

FINANCIAL REPORT

This report is designed to assist you in your business' development. Below you will find your overall ranking, business snapshot and narrative write-up.

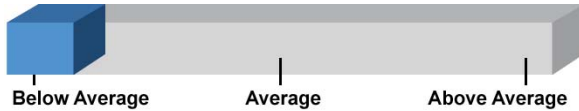
Snapshot of: Extreme Sample for Demo Site

Industry: 72211 - Full-Service Restaurants

Revenue: \$1M - \$10M

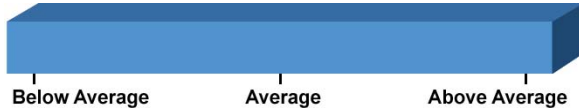
Periods: 12 months against the same 12 months from the previous year

Financial Score for Extreme Sample for Demo Site



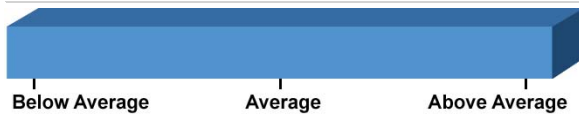
LIQUIDITY -

A measure of the company's ability to meet obligations as they come due.



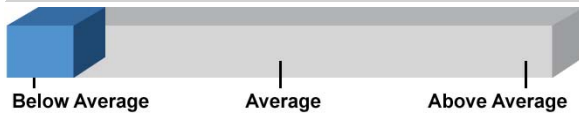
PROFITS & PROFIT MARGIN -

A measure of whether the trends in profit are favorable for the company.



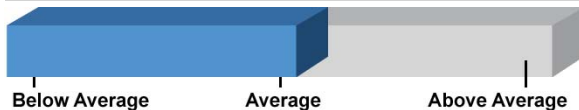
SALES -

A measure of how sales are growing and whether the sales are satisfactory for the company.



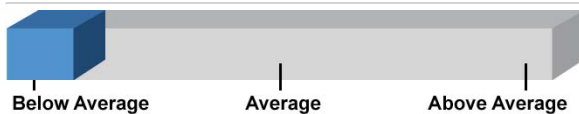
BORROWING -

A measure of how responsibly the company is borrowing and how effectively it is managing debt.



ASSETS -

A measure of how effectively the company is utilizing its gross fixed assets.



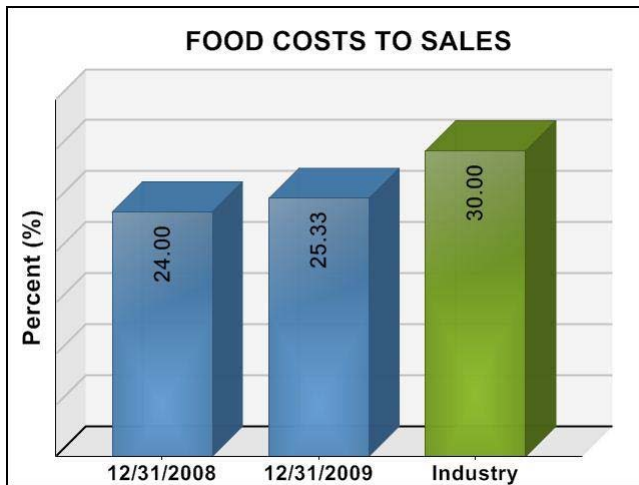
EMPLOYEES -

A measure of how effectively the company is hiring and managing its employees.

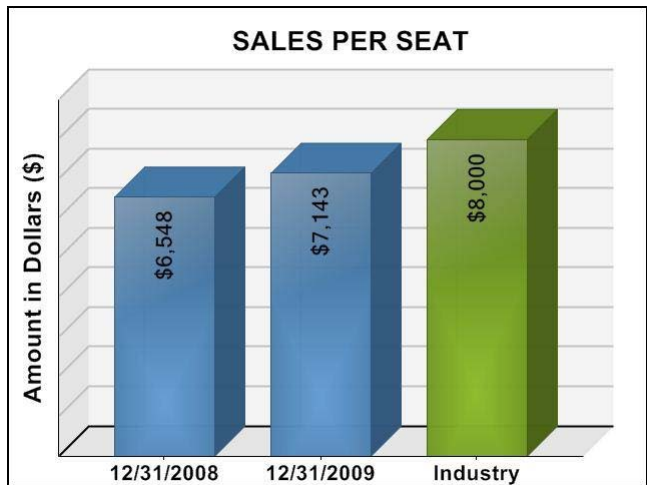
INDUSTRY-SPECIFIC PERFORMANCE RATIOS

What are the Key Performance Indicators for the business?

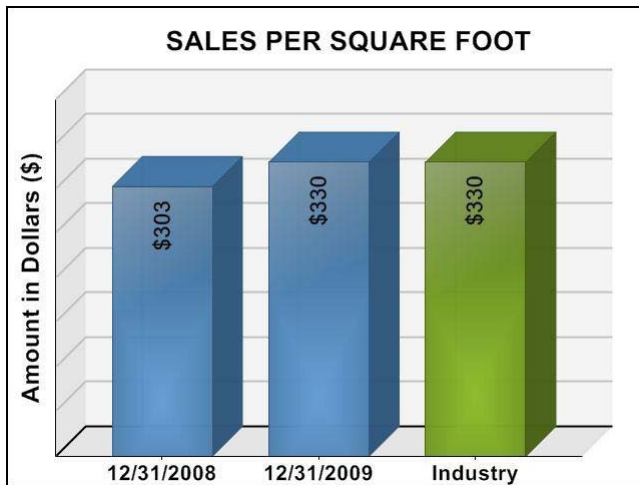
This section of the report provides **Key Performance Indicators** (or KPIs) for the business being analyzed. A KPI can be either a financial or a non-financial metric, but it is typically a number or ratio that is easily obtained and tracked by the business as an early indicator of how well it is performing. The ratio calculations, graphs, and benchmarks displayed below are specific to the particular industry this business operates in. Tracking these KPIs over time as a trend and also as they relate to the industry comparison benchmark can help lead to more effective management of the business, although it is important to be aware that a KPI may be more of a rough measure of effectiveness than a precise indicator.



