FINANCIAL ANALYSIS OF THE INDUSTRY

NSCA®
YOUR VOICE • RESOURCE • ADVISOR

NSCA RESEARCH 800.446.NSCA (6722) www.nsca.org/research

Table of Contents

Table of Exhibits

Executive Summary

As your trade association, NSCA aims to stay focused on its goal of helping *you* make smart business decisions so you can run your organization more efficiently and profitably. This *Financial Analysis of the Industry* report helps integrators with that.

The last time we released this report, in early 2021, the industry was battling pandemic-related market challenges. While some of those challenges linger, many NSCA member integration companies are optimistic about strong demand for their solutions. The biggest challenges stem from the need to continually pivot business models to evolve with customers' needs and remain extremely relevant. During times of change, understanding financial metrics is even more important to help companies keep their eye on the ball and remain profitable.

This benchmarking report is quite likely the most important document you should have by your side to run a high-performance systems integration company. It offers an outstanding way for you to compare your financial information with other companies that run the same type of business.

We highly recommend that you take time to compare your business ratios and overall performance to the ratios represented in this report and highlight areas with significant discrepancies. Some key metrics from this report can be used to create your own dashboard of critical indicators to measure the financial health of your business in comparison to your peers.

If you find areas of significant discrepancies, then investigate to determine whether the discrepancy is due to your company's unique combination of business practices, or if it indicates a change is needed in your business practices to drive a different outcome.

The benchmarks here allow you to determine the true cost of doing business and set metrics and parameters to help you manage and increase accountability. In the end, profitability depends on the ability to measure and hold people accountable by making data-driven decisions instead of guessing.

NSCA is available to help you make sense of this report and conduct comparisons, set a new course of action, and formulate recommendations for improvement. Our team is always prepared to help you run your business better. Gathering this data is a time-consuming process. We thank all the integrators that contributed to this project as well as the NSCA Financial Leadership Council for its guidance. We couldn't produce this report without you.

Best regards,

Chuck Wilson
CEO

Tom LeBlanc
Executive Director

I. Project Overview

Overview

As part of NSCA's ongoing analysis of the commercial integration industry, we regularly conduct the *Financial Analysis of the Industry* survey (formerly known as the *Cost of Doing Business* survey). Our research collects, tracks, and benchmarks key financial ratios across the industry. The *Financial Analysis of the Industry* report presents the results of the 2023 survey. This is the 16th iteration of this research project.

The 2023 *Financial Analysis of the Industry* survey was conducted similarly to the 2018 and 2020 surveys, collecting data from each respondent's last financial report completed prior to March 2023 to allow for data comparisons and survey-to-survey trending. Some modifications were made to ensure that the survey content reflects evolving industry conditions, including the addition of questions about remote workforces and project review.

The collected information from the survey is organized in this report in the following categories:

- **Company Profile:** This section of the analysis deals with company background and foundational metrics, such as company size, location, establishment date, etc. This information is used to provide a profile of the 2023 sample and highlight similarities/differences with past samples.

- **Company Operations:** This section explores operational data of our sample companies. This includes staffing levels, perception of remote/hybrid work environments, and processes around the closing of projects. Perceived financial health and primary business challenges moving forward into 2024 are also included.

- **Balance Sheet and Financial Ratios:** This section concentrates on standard balance sheet information, such as accounts receivable, inventory, assets, and others. Each metric is first examined individually and then benchmarked through standard accounting ratios.

- **Sales Ratios:** The "heart" of the analysis involves examining sales ratios to explore a wide range of sales, cost of sales, and operating/selling/administrative expense values experienced by respondents. More important than a comparison to the benchmark is your individual company trend over time and whether those it's moving toward greater profitability or not.

Sample and Analysis Approach

Surveys were distributed by ESG Professional Accountants, an independent research firm, beginning in March 2023. Several rounds of follow-up, both via email and through direct contact, were conducted by ESG Professional Accountants and NSCA. The survey response window was extended to late July 2023 to ensure that all who wished to participate had ample opportunity to do so.

To preserve confidentiality, the respondents sent surveys directly to ESG Professional Accountants. No one outside the research firm had access to the survey forms or specific financial data provided by respondents. All quantitative information, tables, charts, and analyses in this report are limited to aggregated data that do not identify any specific company or respondent.

101 companies responded to the 2023 survey. The sample size collected varied based on the number of usable responses per exhibit. Therefore, variations on sample size were adjusted accordingly.

Year	Analyzed Sample Size
2023	101
2020	109
2018	75
2015	69
2013	61
2010	70
2008	85
2007	65
2006	103
2005	81
2004	101
2003	76
2002	79
2001	85
2000	99
1999	100

While the overall results are illuminating, more actionable results are seen when the data are segmented by a variety of metrics. This segmentation serves two purposes: It presents a comparative analysis of how different types of companies are performing and allows companies to benchmark their financial performance against those in their "peer group."

Perhaps the most important segmentation metric is company size since this has a clear and pervasive impact on all company operations. The company demographics of the survey sample continue to change with each new survey.

- Up to $5 million – 36 responses
- $5.1-$10 million – 23 responses
- $10.1-$20 million – 14 responses
- Greater than $20 million – 28 responses

NSCA hopes to have a balanced level of participation in each segment, but that is often difficult; members elect whether to participate in the research.

Other segmentation used for data in the report are:

- **Company Location:** A company's geographic location could greatly affect multiple aspects of the business. Different cultures could cause variances in opinions about remote work and how to review projects, for example.

- **Company Age:** How long a company has been in operation is a telling factor in terms of financial performance and business operation. Due to the sample composition, relatively broad categories were necessary to maintain acceptable subsample sizes.

- **Company Ownership:** This breakdown is new to this year's survey. We felt that it was crucial to include this information because company ownership structure affects business decisions and how they are made.

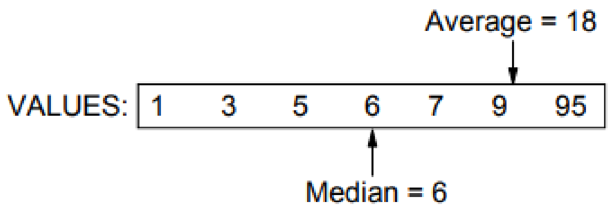
- **Primary Sales Method:** Data are segmented by the following two groups based upon the percentage of total sales generated by each method:
  - Competitive bid (majority of the company's sales generated through competitive bids): 28.1% of responses.
  - Negotiated/direct sales (majority of the company's sales generated through negotiated/direct sales): 71.9% of responses.

- **Primary Focus:** The company's primary focus regarding systems/technologies and markets provides insight into the business conditions faced by companies within each niche; however, while multiple segments are tracked in the survey, the analysis needs to be limited to segments that received at least 10 responses to ensure that the effects of outliers (the very large or very small values) are minimized and to preserve respondent anonymity. The segments used are detailed in Exhibit 7 and the vertical markets are detailed in Exhibit 8 of the report.

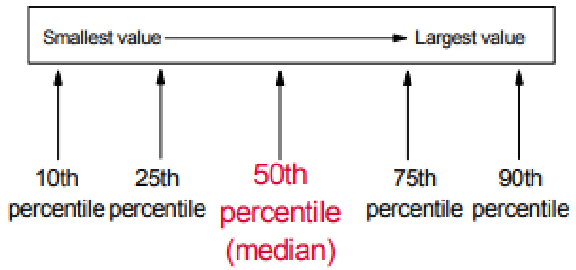
Statistical Definitions

The average (also called the *mean*) and the median are two summary statistics used throughout this report to describe the data collected. Though closely related, each describes a different facet of the data. The average is computed by taking the sum of all responses divided by the number of responses.

The **median** is computed by ordering all responses, then taking the response that falls at the midpoint. As illustrated in the diagram below, the average is influenced by very large or very small numbers; the median is not. This typically makes the median a more representative indicator of the data when there are relatively small sample sizes or significant outliers.



Percentiles are a variation on the median and are especially helpful in interpreting financial data. As illustrated previously, the median splits the data into two equal parts. Percentiles go one step further, splitting the data into additional parts. It's common to use three segments (25th, 50th, and 75th) or five segments (10th, 25th, 50th, 75th, and 90th), but any number of divisions can be made.



