Analytical Procedure Worksheet

Report prepared for: Green Construction

Income Statement Data	12/31/2013	12/31/2014	Actual 12/31/2015	Expected 12/31/2015	% Diff	Notes
Sales (Income)	$6,209,784	$5,896,023	$5,959,281	$5,582,262	7%	
Cost of Sales (COGS)	$5,060,451	$4,906,818	$4,862,832	$4,742,323	3%	
Depreciation (COGS-related)	$0	$0	$0	$0	0%	
Direct Materials	$2,009,305	$1,999,846	$1,961,156	$1,980,588	-1%	
Direct Labor	$998,717	$963,364	$983,892	$926,403	6%	
Subcontractor Expense	$2,052,429	$1,943,608	$1,917,784	$1,835,332	4%	
Cost of Sales	$0	$0	$0	$0	0%	
Gross Profit	$1,149,333	$989,205	$1,096,449	$839,939	31%	
Gross Profit Margin	18.51%	16.78%	18.40%	15.05%	22%	
Depreciation	$62,498	$61,272	$61,215	$59,472	3%	
Depreciation	$0	$0	$0	$0	0%	
Depreciation and Amortization	$0	$0	$0	$0	0%	
Amortization	$0	$0	$0	$0	0%	
Overhead or S,G,& A Expenses	$787,911	$749,510	$779,680	$711,109	10%	
G & A Payroll Expense	$632,791	$609,602	$636,387	$586,413	9%	
Rent	$76,372	$75,052	$75,052	$73,732	2%	
Advertising	$78,748	$64,856	$68,241	$50,964	34%	
Other Overhead Expenses	$0	$0	$0	$0	0%	
Other Operating Income	$19,999	$43,584	$21,291	$67,169	-68%	
Other Operating Expenses	$191,244	$215,089	$177,401	$238,934	-26%	
Other Operating Expenses	$0	$0	$0	$0	0%	
Operating Profit	$0	$0	$0	$0	0%	
Operating Profit	$127,679	$6,918	$99,444	($102,407)	197%	
Interest Expense	$49,132	$48,490	$47,807	$48,183	-1%	
Other Income	$22,499	$25,353	$21,837	$28,207	-23%	
Other Expenses	$34,375	$24,292	$20,373	$14,209	43%	

Net Profit Before Taxes	$66,671	($40,511)	$53,101	($136,592)	139%	
Adjusted Net Profit Before Taxes	$66,671	($40,511)	$53,101	($136,592)	139%	
Net Profit Margin	1.07%	-0.69%	0.89%	-2.45%	136%	
EBITDA	$178,301	$69,251	$162,123	($28,937)	660%	
Taxes Paid	$0	$0	$0	$0	0%	
Extraordinary Gain	$0	$0	$0	$0	0%	
Extraordinary Loss	$0	$0	$0	$0	0%	
Net Income	$66,671	($40,511)	$53,101	($136,592)	139%	

Balance Sheet Data	12/31/2013	12/31/2014	Actual 12/31/2015	Expected 12/31/2015	% Diff	Notes
Cash (Bank Funds)	$80,869	$90,346	$90,256	($49,329)	283%	
Accounts Receivable	$539,374	$571,821	$643,348	$597,914	8%	
Inventory	$422,908	$444,272	$440,260	$462,435	-5%	
Other Current Assets	$41,634	$51,495	$57,840	$61,037	-5%	
Costs and Earnings in Excess of Billings	$0	$3,000	$5,000	$5,681	-12%	
Other Current Assets	$0	$0	$0	$0	0%	
Other	$41,634	$48,495	$52,840	$55,356	-5%	
Total Current Assets	$1,084,785	$1,157,934	$1,231,704	$1,072,057	15%	
Gross Fixed Assets	$550,151	$583,540	$604,965	$616,929	-2%	
Accumulated Depreciation	$86,276	$99,760	$109,331	$159,232	-31%	
Net Fixed Assets	$463,875	$483,780	$495,634	$457,697	8%	
Gross Intangible Assets	$109,331	$109,331	$109,331	$109,331	0%	
Accumulated Amortization	$0	$0	$0	$0	0%	
Net Intangible Assets	$109,331	$109,331	$109,331	$109,331	0%	
Other Assets	$182,138	$182,543	$182,639	$182,948	0%	
Total Assets	$1,840,129	$1,933,588	$2,019,308	$1,822,033	11%	
Accounts Payable	$415,785	$432,398	$438,895	$446,158	-2%	
Short Term Debt	$191,730	$209,805	$233,306	$227,880	2%	
Notes Payable / Current Portion of Long Term Debt	$16,569	$17,635	$18,769	$18,701	0%	
Other Current Liabilities	$281,512	$240,493	$258,250	$198,835	30%	
Billings in Excess of Costs	$0	$6,000	$70,000	$11,361	516%	

Other Current Liabilities	$0	$0	$0	$0	0%
Other	$281,512	$234,493	$188,250	$187,474	0%
Total Current Liabilities	$905,596	$900,331	$949,220	$891,574	6%
Notes Payable / Senior Debt	$617,863	$620,228	$611,459	$649,910	-6%
Notes Payable / Subordinated Debt	$0	$0	$0	$0	0%
Other Long Term Liabilities	$63,458	$85,918	$98,325	$90,030	9%
Total Long Term Liabilities	$681,321	$706,146	$709,784	$739,940	-4%
Total Liabilities	$1,586,917	$1,606,477	$1,659,004	$1,631,514	2%
Preferred Stock	$0	$0	$0	$0	0%
Common Stock	$0	$0	$0	$0	0%
Additional Paid-in Capital	$0	$0	$0	$0	0%
Other Stock / Equity	$0	$0	$0	$0	0%
Ending Retained Earnings	$253,212	$327,111	$360,304	$190,519	89%
Ending Retained Earnings	$0	$0	$0	$0	0%
Total Equity	$253,212	$327,111	$360,304	$190,519	89%
Total Liabilities + Equity	$1,840,129	$1,933,588	$2,019,308	$1,822,033	11%
Number of Employees (FTE)	25.0	20.0	22.0	15.0	47%
Z-Score	1.68	1.67	2.06	0.79	162%

Common Size Statements

Income Statement Data	12/31/2013	12/31/2014	12/31/2015	Industry* (25123)	Clients (84)
Sales (Income)	100%	100%	100%	100%	100%
Cost of Sales (COGS)	81%	83%	82%	77%	82%
Depreciation (COGS-related)	0%	0%	0%	2%	0%
Direct Materials	32%	34%	33%	31%	0%
Direct Labor	16%	16%	17%	15%	0%
Subcontractor Expense	33%	33%	32%	33%	N/A
Cost of Sales	0%	0%	0%	--	--
Gross Profit	19%	17%	18%	23%	22%
Depreciation	1%	1%	1%	1%	0%
Depreciation	0%	0%	0%	--	--
Depreciation and Amortization	0%	0%	0%	--	--
Amortization	0%	0%	0%	0%	0%
Overhead or S,G,& A Expenses	13%	13%	13%	14%	11%
G & A Payroll Expense	10%	10%	11%	7%	2%
Rent	1%	1%	1%	1%	0%
Advertising	1%	1%	1%	0%	0%
Other Overhead Expenses	0%	0%	0%	--	--
Other Operating Income	0%	1%	0%	0%	0%
Other Operating Expenses	3%	4%	3%	4%	0%
Other Operating Expenses	0%	0%	0%	--	--
Operating Profit	0%	0%	0%	--	--
Operating Profit	2%	0%	2%	4%	8%
Interest Expense	1%	1%	1%	1%	0%
Other Income	0%	0%	0%	0%	0%
Other Expenses	1%	0%	0%	0%	0%
Net Profit Before Taxes	1%	-1%	1%	4%	7%
Adjusted Net Profit Before Taxes	1%	-1%	1%	4%	7%
EBITDA	3%	1%	3%	5%	9%
Taxes Paid	0%	0%	0%	1%	3%
Extraordinary Gain	0%	0%	0%	0%	0%
Extraordinary Loss	0%	0%	0%	0%	0%
Net Income	1%	-1%	1%	2%	5%

