



Patton[®]trender

Financial Fundamentals for Your Business

ABC Company – Financial Report Card & Two Page Summary Sheets
DECEMBER 2022

Financial Report Card™

5 Elements® of financial fundamentals

FF#	FF Element Description	October	November	December
1	Cash flow (Foundation Cash Flow™)	A	A	D
2	P&L			
	- Operating earnings	A	A	D
	- Sales	B	B	C
3	Liquidity (financial health)	C	C	B
4	Value	B	B	B
5	Borrowing capacity	B	B	B

Note: Above the bold line are Cash Flow, Operating Earnings and Sales amounts; below the bold line are Capital amounts.

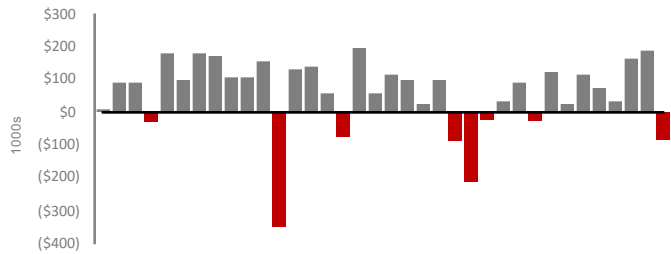
- Amounts above the line are monthly and they help drive the Capital items...the Capital items below the line are a combination of annual Cash Flow and P&L amounts plus cumulative balance sheet amounts.

- The 5 Elements are interwoven with each other.

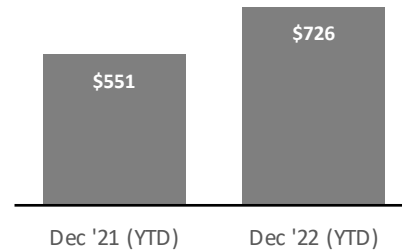
Summary Overview

Cash flow, operating earnings, sales

Foundation (or Primary) Cash Flow



Prior Year vs Current Year

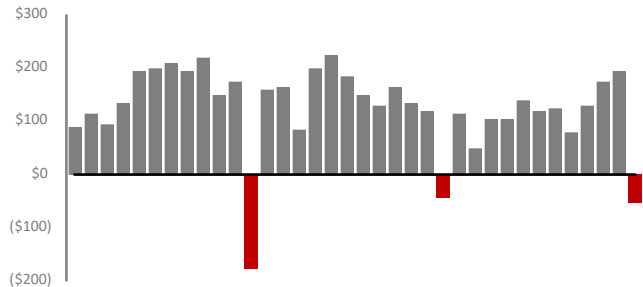


Foundation Cash Flow ("FCF") for the month...very low at <\$82K>

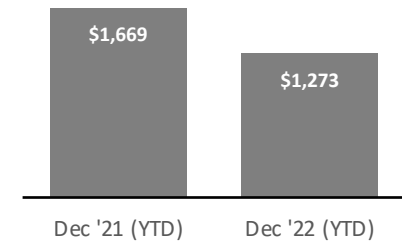
ABC experiences low December FCF was driven by the full year of property taxes being reported in this one month. This year's property taxes were about \$200K. Low sales also contributed to poor FCF. Plus FCF improves financial health & vice versa

Year-over-year Foundation Cash Flow improved in spite of significant drop in sales. This increase in FCF was driven by Non-Ops cash flow items having a \$571K improvement.

Operating Earnings



Prior Year vs Current Year

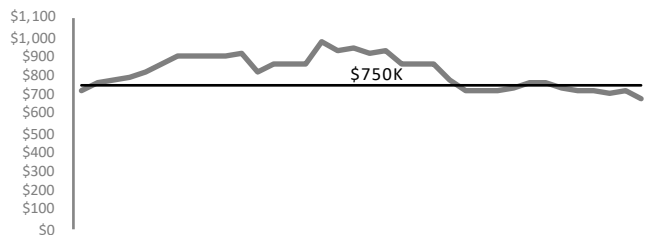


Operating earnings for the month...were negative at <\$53K>

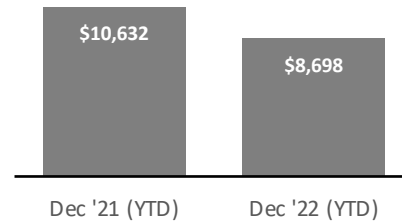
Two drivers of lower Ops Earnings were:
Full year of property taxes in the month
Low Granite product sales.

