2017 Financial Ratios & Operational Benchmarking Survey Completion Guide and Worksheets

Thank you for your participation! Before you begin completing the online 2017 Financial Ratios & Operational Benchmarking Survey, please use this guide as a workbook to help you calculate your answers in advance. This guide can then serve as a template for you for years to come.

Please submit your survey responses online by April 21, 2017. Once submitted, all responses are final and you will not be able to make any changes.

All data will remain confidential. Survey results will be available in June 2017 and will report anonymous, combined data from all survey respondents. Company contact information will be used only for sending a copy of the published results.

For assistance, email your request to juliem@fmanet.org or call customer service at 888-394-4362.
SURVEY INSTRUCTIONS

Information you need to complete the survey:

- Detailed 2016 Income Statements: Monthly and End of Year
- 2016 Balance Sheets: Monthly and End of Year
- Quotation logs, Bookings logs, Invoice register
- Payroll and Headcount logs

Details about the Survey Questions:

- “Balance Sheet” means end of 2016 Balance Sheet. Exceptions are noted in the examples.
- “Income Statement” means the end of year Detailed 2016 Income Statement representing totals for the year.
- Key numbers and expressions that are used in multiple questions are:
  - 2016 Sales
  - Total Assets
  - 2016 Operating Margin: (Sales - Cost of Goods sold – SG&A expenses)
- "K" means thousand. Example: $5000K means $5,000,000.
- Each question will provide the necessary formula, the source where the necessary data can be found, and sample calculations.
- All answers are numbers, including answers that are percentages. Generally when the answer is a percentage, you will calculate a ratio that will give you a number that is less than 1. This number will then be multiplied by 100 to give you a percentage.
- DO NOT enter any symbols, including % or $.

Instructions:

1. Report data as of your company's 2016 fiscal year end.
2. Format your answer as indicated.
   - Enter numerical values only.
   - Use decimals only where indicated.
   - Do not use symbols or commas. Simply report the number.
   - Report monetary data according to U.S. dollar value.
3. All survey sections must be completed in full to be eligible to receive results.
4. If you do not currently collect or track the data required to answer a question, simply leave the answer blank. You may leave up to four questions blank.
5. All surveys must be completed and submitted by April 21, 2017.
6. To review any questions or responses before submission, use the Back button.
7. To finish entering survey responses at a later time, simply close the survey Web page. You may return to the survey using the link provided.
PART III - LIQUIDITY

Current Ratio
Total Current Assets / Total Current Liabilities

Source: Balance Sheet

Example:

<table>
<thead>
<tr>
<th>Current Assets = $1200K. Current Liabilities = $1000K</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current Ratio = $1200K/$1000K = 1.2</td>
</tr>
</tbody>
</table>

My number – to one decimal place: _____________

Quick Ratio
(Total Current Assets - Inventory) / Total Current Liabilities

Source: Balance Sheet

Example:

<table>
<thead>
<tr>
<th>Current Assets = $1200K. Inventory = $400K. Current Liabilities = $1000K</th>
</tr>
</thead>
<tbody>
<tr>
<td>Quick Ratio = ($1200K - $400K) / $1000K = 0.80</td>
</tr>
</tbody>
</table>

My number – to two decimal places: _____________

Total Assets / Total Sales
(Total Assets / 2016 Sales) x 100

Source: Balance Sheet and Income Statement

Example:

<table>
<thead>
<tr>
<th>Total Assets = $3500K. 2016 Sales = $5000K</th>
</tr>
</thead>
<tbody>
<tr>
<td>$3500K / $5000K = 0.70 x 100 = 70(%)</td>
</tr>
</tbody>
</table>

My percentage to two decimal places (do not enter % sign): _______________
PART IV - PROFITABILITY

**Gross Profit Margin (GPM)**

\[
\text{GPM} = \frac{(\text{Total Sales} - \text{Total Cost of Goods Sold})}{\text{Total Sales}} \times 100
\]

Source: Income Statement

*Example:*

2016 Sales = $5000K. Cost of Goods Sold = $3800K
GPM = ($5000K - $3800K) / $5000K = $1200K / $5000K = 0.24.
GPM % = 0.24 x 100 = 24%

*My percentage to two decimal places (do not enter % sign): _______________

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**Sales Growth**

\[
\text{Sales Growth} = \frac{(\text{Current Year}'s \text{ Sales} - \text{Last Year}'s \text{ Sales})}{\text{Last Year}'s \text{ Sales}} \times 100
\]

