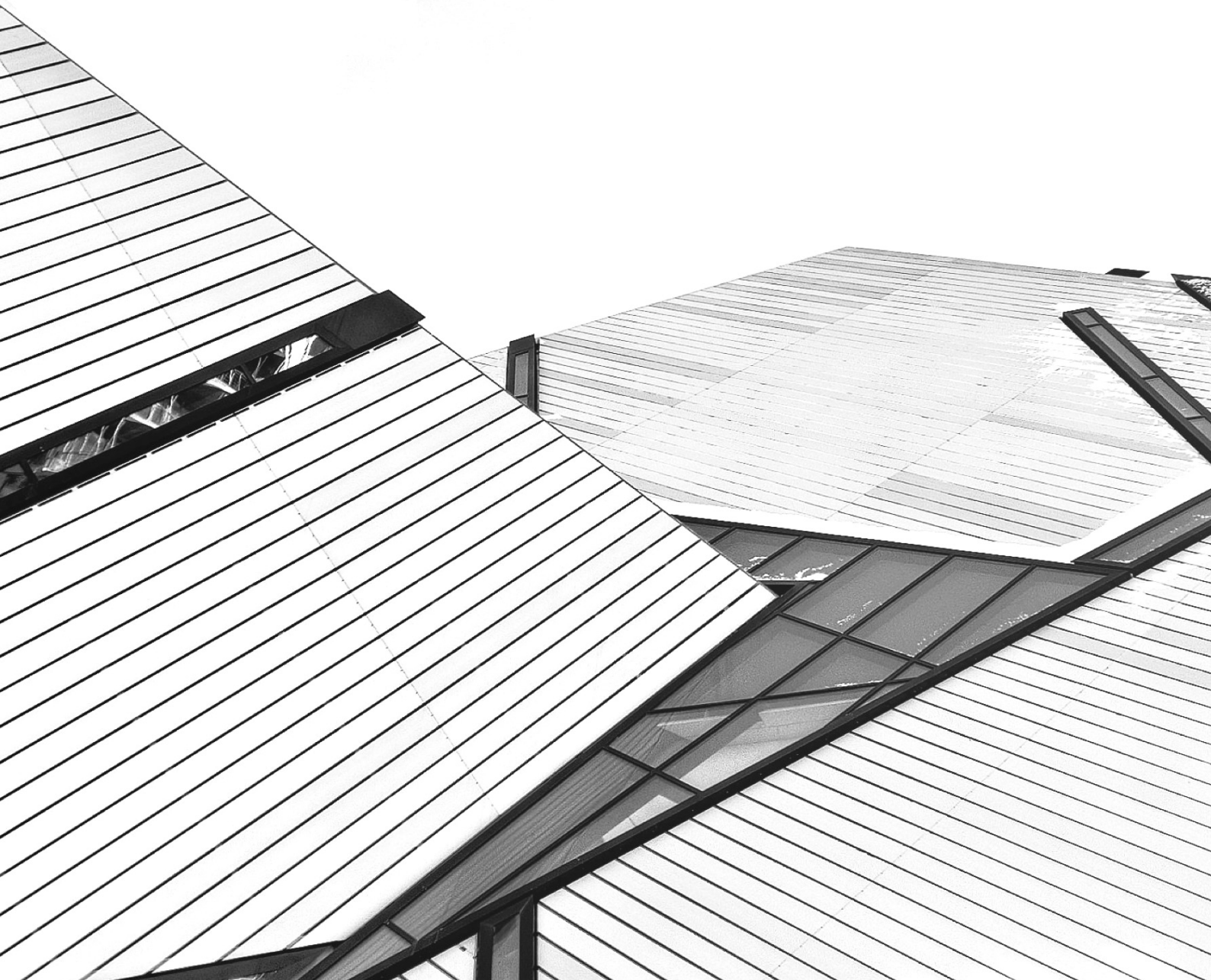




# Monthly Performance Report

Edge Architects

Jan 2019



# Executive Summary

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Edge Architects has seen another month of growth, with increased revenue and net profit. Currently a significant percentage of fees are sourced from a small number of key clients. To mitigate this risk we recommend consulting across a broader range of clients. New clients may be able to be sourced from other industries.

Proposals pending has gone up thanks to increased marketing and advertising investment into a new website. This is a positive reflection of our current strategy to increase our client base to reduce fee dependency on a number of high value clients. It's necessary to continue to evaluate our project efficiency via utilization rate, as lower value clients require more non-billable hours. This has decreased as expected from last month's value of 71.96% to 65.85%, reflecting the shift in our strategy. It is necessary to closely monitor this metric, as it has now fallen below our target of 70%.

Cash flow continues to remain an issue, due to an outdated invoicing system. Strategies to resolve this include keeping up to date with payments and receivables, as well as having clear timeframes for project completion dates.



