Financial Analysis Report for:

Cooler's Heating & Cooling

For the month ending September 30, 2018
(and the prior thirteen months)

Comparisons in this analysis are made to this Industry Classification:

North **A**merican **I**ndustry **C**lassification **S**ystem (NAICS) = **238220**

Powered By:

Secure Data Encryption by:

Note: This Financial Analysis is for discussion purposes only. We strongly encourage any user of this report to consult with a competent business financial advisor and / or certified public accountant before making any financial decisions and to validate all relevant data. There can be no representations whatsoever as to the accuracy or completeness of these reports as they are fully reliant on the data supplied by the user.

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Cooler's Heating & Cooling

Executive Action Summary

Dear John Cooler,

Here is this month's Profit Gap report. This report covers from September 30, 2017 to September 30, 2018, in monthly periods, with a focus on the last month of September 2018. This Executive Action Summary identifies the top opportunities Profit Gap found from your Manual Entry data in the areas of Cash Lost, Profitability, and other Scorecard metrics where current results reflect a variance of 25% or more from their goal. We strongly encourage you to review your financial information on at least a monthly basis. Most Profit Gap reports show substantial opportunity for improvement. Please look for additional details in the enclosed report.

CASH LOST

The last period in this report, September 30, 2018, indicates that the largest Cash Lost opportunity is in Accounts Receivable based on the goal set for Receivable Days, Cooler's Heating & Cooling has $81,955 tied up in collecting Receivables sooner verses your goal. Each day you decrease your Receivable terms with your customers, Cooler's Heating & Cooling will have a positive Cash impact of $11,110. Your Total Cash Lost reflected in this report $157,235

PROFIT

As of September 30, 2018, Cooler's Heating & Cooling`s most significant Profit opportunity is Gross Margin based on the goal set for Gross Margin percentage, Cooler's Heating & Cooling is short of its Gross Margin goal by $8,549. For each 1% increase in Gross Margin, Cooler's Heating & Cooling will realize a positive Profit impact of $3,333. The total Profit Impact found this month was $8,549

OTHER SCORECARD METRICS

Additional Scorecard Metrics (that are not Cash Lost or Profitability) that are greater than 25% from your goals include the following:
* The Quick Ratio is at 0.6. With the goal set at 1.2, your company is 49% away from meeting your goal.
* The Debt-to-Worth Metric is at 5.2. With the goal set at 1.2, your company is 333% away from meeting your goal.
* The Sales to Assets Metric is at 3.4. With the goal set at 5.2, your company is 35% away from meeting your goal.

Best regards,

Steve LeFever
Founder and Chairman
Profit Mastery

THE SCORECARD

Cooler's Heating & Cooling Period Ending 09/30/2018			Two (2) Months Ago 7/31/18	Last Month 8/31/18	Current Month 9/30/18	Trend	Your Goal	Actual Annualized	Industry Standard (Pointer designates current performance verses industry) 10% 25% Top / Median / 25% 10% Bottom	Calculations For Current Month
BALANCE SHEET RATIOS: Stability (Staying Power)										
1	Current	Current Assets / Current Liabilities	1.1	1.1	1.2	▲	**1.6**	1.1	1.6 1.5 1.4 1.3 1.3	1,176,700 / 959,900
2	Quick	Cash + Accts. Rcv. / Current Liabilities	0.5	0.5	0.6	▲	**1.2**	0.5	1.2 1.2 1.1 1.1 1.0	604,500 / 959,900
3	Debt-to-Worth	Total Liabilities / Net Worth	6.3	6.6	5.2	▼	**1.2**	6.3	1.2 2.5 3.0 3.8 4.4	984,800 / 191,167
INCOME STATEMENT RATIOS: Profitability (Earning Power)										
4	Gross Margin	Gross Profit / Sales	44.6%	42.1%	**56.4%**	▲	**58.5%**	46.3%	58% 53% 44% 34% 21%	233,700 / 414,100
5	Net Margin	Net Profit Before Tax / Sales	4.7%	-3.2%	**38.4%**	▲	**7.9%**	6.4%	8.9% 6.5% 2.3% 2.1% 1.8%	159,100 / 414,100
ASSET MANAGEMENT RATIOS: Overall Efficiency Ratios										
6	Sales to Assets	Sales / Total Assets	2.9	2.9	3.4	▲	**5.2**	3.0	5.2 5.1 4.8 4.5 3.2	999,900 X 4 / 1,175,967
7	Return on Assets	Net Profit Before Tax / Total Assets	12.1%	-2.4%	56.5%	▲	**14.0%**	19%	14% 12% 11% 10% 6%	166,100 X 4 / 1,175,967
8	Return on Investment	Net Profit Before Tax / Net Worth	88.6%	-18.5%	347.6%	▲	**58.9%**	108%	59% 51% 48% 39% 11%	166,100 X 4 / 191,167
9	Accounts Receivable Turnover	Sales / Accounts Receivable	7.5	6.6	**9.3**	▲	**11.0**	7.5	11 10 9 8 7	414,100 X 12 / 531,600
10	Accounts Receivable Turn-Days	365 / Accts. Rec. Turnover	49	55	**39**	▼	**33**	49	33 36 39 44 50	365 / 9.3
11	Inventory Turnover	Cost of Goods Sold / Inventory	42.3	35.1	**42.2**	▲	**250.0**	37.5	249 201 141 89 26	180,400 X 12 / 51,300
12	Inventory Turn-Days	365 / Inventory Turnover	9	10	9	▼	**1**	10	1 2 3 4 14	365 / 42.2
13	Accounts Payable Turnover	Cost of Goods Sold / Accounts Payable	7.8	7.6	**9.4**	▲	**8.3**	9.4	8 10 12 15 19	180,400 X 12 / 230,600
14	Average Payment Period-Days	365 / Accts. Payable Turnover	47	48	**39**	▼	**44**	39	44 37 30 25 19	365 / 9.4

***NOTE:** RATIOS OF: Equity & Assets use last 3 month rolling total annualized for the numerator.
This is so near-term changes in the performance to the metric are more pronounced.

Scorecard Tutorial

Goal Setting Tutorial

Actual Performance to Goal Key

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

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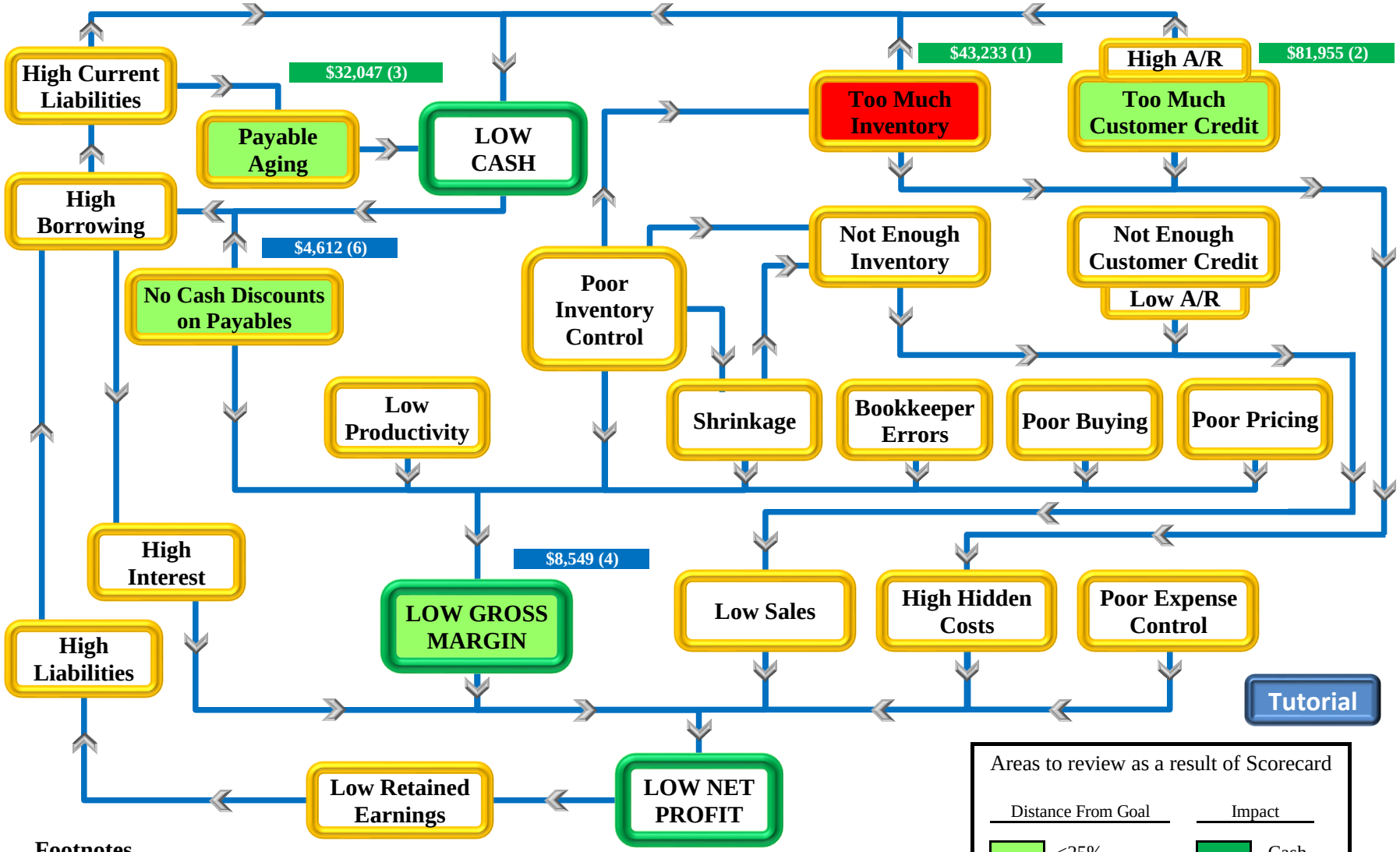
None Numeric Results

