

MegaMart Express Financial Reports

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Executive Summary

MegaMart Express has experienced significant financial challenges over the past 18 months, with declining revenue, compressed margins, and deteriorating cash flow. This report presents comprehensive financial analysis from January 2023 through June 2024.

Profit & Loss Statement Analysis

Revenue Performance

Total System Revenue (50 Stores)

Period	Revenue	YoY Change	Same-Store Sales
Q1 2023	\$32.4M	+4.2%	+2.1%
Q2 2023	\$34.8M	+6.8%	+3.4%
Q3 2023	\$33.1M	+2.9%	+1.2%
Q4 2023	\$29.7M	-3.2%	-5.8%
Q1 2024	\$26.1M	-19.4%	-21.2%
Q2 2024	\$28.9M	-17.0%	-18.5%

Key Insights:

- Revenue peaked in Q2 2023 at \$34.8M
- Sharp decline beginning Q4 2023
- Current run rate suggests annual revenue of ~\$110M vs. \$130M in 2023
- Same-store sales decline accelerating, indicating systemic issues

Cost of Goods Sold (COGS)

Gross Margin Analysis

Period	COGS	Gross Margin \$	Gross Margin %
Q1 2023	\$21.1M	\$11.3M	34.9%
Q2 2023	\$22.1M	\$12.7M	36.5%
Q3 2023	\$22.5M	\$10.6M	32.0%
Q4 2023	\$21.8M	\$7.9M	26.6%
Q1 2024	\$18.3M	\$7.8M	29.9%
Q2 2024	\$20.1M	\$8.8M	30.4%

Margin Compression Factors:

- Supplier cost increases: +8.5% average
- Increased shrinkage: 2.1% vs. 1.4% industry average
- Promotional pricing to compete: -\$1.2M impact
- Inventory write-offs: \$890K in Q1 2024

Operating Expenses

Expense Categories (Q2 2024)

Category	Amount	% of Revenue	YoY Change
Payroll & Benefits	\$12.4M	42.9%	+3.2%
Rent & Occupancy	\$4.2M	14.5%	+5.1%
Utilities	\$1.8M	6.2%	+12.4%
Marketing	\$0.8M	2.8%	-15.2%
Maintenance	\$1.1M	3.8%	+8.7%
Insurance	\$0.9M	3.1%	+18.3%
Other Operating	\$1.6M	5.5%	+2.1%
Total OpEx	\$22.8M	78.8%	+4.8%

Expense Analysis:

- Operating expenses increased 4.8% while revenue declined 17%
 - Payroll as % of revenue increased from 38.1% to 42.9%
 - Rent increases due to lease renewals
 - Utility costs rising faster than inflation
 - Marketing cuts (-15.2%) may be contributing to traffic decline
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Cash Flow Analysis

Operating Cash Flow

Monthly Operating Cash Flow (Last 12 Months)

Month	Operating CF	Cumulative	Notes
Jul 2023	\$1.2M	\$1.2M	Peak summer performance
Aug 2023	\$0.9M	\$2.1M	Back-to-school boost
Sep 2023	\$1.1M	\$3.2M	
Oct 2023	\$0.4M	\$3.6M	Declining trend begins
Nov 2023	\$0.2M	\$3.8M	Holiday prep expenses
Dec 2023	-\$0.1M	\$3.7M	First negative month
Jan 2024	-\$0.5M	\$3.2M	Post-holiday decline
Feb 2024	-\$0.8M	\$2.4M	Inventory write-offs
Mar 2024	-\$0.3M	\$2.1M	
Apr 2024	-\$0.6M	\$1.5M	
May 2024	-\$0.2M	\$1.3M	Slight improvement
Jun 2024	\$0.1M	\$1.4M	Return to positive

Cash Flow Concerns:

- Negative operating cash flow for 5 consecutive months
- Cumulative cash generation down 65% vs. prior year
- Working capital pressures from inventory buildup

Capital Expenditures

CapEx Spending (2023-2024)

Category	2023 Actual	2024 Planned	2024 Actual (6M)	Variance
Store Renovations	\$2.1M	\$3.5M	\$0.8M	-\$2.7M
Equipment Replacement	\$1.8M	\$2.2M	\$0.6M	-\$1.6M
Technology Upgrades	\$0.9M	\$1.5M	\$0.3M	-\$1.2M
New Store Development	\$0.0M	\$0.0M	\$0.0M	\$0.0M
Total CapEx	\$4.8M	\$7.2M	\$1.7M	-\$5.5M

CapEx Analysis:

- Significant underspending due to cash flow constraints
- Deferred maintenance creating operational issues
- Technology upgrades postponed, affecting efficiency
- No new store development planned

Balance Sheet Analysis

Assets

Asset Composition (June 30, 2024)

