Grant Thornton

MANUFACTURING BENCHMARKS 2024

Paving the way for sustainable growth

Executive Summary

The manufacturing sector has demonstrated remarkable resilience and adaptability, achieving steady growth through effective cost management and strategic investments despite economic challenges. Many businesses have successfully reduced costs and optimised operations, leading to improved profitability in the face of inflationary pressures.

This shows the sector's ability to weather external pressures and capitalise on opportunities for sustainable growth.

Strong inventory management and consistent capital expenditure remain crucial to maintaining a competitive edge and fostering innovation. Companies with robust inventory turnover ratios, averaging 8.5, show enhanced efficiency in responding to demand fluctuations. Alongside this, those investing in efficiency, flexibility, and emerging technologies are able to plan ahead to sustain growth and navigate future uncertainties. With CAPEX investments remaining consistent at 3.3%, businesses must future-proof their businesses by prioritising growth.

Our 2024 Manufacturing Benchmarking report provides a unique view of the industry by analysing the financial data of 100 mid-sized manufacturing companies across Australia. This comprehensive analysis allows you to compare your businesses performance against competitors, identify risks, seize opportunities, assess operations, and influence your strategic decisions to foster sustainable growth.

For a more in-depth analysis tailored to the unique context of your business, don’t hesitate to get in touch.

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For the purposes of this report, mid-sized manufacturers have an annual turnover of $20m to $600m.

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Top 10 snapshot:
Performance measures
(% of revenue)

	2024	2023
Sales median $000	199,425	165,797
Sales growth	20%	21%
Gross margin	38%	39%
Employee costs	21%	25%
EBITDA	17%	19%
Profit margin	11%	14%
Debtor days	62	60
Inventory turnover	6.8	6.4
CAPEX	2.3%	2.8%
Dividends paid (overall % of profit)	36%	37%

Top 10 performers:
2024 averages

Sales grew by 20%, outperforming the industry average sales growth of 7.7%. The same top 10 performing manufacturers also achieved sales growth of 21% in the prior year.

Gross margin stands at 38%, only a slight reduction on the prior period.

Profit before tax decreased from 14.1% to 11.1%. Normally an increase in sales with the same gross margin percentage results in an improved profit before tax. Consequently, this shows that these companies have been prepared to significantly increase overheads in pursuit of ongoing sales growth, an improvement on the prior period's 4% decline. This change is likely due to inflation impacting inventory related expenses.

Employment costs decreasing from 25% to 21%. The industry average is 20% so these companies invested in the prior year and have recalibrated back to normal in the current year.

CAPEX at 2.3% consistent with prior year where the value was 2.8%, with this group of companies demonstrating continual ability to spend on capital investments

Dividends paid on 36% of Profit Before Tax are consistent with industry averages.

