2021 DHI Industry Financial Benchmarking Report

(2020 Financial Data)

Prepared By
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Introduction

The Financial Benchmarking Survey is a profitability study of DHI members designed to obtain, understand and analyze “best practices” for door and hardware distributor companies. More importantly, Financial Benchmarking Report is designed to help DHI members improve their financial performance.

In 2021, 31 DHI distributors provided income statement, balance sheet, and operating data for this benchmarking study. Results of that survey are profiled in this report. The tables and graphs contained in this report are designed to provide comprehensive, yet straightforward guidelines for analyzing profitability among door and hardware distributors. This management tool is designed to provide the resources that enable DHI members to evaluate, plan, and better manage their businesses.

Report Format

The report is organized into a number of sections, each designed to assist management in a specific area of inquiry:

Executive Summary— The summary provides an overview of the study results, with emphasis on the differences between the typical firm and the high profit company.

Contract Jobs Analysis — In-depth reporting of return on investment, income statement, balance sheet, financial ratios and productivity ratios is provided in this section of the report. Management commentary and graphical support are provided to focus on the importance of these operating statistics. This section provides results by contract jobs percentage.

Sales Volume Analysis— An in-depth review of performance for door and hardware distributors based on their contract jobs emphasis.

Regional Analysis—To evaluate geographical differences, all reporting firms were classified according according to the following regions:
Northeastern: CT, DE, MA, ME, NH, NJ, NY, RI, VT
Southeastern: AL, AR, DC, FL, GA, LA, MD, MS, NC, OK, PR, SC, TN, TX, VA
North Central: IA, IL, IN, KS, KY, MI, MN, MO, MT, ND, NE, OH, PA, SD, WI, WV
Western: AK, AZ, CA, CO, HI, ID, NM, NV, OR, UT, WA, WY
Due to the small sample size, data for the Northeastern, Western and Canada are not reported.

Analysis of Variance—Analysis of Variance provides the range of common experience. The range of common experience is the 50% range between the Lower (1st) and Upper (3rd) quartile results, for each of the ratios and measures. Also provided is the midpoint or median result for each statistic.

Trend Analysis— The trend section highlights how median performance has changed over time for key measures and ratios.

Appendix— Finally, the appendix provides an overview of the survey methodology, detailed information on the calculation of the financial ratios used in the report.

Explanation of Statistics

Almost all of the figures provided in this report are medians. The median for a particular variable or calculation is the middle number of all values reported arranged from lowest to highest. The median represents the typical company's results. The median is not influenced by any extremely high or low values reported. An average or mean value, on the other hand, may be influenced by extreme values. Thus, the median is the preferred statistic for this analysis.

To determine the group of high profit firms, all participating firms are ranked on the basis of pre-tax return on assets (ROA). The high profit category includes the top twenty-five percent of the firms based on ROA. The figures reported for the high profit firms represent a median for this group.

Participant Support

Each DHI member that participated received a personalized Financial Benchmarking Report delivered in an Excel© dashboard that offers an interactive, dynamic look at the columns of data you want to use for benchmarking. Your report is initially set with columns for comparison on your company, but the Excel file allows you to change the columns if you so choose.

Executive Summary

Financial benchmarking is the process of comparing business practices and performance standards of your company to that of other firms in the door and hardware industry. Improvements are made from learning through the results of benchmarking can help you to run you business more effectively and become more profitable.

Benchmarking is used to evaluate the performance of your business by focusing on a few key indicators. Those key indicators are then compared to that of other firms in the same industry. The knowledge gained from such a comparison allows you to determine how well you perform in comparison to the "best" or in this analysis the High Profit distributors.

Key Performance Indicators	Typical DHI	High Profit DHI
Income Statement Factors		
Sales Per Employee	$355,701	$381,552
Sales Growth	-5.4%	1.3%
Gross Margin	31.7%	33.3%
Operating Expenses	27.8%	24.0%
Balance Sheet Factors		
Inventory Turnover (Times)	6.5	7.1
Average Collection Period (Days)	73.6	70.6

The benefit of financial benchmarking is that it measures your performance in relationship to other distributors in the industry. Financial benchmarking not only serves as a performance metric, it magnifies issues that can be improved upon or corrected to be more profitable in the future. For example, you discover that your gross margin is 3% less than the industry benchmark. This means that for every $1 million in sales, competitors in the industry have a $30,000 advantage.

Once you discover the discrepancies, you will better understand your strengths and weaknesses compared to the industry. The following exhibit indicates the financial results the typical firm achieved and the results the high profit company earned.

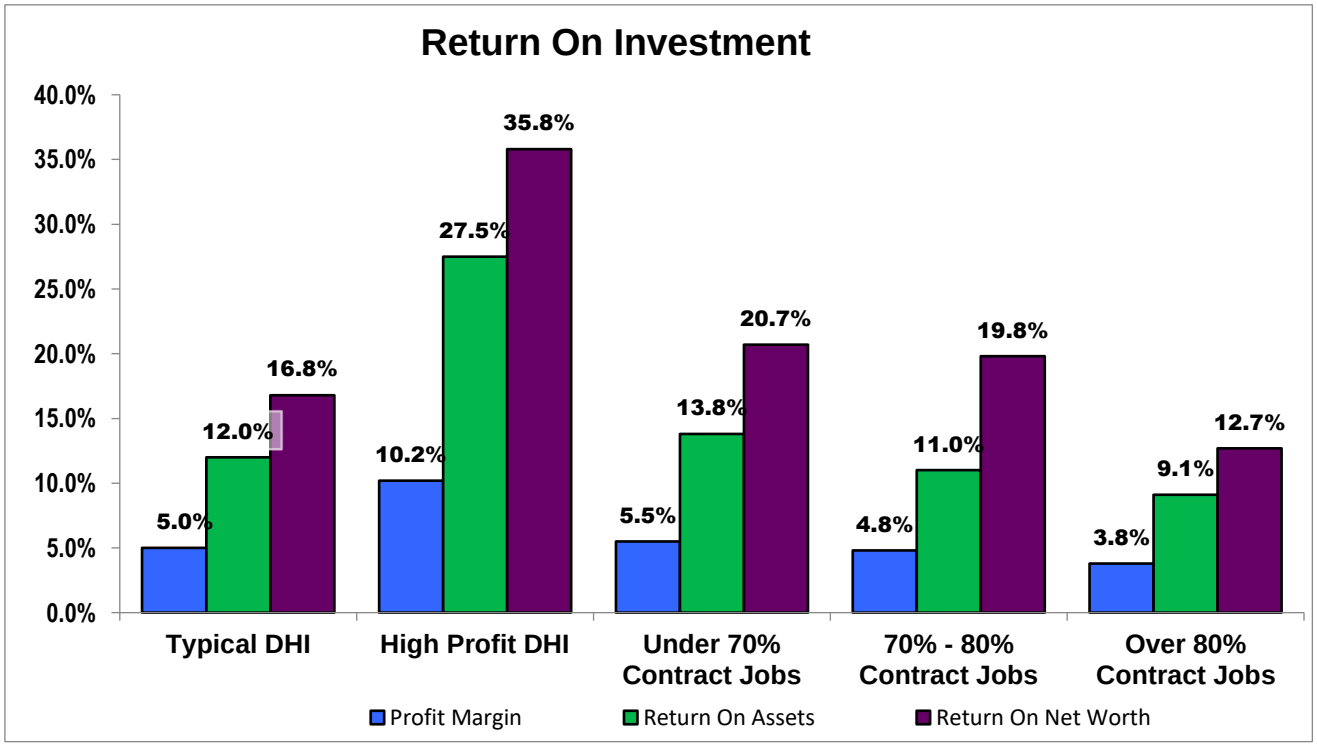
	Typical DHI		High Profit DHI	
Income Statement				
Net Sales	**$23,200,000**	**100.0%**	**$26,400,000**	**100.0%**
Cost Of Goods Sold	15,845,600	68.3	17,608,800	66.7
Gross Margin	**7,354,400**	**31.7**	**8,791,200**	**33.3**
Operating Expenses				
Salaries, Wages, Commissions & Bonuses	4,129,600	17.8	4,171,200	15.8
Payroll Taxes	324,800	1.4	343,200	1.3
Employee Benefits	417,600	1.8	422,400	1.6
Total Payroll Expenses	**4,872,000**	**21.0**	**4,936,800**	**18.7**
Occupancy Expenses	533,600	2.3	660,000	2.5
All Other Operating Expenses	1,044,000	4.5	739,200	2.8
Total Operating Expenses	**6,449,600**	**27.8**	**6,336,000**	**24.0**
Operating Profit	**904,800**	**3.9**	**2,455,200**	**9.3**
Other Income	301,600	1.3	290,400	1.1
Interest Expense	46,400	0.2	52,800	0.2
Other Non-Operating Expenses	0	0.0	0	0.0
Profit Before Taxes	**$1,160,000**	**5.0%**	**$2,692,800**	**10.2%**
Assets				
Cash	$686,333	7.1%	$1,476,444	15.1%
Accounts Receivable	5,403,667	55.9	5,133,333	52.5
Inventory	2,204,000	22.8	2,229,333	22.8
Other Current Assets	193,333	2.0	146,667	1.5
Total Current Assets	**8,487,334**	**87.8**	**8,985,778**	**91.9**
Fixed Assets & Noncurrent Assets	1,179,333	12.2	792,000	8.1
Total Assets	**$9,666,667**	**100.0%**	**$9,777,778**	**100.0%**
Return On Assets	**12.0%**		**27.5%**	

Executive Summary

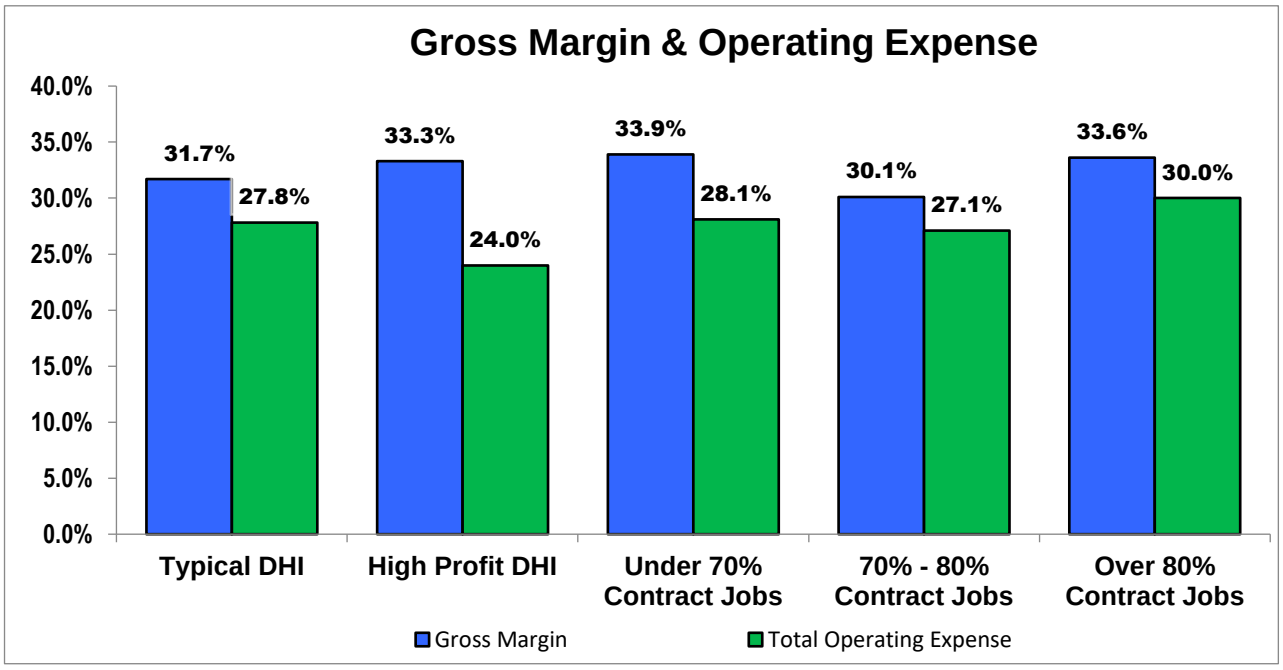
	Typical DHI	High Profit DHI	Under 70% Contact Jobs	70%−80% Contact Jobs	Over 80% Contact Jobs
Number Of Firms Reporting	31	8	10	9	12
Typical Sales Volume (Millions)	$23.2	$26.4	$39.0	$21.0	$21.7
Sales Growth (2020 vs. 2019)	-5.4%	1.3%	1.3%	-11.0%	-4.8%
RETURN ON INVESTMENT					
Profit Margin (Pre-tax)	5.0%	10.2%	5.5%	4.8%	3.8%
Asset Turnover	2.4	2.7	2.5	2.3	2.4
Return On Assets (Pre-tax)	12.0%	27.5%	13.8%	11.0%	9.1%
Financial Leverage	1.4	1.3	1.5	1.8	1.4
Return On Net Worth (Pre-tax)	16.8%	35.8%	20.7%	19.8%	12.7%
INCOME STATEMENT					
Net Sales	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**
Cost Of Goods Sold	68.3	66.7	66.1	69.9	66.4
Gross Margin	**31.7**	**33.3**	**33.9**	**30.1**	**33.6**
Operating Expenses					
Salaries, Wages, Commissions & Bonuses	17.8	15.8	17.3	17.0	21.7
Payroll Taxes	1.4	1.3	1.3	1.2	1.8
Employee Benefits	1.8	1.6	2.1	2.3	2.1
Total Payroll Expenses	**21.0**	**18.7**	**20.7**	**20.5**	**25.6**
Occupancy Expenses	2.3	2.5	2.9	2.3	2.0
All Other Operating Expenses	4.5	2.8	4.5	4.3	2.4
Total Operating Expenses	**27.8**	**24.0**	**28.1**	**27.1**	**30.0**
Operating Profit	**3.9**	**9.3**	**5.8**	**3.0**	**3.6**
Other Income	1.3	1.1	0.2	2.2	0.3
Interest Expense	0.2	0.2	0.5	0.4	0.1
Other Non-Operating Expenses	0.0	0.0	0.0	0.0	0.0
Profit Before Taxes	**5.0%**	**10.2%**	**5.5%**	**4.8%**	**3.8%**
FINANCIAL RATIOS					
Current Ratio	3.3	4.4	3.3	1.8	4.4
Quick Ratio	2.6	3.6	2.0	1.3	3.5
Cash To Current Liabilities	64.5%	74.0%	4.4%	4.6%	105.9%
Accounts Payable To Inventory	46.1%	55.4%	37.5%	46.4%	61.0%
Accounts Payable Payout Period (Days)	19.1	19.5	19.9	28.3	16.1
Debt to Equity	0.4	0.3	0.5	0.8	0.4
EBIT	5.3%	10.4%	6.1%	4.8%	3.8%
EBIT to Total Assets	10.1%	27.5%	16.2%	10.2%	6.9%
Times Interest Earned	11.0	46.1	11.5	7.5	15.5
ASSET PRODUCTIVITY					
Average Collection Period (Days)	73.6	70.6	66.8	81.0	72.6
Inventory Turnover (Times)	6.5	7.1	5.1	7.4	10.2
Inventory Holding Period (Days)	56.4	52.2	71.9	49.1	37.4
Gross Margin Return on Inventory	314.9%	348.0%	252.6%	292.1%	434.5%
EMPLOYEE PRODUCTIVITY					
Sales Per Employee	$355,701	$381,552	$342,062	$361,346	$391,246
Gross Profit Per Employee	$113,933	$124,546	$113,484	$108,767	$122,139
Salary Per Employee	$59,357	$58,962	$58,375	$59,760	$65,794
Payroll, including benefits Per Employee	$74,630	$71,638	$72,785	$72,862	$77,218
Personnel Productivity Ratio	64.9%	54.8%	61.6%	65.2%	76.3%

