

# Business Intelligence Report

for

Company 1

## Disclaimer

This analysis of Company 1 is designed to provide a high level overview of its' performance. The report is provided for information purposes only. Business Intel Pty Ltd, it's officers and staff exclude and disclaim any liability in respect of anything done in reliance on this report.

The figures are current as of 30/06/2008, and do not purport to be a complete representation of the financial state of the business.

This report is based entirely on the figures entered by the owner or by the owner's representative. Whilst every effort has been made to ensure the accuracy of these figures, Business Intel Pty Ltd, it's officers and staff exclude and disclaim any liability for inaccuracies in these figures.

Company 1 operates in an economic environment where both known and unknown factors may cause its' business performance to differ materially from that expected or implied by this report.

No assurance or guarantee is, nor should be taken to be, given in relation to the future business performance or results of Company 1. Please note that the Performance Factor in the Performance Evaluation section of the report bears no relation to the Asking Price as shown on the Web site.

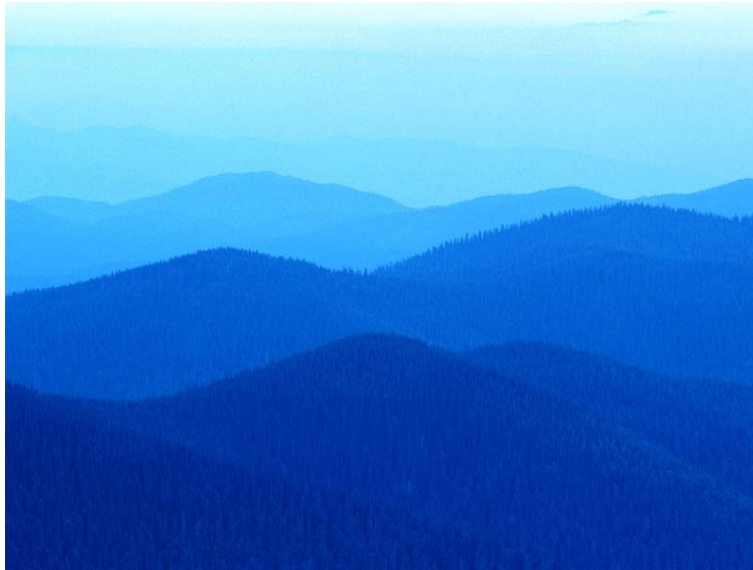
The report is not intended to be relied upon as advice to buyers or potential buyers, and does not take into account the investment objectives, financial situation or needs of any particular buyer. These should be considered, with or without professional advice when deciding if a purchase is appropriate.

## Company Overview

Company 1 is based in Brisbane, Queensland, Australia, and operates in the industry category of Pharmaceutical and Medicinal Product Manufacturing within the Manufacturing industry.

We are a medical supplies company servicing the Greater Brisbane area. Our products include treatments for sleep apnea.

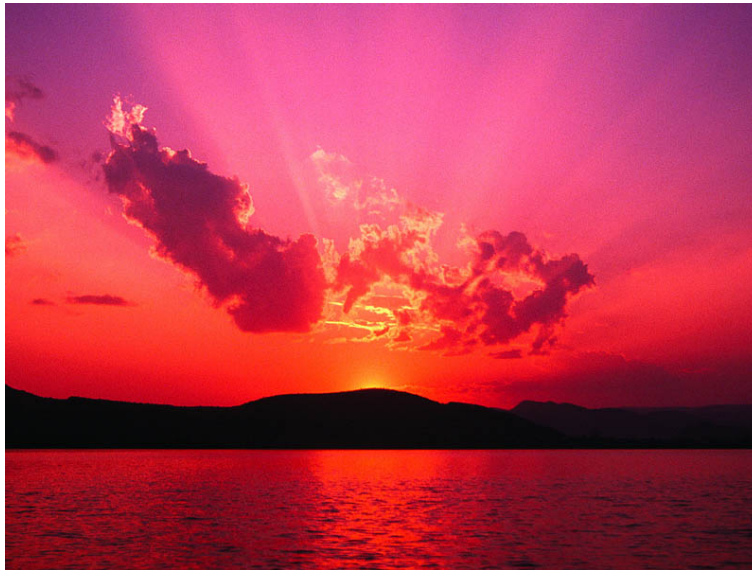
Our products are of high quality and of high durability.



We have long standing relationships with our customers, and will enjoy their patronage for many years to come.



We have a strong brand name, and an enviable reputation.



## Company Profile

### History of the Business

The business was started in 1999. We operated from our home office, initially, selling to private clinics. By 2002, we got our first sales contract with a major hospital. We hired a couple staff to help with the administration, and moved to a larger warehouse. The business now has five permanent staff, and two salesmen.

### Customer Profile

The main customers are hospitals in the greater Brisbane area. We have also expanded the number of private clinics that we have as clients.

### Supplier Arrangements

Our medical equipment is supplied by a number of manufacturers around the world.

### Competition

There is one other medical supplies company in Brisbane, but they supply specialised medical equipment.

