



Quarterly Performance Report

Vanderlay Coffee Roasters
Q4 2020

Executive Summary

REVENUE

Revenue £1,258,943 (Last quarter £1,212,681)

Positive trend upwards.

PROFITABILITY

Profitability Ratio 15.52% (Last quarter 14.21%)

Positive trend upwards. Strategies to improve profitability include: increasing price, increasing sales volume, reducing cost of sales and reducing operating expenses.

ACTIVITY

Activity Ratio 2.98 times (Last quarter 3.01 times)

Negative trend downwards. 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.

EFFICIENCY

Return on Capital Employed 46.24% (Last quarter 42.71%)

Positive trend upwards. A higher ROCE% is favourable, indicating that the business generates more earnings per £1 of capital employed.

WORKING CAPITAL

Cash Conversion Cycle 136 days (Last quarter -49 days)

Negative trend upwards. Strategies to improve cash conversion include: collecting debt faster, reducing inventory levels, billing work in progress faster and paying creditors slower.

CASH FLOW

Free Cash Flow -£184,664

Free Cash Flow is negative. After paying its operating expenses and capital expenditure investments the business has not generated positive cash flow.

MARGINAL CASH FLOW

Net Variable Cash Flow 68.99%

Net variable cash flow is positive. The business will generate cash from each additional £1 of products or services that the business sells.