Executive Summary

The graph below displays three rates of return for all DHI members that participated in the survey, for High Profit DHI distributors, Under 70% Contract Jobs, 70% - 80% Contract Jobs, and for Above 80% Contract Jobs. The graph displays Return on Sales or Profit Margin, Return on Assets, and Return on Net Worth. Each of these benchmarks are explained in more detail later in the report.

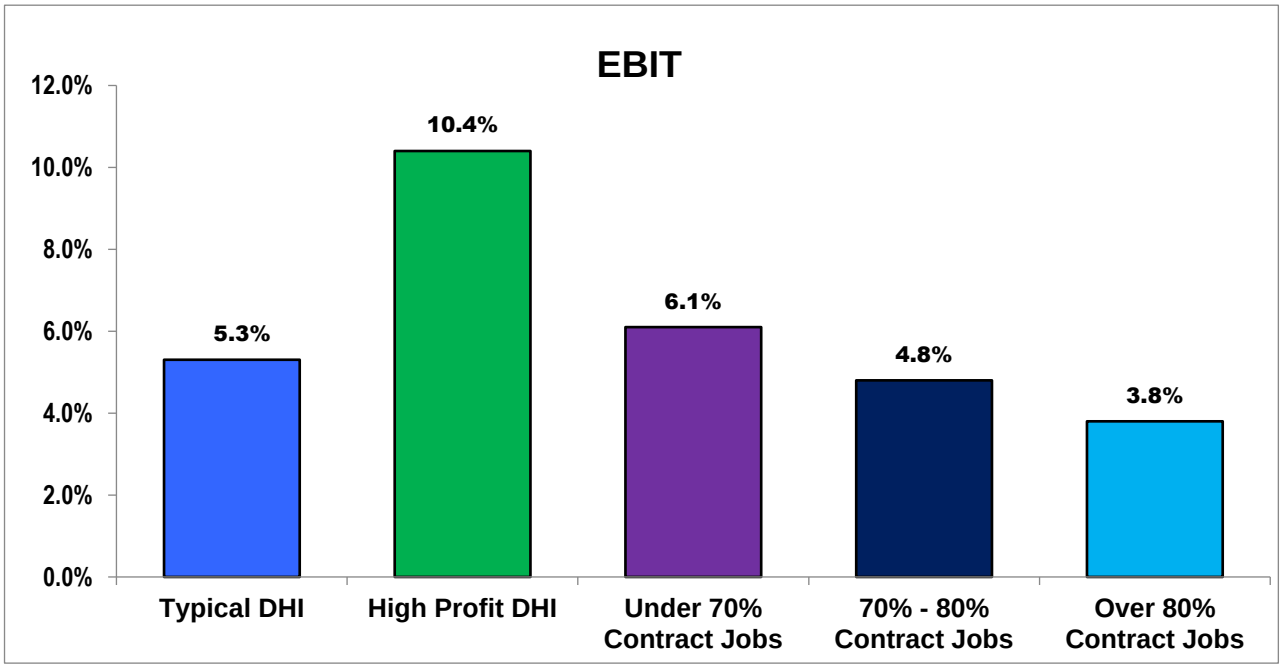


The graph below displays Gross Margin and Operating Expense. The difference in height between the Gross Margin bar and the Operating Expense bar represents operating profit. The greater the difference, the greater the profit.

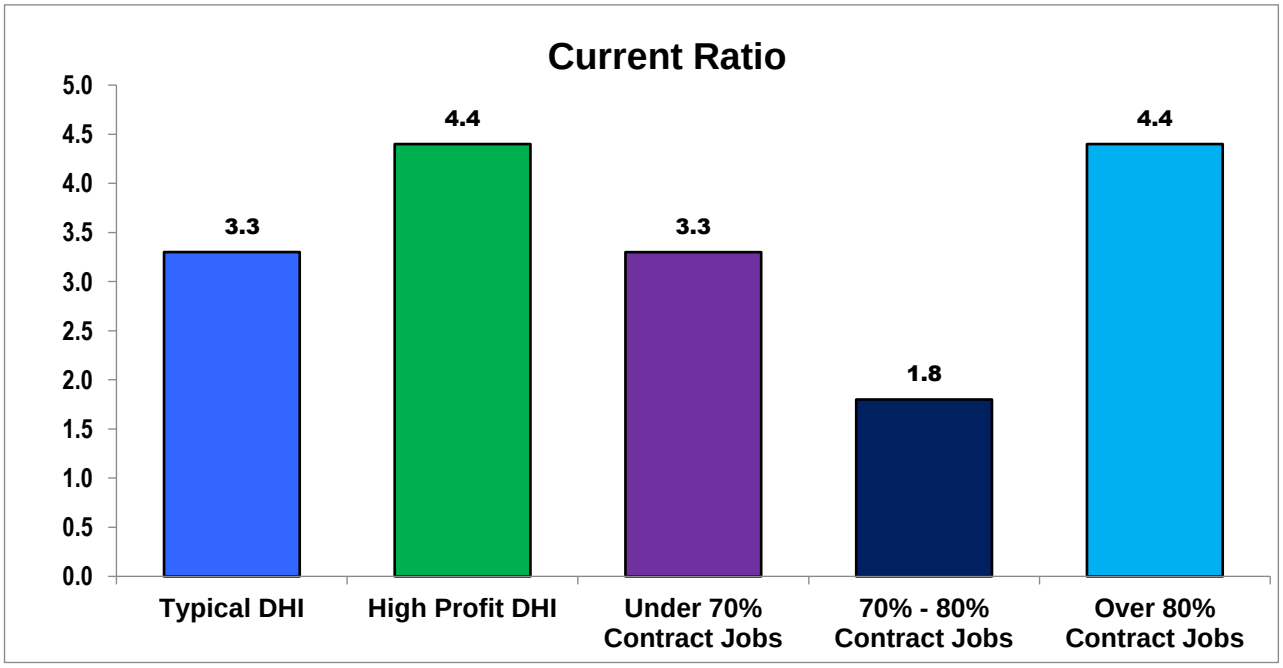


Executive Summary

EBIT is an important measure of the profitability of the company. As it dispenses with interest and taxes, it represents the best estimate of the firm's operating cash margin.

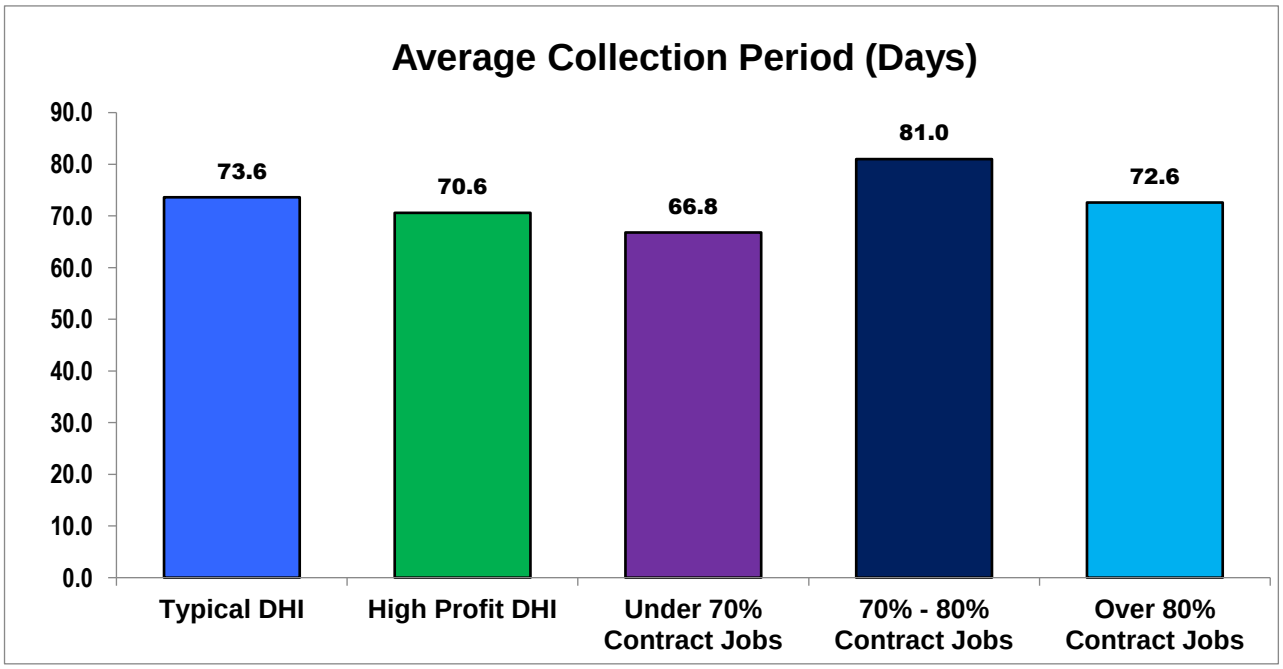


The current ratio measures the margin of safety that management maintains in order to allow for the inevitable unevenness in the flow of funds through the current assets and current liabilities accounts.

