

## Valuing Assets & Measuring Performance

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Valuing the Cooperative  
Business in the 21<sup>st</sup> Century  
St. Paul, MN Nov. 6, 2007

## Keys to Coop Success

- Early Years: Cooperation – solidarity among like-minded farmers
- Today: Capital – return on investment – one of many choices for farmers



## Difficult Capital Asset Decisions

- High dollar
- Long term
- Competing opportunities
- Technology: early obsolescence
- No “one size fits all” formula



## EFFINGHAM EQUITY Effingham Equity

- \$200M in sales primarily farm supply
- 12 Locations, 250 FT Employees
- Grown volume thru market share gain
- Grown market share thru customer service focus
- Value Proposition: Information, capacity and quality of service
- Capital requirement: \$41.2M invested since 1997

## EFFINGHAM EQUITY EE Guiding Values

- Profitability
- Constant Improvement
- Customer Focus
- Accountability
- Integrity

## EFFINGHAM EQUITY EE Business Biases

- Core businesses first
- Core customers first
- Fewer facilities – more trucks
- Invest in technology
- Financial analysis/comparison

## Capital Decision Process

- Prioritized wish list based on guiding values, business biases, and market needs
- Annual budget based on historical performance and marketplace
- Cashflow that protects balance sheet, revolves old equities, and meets capital expenditure needs



## Evaluation Process

- Info system tracks ROA by facility and department
- Track volume by facility, department and application unit
- Annual Questions:
  - - Is asset profitable? Contributing?
  - - Would we invest in it today?
  - - Should we divest or retire it today?



## Results over 10 Years

- Sales increase from \$93M to \$200M
- Local earnings range \$1.43 - \$6.1M
- Average Local Return on NFA: 20.1%



## Summary

- Asset decisions are our most crucial decisions and determine future success
- Objective standards needed but must be applied with flexibility
- All assets must contribute toward goals

Questions?