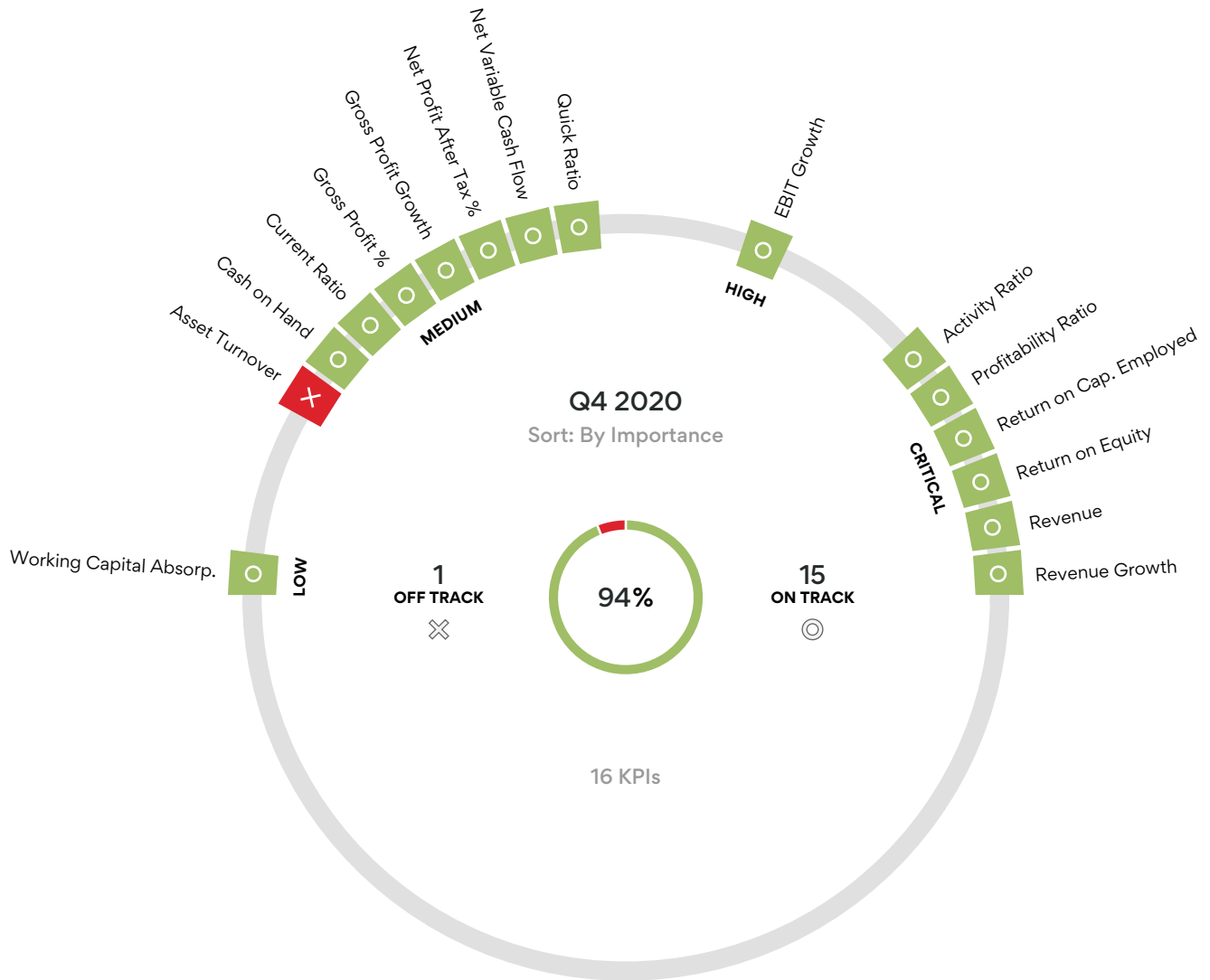
DEBT

Net Debt -£353,770 (Last quarter -£535,209)

Net debt levels have risen.

KPI Results

This chart shows KPIs sorted by degree of importance. KPIs are classified as either low, medium, high or critical importance.



KPI Results

	RESULT	TARGET		TREND	IMPORTANCE
A PROFITABILITY	Q4 2020			vs Q3 2020	
Total Revenue	£1,258,943	£30,000	✓	▲ 3.8%	Critical
Gross Profit Margin	95.15%	35%	✓	▲ 3.79%	Medium
Profitability Ratio	15.52%	15%	✓	▲ 1.31%	Critical
Net Profit After Tax Margin	9.65%	7%	✓	▲ 1.21%	Medium
B ACTIVITY					
Activity Ratio	2.98 times	2.00 times	✓	▼ -0.03 times	Critical
C EFFICIENCY					
Return on Equity	41.38%	15%	✓	▲ 3.16%	Critical
Return on Capital Employed	46.24%	12.5%	✓	▲ 3.52%	Critical
D ASSET USAGE					
Asset Turnover	2.42 times	5.00 times	✗	▲ 0.33 times	Medium
Working Capital Absorption *	3.33%	25%	✓	▲ 3.01%	Low
E LIQUIDITY					
Current Ratio	2.98:1	2.00:1	✓	▲ 1.02:1	Medium
Quick Ratio	1.90:1	1.00:1	✓	▲ 0.53:1	Medium
F CASH FLOW					
Cash on Hand	£774,097	£10,000	✓	▼ -20.2%	Medium
Net Variable Cash Flow	68.99%	0%	✓	▲ 0.54%	Medium
G GROWTH					
Revenue Growth	3.81%	1.24%	✓	▼ -8.66%	Critical
Gross Profit Growth	8.12%	0.51%	✓	▲ 1.61%	Medium
EBIT Growth	13.42%	0.51%	✓	▼ -47.8%	High