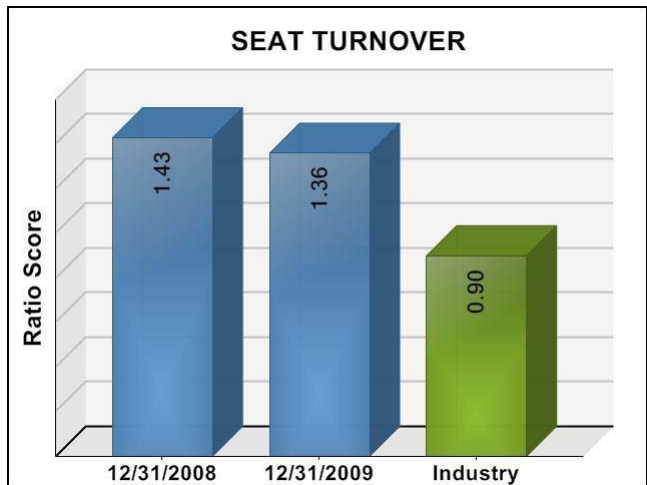
Food Costs to Sales = Food Costs / Sales



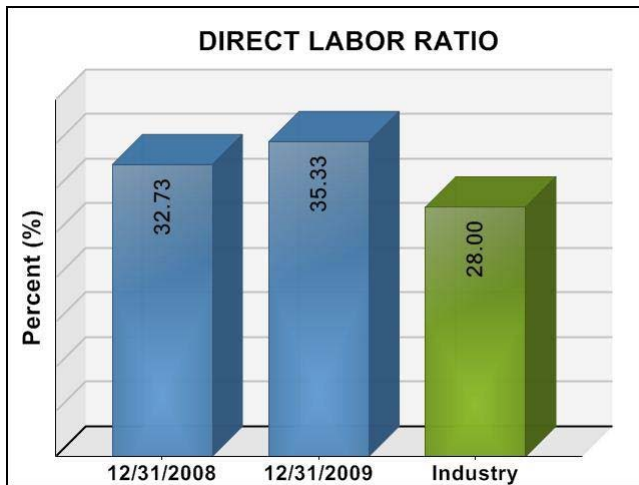
Sales Per Seat = Sales / Seats



Sales Per Square Foot = Sales / Square Feet



Seat Turnover = Customers Served per Day / Seats



Direct Labor Ratio = Direct Labor / Sales



Rent to Sales = Rent / Sales

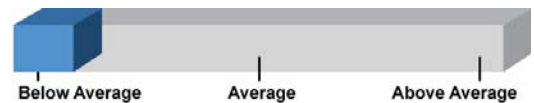
Financial Analysis for Extreme Sample for Demo Site

LIQUIDITY

A measure of the company's ability to meet obligations as they come due.

Operating Cash Flow Results

It is favorable that the company is generating positive operating profits and positive cash flow from operations for the period. Additional cash flow may be needed to boost the overall liquidity position of the company over time (this will be discussed in more detail below). It is also good to see that cash flow and profits are of the same quality, as these two key metrics should line-up in terms of strength and direction over time.



General Liquidity Conditions

It is curious to see flat conditions in this area accompanied by increases in sales volume. **It is often the case that expansion of the business may be hurting the firm's liquidity position.** Also monitor the net margin decline -- it could become a problem, as will be discussed in the next section.

The **company's liquidity position looks fairly similar** to last period. Looking at the graph area of the report, it becomes evident that some of the firm's major liquidity indicators remain relatively unchanged. This specifically means that the company's current ratio (which measures its overall liquidity position) is poor, as was the case last period. Also, the company's quick ratio (which measures the ability to get cash **quickly**) is about average.

Generally, some companies may find meeting obligations to be a difficult task in this present condition. Therefore, the company may need to do better here. For example, even though the firm's quick ratio is average, this can typically mean that there may be some weakness in this area. With little total current asset support beneath the firm's more liquid assets, there will possibly be problems if the cash account falls for any reason.

It should be noted that the company's accounts payable days are high, which would generally not be viewed favorably by creditors. However, this may be a positive for the company's current liquidity situation if it is extending its payment period to make use of trade credit (since this can be a lower-cost form of borrowing). Also, the company has done a good job of keeping its accounts receivable ratio low -- collecting money from customers relatively quickly.

Tips For Improvement

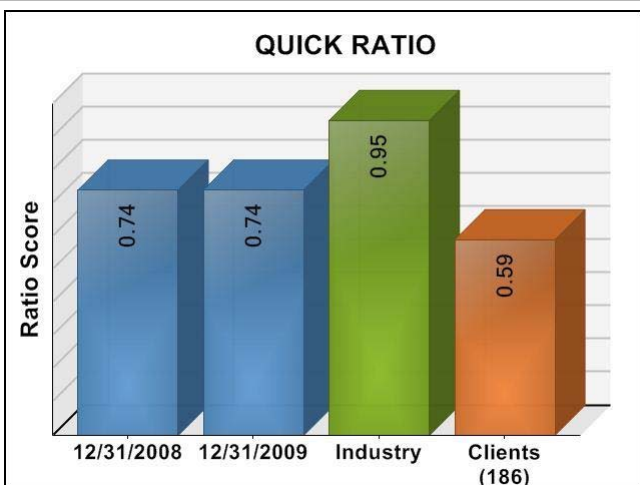
In order to more effectively manage liquidity conditions, here are some actions/"tips" that managers might consider:

- Accept multiple forms of payment, such as credit and debit cards, to help cut down on the number of denied payments (bad checks). Watch the payment terms of credit cards since longer terms will delay collection until much later.
- If cash is a constraint, try to establish a sufficient line of credit from the bank. The restaurant should obtain, but not necessarily use, as much financing as possible. If you decide to obtain external financing, structure it as long-term rather than short-term in order to decrease monthly payments.
- Avoid pre-paying expenses or Accounts Payable to keep funds inside the restaurant (potentially earning interest) for as long as possible. Discounts may be an exception.
- Monitor the impact tax payments may have on cash. Keep enough money aside to be able to meet future tax obligations based on earnings.

