Craig's Design and Landscaping Services

Monthly Management Report

January 2019

SAMPLE REPORT

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As a QBO Advanced subscriber, you'll receive 1 free license ($468 annual value!*) to access this platform which will allow you to transform Quickbooks data into dynamic reports, advanced analytics, and deeper insights to help you continue making better business decisions.

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- Design customized management reports
- Track KPIs and business metrics
- Create dashboards for your business
- Prepare and customize financial statements
- Gain insights into profit and growth
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- Track and project trends in performance
- Better manage Cash Flow
- Track the performance of divisions, departments, or business units
- Automate the creation and distribution of reports
- Consolidate financials (to track the performance of a group of companies)

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*Fathom's retail cost for a single company in the United States is $39 per month, as of 1/23/2019.

Executive Summary

Overview

Well done team. Revenue results for this month are better than planned. Revenues of $551,165 exceeded target of $520,000. However, labour costs of $95,511, material costs of $128,258 and equipment costs of $35,476 also were higher than planned. It is important to compare our field labour ratio to our budget (to ensure we are as productive as planned) and to last year (to ensure we are on a path of continuous improvement).

Additionally, it is important to improve the current close rate of quotes provided to customers. We had a 70 per cent close rate (by number of estimates) but a 50 per cent close rate (by dollar of estimates), which may indicate that we are not spending enough time and effort on the big opportunities. Crew safe every day is even more important than productivity or quality. During the past month there have been no reported accidents or injuries.

It is important to get a good handle on our numbers, and what actions deliver successful outcomes. This report include a range of KPIs and metrics, selected to tell us whether we are achieving our goals – or not.

Actions

- Review sales forecast for next 12 months
- Review pipelines of estimates/quotes
- Implement measures to decrease the risk of staff injury
- Plan offsite staff retreat

Observations

ACTIVITY

Activity Ratio 2.77 times (This month target 2.00 times)
Positive trend upwards. Strategies to improve the activity ratio include seeking ways to optimise the balance sheet, ie. by reducing the investment in working capital, selling-off any unused assets or by increasing sales using the same asset base.

PROFITABILITY

Profitability Ratio 17.52% (Last month 26.04%)
Negative trend downwards. Strategies to improve profitability include: increasing price, increasing sales volume, reducing cost of sales and reducing operating expenses

EFFICIENCY

Return on Capital Employed 48.6% (This month target 12.5%)
Positive trend upwards. A higher ROCE% is favourable, indicating that the business generates more earnings per $1 of capital employed.

CASH FLOW

Free Cash Flow $485,816
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.

