Fathom

Reporting when it's not business as usual

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Introduction

Small businesses are dealing with unprecedented challenges due to the COVID-19 outbreak. That's why we've put together 12 tips to help you to get the most out of Fathom during these uncertain times.

At this time it is more important than ever to ensure that every step forward is not weighed down by misreported numbers or missed insights. Getting to grips with your numbers helps you to gain more control over your business. Staying close to your numbers will help you to create plans to navigate your business through potentially leaner months.

For those who run businesses, tracking KPIs and making sense of your numbers requires a ton of work, unless you are using Fathom. Fathom keeps in sync with your accounting data and transforms your numbers into a range of KPIs, charts, reports and insights.

Now more than ever – every business needs an insights solution.

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TIP #1

Know your numbers

by David Watson, Co-founder of Fathom

Small businesses are dealing with unprecedented challenges due to the COVID-19 outbreak. That's why we've put together a series of tips to help you get the most out of Fathom during this difficult time.

To kick things off, we start by focusing on the importance of **staying on top of your Key Performance Indicators** (KPIs) and metrics. More specifically, how KPIs help to inform how the crisis is impacting your business, and how they can help you to navigate your business through the choppy waters of these unprecedented times.

First, a few orientation questions: **Do you know where your business stands financially?** Do you know what's going on in each department, division or location? Do you know the true position of your consolidated group?

The ability to understand and leverage insights from financial data is essential for business managers. And in the current business climate, it is even more imperative for decision makers to understand their business's financial position before making decisions.

This process starts with measuring the metrics that matter for your business. We believe that Peter Drucker's well-known management adage: "You can't manage what you don't measure" holds true in the current business climate.

So what are the numbers that currently matter most to your business? Which financial KPIs are most important to focus on in the current economic climate? Which metrics provide a holistic view of **financial health and stability**?

In the current business environment, **metrics which track financial health and resilience will be of greater importance**. To evaluate the financial health and long-term sustainability of your business, a number of financial metrics are useful. Below we highlight **20 KPIs** which we think you'll find important.

These KPIs assess financial health from a variety of perspectives, including: **Revenue, Profitability, Activity, Efficiency, Liquidity, Debt servicing, Cash flow, Growth / Contraction**.

Finally, we'll also highlight the importance of tracking lead KPIs in these turbulent times. **Lead KPIs** are typically non-financial KPIs which can act as relevant early warning indicators.

Tip: Each of these financial KPIs are available in Fathom. To update the KPIs that you are tracking in your Fathom reports, simply go to 'Step 4' of the company setup to make changes.

Top-line

KPIs to measure if the business is effective in generating sales and revenue.

1. Total Revenue

What is Total Revenue?

The total amount of money received by the company for goods sold or services provided. Revenue is also a key indicator of growth or contraction.

Why is it currently important?

As a result of COVID-19, revenues for some businesses will reduce. Unfortunately, for certain businesses they may not generate any revenue in the coming period.

Tracking this KPI helps to assess if the business is still effective in generating sales and revenue. Revenue is also useful in determining the financial strength of the business. Dependable revenues allow for more confident financial planning and forecasting.

How can Total Revenue be improved?
Strategies to improve revenue may include increasing the volume of sales through marketing initiatives or finding alternative sources of income. Business managers may need to search for creative ways to find alternative sales channels, such as online sales or home delivery options. Growing revenue by increasing prices may not be a reasonable response at this time.

2. Revenue Change %

What is Revenue Change?
A measure of the percentage change in revenue for the period. Also known as ‘Revenue Growth %’.

How to calculate:
= (Current Revenue – Prior Revenue) ÷ Prior Revenue

Why is it important?
If your business has been impacted in some way by COVID-19 – whether that is through retail closures, changes in customer

demand, supply chain issues or logistics, then it is useful to measure the quantum of this impact on the business's top-line. Watching for an upward trend in this KPI may indicate a rebound from the impact of the current crisis.

Profitability

KPIs to measure how effective the business is at generating profit.

3. Gross Profit Margin %

What is Gross Profit Margin?

A measure of the proportion of revenue that is left after deducting all costs directly related to the sales. The gross profit serves as the source for paying remaining operating expenses.

How to calculate:

= (Gross Profit ÷ Revenue) x 100

Why is it important?

Profitability is a significant measure of a company's financial health. Any reduction in turnover which occurs as a result of COVID-19 can negatively affect the profitability of the business.

4. Operating Profit Margin %

What is Operating Profit Margin?
A measure of the proportion of revenue that is left after deducting all operating expenses.

How to calculate:
= (Operating Profit ÷ Sales) x 100

Why is it important?
This KPI assesses the operating efficiency of the business. As a response to the current business conditions, many business managers will seek to stop or reduce non-essential expenses. This metric helps to provide an indication of how well management controls operating costs.

5. Expense-to-Revenue Ratio %

What is Expense-to-Revenue Ratio?
Also known as the Efficiency ratio, this measures how efficiently the business is conducting its operations. This metric measures both sides of the profitability equation: revenues and expenses.

How to calculate:
= (Total Expenses ÷ Total Revenue) x 100

Why is it important?
If revenues decline as a result of COVID-19, then management may need to undertake actions to reduce costs. A significant rise in the expense-to-revenue ratio may indicate the eroding of margins and should prompt action.

6. Revenue per employee

What is the Revenue per employee ratio?
Revenue per employee is important for determining the productivity and efficiency of employees working in the business.

How to calculate:
= Revenue ÷ # of FTEs

Why is it important?
For many businesses, staff costs (ie. wages, salaries and employee benefits) are the largest expense. During any business downturn it's important to monitor the productivity and utilisation of employees. This metric will also be relevant for businesses seeking to put staff on furlough as they experience a downturn or potentially shut down during the COVID-19 outbreak.

7. Breakeven Margin of Safety

What is the Breakeven Margin of Safety?
Breakeven Margin of Safety represents the gap between the revenues and the breakeven point. This is the amount by which revenues can drop before losses begin to be incurred.

How to calculate:
= Total Revenue – Breakeven

Why is it important?
A higher margin of safety indicates that the business is better positioned to handle a decline in revenues. Understanding the quantum of risk here is useful for planning.

Activity

KPIs to measure the overall efficiency of working capital.

8. Accounts Receivable Days

What is Accounts Receivable Days?

A measure of how long it takes for the business to collect cash from customers. A shorter time to collect from debtors will have a positive impact on cash flow.

How to calculate:

= Accounts Receivable x Period Length ÷ Revenue

Why is it currently important?

It is important to consider that many of your customers may have been adversely affected by the current economic climate. So it is important to monitor any upwards trend in this metric, while carefully managing the collection of amounts owing from customers. Any increase in this number indicates that it is taking longer to collect amounts due from customers. Successful cash management requires monitoring all the elements of the working capital cycle. It is important to understand how to optimise the working capital cycles so that the operational aspect of your business is cash flow positive.

9. Accounts Payable Days

What is Accounts Payable Days?

A measure of how long it takes for the business to pay its creditors. A stable higher number is generally an indicator of good cash management. A longer time taken to pay creditors has a positive impact on Cash Flow. However an excessive lengthening in this ratio could indicate a problem with the sufficiency of working capital to pay creditors.

How to calculate:

= Accounts Payable x Period Length ÷ Total Cost of Sales

Why is it currently important?

Optimising your working capital during this time is imperative, but it is also important to maintain positive on-going business relationships with existing suppliers. The excessive lengthening in this ratio could threaten continuity of service from suppliers.

10. Inventory Days

What is Inventory Days?

A measure of how efficiently the business converts inventory into sales. A lower number of days is generally an indicator of good inventory management. A shorter time holding inventory has a positive impact on cash flow

How to calculate :

= Inventory x Period Length ÷ Cost of Sales

Why is it currently important?

A high result may indicate overstocking, conversely a low result can mean there is a shortage of inventory. At this time it is important to track your inventory so you don't purchase more or less than you need.

11. Cash Conversion Cycle (Days)

What is Cash Conversion Cycle?

A measure of the length of time between purchase of raw materials and the collection of accounts receivable from customers. The Cash Conversion Cycle measures the time between outlay of cash and cash recovery.

How to calculate :

= Accounts Receivable Days + Inventory Days + WIP Days – Accounts Payable Days

Why is it important?

Cash flow is the lifeblood of any business and how it's managed can mean the difference between your business's success or failure. Successful cash management requires monitoring all the elements of the working capital cycle. This cycle includes Receivable days, Payable days, WIP days and Inventory days. It is important to minimise the time that working capital is tied up in the operating cycle of the business.

Liquidity

KPIs to measure availability of assets which can quickly be converted into cash.

12. Quick ratio

What is the Quick ratio?

The Quick ratio is also sometimes referred to as the acid test. It measures the availability of assets which can quickly be converted into cash to cover current liabilities. Note: Inventory and other less liquid current assets are excluded from this calculation.

How to calculate:

= (Cash + Accounts Receivable) ÷ Total Current Liabilities

Why is it important?

This metric tells you about a business's ability to ride out short-term rough patches. Specifically, the ability to pay short-term creditors immediately from liquid assets. A quick ratio of 1:1 or more is considered 'safe'. A result less than 1.0 indicates that the business is dependent on less current assets (ie. inventory) to meet short-term obligations.

13. Current Ratio

What is the Current Ratio?

Is another measure of liquidity, which compares Current Assets and Current Liabilities. The higher the current ratio, the greater the ‘cushion’ between current obligations and the business’s ability to pay them.

How to calculate:
= Total Current Assets ÷ Total Current Liabilities

Why is it currently important?
Generally a current ratio of 2 or more is an indicator of good short-term financial strength. In other words, the current assets of the business should be at least double the current

Debt Service

KPIs to measure the ability to meet debt obligations.

14. Debt-to-Equity

What is the Debt-to-Equity ratio?
A measure of the proportion of funds that have either been invested by the owners (equity) or borrowed (debt). An appropriate mix of debt financing and equity financing will vary for each industry and business.

How to calculate:
= Total Debt ÷ Total Equity

Why is it important?
If the business borrows additional funds during the current period, then it will be important to monitor if higher debt levels indicate a weakening of financial strength. Debt servicing costs may weigh on the company and increase it's risk exposure.

15. Interest Cover

What is Interest Cover?
A measure of the ability to service its interest payments from the profits earned by the business. It is a measure of the business's ability to meet its debt obligations.

How to calculate:
= EBIT ÷ Net Interest

Why is it currently important?
For businesses funded by debt or those which have loan covenants in place, then it will be important to assess the ability to continue to service these obligations. A high result indicates that the business can easily meet its interest payments. A lower result indicates that the business is becoming more burdened by debt expense. A lower result may also identify the potential risk that profits will be insufficient to cover interest payments. Generally a result of more than 2 is considered to be safe, but businesses which are experiencing volatile earnings in the current business conditions may require a higher level of cover.

Cash Flow

KPIs to measure the cash generated or absorbed by the business.

16. Cash on Hand

What is Cash on Hand?

A measure of the cash and cash equivalents in possession by the business at a particular time.

Why is it currently important?

Cash is the lifeblood of the business, the fuel that keeps the engine running. Insufficient cash may indicate an inability to pay creditors and cover current liabilities.

17. Operating Cash Flow

What is Operating cash flow?

Operating cash flow is simply the cash generated by the operating activities of the business. Operating activities include the production, sales and delivery of the company’s product and/or services as well as collecting payment from its customers and making payments to suppliers.

How to calculate:

See the Cash Flow waterfall chart in Fathom

Why is it currently important?

In the current business climate, where possible it is important to ensure that the operational aspect of the business is cash flow positive. Negative operating cash flows, period after period, may signal that cash will become insufficient to cover expenses or other obligations.

18. Free Cash Flow

What is Free Cash Flow?

Free cash flow is the cash generated by the business, after paying its expenses and investing for future growth. It is the cash left after subtracting capital expenditure from operating cash flow. The term "free cash flow" is used because this cash is free to be paid back to the suppliers of capital.

How to calculate:

See the Cash Flow waterfall chart in Fathom

Why is it currently important?

Business managers need to reduce cash flow shortfalls through measures that increase cash inflows or reduce cash outflows.
To protect Free Cash Flow these measures should include only essential 'investing activities'. Management may wish to investigate delaying the purchase or renewal of long-term assets such as property, plant, and equipment; or other capital expenditure.

19. Net Cash Flow

What is Net Cash Flow?

Net cash flow is the cash left after subtracting expenditures from financing activities from Free Cash Flow. This includes the cash impact from financing activities. Financing activities include the inflow of cash from investors such as banks or shareholders, as well as the outflow of cash to shareholders as dividends.

How to calculate:
See the Cash Flow waterfall chart in Fathom

Why is it currently important?
Net Cash Flow indicates whether the business is generating or absorbing cash after all operating, investing and financing activities. Ultimately this metric indicates if the business is cash flow positive or negative.

