



# CASHFLOWSTORY

**Williams Plumbing 2018**

**Prepared for Williams Plumbing  
05 December 2018**

# Data

## Reporting Period

Period End	30-06-2015	30-06-2016	30-06-2017	30-06-2018
Period Length (months)	12	12	12	12

## Profit & Loss

Revenue	18,000,000	31,500,000	35,000,000	42,000,000
Gross Margin (\$)	4,800,000	9,100,000	10,500,000	13,020,000
Operating Profit	1,500,000	2,560,000	3,750,010	4,620,000
Net Profit (After Tax)	900,000	1,154,560	1,652,680	2,083,022

## Other Information

Depreciation & Amortisation	0	0	0	0
Interest Paid	580,000	756,000	1,165,900	1,363,480
Extraordinary Income/Expenses	0	0	0	0
Distributions/Dividends	0	0	0	0

## Balance Sheet

### Assets

Total Assets	14,700,000	20,899,500	25,549,290	32,421,644
Cash	700,000	0	0	0
Accounts Receivable	4,100,000	4,315,060	6,712,330	8,630,137
Inventory	6,200,000	9,084,440	10,336,960	14,291,507
Total Current Assets	10,200,000	13,399,500	17,049,290	22,921,644
Fixed Assets	4,500,000	7,500,000	8,500,000	9,500,000

### Liabilities

Total Liabilities	12,000,000	15,051,180	18,048,290	22,837,621
Accounts Payable	4,000,000	4,290,000	4,028,550	5,557,808
Total Current Liabilities	7,000,000	6,051,180	9,048,290	12,837,621

### Funding

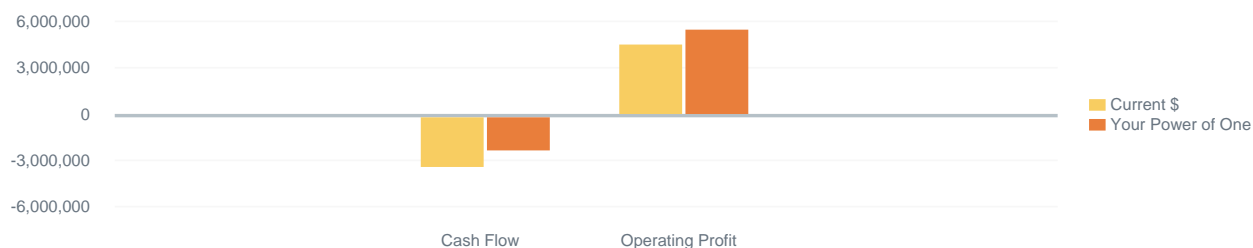
Bank Loans - Current	1,200,000	1,761,180	5,019,740	7,279,813
Bank Loans - Non Current	4,000,000	9,000,000	9,000,000	10,000,000

# Power of One

## Your Power of One

		Net Cash Flow	Operating Profit
Your Current Position		-3,260,073	4,620,000
<b>Your Power of One</b>			
		Impact on Cash Flow	Impact on Operating Profit
Price Increase %	1 %	333,699	420,000
Volume Increase %	1 %	-43,438	130,200
COGS Reduction %	1 %	377,137	289,800
Overheads Reduction %	1 %	84,000	84,000
Reduction in Accounts Receivable Days	1 days	115,068	
Reduction in Inventory Days	1 days	79,397	
Increase in Accounts Payable Days	1 days	79,397	
<b>Your Power of One Impact</b>		<b>1,025,260</b>	<b>924,000</b>
<b>Your Adjusted Position</b>			
		Net Cash Flow	Operating Profit
Your Adjusted Position		-2,234,813	5,544,000

