



Financial Analysis Report

For the month ending December 31, 2023
(and the prior thirteen months)

Rock Castle Construction (sample)

North American Industry Classification System (NAICS) = 236115 [?](#)

Secure Data Encryption by:



Note: These reports are 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.



Rock Castle Construction (sample)

Executive Action Summary

Dear Dan Rock,

Here is this month's Profit Gap report. This report covers from December 31, 2022 to December 31, 2023, in monthly periods, with a focus on the last month of December 2023. This Executive Action Summary identifies the top opportunities Profit Gap found from your QuickBooks data in the areas of Cash Lost, Profitability, and other Key Performance Indicators 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, December 31, 2023, indicates the largest Cash Lost opportunity is Accounts Receivable based on the goal set for Receivable Days, Rock Castle Construction (sample) has \$65,263 tied up in collecting Receivables sooner verses your goal. For each day you decrease your Receivable terms with your customers, Rock Castle Construction (sample) will have a positive Cash impact of \$2,014. Your Total Cash Lost reflected in this report \$109,475

PROFIT

Rock Castle Construction (sample) is exceeding it Gross Profit and Net Profit goals as of December 31, 2023. We recommend you increase your goals for Gross Profit and Net Profit next month to increase the company's profitability.

OTHER SCORECARD METRICS

Additional Key Performance Metrics (that are not Cash Lost or Profitability) that are greater than 25% from your goals include the following:

* The Sales to Assets metric is at 1.1. With the goal set at 4.5, your company is 75% away from meeting your goal.

* The Debt to Equity metric is at 2.2. With the goal set at 1.4, your company is 56% away from meeting your goal.

Best regards,

Bob Carstens
CEO and Co-Founder
FinancialSoft Inc.



Key Performance Metrics

Rock Castle Construction (sample)



Report Period Ending 12/31/2023	Ratio	Formula	Calculations For Current Month	Actual Annualized	Two (2) Months Ago	Last Month	Current Month + Performance to Goal	Month-to-Month Trend	Goal	Industry Standard Pointer designates current performance versus industry 10% 25% Median 25% 10% Top Median Bottom
					10/31/23	11/30/23	12/31/23			
SHORT TERM RATIOS: Liquidity & Profitability										
Current	?	$\frac{\text{Current Assets}}{\text{Current Liabilities}}$	$= \frac{200,096}{33,476}$	5.4	3.9	3.4	6.0	▲	1.9	1.7 1.6 1.5 1.5 1.3
Quick	?	$\frac{\text{Cash + Accts. Rcv.}}{\text{Current Liabilities}}$	$= \frac{158,387}{33,476}$	3.9	3.3	2.9	4.7	▲	1.4	1.1 1.0 0.8 0.7 0.5
Gross Margin	?	$\frac{\text{Gross Profit}}{\text{Sales}}$	$= \frac{31,515}{51,241}$	60.0%	35.7%	42.3%	61.5%	▲	56.2%	67% 61% 55% 41% 18%
Net Margin	?	$\frac{\text{Net Profit Before Tax}}{\text{Sales}}$	$= \frac{13,686}{51,241}$	25.3%	16.5%	24.4%	26.7%	▲	4.3%	4.9% 4.7% 4.3% 4.2% 3.8%
CASH CONVERSION CYCLE ELEMENTS										
Inventory** Turn-Days	?	$\frac{\text{Inventory** X 30 Days}}{\text{COGS (COS)}}$	$= \frac{30,683 \times 30}{19,726}$	42	19	22	47	▲	0	5 465 0 0 0
Accounts Receivable Turn-Days	?	$\frac{\text{Receivables X 30 Days}}{\text{Sales}}$	$= \frac{93,008 \times 30}{51,241}$	37	40	37	55	▲	17	6 9 12 19 31
Average Payment Period-Days	?	$\frac{\text{Payables X 30 Days}}{\text{COGS (COS)}}$	$= \frac{26,637 \times 30}{19,726}$	43	32	45	41	▼	61	122 97 80 58 34
Cash Conversion Cycle	?	$\text{Inv Days} + \text{Rcv Days} - \text{Payment Days}$	$= 47.3 + 55.2 - 41.1$	36	27	14	61	▲	-44	-111 377 -68 -39 -3
RATIOS OF: Equity & Assets*										
Sales to Assets	?	$\frac{\text{Sales}}{\text{Total Assets}}$	$= \frac{181,252 \times 4}{636,982}$	0.7	1.0	1.1	1.1	▲	4.5	4.1 3.7 3.4 3.2 2.8
Return on Assets	?	$\frac{\text{Net Profit Before Tax}}{\text{Total Assets}}$	$= \frac{40,491 \times 4}{636,982}$	18%	22.3%	25.1%	25.4%	▲	16.2%	18% 17% 15% 13% 12%
Return on Equity	?	$\frac{\text{Net Profit Before Tax}}{\text{Equity}}$	$= \frac{40,491 \times 4}{199,965}$	55%	77.2%	83.7%	81.0%	▼	75.5%	71% 64% 55% 45% 34%
Debt to Equity	?	$\frac{\text{Total Liabilities}}{\text{Equity}}$	$= \frac{437,017}{199,965}$	3.0	2.5	2.3	2.2	▼	1.4	1.9 2.4 2.5 2.8 3.2
WORKING CAPITAL TURNOVER										
Working Capital Turnover	?	$\frac{\text{Annual Sales}}{\text{Average Working Capital}}$	$= \frac{449,657}{166,620}$	2.8	2.7	2.8	2.8	▲	8.0	8 10 15 20 30

*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.

**NOTE: Inventory = Piece Parts + Work In Process (WIP) + Finished Goods

More Information

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 or **Negative Value**



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



Financial Flow - Cause and Effect



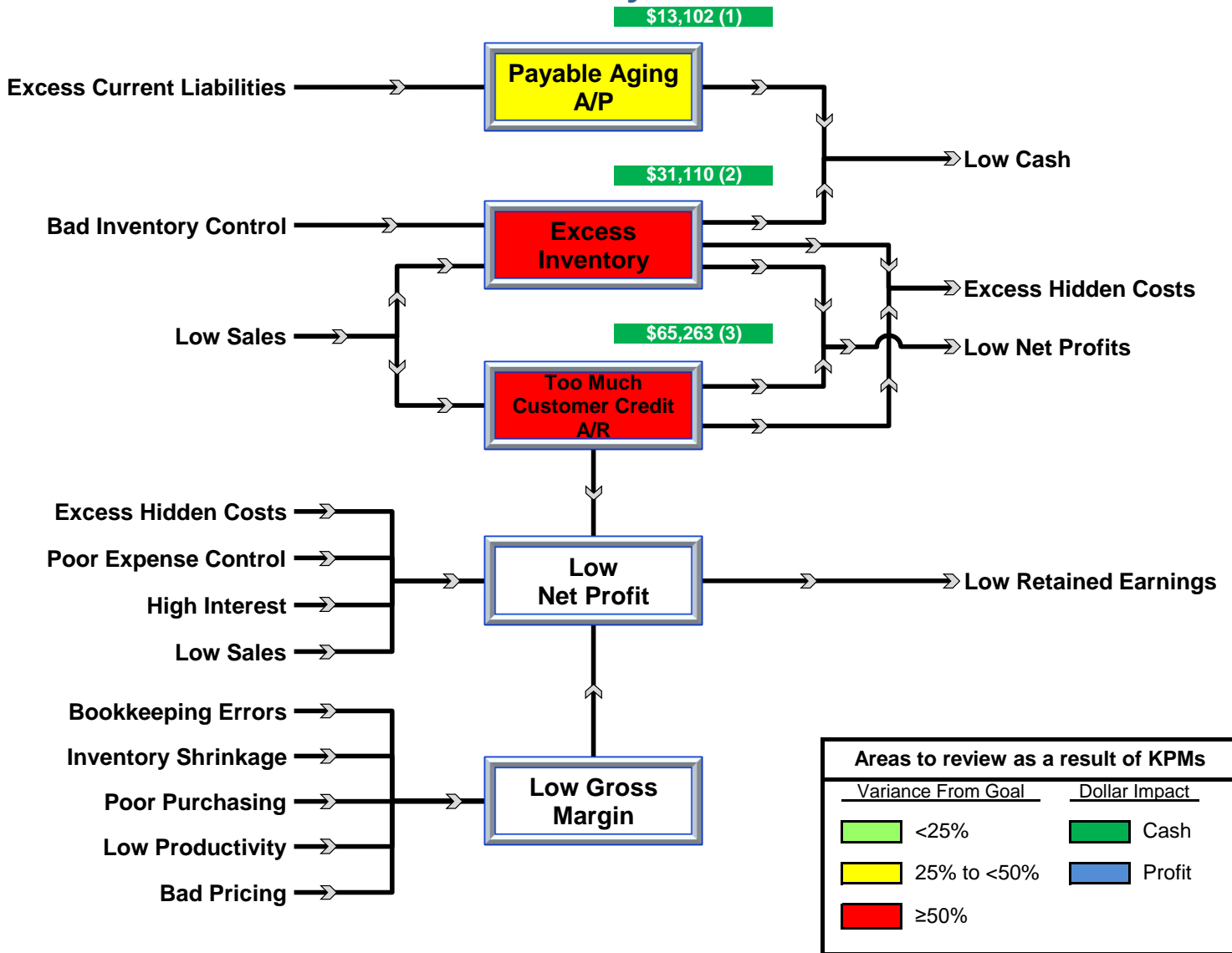
Rock Castle Construction (sample)

