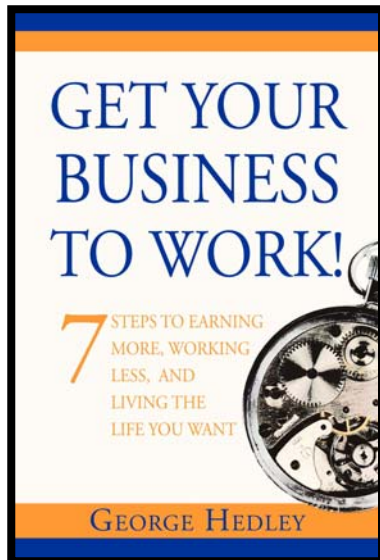




9 Necessary Numbers You Need To Know!



Presented By:

George Hedley, CSP

The Construction Business Builder



George Hedley founded & built his major commercial construction company from \$0 to \$50 million dollars in only 7 years! As recognition, George received the nationally recognized award: "Entrepreneur of the Year" by Venture magazine & Ernst & Young.

Mr. Hedley's expertise is based on real world business experience owning, leading, and managing a profitable company. He has served as President of 5 industry associations and is the author of several books including: "Everything Contractors Know About Making A Profit"; "Conversations On Leadership"; "On-Purpose...On-Target!"; and the "Business Success Blueprint" series.

To date, he has built over 250 projects valued in excess of \$500 million dollars and executed over 10,000 subcontracts. In addition, he owns and manages over 750,000 square feet of office & industrial buildings.

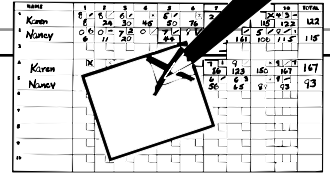
Today, along with managing his company, George owns **HARDHAT** Presentations presenting keynote speeches & workshops to companies and associations. His Business-Building Programs include topics on: *Building Leaders, Profits & Customers*. He is available to speak at your organization. He also holds 2 day in-depth 'Profit-Builder Circles' open to company owners in an interactive roundtable format.

George's speaking business is built on referrals from people like you. To receive more information on George's programs, give a referral, learn how to attend a 'Profit-Builder Circle', or sign up for his free monthly management e-newsletter, PLEASE give him your business card or visit his website at hardhatpresentations.com - *Thanks !!!*



George Hedley CSP
HARDHAT Presentations© 2009
3189-B Airway Ave.
Costa Mesa, CA 92626 USA
800-851-8553 Fax 714-437-1125
gh@hardhatpresentations.com
www.hardhatpresentations.com





Why Are You In Business?

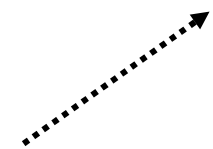
- Make A Profit
- How Much Profit?
- What's Your Focus? - *Doing Work OR Making Money*

Successful Business Owners & Managers



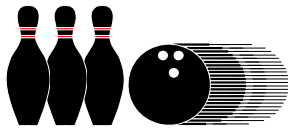
- Know What They Want
- Have A Written Plan
- Always Track & Make Progress Towards What They Want

- What's Your Plan?

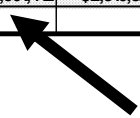


1. Know Your SALES #'s!

Overhead	\$ 1,000,000
Net Profit Goal @ 40%	\$ 500,000
Gross Profit (OH & P) Goal	\$ 1,500,000
Average OH & P Markup	15%
Average Gross Profit	_____ %
Total Sales Volume Needed	\$ 11,500,000



WORK IN PROGRESS		Month Ending: Jobs In Progress Cost Report										
HARDHAT BUILDERS												
JOB NAME	1	2	3	4	5	6	7	8	9	10	11	12
	CONTRACT AMOUNT	ESTIMATED FINAL COST	ESTIMATED FINAL PROFIT	COSTS TO DATE	(4/2) % COMPLETE	(5x3) PROFIT TO DATE	(6+4) AMT EARNED TO DATE	AMT. BILLED INCLUDING RETENTION	(8-7) BILLED IN ADVANCE	(7-8) UN-BILLED WORK	(2-4) EST. COST TO COMPLETE	(1-8) CONTRACT BALANCE
The Perfect Project	\$711,412	\$636,825	\$74,587	\$576,010	90.45%	\$67,464	\$643,474	\$675,000	\$31,526		\$60,815	\$36,412
Project #2	\$450,000	\$420,000	\$30,000	\$210,000	50.00%	\$15,000	\$225,000	\$240,000	\$15,000		\$210,000	\$210,000
Project #3	\$600,000	\$510,000	\$90,000	\$400,000	78.43%	\$70,588	\$470,588	\$450,000		\$20,588	\$110,000	\$150,000
Project #4	\$800,000	\$750,000	\$50,000	\$200,000	26.67%	\$13,333	\$213,333	\$175,000		\$38,333	\$550,000	\$625,000
TOTALS	\$2,561,412	\$2,316,825	\$244,587	\$1,386,010		\$166,386	\$1,552,396	\$1,540,000	\$46,526	\$58,922	\$930,815	\$1,021,412



