

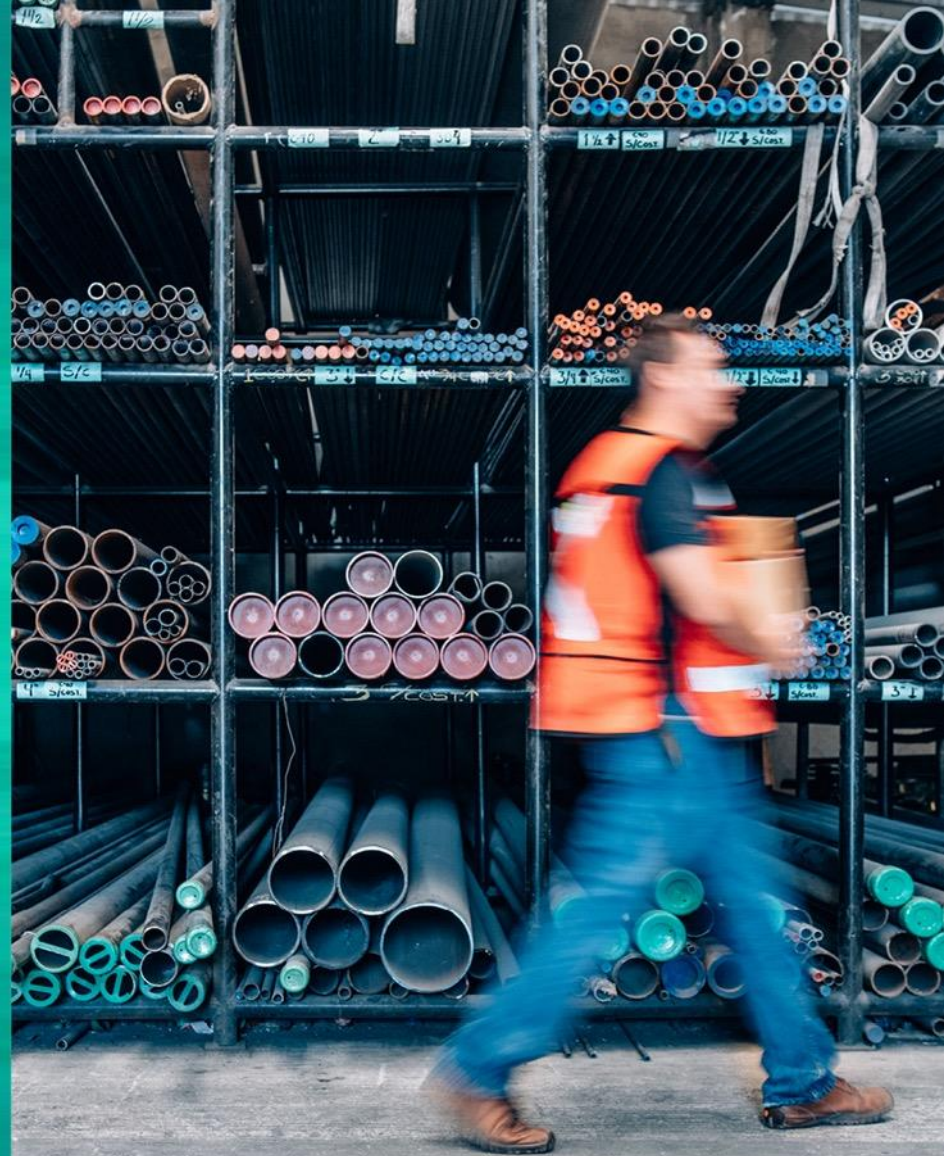
Welcome,
The webcast will begin shortly.
Thank you for your patience.

Enjoy the event!



Webinar

Preparing your business for → an economic slowdown







Monthly Economic Letter: April 2023

Feature Article: Could U.S. banking turmoil turn into a financial crisis?

Cdn Economy at a glance: Canada's economy starts the year strongly

[https://www.bdc.ca/en/articles-
tools/entrepreneur-
toolkit/publications/monthly-economic-
letter/2304](https://www.bdc.ca/en/articles-tools/entrepreneur-toolkit/publications/monthly-economic-letter/2304)



Agenda



- Getting your company's finances ready for a slowdown
- Q&A



Getting your
company's
finances ready
for a slowdown

3 strategies to prepare for uncertainty



-
1. Review your financial management practices
 2. Understand how your clients and suppliers are affected
 3. Reduce waste
-



Are your finances ready?



