

Running Head: Cycle Speed Stockholder Report

Cycle Speed Stockholder Report

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**Table of Contents**

Stockholder Report	3
Areas to Improve	5
Areas of Success	6
Valuation	8
Return on Investment	12
Business Analysis	12
Ratios	13
Statement of Cash Flows	14
Conscious Scorecard	17

**Stockholder Report**

Decisions made during quarter 1 through quarter 7 of Cycle Speed were heavily weighted by four strategic thrusts. These thrusts include deferring profits to build a strong competitive position, superior manufacturing (high reliability and efficiency), willingness to challenge even the best competitors, and conscious capitalism. These corporate strategic thrusts drove the decisions made at Cycle Speed.

A financial decision was made with consideration of Cycle Speed's strategic thrusts in quarter 2. The decision was to invest in research and development system improvements such as employee surveys and quality inspection of all bike parts. This decision was made to align with the strategic thrust-conscious capitalism, deferring profits to build a strong competitive position, superior manufacturing, and willingness to challenge even the best competitors. This decision aligns with the strategic thrusts because you cannot make conscious capitalist decisions if you are unaware of the impacts manufacturing has on all stakeholders and the environment. Cycle Speed used profits to invest in this research which defers profits to help build a strong competitive position. To build a strong competitive position we must be aware of our shortcomings, target and correct them. This also aligns with superior manufacturing, as we use the results of the investment to provide superior manufacturing and be able to challenge even the best competitors on the market. This decision results in reliability to all stakeholders, and reputation, which increases market share, sales, and profits in the long run.

A non-financial decision that was made with consideration of Cycle Speed's strategic thrusts was in quarter 4. The decision was to invest in respirators and personal protective equipment to separate employees from harmful chemicals. This decision was made after

investing in research and development to ensure a successful and conscious business operation. This decision aligns with the strategic thrusts of conscious capitalism. Investing in PPE protects our stakeholders from harmful chemicals that were causing health concerns. This decision results in reliability to stakeholders and improves our reputation.

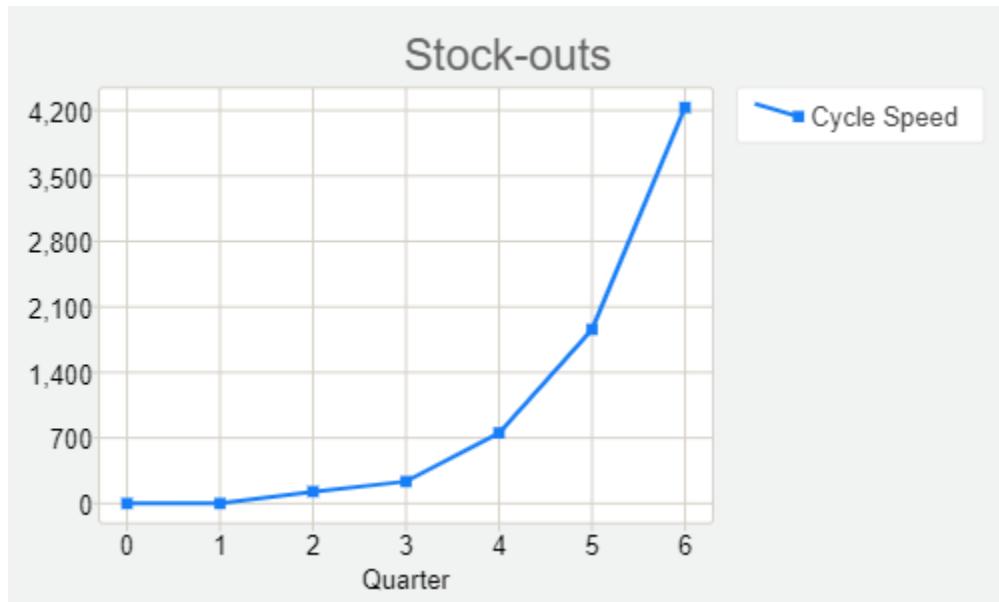
A non-financial decision made based on Cycle Speeds strategic thrusts were made in quarters 2-7. The decision was to analyze the market share and competitor data to adjust the marketing strategy. Cycle Speed would review all competitor's performance data along with its own. The competitors who scored higher than Cycle Speed in any given area were then analyzed. Cycle speed would then adjust its own approach to become more competitive. For example, conscious capitalist scores, market share, ad development, and sales. This decision was made to align with the strategic thrust- superior manufacturing and willingness to challenge even the best competitors. This decision aligns with the strategic thrusts because Cycle Speed intentionally made decisions to challenge the most competitive companies in the market and provide superior manufacturing, again to challenge the best competitors. Cycle Speed used profits to invest in this research which defers profits to help build a strong competitive position. To build a strong competitive position we must be aware of our own shortcomings to target and correct them. This aligns with conscious capitalism as conscious capitalism is one of many segments that was targeted in the analysis of competitors' data.

