

ABC Company

Asset Intensive Business

Profitability, Variance & Break-Even Analysis

13-Month Rolling P&L | January 2025 – January 2026

Executive Summary

- Revenue peaked at \$5.3M in May 2025, then declined to the \$2.9M–\$3.5M range through January 2026.
- Gross profit followed a similar pattern, peaking at \$3.0M (July 2025) before falling to \$1.2M–\$1.9M in H2.
- Net profit was positive in only 4 of 13 months (March–May, July 2025). The remaining 9 months produced net losses.
- The business has been consistently unprofitable since August 2025, with cumulative losses in that period.
- Gross margins compressed from 50–65% in early 2025 to 40–48% in H2, amplifying the impact of lower revenue.
- Contribution margin fell below fixed costs in 7 of the last 9 months — a structural profitability concern.
- Break-even amount nearly doubled from ~\$3.4M (May 2025) to ~\$6.1M (October 2025), driven by margin compression.
- Primary cost escalation: COGS Expense 5 (+\$111K/mo), Variable Expense 13 (+\$53K/mo), COGS Expense 2 (+\$51K/mo).

Section 1 — Revenue & Profit Trend

	Jan 25	Feb 25	Mar 25	Apr 25	May 25	Jun 25	Jul 25	Aug 25	Sep 25	Oct 25	Nov 25	Dec 25	Jan 26
Revenue	\$3,012,136	\$2,848,533	\$4,324,145	\$4,588,413	\$5,302,783	\$3,945,997	\$4,589,446	\$3,649,243	\$3,540,325	\$3,080,848	\$3,442,574	\$2,905,951	\$3,253,382
Gross Profit	\$1,868,764	\$1,016,361	\$2,475,638	\$2,312,716	\$2,663,174	\$2,210,773	\$2,991,913	\$1,487,149	\$1,526,712	\$1,460,928	\$1,577,501	\$1,174,010	\$1,549,002
Net Income/(Loss)	(\$109,841)	(\$876,482)	\$377,430	\$378,274	\$666,147	(\$380,378)	\$822,271	(\$622,576)	(\$717,620)	(\$586,381)	(\$356,711)	(\$1,098,200)	(\$493,785)

* Parentheses indicate negative values. Yellow = Net Income/(Loss) row.

Section 2 — Revenue & Cost of Revenue (13-Month P&L;)

Variance: Early Year (Jan–Mar 2025 avg) vs. Late Year (Nov 2025–Jan 2026 avg)

	Jan 25	Feb 25	Mar 25	Apr 25	May 25	Jun 25	Jul 25	Aug 25	Sep 25	Oct 25	Nov 25	Dec 25	Jan 26	3Mo Avg Early	3Mo Avg Late	\$ Var	% Var
REVENUE	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	0.0%
Revenue Line 1	\$1,617,332	\$1,348,721	\$1,964,698	\$2,759,354	\$2,580,550	(\$65,292)	\$2,703,400	(\$2,974,422)	\$189,315	\$936,046	(\$162,720)	(\$392,210)	\$1,755,013	\$1,643,584	\$400,028	(\$1,243,556)	-75.7%
Revenue Line 2	\$50,000	\$87,000	\$95,000	\$25,000	\$37,000	\$150,000	\$54,000	\$32,000	\$87,000	\$100,000	\$110,000	\$98,000	\$68,000	\$77,333	\$92,000	\$14,667	19.0%
Revenue Line 3	\$24,024	\$77,369	\$81,593	\$24,570	\$130,799	\$64,648	\$26,774	\$352,520	\$303,114	\$26,916	\$12,661	\$49,510	\$76,530	\$60,995	\$46,234	(\$14,762)	-24.2%
Revenue Line 4	\$742,573	\$578,999	\$1,440,423	\$1,081,401	\$1,296,005	\$2,026,365	\$1,181,754	\$3,413,452	\$1,593,915	\$978,437	\$2,028,249	\$1,722,735	\$701,940	\$920,665	\$1,484,308	\$563,643	61.2%
Revenue Line 5	\$578,207	\$756,444	\$742,431	\$698,088	\$1,258,429	\$1,770,276	\$623,518	\$2,825,693	\$1,366,981	\$1,039,449	\$1,454,384	\$1,427,916	\$651,899	\$692,361	\$1,178,066	\$485,706	70.2%
TOTAL REVENUE	\$3,012,136	\$2,848,533	\$4,324,145	\$4,588,413	\$5,302,783	\$3,945,997	\$4,589,446	\$3,649,243	\$3,540,325	\$3,080,848	\$3,442,574	\$2,905,951	\$3,253,382	\$3,394,938	\$3,200,636	(\$194,302)	-5.7%
COST OF REVENUE	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	0.0%
COGS Expense 1	\$93,987	\$129,464	\$94,859	\$78,983	\$61,114	\$46,095	\$75,205	\$145,077	\$68,000	\$161,140	\$72,533	\$99,471	\$68,125	\$106,103	\$80,043	(\$26,060)	-24.6%
COGS Expense 2	\$27,674	\$644,615	\$588,042	\$895,229	\$1,194,664	\$438,931	\$354,814	\$758,208	\$892,312	\$310,574	\$623,977	\$320,610	\$470,118	\$420,110	\$471,568	\$51,458	12.2%
COGS Expense 3	\$21,271	\$38,140	\$31,964	\$87,985	\$28,527	\$31,378	\$75,293	\$119,733	(\$18,898)	\$44,922	\$28,975	\$54,372	\$36,441	\$30,458	\$39,929	\$9,471	31.1%
COGS Expense 4	\$1,700	\$50	\$750	\$28,500	\$1,550	\$20,000	\$15,593	\$23,825	\$550	\$1,650	\$1,770	\$18,135	\$23,429	\$833	\$14,445	\$13,611	1633.4%
COGS Expense 5	\$998,740	\$1,019,903	\$1,132,892	\$1,185,000	\$1,353,754	\$1,198,820	\$1,076,628	\$1,115,251	\$1,071,649	\$1,101,634	\$1,137,818	\$1,239,353	\$1,106,267	\$1,050,512	\$1,161,146	\$110,634	10.5%
TOTAL COST OF REVENUE	\$1,143,372	\$1,832,172	\$1,848,507	\$2,275,697	\$2,639,609	\$1,735,224	\$1,597,533	\$2,162,094	\$2,013,613	\$1,619,920	\$1,865,073	\$1,731,941	\$1,704,380	\$1,608,017	\$1,767,131	\$159,114	9.9%

