

Guide

Performance Analysis

Management Report

Version 1.0



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0203 475 3313 | info@VFD-Pro.com | www.VFD-Pro.com

Performance Analysis Report

Purpose

The **Performance Analysis Report** highlights key performance issues across your client's P&L and Balance Sheet. Every transaction within each business' accounts are analysed to identify areas of both opportunity and risk.

This report should form the basis of an in-depth quarterly review of business performance with your client.

Identify the steps which need to be taken to address any issues highlighted and track performance of actions taken in previous reviews. A new report is generated every time the reporting month is changed for a client and the data is synchronised.

The most recent month used in the report is the accounting date entered in your VFD Pro portal and the categorisation of the P&L and Balance Sheet is bespoke to the individual client's chart of accounts. Therefore, the nominals included in the categories can change from client to client.

The Business Performance Analysis Report is presented in 11 sections as follows::

- One Thing (KPI's):** This highlights the Key Performance Indicators for the business. = Good News, 'What is working well' and = Bad News, 'What didn't work so well'.
- Business Overview:** Key statistics for the last month, quarter and the last 12 months to illustrate Revenue, Gross Margin £ and %, Overheads and Net Profit.
- Executive Summary:** High level overview of business performance focusing on KPI movements and their impact on profitability.
- Revenue Analysis:** Revenue performance is analysed from a transactions / average spend perspective, detailing variances over the past 12 months compared to prior year.
- Customer Analysis:** Customer performance is analysed, detailing clients retained, acquired and lost with the top 10 clients by revenue and by revenue decrease highlighted.
- Margin Analysis:** Understand the impact movements in the component parts of 'cost of sales' has on the overall gross margin.
- Overheads Analysis:** Understand the impact on profit of movements in key overhead lines.
- Profit Analysis:** High level overview of profit performance focusing on the impact movements in KPIs have had on profitability.
- Forecast Extrapolation:** Performance over the past 6 months is projected forward to provide a high level view of potential sales and profit over the next 12 months.
- Balance Sheet Analysis:** Analyse how the financial health of the business has changed and identify the key drivers of this movement.

Section 1: If You Only Look At One Thing (KPI's)

Purpose

This part of the report is provided to give a snapshot view of the Key Performance Indicators (KPI's) your client should be aware of and ideally, they should be working to improve.

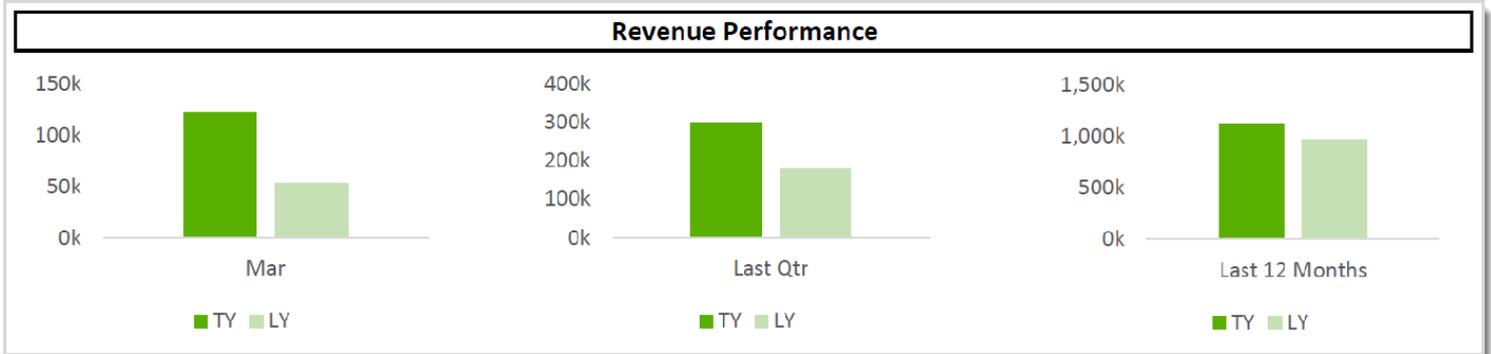
Things that are going well are highlighted on the left with the green tick. These are the KPI's where the year on year variance is favourable. Any KPI's that indicate a deteriorating business performance are highlighted on the right with the red cross.

What worked well	What didn't work so well
<p>Your total transactions have increased by 6.3% compared to last year. Up from 4.22k to 4.48k</p>	<p>Your total revenue has decreased by (0.2%) compared to last year. Down from £1003k to £1001k</p>
<p>Your gross profit margin as a % of revenue has increased over the past 12 months (up 1%pts vs the previous year)</p>	<p>Your average value per transaction has decreased by (6.1%) compared to last year. Down from £0.24k to £0.22k</p>
<p>Cost of sales for your top 3 cost lines as a % of revenue (61.4%) has decreased by 0.3% over the past 12 months</p>	<p>You have generated 79 new customers over the past 12 months, (19.4% worse than in the previous 12 months)</p>
<p>Overheads as a % of revenue have reduced compared to last year (down 1%pts vs the previous year)</p>	<p>51.1% of your customers last year also bought from you this year, a 4.2%pts drop on the % retained in the previous year</p>
<p>Performance over the past 6 months when extrapolated forward suggests profit for the next 12 months will increase</p>	<p>Your revenue exposure has increased over the past 12 months, your top 10 clients generated 57.3% of total revenue (up 16.7% vs the previous year)</p>
<p>The net worth of your business has increased by 11.6% (£14k) compared to this time last year</p>	<p>You made a profit in 7 of the past 12 months, a decrease of 2 compared to the previous year</p>
<p>The current ratio of your business (current assets / current liabilities) is 1.4, an increase of 0.2 compared to this time last year</p>	