5 questions to establish your financial readiness

-
1. Do you prepare monthly operating budgets?
 2. Does your budget include a cash flow statement and a balance sheet?
 3. Do you look at and analyze your financial statements monthly?
 4. Do you know your monthly cash burn?
 5. Do you hold monthly planning meetings with all key people in the company?
-

How ready are you?



Between 0 and 2 points



Between 3 and 4 points



5 points





The right steps to prepare your business

Bookkeeping vs Financial Management



Bookkeeping

→ Records the past

→ Neutral

→ Measures financial data

vs

Financial Management

→ Looks to the future

→ Subjective, judgmental

→ Ensures financial health

A photograph of a modern office interior. Three people are seated around a wooden table in a glass-walled meeting room. On the left, a man with glasses and a beard, wearing a blue shirt, holds a tablet and looks towards the center. In the middle, a woman with curly hair, wearing an orange cardigan, looks towards the right. On the right, an older woman with short grey hair, wearing a light blue blazer, is gesturing with her hands while speaking. The room has large windows and glass partitions, with a red abstract shape overlaid on the left side of the image.

Financial Management
is a collective effort

What's your position at the starting line?



→ Liquidity

Will I be able to pay my bills?

→ Profitability

How much profit am I making?

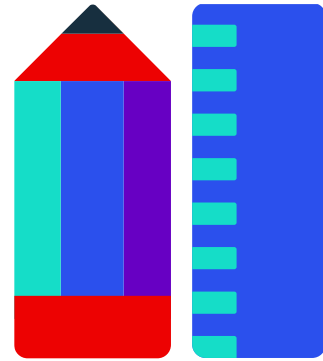
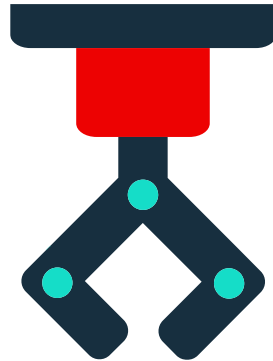
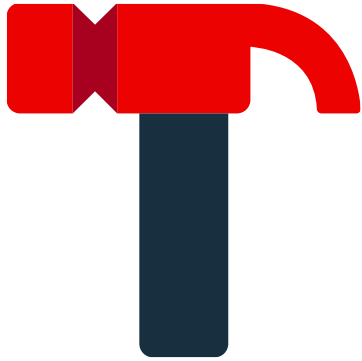
→ Productivity (activity)

Am I making the most of my assets?

→ Leverage

How much debt am I using?

The right tools for the right actions



First things first: Prepare a budget



Benefits

- ➔ Connects operations and financials
- ➔ Sets clear goals and identifies financing needs
- ➔ Allows use of multiple scenarios

Profit and Loss Statement	FY2020 <i>Actual</i>	FY2021 <i>Actual</i>	FY2022 <i>Actual</i>	F2023 <i>Budget</i>
Revenues	\$ 20 817 893	\$ 11 738 149	\$ 23 236 918	\$ 25 000 000
Cost of goods sold				
Materials	2 806 503	2 620 464	5 341 205	5 746 400
Subcontractors	14 380 167	5 825 985	12 444 840	13 388 900
Wages			909 979	979 000
Auto Expense			78 178	84 300
Equipment rental and fuel costs			649 892	699 200
Other Cost of Sales	452 228	415 226	289 484	311 400
Total cost of goods sold	17 638 898	8 861 675	19 713 578	21 209 200
Gross Profit	3 178 995	2 876 474	3 523 340	3 790 800
<i>GP % of Revenues</i>	<i>15,3%</i>	<i>24,5%</i>	<i>15,2%</i>	<i>15,2%</i>
Selling, general and admin. (SG&A)				
Personnel related costs	1 810 394	1 281 149	688 261	890 500
Automobile	110 880	110 880	21 012	21 600
Office and administration	50 746	27 917	310 682	206 400
Building Costs	373 102	412 944	209 200	212 400
Total expenses . (SG&A)	2 345 122	1 832 890	1 229 155	1 330 900
<i>SG&A % of Revenues</i>	<i>11,3%</i>	<i>15,6%</i>	<i>5,3%</i>	<i>5,3%</i>
Operating Income Before Depreciation and	833 873	1 043 584	2 294 185	2 459 900
Interest & bank chgs (Note 1)			1 578	-
Amortization & Deprec (Note 1)	33 852	53 964	56 161	33 600
Operating Income	800 021	989 620	2 236 446	2 426 300

Management reports



What to include?

