

## 19. Visit to UDLA, December 2001

### **Visit to Universidad de Los Andes Bogotá, Colombia December 5, 2001**

This is a report of the Tulane faculty's visit to Universidad de Los Andes during the period November 26-28 of 2001.

#### **Objectives:**

- Review the structure of the Burkenroad reports for the case of Colombia
- Review the pilot project and the methodology with professors and consultants
- Promote the project between undergraduate and MBA students
- Present the project to government and companies' authorities.

#### **Issues discussed:**

At Universidad de Los Andes:

- Universidad de Los Andes (UDLA) is planning to teach an undergraduate course in the spring semester in Corporate Finance and a MBA level course during the summer where the methodology of Burkenroad reports, including the business evaluation variation, will be included as part of the syllabus of the course. UDLA expects to develop 10 reports during the spring semester and a similar amount during the summer.
- MBA students can prepare a Burkenroad report, including the business plan variation, to satisfy their graduation requirements. During our visit, 5 MBA students signed into prepare these financial reports.
- UDLA will use companies that participate in the Expopyme project (project to promote export activities of small and medium size companies) to develop the financial analyst and investment reports.
- Professor participants in the project indicated their great interest in the project and the need of further local support to implement the project (course release or administrative support).
- Roberto Gutiérrez, professor, showed a great interest in developing the Burkenroad reports for companies with social interest.

Superintendency of Societies:

- Sussy Rueda and Roberto Sáenz, officers of the Superintendency of Societies, showed interest in the project and suggested that they could include a link in the webpage of the Superintendencia to the webpage of the project.

**CAF:**

- Luis Galeano, CAF officer, indicated a very strong interest in the project. CAF has a new venture capital fund that is expected to grow to about US\$ 35 million. Mr. Galeano indicated that this project would be very helpful because it will offer them information about companies in Latin America that is unavailable and will help them in their investment decisions. We informally invited CAF to participate in our next investment conferences in Latin America and Mr. Galeano mentioned their great interest in this conference.

**Colombian Stock Exchange:**

- Augusto Acosta, president of the Colombian stock exchange, showed a great interest in the project especially because of the possibility of following listed companies with very limited trading activity. He was also willing to include information of the project in the stock exchange's website and to participate in the annual investment conference.

**Activities:**

- Presentation of the project to MBA students
- Participation in business plan competition (Venture 2001) sponsored by Dinero magazine and McKinsey & Co.

**- Meetings with:**

**Government and public organization officers:**

- Augusto Acosta, president of the Colombian stock exchange
- Luis Galeano, officer of the Andean Promotion Corporation (CAF)
- Roberto Sáenz, officer of the Superintendency of Societies
- Sussy Rueda, officer of the Superintendency of Societies

**Universidad de Los Andes:**

- Jorge Hernán Cárdenas, dean
- María Lorena Gutiérrez, vice dean
- Roberto Gutiérrez, assistant professor
- Luz Marina Ferro, professor
- Juan Carlos Montes, consultant UN / Expopyme project
- José María del Castillo, professor
- Antonio Romero, professor
- Luz Elena Orozco, professor
- Marta Cáceres, professor
- Javier Serrano, professor

## **Suggestions/Recommendations:**

### Selection of companies:

Opportunities for company participation as described above are plentiful and diverse, ranging from possible coverage of nonprofit entities to ADRs. We recommend that emphasis be placed on covering as many public companies as possible including companies that are covered solely on the Colombian exchange as well as companies that are listed on both the Colombian exchange and as ADRs on a U.S. exchange. While we believe that nonpublic companies represent a significant opportunity in Colombia, we believe that the potential benefits of preparing an analyst report for a public company as compared to preparing a business evaluation report is greater for students for the following reasons:

- The report can be published on the Internet and distributed both in Colombia and internationally.
- Students can utilize the report in their job search.

### Using students in support roles:

At Tulane we have successfully used students who had previously taken the Burkenroad course as investment research managers (IRMs) and as associate directors. Each IRM is assigned to 3 or 4 companies and works as a consultant with the student groups during the preparation and review stages of the process. The IRMs attend site visits with the student analysts, grade the deliverables turned in by student analysts and review the reports prior to faculty's reviews of the reports. Each year two exceptional graduate students are selected to act as associate directors. The associate directors have overall responsibility for the IRMs. We have used both course credit and compensation methods for IRMs and associate directors.

### Accounting requirements and accounting faculty support:

The preparation of both analyst and business evaluation reports requires a strong background in accounting. Since most participants are finance undergraduate or graduate students, it is important to consider the adequacy of students' accounting courses when selecting students and creating student work groups. Ideally, each group will have at least one strong "accounting type." It is also important to involve an accounting faculty member during both the report preparation stage and the review stages as follows. The review stage is often as lengthy as the report preparation stage as the report "travels" through the following stages:

- Report text and financial forecasts deliverables are turned in at various stages during the semester and reviewed by IRMs. At Tulane, the accounting faculty member is involved with groups and meets with each group on an as-needed basis as the groups prepare the operating, financing, investing and ratio sections of the financial forecasts.

