



Peer Benchmarking Analysis (PBA) Overview

What is a Peer Benchmarking Analysis (PBA)?

EFCG's Peer Benchmarking Analysis compares an AEC firm to its peers across a variety of metrics, from profitability and revenue growth to business development, turnover, technology, sustainability, and overhead (see back of page for full list of metrics).

We typically use at least two peer groups: one is the "primary peer group," usually aimed at identifying a company's closest competitors, whether by revenue size or market sector, and the second is the "alternative peer group," which aims to identify firms which are similar to the target company, but perhaps in a different way, like customer sector or geographic location.

How can your company use a Peer Benchmarking Analysis?

Given that the analysis compares your firm to peers across key business metrics, you can measure how competitively your company is performing. EFCG will also assess whether your company's metrics align with its business model and goals. Based on this assessment, your company's leadership team will have valuable information to inform short-term operations and long-term strategy.

What does a Peer Benchmarking Analysis exhibit look like?

Exhibit 4a
PRODUCTIVITY ANALYSIS
"MU Factor" and Time-Based Utilization

Type of analysis → Metric measured →

	"MU Factor" Analysis			Time-Based Utilization Rate			Net Revenues / FTE (\$K)
	Net Revenue Multiplier (M)	\$-Based Utilization Rate (U)	"MU-Factor" Net Revenues Per Payroll Dollar (M x U)	All Professional Employees	"Billability" Highest-Paid 5% of Employees	Next Highest-Paid 10% of Employees	
1	4.00	94.0%	3.74	85%	51%	70%	263
2	3.98	71.0%	2.19	82%	49%	65%	241
3	3.92	69.8%	2.01	81%	43%	60%	193
4	3.65	68.1%	1.99	73%	42%	59%	192
5	3.56	67.4%	1.97	72%	40%	56%	192
6	3.24	62.0%	1.90	70%	40%	54%	188
7	3.21	60.7%	1.87	70%	40%	54%	176
8	3.12	60.1%	1.85	70%	34%	53%	173
9	3.12	58.8%	1.81	69%	33%	53%	172
10	2.99	58.8%	1.81	69%	31%	53%	171
11	2.98	58.5%	1.78	68%	31%	50%	171
12	2.97	58.1%	1.73	67%	30%	45%	169
13	2.92	57.9%	1.72	65%	29%	42%	160
14	2.88	57.8%	1.70	61%	25%	38%	157
15	2.82	57.0%	1.70	60%	22%	37%	156
16	2.75	55.8%	1.66	60%	21%	35%	154
17	2.69	55.2%	1.63	59%	21%	35%	132
18	2.68		1.61	59%	19%	32%	129
19	2.44		1.39	58%	16%	30%	107
20	1.81		1.29	58%	11%	29%	103
21	1.80		1.21	57%	6%	28%	101

Your company's metrics in comparison to peers*

Medians

Size	2.98	58.5%	1.78	68%	31%	50%	Primary and Alternative peer group metric medians
Water / Wastewater	3.12	58.1%	1.87	69%	38%	59%	

*Each column ranks the peer firms' metrics in order from highest to lowest. A company, therefore, does not occupy only one row, so it is not possible to deduce which set of metrics corresponds to that of a peer firm.

What does the Peer Benchmarking Analysis measure?

Growth

- Growth is reflective of a company's past performance and can be indicative of a company's longevity. By benchmarking your company's growth metrics, the PBA can offer insight on whether your company is adequately expanding to stay competitive in the market and attract new business.

Analyses / Metrics:

- Revenue Analysis: Market Sector, Customer and Functional Sector, Geography, Project Delivery Method
- Growth Rate Analysis: Organic and Inorganic Growth, Acquisitions, Growth Projections

Profitability

- Profitability is not only important to continue operating, but it is also necessary to pay for bonuses, increase share price, and fund future investments. By benchmarking your company's profitability metrics, the PBA can help inform your firm's strategy around retaining and/or allocating earnings.

Analyses / Metrics:

- Pre-Bonus Earnings (EBIBTDA, EBIBTA, EBIBT) Margins, After-Bonus Earnings (EBITDA, EBITA, EBIT) Margins, "Happiness Quotient" (Revenue Growth + Profitability)

Business Development

- In an industry as mature as the AEC industry, business development is key to capitalizing on profitable market opportunities. By benchmarking your company's business development metrics, the PBA can show how "successful" your company is at winning project proposals and maximizing those that offer the greatest revenue.

Analyses / Metrics:

- Proposal "Hit Rates," Fee "Capture Rates," Backlog, Business Development/Marketing Investment

Productivity

- For a company to successfully deliver on projects and improve margins, it needs to be performing at levels in which its resources are used efficiently and effectively. By benchmarking your company's productivity metrics, the PBA highlights where there are opportunities to enhance the return you are getting on these resources.

Analyses / Metrics:

- Net Revenue Multiplier, Utilization, MU Factor, Billability, Stock Price Change, Working Capital, Capital Expenditures, Fixed Assets, DuPont Analysis (Return on Revenue, Assets, and Equity)

Overhead

- An effective overhead spend can spur a company's growth, while an inefficient spend can eat into its profits. By benchmarking your company's overhead metrics, the PBA shows how your company allocates its overhead spend (between dedicated shared services employees, investments in systems, paying for benefits, etc) and highlights the areas where you may spend relatively more or less than peers.

Analyses / Metrics:

- IT, Finance, HR, Business Development/Marketing, Risk Management, and Occupancy Costs (Indirect Labor and Non-Labor Costs), Non-Billable Time of Billable People, Fringe Benefits, Office and Real Estate Analysis

Risk

- Evaluating a company's risk profile is crucial to prepare for potential downturns in the economy. Some risk factors are easier to adjust in a short period of time, whereas others require a much longer effort. By benchmarking your company's risk metrics, the PBA can indicate key focus areas that should be addressed in order to mitigate risk for your firm.

Analyses / Metrics:

- Share Buybacks, Client Concentration, Alternative Delivery, Financial Leverage

Talent

- In the AEC industry, people are a company's main asset. By benchmarking your company's talent metrics, the PBA highlights indicators that are core to the employee experience and have the ability to differentiate your firm from competitors.

Analyses / Metrics:

- Workforce Turnover, Compensation Analysis, Staff Age, Staff Diversity, Stock Ownership, Remote Employees

Technology & Sustainability

- Trends such as technology and sustainability are playing a key role in the AEC industry. They represent opportunities to solve new challenges and accelerate your firm's position in the market. By analyzing your company's technology and sustainability metrics, the PBA contextualizes the levels of investment and return your firm is seeing in these areas.

Analyses / Metrics:

- Investments, Dedicated FTEs, Subscription and Service Revenue Generated, Carbon Emissions, Carbon Reduction Goals, Billability of Sustainability Lead