A financial decision made based on Cycle Speeds strategic thrusts was made in quarter 6. The decision was to invest in 4 additional 3D printing machines. This decision was made to align with the strategic thrust-conscious capitalism, deferring profits to build a strong competitive position, superior manufacturing, and willingness to challenge even the best competitors. This decision aligns with the strategic thrusts because increasing the fixed capacity increases the

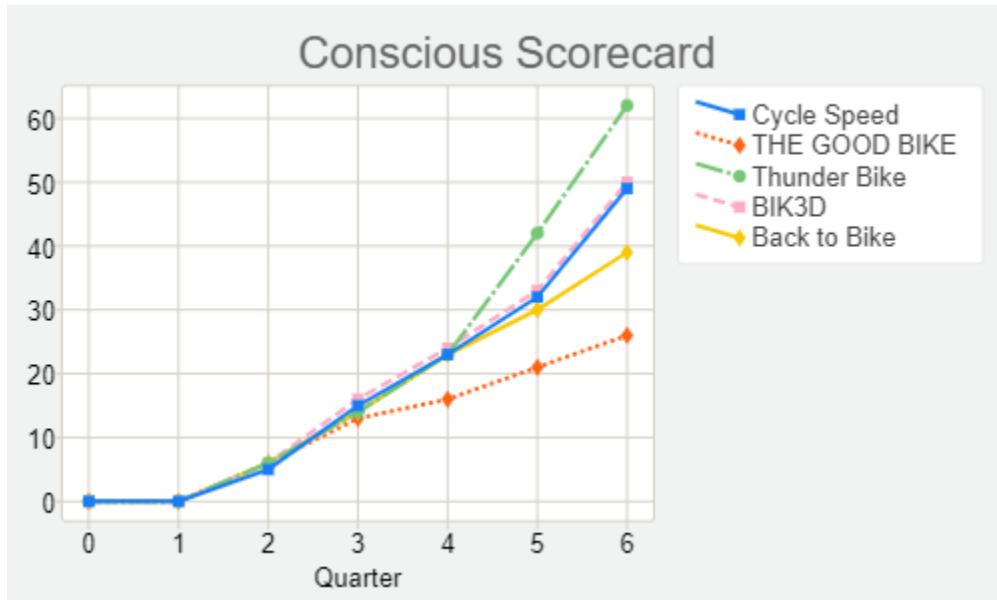
market share and ultimately profits. The more you can produce the more revenue, as long as there is a demand, and there was definitely the demand. The decision to purchase additional 3D printers aligns with our challenging competition thrust, as we are competing for market share. This decision aligns with the deferring profits to ensure a strong competitive market because we waited until we stabilized our position in the market and perfected our products to purchase additional 3D printers in Q6.

### Areas to Improve

A decision Cycle Speed made in quarter 6 that I would change would be purchasing 4 additional 3D printers. Although the 3D printers were necessary, a better decision would have been to purchase 1-2 additional 3D printers per quarter starting in quarter 1 to minimize the number of stockouts experienced. This could have increased consumer satisfaction, increased market share, and reduced missed sales in the first 5 quarters. This would have better prepared Cycle Speed for the increase in demand.

