



2015 NSCA Financial Analysis of the Industry Report – Findings and Impact

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- NSCA is the leading not-for-profit association representing the commercial electronic systems industry.
- 35 years experience as a technology expert and industry advocate.
- Subject matter expert on technology trends, codes and standards and effective use of new technology.



Purpose

- * This biennial report tracks and benchmarks key financial ratios among NSCA member integrators. This allows member companies to compare themselves to companies of similar size and to the industry overall.

Notable New Metrics

- * The survey mirrored past instruments to highlight year to year trends, but also collected new metrics on the following:
 - * Number of Sales Staff
 - * Prime Contractor Status
 - * Revenue from New Customers
 - * Work Backlog

Company Backgrounds/Profiles

- * A total of 69 responses were received and segmented by a variety of metrics
- * The segmentation serves two purposes:
 - * To present a comparative analysis of how different types of companies are performing
 - * It allows companies to benchmark their financial performance against others in their “peer group”

Company Background/Profiles

Company Size Categories

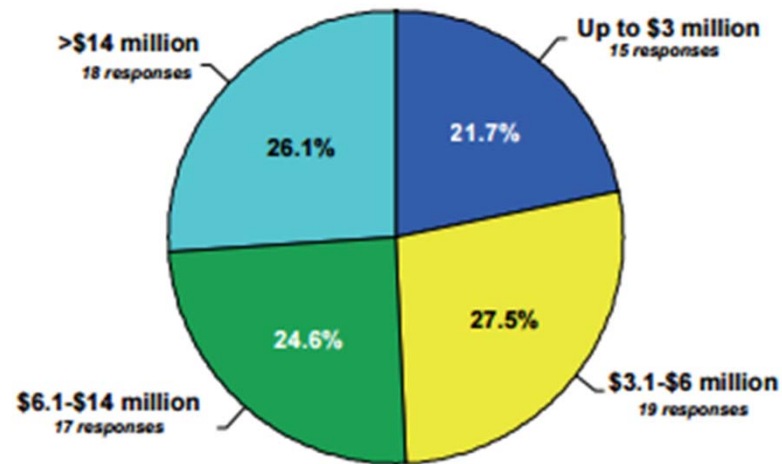
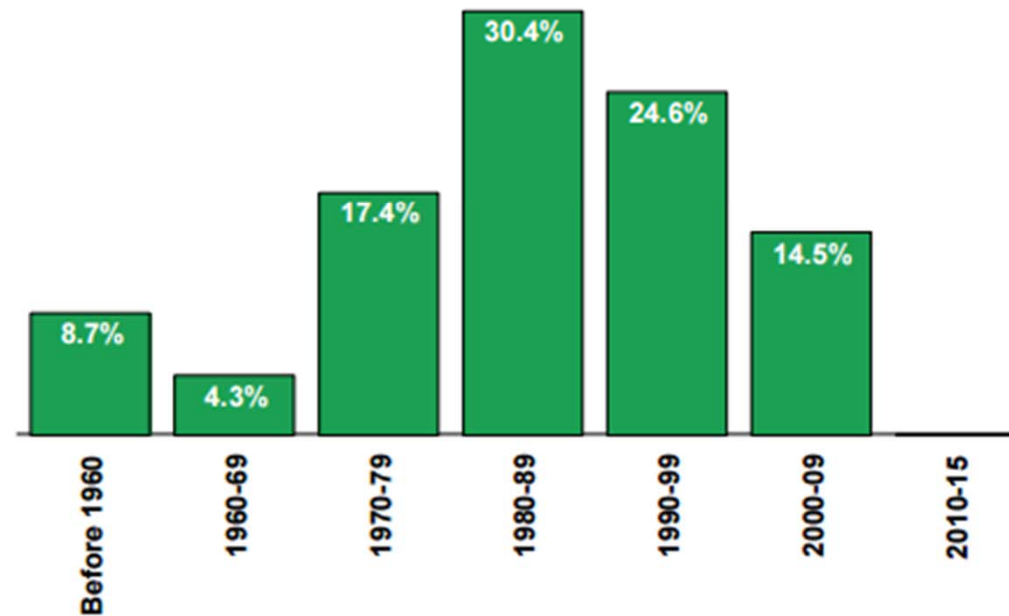


