Industry Comparative Report

Real Wholesale Jewelry Company

Provided By

B2B CFO®

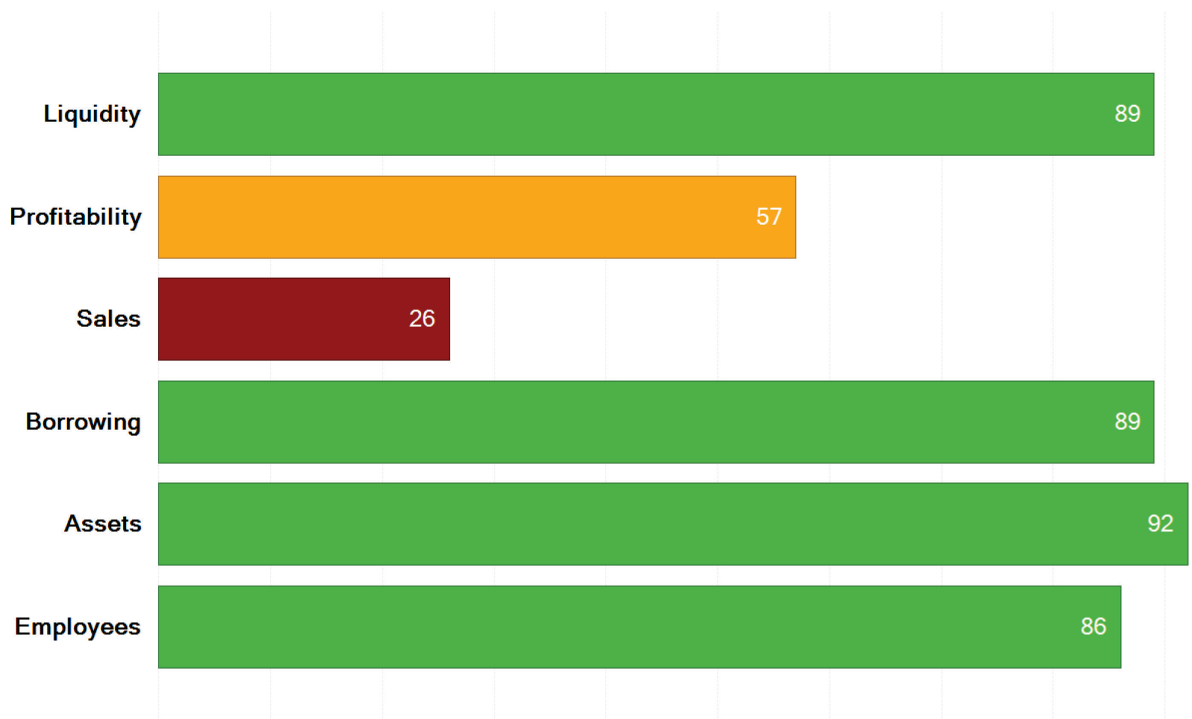
SINCE 1987

Financial Score

Real Wholesale Jewelry Company Narrative Report

Industry: 424990 - Other Miscellaneous Nondurable Goods Merchant Wholesalers
Revenue: $1M - $10M
Periods: 12 months against the same 12 months from the previous year

Report Summary



Liquidity 89 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 this period. This is particularly good when combined with the strong overall liquidity results, which will be discussed in more depth below. Ultimately, cash flow will drive long-run liquidity for almost any company.

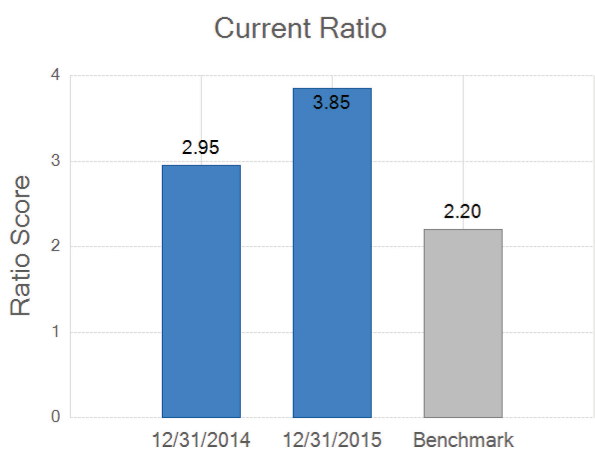
General Liquidity Conditions
Despite lower sales than last period, the company has had very positive results in this area. What does this mean? Net income and net margins are up, and all areas of liquidity look strong at this specific time. Better, all liquidity indicators have risen from last period, as depicted in the graph area of the report. For example, notice in the graph area that the company's "current" and "quick" ratios are strong **and** have risen. This indicates that both the scope and composition of the liquidity base are sound (as of this **particular** time). Basically, the company is doing well, even when compared to the competition. When we examine profitability in a subsequent section, we'll realize even more fully the benefits that a strong liquidity position can yield. If the company can maintain this strong position over

