

### Financial Benchmarking for Success: Findings from 2025 Economics Survey

Steve Wolf – President, WolfWorks



#### WolfWorks Consulting

#### **SNOW & ICE SYMPOSIUM**

- Study Background
- Study Findings
  - Provider Snapshot
  - Business Fundamentals
  - Contracts
  - Equipment and Materials
  - Safety & Insurance
  - Challenges and Results









## **Study Background**

- *SIMA Foundation* identified **provider economics** as a core issue to study
  - Furthers mission of providing impactful research to SIMA members and the industry at large

#### What can attendees get out of this study?

#### CONTENTS:

- **Typical financials** of S&I firms cost structures, contracts, prices, profits...
- Measures of industry's **economic health** profitability, growth, economic challenges
- **Changes** over time vs. 2022 study
- **Best practices** for profitable firms to follow

#### ACTIONS:

- Recalibrate investments accordingly
- Revisit contract structures and prices charged
- Adopt best practices
- Spark conversation

# Methodology

- Online survey 31 questions, 8-12 minutes
- Fielded to mix of SIMA members and non-member companies
- All respondents are **executives** (C-suite, director, manager) who selfrated as <u>familiar with firms' revenues and expenses</u> (7+ of 10)

Key Topics

Approach

- □ *Economic Structure:* Revenue, % snow & ice management, cost structure (labor, COGS, insurance, overhead), profitability
- Operations and Pricing: Contract types, equipment owned or rented, equipment costs, materials costs, profitability
- □ *Financial Outlook:* Key challenges, changes to revenues & costs

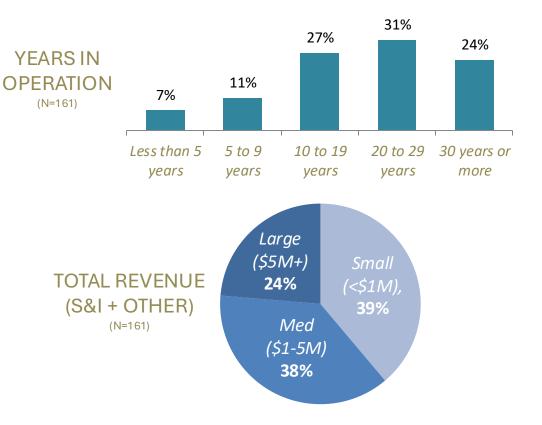
Survey designed in close collaboration with SIMA Foundation's Research Committee

#### **SNOW & ICE SYMPOSIUM**

### Audience

#### **<u>161</u>** total respondents

- 78% from <u>USA</u>, 20% from <u>Canada</u>
- 2/3 <u>self-performers</u>, 1/3 <u>hybrid</u> of self-performers and subcontractors (just 1% are entirely subs)
- In business for an average of **21 years**
- Earns \$5,100,000 annual revenue



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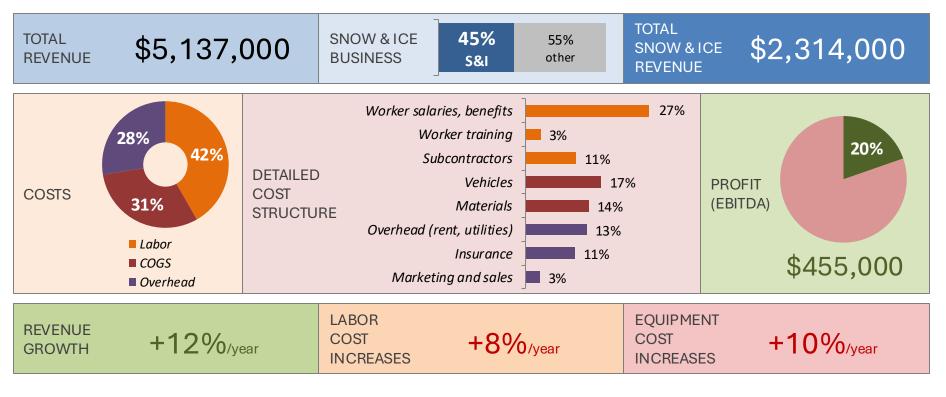






