

# Cash Flow and Business Value Boost

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Interactive workshop for CEOs of growing businesses

Transforming the cash flow picture, the bank balance and the business value.



**Over 14 years** direct experience with cash flow, the whole cycle, within services, manufacturing, wholesale and technology environments.

# Agenda

1. The Money-Making Engine
2. How much capital will sustain your growth
3. Boosting cash, profit and business value
4. How much is your business is worth?
5. Putting it all into practice
6. About us

# What to expect from today



LOOK AT YOUR BUSINESS  
THROUGH THE LENS OF CASH



COMPLEX FINANCIAL  
MATTERS SIMPLIFIED



WHAT DRIVES CASH, PROFIT  
AND BUSINESS VALUE



MAKE MORE MONEY WHEN  
OPERATING YOUR BUSINESS

# Part I

# The Money Making Engine

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Your business model in a nutshell

“When you change the way you look at things, what you look at changes”

Here is why...

# The Money Making Engine

Can you identify which business has cash flow problems?

ABC Manufacturing Ltd	
Your business details	Value
Revenue	£518,234
Direct Costs	£324,842
Overheads	£104,270
Debtors	£35,188
Inventory	£37,333
Creditors	£65,490

ABC Services Ltd	
Your business details	Value
Revenue	£1,225,000
Direct Costs	£186,000
Overheads	£899,000
Debtors	£425,000
WIP	£50,342
Creditors	£15,251

ABC Wholesale Ltd	
Your business details	Value
Revenue	£7,760,343
Direct Costs	£6,908,097
Overheads	£458,857
Debtors	£561,553
Inventory	£1,592,393
Creditors	£1,562,476

# The Money Making Engine

Key info you should have access to

ABC Manufacturing Ltd			
For your next £1 of sales:		Your business cycle:	
<b>£0.36</b> Marginal cash flow		<b>-7</b> days Cash cycle	
Gross margin	36.86%	Debtors days	24.78
Net profit	16.74%	Stock days	41.95
Investment in working capital	1.36%	Creditors days	73.59

A good business model with potential for improvements e.g. optimise stock levels, increase gross margins.

# The Money Making Engine

Key info you should have access to

ABC Services Ltd			
For your next £1 of sales:		Your business cycle:	
<b>£0.47</b> Marginal cash flow		<b>112</b> days Cash cycle	
Gross margin	84.82%	Debtors days	126.63
Net profit	11.43%	WIP days	15.00
Investment in working capital	37.56%	Creditors days	29.93

