Sample Performance Review

For the period ended 12/31/2011

Provided by Ignition Business Coaches

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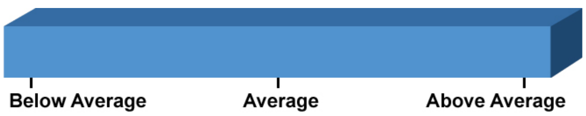
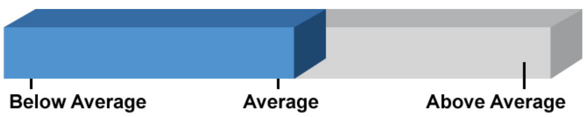
This report is designed to assist you in your business' development. Below you will find your overall ranking, business snapshot and narrative write-up.

Snapshot of: **Chocolate and Confectionery Manufacturing - SAMPLE**
Industry: 311351 - Chocolate and Confectionery Manufacturing from Cacao Beans
Revenue: Greater than $500M
Periods: 12 months against the same 12 months from the previous year

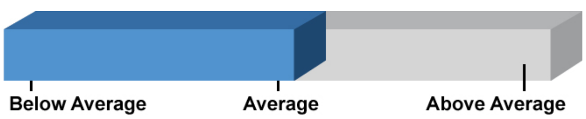
Financial Score for 311351 - Chocolate and Confectionery Manufacturing - SAMPLE



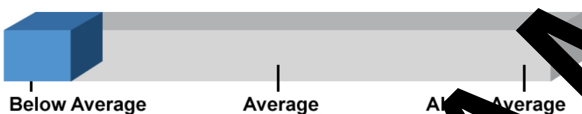
LIQUIDITY -
A measure of the company's ability to meet obligations as they come due.



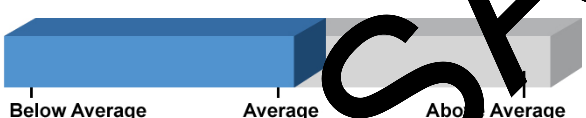
PROFITS & PROFIT MARGIN -
A measure of whether the trends in profit are favorable for the company.



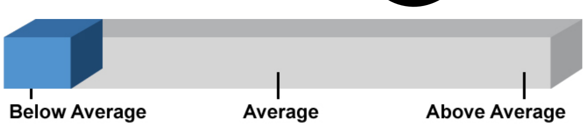
SALES -
A measure of how sales are growing and whether the sales are satisfactory for the company.



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



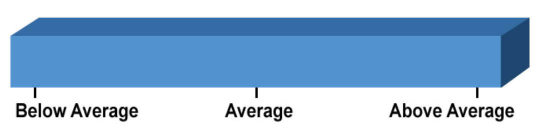
ASSETS -
A measure of how effectively the company is utilizing its gross fixed assets.



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

Financial Analysis for 311351 - Chocolate and Confectionery Manufacturing - SAMPLE

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



Operating Cash Flow Results
Although cash flow relative to sales has declined a bit since the previous period, results in this area of the report still appear to be quite strong. The company is generating both healthy, positive cash flow from operations and profits. Overall liquidity results also seem very good (this will be discussed in more depth below).

General Liquidity Conditions

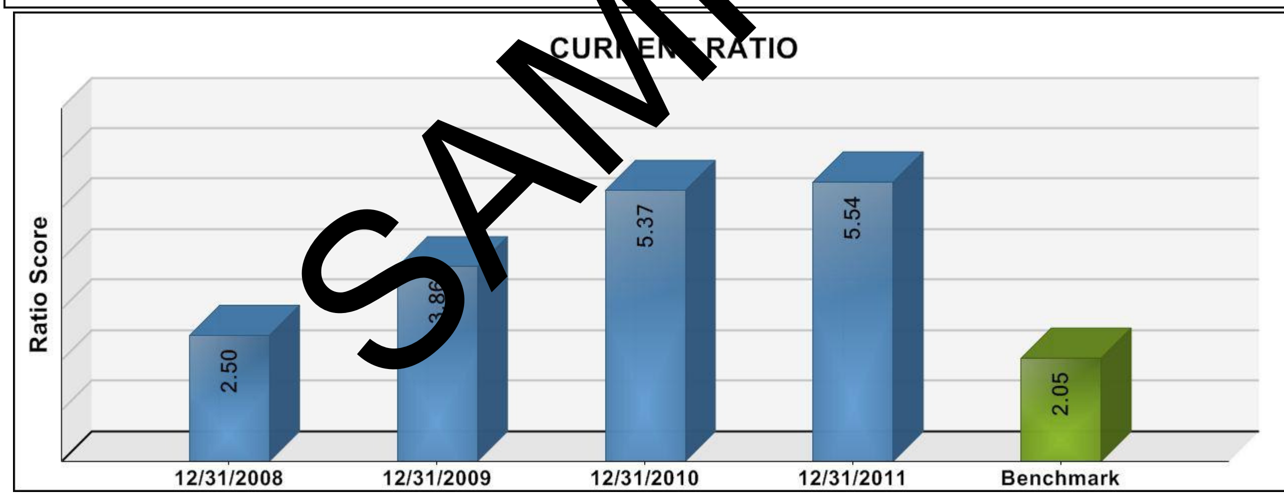
The company's overall liquidity **position is very good**. This means that, as of the end of the period, there are sufficient liquid assets available with which to pay or "liquidate" the company's current obligations. This is true even though profits fell from last period. Still, there are a few items that **may** need some attention: 1) The net income margin fell. Having a healthy net income margin is one of the most important things that can be done to maintain liquidity in the business. 2) The "quick cash" position fell, **though it is still solid**. This measures how many very liquid assets the company has available with which to pay its short-term obligations.

Things seem to be in line when looking at the company’s liquidity turnover ratios. Accounts receivable days and accounts payable days look to be average in comparison with other companies in the industry, which usually means that the company is collecting money owed and paying bills in a normal manner. It is also nice to see that the company is turning over its inventory quickly compared to its competitors in the industry.