### **Economics Snapshot**

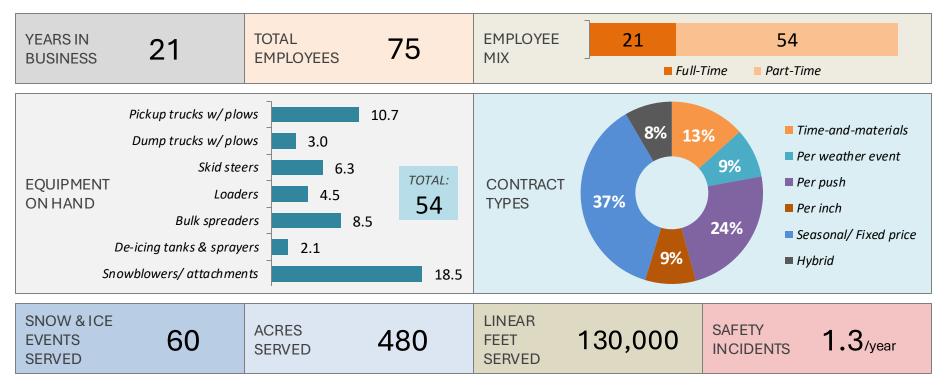
The average snow & ice company's financial structure looks like this:





## **Operations Snapshot**

#### The average snow & ice company's operations looks like this:



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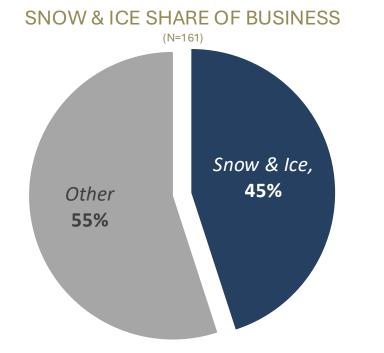


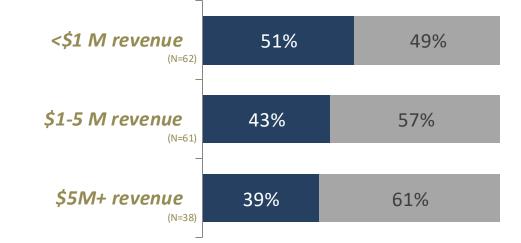




#### **Snow & Ice Share**

#### Snow and ice work comprises just under half of providers' total revenue



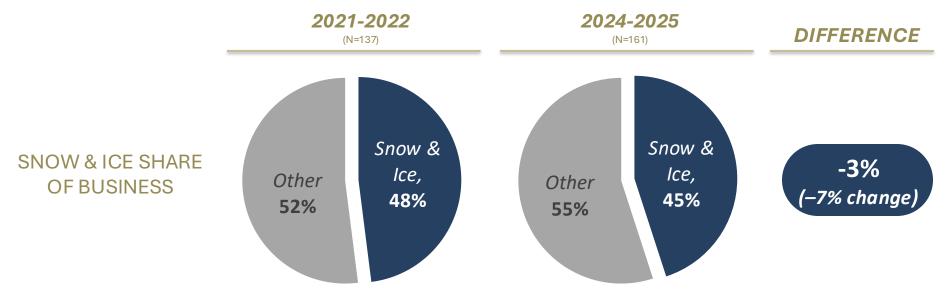


• The larger the company, the more income is derived from work other than snow management



#### **Snow & Ice Share**

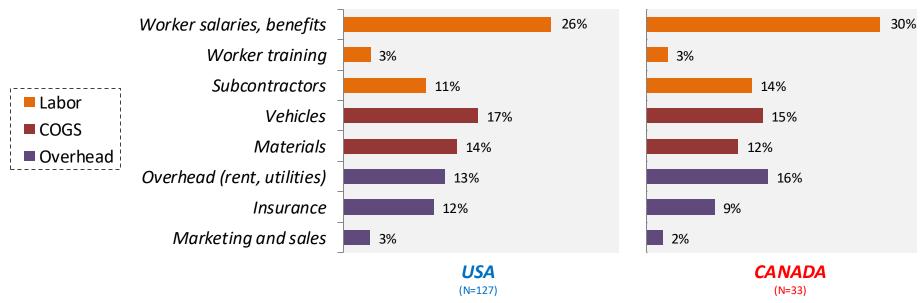
Compared to three years ago, the typical provider earns slightly less from S&I services





#### **Cost Structure**

Wages are providers' biggest cost bucket – more than 1/4 of total – followed by cost of vehicles and of materials to handle snow work



S&I BUSINESS EXPENSES BY CATEGORY

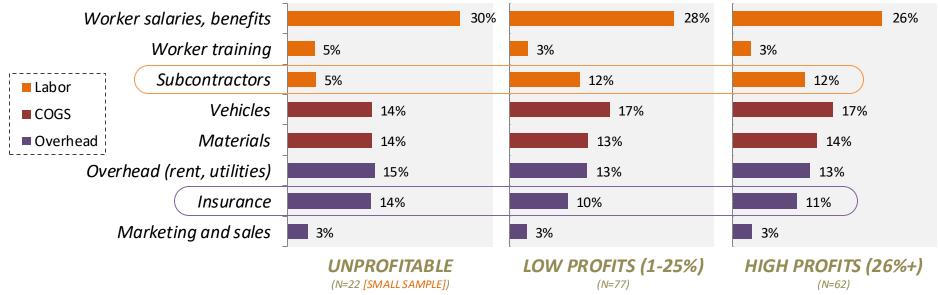
Q: As a percentage of your company's total costs to operate its snow & ice business, what portion does each expense category represent?



