
Performance Review

Provided By



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Report prepared for:

Industry: 238990 - All Other Specialty Trade Contractors
 Sales Range: Yearly sales \$1 Million to \$10 Million
 Comparing To: Private Company Data
 Current Location: All Areas

INDUSTRY FINANCIAL DATA AND RATIOS

Green: Company metrics highlighted in green are within the top 20% of the industry.

Red: Company metrics highlighted in red are within the bottom 20% of the industry.

Industry Data

(Number of Financial Statements)

Industry-Specific Key Performance Indicators (KPIs)	Company Data	Recent 12 Months	Distance from Industry	2020	2000-Present
Billings in Excess of Cost to Total Assets	6.78%	8.80% (43)	-23%	8.50% (47)	7.80% (2693)
Costs and Earnings in Excess of Billings to Total Assets	1.20%	5.50% (45)	-78%	6.00% (48)	6.40% (2556)
Direct Labor Ratio	16.43%	22.40% (69)	-27%	22.40% (78)	22.40% (2450)
Direct Materials to Sales	47.52%	30.30% (74)	57%	29.70% (83)	29.50% (4104)
Subcontractor Expense to Sales	0.64%	8.30% (49)	-92%	8.10% (55)	10.00% (2077)

Financial Metric	Company Data	Recent 12 Months (555)	Distance from Industry	2020 (599)	2000-Present (30147)
Current Ratio	3.05	3.82	-20%	3.72	2.97
Quick Ratio	2.90	3.06	-5%	2.99	2.34
Gross Profit Margin	-41.97%	38.15%	-210%	37.91%	33.79%
Net Profit Margin	12.69%	8.54%	49%	8.19%	4.85%
Inventory Days	1.56	29.49	-95%	28.85	24.85
Accounts Receivable Days	14.52	61.39	-76%	61.35	59.21
Accounts Payable Days	2.14	26.52	-92%	26.82	28.72
Interest Coverage Ratio	15.92	14.90	7%	14.33	14.70
Debt-to-Equity Ratio	0.38	1.77	-79%	1.79	1.90
Return on Equity	26.31%	48.11%	-45%	47.80%	37.76%
Return on Assets	21.16%	24.69%	-14%	24.30%	17.52%
Gross Fixed Asset Turnover	2.69	6.27	-57%	6.28	6.86
Sales Growth	-8.86%	5.09%	-274%	5.31%	10.95%
Profit Growth	17.34%	32.39%	-46%	31.84%	19.73%

INDUSTRY DATA COMMON SIZE

Industry Data (Number of Financial Statements)

Financial Metric	Company Data	Recent 12 Months (555)	2020 (599)	2019 (1387)	2000-Present (30147)
Sales (Income)	100.00%	100.00%	100.00%	100.00%	100.00%
Cost of Sales (COGS)	141.97%	61.85%	62.09%	62.05%	66.21%
Gross Profit	-41.97%	38.15%	37.91%	37.95%	33.79%
Depreciation	0.00%	0.87%	0.89%	1.41%	1.43%
Amortization	0.00%	0.00%	0.00%	0.00%	0.00%
Overhead or S,G,& A Expenses	27.96%	24.80%	24.94%	24.30%	23.72%
Other Operating Income	3.37%	0.00%	0.00%	0.00%	0.00%
Other Operating Expenses	0.00%	3.56%	3.50%	4.60%	3.33%
Operating Profit	-66.57%	8.92%	8.58%	7.63%	5.31%
Interest Expense	0.40%	0.43%	0.45%	0.58%	0.50%
Other Income	9.78%	0.09%	0.10%	0.10%	0.10%
Other Expenses	0.09%	0.04%	0.04%	0.07%	0.06%
Net Profit Before Taxes	5.97%	8.54%	8.19%	7.08%	4.84%
Adjusted Owner's Compensation	6.72%	0.00%	0.00%	0.00%	0.01%
Adjusted Net Profit Before Taxes	12.69%	8.54%	8.19%	7.08%	4.85%
EBITDA	6.37%	9.84%	9.53%	9.07%	6.78%
Taxes Paid	0.08%	0.88%	1.06%	1.28%	1.29%
Extraordinary Gain	5.42%	--	--	--	--
Extraordinary Loss	0.00%	--	--	--	--
Net Income	11.31%	7.67%	7.14%	5.80%	3.55%
Financial Metric	Company Data	Recent 12 Months (555)	2020 (599)	2019 (1387)	2000-Present (30147)
Cash (Bank Funds)	40.77%	17.96%	17.73%	12.75%	11.84%
Accounts Receivable	7.44%	35.12%	35.32%	36.98%	39.82%
Inventory	1.13%	1.31%	1.28%	1.40%	1.72%
Other Current Assets	1.20%	3.79%	3.81%	3.34%	4.06%
Total Current Assets	50.55%	68.64%	68.74%	64.43%	66.79%
Gross Fixed Assets	69.44%	72.08%	71.18%	79.36%	74.94%
Accumulated Depreciation	20.34%	45.48%	44.57%	50.62%	47.70%
Net Fixed Assets	49.10%	26.60%	26.61%	28.74%	27.24%
Gross Intangible Assets	0.60%	0.01%	0.01%	0.02%	0.01%
Accumulated Amortization	0.54%	0.01%	0.01%	0.01%	0.01%
Net Intangible Assets	0.06%	0.04%	0.04%	0.04%	0.04%
Other Assets	0.29%	4.76%	4.65%	6.83%	5.97%
Total Assets	100.00%	100.00%	100.00%	100.00%	100.00%
Accounts Payable	1.56%	9.90%	10.55%	12.45%	15.22%

