



Monthly Performance Report

Edge Architects

Jan 2018



Introduction

Overview

Well done team, the results for the month are better than planned. Revenues for the current month are \$551,165, narrowly missing our target \$605,095. However, profitability margins improved by 12.02% this month due to cost savings and efficiency gains.

We observed the positive impact of increasing our marketing spend this period. Survey results showed a rise in brand awareness, and we attribute the increased revenue, in part, to the launch of this campaign.

Continuing to provide high quality service will ensure we maintain rapport with our new and existing clientele over the coming months. This is especially important as we head towards the Christmas period where we typically see a decrease in sales.

Additionally, we will continue to reduce costs in the latter half of the year as we transition to using local suppliers to decrease shipping costs.

Action Items

- Review rolling 12 month plan and forecast
- Review sales order pipeline
- Update shareholder agreements
- Award tender contracts



Revenue

Revenue \$551,165 (This month budget \$605,095)

Narrowly missing target, but still improving on past months performance.



Cash Flow

Free Cash Flow \$485,816

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 72.34%

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



Profitability

Profitability Ratio 12.02% (Last month 18.51%)

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



Activity

Activity Ratio 2.77 times (Last month 3.06 times)

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



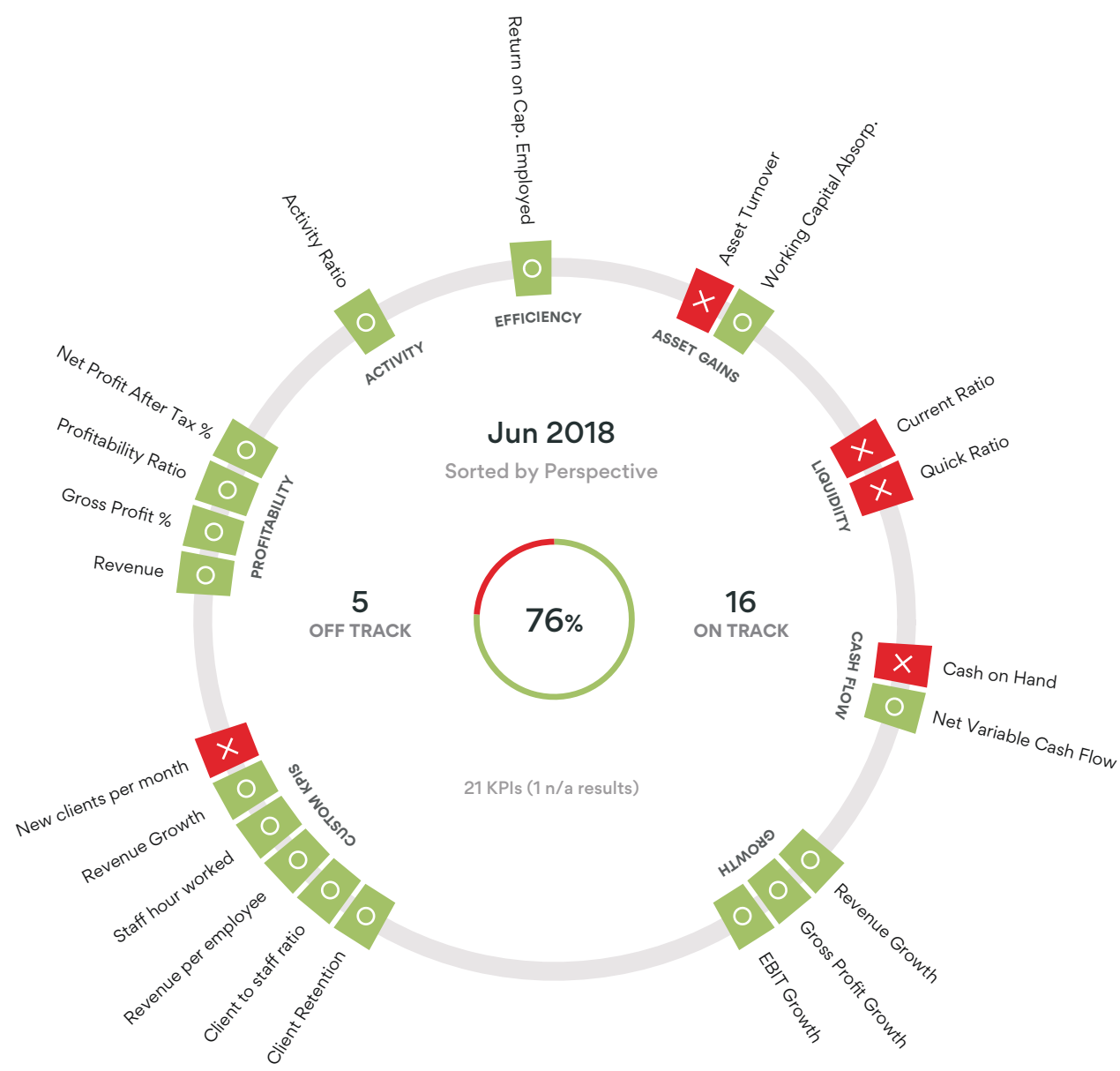
Debt

Net Debt -\$1,195,596 (Last month -\$746,155)

Net debt levels have fallen.