### Management Skills and Requirements

General management skills are required for this business. The admin staff can run the day to day operations. You need to liase with suppliers and clients, and make sure everyone is happy.

### Terms of the Lease

The lease on the warehouse and offices is renewable after two years. It costs \$25000 per year.

### Staffing

1. Manager 2. Assistant Manager 3. Sales Manager 4. Admin Supervisor

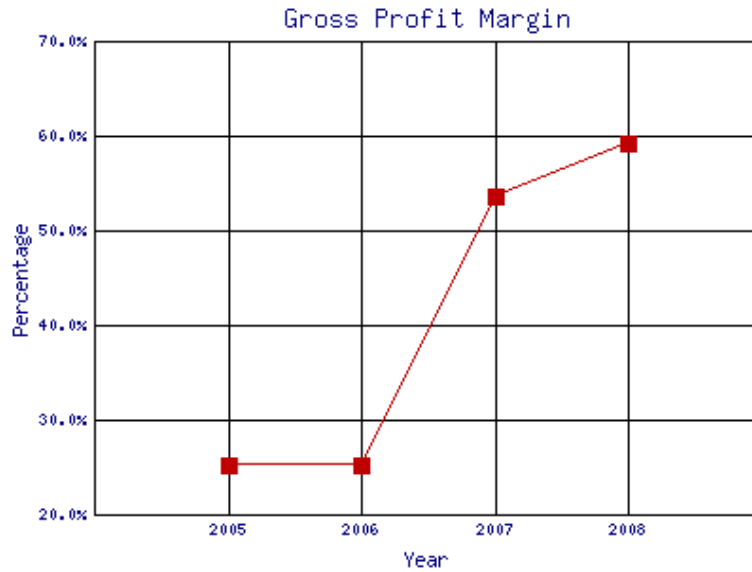
### Legal Structure

It's a partnership between me and my wife and son.

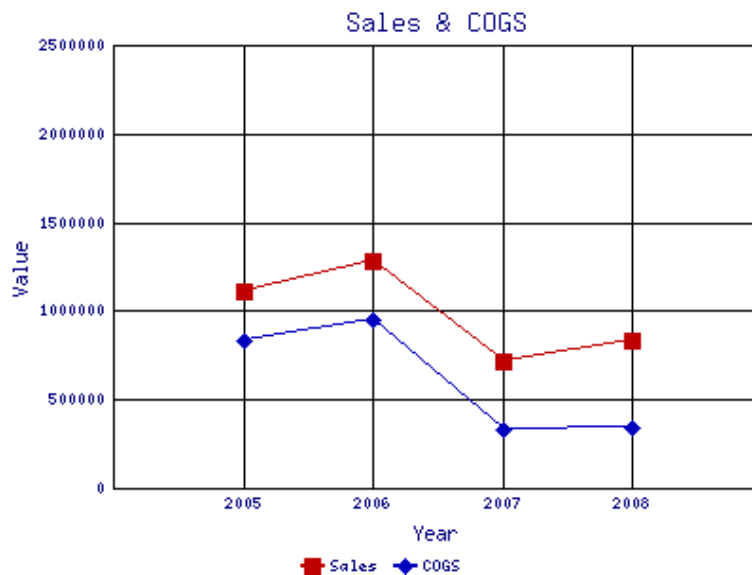
### Profitability Ratios

#### Gross Profit Margin

The Gross Profit ratio indicates the percentage of gross profit made for every dollar of revenue.

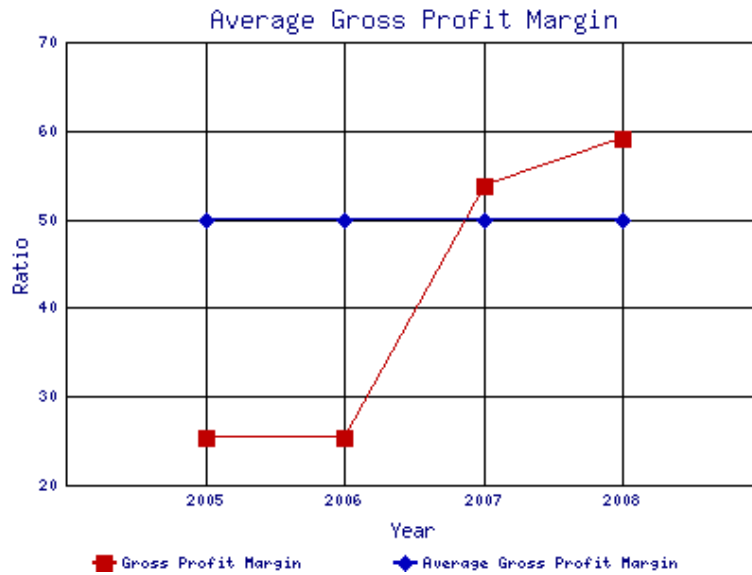


A fall in the gross profit margin may indicate that a rise in direct costs has not been passed-on to the consumer. The graph below will identify the cause of a rise or fall in Gross Profit Margin.



