



Tag and Label Manufacturers Institute, Inc.

The TLMI Ratio Study

Overview

The **TLMI Management Ratio Report** is designed to assist you in evaluating your own company's performance relative to other tag and label manufacturers in the industry. Financial ratios represent broad performance “yardsticks” against which your company's operating results can be measured. Using this information, you can compare your own figures with:

- All responding tag and label manufacturers.
- Respondents in the same sales volume category as **your company**.
- Top half of respondents with respect to adjusted net income before taxes as a percent of net sales for **your** sales volume category.

REPORT ORGANIZATION

The **Management Ratio Report** has three main sections:

1. **Summary Performance Evaluation-** -This section of the report provides an objective, qualitative evaluation of your business' performance versus similar reporting companies in the industry on the basis of various key performance measures. In particular, your company is compared to other reporting companies to determine whether you performed: Strong, Good, Fair or Weak. These four performance categories relate to the four possible quartile ranges that a reporting company may fall in for any given measure. While this evaluation does not consider any “special circumstances” that may exist for your company which result in the appearance of strong or weak performance, it is designed to direct your attention to **potential** improvement opportunities.
2. **Detailed Performance Results-** - This section of the report shows your company's financial performance, for up to three years, alongside the industry composites. These detailed statistical tables provide the background for a more in-depth examination of your business.
3. **Appendix-** -A new section of the report shows the detailed results of all responding firms and all sales volume categories. This section also includes the 25th and 75th percentile figures for more detailed analysis.

USING FINANCIAL RATIOS

The information in this report is designed to be a tool for helping you to better **control** your business. In particular, you are provided with a series of financial **ratios** for both your own company and industry composites. Essentially, the information is provided in ratio and percentage form rather than as absolute dollars so that meaningful comparisons can be made to past performance and to general industry performance. For example, while it is important for you to know your company's annual payroll expense, it is even more essential to compare this expenditure with the value it produces. Therefore, a useful measure of **effectiveness** of selling expense may be a ratio such as "selling expense as a percent of net sales."

However, just as absolute dollar figures are not really meaningful in isolation, so too is no ratio meaningful in isolation. Ratios should be compared with one or more other performance measures to determine whether or not a satisfactory level exists. Other performance measures might be your company's own past performance, your budgeted performance, or industry comparatives.

Eligibility for the industry's highest individual company honor, the **Eugene M. Singer Award**, is based on this study. TLMI annually recognizes the very best managed companies in each converter size category with this award.

Sample Contents

The following material, excerpted from a previous year's study, is offered as sample of the type and depth of information the Ratio Study provides. Each participant receives with a confidential and comprehensive report providing significant insights into competitiveness, profitability and productivity.

Title Page

Using this Report

Summary Performance Evaluation

Detailed Performance Results (2 pages)

TLMI Eugene Singer Award Ranking

TLMI

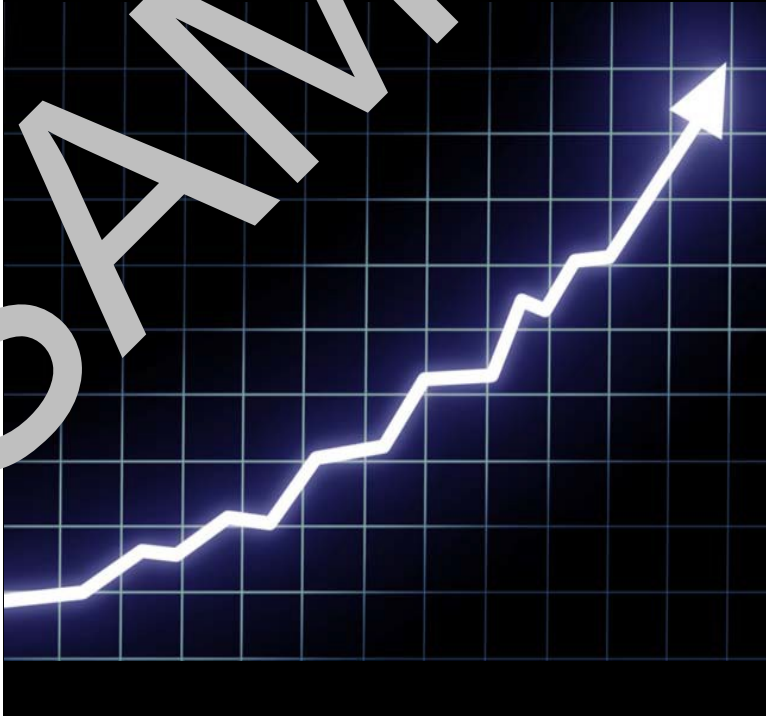
Management

Ratio

Report

Confidential

SAMPLE



Using This Report

The **TLMI Management Ratio Report** is designed to assist you in evaluating your own company's performance relative to other tag and label manufacturers in the industry. The financial ratios contained on the following pages represent broad performance "yardsticks" against which your company's operating results can be measured. Using this information, you can compare your own figures with:

- All responding tag and label manufacturers
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REPORT ORGANIZATION

Essentially, the **Management Ratio Report** has four main sections:

1. **Summary Performance Evaluation**--This section of the report provides an objective, qualitative evaluation of your business' performance versus similar reporting companies in the industry on the basis of various key performance measures. In particular, your company is compared to other reporting companies to determine whether you performed: Strong, Good, Fair or Weak. These four performance categories relate to the four possible quartile ranges that a reporting company may fall in for any given measure. While this evaluation does not consider any "special circumstances" that may exist for your company which result in the appearance of strong or weak performance, it is designed to direct your attention to **potential** improvement opportunities.
2. **Detailed Performance Results**--This section of the report shows your company's financial performance, for up to three years, alongside the industry composites. While the

first section of the report (previously described) provides a summary overview of areas to analyze in greater detail, the detailed statistical tables provide the background for a more in-depth examination of your business.

3. **Eugene Singer Award Calculations**--Your company's award score appears in this section, along with your rank and an award summary. **Only those eligible for an award will have this section included in their report.**

4. **Appendix A**—General information about participants.

Appendix B—Definition of ratios.

Appendix C—This section of the report shows the detailed results of all responding firms and all sales volume categories. This section also includes the 25th and 75th percentile figures for more detailed analysis.

USING FINANCIAL RATIOS

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TLMI MANAGEMENT RATIO STUDY

Summary Performance Evaluation Versus Other Tag and Label Manufacturers

COMPANY NO. SAMPLE

SALES (AS REPORTED): \$22,500,000

SALES, GROSS PROFIT AND INVENTORY ANALYSIS

SALES CHANGE (08 vs 07)....(STRONG)

The sales growth ratio is a basic measure of the performance of the revenue component of a business. While there are many factors which can affect sales levels, both internal and external, this ratio can provide an industry benchmark upon which to base further evaluations. Your company's growth was above the upper quartile performance level for reporting companies in the industry, indicating a relatively strong performance. Congratulations ! Of course, there are many factors, both external and internal, which may have affected this performance. If you wish to further analyze the reasons behind your success, possible areas for review include your existing sales volume and marketing strategy (targeting of core market, product assortment, site locations, promotional campaigns, etc.). It is often through a combination of small incremental gains that significant growth in sales volume is achieved.

GROSS PROFIT....(WEAK)

Gross profit on net sales is a good overall measure of the effectiveness of a company's purchasing function and pricing policies, relating the cost of goods sold to revenue levels. While gross profit is not a complete measure of profitability, a healthy gross profit is a necessary starting point for developing and maintaining a profitable operation. Your company's gross profit on net sales was below the lower quartile performance level for reporting companies in the industry, indicating that further analysis may be justified.

INVENTORY TURNOVER....(GOOD)

Inventory turnover is effectively measured by computing the cost of goods sold compared to the average inventory. This basic measure of inventory productivity indicates how fast stock is moving, and is useful for comparing your company to the industry average over time. Your company's inventory turnover of products was above the level achieved by the average reporting company, indicating a generally positive performance. Should you wish to pursue this issue further to try to better your understanding or to improve performance, you may review your various inventory levels and related sales. Potentially improved performance can be achieved by pinpointing those product categories with low turnover rates with the goal of improving productivity through promotions, dropped product lines, etc.

GROSS PROFIT RETURN ON INVENTORY....(FAIR)

Gross profit return on inventory is an overall inventory productivity measure which essentially combines both gross profit percentage and turnover into one indicator. This measure is particularly useful for analyzing the profitability of various individual product categories. Your company's gross profit return on inventory was less than the typical reporting company, signaling that additional examination may be warranted. Although you may determine that your current performance is satisfactory, possible areas of review include your gross profit level and your stock turnover rate of various product categories. Significant improvement of this critical ratio can be achieved if small, incremental gains are made in several of these areas.

