
Table Of Contents

Introduction	1
Executive Summary	2
Detailed Results	
Return On Investment	4
Product/Customer Profile	7
Income Statement	8
Balance Sheet	9
Financial Ratios	10
Asset Productivity Ratios	11
Economic Value Added	12
Employee Productivity Ratios	13
Sales Volume Analysis	14
Trend Analysis	18
Appendix	
Survey Methodology & Ratio Definitions	28
Participating Companies	29
Questionnaire	30

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Executive Summary

	Typical AGMA Mfr	High Profit AGMA	Open Gearing Products	Enclosed Gear Drives
Typical Sales Volume	\$11,790,972	\$12,560,613	\$9,069,241	\$29,254,750
Sales Growth (2003 vs. 2002)	3.1%	7.1%	3.6%	-1.6%
Strategic Profit Model Ratios				
Profit Margin (Pre-tax)	2.5%	10.7%	1.7%	3.5%
Asset Turnover	1.5	1.9	1.5	1.6
Return On Assets (Pre-tax)	3.7%	20.3%	2.5%	5.6%
Financial Leverage	1.8	1.6	1.8	1.4
Return On Net Worth (Pre-tax)	6.7%	32.5%	4.5%	7.8%
Sales By Product Group				
Open Gearing (Coarse & Fine Pitch)	53.8%	46.4%	84.9%	7.1%
Enclosed Gear Drives	27.8	28.9	10.2	84.7
Other Gears	2.6	3.5	1.4	0.0
Import & Resale of Products	5.5	3.5	0.8	5.9
All Other Products	<u>10.3</u>	<u>17.7</u>	<u>2.7</u>	<u>2.3</u>
Total Sales	100.0%	100.0%	100.0%	100.0%
Income Statement				
Net Sales	100.0%	100.0%	100.0%	100.0%
Cost Of Goods Sold				
Direct Materials	27.8	24.6	22.3	39.5
Subcontracting (heat treating, finishing, etc.)	5.5	5.3	7.4	1.2
Direct Labor (straight time; mfg. wages)	12.4	12.4	13.7	9.4
Indirect Labor (Project Mgmt, Purch, Ship & Recv)	3.2	3.6	3.0	2.6
Production & Application Eng. Salaries	1.6	1.8	1.6	1.2
Plant Supervision Wages & Salaries	2.6	1.9	2.8	2.0
Quality Assurance Wages & Salaries	1.1	0.7	1.5	0.6
Overtime Premium	1.0	0.8	1.1	0.4
Shift Premium	0.1	0.1	0.2	0.0
Plant Payroll Taxes, Group Ins. & Fringes	7.5	6.2	7.5	6.9
Shop Supplies	2.0	2.0	1.9	1.3
Perishable Tools	2.1	2.0	2.6	1.5
Utilities (heat, light, power, water)	1.8	1.2	2.1	1.2
Plant Repairs & Maintenance	1.9	1.7	2.2	1.2
Rent/Lease (buildings)	1.4	1.4	1.3	0.4
Rent/Lease (equipment)	0.1	0.2	0.2	0.0
Insurance (liability & casualty)	0.8	0.9	0.8	0.7
Taxes (property, business licenses, etc.)	0.7	0.7	0.7	0.4
Depreciation (plant equipment & buildings)	4.9	3.8	6.1	3.8
Scrap/Salvage/Warranty Expense	1.0	0.8	0.9	1.0
All Other Manufacturing Expenses	<u>1.4</u>	<u>0.7</u>	<u>0.8</u>	<u>1.8</u>
Cost Of Goods Sold	80.9	72.8	80.7	77.1
Gross Margin	19.1	27.2	19.3	22.9
S, G & A Payroll Expenses	10.1	11.4	10.8	12.4
Other S, G & A Expenses	<u>5.3</u>	<u>4.9</u>	<u>5.4</u>	<u>6.3</u>
Total S, G & A Expenses	15.4	16.3	16.2	18.7
Operating Profit	3.7	10.9	3.1	4.2
Other Income/Expense	<u>-1.2</u>	<u>-0.2</u>	<u>-1.4</u>	<u>-0.7</u>
Profit Before Taxes	2.5%	10.7%	1.7%	3.5%
Financial Ratios				
Current Ratio	3.3	3.5	2.8	3.9
Times Interest Earned	2.9	27.8	2.2	6.0
Average Collection Period (Days)	52.5	50.0	54.0	47.0
Inventory Turnover	4.6	4.5	5.6	3.0
Sales To Fixed Assets	4.1	4.9	3.2	4.5
Sales Per Employee	\$145,403	\$142,040	\$139,137	\$156,195