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ILLUSTRATIVE EXAMPLE | FICTIONAL COMPANY AND DATA
Month ended July 31, 20X6
$000 except percentages and ratios

Monthly Business Review

Privately Held Industrial Distributor

Sales grew, but the July plan shortfall and working-capital build tightened near-term cash.

EXECUTIVE ASSESSMENT

July sales increased 8.9% from the prior year but finished $150,000 below plan. EBITDA was $185,000 - $22,000 above the prior year and $115,000 below plan. Lower sales volume and the lower gross-margin rate reconciled $98,000 of the shortfall; operating expenses accounted for the remaining $17,000.

Net income plus depreciation provided $133,000 before working-capital changes. Receivables, inventory, and prepaids used $300,000; increases in payables, accruals, and income taxes payable provided $152,000, resulting in a net working-capital use of $148,000. Capital expenditures, debt principal, and owner distributions used another $115,000. Cash therefore declined $130,000 to $280,000. The forecast ends August at $365,000 but falls to $145,000 during the first payment cycle.

The full-year forecast is $29.2 million in sales and $2.72 million in EBITDA. It assumes average monthly sales of $2.44 million at a 32.2% gross margin from August through December. July bookings were $2.34 million and July gross margin was 31.0%, so the forecast requires improvement in both volume and margin.

KEY MEASURES

Measure	July actual	Plan / threshold	Prior period	Assessment
Net sales	$2,450	$2,600 plan	$2,250 prior year	5.8% below plan; 8.9% above prior year
Gross margin	31.0%	33.0% plan	30.0% prior year	2.0 points below plan; 1.0 point above prior year
EBITDA	$185	$300 plan	$163 prior year	$115 below plan; $22 above prior year
Ending cash	$280	$200 internal floor	$410 at June 30	$130 decrease during July
Receivables over 60 days	$160	$100 internal threshold	$118 at June 30	$42 increase during July

MANAGEMENT PRIORITIES

1. Secure payment commitments or escalation dates for the four customer balances representing $115,000 of receivables over 60 days.
2. Establish approval and customer-recovery rules for expedited freight.
3. Review $140,000 of planned replenishment for 42 slow-moving SKUs.

02 Performance and outlook

Volume, realized margin, and operating costs fully reconcile the July EBITDA shortfall.

SELECTED PERFORMANCE MEASURES

CURRENT MONTH

Measure	Actual	Plan	Variance	Prior year
Net sales	2,450	2,600	(150)	2,250
Gross profit	760	858	(98)	675
Gross margin	31.0%	33.0%	(2.0) pts	30.0%
Operating expenses	575	558	(17)	512
EBITDA	185	300	(115)	163
Net income	108	197	(89)	92

YEAR TO DATE

Measure	Actual	Plan	Variance	Prior year
Net sales	16,980	17,500	(520)	15,450
Gross profit	5,555	5,775	(220)	4,805
Gross margin	32.7%	33.0%	(0.3) pts	31.1%
Operating expenses	3,900	3,837	(63)	3,540
EBITDA	1,655	1,938	(283)	1,265
Net income	1,030	1,255	(225)	737

WHAT DROVE JULY EBITDA

PLAN	VOLUME	MARGIN	OPERATING COSTS	ACTUAL
$300	($49.5)	($48.5)	($17.0)	$185

Two specialized-assembly orders totaling $90,000 were incomplete at month-end and moved into August; lower commodity and spot-order volume accounted for the remaining $60,000 sales shortfall. At the planned margin, the $150,000 volume variance reduced EBITDA by $49,500.

The 2.0-point gross-margin variance reduced EBITDA by another $48,500. Unrecovered expedited freight accounted for $31,000: $19,000 related to supplier and internal planning issues, and $12,000 related to customer-service decisions. Discounting and product mix accounted for approximately $18,000. Operating expenses were $17,000 above plan, including $10,000 of overtime and temporary coverage, $4,000 of one-time systems support, and a net $3,000 across the remaining categories.

Compared with the prior year, gross profit increased $85,000 while operating expenses increased $63,000. As a result, $22,000 of the additional gross profit reached EBITDA. Year to date, gross profit increased $750,000 and EBITDA increased $390,000.

PRODUCT-FAMILY PROFITABILITY

Product family	Sales	% sales	Gross profit	Actual	Plan	Variance
Core components	1,100	44.9%	374	34.0%	35.0%	(1.0) pts
Specialized assemblies	800	32.7%	264	33.0%	34.0%	(1.0) pts
Commodity and spot items	550	22.4%	122	22.2%	27.5%	(5.3) pts
Total	**2,450**	**100.0%**	**760**	**31.0%**	**33.0%**	**(2.0) pts**

Commodity and spot items represented 22.4% of July sales but only 16.1% of gross profit. The product family accounted for approximately $29,000 of the $48,500 gross-margin rate variance. Core components and specialized assemblies accounted for approximately $11,000 and $8,000, respectively. Commodity and spot orders should therefore be reviewed first for discounting, freight recovery, and order-level economics.