## Your Power of One Impact



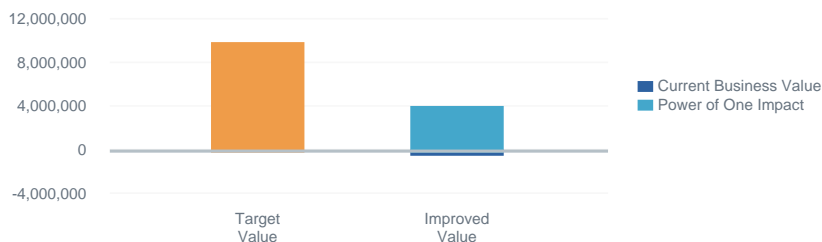
# Business Value Indicator

## Your Business Value

<b>Parameters</b>			
Targeted Business Value	10,000,000		
Profit Multiple	4 +/- 1		
Weighted Average EBITDA			
Adjustment			
Adjusted EBITDA	4,240,002		
<b>Your Current Business Value Indicator</b>		<b>- 1</b>	<b>+ 1</b>
<b>Profit Multiple</b>	<b>4.00</b>	<b>3.00</b>	<b>5.00</b>
Gross Business Value	16,960,008	12,720,006	21,200,010
Total Debt	17,279,813	17,279,813	17,279,813
<b>Your Current Business Value</b>	<b>-319,805</b>	<b>-4,559,807</b>	<b>3,920,197</b>
<b>Your Power Of One Value Impact</b>			
<b>Profit Multiple</b>	<b>4.00</b>	<b>3.00</b>	<b>5.00</b>
Price Increase (1%)	1,680,000	1,260,000	2,100,000
Volume Increase (1%)	520,800	390,600	651,000
COGS Reduction (1%)	1,159,200	869,400	1,449,000
Overheads Reduction (1%)	336,000	252,000	420,000
<b>Profit Impact on Valuation</b>	<b>3,696,000</b>	<b>2,772,000</b>	<b>4,620,000</b>
Reduction in Accounts Receivable Days (1d)	115,068	115,068	115,068
Reduction in Inventory Days (1d)	79,397	79,397	79,397
Increase in Accounts Payable Days (1d)	79,397	79,397	79,397
<b>Cash Impact on Valuation</b>	<b>273,862</b>	<b>273,862</b>	<b>273,862</b>
<b>Your Power of One Impact</b>	<b>3,969,862</b>	<b>3,045,862</b>	<b>4,893,862</b>
<b>Your Improved Business Value</b>	<b>3,650,057</b>	<b>-1,513,945</b>	<b>8,814,059</b>

**Your Improved Value Indicator**

<b>Profit Multiple</b>	<b>4.00</b>	<b>3.00</b>	<b>5.00</b>
Your Current Business Value	-319,805	-4,559,807	3,920,197
Your Power of One Impact	3,969,862	3,045,862	4,893,862
<b>Your Improved Business Value</b>	<b>3,650,057</b>	<b>-1,513,945</b>	<b>8,814,059</b>



**Your Targeted Business Value**

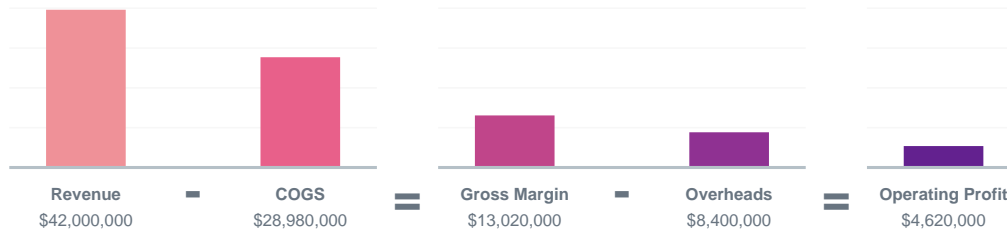
<b>Profit Multiple</b>	<b>4.00</b>	<b>3.00</b>	<b>5.00</b>
Targeted Business Value	10,000,000	10,000,000	10,000,000
Your Current Business Value	-319,805	-4,559,807	3,920,197
<b>Current Value Gap</b>	<b>-10,319,805</b>	<b>-14,559,807</b>	<b>-6,079,803</b>

**Your Improved Business Value**

<b>Profit Multiple</b>	<b>4.00</b>	<b>3.00</b>	<b>5.00</b>
Targeted Business Value	10,000,000	10,000,000	10,000,000
Improved Business Value	3,650,057	-1,513,945	8,814,059
<b>Improved Value Gap</b>	<b>-6,349,943</b>	<b>-11,513,945</b>	<b>-1,185,941</b>

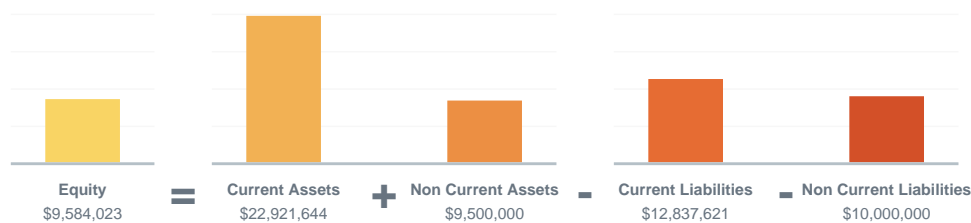
# Summary

## Your Profit Story



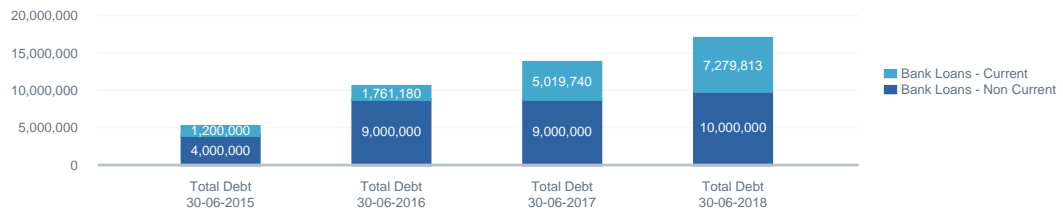
	Current Period	Movement
Revenue	42,000,000	+7,000,000
Gross Margin %	31.00	+1.00
Operating Profit %	11.00	+0.29
Net Profit %	4.96	+0.24

