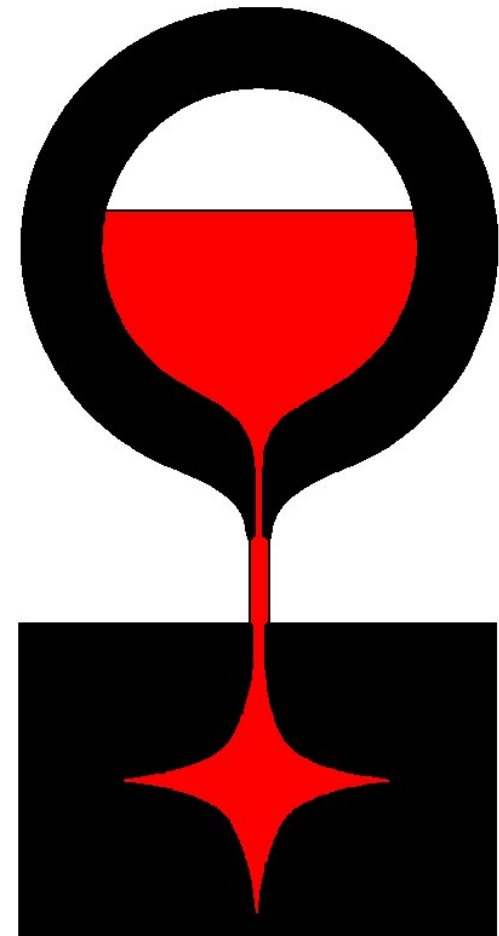


SFSA Business Outlook 2010

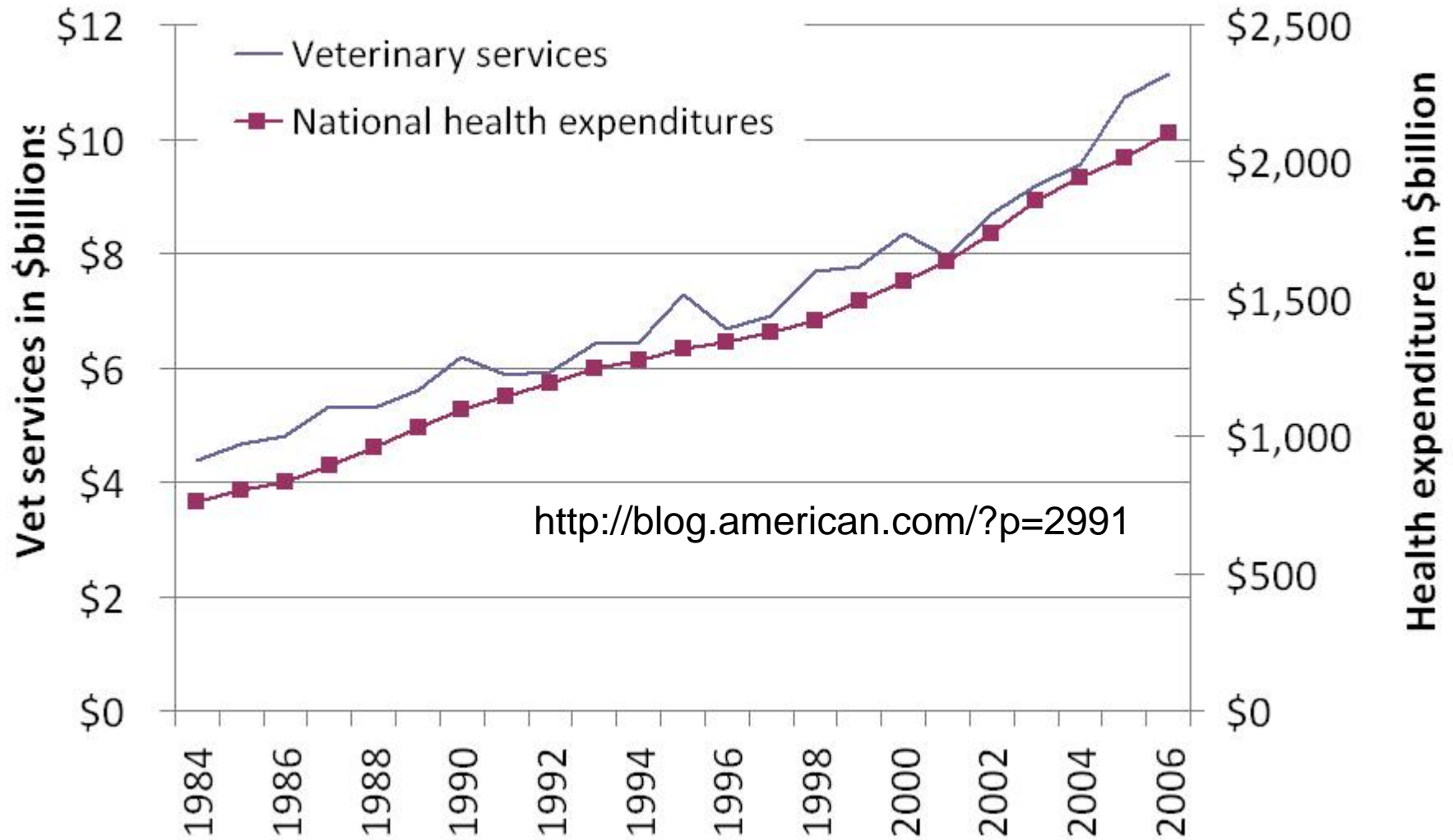
Raymond Monroe

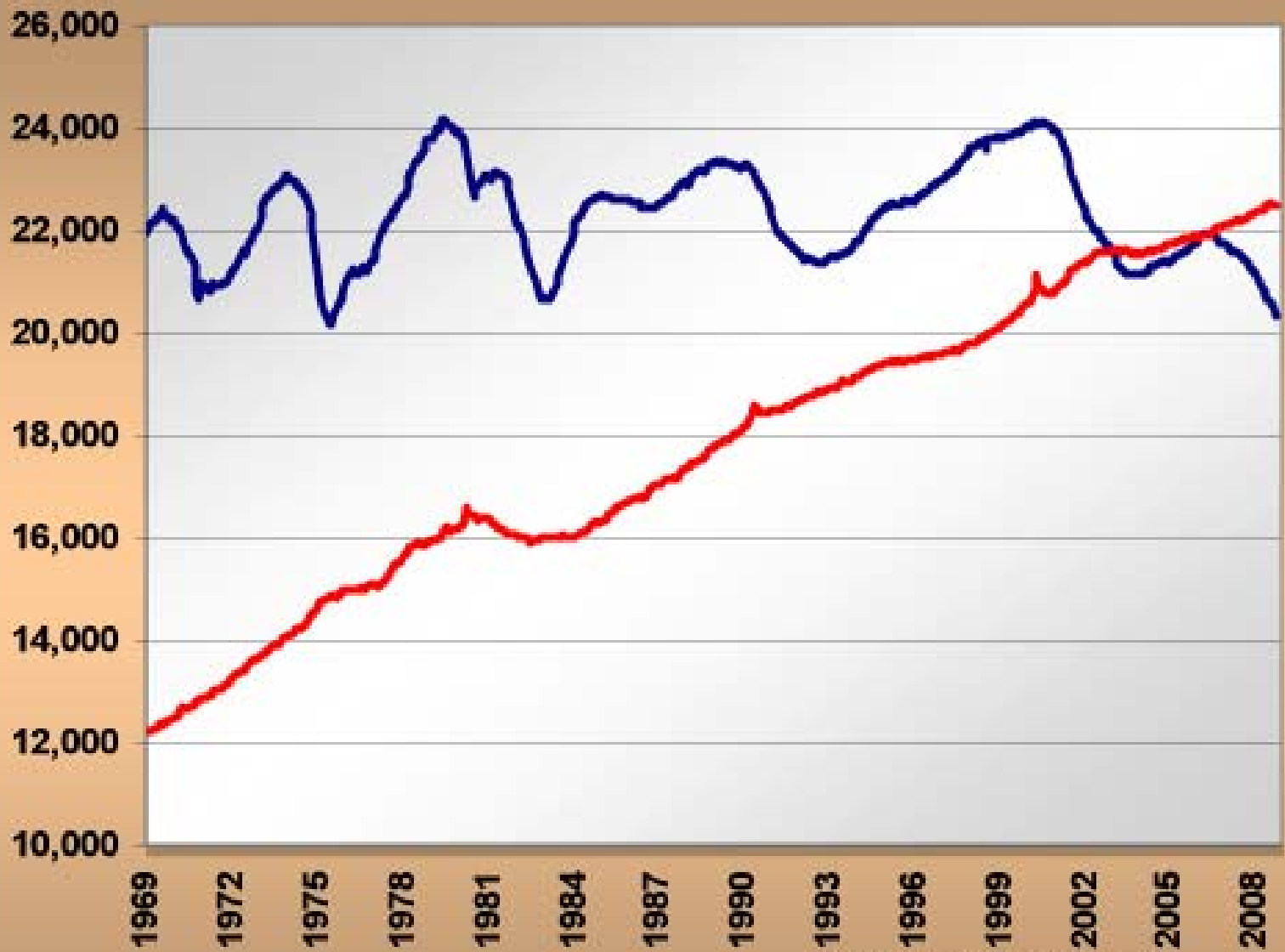
815-455-8240

monroe@sfsa.org



Health care spending: pets versus people



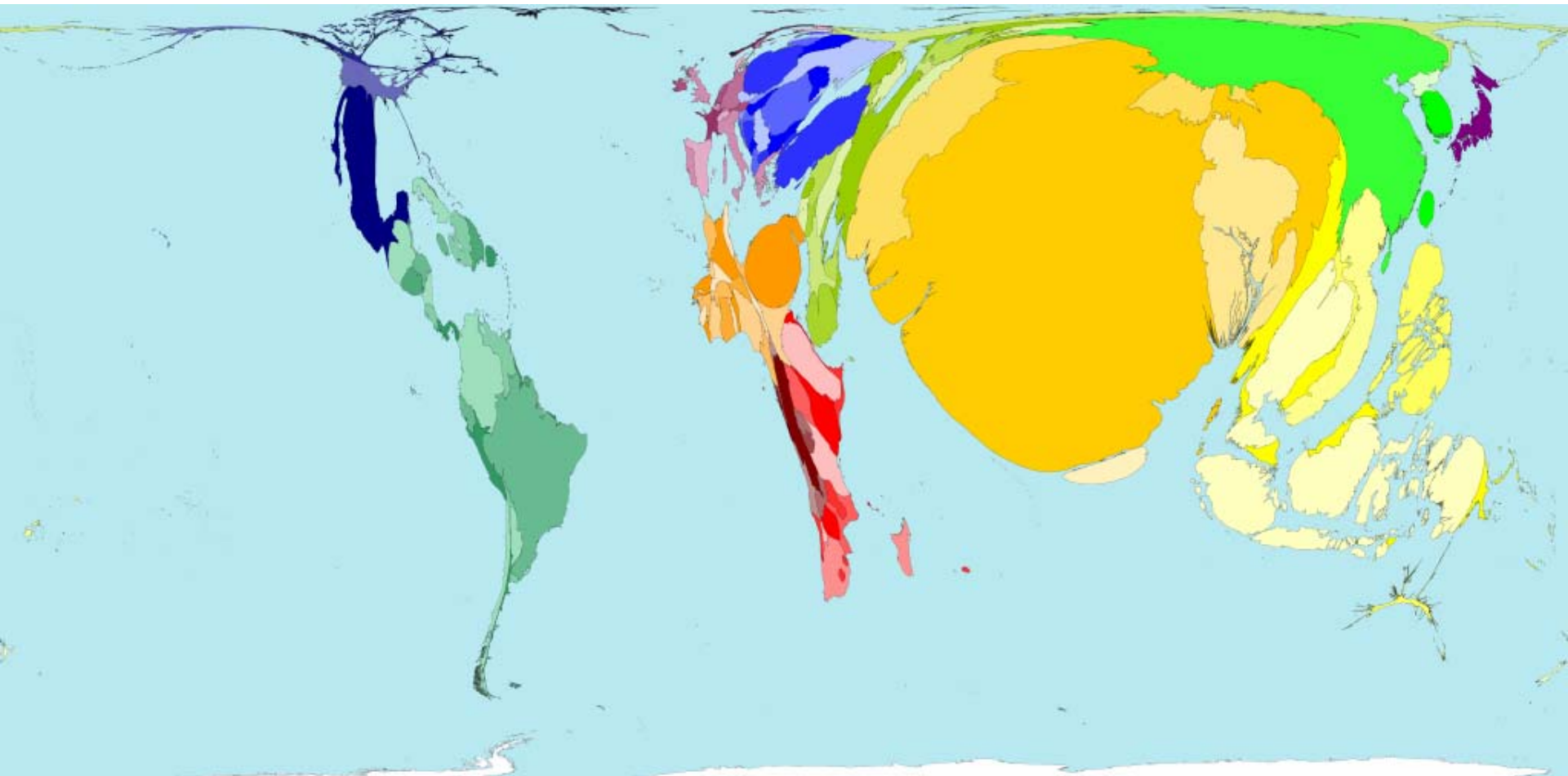


www.contraryinvestor.com

— Payrolls: Manufacturing And Construction (000)
— Payrolls: Government (000)

