

# Quality of Earnings Lite– Sell Side

June 2025



QoE Group  
NEW YORK

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QoE Group

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## XYZ Company

### Financial Due Diligence Findings

June 12, 2025

This written communication is solely for (the Seller) and is not intended to be relied upon by any other person or entity.

This written communication has been prepared on the basis set out in the scope of work.

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This report focuses on the Company's QoE, specifically evaluating whether recorded income was derived from its core operations. It is intended to assist the designated parties in assessing potential adjustments to the Company's profit and loss performance. The report presents a QoE analysis summarizing earnings before interest, taxes, depreciation, and amortization ("EBITDA"). Any references to a "Transaction" pertain solely to the entity engaging HamptonsCFO, INC (QoE Group) for this engagement.

The procedures performed in connection with this report were designed to assess the reasonableness and classification of specific financial balances (e.g., cash reconciliation procedures) but do not constitute an audit, review, compilation, appraisal, or examination in accordance with generally accepted auditing standards or other professional standards. Consequently, HamptonsCFO, INC (QoE Group) makes no assurance or guarantees regarding the completeness or accuracy of the information presented. This report should not be relied upon to detect or disclose errors, fraud, misstatements, or irregularities, as such matters fall outside the scope of this engagement. Supporting documentation referenced in this report was provided by Company management unless otherwise indicated.

The findings and conclusions contained in this report reflect HamptonsCFO, INC (QoE Group)'s analysis of financial information provided by Company management as of the date of this report. All amounts are presented in U.S. dollars (USD) unless otherwise stated. While materiality thresholds do not formally apply in a QoE analysis, any procedural discrepancies or mathematical recalculations that fall within HamptonsCFO, INC (QoE Group)'s judgment are not considered errors. Financial data was reviewed and analyzed on an accrual basis where such information was made available by management.

# Glossary

Term	Definition
FY22	Fiscal year 2022; the twelve-month period from January 1, 2022 through December 31, 2022
FY23	Fiscal year 2023; the twelve-month period from January 1, 2023 through December 31, 2023
FY24	Fiscal year 2024; the twelve-month period from January 1, 2024 through December 31, 2024
YTD22	Year-to-date 2022; the 4 months from January 1, 2022 through April 30, 2022
YTD23	Year-to-date 2023; the 4 months from January 1, 2023 through April 30, 2023
YTD24	Year-to-date 2024; the 4 months from January 1, 2024 through April 30, 2024
YTD25	Year-to-date 2025; the 4 months from January 1, 2025 through April 30, 2025
LTM25	Last twelve months 2025; the period from May 1, 2024 through April 30, 2025
EBITDA	Earnings before interest, taxes, depreciation and amortization
Historical Period	Collectively consists of FY22, FY23, FY24, LTM25, and YTD25
USD	United States Dollar
COGS	Cost of goods sold
n.a.	Not applicable
Rounding	Some totals may not agree due to rounding differences
DSO	Days Sales Outstanding
DSI	Days Sales of Inventory
DPO	Days Payables Outstanding
CCC	Cash Conversion Cycle
FTE	Full Time Equivalent
CYT	Current Year Trading
YTG	Year to Go
NQ	Not Quantified

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# Key Findings

Key Finding	Observations
EBITDA	Please see QoE Summary tab for more on the EBITDA Adjustments.
COGS	COGS ranged from ~\$34.5M to ~\$36.6M over the three years, representing approximately 85–87% of revenue, with gross margin declining from 15.1% in FY22 to 12.5% in FY24. While the overall cost base remained fairly consistent in absolute terms, the decline in gross profit highlights margin compression. Key fluctuations in margin: Fuel cost volatility\ Driver-related expenses Intercompany allocations (if operating in a multi-entity structure)
Revenue Recognition	The Company has Multiple streams of revenue, Entity 1 Cartage Company, Entity 2 Inc & Entity 3. Each entity serves different customer bases across trucking. Reported revenue has remained stable across the review period, averaging approximately \$40M annually. No revenue adjustments were made, indicating consistent recognition policies across entities.
Net Working Capital (NWC)	Net working capital is on a cash free debt (internal free) basis. Working capital stayed positive and consistent. The company maintains a strong working capital position, consistently exceeding \$3M over the past three years. Current assets comfortably exceed current liabilities, indicating solid short-term liquidity and operational flexibility. The gradual reduction in working capital reflects efficient cash and expense management without liquidity strain. Indicates strong liquidity and operational buffer.
Book to Tax	We performed a detailed book-to-tax reconciliation and collaborated closely with the incumbent CPA to ensure alignment between the financial statements and the filed tax returns. All variances and explanations are documented in the “Book to Tax Discrepancy” tabs for transparency and auditability.