Variance Commentary — Revenue & COGS

Total Revenue: Revenue declined ~6% (\$194K/month) from early-year to late-year averages, driven by a sharp drop in Revenue Line 1.

COGS Expense 2: Primary driver of margin compression — increased \$51K/month (+12%), consuming a larger share of revenue.

COGS Expense 5: Largest single COGS driver — rose \$111K/month (+11%), weighing heavily on contribution margin.

Note: COGS Expense 2 and COGS Expense 5 are identified as primary drivers of the decrease in contribution margin.

Section 3 — Variable Costs (13-Month P&L;)

Variance: Early Year (Jan–Mar 2025 avg) vs. Late Year (Nov 2025–Jan 2026 avg)

	Jan 25	Feb 25	Mar 25	Apr 25	May 25	Jun 25	Jul 25	Aug 25	Sep 25	Oct 25	Nov 25	Dec 25	Jan 26	3Mo Avg Early	3Mo Avg Late	\$ Var	% Var
VARIABLE COSTS	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	0.0%
Variable Expense 1	\$223,765	\$135,014	\$256,270	\$125,547	\$144,686	\$228,887	\$190,240	\$144,810	\$161,578	\$165,150	\$154,898	\$278,006	\$212,684	\$205,016	\$215,196	\$10,180	5.0%
Variable Expense 2	\$22,683	\$11,111	\$28,294	\$49,816	\$58,607	\$49,058	\$32,293	\$21,880	\$5,338	\$21,637	\$13,138	\$11,956	\$18,091	\$20,696	\$14,395	(\$6,301)	-30.4%
Variable Expense 3	\$4,859	\$12,561	\$25,129	\$2,604	\$7,323	\$12,279	\$8,182	\$13,510	\$16,224	\$31,105	\$18,557	\$19,957	\$26,200	\$14,183	\$21,571	\$7,388	52.1%
Variable Expense 4	\$33,102	\$14,488	\$17,040	\$15,775	\$42,825	\$15,867	\$38,449	\$61,253	\$17,318	\$93,365	\$24,134	\$48,927	\$24,246	\$21,543	\$32,436	\$10,892	50.6%
Variable Expense 5	\$241,481	\$285,173	\$122,641	\$108,687	\$79,172	\$424,517	\$88,269	\$99,208	\$261,184	\$61,302	\$57,308	\$79,764	\$41,134	\$216,432	\$59,402	(\$157,030)	-72.6%
Variable Expense 6	\$15,610	\$115,815	\$67,498	\$134,711	\$103,892	\$233,327	\$98,997	\$66,228	\$101,389	\$88,867	\$109,121	\$150,000	\$58,784	\$66,308	\$105,968	\$39,661	59.8%
Variable Expense 7	\$25,950	\$6,854	\$5,866	\$5,516	\$6,210	\$4,831	\$11,702	\$4,577	\$1,760	\$3,151	\$8,875	\$6,238	\$25,791	\$12,890	\$13,635	\$745	5.8%
Variable Expense 8	\$31,577	\$5,491	\$5,755	\$1,571	\$10,896	\$5,568	\$5,756	\$5,814	(\$19,293)	\$5,881	\$5,994	\$15,985	\$6,003	\$14,274	\$9,327	(\$4,947)	-34.7%
Variable Expense 9	\$13,074	\$11,612	\$21,613	\$20,479	\$19,662	\$24,173	\$10,780	\$31,705	\$26,141	\$32,161	\$16,590	\$28,337	\$39,048	\$15,433	\$27,992	\$12,559	81.4%
Variable Expense 11	\$9,354	\$10,270	\$15,618	\$22,140	\$7,998	\$10,885	\$9,437	\$13,420	\$8,737	\$7,931	\$9,265	\$7,342	\$11,804	\$11,747	\$9,470	(\$2,277)	-19.4%
Variable Expense 12	\$3,354	\$3,559	\$3,389	\$3,494	\$3,307	\$3,229	\$2,449	\$2,449	\$2,473	\$2,966	\$1,965	\$3,037	\$2,207	\$3,434	\$2,403	(\$1,031)	-30.0%
Variable Expense 13	\$172,595	\$162,334	\$163,341	\$162,719	\$164,205	\$301,572	\$299,683	\$260,630	\$257,238	\$199,196	\$195,487	\$223,432	\$239,490	\$166,090	\$219,470	\$53,380	32.1%
Variable Expense 14	\$40,839	\$10,351	\$9,688	\$26,873	\$9,196	\$27,329	\$9,621	\$25,515	\$17,593	\$38,945	\$16,459	\$28,509	\$22,738	\$20,293	\$22,569	\$2,276	11.2%
Variable Expense 15	\$10,304	\$9,955	\$9,305	\$10,676	\$20,461	\$9,653	\$8,814	\$9,230	\$9,264	\$13,926	\$12,052	\$13,505	\$10,614	\$9,855	\$12,057	\$2,202	22.3%
Variable Expense 16	\$939	\$916	\$2,256	\$1,336	\$1,683	\$743	\$936	\$1,042	\$1,348	\$1,235	\$1,620	\$1,493	\$1,387	\$1,370	\$1,500	\$130	9.5%
Variable Expense 17	\$8,061	\$1,685	\$535	\$5,444	\$5,001	\$3,690	\$5,888	\$335	\$5,470	\$6,871	\$10,057	\$590	\$2,301	\$3,427	\$4,316	\$889	25.9%
Variable Expense 18	\$5,228	\$335	\$551	\$2,992	\$335	\$1,177	\$1,522	\$384	\$335	\$1,950	\$335	\$7,437	\$688	\$2,038	\$2,820	\$782	38.4%
Variable Expense 19	\$1,123	\$1,086	\$1,069	\$1,081	\$1,125	\$1,144	\$1,150	\$1,081	\$1,212	\$1,077	\$1,108	\$1,369	\$1,238	\$1,093	\$1,238	\$146	13.3%
Variable Expense 20	\$4,335	\$416	\$7,881	\$6,834	\$5,489	\$810	\$4,199	\$1,504	\$1,485	\$599	\$2,432	\$354	\$335	\$4,211	\$1,040	(\$3,170)	-75.3%
TOTAL VARIABLE COST	\$868,233	\$799,026	\$763,739	\$708,295	\$692,073	\$1,358,739	\$828,367	\$764,575	\$876,794	\$777,315	\$659,395	\$926,238	\$744,783	\$810,333	\$776,805	(\$33,527)	-4.1%