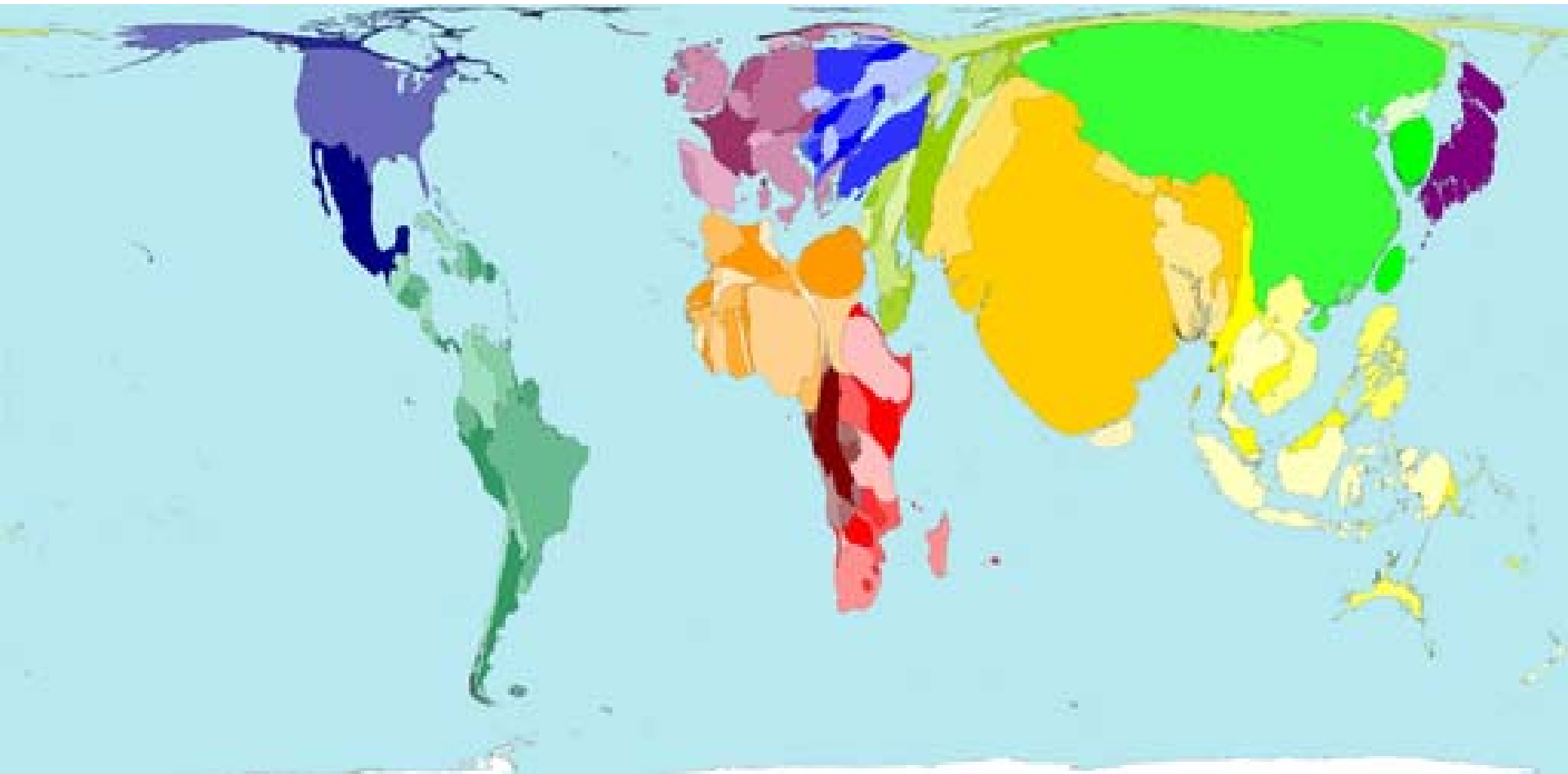
Agriculture Workers

<http://www.worldmapper.org/display.php?selected=128>



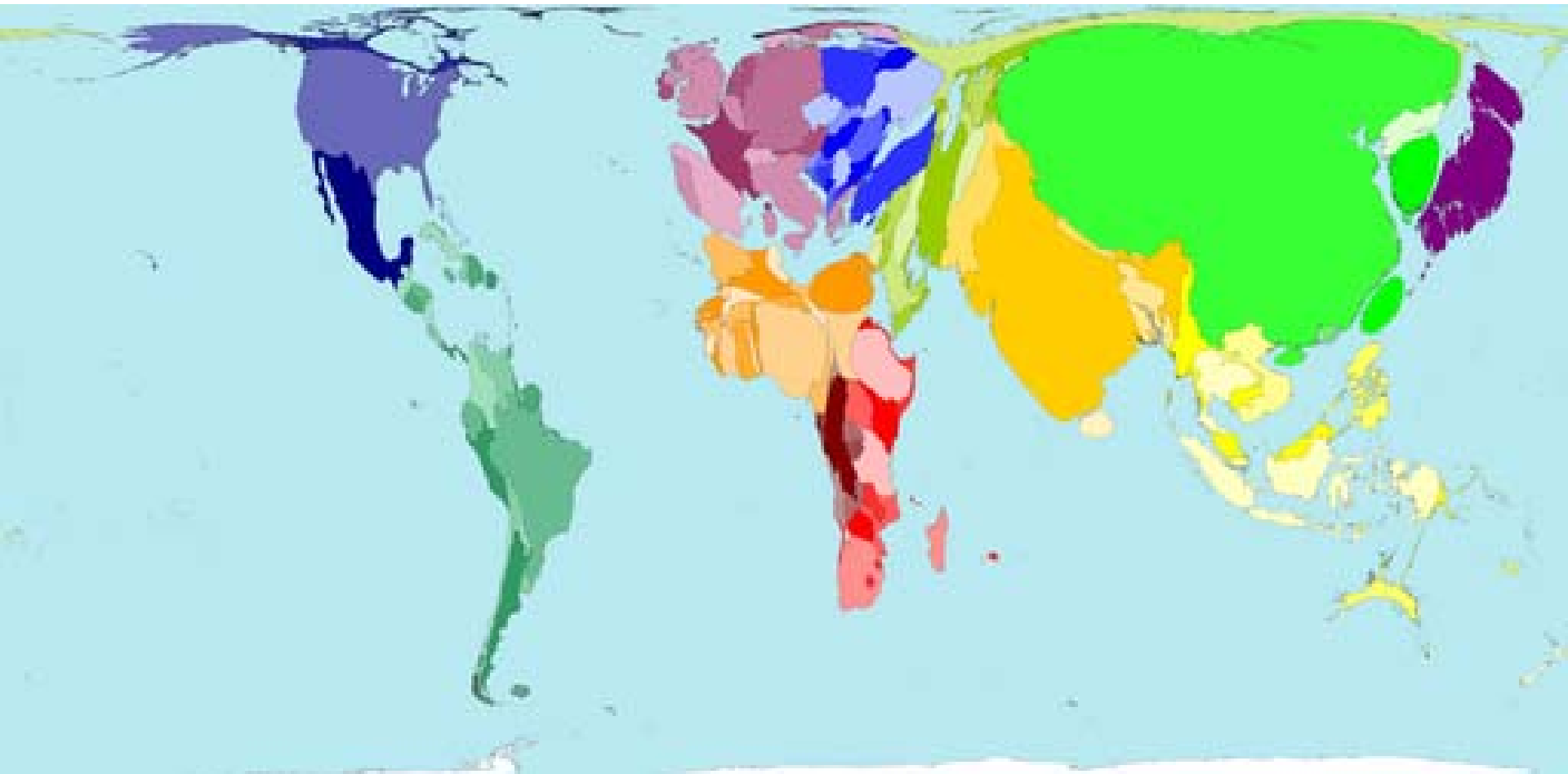
Population

<http://www.worldmapper.org/display.php?selected=2>



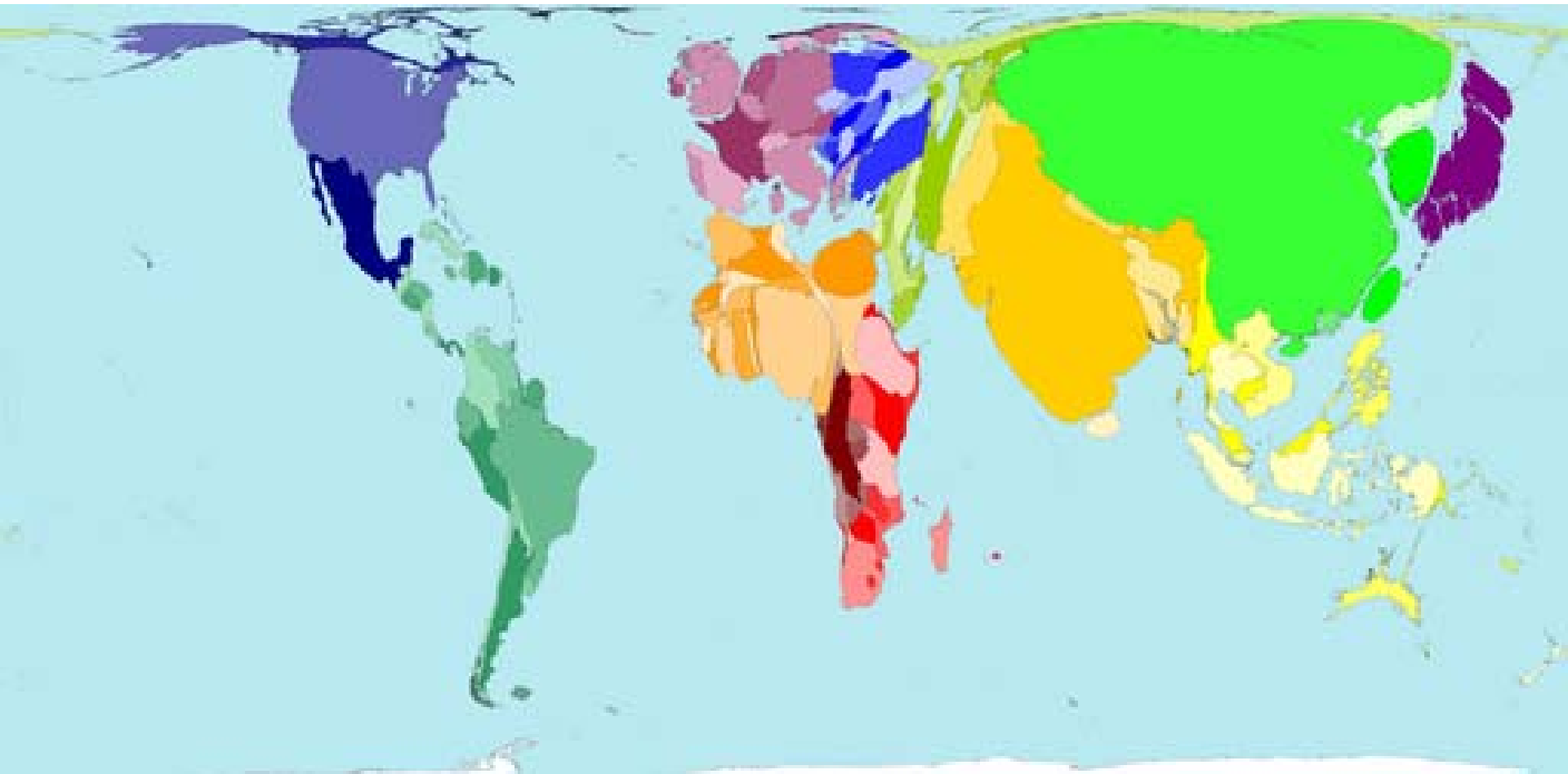
Industrial Workers

<http://www.worldmapper.org/display.php?selected=130>



Service Workers

<http://www.worldmapper.org/display.php?selected=132>



Share of total employment in manufacturing and services sectors, 1965 and 2005

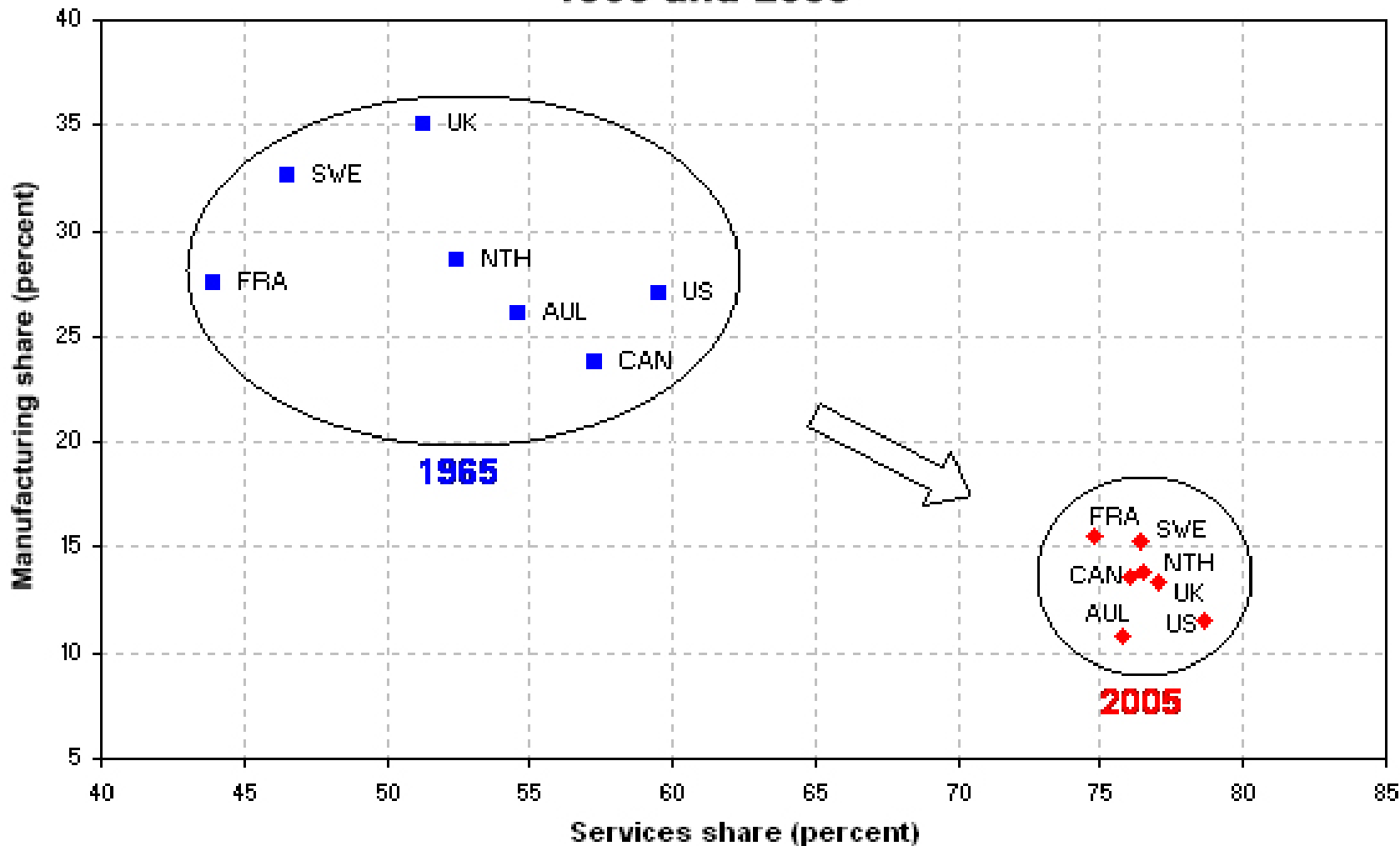
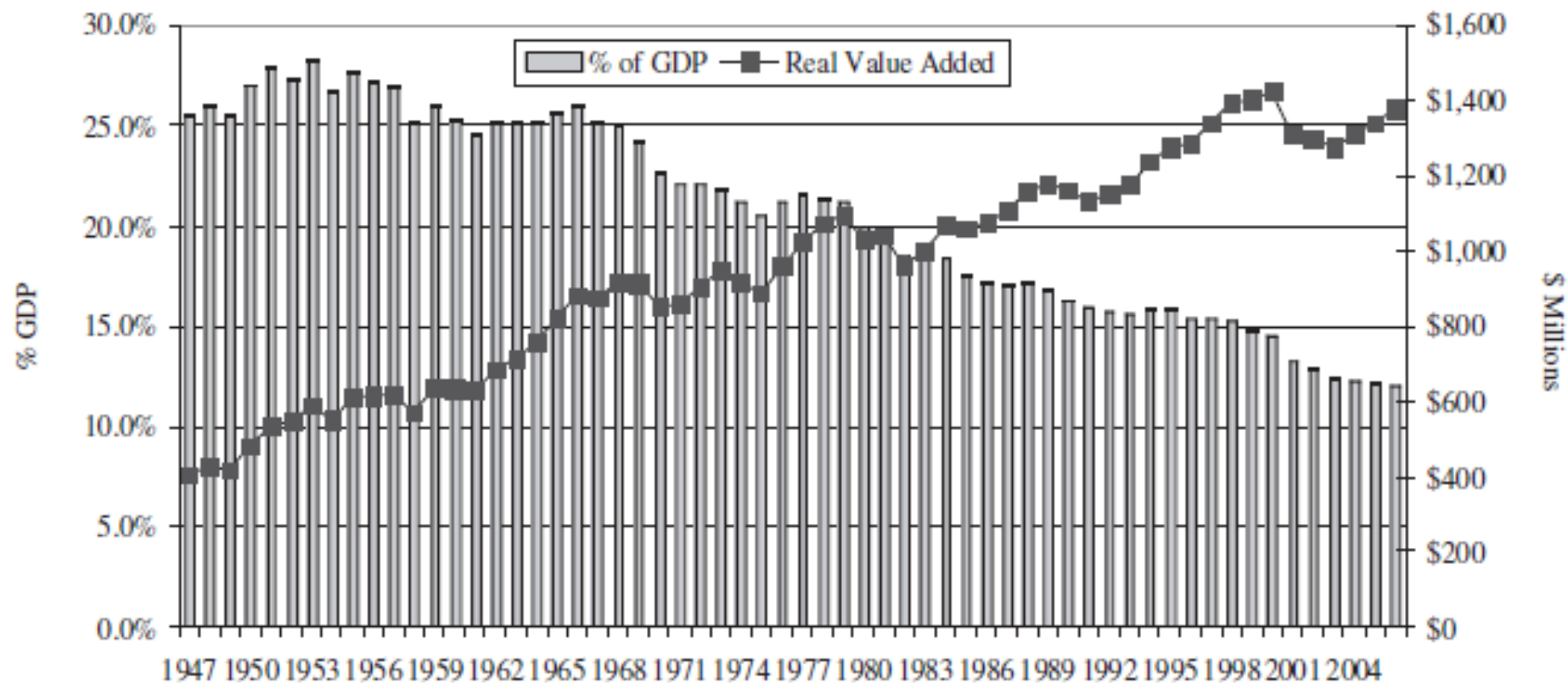
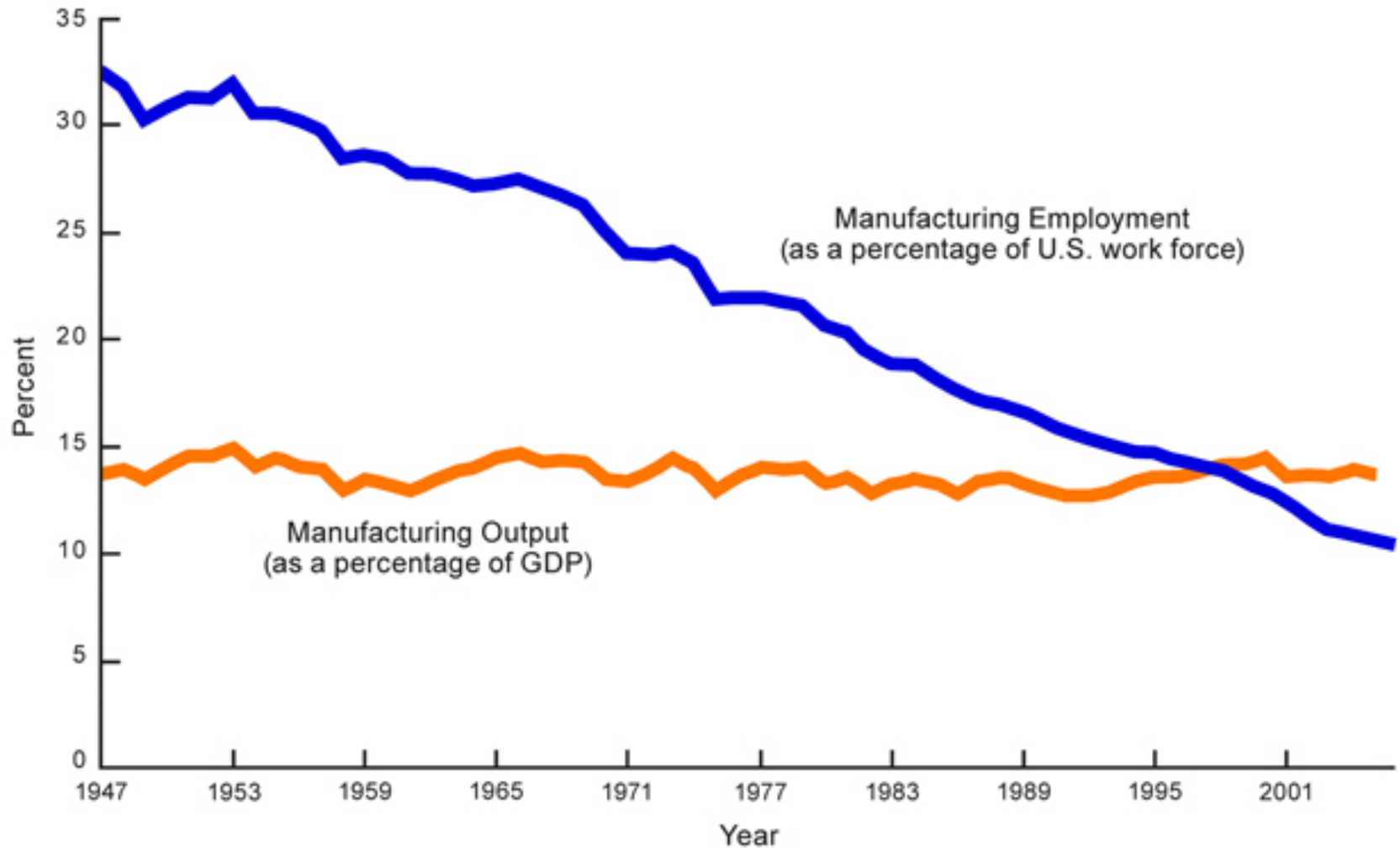


Figure 2
Manufacturing Value Added, % of GDP and Real Value Added(1947–2006)



Source: Bureau of Economic Analysis, GDP-by-Industry Accounts, http://www.bea.gov/industry/gpotables/gpo_action.cfm.

Real Manufacturing Output and Employment

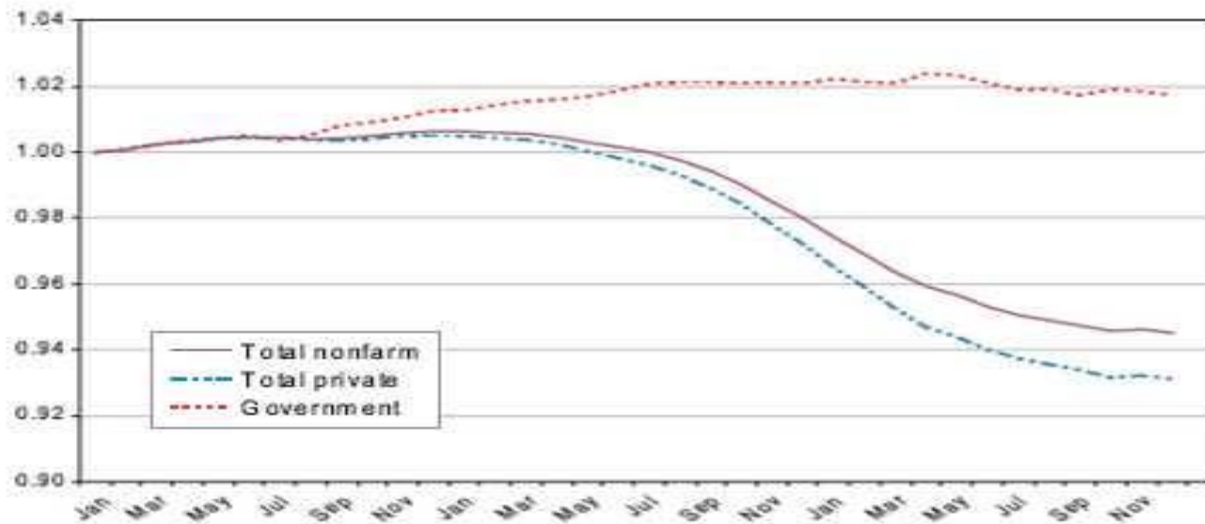


Source: Bureau of Economic Analysis; Bureau of Labor Statistics.

U.S. Manufacturing

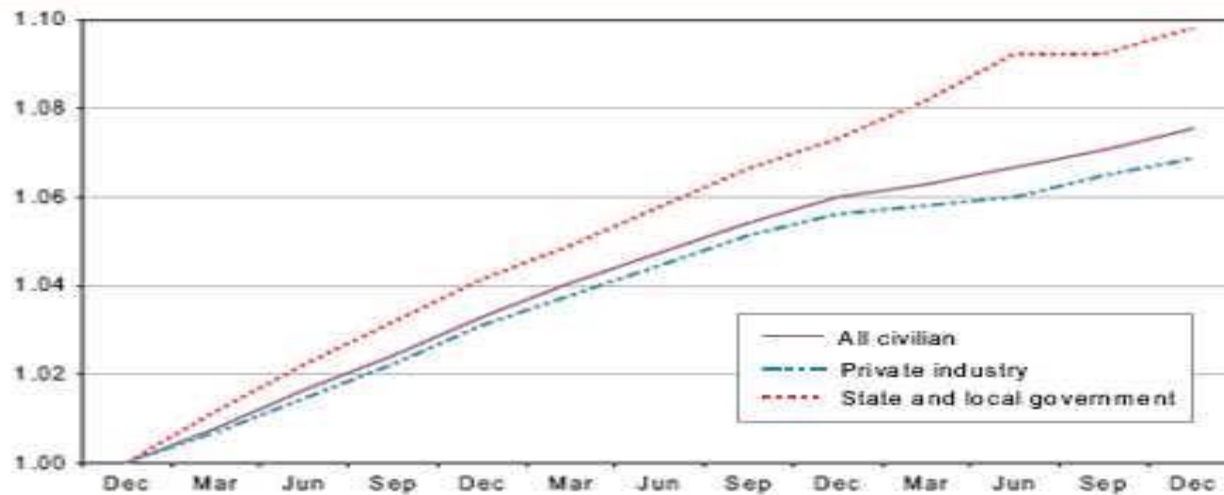
- 2008 manufacturing was \$1.4 trillion
- 9th largest economy/ size of Canada
- 70% R&D \$147 billion 90% of patents
- \$1.00 produces \$1.37 of activity
- 3.4%/year productivity for 20 yrs compared to 2.2%/yr for others
- 22% higher wages than services
- http://www.connstep.org/files/file/20091216-manufacturing-framework-final_embargoed.pdf

Figure 1. Monthly Seasonally Adjusted Employment, January 2007 - Present (January 2007 = 1.00)



Source: Bureau of Labor Statistics (as of February 5, 2010)

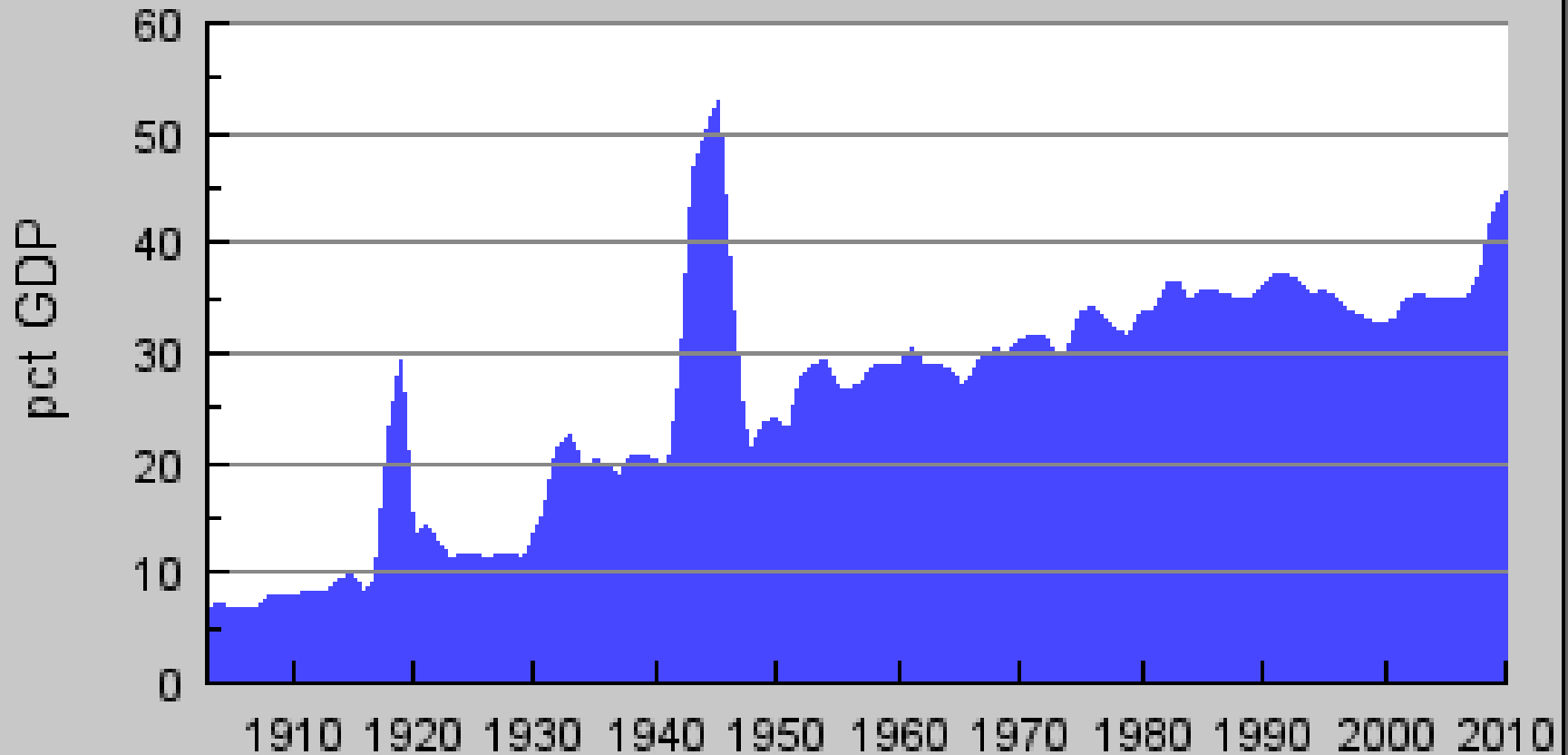
Figure 2. Employment Cost Index, Seasonally-adjusted, Current Dollars, December 2006 - December 2009 (December 2006 = 1.00)



Source: Bureau of Labor Statistics (as of February 5, 2010)