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- The report text and financial forecasts are compiled and reviewed by finance and accounting faculty.
- Students make changes recommended by faculty and return the report to the faculty.
- The report is delivered to management for comments.
- Management delivers comments to the analyst group and may request a conference call.
- Students make changes as desired based on management comments.
- The revised report is reviewed again by faculty and IRMs.
- Students make changes based on the faculty's' and IRMs' final reviews and resubmit the report.
- Faculty review the before publication.
- The report is published.

During this process, a number of accounting absolutes must be in place. These safeguards will both increase the accuracy of the forecasts and the quality of the reports. Some of these safeguards will automatically be handled if students are using a packaged forecasting program such as Business Plan Pro.

Choice of students:

During our visit to UDLA, one of the concerns that we discussed was the necessity of providing students with adequate report preparation and review support. During the initial stages of the program, we recommend that you enroll a higher proportion of graduate students than undergraduate students since the support requirements for the two groups differ significantly. Graduate students tend to require fewer consultations with faculty and their reports tend to require fewer revisions.

Report Design:

Below is an outline of the sections that we recommend for the analyst report.

- Price Performance (graph)
- Company Description
- Products and Services
- Company Management
- Industry Analysis
- Peer Review
- Risk Analysis
- Socio-economic Evaluation
- Investment Thesis (including forecasting assumptions and valuation)
- Investment Summary
- Financials (as described below)

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The extent of coverage for each text section will, of course, vary with the company characteristics. We recommend the socio-economic evaluation section because the Latin American Burkenroad program has the stated goal of enhancing economic development in the region. We believe that a section describing corporate social responsibility issues and describing various socio-economic indicators, e.g. employment, GDP, etc., will be a valuable addition to the report.

While the distribution of the business evaluation report and the analyst report differs significantly, the actual sections prepared for each report will be very similar. A table of contents that compares the contents of each report is included in the section of this report entitled "Visit to IESA."

The financial portion of the report should always include the following sections for both the analyst and business evaluation reports:

Annual and Quarterly Income Statements:

- includes a section with selected common size amounts
- includes a section with selected year-to-year changes

Annual and Quarterly Balance Sheets:

- includes a section with selected common size amounts (as a % of revenues)
- includes a section with selected common size amounts (as a % of total assets)

Annual and Quarterly Balance Cash Flow Statements:

Includes operating, investing and financing cash flow sections

Ratios

Includes productivity, liquidity, financial risk and valuation sections

An example of the format used for the financial sections is attached. Note that the financial forecast example reports both annual and quarterly estimates. We recommend forecasting no more than two years of financial statements and recommend reporting a minimum of 3 years of historical annual information.

# CRAFTMADE INTERNATIONAL, INC. (CRFT)

## Annual and Quarterly Earnings

In thousands

	2002 E								2003 E					
	For the period ended	FY 1999 A	FY 2000 A	FY 2001 A	30-Sep-01 A	31-Dec-01 E	31-Mar-02 E	30-Jun-02 E	FY 2002 E	31-Sep-02 E	31-Dec-02 E	31-Mar-03 E	30-Jun-03 E	FY 2003 E
Net Sales	\$	84,986	\$ 85,499	\$ 93,477	\$ 32,068	\$ 27,994	\$ 30,597	\$ 34,564	\$ 125,222	\$ 43,099	\$ 38,516	\$ 41,970	\$ 46,492	\$ 170,077
Cost of goods sold		57,862	59,182	63,120	23,008	19,036	20,806	24,540	87,390	31,032	26,191	28,540	33,474	119,236
Gross profit		27,124	26,317	30,357	9,060	8,958	9,791	10,024	37,832	12,068	12,325	13,430	13,018	50,841
Selling, general and administrative expenses		15,051	15,787	17,598	4,524	4,759	5,201	6,567	21,052	6,080	6,548	7,135	8,369	28,131
Depreciation and amortization		805	874	1,088	446	233	262	290	1,231	425	453	482	510	1,871
Operating profit		11,268	9,656	11,671	4,090	3,966	4,328	3,166	15,550	5,563	5,324	5,814	4,139	20,839
Other (income) expense:														
Interest expense, net		1,293	1,645	2,219	483	535	655	653	2,326	646	780	930	915	3,271
Other, net														
Income before income taxes and minority interest		9,975	8,011	9,452	3,607	3,431	3,672	2,513	13,223	4,916	4,544	4,883	3,224	17,568
Provision for income taxes		3,336	2,583	2,811	1,089	1,487	1,591	1,089	5,256	2,130	1,969	2,116	1,397	7,613
Income before minority interest		6,639	5,428	6,641	2,518	1,944	2,081	1,424	7,967	2,786	2,575	2,767	1,827	9,955
Minority interest		950	1,148	1,954	561	534	571	391	2,057	765	707	760	501	2,732
Net income	\$	5,689	\$ 4,280	\$ 4,687	\$ 1,957	\$ 1,411	\$ 1,510	\$ 1,033	\$ 5,911	\$ 2,021	\$ 1,868	\$ 2,008	\$ 1,326	\$ 7,223