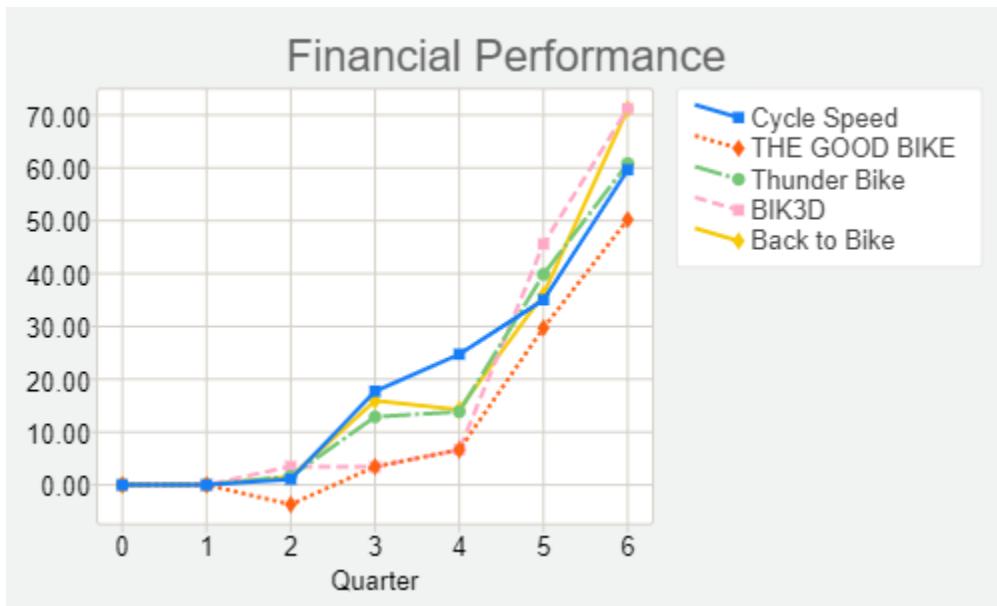
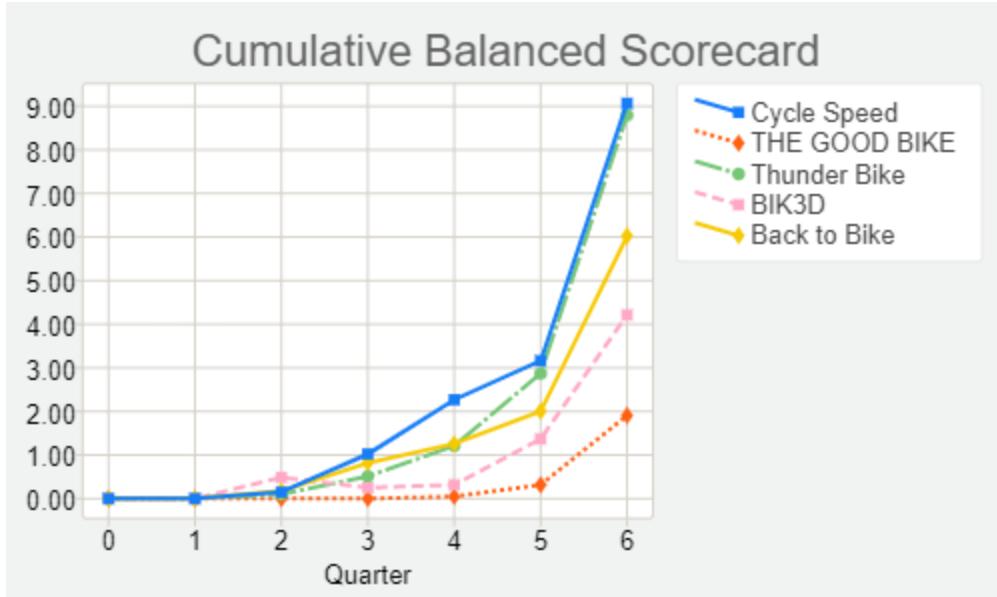


A second decision Cycle Speed should have made in quarter 6 was to invest in a safe chemical disposal system. Although this was a financially responsible decision, if this decision were made in quarter 4 or quarter 5, there would have been fewer environmental concerns from stakeholders which would have increased our reliability judgment scores and increased demand sooner.

