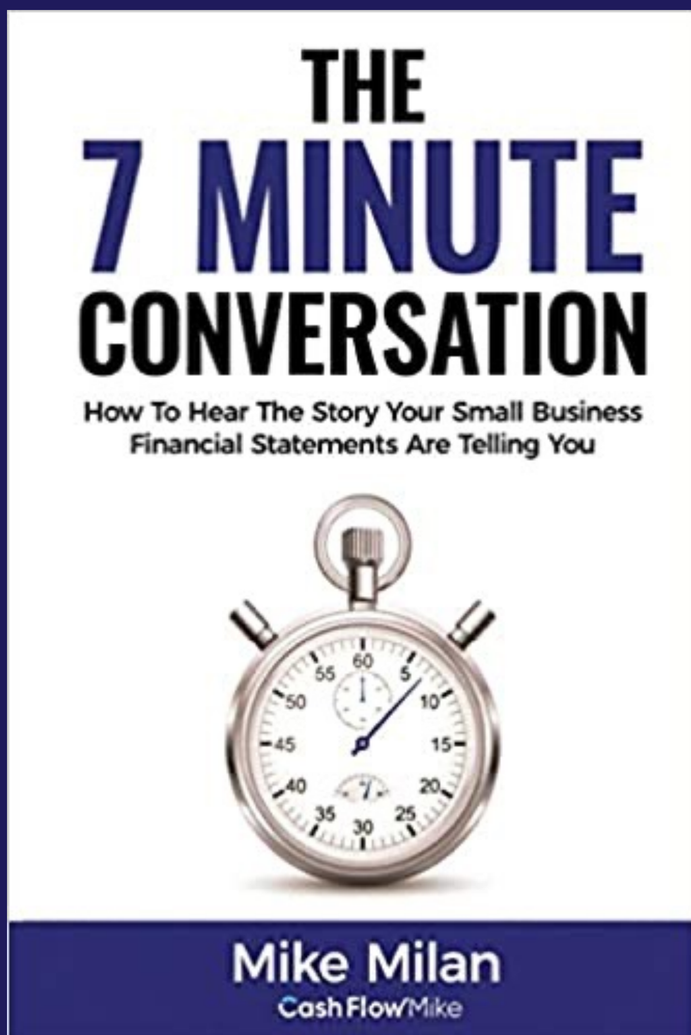
Clear PATH To Cash
More Money, More Time, Better Business



Worksheet Bundle

Home Run Line-Up Results Worksheet

This worksheet is a place to record the results from you Home Run Line-Up calculations. It is then used as a basis for The 7 Minute Conversation. Use this to set the agenda for your conversation with your team.

Trends

Expense Control

Debt To Equity

EBITDA

Mis-Matched Financing

Cash Flow Activity Pattern

Use this guide to interpret the results of the 6 calculations. It is a good tool to supplement The 7 Minute Conversation you are having with your team or to help you set a course of action of what to do next.

Trends

SALES

1. Are they growing, declining or staying flat?
2. Ask why the trend seems to be moving this way.
3. Is it normal or is this a problem that needs to be addressed?
4. Stay focused on getting customers to buy – right product/service for the right price.

GROSS PROFIT

1. Which way is gross profit trending?
2. Is it moving in the same direction as sales?
3. Should it be or why are they different?
4. Ask about vendor pricing, relationships, efficiency and pricing strategy.

OPERATING EXPENSE

1. Which direction is operating expense trending?
2. What has the company increased and is it needed?
3. What are the current cuts or items that need justification for staying?
4. Compare operating expense categories to industry averages, like advertising.

NET PROFIT

1. Is this company making money or losing money?
2. What is the trend? Increasing or falling?
3. What are the prime contributors – gross profit, expenses, sales or all?

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Expense Control

The Increase in Gross Profit is ________

1.	**EQUAL to the increase** in Operating Expense =	**Good**
2.	**GREATER THAN the increase** in Operating Expense =	**Good**
3.	**LESS THAN the increase** in Operating Expense =	**Bad***

What if Operating Expense is decreasing while Gross Profit is Increasing?

