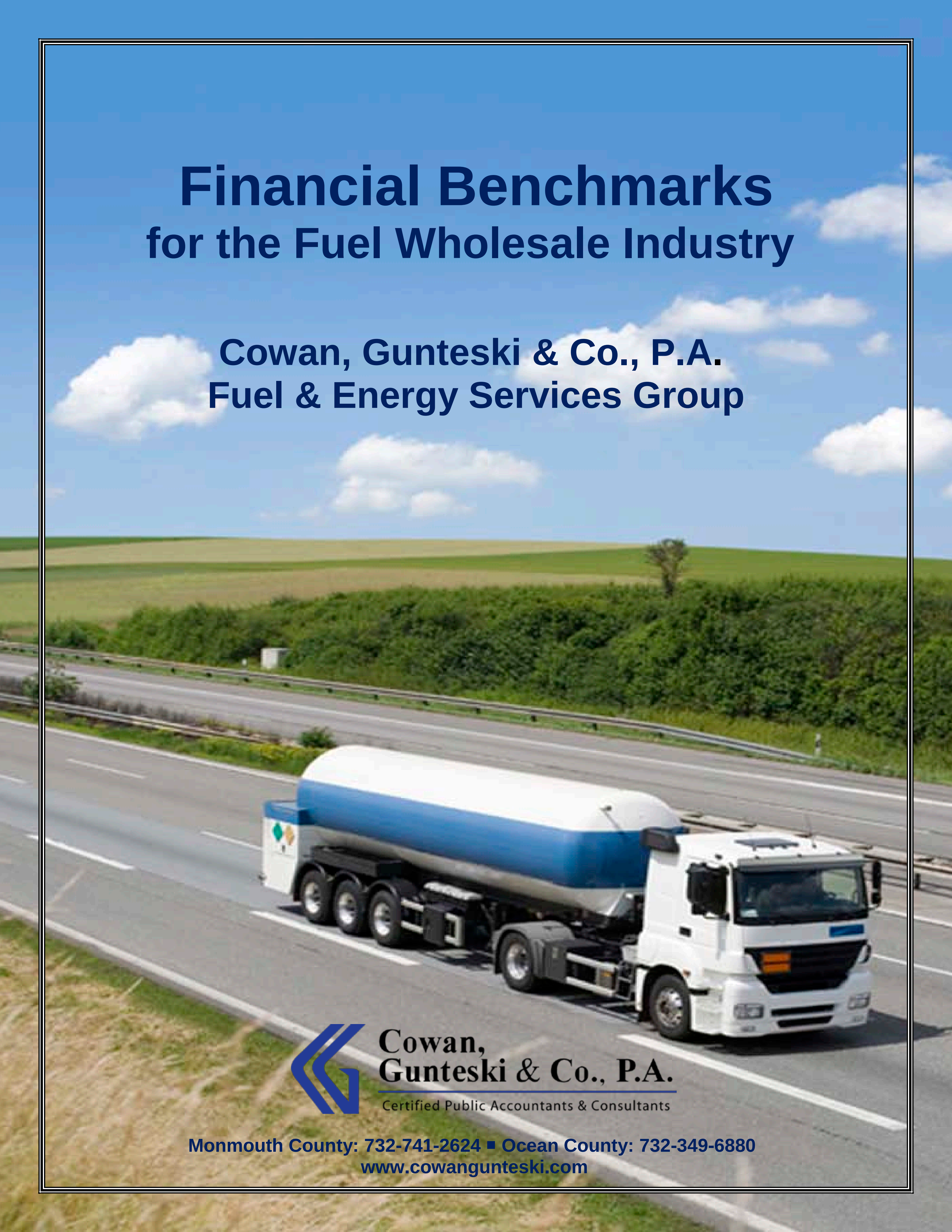

Financial Benchmarks
for the Fuel Wholesale Industry

Cowan, Gunteski & Co., P.A.
Fuel & Energy Services Group

Cowan, Gunteski & Co., P.A.
Certified Public Accountants & Consultants

Monmouth County: 732-741-2624 ▪ Ocean County: 732-349-6880
www.cowangunteski.com

sageworks Industry Data and Analysis

Industry:	42472 - Petroleum and Petroleum Products Merchant Wholesalers (except Bulk Stations and Terminals)
Sales Range:	All Sales Ranges
Data Source :	Private Companies
Location:	All Areas
Prepared On:	4/10/2009

