

BCD Machine Company, Inc.
Summary of Compiled Financial Statements
Prepared by: Cathy Durham
Fiscal Year Ended: September 30

Income Statement Summary

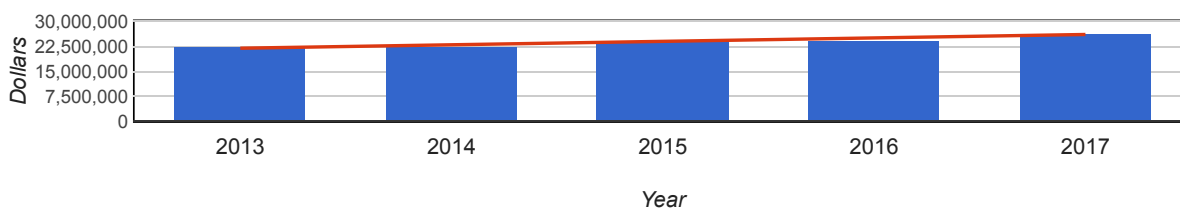
(% = Percentage of Total Sales)

Sales Overview

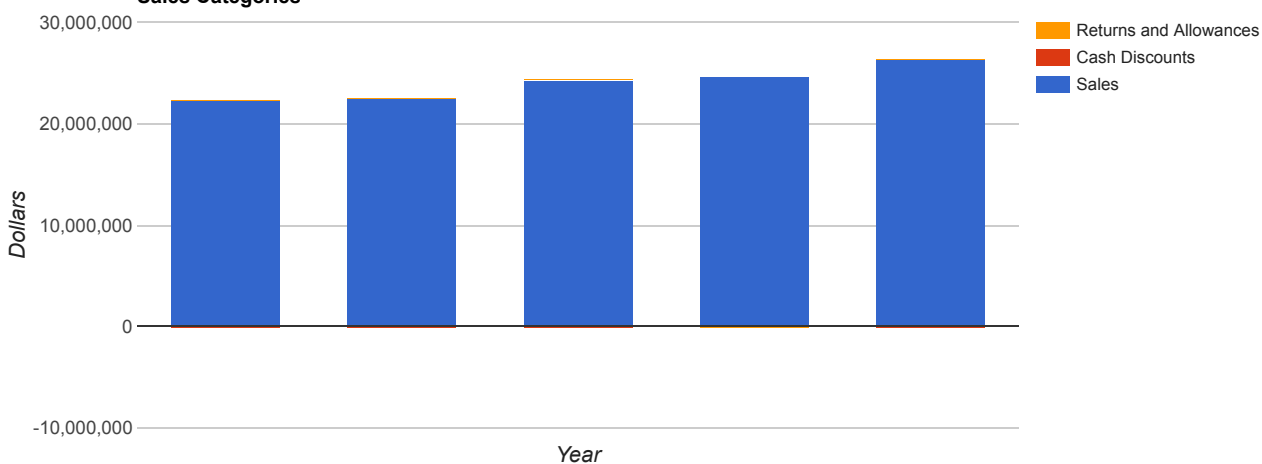
	<u>2013</u>	<u>%</u>	<u>2014</u>	<u>%</u>	<u>2015</u>	<u>%</u>	<u>2016</u>	<u>%</u>	<u>2017</u>	<u>%</u>
1: Sales	\$22,265,615	100.4%	\$22,551,181	100.4%	\$24,351,585	100.4%	\$24,604,890	100.4%	\$26,394,326	100.4%
2: Cash Discounts	(\$86,809)	-0.4%	(\$95,345)	-0.4%	(\$89,484)	-0.4%	(\$84,383)	-0.3%	(\$97,907)	-0.4%
3: Returns and Allowances	\$0	0.0%	\$0	0.0%	\$0	0.0%	(\$6,486)	0.0%	\$0	0.0%
4: Total Sales	<u>\$22,178,806</u>		<u>\$22,455,836</u>		<u>\$24,262,101</u>		<u>\$24,514,021</u>		<u>\$26,296,419</u>	
	<u>2013</u>		<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>PEER 1st</u>	<u>PEER 2nd</u>		
5: Sales Growth			1.2%	8.0%	1.0%	7.3%	1.0%	NA		
6: CAGR						4.3%	-1.7%	NA		

CAGR = Compound Annual Growth Rate
Peer Values are based on Annual Revenue of \$10 - 50M