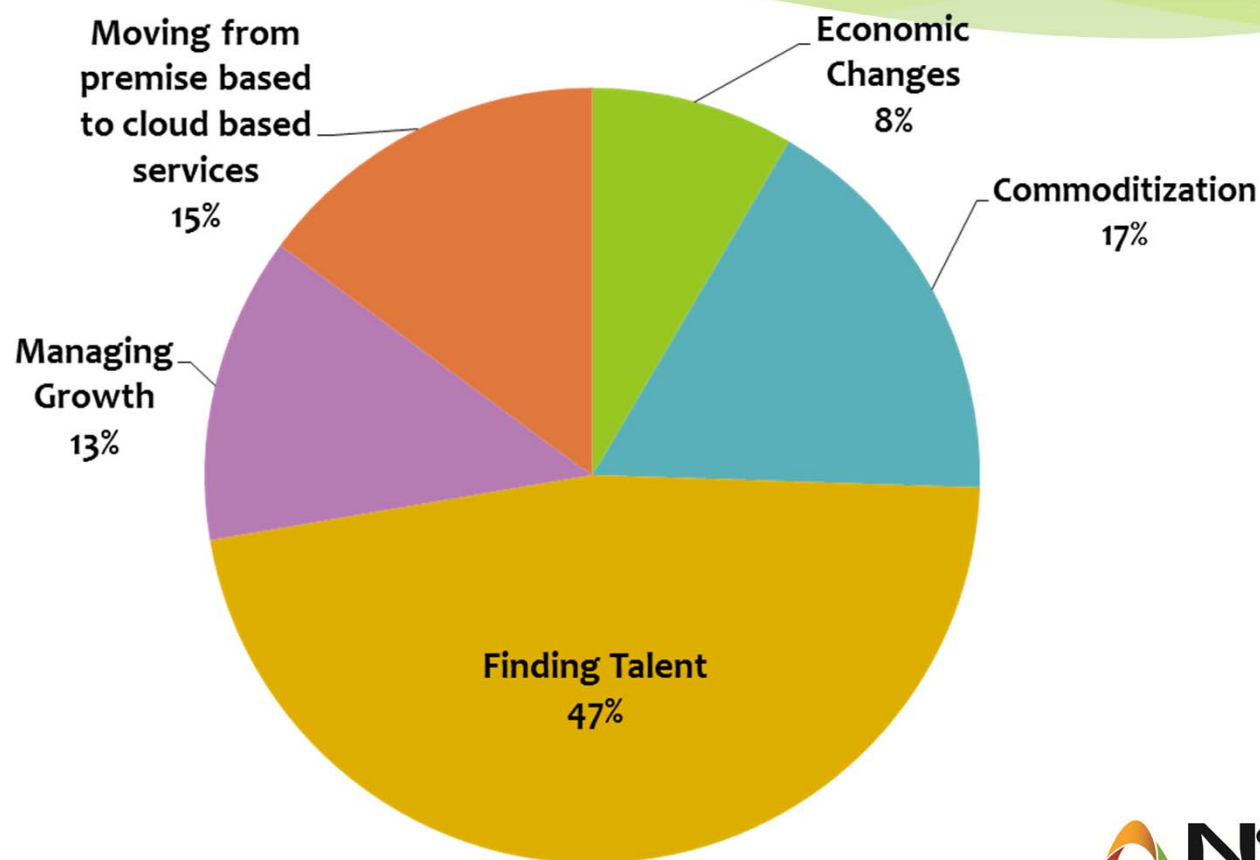
Exhibit 6

Company Background/Profiles

Establishment Date



Challenges for 2016



Financial Ratios

Financial Ratios by Top Ten Status

<i>All values are medians.</i>	Overall	Top Ten	All others
Revenue per employee	\$216,017	\$212,616	\$218,301
Revenue per salesperson	\$1,590,837	\$2,390,761	\$1,438,542
Profit per salesperson	\$42,392	\$320,856	\$27,659
Days sales outstanding	52.70	64.29	51.49
Inventory turnover	14.42	25.59	14.28
Return on assets	8.53%	26.05%	6.45%
Return on equity	17.18%	51.41%	12.64%
Current ratio	1.57	2.88	1.43
Debt to equity	1.07	0.54	1.16
Cash on hand variation	30.88%	39.82%	21.05%
Number of responses*	61 to 69	9 to 10	51 to 59

Top Ten are the top 10 companies in the sample based on operating income.