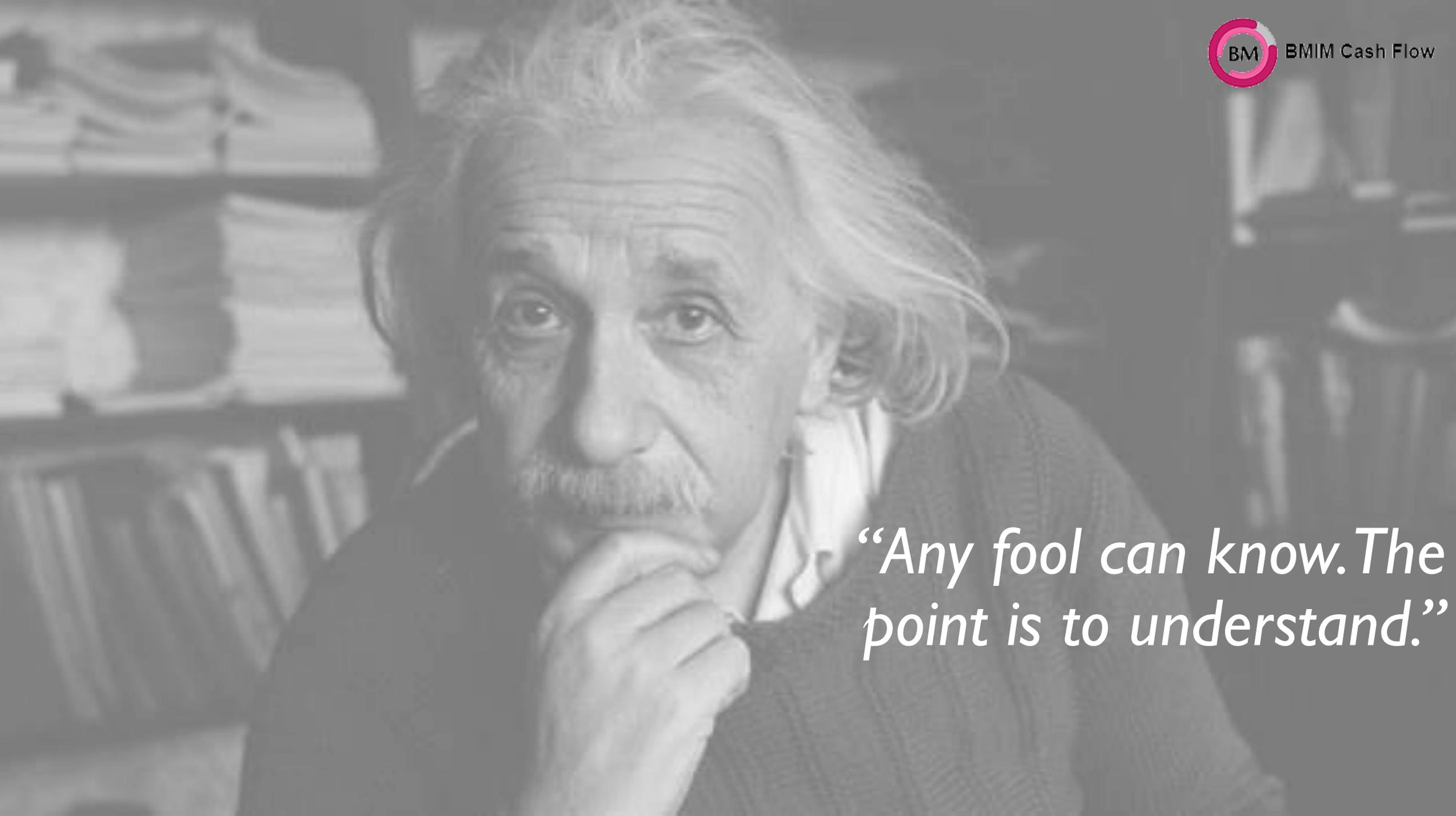
Profitable business, BUT...serious issues with working capital e.g. debtors, huge investment required in working capital to sustain the business

# The Money Making Engine

Key info you should have access to

ABC Wholesale Ltd			
For your next £1 of sales:		Your business cycle:	
<b>£0.03</b> Marginal cash flow		<b>28</b> days Cash cycle	
Gross margin	10.98%	Debtors days	26.41
Net profit	5.08%	Stock days	84.14
Investment in working capital	7.62%	Creditors days	82.56

Business has tight margins and should pay attention to volume discounts given to customers. Stock needs to shift faster to improve investment in working capital.



*“Any fool can know. The point is to understand.”*

# The Cash Flow problem

- **60%** of companies are growing broke!
- The problem of **‘growing broke’** - your business is retaining more cash than producing in gross margin

# The Cash Flow problem

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- Cash flow is a result of your profit as well as your working capital.
- You can manipulate your financial statements, but not your cash flow. Cash flow affects all areas of your business.
- Your business model determines your potential for making money.
- Issues with cash flow result in debt and financial distress.
- The bank knows your cash, so should you.

# A quick recap...

## Recap:

- Your financial statements give you the data. You need to convert this data into information to be able to effectively manage your finances.
- Understanding your business from a **cash flow perspective** is the first step towards making more money.
- **Cash flow** is a result of your profit as well as your working capital.

## TAKE ACTION

### Identify the cash flow problem in your business

1. Which of the 3 business models mentioned above does your business fall into?
2. Can you identify your cash flow problems? List your top 5 cash flow problems you are facing right now.

