



# FARE

*Diagnostic Financial Tool*

# What's is FARE?

- ◆ *A financial tool that unlocks the mystery behind your true financial position!*





# Financial Analysis Ratio Evaluation

**FARE** Provides:

- ◆ Personalized results for 20 common and important diagnostic ratios.
- ◆ Benchmark ratios for your industry.
- ◆ An interpretation of the results.



# FARE puts your Financial Statements to work

Ratios are:

- ◆ Meaningful with proper interpretation.
- ◆ Stronger meaning vs. industry benchmark.
- ◆ Four Classes— a) liquidity, b) coverage, c) leverage and d) operating.



# Sources of Industry Ratios

- ◆ Commercial Sources
  - Dun & Brad Street (Credit)
  - Risk Management Associates (Credit)
  - Moody's (Rating Agency)
  - Standard & Poor's (Rating Agency)
- ◆ Government Sources
  - **Internal Revenue Service \***
  - U.S. Industrial Outlook
  - Quarterly Financial Reports
- ◆ Trade Sources
  - Member Trade Associations
  - Member Industry Groups



# IRS Benchmark Source

- ◆ IRS Ratios are **FARE's** Benchmark
  - All businesses required to file tax returns
  - Most tax return forms are uniform
  - Tax Returns has industry code and tax preparer.



# You need **FARE**

- ◆ To evaluate your business's performance
- ◆ To target select areas for improvement.
- ◆ To grow your business to a new level.



# Consider these questions:


- ◆ How is your business is doing?
- ◆ Could you be doing better?
- ◆ Do you out perform others in the industry?





# Get behind the numbers!

- ◆ Numbers just random data points.
- ◆ Go beyond your basic financial reports.
- ◆ Use **FARE** to unlocks the mystery.



# FARE answers these questions and many more

- ◆ Where do I excel?
- ◆ Why is that so?
- ◆ Where do I need to improve?

## Financial Ratio Comparison

	IRS	Historic 2004	Historic 2003	Historic 2002	Historic 2001	Historic 2000
<b>LIQUIDITY RATIOS:</b>						
Current Ratio	1.6	2.01	2.41	2.16	1.54	1.62
Quick (Acid-Test) Ratio	0.6	0.07	0.05	0.15	0.63	0.7
Revenue/Accounts Receivable	15.4	55.65	56.16	56.99	130.11	217.97
Average Collection Period	24	7	6	6	3	2
Inventory Turnover	3.5	1.66	1.84	2.74	3.49	3.95
Days Inventory	104	220	198	133	105	92
COGS/Payable	7.4	2.92	2.61	3.66	3.88	3.96
Days Payable	49	125	140	100	94	92
Revenue/Working Capital	8.2	4.03	3.37	4.78	10.08	9.12
<b>COVERAGE RATIOS:</b>						
Times Interest Earned	4.5	9.65	5.95	7.42	18.9	-
NI+Non-Cash Expenditures / Current LTD	-	2.07	9.77	9.32	-	-
<b>LEVERAGE RATIOS:</b>						
Fixed Assets/Tangible Worth	0.8	0	0.01	0.03	0.06	0.09
Debt/Tangible Net Worth	2.3	1.71	1.12	1.68	1.71	1.45
Debt/Equity	0.8	1.71	1.12	1.68	1.71	1.45
<b>OPERATING RATIOS:</b>						
EBT/Tangible Worth	16.63%	53.99%	46.90%	72.61%	123.74%	99.79%
EBT/Total Assets	4.83%	19.96%	22.08%	27.06%	45.61%	40.65%
Fixed Asset Turnover	9.1	1,641.38	502.23	266.19	148.93	92.04
Total Asset Turnover	2	2.02	1.96	2.54	3.46	3.37
<b>EXPENSE TO REVENUE RATIOS:</b>						
% Deprtn., Depltn., Amort./Revenue	1.80%	0.14%	0.18%	0.25%	0.42%	0.36%
% Officers' &/or Owners' Compensation/Revenue	2.70%	3.08%	2.08%	2.39%	1.22%	0.53%





# General Overall Findings

- ◆ **Many ratios do not line up to benchmark.**
- ◆ **Nonconformance to industry peer group.**
- ◆ **Niche market, not the norm.**
- ◆ **Long established upscale market area.**
- ◆ **Several areas highlighted to focus on.**



# Important Overall Findings

- ◆ **Liquidity –3 ratios out of range.**
- ◆ **Balance Sheet shows problem with Cash.**
- ◆ **Minimal Accounts Receivable.**



# Detailed Finds

## Liquidity Ratios

- ◆ **Three ratios as out of range.**
  - Average Collection Period
  - Days Inventory Turnover
  - Days Payable
- ◆ **Trended very low for the entire analysis**
- ◆ **Excessive inventory causes turnover distortion.**
- ◆ **Accounts Payable built up.**

# Detailed Finds

## Coverage Ratios

- ◆ **Times Interest Earned - Closest to benchmark.**





# Detailed Findings

## Leverage Ratios

- ◆ **Fixed Assets/Tangible Net Worth Ratio below industry benchmark in 2004 & 2003.**
- ◆ **Debt/Tangible Net Worth and Debt/Equity were the same %.**





# Detailed Findings

## Operating Ratios

- ◆ **Total Asset Turnover - Inline with benchmark.**
- ◆ **EBT/Tangible Net Worth & EBT/Total Assets & Fixed Asset Turnover.**



# Action Steps

## Step 1

- ◆ **Reduce the excess inventory.**

## Step 2

- ◆ **Pay down Accounts Receivable.**

## Step 3

- ◆ **Fixed Asset Investment.**



# FARE includes:

- ◆ Master Data Chart – Your Ratios vs. IRS
- ◆ Full color graphs of important results
- ◆ An in-depth analysis.
- ◆ Interpretation of results, good or not.
- ◆ Suggestions on your next step.



# What we need from you!

- ◆ Two or more years Tax Returns (Best)
- ◆ Financial statements from your accountant, CPA, QuickBooks, Quicken or similar software (Alternative)
- ◆ Basic Financial Statements include:
  - Balance Sheet
  - Income Statement



# FARE fee

- ◆ **FARE** fee \$1,000
- ◆ But, we're offering a discount.
- ◆ Further discount offered for a referral.



# Let's get started -

Book your **FARE** today -

- ◆ We sign a Confidentiality Agreement.
- ◆ We gather the tax returns/statements.

# What happens next?

- ◆ **FARE** shows a stellar performance.
- ◆ **FARE** shows unsatisfactory results.



Presented by

# *TouchStone Strategies*

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