

Client Discussion Model

So What?

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1. OVERVIEW AND CONTENTS

The Client Discussion Model has been designed to enable quick and easy preparation for client meetings, helping to identify the focus areas that will be discussed with the client, and quickly generating a document to use/present as part of the discussion.

As with all VFD Pro reports, your logo will be presented on the title page, wherever you see a dark green box or element on a chart, this will be replaced by your primary branding colour and wherever you see a light green box or element on a chart, this will be replaced by your secondary branding colour.

The Discussion Document can consist of up to 19 pages (Title Page, Contents Page, 16 pages of analysis and a Disclaimer Page) but will vary in size based on what is included; we recommend focussing on a few key areas for discussion to avoid overloading the client with information, and to keep the discussion on track.

2. THE 'SUMMARY' TAB

Note: If an error appears relating to Macros being disabled, please [click here](#) to see how to rectify it.

When you first open the model, this will be the only tab shown.

The purpose of this tab is to identify which areas should be discussed with the client. Here all the KPI's and indicators that are assessed are summarised to highlight areas of risk and opportunity. The predicted impact over the next 12 months for each of these is displayed based on the performance over the Last 3 Months, the Last 6 Months, and the Last 12 Months.

PROFITABILITY ANALYSIS	Last 3 Months	Last 6 Months	Last 12 Months	Discuss?	Basis	Create Discussion Document
Revenue Performance	25k opportunity	(13k) risk	(1k) risk	Yes	Last 12 Months	
Transactions / Average Transaction Value				Yes	Last 12 Months	
Transactions	(48k) risk	(27k) risk	19k opportunity			
Average Transaction Value	84k opportunity	15k opportunity	(18k) risk			
Invoices / Average Invoice Value				Yes	Last 12 Months	
Invoices	(38k) risk	(46k) risk	(19k) risk			
Ave Invoice Value	70k opportunity	37k opportunity	19k opportunity			

To ensure that the client is not overloaded with information it is recommended that only a few items be selected for each client interaction.

Discuss?	Basis
Yes	Last 12 Months
Yes	Last 12 Months

Next to each item there are columns for 'Discuss?' and 'Basis'. If an item should be included in the Discussion Document, then 'Yes' should be selected from the dropdown under 'Discuss', and if not then 'No' should be selected. You will be provided with a suggestion but can change if you wish.

The basis column can then be used to select whether that item should be presented based on the performance over the Last 3 Months, Last 6 Months, or Last 12 Months. We recommend using 12 months for all 'Year End' review meetings.

2.1. Profitability Analysis

PROFITABILITY ANALYSIS	Last 3 Months	Last 6 Months	Last 12 Months	Discuss?	Basis	Create Discussion Document
Revenue Performance	25k opportunity	(13k) risk	(1k) risk	Yes	Last 12 Months	
Transactions / Average Transaction Value				Yes	Last 12 Months	
Transactions	(48k) risk	(27k) risk	19k opportunity			
Average Transaction Value	84k opportunity	15k opportunity	(18k) risk			
Invoices / Average Invoice Value				Yes	Last 12 Months	
Invoices	(38k) risk	(46k) risk	(19k) risk			
Ave Invoice Value	70k opportunity	37k opportunity	19k opportunity			

This section displays details relating to the impact on a company’s profit should existing trends continue

2.1.1. Revenue Performance

This shows the profit impact on the business if the total revenue were to continue as it has over the Last 3 Months, Last 6 Months, and Last 12 Months.

This will typically only be used for businesses that do not generate invoices through an accounting system such as Xero. i.e., if information is instead added via manual journal, or EPOS system etc.

2.1.2. Transactions/Average Transaction Value

A transaction refers to an item/line on an invoice, so an invoice consisting of 5 items would be treated as 5 transactions. The transaction analysis consists of

- Transactions – Shows the impact on profit if the number of transactions were to continue as it has over the Last 3 Months, Last 6 Months, and Last 12 Months
- Average Transaction Value – Shows the impact on profit if the Average Transaction Value were to continue as it has over the Last 3 Months, Last 6 Months, and Last 12 Months

2.1.3. Invoice/Average Invoice Value

An invoice refers to an invoice raised, so an invoice consisting of 5 items would be treated as 1 invoice. The Invoice Analysis consists of

- Invoices – Shows the impact on profit if the number of invoices were to continue as it has over the Last 3 Months, Last 6 Months, and Last 12 Months.
- Average Invoice Value – Shows the impact on the business if the Average Invoice Value were to continue as it has over the Last 3 Months, Last 6 Months, and Last 12 Months

2.1.4. Customer Acquisition / Customer Retention

This section analyses the impact on the business caused by customer acquisition and retention. Customers are only analysed on a 12-month basis.

- New Customers - Shows the impact on profit if the number of new customers acquired were to continue as it has over the Last 12 Months.

Note: a new customer is defined as one who has made a purchase in the Last 12 Months, but not in the preceding 12 months,

- New Customer Spend - Shows the impact on profit if the amount spent by new customers were to continue as it has over the Last 12 Months.
- Retention Rate - Shows the impact on profit if the % of customers retained were to continue as it has over the Last 12 Months.
- Retained Customer Spend - Shows the impact on profit if the amount spent by retained customers were to continue as it has over the Last 12 Months.

2.1.5. Operational KPI's

This section analyses the impact on the business caused by operational indicators

- Gross Margin % - Shows the impact on profit if the Gross Margin % were to vary over the next 12 months by the same rate as it has over the Last 3 Months, Last 6 Months, and Last 12 Months.
- Overheads - Shows the impact on profit if Overheads were to vary over the next 12 months by the same rate as it has over the Last 3 Months, Last 6 Months, and Last 12 Months.

2.2. Cash Analysis

This section displays details relating to the company's working capital.

- Debtor Days - Shows the impact on cash if the number of debtor days were to increase or decrease as they have over the Last 3 Months, Last 6 Months, and Last 12 Months.
- Creditor Days - Shows the impact on cash if the number of creditor days were to increase or decrease as they have over the Last 3 Months, Last 6 Months, and Last 12 Months.
- Stock Days - Shows the impact on cash if the number of stock days were to increase or decrease as they have over the Last 3 Months, Last 6 Months, and Last 12 Months.

2.3. Business Risk

This section displays details relating to the specific risks that may be present within a company

- Credit Rating – Identifies a risk if the SIC code linked to the company number relates to a risk sensitive sector and certain credit sensitive KPI's are heading in the wrong direction.
- Utilities Exposure - Identifies a risk if the utilities spend over the last 6 months is roughly the same as the previous two six months periods. This suggests that they have been on the same tariff for some time, and they may be susceptible to a significant increase in tariff when they renew.

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Once the appropriate items have been selected by assigning a 'Yes', click on the 'Create Discussion Document' button to the top right. Three new tabs will then appear.