LIMITS TO LIQUIDITY ANALYSIS: Keep in mind that liquidity conditions are volatile, and this is a general analysis looking at a snapshot in time. Review this section, but do not overly rely on it.



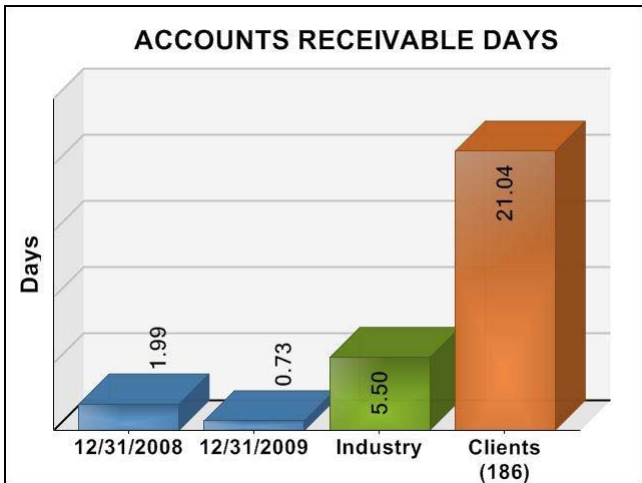
Generally, this metric measures the overall liquidity position of a company. It is certainly not a perfect barometer, but it is a good one. Watch for big decreases in this number over time. Make sure the accounts listed in "current assets" are collectible. The higher the ratio, the more liquid the company is.



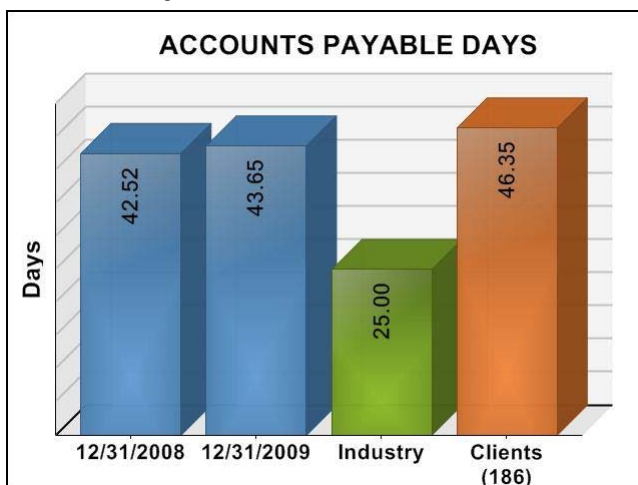
This is another good indicator of liquidity, although by itself, it is not a perfect one. If there are receivable accounts included in the numerator, they should be collectible. Look at the length of time the company has to pay the amount listed in the denominator (current liabilities). The higher the number, the stronger the company.



This metric shows how much inventory (in days) is on hand. It indicates how quickly a company can respond to market and/or product changes. Not all companies have inventory for this metric. The lower the better.



This number reflects the average length of time between credit sales and payment receipts. It is crucial to maintaining positive liquidity. The lower the better.



This ratio shows the average number of days that lapse between the purchase of material and labor, and payment for them. It is a rough measure of how timely a company is in meeting payment obligations. Lower is normally better.

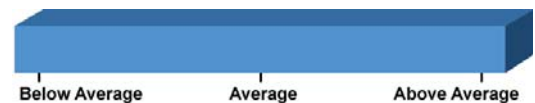
PROFITS & PROFIT MARGIN

A measure of whether the trends in profit are favorable for the company.

General results in this area are solid -- the company has increased its sales this period, and also has a healthy net profit margin. The company's net margin, which measures the cents of net profit that the company retains out of every dollar of sales, is good both generally and relative to what other firms in this industry are earning. The company's net margin has actually declined this period, so the strength present here is largely due to the excellent net profit margin the company had last period. The graph area of the report illustrates these results. Maintaining a strong net profit margin over time may allow the firm to invest in future growth and thus gain a competitive advantage over other firms.

However, it is important to remember that the net margin did fall by 23.24% this period. Because the net margin is so important to a company's profitability health, it is important to monitor and analyze any declines in this area. What caused this decrease? Basically, the company spent more on expenses. More spending on costs is appropriate as long as these investments will generate higher profits, at least in the long run. So far, they have not done so.

The company's challenge now will be to improve net profit margins and gross profit margins, both of which fell from last period. Companies generally do not like to see these two indicators fall in concert with one another, regardless of how strong the company is. What does it really mean when gross margins fall? It means that the sales increases are canceled out by higher costs of sales. This is exactly what has happened. It is not desirable to push more sales volume through the company if the additional sales are being spent on significantly more

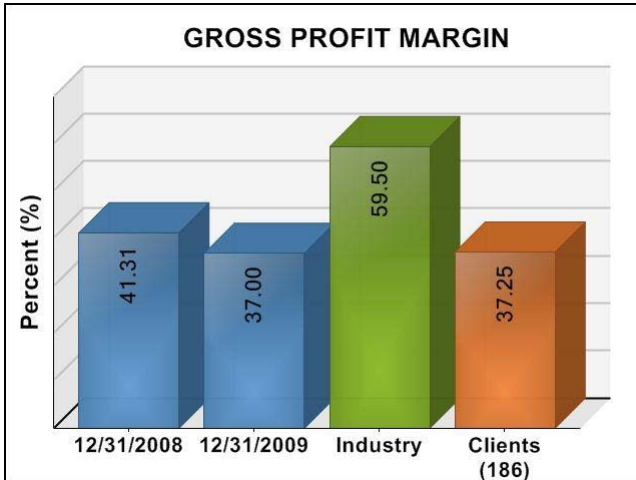


direct costs.

