

The ABCs of Financial Performance Measures and Benchmarks for Canada's Tourism Sector

Industry Financial Averages and Benchmarks for Canada's Tourism Operators

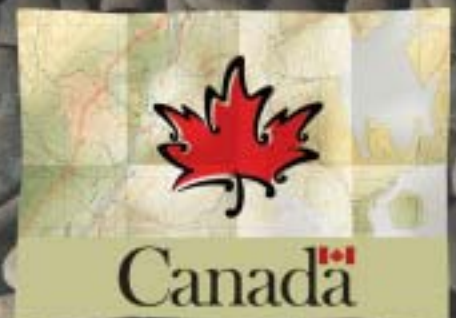
Guide 6

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The ABCs of Financial Performance Measures and Benchmarks for Canada's Tourism Sector

Industry Financial Averages and Benchmarks for Canada's Tourism Operators Guide 6

Prepared by
Professor Pierre G. Bergeron

for the
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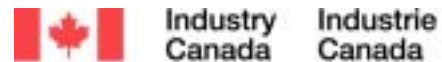
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A handwritten signature in black ink, appearing to read 'Scott Meis'.

Scott Meis
Executive Director, Research

Preface

The tourism sector has recently experienced a slower growth in sales activities due to the slowdown in economic activities, the September 11, 2001 tragedy, the Iraqi War and most recently the outbreak of Severe Acute Respiratory Syndrome (SARS). Whether this slower growth pace will continue over the next years is still a question mark. However, one thing is certain; to stay competitive and increase profitability, tourism operators will have to be more vigilant in managing their business establishments.

We are pleased to make available *The ABCs of Financial Performance Measures and Benchmarks for Canada's Tourism Sector* Guides. There are six guides in the series:

- Guide 1 – Financial Planning: Key to Maximizing Your Bottom Line
- Guide 2 – Profiling Your Financial Statements
- Guide 3 – Financial Performance Measures and Benchmarks for Canada's Tourism Operators
- Guide 4 – Decision-making Tools for Canada's Tourism Operators
- Guide 5 – Linking Your Financial Performance Measures to Your Business Plan
- Guide 6 – Industry Financial Averages and Benchmarks for Canada's Tourism Operators.

These six financial planning guides were written for tourism operators who have little or no experience in the area of finance. These guides can be used as reference documents by tourism operators who wish to better understand the language of accounting and finance, maximize the utilization of the financial planning spreadsheet, and discuss with more self-assurance their financial plans with investors. These guides become progressively more sophisticated, ranging from the principles of finance and culminating with cutting edge performance measures and financial analysis and decision-making techniques.

In addition, to help tourism operators in improving the analysis of their business establishment and the effectiveness of their decisions, we will also be introducing a new tool; a customized tourism operators' financial planning spreadsheet in the near future. This practical and user-friendly tool can help tourism operators analyze quickly the impact of their decisions on the financial destiny of their business establishments. After taking just a few moments to input their financial statement data on the spreadsheet, tourism operators will be able to view the financial profile of their businesses from different angles: liquidity, profitability, productivity, overall financial health, growth rate, financial stability and shareholder value. The financial planning spreadsheet will not only calculate the more critical financial performance measures of their business, but will also compare them to industry averages and financial benchmarks. This way, tourism operators will be able to determine how well they are doing and what needs to be done to improve their performance in order to remain profitable and competitive. This spreadsheet also offers tourism operators several decision tools that will help better assess the viability of their investment decisions.

The CTC has made every effort to ensure the accuracy of the information contained in these guides. The CTC does not accept any legal responsibility for consequences that may arise from errors, omissions or any opinions given. These guides are not a substitute for specific professional advice on business or other matters.

These six guides and the financial planning spreadsheets will be made available on the CTC's website: www.canadatourism.com

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Introduction

This final guide lists financial averages and benchmarks from the year 1998 for 24 tourism industry groups – as identified in the Standard Industrial Classification for Companies and Enterprises (SIC-C) – and goes on to explain how those averages were calculated. The CTC's Financial Planning Software program, that will be made available on the Commission's website, will list 1999 and 2000 industry averages for 26 North American Industry Classification System (NAICS) industry groups.

