

Superior Home Trinkets, Co.

Reviewed Financial Statements and Internally Prepared Forecast



Draft - Subject to Change

Provided by COMPANY

INCOME STATEMENT

In \$MM's

	Actual	Actual	Preliminary	Forecast	Forecast	Forecast	Forecast
	2017	2018	2019	2020	2021	2022	2023
Revenues	78.5	69.7	75.2	65.2	70.0	75.0	80.0
Cost of Sales	(62.3)	(58.3)	(68.7)	(54.1)	(56.7)	(58.5)	(62.1)
Gross Margin	16.2	11.4	6.5	11.1	13.3	16.5	17.9
Gross Margin %	20.7%	16.4%	8.7%	17.0%	19.0%	22.0%	22.4%
Overhead	(10.7)	(11.0)	(12.0)	(10.0)	(9.0)	(9.2)	(9.3)
Depreciation	(1.9)	(1.8)	(1.8)	(1.8)	(1.7)	(1.5)	(1.4)
Interest	(1.4)	(1.6)	(2.6)	(3.7)	(4.3)	(4.5)	(4.3)
Restructuring	-	-	-	(0.8)	(0.5)	-	-
Profit Before Tax	2.3	(3.0)	(9.8)	(5.2)	(2.1)	1.3	2.9
Taxes	(0.8)	1.1	3.4	1.8	0.7	(0.4)	(1.0)
Net Income (Loss)	1.5	(2.0)	(6.4)	(3.4)	(1.4)	0.8	1.9
EBITDA	5.5	0.4	(5.5)	0.3	3.8	7.3	8.6

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	Actual	Actual	Preliminary	Forecast	Forecast	Forecast	Forecast
BALANCE SHEET	2017	2018	2019	2020	2021	2022	2023
Cash	3.7	2.6	0.0	0.2	0.1	0.1	0.5
Accounts Receivables	9.4	9.8	13.5	11.4	11.7	12.5	13.3
Inventory	6.3	8.4	12.8	7.8	8.4	9.0	9.6
Property, Plant & Equipment	23.0	22.4	22.4	20.8	19.3	18.0	16.7
Deferred Tax Asset	-	-	3.4	5.3	6.0	5.6	4.6
Total Assets	42.4	43.1	48.7	40.2	39.4	39.6	40.2
Accounts Payables	9.3	10.5	17.2	10.8	10.2	8.8	9.3
Line of Credit	6.6	7.9	18.9	22.7	25.4	26.4	24.4
Term Loan	5.3	5.5	6.3	5.5	4.8	4.0	3.3
Subordinated Debt	4.0	4.0	1.0	1.0	1.0	1.0	1.0
Total Liabilities	25.2	27.9	43.3	40.0	41.4	40.2	38.0
Equity	17.2	15.2	5.4	0.2	(1.9)	(0.6)	2.2
CapEx - Financed	0.4	1	1.5	0	0	0	0
CapEx - Unfinanced	0.7	0.2	0.3	0.2	0.2	0.2	0.2

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	Actual	Actual	Preliminary	Forecast	Forecast	Forecast	Forecast
	2017	2018	2019	2020	2021	2022	2023
CASH FLOW							
Net Income		(2.0)	(6.4)	(3.4)	(1.4)	0.8	1.9
Change: Accounts Receivables		(0.3)	(3.8)	2.1	(0.3)	(0.8)	(0.8)
Change: Inventory		(2.1)	(4.4)	5.0	(0.6)	(0.6)	(0.6)
Change: Property, Plant & Equipment		0.6	(0.0)	1.6	1.5	1.3	1.2
Change: Deferred Tax Asset		-	(3.4)	(1.8)	(0.7)	0.4	1.0
Change: Accounts Payables		1.15	6.68	(6.34)	(0.62)	(1.43)	0.54
Change: Line of Credit		1.30	11.00	3.80	2.70	1.00	(2.00)
Change: Term Loan		0.25	0.75	(0.75)	(0.75)	(0.75)	(0.75)
Change: Subordinated Debt		-	(3.00)	-	-	-	-
Net Change in Cash		(1.1)	(2.6)	0.2	(0.2)	0.0	0.5
LINE OF CREDIT BALANCE							
Starting Cash Balance		3.7	2.6	0.0	0.2	0.1	0.1
Change in Cash		(1.1)	(2.6)	0.2	(0.2)	0.0	0.5
Ending Cash Balance		2.6	0.0	0.2	0.1	0.1	0.5

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COLLATERAL ANALYSIS

	Actual 2017	Actual 2018	Preliminary 2019	Forecast 2020	Forecast 2021	Forecast 2022	Forecast 2023
A/R + Inventory (Book Value)	15.70	18.12	26.32	19.23	20.07	21.50	22.93
- Ineligible A/R & Inventory	(0.8)	(0.9)	(1.3)	(1.0)	(1.0)	(1.1)	(1.1)
= Eligible A/R + Inventory	14.92	17.22	25.00	18.27	19.06	20.43	21.79
x Target LOC Advance Rate (blended %)	75.0%	75.0%	75.0%	75.0%	75.0%	75.0%	75.0%
= Line of Credit Gross Availability	11.2	12.9	18.8	13.7	14.3	15.3	16.3
- Actual or Forecasted LOC	6.6	7.9	18.9	22.7	25.4	26.4	24.4
= Line of Credit Net Availability	4.6	5.0	(0.1)	(9.0)	(11.1)	(11.1)	(8.1)

FIXED CHARGE COVERAGE RATIO ("FCCR")

Check definition carefully as all lenders tend to have slightly different ratio definitions.

