

Performance Assessment

For the period ending 31 December 2005

Provided By

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Disclaimer

The information included in the following comparative financial evaluation is presented only for supplementary analysis and discussion purposes. Such information is presented for internal management use only and is not intended for third parties. Accordingly, we do not express an opinion or any other form of assurance on the supplementary information.

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Executive Summary

Financial Scorecard

LIQUIDITY	★★★★★	BORROWING	★★★★★
PROFITS & PROFIT MARGIN	★★★★☆	ASSETS	★★★★☆
SALES	★★★★★	EMPLOYEES	★★★★★

Operational Scorecard

INVENTORY MANAGEMENT	★★★☆☆	WAREHOUSE PRODUCTIVITY	★★★☆☆
ORDER FULFILLMENT	★★★★★	ACCOUNTS RECEIVABLE COLLECTIONS	★★★★★

Report prepared for: ABC Distribution Company Inc.

Industry: 42399 - Other Miscellaneous Durable Goods Merchant Wholesalers

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

Financial Analysis

LIQUIDITY



PROFITS & PROFIT MARGIN



SALES



BORROWING



ASSETS



EMPLOYEES



LIQUIDITY



Generally, what is the company's ability to meet obligations as they come due?

In reading this report, the company is going to be evaluated against its competition but also by using traditional financial and operational measures of performance. For example, even if a company scores high against the competition, its status will also be compared against known and traditional financial requirements for optimal performance.

This company's cash and near-cash assets have drifted down relative to its bills outstanding this period. Using this quick ratio barometer, the firm's quick cash position is now about average. **Over the long run**, the company may want to improve its position in this specific liquidity area because a company relies on these highly liquid accounts within its current asset base to pay the bills.

On a more general level, the company's overall liquidity position remains quite good. This means that the firm has a sufficient investment in current assets as compared to total short-term obligations, which is positive. The company may want to change the composition of its liquidity base over time, although the scope of it is solid. The company has plenty of resources invested in current assets -- it might just want to shift more resources from less liquid assets to more liquid ones (like cash).

This analysis also shows that the inventory days ratio is high. Specifically, it is better to have a low inventory days ratio, as this indicates the company's ability to convert inventory to sales. Only managers inside of a company know how important inventory is to the overall management of the company itself, but a lower inventory days score is typically desired.

Here are some of the **possible** strategies that management **might** employ to improve cash flow: 1) Can the company use a monthly payroll schedule? 2) Can the company bill customers more quickly? Even small improvements here can help cash flow a lot. 3) Are there ways to get more timely receivables reports? 4) Can management get tougher on collections and still preserve the firm's customer base? 5) Can management prepare better monthly cash flow forecasts to anticipate shortfalls?

