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*Uncovering Your Financial Blind Spots*

### Cash Flow Excellence

- 1) Revenue is vanity, profit is sanity and cash flow is king.
- 2) Ensure your business has a financial scorecard which measures your four chapters of finance. (Profitability, Working Capital, Non Current Asset Management and Cash Flow/Funding/Returns)
- 3) A one page financial scorecard highlighting the financial drivers, your numbers and results is a great way to present your financial story.
- 4) Every key manager needs to be aware of your “Power of One” – What are the cash flow impacts of a 1% or 1 day change in Price, Volume, COGS or Direct Costs/Overheads/Debtors/Inventory or Work in Progress and Creditors.
- 5) Create visibility around cash flow quality. ( Do you require cash flow to grow or to fund wastage in the business?)
- 6) The three cash flow measures that are critical to measure and understand are Net Cash Flow, Operating Cash Flow and Marginal Cash Flow. ( Use Marginal Cash Flow to compare the performance of different business units)
- 7) Use What-if and Goal seeking techniques to stress test your numbers.
- 8) Create a culture of Cash Flow excellence in your business. Your non financial staff need to be educated on cash flow. They are impacting the drivers of cash flow e.g. Price and Volume
- 9) Ensure that you clearly understand the way the bank reviews your performance. (Every bank is focused upon your debt service capacity. Do you have future cash flow to service your interest and maturing debt)
- 10) Banks price for risk. To lower your cost of borrowings clearly communicate to the lender the following attributes pertaining to your business ( Your Management team, your industry and positioning, your seasonality and the funding amount required For every risk element identified provide to the bank a solution)