KPI Results

This chart shows KPIs grouped into performance perspectives.



KPI Results

	1 ALERT	RESULT	TARGET		TREND	IMPORTANCE
A PROFITABILITY		JAN 2018			vs DEC 2017	
Total Revenue		\$551,165	\$605,095	✗	▼ -4.6%	Critical
Operating Profit Margin	●	5.1%	11.39%	✗	▼ -8.63%	Critical
Gross Profit Margin		56.12%	56.53%	✗	▼ -0.38%	Critical
B ACTIVITY						
Accounts Payable Days		50.00 days	45.00 days	✓	▲ 22.00 days	Low
Accounts Receivable Days*		8.00 days	40.00 days	✓	▲ 0.00 days	Critical
C EFFICIENCY						
Return on Equity		41.74%	15%	✓	▼ -26.21%	Low
Return on Capital Employed		33.35%	12.5%	✓	▼ -23.28%	High
D ASSET USAGE						
Asset Turnover		1.98 times	5.00 times	✗	▼ -0.47 times	Critical
E LIQUIDITY						
Quick Ratio		2.00:1	1.00:1	✓	▼ -0.39:1	Critical
Current Ratio		2.63:1	2.00:1	✓	▼ -0.80:1	High
F GEARING						
Debt to Equity*		42.01%	100%	✓	▲ 4.46%	Low
Debt to Total Assets*		21.79%	50%	✓	▼ -0.39%	Low
G CASH FLOW						
Cash Flow Margin		85.28%	120%	✗	▲ 127.24%	Critical
Net Cash Flow		\$451,562	\$10,000	✓	▲ \$689,401	Low
H GROWTH						
Gross Profit Growth		-5.21%	0.17%	✗	▼ -6.87%	Medium
EBIT Growth		-38.01%	0.17%	✗	▼ -67.72%	High
Number of Employees		24	0	✓	▲ 5	Low
I CUSTOMER						
Customer Satisfaction		75%	0%	✓	▲ 2%	Medium
Avg sales per customer		\$6,398.00	\$0.00	✓	▼ -2.3%	High