Basic and diluted earnings per common share	\$	0.76	\$ 0.63	\$ 0.79	\$ 0.33	\$ 0.24	\$ 0.25	\$ 0.17	\$ 1.00	\$ 0.34	\$ 0.31	\$ 0.34	\$ 0.22	\$ 1.22
Basic common shares outstanding		7,523	6,781	5,933	5,933	5,933	5,933	5,933	5,933	5,933	5,933	5,933	5,933	5,933
Diluted common shares outstanding		7,535	6,781	5,942	5,942	5,942	5,942	5,942	5,942	5,942	5,942	5,942	5,942	5,942

### SELECTED COMMON-SIZE AMOUNTS

Cost of goods sold	68.08%	69.22%	67.52%	71.75%	68.00%	68.00%	71.00%	69.79%	72.00%	68.00%	68.00%	72.00%	70.11%
Gross profit	31.92%	30.78%	32.48%	28.25%	32.00%	32.00%	29.00%	30.21%	28.00%	32.00%	32.00%	28.00%	29.89%
Selling, general and administrative expenses	17.71%	18.46%	18.83%	14.11%	17.00%	17.00%	19.00%	16.81%	14.11%	17.00%	17.00%	18.00%	16.54%
Depreciation and amortization	0.95%	1.02%	1.16%	1.39%	0.83%	0.86%	0.84%	0.98%	0.99%	1.18%	1.15%	1.10%	1.10%
Operating profit	13.26%	11.29%	12.49%	12.75%	14.17%	14.14%	9.16%	12.42%	12.91%	13.82%	13.85%	8.90%	12.25%
Interest expense, net	1.52%	1.92%	2.37%	1.51%	1.91%	2.14%	1.89%	1.86%	1.50%	2.02%	2.22%	1.97%	1.92%
Income before income taxes and minority interest	11.74%	9.37%	10.11%	11.25%	12.26%	12.00%	7.27%	10.56%	11.41%	11.80%	11.64%	6.93%	10.33%
Net income	6.69%	5.01%	5.01%	6.10%	5.04%	4.93%	2.99%	4.72%	4.69%	4.85%	4.78%	2.85%	4.25%

### YEAR TO YEAR CHANGE

Net Sales	107.77%	0.60%	9.33%	32.07%	45.93%	53.81%	14.75%	33.96%	34.40%	37.59%	37.17%	34.51%	35.82%
Cost of goods sold	117.03%	2.28%	6.65%	37.60%	48.95%	56.61%	20.69%	38.45%	34.87%	37.59%	37.17%	36.40%	36.44%
Gross profit	90.45%	-2.98%	15.35%	19.84%	39.90%	48.19%	2.42%	24.63%	33.20%	37.59%	37.17%	29.87%	34.38%
Selling, general and administrative expenses	88.66%	4.89%	11.47%	9.59%	19.21%	16.36%	31.13%	19.62%	34.40%	37.59%	37.17%	27.43%	33.63%
Depreciation and amortization	63.29%	8.57%	24.49%	99.11%	1.43%	1.04%	-22.64%	13.15%	-4.70%	94.38%	84.13%	75.89%	51.95%
Operating profit	95.25%	-14.31%	20.87%	27.49%	81.83%	130.45%	-28.10%	33.23%	36.00%	34.25%	34.33%	30.72%	34.01%
Interest expense, net	5.04%	27.22%	34.89%	-18.00%	1.92%	13.57%	23.68%	4.84%	33.83%	45.70%	41.97%	40.08%	40.61%
Income before income taxes and minority interest	108.68%	-19.69%	17.99%	37.72%	107.17%	182.28%	-35.16%	39.90%	36.28%	32.46%	32.97%	28.28%	32.85%
Net income	86.77%	-24.77%	9.51%	37.43%	76.09%	122.05%	-42.01%	26.11%	3.28%	32.46%	32.97%	28.28%	22.20%

### OTHER

Revenues:														
Craftmade	\$	47,726	\$ 50,560	\$ 48,514	\$ 13,427	\$ 11,638	\$ 11,876	\$ 14,554	\$ 51,494	\$ 14,098	\$ 12,219	\$ 12,470	\$ 15,282	\$ 54,069
TSI		37,260	34,939	44,963	18,641	16,356	18,721	20,010	73,728	29,001	26,296	29,501	31,210	116,008
Totals		84,986	85,499	93,477	32,068	27,994	30,597	34,564	125,222	43,099	38,516	41,970	46,492	170,077

