RIA

Restoration Industry Association

2025 COST OF DOING BUSINESS

KEY BENCHMARKS FOR THE PROPERTY RESTORATION INDUSTRY

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FOREWORD

Foreword by Kristy Cohen, CEO of the RIA

The Restoration Industry Association (RIA) is proud to present the 2025 Cost of Doing Business Report. Building on the foundation of our inaugural 2024 edition, this year's report reflects our ongoing commitment to delivering meaningful data to restoration contractors.

As your industry trade association, we understand the importance of providing resources that empower you to navigate the evolving complexities of running a restoration business. This report is designed as a practical tool to help you assess financial health and guide strategic decision-making. It provides benchmarks and cost accounting data to evaluate overhead, labor efficiency, revenue mix, profitability, operational processes, training, and workforce development—helping you make informed, data-driven decisions to optimize performance.

The realities of doing business in restoration continue to grow more complex. Traditional models often fail to reflect the conditions facing today's companies. Ongoing challenges—such as adjuster resistance to deviations from third-party standardized price lists and high accounts receivable balances straining cash flow—make it all the more vital to have access to reliable, industry-specific data. This report not only supports your business planning but also strengthens RIA's advocacy efforts to build a more sustainable future for the restoration profession.

We are deeply grateful to all the restoration companies that participated in this year's survey, as this report would not be possible without your support. Together, we are creating a stronger, more resilient industry where restorers can thrive.

Kristy Cohen
CEO, Restoration Industry Association

Foreword by Leighton Healey, CEO of KnowHow

When we first set out to measure the cost of doing business in restoration two years ago, we knew it wouldn't be simple. Restoration companies are as diverse as the disasters they respond to, but what they share is grit, hard work, a heart for their customers, and the constant pressure of balancing rising costs with the promise they make to customers: "We'll get you back to normal."

This report is a partnership, equal parts KnowHow and the Restoration Industry Association. On one side, a dedicated group of RIA volunteers, who fit editorial review into the margins of running companies, leading teams, and answering 2 a.m. calls. On the other side, the KnowHow research team, analysts, writers, and designers who poured countless hours into the task of producing the report in your hands. And while we're an AI software company, we've learned there are no shortcuts to producing a report of this caliber. In fact, our methodical, manual, data-driven approach—not automated analysis—is a prime reason for the study's reliability.

Let me be clear: KnowHow is not a research firm. We're builders and pioneers. Our mission is to help people-powered industries deliver on their promises through confident workers. Sometimes that means developing and deploying cutting-edge language models to deskless workforces to ensure the job is done right, the first time. Other times that means publishing a report like this because to serve well, we first have to understand the realities our customers face.

So why do we do it? Because better data helps leaders make wiser decisions. Equipping teams with clarity helps them navigate rising costs, labor shortages, and new demands. And because, at the end of the day, we believe in being good neighbors—raising all ships, not just your own.

I'm proud of what's in your hands. It reflects the professionalism of my team, the dedication of RIA's volunteers, and the voices of restoration teams across North America. I hope that it not only informs your business planning but also sparks conversations inside your company that lead to stronger, more profitable, and more resilient operations. I believe that downstream of that is more human flourishing.

Here's to building the future of restoration together.

Leighton Healey
CEO, KnowHow

METHODOLOGY

Between April and June 2025, restoration professionals across North America completed a comprehensive financial survey based on their FY2024 data. Unless otherwise noted, all findings reflect FY2024 performance. Year-over-year comparisons reference data from our inaugural 2024 report, which analyzed FY2023 financials.

This second annual RIA Cost of Doing Business Report, Powered by KnowHow, addresses the restoration industry's critical need for reliable financial benchmarks. We surveyed business owners, managers, CFOs, COOs, and other executives with direct access to their companies' financial and operational data. However, the insights are designed for the entire industry, from field technicians to C-suite leadership.

Accessibility by Design

Our mission is making financial intelligence accessible across all industry roles. You don't need an MBA or decades of experience to understand and apply these insights. The restoration industry faces enough time constraints without adding dense financial jargon to the mix. Where statistically relevant, we examine performance differences between top and bottom quartile companies, offering perspective from both ends of the spectrum. Each section concludes with discussion questions designed to help you consider changes within your organization.

Data Collection and Validation

The RIA's Independent Pricing Task Force and KnowHow's research team collaborated to develop survey questions capturing comprehensive financial and operational metrics. Our validation process included:

- **Currency standardization:** All figures reported in or converted to USD for consistent benchmarking.

- **Fiscal year alignment:** Data reflects FY2024 performance across all respondents.

- **Participant verification:** Strict vetting ensured all respondents operate active restoration businesses.
- **Data integrity review:** Outliers and inconsistencies were addressed through follow-up validation.
- **Privacy protection:** Individual responses were anonymized and aggregated, with all analysts bound by nondisclosure agreements.

Responses were segmented across multiple variables—company size, service mix, geographic region—enabling precise peer-group comparisons. Confidentiality remained paramount throughout data collection and analysis.

For complete survey questions, see Appendix A. For full privacy protocols, visit the 2025 RIA Cost of Doing Business Privacy Statement*.

Note on Year-over-Year Comparisons: This report compares FY2024 and FY2023 survey responses to identify trends and changes. Readers should note that the cohort of respondents may differ between survey years. Therefore, observed differences may reflect both actual changes in practices/outcomes over time and variations in the composition of companies participating in each survey year.

*Scan to access the 2025 RIA Cost of Doing Business Privacy Statement:

INTRODUCTION

The cost of doing business in restoration is not easily captured on a balance sheet.

It includes overhead cost such as equipment, warehouse space, and vans, but also the weight that hangs over the head of every owner who has to balance payment delays with the need to fulfill their commitment to staff and contractors.

It's not only reflected in a company's margin, but the minutes shaved off a technician's day every time they stop to document the job (PPE compliance photos, proof of dump trailer on site), or when a claim is reversed and a project scope has to change.

It goes beyond paid employee benefits to providing the benefit of a doubt to staff, exhausted after two weeks straight on a Cat-3 loss, who need time to catch their breath and spend some time with their family.

Restoration is a people-powered industry, and people don't fit neatly into boxes, or on spreadsheets.

When you account for the financial and non-financial costs, it provides a sobering reminder of how important and impactful the decisions leaders make are to the lives of all industry stakeholders that find themselves downstream of the calls these leaders make daily. Our goal, in part, in writing this annual report has remained to provide leaders with trustworthy data and analysis that helps them to be knowledgeable and informed operators. However, informing leaders is not our only aim. As the 19th-century English preacher Charles Spurgeon once said, "Wisdom is the right use of knowledge." Our ultimate goal and primary intent in writing this report is not simply to produce knowledgeable leaders, but wise leaders who steward well the decisions that impact the lives and livelihoods of their teams, their partners, and those they serve with clarity, confidence, and conviction.

Over the course of this report, readers will gain information relevant to a variety of important topics including:

- Is Commercial work necessary to scale and grow my company?

- How much margin am I giving up if I work with TPAs?
- Is the insurance industry’s time-honored 10 & 10 model realistic?
- Is it worth it to embrace more reconstruction work for the sake of revenue, even at the expense of profit margin?
- How profitable is Contents work?
- Should I rely on external trainers? Or bring that expertise in-house?
- Do I have the right ratio of administrative staff to production staff?
- Does scaling to multiple locations come at the expense of profitability or efficiency?

Ultimately, we want to equip you with the information you need to make informed decisions and showcase how your peers are grappling with some of the industry’s biggest challenges. We hope you walk away with a clearer perspective for the road ahead, and to remind you that you’re surrounded by an industry of fellow restoration contractors who are leading with resilience, making hard choices daily, and proving that leadership is about more than numbers.

JOIN THE CONVERSATION.

Discover webinars, podcasts, and live events where the Restoration Industry Association and KnowHow dive deep into the reports findings and analyze the results.

SECTION ONE

This section cuts through the noise to benchmark the financial performance of restoration companies. Here, you'll see clear industry baselines, demographics data, and walk away with a new level of awareness that's rare in an industry that traditionally operates in silos. We'll also zoom in on how companies manage their overall financial health so restoration leaders can use the resulting data for more strategic planning and performance analysis.

DEMOGRAPHICS

The 2025 survey captured a diverse mix of restoration companies, spanning from long-established companies to newer entrants. Nearly three-quarters (71%) of companies that participated in the survey have been in business for over a decade, with the largest segment (29%) in the 11–20 years of operation range, a trend consistent with last year's data (based on FY2023).

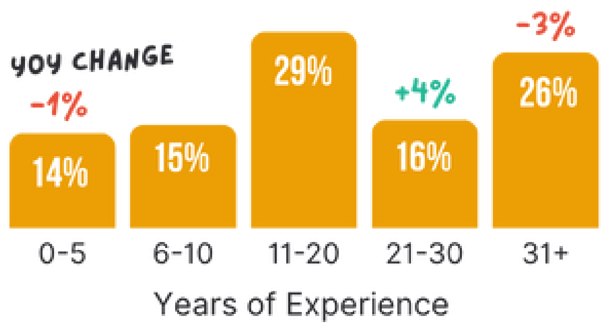
Similar to last year, over a quarter (26%) of participating companies have been operating for 31 years or more, while 29% of companies have been operating for under 10 years. The median total years of operation among survey respondents is 22 years.

Based on these tenures, it's clear that the restoration industry is a well-established field with deep roots, but not without its fresh entrants, a balance that highlights the industry's resilience. We predict a rise in succession planning in the coming years as the data tells us that a large share of owners in the industry today likely started their business in the late '90s or early 2000s, meaning a major leadership turnover is likely on the horizon for many organizations.

Similar to the data surfaced in our 2024 report, single-location companies still make up the majority of respondents, representing 57% of companies that participated in this year's study.

NOTE: WHILE COMPARING FY2024 TO FY2023 SURVEY RESPONSES PROVIDES VALUABLE INSIGHTS, DIFFERENCES IN THE RESPONDENT COHORT BETWEEN YEARS MAY PARTIALLY ACCOUNT FOR SOME OF THE VARIATIONS OBSERVED.

RESTORATION INDUSTRY EXPERIENCE



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NOTE: THIS YEAR'S REPORT IS BASED ON FY2024 DATA. LAST YEAR'S INAUGURAL COST OF DOING BUSINESS REPORT WAS BASED ON FY2023 DATA.

The remaining 43% of respondents operate multiple locations, ranging from two locations to dozens of locations.

Although industry headlines often spotlight the activities of large independent firms or big-name franchise brands, much of the property restoration industry still relies on a large foundation of small and medium-sized businesses that serve their market from a single location.

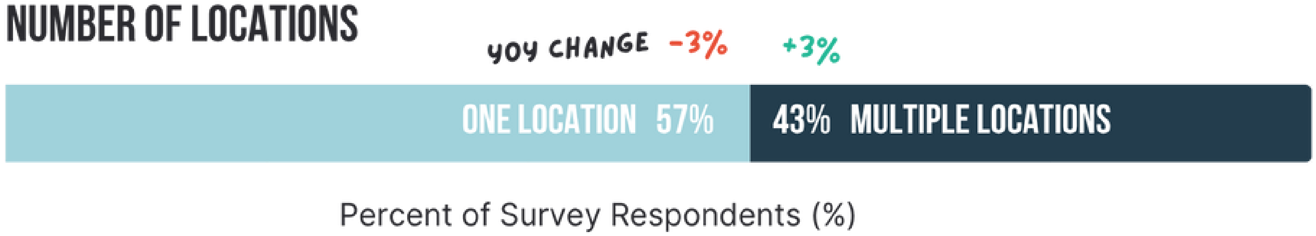
ANNUAL GROSS REVENUE

The restoration industry is experiencing significant changes in revenue levels in specific cohorts of company sizes. The number of survey respondents in the \$5M–\$10M gross revenue bracket grew from 12% to 25%, and the \$25M–\$50M group doubled from 5% to 11%, a noticeable expansion in the mid-to-large tier revenue brackets.

Surprisingly, FY2024 data clearly showed that companies in the \$1M–\$5M revenue range dipped from representing 38.5% of total survey participants to 32%, and those with revenue of \$10M–\$25M shrank from representing 27% of participants to 17%. At the lower end, businesses under \$1M revenue also decreased from representing 10.4% of industry participants (FY2023) to only representing 6% of respondents (at the end of FY2024).

The result is a subtly reshaped 'middle revenue companies' category, with some revenue brackets expanding while others contracted significantly.

NUMBER OF LOCATIONS



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WHAT FACTORS INFLUENCE THIS SHIFT IN SURVEY RESPONDENTS?
ONE POSSIBILITY IS THAT SMALLER COMPANIES MAY BE LESS LIKELY TO HAVE THE INFRASTRUCTURE TO REPORT ON ASSETS, LIABILITIES, AND THE COST OF GOODS SOLD IN A FINANCIAL SURVEY, LEADING TO UNDERREPRESENTATION IN THE COST OF DOING BUSINESS SURVEY. ADDITIONALLY, RISING LABOR AND MATERIAL COSTS ARE MAKING IT MORE DIFFICULT FOR SMALLER COMPANIES TO GAIN ENTRY INTO RESTORATION, AS GOOD CASH FLOW MANAGEMENT AND CASH-ON-HAND IS CRITICAL FOR WAITING OUT DELAYED PAYMENT TIMELINES AND SLOW SEASONS.

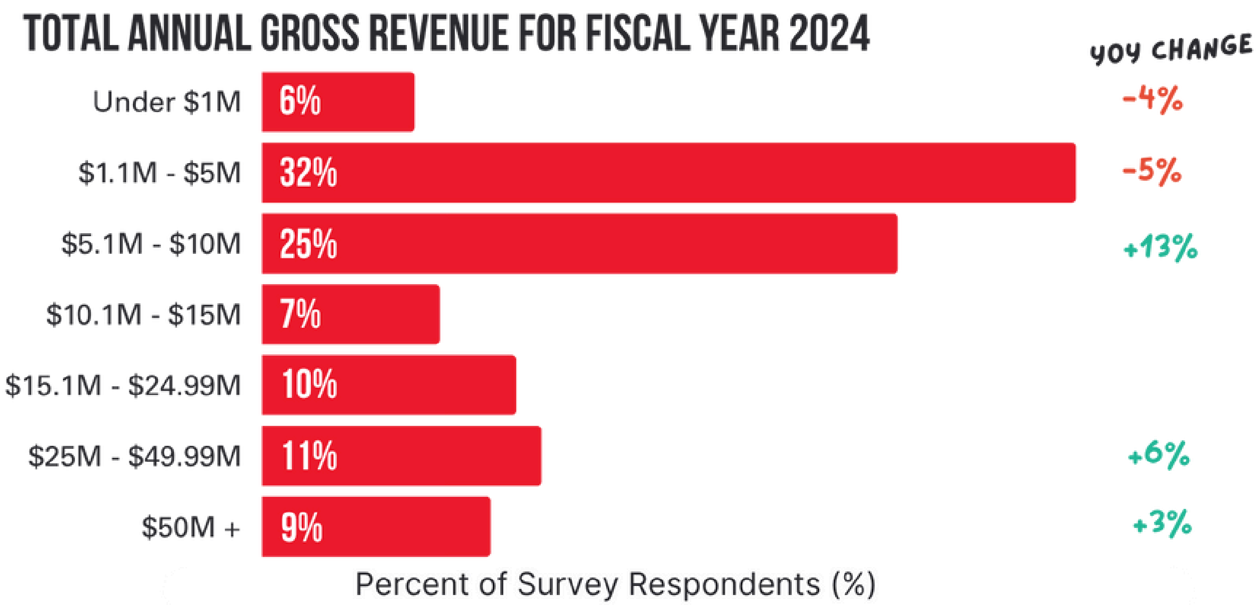
AVERAGE GROSS ANNUAL REVENUE

While most companies in this year's survey are single-location operations, the majority of reported revenue is driven by multi-location firms, unsurprising given their scale and market reach.

The more telling insight is how revenue breaks down per location.

Single-location companies outperformed on a per-location basis, reporting average revenue of $6.08M vs. $4.99M for multi-location peers—a 22% edge.

The gap doesn't necessarily mean that one model is inherently more efficient than the other, but it does beg the question: What happens to revenue per-location productivity when you expand?



The average revenue data across all respondents sits at $5.13M per location.

AVERAGE REVENUE PER LOCATION, BY NUMBER OF LOCATIONS, FOR FY2024 SURVEY RESPONDENTS

NOTE: AVERAGES ARE HIGHLY SENSITIVE TO OUTLIERS. A SINGLE VERY LARGE COMPANY OR UNUSUALLY HIGH-REVENUE LOCATION COULD SKEW RESULTS UPWARD.

REVENUE DISTRIBUTION

BREAKDOWN BY CATEGORY

Commercial

According to our survey respondents, over half (53%) of companies indicated that commercial work accounts for less than 30% of their total revenue. That’s a modest decline from last year’s report, based on FY 2023 data, where roughly three-quarters of survey respondents had less than 30% of total revenue from commercial services.

Residential

Continuing with the trend observed in 2024 reporting, based on FY2023 data, residential work continues to dominate, with nearly two-thirds of survey respondents indicating that they earn almost 70% of total revenue from residential work.

