Valuing Assets & Measuring Performance

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Valuing the Cooperative Business in the 21st Century
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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

• $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

EE Guiding Values

• Profitability
• Constant Improvement
• Customer Focus
• Accountability
• Integrity

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?**