* For this metric, a result below target is favourable

Profitability

REVENUE

£1,258,943

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

EXPENSES TO REVENUE RATIO

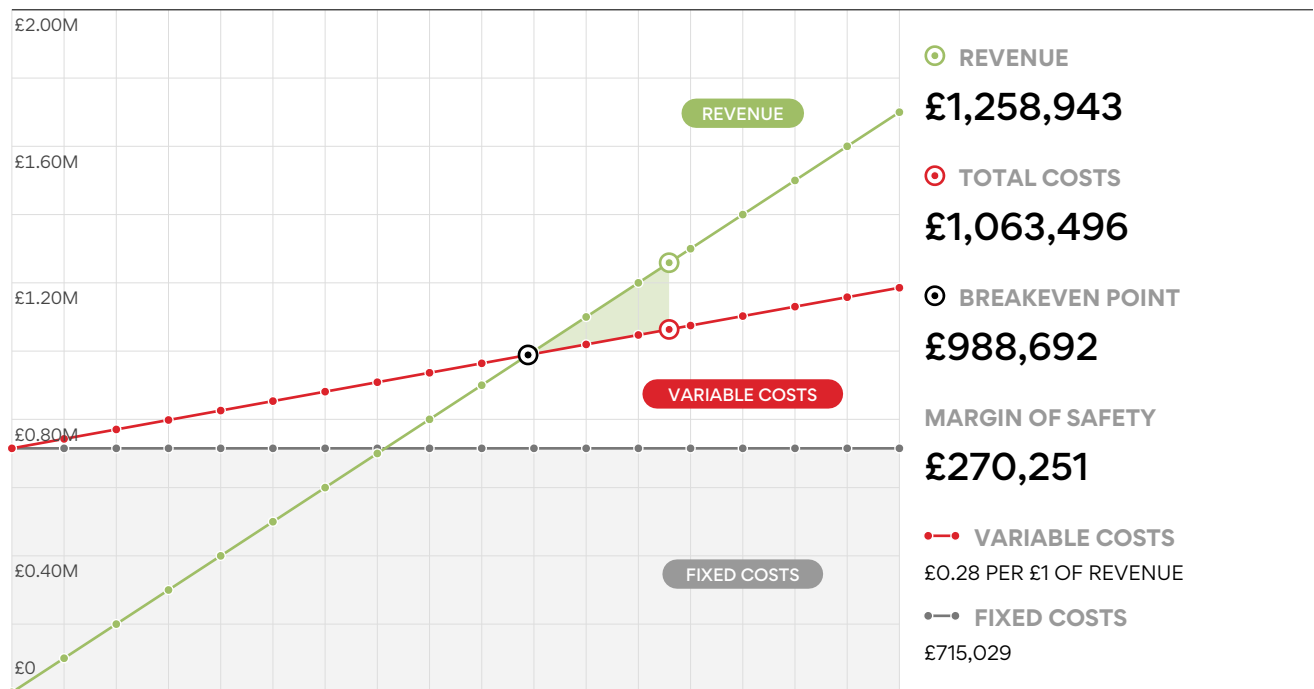
84.48%

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

MARGIN OF SAFETY

£270,251

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.

Top 10 Revenue Accounts

Sales	£1,193,569
Other Revenue	£65,374

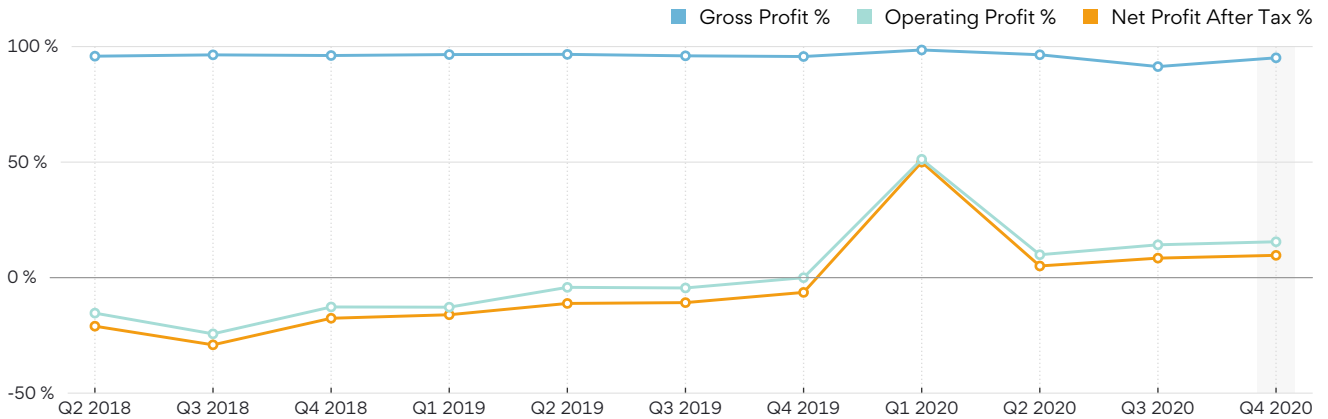
Top 10 Expense Accounts

Materials	£276,505
Salaries & Wages	£242,815
Labour	£205,908
Rent	£76,480
Consulting Fees	£41,911
Travel & Accommodation	£24,962
Advertising & Promotions	£19,444
Contractors	£17,766
Entertainment	£14,300
Insurance	£13,888