time, management may be able to invest in the expense items that can help propel future profits. **Present** liquidity should help propel **future** net profitability.

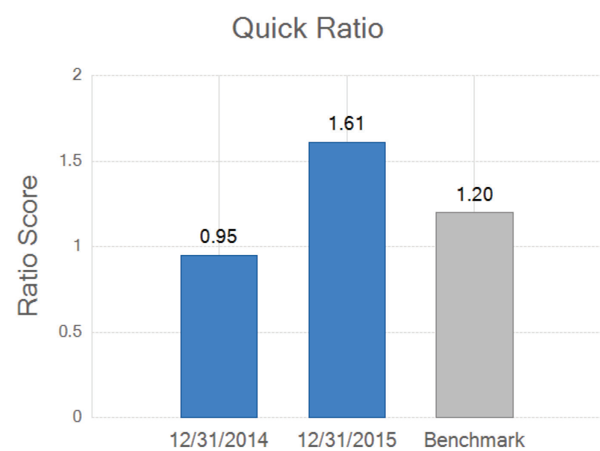
It's also interesting to note that lower sales volume has coincided with better liquidity, which is typically true when the company can still improve net income/profits.

It should also be noted that the major liquidity "turn" ratios seem to be in line with industry averages. Specifically, accounts receivable, accounts payable, and inventory days ratios are all in a normal range. All of these tend to have a substantial effect on the cash account specifically.

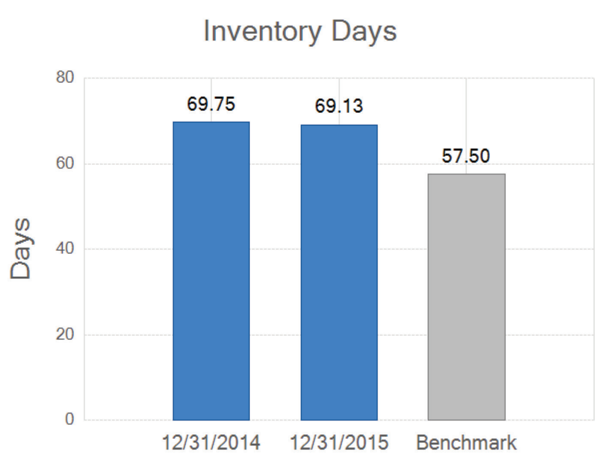
LIMITS TO LIQUIDITY ANALYSIS: Keep in mind that liquidity conditions are volatile, and this is a general analysis looking at a snapshot in time. Review this section, but do not overly rely on it.



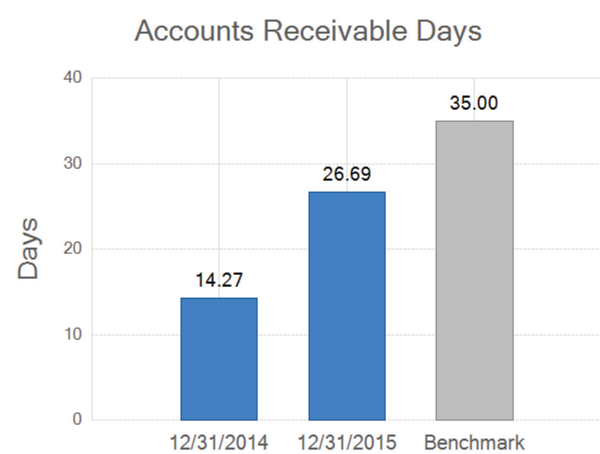
Generally, this metric measures the overall liquidity position of a company. It is certainly not a perfect barometer, but it is a good one. Watch for big decreases in this number over time. Make sure the accounts listed in "current assets" are collectible. The higher the ratio, the more liquid the company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