Top 10 performers

60% private, 40% listed

80% more than $100m revenue, and 20% less than $100m revenue

Mix of manufacturing sub-sectors represented

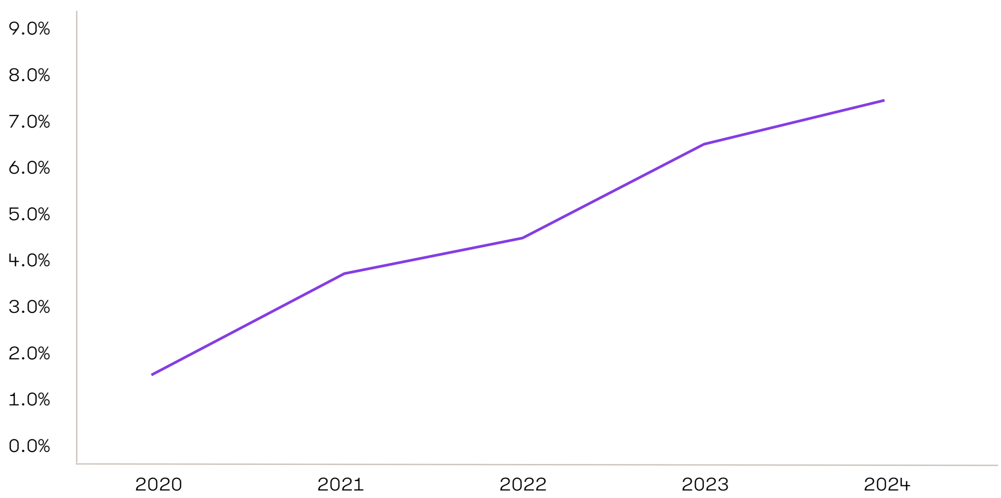
Sales growth on the way to recovery

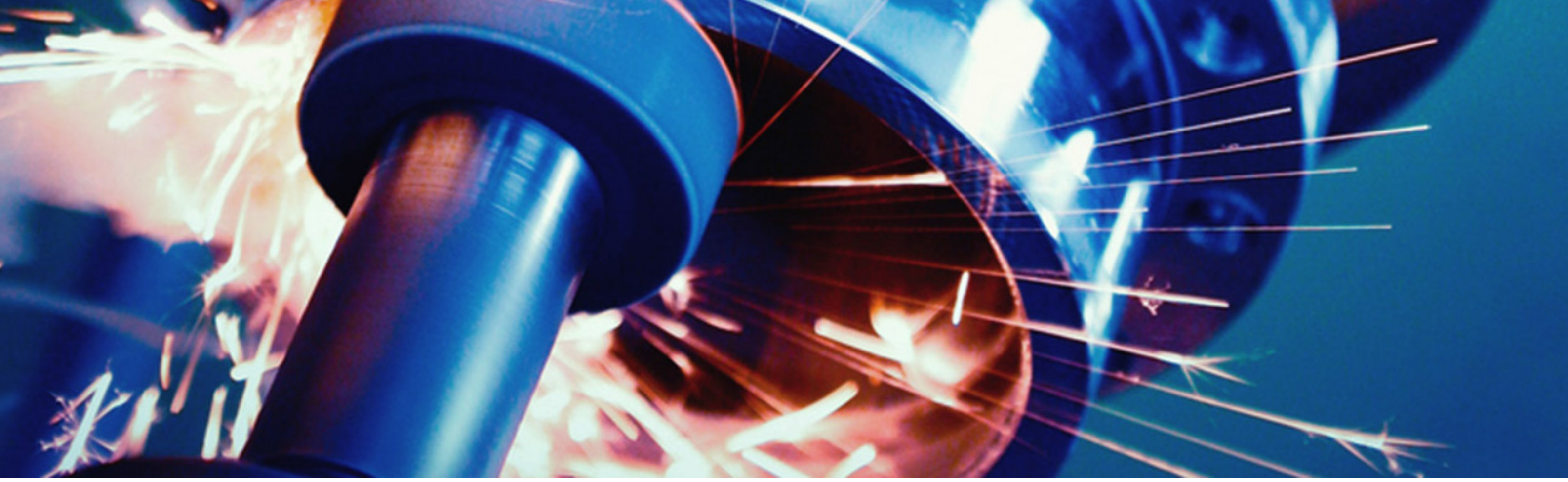
The manufacturing sector has rebounded from the initial impact of COVID-19, showing consistent growth in sales over the past five years.

Overall, there has been a 7.7% increase in sales, up from 6.7% the prior year, demonstrating steady and consistent industry-wide growth. Particularly noteworthy is the 19% growth in companies with revenues up to $40m.

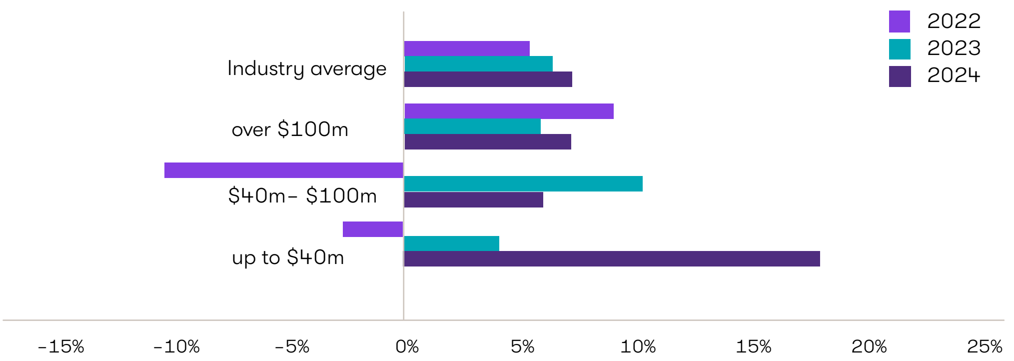
The overall trend is steady, supporting longer-term positive projections. However, the underlying data shows significant volatility on a company-by-company basis. Around 38% of manufacturers experienced a decline in sales for 2024, compared to 42% of manufacturers that experienced a decline in sales for 2023. Interestingly, 56% of all companies achieved two years of consecutive sales growth. However, this also means that 44% of all companies – nearly half – were unable to achieve two years of consecutive sales growth. Only 4% of manufacturers experienced two years of consecutive sales decline.