*For this metric, a result below target is favourable

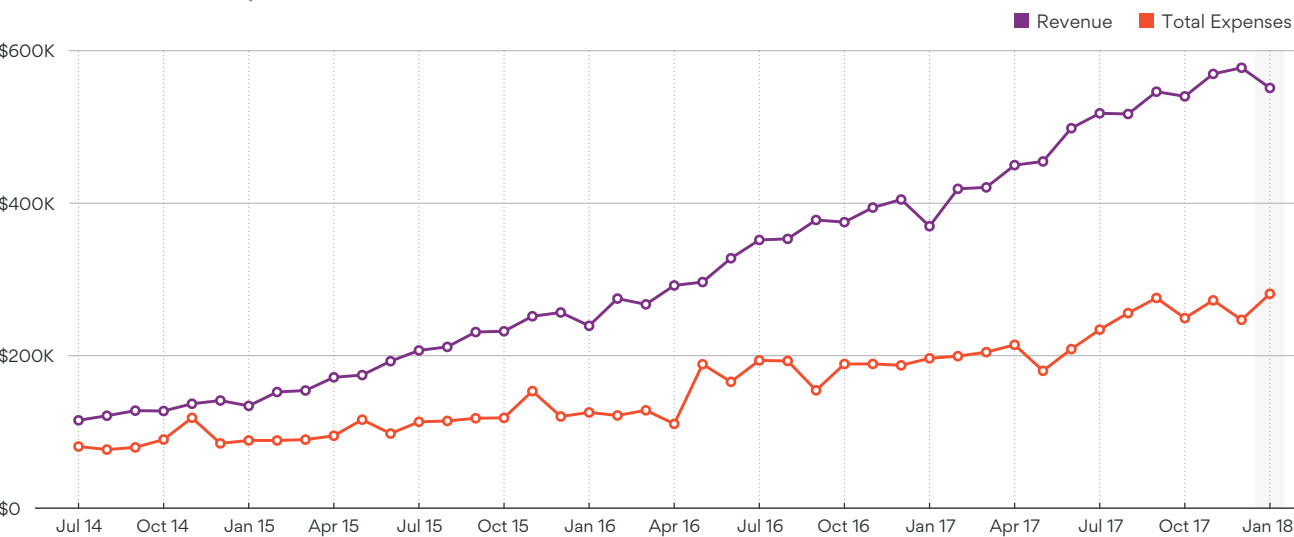
ALERTS

Operating Profit Margin

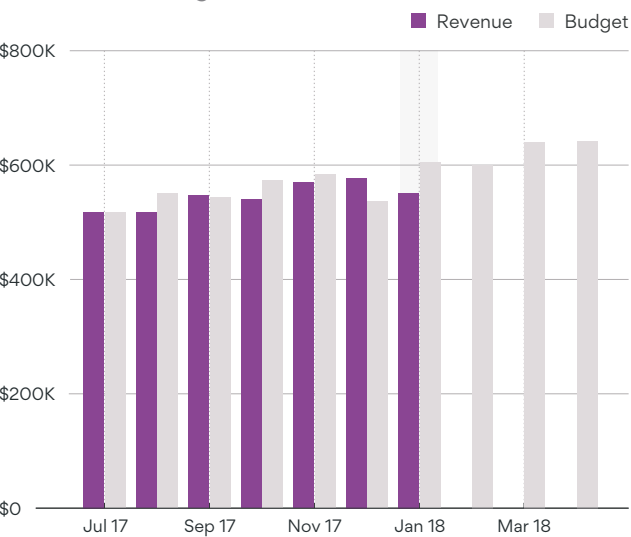
The Operating Profit Margin % is less than the alert level of 10%. A review of all costs of sales and operating expenses may assist to identify strategies to improve this KPI.

Revenue Charts

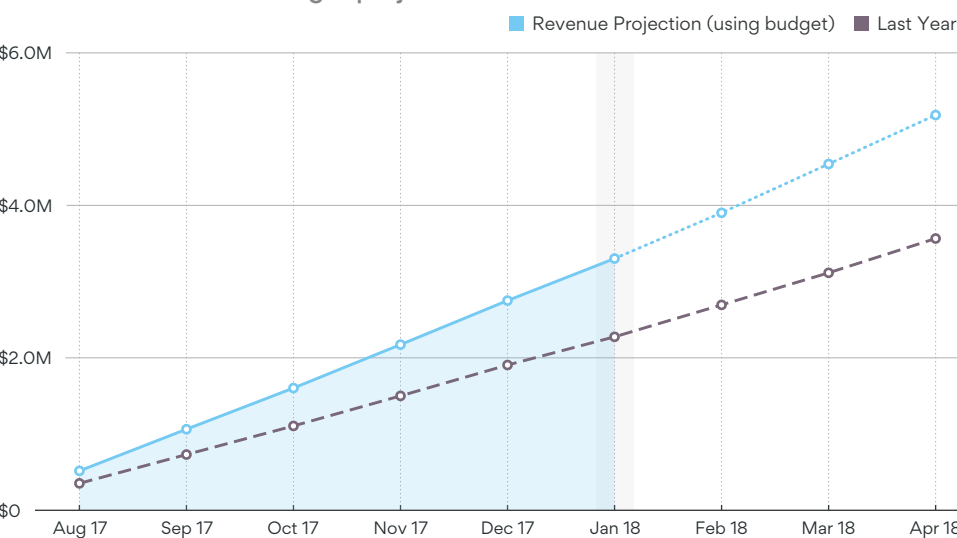
Revenue vs Total expenses



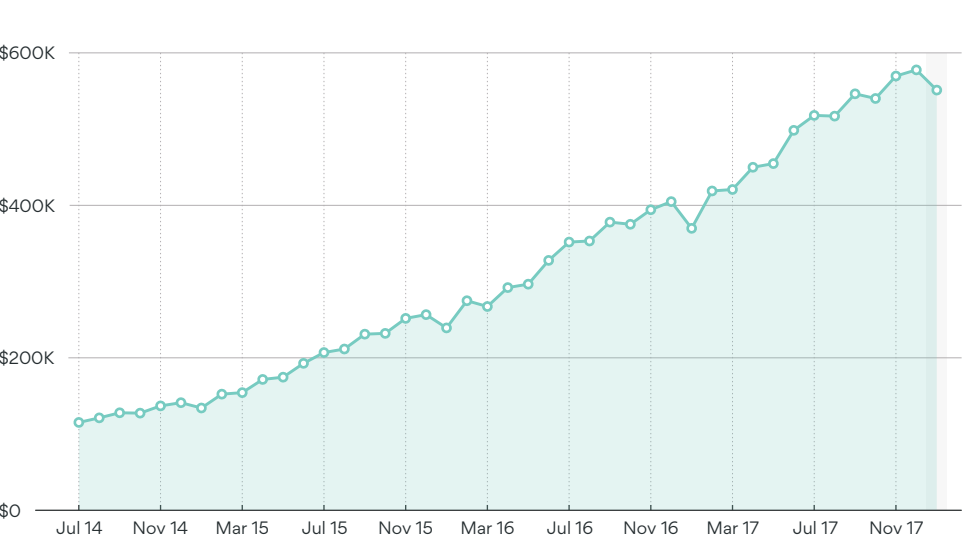
Revenue vs Budget



Total Revenue YTD + budget projection



Revenue for all time



Profitability

REVENUE

\$551,165

A measure of the total amount of money received by the company for goods sold or services provided.