Financial Statements

Appendices 6.1 and 6.2 contain two financial statements for the motels industry (SIC-C 8021) with revenue under \$10 million for the year 1998. Appendix 6.1 shows 27 balance sheet accounts, numbered 1 to 27. It includes the more important asset accounts, liability accounts and equity accounts. Appendix 6.2 lists 22 income statement accounts, numbered 28 to 49. As shown, the more important revenue and expense accounts are also listed – such as operating revenue, operating expenses, interest on borrowings, and profit.

Financial Performance Measures Calculations

Appendix 6.3 shows how the 26 of the 29 performance measures explained in Guide 3, *Financial Performance Measures and Benchmarks for Canada's Tourism Operators*, were calculated for the motels industry using the balance sheet and income statement accounts described above.

The first column in Appendix 6.3 lists the performance measures (e.g., working capital, current performance measure, etc). The second column contains reference numbers: these are line numbers from the financial statements in Appendices 6.1 and 6.2; they show where the various figures were obtained. The third column shows the 26 formulae used to calculate the performance measures (these were explained in some detail in Guide 3). The fourth column shows the calculations.

The last column gives the results: the performance measures for the motels industry.

Financial Performance Measures and Financial Benchmarks by Industry Group

Appendix 6.4 gives the performance measures and financial benchmarks for 24 SIC-C tourism industry groups. As you'll see, four performance measures were not

calculated. The first three were:

- inventory turnover (using cost of goods sold);
- day's sales to inventory (using cost of goods sold); and
- gross margin to sales.

These were omitted because Statistics Canada does not provide the data for the cost of goods sold shown on the income statement. The fourth performance measure not calculated was cash conversion (using operating activities) because the previous year's industry financial statements (1997) were not required for this Guide.

The performance measures shown in Appendix 6.4 relate to the year 1998 except in the cases of:

- a) SIC-C 4911: Urban Transit System Operations
- b) SIC-C 4921: Interurban and Rural Transit System Operations
- c) SIC-C 8031: Other Accommodation Services
- d) SIC-C 8222: Gambling Operations
- e) SIC-C 8229: Other Amusement Services

The performance measures for the above tourism industry groups were calculated for the year 1997.

The right-hand side of Appendix 6.4 shows financial benchmarks for the various tourism industry groups. As explained in Guide 1, financial benchmarks fall into three categories:

- H = Hard
- S = Soft
- SR = Self-regulated

Essentially, hard financial benchmarks are financial targets that cut across any business sector or group of businesses. Soft financial benchmarks are flexible financial targets that should be used with some degree of interpretation. Self-regulated financial benchmarks are determined by a business' own financial performance.

Guide 3, *Financial Performance Measures and Benchmarks for Canada's Tourism Operators* explains how these financial benchmarks can be used and interpreted for each financial performance category; that is, liquidity, debt/coverage, asset-management, profitability, growth and financial health.

Appendix 6.1
Motels Industry
(SIC-C 8021) Under \$10 Million
Balance Sheet

In thousands of \$ (1998)

1	Total assets	2,020,945
2	Cash and deposits	141,582
3	Accounts receivable and accrued revenue	10,665
4	Inventories	73,378
5	Investments and accounts with affiliates	158,360
6	Portfolio investments	171,846
7	Loans	101,838
8	Capital assets, net	1,332,663
9	Other assets	30,613
10	Total liabilities	1,540,921
11	Accounts payable and accrued liabilities	131,507
12	Loans and accounts with affiliates	626,647
13	Borrowings	769,599
14	Loans and overdrafts	622,063
15	From banks	217,856
16	From others	404,207
17	Bankers' acceptances and paper	814
18	Bonds and debentures	9,121
19	Mortgages	137,600
20	Deferred income tax	304
21	Other liabilities	12,854
22	Total equity	480,024
23	Share capital	37,778
24	Contributed surplus and other	27,326
25	Retained earnings	414,920
26	<i>Current assets</i>	444,421
27	<i>Current liabilities</i>	328,854

Data from Industrial Organization and Finance Division,
 Statistics Canada

Appendix 6.2

Motels Industry (SIC-C 8021) Under \$10 Million Income Statement

In thousands of \$ (1998)