Period Ending
12/31/2023

Causes...

**Hidden Cash
& Lost Profits...**

Results in...



Footnotes

- (1) Payments are 20 days faster than the goal of 61 days with a \$13,102 negative Cash Impact.
- (2) Inventory is 47 days over the goal of days with a \$31,110 negative Cash Impact.
- (3) Customer Credit / Accounts Receivable is 38 days over the goal of 17 days with a \$65,263 negative Cash Impact.

More Information



Financial Summary



Rock Castle Construction (sample)

Period ending 12-31-2023

Cash and Profit Impact		
Issue	Cash Tied Up	Profit Opportunities
Receivables	\$65,263	
Inventory	\$31,110	
Payables	\$13,102	
Payable Discounts		\$533
Gross Margin		
Net Margin		
Total	\$109,475	\$533

Sensitivity Analysis	
Metric	Impact
Cash Conversion Metrics	1-Day Sensitivity*
Inventory Turn-Days	= \$1,098 per day
Accounts Receivable Turn-Days	= \$2,014 per day
Average Payable Payment Period	= \$1,098 per day
Margin Metrics (Month)	1% Margin Sensitivity**
Margin (Gross or Net)	= \$604 per 1%

* Note: A 1 day of improvement in these metrics would increase the Cash of Rock Castle Construction (sample) by the amount shown based on the last 3 months average.

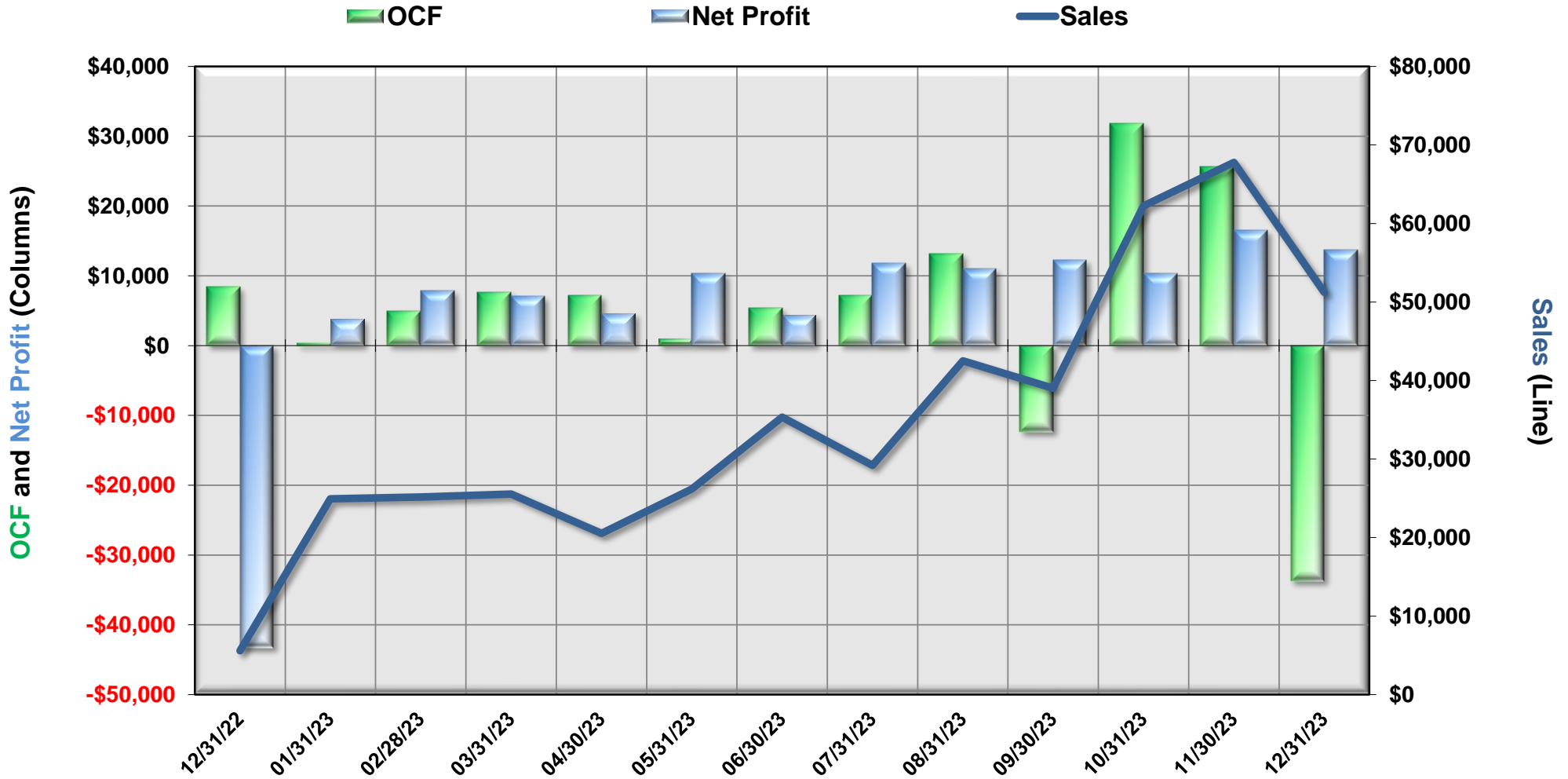
**Note: 1% improvement in margin would mean an increase in profits of \$604 to Rock Castle Construction (sample) based on the last 3 months average.

