

Time to take control

During such times of uncertainty where government regulatory changes are coming in thick and fast, some builders put their heads in the sand and hope for the best or give up. Chocolate Money see these times as an opportunity to step-up, lift their game and control the things they can influence.

Chocolate Money can provide you with finance and lending options available to establish a business safety net help with your cash-flow challenges, which are almost certain to affect you, and even 'cash up' to take advantage of any opportunities.

Some of the areas we cover in this article are:

- Industry Expertise
- Income
- Expenses
- Opportunities & threats
- Phases of recovery
- Future direction of the business

Industry expertise

Your Chocolate Money broker is well informed and considered an industry expert in finance. They have a keen understanding of the federal and state benefits available and how these relate to you, your business and your clients. At the very least, they will be able to liaise with your accountant who should also be able nominate support packages available to you.

When discussing your business' specific situation, the finance broker will be able to benchmark how you are tracking as well as how banks and other lenders perceive the risks to your industry. Discussing these realities will assist in making decisions for your business while considering the bigger picture.

For the building industry, the changes put in place now may point towards a new normal beyond the pandemic and it is important to understand how your clients –be they consumers or developers-are planning for the future.

Income of the business

Building-related business owners should discuss the income and revenue forecast of the company. Special attention should be paid to the impact of COVID-19 and industry changes to assess whether any interruptions, delays or increases are likely in the short, medium or long term. A discussion around income should cover how and when customers normally pay as well as whether COVID-19 has affected this. It should also look at when they forecast normal trade conditions to start again.

Most banks and lenders are asking for cashflow forecasts, so having these already in place for each project as well as for your business as a whole is imperative to your financial wellbeing. Your broker should be able to talk you through alternate methods of doing this if you don't already have software packages that do this for you.

Should you be thinking about applying for a loan, this information is critical to a bank's assessment, so doing this in conjunction with your broker first will put your application in a stronger position.

The conversation about income should also include whether their debtor collections are well-controlled and whether they have sought any government or other financial assistance due to COVID-19.

Expenses of the business

Discussions about expenses or outgoings should look at payment cycles, outstanding payments and creditor payments and assess how up to date the business is. Another big thing to discuss is supply; many businesses currently feeling the pinch when it comes to the impact of COVID-19 on supply chains with materials looking to be sourced locally rather than overseas but having to pay more for materials quoted pre-COVID-19, eroding the profitability of jobs.

If the business is slowing down or looking likely to slow down, having to recalibrate the fixed overheads of the business to accommodate the lower revenue stream or the smaller profit margins is imperative. A good finance broker will be able to help you identify break-even points in your business and discuss ways to minimise operating costs and expenses.

Opportunity and threats

Identifying threats to your business by analysing the situation of your target market is critical at this stage. Some market segments will have a full recovery once COVID-19 is controlled while other segments may take years to recover. Understanding these threats will help you translate the opportunities and threats to your own business.

Being able to pivot towards target markets which should do well in this environment will set your business up for success in the short and longer term.

Laying the groundwork sooner rather than later will help you beat the potential competition which may come to the same realisation.

With some businesses thriving in the current environment, the impacts of COVID-19 have not been negative for everyone. In Victoria, the government has touted a 'construction-led recovery' but this does not flow into each construction segment. Identifying the segments which will do well and avoiding the ones which will struggle is the first step to having a solid 2020/21.

Analysing whether you should close, reduce, or expand the business will help dictate whether there is a need for capital or cash-flow injection to help with the change. This may also be a great opportunity to investigate potential acquisition bargains – either of competitors, residential and commercial properties, or potential projects.

Phases of recovery

Discussing with your broker a short, medium and long-term horizon of recovery and what that may look like regarding financial needs is essential. This discussion should plan for operating during the pandemic or a possible resurgence, planning for the recovery and the pace of change and how gradual change may impact the business' resourcing needs, the attrition or recruitment of staff as well as the impact on revenue, income, costs and profitability.

Reviewing the financial alternatives to achieve the business objectives may also be required in case there are lending requirements in the future so setting up the business to have strong revenue flows and reducing costs to maximise profits may also be essential.

Future direction of the business

This involves understanding the plans and the aspirations of the business and whether they are sustainable. A conversation around this should look at possible growth, changes in direction, the reasons for these changes and whether there are clear corporate objectives for the business.

Contact Harry Pontikis, the Director of Chocolate Money harry@chocolatemoney.com.au and ask for a free one-on-one strategy session to plan for your business' success or ask for specific lending and credit advice by calling 1300 137 539.