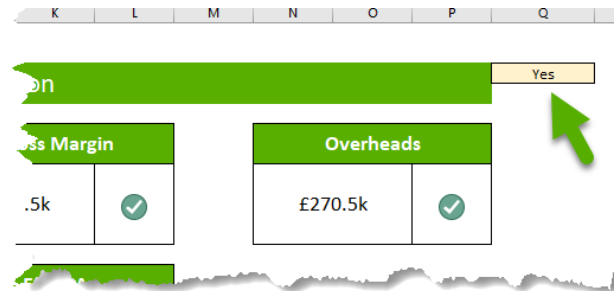
Create Discussion
Document

3. THE 'DISCUSSION DOCUMENT' TAB

The Discussion Document tab will only include items that had 'Yes' selected in the 'Discuss?' column of the Summary tab. This is reflected on the Contents page. On this tab further refinements can be made to what information will be included in the final Discussion Document.

3.1. How to Use the 'Discussion Document' Tab

At the top of each page, to the right of the information, is a Yes/No dropdown. This specifies whether the page should be included in the final discussion document.



A	B	C	D
	Indicative Valuation Range		
Yes	Return on Investment Valuation		
Yes	EBITDA Multiplier		
Yes	Simple Cash Payback		
Yes	Revenue Multiplier Valuation		
Yes	Balance Sheet Valuation		
Yes	Discounted Cashflow Valuation		
Yes	Cash Flow Valuation		

If only parts of a page should be included/omitted this can be specified to the left of the information using the yes/no dropdown. This will be seen next to optional areas.

3.2. Indicative Business Valuation

This page provides analysis of the Indicative Business Valuation. We recommend that this is discussed with the client at least annually, as every business owner will need to exit their business eventually (to learn more about helping a client to plan for exit please [click here](#) for details of our current/next Exit Planning 101 course), however, if this page should not be required in the final client discussion, simply select 'No' from the dropdown.

3.2.1. Boxes at the top

<table border="1"> <thead> <tr><th>Sales</th></tr> </thead> <tbody> <tr><td>£1,001.2k</td><td>✗</td></tr> </tbody> </table>	Sales	£1,001.2k	✗	<table border="1"> <thead> <tr><th>Gross Margin %</th></tr> </thead> <tbody> <tr><td>35.0%</td><td>✓</td></tr> </tbody> </table>	Gross Margin %	35.0%	✓	<table border="1"> <thead> <tr><th>Gross Margin</th></tr> </thead> <tbody> <tr><td>£350.5k</td><td>✓</td></tr> </tbody> </table>	Gross Margin	£350.5k	✓	<table border="1"> <thead> <tr><th>Overheads</th></tr> </thead> <tbody> <tr><td>£270.5k</td><td>✓</td></tr> </tbody> </table>	Overheads	£270.5k	✓
Sales															
£1,001.2k	✗														
Gross Margin %															
35.0%	✓														
Gross Margin															
£350.5k	✓														
Overheads															
£270.5k	✓														
<table border="1"> <thead> <tr><th>Net Profit</th></tr> </thead> <tbody> <tr><td>£79.9k</td><td>✓</td></tr> </tbody> </table>	Net Profit	£79.9k	✓	<table border="1"> <thead> <tr><th>EBITDA Deductions</th></tr> </thead> <tbody> <tr><td>£30.0k</td><td>✓</td></tr> </tbody> </table>	EBITDA Deductions	£30.0k	✓	<table border="1"> <thead> <tr><th>EBITDA</th></tr> </thead> <tbody> <tr><td>£109.9k</td><td>✓</td></tr> </tbody> </table>	EBITDA	£109.9k	✓				
Net Profit															
£79.9k	✓														
EBITDA Deductions															
£30.0k	✓														
EBITDA															
£109.9k	✓														

The boxes at the top of this page show the performance over the past 12 months for Sales, Gross Margin %, Gross Margin, Overheads, Net Profit, EBITDA Deductions, EBITDA

3.2.2. Indicative Valuation Range

Yes	Return on Investment Valuation	20%	£313.9k	
Yes	EBITDA Multiplier	20%	£384.6k	
Yes	Simple Cash Payback	10%	£329.6k	
Yes	Revenue Multiplier Valuation	10%	£330.5k	
Yes	Balance Sheet Valuation	10%	£33.5k	
Yes	Discounted Cashflow Valuation	10%	£381.7k	
Yes	Cash Flow Valuation	20%	£405.5k	

In this section 7 different methods of valuation are listed. For each method a ‘weighting’ can be added as a percentage. These should add up to 100% and the column will turn red if they do not. If a method has a weight of 0% entered the dropdown will automatically change to ‘No’ and the method will not be included in the final discussion document. This can be overridden by manually selecting ‘Yes’ in in the dropdown if required.

The values given for each method come from [The ‘Business Valuation – Current’ Tab](#)

3.2.3. Commentary

The commentary summarises the indicative valuation and range. This is automatically generated but can be edited.

3.3. Profit Movement

This page provides analysis on the profit drivers for the company.

3.3.1. Boxes at the top

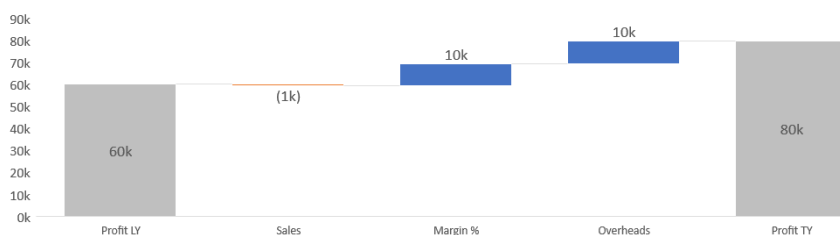
Sales TY £1,001.2k	Sales LY £1,003.0k	Variance (0.2%)
Margin % TY 35.0%	Margin % LY 34.0%	Variance 1.0%
Overheads TY £270.5k	Overheads LY £281.0k	Variance (3.7%)

The boxes at the top of this page show the performance over the past 12 months compared to the preceding 12 months for Sales, Gross Margin % & Overheads.

3.3.2. Commentary

The commentary summarises the impact on profit the movement in each of these KPIs has had. This commentary can be amended if you wish.

3.3.3. Chart

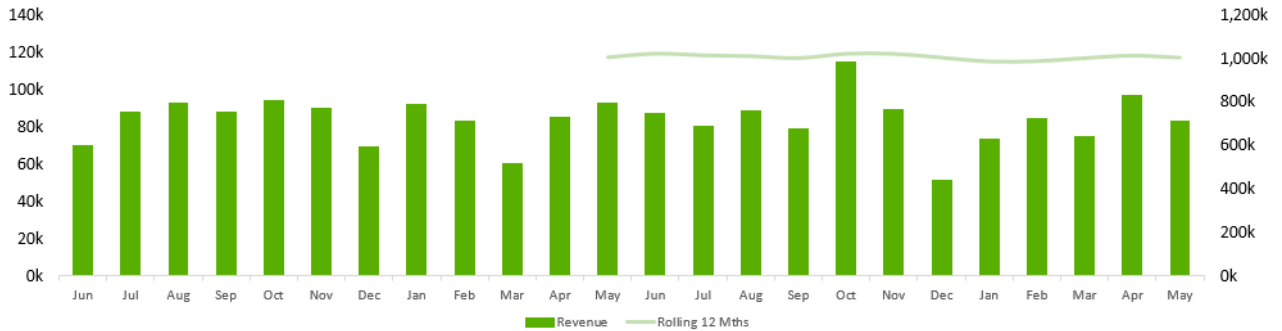


This chart shows Profit Last Year on the left and Profit This Year on the right, with the impact each profit driver has had on the profit movement shown in between.