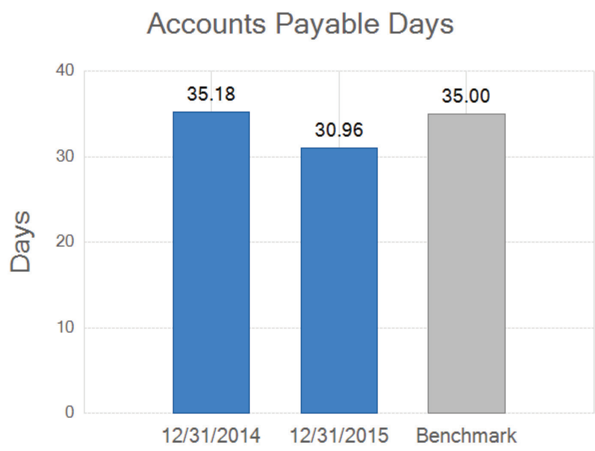
This is another good indicator of liquidity, although by itself, it is not a perfect one. If there are receivable accounts included in the numerator, they should be collectible. Look at the length of time the company has to pay the amount listed in the denominator (current liabilities). The higher the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

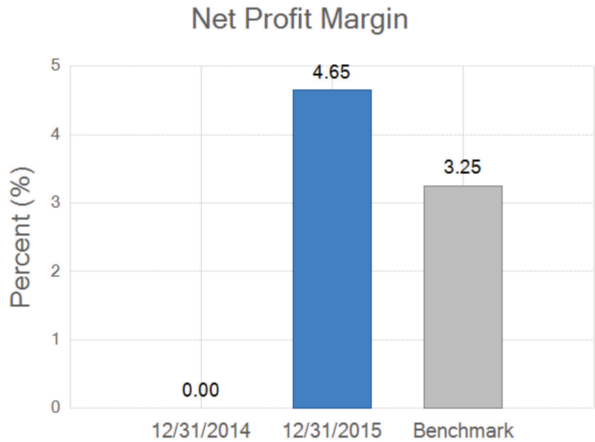
Profits & Profit Margin 57 out of 100

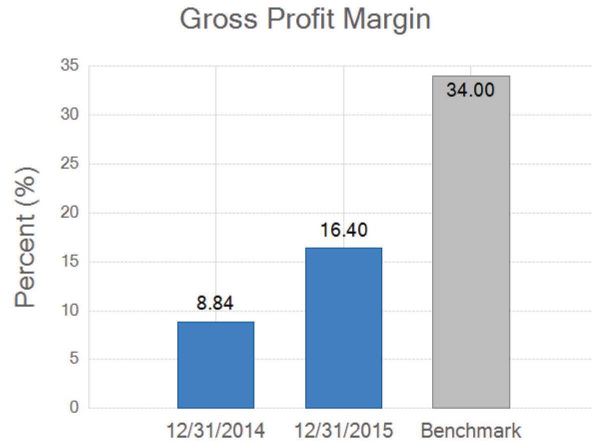
A measure of whether the trends in profit are favorable for the company.

Although its sales have fallen since last period, the company has performed well in the profitability area, as the net profit margin has increased this period by 1,481,971.04%. The company's net profits in dollars are up significantly as well. It is slightly unusual to see virtually all profitability indicators improving as sales fall. Although companies prefer to see higher sales over the long run, in certain cases lower sales coupled with higher profits is a favorable combination. The rationale here is that lower sales are easier for a company to support. The company is basically operating more efficiently than last period.

The company's net profit margin is currently about average for the industry, and it has increased from last period. This is depicted in the graph area of the report. The growth in net profit margin is a positive result; if the company can continue this growth, it may be able to become a top performer in this industry, and gain a competitive advantage over other firms. A good long-term goal is to earn consistently higher net profits (as measured by the net profit margin) than other similar companies in the industry. In order to achieve this, the company will want to raise profitability over time.

