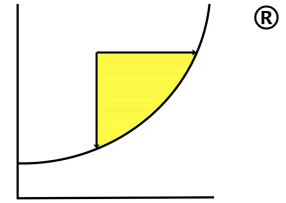


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Strategic Profit Model (SPM): Practical Considerations

Here are some things that you may want to consider.

- 1) While the tool was built around use with annual reports and 10-K's (the document publically traded companies in the US file with the US Securities and Exchange Commission), it can be used for modeling YOUR organizations financials. Step 2 offers suggests for modeling YOUR firm. Steps 3 -6 below provide guidance on how to easily research publically traded firms.
- 2) Enter your organizations financial data on the data entry page. Either use annual data, or the last 12 months if possible. This gives you a baseline. All cells in "green" should be filled in. If you do not have data, use 0. If you do not have valid prior year values, use your current value. To model your firm, change values to see the impact.
- 3) While companies use the same basic structure for their financial statements, there can be significant variation from company to company in the terminology, line item descriptions and categorization used.

I've found that for consistency and easy of use, financial service firms such as Fidelity and Morningstar provide detailed, consistent breakouts of company financials. In many cases, reporting on non-US companies traded on US markets is available. Typically, I use these for my data inputs.

- 4) The tool is built around annual data. It can be used for quarterly data, but recognize that the ratios, cash to cash cycle and GMROI may need to be annualized for proper reporting.
- 5) The Morningstar financial reporting provides the option of annual or quarterly reporting. From this is it possible to use the SPM for a rolling 4-quarter view.
- 6) A good link for 10-K and 10-Q's (annual and quarterly filings) is <http://www.sec.gov/cgi-bin/srch-edgar>
- 7) If you have interest in financials for non-profits, a companion tool is available on the website that uses the US IRS form as input.