

Key Performance Metrics

Hello Telephone Company

Report Period Ending 07/31/2012		Actual Annualized	Two (2) Months Ago	Last Month	Current Month - Performance to Goal	Month-to-Month Trend	Goal	Industry Standard
Ratio	Formula =	5/31/12	6/30/12	7/31/12				Top 10% 25% Median 25% 10%
SHORT TERM RATIOS: Liquidity & Profitability								
Current	$\frac{\text{Current Assets}}{\text{Current Liabilities}} = \frac{1,050,475}{507,936}$	2.5	2.6	2.6	2.1	▼	2.9	3.5 3.3 2.7 2.2 1.4
Quick	$\frac{\text{Cash + Accts. Rcv.}}{\text{Current Liabilities}} = \frac{666,976}{507,936}$	1.6	1.7	1.5	1.3	▼	2.0	2.1 1.9 1.5 1.1 0.8
Gross Margin	$\frac{\text{Gross Profit}}{\text{Sales}} = \frac{100,000}{350,000}$	29.6%	35.0%	26.7%	28.6%	▲	45.0%	53% 45% 30% 15% 4%
Net Margin	$\frac{\text{Net Profit Before Tax}}{\text{Sales}} = \frac{15,203}{350,000}$	3.0%	8.8%	1.4%	4.3%	▲	10.0%	10% 5% 4% -4% -22%
CASH CONVERSION CYCLE ELEMENTS								
Inventory Turn-Days	$\frac{\text{Inventory X 30 Days}}{\text{COGS}} = \frac{354,234 \times 30}{250,000}$	64	64	70	43	▼	30	30 39 42 53 67
Accounts Receivable Turn-Days	$\frac{\text{Receivables X 30 Days}}{\text{Sales}} = \frac{654,020 \times 30}{350,000}$	79	78	72	56	▼	50	24 37 40 49 53
Average Payment Period-Days	$\frac{\text{Payables X 30 Days}}{\text{COGS}} = \frac{154,870 \times 30}{250,000}$	29	32	28	19	▼	60	58 48 32 21 11
Cash Conversion Cycle	$\text{Inv Days + Rcv Days} - \text{Payment Days} = 42.5 + 56.1 - 18.6$	114	110	113	80	▼	20	4 28 30 75 129
RATIOS OF: Equity & Assets*								
Sales to Assets	$\frac{\text{Sales}}{\text{Total Assets}} = \frac{1,125,000 \times 4}{2,144,046}$	2.2	2.1	1.9	2.1	▲	2.0	3.3 2.3 1.0 0.4 0.3
Return on Assets	$\frac{\text{Net Profit Before Tax}}{\text{Total Assets}} = \frac{55,600 \times 4}{2,144,046}$	7%	9.3%	7.6%	10.4%	▲	10.0%	30% 4% 1% 0% -25%
Return on Equity	$\frac{\text{Net Profit Before Tax}}{\text{Equity}} = \frac{55,600 \times 4}{932,133}$	16%	20.6%	16.6%	23.9%	▲	14.5%	35% 7% 1% 0% -35%
Debt to Equity	$\frac{\text{Total Liabilities}}{\text{Equity}} = \frac{1,211,913}{932,133}$	1.3	1.2	1.2	1.3	▲	0.8	0.3 0.5 0.7 0.9 1.8

*NOTE: RATIOS OF: Equity & Assets use last 3 month rolling average annualized for the numerator.
NA designates the Metric is not of value in this company.



Actual Performance to Goal Key
Better than Goal
≤ 25% away from Goal
Greater than 25% from Goal
Greater than 50% from Goal



Key Performance Metrics

This Key Performance Metric (KPM) Chart is the "report card" for the financial performance of your business. It's designed to tell you how you've been performing for the last month, how you stack up against your peers in the industry and, more importantly, where to make improvements that will drive improved cash flow and increased profits.