3.4. Revenue Analysis

This page provides analysis of the movement in revenue over the past 12 months compared to the preceding 12 months. If this page should not be included in the final client discussion, simply select 'No' from the dropdown to the right.

3.4.1. Graph



The columns show the revenue for each month displayed in the Primary branding colour, while the line shows the rolling 12-month average displayed in the secondary branding colour.

3.4.2. Revenue Performance

Revenue Performance			
Last 12 Months	Prior Year	vs Prior Year	vs Prior Year %
1,001,218	1,002,982	(1,764)	(0.2%)

The boxes show the Revenue over the Last 12/6/3 Months (whichever is selected on the 'Summary' tab) and the same period of the year prior to that, then the movement from the Last 12/6/3 Months vs the same period of the prior year as a figure, and finally the movement from the Last 12/6/3 Months vs the same period of the prior year as a percentage.

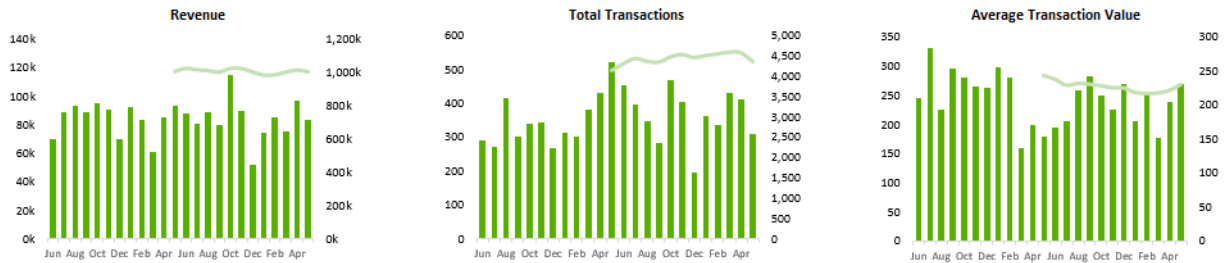
3.4.3. Commentary

The commentary details the impact this will have on the business should this trend continue. This is automatically generated but can be edited.

3.5. Transaction Analysis

A transaction refers to a line on an invoice, so an invoice consisting of 5 items would be treated as 5 transactions

3.5.1. Graphs



Three graphs are presented: Revenue, Total Transactions and Average Transaction Value. The columns on the graphs show the amount by month over the last two years and are displayed in the Primary branding colour. These refer to the scale on the left. The line represents the rolling total over 12 months and is displayed in the secondary branding colour. This refers to the scale on the right.

3.5.2. Total Transactions

Last 12 Months	Prior Year	vs Prior Year	vs Prior Year %
4,360	4,141	219	5.3%

This shows the total Transactions over the Last 12/6/3 Months (whichever is selected on the ‘Summary’ tab) and the year prior to that, then the movement from the Last 12/6/3 Months vs the prior year as a figure, and finally the movement from the Last 12/6/3 Months vs the prior year as a percentage.

Below this is commentary detailing the impact this will have on the business should this trend continue. The commentary is automatically generated but can be edited.

3.5.3. Average Transaction Value

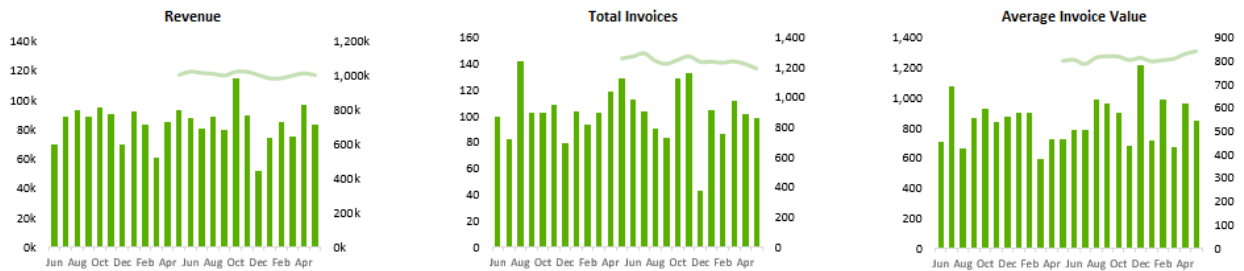
Last 12 Months	Prior Year	vs Prior Year	vs Prior Year %
229.6	242.2	(12.6)	(5.2%)

This shows the Average Revenue per Transaction over the Last 12/6/3 Months (whichever is selected on the ‘Summary’ tab) and the year prior to that, then the movement from the Last 12/6/3 Months vs the prior year as a figure, and finally the movement from the Last 12/6/3 Months vs the prior year as a percentage.

Below this is commentary detailing the impact this will have on the business should this trend continue. The commentary is automatically generated but can be edited.

3.6. Invoice Analysis

3.6.1. Graphs



Three graphs are presented: Revenue, Total Invoices and Average Invoice Value.

The columns on the graphs show the amount by month over the last two years displayed in the Primary branding colour. These refer to the scale on the left.

The line represents the rolling total over 12 months displayed in the secondary branding colour. This refers to the scale on the right.

3.6.2. Total Invoices

Last 12 Months	Prior Year	vs Prior Year	vs Prior Year %
1,190	1,257	(67)	(5.3%)

This shows the Total Invoices over the Last 12/6/3 Months (whichever is selected on the ‘Summary’ tab) and the year prior to that, then the movement from the Last 12/6/3 Months vs the prior year as a figure, and finally the movement from the Last 12/6/3 Months vs the prior year as a percentage.

Below this is commentary detailing the impact this will have on the business should this trend continue. The commentary is automatically generated but can be edited.

3.6.3. Average Invoice Value

Last 12 Months	Prior Year	vs Prior Year	vs Prior Year %
841.4	797.9	43.4	5.4%

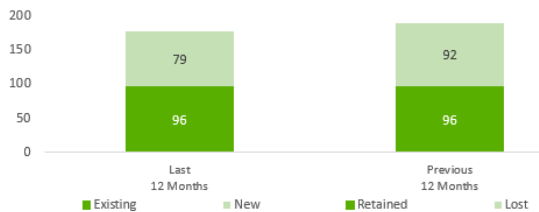
This shows the Average Revenue for Invoices over the Last 12/6/3 Months (whichever is selected on the ‘Summary’ tab) and the year prior to that, then the movement from the Last 12/6/3 Months vs the prior year as a figure, and finally the movement from the Last 12/6/3 Months vs the prior year as a percentage

Below this is commentary detailing the impact this will have on the business should this trend continue. The commentary is automatically generated but can be edited.

3.7. New Customer Analysis

A new customer is defined as one who had a transaction in the last 12 months but **didn't** in the 12 months prior to that.

3.7.1. Chart and commentary



The charts show how many customers were new/existing this year and how many were retained/lost from the prior year. Existing/Retained customers are displayed in the primary branding colour, whilst New/Lost customers are displayed in the secondary branding colour.

Next to this is commentary detailing the impact this will have on the business should this trend continue. The commentary is automatically generated but can be edited.