How we help you

# The Cash Flow Solution

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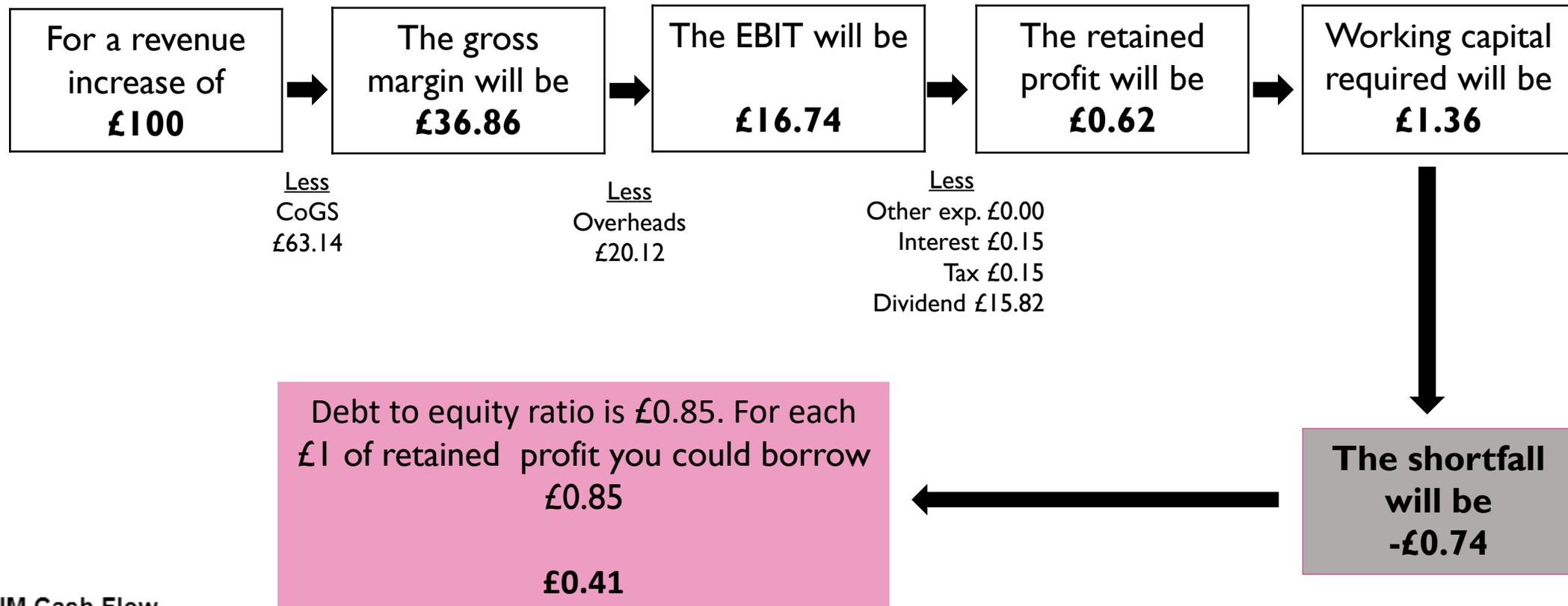


BMIM Cash Flow

- We have developed a formula to help CEOs make more money.
- It can be adapted to your business model, regardless of its size, and can help you drive improvements.
- **2 x cash flow rate, 3 x profitability, 2 x business value.**

# How much capital will sustain your growth?

What is your money shortfall?



# How much capital will sustain your growth?

- Each business has its own capital signature. This determines:
  - Can you grow without burning cash?
  - How much you can grow with the cash and debt resources you have available
- This is the reason why some companies can grow exponentially and others have a growth spurt, then flatten out to allow cash to catch up and a growth spurt again.
- Knowing your capital signature allows you to adapt the right strategy for growth.

# Benefits of understanding your numbers



No more blind spots



More money



Clarity



Financial balance



Freedom

# A quick recap....end of Part I

## Recap:

- Sustaining your growth requires knowing the shortage/surplus generated from the next £100 of sales.
- Your capital signature determines if you are in a cash free zone or you are burning cash when you grow.

### **TAKE ACTION**

#### **Is your business in a cash free zone?**

1. What is the relationship between your after tax profits and your working capital?
2. Do you have the right strategy to deal with the shortfall?

# What to expect next



WHAT DRIVES CASH, PROFIT AND  
BUSINESS VALUE



HOW TO DETERMINE THE VALUE  
OF YOUR BUSINESS

# Part 2

## Boosting Cash Flow

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What drives your cash and business value?

→ 7 financial levers

*“Nothing happens, until something moves”*

# Boosting Cash Flow

What drives cash  
(and profit) and  
business value?