NA: designates the Metric does not have all the information to calculate the metric.
∞***:** Indicates the denominator in the CCC elements is zero (0) making the result a very large number.

The Profit Road Map

Cooler's Heating & Cooling

Period Ending
9/30/2018



Tutorial

Areas to review as a result of Scorecard

Distance From Goal	Impact
<25%	Cash
25% to <50%	Profit
≥50%	

Footnotes

(1) $43,233 Cash Impact because of too much Inventory.
(2) $81,955 Cash Impact because of too much Customer Credit.
(3) $32,047 Cash Impact that could be saved with longer payment terms.
(4) $8,549 Profit Impact over the time period if the goal was met.

(6) $4,612.00 Profit Impact on 2% Payable Discounts.

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Date Created: 12/02/2020 04:45:09 PM PST

Profit Mastery Assessment

Cooler's Heating & Cooling

Period ending 09-30-2018

Cash and Profit Impact

Issue	Cash Lost	Cash Required	Profit
Receivables	$81,955		
Inventory	$43,233		
Payables	$32,047		
Payable Discounts			$4,612.00
Gross Margin			$8,549
Net Margin			
Total	$157,235		$13,161

Sensitivity Analysis

Metric		Impact
Cash Conversion Metrics		*1-Day Sensitivity**
Inventory Turn-Days	=	$5,683 per day
Accounts Receivable Turn-Days	=	$11,110 per day
Average Payable Payment Period	=	$5,683 per day
Margin Metrics (Month)		*1% Margin Sensitivity***
Margin (Gross or Net)	=	$3,333 per 1%

* Note: A 1 day of improvement in these metrics would increase the Cash of Cooler's Heating & Cooling by the amount shown based on the last 3 months average.

**Note: 1% improvement in margin would mean an increase in profits of $3,333 to Cooler's Heating & Cooling based on the last 3 months average.

Tutorial

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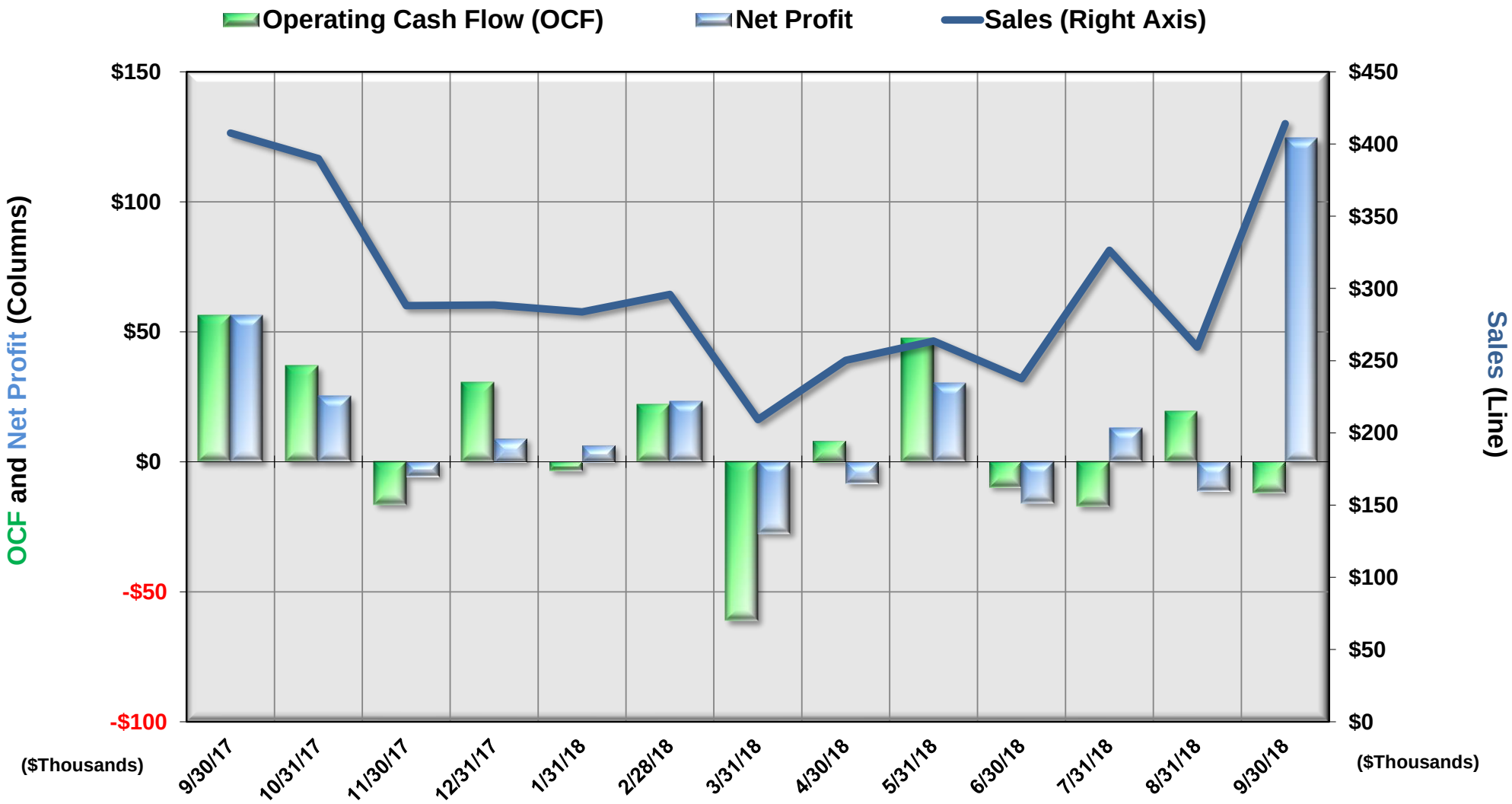
Trend Chart