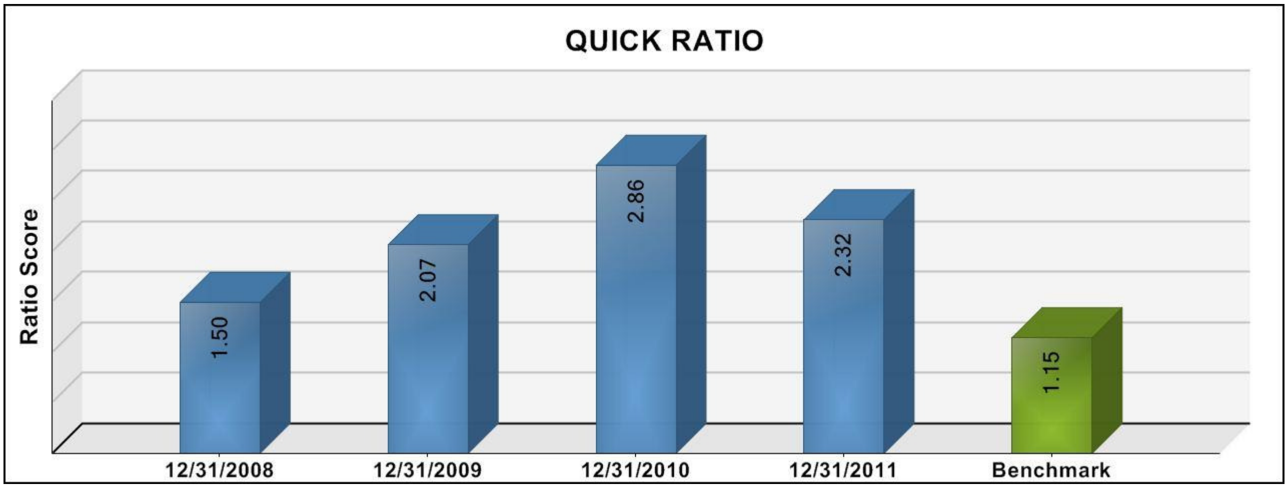
Tips For Improvement
Liquidity is a challenge that is never solved. Managers might possibly consider the following actions to maintain or improve conditions over time:

- Monitor the impact tax payments may have on cash. Keep enough money aside to be able to meet future tax obligations based on earnings.
- Eliminate or reduce some overhead or fixed costs to reduce monthly expenses. Small decreases in overhead will typically yield large cash savings over time, especially if fixed costs can be reduced (those costs which tend to stay the same over time).
- Prepare yearly forecasts that show cash flow levels at various points in time. Consider updating these forecasts on a monthly or even bi-weekly basis. This can help predict/prepare for potential cash shortfalls that may occur in the future.
- Keep inventory/supply levels as low as possible without adversely affecting the business. This can ultimately help the business keep more money free in the future. To do this effectively, make sure the business is using a good system to forecast inventory needs.

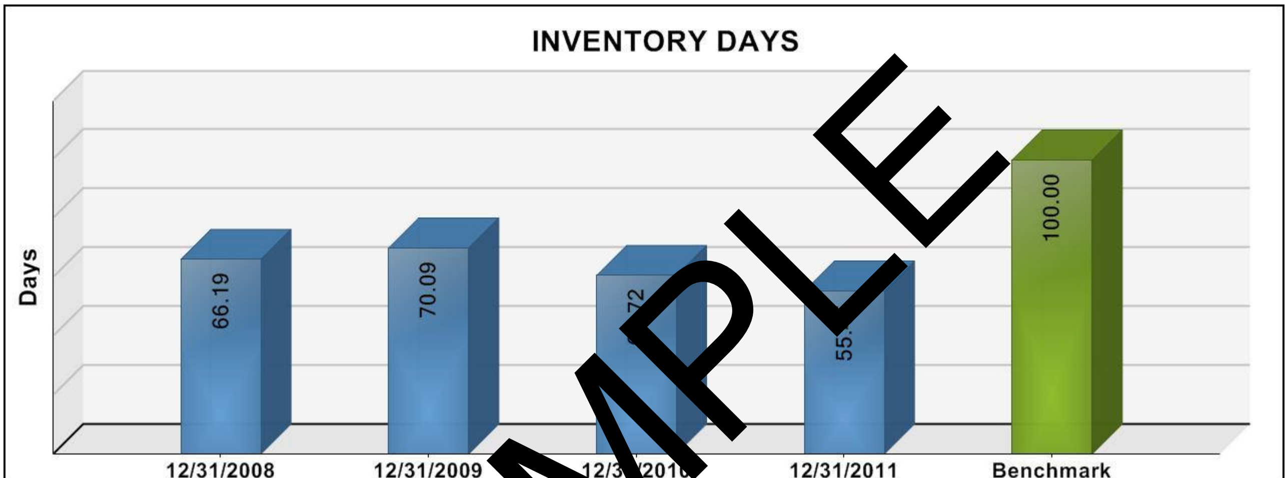
LIMITS TO LIQUIDITY ANALYSIS: Keep in mind that liquidity conditions are volatile, and this is a general analysis looking at a snapshot in time. Review this section but do not overly rely on it.



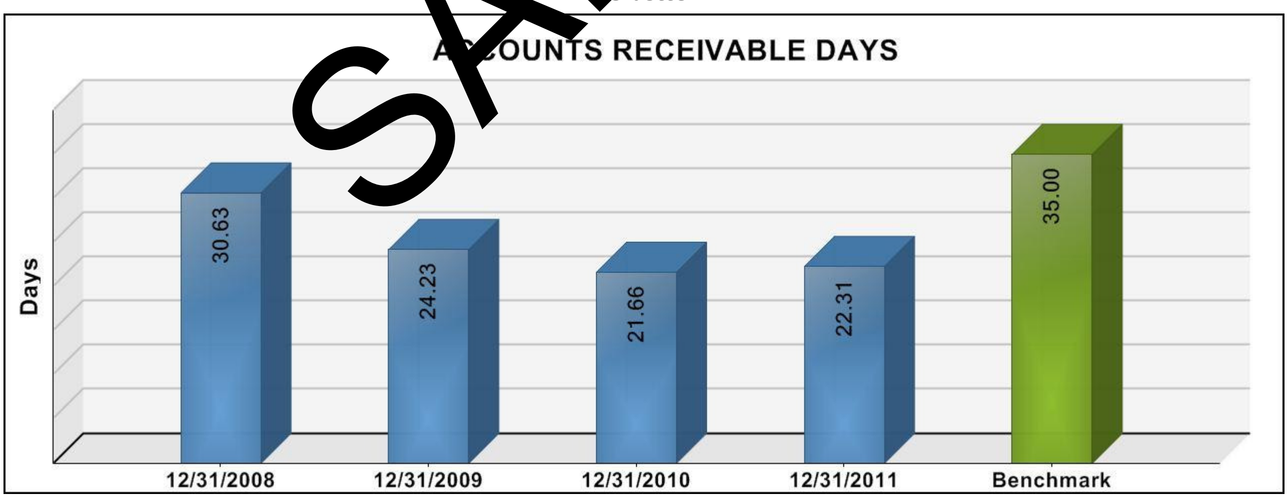
Generally, this metric measures the overall liquidity position of a company. It is certainly not a perfect barometer, but it is a good one. Watch for big decreases in this number over time. Make sure the accounts listed in "current assets" are collectible. The higher the ratio, the more liquid the company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



