

Simple Numbers 2.0 The Profit Cube

by
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FOREWORD BY **VERNE HARNISH**, CEO, GAZELLES, INC.,
AUTHOR, *MASTERING THE ROCKEFELLER HABITS*

SIMPLE NUMBERS, STRAIGHT TALK, BIG PROFITS!

4 KEYS TO UNLOCK YOUR
BUSINESS POTENTIAL

GREG CRABTREE

WITH BEVERLY BLAIR HARZOG

Seeing Beyond Numbers

Simple Numbers 2.0 – The Profit Cube

- Laying the Groundwork – Quick Overview of Foundation Principles from Simple Numbers, Straight Talk, Big Profits!
- Profit Cube examples that show Profitability and Labor Efficiency
 - By Company
 - By Division
 - By Location
 - By Customer
 - By Employee



Simple Numbers... Straight Talk... Big Profits

4 Keys to Unlock Your Business Potential

- Your data is lying! - The way you deal with Owner's compensation is distorting your data
- Profit matters more than you think – How to set the right profit targets for your business
- Labor Productivity drives your profit engine – How to measure it and improve it
- 4 Forces of cash flow – Get the priorities right to set your business on a solid foundation



Simple Numbers... Straight Talk... Big Profits
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Why Owner Salaries Matter

- You get
 - a salary for what you do and
 - a return on what you own
- Why Your Net Income is lying!
- Be a More Demanding Employee
- Be a More Demanding Shareholder
- Can distort profits from start up to over \$60 million in revenue



Breaking Even Isn't Good Enough Why 10% is the New Breakeven

Profitability Percentages (Pre-Tax):

5% - You're on Life Support

10% - When you're a *good* business

15% - When you're a *great* business

- Anything over 15%, take it while you can!

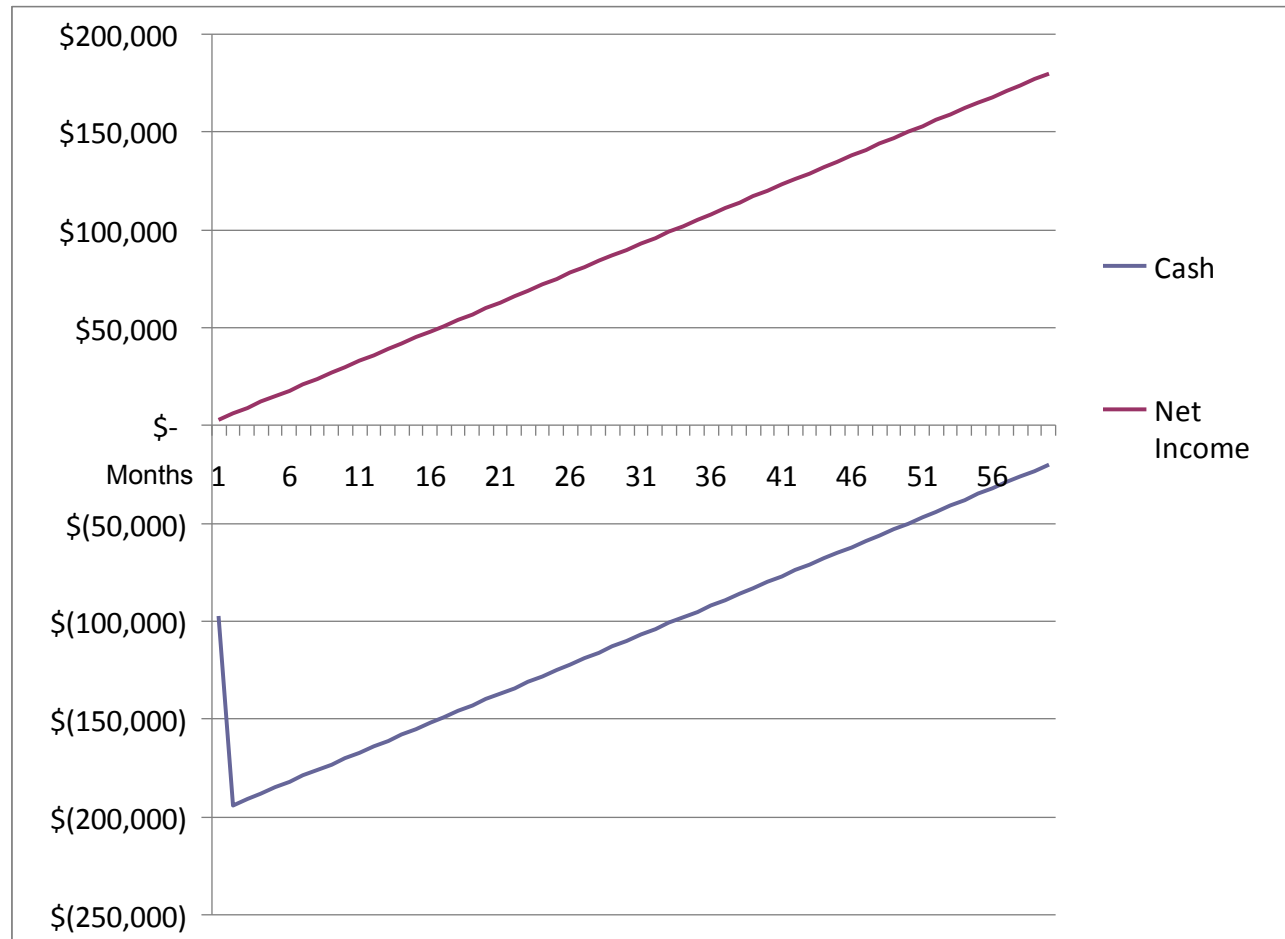


Cash Flow versus Profit

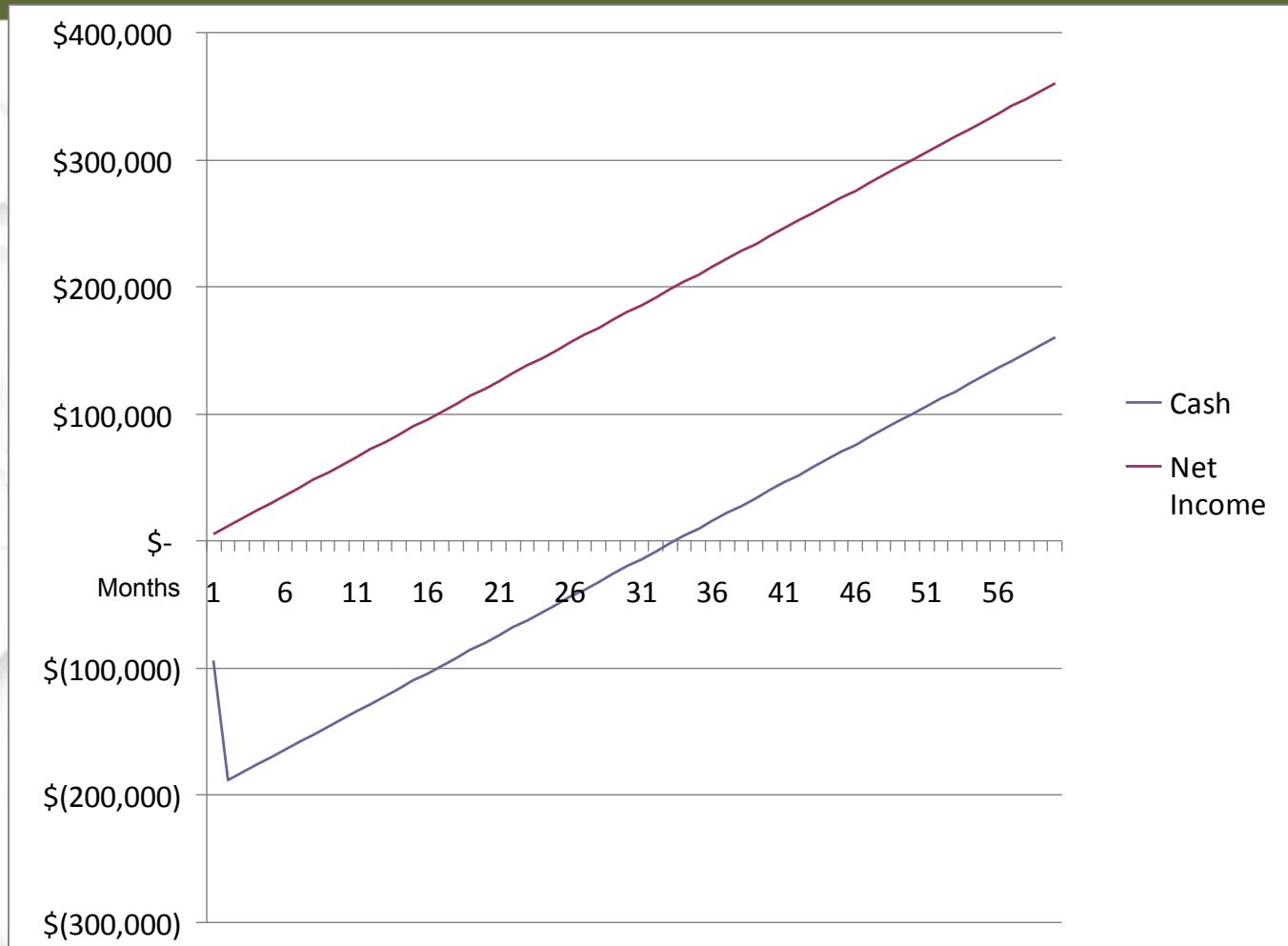
- Why profit matters more than you think!
 - Examples at 5%, 10% & 15%
 - Revenue at \$100,000 per month
 - Tax Rate 40%
 - Assume service-based business that bills at the end of the month and gets paid in an average of 45 days