Balance Sheet Data	12/31/2013	12/31/2014	12/31/2015	Industry* (25123)	Clients (84)
Cash (Bank Funds)	4%	5%	4%	7%	7%
Accounts Receivable	29%	30%	32%	8%	1%
Inventory	23%	23%	22%	27%	62%
Other Current Assets	2%	3%	3%	4%	2%
Costs and Earnings in Excess of Billings	0%	0%	0%	5%	N/A
Other Current Assets	0%	0%	0%	--	--
Other	2%	3%	3%	--	--
Total Current Assets	59%	60%	61%	76%	83%
Gross Fixed Assets	30%	30%	30%	33%	2%
Accumulated Depreciation	5%	5%	5%	18%	0%
Net Fixed Assets	25%	25%	25%	16%	1%
Gross Intangible Assets	6%	6%	5%	0%	0%
Accumulated Amortization	0%	0%	0%	0%	0%
Net Intangible Assets	6%	6%	5%	0%	0%
Other Assets	10%	9%	9%	8%	23%
Total Assets	100%	100%	100%	100%	100%
Accounts Payable	23%	22%	22%	8%	5%
Short Term Debt	10%	11%	12%	0%	0%
Notes Payable / Current Portion of Long Term Debt	1%	1%	1%	11%	0%
Other Current Liabilities	15%	12%	13%	13%	5%

Billings in Excess of Costs	0%	0%	3%	6%	N/A
Other Current Liabilities	0%	0%	0%	--	--
Other	15%	12%	9%	--	--
Total Current Liabilities	49%	47%	47%	55%	12%
Notes Payable / Senior Debt	34%	32%	30%	13%	42%
Notes Payable / Subordinated Debt	0%	0%	0%	0%	0%
Other Long Term Liabilities	3%	4%	5%	0%	3%
Total Long Term Liabilities	37%	37%	35%	28%	49%
Total Liabilities	86%	83%	82%	82%	60%
Preferred Stock	0%	0%	0%	0%	0%
Common Stock	0%	0%	0%	0%	0%
Additional Paid-in Capital	0%	0%	0%	1%	9%
Other Stock / Equity	0%	0%	0%	1%	0%
Ending Retained Earnings	14%	17%	18%	15%	24%
Ending Retained Earnings	0%	0%	0%	--	--
Total Equity	14%	17%	18%	18%	40%
Total Liabilities + Equity	100%	100%	100%	100%	100%

*The industry common size figures shown above were taken from all private company data for companies with industry code 23611 for all years in all areas with yearly sales $1 million to $10 million.

Financial Score

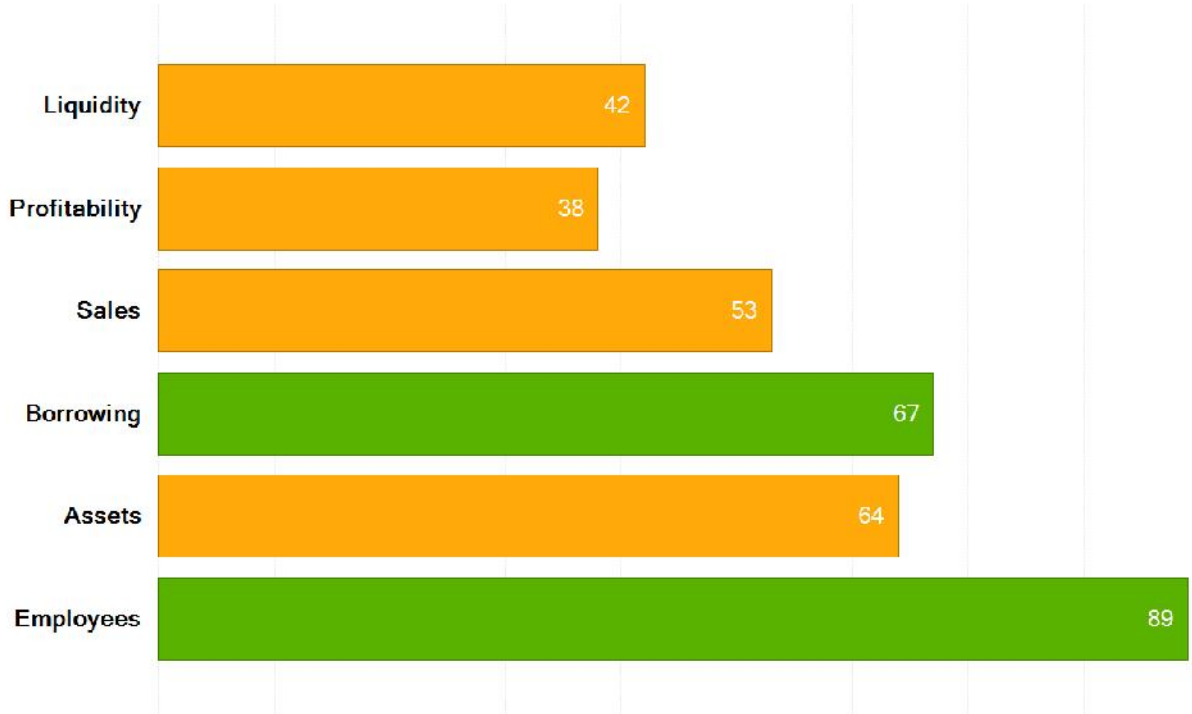
Green Construction Report

Industry: 23611 - Residential Building Construction

Revenue: $1M - $10M

Periods: 12 months against the same 12 months from the previous year

Report Summary



Liquidity 42 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 has increased relative to sales since last period, and is positive. The company's profitability results were weak, however, so these are somewhat unusual results. It would be good to know if the positive cash flow was the result of one-time changes in working capital accounts, or if it can be relied on consistently in the future. This is particularly important given that overall liquidity conditions may be a bit soft (which will be discussed further below).

General Liquidity Conditions

The company's liquidity position appears quite similar to the way it was last period. Notice the graph area of the report, where 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 might find meeting current obligations to be a difficult task in this present condition. Therefore, the company may need to improve its liquidity position.

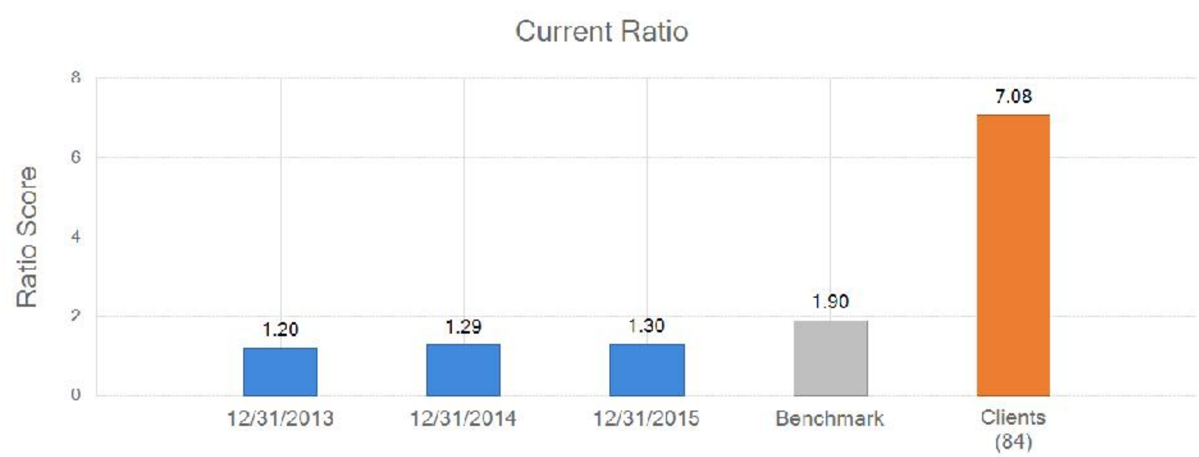
For example, even though the firm’s quick ratio is average, this can still typically mean that there may be some weakness in this area. With limited total current asset support beneath the more liquid assets, there will possibly be some problems if the firm’s cash account drops for any reason.