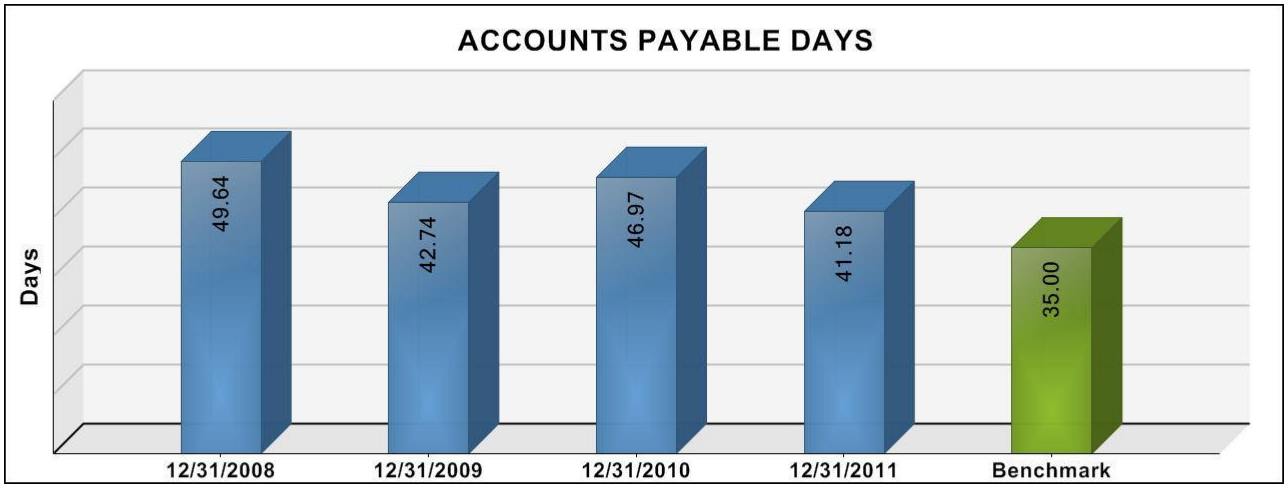
This is another good indicator of liquidity, although by itself, it is not a perfect one. If there are receivable accounts included in the numerator, they should be collectible. Look at the length of time the company has to pay the amount listed in the denominator (current liabilities). The higher the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



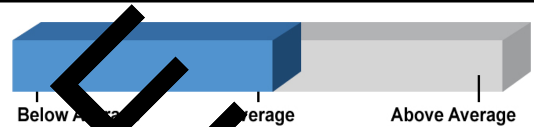
This number reflects the average length of time between credit sales and payment receipts. It is crucial to maintaining positive liquidity. The lower the better.



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

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



The company has achieved above average profitability results this period, despite the fact that sales remained flat and many of its profitability ratios have declined from the previous period. The company's net profit margin is strong, largely because it was so strong last period -- even though the net profit margin fell this period, it still is solid both generally and relative to the net margins that are being earned by competitors. This is pictured in the graph area of the report. The net profit margin represents the cents of net profit that a company retains out of every dollar it generates in sales -- it is the key measure of how effectively the company is managing its costs relative to its revenues. It is good that this company has maintained strength in this area, but it will also be important for managers to pay attention to the decline in net margin to make sure this does not develop into a trend.

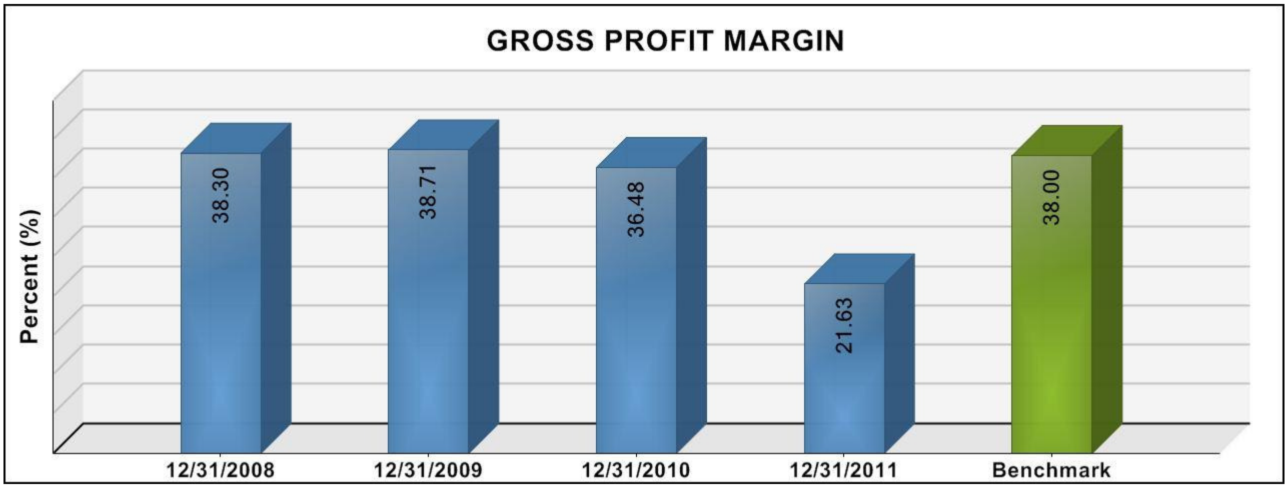
It is important to note that the company has had some unfavorable results in the gross profitability area -- **there are some signs that some components are shifting a little negatively**. The company's gross profit margin has fallen this period, and with relatively stable sales, gross profits in dollars have decreased as well. The company is spending more in direct costs (costs of sales) for every dollar the company earns in sales, which is generally not positive. The decline in gross margin also likely contributed to the decreased net profit margin and net profit dollars, as the company had fewer gross profit dollars to pay for its operating costs and overhead. Gross profit margins directly determine how much cash the company has available to push down through itself to its bottom line, so they must be guarded at all times.

Additionally, the company's sales level stayed approximately the same as it was last period. Companies usually want to noticeably increase sales between most periods, or find some ways to save on costs if sales stay flat. It is difficult to maintain profitability if sales stay relatively flat over the long term, because costs tend to increase over time. The driving idea here is that **companies should be noticeably increasing their sales** at all times -- maintaining their current customer base while adding new customers. In summary, it is clear that the company continues to perform solidly in this area, but it should simply note the areas above so the company can continue its excellent performance.