# Quality of Earnings

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Quality of earnings - Reported to Adjusted EBITDA

US\$000	FY22	FY23	FY24	3 Year Avg	3 Year Weighted
Reported Revenue	40,109.3	39,740.2	40,478.3	40,109.3	40,238.4
Adjusted Revenue	40,109.3	39,740.2	40,478.3	40,109.3	40,238.4
Reported Net Income	(206.4)	264.8	(677.6)	(206.4)	(371.3)
<b>Reported Net Income %</b>	<b>-0.5%</b>	<b>0.7%</b>	<b>-1.7%</b>	<b>-0.5%</b>	<b>-0.9%</b>
Reported EBITDA	1,038.4	1,206.6	870.2	1,038.4	979.5
Adjustments / Add-Backs					
1 Owner's Compensation	397.9	373.0	331.7	367.5	351.9
2 Gain/Loss on Sale of PPE	(1,556.7)	(32.1)	(138.5)	(575.8)	(324.6)
3 Rent	.0	.0	.0	.0	.0
4 Vehicles - Owner/Family	.0	.0	.0	.0	.0
5 Pension & Profit Share - Owner	.0	.0	.0	.0	.0
6 Departing Employees Var	210.1	205.2	200.5	205.2	203.1
					.0
<b>Total Adjustments</b>	<b>(948.7)</b>	<b>546.1</b>	<b>393.6</b>	<b>(3.0)</b>	<b>230.4</b>
<b>Due Dil adjusted EBITDA</b>	<b>89.7</b>	<b>1,752.8</b>	<b>1,263.8</b>	<b>1,035.4</b>	<b>1,209.9</b>
					-
<b>DD adjusted EBITDA %</b>	<b>0.2%</b>	<b>4.4%</b>	<b>3.1%</b>	<b>2.6%</b>	<b>3.0%</b>
Balance Sheet - Total Assets	20,293	16,910	15,638	17,613	16,654.1
Balance Sheet - Total Liabilities & Equity	20,293	16,910	15,638	17,613.5	16,654.1
Balance Sheet - Current Assets	7,018	6,239	5,177	6.1	5.7
Balance Sheet - Current Liabilities	2,402	2,224	2,125	2.3	2.2
<b>Total Working Capital</b>	<b>4,616.2</b>	<b>4,014.9</b>	<b>3,052.5</b>	<b>3,894.5</b>	<b>3,527.6</b>

## Adjustments:

1. Owner's Compensation Add-back reflects the portion of the owner's salary considered discretionary or above market. This adjustment normalizes compensation based on what a third-party operator would reasonably be paid to perform similar duties.

2. Gain on Sale of PPE (Negative Adjustment) This line removes one-time non-operating gains from the sale of fixed assets (property, plant, and equipment), which do not reflect core business operations and should be excluded from EBITDA.

3. Rent No adjustment was made for rent, indicating that either rent paid is at market rate or there are no related-party or discretionary rent payments to normalize.

4. Vehicles No adjustments were identified for vehicle-related expenses but if there are owner's personal vehicles supported by the business we would need to know.

5. Pension & Profit Share No add-back was taken but we'll need the discretionary owner-specific amounts.

6. Departing Employees - Add-back reflects the portion of the departing employees salary considered discretionary or above market. This adjustment normalizes compensation based on what a third-party operator would reasonably be paid to perform similar duties.

