

Strong Tie Ltd.

$$(JM)^{\wedge}2+T$$

Summary
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- Identifying financial issues
- Establishing financial objectives
- Developing strategies to solve the problems
- Developing action plan
- Implementing the strategy



The Cash Problem
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Large payments, increased credit facilities, increased term of payment, increased inventory

Term of payment: 30 days to 60 days

Item	2010	2011	2012
Accounts receivable	1,000,000	1,200,000	1,500,000
Inventory	500,000	600,000	700,000
Accounts payable	200,000	300,000	400,000
Net working capital	300,000	500,000	800,000

- Increase selling and administrative expenses
- Should consider to lease assets
- Emergency Capital Expenditure

2010: 44,383,000
2011: 45,000,000

Strong-Tie's Solvency
Thecasesolutions.com

Viability of company, increase in long-term financial obligations

- Grouping interest payments to debt holders and generating liquidity by dividends mainly an assurance of ability to obtain financing

Interest Expense Ratio



Solvency Ratio



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

Item	2010	2011	2012
Net Fixed Assets	5	10	15
Net Working Capital	5	10	15
Current Assets	10	20	30
Total Assets	15	30	45
Net Fixed Assets % of Total Assets	33%	33%	33%
Net Working Capital % of Total Assets	33%	33%	33%
Current Assets % of Total Assets	33%	33%	33%



Our Recommendations
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- 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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The Cash Problem
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Large payments, increased credit facilities, increased term of payment, increased inventory

Term of payment: 30 days

Item	2010	2011	2012
Revenue	1000000	1100000	1200000
Operating expenses	800000	850000	900000
Operating profit	200000	250000	300000
Interest expense	100000	120000	140000
Income tax	50000	60000	70000
Net income	45000	70000	90000

- Increase selling and administrative expenses
- Should consider to lease assets
- Operating Capital Expenditure

2010: 44,383,000
2011: 45,000,000

Strong-Tie's Solvency
Thecasesolutions.com

Viability of company, liquidity, solvency, debt obligations

Grouping interest payments to debt holders and generating liquidity by dividends mainly an assurance of ability to obtain financing

Debt Energy Ratio



Solvency Ratio



Asset Management
Thecasesolutions.com

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

Item	2010	2011	2012
Revenue	1000000	1100000	1200000
Total Assets	500000	550000	600000
Total Assets Turnover	2.0	2.0	2.0
Operating Profit	200000	250000	300000
Operating Profit Margin	20%	23%	25%
Net Income	45000	70000	90000
Net Income Margin	4.5%	6.4%	7.5%
ROA	9%	13%	15%



Our Recommendations
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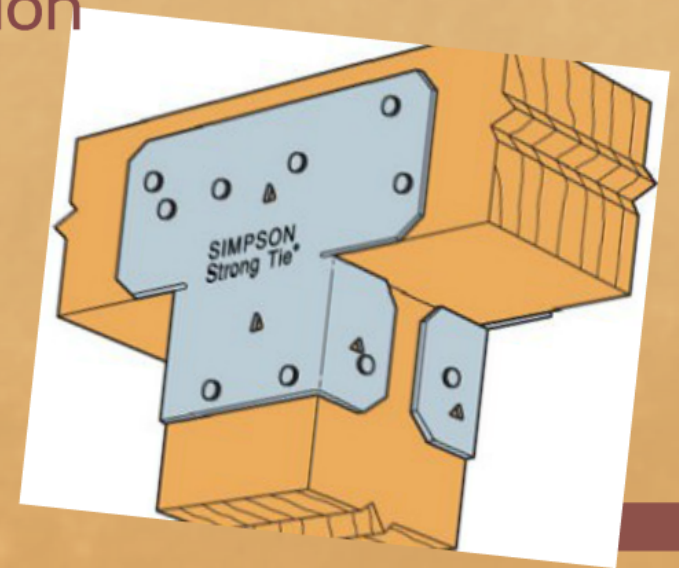
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Summary

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





The Cash Problem

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- Lots of payments, not enough cash to cover them in long term if current trends continue

- Decrease selling and administrative expenses
- Would create increase in cash
- Excessive Capital Expenditures