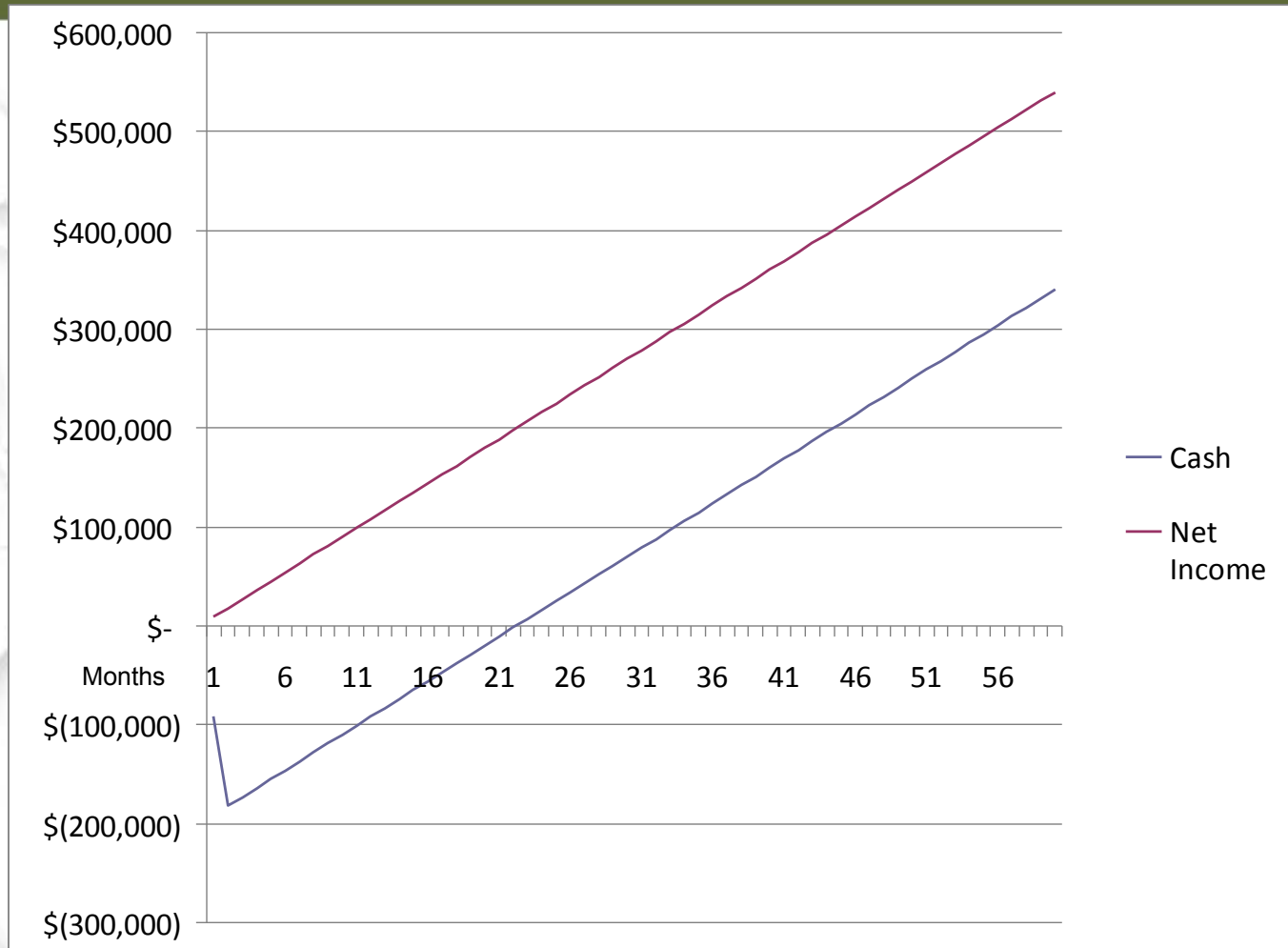
Cash Flow versus Profit 5%



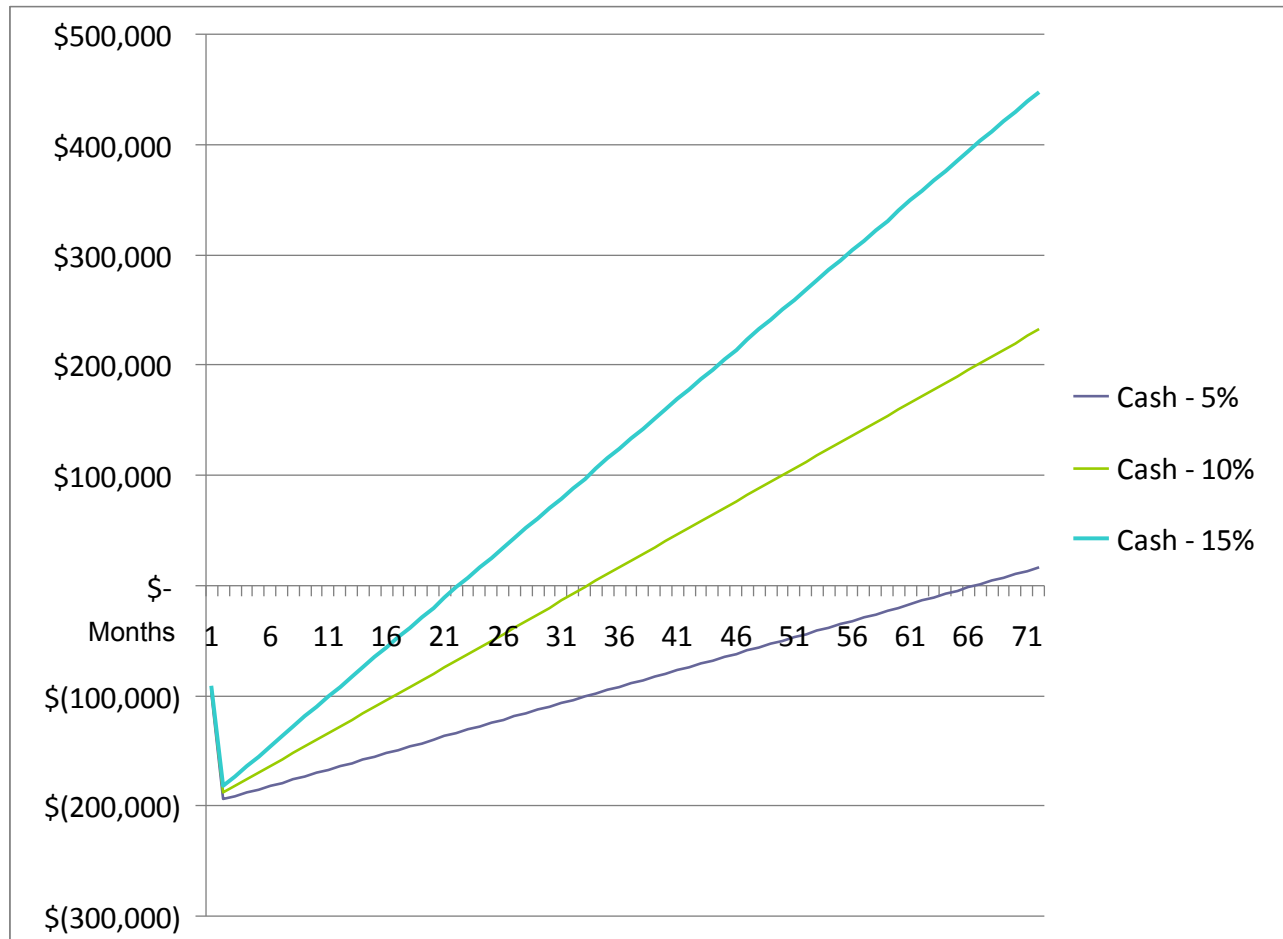
Cash Flow versus Profit 10%



Cash Flow versus Profit 15%



Cash Flow versus Profit Recap



Profit Terms – Watch your language!

