



2021

CONSTRUCTION FINANCIAL **benchmarker** RESULTS



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2021 CFMA FINANCIAL BENCHMARKER

(BASED ON 2020 RESULTS)

The **2021 CFMA Financial Benchmarker** presents a detailed analysis of key operating data from the construction industry. In all, 1,284 companies submitted data for the study. Of those, 1,207 provided detailed and valid financial statements and other required information and thus were included in the financial portion of the results. This report includes the compilation and analysis of financial and operations data segmented by:

- **Industry:** Industrial & Nonresidential, Heavy & Highway, and Specialty Trade
- **Revenue:** Under \$10.0 Million, \$10.0-\$24.9 Million, \$25.0-\$49.9 Million, \$50.0-\$99.9 Million, \$100.0-199.9 Million or \$100.0-\$299.9, and Over \$300 Million
- **U.S. Geographic Region:** Northeast, Southeast, Midwest, Southwest, West, and Far West
- **Best in Class:** top 25% of companies based on a composite ranking of key financial ratios

The **CFMA Financial Benchmarker Report** is published annually by the Construction Financial Management Association (CFMA), an organization dedicated to bringing together construction financial professionals and those partners serving their unique needs. Founded in 1981, CFMA is the only organization dedicated to providing construction financial professionals with unparalleled career development and networking opportunities. Along with publishing the award-winning CFMA Building Profits, CFMA offers educational, professional, and connection programs through its 99 chapters, Annual Conference, and online learning to over 8,300 members. CFMA members are CFOs, controllers, and treasurers working at major commercial construction contractors in general, subspecialty trades, and heavy highway sectors, as well as those professionals who service these industry financial professionals, such as accountants, surety agents, bankers, and IT specialists.

The **2021 CFMA Financial Benchmarker** was compiled, tabulated, and analyzed by Industry Insights Inc. (www.industryinsights.com), an independent professional research and consulting firm that specializes in conducting financial surveys, compensation studies, market assessments, customer satisfaction research, educational programs and other forms of customized research.

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Introduction

About the Financial Benchmarker

This year's **CFMA Financial Benchmarker Report** (based on 2020 results) has been designed to provide easy-to-understand guidelines for identifying business performance improvement opportunities. The overall purpose of this report is to aid in identifying key industry operating statistics, multi-year trends, and financial benchmarks for industry members and interested parties.

The Financial Benchmarker Survey was prepared by Industry Insights, Inc. of Columbus, Ohio, while working closely with CFMA staff and CFMA committee members in the design of the study. Confidential survey forms (refer to the Appendix for a sample) were made available to CFMA members beginning in early 2021. Respondents were able to submit their survey forms through an online questionnaire or through a Microsoft Excel version of the survey.

A valuable feature of the **2021 CFMA Financial Benchmarker** is that all companies participating in the survey receive their confidential Company Performance Report (CPR) and personalized interactive tools that are available through the **Financial Benchmarker** survey portal (www.financialbenchmarker.com).

The CPR displays each company's own ratios and data computed in a manner consistent with those appearing in the full report, and the results are displayed alongside the appropriate industry comparatives. As shown on any given line of the Company Performance Report, a company's own data are included along with reported norms for all respondents and for companies of similar type, total revenue, and region. Thus, the individual owner/manager is provided invaluable information without needing to spend time and effort performing the calculations manually. In addition, these highly confidential reports contain a graphical depiction of industry performance trends as well as a qualitative assessment of a company's situation.

In addition to receiving access to the Company Performance Report, participants will receive two free credits which can be used toward an interactive "Peer Group Comparison Report", a user-generated online report that compares company data with that of up to five different comparison data sets. Using the program, users can create their own benchmark reports with up to five relevant aggregates that most closely match their organizations. Additionally, the Peer Group Report allows users to create trend reports using the year selection option within the tool. Users are granted access to the portal on a variety of unique levels shown below (note: discounts will be applied based on CFMA membership status).