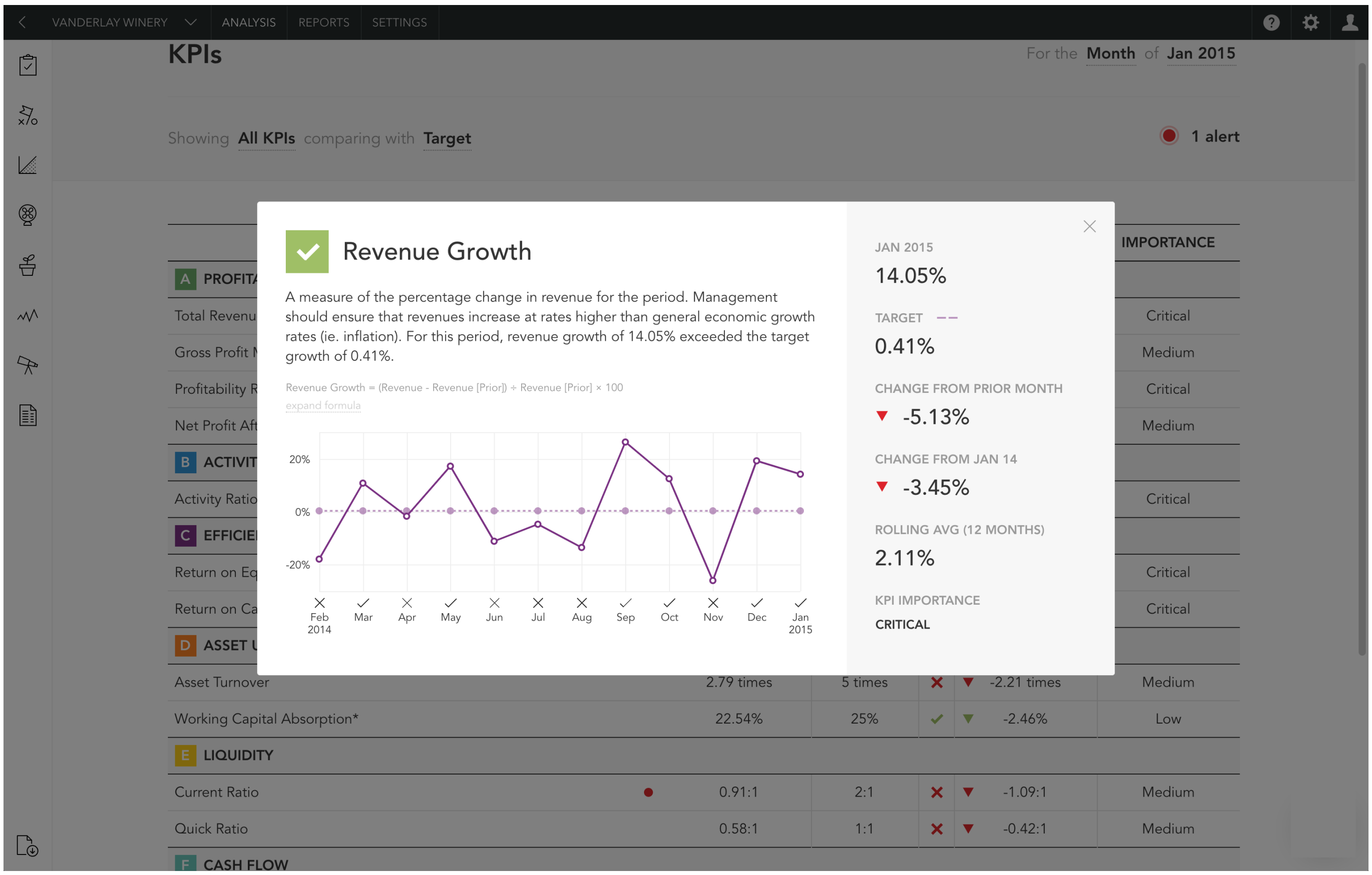
20. Net Variable Cash Flow

What is Net Variable Cash Flow?
A measure of the additional cash that will either be generated or used up by the next $1 of products or services that the business sells.

How to calculate:
= (Total Revenues – Variable Expenses – Variable Cost of Sales – Operating Working Capital) ÷ Total Revenue

Why is it currently important?
If Net variable cash flow is negative, the business will absorb cash with each additional sale of products or services. This means that for every additional $1 of revenue the business will require additional cash funding.

Tip. Using the **KPI Analysis tools** in Fathom, you can view further commentary and explanation of each KPI. You can also view results for each metric against target or budget; and view the trends for each metric. For example:



Non-financial KPIs

Leading indicators of business performance.

In these times it is vitally important to keep a pulse on relevant early warning indicators. Measuring '**Lead KPIs**' are useful for this purpose. KPIs can either be classified as **lead indicators** or **lag indicators.** First, let's define what we mean by 'lead' versus 'lag'.

What are lead vs lag KPIs?

Lag KPIs report exclusively on the outcome or result – they are useful for assessing if business goals were achieved. Conversely, Lead KPIs are critical for identifying the inputs or causes of business performance. Lead indicators measure immediate progress and show the likelihood that the business will achieve its goals. In other words, they help to predict future financial results.

Monitoring the right lead indicators helps to make sure that your business is on track to achieve your lag KPIs. In the current business climate, lead indicators serve as useful early warning indicators.

A summary of differences:

	LEAD INDICATORS	LAG INDICATORS
What is measured	Causes	Effects
Timeliness	Early warning	Historical
Units of measurement	Mainly non-financial	Mainly financial
Main use?	To predict change and future outcomes.	Scorecard

As an example, if your business is vulnerable to a downturn in trade, then it will be **important to track the lead indicators which influence revenue**. Metrics which help to see if future revenues will be tracking in the right direction may include:

- Sales calls (or meetings)
- Pipeline value ($, £)
- Bookings
- Proposals
- # of deals won (or # of deals lost)
- # of units sold
- Conversion %
- # New Website visitors
- # New Customers
- Customer Churn rate
- Number of delayed projects

The effectiveness of the above Lead indicators to provide early indication of expected financial results, will depend on the length of your typical sales cycle. For example, if you have a 6 month sales cycle, then the above indicators may provide up to 6 months of warning. The trick is determining which lead KPIs will influence your primary lag KPIs.

> Tip. In addition to tracking financial KPIs, Fathom also enables you to define and track non-financial KPIs. Using Fathom you can combine both financials (Lag KPIs) and non-financial results (Lead KPIs) in a single report or dashboard.

We hope the KPIs suggested above, both financial and non-financial, help you to shape and refine the measurement of your business's performance as potential challenges crop up during these times

TIP #2

Track key trends

by David Watson, Co-founder of Fathom

Has your business been impacted in some way by COVID-19 whether through retail closures, changes in customer demand, or supply chain issues? Alternatively, has your business reached a turning point and begun to recover from the impacts of this crisis?

Trend analysis helps to identify and monitor any changes over time. Trend charts visually reveal patterns of change in your data.

This analysis is useful for identifying the direction, strength and duration of any trends.

Direction of trend – is the general direction of data over a period of time. There are three basic types of trends to observe in your charts: uptrend, downtrend, and sideways trend.

Strength of trend – is the size of movement in the direction of the underlying trend. An increasing steepness in any trend line may reveal significant impact for the business. For example, a steep revenue downtrend may reveal a rapid decline in sales.

Duration of trend – this can be classified as either short-term, intermediate-term, or long-term trends. Tip: you can customise your charts in Fathom to assess short-term trends (ie. to view trends over the course of months or quarters), or to assess long-term trends (ie. to view year-on-year trends).

Trend analysis is useful for answering a variety of important business questions. It is useful for identifying trends in revenue, profitability, cash flow, working capital, growth, and liquidity.

Below are some charts that you may consider tracking in your reports. We've also highlighted the associated questions these charts help to answer.

Chart 1. Revenue trend (all time)

Q. Is the business still effective in generating revenues?
Q. Are your revenues in decline? Or rebounding post-crisis?

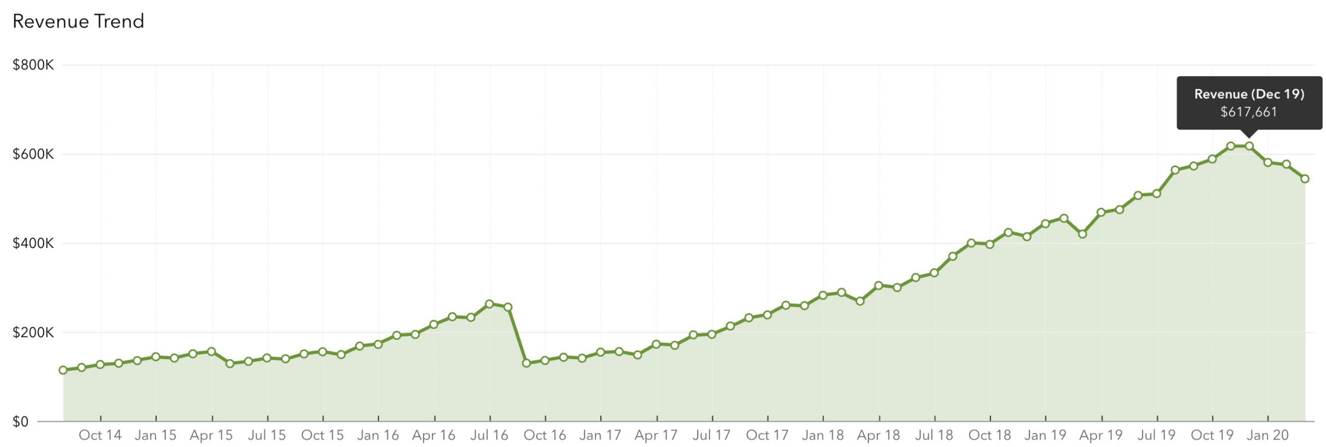
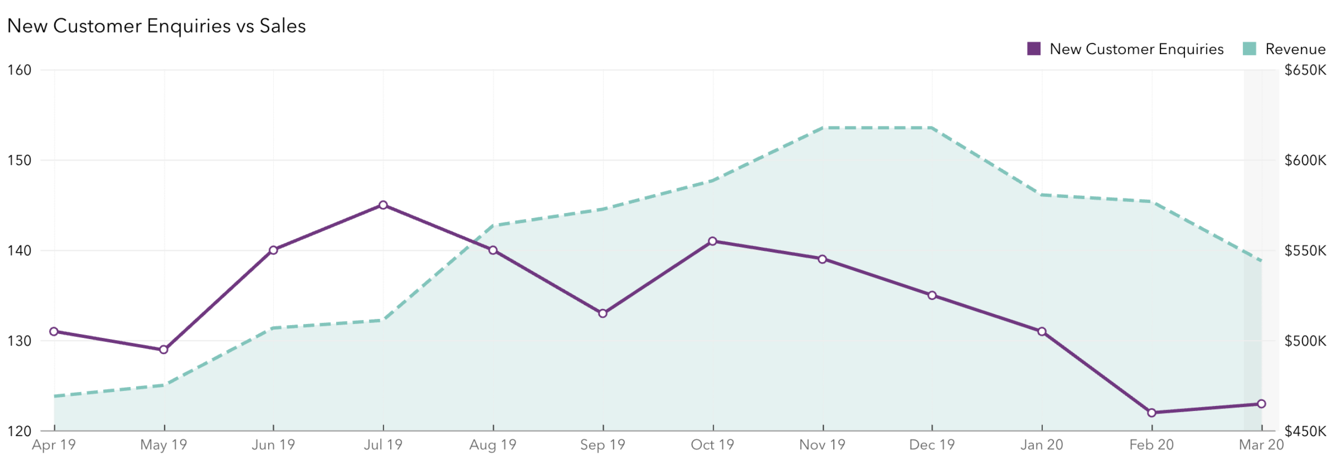


Chart 2. Customer Enquiries vs Sales

Q. Are there falls in customer demand for your products/services?

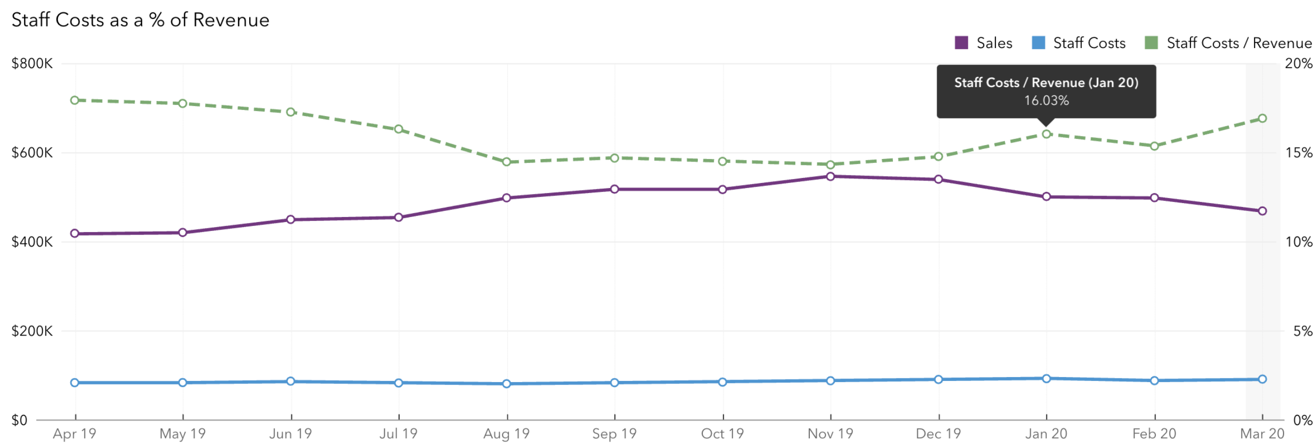


In this chart, New Customer Enquiries is a 'non-financial KPI'. But you can substitute this metric with any KPI which is a predictor of your future revenues.

Depending on your typical sales cycle, a reduction in demand may impact revenues some months later. For some businesses, demand for products or services may increase during the COVID-19 crisis. For example, demand for online shopping, home delivered food, home improvement and logistics may increase.

Chart 3. Staff Costs vs Revenue

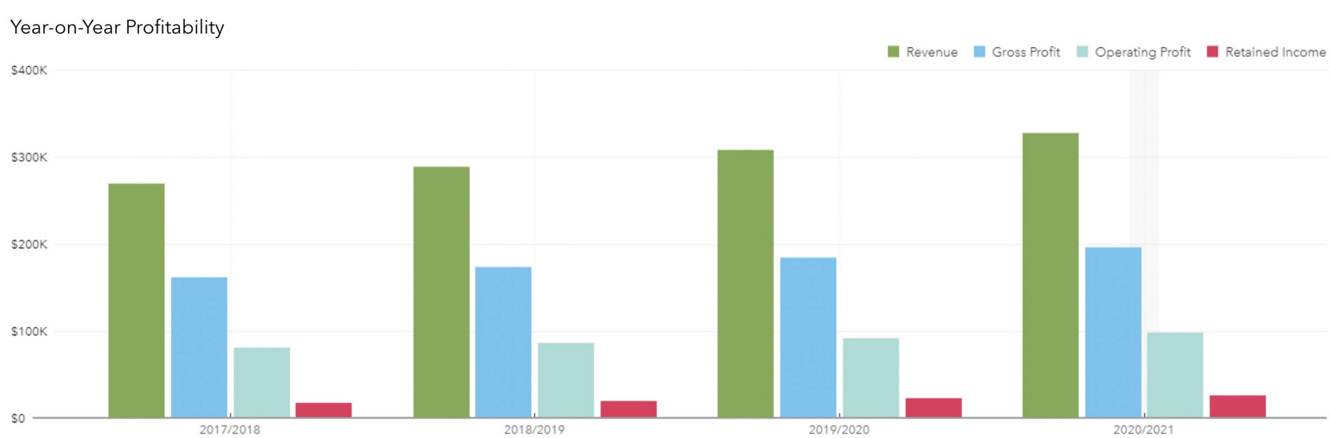
Q. Are sales dropping but fixed costs (like staff costs) remaining the same?



