

**Financial Data:**

|                                   | <u>2017</u>      | <u>2018</u>      | <u>Projected</u> |
|-----------------------------------|------------------|------------------|------------------|
| <b>EBITDA SUPPLY &amp; DEMAND</b> |                  |                  |                  |
| Revenue                           | 9,061,808        | 8,220,445        |                  |
| - Operating Expenses              | 8,053,508        | 7,704,912        |                  |
| <b>= EBITDA Supply</b>            | <b>1,008,300</b> | <b>515,533</b>   |                  |
| <b>EBITDA Demands:</b>            |                  |                  |                  |
| Family Living & taxes             | 260,000          | 260,000          |                  |
| + Interest expense                | 177,493          | 187,836          |                  |
| + term Debt payments              | 318,772          | 346,704          |                  |
| <b>= EBITDA Demand</b>            | <b>756,265</b>   | <b>794,540</b>   |                  |
| = Asset GROWTH(Decline)           | <b>252,035</b>   | <b>(279,007)</b> |                  |
| <b>BALANCE SHEET</b>              |                  |                  |                  |
| Total Current Assets              | <b>2,780,000</b> | <b>2,849,602</b> |                  |
| Total Assets                      | <b>8,299,000</b> | <b>8,035,252</b> |                  |
| Total Current Liabilities         | <b>2,809,734</b> | <b>3,120,247</b> |                  |
| Total Liabilities                 | <b>3,724,589</b> | <b>3,726,495</b> |                  |
| Owner Equity                      | <b>4,574,411</b> | <b>4,308,757</b> |                  |
| <b>OTHER INFORMATION</b>          |                  |                  |                  |
| Term Debt Payments                | 417,441          | 417,441          |                  |
| Depreciation                      | 281,112          | 350,800          |                  |
| Cash On Hand                      | 466,000          | 248,352          |                  |

Do not include Interest or Depreciation in Operating Expenses

**KEY FINANCIAL RATIOS**

|   |            |            |  |
|---|------------|------------|--|
| Current Equity ( <i>Working Capital</i> ) | (29,734)   | (270,645)  |  |
| Working Capital Sufficiency               | -0.4%      | -3.5%      |  |
| Cash to Current Assets                    | 17%        | 9%         |  |
| WC Burn Rate: Debt Service                | (0.1)      | (0.6)      |  |
| Equity to Asset Ratio:                    | 55%        | 54%        |  |
| Debt Efficiency                           | 0.91       | 1.18       |  |
| EBITDA Efficiency                         | 11%        | 6%         |  |
| Asset Turnover                            | 109%       | 102%       |  |
| Rate of Return on Assets                  | 6%         | -1%        |  |
| Family Living Withdrawals                 | <b>26%</b> | <b>50%</b> |  |

# Action Plans

Brown Family Farms - Oper

## EBITDA Improvement Plan

| Metric:           | Vulnerable | Resilient | Agile  |
|-------------------|------------|-----------|--------|
| EBITDA Efficiency | < 10 %     | 10 – 25 % | > 25 % |

Revenue Strategies:

|             | 2018      | % of Revenue |
|-------------|-----------|--------------|
| Revenue     | 8,220,445 | 100%         |
| - Operating | 7,704,912 | 94%          |
| = EBITDA    | 515,533   | 6%           |

2019 Goal is 1,233,067 15%

EBITDA CHANGE: 717,534

Expense Strategies:

## Working Capital Improvement Plan

| Metric:                     | Vulnerable | Resilient | Agile  |
|-----------------------------|------------|-----------|--------|
| Working Capital Sufficiency | < 10 %     | 10 – 33 % | > 33 % |

Family Living Strategies:

|                       | 2018      |     |
|-----------------------|-----------|-----|
| Current Assets        | 2,849,602 |     |
| - Current Liabilities | 3,120,247 |     |
| = Working Capital     | (270,645) |     |
| / Operating Expenses  | 7,704,912 | -4% |
| 2019 Goal is          | 1,155,737 | 15% |

WORKING CAPITAL CHANGE: 1,426,382

| WC Burn Rate: Debt Service | < 1:1 | 1:1 – 5: 1 | > 5:1 |
|----------------------------|-------|------------|-------|
|----------------------------|-------|------------|-------|

Liability Strategies:

|                      |           |       |
|----------------------|-----------|-------|
| Working Capital      | (270,645) |       |
| / Term Debt Payments | 417,441   | -0.65 |
| 2019 Goal is         | 834,882   | 2.00  |