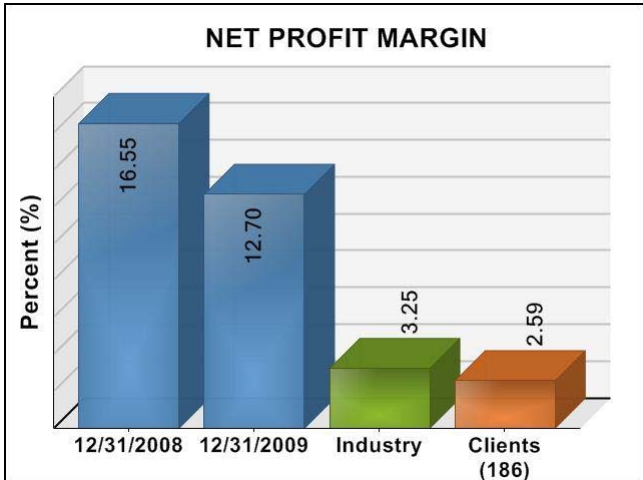
Tips For Improvement

The following ideas to improve profitability might be useful and can be thought-through by managers:

- Make sure to turn off the lights and air when the restaurant is closed to save on utility expenses.
- Get to know the regulars and practice good face recognition. This can help customers feel like they are part of a family and will encourage them to come back for additional visits.
- Track the effectiveness of advertising by the additional customer visits generated from the campaign. Consider doing advertising/marketing in-house to reduce costs, as long as quality can be maintained.
- Generate accurate financial reports on a timely basis -- within 40 days of the end of the financial period. This will help ensure the usefulness of the data for examination purposes.



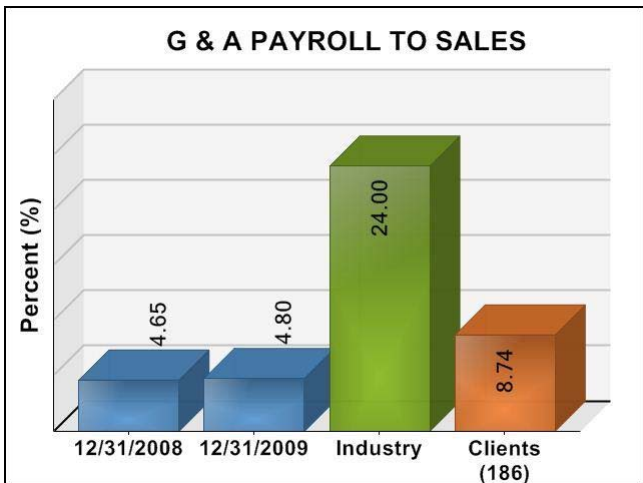
This number indicates the percentage of sales revenue that is not paid out in direct costs (costs of sales). It is an important statistic that can be used in business planning because it indicates how many cents of gross profit can be generated by each dollar of future sales. Higher is normally better (the company is more efficient).



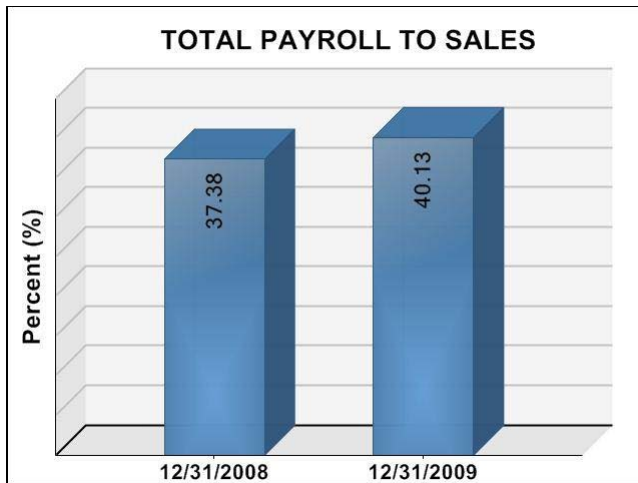
This is an important metric. In fact, over time, it is one of the more important barometers that we look at. It measures how many cents of profit the company is generating for every dollar it sells. Track it carefully against industry competitors. This is a very important number in preparing forecasts. The higher the better.



This metric shows advertising expense for the company as a percentage of sales.



This metric shows G & A payroll expense for the company as a percentage of sales.

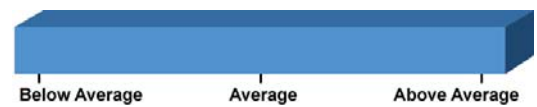


This metric shows total payroll expense for the company as a percentage of sales.

SALES

A measure of how sales are growing and whether the sales are satisfactory for the company.

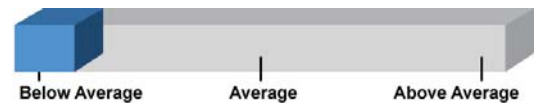
The company did well in the sales area this period, and its results are fairly interesting to interpret. The company drove in higher sales with essentially the same level of fixed assets and a smaller employee base. This is a very good result -- the firm is earning more revenue with fewer people and a relatively stable amount of assets. This dynamic can lead to increased profitability in the future, if management can reasonably control expenses. Right now, managers will want to think about how the company was able to increase sales. This way, they will be able to repeat what is working.