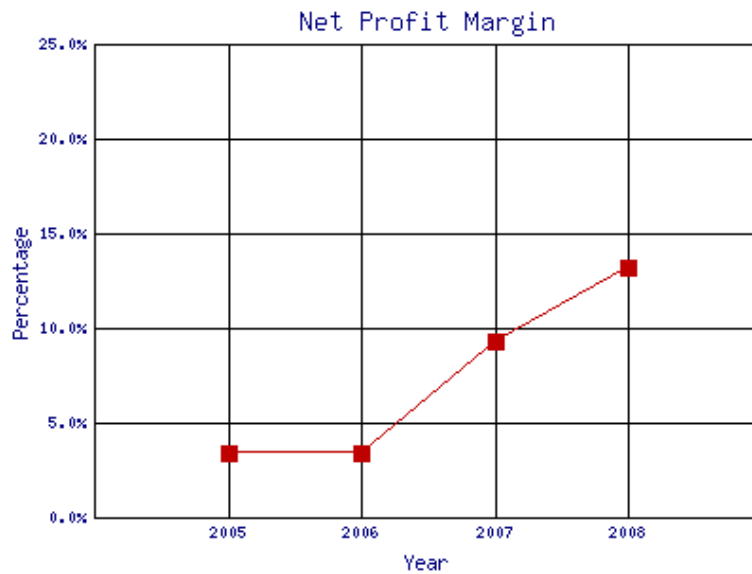
A rise in Gross Profit Margin may be a result of the affects of increasing sales or a fall in direct costs. To assess the efficacy of the Gross Profit Margin, it needs to be compared to the average Gross Profit Margins

of companies in the same industry. The Australian Tax Office has supplied average Gross Profit Margins for the Pharmaceutical and Medicinal Product Manufacturing industry.

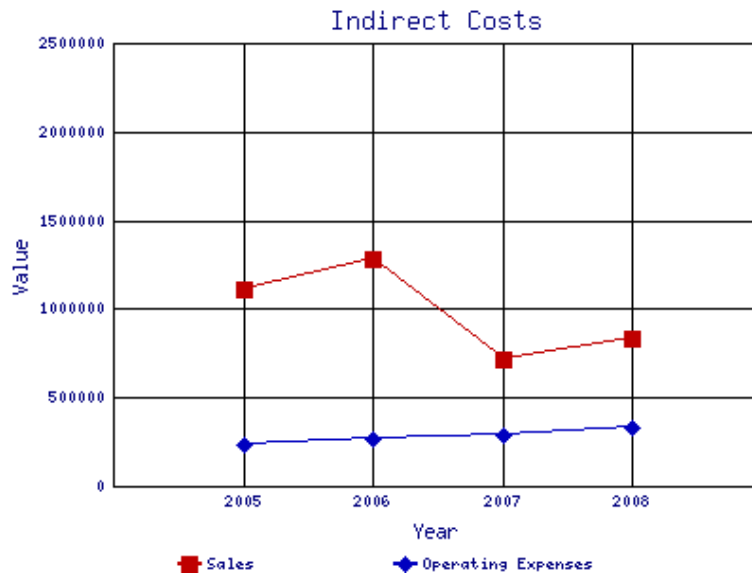


### Net Profit Margin

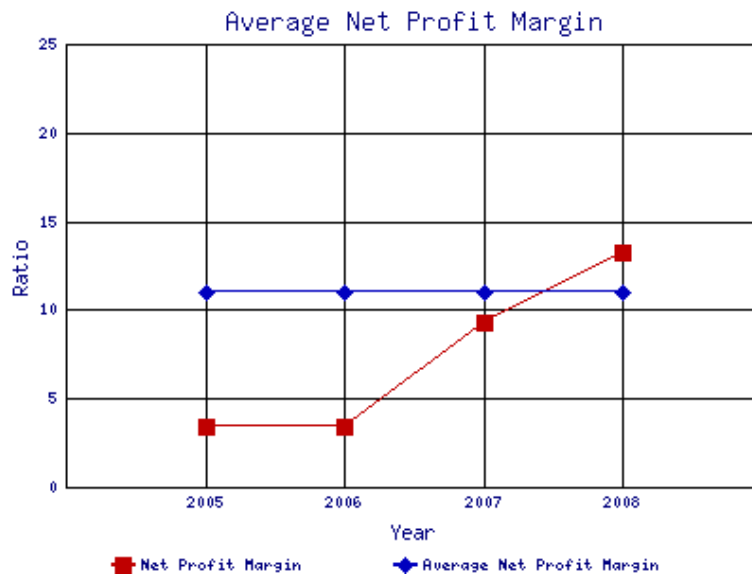
The Net Profit ratio indicates the percentage of net profit made for every dollar of revenue.



A fall in Net Profit may indicate an increase in indirect costs (operating expenses) that has not been passed-on to the consumer.