Weak

- **EBITDA** - Earnings before: Interest, Taxes, Depreciation and Amortization – the most abused term in finance

Best

- **Pre-tax profits** – easier to define and more traceable to true cash flow

Weak

- **Revenue** – This is the vanity number

Better

- **Gross profit** – Revenue less direct costs (the true economic engine) – my definition excludes labor

Best

- **Contribution margin** – my definition is gross profit minus direct labor



The Crabtree P&L Model

	Construction Company	Services Company
Revenue	<u>\$20,000,000</u>	<u>\$3,750,000</u>
Cost of Goods Sold:		
Materials	5,000,000	-
Subcontractors	<u>12,150,000</u>	<u>900,000</u>
Total Cost of Goods Sold	<u>17,150,000</u>	<u>900,000</u>
Gross Profit	2,850,000	2,850,000
Direct Labor	<u>1,000,000</u>	<u>1,000,000</u>
<i>Direct LER (GP/DL)</i>	2.85	2.85
Contribution Margin	<u>1,850,000</u>	<u>1,850,000</u>
Operating expenses:		
Facilities	150,000	150,000
Marketing	75,000	75,000
Salaries (management and admin)	750,000	750,000
Payroll taxes and benefits	100,000	100,000
Other operating expenses	<u>150,000</u>	<u>150,000</u>
Total operating expenses	<u>1,225,000</u>	<u>1,225,000</u>
<i>Management LER (CM/Mgmt Labor)</i>	<u>2.46</u>	<u>2.46</u>
Net operating Income	<u>625,000</u>	<u>625,000</u>
Overall LER	<u>1.63</u>	<u>1.63</u>
Other expenses:		
Depreciation	75,000	75,000
Interest Expense	<u>25,000</u>	<u>25,000</u>
Total other expenses	<u>100,000</u>	<u>100,000</u>
Pre-tax Net Income	<u>\$525,000</u>	<u>\$525,000</u>
<i>as a % of Revenue</i>	2.63%	14.00%
<i>as a % of Gross Profit</i>	18.42%	18.42%

The Crabtree P&L Model

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Business engine	Revenue	<u>\$20,000,000</u>	<u>\$3,750,000</u>	
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Does your engine fit the frame it is trying to move?

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Does your engine fit the frame it is trying to move?

Labor Efficiency Ratio (LER) By Company

- Company-wide example of an underperforming business
- Watch for LER movement across time



The Road to 15% Pre-Tax Profit

- Know your current labor model
- Hold labor dollars constant while driving to profitability
- Holding labor dollars constant does not mean you can't change staff
- Use the “baffle” concept to grow to 15% in profit before you add more labor



	Original
Revenue	450,000.00
Direct Costs excluding labor	<u>130,000.00</u>
Gross Profit	320,000.00 71.1%
Direct Labor	<u>90,000.00</u>
Contribution Margin	<u>230,000.00</u>
Management/Admin Labor	75,000.00
Sales Labor	35,000.00
Other Operating Costs	<u>100,000.00</u>
Pre-tax Profit	<u><u>20,000.00</u></u>
Pre-tax Profit as % of Revenue	4.44%
CM as % of Revenue	51.11%
Other Operating Costs as % of Rev	22.22%
Labor Efficiency:	
Direct Labor (GP/DL)	\$3.56
Sales Labor (CM/SL)	\$6.57
Management Labor (CM/ML)	\$3.07

	Original	Step #1 10%
Revenue	450,000.00	492,195.19
Direct Costs excluding labor	<u>130,000.00</u>	<u>142,195.19</u>
Gross Profit	320,000.00 71.1%	350,000.00 71.1%
Direct Labor	<u>90,000.00</u>	<u>90,000.00</u>
Contribution Margin	<u>230,000.00</u>	<u>260,000.00</u>
Management/Admin Labor	75,000.00	75,000.00
Sales Labor	35,000.00	35,000.00
Other Operating Costs	<u>100,000.00</u>	<u>100,000.00</u>
Pre-tax Profit	<u>20,000.00</u>	<u>50,000.00</u>
Pre-tax Profit as % of Revenue	4.44%	10.16%
CM as % of Revenue	51.11%	52.82%
Other Operating Costs as % of Rev	22.22%	20.32%
Labor Efficiency:		
Direct Labor (GP/DL)	\$3.56	\$3.89
Sales Labor (CM/SL)	\$6.57	\$7.43
Management Labor (CM/ML)	\$3.07	\$3.47

	Original	Step #1 10%	Step #2 15%
Revenue	450,000.00	492,195.19	534,383.35
Direct Costs excluding labor	<u>130,000.00</u>	<u>142,195.19</u>	<u>154,383.35</u>
Gross Profit	320,000.00 71.1%	350,000.00 71.1%	380,000.00 71.1%
Direct Labor	<u>90,000.00</u>	<u>90,000.00</u>	<u>90,000.00</u>
Contribution Margin	<u>230,000.00</u>	<u>260,000.00</u>	<u>290,000.00</u>
Management/Admin Labor	75,000.00	75,000.00	75,000.00
Sales Labor	35,000.00	35,000.00	35,000.00
Other Operating Costs	<u>100,000.00</u>	<u>100,000.00</u>	<u>100,000.00</u>
Pre-tax Profit	<u>20,000.00</u>	<u>50,000.00</u>	<u>80,000.00</u>
Pre-tax Profit as % of Revenue	4.44%	10.16%	14.97%
CM as % of Revenue	51.11%	52.82%	54.27%
Other Operating Costs as % of Rev	22.22%	20.32%	18.71%
Labor Efficiency:			
Direct Labor (GP/DL)	\$3.56	\$3.89	\$4.22
Sales Labor (CM/SL)	\$6.57	\$7.43	\$8.29
Management Labor (CM/ML)	\$3.07	\$3.47	\$3.87

	Original	Step #1 10%	Step #2 15%	Step #3 back to 10%
Revenue	450,000.00	492,195.19	534,383.35	534,383.35
Direct Costs excluding labor	<u>130,000.00</u>	<u>142,195.19</u>	<u>154,383.35</u>	<u>154,383.35</u>
Gross Profit	320,000.00 71.1%	350,000.00 71.1%	380,000.00 71.1%	380,000.00 71.1%
Direct Labor	<u>90,000.00</u>	<u>90,000.00</u>	<u>90,000.00</u>	<u>98,333.33</u>
Contribution Margin	230,000.00	260,000.00	290,000.00	281,666.67
Management/Admin Labor	75,000.00	75,000.00	75,000.00	83,333.33
Sales Labor	35,000.00	35,000.00	35,000.00	43,333.33
Other Operating Costs	<u>100,000.00</u>	<u>100,000.00</u>	<u>100,000.00</u>	<u>101,666.67</u>
Pre-tax Profit	<u>20,000.00</u>	<u>50,000.00</u>	<u>80,000.00</u>	<u>53,333.33</u>
Pre-tax Profit as % of Revenue	4.44%	10.16%	14.97%	9.98%
CM as % of Revenue	51.11%	52.82%	54.27%	52.71%
Other Operating Costs as % of Rev	22.22%	20.32%	18.71%	19.03%
Labor Efficiency:				
Direct Labor (GP/DL)	\$3.56	\$3.89	\$4.22	\$3.86
Sales Labor (CM/SL)	\$6.57	\$7.43	\$8.29	\$6.50
Management Labor (CM/ML)	\$3.07	\$3.47	\$3.87	\$3.38

	Original	Step #1 10%	Step #2 15%	Step #3 back to 10%	Step #4 back to 15%
Revenue	450,000.00	492,195.19	534,383.35	534,383.35	587,821.68
Direct Costs excluding labor	<u>130,000.00</u>	<u>142,195.19</u>	<u>154,383.35</u>	<u>154,383.35</u>	<u>169,821.68</u>
Gross Profit	320,000.00 71.1%	350,000.00 71.1%	380,000.00 71.1%	380,000.00 71.1%	418,000.00 71.1%
Direct Labor	<u>90,000.00</u>	<u>90,000.00</u>	<u>90,000.00</u>	<u>98,333.33</u>	<u>98,333.33</u>
Contribution Margin	230,000.00	260,000.00	290,000.00	281,666.67	319,666.67
Management/Admin Labor	75,000.00	75,000.00	75,000.00	83,333.33	83,333.33
Sales Labor	35,000.00	35,000.00	35,000.00	43,333.33	43,333.33
Other Operating Costs	<u>100,000.00</u>	<u>100,000.00</u>	<u>100,000.00</u>	<u>101,666.67</u>	<u>105,000.00</u>
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Pre-tax Profit as % of Revenue	4.44%	10.16%	14.97%	9.98%	14.97%
CM as % of Revenue	51.11%	52.82%	54.27%	52.71%	54.38%
Other Operating Costs as % of Rev	22.22%	20.32%	18.71%	19.03%	17.86%
Labor Efficiency:					
Direct Labor (GP/DL)	\$3.56	\$3.89	\$4.22	\$3.86	\$4.25
Sales Labor (CM/SL)	\$6.57	\$7.43	\$8.29	\$6.50	\$7.38
Management Labor (CM/ML)	\$3.07	\$3.47	\$3.87	\$3.38	\$3.84