1. Survey participant – Access to static CPR (Company Performance Report), two free credits with the option of purchasing additional credits or full subscription, and a PDF of the high-level results that also includes narrative in select areas as well as compensation data provided by PAS, Inc.
2. Participant/Purchased subscription – Access to all.
3. Non-participant/Purchased subscription – Access to all site features except for the static CPR.
4. Non-participant/Non-Purchase – No access but can purchase subscription or credits.

How to Use This Report

This report has been designed to help construction companies evaluate their own performance relative to that of similar companies in order to identify improvement opportunities. The statistics in this report represent broad performance “yardsticks” against which a company's performance can be measured.

Using the information within this report, industry members can compare their own company's financial performance statistics against: Construction companies of similar type; companies of a comparable total revenue; geographic region; and the Best in Class companies (the top 25% based on the composite ranking of key financial ratios). Spotting significant differences between your own company's performance and the comparable aggregates can be the first step toward improving performance.

Understanding the Data

To use the information in this report to its maximum advantage, it is important to understand how the data are arranged and how to interpret the results.

How the Report is Organized

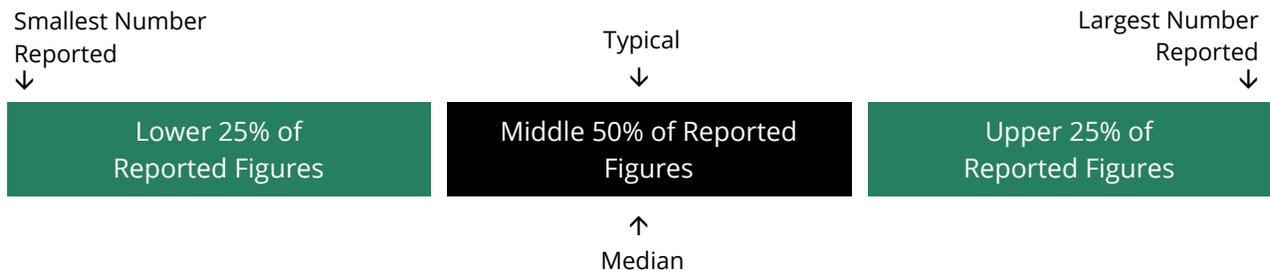
The survey results have been separated into 3 key sections. Each section examines key findings for each company type classification through the use charts, graphs, and tables. A respondent is determined to be of a particular type based on the percentage of annual construction related revenue derived from a grouping of NAICS codes. The NAICS codes were grouped into four major classifications: Residential Construction¹, Industrial & Nonresidential, Heavy & Highway, and Specialty Trade. The criteria for type classification is dependent on an estimated revenue percentage of 50% or more for a particular grouping. The 3 primary sections included in this year's report each include:

- ✓ **Respondent Profile** – Provides an overview of key characteristics (e.g., size, region, etc.) of the companies that participated in this year's survey.
- ✓ **Financial Information** – Provides a look at the strategic profit model ratios as well as key financial related metrics segmented by company type, total revenue, and geographic region.
- ✓ **Best in Class** – Provides a comparative analysis of the top 25% of companies based on a composite ranking of selected financial ratios against selected aggregates.

¹The detailed breakouts for the Residential Construction industry have been excluded from the report due to sample size limitations.

Interpreting the Numbers

Most of the results included in this study are reported on the basis of medians rather than arithmetical averages or means. Unlike the mean, the median is not distorted by a few unusually high or low values that may exist in the sample due to special circumstances. The “median” value represents the mid-point of the data for a particular measure, with one-half of the firms reporting figures above it and one-half below. Each median was computed independently based on the companies that reported for that item. As a result, mathematical relationships do not always exist when different ratios are used together in the calculation.



Figures reported were not used unless they were in accordance with the survey instructions and definitions. In cases where the number of facilities reporting was considered inadequate for the computation of a meaningful figure, an asterisk (*) notation is included to indicate insufficient data. At a minimum, 5 valid responses were required in order to show any metrics.

