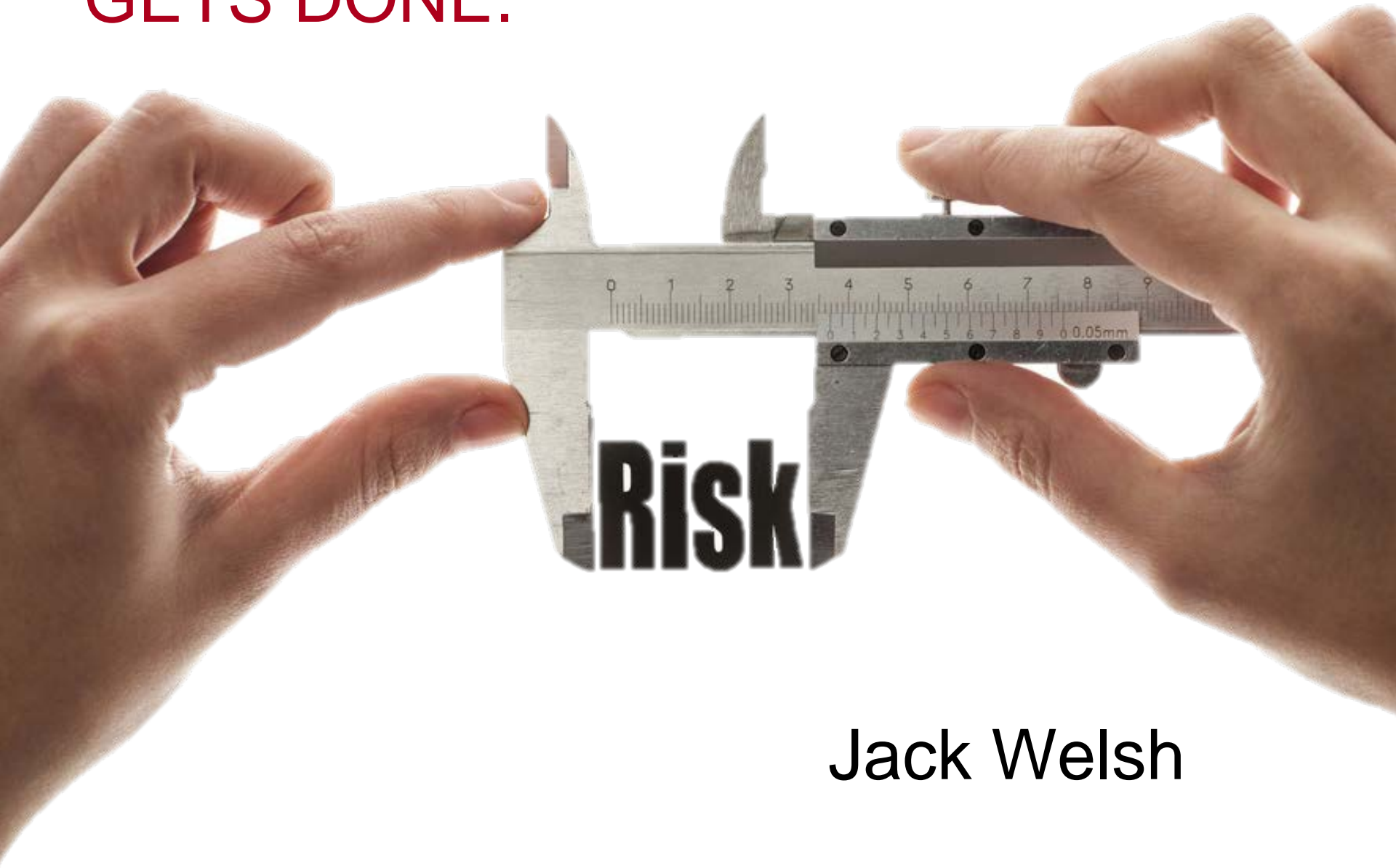


BENCHMARKING:

Charting a Course for a Strong and Growing Business



WHAT GETS MEASURED
GETS DONE.