# Consolidated Income Statement

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US\$000	FY22	FY23	FY24	Var		Var		% Of Revenue		
				22-23	23-24	22-23	23-24	FY22	FY23	FY24
<b>Revenue</b>	<b>43,133.7</b>	<b>39,740.2</b>	<b>40,478.3</b>	<b>(3,393.5)</b>	<b>738.1</b>	<b>(7.9%)</b>	<b>1.9%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>
COGS	(36,629.3)	(34,523.9)	(35,434.3)	2,105.4	(910.4)	(5.7%)	2.6%	85%	87%	88%
<b>Gross profit</b>	<b>6,504.4</b>	<b>5,216.3</b>	<b>5,044.1</b>	<b>(1,288.0)</b>	<b>(172.3)</b>	<b>(19.8%)</b>	<b>(3.3%)</b>	<b>-15%</b>	<b>-13%</b>	<b>-12%</b>
Interest income	(.3)	(25.1)	(24.2)	(24.8)	.9	9,236.1%	(3.7%)	0%	0%	0%
Other income	.0	.0	(23.0)	.0	(23.0)	n.a	n.a	0%	0%	0%
Compensation to officers	(397.9)	(373.0)	(331.7)	24.9	41.3	(6.3%)	(11.1%)	1%	1%	1%
Salaries and wages	(1,149.9)	(1,145.5)	(1,208.6)	4.4	(63.1)	(0.4%)	5.5%	3%	3%	3%
Fringe Benefits	.0	.0	.0	.0	.0	n.a	n.a	0%	0%	0%
Employee Benefit programs	(363.6)	(384.1)	(386.9)	(20.5)	(2.8)	5.6%	0.7%	1%	1%	1%
Operating Supplies - Drivers	.0	.0	.0	.0	.0	n.a	n.a	0%	0%	0%
Drivers Wages - LND	.0	.0	.0	.0	.0	n.a	n.a	0%	0%	0%
General Expenses	.0	.0	.0	.0	.0	n.a	n.a	0%	0%	0%
Taxes and License	.0	.0	.0	.0	.0	n.a	n.a	0%	0%	0%
Payroll Taxes - LND	.0	.0	.0	.0	.0	n.a	n.a	0%	0%	0%
Tax and licenses - deductions	(184.5)	(204.3)	(69.6)	(19.8)	134.7	10.8%	(65.9%)	0%	1%	0%
Insurance	(1,624.7)	(1,170.2)	(1,498.7)	454.5	(328.5)	(28.0%)	28.1%	4%	3%	4%
Repairs and Maint	(138.9)	(105.4)	(59.0)	33.6	46.4	(24.1%)	(44.0%)	0%	0%	0%
Communication and Utilities	(535.0)	(461.5)	(450.3)	73.5	11.2	(13.7%)	(2.4%)	1%	1%	1%
Travel	(90.2)	.0	.0	90.2	.0	(100.0%)	n.a	0%	0%	0%
Amortized interest	.0	.0	.0	.0	.0	n.a	n.a	0%	0%	0%
Pension and profit share	(61.2)	(63.2)	(68.0)	(2.0)	(4.9)	3.2%	7.7%	0%	0%	0%
Rental equipment	.0	.0	.0	.0	.0	n.a	n.a	0%	0%	0%
Donations	(2.8)	(.4)	.0	2.4	.4	(85.9%)	(100.0%)	0%	0%	0%
Depreciation	.0	.0	.0	.0	.0	n.a	n.a	0%	0%	0%
Purchased Transportation	.0	.0	.0	.0	.0	n.a	n.a	0%	0%	0%
Building Rents	(84.0)	(84.0)	(126.0)	.0	(42.0)	-	50.0%	0%	0%	0%
Interest	.0	.0	.0	.0	.0	n.a	n.a	0%	0%	0%
Gain/ Loss on Sale of PPE	1,556.7	32.1	138.5	(1,524.6)	106.5	(97.9%)	331.9%	-4%	0%	0%
Professions Services	(74.5)	(25.2)	(66.4)	49.3	(41.3)	(66.2%)	164.1%	0%	0%	0%
Current and Deferred Income Taxes	.0	.0	.0	.0	.0	n.a	n.a	0%	0%	0%
<b>EBITDA</b>	<b>3,353.6</b>	<b>1,206.6</b>	<b>870.2</b>	<b>(2,147.0)</b>	<b>(336.4)</b>	<b>(64.0%)</b>	<b>(27.9%)</b>	<b>-8%</b>	<b>-3%</b>	<b>-2%</b>
D&A	(2,800.8)	(705.2)	(1,236.8)	2,095.6	(531.5)	(74.8%)	75.4%	0%	0%	0%
<b>EBIT</b>	<b>552.8</b>	<b>501.4</b>	<b>(366.6)</b>	<b>(51.4)</b>	<b>(868.0)</b>	<b>(9.3%)</b>	<b>(173.1%)</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>
Interest	(261.0)	(236.6)	(311.0)	24.5	(74.5)	(9.4%)	31.5%	1%	1%	1%
<b>Profit before tax</b>	<b>291.8</b>	<b>264.8</b>	<b>(677.6)</b>	<b>(27.0)</b>	<b>(942.5)</b>	<b>(9.2%)</b>	<b>(355.9%)</b>	<b>-1%</b>	<b>-1%</b>	<b>2%</b>
Income taxes	.0	.0	.0	.0	.0	n.a	n.a	0%	0%	0%
<b>Net profit</b>	<b>291.8</b>	<b>264.8</b>	<b>(677.6)</b>	<b>(27.0)</b>	<b>(942.5)</b>	<b>(9.2%)</b>	<b>(355.9%)</b>	<b>-1%</b>	<b>-1%</b>	<b>2%</b>