The company’s accounts receivable days ratio is comparatively high, indicating that the company may be taking a long time to collect money that is owed by customers. Typically, a high accounts receivable days ratio could squeeze cash accounts. Over time, in order to help improve overall liquidity conditions and support cash flow, the company may try to collect receivables more quickly.

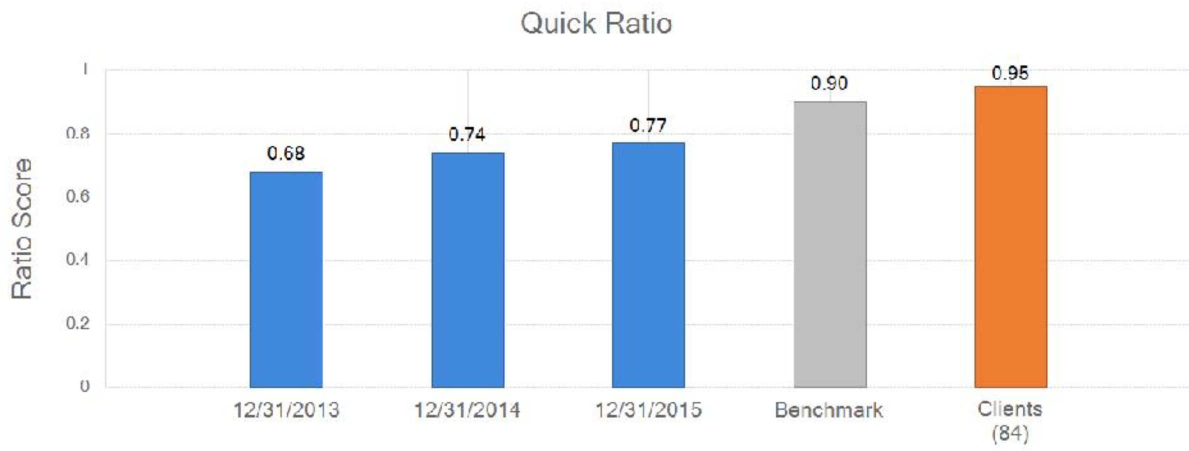
Tips For Improvement
In order to more effectively manage liquidity conditions, here are some actions/"tips" that managers might consider:

- Speed up the billing of customers (even three days earlier each month) in order to accelerate the collection process, which can significantly improve the business’s cash position.
- Establish contractual agreements that allow as much collection up front as possible for large jobs. This will ensure that the job is being completed with funds provided by the customer instead of the business.
- Monitor Accounts Receivable on a weekly basis and charge interest on invoices that are past due.
- If necessary, try to establish a sufficient line of credit from the bank. The business should obtain, but not necessarily use, as much financing as possible from the bank. If external financing is needed, structure it as long-term debt rather than short-term debt in order to decrease monthly payments.

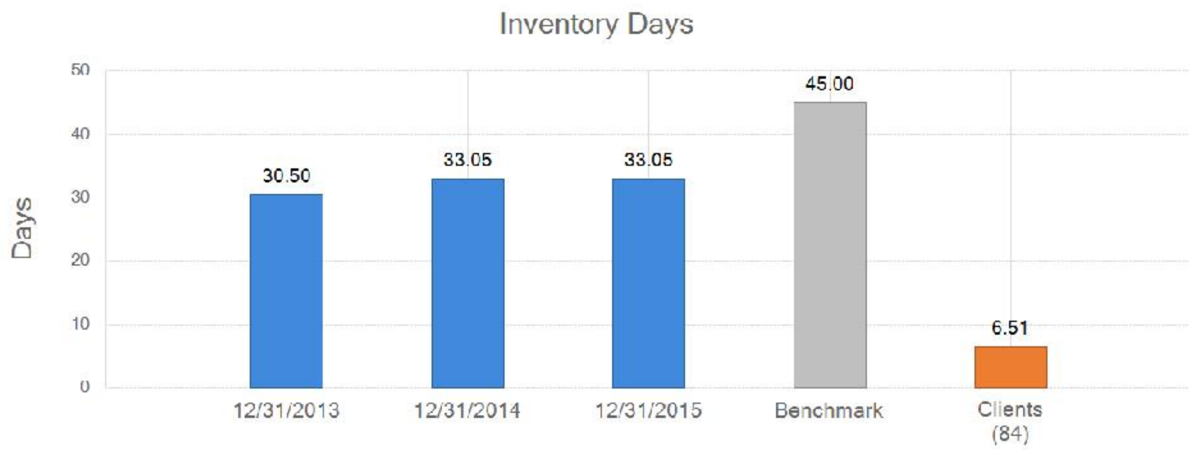
LIMITS TO LIQUIDITY ANALYSIS: Keep in mind that liquidity conditions are volatile, and this is a general analysis looking at a snapshot in time. Review this section, but do not overly rely on it.



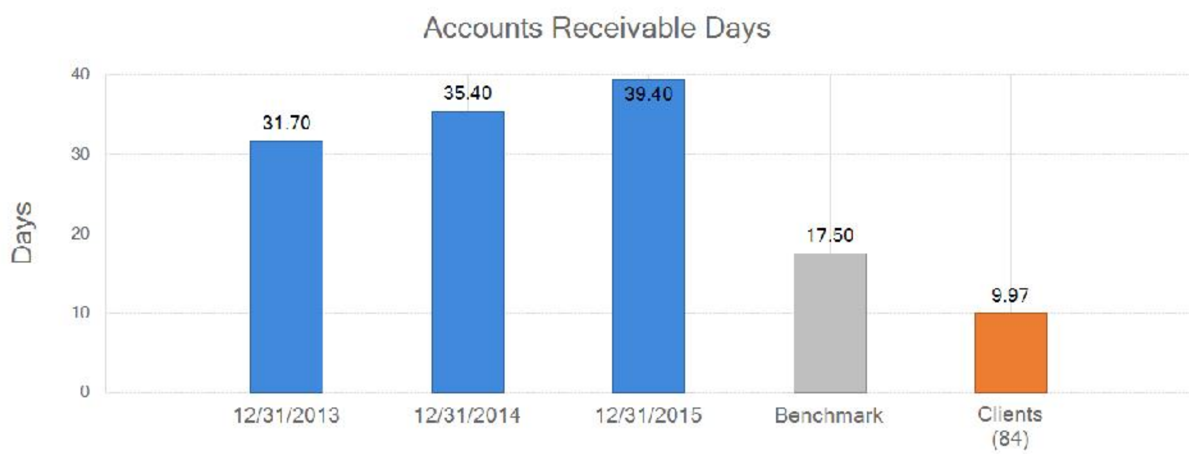
Generally, this metric measures the overall liquidity position of a company. It is certainly not a perfect barometer, but it is a good one. Watch for big decreases in this number over time. Make sure the accounts listed in "current assets" are collectible. The higher the ratio, the more liquid the company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