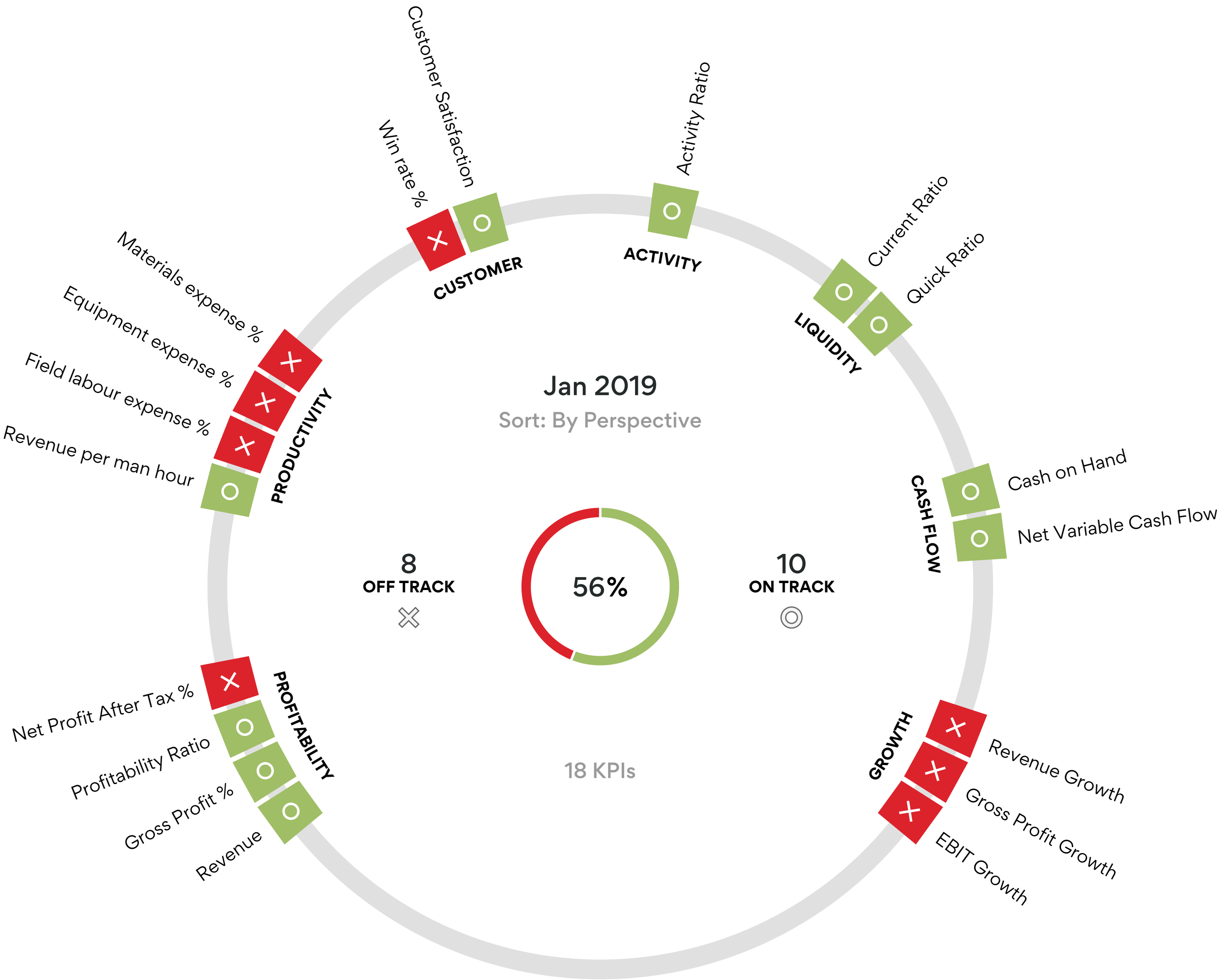
KPI Results

	RESULT	TARGET		TREND	IMPORTANCE
A **PROFITABILITY**	**JAN 2019**			**vs DEC 2018**	
Total Revenue	$551,165	$520,000	✓	▼ -4.6%	Critical
Gross Profit Margin	49.69%	45%	✓	▼ -0.37%	Medium
Profitability Ratio	17.52%	16.76%	✓	▼ -8.51%	Critical
Net Profit After Tax Margin	10.53%	15.38%	✗	▼ -4.93%	Medium
B **PRODUCTIVITY**					
Revenue per man hour	$45.60	$38.50	✓	▼ -6.7%	Critical
Field labour expense % *	17.3%	17.2%	✗	▼ 0%	High
Equipment expense % *	6.4%	6.4%	✗	▼ 0%	High
Materials expense % *	23.3%	23.1%	✗	▼ 0%	High
C **CUSTOMER**					
Win rate %	65.2%	77.5%	✗	▼ -15.9%	Low
Customer Satisfaction	81.8%	80%	✓	▼ -4%	Low
D **ACTIVITY**					
Activity Ratio	2.77 times	2.00 times	✓	▼ -0.29 times	Critical
E **LIQUIDITY**					
Current Ratio	2.63:1	2.00:1	✓	▼ -0.80:1	Medium
Quick Ratio	2.00:1	1.00:1	✓	▼ -0.39:1	Medium
F **CASH FLOW**					
Cash on Hand	$1,907,964	$10,000	✓	▲ 40.2%	Medium
Net Variable Cash Flow	70.95%	0%	✓	▲ 2.14%	Medium
G **GROWTH**					
Revenue Growth	-4.59%	0.41%	✗	▼ -6%	Critical
Gross Profit Growth	-5.29%	0.17%	✗	▼ -6.99%	Medium
EBIT Growth	-35.79%	0.17%	✗	▼ -59.12%	High

* For this metric, a result below target is favourable

KPI results

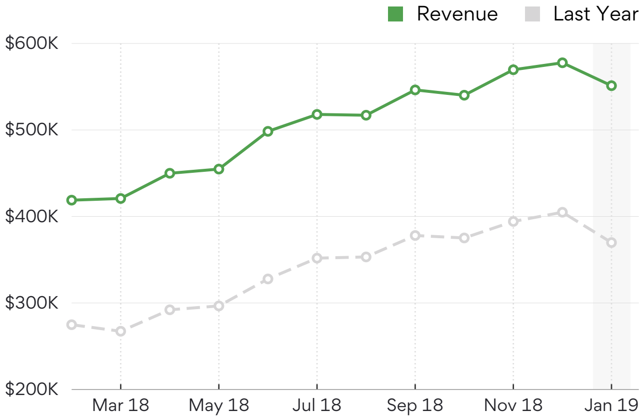
This chart shows KPIs grouped into performance perspectives. Highlighting on-track KPIs and off-track KPIs.