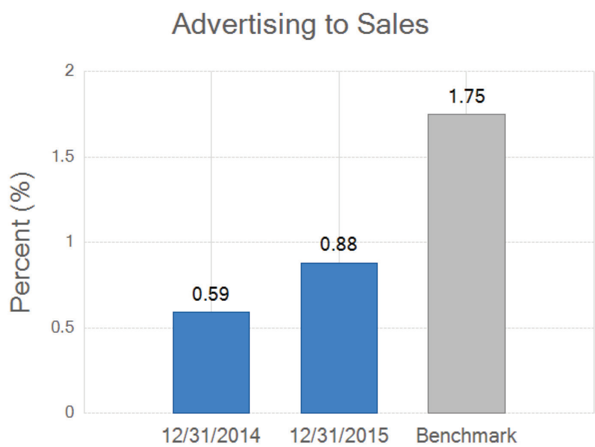
Before ending the analysis, note that it is also quite pleasing to see higher gross margins. This means that the company is managing its cost of sales well -- a key barometer of managerial effectiveness. Basically, the cost of sales (direct costs) fell in proportion to each dollar that the company sold. This allowed the company to push more gross profit dollars through the business even though sales fell. If the company can keep managing its costs of sales well and raise sales over time, net profits will move up with the top performers in the industry.

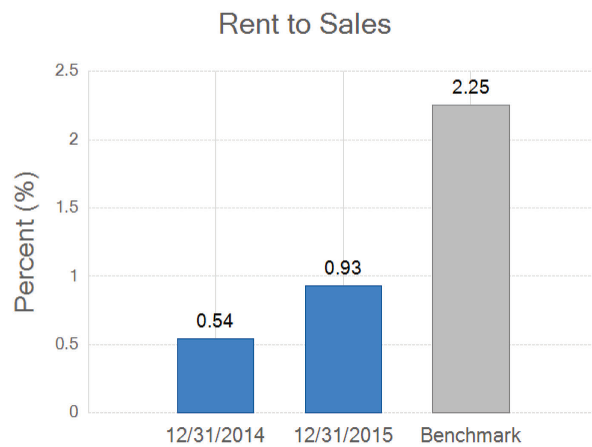




This is an important metric. In fact, over time, it is one of the more important barometers that we look at. It measures how many cents of profit the company is generating for every dollar it sells. Track it carefully against industry competitors. This is a very important number in preparing forecasts.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

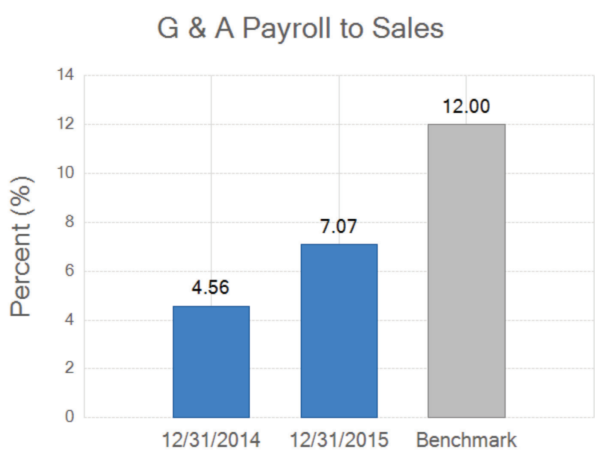
This number indicates the percentage of sales revenue that is not paid out in direct costs (costs of sales). It is an important statistic that can be used in business planning because it indicates how many cents of gross profit can be generated by each dollar of future sales. Higher is normally better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

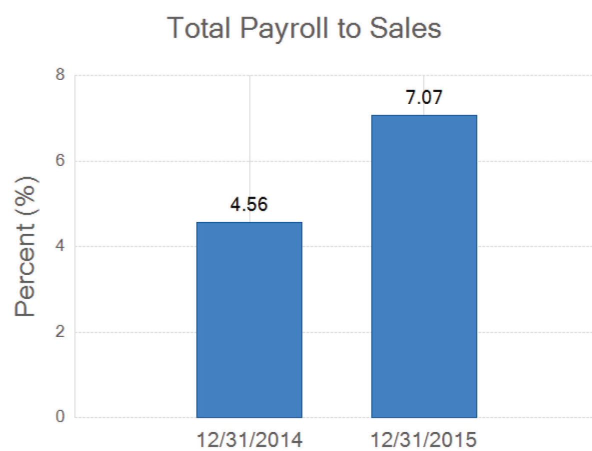




This metric shows advertising expense for the company as a percentage of sales.

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 26 out of 100

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

The company's sales have fallen this period, while fixed assets remained relatively stable. This dynamic could negatively affect net profitability if sales continue to fall in the future. Typically, companies want to see revenue increasing over time; this is true because the cost of business continually increases, no matter what the inflation rate is. Of course, as mentioned in the previous section, managers will want to look for longer-term results in this area -- profitability is more important than sales generally.