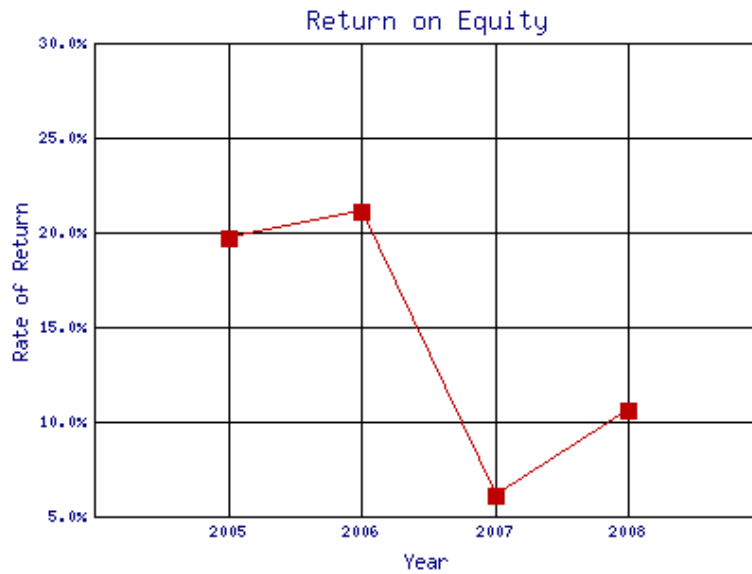
To assess efficacy of the Net Profit Margin, it needs to be compared to the average Net Profit Margins of companies in the same industry. The Australian Tax Office has supplied average Net Profit Margins for the Pharmaceutical and Medicinal Product Manufacturing industry.



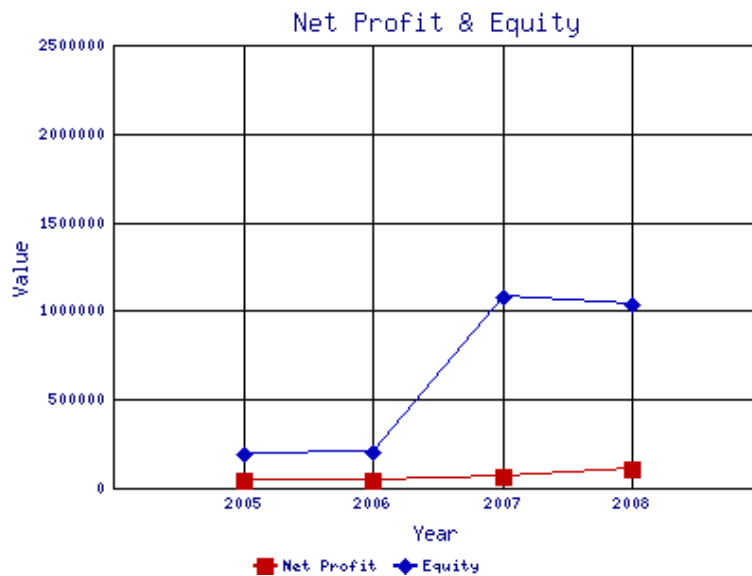
## Rate of Return Ratios

### Return on Capital Employed

The Return on Capital Employed is the profit on shareholders equity expressed as a percentage. When compared to Bank interest rates on term deposits, it should be very favourable. The following graph illustrates the trend in ROCE at Company 1.

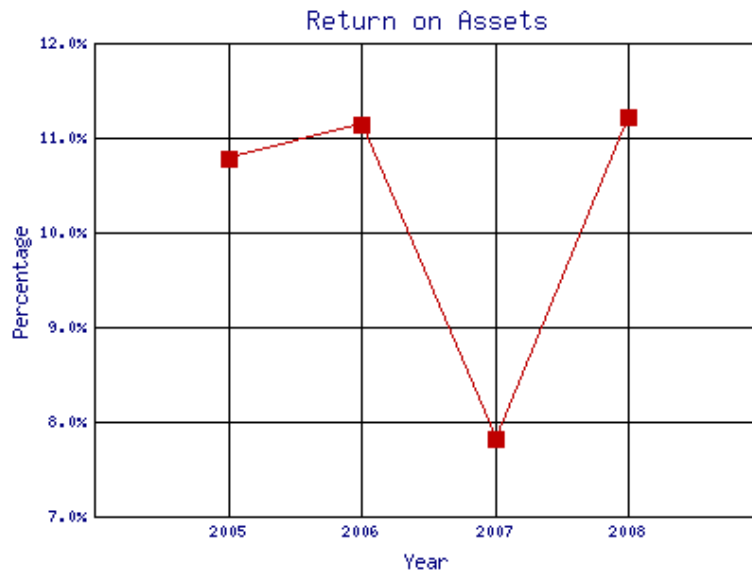


Changes in shareholders equity and/or net profit affect the ROCE. The following graph plots these figures. An increase in net profit while shareholders equity remains the same results in an increase in ROCE.

