Monthly Performance Report

Vanderlay Industries

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0[illegible] Oct 2017

Executive Summary

REVENUE

Revenue $1,483,550 (Last month $1,300,814)

Positive trend upwards.

PROFITABILITY

Profitability Ratio 12.36% (Last month 8.75%)

Positive trend upwards. Strategies to improve profitability include: increasing price, increasing sales volume, reducing cost of sales and reducing operating expenses.

ACTIVITY

Activity Ratio 4.32 times (Last month 3.87 times)

Positive trend upwards. Strategies to improve the activity ratio include seeking ways to optimise the balance sheet, ie. by reducing the investment in working capital, selling-off any unused assets or by increasing sales using the same asset base.

EFFICIENCY

Return on Capital Employed 53.35% (Last month 33.89%)

Positive trend upwards. A higher ROCE% is favourable, indicating that the business generates more earnings per $1 of capital employed.

WORKING CAPITAL

Cash Conversion Cycle 91 days (Last month 100 days)

Positive trend downwards. Strategies to improve cash conversion include: collecting debt faster, reducing inventory levels, billing work in progress faster and paying creditors slower

CASH FLOW

Free Cash Flow $78,956

Free Cash Flow is positive. After paying its operating expenses and investing for future growth (capital expenditures) the business has generated cash. This cash is available to be paid back to the suppliers of capital.

MARGINAL CASH FLOW

Net Variable Cash Flow 23.88%

Net variable cash flow is positive. The business will generate cash from each additional $1 of products or services that the business sells.

DEBT

Net Debt $4,284,516 (Last month $4,335,792)

Net debt levels have fallen.

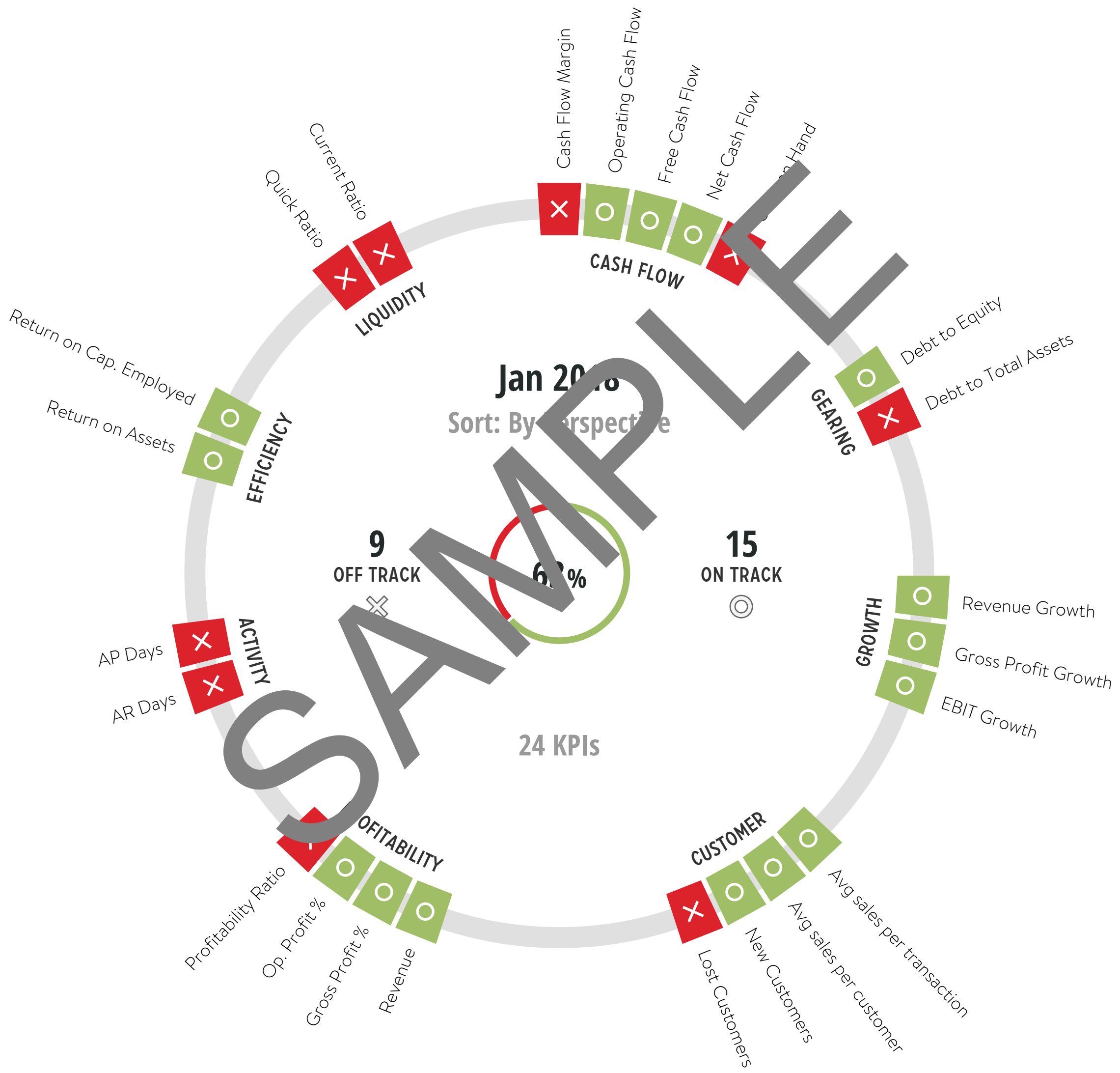
COVERAGE

Interest Cover 4.64 times

Operating profits are sufficient to cover interest payments.