WORKING CAPITAL CHANGE: 1,105,527

Side by Side Analysis

Financial Dashboard

| Practice:  | Vulnerable              | Resilient           | Agile           | 2016                      | 2017                       | 2018                  | GOAL<br>Projected |
|--|-------------------------|---------------------|-----------------|---------------------------|----------------------------|-----------------------|-------------------|
| 1 Working Capital Sufficiency  | < 10 %                  | 10 – 33 %           | > 33 %          |                           |                            |                       |                   |
| Formula: $(\text{Current Assets} - \text{Current Liabilities}) / \text{Operating Expenses}$              |                         |                     |                 |                           |                            |                       |                   |
| 2 Cash to Current Assets   | < 5 %                   | 5 – 15 %            | > 15 %          |                           |                            |                       |                   |
| Formula: $\text{Cash} / \text{Total Current Assets}$   |                         |                     |                 |                           |                            |                       |                   |
| 3 WC Burn Rate: Debt Service   | < 1:1                   | 1:1 – 5:1           | > 5:1           |                           |                            |                       |                   |
| Formula: $\text{Working Capital} / \text{Term Debt Payments}$  |                         |                     |                 |                           |                            |                       |                   |
| 4 Equity to Asset Ratio:   | < 40 %                  | 40 – 70 %           | > 70 %          |                           |                            |                       |                   |
| Formula: $\text{Total Equity} / \text{Total Assets}$   |                         |                     |                 |                           |                            |                       |                   |
| 5 Core Equity Burn Rate  | < 2:1                   | 2:1 – 5:1           | > 5:1           |                           |                            |                       |                   |
| Formula: $\text{Excess Reserves} / (\text{EBITDA} - \text{FL} - \text{Interest} - \text{Debt payments})$ |                         |                     |                 |                           |                            |                       |                   |
|  | <u>Assets</u>           | <u>Market Value</u> | <u>Loan Max</u> | <u>Borrowing Capacity</u> | <u>Long Term Liability</u> | <u>Excess Reserve</u> |                   |
|  | Breeding livestock      |                     |                 |                           |                            |                       |                   |
|  | Machinery & equipment   |                     |                 |                           |                            |                       |                   |
| *  | Real Estate & Buildings |                     |                 |                           |                            |                       |                   |
| * Real estate is primary core asset in todays economy.   |                         |                     |                 |                           |                            |                       |                   |
| 6 Debt Efficiency  | > 7:1                   | 3:1 – 7:1           | < 3:1           |                           |                            |                       |                   |
| Formula: $\text{Term Debt} / \text{EBITDA}$  |                         |                     |                 |                           |                            |                       |                   |
| 7 EBITDA Efficiency  | < 10 %                  | 10 – 25 %           | > 25 %          |                           |                            |                       |                   |
| Formula: $\text{EBITDA} / \text{Revenue}$  |                         |                     |                 |                           |                            |                       |                   |
| 8 Asset Turnover   | < 30 %                  | 30 – 70 %           | > 70 %          |                           |                            |                       |                   |
| Formula: $\text{Revenue} / \text{Total Assets}$  |                         |                     |                 |                           |                            |                       |                   |
| 9 Rate of Return on Assets   | < 2 %                   | 2 – 8 %             | > 8 %           |                           |                            |                       |                   |
| Formula: $(\text{EBITDA} - \text{FL} - \text{Deprec}) / \text{Total Assets}$                             |                         |                     |                 |                           |                            |                       |                   |
| 10 Family Living Withdrawals   | > 25 %                  | 15 – 25 %           | < 15 %          |                           |                            |                       |                   |
| Formula: $\text{FL} / \text{EBITDA}$   |                         |                     |                 |                           |                            |                       |                   |

# Side by Side Analysis

# Management Dashboard

| Practice:                                 | Vulnerable | Resilient                    | Agile   | Strategy |
|---|------------|------------------------------|---|----------|
| 1 Product/Service Marketing Plan          | None       | Written                      | Written & Executed                                      |          |
| 2 Cost of Production by Enterprise        | None       | In Your Mind                 | Written Budgets   |          |
| 3 Business Plan                           | None       | In Your Mind                 | Written & Used  |          |
| 4 Succession Plan for Assets & Management | None       | Written                      | Written & Executed                                      |          |
| 5 Advisory Team                           | None       | Developing                   | Established & Used                                      |          |
| 6 Risk Management Plan                    | None       | Developing                   | Written   |          |
| 7 Lifelong Learning/Training              | None       | Developing                   | Definite Plan for Management &                          |          |
| 8 Goal Setting                            | None       | Developing                   | Written & Executed                                      |          |
| 9 Environmental Conservation Plan         | None       | Developing                   | Written   |          |
| 10 Financial Plan                         | None       | Plan in Your Mind & Executed | Written Financial/Investment Plan, Executed & Monitored |          |
| * Business Principles Defined             | None       | Working on 7 Steps           | 7 Steps Written & Posted                                |          |

Developed by: Dr. David Kohl & Scott Mickey