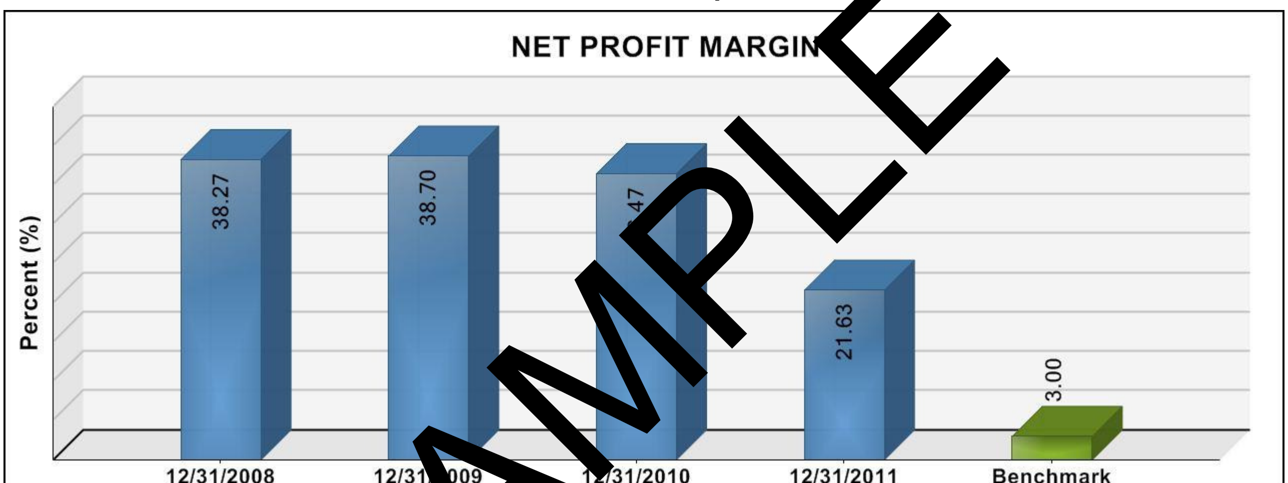
Tips For Improvement
Profit and loss management is all about continually finding ways to change things in the business to improve profits. Managers might think about the following ideas/hints/tips:

- Obtain literature on the latest government regulations and safety issues. Being familiar with these regulations and having these publications on hand can help establish the business as a quality provider.
- Take advantage of/negotiate for volume discounts or other concessions with current suppliers.
- Obtain internal reports that identify the business's key performance indicators (KPIs). KPIs help managers make good decisions by identifying the figures that are critical to performance. Net profit is not a KPI -- profits are a result of managing KPIs well.
- Search out multiple qualified vendors to get the best prices through competition. If the business is

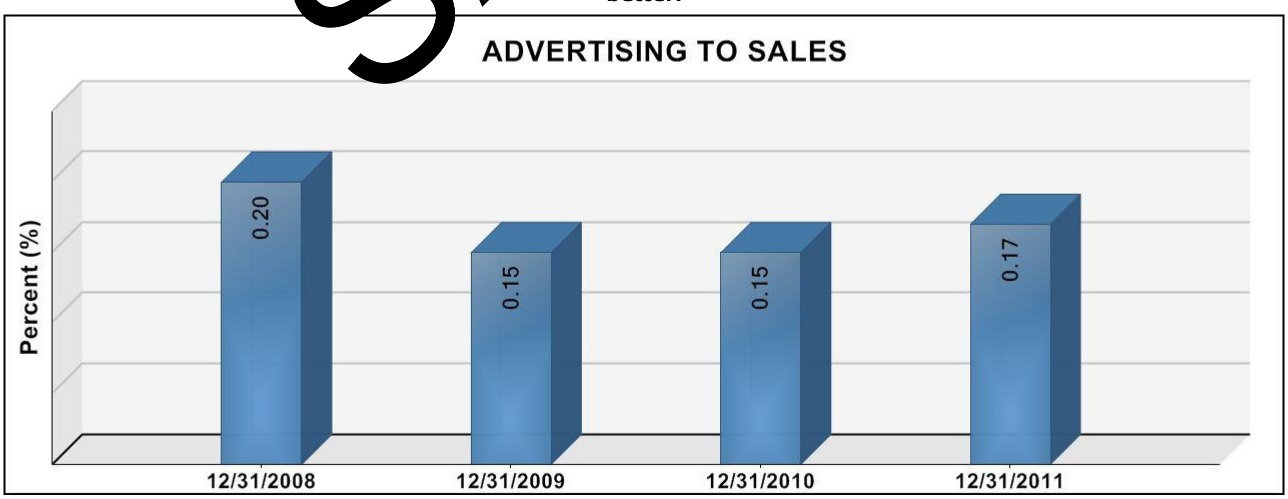
not continually reviewing/updating its existing and potential vendor lists, it may overspend on supplies/inventory.



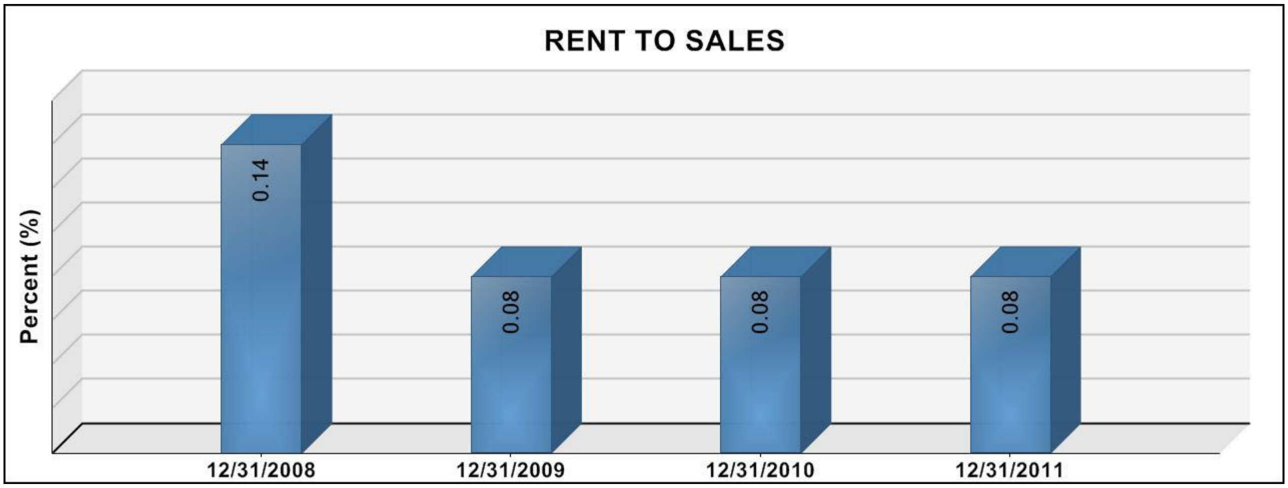
This number indicates the percentage of sales revenue that is not paid out in direct costs (costs of sales). It is an important statistic that can be used in business planning because it indicates how many cents of gross profit can be generated by each dollar of future sales. Higher is normally better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