Tracking the trend of other metrics like 'Revenue per Employee' may be pertinent for businesses with furlough considerations.

Chart 4. Year-on-Year profitability

Q. Does turnover differ substantially from previous financial years?



Charts like the above may help to identify eligibility for Government support programs, which require a reduction in turnover compared to the previous financial year.

Chart 5. Operating, Gross, EBIT & Net Profit margins.

Q. Are profit margins eroding? Are losses increasing?

Q. Which profitability signals should we be watching before executing alternative spending plans?

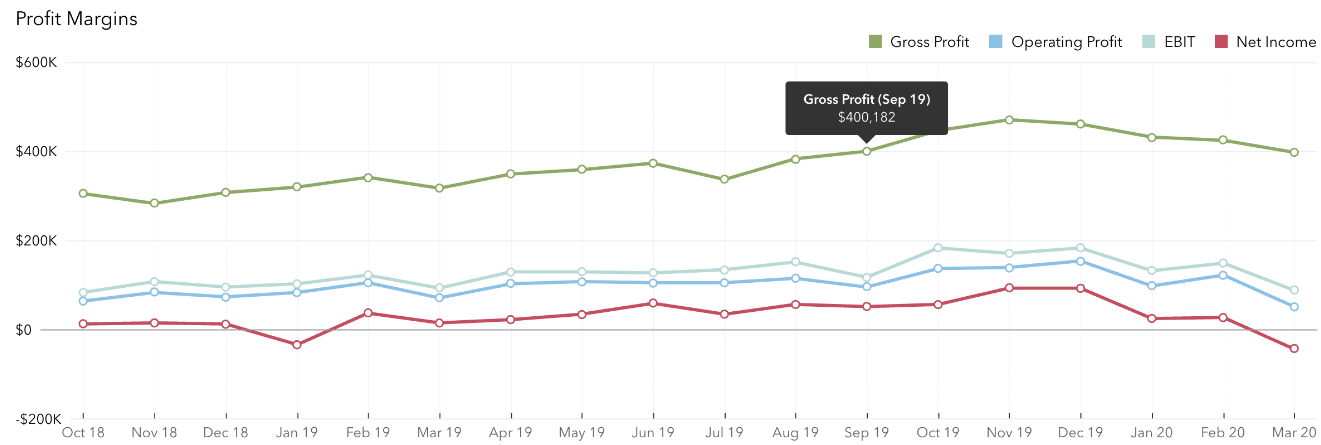


Chart 6. Monthly % change in Operating, Gross, Net Profit

Q. What is the monthly change in profit margins?

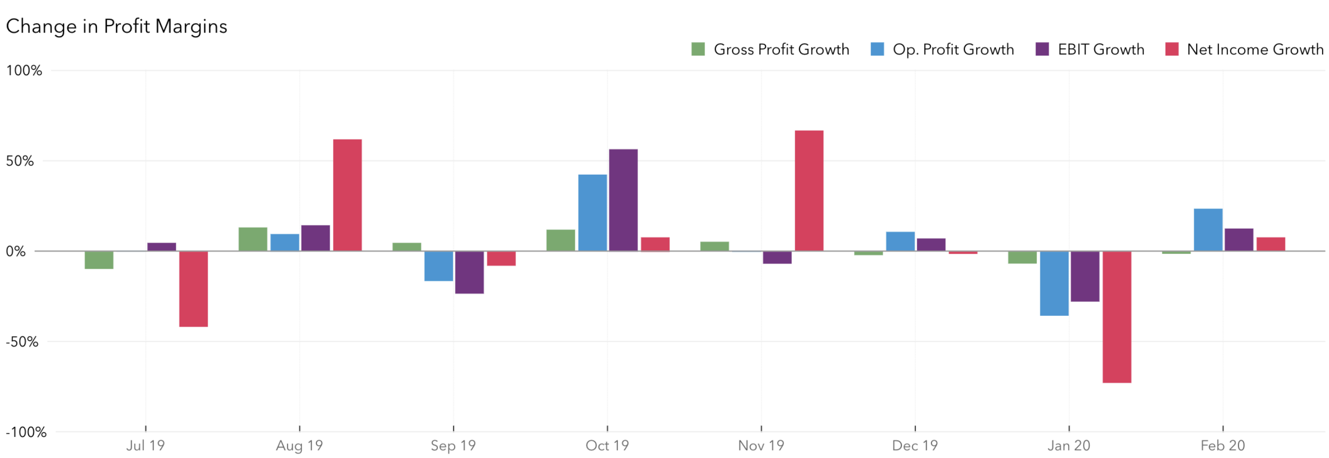
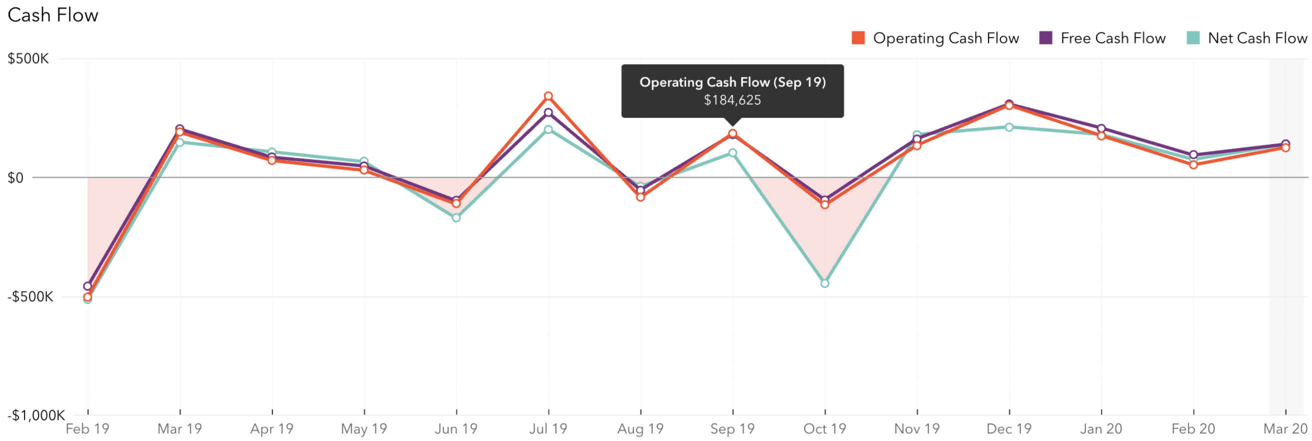


Chart 7. Operating, Free & Net Cash Flow chart

Q. Is cash flow diminishing?

Q. Are cash flows sustainable or subject to fluctuations?

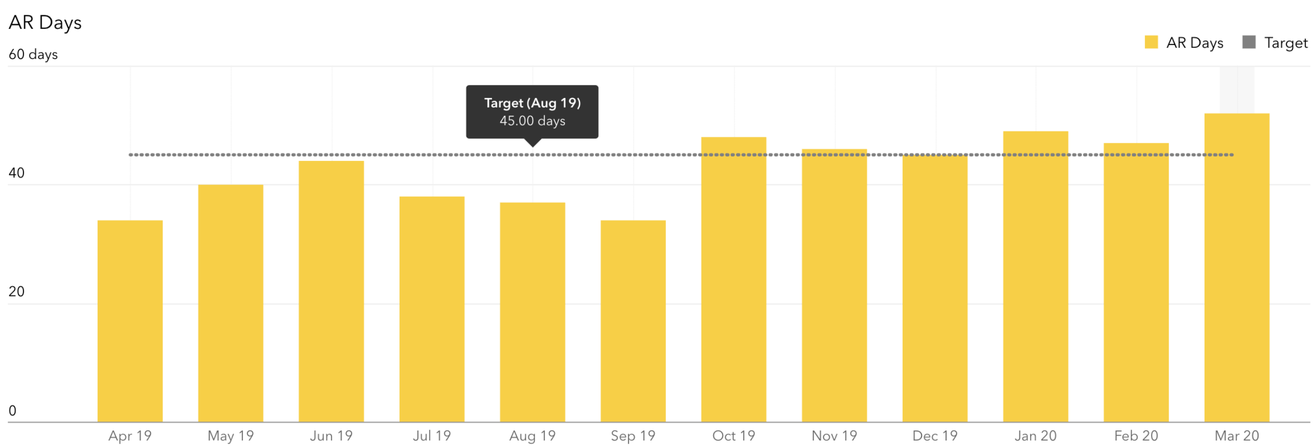
Q. Are any negative cash flows one-off or sustained period after period?



Negative operating cash flows, period after period, should be interpreted as a signal that cash may become insufficient to cover expenses or other obligations.

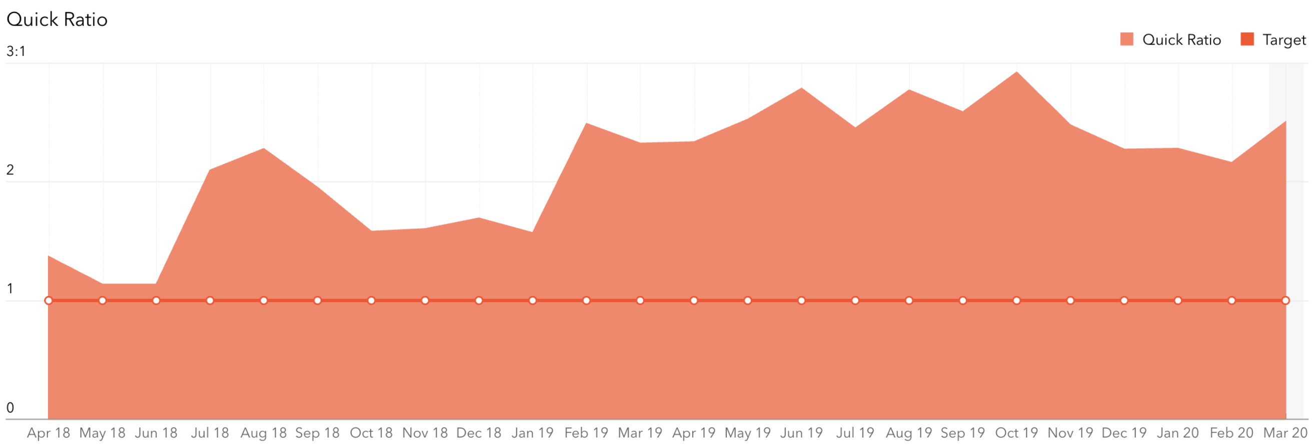
Chart 8. Accounts Receivable Days vs Target

Q. Is it taking longer to collect the amounts due from customers?



This chart is useful for observing any changes in the time taken to collect amounts owed to the company from customers. A lengthening in the time taken to collect debtors will have a negative impact on Cash Flow.

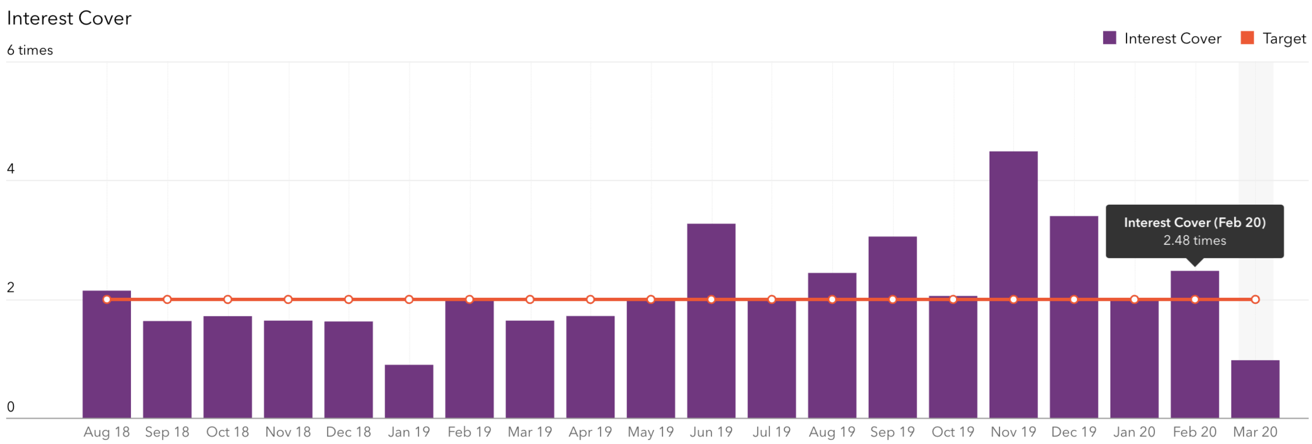
Chart 9. Quick Ratio vs Target



Q. Is the business positioned to pay short-term creditors?
The Quick ratio tells you about your business's ability to ride out short-term rough patches. A quick ratio of 1:1 or more is considered 'safe'. A result less than 1.0 indicates that the business is dependent on less current assets (ie. inventory) to meet short-term obligations.

Chart 10. Interest Cover vs Target

Q. Is the business becoming more burdened by it's debt expenses?



Interest cover is a measure of the business's ability to meet its debt obligations, from the profits earned by the business. A high result indicates that the business can easily meet its interest payments. A lower result indicates that the business is becoming more burdened by debt expense. A lower result may also identify the potential risk that profits will be insufficient to cover interest payments. Generally a result of more than 2 is considered to be safe.

We hope the charts suggested above provide some ideas of useful enhancement which you can make to your current reports.