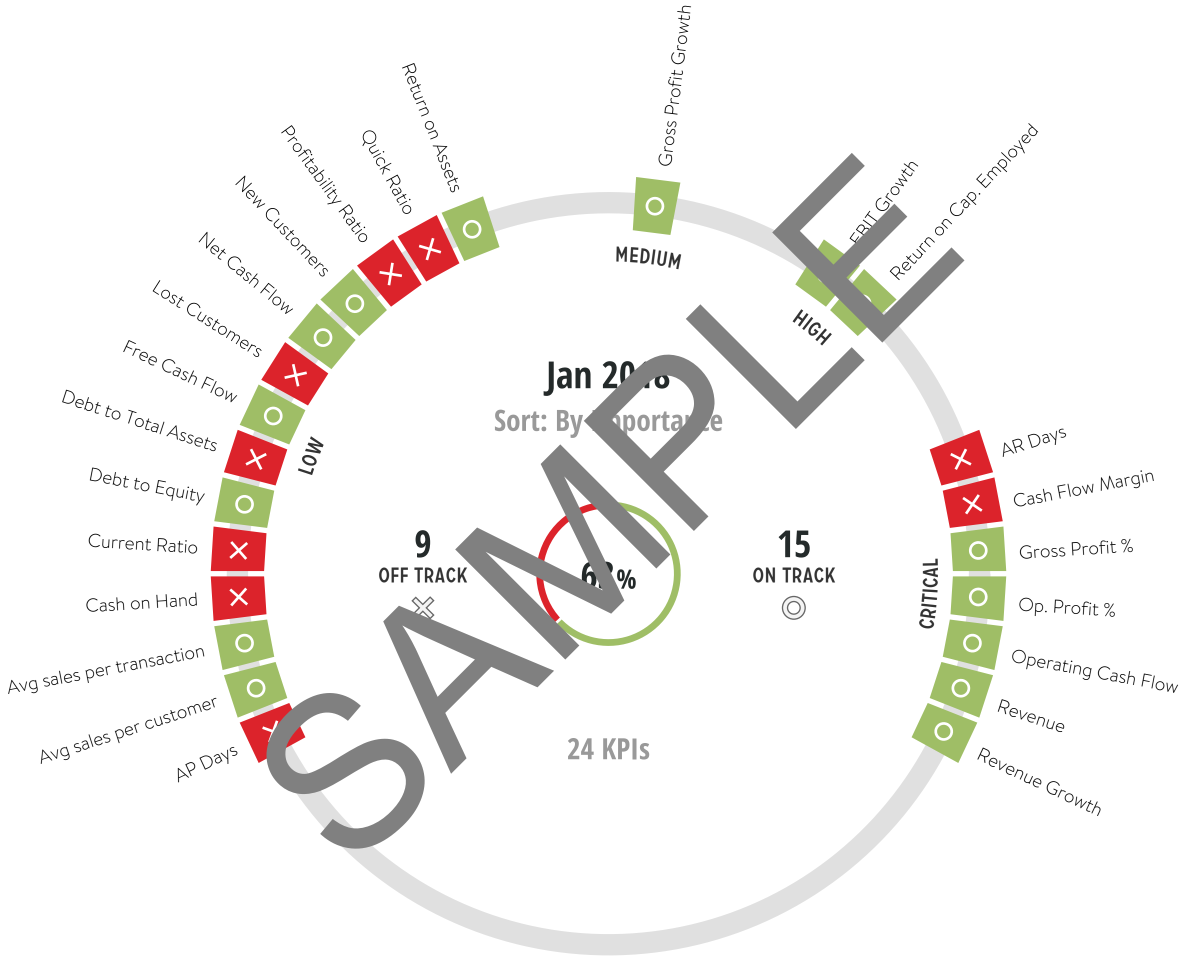
KPI Results

This chart shows KPIs grouped into performance perspectives.



KPI Results

This chart shows KPIs sorted by degree of importance. KPIs are classified as either low, medium, high or critical importance.



KPI Results

	2 ALERTS	RESULT	TARGET		TREND		IMPORTANCE
A PROFITABILITY		JAN 2018				vs DEC 2017	
Total Revenue		$1,483,550	$7,500	✓	▲	14%	Critical
Gross Profit Margin		44.55%	23.82%	✓	▲	0.22%	Critical
Operating Profit Margin		12.36%	8%	✓	▲	3.61%	Critical
Profitability Ratio		12.36%	15%	✗	▲	3.61%	Low
B ACTIVITY							
Accounts Receivable Days *	●	72 days	50 days	✗	▼	-5 days	Critical
Accounts Payable Days		54 days	60 days	✗	▼	-7 days	Low
C EFFICIENCY							
Return on Assets		34.46%	30%	✓	▲	12.45%	Low
Return on Capital Employed		53.35%	[illegible]	✓	▲	19.46%	High
D LIQUIDITY							
Quick Ratio		[illegible]	1.00:1	✗	▲	0.03:1	Low
Current Ratio		[illegible]	2.00:1	✗	▲	0.02:1	Low
E CASH FLOW							
Cash Flow Margin		[illegible]	135.14%	✗	▼	-0.46%	Critical
Operating Cash Flow		$108,975	$10,000	✓	▲	7.3%	Critical
Free Cash Flow		$78,956	$10,000	✓	▲	7.9%	Low
Net Cash Flow		$51,276	$10,000	✓	▲	12.7%	Low
Cash on Hand	●	$0	$10,000	✗	▲	$0	Low
F GEARING							
Debt to Equity *		-1,800.98%	85%	✓	▼	-665.06%	Low
Debt to Total Assets *		68.4%	50%	✗	▼	-2.82%	Low
G GROWTH							
Revenue Growth		14.05%	0.41%	✓	▼	-5.13%	Critical
Gross Profit Growth		14.63%	0.17%	✓	▼	-5.17%	Medium
EBIT Growth		61.1%	0.17%	✓	▼	-181.03%	High
H CUSTOMER							
Avg sales per transaction		$6,411.00	$650.00	✓	▲	5.1%	Low
Avg sales per customer		$6,398.00	$3,000.00	✓	▼	-2.3%	Low
New Customers		87	50	✓	▲	12	Low
Lost Customers *		70	25	✗	▼	-8	Low

* For this metric, a result below target is favourable

Alerts

Accounts Receivable Days

Accounts Receivable days have exceeded the alert level of 50 days. An immediate review of strategies improve cash management by reducing receivable days is required. Such actions may include a review of customer payment terms.

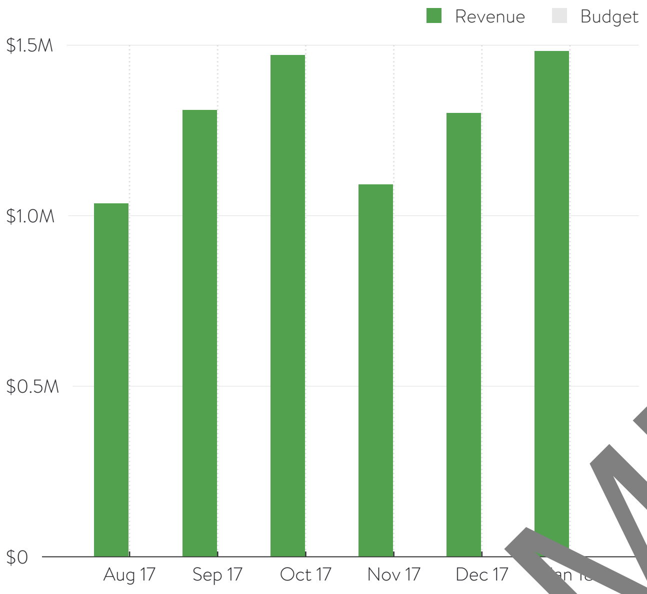
Cash on Hand

The total amounts of cash and cash equivalents on hand is less than the alert level of $27,000.