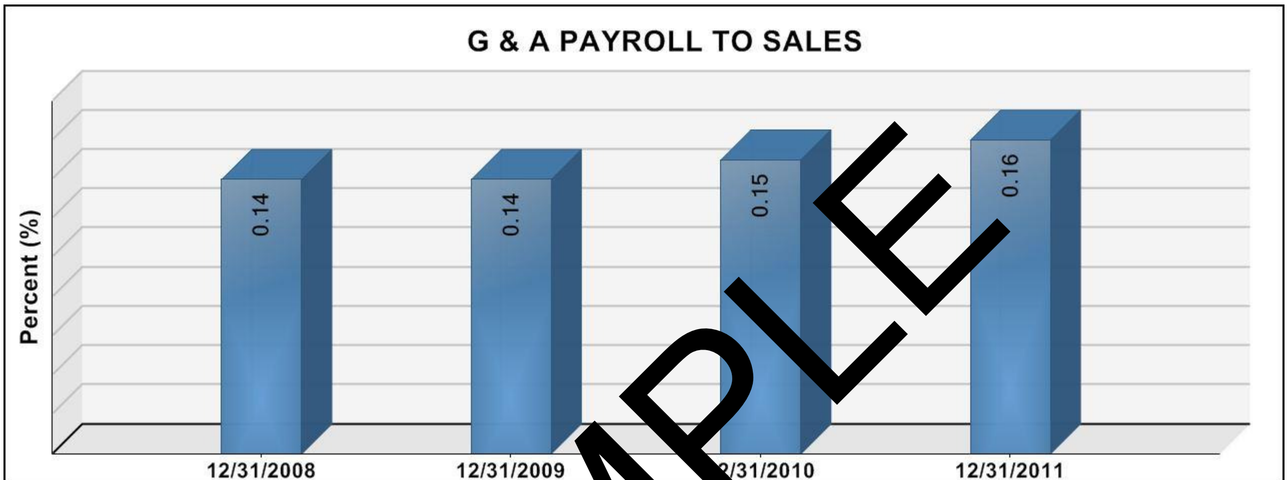
This is an important metric. In fact, over time, it is one of the more important barometers that we look at. It measures how many cents of profit the company is generating for every dollar it sells. Track it carefully against industry competitors. This is a very important number in preparing forecasts.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



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



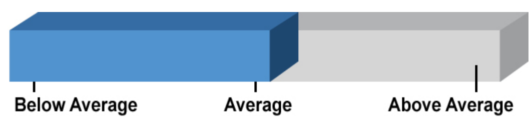
This metric shows rent expense for the company as a percentage of sales.



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

SALES

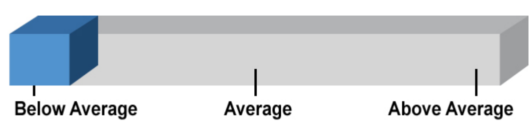
A measure of how sales are growing and whether the sales are satisfactory for the company.



It is typical for sales increases to drive profitability higher, although this is not always true. Overall, net profitability trends are usually more important than sales trends. Still, it is important to point out some results here. The company's sales are about the same as last period, which is not ideal. Generally, companies want to see sales increase at all times if management can increase them profitably. This is especially true when a company increases its employee base significantly. This firm is now bringing fewer sales through each employee -- each employee is generating less revenue than last period. This is an unfavorable result to continue in the future as a trend, since it will affect profitability sooner, rather than later.

