

Sample Financial Assessment Section

FINANCIAL REPORT

This report is designed to assist you in your business' development. Below you will find your overall ranking, business snapshot and narrative write-up.

Snapshot of:

Extreme Sample for Demo Site

Industry:

72211 - Full-Service Restaurants

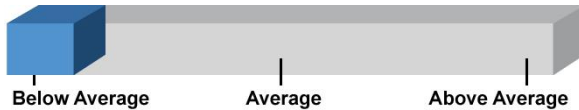
Revenue:

\$1M - \$10M

Periods:

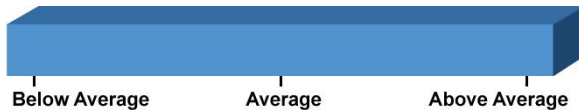
12 months against the same 12 months from the previous year

Financial Score for Extreme Sample for Demo Site



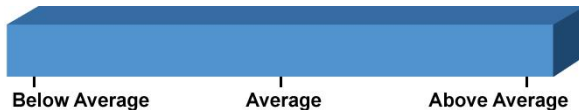
LIQUIDITY -

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



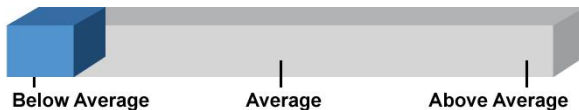
PROFITS & PROFIT MARGIN -

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



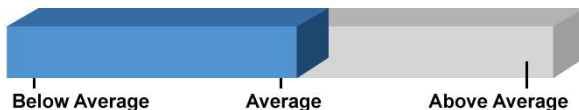
SALES -

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



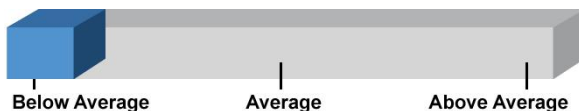
BORROWING -

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



ASSETS -

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



EMPLOYEES -

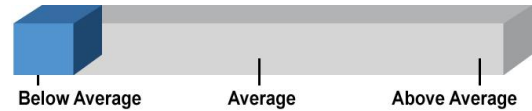
A measure of how effectively the company is hiring and managing its employees.

Sample Liquidity Section

Financial Analysis for Extreme Sample for Demo Site

LIQUIDITY

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



Operating Cash Flow Results

It is favorable that the company is generating positive operating profits and positive cash flow from operations for the period. Additional cash flow may be needed to boost the overall liquidity position of the company over time (this will be discussed in more detail below). It is also good to see that cash flow and profits are of the same quality, as these two key metrics should line-up in terms of strength and direction over time.

General Liquidity Conditions

It is curious to see flat conditions in this area accompanied by increases in sales volume. **It is often the case that expansion of the business may be hurting the firm's liquidity position.** Also monitor the net margin decline -- it could become a problem, as will be discussed in the next section.

The **company's liquidity position looks fairly similar** to last period. Looking at the graph area of the report, it becomes evident that some of the firm's major liquidity indicators remain relatively unchanged. This specifically means that the company's current ratio (which measures its overall liquidity position) is poor, as was the case last period. Also, the company's quick ratio (which measures the ability to get cash **quickly**) is about average.

Generally, some companies may find meeting obligations to be a difficult task in this present condition. Therefore, the company may need to do better here. For example, even though the firm's quick ratio is average, this can typically mean that there may be some weakness in this area. With little total current asset support beneath the firm's more liquid assets, there will possibly be problems if the cash account falls for any reason.

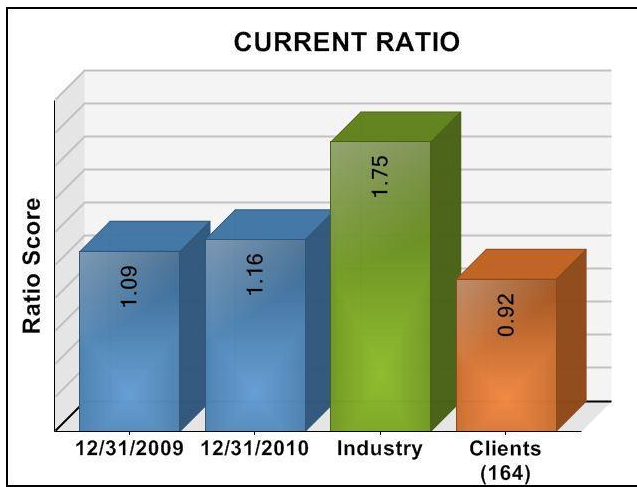
It should be noted that the company's accounts payable days are high, which would generally not be viewed favorably by creditors. However, this may be a positive for the company's current liquidity situation if it is extending its payment period to make use of trade credit (since this can be a lower-cost form of borrowing). Also, the company has done a good job of keeping its accounts receivable ratio low -- collecting money from customers relatively quickly.

