

Financial statement analysis report

ILLUSTRATIVE SAMPLE — "Meridian Industrial Supply Co." is a fictional company. All figures, names, and conclusions are invented to demonstrate format and depth, and do not represent a real company or engagement.

Entity analysed	Meridian Industrial Supply Co.	Periods	FY2023 – FY2025 (audited)
Sector	Industry / Distribution	Framework	US GAAP
Currency	USD (thousands)	Report ID	FSA-8841-A / #a7f3

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Executive summary

Meridian Industrial Supply is growing but structurally tightening. Revenue rose 27% over three years (USD 42.2M to 53.6M), yet the quality of that growth has weakened: gross margin compressed from 26.0% to 22.5%, EBITDA margin fell from 10.7% to 8.5%, and net income more than halved to USD 0.75M. The company is funding its expansion with debt — net debt/EBITDA climbed from 2.2x to 3.9x while interest coverage fell from 4.6x to 2.4x.

Genuine strengths. Liquidity remains adequate (current ratio 1.71x) and the company is still profitable and cash-generative at the operating level. Revenue momentum is real and the customer base is expanding.

What deserves caution. Three signals cluster: margin erosion on a growing base, a lengthening cash conversion cycle (112 to 141 days, driven by both receivables and inventory), and rising leverage that is consuming the coverage cushion. Individually manageable; together they describe a business outgrowing its working-capital funding.

Integrated read. Operationally sound but financially stretching — a company whose growth is currently outpacing its balance-sheet capacity to fund it. The trajectory, not the current level, is the concern.

Summary financial statements

USD thousands	FY2023	FY2024	FY2025
Net revenue	42,150	47,820	53,640
Cost of goods sold	31,200	36,140	41,560
Gross profit	10,950	11,680	12,080
Operating expenses	7,850	8,420	9,180
EBITDA	4,520	4,770	4,540

Interest expense	980	1,340	1,890
Net income	1,569	1,421	747
Balance sheet (USD thousands)	FY2023	FY2024	FY2025
Cash & equivalents	3,100	2,850	2,420
Trade receivables	8,200	10,450	13,180
Inventory	9,600	11,800	14,250
Total current assets	20,900	25,100	29,850
Total assets	33,300	38,200	43,650
Current liabilities	10,300	14,000	17,500
Financial debt	13,100	16,400	20,300
Total equity	14,100	14,600	14,950

Ratio and trend analysis

Ratio	FY23	FY24	FY25	Status	Reading
Current ratio	2.03	1.79	1.71	Healthy	Above 1.5x; adequate
Quick ratio	1.10	0.95	0.89	Attention	Slipping below 1.0x
Debt-to-equity	0.93	1.12	1.36	Attention	Rising; still <3.0x
Net debt / EBITDA	2.2x	2.8x	3.9x	Attention	Approaching 4.5x critical
Interest coverage	4.6x	3.6x	2.4x	Attention	Cushion eroding
Gross margin	26.0%	24.4%	22.5%	Attention	-3.5pp over 3yr
EBITDA margin	10.7%	10.0%	8.5%	Attention	Compression trend
Net margin	3.7%	3.0%	1.4%	Attention	Halved
ROE	11.1%	9.7%	5.0%	Attention	Falling on flat equity
Cash conversion cycle	112d	126d	141d	Critical	+29d; funding drag

Liquidity and leverage

Liquidity is adequate but softening. The current ratio of 1.71x sits comfortably above the 1.5x threshold, but the quick ratio has fallen below 1.0x, indicating growing dependence on inventory to cover short-term obligations — consistent with the inventory build seen in the activity section. Leverage is the more material theme: financial debt rose 55% over the period while equity was essentially flat, pushing net debt/EBITDA from a comfortable 2.2x toward the 4.5x critical band. Interest coverage of 2.4x

remains above breach territory but has lost more than half its cushion in two years.

Profitability

Earnings quality has weakened even as revenue grew. Gross margin compressed 3.5 points, most sharply in FY2025, pointing to either input-cost pressure not passed through or a shift toward lower-margin volume. Because the margin decline occurs on a growing revenue base, it is not a contraction artefact — it is genuine erosion. Net margin of 1.4% leaves little buffer against further rate or cost movement.

Activity and working capital

This is where the story concentrates. The cash conversion cycle lengthened from 112 to 141 days, driven by both receivables (DSO 71 to 90 days) and inventory (DIO 112 to 125 days), while payables held roughly flat. In plain terms, Meridian is tying up progressively more cash in the operating cycle to support the same growth — which is precisely what is driving the incremental debt. The working-capital gap, not profitability, is the binding constraint.

Limitations

Analysis is based on three audited annual periods with all three primary statements present; confidence is high. Sector thresholds applied are distribution-industry norms. No interim data was provided, so intra-year seasonality in the working-capital cycle could not be assessed.

Where this analysis leads next

Complementary DYNA product	What it adds on this company
DYNA Credit Score	A deterministic 0–1000 risk score and tier — turns this diagnostic into a defensible verdict.
Bank-Style Credit Memo	A committee-ready memorandum with an internal classification and structured recommendation.
Debt Capacity & Loan Sizing	Sustainable debt, DSCR headroom, and indicative facility sizing against the balance sheet.
Working Capital Deep Dive	A focused read on the cash-cycle stress this report flagged as the binding constraint.

Pointers are informational, not a solicitation; each product is independent.

This report is diagnostic and non-prescriptive: it characterises financial condition and trajectory; it does not recommend whether to lend, invest, or transact. DYNA does not audit or verify the authenticity of uploaded documents.