George Hedley CSP
 HARDHAT Presentations© 2009
 3189-B Airway Ave.
 Costa Mesa, CA 92626 USA
 800-851-8553 Fax 714-437-1125
 gh@hardhatpresentations.com
 www.hardhatpresentations.com





2. Know Your OVERHEAD #'s!

Fixed Cost Of Doing Business

Do You Know Your?



Return On Overhead Goal

25% to 50% ROOH

OH \$ 1,000,000
 ROOH 50%
 Profit Goal \$ 500,000

Accurate OVERHEAD EXPENSES

General & Administrative Expenses

OPERATING FIXED EXPENSES	Monthly Budget	Annual Budget
Salaries & Benefits		
• President / Owner (Non Job Charged)	\$ 10,000	\$ 120,000
• Office Staff (Non Job Charged)	\$ 35,000	\$ 420,000
• Labor Burden For Overhead <u>Only!</u>	\$ 11,250	\$ 135,000
Vehicles (Non Job Charged)	\$ 1,500	\$ 18,000
Facility, Rent & Utilities	\$ 5,000	\$ 60,000
Office Supplies & Equipment	\$ 3,000	\$ 36,000
Telephone, Communications & Postage	\$ 1,500	\$ 18,000
Internet, Website & Computers	\$ 2,000	\$ 24,000
Estimating & Bid Expenses	\$ 1,000	\$ 12,000
Marketing & Promotion	\$ 2,500	\$ 30,000
Insurance (Non Job Charged)	\$ 4,000	\$ 48,000
Interest & Banking	\$ 500	\$ 6,000
Professional, Legal & Accounting	\$ 2,000	\$ 24,000
Service, Closed Job & Warranty	\$ 2,500	\$ 30,000
Miscellaneous	\$ 1,583	\$ 19,000
Total Overhead	\$ 83,333	\$ 1,000,000

3. Know Your PROFIT #'s!

PROFIT = Financial Gain Or Return On Capital Or Equity
 = Amount Remaining After All Direct & Indirect Costs

- Profit Is NOT _____ Compensation

= Reward For Taking Business _____ !

Our Annual Gross Profit Goal = \$ _____

Our Annual Net Profit Goal = \$ _____



The Low Bidder

What's Our Profit Strategy?

GROSS PROFIT = Overhead + Profit / _____ = 13%

MARK-UP = Overhead + Profit / _____ = 15%

SALES To Hit Annual OH + P Goals = OH + P / GP % = \$11,500,000

- The Right MARK-UP?

- How Do You Determine Your Mark-Up?

- The Right RETURN?



George Hedley CSP
 HARDHAT Presentations© 2009
 3189-B Airway Ave.
 Costa Mesa, CA 92626 USA
 800-851-8553 Fax 714-437-1125
 gh@hardhatpresentations.com
 www.hardhatpresentations.com





Profit #'s continued

COMPLETED CONTRACTS						Completed Projects			
Start Date	Job Name	PM	Supt	Fore	Contract \$\$	Markup BID %	Markup FINAL %	Gross Profit FINAL	Actual TOTAL OH & P
2/12	Project A	JP	BD	HG	\$ 500,000	15.0%	13.0 %	11.5 %	\$ 57,000
4/17	Project B	PS	CT	MK	\$ 600,000	12.0%	10.0 %	9.1 %	\$ 55,000
6/21	Project C	FV	WR	PL	\$ 400,000	17.0%	18.0 %	15.2 %	\$ 61,000
8/13	Project D	JP	PF	SD	\$ 300,000	18.0%	20.0 %	16.7 %	\$ 50,000
9/14	Project E	PS	MN	CF	\$ 700,000	10.0%	9.0 %	17.0 %	\$ 102,000
Total					\$ 2,500,000	15.5%	15.0%	13.0%	\$ 325,000