US Government Spending As Percent Of GDP

Government Spending in US from FY 1903 to FY 2010



The shape of the beast

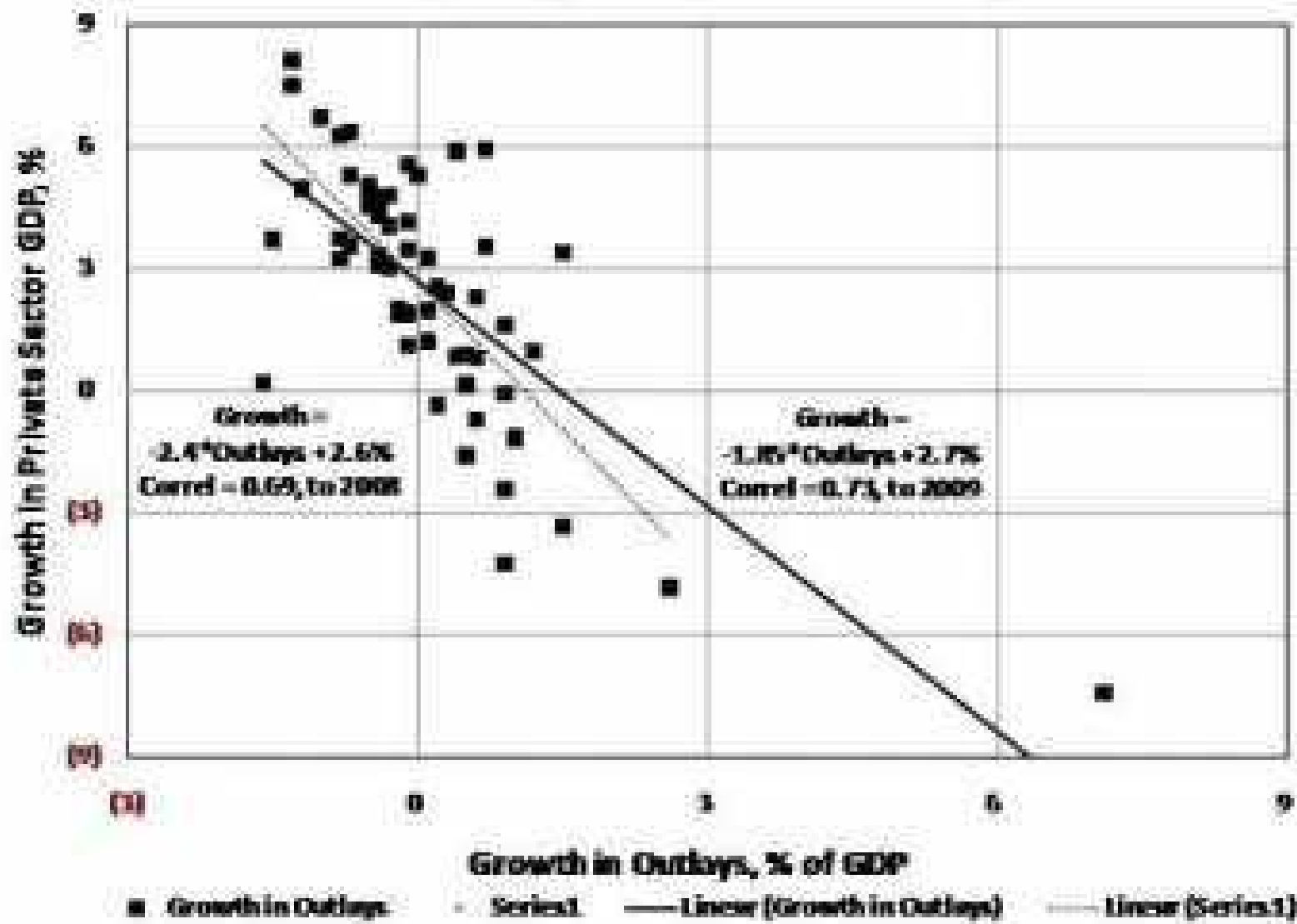
Total government spending, % of GDP

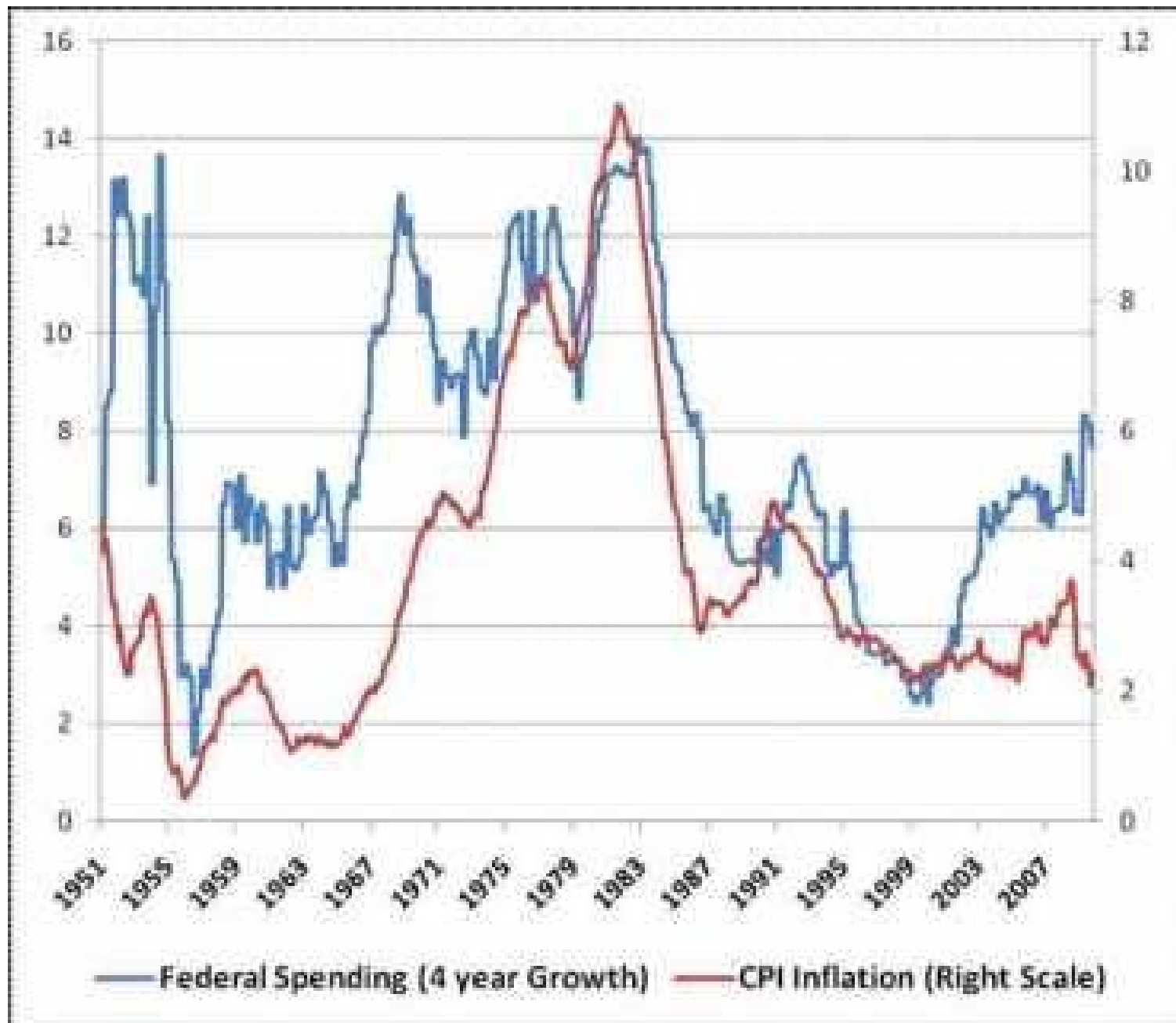


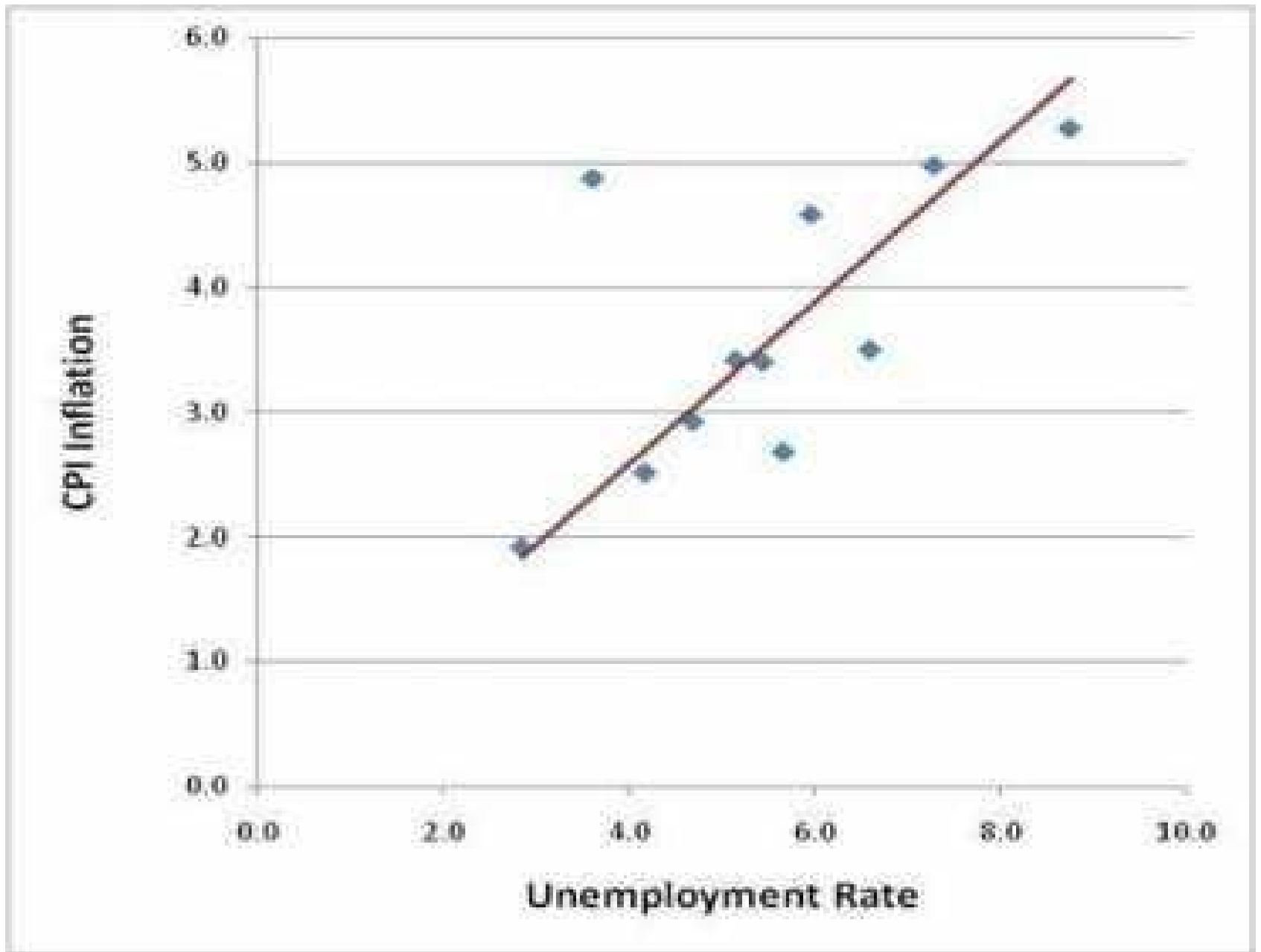
Source: OECD

* Estimate

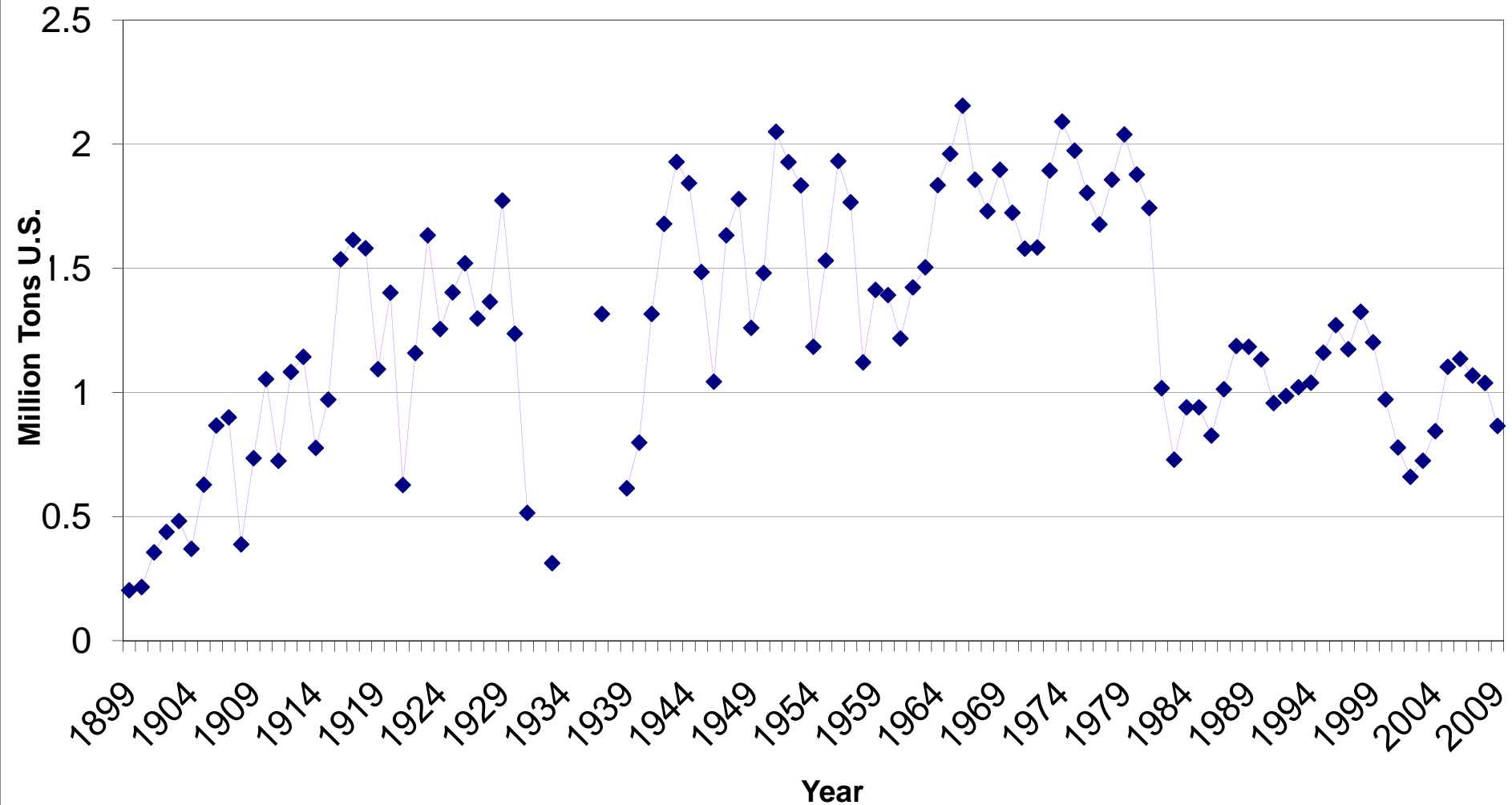
The Link Between Spending and Private Sector Growth, 1953-2009



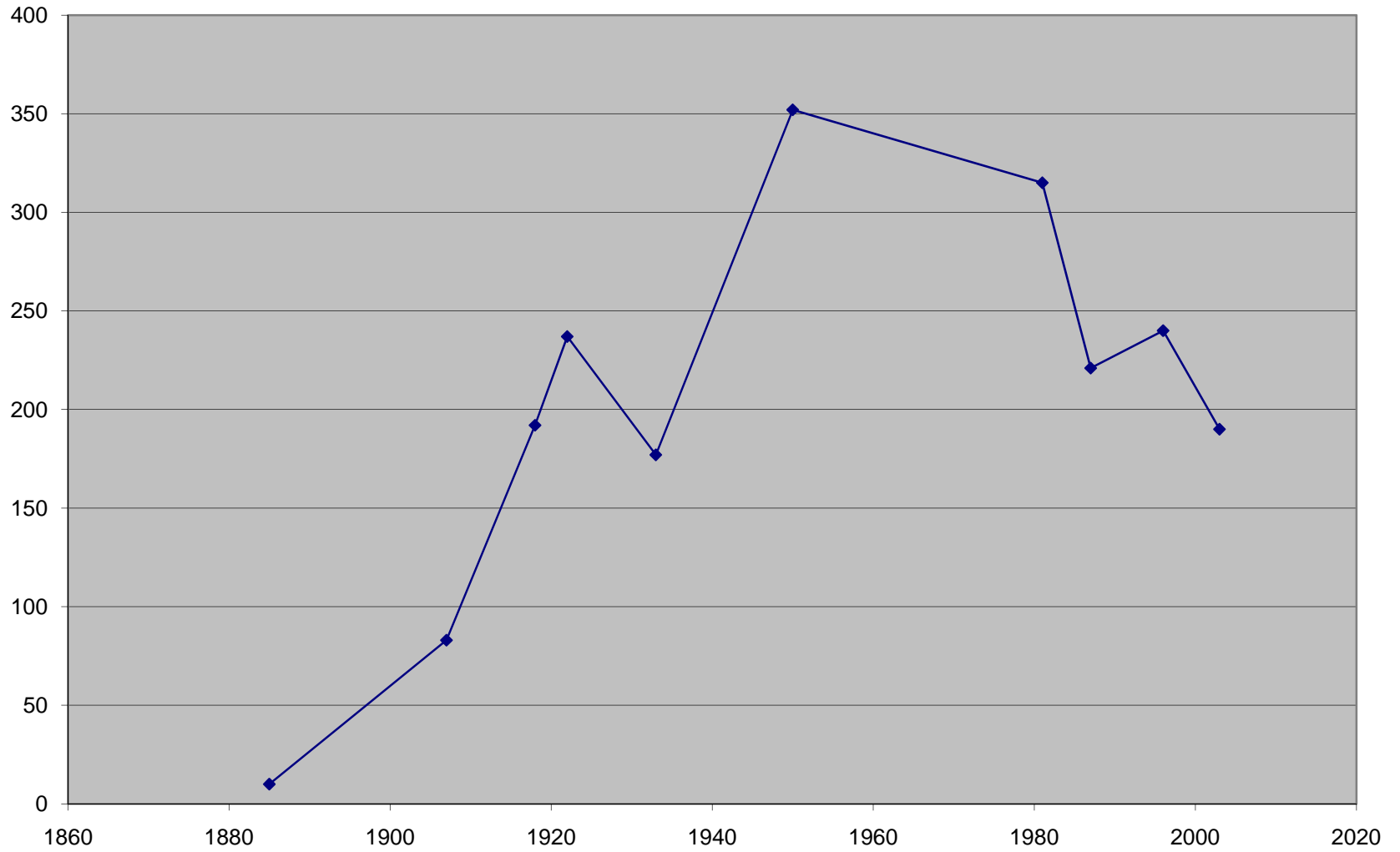




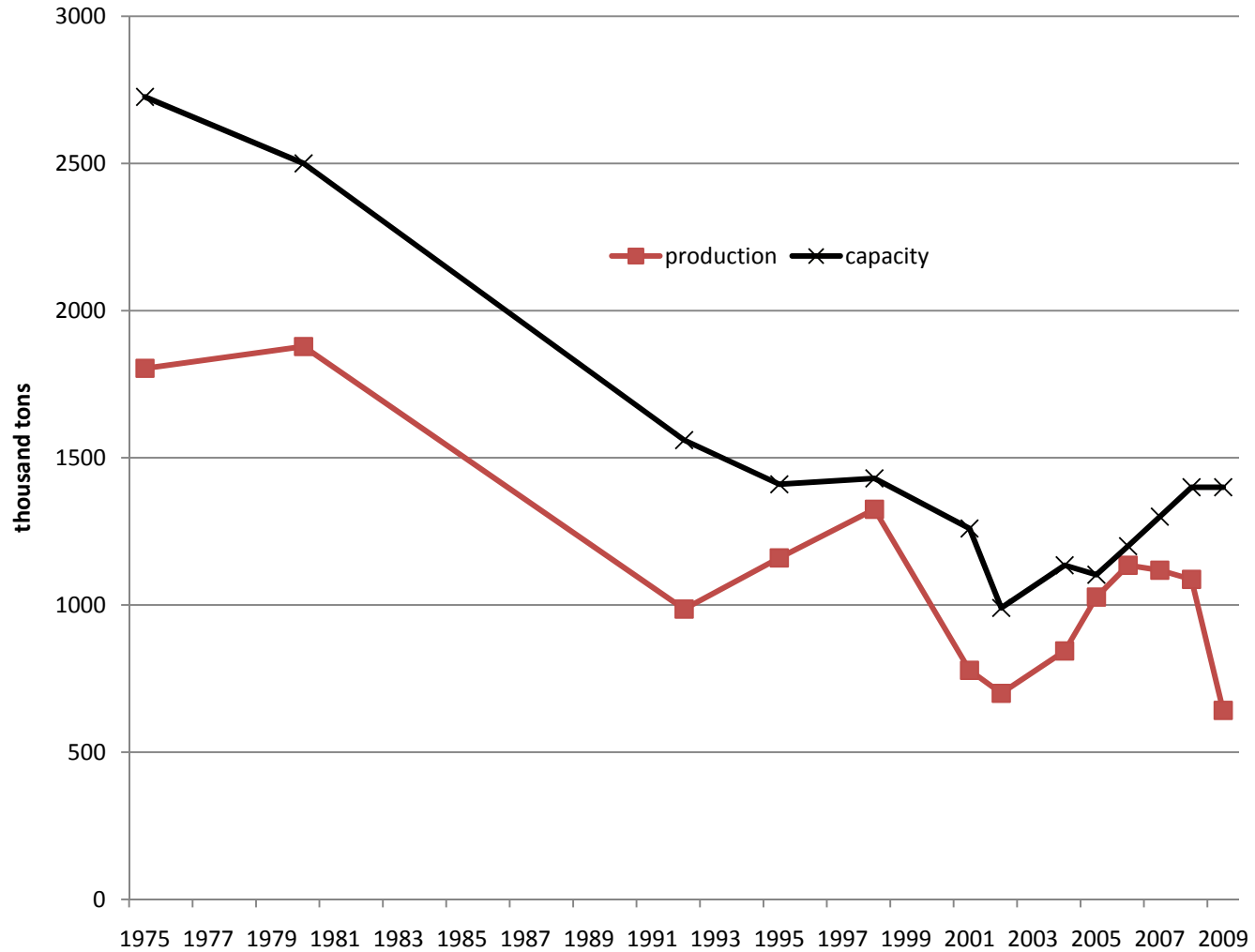
Steel Casting Production in the U.S. million tons