## Your Balance Sheet Story



	Current Period	Movement
Accounts Receivable Days	75.00	+5.00
Inventory Days	180.00	+26.00
Accounts Payable Days	70.00	+9.98
Working Capital Days	185.00	+21.02

## Your Cash Flow Story



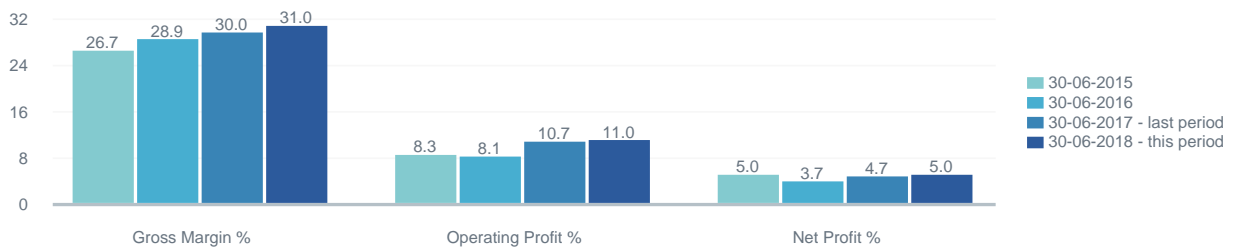
	Current Period	Movement
<b>Cash</b>	0	0
<b>Bank Loans - Current</b>	7,279,813	+2,260,073
<b>Bank Loans - Non Current</b>	10,000,000	+1,000,000
<b>Net Cash Flow</b>	-3,260,073	N/A

# Chapter 1

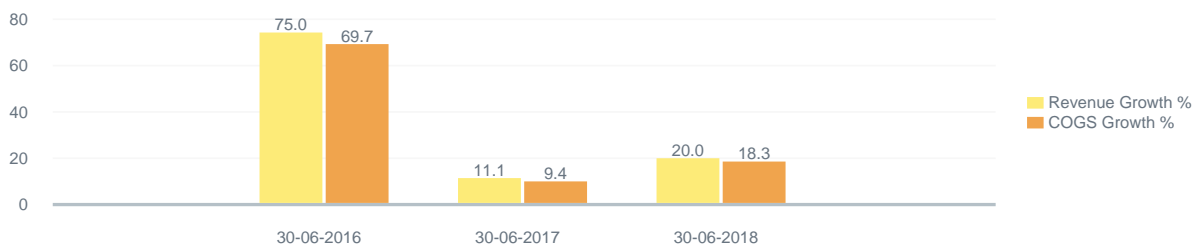
## Profitability

Revenue	Gross Margin	Operating Profit	Retained Profit
<b>42,000,000</b>	<b>13,020,000</b>	<b>4,620,000</b>	<b>2,083,022</b>
up by 7,000,000	up by 2,520,000	up by 869,990	up by 430,342