## Revenue

**Revenue \$283,560** (Last month \$278,347)

Positive trend upwards.



## Profitability

**Net Profit After Tax Margin 22.84%** (Last month 20.28%)

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



## Utilization Rate

**Utilization Rate 65.85%** (Last month 66.92%)

Weak utilization rate for the period compared against prior month. Indicates decreasing efficiency of usage of direct labour on billable projects. This is expected as Edge Architects transitions towards expanding our client base.



## Net Multiplier

**Net Multiplier 3.04 times** (Breakeven Rate 1.93 times)

Net Multiplier greater than Breakeven rate for the month. Firm is earning a profit



## Proposals Pending

**Proposals Pending \$104,862** (Last month \$102,074)

Positive trend upwards. Indicates more potential prospects and suspects for future conversions.



## Cash Flow

**Free Cash Flow \$84,264**

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.



## Debt

**Net Debt \$19,548** (Last month -\$51,138)

Net debt levels have risen.



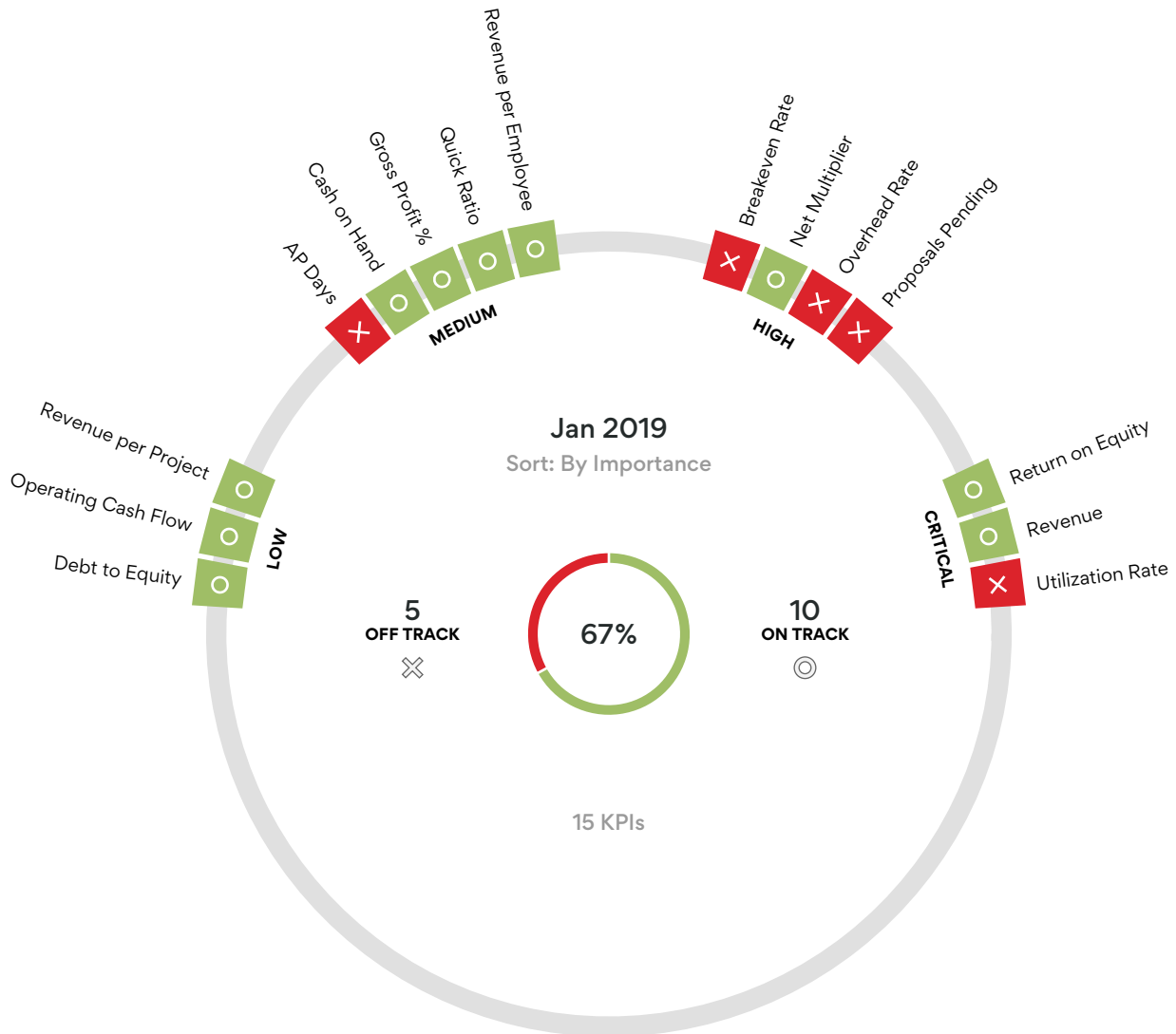
## Revenue per Employee

**Revenue per Employee \$9,452** (Last month \$8,698)

Positive trend upwards. Indicates increased capability of staff to translate their work into revenue for Edge Architects.