#### **Cost Structure**

Unprofitable firms spend 25-30% more than profitable ones on <u>Insurance</u>, and are hesitant to leverage <u>subcontractors</u>

#### S&I BUSINESS EXPENSES BY CATEGORY

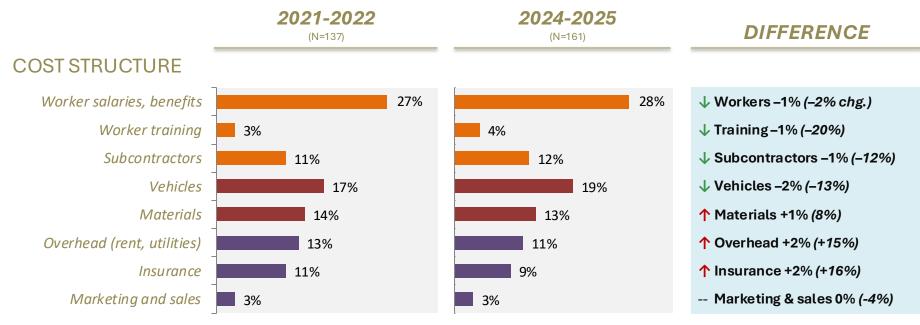


Q: As a percentage of your company's total costs to operate its snow & ice business, what portion does each expense category represent?



### **Structural Changes**

Compared to three years ago, the typical provider earns slightly less from S&I services, and spends more on overhead and insurance

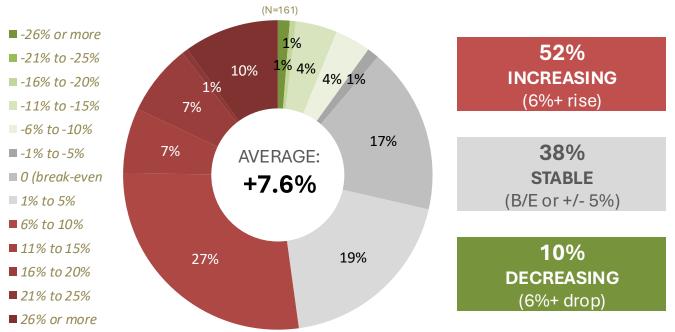




## Labor Cost Change

# Labor costs (salaries, benefits and training) has increased 8% acrossthe industryONE-YEAR LABOR EXPENSE CHANGE

Half of firms
 have seen a
 meaningful jump



Q: From the 2023-24 winter season to this year's 2024-2025 winter season, how did your company's snow & ice management personnel costs change?

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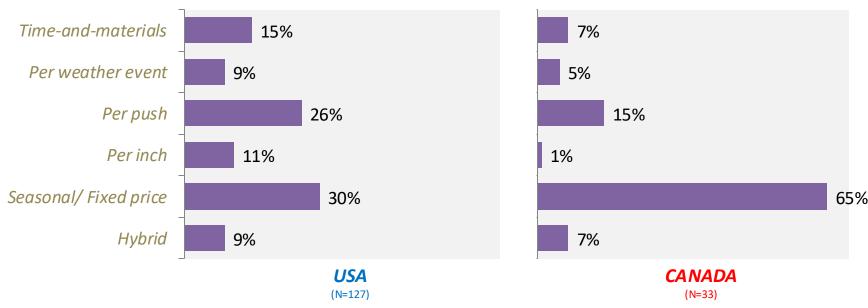








<u>Seasonal</u> comprises the lion's share of contracts issued – in the US and especially in Canada – while per-push and T&M are also common



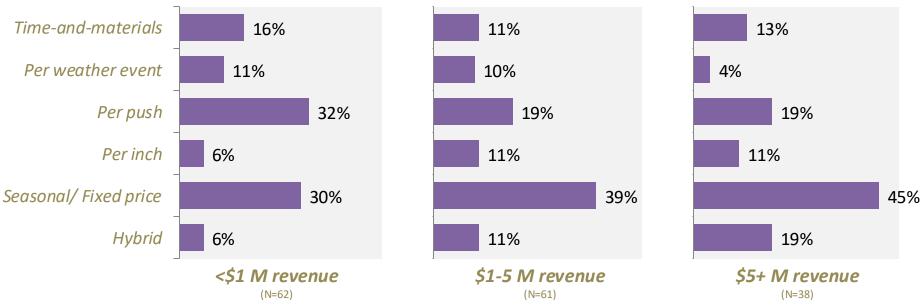
CONTRACT TYPES: SHARE OF TOTAL

Q: What portion of your company's snow & ice revenue is earned from each type of contract?



