555,502	($287,473)
Net Profit Margin	2.68%	-1.29%
EBITDA	$647,550	($166,067)
Taxes Paid	$0	$0
Extraordinary Gain	$0	$0
Extraordinary Loss	$0	$0
Net Income	$555,502	($287,473)
Balance Sheet Data	**12/31/2015**	**12/31/2016**
Cash (Bank Funds)	$0	$15,977
Accounts Receivable	$1,577,416	$1,443,583
Allowance for Doubtful Accounts	$26,586	$82,558
Inventory	$4,219,607	$3,363,578
Inventory Reserve	$228,781	$358,230
Other Current Assets	$90,283	$197,241
Total Current Assets	$5,887,306	$5,020,379
Gross Fixed Assets	$159,054	$428,649
Accumulated Depreciation	$68,125	$100,659
Net Fixed Assets	$90,929	$327,990
Gross Intangible Assets	$99,612	$106,329
Accumulated Amortization	$6,984	$11,854
Net Intangible Assets	$92,628	$94,475
Other Assets	$9,097	$57,539
Total Assets	$6,079,960	$5,500,383
Accounts Payable	$442,003	$743,036
Short Term Debt	$2,077,504	$1,840,801
Notes Payable / Current Portion of Long Term Debt	$0	$0
Other Current Liabilities	$272,870	$73,918
Total Current Liabilities	$2,792,377	$2,657,755

Notes Payable / Senior Debt	$0	$0
Notes Payable / Subordinated Debt	$0	$0
Other Long Term Liabilities	$0	$0
Total Long Term Liabilities	$0	$0
Total Liabilities	$2,792,377	$2,657,755
Preferred Stock	$0	$0
Common Stock	$0	$0
Additional Paid-in Capital	$0	$0
Other Stock / Equity	$0	$0
Ending Retained Earnings	$3,287,583	$2,842,628
Total Equity	$3,287,583	$2,842,628
Total Liabilities + Equity	$6,079,960	$5,500,383
Number of Employees (FTE)	38.0	52.0

Common Size Statements

Income Statement Data	**12/31/2015**	**12/31/2016**	**Industry* (1945)**
Sales (Income)	100%	100%	100%
Cost of Sales (COGS)	73%	78%	70%
Depreciation (COGS-related)	0%	0%	2%
Purchases for Resale	69%	75%	68%
Direct Materials	0%	0%	61%
Direct Labor	2%	3%	6%
Gross Profit	27%	22%	30%
Depreciation	0%	0%	0%
Amortization	0%	0%	0%
Overhead or S,G,& A Expenses	11%	23%	22%
G & A Payroll Expense	10%	11%	12%
Rent	1%	1%	2%
Advertising	0%	0%	1%
Insurance	0%	0%	1%
Bad Debts	0%	0%	0%
Other Operating Income	0%	0%	0%
Other Operating Expenses	13%	0%	2%
Operating Profit	3%	-1%	5%
Interest Expense	0%	0%	1%
Other Income	0%	0%	0%
Other Expenses	0%	0%	0%
Net Profit Before Taxes	3%	-1%	4%
Adjusted Net Profit Before Taxes	3%	-1%	4%
EBITDA	3%	-1%	5%
Taxes Paid	0%	0%	1%
Extraordinary Gain	0%	0%	0%
Extraordinary Loss	0%	0%	0%
Net Income	3%	-1%	3%
Balance Sheet Data	**12/31/2015**	**12/31/2016**	**Industry* (1945)**
Cash (Bank Funds)	0%	0%	5%
Accounts Receivable	26%	26%	34%
Allowance for Doubtful Accounts	0%	2%	0%
Inventory	69%	61%	40%
Inventory Reserve	4%	7%	2%
Other Current Assets	1%	4%	3%

Total Current Assets	97%	91%	84%
Gross Fixed Assets	3%	8%	26%
Accumulated Depreciation	1%	2%	15%
Net Fixed Assets	1%	6%	11%
Gross Intangible Assets	2%	2%	0%
Accumulated Amortization	0%	0%	0%
Net Intangible Assets	2%	2%	0%
Other Assets	0%	1%	4%
Total Assets	100%	100%	100%
Accounts Payable	7%	14%	22%
Short Term Debt	34%	33%	3%
Notes Payable / Current Portion of Long Term Debt	0%	0%	1%
Other Current Liabilities	4%	1%	13%
Total Current Liabilities	46%	48%	50%
Notes Payable / Senior Debt	0%	0%	5%
Notes Payable / Subordinated Debt	0%	0%	0%
Other Long Term Liabilities	0%	0%	1%
Total Long Term Liabilities	0%	0%	15%
Total Liabilities	46%	48%	65%
Preferred Stock	0%	0%	0%
Common Stock	0%	0%	1%
Additional Paid-in Capital	0%	0%	0%
Other Stock / Equity	0%	0%	2%
Ending Retained Earnings	54%	52%	24%
Total Equity	54%	52%	35%
Total Liabilities + Equity	100%	100%	100%

*The industry common size figures shown above were taken from all private company data for companies with industry code 423990 for all years in all areas with yearly sales $10 million to $50 million.

Industry Scorecard

Financial Indicator	Current Period	Industry Range	Distance from Industry
Current Ratio = Total Current Assets / Total Current Liabilities	1.89	1.50 to 2.60	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	0.55	0.80 to 1.40	-31.25%
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	-1.29%	0.50% to 6.00%	-358.00%
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.			
Inventory Days = (Inventory / COGS) * 365	71.17 Days	40.00 to 80.00 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.			
Accounts Receivable Days = (Accounts Receivable / Sales) * 365	23.69 Days	30.00 to 60.00 Days	+21.03%
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.			
Accounts Payable Days = (Accounts Payable / COGS) * 365	15.72 Days	20.00 to 50.00 Days	+21.40%
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.			
Interest Coverage Ratio = EBITDA / Interest Expense	-1.98	4.00 to 10.00	-149.50%
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.			
Debt-to-Equity Ratio = Total Liabilities / Total Equity	0.93	1.50 to 4.00	+38.00%
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	-10.11%	8.00% to 22.00%	-226.38%
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	-5.23%	6.00% to 10.00%	-187.17%
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	51.89	10.00 to 25.00	+107.56%
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	22.45%	20.00% to 36.00%	0.00%
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	--	--	--
Explanation: This ratio measures a company's ability to repay debt obligations from annualized operating cash flow (EBITDA).			
Advertising to Sales = Advertising / Sales	0.12%	0.50% to 2.50%	+76.00%
Explanation: This metric shows advertising expense for the company as a percentage of sales.			
Rent to Sales = Rent / Sales	1.39%	0.50% to 4.00%	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	11.29%	8.00% to 20.00%	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	13.81%	--	--
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.).