Section 2: Business Overview

High level overview of business performance enabling quick analysis of the issues facing the client. Graphs are displayed comparing performance over the past month, quarter and 12 months compared with the corresponding period in the previous year.

This section includes analysis of Revenue, Cost of Sales and Gross Margin, Overheads and Profit.



Section 3: Executive Summary

Focusing on the last 12 months, this section highlights the drivers behind the client's profit movement year on year.

Revenue: The profit impact of the movement in revenue is calculated by applying the margin % achieved last year with the movement in the client's revenue from last year to this year.

Each client's revenue performance is then broken down into its constituent parts (number of transactions and average transaction value), allowing greater understanding of the drivers behind revenue performance.

The number of transactions is calculated by counting the individual transactional elements on each invoice raised. Average transaction value is derived by dividing total revenue by this number.

EXECUTIVE SUMMARY		Last 12 Months	Mvmt	Mvmt %	
Revenue	Revenue movement (past 12 months)	216k	(£3k)	(1%)	Profit Impact (£2k)
	Transactions movement (past 12 months)	185	12	7%	
	<i>Revenue Impact</i>		£14k		
	Average Spend movement (past 12 months)	1.17k	(£0.10k)	(8%)	
	<i>Revenue Impact</i>		(£17k)		

Section 3: Executive Summary Cont...

Gross margin: Where the revenue impact on profit calculates the impact of the volume of business carried out, the gross margin impact calculates the movement in how efficiently (at what cost) this revenue was delivered.

The profit impact of the movement in gross margin % is calculated by multiplying the movement in gross margin % by the revenue generated in the last 12 months.

In the example below, the business achieved 66.2% Gross Margin % in the past 12 months, this is 5% higher than in the previous 12 months. The profit impact of +£11k is calculated by applying this +5% movement to the £216k revenue achieved in the year.

EXECUTIVE SUMMARY		Last 12 Months	Mvmt	Mvmt %	
Gross Margin	Gross Margin £ movement (past 12 months)	143k	£9k	6%	
	Gross Margin % sales movement (past 12 months)	66.2%		5%	Profit Impact £11k

Overheads: The profit impact applied as a result of the movement in Overheads is simply the value of that movement. In the example below, Overheads in the past 12 months totalled £111k a total of £13k lower than the previous 12 months, which generated a positive profit impact of £13k.

Net Profit: The sum of the above is then displayed in the Net Profit total.

EXECUTIVE SUMMARY		Last 12 Months	Mvmt	Mvmt %	
Overheads	Overheads £ movement (past 12 months)	111k	(£13k)	(10%)	
	Overheads % sales movement (past 12 months)			(5%)	Profit Impact £13k
Net Profit	Net Profit £ movement (past 12 months)	32k	£21k	203%	
	Net Profit % sales movement (past 12 months)			10%	

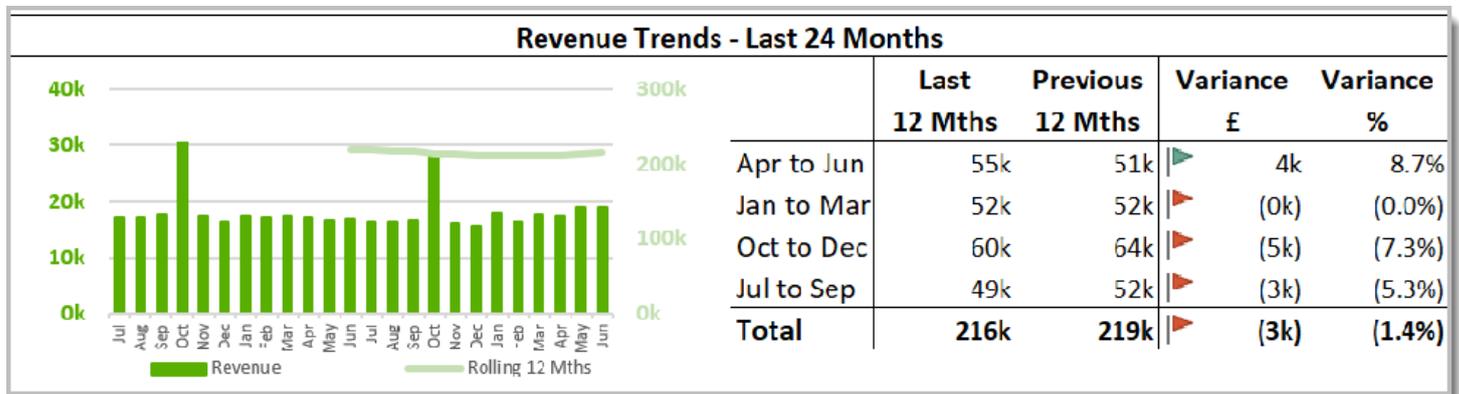
Section 4: Revenue Analysis

Revenue performance is analysed from a transactions/average spend, as well as a customer perspective to give a better understanding of the reasons for any movement.