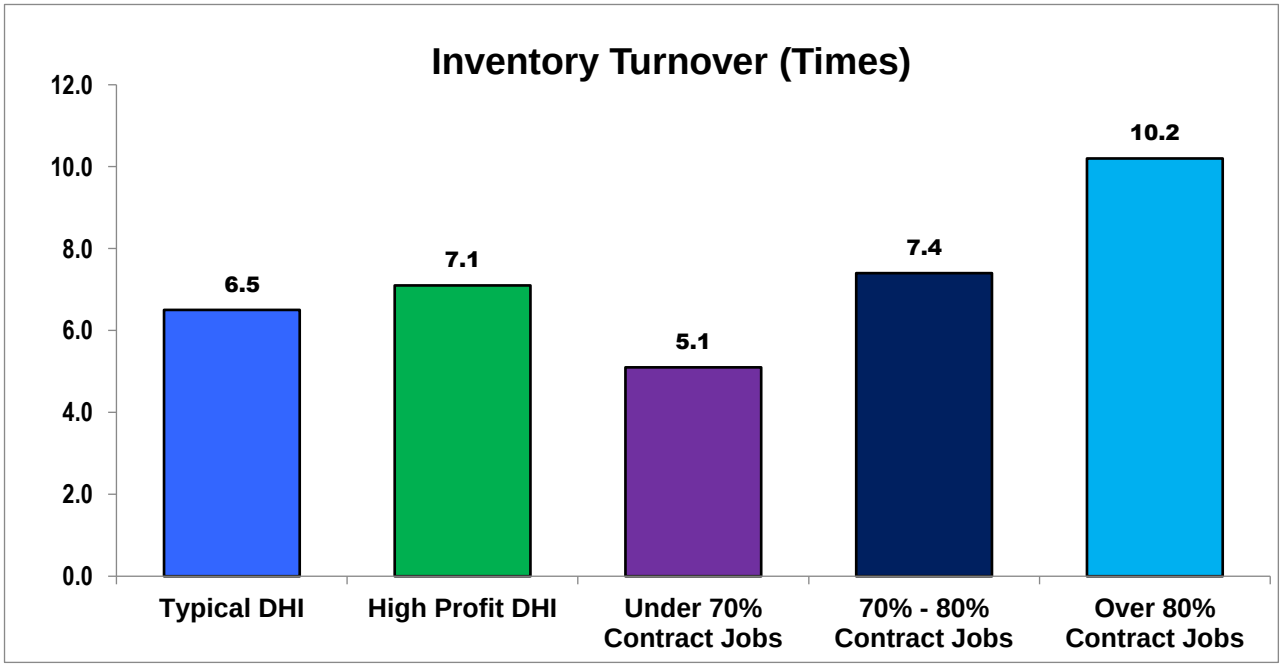


Executive Summary

The average collection period ratio is also known as days sales outstanding. The average collection period is the number of days, on average, that it takes a company to collect its credit accounts or its accounts receivables. In other words, this financial ratio is the average number of days required to convert receivables into cash.

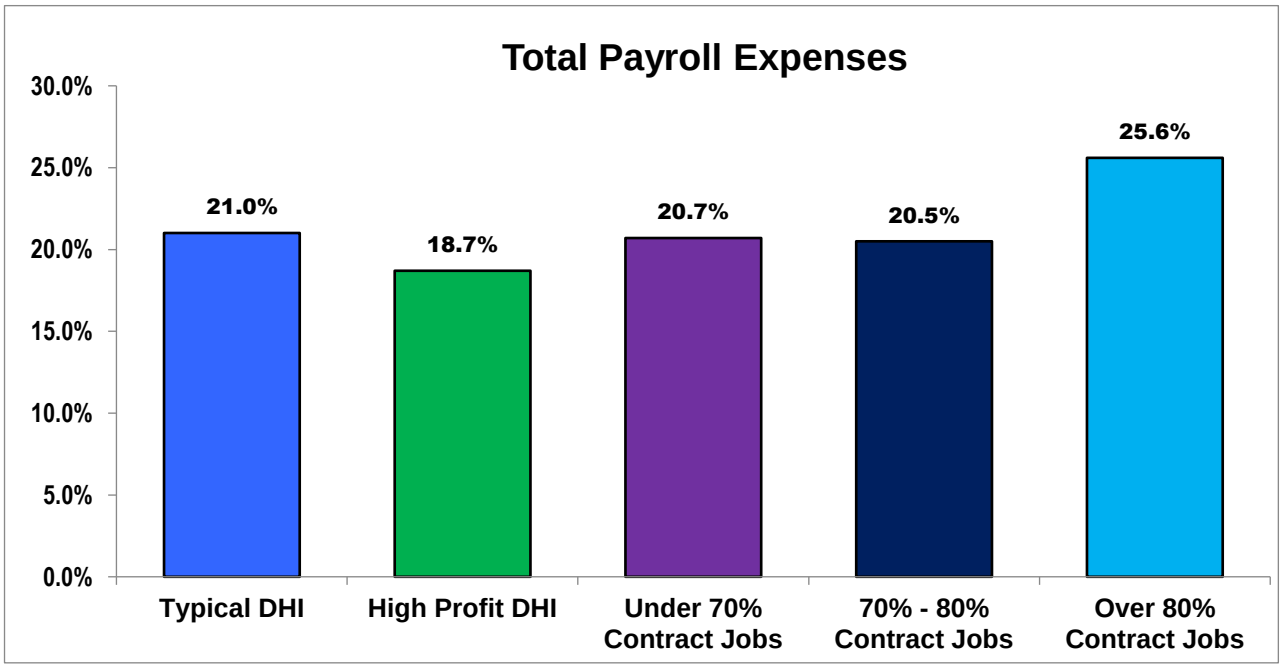


Inventory turnover is a measure of the number of times inventory is sold or used in a time period such as a year. A low turnover rate may point to overstocking, obsolescence, or deficiencies in the product line or marketing effort. In some instances, however a low rate may be appropriate, such as where higher inventory levels occur in anticipation of rapidly rising prices or expected seasonality of sales. Conversely a high turnover rate may indicate inadequate inventory levels, which may lead to a loss in business as the inventory is too low. This often can result in stock shortages.



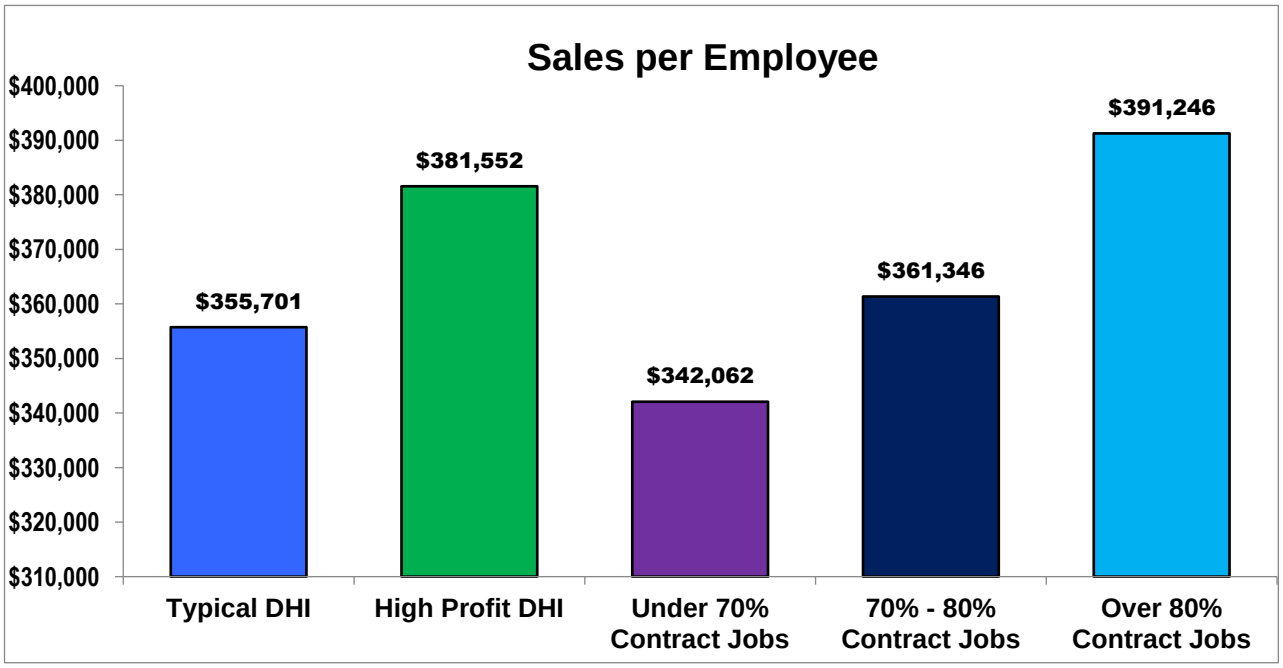
Executive Summary

Payroll expense is the salaries and wages paid to employees in exchange for services rendered by them to a business. Payroll includes the cost of all related payroll taxes, such as the employer's matching payments for Medicare and social security. Payroll expense is the largest expense that a company incurs.



Employees are the lifeblood of the organization. Without a properly motivated and compensated work force, few firms can produce much more than basic levels of performance. Employee payroll costs make up the largest expense category on the income statement.

In controlling employee payroll, the key to success is not the absolute level of compensation, but rather the productivity of employees both collectively and individually. In general, the greater the employee productivity, the more successful the firm.



Return On Investment

Return On Net Worth (RONW) and Return On Assets (ROA) are two of the most important measures for evaluating how effectively a company's management team is managing the capital that owners or shareholders entrust to it.

Return On Net Worth is affected by three things: operating efficiency, which is measured by profit margin; asset use efficiency, which is measured by total asset turnover; and financial leverage, which is measured by an equity multiplier.

Element 1: Profit Margin		Element 2: Asset Turnover		Return On Assets		Element 3: Financial Leverage		Return On Net Worth
5.0%	X	2.4	=	12.0%	X	1.4	=	16.8%

Profit Margin = Profit Before Taxes ÷ Net Sales x 100—Profit margin is an indicator of a company's pricing strategies and how well it controls costs. In the example above, a profit margin of 5.0 percent means that for every $1.00 of sales the company was able to produce 5.0¢ in profit.

Asset Turnover = Net Sales ÷ Total Assets—Asset turnover measures the efficiency of a company's use of its assets in generating sales revenue. The ratio of 2.4 means that the firm is able to generate $2.40 in sales for every $1.00 in assets. If your assets; cash, accounts receivable, inventory, property, equipment and and all other assets, can be used as efficiently as possible, then maximum amount of sales can be generated from a given asset investment.

Return On Assets = Profit Before Taxes ÷ Total Assets x 100—ROA is an indicator of how profitable a company is relative to its total assets. The ROA figure gives investors an idea of how effectively the company is converting the money it has to invest into profit. Profit is derived from the income statement. The assets are read from the balance sheet. The higher the ROA, the better the management. The pre-tax ROA ratio should at least equal the cost of capital. For the example above, ROA is 12.0 percent.

Financial Leverage = Total Assets ÷ Net Worth—Financial leverage measures the use of debt to acquire assets. Generally the cost of borrowed money is much less than the cost of obtaining additional stockholders' equity. As a result, it is usually wise for a corporation to use some debt and leverage. However, the higher the ratio, the more your firm relies on outside financing. The ratio of 1.4 times suggests that for every $1.00 in owners' equity, the company had $1.40 in total assets. The owners put up $1.00 and outsiders put up $0.40.

Return On Net Worth = Profit Before Taxes ÷ Net Worth x 100—RONW breaks down the returns that investors receive into three distinct elements: Profit Margin or operating efficiency, Asset Turnover or asset productivity, and financial leverage which indicates the use of debt or equity to purchase assets. This analysis enables business owners to understand the source of superior (or inferior) return by comparison with companies in similar industries. If RONW is unsatisfactory, this analysis helps locate the part of the business that is underperforming; Profit Margin, Asset Turnover, or Financial Leverage. In the example above the company has a RONW of 16.8%; that is, for every $1.00 of net worth, the firm produced 16.8¢ of profit.

Companies must earn an adequate return on investment to satisfy the owners' needs. You should strive for a RONW at least exceeding the return available on risk-free investments plus an incremental rate that offsets both inflation and risk. It should also provide for the growth of the business.

	Typical DHI	High Profit DHI	Under 70% Contact Jobs	70%−80% Contact Jobs	Over 80% Contact Jobs
Strategic Profit Model Ratios					
Profit Margin (Pre-tax)	5.0%	10.2%	5.5%	4.8%	3.8%
Asset Turnover	2.4	2.7	2.5	2.3	2.4
Return On Assets (Pre-tax)	12.0%	27.5%	13.8%	11.0%	9.1%
Financial Leverage	1.4	1.3	1.5	1.8	1.4
Return On Net Worth (Pre-tax)	16.8%	35.8%	20.7%	19.8%	12.7%

Product Mix

Product mix, or product assortment, refers to the total number of product lines that a company offers. Planning your product mix is essential to the success of your business for a number of reasons:

Customer Needs — Carrying the proper product line provides you the best opportunity of meeting your customers' needs. The customer comes to rely on you as their primary resource, which means they may be less likely to shop with your competitors.

Inventory Management — As a business owner, you face limitations regarding the number of products you are able to offer. By focusing on providing the optimum product mix for your customers, you'll be able to weed out slow sellers.

Business Image — Your product mix is important in determining the image of your business & brand. It helps you to maintain consistency in the eyes of your target market. Focusing your product mix helps you stay attentive to your core business.