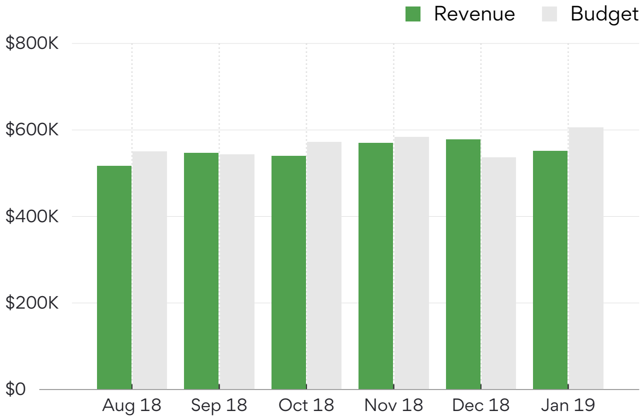
Revenue Analysis

TOTAL REVENUE	LAST MONTH (Jan 18)	TARGET
$551,165	$369,832	$520,000

This year vs last year

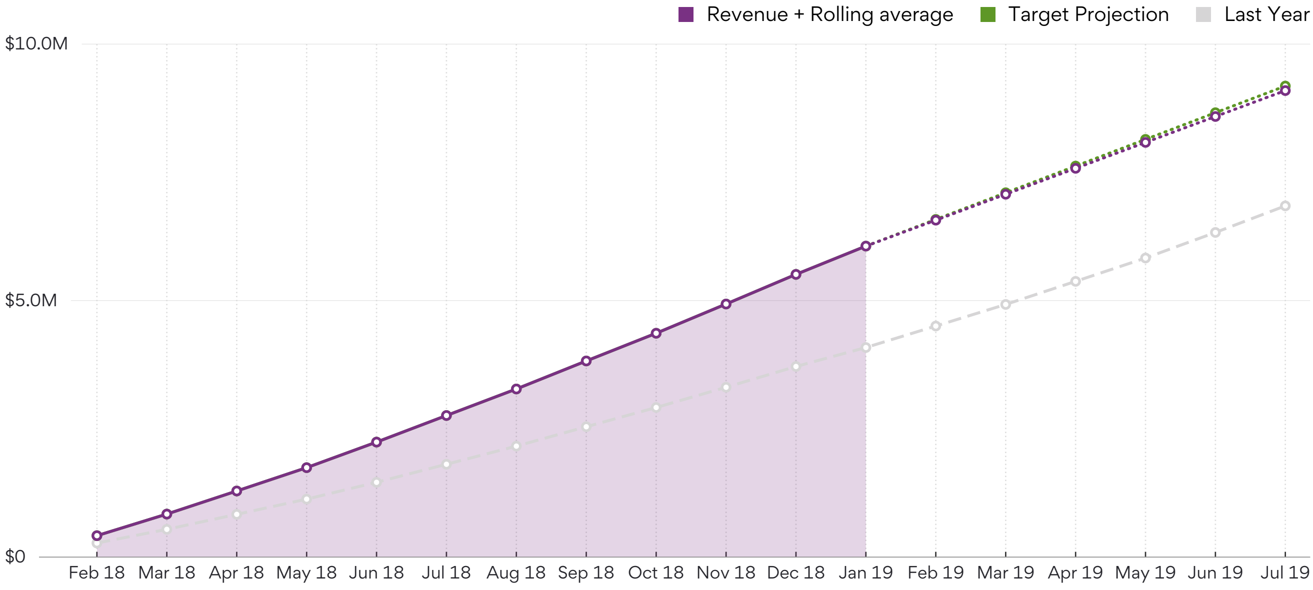


Last 6 months vs Budget



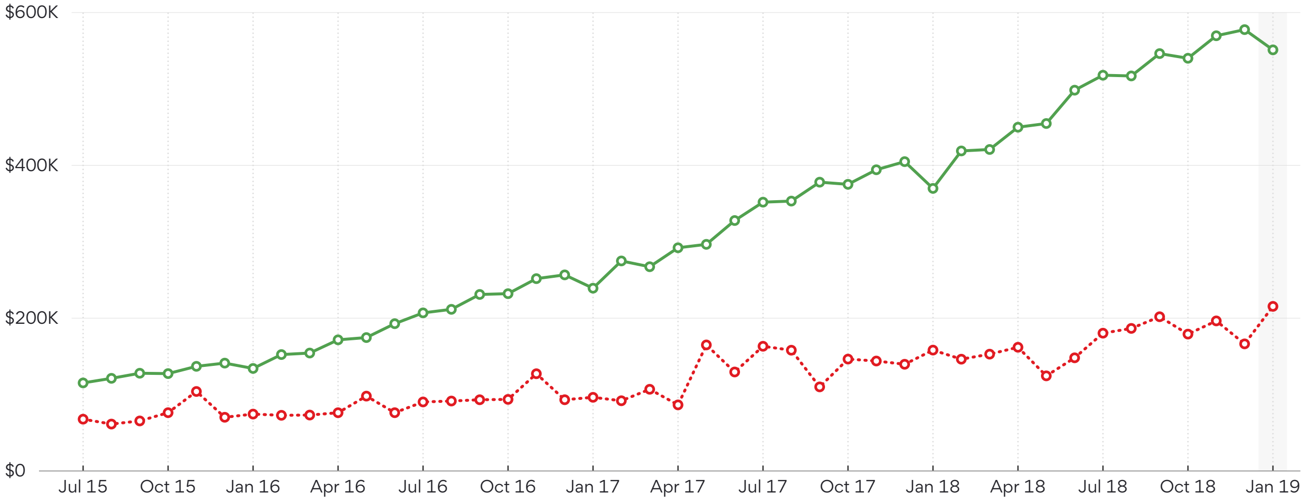
YTD REVENUE (2018/2019 YTD)	YTD TARGET (2018/2019)	LAST YEAR (2017/2018)
$3,819,895	$6,240,000 Target	$4,869,881

