

NAICS : Medium Business Sample  
 Industry :

Number of firms in the group (1)	Quartile Boundary (2)			Median	
	Better	Average	Worse	Firms \$10 million to \$25 million	Firms \$5 million to \$10 million
2005	30	Q3	Q2	Q1	
2004	24	75%	50%	25%	
2003	21				

## Financial Ratios

### Profitability (percentages)

Net profit margin	2005	9.0	5.9	2.0	6.0	5.8
	2004	8.6	5.8	0.7	7.2	4.5
	2003	7.3	5.1	0.5	6.8	3.6
Pretax profit margin	2005	12.6	8.2	2.3	8.3	8.0
	2004	12.4	8.5	0.9	10.3	6.4
	2003	10.4	7.8	0.5	9.9	4.8
Operating profit margin	2005	12.6	8.6	3.0	9.5	8.2
	2004	13.5	9.0	1.9	10.8	8.4
	2003	11.6	9.0	1.5	10.6	6.8
Gross profit margin	2005	39.1	30.1	21.1	32.1	27.0
	2004	37.1	27.3	17.6	29.9	25.3
	2003	36.1	29.0	19.5	30.1	27.2
Operating revenue to net operating assets	2005	304.9	231.6	166.8	163.4	249.7
	2004	315.6	255.7	164.9	213.0	255.7
	2003	286.9	242.2	181.3	185.1	246.6
Return on net operating assets	2005	29.3	18.4	7.7	16.8	20.1
	2004	44.9	20.0	7.0	20.1	20.0
	2003	26.8	17.9	7.6	21.3	14.4
Pretax profit to assets	2005	20.4	12.3	3.2	11.8	12.8
	2004	25.0	11.3	2.3	14.3	8.6
	2003	18.0	9.6	1.0	17.2	7.3
Return on capital employed	2005	20.1	13.6	6.7	13.6	12.8
	2004	30.2	14.3	6.3	16.2	13.6
	2003	19.1	11.6	7.0	16.0	10.1
Return on equity (3)	2005	26.1	20.0	7.2	20.0	20.5
	2004	42.1	17.0	8.2	32.0	13.0
	2003	27.9	14.3	6.8	31.6	11.3

(1) The number of firms in the group shown represents the number of firms used to produce the ratios.

(2) Quartiles are a measure of the distribution of ratios in the group. Ratios are ranked from the best to worst. There are three quartile boundaries shown: Q3, Q2 and Q1.

Q3 - 75% is the best of the three, 75% of the ratios are worse than this value.

Q2 - 50% is the middle point (median), 50% of the ratios are worse than this value.

Q1 - 25% is the worst of the three, 25% of the ratios are worse than this value.

(3) Firms with zero or negative equity are excluded from the "Return on Equity" and "Debt to equity" ratios.

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### Efficiency (ratios)

Receivable turnover	2005	11.0	6.3	4.3	5.6	6.6
	2004	7.9	5.7	4.9	6.2	5.3
	2003	7.5	5.7	4.4	5.6	5.7
Inventory turnover	2005	9.4	6.0	4.0	7.9	5.9
	2004	9.5	5.3	3.8	6.2	5.2
	2003	10.3	5.5	3.6	5.5	5.2

### Liquidity/Solvency (ratios)

Working capital	2005	2.7	1.7	1.2	1.5	1.8
	2004	2.3	1.7	1.1	1.6	1.7
	2003	2.3	1.8	1.4	1.7	1.8
Debt to equity (3)	2005	0.1	0.4	0.9	0.3	0.4
	2004	0.3	0.5	1.6	0.5	0.5
	2003	0.4	0.6	1.2	0.9	0.6
Liabilities to assets	2005	0.3	0.5	0.7	0.5	0.5
	2004	0.5	0.5	0.8	0.5	0.5
	2003	0.4	0.6	0.6	0.6	0.6
Interest coverage	2005	32.1	7.8	3.1	7.4	7.8
	2004	28.8	7.6	1.8	8.7	6.5
	2003	20.4	5.0	1.4	...	3.9

Sales - year over year % change	2002 to 2003	8.9
	2003 to 2004	12.4
	2004 to 2005	8.3

Percentage of firms with profits	2005	2004	2003
Percentage of firms with operating profit	97	92	86
Percentage of firms with pretax profit	94	92	86
Percentage of firms with net profit	94	92	86
Percentage of firms with zero or negative equity (3)	6	4	...