Fixed Charge Coverage Ratio Numerator

EBITDA	4.7	1.5	(2.0)	2.1	4.5	6.9	7.6
- Cash Taxes	(1.5)	2.0	-	-	-	-	-
- Unfinanced CapEx	(0.7)	(0.2)	(0.3)	(0.2)	(0.2)	(0.2)	(0.2)
Total FCCR Numerator	2.6	3.3	(2.3)	1.9	4.3	6.7	7.4

Fixed Charge Coverage Ratio Denominator

Interest	1.4	1.6	2.6	3.7	4.3	4.5	4.3
Principal	0.8	0.8	0.8	0.8	0.8	0.8	0.8
Sub-Debt (Cash Payments)	2.0	-	3.0	-	-	-	-
Total FCCR Denominator	4.1	2.4	6.3	4.4	5.0	5.2	5.1
FCCR % w/o Sub-Debt	1.2	1.4	(0.7)	0.4	0.9	1.3	1.5
FCCR with Sub-Debt	0.6	1.4	(0.4)	0.4	0.9	1.3	1.5

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	Actual 2017	Actual 2018	Preliminary 2019	Forecast 2020	Forecast 2021	Forecast 2022	Forecast 2023
DRIVERS							
A/R: % of Sales	12.0%	14.0%	18.0%	17.5%	16.7%	16.7%	16.7%
Inventory: % of Sales	8.0%	12.0%	17.0%	12.0%	12.0%	12.0%	12.0%
PP&E: Starting PP&E Balance	23.8	23.0	22.4	22.4	20.8	19.3	18.0
+ Financed CapEx	0.4	1	1.5	0	0	0	0
+ Unfinanced CapEx	0.7	0.2	0.3	0.2	0.2	0.2	0.2
- Depreciation	-1.9	-1.8	-1.8	-1.8	-1.7	-1.5	-1.4
= Ending PP&E	23.0	22.4	22.4	20.8	19.3	18.0	16.7
Deferred Tax Asset: Starting Balance	-	-	-	3.4	5.3	6.0	5.6
+/- Provision for Income Taxes	-	-	3.4	1.8	0.7	(0.4)	(1.0)
= Ending Deferred Tax Asset	-	-	3.4	5.3	6.0	5.6	4.6
A/P: % of COS	15.0%	18.0%	25.0%	20.0%	18.0%	15.0%	15.0%
LOC: Starting Line of Credit Balance	4.0	6.6	7.9	18.9	22.7	25.4	26.4
+ LOC Advances	2.6	1.3	11.0	3.8	2.7	1.0	-
- Line of Credit Payments	-	-	-	-	-	-	(2.0)
= Ending LOC	6.6	7.9	18.9	22.7	25.4	26.4	24.4
<i>For Reference: Cash Balance</i>	3.7	2.6	0.0	0.2	0.1	0.1	0.5
Term Loan: Starting Term Loan Balance	5.6	5.3	5.5	6.3	5.5	4.8	4.0
+ Financed CapEx	0.4	1.0	1.5	-	-	-	-
- Term Loan Principal Payments	(0.8)	(0.8)	(0.8)	(0.8)	(0.8)	(0.8)	(0.8)
= Ending Term Loan	5.3	5.5	6.3	5.5	4.8	4.0	3.3
Sub-Debt: Starting Sub-Debt Balance	6.0	4.0	4.0	1.0	1.0	1.0	1.0
+ New Sub-Debt	-	-	-	-	-	-	-
- Sub-Debt Principal Payments	(2.0)	-	(3.0)	-	-	-	-
= Ending Sub-Debt Balance	4.0	4.0	1.0	1.0	1.0	1.0	1.0
<i>Note: Sub-debt payments made on 6/30/2015 and 6/30/2017</i>							
INTEREST & PRINCIPAL							
Line of Credit Average Balance	11.4	14.5	26.8	41.6	48.1	51.8	50.8
LOC Interest Rate	6.50%	6.75%	7.25%	7.50%	7.75%	7.75%	7.75%
LOC Interest	(0.74)	(0.98)	(1.94)	(3.12)	(3.73)	(4.01)	(3.94)
Term Loan Average Balance	5.3	5.4	5.9	5.9	5.1	4.4	3.6
Term Loan Interest Rate	8.00%	8.25%	8.75%	9.00%	9.25%	9.25%	9.25%
Term Loan Interest	(0.42)	(0.44)	(0.51)	(0.53)	(0.47)	(0.40)	(0.34)
Term Loan Principal Payments	-0.8	-0.8	-0.8	-0.8	-0.8	-0.8	-0.8
Sub-Debt Loan Average Balance	4.0	4.0	2.5	1.0	1.0	1.0	1.0
Sub-Debt Interest Rate	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
Sub-Debt Interest	(0.20)	(0.20)	(0.13)	(0.05)	(0.05)	(0.05)	(0.05)