



Quarterly Performance Report

Q4 2018

Created 2019-02-19

Purpose

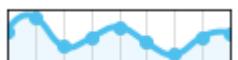
Using data from our profit and loss and balance sheet, we construct and explore metrics which measure the financial health of the Company. Each section below contains a different set of metrics, and an in-depth description of each metric can be found at the end of the report.

Summary

Revenue, order counts, and AOV were up quarter to quarter despite a year over year decrease; gross profit margin hit 60% while net profit margin (the bottom line) hit nearly 10%, the disparity between these two margins comes from the additional costs of overhead like labor and rent; ROA (return on assets) and ROCE (return on capital employed) were both above average; both receivables and payables turnover were strong, showing us that we collect and pay our debts regularly; days to turn inventory was high and reached 142, we want this number to be near 90, the issue of excess stock is currently being addressed and actively corrected; liabilities were low and assets were high; operating cash flow ratio was strong, nearly 5.5 to 1; cash conversion cycle, the time in days to convert inventory and receivables into cash, was 145, which is high because of the excess of stock.

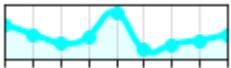
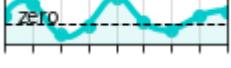
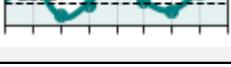
Overall

Simple and general metrics.

Category	Q4 2018	Q2Q	YoY	One Year Avg	Comment On Current Value	Description	Previous Two Years
Order Count	75,231	7.9%	-8.9%	74,903	Within typical range	Count of orders	
Total Revenue	\$11,695,457	8.9%	-22.9%	\$11,495,692	Within typical range	Revenue excluding returns/ other deductions	
Aov	\$155.46	0.9%	-15.4%	\$154.13	Within typical range	Avg revenue per order	
Gross Profit	\$6,993,208	11.0%	-25.8%	\$6,092,888	Within typical range	Profit from making and selling goods	
Gross Profit Margin	60.4%	2.5%	-4.0%	56.8%	Within typical range	Gross profit as a % of revenue	

Profitability

Metrics which measure profitability.

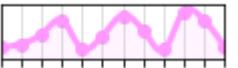
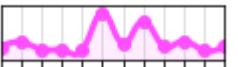
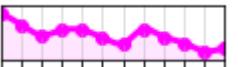
Category	Q4 2018	Q2Q	YoY	One Year Avg	Comment On Current Value	Description	Previous Two Years
Gross Profit	\$6,993,208	11.0%	-25.8%	\$6,092,888	Within typical range	Profit from making and selling goods	
Gross Profit Margin	60.4%	2.5%	-4.0%	56.8%	Within typical range	Gross profit as a % of revenue	
Net Profit	\$1,150,016	76.2%	-52.6%	\$336,952	Within typical range	Overall profit	
Net Profit Margin	9.9%	62.7%	-38.7%	3.1%	Within typical range	Overall profit as a % of revenue	
Operating Margin	10.5%	75.8%	-39.0%	10.6%	Within typical range	Profit from operations	
ROA	15.3%	62.2%	-36.4%	4.5%	Within typical range	Profit per asset (cash, machines)	
ROCE	17.3%	79.0%	-51.5%	14.5%	Within typical range	Profit per capital employed	

Activity

Metrics which measure how effectively assets are converted into cash.

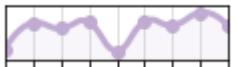
Turnover: How many times some category was depleted and renewed.

Days to Turn: How many days it takes to deplete said category.

		Q4 2018	Q2Q	YoY	One Year Avg	Comment On Current Value	Previous Two Years
Receivables	Turnover	28.9	-79.0%	-70.3%	88.9	Within typical range	
	Days To Turn	3.1	376.6%	236.4%	2.3	Within typical range	
Payables	Turnover	623.8	1,560.2%	-82.1%	594.4	Within typical range	
	Days To Turn	0.1	-94.0%	459.4%	0.7	Within typical range	
Inventory	Turnover	0.6	9.6%	-26.7%	0.7	Within typical range	
	Days To Turn	142.1	-8.8%	36.3%	136.5	Within typical range	

Liquidity

Metrics which measure financial health and how effectively assets can cover debt.