Sales Total



Sales Categories



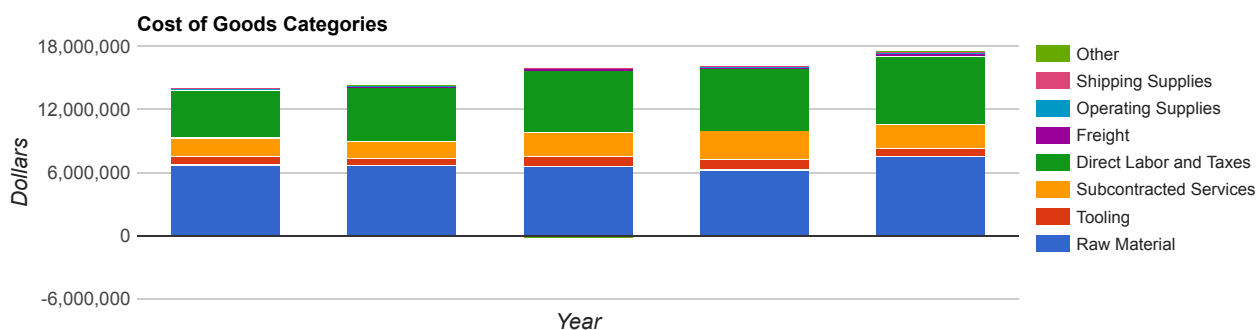
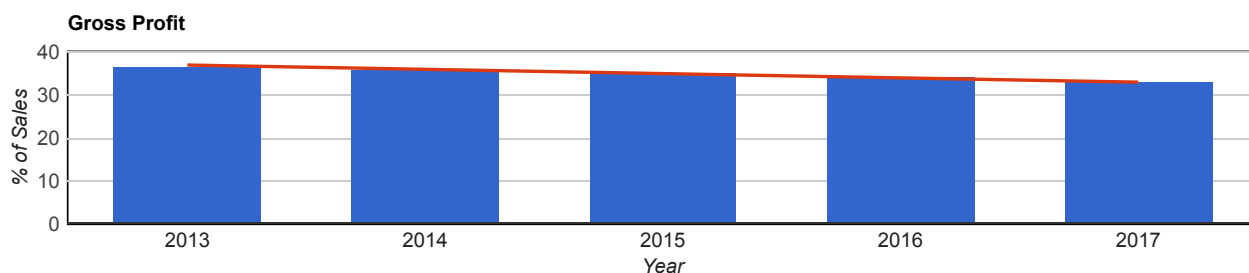
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Cost of Goods Sold Overview

	2013	%	2014	%	2015	%	2016	%	2017	%
1: Total Sales	<u>\$22,178,806</u>	100.0%	<u>\$22,455,836</u>	100.0%	<u>\$24,262,101</u>	100.0%	<u>\$24,514,021</u>	100.0%	<u>\$26,296,419</u>	100.0%
	2013	%	2014	%	2015	%	2016	%	2017	%
2: Raw Material	\$6,792,760	30.6%	\$6,712,535	29.9%	\$6,602,258	27.2%	\$6,243,950	25.5%	\$7,486,844	28.5%
3: Tooling	\$797,266	3.6%	\$685,260	3.1%	\$927,142	3.8%	\$923,813	3.8%	\$908,027	3.5%
4: Subcontracted Services	\$1,659,478	7.5%	\$1,528,881	6.8%	\$2,318,160	9.6%	\$2,713,569	11.1%	\$2,202,117	8.4%
5: Direct Labor and Taxes	\$4,602,408	20.8%	\$5,143,675	22.9%	\$5,838,850	24.1%	\$5,976,629	24.4%	\$6,514,801	24.8%
6: Freight	\$71,978	0.3%	\$134,164	0.6%	\$174,470	0.7%	\$169,610	0.7%	\$212,510	0.8%
7: Operating Supplies	\$47,803	0.2%	\$57,336	0.3%	\$18,286	0.1%	\$12,149	0.0%	\$87,115	0.3%
8: Shipping Supplies	\$73,542	0.3%	\$60,248	0.3%	\$60,170	0.2%	\$47,398	0.2%	\$61,761	0.2%
9: Other	<u>(\$19,663)</u>	-0.1%	<u>\$31,811</u>	0.1%	<u>(\$220,773)</u>	-0.9%	<u>(\$20,966)</u>	-0.1%	<u>\$51,102</u>	0.2%
10: Cost of Goods Total	<u>\$14,025,572</u>	63.2%	<u>\$14,353,910</u>	63.9%	<u>\$15,718,563</u>	64.8%	<u>\$16,066,152</u>	65.5%	<u>\$17,524,277</u>	66.6%
11: Total Gross Profit	<u><u>\$8,153,234</u></u>	36.8%	<u><u>\$8,101,926</u></u>	36.1%	<u><u>\$8,543,538</u></u>	35.2%	<u><u>\$8,447,869</u></u>	34.5%	<u><u>\$8,772,142</u></u>	33.4%



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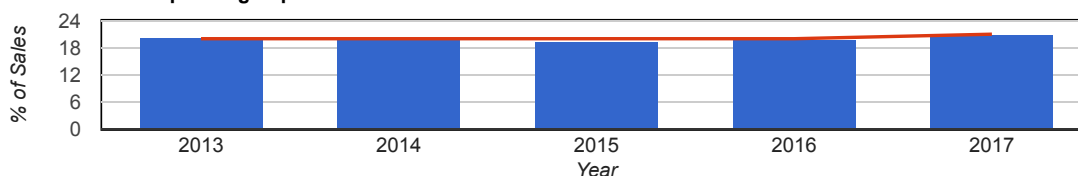
Income Statement Summary

(% = Percentage of Total Sales)

