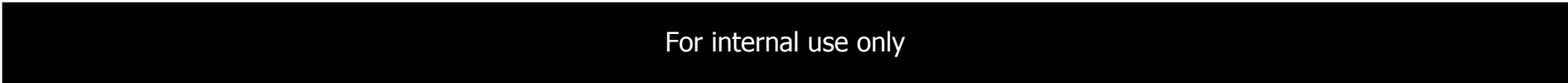




























ABC Company, Inc  
Financial Statement Analysis  
For the period ended December 31, 2005



For internal use only

The overview shows favorable and unfavorable changes in the current year compared to the prior year and the trends for the last 3 years. When available, comparisons between the company's financial data and financial data for the company's industry peer group (NAICS 423390 – Other Construction Material Wholesalers – Asset range \$2MM to \$10MM) have also been included. For more detailed analysis of the changes refer to the following pages.

<u>Company Chgs &amp; Trends</u>	<u>Comparison to Industry</u>
<b>Net Income</b>	
• Current vs prior year 	
• 3 year company trend 	
<b>Return on Sales</b>	
• Current vs prior year 	Current Year 
• 3 year company trend 	Co vs Ind trend 
<b>Cash</b>	
• Current vs prior year 	Current year 
• 3 year company trend 	Co vs Ind trend 
<b>Cash from Operations</b>	
• Current vs prior year 	
• 3 year company trend 	
<b>Cash Cycle</b>	
• Current vs prior year 	Current year 
• 3 year company trend 	Co vs Ind trend 
<b>Current Ratio</b>	
• Current vs prior year 	Current year 
• 3 year company trend 	Co vs Ind trend 
<b>Cash Flow to Current LTD Ratio</b>	
• Current vs prior year 	Current year 
• 3 year company trend 	Co vs Ind trend 

Although it is one of the most important measurements of business performance, net income tells only part of the story. Look closely at trends in return on sales and cash to get a fuller understanding of the dynamics of the business.

Return on sales measures the percentage of sales that flow to net income. An increasing return on sales means that expenses are going down relative to sales.



To fully understand changes in cash look at where cash is being generated and how it is being used.

Cash from operations measures the amount of cash generated from operations. Operational cash flows are computed by adding changes in current assets and liabilities such as trade receivables and payables to net income or loss. Funds spent to purchase new equipment or repay debt are not considered in this calculation.

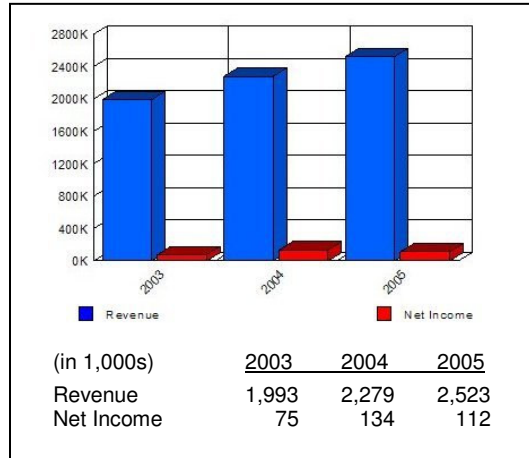
The cash cycle measures how long it takes from the time you have to pay for purchases until sales are ultimately collected. An increasing cash cycle means your cash is tied up longer.

The current ratio is one of the financial ratios that indicates the company's ability to meet its short term obligations.

This ratio measures the company's ability to service its debt.