The commentary is automatically populated based on the individual client performance over the past month, quarter and 12 month period, compared to the same time period in the previous 12 months, and is provided to support the information displayed in the tables and graphs.

There are 3 sections (see below), overall revenue, transactions and average spend. The graph displays monthly revenue (columns/left axis) and rolling 12 months revenue (line/right axis). The points on the Rolling 12 Mths line graph reflect the total of the 12 months up to that point.

The table then reflects performance in each of the past 4 quarters, the most recent of which is displayed at the top of the table. A green flag reflects a favourable movement compared to the previous 12 months and a red flag reflects a negative movement.



Transactions & Average Monthly Spend: The table below summarises the impact of the quarterly movement in number of transactions and average transaction spend on overall revenue. Transactions impact is calculated by multiplying the movement in the number of transactions by the average spend per transaction. The spend impact is then calculated by multiplying the movement in average spend value by the number of transactions in the previous 12 months. The sum total of these then equates to the revenue movement.

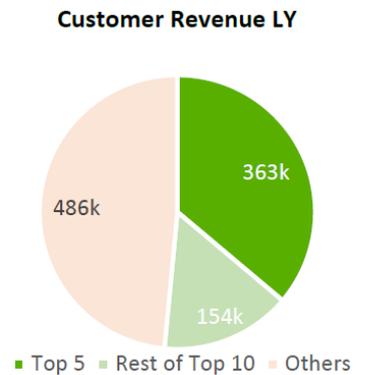
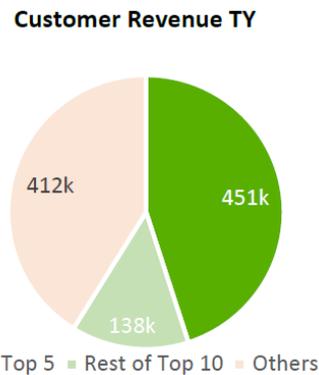
The commentary is automatically populated and is there to describe to the user what the table is showing.

	Impact of Transactions & Average Spend Movements			
	Trans Impact	Spend Impact	Variance £	Variance %
Apr to Jun	23.0k	(18.6k)	4k	8.7%
Jan to Mar	(14.5k)	14.5k	(0k)	(0.0%)
Oct to Dec	(27.0k)	22.3k	(5k)	(7.3%)
Jul to Sep	13.2k	(16.0k)	(3k)	(5.3%)
Total	14k	(17k)	(3k)	(1.4%)

Total transactions within the accounts for the past 12 months was 185, this was +6.9% compared to the previous 12 months and generated +14k revenue. Average spend within the accounts for the past 12 months was 1.2k, this was -7.8% compared to the previous 12 months and drove -17.1k revenue.

Section 5: Customer Analysis

Customer analysis: The revenue section then analyses the performance of the customer base over the past 12 months. The column chart shows the total number of customers invoices that have been raised in the past 12 months v the previous 12 months. This is then broken down into 'Existing' (those who had an invoice raised against them in the previous 12 months) and 'New' (those who did not have an invoice raised against them in the previous 12 months).



The revenue risk present within the customer base is also analysed in this section. The pie charts show the revenue derived from the top 5 most valuable customers, the rest of the top 10 and everyone else. This is compared to the previous 12 months to highlight whether that risk is increasing or decreasing.

The top 10 customers this year (ranked by sales value) are identified and performance, both in absolute terms, and as a proportion of overall revenue is analysed.

<i>Top 10 Customers Last 12 Mths</i>	TY	%	LY	%		Var £	Var %
Company 00772	225.6k	22.5%	134.5k	13.4%	▶	91.2k	67.8%
Company 00396	90.4k	9.0%					
Company 00932	46.6k	4.7%	11.0k	1.1%	▶	35.7k	325.0%
Company 00372	45.1k	4.5%	59.4k	5.9%	▶	(14.3k)	(24.1%)
Company 00472	43.1k	4.3%	33.7k	3.4%	▶	9.3k	27.6%
Company 00555	37.3k	3.7%	45.3k	4.5%	▶	(8.0k)	(17.6%)
Company 00663	37.2k	3.7%	66.0k	6.6%	▶	(28.8k)	(43.7%)
Company 00717	22.7k	2.3%	18.1k	1.8%	▶	4.6k	25.5%
Company 00841	21.7k	2.2%	34.4k	3.4%	▶	(12.7k)	(36.9%)
Company 00970	19.3k	1.9%	12.5k	1.2%	▶	6.9k	55.0%
Top 10 Clients	589k	59%	415k	41%	▶	174k	42%
The Rest	412k	41%	588k	59%	▶	(176k)	(30%)
Total	1,001k	100%	1,003k	100%	▶	(2k)	(0%)

Customers who have generated the largest decrease in revenue are also listed. This section is just as important as it could highlight specific issues causing avoidable customer attrition.