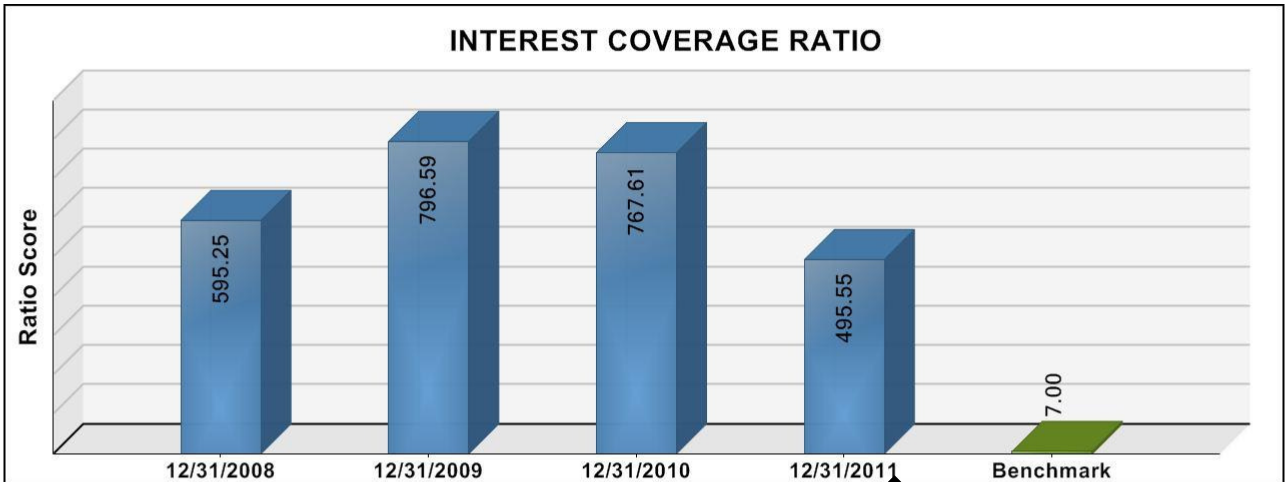
BORROWING

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

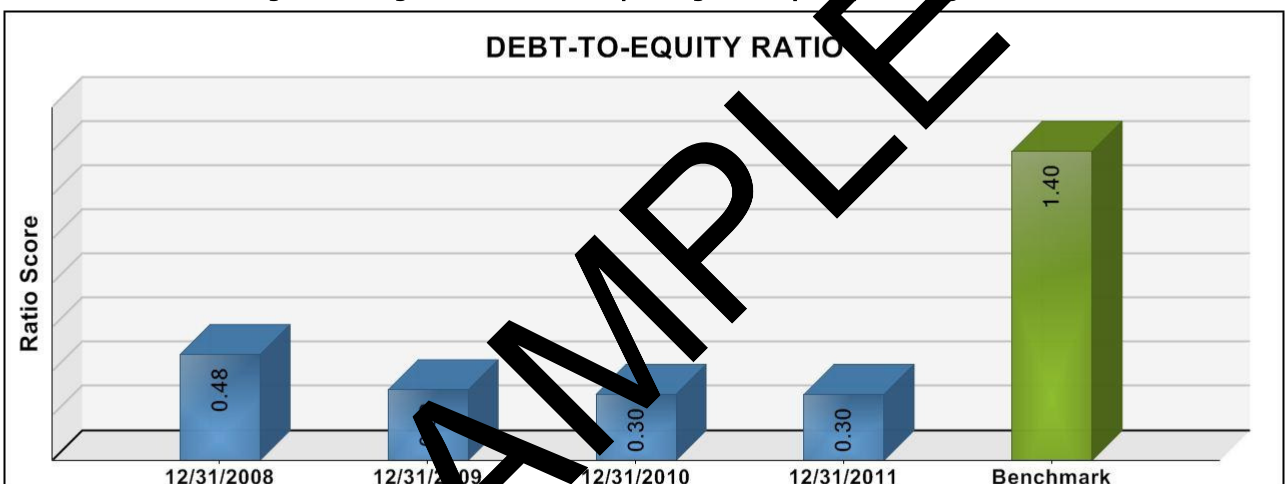


The purpose of using debt is to improve profitability. If this can be accomplished, the company can "trade on equity" -- the company can improve returns on the business (improve returns on equity). This is often easy to understand but difficult to do. For example, the issue here is that total debt stayed about the same as last period, but profitability decreased by 42.61%. 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.

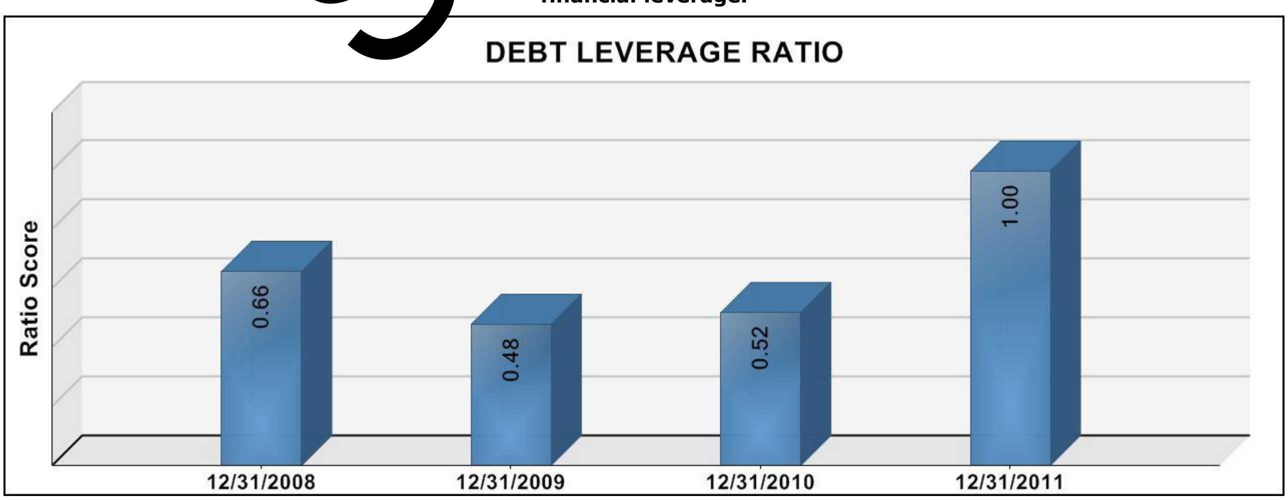
There are some conflicting analytical points here. For example, the company's trend in this area is poor. Yet, the firm seems to be generating ample earnings (before interest and non-cash expenses) to meet debt obligations. What conclusions can be reached? Perhaps the company is driving enough earnings relative to cost of debt expenses because its debt load is relatively low (notice that the debt-to-equity of the company is low, even as compared to the competition). It is difficult to go far in the analysis here, so one might lean on the fact that the overall trend is not favorable.



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.



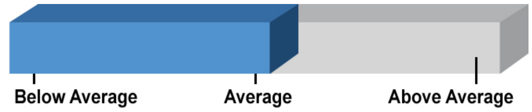
This Balance Sheet leverage ratio indicates the composition of a company's total capitalization -- the balance between money or assets owed versus the money or assets owned. Generally, creditors prefer a lower ratio to decrease financial risk while investors prefer a higher ratio to realize the return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