Source: Income Statements, 2016 and 2015

*Example:*

2016 Sales = $5000K. 2015 Sales = $4600K
Sales Growth % = (($5000K - $4600K) / $4600K) x 100 = 8.7%

*My percentage to one decimal place (do not enter % sign): _______________

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**Operating Profit Margin (OPM)**

\[
\text{OPM} = \frac{(\text{Total Sales} - \text{Total Cost of Goods Sold} - \text{Total SG&A})}{\text{Total Sales}} \times 100
\]

*Note: SG&A represents Sales, General, and Administrative Costs*

Source: Income Statement

*Example:*

2016 Sales = $5000K. Cost of Goods Sold = $3800K. SG&A = $850K
OPM % = (($5000K - $3800K - $850K) / $5000K) x 100 = 7.0%

*My percentage to one decimal place (do not enter % sign): _______________
Operating Return on Equity (OROE)
(Total Sales - Total Cost of Goods Sold - Total SG&A) / Equity \( \times 100 \)

Source: Balance Sheet and Income Statement

Example:

\[
\text{2016 Sales } = $5000K. \text{ Cost of Goods Sold } = $3800K. \text{ SG&A } = $850K. \text{ Equity } = $800K \\
\text{OROE } \% = \left( \frac{($5000K - $3800K - $850K)}{800K} \right) \times 100 = 43.8\%
\]

My percentage to one decimal place (do not enter % sign): _______________

Operating Return on Investment (OROI)
(Total Sales - Total Cost of Goods Sold - Total SG&A) / (Equity + Outstanding Debt) \( \times 100 \)

(Do NOT include accounts payable)

Source: Balance Sheet and Income Statement

Example:

\[
\text{2016 Sales } = $5000K. \text{ Cost of Goods Sold } = $3800K. \text{ SG&A } = $850K. \text{ Equity } = $800K. \text{ Non-trade Debt } = $1000K \\
\text{OROI } \% = \left( \frac{($5000K - $3800K - $850K)}{(800K + 1000K)} \right) \times 100 = 19.4\%
\]

My percentage to one decimal place (do not enter % sign): _______________

Operating Return on Net Assets (ORONA)
(Total Sales - Total Cost of Goods Sold - Total SG&A) / (Total Assets - Accumulated Depreciation) \( \times 100 \)

Source: Balance Sheet and Income Statement

Example:

\[
\text{2016 Sales } = $5000K. \text{ Cost of Goods Sold } = $3800K. \text{ SG&A } = $850K. \text{ Total Assets } = $3500K. \text{ Accum. Depreciation } = $500K \\
\text{ORONA} \% = \left( \frac{($5000K - $3800K - $850K)}{3500K - 500K} \right) \times 100 = 11.7\%
\]

My percentage to one decimal place (do not enter % sign): _______________
Operating Return on Total Gross Assets (OROTGA)

(Total Sales - Total Cost of Goods Sold - Total SG&A) / Total Gross Assets x 100

*Total Gross Assets are the amount that was* originally paid *for the assets.*

Source: Balance Sheet and Income Statement

*Example:*

<table>
<thead>
<tr>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>OROTGA% = ((5000K - 3800K - 850K) / 3500K) x 100 = 10.0%</td>
</tr>
</tbody>
</table>

My percentage to one decimal place (do not enter % sign): _______________

Earnings before Interest, Taxes, Depreciation, and Amortization (EBITDA)

(Net Income + Interest Expense + Income Taxes + Depreciation Expenses + Amortization) / Sales x 100

Source: Balance Sheet and Income Statement

*Example:*

<table>
<thead>
<tr>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>EBITDA% = ($150K + 500K + 80K + 75K + 25K) / 5000K x 100 = 16.6%</td>
</tr>
</tbody>
</table>

My percentage to one decimal place (do not enter % sign): _______________
PART V – ASSET MANAGEMENT

Inventory Turnover
Cost of Goods Sold / Average $ Value of Inventory
*Inventory includes raw materials, work in progress, and finished products.*

Source: 2016 Monthly Balance Sheets and 2016 Income Statement

Example:

| Average Inventory | (Sum of Inventories on Monthly Balance Sheets) / 12 = $400K Cost of Goods Sold = $3800K | Inventory Turns = $3800K / $400K = 9.5 |

My number to one decimal place: _______________

Days in Accounts Receivable (DAR)
365 / (Total Sales / Average Accounts Receivable)

Source: 2016 Monthly Balance Sheets and 2016 Income Statement

Example:

| Average AR | (Sum of AR on Monthly Balance Sheets) / 12 = $600K. 2016 Sales = $5000K | Total Sales / Average AR = $5000K/$600K = 8.3. DAR = 365/8.3 = 44 (days) |

My number (no decimal): _______________

Days in Accounts Payable (DAP)
365 / (Total Cost of Goods Sold / Average Accounts Payable)