Operating Expenses Overview

	2013	%	2014	%	2015	%	2016	%	2017	%
1: Labor--Officer	\$479,895	2.2%	\$430,632	1.9%	\$551,050	2.3%	\$450,254	1.8%	\$371,715	1.4%
2: Labor Drivers and Adm.	\$734,648	3.3%	\$808,528	3.6%	\$957,129	3.9%	\$1,008,571	4.1%	\$1,048,101	4.0%
3: Bonuses	\$94,929	0.4%	\$60,534	0.3%	\$63,049	0.3%	\$57,968	0.2%	\$57,914	0.2%
4: Training and Education	\$32,481	0.1%	\$39,825	0.2%	\$49,817	0.2%	\$75,752	0.3%	\$78,315	0.3%
5: Sales Commission	\$429,740	1.9%	\$396,460	1.8%	\$440,729	1.8%	\$482,897	2.0%	\$490,184	1.9%
6: Payroll Tax Expense	\$135,785	0.6%	\$169,467	0.8%	\$185,092	0.8%	\$154,716	0.6%	\$136,589	0.5%
7: Insurance--Employee	\$392,581	1.8%	\$544,393	2.4%	\$421,632	1.7%	\$554,787	2.3%	\$708,477	2.7%
8: 401k Safe Harbor Exp.	\$132,685	0.6%	\$159,914	0.7%	\$170,807	0.7%	\$191,925	0.8%	\$202,016	0.8%
9: Discretionary 401k	\$195,803	0.9%	\$215,057	1.0%	\$222,804	0.9%	\$208,317	0.8%	\$227,157	0.9%
10: Rent	\$301,680	1.4%	\$301,680	1.3%	\$301,680	1.2%	\$307,980	1.3%	\$406,080	1.5%
11: Equipment Lease	\$11,528	0.1%	\$13,075	0.1%	\$13,385	0.1%	\$16,892	0.1%	\$19,971	0.1%
12: Real Estate Tax	\$63,903	0.3%	\$58,868	0.3%	\$57,353	0.2%	\$59,850	0.2%	\$89,477	0.3%
13: Landscaping expense	\$16,320	0.1%	\$6,137	0.0%	\$12,085	0.0%	\$11,039	0.0%	\$20,793	0.1%
14: Maintenance & Repairs	\$376,798	1.7%	\$382,079	1.7%	\$410,334	1.7%	\$451,981	1.8%	\$580,607	2.2%
15: Business Insurance	\$25,149	0.1%	\$29,873	0.1%	\$36,524	0.2%	\$38,691	0.2%	\$41,591	0.2%
16: Worker's Comp. Insur.	\$129,339	0.6%	\$76,679	0.3%	\$143,242	0.6%	\$106,865	0.4%	\$91,432	0.3%
17: Utilities	\$203,683	0.9%	\$228,605	1.0%	\$222,156	0.9%	\$216,603	0.9%	\$283,493	1.1%
18: Telephone	\$27,481	0.1%	\$29,559	0.1%	\$40,951	0.2%	\$34,621	0.1%	\$32,562	0.1%
19: Office Expense	\$26,640	0.1%	\$21,292	0.1%	\$37,948	0.2%	\$27,111	0.1%	\$20,455	0.1%
20: Postage	\$3,209	0.0%	\$3,204	0.0%	\$3,656	0.0%	\$3,477	0.0%	\$3,201	0.0%
21: Bank Charges	\$3,110	0.0%	\$2,113	0.0%	\$2,024	0.0%	\$2,720	0.0%	\$2,822	0.0%
22: Software Expense	\$33,167	0.1%	\$38,931	0.2%	\$41,680	0.2%	\$44,982	0.2%	\$32,808	0.1%
23: Licenses & Fees	\$2,635	0.0%	\$2,260	0.0%	\$3,203	0.0%	\$2,285	0.0%	\$2,846	0.0%
24: Dues and Subscriptions	\$2,260	0.0%	\$3,446	0.0%	\$984	0.0%	\$1,700	0.0%	\$2,553	0.0%
25: Outside Services	\$207,954	0.9%	\$113,748	0.5%	\$74,912	0.3%	\$73,642	0.3%	\$72,468	0.3%
26: Outside Payroll Serv	\$8,611	0.0%	\$7,207	0.0%	\$10,020	0.0%	\$9,570	0.0%	\$12,463	0.0%
27: Inspection Supplies	\$87,390	0.4%	\$60,238	0.3%	\$80,221	0.3%	\$44,891	0.2%	\$47,024	0.2%
28: Promos & Advertising	\$39,379	0.2%	\$29,120	0.1%	\$29,267	0.1%	\$21,895	0.1%	\$20,494	0.1%
29: Professional Fees	\$90,448	0.4%	\$70,016	0.3%	\$48,851	0.2%	\$39,927	0.2%	\$36,157	0.1%
30: Shop Supplies	\$147,449	0.7%	\$117,416	0.5%	\$95,540	0.4%	\$164,404	0.7%	\$186,897	0.7%
31: Vehicle	\$46,048	0.2%	\$62,968	0.3%	\$52,624	0.2%	\$32,765	0.1%	\$23,880	0.1%
32: Meals & Entertainment	\$29,190	0.1%	\$35,327	0.2%	\$38,026	0.2%	\$35,735	0.1%	\$34,916	0.1%
33: Donations	\$5,950	0.0%	\$9,596	0.0%	\$8,120	0.0%	\$4,795	0.0%	\$1,784	0.0%
34: Retirement Plan Fees	\$16,772	0.1%	\$8,902	0.0%	\$13,267	0.1%	\$25,038	0.1%	\$21,888	0.1%
35: Computer IT Expense	\$0	0.0%	\$0	0.0%	\$3,848	0.0%	\$31,783	0.1%	\$33,796	0.1%
36: Admin Cost Recovery	\$0	0.0%	\$0	0.0%	(\$89,071)	-0.4%	(\$93,216)	-0.4%	\$0	0.0%
37: Post Retirement Benefit	\$0	0.0%	\$0	0.0%	\$0	0.0%	\$0	0.0%	\$112,447	0.4%
38: Total Operating Expenses	<u>\$4,534,640</u>	20.4%	<u>\$4,537,149</u>	20.2%	<u>\$4,754,939</u>	19.6%	<u>\$4,903,213</u>	20.0%	<u>\$5,555,373</u>	21.1%
39: EBITDA	<u>\$3,618,594</u>	16.3%	<u>\$3,564,777</u>	15.9%	<u>\$3,788,599</u>	15.6%	<u>\$3,544,656</u>	14.5%	<u>\$3,216,769</u>	12.2%

Total Operating Expenses as % of Net Sales



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Depreciation & Amortization Overview

