



HARRINGTON GROUP INC

All Hands Meeting

January 2024



HGI Financial Results

DECEMBER 2023 - YTD

Summary

	<u>2023 Actual</u>	<u>Forecast</u>	<u>2022 Actual</u>	<u>Over/(Under) Forecast</u>	<u>Over/(Under) Prior Year</u>
December Revenue:	\$ 1,038,828	\$ 1,430,638	\$ 1,493,219	\$ (391,810) -27.4%	\$ (454,391) -30.4%
(Net of ICC)	\$ 963,406	\$ 1,106,355	\$ 1,458,699	\$ (142,950) -12.9%	\$ (495,293) -34.0%
YTD Revenue:	\$ 17,382,680	\$ 16,770,657	\$ 17,213,329	\$ 612,023 3.6%	\$ 169,352 1.0%
(Net of ICC)	\$ 13,842,400	\$ 13,276,266	\$ 16,809,109	\$ 566,135 4.3%	\$ (2,966,708) -17.6%
December Gross Profit:	\$ 741,159	\$ 764,418	\$ 1,077,792	\$ (23,260) -3.0%	\$ (336,633) -31.2%
Gross Margin %	71%	53%	72%		
(Net of ICC)	\$ 666,486	\$ 724,677	1,043,272	\$ (58,191) -8.0%	\$ (376,786) -36.1%
Gross Margin %	69%	66%	72%		
YTD Gross Profit:	\$ 9,777,491	\$ 9,136,930	\$ 12,012,763	\$ 640,561 7.0%	\$ (2,235,272) -18.6%
Gross Margin %	56%	54%	70%		
(Net of ICC)	9,356,510	8,696,128	11,972,341	\$ 660,382 7.6%	\$ (2,615,831) -21.8%
Gross Margin %	68%	66%	71%		
December Net Income:	\$ (1,298,368)	\$ 226,350	\$ (810,271)	\$ (1,524,719) -673.6%	\$ (488,097) 60.2%
Net Margin %	-125%	16%	-54%		
(Net of ICC)	\$ (1,373,041)	\$ 186,609	\$ (844,791)	\$ (1,559,651) -835.8%	\$ (528,250) 62.5%
Net Margin %	-143%	17%	-58%		
YTD Net Income:	\$ 2,053,688	\$ 2,791,618	\$ 3,009,429	\$ (737,930) -26.4%	\$ (955,741) -31.8%
Net Margin %	12%	17%	17%		
(Net of ICC)	\$ 1,632,707	\$ 2,350,816	\$ 2,680,783	\$ (718,109) -30.5%	\$ (1,048,076) -39.1%
Net Margin %	12%	18%	16%		

Results Net of Bonus:

December Net Income:	\$ 1,415	\$ 226,350	\$ 336,111	\$ (224,935) -99.4%	\$ (334,696) -99.6%
Net Margin %	0%	16%	23%		
YTD Net Income:	\$ 3,353,472	\$ 2,791,618	\$ 4,155,811	\$ 561,853 20.1%	\$ (802,340) -19.3%
Net Margin %	19%	17%	24%		