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**Annual and Quarterly Balance Sheets**

In thousands

	2002 E								2003 E																	
	As of the end of	30-Jun-99 A	30-Jun-00 A	30-Jun-01 A	30-Sep-01 A	31-Dec-01 E	31-Mar-02 E	30-Jun-02 E	30-Jun-02 E	31-Sep-02 E	31-Dec-02 E	31-Mar-03 E	30-Jun-03 E	30-Jun-03 E												
<b>Current Assets:</b>																										
Cash and temporary cash investments	\$	1,563	\$	1,171	\$	1,638	\$	2,194	\$	1,902	\$	1,970	\$	1,897	\$	1,897	\$	1,098	\$	1,469	\$	1,458	\$	1,413	\$	1,413
Accounts receivable, net of allowance for doubtful accounts		15,126		17,610		19,215		19,352		16,893		18,464		20,858		20,858		26,009		23,243		25,328		28,056		28,056
Inventory		13,779		15,322		19,454		17,719		22,056		30,186		22,324		22,324		23,814		30,346		41,407		30,028		30,028
Deferred income taxes		441		462		758		758		758		758		758		758		758		758		758		758		758
Prepaid expenses and other current assets		1,066		918		1,149		1,241		1,683		1,547		1,183		1,183		1,278		1,734		1,593		1,219		1,219
<b>Total current assets</b>		<b>31,975</b>		<b>35,483</b>		<b>42,214</b>		<b>41,264</b>		<b>43,292</b>		<b>52,925</b>		<b>47,021</b>		<b>47,021</b>		<b>52,958</b>		<b>57,550</b>		<b>70,544</b>		<b>61,475</b>		<b>61,475</b>
Land		1,535		1,535		1,535		1,535		1,535		1,535		1,535		1,535		1,535		1,535		1,535		1,535		1,535
Building		7,726		7,784		7,784		7,784		7,784		7,784		7,784		7,784		7,784		7,784		7,784		7,784		7,784
Office furniture and equipment		2,167		2,297		5,651		7,195		9,271		7,195		7,195		7,195		7,195		7,195		7,195		7,195		7,195
Leasehold improvements		231		257		273		273		274		274		274		274		257		274		274		274		274
Property and equipment		11,659		11,873		15,243		16,787		18,864		20,941		23,018		23,018		25,095		27,172		29,249		31,326		31,326
Less accumulated depreciation and amortization		1,968		2,410		3,102		3,536		3,769		4,031		4,321		4,321		4,746		5,200		5,682		6,192		6,192
<b>Net property and equipment</b>		<b>9,691</b>		<b>9,463</b>		<b>12,141</b>		<b>13,251</b>		<b>15,095</b>		<b>16,910</b>		<b>18,697</b>		<b>18,697</b>		<b>20,349</b>		<b>21,972</b>		<b>23,567</b>		<b>25,134</b>		<b>25,134</b>
Goodwill, net		5,543		5,131		4,735		4,735		4,735		4,735		4,735		4,735		4,735		4,735		4,735		4,735		4,735
Other assets		48		24		39		64		64		64		64		64		64		64		64		64		64
<b>Total assets</b>	<b>\$</b>	<b>47,257</b>	<b>\$</b>	<b>50,101</b>	<b>\$</b>	<b>59,129</b>	<b>\$</b>	<b>59,314</b>	<b>\$</b>	<b>63,186</b>	<b>\$</b>	<b>74,634</b>	<b>\$</b>	<b>70,517</b>	<b>\$</b>	<b>70,517</b>	<b>\$</b>	<b>78,106</b>	<b>\$</b>	<b>84,321</b>	<b>\$</b>	<b>98,911</b>	<b>\$</b>	<b>91,408</b>	<b>\$</b>	<b>91,408</b>