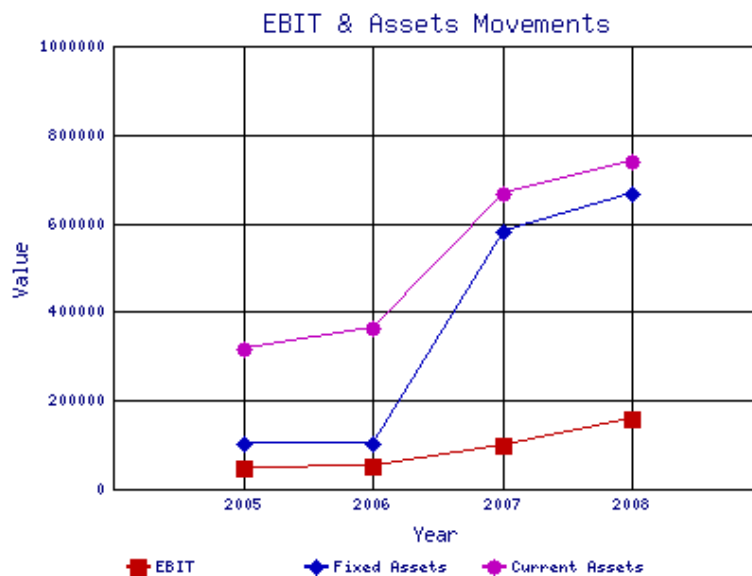


### Return on Total Assets

Similarly, ROTA measures the return on the core operations of the company without the impact of interest payments and tax. The following graph illustrates the trend in ROTA at Company 1.



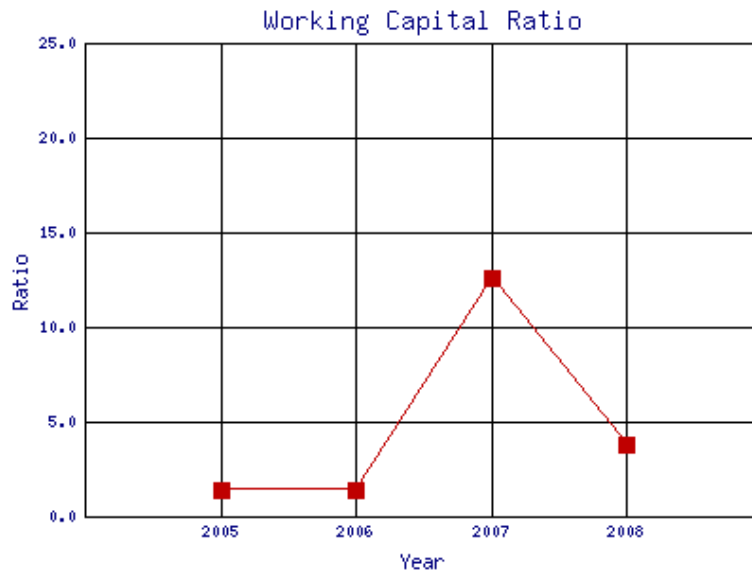
Changes in PBIT, fixed and current assets affect the movements in ROTA as the following graph illustrates. An increase in Total Assets will cause the Return on Assets to fall, and conversely, a fall in Total Assets will cause the Return on Assets to rise.



## Liquidity Ratios

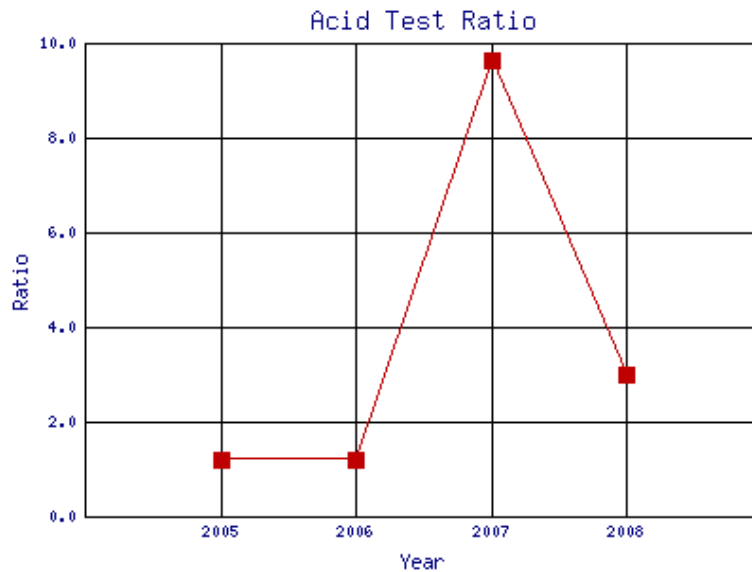
### Working Capital Ratio

The Working Capital Ratio is a measure of a company's ability to meet its short-term liabilities. A value less than one may indicate that the company is having trouble paying its creditors over the short-term. A declining ratio value may indicate that sales volumes are decreasing.



### Acid Test Ratio

The Acid Test Ratio indicates whether the company has enough short-term assets to cover its immediate liabilities without having to sell inventory.



