



# ABC Manufacturing North Star

		2023	2024	2025	2026
*Figures in (\$M)		Actual	Actual	Actual	Budget
Modified P&L and Free Cash Flow	Revenues	\$ 20.0	\$ 21.0	\$ 22.0	\$ 22.0
	Gross Margin	\$ 8.0	\$ 8.0	\$ 8.0	\$ 8.3
	Gross Margin (%)	40%	38%	36%	38%
	OPEX	\$ 5.5	\$ 6.4	\$ 6.8	\$ 6.3
	EBITDA	\$ 2.5	\$ 1.6	\$ 1.2	\$ 2.0
	EBITDA Margin	13%	8%	5%	9%
	Δ Oper. Working Cap.	\$ (0.0)	\$ (0.5)	\$ (0.8)	\$ 0.4
	CAPEX	\$ (0.5)	\$ (1.0)	\$ (1.0)	\$ - .0
	Debt (P+I)	\$ (0.7)	\$ (0.8)	\$ (0.9)	\$ (0.7)
	Taxes	\$ (0.5)	\$ (0.3)	\$ (0.2)	\$ (0.4)
	Free Cash Flow (Levered)	\$ 0.8	\$ (1.0)	\$ (1.7)	\$ 1.3
Balance Sheet	Cash	\$ 0.6	\$ 0.3	\$ 0.3	\$ 1.0
	Inventory	\$ 4.0	\$ 5.0	\$ 6.0	\$ 5.5
	Other Current Assets (AR, Accruals)	\$ 0.4	\$ 0.2	\$ 0.2	\$ 0.3
	Long Term Assets	\$ 2.0	\$ 2.6	\$ 3.1	\$ 2.5
	<b>Total Asset</b>	\$ 7.0	\$ 8.1	\$ 9.6	\$ 9.3
	Current Liabilities (except LOC)	\$ 0.5	\$ 0.8	\$ 1.0	\$ 1.0
	Current LOC Debt	\$ 0.7	\$ 1.2	\$ 0.8	\$ 0.8
	Long Term Debt	\$ 3.0	\$ 3.0	\$ 4.0	\$ 3.0
	<b>Total Debt</b>	\$ 4.2	\$ 5.0	\$ 5.8	\$ 4.8
	Earnings	\$ 1.8	\$ 2.6	\$ 2.8	\$ 4.0
Owner Contribution/Draw	\$ 1.0	\$ 0.5	\$ 1.0	\$ 0.5	
	<b>Total Equity</b>	\$ 2.8	\$ 3.1	\$ 3.8	\$ 4.5
Ratios	Current Ratio	4.2	2.7	3.6	3.8
	Quick Ratio	0.8	0.2	0.3	0.7
	Debt to Equity Ratio	1.5	1.6	1.5	1.1
KPIs	Inventory Turns	3.0	2.6	2.3	2.5
	Sales Efficiency Ratio	10.0	7.2	9.2	14.7
	Return on Assets	32%	20%	13%	22%



## Financial Definitions and Formulas

### Modified Income Statement (*Period of time, ex: Jan to Dec 2025*)

- **Revenues:** Total sales, minus discounts and returns. Influenced by PVM (Price, Volume, and Mix).
- **Gross Margin:** Revenues minus COGS (Cost of Goods Sold). Influenced by CVME (Cost, Volume, Mix, and Efficiency).
- **Gross Margin (%):** Gross Margin / Revenues.
- **OPEX (Operating Expenses):** Business overhead costs; does not include interest, taxes, depreciation, or amortization.
- **EBITDA:** Gross Margin - OPEX (Earnings Before Interest, Taxes, Depreciation, and Amortization).
- **EBITDA Margin:** EBITDA / Revenues.
- **Δ Oper. Working Cap:** Change in operating working capital. Includes changes in inventory, AR, AP, and accrued expenses; excludes cash and short-term debt.
- **CAPEX:** Capital Expenditure (PPE). Equipment purchased minus equipment sold; does not include depreciation or amortization.
- **Debt (P+I):** Mandatory debt payments; includes required principal repayments and all interest payments.
- **Taxes:** Historical tax impact or hypothetical corporate tax rate (optional for LLCs).
- **Free Cash Flow (Levered):** Levered free cash adjusted for required debt payments; represents bottom-line cash available to ownership.

### Balance Sheet (*Snapshot in time, ex: Dec 31, 2025*)

- **Cash:** Money in the bank account.
- **Inventory:** Finished goods, raw materials, etc.
- **Other Current Assets:** Accounts receivable (AR), accruals, etc.
- **Long Term Assets:** Property, plant, and equipment (PPE) such as real estate, machinery, and vehicles.
- **Current Liabilities:** Accounts payable, accruals, etc. (Excludes LOC).
- **Current LOC Debt:** Lines of credit and credit card balances.
- **Long Term Debt:** Scheduled debt that doesn't revolve; usually lower interest than LOC.
- **Earnings:** Retained earnings (net income) for the current year and all prior years.
- **Owner Contribution/Draw:** Cumulative contributions and draws; includes stock buybacks, dividends, etc.

### Ratios & KPIs

- **Current Ratio:** Current Assets / Current Liabilities.  $(\text{Cash} + \text{Inv} + \text{AR/Other}) / (\text{AP} + \text{LOC} + \text{Other})$ . A measure of liquidity; depending on industry, should be 1 to 3.
- **Quick Ratio:** Same as current ratio but removes inventory. Used for businesses with slow-moving inventory or dead stock.
- **Debt to Equity Ratio:** Total Debt / Total Equity. Think of it as the owner's "skin in the game" compared to the lender's. Banks usually like to see  $< 1.5$ .
- **Inventory Turns:** COGS / Inventory balance. Higher turns are generally good; varies by industry.
- **Sales Efficiency Ratio:** Revenues per Cost of Selling.
- **Return on Assets (ROA):** EBITDA / Total Assets. Measures how this compares to the debt rate.