Industry Financial Data and Ratios

Average by Year (Number of Financial Statements)

Financial Metric	Recent 12 Months (105)	2008 (108)	2007 (192)	All Years (1095)
Current Ratio	**2.76**	**2.50**	**1.77**	**1.80**
Quick Ratio	**1.88**	**1.67**	**1.23**	**1.23**
Gross Profit Margin	**9.84%**	**9.57%**	**10.69%**	**12.67%**
Net Profit Margin	**1.46%**	**1.25%**	**1.12%**	**1.54%**
Inventory Days	**13.51**	**12.87**	**15.70**	**17.69**
Accounts Receivable Days	**19.07**	**19.91**	**22.50**	**24.37**
Accounts Payable Days	**15.45**	**16.42**	**18.45**	**21.82**
Interest Coverage Ratio	**9.13**	**9.43**	**6.16**	**7.73**
Debt-to-Equity Ratio	**2.70**	**2.70**	**3.15**	**3.06**
Return on Equity	**24.59%**	**24.28%**	**14.51%**	**14.97%**
Return on Assets	**9.81%**	**9.01%**	**6.73%**	**6.09%**
Fixed Asset Turnover	**11.55**	**12.09**	**12.84**	**11.34**
Sales per Employee	**$636,547**	**$637,366**	**$650,692**	**$539,075**
Profit per Employee	**$28,957**	**$24,605**	**$26,577**	**$16,729**
Debt Service Coverage Ratio	**2.91**	**2.93**	**1.91**	**2.01**
Growth Metric	**Recent 12 Months (45)**	**2008 (48)**	**2007 (85)**	**All Years (476)**
Profit Growth	**26.59%**	**19.43%**	**-3.38%**	**8.23%**
Sales Growth	**20.66%**	**19.72%**	**10.99%**	**16.99%**

Industry Data Common Size

Average by Year (Number of Financial Statements)

Income Statement	Recent 12 Months (105)	2008 (108)	2007 (192)	All Years (1095)
Sales (Income)	100.00%	100.00%	100.00%	100.00%
Cost of Sales (COGS)	90.16%	90.43%	89.28%	87.91%
Gross Profit	9.84%	9.57%	10.69%	12.67%
Depreciation	0.53%	0.51%	0.64%	0.84%
Overhead or S,G,& A Expense	7.03%	6.85%	7.61%	8.29%
Other Operating Income	0.35%	0.35%	0.29%	0.19%
Other Operating Expenses	1.13%	1.08%	0.96%	1.09%
Operating Profit	1.24%	1.30%	1.23%	1.56%
Interest Expense	0.39%	0.32%	0.41%	0.41%
Other Income	0.33%	0.32%	0.32%	0.28%
Other Expenses	0.04%	0.04%	0.11%	0.06%
Net Profit before Taxes	0.94%	1.08%	1.05%	1.40%
Adjusted Net Profit before Taxes	1.46%	1.25%	1.12%	1.54%
EBITDA	1.86%	1.81%	2.04%	2.51%
Taxes Paid	0.07%	0.08%	0.06%	0.06%
Net Income	1.44%	1.24%	0.90%	1.20%
Balance Sheet	**Recent 12 Months (105)**	**2008 (108)**	**2007 (192)**	**All Years (1095)**
Cash (Bank Funds)	13.69%	11.03%	9.16%	10.19%
Accounts Receivable	34.91%	36.32%	35.33%	35.62%
Inventory	17.72%	18.07%	16.71%	16.43%
Other Current Assets	3.05%	3.18%	3.81%	3.92%
Total Current Assets	71.14%	71.09%	67.25%	68.20%
Gross Fixed Assets	81.07%	77.10%	66.54%	68.34%
Accumulated Depreciation	45.90%	45.96%	31.99%	35.23%
Net Fixed Assets	27.84%	27.49%	33.88%	32.79%
Other Assets	4.48%	4.30%	5.98%	4.82%
Total Assets	100.00%	100.00%	100.00%	100.00%
Accounts Payable	23.71%	25.12%	28.71%	28.41%
Current Portion of Long Term Debt	5.60%	5.37%	6.31%	4.57%
Other Current Liabilities	9.37%	9.48%	12.17%	14.02%
Total Current Liabilities	37.86%	39.47%	48.03%	48.25%
Long Term Liabilities	30.42%	25.73%	23.21%	24.16%
Total Liabilities	67.63%	64.60%	71.25%	72.28%
Ending Retained Earnings	27.59%	28.80%	15.55%	16.00%
Total Equity	32.37%	35.40%	28.76%	27.64%