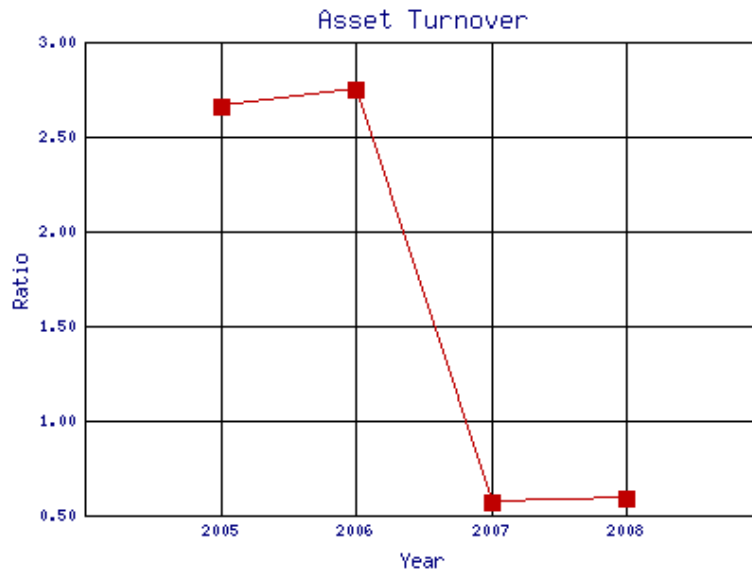
As for the Working Capital Ratio, a number below one indicates that the company may have trouble meeting its short-term liabilities.

### Asset Usage Ratios

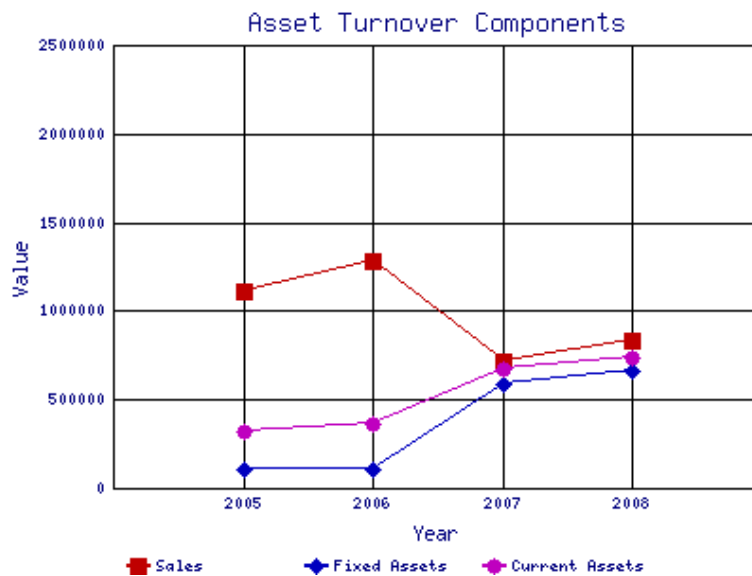
#### Asset Turnover Ratio

Asset turnover measures a firm's efficiency at using its' assets in generating sales or revenue - the higher the number the better. A number below one indicates that there are assets which are not being used to generate

revenue. However, a low asset turnover is also indicative of a company with high profit margins, and conversely, a high asset turnover is indicative of low profit margins.



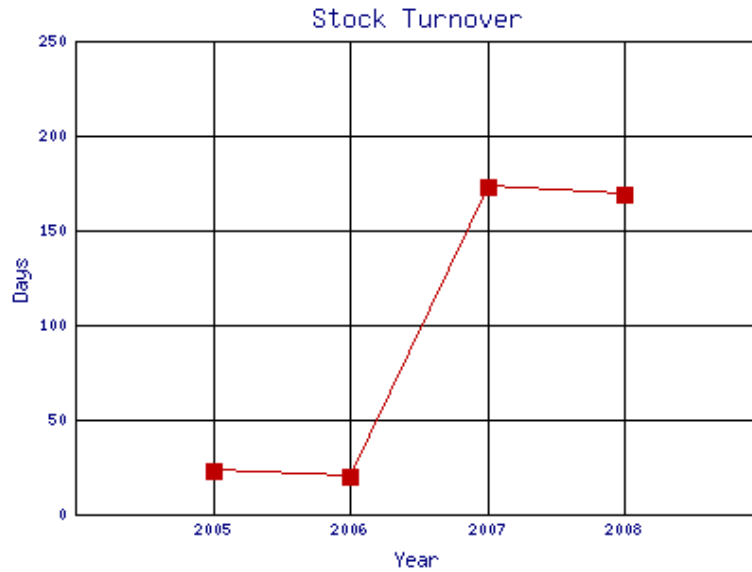
As long as the turnover is steady or increasing, then a fall in the Asset Turnover ratio may simply indicate further investment in the company's assets which have yet to be used to generate revenue.