-  Indicates a favorable change or trend
-  Indicates an unfavorable change or trend  
(trend amounts show the change per year over the period analyzed)

**Revenue and Net Income (Loss)**



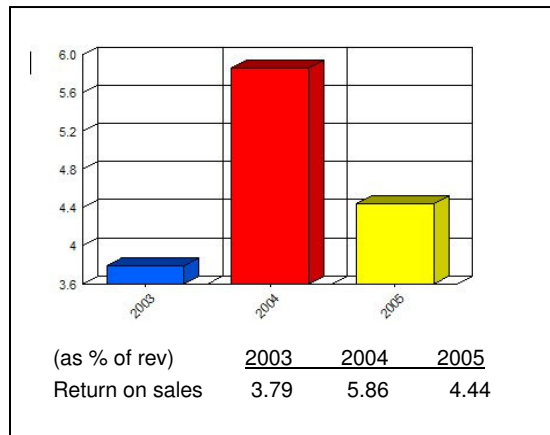
**Changes and Trends**

		Change	
<b>Revenue</b>			
Current vs prior yr	●	\$244,689	10.74%
3 Yr trend	●	\$264,931	13.29%
<b>Net Income</b>			
Current vs prior yr	●	\$-21,488	-16.10%
3 Yr Trend	●	\$18,276	24.22%

**Comparison to industry peer group**

		Company	Industry
<b>Revenue growth rates</b>			
Current year	●	10.74%	9.75%
3 Year trend	●	13.29%	14.59%

**Return on sales**



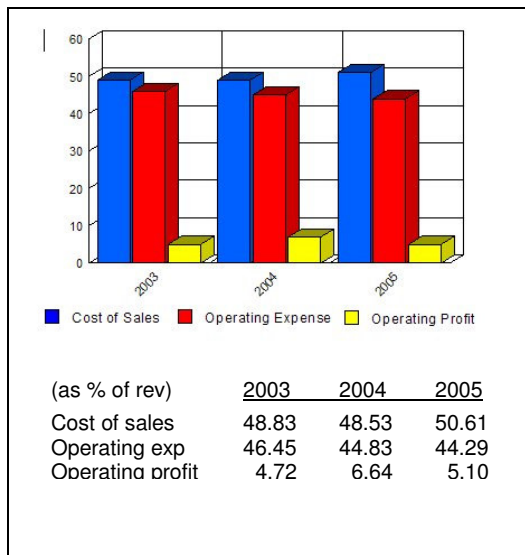
**Changes and Trends**

		Change	
<b>Return on sales</b>			
Current vs prior yr	●	-1.42	24.23%
3 Yr Trend	●	.3	8.75 %

**Comparison to industry peer group**

		Company	Industry
<b>Return on sales</b>			
Current year	●	4.44%	3.5%
3 Year trend	●	.33%	.2%

**Expense and Operational Profit (Loss) as a % of Revenue**



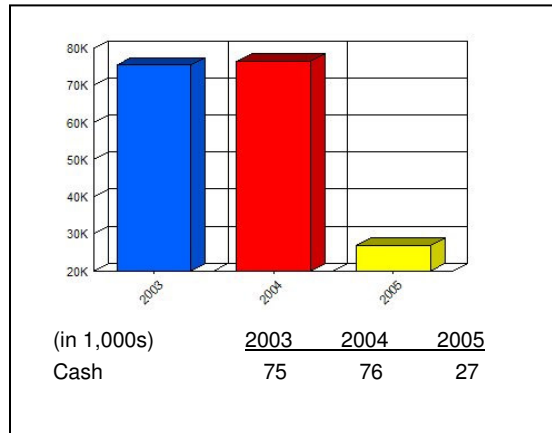
Changes and trends		(as % of revenue)		Change	
<b>Cost of sales</b>					
Current vs prior yr	●	2.08	4.32%		
3 Yr Trend	●	.89	1.84%		
<b>Operating expenses</b>					
Current vs prior yr	●	-1.08	-4.01%		
3 Yr Trend	●	-1.08	-4.01%		
<b>Operating profit</b>					
Current vs prior yr	●	-1.54	-5.66%		
3 Yr Trend	●	.19	4.35%		

Comparison to industry peer group		(as % of revenue)		Company		Industry	
<b>Cost of sales</b>							
Current year	●	50.61%	48.50%				
3 Year trend	●	.89%	.10%				
<b>Operating expenses</b>							
Current year	●	44.29%	46.30%				
3 Year trend	●	-1.08%	.50%				
<b>Operating profit</b>							
Current year	●	5.10%	5.20%				
3 Year Trend	●	.19%	-.50%				