Percentiles help in the interpretation of financial data by providing a greater level of insight than averages and medians. For example, let's assume the following values for total sales:

- 10^{th} percentile = $1,866,508
- 25^{th} percentile = $4,794,002
- 50^{th} percentile (median) = $9,750,739
- 75^{th} percentile = $26,698,768
- 90^{th} percentile = $65,714,100

This means that, while the median company has a total of $9,750,739 in total sales, one in 10 companies report $1,866,508 or less, and one in 10 companies report $65,714,100 or more for cash on hand. More broadly, one-quarter of the companies have $4,794,002 or less total sales; one-quarter have $65,714,100 or more total sales. This allows your company to compare numbers against the benchmarks in the sample.

II. Research Findings

A. Company Profile

Location

The 2023 survey sample has a good geographic scope, representing companies from 31 states and three provinces. California is the best-represented state, accounting for 8.9% of the sample. The top five states (see Exhibit 1) collectively account for 34.7% of the sample.

A better depiction of the national scope of the sample is seen when the data are segmented by region. Doing so (see Exhibit 2) shows that, while the largest cluster of companies is found in the North Central region, there is good representation of most regions in the 2023 sample.

Top Represented States

	Percentage of Sample
California	8.9%
Texas	7.9%
Florida	6.9%
Wisconsin	5.9%
Georgia	5.0%

Exhibit 1

Regional Distribution

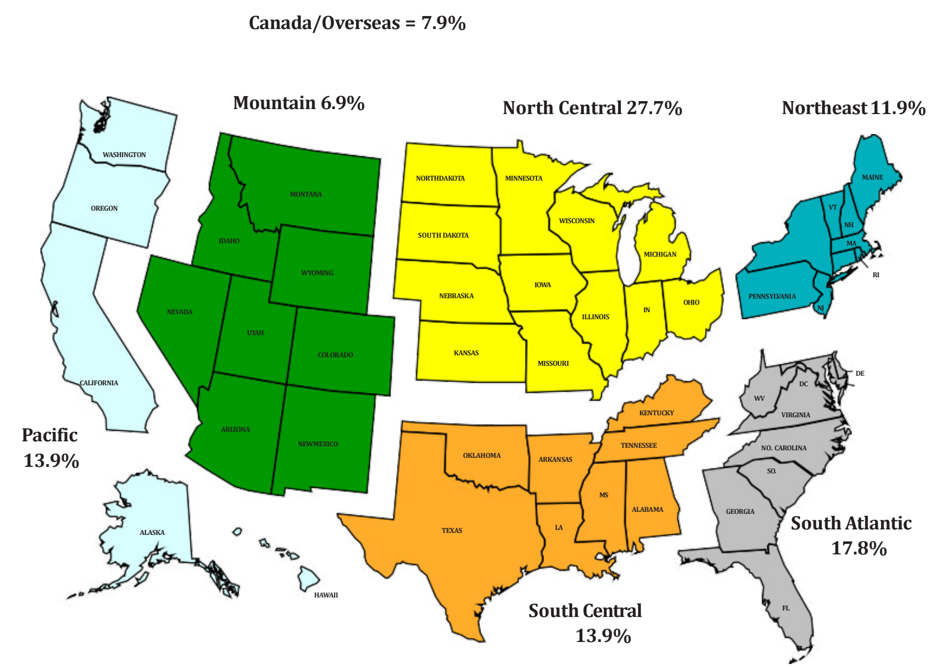


Exhibit 2

© NSCA 2023. Report should not be reproduced.

Size

The trend of having a greater concentration of larger companies in the survey sample continues. The 2020 report had a fairly even split with the smallest category being the $10.1-$20 million at 18%. That segment decreased in size to 13.9% of respondents in the 2023 report. The largest change was growth in the Less than $5 million segment.

Categories for company size were adjusted in the 2018 sample to best reflect the sample composition. This change was continued in 2020 and 2023. The four categories are illustrated in Exhibit 3.

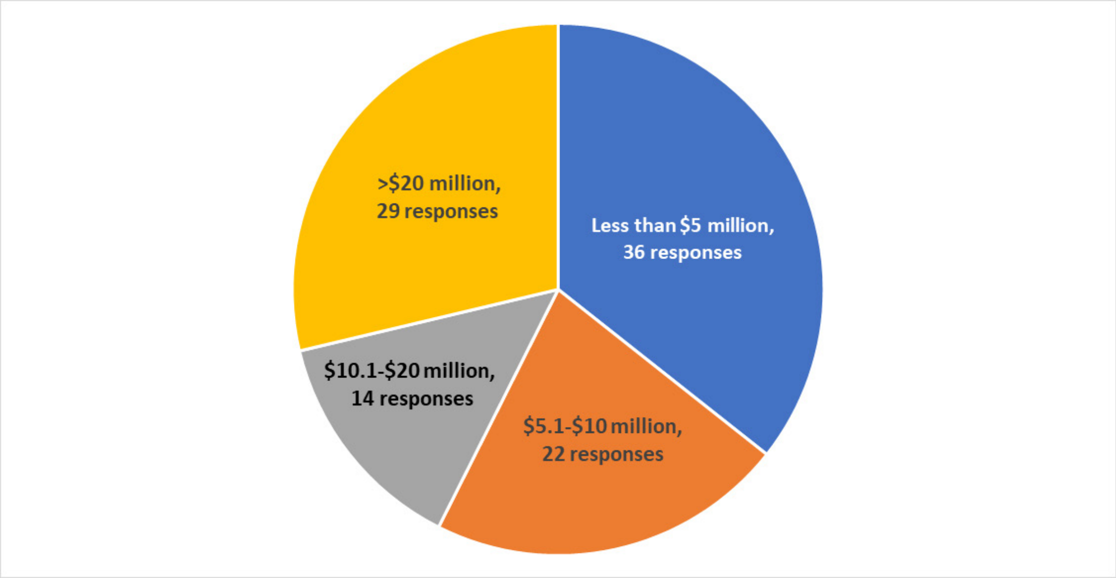


Exhibit 3

The median company in the sample had $14.2 million in total sales in its last fiscal year. This is the highest sales volume reported to date, as illustrated in Exhibit 4.

It's important to note that this is not a direct comparison to the exact sample group from prior years. Thus, the variance in total sales over time depicted in Exhibit 4 does not directly track overall industry metrics or growth, but rather reflects the core groups of integration firms that elected to participate in this research.

Total Sales Trends

Exhibit 4

Establishment Date

The median establishment date for participants is 1990. This median shows that the sample consisted of some newer companies. While new companies have joined the market since the last report, the historical allocation is similar to the 2020 report. The 2020 survey received 12 respondents starting before 1970, where the 2023 survey received 15. The 2020 survey results did not have reports of new businesses started after 2018, and three have been started since. Segmenting the data by decade shows that 20% were formed in the 2000s to 2010s; comparable numbers were formed in the 1990s (18%) and 1980s (21%), as illustrated in Exhibit 5.

Survey Response by Establishment Date

Establishment Date	% of Responses	# of Responses
Before 1970	15%	15
1990-1999	18%	18
1980-1989	21%	21
1970-1979	13%	13
2000-2009	20%	20
2010-2019	11%	11
After 2019	3%	3

Exhibit 5

Ownership

Almost half of participants are a single-owner structure, followed closely by multiple owners/partnership. Five companies are held by private equity and four companies are ESOPs. The other category includes C-Corp, S-Corp, and limited liability corporation submissions.

Survey Response by Ownership Structure

Ownership Structure	% of Responses	# of Responses
Single owner	47.0%	48
Multiple owners/partnership	40.0%	40
Private equity	5.0%	5
ESOP	4.0%	4
Other	4.0%	4

Exhibit 6

B. Company Operations

Primary System/Technology Focus

Using median scores, here are the breakdowns in system/technology for survey respondents:

- Video display/AV presentation and control (33%)
- Nurse call/RTLS (23.5%)
- Audio/sound reinforcement (17.5%)
- Fire alarm/emergency evacuation systems/life safety (17%)
- Paging/intercom/commercial sound/clocks/sensors (10%)
- Security/access control/surveillance/video management (10%)
- Collaboration/unified communications/digital media (10%)
- Building automation/control and command (10%)

All other systems/technologies have revenue represented by less than 5% of the categories. The overall response distribution is illustrated in Exhibit 7.