Revenue Analysis

Total Revenue	Target	Total Revenue (Jan 17)
$1,483,550	$7,500	$1,348,191

Last 6 months vs Budget

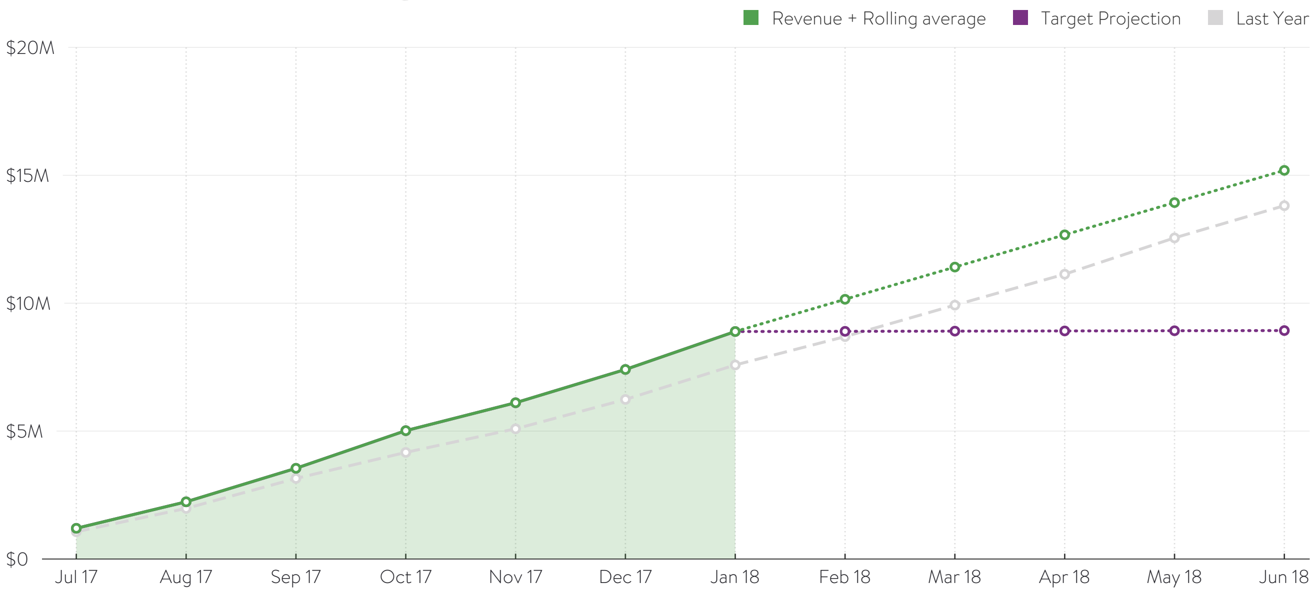


Revenue Mix - Top 10 Accounts

Sales	$1,432,240
Sales - Consulting	$32,234
Sales - Maintenance	$19,075
Sales - Seminars	$0

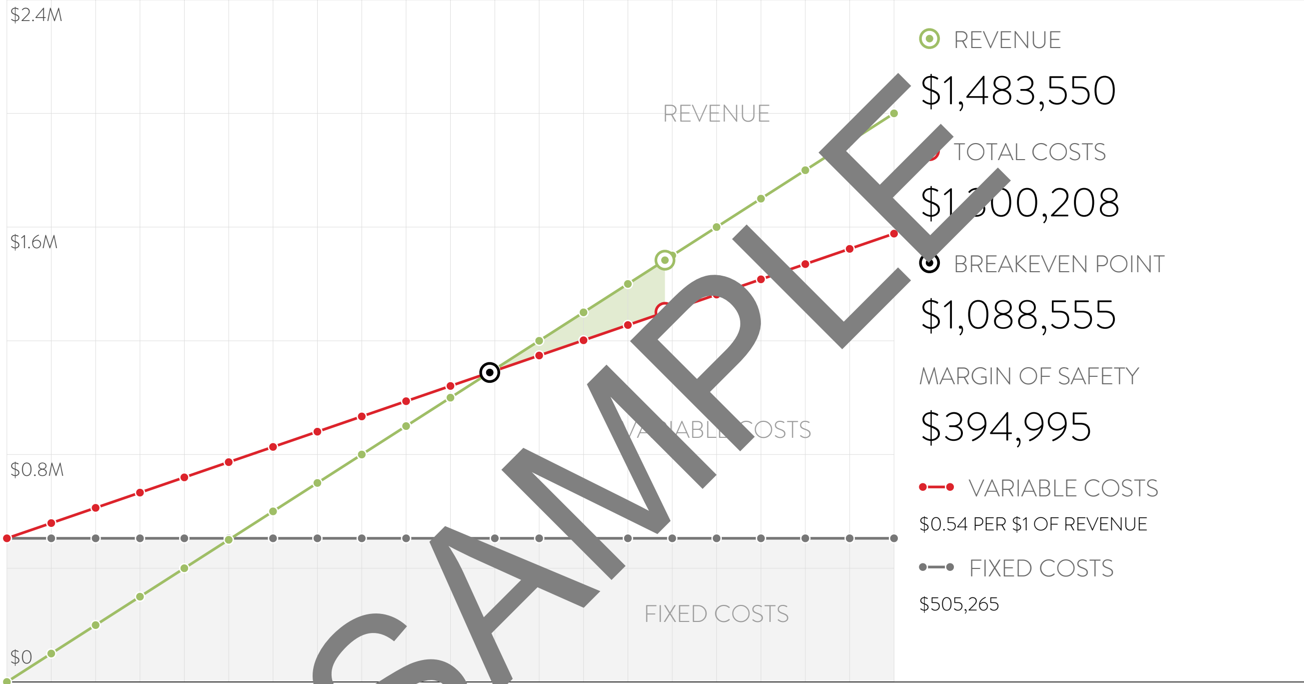
Year-To-Date Actual (2017/2018 YTD)	Year-To-Date Reve... (2017/2018 YTD)	Year-To-Date Last Y... (2016/2017 YTD)
$8,892,855	– Budget	$7,585,064

Cumulative Revenue



Profitability

Revenue	Expenses to Revenue Ratio	Margin of Safety
$1,483,550	87.64%	$394,995
A measure of the total amount of money received by the company for goods sold or services provided.	A measure of how efficiently the business is conducting its operations.	The breakeven safety margin represents the gap between the actual revenue level and the breakeven point.



Profitability can be further improved by improving price, volume, cost of sales and operating expense management.