Source: 2016 Monthly Balance Sheets and 2016 Income Statement

Example:

| Average AP | (Sum of AP on Monthly Balance Sheets) / 12 = $520K. 2016 Cost of Goods Sold = $5000K | Total Cost of Goods Sold / Average AP = $5000K/$520K = 9.6 | DAP = 365/9.6 = 38 (days) |

My number (no decimal): _______________
### PART VI – DEBT MANAGEMENT

#### Debt Ratio

Total Debt / Total Assets

Source: Balance Sheet

*Example:*

<table>
<thead>
<tr>
<th>Total Non-trade Debt</th>
<th>Total Assets</th>
</tr>
</thead>
<tbody>
<tr>
<td>$1000K</td>
<td>$3500K</td>
</tr>
</tbody>
</table>

Debt Ratio = $1000K / $3500K = 0.29

My number to two decimal places: ____________

#### Debt to Equity Ratio

Total Debt / Total Equity

Source: Balance Sheet

*Example:*

<table>
<thead>
<tr>
<th>Total Non-trade Debt</th>
<th>Equity</th>
</tr>
</thead>
<tbody>
<tr>
<td>$1000K</td>
<td>$800K</td>
</tr>
</tbody>
</table>

Debt to Equity = $1000K / $800K = 1.25

My number to two decimal places: ____________
PART VII – OPERATIONAL BENCHMARKING

Sales per Employee (Including Temps)
Total Sales / Total Employees

Source: 2016 Income Statement and HR/payroll records

Example:

Average headcount = (Sum of end of month headcount for each month of 2016) / 12 = 40. 2016 Sales = $5000K
Sales per Employee = $5000K/40 = $125,000

My dollar amount (no decimal): _______________

Indirect Labor as a Percentage of Sales
Indirect Labor / Total Sales x 100

Indirect labor DOES include scheduling, quality, production related engineering, shipping/receiving, tooling, inventory stores maintenance, material handling, supervision, shop floor management, and purchasing. Indirect labor DOES NOT Include people involved in sales, accounting/finance, HR, general administration, or non-production related engineering.

Source: 2016 Income Statement and HR/payroll records

Example:

Total Indirect Labor Payroll (excluding benefits) = Sum of Indirect payroll for each month of 2016 from payroll records or detailed 2016 income statement = $400K. 2016 Sales = $5000K
IDL% = ($400K/$5000K) x 100 = 8.0%

My percentage to one decimal place (do not add % sign): _______________

Direct Labor as a Percentage of Sales
Direct Labor / Total Sales x 100

Source: 2016 Income Statement and HR/payroll records

Example:

Total Direct Labor Payroll (excluding benefits) = Sum of Direct payroll for each month of 2016 from payroll records or detailed 2016 income statement = $600K. 2016 Sales = $5000K
DL% = ($600K/$5000K) x 100 = 12.0%

My percentage to one decimal place (do not add % sign): _______________
Value Added per Payroll Dollar (excluding benefits)
(Sales - Material Cost) / Total Payroll Expense

Source: 2016 Income Statement and HR/payroll records

Example:

<table>
<thead>
<tr>
<th>Direct Production Materials $1800K</th>
<th>Indirect (consumable) Production Materials $150K</th>
<th>Total Production Materials $1950K</th>
<th>Total payroll (excluding benefits) $1750</th>
<th>2016 Sales $5000K</th>
</tr>
</thead>
<tbody>
<tr>
<td>VA/PR$ = ($5000K - $1800K - $150K) / $1750 = 1.74 (VA/PR$)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

My number to two decimal places: _______________

Sales per Square Foot
Total Sales / Company Total Square Footage

Source: 2016 Income Statement and Plant(s) layout

Example:

| 2016 Sales $5000K | Total sq. footage 52000 sq. ft. | Sales/sq. ft $5000K / 52K = $96/sq ft. |

My dollar amount (no decimal): _______________

Direct Material as a Percentage of Sales
Materials / Total Sales x 100

Source: 2016 Income Statement

Example:

<table>
<thead>
<tr>
<th>Direct Production Materials $1800K</th>
<th>2016 Sales $5000K</th>
</tr>
</thead>
<tbody>
<tr>
<td>DM% = ($1800K / $5000K) x 100 = 36(%)</td>
<td></td>
</tr>
</tbody>
</table>

My percentage - no decimal (do not add % sign): _______________
Customer Returns as a Percentage of Sales
Customer Returns / Total Sales x 100

Source: 2016 Income Statement, Returns Credit Memos

Example:

| 2016 Sales = $5000K. Total Value of Credits from returns (do not net with re- | 2.80%  |
| shipments) = $140K | CR% = ($140K / $5000K) x 100 = 2.80% |