	Typical DHI	High Profit DHI	Under 70% Contact Jobs	70%−80% Contact Jobs	Over 80% Contact Jobs
Number Of Firms Reporting	31	8	10	9	12
Typical Sales Volume (Millions)	$23.2	$26.4	$39.0	$21.0	$21.7
Sales Growth (2020 vs. 2019)	-5.4%	1.3%	1.3%	-11.0%	-4.8%
Contract Sales Revenue	75.0%	74.0%	66.0%	75.0%	93.0%
Sales by Product Category					
Builders Hardware	42.1%	37.4%	40.2%	50.7%	37.3%
Electronic Hardware	6.4	9.5	4.9	4.8	9.0
Metal Doors & Related Products	20.7	23.5	20.6	19.6	21.7
Wood Doors & Frames	17.7	18.1	16.8	14.7	20.8
Toilet Accessories & Partitions	4.9	4.5	6.7	3.8	4.1
All Other Products	8.2	7.0	10.8	6.4	7.1
Total Sales	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

Income Statement

Profit Margin Analysis

In the income statement, there are multiple levels of profit or profit margins: gross profit, operating profit, and profit before taxes. The term "margin" applies to a given profit level as a percentage of net sales. Profit margin analysis uses the percentage calculation to provide a comprehensive measure of a company's profitability over a period of time and in comparison industry benchmarks.

The objective of margin analysis is to detect positive or negative trends in a company's earnings.

The operating portion of the income statement discloses information about revenues and expenses that are a direct result of regular business operations.

Gross Margin — Gross Profit dollars = Net Sales – Cost Of Goods Sold
Gross Margin is the Gross Profit $ as a percent of the sales generated. The gross margin percentage represents the number of pennies that are being generated from each dollar of sales. A typical distributor generated 25¢ in gross profit for each $1.00 in sales. The gross margin is used to analyze how effectively a company is pricing and purchasing its products.

Operating Profit Margin — Operating Profit dollars = Gross Profit $ – Total Operating Expenses
Operating expenses are needed to manage the business; including salaries, commissions, bonuses, payroll taxes, health insurance, utilities, rent, office supplies, etc. Management has more control over operating expenses than its COGS outlays. Thus, positive or negative results in operating margin are directly attributable to management decisions.

The non-operating section of the income statement discloses revenue and expense information about activities that are not directly tied to a company's regular operations, like the sale of capital assets or interest on a loan to finance the company.

Profit Margin = Profit Before Taxes ÷ Net Sales x 100—Profit margin, the so-called bottom line is an important metric that owners can easily see for a complete benchmarking analysis.

	Typical DHI	High Profit DHI	Under 70% Contact Jobs	70%−80% Contact Jobs	Over 80% Contact Jobs
Number Of Firms Reporting	31	8	10	9	12
Typical Sales Volume (Millions)	$23.2	$26.4	$39.0	$21.0	$21.7
Sales Growth (2020 vs. 2019)	-5.4%	1.3%	1.3%	-11.0%	-4.8%
Net Sales	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**
Cost Of Goods Sold	68.3	66.7	66.1	69.9	66.4
Gross Margin	**31.7**	**33.3**	**33.9**	**30.1**	**33.6**
Operating Expenses					
Salaries, Wages, Commissions & Bonuses	17.8	15.8	17.3	17.0	21.7
Payroll Taxes	1.4	1.3	1.3	1.2	1.8
Employee Benefits	1.8	1.6	2.1	2.3	2.1
Total Payroll Expenses	**21.0**	**18.7**	**20.7**	**20.5**	**25.6**
Occupancy Expenses	2.3	2.5	2.9	2.3	2.0
All Other Operating Expenses	4.5	2.8	4.5	4.3	2.4
Total Operating Expenses	**27.8**	**24.0**	**28.1**	**27.1**	**30.0**
Operating Profit	**3.9**	**9.3**	**5.8**	**3.0**	**3.6**
Other Income	1.3	1.1	0.2	2.2	0.3
Interest Expense	0.2	0.2	0.5	0.4	0.1
Other Non-Operating Expenses	0.0	0.0	0.0	0.0	0.0
Profit Before Taxes	**5.0%**	**10.2%**	**5.5%**	**4.8%**	**3.8%**

Operating Expenses in Relation to Gross Profit

Operating expenses as a percentage of gross profits tells the operational efficiency of the company. It is calculated by dividing the operating expenses by gross profit, rather than Net Sales used in the Income Statement.

Gross profit pays for all Cost Of Goods expenditures. Whatever is left after deducting operating expenses from gross profit becomes net profit. Each operating expense item gets a share of gross profit, and the bigger each expense, the less that is left for net profits.

Payroll is usually one of the biggest expenses in a business, which is why it must be monitored and controlled constantly to maximize profitability. Accountants and financial managers usually compute the payroll to gross profit ratio so you can benchmark the efficiency of your company's workers with the the workers of peer companies, competitors and your own historical records. The lower your payroll is as a percentage of gross margin, the more efficiently you are using your labor force. A percentage lower than the industry benchmarks would mean that your workers are more efficient that your competitors workers.

	Typical DHI	High Profit DHI	Under 70% Contact Jobs	70%−80% Contact Jobs	Over 80% Contact Jobs
Gross Margin	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**
Operating Expenses					
Salaries, Wages, Commissions & Bonuses	54.4	45.9	51.5	54.2	65.0
Payroll Taxes	4.2	3.9	3.9	4.4	5.1
Employee Benefits	6.3	5.0	6.2	6.6	6.2
Total Payroll Expenses	**64.9**	**54.8**	**61.6**	**65.2**	**76.3**
Occupancy Expenses	7.3	7.6	8.5	7.4	4.9
All Other Operating Expenses	12.2	8.5	12.7	14.7	6.3
Total Operating Expenses	**84.4**	**70.9**	**82.8**	**87.3**	**87.5**
Operating Profit	**15.6**	**29.1**	**17.2**	**12.7**	**12.5**
Other Income	1.0	2.2	1.4	5.7	0.9
Interest Expense	0.7	0.6	1.4	1.5	0.2
Other Non-Operating Expenses	0.0	0.0	0.0	0.0	0.0
Profit Before Taxes	**15.9%**	**30.7%**	**17.2%**	**16.9%**	**13.2%**

Balance Sheet

The balance sheet reflects the financial stability of the firm. As such it indicates how much money is invested in the business and where those investments are centered, and how much money is owed to various creditors and the value to the owners.

Assets

The asset portion of the balance sheet represents the total investment made in the company.

Cash & Marketable Securities — The amount of money that your company has in completely liquid assets. It includes cash in the bank and short-term marketable securities (such as certificates of deposit).

Accounts Receivable—or uncollected credit sales, are dollars currently unavailable to meet cash obligations. Offering credit terms to customers is essentially a tool to facilitate sales. The resulting accounts receivable, however, should be viewed as loans to customers.

Inventory— represents the firm's investment in merchandise on hand. Excessive inventory is expensive. Inventory carrying costs may include interest, personal property taxes, markdowns, and shrinkage. However, inventory shortages may hinder sales productivity if out-of-stock items become lost sales.

Total Current Assets — The total amount of your firm's investment in assets that can be converted to cash in less than one year. Current Assets includes cash, accounts receivable, inventory and other current assets

Fixed Assets — Cash flow could improve with tighter management of fixed assets, especially when it comes to selling surplus or idle assets. In order to improve earnings managers must efficiently deploy idle/surplus assets internally or dispose of them. If the utilization of fixed assets are not tracked, through mechanisms such as service & repair records of equipment, the company could face future write-offs, thereby damaging profitability.

Liabilities and Net Worth

Liabilities and net worth are sources of capital that finance company assets.

Liabilities — Liabilities reflect financing by outside creditors. Such funds may be provided by suppliers who have sold merchandise to the firm on credit (accounts payable), as well as individuals or financial institutions that have loaned the company money (short or long term notes payable).

Net Worth = Assets – Liabilities — Where as liabilities are funds provided from outside the firm, net worth represents funds provided from inside the company. Net worth is the sum of the owners' paid-in capital, plus loans from owners, plus all earnings retained in the business over the years. Net worth is the only money financing the business which carries no stated return. As such, the owners' investment carries 100% risk; it is totally dependent on the financial performance of the firm. Therefore, the rate of return on net worth or owners' equity should be a rate that justifies the risk being taken in the business.

Assets	**Typical DHI**	**High Profit DHI**	**Under 70% Contact Jobs**	**70%−80% Contact Jobs**	**Over 80% Contact Jobs**
Cash & Marketable Securities	7.1%	15.1%	1.2%	0.9%	23.1%
Accounts Receivable	55.9	52.5	53.9	63.0	47.0
Inventory	22.8	22.8	34.0	22.7	16.1
Other Current Assets	2.0	1.5	2.2	1.2	1.1
Total Current Assets	**87.8**	**91.9**	**91.3**	**87.8**	**87.3**
Fixed Assets & Noncurrent Assets	12.2	8.1	8.7	12.2	12.7
Total Assets	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**
Liabilities and Net Worth					
Accounts Payable	8.0%	10.6%	8.7%	14.7%	6.4%
Notes Payable	2.3	0.9	6.4	2.5	1.4
Other Current Liabilities	8.5	7.9	7.7	11.6	8.0
Total Current Liabilities	**18.8**	**19.4**	**22.8**	**28.8**	**15.8**
Long Term Liabilities	5.7	0.8	5.0	5.6	9.3
Net Worth Or Owner Equity	75.5	79.8	72.2	65.6	74.9
Total Liabilities & Net Worth	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

Liquidity Ratios

By itself, a ratio is not very useful, but when compared to other companies in the same economic sector then ratios become a powerful tool for creditors and suppliers of capital to the businesses, the investors.

A company's liquidity is its ability to meet its short-term financial obligations. Liquidity ratios attempt to measure a company's ability to pay off its short-term debt obligations. This is done by comparing a company's most liquid assets, those that can be easily converted to cash, with its short-term liabilities.

During hard times for the business or the economy, a company with insufficient liquidity might be forced to make tough choices to meet their obligations. These could include liquidating productive assets or selling inventory. These moves could prove detrimental to both the company's short-term viability and their long-term financial health.

Current Ratio = Current Assets ÷ Current Liabilities — The current ratio measures the ability of a company to cover its short-term liabilities with its current assets; cash, accounts receivable and inventory. As a general rule, the current ratio should be 2.0 or higher.

Quick Ratio = (Cash + Accounts Receivable) ÷ Current Liabilities — The quick ratio is a liquidity ratio that further refines the current ratio by measuring the level of the most liquid current assets to cover current liabilities. The quick ratio is more conservative than the current ratio because it excludes inventory and other current assets, which generally are more difficult to turn into cash. A higher quick ratio means a a more liquid current position. A guideline for the quick ratio is 1.0.

Cash Ratio = Cash ÷ Current Liabilities x 100 — ratio that shows the level of the firm's cash and near-cash investments relative to their current liabilities. This ratio tells creditors the value of current assets that could be turned into cash, and what percentage of the company's current liabilities these cash and near-cash assets could cover.

Cash Cycle = Average Collection Period + Inventory Holding Period - Accounts Payable Payout Period
The cash cycle is vital for two reasons. First, it's an indicator of the company's efficiency in managing its important working capital assets; second, it provides a clear view of a company's ability to pay off its current liabilities.

The cash conversion cycle looks at how quickly the company turns its inventory into sales, and its sales into cash, which is then used to pay its suppliers. If inventory is held longer, or it takes longer to collect accounts receivable, it will reduce a company's available cash.

	Typical DHI	High Profit DHI	Under 70% Contact Jobs	70%−80% Contact Jobs	Over 80% Contact Jobs
Liquidity Ratios					
Current Ratio	3.3	4.4	3.3	1.8	4.4
Quick Ratio	2.6	3.6	2.0	1.3	3.5
Cash To Current Liabilities	64.5%	74.0%	4.4%	4.6%	105.9%
Cash Cycle					
Average Collection Period (Days)	73.6	70.6	66.8	81.0	72.6
Plus Inventory Holding Period	56.4	52.2	71.9	49.1	37.4
Gross Cash Flow	130.0	122.8	138.7	130.1	110.0
Minus A/P Payout Period	19.1	19.5	19.9	28.3	16.1
Cash Cycle (Days)	110.9	103.3	118.8	101.8	93.9

Debt Ratios

Debt ratios can be used to determine the overall level of financial risk a company and its owners face. The greater the amount of debt, the greater the potential level of financial risk your company could face.

Debt is a form of financial leverage. The more levered a company is the greater the level of financial risk. On the other hand, a certain amount of leverage can contribute to a company's growth. Well-run companies seek an optimal amount of financial leverage for their situation.