1.	**EQUAL to the decrease in Operating Expense =**	**Good**
2.	**GREATER THAN the decrease in Operating Expense =**	**Good**
3.	**LESS THAN the decrease in Operating Expense =**	**Bad***

The Decrease in Gross Profit is ________

1.	**EQUAL to the decrease** in Operating Expense =	**Good**
2.	**GREATER THAN the decrease** in Operating Expense =	**Bad***
3.	**LESS THAN the decrease** in Operating Expense =	**Good**

What if Operating Expense is increasing while Gross Profit is Increasing?

1.	**EQUAL to the increase** in Operating Expense =	**Good**
2.	**GREATER THAN the increase** in Operating Expense =	**Bad***
3.	**LESS THAN the increase** in Operating Expense =	**Bad***

**When this occurs check the difference to see if profitability is affected with this statement. If you have less to spend, you should spend less.*

Enter your current debt to equity ratio by dividing your Total Liabilities by you Total Equity from your Balance Sheet. Then compare your result. 2.5 is a good target ratio to achieve. Lower than 3 is GOOD and shows less risk. Higher than 3 indicates more risk to bankers or investors.

Debt To Equity Ratio

Debt To Equity Ratio		**Target D/E Ratio**
		2.5
Total Liabilities		**Total Equity**
	/	

Interpretation

2.5

The higher this ratio, the more risk a lender sees

The lower this ratio, the less risk there could be

A 2.5 means that for every $1 an owner has invested in their company; they have let the bank invest an additional $2.50.

True Cash Flow

Earnings
(Net Profit After Tax)

BEFORE +

Interest

Taxes =

Depreciation

Amortization

EBITDA

EBITDA

X 3

Long Term Debt Capacity

LTD Capacity

-

LTD on Balance Sheet

Long Term Debt Capacity Available

This formula looks for assets a company has bought using the wrong type of loan product. Assets that can be depreciated should be bought with cash, long term debt or a combination of the two. Compare the change △ in these accounts over the past 1-5 years. Use only if ASSETS have increased.

The Length Of The Loan Should Match The Life Of The Asset

Mis-Matched Financing

△ **Gross Fixed Assets**		△ **Long Term Debt**		△ **Retained Earnings**
	=		+	
	=			

Does the change in assets match the change in long term debt and retained earnings?

1. **YES.** This means that you have properly financed your assets and should be congratulated.

2. **NO.** It is possible that you used the wrong loan product to buy something that you can depreciate. You might be paying more in interest than you could be, letting cash leak out of your company. Contact a banker for help.

CF Activity Pattern

Operating Activities | **Investing Activities** | **Financing Activities**

Enter whether the amount shown in the summary section of the cash flow statement is either a positive number or a negative number in the boxes above. Then compare the three-symbol pattern to the corresponding pattern in the legend below.

	Operating Activities	Investing Activities	Financing Activities	General Explanation
#1	+	+	+	Company is using cash generated from operation and from sale of assets and from financing to build up pile of cash – very liquid company- possibly looking for acquisition
#2	+	−	−	Company is using cash flow generated from operations to buy fixed assets and to pay down debt or pay owners
#3	+	+	−	Company is using cash from operations and from sale of fixed assets to pay down debt or pay owners
#4	+	−	+	Company is using cash from operations and from borrowing (or from owner investment) to expand
#5	−	+	+	Company's operating cash flow problems are covered by sale of fixed assets and by borrowing or by shareholder contributions
#6	−	−	+	Company is growing rapidly but has shortfalls in cash from operations and from purchase of fixed assets financed by long term debt or new financing by owners
#7	−	+	−	Company is financing operating cash flow shortages and payments to creditors and/or stockholders via sale of fixed assets
#8	−	−	−	Company is using cash reserves to finance operation shortfall and pay long term creditors and/or investors