

Agenda

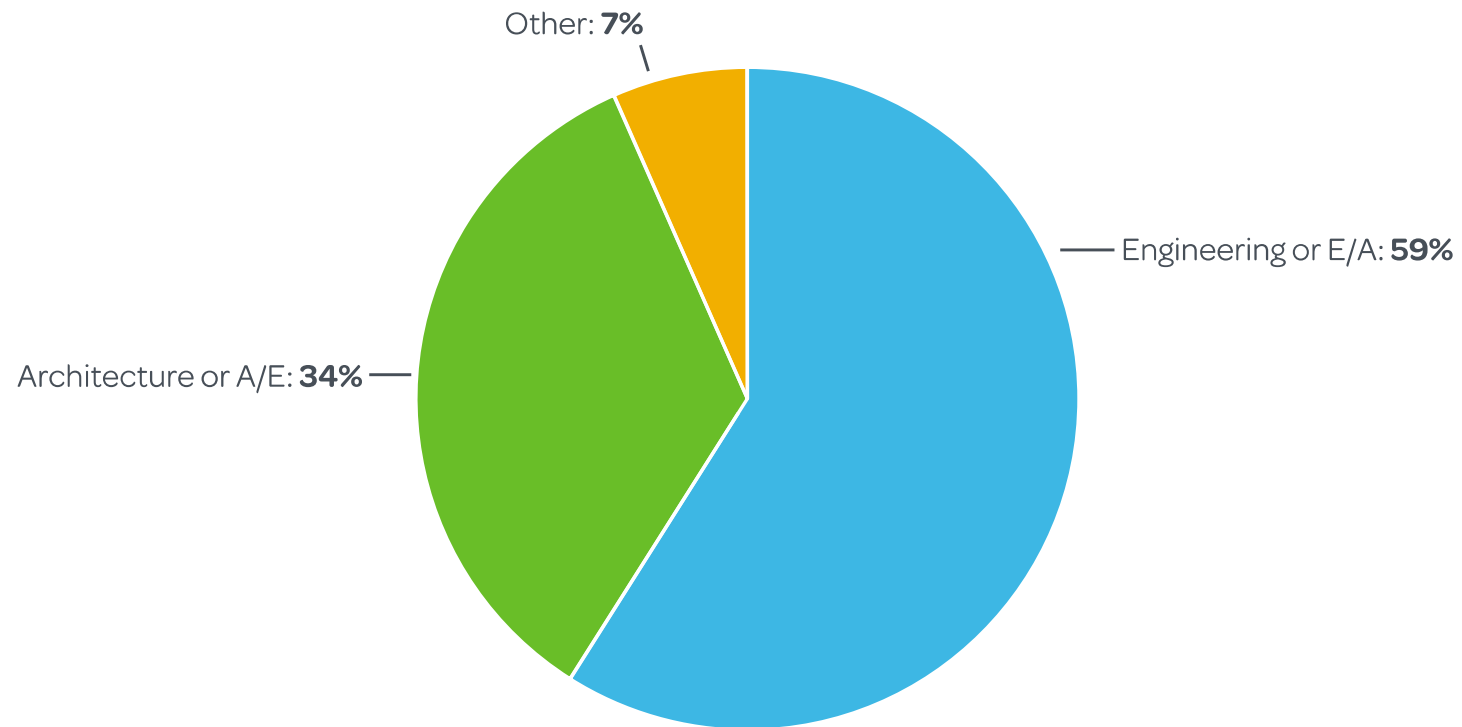
1. **About the Study**
2. **Key Performance Indicators: The latest data and 10-year trend for 5 key operating benchmarks**
3. **Ideas to improve your company's performance**
4. **Market Outlook for 2013 and beyond**
5. **Inside High Performing firms**

About the Study

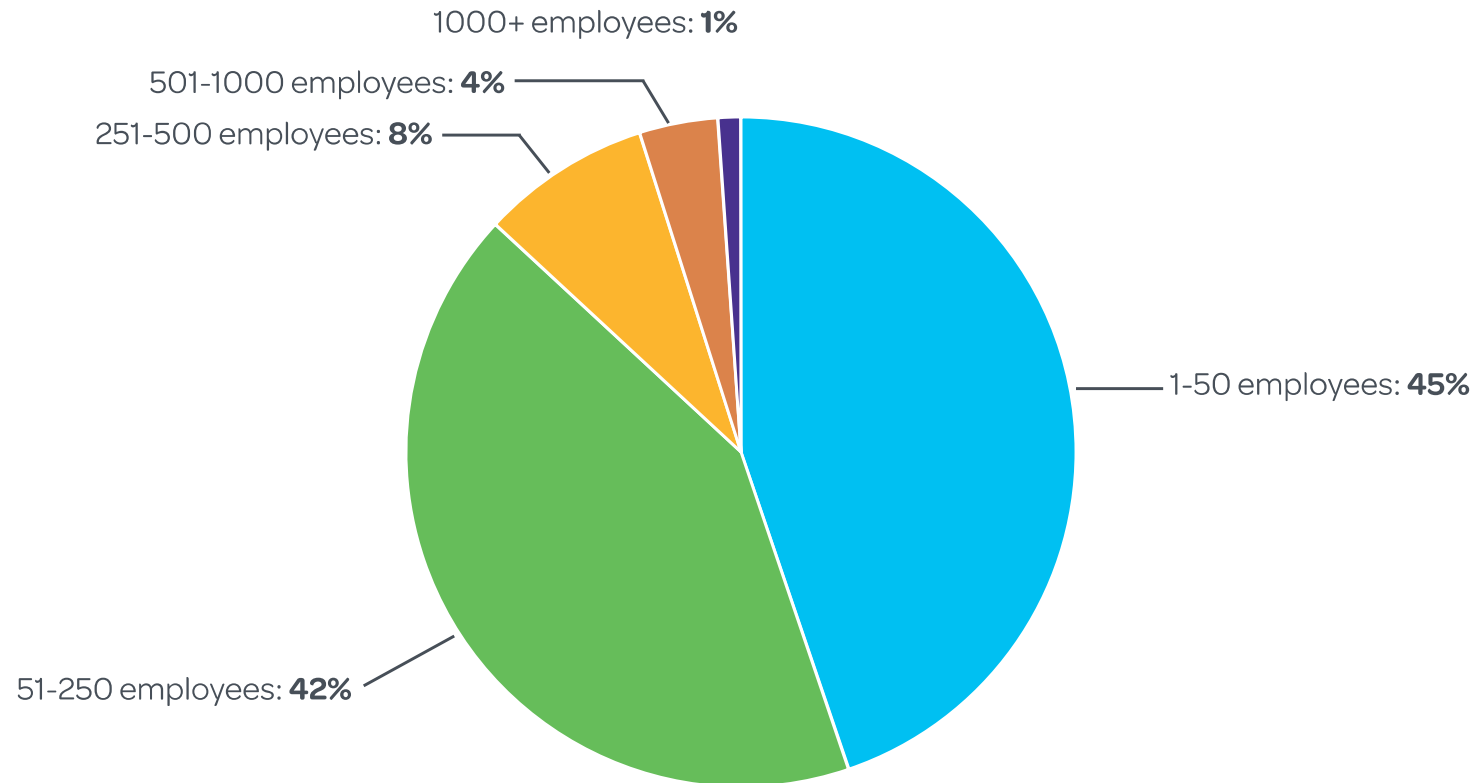
- Covers financial statistics (P&L, Balance Sheet) and market outlook
- 34th year of performing the study
- Conducted in February & March 2013
- Includes 2012 financials
- Over 200 US and Canadian firms participated
- In collaboration with **ACEC**
- Greatly expanded and updated this year



