CONSTRUCTION FINANCIAL MANAGEMENT ASSOCIATION

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CFMA's 2024 Financial Benchmarker

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Highlights from CFMA's 2024 Construction Financial Benchmarker

CFMA and Industry Insights are pleased to present highlights from CFMA's 2024 Construction Financial Benchmarker Online Questionnaire, an essential resource for comparing financial performance within the construction industry. The survey results fuel the industry's only Financial Benchmarker tool (financialbenchmarker.com), whereby construction companies can compare their financial performance to others in the industry.

The 2024 Benchmarker Questionnaire was distributed to approximately 10,000 potential respondents, including both CFMA members and non-members, as well as Construction Industry CPAs/Consultants Association (CICPAC) member firms that represent both member and non-member construction companies (most of which are based in or have significant employment in the U.S. and Canada).[i]

A total of 1,290 companies provided detailed and valid financial statements, along with other required information by July 2024, and were subsequently included in the financial portion of this analysis.

CFMA's Benchmarker Questionnaire is confidential and unique to the industry. All results, accessible through the Benchmarker tool (financialbenchmarker.com), are presented in composite form, and segmented by type of construction work performed, region, revenues, and financial performance.

Overall Results

The following analysis summarizes the overall performance of all responding construction companies across various segments, with a particular focus on the 2023 fiscal year. These results offer valuable benchmarks that can help industry professionals understand how their companies compare in key areas such as profitability, financial management, expenses and profits, and sales performance. Noteworthy trends and year-over-year comparisons are also presented where significant, providing insights into the evolving financial landscape of the construction industry.

Company Profile

Respondents are classified by type based on the reported percentage of annual construction-related revenue derived from specific groupings of North American Industry Classification System (NAICS) codes. The three main segmentations include Industrial & Nonresidential, Heavy Highway, and Specialty Trade. Of those that provided NAICS information, 47.3% of respondents were Specialty Trade, 28.6% were Industrial & Nonresidential, and 19.5% were Heavy Highway.

The Northeast was the most widely represented region, closely followed by the Midwest, with 24.5% and 22.2% of respondents, respectively.

Subcontractors, or those that perform 50% or more of construction work for another contractor, was the primary role associated with 45.5% of all respondents. General/prime contractors, or contractors that self-perform over 20% of construction work, represented 37.7% of responding companies. Companies that self-perform less than 20% of construction work accounted for 15.1% of the sample.

Most respondents (86.6%) did not qualify to bid on public projects under a Disadvantaged Business Enterprise (DBE) category in 2023. Of those qualified, the Small Business Enterprise was the most cited (80.0%) category, followed by Woman-Owned Business Enterprise (33.3%) and Minority Business Enterprise (20.0%).

Of responding companies, 70.5% indicated they operate as an S corporation and are privately owned within the U.S. (88.1%). These legal classifications and ownership structures of reporting companies are in line with the historical results of the study.

Financial Information
The year was marked by ongoing challenges, including inflationary pressures, which moderated compared to the peaks of 2022, and the Federal Reserve's sustained efforts to curb inflation through interest rate hikes. These factors resulted in higher borrowing costs, affecting capital investments and project financing within the industry.

Despite these challenges, the industry demonstrated resilience. Revenue growth, although decelerated compared to the significant 15.0% surge reported in 2022, remained strong by recent historical standards, with respondents achieving a 10.4% year-over-year revenue increase. This sustained growth highlights the industry's resilience and its capacity to adapt in a challenging economic environment.

Profitability metrics also showed improvement in 2023. Net income before taxes rose to 6.3% of revenue, up from 5.0% in 2022, suggesting that companies are becoming more adept at managing costs and operations effectively. The gradual phase out of pandemic-era support programs, such as the Paycheck Protection Program (PPP) loans and Employee Retention Credits (ERC), is beginning to reveal a clearer picture of the industry's true profitability, which still exceeds the pre-2020 five-year average of 4.7%.

Key financial ratios such as Return on Assets (ROA) and Return on Equity (ROE) provide further insight into the financial health and overall performance of companies. ROA, which measures the profit generated by total assets employed, increased from 9.3% in 2022 to 11.8% in 2023, reflecting more effective utilization of company assets. Similarly, ROE, which indicates the profit generated by net assets and reflects stockholders' return on investment, rose significantly to 31.4% from 24.3% in 2022. These improvements suggest that companies are not only generating higher ROAs but also delivering better value to shareholders, indicating stronger overall financial health.

Exhibit 1 provides a detailed breakdown of key financial ratios for all respondents over the past decade, illustrating long-term trends and helping to contextualize the 2023 performance.