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1: EBITDA	\$3,618,594	\$3,564,777	\$3,788,599	\$3,544,656	\$3,216,769
2: Depreciation & Amort	\$1,291,222	\$1,294,729	\$1,294,526	\$1,307,350	\$1,401,419
3: Total Operating Exp	<u>\$5,825,862</u>	<u>\$5,831,878</u>	<u>\$6,049,465</u>	<u>\$6,210,563</u>	<u>\$6,956,792</u>
4: Operating Inc/(Loss)	<u>\$2,327,372</u>	<u>\$2,270,048</u>	<u>\$2,494,073</u>	<u>\$2,237,306</u>	<u>\$1,815,350</u>

Other Income or (Expense)

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
5: Gain/Loss Fixed Asset	(\$727)	\$16,205	\$0	\$23,256	\$18,943
6: Interest Income	\$5,650	\$2,753	\$271	\$1,909	\$3,757
7: Other Income	\$47,356	\$65,167	\$13,597	\$10,575	\$8,179
8: Other (Expense)	(\$2,261)	(\$382)	\$0	(\$1,100)	\$0
9: Nonded. Life Insur.	\$8,708	\$11,622	(\$20,676)	(\$20,318)	(\$20,368)
10: State Taxes	<u>(\$4,100)</u>	<u>(\$4,586)</u>	<u>(\$4,000)</u>	<u>(\$5,000)</u>	<u>(\$4,000)</u>
11: Total Other Income/(Exp)	<u>\$54,626</u>	<u>\$90,779</u>	<u>(\$10,808)</u>	<u>\$9,322</u>	<u>\$6,511</u>

EBIT

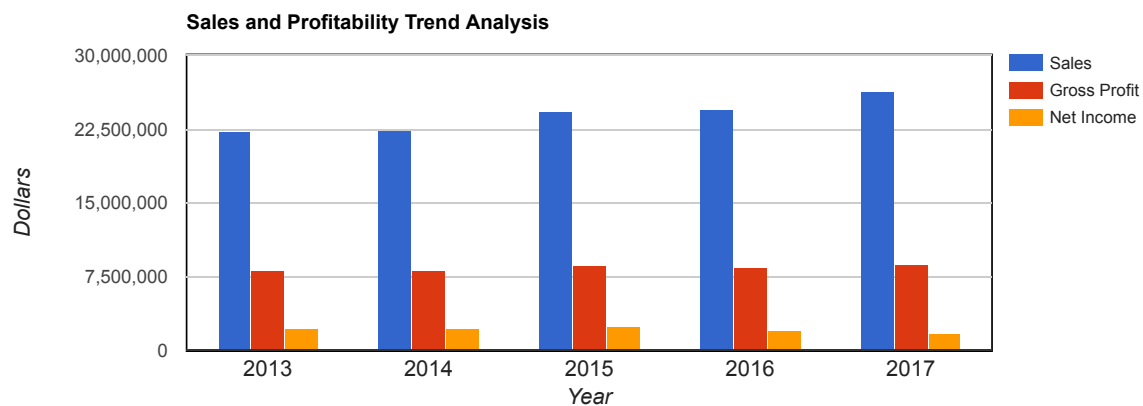
12: EBIT	\$2,381,998	\$2,360,827	\$2,483,265	\$2,246,628	\$1,821,861
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Interest Expense

13: Interest Expense	(\$171,159)	(\$103,652)	(\$135,280)	(\$143,841)	(\$152,035)
14: Pre-Tax Income (Loss)	\$2,210,839	\$2,257,175	\$2,347,985	\$2,102,787	\$1,669,826

15: Net Income (Loss)	<u><u>\$2,210,839</u></u>	<u><u>\$2,257,175</u></u>	<u><u>\$2,347,985</u></u>	<u><u>\$2,102,787</u></u>	<u><u>\$1,669,826</u></u>
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Balance Sheet Summary

(% = Percentage of Total Assets)

Current Assets

	<u>2013</u>	<u>%</u>	<u>2014</u>	<u>%</u>	<u>2015</u>	<u>%</u>	<u>2016</u>	<u>%</u>	<u>2017</u>	<u>%</u>
1: Cash & Cash Equivalents	\$1,088,990	9.6%	\$2,056,470	15.6%	\$1,901,646	13.4%	\$2,172,030	16.1%	\$2,912,337	19.2%
2: Accounts Receivable	\$2,239,363	19.8%	\$2,628,639	19.9%	\$3,054,186	21.6%	\$2,368,414	17.5%	\$2,626,580	17.3%
3: Total Inventory	\$1,870,513	16.5%	\$2,028,044	15.3%	\$2,081,314	14.7%	\$2,227,156	16.5%	\$2,359,905	15.6%
4: Prepaid Expenses	\$59,307	0.5%	\$17,848	0.1%	\$57,078	0.4%	\$116,213	0.9%	\$48,870	0.3%
5: Ppd. Officers Life Ins	\$12,211	0.1%	\$12,211	0.1%	\$25,373	0.2%	\$24,978	0.2%	\$24,978	0.2%
6: A/R Related Party	\$0	0.0%	\$279,879	2.1%	\$378,435	2.7%	\$59,459	0.4%	\$62,745	0.4%
7: Total Current Assets	<u>\$5,270,384</u>	46.5%	<u>\$7,023,091</u>	53.1%	<u>\$7,498,032</u>	52.9%	<u>\$6,968,250</u>	51.5%	<u>\$8,035,415</u>	53.1%