<b>Current Liabilities:</b>																										
Notes payable - current	\$	788	\$	470	\$	512	\$	521	\$	521	\$	521	\$	521	\$	521	\$	555	\$	555	\$	555	\$	555	\$	555
Revolving lines of credit		11,950		17,600		20,600		17,678		26,678		31,678		26,678		26,678		31,178		42,178		48,678		40,678		40,678
Accounts payable		4,174		4,179		6,551		5,359		3,327		7,751		7,518		7,518		7,202		4,578		10,632		10,112		10,112
Commissions payable		344		422		455		327		340		526		522		522		439		468		722		702		702
Income taxes payable		446		10		934		1,308		268		328		327		327		323		390		465		457		457
Accrued liabilities		966		1,540		2,929		5,061		1,667		2,011		3,017		3,017		5,213		1,717		2,071		3,107		3,107
<b>Total current liabilities</b>		<b>18,668</b>		<b>24,221</b>		<b>31,981</b>		<b>30,254</b>		<b>32,800</b>		<b>42,814</b>		<b>38,582</b>		<b>38,582</b>		<b>44,911</b>		<b>49,885</b>		<b>63,122</b>		<b>55,612</b>		<b>55,612</b>
Deferred taxes		83		88		241		241		241		241		241		241		250		250		250		250		250
Notes payable - long-term		4,677		8,588		8,076		7,943		7,813		7,683		7,552		7,552		7,388		7,249		7,111		6,972		6,972
Minority interest		466		245		1,049		1,410		1,862		2,320		1,936		1,936		1,736		1,654		1,541		766		766
<b>Total liabilities</b>		<b>23,894</b>		<b>33,142</b>		<b>41,347</b>		<b>39,848</b>		<b>42,716</b>		<b>53,057</b>		<b>48,311</b>		<b>48,311</b>		<b>54,285</b>		<b>59,038</b>		<b>72,024</b>		<b>63,599</b>		<b>63,599</b>
Preferred stock, \$1 par value		32		32		32		32		32		32		32		32		32		32		32		32		32
Common stock, \$.01 par value		93		93		93		93		93		93		93		93		93		93		93		93		93
Additional paid-in capital		12,453		12,453		12,683		12,791		12,791		12,791		12,791		12,791		12,791		12,791		12,791		12,791		12,791
Unearned deferred compensation				(108)		(100)		(92)		(84)		(76)		(76)		(76)		(68)		(60)		(52)		(44)		(44)
Retained earnings		19,046		22,654		25,886		27,429		28,426		29,523		30,145		30,145		31,752		33,206		34,802		35,716		35,716
Accumulated other comprehensive income				28		53		53		53		53		53		53		53		53		53		53		53
Less treasury stock at cost		(8,261)		(18,273)		(20,832)		(20,832)		(20,832)		(20,832)		(20,832)		(20,832)		(20,832)		(20,832)		(20,832)		(20,832)		(20,832)
<b>Total liabilities and stockholders' investment</b>	<b>\$</b>	<b>47,257</b>	<b>\$</b>	<b>50,101</b>	<b>\$</b>	<b>59,129</b>	<b>\$</b>	<b>59,314</b>	<b>\$</b>	<b>63,186</b>	<b>\$</b>	<b>74,634</b>	<b>\$</b>	<b>70,517</b>	<b>\$</b>	<b>70,517</b>	<b>\$</b>	<b>78,106</b>	<b>\$</b>	<b>84,321</b>	<b>\$</b>	<b>98,911</b>	<b>\$</b>	<b>91,408</b>	<b>\$</b>	<b>91,408</b>