Sales, Net Profit,
& Operating Cash Flow

Cooler's Heating & Cooling



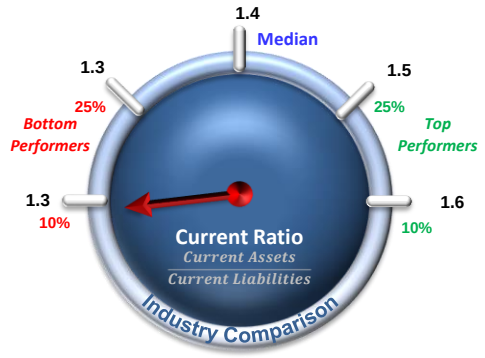
Tutorial

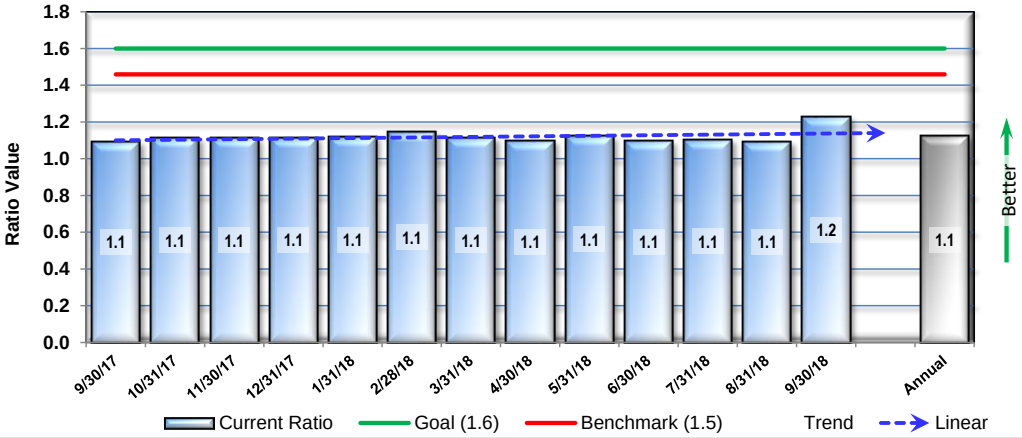
Trend Charts

Balance Sheet Ratios

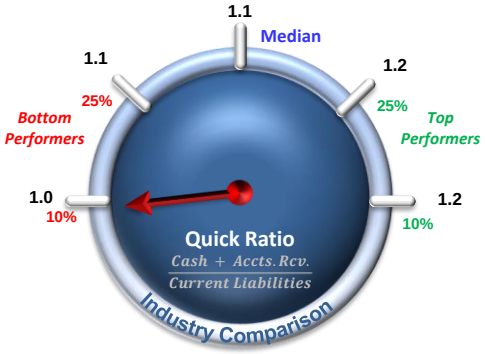
Cooler's Heating & Cooling

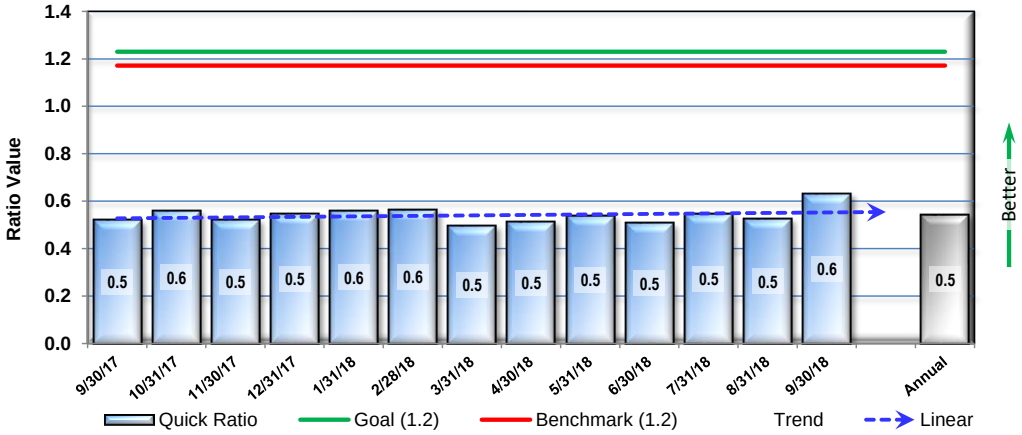
Current Ratio: *The ability to pay short term bills*



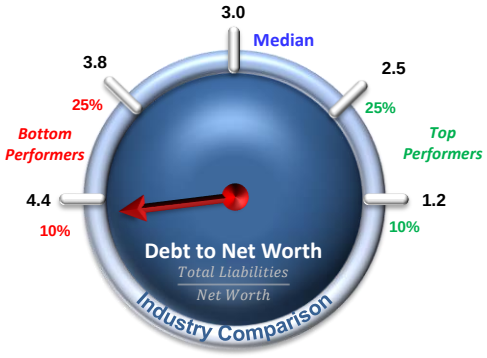


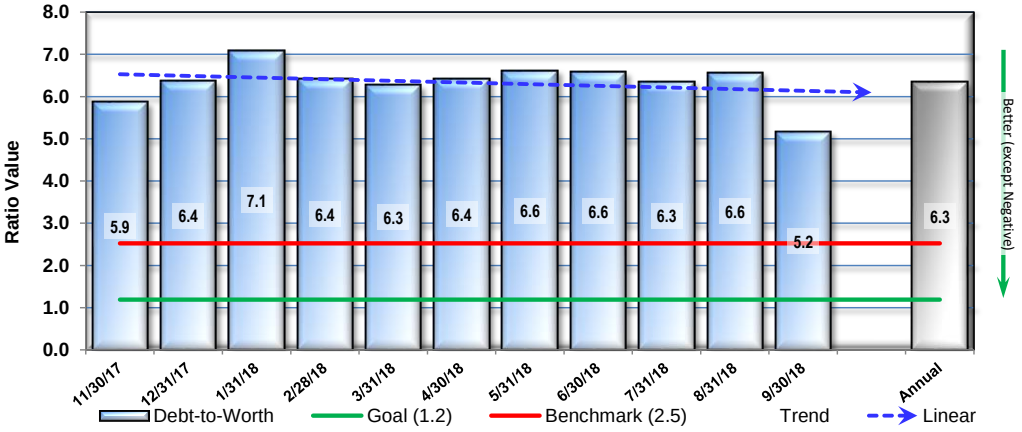
Quick Ratio: *Most Liquid Assets available to Pay Bills*





Debt to Net Worth: What is owed compared to Net Worth



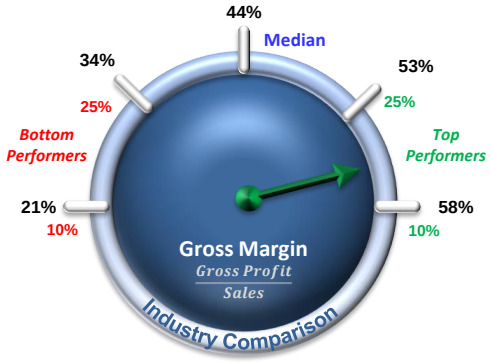


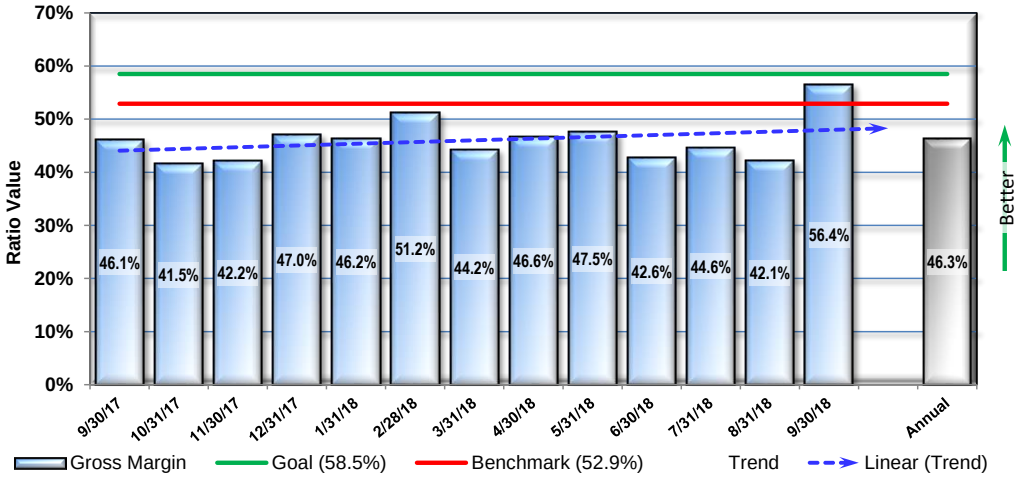
Tutorial

NOTE: Benchmark in charts is set to Top 25% (Quartile) of this industry NACIS code: 238220

Trend Charts
Income Statement Ratios
Cooler's Heating & Cooling

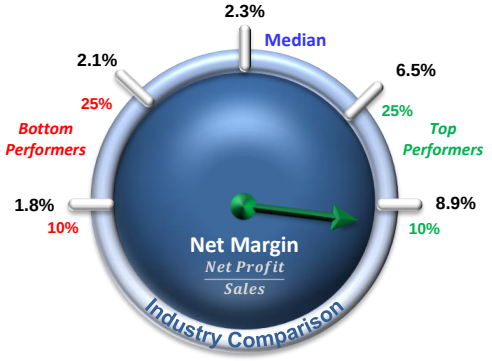
Gross Margin: *Revenue left over after costs of services and goods are subtracted*