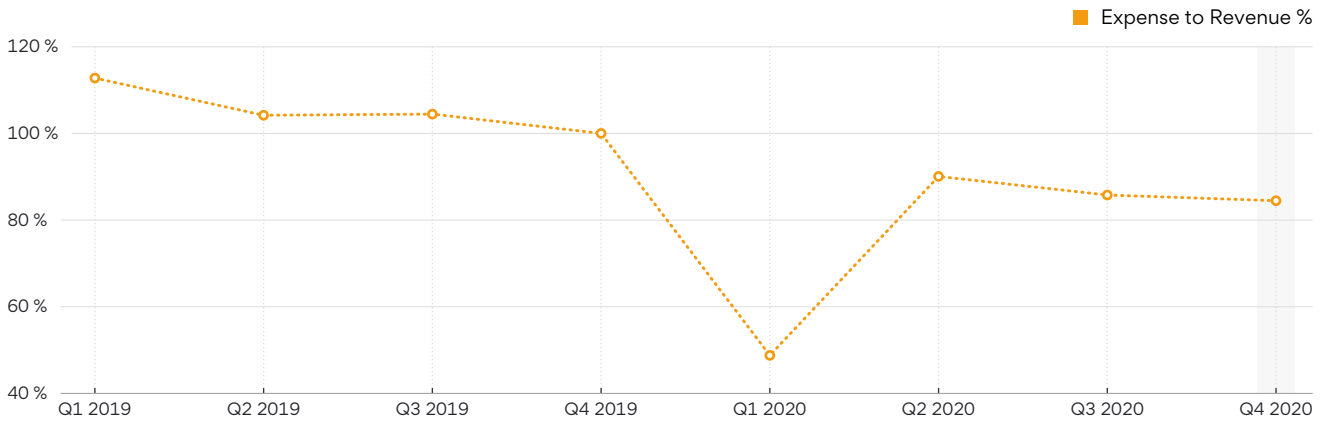
Profitability Charts

	Q4 2020	% of Revenue	Q1 2020	Q2 2020	Q3 2020
Gross Profit	£1,197,858	95.1%	£1,576,898	£1,040,113	£1,107,855
Operating Profit	£195,447	15.5%	£819,696	£106,884	£172,323
Earnings Before Interest & Tax	£195,447	15.5%	£819,696	£106,884	£172,323
Earnings After Tax	£121,469	9.6%	£800,079	£54,393	£102,330

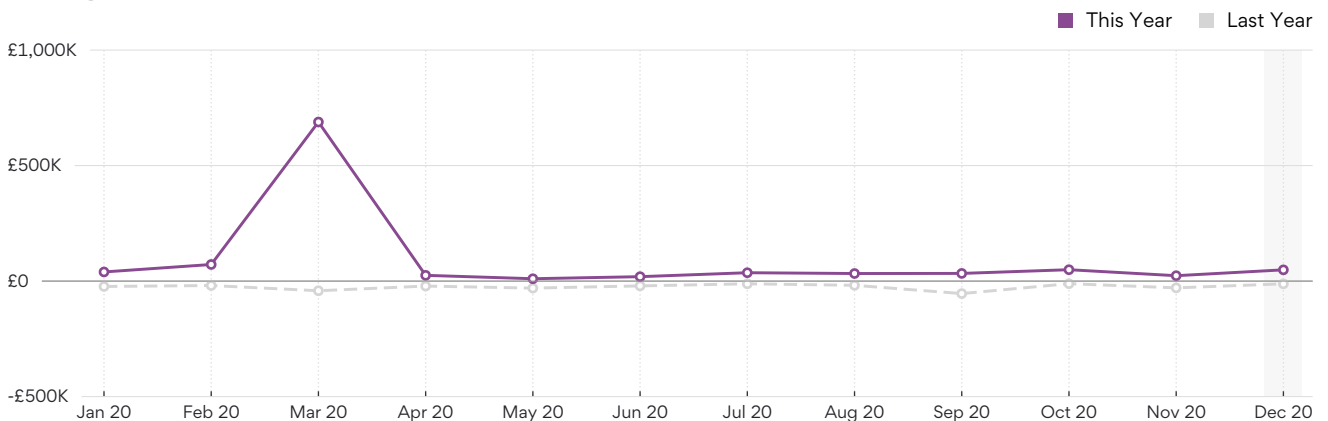
% Margins



Expense-to-Revenue (%)



Earnings After Tax This Year vs Last Year



Cash Flow

OPERATING CASH FLOW

-£258,450

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 payment to suppliers.