Top 10 Revenue Accounts

Sales	$1,432,240
Sales - Consulting	$32,234
Sales - Maintenance	$19,075
Sales - Seminars	$0

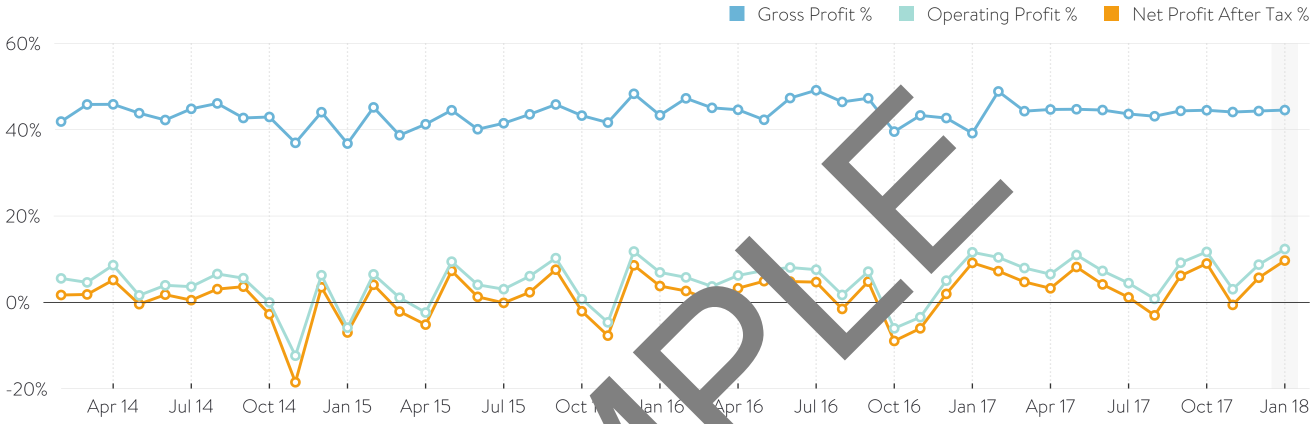
Top 10 Expense Accounts

Payroll Items	$251,551
Agents Commissions	$46,854
Other Variable Expenses	$43,195
Staff & Admin	$27,377
Motor Vehicle Expenses	$23,967
Travel & Entertainmt	$19,465
Mkting & Advertising	$17,717
Prof, Legal	$16,012
Rents & Utilities	$15,535
Telephone & Internet	$14,451

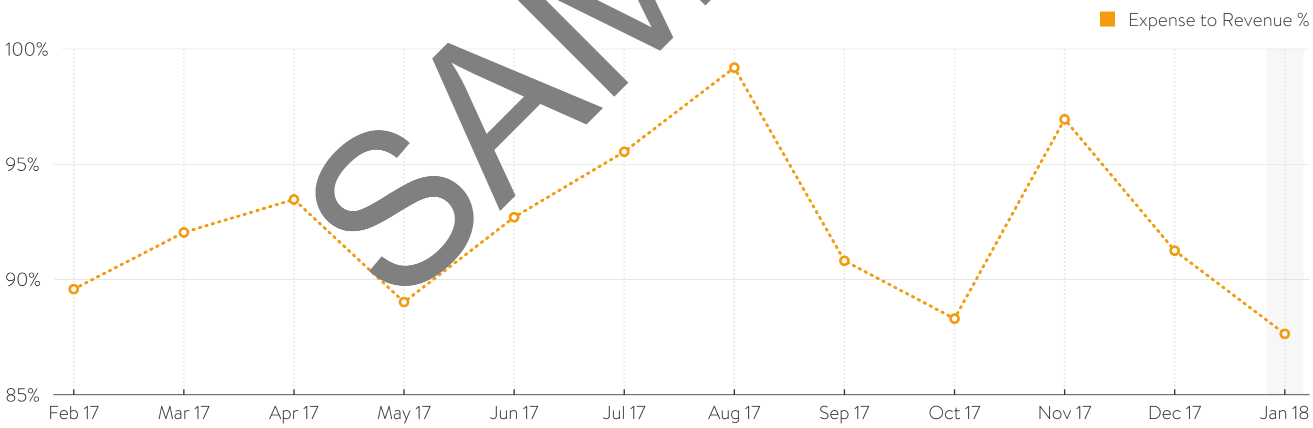
Profitability Charts

	Jan 2018	% of Revenue	Oct 2017	Nov 2017	Dec 2017
Gross Profit	$660,931	44.55%	$655,025	$481,291	$576,586
Operating Profit	$183,342	12.36%	$172,191	$33,264	$113,808
EBIT	$183,342	12.36%	$172,191	$33,264	$113,808
Earnings After Tax	$143,799	9.69%	$132,629	($6,292)	$74,258

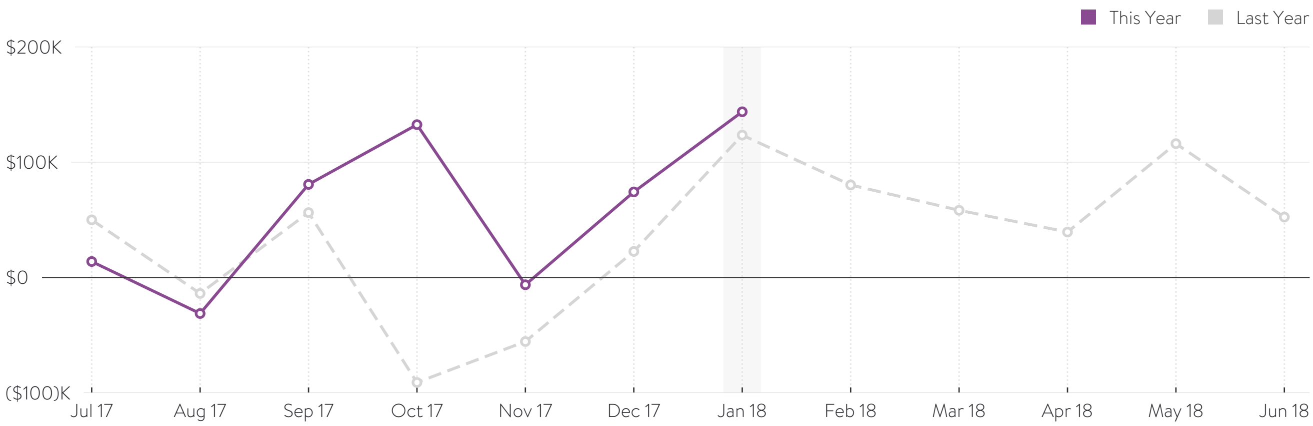
% Margins



Expense-to-Revenue (%)



Earnings After Tax This Year vs Last Year



Cash Flow

Operating Cash Flow	Free Cash Flow	Net Cash Flow
$108,975	$78,956	$51,276

Operating Cash Flow

$108,975

Operating cash flow is simply the cash generated by the operating activities of the business. Operating activities include the production, sales and delivery of the company's product and/or services as well as collecting payment from its customers and making payments to suppliers.