Thinking model

	Actual	Change	Target
Revenue	6,234,494.04	1,122,567.98	7,357,062.02
Non Labor Direct costs	815,714.64		962,590.25
Gross Profit	5,418,779.40		6,394,471.77
<i>as % to Sales</i>	86.92%		86.92%
Direct Labor	1,980,924.25	356,863.52	2,337,787.77
Contribution Margin	3,437,855.15		4,056,684.00
<i>as % to Sales</i>	55.14%		55.14%
<i>Direct LER</i>	2.74		2.74
Operating Expenses:			
Facilities	370,655.12		370,655.12
Marketing	199,181.28		235,045.38
Management Labor	1,104,400.00	200,000.00	1,304,400.00
Payroll taxes & benefits	230,607.08		272,368.59
Other operating expenses	819,406.72		966,947.12
Total Operating Expenses	2,724,250.20		3,149,416.22
<i>as % to Sales</i>	43.70%		42.81%
<i>Management LER</i>	3.11		3.11
Net Operating Income	713,604.95		907,267.78
<i>as % to Sales</i>	11.45%		12.33%
Marketing as % of Revenue	3.19%		3.19%
PR Taxes & Benefits as % of All Labor	20.88%		20.88%
Other Operating Expenses as % of Revenue	13.14%		13.14%

Adding \$200k Labor Recap

Adding \$200,000 of Management Labor

- Requires \$1.1M increase in revenue!
 - Assumes you maintain Direct LER
 - Assumes you maintain Management LER
- To produce less forces you to pay for wage increase out of YOUR PROFITS!



4 Forces of Cash Flow

Prioritized In Order:

- Taxes
- Repay debt
- Build Working Capital (Core Capital Target)
- Dividends (Distributions)



Labor Efficiency Ratio by Division

- Landscaping Business with 4 Divisions
- Drill Down on Turf Division



	TOTAL	Irrigation	Landscape	Snow	Turf	
Revenue	10,615,483.28	3,095,230.08	2,589,640.76	1,792,433.28	3,138,179.16	
COGS	3,107,190.44	809,436.08	788,253.16	690,436.44	819,064.76	
Gross Profit	7,508,292.84	2,285,794.00	1,801,387.60	1,101,996.84	2,319,114.40	
	GP%	70.73%	73.85%	61.48%	73.90%	
Direct Labor	1,871,249.08	564,850.36	416,542.28	285,192.56	604,663.88	
Contribution Margin	5,637,043.76	1,720,943.64	1,384,845.32	816,804.28	1,714,450.52	
	Direct LER	\$ 4.01	\$ 4.05	\$ 4.32	\$ 3.86	\$ 3.84
Management Labor	724,663.56	163,196.80	200,336.36	158,262.40	202,868.00	
	Mgmt LER	\$ 7.78	\$ 10.55	\$ 6.91	\$ 5.16	\$ 8.45
Net Division income	4,912,380.20	1,557,746.84	1,184,508.96	658,541.88	1,511,582.52	
	As % of Revenue	46.28%	50.33%	45.74%	36.74%	48.17%
	As % of GP	65.43%	68.15%	65.76%	59.76%	65.18%
Corporate Labor	750,000.00					
Other Opex	3,110,336.44					
Net income	1,052,043.76					
	As % of Revenue	9.91%				
	As % of GP	14.01%				
Corporate LER	\$ 6.55					

	TOTAL	Irrigation	Landscape	Snow	Turf
Revenue	10,615,483.28	3,095,230.08	2,589,640.76	1,792,433.28	3,138,179.16
COGS	3,107,190.44	809,436.08	788,253.16	690,436.44	819,064.76
Gross Profit	7,508,292.84	2,285,794.00	1,801,387.60	1,101,996.84	2,319,114.40
GP%	70.73%	73.85%	69.56%	61.48%	73.90%
Direct Labor	1,871,249.08	564,850.36	416,542.28	285,192.56	604,663.88
Contribution Margin	5,637,043.76	1,720,943.64	1,384,845.32	816,804.28	1,714,450.52
Direct LER	\$ 4.01	\$ 4.05	\$ 4.32	\$ 3.86	\$ 3.84
Management Labor	724,663.56	163,196.80	200,336.36	158,262.40	202,868.00
Mgmt LER	\$ 7.78	\$ 10.55	\$ 6.91	\$ 5.16	\$ 8.45
Net Division income	4,912,380.20	1,557,746.84	1,184,508.96	658,541.88	1,511,582.52
As % of Revenue	46.28%	50.33%	45.74%	36.74%	48.17%
As % of GP	65.43%	68.15%	65.76%	59.76%	65.18%
Corporate Labor	750,000.00				
Other Opex	3,110,336.44				
Net income	1,052,043.76				
As % of Revenue	9.91%				
As % of GP	14.01%				
Corporate LER	\$ 6.55				

	TOTAL	Irrigation	Landscape	Snow	Turf
Revenue	10,615,483.28	3,095,230.08	2,589,640.76	1,792,433.28	3,138,179.16
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As % of GP	14.01%				
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	TOTAL	Irrigation	Landscape	Snow	Turf
Revenue	10,615,483.28	3,095,230.08	2,589,640.76	1,792,433.28	3,138,179.16
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GP%	70.73%	73.85%	69.56%	61.48%	73.90%
Direct Labor	1,871,249.08	564,850.36	416,542.28	285,192.56	604,663.88
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Contribution Margin	5,637,043.76	1,720,943.64	1,384,845.32	816,804.28	1,714,450.52
Direct LER	\$ 4.01	\$ 4.05	\$ 4.32	\$ 3.86	\$ 3.84
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GP%	70.73%	73.85%	69.56%	61.48%	73.90%
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Net Division income	4,912,380.20	1,557,746.84	1,184,508.96	658,541.88	1,511,582.52
As % of Revenue	46.28%	50.33%	45.74%	36.74%	48.17%
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Corporate Labor	750,000.00				
Other Opex	3,110,336.44				
Net income	1,052,043.76				
As % of Revenue	9.91%				
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	TOTAL	Irrigation	Landscape	Snow	Turf
Revenue	10,615,483.28	3,095,230.08	2,589,640.76	1,792,433.28	3,138,179.16
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Gross Profit	7,508,292.84	2,285,794.00	1,801,387.60	1,101,996.84	2,319,114.40
	GP%	70.73%	73.85%	61.48%	73.90%
Direct Labor	1,871,249.08	564,850.36	416,542.28	285,192.56	604,663.88
Contribution Margin	5,637,043.76	1,720,943.64	1,384,845.32	816,804.28	1,714,450.52
	Direct LER	\$ 4.01	\$ 4.05	\$ 3.86	\$ 3.84
Management Labor	724,663.56	163,196.80	200,336.36	158,262.40	202,868.00
	Mgmt LER	\$ 7.78	\$ 10.55	\$ 5.16	\$ 8.45
Net Division income	4,912,380.20	1,557,746.84	1,184,508.96	658,541.88	1,511,582.52
	As % of Revenue	46.28%	50.33%	36.74%	48.17%
	As % of GP	65.43%	68.15%	59.76%	65.18%
Corporate Labor	750,000.00				
Other Opex	3,110,336.44				
Net income	1,052,043.76				
	As % of Revenue	9.91%			
	As % of GP	14.01%			
Corporate LER	\$ 6.55				

Turf Division

	2011	2012	Diff
Revenue	3,326,469.91	3,138,179.16	(188,290.75)
COGS	877,982.16		
Gross Profit	2,448,487.75		
	GP%	73.61%	
Direct Labor	755,829.85		
Contribution Margin	1,692,657.90		
	Direct LER \$	3.24	
Management Labor	213,011.40		
	Mgmt LER \$	7.95	
Net Division income	1,479,646.50		
	As % of Revenue	44.48%	
	As % of GP	60.43%	

What happens when you cut to grow?

Turf Division

	2011	2012	Diff
Revenue	3,326,469.91	3,138,179.16	(188,290.75)
COGS	877,982.16	819,064.76	
Gross Profit	2,448,487.75	2,319,114.40	(129,373.35)
	GP%	73.61%	73.90%
Direct Labor	755,829.85	604,663.88	(151,165.97)
Contribution Margin	1,692,657.90	1,714,450.52	21,792.62
	Direct LER \$	3.24	\$ 3.84
Management Labor	213,011.40	202,868.00	(10,143.40)
	Mgmt LER \$	7.95	\$ 8.45
Net Division income	1,479,646.50	1,511,582.52	31,936.02
	As % of Revenue	44.48%	48.17%
	As % of GP	60.43%	65.18%

Great example of when a decline can be an increase!