Our Sales Goal: \$ _____ Our Average OH & P Markup % _____ %

Our Overhead Nut: \$ _____ Our Average Gross Profit % _____ %

Our Net Profit Goal: \$ _____ Our Break-Even Sales \$ _____



Our Average Final	Mark-Up %
• Project Type	_____ %
• Project Size	_____ %
• Project Location	_____ %
• Contract Type	_____ %
• Customer Type	_____ %
• Average Mark-Up	_____ %
• We Expect To Make Next 12 Months:	_____ %

BALANCE SHEET	
Financial Statement For Year Ending _____	
CURRENT ASSETS	
Cash In Bank	\$ 250,000
Accounts Receivable	
• Regular	\$ 2,500,000
• Retention	\$ 500,000
Un-Billed Work In Progress	200,000**
Total Current Assets	\$ 3,200,000
Long Term Assets	
Property & Equipment	\$ 400,000
Other Non Current Assets	\$ 0
TOTAL ASSETS	\$ 3,600,000
CURRENT LIABILITIES	
Accounts Payable	
• Current	\$ 1,150,000
• Retention	\$ 400,000
Receivables - Billed In Advance	\$ 250,000**
Total Current Liabilities	\$ 1,800,000
Long Term Liabilities & Debt	
Line of Credit Drawn	\$ 100,000
Equipment	\$ 300,000
TOTAL LIABILITIES	\$ 2,200,000
STOCKHOLDER'S EQUITY / Capital	
Initial Capital / Cash / Common Stock	\$ 200,000
Retained Earnings	\$ 1,400,000
TOTAL EQUITY (Net Worth)	\$ 1,600,000

4. Know Your EQUITY #'s!



Assets
- Liabilities
= Equity / Net Worth / Capital

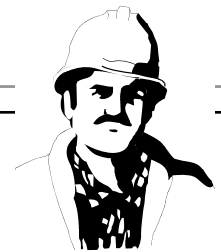
Return On Equity Goal 15% to 25% ROE

Equity	\$ 1,600,000
ROE	25%
Profit Goal	\$ 400,000



George Hedley CSP
 HARDHAT Presentations© 2009
 3189-B Airway Ave.
 Costa Mesa, CA 92626 USA
 800-851-8553 Fax 714-437-1125
 gh@hardhatpresentations.com
 www.hardhatpresentations.com





5. Know Your JOB COST #'s!

Accurate & Actual

CONSOLIDATED COST REPORT - CCR												
CONTRACTOR		HARDHAT BUILDERS			TO BE COMPLETED MONTHLY						FILE: hhp ccr w ip Job Cost	
PROJECT		THE PERFECT PROJECT			MONTH:							
COST CODE	DESCRIPTION	SUBCONTRACTOR	ORIGINAL BUDGET	CHANGE ORDERS	REVISED BUDGET	ORIGINAL	SUB	REVISED	NON	NON	ESTIMATED	VARIANCE
						SUB CONTRACT	CHANGE ORDERS	SUB CONTRACT	COST TO DATE	COST TO COMPLETE	FINAL COST	
101	SUPERVISION	HARDHAT BUILDERS	20,000	400	20,400				10,000	10,000	20,000	(400)
102	PROJECT MGMT	HARDHAT BUILDERS	10,000		10,000				5,000	5,200	10,200	200
120	TEMPORARY	HARDHAT BUILDERS	10,000		10,000				5,000	4,700	9,700	(300)
220	EARTHWORK	SMITH GRADING	50,000	21,500	71,500	49,000	21,500	70,500		250	70,750	(750)
340	CONCRETE LABOR	HARDHAT BUILDERS	50,000		50,000				30,000	21,000	51,000	1,000
340	CONCRETE MATL	HARDHAT BUILDERS	80,000		80,000				50,000	29,000	79,000	(1,000)
340	CONCRETE EQUIPT	HARDHAT BUILDERS	20,000		20,000				10,000	10,500	20,500	500
510	STEEL	EZ STEEL CO	130,000		130,000	125,000		125,000	1,000	1,250	127,250	(2,750)
750	ROOFING	HOT ROOFING CO	40,000		40,000	40,000		40,000			40,000	-
910	PLASTER	AC PLASTERING	70,000	800	70,800	66,000	800	66,800			66,800	(4,000)
1540	PLUMBING	UG PLUMBING CO	45,000		45,000	43,000		43,000			43,000	(2,000)
1600	ELECTRICAL	ACE ELECTRIC	90,000	175	90,175	88,000	175	88,175		200	88,375	(1,800)
			615,000	22,875	637,875	411,000	22,475	433,475	111,000	82,100	626,575	(11,300)
2002	INSURANCE		10,000	250	10,250						10,250	-
2000	PROFIT		61,000	2,287	63,287						74,587	11,300
	TOTALS		686,000	25,412	711,412	411,000	22,475	433,475	111,000	82,100	711,412	-