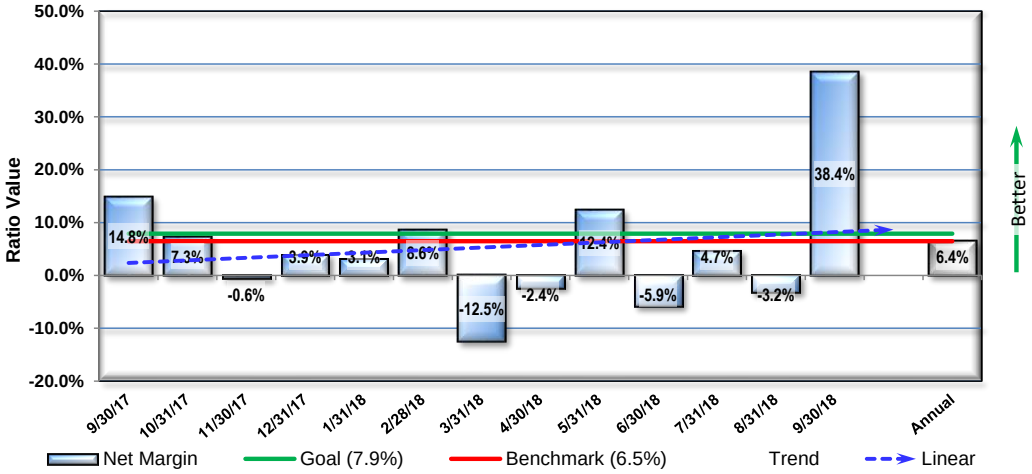




Performance to Goal: Gross Margin is 2.1% under the Goal of 58.5% with a negative $8,549 Profit Impact over the time period.

Net Margin: *Percentage of revenue remaining after all operating costs, interest and taxes are paid*





NOTE: Benchmark in charts is set to Top 25% (Quartile) of this industry NACIS code: 238220

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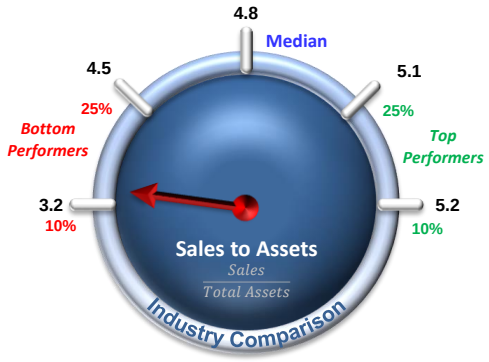
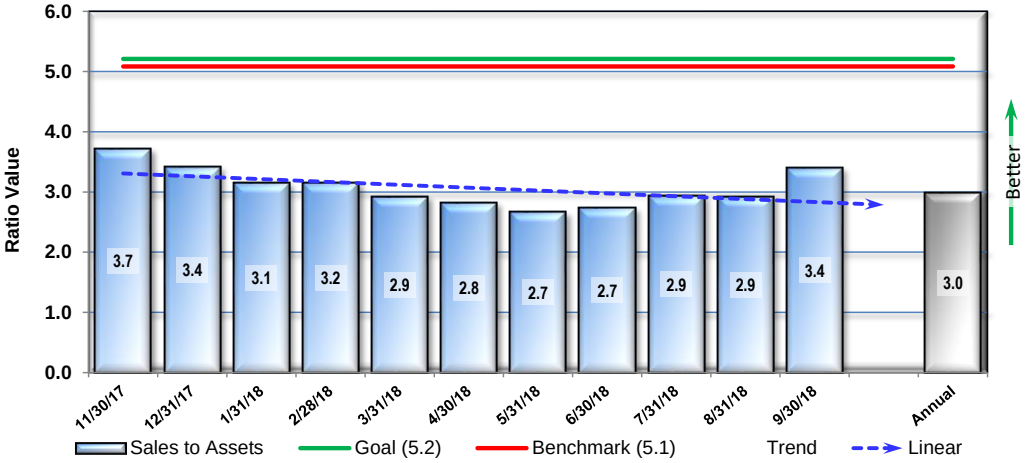
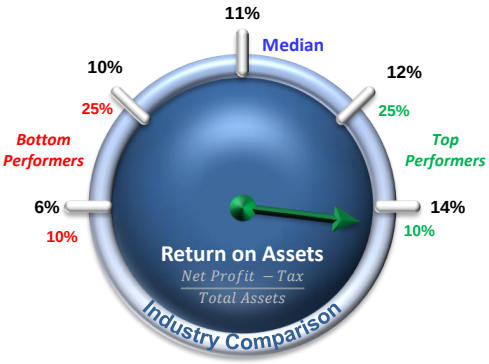
Trend Charts
Assets Management Ratios
Cooler's Heating & Cooling

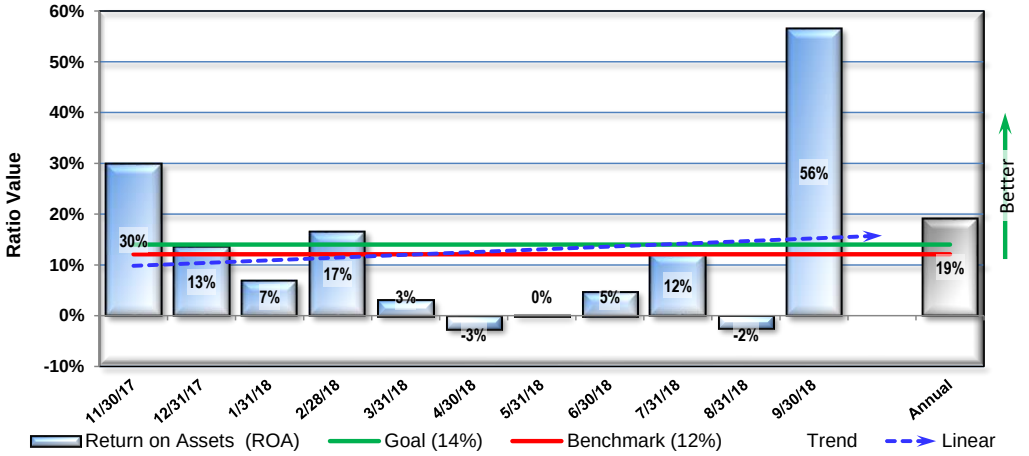
Sales to Assets: *How efficiently are you using your assets to produce revenue*



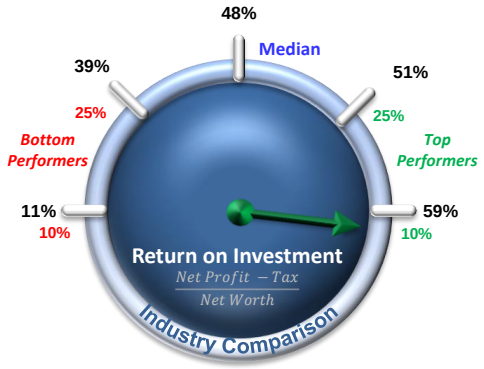


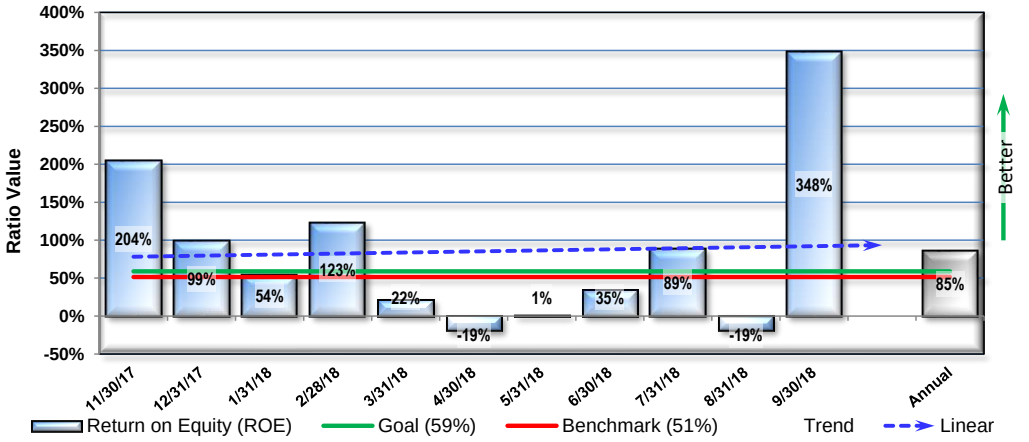
Return On Assets: *Net income generated for each dollar of assets*





Return On Investment: *The efficiency of return on revenue invested into business*