→ Financial statements

→ Operating reports

→ Financial KPIs

→ Non-financial KPIs

ABC Co.
Statement of operations - monthly report
For period ending
2023-02-28

CURRENT MONTH				
Last Year	Actual	Budget	Better (worse) than budget	
\$	\$	\$	\$	%
279 650	329 000	305 000	24 000	8%
5 100	6 000	4 200	1 800	43%
4 250	5 000	4 200	800	19%
289 000	340 000	313 400	26 600	8%
192 100	226 000	209 000	(17 000)	-8%
4 250	5 000	3 200	(1 800)	-56%
3 902	4 590	4 200	(390)	-9%
200 252	235 590	216 400	(19 190)	-9%
88 749	104 410	97 000	7 410	8%
87 550	103 000	96 000	7 000	7%
850	1 000	1 000	-	0%
349	410	-	410	100%
31%	31%	31%	0%	0%
31%	31%	31%	0%	0%
17%	17%	24%	-7%	-7%
8%	8%	0%	8%	8%

Sales

Product sales
Parts
Freight

Total sales

Cost of sales

Product sales
Parts
Freight

Total cost of sales

Gross profit

Product sales
Parts
Freight

Gross margin(%)

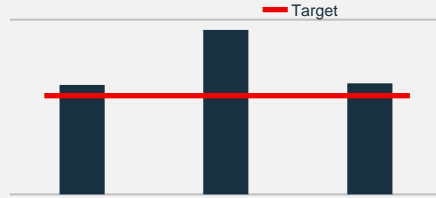
Product sales
Parts
Freight

YEAR TO DATE				
Last Year	Actual	Budget	Better (worse) than budget	
\$	\$	\$	\$	%
542 520	613 000	610 000	3 000	0%
11 088	11 000	8 400	2 600	31%
8 870	11 000	8 400	2 600	31%
562 478	635 000	626 800	8 200	1%
355 470	418 200	418 000	(200)	0%
8 160	9 600	6 400	(3 200)	-50%
8 568	10 080	8 400	(1 680)	-20%
372 198	437 880	432 800	(5 080)	-1%
190 280	197 120	194 000	3 120	2%
187 050	194 800	192 000	2 800	1%
2 928	1 400	2 000	(600)	-30%
302	920	-	920	100%
34%	31%	31%	0%	0%
34%	32%	31%	0%	0%
26%	13%	24%	-11%	-11%
3%	8%	0%	8%	8%