Labor Cost Foreman

BASE PAY Per Hour \$30.00

Taxes - FICA	8.0%	\$ 2.40
- SUTA/FUTA	3.2%	\$.96
W.C. Insurance	10.0%	\$ 3.00
Health Insurance	5.7%	\$ 1.71
Dental Insurance	0.0%	\$ 0.00
Life Insurance	0.0%	\$ 0.00
Liability Insurance	0.0%	\$ 0.00
Vacation	1.8%	\$.54
Union Dues	0.0%	\$ 0.00
Un-Billable	1.5%	\$.45
Small Tools	1.0%	\$.30
Overtime	2.5%	\$.75
Training @ 1 Hr / Wk	2.5%	\$.75
Safety	0.5%	\$.15
P / PS / 401K	1.0%	\$.30

TOTAL BURDEN **37.7%** \$ 11.31

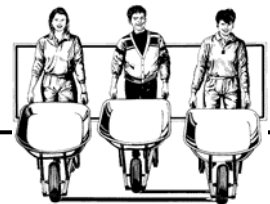
TOTAL COST **\$ 41.31 / Hr.**



Crew LABOR Cost

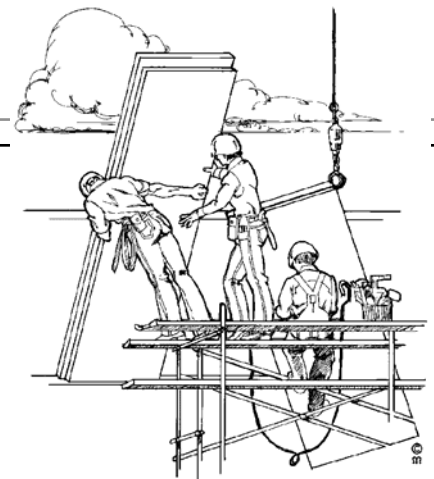
Build Your Crews for Each Estimate:

Foreman	\$ 41.31
Journeyman	\$ 34.42
Journeyman	\$ 34.42
Apprentice	\$ 24.78
Apprentice	\$ 24.78
5 Person Crew / Hour	\$ 159.71 / Hr
SUPT. @ 20% @ \$48.19/Hr =	\$ 9.64 / Hr
Subtotal Crew Cost	\$ 169.35 / Hr
DOWNTIME FACTOR	+ 10 %
Total Actual Crew Cost	\$ 186.28 / Hr
Crew Size	5
Average Crew Cost (Bid Rate)	= \$37.25 / Hr



George Hedley CSP
 HARDHAT Presentations© 2009
 3189-B Airway Ave.
 Costa Mesa, CA 92626 USA
 800-851-8553 Fax 714-437-1125
 gh@hardhatpresentations.com
 www.hardhatpresentations.com





JOB COST #'s *continued*



Equipment Cost

PICKUP TRUCK - Assume Life Of 4 Years

Purchase Cost	\$ 40,000
Interest & Finance	\$ 10,000
Insurance	\$ 8,000
Maintenance & Tires @ \$2,500 / Year	\$ 10,000
Gas - 25,000 Miles/Yr x 4 Yrs @ 15 MPG @ \$3.00/Gallon	<u>\$ 20,000</u>
TOTAL COST Over 4 Years	\$ 88,000

BILLABLE Hours Per Year	=	2,000 Hrs
Equipment LIFE	X =	4 Yrs
Total BILLABLE Hours Over Equipment Life =		8,000 Hrs

COST / Hour @ 2,000 Billable Hrs / Yr: \$ 11.00 / Hr.

COST / Hour @ 1,000 Hrs Billable / Yr \$ _____ / Hr.

COST / Hour @ 500 Hrs Billable / Yr \$ _____ / Hr.

Total CREW Cost Per Day

Field Crew Labor	\$ 186.28 / Hour
Pickup Truck	\$ 11.00 / Hour
Small Tools	\$ 5.00 / Hour
Misc. Equipment	\$ 15.00 / Hour
Misc. Costs	<u>\$ 10.00 / Hour</u>
Total Cost	\$ 227.28 / Hr
Total Cost	\$ 1,826.24 / Day

PLUS OH & P Markup _____%

Total Cost / Day \$ _____

Total Cost / Hr \$ _____

6. Know Your RECEIVABLES #'s!



- Make Collecting \$\$\$ A Priority

- Don't Be A **WIMP** !!!