Cumulative Revenue

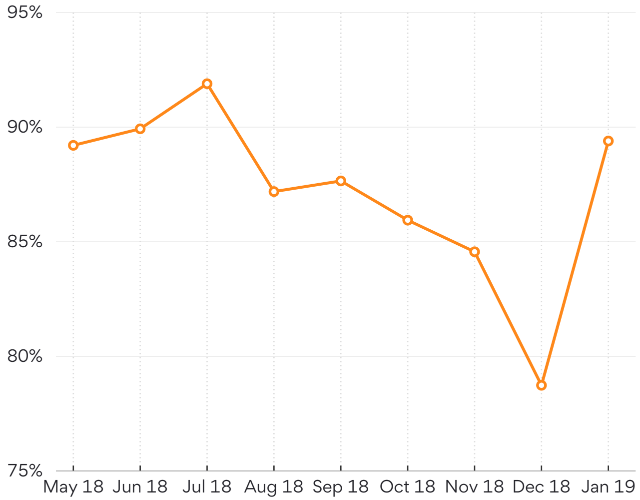


Revenue & Expenses

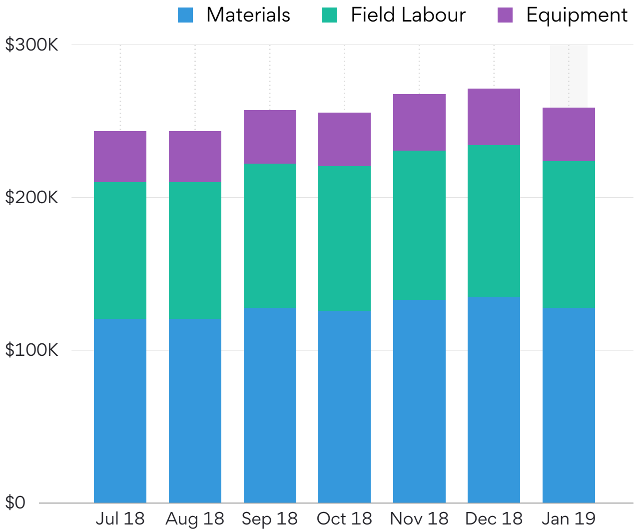
Revenue & Expenses for all time



Expense-to-Revenue Ratio



Cost of Services



Cost of Services breakdown

Materials	$128,258
Field Labour	$95,511
Equipment	$35,476
Commissions	$13,644
Freight	$4,411

Top 10 Expenses

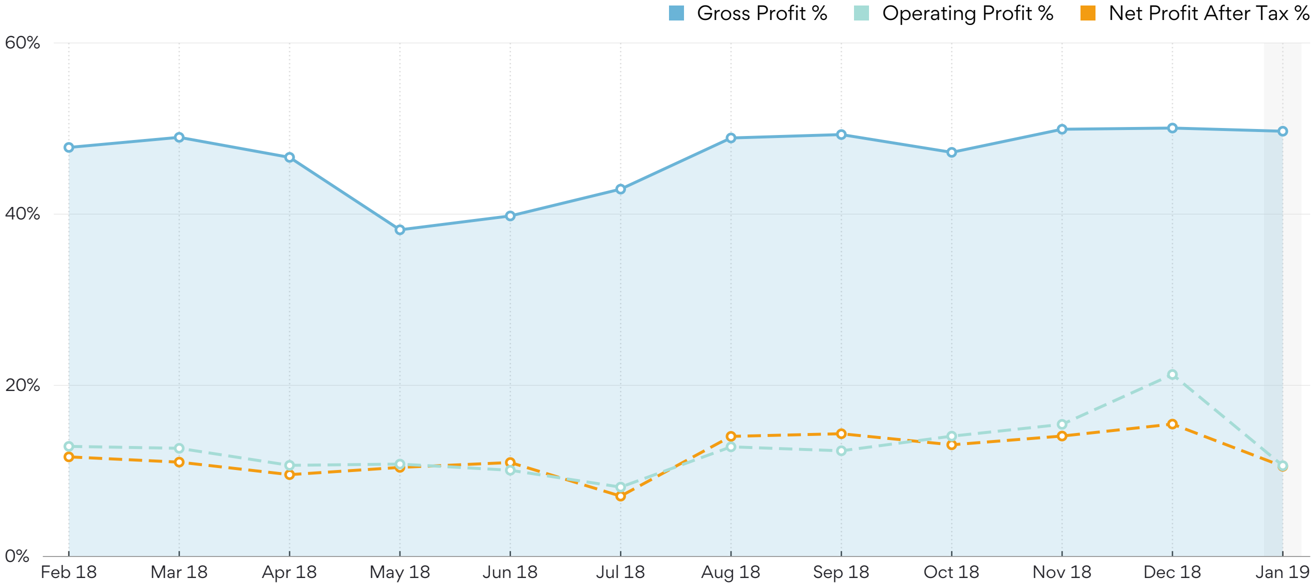
Salaries & Wages	$92,054
Entertainment	$20,636
Loan Interest	$16,146
Advertising & Promotions	$11,357
Contractors	$9,324
Repairs & Maintenance	$8,927
Travel & Accommodation	$8,745
Consulting Fees	$8,743
Marketing	$7,681
Training & Education	$7,196