Jack Welsh

BENCHMARKING PROCESS

FOUR MAIN ELEMENTS

TREND ANALYSIS	COMMON SIZE ANALYSIS	PERCENTAGE CHANGE ANALYSIS	INDUSTRY ANALYSIS
Performance over time, internally based metrics	Balance sheet and income statements using percentages	Growth in revenue and expense categories over time	Financial ratios as compared to specific industry

BENCHMARKING PROCESS

FOUR MAIN ELEMENTS

TREND ANALYSIS

PERFORMANCE OVER TIME, BOTH HISTORIC AND FORECASTED

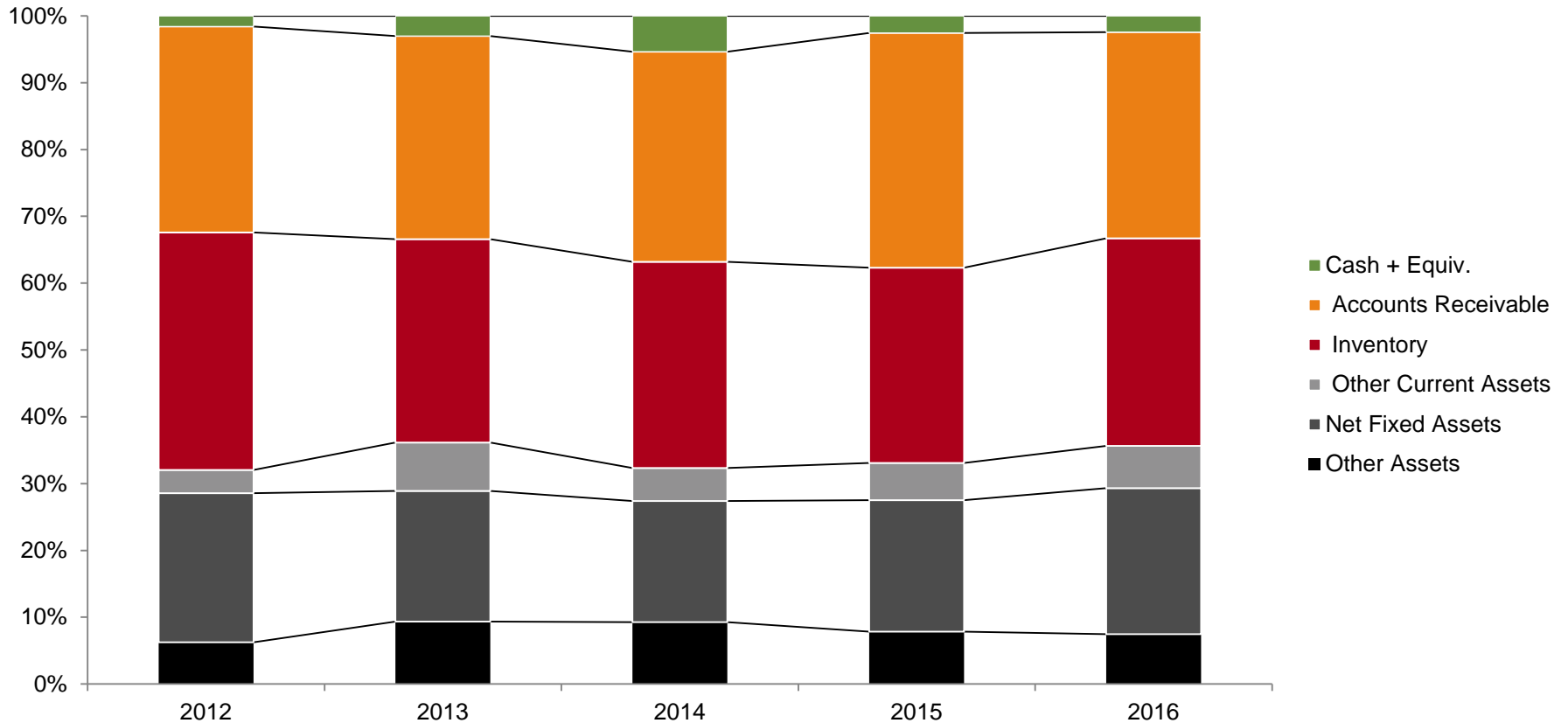
- Can be done on an absolute or relative basis
- Looking for consistency over time
- Understanding how the company performs within the economy