# KPI Results

This chart shows KPIs sorted by degree of importance. KPIs are classified as either low, medium, high or critical importance.



# KPI Results

		1 ALERT	RESULT	TARGET	TREND	IMPORTANCE
A	PROFITABILITY		JAN 2019		vs DEC 2018	
	Total Revenue		\$283,560	\$200,000	✓ ▲ 1.9%	Critical
	Gross Profit Margin		53.83%	35%	✓ ▲ 3.15%	Medium
	Net Multiplier		3.04 times	2.00 times	✓ ▲ 0.10 times	High
	Revenue per Employee		\$9,452	\$7,000	✓ ▲ 8.7%	Medium
	Proposals Pending		\$104,862	\$110,000	✗ ▲ 2.7%	High
	Revenue per Project		\$20,254	\$14,000	✓ ▲ 1.9%	Low
B	ACTIVITY					
	Accounts Payable Days	●	19 days	45 days	✗ ▲ 4 days	Medium
C	EFFICIENCY					
	Return on Equity		49.62%	15%	✓ ▲ 8.06%	Critical
	Utilization Rate		65.85%	70%	✗ ▼ -1.07%	Critical
	Overhead Rate *		0.93 times	0.70 times	✗ ▲ 0.04 times	High
	Breakeven Rate *		1.93 times	1.70 times	✗ ▲ 0.04 times	High
D	LIQUIDITY					
	Quick Ratio		1.39:1	1.00:1	✓ ▼ -0.56:1	Medium
E	GEARING					
	Debt to Equity *		17.1%	100%	✓ ▼ -1.16%	Low
F	CASH FLOW					
	Operating Cash Flow		\$82,937	\$10,000	✓ ▲ 4.7%	Low
	Cash on Hand		\$241,804	\$200,000	✓ ▼ -27.1%	Medium

\* For this metric, a result below target is favourable

## Alerts

### Accounts Payable Days

Accounts Payable days are less than the alert level of 30 days. An immediate review of creditor payments or supplier terms of payment may be required.

# Architect Projects

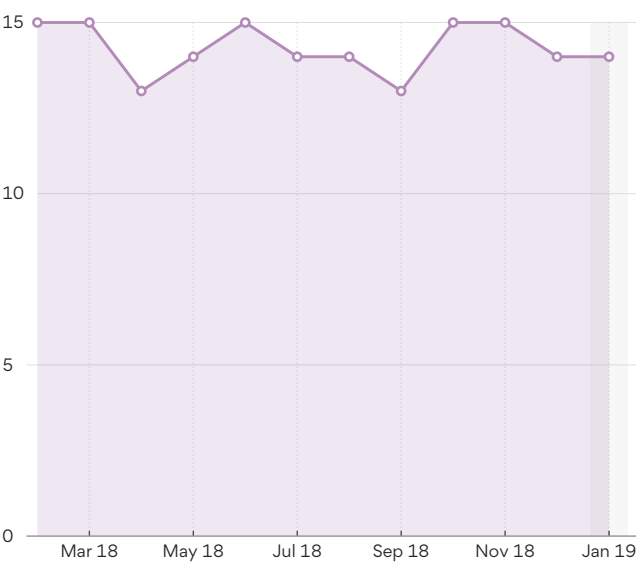
Edge Architect's key initiatives moving forward is to decrease our our dependance on a small number of key clients and projects.

Key strategies include expanding our client base using online marketing strategies. Effects of this include increasing the number of projects, whilst decreasing revenue/project.

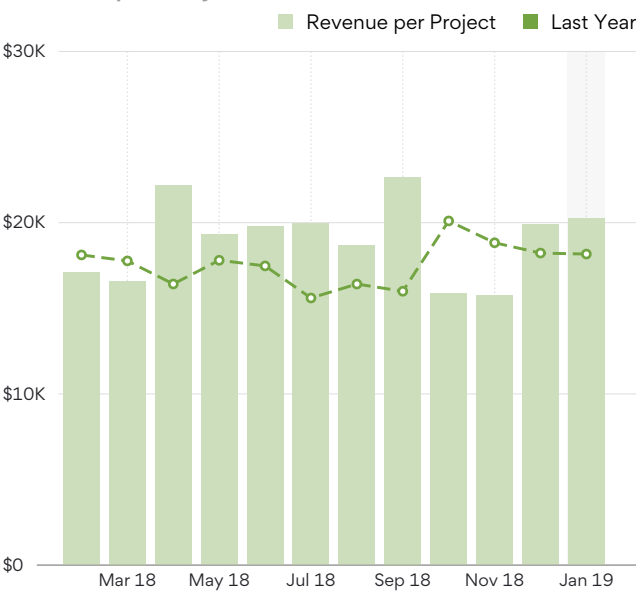
We will closely monitor our utilization rate over this transition, to ensure that efficiency is maintained at acceptable levels.