## Profitability Trends

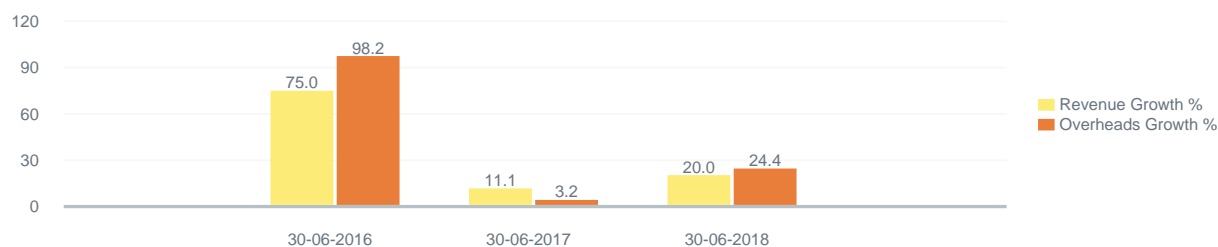


## Revenue Growth vs COGS Growth





## Revenue Growth vs Overheads Growth



## Profitability Ratios

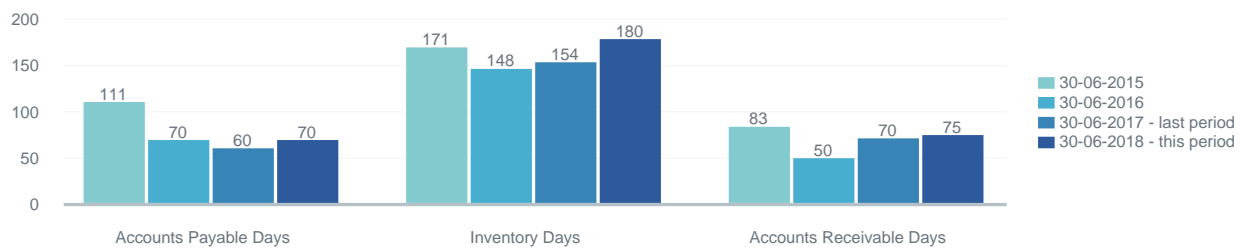
Chapter 1 - Profitability	30-06-2017 12 months	30-06-2018 12 months	Movement
Revenue	35,000,000	42,000,000	7,000,000
Revenue Growth %	11.11	20.00	8.89
Gross Margin	10,500,000	13,020,000	2,520,000
Gross Margin %	30.00	31.00	1.00
Overheads	6,749,990	8,400,000	1,650,010
Overheads %	19.29	20.00	0.71
Operating Profit	3,750,010	4,620,000	869,990
Operating Profit %	10.71	11.00	0.29
EBITDA	3,750,010	4,620,000	869,990
Net Profit	1,652,680	2,083,022	430,342
Net Profit %	4.72	4.96	0.24
Retained Profit	1,652,680	2,083,022	430,342
Interest Cover	3.22	3.39	0.17

# Chapter 2

## Working Capital

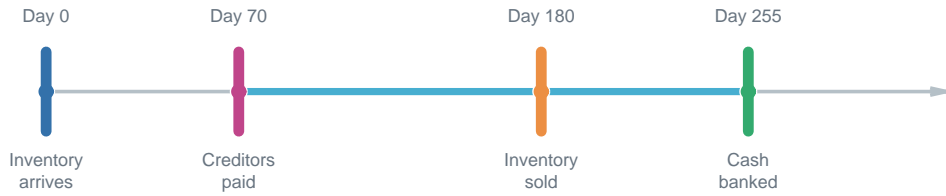
Accounts Receivable	Inventory	Accounts Payable	Working Capital
<b>8,630,137</b>	<b>14,291,507</b>	<b>5,557,808</b>	<b>17,363,836</b>
up by 1,917,807	up by 3,954,547	up by 1,529,258	up by 4,343,096