TIP #3

Monitor profitability and breakeven

by Allanah Miller, Partner Consultant at Fathom

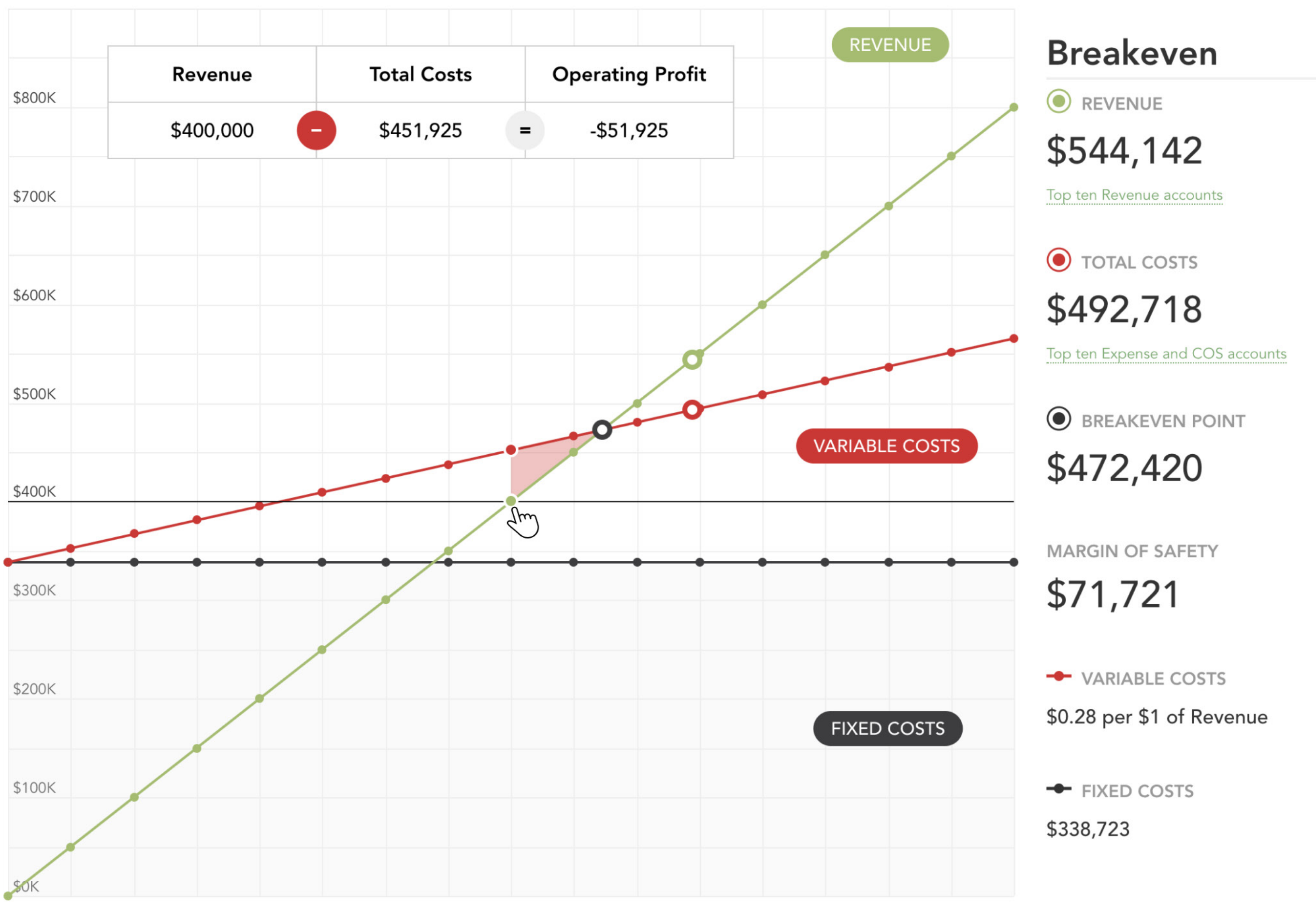
In the previous tip we considered how 'Trend analysis' is useful for answering common profitability questions, such as:

- Are profit margins eroding?
- Are losses increasing?
- Are expenses or cost of sales subject to fluctuations?
- Are there any significant one-off expenses?
- Are sales dropping, but fixed costs remaining the same?

Another critical chart for assessing profitability is the '**Breakeven analysis**'. During the current period, many businesses are reviewing the impact of different revenue scenarios and adjusting overheads to preserve breakeven or minimise the losses.

Breakeven analysis

This visual helps to assess how much of a downturn the business can handle. In other words, how far can revenues decline before the business will start to incur losses?



For any month, quarter or year, the Breakeven chart plots revenues, variable costs (ie. materials, commissions) and fixed costs (ie. rent, insurance) to calculate the breakeven point. At this point, the business generates neither a profit or loss. Specifically

‘Earnings Before Interest and Taxes (EBIT) are zero. It is important to note that the business will still need to cover its funding costs (like interest) and pay corporate taxes.

Understanding the breakeven point is helpful for many purposes including, setting sales budgets and preparing business plans.

Breakeven Margin of Safety

This chart also highlights the ‘Breakeven Margin of Safety’. This margin represents the gap between the current revenues and the breakeven point. This is the amount by which revenues can drop before losses (negative EBIT) begin to be incurred. The higher the margin of safety, the lower the risk of incurring losses. A higher margin of safety indicates that the business is better positioned to handle a decline in revenues.

Revenue scenarios

Using this tool you can quickly conduct scenario analysis for various Revenue outcomes. For example, what operating profit we would expect to earn, if the Revenue increased (or decreased) to a certain level? To do this, move your cursor to a target revenue level on the interactive breakeven chart.

TIP #4

Control costs

by Allanah Miller, Partner Consultant at Fathom

To preserve cash during this period of business uncertainty, one common management response is to **review all business expenses**. Managers are seeking to eliminate, reduce or delay costs, where possible. This process often requires the identification of any non-essential expenses.

Examples of **'essential'** expenses, which are difficult to eliminate may include:

- Rent
- Salaries
- Utilities
- Interest costs
- Taxes

Examples of **'non-essential'** expenses, which may be easier to eliminate or reduce include:

- Entertainment
- Travel
- Training
- Donations
- Advertising
- Other marketing expenses

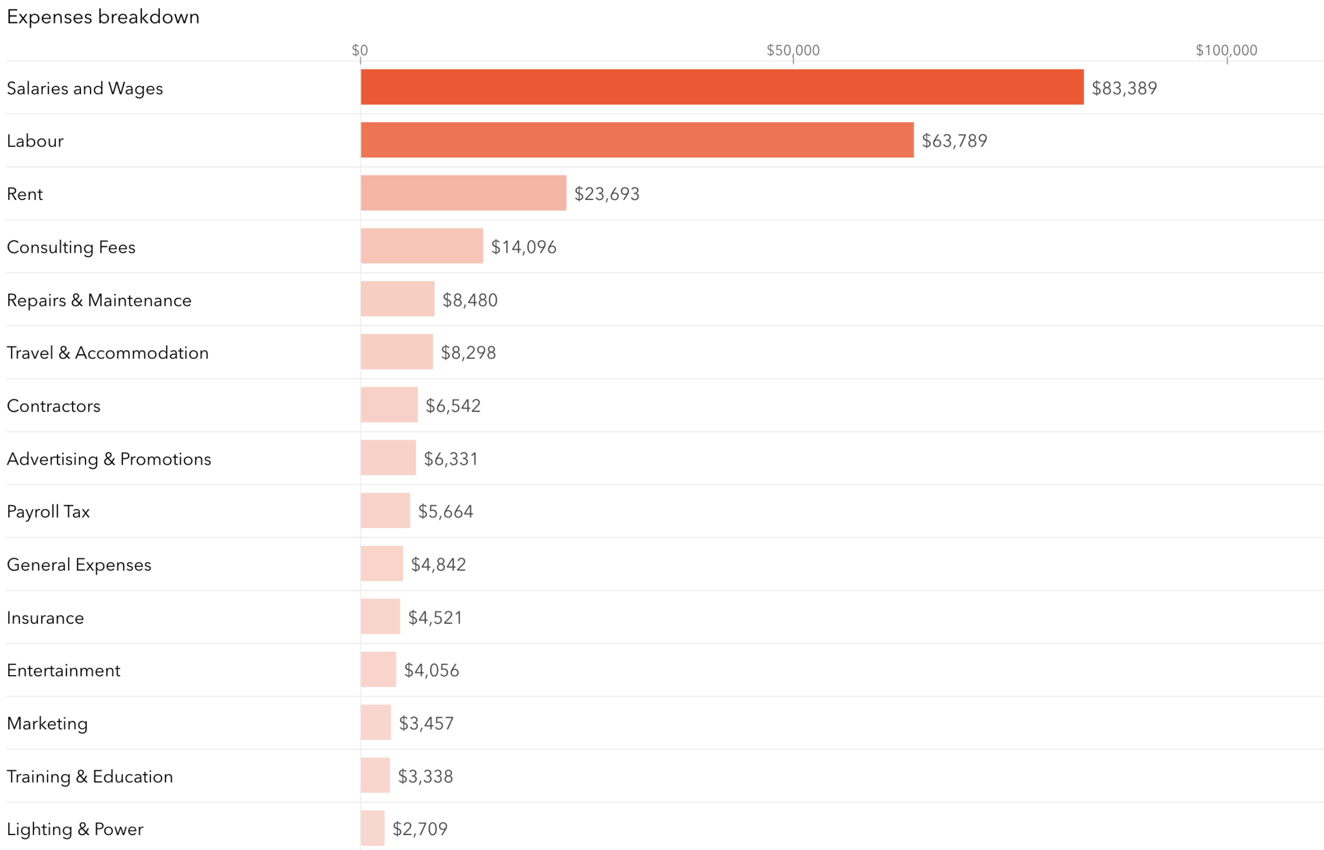
Breakdown Charts

Breakdown charts in Fathom assist with the analysis of expenses and answer questions like:

Q. What are the major business expenses?

Q. Are there any significant non-essential expenses?

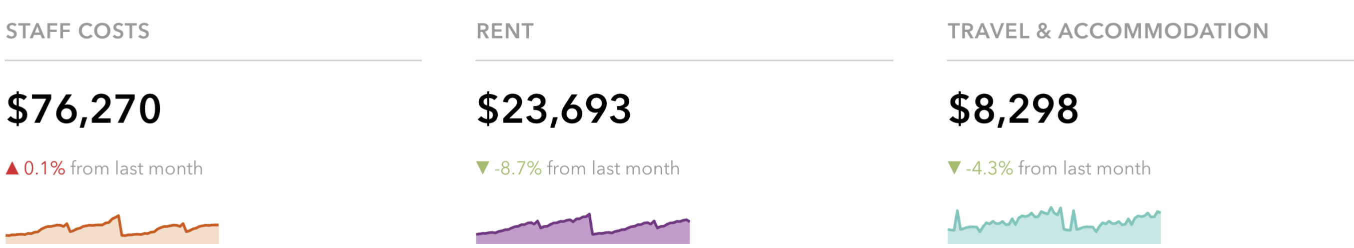
These charts enable you to easily review expense accounts in a highly visual way. For any periods, expenses accounts can be sorted by amount to quickly assess which expenses are most significant. For example:



If the breakdown analysis reveals that 'Staff costs' make up a considerable portion of your overheads (eg. 70% of Total Expenses), then it may be helpful to track significant individual expense accounts in your reports.

Key Numbers

The 'Key Number' component is useful for monitoring expense accounts.



This component highlights the result for an account, and also shows variance from budget or prior period. Additionally, a sparkline chart shows a summary of trends.

Reviewing Fixed and Variable Expenses

When seeking to adjust areas where costs can be minimised, it may also be helpful to review whether costs are fixed or variable in nature. The distinction between these types of expenses is important when calculating the breakeven point. First, let's define what we mean by 'Fixed' versus 'Variable'.

Fixed costs do not vary directly in proportion to revenue. To determine these costs, consider expenses that would still be incurred if the business was shut down during the current crisis. Examples include: rent, telephone costs, internet costs, insurance, loan payments. Businesses with a higher proportion of fixed costs are more vulnerable to sales decline than other businesses, because they may not be able to reduce fixed costs as sales fall.

Variable costs increase or decrease closely in proportion to revenue. These costs are associated directly with business activity. Some examples include: commissions, direct labour, materials etc... If you are able to optimise variable expenses, there may be a larger cash flow benefit down the line. If the business obtains cost advantages here, then additional sales will result in incremental profit earned for each unit sold.

> Tip: You can review your Fixed and Variable expense and also re-classify in the Fathom company settings.

TIP #5

Track business unit profitability

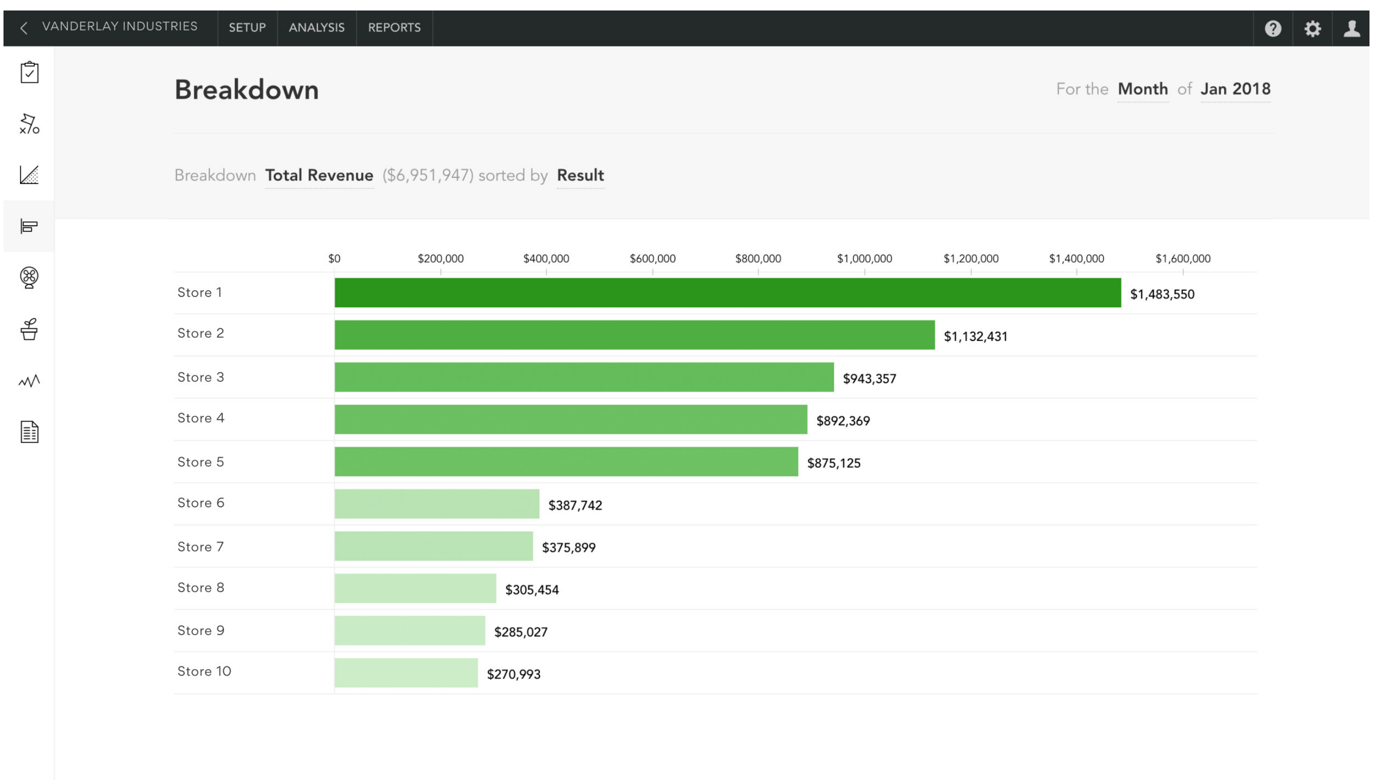
by Antoni Gomez, Head of Implementation at Fathom

If your business is comprised of multiple business units, then it may be helpful at this time to investigate the profitability of each business unit. In other words, to **assess the individual performance of each department, location, profit center, divisions** or any other business segments.