Category	Q4 2018	Q2Q	YoY	One Year Avg	Comment On Current Value	Description	Previous Two Years
Debt Ratio	0.1	44.2%	-76.5%	0.1	Within typical range	How much liabilities outweigh assets	
Current Ratio	13.2	-29.9%	308.8%	15.2	Within typical range	How well assets cover liabilities	
Operating Cash Flow Ratio	5.5	-22.2%	431.2%	4.7	Within typical range	How much cash to cover debt	
Cash Conversion Cycle	145.1	-6.7%	38.0%	138.5	Within typical range	Days to convert inventory/resources into cash from sales	

Profitability Metrics

Gross Profit:

net sales - cost of goods sold, where net sales = total revenue - returns, allowances, discounts

This metric shows the costs associated with selling our goods.

Gross Profit Margin:

gross profit / net sales

Gross profit as a % of sales, not including labor or other costs like rent.

Net Profit:

net sales - all operating expenses

aka "the bottom line"; this is overall profit.

Net Profit Margin:

net profit / net sales

Overall profit as a % of sales, including all expenses. This metric shows our profitability.

Operating Margin:

operating income / net sales, where operating income = sales revenue - all operating expenses

This metric shows how much of each dollar of revenue is left over after both cost of goods sold and operating expenses are considered.

ROA:

net profit / total assets

aka "return on assets"; this metric shows how much profit is generated from every \$1.00 of assets, where an asset is cash, equipment, and inventory. A small return indicates that we are underutilizing our assets.

ROCE:

operating income / (total assets - current liabilities)

aka "return on capital employed"; this metric shows the amount of income as a % of capital, where capital is the difference between assets and liabilities. A negative return indicates more liabilities than assets. A current liability is credit debt.

Activity Metrics

Turnover:

How many times during the current period that said category is depleted and renewed.

Days to Turn:

How many days it takes to turn said category, or more precisely: days in period / turnover. This metric is more intuitive than turnover.

Receivables Turnover:

(amount billed - amount refunded) / avg payment amount received

A small turnover means it takes longer to collect on our debts, while a large turnover means we collect quickly; we would like our turnover in days to be at most 30 days.

Payables Turnover

po total / avg po total

A small turnover means we take longer to pay our debts, while a large turnover means we pay regularly and frequently. This metric is a good indicator of how well we are able to pay our debts, and it can help new vendors decide if we are a risky company with which to do business.

Inventory Turnover

cost of goods sold / avg cost of inventory

A small turnover means we have much more stock than we need, while a large turnover means we order more frequently than is necessary. Since we strive to keep 90 days of stock on hand at any given time, a healthy turnover in days should be close to 90 days.

Liquidity Metrics

Debt Ratio

total liabilities / total assets

For each \$1.00 in assets, this is how many liabilities we have, where an asset includes cash, equipment, and inventory, and our liabilities are mainly credit debt. A small ratio indicates we have much more in assets than in debt.

Current Ratio

current assets / current liabilities

For us, current liabilities equal total liabilities because we don't have any long term debt. Current assets include cash, credit owed to us, and inventory, but do not include equipment or depreciation. This metric shows how much we have in assets per \$1.00 of liabilities. A large ratio means we have much more in assets than we do in debt.

Operating Cash Flow

(net profit + depreciation)/liabilities

Recall that net profit = net sales - all operating expenses. This metric is a measure of how well our cash flow covers our debt. Because depreciation is calculated at the year's end while net profit is done per period (month vs quarter), we use the average depreciation per period.

Cash Conversion Cycle

days inventory outstanding + days sales outstanding - days payable outstanding

The time (in days) it takes to convert inventory and other resources into cash from sales.

End of report