Systems/Technologies

	Avg % of Rev	Median % of Rev	Count
Video Display/AV Presentation & Control	35.3%	30.0%	70
Audio/Sound Reinforcement/Assistive Listening	21.7%	17.5%	58
Paging/Intercom/Commercial Sound/Clocks/Sensors	13.4%	10.0%	44
Soundmasking/Acoustics/Speech Privacy	5.2%	5.0%	45
Digital Signage	6.5%	5.0%	45
Security/Access Control/Surveillance/Video Management	23.3%	10.0%	45
Collaboration/Unified Communications/Digital Media	16.1%	10.0%	35
Data Communications/Networking/IT/Software	14.2%	5.0%	35
Videoconferencing/Hosted & Cloud VC solutions	13.8%	10.0%	31
Low-Voltage Lighting and Control	12.7%	5.0%	23
Fire Alarm/Emergency Evactuation Systems/Life Safety	24.1%	17.0%	25
Nurse Call/RTLS	33.1%	23.5%	22
Building Automation/Control &Command	14.5%	5.5%	16
Music/Entertainment	8.8%	5.0%	20
Telephony/VoIP/Hosted & Cloud Voice Solutions	6.7%	5.0%	13

Exhibit 7

Vertical Markets

The corporate and education markets (84 responses each) are top-ranked, making up about 40% of median revenue. The overall response distribution is summarized in Exhibit 8.

There has been an increase in median revenue in the education vertical compared to the 2020 survey; it rose from 15% to 20%. The addition of “Other” as a choice resulted in 9% of median revenue being earned in a vertical not identified in the survey. The largest reduction of median revenue was in the government vertical, with a reduction from 22% in 2020 to 10% in 2023.

Vertical Markets

	Avg % of Rev	Median % of Rev	Count
Corporate	28.0%	20.5%	84
Education	29.9%	20.0%	84
Government	16.3%	10.0%	67
Healthcare	20.9%	10.0%	63
House of Worship	14.8%	10.0%	53
Hospitality/Lodging/Retail	10.1%	8.0%	35
Manufacturing	8.6%	5.0%	30
Amusement/Recreation/Entertainment	9.7%	5.0%	25
Other	22.3%	9.0%	24
Multi-Family	17.6%	5.0%	9

Exhibit 8

Customer Dynamics

Three metrics were collected to illustrate the general customer dynamic among respondents. These include:

➢ *The percentage of revenue from new customers.*

The median percentage of revenue from new customers was 17.6%. This is down from 19% in the 2020 report. The reduction was primarily in the >$20 million category, reporting 17.3% in 2020 and 11% in 2023.

➢ *The percentage of total revenue from the largest single customer.*

The results of the single largest customer from the respondent group are 1% greater than the 2020 results, reporting 21.1%. The 2023 report shows 22%. The largest change is an increase in median percentage of total revenue in the $5.1 million-$10 million category. It increased from 18.1% in the 2020 report to 24.7% in the 2023 report.

➢ *The percentage of total revenue from the largest single project.*

The median percentage of total revenue from the largest single project was consistent with 2020 (13.6%), reporting at 13.4% in 2023. There were changes within the categories from the 2020 report. The <$5 million category went from 18.4% in 2020 to 20.1% in 2023. The opposite was seen in the >$20 million category, reporting 9.9% in 2020 and 6.7% in 2023.

The response distribution across segments is provided in Exhibit 9.

Customer Dynamics

	New Customers, % of total revenues (average)	Largest single customer, % of total revenues (average)	Largest single project, % of total revenues (average)	Count
Less than $5 million	22.8%	23.7%	19.9%	36
$5.1-$10 million	15.7%	25.8%	11.9%	22
$10.1-$20 million	21.7%	20.9%	12.1%	14
Greater than $20 million	10.7%	17.4%	7.0%	29
Total	17.6%	22.0%	13.4%	101

Exhibit 9

Bid-Type Dynamics

The percentage of total company revenue realized from competitive bid projects reached a survey low of 30.5%. Negotiated/direct sales still account for an average of more than two-thirds of total revenue in 2023 (see Exhibit 10).

Competitive Bid vs Negotiated/Direct Sales

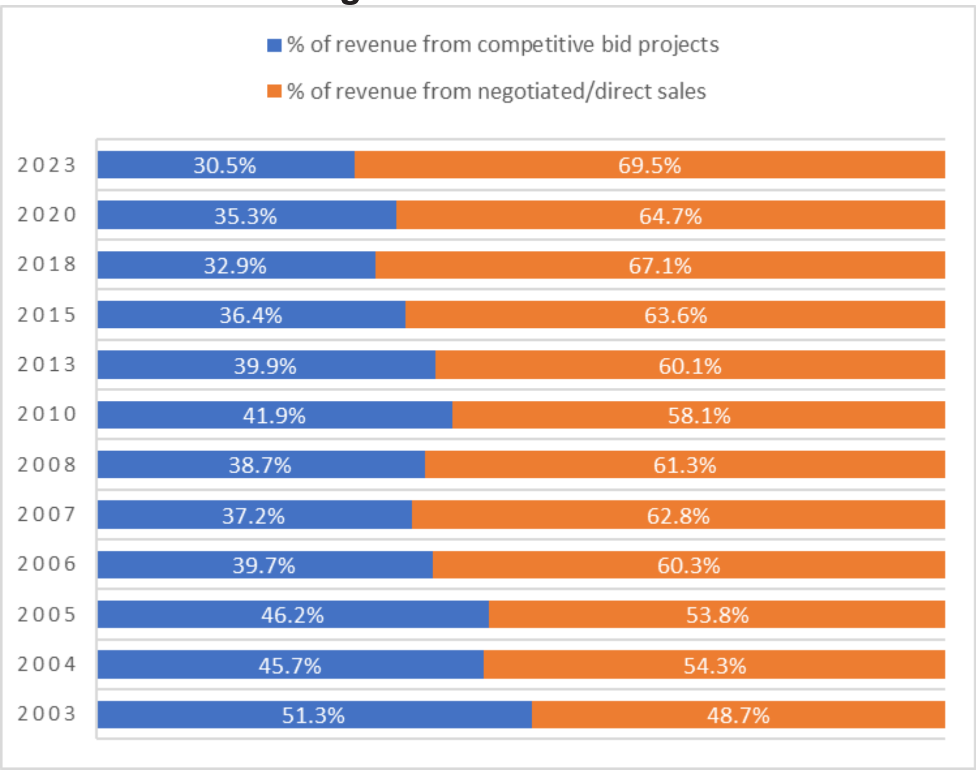


Exhibit 10

In the 2023 survey, every segment saw a shift to negotiated/direct sales, with the largest increase in the $5.1 million-$10 million category of 7.6%, reporting 63% in 2020 and 70.6% in 2023.

All segments saw an average split of approximately 70%/30%, except for the $10.1 million-$20 million segment, which shows a 64.5%/35.5% split with the highest percentage under negotiated/direct sales as percent of total revenue. Details by segment shown in Exhibit 11.

Bid-Type Dynamics

	Competitive bid projects, % of total revenues (average)	Negotiated/direct sales, % of total revenues (average)	Count
Less than $5 million	23.7%	67.9%	36
$5.1-$10 million	29.4%	70.6%	22
$10.1-$20 million	35.5%	64.5%	14
Greater than $20 million	28.9%	71.1%	29
Total	**28.1%**	**69.0%**	**101**

Exhibit 11

Prime Contractor Status

The percentage of projects where the company was the prime contractor showed growth from 2015 (the first time this metric was collected), with the average moving from 51.7% to 56.2% in 2020. The 2023 results showed a decline to 53.6% of projects where companies acted as the prime contractor. The largest change was in the <$5 million category, decreasing from 62.4% in 2020 to 50.4% in 2023.

Responses by segment are provided in Exhibit 12.

Serving as Prime Contractor

	% of projects as prime contractor	Count
Less than $5 million	50.4%	36
$5.1-$10 million	64.9%	23
$10.1-$20 million	49.4%	14
Greater than $20 million	50.7%	28
Total	**53.6%**	**101**

Exhibit 12

Work Backlog

The dollar amount of work backlog (defined as unfinished work and sales orders that have not yet been fulfilled) has seen a drop from the 2018 survey, moving from a median of $4.8 million to $3.01 million (2020). From 2020 to 2023, there has been an increase in median backlog to $4.7 million.