Fixed Assets

8: Prop.Plant& Equipment	\$12,671,517	111.9%	\$13,605,755	102.9%	\$14,625,786	103.3%	\$16,227,480	120.0%	\$18,046,515	119.2%
9: Fixed Assets SubTotal	<u>\$12,671,517</u>	111.9%	<u>\$13,605,755</u>	102.9%	<u>\$14,625,786</u>	103.3%	<u>\$16,227,480</u>	120.0%	<u>\$18,046,515</u>	119.2%
10: Accum Deprec & Amort	(\$7,247,495)	-64.0%	(\$8,200,447)	-62.0%	(\$9,438,807)	-66.6%	(\$10,661,515)	-78.8%	(\$11,996,120)	-79.2%
11: Net Deprec. Assets	\$5,424,022		\$5,405,308		\$5,186,979		\$5,565,965		\$6,050,395	
12: Total Fixed Assets	<u>\$5,424,022</u>	47.9%	<u>\$5,405,308</u>	40.9%	<u>\$5,186,979</u>	36.6%	<u>\$5,565,965</u>	41.1%	<u>\$6,050,395</u>	40.0%

Long-Term Assets

13: CSV Life Insurance	\$537,152	4.7%	\$602,107	4.6%	\$671,428	4.7%	\$743,219	5.5%	\$814,566	5.4%
14: FYE Tax Deposit	\$94,977	0.8%	\$193,512	1.5%	\$207,085	1.5%	\$249,835	1.8%	\$240,105	1.6%
15: N/R Related Party	\$0	0.0%	\$0	0.0%	\$601,715	4.2%	\$0	0.0%	\$0	0.0%
16: Total Long-Term Assets	<u>\$632,129</u>	5.6%	<u>\$795,619</u>	6.0%	<u>\$1,480,228</u>	10.4%	<u>\$993,054</u>	7.3%	<u>\$1,054,671</u>	7.0%
17: Total Assets	<u><u>\$11,326,535</u></u>	100.0%	<u><u>\$13,224,018</u></u>	100.0%	<u><u>\$14,165,239</u></u>	100.0%	<u><u>\$13,527,269</u></u>	100.0%	<u><u>\$15,140,481</u></u>	100.0%

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Balance Sheet Summary

Current Liabilities

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
1: Accounts Payable	\$575,522	\$1,270,664	\$554,064	\$453,577	\$151,925
2: Accr. Employee Exp.	\$469,832	\$633,594	\$613,927	\$600,742	\$693,376
3: Accr. Property Tax	\$45,000	\$45,000	\$45,000	\$71,460	\$69,750
4: Accr. Other Expense	\$151,062	\$58,645	\$204,695	\$99,156	\$113,360
5: Customer Deposits	\$0	\$0	\$0	\$159,799	\$9,800
6: Current Portion/L/T Db	\$998,000	\$278,000	\$789,772	\$911,353	\$780,381
7: LOC Revolving Credit	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
8: Total Current Liabilities	<u>\$2,239,416</u>	<u>\$2,285,903</u>	<u>\$2,207,458</u>	<u>\$2,296,087</u>	<u>\$1,818,592</u>

Long-Term Liabilities

9: Long-Term Debt	\$2,636,750	\$3,267,239	\$3,986,806	\$3,425,663	\$5,363,615
10: Post Retirement Benefit	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$112,447</u>
11: Total Long-Term Debt	\$2,636,750	\$3,267,239	\$3,986,806	\$3,425,663	\$5,476,062
12: Less Current Portion	<u>(\$998,000)</u>	<u>(\$278,000)</u>	<u>(\$789,772)</u>	<u>(\$911,353)</u>	<u>(\$780,381)</u>
13: Net Long-Term Debt	<u>\$1,638,750</u>	<u>\$2,989,239</u>	<u>\$3,197,034</u>	<u>\$2,514,310</u>	<u>\$4,695,681</u>

Other Liabilities

14: Total Other Liab	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
15: Total Liabilities	<u>\$3,878,166</u>	<u>\$5,275,142</u>	<u>\$5,404,492</u>	<u>\$4,810,397</u>	<u>\$6,514,273</u>

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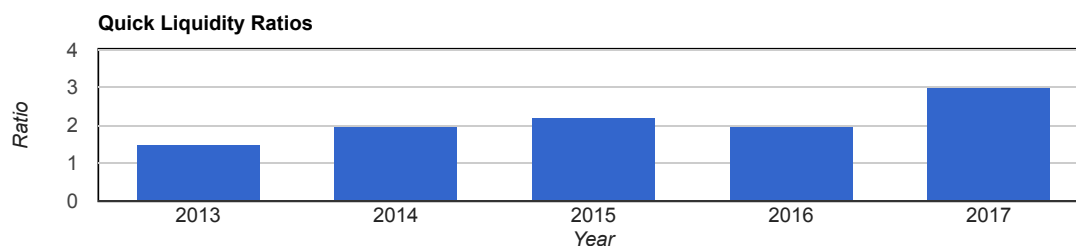
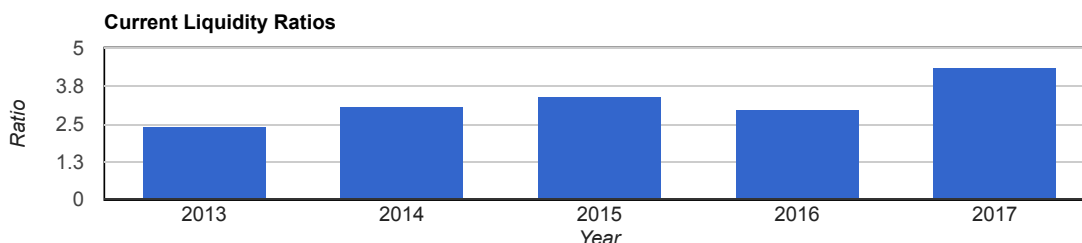
Equity Overview