Variance Commentary — Variable Costs

Variable Expense 5: Decreased \$157K/month — the single largest offsetting factor that partially masked worsening margins elsewhere.

Variable Expense 13: Rose \$53K/month (+32%) — a primary driver of contribution margin compression.

Variable Expense 6: Increased \$40K/month (+60%) — the highest growth rate among variable expenses.

Total Variable Cost: Total variable costs declined modestly (\$34K/month), but as a % of revenue the ratio worsened as revenue fell faster.

Section 4 — Contribution Margin & Fixed Costs

Variance: Early Year (Jan–Mar 2025 avg) vs. Late Year (Nov 2025–Jan 2026 avg)

	Jan 25	Feb 25	Mar 25	Apr 25	May 25	Jun 25	Jul 25	Aug 25	Sep 25	Oct 25	Nov 25	Dec 25	Jan 26	3Mo Avg Early	3Mo Avg Late	\$ Var	% Var
CONTRIBUTION TO FIXED EXPENSES	\$1,000,531	\$217,335	\$1,711,899	\$1,604,421	\$1,971,101	\$852,034	\$2,163,546	\$722,574	\$649,918	\$683,613	\$918,106	\$247,772	\$804,219	\$976,588	\$656,699	(\$319,889)	-32.8%
Contribution Margin %	87.5%	11.9%	92.6%	70.5%	74.7%	49.1%	135.4%	33.4%	32.3%	42.2%	49.2%	14.3%	47.2%	0.0%	0.0%	\$0	0.0%
FIXED COSTS	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	0.0%
Salaries	\$207,994	\$196,400	\$205,095	\$271,761	\$218,764	\$216,597	\$203,375	\$219,143	\$193,207	\$201,255	\$219,638	\$242,009	\$213,459	\$203,163	\$225,035	\$21,872	10.8%
Benefits	\$171,277	\$157,396	\$207,685	\$213,420	\$260,568	\$203,687	\$259,024	\$291,314	\$259,551	\$247,111	\$208,120	\$279,347	\$201,105	\$178,786	\$229,524	\$50,738	28.4%
Rent	\$29,994	\$29,994	\$29,994	\$29,994	\$29,994	\$29,994	\$29,994	\$30,259	\$30,259	\$30,259	\$30,259	\$30,259	\$30,259	\$29,994	\$30,259	\$265	0.9%
Utilities	\$5,365	\$4,571	\$10,188	\$6,021	\$9,811	\$6,052	\$13,521	\$7,188	\$4,684	\$9,141	\$3,960	\$8,437	\$6,010	\$6,708	\$6,136	(\$572)	-8.5%
Equipment	\$33,031	\$33,031	\$33,031	\$33,031	\$32,525	\$32,525	\$32,525	\$32,525	\$32,525	\$32,525	\$32,525	\$32,525	\$32,525	\$33,031	\$32,525	(\$506)	-1.5%
Trucks	\$30,309	\$30,309	\$30,483	\$30,483	\$30,483	\$30,483	\$30,483	\$30,483	\$24,093	\$24,093	\$24,093	\$22,487	\$22,487	\$30,367	\$23,022	(\$7,345)	-24.2%
Lease Expense	\$458,918	\$458,918	\$612,988	\$548,285	\$548,285	\$548,285	\$548,285	\$548,285	\$573,680	\$522,890	\$548,285	\$543,110	\$511,968	\$510,275	\$534,454	\$24,180	4.7%
Depreciation A	\$9,705	\$9,705	\$9,705	\$9,705	\$9,705	\$9,705	\$9,470	\$9,470	\$9,470	\$6,871	\$6,538	\$6,538	\$7,709	\$9,705	\$6,928	(\$2,777)	-28.6%
Depreciation B	\$12,000	\$12,000	\$12,000	\$12,000	\$12,000	\$12,000	\$12,000	\$12,000	\$12,000	\$12,000	\$12,000	\$12,000	\$12,000	\$12,000	\$12,000	\$0	0.0%
Depreciation C	\$14,716	\$14,225	\$14,225	\$14,225	\$13,559	\$13,559	\$12,870	\$12,870	\$12,870	\$12,870	\$12,870	\$12,870	\$12,870	\$14,389	\$12,870	(\$1,519)	-10.6%