[More Information](#)



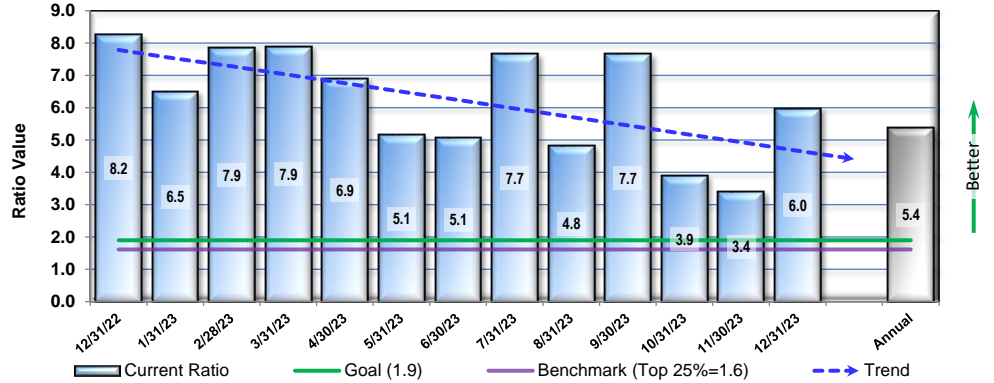
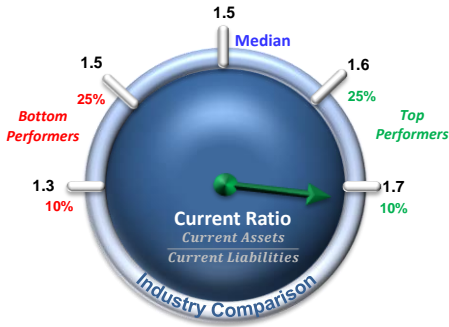
Trend Chart

Sales, Net Profit & Operating Cash Flow
Rock Castle Construction (sample)

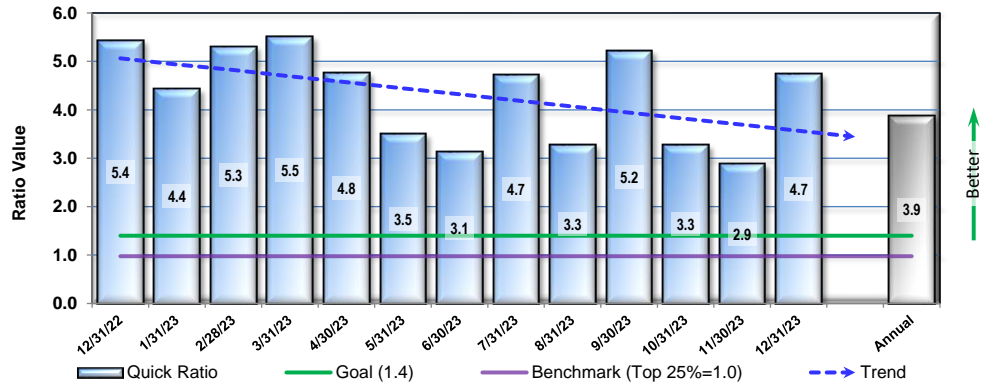
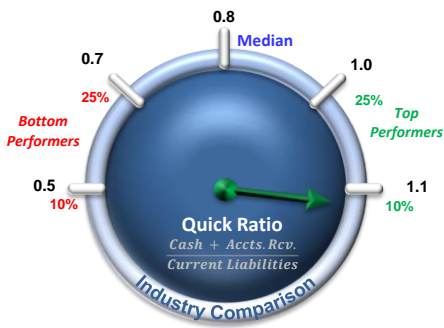


[More Information](#)

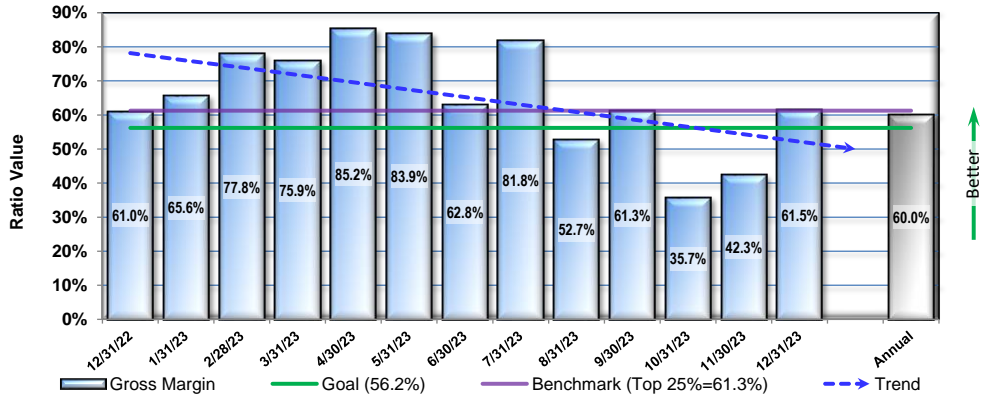
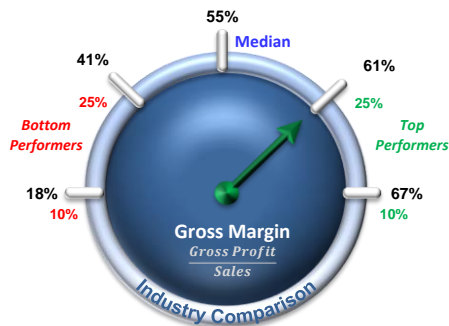
Current Ratio: *The ability to pay short term bills*



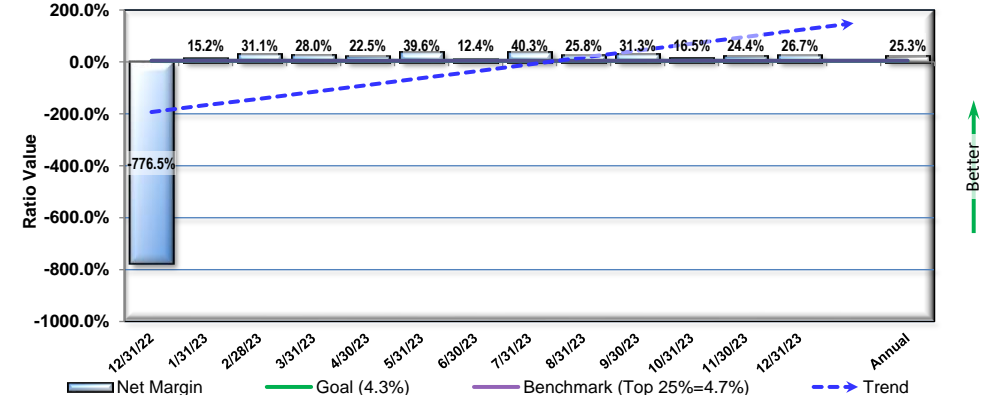
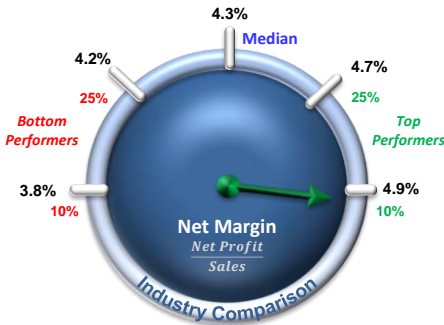
Quick Ratio: *Most Liquid Assets available to Pay Bills*



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

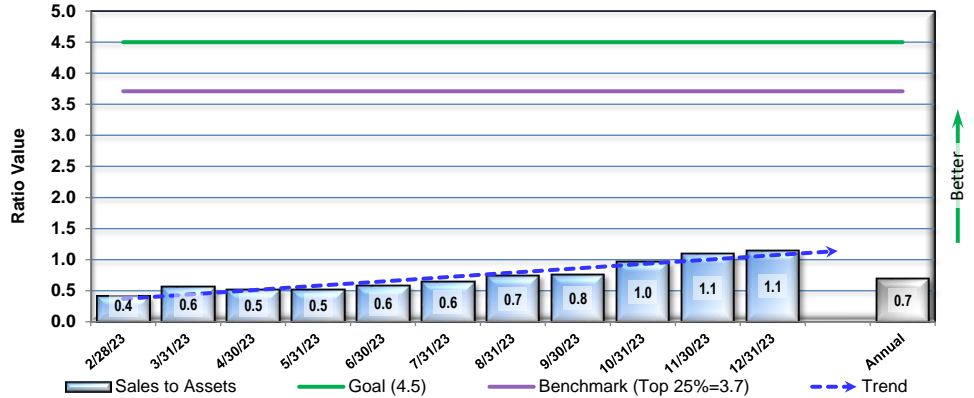
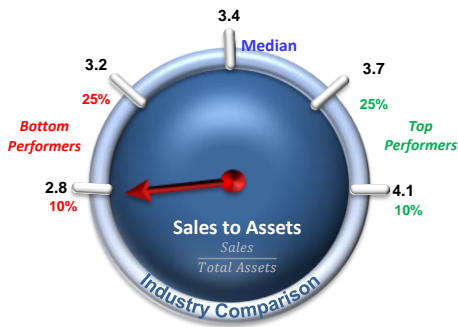