Every client should be encouraged to take steps to identify and address the causes of customer attrition. Long term growth is much more sustainable in businesses that take steps to improve customer retention than those who focus on new client acquisition alone.

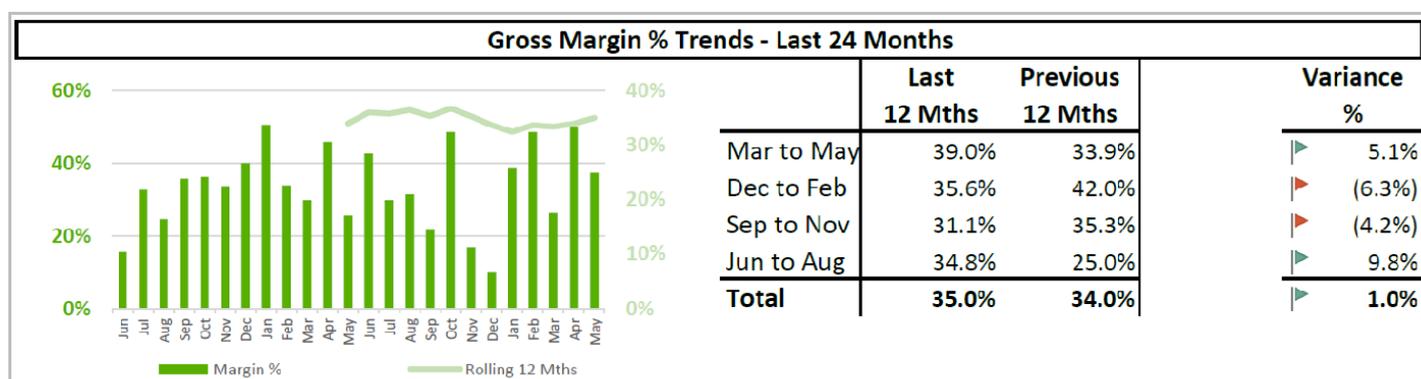
Section 6: Margin Analysis

Gross margin performance is analysed from both an absolute and % of revenue perspective.

The commentary is automatically populated based on the individual client performance over the past month, quarter and 12 month period compared to the same time period in the previous 12 months and is provided to support the information displayed in the tables and graphs.

There are 2 sections (see image below), Gross Margin £, and Gross Margin %. The graph displays monthly performance (columns/left axis) and rolling 12 months performance (line/right axis). The points on the Rolling 12 Mths line graph reflect the total of the 12 months up to that point.

The table reflects performance in each the past 4 quarters, the most recent of which is displayed at the top of the table. A green flag reflects a favourable movement compared to the previous 12 months and a red flag reflects a negative movement.



Individual **cost of sales** elements are analysed both in absolute terms and as a % of revenue. The top 10 (by value) are displayed in the table.

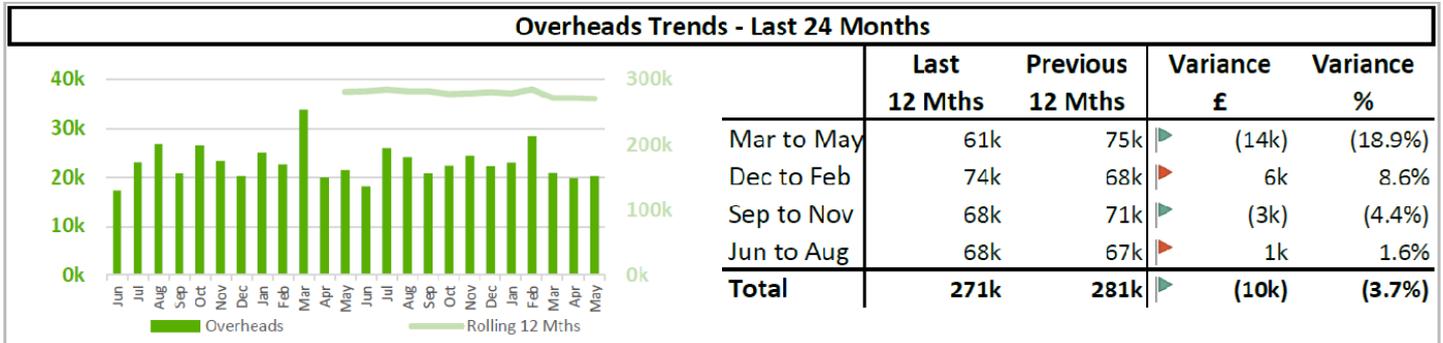
Red and green flags indicate where the cost of sale line has increased (red) or decreased (green) as a % of revenue.