	<u>2013</u>	<u>%</u>	<u>2014</u>	<u>%</u>	<u>2015</u>	<u>%</u>	<u>2016</u>	<u>%</u>	<u>2017</u>	<u>%</u>
1: Common Stock	\$100,000	0.9%	\$100,000	0.8%	\$100,000	0.7%	\$100,000	0.7%	\$100,000	0.7%
2: Add Paid In Capital	\$0	0.0%	\$0	0.0%	\$0	0.0%	\$26,438	0.2%	\$26,438	0.2%
3: Beginning Retained	\$6,221,041	54.9%	\$7,348,369	55.6%	\$7,848,876	55.4%	\$8,660,747	64.0%	\$8,590,434	56.7%
4: Net Income (Loss)	<u>\$2,210,839</u>	19.5%	<u>\$2,257,175</u>	17.1%	<u>\$2,347,985</u>	16.6%	<u>\$2,102,787</u>	15.5%	<u>\$1,669,826</u>	11.0%
5: Distributions	(\$1,083,511)	-9.6%	(\$1,756,668)	-13.3%	(\$1,536,114)	-10.8%	(\$2,173,100)	-16.1%	(\$1,760,490)	-11.6%
6: Ending Retained Earn	<u>\$7,348,369</u>	64.9%	<u>\$7,848,876</u>	59.4%	<u>\$8,660,747</u>	61.1%	<u>\$8,590,434</u>	63.5%	<u>\$8,499,770</u>	56.1%
7: Total Equity	\$7,448,369	65.8%	\$7,948,876	60.1%	\$8,760,747	61.8%	\$8,716,872	64.4%	\$8,626,208	57.0%
8: Total Liab & Equity	<u>\$11,326,535</u>	100.0%	<u>\$13,224,018</u>	100.0%	<u>\$14,165,239</u>	100.0%	<u>\$13,527,269</u>	100.0%	<u>\$15,140,481</u>	100.0%

BCD Machine Company, Inc.
Summary of Compiled Financial Statements
Prepared by: Cathy Durham
Fiscal Year Ended: September 30

Liquidity Ratios

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>PEER 1st</u>	<u>PEER 2nd</u>
1: Current Ratio	2.4	3.1	3.4	3.0	4.4	1.8	NA
2: Quick Ratio	1.5	2.0	2.2	2.0	3.0	0.9	NA


WHAT ARE LIQUIDITY RATIOS?

Liquidity, or how easy it is to convert assets to cash, is important in evaluating a company's financial position. Liquidity ratios attempt to measure a company's ability to pay off its short-term debt obligations. This is done by comparing a company's most liquid assets, those that can be easily converted to cash, with its short-term liabilities. In general, the greater the level of coverage of liquid assets to short-term liabilities the better. A company with a low coverage rate may signal that the company will have difficulty meeting its short-term financial obligations, and consequently, in running its day-to-day operations. During hard times for the business, a company with insufficient liquidity may be forced to take tough choices to meet their obligations. These could include liquidating productive assets, selling inventory or even a business segment. Liquidity ratios are based on different portions of the company's current assets and current liabilities taken from the company's balance sheet. There are two key liquidity ratios that we consider: the Current ratio and the Quick ratio.

Current Ratio

Formula: $\text{Current Assets} / \text{Current Liabilities}$

Quick Interpretation: Generally, a current ratio of 1.0 or greater is an indication that the company is well-positioned to cover its current or short-term liabilities. The higher the current ratio, the greater the cushion between current obligations and a company's ability to pay them.

Quick Ratio

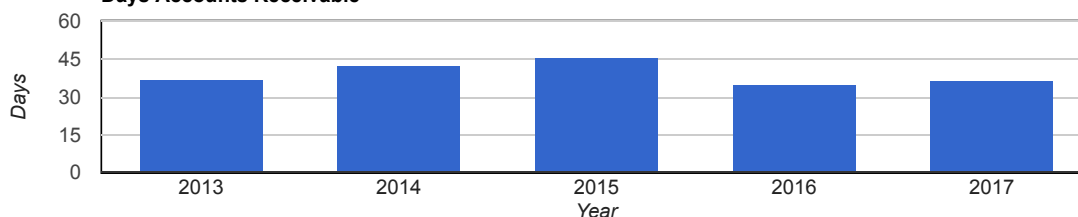
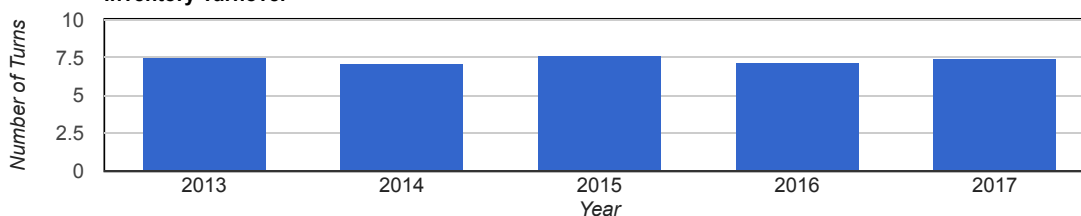
Formula: $\text{Cash \& Equivalents} + \text{Trade Receivables} / \text{Total Current Liabilities}$

Quick Interpretation: Generally, a quick ratio greater than 1.0 means that a company is sufficiently able to meet its short-term obligations.