3.7.2. New Customers

Last 12 Months	Prior Year	vs Prior Year	vs Prior Year %
79	98	(19)	(19.4%)

The boxes show how many new customers there were in the Last 12 Months, how many there were the Prior Year, then the movement over the Last 12 Months vs the Prior Year as a figure, and finally the movement over the Last 12 Months vs the Prior Year as a percentage.

Below this is commentary detailing the impact this will have on the business should this trend continue. The commentary is automatically generated but can be edited.

3.7.3. Average Spend per New Customer

Last 12 Months	Prior Year	vs Prior Year	vs Prior Year %
2,796	2,225	572	25.7%

The boxes show the average revenue per new customer in the Last 12 Months, and the Prior Year, then the movement over the Last 12 Months vs the Prior Year as a figure, and finally the movement over the Last 12 Months vs the Prior Year as a percentage.

Below this is commentary detailing the impact this will have on the business should this trend continue. The commentary is automatically generated but can be edited.

3.8. Retained Customer Analysis

A retained customer is defined as one who had a transaction in the last 12 months **and** in the 12 months prior to that.

3.8.1. Chart and commentary



The chart shows the number of customers retained from the previous year over the Last 12 months and the prior 12 months displayed in the secondary branding colour, with a diamond representing the % of customers retained from the

previous year displayed in the primary branding colour.

Next to this is commentary detailing the impact this will have on the business should this trend continue. The commentary is automatically generated but can be edited.

3.8.2. Retained Customers

Last 12 Months	Retention %	vs Prior Year	Retention % vs Prior Year
96	51.1%	6	(4.2%)

The boxes show how many retained customers there were this year, the retention rate i.e., the proportion of the previous year’s customers who were retained, then the movement over the Last 12 months vs the prior year as a figure, and finally the movement in the retention rate over the Last 12 months vs the prior year.

Below this is commentary detailing the impact this will have on the business should this trend continue. The commentary is automatically generated but can be edited.

3.8.3. Average Spend per Retained Customer

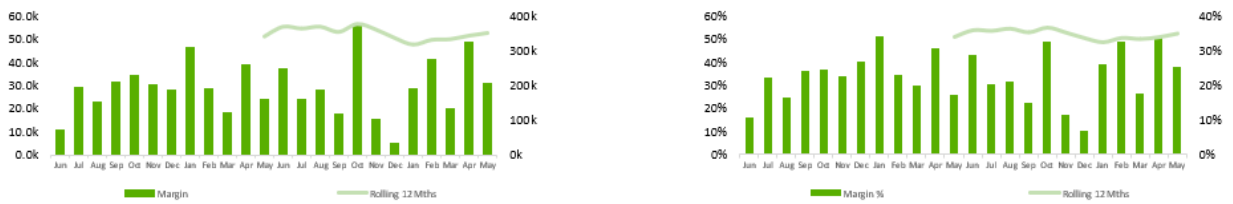
Last 12 Months	Prior Year	vs Prior Year	vs Prior Year %
8,128	8,722	(594)	(6.8%)

The boxes show the average revenue per retained customer over the Last 12 Months, and the prior year, then the movement over the Last 12 months vs the prior year as a figure, and finally the movement over the Last 12 months vs the prior year as a percentage

Below this is commentary detailing the impact this will have on the business should this trend continue. The commentary is automatically generated but can be edited.

3.9. Margin Analysis

3.9.1. Graphs



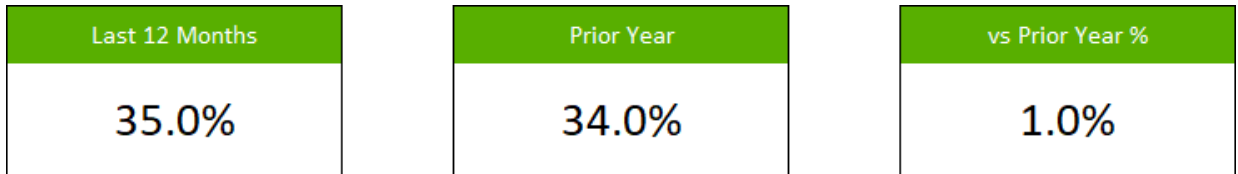
The graphs display the Margin and Margin % respectively

The columns show the margin/margin% for each month displayed in the Primary branding colour.

These refer to the scale on the left.

The line shows the rolling 12-month average displayed in the secondary branding colour. This refers to the scale on the right.

3.9.2. Gross Margin %



The boxes display the gross margin % over the last 12/6/3 Months (whichever is selected on the ‘Summary’ tab), and the prior 12/6/3 months, then the movement last year vs this year.

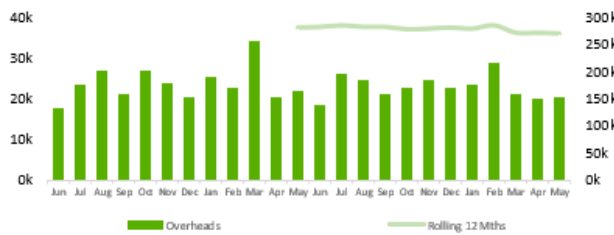
3.9.3. Opportunities and Risks

Opportunities (Last 12 Months)					Risks (Last 12 Months)				
	Cost	vs LY	% of Rev	vs LY%		Cost	vs LY	% of Rev	vs LY%
Cost of Sales 8	419.6k	10.2k	41.9%	(0.9%)	Cost of Sales 5	173.6k	(9.8k)	17.3%	1.0%
Cost of Sales 7	21.6k	3.3k	2.2%	(0.3%)	Cost of Sales 1	4.7k	(0.1k)	0.5%	0.0%
Cost of Sales 4	11.2k	5.9k	1.1%	(0.6%)	Cost of Sales 9	4.6k	(0.7k)	0.5%	0.1%
Cost of Sales 2	8.1k	1.9k	0.8%	(0.2%)	Cost of Sales 3	4.0k	(1.4k)	0.4%	0.1%

The top 10 cost of sales lines (by value) are then identified in an ‘Opportunities section (those where the cost as a proportion of revenue has decreased compared to the previous time period) and a ‘Risks’ section (those that have increased).

3.10. Overheads Analysis

3.10.1. Charts



The chart on the left shows the cost of overheads by month for the last two years as columns in the primary branding colour. These reference the values on the left. The line is shown in the secondary branding colour and gives the rolling average cost of Overheads over

the last 12 months. This references the values on the right.

The chart on the right shows the cost of Overheads as a percentage of Revenue by month for the last two years as columns in the primary branding colour. These reference the values on the left. The line is shown in the secondary branding colour and gives the rolling average cost of Overheads as a percentage of Revenue over the last 12 months. This references the values on the right.



3.10.2. Overheads

Last 12 Months	Prior Year	vs Prior Year	vs Prior Year %
270,549	280,957	(10,408)	3.7%)

The boxes display the cost of Overheads over the Last 12/6/3 Months (whichever is selected on the ‘Summary’ tab), and the prior 12/6/3 months, then the movement over the Last 12/6/3 Months vs this year as a figure, and finally as a percentage.

3.10.3. Commentary

The commentary details the impact on the business if the current trend continues. This is automatically generated but can be edited.