Top 5 Cost of Sales Spend Last 12 Mths	TY	% Rev	LY	% Rev	Var £	Var % Rev
Cost of Sales 8	419.6k	41.9%	429.8k	42.9%	10.2k ▶	(0.9%)
Cost of Sales 5	173.6k	17.3%	163.7k	16.3%	(9.8k) ▶	1.0%
Cost of Sales 7	21.6k	2.2%	24.8k	2.5%	3.3k ▶	(0.3%)
Cost of Sales 4	11.2k	1.1%	17.2k	1.7%	5.9k ▶	(0.6%)
Cost of Sales 2	8.1k	0.8%	10.0k	1.0%	1.9k ▶	(0.2%)
Top 5 Cost of Sale	634k	63.3%	646k	64.4%	11k ▶	(1.0%)
Others	16.7k	1.7%	16.3k	1.6%	(0.4k) ▶	0.0%
Opening Stock	0.0k	0.0%	0.0k	0.0%	0.0k	0.0%
WIP	0.0k	0.0%	0.0k	0.0%	0.0k	0.0%
Closing Stock	0.0k	0.0%	0.0k	0.0%	0.0k	0.0%
Total	651k	65.0%	662k	66.0%	11k ▶	(1.0%)

Section 7: Overhead Analysis

Overhead performance is analysed from both an absolute and % of revenue perspective.

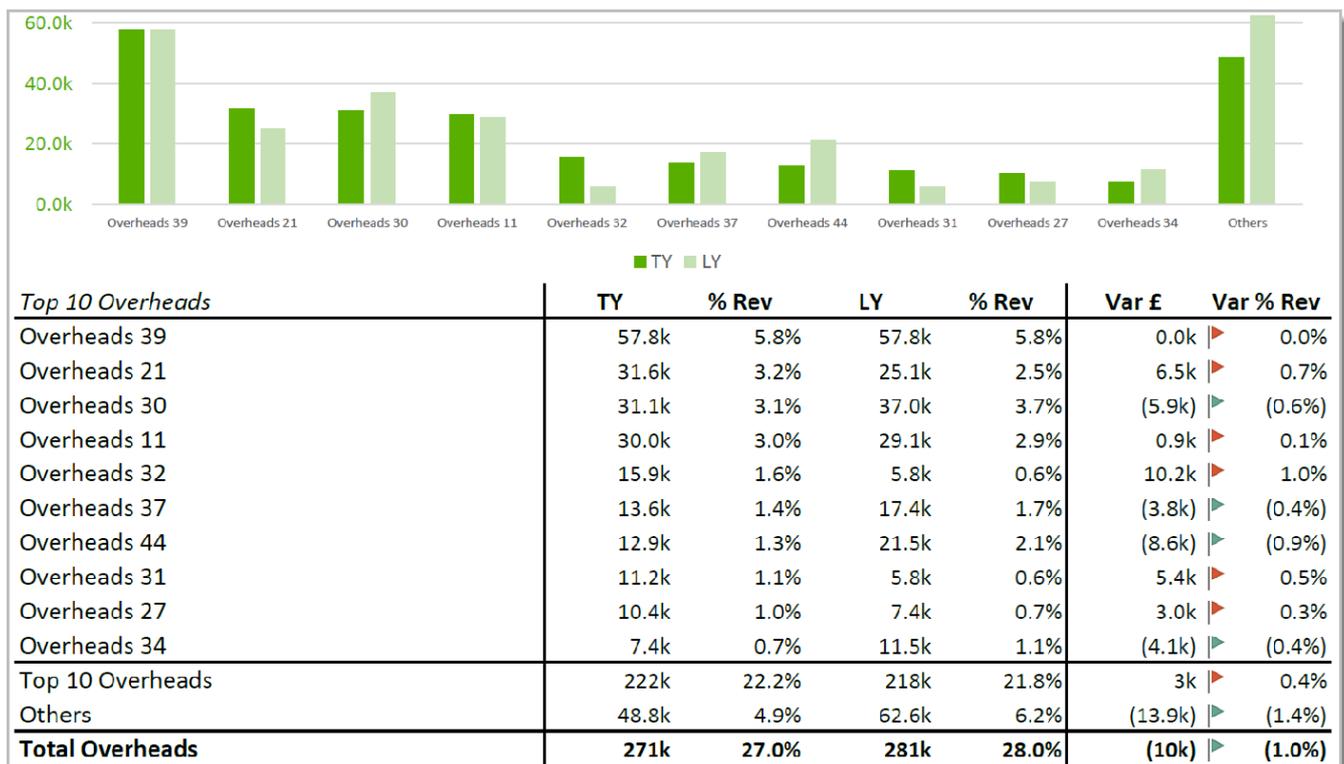
The commentary is automatically populated based on the individual client performance over the past month, quarter and 12 month period compared to the same time period in the previous 12 months and is provided to articulate the information displayed in the tables and graphs.



There are 2 sections as per the above, Overheads £, and Overheads %. The graph displays monthly performance (columns/left axis) and rolling 12 months performance (line/right axis). The points on the Rolling 12 Mths line graph reflect the total of the 12 months up to that point.

The table then reflects performance in each the past 4 quarters, the most recent of which is displayed at the top of the table. A green flag reflects a favourable movement compared to the previous 12 months and a red flag reflects a negative movement.