KPIs

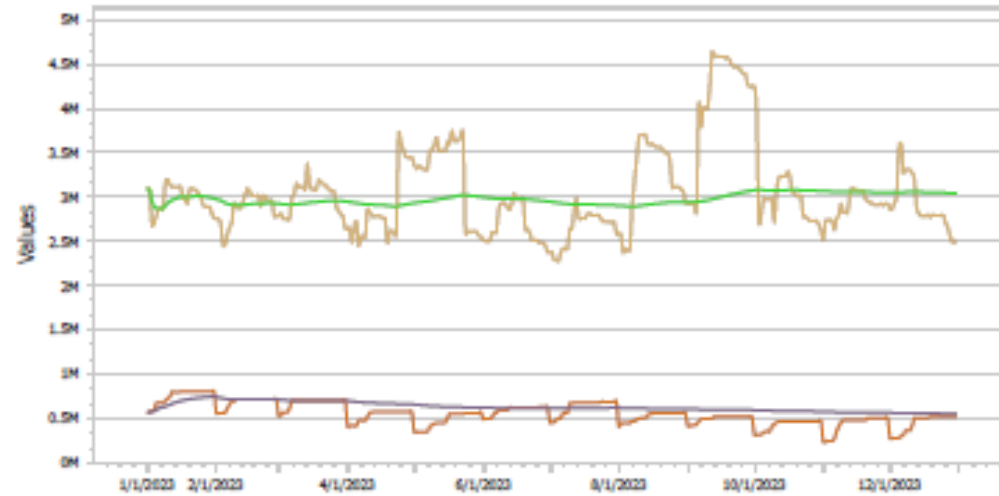
Dec-23		Goal Range	Dec-23	YTD	2023 Forecast	YTD Variance Forecast	12-mo Rolling Average
GROSS PROFIT \$	Revenue \$ - Total Direct Expenses \$		\$741,159	\$9,777,491	\$9,136,930	\$640,561	\$1,076,282
GROSS MARGIN %	Gross Margin \$	With ICC	71.35%	56.25%	54.48%	1.77%	56.36%
	Revenue						
GROSS MARGIN %	Gross Margin \$	w/o ICC	69.2%	67.6%	65.5%	2.1%	67.7%
	Revenue						
OVERHEAD RATE*	Indirect Expenses	1.60 to 1.80	9.17	2.08	1.61	0.47	2.08
	Direct Labor						
		Overhead Rate Net of Bonus	3.36	1.73	1.61	0.12	1.75
			Dec rate high due to Bonus, Holiday, double trend of PTO pay along with low direct labor. Net of Bonus, rate high for the month, but within range YTD.				
CHARGEABLE RATIO	Direct Labor	60% to 65%	41.6%	54.6%	55.7%	-0.01	54.6%
	Total Labor		Low chargeable ratio due to Holiday/PTO. W/O PTO current rate is 52%				
MULTIPLIER	Fees From Labor-Non Reimb Subconsultants Exp	3.0 to 3.5	3.88	3.37	3.00	0.37	3.38
	Direct Labor						
INDIRECT LABOR AS % OF REVENUE **	Indirect Labor	18% to 22%	31%	21%	18.0%	2.64%	20.63%
	Total Revenue		Dec rate high Holiday, PTO pay and low billing. W/O PTO, would be 20%. YTD within range.				
CURRENT RATIO	Current Assets	>2	n/a	6.67	> 2	4.67	n/a
	Current Liabilities						
AGED ACCOUNTS RECEIVABLES	% OVER 90-DAYS	60 days	15.51%	15.51%	15.00%	0.5%	n/a

Accounts Receivable

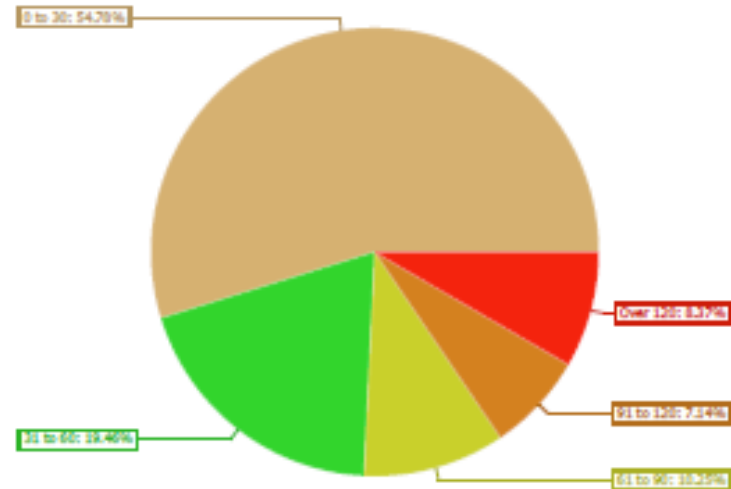
AR Statistics

78.13 AR Turnover
4.61 AR Turnover Ratio
\$3.33M AR Balance
\$16.8M Trailing Twelve Months (T... 2023-12 - 2023-11)
\$1M 2023-12
\$1.23M 2023-11
\$1.48M 2023-10