BENCHMARKING PROCESS

FOUR MAIN ELEMENTS

TREND ANALYSIS

Asset Composition over Time

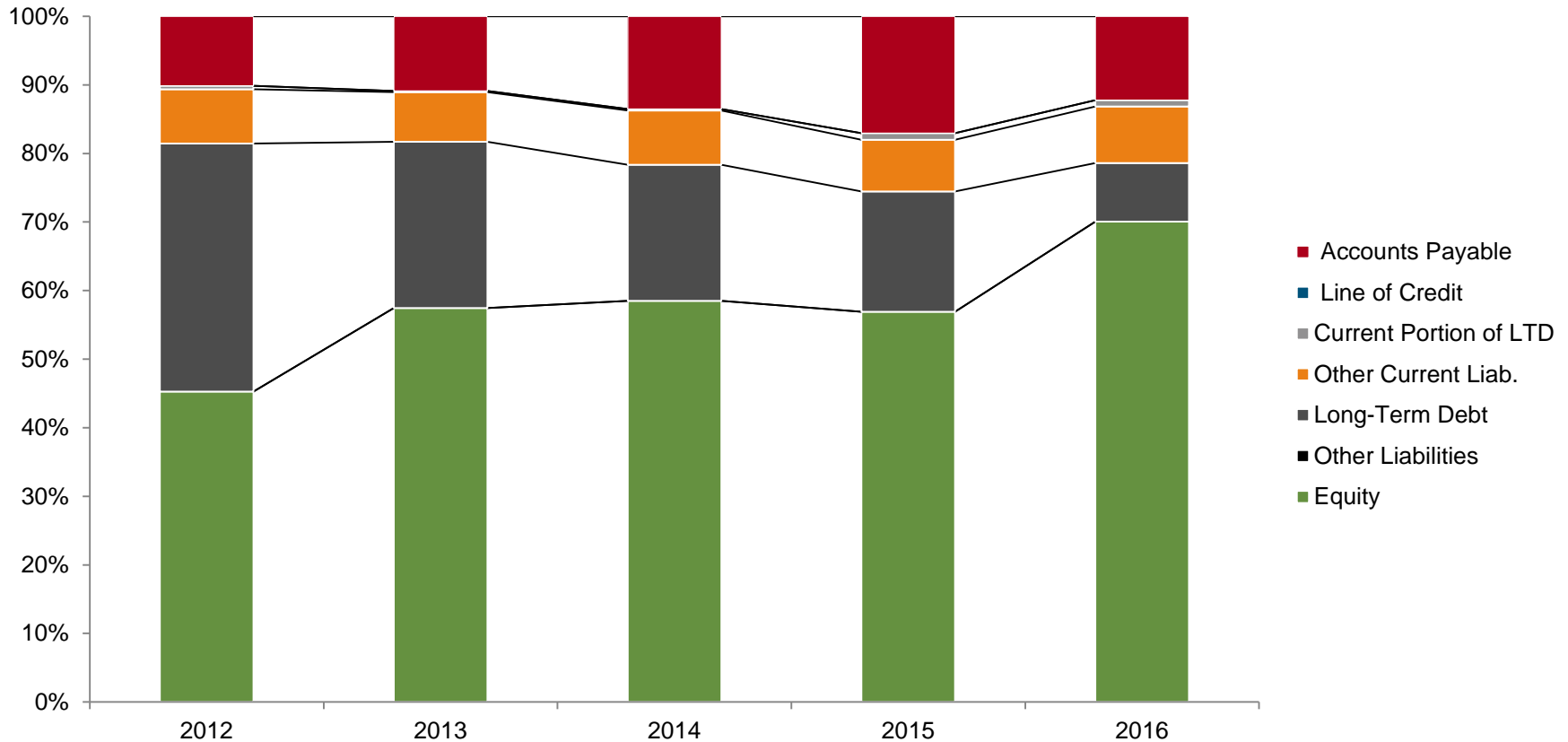


BENCHMARKING PROCESS

FOUR MAIN ELEMENTS

TREND ANALYSIS

Composition of Liabilities and Equity over Time

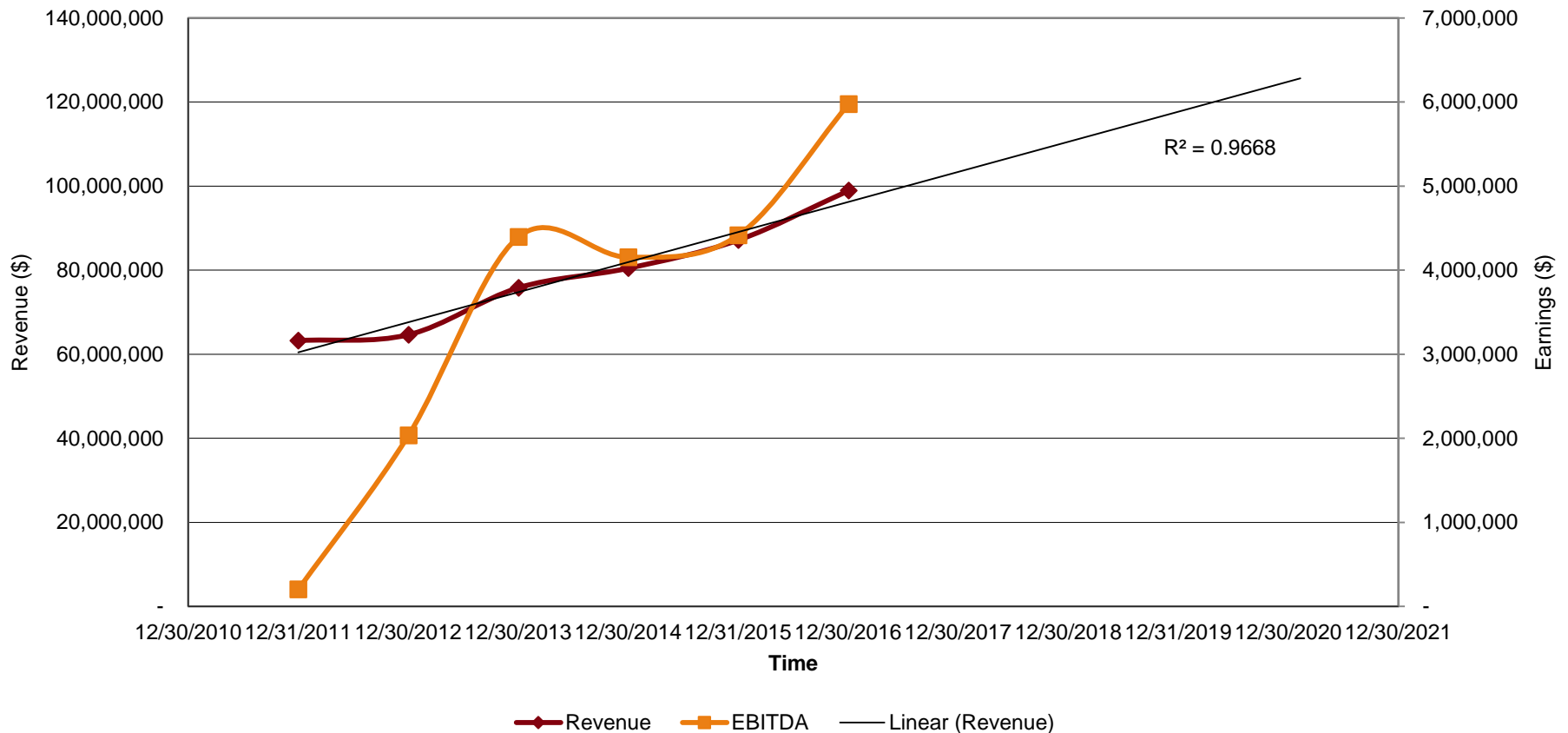


BENCHMARKING PROCESS

FOUR MAIN ELEMENTS

TREND ANALYSIS

Trends in benefit streams over time



BENCHMARKING PROCESS

FOUR MAIN ELEMENTS

COMMON SIZE ANALYSIS

FINANCIAL STATEMENTS ON A PERCENTAGE BASIS

- Balance sheet presented as a percent of assets
 - Relationships over time – useful for forecasting
- Income statement presented as a percent of revenue
 - COGS as a percent of revenue
 - Operating expenses
 - Other expenses

BENCHMARKING PROCESS

FOUR MAIN ELEMENTS

PERCENTAGE CHANGE ANALYSIS

TRACKING CHANGES IN FINANCIAL STATEMENTS

- What tracks as a percentage of growth in revenue?
 - COGS?
 - Working capital (inventory, accounts receivable, accounts payable)?
- What tracks based on other factors?
 - Fuel expenses?
 - Overhead based on CPI?
 - Healthcare expenses?

