

2018 BP Pulse

A Distribution and Manufacturing Survey

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The Big Idea – Year 2

- Snapshot on local, privately held distribution and manufacturing companies
- Partnership with CAMPS and other trusted, local experts
- 9 key topics

General Theme

- Respondents are cautiously optimistic in the current environment
- Modest growth expected – both revenue and number of employees
- People see opportunities in the market

Revenue and Growth

- 66% expect revenues to increase in 2018, 12% - same, 22% decrease
- Challenges cited:
 - Sales team effectiveness
 - Alignment between revenue strategies
 - Competition
- Importance of differentiation

Challenges and Opportunities

- Greatest Impact to Manufacturing in the next 5 years: Government and/or Environmental Regulation and Compliance
- Top Challenge: Lack of skilled workers
- Greatest Opportunities: Market growth, process improvements

State Taxes and Sales Logistics

- Most have local or regional presence
- Decrease in respondents intending to sell internationally in the future
- Top Strategy – Establish new markets
- Caution – creation of state tax nexus for income and/or sales tax

Role of Government

- Regulation and compliance – lots of uncertainty in the current environment
- Minimum wage impact – not found to be significant. Only 14% reported a significant impact
- Tax Reform

Tax Reform

- Respondents evenly split between desire for rate reduction and simplification
- Tax Cuts and Jobs Act – effective January 1, 2018
- Game changer – most significant piece of legislation in 32 years
- Policy vs. Politics

Capital Budgets and Financing

- Budgets are increasing for 54%
 - 33% plan to automate processes
- Tax incentives – 100% expensing for certain asset purchases
- Most plan to use cash or line of credit to fund expenditures
 - Use caution on depleting working capital

Workforce

- 54% planning to hire and expand over the next year, 22% decreasing
- Biggest challenges:
 - Lack of attractiveness of the industry
 - Lack of training/awareness at the high school level
- Online job postings, social media and word of mouth are top ways to recruit

Technology and the Future

- Leading issue in the PNW
- Internet of Things, Additive Manufacturing and Blockchain Technology
- Transition to cloud computing – 47%
- Benefits of business intelligence (BI) systems over excel

Transition Planning

- M&A activity has been increasing – healthy business cycle, availability of capital, low borrowing costs
- Importance of being prepared
 - Management Team
 - Buy-Sell agreement
 - Valuation and/or solid financial records

Next Steps...

- Collaboration
- Education
- Execution

Questions??

- Take a copy of the BP Pulse
- Email me at nwright@bpcpa.com
- Download your copy of the BP Pulse at www.bpcpa.com

Thank You!