Others

Similar to the reporting from last year, based on FY2023 data, the ‘other’ category contributes minimally to the overall business revenue for the majority of restoration businesses we assessed in the 2025 survey, based on FY2024 figures.

Revenue Mix Analysis

The 2024 RIA Cost of Doing Business report, based on FY2023 data, noted report, based on FY2023 data, noted that a strong reliance on residential revenue tends to position companies closer to the lowest 25% bracket in total annual gross revenue.

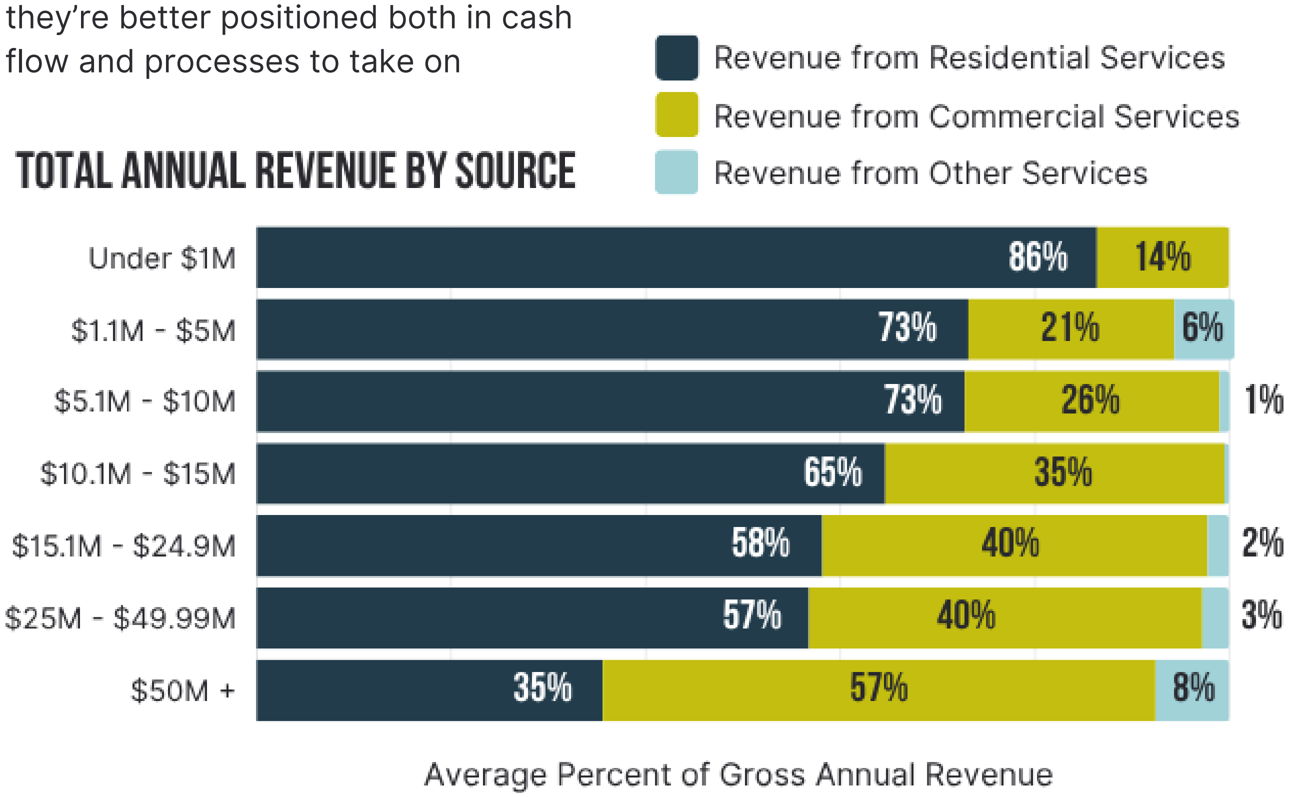
FY2024's data, used in compiling the 2025 report, tells a similar story. Among respondents, larger companies with revenue >$50M tend to have a higher percentage of commercial services compared to smaller companies. Conversely, smaller to mid-sized companies (e.g., $1.1M—$5M) show a stronger emphasis on residential services (73.14%) in their total revenue mix. As companies scale, they're better positioned both in cash flow and processes to take on complex commercial jobs.

The FY2024 data reinforces the notion that to move into higher revenue brackets, companies need to consider diversifying their revenue streams and increase their share of commercial work.

And while this might not be news to restoration leaders, the barriers to expanding within the commercial market remain the same.

These challenges include:

- **Strong cash position to manage**



payment cycles: While everyday commercial job payments might align with residential payment timelines, larger commercial projects require a stronger cash position to navigate long payment cycles (a prominent theme that emerges throughout this year's report).

- **Operational infrastructure to handle large-scale projects:** Commercial projects demand a different skillset and skilled labor to execute successfully. Multiply this across various departments (HR, field workers, technicians, adjusters) and the speed necessary to do this, and most companies might not be properly equipped to handle such scaling.

- **Tenure:** It simply takes time and effort to build the type of long-term relationships that create a reliable network of subcontractors who can execute various elements of commercial work successfully, and commercial clients who can offer repeat business.

- **Standardized operational playbook:** A standardized, scalable, and adaptable framework is important for managing complex commercial jobs. Mid-to-large-sized restoration companies lean on modern technological tools to securely centralize and standardize operations playbooks that help them scale efficiently and profitably.

- **Talented Commercial Sales & Marketing Leader(s):** Both the personality required and the strategy deployed to source, nurture, and land commercial projects require a unique skill set different from residential or TPA-sourced work. As well, the ability to manage multiple new stakeholders, such as property and facilities managers and more sophisticated insurance representatives, can merit investing in commercial-specific sales and marketing hires.

BREAKDOWN BY SERVICES

Mitigation (Water and Fire)

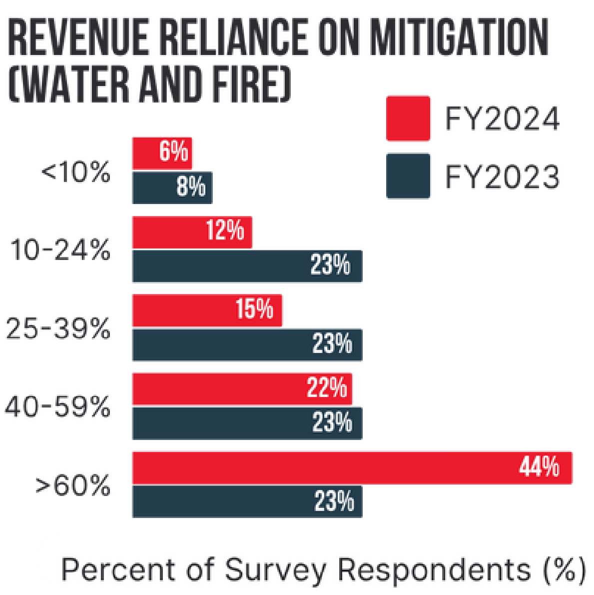
In our 2024 report, based on FY2023

financial data, we looked at the percentage of different service lines based on overall revenue. Starting with mitigation, there was a remarkably even spread among the role mitigation work played in overall revenue mix. Roughly a quarter of restoration companies fell evenly into three key brackets:

- Companies whose mitigation work made up 10–24% of their revenue,
- Companies whose mitigation work made up 25–39% of their revenue,
- Companies whose mitigation work made up 40–59% of their revenue.

However, according to this year's survey respondents, this distribution has sharply changed.

Now, FY2024 data suggests that 44% of companies who completed the Cost of Doing Business survey generate 60% or more of their revenue from water and fire mitigation, nearly double last year's figure (23%) based on FY2023 data. At the same time, the mid-level bands have noticeably thinned out, and the share of companies relying moderately on mitigation has dropped significantly, with fewer companies occupying the previously balanced middle ground.



Contents

The FY2024 data used for this year's report strengthens what last year's Cost of Doing Business Report, compiled based on FY2023 year-end data, hinted at: contents services remain a niche offering for most restoration companies.

In 2024, the survey (based on FY2023 data) showed that few restoration companies leaned heavily on contents work, and that holds true in this report (based on FY2024 data). FY2024 data clearly shows that nearly three out of four companies (74%) see contents revenue make up less than 10% of their total revenue, and only 9% of respondents earn more than 20% of revenue from their contents services.

Hazards (Mold + Remediation)

Many companies that completed this year's survey reported only modest revenue levels from the Hazards category, which includes mold mitigation. 13% show no revenue from the Hazards category, and about 71% of respondents record less than 10% of top-line revenue from Hazard Remediation. Only a handful of companies reported 20% or more of their revenue from this category.

Other (Including Reconstruction/Repair)

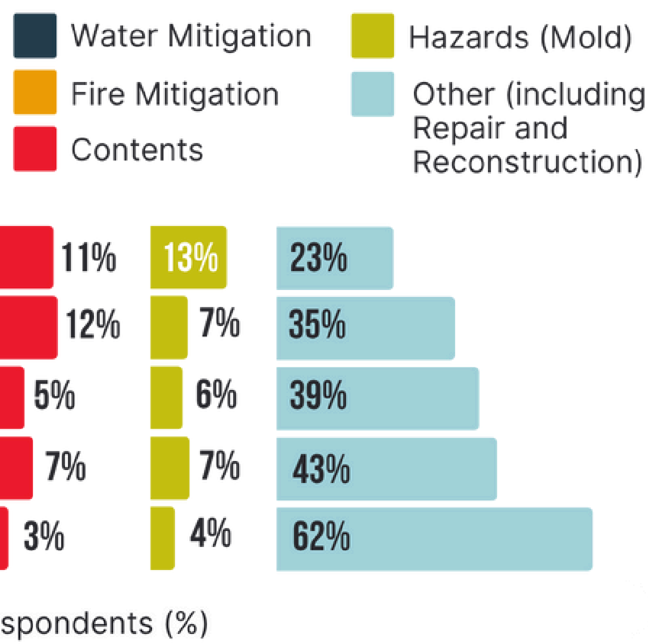
Note: *This year, we grouped reconstruction work under the "other" category, which also includes repair or whatever else restorers consider as "other."*

In a reactive restoration industry, reconstruction work is often viewed as one of the service lines that leaders and owners can have more control over. After all, you can't control when a storm rolls into town, but you can schedule reconstruction work weeks in advance.

While smaller companies (generating less than $3M in revenue) only see 23% of their revenue coming from other service lines like reconstruction and repair, for the largest companies, the story is quite different. Companies that bring in greater than $50M in revenue are seeing almost 3x as much reconstruction work as a percentage of their overall revenue.

It's no surprise to see that, as companies grow larger, they are taking on more reconstruction and repair work as they diversify their revenue sources.

BREAKDOWN OF AVERAGE PERCENT OF REVENUE BY SERVICE CATEGORY AND TOTAL ANNUAL GROSS REVENUE



* These percentages represent typical values for each category across the survey respondents, not portions of a whole that should sum up to 100%.

KEY PROFITABILITY METRICS

TPAS (THIRD PARTY ADMINISTRATORS)

Third-party Administrators (TPAs) remain a key presence in the restoration industry, providing an efficient pipeline between large insurance carriers and restorers. For many restorers, TPAs serve as a steady flow of jobs, much like delivery apps in the restaurant business.

However, this "guaranteed" TPA business comes with increased administration burden, reduced flexibility, and pressure on margins.

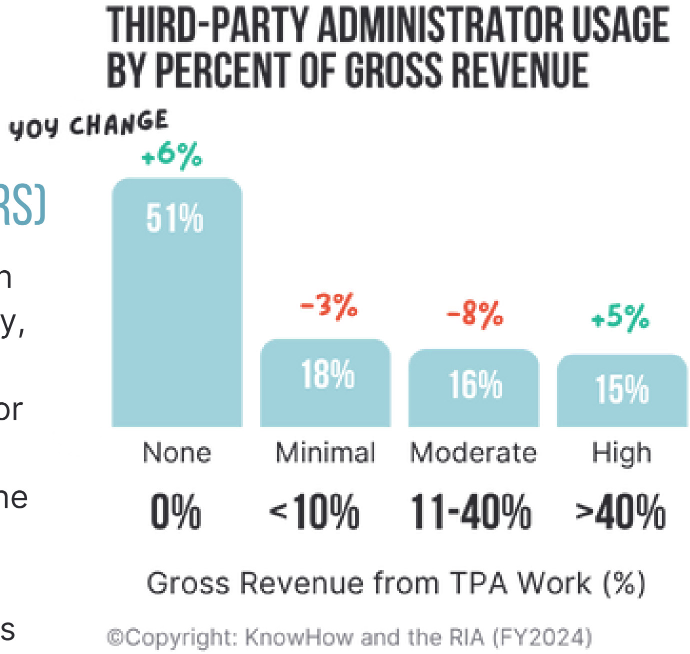
2024's Cost of Doing Business report, based on FY2023 financial data, revealed an industry questioning TPA dependence. Based on this year's survey data, drawing on FY2024 financials, the majority of respondents did not lean on TPA-sourced work as their primary revenue stream.

- Over half (53%) of surveyed restoration companies reported zero revenue from TPAs in the 2024 financial year, up sharply from 45% reported in the 2023 financial year.

- Another 27% of companies report that TPAs make up just 1–25% of their gross revenue. Companies in the $1.1M–$10M revenue band, in particular, seem to prefer to limit TPA exposure.

- Specifically, in the $5.1M–$10M revenue bracket, more than 70% of survey respondents report no TPA-derived income for the financial year of 2024. Simply put, most restorers in the $5.1M–$10M revenue range are operating TPA-free.

- Only a handful of companies—6%—reported TPAs responsible for more than three-quarters (76–100% of revenue) of annual revenue. Even among companies with annual revenue exceeding $10M, TPA-heavy business models are the exception, not the norm.



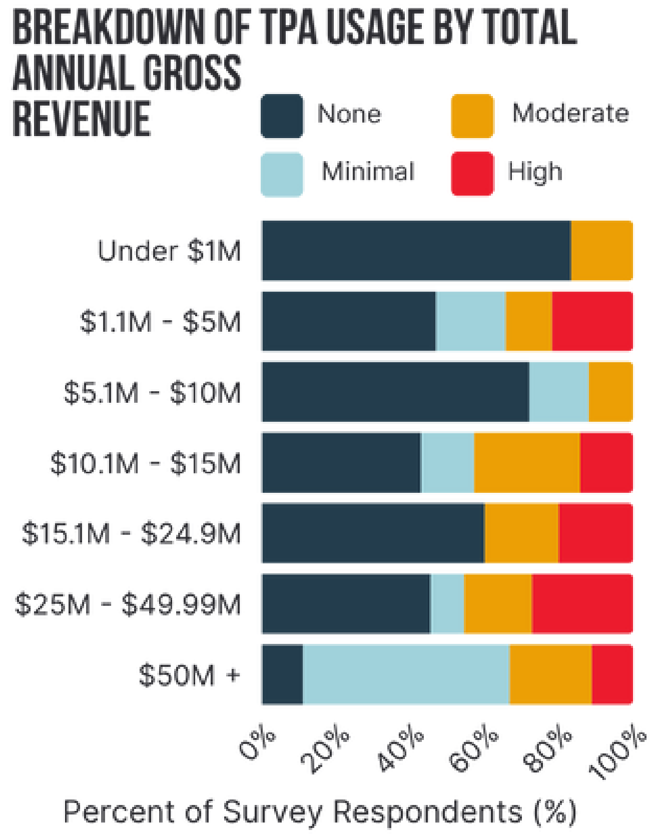
Overall, restorers' attitudes toward TPAs remain a study in contrasts. There's no question that for some, TPAs are an appealing source of reliable work, offering a pipeline of steady jobs and insulation from the unpredictability of self-generated leads.

In tough markets, like the current landscape, that consistency has real value. However, accepting TPA volume means taking on extra administrative burden, diminished pricing control, and tighter margins—costs that directly hit the bottom line.

As the data shows, fewer companies in our sample size are leaning on TPAs in FY2024 compared to the last year's survey respondents.

Multiple factors could explain this shift: companies may have diversified their lead sources to avoid over-reliance on any single referral channel, TPA lead volumes may have declined industry-wide, some firms may have been removed from TPA programs, or companies invested in alternative marketing strategies that reduced TPA dependence.

Fundamentally, the choice for most restorers often comes down to where to deploy marketing dollars for the most consistent and predictable lead flow,



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THE RIA'S 2025 TPA SCORECARD REPORT PROVIDES DETAILED INSIGHTS INTO CONTRACTORS' EXPERIENCES WORKING WITH MAJOR TPAS, INCLUDING ADVOCACY CONCERNS AND ISSUES THAT ALIGN WITH THE MARGIN PRESSURES DISCUSSED HERE.

SCAN TO LEARN MORE

and TPA work represents one option among many in the lead generation portfolio. While some restorers will trade margin for predictability, others are moving away from TPA dependence either through direct marketing and sales efforts, or by exploring alternative lead sources.