LIQUIDITY

What are some potential ways to improve the company's ability to meet obligations as they come due?

- Set longer terms for Accounts Payable when possible. For example, increase a 30 day payment window to 60 days.

- Increase prices selectively where possible. Done effectively, this can boost cash flow and liquidity. Good Income Statement management helps Balance Sheet performance.

- Sell any unnecessary/unproductive assets the business may have to increase cash. These are assets that are not contributing sufficiently to the generation of income and cash flow.

- Prepare yearly forecasts that show cash flow levels at various points in time. Consider updating these forecasts on a monthly or even bi-weekly basis. This can help predict/prepare for potential cash shortfalls that may occur in the future.

- If cash is a constraint, try to establish a sufficient line of credit from the bank. The business should obtain, but not necessarily use, as much financing as possible from the bank. If you decide to obtain external financing, structure as long-term rather than short-term in order to decrease monthly payments.

- Monitor accounts receivable on a weekly basis, and charge interest on invoices that are past due.

- Speed up the billing of customers (even three days earlier each month) in order to accelerate the collection process which can significantly improve the firm’s cash position.

- Consider providing different credit terms to different customers based upon credit-worthiness (risk) and the overall relationship involved. Make sure giving credit will increase revenues/income and be cost effective. Also, if beneficial, provide discounts to customers who pay early.

- Rent rather than buy resources where appropriate. In the long term, this can help achieve an acceptable level of Balance Sheet obligations relative to liquid assets. Current Balance Sheet obligations (such as debt on purchased assets) are uses of cash.

- Use cash on delivery (COD) for chronically slow payers, when possible. Simply require payment when the service is performed or the product is delivered. This will ensure that compensation is received in a timely manner.

- Monitor invoicing procedures to help ensure correctness. Nothing will delay payment from a customer more than sending out an incorrect invoice. This will extend Accounts Receivable and hurt cash flow.

- If the business is having difficulty meeting obligations, term out some short-term debt if necessary and possible by moving some short-term debt down the Balance Sheet to long-term debt. This usually requires refinancing from the bank.

- Monitor the impact tax payments may have on cash. Keep enough money aside to be able to meet future tax obligations based on earnings.

- Monitor the amount of money that is being used for activities unrelated to the business. An example could be money taken out of the business on draws to principals.

- Manage inventory levels at all times. Ensure demand can be met but also make sure that too much cash is not tied up in inventory.

PROFITS & PROFIT MARGIN

What are some things the company might do to develop favorable profitability trends?

- Use estimation software to determine optimal levels of petroleum inventory. This will help you to minimize time and costs.

- Consider investing in an ERP system, which will allow you to make better sourcing decisions based on expected lead times. It also improves the customer experience through accurate delivery times and promise dates.

- Create good monthly budgets with cost reduction goals, broken down by account, that are put right into an accounting system (chart of accounts). This should allow management the ability to pull "variance reports", which compare budgeted revenues and expenses with actual revenues and expenses.

- Obtain internal reports that identify the business's key performance indicators (KPIs). KPIs help managers make good decisions by identifying the figures that are critical to performance.

- Take advantage of/negotiate for volume discounts or other concessions with current suppliers.

- Search out multiple qualified vendors to get the best prices through competition, while maintaining quality. If the business is not continually reviewing/updating its existing and potential vendor lists, it may overspend on supplies/inventory.