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Activity Ratios

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>PEER 1st</u>	<u>PEER 2nd</u>
1: Days Accounts Receivable	36.9	42.7	45.9	35.3	36.5	46.7	NA
2: Inventory Turnover	7.5	7.1	7.6	7.2	7.4	6.0	NA

Days Accounts Receivable**Inventory Turnover****WHAT ARE ACTIVITY RATIOS?**

Activity ratios help us evaluate the company's liquidity, or how quickly certain key assets can be turned into cash. How liquid, for example, are the Accounts Receivable and Inventory? In addition, these ratios are an indication of how efficiently the company's management is utilizing its assets. Activity ratios are most useful when compared to competitor or industry to establish whether a company's processes are favorable or unfavorable. Activity ratios can form a basis of comparison across multiple years to determine changes over time. There are two key activity ratios we consider: Days of Sales Outstanding (Receivables Turnover) and Inventory Turnover ratio.

Days of Sales Outstanding (Accounts Receivable Turnover)

Formula: Accounts Receivable / Net Sales. This represents the number of Accounts Receivable turns in a year. Multiply this number by 365 days to determine the number of days sales outstanding for the company.

Quick Interpretation: The lower the number of days or the faster the turnover, the more credence the current ratio and the quick ratio have in the financial analysis. Generally, the time allowed for payment by the company's selling terms should not be exceeded by more than 10 or 15 days.

Inventory Turnover

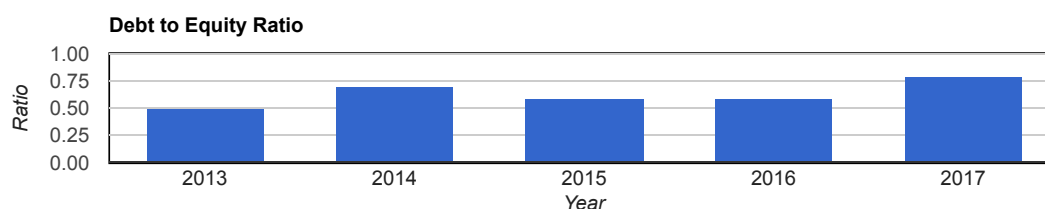
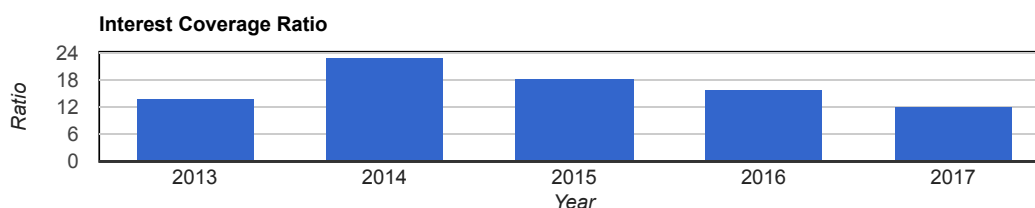
Formula: Cost of Goods Sold / Inventory

Quick Interpretation: Generally, the higher the inventory turnover, the better the enterprise is performing. It is possible, however, that the company may be losing sales due to lack of sufficient inventory. A low turnover indicates weak sales; therefore, excess inventory. A high ratio implies either strong sales and/or large discounts. How does the company compare to its peers? How does it compare to previous years?

BCD Machine Company, Inc.
Summary of Compiled Financial Statements
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Fiscal Year Ended: September 30

Leverage Ratios

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>PEER 1st</u>	<u>PEER 2nd</u>
1: Interest Coverage	13.9	22.8	18.4	15.6	12.0	3.7	NA
2: Debt to Equity	0.5	0.7	0.6	0.6	0.8	1.4	NA


WHAT ARE LEVERAGE RATIOS?

Leverage ratios are also called financial leverage ratios or debt ratios. These ratios measure the ability of the business to meet its long-term debt obligations, such as the principal and interest payments on debt, as well as other fixed obligations such as lease payments. Long-term debt is defined as obligations to repay with a maturity of more than one year. These ratios compare the overall long-term debt of a company to its equity. These financial leverage ratios help us understand or measure the amount of risk in the company's capital structure.

Interest Coverage Ratio

Formula: EBIT (Earnings Before Interest and Taxes) / Interest Expense

Quick Interpretation: Generally, the lower a company's interest coverage ratio is, the more its debt expenses burden the company. If a company's interest coverage ratio is 1.5 or lower, its ability to meet interest expenses may be questionable. 1.5 is generally considered to be a minimum acceptable ratio for a company. A coverage ratio of 1.5 or below prompts lenders to refuse to lend as the company's risks for default may be perceived to be too high. An interest coverage ratio below 1.0 indicates the company is not generating sufficient revenues to pay its interest expenses.

Debt to Equity Ratio

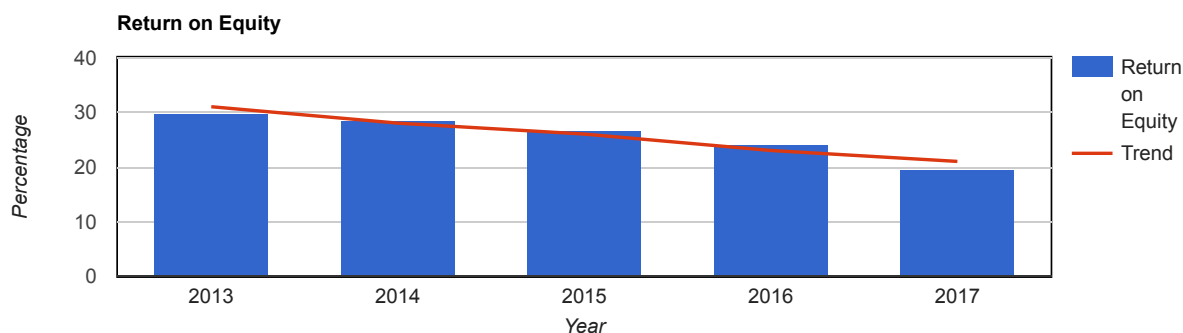
Formula: Total Liabilities/Stockholders' Equity