GROSS PROFIT MARGIN

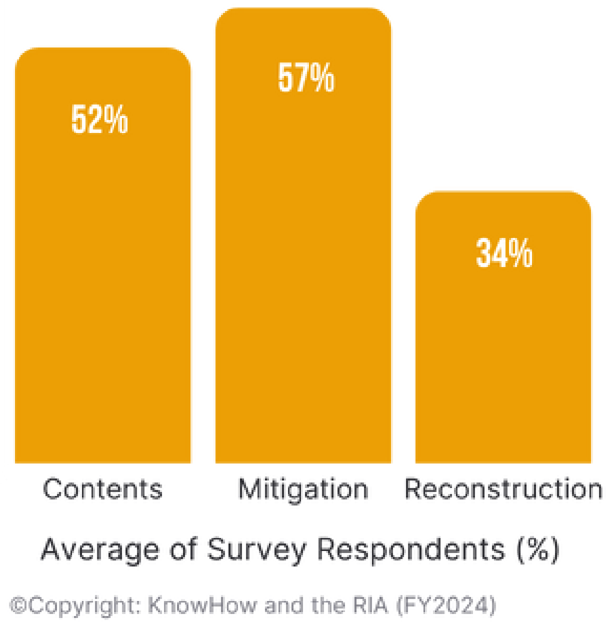
For this survey, gross profit margin (GPM) is defined as the ratio of gross profit (total revenue minus cost of goods sold (COGS) to total revenue, expressed as a percentage.

The FY2024 data makes one thing unmistakably clear: revenue size doesn't matter as much as revenue mix (mitigation vs non-mitigation work) in determining gross profit margins.

By contrast, reconstruction includes most of its actual costs directly on each job, so its margin looks lower, but it's a truer, apples-to-apples number. If you move those mitigation/contents costs onto jobs, the "mid-50s" margin often settles closer to ~40%.

- Companies under $1M in annual revenue posted a 69% average GPM, twelve points higher than the 57% logged in 2024's report based

AVERAGE GROSS PROFIT MARGIN BY WORK TYPE



NOTE: MITIGATION/CONTENTS WORK OFTEN LOOK MORE PROFITABLE BECAUSE THEY DON'T INCLUDE ALL THEIR REAL JOB COSTS. PROJECT MANAGERS, COORDINATORS, AND WAREHOUSE STAFF ARE TYPICALLY SALARIED AND NOT CHARGED TO SPECIFIC JOBS. EQUIPMENT IS CARRIED IN OVERHEAD—SOMETIMES RECOVERED WITH A FLAT INDIRECT COST PERCENTAGE—RATHER THAN JOB-COSTED.

on FY2023 data. (However, many smaller companies have owners

- performing billable work without posting labor time when doing the work themselves, which could artificially inflate gross profit margins while net income remains unchanged).

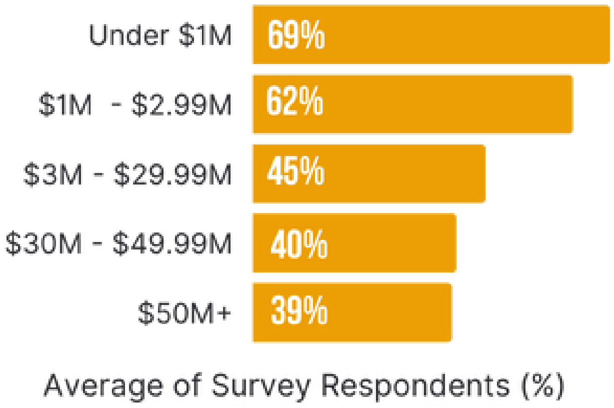
- The $1M–$2.99M group climbed even more, from 44% in 2024's report based on FY2023 data to 62% now.

- After $3M, however, margins start to drop off. Companies with annual revenue of $30M–$49.99M were down to 39.5%, and those in $50M+ revenue range landed at just 38.7%, each dropping three points below 2024's report, based on FY2023 data.

Nearly a third of survey participants still show a strong margin in the 40–70% range, but the fight gets harder as you scale. Why? Among other factors, many companies take on reconstruction work in order to grow their revenues and diversify their service offerings. While for some firms this provides a more predictable source of business than mitigation work, it often comes at the expense of gross profit margin.

Additionally, as companies grow, they often shift toward TPA and insurance work, which typically yields lower margins than direct-pay customers. Beyond service mix, factors like client types, cost management effectiveness, and estimating accuracy significantly impact profitability, with poor estimates undermining even the best operational efforts.

AVERAGE GROSS PROFIT MARGIN BY GROSS ANNUAL REVENUE



REMINDER! WHILE COMPARING FY2024 TO FY2023 SURVEY RESPONSES PROVIDES VALUABLE DATA, DIFFERENCES IN THE RESPONDENT COHORT BETWEEN YEARS MAY PARTIALLY ACCOUNT FOR SOME OF THE VARIATIONS OBSERVED.

As companies scale and grow, their accounting must mature to capture true Cost of Goods Sold (COGS), along with more advanced estimating, scheduling, and purchasing systems. Growth creates a fundamental tension between taking on additional revenue streams and defending the healthy margins from mitigation and contents work. This requires operational infrastructure that matches the complexity of expanded service offerings.

NET INCOME

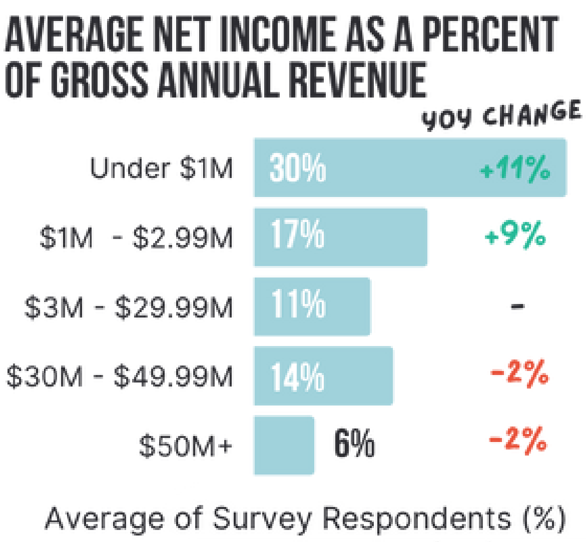
Net income, a.k.a. your bottom line, is the clearest signal of financial health in the restoration industry. It's what remains after covering every job cost, overhead expense, tax, and interest payment. In short, it's the fuel for reinvestment, resilience, and long-term survival.

So, what shifts are visible across revenue bands at the end of the FY2024 year?

According to this year's data, 41% of companies reported net income below 10%, a slight improvement from 44% in FY2023. The percentage of companies achieving 20%+ net income also rose slightly, up from 22% FY2023 to 23% FY2024. While the shift isn't dramatic, it suggests a mild rebound in profitability despite continued economic pressure.

Distribution of FY2024 Respondents

- **7%** of survey respondents report negative net income (all negative net income combined).
- **41%** of survey respondents report low profit (<10% net income).
- **29%** of survey respondents report moderate profit (10–19.9% net income).
- **23%** of survey respondents strong profit (20%+ net income).



Key Observations

- Nearly half of the industry (48%) still earns less than 10% net income, though that figure dropped from 52% in FY2023.
- The largest shift was a 4-point migration from the positive net income cohort achieving 0–4.9% bracket to the 5–9.9% bracket, suggesting incremental margin increases across the board.
- Negative profitability remains flat at 7%, signaling ongoing pressure at the bottom of the market. We were hoping to see this number improve year over year, but it did not. This means that some companies really felt the pinch last year and are relying on 2025 to paint a different net income picture for their company.

Like with Gross Profit Margins before, a lot of this pattern is driven by revenue mix (the proportion of mitigation versus non-mitigation work, etc) rather than company size or other factors.

FINANCIAL HEALTH

No restoration company lasts without a solid asset foundation. For industry leaders navigating 2025 headwinds, understanding where and how your business holds its resources can spell the difference between staying resilient or running short. This year's survey data, based on FY2024 figures, reflects a market that is working every dollar harder, allocating assets with a wary eye on liquidity and capital efficiency.

The numbers below represent median values for each asset category, offering a typical—rather than extreme—snapshot. As with last year's reporting, based on FY2023 numbers, these figures are drawn from company statements at year-end, when seasonal expenditures can temporarily skew cash positions and current assets. Keeping this in mind will help readers better understand the context of the data and make more accurate comparisons.

Methodology Note: *We report medians, not averages (mean). Median refers to the middle value in a dataset once all values are arranged in order (i.e., half the companies are above it, half below it).*

Medians were chosen over averages to minimize the impact of outliers and potential data entry errors, providing a more representative view of both sides *of the balance sheet. This approach is especially useful given the diverse range of company sizes and occasional inconsistencies in reported financial data.*

ASSETS

Cash

Cash is the most liquid asset on a company's balance sheet, and a strong indicator of operational flexibility, resilience, and risk tolerance. Whether it's covering payroll, buying materials, or funding growth, cash plays a vital role in day-to-day operations.

This year's data shows a continuing divide in cash management strategy by company size:

- Industry-wide, the median cash holdings fell to 4.9% of annual gross revenue, down from 7% in last year's report.
- Smaller firms (under $3M in annual revenue) are holding much higher reserves—around 9–10%.
- In contrast, larger firms ($50M+ revenue) hold just ~2% of their revenue in cash, relying more on

ASSET PERCENTAGES (MEDIAN % OF ANNUAL GROSS REVENUE FY2024)

	Cash	Accounts Receivables	Other Current Assets	Other Non-Current Assets	Total Assets
Under $3M	9.4%	23.0%	9.6%	0.8%	38.7%
$3M - $9.9M	4.4%	13.0%	3.0%	4.8%	36.3%
$10M - $24.9M	2.3%	20.1%	6.6%	12.9%	40.7%
$25M—$49.9M	2.7%	14.3%	9.9%	28.2%	61.0%
$50M+	1.9%	19.7%	16.0%	60.6%	46.9%
Overall Median	4.9%	16.3%	6.5%	7.2%	41.2%

* These percentages represent typical values for each category across the survey respondents, not portions of a whole that should sum up to 100%.

lines of credit, internal systems, and tight AR management to fund operations.

What does this mean?

- Smaller firms are likely more risk-averse, prioritizing cash reserves over reinvestment. This is understandable given that they often face more unpredictable cash flows, limited access to capital, and longer payment cycles from insurance carriers or TPAs. With the exception of SBA Loans, smaller firms typically have less access to debt financing.

- Larger firms appear to be optimizing for capital efficiency, operating with leaner cash positions and relying on better AR practices, financing structures, or operational scale to fund day-to-day needs. They may also be investing more aggressively, converting cash into equipment, tech infrastructure, investing in AI solutions, or M&A opportunities.

As restoration companies grow, their financial profile shifts dramatically. Smaller firms rely heavily on cash reserves, while mid-sized firms often struggle with receivables and working capital. Larger firms, in turn, become more asset-intensive as they invest in equipment, facilities, and systems to scale. The following sections break down these trends in detail, showing how receivables, current assets, and long-term investments evolve across revenue tiers.

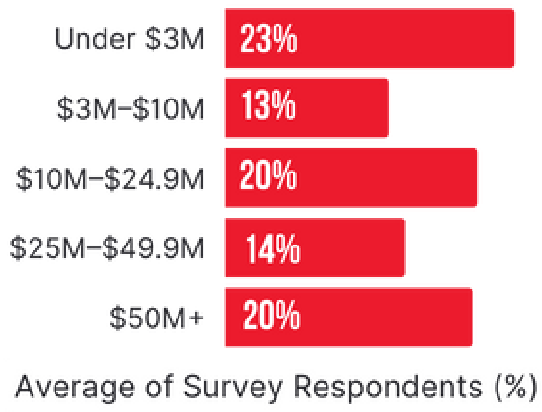
Accounts & Notes Receivable

Accounts receivable (AR) refers to the money owed to a company by its customers for services rendered but not yet paid for. In property restoration, this often includes payments pending from insurance carriers, TPAs, or property owners—sometimes delayed due to processing, documentation issues, or disputes. While AR is technically an asset, it's a non-cash asset, and high AR balances can put strain on a company's cash position, especially in capital-intensive service lines like reconstruction.

According to this year's data, accounts receivable continues to represent a major share of the balance sheet, landing at a median of 16.3% of annual gross revenue across the sector, with smaller companies (<$3M revenue) reporting even higher exposure at 23%. These figures are consistent with FY2023 data from the 2024 report.

However, among companies earning

AVERAGE ACCOUNTS AND NOTES RECEIVABLES AS A PERCENT OF GROSS ANNUAL REVENUE



$50M+ annually, AR as a percentage of revenue dropped to 19.7%, down from 24% the year prior—a four-point improvement. This is a notable shift.

So what does this decline mean? Here are three likely interpretations:

- **Improved Collections Processes:** Larger firms may be tightening up their receivables practices by streamlining billing cycles, applying pressure on carriers, or investing in AR-focused technology and training. This is a positive sign of financial discipline and cash management.
- **Customer Quality or Shift in Service Mix:** These firms might be engaging with more reliable payers
- (commercial clients, institutional accounts), or shifting away from service lines (like reconstruction) that typically suffer from longer payout cycles.
- **Better Working Capital Discipline Across the Industry:** Lower AR relative to revenue may suggest a broader maturity in financial operations, reducing reliance on borrowed cash, limiting the number of aged invoices, and improving overall liquidity.

Still, the high percentage of assets tied up in receivables remains a sector-wide concern, particularly for smaller firms. With nearly one-quarter of their annual revenue often sitting in AR, these companies are exposed to cash shortfalls, limiting their ability to invest, hire, or scale.

The bottom line is that efficient AR practices are not just a back-office concern; it's clear they are a strategic lever that directly impacts profitability, growth, and resilience. Owners and financial leaders must consider how to establish rigid internal cadences of reviewing AR aging reports routinely, and consider exploring technology solutions to drive efficient project documentation and process compliance to improve time-to-payment.

Other Current Assets

In accounting, other current assets refer to short-term items that don't fall neatly into typical categories like cash or receivables, but are still expected to be converted into cash or consumed within a year. These can include inventory, prepaid expenses, short-term deposits, and other operational assets.

Across the industry, the median percentage of revenue tied up in other current assets remained relatively stable; 7% in FY2023 and 6.5% in FY2024 (suggesting consistent short-term asset management practices for most companies).

However, a sharper trend emerges among companies with over $50M in annual revenue. In just one year, this group saw a jump in other current assets from 10% to 16% of revenue.

What does this uptick likely point to?

This increase likely reflects both the greater operational complexity of large-scale firms and fundamental differences in accounting practices. Smaller companies typically operate on cash-basis accounting, while larger reconstruction-heavy companies use accrual accounting with monthly work-in-progress adjustments. This creates "Cost in Excess of Billings"—completed but unbilled work—sitting in Other Current Assets, along with prepaid taxes and other accrual-based entries that wouldn't appear on smaller companies' books.

These companies could be:

- Stockpiling materials or products to hedge against supply chain disruptions, or to protect against potential inflationary price hikes in materials essential to core services (especially relevant as noted in the Reconstruction section).
- Carrying larger volumes of prepaid service contracts, insurance, or job mobilization expenses, like pre-paying for accommodations for traveling crews.
- Expanding into more asset-heavy service lines that require staging costs or materials not yet billed. This could include moving into contents cleaning, expanding warehouse storage, or pre-purchasing equipment for an anticipated storm surge.

In short, the uptick suggests that large restoration companies are growing in complexity and financial sophistication, investing more upfront to stabilize operations, streamline delivery, and meet (what they hoped would be) increased service demand in 2025. We are looking forward to reviewing next year's survey data set to determine if these strategic bets paid off.

Other (Non-Current) Assets

Non-current assets (also called long-term assets) are items a company owns that aren't expected to be used up or converted into cash within a year. These include property, equipment, vehicles, long-term investments, contents cleaning assembly lines, and intangible assets like trademarks. They represent long-term investments in the company's future operations.

According to survey respondents, non-current assets become much more significant as restoration companies scale. While the industry-wide median sits around 7% of annual revenue, this figure climbs dramatically to 60.6% for companies generating over $50M annually. In sharp contrast, smaller firms (under $3M in annual revenue) report less than 1% tied up in non-current assets.

What does this indicate?

Larger firms are likely investing heavily in long-term infrastructure like equipment, vehicles, technology, and permanent facilities that they believe will enable them to standardize operations, reduce cost per job, and grow capacity. However, these same companies also have significantly more money tied up in long-term accounts receivable, creating a cash flow squeeze where growth investments compete with trapped receivables for working capital.

Total Assets

Total assets represent everything a company owns, both current and non-current, mentioned above, that can be used to generate value for the company. This includes cash, receivables, equipment, real estate, inventory, vehicles, and more.

For the typical restoration company, total assets equate to roughly 41% of annual revenue, almost similar to the 45% benchmark reported last year. Based on this, the average restorer worked hard last year to not only preserve their asset value, but increase it — something restorers should be proud of.

However, asset intensity increases significantly with scale. Companies generating more than $50M annually report total assets at 47% of annual revenue, which is not too far off from the ratio seen in companies under $3M, which report asset levels at 38.6%.

What does this mean?