OPERATING CONTEXT

New orders	Ending backlog	Book-to-bill	On-time / in-full
$2.34m	$1.84m	0.96x	94.2%
$110k below July shipments	$110k lower than June	Orders below shipments	96.0% internal target

FULL-YEAR OUTLOOK AND OPERATING IMPLICATIONS

Full-year outlook	Plan	Forecast	Variance
Net sales	30,000	29,200	(800)
Gross profit	9,900	9,490	(410)
Gross margin	33.0%	32.5%	(0.5) pts
Operating expenses	6,650	6,770	(120)
EBITDA	**3,250**	**2,720**	**(530)**
EBITDA margin	10.8%	9.3%	(1.5) pts

New orders were $2.34 million, $110,000 below July shipments and $310,000 below the $2.65 million plan. Backlog declined from $1.95 million to $1.84 million, producing a 0.96x book-to-bill ratio. On-time and in-full performance was 94.2%, compared with a 96.0% internal target, and the two incomplete specialized-assembly orders moved $90,000 of sales into August. The forecast requires average monthly sales of $2.44 million through year-end, making order intake and fulfillment the principal volume risks.

The forecast assumes $12.22 million of sales, a 32.2% gross margin, and $1.07 million of EBITDA from August through December. July bookings and gross margin were below the levels required by that forecast. The August review should update the forecast for actual order intake, completion of the delayed assemblies, margin performance, and committed operating costs.

03 Cash, working capital, and follow-up

Profit did not convert to cash because receivables and inventory grew.

JULY CASH BRIDGE

Cash movement	Amount
Opening cash - July 1	**410**
Net income	108
Depreciation	25
Increase in accounts receivable	(170)
Increase in inventory	(120)
Increase in prepaid and other current assets	(10)
Increase in accounts payable	130
Increase in accrued expenses	15
Increase in income taxes payable	7
Capital expenditures	(35)
Debt principal payments	(30)
Owner distributions	(50)
Ending cash - July 31	**280**

Net income, adjusted for $25,000 of depreciation, provided $133,000 before working-capital changes. Working capital used $148,000, and capital expenditures, debt principal, and owner distributions used another $115,000. The resulting $130,000 decline reconciles opening cash to the July 31 balance.

WORKING-CAPITAL EXCEPTIONS

Receivables over 60 days
$118 at June 30; Four identified accounts represent $115,000 of the total
$160

Inventory over 180 days
$260 at June 30; 13.0% of inventory compared with a 10.0% internal threshold
$310

90-DAY CASH OUTLOOK

90-day cash outlook	August	September	October
Opening cash	280	365	425
Customer receipts	2,260	2,330	2,880
Operating disbursements	(2,135)	(2,230)	(2,840)
Debt service and capital expenditures	(40)	(40)	(40)
Ending cash	**365**	**425**	**425**
Lowest projected weekly balance	**145**	**225**	**315**

Month-end cash remains above the $200,000 internal floor, but the forecast falls to $145,000 during the first August payment cycle. That week includes $615,000 of payroll and supplier payments and $480,000 of expected receipts. The receipts include $75,000 from two of the past-due customer balances, making collection timing the principal near-term cash risk.

The forecast does not include a benefit from the proposed $140,000 replenishment deferral, and it assumes no additional financing. The first two weeks of receipts and disbursements should be reviewed before nonessential purchases or distributions are approved.

MANAGEMENT FOLLOW-UP

Past-due receivables
Obtain payment commitments or dated dispute-resolution plans for the four balances comprising $115,000 of receivables over 60 days; update expected receipt dates in the cash forecast.
OWNER: Controller and Sales Director
DUE: Aug. 14
DONE WHEN: All four balances have a documented payment or escalation date; cash forecast is updated.

Expedited freight and pricing
Require advance approval for expedited freight over $2,000 and identify when freight should be incorporated into customer quotes.
OWNER: Operations Director and Sales Director
DUE: Aug. 7
DONE WHEN: Every August expedite is coded by cause, approved, and assigned a customer-recovery decision.

Slow-moving inventory
Review 42 affected SKUs and decide whether to buy, defer, or cancel $140,000 of planned replenishment.
OWNER: Purchasing Manager
DUE: Aug. 6
DONE WHEN: The full $140,000 has a documented decision; customer-service risks and owners are identified.