Free Cash Flow

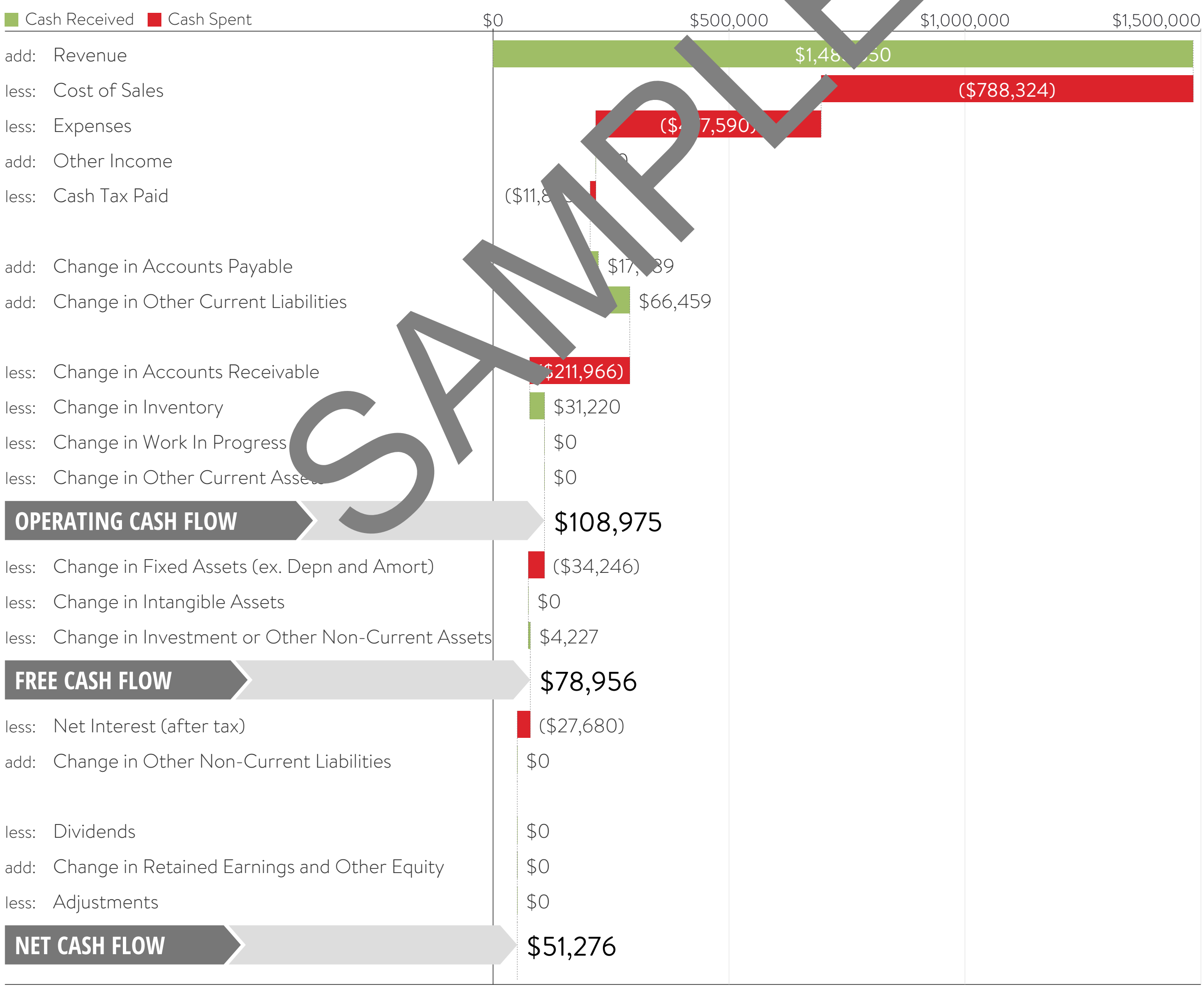
$78,956

Free cash flow is the cash generated by the business, after paying its expenses and investing for future growth. It is the cash left after subtracting capital expenditure from operating cash flow. The term "free cash flow" is used because this cash is free to be paid back to the suppliers of capital.

Net Cash Flow

$51,276

Net cash flow is the cash left after subtracting expenditures from financing activities from the free cash flow. This includes the cash impact from financing activities. Financing activities include the inflow of cash from investors such as banks or shareholders, as well as the outflow of cash to shareholders as dividends.



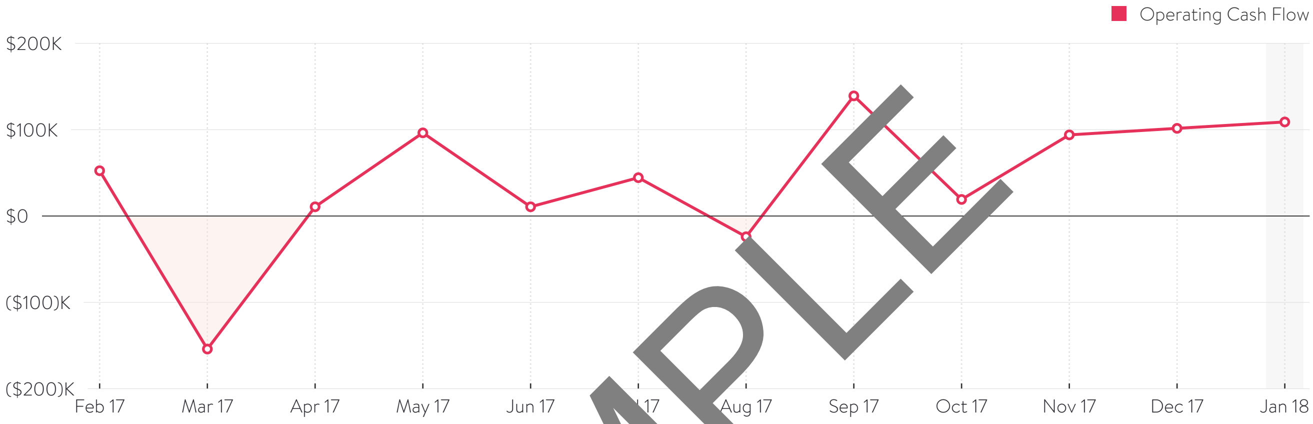
Net Cash Flow can also be calculated as:

Change in Cash on Hand $0 (Open: $0, Close: $0) – Change in Debt ($51,276) (Open: $4,335,792, Close: $4,284,516)