Further insights into how to use this report are included in the Appendix in the section entitled: “Key Ratio Definitions.”

Disclaimer

The statistical information contained in this report is believed to be largely representative of the construction industry. All reasonable efforts were taken by Industry Insights, Inc. to ensure data comparability within the limitations of basic reporting procedures. However, the findings are based on those who chose to participate in this year’s survey, and the sample was not adjusted to reflect any pre-determined profile expectations. Respondents’ data have not been audited, and the statistical validity of any given number varies depending upon sample sizes and the amount of consistency among responses. Industry Insights and CFMA, therefore, make no representations or warranties with respect to the results of this study and shall not be liable for any information inaccuracies, or errors or omission in contents, regardless of the cause of such inaccuracy, error, or omission. In no event shall Industry Insights and/or CFMA be liable for any consequential damages.



SAMPLE

2021

CONSTRUCTION FINANCIAL **benchmarker** RESULTS

Overall Survey Results

Overview

This section relays key survey results segmented by company type alongside all responding companies. A total of 1,284 companies submitted data for the 2020 CFMA Financial Benchmark Report. Of those, 1,107 met the criteria for company type classification. The percentage breakdown for Industrial & Nonresidential, Heavy & Highway, Specialty Trade, and Residential Construction is 29%, 22%, 45%, and 3%, respectively. The distribution of respondents by type is largely consistent with previous studies.

In comparing results against prior surveys, sample variances should be considered when reviewing the information. Results could vary because of differences among the organizations and sample size, rather than true changes among years. The following chapters contain a “same sample” trend data that will provide a more apples-to-apples comparison among years.

General Profile

The most commonly cited ownership type was a Private – Domestic U.S. business, which was reported by 87.9% of companies. The ownership type distribution was fairly consistent across the company type segmentations.

General/prime contractor was chosen as the primary role associated with the company by 41.2% of total respondents. Consistent with findings for prior year results, Specialty Trade companies were much more likely to act as subcontractors (88.4%) when compared with Industrial & Nonresidential companies (4.1%) and Heavy & Highway companies (23.4%).

Financial Information

Liquidity Ratios

The Days of Cash metric varied considerably when compared to the results of previous studies. Most notably, the number of days on cash on hand for Specialty Trade companies nearly doubled during 2020 (31.9 days) versus 2019 (16.3 days).

Profitability Ratios

Companies across all segments reported higher profitability metrics during 2020. In terms of asset utilization, Heavy & Highway companies realized the largest increases in efficiency with a nearly 3 percentage point upgrade in their Return on Assets over the reported rate in 2020.

Leverage Ratios

Industrial & Nonresidential companies were far more leveraged than were the other company types with a debt to equity ratio of 2.5. The typical respondent reported a debt to equity ratio of 1.4 and used their assets to generate 2.4 times more sales than assets.

Efficiency Ratios

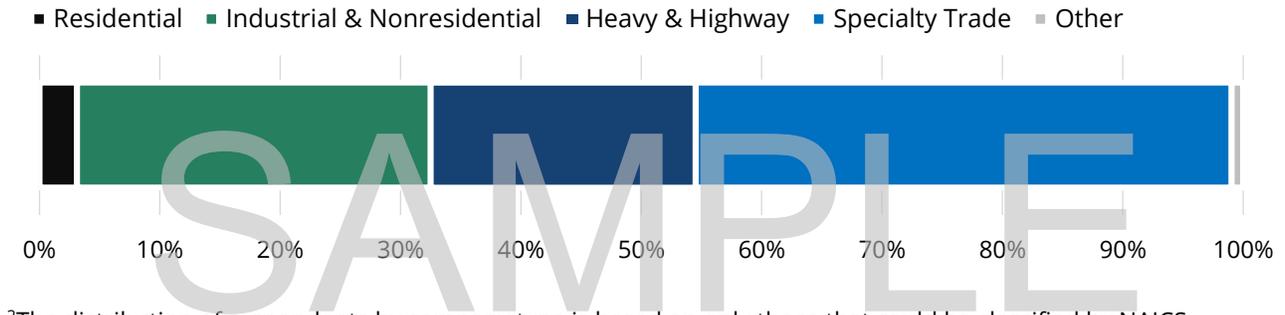
The typical number of days to complete an Operating Cycle increased considerably among all company type segments when compared to the results of the prior year’s survey. Most notably, Heavy & Highway companies experience a nearly 16-day increase during 2020.