The amount of work backlog has a sizeable range when shown at company size. The dollar amount ranges from $300,000 to $23 million (Exhibit 13).

Backlog Dynamics

	Median Backlog	Backlog % of Sales	Backlog % of Gross Profit	Count
Less than $5 million	$180,834	4.8%	8.0%	36
$5.1-$10 million	$2,690,687	42.7%	108.2%	22
$10.1-$20 million	$7,469,711	47.7%	160.5%	14
Greater than $20 million	$23,000,000	44.2%	162.0%	29
Total	**$4,900,000**	**32.7%**	**86.2%**	**101**

Exhibit 13

Job Costing

Approximately half of integrators review job profitability on between 76% and 100% of their installations—and they do so no later than 30 days after completion. The breakdown in Exhibit 14 shows what percentage of companies review profitability no later than 30 days after completion, categorized by the number of total installations reviewed. In every category size, more than 40% of companies review profitability on between 76% and 100% of jobs no later than 30 days after completion. The results also show that approximately one-third of companies review profitability on 25% or less of installations no later than 30 days after completion.

Projects Reviewed at Completion - % of installations

	0%-25%	26%-50%	51%-75%	76%-100%
Less than $5 million	36.1%	11.1%	5.6%	47.2%
$5.1-$10 million	36.4%	9.1%	4.5%	50.0%
$10.1-$20 million	35.7%	7.1%	14.3%	42.9%
Greater than $20 million	24.1%	6.9%	10.3%	58.6%
Total	**32.7%**	**8.9%**	**7.9%**	**50.5%**

Exhibit 14

Of the reviews done by companies, more than 70% of companies at every segment include both the staff member who quotes the job and the supervisor. The second-highest category, which is 13.1% of all companies, includes installations where the job supervisor is the only person included in the job review. Exhibit 15 shows the breakdown by revenue segment and staff included.

Project Review Results - Estimator and Supervisor

	Less than $5 million	$5.1-$10 million	$10.1-$20 million	Greater than $20 million	Total
Both those who quote the work and supervise the work are included	72.2%	72.7%	85.7%	75.9%	75.2%
Neither are included in the post-job review	2.8%	13.6%	0.0%	6.9%	5.9%
Those who quote the work only	8.3%	4.5%	0.0%	0.0%	4.0%
Those who supervise the work only	11.1%	9.1%	14.3%	17.2%	2.0%
Count	**36**	**22**	**14**	**29**	**101**

Exhibit 15

Of the companies that review jobs, approximately 87% take action based on the results. Survey comments indicate that they sometimes struggle with implementing changes because there are many jobs running simultaneously and each one is at a different stage. Companies also commented that they want better tools to help with job costing. Exhibit 16 illustrates the breakdown of actions taken by company size.

Actions Taken on Job Costing Results

	Less than $5 million	$5.1-$10 million	$10.1-$20 million	Greater than $20 million	Total
Yes	85.3%	81.8%	85.7%	93.1%	86.9%
No	14.7%	18.2%	14.3%	6.9%	13.1%
Count	**34**	**22**	**14**	**29**	**99**

Exhibit 16

Companies that review jobs are also acknowledging wins. Of the entire survey, 94% recognize wins. Exhibit 17 shows the breakdown by revenue category.

Wins Acknowledged

	Less than $5 million	$5.1-$10 million	$10.1-$20 million	Greater than $20 million	Total
Yes	90.9%	95.5%	92.9%	96.6%	93.9%
No	9.1%	4.5%	7.1%	3.4%	6.1%
Count	**33**	**22**	**14**	**29**	**98**

Exhibit 17

C. Staff Overview

Total Staffing

All respondents have full-time staff; less than half (43.6%) have at least one part-time staff member. As you can see in Exhibit 18, there is a vast discrepancy between average and median. This is reflective of the wide range of employment levels within NSCA's membership.

Labor Breakdown

Staff Category	Average Count	Median Count
Management/Executive - Full time	6.1	5.0
Management/Executive - Part time	1.8	1.0
Administrative - Full time	13.2	5.0
Administrative - Part time	1.7	1.0
Technical - Full time	54.0	20.0
Technical - Part time	4.3	1.0
Sales - Full time	10.3	4.0
Sales - Part time	1.0	1.0

Exhibit 18

The technical staff, as expected, makes up more than half the total staff in all revenue categories. This is down as a percent of total from the 2020 report. Details for 2023 are shown in Exhibit 19.

Average Count of Company Staff

Staff Category	Total	Less than $10 million	$10.1-$20 million	Greater than $20 million
Management/Executive - Full time	6.0	3.9	6.9	9.7
Management/Executive - Part time	0.6	0.8	1.0	0.0
Administrative - Full time	13.0	5.7	6.5	29.4
Administrative - Part time	1.0	1.0	1.0	1.0
Technical - Full time	54.0	24.0	28.5	123.3
Technical - Part time	2.7	2.5	5.5	1.4
Sales - Full time	10.3	5.0	5.3	22.4
Sales - Part time	0.3	0.3	0.0	0.3

Exhibit 19

Information technology continues to become a focus for companies due to increased network and security needs. Exhibit 20 shows the average staff count dedicated to internal IT support and the percent of G&A spent on outsourced IT at every level. Companies with up to $5 million in revenue spend approximately 2.5% of G&A expenses on outsourced IT support, while companies with over $10 million spend 4% to 5% of G&A expenses.

Internal Information Technology - Internal vs External

	Less than $5 million	$5.1-$10 million	$10.1-$20 million	Greater than $20 million	Total
# of companies with no internal IT staff	16	11	7	5	39
Internal IT Staff	1.10	0.45	0.57	2.95	1.45
% of Total Staff	2.5%	1.6%	1.2%	1.6%	1.8%
% of G&A Spent on Outsourced IT	2.5%	2.5%	4.6%	4.9%	3.4%

Exhibit 20

Technical Staffing

Exhibit 21 provides a breakdown of staffing roles specific to the technical staff from the 2023 surveyed companies, splitting them based on company size. There are three categories identified: project management, technician work/installation, and other.

Technical Staff Breakdown

	Less than $5 million	$5.1-$10 million	$10.1-$20 million	Greater than $20 million	Total
Project Management	2.06	2.27	4.08	18.41	7.09
Technician Work/Installation	24.62	10.04	20.58	74.63	34.69
Other	0.95	1.93	3.78	26.43	10.42

Exhibit 21

While technicians are the largest group, project manager positions grow with revenue. Exhibit 22 identifies the average job value per project manager. While job size, complexity, and time were not factors identified, it appears that the average combined job value a project manager is responsible for across all respondents is approximately $2.6 million.

Average Total Job Value per Project Manager

	in Millions	Count
Less than $5 million	$1.7	31
$5.1-$10 million	$2.0	22
$10.1-$20 million	$4.1	14
Greater than $20 million	$1.0	25
Total	**$2.6**	**92**

Exhibit 22

***Please note: This number can change dramatically based upon the use of subcontractors vs. self-performed tasks.**

Sales Staffing

The survey collected data on sales staff with primary responsibility for revenue generation. Nearly all respondents (94%) report having at least one full-time sales staff; relatively few (8%) have at least one part-time stales staff.

Responses by segment are provided in Exhibit 23.

Average Sales Staff by Revenue Category

	Sales Staff - Full Time	Sales Staff - Part Time	Total Sales Staff
Less than $5 million	5.8	0.4	6.3
$5.1-$10 million	3.7	0.1	3.8
$10.1-$20 million	5.3	0.0	5.3
Greater than $20 million	23.1	0.3	23.4
Total	**10.3**	**0.3**	**10.6**

Exhibit 23

Changes in sales staff were added to the 2020 survey and included in the 2023 survey as well. While the 2020 survey results showed that approximately 11% of companies were decreasing or significantly decreasing sales staff, the 2023 results show a dramatic decrease in those categories. The 2020 survey results revealed that 60% to 70% of respondents kept sales staff numbers the same; 2023 results indicate that 50% will stay the same and around 40% expect to increase sales staff. Exhibit 24 shows the breakdown by segment.