## Working Capital Trends



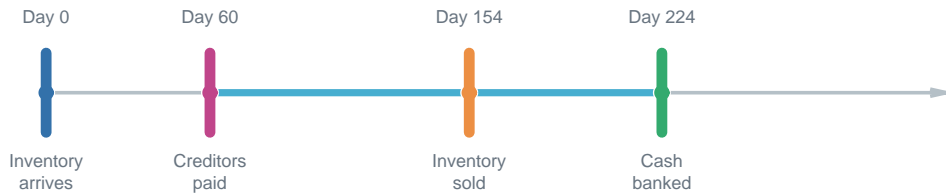
## Working Capital Timeline

### This Period



**185**  
Working Capital Days

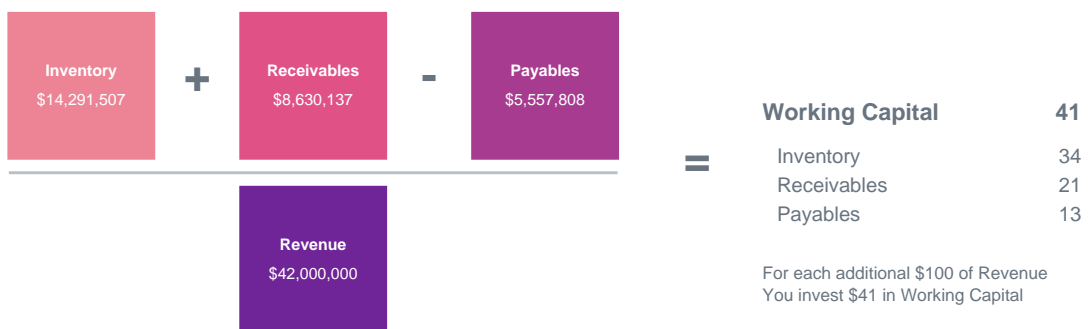
### Last Period



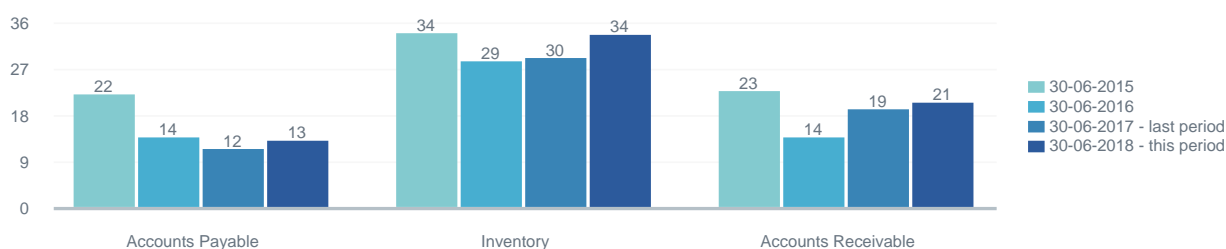
**-1,847,092**  
Cash Impact

**164**  
Working Capital Days

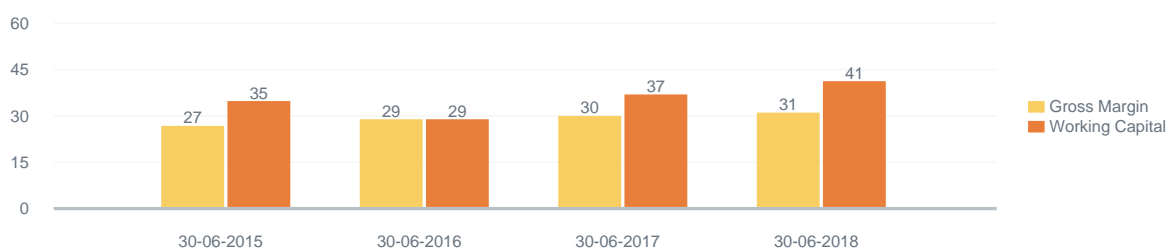
## Working Capital per \$100



## Investment in Working Capital per \$100



## Gross Margin vs Working Capital per \$100



## Working Capital Ratios

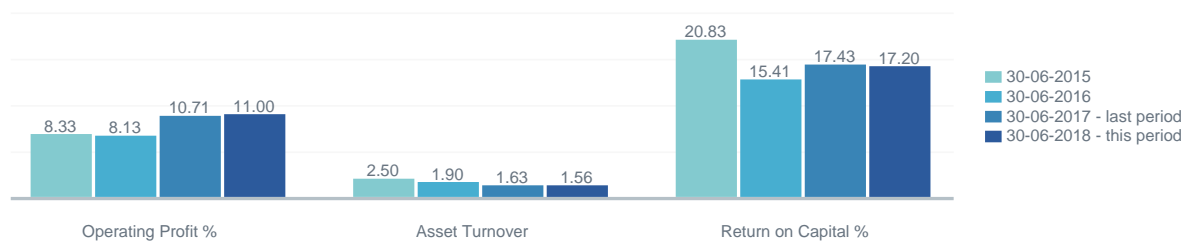
Chapter 2 - Working Capital	30-06-2017 12 months	30-06-2018 12 months	Movement
Accounts Receivable Days	70.00	75.00	5.00
Inventory Days	154.00	180.00	26.00
Accounts Payable Days	60.02	70.00	9.98
Working Capital Days	163.98	185.00	21.02
Working Capital	13,020,740	17,363,836	4,343,096
Working Capital per \$100	37.20	41.34	4.14
Working Capital Turnover	2.69	2.42	-0.27
Marginal Cash Flow	-7.20	-10.34	-3.14
Current Ratio	1.88	1.79	-0.10

# Chapter 3

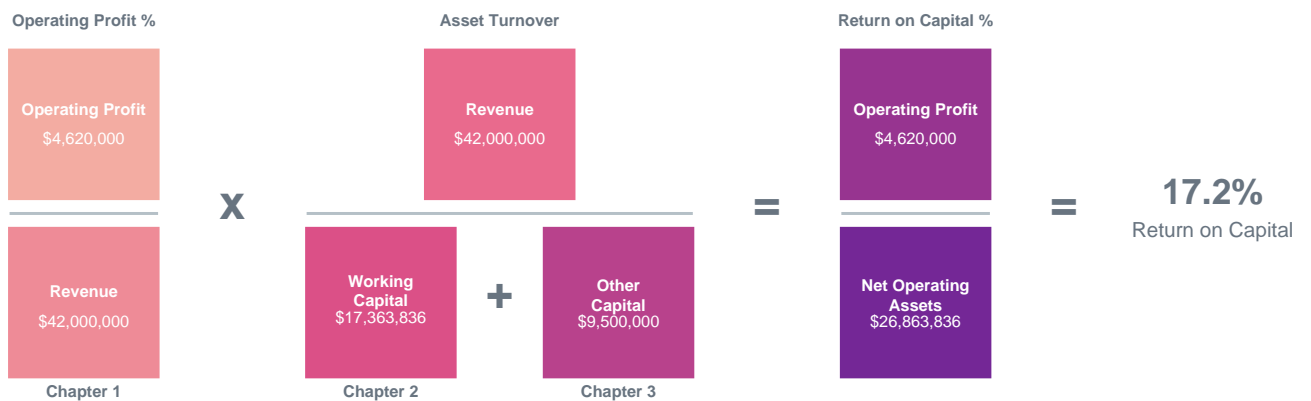
## Other Capital

Fixed Assets	Other Assets	Other Liabilities	Other Capital
<b>9,500,000</b>	<b>0</b>	<b>0</b>	<b>9,500,000</b>
up by 1,000,000	-	-	up by 1,000,000