- Obtain an annual business check-up. Meet with an accountant or banker to review financial statements and get advice on how to improve performance.

- Generate accurate financial reports on a timely basis -- within 40 days of the end of the financial period. This will help ensure the usefulness of the data for examination purposes. Good financial reports are the backbone of management decisions.

- Reduce payroll costs, including any overtime expenses as applicable, by maintaining an ideal number of employees and monitoring the number of hours that each employee works.

- Enroll the business in the right insurance program at a good cost. Evaluate alternative insurance carriers that may be able to serve the business at a cheaper cost.

- Make sure to turn off the lights and air when the business is closed. This can help save on utility expenses.

- Conduct a proper study of assets before making any purchases. An example might be to prepare a cost-benefit analysis, examining each option fully, when considering the purchase of delivery trucks.

SALES

What are some things the company can consider to encourage sales growth?

- Keep open communication with customers to help ensure quality service. Many customers will stay with a business that takes the time to answer questions promptly and provide quality assistance when ordering products.

- Compare the business to other wholesalers; benchmark how the business is doing relative to others. Assessing performance through benchmarking can be an effective way to evaluate operations.

- Use industry experts and consultants to help you improve your business. This is particularly helpful if you feel like you want to concurrently keep and get more customers. People with long experience in wholesale can save you years of time by leveraging their knowledge. Industry consultants can be found in trade journals and magazines.

- Establish uniqueness or variety in the products the business offers. By doing so, the business can generate increased demand for its products and potentially increase prices as well.

- Have an attractive web presence. This will potentially increase revenue by providing an extra forum for the business to feature the products it offers. Consider consulting a marketing/design firm to get tips for improvement.

- Be sure to subscribe to and READ the trade journals dealing with petroleum, such as American Gas. Typically, there is no greater source of good operational information than a trade journal and there are many ideas that can help managers increase sales and keep customers.

- Work to establish clear and consistent identifiers so customers can quickly recognize the business. Each forum where the business features itself should help customers quickly identify the business and its product offerings.

- Talk to customers to find out what they want. For example, if feedback indicates that many customers are searching for a type of product that the business does not offer, consider incorporating it into product line.

- Make it known to customers that their business is appreciated. For example, thanking customers for their product orders is often a simple act that can help make customers feel valued.

- Display the achievements of the business where appropriate. For example, obtain and display testimonials and/or awards won. This can help establish the business as a quality provider to potential customers.

Glossary

In order to maximize the effectiveness of the program, spend a few minutes reading over these basic terms. They can also be given to clientele in the event that they need further explanation of terminology.

Accounting is a method of gathering financial information and reporting on the activities of a business. The ultimate end product of accounting is NOT good financial reports. Rather, the desired end points of accounting are an excellent understanding of your business and **better management action**. Remember, accounting does not equal bookkeeping. Sageworks Analyst™ fills the gap between bookkeeping and action.

Accounts Payable are amounts owed to suppliers or vendors.

Accounts Receivable are amounts that customers owe the company for services rendered.

Adjusted Owner's Compensation is designated as an optional input to compensate for owner's compensation that is taken out of the net profit, but is not a true operational expense. This adjustment gives an improved picture of the operating performance of the company less expenses above fair market value.

ADRs (American Depository Receipts) are certificates issued by a U.S. depository bank, representing foreign shares held by the bank, usually by a branch or correspondent in the country of issue. One ADR may represent a portion of a foreign share, one share, or a bundle of shares of a foreign corporation. Because ADRs are quoted in U.S. dollars and traded just like any other stock, they make it simple for investors to diversify their holdings internationally for companies that are located outside the U.S. but traded on U.S. exchanges.

Assets are resources that are owned by the firm which help earn profit. Many times, assets are buildings, machinery, inventory, or other resources that a company owns or holds. Assets are listed on the Balance Sheet. Remember that assets are not always tangible, something material that can be physically held. For example, accounts receivable is an asset, but it is not something tangible.

Balance Sheet is a listing of assets, liabilities, and equity as of a certain date. The Balance Sheet is one of the two most important financial statements. The other important financial statement is the income statement.