Weekly Accounts Receivable Aging

Accounts	Current Due	30 Days	60 - 90 Days	Retention
Project #1	\$ 70,000	\$ 35,000		\$ 15,000
Project #2	\$ 45,000	\$ 50,000		\$ 25,000
Project #3	\$ 65,000			\$ 55,000
Total Due	\$ 180,000	\$ 85,000	\$ 000	\$ 57,500



George Hedley CSP
 HARDHAT Presentations© 2009
 3189-B Airway Ave.
 Costa Mesa, CA 92626 USA
 800-851-8553 Fax 714-437-1125
 gh@hardhatpresentations.com
 www.hardhatpresentations.com





7. Know Your CASH #'s!



- Cash Flow Is KEY!

Weekly Cash Report Date: _____

CASH Balances	
- Checking	\$ 250,000
- Payroll Account	\$ 50,000
- Savings & Liquid Investments	\$ 0
TOTAL CASH Available	\$ 250,000

LESS

Current Accounts Payable Due:

- Payroll	\$ 50,000
- Overhead Payables	\$ 20,000

PLUS Potential Receivables - \$ 0

NET CASH AVAILABLE \$ 180,000

DEBT

- Line of Credit Available	\$ 500,000
- Line of Credit Drawn	\$ 100,000
- Other Loans:	\$ 300,000

SAVINGS & INVESTMENTS \$ 0

PAYROLL # People

- Office	10	\$ 10,000
- Field	30	\$ 30,000

8. Know Your BID-HIT RATIO #'s!



BID-HIT RATIO By Customer

Customers	# Bids	# Hits	Bid/Hit
Cust 1	12	4	3 : 1
Cust 2	15	5	3 : 1
Cust 3	8	1	8 : 1
Cust 4	21	3	7 : 1
Others	69	12	6 : 1

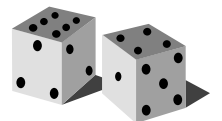
Total	125	25	5 : 1

BID-HIT RATIO Total # Jobs Bid To # Hit

Bid Date	Job Bidding	Bid \$\$\$\$\$	% Markup	# Competitors	Sub Bid Coverage	Results
4/2	A	500,000	12.0%	6	2.5	5th
4/7	B	600,000	11.0%	3	3.2	3rd
4/12	C	400,000	12.5%	4	2.9	4th
4/22	D	900,000	8.5%	5	4.2	1st
4/27	E	800,000	9.5%	4	3.8	2nd
APRIL		\$3,200,000				5 : 1



George Hedley CSP
 HARDHAT Presentations© 2009
 3189-B Airway Ave.
 Costa Mesa, CA 92626 USA
 800-851-8553 Fax 714-437-1125
 gh@hardhatpresentations.com
 www.hardhatpresentations.com





9. Know Your **BREAK-EVEN #'s!**

BREAK-EVEN = Recover 100% Of Your Overhead

SALES To Break-Even = Overhead / Gross Profit %



Bonus #

Know Your INVESTMENT #'s!

CASH-FLOW

PROFIT

EQUITY

WEALTH BUILDING INVESTMENTS



- Are Your Creating Wealth OR Postponing Your Future?



George Hedley CSP
HARDHAT Presentations© 2009
3189-B Airway Ave.
Costa Mesa, CA 92626 USA
800-851-8553 Fax 714-437-1125
gh@hardhatpresentations.com
www.hardhatpresentations.com





Know Your Numbers!

Know?	Numbers I Need To Know	Target	Next Year	3rd Year
	Sales Revenue Overhead Job Costs <ul style="list-style-type: none"> - Labor - Burden - Equipment - Materials - Subcontractors 			
	Net Profit			
	Assets Liability & Debts Equity <ul style="list-style-type: none"> - Working Capital - Gross Profit % - Return On Equity % - Return On Overhead % - Sales To Break-Even 			
	Cash & Investments			
	Accounts Receivables Accounts Payables			
	Contracts In Progress Completed Contracts			
	Bid OH & P Mark-Up % Actual OH & P Mark-Up %			
	Bid-Hit Ratio <ul style="list-style-type: none"> - Total # Jobs - Average Job Size - Volume & Profit Per PM / Supt / Fore 			