Sales trend - Year on year growth



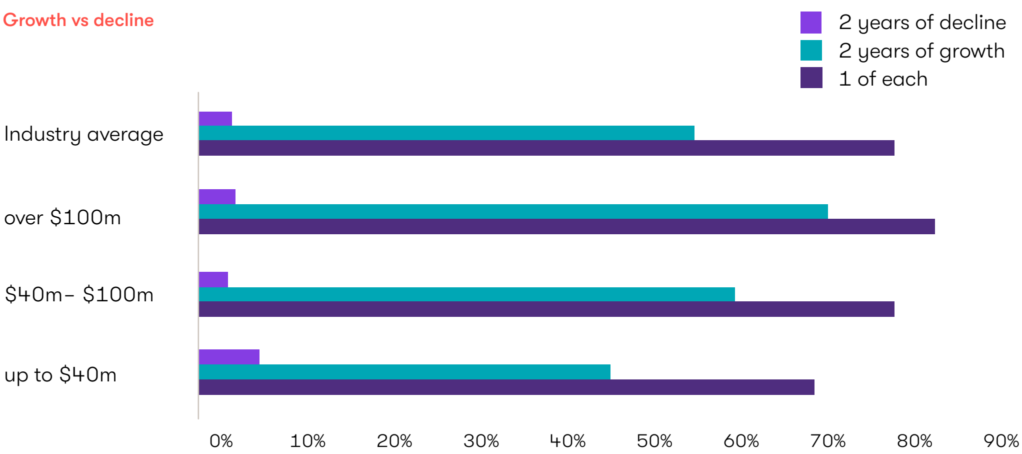


Sales Growth



Analysis of growth vs decline	Up to $40m	$40m-$100m	Over $100m	Industry average
One of each	70%	79%	83%	79%
Two years of growth	46%	61%	71%	56%
Two years of decline	7%	4%	4%	4%

Growth vs decline



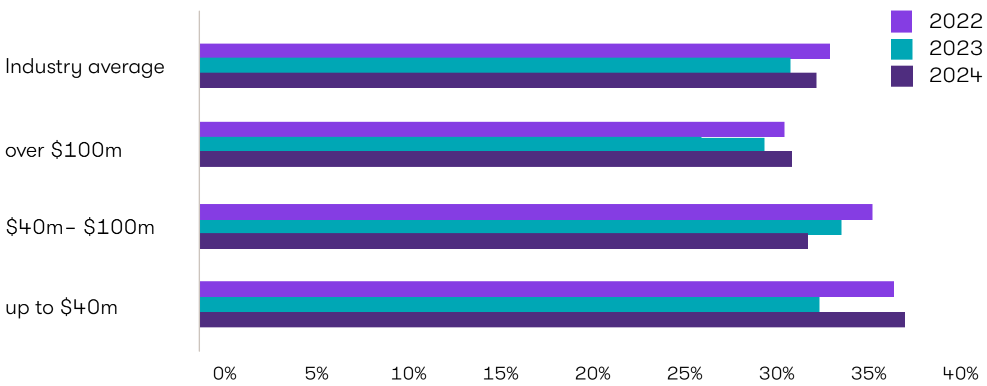
Gross margin

Most manufacturers achieve a gross margin percentage within three percentage points of the previous year, averaging close to 30% on every measure. This indicates a keen awareness and effective management of their direct costs, with sales prices frequently adjusted to align with changes in raw material costs and other direct costs.