General Profile

The following charts within the General Profile section are shown to help users of the report better identify with the participating companies. It is important to understand who the respondents of this year’s survey were in order to correctly interpret the results and their relative applicability to your organization.

As you review the information on the following pages, please keep in mind that the results of this study include COVID-relief funding through the Paycheck Protection Program (PPP), which are included as “Other Operating Income” if forgiven.

Company Type²



²The distribution of respondents by company type is based on only those that could be classified by NAICS.

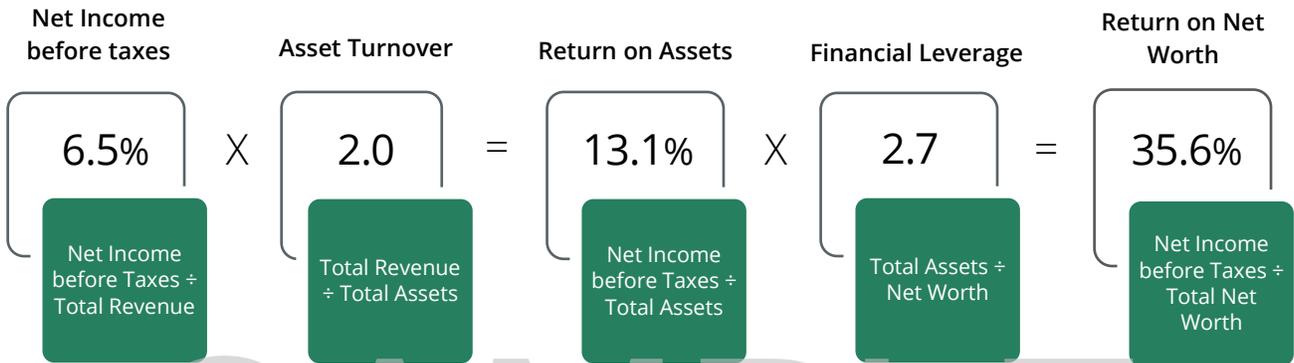
Distribution of Respondents by Total Revenue

	All Companies	Industrial & Nonresidential	Heavy & Highway	Specialty Trade
Under \$10.0 Million	19.9%	13.6%	17.3%	24.9%
\$10.0 - \$24.9 Million	25.8%	18.0%	25.2%	31.3%
\$25.0 - \$49.9 Million	20.7%	22.4%	21.7%	20.0%
\$50.0 - \$99.9 Million	15.1%	17.1%	19.7%	10.9%
\$100.0 - \$299.9 Million	12.7%	18.6%	11.0%	9.9%
\$300.0 Million and Over	5.8%	10.3%	5.1%	2.9%

Financial Information

Perhaps the best measure of a company’s overall performance is its return on investment (often measured as Return on Net Worth). The illustration below displays the relationship among some of the most common benchmarking metrics and how they combine to form Return on Net Worth.

Strategic Profit Model Overview — All Companies



Note: It is important to note that mathematical relationships do not always exist when using the reported median industry values. The graphic above is intended to provide guidance for analyzing your individual company results. Asset Turnover and Financial Leverage were adjusted in the above illustration for visual purposes.

Reviewed among all Respondents and further segmented by industry (Industrial and Nonresidential, Heavy & Highway, and Specialty Trade companies), the following graphs examine the various Strategic Profit Model ratios as well as the 3 “pathways” to profitability: net income before taxes; asset turnover; and financial leverage.

Net Income - Before Taxes (average)