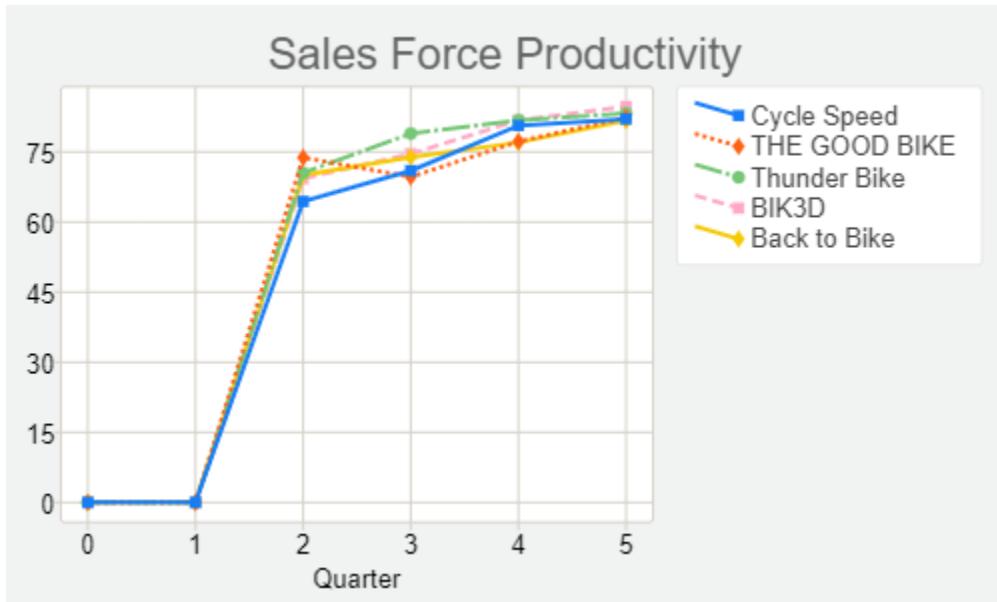
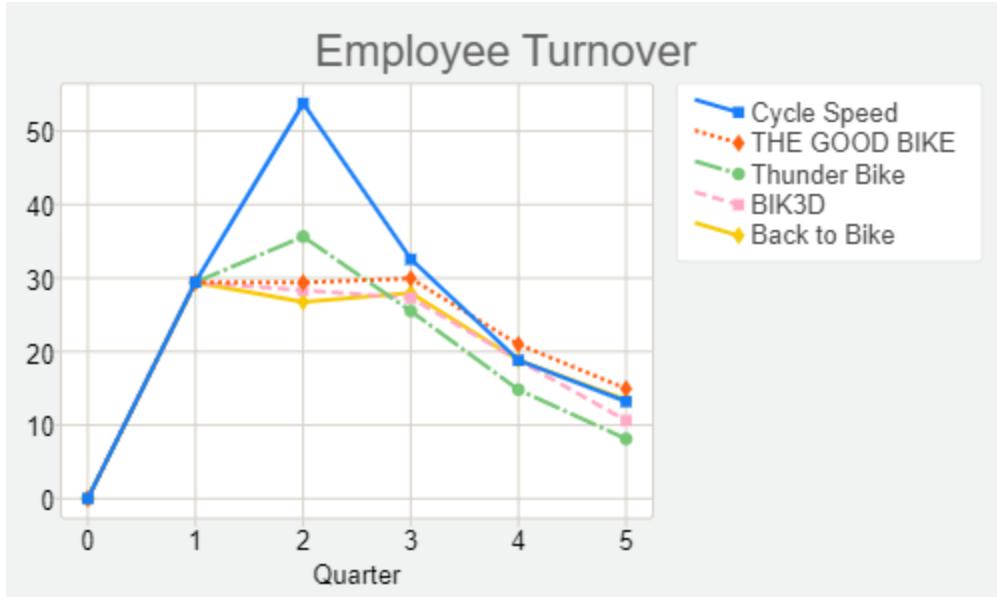


### Areas of Success

A decision made by Cycle Speed in the last three quarters that had a positive effect was focusing manufacturing efforts on specialized bikes such as speed and mountain. Cycle Speed planned to focus efforts on specialized bikes in quarter 1. Then each quarter adjusted the bikes based on demand, competition, and consumer feedback. In the last 3 quarters, Cycle Speed discontinued the least profitable brands and only offered the most profitable, new, and improved brands available. This generated significant profit for Cycle Speed and its stockholders.



A second decision Cycle Speed made in the last three quarters that had a positive effect was to increase worker compensation packages. This was beneficial because it improved employee productivity and reduced employee turnover.



### Valuation

The valuation of Cycle Speed is \$11,700,000. The method used to determine this was the simple multiplier method. This was calculated utilizing Cycle Speed's stock history report which states there has been a total of 50,000 shares to date, priced at \$100 per share, and for a total amount of \$5,000,000. When viewing the income statement, it states for quarter 6, earnings per

share is 26. A reasonable multiplier chosen to calculate the data is 9. 9 was chosen because of the high score on the balanced scorecard. We then multiply the earnings per share 26 by the price multiplier 9 to calculate the estimated stock price in quarter 6, which comes in at \$234. We then multiply the estimated stock price of \$234 by the total number of shares of common stock which was 50,000 to obtain the firm's valuation of \$11,700,000.