3.10.4. Opportunities and Risks

Opportunities (Last 12 Months)				Risks (Last 12 Months)					
	Cost	vs LY	% of Rev	vs LY%		Cost	vs LY	% of Rev	vs LY%
Heat & Light	31.1k	(5.9k)	3.1%	(0.6%)	Overheads 39	57.8k	0.0k	5.8%	0.0%
Overheads 37	13.6k	(3.8k)	1.4%	(0.4%)	Overheads 21	31.6k	6.5k	3.2%	0.7%
Overheads 44	12.9k	(8.6k)	1.3%	(0.9%)	Depreciation	30.0k	0.9k	3.0%	0.1%

The top 10 Overhead lines (by value) are identified in an ‘Opportunities’ section (those where the cost as a proportion of revenue has decreased compared to the previous time period) and a ‘Risks’ section (those that have increased).

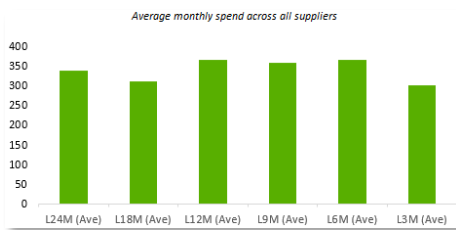
3.11. Utilities Analysis

This page will be displayed if a company’s utility expenditure has been consistent for some time. This suggests that they have been on a fixed tariff or utilising a deal. At some point this can be expected to expire, and the associated costs increase, sometimes dramatically.

3.11.1. Commentary (Intro)

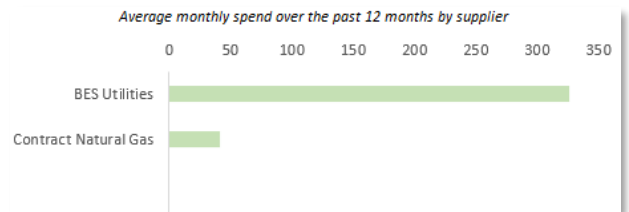
The commentary provides some information on the importance of utilities analysis and the impact a likely increase would have on the business. The commentary is automatically generated but can be edited.

3.11.2. Charts



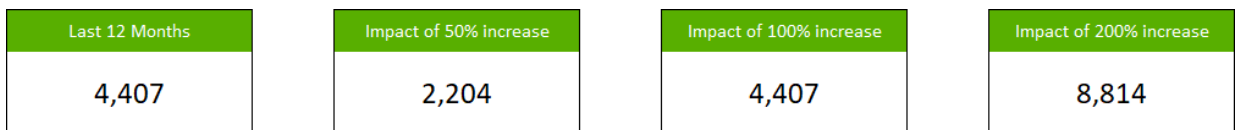
Average monthly spend across all suppliers – This chart displays the average monthly spend across all suppliers over the last 24 months, 18 months, 12 months, 9 months, 6 months and 3 months. The columns are displayed in the primary branding colour.

Average monthly spend over the past 12 months by supplier – This chart displays the average monthly spend for each supplier over the last 12 months. The bars are displayed in the secondary branding colour.



Note: if using Sage 50 or Sage 200 this graph cannot be produced as Sage does not provide the supplier name in the data extracted.

3.11.3. Boxes



The boxes show the impact on the business if prices were to increase at the same rate as the last 12 months, by 50%, by 100% and by 200%

3.11.4. Commentary (Summary)

The commentary is automatically generated but can be edited.

3.11.5. Utilitrack



If the Client Discussion Model signals a risk to profit for Utilities, our utilities partner Utilitrack will provide a free market assessment for your client, with a recommended course of action. Simply click the Utilitrack logo and complete the form on our dedicated page.

Note: The logo and details for Utilitrack will not be shown on the final pdf document.

3.12. Profit Improvement Potential

3.12.1. Model

The model provides the ability to produce a high-level forecast over the next 5 years.

The section on the left shows the figures for Last Year (LY) and This Year (TY). If the bookkeeping for the client drives some misleading numbers in this section these can be manually overridden.

The ‘% Change’ column in the centre allows an annual percentage increase/decrease to be entered.

The table on the right gives a forecast for each of the next 5 years based on the data for This Year and Last Year, and the % change input.

The cells shown in grey can also be edited which will override the current figures and then carry forward using the value added in % Change, for example, if the current figures look like this:

	LY	TY	% Change	TY +1	TY +2	TY +3	TY +4	TY +5
New Customers	98	79	0.0%	79	79	79	79	79

It may be decided that an annual increase of 5% is reasonable, so this would be entered under the ‘% Change’ column. The forecast would then alter to reflect this:

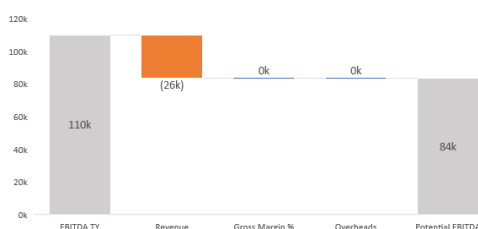
	LY	TY	% Change	TY +1	TY +2	TY +3	TY +4	TY +5
New Customers	98	79	5.0%	83	87	91	96	101

But maybe the client already has a few in the pipeline and thinks they could have 90 new customers next year. This could be amended in the TY+1 column. The rest of the forecast would then alter to reflect this:

	LY	TY	% Change	TY +1	TY +2	TY +3	TY +4	TY +5
New Customers	98	79	5.0%	90	95	99	104	109

It is advised that this section be completed prior to the discussion with the client to be able to present a scenario based on trends but also during the conversation with the client to tailor the forecast.

3.12.2. Chart



This chart will update in line with changes made to the tables above it and shows the current EBITDA on the left, the changes will affect this in the middle, and then the potential EBITDA in 5 years’ time on the right.

3.12.3. Commentary

The commentary summarises the effects of the proposed changes on the EBITDA. This commentary is automatically generated but can be edited.

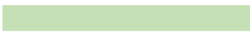
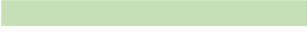
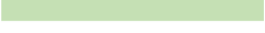
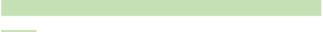