George Hedley CSP
HARDHAT Presentations© 2009
3189-B Airway Ave.
Costa Mesa, CA 92626 USA
800-851-8553 Fax 714-437-1125
gh@hardhatpresentations.com
www.hardhatpresentations.com





9 Necessary Numbers You Need To Know!

by George Hedley

When I ask construction business owners and managers: 'Why they're in business?' they usually answer: 'To make a profit.' Then I ask: 'How much profit do you make?' most don't really know. This tells me a majority of construction business owners and managers don't focus on what counts most: their numbers. Business owners and managers spend their time getting jobs built and then hope the bottom-line numbers work out. Often, these hard working people don't like to be bothered with the numbers and pass them off to a bookkeeper or spouse to handle, manage and worry about.

I have been a general contractor since 1977, worked with hundreds of subcontractors and presented keynote speeches and seminars to tens of thousands of construction business owners and managers. The sad truth is only one out of twenty business owners will ever become financially independent. And even worse, one out of eight construction businesses fail every year. Why? The top three reasons for failure include not enough profit, too little equity and slow collections. See the pattern? Minding the storehouse, watching the numbers, or lack of it!

Only 1 out of 5 will thrive!

You don't want a business that struggles, doesn't make enough money, or fails. I'm sure your goal isn't just to stay busy and create enough revenue to pay your bills. But this is normal in the construction business as owners focus on the wrong things everyday. If you watch 95 out of 100 general contractors, builders or subcontractors, and follow their progress for 10 to 20 years, you'll hear the same story over and over:

- They work too hard for their effort and risk.
- They never make big money.
- They never have any money leftover to invest.
- They never get out of debt.
- They can't stop working because they need the money to live on.

Out of every 100 construction business owners at age 65:

- Only 1 will be independently wealthy.
- 4 will be financially secure.
- 24 will still be working because they have to.
- 31 will be dead.
- 40 will be dead broke and need social security to make ends meet.

It seems as if business owners hope their efforts will eventually make them wealthy or give them financial freedom. But the odds they hit a jackpot, win the lottery, or inherit a fortune to create wealth are better than continuing to run their businesses the way they currently do. Construction business owners deserve better. But it takes a plan and focus on the necessary numbers that keep you headed in the right direction. The following is a list of nine necessary financial numbers you must know, track and review on an ongoing weekly and monthly basis. Even if you hate numbers!



1. Know your profit numbers!

Are you hitting your profit goals? Do you even know what your profit target is or should be? How do you determine your net profit mark-up? I conducted a survey of over 2,500 construction business owners and managers and discovered less than 40% of all companies had specific written net profit targets they shoot for. According to the Construction Financial Management Association (cfma.org), the average pre-tax net profit between 1.4 and 2.4% for general contractors is and 2.2 to 3.5% for subcontractors. To me this stinks and is not enough profit for the risk contractors take.

Contractors and subcontractors get in the rut of providing the same services as their competition to the same customers year after year. Contractors generally offer the minimum per plans and specifications and do the same scope of work as their competitors. This forces them to compete on price against other competent contractors and thus diminishes their opportunity to make a good or above average profit margin. How often do offer extra services or provide added value to your customer or project which increases your net profit margin 50%? What is your game plan for maximizing your bottom-line and getting more than the average competitive markup?

Every year, sit down with your management team and decide how much gross and net profit you want to make. To determine the number you want to hit, look at your equity or net worth in your company. Look at your projected overhead for the upcoming year. Look at the risk you take to operate your business. Then determine how much net profit you want to make in total dollars and track your progress monthly.

2. Know your equity numbers!

Equity or net worth is the actual value of your company, not including the intrinsic value. It's the sum of your total assets minus your total liabilities. It's found on the bottom of your balance sheet or financial statement. One of every construction business owner's top priorities is to grow the net worth of their company. If the company doesn't grow in value, the company can't go out and do more work, increase their bonding capacity, or grow in size. Over 80% of all construction business owners don't know what their company is worth.

Only after you know what the investment in your company is, can you then determine your return on investment goals for net profit. I recommend construction companies shoot for a minimum net profit of at least 15% return on total equity or investment. Additionally I recommend companies aim at a 25% return on equity as an excellent profit target. For example to determine your net profit goal:

Company Equity	\$400,000
Net Profit Goal @ 25%	\$100,000

3. Know your overhead numbers!

Making a net profit starts with knowing how much money you need to earn and collect to cover your fixed cost of doing business, also known as overhead. In my survey I also discovered only 30% of contractors actually know their overhead budget for the year. This is unacceptable to think business owners don't know or care what it takes to keep their company open! At the beginning of every year calculate your annual overhead expenses you anticipate spending to keep you company open and running. This number is a must know. Then track it every month to make sure your actual expenses do not exceed your overhead budget.