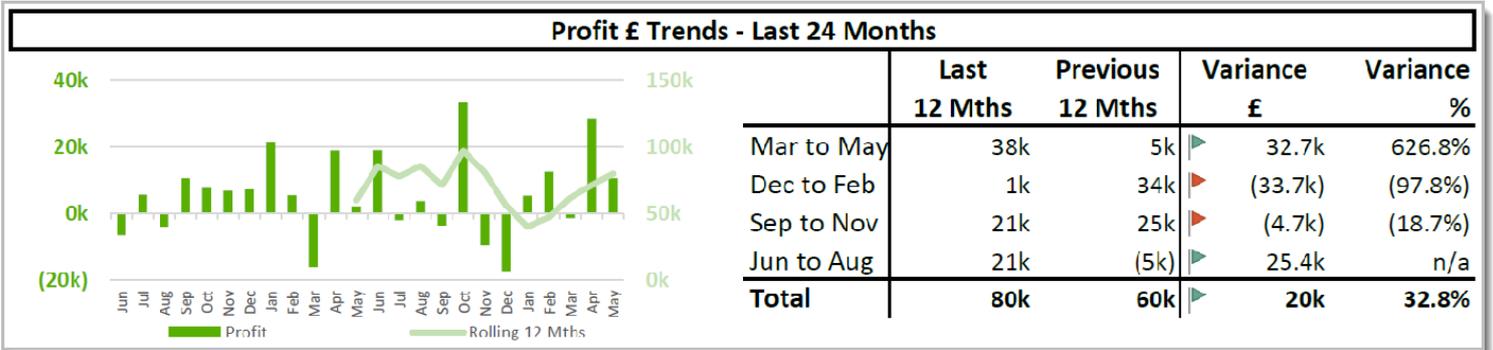
Individual overhead lines are then analysed both in absolute terms and as a % of revenue. The top 10 (by value) lines are displayed in the graph and table. Red and green flags indicate whether the overhead has increased (red) or decreased (green) as a % of revenue.



Section 8: Profit Analysis

The previous sections are then consolidated to display profit performance from both an absolute and % of revenue perspective.

The commentary is automatically populated based on the individual client performance over the past month, quarter and 12 month period compared to the same time period in the previous 12 months and is provided to support the information displayed in the tables and graphs.

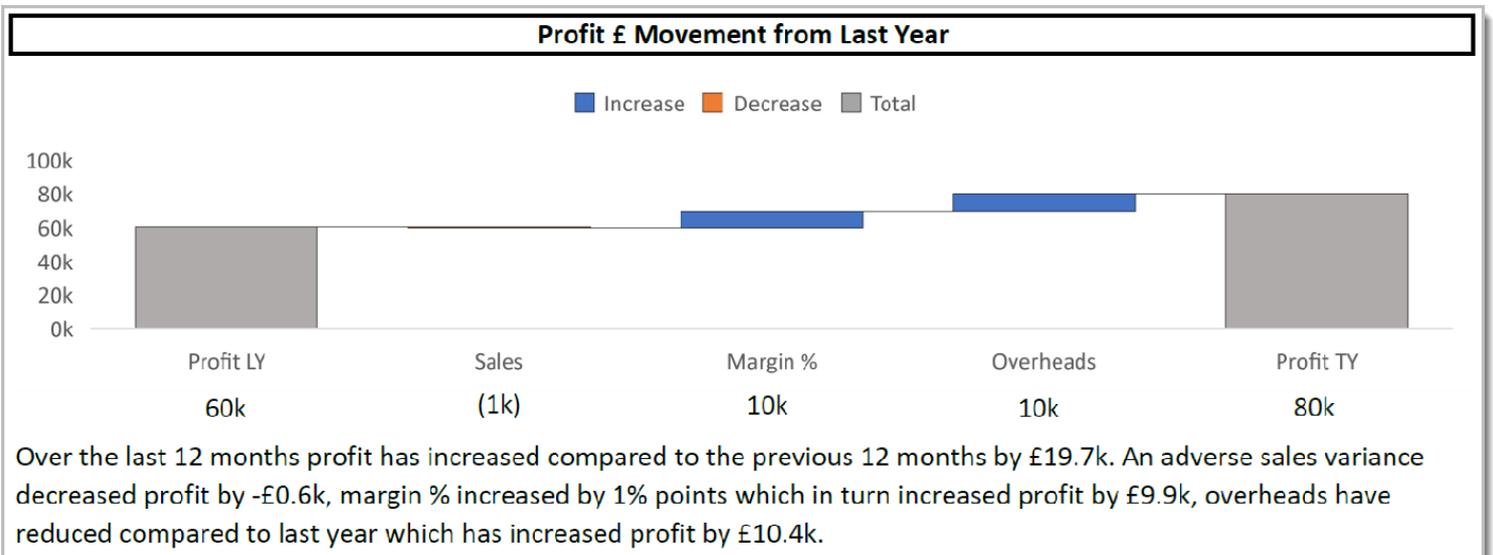


There are 2 sections as per the above, Profit £, and Profit %. The graph displays monthly performance (columns/ left axis) and rolling 24 months performance (line/right axis). The points on the Rolling 12 Mths line graph reflect the total of the 12 months up to that point.