BENCHMARKING PROCESS

FOUR MAIN ELEMENTS

INDUSTRY ANALYSIS

FINANCIAL RATIOS AS COMPARED TO PEERS

- Primarily looking at performance in four broad areas:
 - Liquidity
 - Leverage/Coverage (capital structure)
 - Profitability
 - Working Capital and Operating Efficiency
- Do you have the right industry?

BENCHMARKING PROCESS

FOUR MAIN ELEMENTS

INDUSTRY ANALYSIS

Index of Company Ratios to BizMiner Benchmarks						
	2016	2015	2014	2013	2012	2011
Liquidity/Solvency						
Quick Ratio	1.75	1.66	1.87	2.15	1.88	1.91
Current Ratio	1.41	1.23	1.43	1.65	1.53	1.62
Days Accounts Receivable Outstanding	0.69	0.85	0.72	0.69	0.83	0.78
Days Accounts Payable	0.44	0.67	0.51	0.39	0.46	0.64
Days Inventory	0.32	0.32	0.33	0.32	0.40	0.48
Coverage/Leverage Ratios						
Interest Coverage Ratio (EBITDA/Interest Expense)	3.11	1.98	1.35	3.26	0.81	0.06
Current Assets to Short Term Debt	1.55	1.33	1.54	1.85	1.61	1.80
Accounts Payable to Total Liabilities	1.63	1.58	1.28	0.97	0.82	2.66
Long Term Debt to Total Assets	0.43	0.85	0.94	1.17	1.55	0.07
