Case Illustration:
Maximizing Secured Debt Financing

	Before ($000s)	After ($000s)
Receivables	20,000	35,000
Inventory	10,000	17,500
Current assets	30,000	52,500
Capital assets	5,000	5,000
Other assets	1,000	1,000
Total Assets	36,000	58,500
Operating line	17,500	34,250
Trade & accrued liabilities	5,000	8,750
Current portion long-term debt	200	600
Total current liabilities	22,700	43,600
Long-term debt	800	2,400
Other liabilities	2,500	2,500
Total liabilities	26,000	48,500
Shareholders' equity	10,000	10,000
Liabilities and Equity	36,000	58,500
Revenues	100,000	175,000
Operating costs	(93,000)	(162,750)
EBIT	7,000	12,250
Interest:		
Operating line	(1,050)	(2,398)
Long-term debt	(60)	(180)
Earnings before taxes	5,890	9,672
Taxes	(1,473)	(2,418)
Net earnings	4,418	7,254
Financial Statistics & Ratios:		
EBIT	$7,000	$12,250
Funded debt	$18,500	$37,250
Funded debt to equity	1.85x	3.73x
Total liabilities to equity	2.60x	4.85x
Funded debt to EBIT	2.64x	3.04x
Working capital ratio	1.32x	1.20x
Net working capital	$7,300	$8,900
Debt service	$1,310	$3,178
EBIT to debt service	5.34x	3.85x
Excess margining	$0	$2,500
Net earnings increase		64.2%

QUANTUM ADVISORY INC.

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