The table then reflects performance in each of the past 4 quarters, the most recent of which is displayed at the top of the table. A green flag reflects a favourable movement compared to the previous 12 months and a red flag reflects a negative movement.

A waterfall chart then displays how each of the constituent parts of Sales, Margin % and Overheads has contributed towards the movement from last year's profit to this year's profit.

Commentary is then automatically populated to articulate this movement in words.



Section 9: Forecast Extrapolation

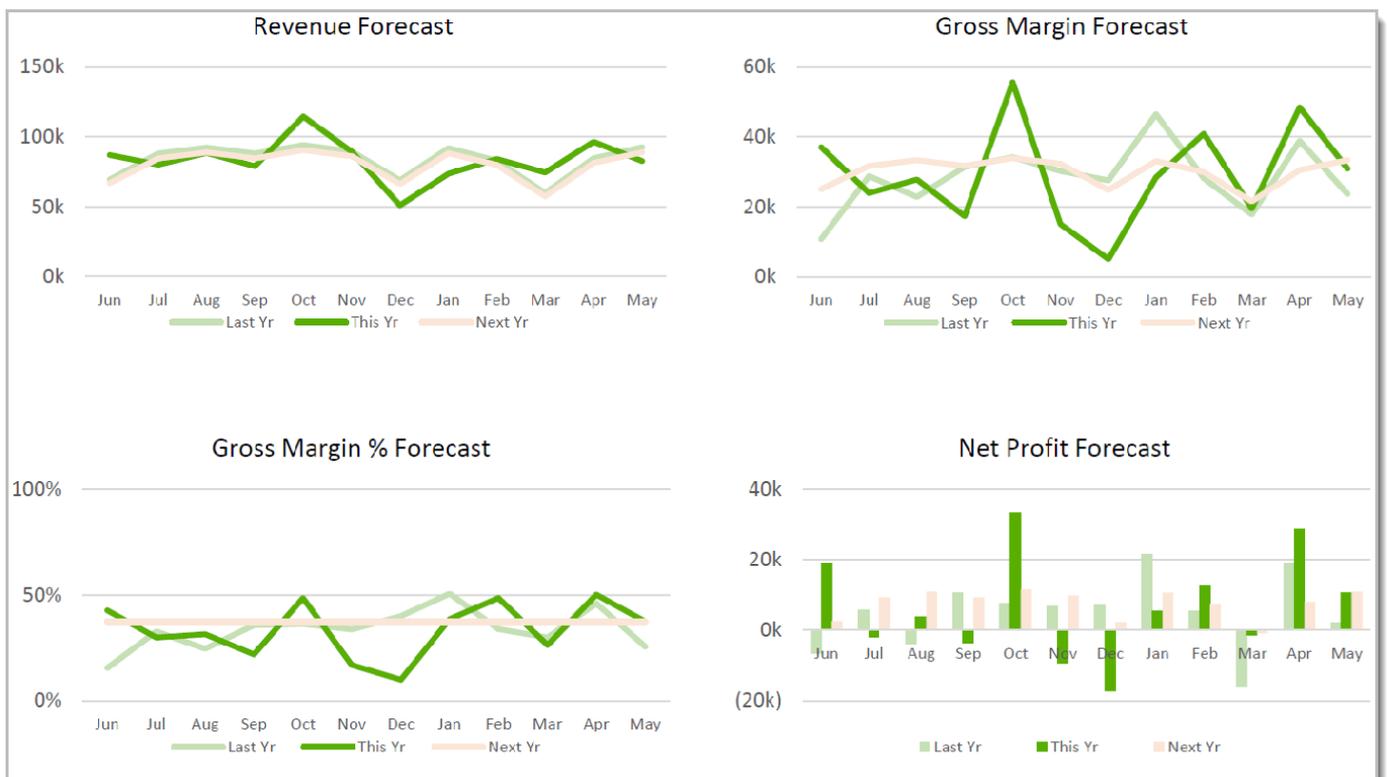
Up to this point the report has focussed on historical P&L performance. The forecast extrapolation section takes the most recent 6 months performance and extrapolates this forwards to generate a view on the likely direction of travel for profit over the next 12 months.

	Last Year	This Year	Next Year	
Revenue	£1,003.0k	£1,001.2k	£964.7k	<i>Average sales over the past 6 months adjusted for seasonality</i>
YoY%		(0.2%)	(3.6%)	
Cost of Sales	£661.8k	£650.8k	£603.0k	
Gross Margin	£341.2k	£350.5k	£361.7k	<i>Average margin % achieved over the past 6 months applied</i>
Gross Margin %	34.0%	35.0%	37.5%	
Total Overheads	£281.0k	£270.5k	£269.5k	<i>Average spend over the past 6 months applied</i>
Net Profit	£60k	£80k	£92k	
Net Profit %	6.0%	8.0%	9.6%	

The forecast extrapolation uses the following assumptions

- Revenue:** Actual revenue achieved over the past 6 months is multiplied by the proportion of total revenue the same months contributed in the previous 12 months.
- Gross Margin:** Actual gross margin % achieved over the past 6 months is applied to the revenue figure generated for next year.
- Overheads:** Average monthly overhead spend over the past 6 months is annualised.