Total Liabilities to Assets	0.60	0.86	0.83	0.84	1.09	0.39
Total Liabilities to Inventory	0.61	0.93	0.87	0.91	1.02	0.36
Total Liabilities to Net Worth	0.42	0.75	0.71	0.72	1.20	0.23
Profitability						
Gross Margin	0.90	0.90	0.89	0.93	0.89	0.89
EBITDA to Sales	0.95	0.80	0.99	1.61	0.49	0.05
Operating Margin	1.06	0.84	1.23	3.00	0.45	0.15
Pre-Tax Return on Assets	2.00	1.46	2.05	3.45	0.55	0.32
Pre-Tax Return on Net Worth	1.42	1.27	1.76	2.97	0.61	0.19
Pre-Tax Return on Sales	0.96	0.75	1.03	1.70	0.30	0.21
Working Capital						
Working Capital to Sales	0.73	0.75	0.76	0.79	0.78	1.09
Net Income to Working Capital	1.16	0.89	1.21	1.92	0.34	0.17
Inventory to Working Capital	0.63	0.63	0.63	0.57	0.74	0.64
Operating Efficiency						
Operating Expenses to Sales	0.88	0.92	0.85	0.83	0.96	1.08
Depreciation and Amortization to Sales	0.70	0.71	0.59	0.66	0.59	0.56
Sales to Total Assets	2.10	1.95	1.98	2.04	1.83	1.53
Sales to Fixed Assets	2.24	2.32	2.39	2.26	1.90	1.71
Sales to Net Worth	1.49	1.71	1.70	1.75	2.02	0.88
Inventory to Cost of Sales	0.45	0.45	0.46	0.44	0.55	0.67

