

GBA BUSINESS BRIEF

Fiscal Year 2018-19 Financial-Performance-Survey Report

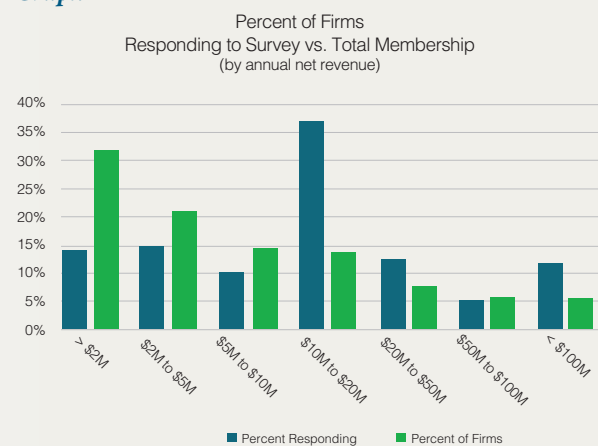
Fifty-nine geoprofessional firms - all members of the Geoprofessional Business Association (GBA) - responded to the GBA Business Practices Committee's 2018-2019 Financial-Performance-Survey questionnaire. The Committee issued questionnaires to GBA's Member Firms in April, and May 2019. The response rate was 31%.

Data shown in Table 1 indicate the size of the responding firms in terms of the net fee income they derived from providing geoprofessional services. (Questionnaire instructions directed respondents to calculate net fee income by excluding receipts derived from services performed by subcontractors and subconsultants, and from expense reimbursements, including any mark-ups.) The sample's size distribution is somewhat inverse to the size distribution of GBA membership. Nonetheless, because GBA's membership is not necessarily representative of the industry, not even a 100% response would have indicated overall industry trends.

Table 1

Size of Firm Net Fees, Responses to Survey & Membership	Responses	
	Number	% Total
Less than \$2M	8	14
\$2M to \$5M	9	15
\$5M to \$10M	7	10
\$10M to \$20M	18	32
\$20M to \$50M	7	12
\$50M to \$100M	3	5
Greater than \$100M	7	12
Total	59	100%

Graph 1



Predistribution Profit

Predistribution profit, expressed as a percentage of fee income, comprises profit before bonuses, profit sharing, and taxes. For GBA’s May 1, 2018-April 30, 2019 fiscal year (FY2018-19). The data (Table 2) revealed significant predistribution-profit ranges within each size category and overall (-6.3% to 37.2%). The overall median predistribution profit of 13.1%.

Discretionary-Profit Distribution

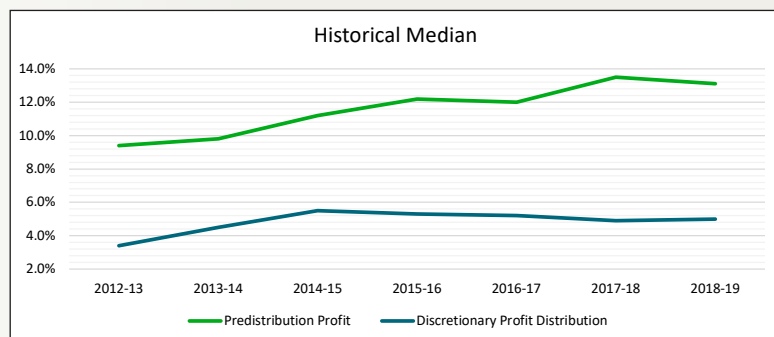
Also expressed as a percentage of fee income, discretionary-profit distribution consists of bonuses and tax-deferred contributions (for profit sharing, 401Ks, Simple IRAs, et al.). The overall median of 5.0% (Table 2).

Table 2

Size of Firm Net Fees, Predistribution of Profit & Discretionary-Profit Distribution		Predistribution Profit %	Discretionary Profit Distribution %
<2	Range	-6.3 to 58.7	1.0 to 27.8
	Median	10.4	6.4
2-5	Range	7.0 to 35.0	2.4 to 25.7
	Median	22.9	4.3
5-10	Range	6.0 to 23.9	1.0 to 23.5
	Median	11.5	3.5
10-20	Range	4.7 to 37.0	0.0 to 30.9
	Median	12.4	5.1
20-50	Range	11.7 to 37.2	1.8 to 13.8
	Median	17.6	9.6
50-100	Range	14.1 to 30.6	4.2 to 20.1
	Median	26.7	12.6
>100	Range	3.8 to 13.1	2.1 to 11.0
	Median	6.9	4.5
Total	Median	13.1	5.0

Graph 2

Historic Median of Predistribution of Profit and Discretionary-Profit Distribution



Net Multiplier

Net multiplier is a firm’s fee income divided by the value of direct labor it charges to its projects. FY2018-19’s median net multipliers (Table 3) ranged from 2.00 to 6.08 and an overall median of 3.21.