Expected Changes in Sales Staff

	Less than $5 million	$5.1-$10 million	$10.1-$20 million	Greater than $20 million	Total
Significant increase (>20%)	11.4%	13.6%	14.3%	14.3%	13.1%
Increase (10%-19%)	37.1%	54.5%	28.6%	28.6%	37.4%
Stay the same (plus or minus 9%)	48.6%	31.8%	57.1%	53.6%	47.5%
Decrease (10%-19%)	0.0%	0.0%	0.0%	3.6%	1.0%
Significant decrease (>20%)	2.9%	0.0%	0.0%	0.0%	1.0%

Exhibit 24

Bonuses for sales as a percentage range from 4.3% to 11.2%, with an average of 7.6%. Companies with over $10 million in revenue have approximately 11% of general and administrative expenses paid for sales bonuses.

Sales Bonus as a % of G&A

	% of G&A	Count
Less than $5 million	5.5%	31
$5.1-$10 million	4.3%	21
$10.1-$20 million	11.2%	13
Greater than $20 million	11.1%	25
Total	**7.6%**	**90**

Exhibit 25

Remote Workforce

With continued changes in remote, hybrid, and onsite workforces, questions regarding remote and hybrid work were included. While remote is an option, smaller companies have fewer remote workers, with 77.3% to 80% of respondents with revenue less than $10 million stating that less than 25% of their workforce is remote.

For accountability, 44% confirm that they schedule and monitor time for specific tasks with remote employees.

Remote Workers as % of Total Staff

	0%-25%	26%-50%	51%-75%	76%-100%	Count
Less than $5 million	80.0%	2.9%	11.4%	5.7%	35
$5.1-$10 million	77.3%	4.5%	13.6%	4.5%	22
$10.1-$20 million	50.0%	28.6%	21.4%	0.0%	14
Greater than $20 million	35.7%	28.6%	25.0%	10.7%	28
Total	**62.6%**	**14.1%**	**17.2%**	**6.1%**	**99**

Exhibit 26

The survey went on to ask if companies would be likely to continue the hybrid model. One-third of respondents identified they would not be likely to continue, and another one-third would be somewhat likely to continue. The final one-third is likely to extremely likely to continue the hybrid model. Exhibit 27 shows the results by segment.

Likeliness to Continue Hybrid Model

	Not likely	Somewhat likely	Likely	Very likely	Extremely likely
Less than $5 million	45.7%	25.7%	14.3%	5.7%	8.6%
$5.1-$10 million	34.8%	47.8%	4.3%	4.3%	8.7%
$10.1-$20 million	21.4%	35.7%	35.7%	0.0%	7.1%
Greater than $20 million	22.2%	29.6%	22.2%	18.5%	7.4%
Total	**33.3%**	**33.3%**	**17.2%**	**8.1%**	**8.1%**

Exhibit 27

Finally, the survey asked about remote or hybrid work as an option for talent recruitment. Almost 30% of respondents do not believe that having a remote option will impact talent recruitment, while 48.5% of respondents identified that remote/hybrid work will likely to extremely likely need to be an option for talent recruitment. Exhibit 28 shows the results by segment.

Remote as an Option for Talent Recruitment

	Not likely	Somewhat likely	Likely	Very likely	Extremely likely
Less than $5 million	37.1%	25.7%	20.0%	5.7%	11.4%
$5.1-$10 million	21.7%	30.4%	26.1%	17.4%	4.3%
$10.1-$20 million	21.4%	21.4%	35.7%	7.1%	14.3%
Greater than $20 million	25.9%	14.8%	25.9%	29.6%	3.7%
Total	**28.3%**	**23.2%**	**25.3%**	**15.2%**	**8.1%**

Exhibit 28

Overall, it does not appear that companies want to continue a hybrid model, with two-thirds of respondents either not likely or only somewhat likely to continue a hybrid model compared to almost half of respondents who believe that remote will be an option for talent recruitment.

D. Financial Analysis

This section of the report provides an analysis of key balance sheet values and ratios. The data are presented as follows:

- Overall Values — A full suite of percentiles is provided for each element to illustrate the breadth of values contained within the sample. This also allows for general benchmarking to determine where a particular company falls within the span of responses contained in this research sample.
- Segmented Values — Each value is segmented by company size, Top 10 status, and quartile rank. Due to the smaller sample size of each subsample, only the median is provided.
- Historical Values — Data are provided for each value from the 2003 to 2020 surveys to permit tracking general trends over time. Note that the same companies are not contained in each sample. Thus, any historical trends should be considered a general reflection of the market as a whole rather than specific tracking of company-to-company variations.
- Financial Ratios — Ten key financial ratios are computed (see Exhibit 26 for an explanation of the computational methods). The results are provided as described above for the balance sheet values.

All data are from the respondents' most recently closed fiscal year.

Balance Sheet Analysis

Note that the average values in Exhibit 29 are highly swayed by the very large and the very small responses in the sample. A more accurate depiction of the "typical" respondent is found by examining the median values, since the median is affected far less by outliers than the average. Therefore, medians are used for all the following comparisons of balance sheet values across segments. Exhibit 30 further shows the difference in values based on company size.

Analysis: Balance Sheet

	10th percentile	25th percentile	Median	75th percentile	90th percentile	Average	No. of Responses
Cash on hand, beginning of FY	$90,018	$238,412	$604,000	$1,853,785	$3,810,500	$1,827,557	87
Cash on hand, end of FY	$16,014	$117,248	$411,761	$1,820,569	$4,086,345	$1,512,373	89
Accounts receivable	$226,400	$607,257	$1,552,632	$4,180,806	$10,014,825	$4,723,868	89
Inventory	$100,000	$280,373	$554,423	$1,200,000	$2,426,571	$1,341,035	87
Current assets	$221,367	$1,169,992	$2,767,943	$8,759,250	$22,370,601	$9,383,007	84
Total assets	$622,941	$1,512,327	$4,104,675	$10,688,378	$28,468,440	$13,196,994	88
Current liabilities	$199,000	$420,453	$1,248,350	$4,655,666	$15,725,024	$5,580,350	86
Equity, beginning of FY	$59,658	$574,891	$1,760,000	$6,251,449	$10,755,472	$4,854,741	86
Equity, ending of FY	$203,651	$686,294	$1,623,353	$6,367,573	$10,796,079	$5,819,544	87
Cost in excess	$26,400	$225,383	$819,500	$2,228,367	$5,291,669	$1,576,025	64
Billings in excess	$58,170	$242,961	$1,281,925	$4,270,500	$9,390,569	$2,573,102	61

Exhibit 29

Analysis: Balance Sheet

Values are medians	Overall median	Less than $5 million	$5.1-$10 million	$10.1-$20 million	Greater than $20 million
Cash on hand, beginning of FY	**$604,000**	$261,306	$275,000	$1,576,161	$2,500,000
Cash on hand, end of FY	**$411,761**	$129,960	$232,024	$790,848	$2,200,000
Accounts receivable	**$1,552,632**	$466,656	$1,050,338	$1,866,883	$7,876,000
Inventory	**$554,423**	$289,842	$444,314	$776,388	$1,600,000
Current assets	**$2,767,943**	$875,894	$2,402,629	$4,772,253	$13,356,764
Total assets	**$4,104,675**	$1,309,127	$2,750,000	$6,397,512	$18,466,000
Current liabilities	**$1,248,350**	$305,137	$934,667	$2,107,085	$9,578,059
Equity, beginning of FY	**$1,760,000**	$434,856	$968,374	$2,801,455	$6,358,882
Equity, ending of FY	**$1,623,353**	$572,942	$1,098,450	$3,547,540	$7,550,000
Cost in excess	**$819,500**	$256,567	$216,922	$733,452	$2,472,466
Billings in excess	**$1,281,925**	$61,667	$252,808	$2,252,239	$4,050,000

Exhibit 30

Financial Ratios

Ratios that are typically calculated using average balances are calculated using ending balances provided. The survey did not collect starting and ending balances for all Balance Sheet categories limiting the average value of the balance sheet values for the calculation. Please take this into consideration when comparing to individual calculations. Note: Calculating ratios on the median balance sheet values from Exhibits 29 and 30 may not equal the results in Exhibits 32 and 33 because financial ratios are calculated by the individual company, and percentiles are then identified from those results.