Other Fixed Expense	\$66,354	\$61,222	\$93,509	\$100,863	\$116,397	\$86,507	\$97,721	\$51,424	\$108,671	\$66,049	\$69,988	\$66,059	\$70,260	\$73,695	\$68,769	(\$4,926)	-6.7%
TOTAL FIXED EXPENSE	\$1,039,663	\$1,007,771	\$1,258,903	\$1,269,788	\$1,282,091	\$1,189,394	\$1,249,268	\$1,244,961	\$1,261,010	\$1,165,064	\$1,168,276	\$1,255,641	\$1,120,652	\$1,102,112	\$1,181,523	\$79,411	7.2%

Contribution Margin & Break-Even Insights

- Contribution margin % dropped from ~29% (early 2025) to ~20% (late 2025) — a 9 percentage-point decline.
- Revenue fell 6% (~\$194K/month), but contribution margin fell 33% (~\$320K/month) — margin % is the dominant problem.
- Total fixed costs remained relatively stable at \$1.0M–\$1.3M/month, creating a widening gap when CM fell.
- Contribution margin fell below fixed costs in 7 of the last 9 months, meaning the business did not cover its fixed base.
- Fixed costs actually declined modestly from ~\$1.27M/mo (May 2025) to ~\$1.18M/mo (Jan 2026), which partially mitigated losses.

Section 5 — Operating & Net Income/(Loss)

Variance: Early Year (Jan–Mar 2025 avg) vs. Late Year (Nov 2025–Jan 2026 avg)

	Jan 25	Feb 25	Mar 25	Apr 25	May 25	Jun 25	Jul 25	Aug 25	Sep 25	Oct 25	Nov 25	Dec 25	Jan 26	3Mo Avg Early	3Mo Avg Late	\$ Var	% Var
CONTRIBUTION MARGIN	\$1,000,531	\$217,335	\$1,711,899	\$1,604,421	\$1,971,101	\$852,034	\$2,163,546	\$722,574	\$649,918	\$683,613	\$918,106	\$247,772	\$804,219	\$976,588	\$656,699	(\$319,889)	-32.8%
Total Fixed Expense	\$1,039,663	\$1,007,771	\$1,258,903	\$1,269,788	\$1,282,091	\$1,189,394	\$1,249,268	\$1,244,961	\$1,261,010	\$1,165,064	\$1,168,276	\$1,255,641	\$1,120,652	\$1,102,112	\$1,181,523	\$79,411	7.2%
OPERATING INCOME/(LOSS)	(\$39,132)	(\$790,436)	\$452,996	\$334,633	\$689,010	(\$337,360)	\$914,278	(\$522,387)	(\$611,092)	(\$481,451)	(\$250,170)	(\$1,007,869)	(\$316,433)	(\$125,524)	(\$524,824)	(\$399,300)	318.1%
OTHER INCOME/EXPENSE	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	0.0%
Miscellaneous	\$54,871	\$72,183	\$65,192	(\$52,435)	\$44,750	\$24,202	\$54,434	\$67,013	\$23,514	\$52,441	\$51,196	\$35,740	\$126,422	\$64,082	\$71,119	\$7,037	11.0%
Gains on Sale	\$0	\$0	(\$5,000)	(\$15,000)	(\$50,000)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	(\$1,667)	\$0	\$1,667	-100.0%
Interest Expense	\$15,838	\$13,863	\$15,374	\$23,794	\$28,113	\$18,816	\$37,573	\$33,176	\$83,014	\$52,489	\$55,345	\$54,591	\$50,930	\$15,025	\$53,622	\$38,597	256.9%
TOTAL OTHER INCOME	\$70,709	\$86,046	\$75,566	(\$43,641)	\$22,863	\$43,018	\$92,007	\$100,189	\$106,528	\$104,930	\$106,541	\$90,331	\$177,352	\$77,440	\$124,741	\$47,301	61.1%
NET INCOME/(LOSS)	(\$109,841)	(\$876,482)	\$377,430	\$378,274	\$666,147	(\$380,378)	\$822,271	(\$622,576)	(\$717,620)	(\$586,381)	(\$356,711)	(\$1,098,200)	(\$493,785)	(\$202,964)	(\$649,565)	(\$446,601)	220.0%