## Notes:

- Revenue Performance** - Revenue declined from \$43.1M in FY22 to \$39.7M in FY23 (-7.9%) due to softer topline performance across entities but rebounded slightly to \$40.5M in FY24 (+1.9%).
- COGS & Gross Margin** - COGS remained in a tight range (\$34.5M-\$36.6M), but gross profit margins compressed from 15% in FY22 to 12% in FY24. This trend may reflect increased input costs or pricing pressure.
- Operating Expenses** - Officer compensation and professional services were partially normalized, with cost reductions observed. Insurance costs decreased by \$454K from FY22 to FY23, before rising again in FY24 — suggesting a timing or policy change. Repairs and maintenance costs declined significantly over time, indicating better asset upkeep or fewer emergencies.
- EBITDA** - declined from \$3.35M in FY22 to \$870K in FY24, driven primarily by reduced revenue and margin compression rather than a sharp increase in operating costs
- One-Time Gains** - FY22 includes a \$1.56M gain on sale of PPE, which is a non-operating item excluded from adjusted EBITDA. FY24 includes a smaller PPE gain (\$138K).
- Net Profit Trends** - Net profit followed EBITDA trends, turning negative in FY24 (-\$678K), primarily due to margin erosion and higher depreciation and interest..

# Consolidated Balance Sheet

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## Consolidated Balance Sheet

USD\$	FY22	FY23	FY24	12 Month Avg	Var 22-23	Var 23-24	24-12 Month Avg	Var 22-23	Var 23-24
<b>Assets:</b>									
Cash	1,683,079	501,631	633,848	939,519	(1,181.4)	132.2	305.7	(70.2%)	26.4%
Accounts Receivable	6,197,293	5,565,125	4,651,491	5,471,303	(632.2)	(913.6)	819.8	(10.2%)	(16.4%)
Income Tax Receivable	-	-	-	-	.0	.0	.0	n.a	n.a
Employee Advances	-	2,362	5,235	2,532	-	-	-	-	-
Materials and Supplies	23,250	23,250	23,250	23,250	.0	.0	.0	-	-
Prepaid Expenses	780,089	648,053	497,367	641,837	(132.0)	(150.7)	144.5	(16.9%)	(23.3%)
PPE	5,363,582	4,470,685	5,229,343	5,021,203	(892.9)	758.7	(208.1)	(16.6%)	17.0%
Deferred Intered	407,252	-	-	135,751	(407.3)	.0	135.8	(100.0%)	n.a
ROU Assets	5,750,720	5,425,189	4,247,166	5,141,025	(325.5)	(1,178.0)	893.9	(5.7%)	(21.7%)
Prepaid Insurance	17,266	-	-	5,755	(17.3)	.0	5.8	(100.0%)	n.a
Deferred interest long term	70,551	-	-	23,517	(70.6)	.0	23.5	(100.0%)	n.a
Due from TH - Leasing	-	273,279	350,131	207,803	273.3	76.9	(142.3)	n.a	28.1%
<b>Total Assets</b>	<b>20,293.1</b>	<b>16,909.6</b>	<b>15,637.8</b>	<b>17,613.5</b>	<b>(3,383.5)</b>	<b>(1,271.7)</b>	<b>1,975.7</b>	<b>(.0)</b>	<b>(.0)</b>
					.0	.0	.0	n.a	n.a
<b>Liabilities:</b>									
Accounts payable	905,757	1,489,517	1,084,104	1,159,792	583.8	(405.4)	75.7	64.5%	(27.2%)
Due to Affiliates	991,659	886,983	466,477	781,706	(104.7)	(420.5)	315.2	(10.6%)	(47.4%)
Accrued expenses	1,137,561	467,533	368,748	657,947	(670.0)	(98.8)	289.2	(58.9%)	(21.1%)
Current portion of ROU Liabilities	1,638,401	1,636,088	1,180,474	1,484,988	(2.3)	(455.6)	304.5	(0.1%)	(27.8%)
Notes Payable - Current Portion	2,083,725	1,652,306	2,128,626	1,954,886	(431.4)	476.3	(173.7)	(20.7%)	28.8%
Short Term Borrowing	10,000	-	-	3,333	(10.0)	.0	3.3	(100.0%)	n.a
Notes Payable - Long Term	3,131,206	1,753,488	3,076,228	2,653,641	(1,377.7)	1,322.7	(422.6)	(44.0%)	75.4%
Long Term portion of ROU Liabilities	4,422,186	4,247,166	3,066,692	3,912,015	(175.0)	(1,180.5)	845.3	(4.0%)	(27.8%)
Deferred Income Tax Payable	337,682	-	-	112,561	(337.7)	.0	112.6	(100.0%)	n.a
Withheld Employee Ins	228	228	-	152	.0	(.2)	.2	-	(100.0%)
401k Loan	24	24	-	16	.0	(.0)	.0	-	(100.0%)
401k Employer Match	78,406	78,406	-	52,271	.0	(78.4)	52.3	-	(100.0%)
Withholding: Garnishments	221	221	-	147	.0	(.2)	.1	-	(100.0%)
Accrued Wages	239,424	239,424	321,902	266,917	.0	82.5	(55.0)	-	34.4%
Accrued Payroll Taxes	6,419	6,419	-	4,280	.0	(6.4)	4.3	-	(100.0%)
Accrued Payroll Taxes - ME	21,159	21,159	-	14,106	.0	(21.2)	14.1	-	(100.0%)
FFCRA Medical Credit	(580)	(580)	-	(387)	.0	.6	(.4)	-	(100.0%)
<b>Total Liabilities</b>	<b>15,003.5</b>	<b>12,478.4</b>	<b>11,693.3</b>	<b>13,058.4</b>	<b>(2,525.1)</b>	<b>(785.1)</b>	<b>1,365.1</b>	<b>(16.8%)</b>	<b>(6.3%)</b>
Capital Stock (Common and Preferred)	224,000	224,000	225,000	224,333	.0	1.0	(.7)	-	0.4%
Paid - In Surplus	2,909	2,909	2,909	2,909	.0	.0	.0	-	-
Retained Earnings	5,062,695	4,204,282	3,716,672	4,327,883	(858.4)	(487.6)	611.2	(17.0%)	(11.6%)
<b>Total Equity</b>	<b>5,289.6</b>	<b>4,431.2</b>	<b>3,944.6</b>	<b>4,555.1</b>	<b>(858.4)</b>	<b>(486.6)</b>	<b>610.5</b>	<b>(.0)</b>	<b>(.0)</b>
<b>Total Liabilities &amp; Equity</b>	<b>20,293.1</b>	<b>16,909.6</b>	<b>15,637.8</b>	<b>17,613.5</b>	<b>(3,383.5)</b>	<b>(1,271.7)</b>	<b>1,975.7</b>	<b>(16.7%)</b>	<b>(7.5%)</b>