Ratio	Computation method	Description
Revenue per employee	Total sales revenue divided by number of FTE staff	This ratio tracks the amount of sales revenue generated by each employee
Revenue per salesperson	Total sales revenue divided by the number of FTE sales staff	This ratio tracks the amount of sales revenue generated by each salesperson
Profit per salesperson	Per-tax profit (loss) divided by the number of FTE sales staff	This tracks the “profitability” of each salesperson
Days sales outstanding	Accounts receivable divided by average daily sales	This ratio measures the number of days an invoice stays in accounts receivable before it’s received in cash
Inventory turnover	Cost of materials sold divided by inventory	This ratio measures the number of times inventory revolves over the course of a year
Return on assets	Pre-tax profit divided by total assets	This ratio measures the efficiency of asset utilization—the profits generated by assets
Return on equity	Pre-tax profit divided by average equity	This ratio measures the owner’s return on the equity kept at risk in the company
Current ratio	Current assets divided by current liabilities	This ratio measures liquidity—the ability to cover current debts with current assets by examining the number of dollars in assets for each a and dollar in liabilities
Working capital as % of Sales	Working capital divided by total sales	This ratio tells a business how much of every sales dollar must go toward meeting operational expenses and short-term debt obligations.
Debt to equity	Total liabilities divided by average equity	This ratio measures the leverage or risk profile—the amount of indebtedness compared to equity
Cash-on-hand variation	Percentage change between cash on hand BOFY and EOFY	This ratio measures the amount of cash-on-hand resources expended/accumulated

Exhibit 31

Financial Ratios as a Percent of Revenue, Overall Values

	10th percentile	25th percentile	Median	75th percentile	90th percentile	Average	No. of Responses
Revenue per employee	$154,434	$178,719	**$262,463**	$342,112	$575,192	$460,604	90
Revenue per salesperson	$1,124,623	$1,388,214	**$2,303,235**	$3,510,927	$5,472,601	$4,209,182	90
Profit per salesperson	-$274,766	-$23,123	**$96,344**	$282,644	$1,301,549	$1,396,470	91
Days sales outstanding	22	38	**59**	75	86	60	97
Inventory turnover	2	6	**12**	37	55	29	74
Return on assets	-22.1%	-3.3%	**9.4%**	19.1%	47.4%	14.8%	98
Return on equity	-36.6%	0.8%	**21.1%**	75.0%	252.6%	133.6%	98
Current ratio	0.6	1.2	**1.8**	3.6	6.8	3.4	97
Working capital as % of sales	-6.3%	0.0%	**8.7%**	21.7%	34.9%	12.9%	83
Debt to equity	0.1	0.3	**0.9**	1.9	5.6	3.0	101
Cash on hand variation	-97.7%	-69.0%	**-9.0%**	37.7%	100.0%	-6.3%	100

*extreme outliers omitted

Exhibit 32

Financial Ratios as a Percent of Revenue by Company Size, Overall Values

Values are medians	Overall median	Less than $5 million	$5.1-$10 million	$10.1-$20 million	Greater than $20 million
Revenue per employee	**$262,463**	$199,000	$270,121	$307,458	$309,056
Revenue per salesperson	**$2,303,235**	$1,406,256	$2,071,976	$3,137,482	$3,464,983
Profit per salesperson	**$96,344**	-$149	$59,602	$171,446	$167,550
Days sales outstanding	**59**	51	48	59	66
Inventory turnover	**12**	3	12	19	22
Return on assets	**9.4%**	0.0%	12.2%	10.7%	9.4%
Return on equity	**21.1%**	20.0%	20.5%	30.9%	19.3%
Current ratio	**1.8**	2.2	2.4	1.3	1.6
Working capital as % of sales	**8.7%**	10.2%	12.9%	9.1%	12.6%
Debt to equity	**0.9**	0.4	0.6	0.5	1.3
Cash on hand variation	**-9.0%**	-0.8%	-22.3%	-25.8%	-11.4%

Exhibit 33

Income Statement Ratios

This section of the report explores detailed sales and expense data. All sales ratios are expressed as a percentage of total sales.

Each table is segmented into the following major areas:

- Sales — These data illustrate the breakout between non-recurring sales and recurring sales. The latter category is further segmented into six specific types of recurring sales (as-a-service, managed service, contracted maintenance agreements (monitoring), leasing/rental, deferred recurring revenue, and other recurring fees). The total of non-recurring and recurring sales sums to 100%.
- Cost of Sales — These data explore the expenses that comprise cost of sales (i.e., materials, labor, freight, job supplies, etc.). Gross profit is also provided, which is total sales less cost of sales.
- Operating, Selling, and Administrative Costs — These data examine a wide range of specific expenses, including salaries, insurance, rent, office expenses, etc. Operating income is also provided, which is gross profit less total operating/selling/administrative expenses.
- Pre-Tax Profit (Loss) — This key metric is operating income less net interest expense.
- Other Ratios — Two other ratios are tracked: year-end inventory as a percentage of material cost and year-end accounts receivable as a percentage of sales.

The data are first illustrated using percentiles to explore the range of values contained within the sample. The remainder of the tables are based upon average values. While the averages are swayed by the very small and the very large values in the sample, it is a more intuitive way of examining sales ratios since it permits subtotal data to sum to their contributing line items (the percentile values will not, by design, sum to their associated line items).

To ensure maximum accuracy, all averages are computed independently for each line item. Due to rounding, some subtotals for the average values may not sum exactly to their associated line items.

The 2020 data are segmented by a variety of metrics, as described in Section I. While these current-year data are the most valuable aspect of this section for benchmarking purposes, the trend data provided in Exhibits 29 and 30 also have value since these provide an overarching view of industry operations and profitability over time. One of the more interesting metrics is the relationship between recurring and non-recurring sales.

While the large majority of sales have always been derived from non-recurring sources, the percentage of revenue derived from recurring sales as an average made a healthy upswing in 2020, going from 10.83% in 2018 to 17.32%. The change from 2020 to 2023 was a reduction to 14.2%. Contracted maintenance agreements (monitoring), managed services, and other recurring fees are the top three sales categories, with 8.7%, 7.3% and 7.3%, respectively. See Exhibit 34 below.

Ratios as a Percent of Revenue, Overall Values

	25th percentile	Median	75th percentile	Average	Number of responses
Non-recurring sales	86.6%	94.3%	99.3%	87.9%	88
Recurring sales					
As-a-service	0.9%	2.8%	8.7%	8.1%	47
Managed service	0.9%	2.4%	6.3%	3.6%	35
Contracted maintenance agreements (monitoring)	1.5%	5.0%	12.4%	8.7%	72
Leasing/rental	0.2%	0.2%	4.1%	2.5%	20
Deferred recurring revenue	0.8%	3.7%	5.6%	3.8%	21
Other recurring fees	0.3%	0.5%	2.7%	7.3%	22
Total recurring sales	2.0%	7.4%	16.8%	14.2%	88
Total sales	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**101**

Costs of Sales as a Percent of Revenue, Overall Values

	25th percentile	Median	75th percentile	Average	Number of responses
Materials	35.3%	45.0%	57.1%	44.6%	96
Direct labor	10.2%	14.7%	22.4%	17.6%	91
Subcontract labor	1.0%	2.6%	6.3%	6.1%	87
Direct vehicle expenses	0.5%	1.1%	1.5%	2.3%	73
Freight	0.6%	1.1%	1.6%	1.9%	90
Job supplies and miscellaneous job costs	0.4%	1.1%	2.3%	2.6%	80
Total cost of sales	60.7%	68.1%	74.7%	72.2%	96
Gross profit	**25.6%**	**31.9%**	**40.4%**	**34.1%**	**101**

Exhibit 34

Operating, Selling, and Administrative Expenses as a Percent of Revenue, Overall Values

