Performance Review

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Clear Financial Solutions

profitcents By Sageworks

Report prepared for:	aapl
Industry:	334111 - Electronic Computer Manufacturing
Sales Range:	Yearly sales over $500 Million
Comparing To:	Public Company Data
Current Location:	US - United States

Industry Financial Data and Ratios

Green: Company metrics highlighted in green are within the top 20% of the industry.
Red: Company metrics highlighted in red are within the bottom 20% of the industry.

		Industry Data (Number of Financial Statements)			
Industry-Specific Key Performance Indicators (KPIs)	**Company Data**	**Recent 12 Months**	**Distance from Industry**	**2012**	**2000-Present**
Direct Labor Ratio	N/A	15.00%*	N/A	N/A	15.00%*
Manufacturing Overhead to Sales	N/A	8.00%*	N/A	N/A	8.00%*
Direct Materials to Sales	N/A	48.00%*	N/A	N/A	48.00%*
Plant Turnover	5.69	13.90*	-59%	N/A	13.90*
Research & Development Intensity	2.16%	11.00%*	-80%	N/A	11.00%*
Financial Metric	**Company Data**	**Recent 12 Months (18)**	**Distance from Industry**	**2012 (18)**	**2000-Present (333)**
Current Ratio	1.50	1.39	8%	1.39	1.69
Quick Ratio	0.56	1.03	-45%	1.03	1.31
Gross Profit Margin	43.87%	25.17%	74%	25.17%	26.44%
Net Profit Margin	35.63%	9.42%	278%	9.42%	5.60%
Inventory Days	3.29	55.04	-94%	55.04	51.18
Accounts Receivable Days	25.49	53.83	-53%	53.83	69.17
Accounts Payable Days	87.98	75.93	16%	75.93	68.99
Interest Coverage Ratio	N/A	18.03	N/A	18.03	15.81
Debt-to-Equity Ratio	0.49	2.29	-79%	2.29	1.65
Return on Equity	35.30%	5.71%	518%	5.71%	5.39%
Return on Assets	23.70%	2.29%	936%	2.29%	1.61%
Fixed Asset Turnover	7.15	4.71	52%	4.71	4.96
Profit per Employee	$1	$39,738	-100%	$39,738	$21,028
Sales Growth	44.58%	-0.07%	63,373%	-0.07%	4.74%
Profit Growth	63.03%	1.50%	4,108%	1.50%	14.74%

Industry Data Common Size

Financial Metric	Company Data	Industry Data (Number of Financial Statements): Recent 12 Months (18)	2012 (18)	2011 (24)	2000-Present (333)
Sales (Income)	100.00%	100.00%	100.00%	100.00%	100.00%
Cost of Sales (COGS)	56.13%	74.73%	74.73%	73.95%	73.56%
Gross Profit	43.87%	25.17%	25.17%	25.98%	26.44%
Depreciation	0.00%	1.66%	1.66%	1.48%	1.92%
Amortization	0.00%	0.00%	0.00%	0.00%	0.00%
Overhead or S,G,& A Expenses	6.42%	10.58%	10.58%	11.30%	18.77%
Other Operating Income	0.00%	0.00%	0.00%	0.00%	0.00%
Other Operating Expenses	2.16%	0.00%	0.00%	0.00%	0.00%
Research & Development	2.16%	N/A	N/A	N/A	N/A
Operating Profit	35.30%	7.42%	7.42%	11.10%	5.75%
Interest Expense	0.00%	0.36%	0.36%	0.24%	0.45%
Other Income	0.33%	0.00%	0.00%	0.01%	0.00%
Other Expenses	0.00%	0.00%	0.00%	0.00%	0.00%
Net Profit Before Taxes	35.63%	7.20%	7.20%	10.96%	5.30%
Adjusted Net Profit before Taxes	35.63%	7.20%	7.20%	10.96%	5.30%
EBITDA	35.63%	9.88%	9.88%	13.19%	7.67%
Taxes Paid	8.96%	0.84%	0.84%	1.27%	1.37%
Extraordinary Gain	0.00%	N/A	N/A	N/A	N/A
Extraordinary Loss	0.00%	N/A	N/A	N/A	N/A
Net Income	26.67%	4.60%	4.60%	8.27%	3.93%