### Stock History

Stock Type	Name of Owner	Shares	Price Per Share	Total Amount	Quarter
Common Stock	Executive Team	15,000	100	1,500,000	1
Common Stock	Executive Team	5,000	100	500,000	2
Common Stock	Executive Team	5,000	100	500,000	3
Common Stock	Venture Capitalists	25,000	100	2,500,000	4

### Income Statement

Report Item	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Quarter 5	Quarter 6
	<b>Gross Profit</b>					
Revenues	0	275,185	920,151	2,363,329	3,238,731	5,557,828
- Rebates	0	0	0	70,000	44,100	8,450
- Cost of Goods Sold	0	162,553	330,012	787,952	1,041,366	2,084,203
<b>= Gross Profit</b>	<b>0</b>	<b>112,632</b>	<b>590,139</b>	<b>1,505,377</b>	<b>2,153,265</b>	<b>3,465,175</b>
<b>Expenses</b>						
Research and Development	150,000	0	60,000	1,463,862	2,060,475	415,321
+ Quality Costs	0	36,744	43,125	90,389	106,125	124,798
+ System Improvement Costs	0	5,000	100,000	226,462	69,912	645,832
+ Advertising	0	71,000	83,500	157,920	204,287	175,089
+ Internet Marketing Expenses	0	2,000	3,000	14,500	11,289	49,672
+ Sales Force Expense	0	23,910	59,443	163,490	357,060	462,254
+ Store Expense	200,000	198,000	196,000	207,000	136,000	136,000
+ Marketing Research	0	15,000	15,000	15,000	15,000	15,000
+ Shipping	0	3,444	10,404	24,085	30,441	49,471
+ Excess Capacity Cost	0	0	0	0	0	0
+ Depreciation	0	10,000	20,000	40,000	60,000	80,000

= Total Expenses	350,000	365,098	590,472	2,402,708	3,050,589	2,153,437
Operating Profit	-350,000	-252,467	-333	-897,331	-897,324	1,311,737
<b>Miscellaneous Income and Expenses</b>						
+ Other Income	0	0	0	0	0	0
- Other Expenses	0	0	0	0	0	0
= Earnings Before Interest and Taxes	-350,000	-252,467	-333	-897,331	-897,324	1,311,737
+ Interest Income	0	0	0	0	0	0
- Interest Charges	0	0	0	0	0	0
= Income Before Taxes	-350,000	-252,467	-333	-897,331	-897,324	1,311,737
- Loss Carry Forward	0	0	0	0	0	1,311,737
= Taxable Income	0	0	0	0	0	0
- Income Taxes	0	0	0	0	0	0
= Net Income	-350,000	-252,467	-333	-897,331	-897,324	1,311,737
Earnings per Share	-23	-13	0	-18	-18	26

<b>Cash Flow</b>						
Report Item	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Quarter 5	Quarter 6
<b>Beginning Cash Balance</b>	0	910,000	927,533	967,201	2,129,870	812,546
<b>Receipts and Disbursements from Operating Activities</b>						
Revenues	0	275,185	920,151	2,363,329	3,238,731	5,557,828
- Rebates	0	0	0	70,000	44,100	8,450
- Production	0	162,553	330,012	787,952	1,041,366	2,084,203
- Research and Development	150,000	0	60,000	1,463,862	2,060,475	415,321
- Quality Costs	0	36,744	43,125	90,389	106,125	124,798
- System Improvement Costs	0	5,000	100,000	226,462	69,912	645,832
- Advertising	0	71,000	83,500	157,920	204,287	175,089
- Internet Marketing Expenses	0	2,000	3,000	14,500	11,289	49,672
- Sales Force Expense	0	23,910	59,443	163,490	357,060	462,254
- Store Expense	200,000	198,000	196,000	207,000	136,000	136,000
- Marketing Research	0	15,000	15,000	15,000	15,000	15,000
- Shipping	0	3,444	10,404	24,085	30,441	49,471
- Excess Capacity Cost	0	0	0	0	0	0
- Income Taxes	0	0	0	0	0	0
+ Interest Income	0	0	0	0	0	0
- Interest Charges	0	0	0	0	0	0
+ Other Income	0	0	0	0	0	0
- Other Expenses	0	0	0	0	0	0
<b>= Net Operating Cash Flow</b>	<b>-350,000</b>	<b>-242,467</b>	<b>19,667</b>	<b>-857,331</b>	<b>-837,324</b>	<b>1,391,737</b>
<b>Investing Activities</b>						
Fixed Production Capacity	240,000	240,000	480,000	480,000	480,000	960,000
<b>= Total Investing Activities</b>	<b>240,000</b>	<b>240,000</b>	<b>480,000</b>	<b>480,000</b>	<b>480,000</b>	<b>960,000</b>
<b>Financing Activities</b>						
Increase in Common Stock	1,500,000	500,000	500,000	2,500,000	0	0