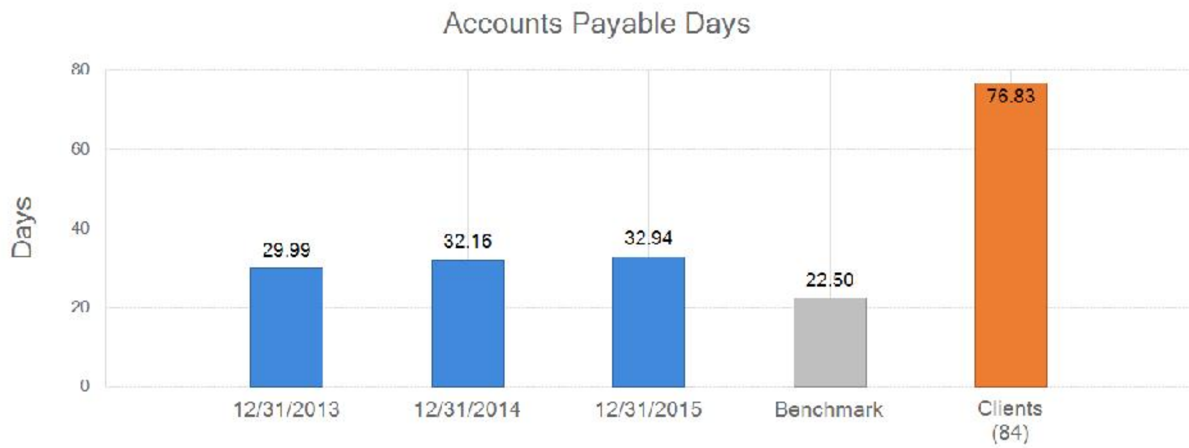
This is another good indicator of liquidity, although by itself, it is not a perfect one. If there are receivable accounts included in the numerator, they should be collectible. Look at the length of time the company has to pay the amount listed in the denominator (current liabilities). The higher the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

Profits & Profit Margin 38 out of 100

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

The company has improved all of its profitability indicators this period, and has done so on relatively flat sales, which is particularly impressive. However, the company needed this period's improvements, because its net profit margin is fairly weak, despite the increases. This means that the company's net margin is not strong overall, but also below average relative to the net margins that are being earned by other companies in this industry. This is illustrated in the graph area of the report.

The company's performance in the gross profitability area is particularly impressive. Although sales have not changed much since the previous period, the company's gross profit dollars rose nicely because the company was able to improve its gross profit margin. The gross margin measures the cents of gross profit that the company earns on every dollar it gains in sales; it is a measure of how effectively the company is balancing its revenues and its costs of sales. The company is now spending less of each sales dollar on costs of sales, and has thus been able to increase gross profits with the same amount of revenue. It can be good for a company to do more with approximately the same revenue stream because this greatly helps performance over time. It also means that the company had better "line" management this period than last period.

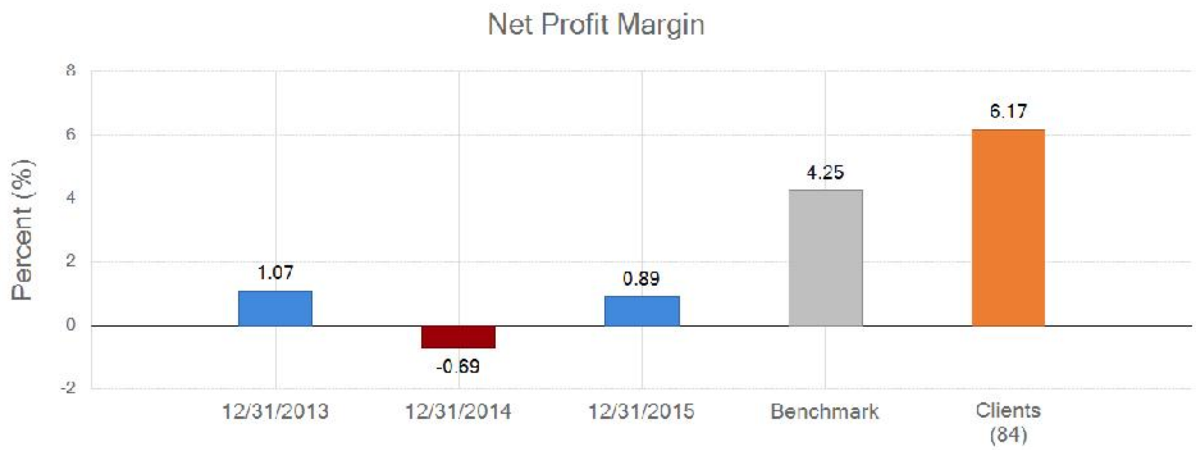
The company should keep working to improve net profitability at this time. The company is making progress, as its net profit margin and net profit dollars have increased this period, but net profits are still weak, as was previously noted. Perhaps additional sales would help make faster progress (although this is not always the case). It is important not to see the company linger too long with low profitability. Companies need solid profits to fuel long-term growth.

Tips For Improvement
Here are some specific actions or suggestions/ideas that managers MAY want to consider in order to improve profitability in the company:

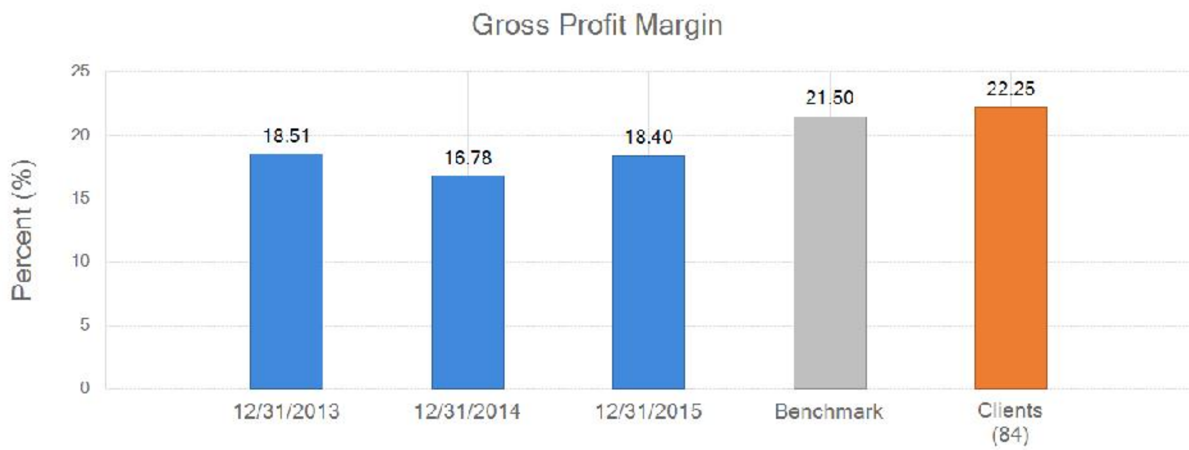
- Produce the proper financial information that can maintain and enhance the bonding capacity of the business. The company's ability to bid on work has a lot to do with its bonding capacity.
- Build a network by working closely with building contractors and developing relationships with the suppliers that provide building/construction equipment. This is

a good way to secure work on new construction projects and can be a source for receiving new business referrals.