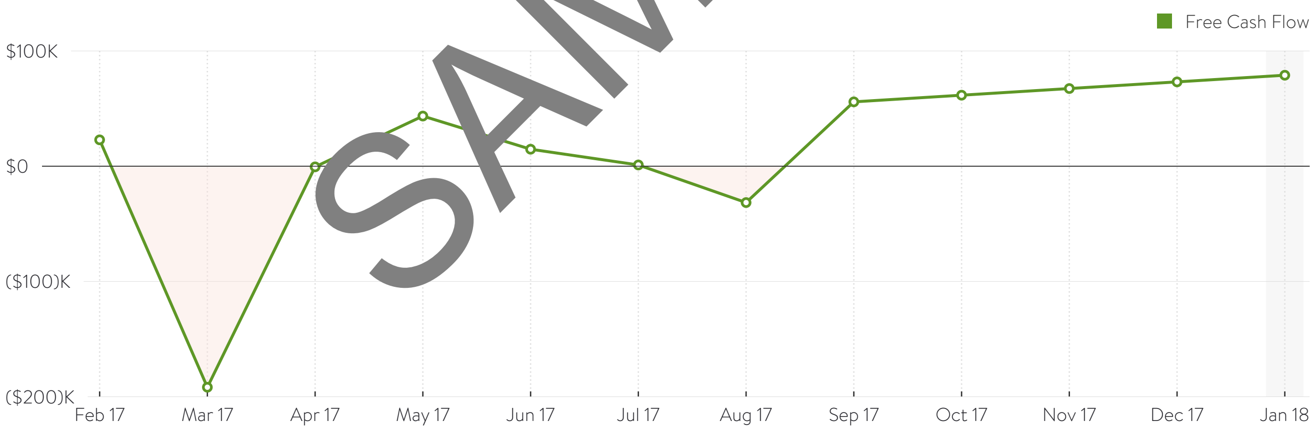
Cash Flow Charts

	Jan 2018	Oct 2017	Nov 2017	Dec 2017
Operating Cash Flow	$108,975	$19,246	$94,019	$101,588
Free Cash Flow	$78,956	$61,629	$67,406	$73,181
Net Cash Flow	$51,276	$33,935	$39,717	$45,497
Cash on Hand	$0	$0	$0	$0

