



**XYZ Ltd. - Sample ScoreCard**

<b><u>Internal Structure</u></b> Weighted Score 84.4%	<b><u>External Environment</u></b> Weighted Score 76.2%
Management Competency                    9.0	Market Trends                                    9.0
Ownership Structure/Governance        8.5	Competitive Strength                        6.5
Financial Strength                            8.0	Resistance to Substitute Products        7.0
<b><u>Strategy</u></b> Weighted Score 75.0%	<b><u>Technology/Innovation</u></b> Weighted Score 74.7%
Sales Strategy                                7.0	Technological Advantage                    4.5
Marketing Strategy                         7.0	Patents/Patent Strategy                    4.5
Operations Strategy                         8.5	Company Innovativeness                    9.5

Overall XYZ Ltd scored 55.9/72 points in our ScoreCard. This translates to XYZ as having the potential for being a good company and solid performer. The accomplishments to-date, the go forward strategy and management capabilities all have the makings of a successful company.

Good, yes but great... probably not. XYZ has the makings of a good company but we are not sold on the big home run yet. There are still several unanswered questions that lead to this conclusion. The big variables in this equation include the ability to break into the automotive market and the threat of new entrants into the large and growing market space.

**Internal Structure**    **Weighted Average Score: 15.2/18 = 84.4%**

Dimension		Weight	Score	W. Score
<b>Management Competency</b>	The senior management team turned the company around from near bankruptcy to the current revenue positive status. The management team was able to answer virtually all of our queries with confidence. <b>Bottom Line:</b> Within this emerging area, XYZ's management team is well positioned to move the company forward.	0.6	9.0	5.4
<b>Ownership Structure / Governance</b>	There are 7 members of the Board of Directors including 2 managers, 1 supplier and 4 external members. <b>Bottom Line:</b> Overall, XYZ has a seasoned board; however, it would be nice to see an external member from the trucking industry on the board.	0.3	8.5	2.6
<b>Financial Strength</b>	At the time of publication, the last available piece of financial data was from September 20XX. Net cash flow from operations was -\$1,091,800 and the cash balance was \$3,824,059; thus at the 20XX-Q3 burn rate, the company has 3.5 quarters of cash on hand. <b>Bottom Line:</b> Based on the initial sales of the XYZ units in 20XX-Q1, at a gross margin of 56%, we estimate that the cash situation will remain strong.	0.9	8.0	7.2

**External Environment**    **Weighted Average Score: 16/21 = 76.2%**

Dimension		Weight	Score	W. Score
<b>Market Trends</b>	A rapid increase in raw material prices has lead to a growing trend towards reducing consumption. Before alternatives are widely available, so-called 'bridge' technologies will be implemented; first in the aftermarket then potentially in the OEM market. The key market of relevance is the aaa, bbb& ccc, market. Furthermore, new government regulation on pollutants may provide a short opportunistic window for XYZ to retrofit aging units. <b>Bottom Line:</b> From our analysis, there is sufficient evidence to suggest that there is high enough demand (for the above 3 markets) for XYZ's (or similar) products; assuming that the claimed savings of resources can be achieved.	0.9	9.0	8.1
<b>Competitive Strength</b>	We noted 4 major competitors to XYZ: ABC Ltd (Bowmanville, ON; CA), DEF Inc. (Pickering, ON; CA), GHI Inc. (Winnipeg, MB; CA) and JKL Inc. (Blackfoot, ID; USA). A key member on ABC's team is Bob Smith, Vice President; has strong industry and government connections. Resellers we interviewed stated several ABC units have been installed and are working well for their clients. ABC has just introduced (April, 20XX) a model for small and medium sized units at about \$4,000 each. <b>Bottom Line:</b> We believe XYZ, is not taking their existing or potential competition seriously enough.	0.9	6.5	5.8
<b>Resistance to Substitute Products</b>	There are several substitutes that can increase resource efficiencies. These include additives, physically cleaning units and custom made products. <b>Bottom Line:</b> The commercial operator will want to see the cost/benefits of the XYZ solutions compared to these alternatives; the mass roll-out for XYZ systems may be more difficult than first envisioned.	0.3	7.0	2.1

**Strategy**      **Weighted Average Score: 13.5/18 = 75.0%**

Dimension		Weight	Score	W. Score
<b>Sales Strategy</b>	The company has outsourced primary sales functions to MNO (North American sales) and PQR (Asia-Pacific sales). Both companies have specific sales targets to meet. The focus of the sales forces seems to be directly targeting the fleet, however, it has been found that in the US, 82% of units are in groups of 6 or smaller, thus 82% of the market is not tapped using this strategy. ABC on the other hand is targeting the reseller network which serves the larger segment. <b>Bottom Line:</b> For the short-medium term XYZ's sales strategy is good, but there maybe concerns in the mid-long term if they do not target a dealer network.	0.6	7.0	4.2
<b>Marketing Strategy</b>	The XYZ units are primarily being marketed for the aaa business. However, it appears that ABC (a competitor) is more closely interlinked within the trucking industry through its numerous affiliations and large dealer network. The pricing of the XYZ units is currently \$12,000, and there has been indication that management is considering raising it to \$14,000. This price increase could be to close the gap with ABC's price of \$15,000 (based on a conversation with a reseller). The marketing for a potential aaa device will be handled 100% by STU Inc. <b>Bottom Line:</b> XYZ's pricing scheme attracts only the most demanding resource users. Companies who utilize a lighter load will have to wait for the price to come down to make it economically feasible. Thus, mass deployment may be delayed.	0.6	7.0	4.2
<b>Operations Strategy</b>	The XYZ units are currently assembled at the company's facilities in Mississauga, ON. XYZ lists VWX Inc as a contract manufacturer for the units. The extent of the dependence is not fully known. However, it is important to note that VWX is currently under receivership. If the creditors decide to liquidate the assets, XYZ will have to find an alternative manufacturer. XYZ understands it is not in the manufacturing business and has wisely chosen to outsource production if demand exceeds the existing plant capacity (8 units per 8 hour shift @ 1 shift per day @ 5 days per week) <b>Bottom Line:</b> Overall strategy of outsourcing is good, but contingency plans are needed, especially since minor manufacturing aberrations will have a large profitability impact.	0.6	8.5	5.1

**Technology / Innovation**      **Weighted Average Score: 11.2/15 = 74.7%**

Dimension		Weight	Score	W. Score
<b>Technological Advantage</b>	The technology behind XYZ and competitive systems is very basic. In fact, the core technology is a part of public knowledge. Other than control systems and aesthetics, there does not seem to be any technological difference between competing products. The barriers to entry are quite low. <b>Bottom Line:</b> There does not seem to be any technological advantage that XYZ has over its existing and new competitors.	0.6	4.5	2.7
<b>Patents/Patent Strategy</b>	XYZ is aggressive in both patenting (29 issued or submitted) and defending their patents through lawsuits with ABC. <b>Bottom Line:</b> In an increasingly competitive business with little technological advantage means we should expect to see aggressive protection of patents. Overall, XYZ has managed this well.	0.6	9.5	5.7
<b>Company Innovativeness</b>	From discussions with senior management, XYZ seems to be heavily focused on product improvement. Their technical team understands the various issues with their product. <b>Bottom Line:</b> XYZ's focus on innovation will help them keep their products leading edge.	0.3	9.5	2.8