

Executive Summary

SGIA conducted its second quarter industry survey in May 2019. The goal of the survey was to look at the industry's financial performance. A total of 443 respondents participated in the survey. The following report is based on the responses of 79 suppliers and manufacturers.

The majority of participants are North American companies, with 69.6% U.S. and 5.1% Canadian companies, while 25.3% are internationally based. At least four out of five companies (81.0%) serve more than one printing industry segment. The most popular is graphic and sign production (73.4%), followed by commercial printing (55.7%), functional printing (54.4%), packaging/converting (51.9%) and apparel decoration (34.2%). More than half of the respondents (52.2%) are suppliers/distributors and 47.7% are manufacturers. Companies serve various geographical regions, from local (51.3%) and regional (55.3%), to national (63.2%) and international (61.8%). More than half (55.3%) cover more than one geographic area. At least two out of three companies (68.4%) have been in business for more than 20 years. Nearly half of the companies (44.8%) are small with fewer than 20 employees, and about one-third (31.6%) are large companies with 100 employees or more.

About two out of three companies (65.2%) had increases in sales, and the median percentage of growth was 10%. For more than half (61.5%), the rate of sales growth has been between 10% and 30%, while about a third indicated growth at less than 10%. The main driving forces behind sales increases are new products and services (71.1%), devoting more resources to sales (55.3%) and marketing more effectively (50.0%).

The pretax profitability didn't change for at least half of the companies (51.0%), and slightly more than one-third (36.7%) had profitability increasing, which is lower than the sales side. The majority had reported a profit margin of 9% or

higher. According to 81.0% of respondents, the main driver of profits is sales growth. More profitable work (42.9%) and strength of the current markets (42.9%) are also important. When asked about the main obstacles to profitability, the companies had different opinions, but about half of them indicated the rising costs of materials, supplies and inputs (46.5%); 37.2% found it challenging to develop new markets; and around one-third mentioned lack of sales (32.6%), rising wages (30.2%) and increased tariffs (30.2%).

The average number of days of sales outstanding is 34. This number is slightly higher than the standard credit terms of 30 days or less identified by the majority of respondents (84.2%). Sales outstanding cycles are getting shorter for 13.2% of the respondents, and more than half (52.6%) didn't notice any change. For 5.3% of the respondents, there were no 2018 account receivables past due as of April 1, 2019, and more than half (55.3%) had no more than 10%. Slightly more than one-third of the companies (34.3%) had their past due receivables ranging between 10% and 30%.

In order to evaluate the companies' financial performance, their basic income statement information was collected. The first set of financial ratios was calculated. Gross margin was 27.0% while the payroll/sales ratio was 20.9%. The average sales per employee was \$270,294 and value added was \$148,072. In future research, we will be able to compare ratios for the low- and high-profit companies. We will also explore the strategies that make companies more successful and develop a checklist to help the industry become more profitable and competitive.