AR Balance by Day



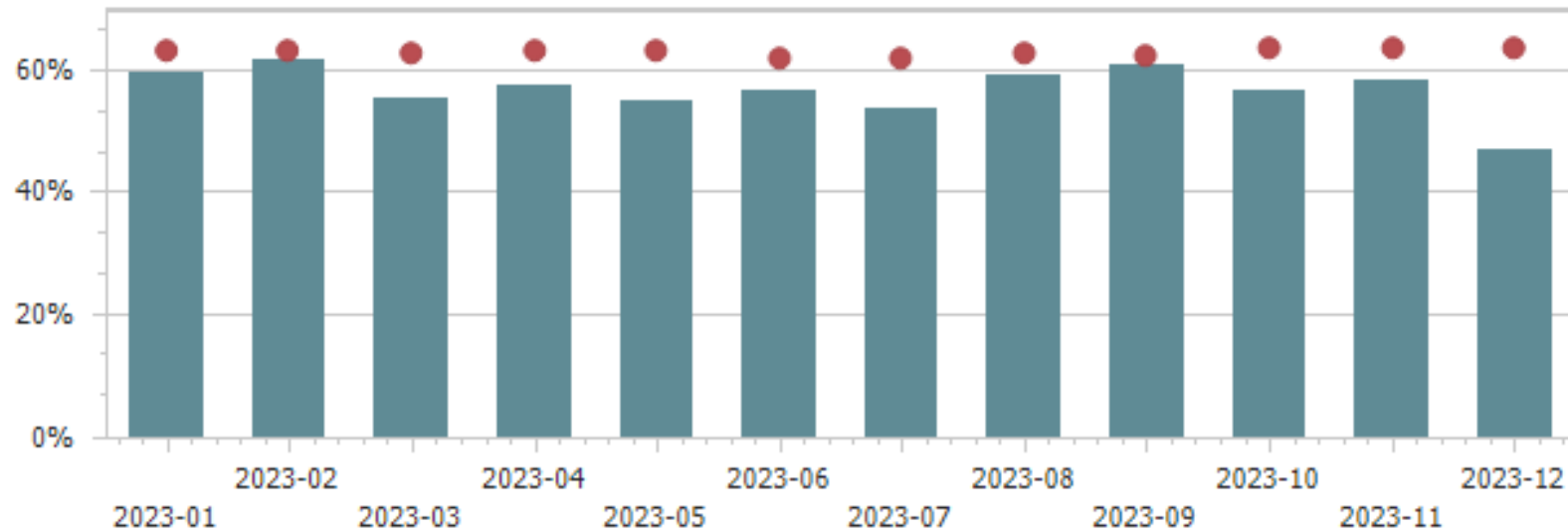
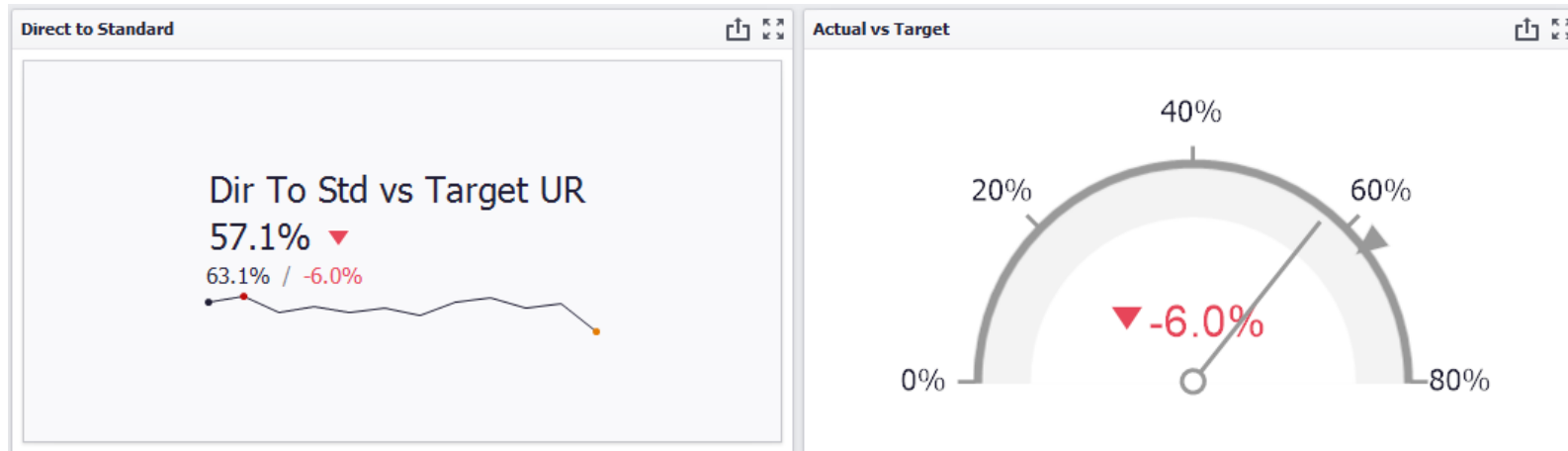
AR Aging Portions



