

Master the 5 Cashflow Keys

Boost your business growth in 2017



Your Hosts today



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Local knowledge. National Connections. Global Reach.

15 firms in Australia and New Zealand
214 firms in 92 countries worldwide

- Business structure & set up
- Business valuations
- Due diligence
- Accounting, tax, compliance assistance
- Strategic Planning Workshops

It's our goal today to

Educate and empower you
with the knowledge and the
actions you need to
confidently take control
of your cash flow and
business future

**"Turnover is vanity
Profit is sanity
Cash flow is reality"**

We are covering

1. Cash vs Profit
2. How to create a cash flow budget
3. Short term cash management strategies
4. Long term cash management strategies
5. The right finance for the right purpose



Quick Background Polls first...



BACK TO BASICS:

1. Why is cashflow different to profit?

What is Cash Flow?

- ▶ Cash is king! - the most critical of all KPI's.
- ▶ Cash flow is money in versus money out
- ▶ Cash inflows come from sales, owners equity, loans and more.
- ▶ Cash outflows include expenses, equipment purchases, loan repayments and tax payments.



Cash Versus Profit

Profit is NOT how much money you have in the bank

- ▶ Businesses can be making a profit but still have cash flow issues.
- ▶ For example:
 - ▶ You need cash to pay the rent, suppliers and salaries before your customers have paid you
 - ▶ You need cash to buy plant & equipment or other assets
 - ▶ You need cash to make finance repayments



2. CREATING A CASH FLOW BUDGET

Cash Flow Budget

- ▶ Keep it simple!
- ▶ Prepare in Excel
- ▶ 12 columns for the months
- ▶ Continually review & fine tune
- ▶ GST Inclusive \$

- ▶ See www.business.gov.au/Documents/Cashflowtemplate.xls

Cash Flow Budget template

Opening reconciled bank balance

Add cash inflows

- Customer payments
- Loan proceeds
- Capital introduced by owners

Less cash outflows

- Fixed expenses;
- Variable expenses;
- Capital equipment purchases;
- Loan repayments and tax payments

= Closing Cash position



Turn insights into action and:

1. Review your cash inflows & outflows
2. Prepare a simple cash flow budget
3. Review each month & fine tune

3. SHORT TERM CASH MANAGEMENT

Short Term Cash

Short term cash (working capital) is the money you need to cover the expenses during the period between when you start doing the work and when you get paid for it.



Working Capital

The challenge for fast-growing business is to understand that sales growth can in fact be your enemy, unless you take a period of consolidation to make sure you have got sufficient working capital to maintain your cash flow.

le You need cash flow to grow

- ▶ As turnover increases debtors or unearned income increase and expenses increase. Therefore you need **more** working capital.

Creditor Management Tips

Negotiate terms

1. Negotiate extended payment terms
2. Ask for bulk & volume discounts and rebates if the size of your business permits
3. Ask for discounts for early payment
4. Ask for Supplier support for advertising & marketing
5. Don't pay them too early or too late!



Creditor Management Tips

Manage supplier relationships

There are two strategies for dealing with vendors/suppliers

1. Build and nurture the relationship - treat it as a strategic relationship with win-win approach allows you to obtain special pricing if possible
2. No loyalty to any one supplier - suppliers bid regularly - allows you to obtain best price



Turn insights into action and:

1. Review your debtor management system
2. Review your creditor management system

4. LONG TERM CASH MANAGEMENT

Long Term Cash Management

- ▶ Long term cash is the money you need to:
 - ▶ Set up or buy a business;
 - ▶ Fund medium to long term growth;
 - ▶ Fund asset/equipment purchases; and
 - ▶ Fund “core debt” - no overdraft that doesn't go positive!



Long Term Cash Management

Long term cash management strategies:

- ▶ Financial information - prepare & monitor on monthly basis - analyse & quickly make necessary changes.
- ▶ Plan - Be aware of seasonal trends & unusual events - don't try to ride out low periods - make changes fast.
- ▶ Review the strategic plan for your business

5. THE RIGHT FINANCE

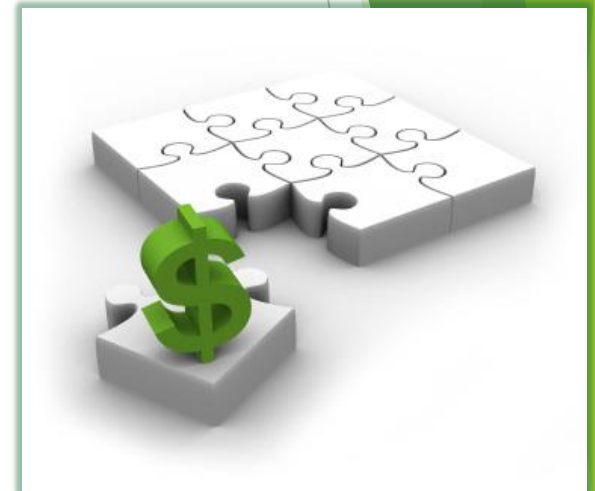
If Short of Cash...

- ▶ If the business isn't generating enough cash fast enough review your business management strategies eg debtors!
- ▶ Other sources include:
 - ▶ Internal - ie from owners
 - ▶ External - borrowed from someone else eg family and banks



Short Term Finance

- ▶ Working capital should be funded via short term facilities eg:
 - ▶ Overdrafts
 - ▶ Lines of credit
 - ▶ Owners loans
 - ▶ Supplier terms (but don't stretch too far!)
- ▶ Except for core debt



Longer Term Finance

- ▶ Capital expenditure should be financed by:
 - ▶ Bank loans
 - ▶ Loans from others
 - ▶ Hire purchase/Chattel mortgage
 - ▶ Lease
 - ▶ Retained profits
 - ▶ Equity injection
 - ▶ Angel / Venture capital
 - ▶ Refinancing existing debt free assets
 - ▶ Crowd funding



Our Top 5 Finance Tips

1. Right finance for right purpose
2. Match finance term to asset life
3. Have finance ready before you need it
4. Use secured finance to get lower interest rates
5. Get the right mix of secured and unsecured finance



Turn insights into action and:

1. Review short term cash flow requirements
2. Review long term cash flow requirements
3. Review appropriateness of current sources of finance

Summary

- ▶ To manage your cash flow efficiently:
 - ▶ Understand cash isn't the same as profit;
 - ▶ Know how much cash and profit your business is making by keeping up to date records;
 - ▶ Manage debtors & creditors efficiently;
 - ▶ Understand short term versus long term cash requirements; and
 - ▶ Use finance correctly where necessary.
- ▶ Take action now!

DFK Can Also Help With:

- ▶ Expertise within the travel industry
- ▶ Strategic Planning
- ▶ Business issue analysis
- ▶ Interim reviews
- ▶ Coaching and Board Assistance
- ▶ Asset protection strategies
- ▶ Succession planning
- ▶ Tax Planning
- ▶ Business management and development advice



Question Time!



The 5 Keys to Cash Flow Mastery

Thank you!

This training material is not advice. You should not act solely on the basis of material contained herein. Due to the speed of developments in tax law and the summarised, general nature of this material, we recommend our formal advice be sought before acting in any of the areas covered in this material.