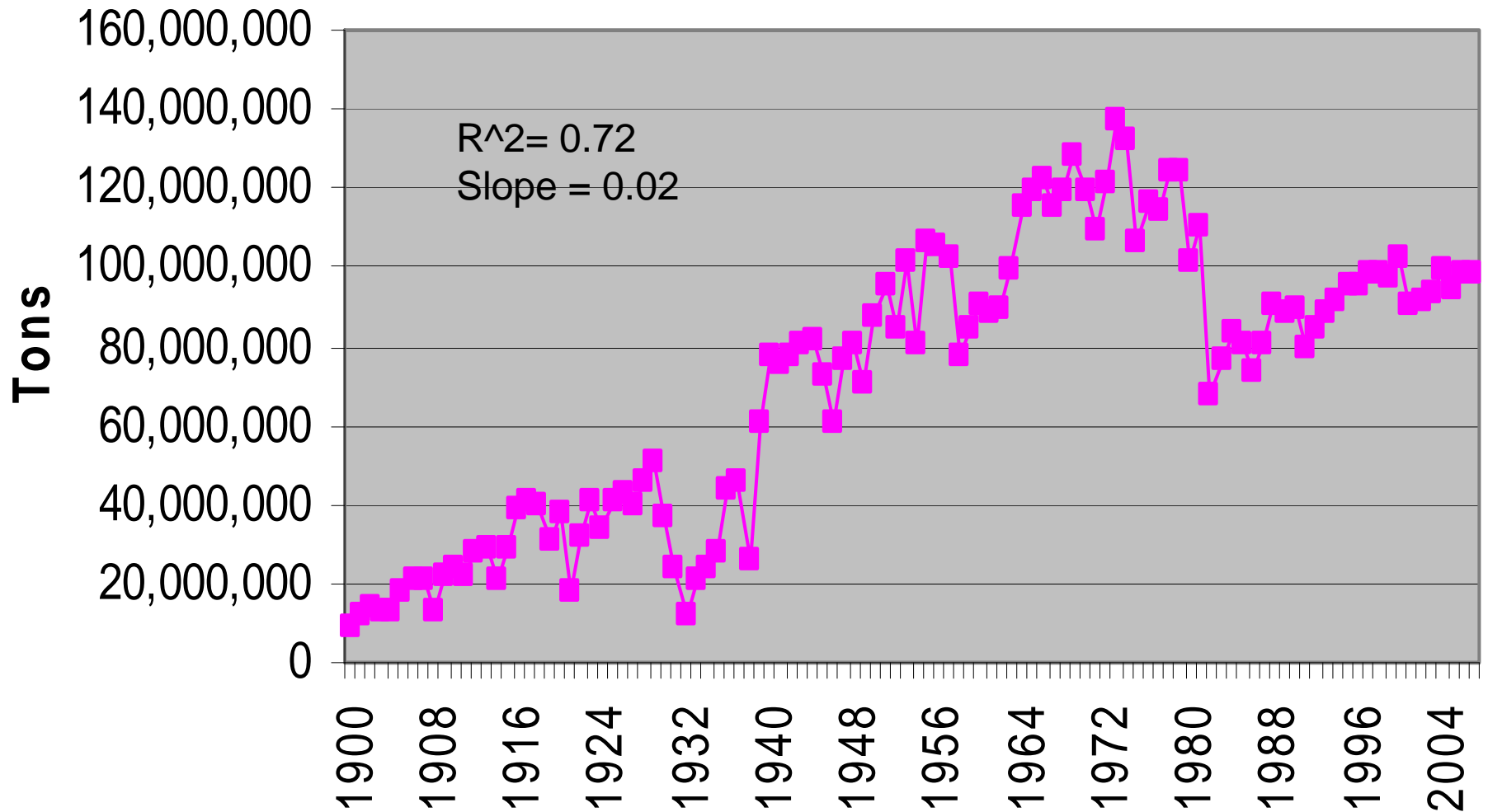
Steel Foundries in North America



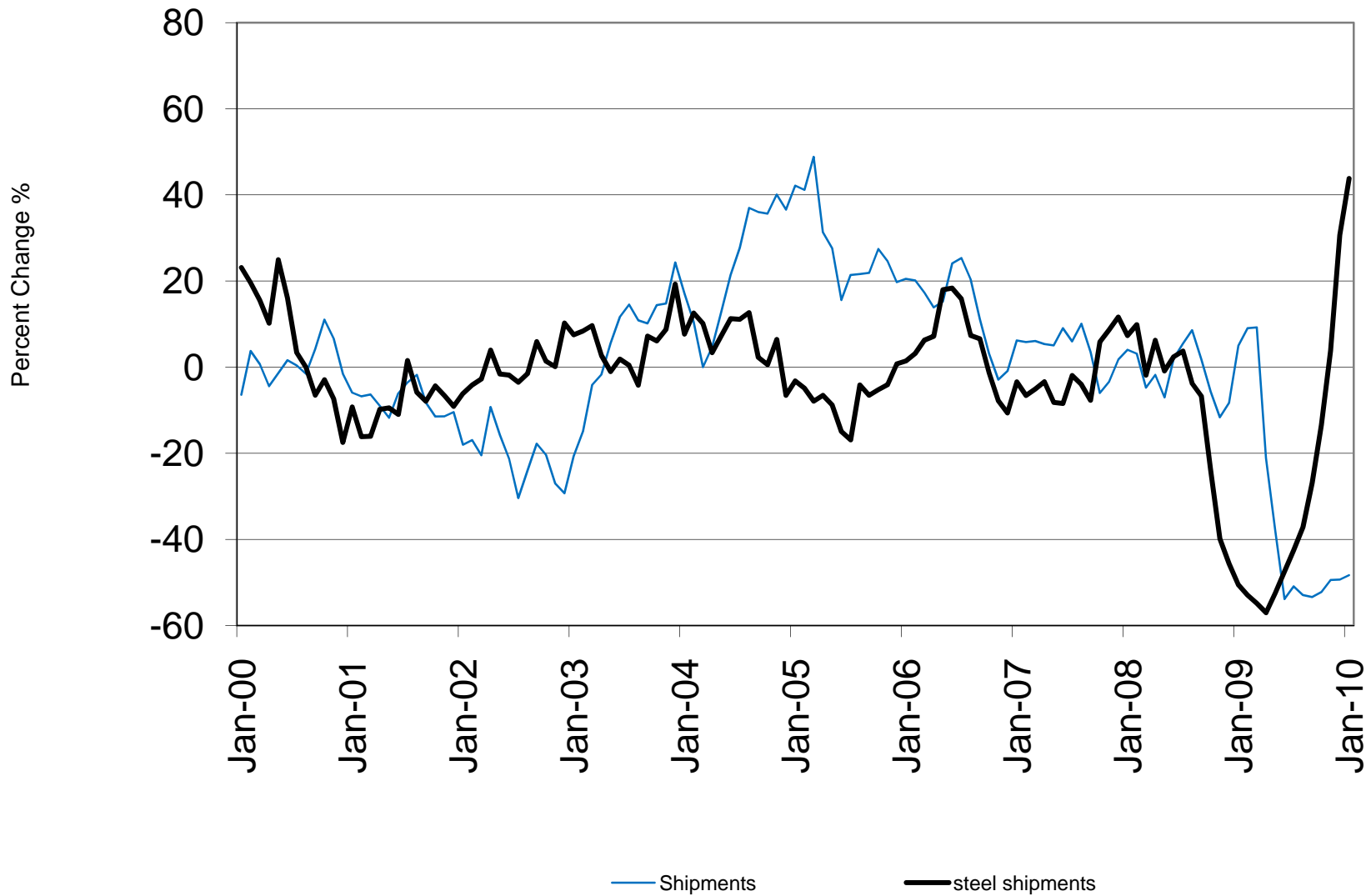
Production and Capacity



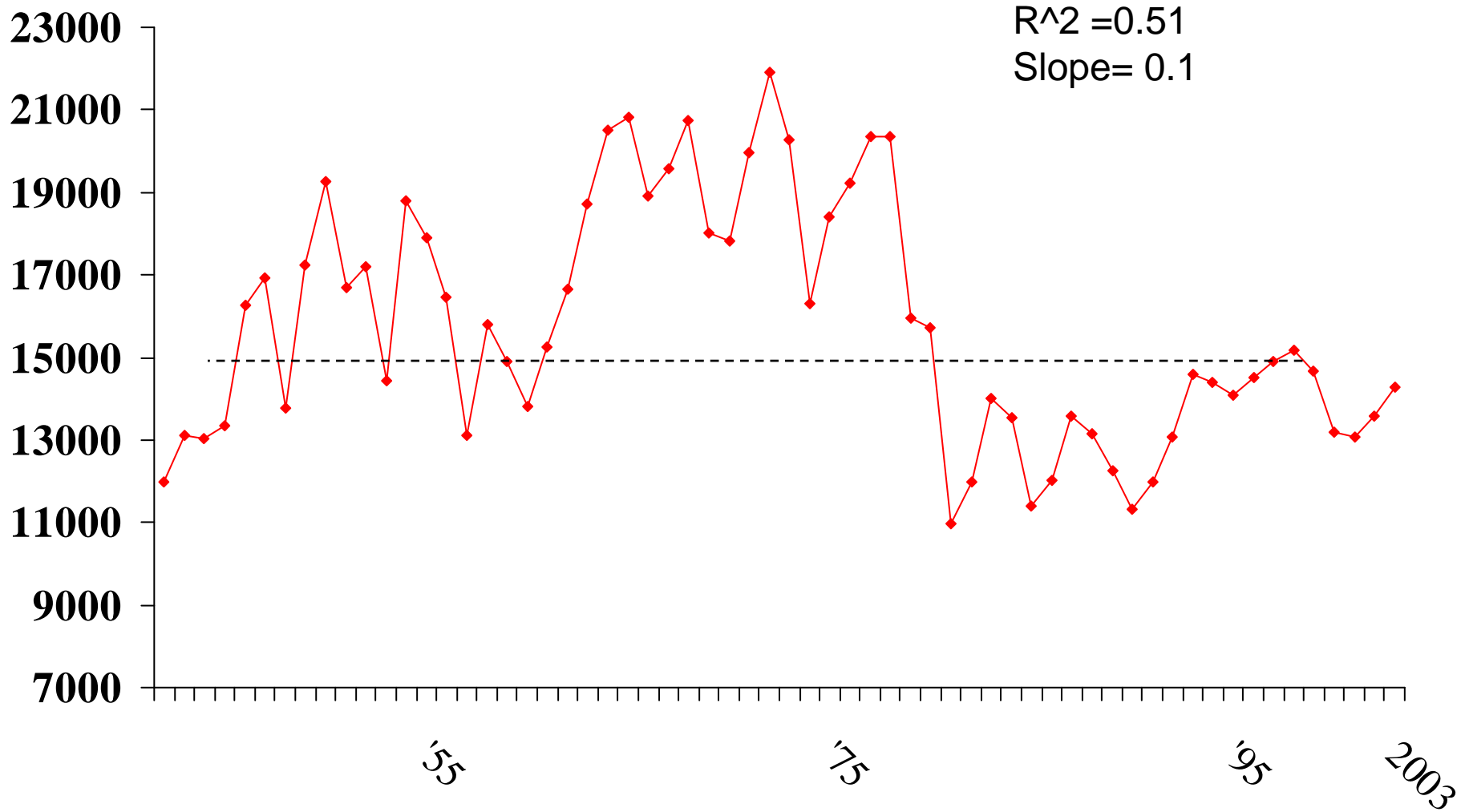
United States Steel Production



Carbon & Low Alloy Casting Market Trends

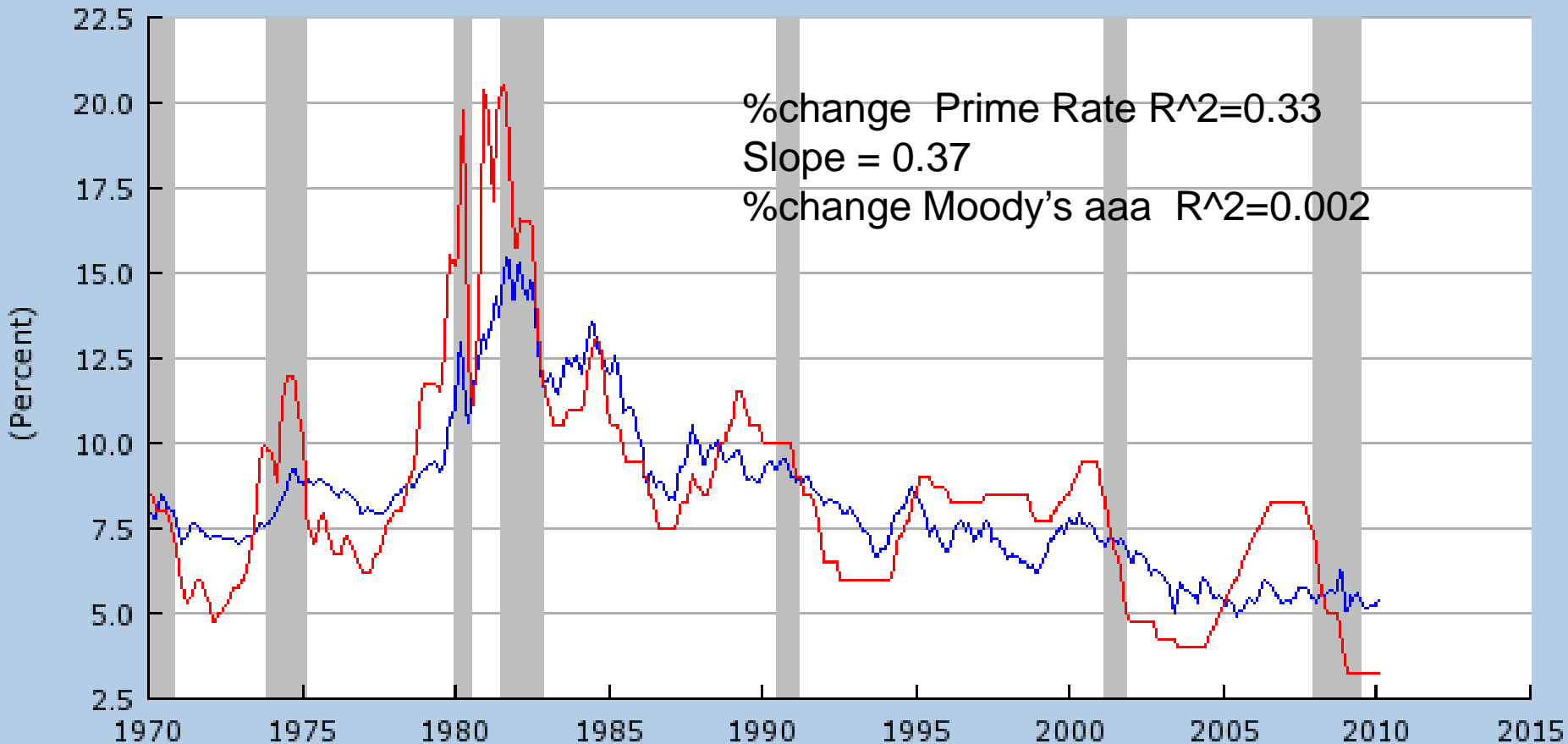


Cast Shipments 1943-04



Interest Rates

Moody's Seasoned Aaa Corporate Bond Yield (AAA)
Bank Prime Loan Rate (MPRIME)



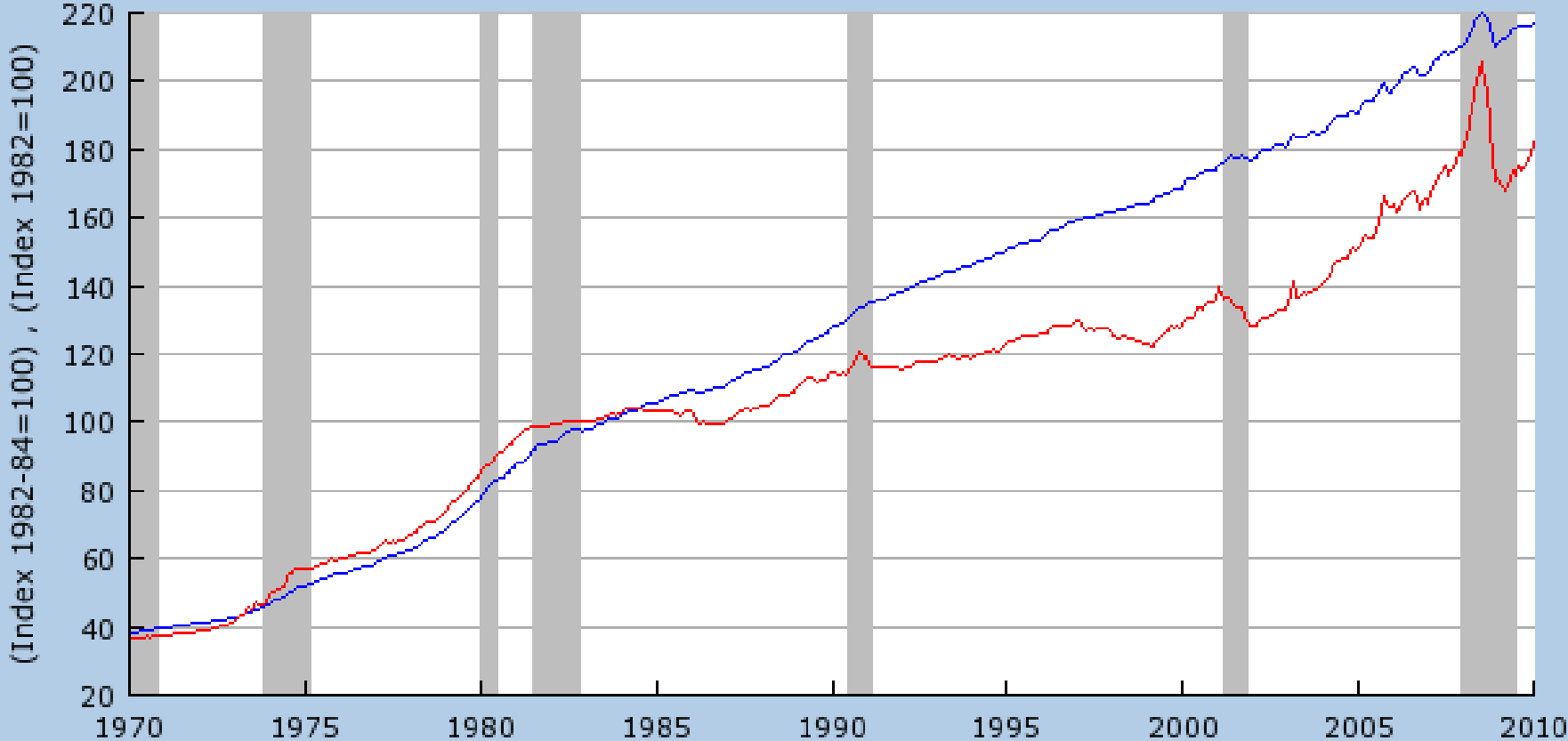
%change Prime Rate $R^2=0.33$
Slope = 0.37
%change Moody's aaa $R^2=0.002$

Shaded areas indicate US recessions.
2010 research.stlouisfed.org

- AAA
- MPRIME

Price Index

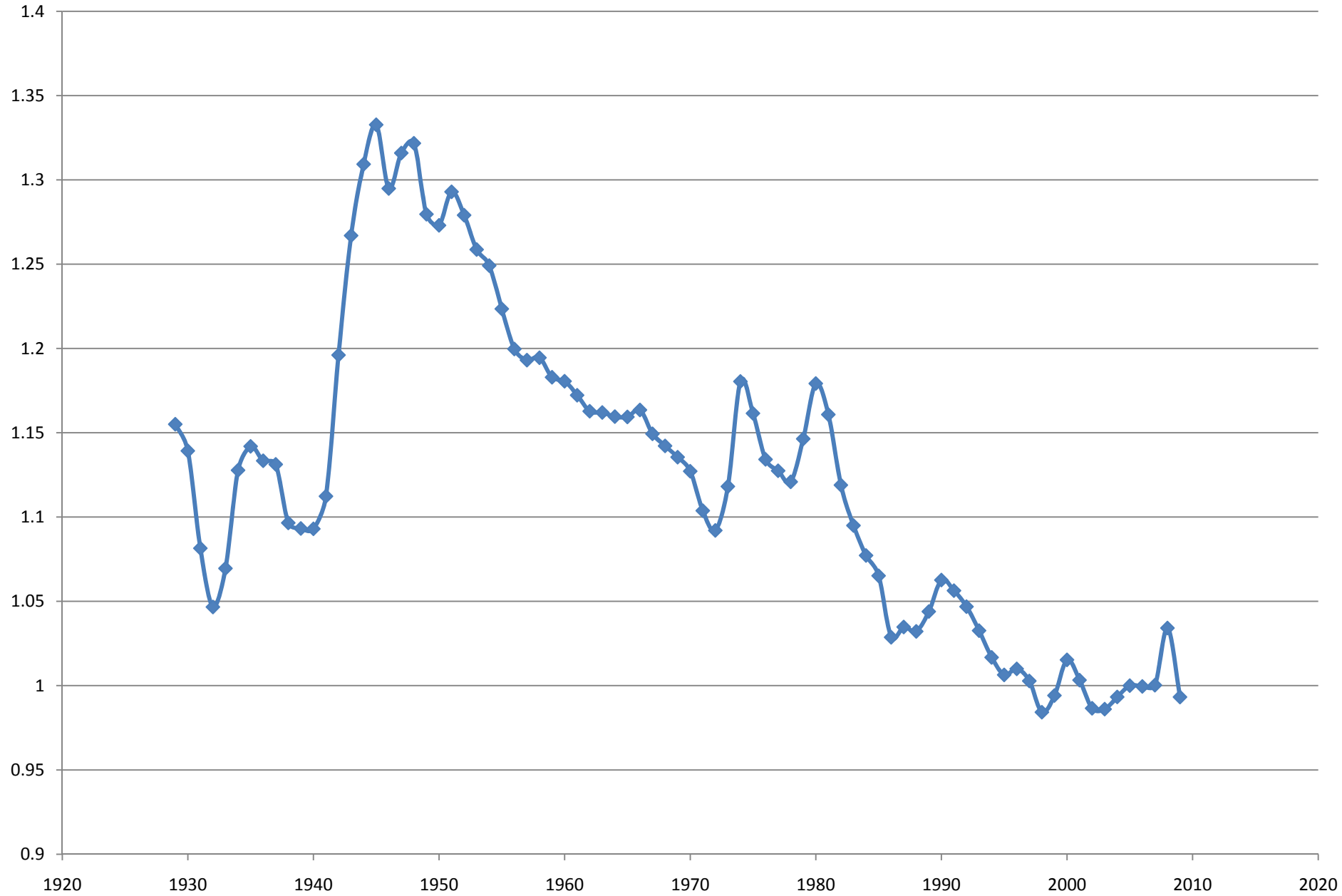
Consumer Price Index for All Urban Consumers: All Items (CPIAUCNS)
Producer Price Index: All Commodities (PPIACO)



Shaded areas indicate US recessions.
2010 research.stlouisfed.org

— CPIAUCNS
— PPIACO

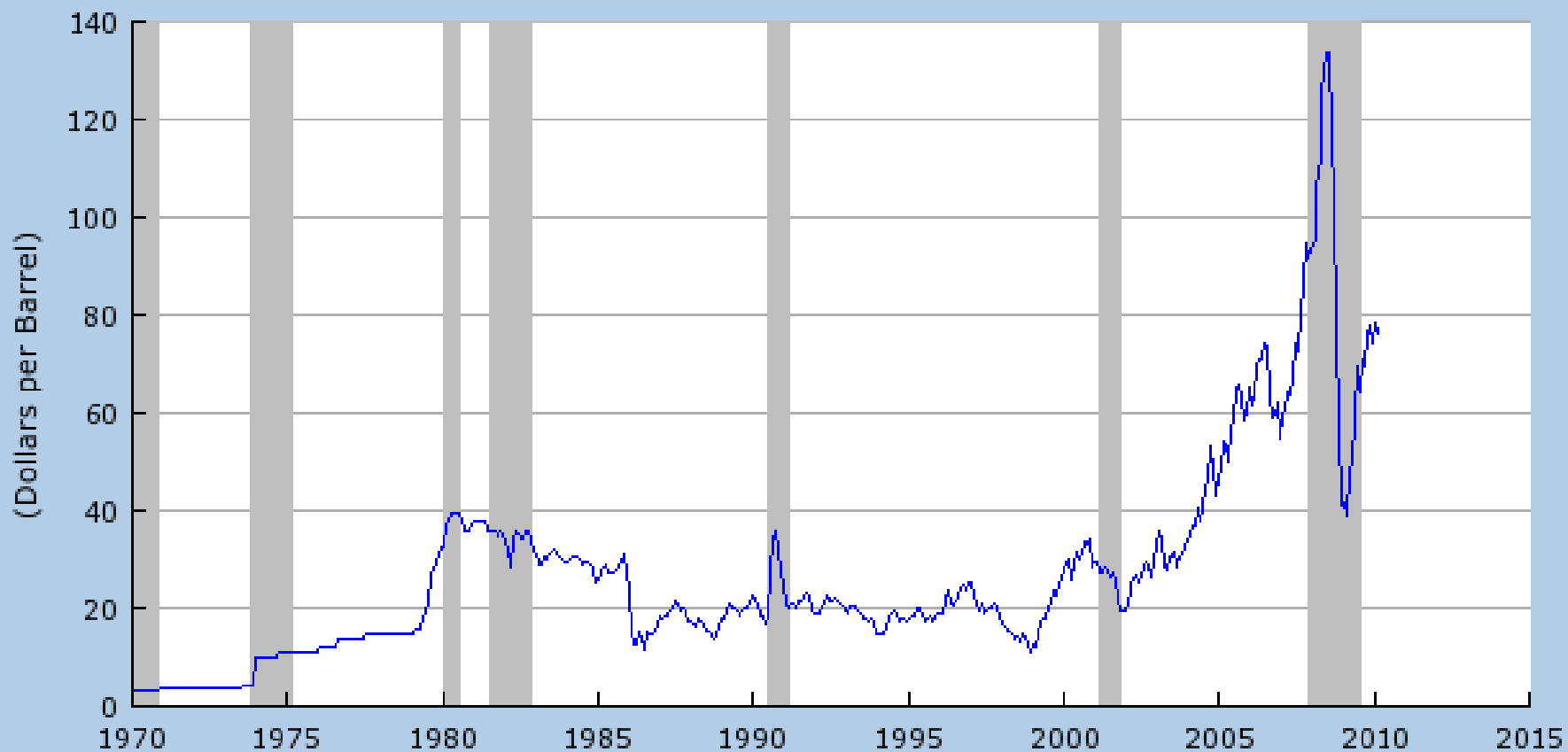
Ratio of nondurable good to GDP implicit price deflator



Price of Oil

Spot Oil Price: West Texas Intermediate (OILPRICE)

Source: Dow Jones & Company



Shaded areas indicate US recessions.