Quick Interpretation: This ratio is a long-term solvency ratio that indicates the soundness of long-term financial policies of a company. It shows the relation between the portion of assets financed by creditors and the portion of assets financed by stockholders. A ratio of 1:1 means that creditors and stockholders equally contribute to the assets of the business. A less than 1 ratio indicates that the portion of assets provided by stockholders is greater than the portion of assets provided by creditors. A greater than 1 ratio indicates that the portion of assets provided by creditors is greater than the portion of assets provided by stockholders. Alternatively, stockholders like to get benefit from the funds provided by creditors and would therefore like a high debt to equity ratio. Debt equity ratios vary from industry to industry—a ratio that is ideal for one industry may be considered less than ideal for another industry. A ratio of 1:1 is normally considered satisfactory for most companies.

BCD Machine Company, Inc.
Summary of Compiled Financial Statements
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Fiscal Year Ended: September 30

Profitability Ratios

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>PEER 1st</u>	<u>PEER 2nd</u>
1: Return on Equity	29.7%	28.4%	26.8%	24.1%	19.4%	14.1%	NA


WHAT ARE PROFITABILITY RATIOS?

Profitability metrics provide a way to assess a business's ability to generate earnings compared to its expenses and other relevant costs during a specific time period (in this case, annually). The key profitability metric we consider is the Return on Equity ratio.

Return on Equity

Formula: $\text{Pre-Tax Income} / \text{Shareholders' or Members' Equity (assets - liabilities)}$

Quick Interpretation: Compare the company's Return on Equity over time and more importantly, compare to the company's specific industry. Generally, the higher the number the better.

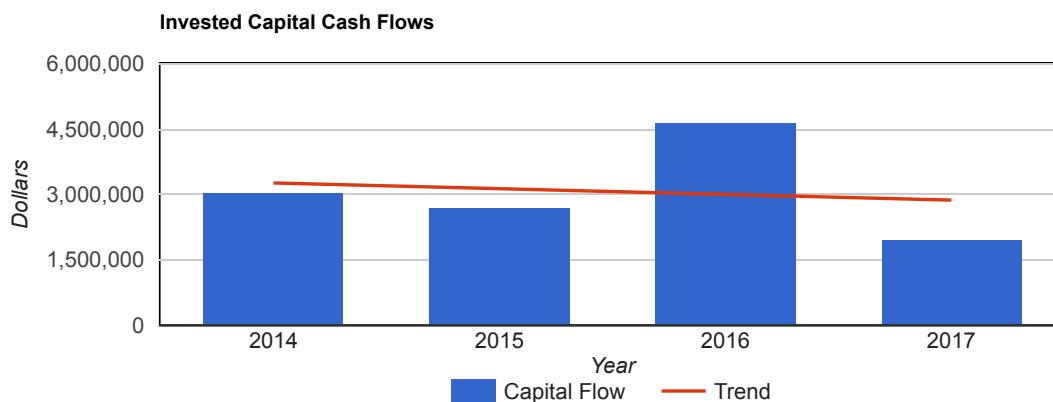
Return on Equity is a ratio that concerns a company's equity holders the most, since it measures their ability of earning a return on their equity investment.

Primary Industry Code: 33271 - Machine Shop Services

BCD Machine Company, Inc.
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Cash Flow Trends

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
1: EBITDA	\$3,564,777	\$3,788,599	\$3,544,656	\$3,216,769
2: Change in Working Capital	<u>(\$738,740)</u>	<u>(\$708,210)</u>	<u>\$888,795</u>	<u>(\$804,353)</u>
3: Cash Flow Provided by (Used in) Operations	<u>\$2,826,037</u>	<u>\$3,080,389</u>	<u>\$4,433,451</u>	<u>\$2,412,416</u>
4: Investment in Capital Expenditures	<u>\$360,491</u>	<u>\$274,495</u>	<u>(\$294,344)</u>	<u>(\$417,616)</u>
5: Total Long-Term Assets	\$795,619	\$1,480,228	\$993,054	\$1,054,671
6: Change in Long-Term Assets	(\$163,490)	(\$684,609)	\$487,174	(\$61,617)
7: Invested Capital Cash Flows	<u>\$3,023,038</u>	<u>\$2,670,275</u>	<u>\$4,626,281</u>	<u>\$1,933,183</u>



A business's cash flow is different than its profits, operating income, or net income and cash flow is the critical factor needed to value a business. There are cash flows from operations, sometimes referred to as EBITDA, cash flows from investing (i.e. capital expenditures) and cash flows from financing (long-term debt and equity).

Invested capital cash flows are the combination of cash flows from operations and cash flows from investing. Invested capital cash flows represent the cash flow that a business generates that is available to either repay lenders or provide a return on an investment to shareholders in the form of dividends or distributions.

When thinking about business value it's cash flow that matter and it is the future Invested Capital cash flows (before financing) that are priced when determining the value of a business. It is also instructive to track a business's historical Invested Capital cash flows as it is a good indication of generally whether the value of the business is increasing or decreasing.

The data above starts with the historical operating cash flows (EBITDA) but then takes the necessary steps of determining the amount of working capital the business needed (or generated) as well as the historical cash flows needed for re-investing in the business's capital expenditures.