

Managing Cashflow in an Early Stage Business

Cardiff Medicentre 11 May 2011

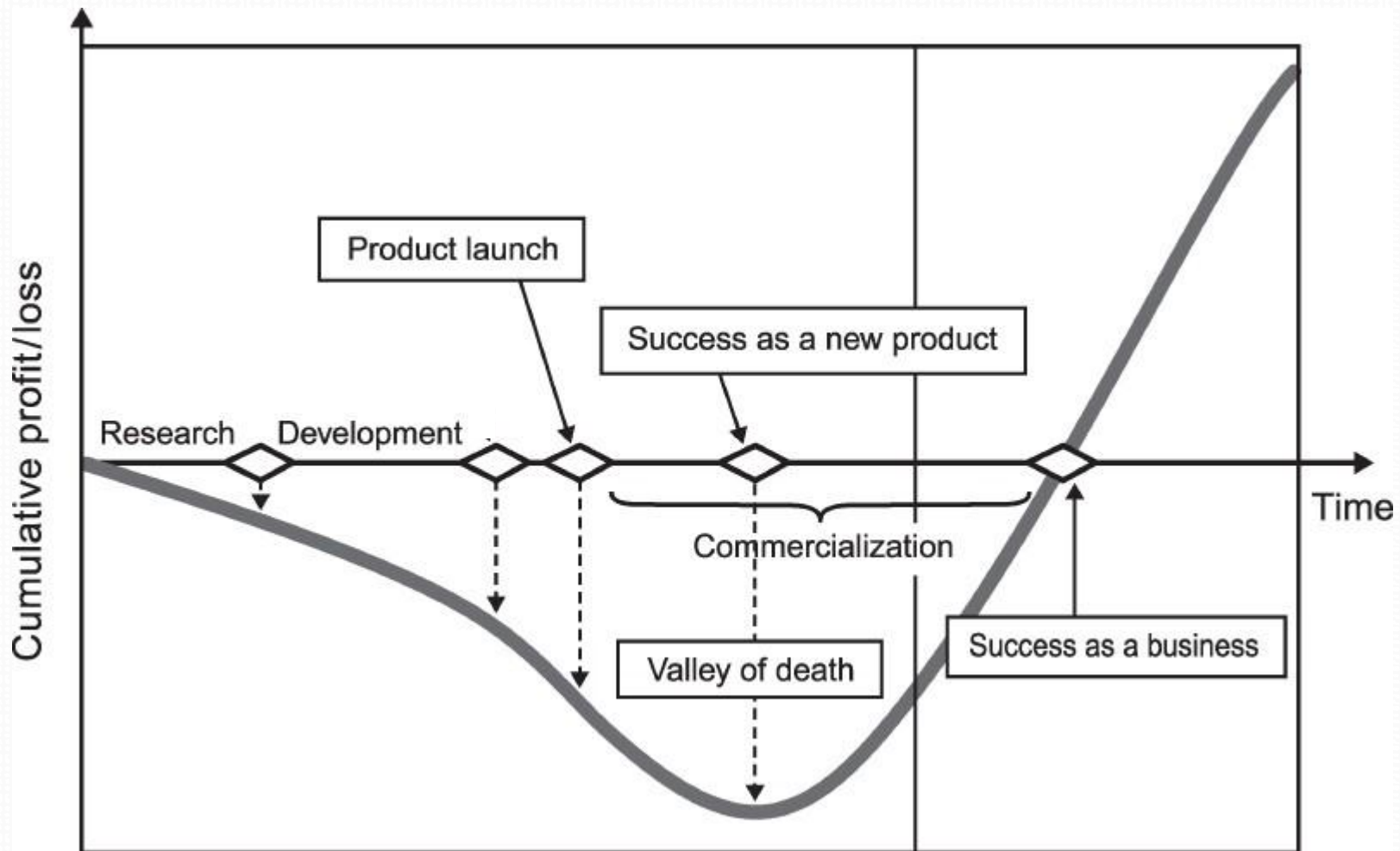
Managing Cashflow in an Early Stage Business

- ❖ How much do you need?
- ❖ Forecasts, forecasts, forecasts
- ❖ Sources of cash
- ❖ Managing cashflow

How much do you need?