Operating & Net Income Commentary

Operating Income/Loss: Operating losses worsened materially in H2 2025. The company moved from an operating gain of \$914K (July 2025) to a loss of \$1.0M (December 2025).

Interest Expense: Interest expense grew significantly — from ~\$15K/month (early 2025) to ~\$54K/month (late 2025), a 257% increase.

Net Income/Loss: Net loss worsened by \$447K/month comparing early vs. late year averages. The trailing 3-month net loss exceeded \$649K/month.

Other Income: Miscellaneous other income was relatively stable but insufficient to offset operating losses.

Section 6 — Break-Even Analysis (Trailing 3-Month)

	Mar 25	Apr 25	May 25	Jun 25	Jul 25	Aug 25	Sep 25	Oct 25	Nov 25	Dec 25	Jan 26
Trailing 3-Mo Fixed Costs	\$1,102,112	\$1,178,821	\$1,270,261	\$1,247,091	\$1,240,251	\$1,227,874	\$1,251,746	\$1,223,678	\$1,198,117	\$1,196,327	\$1,181,523
Trailing 3-Mo CM %	28.8%	30.0%	37.2%	32.0%	36.0%	30.7%	30.0%	20.0%	22.4%	19.6%	20.5%
Trailing Break-Even Revenue	\$3,831,300	\$3,923,478	\$3,415,122	\$3,897,464	\$3,441,743	\$4,002,313	\$4,169,734	\$6,112,375	\$5,355,012	\$6,099,307	\$5,758,536

Break-Even Commentary

- Break-even nearly doubled from ~\$3.4M (May 2025) to ~\$6.1M (October 2025) before easing to ~\$5.8M by January 2026.
- The rise is NOT primarily driven by declining revenue — it is driven by contribution margin % compression.
- Trailing 3-month CM% collapsed from 37.2% (May 2025) to 19.6% (December 2025), requiring far more revenue to cover fixed costs.
- Variable costs became less efficient — COGS and variable expenses consumed a larger share of each revenue dollar.
- Fixed costs declined modestly, providing a small cushion but insufficient to offset the CM% deterioration.
- Critical risk: actual revenue of \$3.0M–\$3.4M is well below the break-even threshold of \$5.8M–\$6.1M — a ~\$2.5M shortfall.

Section 7 — Break-Even Sensitivity: Profit/(Loss) by Revenue & Variable Cost %

The table below shows projected Profit/(Loss) across a range of Revenue levels (rows) and Variable Cost % assumptions (columns), holding Fixed Costs constant at \$1,120,652. Green cells indicate profit; red cells indicate loss. This sensitivity matrix helps identify the revenue and cost efficiency combinations required to achieve break-even.