Pleasingly, industry averages have improved, particularly among smaller businesses which have successfully maintained and reduced costs in a high-inflationary environment. This improvement is partly attributed to reduced employee costs for smaller businesses, along with higher-than-average sales growth achieved during the year.

Gross Margin	2024	2023	2022
Up to $40m	36%	32%	36%
$40m - $100m	31%	33%	35%
Over $100m	30%	29%	30%
Industry average	**32%**	**30%**	**32%**

Gross margins

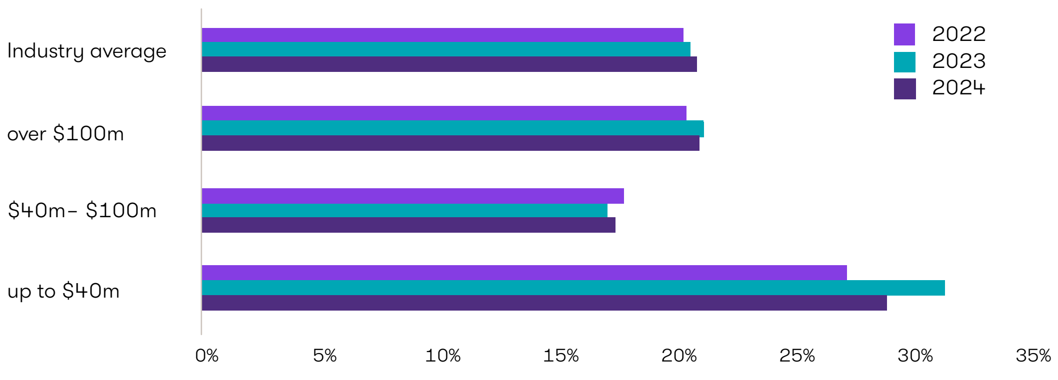


Employee costs

On average, employee costs as a percentage of sales have remained largely consistent. As inflationary pressures begin to stabilise, workforce costs will be closely monitored especially considering the reduction in headcount for small businesses already observed in 2024. This suggests a strategic focus on cost management and efficiency in response to changing economic conditions.

Employee costs	2024	2023	2022
Up to $40m	27.7%	30.1%	26.1%
$40m - $100m	16.7%	16.4%	17.0%
Over $100m	20.1%	19.9%	19.6%
Industry average	**20.0%**	**19.8%**	**19.5%**

Employee costs as a percentage of revenue



EBITDA

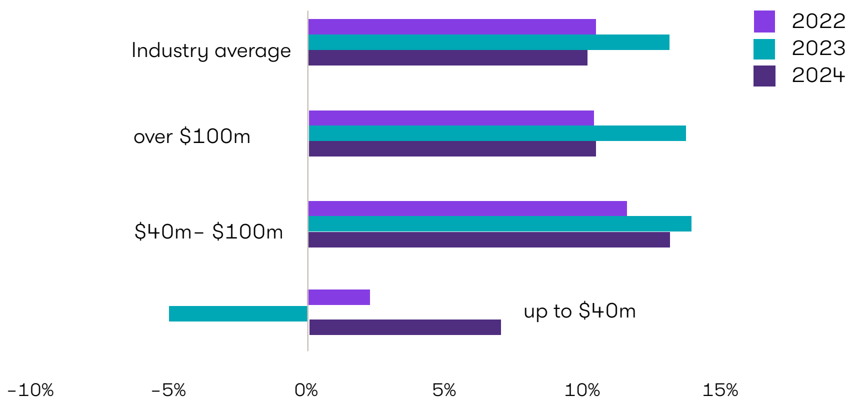
While larger scale typically improves margin percentages, the industry saw a decline in EBITDA margins in 2024 compared to the prior year, resembling levels seen in 2022. This reduction is likely due to ongoing inflationary pressures impacting costs such as employee expenses, finance charges, and inventory-related expenses. Despite higher sales, these rising costs have compressed margins, especially for larger businesses.

On a brighter note, EBITDA improved for businesses with revenue under $40m. This improvement partly reflects the sales growth seen among smaller businesses and their overall effective cost management during the year.