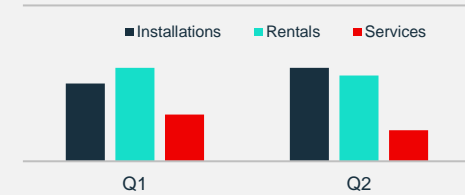
Performance dashboard



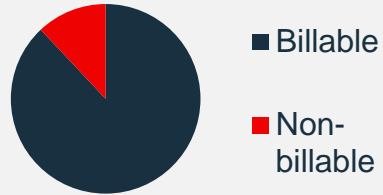
Revenue / labour hours



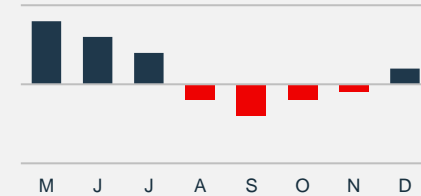
Margins



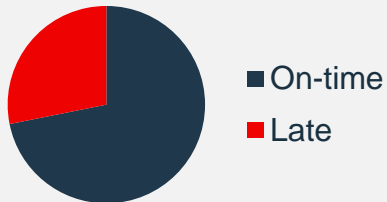
Billable time



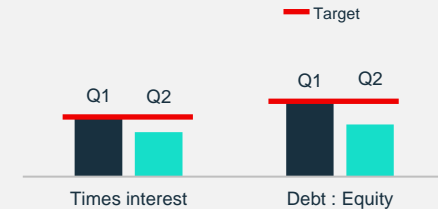
Cash flow



On-time delivery



Debt management



Financial ratio tracker



		2021	2022	Status
Liquidity	➔ Current ratio	1.0	0.5	
	➔ Quick ratio	1.0	0.5	
Leverage	➔ Debt to equity ratio	2.8	4.0	
	➔ Debt service coverage ratio	2.0	1.2	
Productivity	➔ Average days of sales outstanding (DSO)	60	45	
	➔ Average days of payable outstanding (DPO)	50	60	
	➔ Inventory turns	3	4	



The right tools when
the slowdown gets steep

Compile a weekly rolling cash flow



Benefits

- ➔ Plan for potential cash swings
- ➔ Manage cash effectively
- ➔ Plan for multiple scenarios – be proactive

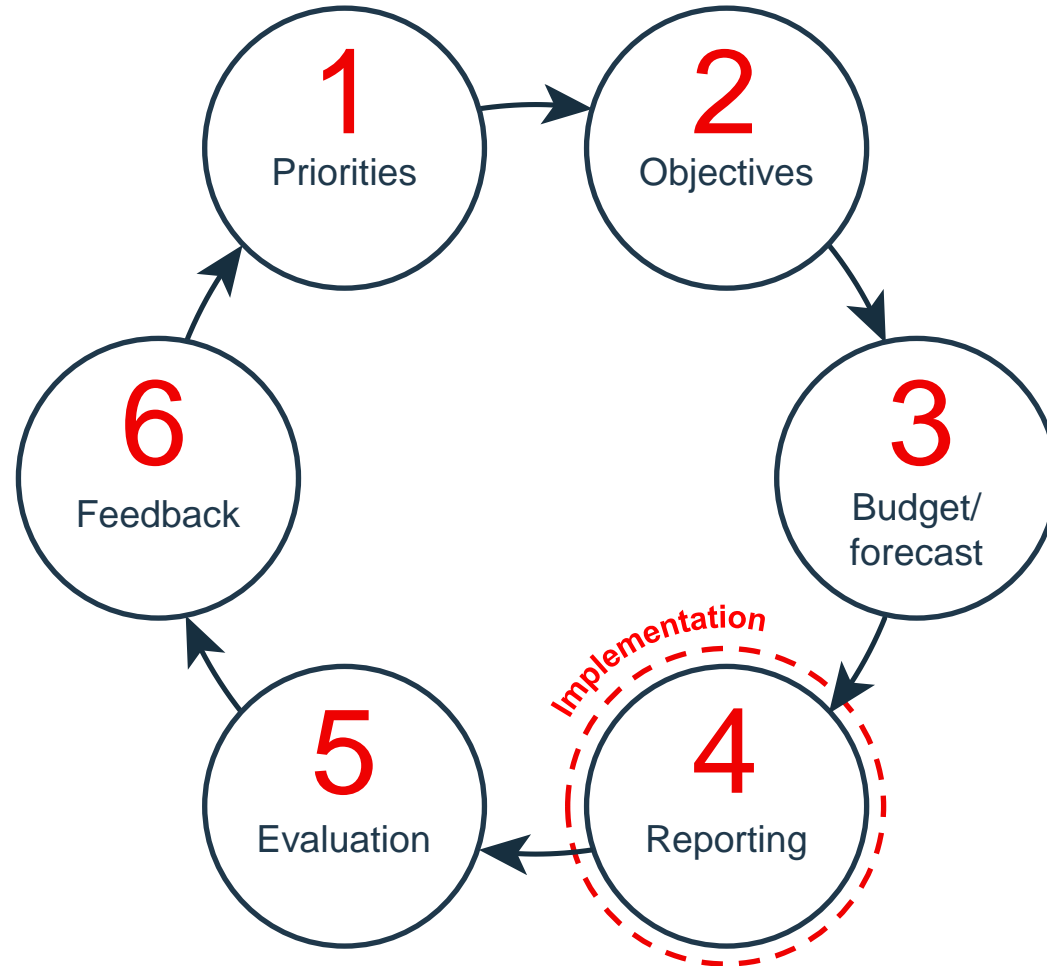
	Week 1	Week 2	Week 13
Opening cash balance (\$)	2,000	900	(20,200)
Cash inflows (+)			
Receivables	500	450	350
Cash sales	1,500	900	200
Other (Wage subsidies, loans, etc.)	-	-	500
Cash outflows (–)			
Accounts payable	1,100	900	300
Payroll	1,000	1,000	750
Monthly operating expenses (rent, utilities, communications)	800	750	500
Financing (principal, interest)	200	200	50
Increase (decrease) in cash	(1,100)	(1,500)	(550)
Ending cash bank balance (\$)	900	(600)	(20,750)



