

Medical Equipment and Supplies Manufacturing

Industry Financial Data and Ratios

12/31/08

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Industry: 33911 - Medical Equipment and Supplies Manufacturing
Sales Range: All Sales Ranges
Data Source : Private Companies
Location: All Areas
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INDUSTRY FINANCIAL DATA AND RATIOS

Average by Year (Number of Financial Statements)

Financial Metric	Recent 12 Months (73)	2008 (81)	2007 (175)	All Years (1122)
Current Ratio	3.20	2.99	2.62	2.67
Quick Ratio	2.12	1.97	1.64	1.63
Gross Profit Margin	51.21%	48.67%	50.31%	51.07%
Net Profit Margin	8.00%	6.37%	7.60%	7.86%
Inventory Days	62.33	59.85	54.51	52.42
Accounts Receivable Days	43.54	44.06	43.86	41.89
Accounts Payable Days	36.17	36.80	41.08	36.22
Interest Coverage Ratio	10.76	10.59	9.66	8.36
Debt-to-Equity Ratio	1.38	1.57	1.80	1.79
Return on Equity	18.35%	15.95%	16.98%	15.24%
Return on Assets	11.02%	8.95%	11.48%	9.86%
Fixed Asset Turnover	8.92	8.51	8.18	8.34
Sales per Employee	\$200,319	\$200,348	\$172,748	\$160,874
Profit per Employee	\$7,958	\$7,866	\$13,960	\$12,991
Debt Service Coverage Ratio	2.67	2.79	2.42	1.92
Growth Metric	Recent 12 Months (47)	2008 (49)	2007 (82)	All Years (506)
Profit Growth	0.28%	-8.40%	8.28%	7.85%
Sales Growth	8.14%	7.66%	11.45%	10.84%

INDUSTRY DATA COMMON SIZE
Average by Year (Number of Financial Statements)

Income Statement	Recent 12 Months (73)	2008 (81)	2007 (175)	All Years (1122)
Sales (Income)	100.00%	100.00%	100.00%	100.00%
Cost of Sales (COGS)	48.53%	51.13%	48.84%	49.17%
Gross Profit	51.21%	48.67%	50.31%	51.07%
Depreciation	1.58%	1.52%	1.86%	1.89%
Overhead or S,G,& A Expense	32.46%	32.00%	32.11%	32.14%
Other Operating Income	0.11%	0.11%	0.15%	0.06%
Other Operating Expenses	12.38%	11.14%	4.84%	6.17%
Operating Profit	8.77%	7.18%	8.48%	7.53%
Interest Expense	1.36%	1.33%	1.57%	1.42%
Other Income	0.40%	0.51%	0.49%	0.47%
Other Expenses	0.22%	0.20%	0.24%	0.19%
Net Profit before Taxes	7.26%	5.77%	6.59%	6.78%
Adjusted Net Profit before Taxes	8.00%	6.37%	7.60%	7.86%
EBITDA	10.60%	8.97%	10.76%	9.37%
Taxes Paid	0.44%	0.33%	0.30%	0.20%
Net Income	6.81%	5.53%	6.77%	5.42%
Balance Sheet	Recent 12 Months (73)	2008 (81)	2007 (175)	All Years (1122)
Cash (Bank Funds)	13.34%	12.00%	12.24%	11.09%
Accounts Receivable	26.96%	27.68%	29.87%	27.11%
Inventory	19.22%	19.02%	19.45%	19.78%
Other Current Assets	2.83%	3.07%	3.62%	4.13%
Total Current Assets	69.04%	68.43%	68.82%	68.29%
Gross Fixed Assets	53.66%	57.30%	59.66%	56.81%
Accumulated Depreciation	29.80%	30.76%	26.39%	22.92%
Net Fixed Assets	17.11%	19.06%	21.90%	26.49%
Other Assets	4.38%	3.75%	5.32%	4.21%
Total Assets	100.00%	100.00%	100.00%	100.00%
Accounts Payable	16.41%	17.56%	18.85%	15.68%
Current Portion of Long Term Debt	4.93%	4.47%	4.22%	4.33%
Other Current Liabilities	20.63%	20.50%	23.80%	28.19%
Total Current Liabilities	39.21%	41.28%	47.27%	49.51%
Long Term Liabilities	31.16%	31.44%	28.08%	29.27%
Total Liabilities	70.37%	72.71%	75.35%	78.69%
Ending Retained Earnings	-30.39%	-21.24%	4.33%	-10.40%
Total Equity	29.63%	27.29%	25.58%	23.77%

LIQUIDITY

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

- ▶ Discover ways to receive returns on excess cash balances. For example, set up a "sweep" account at the bank so that interest can be earned on any excess funds in the checking account. These accounts allow the business to transfer funds overnight into an account that earns more interest.
- ▶ Sell any unnecessary/unproductive assets the store may have in order 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 even bi-weekly basis to help predict/prepare for potential future cash shortfalls.
- ▶ Borrow some long-term money (if necessary and possible) and put the funds into a liquid (cash) account.
- ▶ 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 which can significantly improve the firm's cash position.
- ▶ Use trade credit or vendor financing when reasonable and feasible. Trade credit occurs when one business receives a service from a supplier under an agreement to pay them later. 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. Also, if beneficial, provide discounts to customers who pay early.
- ▶ Rent rather than buy resources where appropriate. In the long term, this can help achieve an acceptable level of Balance Sheet obligations relative to liquid assets.
- ▶ Monitor invoicing procedures to help ensure correctness. Nothing will delay payment from a customer more than sending out an incorrect invoice.
- ▶ 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.
- ▶ Use a monthly or bi-monthly payroll schedule, if possible, to allow funds to stay in the business longer -- so long as morale will not be adversely affected.
- ▶ 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 as long-term rather than short-term in order to decrease monthly payments.
- ▶ Reduce the business's operating cycle -- find ways to get products to customers faster. In the long run, becoming more efficient by increasing "throughput" is often the cheapest and most effective way to achieve strong cash flow.