Labor Efficiency Ratio by Location

- Multi-location Business
- Largest versus smallest
- Likely pattern for growth
- Company-wide what-if model



**LER Calculation by Location
2012**

	Total Company	Location 1	Location 2	Location 3	Location 4	Corporate
Revenue	10,353,683.14	5,421,643.61	2,046,839.24	563,565.11	2,321,635.18	-
Non labor cost of sales	2,760,638.81	1,487,360.34	457,298.92	64,394.25	751,585.30	-
Gross Profit	7,593,044.33	3,934,283.28	1,589,540.31	499,170.86	1,570,049.88	-
<i>as % to Sales</i>	73.34%	72.57%	77.66%	88.57%	67.63%	
Direct Labor	3,506,405.74	1,914,299.93	629,067.51	188,096.10	774,942.19	-
Contribution Margin (CM)	4,086,638.60	2,019,983.35	960,472.80	311,074.76	795,107.69	-
<i>as % to Sales</i>	39.47%	37.26%	46.92%	55.20%	34.25%	
<i>Direct LER</i>	2.17	2.06	2.53	2.65	2.03	
Corporate Expenses:						
Management Labor	1,369,976.41	435,352.00	260,978.00	90,012.00	155,789.00	427,845.41
Payroll taxes & benefits	1,047,581.08	414,040.96	234,194.81	77,191.73	240,762.41	81,391.18
Other operating expenses	865,267.08	342,383.78	147,346.10	33,952.29	142,323.60	199,261.31
Total Operating Expenses	3,282,824.57	1,191,776.74	642,518.90	201,156.02	538,875.01	708,497.89
<i>as % to Sales</i>	31.71%	21.98%	31.39%	35.69%	23.21%	
<i>Management LER to CM</i>	2.98	4.64	3.68	3.46	5.10	
Net Operating Income	803,814.03	828,206.61	317,953.90	109,918.74	256,232.68	(708,497.89)
<i>as % to Sales</i>	7.76%	15.28%	15.53%	19.50%	11.04%	
<i>as % to GP</i>	10.59%	21.05%	20.00%	22.02%	16.32%	
Other Income (Expense):						
Interest expense	(139,854.66)	(74,597.62)	(3,367.63)	(20,169.05)	(11,458.28)	(30,262.07)
Depreciation	(320,237.01)	(215,058.31)	(17,158.71)	(20,477.47)	(57,090.62)	(10,451.89)
Other income	892.51	-	-	-	-	892.51
Total Other Income (Expense)	(459,199.16)	(289,655.94)	(20,526.34)	(40,646.52)	(68,548.91)	(39,821.46)
Net Income	344,614.87	538,550.67	297,427.56	69,272.22	187,683.77	(748,319.35)
<i>as % to Sales</i>	3.33%	9.93%	14.53%	12.29%	8.08%	
Corporate LER (All CM per Corp Labor)	9.55					

LER Calculation by Location

2012

	Total Company	Location 1	Location 2	Location 3	Location 4	Corporate
Revenue	10,353,683.14	5,421,643.61	2,046,839.24	563,565.11	2,321,635.18	-
Non labor cost of sales	2,760,638.81	1,487,360.34	457,298.92	64,394.25	751,585.30	-
Gross Profit	7,593,044.33	3,934,283.28	1,589,540.31	499,170.86	1,570,049.88	-
<i>as % to Sales</i>	73.34%	72.57%	77.66%	88.57%	67.63%	
Direct Labor	3,506,405.74	1,914,299.93	629,067.51	188,096.10	774,942.19	-
Contribution Margin (CM)	4,086,638.60	2,019,983.35	960,472.80	311,074.76	795,107.69	-
<i>as % to Sales</i>	39.47%	37.26%	46.92%	55.20%	34.25%	
<i>Direct LER</i>	2.17	2.06	2.53	2.65	2.03	
Corporate Expenses:						
Management Labor	1,369,976.41	435,352.00	260,978.00	90,012.00	155,789.00	427,845.41
Payroll taxes & benefits	1,047,581.08	414,040.96	234,194.81	77,191.73	240,762.41	81,391.18
Other operating expenses	865,267.08	342,383.78	147,346.10	33,952.29	142,323.60	199,261.31
Total Operating Expenses	3,282,824.57	1,191,776.74	642,518.90	201,156.02	538,875.01	708,497.89
<i>as % to Sales</i>	31.71%	21.98%	31.39%	35.69%	23.21%	
<i>Management LER to CM</i>	2.98	4.64	3.68	3.46	5.10	-
Net Operating Income	803,814.03	828,206.61	317,953.90	109,918.74	256,232.68	(708,497.89)
<i>as % to Sales</i>	7.76%	15.28%	15.53%	19.50%	11.04%	
<i>as % to GP</i>	10.59%	21.05%	20.00%	22.02%	16.32%	
Other Income (Expense):						
Interest expense	(139,854.66)	(74,597.62)	(3,367.63)	(20,169.05)	(11,458.28)	(30,262.07)
Depreciation	(320,237.01)	(215,058.31)	(17,158.71)	(20,477.47)	(57,090.62)	(10,451.89)
Other income	892.51	-	-	-	-	892.51
Total Other Income (Expense)	(459,199.16)	(289,655.94)	(20,526.34)	(40,646.52)	(68,548.91)	(39,821.46)
Net Income	344,614.87	538,550.67	297,427.56	69,272.22	187,683.77	(748,319.35)
<i>as % to Sales</i>	3.33%	9.93%	14.53%	12.29%	8.08%	
Corporate LER (All CM per Corp Labor)	9.55					

LER Calculation by Location

2012

	Total Company	Location 1	Location 2	Location 3	Location 4	Corporate
Revenue	10,353,683.14	5,421,643.61	2,046,839.24	563,565.11	2,321,635.18	-
Non labor cost of sales	2,760,638.81	1,487,360.34	457,298.92	64,394.25	751,585.30	-
Gross Profit	7,593,044.33	3,934,283.28	1,589,540.31	499,170.86	1,570,049.88	-
<i>as % to Sales</i>	73.34%	72.57%	77.66%	88.57%	67.63%	
Direct Labor	3,506,405.74	1,914,299.93	629,067.51	188,096.10	774,942.19	-
Contribution Margin (CM)	4,086,638.60	2,019,983.35	960,472.80	311,074.76	795,107.69	-
<i>as % to Sales</i>	39.47%	37.26%	46.92%	55.20%	34.25%	
<i>Direct LER</i>	2.17	2.06	2.53	2.65	2.03	
Corporate Expenses:						
Management Labor	1,369,976.41	435,352.00	260,978.00	90,012.00	155,789.00	427,845.41
Payroll taxes & benefits	1,047,581.08	414,040.96	234,194.81	77,191.73	240,762.41	81,391.18
Other operating expenses	865,267.08	342,383.78	147,346.10	33,952.29	142,323.60	199,261.31
Total Operating Expenses	3,282,824.57	1,191,776.74	642,518.90	201,156.02	538,875.01	708,497.89
<i>as % to Sales</i>	31.71%	21.98%	31.39%	35.69%	23.21%	
<i>Management LER to CM</i>	2.98	4.64	3.68	3.46	5.10	-
Net Operating Income	803,814.03	828,206.61	317,953.90	109,918.74	256,232.68	(708,497.89)
<i>as % to Sales</i>	7.76%	15.28%	15.53%	19.50%	11.04%	
<i>as % to GP</i>	10.59%	21.05%	20.00%	22.02%	16.32%	
Other Income (Expense):						
Interest expense	(139,854.66)	(74,597.62)	(3,367.63)	(20,169.05)	(11,458.28)	(30,262.07)
Depreciation	(320,237.01)	(215,058.31)	(17,158.71)	(20,477.47)	(57,090.62)	(10,451.89)
Other income	892.51	-	-	-	-	892.51
Total Other Income (Expense)	(459,199.16)	(289,655.94)	(20,526.34)	(40,646.52)	(68,548.91)	(39,821.46)
Net Income	344,614.87	538,550.67	297,427.56	69,272.22	187,683.77	(748,319.35)
<i>as % to Sales</i>	3.33%	9.93%	14.53%	12.29%	8.08%	
Corporate LER (All CM per Corp Labor)	9.55					