EXPENSES TO REVENUE RATIO

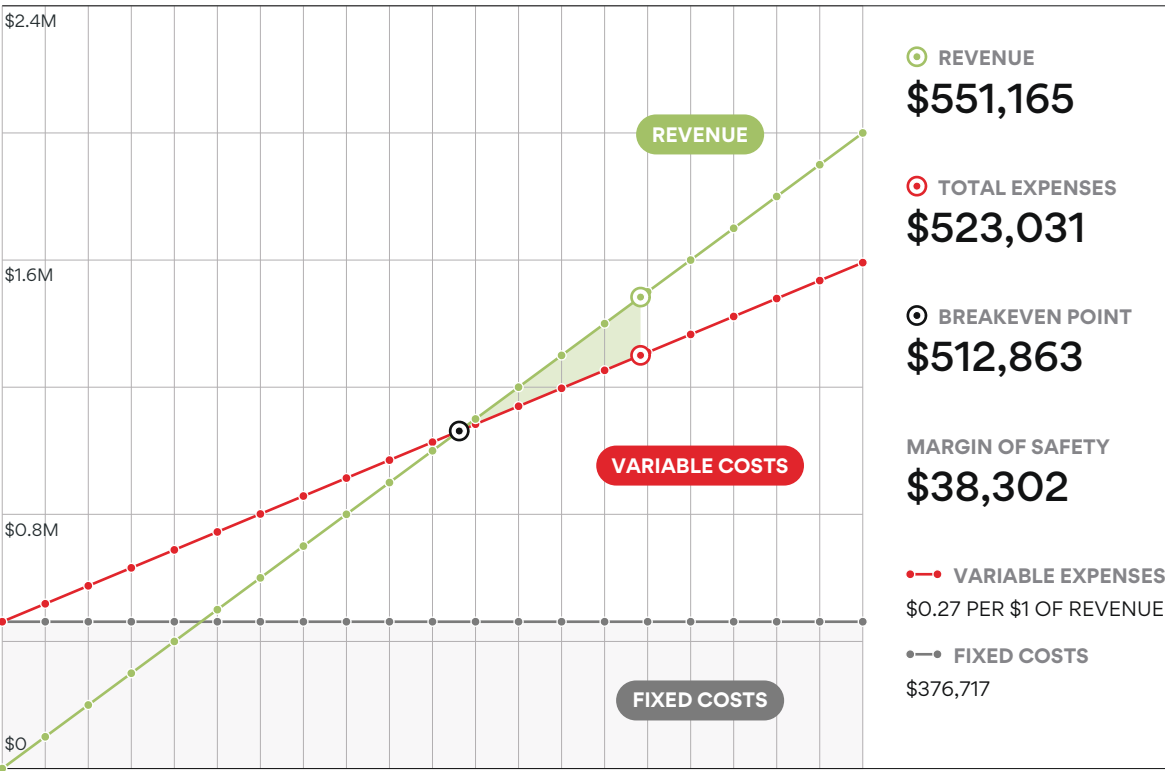
94.9%

A measure of how efficiently the business is conducting its operations.

MARGIN OF SAFETY

\$38,302

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.

Cost of Sales breakdown

Materials	\$128,258
Labour	\$95,511
Commissions	\$13,644
Freight	\$4,411

Top 10 Expense Accounts

Salaries & Wages	\$92,054
Rent	\$35,476
Income Tax Expense	\$30,313
Entertainment	\$20,636
Loan Interest	\$16,146
Advertising & Promotions	\$11,357
Contractors	\$9,324
Repairs & Maintenance	\$8,927
Travel & Accommodation	\$8,745
Consulting Fees	\$8,743

Cash Flow

OPERATING CASH FLOW

\$470,059

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.

