

Working Capital Management Report

Confidential Document - Nexus Intelligent Systems, Inc.

1. Executive Summary

This Working Capital Management Report ("Report") provides a comprehensive analysis of Nexus Intelligent Systems, Inc.'s ("Company") current working capital position, historical performance, and strategic financial management approach as of January 22, 2024.

2. Scope and Methodology

1 Analytical Framework

The analysis encompasses a detailed review of the Company's financial records, cash flow statements, accounts receivable, accounts payable, and short-term liquidity metrics for the fiscal periods ending December 31, 2022, and December 31, 2023.

2 Data Sources

- Audited financial statements
- Internal management reporting
- Quarterly cash flow projections
- Bank reconciliation records
- Accounts receivable aging reports

3. Working Capital Composition

1 Current Assets

Total current assets: \$4,750,000

- Cash and cash equivalents: \$1,250,000
- Accounts receivable: \$2,100,000
- Short-term investments: \$750,000
- Prepaid expenses: \$650,000

2 Current Liabilities

Total current liabilities: \$3,200,000

- Accounts payable: \$1,450,000

- Short-term debt obligations: \$850,000
- Accrued expenses: \$600,000
- Deferred revenue: \$300,000

4. Working Capital Ratio Analysis

1 Current Ratio

Current Ratio = Current Assets / Current Liabilities

Calculation: $\$4,750,000 / \$3,200,000 = 1.48x$

Interpretation: The Company maintains a healthy current ratio above 1.0, indicating sufficient liquid assets to cover short-term obligations.

2 Quick Ratio

Quick Ratio = (Cash + Marketable Securities + Accounts Receivable) / Current Liabilities

Calculation: $(\$1,250,000 + \$750,000 + \$2,100,000) / \$3,200,000 = 1.31x$

5. Cash Conversion Cycle Analysis

1 Days Sales Outstanding (DSO)

Average DSO: 42 days

Benchmark Performance: Slightly below industry median of 45 days

2 Days Payable Outstanding (DPO)

Average DPO: 53 days

Indicates favorable payment terms with vendors and suppliers

3 Inventory Turnover

Not applicable - service-based business model with minimal inventory requirements

6. Risk Mitigation Strategies

1 Liquidity Management

- Maintain minimum cash reserves of \$1,000,000
- Establish revolving credit facility of \$2,500,000
- Implement strict accounts receivable collection protocols

2 Financial Contingency Planning

- 90-day cash flow forecasting
- Quarterly working capital stress testing
- Diversified banking relationships

7. Limitations and Disclaimers

1 Scope Limitations

This report represents a point-in-time analysis and does not guarantee future financial performance.

2 Confidentiality

This document is strictly confidential and intended solely for internal review and potential transaction evaluation purposes.

8. Certification

The undersigned certifies that the information contained herein has been prepared with reasonable care and represents an accurate representation of the Company's working capital position.

Prepared by:

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Chief Strategy Officer

Nexus Intelligent Systems, Inc.

Date: January 22, 2024

9. Appendices

Detailed financial schedules and supporting documentation available upon request.

Confidentiality Notice: This document contains proprietary and confidential information.

Unauthorized disclosure is strictly prohibited.