High-growth firms are reinvesting heavily into the business. This could include everything from expanding fleets and warehouses to onboarding tech platforms and building infrastructure to support multi-location operations. It reinforces a core theme throughout this report: as companies grow, their capital requirements—and their asset bases—expand in kind.

Smaller firms keen to grow will need to consider this level of sophistication because growth requires capital-intensive operational infrastructure, and not simply an acceleration of sales.

LIABILITIES

Liabilities reflect a company's financial obligations, from short-term payables like wages and vendor bills (current liabilities) to longer-term borrowing such as notes and equipment loans (long-term liabilities). Keeping these in check, alongside owner's equity, is critical for maintaining liquidity and staying investment-ready.

LIABILITY AND OWNER'S EQUITY PERCENTAGES (MEDIAN % OF ANNUAL GROSS REVENUE FY2024)

	Current Liabilities	Long-Term Liabilities	Owner's Equity	Total Liabilities and Owner's Equity
Under $3M	6.3%	4.6%	23.4%	44.9%
$3M - $9.9M	7.7%	5.1%	18.4%	34.0%
$10M - $24.9M	9.1%	7.6%	27.9%	37.4%
$25M—$49.9M	17.8%	5.6%	35.8%	65.7%
$50M+	31.2%	23.9%	25.6%	46.9%
Overall Median	9.4%	5.8%	24.2%	42.5%

* These percentages represent typical values for each category across the survey respondents, not portions of a whole that should sum up to 100%.

FY2024 data shows clear differences in how companies structure their balance sheets based on size. Larger firms in the restoration industry tend to take on significantly more debt relative to revenue, likely using higher levels of both current and long-term liabilities to fuel their operations and growth. Smaller companies, on the other hand, keep their debt more limited, hinting at a more conservative, self-financed approach.

Current Liabilities

Current liabilities are short-term obligations due within a year and are a key indicator of how companies manage working capital, vendor payment relationships, and day-to-day cash flow. This year's data shows a noticeable divergence between small and large restoration firms.

- Smaller companies (under $3M in annual revenue) report current liabilities at just 6.4% of revenue, down from 13% in last year's report.

- Mid-sized companies ($10M—$24.9M) report current liabilities at 9.10% of revenue.

- Large companies (over $50M) show current liabilities at 31.2% of revenue, a sharp increase from 22% reported in 2024.

At scale, higher current liabilities aren't necessarily a red flag, but they signal greater financial complexity and a need for tight cash-flow management. Three questions that the data does not answer, but do come to mind are:

- Are larger companies using short-term liabilities strategically to fuel growth?
- Or was this a sign of margin pressure in 2024 requiring more working capital to sustain operations?
- As firms appear to be extending accounts payable timelines, are firms prioritizing preserving working capital over maintaining their payment timelines to their vendors, and straining these relationships?

Considering the challenging financial environment many restorers experienced in 2024, each of these scenarios are highly plausible and will have downstream effects in the industry.

Long-Term Liabilities

Long-term liabilities such as long-term loans, leases, and other obligations due beyond one year provide insight into how restoration companies are financing growth, expansion, or major investments.

For many restoration companies, vehicle financing often represents the majority—or entirety—of their long-term debt.

Recent market conditions have made vehicle financing significantly more expensive. The scarcity of used production vehicles over the past few years, combined with surging new vehicle prices and higher interest rates, has created a perfect storm for fleet costs.

In other words, vehicle financing costs have become substantially higher than historical norms. On top of this, the costs to insure, operate and maintain these fleets are also rising.

This year's data suggests a notable shift in how restoration companies, particularly large ones, are using long-term debt. Overall, the median long-term liability remains relatively conservative at 5.8% of revenue, only a modest increase from last year's report. However, this figure may not fully capture the financial pressure restoration companies are experiencing from inflated vehicle financing costs in the current market.

Liabilities distribution by company size reveals a more interesting trend:

- Smaller firms (under $3M) hold long-term liabilities at 4.5% of revenue.
- In contrast, companies with over $50M in annual revenue now report long-term liabilities at 24% of revenue.

This increase in long-term liabilities compared to FY2023 data suggests that debt is back on the table for companies pursuing scale, investment, or financial restructuring. As a friendly reminder for the reader, these debt strategies reflect FY2024 data, so considering 2024 interest rates is key to considering this trend.

Whether this trend is a return to normalized capital structures or a response to constrained cash flow and margin pressure remains to be seen. We also don’t have data before FY2023

AS FINANCIAL PRESSURES MOUNT, KNOWING WHAT YOU CHARGE VERSUS WHAT YOU KEEP IS CRITICAL. THE RIA MARGIN AND MARKUP COST ACCOUNTING CALCULATOR EMPOWERS RESTORERS TO DEFINE PROFITABILITY ON THEIR OWN TERMS.

SCAN TO LEARN MORE

when we launched the inaugural report last year, but it marks a notable evolution in financial strategy over the year prior.

Owner's Equity

Owner's equity represents the residual value of a business after liabilities are subtracted from assets. It essentially reflects the owner's claim on the company and is a key indicator of financial strength, stability, and long-term investment. In restoration, where cash flow and capital structure can vary widely by company size, trends in owner's equity offer a revealing look into how companies are capitalizing and sustaining operations.

This year's data challenges conventional assumptions. Smaller companies (under $3M in annual revenue) maintained owner's equity at 23.4% of revenue, consistent with last year's 21%, suggesting a continued reliance on retained earnings and personal investment rather than outside capital.

But the real surprise lies at the top. Companies with $50M+ in annual revenue reported owner's equity at 25.6% of revenue, which is more than triple the 7% reported in the 2024 RIA Cost of Doing Business Report, powered by KnowHow.

Total Liabilities & Owner's Equity

Understanding how companies finance their operations, through debt or owner investment, is central to assessing financial health. The Total Liabilities and Owner's Equity represents the total capital a company has put to work in its business, either borrowed or contributed.

This year's data shows that across all company sizes, the median total capital as a percentage of revenue is approximately 42%, which closely mirrors the 45% reported in last year's CODB. However, when you break it down by company size, the differences are striking.

- Smaller firms (with revenue under $3M) operate with total capital representing just 44.9% of their annual revenue.
- Mid-size firms ($3M—$10M, and $10M—$24.9M in revenue) report total liabilities representing 34% and 37% of annual revenues, respectively.
- Finally, large firms (over $50M in revenue) report total liabilities of around 47%, an eight-point decrease from last year's reported 55%.

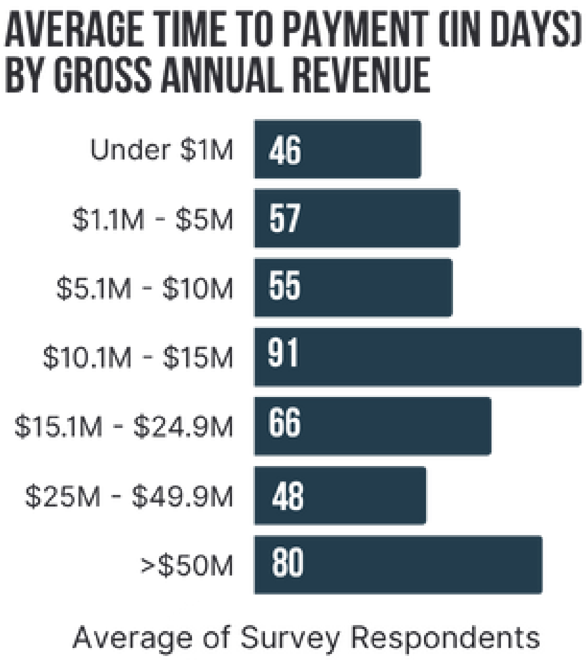
Some questions that come to mind that the data doesn't answer include:

1. Is the capital deployment proportional to operational efficiency or simply a reflection of scale?
2. Could this be a sign of reinvestment or restructuring, possibly post-COVID (companies finally trying to catch their breath) and post-inflation?

Either way, it is clear that developing an appropriate capital strategy is a critical part of scaling a restoration company.

Average Time To Get Paid

One of the many costs of doing business in the restoration industry is financing claims for the insurance industry. Restorers do the work, pay their staff and contractors, and then wait to get paid back.



The survey data, based on FY2024 report, reveals a distinct variation in time to get paid across various revenue brackets.

Companies in our sample size with less than <$1M in gross revenue report payment times of 46 days, while companies in the $10-15M bracket report 91 days.

Large companies ($50M+) in our sample size report that it takes an average of 80 days to get paid.

Mid-sized companies ($1-10M) cluster tightly around 54-57 days, while the overall industry average time to get paid comes in at 60 days.

Across the board, these numbers are much higher than most restoration companies are comfortable with, and are leading to extreme cash flow issues for companies of all sizes. While smaller companies thankfully are faced with less extreme wait times to get paid compared to some of their bigger counterparts, many restorers are limited in the number of jobs they can take on because of an unpredictable accounts receivable process.

If long, drawn out payment timelines continue to be the norm, it is likely that more restoration companies will begin to prioritize private pay work, which is known for quicker payments.

DISCUSSION QUESTIONS
SECTION ONE

Questions for Teams

The questions below are provided to support internal discussion within your organization. Consider pulling together members of your team and working through these questions together.

1. **Financial Health and Profitability:**
Nearly half of the companies in our industry are operating with less than 10% net income. Are we tracking toward a healthy margin this year? If not, where are we bleeding profitability (labor yield, overhead, collections)?

2. **Service Offering Optimization:**
Reconstruction work may be declining in the industry. What do we think about reconstruction work? Are we holding onto any low-margin lines that aren't worth the cash risk or operational strain?

3. **Accounts Receivable and Cash Pressure:**
Across the industry, accounts receivable make up 47% of the average company's asset base, and land at a median of 16.3% of annual gross revenue across the industry. Does everyone understand what this number is for our company? How fast are we converting work into cash? What are our standard timelines per service? Where could we tighten our billing process or change terms to improve these numbers?

4. **Productivity and Systems:**
Are we running a systems-driven business, or are we running a business that relies too heavily on key-people-driven processes? How could we be using AI and Process & SOP tools to improve our labor yield and reduce costs per job to improve our gross margins?

5 **Capital Structure & Strategy:**
Do we have a capital strategy? With long-term liabilities rising quickly in larger firms in our industry, how are we managing our own financial risk? Are we properly capitalized? Are we overleveraged?

6 **Underutilized Capacity:**
If we had to generate 10% more revenue without hiring another person, where would we start? What's underutilized in our current operation? Where are we leaving horsepower on the sidelines?

7 **Ending the Year Strong:**
What are the two most controllable levers we could pull between now and year-end to finish strong?

NOTE: WHILE COMPARING FY2024 TO FY2023 SURVEY RESPONSES PROVIDES VALUABLE DATA, DIFFERENCES IN THE RESPONDENT COHORT BETWEEN YEARS MAY PARTIALLY ACCOUNT FOR SOME OF THE VARIATIONS OBSERVED.

SECTION TWO

Understanding profitability in restoration requires looking beyond gross margins to understand the full cost of doing business. While the industry demonstrates strong gross profit margins, achieving sustainable profitability demands significant overhead investments, from on-call staff to specialized equipment, warehouse space, and operational infrastructure that competitors in other industries might not require.

This year's analysis, based on FY2024 data, is designed to deliver sharper insight into the profitability equation. We analyze common patterns in overhead allocation, labor costs, revenue mix, and contract types. Our hope is that clear-eyed, peer-driven cost benchmarks help restorers take a more proactive approach in their financial planning.

We also scrutinize the real impact of revenue diversification, and reinforce the message that profitability is the byproduct of team-wide habits and clear systems. There's no magic formula or plug-and-play solution. Being profitable comes down to the discipline to track, challenge, and refine every cost line, plus a relentless commitment to tight execution and operational agility.

What does all this mean for the insurance industry's sacred "10 and 10" model? We'll examine on page 47 how today's cost realities stack up against this insurance industry-imposed benchmark.

OVERHEAD AND PROFIT

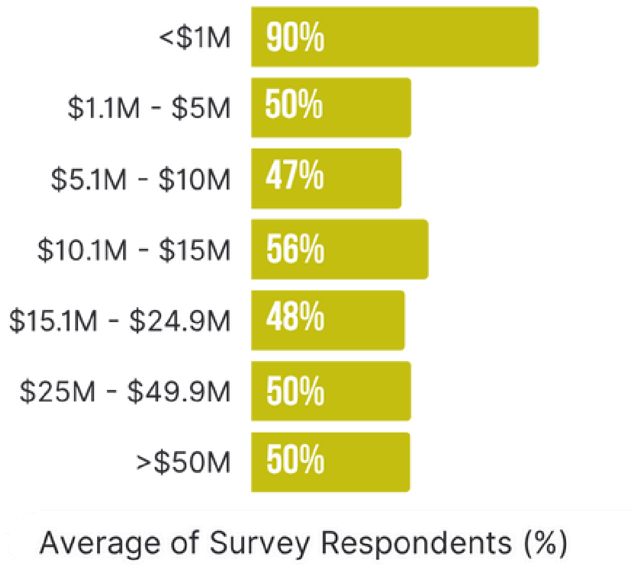
CURRENT OVERHEAD REALITIES

Note: Overhead labor in this survey refers to the cost for estimators, accounting staff, coordinator, admin, and sales labor.

The data shows that smallest companies show the highest labor intensity, with overhead labor consuming over 90% of total overhead expenses. This is largely unsurprising, as smaller companies wisely stay lean in the early days, putting the vast majority of their overhead towards people, instead of warehouses, trucks, or equipment. As companies scale beyond $1M, this percentage drops dramatically to around 50-67%.

It is interesting to note that based on the survey data, the industry's largest companies (>$50M) operate at exactly 50% overhead labor to total expenses.

AVERAGE LABOR AS A PERCENTAGE OF TOTAL EXPENSES FOR FY2024



Companies with revenue brackets of $10.1M—$24.9M cluster within 48-56% overhead labor to total expenses ratio, which is almost similar to large companies (50%), suggesting they've moved past the extreme labor dependency of very small firms but haven't achieved significant operational differentiation of larger competitors.

The industry average sits at 52.16% overhead labor as a percentage of total expenses.

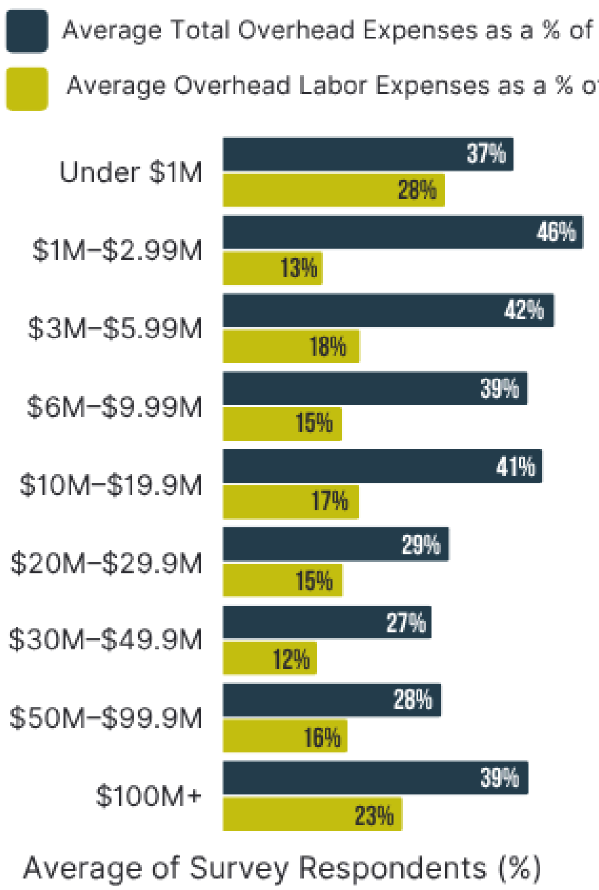
Compared to last year's report, based on FY2023 financial results, this year's report (based on FY2024 financial results) indicates a notable increase in average total overhead, rising from approximately 36% to 38.53%. This reflects intensified cost pressures across the industry.

The magnitude of these overhead costs cannot be overstated. At 38%, average total overhead is nearly four times higher than the 10% assumed in the insurance industry's "10 and 10" pricing model. This disparity represents a fundamental disconnect between the insurance industry's pricing assumptions and operational reality that demands urgent industry-wide attention. We dive deeper into "10 & 10" on page 47 at the end of this Section.

EXPLORE THE RIA'S ACCOUNTING AND FINANCIAL MANAGEMENT GUIDELINES TO GAIN A DEEPER UNDERSTANDING OF KEY ACCOUNTING TERMS, BUSINESS PLANNING, AND EFFECTIVE FINANCIAL STRATEGIES FOR YOUR RESTORATION COMPANY.