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**Balance Sheet Structure (for a typical firm)**

	2005	2004	2003
	%	%	%
<b>Assets</b>			
Cash	6.1	5.7	4.5
Accounts receivable	23.0	25.5	24.4
Inventory	18.9	22.8	20.9
Capital assets	40.2	40.6	39.3
Other assets	5.4	3.1	1.8
<b>Total operating assets</b>	<b>93.6</b>	<b>97.7</b>	<b>90.9</b>
Investments and accounts with affiliates	1.8	1.5	3.0
Portfolio investments and loans with non-affiliates	4.6	0.9	6.2
<b>Total assets</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
<b>Liabilities</b>			
Accounts payable	17.0	19.6	18.8
Borrowing:			
Banks	11.5	14.4	15.8
Short term paper	...	...	...
Mortgages	3.7	3.8	2.9
Bonds	...	...	...
Other loans	3.0	4.9	1.3
Amount owing to affiliates	10.6	10.1	10.6
Other liabilities	5.7	4.6	4.0
Deferred income tax	2.3	2.2	2.2
<b>Total liabilities</b>	<b>53.8</b>	<b>59.6</b>	<b>55.7</b>
<b>Shareholders' equity</b>			
Share capital	9.4	5.0	8.8
Retained earnings	36.6	34.5	34.6
Other surplus	0.1	0.9	1.0
<b>Total shareholders' equity</b>	<b>46.2</b>	<b>40.4</b>	<b>44.3</b>
<b>Total liabilities and shareholders' equity</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
Current assets - % of total assets	53.0	56.1	51.7
Current liabilities - % of total assets	34.7	39.2	35.7

## Financial Ratios Definitions

The indicators are designed to serve as financial performance benchmarks against which individual firms and industries can be compared. It allows firms to precisely position themselves within their peer group.

The data used are collected at the Business Number (BN) or legal entity level.

The ratios in the tables are not based on industry aggregate financial statements. They are based on the ratios derived from the financial statement of individual firms. The firms' ratios in each group are ranked from the highest to the lowest ratio. The quartile and median boundaries are computed from this distribution. The statistical tables display ratios at the quartile and median boundaries.

Each financial ratio is ranked from highest to lowest. The typical ratio is the median (M), or the ratio in the middle of the ranking.

### Net profit margin

This ratio measures the end result of operations for the year. It is an after-tax profit that is available to the owners of a business. Net profit margin is sometimes referred to as "net return on sales", because it is expressed as a percentage of sales. It tells how many cents of a revenue dollar remain in the net earnings after all expense deductions. It is a reflection of a firm's management ability to control the level of costs or expenses relative to sales revenue.

**Net profit margin:** 
$$\frac{\text{net profit}}{\text{total operating revenue}}$$

### Pretax profit margin

This ratio measures the results of operations for the year before taking into account income tax expense. It indicates how many cents of a revenue dollar remain in earnings after all expenses, except income tax expense, are deducted. The ratio is expressed as a percentage of operating revenue.

**Pretax profit margin:** 
$$\frac{\text{pretax profit}}{\text{total operating revenue}}$$

## Operating profit margin

Operating profit is the net result of the principal business activities of a firm. This profit is before taking into account interest expense, investment income, non-recurring losses from the write-down of assets, gains or losses realized on the disposal of assets, and income tax expense. This ratio indicates management's ability to generate earnings from the principal business activities of a firm. The ratio is expressed as a percentage of operating revenue.

$$\text{Operating profit margin:} \quad \frac{\text{operating profit}}{\text{total operating revenue}}$$

## Gross profit margin

Gross profit is the excess of sales over cost of sales. Gross profit margin is expressed as a percentage of sales. This ratio indicates the efficiency of management in turning over the firm's goods and services at a profit, by measuring the gross profit generated by each dollar of sales. For retailers and wholesalers, the cost of sales represents the cost of goods purchased for resale. For other types of businesses, such as manufacturers, it represents the direct costs of producing the goods or services sold.

$$\text{Gross profit margin:} \quad \frac{\text{gross profit}}{\text{sales of goods \& services}}$$

## Operating revenue to net operating assets

The net operating assets turnover ratio measures how efficiently a firm has used its net operating assets (current assets, capital assets, other assets, less accounts payable and other current liabilities) to generate operating revenue. It provides a basis for assessing a firm's ability to generate revenue from a particular level of investment in assets. The ratio expresses operating revenue as a percentage of net operating assets.