Utilization Ratio

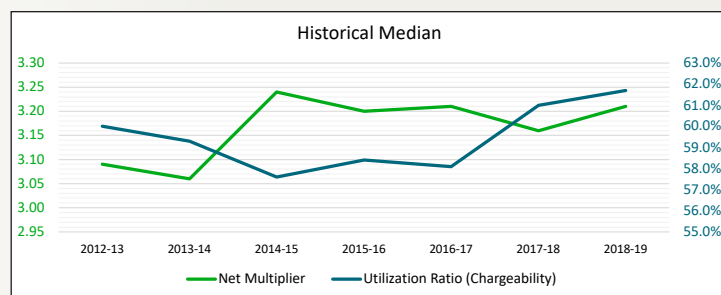
Respondents reported utilization ratio (direct-labor payroll divided by total payroll) for FY2018-19 ranged from 46.7% to 100.0% and an overall median of 61.7% (Table 3).

Table 3 Size of Firm Net Fees, Net Multiplier and Utilization%

Size of Firm Net Fees, \$M		Net Multiplier	Utilization %
< 2	Range	2.00 to 6.08	57.0 to 100.0
	Median	2.67	68.2
2-5	Range	2.18 to 4.35	50.7 to 88.1
	Median	3.06	69.3
5-10	Range	2.88 to 3.75	52.0 to 65.0
	Median	3.18	62.5
10-20	Range	2.52 to 3.86	46.7 to 76.8
	Median	3.33	59.1
20-50	Range	3.02 to 4.01	53.9 to 68.2
	Median	3.36	60.5
50-100	Range	2.70 to 4.23	64.1 to 66.3
	Median	3.89	65.7
>100	Range	2.71 to 4.08	51.5 to 62.0
	Median	3.00	58.0
Total	Median	3.21	61.7

Graph 3

Historic Median of Net Multiplier and Utilization Ratio



Predistribution Overhead

Expressed as a percentage of direct labor, predistribution overhead equals total overhead cost (not including discretionary-profit distribution) divided by the total direct labor charged to projects. For FY2018-19 the overall median predistribution overhead amounted to 164.1% (Table 4).

Marketing Cost

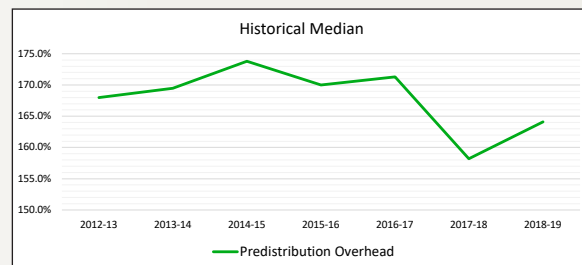
A firm's marketing cost comprises the cost of business development, advertising, and proposal labor and expenses. Expressed as a percentage of net annual fees, FY2018-19's marketing costs ranged from 0.0% to 10.1% and median of 3.1 (Table 4).

Table 4 Size of Firm Net Fees, \$M Predistribution Overhead & Marketing Cost

Size of Firm Net Fees, \$M		Predistribution Overhead %	Marketing Cost %
< 2	Range	75.0 to 251.0	0.0 to 5.5
	Median	143.2	1.9
2-5	Range	116.1 to 207.5	1.0 to 5.0
	Median	151.0	3.0
5-10	Range	143.7 to 205.2	1.0 to 6.6
	Median	167.7	2.9
10-20	Range	126.7 to 211.6	1.3 to 10.1
	Median	172.8	4.2
20-50	Range	134.5 to 227.3	1.8 to 6.8
	Median	155.9	3.2
50-100	Range	132.3 to 165.0	1.6 to 2.6
	Median	164.6	2.8
> 100	Range	137.0 to 196.0	1.0 to 6.0
	Median	164.0	5.0
Total	Median	164.1	3.1