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	2002 E							2003 E					
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<b>SELECTED COMMON SIZE BALANCE SHEET AMOUNTS (% of net sales)</b>													
Current Assets:													
Accounts receivable, net of allowance													
for doubtful accounts	17.80%	20.60%	20.56%	60.35%	60.35%	60.35%	60.35%	16.66%	60.35%	60.35%	60.35%	60.35%	16.50%
Inventory	16.21%	17.92%	20.81%	55.25%	78.79%	98.66%	64.59%	17.83%	55.25%	78.79%	98.66%	64.59%	17.66%
Prepaid expenses and other current assets	1.25%	1.07%	1.23%	3.87%	6.01%	5.06%	3.42%	0.95%	2.97%	4.50%	3.80%	2.62%	0.72%
Property and equipment	13.72%	13.89%	16.31%	52.35%	67.39%	68.44%	66.60%	18.38%	58.23%	70.55%	69.69%	67.38%	18.42%
Net property and equipment	11.40%	11.07%	12.99%	41.32%	53.92%	55.27%	54.09%	14.93%	47.21%	57.05%	56.15%	54.06%	14.78%
Accounts payable	4.91%	4.89%	7.01%	16.71%	11.89%	25.33%	21.75%	6.00%	16.71%	11.89%	25.33%	21.75%	5.95%
Commissions payable	0.40%	0.49%	0.49%	1.02%	1.21%	1.72%	1.51%	0.42%	1.02%	1.21%	1.72%	1.51%	0.41%
Accrued liabilities	1.14%	1.80%	3.13%	15.78%	5.95%	6.57%	8.73%	2.41%	12.09%	4.46%	4.93%	6.68%	1.83%
<b>SELECTED COMMON S+A140IZE BALANCE SHEET AMOUNTS ( % of total assets)</b>													
Total current assets	67.66%	70.82%	71.39%	69.57%	68.52%	70.91%	66.68%	66.68%	67.80%	68.25%	71.32%	67.25%	67.25%
Property and equipment	24.67%	23.70%	25.78%	28.30%	29.85%	28.06%	32.64%	32.64%	32.13%	32.22%	29.57%	34.27%	34.27%
Net property and equipment	20.51%	18.89%	20.53%	22.34%	23.89%	22.66%	26.51%	26.51%	26.05%	26.06%	23.83%	27.50%	27.50%
Goodwill, net	11.73%	10.24%	8.01%	7.98%	7.49%	6.34%	6.71%	6.71%	6.06%	5.62%	4.79%	5.18%	5.18%
Other assets	0.10%	0.05%	0.07%	0.11%	0.10%	0.09%	0.09%	0.09%	0.08%	0.08%	0.06%	0.07%	0.07%
Total current liabilities	39.50%	48.34%	54.09%	51.01%	51.91%	57.37%	54.71%	54.71%	57.50%	59.16%	63.82%	60.84%	60.84%
Deferred taxes	0.18%	0.18%	0.41%	0.41%	0.38%	0.32%	0.34%	0.34%	0.32%	0.30%	0.25%	0.27%	0.27%
Notes payable - long-term	9.90%	17.14%	13.66%	13.39%	12.36%	10.29%	10.71%	10.71%	9.46%	8.60%	7.19%	7.63%	7.63%
Minority interest	0.99%	0.49%	1.77%	2.38%	2.95%	3.11%	2.74%	2.74%	2.22%	1.96%	1.56%	0.84%	0.84%
Total liabilities	50.56%	66.15%	69.93%	67.18%	67.60%	71.09%	68.51%	68.51%	69.50%	70.02%	72.82%	69.58%	69.58%
Preferred stock, \$1 par value	0.07%	0.06%	0.05%	0.05%	0.05%	0.04%	0.05%	0.05%	0.04%	0.04%	0.03%	0.04%	0.04%
Common stock, \$.01 par value	0.20%	0.19%	0.16%	0.16%	0.15%	0.12%	0.13%	0.13%	0.12%	0.11%	0.09%	0.10%	0.10%
Additional paid-in capital	26.35%	24.86%	21.45%	21.56%	20.24%	17.14%	18.14%	18.14%	16.38%	15.17%	12.93%	13.99%	13.99%
Unearned deferred compensation	0.00%	0.00%	-0.18%	-0.17%	-0.15%	-0.11%	-0.11%	-0.11%	-0.09%	-0.07%	-0.05%	-0.05%	-0.05%
Retained earnings	40.30%	45.22%	43.78%	46.24%	44.99%	39.56%	42.75%	42.75%	40.65%	39.38%	35.19%	39.07%	39.07%
Accumulated other comprehensive income	0.00%	0.00%	0.05%	0.09%	0.08%	0.07%	0.08%	0.08%	0.07%	0.06%	0.05%	0.06%	0.06%
Less treasury stock at cost	-17.48%	-36.47%	-35.23%	-35.12%	-32.97%	-27.91%	-29.54%	-29.54%	-26.67%	-24.71%	-21.06%	-22.79%	-22.79%