#### Contracts

Smaller companies rely more on <u>per-push</u>, while larger firms are more likely to utilize <u>seasonal</u> pricing



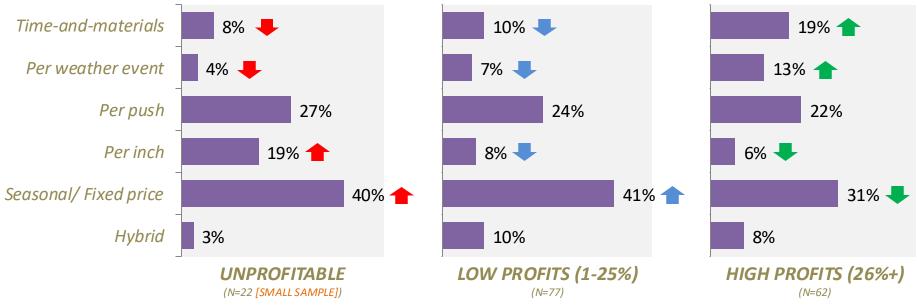
CONTRACT TYPES: SHARE OF TOTAL

Q: What portion of your company's snow & ice revenue is earned from each type of contract?



#### Contracts

# Profitable providers rely more on <u>T&M</u> and <u>per-event</u> structures, less on <u>per-inch</u> and <u>seasonal</u>



#### CONTRACT TYPES: SHARE OF TOTAL

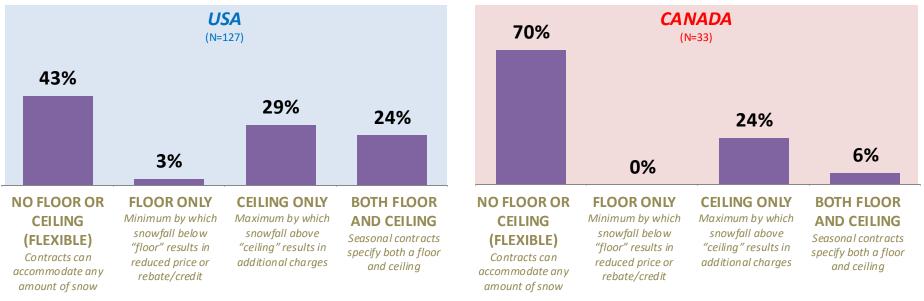
Q: What portion of your company's snow & ice revenue is earned from each type of contract?



#### Seasonal T&C's

#### Half of seasonal contracts have no limitations whatsoever

#### • Another 1 in 4 specify a <u>ceiling</u> above which additional fees are charged SEASONAL CONTRACT STRUCTURE



Q: Which best describes the structure of your company's seasonal snow & ice contracts?

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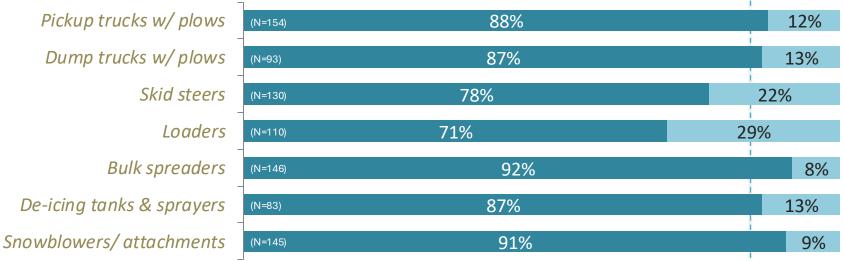




## Agenda

## SNOW & ICE SYMPOSIUM Equipment Ownership

S&I providers <u>own</u> most of their equipment, but tend to <u>rent or lease</u> loaders and skid steers more than other types



EQUIPMENT RENTED OR OWNED

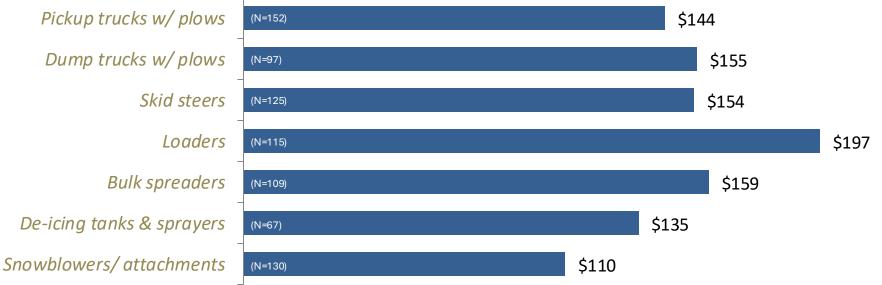
AVERAGE: 85% owned



# **Equipment Rates**

On average, S&I firms charge \$145/hour for pickup truck work, \$155 for dump trucks, \$200 for loaders, \$160 for spreaders and \$135 for de-icing





Q: On average, how much does your company charge PER HOUR for the following types of equipment?