Breakdown analysis

The Breakdown analysis in Fathom enables you to drill deeper and gain insights into the performance of business units within your business. This chart lets you compare results for any KPI or any P&L / Balance Sheet account. This visual shows a breakdown of results by business unit, and how material each result is to the overall performance of the company.

Using this analysis you can easily observe important metrics and identify which business units are vulnerable or needing attention. If there are precise areas of your business that require action, this analysis may help pinpoint this area of focus.



> Tip. This analysis uses tracking data from your accounting system. Specifically, data relating to classes and/or locations.

So in addition to monitoring the overall profitability of your business, Fathom also helps to track the specific financial activity, position and performance of your business units. This analysis is useful for answering questions like:

Revenue

Q. Are all business units generating sufficient revenue in these times or are some units requiring time and money to run, without adequate sales?

Expenses

Q. Which business units are spending the most on 'Training' (or replace this with any other expense)? By comparing spending at the divisional level, it may help to identify targeted cost control opportunities.

Operating Profit

Q. Are all units able to control costs and operate profitably? If one unit's losses diminish the business's profits as a whole, is it possible to temporarily freeze its operations?

If your business units have balance sheet data available, then you can further analyse your cash flow and working capital metrics:

Operating Cash Flow

Q. In a time when every cent or penny counts, are any units contributing to an outflow of cash, or an increase in the business's burn rate? If so, is there anything that can be done about it?

Equally, you can identify which units are performing well and look to replicate successful practices across all units to improve the performance of the business overall.

Accounts Payable Days

Q. Have any units managed to secure generous payment terms with suppliers, thus helping their cash flow? If so, can other units switch to these suppliers? Or can they look to negotiate similar terms elsewhere?

Accounts Receivable Days

Q. Are some units collecting cash particularly quickly? This might be from selling to customers who pay promptly, or by implementing efficient collection processes. Can other units do the same?

Inventory Days

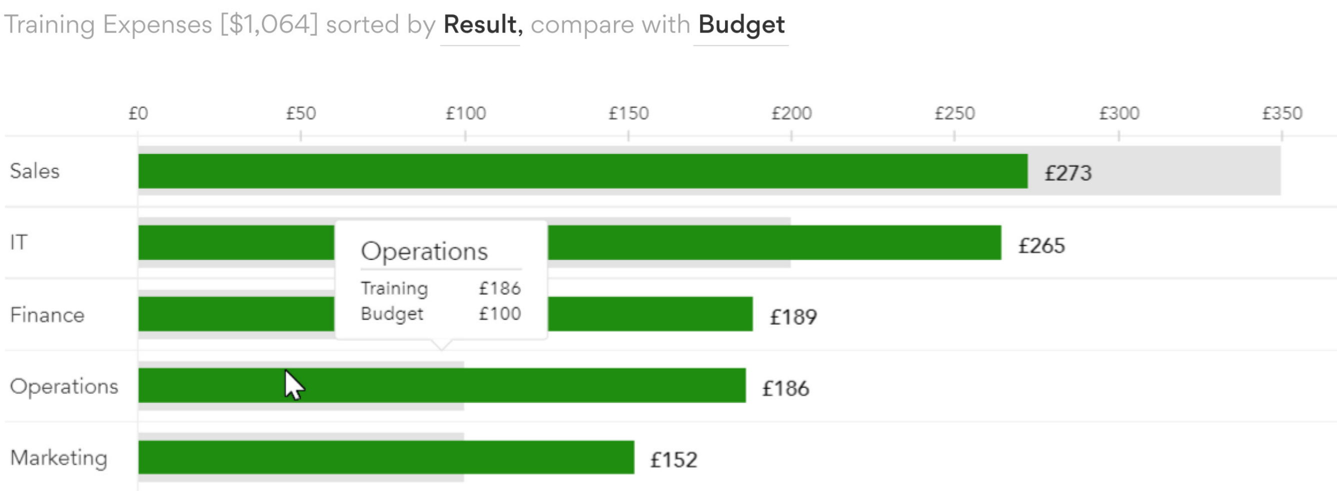
Q. Which units' inventories are generating sales quickly and keeping cash flowing steadily? Can the other units stock these inventories, or implement similar stock management practices?

All these analytical possibilities help to answer questions about the profitability of your business units, and which are most at risk during a business downturn.

Variance Analysis in the Breakdown chart

Using the Breakdown analysis you can also explore which divisions are achieving budget.

> Tip. If required, each business unit can be imported as a separate entity, with its own associated budgets.



This enables you to gain granular analysis of divisional level budgets. If certain divisions are exceeding budget, then this chart will help to identify these.

TIP #6

Understand your Cash Flow

by Andrew Jordon, Director of Business Development at Fathom

It goes without saying that cash is vital during periods of economic downturn. **Cash is the fuel that keeps the engine running, the lifeblood of the business.**

For most businesses, net profit (or net income) is not equal to cash, nor does it reflect the cash position of the business. So it is vital for all business managers to know where cash has gone and to also know what are the core cash generating parts of their businesses. For business managers who have historically focused on revenue or profit, the monitoring of Cash Flow during the current period may require greater attention.

The Cash Flow analysis in Fathom is useful for answering questions like:

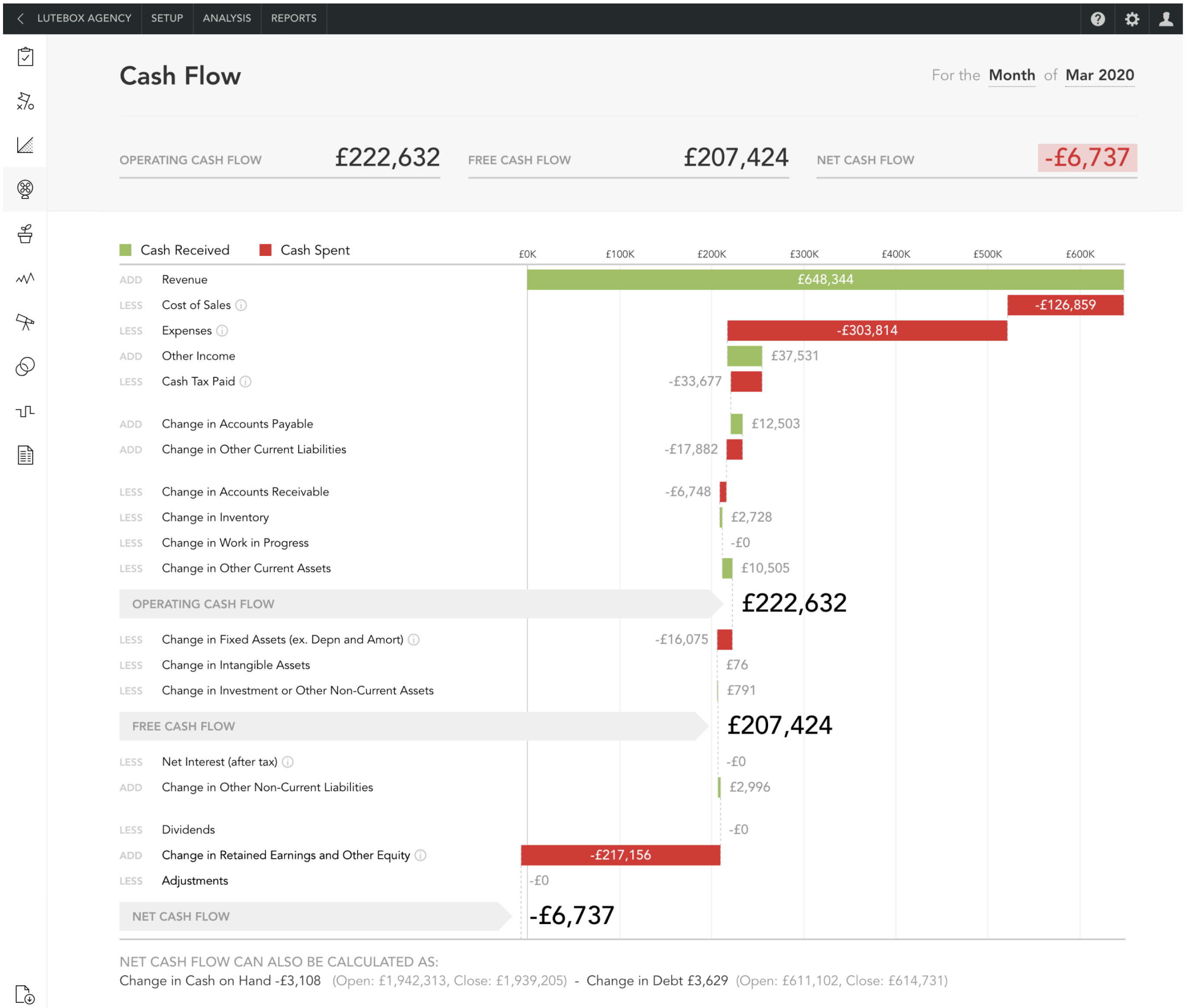
Q. Where has the cash gone?
Q. Is the business generating cash or absorbing cash?
Q. Is cash sourced from core operations, or from other activities?
Q: How do I reconcile revenue for the period, to the bank balance?

In Tip #2 we explored how using cash flow trend charts can help to answer other cash related questions like: Are cash flows diminishing? Are cash flows sustainable or subject to fluctuations?

Cash Flow waterfall chart

Using the Cash Flow analysis waterfall chart it is easy to visualise the flow of funds through the business. Green represents cash coming in and red represents cash going out. The size of the bars are also proportional to the quantum. This can be very helpful for visual learners to understand.

An example might be the size of interest repayments from a loan relative to operational costs and whether, as a result, refinancing should be sought.



> Tip. Using video recording or web conferencing tools can be an effective way to talk through the movement of cash, to help your management team or clients to understand why the bank account balance is as it is.

Interpreting the waterfall

Similar to a Cash Flow statement, the waterfall chart is divided into three major sections which separate operating activities, investing activities, and financing activities. By focusing on the subtotals of each section, it is possible to discern more about the health and characteristics of the business.

For example, **Operating Cash Flow** reveals how much cash the business is generating from its primary business operations – typically sales of services and products. Wherever possible, it is important to ensure that the operational aspect of the business is cash flow positive. In the current circumstances, this is a difficult challenge for many businesses. Any cash flow deficit from business operations will have to be compensated using financing or investing activities, or by using cash reserves. Negative operating cash flows, period after period, may signal that eventually cash will become insufficient to cover expenses or other obligations.

Additionally, **Free Cash Flow** can indicate a lot about the management practices of the business. For example, activity in this section may reveal management's appetite for the purchase or sale of assets. If the business is selling its assets, it could be an indication of a cash flow problem. Conversely, a reduction in capital expenditures may indicate that management is seeking to control costs by delaying the purchase or renewal of long-term assets. The purchase of new assets may indicate that the business is optimistic about its financial position and so is investing for future growth.

Ultimately, this chart shows you the **Net Cash Flow** generated from one period to another. A healthy Cash Flow statement will show more cash coming in through the sources of cash than going out. This is known as positive Net Cash Flow. This cash flow generated by the business, can then be used to either increase cash reserves or pay back debt.

This reconciliation is highlighted at the bottom of the waterfall chart and shown below. To maintain a negative Net Cash Flow you will require cash in the bank account or may consider taking on funding or potentially benefiting from Government grants or loans if available.

The Cash Flow Statement

CASH FLOW STATEMENT	Jan 2020	Dec 2019	This month vs last month (%)
OPERATING ACTIVITIES			
Net Income	£192,292	£179,053	7.39%
Depreciation & Amortisation	£412	£424	-2.70%
Change in Deferred Taxes	£2,156	£616	249.83%
Change in Accounts Payable	-£4,574	-£1,626	-181.37%
Change in Other Current Liabilities	-£22,625	-£3,416	-562.28%
Change in Accounts Receivable	-£3,578	£548	-752.38%
Change in Inventory	-£2,346	-£2,325	-0.90%
Change in Other Current Assets	-£6,549	-£1,806	-262.61%
Cash Flow from Operating Activities	**£155,189**	**£171,469**	**-9.49%**
INVESTING ACTIVITIES			
Change in Fixed Assets (ex. D&A)	-£6,684	-£3,675	-81.89%
Change in Intangible Assets	-£35	-£128	72.94%
Change in Investments or Other NCAs	£248	-£393	163.14%
Cash Flow From Investing Activities	**-£6,471**	**-£4,195**	**-54.24%**
FINANCING ACTIVITIES			
Change in Other Equity	£149,497	-£2,076	7,299.86%
Change in Earnings not attrib. to Ret. In...	-£203,859	-£126,632	-60.99%
Change in Short Term Debt	-£426	£3,490	-112.20%
Change in Long Term Debt	-£13,567	-£15,493	12.43%
Change in Other Non-Current Liabilities	-£4,260	-£8,184	47.95%
Cash Flow From Financing Activities	**-£72,615**	**-£148,895**	**51.23%**
Change in Cash & Equivalents	**£76,103**	**£18,378**	**314.10%**
Cash & Equivalents, Opening Balance	£1,856,163	£1,837,785	1.00%
Cash & Equivalents, Closing Balance	£1,932,265	£1,856,163	4.10%

> Tip: In Fathom you can view a Cash Flow statement and view comparisons to budget or prior periods.