TLMI MANAGEMENT RATIO STUDY

DETAILED PERFORMANCE RESULTS

COMPANY NO. SAMPLE
 SALES (AS REPORTED): \$22,500,000

	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>All Firms</u>	<u>\$15 to \$35 Million</u>	<u>Medium Top Half</u>
COMPOSITION OF COST OF GOODS SOLD (percent of cost of goods sold)						
Base papers	35.4%	35.0%	34.9%	45.0%	45.0%	45.0%
Inks and varnishes	9.5%	9.6%	9.9%	4.0%	3.0%	3.0%
Plates,dies,screens,etc.	4.1%	4.2%	4.4%	4.0%	4.0%	4.0%
Packaging materials	0.0%	0.0%	0.0%	1.0%	1.0%	1.0%
All other materials	0.0%	0.0%	0.0%	1.0%	1.0%	1.0%
Cost of goods purchased for resale	0.0%	0.0%	0.0%	5.0%	5.0%	5.0%
TOTAL MATERIAL COSTS	49.0%	49.9%	49.1%	59.0%	59.0%	59.0%
Direct factory payroll	20.4%	20.3%	20.4%	10.0%	10.0%	10.0%
Indirect payroll	6.3%	6.2%	5.8%	5.0%	5.0%	5.0%
Payroll taxes	2.5%	2.5%	2.3%	1.5%	1.5%	1.5%
Employee benefits	6.3%	6.2%	5.8%	2.5%	2.5%	2.5%
TOTAL LABOR COSTS	35.4%	35.0%	34.3%	19.0%	19.0%	19.0%
Rent and depreciation	1.6%	1.6%	1.7%	3.0%	3.0%	3.0%
Insurance,property taxes,etc.	1.1%	1.1%	1.2%	1.0%	1.0%	1.0%
Utilities and other energy expenses	2.2%	2.3%	2.3%	1.5%	1.5%	1.5%
Factory repairs and maintenance	2.3%	2.3%	2.3%	1.0%	1.0%	1.0%
Insurance	0.4%	0.4%	0.4%	1.0%	1.0%	1.0%
Manufacturing supplies	2.2%	2.3%	2.3%	1.5%	1.5%	1.5%
Depreciation	4.0%	4.5%	4.7%	4.0%	4.0%	4.0%
Shipping supplies	0.2%	0.2%	0.2%	0.5%	0.5%	0.5%
Plates,dies,screens,etc.	0.3%	0.3%	0.3%	0.5%	0.5%	0.5%
All other factory overhead	1.1%	1.1%	1.2%	2.0%	2.0%	2.0%
TOTAL OVERHEAD	15.5%	16.1%	16.6%	16.0%	16.0%	16.0%
Cost of non tag and label products	0.0%	0.0%	0.0%	5.0%	5.0%	5.0%
TOTAL COST OF GOODS SOLD	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

TLMI MANAGEMENT RATIO STUDY

DETAILED PERFORMANCE RESULTS

COMPANY NO. SAMPLE
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	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>All Firms</u>	<u>\$15 to \$35 Million</u>	<u>Medium Top Half</u>
PROFIT MARGINS ON T & L PRODUCTS (as a percent of t & l net sales)						
Net sales (T & L products)	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Cost of materials	40.0%	43.2%	42.5%	45.0%	45.0%	45.0%
Gross profit on materials	60.0%	56.8%	57.5%	55.0%	55.0%	55.0%
Net sales (T & L products)	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Cost of materials and labor	68.9%	74.1%	72.1%	60.0%	60.0%	60.0%
Gross profit on materials and labor	31.1%	25.9%	27.9%	40.0%	40.0%	40.0%
Net sales (T & L products)	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Cost of materials,labor,overhead	81.6%	88.3%	86.4%	75.0%	75.0%	75.0%
Gross profit	18.4%	11.7%	13.6%	25.0%	25.0%	25.0%

TLMI EUGENE SINGER AWARD

	Percentile	Weight	Points
Net Income Before Taxes	75%	20%	15.00
Return on Assets	85%	15%	12.75
Return on Equity	80%	20%	16.00
Current Ratio	100%	5%	5.00
Current Assets to Total Assets	60%	5%	3.00
Accounts Receivable Turnover	75%	4%	3.00
Inventory Turnover	80%	4%	3.20
Total Asset Turnover	70%	2%	1.40
Debt to Equity Ratio	80%	5%	4.00
Equity to Total Assets	90%	5%	4.50
Percentage Increase in Net Sales	90%	5%	4.50
Employment Trend	60%	5%	3.00
Investment in Property and Equipment	80%	5%	4.00
Total			79.35

Rank: 2 out of 20