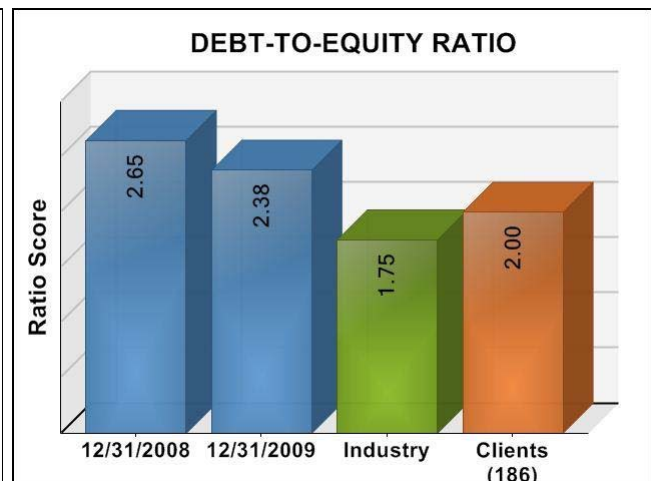
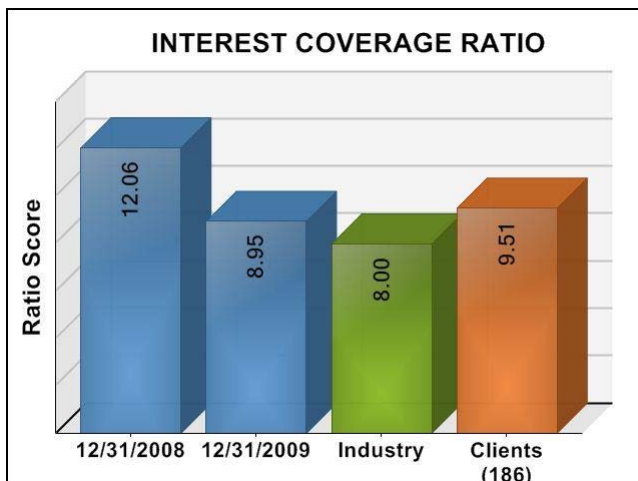
BORROWING

A measure of how responsibly the company is borrowing and how effectively it is managing debt.

These results are somewhat unfavorable. Borrowing (total debt) went down, but net profitability dropped by 16.26%. In fact, profitability dropped at a faster rate than debt. It is also worth mentioning the drop in net profit margins. It is difficult to tell what this means for the future. It does mean that the company probably will want to reverse the lower profitability, as discussed in the Profitability area. Since the reduction of debt did not improve profitability, the company **may** not be able to use this action further as a tool for the immediate future. It is difficult to tell, but as always, careful evaluation is necessary. It may be best to simply concentrate on Income Statement management for the present time.

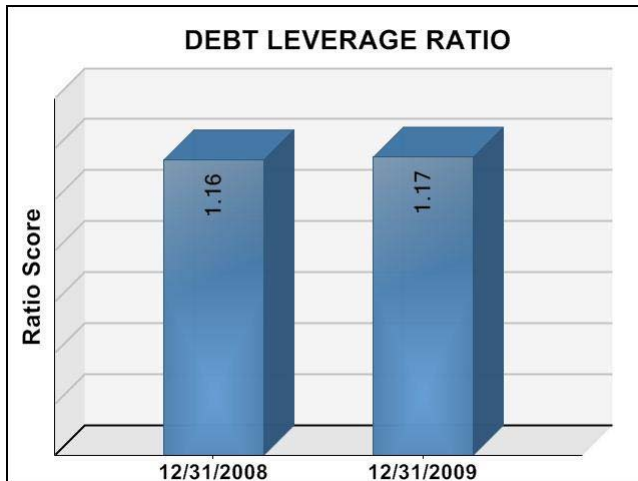


With regard to this company's ability to meet its interest expenses from its earnings and its level of debt in relation to its total equity, there is not too much to report -- both of these statistics are about in line with the industry averages. In cases like this, look for future trends. Basically, we need to balance the fact that the company is receiving mixed results in this area.



This ratio measures a company's ability to service debt payments from operating cash flow (EBITDA). An increasing ratio is a good indicator of improving credit quality. The higher the better.

This Balance Sheet leverage ratio indicates the composition of a company's total capitalization -- the balance between money or assets owed versus the money or assets owned. Generally, creditors prefer a lower ratio to decrease financial risk while investors prefer a higher ratio to realize the return benefits of financial leverage.



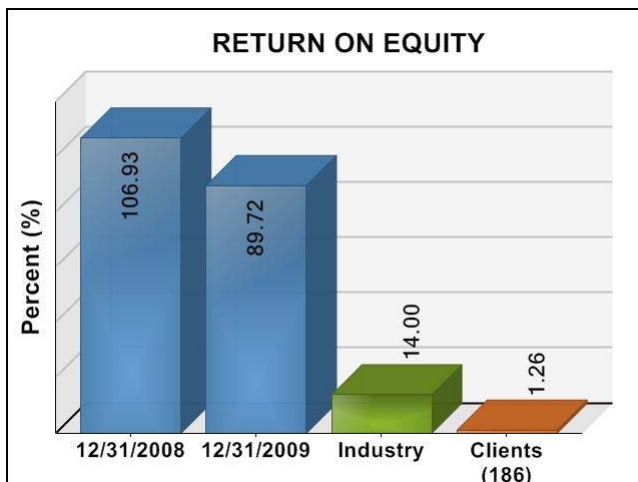
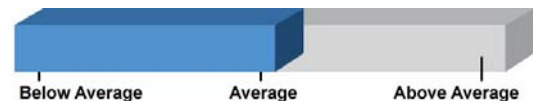
This ratio measures a company's ability to repay debt obligations from annualized operating cash flow (EBITDA).