Participant Mix— Firm Type



Participant Mix– Firm Size



High Performing Firms— Criteria

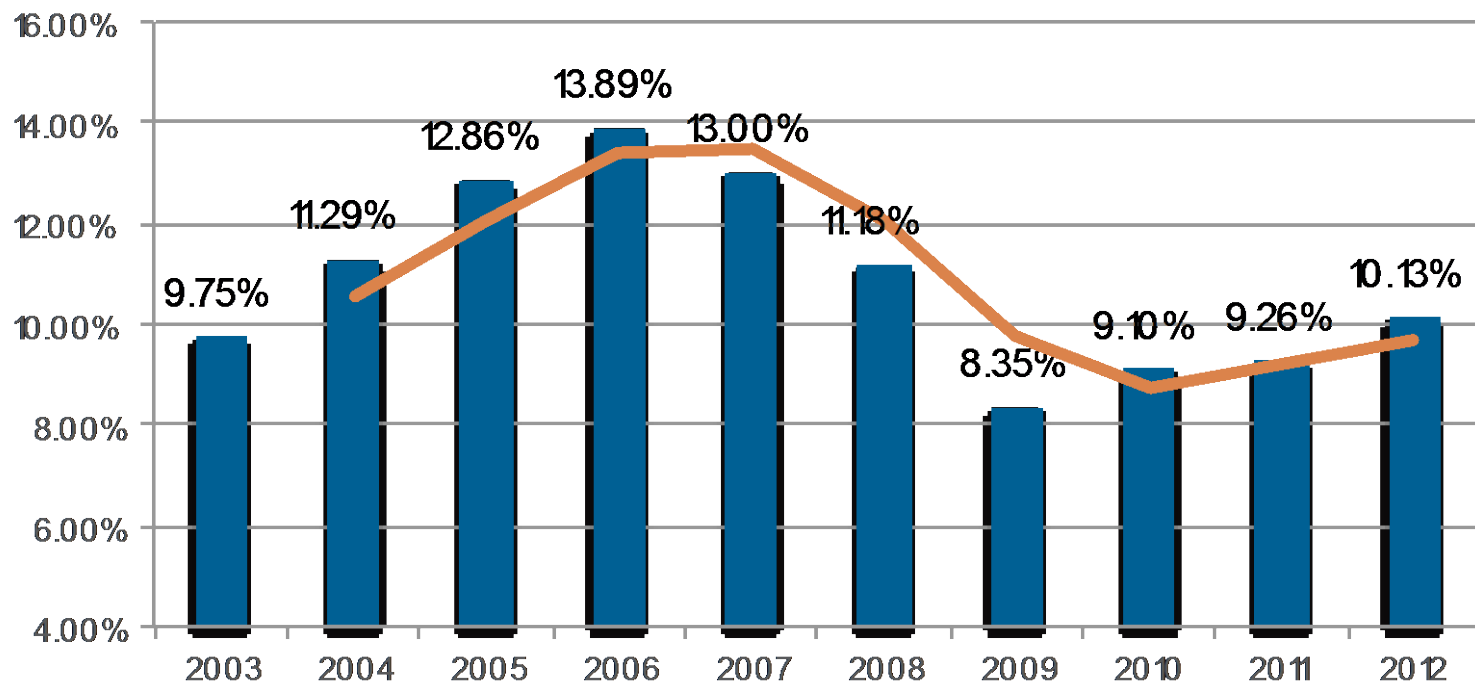
**Profit 15% +
Multiplier 3.0 +**

Key Performance Indicators for the A&E Industry

A&E Industry 2003-2012



Operating Profit: Ten Year Trend



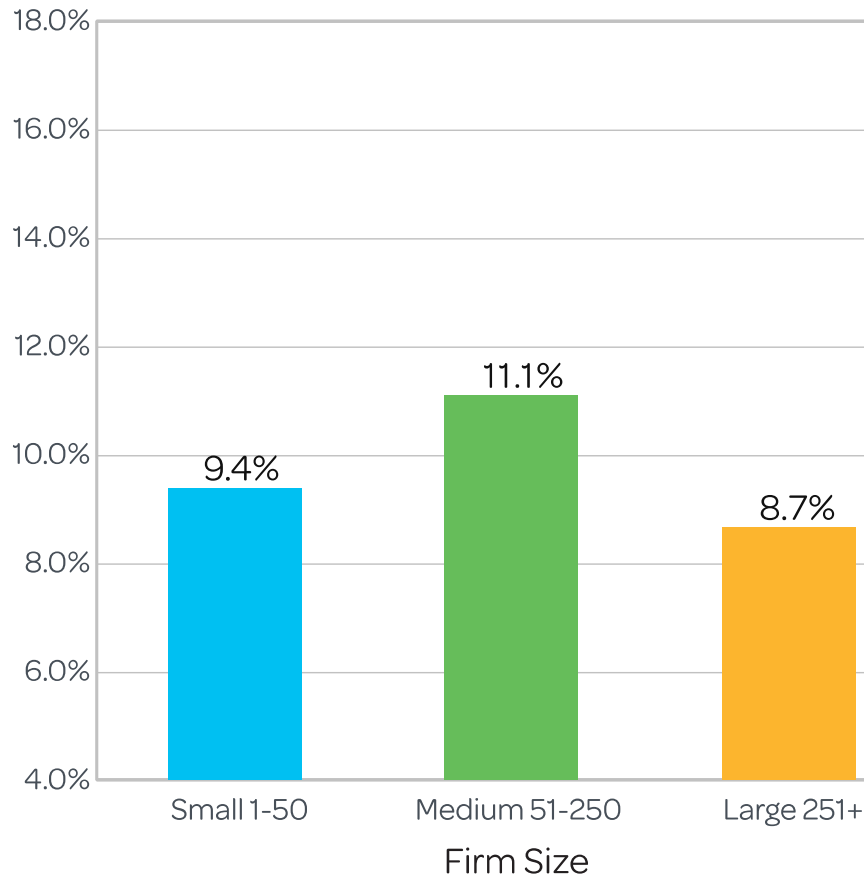
Operating Profit: 2012

10.1%

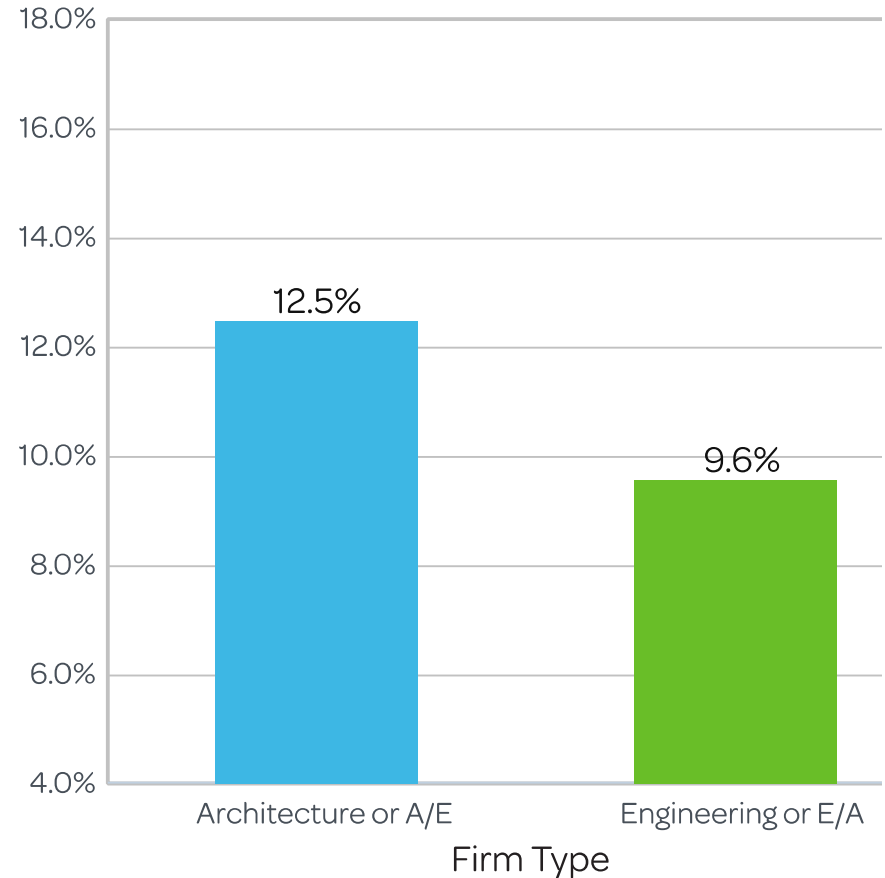
- Pre-tax, Pre-bonus on Net Revenues
- Calculated by dividing pre-tax, pre-distribution profit by net revenues (total revenue minus consultants and other direct expenses).
- Operating Profit on Total Revenues was 7.9%

Operating Profit 2012: Comparison

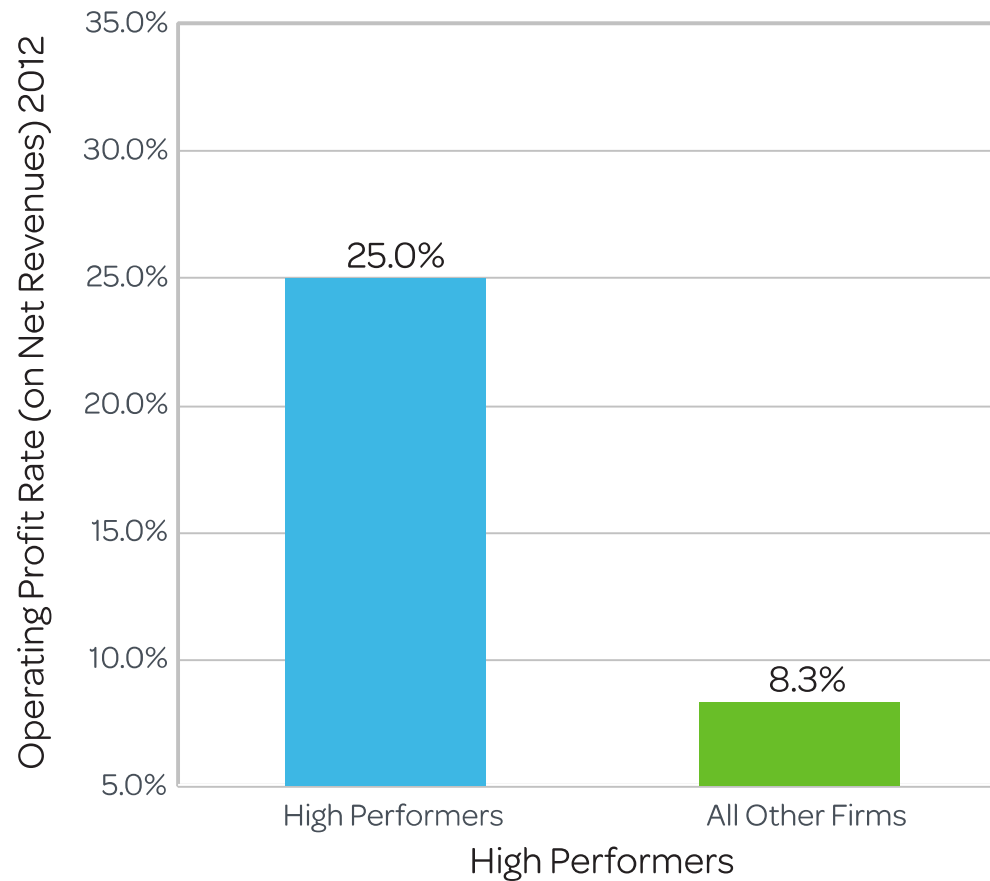
By Firm Size



By Firm Type



Operating Profit 2012– High Performing Firms

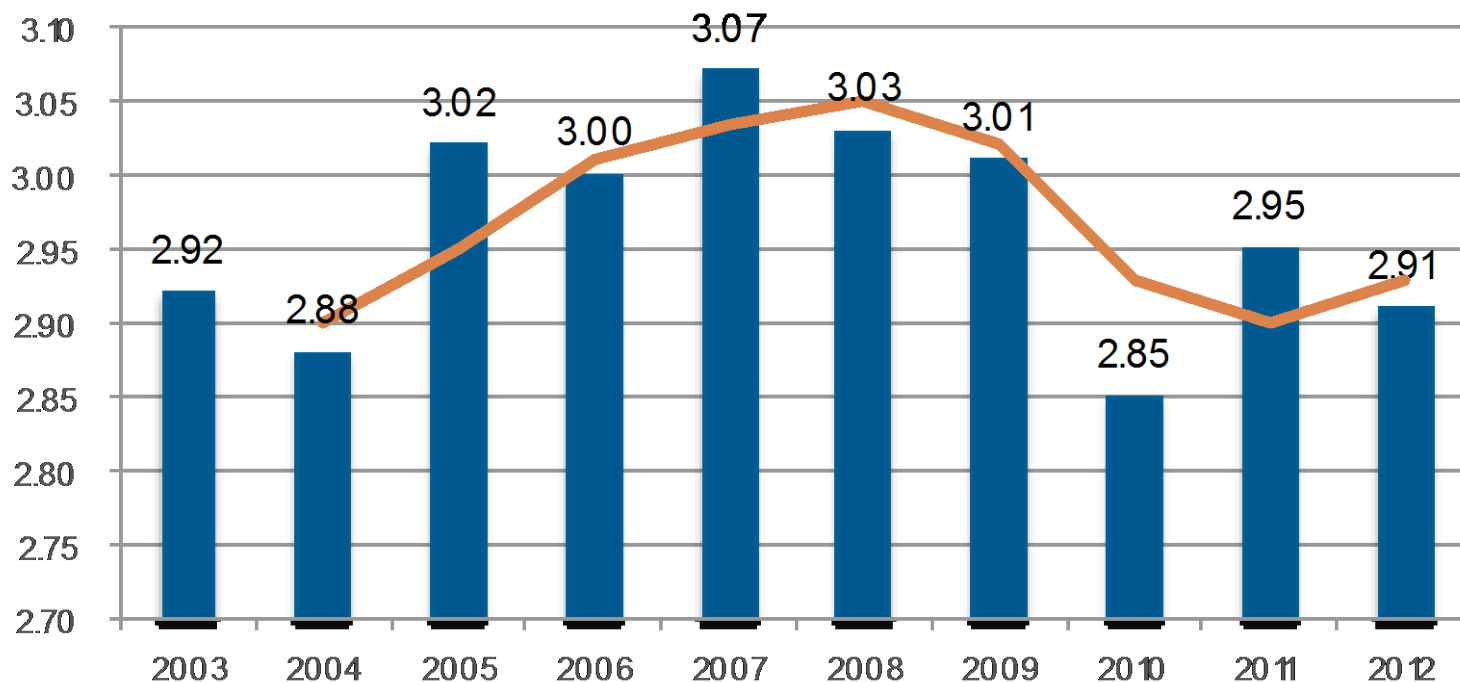


Net Labor Multiplier 2012

2.91

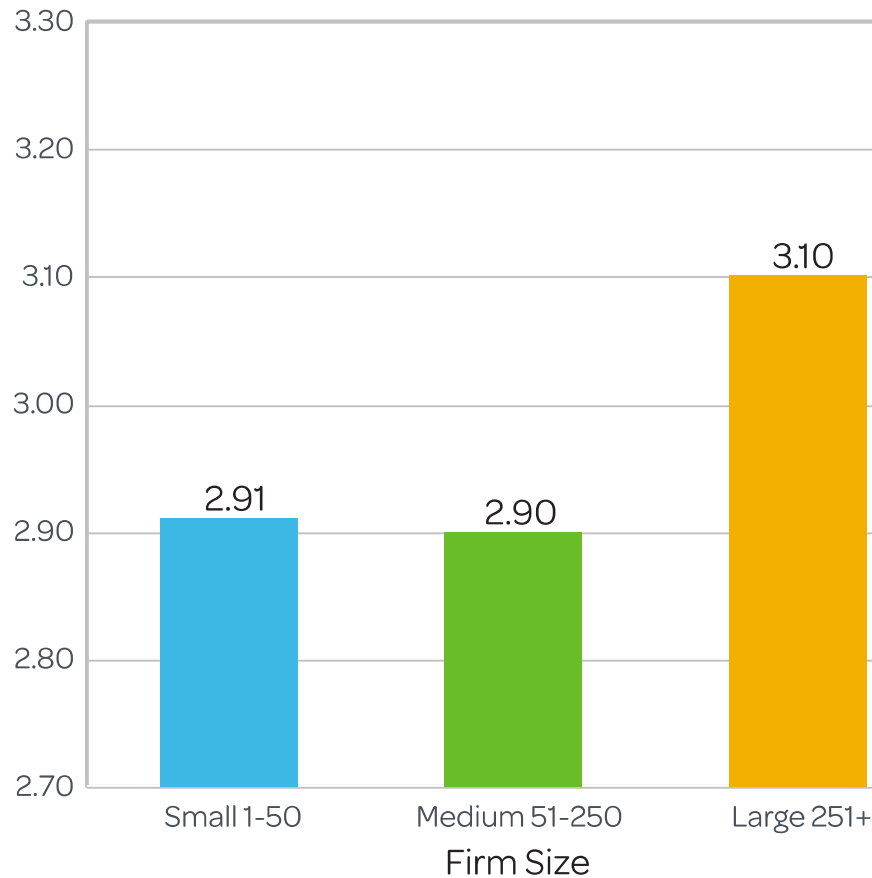
- Calculated by dividing net services revenue by direct labor, the cost of labor charged to projects.