## Return on Capital Trends



## Return on Capital %



## Other Capital Ratios

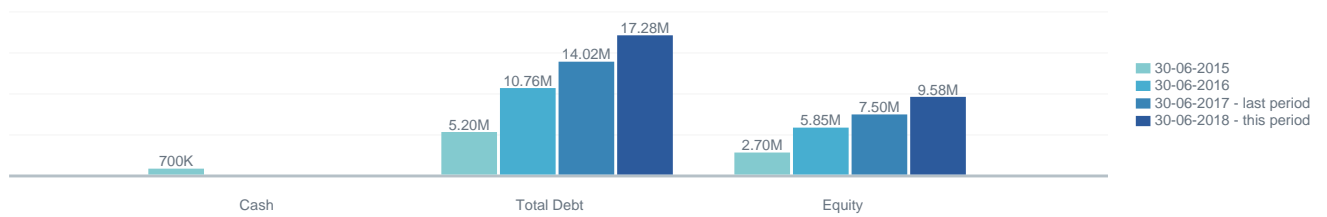
<b>Chapter 3 - Other Capital</b>	<b>30-06-2017 12 months</b>	<b>30-06-2018 12 months</b>	<b>Movement</b>
Other Capital	8,500,000	9,500,000	1,000,000
Other Capital %	24.29%	22.62%	-1.67
Other Capital Turnover	4.12	4.42	0.30
Net Operating Assets	61	64	5,343,096
Net Operating Assets %	61.49%	63.96%	2.47
Asset Turnover	1.63	1.56	-0.06
Return on Capital %	17.43%	17.20%	-0.23
Return on Total Assets %	14.68%	14.25%	-0.43
Return on Equity %	22.03%	21.73%	-0.30

# Chapter 4

## Funding

Cash	Total Debt	Equity	Total Funding
<b>0</b>	<b>17,279,813</b>	<b>9,584,023</b>	<b>26,863,836</b>
-	up by 3,260,073	up by 2,083,023	up by 5,343,096

## Funding Trends

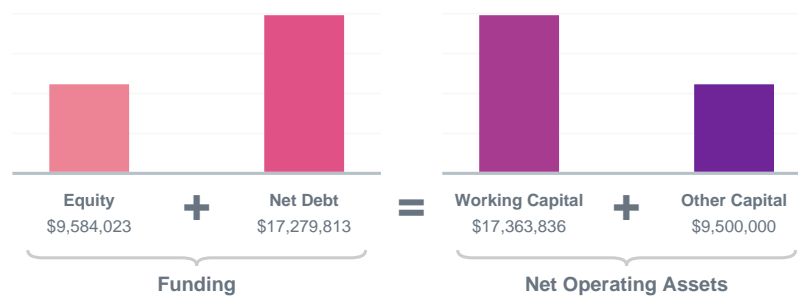


## Your Funding

		+ Cash Flow	- Cash Flow
<b>Chapter 1</b>	Profit	2,083,022	
<b>Chapter 2</b>	Working Capital Invested		4,343,096
<b>Chapter 3</b>	Other Capital Invested		1,000,000
	<b>Total</b>	<b>2,083,022</b>	<b>5,343,096</b>
	Shortfall		3,260,074
	Capital Introduced	1	