CASH ON HAND

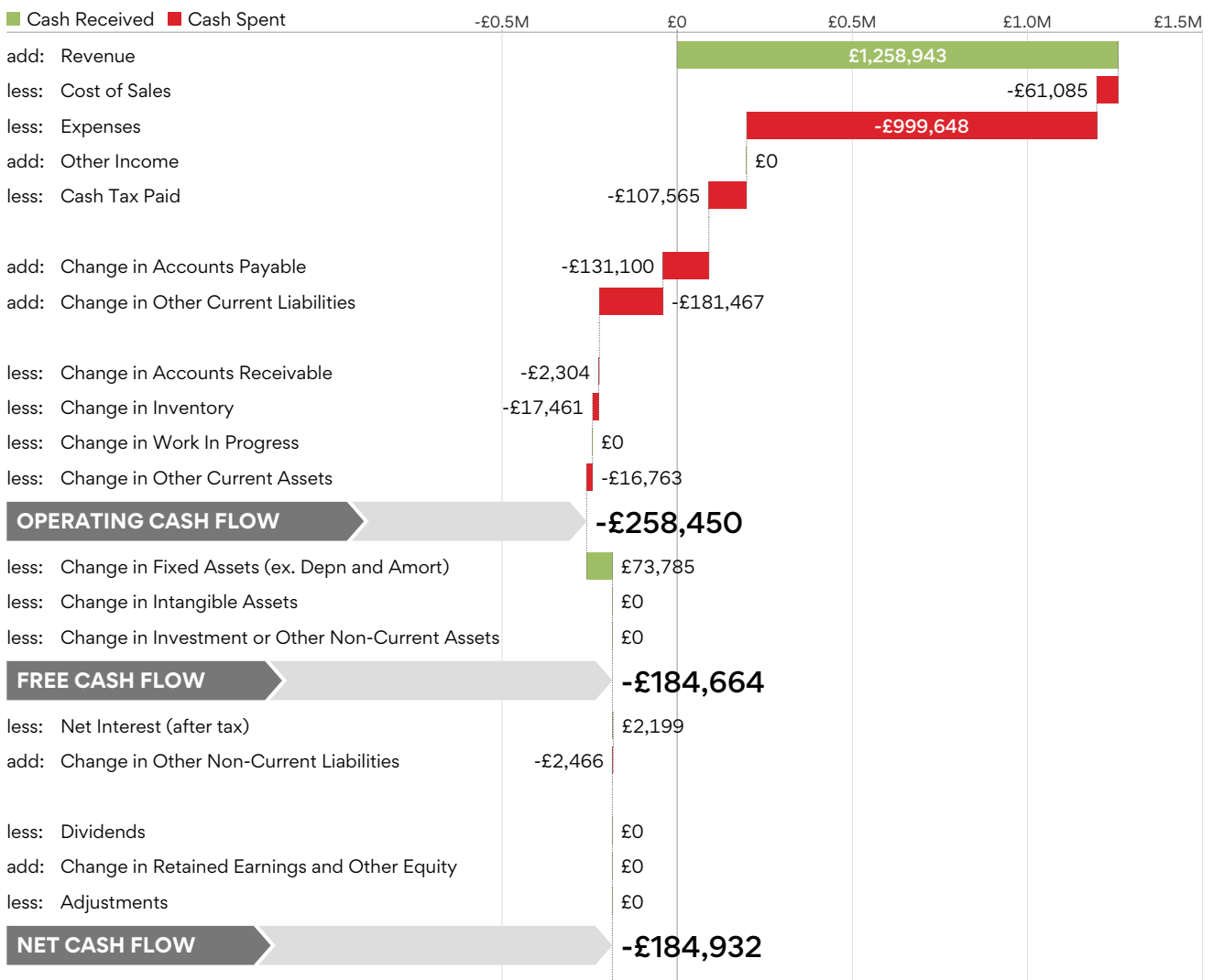
£774,097

A measure of the cash and cash equivalents in actual possession by the company at a particular time.

NET CASH FLOW

-£184,932

Net cash flow is the cash flow remaining after operating, investing and financing activities. Financing activities may include cash outflows such as interest payments to lenders or dividend payments to shareholders



Net Cash Flow can also be calculated as:

Change in Cash on Hand -£196,151

(Open: £970,248, Close: £774,097)