This reduces our risk from project delays, which have critical effects on cashflow.

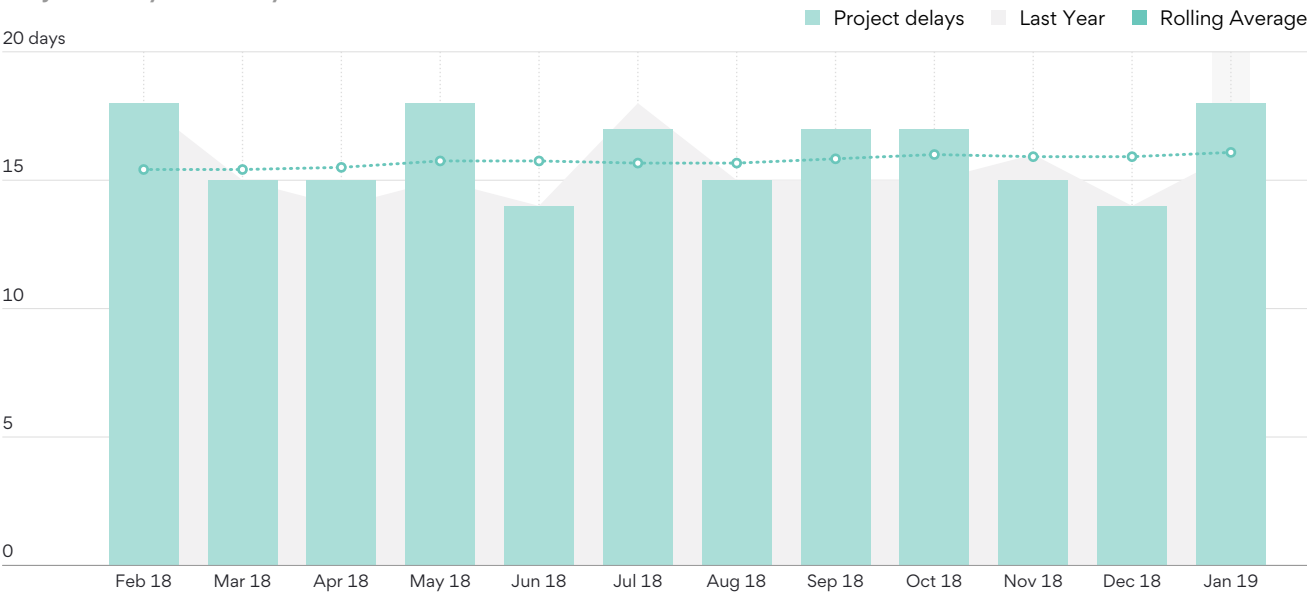
Number of Projects



Revenue per Project vs Last Year



Project delays vs Last year



# Profitability

## REVENUE

**\$283,560**

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

## EXPENSES TO REVENUE RATIO

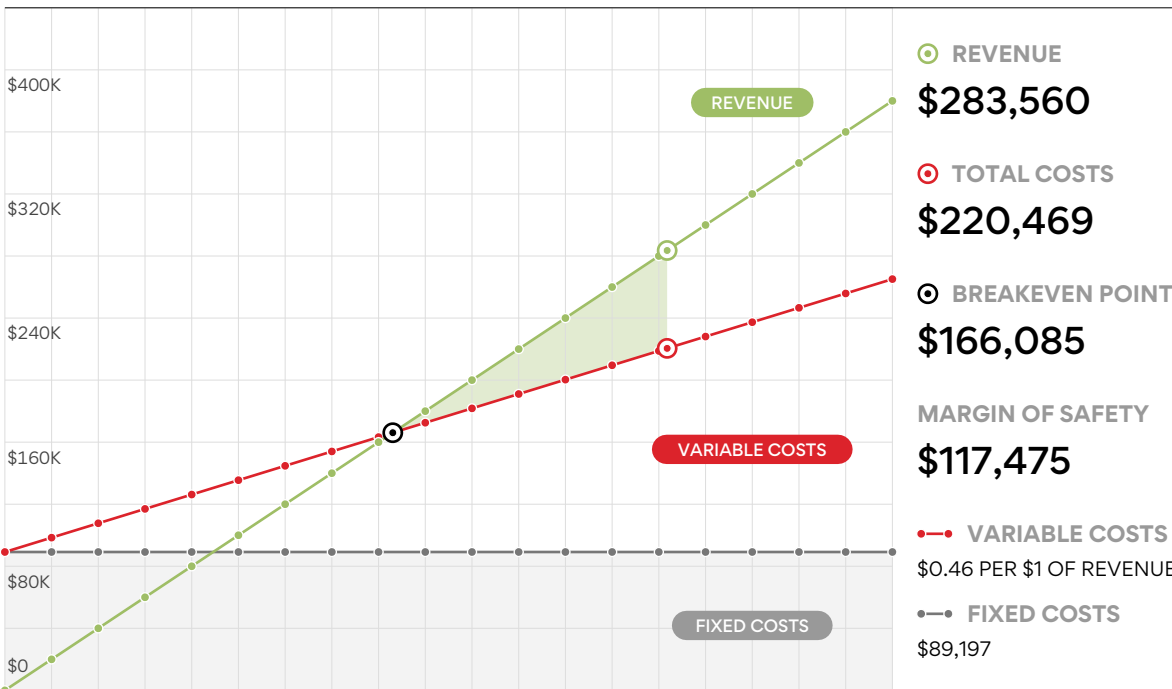
**77.75%**

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

## MARGIN OF SAFETY

**\$117,475**

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.

## Top 10 Revenue Accounts

Sales - Schematic Design	\$141,934
Sales - Architectural Programming	\$78,893
Sales - Feasibility Studies	\$54,994
Sales - Project Management	\$7,739

## Top 10 Expense Accounts

Salaries & Wages	\$53,114
Accounting & Legal	\$11,955
Rent	\$10,300
Contractors	\$2,581
Income Tax Expense	\$2,377
Training & Education	\$2,110
Insurance	\$1,921
Marketing	\$1,064
Utilities	\$941
Advertising & Promotions	\$692