#### **Materials Rates**

# Bulk salt is priced at an average of \$273/ton, treated salt \$373/ton, and de-icing liquids such as brine \$12/gallon



Q: On average, how much does your company charge PER TON for the following types of salts? Q: On average, how much does your company charge PER GALLON for brine and other anti-icing liquids?



#### **Materials Rates**

The most profitable providers charge far more for both <u>bulk salt</u> and <u>treated salt</u> than less profitable and especially unprofitable firms

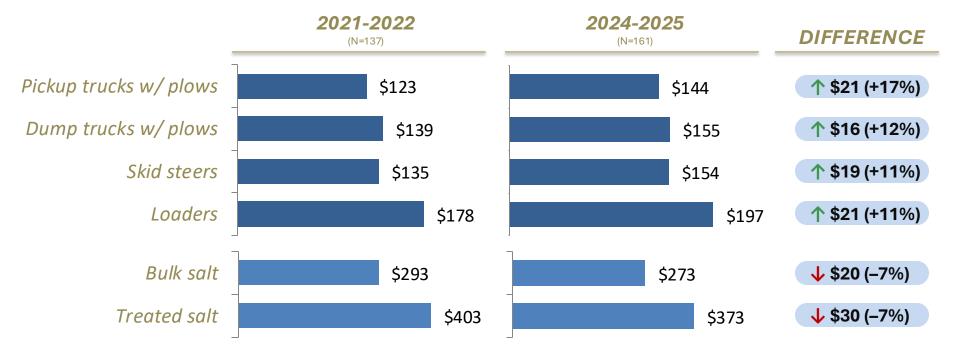


Q: On average, how much does your company charge PER TON for the following types of salts? Q: On average, how much does your company charge PER GALLON for brine and other anti-icing liquids?



#### **Price Changes**

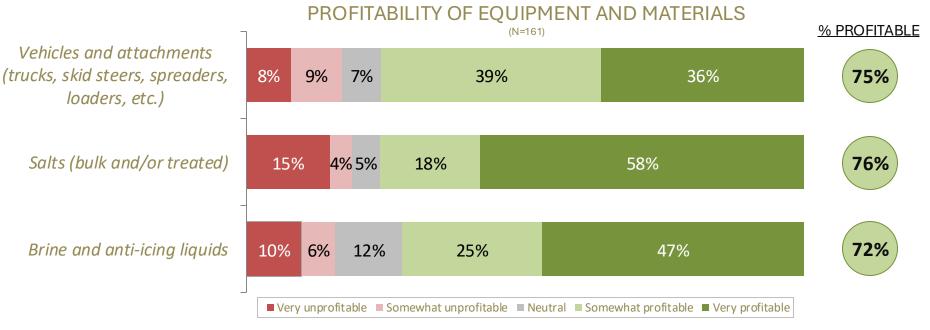
Compared to three years ago, companies are charging more today for equipment but less for salts





### **COGS** Profitability

# Across categories of equipment and materials, <u>salts</u> are more profitable than <u>equipment</u>, and <u>de-icing liquids</u> least profitable



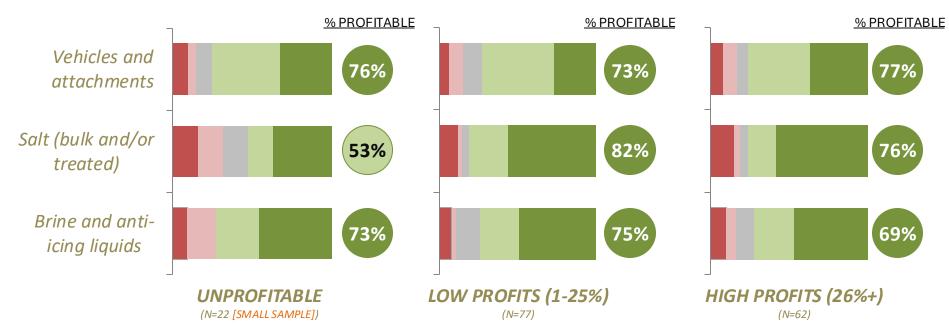
Q: Considering your costs for equipment and materials, and the revenues your firm earns from using them during the snow season, how profitable is each item below?