Short Term Debt	0.00%	0.63%	0.59%	0.42%	0.32%
Notes Payable / Current Portion of Long Term Debt	1.08%	1.78%	1.77%	2.06%	2.07%
Other Current Liabilities	13.96%	11.41%	11.39%	10.65%	12.76%
Total Current Liabilities	16.60%	35.18%	35.92%	40.00%	42.99%
Notes Payable / Senior Debt	0.00%	10.14%	9.59%	9.19%	7.04%
Notes Payable / Subordinated Debt	13.67%	0.11%	0.11%	0.09%	0.08%
Other Long Term Liabilities	0.00%	1.08%	1.12%	0.71%	1.17%
Total Long Term Liabilities	13.67%	29.60%	29.53%	32.56%	26.89%
Total Liabilities	30.27%	64.78%	65.45%	72.56%	69.89%
Preferred Stock	0.00%	0.00%	0.00%	0.00%	0.00%
Common Stock	0.00%	0.55%	0.56%	0.63%	0.81%
Additional Paid-in Capital	0.00%	2.39%	2.33%	2.87%	2.62%
Other Stock / Equity	0.00%	1.80%	1.60%	0.31%	1.42%
Ending Retained Earnings	80.45%	30.16%	30.02%	24.92%	24.27%
Total Equity	80.45%	35.22%	34.55%	27.44%	30.11%
Total Liabilities + Equity	110.72%	100.00%	100.00%	100.00%	100.00%

INDUSTRY DATA COMMON SIZE SUB ACCOUNTS

Industry Data (Number of Financial Statements)

Financial Metric	Company Data	Recent 12 Months	2020	2019	2000-Present
Depreciation (COGS-related)	0.17%	3.49% (49)	3.59% (52)	2.77% (106)	2.83% (1653)
Direct Materials	47.52%	30.83% (72)	30.24% (82)	32.46% (144)	30.63% (2541)
Direct Labor	16.43%	22.39% (69)	22.38% (78)	22.70% (126)	22.37% (2450)
Subcontractor Expense	0.64%	8.30% (49)	8.10% (55)	9.90% (95)	10.00% (2077)
G & A Payroll Expense	3.48%	15.39% (363)	15.02% (392)	14.31% (934)	14.08% (17430)
Rent	7.25%	1.70% (360)	1.71% (390)	1.63% (994)	1.65% (17757)
Advertising	0.04%	0.45% (287)	0.46% (314)	0.45% (805)	0.45% (15468)
Financial Metric	Company Data	Recent 12 Months	2020	2019	2000-Present
Costs and Earnings in Excess of Billings	1.20%	5.50% (45)	6.00% (48)	5.90% (82)	6.40% (2556)
Billings in Excess of Costs	6.78%	8.80% (43)	8.50% (47)	8.80% (89)	7.80% (2693)

COMPANY-SPECIFIC / INDUSTRY RECOMMENDATIONS

LIQUIDITY

What are some potential ways to improve the company's ability to meet obligations as they come due?