Cash (Bank Funds) is the total funds available in a company's checking, savings, and marketable securities accounts that can be used to pay bills within 90 days.

Cash Flow Forecast is a month-by-month projection of all expected cash receipts and cash expenditures for a company. The difference between expected cash receipts and expected cash expenditures is referred to as Net Cash Flow. Managers prepare a cash flow forecast to anticipate cash balances in the future.

Cash Flow Statements are reports of the cash inflows and outflows for a particular period of time. In many instances, these cash flows are grouped into 3 categories: cash from operations, cash from investing activities, and cash from financing activities.

Common Size Statements are ratios used to compare financial statements of different companies by displaying items as a percentage of a common base figure. By expressing the items in proportion to some size-related measure, this allows for easy analysis between companies or between time periods of the same company. Common size statements are prepared for the income statement, expressed as a percentage of Sales, and balance sheet, expressed as a percentage of Total Assets.

Control Risk is risk associated with an organizations' lack of properly implemented internal control procedures.

Cost of Sales (COGS) is the direct cost of the products and services sold. The Cost of Sales section on the Income Statement may take on different formats. Typically, Cost of Sales (COGS) includes inventory costs, direct labor costs, material costs, sales commissions, and other costs directly associated with the generation of revenue.

Current Assets are assets that a company has for a short period of time before they are put into the business, such as cash, accounts receivable, and inventory. Other current assets include marketable securities and prepaid expenses.

Current Liabilities are amounts owed that must be paid for in the short term, usually within a year. Accounts payable is an example of a common current liability. Current liabilities are considered accrued (built-up) expenses.

Current Ratio equals Total Current Assets divided by Total Current Liabilities. The current ratio indicates the amount of liquid assets available to pay off current liabilities or the company's ability to pay its bills and meet its current obligations. Generally, the higher the current ratio is, the greater the company's liquidity.

Debt (Liability) is an obligation to pay money that is due under specified terms. It is an amount owed as of a certain date.

Depreciation and Amortization is a reasonable estimate of how assets lose value over time. Depreciation expense is the amount by which a company estimates an asset decreases in value for an Income Statement period in question.

EBITDA stands for Earnings Before Interest, Taxes, Depreciation, & Amortization and is a commonly used method to assess a company's profitability.

Employees + Contractors (FTE) are the full-time staff and full-time contractors who do work. They are sometimes referred to as FTE (full-time equivalents). To calculate FTE of several part-time employees, take the total hours worked by the part-time employees and divide by the full-time equivalent hours.

Equity (Owner's Equity, Net Worth, Shareholders' Equity) is the recorded ownership claim of common and preferred shareholders in a corporation as reflected on the Balance Sheet. It is defined as Total Assets minus Total Liabilities.

Expenses are the costs of doing business and are measured over a certain period of time. Expenses show up on the Income Statement and are subtracted from Sales to determine Net Profit.

Extraordinary Gain or Loss is an economic event in a company that has a financial result which would not normally occur during the normal operating cycle of a business.

Financial Analysis is the act of evaluating a company's financial statements in order to better understand the business. The value of financial analysis is to help managers understand how the business is doing AND how they might improve performance. It can also help investors better understand the financial performance of companies in which they might like to invest.

Fiscal Year is a twelve-month period during which the company reports income and expenses. Most companies use January 1 to December 31 as their fiscal year so their fiscal year equals the calendar year. Sometimes, companies may choose to select a twelve-month period other than the calendar year. Basically, it is important to note that fiscal year does not always mean calendar year.

Fixed Assets are any assets on the Balance Sheet considered to have a life or usefulness in excess of one year. Common examples include land, buildings, and machinery. It is best to enter gross fixed assets into the Sageworks Analyst™ expert system. In other words, the Fixed Assets entry should not include any deductions for depreciation.

Fixed Costs are any costs or expenses that do not vary too much with changes in the volume of operations over a specified time. Rent expense is usually considered a fixed expense. However, no cost is fixed over the long term.

General & Administrative Expenses (G&A) are overhead costs such as rent, utilities, staff personnel, professional fees, and depreciation. G&A expenses are also referred to as “Operating Expenses”.