2010 research.stlouisfed.org

5 Year Copper

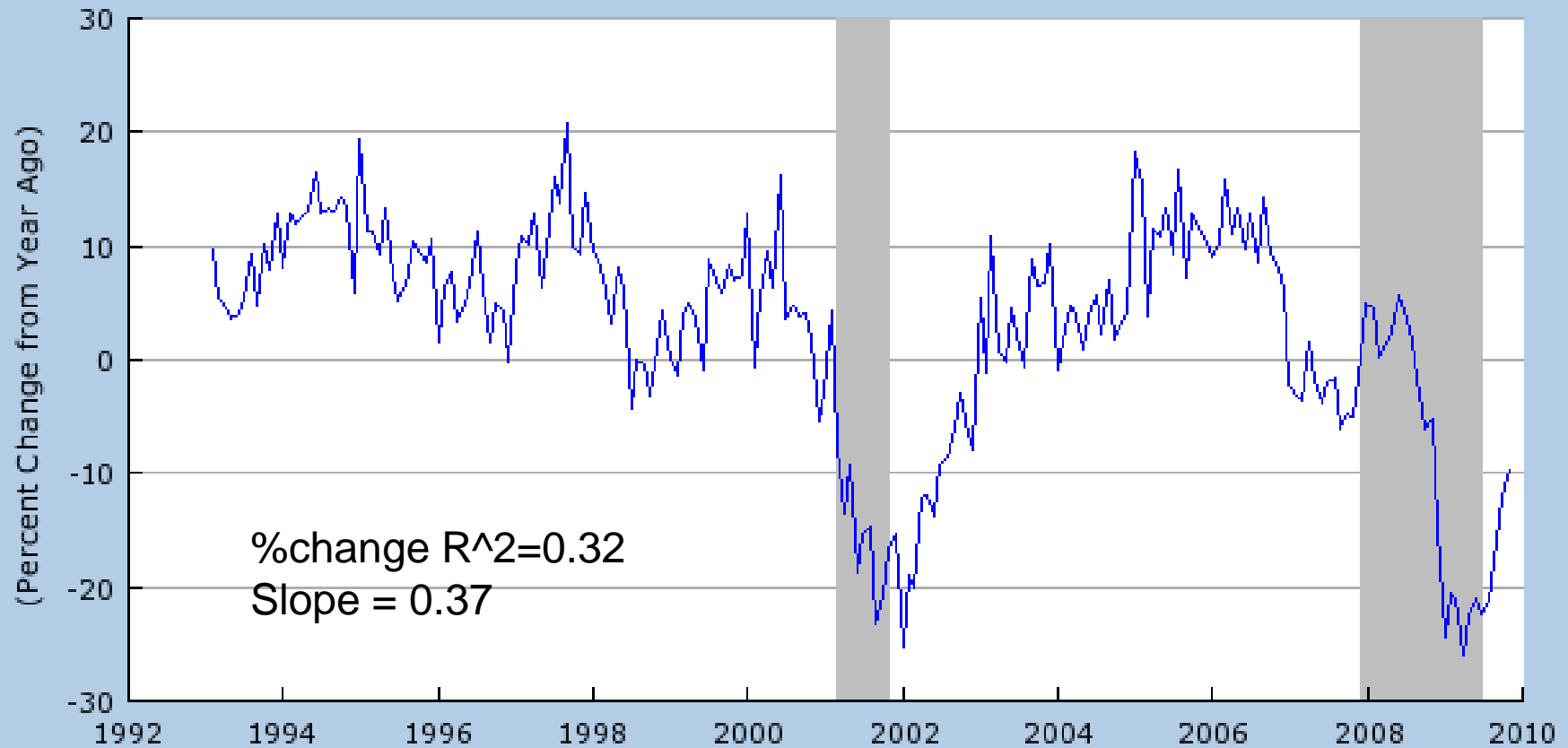
USD / lb



Nondefense Capital Goods

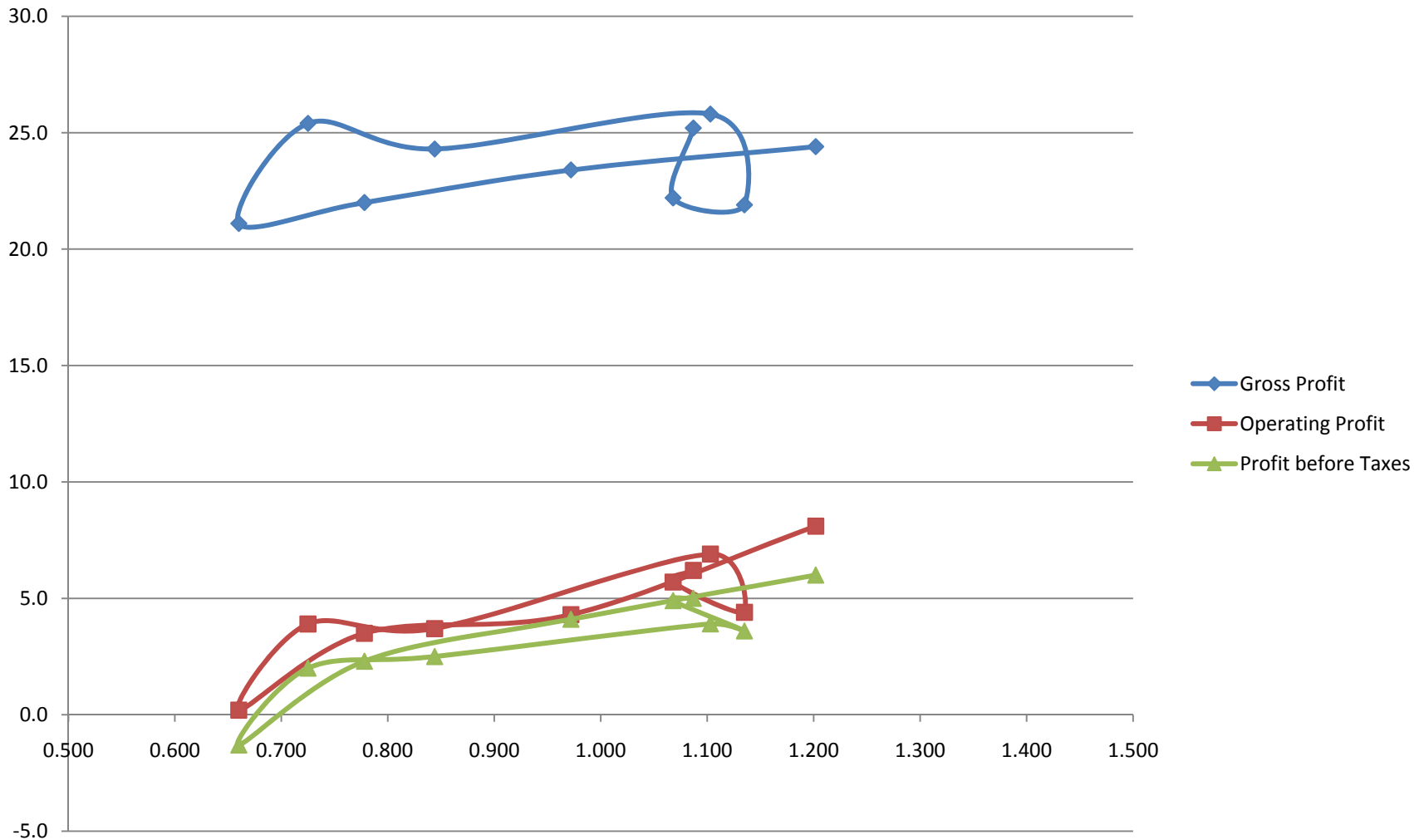
New orders-Air

Manufacturers' New Orders: Nondefense Capital Goods Excluding Aircraft (NEWORDER)
Source: U.S. Department of Commerce: Census Bureau



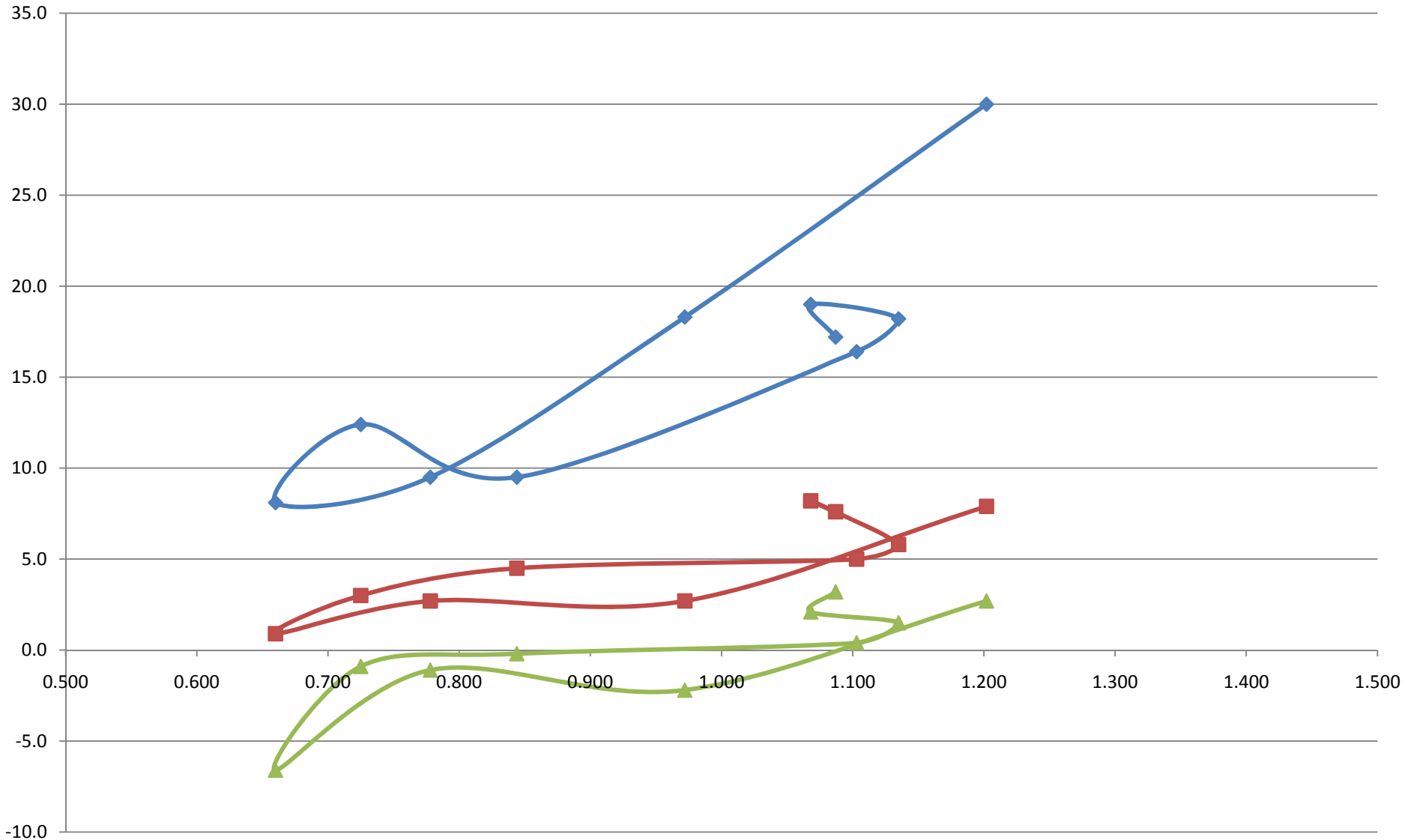
Shaded areas indicate US recessions.
2010 research.stlouisfed.org