FREE CASH FLOW

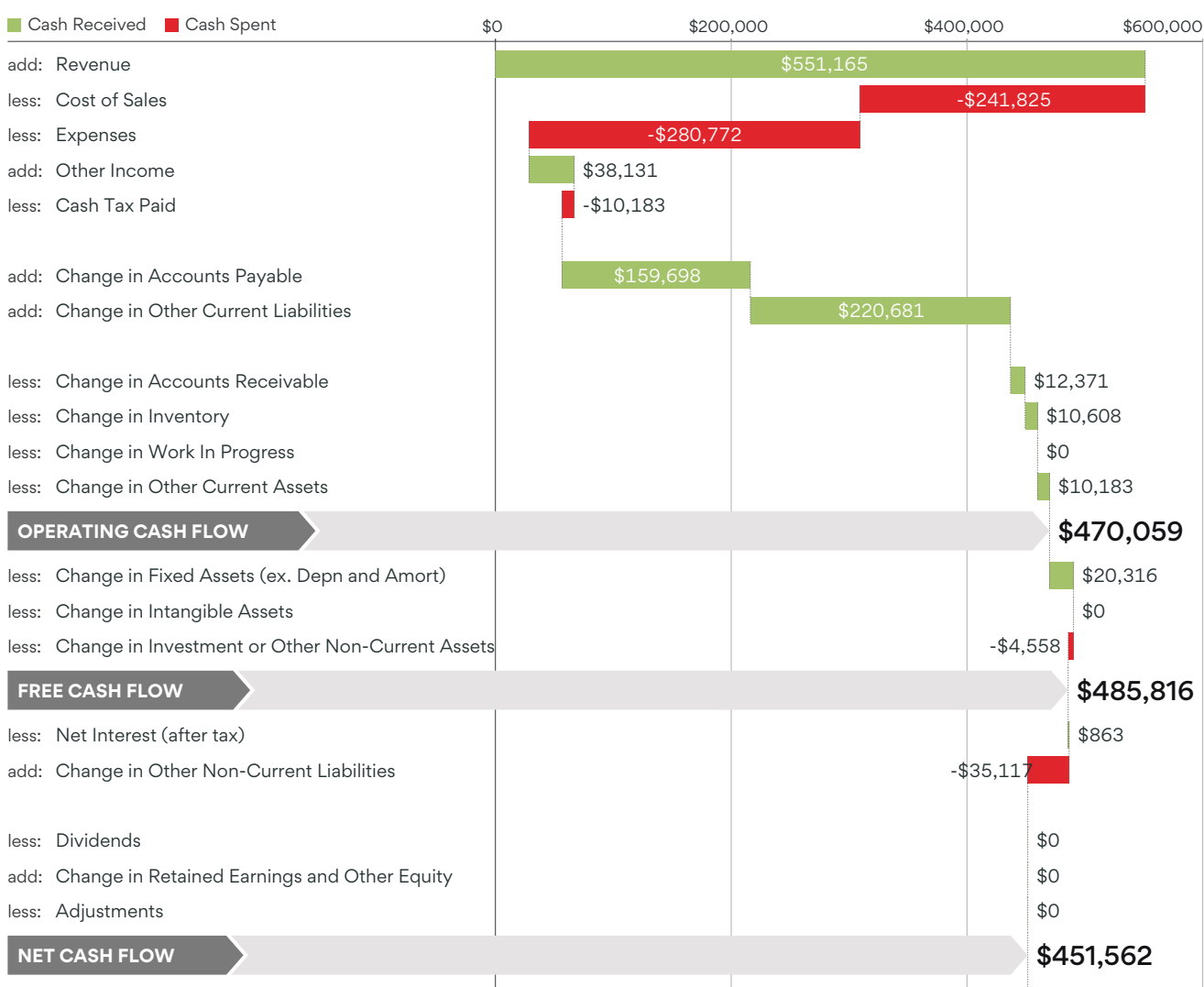
\$485,816

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.

NET CASH FLOW

\$451,562

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.

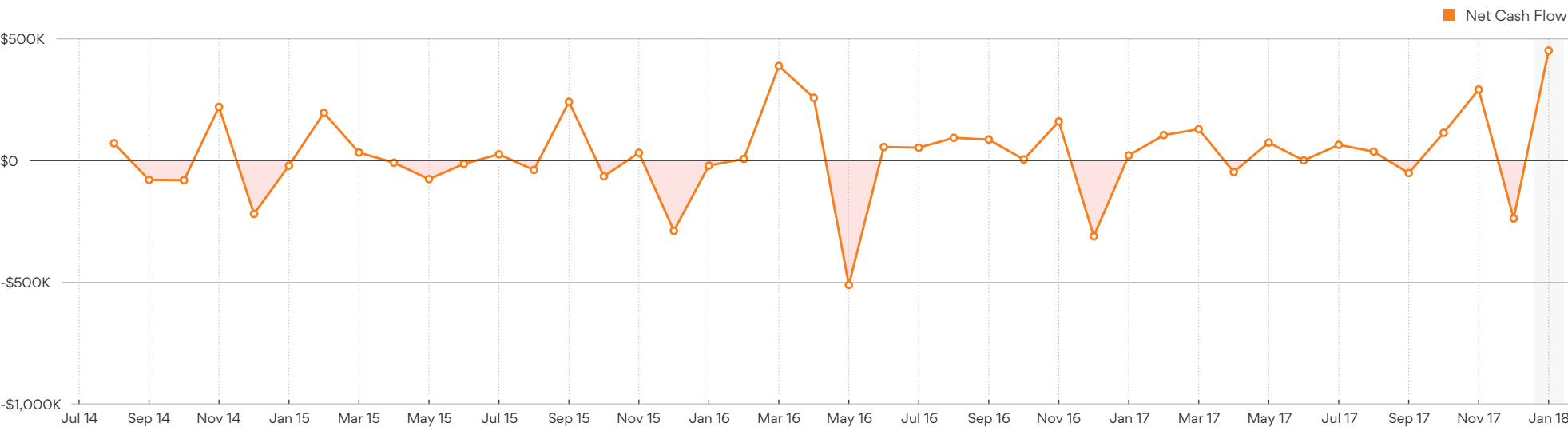


Net Cash Flow can also be calculated as:

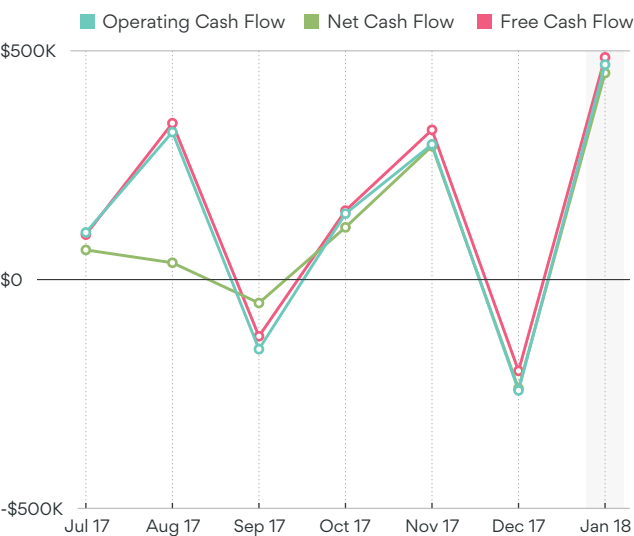
Change in Cash on Hand \$547,840 (Open: \$1,361,124, Close: \$1,907,964) — **Change in Debt** \$97,399 (Open: \$614,969, Close: \$712,368)