+ Borrow Conventional Loan	0	0	0	0	0	0
- Repay Conventional Loan	0	0	0	0	0	0
+ Borrow Emergency Loan	0	0	0	0	0	0
- Repay Emergency Loan	0	0	0	0	0	0
- Deposit 3 Month Certificate	0	0	0	0	0	0
+ Withdraw 3 Month Certificate	0	0	0	0	0	0
<b>= Total Financing Activities</b>	<b>1,500,000</b>	<b>500,000</b>	<b>500,000</b>	<b>2,500,000</b>	<b>0</b>	<b>0</b>
<b>Cash Balance, End of Period</b>	<b>910,000</b>	<b>927,533</b>	<b>967,201</b>	<b>2,129,870</b>	<b>812,546</b>	<b>1,244,284</b>

The multiplier of 9 used in calculating Cycle Speed's valuation was chosen utilizing data from its performance. The balance sheet displays Cycle Speed has \$0 in debt, \$3,914,284 in assets, and 244,284 in cash. The sales report displays there was a demand in quarter 6 for 8,575 bikes, producing only 4,345 bikes, there was a revenue of \$5,557,828. The balanced scorecard displays that Cycle Speed's cumulative total performance was 9.067 which is the maximum that it could have. It is projected that Cycle Speed will continue performing at that rate.

### Balance Sheet

Report Item	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Quarter 5	Quarter 6
<b>Current Assets</b>						
Cash	910,000	927,533	967,201	2,129,870	812,546	1,244,284
+ 3 Month Certificate of Deposit	0	0	0	0	0	0
<b>Long Term Assets</b>						
+ Net Fixed Assets	240,000	470,000	930,000	1,370,000	1,790,000	2,670,000
<b>= Total</b>	<b>1,150,000</b>	<b>1,397,533</b>	<b>1,897,201</b>	<b>3,499,870</b>	<b>2,602,546</b>	<b>3,914,284</b>
<b>Debt</b>						
Conventional Bank Loan	0	0	0	0	0	0
+ Emergency Loan	0	0	0	0	0	0
<b>Equity</b>						
+ Common Stock	1,500,000	2,000,000	2,500,000	5,000,000	5,000,000	5,000,000
+ Retained Earnings	-350,000	-602,467	-602,799	-1,500,130	-2,397,454	-1,085,716
<b>= Total</b>	<b>1,150,000</b>	<b>1,397,533</b>	<b>1,897,201</b>	<b>3,499,870</b>	<b>2,602,546</b>	<b>3,914,284</b>

### Sales - Total

Brand	Net Demand	Lost Sales Due to Stock-outs	Units Sold	Sales Revenue	Rebates	Cost of Goods Sold	Gross Margin
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Cycle Speed	0	0	0	0	0	0	0
Rugged Cycle	0	0	0	0	0	0	0
Comfort Rider	0	0	0	0	0	0	0
Safe Racer	0	0	0	0	0	0	0
Ridgid Cycle	0	0	0	0	0	0	0
Cycle Speed 200	0	0	0	0	0	0	0
Rugged Cycle 20	0	0	0	0	0	0	0
Speed 300	696	343	353	493,847	0	172,432	321,415
Comfort Rider 2	667	329	338	337,662	8,450	104,299	224,913
Comfort Pro	1,147	566	581	580,419	0	201,819	378,600
Rugged Pro 2	3,084	1,521	1,563	2,031,900	0	751,480	1,280,420
Speed Pro 2	2,981	1,471	1,510	2,114,000	0	854,173	1,259,827
<b>Total</b>	<b>8,575</b>	<b>4,230</b>	<b>4,345</b>	<b>5,557,828</b>	<b>8,450</b>	<b>2,084,203</b>	<b>3,465,175</b>

### Cumulative Results for Quarter 6

Indicator	Minimum	Maximum	Average	Cycle Speed
Cumulative Total Performance	1.906	9.067	6.002	9.067
Cumulative Financial Performance	22.504	34.348	30.943	34.287
Cumulative Market Performance	0.119	0.234	0.174	0.200
Cumulative Marketing Effectiveness	0.741	0.793	0.768	0.793
Cumulative Investment in Future	4.431	6.011	4.962	6.011
Cumulative Wealth	0.783	1.077	0.970	0.783
Cumulative Human Resource Management	0.766	0.825	0.792	0.785
Cumulative Asset Management	0.693	0.946	0.802	0.946
Cumulative Manufacturing Productivity	0.613	0.709	0.653	0.709
Cumulative Financial Risk	1.000	1.000	1.000	1.000
Cumulative Reputation	0.647	0.708	0.673	0.673

### Return on Investment

The estimated ROI for Cycle Speed is 134%. This was calculated using the final value of the firm at \$11,700,000- the initial value, which is \$5,000,000, divided by the initial value of the firm at \$5,000,000 multiplied by 100 to equal 134%. A return on investment of 134% means investors will make 134% of their initial investment. If an investor were to invest \$100 into Cycle Speed, they would get \$134 back. This return is profitable for the investors.