Profits v production steel foundries with assets \$2-10MM



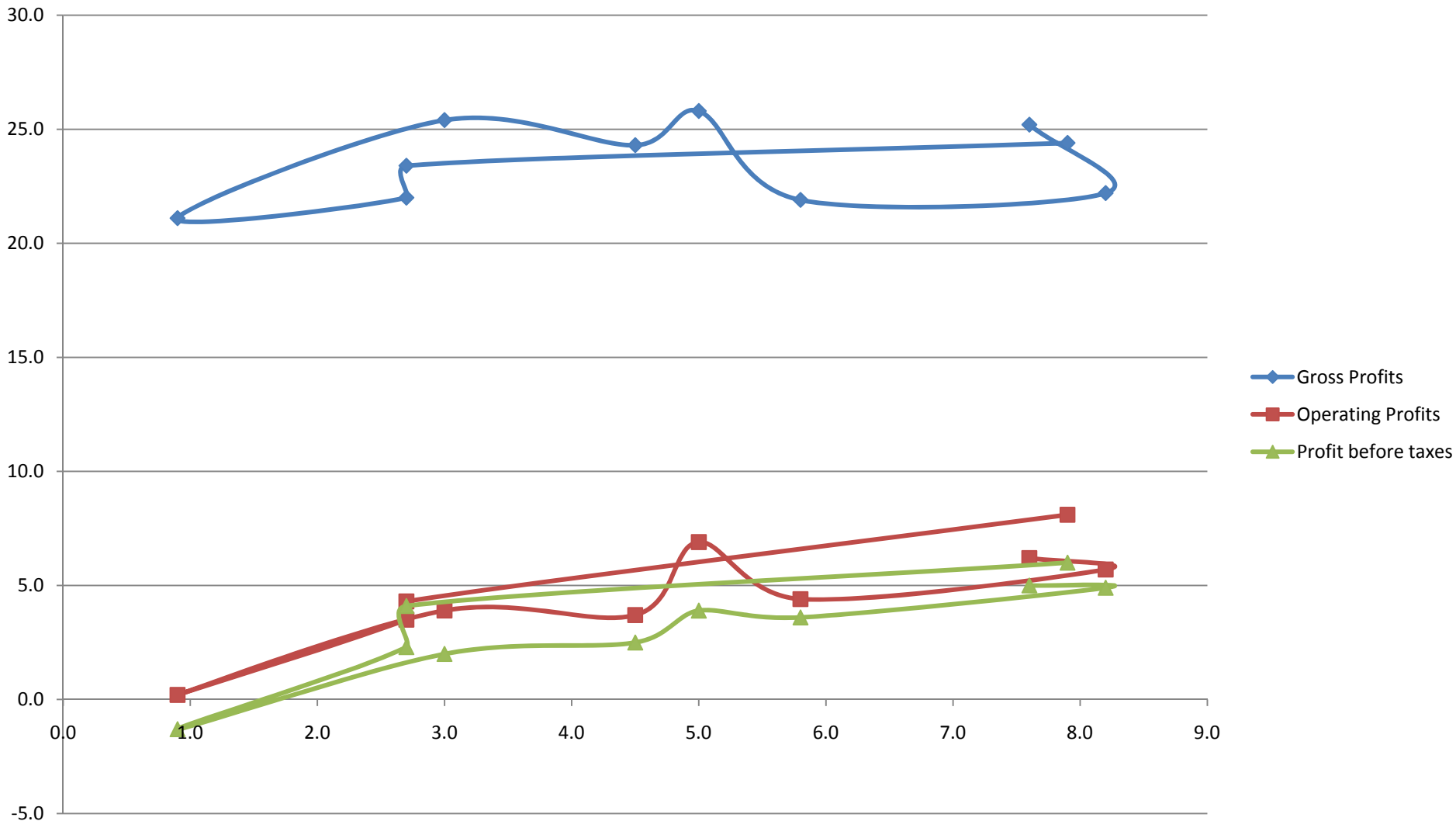
Return on Assets

steel foundries with assets \$2-10MM



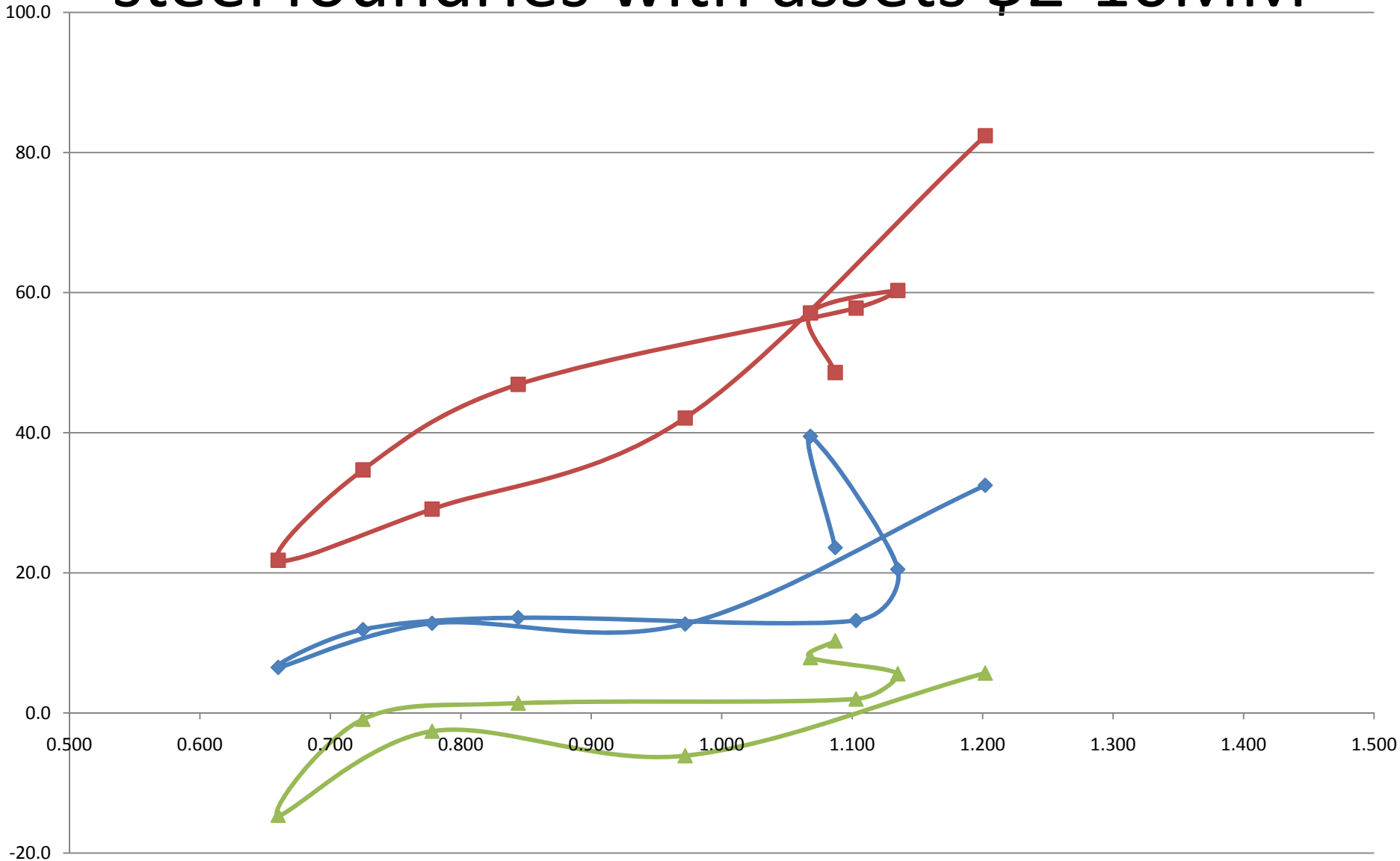
Profits v. ROA

steel foundries with assets \$2-10MM

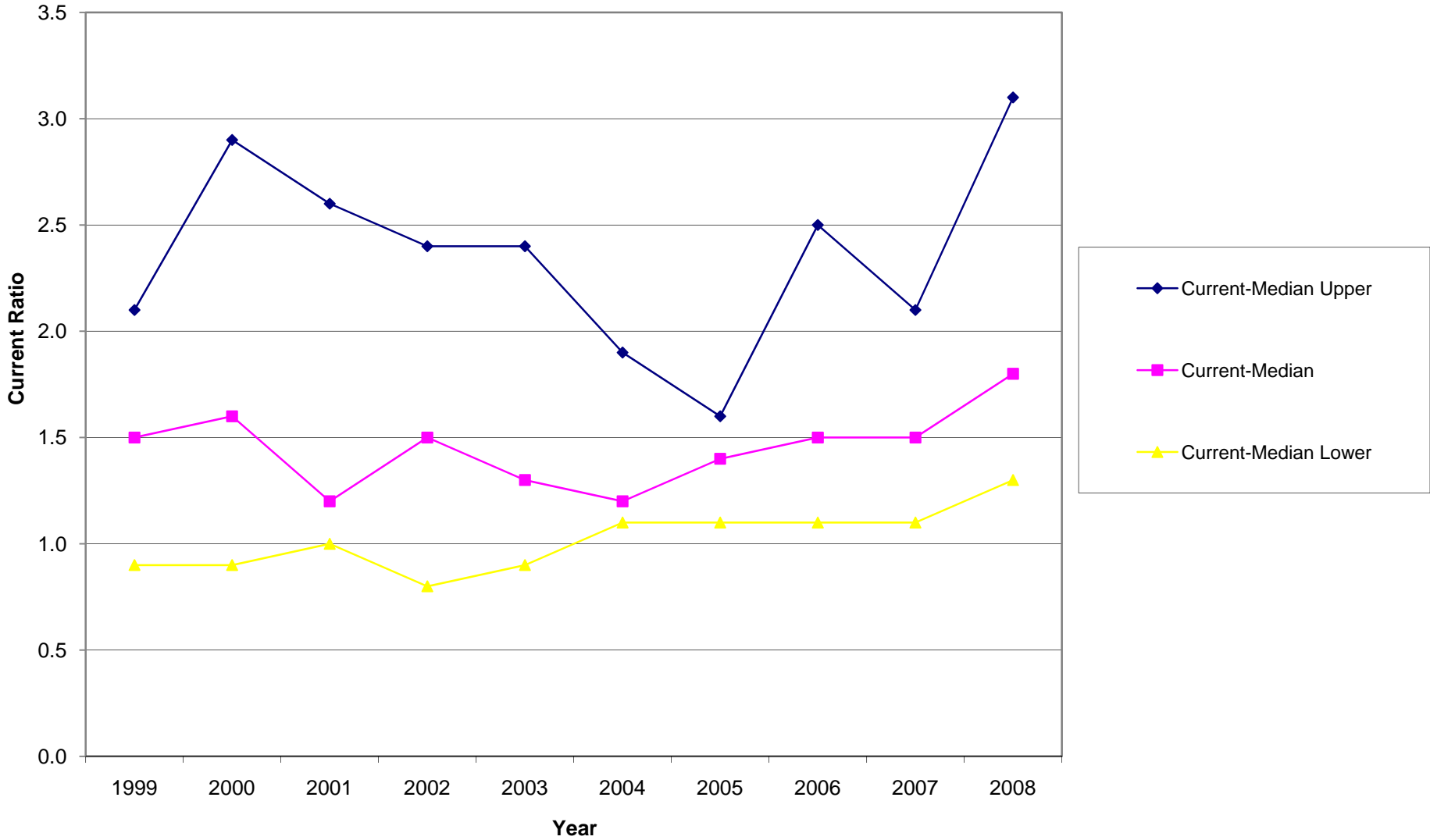


Return on Net Worth

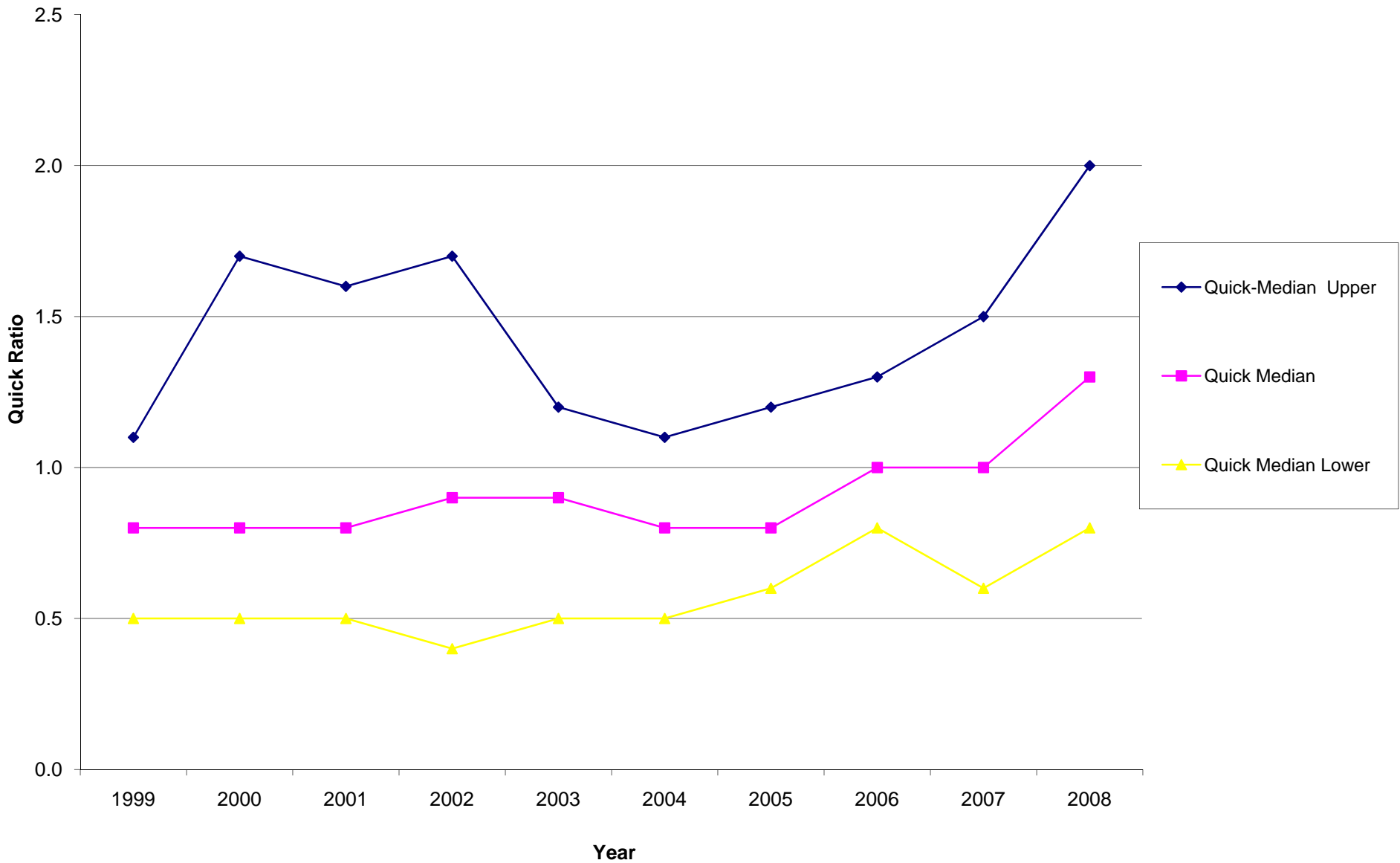
steel foundries with assets \$2-10MM



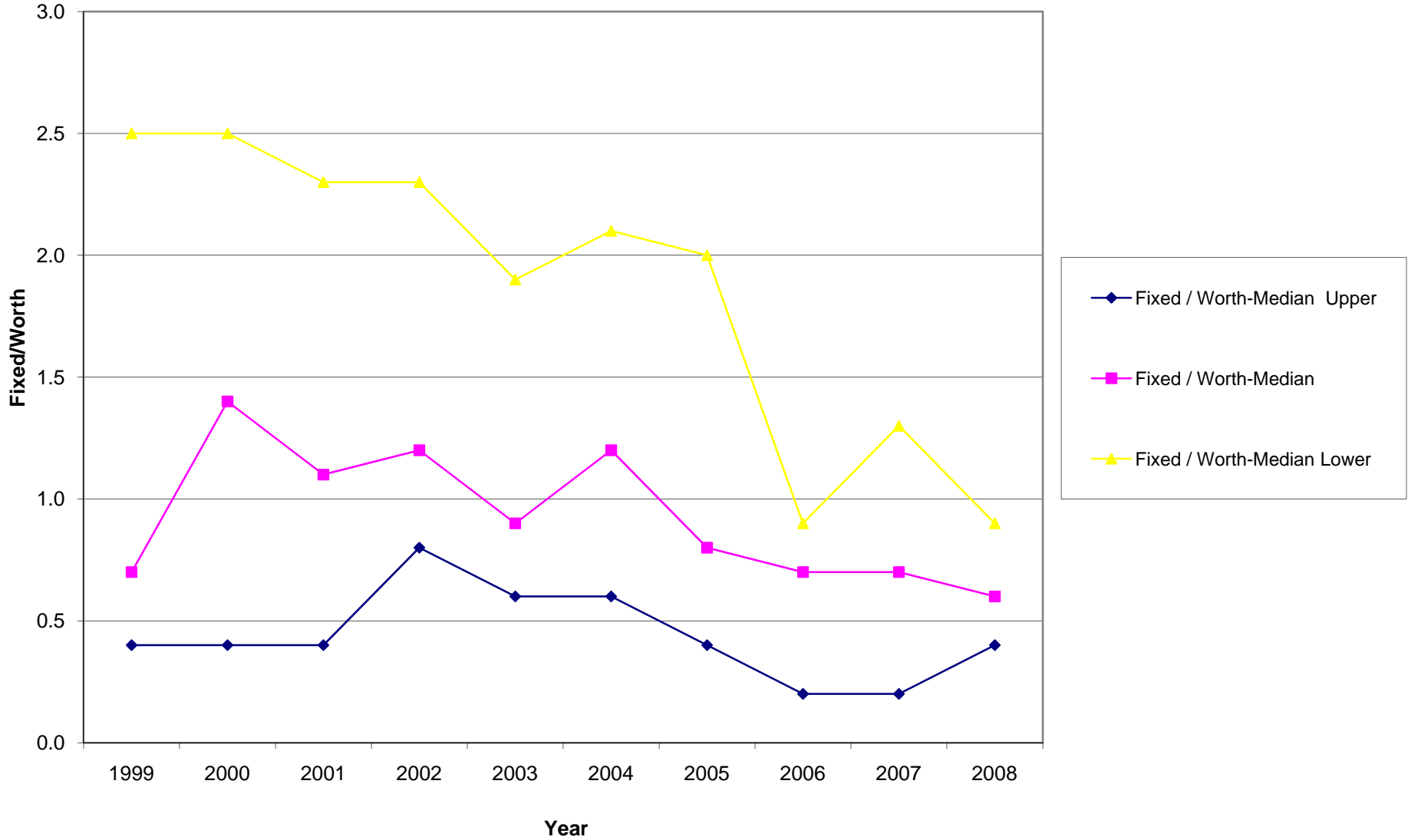
Current Ratio – Steel Foundries \$2-10 Million Assets
Total Current Assets / Total Current Liabilities
Target = 2



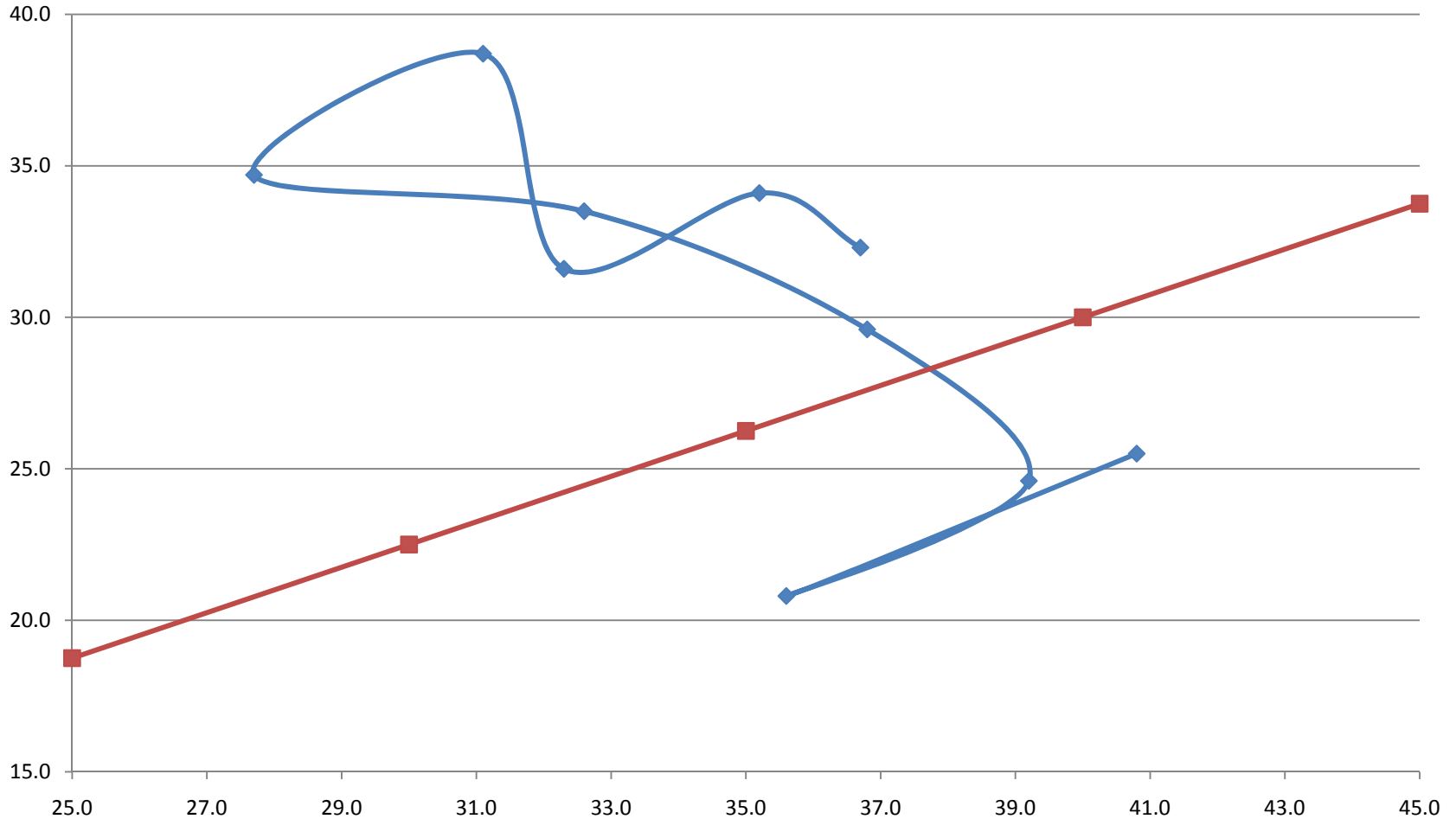
Quick Ratio – Steel Foundries \$2-10 Million Assets
Cash & Equivalents & Trade Receivable (Net) / Total Current Liabilities
Target = 1



Fixed/Worth – Steel Foundries \$2-10 Million Assets
Net Fixed Assets / Tangible Net Worth
Target = .75



Fixed Assets as a function of Net Worth steel foundries with assets \$2-10MM



The laws of thermodynamics in very basic lay-person language are thus:

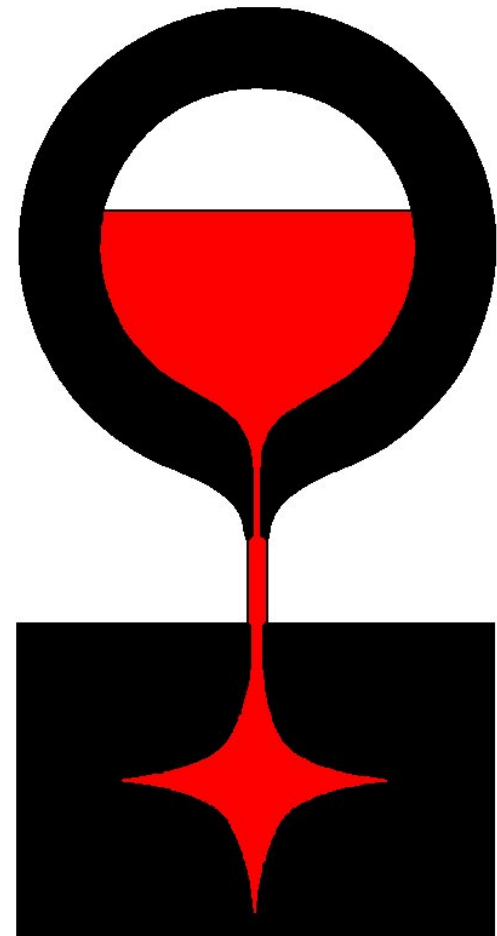
- 1. You cannot win.**
- 2. You cannot break even.**
- 3. You must play the game and lose badly every time.**

Thanks!
Questions?