Strategies to improve your cash flow management

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1. Know your “cash burn”
 2. Identify and defer non-essential expenditures
 3. Keep talking with your lenders
-

Financial management is an iterative process





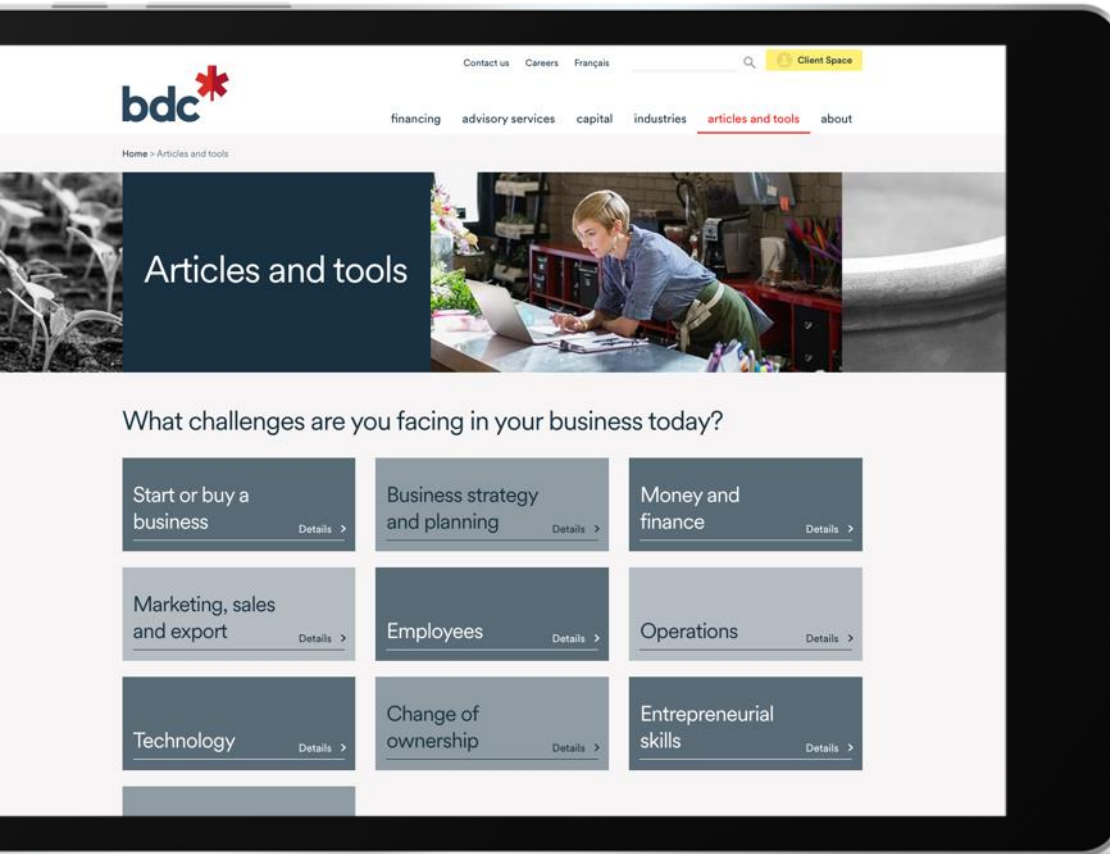
3 takeaways

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1. Financial management is a collaborative and iterative process
 2. Cash flow planning is your best ally
 3. Plan for the worst and hope for the best—build scenarios
-

And remember...