## Cash and Profit

- Price increase
- Volume increase
- Reduction of direct costs
- Reduction of overheads

## Cash only

- Reduction in debtors days
- Reduction in inventory
- Increase in creditors

**Business Value** – all of the above

What does a 1% change or a 1 day change do  
to your cash and profit?

# Boosting Cash Flow

What does a 1% change or a 1 day change do to your cash and profit?

Access via subscription  
<https://tools.bmim.co.uk>

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<b>Opening Balance October 2017</b>			£-8,355	£86,760
Price Increase	1 %		£4,830	£5,182
Volume Increase	1 %		£1,864	£1,934
CoGS Reduction	1 %		£2,967	£3,248
Overheads Reduction	1 %		£1,066	£1,066
Debtors Days Reduction	1 day		£1,420	
Reduction in WIP Days	1 day		£890	
Increase In Creditors Days	1 day		£890	
<b>Total Impact</b>			£13,927	£11,431
			Net Cash Flow	EBIT
<b>Adjusted Position September 2018</b>			<b>£5,572</b>	<b>£98,191</b>

# Boosting Cash Flow

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How does movement happen?

- With each decision you make you either make or spend money.
- Sometimes you react to event, as you have no other choice.
- Decisions and reactive actions move each driver up or down...which then moves your cash and business value up or down.
- A new deal, or more sales, or faster production, or more discounts, or loss of customer...they all affect cash.

# Boosting Cash Flow

The effect from the movement on cash and profit....

Access via subscription  
<https://tools.bmim.co.uk>

## Money Multiplier for CEOs

Price Increase	4 %	£19,322	£20,729
Volume Increase	10 %	£18,400	£19,103
CoGS Reduction	0 %	£0	£0
Overheads Reduction	2 %	£2,085	£2,085
Debtors Days Reduction	1 day	£1,420	
Reduction in Stock Days	0 days	£0	
Increase In Creditors Days	0 days	£0	
<b>Total Impact</b>		£41,227	£41,918
		Net Cash Flow	EBIT
<b>Adjusted Position September 2018</b>		<b>£32,872</b>	<b>£128,678</b>

# Boosting Cash Flow

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Who on your team is making you money?



Decisions **now** affect your cash and profit **tomorrow**.