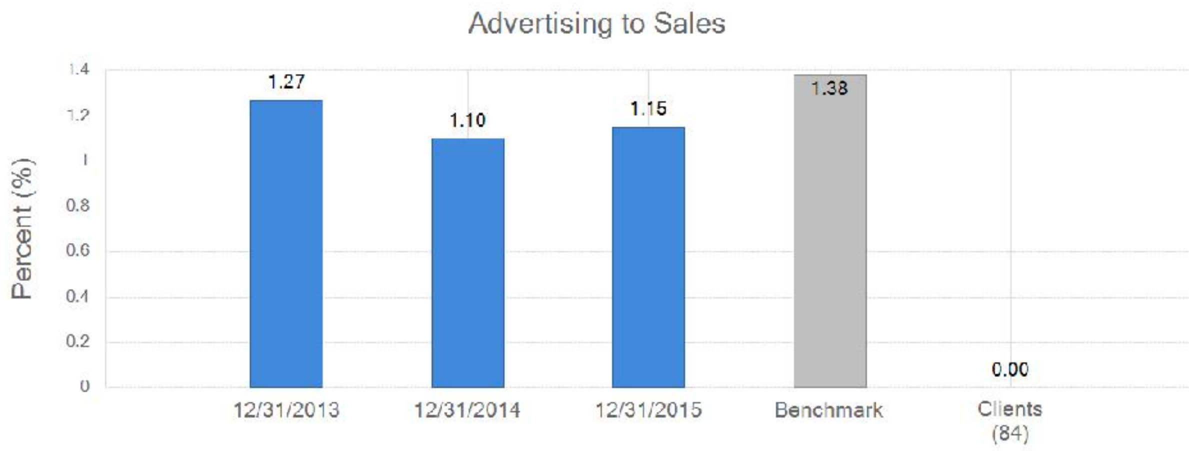
- Monitor the costs going into all office supplies. With more important costs being monitored closely, the business may forget to look at this smaller cost, and often allow it to be higher than necessary.
- Track the effectiveness of advertising by the additional jobs generated from the campaign. Send surveys to customers to determine where to find new business and then focus advertising efforts there.



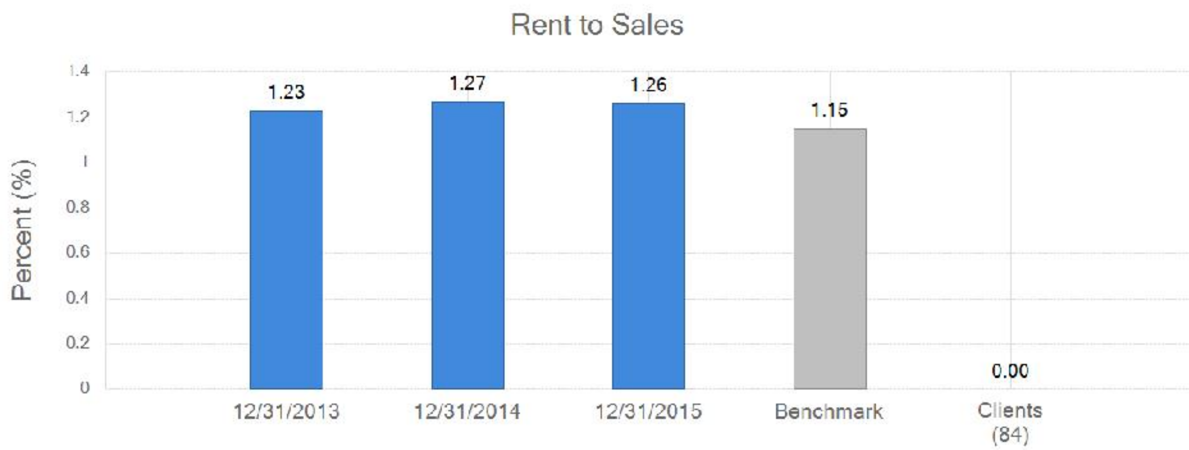
This is an important metric. In fact, over time, it is one of the more important barometers that we look at. It measures how many cents of profit the company is generating for every dollar it sells. Track it carefully against industry competitors. This is a very important number in preparing forecasts.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



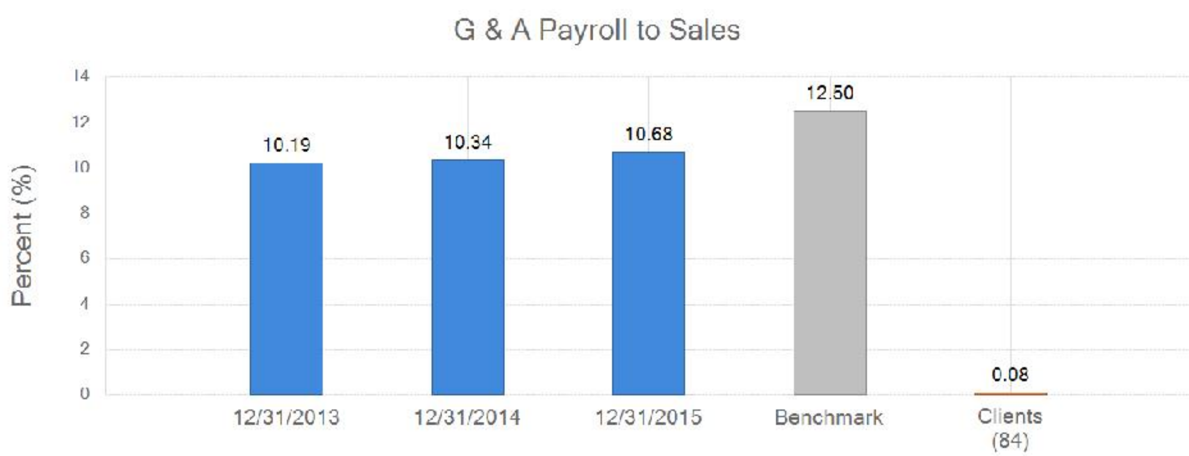
This number indicates the percentage of sales revenue that is not paid out in direct costs (costs of sales). It is an important statistic that can be used in business planning because it indicates how many cents of gross profit can be generated by each dollar of future sales. Higher is normally better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

Sales 53 out of 100

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

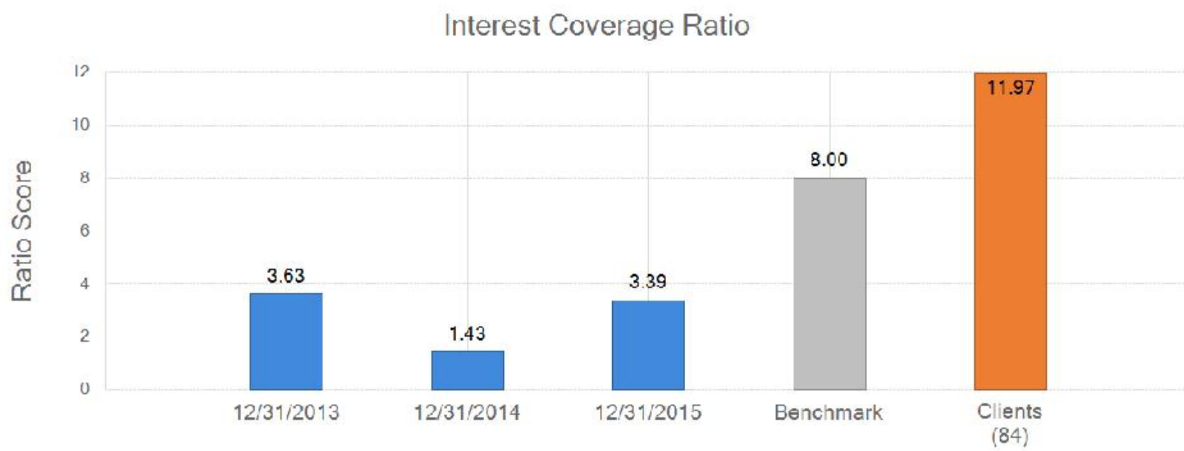
This company did not have many sales changes this period -- sales volume is about what it was last period. Generally, companies prefer to see sales consistently growing over most periods. The logic here is that the company should be building on the existing customer base at all times, adding new customers and retaining old customers. This is especially true since the company has added employees this period. The firm is now generating less revenue per employee than last period, which is not a favorable result. Of course, offsetting this is the fact that we have only analyzed a limited amount of data -- it is important not to make sweeping conclusions here based on limited data.