- ▶ Enroll accounts payable or management personnel in seminars on credit and collections or cash flow management. Professional firms and most small, local colleges offer good seminars on this topic.
- ▶ Keep inventory/supply levels as low as possible without adversely affecting the business. This can ultimately help the business keep more money free in the future. To do this effectively, make sure the business is using a good system to forecast inventory needs.
- ▶ Monitor the impact 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. For example, increase a 30 day payment window to 60 days.
- ▶ Monitor the amount of money that is being used for activities unrelated to the business. An example could be money taken out of the business on draws to principals.
- ▶ Sell (factor) receivables to collect funds faster. Although this may result in obtaining fewer funds than owed, it can be an effective way to strengthen the cash position of the company.

PROFITS & PROFIT MARGIN

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

- ▶ Keep track of all costs when billing. Include a portion of overhead to help ensure that the business is covering all expenses associated with operations.
- ▶ Develop initiatives aimed at reducing waste from manufacturing processes. If applicable, consider investing in an air control system. Recent studies have indicated that properly designed and maintained systems can save thousands of dollars a year in operating expenses.
- ▶ Hire employees with strong technical expertise, because this is particularly important for efficient operations in manufacturing industries.
- ▶ Make sure members of the manufacturing team know their responsibilities in order to minimize repair expenditures.
- ▶ Stay up-to-date on standards and make sure the business is in compliance. This will help the business avoid high non-compliance costs.
- ▶ Consider using automated production lines. This will decrease your overhead costs associated with labor.
- ▶ 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."
- ▶ Increase prices selectively where possible. Done effectively, this can boost cash flow and profitability.
- ▶ Eliminate/reduce some overhead or fixed costs to decrease monthly expenses. Small decreases in overhead will typically yield large cash savings over time.
- ▶ Determine if there is a better way to acquire materials and/or inventory than the existing method. It may be possible to purchase less and still maintain sales volume.

- ▶ Take advantage of/negotiate for volume discounts or other concessions with current suppliers.
- ▶ Find low cost, reliable suppliers that provide quality goods. Get the best prices through competition, while maintaining quality. Review frequently.
- ▶ Invest in activities that can yield positive returns. For example, marketing and periodic employee training can often improve performance for the business.
- ▶ Obtain an annual business check-up. Meet with a consultant or banker to review financial statements and get advice on how to improve performance.
- ▶ 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. Good financial reports are the backbone of management decisions.
- ▶ 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 as applicable, by maintaining an ideal number of employees and monitoring the number of hours that each employee works.
- ▶ Enroll the business in the right insurance program at a good cost. Evaluate alternative insurance carriers that may be able to serve the business at a cheaper cost. Due to the nature of the manufacturing business, it is important to have a solid workers compensation plan.

SALES

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

- ▶ Be sure to have an attractive web presence with a history of projects completed and customer testimonials. Establishing credibility can be a key factor in forging new customer relationships.
- ▶ Obtain literature on the latest government regulations and safety issues. Being familiar with these regulations and having these publications on hand can help establish the business as a quality provider.
- ▶ Establish relationships with solid contacts at each customer location. These relationships help cement your relations with your customers, and also provide avenues for valuable feedback on your products.
- ▶ Compare the business to others in the industry; benchmark how the business is doing relative to others. Assessing performance through benchmarking can be an effective way to evaluate operations.
- ▶ Keep open communication with customers to help ensure quality customer service. Customers generally prefer a business that takes the time to answer questions promptly and knowledgeably.
- ▶ Use industry experts and consultants to help you improve your business. People with long experience in an industry can save you years of time by leveraging their knowledge. Industry consultants can be found in trade journals and magazines.
- ▶ Be sure to subscribe to and READ the trade journals that are relevant to the business. Typically, there is no greater source of good operational information than a trade journal.
- ▶ Work to establish clear and consistent identifiers so customers can quickly recognize the business. Each forum where the business features itself should help customers quickly identify the business and its offerings.

- ▶ Keep the customer updated on the progress of manufacturing. Providing samples or updates on work that has been completed will keep the project on track, as well as establish an ongoing relationship with customers.

 - ▶ Make sure the business is staying on the cutting edge of technology. The medical equipment and supplies industry is quickly advancing and so manufacturers need to be producing the products the customers will want and buy.

 - ▶ Partner with hospitals and offices of physicians to ensure periodic business. Build relationships to keep the customers coming back and satisfied.

 - ▶ Gain publicity whenever possible. This can be accomplished by sponsoring community events or contributing to publications in industry journals and magazines.
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