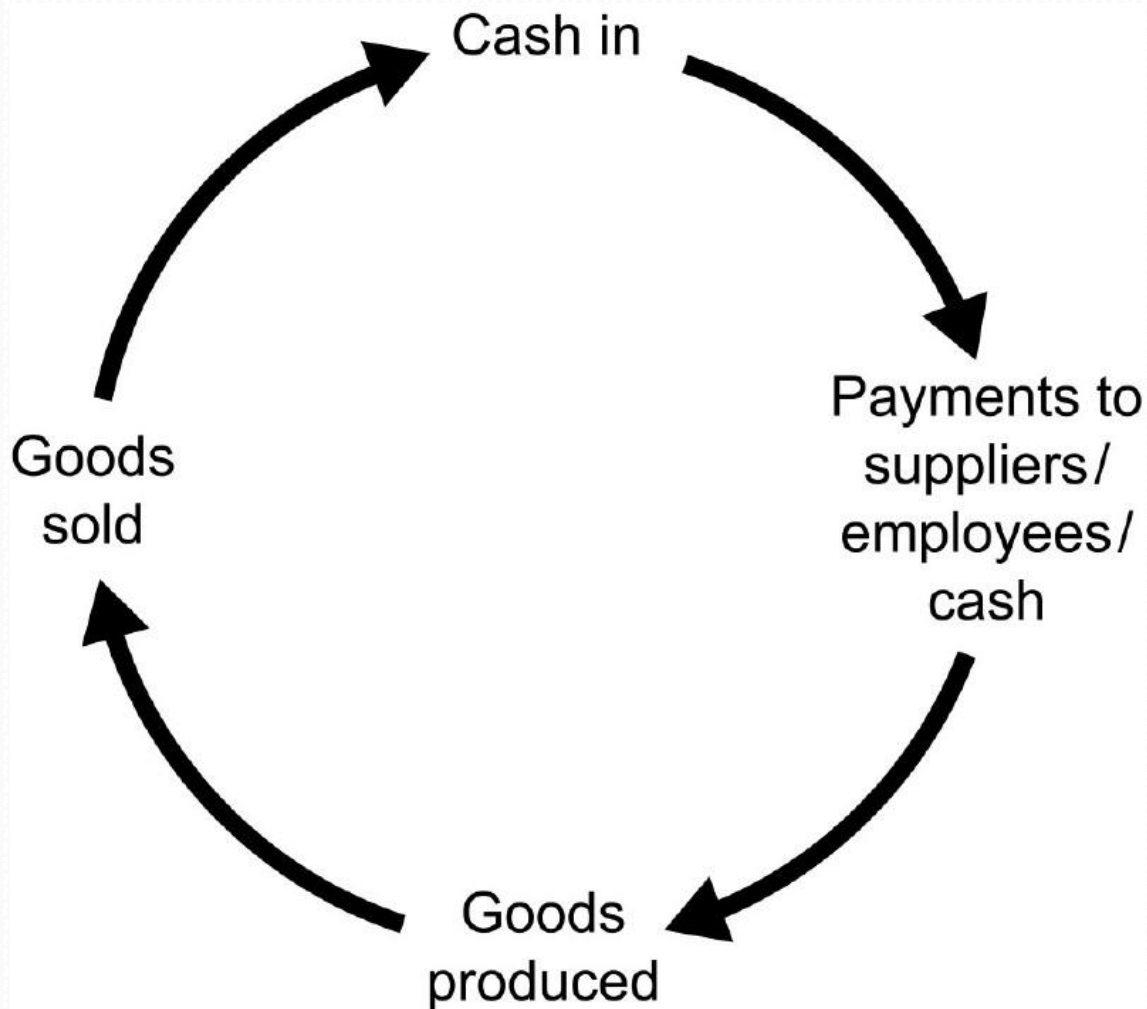
Development and funding



Business model

Sales	Production	Infrastructure
Internet based	Outsourced	Virtual
Distributors	Component assembly	Leased
Sales force	Manufacturing	Owned

Working capital cycle



Forecasts, forecasts, forecasts



What if?