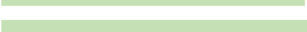

3.13. Indicative Business Valuation (Year 5)

3.13.1. Boxes

<table border="1"> <thead> <tr><th colspan="2">Sales</th></tr> </thead> <tbody> <tr> <td>£926.3k</td> <td>(7%) ✘</td> </tr> </tbody> </table>	Sales		£926.3k	(7%) ✘	<table border="1"> <thead> <tr><th colspan="2">Gross Margin %</th></tr> </thead> <tbody> <tr> <td>35.0%</td> <td>0% ▬</td> </tr> </tbody> </table>	Gross Margin %		35.0%	0% ▬	<table border="1"> <thead> <tr><th colspan="2">Gross Margin</th></tr> </thead> <tbody> <tr> <td>£324.2k</td> <td>(7%) ✘</td> </tr> </tbody> </table>	Gross Margin		£324.2k	(7%) ✘	<table border="1"> <thead> <tr><th colspan="2">Overheads</th></tr> </thead> <tbody> <tr> <td>£270.5k</td> <td>0% ✘</td> </tr> </tbody> </table>	Overheads		£270.5k	0% ✘
Sales																			
£926.3k	(7%) ✘																		
Gross Margin %																			
35.0%	0% ▬																		
Gross Margin																			
£324.2k	(7%) ✘																		
Overheads																			
£270.5k	0% ✘																		
<table border="1"> <thead> <tr><th colspan="2">Net Profit</th></tr> </thead> <tbody> <tr> <td>£53.7k</td> <td>(33%) ✘</td> </tr> </tbody> </table>	Net Profit		£53.7k	(33%) ✘	<table border="1"> <thead> <tr><th colspan="2">EBITDA Deductions</th></tr> </thead> <tbody> <tr> <td>£30.0k</td> <td>0% ▬</td> </tr> </tbody> </table>	EBITDA Deductions		£30.0k	0% ▬	<table border="1"> <thead> <tr><th colspan="2">EBITDA</th></tr> </thead> <tbody> <tr> <td>£83.7k</td> <td>(24%) ✘</td> </tr> </tbody> </table>	EBITDA		£83.7k	(24%) ✘					
Net Profit																			
£53.7k	(33%) ✘																		
EBITDA Deductions																			
£30.0k	0% ▬																		
EBITDA																			
£83.7k	(24%) ✘																		

The boxes detail the potential outcome in 5 years' time based on the changes made to the [Profit Improvement Potential](#). The value is shown on the left, while the variance from the current value is shown on the right with an indication of whether this is good (green tick), bad (red cross) or unchanged (amber bar).

3.13.2. Indicative Valuation Range

Yes	Return on Investment Valuation	20%	£239.0k	
Yes	EBITDA Multiplier	20%	£292.8k	
Yes	Simple Cash Payback	10%	£251.0k	
Yes	Revenue Multiplier Valuation	10%	£305.9k	
Yes	Balance Sheet Valuation	10%	£33.5k	
Yes	Discounted Cashflow Valuation	10%	£290.6k	
Yes	Cash Flow Valuation	20%	£308.7k	

In this section 7 different methods of valuation are listed. For each method the weighting applied is equal to that selected on the '[Indicative Business Valuation](#)' page.

3.13.3. Commentary

The commentary summarises the impact of the proposed changes over the next 5 years on the valuation of the business. This is automatically generated but can be edited.

3.14. Cash Analysis

The cash page is always present and there is no option on the Summary tab to turn it off, however if this should not be included in the final discussion document then the dropdown to the right at the top of the section can be set to 'No' to omit the entire page.

3.14.1. Chart



The columns on the chart are displayed in the primary branding colour and show the net cash movement each month for the last two years. The line is displayed in the secondary branding colour and shows the cash balance.

3.14.2. Cash Balance

May	vs Last Year	Last 3 Months (average)	vs Last Year
(53,746)	13,123	(85,260)	(18,752)

The boxes display the current cash balance and how this compares to the same month last year, then the 3-month average and how this compares to the same period last year

Below this is commentary detailing the cash movement over the past 12 months. The commentary is automatically generated but can be edited.

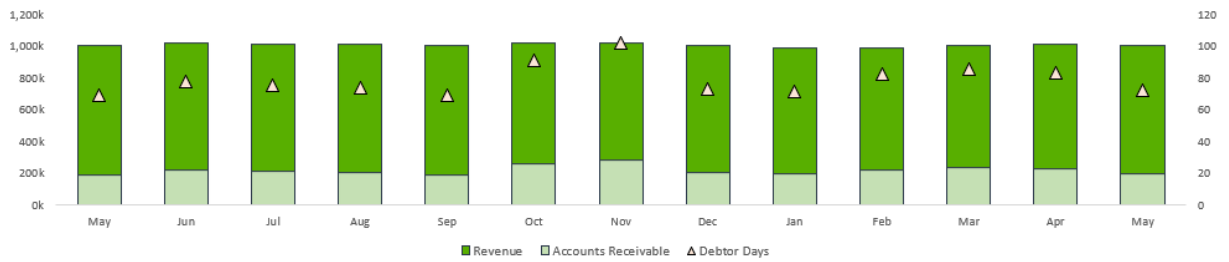
3.14.3. Cash Ratio

May	vs Last Year	Last 3 Months (average)	vs Last Year
(0.33)	0.21	(0.53)	0.06

The boxes display the current cash ratio and how this compares to the same month last year, then the 3-month average and how this compares to the same period last year.

3.15. Accounts Receivable and Debtor Days

3.15.1. Chart



The chart displays Revenue over the past 12 months in the primary branding colour and Accounts Receivable over the same time period in the secondary branding colour up to the month displayed. These use the values on the left of the chart. Also displayed is a triangle showing the debtor days up to each month. These use the values to the right of the chart.

3.15.2. Accounts Receivable

May	Prior Year	vs Prior Year	vs Prior Year %
196,930	189,427	7,503	4.0%

The boxes show the value of accounts receivable on the reporting date, and the prior year, then the movement last year vs the prior year as a figure, and finally the movement last year vs the prior year as a percentage.

3.15.3. Debtor Days

May	Prior Year	vs Prior Year
71.8	68.9	2.9

The boxes display the average number of days customers take to pay, i.e. the debtor days, at the reporting month and the same time last year, and then how these compare.

3.15.4. Commentary

The commentary details the impact this has had on the cash within the business. This is automatically generated but can be edited.

3.16. Impact of Reducing Overdue Debt

3.16.1. Commentaries

Sales are vanity, profit is sanity and cash is reality. Cash is the lifeblood of every business, so ensuring you have sound business principles in place regarding debt is essential. Below are some tips you may want to take onboard for your business.

1. Don't automatically give credit to everyone	6. Anticipate and plan for future cash needs
2. Send invoices out immediately and make sure they're accurate	7. Maintain a regular rolling cash forecast
3. Understand your customers	8. Effective Credit Management
4. Upsell to existing clients who pay on time	9. Offer discounts to those who pay early
5. Is your current customer your ideal customer?	10. Plan ahead

First there are a couple of lines about why debt reduction is important. Below this is a table listing the recommended steps for a business to follow in order to reduce overdue debt.

To the right is a crib sheet with more information on each of these steps. This area is editable, and changes made to the title of each section will be reflected in the table to the left. The crib sheet itself will not appear on the final discussion document.

1. Don't automatically give credit to everyone It's important to do your research, if the customer doesn't have a good credit rating, it could be worth negotiating shorter payment terms.
2. Send invoices out immediately and make sure they're accurate You won't get paid on time if you don't send out your invoices on time. Ensure that you send out an invoice immediately once you've completed the work, and triple check the details to make sure everything is correct.
3. Understand your customers Understand your customers' payment cycles. Who receives the invoice? Is do you send the invoice to and who pays it? Or does it need signing off first? All of these determine how long invoices take to be paid.
4. Upsell to existing clients who pay on time An easy way to boost your cashflow is to upsell to those in your existing client base who pay on time. You've already gained their trust and built a relationship, so this can be easier than gaining new customers.
5. Is your current customer your ideal customer? Who are you selling to. Do you have a few large clients, or lots of smaller ones? Who pays late and who pays on time? You may want to target different customers or industries in the future.

