

Revenue grew 8%. Cash fell \$170K.

An illustrative distributor of packaging and facility supplies. 2026 compared with 2025, from the books the CPA closes.

2026 IN FOUR NUMBERS

Revenue

\$12.4M

+8% vs. 2025

Gross margin

23.4%

-1.1 pts vs. 2025

Pre-tax profit

\$610K

4.9% of revenue

Change in cash

-\$170K

despite the profit

Three things the owner should know

- 1 Half of the growth came from the lowest-margin line.** Food-service disposables grew 22% at an 18% gross margin, against 25% to 26% in the two largest lines.
- 2 240 small accounts bring 10% of revenue and 3% of gross profit.** After delivery and handling, they barely contribute.
- 3 Profit did not turn into cash.** Inventory and receivables absorbed \$680K. Inventory days went from 62 to 78, and collection days from 41 to 48.

Three decisions for the 2027 budget

- Set a minimum order or a delivery fee for small accounts: **+\$60K to \$90K** gross profit a year.
- Review prices in the line where cost rose 6% and price 2%: **+\$70K to \$110K**.
- Reduce slow-moving stock in industrial safety: **about \$250K** of cash back within two quarters.

Which customers and products earned money in 2026.

Gross profit after rebates and freight, by customer group and by product line.

BY CUSTOMER GROUP

GROUP	REVENUE	GROSS PROFIT	MARGIN
18 key accounts	\$7.3M	\$1.98M	27.1%
64 mid-size accounts	\$3.9M	\$0.82M	21.0%
240 small accounts	\$1.2M	\$0.10M	8.3%
Total	\$12.4M	\$2.90M	23.4%

SHARE OF GROSS PROFIT

18 key accounts		68%
64 mid-size		28%
240 small accounts		3%

BY PRODUCT LINE

LINE	REVENUE	VS. 2025	MARGIN
Packaging	\$4.1M	+6%	26%
Janitorial	\$3.2M	+7%	25%
Food-service disposables	\$2.6M	+22%	18%
Industrial safety	\$1.6M	-3%	24%
Other	\$0.9M	+7%	22%

SHARE OF REVENUE GROWTH

Food-service		51%
Packaging		25%
Janitorial		23%
Safety and other, net		1%

The business grew where it earns least. Gross margin fell 1.1 points, which on \$12.4M is about \$136K of gross profit.

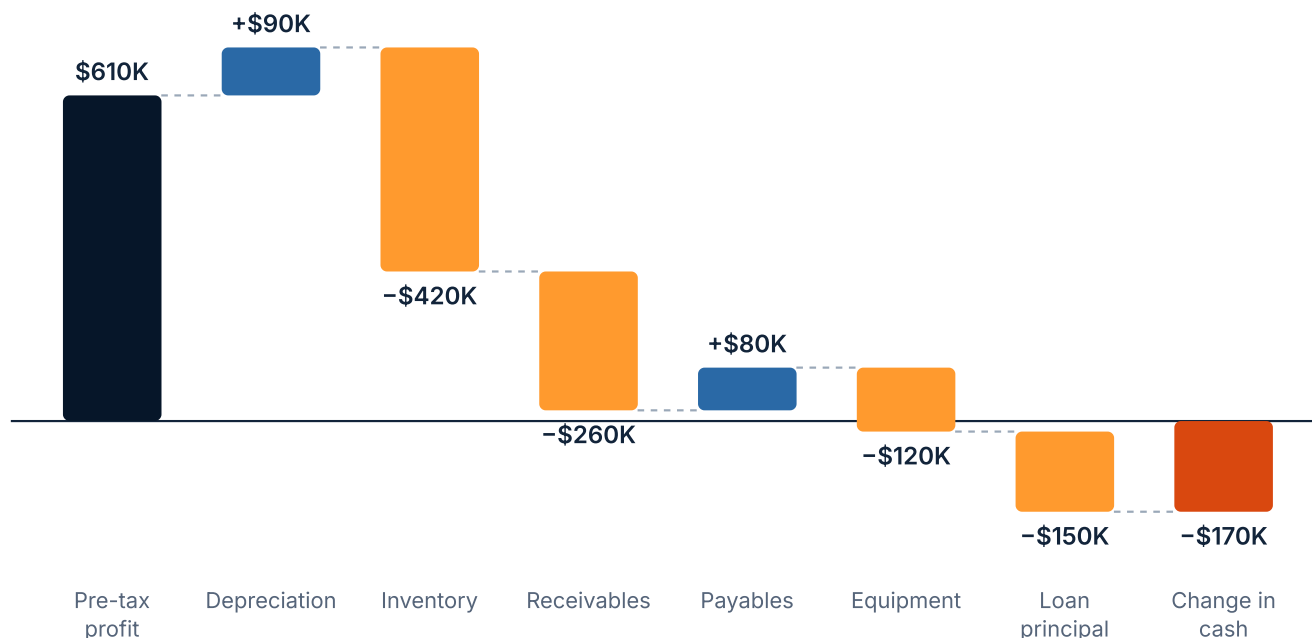
What this means for 2027

Growth in food-service is not the problem. The price it carries is. Its cost rose about 6% in 2026, while prices rose about 2%. The small accounts are a separate question: most of them are profitable on product, but not after the delivery and handling they require.

Why cash did not follow profit.

From \$610K of pre-tax profit to a \$170K drop in cash, US\$ thousands.

PROFIT TO CASH, 2026



Inventory and receivables absorbed \$680K: more than the year's profit.

WORKING CAPITAL, IN DAYS

MEASURE	2025	2026	CASH EFFECT
Inventory days	62	78	-\$420K
Collection days	41	48	-\$260K
Payment days	35	38	+\$80K

WHERE IT COMES FROM

Inventory: about \$250K sits in industrial safety items that have not moved in more than 120 days, in a line whose sales fell 3%.

Receivables: three of the key accounts moved from 30 to 45 days in the second half of the year.

Three decisions for the 2027 budget.

Each one with its estimated effect and what to watch. Ranges, not promises: the result depends on how customers react.

DECISION 1 · SMALL ACCOUNTS

Set a minimum order or a delivery fee for accounts under \$5K a year.

Keeps the accounts that value the service and stops subsidizing the rest.

Watch: how many accounts leave in the first quarter.

+\$60K to \$90K

gross profit a year

DECISION 2 · FOOD-SERVICE PRICING

Raise prices 3% to 4% on the items where cost rose the most.

Closes part of the gap between a 6% cost increase and a 2% price increase.

Watch: volume in the five largest food-service customers.

+\$70K to \$110K

gross profit a year

DECISION 3 · SLOW STOCK

Sell down or return slow-moving industrial safety items, and reorder to demand.

Frees cash that is now sitting on the shelf, before the 2027 buying season.

Watch: inventory days, target 65 by June.

about \$250K

cash within two quarters

What the owner receives

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