# Utilization and efficiency

## UTILIZATION RATE

65.85%

▼ -1.07% from last month



The utilization rate is the percentage of hours spent on billable projects vs. the total number of hours worked.

## OVERHEAD RATE

0.93 times

▲ 4.5% from last month



The cost of non-project-related expenditures expressed as a percentage of total direct labor. The lower the overhead rate, the higher the profit margin.

## BREAKEVEN RATE

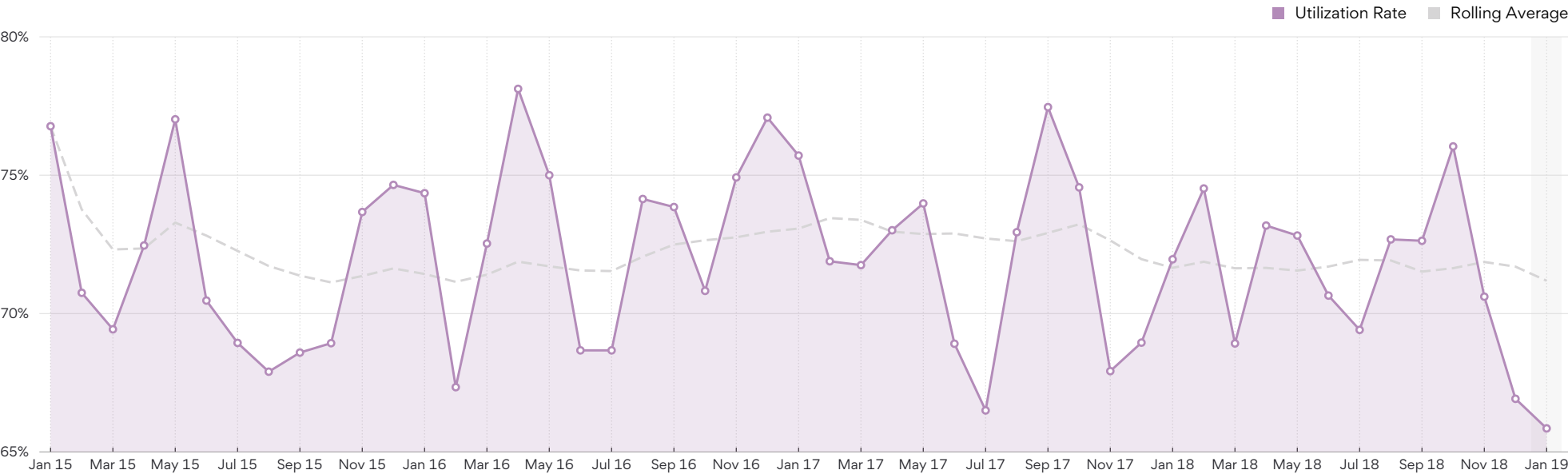
1.93 times

▲ 2.1% from last month



Edge Architects has an overhead rate of 0.93 (93 percent). The breakeven rate for each employee is 1.93 x hourly salary ( $1.0 + 0.93 = 1.93$ )

## Efficiency



# Cash Flow

## OPERATING CASH FLOW

**\$82,937**

▲ 4.7% from last month



Operating cash flow is the cash generated by the operating activities of the business. These include production, sales and delivery of the company's services as well as collecting payment from its customers and making payments to suppliers.