In a period of reduced trading, some of the key questions to consider when looking at the Cash Flow Statement to inform decision making would include:

1. Is everything as you expect? Are there expenses you weren't aware you were incurring, be they professional body subscriptions for ex-employees or insurance costs for disposed assets?
2. Are there fixed costs which aren't so fixed? i.e. can you renegotiate agile work spaces contracts or are there leniencies provided by the government on tax payment terms?
3. Do assumptions in the budget need to be addressed? Do Director's salaries or dividends need to be adjusted in the short-term? Do staff need to be furloughed in order to remain in businesses?

One final tip, if you are a small business owner/manager struggling to understand your cash flow – get in touch with an accountant or advisor, as they can help you navigate through the challenges of this time.

TIP #7

Monitor drivers of cash flow

by Allanah Miller, Partner Consultant at Fathom

In the previous tip we highlighted why cash flow is crucial to business survival and success. In this tip we look at **what drives your business's cash flow**.

There are seven key financial drivers for cash flow. These drivers are available in the Goalseek analysis and include revenue volume, price, cost of goods, expenses, accounts receivable days, inventory days, and accounts payable days. Adjusting each of these drivers enables business managers to control the availability of cash in their business.

Drivers of working capital

In this tip, we focus on working capital drivers and how you can monitor these using Fathom. Successful cash management requires monitoring all the elements of the working capital cycle, which includes your Account Receivable days, Accounts Payable days and Inventory days. These metrics are calculated in Fathom and can be tracked using trend charts.

> Tip: Monitoring the period by period changes in these drivers, is often more important than the actual result value for the metric. For example, if Accounts Receivable Days increase by 5 days, then this may signal concerns which have a negative impact on Cash Flow.

Here is an example single-page report layout which tracks these key numbers:

Cash Flow Drivers

ACCOUNTS RECEIVABLE DAYS

47 days

A measure of how long it takes to collect amounts due from customers.

ACCOUNTS PAYABLE DAYS

59 days

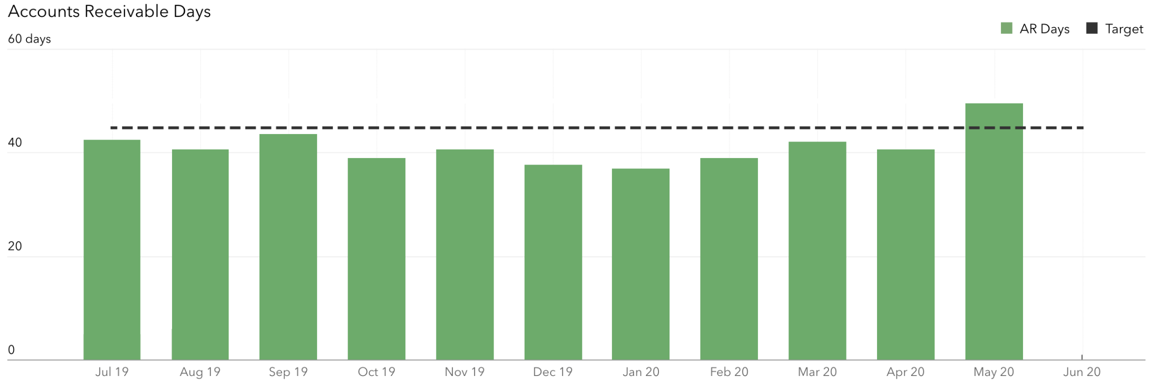
A measure of how long it takes for the business to pay its creditors.

INVENTORY DAYS

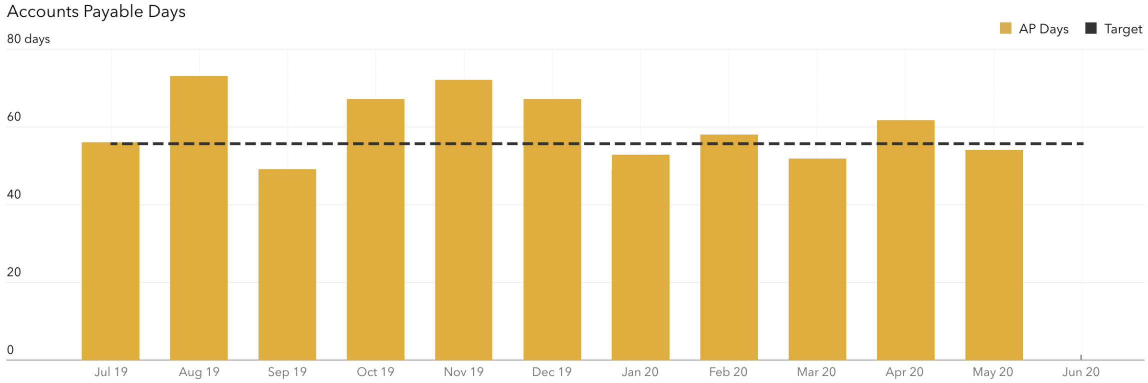
64 days

A measure of how efficiently the business converts inventory into sales.

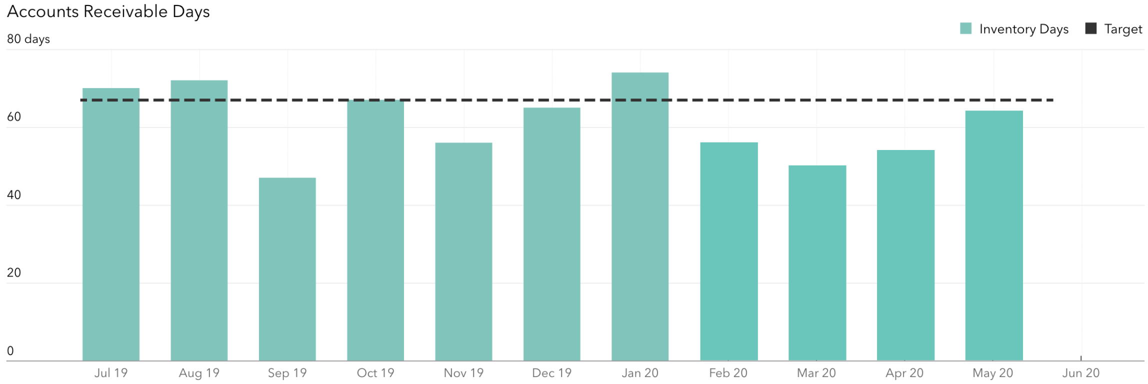
Accounts Receivable Days



Accounts Payable Days



Accounts Receivable Days



Cash Conversion Cycle

As explored in Tip #1, the 'Cash Conversion Cycle' is a useful measure of all the elements of the working capital cycle. It is a measure of the time that working capital is tied up in the operating cycle of the business. It measures the length of time between purchase of raw materials and the collection of accounts receivable from customers. In other words, the time between outlay of cash and cash recovery. In the current challenging trading environment, controlling the time that working capital is tied up in the business could make the difference between business success and failure. Let's consider each of these drivers separately:

Accounts Receivable Days

A measure of how long it takes for the business to collect cash from customers. A shorter time to collect from debtors will have a positive impact on Cash Flow. In times of economic downturn, it may be worth evaluating the credit worthiness of all incoming orders, and determine your client's ability to pay. You may choose to take a deposit, or put stricter payment terms on invoices moving forward.

Accounts Payable Days

Next take a look at your Accounts Payable days to see how long it takes for the business to pay its creditors. It may be beneficial to explore if you can negotiate lengthier payment terms with suppliers. However, it is important to consider that it is challenging times for your suppliers also. While delaying payment will have a positive impact on Cash Flow, an excessive lengthening in this ratio could threaten continuity of service from your suppliers.

Inventory Days

The final pillar of this working capital analysis, will be to look at Inventory Days. For product-based businesses inventory days is a measure of the efficiency of the inventory control and turnover. You will want to monitor these, as an increase in inventory days, means a slowing in the turnover of any stock or inventory the business is holding.

> Tip: For services-based businesses, you can track WIP days as part of your Cash Conversion Cycle. This is a measure of the number of days, on average, that jobs are in progress prior to invoicing.

TIP #8

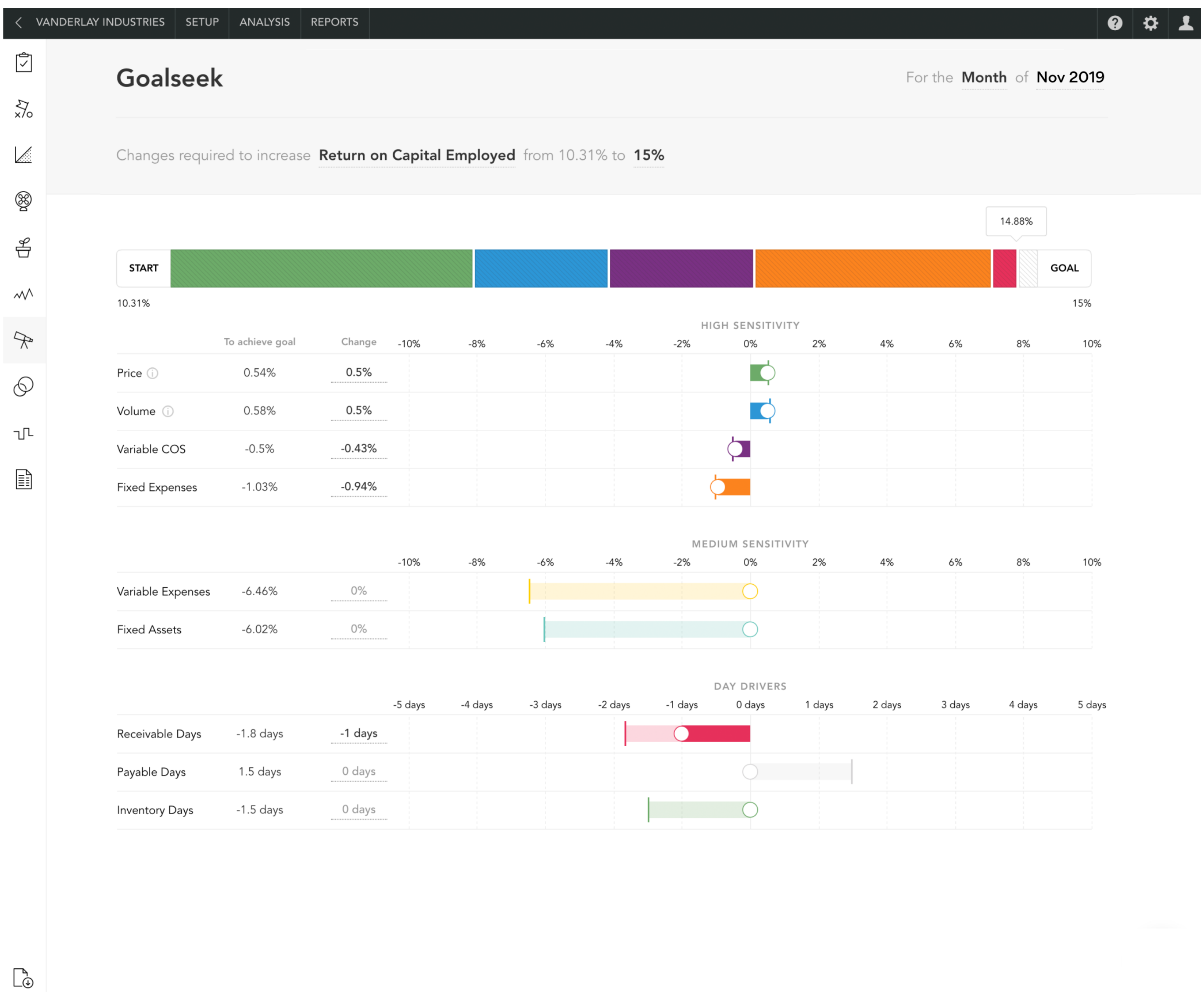
Move the levers with Goalseek

by Antoni Gomez, Head of Implementation at Fathom

In the earlier tips, we examined some of the ways you can measure, assess and understand the impact of the current crisis on your business. In this tip we consider a way to **explore your responses** to a crisis.

Continuing to deliver a business-as-usual strategy in the current crisis probably isn't the right approach, nor is a reactive unmeasured approach. To assist your planning, the Goalseek analysis may be a useful tool for exploring scenarios and the impact of potential tactics.

The Goalseek analysis in Fathom helps you to answer the '**How do we get there?**' question. For a range of financial metrics, you can identify what changes to drivers are required to achieve your goal. For example, in the screenshot below, the current result for 'Return on Capital Employed' is 10.31%, and the set goal is 15%. The analysis then helps to identify '**What changes are required to achieve this goal?**'.



You can also use the Goalseek analysis for profitability metrics (like Gross profit, Operating profit and Net profit) and Cash Flow metrics (like Operating, Free and Net Cash Flow). You can adjust the various sliders to see the impact of a change in any of the drivers on your goal. In doing so, it is helpful to consider what levers are realistic to pull, and by how much.