# Consolidated Working Capital

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## Consolidated Balance Sheet

USD\$	FY22	FY23	FY24	12 Month Avg	Var 22-23	Var 23-24	Var 24-12 Month Avg	Var 22-23	Var 23-24
<b>Assets:</b>									
Cash					.0	.0	.0	n.a	n.a
Accounts Receivable	6,197,293	5,565,125	4,651,491	5,471,303	(632.2)	(913.6)	819.8	(10.2%)	(16.4%)
Income Tax Receivable					.0	.0	.0	n.a	n.a
Employee Advances	-	2,362	5,235	2,532					
Materials and Supplies	23,250	23,250	23,250	23,250	.0	.0	.0	-	-
Prepaid Expenses	780,089	648,053	497,367	641,837	(132.0)	(150.7)	144.5	(16.9%)	(23.3%)
PPE					.0	.0	.0	n.a	n.a
Deferred Intered					.0	.0	.0	n.a	n.a
ROU Assets					.0	.0	.0	n.a	n.a
Prepaid Insurance	17,266	-	-	5,755	(17.3)	.0	5.8	(100.0%)	n.a
Deferred interest long term					.0	.0	.0	n.a	n.a
Due from TH -Leasing					.0	.0	.0	n.a	n.a
<b>Total Current Assets</b>	<b>7,017.9</b>	<b>6,238.8</b>	<b>5,177.3</b>	<b>6,144.7</b>	<b>(779.1)</b>	<b>(1,061.4)</b>	<b>967.3</b>	<b>(.0)</b>	<b>(.0)</b>
<b>Liabilities:</b>									
Accounts payable	997,314	1,489,518	1,434,235	1,307,022	492.2	(55.3)	(127.2)	49.4%	(3.7%)
Due to Affiliates					.0			n.a	n.a
Accrued expenses	1,137,561	467,533	368,748	657,947	(670.0)	(98.8)	289.2	(58.9%)	(21.1%)
Current portion of ROU Liabilities					.0	.0	.0	n.a	n.a
Notes Payable - Current Portion					.0	.0	.0	n.a	n.a
Short Term Borrowing					.0	.0	.0	n.a	n.a
Notes Payable - Long Term					.0	.0	.0	n.a	n.a
Long Term portion of ROU Liabilities					.0	.0	.0	n.a	n.a
Deferred Income Tax Payable					.0	.0	.0	n.a	n.a
Withheld Employee Ins	228	228	-	152	.0	(.2)	.2	-	(100.0%)
401k Loan					.0	.0	.0	n.a	n.a
401k Employer Match					.0	.0	.0	n.a	n.a
Withholding; Garnishments	221	221	-	147	.0	(.2)	.1	-	(100.0%)
Accrued Wages	239,424	239,424	321,902	266,917	.0	82.5	(55.0)	-	34.4%
Accrued Payroll Taxes	6,419	6,419	-	4,280	.0	(6.4)	4.3	-	(100.0%)
Accrued Payroll Taxes - ME	21,159	21,159	-	14,106	.0	(21.2)	14.1	-	(100.0%)
FFCRA Medical Credit	(580)	(580)	-	(387)	.0	.6	(.4)	-	(100.0%)
<b>Total Current Liabilities</b>	<b>2,401.7</b>	<b>2,223.9</b>	<b>2,124.9</b>	<b>2,250.2</b>	<b>(177.8)</b>	<b>(99.0)</b>	<b>125.3</b>	<b>(7.4%)</b>	<b>(4.5%)</b>
<b>Total Working Capital</b>	<b>4,616.2</b>	<b>4,014.9</b>	<b>3,052.5</b>	<b>3,894.5</b>	<b>(601.3)</b>	<b>(962.4)</b>	<b>842.0</b>	<b>(13.0%)</b>	<b>(24.0%)</b>

