

Industry Financial Report

Sector: Offices of Lawyers
Nashville, TN Metro Area
Peer Group: \$500,000-\$999,999
June 2016

INDUSTRY FINANCIAL ANALYSIS

Release date: June 2016

[54110] Offices of Lawyers

Financial Peer Group: \$500,000-\$999,999

Market Area: Nashville, TN Market Area

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SAMPLE

INDUSTRY FINANCIAL ANALYSIS, continued

SALES CLASS: \$500,000-\$999,999

	2011	2012	2013	2014	2015	Input
Business Revenue	747,068	635,007	980,358	938,631	656,727	
Cost of Sales	41,910	40,259	67,841	60,917	29,159	
Cost of Sales - Labor Portion	12,734	10,779	18,117	18,171	8,070	
Gross Margin	705,158	594,748	912,517	877,714	627,568	
Officers Comp.	202,231	149,354	244,109	233,062	195,508	
Salary-Wages	150,310	140,400	218,032	206,968	176,331	
Rent	40,939	39,497	60,586	63,076	38,484	
Taxes Paid	23,757	24,575	37,842	36,888	24,824	
Advertising	15,539	11,621	23,627	20,838	17,535	
Benefits-Pensions	21,142	22,987	33,822	29,004	30,078	
Repairs	3,511	3,493	7,549	5,726	3,875	
Bad Debt	598	508	588	282	1,445	
Sales, General, Admin & Misc.	140,150	121,540	185,190	188,477	146,516	
EBITDA	106,981	80,773	101,172	93,393	-7,028	
Amortization Depreciation Depletion	4,408	5,652	10,098	4,881	3,875	
Operating Expenses	602,585	519,627	821,443	789,202	638,471	
Operating Income	102,573	75,121	91,074	88,512	-10,903	
Interest Income	75	381	196	188	131	
Interest Expense	1,868	2,032	3,627	3,848	2,430	
Other Income	27,791	29,401	43,920	32,946	29,290	
Pre-Tax Net Profit	128,571	102,871	131,563	117,798	16,088	
Income Tax	33,392	23,370	34,560	29,191	2,413	
After Tax Net Profit	95,179	79,501	97,003	88,607	13,675	
Discretionary Owner Earnings	301,818	234,507	351,210	326,550	213,058	

INDUSTRY FINANCIAL ANALYSIS, continued

SALES CLASS: \$500,000-\$999,999

Income and Expense- Profit and Loss Percentage Based						
	2011	2012	2013	2014	2015	Input
Business Revenue	100.0%	100.0%	100.0%	100.0%	100.0%	
Cost of Sales	5.61%	6.34%	6.92%	6.49%	4.44%	
Cost of Sales - Labor Portion	1.70%	1.70%	1.85%	1.94%	1.23%	
Gross Margin	94.39%	93.66%	93.08%	93.51%	95.56%	
Officers Comp.	27.07%	23.52%	24.90%	24.83%	29.77%	
Salary-Wages	20.12%	22.11%	22.24%	22.05%	26.85%	
Rent	5.48%	6.22%	6.18%	6.72%	5.86%	
Taxes Paid	3.18%	3.87%	3.86%	3.93%	3.78%	
Advertising	2.08%	1.83%	2.41%	2.22%	2.67%	
Benefits-Pensions	2.83%	3.62%	3.45%	3.09%	4.58%	
Repairs	0.47%	0.55%	0.77%	0.61%	0.59%	
Bad Debt	0.08%	0.08%	0.06%	0.03%	0.22%	
Sales, General, Admin & Misc.	18.76%	19.14%	18.89%	20.08%	22.31%	
EBITDA	14.32%	12.72%	10.32%	9.95%	-1.07%	
Amortization Depreciation Depletion	0.59%	0.89%	1.03%	0.52%	0.59%	
Operating Expenses	80.66%	81.83%	83.79%	84.08%	97.22%	
Operating Income	13.73%	11.83%	9.29%	9.43%	-1.66%	
Interest Income	0.01%	0.06%	0.02%	0.02%	0.02%	
Interest Expense	0.25%	0.32%	0.37%	0.41%	0.37%	
Other Income	3.72%	4.63%	4.48%	3.51%	4.46%	
Pre-Tax Net Profit	17.21%	16.20%	13.42%	12.55%	2.45%	
Income Tax	4.47%	3.68%	3.53%	3.11%	0.37%	
After Tax Net Profit	12.74%	12.52%	9.89%	9.44%	2.08%	
Discretionary Owner Earnings	40.40%	36.93%	35.82%	34.79%	32.44%	

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INDUSTRY FINANCIAL ANALYSIS, continued

DEFINITIONS

Dollar-based sales and other dollar-based data in this report reflect averages for sales of the industry segment, not total industry-wide averages. Thus, sales levels may vary from year to year, depending on the mix of firms that fall within the selected segment.