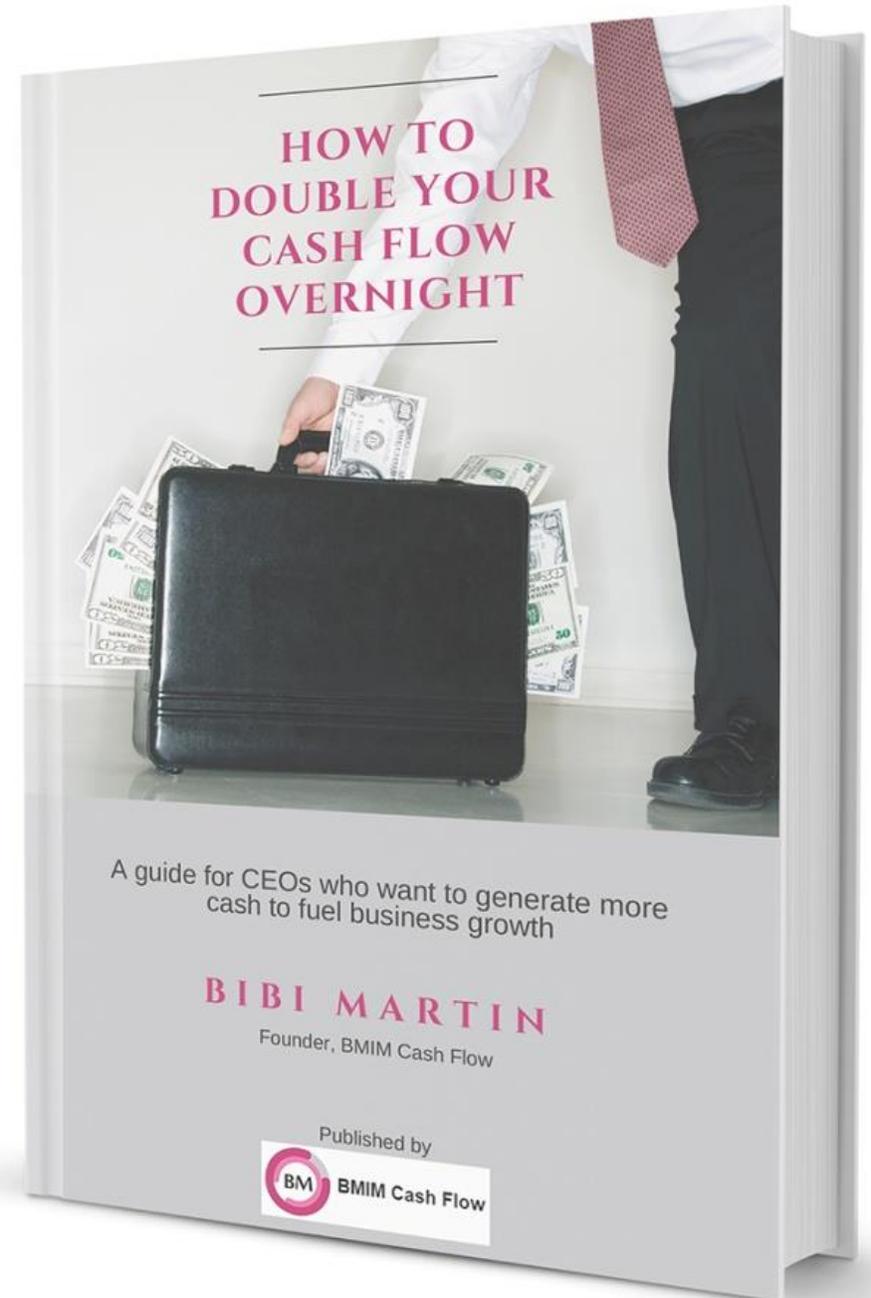


**Your team** needs to understand how their decisions are eroding business value.

# Boosting Cash Flow

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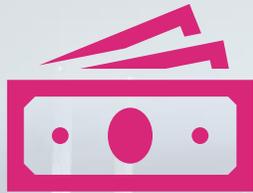
Strategies for enhancing cash,  
profit and business value



<https://www.bmim-cash-flow.co.uk>

# Boosting Cash Flow

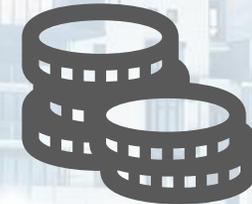
We have been guiding businesses **since 2005**, using this approach. The **results** have been **overwhelming...**



Doubled cash flow  
rate



Tripled industry  
average profitability



2 times your  
business value

# Advantages



You can quickly assess the impact of others on your cash and profit e.g. suppliers, team etc.



Focus on what makes you most money



Complete visibility over all areas of your business



You can take full control over your finances.



Recognise which business aspects need your attention the most.

# A quick recap....

## Recap:

- With every decision you either make or spend (waste) money.
- Don't assume that cash moves in the same way as profit. There is so much value in knowing which of the 7 levers impact your cash flow most.

## TAKE ACTION

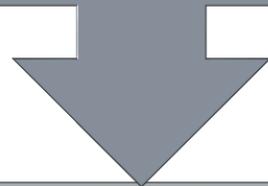
### Boost your cash flow and profit!

1. Quickly assess the effect of the 7 financial levers on your cash flow and profit (the Money Multiplier tool is available from <https://www.bmim-cash-flow.co.uk/automated-cash-flow-tools>).
2. Choose top 3 to focus your attention on. Deliberately choose business strategies that will move them in the desired direction to make the cash flow and profit you want.

# What is your business worth?

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Many ways to work this out....but no need to complicate matters further, so here is the traditional way.