Your business requires \$ 3,260,073 of borrowings to fund the shortfall

## Your Equation

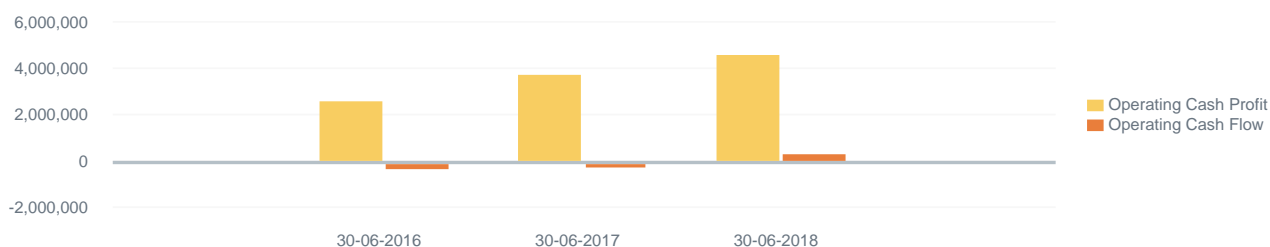




## Profit vs Cash Flow

Profit		Cash Flow		Variance
Revenue	42,000,000	Cash from Customers	40,082,193	-1,917,807
COGS	28,980,000	Cash to Suppliers	31,405,289	-2,425,289
<b>Gross Margin</b>	<b>13,020,000</b>	<b>Gross Cash Profit</b>	<b>8,676,904</b>	<b>-4,343,096</b>
Overheads excl Depreciation	8,400,000	Overheads excl Depreciation	8,400,000	-
<b>Operating Cash Profit</b>	<b>4,620,000</b>	<b>Operating Cash Flow</b>	<b>276,904</b>	<b>-4,343,096</b>
<b>Other Cash Outflow</b>				
Interest Paid	-1,363,480	Interest Paid	-1,363,480	
Tax Paid	-1,173,498	Tax Paid	-1,173,498	
Extraordinary Income	0	Extraordinary Income	0	
Distributions/Dividends Paid	0	Distributions/Dividends Paid	0	
Depreciation & Amortisation	0	Fixed Assets Acquired	-1,000,000	
		Other Net Assets Increased	0	
		Capital Introduced	+1	
<b>Retained Profit</b>	<b>2,083,022</b>	<b>Net Cash Flow</b>	<b>-3,260,073</b>	

## Operating Cash Profit vs Operating Cash Flow



## Funding Ratios

<b>Chapter 4 - Funding</b>	<b>30-06-2017 12 months</b>	<b>30-06-2018 12 months</b>	<b>Movement</b>
Marginal Cash Flow	-7.20	-10.34	-3.14
Operating Cash Flow	-161,230	276,904	438,134
Operating Cash Profit	3,750,010	4,620,000	869,990
Net Cash Flow	-3,258,560	-3,260,073	-1,513
Net Debt	14,019,740	17,279,813	3,260,073
Debt to Equity	1.87	1.80	-0.07
Debt to Capital	0.65	0.64	-0.01
Interest Cover	3.22	3.39	0.17
Debt Payback	3.74	3.74	0.00

# Sustainable Growth

## Your Sustainable Growth

If you increase your Revenue by + \$ 100

Less COGS of - \$ 69.00

Your Gross Margin will be = \$ 31.00

Less Overheads of - \$ 20.00

Your Operating Profit will be = \$ 11.00

	<u>Less</u>
Extraordinary Income/Expenses	\$ 0.00
Interest Paid	\$ 3.25
Tax Paid	\$ 2.79
Dividends Paid	\$ 0.00

Your Retained Profit will be = \$ 4.96

Your investment in Accounts Receivable will be + \$ 20.55

Your investment in Inventory will be + \$ 34.03

Provided by Accounts Payable of - \$ 13.23

You will require Working Capital of = \$ 41.34

Your Debt to Equity ratio is **1.80:1**  
You can borrow \$ **1.80** for each \$ **1** of Retained Profit

Your capacity to borrow will be = \$ 8.93

You will have a shortfall of = \$ 27.45

## Results & Projections

	30-06-2015 12 months	30-06-2016 12 months	30-06-2017 12 months	30-06-2018 12 months
<b>Profit &amp; Loss</b>				
Revenue	18,000,000	31,500,000	35,000,000	42,000,000
Cost of Goods	13,200,000	22,400,000	24,500,000	28,980,000
<b>Gross Margin</b>	<b>4,800,000</b>	<b>9,100,000</b>	<b>10,500,000</b>	<b>13,020,000</b>
Overheads	3,300,000	6,540,000	6,749,990	8,400,000
<b>Operating Profit</b>	<b>1,500,000</b>	<b>2,560,000</b>	<b>3,750,010</b>	<b>4,620,000</b>
Extraordinary Income/Expenses	0	0	0	0
Interest Paid	580,000	756,000	1,165,900	1,363,480
<b>Net Profit Before Tax</b>	<b>920,000</b>	<b>1,804,000</b>	<b>2,584,110</b>	<b>3,256,520</b>
Tax Paid	20,000	649,440	931,430	1,173,498
<b>Net Profit</b>	<b>900,000</b>	<b>1,154,560</b>	<b>1,652,680</b>	<b>2,083,022</b>
Dividends Paid	0	0	0	0
<b>Retained Profit</b>	<b>900,000</b>	<b>1,154,560</b>	<b>1,652,680</b>	<b>2,083,022</b>
<b>Balance Sheet</b>				
Cash	700,000	0	0	0
Accounts Receivable	4,100,000	4,315,060	6,712,330	8,630,137
Inventory	6,200,000	9,084,440	10,336,960	14,291,507
Other Current Assets	-800,000	0	0	0
<b>Current Assets</b>	<b>10,200,000</b>	<b>13,399,500</b>	<b>17,049,290</b>	<b>22,921,644</b>
Fixed Assets	4,500,000	7,500,000	8,500,000	9,500,000
Other Non Current Assets	0	0	0	0
<b>Non Current Assets</b>	<b>4,500,000</b>	<b>7,500,000</b>	<b>8,500,000</b>	<b>9,500,000</b>
<b>Total Assets</b>	<b>14,700,000</b>	<b>20,899,500</b>	<b>25,549,290</b>	<b>32,421,644</b>
Accounts Payable	4,000,000	4,290,000	4,028,550	5,557,808
Bank Loans - Current	1,200,000	1,761,180	5,019,740	7,279,813
Other Current Liabilities	1,800,000	0	0	0
<b>Current Liabilities</b>	<b>7,000,000</b>	<b>6,051,180</b>	<b>9,048,290</b>	<b>12,837,621</b>
Bank Loans - Non Current	4,000,000	9,000,000	9,000,000	10,000,000
Other Non Current Liabilities	1,000,000	0	0	0
<b>Non Current Liabilities</b>	<b>5,000,000</b>	<b>9,000,000</b>	<b>9,000,000</b>	<b>10,000,000</b>
<b>Total Liabilities</b>	<b>12,000,000</b>	<b>15,051,180</b>	<b>18,048,290</b>	<b>22,837,621</b>
<b>Equity</b>	<b>2,700,000</b>	<b>5,848,320</b>	<b>7,501,000</b>	<b>9,584,023</b>