28	Operating revenue	946,445
29	Sales of goods and services	894,019
30	Other operating revenue	52,425
31	Operating expenses	822,628
32	Depreciation, depletion and amortization	63,213
33	Other operating expenses	759,415
34	Operating profit/loss	123,816
35	Other revenue	12,055
36	Interest and dividends	12,055
37	Other expenses	59,434
38	Interest on borrowings	59,434
38	Short term debt	16,018
40	Long term debt	43,415
41	Gains/losses	15,252
42	Gains/losses on the sale of assets	15,106
43	Others	147
44	Profit/loss before income tax	91,690
45	Income tax	21,798
46	Equity in affiliates' earnings	1,683
47	Profit/loss before extraordinary gains/losses	71,575
48	Extraordinary gains/losses	0
49	Net profit/loss	71,575

Data from Industrial Organization and Finance Division,
Statistics Canada

Appendix 6.3

Motels Industry (SIC-C 8021) Under \$10 Million Calculation of Financial Performance Measures

	Performance Measures	Reference numbers	Formulae	Calculations	Performance measures
	Liquidity				
1	Working capital (million of \$)	26 27	$\frac{\text{Current assets}}{\text{Current liabilities}}$ Working capital	$\frac{444,421}{328,854}$	1.15
2	Current (times)	26 27	$\frac{\text{Current assets}}{\text{Current liabilities}}$	$\frac{328,854}{444,421}$	1.35
3	Cash (times)	2 27	$\frac{\text{Cash and deposits}}{\text{Current liabilities}}$	$\frac{141,582}{328,854}$	0.43
4	Quick (times)	26 - 4 27	$\frac{\text{Current assets} - \text{inventories}}{\text{Current liabilities}}$	$\frac{371,043}{328,854}$	1.13
5	Working capital turnover (times)	28 26-27	$\frac{\text{Operating revenue}}{\text{Current assets} - \text{current liabilities}}$	$\frac{946,445}{115,567}$	8.19
6	Days of working capital (ratio)	(3 + 4) - 11 28 + 365	$\frac{(\text{Acc. Rec.} + \text{Inventories}) - \text{Acc. Pay.}}{\text{Revenue} + 365}$	$\frac{-47,464}{2,593}$	-18.3
	<i>Cash conversion (percent)</i>				
7	Using cash flow from operating activities (percent)	N/A 28	$\frac{\text{Cash flow from operating activities}}{\text{Operating revenue}}$	$\frac{\text{N/A}}{946,445}$	N/A
8	Using income after taxes and depreciation (percent)	49 + 32 28	$\frac{\text{Net profit/loss} + \text{depreciation, depletion and amortization}}{\text{Operating revenue}}$	$\frac{71,575 + 63,213}{946,445}$	14.24

Appendix 6.3

Motels Industry (SIC-C 8021) Under \$10 Million Calculation of Financial Performance Measures

	Performance Measures	Reference numbers	Formulae	Calculations	Performance measures
	Debt/Coverage				
9	Debt-to-total assets (percentage)	10 1	$\frac{\text{Total liabilities}}{\text{Total assets}}$	$\frac{1,540,921}{2,020,945}$	76.25
10	Debt-to-equity (times)	10 22	$\frac{\text{Total liabilities}}{\text{Total equity}}$	$\frac{1,540,921}{480,024}$	3.21
11	Times-interest-earned (times)	44 + 38 38	$\frac{\text{Profit/loss before income tax} + \text{interest on borrowings}}{\text{Interest on borrowings}}$	$\frac{151,124}{59,434}$	2.54
12	Fixed-charges coverage (times)	44 + 38 38	$\frac{\text{Profit/loss before income tax} + \text{interest on borrowings}}{\text{Interest on borrowings}}$	$\frac{151,124}{59,434}$	2.54
	Since other fixed charges such as rental and lease payments are not known, this measure is the same as the times-interest earned.				