* = the number of responses for some subsamples is expressed as a range due to missing values.

Sales Staff

- * Defined as salespeople, sales managers, and any other staff whose primary responsibility is sales activity.
- * 95.6% of respondents have at least one full time staff person
- * The typical company has 5.0 FTE sales staff which equates to 14.5% of the company's total staff

Sales Ratios

- * Each table is segmented into the following major areas:
 - * Sales
 - * Cost of Sales
 - * Operating, Selling, and Administrative Costs
 - * Pre-Tax Profit (loss)
 - * Other Ratios
- * Data is illustrated first using percentiles followed by average values

Sales Ratios, Historical Trends

Sales Ratios, Historical Trends

Sales												
	2015	2013	2010	2008	2007	2006	2005	2004	2003	2002	2001	2000
Number of responses	69	61	70	79	61	103	81	101	75	79	85	99
Non-recurring sales	87.23%	82.32%	81.91%	84.39%	83.72%	84.09%	86.52%	84.20%	87.28%	88.44%	78.96%	78.51%
Recurring sales												
Service	5.14%	7.30%	8.74%	7.32%	7.79%	6.61%	6.50%	8.96%	7.04%	8.92%	11.19%	11.87%
Contracted maintenance agreements	3.75%	6.13%	4.75%	2.90%	3.04%	2.44%	2.96%	3.97%	3.20%	1.71%	2.20%	2.95%
Monitoring	0.66%	2.42%	0.92%	1.38%	1.22%	0.80%	1.36%	1.33%	0.45%	0.50%	1.32%	1.48%
Leasing/rental	1.86%	0.45%	2.53%	2.53%	2.19%	3.71%	1.21%	0.75%	0.63%	1.88%	3.15%	2.21%
Other recurring fees	1.35%	1.38%	1.15%	1.49%	2.05%	2.35%	1.45%	0.80%	1.44%	2.55%	3.18%	2.98%
Total recurring sales	12.77%	17.68%	18.09%	15.61%	16.28%	15.91%	13.48%	15.80%	12.76%	15.56%	21.04%	21.49%
Total sales	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Cost of sales												
Materials	45.29%	43.16%	40.75%	41.50%	42.73%	42.73%	44.59%	41.67%	44.57%	42.23%	43.64%	44.34%
Direct labor	14.54%	14.20%	15.57%	14.13%	13.67%	14.40%	12.84%	14.51%	14.22%	13.68%	13.54%	11.42%
Subcontract labor	4.45%	4.13%	4.06%	4.38%	4.16%	3.57%	3.51%	3.02%	3.39%	4.80%	3.73%	3.46%
Freight	1.01%	1.12%	0.84%	1.18%	1.03%	1.17%	0.96%	0.95%	0.92%	1.21%	1.09%	1.21%
Job supplies and miscellaneous job costs	2.65%	2.59%	3.19%	3.17%	3.18%	3.62%	2.90%	3.55%	2.40%	2.44%	3.29%	2.91%
Total cost of sales	67.95%	65.21%	64.41%	64.36%	64.77%	65.49%	64.79%	63.69%	65.51%	64.36%	65.29%	63.34%
Gross profit	32.05%	34.79%	35.59%	35.64%	35.23%	34.51%	35.21%	36.31%	34.49%	35.64%	34.71%	36.66%