Webster Pacific

Surfboard Company North Star

		2019	2020	2021	2022	2023
*Figures in (\$M)		Actual	Actual	Actual	Actual	Actual
Modified P&L and Free Cash Flow	Revenues	\$ 1.0	\$ 3.0	\$ 9.0	\$ 10.0	\$ 10.0
	Gross Margin	\$ 0.5	\$ 1.5	\$ 4.5	\$ 5.0	\$ 4.8
	Gross Margin (%)	50%	50%	50%	50%	48%
	OPEX	\$ 0.5	\$ 1.3	\$ 3.8	\$ 5.0	\$ 3.8
	EBITDA	\$ 0.1	\$ 0.3	\$ 0.8	\$ - .0	\$ 1.0
	EBITDA Margin	5%	8%	8%	0%	10%
	Δ Oper. Working Cap.	\$ (0.0)	\$ (0.6)	\$ (2.1)	\$ (2.3)	\$ 1.2
	CAPEX	\$ - .0	\$ - .0	\$ - .0	\$ - .0	\$ - .0
	Debt (P+I)	\$ (0.1)	\$ (0.2)	\$ (0.5)	\$ (0.7)	\$ (0.6)
	Taxes	\$ (0.0)	\$ (0.1)	\$ (0.2)	\$ - .0	\$ (0.2)
	Free Cash Flow (Levered)	\$ (0.0)	\$ (0.6)	\$ (2.0)	\$ (3.0)	\$ 1.4
Balance Sheet	Cash	\$ 0.2	\$ 0.5	\$ 0.5	\$ 0.2	\$ 0.5
	Inventory	\$ 0.3	\$ 0.9	\$ 2.7	\$ 5.4	\$ 4.0
	Other Current Assets (AR, Accruals)	\$ 0.1	\$ 0.3	\$ 0.9	\$ 1.0	\$ 1.0
	Long Term Assets	\$ - .0	\$ - .0	\$ - .0	\$ - .0	\$ - .0
	<b>Total Asset</b>	\$ 0.6	\$ 1.7	\$ 4.1	\$ 6.6	\$ 5.5
	Current Liabilities (except LOC)	\$ 0.2	\$ 0.4	\$ 0.7	\$ 1.2	\$ 1.0
	Current LOC Debt	\$ 0.4	\$ 0.2	\$ 0.7	\$ 1.0	\$ 0.9
	Long Term Debt	\$ - .0	\$ 1.0	\$ 2.0	\$ 3.0	\$ 2.5
	<b>Total Debt</b>	\$ 0.6	\$ 1.6	\$ 3.4	\$ 5.2	\$ 4.4
	Earnings	\$ - .0	\$ 0.2	\$ 0.7	\$ 0.4	\$ 1.2
Owner Contribution/Draw	\$ - .0	\$ - .0	\$ - .0	\$ 1.0	\$ - .0	
<b>Total Equity</b>	\$ - .0	\$ 0.2	\$ 0.7	\$ 1.4	\$ 1.2	
Ratios	Current Ratio	1.0	3.1	2.9	3.0	3.0
	Quick Ratio	0.5	1.5	1.0	0.5	0.8
	Debt to Equity Ratio	-	10.3	4.9	3.7	3.8
KPIs	Inventory Turns	1.7	1.7	1.7	0.9	1.3
	Return on AD Spend (ROAS)	3.0	3.0	3.0	2.0	3.5
	Equity Value (8x EBITDA - Debt)	\$0	\$1	\$3	-\$4	\$5



## The Webster Pacific North Star Template

		2023	2024	2025	2026
*Figures in (\$M)		Actual	Actual	Actual	Budget
Modified Income Statement	Revenues				
	Gross Margin				
	Gross Margin (%)				
	OPEX				
	EBITDA (\$M)				
	EBITDA Margin				
	Δ Oper. Working Cap.				
	CAPEX				
	Debt (P+I)				
	Taxes				
	Free Cash Flow (Levered)				
	Balance Sheet	Cash			
Inventory					
Other Current Assets (AR, Accruals)					
Long Term Assets					
<b>Total Asset</b>					
Current Liabilities (except LOC)					
Current LOC Debt					
Long Term Debt					
<b>Total Debt</b>					
Earnings					
Owner Contribution/Draw					
<b>Total Equity</b>					
Ratios	Current Ratio				
	Quick Ratio				
	Debt to Equity Ratio				
KPIs	KPI 1				
	KPI 2				
	KPI 3				



# Worksheet: Building Your Strategic Activity System Map

## Step 1: Define Your Strategic Pillars

List 3-5 unique strategic themes that differentiate your business from competitors (e.g., "Direct-to-Consumer," "Extreme Customization," "Speed of Delivery").

1.

2.

3.

## Step 2: Identify Supporting Activities

For each pillar, list the specific operational activities that make it possible. These should be choices, not just "best practices."

• Pillar 1 Activities: \_\_\_\_\_

• Pillar 2 Activities: \_\_\_\_\_

• Pillar 3 Activities: \_\_\_\_\_

## Step 3: Map the Connections on the back of this worksheet

Draw your pillars as large circles and activities as smaller circles.

- Draw lines between activities that reinforce each other.
- The Moat: If a competitor copies one circle but not the others, will they fail?

*\*Activity System Map Developed by Michael E. Porter*