### Notes:

Working capital is calculated as current assets minus current liabilities. The data reflects the combined working capital position of all operating entities.

#### ♦ Key Highlights:

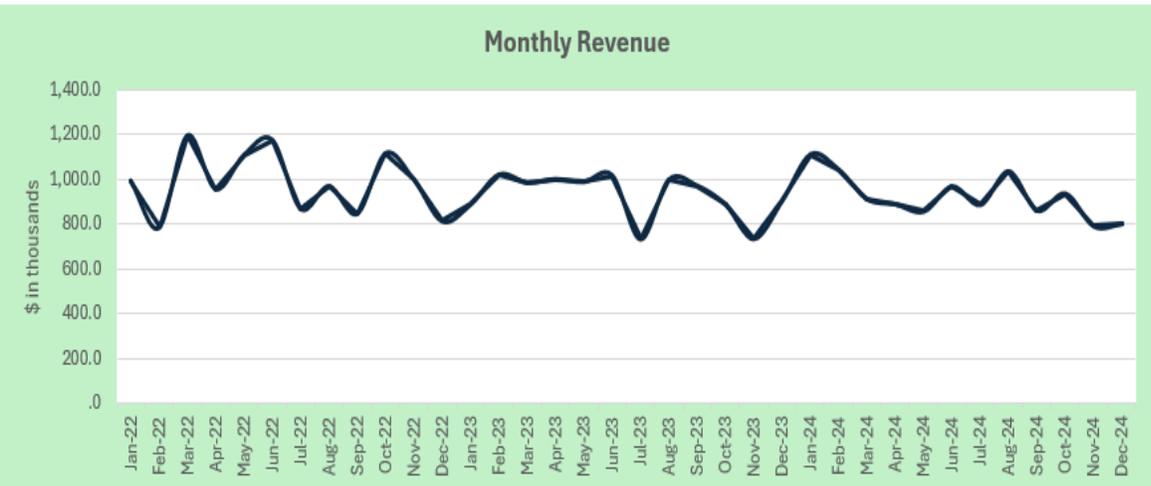
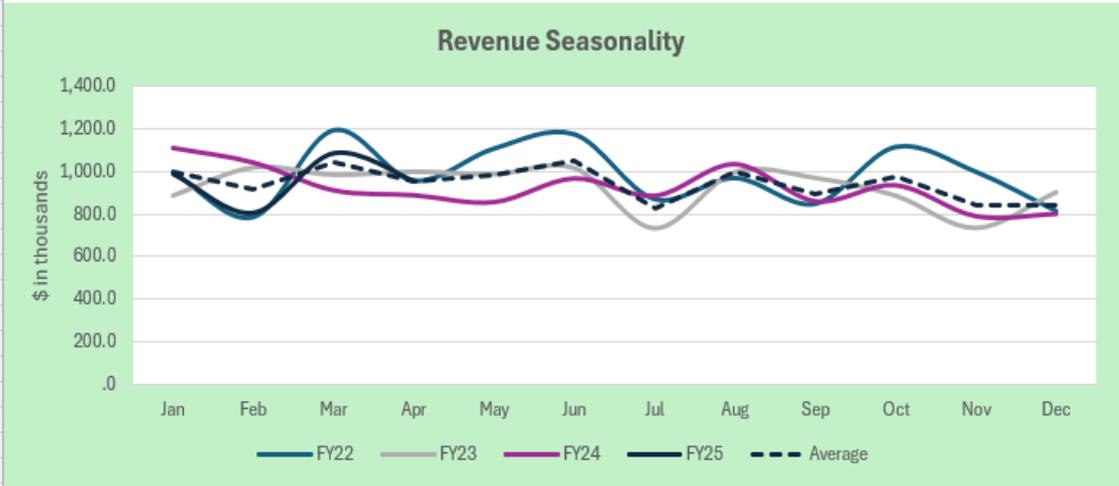
**Working Capital Declined by \$1.6M Over Three Years**

Total working capital decreased from \$4.6M in FY22 to \$3.05M in FY24, a 34% reduction, primarily due to lower current assets.