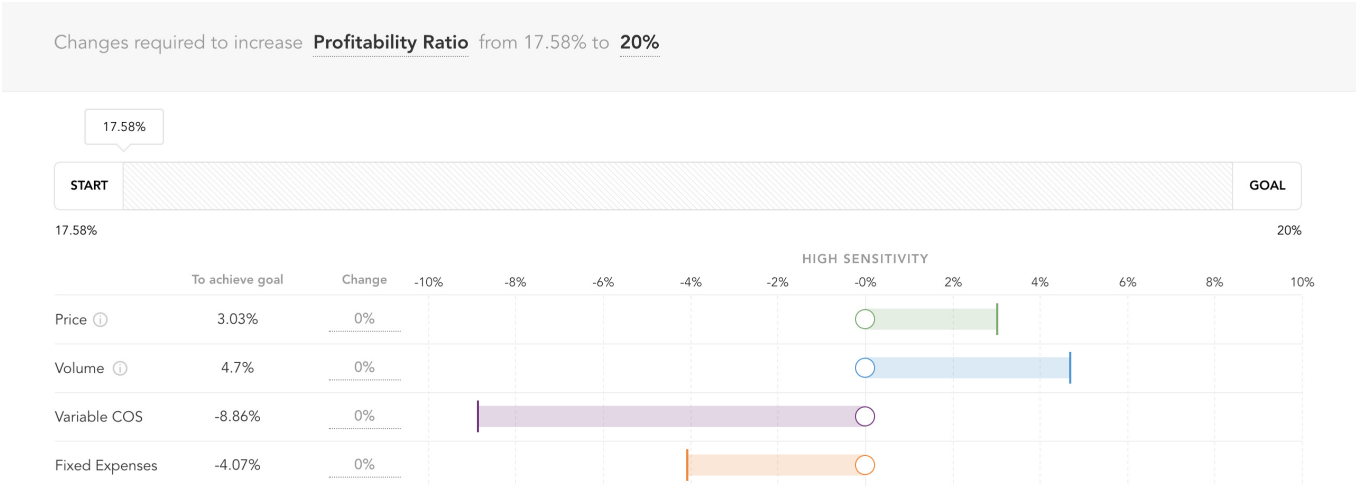
For example, a lengthening in Accounts Payable Days may be realistic if you are paying suppliers within current terms of payment. While a reduction in Accounts Receivable days may be difficult to achieve if your customers have been adversely affected by COVID-19.

It is also helpful to consider if adjusting one lever effects another. For example, will an increase in price cause a fall in volume sold (or vice-versa)?

Sensitivity

The Goalseek analysis helps to understand the sensitivity of some of the key drivers in the business. A driver with 'high' sensitivity indicates that a small change will have a significant contribution towards achieving the goal. Identifying such drivers may reveal some "easy wins" for the business. Conversely a driver with 'low' sensitivity indicates that a large change will be required to make a material contribution towards the goal.

In this example, a 3% increase in Price would have an equivalent impact on profitability (EBIT) as an 8.8% reduction in Variable Cost of Sales.



> The Goalseek analysis helps to illustrate the value of marginal gains – that multiple small improvements, made to the right drivers, can have a significant overall impact on business performance.

Actions

Here are some practical actions which you can consider undertaking to support your planned change to drivers:

Driver: Price

Actions you might take to improve pricing:

- Evaluate your product mix
- Identify the most and the least profitable items
- Explore online sales options
- Create premium offers or service specials
- Suggest ordering a “combo” or bundling related items

Driver: Volume

Actions you might take to increase sales volume:

- Implement marketing campaigns
- Offer sales promotions for volume purchases
- Create bundled pricing for related items
- Create sales contests for staff
- Tighten credit policies for new customers (reduce volume)

Driver: Variable Cost of Goods Sold and Variable Expenses

Actions you might take to reduce costs/expenses:

- Negotiate purchase discounts
- Evaluate early payment discounts
- Review sales commissions or compensation policies
- Monitor inventory levels daily
- Identify slow-moving items
- Minimise inventory shortages
- Reduce spoilage/wastage
- Reduce number of returns by identifying reasons for returns
- Maximise efficiency of warehouse layout
- Examine workflow in manufacturing assembly processes

Driver: Fixed Expenses

Actions you might take to reduce costs/expenses:

- Analyse payroll and benefit costs
- Increase accuracy of payroll for hourly employees
- Eliminate payroll tax penalties
- Eliminate other non-essential expenses
- Review costs as a % of revenue and look for increasing trends
- Reduce shipping and postage charges

Driver: Receivable Days

Actions you might take to reduce AR days:

- Review payment history for individual customers
- Set credit limits assigned to each customer
- Review your credit policies
- Analyse your customer mix
- Accept credit card payments (if not already doing so)
- Require up-front deposits on select items or services
- Generate electronic invoices for faster payment (if not already doing so)
- Assign an employee to make daily phone calls to accounts over 45 days outstanding
- Consider using collection agencies

Driver: Payable Days

Actions you might take to increase AP days:

- Identify if certain vendors can be paid later
- Analyse early payment discounts taken
- Electronically pay vendors on the due date

Driver: Inventory Days

Actions you might take to optimise Inventory days:

- Monitor inventory levels daily
- Automate restocking process
- Review Purchase Order processing
- Examine product lead times by vendor

We hope these actions provide some possible tactics which your business can implement in response to current business challenges.

TIP #9

Undertake forward projections

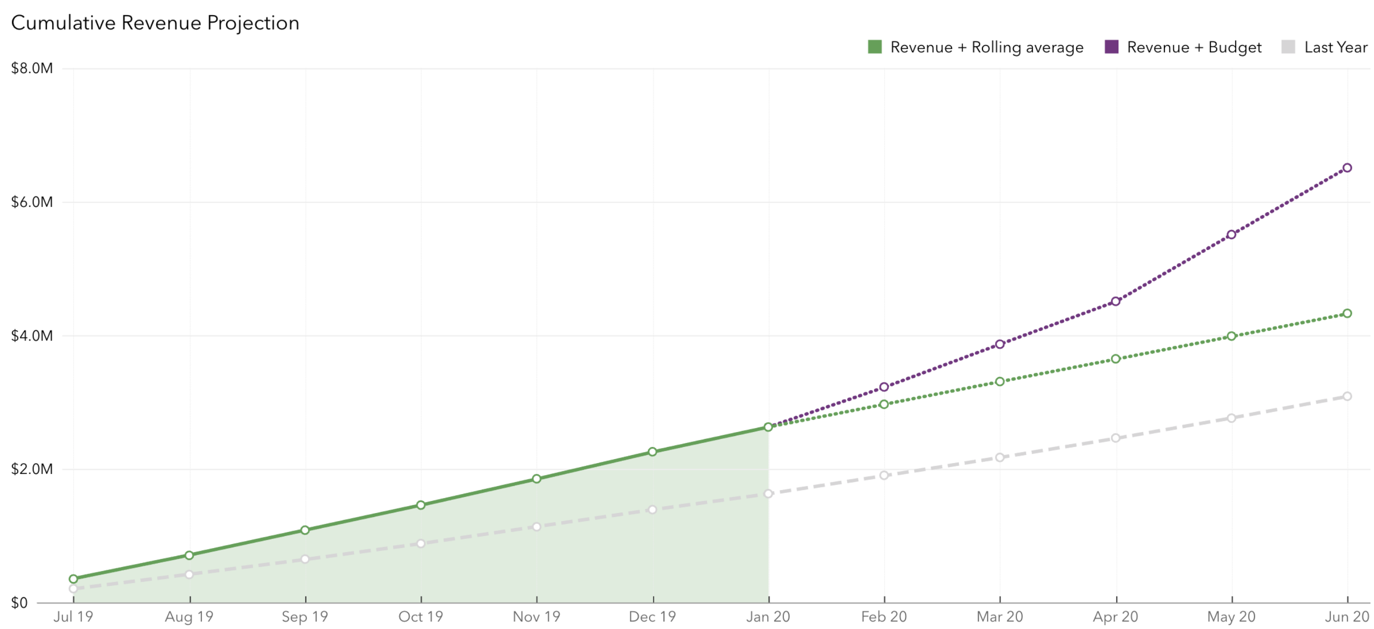
by David Watson, Co-founder of Fathom

The COVID-19 outbreak has forced many businesses to rapidly change their original financial projections. As a result, many have undertaken (or plan to undertake) reforecasting or budget flexing to more accurately reflect the evolving business conditions.

For some businesses there will be limited or no changes to budget. For many others significant updates will be necessitated by the challenging market conditions.

In both cases the **forward projection trend charts** and **forward projection Profit & Loss statement** (Income Statement) will be useful. Both of these combine actuals and rest of year budget to provide a projection of expected end of year results. For example:

Cumulative projection charts (actual + budget)



> Tip: When adding trend charts to your reports, you can project future performance either using a rolling average of past results or using your budget. In the chart above, the prior financial year's revenue is also plotted for comparison.

Forward projection Profit & Loss

PROFIT & LOSS	Jul 2019	Aug 2019	Sep 2019	Oct 2019	Nov 2019	Dec 2019	Jan 2020	Feb 2020	Mar 2020	Apr 2020	May 2020	Jun 2020	Total
Revenue													
Sales	$171,643	$174,601	$192,763	$206,919	$211,548	$231,032	$232,051	$374,648	$424,239	$421,117	$447,700	$446,132	$3,534,392
Cost of Sales													
Materials	$54,993	$55,970	$62,093	$66,669	$68,242	$74,572	$74,920	$86,039	$97,421	$96,698	$102,791	$102,418	$942,826
Freight	$0	$0	$0	$0	$0	$2,087	$0	$832	$832	$832	$832	$12,608	$18,023
Commissions	$5,850	$5,954	$6,606	$7,092	$7,260	$7,933	$7,970	$9,153	$10,364	$10,287	$10,935	$10,896	$100,301
Total Cost of Sales	**$60,843**	**$61,924**	**$68,699**	**$73,761**	**$75,502**	**$84,592**	**$82,890**	**$96,024**	**$108,617**	**$107,817**	**$114,558**	**$125,922**	**$1,061,150**
Gross Profit	**$110,801**	**$112,677**	**$124,064**	**$133,158**	**$136,046**	**$146,439**	**$149,160**	**$278,624**	**$315,622**	**$313,300**	**$333,142**	**$320,210**	**$2,473,242**
Expenses													
Labour	$40,952	$41,680	$46,239	$49,647	$50,819	$55,533	$55,792	$64,071	$72,548	$72,009	$76,546	$76,269	$702,104
Accounting & Legal	$0	$0	$0	$0	$0	$0	$0	$1,333	$1,333	$1,333	$1,333	$1,333	$6,665
Advertising & Promotions	$329	$498	$770	$960	$708	$1,865	$2,381	$9,319	$9,631	$10,088	$10,636	$11,173	$58,359
Bank Fees	$497	$582	$589	$589	$582	$773	$658	$1,143	$1,174	$1,164	$1,174	$1,164	$10,088
Charitable Donations	$566	$617	$616	$650	$647	$747	$732	$1,654	$1,673	$1,699	$1,731	$1,764	$13,095
Consulting Fees	$1,050	$1,178	$1,279	$1,248	$1,760	$1,586	$1,815	$7,632	$7,925	$7,999	$8,080	$8,430	$49,981
Contractors	$2,642	$2,930	$2,621	$5,565	$8,336	$4,359	$4,196	$3,194	$3,352	$3,522	$4,002	$3,970	$48,689
Depreciation & Amortisation	$0	$2,903	$0	$0	$0	$0	$0	$267	$267	$267	$267	$267	$4,238
Entertainment	$693	$1,920	$1,787	$3,762	$320	-$1,464	$132	$2,179	$2,689	$2,187	$2,193	$2,199	$18,596
General Expenses	$8,549	$9,472	$9,067	$8,961	$8,744	$9,367	$9,443	$10,219	$10,092	$10,050	$10,880	$10,721	$115,565
Insurance	$2,326	$2,352	$2,480	$2,365	$2,852	$3,399	$3,024	$4,546	$4,489	$4,508	$4,489	$4,508	$41,338
Total Expenses	**$132,389**	**$155,139**	**$139,684**	**$158,435**	**$161,237**	**$169,370**	**$170,197**	**$245,143**	**$251,379**	**$249,992**	**$260,389**	**$257,238**	**$2,350,592**
Operating Profit	**-$21,588**	**-$42,462**	**-$15,619**	**-$25,278**	**-$25,191**	**-$22,931**	**-$21,037**	**$33,481**	**$64,243**	**$63,308**	**$72,753**	**$62,972**	**$122,650**

The projected end of year financial results are automatically updated at the end of month, when the budget is replaced with actual results for the recently completed month. By regularly monitoring the expected end of year financial results, management can make better decisions on where to invest, where to pull back, and what to prepare for.

TIP #10

Create action plans

by David Watson, Co-founder of Fathom

In the current business environment, cash flow projections and scenario planning are more important than ever. Additionally, tracking trends and monitoring positive and negative variances in performance indicators are also important to identify issues affecting the business. But is regular management reporting essential during these challenging times?

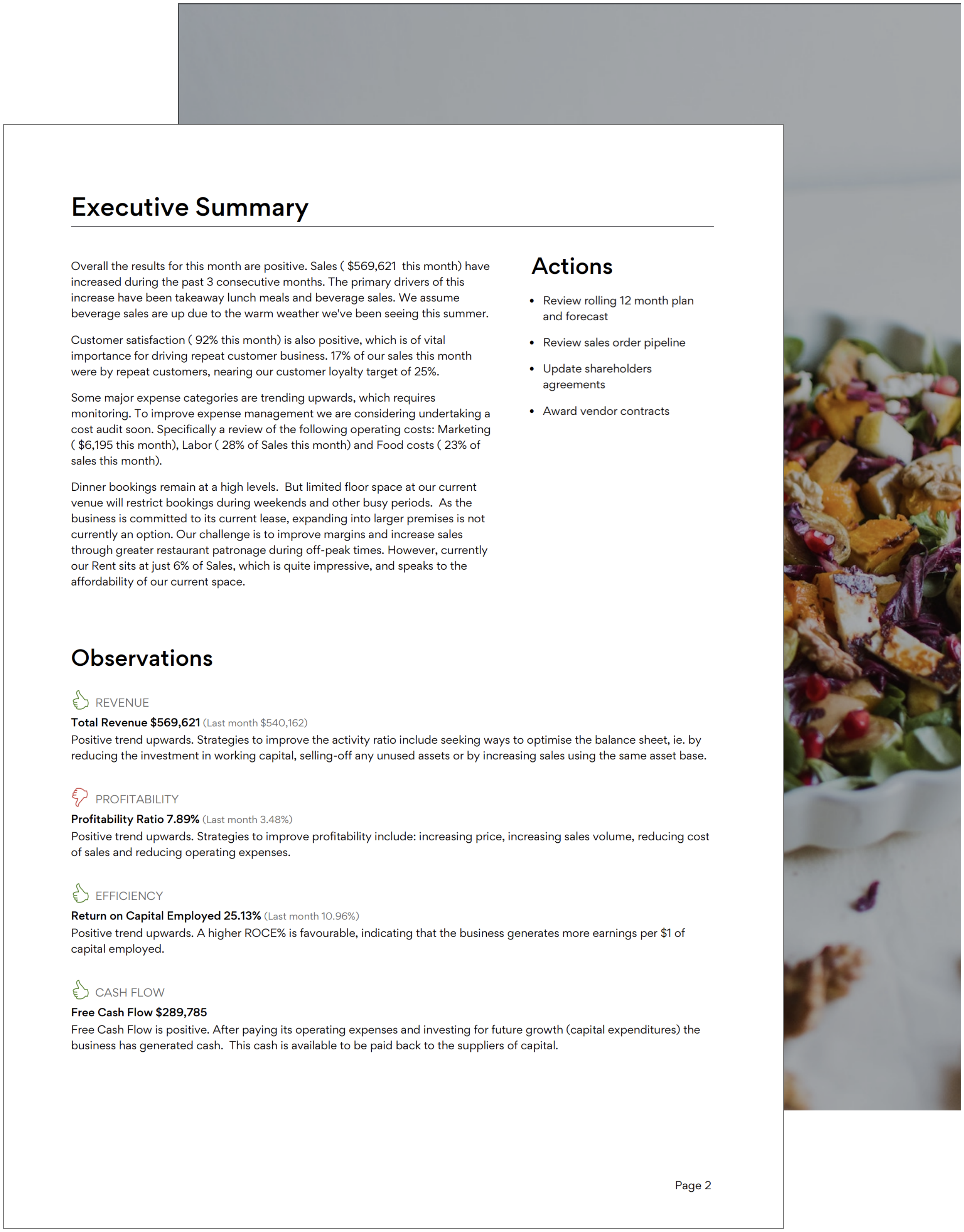
Yes, it's even more important than ever! Here's why.

