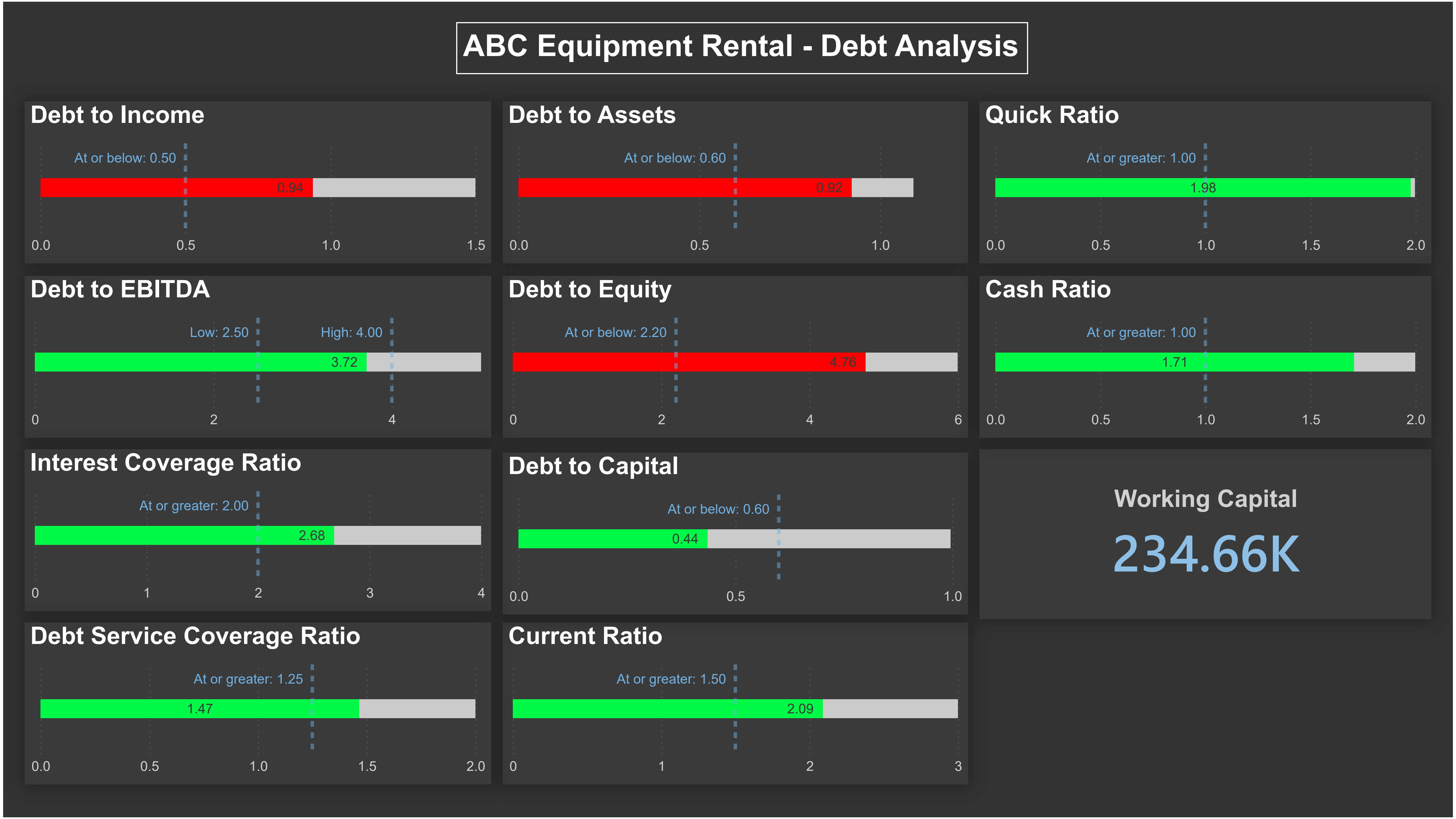
ABC Equipment Rental - Debt Analysis
Debt to Income
At or below: 0.50
0.94
0.0
0.5
1.0
1.5
Debt to Assets
At or below: 0.60
0.92
0.0
0.5
1.0
Quick Ratio
At or greater: 1.00
1.98
0.0
0.5
1.0
1.5
2.0
Debt to EBITDA
Low: 2.50
High: 4.00
3.72
0
2
4
Debt to Equity
At or below: 2.20
4.76
0
2
4
6
Cash Ratio
At or greater: 1.00
1.71
0.0
0.5
1.0
1.5
2.0
Interest Coverage Ratio
At or greater: 2.00
2.68
0
1
2
3
4
Debt to Capital
At or below: 0.60
0.44
0.0
0.5
1.0
Working Capital
234.66K
Debt Service Coverage Ratio
At or greater: 1.25
1.47
0.0
0.5
1.0
1.5
2.0
Current Ratio
At or greater: 1.50
2.09
0
1
2
3

Key Insights & Recommendations

- The business is highly leveraged, being financed far more by debt than by equity.
- As such, the business has a high risk of financial distress if cash flows become inconsistent.
- Right now, there are ample assets available to meet short term obligations.
- But income is barely sufficient to cover current liabilities.
- That means there's little room to add more fixed costs, such as interest bearing debt, without a commensurate increase in revenue. Otherwise, asset reserves will be depleted.
- I recommend only considering loans that are expected to lead to growth of income or cash flows beyond expected costs, such as for the purchase of additional rental equipment.
- The company should be forecasting net cash flows for any additional assets they are considering purchasing before committing to loans.
- The company should be tracking revenue and costs associated with all of their income producing assets, in order to see which are most profitable and which are performing poorly. Consider disposing of poor performers and possibly replacing them with assets expected to perform better.
- To decrease exposure to future earnings volatility, I recommend decreasing debt by using surplus income each year to pay down on loan principal, or else store the surplus in a capital expenditures reserve bank account for the purchase of new equipment, as old equipment becomes obsolete or impaired.