Profitability Margins

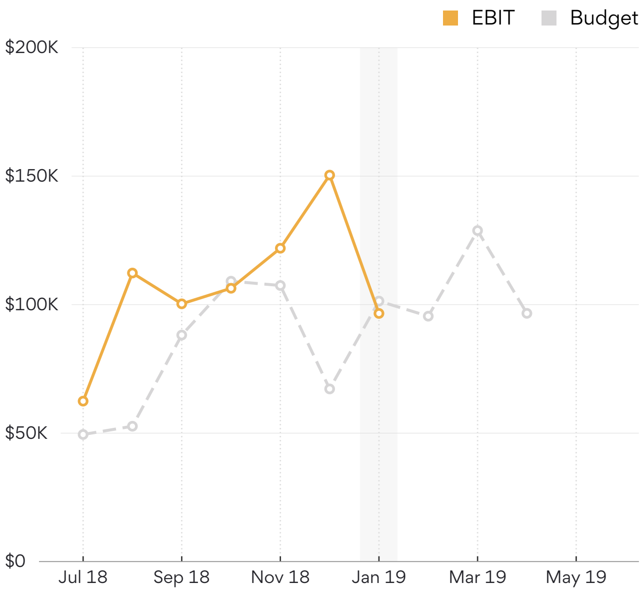
Positive trend upwards for the past 4 months. Much of this improvement in profit is a result of top line growth. Revenues for this period increased by 1.41% and Operating Profit decreased by -5.29%. This is a positive recovery a December and January period, where sales dropped due to seasonality. Positive trend upwards for the past 4 months. Much of this improvement in profit is a result of top line growth.

	Jan 2019	% of Revenue	Oct 2018	Nov 2018	Dec 2018
Gross Profit	$273,865	49.7%	$255,068	$284,350	$289,171
Operating Profit	$58,448	10.6%	$75,938	$87,931	$122,824
Earnings Before Interest & Tax	$96,579	17.5%	$106,376	$121,948	$150,406
Earnings After Tax	$58,053	10.5%	$70,480	$80,154	$89,348

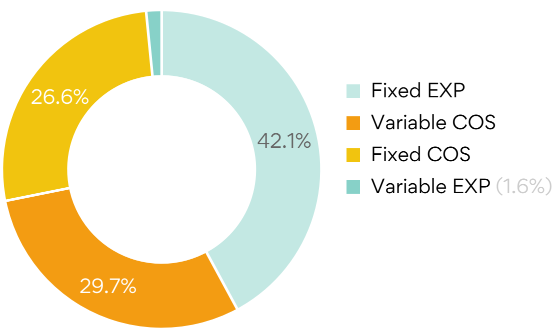
% Margins



EBIT vs Budget



Expenditure Mix



Profitability

REVENUE

$551,165

▼ -4.6% from last month

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

EXPENSES TO REVENUE RATIO

89.4%

▲ 10.66% from last month

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

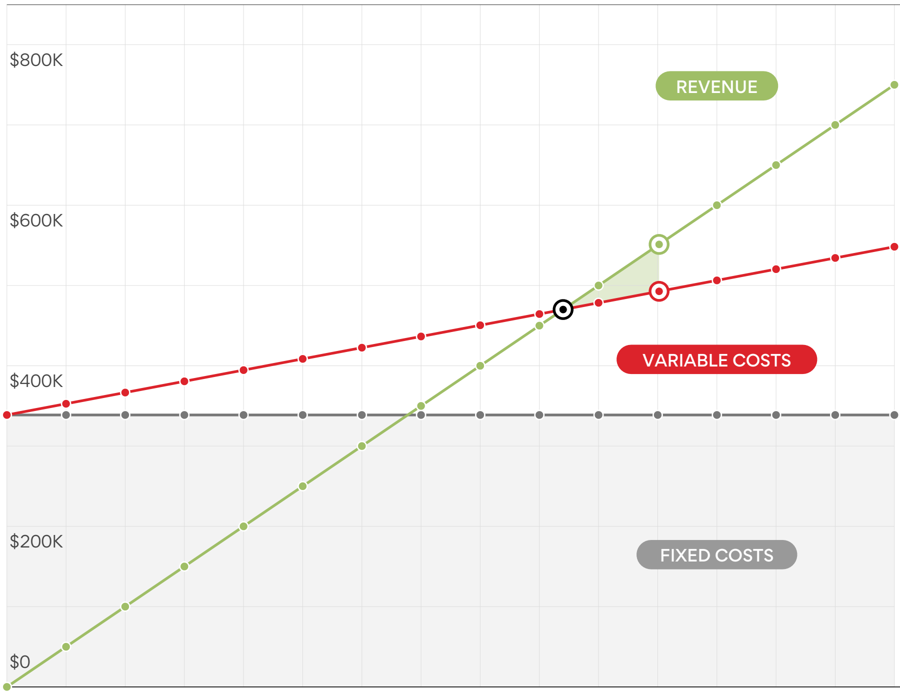
MARGIN OF SAFETY

$81,109

▼ -52.1% from last month

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.