### Business Analysis

The overall performance of Cycle Speed is well above average. The average cumulative total performance is 8.697 and Cycle Speed obtained is 19.237 which is the maximum. Similar results in the cumulative financial performance where Cycle Speed is well above average. The cumulative financial performance averages 31.532 and Cycle Speed obtained a maximum of 40.495. Therefore, we are performing at maximum compared to our competitors.

### Cumulative Results for Quarter 6

Indicator	Minimum	Maximum	Average	Your Company
Cumulative Total Performance	1.846	19.237	8.697	19.237
Cumulative Financial Performance	20.504	40.495	31.532	40.495
Cumulative Market Performance	0.127	0.261	0.195	0.249
Cumulative Marketing Effectiveness	0.744	0.792	0.759	0.744
Cumulative Investment in Future	4.341	5.480	4.889	5.480
Cumulative Wealth	0.772	1.054	0.943	0.939
Cumulative Human Resource Management	0.756	0.879	0.814	0.879
Cumulative Asset Management	0.749	1.078	0.900	1.078
Cumulative Manufacturing Productivity	0.621	0.730	0.662	0.730
Cumulative Financial Risk	1.000	1.000	1.000	1.000
Cumulative Reputation	0.657	0.723	0.693	0.721

### Ratios

Cycle Speed does not have liquidity ratios. A liquidity ratio is a company's ability to repay its liabilities with its assets. Cycle Speed does not have any bank loans or liabilities it must repay therefore the liquidity ratio states N/A.

An activity ratio is a company's ability to use its assets to generate revenue. Cycle Speed's total asset turnover ratio is 1.42. The average total asset turnover ratio is 1.21, therefore compared to competitors Cycle Speed is excelling at utilizing assets to generate sales.

Cycle Speed has a debt ratio of 0. A debt ratio measures a company's debt. Cycle Speed has chosen not to operate with loans, therefore there is no debt to be measured.

The profitability ratio measures a company's ability to generate revenue. The gross profit margin specifically measures how much revenue is left after subtracting the cost of goods sold. Cycle Speed chose to prioritize investing in high-quality products, therefore the cost of goods sold was higher than the average compared to competitors. Cycle Speed's gross profit margin was 62.35 and the average was 63.02.

### **Industry Financial Ratios**

Ratio	Lowest	Highest	Average	Cycle Speed
<b>Liquidity Ratios</b>				
Quick Liquidity Test Ratio	N/A	N/A	N/A	N/A
<b>Activity Ratios</b>				
Fixed Assets Turnover	2.08	3.34	2.62	2.08
Total Assets Turnover	1.05	1.42	1.21	1.42
<b>Leverage Ratios</b>				
Debt Ratio	0.00	0.00	0.00	0.00
Debt to Paid-In Capital	0.00	0.00	0.00	0.00
<b>Profitability Ratios</b>				
Gross Profit Margin	61.74	65.43	63.02	62.35
Net Profit Margin	23.60	36.45	31.13	23.60
Return on Assets	32.68	43.33	37.10	33.51
Return on Paid-In Capital	32.68	43.33	37.10	33.51
<b>Financial Statement Highlights</b>				
Revenues	4,929,960	6,640,351	5,799,635	5,557,828
Gross Profit	3,102,130	4,160,883	3,657,541	3,465,175
Net Income	1,311,737	2,296,346	1,806,945	1,311,737

### **Statement of Cash Flows**

The statement of cash flows shows the cash flowing into and out of a company. This statement provides us with an understanding of the financial decisions and performance of a

company. Three sections on a statement of cash flows are the cash flows from operating activities, cash flows from investing activities and the cash flows from financing activities.

The beginning and ending cash positions from Cycle Speed's statement of cash flows in quarter 7 from operating activities show the company originally had an outflow of cash of \$350,000 in quarter 1 and by quarter 3 had an inflow of cash from operating activities of \$1,391,737. There was an increase in inflow between quarter 1 and quarter 7 in the amount of \$1,041,737. The beginning was -\$350,000 and the ending was \$1,391,737. The operating cash flow came from revenues from sales, minus research and development, minus production costs, and other expenses subtracted from the revenues produced from sales.