The KPM Chart consists of 12 ratios commonly used to measure financial performance in an operating company. The names of the metrics are in the first column from the left. If you need a quick refresher of what the metric means, simply click the question mark to the right of the metric name and a webpage will open telling you more about this metric. The formula on how to compute them is in the next column along with the actual performance figures for the last month's performance. The reporting periods are in the next four columns starting with the Actual Annualized followed by the last three months actuals. The KPM Chart has





acquired this information from your QuickBooks company file.

Goal setting is a critically important part of the process. Your goals are located in a column near the right of the Chart. Your goals provide the values against which to measure yourself so that you can see where improvements can be made. These can be derived from your own company expectations, as well as the financial performance of your industry peer group labeled "Industry Standard."

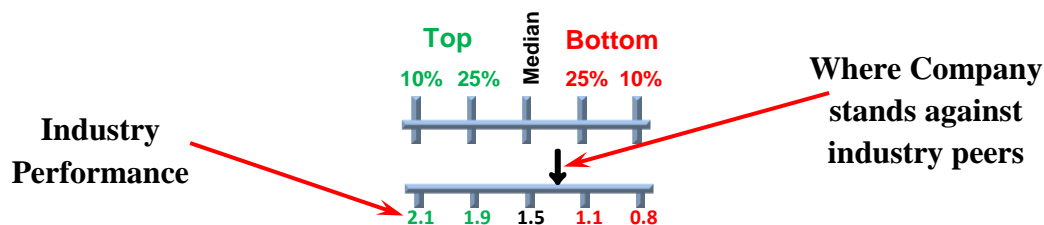
It is important to note that your first report has the goals automatically set for you at the top 10% of your industry's peers based on the NAICS code you provided. This was done to show you where your company stands against the "Best-In-Class" of your industry. After your first report, you will be presented with a table of these metrics when you log into the system to run your next report. The Goals on the table will be editable so you can adjust them according to what you believe is a reasonable goal for your company. There will be circumstances for your company on some metrics where the industry data may not completely apply. This ability to change your goal provides the means to adjust your goal based on your company situation.

One of the features of this table of Key Performance Metrics is the automation that helps a business focus on key opportunities for financial improvement. The column labeled “Current Month + Performance to Goal” tells how the company is currently performing compared to goal. Additionally, the same cell in the table indicates how well the company is performing to the goal. The color coding in the key below the table shown here tells the magnitude of the performance with Green indicating meeting or exceeding Goal. So a company can quickly identify the largest areas of concern or opportunity by looking for “Red”, then “Yellow”, then “Light Green”. This helps quickly clarify and focus a company’s efforts on where to work on issues.

Actual Performance to Goal Key

Better than Goal	
≤ 25% away from Goal	
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Greater than 50% from Goal	

The Industry Standard column provides a visual indication of where the company stands against their industry based on the NAICS code provided when a report is run. The KPM Chart provides you with the Median (middle figure), the top 10% (far left) top 25% (between the median and top 10%), as well as the bottom 10% (far right), and bottom 25% (between the Median and bottom 10%). The example below shows the company is performing between the Median and the Bottom 25%.



It is important to understand the trends that come to light as a result of laying out your ratios in this manner. For instance, carefully review your Gross Margin for the last three periods. Is it increasing or decreasing? What are the underlying causes one way or the other?

One of the most valuable and unique features of the KPM Chart is the quantification in “\$\$ and cents” for the variances between your most recent numbers and your Goals – further, your financial report has used these variances to populate your “Financial Flow Chart.”

Thus, your report delivers extremely powerful decision-relevant financial intelligence – identifying in visual format: (1) where the opportunities are for improvement against the “standard,” (2) quantifying in “\$\$ and cents” the financial impacts from goal achievement, and (3) identifying whether the improvements will have a primary impact on Cash (C) or Profits (P).

In other words, the KPM Chart and the Financial Flow Chart together provide a unique visual system to find problems and identify potential solutions – plus they show you the financial impacts from not meeting your goals in cash and profits.