**LER Calculation by Location
2012**

	Total Company	Location 1	Location 2	Location 3	Location 4	Corporate
Revenue	10,353,683.14	5,421,643.61	2,046,839.24	563,565.11	2,321,635.18	-
Non labor cost of sales	2,760,638.81	1,487,360.34	457,298.92	64,394.25	751,585.30	-
Gross Profit	7,593,044.33	3,934,283.28	1,589,540.31	499,170.86	1,570,049.88	-
<i>as % to Sales</i>	73.34%	72.57%	77.66%	88.57%	67.63%	
Direct Labor	3,506,405.74	1,914,299.93	629,067.51	188,096.10	774,942.19	-
Contribution Margin (CM)	4,086,638.60	2,019,983.35	960,472.80	311,074.76	795,107.69	-
<i>as % to Sales</i>	39.47%	37.26%	46.92%	55.20%	34.25%	
<i>Direct LER</i>	2.17	2.06	2.53	2.65	2.03	
Corporate Expenses:						
Management Labor	1,369,976.41	435,352.00	260,978.00	90,012.00	155,789.00	427,845.41
Payroll taxes & benefits	1,047,581.08	414,040.96	234,194.81	77,191.73	240,762.41	81,391.18
Other operating expenses	865,267.08	342,383.78	147,346.10	33,952.29	142,323.60	199,261.31
Total Operating Expenses	3,282,824.57	1,191,776.74	642,518.90	201,156.02	538,875.01	708,497.89
<i>as % to Sales</i>	31.71%	21.98%	31.39%	35.69%	23.21%	
<i>Management LER to CM</i>	2.98	4.64	3.68	3.46	5.10	-
Net Operating Income	803,814.03	828,206.61	317,953.90	109,918.74	256,232.68	(708,497.89)
<i>as % to Sales</i>	7.76%	15.28%	15.53%	19.50%	11.04%	
<i>as % to GP</i>	10.59%	21.05%	20.00%	22.02%	16.32%	
Other Income (Expense):						
Interest expense	(139,854.66)	(74,597.62)	(3,367.63)	(20,169.05)	(11,458.28)	(30,262.07)
Depreciation	(320,237.01)	(215,058.31)	(17,158.71)	(20,477.47)	(57,090.62)	(10,451.89)
Other income	892.51	-	-	-	-	892.51
Total Other Income (Expense)	(459,199.16)	(289,655.94)	(20,526.34)	(40,646.52)	(68,548.91)	(39,821.46)
Net Income	344,614.87	538,550.67	297,427.56	69,272.22	187,683.77	(748,319.35)
<i>as % to Sales</i>	3.33%	9.93%	14.53%	12.29%	8.08%	
Corporate LER (All CM per Corp Labor)	9.55					

LER Calculation by Location

2012

	Total Company	Location 1	Location 2	Location 3	Location 4	Corporate
Revenue	10,353,683.14	5,421,643.61	2,046,839.24	563,565.11	2,321,635.18	-
Non labor cost of sales	2,760,638.81	1,487,360.34	457,298.92	64,394.25	751,585.30	-
Gross Profit	7,593,044.33	3,934,283.28	1,589,540.31	499,170.86	1,570,049.88	-
<i>as % to Sales</i>	73.34%	72.57%	77.66%	88.57%	67.63%	
Direct Labor	3,506,405.74	1,914,299.93	629,067.51	188,096.10	774,942.19	-
Contribution Margin (CM)	4,086,638.60	2,019,983.35	960,472.80	311,074.76	795,107.69	-
<i>as % to Sales</i>	39.47%	37.26%	46.92%	55.20%	34.25%	
<i>Direct LER</i>	2.17	2.06	2.53	2.65	2.03	
Corporate Expenses:						
Management Labor	1,369,976.41	435,352.00	260,978.00	90,012.00	155,789.00	427,845.41
Payroll taxes & benefits	1,047,581.08	414,040.96	234,194.81	77,191.73	240,762.41	81,391.18
Other operating expenses	865,267.08	342,383.78	147,346.10	33,952.29	142,323.60	199,261.31
Total Operating Expenses	3,282,824.57	1,191,776.74	642,518.90	201,156.02	538,875.01	708,497.89
<i>as % to Sales</i>	31.71%	21.98%	31.39%	35.69%	23.21%	
<i>Management LER to CM</i>	2.98	4.64	3.68	3.46	5.10	-
Net Operating Income	803,814.03	828,206.61	317,953.90	109,918.74	256,232.68	(708,497.89)
<i>as % to Sales</i>	7.76%	15.28%	15.53%	19.50%	11.04%	
<i>as % to GP</i>	10.59%	21.05%	20.00%	22.02%	16.32%	
Other Income (Expense):						
Interest expense	(139,854.66)	(74,597.62)	(3,367.63)	(20,169.05)	(11,458.28)	(30,262.07)
Depreciation	(320,237.01)	(215,058.31)	(17,158.71)	(20,477.47)	(57,090.62)	(10,451.89)
Other income	892.51	-	-	-	-	892.51
Total Other Income (Expense)	(459,199.16)	(289,655.94)	(20,526.34)	(40,646.52)	(68,548.91)	(39,821.46)
Net Income	344,614.87	538,550.67	297,427.56	69,272.22	187,683.77	(748,319.35)
<i>as % to Sales</i>	3.33%	9.93%	14.53%	12.29%	8.08%	
Corporate LER (All CM per Corp Labor)	9.55					

LER Calculation by Location

2012

	Total Company	Location 1	Location 2	Location 3	Location 4	Corporate
Revenue	10,353,683.14	5,421,643.61	2,046,839.24	563,565.11	2,321,635.18	-
Non labor cost of sales	2,760,638.81	1,487,360.34	457,298.92	64,394.25	751,585.30	-
Gross Profit	7,593,044.33	3,934,283.28	1,589,540.31	499,170.86	1,570,049.88	-
<i>as % to Sales</i>	73.34%	72.57%	77.66%	88.57%	67.63%	
Direct Labor	3,506,405.74	1,914,299.93	629,067.51	188,096.10	774,942.19	-
Contribution Margin (CM)	4,086,638.60	2,019,983.35	960,472.80	311,074.76	795,107.69	-
<i>as % to Sales</i>	39.47%	37.26%	46.92%	55.20%	34.25%	
<i>Direct LER</i>	2.17	2.06	2.53	2.65	2.03	
Corporate Expenses:						
Management Labor	1,369,976.41	435,352.00	260,978.00	90,012.00	155,789.00	427,845.41
Payroll taxes & benefits	1,047,581.08	414,040.96	234,194.81	77,191.73	240,762.41	81,391.18
Other operating expenses	865,267.08	342,383.78	147,346.10	33,952.29	142,323.60	199,261.31
Total Operating Expenses	3,282,824.57	1,191,776.74	642,518.90	201,156.02	538,875.01	708,497.89
<i>as % to Sales</i>	31.71%	21.98%	31.39%	35.69%	23.21%	
<i>Management LER to CM</i>	2.98	4.64	3.68	3.46	5.10	-
Net Operating Income	803,814.03	828,206.61	317,953.90	109,918.74	256,232.68	(708,497.89)
<i>as % to Sales</i>	7.76%	15.28%	15.53%	19.50%	11.04%	
<i>as % to GP</i>	10.59%	21.05%	20.00%	22.02%	16.32%	
Other Income (Expense):						
Interest expense	(139,854.66)	(74,597.62)	(3,367.63)	(20,169.05)	(11,458.28)	(30,262.07)
Depreciation	(320,237.01)	(215,058.31)	(17,158.71)	(20,477.47)	(57,090.62)	(10,451.89)
Other income	892.51	-	-	-	-	892.51
Total Other Income (Expense)	(459,199.16)	(289,655.94)	(20,526.34)	(40,646.52)	(68,548.91)	(39,821.46)
Net Income	344,614.87	538,550.67	297,427.56	69,272.22	187,683.77	(748,319.35)
<i>as % to Sales</i>	3.33%	9.93%	14.53%	12.29%	8.08%	
Corporate LER (All CM per Corp Labor)	9.55					

LER Calculation by Location

2012

	Total Company	Location 1	Location 2	Location 3	Location 4	Corporate
Revenue	10,353,683.14	5,421,643.61	2,046,839.24	563,565.11	2,321,635.18	-
Non labor cost of sales	2,760,638.81	1,487,360.34	457,298.92	64,394.25	751,585.30	-
Gross Profit	7,593,044.33	3,934,283.28	1,589,540.31	499,170.86	1,570,049.88	-
<i>as % to Sales</i>	73.34%	72.57%	77.66%	88.57%	67.63%	
Direct Labor	3,506,405.74	1,914,299.93	629,067.51	188,096.10	774,942.19	-
Contribution Margin (CM)	4,086,638.60	2,019,983.35	960,472.80	311,074.76	795,107.69	-
<i>as % to Sales</i>	39.47%	37.26%	46.92%	55.20%	34.25%	
<i>Direct LER</i>	2.17	2.06	2.53	2.65	2.03	
Corporate Expenses:						
Management Labor	1,369,976.41	435,352.00	260,978.00	90,012.00	155,789.00	427,845.41
Payroll taxes & benefits	1,047,581.08	414,040.96	234,194.81	77,191.73	240,762.41	81,391.18
Other operating expenses	865,267.08	342,383.78	147,346.10	33,952.29	142,323.60	199,261.31
Total Operating Expenses	3,282,824.57	1,191,776.74	642,518.90	201,156.02	538,875.01	708,497.89
<i>as % to Sales</i>	31.71%	21.98%	31.39%	35.69%	23.21%	
<i>Management LER to CM</i>	2.98	4.64	3.68	3.46	5.10	-
Net Operating Income	803,814.03	828,206.61	317,953.90	109,918.74	256,232.68	(708,497.89)
<i>as % to Sales</i>	7.76%	15.28%	15.53%	19.50%	11.04%	
<i>as % to GP</i>	10.59%	21.05%	20.00%	22.02%	16.32%	
Other Income (Expense):						
Interest expense	(139,854.66)	(74,597.62)	(3,367.63)	(20,169.05)	(11,458.28)	(30,262.07)
Depreciation	(320,237.01)	(215,058.31)	(17,158.71)	(20,477.47)	(57,090.62)	(10,451.89)
Other income	892.51	-	-	-	-	892.51
Total Other Income (Expense)	(459,199.16)	(289,655.94)	(20,526.34)	(40,646.52)	(68,548.91)	(39,821.46)
Net Income	344,614.87	538,550.67	297,427.56	69,272.22	187,683.77	(748,319.35)
<i>as % to Sales</i>	3.33%	9.93%	14.53%	12.29%	8.08%	