Monthly graphs are then displayed to show how the newly created forecast extrapolation compares to the last 12 months and the previous 12 months.



Section 10: Balance Sheet Analysis

VFD Pro delivers a high level review of the balance sheet. Analysing how the key balance sheet performance indicators have moved from the same point 12 months ago.

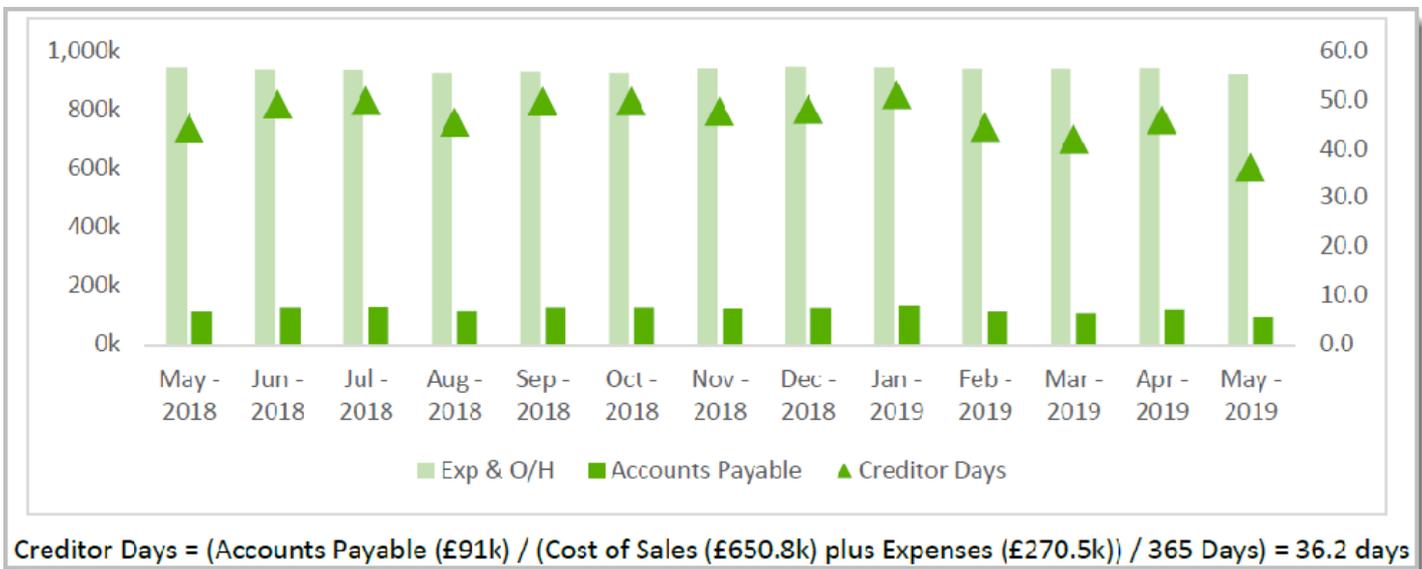
To prepare the ratio analysis, VFD Pro uses certain assumptions to categorise assets and liabilities based on the name of each nominal, these are displayed in brackets before each line. A key to each of these is displayed below. If a nominal has been categorised incorrectly, please let the support team know.

(C) - Cash, (D) - Debt, (O) - Other, (P) - Payables, (R) - Receivables, (S) - Stock / W.I.P

Net Worth		Current Ratio		Cash Ratio		Total Debt to Equity	
£60k	✓	2.1	✗	0.5	✗	0.9	✗

indicators display the movement compared to this time last year

Using the categorisation exercise described above, the movement in debtor days and creditor days from the same month 12 months previously is then analysed. £'s are displayed on the left axis and number of days are displayed on the right axis. The calculation of each is also displayed so the user is able to reconcile the calculation to the numbers shown in the report.



The next section provides a graphical representation of the movement in the 10 key current asset and current liability lines (by value) compared to the same month last year.

The top 40 lines (by value) are then listed in a table along with the current balance compared to the same month last year.

VFD Pro Support

If you have any questions or need any help or support using any of the features of VFD Pro please contact us on the following:

Telephone

0203 475 3313

Email

support@vfd-pro.com

If you wish to suggest an enhancement or report a possible fault, please contact us on one of the above, or please raise a ticket here: www.vfd-pro.com/support

Personalise your reports

Did you know... you can reflect your logo and corporate colour scheme throughout your reports.

You can amend the RGB code for each of the above colours to match your brand and styling.

Primary Colour: Used for all title headers and is the first colour used on all graphs/charts.

Secondary Colour: Used to provide the contrasting colour on all graphs/charts.

Tertiary Colour: Used where a third colour is required on specific graphs/charts.

Remember to add your logo to complete your branded reports.