Borrowing 67 out of 100

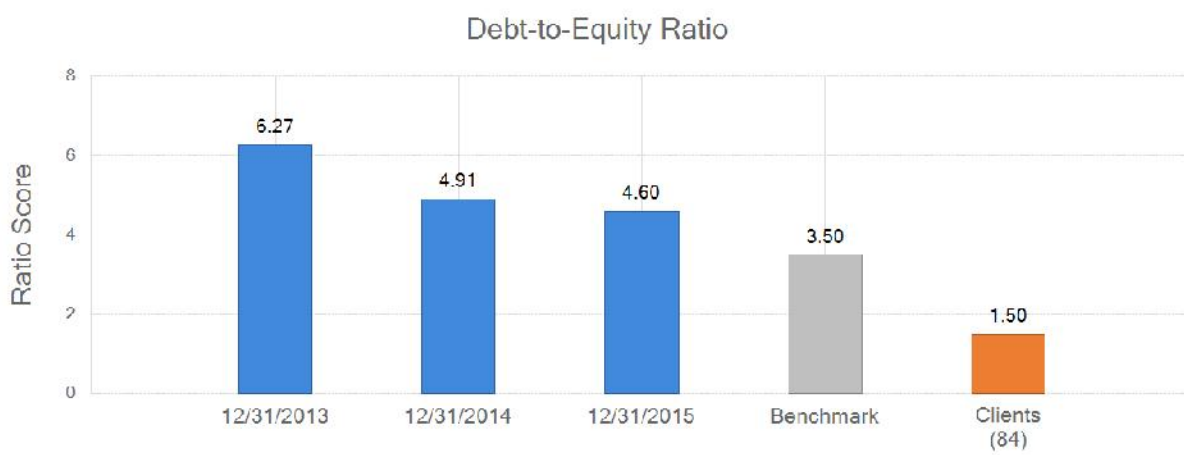
A measure of how responsibly the company is borrowing and how effectively it is managing debt.

Profitability improved significantly this period with no significant change in debt. This is a very good result. The company also improved its net profit margins. All of this is positive because it means that the efficiency of the debt has been improved. There does not seem to be a correlation at this time between debt and profitability, since profitability improved on an even debt base. Yet, it might be interesting to determine if there were any prior period changes (increases or decreases) in debt that might have helped profitability this period. If not, the company has improved Income Statement performance without adding significant debt, which is positive.

Even though the overall score here is good, there are some issues that need to be flagged. First, the company seems to be having some difficulty generating enough earnings (before interest and non-cash expenses) to cover its interest obligations. Over time, it would be positive to see the company improve this component in order to strengthen its overall position. Since the company has a “moderate” level of debt, as compared to its industry peers, it is important to improve this coverage ratio before management considers taking on more debt.



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.



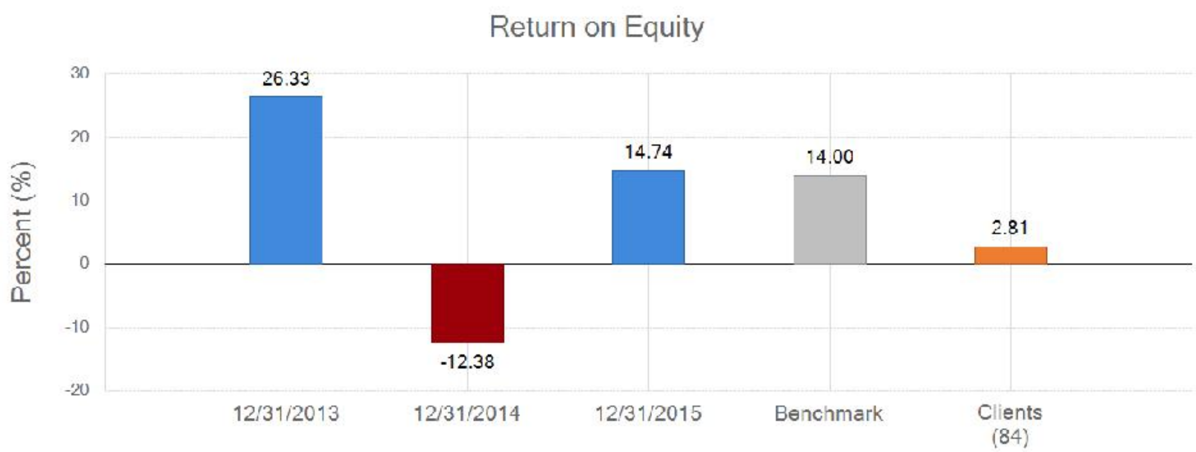
This Balance Sheet leverage ratio indicates the composition of a company's total capitalization -- the balance between money or assets owed versus the money or assets owned. Generally, creditors prefer a lower ratio to decrease financial risk while investors prefer a higher ratio to realize the return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

Assets 64 out of 100

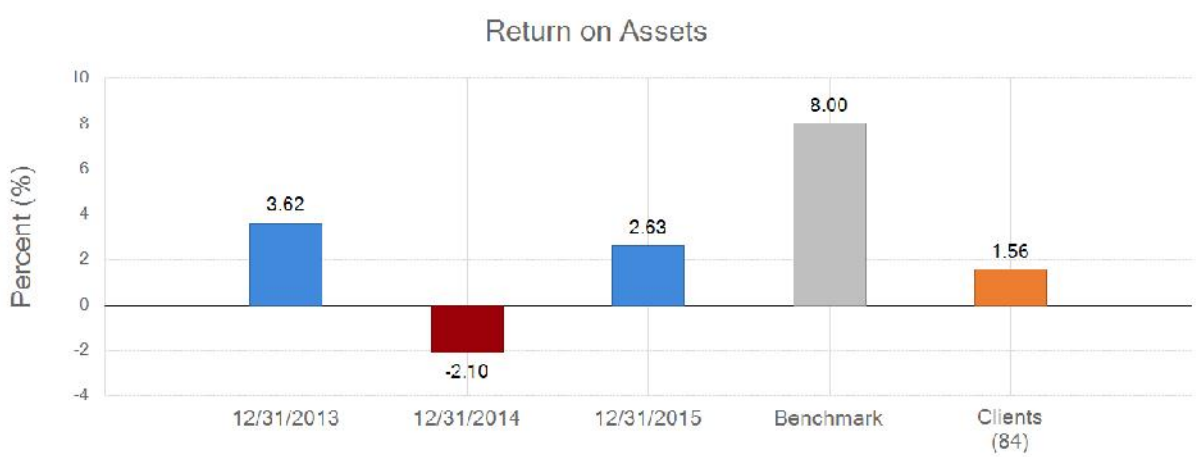
A measure of how effectively the company is utilizing its gross fixed assets.

These are some very good results, at least for this section. The company considerably improved profitability with about the same level of resources (fixed assets). This means that the company is now using its assets more effectively. It may also indicate that the company might have some room to further grow profitability within its current operating environment (while maintaining relatively the same level of assets). Furthermore, note the improvement in the net profit margin. The company has become more efficient within its present structure.

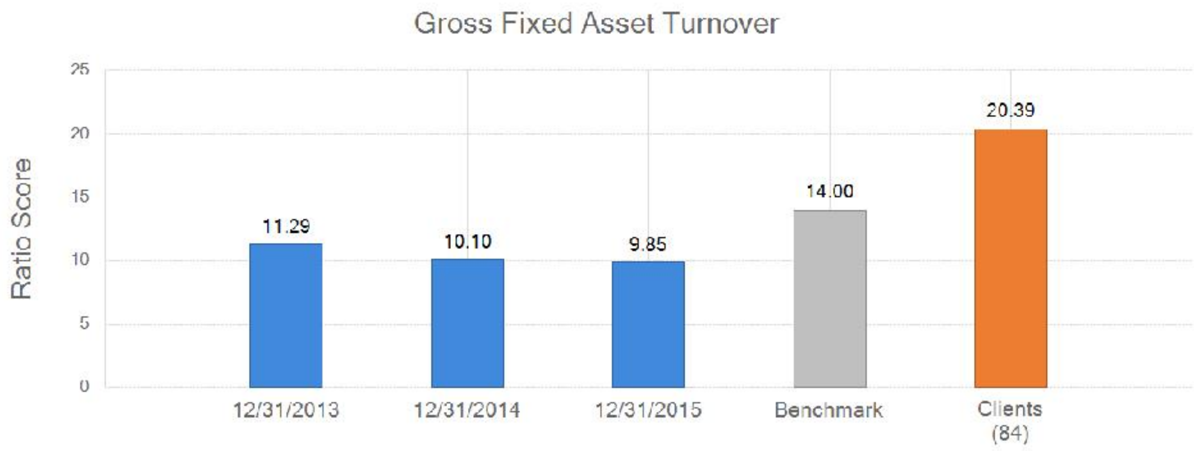
The company seems to be doing an average job of managing its assets. It generated a rather poor return on assets for the period. However, it appears to have done a good job generating sales revenue from its fixed asset base. This may lead to higher returns on the company's assets in the long run.