	25th percentile	Median	75th percentile	Average	Number of responses
Salaries	10.6%	14.6%	19.6%	15.7%	98
Payroll taxes	1.0%	1.5%	2.4%	1.7%	93
Employee benefits	0.8%	1.5%	2.5%	1.8%	95
Insurance	0.5%	0.9%	1.4%	1.2%	97
Operating supplies	0.2%	0.3%	0.6%	0.5%	82
Rent	1.0%	1.5%	2.1%	1.7%	97
Utilities and communication	0.3%	0.5%	0.9%	0.6%	96
Depreciation	0.4%	0.8%	1.3%	0.8%	83
Repairs and maintenance	0.1%	0.2%	0.6%	0.3%	86
Outside services	0.3%	0.6%	1.0%	0.6%	79
Office expenses	0.2%	0.3%	0.5%	0.3%	88
Marketing / promotion	0.1%	0.3%	0.6%	0.4%	96
Training and education	0.1%	0.2%	0.3%	0.2%	90
All other expenses	0.9%	3.1%	5.0%	3.0%	81
Total operating, selling, admin expenses	**21.9%**	**27.6%**	**34.0%**	**28.7%**	**98**
Operating income	**-2.4%**	**3.7%**	**9.0%**	**4.5%**	**101**
Net interest expense	**0.1%**	**0.3%**	**0.6%**	**0.4%**	**77**
Pre-tax profit (loss)	**-3.1%**	**3.7%**	**8.9%**	**4.1%**	**101**
Inventory as a percentage of material cost for the year	5.3%	11.0%	22.7%	12.2%	76
Accounts receivable as a percentage of material cost for the year	10.6%	16.3%	20.9%	13.9%	84

Exhibit 35

NOTE: Calculations above are independently calculating medians based on each company and line item. Due to this, when totaled, individual lines will not equal total values.

Exhibit 36 breaks out the responses by company size. It shows that the largest companies have the lowest percent of their sales in non-recurring at 89.8%. The non-recurring and recurring percentages below are median values of survey responses that were calculated independently. Each value in the chart is the median for that service for each company size column. Therefore, the addition of non-recurring sales percent plus recurring sales percent does not equal 100%. Total Sales of 100% relates to the reporting of all types of sales.

Sales Ratios as a Percent of Revenue by Company Size, Overall Values

Number of responses	26	22	14	29
	Less than $5 million	**$5.1-$10 million**	**$10.1-$20 million**	**Greater than $20 million**
Non-recurring sales	98.1%	96.5%	94.2%	89.8%
Recurring sales				
As-a-service	1.1%	2.5%	3.4%	2.8%
Managed service	1.4%	1.6%	7.3%	2.6%
Contracted maintenance agreements (monitoring)	4.4%	2.0%	4.2%	10.0%
Leasing/rental	0.9%	N/A	0.2%	0.2%
Deferred recurring revenue	7.9%	0.0%	0.7%	5.1%
Other recurring fees	0.3%	2.2%	0.2%	N/A
Total recurring sales	4.4%	7.4%	5.8%	12.3%
Total sales	**100.0%**	**100.0%**	**100.0%**	**100.0%**

Costs of Sales as a Percent of Revenue by Company Size, Overall Values

Materials	47.3%	50.5%	42.0%	41.3%
Direct labor	12.2%	15.8%	14.2%	19.3%
Subcontract labor	1.9%	2.1%	3.1%	4.0%
Direct vehicle expenses	1.0%	1.3%	0.6%	1.3%
Freight	1.1%	1.2%	1.1%	0.8%
Job supplies and miscellaneous job costs	1.2%	0.9%	0.7%	1.3%
Total cost of sales	61.9%	68.6%	67.7%	69.8%
Gross profit	**38.1%**	**31.5%**	**32.3%**	**29.5%**

*line items with no values denoted as "N/A"

Exhibit 36

Operating, Selling, and Administrative Expenses as a Percent of Revenue by Company Size, Overall Values

	Less than $5 million	**$5.1-$10 million**	**$10.1-$20 million**	**Greater than $20 million**
Salaries	21.18%	14.33%	14.08%	11.44%
Payroll taxes	2.24%	1.49%	1.33%	1.07%
Employee benefits	1.90%	1.55%	0.94%	1.06%
Insurance	1.22%	1.05%	1.19%	0.49%
Operating supplies	0.54%	0.36%	0.23%	0.22%
Rent	2.15%	1.45%	1.59%	1.25%
Utilities and communication	0.77%	0.38%	0.38%	0.49%
Depreciation	0.77%	0.53%	0.86%	0.76%
Repairs and maintenance	0.20%	0.25%	0.16%	0.22%
Outside services	0.52%	0.70%	0.66%	0.53%
Office expenses	0.43%	0.29%	0.21%	0.21%
Marketing / promotion	0.33%	0.37%	0.14%	0.12%
Training and education	0.18%	0.20%	0.18%	0.11%
All other expenses	3.13%	3.99%	4.68%	1.50%
Total operating, selling, admin expenses	**33.14%**	**27.69%**	**26.28%**	**22.15%**
Operating income	**-0.70%**	**3.72%**	**5.96%**	**3.44%**
Net interest expense	0.44%	0.12%	0.30%	0.12%
Pre-tax profit (loss)	**-2.06%**	**3.67%**	**5.53%**	**3.43%**
Inventory as a percentage of material cost for the year	23.8%	10.3%	10.3%	8.9%
Accounts receivable as a percentage of material cost for the year	14.2%	13.3%	16.3%	18.3%

Exhibit 37

There were 23 companies that reported cost of goods amounts associated with recurring and non-recurring revenue. The breakdown is shown in Exhibit 37 by company size. Results show that there is a higher cost of goods associated with non-recurring revenue than in recurring revenue. Although not confirmed, recurring revenue may not have a materials cost of goods sold ongoing, where new non-recurring revenue may always have material costs, resulting in a higher material percent of revenue.

Cost of Goods Categories as a % of Revenue by Revenue Source

Values are medians	**Overall**		**Less than $5 million**		**$5.1-$10 million**		**$10.1-$20 million**		**Greater than $20 million**	
Responses	**23**		**7**		**7**		**3**		**6**	
	Non-Recurring	**Recurring**	**Non-Recurring**	**Recurring**	**Non-Recurring**	**Recurring**	**Non-Recurring**	**Recurring**	**Non-Recurring**	**Recurring**
Materials	40.6%	16.0%	28.5%	10.5%	38.9%	10.7%	56.3%	35.7%	49.0%	18.7%
Direct labor	11.3%	2.0%	6.1%	0.3%	15.3%	1.9%	12.9%	6.3%	12.0%	2.1%
Subcontracted labor	3.5%	0.2%	2.7%	0.0%	4.6%	0.6%	4.2%	0.1%	2.9%	0.0%
Direct vehicle expense	1.2%	7.3%	0.4%	2.8%	1.0%	4.3%	0.6%	18.4%	2.5%	10.6%
Freight	0.7%	0.1%	0.7%	0.0%	0.9%	0.0%	1.0%	0.4%	0.4%	0.3%
Job supplies & misc. job costs	1.0%	3.0%	0.8%	0.0%	1.3%	7.7%	1.5%	0.1%	0.8%	2.4%
Total COGS	**58.4%**	**28.7%**	**39.3%**	**13.6%**	**62.0%**	**25.3%**	**76.6%**	**60.9%**	**67.6%**	**34.0%**