**Income sensitivity**

A 1% price increase would increase income from operations by .....	\$25,232
A 1% increase in volume would increase income from operations by .....	\$11,755
A 1% decrease in the Cost of Sales would increase income from operations by .....	\$12,770
A 1% decrease in operating expenses would increase income from operations by .....	\$11,175

**Cash and cash equivalents**



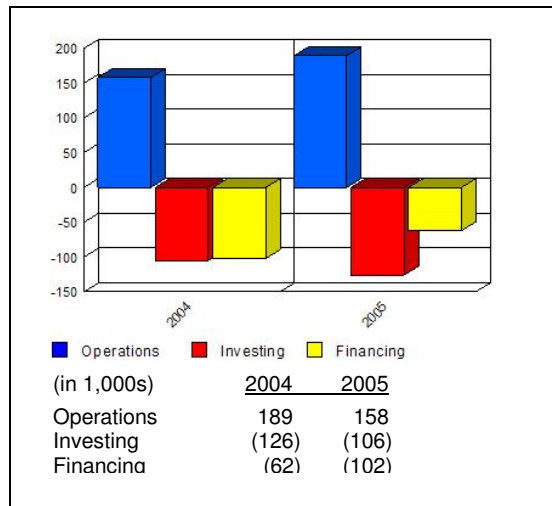
**Change and trend**

		Change	
<b>Cash and cash equiv</b>			
Current vs prior year	●	\$-49,567	-64.85%
3 Yr trend	●	\$-24,289	-32.43%

**Comparison to industry peer group**

		Company	Industry
<b>Cash as a % to total assets</b>			
Current year	●	10.74%	9.75%
3 Year trend	●	-1.23%	1.59%

**Sources and uses of cash**



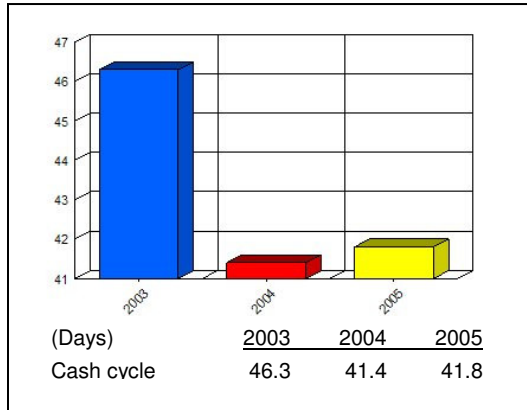
**Changes and trends**

		Change	
<b>Cash flow from operations</b>			
Current vs prior year	●	\$-30,418	-16.22 %
2 Yr Trend	●	\$-24,966	-12.65%
<b>Cash flow from investing activities</b>			
Current vs prior year	●	\$20,625	16.35%
2 Yr Trend	●	\$10,432	12.24%
<b>Cash flow from financing activities</b>			
Current vs prior year	●	\$-40,766	-66.15%
2 Yr Trend	●	\$10,432	12.24%

**Cash flows or sources and uses of cash** are categorized into 3 categories:

- Operational – these cash flows include net income plus non cash expenses such as depreciation and changes in other balance sheet accounts such as trade receivables, trade payables, inventory, etc.
- Investing – these cash flow include funds used to purchase equipment and other fixed assets.
- Financing - these cash flow include borrowings and repayment of debt

**Cash Cycle**



**Change and trend**

		<u>Change</u>	
<b>Cash Cycle</b>			
Current vs prior year	●	-9	-5.6%
3 Yr Trend	●	.6	4.35%