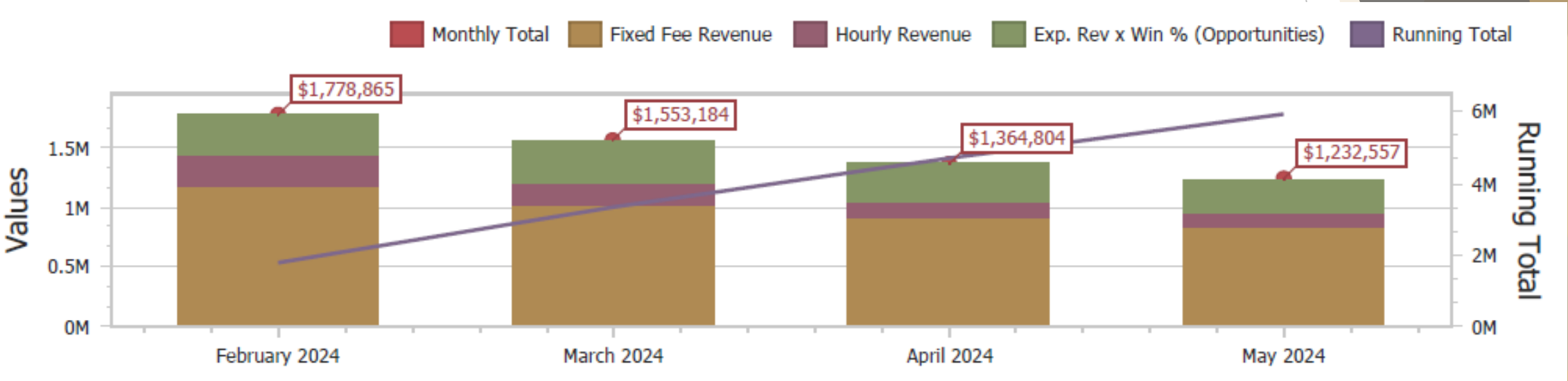
AR Aging

0 to 30	\$1.83M
31 to 60	\$649K
61 to 90	\$342K
91 to 120	\$238K
Over 120	\$279K

Utilization Rate



4 Month Projections



Cogent Analytics - Discovery Analysis

- ▶ Completed 1/15/2023
- ▶ Why?
- ▶ Thanks to those who were asked for and completed employee survey.
 - We were allowed to review the anonymous comments, but we weren't given a copy
 - We are all open to feedback—even “brutally honest” feedback—and we are taking steps to address those that were highlighted by Cogent Analytics as focus points
- ▶ Summary of Findings (Opportunities for HGI)
 - Improved financial health through better use of business analytics
 - Planning for targeted and profitable growth
 - More consistent communication
 - Clarification of existing and needed roles and responsibilities at all levels of organization, and holding everyone accountable to the same
 - Recruiting to support growth objectives
 - Middle management leadership training, staff development and training, career path mentorship

Cogent Analytics - Next Steps

- ▶ Engaging follow-up consulting starting on February 5th
- ▶ “Profit Engineering”
 - Cash forecast and management systems
 - Data - all necessary KPIs
 - Bidding/ estimating/ job costing
 - Project planning and control
 - AR/ AP policies (credit and collections policies)
 - Forward-looking management control budgeting
- ▶ “Organizational Engineering”

Cogent Analytics - Next Steps

▶ “Organizational Engineering”

- Organizational structure
- Performance-driven job descriptions
- Performance standards
- Managing and Supervising Productivity Training (how to properly manage, supervise, and control the productivity of one’s self and of subordinates)
- Employee evaluation for form, fit, and function
- Hire, train, and retain procedures
- Incentives
- Operating policies and procedures
- Written 1-, 3-, and 5-year business plans



BUSINESS DEVELOPMENT UPDATE

A rowing team of five people is silhouetted against a bright sunset sky over a body of water. The sun is low on the horizon, creating a golden glow and long shadows. The water reflects the light from the sky. In the background, there are low mountains or hills. The overall scene is peaceful and scenic.