Exhibit 38

Historical Sale Ratios

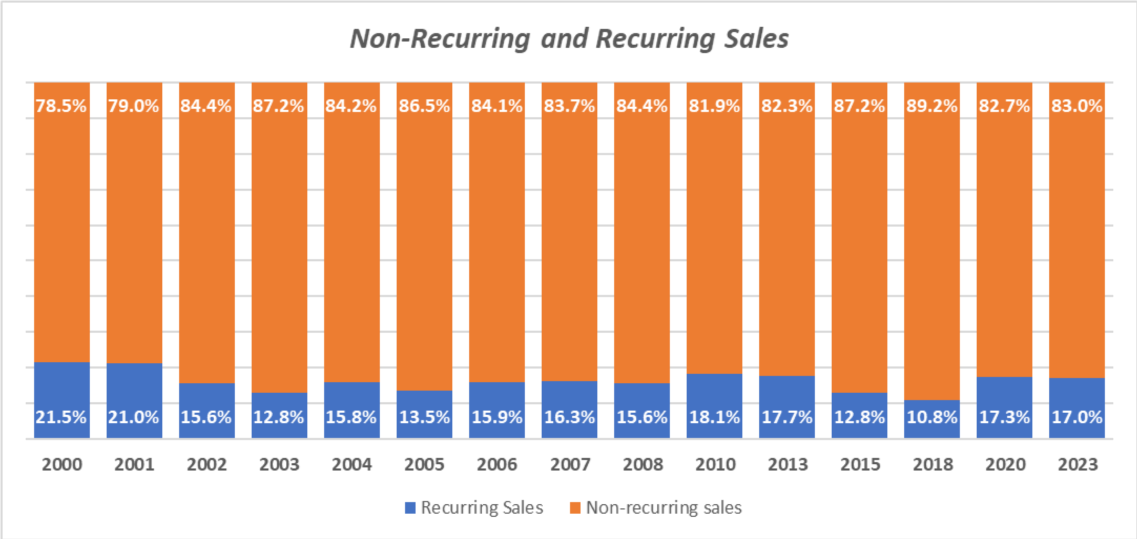


Exhibit 39

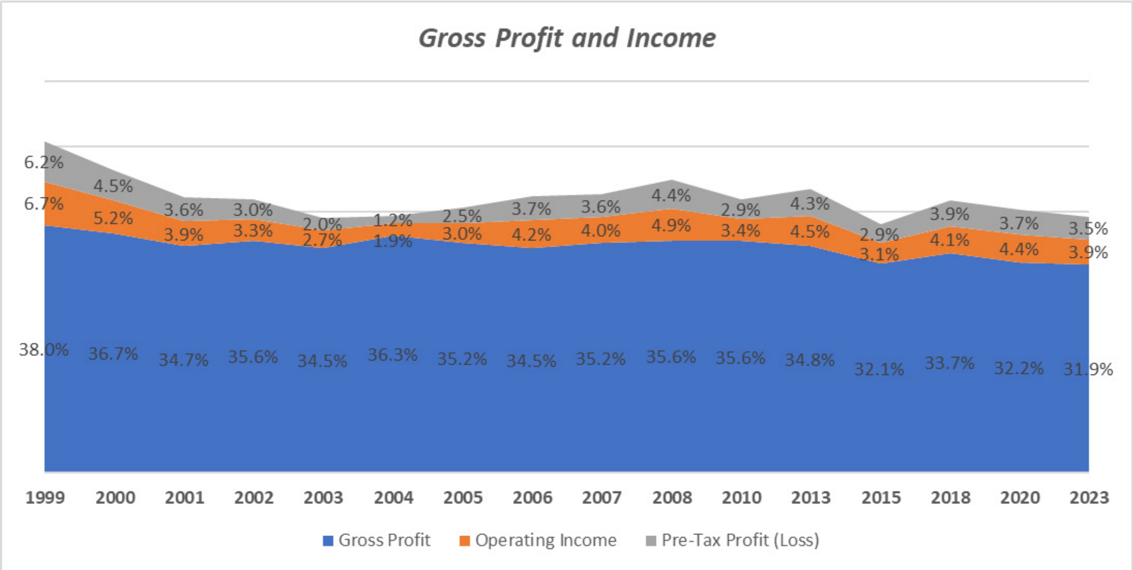


Exhibit 40

Perceived Company Financial Health

While the bulk of the NSCA *Financial Analysis of the Industry* report provides quantitative insight into company operational and financial aspects, it is also productive to examine key issues using qualitative data. A respondent's "gut feel" about how his/her company is performing is a highly useful data element.

The respondents were asked to rate their companies' financial health for three time periods (the past two years, the present time, and the next two years) using a scale that ranges from "very poor" to "outstanding." As summarized in Exhibit 41, a plurality to majority of respondents rate their companies' financial health as "good to very good" for all three time periods. Companies that believe their financial health will be "very good" or "outstanding" are represented by 57.6%, and 69.4% of companies for 2023 (year 1) and 2024 (year 2), respectively. Optimistically, this is up in the same categories from the 2020 report representing 2021 (year 1) as 45%, and 2022 (year 2) as 62%.

Company Financial Health

	Critical	Very Poor	Somewhat Poor	Fair	Good	Very Good	Outstanding
Company's financial health for the past two years	0.0%	3.1%	8.2%	11.2%	29.6%	34.7%	13.3%
Company's present financial health	1.0%	0.0%	3.0%	13.1%	33.3%	34.3%	15.2%
Company's expected financial health for 2023	0.0%	1.0%	1.0%	8.1%	32.3%	39.4%	18.2%
Company's expected financial health for 2024	0.0%	0.0%	1.0%	2.0%	27.6%	50.0%	19.4%

Exhibit 41

Challenges for 2024

Another qualitative metric collected in the survey involves anticipated challenges for 2024.

The open-ended responses cover a wide spectrum of operational issues, but three common themes were found.

1. Staffing

This was the most frequently mentioned theme, whether in the form of struggling with hiring or retention. Overall, companies can't find the staff they need to support business—or to sustain growth.

Example: *"Getting to all of our projects in a timely manner heavily depends on our labor force. Finding new people who are qualified, capable, and reliable is a huge challenge."*

2. Supply Chain

Integrators continue to worry about the inability to get products in a timely manner or in time for job completion. Pricing and ordering ahead result in eroded margins and cash-flow issues for some.

Example: "*Continued constraints in the supply chain of critical pieces is adversely impacting our ability to complete jobs and meet customer expectations. Extra labor is being expended to complete jobs in segments or patch together temporary solutions."*

3. Uncertain Economy

Inflation and volatility are causing turmoil, whether that's in the form of clients pushing out projects for another fiscal year or eroding margins.

Example: "*Recession and the effect of higher lending rates tightening lending standards will have on capital spending within SMB segment."*

© NSCA 2023. Report should not be reproduced.

What's Next?

A few tips on how to leverage NSCA's Financial Analysis of the Industry Report

If you've gotten this far, then you've sifted through a lot of data. It can be overwhelming at first glance. The challenge you have is determining how to use this data to help lead your organization. This report is possibly the most important research report NSCA conducts, as it's a way for NSCA members to look at financial data from the industry and compare their company with others.

I recommend that your leadership team take time to review the findings from the report. This is an opportunity for your team to find areas of improvement or confirm that you are on the right trajectory. Many members use this data to create KPIs or strategic imperatives for the coming year.

Another step is you *can* take is to use the benchmarks and metrics from NSCA's *Financial Analysis of the Industry*, *Labor Installation Standard*, and *Compensation and Benefits Report* and plug them in to your financial software tools to make sure you are profitable on projects. NSCA's Project Simulation Tool is another great tool for pursuing project profitability.

As you are reviewing the *Financial Analysis of the Industry*, also reference NSCA's standard chart of accounts in our Essentials Online Library. This has been developed specifically for integrators and is a great tool to determine what is above the line and below the line for projects.

When you first look at NSCA's *Financial Analysis of the Industry*, you may not know where to begin. During business resource calls with members, we discuss overall trends, which leads us to talking sales and general administration costs.

Here are some key sections and graphs from the report to focus on:

- Customer Dynamics – page 14 and Exhibit 9
- Work Backlog – page 16 and Exhibit 13
- Job Review Results – page 17 and Exhibit 15
- Technical Staffing – page 20
- Sales Staffing – page 20-21
- Financial Ratios – Exhibits 32 & 33
- Ratios as Percent of Revenue, Overall Values – Exhibit 34
- Operating, Selling & Administrative Expenses – Exhibit 35
- Challenges for 2024 – page 33-34

Most importantly: When it comes to next steps, NSCA staff are here to assist as you work through the report and other NSCA business resources. For guidance and a deeper dive into NSCA benchmarks and metrics, don't hesitate to contact me or anyone at NSCA.

Tom LeBlanc, NSCA
Executive Director
tleblanc@nsca.org
617-216-8794

RESEARCH BROUGHT

NSCA EDUCATION

FOUNDATION

TO YOU IN PART BY

NSCA®
YOUR VOICE • RESOURCE • ADVISOR

3950 River Ridge Drive NE, Suite B | Cedar Rapids, IA | 52402
Ph: 319.366.6722 • 800.446.6722 | **Fax:** 319.366.4164 | **www.nsca.org**