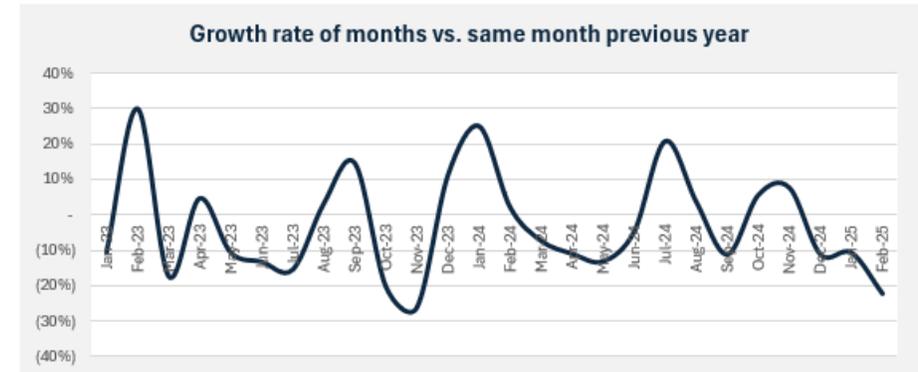
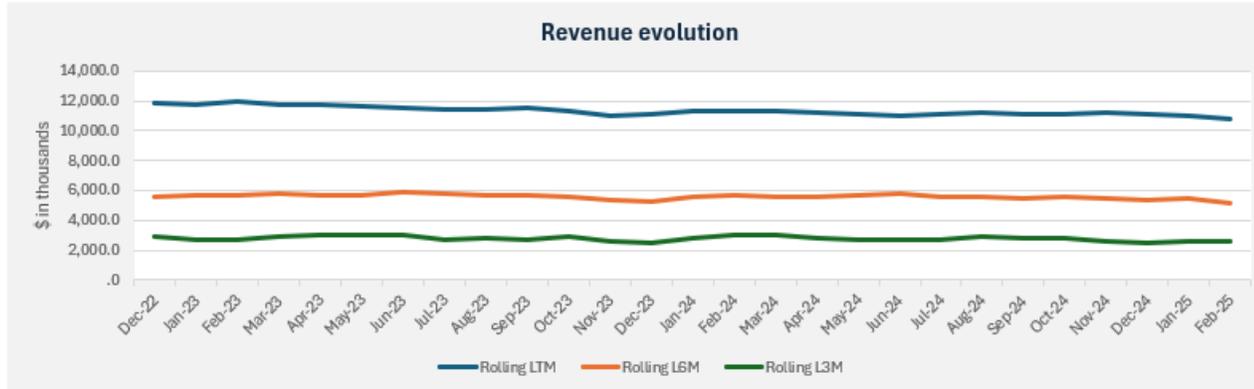
**Accounts Receivable Dropped Significantly - A/R fell by \$1.5M from FY22 to FY24, suggesting either lower revenue volume or improved collections.**

This represents a shift toward tighter cash flow management but also impacts short-term asset strength. Despite the decline, the business maintains an average working capital of \$3.89M, indicating continued short-term solvency and operational flexibility.