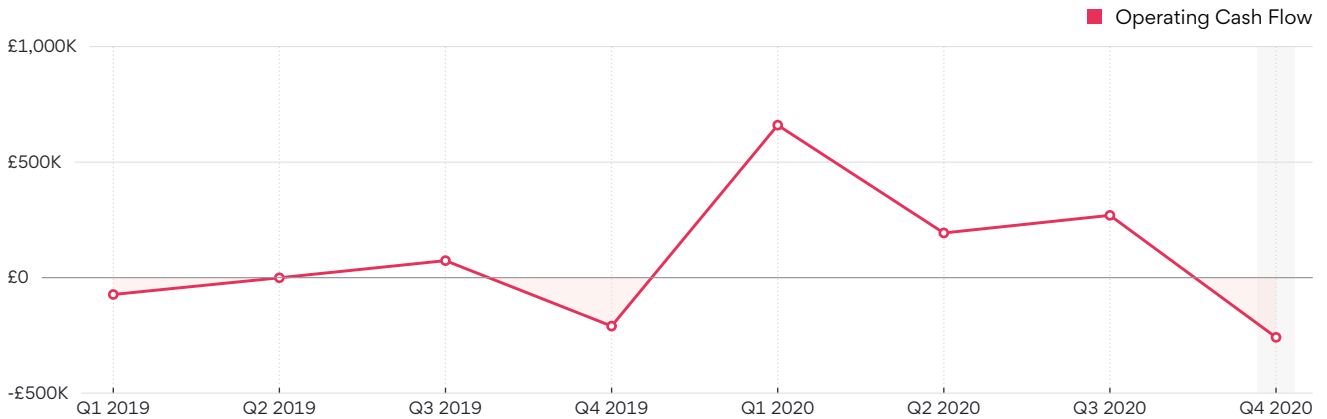
— **Change in Debt** -£14,712

(Open: £435,038, Close: £420,327)

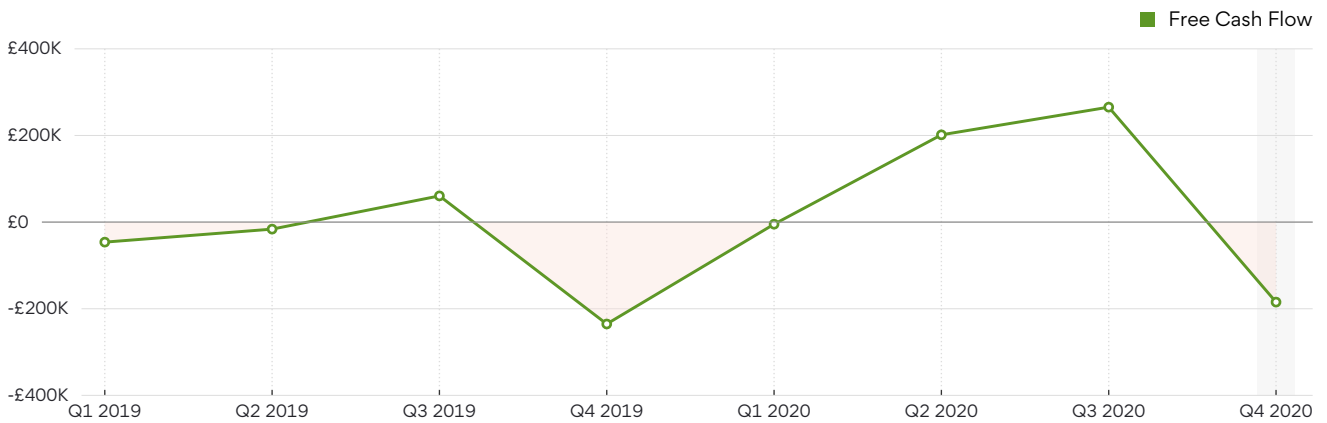
Cash Flow Charts

	Q4 2020	Q1 2020	Q2 2020	Q3 2020
Operating Cash Flow	-£258,450	£660,004	£193,356	£269,646
Free Cash Flow	-£184,664	-£4,816	£201,497	£265,374
Net Cash Flow	-£184,932	£136,007	£202,419	£251,387
Cash on Hand	£774,097	£342,879	£701,120	£970,248