SCAN TO LEARN MORE

AVERAGE TOTAL OVERHEAD AND AVERAGE OVERHEAD LABOR EXPENSES BY TOTAL ANNUAL GROSS REVENUE FOR FY2024



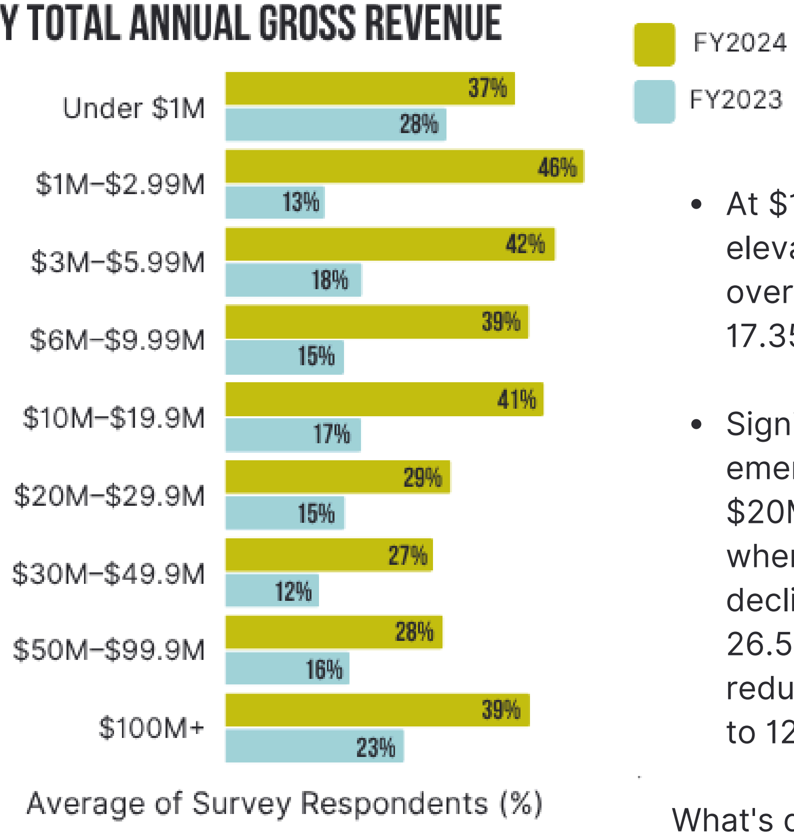
NOTE: OVERHEAD LABOR IN THIS SURVEY REFERS TO THE COST FOR ESTIMATORS, ACCOUNTING STAFF, COORDINATOR, ADMIN, AND SALES LABOR.

METHODOLOGY: FY2024 TOTAL OVERHEAD IS COMPUTED FROM RESPONDENTS' REPORTED TOTAL OPERATING EXPENSES ÷ REVENUE AND THE AVERAGE OF THIS RESULT. OVERHEAD LABOR WAS ALSO CALCULATED FROM RESPONDENTS' REPORTED OVERHEAD LABOR EXPENSES DIVIDED BY REVENUE AND THIS IS THE AVERAGE OF THE RESULTS.

Overhead labor specifically saw a shift, averaging 16.88% among this year's respondents compared to around 27% from last year's respondents based on FY2023 figures.

- Companies reporting less than $1M in gross revenue reported an average overhead of 37.13%, with a staggering 28.33% attributed to labor overhead.
- Companies in the $1M–$2.99M group showed the sharpest pain point as total overhead averaged 45.97%, despite overhead labor dipping to 12.70%.
- In the $3M–$5.99M revenue category, overhead was 42.26% with labor at 17.48%.
- Companies between $6M–$9.99M revenue brackets improved marginally to 38.86% overhead and 15.24% labor costs.

YEAR OVER YEAR COMPARISON OF AVERAGE OVERHEAD LABOR PERCENTAGE BY TOTAL ANNUAL GROSS REVENUE



NOTE: OVERHEAD LABOR IN THIS SURVEY REFERS TO THE COST FOR ESTIMATORS, ACCOUNTING STAFF, COORDINATOR, ADMIN, AND SALES LABOR. OVERHEAD LABOR WAS CALCULATED FROM RESPONDENTS' REPORTED OVERHEAD LABOR EXPENSES DIVIDED BY REVENUE AND THIS IS THE AVERAGE OF THE RESULTS.

- At $10M–$19.9M, overhead stayed elevated at 40.76% with labor overhead holding steady at 17.35%.
- Significant overhead efficiency emerged among firms earning $20M–$29.9M and $30M–$49.9M, where overhead expenses declined sharply to 28.85% and 26.55%, respectively, alongside reduced labor overhead of 15.34% to 12.02%.

What's driving these overhead spikes? Some increases may reflect companies gearing up for anticipated growth, building infrastructure before revenue arrives. But other factors demand scrutiny: Are your overhead expenses right-sized for your company stage? How does the owner's salary and discretionary spending income affect this number?

As the adage goes, “revenue solves all

NOTE: WHILE COMPARING FY2024 TO FY2023 SURVEY RESPONSES PROVIDES VALUABLE DATA, DIFFERENCES IN THE RESPONDENT COHORT BETWEEN YEARS MAY PARTIALLY ACCOUNT FOR SOME OF THE VARIATIONS OBSERVED.

problems," however only if you're prepared to generate it. Companies must evaluate whether overhead investments support measurable growth or represent poor spending controls. Critical areas for review include untracked marketing spend (especially excessive SEO and Google Ads spending with unknown returns), banking fees, insurance costs, and consulting expenses.

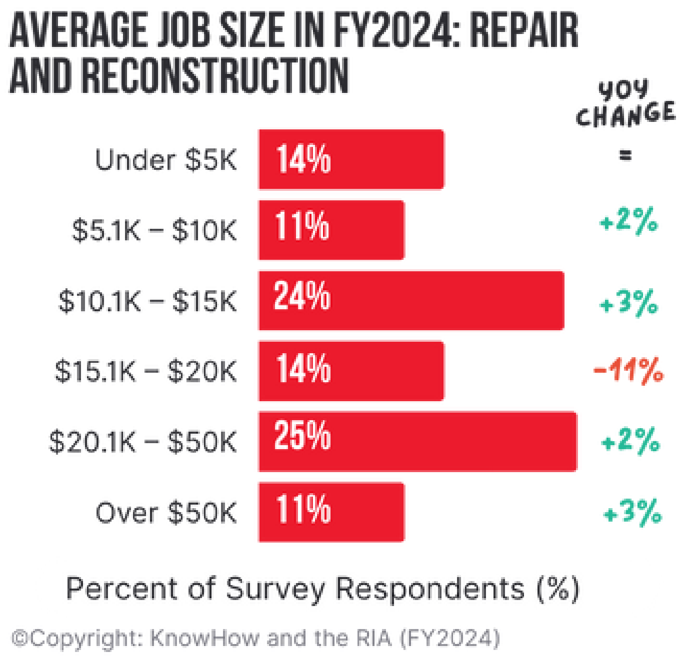
Be a good steward of resources: budget rigorously, monitor spending, track returns on every investment, and build a culture of financial accountability.

AVERAGE JOB SIZE

Repair and Reconstruction

Job size remains one of the clearest indicators of a firm's revenue size. While the most common repair and reconstruction projects still fall between \$10K and \$50K, this year's results—based on FY2024 data—reveal modest shifts on both ends of the revenue spectrum.

Last year, 69% of all repair/recon jobs were valued between \$10K–\$50K, this year, that shrunk down to only 61%. Our data shows that the sharpest drop



occurred in the \$15.1K–\$20K range, which fell from 25% down to 14.4%, a decline of more than 10 percentage points.

We saw a slight increase in the percentage of reconstruction jobs that were valued between \$10k-\$50k, with the exception of jobs worth \$15.1k-\$20k, which decreased.

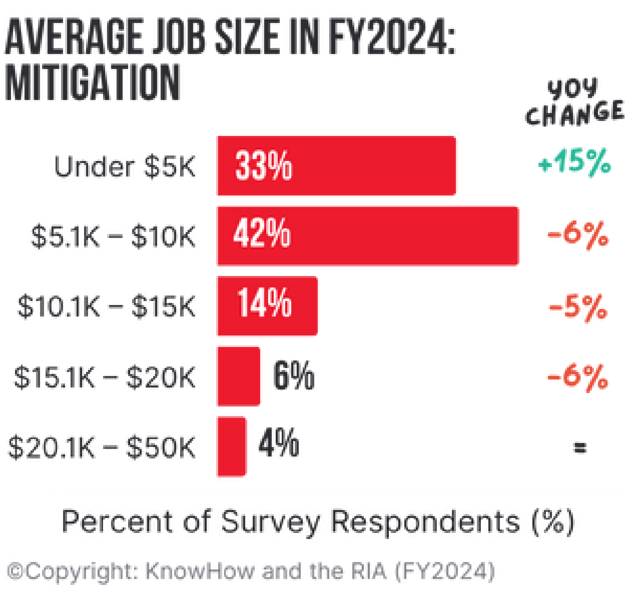
While these shifts aren't dramatic, they are worth watching. Firms relying heavily on mid-range projects may see margin compression unless they tighten operational controls or shift their project mix. Sales teams may choose to consider adjusting average job size levels in their sales plans for 2026. A well-balanced job size portfolio continues to be a quiet driver of sustainable profitability.

Mitigation

Mitigation jobs shifted smaller according to survey responses based on FY2024 figures. According to our survey, jobs below $10K rose from 65.0% (FY2023) to 75.3% of all mitigation jobs (FY2024). Jobs valued at less than $5k doubled from 17% in FY2023 to 33.3% (FY2024). Larger mitigation jobs ($20.1K–$50K) stayed flat at 4%.

What does this mean?

We see two interconnected factors explaining this industry-wide movement



toward smaller jobs:

- **Rising deductibles and insurance premiums:** When customers face losses that approach or fall below their deductibles, they increasingly pay out of pocket rather than file claims. Higher insurance premiums are making customers more selective about what they claim, pushing more work into the direct-pay, smaller-job category.

- **Reduced insurance claim volume:** Insurance companies are becoming more particular about which claims they approve and modifying claims coverage in routinely risk prone geographies, while contractors broadly appear to be actively seeking direct-pay work to avoid insurance delays and administrative complications. These activities likely skew the trend toward smaller jobs.

This shift also creates operational pressure points. Smaller jobs offer less margin to absorb errors, yet companies are handling more individual transactions. Administrative teams become overtaxed processing higher volumes of smaller jobs. Without efficient processes and systems in place, smaller jobs might become "sand in the gears" rather than profitable revenue streams.

JOB SIZE AND COMPANY NET PROFITABILITY

Net profitability refers to the percentage of revenue remaining after all expenses have been deducted. Net profit margin is calculated by dividing net profit by total revenue.

Simply put, net profit represents the actual money left over for business reinvestment, debt service, distributions to owners, or retained earnings. It's the bottom-line measure of business performance after accounting for all costs of doing business.

This differs from gross profit margin, which only accounts for direct costs, not overhead expenses like administrative staff, facility costs, insurance, and other operational expenses required to run the business.

Mitigation

Mitigation profitability shifted decisively down-market. Compared with last year's report, based on the financial results of 2023, this year's data—reflecting 2024 financials—shows that companies with smaller average job sizes achieved higher profit margins.

Companies with jobs averaging under $5K more than doubled their mean net profit, rising from 7% to 15.2%.

The next revenue bracket, $5.1K–$10K, held essentially flat at ~12% net profit. Companies that routinely did larger mitigation jobs saw profitability percentages decline, with those averaging greater than $20K dropping from 20% to 8.1%.

What does this mean?

The dramatic profit decline for larger mitigation jobs, as shown in the data,

NOTE: WHILE THESE MARGIN IMPROVEMENTS FOR SMALLER JOBS REPRESENT GENUINE OPERATIONAL EFFICIENCY GAINS, RESTORATION COMPANIES MUST CONSIDER THE COMPLETE PROFITABILITY PICTURE.

A COMPANY AVERAGING $3K MITIGATION JOBS AT 15% MARGIN GENERATES $450 PROFIT PER JOB. A COMPANY HANDLING $25K JOBS AT 8% MARGIN PRODUCES $2,000 PROFIT PER JOB, MORE THAN FOUR TIMES THE ABSOLUTE DOLLAR CONTRIBUTION. THE PERCENTAGE STORY TELLS US ABOUT OPERATIONAL EFFICIENCY AND COST CONTROL, BUT THE DOLLAR STORY DETERMINES CASH FLOW, GROWTH CAPACITY, AND BUSINESS SUSTAINABILITY.

AVERAGE NET PROFITABILITY BY MITIGATION JOB SIZE

Job Size	Net Profitability (%) FY2023	Net Profitability (%) FY2024
Under $5,000	7%	15%
$5,001 - $10,000	12%	12%
$10,001 - $15,000	15%	18%
$15,001 - $20,000	8%	5%
$20,001 - $50,000	20%	8%

reflects a fundamental shift in operating dynamics. We suspect that large restorers who execute big jobs ($20K - $50K) are being impacted by heightened direct job costs due to marketplace variability. These companies likely reduced headcount to manage costs but now rely heavily on subcontractors or temporary labor to respond to large mitigation projects, making each project significantly more expensive to execute when compared to leveraging in-house retained labor.

Smaller companies maintain profitability because they're not floating excessive staff overhead and very likely handle the bulk of projects with in-house staff.

The dynamics of mitigation jobs also compounds this challenge. Small mitigation jobs—water extraction and basic repairs—require straightforward execution with predictable costs. Larger mitigation jobs often involve specialized trades, cabinet replacement, tile work, and other complex restoration requiring multiple contractors. Consequently, rising inflation and material costs hit these complex projects hardest, while input costs for simple water mitigation jobs remain relatively stable.

Reconstruction/Repair

Profit among companies with heavy reconstruction/repair work shifted but stayed compact.
Compared with last year's report, based on FY2023 data, this year's data —reflecting FY2024 financials—shows that companies that do small recon projects lost profitability, mid-range projects led to a big increase in profitability, and large projects correlated with small profitability gains. Companies who primarily did reconstruction jobs under $5K slipped to an average of 18.3% net profit, down from 21% in FY2023. Yet one tier larger (companies with recon jobs of $5.1k to $10k) saw their profitability jump to 16.7% (up 5.7 points).

Noticeably, companies that have an average reconstruction job size of

AVERAGE NET PROFITABILITY BY REPAIR AND RECONSTRUCTION JOB SIZE

Job Size	Net Profitability (%) FY2023	FY2024
Under $5,000	21%	18%
$5,001 - $10,000	11%	17%
$10,001 - $15,000	11%	12%
$15,001 - $20,000	11%	10%
$20,001 - $50,000	9%	11%
$50,000+	7%	11%

greater than $50,000 saw a significant increase in profitability, from 7% to 11.11%. This improvement reflects a learning curve effect as we've seen more companies enter the reconstruction market over the past few years, so it's encouraging to see them developing the expertise and operational capabilities needed to execute large, complex projects profitably.

This contrasts sharply with smaller reconstruction jobs, where rising material costs and input costs are squeezing profitability margins.

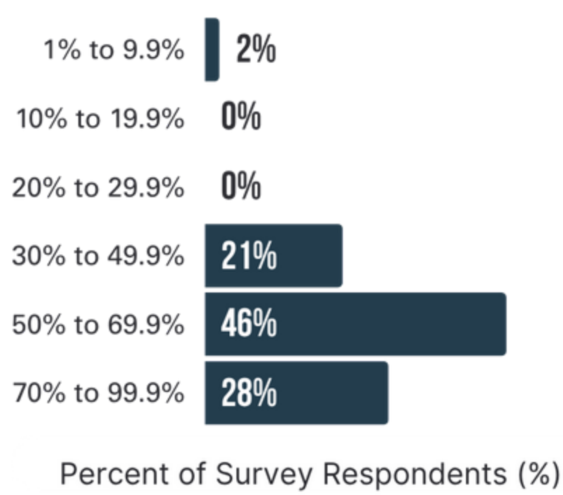
AVERAGE GROSS MARGINS BY WORK TYPE

Gross Profit Margins from Mitigation-Derived Revenue

The restoration industry is known for the profit margins of its mitigation work. This year's Cost of Doing Business Report dives deep into just how profitable each service is in the industry.

Starting with mitigation, 46% of respondents told us their mitigation work typically delivers margins between 50% and 69.9%, building on the industry's reputation for strong profit potential in this service line. Nearly 28% of companies push even higher, drawing more than 70% gross

AVERAGE GROSS MARGINS FOR MITIGATION IN FY2024



margin from their mitigation operations. At the other extreme, only a handful of companies fall below the 20% margin threshold.

Of course, profit margins are an attractive number, but they rarely tell the full story of the restoration industry. The overhead required to always have staff on-call, with warehouses full of equipment and vans ready to be deployed at a moment's notice, shows the other side of the profitability coin.