Processing cycle

	Financial Year 1				Financial Year 2										
	Aug	Sept	Qtr3 Oct	Nov	Qtr4 Dec	Jan	Feb	Qtr1 Mar	Apr	May	Qtr2 June	July	Aug	Sept	
Growing and Harvesting			100 t 10 ha 40,000 £ 400 £/t												
			Plant 21,430 £ 214 £/t					Harvest 60 t 11,720 £ 117 £/t							
Initial processing											Mechanical 60 t 1,120 £ 11 £/t				
											Concentration 12,000 l 17,400 £ 174 £/t				
Final processing												Extraction 6.5715 kg 4,073 £ 9,857 £ 41 £/t			
Revenue														131,431	
Cost	0		61,430					11,720			1,120	17,400	13,930		
Cumulative Revenue	0	0	0	0	0	0	0	0	0	0	0	0	131,431	131,431	
Cumulative Cost	0	0	61,430	61,430	61,430	61,430	61,430	73,150	73,150	74,270	91,670	105,600	105,600	105,600	
Cumulative Margin	0	0	-61,430	-61,430	-61,430	-61,430	-61,430	-61,430	-61,430	-73,150	-73,150	-74,270	-91,670	25,830	25,830

Long term forecast

PROFIT & LOSS FORECAST

	Jan 11	Feb 11	Mar 11	Apr 11	May 11	Jun 11	Jul 11	Aug 11	Sep 11	Oct 11	Nov 11	Dec 11	Total
	£	£	£	£	£	£	£	£	£	£	£	£	£
TURNOVER													
Sales revenue	-	46,000	55,000	55,000	90,000	90,000	90,000	90,000	90,000	110,000	110,000	110,000	936,000
Sub-Total	-	46,000	55,000	55,000	90,000	90,000	90,000	90,000	90,000	110,000	110,000	110,000	936,000
Maintenance	-	-	-	2,000	2,750	3,500	4,250	5,250	5,750	6,750	7,500	8,000	45,750
Sub-Total	-	-	-	2,000	2,750	3,500	4,250	5,250	5,750	6,750	7,500	8,000	45,750
	-	46,000	55,000	57,000	92,750	93,500	94,250	95,250	95,750	116,750	117,500	118,000	981,750
DIRECT COSTS													
Direct salaries	2,643	3,760	3,760	9,875	15,252	15,252	17,729	20,958	23,435	23,435	23,435	25,912	185,446
Direct salaries - support	15,914	22,090	22,090	57,818	57,818	60,859	60,859	60,859	60,859	60,859	60,859	60,859	601,743
Other direct staff costs													
Pension contributions	-	-	-	4,570	4,936	5,142	5,311	5,529	5,698	5,698	5,698	5,867	48,449
BUPA	240	240	240	765	855	900	945	990	1,035	1,035	1,035	1,080	9,360
Life assurance	150	150	150	425	475	500	525	550	575	575	575	600	5,250
Sub-Total	390	390	390	5,760	6,266	6,542	6,781	7,069	7,308	7,308	7,308	7,547	63,059
	18,947	26,240	26,240	73,453	79,336	82,653	85,369	88,886	91,602	91,602	91,602	94,318	850,248
GROSS PROFIT C/F	(18,947)	19,760	28,760	(16,453)	13,414	10,847	8,881	6,364	4,148	25,148	25,898	23,682	131,502