Cash Flow Charts

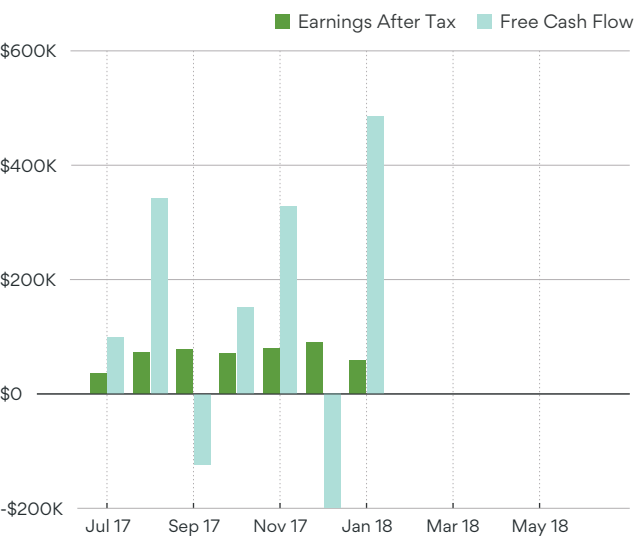
Net Cash Flow for all time



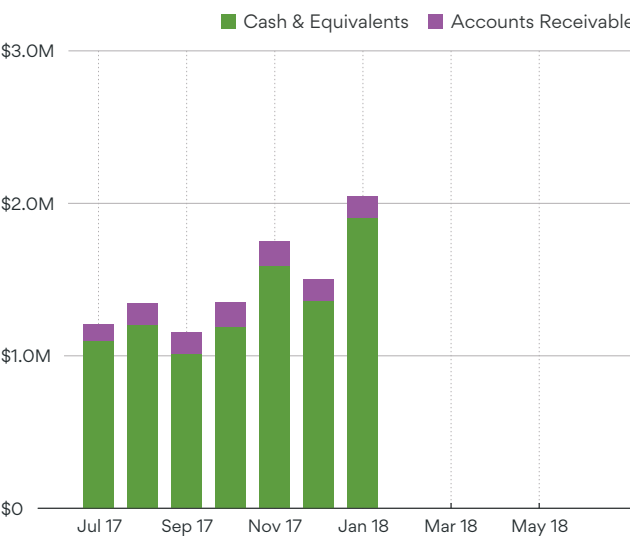
Cash Flow Trend



Profit vs Cash Flow



Cash & Receivables



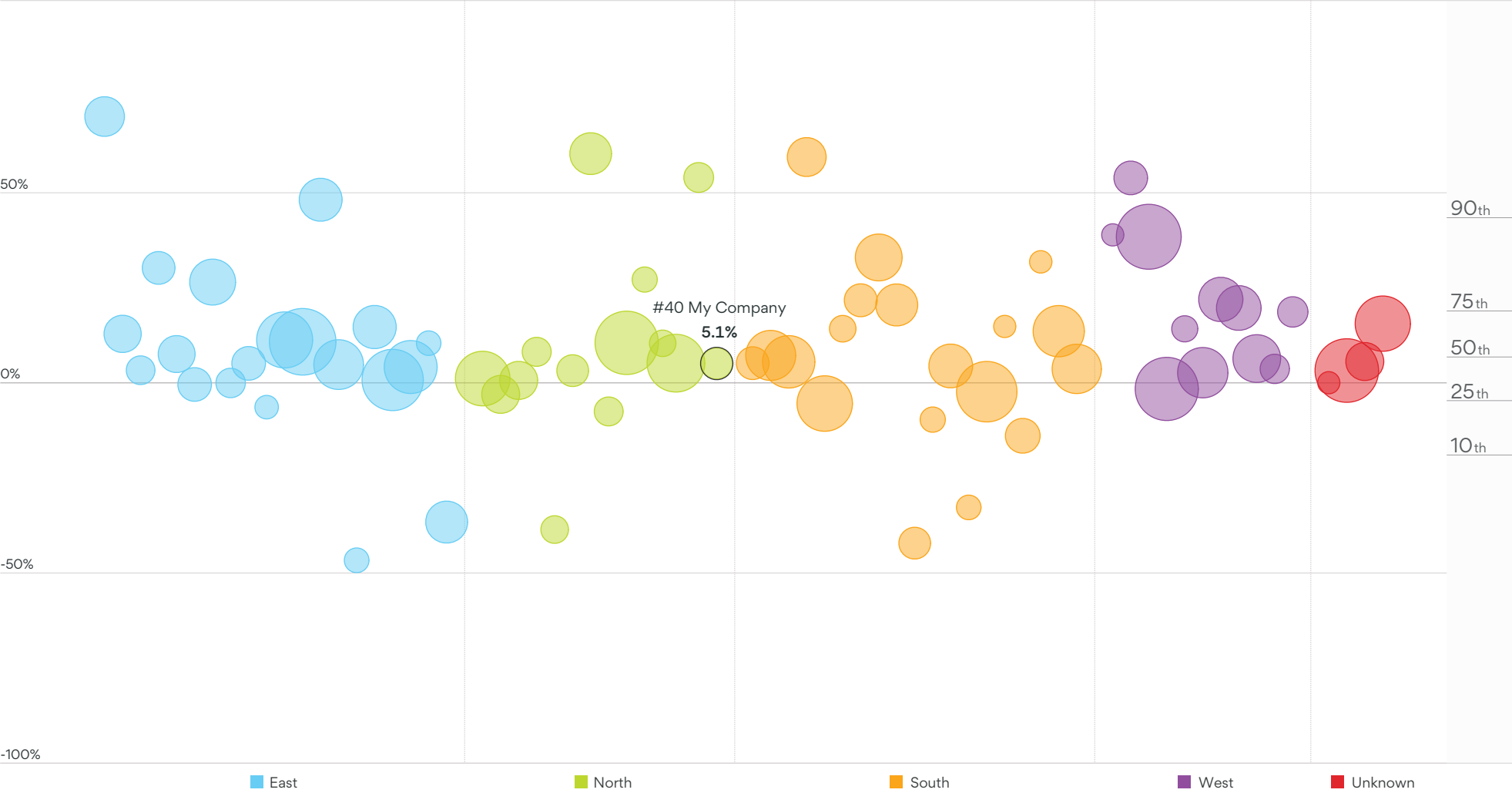
Summary Financials

PROFIT & LOSS	Jan 2018	Dec 2017	This month vs last month (%)
Revenue	\$551,165	\$577,664	-4.59%
Cost of Sales	\$241,825	\$251,308	-3.77%
Gross Profit	\$309,340	\$326,357	-5.21%
Expenses	\$281,206	\$247,038	13.83%
Operating Profit	\$28,134	\$79,318	-64.53%
Other Income	\$38,131	\$27,582	38.25%
Earnings Before Interest & Tax	\$66,266	\$106,900	-38.01%
Interest Income	\$1,233	\$910	35.45%
Earnings Before Tax	\$67,498	\$107,810	-37.39%
Tax Expenses	\$9,445	\$18,462	-48.84%
Earnings After Tax	\$58,053	\$89,348	-35.03%
Net Income	\$58,053	\$89,348	-35.03%
Retained Income	\$58,053	\$89,348	-35.03%