Exhibit 1: All Companies 10-Year Trend

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Liquidity Ratios										
Current Ratio	1.4	1.5	1.5	1.6	1.5	1.5	1.7	1.8	1.7	1.6
Quick Ratio	1.3	1.3	1.3	1.4	1.3	1.4	1.5	1.5	1.3	1.4
Days of Cash	17.5	18.1	18.9	20.0	20.0	21.4	33.6	28.1	23.4	23.5
Working Capital Turnover	11.5	10.8	9.7	8.8	8.9	8.4	6.8	6.6	7.6	7.4
Profitability Ratios										
Return on Assets	6.9%	9.0%	10.1%	10.2%	9.5%	10.9%	13.1%	14.7%	9.3%	11.8%
Return on Equity	19.0%	25.3%	29.4%	27.5%	27.1%	29.6%	35.6%	36.1%	24.3%	31.4%
Times Interest Earned	22.0	28.5	26.3	26.0	20.8	24.5	34.1	50.8	28.5	25.6
Leverage Ratios										
Debt to Equity	1.9	1.8	1.6	1.4	1.5	1.5	1.4	1.2	1.3	1.3
Revenue to Equity	7.9	7.7	7.1	6.4	6.4	6.4	5.7	5.0	5.4	5.4
Asset Turnover	2.8	2.8	2.8	2.7	2.6	2.6	2.4	2.3	2.3	2.3
Fixed Asset Ratio	27.9%	25.1%	27.8%	30.7%	27.4%	26.1%	27.0%	21.9%	23.6%	23.7%
Equity to SG&A Expense	1.5	1.5	1.5	1.6	1.6	1.7	1.8	1.9	1.9	1.9
Underbillings to	11.4%	10.3%	8.9%	8.1%	8.6%	9.1%	7.1%	8.8%	9.2%	8.0%

Equity										
Avg. Backlog to Equity	4.5	3.3	4.9	5.0	5.1	5.3	4.7	5.0	5.1	4.4
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Efficiency Ratios										
Backlog to Working Capital	5.9	4.4	6.3	7.0	6.8	7.2	5.8	6.3	7.1	5.9
Months in Backlog	7.1	5.3	7.0	7.5	7.4	8.2	7.9	9.2	8.9	8.7
Days in Accounts Receivable	53.8	55.2	53.2	54.0	55.9	53.7	52.5	57.7	58.7	56.6
Days in Inventory	3.4	3.6	3.6	3.8	3.6	3.7	4.1	5.2	6.5	6.4
Days in Accounts Payable	35.6	33.4	31.5	29.8	33.6	33.5	30.3	33.0	33.4	33.0
Operating Cycle	35.3	40.5	44.9	45.7	46.5	46.0	59.6	56.9	52.3	52.7
Productivity Ratios										
Revenue per FTE	$390,448	$338,039	$351,894	$388,874	$377,423	$387,345	$375,783	$375,197	$410,509	$450,086
Gross Profit per FTE	$44,384	$46,106	$51,073	$53,523	$55,757	$55,066	$57,062	$54,231	$61,937	$70,642
Sales Performance										
Sales Growth	*	*	10.2%	7.6%	7.4%	8.4%	0.0%	4.5%	15.0%	10.4%

An asterisk (*) indicates that the information required to calculate the ratio was not collected during the corresponding survey fiscal year.

Best in Class Information

The top 25% of contractors based on performance metrics make up the Best in Class. These companies outperformed the typical respondent's performance for essentially all financial metrics.

The typical Best in Class company closely resembled the typical respondent in terms of its annual revenue, asset size, and equity figures. This provides some evidence that the company demographic profile did not provide a significant advantage or disadvantage, underscoring the importance of effective management practices.

The Best in Class companies reported a 28.4% ROA and a 59.7% ROE, compared to all respondents that reported 11.8% ROA and 31.4% ROE. Best in Class companies also reported less debt (0.9 times debt to equity for Best in Class companies vs.1.3 times for all respondents) and a more stable fixed asset ratio (12.9% for Best in Class companies vs. 23.7% for all respondents), indicating a more efficient asset management strategy.

The Best in Class companies particularly excelled in the margins they achieved. Best in Class companies achieved a gross profit margin of 21.8% of total revenue. Interestingly, Sales, General, and Administrative (SG&A) expenses were relatively similar, with Best in Class companies reporting 10.8% compared to 11.8% for all companies. This suggests that effective direct cost control is more impactful than SG&A expense management.

Further, the Best in Class reported a net income before tax margin of 11.9%, which is five percentage points higher than the average respondent. These figures highlight the financial strength and operational efficiency of the industry's top performers.

Industrial & Nonresidential

The Industrial & Nonresidential segment represents a diverse range of companies that primarily focus on large-scale commercial, institutional, and industrial construction projects. This segment includes both general contractors and construction managers who operate across various regions in the U.S., with a strong emphasis on commercial and institutional building construction.

Profile
49.5% of responding Industrial & Nonresidential companies indicated they operate as a general/prime contractor, and 44.7% primarily operated in a construction management capacity. These companies predominantly derive their revenues from NAICS 236220 (Commercial and Institutional Building Construction).