Net Margin: *Percentage of revenue remaining after all operating costs, interest and taxes are paid*

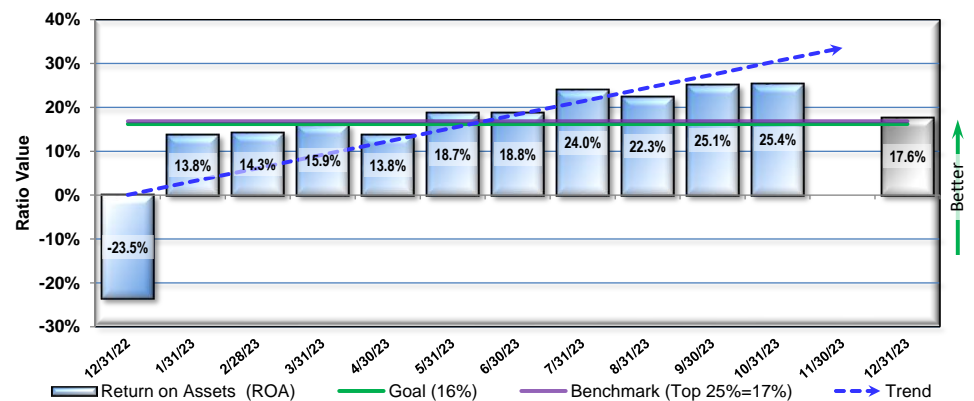
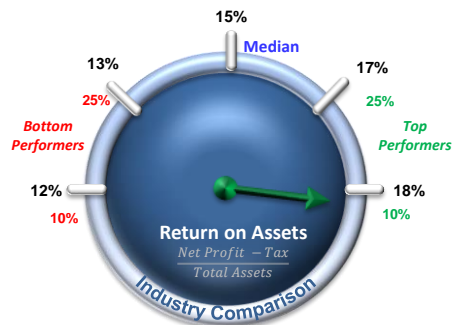


NOTE: Benchmark in charts is set to Top 25% (Quartile) of this industry NACIS code: 236115

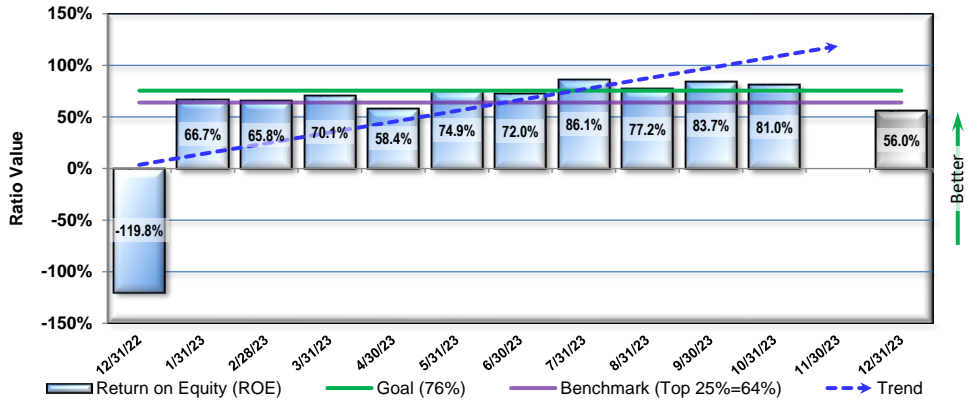
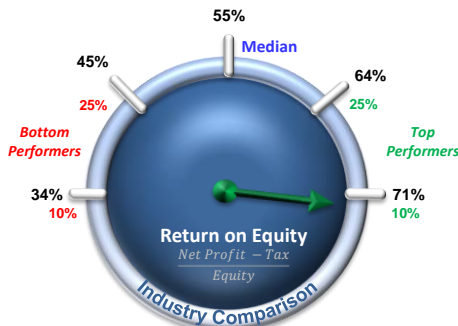
Sales to Assets: How efficiently are you using your assets to produce revenue



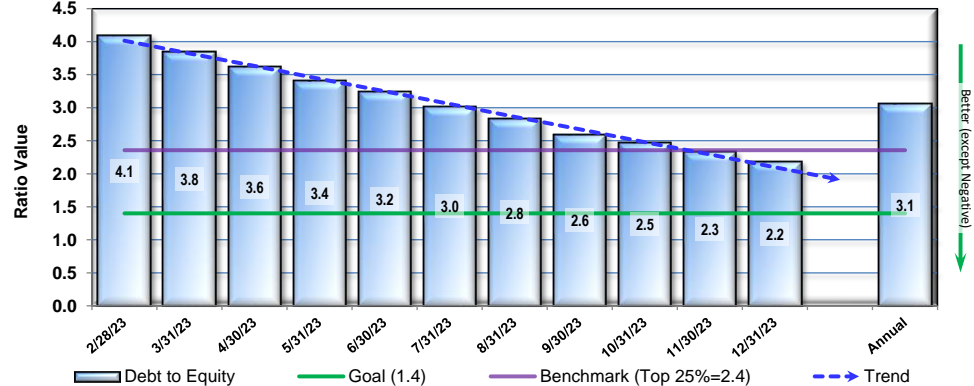
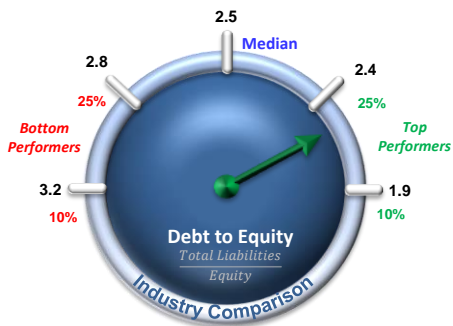
Return On Assets: Net income generated for each dollar of assets



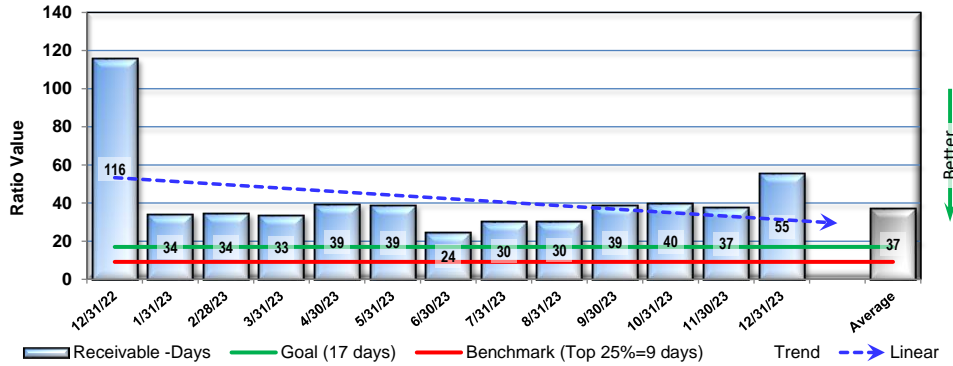
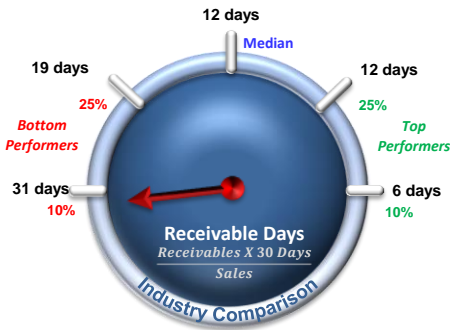
Return On Equity: The efficiency of return on revenue invested into business