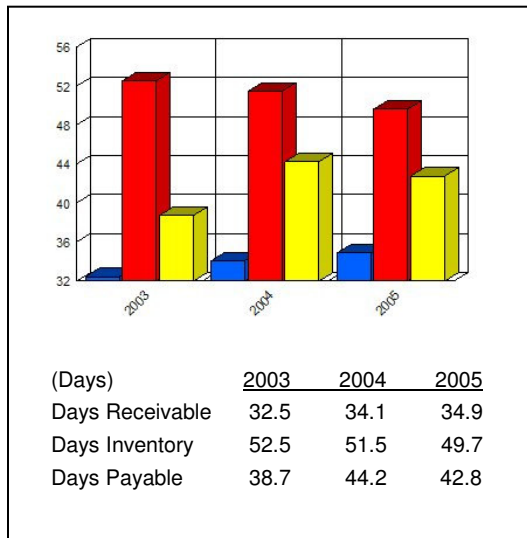
**Comparison to industry peer group**

		<u>Company</u>	<u>Industry</u>
<b>Cash Cycle</b>			
Current year	●	41.8	44.6
3 Year trend	●	.8	-1.2

The cash cycle measures how long it takes from the time you have to pay for purchases until sales are ultimately collected. An increasing cash cycle means your cash is tied up longer.

The cash cycle is computed by adding the Days Receivable and Days Inventory ratios and subtracting the Days Payable ratio.

**Efficiency ratios**



**Changes and trends**

		<u>Change</u>	
<b>Days Receivable</b>			
Current vs prior year	●	2.1	4.33%
3 Yr Trend	●	.9	1.84%
<b>Days Inventory</b>			
Current year	●	-1.2	-3.37%
3 Yr Trend	●	-1.5	-4.01%
<b>Days Payables</b>			
Current year	●	-.9	-5.66%
3 Yr Trend	●	.6	4.35%

**Comparison to industry peer group**

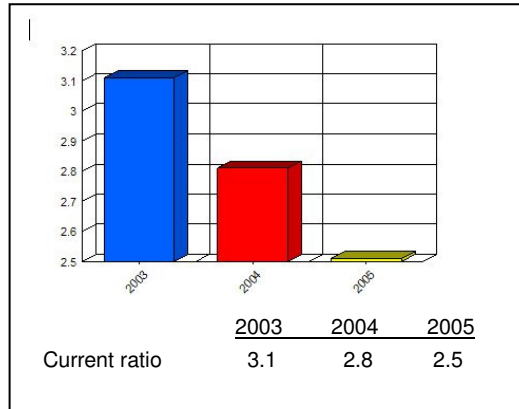
		<u>Company</u>	<u>Industry</u>
<b>Days Receivable</b>			
Current year	●	34.9	34.5
3 Year trend	●	.9	.5
<b>Days Inventory</b>			
Current year	●	49.7	55.6
3 Year trend	●	-1.5	-1.2
<b>Days Payable</b>			
Current year	●	42.8	45.5
3 Year Trend	●	1.4	.5

These ratios indicate the efficiency of the company's use of cash. For example, the Days Receivable Ratio indicates how many days it takes to collect receivables. The longer it takes to collect your receivables the less efficient your use of cash.

**Cash flow sensitivity**

A 1 day decrease in the Days Receivable ratio will increase cash by .....	\$25,232
A 1 day decrease in the Days Inventory ratio will increase cash by .....	\$1,755
A 1 day increase in the Days Payable ratio will increase cash by .....	\$25,232

**Current Ratio**



**Change and trend**

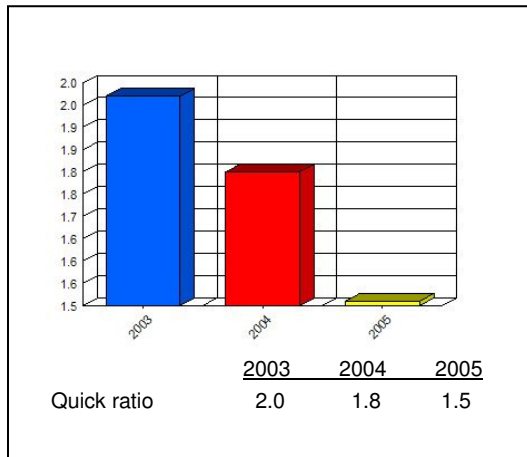
		<u>Change</u>	
<b>Current Ratio</b>			
Current vs prior yr	●	-.3	-10.71%
3 Yr Trend	●	-.3	-9.68%