The predominant legal form of business entity for Industrial & Nonresidential companies was an S corporation (73.1%), with the vast majority (85.4%) being privately owned and headquartered in the U.S.

Of the Industrial & Nonresidential companies that provided regional information, 26.5% were headquartered in the Far West region of the U.S. The Midwest was the next largest represented region, with 19.4% of respondents.

Financial Information
Industrial & Nonresidential companies, overall, experienced a 4.1% net income before taxes during 2023. This segment saw improvements in profitability metrics, with ROA increasing from 7.4% in 2022 to 9.1% in 2023. These companies effectively leveraged their assets, generating 2.9 times more sales than assets, and maintained a leverage ratio (total assets/net worth) of 3.6. ROE also saw a notable rise, climbing from 26.1% in 2022 to 31.6% in 2023, indicating stronger financial performance and better utilization of equity compared to the previous year.

Heavy Highway
The Heavy Highway segment includes companies primarily engaged in large-scale infrastructure projects, such as highways, streets, and bridges. This segment is crucial to the nation's infrastructure development and maintenance, with companies also playing a key role in public and civil engineering construction.

Profile
78.3% indicated they operate as general/prime contractors, while 20.0% operated as subcontractors. Companies in this segment mostly generate revenues from NAICS 237310 (Highway, Street, and Bridge Construction) and NAICS 237990 (Other Heavy and Civil Engineering Construction).

S corporation was the legal form of entity for 72.3% of responding companies in the Heavy Highway segment, and nearly all (93.3%) are privately owned and operate within the U.S.

Of the Heavy Highway companies that provided regional information, 27.4% were headquartered in the Northeast region, followed by 23.1% in the Midwest region.

Financial Information
Heavy Highway companies, overall, experienced a 7.2% net income before taxes during 2023. Profitability metrics showed positive trends, with ROA increasing from 9.5% in 2022 to 11.7% in 2023. These companies effectively leveraged their assets, generating 1.8 times more sales than assets, and maintained a leverage ratio (total assets/net worth) of 1.9. ROE also improved significantly, rising from 18.7% in 2022 to 25.0% in 2023, reflecting improved financial management and stronger equity utilization within the segment.

Specialty Trade
The Specialty Trade segment represents the largest proportion of respondents and encompasses a diverse range of subcontractors who provide specialized skills and services essential to the completion of construction projects.

Profile
A significant majority (87.4%) of Specialty Trade respondents stated that they primarily act as subcontractors. Revenues are spread across various NAICS classifications, with the heaviest concentrations in Electrical Contracting and Plumbing, Heating, and Air-Conditioning.

S corporation was the legal form of entity for 70.1% of responding Specialty Trade organizations, with private ownership being the predominant model (88.1%).

Of the Specialty Trade companies that provided regional information, 26.1% were headquartered in the Midwest. The Northeast was the next best represented region, with 24.4% of respondents.

Financial Information

Specialty Trade companies, overall, experienced a 6.9% net income before taxes during 2023. Profitability metrics showed positive trends, with ROA rising from 11.3% in 2022 to 13.4% in 2023, indicating more efficient use of assets. These companies generated 2.3 times more sales than assets and maintained a leverage ratio (total assets/net worth) of 2.1. Furthermore, ROE improved significantly, increasing from 24.8% in 2022 to 31.4% in 2023.

About the Results

The results of CFMA's Construction Financial Benchmarker Online Questionnaire provide critical benchmarking data and financial information about the construction industry. To remain competitive, contractors should review these results in their entirety, with particular focus on company classification, geographic region, and annual revenue data.

The Construction Financial Benchmarker is CFMA's online tool that allows users to compare their companies' financial performance with the Annual Financial Survey Online Questionnaire results. With flexibility in selecting benchmarks and easy data entry, the financial results include graphic presentations of key financial data going back to 2010. For more information on CFMA's Construction Financial Benchmarker tool, visit cfma.org/benchmarker.

CFMA's 2024 Construction Financial Benchmarker Online Questionnaire was conducted and analyzed by Industry Insights[ii] and CFMA's Financial Survey & Benchmarker Committee. The Committee wishes to thank all respondents and encourages CFMA General Members, CPA firms, and all other construction companies to participate in future Online Questionnaire data collection efforts.

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[i] Results of CFMA's 2024 Construction Industry Annual Financial Benchmarker Online Questionnaire are not intended to be, nor do they provide, a statistically valid representation of the construction industry as a whole. Rather, it's representative of the CFMA General Members and Non-Members that provided detailed and valid financial statements and other required information. The level of participant overlap from year to year can impact the financial results. Differences in the financial statements between years are due in part to market influences and individual company performance, as well as to the different participant makeup each year.

[ii] Industry Insights was not engaged to and did not audit this information, and accordingly, does not express an opinion or any other form of assurance on it.