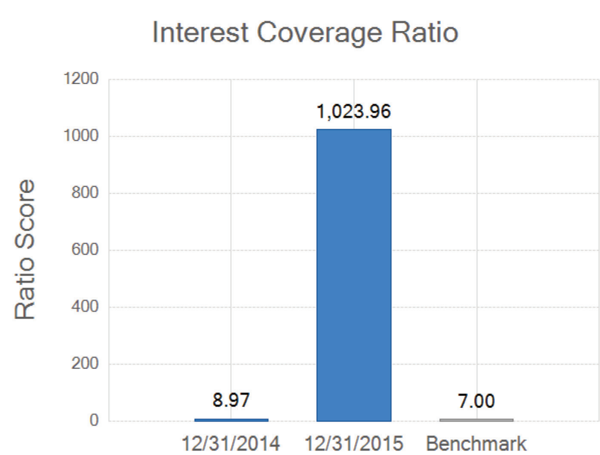
Borrowing 89 out of 100

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

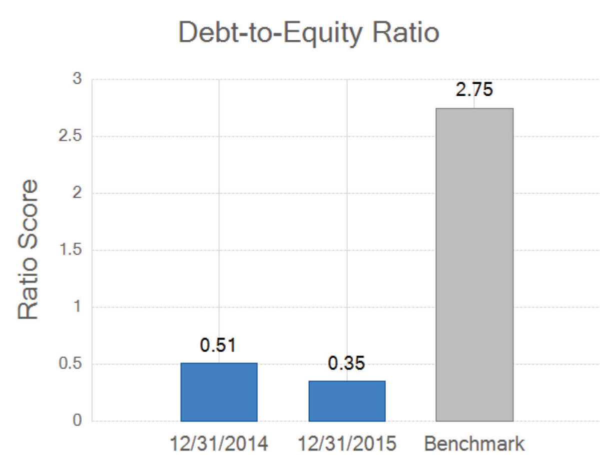
Net profitability improved by 1,244,040.54% while debt was lowered. In other words, a reduction in total debt coincided with improved profitability, at least for this period. Not only this, but the net profit margins and overall liquidity actually improved. This is a very good situation -- profitability 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.

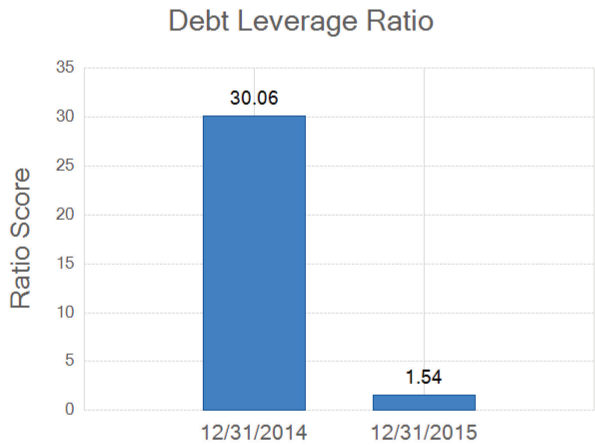
Capacity planning is a challenge here. This involves simply thinking out into the future: how long can profitability improve without increasing borrowing? Analyzing the relationship between investments in resources (such as assets) and profitability improvement, as well as effectively forecasting sales 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.



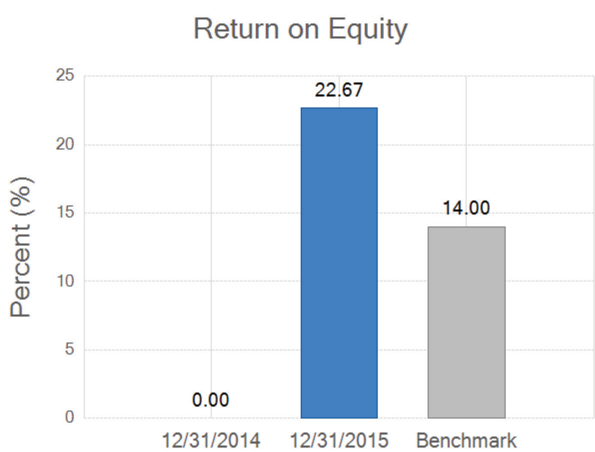
This ratio measures a company's ability to repay debt obligations from annualized operating cash flow (EBITDA).

