COVER SHEET FOR HOME STUDY PROBLEM
SOUTH CAROLINA BANKERS SCHOOL

SECOND YEAR CLASS--2026 School Session

HOME STUDY PROBLEM II

Based on Lectures in COMMERCIAL LENDING

Instructor Mr. Kevin Futrell

Submitted by: Name ____

Bank ____

Bank's Mailing Address ____

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ZIP CODE

List the other members of your class with whom you worked in preparing this solution:

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I certify that this home study problem is my original work and that all writings by any other person, business, or organization, including my own bank, have been carefully documented. I have not shared my completed work with any other SCBS student nor have I read the completed work of any other students.

Signature: ____

Due Date November 4, 2026

Date Submitted ______________________________

Date SCBS Received ______________________________

Date Returned to Student ______________________________

ATTENTION STUDENT: EMAIL TO homestudy@scbankers.org OR MAIL HOME STUDY PROBLEM TO:

South Carolina Bankers School
Post Office Box 1483
Columbia, S.C. 29202

OR EXPRESS/REGISTERED MAIL TO: 2009 Park Street, Columbia, SC 29201

2026 Commercial Lending for Lenders

Home Study Problem

Using the XYZ Concrete Company, Inc. spreads, respond to the following questions. Be sure to use trend information and not just the most recent year.

1. Is this company generating adequate cash flow to support their financial activities with an appropriate margin? If yes, what do you see as the biggest "positives" that result in your assessment. If no, what do you see as the biggest "negatives" that result in your assessment. Pick no more than two positives/negatives and be sure to support your answer with "why".

2. Discuss the status and trends of the company's working capital and note your thoughts on its adequacy.

3. Discuss the company's balance sheet leverage and operating leverage and provide your thoughts on its levels.

4. The company has provided the following information regarding their 2026 forecast.
    - Revenue increase of 10%
    - Debt of $160m with monthly debt payments of $16,800 to payoff in September
    - Capital expenditure budget of $2,000,000 for mixer trucks

    Using your thoughts from questions 1-3, indicate whether you would make a loan for the this cap ex and how you would structure (LTV, term, covenants, etc.). Fully justify your decision.

Should you have any questions, do not hesitate to email me at kevinfutrell@synovus.com

XYZ Concrete Company, Inc.

(in 000's)

Year	12/31/2023		12/31/2024		12/31/2025	
	$	%	$	%	$	%
ASSETS						
Cash	207	2.1	373	2.5	400	2.1
Marketable Securities		N/A		N/A		N/A
Accounts Receivable	2,307	22.9	3,128	21.0	4,239	22.7
Inventory	191	1.9	308	2.1	414	2.2
Total Current Assets	**2,705**	**26.9**	**3,809**	**25.5**	**5,053**	**27.0**
Land	400	4.0	900	6.0	1,400	7.5
Other Fixed Assets	11,048	109.9	14,107	94.5	16,974	90.7
Less: Accumulated Depreciation (-)	(4,722)	(47.0)	(5,584)	(37.4)	(6,477)	(34.6)
Total Net Fixed Assets	6,726	66.9	9,423	63.1	11,897	63.6
Prepaid/Deferred Expenses	28	0.3	35	0.2	31	0.2
Other Receivables		N/A		N/A		N/A
Deferred Tax Asset		N/A		N/A		N/A
Other Operating Assets		N/A		N/A		N/A
Total Other Operating Assets	28	0.3	35	0.2	31	0.2
Other Investments	250	2.5	250	1.7	250	1.3
Other Non-Operating Assets		N/A		N/A		N/A
Total Non-Operating Assets	250	2.5	250	1.7	250	1.3
Total Non-Current Assets	**7,004**	**69.7**	**9,708**	**65.1**	**12,178**	**65.1**
Due from Shareholders	298	3.0	352	2.4	421	2.2
Due from Related Interests		N/A		N/A		N/A
Investment in Related Interests		N/A		N/A		N/A
Total Related Interests Assets	298	3.0	352	2.4	421	2.2
Goodwill		N/A	1,000	6.7	1,000	5.3
Other Intangibles	46	0.5	54	0.4	61	0.3
Less: Accumulated Amortization (-)		N/A		N/A		N/A
Total Other Intangibles	46	0.5	1,054	7.1	1,061	5.7
Total Intangible Assets	**344**	**3.4**	**1,406**	**9.4**	**1,482**	**7.9**
TOTAL ASSETS	**10,053**	**100.0**	**14,923**	**100.0**	**18,713**	**100.0**

XYZ Concrete Company, Inc.