Appendix 6.3

Motels Industry (SIC-C 8021) Under \$10 Million Calculation of Financial Performance Measures

	Performance Measures	Reference numbers	Formulae	Calculations	Performance measures
	Asset-Management				
13	Average collection period (days)	3 28 ÷ 365	$\frac{\text{Accounts receivable and accrued revenue}}{\text{Operating revenue} \div 365}$	$\frac{10,665}{2,593}$	4.11
14	Accounts receivable turnover (times)	28 3	$\frac{\text{Operating revenue}}{\text{Accounts receivable and accrued revenue}}$	$\frac{946,445}{10,665}$	88.74
15	<i>Inventory turnover (times)</i> Using cost of goods sold (times)	N/A 4	$\frac{\text{Cost of goods sold}}{\text{Inventories}}$	$\frac{\text{N/A}}{73,378}$	N/A
	Since cost of goods sold is not known, this performance measure cannot be calculated.				
16	Using revenue (times)	28 4	$\frac{\text{Operating revenue}}{\text{Inventories}}$	$\frac{946,445}{73,378}$	12.9
17	<i>Day's sales to inventory (days)</i> Using COGS (days)	4 COGS ÷ 365	$\frac{\text{Inventories}}{\text{N/A} \div 365}$	$\frac{73,378}{\text{N/A}}$	N/A
	Since cost of goods sold is not known, this performance measure cannot be calculated.				
18	Using revenue (days)	4 28 ÷ 365	$\frac{\text{Inventories}}{\text{Operating revenue} \div 365}$	$\frac{73,378}{2,593}$	28
19	Capital assets turnover (times)	28 1-26	$\frac{\text{Operating revenue}}{\text{Total assets} - \text{current assets}}$	$\frac{946,445}{1,576,524}$	0.60
20	Total assets turnover (times)	28 1	$\frac{\text{Operating revenue}}{\text{Total assets}}$	$\frac{946,445}{2,020,945}$	0.47

Appendix 6.3

Motels Industry (SIC-C 8021) Under \$10 Million Calculation of Financial Performance Measures

	Performance Measures	Reference numbers	Formulae	Calculations	Performance measures
	Profitability				
21	Gross margin to sales (percent)	N/A 28	$\frac{\text{Gross margin}}{\text{Operating revenue}}$	N/A 946,445	N/A
	Since cost of goods sold is not known, this performance measure cannot be calculated.				
22	Operating income to sales (percent)	34 28	$\frac{\text{Operating profit/loss}}{\text{Operating revenue}}$	$\frac{123,816}{946,445}$	13.08
23	Income after taxes to sales (percent)	49 28	$\frac{\text{Net profit/loss}}{\text{Operating revenue}}$	$\frac{71,575}{946,445}$	7.56
24	Return on total assets (percent)	49 1	$\frac{\text{Net profit/loss}}{\text{Total assets}}$	$\frac{71,575}{2,020,945}$	3.54
25	Return on invested capital (percent)	38 (10 + 22) - 27	$\frac{\text{Net profit/loss}}{(\text{Total liabilities} + \text{Total equity}) - \text{Current liabilities}}$	$\frac{71,575}{1,692,091}$	4.23
26	Return on equity (percent)	38 22	$\frac{\text{Net profit/loss}}{\text{Total equity}}$	$\frac{71,575}{480,024}$	14.91

Appendix 6.4

Financial Performance Measures for Tourism Industry Groups

SIC-C Number Industries	4511 Air Transport	4611 Railway Transport	4711 Water Transport Carrier	4712 Services Inc. to Water Transport	Financial Benchmarks	Type
Liquidity						
Working capital (million of \$)	-79	6	-9	33	Varies	SR
Current (times)	0.83	1.12	0.95	1.75	1.50	S
Cash (times)	0.15	0.31	0.40	0.45	Varies	SR
Quick (times)	0.65	1.06	0.90	1.66	1.00	S
Working capital turnover (times)	-17.48	16.83	-67.33	4.99	Varies	S
Days of working capital (ratio)	17.4	28.9	-16.9	-15.3	Varies	S
Cash conversion						
Using operating activities (percent)	N/A	N/A	N/A	N/A		S
Using income after taxes and depreciation (percent)	11.15	14.24	10.66	11.16	Varies	S
Debt/Coverage						
Debt-to-total assets (percent)	86.26	120.94	71.90	38.98	60.00	S
Debt-to-equity (times)	6.28	-5.78	2.56	0.64	1.70	S
Times-interest-earned (times)	1.24	15.00	2.63	13.51	4.00	H
Fixed-charges coverage (times)	1.24	15.00	2.63	13.51	4.00	H
Asset-Management						
Average collection period (days)	45.20	119.26	33.13	48.66	30.00	H
Accounts receivable turnover (times)	8.08	3.06	11.02	7.50	12.00	H
Inventory turnover (times)						
Using cost of goods sold (times)	N/A	N/A	N/A	N/A	10.00	S
Using revenue (times)	15.87	33.67	75.75	43.02	12.00	S
Day's sales to inventory (days)						
Using COGS (days)	N/A	N/A	N/A	N/A		S
Using revenue (days)	23	11	5	8	Varies	S
Capital assets turnover (times)	1.11	0.57	0.84	0.88	1.20	S
Total assets turnover (times)	0.84	0.43	0.68	0.62	1.00	S
Profitability						
Gross margin to sales (percent)	N/A	N/A	N/A	N/A	Varies	S
Operating income to sales (percent)	-1.45	14.85	8.75	8.41	Varies	S
Income after taxes to sales (percent)	-0.58	7.92	4.95	5.36	Varies	S
Return on total assets (percent)	-0.49	3.42	3.39	3.35	8.00	SR
Return on invested capital (percent)	-0.69	4.40	4.20	4.02	9.00	SR
Return on equity (percent)	-3.56	Negative equity	12.05	5.49	Varies	SR