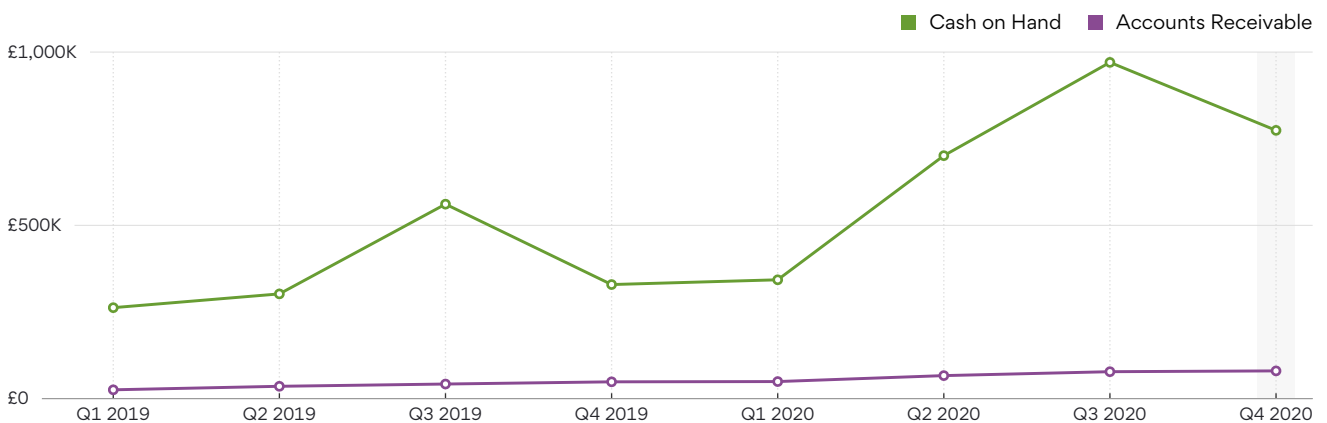
Operating Cash Flow



Free Cash Flow



Cash & Receivables



Growth

REVENUE GROWTH

3.81%

A measure of the percentage change in Revenue for the period.

EBIT GROWTH

13.42%

A measure of the percentage change in EBIT for the period.

ASSET CHANGE

-10.27%

A measure of the percentage change in Total Assets for the period.

Change in Key Drivers (from prior quarter)

Revenue
Up 3.8%

Cost of Sales
Down 41.7%

Expenses
Up 7.1%

Receivable Days
-

Inventory Days
Up 84.7 days

Payable Days
Down 5 days

GROWTH FROM Q4 2018 to Q4 2020



* Total Operating Investment £1,677,095; Earnings Before Interest & Tax £195,447

Size of the circle shows the recency of the result

Vertical position of the circle shows the growth in Earnings Before Interest & Tax

Horizontal position of the circle shows the growth in Total Operating Investment

Financials

PROFIT & LOSS	Q4 2020	Q3 2020	Variance %
Revenue	£1,258,943	£1,212,681	3.81%
Cost of Sales	£61,085	£104,826	-41.73%
Gross Profit	£1,197,858	£1,107,855	8.12%
Expenses	£1,002,411	£935,532	7.15%
Operating Profit	£195,447	£172,323	13.42%
Interest Income	£3,141	£3,509	-10.50%
Interest Expenses	£0	£0	-
Earnings Before Tax	£198,588	£175,832	12.94%
Tax Expenses	£77,119	£73,502	4.92%
Earnings After Tax	£121,469	£102,330	18.70%
Dividends	£0	£0	-
Net Income	£121,469	£102,330	18.70%
BALANCE SHEET			
	Q4 2020	Q3 2020	Variance %
ASSETS			
Cash & Equivalents	£774,097	£970,248	-20.22%
Accounts Receivable	£79,984	£77,680	2.97%
Inventory	£248,706	£231,245	7.55%
Work in Progress	£0	£0	-
Other Current Assets	£238,758	£221,996	7.55%
Total Current Assets	£1,341,545	£1,501,168	-10.63%
Fixed Assets	£720,637	£797,185	-9.60%
Intangible Assets	£653	£653	0.00%
Investments or Other Non-Current Assets	£0	£0	-
Total Non-Current Assets	£721,290	£797,838	-9.59%
Total Assets	£2,062,835	£2,299,006	-10.27%
LIABILITIES			
Short Term Debt	£64,538	£68,913	-6.35%
Accounts Payable	£162,546	£293,645	-44.65%
Tax Liability	£0	£0	-
Other Current Liabilities	£223,195	£404,662	-44.84%
Total Current Liabilities	£450,278	£767,220	-41.31%
Long Term Debt	£355,789	£366,125	-2.82%
Deferred Taxes	£0	£31,388	-100.00%
Other Non-Current Liabilities	-£78,933	-£76,467	-3.22%
Total Non-Current Liabilities	£276,856	£321,046	-13.76%
Total Liabilities	£727,133	£1,088,266	-33.18%
EQUITY			
Retained Earnings	£1,007,769	£1,007,769	0.00%
Current Earnings	£277,571	£156,103	77.81%
Other Equity	£620	£620	0.00%
Total Equity	£1,285,960	£1,164,491	10.43%
Total Liabilities & Equity	£2,013,093	£2,252,757	-10.64%