(in 000's)

Year	12/31/2023		12/31/2024		12/31/2025	
	$	%	$	%	$	%
LIABILITIES						
Overdrafts		N/A		N/A		N/A
Line of Credit	713	7.1	1,500	10.1	2,250	12.0
Other Short Term Loans		N/A		N/A		N/A
Current Portion of Long Term Debt	673	6.7	1,227	8.2	1,382	7.4
Current Portion of Capital Leases		N/A		N/A		N/A
Total Short Term Funded Debt	1,386	13.8	2,727	18.3	3,632	19.4
Accounts Payable	976	9.7	1,409	9.4	2,029	10.8
Accrued Expenses	96	1.0	307	2.1	330	1.8
Income Taxes Payable		N/A		N/A		N/A
Other Operating Liabilities		N/A		N/A		N/A
Total Operating Liabilities	1,072	10.7	1,716	11.5	2,359	12.6
Total Current Liabilities	**2,458**	**24.5**	**4,443**	**29.8**	**5,991**	**32.0**
Due to Shareholders		N/A		N/A		N/A
Due to Related Interests	175	1.7	267	1.8	228	1.2
Investment in Related Interests		N/A		N/A		N/A
Total Related Interests Liabilities	175	1.7	267	1.8	228	1.2
Long Term Debt	3,025	30.1	5,637	37.8	7,201	38.5
Capital Leases		N/A		N/A		N/A
Total Long Term Funded Debt	3,025	30.1	5,637	37.8	7,201	38.5
Deferred Income		N/A		N/A		N/A
Deferred Tax Liability		N/A		N/A		N/A
Other Non-Operating Liabilities		N/A		N/A		N/A
Total Other Non-Current Liabilities	-	N/A	-	N/A	-	N/A
TOTAL LIABILITIES	**5,658**	**56.3**	**10,347**	**69.3**	**13,420**	**71.7**
NET WORTH						
Stock	1	0.0	1	0.0	1	0.0
Paid In Capital	149	1.5	149	1.0	149	0.8
Retained Earnings	4,245	42.2	4,426	29.7	5,143	27.5
Less: Treasury Stock (-)		N/A		N/A		N/A
Other Equity Accounts		N/A		N/A		N/A
TOTAL NET WORTH	**4,395**	**43.7**	**4,576**	**30.7**	**5,293**	**28.3**
Working Capital	247	9.1	(634)	(16.6)	(938)	(18.6)
Net Working Assets	920	34.0	593	15.6	444	8.8
Tangible Net Worth	4,051	40.3	3,170	21.2	3,811	20.4

XYZ Concrete Company, Inc.

(in 000's)

Year	12/31/2023		12/31/2024		12/31/2025	
	$	%	$	%	$	%
REVENUES						
Sales Revenues	19,754	100.0	24,072	100.0	33,069	100.0
Other Operating Revenues		N/A		N/A		N/A
TOTAL REVENUES	**19,754**	**100.0**	**24,072**	**100.0**	**33,069**	**100.0**
EXPENSES						
Cost of Goods Sold						
Cost of Goods Sold - Purchases	12,243	62.0	14,985	62.3	20,504	62.0
Cost of Goods Sold - Labor	2,370	12.0	3,129	13.0	4,464	13.5
Cost of Goods Sold - Other		N/A		N/A		N/A
Cost of Goods Sold - Depreciation	775	3.9	828	3.4	1,332	4.0
Total Cost of Goods Sold	15,388	77.9	18,942	78.7	26,300	79.5
Total Gross Profit	**4,366**	**22.1**	**5,130**	**21.3**	**6,769**	**20.5**
Operating Expenses						
Officer Compensation	178	0.9	185	0.8	195	0.6
Payroll	988	5.0	1,348	5.6	1,819	5.5
Lease/Rent		N/A		N/A		N/A
Selling, General & Administrative	2,051	10.4	2,626	10.9	3,237	9.8
Depreciation	29	0.1	33	0.1	30	0.1
Amortization	13	0.1	15	0.1	18	0.1
Total Operating Expenses	3,259	16.5	4,207	17.5	5,299	16.0
Operating Income	**1,107**	**5.6**	**923**	**3.8**	**1,470**	**4.4**
Interest Expense	283	1.4	479	2.0	679	2.1
Interest Income		N/A		N/A		N/A
Other Income		N/A		N/A		N/A
Gain/(Loss) on Sale of Asset	133	0.7	87	0.4	376	1.1
Extraordinary Income/(Expense)		N/A		N/A		N/A
Total Other Income/(Expense)	(150)	(0.8)	(392)	(1.6)	(303)	(0.9)
Net Operating Income	**957**	**4.8**	**531**	**2.2**	**1,167**	**3.5**
Income Taxes		N/A		N/A		N/A
NET INCOME	**957**	**4.8**	**531**	**2.2**	**1,167**	**3.5**
Retained Earnings Reconciliation						
Dividends/Distributions	400		350		450	
Accounting Adjustments						
Unexplained Adjustments			-		-	
Total Retained Earnings Adjustments	**400**		**350**		**450**	

XYZ Concrete Company, Inc.