NOTE: Benchmark in charts is set to Top 25% (Quartile) of this industry NACIS code: 238220

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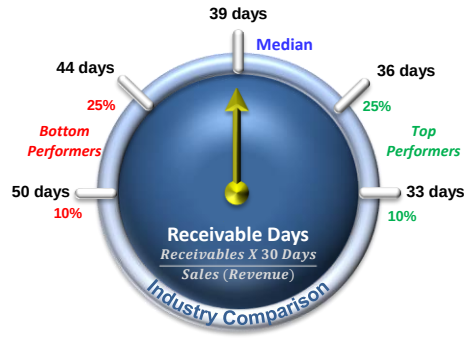
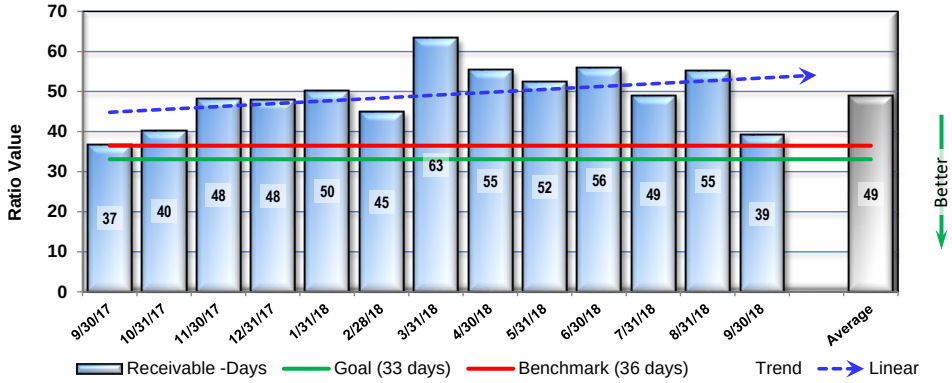
Trend Charts

Asset Management Ratios - Cash Conversion Cycle Elements

Cooler's Heating & Cooling

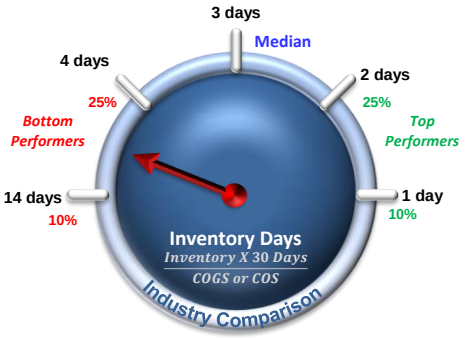
Receivable - Days: *Average time clients take to pay*

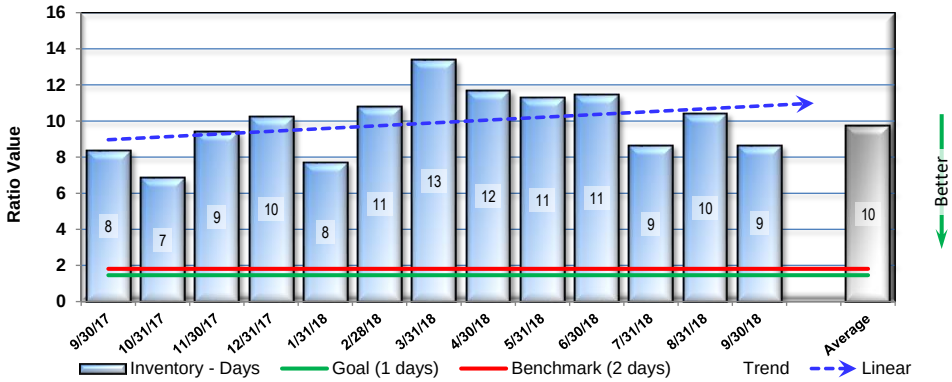




Performance to Goal: Accounts Receivable is 6 days over the Goal of 33 days with a $81,955 negative cash impact.

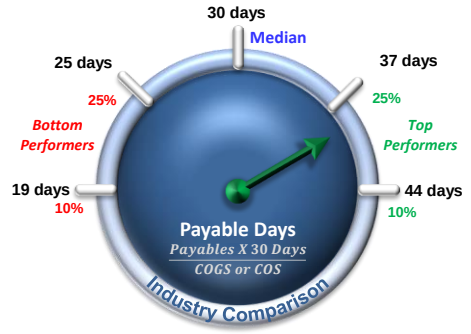
Inventory - Days: *Average days of inventory or supplies remain in stock*

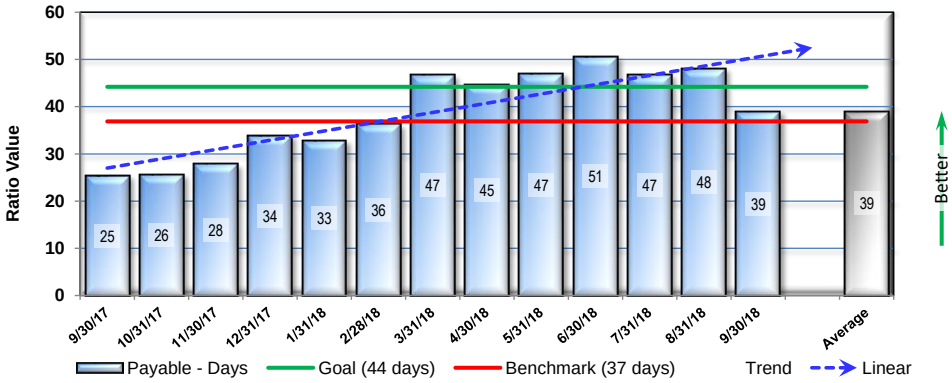




Performance to Goal: Inventory is 7 days over the Goal of 1 days with a $43,233 negative cash impact.

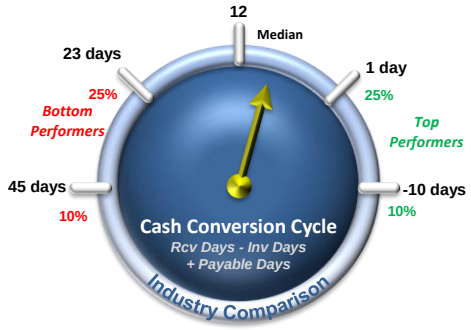
Payable - Days: *Average days to pay suppliers*

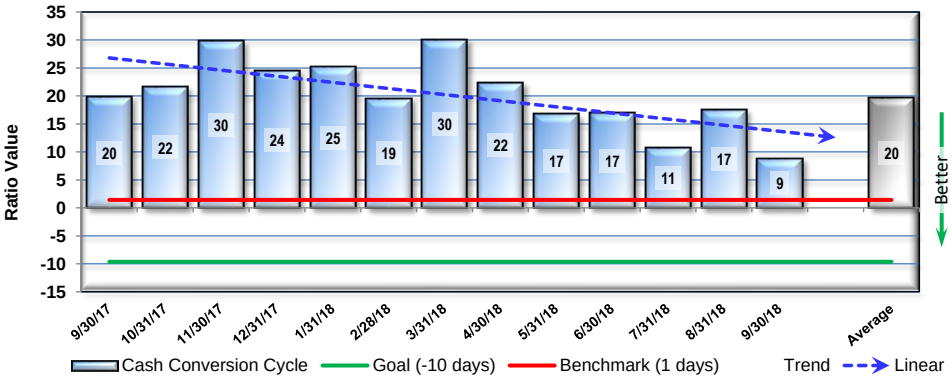




Performance to Goal: Payments are 5 days faster than the Goal of 44 days with a $32,047 negative cash impact.

Cash Conversion Cycle: *Length of time to recapture revenue spent on inventory*





Performance to Goal: The Cash Conversion Cycle is 18 days over the Goal of -10 days.