2007: \$4,283,000

2008: \$5,370,000

	2008	2009
Net Sales	\$ 16,500	\$ 16,362
COGS	\$ 11,950	\$ 11,698
Gross Profit	\$ 4,550	\$ 4,664
Selling and Admin	\$ 3,379	\$ 3,512
Depreciation	\$ 756	\$ 796
Operating Income	\$ 415	\$ 356
Other Income		
Interest Income	\$ 2	\$ 2
Other Expenses		
Interest Expense	\$ 407	\$ 431
Income Before Taxes	\$ 10	\$ (73.28)
Income Taxes	\$ 3	\$ 2.00
Net Income	\$ 7	\$ (75.28)

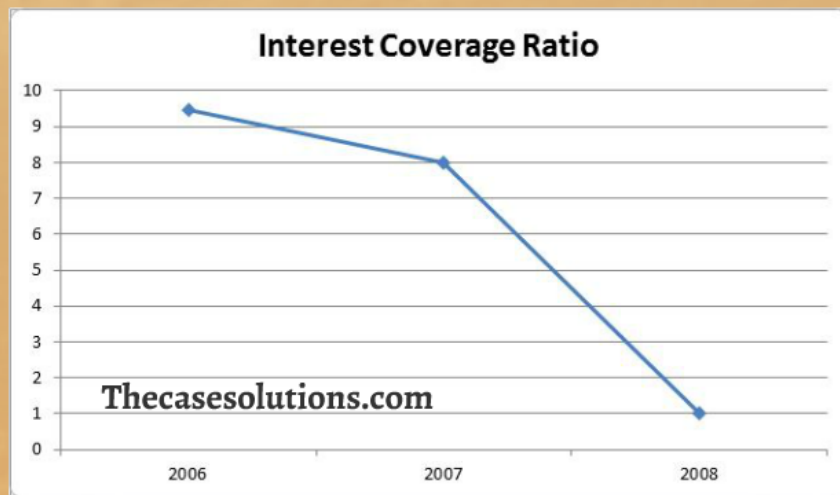
Strong-Tie's Solvency

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- The ability of a company to meet its long-term financial obligations
- Ensuring interest payments to debt holders and preventing bankruptcy depends mainly on a company's ability to sustain earnings