Accounts Payable To Inventory = Average Accounts Payable ÷ Average Inventory x 100
For a business to manage its financial position effectively, it must pay close attention to the levels of accounts payable and inventory on its balance sheet. Making sure that you pay suppliers on time could help you to acquire supplier credit to purchase additional inventory. Keeping track of inventory turnover ensures that the business does not run into a credit crisis.

Accounts Payable Payout Period = Average Accounts Payable ÷ (Total Annual Purchases/365 Days)
The accounts payable payout period measures how long it takes a company to pay its suppliers. Companies must strike a delicate balance with the payout period. The longer they take to pay their creditors, the more money the company has on hand, which is good for working capital. But if a company takes too long to pay its suppliers, creditors will be unhappy. They may refuse to extend credit in the future, or they may offer less favorable terms. Also, if creditors give companies a discount for timely payments, the company may be paying more than it needs to for its merchandise.

Debt to Equity = Total Liabilities ÷ Net Worth — The debt-equity ratio is leverage ratio that compares a company's total liabilities to its total shareholders' equity. This is a measurement of the proportion of the company's balance sheet that is financed by suppliers, lenders, creditors and obligors versus what the owners or shareholders have committed.

Earnings Before Interest & Taxes (EBIT) = (Profit Before Taxes + Interest) ÷ Net Sales x 100
Earnings Before Interest and Taxes (EBIT) measures the profit a company generates from its operations. By ignoring tax and interest expenses, it focuses solely on a company's ability to generate earnings from operations, ignoring variables such as the tax burden and capital structure.

EBIT to Total Assets = Earnings Before Interest & Taxes ÷ Total Assets x 100 — The return on total assets (ROTA) measures a company's EBIT to total assets. The ratio is an indicator of how effectively a company is using its assets to generate earnings before interest obligations must be paid. This allows you to see the relationship between the company's resources and its income, and it can provide a point of comparison to determine if your company is using its assets more or less effectively than its peers. If debt was used to buy an asset, the ROTA can be adjusted to reflect the asset's functional value while accounting for the interest rate currently being paid to a financial institution.

Times Interest Earned = (EBIT) ÷ Interest — The times interest earned ratio measures how many times over a company could pay its outstanding debts using its earnings. The ability to service its debt obligations is a key factor in determining a company's solvency and is an important statistic for owners. Owners want to be sure that the company can pay its bills, including its interest expense. They don't want the company's growth derailed by these types of financial issues. When a company's interest coverage ratio is only 1.5 or or lower, its ability to meet interest expenses may be questionable.

	Typical DHI	High Profit DHI	Under 70% Contact Jobs	70%−80% Contact Jobs	Over 80% Contact Jobs
Debt Ratios					
Accounts Payable To Inventory	46.1%	55.4%	37.5%	46.4%	61.0%
Accounts Payable Payout Period (Days)	19.1	19.5	19.9	28.3	16.1
Debt To Equity	0.4	0.3	0.5	0.8	0.4
EBIT	5.3%	10.4%	6.1%	4.8%	3.8%
EBIT To Total Assets	10.1%	27.5%	16.2%	10.2%	6.9%
Times Interest Earned	11.0	46.1	11.5	7.5	15.5

Asset Productivity Ratios

Asset productivity ratios describe how effectively business assets are deployed. These ratios typically look at sales dollars generated per unit of resource. Resources can include accounts receivable, inventory, and fixed assets.

Average Collection Period = Accounts Receivable ÷ (Credit Sales ÷ 365 Days) — The average collection period is the average number of days between 1) the date that a credit sale is made, and 2) the date that the money is received from the customer. The average collection period is also referred to as the days' sales in accounts receivable.

If a company offers credit terms of net 30 days, the company may find that its average collection period is actually 45 days or more. Monitoring the average collection period is important for a company's cash flow and its ability to meet its obligations when they come due.

Inventory Turnover = Warehouse Cost Of Goods Sold ÷ Average Inventory — Inventory turnover is a measure of how efficiently a company can control its merchandise. A low turnover rate may point to overstocking, obsolescence, or deficiencies in the product line or marketing effort. Conversely a high turnover rate may indicate inadequate inventory levels, which may lead to a loss in sales as the inventory is too low. This often can result in stock shortages.

Inventory Holding Period = 365 Days ÷ Inventory Turnover — The inventory holding period is the number of days it takes a firm to sell off inventory. The average age of inventory helps purchasing agents make buying decisions and managers make pricing decisions, such as discounting existing inventory to move product and increase cash flow.

Sales to Inventory Ratio = Warehouse Sales ÷ Average Inventory — The sales to inventory ratio measures how fast a company is selling inventory. An item with a low ratio has higher carrying cost, like rent, utilities, insurance, theft, and interest on financing.

Gross Margin Return On Inventory (GMROI) = $\frac{\text{Gross Profit}}{\text{Net Sales}} \times \frac{\text{Net Sales}}{\text{Avg. Inventory}} = \frac{\text{Gross Profit}}{\text{Avg. Inventory}} \times 100$

GMROI (Gross Margin Return on Inventory) indicates how much gross margin you get back for each dollar "invested" in inventory. Through careful analysis, you can see which lines, departments or categories are the most rewarding for your inventory investment. GMROI is a powerful tool to compare each product line in terms of combined gross margin profitability and turnover. It can answer questions like the following:

Do I devote too much inventory to this category?
Could my vendor ship me more frequently?
Is that 'special buy' really a wise investment, given how much I have to buy upfront?
How much can I cut prices to increase sales without lowering my GMROI in that category?

Direct shipment is a method of delivering goods from the supplier to the customer directly. This delivery system reduces transportation and warehouse costs, but requires additional planning and administration.

Sales to Working Capital = Net Sales ÷ (Current Assets - Current Liabilities) — The working capital turnover ratio measures how well a company is utilizing its working capital for supporting a given level of sales. Working capital is current assets minus current liabilities. A low turnover ratio shows that a business is investing in too many accounts receivable (A/R) and inventory assets for supporting its sales.

	Typical DHI	High Profit DHI	Under 70% Contact Jobs	70%−80% Contact Jobs	Over 80% Contact Jobs
Asset Productivity Ratios					
Average Collection Period (Days)	73.6	70.6	66.8	81.0	72.6
Inventory Turnover	6.5	7.1	5.1	7.4	10.2
Inventory Holding Period (Days)	56.4	52.2	71.9	49.1	37.4
Sales to Inventory Ratio	10.0	10.6	7.8	11.1	14.3
Gross Margin Return On Inventory	314.9%	348.0%	252.6%	292.1%	434.5%
Sales To Working Capital	4.0	4.2	4.2	5.6	3.5

Employee Productivity Ratios

All companies want to improve employee productivity, but how? Following are 7 steps management can take to improve productivity:

1. Design economic incentives so employees at all levels of an organization can benefit from them.
2. Provide meaningful feedback in a constructive manner on a regular basis.
3. Respect employees as individuals, in addition to the job they do.
4. Be sure management at all levels receives adequate training.
5. Provide support for employees when it's genuinely needed, like equipment when existing is outdated or inefficient.
6. Don't be emotionally stingy. Recognition is often a more powerful motivator than money.
7. Ensure senior leadership models behavior that makes the rank-and-file proud to be part of the team.

To help boost productivity, employee engagement matters. Ultimately, most employees would much rather be part of a team they're committed to, not just a member of an organization. Developing and maintaining a consistent management approach that engenders esprit de corps is a key link in the productivity process.

Balancing appropriate levels of results-orientation with understanding of employee needs is not easy but it is attainable.

Number of Employees — all employees including active owners, full-time equivalents

Sales Per Employee = Net Sales ÷ Total Employees — Sales Per Employee is useful when comparing it against other companies in the same industry. Ideally, a company wants the highest revenue per employee possible, because it indicates higher productivity and effective use of the firm's resources.

Gross Profit Per Employee = Net Sales ÷ Total Employees — One of the most overlooked benchmarks is gross profit per employee, or "return on people." This benchmark is a direct measure of how well you turn the talent in your organization into value for your customers. In other words, it's an advanced measure for productivity and competitive advantage.

Personnel Productivity Ratio (PPR) = Payroll Expenses ÷ Gross Profit x 100
One of the largest expenses for a company is salary and benefits for the workforce, and profitable companies leverage the investment in people by developing workers who are very productive. The lower your payroll is as a percentage of gross margin, the more efficiently you are using your labor force.

	Typical DHI	High Profit DHI	Under 70% Contact Jobs	70%−80% Contact Jobs	Over 80% Contact Jobs
Employee Productivity					
Sales Per Employee	$355,701	$381,552	$342,062	$361,346	$391,246
Gross Profit Per Employee	$113,933	$124,546	$113,484	$108,767	$122,139
Salary Per Employee	$59,357	$58,962	$58,375	$59,760	$65,794
Payroll, including benefits Per Employee	$74,630	$71,638	$72,785	$72,862	$77,218
Personnel Productivity Ratio	64.9%	54.8%	61.6%	65.2%	76.3%
Average Number of Employees	59	61	123	68	48

Sales Volume Analysis

This section profiles DHI companies by sales volume category.

	Typical DHI	High Profit DHI	Sales Under $15 Million	Sales $15 - $30 Million	Sales Over $30 Million
Number Of Firms Reporting	31	8	12	11	8
Typical Sales Volume (Millions)	$23.2	$26.4	$9.9	$24.5	$61.4
Sales Growth (2020 vs. 2019)	-5.4%	1.3%	-9.2%	-6.5%	1.3%
Contract Sales Revenue	75.0%	74.0%	75.0%	80.0%	64.2%
Sales by Product Category					
Builders Hardware	42.1%	37.4%	44.8%	44.5%	34.8%
Electronic Hardware	6.4	9.5	5.9	7.2	5.9
Metal Doors & Related Products	20.7	23.5	21.0	22.7	17.6
Wood Doors & Frames	17.7	18.1	19.5	16.6	16.8
Toilet Accessories & Partitions	4.9	4.5	4.7	2.6	8.0
All Other Products	8.2	7.0	4.1	6.4	16.9
Total Sales	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**
Strategic Profit Model Ratios					
Profit Margin (Pre-tax)	5.0%	10.2%	4.2%	4.0%	5.2%
Asset Turnover	2.4	2.7	2.5	2.4	2.2
Return On Assets (Pre-tax)	12.0%	27.5%	10.5%	9.6%	11.4%
Financial Leverage	1.4	1.3	1.7	1.3	2.0
Return On Net Worth (Pre-tax)	16.8%	35.8%	17.9%	12.5%	22.8%
INCOME STATEMENT					
Net Sales	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**
Cost Of Goods Sold	68.3	66.7	68.8	68.3	66.9
Gross Margin	**31.7**	**33.3**	**31.2**	**31.7**	**33.1**
Operating Expenses					
Salaries, Wages, Commissions & Bonuses	17.8	15.8	18.5	17.8	15.7
Payroll Taxes	1.4	1.3	1.4	1.5	1.3
Employee Benefits	1.8	1.6	1.7	2.4	2.2
Total Payroll Expenses	**21.0**	**18.7**	**21.6**	**21.7**	**19.2**
Occupancy Expenses	2.3	2.5	2.1	2.3	3.5
All Other Operating Expenses	4.5	2.8	4.0	4.6	4.8
Total Operating Expenses	**27.8**	**24.0**	**27.7**	**28.6**	**27.5**
Operating Profit	**3.9**	**9.3**	**3.5**	**3.1**	**5.6**
Other Income	1.3	1.1	0.9	1.0	0.1
Interest Expense	0.2	0.2	0.2	0.1	0.5
Other Non-Operating Expenses	0.0	0.0	0.0	0.0	0.0
Profit Before Taxes	**5.0%**	**10.2%**	**4.2%**	**4.0%**	**5.2%**
OPERATING EXPENSES IN RELATIONTO GROSS PROFIT					
Gross Margin	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**
Operating Expenses					
Salaries, Wages, Commissions & Bonuses	54.4	45.9	57.2	57.8	48.4
Payroll Taxes	4.2	3.9	4.4	4.7	3.7
Employee Benefits	6.3	5.0	5.3	7.1	6.9
Total Payroll Expenses	**64.9**	**54.8**	**66.9**	**69.6**	**59.0**
Occupancy Expenses	7.3	7.6	6.7	7.9	9.4
All Other Operating Expenses	12.2	8.5	12.2	12.8	13.4
Total Operating Expenses	**84.4**	**70.9**	**85.8**	**90.3**	**81.8**
Operating Profit	**15.6**	**29.1**	**14.2**	**9.7**	**18.2**
Other Income	1.0	2.2	1.9	6.4	0.3
Interest Expense	0.7	0.6	0.4	0.2	1.5
Other Non-Operating Expenses	0.0	0.0	0.0	0.0	0.8
Profit Before Taxes	**15.9%**	**30.7%**	**15.7%**	**15.9%**	**16.2%**