NOTE: Benchmark in charts is set to Top 25% (Quartile) of this industry NACIS code: 238220

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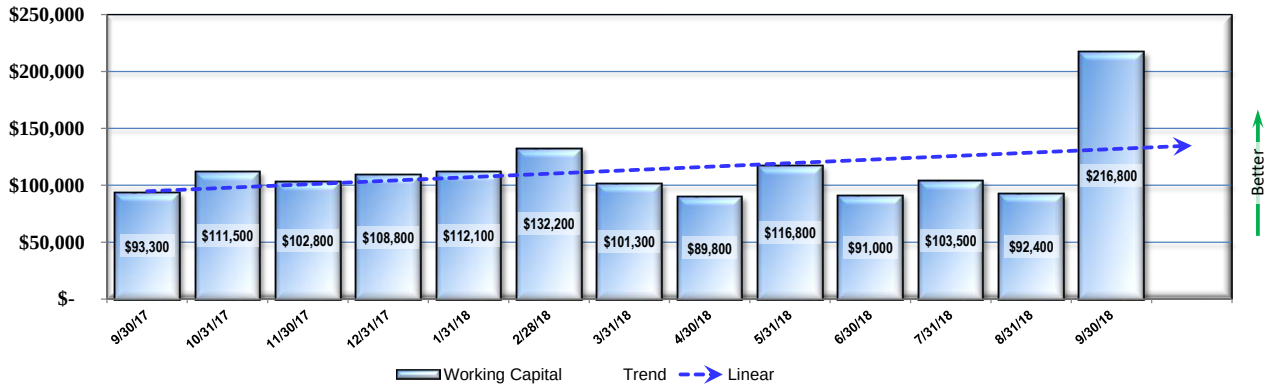
Trend Charts

Working Capital Turnover / Days

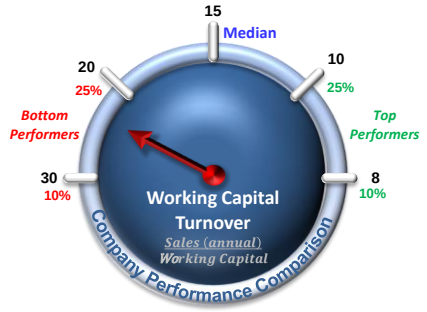
Days of Cash + Receivables

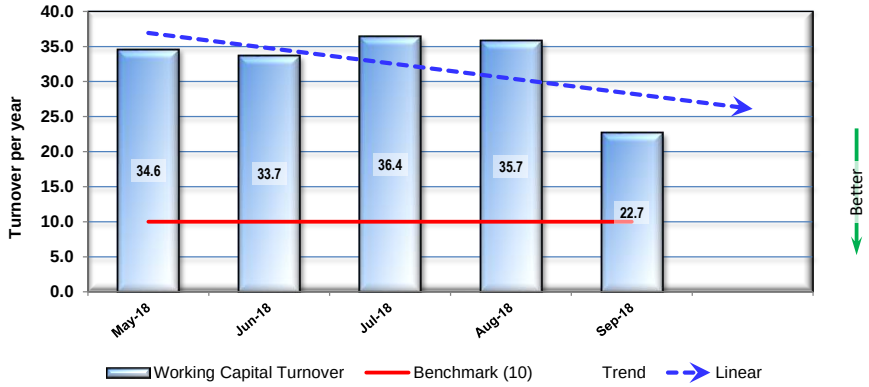
Cooler's Heating & Cooling

Working Capital: *Capital available to operate the business (Current Assets - Current Liabilities)*

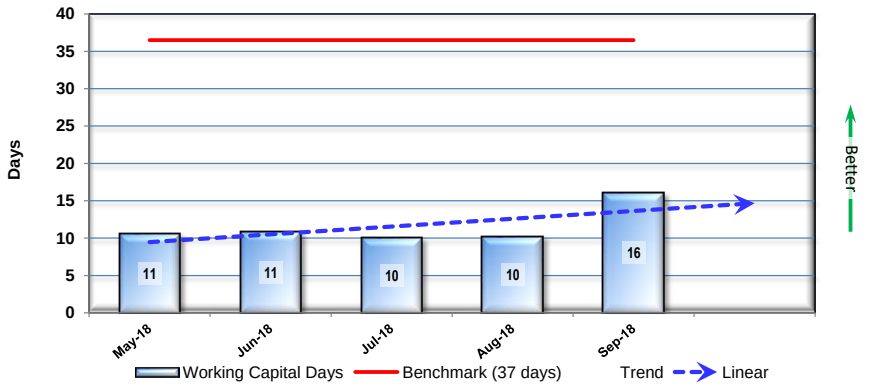


Working Capital Turnover: *A company's effectiveness in using its working capital. How many times Working Capital is turned over in 1 year.*

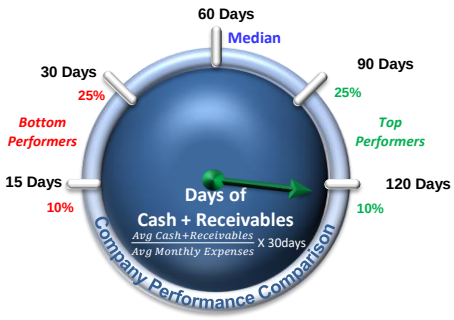


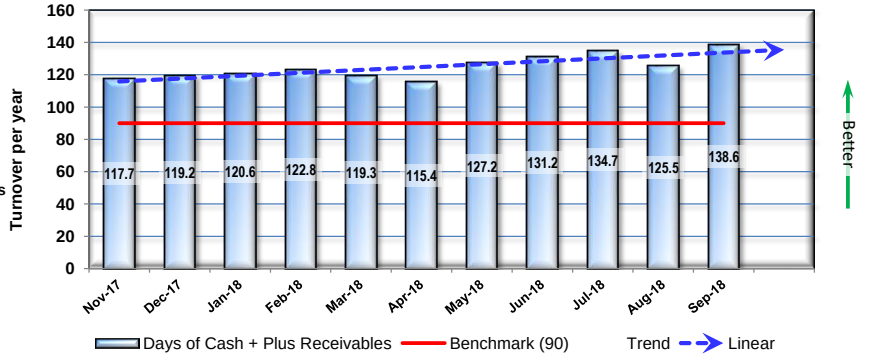


Days of Working Capital: Number of days of Working Capital remaining if no new sales occur.



Days of Cash + Receivables to Cover Expenses: Number of days of Cash plus Receivables remaining to cover Expenses if no sales occur.





NOTE: Benchmark in charts is set to Top 25% (Quartile)
All Charts use a 3-month rolling average on Balance Sheet

Tutorial

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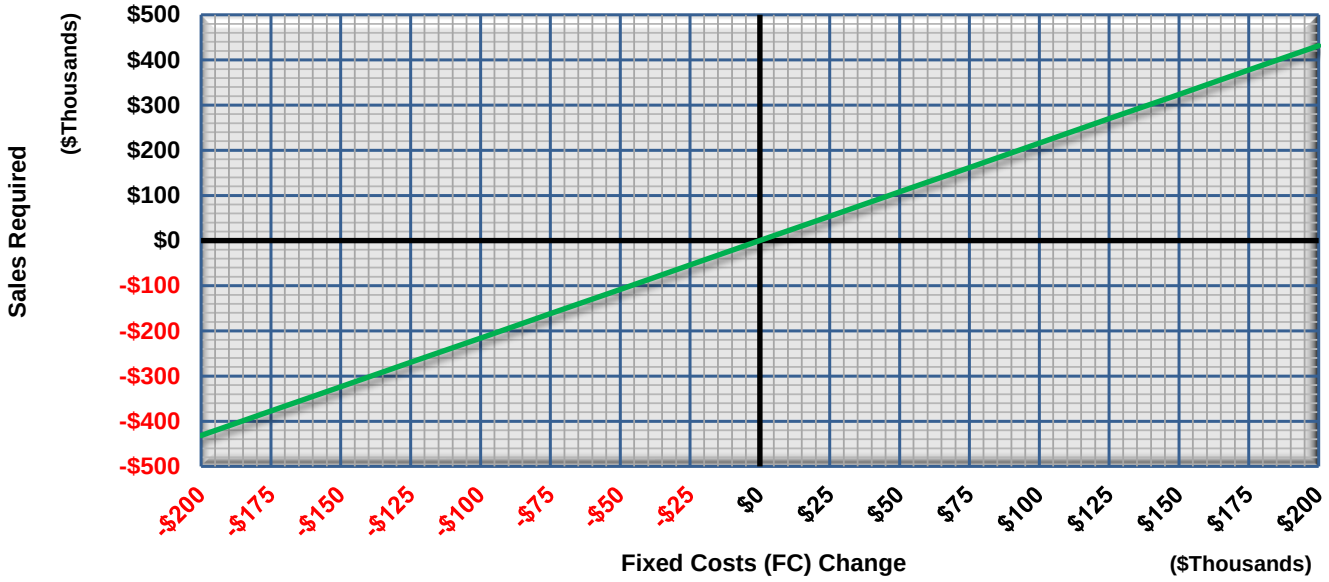
Break-Even
Analysis
Cooler's Heating & Cooling