Net Labor Multiplier 2012– Ten Year Trend

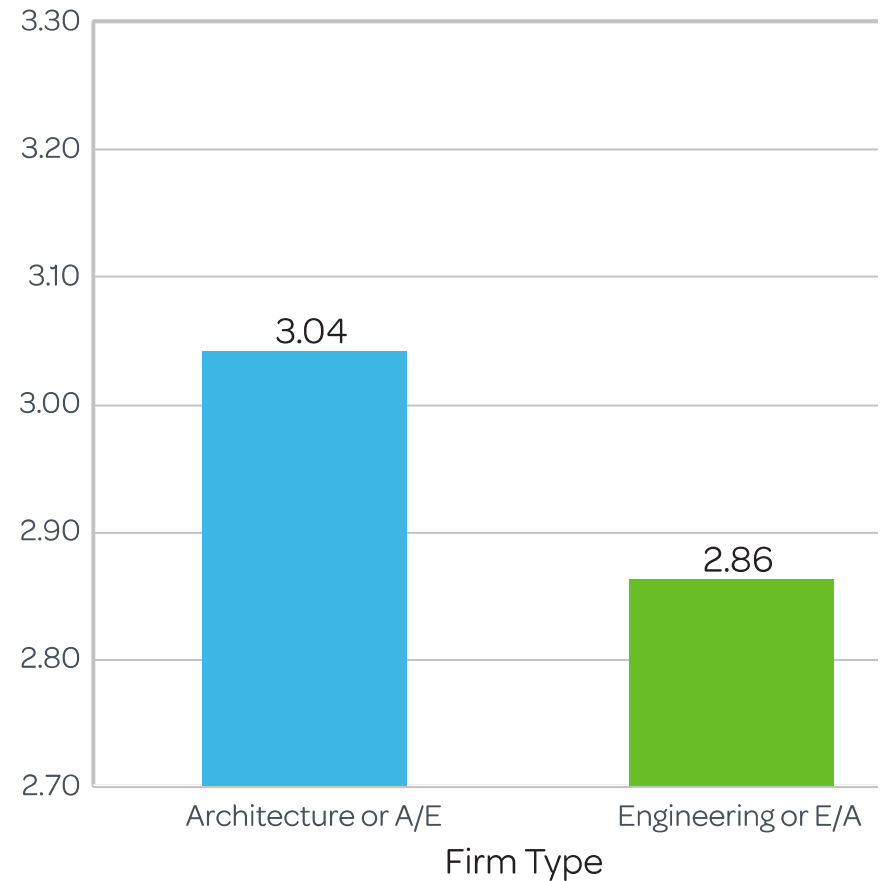


Net Labor Multiplier 2012– Comparison

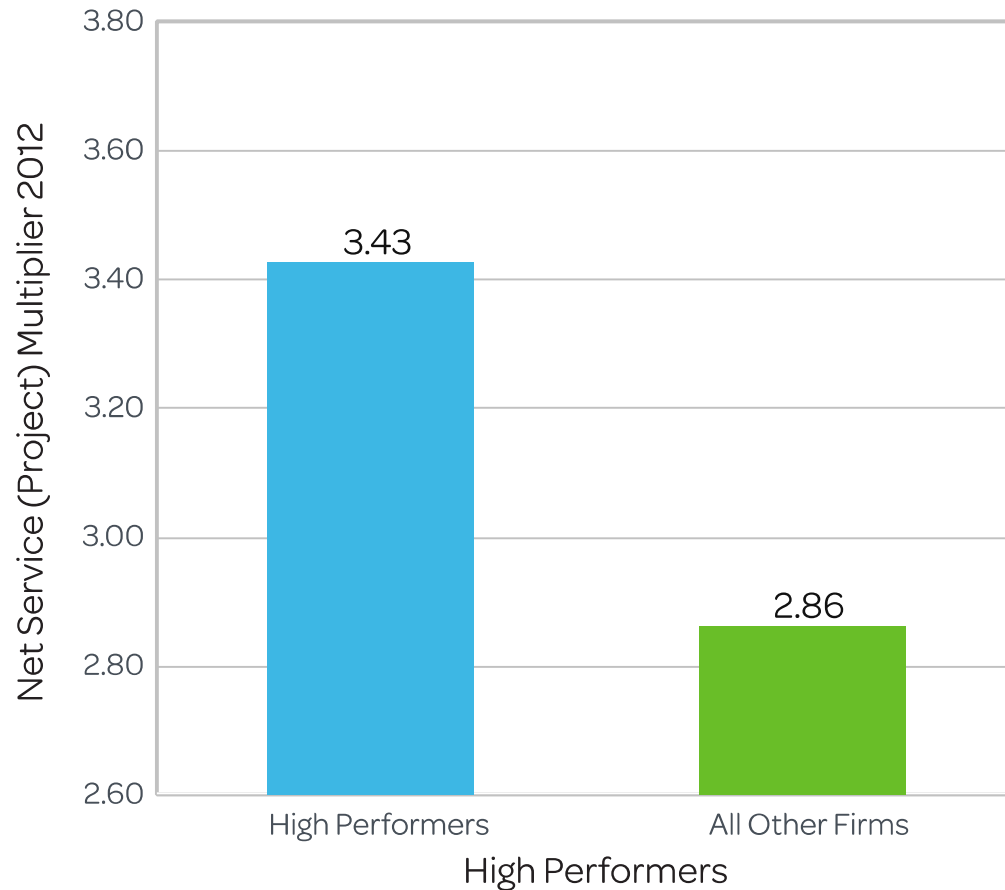
By Firm Size



By Firm Type



Net Labor Multiplier 2012– High Performing Firms

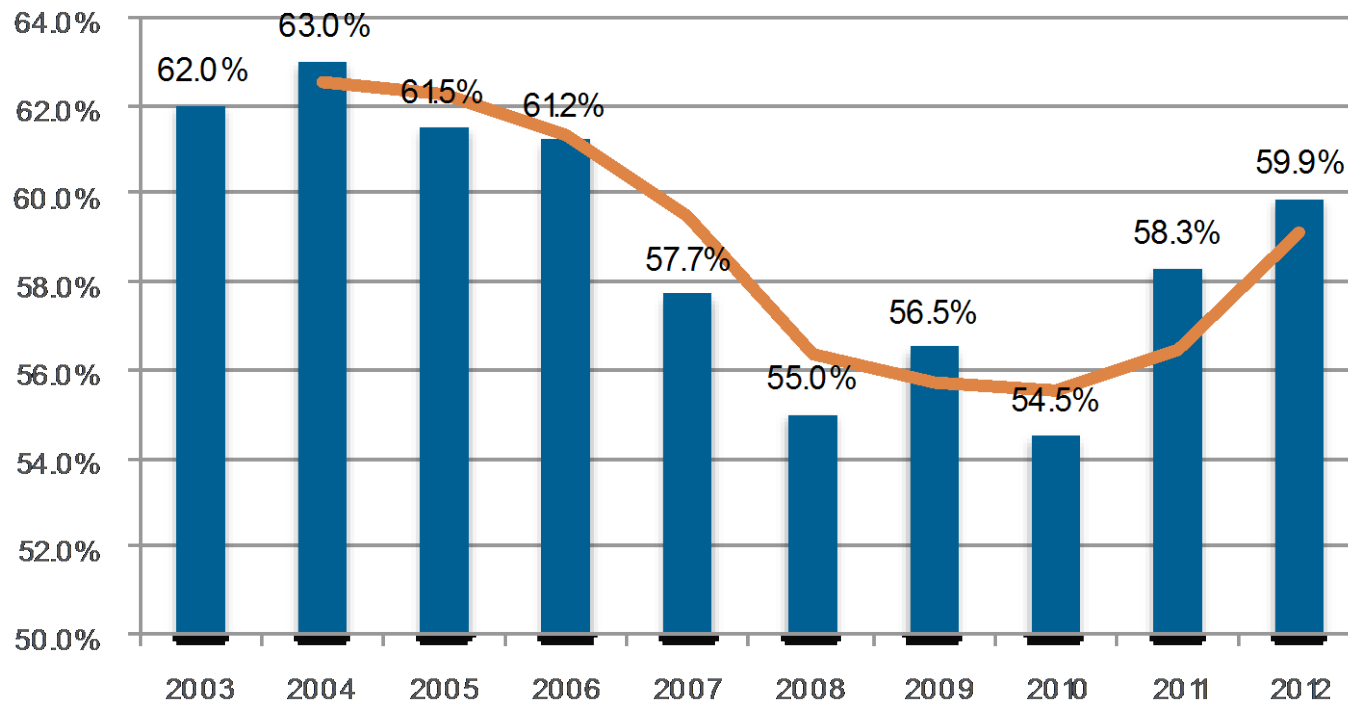


Utilization Rate 2012

59.9%

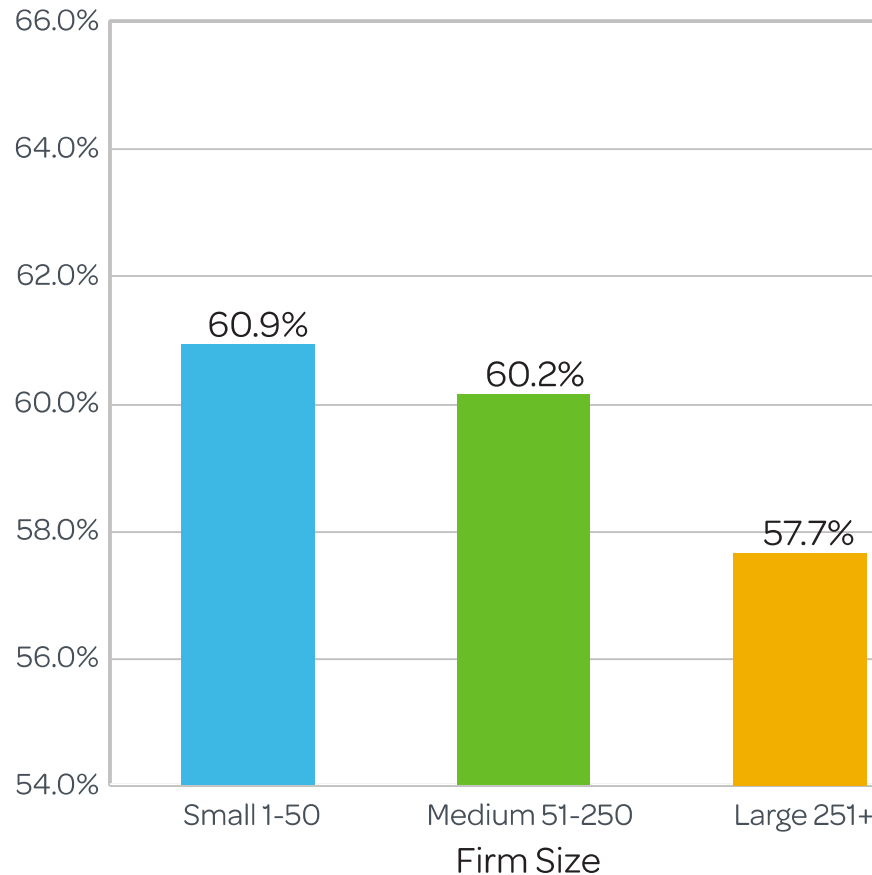
- Utilization by DOLLARS
- Calculated by dividing the cost of labor charged to projects by the total labor cost of the firm.
- Excluding Vacation, Holiday, Sick time it was 65.4%