Sales Volume Analysis

BALANCE SHEET	Typical DHI	High Profit DHI	Sales Under $15 Million	Sales $15 - $30 Million	Sales Over $30 Million
Assets					
Cash & Marketable Securities	7.1%	15.1%	18.4%	16.6%	0.5%
Accounts Receivable	55.9	52.5	52.7	47.2	52.1
Inventory	22.8	22.8	19.7	18.0	27.7
Other Current Assets	2.0	1.5	0.7	2.5	2.5
Total Current Assets	**87.8**	**91.9**	**91.5**	**84.3**	**82.8**
Fixed Assets & Noncurrent Assets	12.2	8.1	8.5	15.7	17.2
Total Assets	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**
Liabilities and Net Worth					
Accounts Payable	8.0%	10.6%	12.9%	6.6%	13.6%
Notes Payable	2.3	0.9	0.6	0.0	11.8
Other Current Liabilities	8.5	7.9	9.6	8.0	8.2
Total Current Liabilities	**18.8**	**19.4**	**23.1**	**14.6**	**33.6**
Long Term Liabilities	5.7	0.8	7.0	1.0	9.8
Net Worth Or Owner Equity	75.5	79.8	69.9	84.4	56.6
Total Liabilities & Net Worth	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**
LIQUIDITY RATIOS					
Current Ratio	3.3	4.4	3.5	4.4	2.5
Quick Ratio	2.6	3.6	2.8	3.6	1.4
Cash To Current Liabilities	64.5%	74.0%	65.4%	100.4%	3.9%
Cash Cycle					
Average Collection Period (Days)	73.6	70.6	74.8	67.6	83.9
Plus Inventory Holding Period	56.4	52.2	49.4	49.1	61.0
Gross Cash Flow	130.0	122.8	124.2	116.7	144.9
Minus A/P Payout Period	19.1	19.5	21.6	13.1	27.7
Cash Cycle (Days)	110.9	103.3	102.6	103.6	117.2
DEBT RATIOS					
Accounts Payable To Inventory	46.1%	55.4%	50.6%	30.2%	55.1%
Accounts Payable Payout Period (Days)	19.1	19.5	21.6	13.1	27.7
Debt To Equity	0.4	0.3	0.7	0.3	1.0
EBIT	5.3%	10.4%	4.4%	4.0%	5.8%
EBIT To Total Assets	10.1%	27.5%	11.0%	6.7%	12.5%
Times Interest Earned	11.0	46.1	16.0	8.6	11.5
ASSET PRODUCTIVITY RATIOS					
Average Collection Period (Days)	73.6	70.6	74.8	67.6	83.9
Inventory Turnover	6.5	7.1	7.4	7.4	6.0
Inventory Holding Period (Days)	56.4	52.2	49.4	49.1	61.0
Sales to Inventory Ratio	10.0	10.6	11.2	11.4	8.5
Gross Margin Return On Inventory	314.9%	348.0%	308.3%	393.4%	252.6%
Sales To Working Capital	4.0	4.2	4.2	3.6	4.6
EMPLOYEE PRODUCTIVITY RATIOS					
Sales Per Employee	$355,701	$381,552	$381,552	$383,333	$336,657
Gross Profit Per Employee	$113,933	$124,546	$124,546	$108,767	$113,484
Salary Per Employee	$59,357	$58,962	$67,759	$60,042	$55,305
Payroll, including benefits Per Emp.	$74,630	$71,638	$81,347	$75,462	$66,627
Personnel Productivity Ratio	64.9%	54.8%	66.9%	69.6%	59.0%
Average Number of Employees	59	61	28	63	206

Regional Analysis

This section profiles DHI companies by four multi-state U.S. regions & Canada.

	Typical DHI	High Profit DHI	South-eastern Region	North Central Region
Number Of Firms Reporting	31	8	7	15
Typical Sales Volume (Millions)	$23.2	$26.4	$27.5	$21.0
Sales Growth (2020 vs. 2019)	-5.4%	1.3%	-6.5%	-7.4%
Contract Sales Revenue	75.0%	74.0%	84.0%	72.0%
Sales by Product Category				
Builders Hardware	42.1%	37.4%	36.3%	45.8%
Electronic Hardware	6.4	9.5	10.6	5.2
Metal Doors & Related Products	20.7	23.5	20.4	20.8
Wood Doors & Frames	17.7	18.1	17.4	18.7
Toilet Accessories & Partitions	4.9	4.5	3.6	4.2
All Other Products	8.2	7.0	11.7	5.3
Total Sales	**100.0%**	**100.0%**	**100.0%**	**100.0%**
Strategic Profit Model Ratios				
Profit Margin (Pre-tax)	5.0%	10.2%	5.0%	5.1%
Asset Turnover	2.4	2.7	2.5	2.3
Return On Assets (Pre-tax)	12.0%	27.5%	12.5%	11.7%
Financial Leverage	1.4	1.3	1.2	1.6
Return On Net Worth (Pre-tax)	16.8%	35.8%	15.0%	18.7%
INCOME STATEMENT				
Net Sales	**100.0%**	**100.0%**	**100.0%**	**100.0%**
Cost Of Goods Sold	68.3	66.7	66.4	68.3
Gross Margin	**31.7**	**33.3**	**33.6**	**31.7**
Operating Expenses				
Salaries, Wages, Comm. & Bonuses	17.8	15.8	18.2	18.2
Payroll Taxes	1.4	1.3	1.5	1.4
Employee Benefits	1.8	1.6	2.3	2.4
Total Payroll Expenses	**21.0**	**18.7**	**22.0**	**22.0**
Occupancy Expenses	2.3	2.5	2.0	2.3
All Other Operating Expenses	4.5	2.8	4.3	4.4
Total Operating Expenses	**27.8**	**24.0**	**28.3**	**28.7**
Operating Profit	**3.9**	**9.3**	**5.3**	**3.0**
Other Income	1.3	1.1	0.3	2.2
Interest Expense	0.2	0.2	0.2	0.1
Other Non-Operating Expenses	0.0	0.0	0.4	0.0
Profit Before Taxes	**5.0%**	**10.2%**	**5.0%**	**5.1%**
OPERATING EXPENSES IN RELATION TO GROSS PROFIT				
Gross Margin	**100.0%**	**100.0%**	**100.0%**	**100.0%**
Operating Expenses				
Salaries, Wages, Comm. & Bonuses	54.4	45.9	52.4	55.9
Payroll Taxes	4.2	3.9	4.8	4.2
Employee Benefits	6.3	5.0	6.9	6.6
Total Payroll Expenses	**64.9**	**54.8**	**64.1**	**66.7**
Occupancy Expenses	7.3	7.6	5.9	7.2
All Other Operating Expenses	12.2	8.5	12.4	13.4
Total Operating Expenses	**84.4**	**70.9**	**82.4**	**87.3**
Operating Profit	**15.6**	**29.1**	**17.6**	**12.7**
Other Income	1.0	2.2	1.0	4.5
Interest Expense	0.7	0.6	0.5	0.3
Other Non-Operating Expenses	0.0	0.0	1.5	0.0
Profit Before Taxes	**15.9%**	**30.7%**	**16.6%**	**16.9%**

Regional Analysis

BALANCE SHEET	Typical DHI	High Profit DHI	South-eastern Region	North Central Region
Assets				
Cash & Marketable Securities	7.1%	15.1%	21.8%	4.7%
Accounts Receivable	55.9	52.5	45.5	52.5
Inventory	22.8	22.8	23.5	22.9
Other Current Assets	2.0	1.5	0.7	2.3
Total Current Assets	**87.8**	**91.9**	**91.5**	**82.4**
Fixed Assets & Noncurrent Assets	12.2	8.1	8.5	17.6
Total Assets	**100.0%**	**100.0%**	**100.0%**	**100.0%**
Liabilities and Net Worth				
Accounts Payable	8.0%	10.6%	7.0%	7.6%
Notes Payable	2.3	0.9	1.8	2.6
Other Current Liabilities	8.5	7.9	8.8	9.5
Total Current Liabilities	**18.8**	**19.4**	**17.6**	**19.7**
Long Term Liabilities	5.7	0.8	0.9	7.4
Net Worth Or Owner Equity	75.5	79.8	81.5	72.9
Total Liabilities & Net Worth	**100.0%**	**100.0%**	**100.0%**	**100.0%**
LIQUIDITY RATIOS				
Current Ratio	3.3	4.4	4.8	2.5
Quick Ratio	2.6	3.6	4.0	2.1
Cash To Current Liabilities	64.5%	74.0%	94.8%	10.0%
Cash Cycle				
Average Collection Period (Days)	73.6	70.6	81.0	63.5
Plus Inventory Holding Period	56.4	52.2	49.1	55.4
Gross Cash Flow	130.0	122.8	130.1	118.9
Minus A/P Payout Period	19.1	19.5	14.0	15.6
Cash Cycle (Days)	110.9	103.3	116.1	103.3
DEBT RATIOS				
Accounts Payable To Inventory	46.1%	55.4%	28.8%	46.1%
Accounts Payable Payout Period (Days)	19.1	19.5	14.0	15.6
Debt To Equity	0.4	0.3	0.2	0.6
EBIT	5.3%	10.4%	5.3%	5.4%
EBIT To Total Assets	10.1%	27.5%	10.1%	10.2%
Times Interest Earned	11.0	46.1	53.2	8.9
ASSET PRODUCTIVITY RATIOS				
Average Collection Period (Days)	73.6	70.6	81.0	63.5
Inventory Turnover	6.5	7.1	7.4	6.6
Inventory Holding Period (Days)	56.4	52.2	49.1	55.4
Sales to Inventory Ratio	10.0	10.6	11.1	10.1
Gross Margin Return On Inventory	314.9%	348.0%	349.6%	338.1%
Sales To Working Capital	4.0	4.2	3.6	4.4
EMPLOYEE PRODUCTIVITY RATIOS				
Sales Per Employee	$355,701	$381,552	$332,729	$361,346
Gross Profit Per Employee	$113,933	$124,546	$105,766	$114,974
Salary Per Employee	$59,357	$58,962	$61,920	$58,135
Payroll, including benefits Per Emp.	$74,630	$71,638	$74,434	$77,085
Personnel Productivity Ratio	64.9%	54.8%	64.1%	66.7%
Average Number of Employees	59	61	63	58

Analysis of Variance

This section details the "range of common experience" for each ratio and measure in the report. This range is between the lower quartile and the upper quartile results, based on all participating firms. Also provided, as a reference point, is the midpoint or median result for the statistic.

The word quartile means that something is divided into quarters, or segments of twenty-five percent each. The lower quartile is the figure halfway between the median and the lowest performance value. Twenty-five percent of the firms are below this figure and seventy-five percent are above it. The upper quartile is the figure between the median and the highest value. Therefore, the values between the lower and upper quartiles profile the middle fifty percent of the results for any given measure. This “range of common experience” provides an understanding of the variability of the data without having to consider extreme results.

Reference to the range of common experience helps put the differences in a particular ratio into perspective. Performance outside this middle 50% range may warrant closer management scrutiny since it is beyond the normal range for that measure. Performance within the range of common experience may be less of a priority. Attention to differences within the range of common experience may still be warranted, but close scrutiny would first be directed to measures that fall outside the range of common experience.