Debt to Equity: What is owed compared to Net Worth

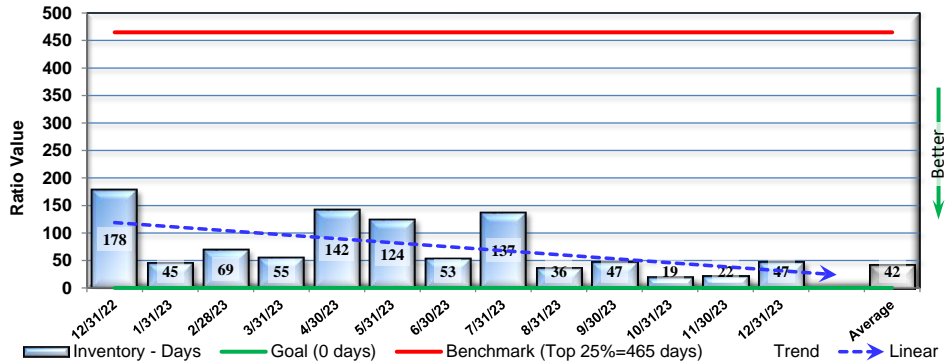
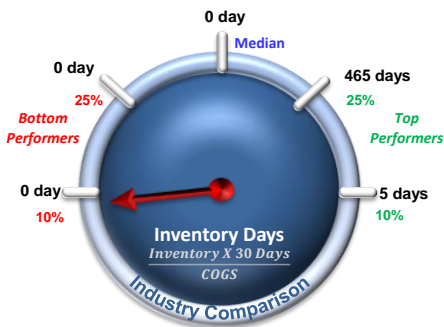


Receivable - Days: Average time clients take to pay



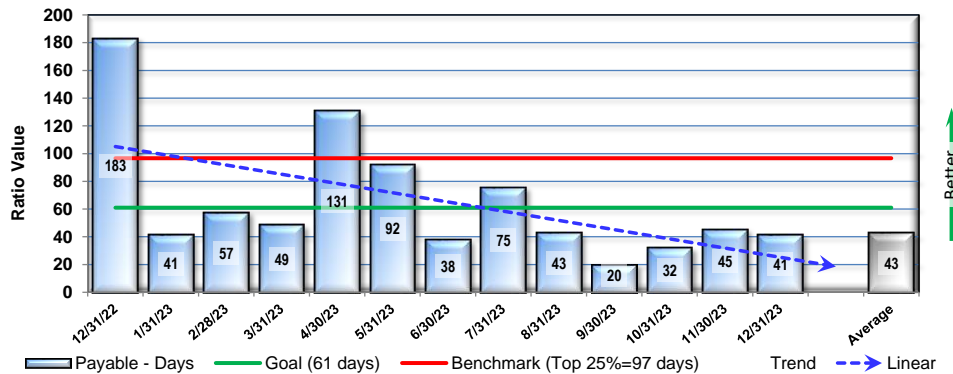
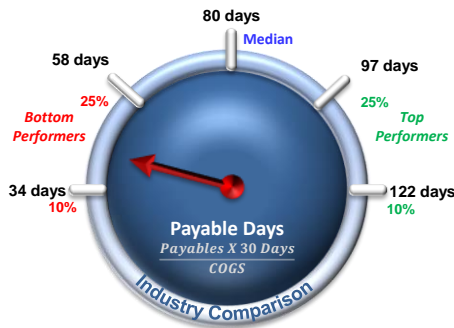
Performance to Goal: Accounts Receivable is 38 days over the Goal of 17 days with a \$65,263 negative cash impact.

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



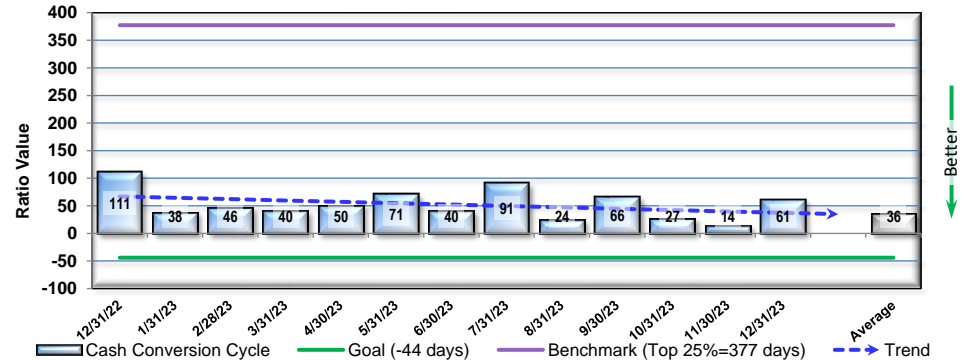
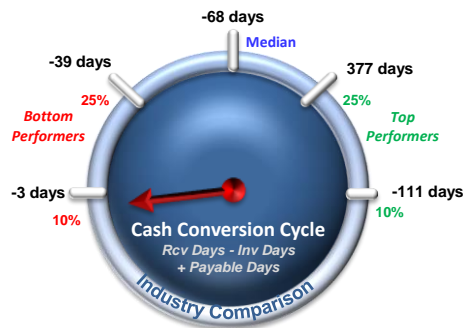
Performance to Goal: Inventory is 47 days over the Goal of 0 days with a \$31,110 negative cash impact.

Payable - Days: Average days to pay suppliers



Performance to Goal: Payments are 20 days faster than the Goal of 61 days with a \$13,102 negative cash impact.

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



Performance to Goal: The Cash Conversion Cycle is 105 days over the Goal of -44 days.