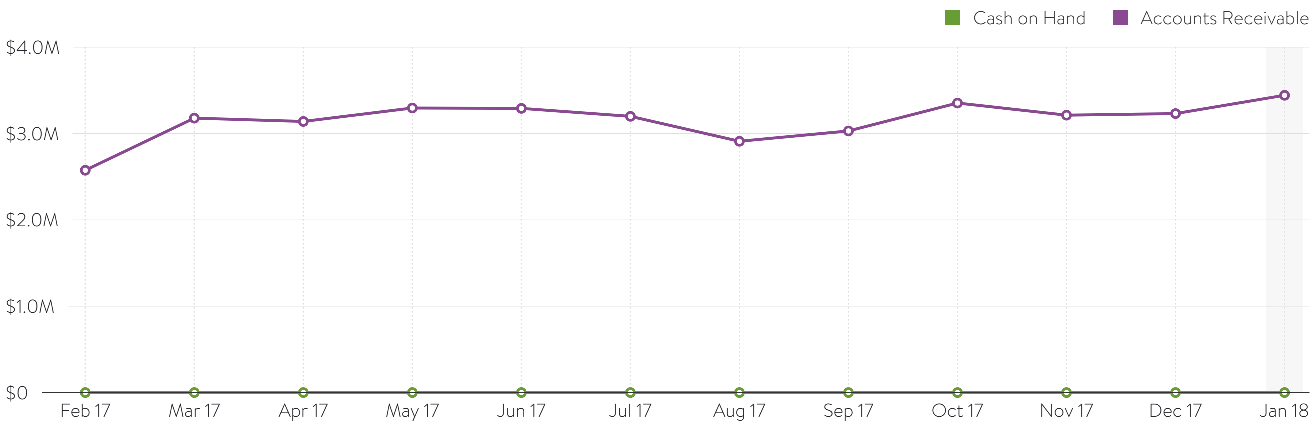
Operating Cash Flow



Free Cash Flow



Cash & Receivables



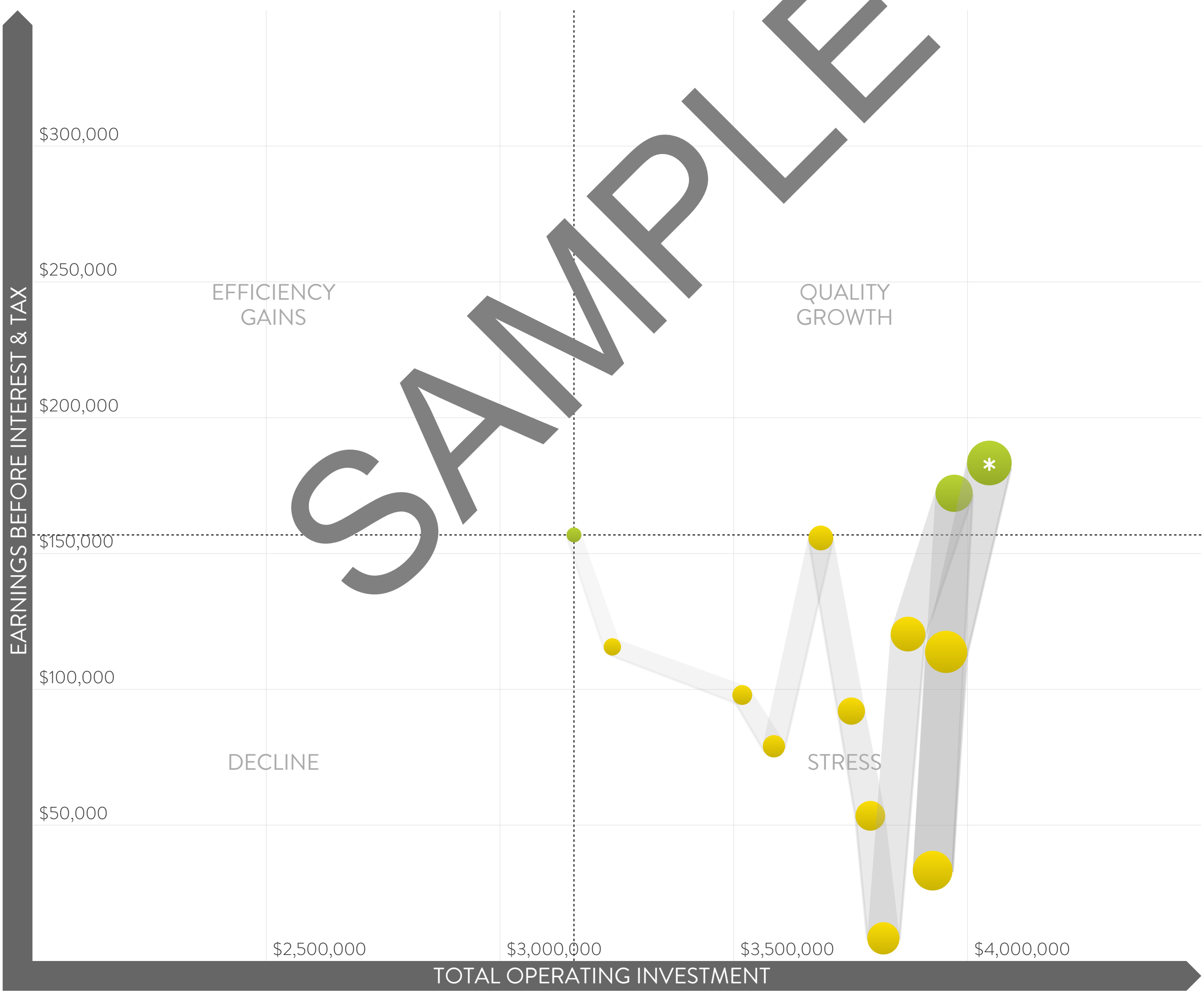
Growth

Revenue Growth	EBIT Growth	Asset Change
14.05%	61.1%	2.9%
A measure of the percentage change in Revenue for the period.	A measure of the percentage change in EBIT for the period.	A measure of the percentage change in Total Assets for the period.

Change in Key Drivers (from prior month)

Revenue	Cost of Sales	Expenses	Receivable Days	Inventory Days	Payable Days
Up 14%	Up 13.6%	Up 3.2%	Down -6.5 days	Down -13.1 days	Down -11.5 da

GROWTH FROM Jan 2017 to Jan 2018



* Total Operating Investment $4,046,616; Earnings Before Interest & Tax $183,342

Size of the circle shows the recency of the result

Vertical position of the circle shows the growth in Earnings Before Interest & Tax

Horizontal position of the circle shows the growth in Total Operating Investment

Financials

PROFIT & LOSS	Jan 2018	Dec 2017	Variance %
Revenue	$1,483,550	$1,300,814	14.05%
Cost of Sales	$822,619	$724,228	13.59%
Gross Profit	**$660,931**	**$576,586**	**14.63%**
Expenses	$477,590	$462,778	3.2%
Operating Profit	**$183,342**	**$113,808**	**61.1%**
Interest Income	$0	$0	–
Interest Expenses	$39,543	$39,550	-0.02%
Earnings Before Tax	**$143,799**	**$74,258**	**93.65%**
Dividends	$0	$0	–
Retained Income	**$143,799**	**$74,258**	**93.65%**

BALANCE SHEET	Jan 2018	Dec 2017	Variance %
ASSETS			
Cash & Equivalents	$0	$0	–
Accounts Receivable	$3,443,1[illegible]	$3,231,141	6.56%
Inventory	$1,92[illegible]499	$1,956,719	-1.6%
Work in Progress	$[illegible]	$0	–
Other Current Assets	$7[illegible]254	$72,254	0%
Total Current Assets	**$5,4[illegible]0,8[illegible]**	**$5,260,114**	**3.44%**
Fixed Assets	$50[illegible]816	$502,864	-0.01%
Intangible Assets	$0	$0	–
Investment or Other Non-Current A...	$[illegible]20,602	$324,829	-1.3%
Total Non-Current Assets	**$823,418**	**$827,693**	**-0.52%**
Total Assets	**$6,264,278**	**$6,087,808**	**2.9%**
LIABILITIES			
Short Term Debt	$3,733,071	$3,781,457	-1.28%
Accounts Payable	$1,432,116	$1,414,627	1.24%
Tax Liability	$0	$0	–
Other Current Liabilities	$785,546	$719,087	9.24%
Total Current Liabilities	**$5,950,733**	**$5,915,171**	**0.6%**
Long Term Debt	$551,445	$554,335	-0.52%
Deferred Taxes	$0	$0	–
Other Non-Current Liabilities	$0	$0	–
Total Non-Current Liabilities	**$551,445**	**$554,335**	**-0.52%**
Total Liabilities	**$6,502,178**	**$6,469,506**	**0.51%**
EQUITY			
Retained Earnings	$618,758	$474,960	30.28%
Current Earnings	$0	$0	–
Other Equity	($856,657)	($856,657)	0%
Total Equity	**($237,899)**	**($381,698)**	**37.67%**
Total Liabilities & Equity	**$6,264,279**	**$6,087,809**	**2.9%**

KPIs Explained

Accounts Payable Days 54 days

A measure of how long it takes for the business to pay its creditors. A stable higher number of days is generally an indicator of good cash management. A longer time taken to pay creditors has a positive impact on Cash Flow. But an excessive lengthening in this ratio could indicate a problem with sufficiency of working capital to pay creditors. For this period, accounts payable days are below the target of 60 days.

Accounts Payable Days = Accounts Payable * Period Length / Cost of Sales

Accounts Receivable Days 72 days

A measure of how long it takes for the business to collect the amounts due from customers. A lower number indicates that it takes the business fewer days to collect its accounts receivable. A shorter time to collect debtors has a positive impact on Cash Flow. A higher number indicates that it takes longer to collect its accounts receivable. For this period, accounts receivable days are above the maximum target of 50 days.

Accounts Receivable Days = Accounts Receivable * Period Length / Revenue

Avg sales per customer $6,398.00

A measure of the average spend per customer. This measure is calculated by dividing total sales by the number of customers

Avg sales per transaction $6,411.00

A measure of the average spend per transaction. This measure is calculated by dividing total sales by the number of transactions.

Cash Flow Margin 7.35%

A measure of the company's ability to turn sales into cash. The business converts each $100 of sales into $7.35 of Operating Cash Flow. For this period, the Cash Flow Margin was less than the target of 135.14%.

Cash Flow Margin = Operating Cash Flow / Revenue * 100

Cash on Hand $0

A measure of the cash and cash equivalents in actual possession by the company at a particular time. At the end of this period the company held $0 of cash and cash equivalents. Cash on Hand is below the required target of $10,000. Insufficient cash reserves may result in an inability to pay creditors and cover current liabilities.

Cash on Hand = Cash & Equivalents

Current Ratio 0.91:1

A measure of liquidity. This measure compares the totals of the current assets and current liabilities. The higher the current ratio, the greater the 'cushion' between current obligations and the business's ability to pay them. Generally a current ratio of 2 or more is an indicator of good short-term financial strength. In other words, the current assets of the business should be at least double the current liabilities. For this period, the current ratio was 0.91:1, up from 0.89:1 last period and below the minimum target of 2.00:1.