In local Industry Financial reports, the "Other Income" line item percentage is applied directly from US averages for this industry. Local percentages may differ. Other P&L percentages and all dollar calculations are based on actual local data.

Business Revenue includes receipts from core business operations. Interest Income and Other income (such as rents and royalties) are generally detailed separately below Operating Income. While Business Revenue is separated from Interest Income for most classifications, Business Revenue includes interest income from the private sector where it is central to financial industry operations, including Finance and Insurance (NAICS 52xxxx except NAICS 5242xx Insurance Brokers and Other Insurance Activities); Real Estate-Rental-Leasing (53xxxx); and Management of Companies and Enterprises (55xxxx).

Cost of Sales includes materials and labor involved in the direct delivery of a product or service. Other costs are included in the cost of sales to the extent that they are involved in bringing goods to their location and condition ready to be sold. Non-production overheads such as development costs may be attributable to the cost of goods sold. The costs of services provided will consist primarily of personnel directly engaged in providing the service, including supervisory personnel and attributable overhead. In NAICS 5613xx reports, Cost of Sales includes subcontract/client compensation, consolidating various approaches that allocate those costs in whole or part as Cost of Sales, Salary-Wages and/or SG&A.

Gross Margin represents direct operating expenses plus net profit. In addition to the labor portion of Cost of Sales, wage costs are reflected in the Officers Compensation and Wages-Salary line items. In many cases, SG&A (Sales, General and Administrative) costs also include some overhead, administrative and supervisory wages.

Rent covers the rental cost of any business property, including land, buildings and equipment.

The Taxes Paid line item includes payroll other paid-in tax items, but not business income taxes due for the period. Although it can be calculated in many ways and is a controversial measure, the EBITDA line item (Earnings before Interest Expense, income tax due, Depreciation and Amortization) adds back interest payments, depreciation, amortization and depletion allowances, and excludes income taxes due to reduce the effect of accounting decisions on the

INDUSTRY FINANCIAL ANALYSIS, continued

DEFINITIONS, continued

bottom line of the Profit and Loss Statement. Since some firms utilize EBITDA to "add back" non-cash and flexible expenses which may be altered through credits and accounting procedures (such as income tax), paid-in income taxes from the Taxes Paid line item are not added back in the EBITDA calculation.

Advertising includes advertising, promotion and publicity for the reporting business, but not on behalf of others.

Benefits-Pension includes, but is not limited to, employee health care and retirement costs.

In addition to varying proportions of overhead, administrative and supervisory wages, some generally more minor expenses are aggregated under SG&A (Sales, General and Administrative).

Operating Expenses sums the individual expense line items above, yielding the Operating Income or net of core business operations, when subtracted from the Gross Margin.

Pre-Tax Net Profit represents net profit before income tax due. Income Tax calculates the federal corporate tax rate before credits, leaving After-Tax Profit at the bottom line.

Discretionary Owner Earnings sums Officer Compensation, Depreciation and related non-cash expenses and Net Profit after business taxes to represent a practical measure of total return to owners. The D.O.E. metric is mainly used for small businesses.

INDUSTRY FINANCIAL ANALYSIS, continued

SALES CLASS: \$500,000-\$999,999

Balance Sheet - dollar-based						
Assets	2011	2012	2013	2014	2015	Input
Cash	56,326	47,205	69,298	68,687	37,541	
Receivables	4,353	5,764	7,597	7,908	7,890	
Inventory	0	75	38	1,051	0	
Other Current Assets	25,614	19,404	28,923	27,762	20,568	
Total Current Assets	86,293	72,448	105,856	105,408	65,999	
Gross Fixed Assets	94,570	79,114	117,003	115,019	51,828	
Accum. Dep., Amort. Deplete.	72,030	60,305	89,119	87,620	37,580	
Net Fixed Assets	22,539	18,810	27,884	27,400	14,248	
Other Non-Current Assets	49,476	32,966	54,315	51,538	49,518	
Total Assets	158,308	124,224	188,055	184,346	129,765	
Liabilities						
Accounts Payable	4,243	3,863	5,360	5,788	4,477	
Loans/Notes Payable	15,847	10,087	16,568	15,633	10,991	
Other Current Liabilities	48,015	35,628	57,282	55,672	45,132	
Total Current Liabilities	68,105	49,578	79,210	77,093	60,600	
Total Long Term Liabilities	41,825	31,839	42,783	43,248	32,467	
Total Liabilities	109,930	81,417	121,993	120,341	93,067	
Net Worth	48,378	42,807	66,062	64,005	36,698	
Total Liabilities & Net Worth	158,308	124,224	188,055	184,346	129,765	

INDUSTRY FINANCIAL ANALYSIS, continued

DEFINITIONS

Cash: Money on hand in checking, savings or redeemable certificate accounts.

