

Just how well is your business doing?

Here's how to find out.

business issues

TAKING STOCK

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THE GREAT RECESSION OF 2008 has impacted all of us, but perhaps no one more than small business owners. And in case you haven't noticed, the fabricated structural steel industry and structural engineering firms are, for the most part, made up of small proprietor- or family-owned businesses.

If the challenges of downsizing a business, maintaining cash flow to meet payroll, identifying and winning new projects, avoiding holes in the schedule, upgrading plants and equipment to improve productivity, achieving profitability in a world of shrinking margins and negotiating with nervous lenders have left you stressed, you need to know that you are not alone.

A close friend lost his die-casting business in the earlier recession of 2001. When asked what he would do differently, he said, "I'd get more involved with a trade association for my industry so I could know how I compared to the industry as a whole."

As a small business owner, knowing that others are facing the same challenges you are is one thing, but knowing how you are doing compared to them is quite another. For nearly 20 years AISC has retained a consultant to confidentially conduct an annual financial survey of the structural steel fabrication industry. The fabricators participating in the survey receive a detailed report of meaningful financial ratios and performance

metrics segmented by firm size and focus (buildings, bridges and both) as well as a comparison of their firm to the appropriate segment of the industry averages.

The typical fabrication firm participating in the 2013 survey had 2012 sales of \$11 million and a pre-tax profit margin of 3.9%, fabricating 3,000 tons of structural steel a year at an average of 22.6 hours per ton.

If you are a fabricator, it is our guess that you are now reaching into the side drawer of your desk, pulling out your 2012 financial statements and checking to see what these same metrics were for your business and reflecting on how you can beat these industry averages in 2014. At the same time you might be saying, "This is exactly the type of information my lender needs to see to better be able to understand, and continue to extend credit to, my business."

You're right—but not so fast! The 2013 survey was sent out to over 900 structural steel fabricators. Only 38 submitted data. To accurately reflect industry financial performance there should be at least 100 surveys returned. So why were so few surveys submitted? We've come up with a variety of reasons ranging from a fear that the information won't be kept confidential (our consultant doesn't share individual results with anyone, including AISC) to not wanting to share "bad" numbers (when construction volume drops by 67%, there will be some bad numbers) to lack of time (your accountant should be able to answer the questions in just a few minutes) to "it costs too much" (sorry, there is no charge for the survey, which includes a personalized report for your firm)—but none of them are valid.

Data from Year	Responses	Net Sales	Profit Margin	Sales/Employee	Collections
2012	38	\$10,856,799	3.90	\$262,165	68.40 days
2011	Survey not conducted				
2010	97	\$12,402,830	0.89	\$225,506	68.25 days
2009	95	\$14,243,528	3.20	\$273,914	66.71 days
2008	128	\$23,557,425	7.21	\$314,099	65.10 days
2007	111	\$18,926,830	7.22	\$291,182	60.91 days
2006	88	\$17,984,025	6.04	\$239,787	67.56 days
2005	110	\$15,475,330	4.60	\$238,082	71.44 days
2004	121	\$13,957,840	0.65	\$214,736	71.84 days
2003	92	\$11,458,525	0.88	\$176,285	68.32 days
2002	138	\$10,344,540	1.88	\$172,409	71.55 days
2001	164	\$10,586,496	5.35	\$185,728	65.74 days
2000	138	\$11,021,760	5.13	\$183,696	65.80 days
1999	140	\$10,995,946	5.88	\$185,694	64.57 days
1998	141	\$10,455,196	5.20	\$180,262	64.07 days
1997	127	\$10,736,610	4.79	\$176,010	65.12 days



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The data that is collected and analyzed includes strategic profit ratios, sales trends, financial and income ratios, average collection period and employee productivity factors. A sampling of industry results over the past several years highlights several significant trends.

Clearly, the impact of the recession on the typical net sales of a fabricator was drastic, dropping 40% between 2008 and 2009 and continuing to trend down to a total loss of 54% between 2008 and 2012. Yet in the face of such a contraction, productivity (sales per employee) has increased and profit margins have rebounded. These are the signs of a vital industry rebounding in the face of adversity. Most interesting is the relative stability in the days outstanding for receivables, which seem to remain in the range of the typical project management cycle.

The bottom line is that for you to receive this kind of information, you need to participate. We believe you need this information. AISC typically receives 10 to 20 calls a year from fabricators or lenders seeking exactly this kind of industry average data as a metric to gauge the performance of a firm seeking financing. If industry-specific metrics are not available, the comparison is performed against generalized results for all firms in the construction market. Do you really want to be

compared to single-family home builders, roofers, plumbers or electricians? There is nothing wrong with those firms, but their financial requirements and metrics are radically different than those of a structural steel fabricator.

So if you are a structural steel fabricator, what can you do?

1. Tell your accountant that when preparing your 2013 end-of-year financial statements, he or she should make note of your key financial ratios and performance metrics (a sample of the AISC survey can be found at www.aisc.org/financialsurvey).
2. Watch your email for an announcement from AISC of the 2014 Financial Study of the Structural Steel Fabrication Industry.
3. Go online and complete the survey or fill in the paper copy and return it to the Profit Planning Group (AISC's consultant).

Several weeks after the close of the survey you will receive a customized, confidential report comparing your firm to the industry average and an overall report for the structural steel fabrication industry.

If you have any questions regarding the AISC Financial Survey, please don't hesitate to call or email Carly Hurd at 312.670.5442 or hurd@aisc.org. ■