**Burkenroad Reports of Latin America: Report of Progress (May 2003):  
Summary of U. de los Andes Consulting Visit in December 2001 continued**

**Annual and Quarterly Statements of Cash Flows**

In thousands

	For the period ended	2002 E					2002 E																			
		FY 1999 A	FY 2000 A	FY 2001 A	30-Sep-01 A	31-Dec-01 E	31-Mar-02 E	30-Jun-02 E	FY 2002 E	31-Sep-02 E	31-Dec-02 E	31-Mar-03 E	30-Jun-03 E	FY 2002 E												
Cash flows from operating activities:																										
Net income	\$	5,689	\$	4,280	\$	4,687	\$	1,411	\$	1,510	\$	1,033	\$	5,911	\$	2,021	\$	1,868	\$	2,008	\$	1,326	\$	7,223		
Adjustments						54																				
Depreciation and amortization		805		874		1,088		233		262		290		1,231		425		453		482		510		1,871		
Provision for bad debts		612		288		68		25						25												
Deferred income taxes		19		(16)		(143)		-		-		-		-		9		-		-		-		9		
Minority interest		950		1,148		1,954		534		571		391		2,057												
Change in assets and liabilities providing (using) cash:																										
Accounts receivable		(1,102)		(2,773)		(1,673)		2,434		(1,571)		(2,394)		(1,668)		(5,151)		2,766		(2,085)		(2,729)		(7,198)		
Inventory		(590)		(1,543)		(4,132)		(4,337)		(8,130)		7,861		(2,870)		(1,490)		(6,532)		(11,061)		11,379		(7,704)		
Prepaid expenses and other current assets		(66)		172		(218)		(442)		136		364		(34)		(95)		(455)		140		374		(36)		
Accounts and commissions payable		(321)		83		2,405		(2,019)		4,609		(237)		1,034		(398)		(2,596)		6,308		(539)		2,774		
Income taxes payable		(273)		(436)		924		(1,040)		60		(1)		(607)		(3)		67		75		(8)		131		
Accrued liabilities		196		575		1,389		(3,386)		352		1,014		120		2,204		(3,488)		362		1,044		123		
<b>Net cash provided by operating activities</b>		<b>5,919</b>		<b>2,652</b>		<b>6,403</b>		<b>5,664</b>		<b>(6,589)</b>		<b>(2,200)</b>		<b>8,321</b>		<b>(2,477)</b>		<b>(7,917)</b>		<b>(3,771)</b>		<b>11,358</b>		<b>(2,807)</b>		
Cash flows from investing activities:																										
TSI acquisition		(2,041)																								
Additions to property and equipment		(433)		(234)		(3,370)		(1,556)		(2,077)		(2,077)		(7,787)		(2,077)		(2,077)		(2,077)		(2,077)		(2,077)	(8,308)	
<b>Net cash used for investing activities</b>		<b>(2,474)</b>		<b>(234)</b>		<b>(3,370)</b>		<b>(1,556)</b>		<b>(2,077)</b>		<b>(2,077)</b>		<b>(7,787)</b>		<b>(2,077)</b>		<b>(2,077)</b>		<b>(2,077)</b>		<b>(2,077)</b>		<b>(2,077)</b>	<b>(8,308)</b>	
Cash flows from financing activities:																										
Capital contribution from minority interest member						10																				
Principal payments on note payable		(1,329)		(723)		(470)		(124)		(130)		(130)		(515)		(130)		(139)		(139)		(139)		(547)		
Proceeds from additional borrowings on note payable						4,316																				
Net proceeds from (payments to) lines of credit		2,179		5,650		3,000		(2,922)		9,000		5,000		(5,000)		6,078		4,500		11,000		6,500		(8,000)	14,000	
Stock repurchase		(2,548)		(10,012)		(2,559)																				
Distribution to minority interest members		(614)		(1,369)		(1,160)		(200)		(82)		(113)		(775)		(1,170)		(200)		(82)		(113)		(775)	(1,170)	
Cash dividends		(556)		(672)		(1,455)		(414)		(414)		(412)		(412)		(1,652)		(414)		(414)		(412)		(412)	(1,652)	
Proceeds from exercise of employee stock options		61				68		108						108												
<b>Net cash used for financing activities</b>		<b>(2,807)</b>		<b>(2,810)</b>		<b>(2,566)</b>		<b>(3,552)</b>		<b>8,374</b>		<b>4,345</b>		<b>(6,317)</b>		<b>2,849</b>		<b>3,756</b>		<b>10,365</b>		<b>5,836</b>		<b>(9,326)</b>	<b>10,632</b>	
Net increase (decrease) in cash		638		(392)		467		556		(292)		68		(73)		259		(799)		371		(11)		(45)	(483)	
Cash at beginning of year		925		1,563		1,171		1,638		2,194		1,902		1,970		1,638		1,897		1,098		1,469		1,458	1,897	
Cash at end of year		1,563		1,171		1,638		2,194		1,902		1,970		1,897		1,098		1,469		1,458		1,413		1,413		
Supplemental Disclosures of Cash Flow Information:																										
Cash Paid (Received) During the Period For:																										
Interest		1,349		1,685		2,332		483		535		655		653		2,326		646		780		930		915	3,271	
Income Taxes, net of refunds		3,400		3,009		2,336		715		2,527		1,531		1,090		5,256		2,134		1,902		2,041		1,405	7,613	
Operating cash flow per share excluding working capital changes																										
	\$	1.07	\$	0.97	\$	1.30	\$	-	\$	0.37	\$	0.39	\$	0.29	\$	1.55	\$	0.41	\$	0.39	\$	0.42	\$	0.31	\$	1.53
Operating cash flow per share including working capital changes																										
	\$	0.79	\$	0.39	\$	1.08	\$	0.95	\$	(1.11)	\$	(0.37)	\$	1.40	\$	0.87	\$	(0.42)	\$	(1.33)	\$	(0.63)	\$	1.91	\$	(0.47)

**Burkenroad Reports of Latin America: Report of Progress (May 2003):  
Summary of U. de los Andes Consulting Visit in December 2001 continued**

