

Cash is King: Quick Cash Flow Indicators

What is the best way to track your company's cash flow? Here is a summary of important ratios that banks and financial experts use to assess the financial health of companies:

KEY INDICATORS					
Ratio Type	Indicates	Calculation Notes:	Minimum	Good	Industry Avg./ Goal *
Current Ratio	Working capital availability: Current Assets 1 vs. Current Liabilities 2	1 Includes cash, receivables, inventory, prepaid expenses <hr/> 2 Includes payables, current portion of term notes, accrued expenses	Above 1:1	1.5:1	1.3:1 / 2.0:1
Debt to Equity	Leverage indicator: Total Liabilities 3 vs. Total Equity 4	3 Includes current liabilities and long term debt. <hr/> 4 Investment contributions in the business plus retained earnings.	No higher than 4:1	2.5:1	2.8 / 2.0:1
Cash Flow Coverage <i>(also called Fixed Cost Coverage Ratio)</i>	Available cash generated to pay debt: EBITDA 5 divided by Debt Service 6	5 EBITDA=Earnings Before Interest, Income Taxes, Depreciation and Amortization <hr/> 6 Current annual principal + Interest due	Above 1:1	1.25	1.1 to 2.0
EBITDA 5 as a % of Sales	Cash Generating Performance	See 5 above divided by sales	10%	15%	7% / 20%

**Printing Industry of America Ratio Studies, 2011*

At MargolisBecker, we recommend printers check performance via these ratios on a regular basis, and include them on in-house management dashboards. In an economy like this, a monthly review of these indicators is prudent. For questions or concerns regarding the indicators and your company's performance, contact us any time at **888.577.1717**.

About MargolisBecker: MargolisBecker has long been recognized as the financial expert for the printing and allied graphic communications industry, assisting thousands of companies with strategic and financial management, valuation, mergers/acquisitions, accounting, audit and tax services. The firm is noted for its expertise in enabling printing companies to optimize profits. Proudly, it is the purveyor of the industry's Cash is King, and Value-Added Principles of Management, and compiles the annual Printing Industries of America Ratios, the industry's premier financial benchmarking tool.