Appendix 6.4

Financial Performance Measures for Tourism Industry Groups

SIC-C Number Industries	4911 Urban Transit System Operations	4921 Interurban and Rural Transit System	4922 Taxi Service	4929 Other Passenger Transport	Financial Benchmarks	Type
Liquidity						
Working capital (million of \$)	4	-15	-158	-82	Varies	SR
Current (times)	1.80	0.71	0.54	0.71	1.50	S
Cash (times)	1.05	0.14	0.14	0.24	Varies	SR
Quick (times)	1.78	0.58	0.53	0.65	1.00	S
Working capital turnover (times)	11.98	-11.86	-5.40	-13.86	Varies	S
Days of working capital (ratio)	0.5	1.4	-11.1	-5.5	Varies	S
Cash conversion						
Using operating activities (percent)	N/A	N/A	N/A	N/A		S
Using income after taxes and depreciation (percent)	10.91	9.17	6.27	14.65	Varies	S
Debt/Coverage						
Debt-to-total assets (percent)	93.93	78.66	76.54	62.15	60.00	S
Debt-to-equity (times)	15.48	3.69	3.26	1.64	1.70	S
Times-interest-earned (times)	6.04	2.24	1.87	4.28	4.00	H
Fixed-charges coverage (times)	6.04	2.24	1.87	4.28	4.00	H
Asset-Management						
Average collection period (days)	25.65	30.51	45.03	24.44	30.00	H
Accounts receivable turnover (times)	14.23	11.96	8.11	14.94	12.00	H
Inventory turnover (times)						
Using cost of goods sold (times)	N/A	N/A	N/A	N/A	10.00	S
Using revenue (times)	377.86	24.44	254.59	66.78	12.00	S
Day's sales to inventory (days)						
Using COGS (days)	N/A	N/A	N/A	N/A		S
Using revenue (days)	1	15	1	5	Varies	S
Capital assets turnover (times)	1.82	1.71	3.25	1.56	1.20	S
Total assets turnover (times)	1.36	1.26	1.91	1.22	1.00	S
Profitability						
Gross margin to sales (percent)	N/A	N/A	N/A	N/A	Varies	S
Operating income to sales (percent)	4.85	4.34	4.15	9.00	Varies	S
Income after taxes to sales (percent)	3.67	1.99	1.19	5.90	Varies	S
Return on total assets (percent)	4.98	2.51	2.27	7.22	8.00	SR
Return on invested capital (percent)	5.8	3.99	9.68	10.36	9.00	SR
Return on equity (percent)	82.06	11.77	9.68	19.06	Varies	SR