Assets 92 out of 100

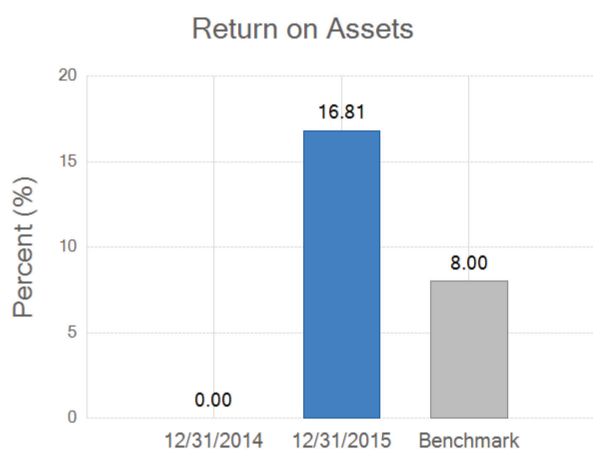
A measure of how effectively the company is utilizing its gross fixed assets.

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.

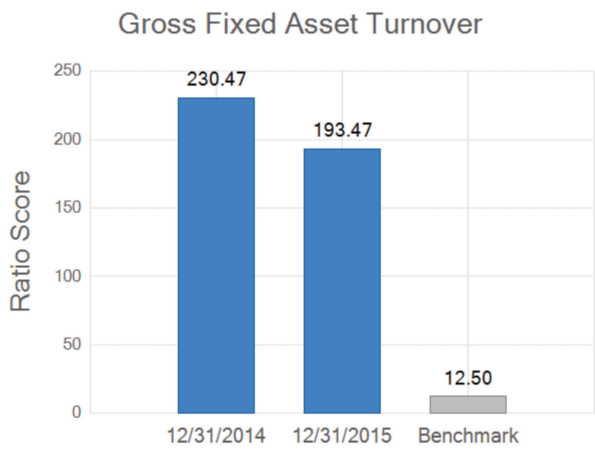
It is also positive to see above average returns on assets and equity, since these metrics are of critical importance to external and internal investors. The fixed asset ratio of the company is high as well, which means that the company is driving an adequate amount of revenue through each dollar invested in fixed assets.



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.



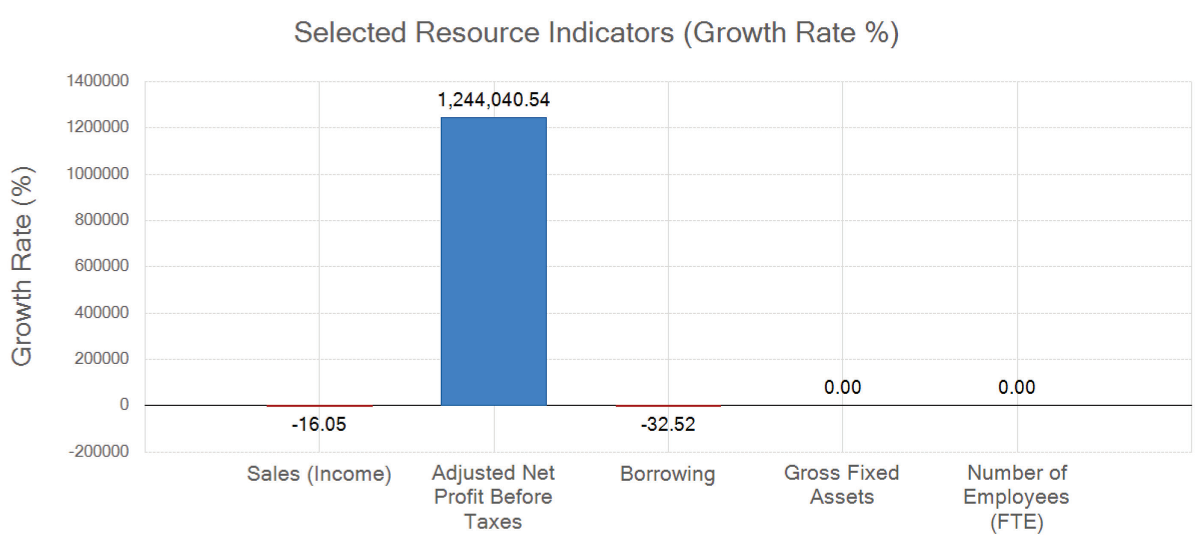
This asset management ratio shows the multiple of annualized sales that each dollar of gross fixed assets is producing. This indicator measures how well fixed assets are "throwing off" sales and is very important to businesses that require significant investments in such assets. Readers should not emphasize 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 86 out of 100

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

This company has done strong work with respect to its employees. Net profitability has improved significantly, and the company has done this with relatively the same employee and asset bases. Essentially, this means that the company's resources are being managed more effectively. It also means that the key to success (at least in the short run) may be "off the books" -- that profitability may be driven by factors other than assets or employees. Both the company's assets and employee base stayed relatively flat -- the company did not require much more of either to improve net profitability. To put it simply, the company is now driving more profitability through its existing resources, which is excellent.