My percentage to two decimal places (do not add % sign): ______________

Internal Scrap and Rework as a Percentage of Sales (ISRS)
($ Value of Scrap + $ Value of Internal Rework) / Gross Sales x 100%

Source: 2016 Income Statement

Example:

| Material value of scrap, net of reclamation = $70K. Labor value of scrap = $12K. | 1.84%  |
| Labor value of rework = $10K. 2016 Sales = $5000K | ISRS% = (($70K + $12K + $10K) / $5000K) x 100 = 1.84% |

My percentage to one decimal place (do not add % sign): ______________

On Time Delivery Percentage
Orders Delivered on Time / Total Orders Shipped (12 month period) x 100

Source: Purchase Order and Shipments Registers

Example:

| Total orders shipped in 2016 (Not $ value, just discrete orders) = 475. Orders shipped on or before confirmed shipment date = 407 | 86%  |
| OTD % = (407/475) X 100 = 86% |

My percentage - no decimal (do not add % sign): ______________
Average Quote Turnaround Time (Days)

Source: RFQ register

Suggested method: Using RFQ register, calculate for each RFQ the calendar days from receipt to response. Sum the times and divide the sum by the number of RFQs.

Example:

<table>
<thead>
<tr>
<th>Number of RFQs</th>
<th>Total days from receipt to response</th>
<th>Average Quote Time</th>
</tr>
</thead>
<tbody>
<tr>
<td>1022</td>
<td>4633</td>
<td>4.5 (days)</td>
</tr>
</tbody>
</table>

My number to one decimal place: _______________

Rank Overhead Cost Components as a Percentage of Sales

What percentage of your sales do you spend on the following overhead components? Indicate each percentage with no decimal or percentage sign. If the component is not a factor, then simply put zero.

<table>
<thead>
<tr>
<th>Depreciation</th>
<th>Facility Mortgage/Lease</th>
<th>Health Insurance</th>
<th>Indirect Labor</th>
<th>Payroll Taxes</th>
<th>Supplies</th>
<th>Utilities</th>
<th>Other</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

If you provide a percentage of sales > 0 for Other, what components make up Other? Responses here will be used to add additional cost components in future surveys.
PART VIII – VALUE PROPOSITION & MARKETING EFFECTIVENESS

Win to Bid Ratio
Total Jobs Won / Total Jobs Bid x 100

Source: Quotation logs

Example:
Number of quotes sent in 2015 = 1022. Number of quotes won = 377
Win to Bid ratio = (377/1022) x 100 = 37%

NOTE: Win/bid should be for new parts or projects ONLY for either existing or new customers.

My percentage - no decimal (do not add % sign): _______________

Win $ to Bid $ Ratio
Total Sales $ Won / Total $ Bid x 100

Source: Quotation log, bookings log, purchase orders. The total 2016 value of new bookings from any source is divided by the sum the total quoted value of submitted quotations in 2016 to get the ratio.

Example:
New bookings in 2016 = $5200K. Total value of submitted quotations = $13000K
WB$ = ($5200K / $13000K) x 100 = 40%

NOTE: Win/bid should be for new parts or projects ONLY for either existing or new customers.

My percentage - no decimal (do not add % sign): _______________

Number of Customers Comprising 50% of Sales


Example:
Multiply 2016 Sales by 0.5. Rank customers source/ship locations by $$ value shipped. Starting with the top customer, add and accumulate the results for each successive customer until the result equals or exceeds 50% of 2016 sales.

Typical result = 3

My number (no decimal): _______________
Number of Customers Comprising 80% of Sales

Sources: Invoice register. 2016 Income statement

Example:

Multiply 2016 Sales by 0.8. Rank customers source/ship locations by $$ value shipped. Starting with the top customer, add and accumulate the results for each successive customer until the result equals or exceeds 80% of 2016 sales.

Sample result = 8.

My number (no decimal): _______________

New Customers Added During Last 12 Months

Sources: Quotation log, bookings log, purchase orders

Method:

“New customers” are defined here as supplying companies who have not been supplied in the past, newly supplying different divisions or operations of companies currently supplied, or supplying companies who were prior customers but have had no activity since 2014.

Sample result = 6

My number (no decimal): _______________

New Customer $ as a Percentage of Total

($ From Customers Added Last 12 Months / Total Sales $) x 100

Sources: Invoice register. 2016 Income statement

Example:

Sum the 2016 invoiced $$ from new customers as defined in the previous question - “New Customers Added in the Last 12 Months” = $400K. 2016 Sales = $5000K. NC$$% = ($400K / $5000K) x 100 = 8(%).

My percentage - no decimal (do not add % sign): _______________