Appendix 6.4

Financial Performance Measures for Tourism Industry Groups

SIC-C Number Industries	8011 Hotels and Moter Hotels	8021 Motels	8031 Other Accommoda- tion Services	8111 Restaurants Licensed	Financial Benchmarks	Type
Liquidity						
Working capital (million of \$)	-636	115	-131	-89	Varies	SR
Current (times)	0.40	1.35	0.40	0.92	1.50	S
Cash (times)	0.17	0.43	0.15	0.33	Varies	SR
Quick (times)	0.34	1.13	0.31	0.75	1.00	S
Working capital turnover (times)	-5.43	8.19	-6.05	-93.76	Varies	S
Days of working capital (ratio)	-36.7	-18.3	-27.0	-18.8	Varies	S
Cash conversion						
Using operating activities (percent)	N/A	N/A	N/A	N/A		S
Using income after taxes and depreciation (percent)	14.41	14.24	11.7	5.12	Varies	S
Debt/Coverage						
Debt-to-total assets (percent)	96.86	76.25	96.97	85.27	60.00	S
Debt-to-equity (times)	30.81	3.21	31.99	5.79	1.70	S
Times-interest-earned (times)	2.68	2.54	1.26	2.56	4.00	H
Fixed-charges coverage (times)	2.68	2.54	1.26	2.56	4.00	H
Asset-Management						
Average collection period (days)	10.05	4.11	7.03	3.24	30.00	H
Accounts receivable turnover (times)	36.33	88.74	51.89	112.56	12.00	H
Inventory turnover (times)						
Using cost of goods sold (times)	N/A	N/A	N/A	N/A	10.00	S
Using revenue (times)	50.69	12.9	41.87	43.23	12.00	S
Day's sales to inventory (days)						
Using COGS (days)	N/A	N/A	N/A	N/A		S
Using revenue (days)	7	28	9	8	Varies	S
Capital assets turnover (times)	0.88	0.60	0.48	3.05	1.20	S
Total assets turnover (times)	0.79	0.47	0.46	2.22	1.00	S
Profitability						
Gross margin to sales (percent)	N/A	N/A	N/A	N/A	Varies	S
Operating income to sales (percent)	6.73	13.08	10.82	3.36	Varies	S
Income after taxes to sales (percent)	9.57	7.56	2.03	2.18	Varies	S
Return on total assets (percent)	7.61	3.54	0.93	4.84	8.00	SR
Return on invested capital (percent)	10.09	4.23	1.07	6.87	9.00	SR
Return on equity (percent)	241.96	14.91	30.84	32.85	Varies	SR

Appendix 6.4

Financial Performance Measures for Tourism Industry Groups

SIC-C Number Industries	8121 Restaurants Unlicensed	8131 Other Food Services	8141 Taverns, Bars, Night Clubs	8211 Professional Sports Clubs	Financial Benchmarks	Type
Liquidity						
Working capital (million of \$)	310	-245	54	-703	Varies	SR
Current (times)	0.48	0.65	1.24	0.79	1.50	S
Cash (times)	0.26	0.23	0.66	0.22	Varies	SR
Quick (times)	0.37	0.48	0.99	0.75	1.00	S
Working capital turnover (times)	-14.12	-20.19	47.75	-21.35	Varies	S
Days of working capital (ratio)	-25.3	-12.1	-11.7	-13.8	Varies	S
Cash conversion						
Using operating activities (percent)	N/A	N/A	N/A	N/A		S
Using income after taxes and depreciation (percent)	3.63	4.47	4.32	5.82	Varies	S
Debt/Coverage						
Debt-to-total assets (percent)	104.08	77.48	64.03	15.40	60.00	S
Debt-to-equity (times)	-25.53	3.44	1.78	0.18	1.70	S
Times-interest-earned (times)	1.53	2.82	2.71	-0.41	4.00	H
Fixed-charges coverage (times)	1.53	2.82	2.71	-0.41	4.00	H
Asset-Management						
Average collection period (days)	1.57	8.46	2.6	31.28	30.00	H
Accounts receivable turnover (times)	231.89	43.13	140.37	11.67	12.00	H
Inventory turnover (times)						
Using cost of goods sold (times)	N/A	N/A	N/A	N/A	10.00	S
Using revenue (times)	65.81	41.06	45.63	115.43	12.00	S
Day's sales to inventory (days)						
Using COGS (days)	N/A	N/A	N/A	N/A		S
Using revenue (days)	6	9	8	3	Varies	S
Capital assets turnover (times)	3.48	3.72	4.05	0.12	1.20	S
Total assets turnover (times)	2.84	2.76	2.81	0.12	1.00	S
Profitability						
Gross margin to sales (percent)	N/A	N/A	N/A	N/A	Varies	S
Operating income to sales (percent)	2.49	2.62	2.58	-1.79	Varies	S
Income after taxes to sales (percent)	0.6	1.78	1.17	-1.84	Varies	S
Return on total assets (percent)	1.71	4.92	3.30	-0.21	8.00	SR
Return on invested capital (percent)	2.78	8.13	4.38	-0.22	9.00	SR
Return on equity (percent)	Negative equity	21.85	9.17	-0.25	Varies	SR