Financial Metric	Company Data	Recent 12 Months (18)	2012 (18)	2011 (24)	2000-Present (333)
Cash (Bank Funds)	6.10%	16.52%	16.52%	20.25%	30.49%
Accounts Receivable	6.21%	24.65%	24.65%	27.52%	28.05%
Inventory	0.45%	8.46%	8.46%	8.74%	8.50%
Other Current Assets	19.98%	7.01%	7.01%	6.89%	9.74%
Marketable securities	10.44%	N/A	N/A	N/A	N/A
Deferred tax assets	1.47%	N/A	N/A	N/A	N/A
Vendor non-trade receivables	4.41%	N/A	N/A	N/A	N/A
Other current assets	3.67%	N/A	N/A	N/A	N/A
Total Current Assets	32.75%	71.54%	71.54%	77.60%	81.51%
Gross Fixed Assets	12.43%	14.62%	14.62%	14.21%	17.52%
Accumulated Depreciation	3.65%	6.51%	6.51%	6.82%	5.80%
Net Fixed Assets	8.78%	8.11%	8.11%	7.39%	11.72%
Gross Intangible Assets	3.64%	0.00%	0.00%	0.00%	0.03%
Accumulated Amortization	0.59%	0.00%	0.00%	0.00%	0.00%
Net Intangible Assets	3.04%	0.00%	0.00%	0.21%	0.19%
Other Assets	55.43%	5.35%	5.35%	6.13%	6.77%

Long-term marketable securities	52.32%	N/A	N/A	N/A	N/A
Other assets	3.11%	N/A	N/A	N/A	N/A
Total Assets	100.00%	100.00%	100.00%	100.00%	100.00%
Accounts Payable	12.03%	21.45%	21.45%	22.93%	20.80%
Short Term Debt	0.00%	2.24%	2.24%	1.11%	1.26%
Notes Payable / Current Portion of Long Term Debt	0.00%	1.17%	1.17%	0.64%	0.60%
Other Current Liabilities	9.86%	15.09%	15.09%	16.03%	19.36%
Accrued expenses	6.48%	N/A	N/A	N/A	N/A
Deferred revenue	3.38%	N/A	N/A	N/A	N/A
Total Current Liabilities	21.89%	39.95%	39.95%	40.71%	41.41%
Notes Payable / Senior Debt	0.00%	7.02%	7.02%	5.74%	5.49%
Notes Payable / Subordinated Debt	0.00%	0.00%	0.00%	0.00%	0.00%
Other Long Term Liabilities	10.97%	6.47%	6.47%	5.43%	5.07%
Deferred revenue - non-current	1.50%	N/A	N/A	N/A	N/A
Other non-current liabilities	9.46%	N/A	N/A	N/A	N/A
Total Long Term Liabilities	10.97%	22.45%	22.45%	19.32%	14.92%
Total Liabilities	32.86%	62.40%	62.40%	60.04%	56.34%
Preferred Stock	0.00%	0.00%	0.00%	0.00%	0.00%
Common Stock	9.33%	0.00%	0.00%	0.00%	0.00%
Additional Paid-in Capital	0.00%	0.00%	0.00%	0.00%	0.00%
Other Stock / Equity	0.28%	0.00%	0.00%	0.00%	0.00%
Ending Retained Earnings	57.53%	42.18%	42.18%	33.09%	21.45%
Total Equity	67.14%	37.60%	37.60%	39.96%	43.66%
Total Liabilities + Equity	100.00%	100.00%	100.00%	100.00%	100.00%

*There is not enough real-time industry data to include an average for this metric. Instead this figure represents the industry benchmark found through industry research.

LIQUIDITY

What are some potential ways to improve the company's ability to meet obligations as they come due?

- Discover ways to receive returns on excess cash balances. For example, set up a "sweep" account at the bank so that interest can be earned on any excess funds in the checking account. These accounts allow the business to transfer funds overnight into an account that earns more interest.