**Comparison to industry peer group**

		<u>Company</u>	<u>Industry</u>
<b>Current Ratio</b>			
Current year	●	3.1	3.6
3 Year trend	●	-.3	.2

*The current ratio is a measure of the company's liquidity and its ability to meet its short term obligations. This ratio is computed by dividing current assets by current liabilities. The higher the value of this ratio, the better the company's liquidity position. A current ratio of 2 or greater is generally considered favorable.*

**Quick Ratio**



**Change and trend**

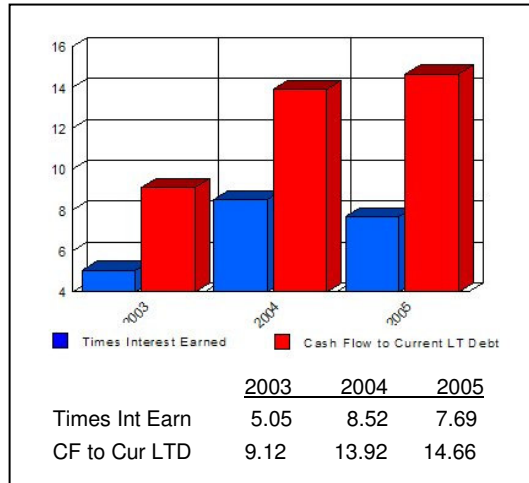
		<u>Change</u>	
<b>Quick Ratio</b>			
Current vs prior yr	●	-.3	-16.67%
3 Yr Trend	●	-.25	-12.50%

**Comparison to industry peer group**

		<u>Company</u>	<u>Industry</u>
<b>Quick Ratio</b>			
Current year	●	1.5	1.8
3 Year trend	●	-.25	.1

*The Quick Ratio is another liquidity ratio that is a more conservative measure since it measures the degree to which a company's current liabilities are covered by its most liquid assets, cash and trade receivables.*

**Times Interest Earned and Cash Flow to Current Long Term Debt ratios**



**Changes and trends**

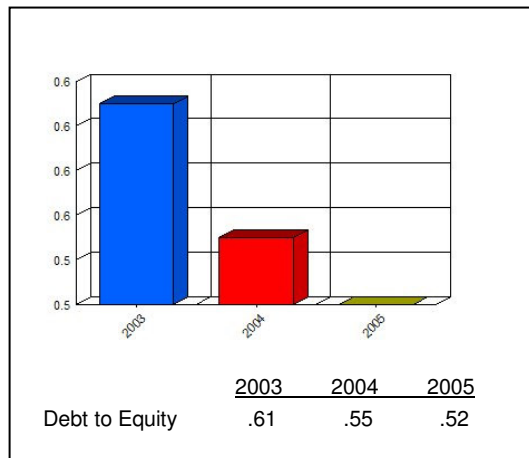
		<u>Change</u>	
<b>Times Interest Earned Ratio</b>			
Current vs prior yr	●	-.83	-9.74%
3 Yr Trend	●	2.64	52.27%
<b>Cash Flow to Current LTD Ratio</b>			
Current year	●	.74	5.32%
3 Yr Trend(chg per yr)	●	2.77	30.37%

**Comparison to industry peer group**

	<u>Company</u>	<u>Industry</u>
<b>Times Interest Earned Ratio</b>		
Current year	●	5.53
3 Year trend	●	1.59
<b>Cash Flow to Current LTD Ratio</b>		
Current year	●	9.75
3 Year trend	●	1.52

*The debt coverage ratios measure the company's ability to service and repay its debts. The higher the values of these ratios the better.*

**Debt to Equity Ratio**



**Change and trend**

		<u>Change</u>	
<b>Debt to Equity Ratio</b>			
Current vs prior yr	●	-.03	-5.45%
3 Yr Trend	●	-.05	-7.38%

**Comparison to industry peer group**

	<u>Company</u>	<u>Industry</u>
<b>Debt to Equity Ratio</b>		
Current year	●	.41
3 Year trend	●	.04

*The Debt to Equity Ratio is computed by dividing total long term debt by book value of equity. The higher the value of this ratio the more the company is vulnerable to business downturns.*