**EBITDA x multiple**

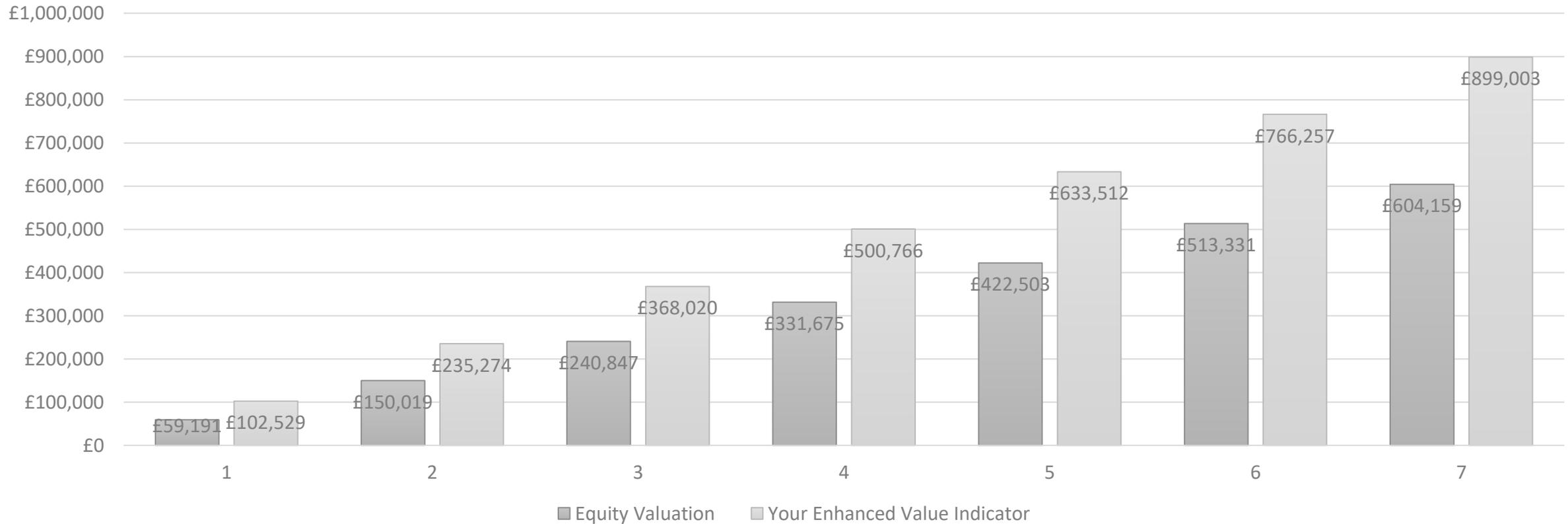
Please refer to your industry on the multiplier handout to check your multiplier

And then deduct your debt



# What is your business worth?

## Your enhanced business value



## Advantages

Consistent formula gives **consistent results**. It is so consistent that you will be able to predict your future very accurately.

There is no better way to predict your future unless you wait...

# Advantages

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What is your improved experience?



FINANCIAL  
BALANCE



FINANCIAL  
SECURITY



FINANCIAL  
FREEDOM



SUSTAINABLE  
GROWTH



CLARITY



FINANCIAL  
FUTURE

Whatever your financial goal is, you can achieve it!

# Implementation

Here is what you will need:

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**Company's Financials** (actual or forecasted)

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**Persistence** to shift people's mindset

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**Open mind and resourcefulness**

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**Practice** gives better results



Financial Security

Big Financial Goals

Financial Growth

Financial Momentum

Financial Distraction

Financial Uncertainty

Financial Dispair

Where are you right now?

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We can meet you wherever you are, guide you to improve matters and go “up” the road....

# What support is available to you?

1

## Initial consultation

Discuss your situation and determine the best path for you, based on your situation.

2

## Analysis

Financial analysis on your business to identify where you have untapped potential and what is needed for improvement.

3

## Programme

Your program for cash flow improvement will differ based on your individual situation and aspirations. See our consultancy packages for more info.

4

## Programme Follow-up

This is the period once the problem has commenced – usually happens quarterly. Monitoring your progress and guiding you in the process.

# Consultancy Packages

Book your package today!

## Training for Executives

1/2 day training session  
+  
Report of your business

£150 per package



Please email me via  
[bmartin@bmim.co.uk](mailto:bmartin@bmim.co.uk)

## Cash Flow and Business Value Boost Programme

1 x Session  
+  
Full Business Cash flow analysis Report

~~£500~~ £400 per session (save 20%)



<https://www.bmim-cash-flow.co.uk/cfbvb-discount>

# BMIM Cash Flow Improvement App

Subscribe to one of our  
Packages today!