Utilization Rate– Ten Year Trend

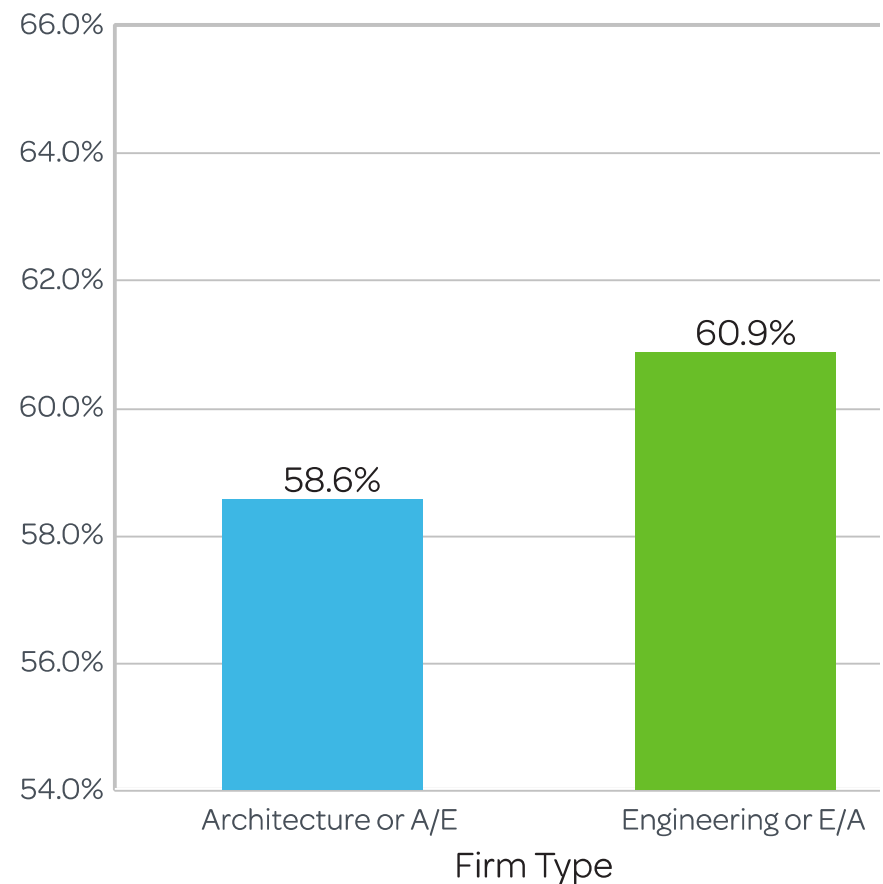


Utilization Rate 2012– Comparison

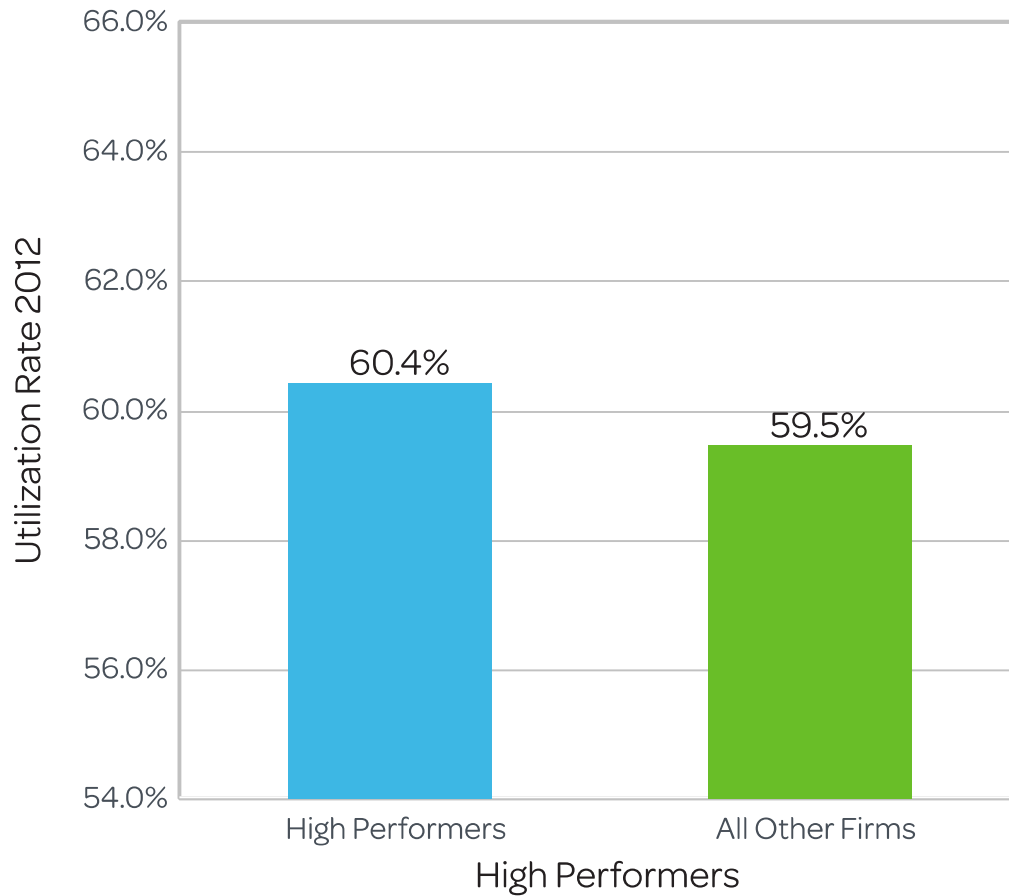
By Firm Size



By Firm Type



Utilization Rate 2012– High Performing Firms

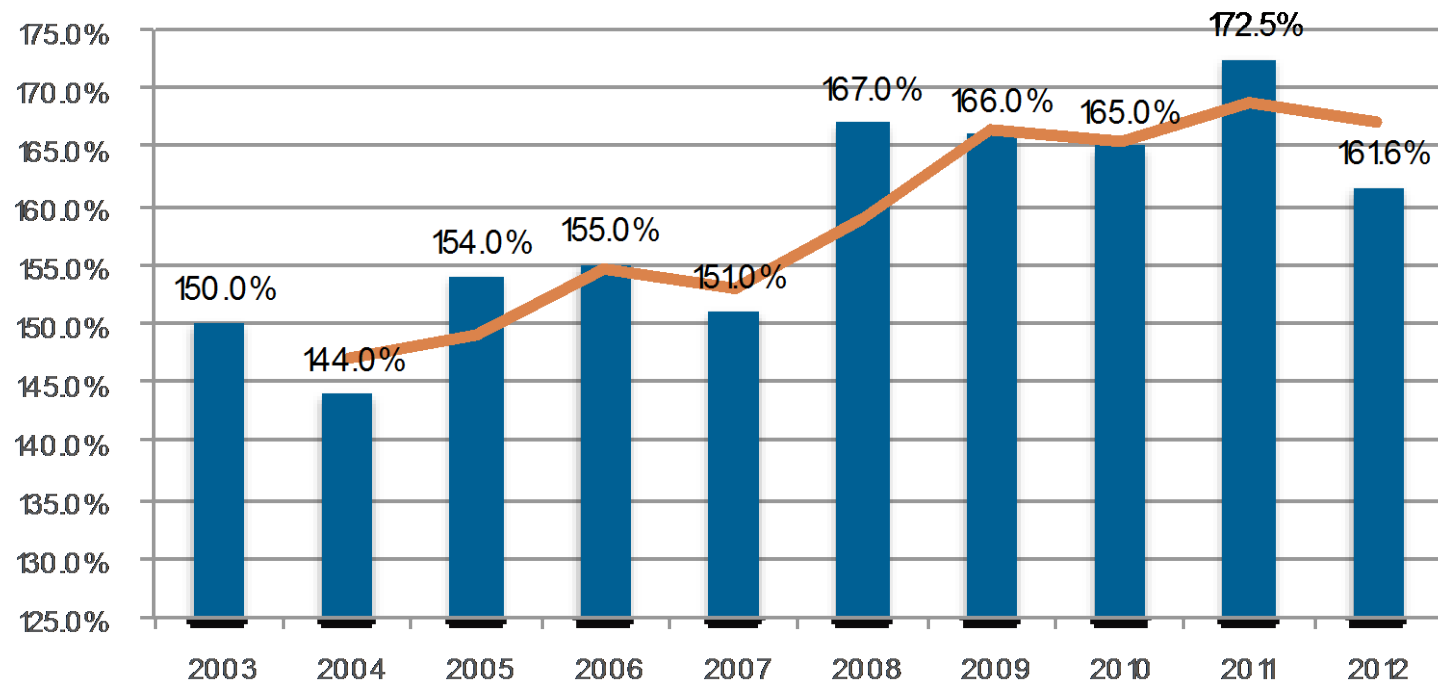


Overhead Rate 2012

161.6%

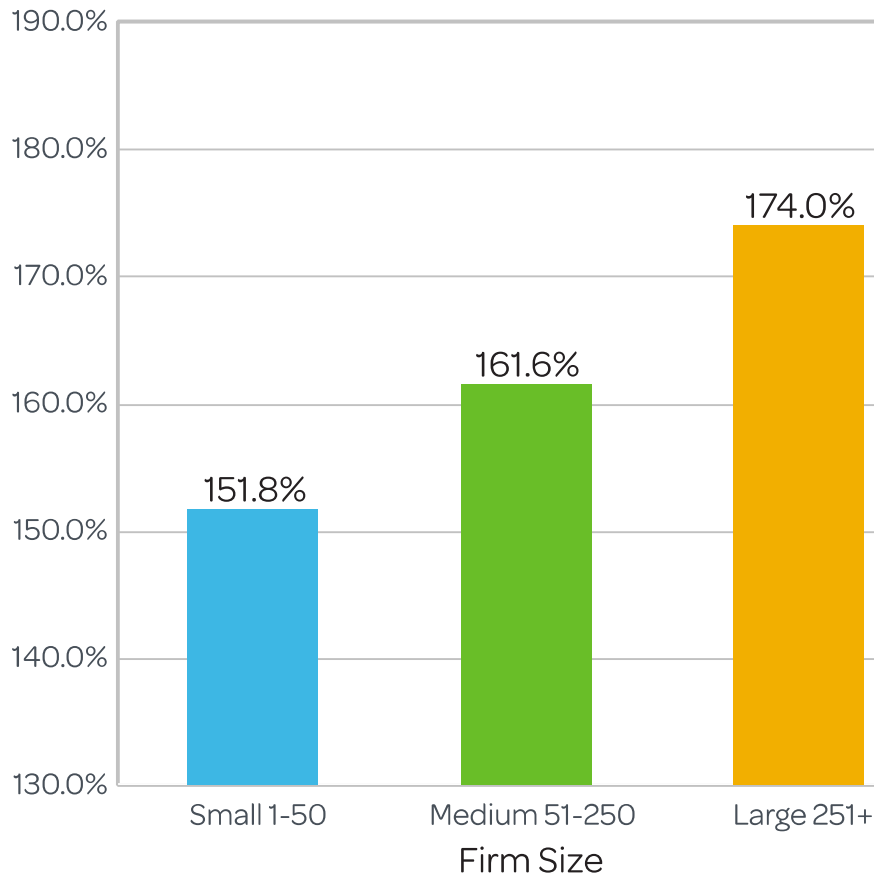
- Overhead Rate EXCLUDING Bonuses
- Calculated by dividing total overhead (before distributions) by total direct labor expense
- The Overhead Rate Including Bonuses was 175.7%

