

The COST of lumber is key to CM Profitability

	A	B	C	D	E	F	G	H	I	J	K	L
1	SBCA ProForma Financial Data											
2			2019 Actual		4% Savings		3% Savings		2% Savings		1% Savings	
3			Total		Cost of Lumber		Cost of Lumber		Cost of Lumber		Cost of Lumber	
4												
5	NET SALES	\$	12,243,291		\$ 12,243,291		\$ 12,243,291		\$ 12,243,291		\$ 12,243,291	
6												
7	COST OF GOODS											
8	Materials	\$	6,447,458		\$ 6,228,244		\$ 6,283,048		\$ 6,337,851		\$ 6,392,655	
9												
9		LUMBER	85%	\$ 5,480,339	\$ 5,261,126	-4.00%	\$ 5,315,929	-3.00%	\$ 5,370,733	-2.00%	\$ 5,425,536	-1.00%
10												
10	Plates/Banding/Staples	15%	967,119		\$ 967,119		\$ 967,119		\$ 967,119		\$ 967,119	
11	Manufacturing	\$	2,020,340		\$ 2,020,340		\$ 2,020,340		\$ 2,020,340		\$ 2,020,340	
12	Total Cost of Goods	\$	8,467,798		\$ 8,248,584		-2.59%		\$ 8,358,191		-1.29%	
13												
14	Gross Margin	\$	3,775,493		\$ 3,994,707		\$ 3,939,903		\$ 3,885,100		\$ 3,830,296	
15	GM %		30.84%		32.63%		32.18%		31.73%		31.28%	
16												
17	EXPENSES											
18	Delivery Expense	\$	630,695		\$ 630,695		\$ 630,695		\$ 630,695		\$ 630,695	
19	Selling/Customer Service Expense	\$	488,234		\$ 488,234		\$ 488,234		\$ 488,234		\$ 488,234	
20	Administrative Expense	\$	2,006,839		\$ 2,006,839		\$ 2,006,839		\$ 2,006,839		\$ 2,006,839	
21	Total Expenses	\$	3,125,768		\$ 3,125,768		\$ 3,125,768		\$ 3,125,768		\$ 3,125,768	
22												
23	Net Operating Profit	\$	649,725		\$ 868,939		\$ 814,135		\$ 759,332		\$ 704,528	
24												
25	Interest Expense	\$	121,754		\$ 121,754		\$ 121,754		\$ 121,754		\$ 121,754	
26	Other Non-Operating Expense	\$	(815)		\$ (815)		\$ (815)		\$ (815)		\$ (815)	
27												
28	Income/(Loss) Before Taxes	\$	528,786		\$ 748,000		41.5%		\$ 693,196		31.1%	
29												
29	% of Revenue		4.32%		6.11%		5.66%		5.21%		4.77%	
30												
31	Methodology: Measure the impact of a 1% <u>decrease</u> in the cost of LUMBER. Model uses SBCA pre-pandemic data reported in 2019 Pro Forma Income Statement. https://sbcindustry.com/pro-forma-income-statement											
32	Note: Measuring a 1% <u>increase</u> in the cost of LUMBER is the mirror opposite. Every 1% INCREASE produces a 10% DECREASE Pre-tax PROFIT (all other inputs held constant).											
33	Assumptions: Lumber = 85% of material cost. (Plates, staples, banding, etc. = 15%) The BF/LF of lumber purchased does not change. Because we're only changing \$ cost, materials handling and other production costs remain the											
34	same (no change in actual USE of lumber in production). Revenue is held constant.											

LUMBER is your Core Component

- On average, **65%** of your Cost of Goods (CoG)
- **2.7x** direct labor cost (Manufacturing)
Lumber@Cost ÷ Manufacturing@Cost
- **Half the VALUE of your product!**
Lumber@Cost ÷ (Revenue – PreTax Profit)

⇒ Every market is local, every CM has their own production mix (*custom vs production, trusses vs walls*), their own competitive environment, their own cost-to-produce. *We suggest trying this exercise with your own P&L data.*

⇒ Alternately, BuyMetrics has a simple-to-use **Business Case calculator** (preformatted plug & play spreadsheet). Quickly model a range of expected returns using BuyMetrics. **Measure your ROI.**