Note the EBITDA results presented exclude the accounting for 'AASB 16 lease adjustments' and are normalised to present a trading result by removing any significant non-cash impairments.

EBITDA	2024	2023	2022
Up to $40m	7%	-5%	2%
$40m - $100m	13%	14%	12%
Over $100m	10%	14%	10%
Industry average	**10%**	**13%**	**10%**

EBITDA



Impairments

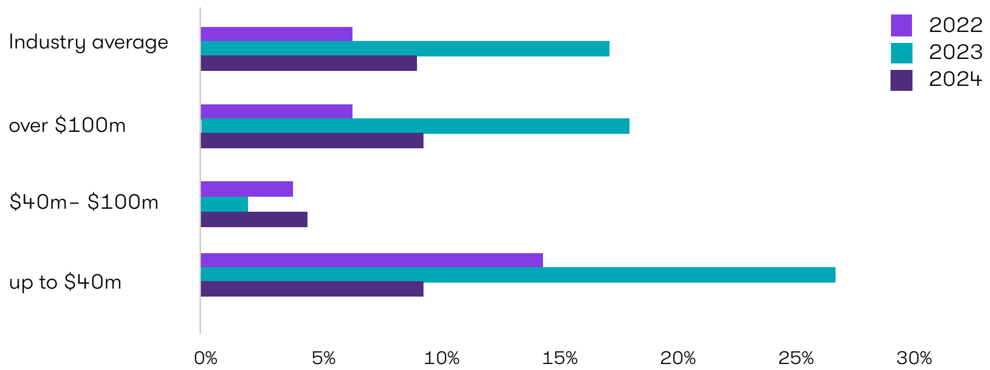
Asset impairments, mandated under the Accounting Standards, offer valuable insights into management's outlook for the business and sector.

Within our population, 10% of manufacturers (all ASX-listed companies) reported impairments during the year. Notably, two larger manufacturers recorded significant impairments, averaging approximately $90m each. Businesses attribute this trend to more conservative forecasting in response to increasing inflation, rising interest rates, global supply chain pressures, and uncertainty surrounding labour availability.

Despite these challenges, there has been an overall decrease in impairment as a percentage of revenue compared to the previous year, when companies faced more substantial losses. Balancing various macroeconomic factors remains a critical challenge as manufacturers adapt to the 'new normal'.

Impairments	2024	2023	2022
Up to $40m	0.9%	2.6%	1.4%
$40m - $100m	0.4%	0.2%	0.4%
Over $100m	0.9%	1.8%	0.6%
Industry average	**0.9%**	**1.7%**	**0.6%**

Impairment as a percentage of revenue



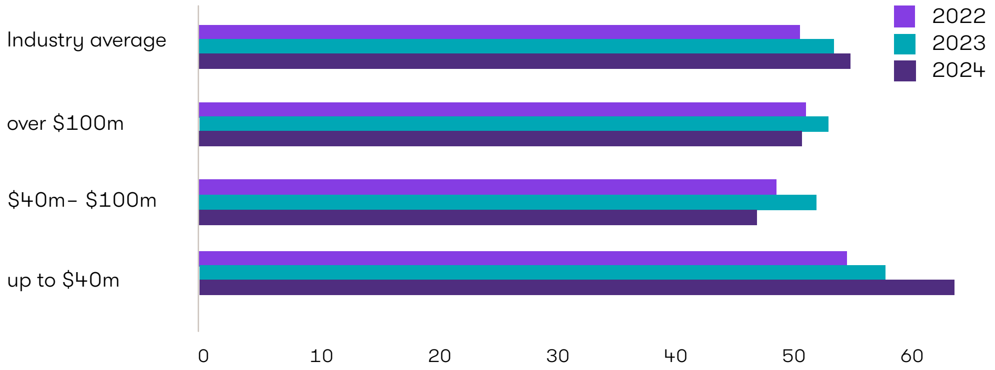
Debtor days

In 2024, the industry saw a slight increase in average debtor days. Smaller businesses with revenue up to $40m drove this increase while larger businesses showed improvements.