Corporate LER (All CM per Corp Labor) **9.55**

LER Calculation by Location		Best					Worst
		Total Company	Location 1	Location 2	Location 3	Location 4	Corporate
2012							
Revenue		10,353,683.14	5,421,643.61	2,046,839.24	563,565.11	2,321,635.18	-
Non labor cost of sales		2,760,638.81	1,487,360.34	457,298.92	64,394.25	751,585.30	-
Gross Profit		7,593,044.33	3,934,283.28	1,589,540.31	499,170.86	1,570,049.88	-
	<i>as % to Sales</i>	73.34%	72.57%	77.66%	88.57%	67.63%	
Direct Labor		3,506,405.74	1,914,299.93	629,067.51	188,096.10	774,942.19	-
Contribution Margin (CM)		4,086,638.60	2,019,983.35	960,472.80	311,074.76	795,107.69	-
	<i>as % to Sales</i>	39.47%	37.26%	46.92%	55.20%	34.25%	
	<i>Direct LER</i>	2.17	2.06	2.53	2.65	2.03	
Corporate Expenses:							
Management Labor		1,369,976.41	435,352.00	260,978.00	90,012.00	155,789.00	427,845.41
Payroll taxes & benefits		1,047,581.08	414,040.96	234,194.81	77,191.73	240,762.41	81,391.18
Other operating expenses		865,267.08	342,383.78	147,346.10	33,952.29	142,323.60	199,261.31
Total Operating Expenses		3,282,824.57	1,191,776.74	642,518.90	201,156.02	538,875.01	708,497.89
	<i>as % to Sales</i>	31.71%	21.98%	31.39%	35.69%	23.21%	
	<i>Management LER to CM</i>	2.98	4.64	3.68	3.46	5.10	
Net Operating Income		803,814.03	828,206.61	317,953.90	109,918.74	256,232.68	(708,497.89)
	<i>as % to Sales</i>	7.76%	15.28%	15.53%	19.50%	11.04%	
	<i>as % to GP</i>	10.59%	21.05%	20.00%	22.02%	16.32%	
Other Income (Expense):							
Interest expense		(139,854.66)	(74,597.62)	(3,367.63)	(20,169.05)	(11,458.28)	(30,262.07)
Depreciation		(320,237.01)	(215,058.31)	(17,158.71)	(20,477.47)	(57,090.62)	(10,451.89)
Other income		892.51	-	-	-	-	892.51
Total Other Income (Expense)		(459,199.16)	(289,655.94)	(20,526.34)	(40,646.52)	(68,548.91)	(39,821.46)
Net Income		344,614.87	538,550.67	297,427.56	69,272.22	187,683.77	(748,319.35)
	<i>as % to Sales</i>	3.33%	9.93%	14.53%	12.29%	8.08%	
Corporate LER (All CM per Corp Labor)		9.55					

Company-Wide Picture by Year

Better
Worse

	2011	2012
Revenue	9,965,998.98	10,353,683.14
Non labor cost of sales	2,622,606.87	2,760,638.81
Gross Profit	7,343,392.12	7,593,044.33
<i>as % to Sales</i>	73.68%	73.34%
Direct Labor	3,083,085.45	
Contribution Margin (CM)	4,260,306.67	
<i>as % to Sales</i>	42.75%	
<i>Direct LER</i>	2.38	
Corporate Expenses:		
Management Labor	1,301,477.59	
Payroll taxes & benefits	995,202.03	
Other operating expenses	813,003.72	
Total Operating Expenses	3,109,683.34	
<i>as % to Sales</i>	31.20%	
<i>Management LER to CM</i>	3.27	
Net Operating Income	1,150,623.33	
<i>as % to Sales</i>	11.55%	
<i>as % to GP</i>	15.67%	
Other Income (Expense):		
Interest expense	(132,861.93)	
Depreciation	(304,225.16)	
Other income	847.88	
Total Other Income (Expense)	(436,239.20)	
Net Income	714,384.13	
<i>as % to Sales</i>	7.17%	

Let's grow!

PR Taxes as a % of all labor	22.70%
Corporate Labor	406,453.14
Corp LER (corp CM per Corp Labor\$)	10.48

Company-Wide Picture by Year

Better
Worse

	2011	2012
Revenue	9,965,998.98	10,353,683.14
Non labor cost of sales	2,622,606.87	2,760,638.81
Gross Profit	7,343,392.12	7,593,044.33
<i>as % to Sales</i>	73.68%	73.34%
Direct Labor	3,083,085.45	3,506,405.74
Contribution Margin (CM)	4,260,306.67	
<i>as % to Sales</i>	42.75%	
<i>Direct LER</i>	2.38	
Corporate Expenses:		
Management Labor	1,301,477.59	1,369,976.41
Payroll taxes & benefits	995,202.03	
Other operating expenses	813,003.72	
Total Operating Expenses	3,109,683.34	
<i>as % to Sales</i>	31.20%	
<i>Management LER to CM</i>	3.27	
Net Operating Income	1,150,623.33	
<i>as % to Sales</i>	11.55%	
<i>as % to GP</i>	15.67%	
Other Income (Expense):		
Interest expense	(132,861.93)	
Depreciation	(304,225.16)	
Other income	847.88	
Total Other Income (Expense)	(436,239.20)	
Net Income	714,384.13	
<i>as % to Sales</i>	7.17%	

If we grow, we have to add labor, right?

PR Taxes as a % of all labor	22.70%
Corporate Labor	406,453.14
Corp LER (corp CM per Corp Labor\$)	10.48

Company-Wide Picture by Year

Better
Worse

	2011	2012
Revenue	9,965,998.98	10,353,683.14
Non labor cost of sales	2,622,606.87	2,760,638.81
Gross Profit	7,343,392.12	7,593,044.33
<i>as % to Sales</i>	73.68%	73.34%
Direct Labor	3,083,085.45	3,506,405.74
Contribution Margin (CM)	4,260,306.67	4,086,638.60
<i>as % to Sales</i>	42.75%	39.47%
<i>Direct LER</i>	2.38	2.17
Corporate Expenses:		
Management Labor	1,301,477.59	1,369,976.41
Payroll taxes & benefits	995,202.03	1,047,581.08
Other operating expenses	813,003.72	865,267.08
Total Operating Expenses	3,109,683.34	3,282,824.57
<i>as % to Sales</i>	31.20%	31.71%
<i>Management LER to CM</i>	3.27	2.98
Net Operating Income	1,150,623.33	803,814.03
<i>as % to Sales</i>	11.55%	7.76%
<i>as % to GP</i>	15.67%	10.59%
Other Income (Expense):		
Interest expense	(132,861.93)	(139,854.66)
Depreciation	(304,225.16)	(320,237.01)
Other income	847.88	892.51
Total Other Income (Expense)	(436,239.20)	(459,199.16)
Net Income	714,384.13	344,614.87
<i>as % to Sales</i>	7.17%	3.33%

Classic example of growth with no profit!

PR Taxes as a % of all labor	22.70%	21.48%
Corporate Labor	406,453.14	427,845.41
Corp LER (corp CM per Corp Labor\$)	10.48	9.55