## FREE CASH FLOW

**\$84,264**

▲ 3.9% from last month



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. The term "free cash flow" is used because this cash is free to be paid back to the suppliers of capital.

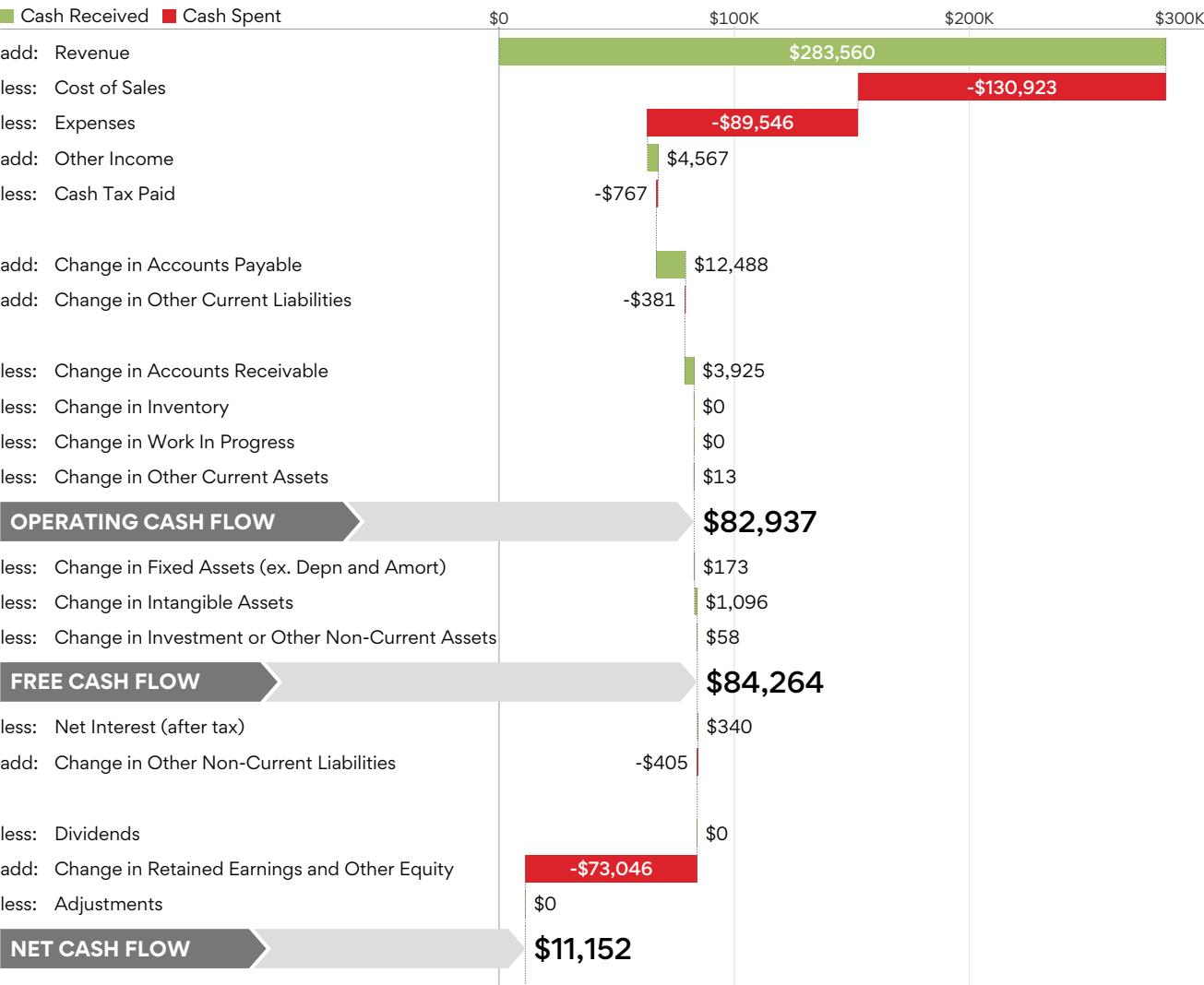
## NET CASH FLOW

**\$11,152**

▲ 128.8% from last month



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. Financing activities include the inflow of cash from investors such as banks or shareholders, as well as the outflow of cash to shareholders as dividends.