ASSETS

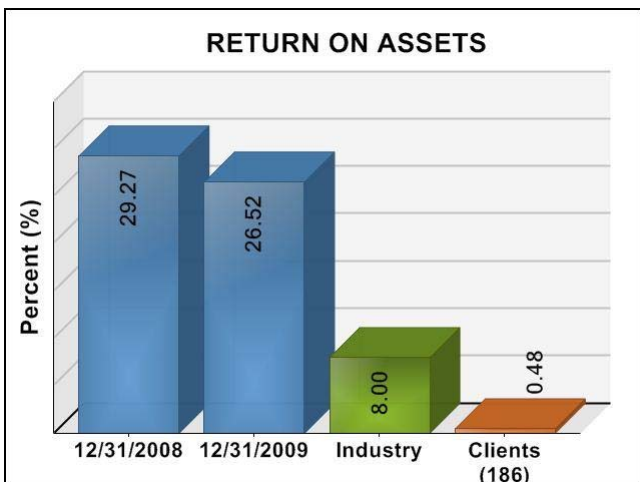
A measure of how effectively the company is utilizing its gross fixed assets.

The results in this area are not very positive. Less profitability is moving through a relatively unchanged fixed asset base, which lowers performance in this area. Another way of saying this is the profitability per asset dollar statistic has fallen. This is not a favorable result, particularly because the net profit margin also fell. This means the company is less efficient in overall operations than it was last period.

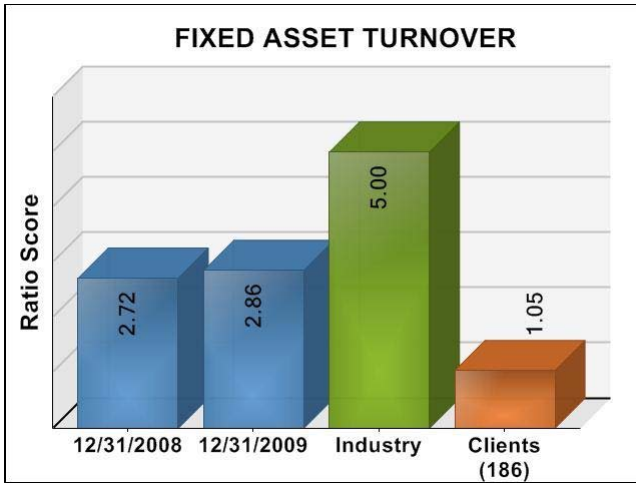
Notice that the company generated relatively strong returns on its assets and equity this period, which is a positive result. Earning a strong return on assets is important, because assets generally represent a cost that is expected to reap future economic benefits for the company.



This measure shows how much profit is being returned on the shareholders' equity each year. It is a vital statistic from the perspective of equity holders in a company. The higher the better.



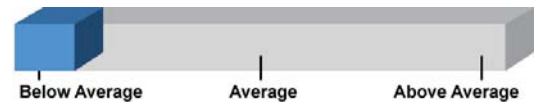
This calculation measures the company's ability to use its assets to create profits. Basically, ROA indicates how many cents of profit each dollar of asset is producing per year. It is quite important since managers can only be evaluated by looking at how they use the assets available to them. The higher the better.



This asset management ratio shows the multiple of annualized sales that each dollar of gross fixed assets is producing. This indicator measures how well fixed assets are "throwing off" sales and is very important to businesses that require significant investments in such assets. Readers should not emphasize this metric when looking at companies that do not possess or require significant gross fixed assets. The higher the more effective the company's investments in Net Property, Plant, and Equipment are.

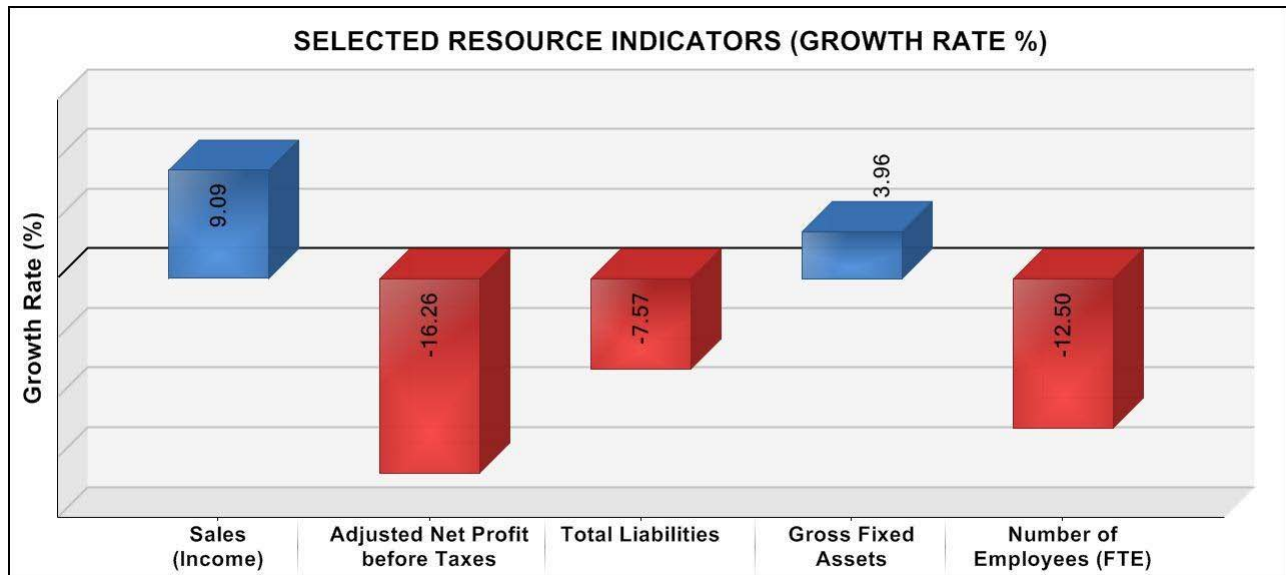
EMPLOYEES

A measure of how effectively the company is hiring and managing its employees.



This company has had some interesting but unfavorable results in the employee management area. The employee base has decreased, and net profitability has fallen at an even **faster rate**. However, it is important not to draw cause-and-effect relationships where none exist. This decrease in profitability **may** have had nothing to do with the reduction of employees. Generally, however, it causes concern when profitability falls more quickly than a resource changes. It could possibly imply that the company is releasing or losing the wrong individuals, although further analysis is obviously required here. Managers need to assess the cause of any drop in net profitability; this is difficult to do based solely on financial analysis.