Appendix 6.4

Financial Performance Measures for Tourism Industry Groups

SIC-C Number Industries	8212 Motion Picture and Vido Distr.	8213 Motion Picture and Sound Produc.	8219 Other Entertainment and Related Serv.	8221 Recreation Services	Financial Benchmarks	Type
Liquidity						
Working capital (million of \$)	99	106	-41	-99	Varies	SR
Current (times)	1.50	1.19	0.80	0.85	1.50	S
Cash (times)	0.03	0.14	0.43	0.26	Varies	SR
Quick (times)	1.45	1.14	0.50	0.73	1.00	S
Working capital turnover (times)	3.43	14.83	-28.52	-23.5	Varies	S
Days of working capital (ratio)	99.5	-1.4	-8.2	-13.7	Varies	S
Cash conversion						
Using operating activities (percent)	N/A	N/A	N/A	N/A		S
Using income after taxes and depreciation (percent)	13.62	16.05	10.48	13.07	Varies	S
Debt/Coverage						
Debt-to-total assets (percent)	59.36	67.05	58.30	74.63	60.00	S
Debt-to-equity (times)	1.46	2.03	1.4	2.94	1.70	S
Times-interest-earned (times)	5.13	8.52	5.03	2.37	4.00	H
Fixed-charges coverage (times)	5.13	8.52	5.03	2.37	4.00	H
Asset-Management						
Average collection period (days)	258.77	57.01	4.95	18	30.00	H
Accounts receivable turnover (times)	1.41	6.40	73.74	20.28	12.00	H
Inventory turnover (times)						
Using cost of goods sold (times)	N/A	N/A	N/A	N/A	10.00	S
Using revenue (times)	38.14	57.08	18.99	27.8	12.00	S
Day's sales to inventory (days)						
Using COGS (days)	N/A	N/A	N/A	N/A		S
Using revenue (days)	10	6	19	13	Varies	S
Capital assets turnover (times)	0.71	2.65	1.19	0.72	1.20	S
Total assets turnover (times)	0.44	1.24	1.02	0.61	1.00	S
Profitability						
Gross margin to sales (percent)	N/A	N/A	N/A	N/A	Varies	S
Operating income to sales (percent)	20.74	12.30	14.78	3.38	Varies	S
Income after taxes to sales (percent)	9.26	8.42	7.67	4.49	Varies	S
Return on total assets (percent)	4.06	10.43	7.81	2.74	8.00	SR
Return on invested capital (percent)	5.48	18.92	9.53	3.34	9.00	SR
Return on equity (percent)	10.00	31.64	18.74	10.81	Varies	SR