BALANCE SHEET	Jan 2018	Dec 2017	Variance (\$)	Variance (%)
ASSETS				
Cash & Equivalents	\$1,907,964	\$1,361,124	\$546,840	40.18%
Accounts Receivable	\$136,928	\$149,300	-\$12,371	-8.29%
Inventory	\$325,340	\$335,948	-\$10,608	-3.16%
Other Current Assets	\$312,327	\$322,510	-\$10,183	-3.16%
Total Current Assets	\$2,682,559	\$2,168,881	\$513,678	23.68%
Fixed Assets	\$565,778	\$586,529	-\$20,751	-3.54%
Intangible Assets	\$3,867	\$3,867	\$0	0%
Investment or Other Non-Current Assets	\$17,529	\$12,970	\$4,558	35.14%
Total Non-Current Assets	\$587,174	\$603,366	-\$16,192	-2.68%
Total Assets	\$3,269,733	\$2,772,248	\$497,485	17.95%
LIABILITIES				
Short Term Debt	\$91,129	\$82,619	\$8,511	10.3%
Accounts Payable	\$390,276	\$230,578	\$159,698	69.26%
Other Current Liabilities	\$539,661	\$318,980	\$220,681	69.18%
Total Current Liabilities	\$1,021,066	\$632,177	\$388,890	61.52%
Long Term Debt	\$621,238	\$532,350	\$88,889	16.7%
Deferred Taxes	\$51,187	\$52,295	-\$1,108	-2.12%
Other Non-Current Liabilities	-\$184,454	-\$149,336	-\$35,117	-23.52%
Total Non-Current Liabilities	\$487,972	\$435,308	\$52,664	12.1%
Total Liabilities	\$1,509,038	\$1,067,484	\$441,553	41.36%
EQUITY				
Retained Earnings	\$1,007,769	\$1,007,769	\$0	0%
Current Earnings	\$502,420	\$444,367	\$58,053	13.06%
Other Equity	\$185,438	\$185,438	\$0	0%
Total Equity	\$1,695,627	\$1,637,574	\$58,053	3.55%
Total Liabilities & Equity	\$3,204,665	\$2,705,058	\$499,607	18.47%

Revenue Benchmark

Operating Profit Margin My Companies



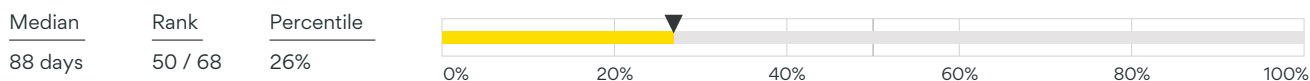
	Jan 2018	Median	Rank	Percentile
My Company	5.1%	6.81%	40/68	42%

KPIs Explained (Appendix)

✗ Accounts Payable Days 50 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 225 days.

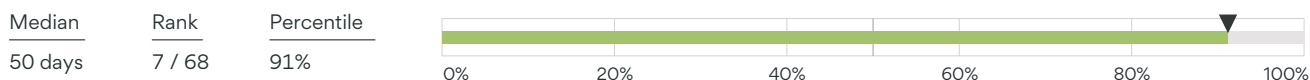
Accounts Payable Days = Accounts Payable * Period Length / Cost of Sales



✓ Accounts Receivable Days 8 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 below the maximum target of 40 days.

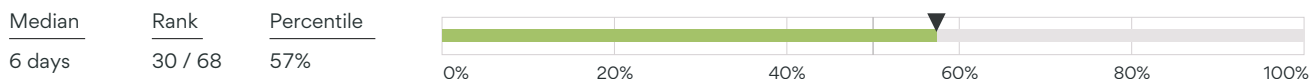
Accounts Receivable Days = Accounts Receivable * Period Length / Revenue



✓ Cash Conversion Cycle 0 days

A measure of the length of time between purchase of raw materials and the collection of accounts receivable from customers. The Cash Conversion Cycle measures the time between outlay of cash and cash recovery. A shorter cycle minimises the time that working capital is tied up in the operating cycle of the business. For this period, the cash conversion cycle is less than the target length of 25 days.

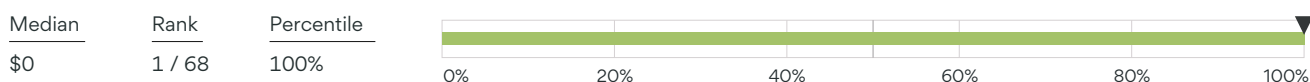
Cash Conversion Cycle = Inventory Days + Accounts Receivable Days + Work in Progress Days - Accounts Payable Days



✓ Cash on Hand \$1,907,964

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 \$1,907,964 of cash and cash equivalents. Cash on Hand is above the required target of \$10,000.

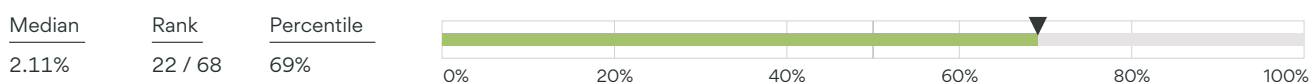
Cash on Hand = Cash & Equivalents



✓ COS Change -3.77%

A measure of the percentage change in total cost of sales for the period. A significant increase in cost of sales may indicate the eroding of margins and should prompt action. While growing revenues, management need to monitor expense growth to ensure disciplined growth. For this period, expense growth of -3.77% was below the target of 0.25%.

COS Change = (Cost of Sales - Prior Cost of Sales) / Prior Cost of Sales * 100



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