**Operating revenue to net operating assets:**

$$\frac{\text{total operating revenue}}{\text{total operating assets - accounts payable \& other current liabilities}}$$

## Return on net operating assets

This ratio provides a measure of the profitability from operations. It tells how many cents of operating profit are generated to every dollar of net operating assets.

**Return on net operating assets:**

$$\frac{\text{operating profit}}{\text{total operating assets - accounts payable and other current liabilities}}$$

## Pretax profit to assets

This ratio indicates how many of cents of pretax profits are earned per dollar of total assets. Pretax profit is the excess of operating and other revenue over operating and non-operating expenses before accounting for income tax on profits.

**Pretax profit to assets:**

$$\frac{\text{pretax profit or (loss)}}{\text{total assets}}$$

## Return on capital employed

This ratio measures profitability and how well management has employed the assets, by calculating the percentage return on total capital provided by the owners and lenders (creditors). The earnings figure is before taking into account interest expense (payments to lenders) and dividends (payments to owners). The ratio indicates how many cents are returned to every dollar of capital invested.

**Return on capital employed:**

$$\frac{\text{net profit + interest expense}}{\text{short-term loans + long-term loans and debt +shareholders' equity}}$$

## Return on equity

This ratio measures the level of return to the owners (investors) and it represents their measure of profitability. The earnings figure is the after-tax profits, including a deduction for interest expense (payments to lenders). It is the net profit available to the owners (investors). The ratio indicates how many cents are returned to every dollar invested by the owners.

**Return on equity:**

$$\frac{\text{net profit}}{\text{shareholders' equity}}$$

## Receivable turnover

This ratio provides a measure of the quality and relative size of accounts receivable. It indicates the effectiveness of a firm's credit policy by calculating how often accounts receivable are converted into cash during the year. The ratio divides the outstanding receivables figure at year-end into the year's sales.

$$\text{Receivable turnover:} \quad \frac{\text{sales of goods \& services}}{\text{accounts receivable}}$$

## Inventory turnover

This ratio is a measure of the adequacy of inventory for the volume of business and how efficiently management turns over the inventory in relation to other firms in the industry. The ratio divides the year-end inventory into the cost of sales for the year.

$$\text{Inventory turnover:} \quad \frac{\text{cost of sales}}{\text{inventory}}$$

## Working capital

This ratio examines the relationship of current assets to current liabilities. It measures the ability to pay short-term debts easily when they become due.

$$\text{Working capital:} \quad \frac{\text{current assets}}{\text{current liabilities}}$$

## Debt to equity

This ratio examines the relationship of debt (loans, bonds, debentures) to shareholders' equity. It compares the relative size of debt to resources invested by the owners. It indicates the extent to which a firm relies on borrowed funds to finance its operations. Firms that rely heavily on borrowed funds are said to be highly leveraged.

$$\text{Debt to equity:} \quad \frac{\text{short-term loans + long-term loans and debt}}{\text{shareholders' equity}}$$

## Liabilities to assets

This ratio indicates the relationship of liabilities to assets. It tells what portion of the assets are financed by debt and other liabilities.

$$\text{Liabilities to assets:} \quad \frac{\text{total liabilities}}{\text{total assets}}$$

## Interest coverage

This ratio measures the ability to pay interest charges on debt and to protect creditors from interest payment default. The ratio indicates the number of dollars of earnings available to pay interest for every dollar of interest expense incurred.

$$\text{Interest coverage:} \quad \frac{\text{pretax profit} + \text{interest expense}}{\text{interest expense}}$$

## Sales - year over year % change

This ratio measures the growth rate for a matched group of firms in each industry. It is based on firms that are found in the database for both the current year and the previous year. Firms with percentage changes of over 100% are filtered out of the industry calculation.

$$\text{Sales: annual growth rate:} \quad \frac{\text{Sales current year} - \text{Sales previous year}}{\text{Sales previous year}}$$

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