3.16.2. Accounts Receivable and Debtor Days

Accounts Receivable	Sales TY	Debtor Days	Overdue Debt (£)
196,930	1,001,218	71.8	0

The boxes display the current value of Accounts Receivable, the current value of sales over the last 12 months, and the current average debtor days. The final box allows the current Overdue Debt to be entered and will default to £0.

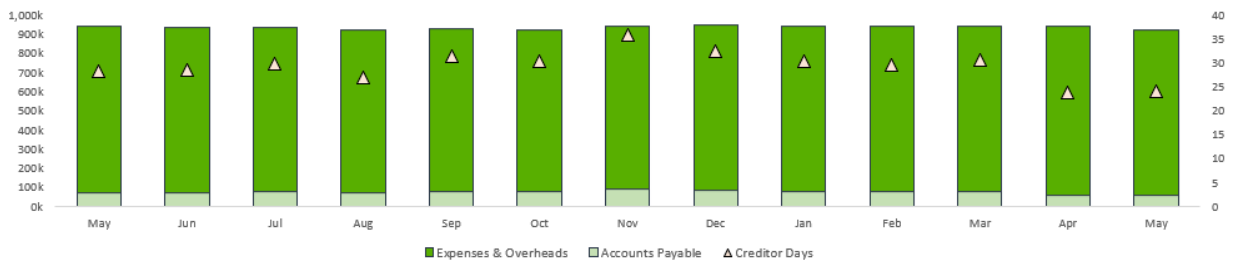
3.16.3. Cash Impact of Improvement in Overdue Debt (£)

20% Improvement	40% Improvement	60% Improvement	80% Improvement
0 71.8 Debtor Days	0 71.8 Debtor Days	0 71.8 Debtor Days	0 71.8 Debtor Days

The boxes show the cash impact of improvements to overdue debt of 20%, 40%, 60% and 80% respectively. Each box displays the value in £* to the left, and the number of debtor days to the right. *or the chosen reporting currency

3.17. Accounts Payable and Creditor Days

3.17.1. Chart



The chart displays Expenses & Overheads over the past 12 months in the primary branding colour and Accounts Payable over the same time period in the secondary branding colour up to the month displayed. These use the values on the left of the chart. Also displayed is a triangle showing the creditor days up to each month. These use the values to the right of the chart.

3.17.2. Accounts Payable

May	Prior Year	vs Prior Year	vs Prior Year %
60,859	72,892	(12,033)	(16.5%)

The boxes show the value of accounts payable on the reporting date, and the prior year, then the movement last year vs the prior year as a figure, and finally the movement last year vs the prior year as a percentage.

3.17.3. Creditor Days

May	Prior Year	vs Prior Year
24.1	28.2	(4.1)

The boxes display the average number of days taken to pay suppliers, i.e. the creditor days, at the reporting month and the same time last year, and then how these compare.

3.17.4. Commentary

The commentary details the impact this has had on the business. This is automatically generated but can be edited.

3.18. Stock Holding and Stock Days

3.18.1. Chart



The chart displays Cost of Sales over the past 12 months in the primary branding colour and Stock Holding over the same time period in the secondary branding colour up to the month displayed. These use the values on the left of the chart. Also displayed, as a triangle showing the Stock Holding days up to each month. These use the values to the right of the chart.

3.18.2. Stock Holding

May	Prior Year	vs Prior Year	vs Prior Year %
23,952	23,793	160	0.7%

The boxes display the value of Stock in the reporting month, and at the same time last year, then the movement from last year, and finally the movement from last year as a percentage.

3.18.3. Stock Days

May	Prior Year	vs Prior Year
13.4	13.1	0.3

The boxes display the average number of Stock Days for the reporting month, and for the same time in the prior year, then the movement from last year to this year.

3.18.4. Commentary

The commentary details the impact this movement has had on the cash in the business. This is automatically generated but can be edited.

3.19. Cash Improvement Potential

3.19.1. Tables

The model provides the ability to produce a high-level cash forecast over the next 5 years. The section on the left shows the figures for Last Year (LY) and This Year (TY). The ‘Change’ column in the centre allows an annual increase/decrease to be entered. The section on the right then provides a forecast for each of the next 5 years based on the data for This Year and Last Year, and the Change input.

The cells shown in grey can also be edited which will override the current figures and then carry forward using the value added in Change, for example, if the current figures look like this:

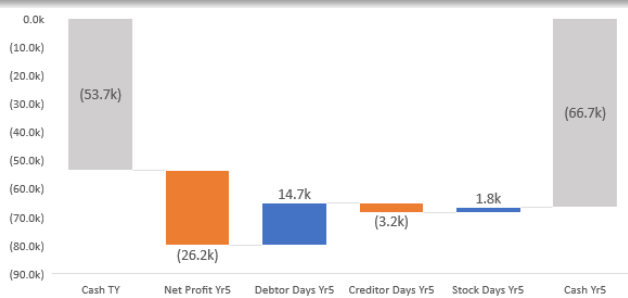
	LY	TY	Change	TY +1	TY +2	TY +3	TY +4	TY +5
Debtor Days	68.9	71.8	0.0	71.8	71.8	71.8	71.8	71.8

	LY	TY	Change	TY +1	TY +2	TY +3	TY +4	TY +5
Debtor Days	68.9	71.8	(5.0)	66.8	61.8	56.8	51.8	46.8

It may be decided that an annual reduction of 5 days is reasonable, so this would be entered under the ‘Change’ column. The forecast would then alter to reflect this:

But maybe the client has already agreed new payment terms with some customers and thinks they could get it down to 65 days. This could be amended in the TY+1 column. The rest of the forecast would then alter to reflect this:

	LY	TY	Change	TY +1	TY +2	TY +3	TY +4	TY +5
Debtor Days	68.9	71.8	(5.0)	65.0	60.0	55.0	50.0	45.0



3.19.2. Chart

This chart will update in line with changes made to the tables above it and shows the Cash This Year on the left, how the P&L and Working Capital changes entered will affect this in the middle, and then the potential Cash in 5 years’ time on the right.

3.19.3. Commentary

The commentary details the impact on the business due to the proposed changes. This is automatically generated but can be edited.

3.20. Working Capital Analysis

This page is only produced if a risk has been identified, i.e. if the combined impact on cash as a result of the movement in Debtors Days, Creditor Days and Stock Days is negative. The combination of these KPIs is referred to as the working capital cycle and measures the time it takes to convert a business' assets (people who owe you money) and liabilities (people you owe money to) into cash.

3.20.1. Commentary

The commentary summarises the importance of monitoring the business' working capital cycle, the impact the movement in the working capital cycle has had on their cash position and how the cash position of the business has performed over the past year.

3.20.1. Funding Options



If the Client Discussion Model signals a working capital risk, our partner Funding Options have provided dedicated platform that enables you to access finance across 120+ lenders to ensure your client can secure funding on the best possible terms in minutes.

3.21. Credit Rating Assessment

This page is only produced if a risk has been identified, i.e. if the SIC code linked to the company number relates to a risk sensitive sector or if one of the drivers used by credit agencies to assess credit worthiness has moved in the wrong direction.