Trend Charts

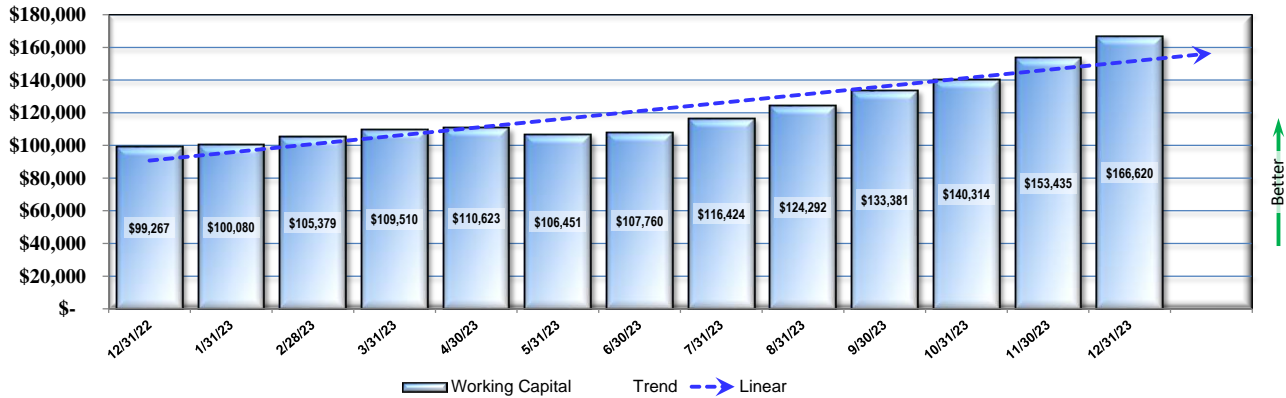
Working Capital Turnover / Days

Days of Cash + Receivables

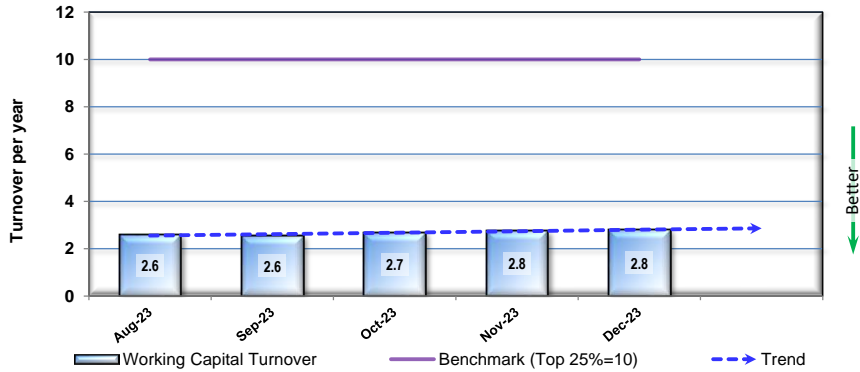
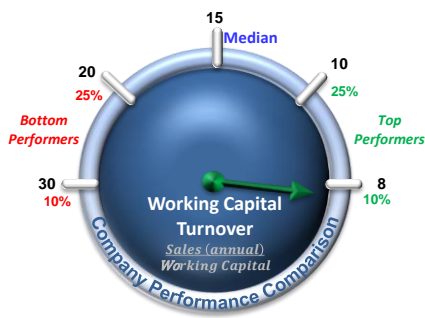
Rock Castle Construction (sample)



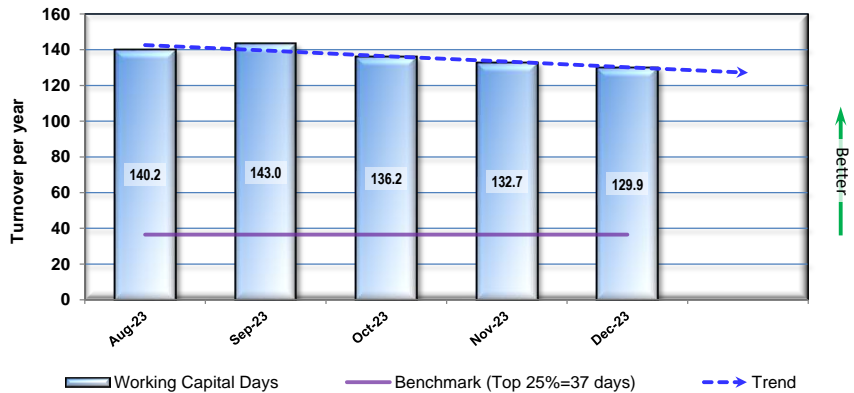
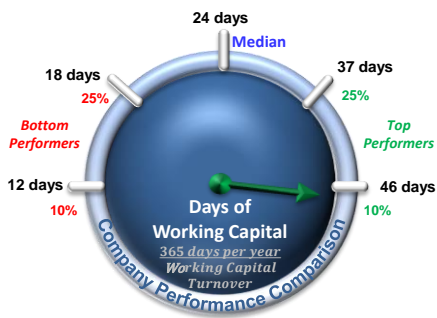
Working Capital: Capital available to operate the business (Current Assets - Current Liabilities)



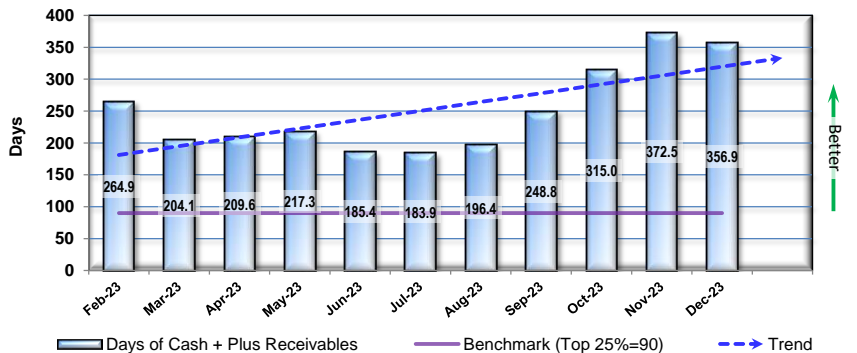
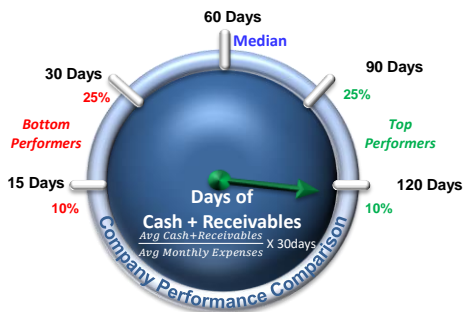
Working Capital Turnover: A company's effectiveness in using its working capital. How many times Working Capital is turned over in 1 year.



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



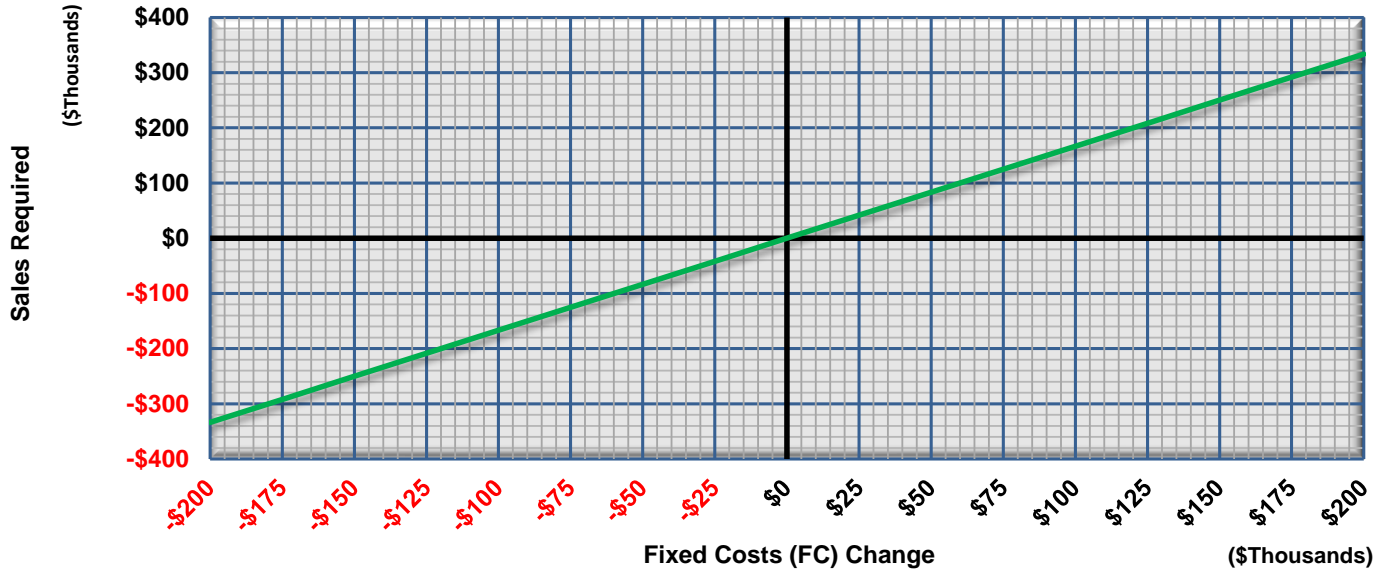
Planning

Impacts of Fixed and Variable Cost Changes

Rock Castle Construction (sample)