	Lower Quartile	Typical DHI	Upper Quartile
Number Of Firms Reporting		31	
Typical Sales Volume (Millions)	$10.3	$23.2	$30.2
Sales Growth (2020 vs. 2019)	-11.4%	-5.4%	4.5%
Contract Sales Revenue	68.5%	75.0%	84.0%
Sales by Product Category			
Builders Hardware	35.0%	42.1%	48.6%
Electronic Hardware	2.0	6.4	10.0
Metal Doors & Related Products	18.0	20.7	25.0
Wood Doors & Frames	13.5	17.7	20.0
Toilet Accessories & Partitions	0.9	4.9	7.3
All Other Products	0.0	8.2	15.0
Strategic Profit Model Ratios			
Profit Margin (Pre-tax)	1.4%	5.0%	9.1%
Asset Turnover	1.9	2.4	2.8
Return On Assets (Pre-tax)	3.0%	12.0%	22.5%
Financial Leverage	1.2	1.4	2.3
Return On Net Worth (Pre-tax)	5.6%	16.8%	31.0%
INCOME STATEMENT			
Net Sales		**100.0%**	
Cost Of Goods Sold	65.4	68.3	71.5
Gross Margin	**28.5**	**31.7**	**34.6**
Operating Expenses			
Salaries, Wages, Comm. & Bonuses	14.3	17.8	19.1
Payroll Taxes	1.1	1.4	1.6
Employee Benefits	1.2	1.8	3.1
Total Payroll Expenses	**16.8**	**21.0**	**24.2**
Occupancy Expenses	1.5	2.3	3.4
All Other Operating Expenses	2.2	4.5	5.9
Total Operating Expenses	**22.7**	**27.8**	**31.5**
Operating Profit	**1.7**	**3.9**	**6.8**
Other Income	0.0	1.3	2.3
Interest Expense	0.1	0.2	0.5
Other Non-Operating Expenses	0.0	0.0	0.2
Profit Before Taxes	**1.4%**	**5.0%**	**9.1%**

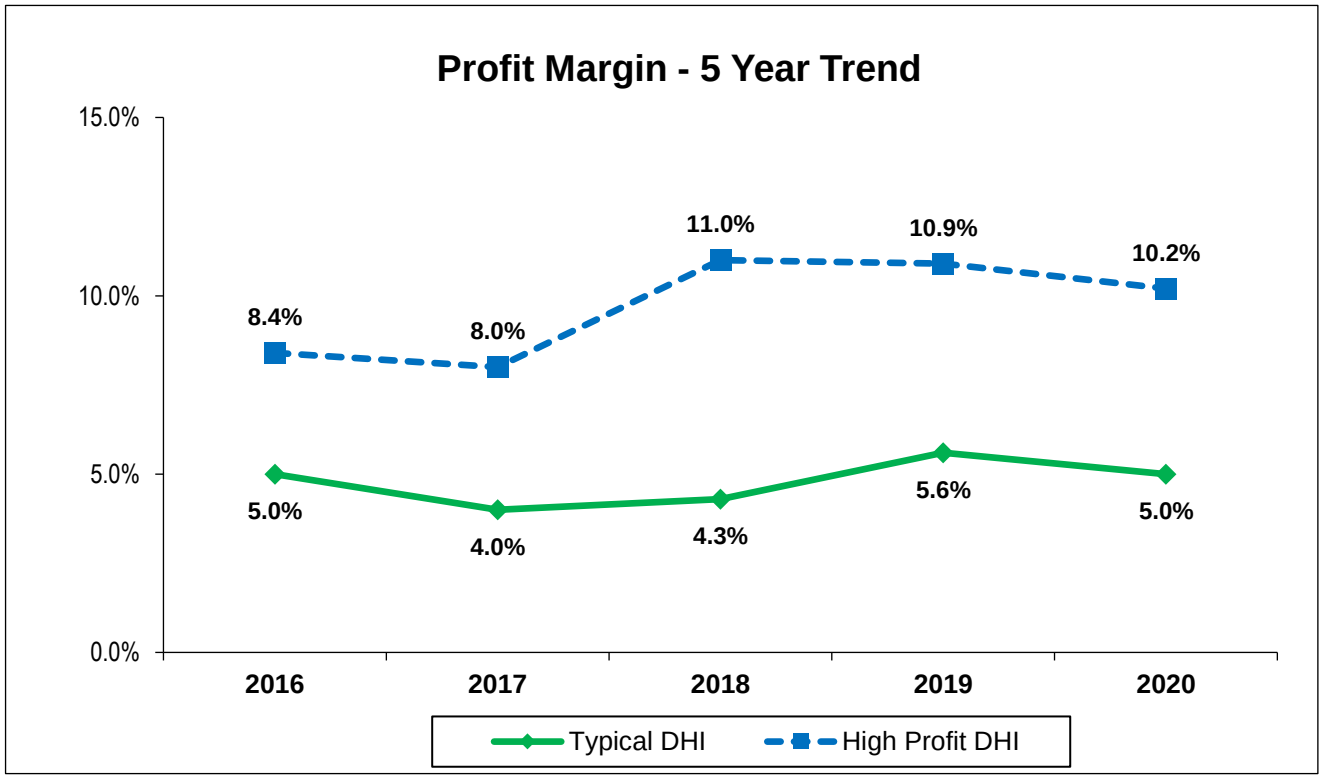
Analysis of Variance

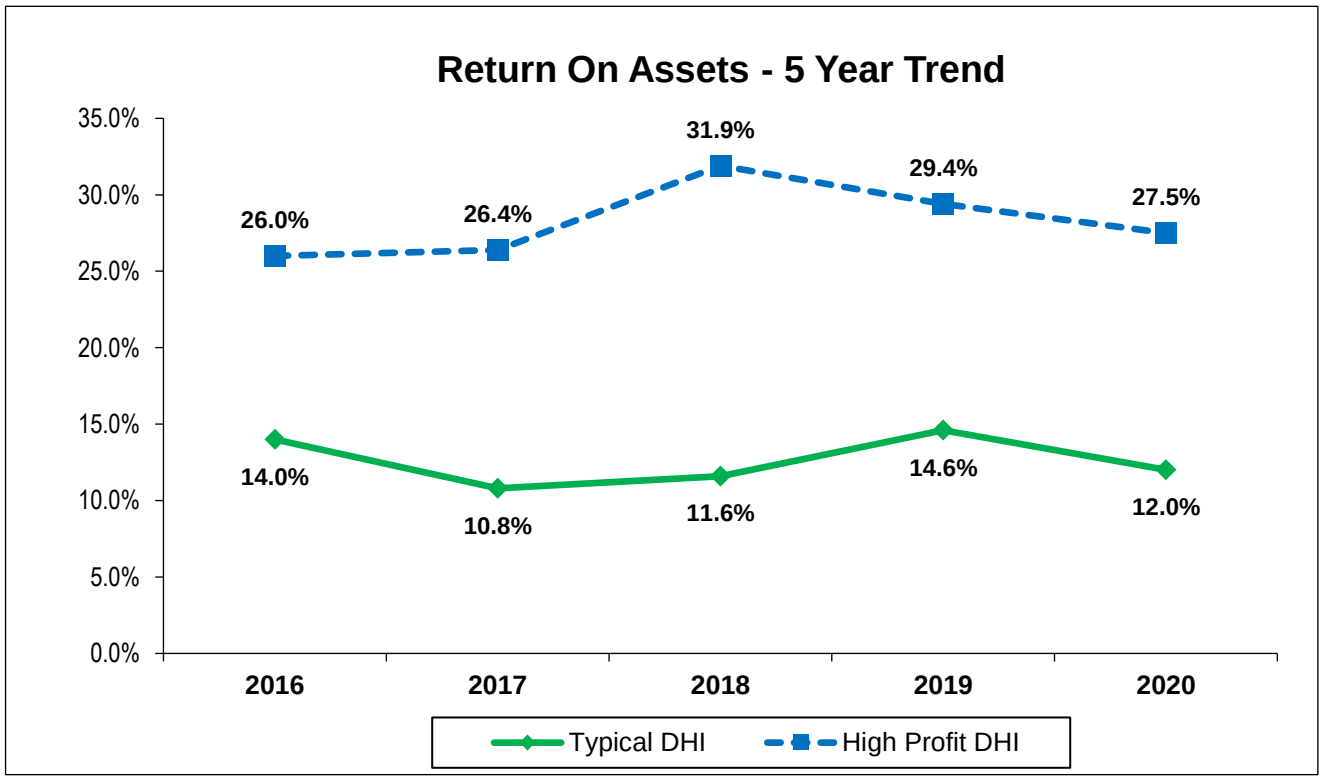
	Lower Quartile	Typical DHI	Upper Quartile
OPERATING EXPENSES IN RELATIONSHIP TO GROSS PROFIT			
Gross Margin		**100.0%**	
Operating Expenses			
Salaries, Wages, Comm. & Bonuses	48.1	54.4	59.3
Payroll Taxes	3.6	4.2	5.0
Employee Benefits	3.8	6.3	8.9
Total Payroll Expenses	**57.4**	**64.9**	**74.2**
Occupancy Expenses	4.4	7.3	9.9
All Other Operating Expenses	6.9	12.2	17.1
Total Operating Expenses	**76.2**	**84.4**	**94.3**
Operating Profit	**5.7**	**15.6**	**23.8**
Other Income	0.1	1.0	6.6
Interest Expense	0.2	0.7	1.7
Other Non-Operating Expenses	0.0	0.0	0.7
Profit Before Taxes	**5.0%**	**15.9%**	**27.0%**
BALANCE SHEET			
Assets			
Cash & Marketable Securities	0.0%	7.1%	32.5%
Accounts Receivable	33.9	55.9	57.1
Inventory	13.1	22.8	28.8
Other Current Assets	0.5	2.0	2.6
Total Current Assets	**82.7**	**87.8**	**93.5**
Fixed Assets & Noncurrent Assets	6.5	12.2	17.3
Total Assets		**100.0%**	
Liabilities and Net Worth			
Accounts Payable	5.0%	8.0%	18.2%
Notes Payable	0.0	2.3	10.6
Other Current Liabilities	3.6	8.5	12.0
Total Current Liabilities	**16.1**	**18.8**	**38.3**
Long Term Liabilities	0.0	5.7	15.6
Net Worth Or Owner Equity	43.7	75.5	80.4
Total Liabilities & Net Worth		**100.0%**	
LIQUIDITY RATIOS			
Current Ratio	2.2	3.3	5.7
Quick Ratio	1.3	2.6	4.1
Cash To Current Liabilities	3.9%	64.5%	195.6%
Cash Cycle			
Average Collection Period (Days)	61.1	73.6	84.0
Plus Inventory Holding Period	30.0	56.4	68.7
Gross Cash Flow	91.1	130.0	152.7
Minus A/P Payout Period	11.1	19.1	34.9
Cash Cycle (Days)	80.0	110.9	117.8

Analysis of Variance

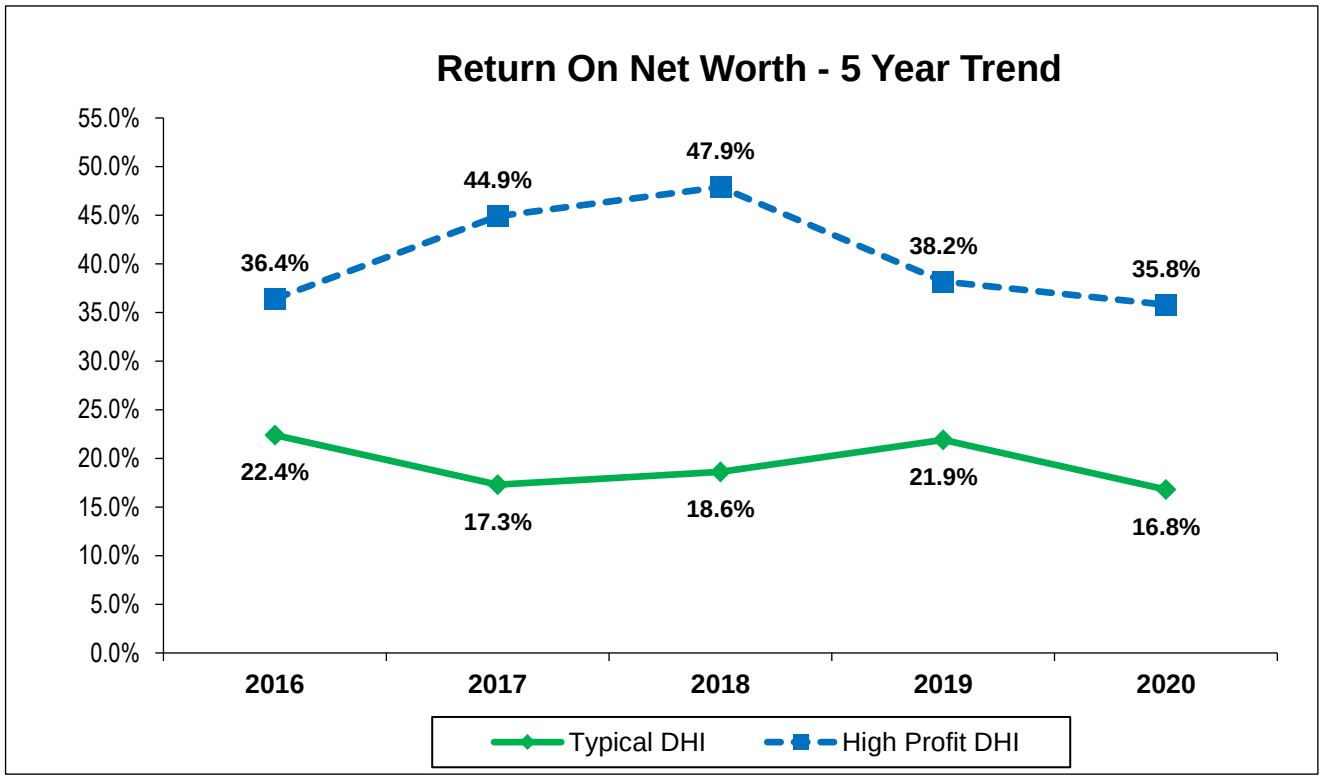
	Lower Quartile	Typical DHI	Upper Quartile
DEBT RATIOS			
Accounts Payable To Inventory	20.2%	46.1%	78.4%
Accounts Payable Payout Period (Days)	11.1	19.1	34.9
Debt To Equity	0.2	0.4	1.3
EBIT	1.8%	5.3%	9.4%
EBIT To Total Assets	4.2%	10.1%	23.6%
Times Interest Earned	5.5	11.0	41.9
ASSET PRODUCTIVITY RATIOS			
Average Collection Period (Days)	61.1	73.6	84.0
Inventory Turnover	5.3	6.5	12.2
Inventory Holding Period (Days)	30.0	56.4	68.7
Sales to Inventory Ratio	7.7	10.0	17.3
Gross Margin Return On Inventory	232.0%	314.9%	519.4%
Sales To Working Capital	3.1	4.0	5.6
EMPLOYEE PRODUCTIVITY RATIOS			
Sales Per Employee	$305,544	$355,701	$419,788
Gross Profit Per Employee	$96,284	$113,933	$138,700
Salary Per Employee	$52,977	$59,357	$72,571
Payroll, including benefits Per Emp.	$66,227	$74,630	$83,162
Personnel Productivity Ratio	57.4%	64.9%	74.2%
Average Number of Employees	30	59	102