REVENUE

$551,165

TOTAL COSTS

$492,718

BREAKEVEN POINT

$470,056

MARGIN OF SAFETY

$81,109

VARIABLE COSTS

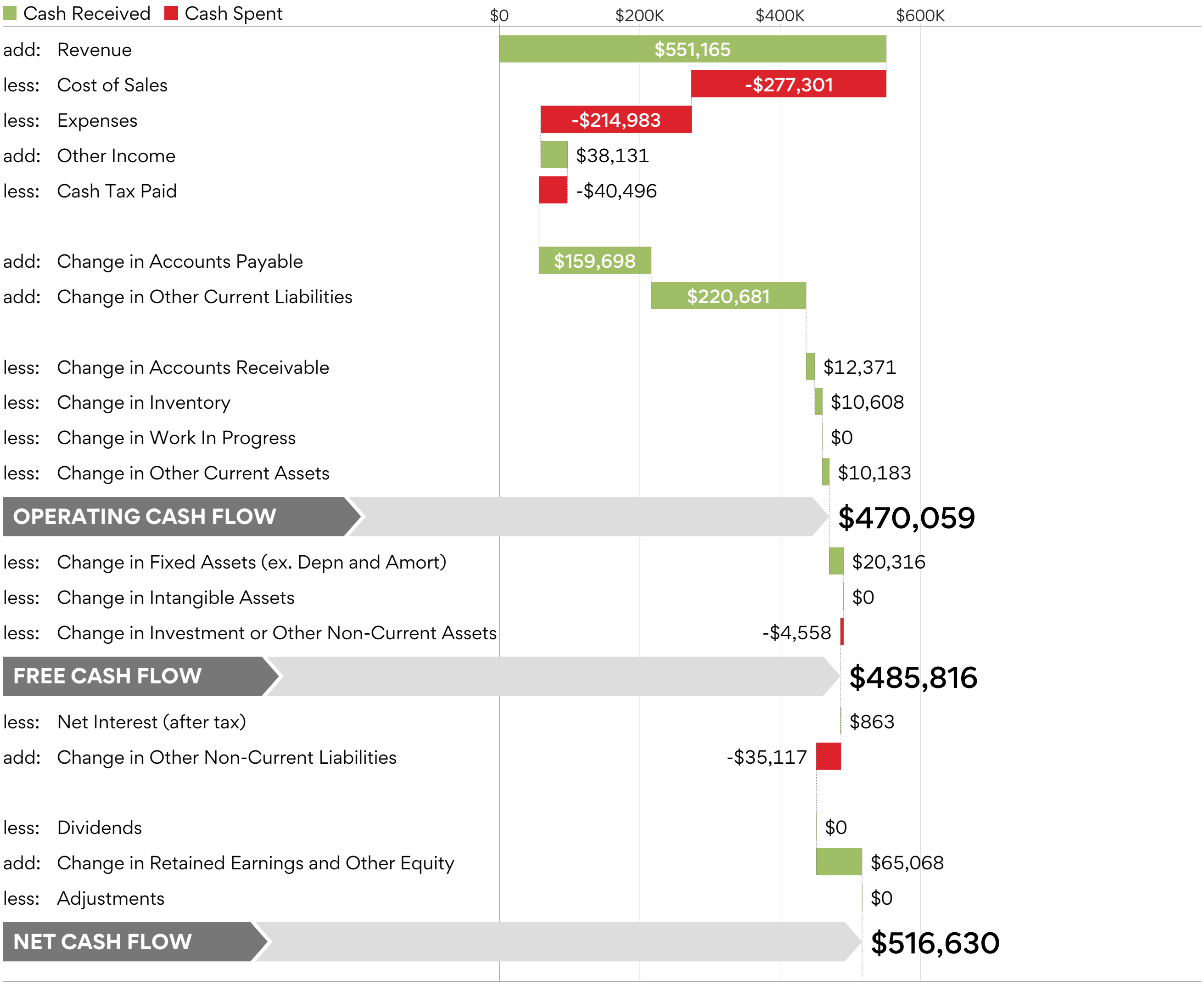
$0.28 PER $1 OF REVENUE

FIXED COSTS

$338,723

Cash Flow

OPERATING CASH FLOW	FREE CASH FLOW	NET CASH FLOW
$470,059	**$485,816**	**$516,630**
Operating cash flow is simply the cash generated by the operating activities of the business. Operating activities include the production, sales and delivery of the company's product and/or services as well as collecting payment from its customers and making payments to suppliers.	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 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 $546,840 (Open: $1,361,124, Close: $1,907,964) — **Change in Debt** $97,399 (Open: $614,969, Close: $712,368)