Raymond Monroe

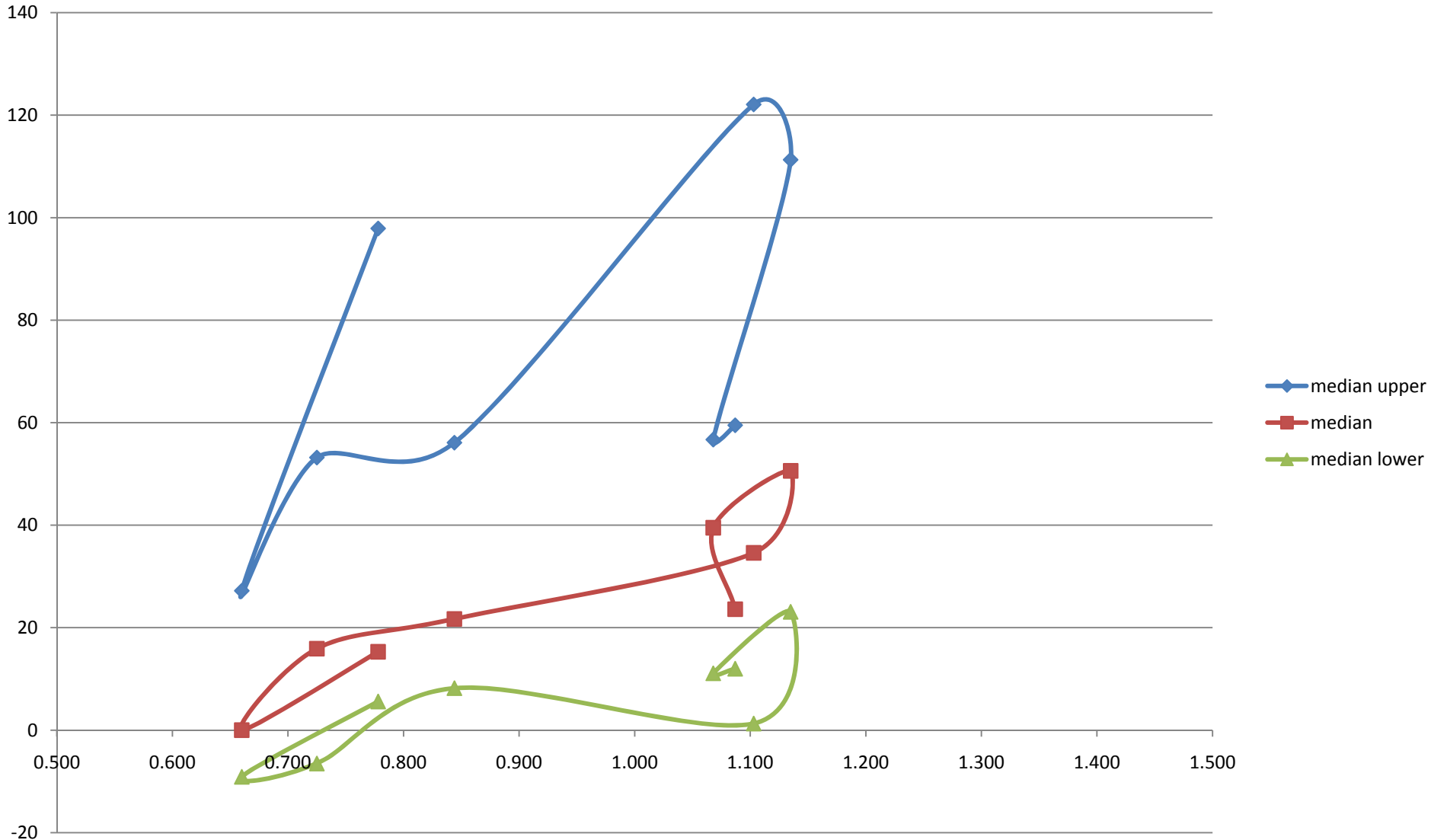
815-455-8240

monroe@sfsa.org



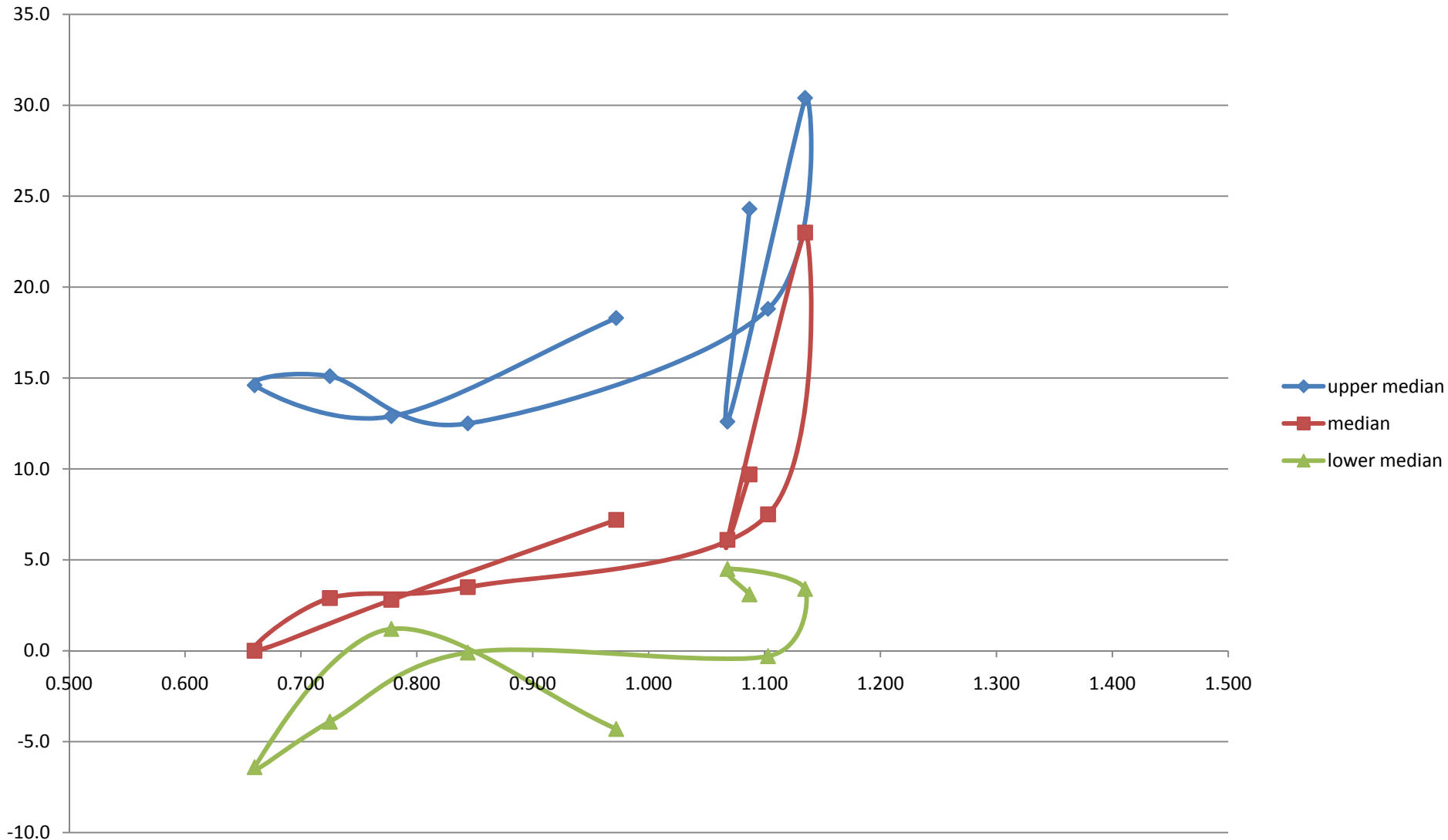
Return on Net Worth

steel foundries with sales \$10-25MM



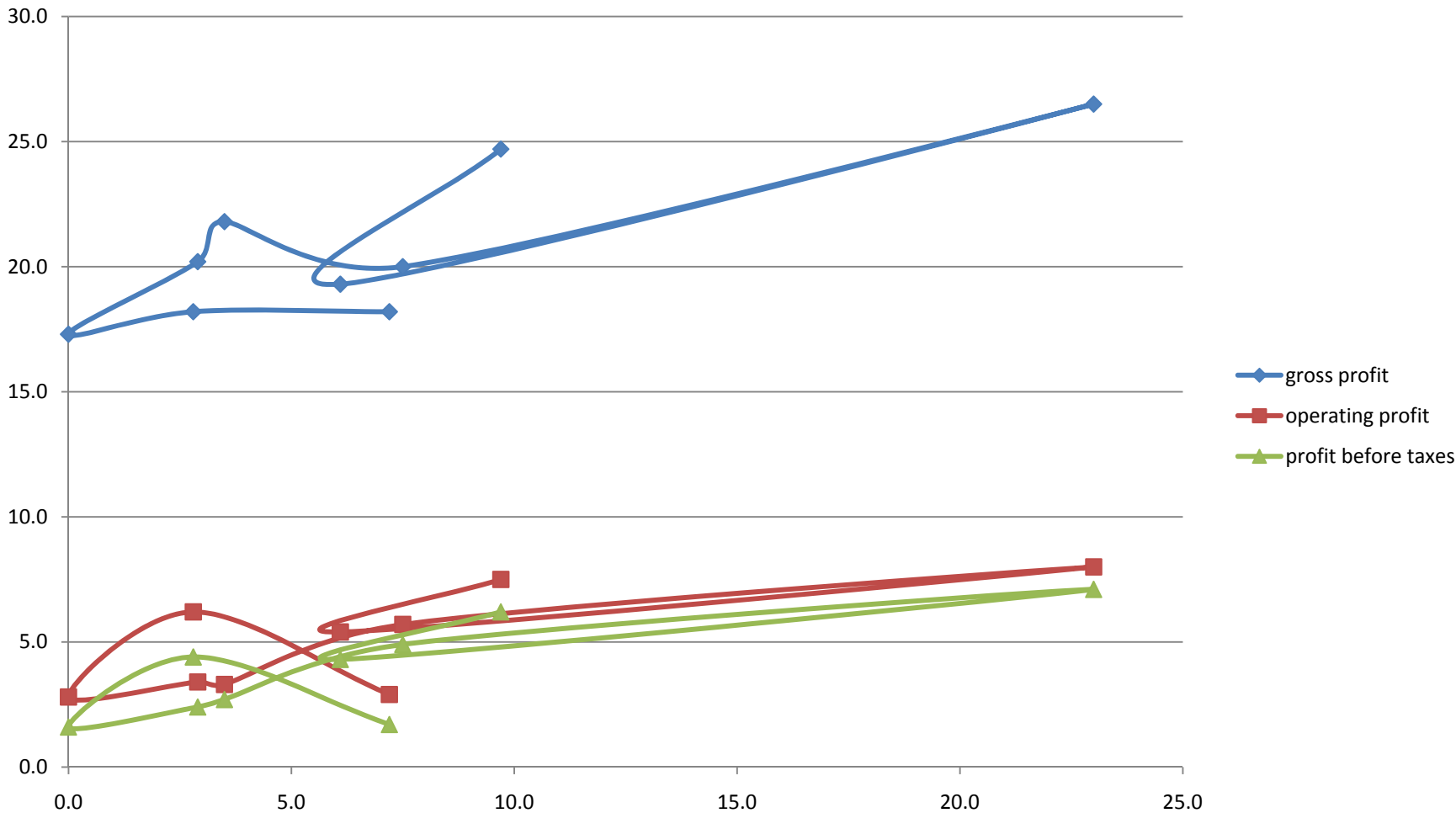
Return on Assets

steel foundries with sales \$10-25MM



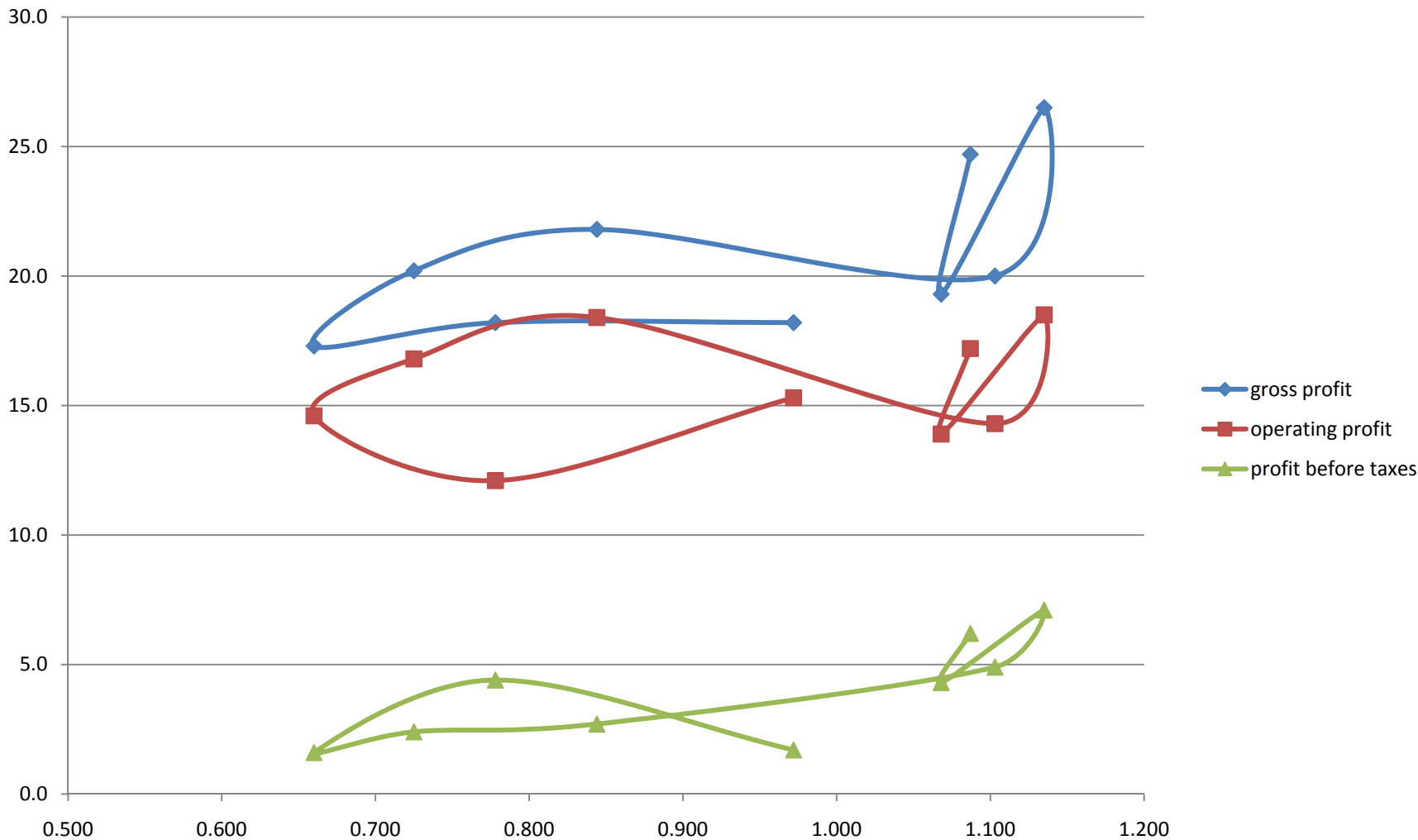
Profits and ROA

steel foundries with sales \$10-25MM



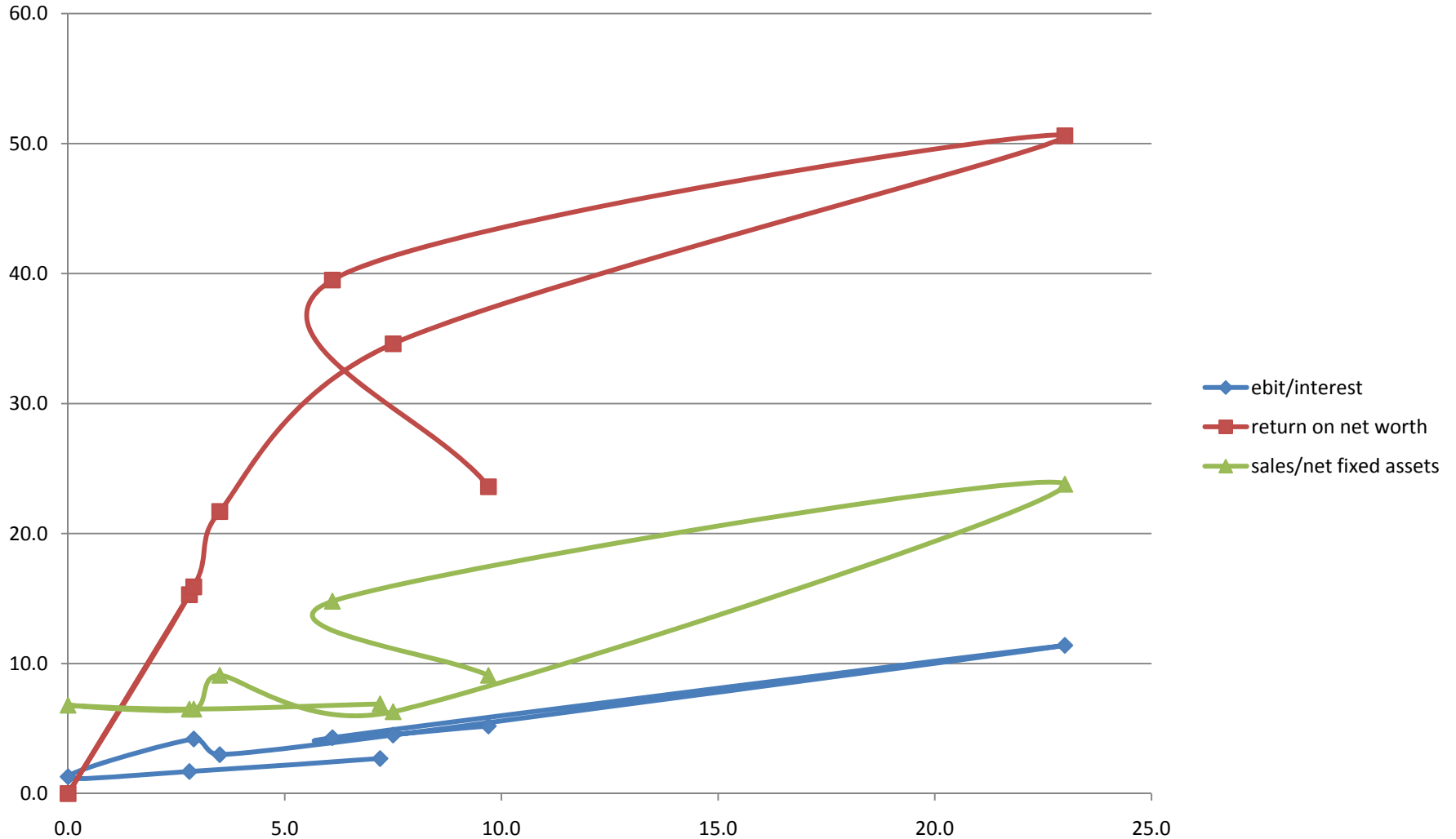
Profits v production

steel foundries with sales \$10-25MM



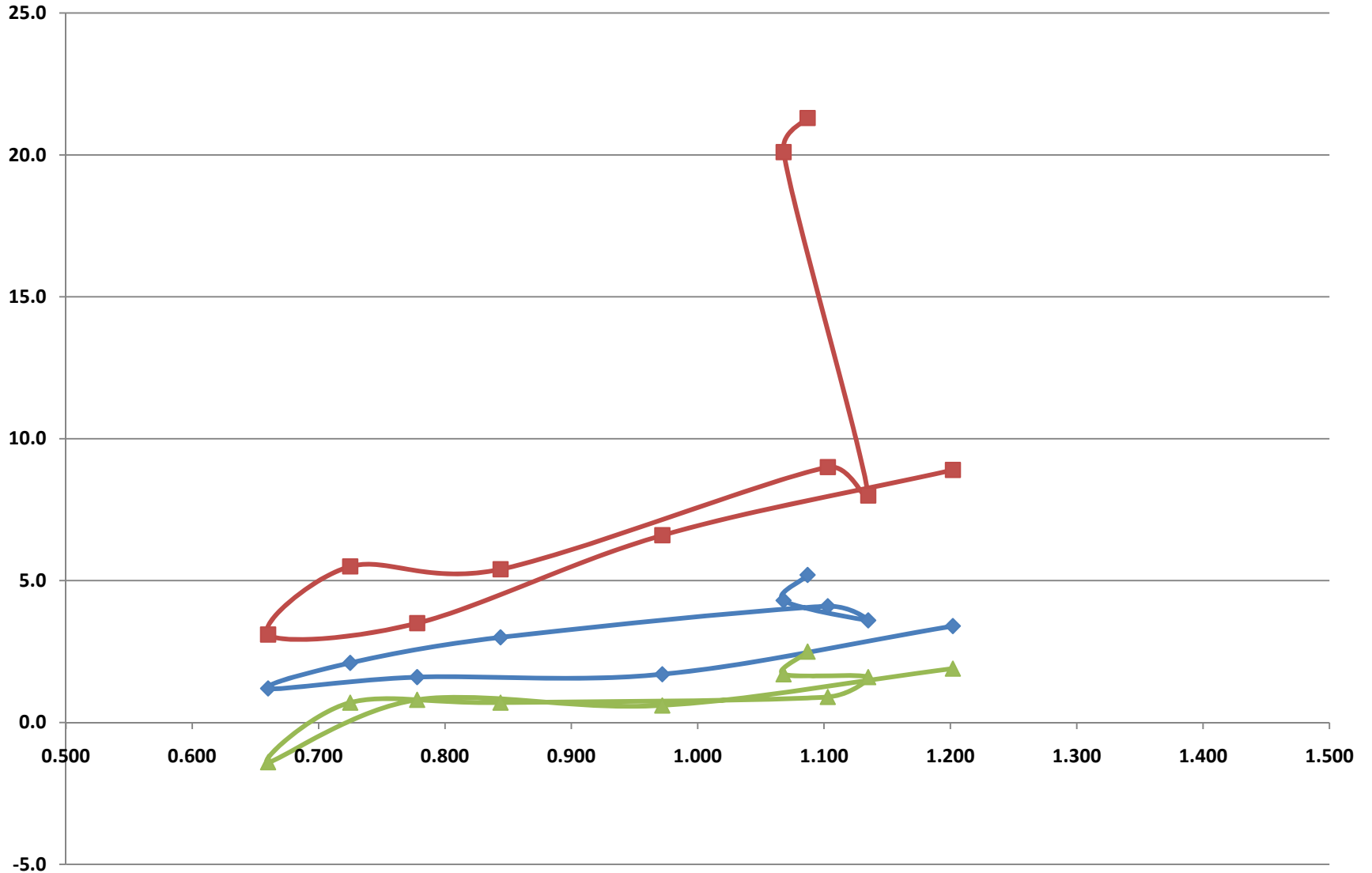
Other factors and ROA

steel foundries with sales \$10-25MM

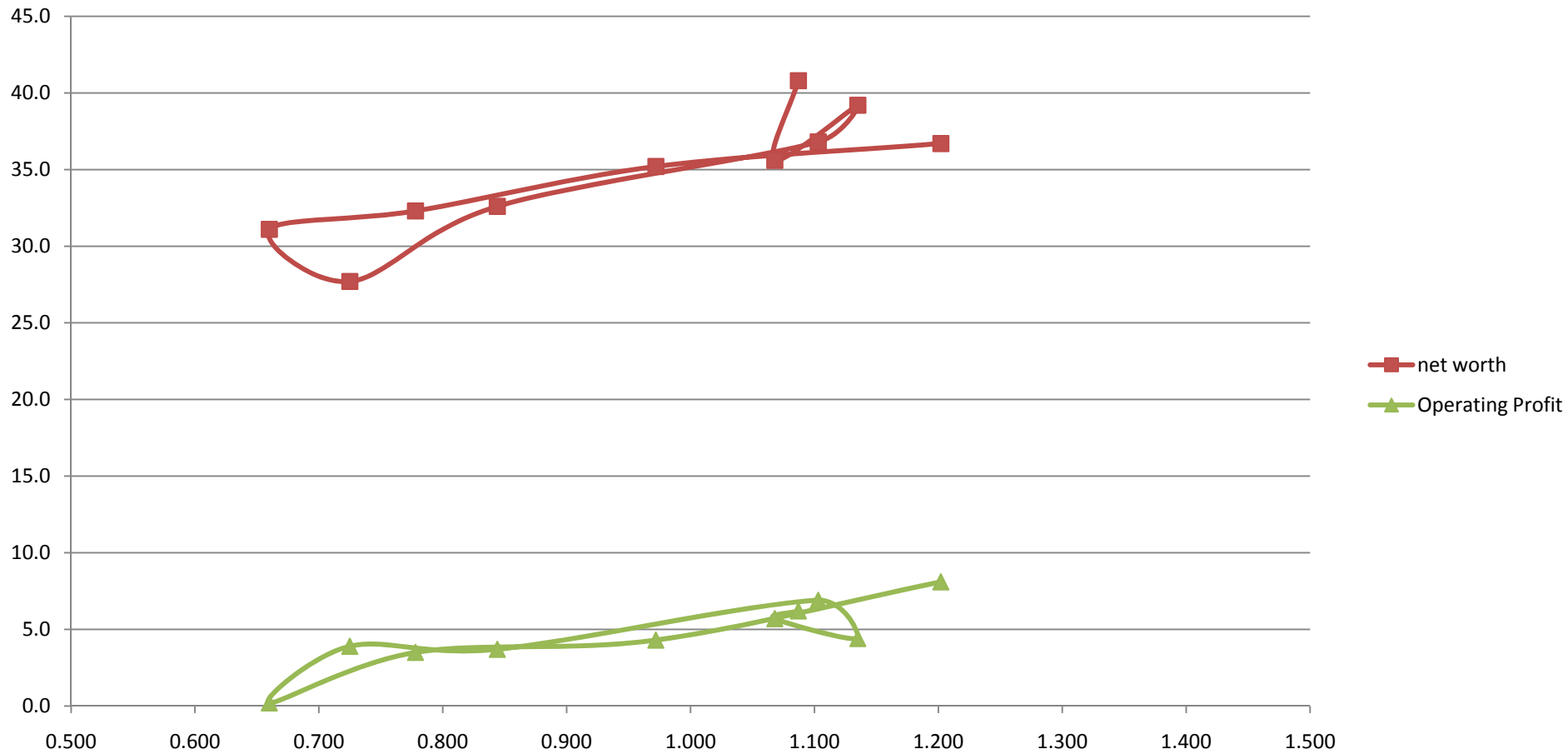


EBIT/Interest

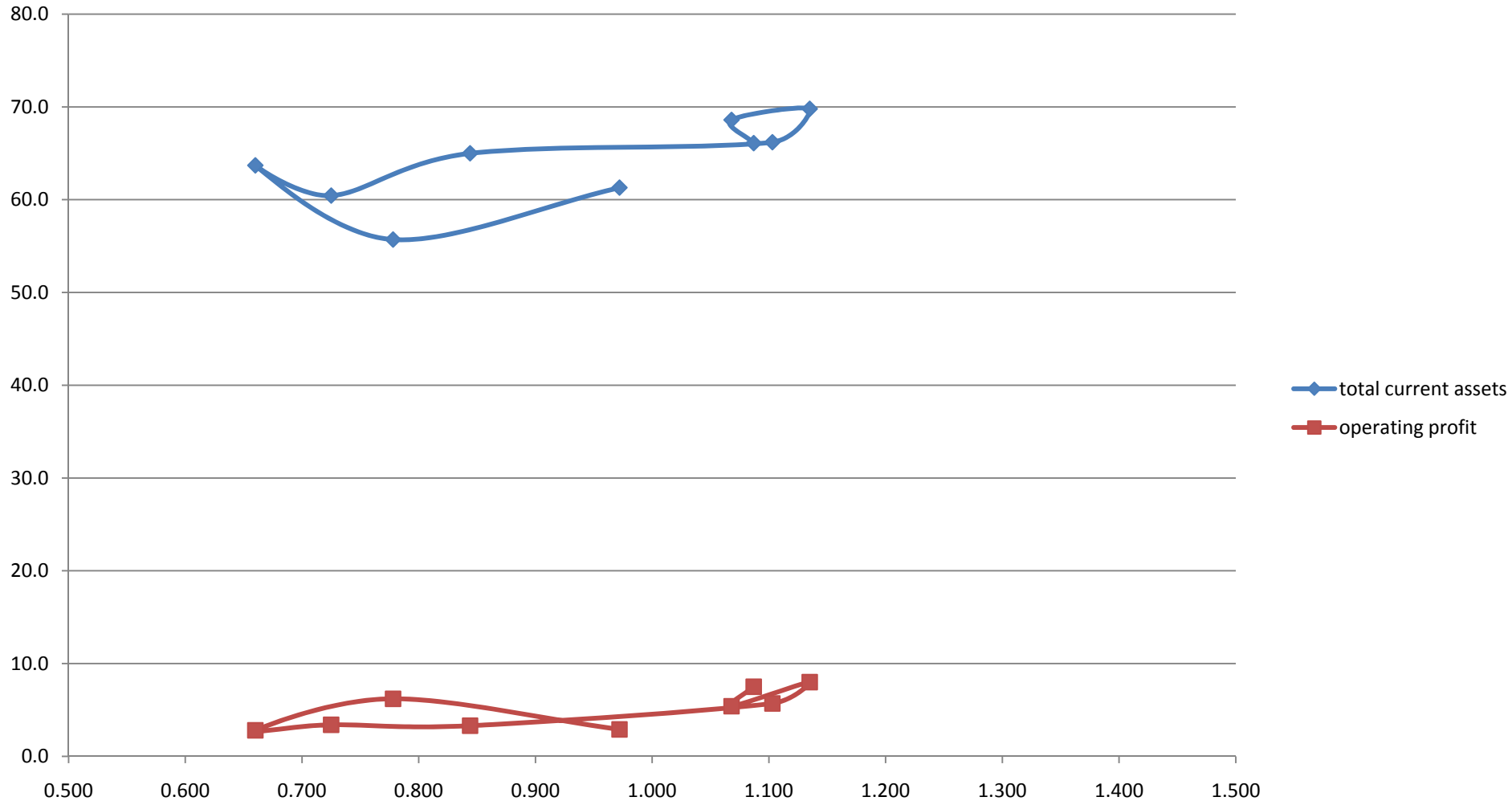
steel foundries with assets \$2-10MM



Correlation of production and finances steel foundries with assets \$2-10MM



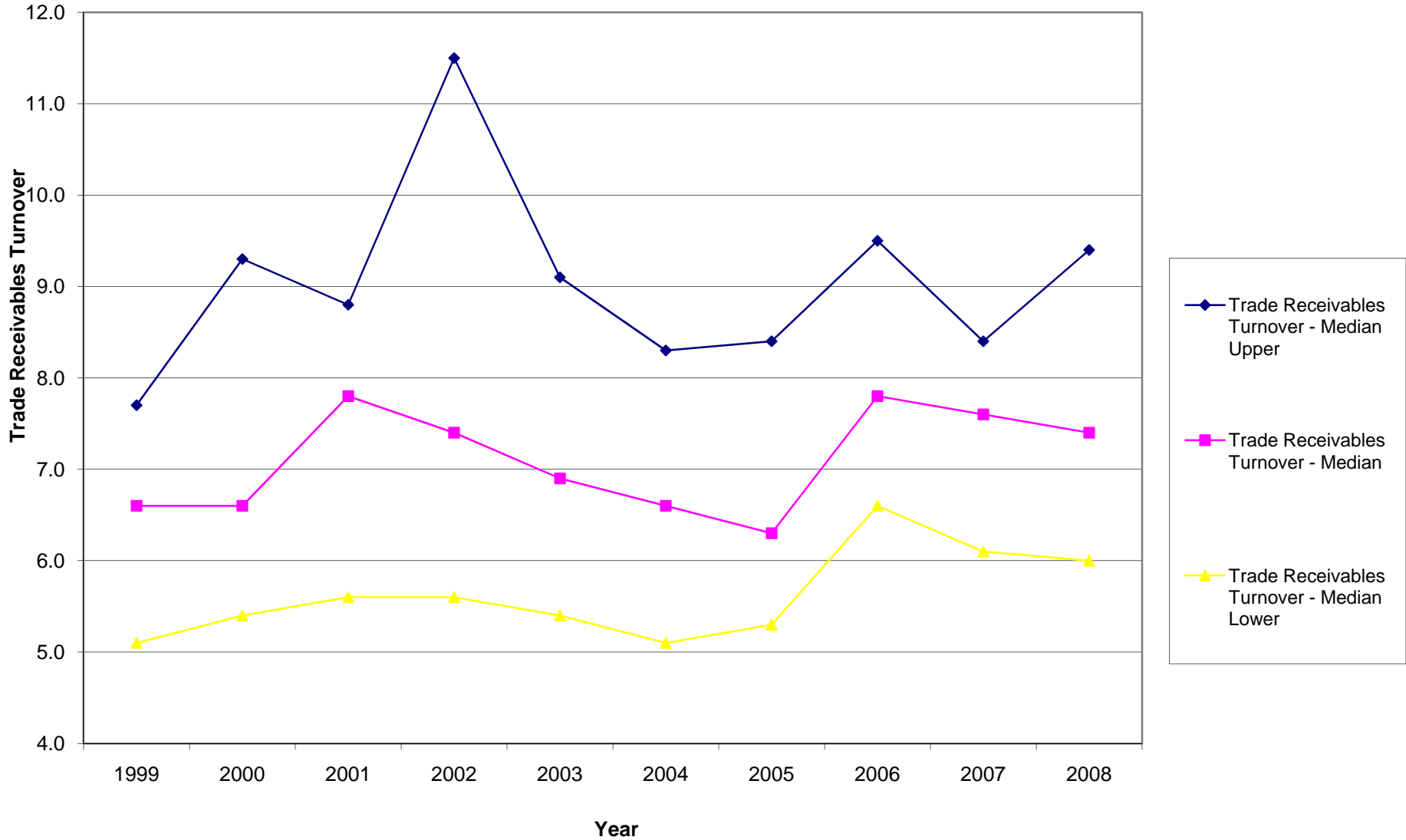
Correlation of production and finances steel foundries with sales \$10-25 MM



Trade Receivables Turnover – Steel Foundries \$2-10 Million Assets

Net Sales / Trade Receivables (Net)

