



Case Study: Cashflow Management

Cash Analysis for a Global Enterprise

CHALLENGE: Falling Behind on Vendor Payments

A 10-year-old, worldwide enterprise was experiencing rapid growth after winning several new contracts.

Its 15 global locations, from China to Australia to the U.S., were having a difficult time managing cash, falling behind on payments to vendors and running the risk of country-specific liquidity problems.

Management lacked visibility on individual location's cash inflows and outflows. For example, it was discovered one location was spending more for payroll than it was generating in sales.

SOLUTION: A Three-Pronged Cashflow Approach

CMF applied its three-pronged approach to cash flow management, which entails:

1. Identifying sources and uses of cash by interviewing management and reviewing financial records, and documenting cash movements to be modeled
2. Modeling cash in a tailored manner, integrating information from sales, production, operations, and other non-financial groups
3. Implementing cross-functional cash flow projection program with automation, judgment and multiple iterations

OUTCOME: Visibility and Accountability

- CMF honed the ability to constantly monitor changing market conditions affecting primary cash inflows.
- Our mechanism for analyzing revenue run rate vs. projections enabled more accurate cash receipt expectations.
- CMF minimized future vendor payment emergencies with correction of the short-fall of accounts payable payments vs. expense run-rate.
- Regular operations meetings were held which highlighted operating issues to executives earlier.
- Certain managers were terminated due to inability to manage cash.

CMF ASSOCIATES, LLC

CMF provides financial consulting, M&A advisory, financial executive search, and interim staffing solutions to private equity, middle-market and small cap public companies. Key services: interim and full-time CFO/controllerships, financial due diligence, post-transaction transitions and integration, turnaround management, preparation for sale, and acquisition search.

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