Receivables: A short-term asset (to be collected within one year) in the form of accounts or notes receivable, and usually representing a credit for a completed sale or loan.

Inventory: The stockpile of unsold products.

Current Assets: The sum of a firm's cash, accounts and notes receivable, inventory, prepaid expenses and marketable securities which can be converted to cash within a single operating cycle.

Fixed Assets: Long-term assets such as building and machinery, net of accumulated amortization-depreciation-depletion.

Total Assets: The sum of current assets and fixed assets such as plant and equipment.

Note: Some legacy year asset line items are blended with the closest four-digit industry segment. In local Industry Financial reports, some legacy year asset line item percentages are applied directly from US averages for this industry. Local percentages may differ. Other balance sheet percentages and all balance sheet dollar calculations are based on actual local data.

Accounts Payable: Invoices due to suppliers within the current business cycle.

Loans/Notes Payable: Loan amounts due to suppliers within the current business cycle.

Current Liabilities: Measurable debt owed within one year, including accounts, loans and notes payable, accrued liabilities and taxes due.

Long Term Liabilities: Debt which is due in more than one year, including the portion of loans and mortgages that become due after the current business cycle.

Total Liabilities: Current Liabilities plus Long Term Liabilities such as notes and mortgages due over more than one year.

Net Worth: Current assets plus fixed assets minus current and long-term liabilities.

INDUSTRY FINANCIAL ANALYSIS, continued

SALES CLASS: \$500,000-\$999,999

Balance Sheet - percentage-based						
Assets	2011	2012	2013	2014	2015	Input
Cash	35.58%	38.00%	36.85%	37.26%	28.93%	
Receivables	2.75%	4.64%	4.04%	4.29%	6.08%	
Inventory	0.00%	0.06%	0.02%	0.57%	0.00%	
Other Current Assets	16.18%	15.62%	15.38%	15.06%	15.85%	
Total Current Assets	54.51%	58.32%	56.29%	57.18%	50.86%	
Gross Fixed Assets	59.74%	63.69%	62.22%	62.39%	39.94%	
Accum. Dep., Amort. Deplete.	45.50%	48.55%	47.39%	47.53%	28.96%	
Net Fixed Assets	14.24%	15.14%	14.83%	14.86%	10.98%	
Other Non-Current Assets	31.25%	26.54%	28.88%	27.96%	38.16%	
Total Assets	100.00%	100.00%	100.00%	100.00%	100.00%	
Liabilities						
Accounts Payable	2.68%	3.11%	2.85%	3.14%	3.45%	
Loans/Notes Payable	10.01%	8.12%	8.81%	8.48%	8.47%	
Other Current Liabilities	30.33%	28.68%	30.46%	30.20%	34.78%	
Total Current Liabilities	43.02%	39.91%	42.12%	41.82%	46.70%	
Total Long Term Liabilities	26.42%	25.63%	22.75%	23.46%	25.02%	
Total Liabilities	69.44%	65.54%	64.87%	65.28%	71.72%	
Net Worth	30.56%	34.46%	35.13%	34.72%	28.28%	
Total Liabilities & Net Worth	100.00%	100.00%	100.00%	100.00%	100.00%	

INDUSTRY FINANCIAL ANALYSIS, continued

About the Data

Raw data analyzed for these reports is sourced from an array of the nation's government and private statistical sources. None of these raw data sources creates the final measures reflected in the industry profiles. In total, the research accesses over a billion sourced data points from 15 million business operations for each of its twice annual updates covering a 3-5 year time series. Historical data and projection algorithms are used to inform and test projections for non-reporting firms. Data elements are sourced specifically from:

- IRS SOI Corporation Income Tax>Returns
- IRS SOI Corporation Tax Book
- IRS SOI 1040 Schedule C Income Tax Returns
- IRS SOI Statistics of Income
- Individual Tax Statistics
- US Economic Census of Manufactures
- US Census Economy Overview
- US Census Annual Survey of Manufactures
- US Census Annual Retail Trade Survey
- US Census Annual Wholesale Trade Survey
- US Census Quarterly Financial Reports
- US Census County Business Patterns
- Bureau of Labor Statistics Monthly Employment Reports
- Bureau of Labor Statistics Monthly Unemployment Reports
- US Census Wholesale Trade Report
- US Census Quarterly (New Housing) Sales by Price and Financing US Census Total Construction Spending
- US Census Retail Trade Report
- US Census Quarterly Services Survey
- Commercial Real Estate Survey
- Credit Reporting Agencies
- InfoGroup, Inc.
- Business Directories

While 100% firm coverage is desirable for analysis purposes, the greatest value of these reports rests in discerning patterns of activity, which are reflected in the large samples used to develop our reports. The overall current coverage of the databases surpasses 13 million active business operations at any point in time.