(in 000's)

Year	12/31/2024	12/31/2025
EBIDA Cash Flow Analysis		
Net Income	531	1,167
Plus: Depreciation/Amortization	876	1,380
Plus: Interest Expense	479	679
Less: Gain/(Loss) on Sale of Assets	87	376
Less: Extraordinary Income/(Expense)	-	-
EBIDA (adjusted)	**1,799**	**2,850**
Interest Expense	479	679
CPLTD & Capital Leases (Prior Period)	673	1,227
TOTAL DEBT SERVICE	**1,152**	**1,906**
EBIDA Debt Coverage Ratio	**1.56**	**1.50**
Cash After Debt Amortization	**647**	**944**
Dividends/Distributions	(350)	(450)
Change in Shareholder Loans	(54)	(69)
Change in Releated Interest Loans	92	(39)
Change in Related Interest Investment	-	-
Total Shareholder/Related Interest Impact	**(312)**	**(558)**
EBIDA less shareholder/related interest impact	*1,487*	*2,292*
EBIDA less shareholder/Related Interest Impact Debt Coverage Ratio	*1.29*	*1.20*
Cash Aflter Shareholder/Related Interests Impact	**335**	**386**

XYZ Concrete Company, Inc.

(in 000's)

Year	12/31/2024	12/31/2025
UCA Cash Flow		
Sales/Revenues	24,072	33,069
Change in Accounts Receivable	(821)	(1,111)
Change in Deferred Revenue	-	-
Cash From Sales	**23,251**	**31,958**
Cost of Goods Sold	(18,114)	(24,968)
Change in Inventory	(117)	(106)
Change in Accounts Payable	433	620
Cash Production Costs	**(17,798)**	**(24,454)**
GROSS CASH PROFIT	**5,453**	**7,504**
SG&A Expenses	(4,159)	(5,251)
Change in Prepaids/Deferreds	(7)	4
Change in Accrued Expenses	211	23
Cash Operating Expenses	**(3,955)**	**(5,224)**
CASH OPERATING INCOME	**1,498**	**2,280**
Other Operating Income	-	-
Other Income, including Interest	-	-
Change in Non-Current Operating Assets	-	-
Change in Other Operating Liabilities	-	-
Miscellaneous Cash Income	**-**	**-**
Income Taxes	-	-
NET CASH AFTER OPERATIONS	**1,498**	**2,280**
Interest Expense	(479)	(679)
Dividends/Distributions	(350)	(450)
Cash Paid for Interest & Distributions	**(829)**	**(1,129)**
NET CASH INCOME	**669**	**1,151**
CP-Long Term Debt	(673)	(1,227)
CP-Capital Leases	-	-
Cash Paid for Debt Amortization	**(673)**	**(1,227)**
CASH AFTER DEBT AMORTIZATION	**(4)**	**(76)**

XYZ Concrete Company, Inc.

(in 000's)

Year	12/31/2024	12/31/2025
UCA Cash Flow (continued)		
Change in Gross Fixed Assets	(3,559)	(3,367)
Change in Accumulated Depreciation	862	893
Cost of Sales Depreciation	(828)	(1,332)
SG&A Depreciation	(33)	(30)
Gain (Loss) on Asset Sale	87	376
Cash Paid for Plant & Capital Expenditures	**(3,471)**	**(3,460)**
Change in Other Receivables	-	-
Change in Other Investments	-	-
Change in Non-Operating Assets	-	-
Change in Investments	**-**	**-**
Change in Goodwill	(1,000)	-
Change in Other Intangibles	(8)	(7)
Change in Accumulated Amortization	-	-
Amortization	(15)	(18)
Change in Net Intangibles	**(1,023)**	**(25)**
Cash Paid for Plant & Investments	**(4,494)**	**(3,485)**
FINANCING SURPLUS (REQUIREMENT)	**(4,498)**	**(3,561)**
Change in Overdrafts	-	-
Change in Line of Credit	787	750
Change in Short Term Loans	-	-
Long Term Debt Financing Activity	3,839	2,946
Capital Lease Financing Activity	-	-
Change in Non-Operating Liabilities	-	-
Cash From External Financing	**4,626**	**3,696**
Change in Due from Shareholder	(54)	(69)
Change in Due from Related Interests	-	-
Change in Related Interest Investments	-	-
Change in Due to Shareholder	-	-
Change in Due to Related Interests	92	(39)
Change in Deficit Investment in Related Interests	-	-
Other Net Worth Changes	-	-
Extraordinary Gain (Loss)	-	-
Account Changes/Unexplained Adjustments	-	-
Cash From Internal Financing	**38**	**(108)**
TOTAL FINANCING	**4,664**	**3,588**
TOTAL CHANGE IN CASH & CASH EQUIVALENTS	**166**	**27**
ACTUAL CHANGE IN CASH & CASH EQUIVALENTS	**166**	**27**