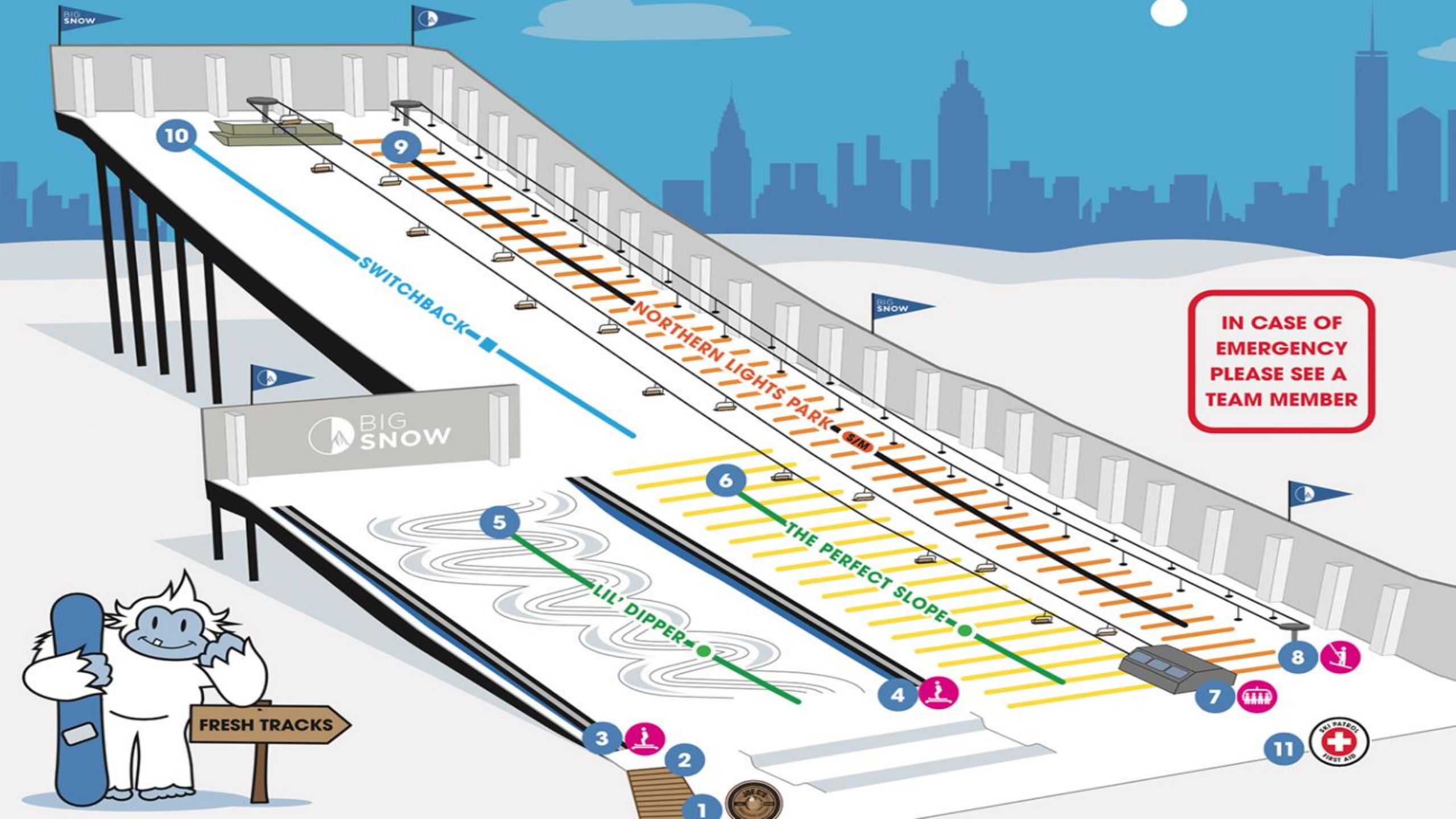
Business Development

- Significant Proposals & Opportunities
 - McCarthy:
 - Constellation Real Estate Partners – John Delvac reached out about pivoting away from MEPFP design-build on their specs.
 - Gardner:
 - USACE Huntsville VA A-E IDC Shortlist (23SSA0002)
 - McCarthy/Capuano:
 - Had a Zoom call with the Central region of Prologis. Introductory call with this group to explain our services offerings and how we have helped other Prologis offices.