Overhead Rate 2012– Ten Year Trend

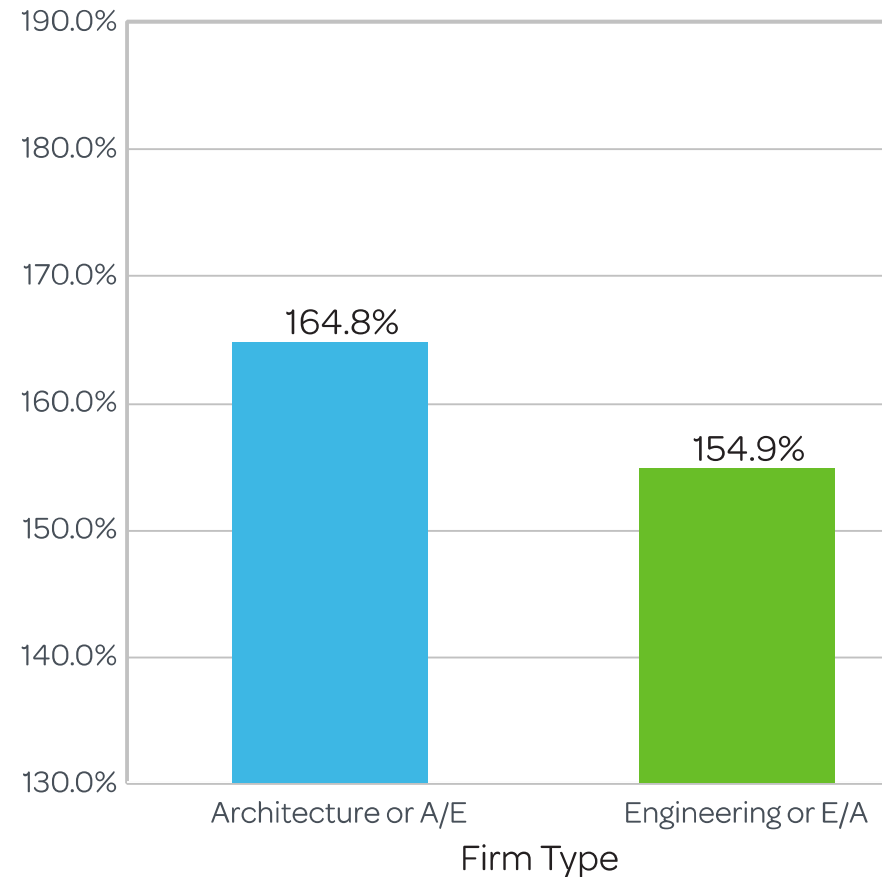


Overhead Rate 2012– Comparison

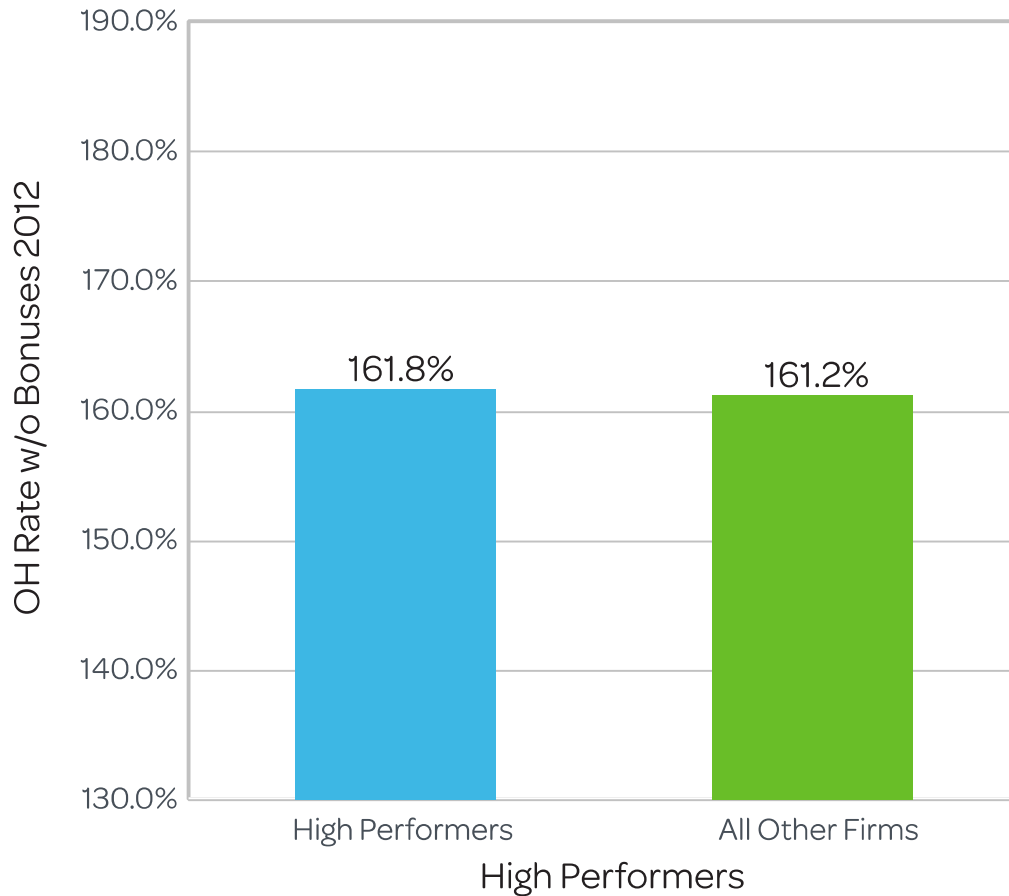
By Firm Size



By Firm Type



Overhead Rate 2012– High Performing Firms

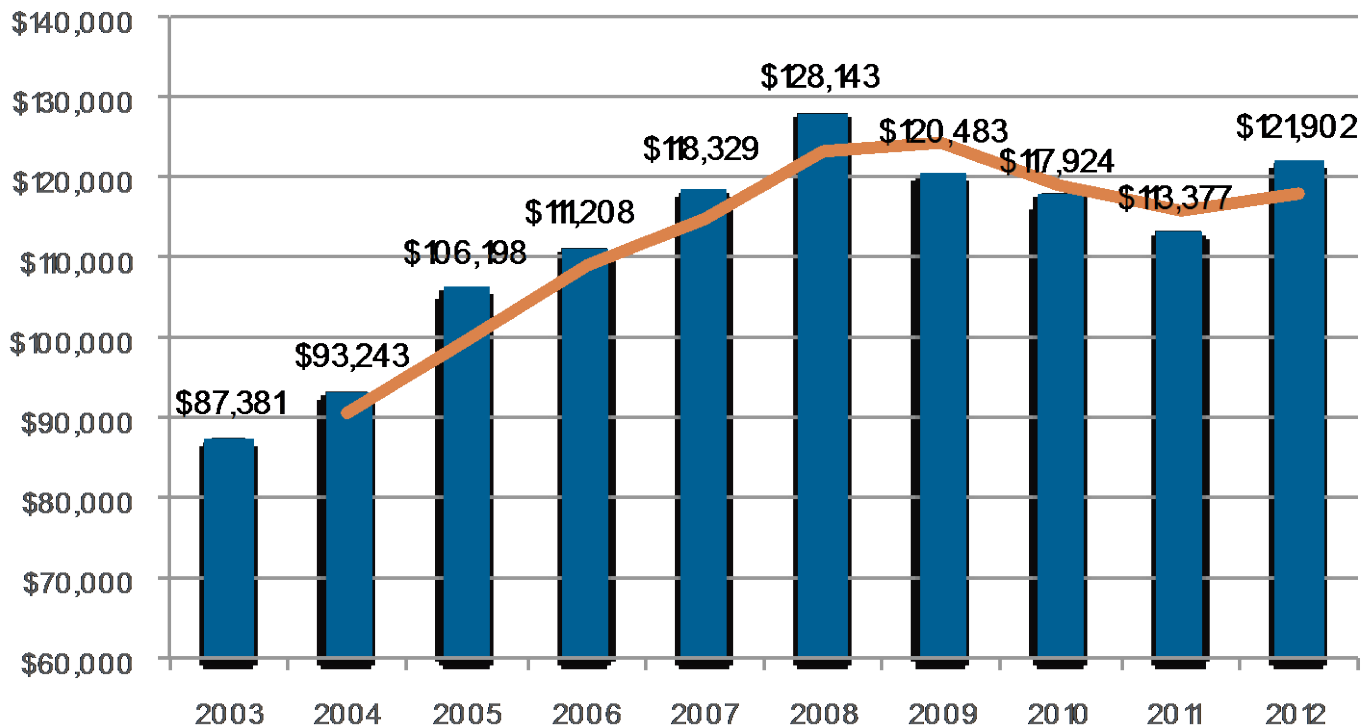


Net Revenues Per Employee 2012

\$121,902

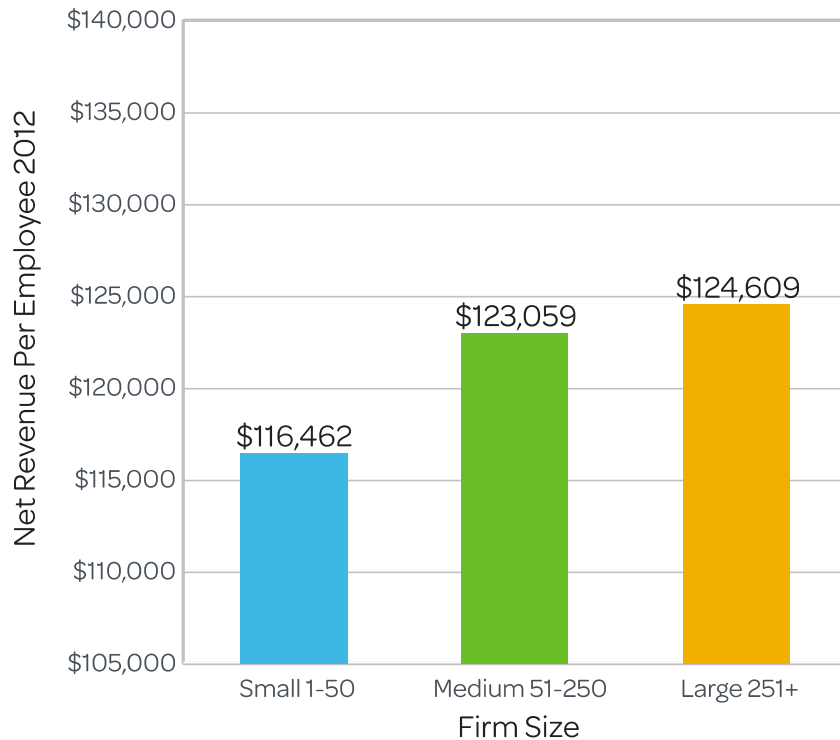
- Calculated by dividing net revenues by average total staff, including principals.