The beginning and ending cash positions from Cycle Speed's statement of cash flows in quarter 7 from cash flow from investing activities increase over time as the company grows. The beginning was \$240,000 and the ending was \$960,000. The beginning investing activity of \$240,000 was the cost of investing in one 3D printer to begin the business. The ending investment of \$960,000 was investing in 4 additional 3D printers in quarter 6 due to the demand being higher than the fixed operating capacity. There was an increase from quarter 1 to quarter 6 in the amount of \$720,000 in investing activities.

The beginning and ending cash positions from Cycle Speed's statement of cash flows in quarter 7 from cash flow from financing activities decreased over time. The beginning was \$1,500,000 and the ending was \$0. The cash flow from financing activities summarizes the amount of common stock sold at the beginning of the start-up to fund the company. Cycle Speed was able to rely on its own revenue and profit in quarters 5, 6, and 7. Therefore, did not use any bank loans or sell any additional common stock. This resulted in a decrease in financing activities by \$1,500,000.

<b>Cash Flow</b>		<b>Quarter 1</b>	<b>Quarter 2</b>	<b>Quarter 3</b>	<b>Quarter 4</b>	<b>Quarter 5</b>	<b>Quarter 6</b>
<b>Report Item</b>		0	910,000	927,533	967,201	2,129,870	812,546
<b>Beginning Cash Balance</b>							
<b>Receipts and Disbursements from Operating Activities</b>							
Revenues		0	275,185	920,151	2,363,329	3,238,731	5,557,828
- Rebates		0	0	0	70,000	44,100	8,450
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- Shipping		0	3,444	10,404	24,085	30,441	49,471
- Excess Capacity Cost		0	0	0	0	0	0
- Income Taxes		0	0	0	0	0	0
+ Interest Income		0	0	0	0	0	0
- Interest Charges		0	0	0	0	0	0
+ Other Income		0	0	0	0	0	0
- Other Expenses		0	0	0	0	0	0
<b>= Net Operating Cash Flow</b>		<b>-350,000</b>	<b>-242,467</b>	<b>19,667</b>	<b>-857,331</b>	<b>-837,324</b>	<b>1,391,737</b>
<b>Investing Activities</b>							
Fixed Production Capacity		240,000	240,000	480,000	480,000	480,000	960,000
<b>= Total Investing Activities</b>		<b>240,000</b>	<b>240,000</b>	<b>480,000</b>	<b>480,000</b>	<b>480,000</b>	<b>960,000</b>
<b>Financing Activities</b>							
Increase in Common Stock		1,500,000	500,000	500,000	2,500,000	0	0
+ Borrow Conventional Loan		0	0	0	0	0	0
- Repay Conventional Loan		0	0	0	0	0	0
+ Borrow Emergency Loan		0	0	0	0	0	0
- Repay Emergency Loan		0	0	0	0	0	0
- Deposit 3 Month Certificate		0	0	0	0	0	0
+ Withdraw 3 Month Certificate		0	0	0	0	0	0
<b>= Total Financing Activities</b>		<b>1,500,000</b>	<b>500,000</b>	<b>500,000</b>	<b>2,500,000</b>	<b>0</b>	<b>0</b>
<b>Cash Balance, End of Period</b>		<b>910,000</b>	<b>927,533</b>	<b>967,201</b>	<b>2,129,870</b>	<b>812,546</b>	<b>1,244,284</b>

**Conscious Scorecard**

A decision made on the conscious scorecard that affected Cycle Speed's performance was investing in research and development which provided me with the information that I should be purchasing improved carbon fiber material. The improved carbon fiber material was lighter and stronger. This allowed me to redesign my mountain and speed bikes to meet standards. After this investment, Cycle Speed's profit, reliability score, and demand increased resulting in positive cash flows.

A decision made on the conscious scorecard that affected Cycle Speed's performance was to create a clean room production facility by controlling the airflow with a super clean, reverse-flow, air ventilation, and a filtration system. This decision impacted performance because it improved our reliability score with consumers and improved employee morale, which in turn resulted in higher demand and increased sales. Investing in our employees' health, boosted employee morale and health which increased efficiency, allowing Cycle Speed to produce at a higher productivity rate.

A decision made on the conscious scorecard that affected Cycle Speed's performance was to retrofit the production facility with a system to collect, store, and dispose of all chemicals. This decision impacted the performance of the facility by providing a safe and clean production facility. Investing in this system helped our stakeholders to trust our business practices. Our environmental initiatives increased our reputation and influenced their decision to purchase our products.