Short term forecast

	Mon 31/01/11	Mon 07/02/11	Mon 14/02/11	Mon 21/02/11	Mon 28/02/11	Mon 07/03/11	Mon 14/03/11	Mon 21/03/11	Mon 28/03/11	Mon 04/04/11	Mon 11/04/11	Mon 18/04/11	Total
VAT_Element Total	409	32	2,704	2,004	5,544	162	272	0	4,343	1,336	154	54	17,014
Growing Total	0	0	0	0	0	0	0	0	33,784	0	0	0	£33,784
Initial Processing Total	253	0	10,570	0	15,752	0	0	0	1,300	436	0	0	£28,311
Final Processing Total	0	0	360	0	0	0	0	0	0	0	0	0	£360
Premises Total	0	0	433	1,934	375	624	237	1,431	2,000	318	764	879	£8,995
Travel & Subsistence Total	1,394	0	10	0	1,369	0	0	0	1,000	0	0	0	£3,773
Premises Total	0	0	0	0	0	0	0	0	0	0	0	0	£0
Office Costs Total	284	0	114	659	234	20	199	0	234	0	199	0	£1,943
Legal & Finance Total	583	3	1,806	0	12,668	0	1,806	0	583	6,500	1,806	0	£25,755
Staffing Total	0	0	7,279	0	17,129	0	8,501	0	17,129	0	0	8,501	£58,539
Research & Development Total	3,113	1,372	558	9,026	0	0	0	1,780	15,304	0	0	0	£31,152
Consultancy Total	2,125	0	235	0	0	0	235	0	0	0	0	235	£2,830
Training Total	0	0	0	1,615	0	0	0	0	0	0	0	0	£1,615
Marketing Total	0	0	0	0	0	0	0	0	0	0	0	0	£0
CAPEX Total	295	160	3,260	803	161	168	890	0	0	0	0	0	£5,738
Grand Total	8,455	1,567	27,329	16,041	53,232	974	12,140	3,211	75,678	8,590	2,923	9,669	£219,809
Income Total	6.55	0	0	0	17083	0	0	0	0	0	0	0	
Expenditure Total	£8,455	£1,567	£27,329	£16,041	£53,232	£974	£12,140	£3,211	£75,678	£8,590	£2,923	£9,669	
Net Movement	-£8,449	-£1,567	-£27,329	-£16,041	-£36,149	-£974	-£12,140	-£3,211	-£75,678	-£8,590	-£2,923	-£9,669	
Bf	£149,589	£148,877	£148,577	£121,248	£105,207	£69,058	£68,083	£55,943	£52,732	-£22,946	-£31,536	-£34,458	
CF	£141,140	£147,310	£121,248	£105,207	£69,058	£68,083	£55,943	£52,732	-£22,946	-£31,536	-£34,458	-£44,128	

Sources of cash



Sources of cash

- ❖ Customers
- ❖ Suppliers
- ❖ Grants
- ❖ R&D tax credits
- ❖ Debt
 - ❖ Fixed assets
 - ❖ Debtors
 - ❖ Stock
 - ❖ Overdraft
- ❖ Equity

Managing cash



Chasing debtors

- ❖ Negotiate terms
- ❖ Know their systems
 - ❖ Approval levels
 - ❖ Payment dates
- ❖ Call early, call often
- ❖ Be persistent, be polite
- ❖ Discounts?
- ❖ Legals?

Managing suppliers

❖ Certainty

- ❖ Electronic banking
- ❖ Invoice discounting

❖ Forecast

❖ Know your business

- ❖ Critical
- ❖ Flexible

❖ Be systematic

- ❖ Payments
- ❖ Roles

❖ Keep your promises

❖ Tactics

Health warning



Managing Cashflow in an Early Stage Business

- ❖ How much do you need?
- ❖ Forecasts, forecasts, forecasts
- ❖ Sources of cash
- ❖ Managing cashflow

Questions?

John Jenkins

07771 712188

trewen@gmail.com