**From “The M-Score Explained” Seeking Alpha article on June 30, 2015 by Red Team Analytics:**

Where

|  |  |
| --- | --- |
| DSR (Days' Sales Receivables index) = | (Current Year Receivables ÷ Sales) ÷ (Prior Year Receivables ÷ Sales) |
| GMI (Gross Margin Index) = | (Prior Year Gross Margin) ÷ (Current Year Gross Margin] |
| AQI (Asset Quality Index) = | (Current Year Noncurrent Assets except PPE ÷ Total Assets) ÷ (Prior Year Noncurrent Assets except PPE ÷ Total Assets) |
| SGI (Sales Growth Index) = | Current Year Sales ÷ Prior Year Sales |
| DEPI (Depreciation Index) = | [Prior Year Depreciation ÷ (Depreciation + PPE)] ÷ [Current Year Depreciation ÷ (Depreciation + PPE)] |
| SGAI (Sales, General, and Administrative expenses Index) = | (Current Year SGA ÷ Sales) ÷ (Prior Year SGA ÷ Sales) |
| ACCRUALS (Accruals Index) = | (Income Before Extraordinary Items - Cash from Operations) ÷ Total Assets |
| LEVI (Leverage Index) = | [(Current Year Long-Term Debt + Current Liabilities) ÷ Total Assets] ÷ [(Prior Year Long-Term Debt + Current Liabilities) ÷ Total Assets] |

**2015 and 2014 Financial Data**

CY = Current Year

PY = Prior Year

1. DSR: (Current Year Receivables ÷ Sales) ÷ (Prior Year Receivables ÷ Sales)

16,509,291 div by 9,045,269

56,903,773 44,817,436

.290126 = 1.437519

.201824

2. GMI : (Prior Year Gross Margin) ÷ (Current Year Gross Margin]

.368010 = .648564

.567422

1. AQI: (CY Noncurrent Assets except PPE ÷ Total Assets) ÷ (PY Noncurrent Assets except PPE ÷ Total Assets)

72,102,798 div by 73,878,512

111,490,673 103,213,759

.646715 = .903509

.715781

1. SGI: Current Year Sales ÷ Prior Year Sales

56,903,773 = 1.269679

44,817,436

1. DEPI: [PY Depreciation ÷ (Depreciation + PPE)] ÷ [CY Depreciation ÷ (Depreciation + PPE)]

2,300,000 (source: Note 5 to FS) div by 1,600,000 (source: Note 5 to FS)

2,300,000 + 2,458,897 1,600,000 + 2,610,307

2,300,000 div by 1,600,000

4,758,897 4,210,307

.483305 = 1.271791

.380019

1. SGAI: (Current Year SGA ÷ Sales) ÷ (Prior Year SGA ÷ Sales)

7,277,719 + 8,017,970 div by 7,799,077 + 7,875,395

44,817,436 40,378,007

15,295,689 div by 15,674,472

44,817,436 40,378,007

.341288 = .879170

.388193

1. ACCRUALS: (Income Before Extraordinary Items - Cash from Operations) ÷ Total Assets

|  |  |
| --- | --- |
| 5,969,628 – 7,209,245 = - 1,239,617 = -.011118  111,490,673 111,490,673 |  |
|  |  |

1. LEVI: [(CY Long-Term Debt + Current Liabilities) ÷ Total Assets] ÷ [(PY Long-Term Debt + Current Liabilities) ÷ Total Assets]

221,302 + 7,563,872 div by 1,144,028 + 9,394,234

111,490,673 103,213,759

7,785,174 div by 10,538,262

111,490,673 103,213,759

.069828 = .683911

.102101

So:

M-Score = -4.84 **+** (0.920× 1.437519) **+** (0.528× .648564) **+** (0.404× .903509) **+** (0.892×1.269679) **+** (0.115×1.271791) **-** (0.172×1.089241) **+** (4.679× -.011118) **-** (0.327×.683911)

M-Score = -4.84 **+** 1.322517 **+** .342441 **+** .365017 **+** 1.132553 **+** .146255 **-** .187349 **+** (negative .052021) **-** .223638 = -1.994225

**2014 and 2013 Data**

1. DSR: (Current Year Receivables ÷ Sales) ÷ (Prior Year Receivables ÷ Sales)

9,045,269 div by 10,136,929

44,817,436 40,378,007

.201824 = .803919

.251050

2. GMI : (Prior Year Gross Margin) ÷ (Current Year Gross Margin]

.339722 = .923150

.368003

1. AQI: (CY Noncurrent Assets except PPE ÷ Total Assets) ÷ (PY Noncurrent Assets except PPE ÷ Total Assets)

73,878,512 div by 78,511,646

103,213,759 95,576,240

.715781 = .871357

.821455

1. SGI: Current Year Sales ÷ Prior Year Sales

44,817,436 = 1.109946

40,378,007

1. DEPI: [PY Depreciation ÷ (Depreciation + PPE)] ÷ [CY Depreciation ÷ (Depreciation + PPE)]

2,400,000 (source: Note 5 to FS) div by 2,300,000 (source: Note 5 to FS)

2,400,000 + 2,871,800 2,300,000 + 2,458,897

2,400,000 div by 2,300,000

5,271,800 4,758,897

. 455252 = 1.15489

. 394195

1. SGAI: (Current Year SGA ÷ Sales) ÷ (Prior Year SGA ÷ Sales)

7,277,719 + 8,017,970 div by 7,799,077 + 7,875,395

44,817,436 40,378,007

15,295,689 div by 15,674,472

44,817,436 40,378,007

.341288 = .879111

.388193

1. ACCRUALS: (Income Before Extraordinary Items - Cash from Operations) ÷ Total Assets

|  |  |
| --- | --- |
| -3,962,165 – 4,596,237 = - 8,558,402 = -.082919  103,213,759 103,213,759 |  |
|  |  |

1. LEVI: [(CY Long-Term Debt + Current Liabilities) ÷ Total Assets] ÷ [(PY Long-Term Debt + Current Liabilities) ÷ Total Assets]

1,144,028 + 9,394,234 div by 2,816,541 + 10,131,719

103,213,759 95,576,240

10,538,262 div by 12,948, 260

103,213,759 95,576,240

.102101 = .753651

.135475

So:

M-Score = -4.84 + (0.920×DSR) + (0.528×GMI) + (0.404×AQI) + (0.892×SGI) + (0.115×DEPI) - (0.172×SGAI) + (4.679×ACCRUALS) - (0.327×LEVI)

M-Score = -4.84 + (.92 x .8039190) + (.528 x .923150) + (.404 x .871357) + (.892 x 1.109946) + (.115 x 1.15489) – (.172 x .879111) + (4.679 x negative .082919) – (.327 x .753651)

M-Score = -4.84 + .739605 + .487423 + .352028 + .990071 + .132812

- .151207 + negative .387978 - .246443

M-Score = -2.923689