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

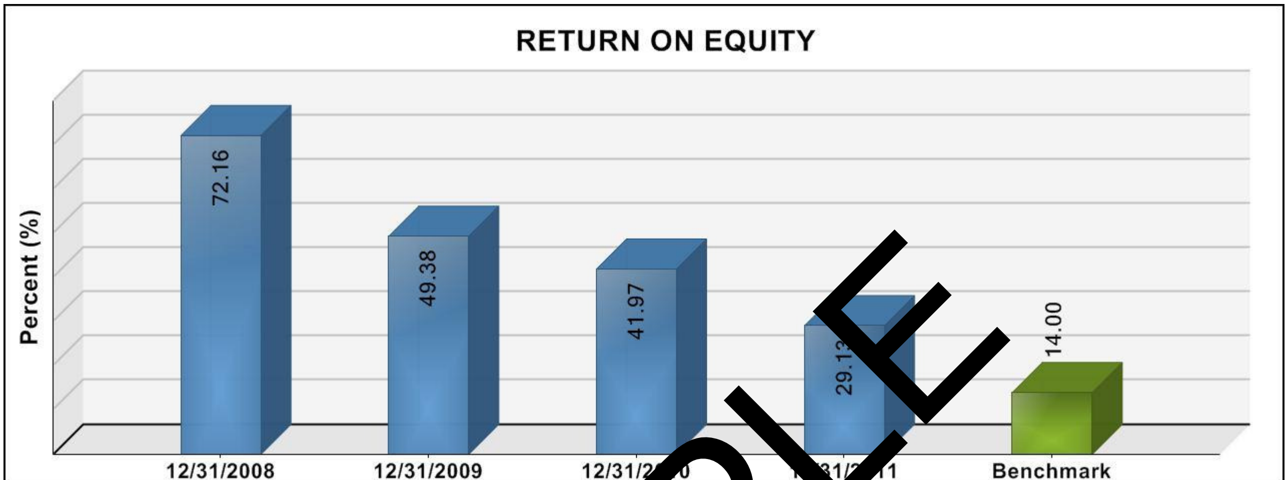
ASSETS

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

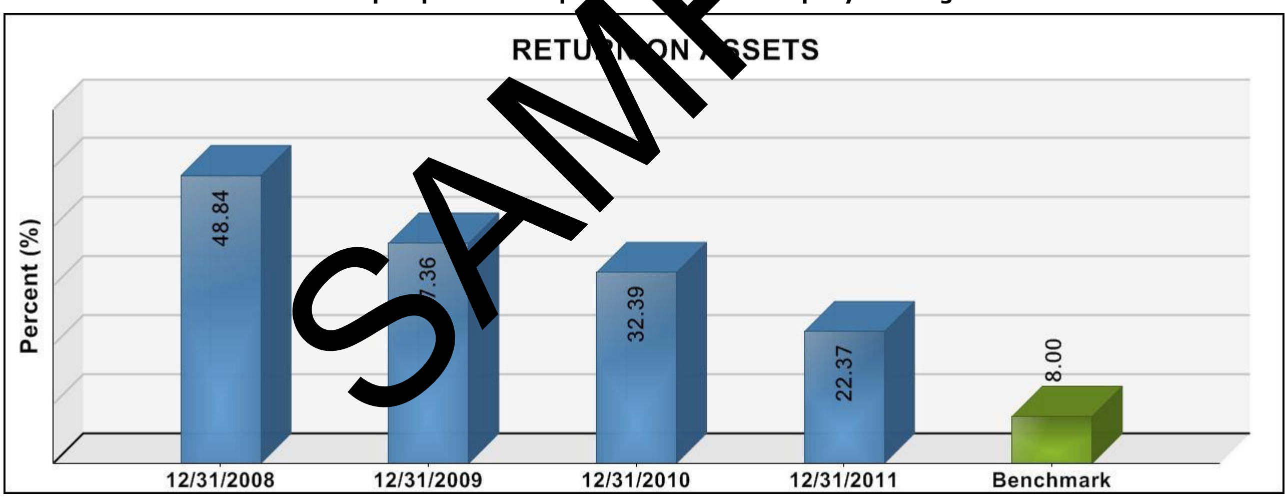


The results in this area are not very positive. Less profitability is moving through a relatively unchanged fixed asset base, which lowers performance in this area. Another way of saying this is the profitability per asset dollar statistic has fallen. This is not a favorable result, particularly because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

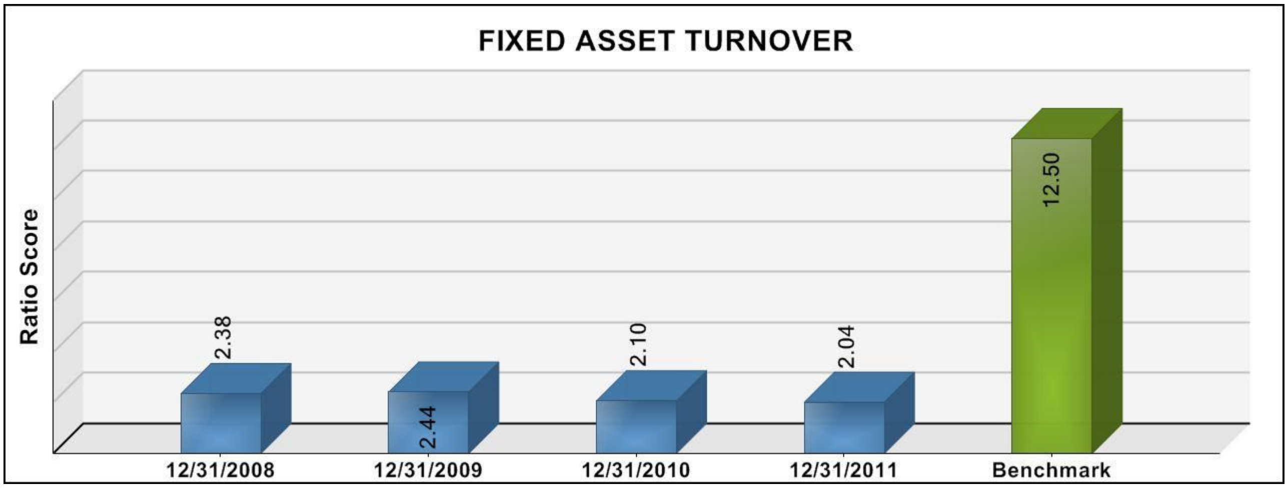
Notice that the company generated a relatively strong return on assets and equity this period. This is a positive result for both investors/owners and creditors of the company. Assets generally represent a cost to the company that is expected to reap future benefits, so it is good to see the company earning strong profitability relative to its 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.



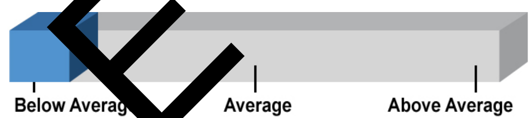
This calculation measures the company's ability to use its assets to create profits. Basically, ROA indicates how many cents of profit each dollar of asset is producing per year. It is quite important since managers can only be evaluated by looking at how they use the assets available to them. The higher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