Tips For Improvement

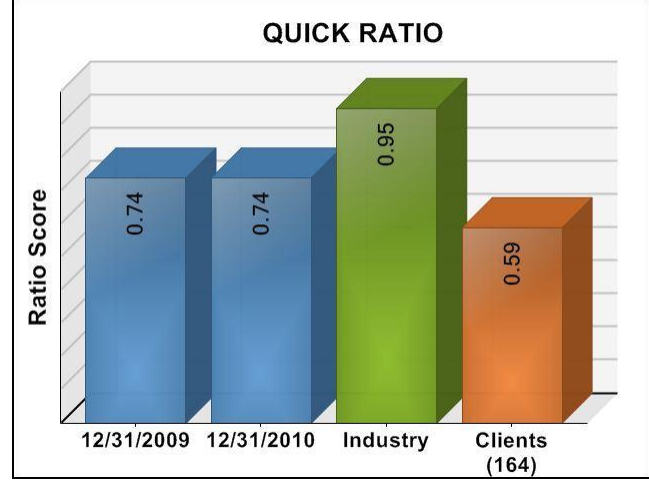
Here are some ways that liquidity might be improved in this particular business:

- Accept multiple forms of payment, such as credit and debit cards, to help cut down on the number of denied payments (bad checks). Watch the payment terms of credit cards since longer terms will delay collection until much later.
- Use a monthly or bi-monthly payroll schedule, if possible, to allow funds to stay in the business longer -- so long as morale will not be adversely affected.
- Avoid pre-paying expenses or Accounts Payable to keep funds inside the restaurant (potentially earning interest) for as long as possible. Discounts may be an exception.
- If cash is a constraint, try to establish a sufficient line of credit from the bank. The restaurant should obtain, but not necessarily use, as much financing as possible. If you decide to obtain external financing, structure it as long-term rather than short-term in order to decrease monthly payments.

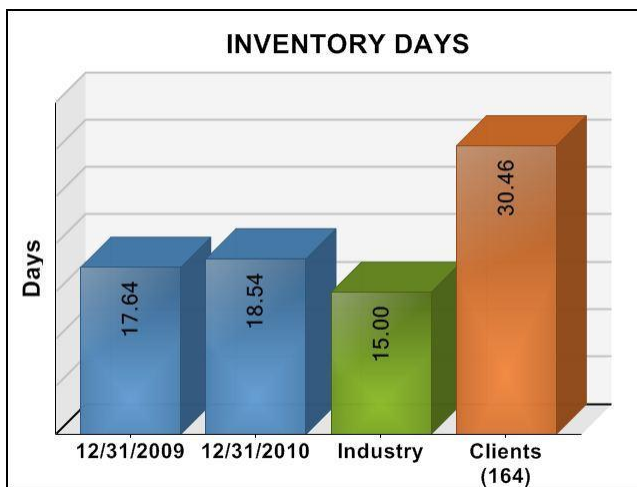
LIMITS TO LIQUIDITY ANALYSIS: Keep in mind that liquidity conditions are volatile, and this is a general analysis looking at a snapshot in time. Review this section, but do not overly rely on it.



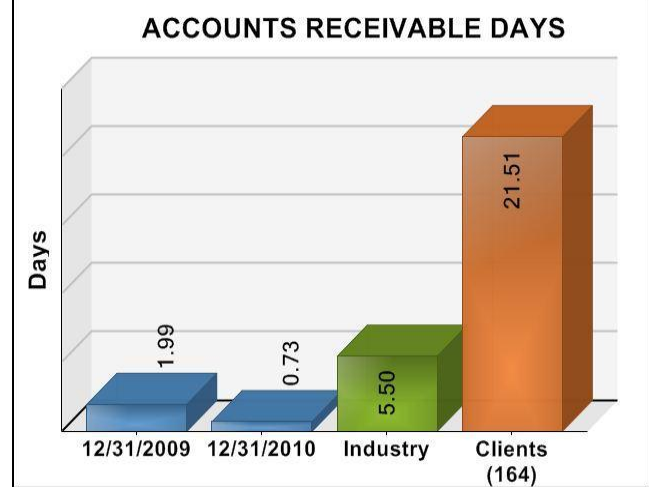
Generally, this metric measures the overall liquidity position of a company. It is certainly not a perfect barometer, but it is a good one. Watch for big decreases in this number over time. Make sure the accounts listed in "current assets" are collectible. The higher the ratio, the more liquid the company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



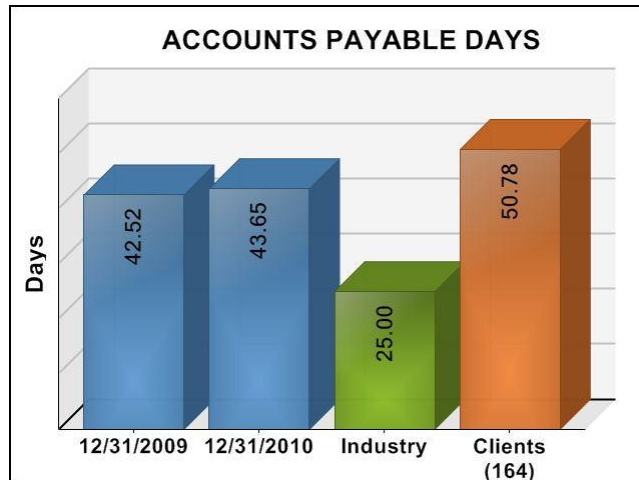
This is another good indicator of liquidity, although by itself, it is not a perfect one. If there are receivable accounts included in the numerator, they should be collectible. Look at the length of time the company has to pay the amount listed in the denominator (current liabilities). The higher the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

The final report includes all the section using this format. The sections covered in the final report include:

- Financial Report
- Liquidity
- Profits & Profit Margin
- Sales
- Borrowing
- Assets
- Employees
- Industry Specific Performance Ratios
- Raw Data
- Common Size Statements
- Industry Scorecard

If you are interested in a complete report for your business, then contact Sidney Chick at (954) 753-7957.

Thank you for your time and attention,

Sidney Chick