- Increase prices selectively where possible. Done effectively, this can boost cash flow and liquidity. Good Income Statement management helps Balance Sheet performance.

- Eliminate or reduce some overhead or fixed costs to reduce monthly expenses. Small decreases in overhead will typically yield large cash savings over time, especially if fixed costs can be reduced (those costs which tend to stay the same over time).

- Sell things that can boost cash such as unproductive assets. These are assets that are not contributing sufficiently to the generation of income and cash flow (possibly because they are under-utilized).

- Prepare yearly forecasts that show cash flow levels at various points in time. Consider updating these forecasts on a monthly or even bi-weekly basis. This can help predict/prepare for potential cash shortfalls that may occur in the future.

- Borrow some long-term money (if necessary and possible) and put the funds into a liquid (cash) account.

- Pull frequent (weekly) accounts receivable reports in order to examine how effective the business is at collecting funds. Take action on any accounts that are overdue.

- Bill customers more quickly in order to speed up the collection process (billing cycle) and get funds into the business faster. If customers are billed, on average, even three days earlier each month, the business's cash position can improve significantly.

- Provide discounts to customers who pay early in order to speed up collections. Under certain circumstances, this can be an effective strategy -- these cash receipts can be invested in growth or higher interest rate accounts.

- Use as much trade credit or vendor financing as is reasonable/possible -- this is the best form of short-term financing. Trade credit is financing the business receives from suppliers when they provide services and then bill the business. It is typically free debt (in accounts payable) because it does not carry interest.

- Structure accounts receivable properly. Consider providing different credit terms to different customers based upon credit-worthiness (risk) and the overall relationship involved. There is often no good reason to treat all customers the same here. Be selective in choosing which customers will receive any credit at all. Make sure giving credit will increase revenues and income.

- Rent rather than buy resources where appropriate. In the long term, this can help achieve an acceptable level of Balance Sheet obligations relative to liquid assets. Current Balance Sheet obligations (such as debt on purchased assets) are uses of cash.

- Monitor invoicing procedures to help ensure correctness. Nothing will delay payment from a customer more than sending out an incorrect invoice. This will extend Accounts Receivable and hurt cash flow.

- Term out some short-term debt if necessary and possible -- move some short-term debt down the Balance Sheet to long-term debt. This will usually require refinancing from the bank. The point of this is to relieve pressure from cash flow by lowering short-term payments. This is typically most appropriate when a business is having chronic difficulty meeting obligations.

- Use a monthly or bi-monthly payroll schedule if possible -- so long as morale will not be adversely affected. This will allow funds to stay in the business longer. Even labor outlays are a form of short-term financing.

- Apply and collect late fees on delinquent Accounts Receivable when possible -- charge interest on past due invoices.

- Try to establish a sufficient line of credit from the bank. There are methods to determine the amount of short-term credit needed to run the business. Talking with the bank can be helpful in this area. The business should obtain, but not necessarily use, as much financing as possible from the bank.

- Reduce the business's operating cycle -- find ways to get products to customers faster. In the long run, becoming more efficient by increasing "throughput" is often the cheapest and most effective way to achieve strong cash flow.

- Enroll accounts payable or management personnel in seminars on credit and collections or cash flow management. There are professional firms that offer seminars for a fee. There are also good seminars on this topic offered at most small, local colleges.

- Get tough in the collection process generally. Vigilant collection of receivables will rarely decrease a customer base, so collecting faster from existing customers could be beneficial. Generally, receiving payments at the rate that services are performed is ideal.

- Finance over the long term rather than the short term when financing is possible and necessary. This can help reduce per period cash outflows.

- Keep inventory/supply levels as low as possible without adversely affecting the business. This can ultimately help the business keep more money free in the future. To do this effectively, make sure the business is using a good system to forecast inventory needs.

- Monitor the impact tax payments may have on cash. Keep enough money aside to be able to meet future tax obligations based on earnings.

- Set longer terms for Accounts Payable -- stretch trade credit when possible (upon vendor agreement). For example, increase a 30 day payment window to 60 days. A business should not only maximize trade credit, but stretch its terms out if feasible.