**CRAFTMADE INTERNATIONAL, INC. (CRFT)**

**Ratios**

	2002 E						2003 E					
	For the period ended FY 1999 A	FY 2000 A	FY 2001 A	30-Sep-01 A	31-Dec-01 E	31-Mar-02 E	30-Jun-02 E	FY 2002 E	31-Sep-02 E	31-Dec-02 E	31-Mar-03 E	30-Jun-03
<b>Productivity Ratios</b>												
Receivables turnover	7.49	5.22	5.08	6.65	6.18	6.92	7.03	6.25	7.36	6.26	6.91	6.97
Inventory turnover	4.97	4.07	3.63	4.95	3.83	3.19	3.74	4.18	5.38	3.87	3.18	3.75
Working capital turnover	7.25	6.96	8.70	12.08	10.42	11.88	14.91	13.41	20.91	19.61	22.26	28.00
Net fixed asset turnover	8.95	8.93	8.65	10.10	7.90	7.65	7.77	8.12	8.83	7.28	7.37	7.64
Gross fixed asset turnover	7.64	7.27	6.89	8.01	6.28	6.15	6.29	6.55	7.17	5.90	5.95	6.14
Total asset turnover	2.25	1.76	1.71	2.17	1.83	1.78	1.91	1.93	2.32	1.90	1.83	1.95
# of days Sales in A/R	64.96	75.18	75.03	55.52	55.52	54.31	54.92	60.80	55.52	55.52	54.31	54.92
# of days Cost of Sales in Inventory	86.92	94.50	112.50	70.85	106.60	130.58	82.78	93.24	70.60	106.60	130.58	81.63
# of days Cost of Sales in A/P	26.33	25.77	37.88	21.43	16.08	33.53	27.88	31.40	21.35	16.08	33.53	27.49
<b>Liquidity Measures</b>												
Current ratio	1.71	1.46	1.32	1.36	1.32	1.24	1.22	1.22	1.18	1.15	1.12	1.11
Quick ratio	0.89	0.78	0.65	0.71	0.57	0.48	0.59	0.59	0.60	0.50	0.42	0.53
Cash ratio	0.89	0.78	0.65	0.71	0.57	0.48	0.59	0.59	0.60	0.50	0.42	0.53
Cash flow from operations ratio	0.32	0.11	0.20	0.75	-0.80	-0.21	0.86	0.13	-0.22	-0.63	-0.24	0.82
Working capital	13,307	11,262	10,233	11,010	10,492	10,111	8,439	8,439	8,047	7,665	7,422	5,863
<b>Financial Risk (Leverage) Ratios</b>												
Total debt/equity ratio	1.02	1.95	2.33	2.05	2.09	2.46	2.18	2.18	2.28	2.34	2.68	2.29
Debt/equity ratio (excluding deferred taxes)	1.02	1.95	2.31	2.03	2.07	2.45	2.16	2.16	2.27	2.33	2.67	2.28
Total LT debt/equity ratio	0.22	0.53	0.53	0.49	0.48	0.47	0.44	0.44	0.39	0.36	0.33	0.29
LT debt/equity (excluding deferred taxes)	0.22	0.52	0.51	0.48	0.47	0.46	0.43	0.43	0.38	0.35	0.32	0.28
Interest coverage ratio (Earnings = EBIT)	-6.71	-3.87	-3.26	-6.47	-5.41	-4.60	-2.85	-4.68	-6.61	-4.83	-4.25	-2.52
Interest coverage ratio (Earnings = EBI)	-4.13	-2.30	-1.99	-4.21	-2.63	-2.18	-1.18	-2.42	-3.31	-2.30	-1.97	-1.00
Total debt ratio	0.51	0.66	0.70	0.67	0.68	0.71	0.69	0.69	0.70	0.70	0.73	0.70
Debt ratio (excuding deferred taxes)	0.50	0.66	0.70	0.67	0.67	0.71	0.68	0.68	0.69	0.70	0.73	0.69
<b>Profitability/Valuation Measures</b>												
Gross profit margin	31.92%	30.78%	32.48%	28.25%	32.00%	32.00%	29.00%	30.21%	28.00%	32.00%	32.00%	28.00%
Operating profit margin	13.26%	11.29%	12.49%	12.75%	14.17%	14.14%	9.16%	12.42%	12.91%	13.82%	13.85%	8.90%
Return on assets	15.05%	8.79%	8.58%	13.22%	9.21%	8.76%	5.70%	9.12%	10.88%	9.20%	8.77%	5.57%
Return on equity	31.00%	21.23%	26.98%	42.03%	28.26%	28.73%	18.88%	29.56%	35.13%	30.44%	30.79%	19.39%
Earnings before interest margin	6.29%	4.42%	4.73%	6.35%	5.03%	4.66%	2.23%	4.50%	4.96%	4.66%	4.38%	1.96%
EBITDA margin	11.16%	8.47%	8.90%	9.74%	11.18%	10.72%	6.22%	9.69%	10.89%	10.95%	10.57%	6.06%
EBITDA/Assets	25.10%	14.87%	15.24%	21.10%	20.43%	19.03%	11.85%	18.71%	25.27%	20.78%	19.36%	11.85%
Dividend (Distribution) payout percentage	2.38%	3.96%	8.18%	8.51%	8.09%	7.64%	7.42%	7.44%	6.95%	6.55%	6.13%	5.93%