- ▶ Establish contractual agreements that allow as much collection up front as possible for large jobs. This will ensure that the job is being completed with funds provided by the customer instead of the business.
- ▶ Complete jobs on a timely basis because penalties and lost business elsewhere can start to drain the money coming into the business.
- ▶ Keep an accurate payables schedule on a week by week basis to help the business avoid any late charges or double billings.
- ▶ Sell any unnecessary or unproductive assets the business may have to increase cash. These are assets that are not contributing sufficiently to the generation of income and cash flow.
- ▶ Prepare yearly forecasts that show cash flow levels at various points in time. Consider updating these forecasts on a monthly or bi-weekly basis to help predict/prepare for potential future cash shortfalls.
- ▶ Monitor accounts receivable on a weekly basis and charge interest on invoices that are past due.
- ▶ Speed up the billing of customers (even three days earlier each month) in order to accelerate the collection process. Generally, receiving payments at the rate that services are performed is ideal.
- ▶ Use trade credit or vendor financing when reasonable and feasible. This is typically free debt and a good source of short-term financing because it does not carry interest.
- ▶ Consider providing different credit terms to different customers based upon credit-worthiness (risk) and the overall relationship involved. Make sure giving credit will increase revenues/income and be cost effective.
- ▶ Monitor invoicing procedures to help ensure correctness in order to avoid delayed payments from customers.
- ▶ If the business is having difficulty meeting obligations, term out some short-term debt, if necessary and possible, by moving some short-term debt down the Balance Sheet to long-term debt. This usually requires refinancing from the bank.
- ▶ If cash is a constraint, try to establish a sufficient line of credit from the bank. The business should obtain, but not necessarily use, as much financing as possible from the bank. If you decide to obtain external financing, structure it as long-term rather than short-term in order to decrease monthly payments.
- ▶ Use a monthly or bi-monthly payroll schedule if possible to allow funds to stay in the business longer.
- ▶ Monitor the impact that tax payments may have on cash. Keep enough money aside to be able to meet future tax obligations based on earnings.
- ▶ Set longer terms for Accounts Payable when possible and allowable by the vendor. For example, increase a 30 day payment window to 60 days.
- ▶ Discover ways to receive returns on excess cash balances. For example, set up a "sweep" account (allows fund transfer overnight into a higher yielding account) at the bank so that interest can be earned on any excess funds in the checking account.

- ▶ Eliminate or reduce unnecessary overhead or fixed costs to reduce monthly expenses.

PROFITS & PROFIT MARGIN

What are some things the company might do to develop favorable profitability trends?

- ▶ Manage inventory and supplies so that theft and loss are less likely to happen. A good way to do this is to take an inventory of tools and materials at the beginning and end of each day.
- ▶ Submit bids that not only cover direct labor and material costs, but also include a portion of overhead and account for increases in expenses.
- ▶ Conduct a gain/fade analysis to review performance. Trends in gain/fade can indicate areas of concern regarding bidding and job management as well as track whether the business is on target to meet projected profit goals.
- ▶ Track the effectiveness of advertising by the additional jobs generated from the campaign. Send surveys to customers to determine where to find new business and then focus advertising efforts there.
- ▶ Monitor the costs going into all office supplies. With more important costs being monitored closely, many businesses forget to look at this smaller cost, and often allow it to be higher than necessary.
- ▶ Reduce payroll costs, including any overtime expenses, by maintaining an ideal number of employees and monitoring the number of hours that each employee works.
- ▶ Enroll the business in an insurance program that provides appropriate coverage at a good cost. Meet with insurance agents to determine ways to reduce costs by evaluating coverage and deductibles.
- ▶ Monitor the amount of money that is being used for activities unrelated to the business.
- ▶ Invest in activities that can yield positive returns, such as advertising and employee training.
- ▶ Generate accurate financial reports on a timely basis -- within 40 days of the end of the financial period. This will help ensure the usefulness of the data for examination purposes.
- ▶ Find low cost, reliable suppliers that provide quality tools, materials, and volume discounts, if applicable. By searching multiple qualified suppliers, the business is more likely to get the best prices through competition.
- ▶ Create good monthly budgets with cost reduction goals, broken down by account, that are put right into an accounting system (chart of accounts) allowing management to have the ability to pull "variance reports".

SALES

What are some things the company can consider to encourage sales growth?

- ▶ Have an attractive web presence. This will potentially increase revenue by providing an extra forum for the business to feature its services, past projects, testimonials, and awards won. If applicable, offer an online payment option to customers so the business may receive payments faster.
- ▶ Ensure that marketing materials are consistent throughout the business by looking across all materials at one time. Layouts in materials should be the same and main themes should be presented. Build an image

and a brand so that people will recognize the business and be attracted to it.

- ▶ Be sure to subscribe to and READ the trade journals that are relevant to your specialty trade in the construction industry. Typically, there is no greater source of specific operational information than a trade journal and there are many ideas that can help managers increase sales and keep customers.
- ▶ Service the customer in a manner that provides the highest potential for repeat business. Work to meet the specific needs of customers. Answer questions promptly, knowledgeably, and politely during the job and send thank-you notes after the completion of the job.
- ▶ Compare the business to similar contractors in the area and work to meet and exceed industry standards, therefore improving the business's competitive position and customer retention.
- ▶ Build a network of referral sources to help increase business. Referral sources include realtors, lawyers, accountants, chamber of commerce members, suppliers, and general contractors not in direct competition with your business. These types of people know of transactions and customers that could represent opportunities.
- ▶ Diversify the types of construction projects accepted by the business in order to increase the size of the potential customer base.
- ▶ Follow up with customers and quickly fix any problems with the work completed. This is a good way to create quality and differentiate the business from competitors who are not as prompt.
- ▶ Establish a unique selling feature for the construction company which will make the customer remember the business. By doing so, the business can generate increased demand and possibly decrease marketing and sales costs/efforts.