George Hedley CSP
HARDHAT Presentations© 2009
3189-B Airway Ave.
Costa Mesa, CA 92626 USA
800-851-8553 Fax 714-437-1125
gh@hardhatpresentations.com
www.hardhatpresentations.com





9 Necessary Numbers You Need To Know!

Another profit target I recommend contractors to aim for is return on total annual overhead. At the beginning of each year determine your annual overhead expenses you'll spend. Overhead expenses are an investment in your future, in hopes of getting a return. Subcontractors should shoot for a pre-tax net profit return on their annual overhead expenses of 20% to 40% and general contractors should shoot for 25% to 50%. For example to determine your return on overhead expenses goal:

Annual Projected Overhead	\$500,000
Net Profit Goal @ 40%	\$200,000

4. Know your sales numbers!

True or false? Only 23% of construction company owners know or track their annual sales or volume goals? Do you know your sales numbers or targets? How often do you track them and what do you do every month to keep them on target? (The answer is true.)

In the financial examples above, the company owner knows they must make a minimum of \$500,000 to recover their overhead expenses plus shoot for \$100,000 to \$200,000 net profit. This is their gross profit (overhead and profit) goal. From these numbers they can then determine how much work they need to perform at the mark-up and gross profit rate they can get in their marketplace to hit the numbers they want to achieve. Divide your total gross profit goal by the gross profit percentage you can get in the marketplace you compete to determine the volume you need in order to hit your numbers. (Note: gross profit and markup are not the same number!) An example how to calculate the sales you need at the gross profit you can get:

Overhead	\$ 500,000
Net Profit Goal @ 40%	\$ 200,000
Gross Profit (OH & P) Goal	\$ 700,000
Average OH & P Markup	25%
Average Gross Profit	20%
Total Sales Volume Needed	\$3,500,000

Now you know how much total sales you need at an attainable markup rate to achieve your numbers. Next track your sales numbers monthly to make sure you are on target to hit your annual sales, overhead and profit goals. Unfortunately, only the top 19% of contractors and subcontractors set specific overhead, profit, and sales targets for the year and then track their progress monthly. As a result, only the top contractors can make necessary adjustments to their estimating and bidding strategy, customer selection, project management and field operations as the need arises.

5. Know your job cost numbers!

Before you can bid a job, you've got to know exactly what it will cost to build. The purpose of every estimate is to create an accurate budget of what the job will cost. 81% of all contractors do not know exactly what their accurate labor and burden rate or fringes cost for each of their field employees. This creates inaccurate bids and estimates for the biggest part of any job - labor. In addition, most don't really know what their equipment costs them annually to own or how much they should charge per hour when it is used on the job.

Stop everything and sit down with your accounting manager and get an accurate accounting of what every employee and piece of equipment you own costs your annually. For your labor cost include all taxes, insurance, worker's compensation costs, health insurance, vacation, union dues, overtime, small tools, training, pension, profit sharing, and any other benefits you provide. For your equipment cost, for each piece of equipment include the purchase cost, finance and interest, payments, insurance, maintenance, tires, gas, and repairs. Now you really know what it costs for labor and equipment.

Next you must have an accounting system and software and to track your actual job costs. It should create accurate reports of what each part of your field operation and work performed costs to install by cost code or work task. From these printouts, you can verify the numbers you use for estimating new projects are accurate. If you don't know what it costs to build, it is next to impossible to ever make any money!

6. Know your contract numbers!

Top construction business owners know their contract numbers. These include closed jobs and current jobs in progress. They review how well they did on past jobs and how well they're doing on current jobs. To manage your numbers, you should have a report listing out all of your completed and current projects using the example below every month:

Completed Contracts Report

Job Name	ABC Project
Start date	June 1
Project Manager	Dave
Superintendent	Bill
Foreman	Sam
Contract amount	\$1,000,000
Bid Gross Profit Mark-Up	\$ 200,000
Actual Gross Profit	\$ 150,000

Current Projects (Work In Progress) Report

Job Name	XYZ Project
Contract Amount	\$2,000,000
Bid Gross Profit	\$ 300,000
Estimated Final Cost	\$1,650,000
Estimated Final Gross Profit	\$ 350,000
Variance	\$ 50,000
Costs To Date	\$ 825,000
Percent Complete	50%
Profit To Date	\$ 175,000
Amount Earned To Date	\$1,000,000
Amount Billed	\$ 900,000
Estimate Cost To Complete	\$ 825,000
Contract Balance	\$1,100,000

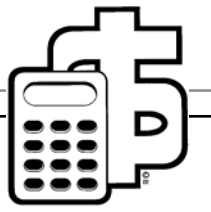
7. Know your receivable numbers!