3.21.1. Commentary

The commentary summarises the importance of the credit rating. All of the commentary in this section is automatically generated but can be amended as required.

3.21.2. SIC Code Details

SIC Code	41201
SIC Description	Construction of commercial buildings
SIC Classification	Construction

This shows the details of the SIC code associated to the company number. Next to this is a commentary explaining why a risk has been identified.

3.21.3. Lightbulb Credit



If the Client Discussion Model signals a credit rating risk, our partner Lightbulb Credit will provide a free credit insight report with a recommended course of action, and/or a free 90 day monitoring service. Simply click on the appropriate Lightbulb Credit logo and complete the form on our dedicated page.



In order to include the results of the credit insight report in the discussion, simply fill in the form on behalf of the client (use your contact details and the relevant company details) the day before the meeting.

3.21.4. Boxes

Profit		Cash		Net Assets		Creditor Days	
£79.9k	✓	(£53.7k)	✓	£41.5k	✗	24.1	✓

These summarise the main areas that credit agencies look at, namely Net Profit, Cash Balance, Net Assets and Creditor Days. A green tick indicates and improvement whilst a red cross indicates a deterioration.

3.22. Operational Risk Analysis

This page is only produced if a risk has been identified, financial analysis can only go so far, to fully understand the opportunities and risks in a business it is important to understand both the Qualitative as well as the Quantitative information to ensure Management Decision Making is fact based, accurate and complete. Without identifying, understanding, and taking action to mitigate, the potential risk can have catastrophic consequences which inevitably impact the financial health of the business.

3.22.1. Commentary

The commentary assesses any perceived risk present within 5 different operational areas of the business (Business Model Risk, Property Risk, Safety & HR Risk, Travel & Vehicle Risk & Cyber Security Risk). If at least 3 out of 5 of these areas have declined compared to last year this page will be presented.

3.22.2. Commentary



To help measure and monitor total business risk for your client, Risk Dashboard brings you an easy to use risk analysis platform, essential for the evaluation of financial risks and the identification of procedures to minimise the impact

3.23. Note from 'Your Accountant'

This will display with the name of the accountancy practice, rather than 'Your Accountant' and will contain a standard disclaimer, but this can be edited.

4. THE 'BUSINESS VALUATION – CURRENT' TAB

The 'Business Valuation – Current' tab is designed to enable you to provide a very quick, high level business valuation range using 7 different valuation methods based on performance over the past 12 months. All the information is automatically pulled through with the ability to amend each valuation as required by adding/changing the information in the highlighted cells.

Each valuation has a brief description below it.

You can choose to include as many or as few of the valuation methods as you wish by changing the % in the Indicative Business Valuation section of the 'Discussion Document' tab.

The valuation methods used are detailed below:

4.1. Return on Investment Valuation

Return on Investment Valuation	
EBITDA	109.9k
Additional Expenditure	0.0k
Amount of Debt	0.0k
Adjusted Earnings	109.9k
Assume ROI	35.0%
Other Cash Invested	0.0k
	313.9k

Valuation based on the annual return a prospective buyer would look to generate from the investment. This will be different by buyer but will typically be between 25%-35%.

4.2. EBITDA Multiplier

EBITDA Multiplier	
EBITDA	109.9k
Additional Expenditure	0.0k
Amount of Debt	0.0k
Adjusted Earnings	109.9k
Multiple	3.50
	384.6k

Valuation based on EBITDA multiple of the sector in which the business operates. The EBITDA multiple for most SMEs will be in the general range of 3 to 6 times.

4.3. Simple Cash Payback Valuation

Simple Cash Payback	
EBITDA	109.9k
Additional Expenditure	0.0k
Amount of Debt	0.0k
Adjusted Earnings	109.9k
Years to recoup investment	3.00
	329.6k

Valuation based on the number of years a buyer would want it to take for the business to generate enough cash to repay their investment. Typically, between 2 and 4 years.

4.4. Revenue Multiplier Valuation

Revenue Multiplier Valuation		
		%
Revenue LY	1,003.0k	25%
Revenue TY	1,001.2k	75%
		100%
% Recurring		33%
Multiple		1.00
		330.5k

For some businesses the most common method of valuation is a multiple of recurring revenue. This can vary significantly by sector.

4.5. Balance Sheet Valuation

Balance Sheet Valuation	
Fixed Assets	75.0k
Current Assets	167.2k
Current Liabilities	163.0k
Long Term Liabilities	45.7k
	33.5k

Whilst crude, the Balance Sheet valuation isn't completely irrelevant. It's not often that a business sells for less than its owners' equity amount. Owners' equity tends to be a floor, or minimum value, for a business.

4.6. Discounted Cashflow Valuation

Discounted Cashflow Valuation						
Cost of Equity		20%				
	TY+1	TY+2	TY+3	TY+4	TY+5	
EBITDA	109.9k	109.9k	109.9k	109.9k	109.9k	109.9k
Adjustments to Working Capital	0.0k	0.0k	0.0k	0.0k	0.0k	0.0k
Future Free Cash flows (FFCF)	109.9k	109.9k	109.9k	109.9k	109.9k	
Present Value of FFCF	91.6k	76.3k	63.6k	53.0k	44.2k	
Terminal Value						132.1k
Present Value of Terminal Value	53.1k					
Present Value of Future Cash flow						381.7k

The Discounted Cashflow valuation takes into account the future cash generated by the business and then discounts this based on the opportunity cost of the investment by the buyer over a period of 10 years.

4.7. Cash Flow Valuation

Cash Flow Valuation	
Inputs	
EBITDA	109.9k
Tangible Asset Value	0.0k
Amount of Debt	0.0k
Additional Expenditure	0.0k
Tangible Asset Value Calculation	
Tangible Asset Value	0.0k
Assume Commercial Interest Rate	7.50%
Loan Term	60
Monthly Payments	0.0k
Asset Loan Payment per Year	0.0k
Total Loan Payable	0.0k
Debt Value Calculation	
Debt	0.0k

Measures the ability of the business to generate cash to pay the seller over a period of time. The longer the period the seller is willing to take payments, theoretically, the more can be paid to the seller.

4.8. Additional Comments

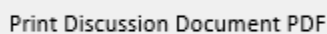
This section can be edited to add any further comments as needed.

5. THE 'BUSINESS VALUATION – FUTURE' TAB

The 'Business Valuation – Future' tab reflects the potential business valuation in 5 years' time based on the improvements input in the 'Profit Improvement Potential' section of the 'Discussion Document' tab. The same valuation methods are shown as on the '[Business Valuation – Current](#)' tab. All assumptions are pulled through from the 'Business Valuation – Current' tab but can be amended if you wish.

6. GENERATING THE FINAL DISCUSSION DOCUMENT

Once all changes are complete simply go to the top of the 'Discussion Document' tab, click on the button at the top right corner of the page and select where to save the document. This will generate a pdf.

A rectangular button with a light grey background and a thin black border. The text 'Print Discussion Document PDF' is centered within the button in a dark grey, sans-serif font.

The Client Discussion Model will continue to be editable, so the document can be produced in advance should the client want a copy in advance as a meeting agenda, and then updated further in the meeting itself as needed, for example if discussing Profit/Cash Improvement Potential.