YTD's Ops Earnings were about \$400K < last year. Sales down \$2MM (~ 20%) which was driven by the weaker economy. Effect of lower sales offset some management's reduction in SGA expenses.

Revenues



Prior Year vs Current Year



Revenues for the month...sales were fairly low this month at \$680K.

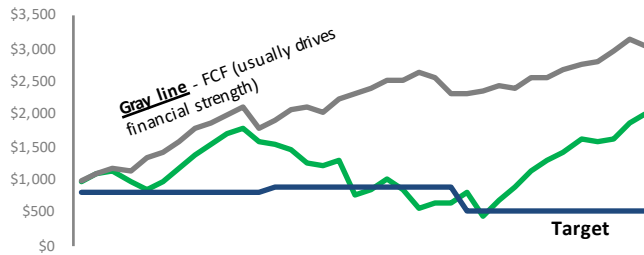
Lower sales were driven by all three top categories of Granite, Marble and Flooring all being down.

A weaker economy led to this years' sales of \$8.7MM being \$2MM (about 20%) less than last year.

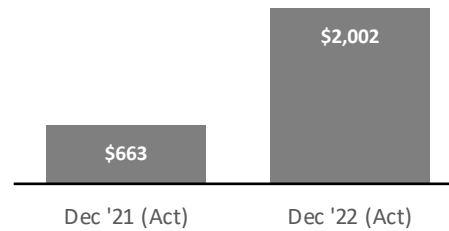
Summary Overview

Capital

Liquidity



Prior Year vs Current Year



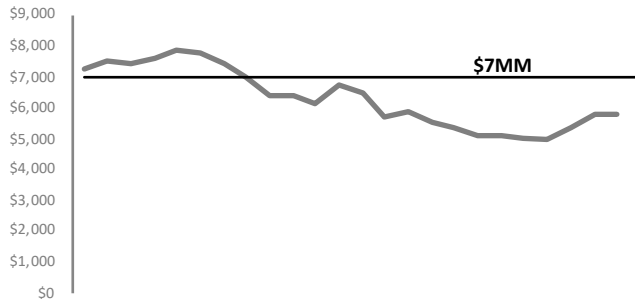
Liquidity (or Financial Health)... ABC's financial health of \$2MM is strong

The strong liquidity target, of one month's costs, is \$533K. The liquidity is well above this target.

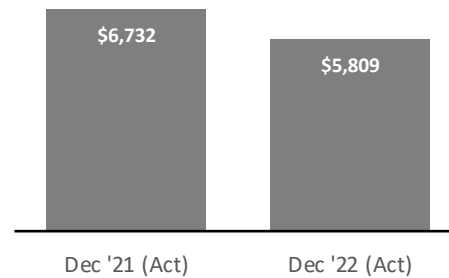
The charts to the left shows that liquidity significantly improved this year.

This improvement is primarily driven by good Foundation Cash Flow and large decline in inventory balances.

Shareholder Values



Prior Year vs Current Year



Estimated Shareholder Values

Values have declined over the last couple of years with the decrease in sales and ops earnings.

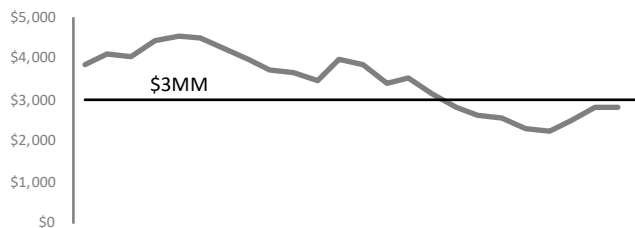
Value calculation drivers:

Operating earnings

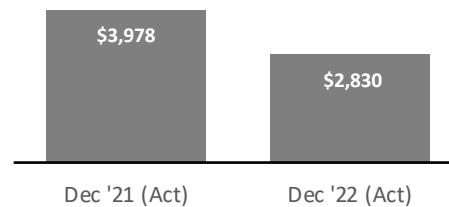
Multiple (5 used here)

Reduced by interest bearing debt

Term Debt Supported by Cash Flow



Prior Year vs Current Year



Term Debt Borrowing Capacity Term Debt Borrowing capacity decreased with reduction in Ops Earnings.

Borrowing drivers:

Operating earnings

Estimated "maintenance cap ex"

Estimated income taxes

Estimated: Rate (7.0%) & Term (7 Years)

Cash flow coverage = 1.35:1

Reduced by existing term debt