Gross Profit is the difference between Sales and Cost of Sales. It is the profit earned before paying operating expenses.

Gross Profit Margin equals Gross Profit divided by Sales, expressed as a percentage. It represents the cents of gross profit per sales dollar.

Income Statement shows a company's sales, expenses, and profits or losses for a certain period of time. The Income Statement is also referred to as a Profit & Loss Statement. The Income Statement and Balance Sheet are the two most important financial statements.

Inherent Risk is risk associated with the nature of the account, and includes the risk of fraud. For example, cash is more susceptible to theft than heavy equipment.

Interest Expense is the cost of borrowed funds (debt). Companies must typically pay a premium for the use of another's money.

Inventory is the value of goods that have been produced or purchased for resale.

Materiality is the magnitude of an omission of misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement.

Net Income is the bottom line net earnings (or losses) of a company.

Net Operating Income is the operating income for a company; how much profit is made from operations. In our model, Net Operating Income equals Net Income + Depreciation + Amortization + Interest Expense + Income Taxes + Extraordinary Gains or Losses.

Net Profit before Taxes is what is left over after all expenses are paid (except income taxes in our model). Profit is always expressed as monies earned during a certain period of time. It is probably a good idea to add back owner's compensation in excess of salary to Net Profit before Taxes on the input screen.

Net Profit Margin equals Net Operating Income divided by Sales, expressed as a percentage. It represents the cents per dollar of sales that the company extracts in profits. Finance professionals view this metric as a critical gauge because it indicates operating efficiency.

Operating Expenses are expenses that are paid from the gross profit of the company. They are often referred to as General & Administrative or Overhead Expenses.

Preliminary Analytical Review is one of several risk assessment procedures the auditor must perform in a risk based audit in order to obtain a better understanding of the entity and its environment and identify where risks may be present.

Principal is the original amount of a loan. The rate of interest is based on the original amount of the loan.

Quick Ratio is the sum of Cash and Accounts Receivables divided by Total Current Liabilities. Both the quick ratio and current ratio assess a company's ability to meet short-term obligations. The current ratio measures a company's overall liquidity, while the quick ratio measures liquidity by considering only readily liquid assets, items that can be quickly converted to cash. It should be noted that not one ratio or metric can in itself accurately depict liquidity, which is largely driven by future events, not present conditions.

Ratio Analysis is the use of a variety of ratios in analyzing the financial performance and condition of a company.

Risk Assessment Procedures are conducted to assess the risk of material misstatement at the financial statement and relevant assertion levels. Risk assessment procedures include three components: inquiries of management and other within the entity, analytical procedures, and observation and inspection.

Risk Based Auditing is when the auditor makes judgments about inherent and control risk for each audit area. The focus of this risk based approach is to spend more time on the high risk areas and less time on the low risk areas.

Salary Expense is the cost of all full-time employees, including direct labor expenses used in calculating Cost of Sales. Salary Expense appears on the Income Statement and is used to assess labor productivity.

Sales (Income) are the revenue a company earns over time. Sometimes this is referred to as Gross Sales. Sales are equal to the total funds or monies generated before expenses. It is measured by time. In other words, companies earn a certain amount of sales over a day, week, month, or year.

Selling, General, and Administrative Costs (S,G,&A) are the costs associated with the day-to-day operations of the company. These costs may include rent, utilities, staff personnel, and all selling, general, and administrative costs incurred that are not covered by COGS. Some people refer to S,G,&A expenses as "Operating Expenses".

Total Assets is the sum of all assets a company has as of a certain date. Total Assets equals Total Current Assets plus Total Fixed Assets plus Other Assets.

Total Liabilities (Total Debt) is the total amount owed as of a certain date. Try not to confuse liabilities with expenses; expenses are the costs of doing business. Liabilities are accrued expenses, expenses that have added up over time. For example, a mortgage balance is a liability, but monthly mortgage payments are expenses. Expenses show up on an Income Statement while liabilities show up on a Balance Sheet.

Variable Costs are any costs or expenses that vary with changes in the volume of operations over a specified period. Inventory is an example of a variable cost.