"Well done is better than well said." -- Benjamin Franklin



RAW DATA

	12/31/2008	12/31/2009
Income Statement Data		
Sales (Income)	\$1,375,000	\$1,500,000
Cost of Sales (COGS)	\$807,000	\$945,000
Direct Materials	\$27,000	\$35,000
Direct Labor	\$450,000	\$530,000
Food Costs	\$330,000	\$380,000
Gross Profit	\$568,000	\$555,000
Gross Profit Margin	41.31%	37.00%
Depreciation	\$60,000	\$64,000
Amortization	\$0	\$0
Overhead or S,G,& A Expenses	\$244,000	\$257,000
G & A Payroll Expense	\$64,000	\$72,000
Rent	\$160,000	\$165,000
Advertising	\$20,000	\$20,000
Other Operating Income	\$2,500	\$7,500
Other Operating Expenses	\$13,000	\$19,000
Operating Profit	\$253,500	\$222,500
Interest Expense	\$26,000	\$32,000
Other Income	\$0	\$0
Other Expenses	\$0	\$0
Net Profit Before Taxes	\$227,500	\$190,500
Adjusted Net Profit before Taxes	\$227,500	\$190,500
Net Profit Margin	16.55%	12.70%
EBITDA	\$313,500	\$286,500
Taxes Paid	\$81,000	\$64,000
Extraordinary Gain	\$0	\$0
Extraordinary Loss	\$0	\$0
Net Income	\$146,500	\$126,500
Balance Sheet Data		
Cash (Bank Funds)	\$77,000	\$83,000
Accounts Receivable	\$7,500	\$3,000
Inventory	\$39,000	\$48,000
Other Current Assets	\$0	\$0
Total Current Assets	\$123,500	\$134,000
Gross Fixed Assets	\$505,000	\$525,000
Accumulated Depreciation	\$180,000	\$225,000
Net Fixed Assets	\$325,000	\$300,000
Gross Intangible Assets	\$0	\$0
Accumulated Amortization	\$0	\$0
Net Intangible Assets	\$0	\$0
Other Assets	\$52,000	\$43,000
Total Assets	\$500,500	\$477,000
Accounts Payable	\$94,000	\$113,000
Short Term Debt	\$19,500	\$3,000
Notes Payable / Current Portion of Long Term Debt	\$0	\$0
Other Current Liabilities	\$0	\$0
Total Current Liabilities	\$113,500	\$116,000
Notes Payable / Senior Debt	\$250,000	\$220,000
Notes Payable / Subordinated Debt	\$0	\$0
Other Long Term Liabilities	\$0	\$0
Total Long Term Liabilities	\$250,000	\$220,000
Total Liabilities	\$363,500	\$336,000
Preferred Stock	\$0	\$0
Common Stock	\$0	\$0

Additional Paid-in Capital	\$0	\$0
Other Stock / Equity	\$137,000	\$141,000
Ending Retained Earnings	\$0	\$0
Total Equity	\$137,000	\$141,000
Number of Employees (FTE)	32.0	28.0
Other Non-Financial Accounts		
Square Feet	4,545.00	4,545.00
Seats	210.00	210.00
Customers Served per Day	300.00	285.00

COMMON SIZE STATEMENTS

	12/31/2008	12/31/2009	Industry* (4735)	Clients (186)
Income Statement Data				
Sales (Income)	100%	100%	100%	100%
Cost of Sales (COGS)	59%	63%	42%	61%
Direct Materials	2%	2%	N/A	N/A
Direct Labor	33%	35%	N/A	N/A
Food Costs	24%	25%	N/A	N/A
Gross Profit	41%	37%	58%	37%
Depreciation	4%	4%	2%	5%
Amortization	0%	0%	0%	0%
Overhead or S,G,& A Expenses	18%	17%	42%	20%
G & A Payroll Expense	5%	5%	25%	9%
Rent	12%	11%	6%	2%
Advertising	1%	1%	2%	0%
Other Operating Income	0%	1%	0%	0%
Other Operating Expenses	1%	1%	10%	11%
Operating Profit	18%	15%	5%	4%
Interest Expense	2%	2%	1%	1%
Other Income	0%	0%	0%	0%
Other Expenses	0%	0%	0%	0%
Net Profit Before Taxes	17%	13%	3%	3%
Adjusted Net Profit before Taxes	17%	13%	4%	3%
EBITDA	23%	19%	7%	9%
Taxes Paid	6%	4%	0%	1%
Extraordinary Gain	0%	0%	0%	0%
Extraordinary Loss	0%	0%	0%	0%
Net Income	11%	8%	3%	2%
Balance Sheet Data				
Cash (Bank Funds)	15%	17%	15%	8%
Accounts Receivable	1%	1%	3%	4%
Inventory	8%	10%	7%	4%
Other Current Assets	0%	0%	5%	4%
Total Current Assets	25%	28%	41%	22%
Gross Fixed Assets	101%	110%	117%	89%
Accumulated Depreciation	36%	47%	64%	27%
Net Fixed Assets	65%	63%	53%	63%
Gross Intangible Assets	0%	0%	1%	1%
Accumulated Amortization	0%	0%	1%	0%
Net Intangible Assets	0%	0%	1%	2%
Other Assets	10%	9%	6%	4%
Total Assets	100%	100%	100%	100%
Accounts Payable	19%	24%	14%	4%
Short Term Debt	4%	1%	1%	1%
Notes Payable / Current Portion of Long Term Debt	0%	0%	3%	3%
Other Current Liabilities	0%	0%	22%	12%
Total Current Liabilities	23%	24%	41%	27%
Notes Payable / Senior Debt	50%	46%	4%	9%
Notes Payable / Subordinated Debt	0%	0%	1%	0%
Other Long Term Liabilities	0%	0%	1%	9%
Total Long Term Liabilities	50%	46%	51%	42%
Total Liabilities	73%	70%	93%	71%
Preferred Stock	0%	0%	0%	0%
Common Stock	0%	0%	3%	0%

Additional Paid-in Capital	0%	0%	5%	0%
Other Stock / Equity	27%	30%	0%	0%
Ending Retained Earnings	0%	0%	-2%	-58%
Total Equity	27%	30%	7%	29%

*The industry common size figures shown above were taken from all private company data for companies with industry code 72211 for all years in all areas with yearly sales \$1 million to \$10 million.