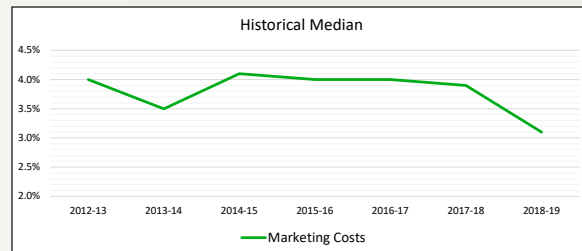
Graph 4

Historic Median of Predistribution Overhead



Graph 5

Historic Median of Marketing Costs



Group Insurance

The overall median cost of group insurance was reported to be 8.8% of total payroll during FY2018-19 (group insurance; Table 5).

Vacation/Holiday/Sick Leave (V/H/S)

Overall, respondents said they spent a median 8.6% of their total FY2018-19 payroll on paid leave (vacations, holidays, and sick leave; Table 5).

Cost of Space

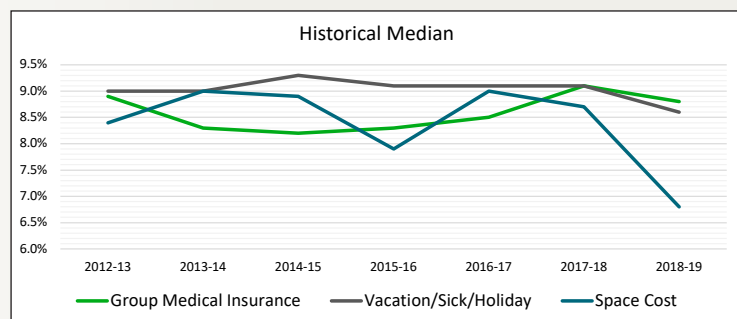
Respondents' reported office space costs (2.0% to 14.8% of total payroll; Table 5). and overall median of 6.8%.

Table 5 Size of Firm Net Fees, Group Insurance, V/H/S, Cost of Space

		% of Total Payroll		
		Group Ins.	V/H/S	Cost of Space
< 2	Range	0.0 to 16.0	0.0 to 12.5	2.0 to 7.5
	Median	7.5	3.6	5.1
2-5	Range	4.0 to 11.4	2.8 to 10.7	4.0 to 13.6
	Median	7.7	8.0	6.4
5-10	Range	4.6 to 12.0	8.0 to 11.8	5.0 to 9.4
	Median	9.7	8.9	7.5
10-20	Range	3.6 to 21.7	7.7 to 13.0	3.1 to 14.8
	Median	9.5	9.4	8.1
20-50	Range	7.8 to 16.2	6.3 to 11.0	3.8 to 11.5
	Median	9.1	8.7	7.5
50-100	Range	7.3 to 14.5	5.6 to 10.0	3.7 to 11.9
	Median	10.9	7.8	7.8
> 100	Range	4.4 to 10.2	7.8 to 11.0	1.7 to 10.9
	Median	8.8	9.6	7.2
Total	Median	8.8	8.6	6.8

Graph 6

Historic Median of Group Medical Insurance, Vacation/Sick/Holiday, and Space Costs



Collections

Respondents indicated that 14 days is the median average amount of time required to bill for work in progress (Table 6). Work in progress (a.k.a. unbilled accounts receivable) is the value of unbilled accounts receivable divided by (total revenue ÷ 365).

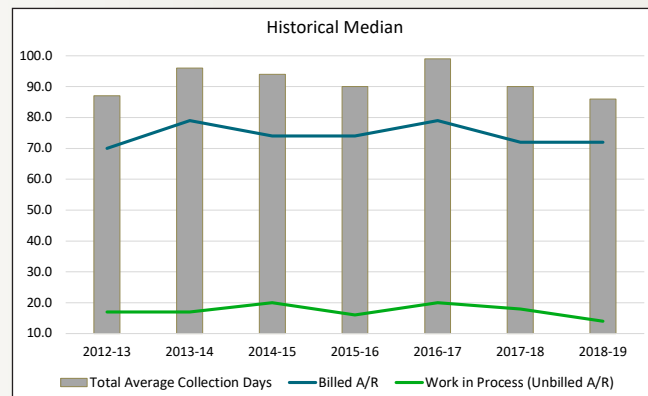
The median average collection period for billed accounts receivable was 72 days (Table 6). It is noteworthy to report that on average; most member-firms report more than two-months to collect on billed invoices.