- ➔ Revenue is vanity
- ➔ Profit is sanity
- ➔ Cash is reality

Free tools and resources



➔ eBooks

➔ eLearning

➔ Template tools

➔ Entrepreneur's toolkit

BDC is here to help



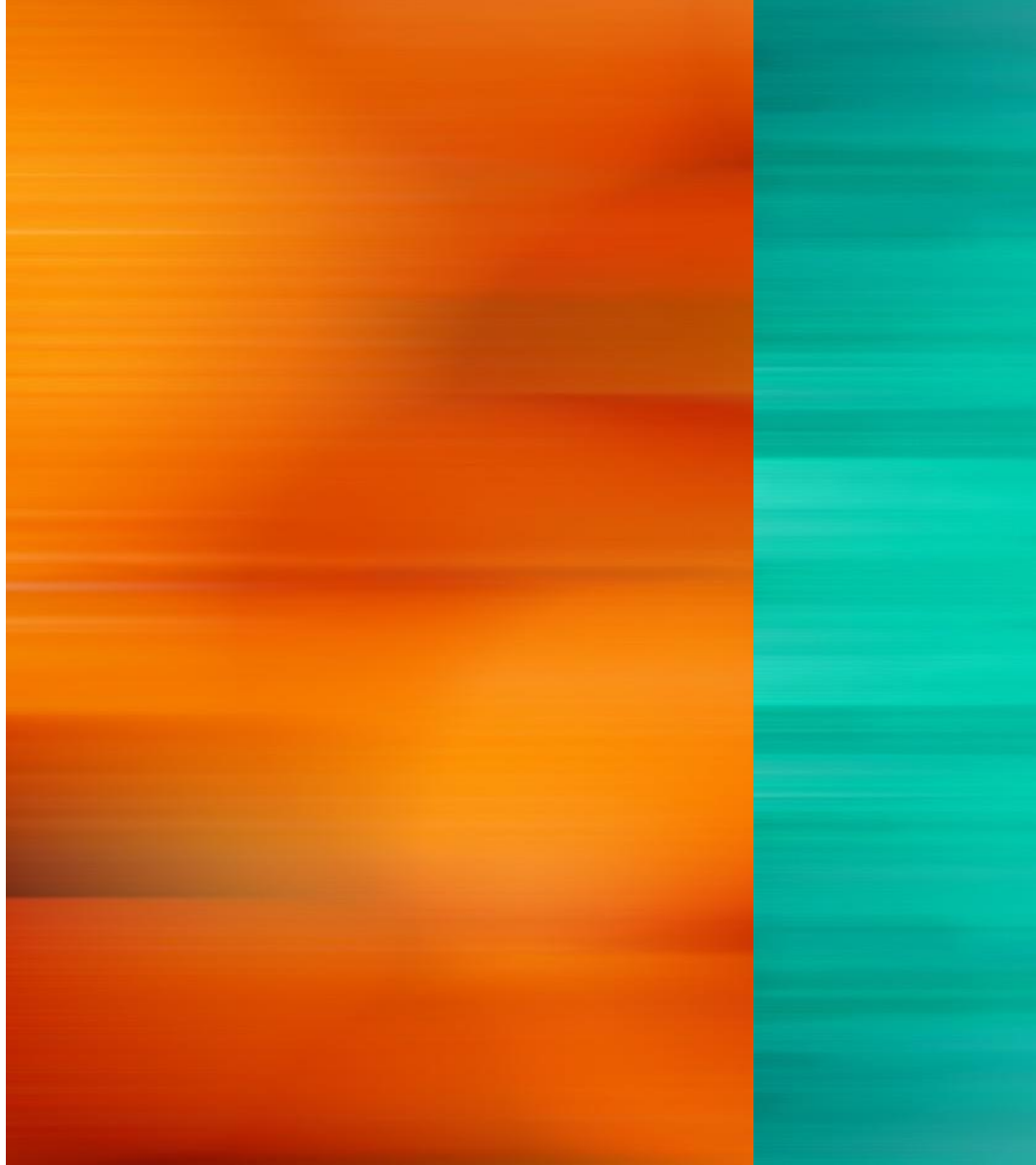
➔ Loans

To protect your cash flow.

➔ Advisory Services

To help build up your financial resiliency.

Q&A session



Thank you



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