

Case Study of a Manufacturing Company in the Medical Industry

Situation - This second-generation manufacturing company had a good market niche in a very competitive industry. They were highly respected and had exceptional potential to grow. However, their financial performance had been weak, resulting in a (\$286,000) loss the year before, and negative equity resulting in the inability to get the capital they needed to grow and realize their potential. The company hired ABA to increase cash flow and profits, establish longer range planning, understand the numbers from a business perspective, refinance and consolidate company debt, and obtain objective business coaching and senior level finance and planning skills.

Action - ABA performed a series of Developmental Consulting™ services to accomplish the company's objectives, including:

- Performing a Strategic Financial Analysis
- Developing a Strategic Financial Forecast of their profits, cash flow, and capital requirements
- Determining their capital requirements and assisted them in recapitalizing the business -without giving up any ownership
- Preparing a five year financial business plan to assist in financing and long-range planning
- Increase their line of credit by 600%
- Developing a formal Strategic Business Plan to strengthen their competitive position
- Developing a Business Action Plan to have a clear track to run on

Result - By the end of the first year they started the engagement with ABA, the company increased their Net Income Before Taxes by \$390,000 over the prior year. In the second year of working with ABA their Net Income Before Taxes increased \$552,000 over the base year and they had a debt-to-equity ratio of 1.7:1 and a current ratio of 2.75:1 after we helped them do a recapitalization of the business. Then, we assisted them in increasing their line of credit from \$400,000 of \$1,300,000 at prime minus ½%. In year three ABA facilitated the development of a formal Strategic Business Plan to strengthen their competitive position and grow their business. The financial projections for next year realistically forecasts a 65% increase in Revenue to \$8,267,000 and Net Income before Taxes of \$768,000, an increase of \$1,054,000 over the base year. Additionally, this company contributes 10% of its pretax net income to charities.

"Although successful, we were always putting out fires prior to working with American Business Advisors. We didn't have a clear strategy for contending with national competitors to grow the company and we were always worried about cash flow. Your effective business planning services have given us a clear picture of where we are heading and the confidence that we can accomplish our business objectives. Our profits and cash flow have increased significantly and we have obtained the capital and financing we needed to get to the next level of growth. Our entire management team is focused on high payoff activities and they know what to do to reach our goals. The most valuable thing that ABA has given us is a knowledgeable outside perspective and forcing us to think outside our box in order to grow the company, improve profit and cash flow, and respond to changes the industry and economy throw our way. We are very pleased with our relationship with American Business Advisors and highly recommend other small and mid-sized businesses use your services to help meet the challenges they face."

President and CFO, Owners



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