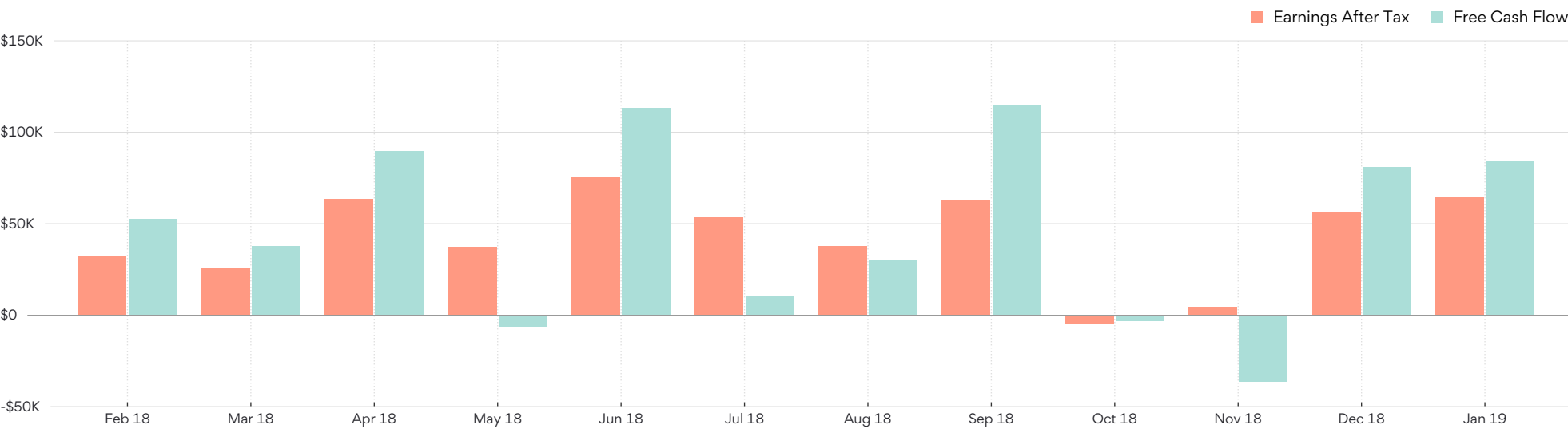
Net Cash Flow can also be calculated as:

**Change in Cash on Hand** -\$89,911 (Open: \$331,715, Close: \$241,804) — **Change in Debt** -\$19,225 (Open: \$280,577, Close: \$261,352)