Company-Wide Picture by Year

				Hold Constant	
				Growth Required	
				Options	
		2011	2012	Grow	Cut
Revenue		9,965,998.98	10,353,683.14	11,326,337.75	10,179,153.09
Non labor cost of sales		2,622,606.87	2,760,638.81	2,981,092.09	2,679,153.09
Gross Profit		7,343,392.12	7,593,044.33	8,345,245.65	7,500,000.00
	<i>as % to Sales</i>	73.68%	73.34%	73.68%	73.68%
Direct Labor		3,083,085.45	3,506,405.74	3,506,405.74	3,000,000.00
Contribution Margin (CM)		4,260,306.67	4,086,638.60	4,479,822.85	4,251,000.00
	<i>as % to Sales</i>	42.75%	39.47%	39.55%	41.76%
	<i>Direct LER</i>	2.38	2.17	2.38	2.50
Corporate Expenses:					
Management Labor		1,301,477.59	1,369,976.41	1,369,976.41	1,300,000.00
Payroll taxes & benefits		995,202.03	1,047,581.08	1,047,446.88	923,640.00
Other operating expenses		813,003.72	865,267.08	865,267.08	865,267.08
Total Operating Expenses		3,109,683.34	3,282,824.57	3,282,690.37	3,088,907.08
	<i>as % to Sales</i>	31.20%	31.71%	28.98%	30.35%
	<i>Management LER to CM</i>	3.27	2.98	3.27	3.27
Net Operating Income		1,150,623.33	803,814.03	1,197,132.48	1,162,092.92
	<i>as % to Sales</i>	11.55%	7.76%	10.57%	11.42%
	<i>as % to GP</i>	15.67%	10.59%	14.35%	15.49%
Other Income (Expense):					
Interest expense		(132,861.93)	(139,854.66)	(139,854.66)	(139,854.66)
Depreciation		(304,225.16)	(320,237.01)	(320,237.01)	(320,237.01)
Other income		847.88	892.51	892.51	892.51
Total Other Income (Expense)		(436,239.20)	(459,199.16)	(459,199.16)	(459,199.16)
Net Income		714,384.13	344,614.87	737,933.32	702,893.76
	<i>as % to Sales</i>	7.17%	3.33%	6.52%	6.91%
PR Taxes as a % of all labor		22.70%	21.48%	21.48%	21.48%
Corporate Labor		406,453.14	427,845.41	427,845.41	357,869.00
Corp LER (corp CM per Corp Labor\$)		10.48	9.55	10.47	11.88

Company-Wide Picture by Year

				Cut	
				Increase	
				Options	
		2011	2012	Grow	Cut
Revenue		9,965,998.98	10,353,683.14	11,326,337.75	10,179,153.09
Non labor cost of sales		2,622,606.87	2,760,638.81	2,981,092.09	2,679,153.09
Gross Profit		7,343,392.12	7,593,044.33	8,345,245.65	7,500,000.00
	<i>as % to Sales</i>	73.68%	73.34%	73.68%	73.68%
Direct Labor		3,083,085.45	3,506,405.74	3,506,405.74	3,000,000.00
Contribution Margin (CM)		4,260,306.67	4,086,638.60	4,479,822.85	4,251,000.00
	<i>as % to Sales</i>	42.75%	39.47%	39.55%	41.76%
	<i>Direct LER</i>	2.38	2.17	2.38	2.50
Corporate Expenses:					
Management Labor		1,301,477.59	1,369,976.41	1,369,976.41	1,300,000.00
Payroll taxes & benefits		995,202.03	1,047,581.08	1,047,446.88	923,640.00
Other operating expenses		813,003.72	865,267.08	865,267.08	865,267.08
Total Operating Expenses		3,109,683.34	3,282,824.57	3,282,690.37	3,088,907.08
	<i>as % to Sales</i>	31.20%	31.71%	28.98%	30.35%
	<i>Management LER to CM</i>	3.27	2.98	3.27	3.27
Net Operating Income		1,150,623.33	803,814.03	1,197,132.48	1,162,092.92
	<i>as % to Sales</i>	11.55%	7.76%	10.57%	11.42%
	<i>as % to GP</i>	15.67%	10.59%	14.35%	15.49%
Other Income (Expense):					
Interest expense		(132,861.93)	(139,854.66)	(139,854.66)	(139,854.66)
Depreciation		(304,225.16)	(320,237.01)	(320,237.01)	(320,237.01)
Other income		847.88	892.51	892.51	892.51
Total Other Income (Expense)		(436,239.20)	(459,199.16)	(459,199.16)	(459,199.16)
Net Income		714,384.13	344,614.87	737,933.32	702,893.76
	<i>as % to Sales</i>	7.17%	3.33%	6.52%	6.91%
PR Taxes as a % of all labor		22.70%	21.48%	21.48%	21.48%
Corporate Labor		406,453.14	427,845.41	427,845.41	357,869.00
Corp LER (corp CM per Corp Labor\$)		10.48	9.55	10.47	11.88

Labor Efficiency Ratio by Employee

- Service business example
 - Able to track revenue generated by person
 - More precise than typical Utilization Rate method
 - Dynamic of productivity between full-time staff and part-time staff
 - How to determine target performance



LER by Employee

Employee	Revenue	Labor Cost	LER	Contribution Margin	CM Rank
FT Emp 1	162,799.19	44,437.91 \$	3.66	118,361.28	3
FT Emp 2	133,953.67	38,588.30 \$	3.47	95,365.37	4
FT Emp 3 (Less than 1 year)	47,516.97	13,849.28 \$	3.43	33,667.69	14
FT Emp 4 (Less than 1 year)	64,973.73	20,370.65 \$	3.19	44,603.08	11
FT Emp 5	234,034.69	76,984.49 \$	3.04	157,050.20	1
FT Emp 6 (Less than 1 year)	32,396.81	10,783.46 \$	3.00	21,613.35	17
FT Emp 7	209,126.69	71,026.71 \$	2.94	138,099.98	2
FT Emp 8	107,565.30	38,937.72 \$	2.76	68,627.58	6
PT Emp 1	124,621.11	45,518.45 \$	2.74	79,102.66	5
PT Emp 2	106,448.53	39,524.59 \$	2.69	66,923.94	7
PT Emp 3	110,586.12	45,714.41 \$	2.42	64,871.71	8
PT Emp 4	103,976.10	48,436.28 \$	2.15	55,539.82	9
PT Emp 5	65,362.72	37,403.99 \$	1.75	27,958.73	16
PT Emp 6	88,704.35	60,627.90 \$	1.46	28,076.45	15
Owner 1	157,598.42	110,422.47 \$	1.43	47,175.95	10
Owner 2	154,531.61	110,662.48 \$	1.40	43,869.13	12
Owner 3	168,266.38	127,570.34 \$	1.32	40,696.04	13
Total	2,072,462.39	940,859.43 \$	2.20	1,131,602.96	

LER by Employee

Below Avg

Employee	Revenue	Labor Cost	LER	Contribution Margin	CM Rank
FT Emp 1	162,799.19	44,437.91 \$	3.66	118,361.28	3
FT Emp 2	133,953.67	38,588.30 \$	3.47	95,365.37	4
FT Emp 3 (Less than 1 year)	47,516.97	13,849.28 \$	3.43	33,667.69	14
FT Emp 4 (Less than 1 year)	64,973.73	20,370.65 \$	3.19	44,603.08	11
FT Emp 5	234,034.69	76,984.49 \$	3.04	157,050.20	1
FT Emp 6 (Less than 1 year)	32,396.81	10,783.46 \$	3.00	21,613.35	17
FT Emp 7	209,126.69	71,026.71 \$	2.94	138,099.98	2
FT Emp 8	107,565.30	38,937.72 \$	2.76	68,627.58	6
PT Emp 1	124,621.11	45,518.45 \$	2.74	79,102.66	5
PT Emp 2	106,448.53	39,524.59 \$	2.69	66,923.94	7
PT Emp 3	110,586.12	45,714.41 \$	2.42	64,871.71	8
PT Emp 4	103,976.10	48,436.28 \$	2.15	55,539.82	9
PT Emp 5	65,362.72	37,403.99 \$	1.75	27,958.73	16
PT Emp 6	88,704.35	60,627.90 \$	1.46	28,076.45	15
Owner 1	157,598.42	110,422.47 \$	1.43	47,175.95	10
Owner 2	154,531.61	110,662.48 \$	1.40	43,869.13	12
Owner 3	168,266.38	127,570.34 \$	1.32	40,696.04	13
Total	2,072,462.39	940,859.43 \$	2.20	1,131,602.96	

LER by Employee

Target

Employee	Revenue	Labor Cost	LER	Contribution Margin	CM Rank
FT Emp 1	162,799.19	44,437.91 \$	3.66	118,361.28	3
FT Emp 2	133,953.67	38,588.30 \$	3.47	95,365.37	4
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Be careful with Part-time staff!

Recap

- Define the side of the cube you have the data to track
- If you do not have it historically, commit to start tracking
- Find the best, the worst and the average
- Get the bottom up to middle
- Then.....



Start Tracking!

Company Performance by Year

Revenue

COGS

Gross Profit

Direct Labor

Contribution Margin

Direct LER



Start Tracking!

By Location

Revenue

COGS

Gross Profit

Direct Labor

Contribution Margin

Direct LER



Start Tracking!

By Line of Business

Revenue

COGS

Gross Profit

Direct Labor

Contribution Margin

Direct LER



Start Tracking!

By Customer/Project

Revenue

COGS

Gross Profit

Direct Labor

Contribution Margin

Direct LER



Start Tracking!

By Employee

Revenue

COGS

Gross Profit

Direct Labor

Contribution Margin

Direct LER



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www.seeingbeyondnumbers.com

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FOREWORD BY VERNE HARNISH, CEO, GAZELLES, INC.
AUTHOR, MASTERING THE ROCKEFELLER HABITS

**SIMPLE
NUMBERS,
STRAIGHT TALK,
BIG PROFITS!**

4 KEYS TO UNLOCK YOUR
BUSINESS POTENTIAL

GREG CRABTREE

WITH BEVERLY BLAIR HARZOG