

Strong Tie Ltd.

(JM)^2+T

Marissa Reisenauer, Mitchell Sanders,
Tonita Britt, Jack Howell, Eric Chun

Summary

- Strong-Tie's Cash
- Raw material inventory
- Accounts receivable
- Debtors
- Equity



The Cash Problem

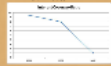
- Lack of payments, not enough cash to cover their working capital needs
- Decrease selling and administrative expenses
- Ward's needs increase to cash
- Financial Capital Required

Item	2007	2008	2009
Accounts Receivable	1,000,000	1,000,000	1,000,000
Inventory	1,000,000	1,000,000	1,000,000
Prepaid Expenses	1,000,000	1,000,000	1,000,000
Accounts Payable	1,000,000	1,000,000	1,000,000
Notes Payable	1,000,000	1,000,000	1,000,000
Equity	1,000,000	1,000,000	1,000,000

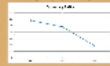
Strong-Tie's Solvency

- Ability of a company to meet its long-term financial obligations
- Flowing interest payments to debt holders and providing
- Services to debtors to ensure their complete satisfaction

Debt-to-Equity Ratio



Solvency Ratio



Asset Management

- Inefficient at turning over assets
- Reflected in total asset turnover ratio and ROA
- Automation should make Strong-Tie more efficient in all aspects of production

Item	2007	2008	2009
Accounts Receivable	1,000,000	1,000,000	1,000,000
Inventory	1,000,000	1,000,000	1,000,000
Prepaid Expenses	1,000,000	1,000,000	1,000,000
Accounts Payable	1,000,000	1,000,000	1,000,000
Notes Payable	1,000,000	1,000,000	1,000,000
Equity	1,000,000	1,000,000	1,000,000

Our Recommendations

- Cut back on health care and benefits expenditures
- Decrease selling and administrative spending
- Fix raw materials turnover ratio-increase in efficiency
 - Use automation correctly
- Temporary cut in daughters salaries
 - Adds cash back to company to pay for expenditures and pay off debts
- Cut in sister Katherine's preferred dividends income as well
- Factor Accounts Receivable-\$2,854,000

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Summary

- Identify Risks, Costs
- Reduce cash expenses
- Improve efficiency for the customer
- Decreasing working capital
- Decrease working capital



The Cash Problem


- Lack of payments, not enough cash to cover their working capital needs
- Decrease selling and administrative expenses
- Wash's needs increase to cash
- Historical Cash Flow

Year	2007	2008	2009
Revenue	1,000,000	1,000,000	1,000,000
Cost of Goods Sold	(600,000)	(600,000)	(600,000)
Gross Profit	400,000	400,000	400,000
Selling & Admin Expenses	(200,000)	(200,000)	(200,000)
Operating Income	200,000	200,000	200,000
Interest Expense	(50,000)	(50,000)	(50,000)
Income Before Tax	150,000	150,000	150,000
Taxes	(30,000)	(30,000)	(30,000)
Net Income	120,000	120,000	120,000
Depreciation	20,000	20,000	20,000
Change in Working Capital	(10,000)	(10,000)	(10,000)
Free Cash Flow	110,000	110,000	110,000

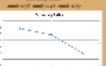
Strong-Tie's Solvency

- Ability of a company to meet its long-term financial obligations
- How are interest payments to debt holders and providing
- Business operations to maintain or improve its ability to service
- debt?

Debt-to-Equity Ratio




Solvency Ratio



Asset Management

- Inefficient at turning over assets
- Reflected in total asset turnover ratio and ROA
- Automation should make Strong Tie more efficient in all aspects of production

Year	2007	2008	2009
Revenue	1,000,000	1,000,000	1,000,000
Total Assets	200,000	200,000	200,000
Asset Turnover	5.0	5.0	5.0
ROA	6.0%	6.0%	6.0%

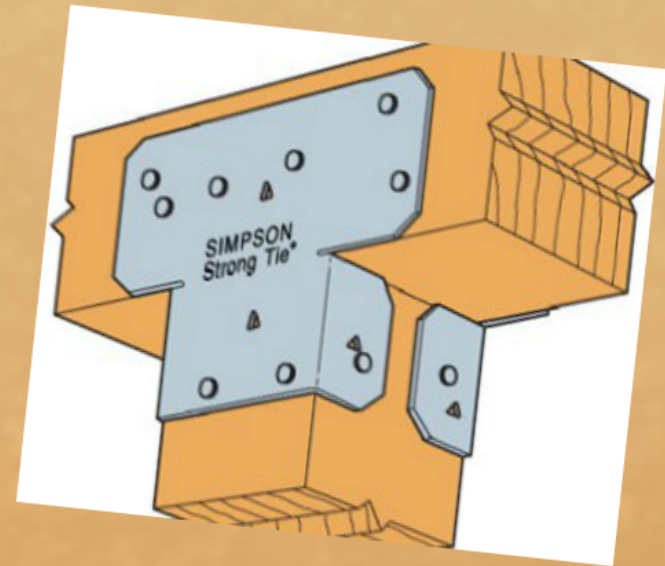


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Summary

- Winnipeg, Manitoba, Canada
- Family-owned corporation
- Investing heavily in factory automation
- Decreasing market share
- Construction industry decline



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- Decreasing working capital
- Decrease working capital



The Cash Problem


- Lack of payments, not enough cash to cover their working capital needs
- Increase selling and administrative expenses
- Wash's needs increase to cash
- Historical Cash Flow

Year	2007	2008	2009
Net Income	1,000,000	1,000,000	1,000,000
Depreciation	200,000	200,000	200,000
Change in Working Capital	(1,000,000)	(1,000,000)	(1,000,000)
Change in Cash	200,000	200,000	200,000

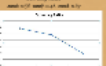
Strong-Tie's Solvency

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- Business operations to maintain or improve its ability to service
- debt?

Debt Energy Ratio




Solvency Ratio



Asset Management

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Year	2007	2008	2009
Net Income	1,000,000	1,000,000	1,000,000
Assets	10,000,000	10,000,000	10,000,000
ROA	10%	10%	10%



Our Recommendations

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