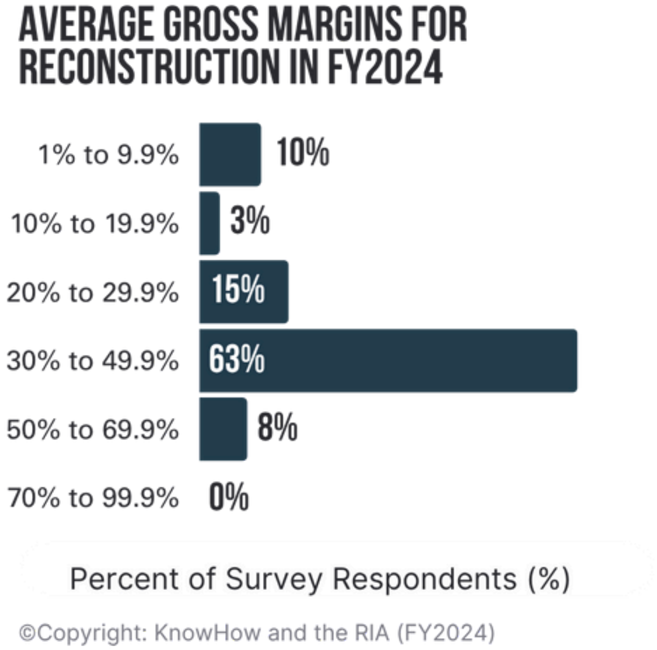
Companies that strategically balance both of these numbers, and understand the push and pull of profitability and overhead in mitigation, are able to thread the needle and develop a strong, stable business that's able to take advantage of the profitable mitigation opportunities when they arise.

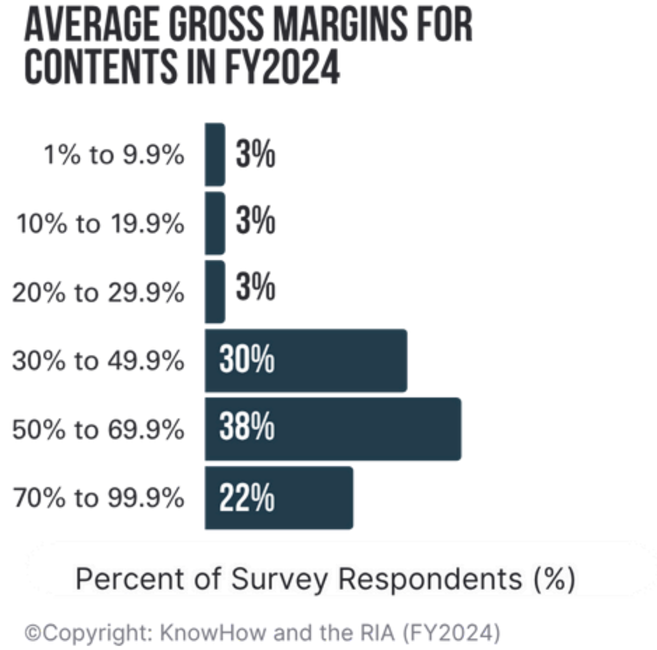
Gross Profit Margins from Reconstruction-Derived Revenue

A majority of surveyed companies told us the average gross margins for their reconstruction work landed between 30-49.9%. A small upper tier, roughly 8%, reported 50–69.9% margins. At the opposite end of the spectrum, around 13% of participating companies report less than 20% gross margin, and of that number, 10% of respondents cluster into the 1-9.9% revenue bracket.

Gross Profit Margins from Contents-Derived Revenue

A small number of survey (3%) respondents report margins under 10%.





Conversely, roughly nine in ten (91%) companies post margins above 30%, with 22% exceeding 70% gross margin. The single most common band is 50–69.9% at 38% of companies, while only 6% fall in the 10–29.9% margin range.

Gross Profit Margins from TPA-Derived Revenue

More than half of survey respondents working with TPAs achieve moderate margins on this revenue stream. 57% of respondents earn 30–49.9% gross margin from TPA work, representing the dominant margin band. Another 15% of respondents fall in the 20–29.9% range, dominant margin band. Another 15% of respondents fall in the 20–29.9% range, while 13% operate in the higher 50–69.9% bracket.

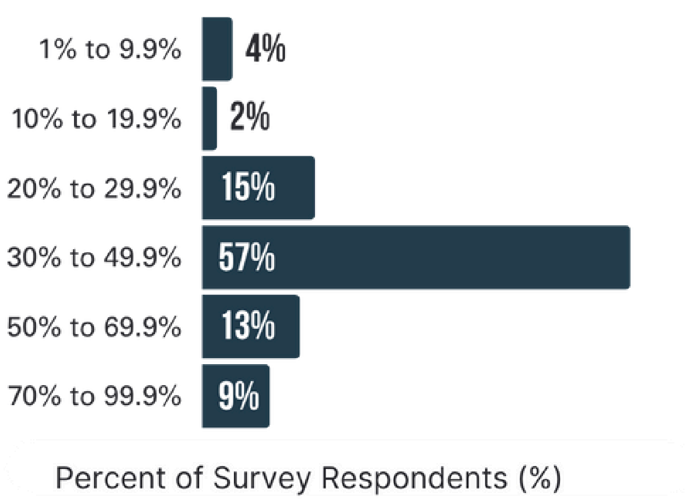
At the extremes, 9% of companies report margins exceeding 70% on TPA work, while only 4% struggle with margins below 10%. The 10–19.9% band captures just 2% of respondents.

Notably, these figures represent roughly half of the total survey respondents—indicating that less than half of responding restoration companies work with TPAs while the majority operate without TPA relationships.

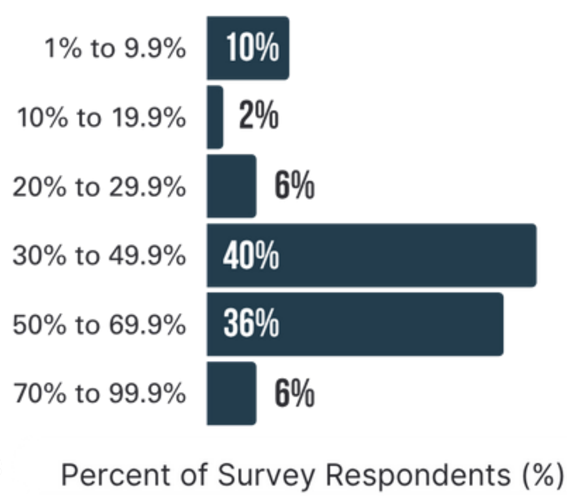
Gross Profit Margins from Non-TPA-Derived Revenue

40% of respondents cluster around the 30–49.9% gross-margin band, making it the single largest cohort. Close behind, 36% of recorded companies fall into the 50–69.9% range.

AVERAGE GROSS MARGINS FOR TPA-DERIVED REVENUE IN FY2024



AVERAGE GROSS MARGINS FOR NON-TPA-DERIVED REVENUE IN FY2024



At the low end, a handful of companies report margins below 10%, and another 2% come in at 10–19.9%. On the upside, a further 6% of recorded participants break through the 70% margin band.

REEVALUATING THE INSURANCE INDUSTRY'S "10 AND 10" MODEL

Many restoration companies adhere to traditional values—integrity, diligence, and a commitment to helping others in difficult times. However, not all industry traditions remain relevant or advantageous, particularly when it comes to financial management.

The insurance industry's longstanding "10 and 10" model, prescribing a 10% markup for overhead and a 10% markup for profit, is a key example. FY2024 data reveals that most companies operate with total overhead well above 10% of revenue, typically between 27%—38% due to industry requirements like 24/7 availability, specialized equipment, regulatory compliance, and administrative complexity.

The mathematical reality compounds the challenge: 10% + 10% markup delivers only 17% gross margin, not the anticipated 20%. [Gross margin is profit ÷ revenue, while "markups" are on cost. If cost is $100, a 10% markup twice gives a price of $100 × 1.10 × 1.10 = $121. Profit is $21, so gross margin = $21/ $121 ≈ 17.4%, not 20%].

This discrepancy, combined with rising operational costs and administrative burdens, can significantly affect a company's long-term viability and, thus, demands a more modern approach.

The broader challenge extends beyond mathematics to market dynamics. Insurance carriers have grown accustomed to the traditional "10 and 10" model, and deviating from this norm often complicates approval processes. This creates tension between operational realities and market expectations, where contractors must either absorb unsustainable costs or develop alternative approaches.

Many successful restorers have adapted by building realistic overhead into custom pricing models, finding ways to achieve sustainable margins despite traditional constraints.

The RIA Advocacy and Government Affairs (AGA) committee provides valuable advocacy through its peer-reviewed position statements on deviations from standardized price lists and carrier negotiations. In the future, broader opportunities exist to help bridge the gap between outdated "10 and 10" expectations and current business realities, advocating for independent pricing structures that reflect true operational costs while working constructively with carriers to modernize industry standards.

KEY INSIGHTS

1. **The Insurance Industry's "10 and 10" Model is Financially Misleading and Outdated**
The long-standing insurance industry markup of 10% overhead + 10% profit does not yield a 20% margin; it's closer to 17%. In today's higher-cost environment, this model risks eroding net margins and financial resilience and disincentivizing contractors, who are vital stakeholders in getting lives and homes put back together.

2. **Overhead Pressures Are Intensifying in the Restoration Industry**
Industry average overhead rose from 36% (FY2023) to 38.53% (FY2024). Even modest increases in overhead have an outsized impact on profit, especially given flat or declining revenue in some sectors. Rising overhead costs are front of mind for Restorers going into 2026, and evaluating expenditures based on ROI will be a top priority across boardrooms industry-wide.

3. **Overhead Labor Costs Dropped Dramatically Year-over-Year**
Average overhead labor fell from 27% to 16.88%. This may indicate labor cost optimization, role reclassification, outsourcing of key functions like estimating, or data variability, but if real, it shows companies are finding ways to run leaner without proportionate cuts in total overhead.

THIS RIA POSITION STATEMENT SUMMARIZES THE CONTRACTOR'S STANCE ON DEVIATIONS FROM STANDARDIZED PRICE DATA AND OUTLINES PRACTICAL TALKING POINTS.

SCAN TO LEARN MORE

4 **Scale Creates Overhead Efficiency, But Not Always**
Restoration firms between $20M to$50M in revenue enjoy far lower overhead (26–29%) than smaller peers, suggesting economies of scale. However, the $100M+ group spikes back up to 39%, implying that complexity at the very top reintroduces high cost overhead levels.

5 **Job Size Mix Is Shifting at Both Ends of the Spectrum**
In repair/reconstruction, the $15K–$20K job band dropped sharply (-10 points) while both sub-$10K and $50K+ jobs grew. This “barbell” effect may demand different staffing, and workflow strategies to protect margins.

6 **Mitigation Profitability Now Favors the Smallest Jobs**
Mitigation jobs under $5K doubled profitability (7% to 15.2%), while large jobs ($20K to $50K) saw profit collapse (20% to 8.1%). This margin variance experienced between small and mid-sized jobs could be due to faster cycle times and lower administrative friction on small jobs, or underbidding on big work, regardless this warrants close margin analysis.

7 **Reconstruction Margins Are Stable And Are Improving in Mid-to-Large Jobs**
In repair/reconstruction, $20K+ jobs are rebounding in profitability, suggesting improved estimating or execution discipline. The $5K–$10K range also saw a drop in profitability. As a concise summary of these improvements:

- $20K–$50K jobs: Profitability increased from 9% (FY2023) to 11.13% (FY2024).
- $50K+ jobs: Profitability increased from 7% (FY2023) to 11.11% (FY2024).
- $5K–$10K jobs: Profitability dropped from 21% (FY2023) to 18.25% (FY2024).

8 **Certain Service Lines Were Margin Strongholds in 2024; Others Were Margin Traps**

- Mitigation: 46% of firms achieved 50–69.9% gross margin; 28% exceeded 70%.
- Reconstruction: 63% of firms achieved gross margins in the 30–49.9% range; high-margin outliers are rare.
- Contents: 3% of firms reported <10% gross margin.
- TPA work: 4% of firms earned <10% margin.

DISCUSSION QUESTIONS

SECTION TWO

Questions for Teams

The questions below are provided to support internal discussion within your organization. Consider pulling together members of your team and working through these questions together.

Overhead & Labor Efficiency

1. Given our current overhead % and labor overhead %, where are the top two cost lines we could realistically reduce without hurting quality or capacity?

2. Do we have the systems and reporting in place to track overhead labor by department or function, so we know where it's growing or shrinking?

3. When you compare our overhead and labor overhead percentages to the industry averages, what's one number you're proud we've moved in the right direction this year, and what did we do that made the difference?

Job Size Mix & Profitability

4. Looking at our average job sizes in both mitigation and reconstruction, do we have a balanced mix that protects margins in different market conditions?

5. For job size bands where our margins lag the industry, what changes could improve them in the next 90 days?

6. What would be good goals for 2026, as far as average profitability and job size, considering the current market conditions?

Revenue Stream Mix

7. If we compare our gross margins by service type (mitigation, recon, contents, TPA, non-TPA) against this benchmark, where are we underperforming, and why?

8. Are there low-margin revenue streams we should either exit, re-price, or deliver differently to improve profitability? If we need more information, what actions would we need to take over the next 30 days to be able to answer these questions confidently?

9. What are some examples of services we don't offer that customers, property managers or other groups have asked if we offer over the last 6 - 12 months?

Operational Discipline and Process

10. Where in our workflow (from lead to closeout) do delays, rework, or missed documentation most often erode our margins, and how can we fix those bottlenecks?

11. What investments in process, tech, or training would give us the fastest ROI in margin improvement based on this year's Cost of Doing Business data?

12. What aspects of our business are too 'key person dependent' and would benefit from establishing standards, best practices, and processes?

REMINDER! WHILE COMPARING FY2024 TO FY2023 SURVEY RESPONSES PROVIDES VALUABLE INSIGHTS, DIFFERENCES IN THE RESPONDENT COHORT BETWEEN YEARS MAY PARTIALLY ACCOUNT FOR SOME OF THE VARIATIONS OBSERVED.

SECTION THREE

People are the driving force behind every restoration company; no technology or tool can replace the creativity, grit, adaptability, customer engagement and expertise people bring to the table. Their unique skills, training, and relentless dedication are the secret ingredient to a company's lasting success. But the real cost of doing business doesn't appear on any profit and loss (P&L) statement—it's the investment in intangibles like cultural initiatives, coaching, and staff development.

In a world where everything feels upside down—from unpredictable weather events, restrictive interest levels, to rapidly evolving technology—smart restoration leaders are learning to optimize for what they can control: not trends, not weather patterns, not AI disruption, but their people.

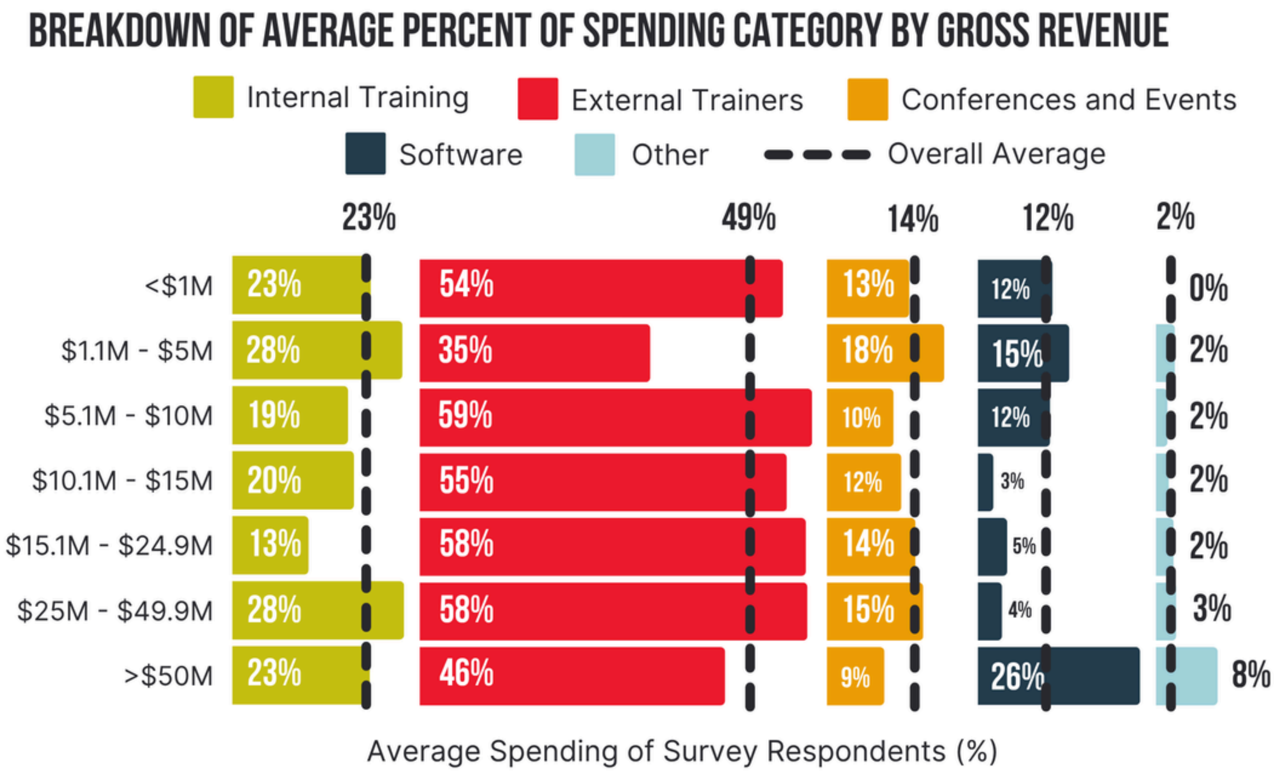
As managers look for the next frontier in restoration excellence, the most forward-looking companies are investing significant resources in developing their teams through enhanced communication training, time management coaching, and stakeholder management. This is because they understand that human development is the ultimate competitive advantage in an industry where we work for people and the work is done by people.