KPIs Explained

✓ Activity Ratio 2.98 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

✗ Asset Turnover 2.42 times

A measure of how effectively the business has used its assets to generate revenue. The business makes £242.13 of sales for every £100 of its asset investment. The higher the number the better the turnover. Ways to improve this metric include increasing sales using the same asset base, using capital more efficiently, and/or improve cash management by reducing inventory and receivables. For this period, the Asset Turnover is less than the target of 5.00 times.

Asset Turnover = Annualised Revenue / Total Assets

✓ Cash on Hand £774,097

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 £774,097 of cash and cash equivalents. Cash on Hand is above the required target of £10,000.

Cash on Hand = Cash & Equivalents

✓ Current Ratio 2.98:1

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 2.98:1, up from 1.96:1 last period and above the minimum target of 2.00:1.

Current Ratio = Total Current Assets / Total Current Liabilities

✓ EBIT Growth 13.42%

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 13.42% exceeded the target growth of 0.51%.

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

✓ Gross Profit Growth 8.12%

A measure of the percentage change in gross profit for the period. For this period, gross profit growth of 8.12% exceeded the target of 0.51%.

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

✓ Gross Profit Margin 95.15%

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 £95.15 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 35%.

Gross Profit Margin = Gross Profit / Revenue * 100

✓ **Net Profit After Tax Margin 9.65%**

A measure of the proportion of revenue that is left after all expenses have been paid. The business makes £9.65 of net profit for every £100 it generates in revenue. For this period, the Net Profit After Tax margin is above the required target. A higher result indicates that the business is better prepared to handle down-turns.

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

✓ **Net Variable Cash Flow 68.99%**

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 68.99% of gross revenue. Each additional £100 of Revenue will generate £68.99 of cash.

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

✓ **Profitability Ratio 15.52%**

A measure of the proportion of revenue that is left after deducting all expenses. This excludes finance costs and tax expenses. The business makes £15.52 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 15%.

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

✓ **Quick Ratio 1.90:1**

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 1.90:1, up from 1.37:1 last period and above the minimum target of 1.00:1.

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

✓ **Return on Capital Employed 46.24%**

A measure of the efficiency and profitability of capital investment (ie. funds provided by shareholders & lenders). ROCE monitors the relationship between the capital ('inputs') used by the business and the earnings ('outputs') generated by the business. ROCE is arguably one of the most important performance measures. The higher the result the greater the return to providers of capital. For this period, the business has generated a ROCE of 46.24%. This return exceeds the target of 12.5%.

Return on Capital Employed = Annualised Earnings Before Interest & Tax / Total Invested Capital * 100

✓ **Return on Equity 41.38%**

A measure of how effectively the business has used the resources provided by its owners to generate profits. The higher the ratio the greater the rate of return for shareholders. For this period, the business has generated a Return on Equity of 41.38%. This return exceeds the target of 15%.

Return on Equity = Annualised Net Income / Opening Total Equity * 100

✓ **Revenue Growth 3.81%**

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 3.81% exceeded the target growth of 1.24%.

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

✓ **Total Revenue £1,258,943**

A measure of the total amount of money received by the company for goods sold or services provided. The business has earned total revenues of £1,258,943. Strategies to improve revenue may include increasing prices, increasing the volume of sales through marketing initiatives or finding alternative sources of income. For this period, the revenue earned is above the required target of £30,000.

Total Revenue = Revenue

✓ **Working Capital Absorption 3.33%**

A measure of the adequacy of working capital to support sales activity. This measure indicates the investment made in working capital for each unit of revenue. The trend of this ratio is particularly useful for growing businesses. If sales increase rapidly but working capital levels remain constant, the business may be at risk that insufficient working capital is available to support this growth. Moreover, if the result for this metric is greater than the Gross Profit Margin %, then for every additional unit of Revenue generated, additional cash will be required. For this period, Working Capital Absorption is less than the target of 25%.

Working Capital Absorption = Operating Working Capital / (Annualised Revenue) * 100