Sales Required to Support Fixed Costs Changes



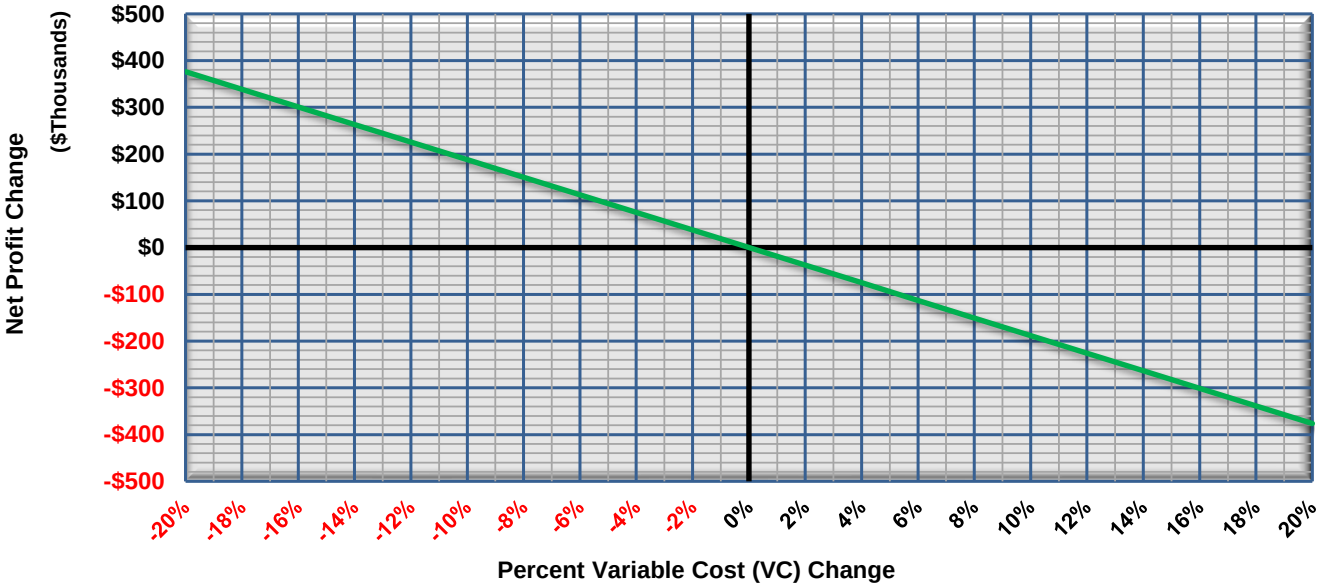
Current FC = $1,400,500 **Current Break-Even Sales = $3,021,751**

For every $1 FC increase, $2.16 sales increase is needed for same Net Profit.

Formula: Sales Required = $2.16 X Fixed Cost Change

This chart reflects the amount of sales changes that will be needed for various changes in the fixed cost levels in your company.

Net Profit Impact with Variable Cost % Change



Current Contribution Margin = 46.3%

Every 1% VC decrease will result in $18,816 of an annual Net Profit increase, correspondingly, every 1% VC increase will result in $18,816 of an annual Net Profit decrease.

Formula: Net Profit Change = -$18,816 X Variable Cost Change (ΔVC)(%)

This chart shows the change in net profit resulting from selected % decrease in your variable cost.

NOTE: All calulations are based on annualized data, a rolling last 12 months.

Tutorial

FINANCIAL GAP ANALYSIS

Cooler's Heating & Cooling

Current

Sales	Net Profit
$ 3,507,000	6.41%

		% of Sales			% of Sales
Cash	49,267	1.4%	Notes Payable		Financial Gap
Accounts Receivable	508,700	14.5%	Accounts Payable	248,700	7.1%
Inventory	51,300	1.5%	Accruals	737,100	21.0%
Total Current Assets	609,267		Total Current Liabilities	985,800	
Equipment	49,400	1.4%	Long-Term Liabilities	-1,000	
Land/Building	0		Total Liabilities	984,800	
Total Fixed Assets	49,400		Net Worth	-326,133	
Total Assets	658,667		Total Liabilities & Net Worth	658,667	

Growth

Add Down

Sales	Percent Growth
$ 5,260,500	50%

New Net Worth = Old NW + (New Sales X Net Profit %)

		% of Sales			% of Sales
Cash	73,900	1.4%	Notes Payable	No Gap	Financial Gap
Accounts Receivable	763,050	14.5%	Accounts Payable	373,050	7.1%
Inventory	76,950	1.5%	Accruals	1,105,650	21.0%
Total Current Assets	913,900		Total Current Liabilities	977,783	
Equipment	74,100	1.4%	Long-Term Liabilities	-1,000	
Land/Building	0		Total Liabilities	976,783	
Total Fixed Assets	74,100		New Net Worth	11,217	
Total Assets	988,000		Total Liabilities & Net Worth	988,000	

Subtract Up

The top table labeled "Current" represents the company's most recent 12 month history for Sales and Net Profit. All the Assets (left column) and Liabilities (top half of right column) represent current month balances. The second table calculates the Financial Gap at a year-to-year 50% growth to illustrate the mathematics for such a growth rate.

Based on the Financial data in this company's QuickBooks®, the company can self-fund growth to at least 50% assuming the company does not change efficiencies in the Balance Sheet accounts calculated as a percent of sales or Land/Building needs do not change to support growth. This is purely for discussion purposes only, you should consult your financial advisor for guidance.

Note: Current Balance Sheet Accounts are last 3 month average.

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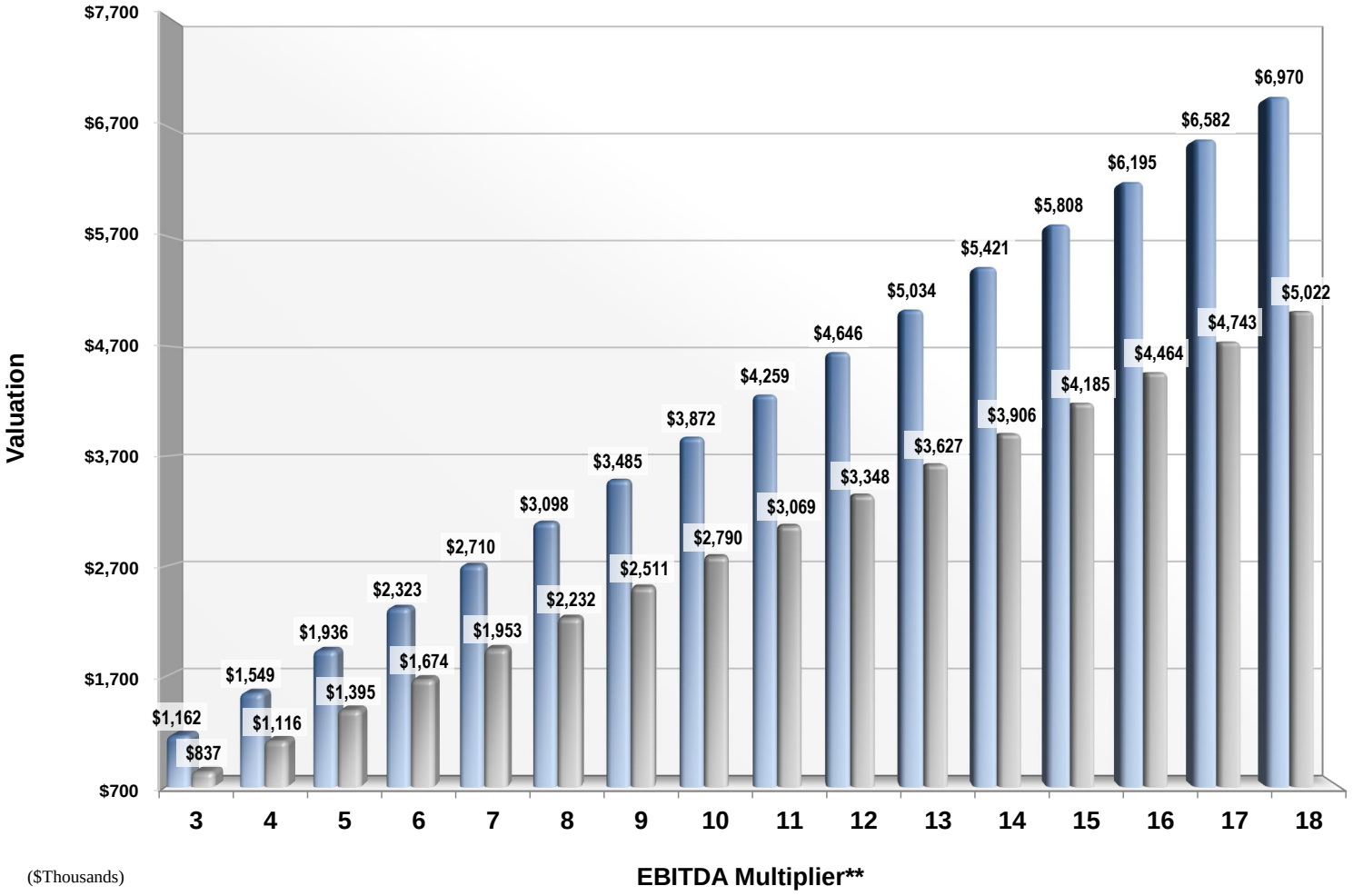
Valuation - EBITDA Method