Sales Required to Support Fixed Costs Changes

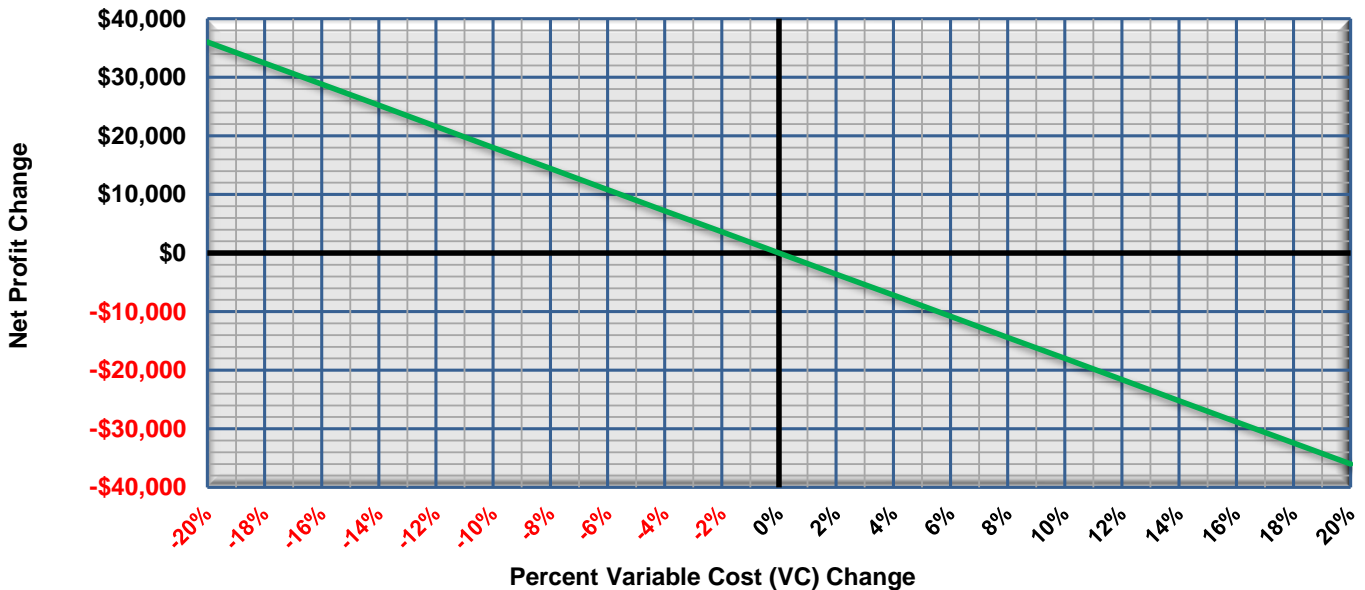


For every \$1 FC increase, \$1.67 sales increase is needed for same Net Profit.

Formula: Sales Required = \$1.67 X Fixed Cost Change

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

Net Profit Impact with Variable Cost % Change



Every 1% VC decrease will result in \$1,801 of an annual Net Profit increase, correspondingly, every 1% VC increase will result in \$1,801 of an annual Net Profit decrease.

Formula: Net Profit Change = -\$1,801 X Variable Cost Change (ΔVC)(%)

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

NOTE: All calculations are based on annualized data, using rolling last 12 months data.

More Information



Valuation - EBITDA Method

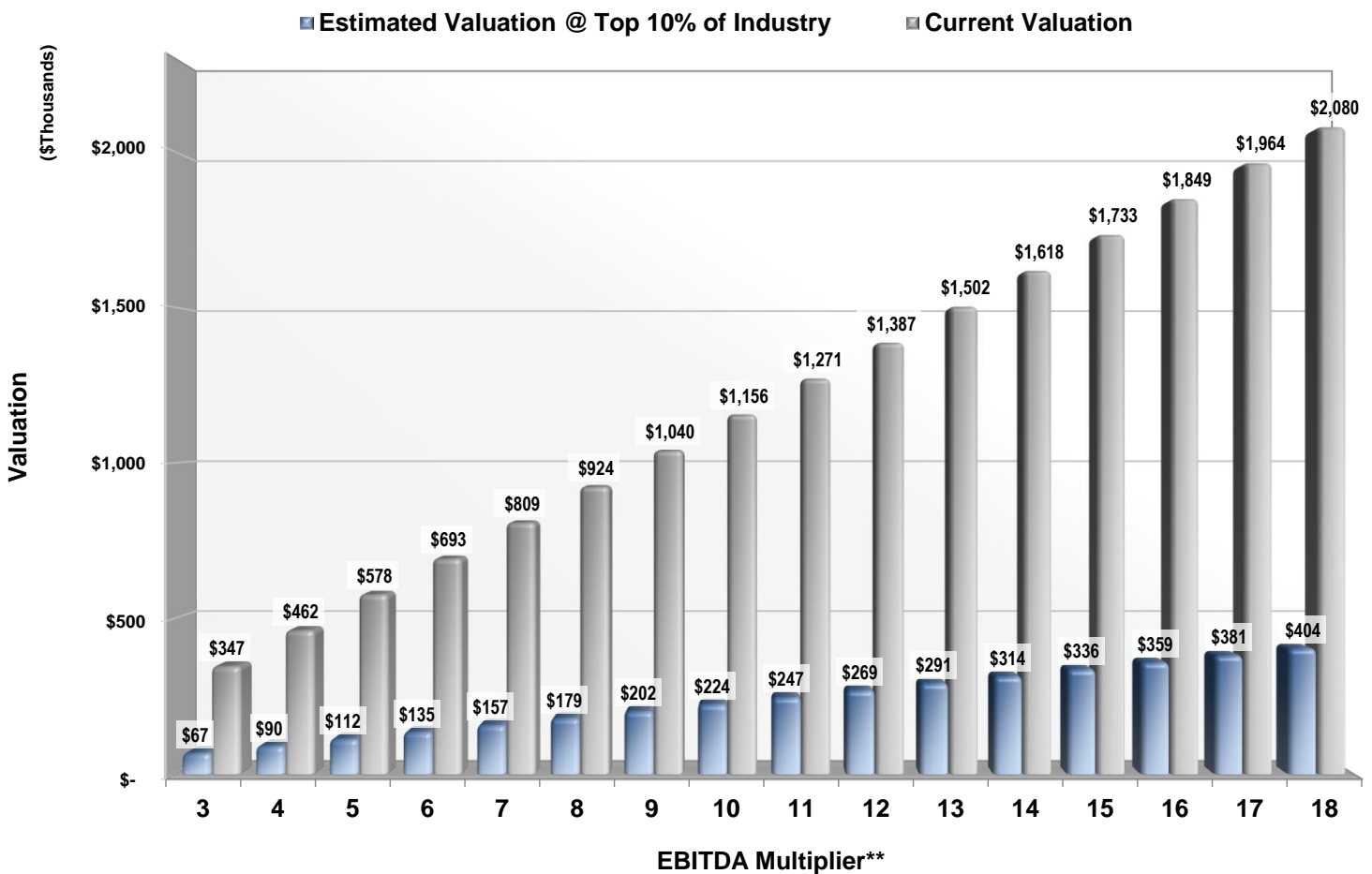
Rock Castle Construction (sample)



Net Profit	
Current	25.3%
Top 10% Industry	4.9%

EBITDA	
Current	\$ 115,556
Projected @ Top 10% Industry*	\$ 22,420

Current Valuation vs at Industry Top 10% Net Profit



EBITDA = Earnings (Net Profit) Before Interest, Tax (Income Taxes), Depreciation and Amortization

IMPORTANT: This information on Valuation is only an estimate based on only one Valuation method. If your company is thinking about a Sale or Exit, we strongly recommend an expert in company Exits/Sales be consulted 3 to 5 years in advance of the planned Exit/Sale. The expert might find the this method on valuation used here may or may not be the best method your business.

*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.