As one industry leader puts it, "We are a customer service and communications company that currently does property restoration." This mindset shift, from viewing restoration as a technical trade to recognizing it as a relationship and communication business, exemplifies what it means to be truly people-powered.

In this section, we explore how restoration leaders are stepping up to this challenge, moving beyond meeting immediate operational needs to training and supporting teams capable of adapting to changing conditions, solving complex problems, and driving their companies forward into an uncertain but opportunity-rich future.

BREAKDOWN OF L&D BUDGET SPENDING

Any team that isn't investing in their people is sacrificing tomorrow's growth for a short-term gain today. The



restoration industry is one that takes training seriously, but how seriously? Which forms of training take precedence in the industry?

Respondents in our survey data demonstrate distinct patterns in learning and development investment, with external training commanding nearly half of all Learning and & Development (L&D) spending. However, spending approaches vary significantly based on company size, revealing different paths to workforce development across our sample size.

Restoration companies in our survey data allocate their L&D budgets as follows:

- **External Training:** 49.3% (certifications, courses)
- **Internal Training:** 22.7% (in-house training activities)
- **Conferences & Events:** 14.1% (industry conferences)
- **Software:** 11.8%
- **Other:** 2.4% (miscellaneous training expenses)

Drilling down, the survey data (based on FY2024) reveal an interesting pattern in how companies of different gross revenue sizes allocate their spending budgets.

<$1M GROSS REVENUE

Smaller companies rely most heavily on external training:

- Respondents in this category showed one of the highest external training allocations (54.4% vs 49.3% average).
- They also showed slightly above average software investment (12.0% vs 11.8% average).
- Minimal "other" category spending (0%).

$1.1M - $5M GROSS REVENUE

Mid-size companies focus more on building internal training capabilities:

- Of all the revenue brackets, they have the highest allocation to internal training (28.0% vs 22.7% average).
- This cohort also shows peak investment in conferences (18.4% vs 14.1% average).
- Conversely, this revenue size has the lowest external training dependency (34.5% vs 49.3% sample size average).

$10.1M-$15M GROSS REVENUE

- Companies in this segment also invest more heavily in external training (55%) compared to the overall average (49.3%).
- Their internal training allocation (20%) falls below the industry average (22.7%).
- Conference spending (11.7%) aligns closely with the industry norm (14.1%).
- Software investment (2.5%) represents the lowest allocation across all revenue brackets measured.

>$50M GROSS REVENUE

Large restoration companies in our survey demonstrate a technology-forward approach to training:

- They invest heavily in software platforms (26.1% vs 11.8% survey respondents' average), reflecting companies outgrowing existing software solutions and investing in more sophisticated infrastructure to support their scale.
- They're reducing reliance on external training (45.8% vs 49.3% survey respondents' average).
- They maintain consistent internal training programs (22.6%).

LEARNING & DEVELOPMENT AND PROFITABILITY

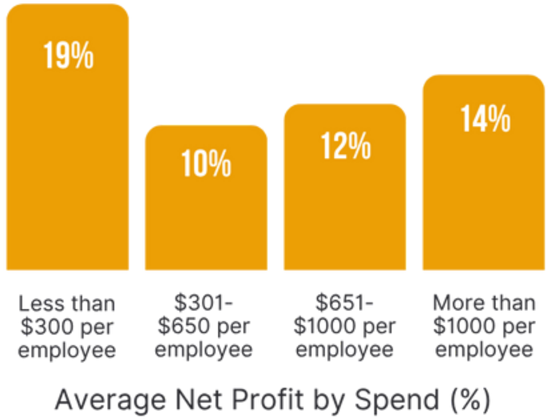
Digging deeper into learning and development (L&D) investments per employee, restoration companies in our sample size don't always follow a straight path to profitability. At first glance, those spending less than $300 per employee are actually seeing the highest average net profit, outpacing every other group. However, this is more likely correlated to company size, with most small companies boasting strong profit percentages, but no formal training program yet.

As companies begin to grow, management recognizes the need to begin to train and equip staff more formally than ride-alongs with the owner. Once the commitment to training is made, there is a clear payoff in profitability as companies begin investing more in their staff.

One area to be cognizant of when reviewing this data: it's likely that not all L&D spend is captured in this report, as many restoration companies don't track all training-related costs in a single line item. For example, a company might budget zero dollars for formal/certified training but invest 5+ days annually in mandatory and optional training sessions, representing roughly $2,000 per person in opportunity cost that never appear on the training balance sheet. This hidden investment applies across companies of all sizes, suggesting actual L&D spending significantly exceeds reported figures.

In service businesses, people are the fundamental drivers of performance, and the numbers from the survey reflect how businesses are prioritizing investing in their teams. The lack of clear correlation between reported L&D spend and profitability likely stems from incomplete cost tracking rather than training ineffectiveness.

PERCENT OF LEARNING AND DEVELOPMENT SPEND PER EMPLOYEE

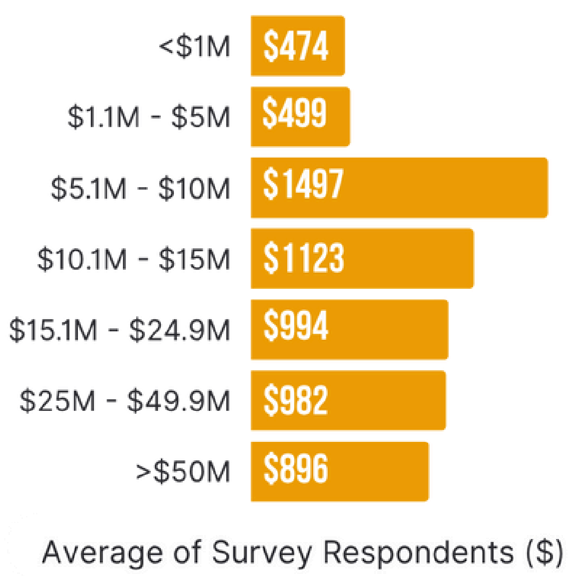


As with every area of spending, the quality and relevance of the training matters more than the sheer dollar amount spent on training.

Average L&D Spending By Revenue Bracket

Companies in our sample size with $1.1M–5M in gross revenue report the highest L&D spending at $1,497 per employee, while companies with less than $1M report $474 per employee. Companies in the $10M-15M gross revenue bracket report spending $1,123 per employee. Large companies ($50M+) in our sample size report an average of $499 per employee on L&D investment.

ANNUAL AVERAGE L&D SPENDING PER EMPLOYEE BY REVENUE BRACKET



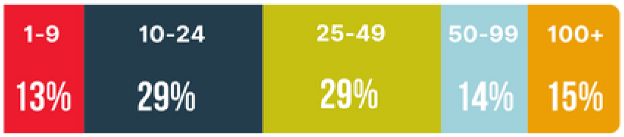
Mid-sized companies ($15M-50M) cluster around $982-994 per employee, while the overall industry average L&D spend per employee comes in at $1,069.

WORKFORCE OVERVIEW

In property damage restoration, the number of full-time employees can be a key indicator of a company's ability to respond quickly to emergencies and manage large-scale projects efficiently. However, in a difficult financial year, many leaders are more attentive than ever to the number of full-time employees they have, and ways they can best drive efficiency and productivity among their teams.

The chart on the next page highlights the breakdown of full-time employees across restoration companies surveyed, offering a snapshot of typical workforce sizes in the field.

NUMBER OF FULL TIME EMPLOYEES



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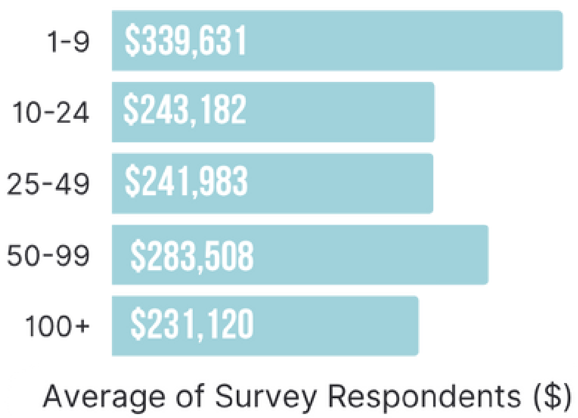
Similar to the findings from the 2024 Cost of Doing Business report, over 40% of surveyed companies have fewer than 50 full-time employees.

Drilling into the data, we noticed that:

- Companies with 1-9 employees show the highest average gross revenue per employee (~$340k).
- This number drops to $243,182 per full-time employee for companies with 10-24 employees and further to $231,122 for the largest companies (those with 100 or more employees).

AVERAGE GROSS ANNUAL REVENUE PER EMPLOYEE BY FTE HEADCOUNT



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- However, as companies increase their headcount, their average total gross revenue consistently climbs. For instance, companies with 1-9 employees average $1.3 million in revenue, which dramatically rises to over $105 million for those with 100+ employees.

Average Staffing by Department

Staffing allocation by department provides deeper insights into how survey respondents prioritize workforce allocation.

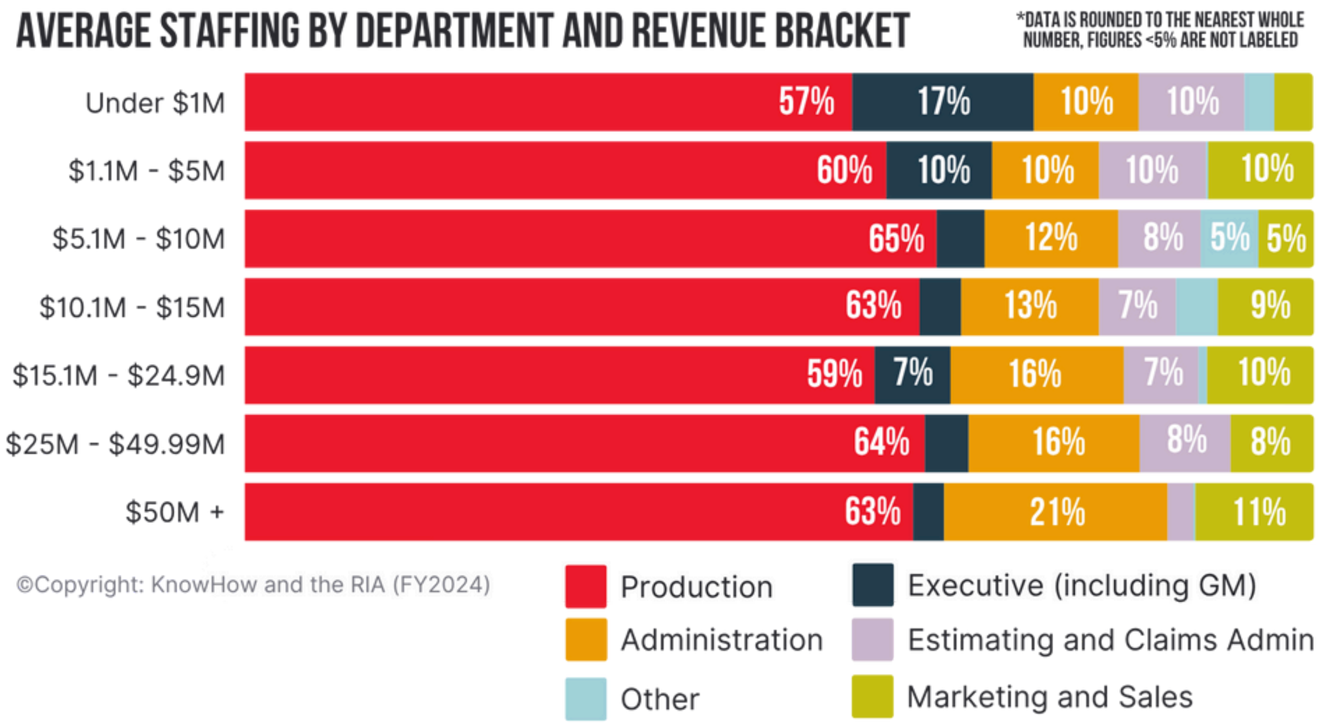
Among companies surveyed, 60% of all their staff are production staff (field workers, project managers), reflecting the hands-on, service-delivery nature of the restoration industry.

Other essential roles, like Administration (13%), Marketing/Sales (10%), Estimating (8%), and Executive (8%), make up the remaining 39%.

Looking at staffing data across various revenue categories reveals an interesting insight: increasing revenue in the restoration industry goes beyond adding more boots to the ground. The highest revenue companies ($50M+) from the survey data appear to be building two businesses simultaneously —the field operation that generates revenue and the administrative machine that makes growth sustainable.

Companies generating over $50 million in revenue maintain a 1:3 administrative-to-production staff ratio. Compare this to mid-size companies ($1.1M-$5M) that operate with a 1:6 ratio, half the administrative support per production worker.

These large operators also make a telling investment in future growth, deploying significantly more marketing professionals than their mid-size counterparts.

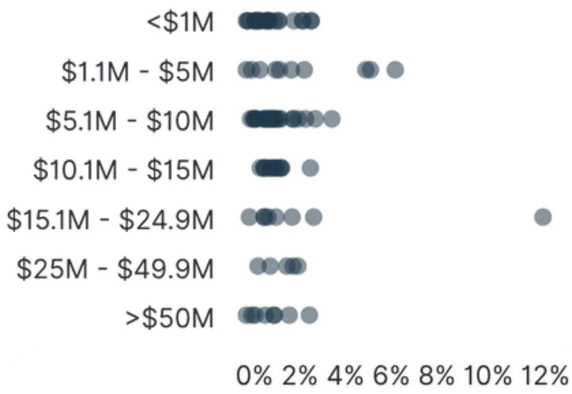


TECHNOLOGY (SOFTWARE)

**Note: Software here refers to subscriptions (Estimating software, job management software, etc)*

Survey results (based on FY2024 data) show that as companies grow their revenue, the software they need to support that revenue also increases. Yet across the board, companies on average spend around 2% of their revenue on software. Among all companies, the median software spend is approximately $46,000, while the median revenue is around $6.45 million.

PERCENT OF REVENUE SPENT ON SOFTWARE BY REVENUE BRACKET



In essence, the data suggests that software expenditure is a function of company size, as indicated by revenue.

While most companies maintain a relatively low software spend as a percentage of their revenue, there are notable exceptions that invest more heavily, potentially gearing up for scale or transitioning between software platforms.

TYPE OF COMPENSATION PROVIDED

Survey data show that Annual Bonuses and Performance-based compensation are the most common forms of variable compensation within the employee base.

Annual Bonuses (40% of total survey responses) represent fixed discretionary payments made once per year, typically based on company or individual performance criteria.

Performance-based compensation (30% of survey responses) refers to variable pay directly tied to specific metrics or outcomes, where payment amounts fluctuate based on results achieved versus established benchmarks.

Other compensation types include:

Commissions (14%): Variable compensation calculated as a percentage of sales revenue or deals closed.

None (13%): Companies offering only base salary/hourly wages without additional variable compensation.

Multiple Compensation (3%): Companies utilizing a combination of the above structures.

What does this mean?

With 40% of restoration companies relying on annual bonuses as their primary variable compensation, the industry faces a structural motivation problem. Annual bonuses work well for senior leadership who operate on long-term planning cycles, but they create significant mid-year motivation gaps for project managers and field staff, the very people who drive daily operational success.

The data reveals an opportunity for the 30% using performance-based compensation to lead industry innovation. These companies are better positioned to shift toward input-based metrics that reward controllable activities rather than outcome-dependent results. Instead of waiting twelve months for recognition, employees can see immediate returns on efforts like client outreach, safety compliance, or project completion milestones.

The 14% using commission structures may have the most flexibility to adapt quickly. Commission models already tie compensation to specific activities, making the transition to input-focused metrics more natural than restructuring annual bonus systems.

Perhaps most telling is that 13% of companies provide no variable compensation at all. In a labor-constrained market, these organizations risk losing talent to competitors who offer performance recognition, even if that recognition comes through non-monetary rewards like additional paid time off or affordable equipment upgrades.

The 3% using multiple compensation types represent an interesting testing ground for future-looking strategies. These companies are likely experimenting with hybrid approaches that balance annual planning needs with more frequent recognition cycles—exactly the flexibility the industry needs as market conditions remain unpredictable.

KEY INSIGHTS

1. Across nearly all revenue ranges, External and Internal training consistently account for the largest shares of L&D budget spending.
2. The proportion of spending on Conferences and 'Software' shows more variation across different gross revenue ranges.
3. The “Other” spending category consistently represents a very small portion across all revenue sizes.

