

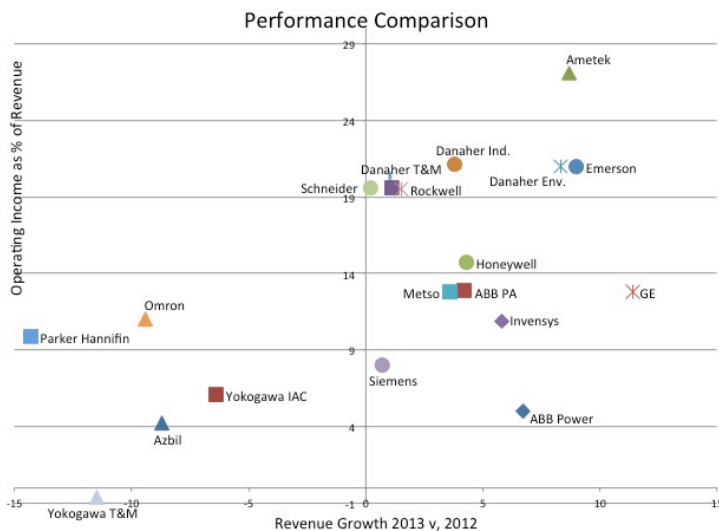


Industry Report shows Rebound from 2009 Recession

Williamsburg, VA, July 2014 – For Immediate Release. The 2014 Operating Benchmarks Report published last month by the Measurement, Control & Automation Association (MCAA) shows a five year historical picture from 2009 through 2013. The report, which includes aggregated financial information from 48 manufacturing firms and 17 sales channel companies, is the first “pure” picture of the recovery from the recession where all the data is historical dating back to the bottom of the recession in 2009.

MCAA President, Cynthia Esher, notes that “our industry is undergoing many changes which are reflected in the data that is submitted by participating companies. Acquired companies may become cost centers under large multi-unit organizations; companies may retain design, sales or administrative functions while they outsource manufacturing. We review these changes and do our best to show *trends* but the readers of this report should know that accounting numbers alone cannot tell the whole story of such shifts in the industry. We caution members to carefully watch reporting ranges and note especially the means, minimums and maximums as well as standard deviation information to get deeper understanding of the shifts that might be taking place.”

Edward J. Curry, formerly of Moore Products and now a Principal in the consulting firm Curry & Hurd LLC reviewed the results of the Report in a webinar held on June 24, 2014. Mr. Curry has been reviewing the results of the Association’s operating performance for more than 25 years.



To give some context, the report shows the 3-year data which is available publically on the top public companies in our industry. The industry as a whole showed operating income as a percent of revenue at 13.3% in 2013 with a 3.6% growth in revenue and flat operating income. The scatter graph shows the Operating Income as a percent of revenue compared to the revenue growth from 2012 to 2013.

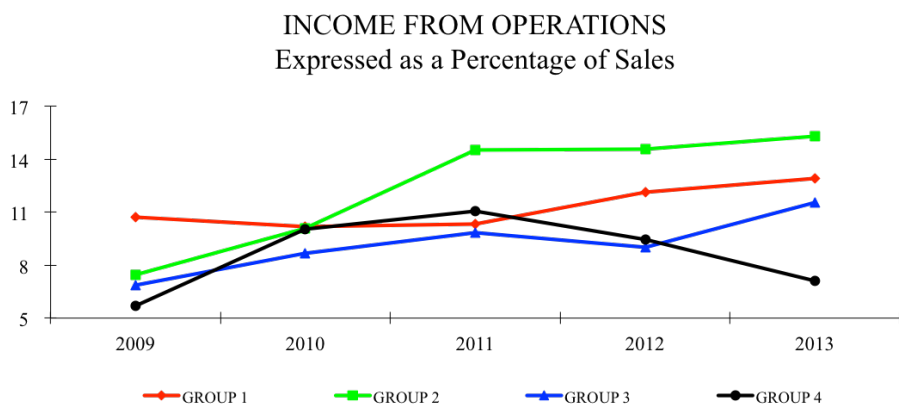
The body of the report is stratified into four groups according to sales volume; the data shows that all companies improved their Operating Income (expressed as a percent of sales) by 2.2 -7.8 % points over the five years with 2009 being the bottom of the recession for this industry. The largest companies (over \$100Million in sales) showed the smallest growth but probably were able to withstand the downturn best in the first place, while companies in the middle two groups

(\$10-30Million and \$30-95Million) had the largest rebound (indicating that they were hit hard back in 2008-2009) and, correspondingly, had to make dramatic changes to regain ground.

