

CLIENT SERVICES

MANUFACTURING INDUSTRY EXPERIENCE & SERVICE

LISTENING. That is where we have the most experience. It is where our client relationships begin and it is always a part of how we work best, even with clients we have served for extended periods of time. In working with manufacturing clients, once we have listened, we find the best ways to apply our service and industry experience to make a positive difference in their financial circumstances.

The manufacturing industry is inherently competitive. Consequently, it is extremely important for the owners of those companies to have reliable accounting and financial information available to them at all times. Without it, there is no way for management to have an understanding of their profitability and cash flow for the company.

Having the right accounting team and systems in place allows for effective management of current and future cash flows and working capital needs, including accurate knowledge of whether the company is in compliance with banking and financial covenants.

Price CPAs experience in the manufacturing industry includes:

- Over 100 years of direct manufacturing industry experience represented on our staff.
- A broad understanding of the industry through our work with a variety of manufacturers in a number of states.

In addition to accounting and tax services, additional services most commonly provided to our manufacturing industry clients include assurance (audit, review and compilation), advisory and consulting. The advisory and consulting work includes assessment of accounting systems and department personnel with recommendations for improvements; interim accounting department management and oversight; special projects for owners and management as needed; accounting and tax related matters pertaining to changes in ownership, in addition to company valuation services.

Additional accounting and financial services range from CFO/Controller to complete oversight of internal management and accounting systems, including the performance of daily accounting functions, when necessary.

Our services are scalable. While we are staffed and equipped to provide our services to large, established companies, we can also work with start-up and recently-established companies and grow in what we provide as support services as the company itself expands.

Price CPAs truly does exist to make a positive difference in the financial experience of our clients. Contact us today about how we can be of service to you and your organization.

COMPETITIVE LANDSCAPE

Demand ultimately depends on **consumer spending**. The profitability of individual companies depends on **efficient production** and **distribution**. Large companies often have large **economies of scale** in purchasing, production, and marketing. Small companies can compete effectively by producing specialized products. The US manufacturing sector is fragmented: the largest 50 companies account for less than half of overall sales.

PRODUCTS, OPERATIONS & TECHNOLOGY

Food, beverages, and tobacco products account for about 15% of US manufacturing revenues; chemicals, for 14%; transportation equipment (automobiles, planes, and railroad equipment), 14%; machinery, 7%; computers and electronics, 6%; and fabricated metal products, 6%. Other major segments include primary metals, plastic and rubber products, and paper.

TECHNOLOGY

Most manufacturers have automated **back office processes** such as accounting, order entry, inventory management, and HR. These processes are integrated, operating on common databases. Many companies have implemented ERP systems that include suites of applications adapted to the manufacturing industry. Adopting **industry standard packages** lowers the cost of automation and gives the company flexibility in leveraging third-party applications.

FINANCE & REGULATION

Manufacturers often have **large inventories**, both of raw materials and finished goods, because production is most efficient when it's uninterrupted. To ensure the availability and costs of basic raw materials and energy, some manufacturers use futures contracts. Some manufacturers may carry significant inventories of finished goods, semi-finished goods, and raw materials. On average, inventories represent about

10% of sales, and inventories turn about five times per year. In some manufacturing industries, typically for durable goods, companies provide financing to customers by carrying large receivables. For the US sector overall, accounts receivable average about 60 days' sales. The US manufacturing sector has an average **working capital turnover** ratio of about 20%. **Capital investments** in plant and equipment are large and must periodically be renewed. For all manufacturers, annual capital expenditures average about 3% of sales. The sector is **capital-intensive**: average annual revenue per employee in the US is about \$450,000.

INDUSTRY UPDATE

Opportunity: US Manufacturing Growth Accelerates - US manufacturing activity grew in June 2017 at the fastest pace in nearly three years, according to the Institute for Supply Management (ISM). Manufacturers reported faster growth in production, new orders, employment, order backlogs, and exports. Of 18 manufacturing industries, 15 reported growth in May. Industries reporting the strongest growth included furniture and related products; nonmetallic mineral products; paper products; machinery; electrical equipment, appliances, and components; chemical products; transportation equipment; computer and electronic products; and food, beverage, and tobacco products. June's growth suggests that manufacturers are expanding even amid fading hope for near-term government action on tax reform and infrastructure spending, according to Bloomberg. US manufacturers may adjust their inventory and production strategies to meet the uptick in overall demand.

INDUSTRY FORECAST

Revenue (in current dollars) for the US manufacturing sector is forecast to grow at an annual compounded rate of 4% between 2017 and 2021, based on changes in physical volume and unit prices. Data Published: September 2017.