



2006 PBE Jobbers' Financial Benchmarks for Success Report

(2005 Data)

Contents

Introduction	1
Executive Summary	2
Detailed Results	
Return on Investment.....	4
Income Statement.....	7
Expenses in Relationship to Gross Margin	9
Balance Sheet.....	10
Financial Ratios	11
Asset Productivity Ratios	12
Growth and Cash Sufficiency Ratios	13
Operating Productivity Ratios	14
Employee Productivity Ratios	15
Market Segmentation	16
Trend Analysis	20
Appendix	22

Prepared by

Profit Planning Group
1525 Spruce Street, Suite 300
Boulder, CO 80302
303 444 6212 v
303 444 9245 f

Published by

Automotive Aftermarket Industry Association
7101 Wisconsin Avenue, Suite 1300
Bethesda, MD 20814
301 654 6664 v
301 654 3299 f
E-mail: aaia@aftermarket.org
Web Site: www.aftermarket.org

©2006

Automotive Aftermarket Industry Association

All rights reserved. No part of this book may be reproduced or utilized by any form of recorded information storage or retrieval system without written permission from AAIA. Quotation of individual data elements presented in this book may be made without permission when accompanied by editorial credit.

Introduction

The **2006 AAIA PBE Jobbers' Financial Benchmarks for Success Report** provides detailed financial results based on a sample of 196 paint, body and equipment jobbers. The charts and graphs contained in this report are designed to provide comprehensive, yet straightforward guidelines for analyzing profitability among PBE specialists.

Report Format

The report is organized into a number of sections, each designed to assist management in a specific area of inquiry:

- **Executive Summary**—The summary provides an overview of the study results, with emphasis on the differences between the typical firm and the high profit company.
- **Detailed Results**—In-depth reporting of return on investment, income statement, balance sheet, financial ratios and productivity ratios is provided in this section of the report. Management commentary is provided to focus on the importance of these operating statistics.
- **Market Segmentation**—This section of the report profiles participants based on the size of the market in which they are located: Major Urban Market (population over 2,000,000), Secondary Metropolitan Areas (population over 50,000), and Rural Market Areas.
- **Appendix**—Finally, the appendix provides an overview of the survey methodology and detailed information on the calculation of the financial ratios used in the report.

Explanation of Statistics

Almost all of the figures provided in this report are **medians**. The median for a particular variable or calculation is the middle number of all values reported from lowest to highest. The median represents the typical company's results. The median is not influenced by any extremely high or low values reported. An average or mean value, on the other hand, may be influenced by extreme values. Thus, the median is the preferred statistic for this analysis.

Please note that throughout the report, "N/A" designates data not available due to limited sample size.

To determine the group of **high profit firms**, all participating firms are ranked on the basis of pre-tax return on assets (ROA). The high profit category includes the top twenty-five percent of the firms based on ROA. The figures reported for the high profit firms represent a median for this group.

Participant Support

Each AAIA PBE Jobber that participated in the study had the option to purchase a personalized Profit Improvement Profile (PIP) and access to Profit Toolkit Online. The PIP contains comparisons of the firm's financial performance to the industry. Areas where improvement opportunities exist are indicated and specific suggestions are provided to help achieve higher profitability.

Profit Toolkit online is a program designed to assist the firm in its financial planning process. This Microsoft® Excel-based application is available only to survey participants.

Executive Summary

Financial performance varied widely among PBE Jobbers in 2005. As can be seen in the exhibit on the facing page, the typical firm had sales of \$2,606,563 and a pre-tax profit of 3.1 percent. In contrast, the high-profit firm had sales of \$2,500,331, and profit of 7.7 percent. Of greatest consequence, the typical firm had a pre-tax return on assets (profit before taxes expressed as a percentage of total assets) of 8.1 percent. For the high profit firm return on assets was 22.3 percent.

A number of factors led to the differences in results. In most instances these differences can be summarized into what are commonly called the critical profit variables (CPVs). The following exhibit compares the typical and the high profit firm on the critical profit variables.