Actual vs Budget

PROFIT & LOSS	Jan 2019	Budget	Budget Variance ($)	Budget Variance (%)
Revenue				
Income	$551,165	$605,095	-$53,930	-8.91%
Cost of Sales				
Equipment	$35,476	$38,674	-$3,198	-8.27%
Materials	$128,258	$139,821	-$11,563	-8.27%
Field Labour	$95,511	$104,122	-$8,611	-8.27%
Commissions	$13,644	$14,875	-$1,230	-8.27%
Freight	$4,411	$4,220	$191	4.54%
Total Cost of Sales	**$277,301**	**$301,711**	**-$24,410**	**-8.09%**
Gross Profit	**$273,865**	**$303,385**	**-$29,520**	**-9.73%**
Expenses				
Marketing	$14,069	$18,146	-$4,077	-22.47%
General & Admin	$99,517	$101,296	-$1,778	-1.76%
Staff Costs	$101,831	$109,399	-$7,569	-6.92%
Total Expenses	**$215,417**	**$228,841**	**-$13,424**	**-5.87%**
Operating Profit	**$58,448**	**$74,543**	**-$16,096**	**-21.59%**
Other Income				
Other Revenue	$38,131	$26,843	$11,289	42.06%
Earnings Before Interest & Tax	**$96,579**	**$101,386**	**-$4,807**	**-4.74%**
Interest Income				
Interest Income	$1,233	$1,283	-$50	-3.89%
Earnings Before Tax	**$97,812**	**$102,669**	**-$4,857**	**-4.73%**
Tax Expenses				
Payroll Tax	$3,557	$3,328	$229	6.88%
Tax Expense	$5,888	$667	$5,221	783.20%
Income Tax Expense	$30,313	$5,603	$24,710	441.03%
Earnings After Tax	**$58,053**	**$93,071**	**-$35,018**	**-37.62%**
Net Income	**$58,053**	**$93,071**	**-$35,018**	**-37.62%**
Retained Income	**$58,053**	**$93,071**	**-$35,018**	**-37.62%**

Balance Sheet

BALANCE SHEET	Jan 2019	Dec 2018	Variance $	Variance %
ASSETS				
Cash & Equivalents	$1,907,964	$1,361,124	$546,840	40.18%
Accounts Receivable	$136,928	$149,300	-$12,371	-8.29%
Inventory	$325,340	$335,948	-$10,608	-3.16%
Work in Progress	$0	$0	$0	–
Other Current Assets	$312,327	$322,510	-$10,183	-3.16%
Total Current Assets	**$2,682,559**	**$2,168,881**	**$513,678**	**23.68%**
Fixed Assets	$565,778	$586,529	-$20,751	-3.54%
Intangible Assets	$3,867	$3,867	$0	0.00%
Investment or Other Non-Current ...	$17,529	$12,970	$4,558	35.14%
Total Non-Current Assets	**$587,174**	**$603,366**	**-$16,192**	**-2.68%**
Total Assets	**$3,269,733**	**$2,772,248**	**$497,485**	**17.95%**
LIABILITIES				
Short Term Debt	$91,129	$82,619	$8,511	10.30%
Accounts Payable	$390,276	$230,578	$159,698	69.26%
Tax Liability	$0	$0	$0	–
Other Current Liabilities	$539,661	$318,980	$220,681	69.18%
Total Current Liabilities	**$1,021,066**	**$632,177**	**$388,890**	**61.52%**
Long Term Debt	$621,238	$532,350	$88,889	16.70%
Deferred Taxes	$51,187	$52,295	-$1,108	-2.12%
Other Non-Current Liabilities	-$184,454	-$149,336	-$35,117	-23.52%
Total Non-Current Liabilities	**$487,972**	**$435,308**	**$52,664**	**12.10%**
Total Liabilities	**$1,509,038**	**$1,067,484**	**$441,553**	**41.36%**
EQUITY				
Retained Earnings	$1,007,769	$1,007,769	$0	0.00%
Current Earnings	$502,420	$444,367	$58,053	13.06%
Other Equity	$250,506	$185,438	$65,068	35.09%
Total Equity	**$1,760,695**	**$1,637,574**	**$123,121**	**7.52%**
Total Liabilities & Equity	**$3,269,733**	**$2,705,058**	**$564,675**	**20.87%**

KPIs Explained

Activity Ratio 2.77 times

A measure of the efficiency or effectiveness with which the business manages its resources or assets. This measure indicates the speed with which Net Operating Assets (Equity + Debt) are converted or turned into sales. This can be improved by optimising balance sheet efficiency, ie. by reducing the investment in working capital, selling-off any unused assets or by seeking ways to maximise the use of assets. For this period, the activity ratio has exceeded the target of 2.00 times.