Net Revenues Per Employee 2012– Ten Year Trend

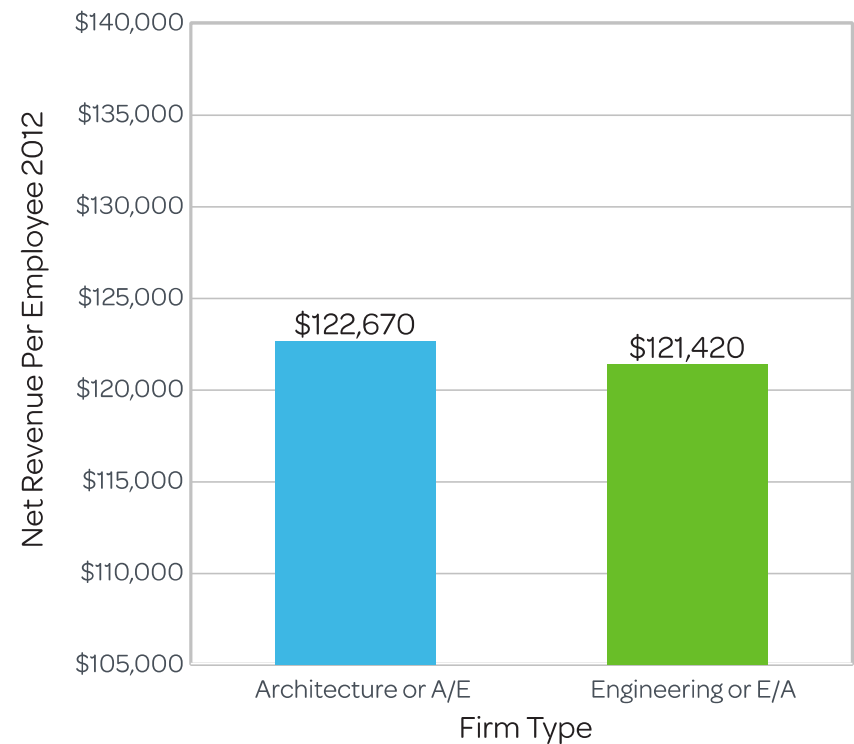


Net Revenues Per Employee 2012– Comparison

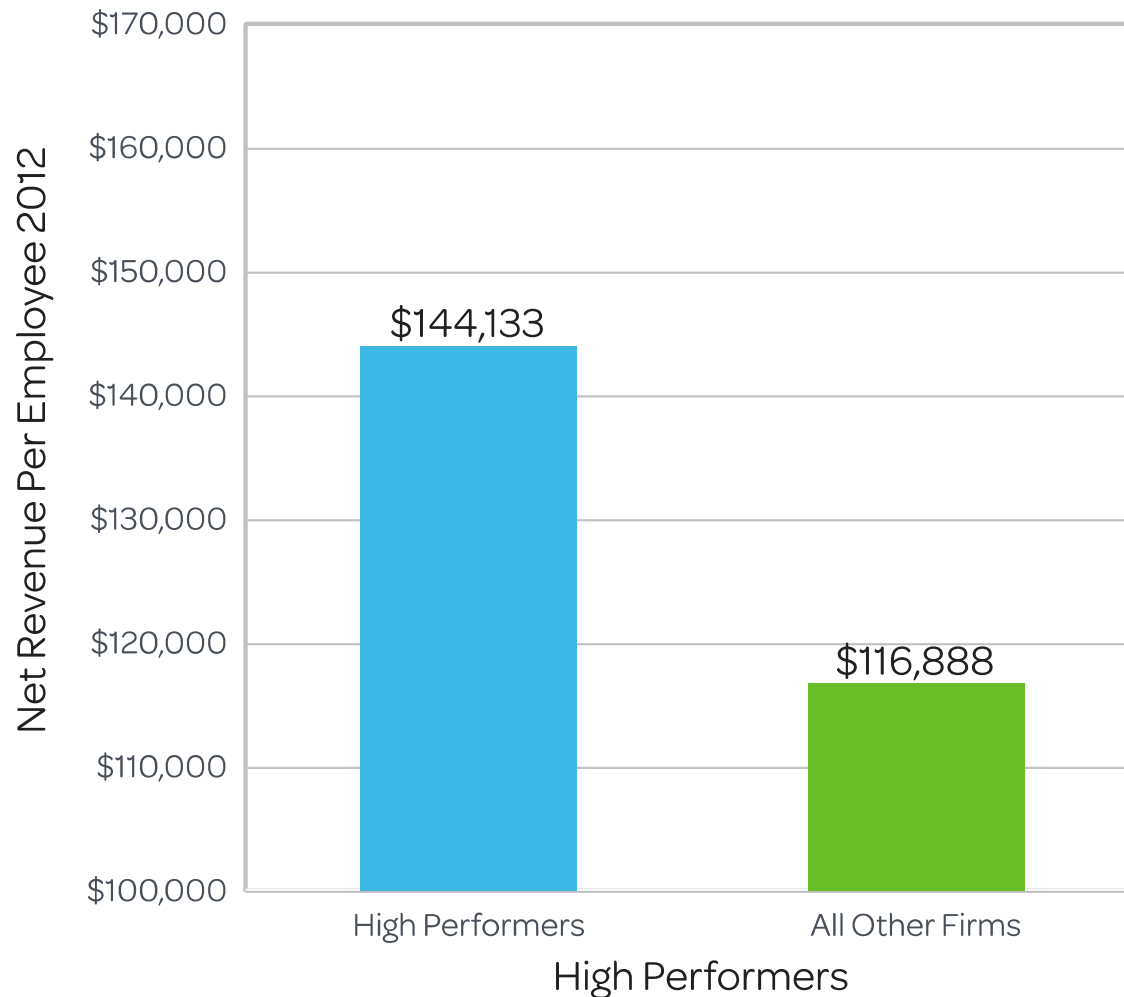
By Firm Size



By Firm Type



Net Revenues Per Employee 2012– High Performing Firms



Promote a Strong Project Management Culture

Your Operations

- Well-Defined PM Approach
- Well-Defined KPIs, Clear on Poor Performers
- Better Contracts
- Higher Fees
- Higher Profits
- Fewer Claims

Your Clients

- Timely Delivery
- Meeting Expectations
- Leadership
- “Trusted Advisor” Status
- Client Satisfaction – Surveys?

Your Work

- Better Project Plans
 - Plan for contract obligations
- Consistent Execution & Delivery
 - Deliver on contract obligations
 - Collaboration – Social networking, socialization

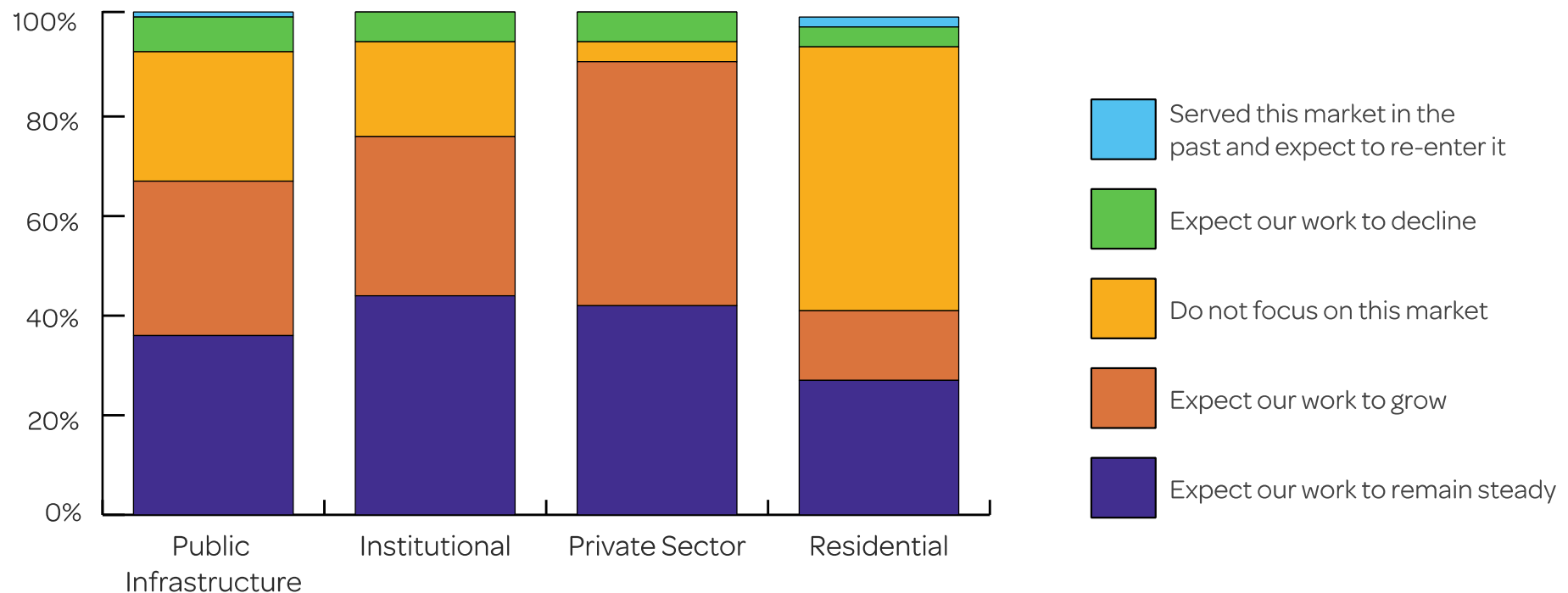
Your People

- Confident Career-Path Planning
 - Well-defined role for young staff
- Staff Development
 - PMs teach by example
 - PM resources & training material
 - Assistance on contract management