The Critical Profit Variables

	Typical <u>PBE</u>	High Profit <u>PBE</u>
Sales per Employee Measures employee productivity	\$198,241	\$216,440
Gross Margin Percentage Reflects the ability to manage COGS effectively	36.5%	37.7%
Operating Expense Percentage Focuses on expense control	33.1%	30.0%
Inventory Turnover (times) Reflects how well inventory is managed	3.8	4.5
Average Collection Period (days) Reflects accounts receivable collection practices	40.5	38.6

The high profit firm seldom performs better on all of the critical profit variables. Instead, it is the sum-total of their performance on the CPVs which produces higher overall results. The nature of the differences and their underlying reasons need to be understood by every AAIA PBE Jobber.

The typical and the high profit firms have different sales volumes. They also differ on the critical profit variables identified above. The result is dramatically improved operating performance. The following exhibit indicates the results the typical firm achieved and the results the high profit company earned.

An Overview of Financial Results

	Typical <u>PBE</u>	High Profit <u>PBE</u>
Income Statement		
Net Sales	\$2,606,563	\$2,500,331
Cost of Goods Sold	<u>1,655,167</u>	<u>1,557,706</u>
Gross Margin	951,395	942,625
Operating Expenses	<u>862,772</u>	<u>750,099</u>
Operating Profit	88,623	192,526
Other Income/Expenses	<u>-7,820</u>	<u>0</u>
Profit Before Taxes	\$80,803	\$192,526
Assets		
Cash & Marketable Securities	\$60,151	\$100,875
Accounts Receivable	232,823	216,823
Inventory	435,570	346,157
All Other Assets	<u>273,979</u>	<u>198,328</u>
Total Assets	\$1,002,524	\$862,183
Return on Assets	8.1%	22.3%

Executive Summary

	Typical PBE	High Profit PBE
Typical Sales Volume	\$2,606,563	\$2,500,331
Sales Growth (2005 vs. 2004)	6.0%	9.9%

Strategic Profit Model Ratios

Profit Margin (pre-tax)	3.1%	7.7%
Asset Turnover	2.6	2.9
Return on Assets (pre-tax)	8.1%	22.3%
Financial Leverage	1.9	1.8
Return on Net Worth (pre-tax)	15.4%	40.1%

Income Statement

Net Sales	100.0%	100.0%
Cost of Goods Sold	<u>63.5</u>	<u>62.3</u>
Gross Margin	36.5	37.7
Operating Expenses		
Total Payroll Expenses	21.4	19.4
Occupancy Expenses	3.7	3.2
Other Operating Expenses	<u>8.0</u>	<u>7.4</u>
Total Operating Expenses	33.1	30.0
Operating Profit	3.4	7.7
Other Income/Expenses	<u>-0.3</u>	<u>0.0</u>
Profit Before Taxes	3.1%	7.7%

Financial Ratios

Current Ratio	2.3	2.4
Accounts Payable to Inventory	58.3%	75.3%
Accounts Payable Payout Period (days)	47.1	49.1
Debt to Equity	0.9	0.8
EBIT to Total Assets	9.1%	22.6%
Times Interest Earned	8.8	78.0

Asset Productivity Ratios

Average Collection Period (days)	40.5	38.6
Inventory Turnover	3.8	4.5
Inventory Holding Period (days)	96.1	81.1
Gross Margin Return on Inventory	219.2%	267.4%

Operating Productivity Ratios

Sales per SKU	\$537	\$698
Sales per Order	\$147	\$160
Sales per Customer	\$12,238	\$16,667

Sales by Product Category

Automotive Paint & Support Products	60.9%	61.2%
Sundry Products (adhesives, masking paper, etc.)	21.7	24.2
Tools & Equipment	4.3	4.1
Service Repairs & Maintenance Sales	1.5	1.0
Hard Parts	9.8	6.4
All Other Product Categories	<u>1.8</u>	<u>3.1</u>
Total Sales	100.0%	100.0%

Employee Productivity Ratios

Sales per Employee	\$198,241	\$216,440
Gross Margin per Employee	\$70,747	\$78,128
Payroll per Employee	\$39,172	\$36,922
Personnel Productivity Ratio	58.6%	51.5%