Activity Ratio = Annualised Revenue / Total Invested Capital

Cash on Hand $1,907,964

A measure of the cash and cash equivalents in actual possession by the company at a particular time. At the end of this period the company held $1,907,964 of cash and cash equivalents. Cash on Hand is above the required target of $10,000.

Cash on Hand = Cash & Equivalents

Current Ratio 2.63:1

A measure of liquidity. This measure compares the totals of the current assets and current liabilities. The higher the current ratio, the greater the 'cushion' between current obligations and the business's ability to pay them. Generally a current ratio of 2 or more is an indicator of good short-term financial strength. In other words, the current assets of the business should be at least double the current liabilities. For this period, the current ratio was 2.63:1, down from 3.43:1 last period and above the minimum target of 2.00:1.

Current Ratio = Total Current Assets / Total Current Liabilities

Customer Satisfaction 81.8%

A measure of the degree to which a customer is happy with a product, service, or experience. This is calculated by surveying customers at the end of each project.

EBIT Growth -35.79%

A measure of the percentage change in EBIT for the period. A combination of growth in revenues and growth in profits presents a balanced measure of growth For this period, EBIT growth of -35.79% was less than the target of 0.17%.

EBIT Growth = (Earnings Before Interest & Tax - Prior Earnings Before Interest & Tax) / Prior Earnings Before Interest & Tax * 100

Equipment expense % 6.4%

Total equipment costs as a percentage of total revenue earned. It is useful to track this metric to indicate if the business should be buying equipment to improve field productivity. Investments in the right tools and machinery may increase labour productivity.

Equipment expense % = (Equipment / Income) * 100

Field labour expense % 17.3%

Total payroll costs (field staff only) as a percentage of total revenue earned.

Field labour expense % = (Field Labour / Income) * 100

Gross Profit Growth -5.29%

A measure of the percentage change in gross profit for the period. For this period, gross profit growth of -5.29% was less than the target of 0.17%.

Gross Profit Growth = (Gross Profit - Prior Gross Profit) / Prior Gross Profit * 100

Gross Profit Margin 49.69%

A measure of the proportion of revenue that is left after deducting all costs directly related to the sales. For each $100 in sales the business retains $49.69 after deducting the cost of sales. The gross profit serves as the source for paying operating expenses. The gross profit margin can be further improved by improving price, volume and cost of sales management. For this period, the gross profit margin % is above the required target of 45%.

Gross Profit Margin = Gross Profit / Revenue * 100

Materials expense % 23.3%

An increasing ratio may indicate estimating problems or wasteful purchasing habits.

Materials expense % = (Materials / Income) * 100

Net Profit After Tax Margin 10.53%

A measure of the proportion of revenue that is left after all expenses have been paid. The business makes $10.53 of net profit for every $100 it generates in revenue. For this period, the Net Profit After Tax margin is below the required target. This may indicate cost blowouts that require efficiency improvements.

Net Profit After Tax Margin = Earnings After Tax / Revenue * 100

Net Variable Cash Flow 70.95%

A measure of the additional cash that will either be generated or used up by the next $100 of products or services that the business sells. If the Net Variable Cash Flow is positive then for every additional $100 of revenue the business will generate cash. If the Net Variable Cash Flow is negative then for every additional $100 of revenue the business will require additional cash funding. For this period, the Net Variable Cash Flow exceeded the target of 0%. The Net Variable Cash Flow is 70.95% of gross revenue. Each additional $100 of Revenue will generate $70.95 of cash.

Net Variable Cash Flow = (Annualised Revenue - Annualised Variable COS - Annualised Variable Expenses - Operating Working Capital) / (Annualised Revenue) * 100

Profitability Ratio 17.52%

A measure of the proportion of revenue that is left after deducting all expenses. This excludes finance costs and tax expenses. The business makes $17.52 of EBIT for every $100 it generates of revenue. The profitability ratio can be further improved by improving price, volume, cost and expense management. For this period, the Profitability ratio is above the required target of 16.76%.

Profitability Ratio = Earnings Before Interest & Tax / Revenue * 100

Quick Ratio 2.00:1

The Quick Ratio measures the availability of assets which can quickly be converted into cash to cover current liabilities. Inventory and other less liquid current assets are excluded from this calculation. The Quick Ratio is a measure of the ability to pay short-term creditors immediately from liquid assets. A quick ratio of 1:1 or more is considered 'safe'. For this period, the quick ratio was 2.00:1, down from 2.39:1 last period and above the minimum target of 1.00:1.

Quick Ratio = (Cash & Equivalents + Accounts Receivable) / Total Current Liabilities

Revenue Growth -4.59%

A measure of the percentage change in revenue for the period. Management should ensure that revenues increase at rates higher than general economic growth rates (ie. inflation). For this period, revenue growth of -4.59% was below the target growth of 0.41%.

Revenue Growth = (Revenue - Prior Revenue) / Prior Revenue * 100

Revenue per man hour $45.60

A percentage of total revenue earned by number of payroll hours (field staff only).

Revenue per man hour = Income / Man hours