Managers should think about how net profitability improved without increasing assets or employees. This may be the way the company will want to expand in the short run because it will generally **not** involve the larger expenses incurred when hiring employees or purchasing fixed assets.



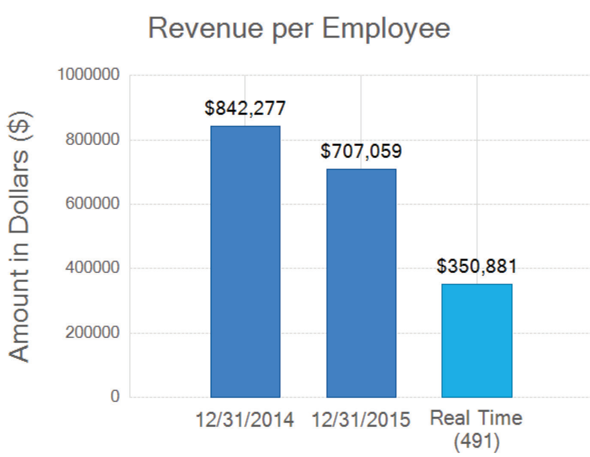
This data is based on the two most recent available periods.

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.



Revenue per Employee = Sales / Employees

Raw Data

Income Statement Data	12/31/2014	12/31/2015
Sales (Income)	$11,791,880	$9,898,821
Cost of Sales (COGS)	$10,749,317	$8,275,246
Depreciation (COGS-related)	$0	$0
Direct Materials	$0	$0
Direct Labor	$0	$0
Gross Profit	$1,042,563	$1,623,575
Gross Profit Margin	8.84%	16.40%
Depreciation	$30,949	$0
Amortization	$0	$0
Overhead or S,G,& A Expenses	$1,007,689	$1,162,793
G & A Payroll Expense	$537,572	$699,940
Rent	$63,313	$91,625
Advertising	$69,286	$86,887
Other Operating Income	$0	$0
Other Operating Expenses	$0	$0
Operating Profit	$3,925	$460,782
Interest Expense	$3,888	$450
Other Income	$0	$0
Other Expenses	$0	$0
Net Profit Before Taxes	$37	$460,332
Adjusted Net Profit Before Taxes	$37	$460,332
Net Profit Margin	0.00%	4.65%
EBITDA	$34,874	$460,782
Taxes Paid	$0	$0
Extraordinary Gain	$0	$0
Extraordinary Loss	$0	$0
Net Income	$37	$460,332
Balance Sheet Data	**12/31/2014**	**12/31/2015**
Cash (Bank Funds)	$537,619	$415,167
Accounts Receivable	$461,015	$723,847
Inventory	$2,054,233	$1,567,202
Other Current Assets	$43,318	$18,570
Total Current Assets	$3,096,185	$2,724,786
Gross Fixed Assets	$51,164	$51,164
Accumulated Depreciation	$51,164	$51,164
Net Fixed Assets	$0	$0
Gross Intangible Assets	$0	$0
Accumulated Amortization	$0	$0
Net Intangible Assets	$0	$0
Other Assets	$13,089	$13,089
Total Assets	$3,109,274	$2,737,875
Accounts Payable	$1,036,193	$701,941
Short Term Debt	$0	$0
Notes Payable / Current Portion of Long Term Debt	$0	$0
Other Current Liabilities	$12,087	$5,476
Total Current Liabilities	$1,048,280	$707,417
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	$1,048,280	$707,417

Preferred Stock	$0	$0
Common Stock	$1,000	$1,000
Additional Paid-in Capital	$154,098	$154,098
Other Stock / Equity	$0	$0
Ending Retained Earnings	$1,905,896	$1,875,360
Total Equity	$2,060,994	$2,030,458
Total Liabilities + Equity	$3,109,274	$2,737,875
Number of Employees (FTE)	14.0	14.0