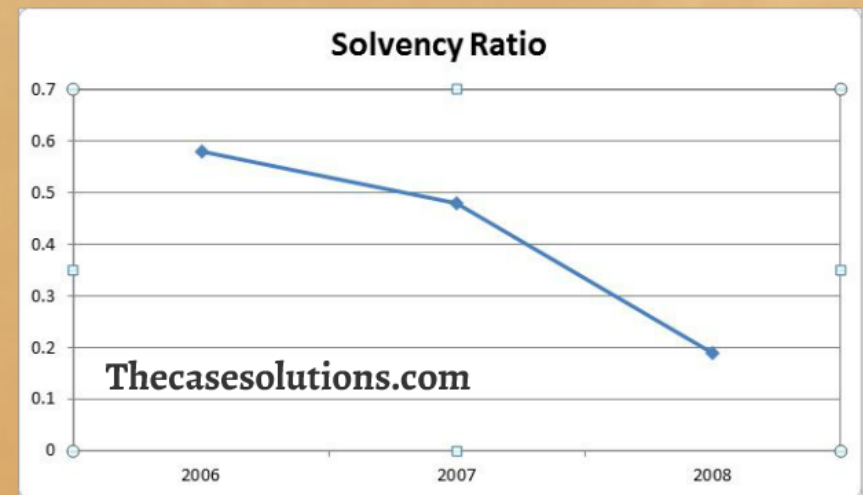
Interest Coverage Ratio

2006: 9.46 2007: 7.99 2008: 1.02



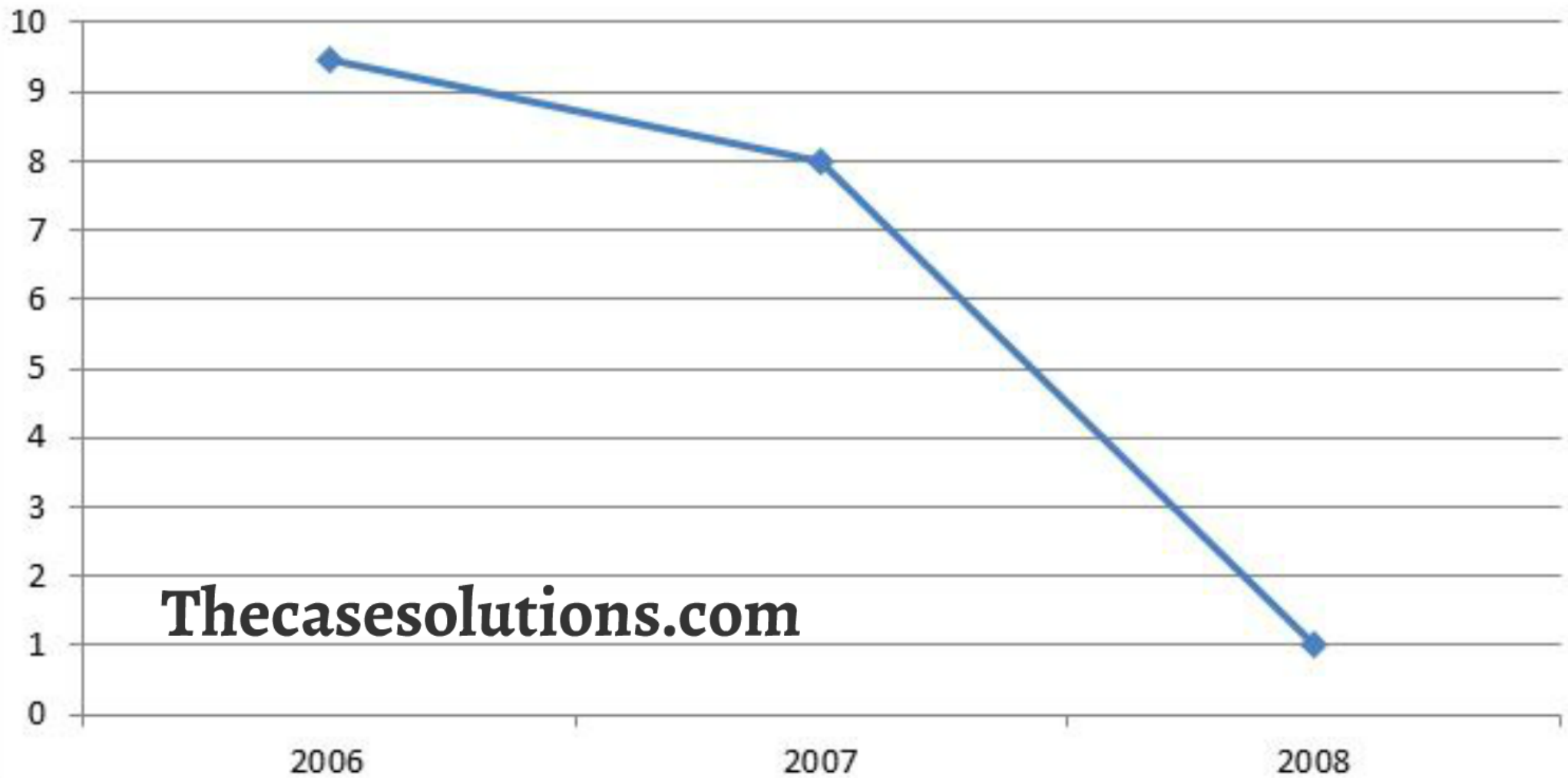
Solvency Ratio

2006: 0.58 2007: 0.48 2008: 0.19



2006: 9.46 2007: 7.99 2008: 1.02

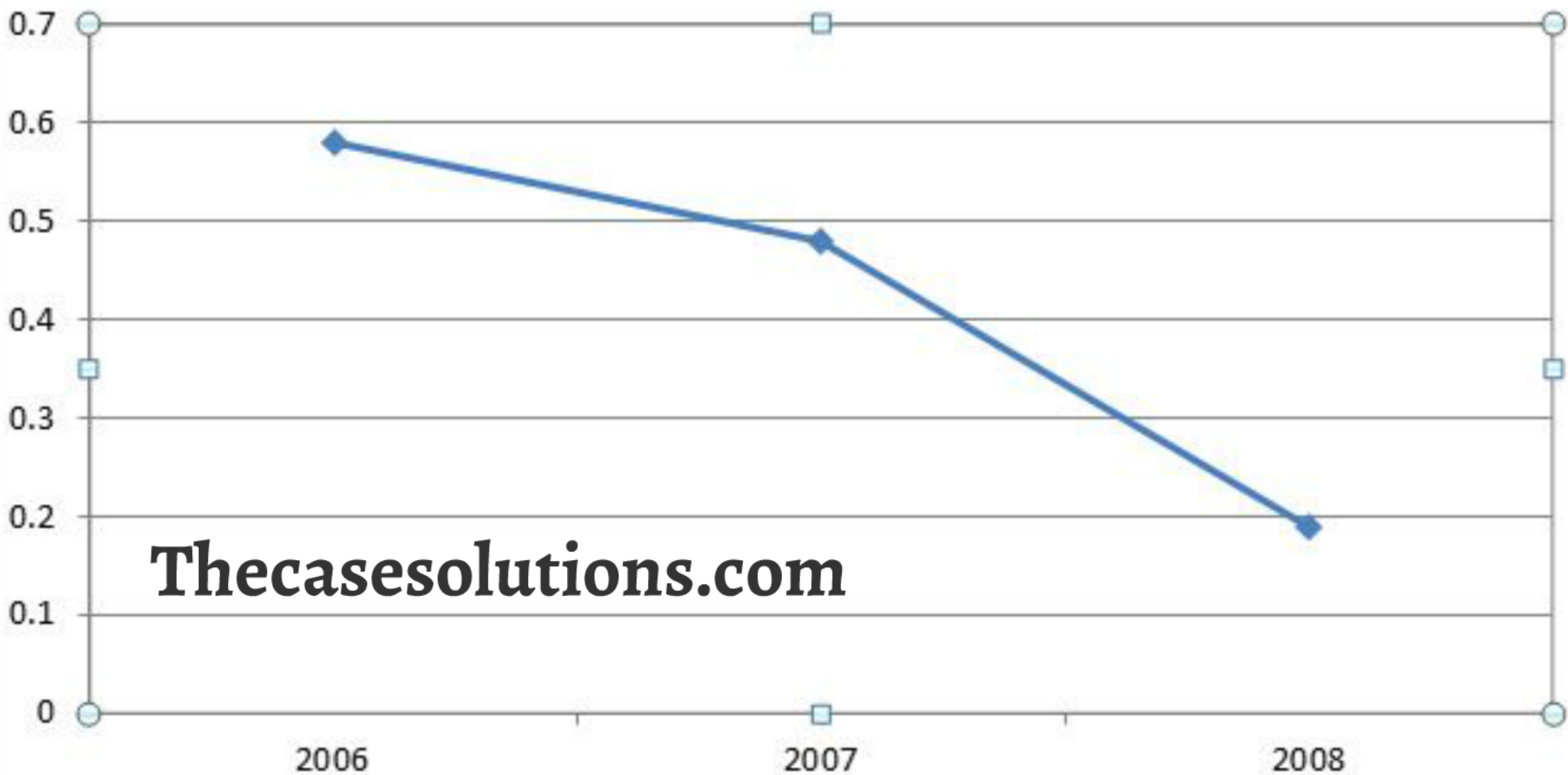
Interest Coverage Ratio



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2006: 0.58 2007: 0.48 2008: 0.19

Solvency Ratio



Asset Management

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	Industry Average	Strong Tie
Raw Materials Turn	31	42.61
WIP Turn	3	1.28
Finished Goods Turn	51	36.65
A/R Turn	63	63.13
A/P Turn	11	11.06
Tot Asset Turn	1.70	1.31
Net Profit Margin	10.0%	0.04%
ROA	17.0%	0.06%
ROE	28.0%	0.11%



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