### **COGS** Profitability

#### Unprofitable companies struggle to earn a profit on salt

#### EQUIPMENT AND MATERIALS PROFITABILITY



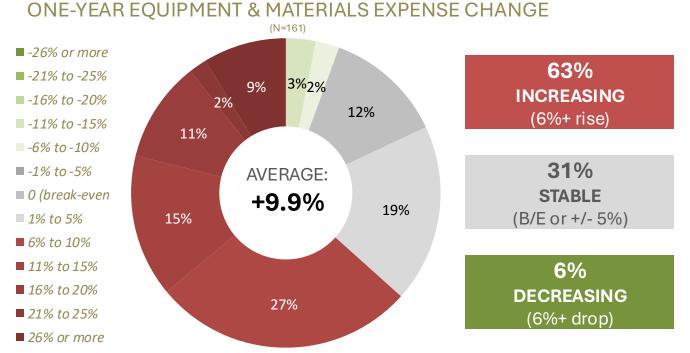
Q: Considering your costs for equipment and materials, and the revenues your firm earns from using them during the snow season, how profitable is each item below?



## **COGS** Change

**Expenditures for vehicles and materials are <u>up significantly - 10%</u> - <b>vs. last year** ONE-YEAR FOLUPMENT & MATERIALS EXPENSE CHANGE

Nearly 2 in 3 of
 S&I providers
 have experienced
 a meaningful
 increase

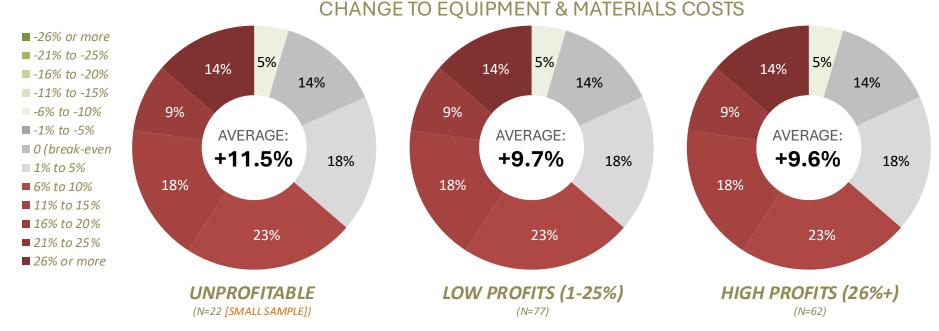


Q: From the 2023-24 winter season to this year's 2024-2025 winter season, how did your company's snow & ice management equipment and materials costs change?



### **COGS** Change

# Profitable providers' COGS have risen in the past year, but less so than those not earning any profits



Q: From the 2023-24 winter season to this year's 2024-2025 winter season, how did your company's snow & ice management equipment and materials costs change?

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#### **Safety Incidents**

On an apples-to-apples basis – per every 100 FT employees (200,000 annual labor hours) – S&I companies incur <u>3.7 safety incidents annually</u>

#### TOTAL RECORDABLE INCIDENT RATE (N=161)



T.R.I.R. CALCULATION: 200,000 hours per year / (21 FT employees X 2,000 hr. each + 54 PT employees X 500 hr. each)



Q: In the past year, how many snow & ice safety incidents involving your workers or the population you serve has your company faced?

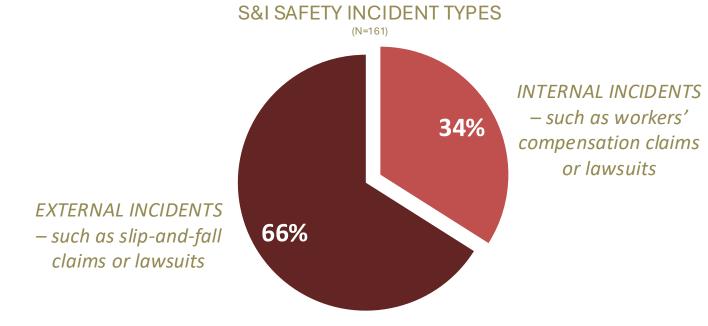
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Q: How many workers in snow & ice services does your company have?



#### **Safety Incidents**

# Across the industry, <u>external</u> incidents are twice as common as <u>internal</u> ones



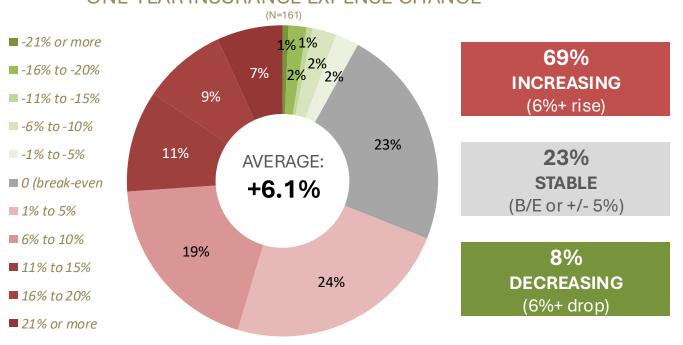
Q: In the past year, how many snow & ice safety incidents involving your workers or the population you serve has your company faced?