However the industry average remains below pre-COVID levels, with the average debtor days in 2019 at 62 days. Throughout the pandemic liquidity remained after the initial shock subsided, allowing businesses to resume trading. This led to more favourable collection terms, a trend that has largely continued. Looking ahead we expect debtor days to continue rising as we move further away from the pandemic's economic impact.

Debtor days	2024	2023	2022
Up to $40m	65	59	55
$40m - $100m	48	53	49
Over $100m	52	54	52
Industry average	**56**	**54**	**51**

Debtor days



Plant & equipment – CAPEX

Government measures through grants and tax incentives continue to play a crucial role in supporting businesses and encouraging investment. Sustained capital investment reflects manufacturers' positive outlook and efforts to future-proof themselves by prioritising growth. Spending is also fuelling the development of growth segments including research and development for electric vehicles and clean energy technologies.

PPE	2024	2023	2022
Up to $40m	16.4%	20.9%	16.1%
$40m - $100m	11.6%	12.3%	11.7%
Over $100m	11.6%	12.3%	12.7%
Industry average	**11.5%**	**12.6%**	**13.8%**

CAPEX	2024	2023	2022
Up to $40m	7.6%	4.4%	8.9%
$40m - $100m	2.8%	2.4%	3.6%
Over $100m	3.1%	2.7%	2.5%
Industry average	**3.3%**	**3.8%**	**3.3%**

Inventory

In the three years post-pandemic, inventory turnover consistently declined due to a build-up on inventory to mitigate supply chain constraints.

However, inventory turnover improved in 2024, rising from 7.7 to 8.5 on average. This reflects the renewed focus on inventory management, with closer monitoring of demand and optimisation of stock holding to balance working capital requirements.

Note that inventory held as percentage sales data is not available.

Inventory turnover ratios	2024	2023	2022
Up to $40m	4.1	3.3	3.7
$40m - $100m	13.0	10.8	10.6
Over $100m	7.8	8.2	9.2
Industry average	**8.5**	**7.7**	**8.3**

Dividends and debt

Dividends	2024	2023	2022
Industry average as a % of PBT	38%	26%	38%

For 2024, the dividend paid ratio of 38% of profit before tax is largely consistent with prior years. However, 2023 was an outlier year with elevated profits but dividends paid in dollar terms remaining the same (hence lower as a percentage), which stayed consistent as a percentage of revenues and equity, however increased as a percentage of profit before tax.

The debt-to-equity ratio has decreased to 23%, showing the sector is well placed for further borrowings should they be needed to fund growth.

Debt to equity ratio	2024	2023	2022
Up to $40m	16%	27%	15%
$40m - $100m	19%	19%	19%
$100m+	24%	24%	30%
Industry average	**23%**	**23%**	**29%**

Industry snapshot

7.7%

INDUSTRY GROWTH

with significant growth in companies up to $40m revenue

32%

GROSS MARGIN

indicating effective cost management

20%

EMPLOYEE COSTS

as a % of revenue managed effectively, with small businesses showing significant cost reductions

10%

EBITDA

which declined compared to 2023 due to inflation, but improved for smaller businesses under $40m revenue

0.9%

IMPAIRMENTS

decreased as a percentage of revenue, with larger businesses reporting significant impairments

56

DEBTOR DAYS

a slight increase but below pre-COVID levels, with smaller businesses showing more variance