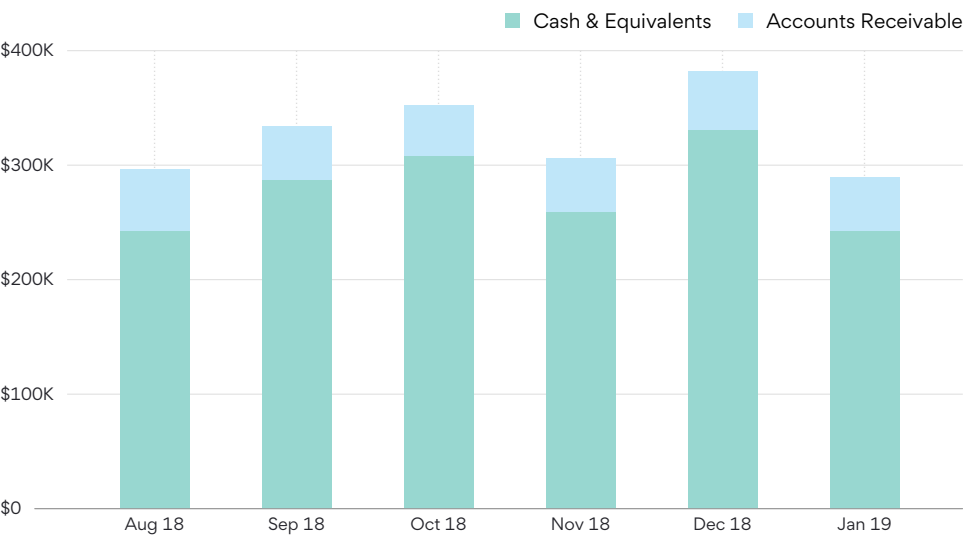


# Cash Flow Charts

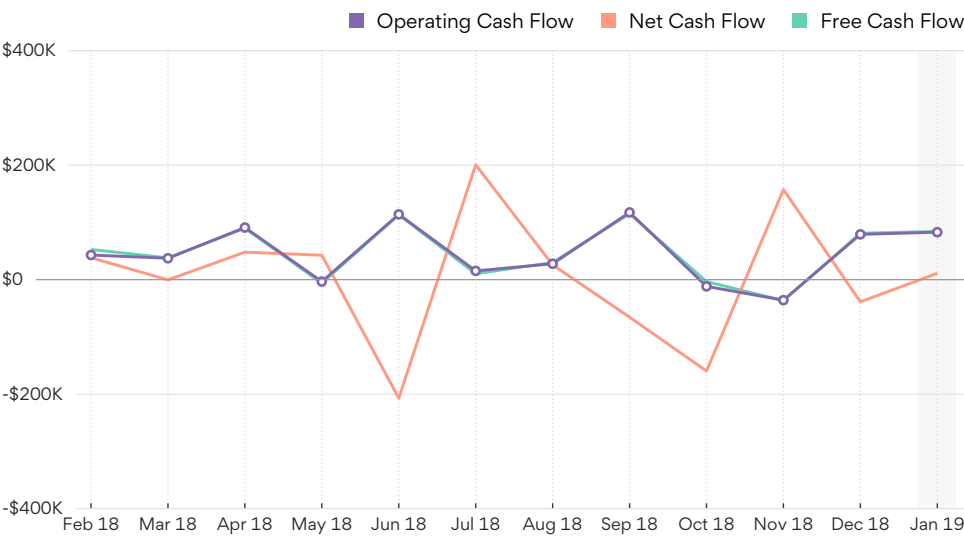
Profit vs Cash Flow



Cash & Receivables



Cash Flow Trend



# Financials

PROFIT & LOSS	Jan 2019	Dec 2018	Variance %
Revenue	\$283,560	\$278,347	1.87%
Cost of Sales	\$130,923	\$137,292	-4.64%
<b>Gross Profit</b>	<b>\$152,637</b>	<b>\$141,055</b>	<b>8.21%</b>
Expenses	\$89,546	\$88,496	1.19%
<b>Operating Profit</b>	<b>\$63,091</b>	<b>\$52,559</b>	<b>20.04%</b>
Other Income	\$4,567	\$6,299	-27.50%
<b>Earnings Before Interest &amp; Tax</b>	<b>\$67,658</b>	<b>\$58,858</b>	<b>14.95%</b>
Interest Income	\$485	\$635	-23.62%
<b>Earnings Before Tax</b>	<b>\$68,143</b>	<b>\$59,493</b>	<b>14.54%</b>
Tax Expenses	\$3,374	\$3,055	10.44%
<b>Earnings After Tax</b>	<b>\$64,769</b>	<b>\$56,438</b>	<b>14.76%</b>
<b>Retained Income</b>	<b>\$64,769</b>	<b>\$56,438</b>	<b>14.76%</b>
BALANCE SHEET	Jan 2019	Dec 2018	Variance %
<b>ASSETS</b>			
Cash & Equivalents	\$241,804	\$331,715	-27.10%
Accounts Receivable	\$47,034	\$50,959	-7.70%
Other Current Assets	\$58,245	\$58,258	-0.02%
<b>Total Current Assets</b>	<b>\$347,083</b>	<b>\$440,932</b>	<b>-21.28%</b>
Fixed Assets	\$133,224	\$133,397	-0.13%
Intangible Assets	\$17,206	\$18,302	-5.99%
Investment or Other Non-Current ...	\$1,928	\$1,986	-2.92%
<b>Total Non-Current Assets</b>	<b>\$152,358</b>	<b>\$153,685</b>	<b>-0.86%</b>
<b>Total Assets</b>	<b>\$499,441</b>	<b>\$594,617</b>	<b>-16.01%</b>
<b>LIABILITIES</b>			
Short Term Debt	\$36,143	\$38,906	-7.10%
Accounts Payable	\$80,445	\$67,957	18.38%
Tax Liability	\$16,829	\$14,367	17.14%
Other Current Liabilities	\$74,789	\$75,170	-0.51%
<b>Total Current Liabilities</b>	<b>\$208,206</b>	<b>\$196,400</b>	<b>6.01%</b>
Long Term Debt	\$225,209	\$241,671	-6.81%
Other Non-Current Liabilities	\$4,584	\$4,989	-8.12%
<b>Total Non-Current Liabilities</b>	<b>\$229,793</b>	<b>\$246,660</b>	<b>-6.84%</b>
<b>Total Liabilities</b>	<b>\$437,999</b>	<b>\$443,060</b>	<b>-1.14%</b>
<b>EQUITY</b>			
Retained Earnings	\$311,949	\$263,460	18.40%
Current Earnings	\$61,867	\$49,998	23.74%
Other Equity	\$1,154,781	\$1,223,416	-5.61%
<b>Total Equity</b>	<b>\$1,528,597</b>	<b>\$1,536,874</b>	<b>-0.54%</b>
<b>Total Liabilities &amp; Equity</b>	<b>\$1,966,596</b>	<b>\$1,979,934</b>	<b>-0.67%</b>