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.



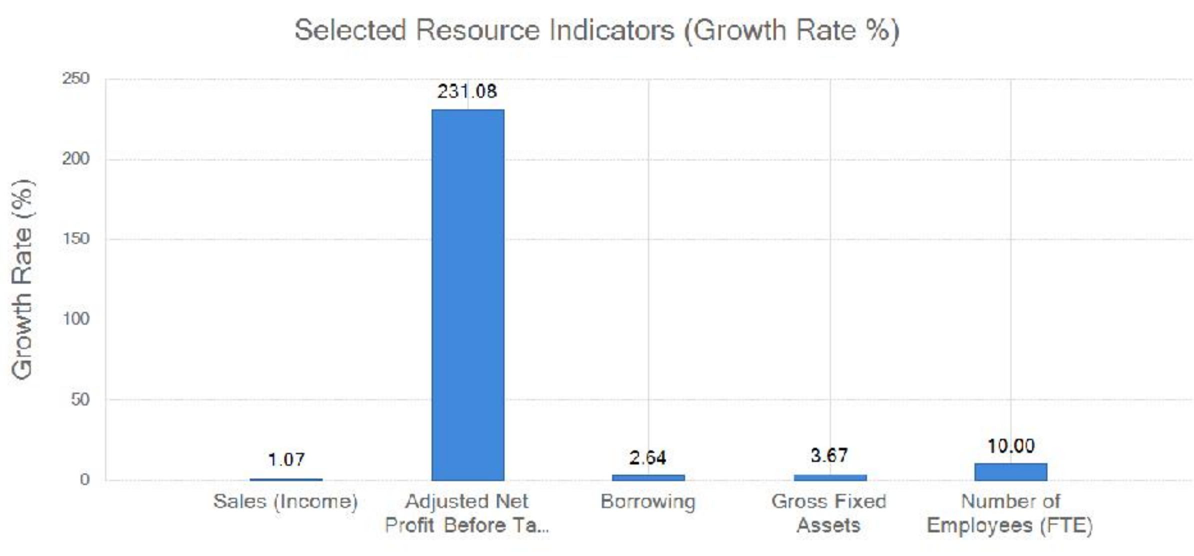
This asset management ratio shows the multiple of annualized sales that each dollar of gross fixed assets is producing. This indicator measures how well fixed assets are "throwing off" sales and is very important to businesses that require significant investments in such assets. Readers should not emphasize 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 89 out of 100

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

This company has performed quite well with respect to managing its employees since the previous period. The employee base has risen, but net profitability has improved by an even greater percentage. Net profitability is increasing faster than growth in employees, but have these new hires actually caused the improvement in profitability? If so, in what areas were these people placed? This company's financial results suggest that employees may be a good form of leverage. There is some indication at this time that it may be a good move for the company to put people in strategic positions to help improve net profitability even further.

"All great decisions look forward." -- Andrew Carnegie



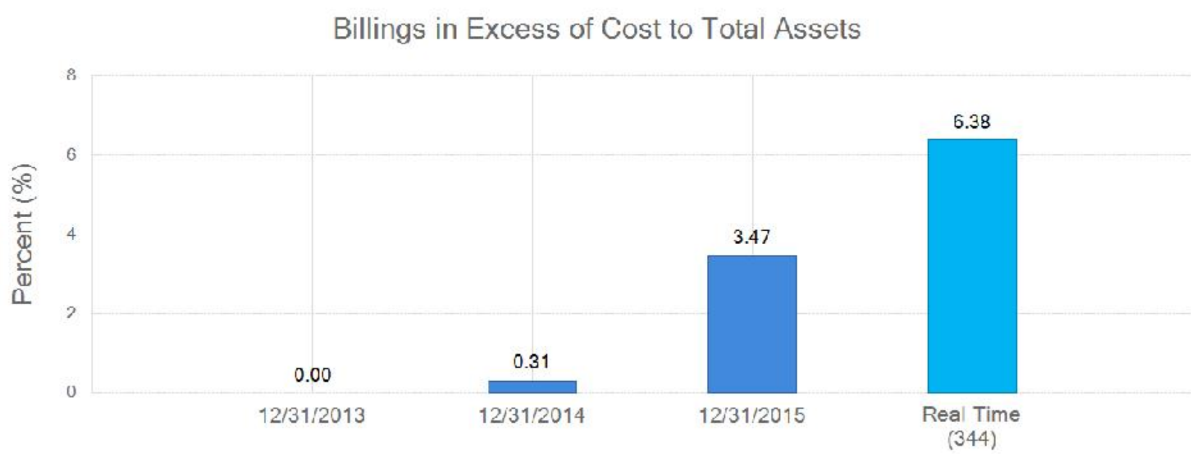
This data is based on the two most recent available periods.

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.

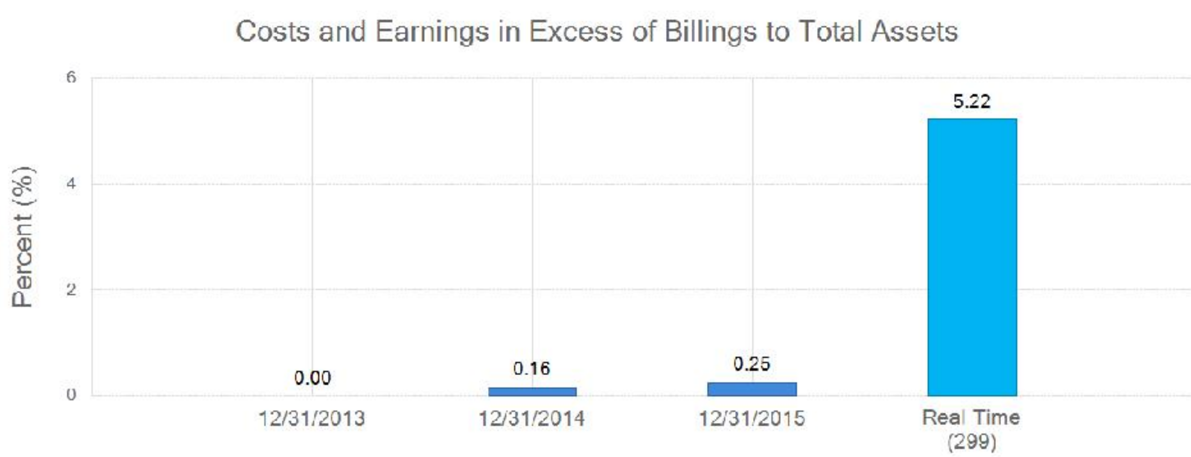
Industry-Specific Performance Ratios

What are the Key Performance Indicators for the business?

