



# EAGL Delta Track 2025:

Financial Focus Session (Anne Hyde)-  
November 18

(Links take you to Fathom Video/Audio)

[VIEW RECORDING - 50 mins \(No highlights\)](#)

## Meeting Purpose

[To provide a CFO's perspective on essential financial practices for green industry businesses.](#)

## Key Takeaways

- [\*\*Know Your True Costs:\*\* Track profitability by SKU and customer, including overhead, to focus resources on your most profitable products and clients.](#)
- [\*\*Master Working Capital:\*\* Manage your cash cycle by optimizing inventory, aggressively collecting AR, and extending AP terms. Use the Current Ratio \(1.5–2.0 is healthy\) and Working Capital Days of Coverage to benchmark performance.](#)
- [\*\*Forecast Cash Flow:\*\* Use a rolling 13-week cash projection to anticipate shortfalls and time line-of-credit draws, avoiding unnecessary interest costs.](#)
- [\*\*Control Overhead:\*\* Proactively manage "slow creep" costs like utilities and insurance. Shop your insurance portfolio annually; one company saved \\$2.1M by switching agents.](#)

## Topics

### The Problem: Incomplete Costing Models

- [A UK survey found only 48% of nurseries track product costs, and only 40% include overhead. This lack of data prevents informed decisions.](#)
- [\*\*Solution:\*\* Build a costing model that includes all inputs \(labor, materials, overhead\).](#)
  - [Compare actuals to the model to identify variances and improve accuracy.](#)
  - [Identify your top 20% most profitable SKUs and customers to focus sales and pricing efforts.](#)

## The Solution: Mastering Working Capital

- Working capital is the cash cycle (inventory → AR → cash). Manage it via three levers:
  - **Inventory Days:** Reduce holding time.
  - **AR Days:** Collect receivables promptly.
    - **Warning:** Letting customers pay late is detrimental. They may be using your cash to pay other vendors who enforce terms, making you their de facto bank.
  - **AP Days:** Extend payment terms with vendors.
- **Key Ratios for Benchmarking:**
  - **Current Ratio:**  $\text{Current Assets} \div \text{Current Liabilities}$ . A healthy range is **1.5–2.0**.
    - < 1.3 is a yellow flag.
    - > 2.0 suggests too much inventory or uncollected AR.
  - **Working Capital Days of Coverage:**  $\text{Operating Working Capital} \div \text{Daily Operating Expenses}$ . Shows how many days you can operate without new income.
- **Resource:** Use the Market Metrics tool for benchmarking against similar, privately-held businesses.

## The Solution: Forecasting Cash Flow with a 13-Week Projection

- A rolling 13-week cash projection is a powerful tool for anticipating shortfalls.
- **Process:**
  1. **Build a 52-week model** with all known receipts and disbursements.
  2. **Update weekly** with actuals. The template cascades these changes, updating future projections.
  3. **Set a minimum cash balance.** The template flags weeks below this threshold in red, providing an early warning.
- **Benefit:** This allows you to time line-of-credit draws precisely, avoiding unnecessary interest costs.

## The Solution: Controlling Overhead & KPIs

- Proactively manage "slow creep" overhead costs.
  - **Utilities:** Monitor KPIs like utilities cost per sq. ft.. Anticipated 2025 increases (electricity +8–9%, natural gas +16%) will erode margins if not managed.
  - **Insurance:** Shop your entire portfolio annually.
    - **Example:** One company saved **\$2.1M** on premiums by switching agents.
- **KPIs:** "If it's not measured, it can't be managed."
  - **Focus:** Select a few key metrics that drive your business.

- **Integrate:** Include KPIs at the bottom of monthly financial reports for consistent visibility.
- **Examples:** Gross margin by crop/customer, cash conversion cycle, shrink percentage, space utilization, sales/profit per FTE.

## The Solution: Systems, Controls & People

- **Systems:** Plan for ERP/accounting upgrades as part of your annual budget.
- **Internal Controls:** Essential for any size business.
  - **Separation of Duties:** Prevent fraud by separating tasks (e.g., the person writing checks should not do bank reconciliations).
  - **AP Review:** The CFO or senior management should review the weekly AP list. This provides a finger on the pulse of the business and helps catch fraud (e.g., fictitious vendors).
- **People:** Train managers to read financials for their specific departments.
  - **Why:** This increases buy-in and empowers them to find cost-saving solutions.
  - **How:** Provide simplified P&L statements for their areas of responsibility.

## Next Steps

- **Anne Hyde:** Upload the 13-week cash projection template to the EAGL website.
- **Attendees:**
  - Download and implement the 13-week cash projection template.
  - Review the EAGL Insurance Survey to benchmark your coverage and costs.
  - Schedule dedicated time each month to review financial KPIs and overhead costs.