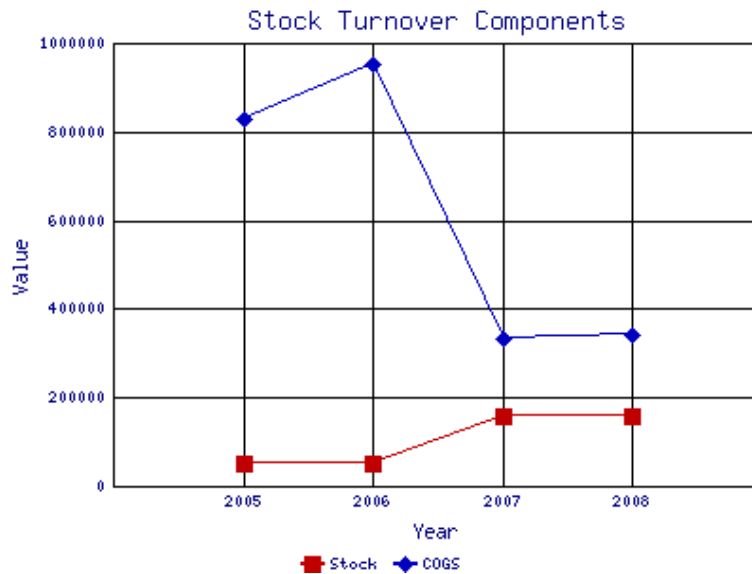
## Management of Working Capital

### Stock Turnover Ratio

The Stock Turnover Ratio measures the number of days it takes to clear the daily average amount of stock. The lower the number of days - the better. If inventory levels are too high, then the company has too much money invested in assets that are not being used to generate revenue.

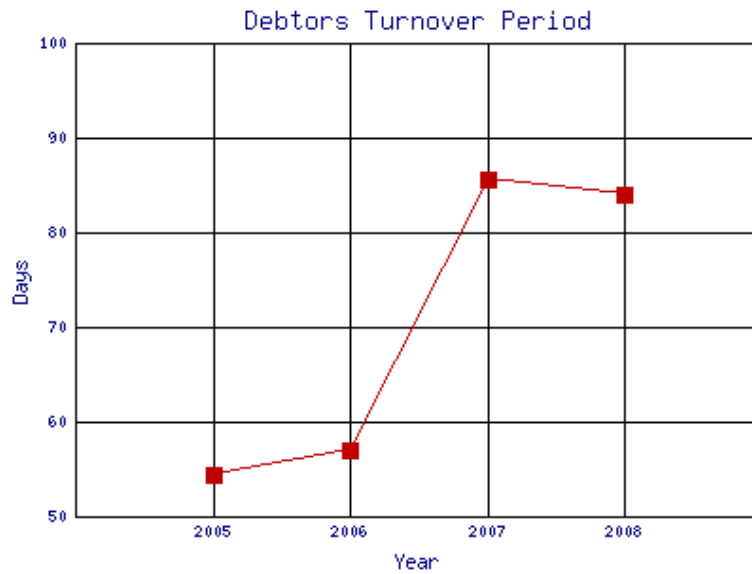


An increase in stock levels may indicate decreasing sales volumes or simply an over-investment in stock. An increase in COGS while inventory levels remain about the same would indicate greater operating efficiency.



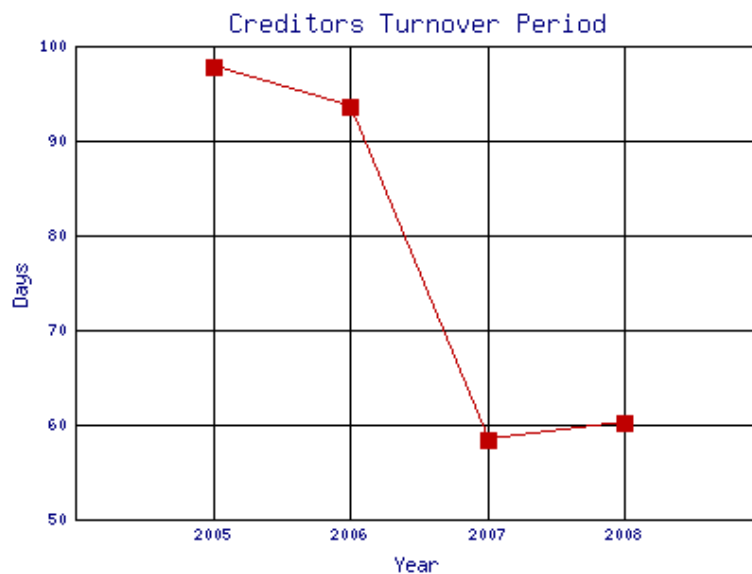
### Debtors Turnover Ratio

The Debtors Turnover Ratio measures the average number of days it takes clients to pay their account. This number then needs to be compared to the company's payment terms. If this number exceeds the payment terms, it may indicate that Trade Debtors need tighter control. To attain greater accuracy, Trade Debtors are separated from Other Debtors because Other Debtors may be on specially arranged payment terms, and Net Credit Sales are separated from Cash Sales. So, the calculation is done using Trade Debtors and Net Credit Sales.