Current Ratio = Total Current Assets / Total Current Liabilities

✓ Debt to Equity -1,800.98%

A measure of the proportion of funds that have either been invested by the owners (equity) or borrowed (debt) and used by the business to finance its assets. An appropriate mix of debt financing and equity financing will vary for each industry and business. Management are responsible to ensure that an appropriate balance between the two sources of financing is maintained. To improve this ratio, management can seek to internally generate profits and retain these profits to fund future growth, rather than borrowing additional funds. For each $100 of equity supplied by shareholders, the business is carrying ($1,800.98) of debt. For this period, the debt to equity ratio is below the target of 85%.

Debt to Equity = Total Debt / Total Equity * 100

✗ Debt to Total Assets 68.4%

A measure of the proportion of the business's assets that are financed through debt. The funds to pay for 68.4% of the business's assets have been supplied by creditors. For this period, the debt to total assets ratio is above the set target of 50%.

Debt to Total Assets = Total Debt / Total Assets * 100

✓ EBIT Growth 61.1%

A measure of the percentage change in EBIT for the period. A combination of growth in revenues and growth in profits presents a balanced measure of growth For this period, EBIT growth of 61.1% exceeded the target growth of 0.17%.

EBIT Growth = (Earnings Before Interest & Tax - Prior Earnings Before Interest & Tax) / Prior Earnings Before Interest & Tax * 100

✓ Free Cash Flow $78,956

Free cash flow is the cash generated by the business, after paying its expenses and investing for future growth. It is the cash left after subtracting capital expenditure from operating cash flow. The term “free cash flow” is used because this cash is free to be paid back to the suppliers of capital.

Free Cash Flow = Operating Cash Flow - (Total Non - Current Assets - Opening Total Non - Current Assets + Depreciation + Depreciation & Amortisation)

✓ Gross Profit Growth 14.63%

A measure of the percentage change in gross profit for the period. For this period, gross profit growth of 14.63% exceeded the target of 0.17%.

Gross Profit Growth = (Gross Profit - Prior Gross Profit) / Prior Gross Profit * 100

✓ Gross Profit Margin 44.55%

A measure of the proportion of revenue that is left after deducting all costs directly related to the sales. For each $100 in sales the business retains $44.55 after deducting the cost of sales. The gross profit serves as the source for paying operating expenses. The gross profit margin can be further improved by improving price, volume and cost of sales management. For this period, the gross profit margin % is above the required target of 23.82%.

Gross Profit Margin = Gross Profit / Revenue * 100

✗ Lost Customers 70

A measure of the total number of lost customers (or clients).

Net Cash Flow $51,276

Net cash flow is the cash left after subtracting expenditures from financing activities from the free cash flow. Financing activities include the inflow of cash from investors such as banks and shareholders, as well as the outflow of cash to shareholders as dividends.

Net Cash Flow = Free Cash Flow - Net Interest + (Net Interest * (Tax Rate / 100)) - Dividends - Adjustments + (Other Non - Current Liabilities - Opening Other Non - Current Liabilities) + (Other Equity - Opening Other Equity) + (Retained Earnings - Opening Retained Earnings) + (Current Earnings - Opening Current Earnings) - Retained Income

New Customers 87

A measure of the total number of new customers (or clients).

Operating Cash Flow $108,975

Operating cash flow is simply the cash generated by the operating activities of the business. Operating activities include the production, sales and delivery of the company's product and/or services as well as collecting payment from its customers and making payment to suppliers.

Operating Cash Flow = Earnings Before Interest, Tax, Depn & Amort. - Tax Expenses - (Deferred Taxes - Opening Deferred Taxes) - (Non - cash Working Capital - Opening Non - cash Working Capital) - (Net Interest * (Tax Rate / 100))

Operating Profit Margin 12.36%

A measure of the proportion of revenue that is left after deducting all operating expenses. This reveals the operating efficiency of the business. The business converts each $100 of sales into $12.36 of profits. The operating profit margin can be further improved by improving price, volume, cost of sales and expense management. For this period, the operating profit margin is above the required target of 8%.

Operating Profit Margin = Operating Profit / Revenue * 100

Profitability Ratio 12.36%

A measure of the proportion of revenue that is left after deducting all expenses. This excludes finance costs and tax expenses. The business makes $12.36 of EBIT for every $100 it generates of revenue. The profitability ratio can be further improved by improving price, volume, cost and expense management. For this period, the Profitability ratio is below the required target of 15%.

Profitability Ratio = Earnings Before Interest & Tax / Revenue * 100

Quick Ratio 0.58:1

The Quick Ratio measures the availability of assets which can quickly be converted into cash to cover current liabilities. Inventory and other less liquid current assets are excluded from this calculation. The Quick Ratio is a measure of the ability to pay short-term creditors immediately from liquid assets. A quick ratio of 1:1 or more is considered 'safe'. For this period, the quick ratio was 0.58:1, up from 0.55:1 last period and below the minimum target of 1.00:1.

Quick Ratio = (Cash & Equivalents + Accounts Receivable) / Total Current Liabilities

Return on Assets 34.46%

A measure of how effectively the business has used its assets to generate profits. Return on Assets is a performance measure which is independent of the business's capital structure. The higher the ratio the greater the return on assets. For this period, the business has generated a Return on Assets of 34.46%. This return exceeds the target of 30%.

Return on Assets = Annualised Earnings Before Interest & Tax / Total Assets * 100

Return on Capital Employed 53.35%

A measure of the efficiency and profitability of capital investment (ie. funds provided by shareholders & lenders). ROCE monitors the relationship between the capital ('inputs') used by the business and the earnings ('outputs') generated by the business. ROCE is arguably one of the most important performance measures. The higher the result the greater the return to providers of capital. For this period, the business has generated a ROCE of 53.35%. This return exceeds the target of 11%.

Return on Capital Employed = Annualised Earnings Before Interest & Tax / Total Invested Capital * 100

Revenue Growth 14.05%

A measure of the percentage change in revenue for the period. Management should ensure that revenues increase at rates higher than general economic growth rates (ie. inflation). For this period, revenue growth of 14.05% exceeded the target growth of 0.41%.

Revenue Growth = (Revenue - Prior Revenue) / Prior Revenue * 100

Total Revenue $1,483,550

A measure of the total amount of money received by the company for goods sold or services provided. The business has earned total revenues of $1,483,550. Strategies to improve revenue may include increasing prices, increasing the volume of sales through marketing initiatives or finding alternative sources of income. For this period the revenue earned is above the required target of $7,500.

Total Revenue = Revenue