VC % →	63%	64%	65%	66%	67%	68%	69%	70%	71%	72%	73%	74%	75%	76%	77%	78%
\$3,000,000	(\$10,652)	(\$40,652)	(\$70,652)	(\$100,652)	(\$130,652)	(\$160,652)	(\$190,652)	(\$220,652)	(\$250,652)	(\$280,652)	(\$310,652)	(\$340,652)	(\$370,652)	(\$400,652)	(\$430,652)	(\$460,652)
\$3,100,000	\$26,348	(\$4,652)	(\$35,652)	(\$66,652)	(\$97,652)	(\$128,652)	(\$159,652)	(\$190,652)	(\$221,652)	(\$252,652)	(\$283,652)	(\$314,652)	(\$345,652)	(\$376,652)	(\$407,652)	(\$438,652)
\$3,200,000	\$63,348	\$31,348	(\$652)	(\$32,652)	(\$64,652)	(\$96,652)	(\$128,652)	(\$160,652)	(\$192,652)	(\$224,652)	(\$256,652)	(\$288,652)	(\$320,652)	(\$352,652)	(\$384,652)	(\$416,652)
\$3,300,000	\$100,348	\$67,348	\$34,348	\$1,348	(\$31,652)	(\$64,652)	(\$97,652)	(\$130,652)	(\$163,652)	(\$196,652)	(\$229,652)	(\$262,652)	(\$295,652)	(\$328,652)	(\$361,652)	(\$394,652)
\$3,400,000	\$137,348	\$103,348	\$69,348	\$35,348	\$1,348	(\$32,652)	(\$66,652)	(\$100,652)	(\$134,652)	(\$168,652)	(\$202,652)	(\$236,652)	(\$270,652)	(\$304,652)	(\$338,652)	(\$372,652)
\$3,500,000	\$174,348	\$139,348	\$104,348	\$69,348	\$34,348	(\$652)	(\$35,652)	(\$70,652)	(\$105,652)	(\$140,652)	(\$175,652)	(\$210,652)	(\$245,652)	(\$280,652)	(\$315,652)	(\$350,652)
\$3,600,000	\$211,348	\$175,348	\$139,348	\$103,348	\$67,348	\$31,348	(\$4,652)	(\$40,652)	(\$76,652)	(\$112,652)	(\$148,652)	(\$184,652)	(\$220,652)	(\$256,652)	(\$292,652)	(\$328,652)
\$3,700,000	\$248,348	\$211,348	\$174,348	\$137,348	\$100,348	\$63,348	\$26,348	(\$10,652)	(\$47,652)	(\$84,652)	(\$121,652)	(\$158,652)	(\$195,652)	(\$232,652)	(\$269,652)	(\$306,652)
\$3,800,000	\$285,348	\$247,348	\$209,348	\$171,348	\$133,348	\$95,348	\$57,348	\$19,348	(\$18,652)	(\$56,652)	(\$94,652)	(\$132,652)	(\$170,652)	(\$208,652)	(\$246,652)	(\$284,652)
\$3,900,000	\$322,348	\$283,348	\$244,348	\$205,348	\$166,348	\$127,348	\$88,348	\$49,348	\$10,348	(\$28,652)	(\$67,652)	(\$106,652)	(\$145,652)	(\$184,652)	(\$223,652)	(\$262,652)
\$4,000,000	\$359,348	\$319,348	\$279,348	\$239,348	\$199,348	\$159,348	\$119,348	\$79,348	\$39,348	(\$652)	(\$40,652)	(\$80,652)	(\$120,652)	(\$160,652)	(\$200,652)	(\$240,652)
\$4,100,000	\$396,348	\$355,348	\$314,348	\$273,348	\$232,348	\$191,348	\$150,348	\$109,348	\$68,348	\$27,348	(\$13,652)	(\$54,652)	(\$95,652)	(\$136,652)	(\$177,652)	(\$218,652)
\$4,200,000	\$433,348	\$391,348	\$349,348	\$307,348	\$265,348	\$223,348	\$181,348	\$139,348	\$97,348	\$55,348	\$13,348	(\$28,652)	(\$70,652)	(\$112,652)	(\$154,652)	(\$196,652)
\$4,300,000	\$470,348	\$427,348	\$384,348	\$341,348	\$298,348	\$255,348	\$212,348	\$169,348	\$126,348	\$83,348	\$40,348	(\$2,652)	(\$45,652)	(\$88,652)	(\$131,652)	(\$174,652)
\$4,400,000	\$507,348	\$463,348	\$419,348	\$375,348	\$331,348	\$287,348	\$243,348	\$199,348	\$155,348	\$111,348	\$67,348	\$23,348	(\$20,652)	(\$64,652)	(\$108,652)	(\$152,652)
\$4,500,000	\$544,348	\$499,348	\$454,348	\$409,348	\$364,348	\$319,348	\$274,348	\$229,348	\$184,348	\$139,348	\$94,348	\$49,348	\$4,348	(\$40,652)	(\$85,652)	(\$130,652)
\$4,600,000	\$581,348	\$535,348	\$489,348	\$443,348	\$397,348	\$351,348	\$305,348	\$259,348	\$213,348	\$167,348	\$121,348	\$75,348	\$29,348	(\$16,652)	(\$62,652)	(\$108,652)
\$4,700,000	\$618,348	\$571,348	\$524,348	\$477,348	\$430,348	\$383,348	\$336,348	\$289,348	\$242,348	\$195,348	\$148,348	\$101,348	\$54,348	\$7,348	(\$39,652)	(\$86,652)
\$4,800,000	\$655,348	\$607,348	\$559,348	\$511,348	\$463,348	\$415,348	\$367,348	\$319,348	\$271,348	\$223,348	\$175,348	\$127,348	\$79,348	\$31,348	(\$16,652)	(\$64,652)
\$4,900,000	\$692,348	\$643,348	\$594,348	\$545,348	\$496,348	\$447,348	\$398,348	\$349,348	\$300,348	\$251,348	\$202,348	\$153,348	\$104,348	\$55,348	\$6,348	(\$42,652)
\$5,000,000	\$729,348	\$679,348	\$629,348	\$579,348	\$529,348	\$479,348	\$429,348	\$379,348	\$329,348	\$279,348	\$229,348	\$179,348	\$129,348	\$79,348	\$29,348	(\$20,652)
\$5,100,000	\$766,348	\$715,348	\$664,348	\$613,348	\$562,348	\$511,348	\$460,348	\$409,348	\$358,348	\$307,348	\$256,348	\$205,348	\$154,348	\$103,348	\$52,348	\$1,348
\$5,200,000	\$803,348	\$751,348	\$699,348	\$647,348	\$595,348	\$543,348	\$491,348	\$439,348	\$387,348	\$335,348	\$283,348	\$231,348	\$179,348	\$127,348	\$75,348	\$23,348
\$5,300,000	\$840,348	\$787,348	\$734,348	\$681,348	\$628,348	\$575,348	\$522,348	\$469,348	\$416,348	\$363,348	\$310,348	\$257,348	\$204,348	\$151,348	\$98,348	\$45,348
\$5,400,000	\$877,348	\$823,348	\$769,348	\$715,348	\$661,348	\$607,348	\$553,348	\$499,348	\$445,348	\$391,348	\$337,348	\$283,348	\$229,348	\$175,348	\$121,348	\$67,348
\$5,500,000	\$914,348	\$859,348	\$804,348	\$749,348	\$694,348	\$639,348	\$584,348	\$529,348	\$474,348	\$419,348	\$364,348	\$309,348	\$254,348	\$199,348	\$144,348	\$89,348

Green cells: Profitable — revenue and cost structure supports profitability at those assumptions.