8.5

INVENTORY TURNOVER

an increase in ratio reflecting better inventory management

3.3%

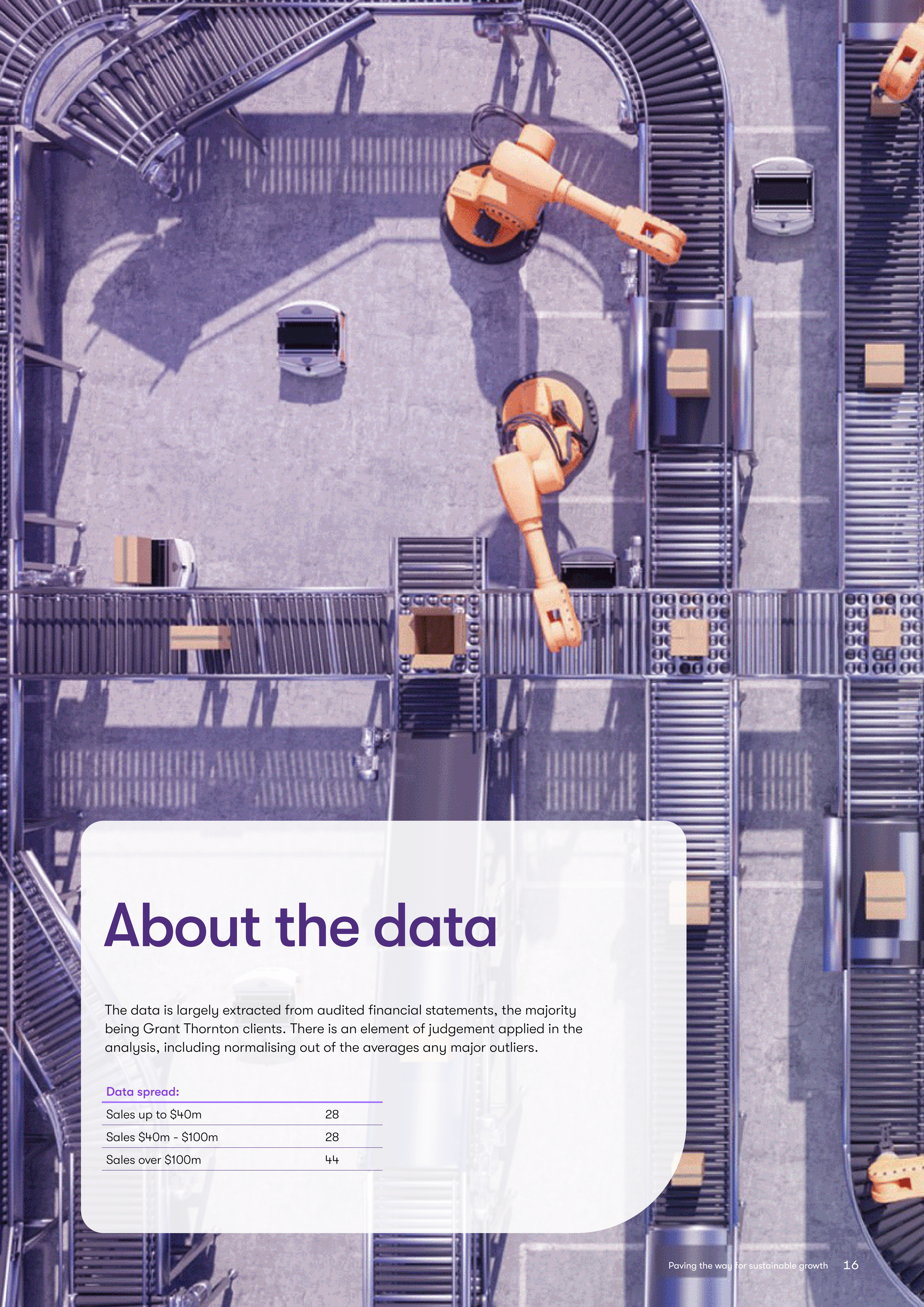
CAPEX INVESTMENT

remaining consistent, reflecting continued investment in growth areas like electric vehicles and clean energy

2%

DIVIDENDS

a slight increase as a percentage of revenues, with consistent payout ratios



About the data

The data is largely extracted from audited financial statements, the majority being Grant Thornton clients. There is an element of judgement applied in the analysis, including normalising out of the averages any major outliers.

Data spread:	
Sales up to $40m	28
Sales $40m - $100m	28
Sales over $100m	44

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People globally 68,000+	People nationally 1,500+
Partners nationally 176	Global revenue (USD) $7.2b
National revenue (AUD) $339m	Offices nationwide 6
Offices globally 750+	Markets 145+

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The terms we use
Language is a powerful tool. No single set of definitions can describe how every person experiences life, or how they define themselves. We acknowledge the diversity of self-identity and intersectionality, particularly within gender, culture, sexual orientation, disability and First Nations language groups. It is always our intention to be inclusive and respectful and we acknowledge that not everyone will identify with the terms we have chosen.

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