### **Insurance Change**

# Providers' insurance costs are on the rise, to the tune of <u>6%</u> over the past year ONE-YEAR INSURANCE EXPENSE CHANGE

 7 out of 10 have absorbed a meaningful increase



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## **SNOW & ICE SYMPOSIUM** Economic Challenges

Common economic challenges include <u>fast-rising costs</u>, <u>weaker snow</u> <u>seasons</u>, <u>unsavory competition</u>, and issues <u>finding and keeping workers</u>

TOP CHALLENGES

(N=138)

50%	RISING COSTS	<ul> <li>Increasing costs across my business – due to inflation, suppliers, insurers</li> </ul>
27%	SNOWFALL	<ul> <li>Fewer snow events in 2024-25 or past several seasons</li> </ul>
19%	COMPETITION	<ul> <li>Downward price pressure – from uninsured landscapers to big national firms</li> </ul>
17%	LABOR	<ul> <li>Smaller available pool / Hard to retain year to year / Not skilled enough</li> </ul>
17%	CUSTOMERS	<ul> <li>Won't move to new contracts / Unreasonable expectations/ Won't pay</li> </ul>
7%	PRICING	Hard to determine prices / On bad contracts, or difficult to transition them

Q: What are the main economic challenges that your company's snow and ice business is facing lately? Please take a few moments to share your perspective.

## **SNOW & ICE SYMPOSIUM** Economic Challenges

Among cost difficulties, <u>insurance</u> rates are most prevalent – followed by <u>COGS</u> prices, <u>wage</u> hikes and the <u>economy</u> in general

**TOP CHALLENGES** (N=138) **RISING COSTS** 50% Increasing costs across my business – due to inflation, suppliers, insurers **INSURANCE** 25% Rising premiums / Higher coverage requirements **EQUIPMENT/ MATERIALS** 16% • Higher cost of vehicles/ Higher cost of salt – often due to shortages WAGES • Higher cost of labor 13% ECONOMY • Inflation / Threat of tariffs / Clients' increasingly unwilling to spend 9% MAINTENANCE 6% • Higher cost of fuel



# In Their Own Words...

"High wages, high insurance premiums, skilled workers, and tariff concerns from customers looking to cut costs"

"Equipment cost increases combined with low snow totals result in a much higher cost per inch for plowing services"

"Charging the right price to make the appropriate profits for the work"

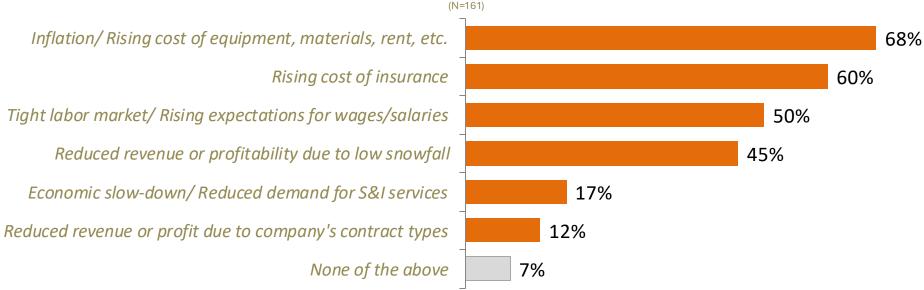
"Small operators without insurance lowballing contracts, underserving clients, and giving a black eye to legitimate businesses" "Recruiting employees that are experienced and want to work... The available workforce is either too delicate or unwilling to perform manual labor in inclement weather"

"The challenge is balancing inflation rates with appropriate service level pricing, salt shortages and the fiscal tolerance of our customers while combating subprime providers with below market prices"

## SNOW & ICE SYMPOSIUM Economic Challenges

# When asked to rate several challenges, <u>rising costs</u>, a difficult <u>labor</u> <u>market</u> and lower revenue due to <u>less snowfall</u> rise to the top

#### ECONOMIC CHALLENGES



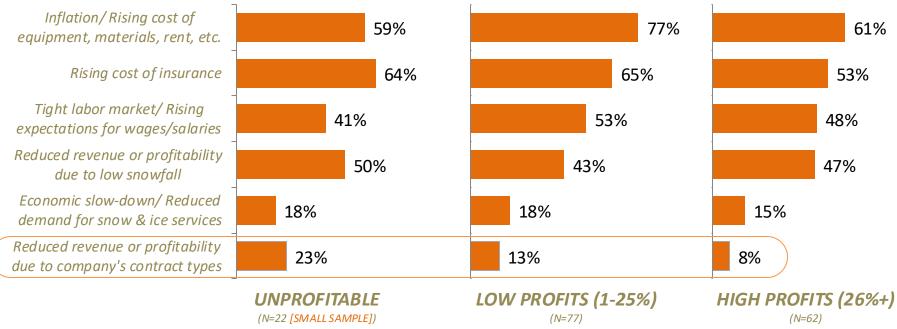
Q: Which economic challenges has your company faced this past snow season? Select all that apply to your business.