## Boost

**£19.49 pm billed annually or  
£25.99 /monthly**

- ✓ Evaluate options for best deals
- ✓ Create and customise your deals to boost your financials
- ✓ Instant information about your cash flow and profit performance
- ✓ Adjusted financials from deals
- ✓ Visibility of the time lag between your cash flow and profit
- ✓ Automated predictive cash flow improvements
- ✓ Automated business valuation
- ✓ Adjusted valuation from improvements



Access via subscription  
<https://tools.bmim.co.uk>

## Grow

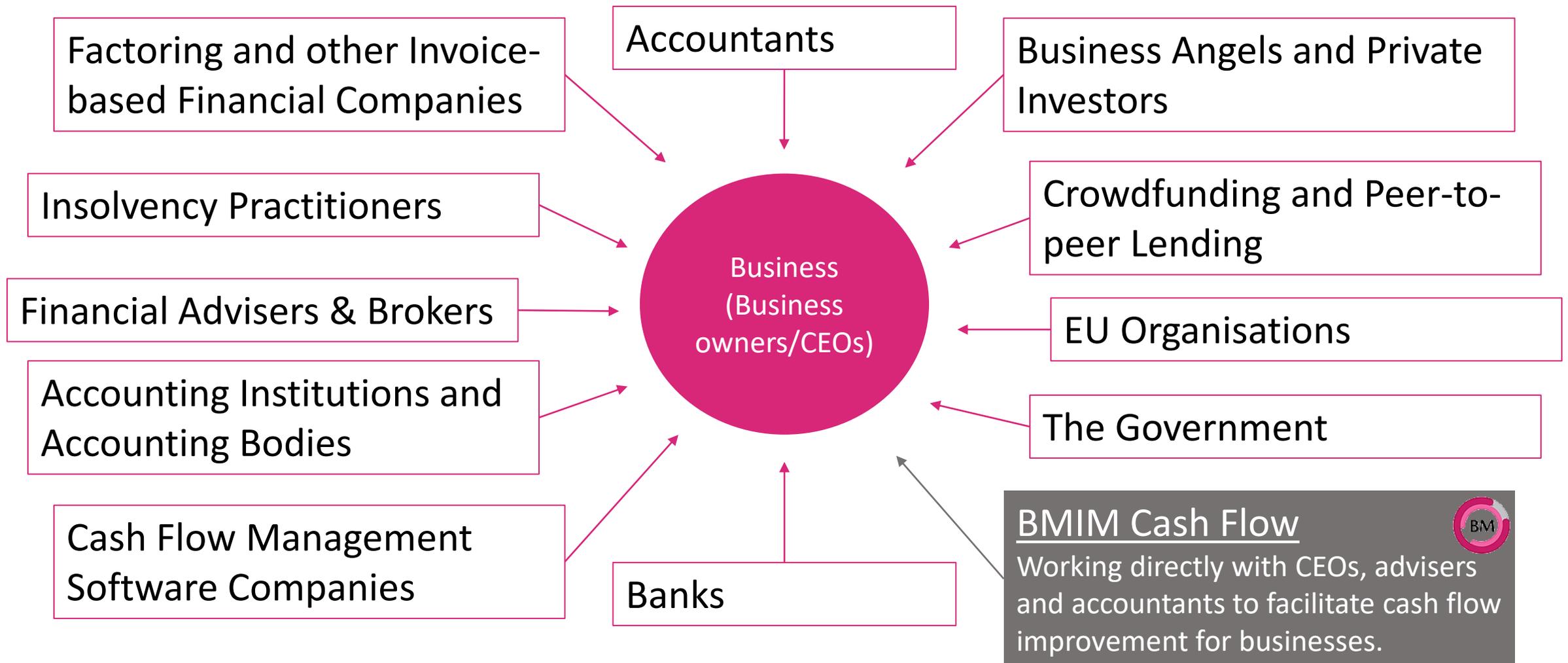
**£27.74 pm billed annually or  
£36.99 /monthly**

- ✓ Boost package plus
- ✓ Automated predictive funding gap
- ✓ Create and customise your sales growth
- ✓ Instant information about how much is consumed by your working capital during growth
- ✓ Adjusted funding requirements from growth