	30-06-2015 12 months	30-06-2016 12 months	30-06-2017 12 months	30-06-2018 12 months
<b>Chapter 1 - Profitability</b>				
Revenue	18,000,000	31,500,000	35,000,000	42,000,000
Revenue Growth %	N/A	75.00	11.11	20.00
Gross Margin	4,800,000	9,100,000	10,500,000	13,020,000
Gross Margin %	26.67	28.89	30.00	31.00
Overheads	3,300,000	6,540,000	6,749,990	8,400,000
Overheads %	18.33	20.76	19.29	20.00
Operating Profit	1,500,000	2,560,000	3,750,010	4,620,000
Operating Profit %	8.33	8.13	10.71	11.00
EBITDA	1,500,000	2,560,000	3,750,010	4,620,000
Net Profit	900,000	1,154,560	1,652,680	2,083,022
Net Profit %	5.00	3.67	4.72	4.96
Retained Profit	900,000	1,154,560	1,652,680	2,083,022
Interest Cover	2.59	3.39	3.22	3.39
<b>Chapter 2 - Working Capital</b>				
Accounts Receivable Days	83.14	50.00	70.00	75.00
Inventory Days	171.44	148.03	154.00	180.00
Accounts Payable Days	110.61	69.90	60.02	70.00
Working Capital Days	143.97	128.12	163.98	185.00
Working Capital	6,300,000	9,109,500	13,020,740	17,363,836
Working Capital per \$100	35.00	28.92	37.20	41.34
Working Capital Turnover	2.86	3.46	2.69	2.42
Marginal Cash Flow	-8.33	-0.03	-7.20	-10.34
Current Ratio	1.46	2.21	1.88	1.79
<b>Chapter 3 - Other Capital</b>				
Other Capital	900,000	7,500,000	8,500,000	9,500,000
Other Capital %	5.00%	23.81%	24.29%	22.62%
Other Capital Turnover	20.00	4.20	4.12	4.42
Net Operating Assets	7,200,000	16,609,500	21,520,740	26,863,836
Net Operating Assets %	40.00%	52.73%	61.49%	63.96%
Asset Turnover	2.50	1.90	1.63	1.56
Return on Capital %	20.83%	15.41%	17.43%	17.20%
Return on Total Assets %	10.20%	12.25%	14.68%	14.25%
Return on Equity %	33.33%	19.74%	22.03%	21.73%

<b>Chapter 4 - Funding</b>	<b>30-06-2015 12 months</b>	<b>30-06-2016 12 months</b>	<b>30-06-2017 12 months</b>	<b>30-06-2018 12 months</b>
Marginal Cash Flow	-8.33	-0.03	-7.20	-10.34
Operating Cash Flow	N/A	-249,500	-161,230	276,904
Operating Cash Profit	1,500,000	2,560,000	3,750,010	4,620,000
Net Cash Flow	N/A	-6,261,180	-3,258,560	-3,260,073
Net Debt	4,500,000	10,761,180	14,019,740	17,279,813
Debt to Equity	1.93	1.84	1.87	1.80
Debt to Capital	0.66	0.65	0.65	0.64
Interest Cover	2.59	3.39	3.22	3.39
Debt Payback	3.00	4.20	3.74	3.74