Table 6

Size of Firm Net Fees, \$M		Average Collection Period (Days)	
		Work in Progress	Billed A/R
< 2	Range	0 to 122	42 to 314
	Median	20	100
2-5	Range	3 to 28	27 to 155
	Median	13	57
5-10	Range	7 to 30	59 to 134
	Median	12	85
10-20	Range	3 to 42	53 to 355
	Median	12	71
20-50	Range	-7 to 20	66 to 103
	Median	14	89
50-100	Range	9 to 30	64 to 69
	Median	20	67
> 100	Range	4 to 31	46 to 90
	Median	22	64
Total	Median	14	72

Graph 7

Historic Median of Total Average Collection Days, Billed A/R, and Work in Process (Unbilled A/R)



Fee Backlog

Fee backlog (hard backlog) comprises fees that are committed by contract, for services yet to be performed. It's calculated (in weeks) as the value of contracted-fee backlog divided by (fees billed ÷ 52). The range for FY2018-19 is 2 to 64 weeks and the overall median fee backlog of 29 weeks (Table 7).

Table 7

Size of Firm Net Fees, \$M		Fee Backlog A/R (Weeks)
< 2	Range	2 to 52
	Median	24
2-5	Range	6 to 144
	Median	14
5-10	Range	23 to 47
	Median	26
10-20	Range	17 to 43
	Median	29
20-50	Range	22 to 62
	Median	30
50-100	Range	35 to 64
	Median	40
> 100	Range	18 to 53
	Median	30
Total	Median	29

Graph 8

Historic Median of Fee Backlog (Hard Backlog) in Weeks

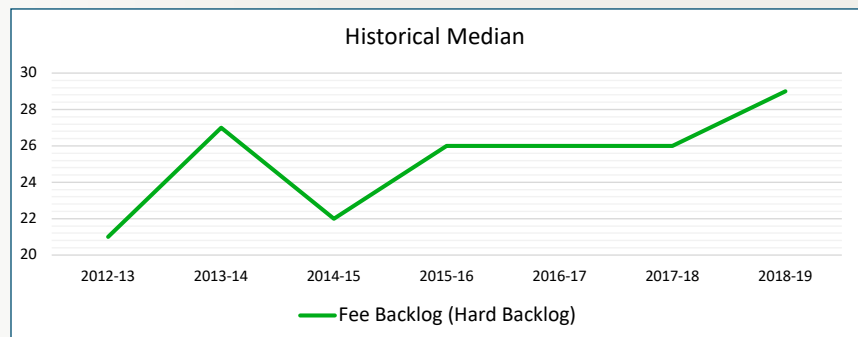


Table 8

Historic Information for Key Metrics (Overall Median)

Fiscal Year	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19
Predistribution Profit	9.4%	9.8%	11.2%	12.2%	12.0%	13.5%	13.1%
Discretionary Profit Distribution	3.4%	4.5%	5.5%	5.3%	5.2%	4.9%	5.0%
After Distribution Profit	6.0%	5.3%	5.7%	6.9%	6.8%	8.6%	8.1%
Net Multiplier	3.09	3.06	3.24	3.20	3.21	3.16	3.21
Utilization Ratio (Chargeability)	60.0%	59.3%	57.6%	58.4%	58.1%	61.0%	61.7%
Predistribution Overhead	168.0%	169.5%	173.8%	170.0%	171.3%	158.2%	164.1%
Billed A/R	70.0	79.0	74.0	74.0	79.0	72.0	72.0
Work in Process (Unbilled A/R)	17.0	17.0	20.0	16.0	20.0	18.0	14.0
Total Average Collection Days	87.0	96.0	94.0	90.0	99.0	90.0	86.0
Group Medical Insurance	8.9%	8.3%	8.2%	8.3%	8.5%	9.1%	8.8%
Vacation/Sick/Holiday	9.0%	9.0%	9.3%	9.1%	9.1%	9.1%	8.6%
Space Cost	8.4%	9.0%	8.9%	7.9%	9.0%	8.7%	6.8%
Marketing Costs	4.0%	3.5%	4.1%	4.0%	4.0%	3.9%	3.1%
Fee Backlog (Hard Backlog)	21	27	22	26	26	26	29