#### **SNOW & ICE SYMPOSIUM**

# **Economic Challenges**

#### Unprofitable companies cite contract issues more than profitable ones

#### ECONOMIC CHALLENGES



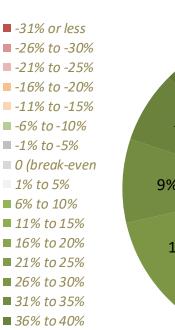
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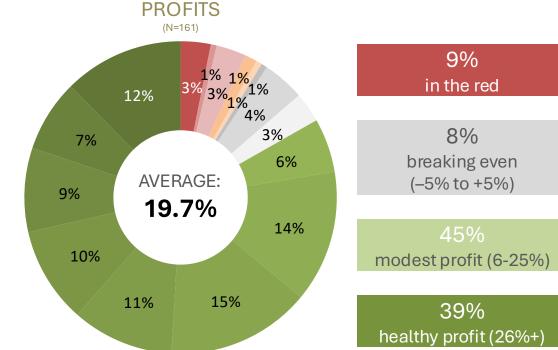
# **Overall Profitability**

#### S&I is a profitable business, with average EBIDTA margins of 20%

- 83% of firms in the industry are profitable
- 2 in 5 firms rake
   in profits of 25%
   or more
- But nearly 1 in 10 are losing money



■ 41% or more



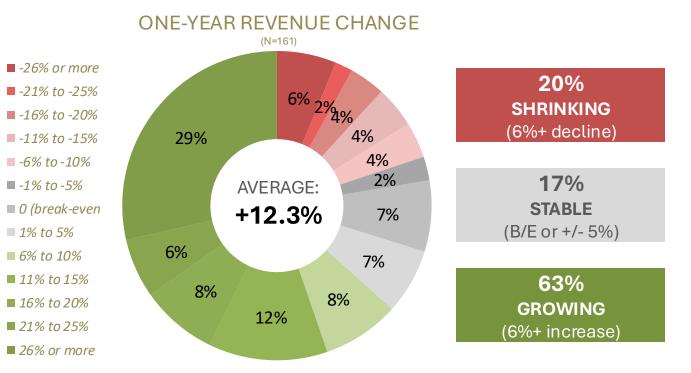
Q: For the 2024-2025 winter season, about how profitable was your company's snow & ice services?



## **Revenue Change**

#### Firms report that earnings have grown 12% from last season to today

- Nearly 2/3 of firms are seeing their business grow in size
- However, 1 in 5 are actually shrinking

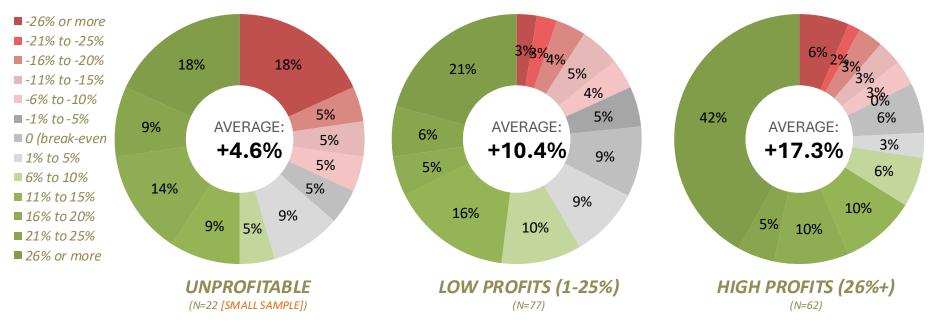


Q: From the 2023-24 winter season to this year's 2024-2025 winter season, how did your company's snow & ice management revenue change?



### **Revenue Change**

#### Profit and growth appear to be closely intertwined



#### CHANGE TO REVENUE

Q: From the 2023-24 winter season to this year's 2024-2025 winter season, how did your company's snow & ice management equipment and materials costs change?



#### **Questions???** Comments???





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# And coming soon...



#### "Snow & Ice Economic Outlook" report

- Includes additional data on the survey's results (including by size, tenure, region)
- FREE and FIRST to all 161 firms who completed this survey
- Later, to all SIMA members (non-members can access the report for a fee, TBD)
- Sponsored by *Caterpillar* and the *SIMA Foundation*







#### Please complete the session survey.



**THANK YOU for joining us!**