Similar to the largest companies, small companies (Under \$10Million) had a 1.4% point improvement in Operating Income, likely retaining some administrative costs at the start of the downturn and increasing such in 2013 because of their private (often family) ownership.

Looking at the comparison in the 4 reporting groups from 2013 v. 2012, there was small increase in the net sales (from 0.5 to 8.6%) growth and, in fact, the largest companies had sales in 2013 that were 1.2% lower than 2012. Looking at Operating Income, the increase ranged from 5.0% for the largest companies (lower sales but also lower cost of goods yielding 3.7% growth in gross profit). For expenses, large companies significantly cut their R&D spending (note that these companies could have acquired companies or licenses for needed technologies or finished major projects from prior years) while selling and general & administrative expenses both increased.

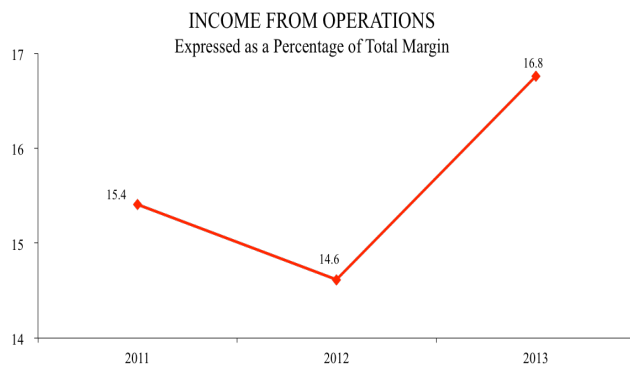
A similar scenario was true for the mid-large (\$30-95M) companies who showed a 5.6% increase in operating income over 2012. Mid-small companies (\$10-30M) had the largest growth in revenue as well as the largest growth in the cost of goods but by reducing both R&D and G&A expenses they showed a very healthy 40% increase in Operating Income. Note also that these companies increased selling expenses by nearly 20% year-over-year to achieve that growth in revenue.



The Under \$10M group apparently included several companies which invested heavily in R&D which is not surprising as this is the size company that typically is the most innovative—larger companies

tend to acquire their innovation by buying such firms. A 32% increase in R&D and very small growth in revenue accounting for a net loss of Operating Income of 24% for the smallest companies.

The report includes a variety of information as aggregated totals in dollars, percentages as well as graphics showing sales, expenses, fixed asset turnover, inventory turns, collection period, direct labor payroll, capital expenditures. Significantly, in analyzing the results, the report also includes the dollar mean, company mean, minimum-maximum and standard deviation data.



Financial data relevant to those in the sales channel is reported in a separate section of the report but only covers a three-year period. A variety of revenue points are reported since there are companies which are reps only, those which are distributors and those firms which have a hybridized business model. Total Margin for the sales channel firms increased 20% from 2011 and Operating Income increased nearly 31% to 16.8% of total margin.

This report is available for purchase by non-members of the Association only if the company is able to contribute their own 5 years of historical financial data. The cost of \$2,500 can be applied toward dues should a company decide to join after purchasing, and contributing data.

MCAA exists to help the management teams of process and factory automation product and solution providers run and grow successful businesses by offering timely, unique and highly specialized resources acquired from shared management benchmarks where proprietary company information is secure—like operating data from member-contributed financial reports. For more information, contact MCAA at mcaa@measure.org or 757-258-3100 and visit the website at measure.org

The Measurement, Control & Automation Association
PO Box 3698, Williamsburg, VA 23187
Voice and Fax (757) 258-3100 • mcaa@measure.org • website measure.org