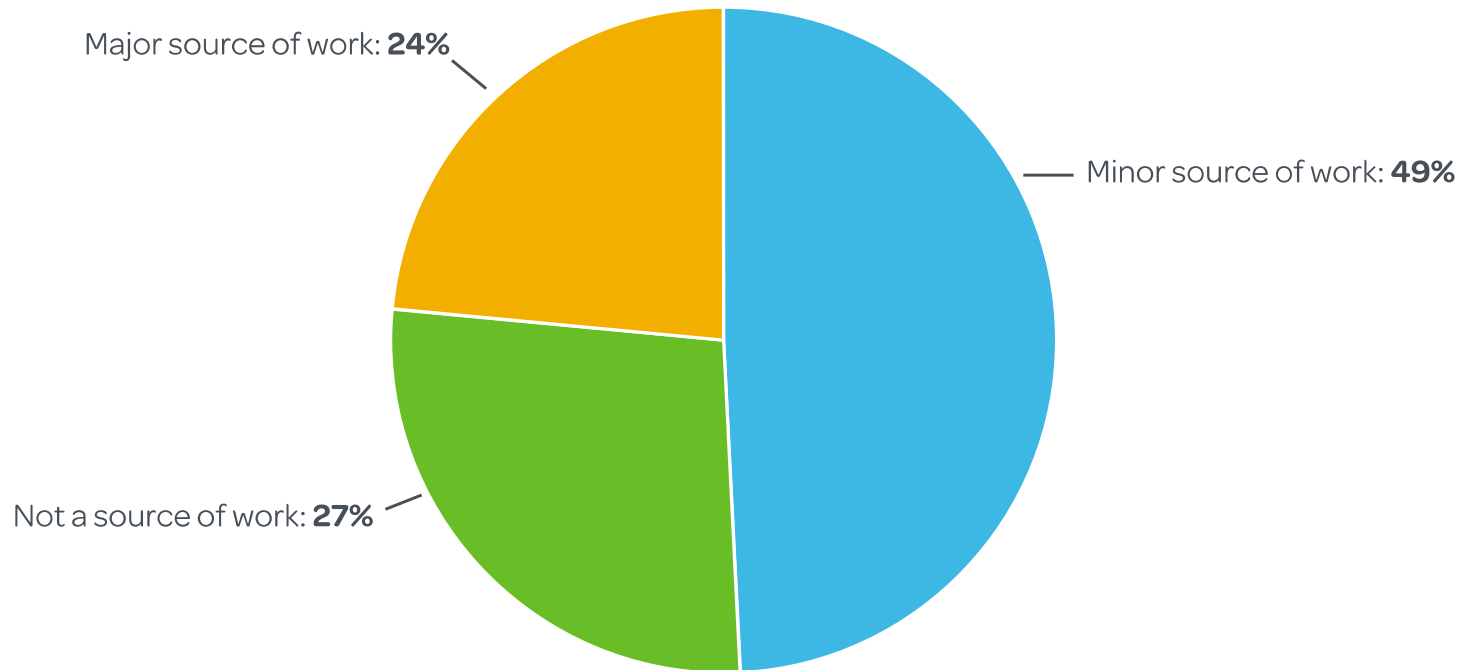
A&E Market Outlook

Market Position 18 months

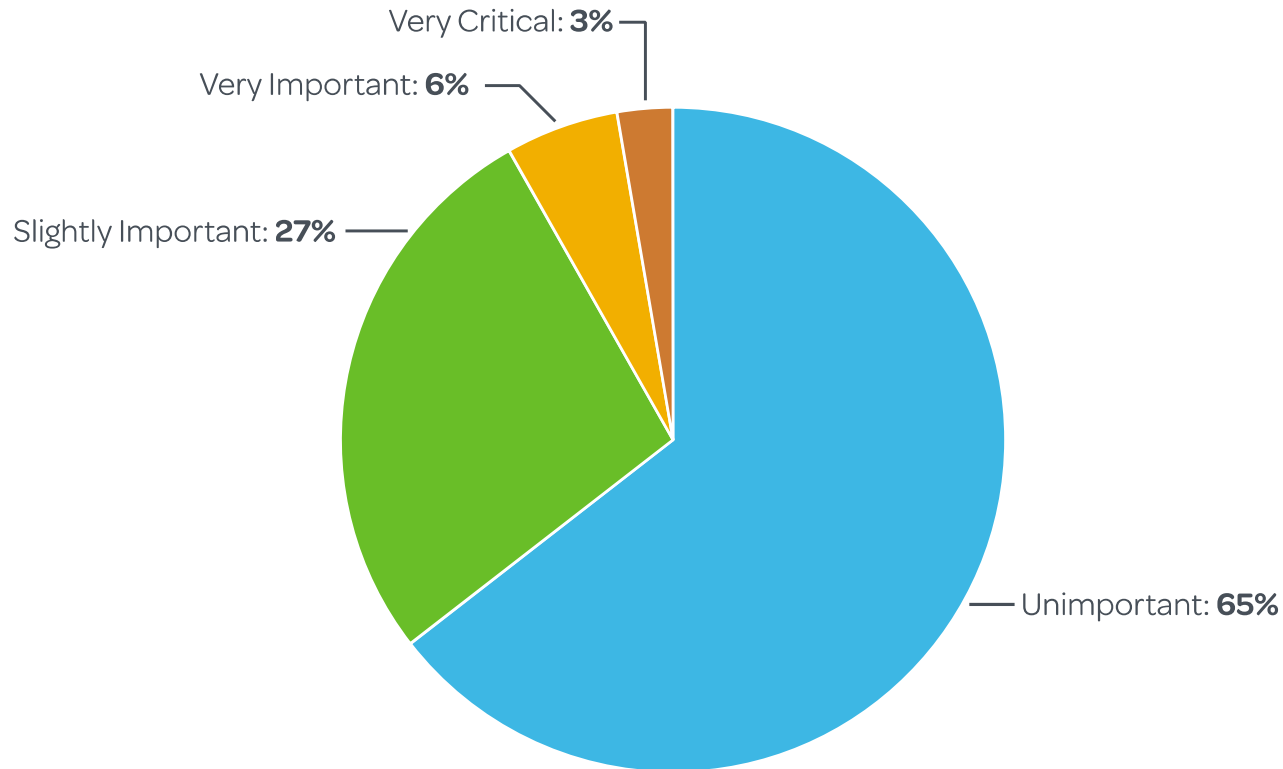
Market Position in 18 months



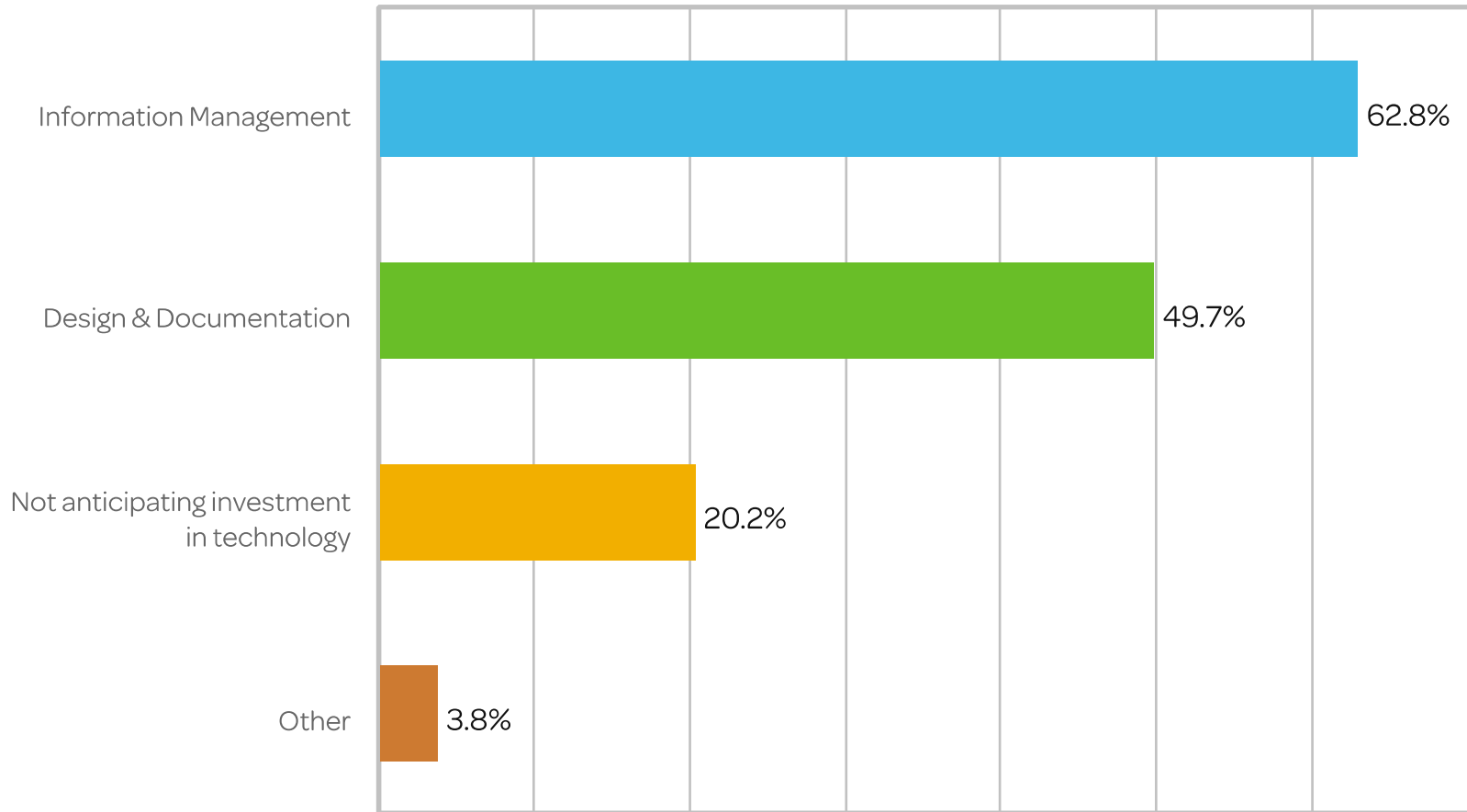
Anticipated work in rehab/retrofit for Green Building principles



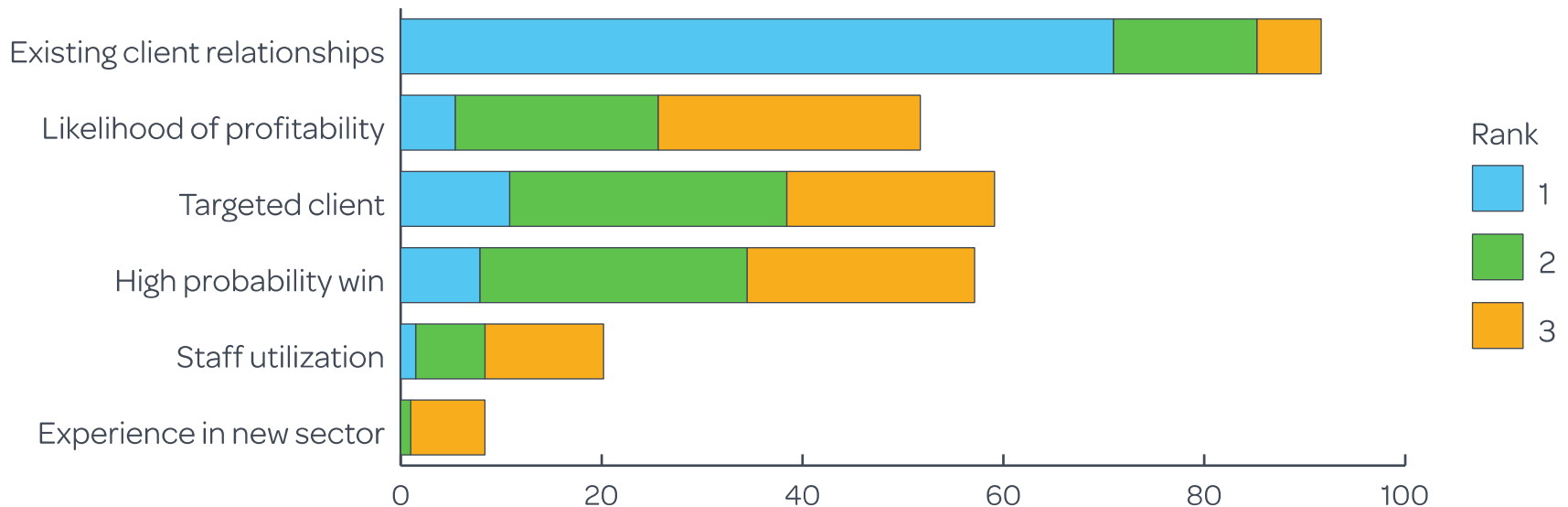
Importance of international business in the next 18 months



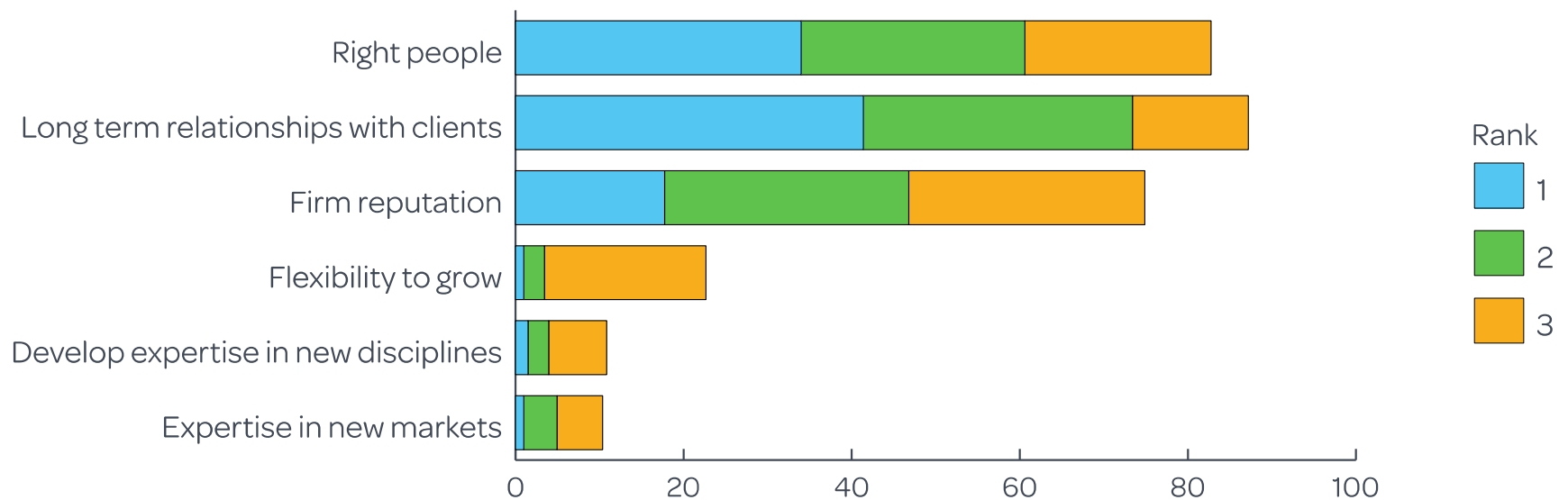
Technology Investments



Go/No-Go: Factors influencing whether to propose on a project



Firm Success Factors



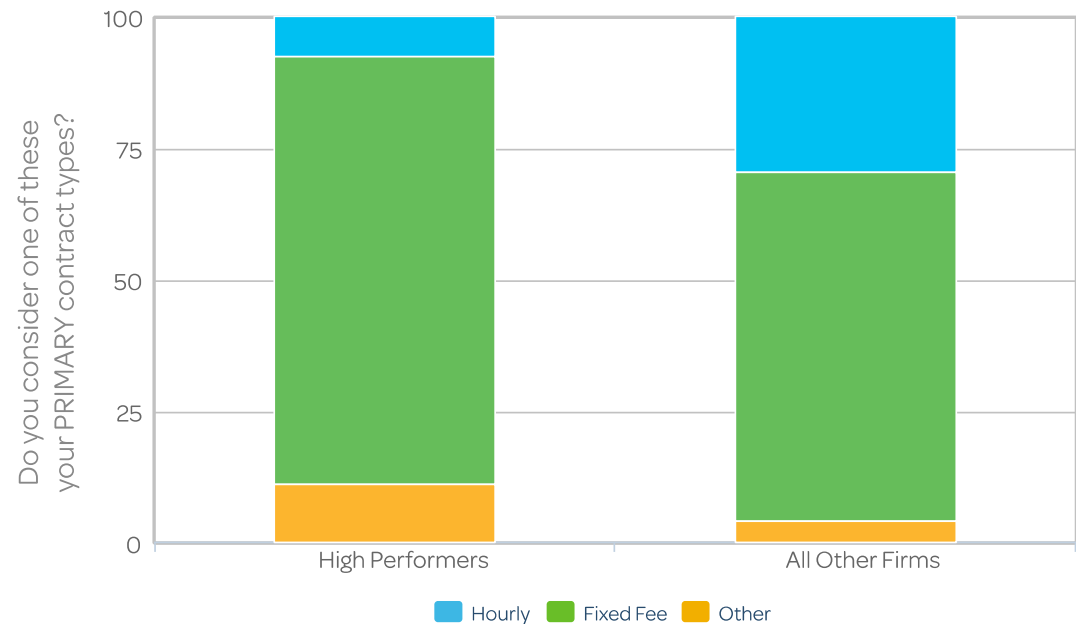
Inside High Performing A&E Firms

High Performers – Key Metrics

Performance Metric	High Performers	All Other Firms
Operating Profit	25.0%	8.4%
Net Labor Multiplier	3.43	2.86
Utilization Rate	60.4%	59.5%
Overhead Rate	161.8%	161.2%
Net Revenue Per Employee	\$144,133	\$116,888