Sales Ratios, Historical Trends

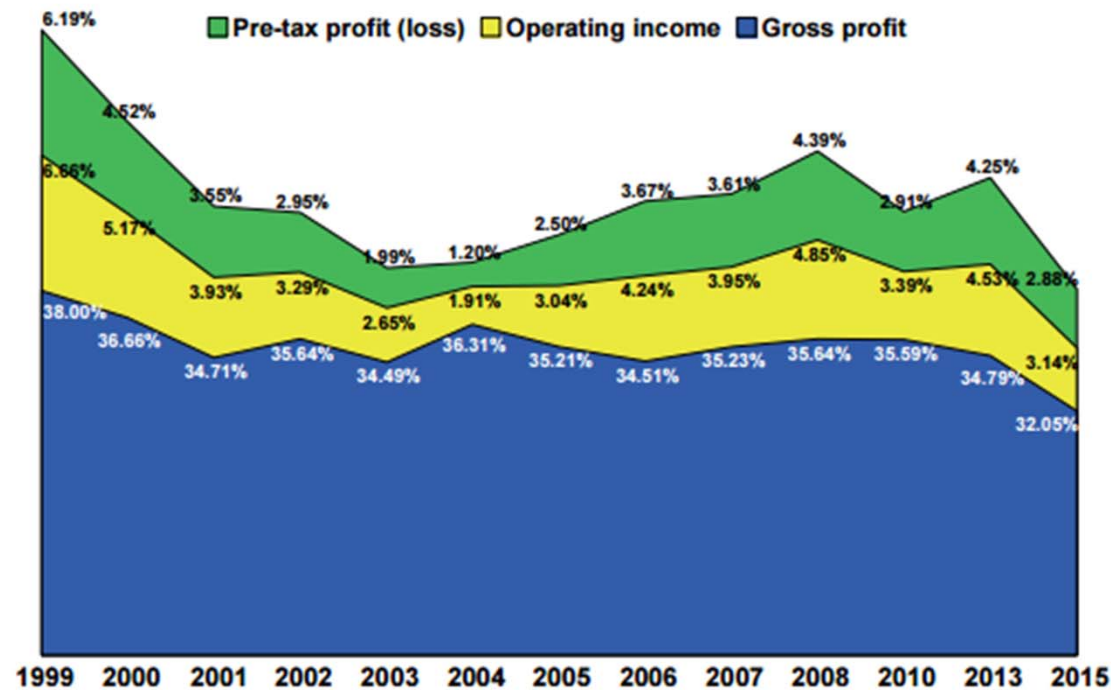
Sales Ratios, Historical Trends

Operating, selling, and administrative expenses

	2015	2013	2010	2008	2007	2006	2005	2004	2003	2002	2001	2000
Salaries	14.36%	14.50%	16.55%	15.24%	15.56%	13.86%	15.98%	16.16%	14.85%	14.55%	13.15%	14.19%
Payroll taxes	2.06%	1.94%	1.71%	1.95%	1.75%	2.01%	1.88%	2.03%	2.00%	1.89%	2.10%	1.90%
Employee benefits	2.20%	2.36%	2.17%	2.28%	2.08%	2.11%	2.34%	2.30%	2.04%	1.84%	1.79%	1.74%
Insurance	1.10%	1.06%	1.28%	1.40%	1.43%	1.55%	1.58%	1.58%	1.45%	1.52%	1.27%	1.35%
Operating supplies	0.36%	0.36%	0.35%	0.45%	0.26%	0.28%	0.29%	0.36%	0.39%	0.67%	0.62%	0.56%
Rent	1.77%	1.67%	1.85%	1.64%	1.54%	1.98%	1.85%	2.17%	1.87%	2.07%	1.74%	1.79%
Utilities and communications	0.83%	0.99%	0.89%	0.84%	0.93%	0.99%	0.98%	1.18%	0.97%	1.09%	1.30%	1.25%
Depreciation	0.99%	1.19%	1.22%	1.16%	1.35%	1.30%	1.51%	1.41%	1.58%	1.46%	1.44%	1.38%
Repairs and maintenance	0.24%	0.38%	0.30%	0.32%	0.35%	0.33%	0.25%	0.29%	0.36%	0.46%	0.46%	0.42%
Vehicle expenses	1.13%	1.55%	1.55%	1.42%	1.36%	1.27%	1.23%	1.46%	1.27%	1.31%	1.54%	1.28%
Outside services	0.79%	0.80%	0.83%	0.77%	0.60%	0.65%	0.77%	0.93%	0.78%	0.86%	0.62%	0.61%
Office expenses	0.56%	0.56%	0.91%	0.68%	0.79%	0.94%	0.73%	0.91%	0.79%	0.84%	0.96%	0.81%