Common Size Statements

Income Statement Data	**12/31/2014**	**12/31/2015**	**Industry* (3415)**
Sales (Income)	100%	100%	100%
Cost of Sales (COGS)	91%	84%	67%
Depreciation (COGS-related)	0%	0%	0%
Direct Materials	0%	0%	55%
Direct Labor	0%	0%	11%
Gross Profit	9%	16%	33%
Depreciation	0%	0%	1%
Amortization	0%	0%	0%
Overhead or S,G,& A Expenses	9%	12%	25%
G & A Payroll Expense	5%	7%	13%
Rent	1%	1%	2%
Advertising	1%	1%	1%
Other Operating Income	0%	0%	0%
Other Operating Expenses	0%	0%	4%
Operating Profit	0%	5%	4%
Interest Expense	0%	0%	1%
Other Income	0%	0%	0%
Other Expenses	0%	0%	0%
Net Profit Before Taxes	0%	5%	3%
Adjusted Net Profit Before Taxes	0%	5%	3%
EBITDA	0%	5%	4%
Taxes Paid	0%	0%	1%
Extraordinary Gain	0%	0%	0%
Extraordinary Loss	0%	0%	0%
Net Income	0%	5%	2%
Balance Sheet Data	**12/31/2014**	**12/31/2015**	**Industry* (3415)**
Cash (Bank Funds)	17%	15%	7%
Accounts Receivable	15%	26%	32%
Inventory	66%	57%	38%
Other Current Assets	1%	1%	2%
Total Current Assets	100%	100%	81%
Gross Fixed Assets	2%	2%	39%
Accumulated Depreciation	2%	2%	25%
Net Fixed Assets	0%	0%	14%
Gross Intangible Assets	0%	0%	0%
Accumulated Amortization	0%	0%	0%
Net Intangible Assets	0%	0%	0%
Other Assets	0%	0%	5%
Total Assets	100%	100%	100%

Accounts Payable	33%	26%	24%
Short Term Debt	0%	0%	1%
Notes Payable / Current Portion of Long Term Debt	0%	0%	1%
Other Current Liabilities	0%	0%	9%
Total Current Liabilities	34%	26%	49%
Notes Payable / Senior Debt	0%	0%	4%
Notes Payable / Subordinated Debt	0%	0%	0%
Other Long Term Liabilities	0%	0%	1%
Total Long Term Liabilities	0%	0%	21%
Total Liabilities	34%	26%	70%
Preferred Stock	0%	0%	0%
Common Stock	0%	0%	1%
Additional Paid-in Capital	5%	6%	2%
Other Stock / Equity	0%	0%	1%
Ending Retained Earnings	61%	68%	19%
Total Equity	66%	74%	30%
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 424990 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	3.85	1.60 to 2.80	+37.50%

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 = (Cash + Accounts Receivable) / Total Current Liabilities	1.61	0.80 to 1.60	+0.63%

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 = Adjusted Net Profit before Taxes / Sales	4.65%	0.50% to 6.00%	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.

Financial Indicator	Current Period	Industry Range	Distance from Industry
Inventory Days = (Inventory / COGS) * 365	69.13 Days	40.00 to 75.00 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 = (Accounts Receivable / Sales) * 365	26.69 Days	20.00 to 50.00 Days	0.00%

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 = (Accounts Payable / COGS) * 365	30.96 Days	20.00 to 50.00 Days	0.00%

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 = EBITDA / Interest Expense	1,023.96	4.00 to 10.00	+10,139.60%

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 = Total Liabilities / Total Equity	0.35	1.50 to 4.00	+76.67%

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 = Net Income / Total Equity	22.67%	8.00% to 20.00%	+13.35%

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 = Net Income / Total Assets	16.81%	6.00% to 10.00%	+68.10%

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	193.47	5.00 to 20.00	+867.35%

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	16.40%	28.00% to 40.00%	-41.43%

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	1.54	--	--

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

Advertising to Sales = Advertising / Sales	0.88%	0.50% to 3.00%	0.00%

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

Rent to Sales = Rent / Sales	0.93%	1.00% to 3.50%	+7.00%

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

G & A Payroll to Sales = G & A Payroll Expense / Sales	7.07%	6.00% to 18.00%	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	7.07%	--	--

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.).