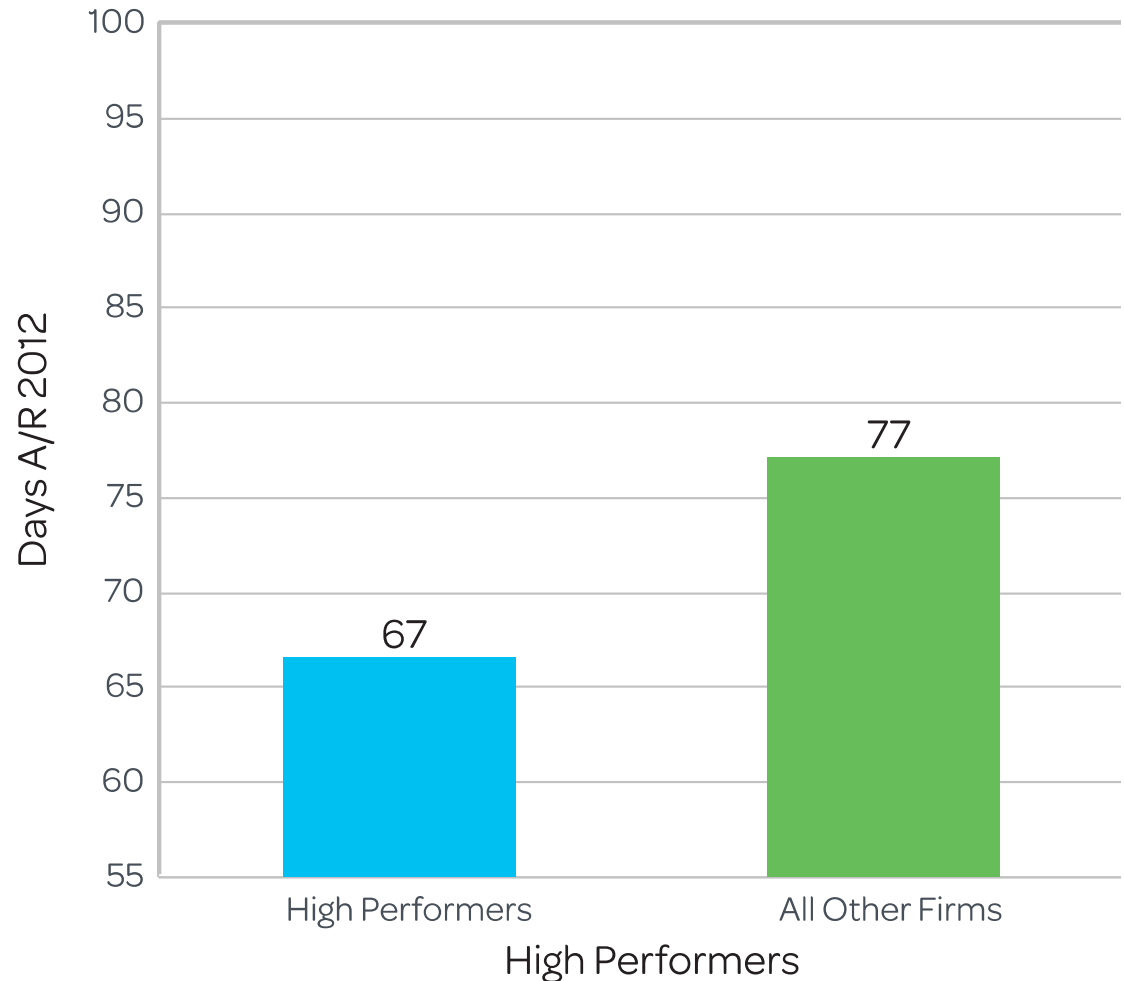
Contract Types

- Top performers negotiate mostly Fixed Fee contracts that have higher risk and higher reward.
- Then by managing projects effectively they earn higher rewards.



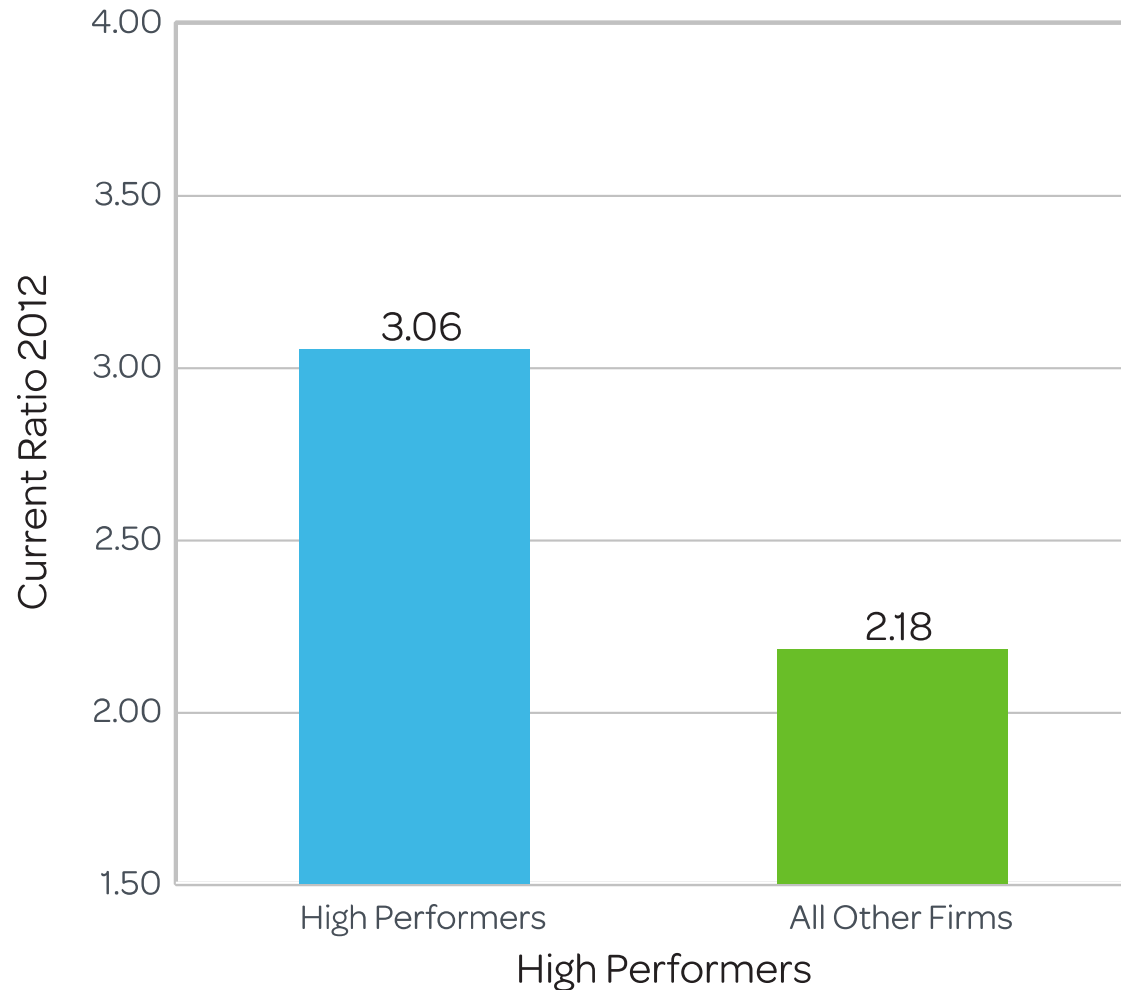
A/R Collections

- High performers manage their A/R and cash flow more effectively.
- Higher client satisfaction?



Current Ratio

- High Performers have stronger balance sheets, based on high profitability.
- They are in a better position to aggressively pursue new opportunities, including new projects, new people, and new markets.



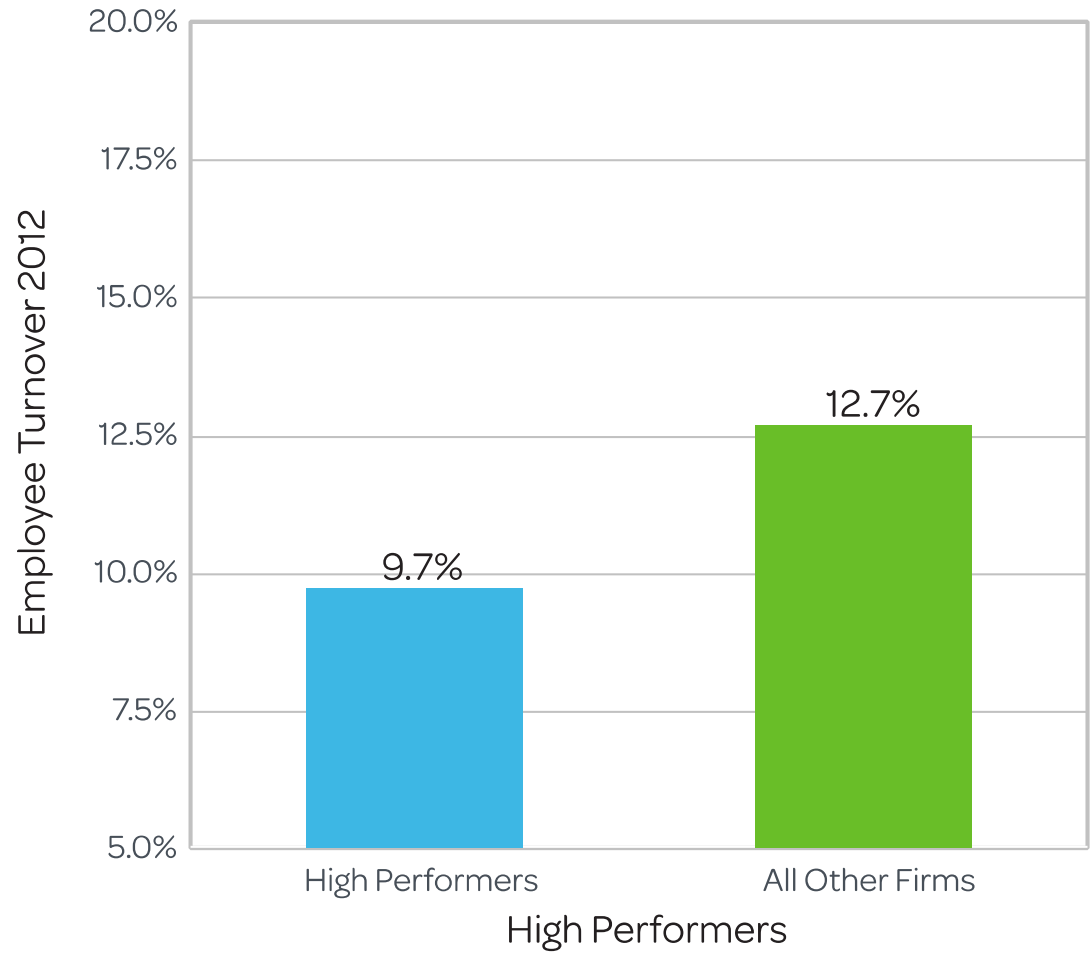
Staff Bonuses

- High performers reward their staff for their contribution to financial success.
- Not all about the money, but where would you rather work?



Employee Turnover

- High Performing firms do better at holding onto their people.
- Turnover is costly in lost productivity, management time, wasted training dollars, recruiting fees, and more.



Benchmark your A&E firm against the High Performers

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Clarity A/E Benchmark

Welcome to Deltek's Architecture and Engineering (A/E) Online Benchmark tool. We have developed this tool as a service to Architecture and Engineering firms to compare the operations of your firm with other firms in the industry.

Please enter the following information using your firm's operating data. After entering the required information, hit the Submit button to view comparison results for your firm.

Company Name:	<input type="text"/>	*
First Name:	<input type="text"/>	*
Last Name:	<input type="text"/>	*
Email:	<input type="text"/>	*
Title:	<input type="text"/>	*
Phone:	<input type="text"/>	*
What is your Net Profit Before Tax (as % of Total Revenues)?	<input type="text"/>	%*
What is your firm's Net Multiplier (Net Revenue / Direct Labor)?	<input type="text"/>	*
What is your firm's Marketing Expense (as % of Total Revenues)?	<input type="text"/>	%*
What is your firm's Average Number of Days from Completion of Project to Invoicing?	<input type="text"/>	*
What is your firm's Average Number of Days from Invoicing to Collection (Days Sales Outstanding)?	<input type="text"/>	*



Questions?

Thank you for your time

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