XYZ Concrete Company, Inc.

(in 000's)

Year	12/31/2023	12/31/2024	12/31/2025
Working Capital & Activity Ratios			
Working Capital	247	(634)	(938)
Current Ratio	1.10	0.86	0.84
Quick Ratio	1.02	0.79	0.77
A/R Days on Hand	43	47	47
Inventory Days on Hand	5	6	6
A/P Days on Hand	24	28	30
Leverage Ratios			
Net Worth - Actual	4,395	4,576	5,293
Net Worth - Tangible	4,051	3,170	3,811
Debt/Actual Net Worth	1.29	2.26	2.54
Debt/ Tangible Net Worth	1.40	3.26	3.52
Overall Line & ST Debt/AR & Inv	28.54%	43.66%	48.36%
ABL Line Capacity Based on Advance Rates	1,941	2,656	3,598
Funded % of ABL Line Capacity	36.73%	56.47%	62.53%
Long Term Debt/Net Fixed Assets	54.98%	72.84%	72.14%
Funded Debt to EBITDA (adjusted)	2.29	4.65	3.80
Growth & Profitability Ratios			
Sales Growth		21.86%	37.38%
Asset Growth		48.44%	25.40%
Return on Assets	9.52%	3.56%	6.24%
Return on Equity	21.77%	11.60%	22.05%
Gross Margin	22.10%	21.31%	20.47%
Net Margin	4.84%	2.21%	3.53%
EBIDA (adjusted) Margin	9.74%	7.47%	8.62%
Cash Flow Ratios			
Interest Coverage	6.80	3.76	4.20
EBIDA (adjusted)/Interest Exp + CPLTD pp		1.56	1.50
UCA (NCAO)/Interest Exp + CPLTD pp		1.30	1.20

Company Name	**XYZ Concrete Company, Inc.**				
		UCA Cash Flow	EBITDA Cash Flow	UCA Cash Flow	EBITDA Cash Flow
	Date	12/31/2024	12/31/2024	12/31/2025	12/31/2025
	Months	12	12	12	12
1)	Sales - Net	24,072	24,072	33,069	33,069
2)	Change in Receivables	(821)		(1,111)	
3)	**Cash From Sales**	**23,251**	**24,072**	**31,958**	**33,069**
4)	Cost of Goods Sold	(18,114)	(18,114)	(24,968)	(24,968)
5)	Change in Inventories	(117)		(106)	
6)	Change in Payables	433		620	
7)	**Cash Cost of Goods Sold**	**(17,798)**	**(18,114)**	**(24,454)**	**(24,968)**
8)	**Gross Cash Profit**	**5,453**	**5,958**	**7,504**	**8,101**
9)	SG&A Expense	(4,159)	(4,159)	(5,251)	(5,251)
10)	Change in Prepaids	(7)		4	
11)	Change in Accruals	211		23	
12)	**Cash Operating Expense**	**(3,955)**	**(4,159)**	**(5,224)**	**(5,251)**
13)	**Cash After Operations**	**1,498**	**1,799**	**2,280**	**2,850**
14)	Miscellaneous Cash Income	-	-	-	-
15)	Income Taxes Paid	-		-	
16)	**Net Cash After Operations**	**1,498**	**1,799**	**2,280**	**2,850**
17)	Cash Dividends Paid	(404)	(404)	(519)	(519)
18)	Interest Expense	(479)	(479)	(679)	(679)
19)	**Financing Costs**	**(883)**	**(883)**	**(1,198)**	**(1,198)**
20)	**Net Cash Income**	**615**	**916**	**1,082**	**1,652**
21)	Current Portion LT Debt	(673)	(673)	(1,227)	(1,227)
22)	**Cash After Debt Amortization**	**(58)**	**243**	**(145)**	**425**
	Debt Service Coverage Ratio (pre-distribution)	1.30	1.56	1.20	1.50
	Debt Service Coverage Ratio (post-distribution)	0.95	1.21	0.92	1.22