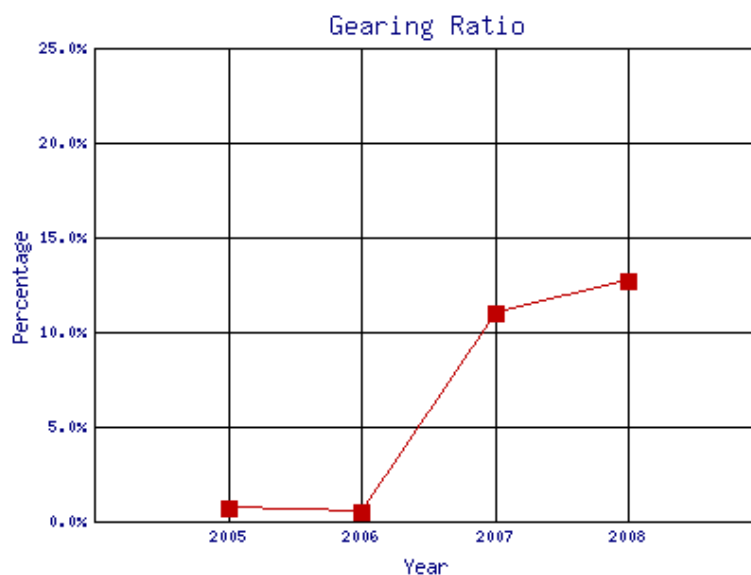
### Creditors Turnover Ratio

The Creditors Turnover Ratio measures the average number of days this company takes to pay its' creditors. If it's too long, the company maybe missing out on discounts that some creditors offer as an incentive to pay their bills early. Also, creditors may not be willing to extend credit to companies that don't pay their bills on time.



### Gearing Ratio

The Gearing Ratio measures the relationship between long term liabilities ( that is, amounts falling due after one year) and equity. In other words, it shows how the funding is structured . whether it be equity based or debt based. The following graph illustrates the trend in the percentage of company equity that is geared.



During down-turns in the economy, debt based funding will be a burden on the company because it has to continue to service its debt repayments while experiencing falling sales. A gearing ratio of 70% is considered to be acceptable. A figure above this level may indicate that the company is over-burdened with debt.

## Performance Evaluation

The following table shows an evaluation of the performance of the company based on the last financial statement. The Performance Measurement is a score out of 100. A number greater than 100 represents a performance above the industry benchmark. A number below 100 represents a performance below the industry benchmark. The Performance Factor is calculated by comparing the sum of the performance measurement with the standard performance benchmark (800.00).

Note that the Stock, Debtors and Creditors Turnover ratios haven't been included here because there's no corresponding industry benchmark.

Ratio Description	Company Ratio	Industry Benchmark	Standard Benchmark	Performance Measurement
Gross Profit Margin	59.10	50.00%	100.00	118.21
Net Profit Margin	13.20	11.00%	100.00	120.03
Return on Capital Employed	10.64	8.00%	100.00	133.06
Return on Assets	11.23	8.00%	100.00	140.34
Working Capital	3.84	1.00	100.00	383.84
Acid Test	3.02	1.00	100.00	301.67
Asset Turnover	0.59	1.00	100.00	59.42
Gearing Ratio	12.70	70.00%	100.00	551.04
Performance Factor	2.26		800.00	1807.60

## Conclusion

The performance factor indicates that Company 1 can be valued at a premium to the industry average. Typically, the Asking Price will be two or three times the net profit. At 250000, it is 2.27 times the net profit of 110303. The performance factor can now be used to negotiate a higher or lower price depending on how the business has performed. A company that can be valued at a premium can justifiably ask for a higher price. Conversely, a buyer can justifiably offer less than the asking price for those companies that are valued at a discount.

## Contact Details

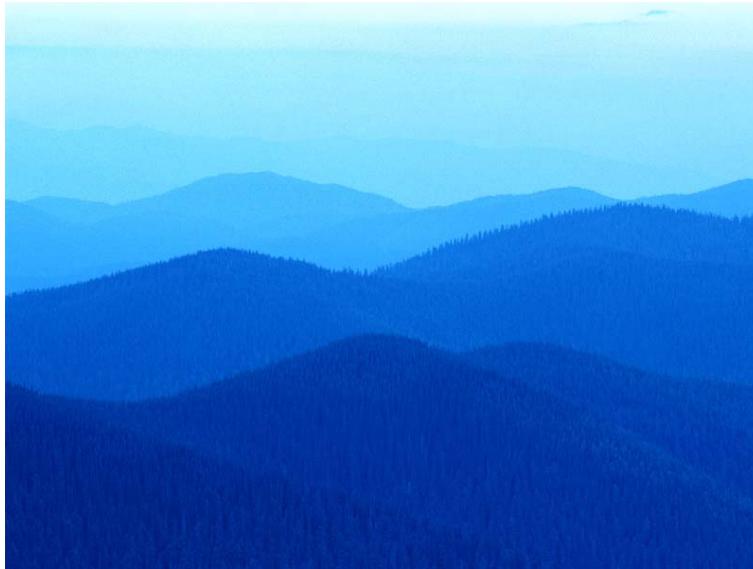
To contact the owner of this business, go to [www.businessintell.net](http://www.businessintell.net), click on "Contact Owner", and follow the prompts.

Thank you for using [www.businessintell.net](http://www.businessintell.net).

## Appendix

The following documents are supplied by the owner to support information contained in the report.

water lillies



winter