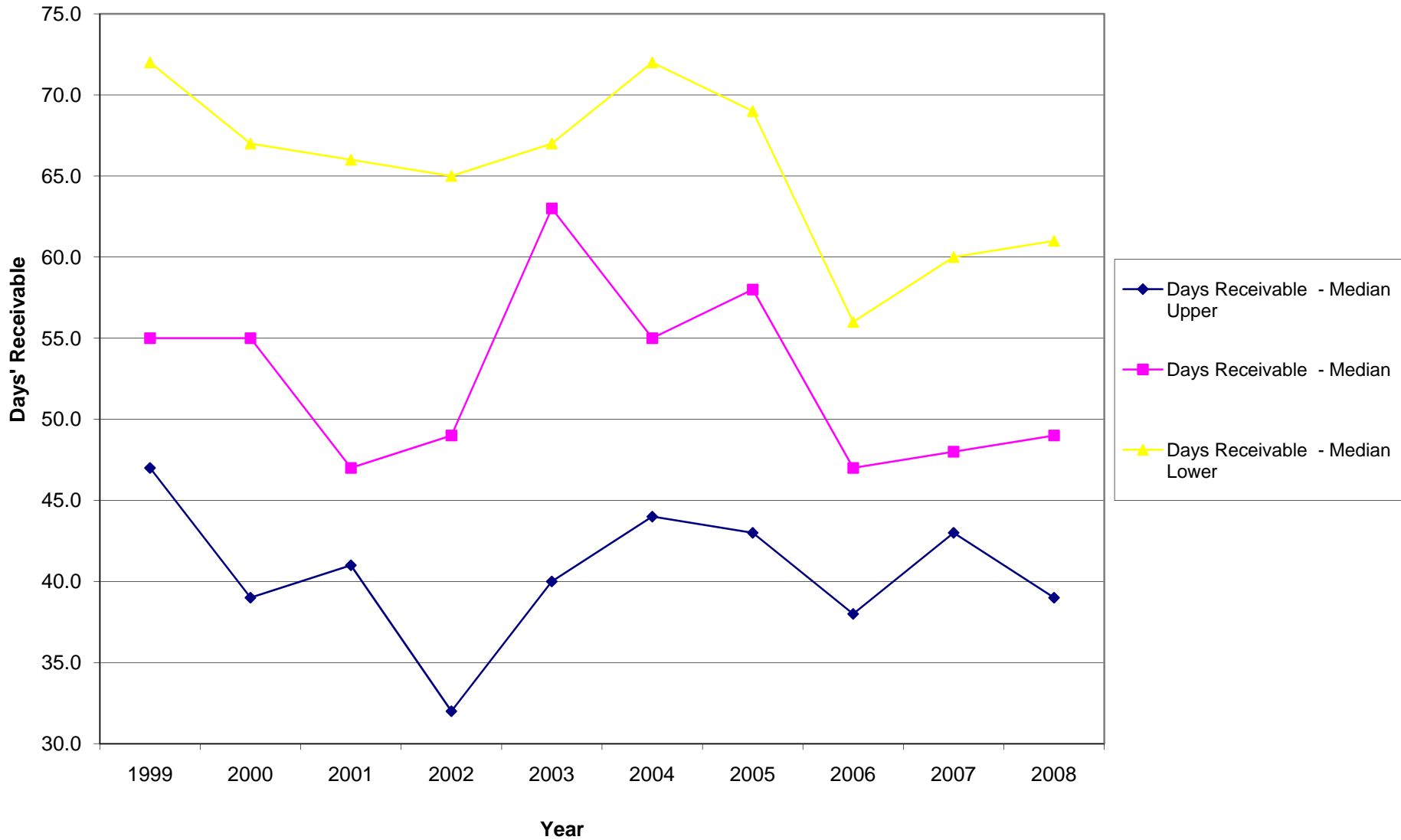
Target = At or Slightly Above Industry Average



Days' Receivable – Steel Foundries \$2-10 Million Assets

365 / Trade Receivables Turnover

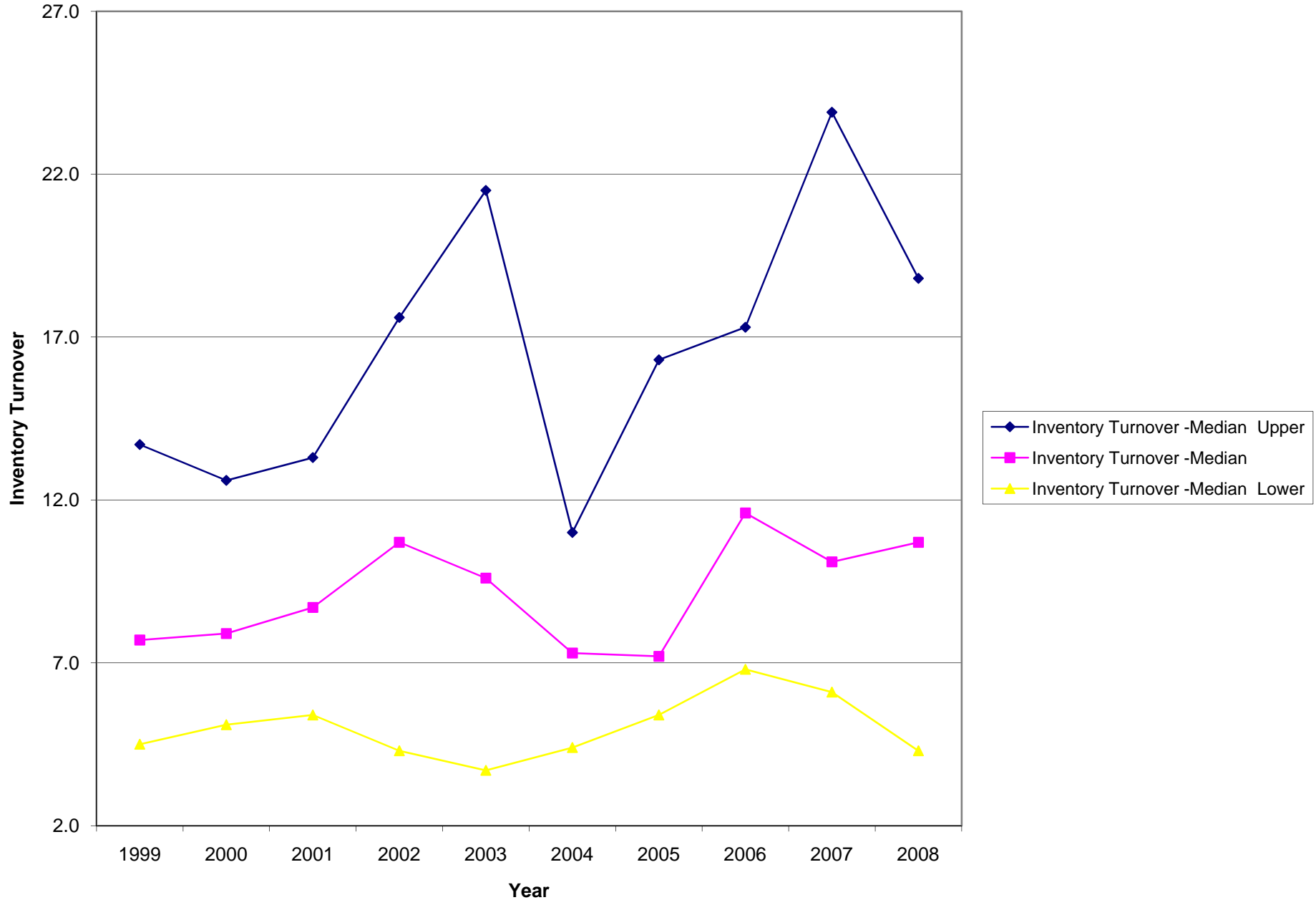
Target = At or Lower Than Industry Average



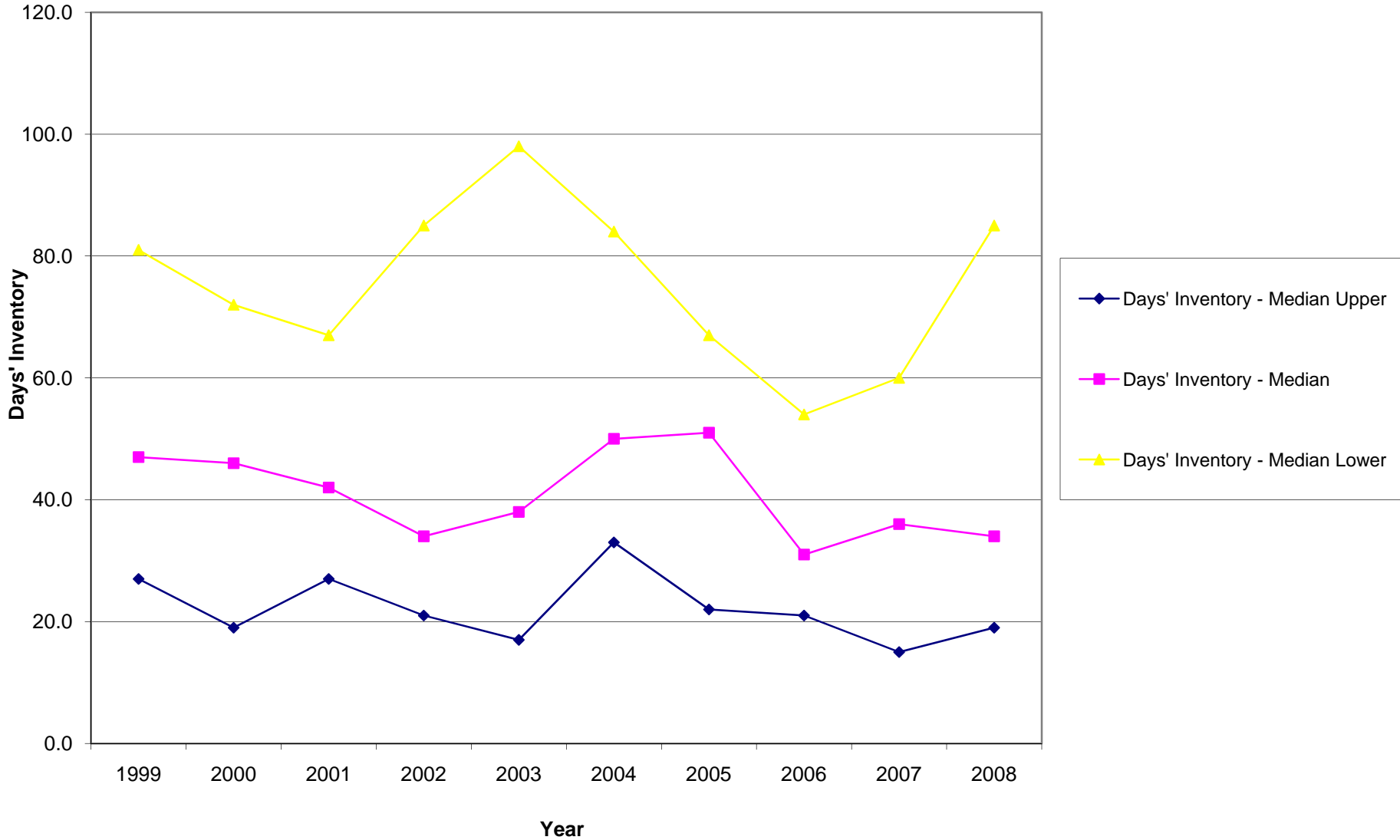
Inventory Turnover – Steel Foundries \$2-10 Million Assets

Cost of Sales / Inventory

Target = At or Slightly Above Industry Average



Days' Inventory – Steel Foundries \$2-10 Million Assets
365 / Inventory Turnover
Target = At or Slightly Below Industry Average



Trade Payables Turnover – Steel Foundries \$2-10 Million Assets
Cost of Sales / Trade Payables
Target = Industry Average



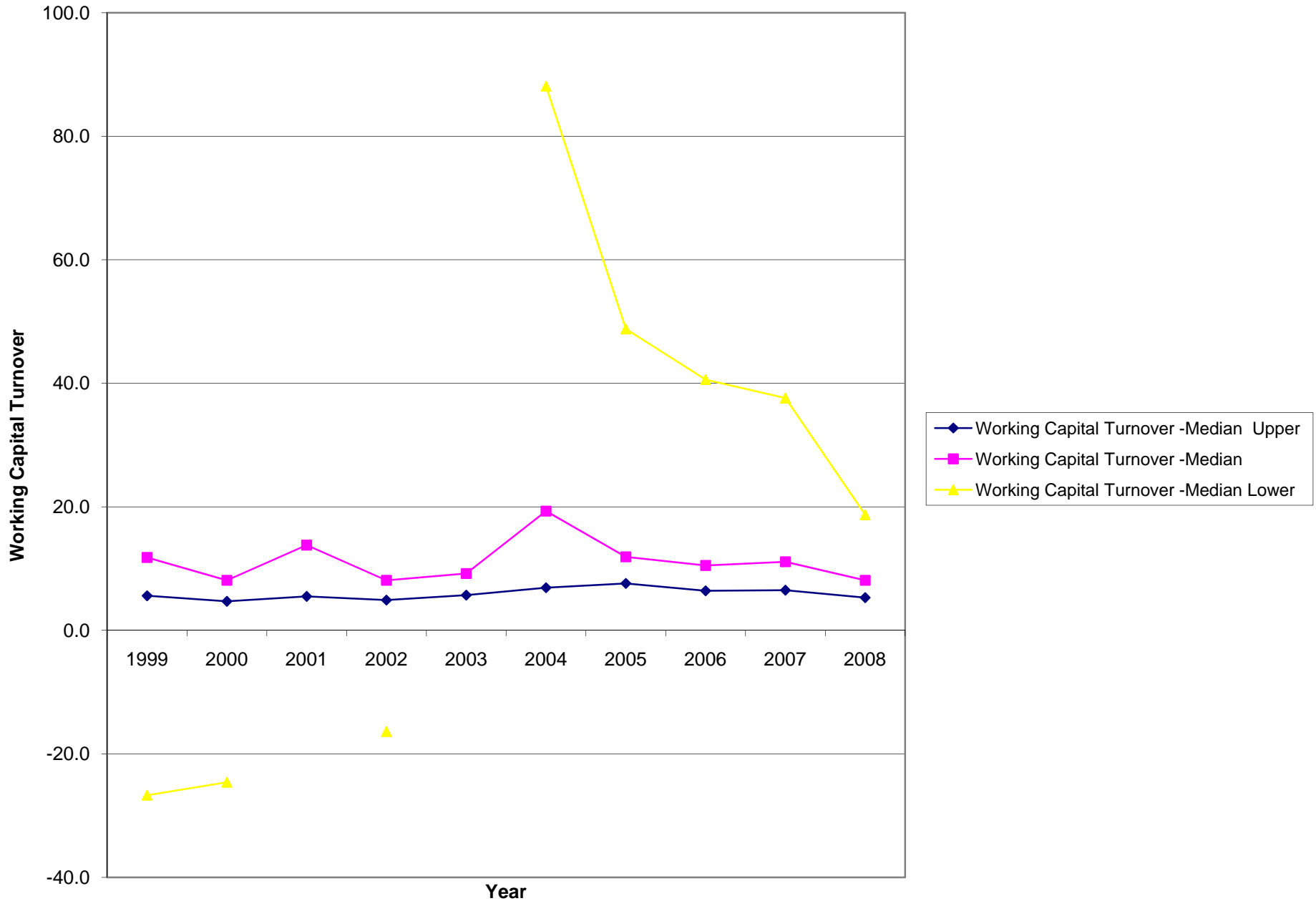
Days' Payable – Steel Foundries \$2-10 Million Assets
365 / Trade Payables Turnover
Target = Industry Average



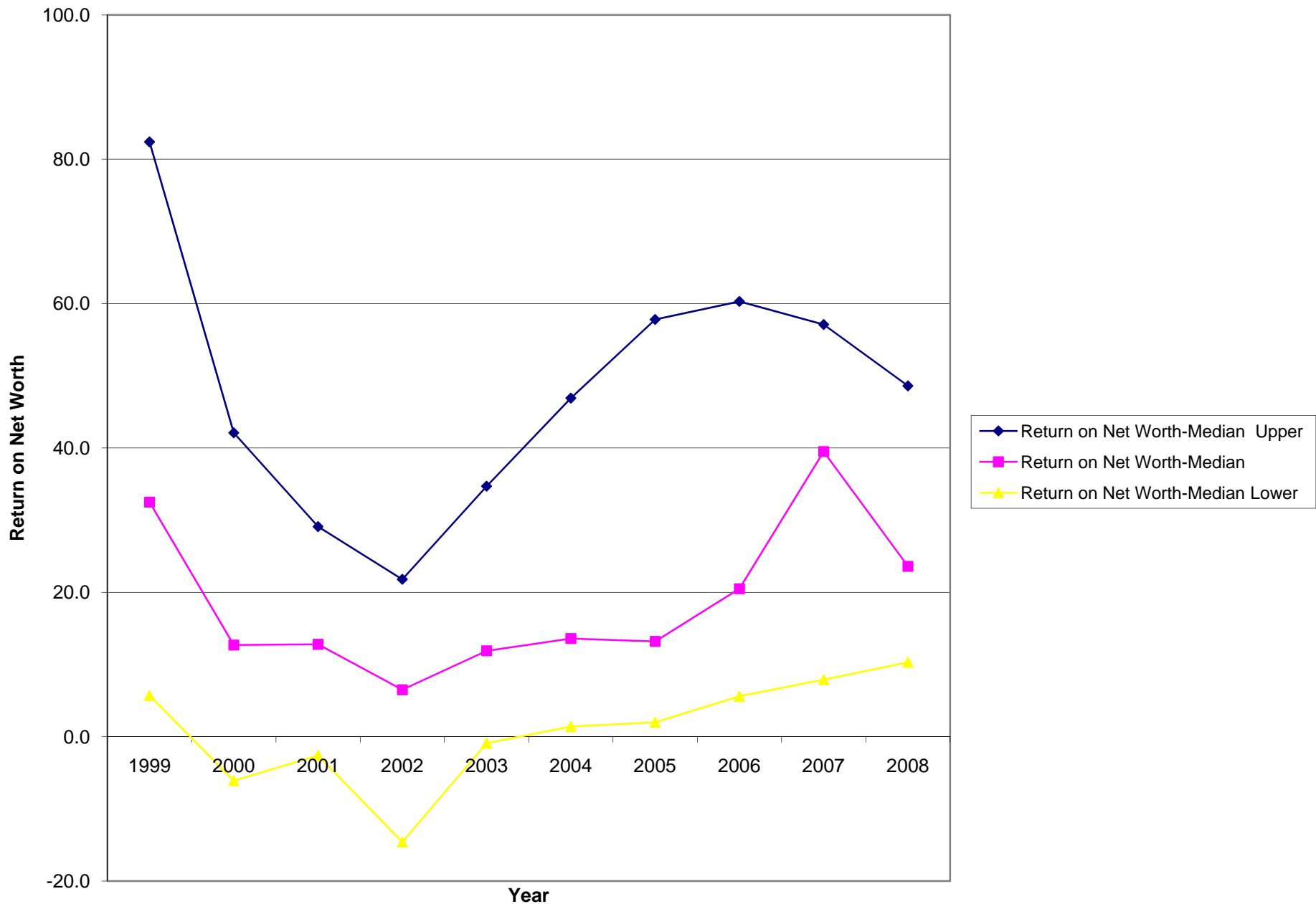
Working Capital Turnover – Steel Foundries \$2-10 Million Assets

Net Sales / Net Working Capital

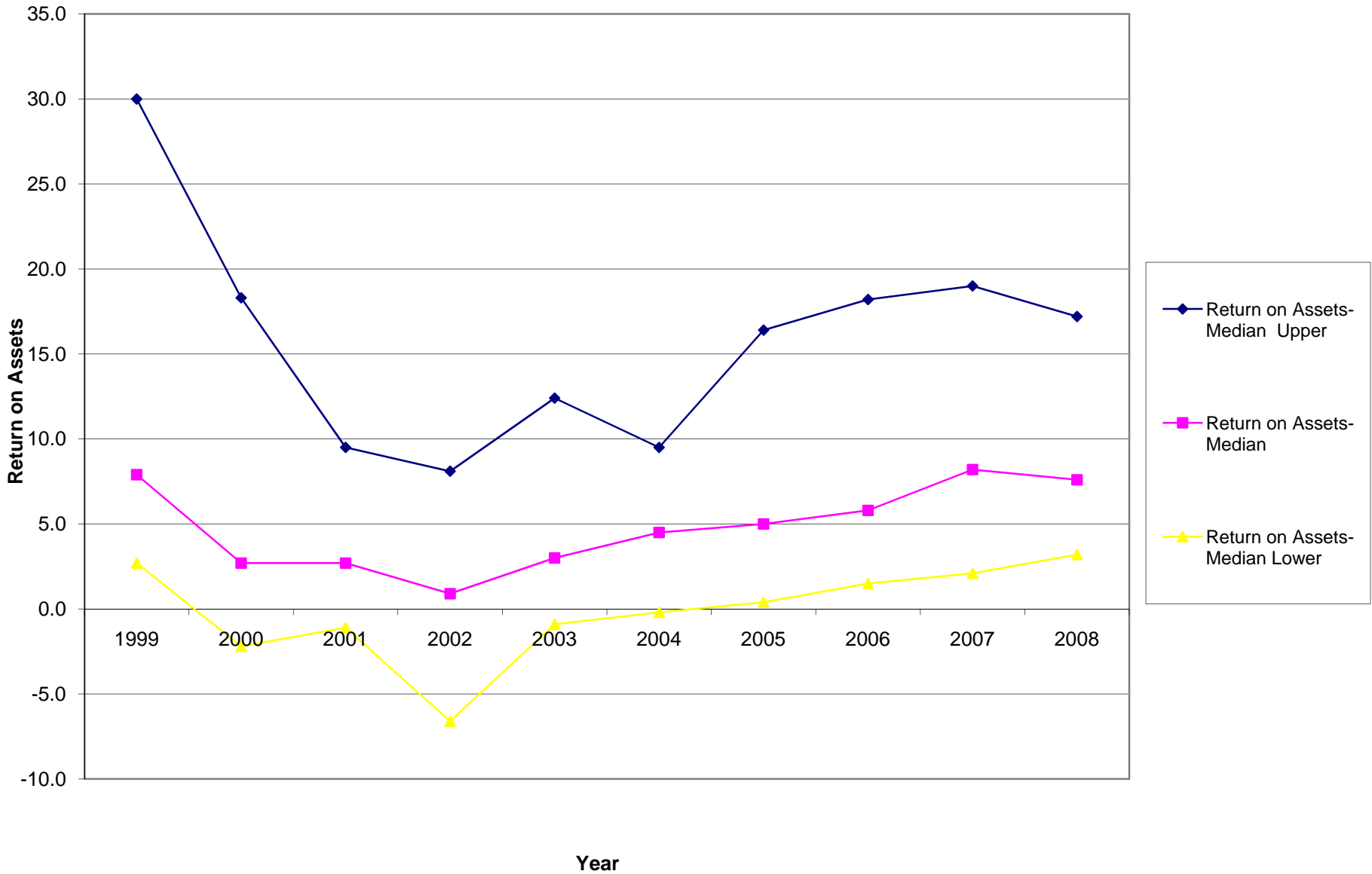
Target = At or Above Industry Average



Return on Net Worth – Steel Foundries \$2-10 Million Assets
Profit Before Taxes / Tangible Net Worth
Target = Industry Average



Return on Assets – Steel Foundries \$2-10 Million Assets
Profit Before Taxes / Total Assets
Target = Industry Average



Asset Turnover – Steel Foundries \$2-10 Million Assets

Sales / Total Assets

Target = Industry Average