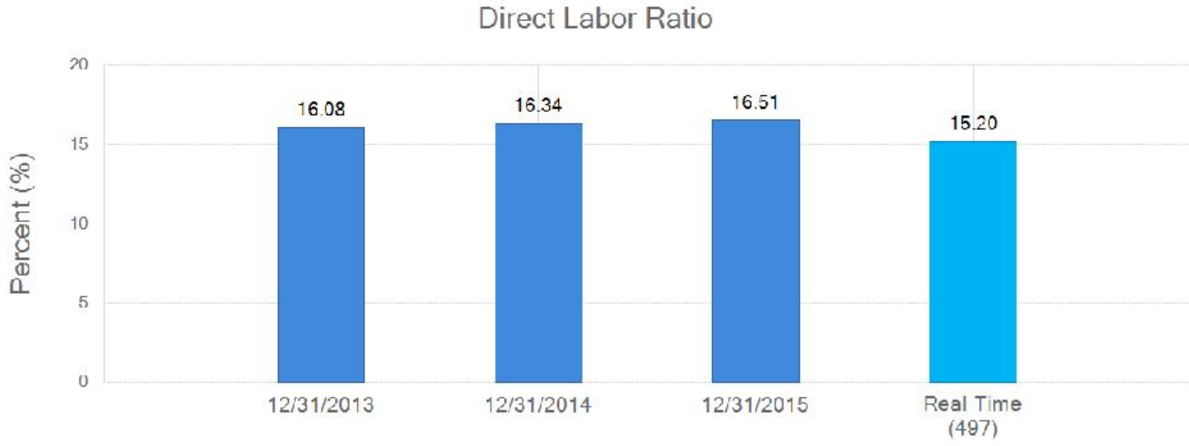
This section of the report provides Key Performance Indicators (or KPIs) for the business being analyzed, and they are specific to the business's industry and revenue. Track these KPIs over time and compare them to the industry averages to identify areas where the business might be able to improve operations.



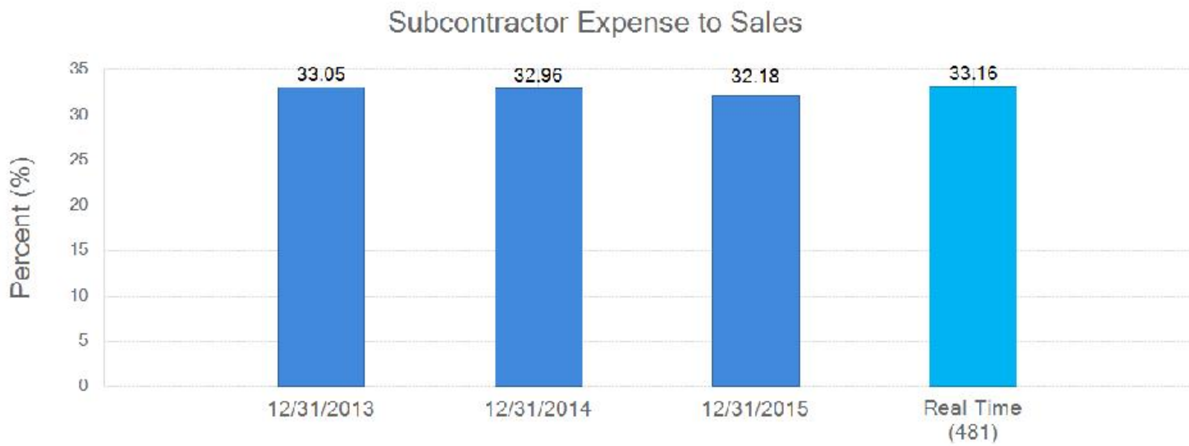
Billings in Excess of Cost to Total Assets = Billings in Excess of Costs / Total Assets



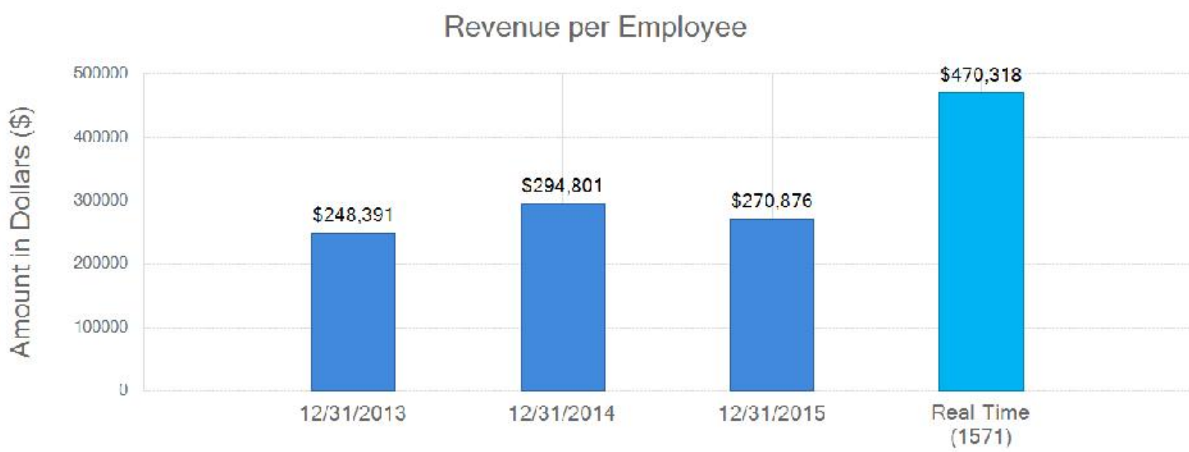
Costs and Earnings in Excess of Billings to Total Assets = Costs and Earnings in Excess of Billings / Total Assets



Direct Labor Ratio = Direct Labor / Sales



Subcontractor Expense to Sales = Subcontractor Expense / Sales



Revenue per Employee = Sales / Employees

Industry Scorecard

Financial Indicator	Current Period	Industry Range	Distance from Industry
Current Ratio	1.30	1.30 to 2.50	0.00%

= Total Current Assets / Total Current Liabilities

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	0.77	0.60 to 1.20	0.00%

= (Cash + Accounts Receivable) / Total Current Liabilities

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	0.89%	1.00% to 7.50%	-11.00%

= Adjusted Net Profit before Taxes / Sales

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	33.05 Days	20.00 to 70.00 Days	0.00%

= (Inventory / COGS) * 365

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	39.40 Days	5.00 to 30.00 Days	-31.33%

= (Accounts Receivable / Sales) * 365

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	32.94 Days	10.00 to 35.00 Days	0.00%

= (Accounts Payable / COGS) * 365

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	3.39	4.00 to 12.00	-15.25%

= EBITDA / Interest Expense

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	4.60	2.00 to 5.00	0.00%

= Total Liabilities / Total Equity

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	14.74%	8.00% to 20.00%	0.00%

= Net Income / Total Equity

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	2.63%	6.00% to 10.00%	-56.17%

= Net Income / Total Assets

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	9.85	8.00 to 20.00	0.00%

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	18.40%	15.00% to 28.00%	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).

Advertising to Sales = Advertising / Sales	1.15%	0.75% to 2.00%	0.00%

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

Rent to Sales = Rent / Sales	1.26%	0.50% to 1.80%	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	10.68%	8.00% to 17.00%	0.00%

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

Z-Score	2.06	1.10 to 2.60	0.00%

= (6.56 * X1 + 3.26 * X2 + 6.72 * X3 + 1.05 * X4) X1 = (Current Assets - Current Liabilities) / Total Assets; X2 = Retained Earnings / Total Assets; X3 = EBIT / Total Assets; X4 = Total Equity / Total Liabilities;

Explanation: The Z-Score is a ratio which measures the overall health of a business. In some cases, it can be used as an early predictor of a firm's probability of bankruptcy in the next year. How to interpret the Z-Score: a score of 2.60 or above implies a low risk of bankruptcy; a score between 1.10 and 2.60 is an average risk; a score of 1.10 or lower signals a high risk of bankruptcy.

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.).