Business Development

- Significant Proposals & Opportunities
 - Fuqua:
 - Had Lunch with Jessica Gremmer with Toyota to discuss marketing
 - HGI was contacted by Enviros to assist them with 3rd Party Life Safety Design Package Reviews
 - Gardner: Contacted by ARCO/Murray concerning a project to building an indoor ski slope



**IN CASE OF
EMERGENCY
PLEASE SEE A
TEAM MEMBER**

FRESH TRACKS

10

9

6

5

3

2

1

4

7

11

8

8

7

11

SKI PATROL
FIRST AID

**BIG
SNOW**

**BIG
SNOW**

**BIG
SNOW**

**BIG
SNOW**

**BIG
SNOW**



FRESH TRACKS

A photograph of a rowing team on a lake at sunset. The sky is a mix of orange, yellow, and blue, with some clouds. The water is calm, reflecting the light. In the foreground, five rowers are silhouetted against the water, each with their oars in the water. In the background, there are mountains under the sunset sky.

Business Development

- Referrals:
 - Bryan Tedford with Palmer & Cay was referred to Dale by Bill Blook (former HGI engineer now working at Affiliated FM).
 - Bob Tyler of Patterson Pope: He referred Tom to Jereicho Design Group last month and this month he referred HGI to four of his project managers (one has an immediate FPE need).
 - Adam Seemann of Clayco contacted Tom to say that he has passed HGI's name on to David Mills (President of Design & Engineering). Adam feels like they need HGI's experience in FPE.

Business Development

Averages (Weekly)

Date Range St...	Date Range E...	Weeks	Proposals Se...	Expected Re...	Weighted ER	Awarded Rate	Capture Rate
1/1/2024	1/28/2024	4	18	\$516,425	\$357,421	92.31%	94.53%



Business Development

AR



CR



75.07%

Awarded Rate (TTM)