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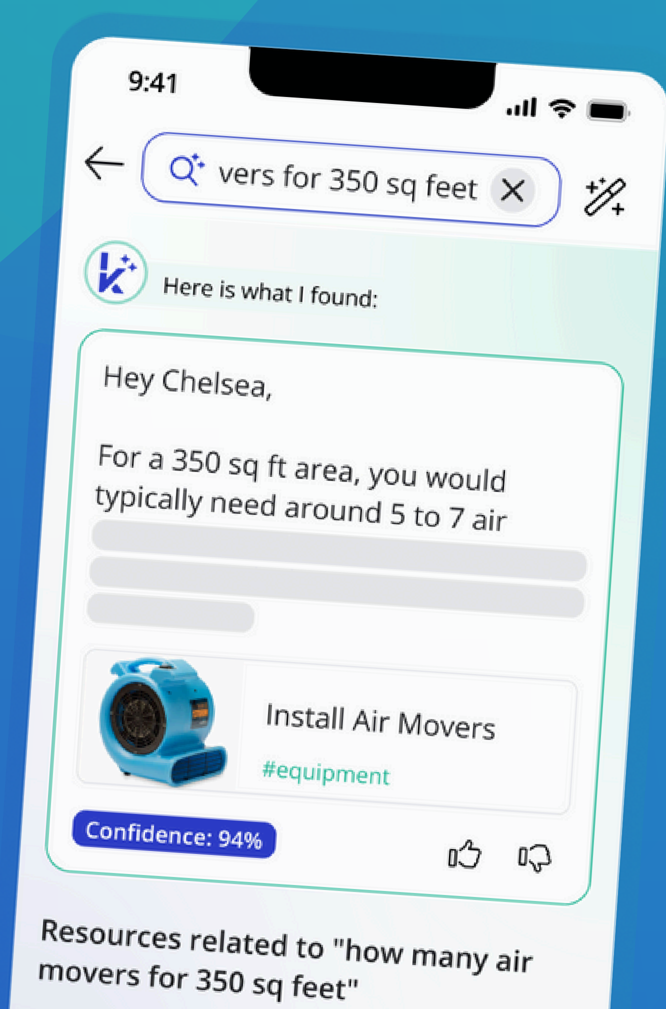

DISCUSSION QUESTIONS

SECTION THREE

Questions for Teams

The questions below are provided to support internal discussion within your organization. Consider pulling together members of your team and working through these questions together.

1. What is our current spending breakdown of training (external, internal, certification, conferences, etc.)? Are there any areas we're currently contracting out that we'd like to bring in-house? Are there any areas where we should lean on external experts?

2. How could increasing our budget allocation to between 2%–10% for training enhance our teams' skill development through external learning and development initiatives?

3. How can we develop and implement a formal leadership development program that includes mentorship opportunities, structured training sessions, and clear pathways for internal promotions?

4. How can we measure the return on investment for our training programs and ensure they meet the evolving needs of our team?

5. Does our software spend fit the size and goals of our company? Are we getting full horsepower of all the software we're paying for?

6. Do staff feel like their success is tied to the company's success? Should we re-think how we compensate staff to increase ownership of the KPIs that are the most important to us as a company?

7. Does our current compensation structure energize employees year-round or create seasonal motivation valleys? The goal isn't abandoning annual planning but supplementing it with recognition systems that maintain momentum regardless of external market pressures.

CONCLUSION

Going into 2026, some clear themes have emerged to the forefront in light of this report.

- With rising labor and material costs, the fight for net profitability is going to become harder for restoration companies, especially those looking to grow their revenue.

- While “10 & 10” does not reflect real overhead and margin, the path forward isn’t as clearcut as we’d like, and will require continued advocacy from the Restoration Industry Association.

- Tightened budgets should not restrict training and developing staff, instead it’s an opportunity to invest in the team companies have in order to increase productivity and effectiveness.

- The changing dynamics of the property insurance market (rising claim scrutiny, rising deductibles) and the rise of direct-pay work will likely be an accelerating theme to monitor and adapt to.

In light of this, how should restorers respond?

First, we encourage all readers to not lose sight of the people that make up such a people-powered industry. Difficult times and pressure can lead to fractures, or they can lead to clarity. Clarity over values, clarity over service lines, clarity over what matters and what doesn’t. We believe that many companies will emerge from this period stronger than before, more focused on what truly matters to them.

Second, mitigation work is remaining competitive, so differentiation is key. In light of fewer CAT events, companies that are proactive in finding smaller jobs, combining it with repair projects, and building a sales infrastructure that can find new work (instead of waiting for it to come in) will succeed and help fill the gap between storms.

Finally, strong management, systems, and processes are more critical than ever before. In good times, companies can underinvest in a strong leadership layer and be spared the consequences (at least temporarily). In difficult seasons, strained management and loose systems wreak havoc and lead to spiraling costs, employee turnover, and a bad customer experience. The companies that prioritize tightening their systems will see profitability increase as they gain better visibility into their costs, cash flow, and the processes their staff follow.

The restoration industry is just as dynamic as the weather it so often works alongside. The firms that lean into change, sharpen their execution, and put people at the center of their strategy will shape the industry's future.

From all of us involved in producing this annual report, we want to thank the large cohort of companies that securely and anonymously participated in this year's survey. Without their generosity we would have nothing to report on - so we say "Thank you!"

We invite you to commit your firm to participate annually in this anonymous report, it is a very tangible way to "raise all ships" in our industry.

As we shared at the outset of this report, our ultimate goal and primary intent in writing this report is not simply to produce knowledgeable leaders, but wise leaders who steward well the decisions that impact the lives and livelihoods of their teams, their partners, and those they serve with clarity, confidence, and conviction. We hope that in reading this report, you feel that you have been equipped, informed and motivated to continue to steward well. The work you do is necessary, honorable and important.

APPENDICIES

APPENDIX A: SURVEY QUESTIONS FOR FY2024

1. Do you currently work within a Property Restoration Company? (Yes/No)
2. How many locations does your company have? (brick-and-mortar locations)
3. On behalf of how many company locations are you answering this survey?
4. Enter the State/Province and Country of your company's primary location.
    - State/Province:
    - Country:
5. How many years has your company operated in the restoration industry?
6. What is the population size of your primary market area?
    - <1 million
    - 1 million - 4.9 million
    - 5 million - 9.9 million
    - 10 million - 19.9 million
    - >20 million
7. What was your company’s total annual gross revenue for FY2024?
    - <$1M
    - $1.1M - $5M
    - $5.1M - $10M
    - $10.1M - $15M
    - $15.1M - $24.9M
    - $25M - $49.9M
    - >$50M
8. Indicate the percentage of FY2024 gross revenue that came from TPA work.
9. Indicate the percent of your FY2024 business revenue in each of the following categories (must add up to 100%; best estimates are acceptable)
    - Commercial Services % (mitigation, reconstruction, and other commercial services)
    - Residential Services % (mitigation, reconstruction, any other residential services)
    - Other % (please specify)

10. **Indicate the total percentage of your FY 2024 business revenue in each of the following categories.** (all %'s provided must add up to 100%)
    - Fire Mitigation %
    - Water Mitigation %
    - Contents %
    - Hazards Materials (e.g. mold remediation) %
    - Other (e.g. reconstruction/repair, etc) %
11. **What was the average dollar value of your mitigation jobs in 2024?**
    - <$5k
    - $5.1k - $10k
    - $10.1k - $15k
    - $15.1k - $20k
    - $20.1k - $50k
    - >$50k
12. **What was the average dollar value of your repair/reconstruction jobs in 2024?**
    - <$5k
    - $5.1k - $10k
    - $10.1k - $15k
    - $15.1k - $20k
    - $20.1k - $50k
    - >$50k
13. **On average, how many full-time employees (FTE) did your company have on payroll in FY 2024 in each of the following categories?**
    - Marketing/Sales
    - Estimating & Claims Admin
    - Production (Field Staff, Project Managers, etc)
    - Executive (incl. GM)
    - Administration (Accounting, Finance, HR, IT, Customer Service, Facility/Fleet Management)
    - Other (specify)

- **NOTE:** If you had part-time employees, please use full-time equivalents, defined as the number of paid hours in each job class divided by 2,080 hours. Example: If a part-time employee works 1040 hours a year, they count as 0.5 FTE (1040 hours / 2080 hours)

14. Enter the dollar amounts for assets at YE 2024.
    - Cash
    - Accounts & Notes Receivables
    - Other Current Assets
    - Other Assets
    - Total Assets (Ensure total assets = total liabilities + owner's equity)
15. Enter the dollar amounts for liabilities at YE 2024.
    - Current liabilities
    - Long-term liabilities
    - Owner's Equity
    - Total Liabilities & Owner's Equity
16. Enter the dollar amounts for the cost of goods sold (direct costs). Please remember Project Managers are considered COGS for the sake of this survey.
    - Total Cost of Goods Sold (direct costs)
    - Direct Labor for Restoration/Reconstruction (include fringe benefits)
    - Subcontractors
    - Materials for Restoration/Reconstruction
    - Equipment Rentals
17. Enter the dollar amount for gross profit. (Revenue – COGS)
18. Enter the dollar amounts for general overhead expenses (indirect costs)
    - Total Operating Expenses
    - Overhead Labor (estimators, accounting, coordinator, admin, sales labor)
    - Sales & Marketing Expenses (incl. Advertising)
    - Owner Wages (do not include draws or distributions)
19. Enter the dollar amount for net profit. (Gross Profit – Overhead)
20. Enter the total percentage of bad debt or write-offs for FY 2024.
21. How much did your business pay in commercial insurance as a percentage of YE revenue (not including health insurance)
22. What is the average time to collect payment from customers (in days)?
23. What is your average gross profit margin on the following types of work?
    - Gross Profit - Mitigation
    - Gross Profit - Reconstruction
    - Gross Profit - Contents
24. What is your average gross profit margin on the following types of work?
    - Gross Profit - TPA Revenue
    - Gross Profit - Non-TPA Revenue

25. **Do you have a business line of credit? If so, what was the average interest rate in 2024?**
    - No I don't have one
    - I have one but don't use it
    - I have it and use it (add interest rate)
    - (Optional): What is the dollar amount owed YE 2024?
26. **How much did your company spend on employee training and development in 2024?**
27. **Based on your total employee training spend in 2024, what percentage did you allocate to each area** (please ensure your totals add up to 100% of spend; best estimates are acceptable).
    - Internal training activities
    - External trainers (certifications, courses)
    - Conferences and events
    - Software
    - Other
28. **What type of variable compensation do you make available to managers or senior leaders in your company?**
    - None
    - Annual Bonuses
    - Performance-based Bonuses
    - Commission
    - Stock Options
    - Other (specify)
29. **How much did your company spend on technology in 2024?**

- Software subscriptions (Estimating software, job management software, etc)

APPENDIX B: ACCOUNTING TERMS AND DEFINITIONS

Accrual Accounting: An accounting method in which revenues are recognized on the income statement when they are earned, and expenses are recognized when they are incurred. Generally, economic activities are recognized by matching revenues to expenses (the matching principle) at the time in which the transaction occurs rather than when payment is made (received). Accrual accounting is considered to be the standard accounting practice for most companies, with the exception of very small operations.

Accounts Payable (AP): Money the company owes but has not yet been paid to a creditor for previously purchased merchandise or services. It can be found on the company's balance sheet as a current liability.

Accounts Receivable (AR): Money a business expects to receive for merchandise or services it furnished to others on open account. It is money owed to the company and is listed on the balance sheet as a current asset.

Assets: The cash, merchandise, land, buildings, equipment, and vehicles that a company owns that have a monetary value.

Break Even: The point at which profits from sales or revenues exactly equal total expenses. There is neither a profit nor a loss. The break-even point tells an owner/manager what level of output or activity is required before the company can make a profit.

Budgeted Gross Margin: Budgeted Gross Margin = General Overhead Costs as an Average + Net Profit Target.

Capital Expenditures (CAPEX): Money spent by a business to either buy fixed assets or to add to the value of an existing fixed asset with a useful life that extends beyond the current taxable year.

Cash: A current asset account which includes currency, coins, checking accounts, and undeposited checks received from customers. The amounts must be unrestricted. Restricted cash is recorded in a different account as a current or non-current asset. These are monies earmarked for a specific purpose such as loan repayment, investment, or equipment purchase.

Cash Basis Accounting: An accounting method or system that recognizes income (revenue) only when payment is received and expenses only when payment is made. For example: Someone writes a check, uses a charge or debit card, or uses cash for a purchase.

Cost of Goods Sold (COGS): All the expenses a company incurs as a direct result of producing the products or delivering the services the company sells. COGS generally include direct labor, direct materials, direct equipment allocations, and direct subcontracted expenses.

Current Assets: Assets that can be turned into cash within one year: Accounts Receivable, inventory/supplies, etc. Also includes things that are already cash, like checking account balances, savings account balances, and money market accounts.

Current Liabilities: The total monies owed by the company within one year and include such items as accounts payable, payroll, health insurance, and retirement funding. Typically, this includes all liabilities except long-term portions of debt and deferred tax liabilities.

Debits and Credits (DR and CR): Entries made in account ledgers to record changes in value due to business transactions. Generally speaking, the source account for the transaction is credited (an entry is made on the right side of the account's ledger) and the destination account is debited (an entry is made on the left). Each transaction's debit entries must equal its credit entries.

Depreciation: A deduction from replacement cost to reflect the lessened value from age, use, wear and tear, obsolescence, or other departure from pristine condition. Buildings, machinery, equipment, furniture, fixtures, computers, outdoor lighting, parking lots, cars, and trucks are examples of assets that will last for more than one year but will not last indefinitely and, therefore, will need to be depreciated over time. During each accounting period (year, quarter, month, etc.) a portion of the cost of these assets is being used up. The portion being used up is reported as Depreciation Expense on the income statement. In effect, depreciation is the transfer of a portion of the asset's cost from the balance sheet to the income statement during each year of the asset's life.

EBITDA: The acronym for Earnings Before Interest, Taxes, Depreciation & Amortization. EBITDA is most commonly used for calculating profitability and efficiency ratios for companies.

Equity/Net Worth/Stockholder's Equity: The amount of money due to owners or stockholders of a company when all the liabilities are subtracted from all assets.

Fixed Assets: Assets that cannot typically be converted into quick cash, less the accumulated depreciation on those items. This includes buildings, land, equipment,

General and Administrative Expense (G&A) (aka Overhead Expenses): Money spent on operating a business that is not directly associated with the production of goods and services. Examples include rent, salaries, and utilities.

Gross Profit (Gross Margin) (GM): This is a single line on a company's income statement. It is the result of subtracting the Cost of Goods Sold from Sales Revenue. Gross Profit = Revenue – Cost of Goods Sold (Direct Costs).

Indirect Costs (ID): Fixed or variable expenses associated with production not included in COGS. Examples include production vehicles and maintenance, production personnel payroll burden, and benefits.

Liabilities: A company's legal debts or obligations incurred during normal business operations. Liabilities are settled over time through the transfer of economic benefits including money, goods, or services.

Long Term Liabilities: This can also be called Long Term Debt. The debt is "long term" because it encompasses all the obligations such as mortgages, term loans, and any other monies that come due more than one year from the date of the statement.

Margin: Margin is profit, expressed as a percentage of revenue. A profit margin is necessary to run a successful business in any industry. If a restoration company is only paid for its direct labor costs, its expenses incurred to perform the job, and the overhead to administer the work, there will be no profit, and the company cannot survive. Margin % = Sales (Revenue) – COGS. (See RIA's Margin Calculator for more information.)

Markup: Markup is the amount added to the cost to provide goods and services to arrive at a sales price. Markup is sometimes referred to as "overhead and profit" (O&P), but just because there is a markup does not mean there is net profit, so the phrase "overhead and profit" may be inaccurate, and "markup" may be more accurate. An estimator may add a markup as a separate item at the end of an estimate or include the markup within the individual line items. Contractors should understand that markup is NOT the same as margin.

Net Profit (Net Income): Net Profit is the revenue remaining after payment of all COGS (direct costs) and general overhead (indirect costs). Sometimes called Net Earnings, this is the profit that is earned after other income, other expenses, taxes, and any other accounting activities take place. This is the number that goes to the Equity section of a company's balance sheet. Net Profit totals are the discretionary funds remaining to grow or maintain the business, provide additional income to employees and owners, fuel philanthropic endeavors, or retain as earnings to support cash flow demands. Net profit = Gross Profit – General Overhead Expenses (indirect costs).

Net Operating Income (NOI): A company's operating income after operating expenses are deducted, but before income taxes and interest are deducted. If this is a positive value, it is referred to as net operating income, while a negative value is called a net operating loss (NOL). NOI is often viewed as a good measure of company performance.

Operating Expenses: Operating expenses consist of selling and administrative expenses (expenses incurred as a result of performing normal business operations). Operating expenses (aka General & Administrative Expenses) are deducted from gross profit to arrive at income from operations.

Operating Income: A company's profit before non-operating expenses or other items. Other or non-operating expense items include interest income, interest expense, and gains and losses on the sale of assets used in the business, loss on lawsuit, etc.

Other Assets: Miscellaneous assets that cannot be classified as current assets, fixed assets, or intangible assets. Examples of other assets include deferred tax assets, bond issue costs, advances to officers, prepaid pension costs, and long-term prepayments.

Retained Earnings: To-date accumulated gains and losses of a company reduced by dividend distributions or prior accounting period adjustments. It is recorded under shareholders' equity on the balance sheet.

Sales (Revenue): Primarily, the money a company generates as a result of the products or services it sells. The sale of fixed assets may also be included in revenue figures but is more commonly reported as Gains or Losses on Disposal of Equipment on the Income Statement.

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