- Monitor the amount of money that is being used for activities unrelated to the business. An example could be money taken out of the business on draws to principals.

- Obtain external financing if necessary and possible. Locate investors who may be interested in supplying funds to the business.

- Sell (factor) receivables to collect funds faster. Although this may result in obtaining fewer funds than owed, it can be an effective way to strengthen the cash position of the company.

PROFITS & PROFIT MARGIN

What are some things the company might do to develop favorable profitability trends?

- Keep track of all costs when billing. Include a portion of overhead to help ensure that the business is covering all expenses associated with operations.

- Try to pay relatively small insurance claims out of pocket. Insurance providers may offer refunds or reduced rates to companies who are judicious in their filing of insurance claims, which will save the company money in the long run.

- Develop initiatives aimed at reducing waste from manufacturing processes. Track waste carefully, and look for ways to streamline processes to reduce waste. Develop incentives which will encourage employees to find creative solutions.

- Create good monthly budgets with cost reduction goals, broken down by account, that are put right into an accounting system (chart of accounts). This should allow management the ability to pull "variance reports". These reports compare budgeted revenues and expenses with actual revenues and expenses and can help managers keep costs down.

- Obtain internal reports that identify the business's key performance indicators (KPIs). KPIs help managers make good decisions by identifying the figures that are critical to performance. Net profit is not a KPI -- profits are a result of managing KPIs well.

- Determine if there is a better way to acquire materials and/or inventory than the existing method. It may be possible to purchase less and still maintain sales volume.

- Take advantage of/negotiate for volume discounts or other concessions with current suppliers.

- Search out multiple qualified vendors to get the best prices through competition. If the business is not continually reviewing/updating its existing and potential vendor lists, it may overspend on supplies/inventory.

- Invest in activities that can yield positive returns. For example, marketing and employee training can often improve performance for the business.

- Obtain an annual business check-up. Meet with a consultant or banker to review financial statements and get advice on how to improve performance.

- 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. Good financial reports are the backbone of management decisions.

- Establish expense accounts using excess funds not dedicated to taxes. Use these accounts to grow revenues and increase earnings -- marketing expenses, equipment purchases, and employee training can be considered. Remember, this has the dual benefit of lowering present tax burdens (these expenses will lower taxable earnings) and driving long-term profits.

- Monitor the costs going into all office supplies. With more important costs being monitored closely, many businesses forget to look at this smaller cost, and often allow it to be higher than necessary.

- Reduce payroll costs, including any overtime expenses as applicable, by maintaining an ideal number of employees and monitoring the number of hours that each employee works.

- Enroll the business in the right insurance program at a good cost. Evaluate alternative insurance carriers that may be able to serve the business at a cheaper cost. Meet with insurance agents to determine ways to reduce costs by evaluating coverage and deductibles.

SALES

What are some things the company can consider to encourage sales growth?

- Be sure to have an attractive web presence with a history of projects completed and customer testimonials. Establishing credibility can be a key factor in forging new customer relationships.

- Obtain literature on the latest government regulations and safety issues. Being familiar with these regulations and having these publications on hand can help establish the business as a quality provider.

- Establish relationships with solid contacts at each customer location. These relationships help cement your relations with your customers, and also provide avenues for valuable feedback on your products.

- Compare the business to others in the industry; benchmark how the business is doing relative to others. Assessing performance through benchmarking can be an effective way to evaluate operations.

- Keep open communication with customers to help ensure quality customer service. Customers generally prefer a business that takes the time to answer questions promptly and knowledgeably.

- Use industry experts and consultants to help you improve your business. People with long experience in an industry can save you years of time by leveraging their knowledge. Industry consultants can be found in trade journals and magazines.

- Be sure to subscribe to and READ the trade journals that are relevant to the business. Typically, there is no greater source of good operational information than a trade journal.

- Work to establish clear and consistent identifiers so customers can quickly recognize the business. Each forum where the business features itself should help customers quickly identify the business and its offerings.

- Keep the customer updated on the progress of manufacturing. Providing samples or updates on work that has been completed will keep the project on track, as well as establish an ongoing relationship with customers.