74.60% TTM at last month's meeting

AR



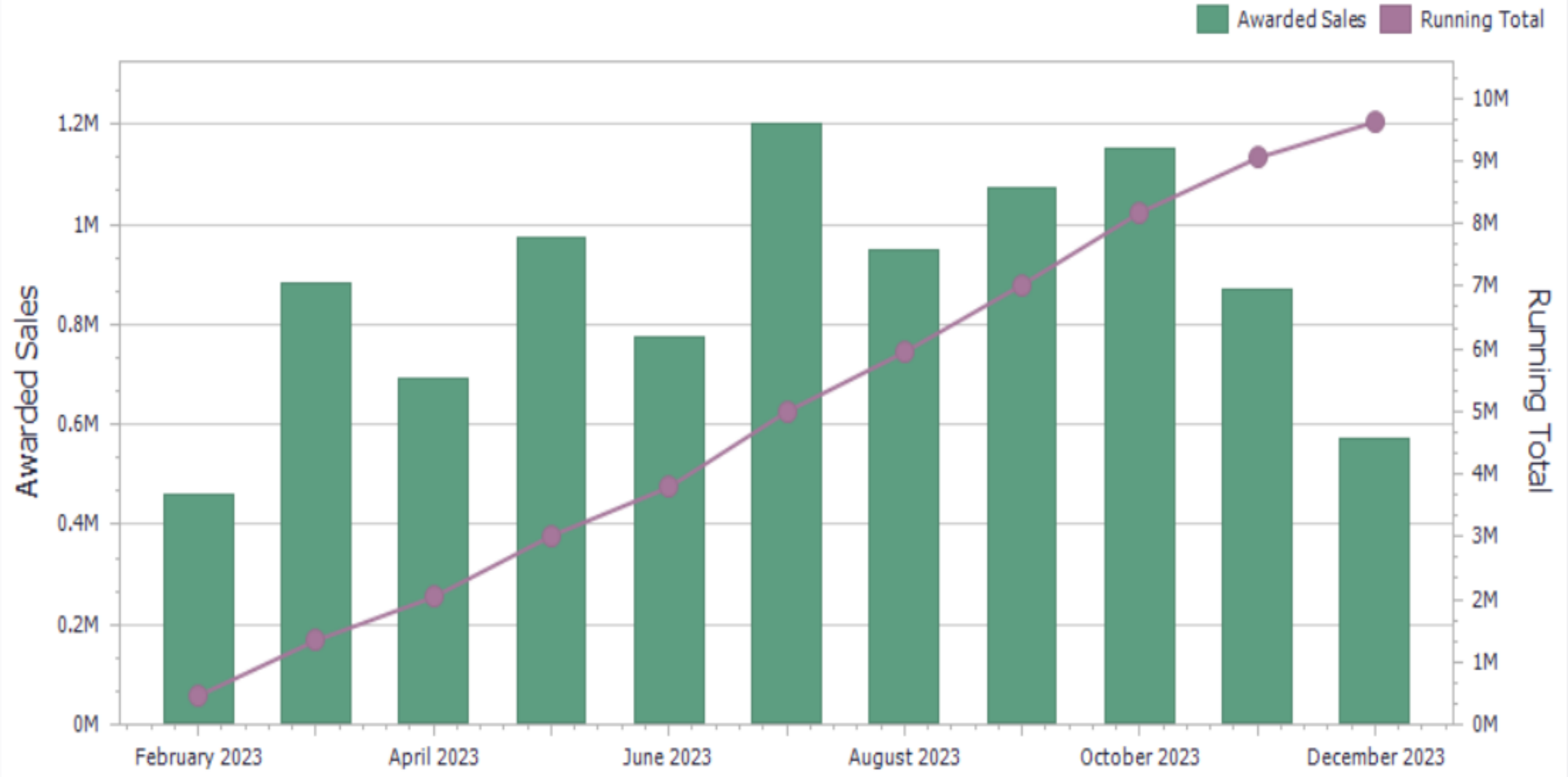
CR



70.51%

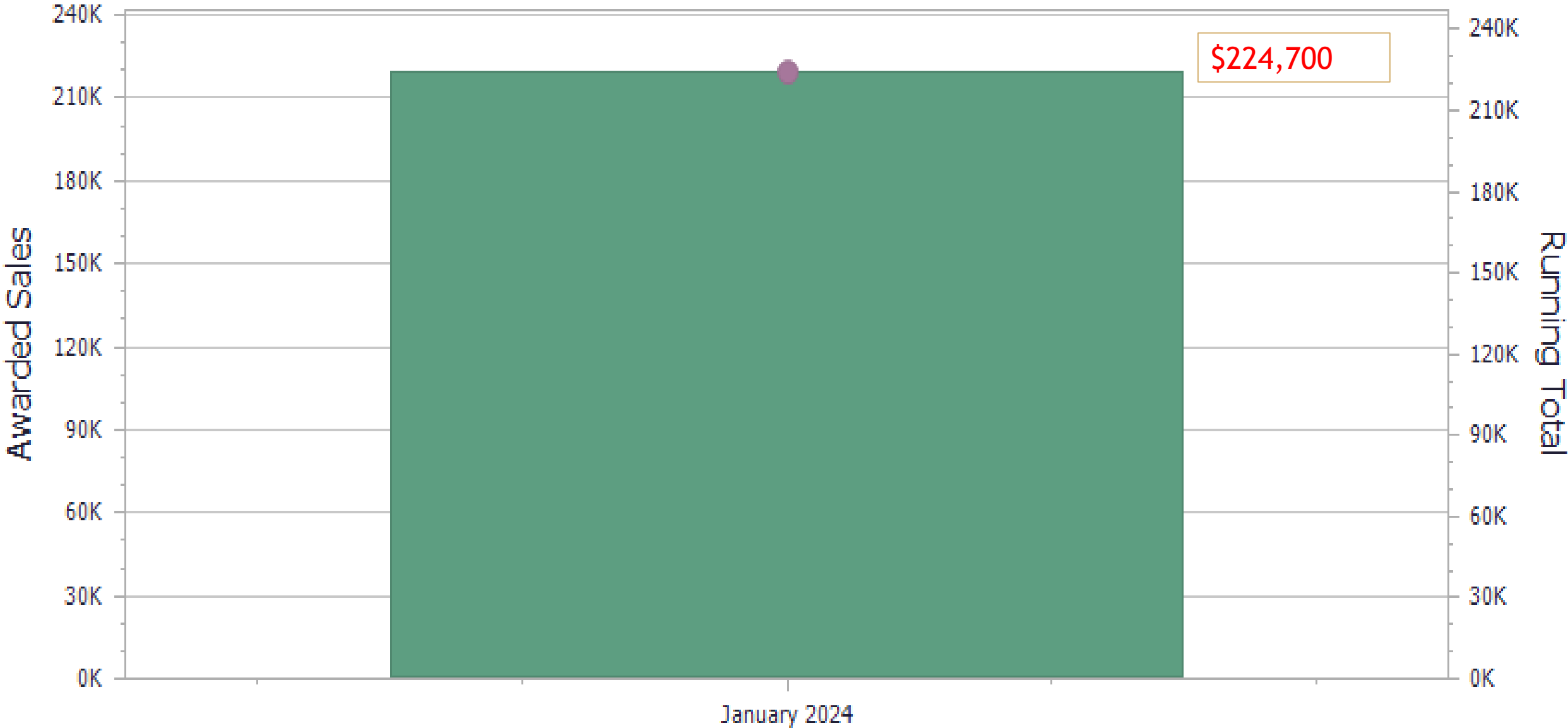
Capture Rate (TTM)