- Using an index is an easy way to look at performance against peers
- Looking for trends
- Look for stable metrics – operating margin, pre-tax measures

Benchmarking can be a critical element to improving financial performance

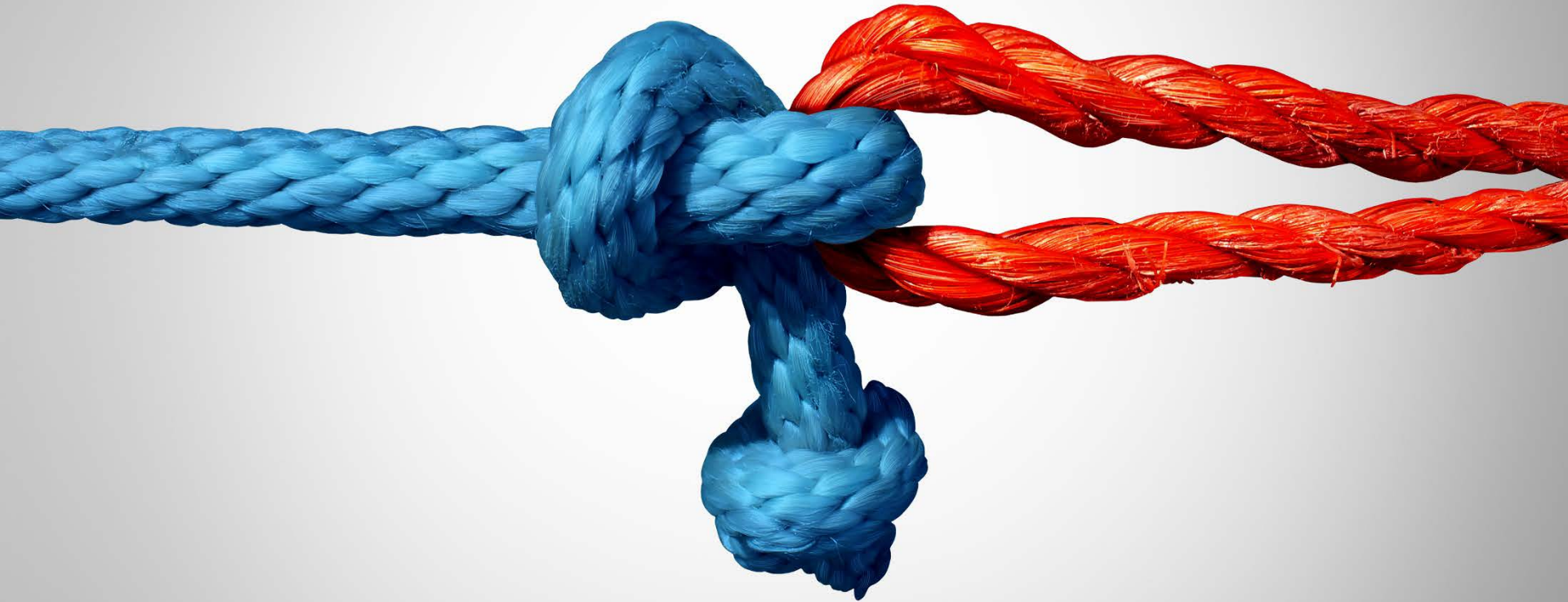


DATA SOURCES

- Industry trade groups
- Publicly traded companies
- Data aggregators
- Yahoo/Google



WHAT STORY DOES THE DATA SUGGEST?



HOW DOES ALL THIS IMPACT VALUE?

- Risk assessment
- Income approach
- Market approach



QUESTIONS?

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