INDUSTRY SCORECARD

Financial Indicator	Current Period	Industry Range	Distance from Industry
Current Ratio = Total Current Assets / Total Current Liabilities Explanation: Generally, this metric measures the overall liquidity position of a company. It is certainly not a perfect barometer, but it is a good one. Watch for big decreases in this number over time. Make sure the accounts listed in "current assets" are collectible. The higher the ratio, the more liquid the company is.	1.16	1.30 to 2.20	-10.77%
Quick Ratio = (Cash + Accounts Receivable) / Total Current Liabilities Explanation: This is another good indicator of liquidity, although by itself, it is not a perfect one. If there are receivable accounts included in the numerator, they should be collectible. Look at the length of time the company has to pay the amount listed in the denominator (current liabilities). The higher the number, the stronger the company.	0.74	0.60 to 1.30	0.00%
Inventory Days = (Inventory / COGS) * 365 Explanation: This metric shows how much inventory (in days) is on hand. It indicates how quickly a company can respond to market and/or product changes. Not all companies have inventory for this metric. The lower the better.	18.54 Days	5.00 to 25.00 Days	0.00%
Accounts Receivable Days = (Accounts Receivable / Sales) * 365 Explanation: This number reflects the average length of time between credit sales and payment receipts. It is crucial to maintaining positive liquidity. The lower the better.	0.73 Days	1.00 to 10.00 Days	+27.00%
Accounts Payable Days = (Accounts Payable / COGS) * 365 Explanation: This ratio shows the average number of days that lapse between the purchase of material and labor, and payment for them. It is a rough measure of how timely a company is in meeting payment obligations. Lower is normally better.	43.65 Days	10.00 to 40.00 Days	-9.13%
Gross Profit Margin = Gross Profit / Sales Explanation: This number indicates the percentage of sales revenue that is not paid out in direct costs (costs of sales). It is an important statistic that can be used in business planning because it indicates how many cents of gross profit can be generated by each dollar of future sales. Higher is normally better (the company is more efficient).	37.00%	52.00% to 67.00%	-28.85%
Net Profit Margin = Adjusted Net Profit before Taxes / Sales Explanation: This is an important metric. In fact, over time, it is one of the more important barometers that we look at. It measures how many cents of profit the company is generating for every dollar it sells. Track it carefully against industry competitors. This is a very important number in preparing forecasts. The higher the better.	12.70%	0.50% to 6.00%	+111.67%
Advertising to Sales = Advertising / Sales Explanation: This metric shows advertising expense for the company as a percentage of sales.	1.33%	1.25% to 3.50%	0.00%
G & A Payroll to Sales = G & A Payroll Expense / Sales Explanation: This metric shows G & A payroll expense for the company as a percentage of sales.	4.80%	18.00% to 30.00%	+73.33%
Total Payroll to Sales = (Direct Labor + G & A Payroll Expense) / Sales Explanation: This metric shows total payroll expense for the company as a percentage of sales.	40.13%	N/A	N/A
Interest Coverage Ratio = EBITDA / Interest Expense	8.95	4.00 to 12.00	0.00%

Explanation: This ratio measures a company's ability to service debt payments from operating cash flow (EBITDA). An increasing ratio is a good indicator of improving credit quality. The higher the better.

Debt-to-Equity Ratio = Total Liabilities / Total Equity	2.38	1.00 to 2.50	0.00%
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Explanation: This Balance Sheet leverage ratio indicates the composition of a company's total capitalization -- the balance between money or assets owed versus the money or assets owned. Generally, creditors prefer a lower ratio to decrease financial risk while investors prefer a higher ratio to realize the return benefits of financial leverage.

Debt Leverage Ratio = Total Liabilities / EBITDA	1.17	N/A	N/A
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Explanation: This ratio measures a company's ability to repay debt obligations from annualized operating cash flow (EBITDA).

Return on Equity = Net Income / Total Equity	89.72%	8.00% to 20.00%	+348.60%
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Explanation: This measure shows how much profit is being returned on the shareholders' equity each year. It is a vital statistic from the perspective of equity holders in a company. The higher the better.

Return on Assets = Net Income / Total Assets	26.52%	6.00% to 10.00%	+165.20%
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Explanation: This calculation measures the company's ability to use its assets to create profits. Basically, ROA indicates how many cents of profit each dollar of asset is producing per year. It is quite important since managers can only be evaluated by looking at how they use the assets available to them. The higher the better.

Fixed Asset Turnover = Sales / Gross Fixed Assets	2.86	2.00 to 8.00	0.00%
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Explanation: This asset management ratio shows the multiple of annualized sales that each dollar of gross fixed assets is producing. This indicator measures how well fixed assets are "throwing off" sales and is very important to businesses that require significant investments in such assets. Readers should not emphasize this metric when looking at companies that do not possess or require significant gross fixed assets. The higher the more effective the company's investments in Net Property, Plant, and Equipment are.

NOTE: Exceptions are sometimes applied when calculating the Financial Indicators. Generally, this occurs when the inputs used to calculate the ratios are zero and/or negative.

READER: Financial analysis is not a science; it is about interpretation and evaluation of financial events. Therefore, some judgment will always be part of our reports and analyses. Before making any financial decision, always consult an experienced and knowledgeable professional (accountant, banker, financial planner, attorney, etc.).