Red cells (light): Small loss — near break-even; moderate improvements in either revenue or costs close the gap.

Red cells (dark): Significant loss — requires substantial revenue growth or cost reduction to achieve break-even.

Current position: Revenue ~\$3.25M, Variable Cost ~75–80%, Fixed Costs \$1.12M → consistent loss territory.

Section 8 — Key Line Items as % of Revenue

The following table shows selected income statement line items expressed as a percentage of revenue each month. This view highlights how cost efficiency evolved over the 13-month period.

Line Item	Jan 25	Feb 25	Mar 25	Apr 25	May 25	Jun 25	Jul 25	Aug 25	Sep 25	Oct 25	Nov 25	Dec 25	Jan 26
Revenue Line 1	53.7%	47.3%	45.4%	60.1%	48.7%	-1.7%	58.9%	-81.5%	5.3%	30.4%	-4.7%	-13.5%	53.9%
Total Revenue	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
COGS Expense 2	0.9%	22.6%	13.6%	19.5%	22.5%	11.1%	7.7%	20.8%	25.2%	10.1%	18.1%	11.0%	14.5%
COGS Expense 5	33.2%	35.8%	26.2%	25.8%	25.5%	30.4%	23.5%	30.6%	30.3%	35.8%	33.1%	42.6%	34.0%
Total COGS	38.0%	64.3%	42.7%	49.6%	49.8%	44.0%	34.8%	59.2%	56.9%	52.6%	54.2%	59.6%	52.4%
Variable Expense 5	8.0%	10.0%	2.8%	2.4%	1.5%	10.8%	1.9%	2.7%	7.4%	2.0%	1.7%	2.7%	1.3%
Variable Expense 13	5.7%	5.7%	3.8%	3.5%	3.1%	7.6%	6.5%	7.1%	7.3%	6.5%	5.7%	7.7%	7.4%
Total Variable Cost	28.8%	28.1%	17.7%	15.4%	13.1%	34.4%	18.0%	21.0%	24.8%	25.2%	19.2%	31.9%	22.9%
Total Fixed Expense	34.5%	35.4%	29.1%	27.7%	24.2%	30.1%	27.2%	34.1%	35.6%	37.8%	33.9%	43.2%	34.4%
Net Income/(Loss)	-3.6%	-30.8%	8.7%	8.2%	12.6%	-9.6%	17.9%	-17.1%	-20.3%	-19.0%	-10.4%	-37.8%	-15.2%

% of Revenue — Key Observations

- COGS Expense 5 was consistently the largest cost item, consuming 26–43% of revenue across the period.
- Total COGS as % of revenue increased from ~38% (Jan 2025) to ~52–60% in H2, a structural shift.
- Total Variable Cost ranged from 13% to 34% of revenue — significant monthly volatility driven by Variable Expense 5 and 13.
- Total Fixed Expense as % of revenue ranged from 24% to 43%, inversely correlated with revenue levels.
- Net Income/(Loss) was only positive in months with the highest revenue (Mar–May, Jul 2025).

Profitability Analysis & Scenario Modeling

4 Months Where the Company Operated Profitably: March, April, May and July 2025

- Revenue of \$4.3M+
- Total Variable Costs 53% – 65% of Revenue
- Fixed Cost base of \$1.25M to \$1.28M+ (by January 2026, reduces to \$1.12M)

Scenario Modeling

Assuming that the fixed cost base, as of January 2026, persists at \$1.12M:

	Scenario 1 — Favorable Cost Structure	Scenario 2 — Elevated Cost Structure
Variable Cost Band	63% – 67% of Revenue	73% – 78%+ of Revenue

Context	Variable costs trend as they did in early 2025, when the company was operating profitably.	Variable costs remain at the elevated levels seen in the latter part of 2025.
Revenue Required for Profitability	\$3.3M+ per month	\$4.5M – \$5.1M+ per month
Key Takeaway	Restoring variable cost efficiency to early-2025 levels reduces the revenue hurdle by ~\$1.2M–\$1.8M per month — a more achievable near-term target.	Sustaining current cost inefficiency requires revenue to nearly return to peak (May 2025) levels just to break even — a significantly more challenging target.

Note: Break-even revenue = Fixed Costs ÷ (1 – Variable Cost %). At \$1.12M fixed costs and 65% VC%: $\$1.12M \div 0.35 = \$3.20M$. At 75% VC%: $\$1.12M \div 0.25 = \$4.48M$. At 78% VC%: $\$1.12M \div 0.22 = \$5.09M$.