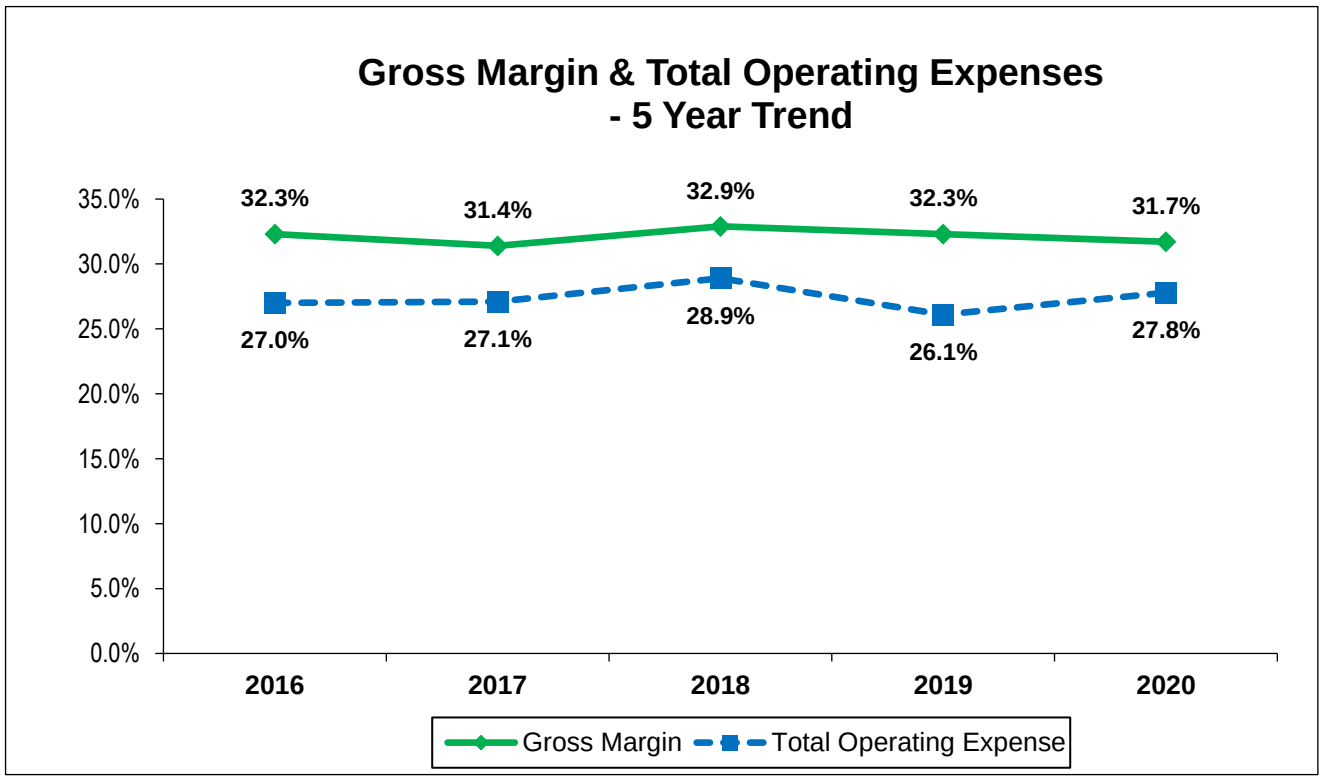
Trend Analysis





Trend Analysis





Trend Analysis

The following table summarizes the trend for selected key ratios. Please note that the data was compiled from prior DHI Reports. Because different DHI members may have participated each year, the trend results shown do not represent a consistent sample of DHI companies.

	2016	2017	2018	2019	2020
Number Of Firms Reporting	45	38	34	25	31
Typical Sales Volume (Millions)	$19.6	$18.7	$16.6	$23.6	$23.2
Sales Growth (Vs. Prior Year)	4.9%	5.7%	12.4%	5.8%	-5.4%
Contract Sales Revenue	68.0%	70.5%	72.5%	70.0%	75.0%
Sales by Product Category					
Builders Hardware	45.1%	44.5%	43.5%	43.8%	42.1%
Electronic Hardware	6.2	6.7	6.1	5.4	6.4
Metal Doors & Related Products	20.0	19.8	19.5	19.4	20.7
Wood Doors & Frames	16.3	15.6	17.1	16.8	17.7
Toilet Accessories & Partitions	4.4	3.8	3.2	4.5	4.9
All Other Products	8.0	9.6	10.6	10.1	8.2
Total Sales	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**
Strategic Profit Model Ratios					
Profit Margin (Pre-tax)	5.0%	4.0%	4.3%	5.5%	5.0%
Asset Turnover	2.8	2.7	2.7	2.5	2.4
Return On Assets (Pre-tax)	14.0%	10.8%	11.6%	13.8%	12.0%
Financial Leverage	1.6	1.6	1.6	1.5	1.4
Return On Net Worth (Pre-tax)	22.4%	17.3%	18.6%	20.7%	16.8%
INCOME STATEMENT					
Net Sales	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**
Cost Of Goods Sold	67.7	68.6	67.1	67.6	68.3
Gross Margin	**32.3**	**31.4**	**32.9**	**32.4**	**31.7**
Operating Expenses					
Salaries, Wages, Comm. & Bonuses	17.0	17.1	18.5	16.9	17.8
Payroll Taxes	1.4	1.4	1.4	1.3	1.4
Employee Benefits	2.2	1.8	1.9	1.6	1.8
Total Payroll Expenses	**20.6**	**20.3**	**21.8**	**19.8**	**21.0**
Occupancy Expenses	2.2	2.3	2.4	2.2	2.3
All Other Operating Expenses	4.2	4.5	4.7	4.3	4.5
Total Operating Expenses	**27.0**	**27.1**	**28.9**	**26.3**	**27.8**
Operating Profit	**5.3**	**4.3**	**4.0**	**6.1**	**3.9**
Other Income	0.0	0.1	0.5	0.1	1.3
Interest Expense	0.3	0.2	0.2	0.3	0.2
Other Non-Operating Expenses	0.0	0.2	0.0	0.4	0.0
Profit Before Taxes	**5.0%**	**4.0%**	**4.3%**	**5.5%**	**5.0%**

Trend Analysis

	2016	2017	2018	2019	2020
BALANCE SHEET					
Assets					
Cash & Marketable Securities	4.1%	1.4%	7.3%	6.7%	7.1%
Accounts Receivable	55.6	60.8	55.4	53.7	55.9
Inventory	28.7	26.3	22.9	24.1	22.8
Other Current Assets	1.7	1.5	1.7	2.5	2.0
Total Current Assets	**90.1**	**90.0**	**87.3**	**87.0**	**87.8**
Fixed Assets & Noncurrent Assets	9.9	10.0	12.7	13.0	12.2
Total Assets	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**
Liabilities and Net Worth					
Accounts Payable	13.3%	12.6%	11.0%	10.5%	8.0%
Notes Payable	8.7	5.9	2.4	12.9	2.3
Other Current Liabilities	9.5	8.2	17.7	5.8	8.5
Total Current Liabilities	**31.5**	**26.7**	**31.1**	**29.2**	**18.8**
Long Term Liabilities	4.8	1.8	2.1	4.6	5.7
Net Worth Or Owner Equity	63.7	71.5	66.8	66.2	75.5
Total Liabilities & Net Worth	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**
LIQUIDITY RATIOS					
Current Ratio	3.1	2.9	3.1	2.9	3.3
Quick Ratio	2.1	1.7	2.0	1.9	2.6
Cash To Current Liabilities	11.1%	10.1%	29.2%	33.9%	64.5%
Cash Cycle					
Average Collection Period (Days)	66.5	69.5	68.3	66.4	73.6
Plus Inventory Holding Period	54.2	53.9	46.4	56.6	56.4
Gross Cash Flow	120.7	123.4	114.7	123.0	130.0
Minus A/P Payout Period	17.9	22.9	20.6	20.5	19.1
Cash Cycle (Days)	102.8	100.5	94.1	102.5	110.9
DEBT RATIOS					
Accounts Payable To Inventory	39.7%	45.4%	46.5%	45.9%	46.1%
Accounts Payable Payout Period (Days)	17.9	22.9	20.6	20.5	19.1
Debt To Equity	0.6	0.7	0.6	0.5	0.4
EBIT To Total Assets	12.8%	11.8%	12.0%	13.0%	10.1%
Times Interest Earned	15.0	7.8	11.7	13.5	11.0
ASSET PRODUCTIVITY RATIOS					
Average Collection Period (Days)	66.5	69.5	68.3	66.4	73.6
Inventory Turnover	6.7	6.8	7.9	6.4	6.5
Inventory Holding Period (Days)	54.2	53.9	46.4	56.6	56.4
Sales to Inventory Ratio	9.6	9.9	11.5	10.0	10.0
Gross Margin Return On Inventory	320.7%	318.3%	426.0%	321.5%	314.9%
Sales To Working Capital	4.9	4.9	4.8	4.5	4.0
EMPLOYEE PRODUCTIVITY RATIOS					
Sales Per Employee	$333,914	$331,567	$323,781	$385,752	$355,701
Gross Profit Per Employee	$106,343	$103,260	$107,249	$114,305	$113,933
Salary Per Employee	$67,753	$56,064	$58,716	$60,478	$59,357
Payroll, including benefits Per Emp.	$78,949	$70,573	$70,869	$71,526	$74,630
Personnel Productivity Ratio	63.8%	65.5%	65.5%	59.9%	64.9%

Appendix

Questionnaires were mailed to all DHI Company Members. The primary focus of these questionnaires was to collect detailed financial information from flooring distributors.

The analyses in this report are the result of extensive review by the Mackay Research Group. It is important to note that all individual company responses were kept strictly confidential by the Mackay Research Group. No one from DHI or its staff had access to any individual company's results.

Ratio	Calculation		Comment
Average Collection Period	Accounts Receivable / (Credit Sales / 365 Days)		Measures the average days between sales and receipt of customer payment
Asset Turnover	Net Sales / Total Assets		Measures sales generated per dollar of assets
Current Ratio	Current Assets / Current Liabilities		Measures ability to pay short-term debt with current assets
Debt To Equity	Total Liabilities / Net Worth		Measures balance between debt and owner equity
EBIT To Total Assets	Profit Before Taxes + Int / Total Assets	X 100	Measures earnings from operations before interest and taxes as a % of total assets
Financial Leverage	Total Assets / Net Worth		Measures assets financed per dollar of net worth
Gross Margin	Gross Profit Dollars / Net Sales	X 100	Measures profitability after the costs of making or buying the product are subtracted from sales
Inventory Holding Period	365 Days / Inventory Turnover		Measures the number of days inventory is typically held in stock
Inventory Turnover	Cost of Goods Sold / Average Inventory		Measures the number of times the entire inventory stock is sold per year
Profit Margin	Profit Before Taxes / Net Sales	X 100	Measures profit earned as a percent of sales
Quick Ratio	Cash + Accounts Receivable / Current Liabilities		Measures the ability to pay short-term debt with assets that can be converted to cash quickly
Return On Assets	Profit Before Taxes / Total Assets	X 100	Measures profit earned as a percent of assets
Return On Net Worth	Profit Before Taxes / Net Worth	X 100	Measures profit earned as a percent of net worth
Sales Per Employee	Net Sales / Full-Time Equivalent Employees		Measures average sales generated per full-time employee
Sales To Fixed Assets	Net Sales / Net Fixed Assets		Measures productivity of each dollar invested in fixed assets
Sales To Working Capital	Net Sales / Current Assets - Current Liabilities		Measures the ability to generate sales without tying up working capital
Times Interest Earned	Profit Before Taxes + Interest / Interest		Measures number of times earnings will cover interest payments