Cooler's Heating & Cooling

Net Profit	
Current	**6.4%**
Top 10% Industry	**8.9%**

EBITDA		
Current	**$**	**279,000**
Projected @ Top 10% Industry*	**$**	**387,205**

Current Valuation vs at Industry Top 10% Net Profit



EBITDA = **E**arnings (Net Profit) **B**efore **I**nterest, **T**ax (Income Taxes), **D**epreciation and **A**mortization

***Note:** This EBITDA estimate scales the company's current EBITDA based on their Net Profit against the top 10% Net Profit of the industry's NAICS code. This is only an estimate as the scaling of Interest, Taxes, Depreciation, and Amortization may not be linear.

****Note:** The EBITDA Multiplier can be determined from other recently sold companies in the same industry. This information typically can be found on the Internet or from a Exit Specialist.

Tutorial

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BALANCE SHEET

Cooler's Heating & Cooling

	Date												
	Ending Period 1	Ending Period 2	Ending Period 3	Ending Period 4	Ending Period 5	Ending Period 6	Ending Period 7	Ending Period 8	Ending Period 9	Ending Period 10	Ending Period 11	Ending Period 12	Ending Period 13
Units: $1,000 ($Thousands)	09/30/17	10/31/17	11/30/17	12/31/17	01/31/18	02/28/18	03/31/18	04/30/18	05/31/18	06/30/18	07/31/18	08/31/18	09/30/17
ASSETS													
Cash	$24.4	$38.3	$23.5	$61.2	$57.7	$75.2	$10.8	$22.3	$63.8	$41.3	$27.6	$47.3	$72.9
Accounts Receivable	$492.1	$516.2	$456.7	$455.5	$468.0	$437.4	$435.5	$455.6	$454.0	$437.2	$524.5	$470.0	$531.6
Inventory	$60.3	$51.3	$51.3	$51.3	$38.6	$51.3	$51.3	$51.3	$51.3	$51.3	$51.3	$51.3	$51.3
Other Current Assets	$510.2	$498.9	$491.7	$486.1	$487.2	$480.0	$503.2	$491.9	$511.4	$505.2	$515.0	$506.4	$520.9
Total Current Assets	$1,087.0	$1,104.7	$1,023.2	$1,054.1	$1,051.5	$1,043.9	$1,000.8	$1,021.1	$1,080.5	$1,035.0	$1,118.4	$1,075.0	$1,176.7
Net Fixed Assets	$49.2	$49.2	$49.2	$49.2	$49.2	$49.2	$49.2	$49.2	$49.2	$49.2	$49.4	$49.4	$49.4
Total Other Assets	$76.8	$69.6	$3.2	$3.2	$3.2	$3.2	$3.2	$3.2	$3.2	$3.2	$3.2	$3.2	$3.2
Total Assets	$1,213.0	$1,223.5	$1,075.6	$1,106.5	$1,103.9	$1,096.3	$1,053.2	$1,073.5	$1,132.9	$1,087.4	$1,171.0	$1,127.6	$1,229.3
LIABILITIES & NET WORTH													
Notes Payable - Bank	$438.8	$422.8	$427.6	$437.8	$440.7	$439.4	$439.3	$446.0	$443.0	$440.2	$444.2	$444.6	$482.1
Accounts Payable A/P - trade	$182.6	$191.4	$152.4	$170.0	$164.3	$172.2	$179.2	$196.6	$213.7	$226.5	$278.4	$237.1	$230.6
Other Current Liabilities	$372.3	$379.0	$340.4	$337.5	$334.4	$300.1	$281.0	$288.7	$307.0	$277.3	$292.3	$300.9	$247.2
Total Current Liabilities	$993.7	$993.2	$920.4	$945.3	$939.4	$911.7	$899.5	$931.3	$963.7	$944.0	$1,014.9	$982.6	$959.9
Total Long-Term Liabilities	$34.2	$31.1	$27.9	$24.8	$21.6	$18.5	$15.3	$12.1	$8.9	($1.0)	($1.0)	($1.0)	($1.0)
Total Liabilities	$1,027.9	$1,024.3	$948.3	$970.1	$961.0	$930.2	$914.8	$943.4	$972.6	$943.0	$1,013.9	$981.6	$958.9
Total Equity	$185.1	$199.2	$127.3	$136.4	$142.9	$166.1	$138.4	$130.1	$160.3	$144.4	$157.1	$146.0	$270.4
Net Worth	$185.1	$199.2	$127.3	$136.4	$142.9	$166.1	$138.4	$130.1	$160.3	$144.4	$157.1	$146.0	$270.4
Total Liabilities + Net Worth	$1,213.0	$1,223.5	$1,075.6	$1,106.5	$1,103.9	$1,096.3	$1,053.2	$1,073.5	$1,132.9	$1,087.4	$1,171.0	$1,127.6	$1,229.3

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INCOME STATEMENT

Cooler's Heating & Cooling

Units: $1,000 ($Thousands)	Date												
	Ending Period 1	Ending Period 2	Ending Period 3	Ending Period 4	Ending Period 5	Ending Period 6	Ending Period 7	Ending Period 8	Ending Period 9	Ending Period 10	Ending Period 11	Ending Period 12	Ending Period 13
	09/30/17	10/31/17	11/30/17	12/31/17	01/31/18	02/28/18	03/31/18	04/30/18	05/31/18	06/30/18	07/31/18	08/31/18	09/30/18
Sales	$407.6	$390.0	$288.2	$288.6	$283.8	$295.9	$209.2	$250.2	$263.6	$237.6	$326.4	$259.4	$414.1
Cost of Goods Sold	$219.6	$228.2	$166.6	$153.0	$152.6	$144.4	$116.8	$133.7	$138.5	$136.3	$180.9	$150.2	$180.4
Gross Profit	$188.0	$161.8	$121.6	$135.6	$131.2	$151.5	$92.4	$116.5	$125.1	$101.3	$145.5	$109.2	$233.7
Expenses													
Marketing, Sales, G&A	$115.6	$120.6	$55.1	$122.2	$120.8	$123.6	$116.4	$120.3	$89.5	$112.2	$127.8	$116.2	$45.3
Depreciation & Amoritization	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Other Expense	$10.0	$10.0	$66.4	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Expenses *before Interest & Tax*	$125.6	$130.6	$121.5	$122.2	$120.8	$123.6	$116.4	$120.3	$89.5	$112.2	$127.8	$116.2	$45.3
Operating Profit	$62.4	$31.2	$0.1	$13.4	$10.4	$27.9	($24.0)	($3.8)	$35.6	($10.9)	$17.7	($7.0)	$188.4
Other Income	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Interest	$2.1	$2.7	$1.8	$2.1	$1.6	$2.4	$2.2	$2.3	$3.0	$3.0	$2.3	$1.4	$29.3
Net Profit Before Taxes	$60.3	$28.5	($1.7)	$11.3	$8.8	$25.5	($26.2)	($6.1)	$32.6	($13.9)	$15.4	($8.4)	$159.1
Tax (Income Taxes)	$3.9	$3.2	$3.9	$2.3	$2.5	$2.3	$1.6	$2.3	$2.5	$2.0	$2.5	$2.7	$34.7
Net Profit After Tax	$56.4	$25.3	($5.6)	$9.0	$6.3	$23.2	($27.8)	($8.4)	$30.1	($15.9)	$12.9	($11.1)	$124.4
EBITDA	$62.4	$31.2	$0.1	$13.4	$10.4	$27.9	($24.0)	($3.8)	$35.6	($10.9)	$17.7	($7.0)	$188.4

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