Marketing/promotion	0.47%	0.79%	0.53%	0.71%	0.75%	0.72%	0.65%	0.76%	0.67%	0.69%	0.82%	0.69%
Training and education	0.32%	0.44%	0.29%	0.46%	0.41%	0.43%	0.40%	0.45%	0.42%	0.50%	N/A	N/A
All other expenses	1.73%	1.68%	1.77%	1.48%	2.11%	1.86%	1.77%	2.42%	2.41%	2.60%	2.97%	3.52%
Total operating, selling, admin expenses	28.91%	30.26%	32.20%	30.79%	31.27%	30.27%	32.16%	34.40%	31.84%	32.35%	30.78%	31.49%
Operating income	3.14%	4.53%	3.39%	4.85%	3.95%	4.24%	3.04%	1.91%	2.65%	3.29%	3.93%	5.17%
Net interest expense	0.26%	0.28%	0.48%	0.46%	0.34%	0.57%	0.54%	0.71%	0.67%	0.34%	0.38%	0.65%
Pre-tax profit (loss)	2.88%	4.25%	2.91%	4.39%	3.61%	3.67%	2.50%	1.20%	1.99%	2.95%	3.55%	4.52%
Year-end inventory as a percentage of material cost for the year	8.45%	9.51%	8.32%	12.14%	9.96%	13.78%	11.31%	11.23%	11.45%	11.20%	11.19%	11.92%
Year-end accounts receivable as a percentage of sales for the year	16.54%	20.04%	19.54%	16.15%	18.30%	18.29%	17.17%	16.19%	16.34%	14.05%	14.32%	12.52%

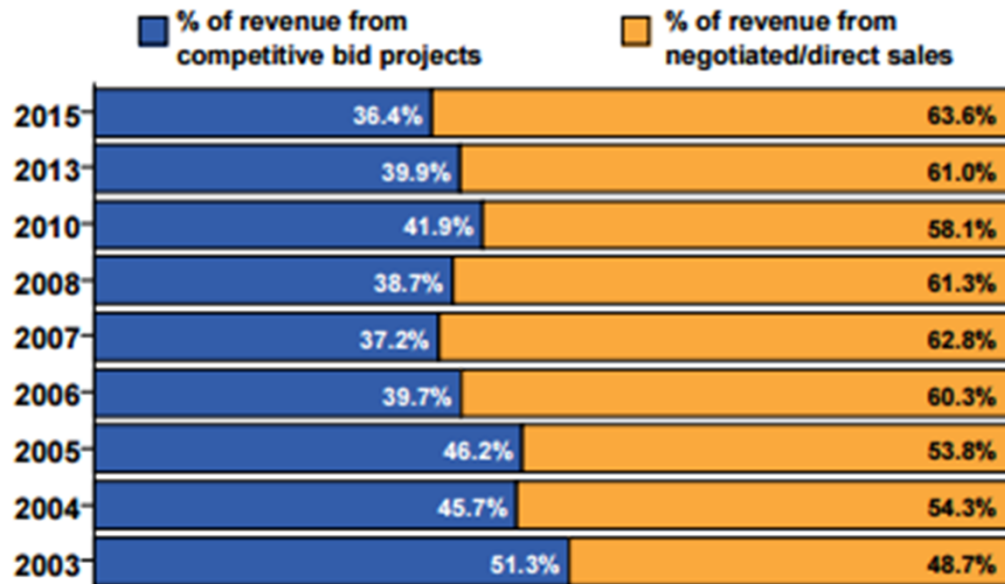
Historical Sales Ratios

Historical Sales Ratios *Gross profit and income*



Competitive Bid vs. Negotiated/Direct Sales

Competitive Bid vs. Negotiated/Direct Sales



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Questions?

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