You can't make any money unless you collect what you're owed. Doing work is fun, but putting money in the bank is even more fun! I know it isn't your favorite job to call deadbeat customers and ask for money. Stay focused on collecting what's owed by getting an updated weekly account receivable aging report every Monday to review.



George Hedley CSP
HARDHAT Presentations© 2009
3189-B Airway Ave.
Costa Mesa, CA 92626 USA
800-851-8553 Fax 714-437-1125
gh@hardhatpresentations.com
www.hardhatpresentations.com





Nine Necessary Numbers You Need To Know!

Weekly Account Receivable Aging Report

Accounts	Total Due	30 Days	60 Days	Retention
Project #1	\$ 70,000	\$35,000		\$15,000
Project #2	\$ 45,000	\$50,000		\$25,000
Project #3	\$ 65,000			\$55,000
Total Due	\$180,000	\$85,000	\$0	\$95,000

8. Know your liability numbers!

To keep your eye on the ball, you've got to know what your liabilities and debt include. Create a report listing out all of your debts, liabilities and large balloon or one time payments due in the near future.

Liability & Debt Report

	Amount	Payments	Terms	Due Date
Line of Credit				
Line of Credit Drawn				
Other Credit Loans:				
Equipment Loans				
Future Tax Payments				
Real Estate Loans				

9. Know your cash numbers!

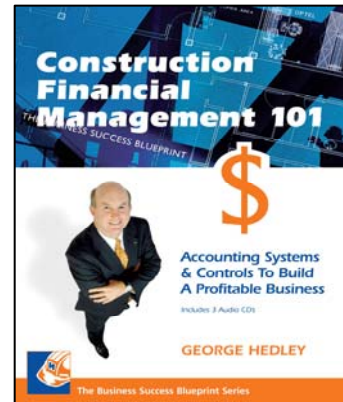
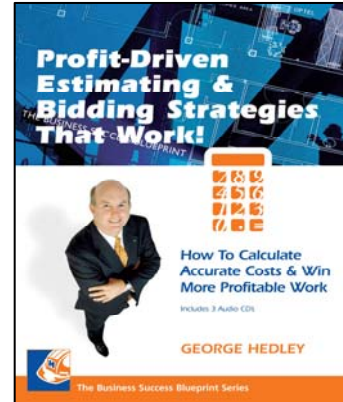
Cash is king and the life blood of your business. You need to know what you've got to work with in order to make good decisions. Get a report of your cash position every week and include the following items:

Weekly Cash Report

- Bank Deposits
- Cash In Bank
 - Checking
 - Payroll Account
 - Savings
- Weekly Payroll Cost
- Weekly Equipment Cost
- Weekly Overhead Costs
- Investments
 - Liquid
 - Long Term

Know your nine numbers!

Doing great work doesn't really matter unless you make it your priority to always make a profit. Don't delegate or ignore the most important part of your business. Follow these nine necessary numbers and stay on track towards becoming one of the top contractors in your market. Every week take at least one hour to review these financial figures with your key management team and accounting manager. This small investment of time will give you a much better return than going out to the jobsite one more time to remind your foreman what to do.



George Hedley owns Hedley Construction and Hardhat Presentations. He is the author of the "The Business Success Blueprint Series" now available in 8-workbook & audio CD sets. He is available to speak at your organization on his proven system to build profits, people, customers and wealth. Construction company owners are invited to attend his 2-day 'Profit-Builder Circle' boot camps held regularly. E-mail him to receive a free copy of his book entitled "Everything Contractors Know About Making A Profit", sign up for his free management e-newsletter, visit his online bookstore, or receive more information. Call 800-851-8553, visit his website at www.hardhatpresentations.com or e-mail George at gh@hardhatpresentations.com.



George Hedley CSP
HARDHAT Presentations© 2009
3189-B Airway Ave.
Costa Mesa, CA 92626 USA
800-851-8553 Fax 714-437-1125
gh@hardhatpresentations.com
www.hardhatpresentations.com