[More Information](#)



BALANCE SHEET



Rock Castle Construction (sample)

	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
	12/31/22	01/31/23	02/28/23	03/31/23	04/30/23	05/31/23	06/30/23	07/31/23	08/31/23	09/30/23	10/31/23	11/30/23	12/31/23
ASSETS													
Cash	\$53,191.2	\$52,677.2	\$53,244.3	\$59,419.9	\$62,824.0	\$56,561.8	\$54,430.0	\$53,832.2	\$63,835.7	\$54,861.1	\$77,921.5	\$99,551.6	\$65,379.3
Accounts Receivable	\$21,249.4	\$27,894.4	\$28,208.3	\$27,985.1	\$26,393.1	\$33,198.2	\$28,329.7	\$28,651.8	\$42,372.5	\$49,539.1	\$80,935.1	\$83,547.9	\$93,007.9
Inventory	\$12,767.0	\$12,767.0	\$12,767.0	\$11,197.8	\$14,169.1	\$17,224.2	\$23,095.1	\$23,849.6	\$23,849.6	\$23,259.3	\$25,399.8	\$27,872.6	\$30,683.4
Other Current Assets	\$25,761.8	\$24,938.0	\$26,529.2	\$26,790.3	\$25,966.5	\$25,142.7	\$28,368.8	\$27,545.0	\$26,721.2	\$25,748.5	\$4,619.4	\$6,188.0	\$11,025.0
Total Current Assets	\$112,969.4	\$118,276.6	\$120,748.8	\$125,393.2	\$129,352.8	\$132,126.9	\$134,223.8	\$133,878.6	\$156,779.0	\$153,408.1	\$188,875.8	\$217,160.1	\$200,095.6
Net Fixed Assets	\$421,718.3	\$421,718.3	\$421,718.3	\$421,718.3	\$421,718.3	\$433,218.3	\$433,218.3	\$433,218.3	\$433,218.3	\$433,218.3	\$433,218.3	\$433,218.3	\$433,218.3
Total Other Assets	\$1,720.0	\$1,720.0	\$1,720.0	\$1,720.0	\$1,720.0	\$1,720.0	\$1,720.0	\$1,720.0	\$1,720.0	\$1,720.0	\$1,720.0	\$1,720.0	\$1,720.0
Total Assets	\$536,407.8	\$541,714.9	\$544,187.1	\$548,831.5	\$552,791.1	\$567,065.2	\$569,162.1	\$568,817.0	\$591,717.3	\$588,346.4	\$623,814.1	\$652,098.5	\$635,033.9
LIABILITIES & NET WORTH													
Notes Payable - Bank	\$530.0	\$2,606.3	\$700.0	\$2,142.0	\$1,845.8	\$9,164.0	\$4,674.9	\$0.0	\$0.0	\$6,534.3	\$1,098.3	\$461.8	\$476.8
Accounts Payable A/P - trade	\$13,100.0	\$11,668.9	\$10,527.9	\$9,824.2	\$13,053.9	\$12,765.0	\$16,310.2	\$13,133.8	\$28,086.5	\$9,848.8	\$42,134.3	\$58,345.0	\$26,636.9
Other Current Liabilities	\$72.2	\$3,921.4	\$4,141.9	\$3,917.4	\$3,830.0	\$3,747.1	\$5,478.3	\$4,320.4	\$4,400.9	\$3,643.8	\$5,329.7	\$4,918.7	\$6,362.1
Total Current Liabilities	\$13,702.2	\$18,196.6	\$15,369.7	\$15,883.6	\$18,729.6	\$25,676.1	\$26,463.4	\$17,454.2	\$32,487.5	\$20,026.8	\$48,562.2	\$63,725.5	\$33,475.8
Total Long-Term Liabilities	\$421,675.1	\$418,702.3	\$416,180.2	\$413,171.7	\$409,668.5	\$406,618.3	\$403,548.3	\$400,458.6	\$397,349.0	\$394,219.3	\$390,854.2	\$387,467.3	\$386,966.9
Total Liabilities	\$435,377.2	\$436,898.9	\$431,549.9	\$429,055.3	\$428,398.1	\$432,294.3	\$430,011.7	\$417,912.9	\$429,836.4	\$414,246.1	\$439,416.4	\$451,192.8	\$420,442.7
Net Worth	\$101,030.5	\$104,816.0	\$112,637.2	\$119,776.2	\$124,393.0	\$134,770.9	\$139,150.4	\$150,904.1	\$161,880.8	\$174,100.3	\$184,397.7	\$200,905.7	\$214,591.2
Total Equity	\$101,030.5	\$104,816.0	\$112,637.2	\$119,776.2	\$124,393.0	\$134,770.9	\$139,150.4	\$150,904.1	\$161,880.8	\$174,100.3	\$184,397.7	\$200,905.7	\$214,591.2
Total Liabilities + Equity	\$536,407.8	\$541,714.9	\$544,187.1	\$548,831.5	\$552,791.1	\$567,065.2	\$569,162.1	\$568,817.0	\$591,717.3	\$588,346.4	\$623,814.1	\$652,098.5	\$635,033.9



INCOME STATEMENT



Rock Castle Construction (sample)

	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
	12/31/22	01/31/23	02/28/23	03/31/23	04/30/23	05/31/23	06/30/23	07/31/23	08/31/23	09/30/23	10/31/23	11/30/23	12/31/23
Sales	\$5,588.0	\$24,947.8	\$25,158.8	\$25,541.3	\$20,515.2	\$26,183.7	\$35,334.5	\$29,192.9	\$42,517.1	\$39,014.0	\$62,235.3	\$67,775.5	\$51,241.2
COGS or COS*	\$2,180.0	\$8,570.1	\$5,592.0	\$6,156.2	\$3,031.5	\$4,221.2	\$13,137.9	\$5,305.0	\$20,097.6	\$15,105.2	\$40,008.1	\$39,114.6	\$19,725.9
Gross Profit	\$3,408.0	\$16,377.7	\$19,566.8	\$19,385.1	\$17,483.7	\$21,962.4	\$22,196.5	\$23,887.9	\$22,419.5	\$23,908.9	\$22,227.2	\$28,661.0	\$31,515.3
Expenses													
Marketing, Sales, G&A	\$2,147.3	\$12,321.1	\$11,556.8	\$12,097.8	\$12,593.3	\$11,390.9	\$17,716.0	\$11,980.0	\$11,308.5	\$11,649.5	\$11,861.2	\$12,095.7	\$17,840.7
Depreciation & Amortization	\$44,435.9	\$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	\$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
Expenses before Interest & Tax	\$46,583.2	\$12,321.1	\$11,556.8	\$12,097.8	\$12,593.3	\$11,390.9	\$17,716.0	\$11,980.0	\$11,308.5	\$11,649.5	\$11,861.2	\$12,095.7	\$17,840.7
Operating Profit	(\$43,175.2)	\$4,056.6	\$8,009.9	\$7,287.3	\$4,890.4	\$10,571.6	\$4,480.5	\$11,907.9	\$11,111.0	\$12,259.4	\$10,365.9	\$16,565.2	\$13,674.6
Other Income	\$72.4	\$0.0	\$0.0	\$87.0	\$0.0	\$0.0	\$72.9	\$0.0	\$0.0	\$74.2	\$54.4	\$43.9	\$43.5
Interest expense	\$290.2	\$271.1	\$188.8	\$235.3	\$273.7	\$193.7	\$174.0	\$154.2	\$134.2	\$114.2	\$122.9	\$101.1	\$32.6
Net Profit Before Taxes	(\$43,393.0)	\$3,785.5	\$7,821.1	\$7,139.0	\$4,616.8	\$10,377.9	\$4,379.5	\$11,753.7	\$10,976.8	\$12,219.4	\$10,297.4	\$16,508.0	\$13,685.5
Tax (Income Taxes)	\$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
Net Profit After Tax	(\$43,393.0)	\$3,785.5	\$7,821.1	\$7,139.0	\$4,616.8	\$10,377.9	\$4,379.5	\$11,753.7	\$10,976.8	\$12,219.4	\$10,297.4	\$16,508.0	\$13,685.5
EBITDA	\$1,333.1	\$4,056.6	\$8,009.9	\$7,374.4	\$4,890.4	\$10,571.6	\$4,553.4	\$11,907.9	\$11,111.0	\$12,333.6	\$10,420.3	\$16,609.1	\$13,718.1

*Note: COGS=Costs of Goods Sold (Product Business); COS=Cost of Sales (Service Business)