# Revenue Seasonality



# Revenue Growth

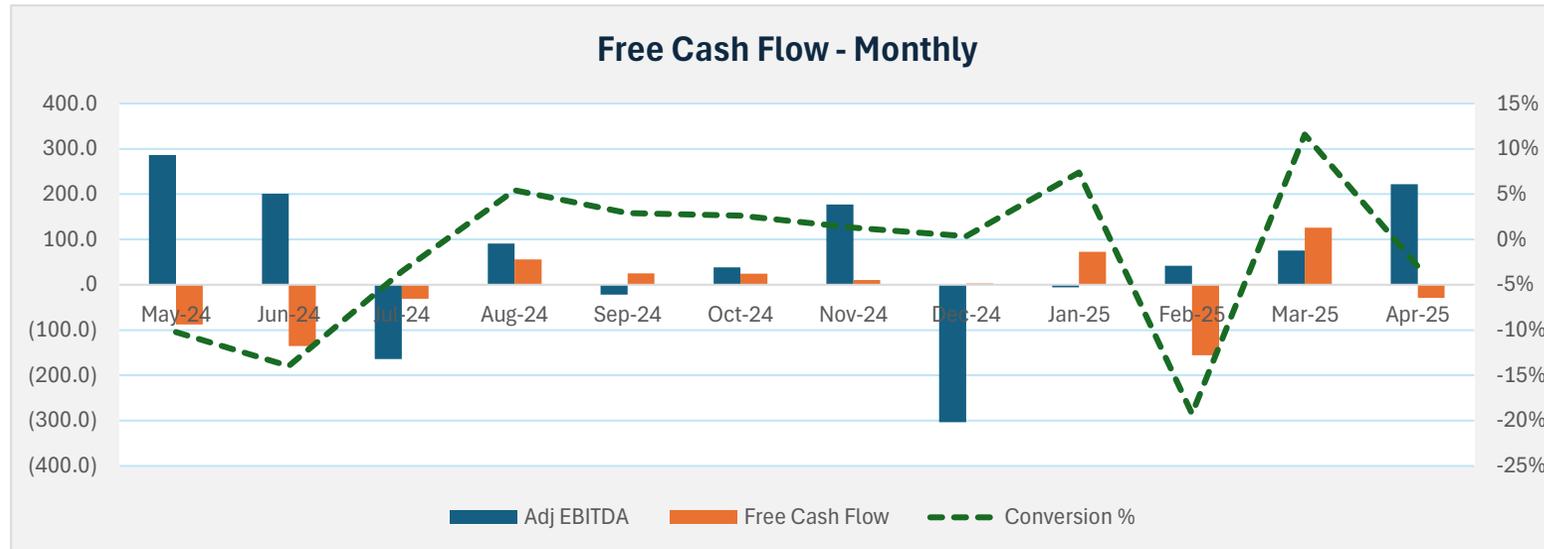


# Free Cash Flow - LTM

QoE Group

NEW YORK

US\$000	May-24	Jun-24	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25
Adj EBITDA	286.6	201.0	(164.4)	91.2	(21.8)	38.5	176.8	(303.2)	(5.9)	41.6	75.6	221.8
▲ Recast NWC	(372.4)	(335.2)	133.8	(34.3)	45.3	(6.1)	(162.8)	306.8	88.0	(193.2)	51.9	(247.5)
Reported CapEx	(1.8)	(.9)	(.7)	(.9)	1.5	(7.9)	(3.7)	(.8)	(9.1)	(4.0)	(1.9)	(2.9)
Free Cash Flow	(87.6)	(135.1)	(31.3)	56.1	25.0	24.5	10.4	2.7	73.1	(155.7)	125.7	(28.5)
Total Revenue	856.9	966.9	886.2	1,033.3	861.0	935.6	791.4	802.1	989.4	809.0	1,085.4	954.6
Conversion %	-10%	-14%	-4%	5%	3%	3%	1%	0%	7%	-19%	12%	-3%



# Pre-LOI Red Flag Report

#	Area	Red Flag Summary	Buyer Concern	Recommended Action
1	Revenue Recognition	Company books revenue only upon full project completion, not progressive	Understates monthly performance and misaligns with cash inflows	Move to % completion or milestone billing
2	Owner Add-Backs	Aggressive personal expenses (car lease, travel, meals) included in P&L	Questionable EBITDA adjustments / earnings quality	Prepare detailed owner benefit schedule
3	Payroll Reporting	Inconsistent reporting of contractor vs. employee costs	Risk of reclassification, tax exposure	Clarify classification and backup in payroll reports
4	Intercompany Loans	Loan receivables from related entities not documented	May not be collectible or arms-length	Draft promissory notes or forgive/clean
5	Cash vs. Accrual	Company reports on cash basis; large timing variances exist	Misstates margins and timing of revenue/COGS	Prepare accrual-adjusted financials
6	Sales Tax Exposure	Sales tax not collected in some states with nexus	Potential liability in transaction	Quantify and estimate liability
7	Customer Concentration	Top 2 customers = 63% of revenue	Revenue dependency risk	Provide contracts or retention data
8	Inventory Accounting	No tracking of inventory usage; purchases expensed when bought	True COGS unknown, margins unclear	Implement periodic inventory counts
9	Balance Sheet Tie-Out	Year-end accounts do not tie to tax return	Buyer diligence will flag inconsistencies	Reconcile prior year and book entries
10	Unrecorded Liabilities	Large contractor payments paid in January for prior year work	Understatement of prior year COGS	Book reversing journal entry or disclose

## Supporting Documents Reviewed:

- P&L and Balance Sheet (2022–2024 YTD)
- Payroll summary reports (Toast, Gusto)
- Tax return excerpts
- Bank and credit card exports
- Customer/vendor reports