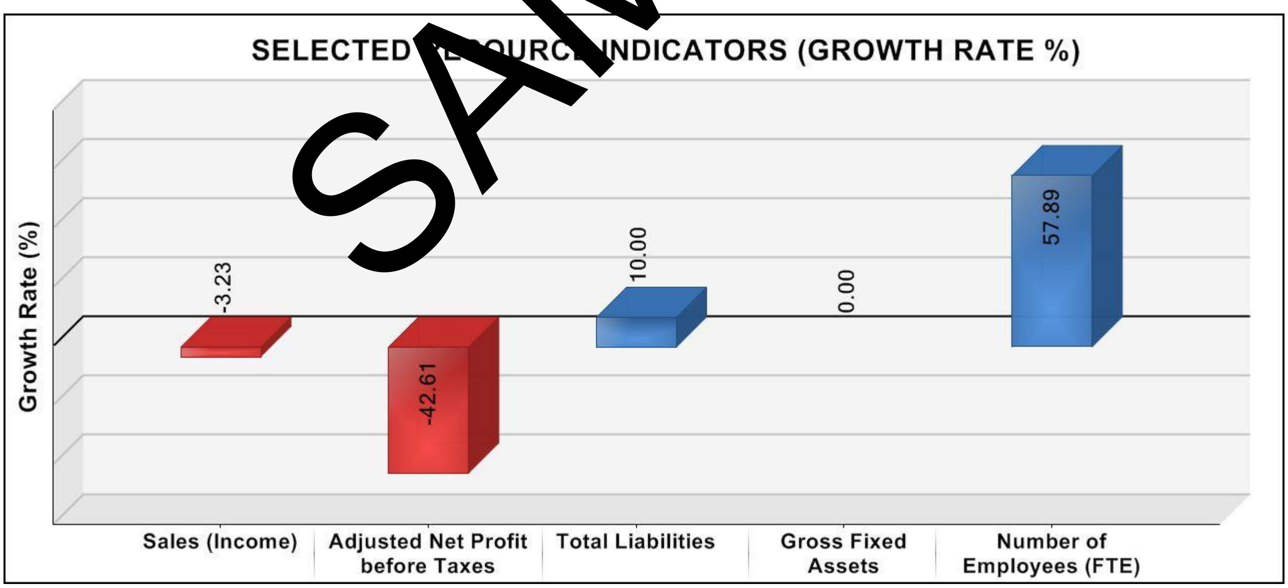
EMPLOYEES

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



RAW DATA

Income Statement Data

Income Statement Data	12/31/2008	12/31/2009	12/31/2010	12/31/2011
Sales (Income)	$357,475,242	$487,716,000	$526,016,000	$509,000,000
Cost of Sales (COGS)	$220,574,644	$298,932,889	$334,123,889	$398,888,889
Gross Profit	$136,900,598	$188,783,111	$191,892,111	$110,111,111
Gross Profit Margin	38.30%	38.71%	36.48%	21.63%
G & A Payroll Expense	$500,000	$700,000	$800,000	$800,000
Rent	$500,000	$400,000	$400,000	$400,000
Advertising	$715,000	$715,000	$815,000	$850,000
Depreciation	$7,000	$8,000	$10,000	$10,000
Interest Expense	$230,000	$237,000	$250,000	$222,220
Net Profit Before Taxes	$136,670,598	$188,546,111	$191,642,111	$109,888,891
Adjusted Net Profit before Taxes	$136,800,598	$188,726,111	$191,842,111	$110,088,891
Net Profit Margin	38.27%	38.70%	36.47%	21.63%
EBITDA	$136,907,598	$188,791,111	$191,902,111	$110,121,111
Net Income	$136,750,598	$138,126,111	$141,842,111	$105,999,000

Balance Sheet Data

Balance Sheet Data	12/31/2008	12/31/2009	12/31/2010	12/31/2011
Cash (Bank Funds)	$48,000,000	$58,606,000	$68,908,000	$50,000,000
Accounts Receivable	$30,000,000	$32,371,0[illegible]	[illegible]31,213,000	$31,111,110
Inventory	$40,000,000	$57,402,00[illegible]	$55,58[illegible],000	$60,600,000
Total Current Assets	$130,000,000	$169,726,000	$18[illegible]79,000	$193,933,330
Gross Fixed Assets	$150,000,000	$200,000,000	[illegible]50,000,000	$250,000,000
Total Assets	$280,000,000	$[illegible]9,726,000	$437,979,000	$473,933,330
Accounts Payable	$30,000,000	$35,[illegible],000	$43,000,000	$45,000,000
Total Current Liabilities	$52,000,0[illegible]	[illegible]44,000,[illegible]	$35,000,000	$35,000,000
Total Liabilities	$90,500,[illegible]	$90,000,000	$100,000,000	$110,000,000
Total Equity	$18[illegible]00,000	$279,726,000	$337,979,000	$363,933,330
Number of Employees (FTE)	15.0	18.0	19.0	30.0

COMMON SIZE STATEMENTS

Income Statement Data

Income Statement Data	12/31/2008	12/31/2009	12/31/2010	12/31/2011	Industry* (70)
Sales (Income)	100%	100%	100%	100%	100%
Cost of Sales (COGS)	[illegible]2%	61%	64%	78%	50%
Gross Profit	[illegible]8%	39%	36%	22%	50%
G & A Payroll Expense	0%	0%	0%	0%	19%
Rent	0%	0%	0%	0%	4%
Advertising	0%	0%	0%	0%	2%
Depreciation	0%	0%	0%	0%	2%
Interest Expense	0%	0%	0%	0%	2%
Net Profit Before Taxes	38%	39%	36%	22%	7%
Adjusted Net Profit before Taxes	38%	39%	36%	22%	7%
EBITDA	38%	39%	36%	22%	11%
Net Income	38%	28%	27%	21%	6%

Balance Sheet Data

Balance Sheet Data	12/31/2008	12/31/2009	12/31/2010	12/31/2011	Industry* (70)
Cash (Bank Funds)	17%	16%	16%	11%	5%
Accounts Receivable	11%	9%	7%	7%	17%
Inventory	14%	16%	13%	13%	24%
Total Current Assets	46%	46%	43%	41%	52%
Gross Fixed Assets	54%	54%	57%	53%	67%
Total Assets	100%	100%	100%	100%	100%
Accounts Payable	11%	9%	10%	9%	9%
Total Current Liabilities	19%	12%	8%	7%	26%
Total Liabilities	32%	24%	23%	23%	49%

Total Equity	68%	76%	77%	77%	51%

*The industry common size figures shown above were taken from all private company data for companies with industry code 311351 for all years in all areas in all sales ranges.

INDUSTRY SCORECARD

Financial Indicator	Current Period	Industry Range	Distance from Industry
Current Ratio = Total Current Assets / Total Current Liabilities	5.54	1.30 to 2.80	+97.86%

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	2.32	0.80 to 1.50	+54.67%

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
Inventory Days = (Inventory / COGS) * 365	55.45 Days	80.00 to 120.00 Days	+30.69%

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	22.31 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	41.18 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
Gross Profit Margin = Gross Profit / Sales	21.63%	30.00% to 46.00%	-27.90%

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).

Financial Indicator	Current Period	Industry Range	Distance from Industry
Net Profit Margin = Adjusted Net Profit before Taxes / Sales	21.63%	1.00% to 5.00%	+332.60%

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
Advertising to Sales = Advertising / Sales	0.17%	N/A	N/A

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

Financial Indicator	Current Period	Industry Range	Distance from Industry
Rent to Sales = Rent / Sales	0.08%	N/A	N/A

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

Financial Indicator	Current Period	Industry Range	Distance from Industry
G & A Payroll to Sales = G & A Payroll Expense / Sales	0.16%	N/A	N/A

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

Interest Coverage Ratio = EBITDA / Interest Expense	495.55	2.00 to 12.00	+4,029.58%

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	0.30	0.80 to 2.00	+62.50%

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.

Debt Leverage Ratio = Total Liabilities / EBITDA	1.00	N/A	N/A

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

Return on Equity = Net Income / Total Equity	29.13%	8.00% to 20.00%	+45.65%

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	22.37%	6.00% to 10.00%	+123.70%

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.

Fixed Asset Turnover = Sales / Gross Fixed Assets	2.04	5.00 to 20.00	-59.20%

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 more effective the company's investments in Net Property, Plant, and Equipment are.

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.).