66.08% TTM at last month's meeting





Awarded Sales Running Total



Business Development

- ▶ World according to Tom Gardner: BD is part and parcel of everyday work for a consulting engineer.
- ▶ Something you do all the time.
- ▶ How I can do BD all the time and still get my job done?
- ▶ To me the largest part of business development is:
 - Doing high quality engineering work
 - Client intimacy, and
 - Exceeding client expectations
- ▶
- ▶ So BD in general is living the HGI Core Values, being a Brand Ambassador, and Doing Quality Engineering Work. those three things is the best and most effective BD a consulting engineer can do. The rub is they're not the only BD we must do because we have to sell projects in the first place in order to do those three things for our Clients



NETWORKING FOR A/E/C PROFESSIONALS

A Blueprint for Seller-Doers

150+ TIPS TO BECOME A
BETTER NETWORKER!

Scott D. Butcher, FSMPS, CPSM

Business Development

Networking:

Networking isn't about selling. Networking is about building relationships and making connections. It's about connecting your circle with other's circles.

How can two people in your network, who don't know one another, do business together?

You have to be thinking about how to help others. Networking is all about relationships.

Review Chapter 1 – “Why Networking is Important”

YOU DID IT!

Congratulations



Congratulations Jon Jordan for passing the NFPA's CFPS exam in late December 2023!

COLLEGE FOOTBALL WINNERS

BOWL GAME MADNESS

Lori Carella
Tina Dannaker
Sherri Smith
Margaret Tatum

SEMIFINALS

Ryan Tracy
Jim Smith
Anthony Capuano

CHAMPIONSHIP

Lori Carella



● LIVE



SQUARES



11 FEBRUARY
2024 6:30PM EST

Value Delivered Awards

Jim Rucci, Jonathan Samuel, Jim Smith, and Sherri Smith were nominated by Tom Gardner for their efforts and coordination when a major issue occurred while working on a Stantec submission on the Amazon PVD2 Multi-story.



HGI JANUARY ANNIVERSARIES

February 5 - Diane Stone (17 years)

February 14 - Matt Graham (2 years)

February 17 - Jocelyn Harris (4 years)

February 21 - Anthony Capuano (2 years)

February 22 - Erin Lesh (3 years)

February 28 - Alex Ataiyan (2 years)



A smiling woman with blonde hair is holding a round chocolate cake with pink frosting and lit candles. The background is a dark blue and gold geometric pattern.

FEBRUARY BIRTHDAYS

February 10 - Ross Beach

February 13 - Tracey Foster

February 21 - Mack Newton

February 24 - Tom Gardner