Appendix 6.4

Financial Performance Measures for Tourism Industry Groups

SIC-C Number Industries	8222 Gambling Operations	8229 Other Amusement Services	8231 Travel Agencies	8232 Tour Wholesalers and Operators	Financial Benchmarks	Type
Liquidity						
Working capital (million of \$)	-2	-6	543	28	Varies	SR
Current (times)	0.98	0.92	1.55	1.14	1.50	S
Cash (times)	0.50	0.17	0.62	0.30	Varies	SR
Quick (times)	0.75	0.50	1.53	1.14	1.00	S
Working capital turnover (times)	-154.83	-49.34	7.83	44.70	Varies	S
Days of working capital (ratio)	-45.0	7.0	-7.8	-16.0	Varies	S
Cash conversion						
Using operating activities (percent)	N/A	N/A	N/A	N/A		S
Using income after taxes and depreciation (percent)	5.42	16.98	3.01	0.07	Varies	S
Debt/Coverage						
Debt-to-total assets (percent)	70.21	54.54	74.59	127.52	60.00	S
Debt-to-equity (times)	2.36	1.2	2.94	-4.63	1.70	S
Times-interest-earned (times)	2.68	2.69	4.85	-0.96	4.00	H
Fixed-charges coverage (times)	2.68	2.69	4.85	-0.96	4.00	H
Asset-Management						
Average collection period (days)	17.59	14.10	46.13	24.84	30.00	H
Accounts receivable turnover (times)	20.75	25.88	7.91	14.69	12.00	H
Inventory turnover (times)						
Using cost of goods sold (times)	N/A	N/A	N/A	N/A	10.00	S
Using revenue (times)	14.41	8.94	308.98	1,907.68	12.00	S
Day's sales to inventory (days)						
Using COGS (days)	N/A	N/A	N/A	N/A		S
Using revenue (days)	25	41	1	0	Varies	S
Capital assets turnover (times)	1.93	1.07	7.65	13.24	1.20	S
Total assets turnover (times)	1.23	0.85	2.03	3.87	1.00	S
Profitability						
Gross margin to sales (percent)	N/A	N/A	N/A	N/A	Varies	S
Operating income to sales (percent)	6.19	11.36	3.52	-0.35	Varies	S
Income after taxes to sales (percent)	2.81	5.48	1.83	-1.31	Varies	S
Return on total assets (percent)	3.46	4.65	3.73	-5.06	8.00	SR
Return on invested capital (percent)	5.48	6.01	7.09	-13.37	9.00	SR
Return on equity (percent)	11.63	10.23	14.67	Negative equity	Varies	SR

Glossary for This Guide

Accounts receivable turnover: The ratio of credit sales of a period to the average (daily) amount of accounts receivable outstanding.

Asset-management performance measure: Evaluates how efficiently managers use the assets of a business.

Asset turnover (total): Sales revenue divided by total assets; a broad measure of asset efficiency.

Average collection period: The number of days it takes for customers to pay their bills.

Benchmarking: Process of identifying potential improvements by comparing one company to another.

Benchmarks: Best practices, processes and achievements to be emulated.

Capital assets turnover: Measures how intensively a firm's capital assets are used to generate sales.

Cash conversion efficiency: Performance measure that gauges how quickly a business converts sales revenue to cash flow within its operations.

Cash performance measure: Relationship of cash and cash equivalents to liabilities; the most stringent measure of liquidity.

Common-size statement analysis: Method of converting all numbers on a balance sheet to a percentage of total assets, and all numbers on an income statement to a percentage of sales revenue.

Current performance measure: Gauges general business liquidity.

Days of working capital: The number of days of working capital a business holds to meet based on average daily operational requirements. A measure of how long a business can meet its average daily operational requirements with its existing working capital.

Debt/coverage performance measure: Measures capital structure of a business and its debt-paying ability.

Financial performance measure: Comparison between numbers recorded on financial statements.

Fixed-charges-coverage performance measure: Measures to what extent a business can service all its fixed charges (e.g., interest, lease).

Gross margin on sales: Shows the relationship between a firm's sales structure and its purchase and production costs.

Horizontal analysis: A method of tracking how individual accounts change between consecutive financial statements; measured as a percentage.

Inventory turnover: Measures the number of times per year inventory is replenished.

Liquidity performance measure: Measures of a firm's ability to meet short-term financial obligations.

Net working capital: Difference between current assets and current liabilities.

Profitability performance measure: Measure of overall effectiveness.

Profit margin on sales: Relationship between operating income and sales revenue; measures the efficiency of a business.

Quick performance measure: Relationship between the more liquid current assets and all current liabilities.

Receivables turnover: Annual sales of a business divided by accounts receivable.

Return on assets: Income after taxes divided by total assets.

Return on equity: Income after taxes divided by owners' equity; a measure of how profitable a business is to its shareholders.

Return on invested capital: Measures the return on funds invested in the business by long-term lenders and owners.

Return on sales: Amount of profit generated from each sales dollar.

Return on total assets: Gauges performance of assets.

Times-interest-earned: Measures to what extent a business can service its debt interest.

Total assets turnover: Measures how intensively a firm's total assets are used to generate sales.

Vertical analysis: The process of reducing all items in a balance sheet and income statement to a percentage of total assets or sales, respectively; common-size ratio.

Working capital: Total current assets and total current liabilities.

Working capital turnover: The ratio of sales to net working capital.