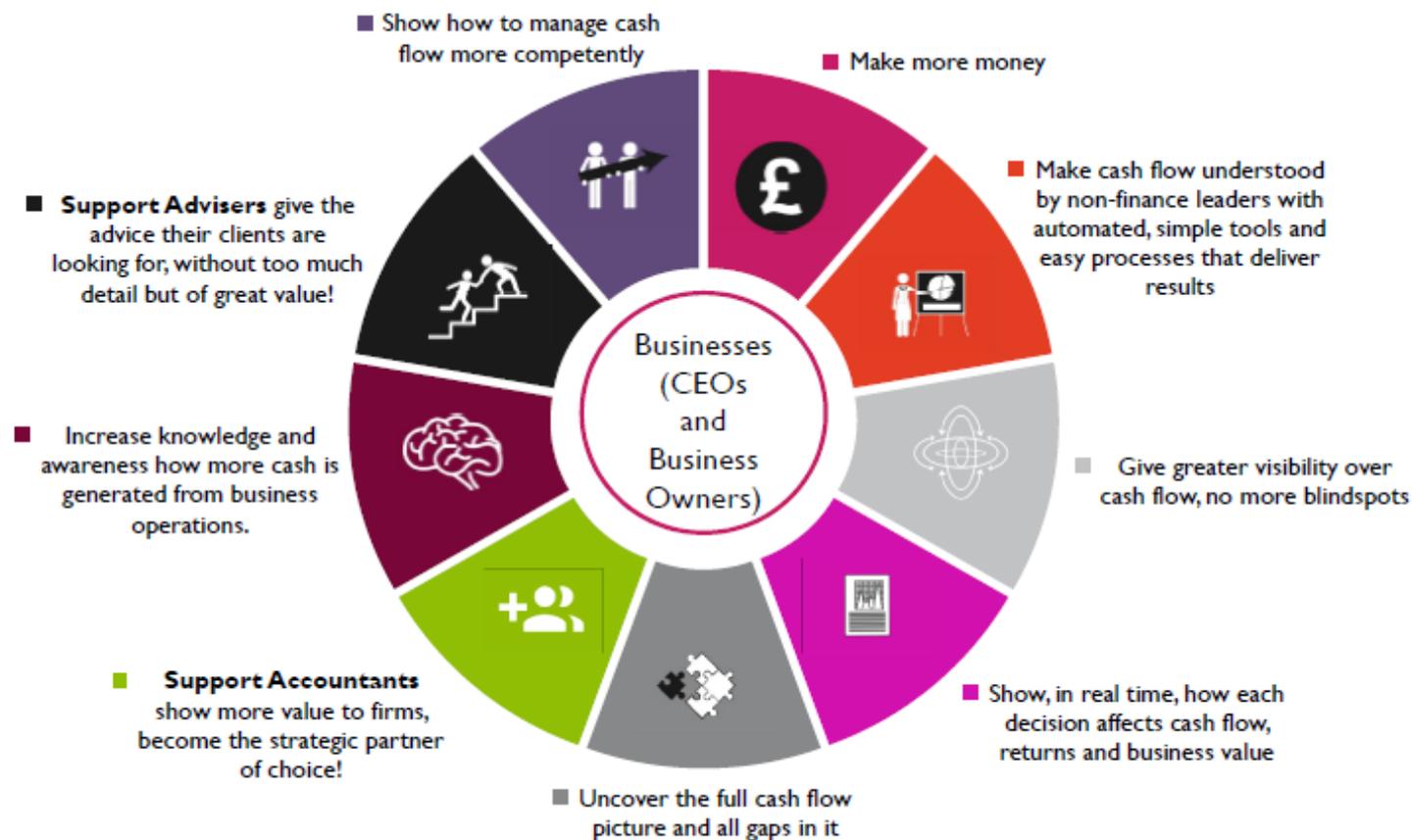
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# The Cash Flow Eco-system and where BMIM Cash Flow stands



**BMIM Cash Flow** exists to make cash flow improvement simple, easy and a fun process that delivers results time and time again. We do this through development and use of tools, processes and knowledge hub and the delivery of cash flow improvement programmes, seminars, workshops that combine our consulting skills and experience in cash flow generation from business operation.

What matters most to us is to create value and transformative experience for CEOs, both directly and through Advisers and Accountants.



Get in touch



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BMIM Cash Flow is the finance division of BM Interim Management Ltd.

We are committed to enabling CEOs of growing businesses to make more money from operating their business.