ABC Company

Month-End Close Variance Framework — Applied to the January 2026 Close

Section 9 — Month-End Close Variance Framework (New)

This section adds a repeatable, month-end variance methodology on top of the 13-month analysis in Sections 1–8. Rather than a single two-point comparison, each line item is measured against **two trailing baselines calculated from the twelve months immediately prior to the month being closed** (the current month itself is excluded from its own baseline), so a manager can tell a one-month blip from a real shift before it reaches a board deck.

Why Two Trailing Windows

Trailing 12-Month Average

Smooths seasonality and gives a stable "normal" for the line. Slow to react — a real structural shift takes months to move it.

Trailing 3-Month Average

Reacts quickly to recent change. Noisier on its own, but confirms whether a 12-month flag is a lasting shift or something already fading.

When a line clears the threshold against **both** windows in the same direction, that's a **Structural Drift** — worth a real explanation. When only the 12-month window flags it, the 3-month average says the recent trend is already back to normal — worth a one-line note, not an alarm.

Materiality: Two Conditions, Not One

A flat percentage-of-revenue threshold treats a \$5,000 line the same as a \$500,000 line. Every flag here has to clear **both** a percentage-point threshold *and* a minimum dollar impact — calculated by applying the trailing-12 rate to the current month's actual revenue, so the dollar figure isolates the rate change from the revenue change. Thresholds are tiered by category (tighter for Revenue and COGS, which move the P&L most; looser for smaller Variable and Fixed lines) and live in editable cells in the companion workbook, not buried in formulas.

Category	% of Revenue Threshold	\$ Impact Floor
Revenue	2.0%	\$30,000
COGS	2.0%	\$30,000
Variable Costs	3.0%	\$15,000
Fixed Costs	2.0%	\$10,000

Direction is category-aware: a revenue line running below trend is unfavorable; a cost line running above trend is unfavorable. The reverse of either is flagged favorable, not ignored — management still wants to know what's driving an upside.

Data Quality Alert — Why the Framework Isn't Applied Blindly

Revenue Line 1 would show a +33.2 percentage-point "favorable" flag against its trailing-12 average — and that flag would be wrong. Five of the twelve trailing months contain large negative values (likely credits, returns, or contra-revenue entries — e.g. -\$2,974,422 in August 2025, -\$392,210 in December 2025), which drag the trailing average down to an artificially low 20.7% of revenue. January 2026's normal \$1,755,013 then looks like a huge beat against that distorted baseline, when it may simply be a normal month compared against a corrupted average.

This is the reason the framework flags a line for review rather than silently trusting the arithmetic: the calculation is correct, but the input data needs a human to look at it before the flag means anything. The companion workbook marks this line's "Negative Month in Trailing 12" column TRUE and carries a note directing the reviewer to investigate those months before relying on this baseline.

Real Signals From the January 2026 Close

Line Item	Current % of Rev	Trailing-12 Avg	Trailing-3 Avg	Var vs T12	\$ Impact (T12)	Signal
Revenue Line 4	21.6%	41.0%	50.0%	-19.4 pt	(\$631,726)	STRUCTURAL DRIFT
Revenue Line 5	20.0%	33.5%	41.7%	-13.4 pt	(\$436,582)	STRUCTURAL DRIFT
COGS Expense 5	34.0%	31.1%	37.2%	+2.9 pt	\$95,973	ELEVATED vs ANNUAL — IMPROVING

Revenue Line 4 and Revenue Line 5 are down against *both* trailing windows, in the same direction and by a widening margin — the clearest kind of real, structural signal this framework is built to surface, and it's consistent with the erosion already visible in Sections 1–2's early-year-vs-late-year view.

COGS Expense 5 tells a more useful story than a single-window view would: it's still running 2.9 points above its annual average (an unfavorable, material gap worth a line in the write-up), but the trailing 3-month average shows it has already improved 3.1 points from where it was a year ago — recent corrective action, if any was taken, appears to be working. A single early-vs-late comparison (Section 2) would have called this a flat "primary cost driver" without surfacing that it's trending the right way.

Flagged Items Summary — January 2026 Close

Signal	Count
Structural Drift	2
Anomaly vs Annual — Verify	0
Emerging — Recent Only	0
Improving / Favorable (incl. the Revenue Line 1 data-quality case)	3

Of 40 line items screened, 5 cleared both the percentage and dollar materiality bars this month — a short, explainable list rather than the full 40-line P&L, which is the point of the exercise.

What the Framework Delegates, and What It Doesn't

The full line-by-line calculation — current month %, both trailing averages, variances, implied-normal dollars, thresholds, and flags — runs as live formulas in the companion workbook (tab "*MEC Variance Framework*") and recalculates automatically if the underlying P&L changes. What it does not do, and isn't meant to: it identifies *where* a variance is and whether it's structural or transient — it does not explain *why*. The "why" (a lost customer, a pricing action, a vendor contract change) has to come from someone who knows the business; folding that causal story into the same automated pass is where a convenient-sounding but unverified explanation is most likely to slip through unchallenged.

Methodology and thresholds are illustrative for this fictitious dataset and should be recalibrated to the scale and volatility of the business being reviewed.