Asset Category	Amount	% of Total	YoY Change
Cash & Equivalents	\$2.1M	8.4%	-\$1.8M
Accounts Receivable	\$1.4M	5.6%	+\$0.2M
Inventory	\$8.9M	35.6%	+\$1.1M
Prepaid Expenses	\$0.8M	3.2%	+\$0.1M
Current Assets	\$13.2M	52.8%	-\$0.4M
Property & Equipment	\$9.8M	39.2%	-\$0.9M
Other Assets	\$2.0M	8.0%	+\$0.1M
Total Assets	\$25.0M	100.0%	-\$1.2M

Liabilities & Equity

Capital Structure (June 30, 2024)

Category	Amount	% of Total	YoY Change
Accounts Payable	\$3.2M	12.8%	+\$0.8M
Accrued Expenses	\$2.1M	8.4%	+\$0.3M
Short-term Debt	\$1.5M	6.0%	+\$1.5M
Current Liabilities	\$6.8M	27.2%	+\$2.6M
Long-term Debt	\$8.5M	34.0%	+\$1.2M
Total Liabilities	\$15.3M	61.2%	+\$3.8M
Owner's Equity	\$9.7M	38.8%	-\$5.0M
Total Liab & Equity	\$25.0M	100.0%	-\$1.2M

Balance Sheet Concerns:

- Current ratio: 1.94 (down from 2.8 prior year)
- Debt-to-equity ratio: 1.58 (up from 0.9 prior year)
- Increased reliance on short-term debt
- Equity erosion from losses

Store-Level Performance Analysis

Top Performing Stores (Q2 2024)

Revenue Leaders

Store	Location	Revenue	Margin %	ROI
005	Downtown Metro City	\$402K	31.2%	18.4%
001	Downtown Springfield	\$373K	29.8%	16.1%
007	Mall Metro City	\$330K	30.5%	15.7%
003	Suburban Riverside	\$268K	28.9%	12.3%
010	Suburban Springfield	\$238K	27.1%	10.8%

Underperforming Stores (Q2 2024)

Revenue Laggards

Store	Location	Revenue	Margin %	ROI
008	Strip Mall Riverside	\$180K	22.4%	4.1%
004	Strip Mall Oakville	\$209K	24.1%	5.8%
006	Suburban Westfield	\$229K	25.3%	6.9%
002	Mall Springfield	\$294K	26.8%	9.2%
009	Downtown Oakville	\$218K	25.7%	7.3%

Store Performance Insights:

- Downtown and mall locations generally outperform strip malls
- Metro City market shows strongest performance
- Riverside and Oakville markets struggling
- Store 008 (Strip Mall Riverside) candidate for closure evaluation

Financial Ratios & Metrics

Profitability Ratios

Metric	Q2 2024	Q2 2023	Industry Avg
Gross Margin	30.4%	36.5%	32.1%
Operating Margin	-9.7%	8.2%	4.8%
Net Margin	-12.3%	5.1%	3.2%
ROA	-8.9%	7.3%	5.5%
ROE	-14.2%	12.1%	9.8%

Liquidity Ratios

Metric	Q2 2024	Q2 2023	Industry Avg
Current Ratio	1.94	2.83	2.1
Quick Ratio	0.62	1.21	0.9
Cash Ratio	0.31	0.74	0.4

Leverage Ratios

Metric	Q2 2024	Q2 2023	Industry Avg
Debt-to-Equity	1.58	0.89	1.2
Interest Coverage	-2.1x	8.4x	5.2x
Debt Service Coverage	0.8x	2.9x	1.8x

Efficiency Ratios

Metric	Q2 2024	Q2 2023	Industry Avg
Asset Turnover	4.6x	5.2x	4.9x
Inventory Turnover	6.8x	9.2x	8.1x
Receivables Turnover	82.1x	78.3x	85.2x

Risk Analysis

Financial Risk Factors

IMMEDIATE RISKS (0-3 months)

- Cash flow negative trend continuing
- Debt service coverage below 1.0x

- Potential covenant violations on credit facilities
- Supplier payment delays possible

SHORT-TERM RISKS (3-12 months)

- Operating losses depleting equity
- Potential need for additional debt financing
- Store closure decisions required
- Inventory liquidation pressure

LONG-TERM RISKS (12+ months)

- Potential bankruptcy proceedings if trends continue
- Loss of key supplier relationships
- Inability to invest in competitive positioning
- Market share erosion to competitors

Liquidity Analysis

Current Liquidity Position:

- Available cash: \$2.1M
- Unused credit facilities: \$1.8M
- Total liquidity: \$3.9M
- Monthly cash burn: \$0.4M (average)
- **Runway: 9.75 months at current burn rate**

Liquidity Scenarios:

- **Best Case:** 12 months (with modest improvements)
 - **Base Case:** 9-10 months (current trajectory)
 - **Worst Case:** 6-7 months (accelerated decline)
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Turnaround Analysis

Break-Even Analysis

Requirements to Achieve Break-Even: