

The capital markets are increasingly hard to access. How will I continue to fund operations and growth?

How do my key performance measurements and ratios compare to my industry and competitors?

How do I leverage pricing in my market?

Where should I focus my limited financial resources to maximum benefit?

How do I increase Net Cash Flow and ROI?

What internal & external capital raise options do I really have available in this environment?

These are questions that keep CEOs and CFOs up at night.

Harvest can help.

Turning **Vision** into **Value**

Description & Deliverables

The financial markets are tough. Managing cash flow, raising debt or equity capital is a challenge as never before. Profitability, market share and growth are at risk. Do you really understand your financials? How do they compare to your competition?

We offer two Corporate Finance Evaluation options, depending on the complexity of your unique situation. **Harvest Essential** is our baseline corporate finance evaluation service. For those clients with more complex situations we offer **Harvest Total View**, a more comprehensive analytical review including 'what if' projections.

A summary of our capabilities include:

Harvest Essential (See Example)

- Summary level analysis of your company's financial health
- 5 Star Ratings on Liquidity, Profitability, Sales, Borrowings, & Assets
- Current-to-Prior Period Reporting
- Essential Ratio Analysis
- Real-Time industry comparison
- Data Mining with key financial metrics, percentiles, etc

Harvest Total View

- Straight-forward Narrative Analysis
- 5 Star Ratings on Liquidity, Profitability, Sales, Borrowings, & Assets
- Ratio & Trend Analysis and Industry Comparisons
- Borrowing & Dept Management
- Equity Position evaluation
- Our Computer Assisted Audit Technique & Tool (CAATT)
- Assists in professional standards & guidelines compliance
- Forecasts based on historical trends using regression analysis
- Sensitivity Analysis – What if modeling
- Evaluation of loans & other debt instrument alternatives

How We Do It

Harvest uses key information from your financial statements to produce a narrative report providing detailed industry comparisons and highlighting key areas of your business which are the strongest and those which may need improvement. Our reports provide the perfect foundation for improved business performance to help you grow and be profitable. Our unique software driven analytical tools combined with our experience provide you an assessment in short order.

Benefits

- A skilled and independent financial diagnosis
- Knowledge so you can act with confidence
- The ability to survive – even prosper amid the threats & opportunities

Harvest Essential

Financial Evaluation For XYZ Company

For Periods 2007 and 2008

Provided By



Keith Weil - Partner

Report prepared for: XYZ Company

Industry: 33911 - Medical Equipment and Supplies Manufacturing

Revenue: Greater than \$10M

Periods: 12 months against the same 12 months from the previous year

SCORECARD	
★ ★ ★ ☆ ☆	LIQUIDITY
★ ★ ★ ☆ ☆	PROFITS & PROFIT MARGIN
★ ☆ ☆ ☆ ☆	SALES
★ ☆ ☆ ☆ ☆	BORROWING
★ ★ ★ ☆ ☆	ASSETS
★ ☆ ☆ ☆ ☆	EMPLOYEES

LIQUIDITY



Generally, what is the company's ability to meet obligations as they come due?

Operating Cash Flow Results

The company is generating strong cash flow from operations this period, which is positive. The company is profitable although year over year results have deteriorated in the current economic climate (as will be discussed in detail later). Generating solid cash flow along with high levels of profit is the best way to build better liquidity on the Balance Sheet.

General Liquidity Conditions

Despite lower sales and profits (and margins) on the Income Statement side of the business, the company's liquidity position seems solid. There are many high quality liquid assets that can be used to pay current obligations. The graph area of the report depicts a strong quick ratio, which measures the general ability to find cash quickly at this specific time. This analysis is based upon last period's data and the competition's data. Therefore, the company is doing well here, even compared to other similar companies.

It should be noted that the overall liquidity position has stayed about the same as last period. In fact, the company's position is roughly the same using the several techniques employed to evaluate it.

It is also important to review some particular components of liquidity, which include turnover data. Inventory days are lower than the industry average this period, but have risen dramatically from the same period last year, indicating a possible trouble spot. In addition, both accounts receivable days and accounts payable days have been moving in adverse directions, although are still above industry norms.

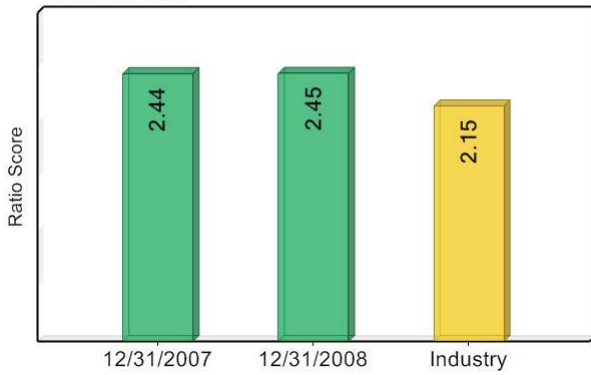
Tips For Improvement

In order to more effectively manage liquidity conditions, here are some actions/"tips" that managers might consider:

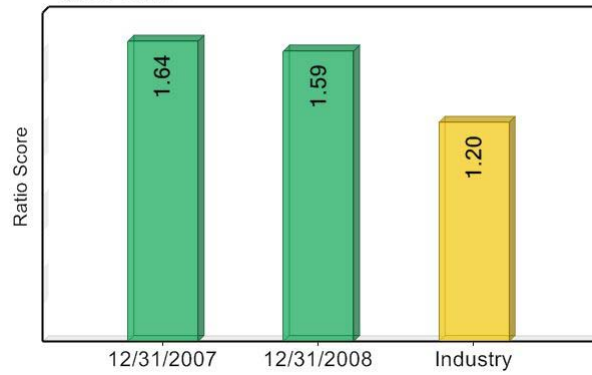
- Monitor accounts receivable on a weekly basis, and charge interest on invoices that are past due.
- Monitor the impact tax payments may have on cash. Keep enough money aside to be able to meet future tax obligations based on earnings.
- Use trade credit or vendor financing when reasonable and feasible. Trade credit occurs when one business receives a service from a supplier under an agreement to pay them later. This is typically free debt and a good source of short-term financing because it does not carry interest.
- Monitor invoicing procedures to help ensure correctness. Nothing will delay payment from a customer more than sending out an incorrect invoice.

LIMITS TO LIQUIDITY ANALYSIS: Keep in mind that liquidity conditions are volatile and this is a general analysis looking at a snapshot in time. Review this section, but do not overly rely on it.

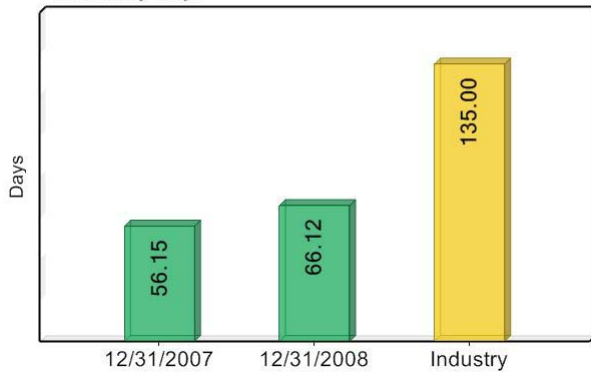
Current Ratio



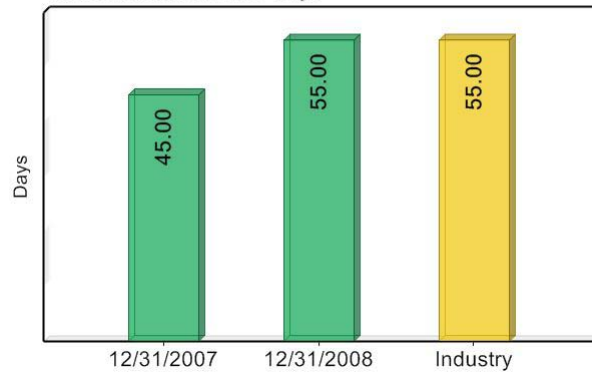
Quick Ratio



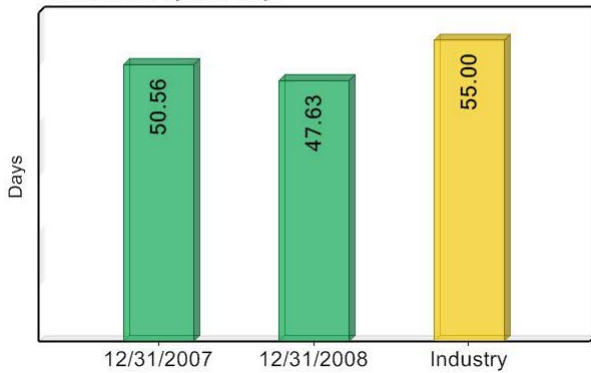
Inventory Days



Accounts Receivable Days



Accounts Payable Days



PROFITS & PROFIT MARGIN



Are profitability trends favorable in the company?

Although the company's sales, gross profits, gross profit margin, net profits, and net profit margin have all fallen concurrently this period, the overall performance in this area is still actually quite good: the net profit margin remains healthy, as was the case last period. Furthermore, the company's net profit margin is above industry average, but has declined dramatically from prior periods. The deterioration from prior periods is troubling; cost reductions commensurate with volume reductions should be considered. The net profit margin is the most important profitability statistic that a company has to manage -- it measures how effectively the company is balancing its costs relative to its sales revenue.

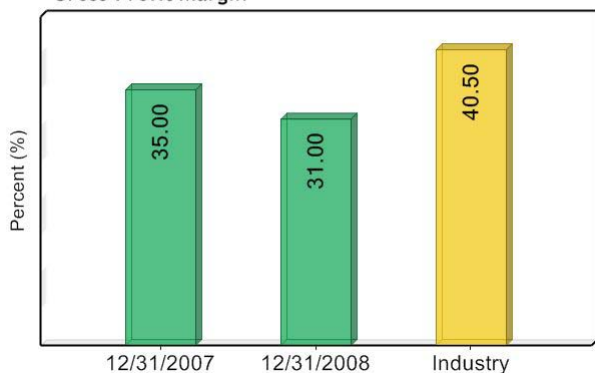
The area that the company may want to focus on improving is the lower gross profit margin: improving this component will help several other results. A decrease in sales should not mean that gross margins should slip. In fact, if sales are falling, there is even more reason to manage the cost of sales even better. The strongest companies compensate for weakness in one area by improving performance in other areas. This may only be a one-time slip, but the company should be aware of even slight trends to keep performance strong.

Tips For Improvement

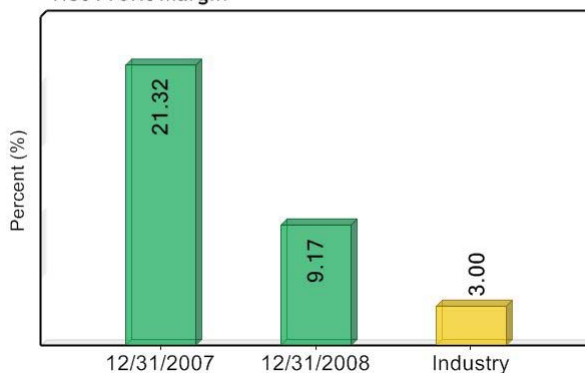
The following ideas to improve profitability might be useful and can be thought-through by managers:

- Hire employees with strong technical expertise, because this is particularly important for efficient operations in manufacturing industries.
- Be sure to have an attractive web presence with a history of projects completed and customer testimonials. Establishing credibility can be a key factor in forging new customer relationships.
- Generate accurate financial reports on a timely basis -- within 40 days of the end of the financial period. This will help ensure the usefulness of the data for examination purposes. Good financial reports are the backbone of management decisions.
- Keep open communication with customers to help ensure quality customer service. Customers generally prefer a business that takes the time to answer questions promptly and knowledgeably.

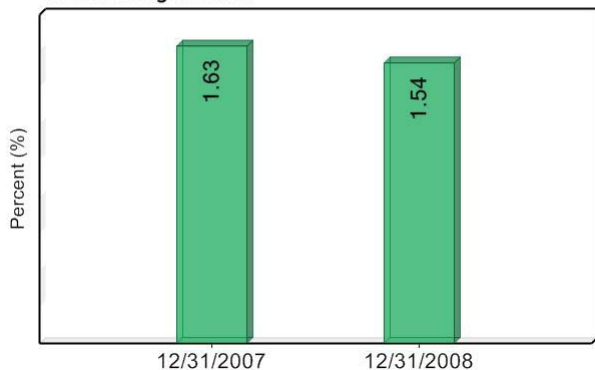
Gross Profit Margin



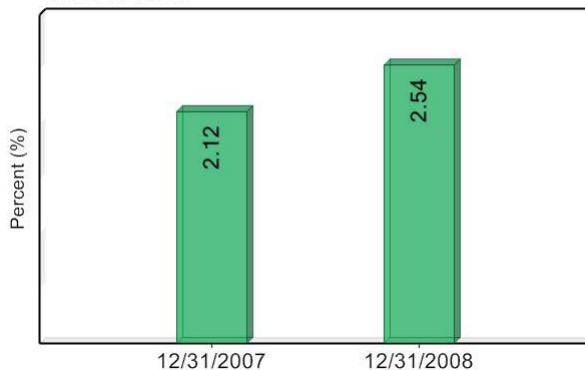
Net Profit Margin

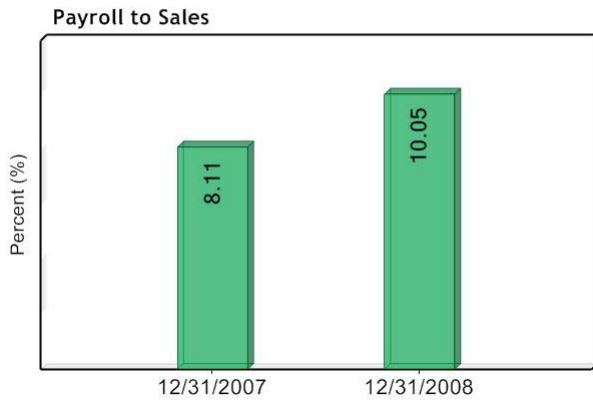


Advertising to Sales



Rent to Sales





SALES



Are sales growing and satisfactory?

In general, sales numbers are much less important than profitability. However, over time companies want to grow sales at least modestly. This is because the cost of running a business tends to increase over time. For the company, sales have decreased this period by 16.75%. Because the company's asset base has remained about the same, future sales decreases could eventually harm profitability. Managers should keep an eye on this trend in the future.

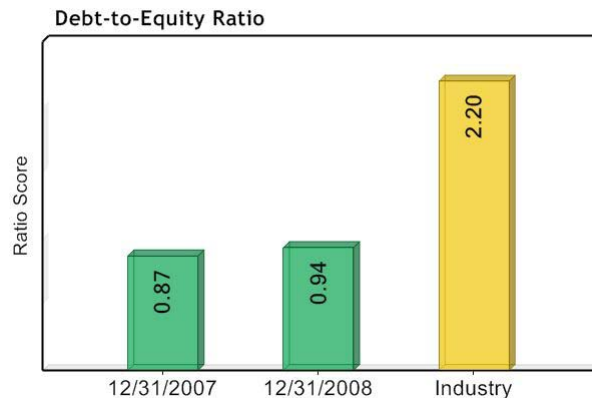
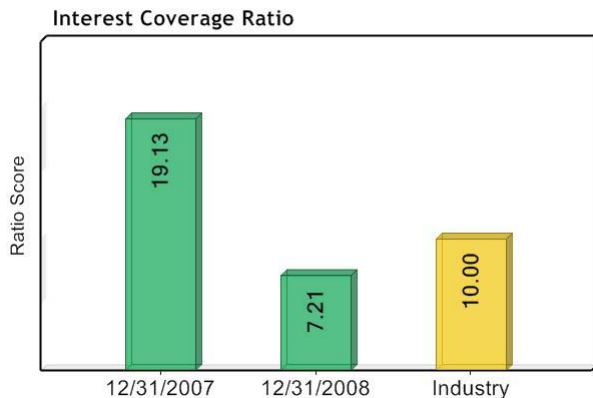
BORROWING

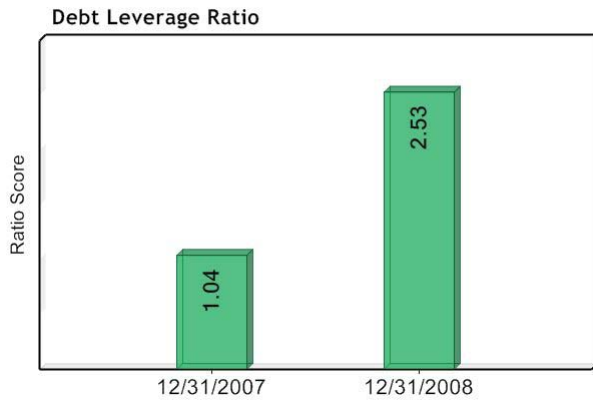


Is the company borrowing profitably?

The purpose of using debt is to improve profitability. If this can be accomplished, the company can "trade on equity" -- the company can improve returns on the business (improve returns on equity). This is often easy to understand but difficult to do. For example, the issue here is that total debt stayed about the same as last period, but profitability decreased by 64.21%. It is also worth noting the decline in net profit margins. It is typically best to improve the amount of profitability generated on existing debt resources over time. Even though these results did not diminish the overall liquidity position, the dynamics here are still not favorable for this specific period.

Despite the overall low score in this area, please note that the company is generating an average amount of earnings (before interest and non-cash expenses); at least compared to the relatively low level of debt it is carrying on its Balance Sheet. Of course, when a company is not highly levered, we would want to be relatively modest in conclusions reached, even though the overall score in this area is below average.





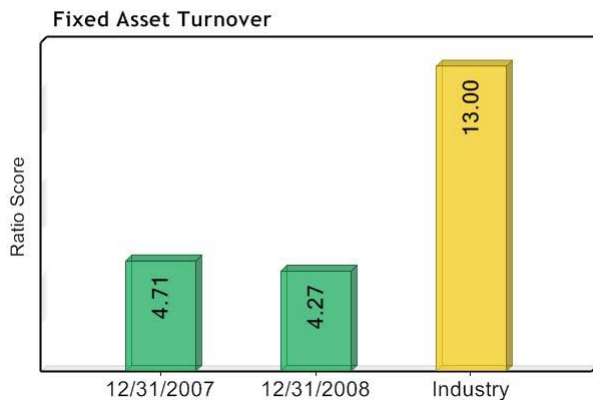
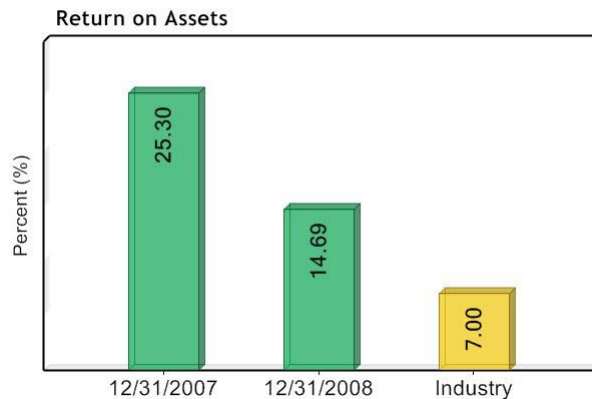
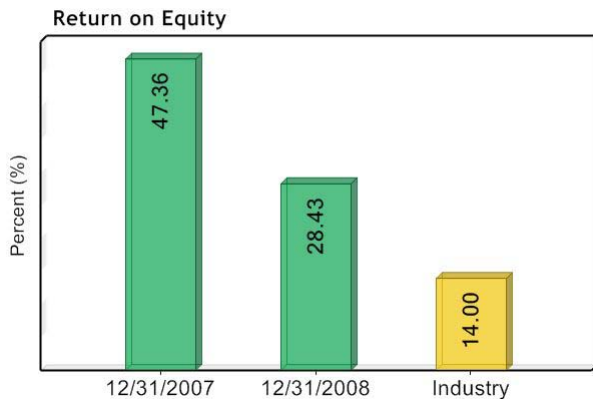
ASSETS



Is the company using gross fixed assets effectively?

In this case, the company reduced its fixed asset load, in line with depreciation. This indicates a lack of investment, which could hurt the company in the future. At the same time, net profitability fell by 64.21% as the asset base was lowered. This dynamic might not be unexpected; however, what is interesting is that profitability fell at an even greater rate than the rate of asset reduction. It is also discouraging to see net profit margins fall, which is an indication of a decrease in overall efficiency.

Notice that the company generated a relatively strong return on assets and equity this period. This is a positive result for both investors/owners and creditors of the company. Assets generally represent a cost to the company that is expected to reap future benefits, so it is good to see the company earning strong profitability relative to its assets.



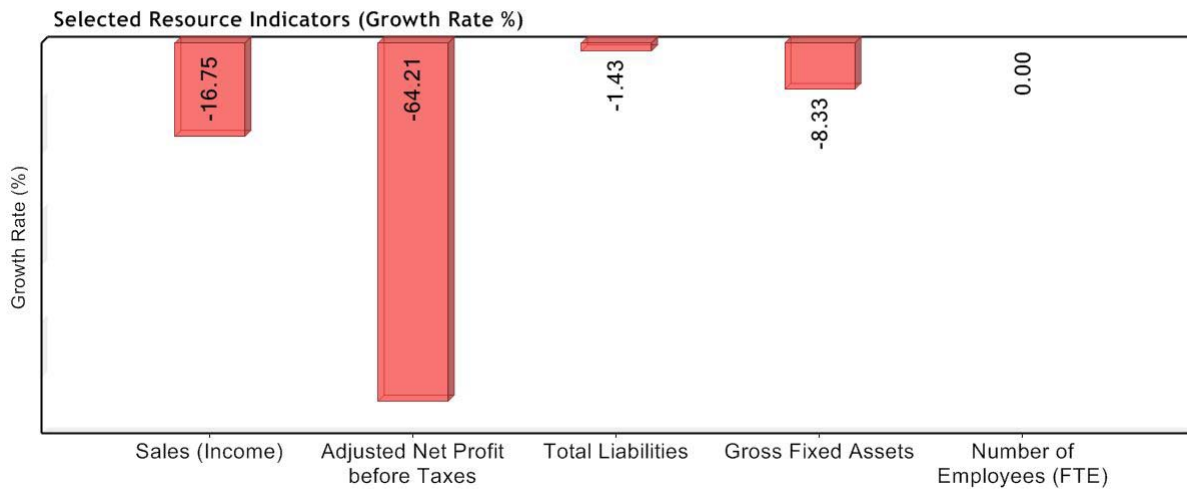
EMPLOYEES



Is the company hiring effectively?

Movements in net profitability and number of employees are important fluctuations to analyze in a business. In this case, the company is earning less profitability with about the same level of employees. This means that the company's net profitability per employee statistic is lower now than it was last period, which is not a favorable result. It also indicates the company has not reduced work force in the face of declining sales. Of course, this analysis is only based upon limited data, so managers should look to the future to make conclusive decisions about hiring.

"Opportunities multiply as they are seized." -- Sun Tzu



A NOTE ON SCORING: Each section of this report (Liquidity, Profits & Profit Margin, etc.) contains a star rating which measures the company's overall performance in the area at the time of the report's generation. One star indicates that the company is below average or may possibly need improvement in the area. Three stars indicate that the company is about average for the area. Five stars indicate that the company is above average or performing quite well in the area.

RAW DATA

	12/31/2007	12/31/2008
Income Statement Data		
Sales (Income)	\$21,498,000	\$17,897,000
Cost of Sales (COGS)	\$13,973,700	\$12,348,930
Gross Profit	\$7,524,300	\$5,548,070
Gross Profit Margin	35.00%	31.00%
Payroll / Wages / Salary	\$1,744,503	\$1,798,457
Rent	\$455,000	\$455,000
Advertising	\$350,000	\$275,000
Depreciation	\$380,632	\$348,913
Interest Expense	\$260,000	\$280,000
Net Profit before Taxes	\$4,334,164	\$1,390,700
Adjusted Net Profit before Taxes	\$4,584,164	\$1,640,700
Net Profit Margin	21.32%	9.17%
EBITDA	\$4,974,796	\$2,019,613
Net Income	\$2,817,206	\$1,553,955
Balance Sheet Data		
Cash (Bank Funds)	\$1,765,890	\$1,456,980
Accounts Receivable	\$2,650,438	\$2,696,808
Inventory	\$2,149,800	\$2,237,125
Total Current Assets	\$6,566,128	\$6,390,913
Gross Fixed Assets	\$4,567,590	\$4,186,958
Total Assets	\$11,133,718	\$10,577,871
Accounts Payable	\$1,935,594	\$1,611,375
Total Current Liabilities	\$2,685,594	\$2,611,375
Total Liabilities	\$5,185,594	\$5,111,375
Total Equity	\$5,948,124	\$5,466,496
Number of Employees (FTE)	125.0	125.0

COMMON SIZE STATEMENTS

	12/31/2007	12/31/2008	Industry (217)
Income Statement Data			
Sales (Income)	100%	100%	100%
Cost of Sales (COGS)	65%	69%	59%
Gross Profit	35%	31%	43%
Payroll / Wages / Salary	8%	10%	15%
Rent	2%	3%	2%
Advertising	2%	2%	1%
Depreciation	2%	2%	2%
Interest Expense	1%	2%	1%
Net Profit before Taxes	20%	8%	7%
Adjusted Net Profit before Taxes	21%	9%	8%
EBITDA	23%	11%	10%
Net Income	13%	9%	7%
Balance Sheet Data			
Cash (Bank Funds)	16%	14%	11%
Accounts Receivable	24%	25%	28%
Inventory	19%	21%	23%
Total Current Assets	59%	60%	68%
Gross Fixed Assets	41%	40%	39%
Total Assets	100%	100%	100%
Accounts Payable	17%	15%	14%
Total Current Liabilities	24%	25%	37%
Total Liabilities	47%	48%	56%
Total Equity	53%	52%	45%

INDUSTRY SCORECARD

Financial Indicator	Current Period	Industry Range	Distance from Industry
Current Ratio = Total Current Assets / Total Current Liabilities Explanation: Generally, this metric measures the overall liquidity position of a company. It is certainly not a perfect barometer, but it is a good one. Watch for big decreases in this number over time. Make sure the accounts listed in "current assets" are collectible. The higher the ratio, the more liquid the company is.	2.45	1.50 to 2.80	0.00%
Quick Ratio = (Cash + Accounts Receivable) / Total Current Liabilities Explanation: This is another good indicator of liquidity, although by itself, it is not a perfect one. If there are receivable accounts included in the numerator, they should be collectible. Look at the length of time the company has to pay the amount listed in the denominator (current liabilities). The higher the number, the stronger the company.	1.59	0.90 to 1.50	+6.00%
Inventory Days = (Inventory / COGS) * 365 Explanation: This metric shows how much inventory (in days) is on hand. It indicates how quickly a company can respond to market and/or product changes. Not all companies have inventory for this metric. The lower the better.	66.12 Days	120.00 to 150.00 Days	+44.90%
Accounts Receivable Days = (Accounts Receivable / Sales) * 365 Explanation: This number reflects the average length of time between credit sales and payment receipts. It is crucial to maintaining positive liquidity. The lower the better.	55.00 Days	40.00 to 70.00 Days	0.00%
Accounts Payable Days = (Accounts Payable / COGS) * 365 Explanation: This ratio shows the average number of days that lapse between the purchase of material and labor, and payment for them. It is a rough measure of how timely a company is in meeting payment obligations. Lower is normally better.	47.63 Days	40.00 to 70.00 Days	0.00%
Gross Profit Margin = Gross Profit / Sales Explanation: This number indicates the percentage of sales revenue that is paid out in direct costs (costs of sales). It is an important statistic that can be used in business planning because it indicates how many cents of gross profit can be generated by future sales. Higher is normally better (the company is more efficient).	31.00%	35.00% to 46.00%	-11.43%
Net Profit Margin = Adjusted Net Profit before Taxes / Sales Explanation: This is an important metric. In fact, over time, it is one of the more important barometers that we look at. It measures how many cents of profit the company is generating for every dollar it sells. Track it carefully against industry competitors. This is a very important number in preparing forecasts. The higher the better.	9.17%	1.00% to 5.00%	+83.40%
Advertising to Sales = Advertising / Sales Explanation: This metric shows advertising expense for the company as a percentage of sales.	1.54%	N/A	N/A
Rent to Sales = Rent / Sales	2.54%	N/A	N/A

Explanation: This metric shows rent expense for the company as a percentage of sales.

Payroll to Sales	10.05%	N/A	N/A
= Payroll Expense / Sales			

Explanation: This metric shows payroll expense for the company as a percentage of sales.

Interest Coverage Ratio	7.21	4.00 to 16.00	0.00%
= EBITDA / Interest Expense			

Explanation: This ratio measures a company's ability to service debt payments from operating cash flow (EBITDA). An increasing ratio is a good indicator of improving credit quality. The higher the better.

Debt-to-Equity Ratio	0.94	1.20 to 3.20	+21.67%
= Total Liabilities / Total Equity			

Explanation: This Balance Sheet leverage ratio indicates the composition of a company's total capitalization -- the balance between money or assets owed versus the money or assets owned. Generally, creditors prefer a lower ratio to decrease financial risk while investors prefer a higher ratio to realize the return benefits of financial leverage.

Debt Leverage Ratio	2.53	N/A	N/A
= Total Liabilities / EBITDA			

Explanation: This ratio measures a company's ability to repay debt obligations from annualized operating cash flow (EBITDA).

Return on Equity	28.43%	8.00% to 20.00%	+42.15%
= Net Income / Total Equity			

Explanation: This measure shows how much profit is being returned on the shareholders' equity each year. It is a vital statistic from the perspective of equity holders in a company. The higher the better.

Return on Assets	14.69%	4.00% to 10.00%	+46.90%
= Net Income / Total Assets			

Explanation: This calculation measures the company's ability to use its assets to create profits. Basically, ROA indicates how many cents of profit each dollar of asset is producing per year. It is quite important since managers can only be evaluated by looking at how they use the assets available to them. The higher the better.

Fixed Asset Turnover	4.27	6.00 to 20.00	-28.83%
= Sales / Gross Fixed Assets			

Explanation: This asset management ratio shows the multiple of annualized sales that each dollar of gross fixed assets is producing. This indicator measures how well fixed assets are "throwing off" sales and is very important to businesses that require significant investments in such assets. Readers should not emphasize this metric when looking at companies that do not possess or require significant gross fixed assets. The higher the more effective the company's investments in Net Property, Plant, and Equipment are.

<p>NOTE: Exceptions are sometimes applied when calculating the Financial Indicators. Generally, this occurs when the inputs used to calculate the ratios are zero and/or negative.</p>

READER: Financial analysis is not a science; it is about interpretation and evaluation of financial events. Therefore, some judgment will always be part of our reports and analyses. Before making any financial decision, always consult an experienced and knowledgeable professional (accountant, banker, financial planner, attorney, etc.).