1. Quality management reports ensure that pertinent information is flowing through the business to the management team (or board), and then from there to external parties such as investors, shareholders or lenders. These reports play a vital role in ensuring that **all stakeholders have a well-formed view** about how the business is navigating through the choppy waters of the current crisis.

2. Balanced management reports present more than financial information alone. Presenting both financial and non-financial results in your reports helps to **assess both operational and financial performance**. As we explored in Tip #1, measuring lead performance indicators helps to determine if your business has been impacted by the current crisis and also helps to predict future financial outcomes.

3. The purpose of management reports is not just to inform, but also to **promote action**. Your management reports can guide strategic thinking, support decision-making and align stakeholders around a shared plan. It is easy to add commentary to your Fathom reports which includes forward-looking action plans. The 'executive summary' and 'commentary' features enable you to document the tactical plans which your business will implement in response to current challenges.

In the example above, a one-page executive summary highlights key results, observations, and recommended actions. The commentary features in Fathom enable you to document a qualitative as well as quantitative evaluation of performance.



Executive Summary

Overall the results for this month are positive. Sales ($569,621 this month) have increased during the past 3 consecutive months. The primary drivers of this increase have been takeaway lunch meals and beverage sales. We assume beverage sales are up due to the warm weather we've been seeing this summer.

Customer satisfaction (92% this month) is also positive, which is of vital importance for driving repeat customer business. 17% of our sales this month were by repeat customers, nearing our customer loyalty target of 25%.

Some major expense categories are trending upwards, which requires monitoring. To improve expense management we are considering undertaking a cost audit soon. Specifically a review of the following operating costs: Marketing ($6,195 this month), Labor (28% of Sales this month) and Food costs (23% of sales this month).

Dinner bookings remain at a high levels. But limited floor space at our current venue will restrict bookings during weekends and other busy periods. As the business is committed to its current lease, expanding into larger premises is not currently an option. Our challenge is to improve margins and increase sales through greater restaurant patronage during off-peak times. However, currently our Rent sits at just 6% of Sales, which is quite impressive, and speaks to the affordability of our current space.

Actions

- Review rolling 12 month plan and forecast
- Review sales order pipeline
- Update shareholders agreements
- Award vendor contracts

Observations

REVENUE

Total Revenue $569,621 (Last month $540,162)

Positive trend upwards. Strategies to improve the activity ratio include seeking ways to optimise the balance sheet, ie. by reducing the investment in working capital, selling-off any unused assets or by increasing sales using the same asset base.

PROFITABILITY

Profitability Ratio 7.89% (Last month 3.48%)

Positive trend upwards. Strategies to improve profitability include: increasing price, increasing sales volume, reducing cost of sales and reducing operating expenses.

EFFICIENCY

Return on Capital Employed 25.13% (Last month 10.96%)

Positive trend upwards. A higher ROCE% is favourable, indicating that the business generates more earnings per $1 of capital employed.

CASH FLOW

Free Cash Flow $289,785

Free Cash Flow is positive. After paying its operating expenses and investing for future growth (capital expenditures) the business has generated cash. This cash is available to be paid back to the suppliers of capital.

Page 2

When creating action plans or adding commentary to your current reports, you may wish to include:

- a synopsis of KPI performance
- corrective actions or responses to COVID-19
- updates to (or progress towards) the strategic objectives
- updates on major expenditure
- updates to the revenue/sales pipeline
- updates to human resources
- updates to forecast results for the current financial year

These simple, but powerful features help keep everyone on the same page, and collectively working towards the same objectives.

TIP #11

Enhance communication to stakeholders

by James Erving, Head of Customer Success (APAC) at Fathom

Businesses are dealing with unprecedented challenges due to the COVID-19 outbreak. During such times, it is important to ensure that every step forward is not weighed down by missed insights or miscommunication. Regular communication with key business stakeholders, such as team members, investors, board members, lenders, and shareholders is now more vital than ever. Keeping everyone informed about the current state of the business will help your team to make plans and navigate the business through potentially leaner months.

Creating reports for stakeholders and making sense of your numbers requires a ton of work, unless you're using Fathom. Fathom keeps in sync with your accounting system and transforms your numbers into a range of KPIs, charts and insights. All of which can be easily communicated to stakeholders using online and offline reports and the online analysis tools.

Sharing access and insights

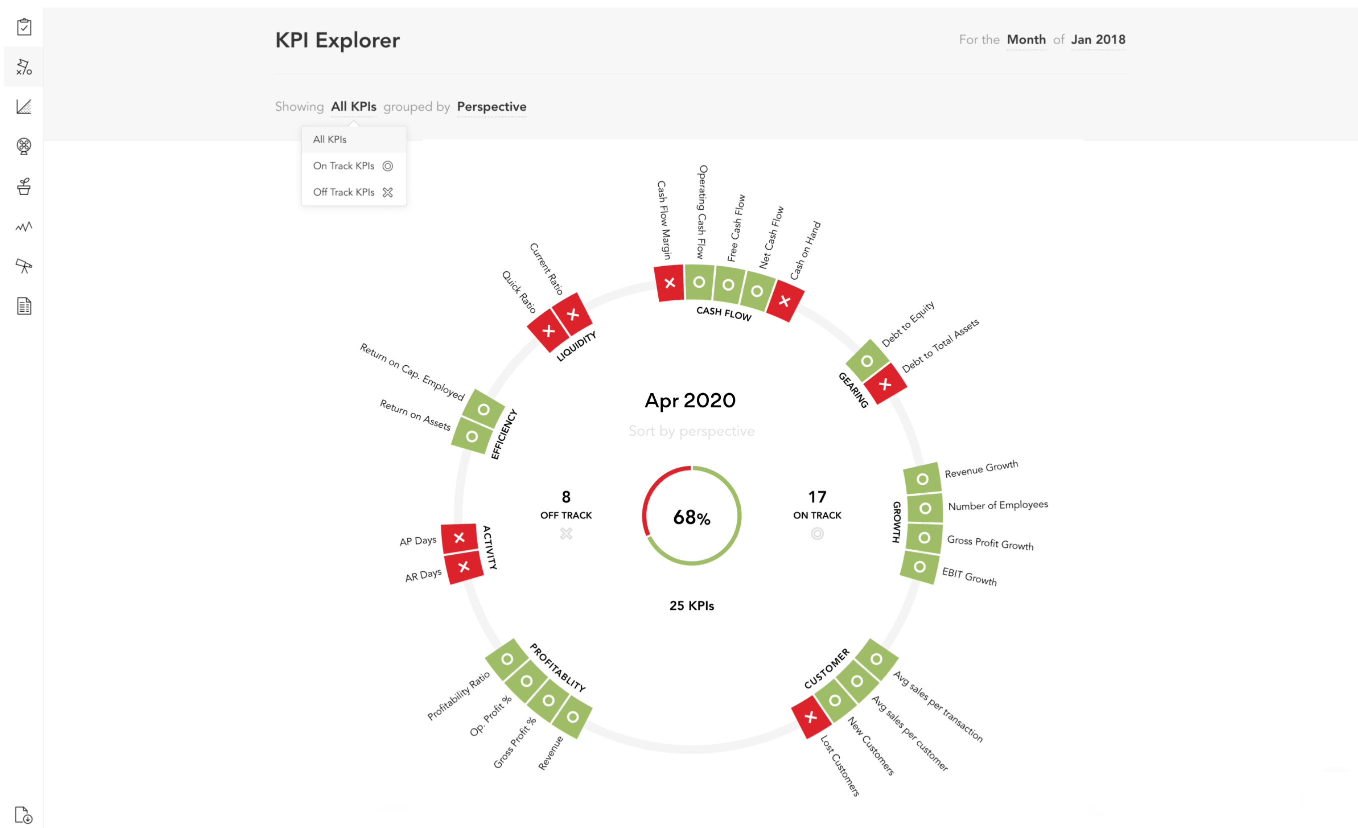
Regular reporting helps your team to align around a single source of truth, and make the right moves with the best information possible. Reports created using Fathom can either be viewed offline (PDF or Excel), or on any device online.

To enhance stakeholder communication, you can **invite internal or external stakeholders** to join your Fathom account. There are no additional fees for each user. The user management settings allow you to share access with others and assign permissions to each user. Users can be given **Admin**, **Editor**, or **Viewer** access. Advanced settings allow you to further tailor the features each user can access.

> Tip. If you haven't done so already, sharing access with your accountant or business advisor is a great way to further engage expert advice.

Ways to present insights

1. In addition to sharing online access with others, Fathom can be presented using virtual conference tools like Zoom. This enables teams to collaborate while reviewing the performance of the business. The **Analysis Tools** in Fathom are specifically designed for use during such meetings. The 'presentation mode' is useful for viewing the analysis tools in fullscreen.

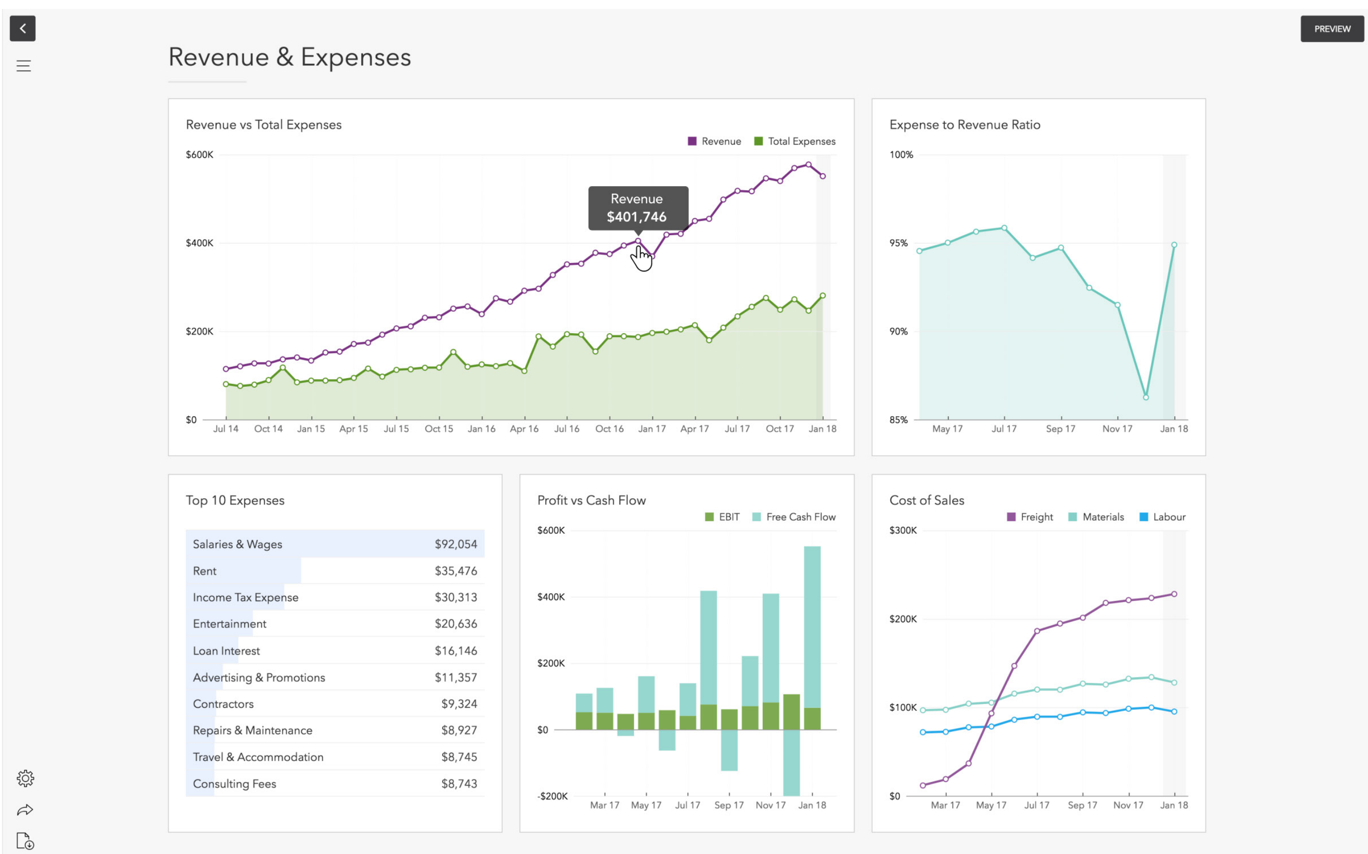


2. Another way to deliver insights to stakeholders is by **publishing online reports**. Published reports are dynamic reports hosted online in the Fathom app. The key advantages of published reports over PDF reports are:

- Published reports can be viewed easily online on all devices (desktop, tablet).
- Published reports also update automatically if the source

financial data is updated, allowing you to make decisions based on the most timely and up to date information.

- Published reports enable collaboration. These reports allow viewers to leave commentary within the report itself, ensuring their feedback and questions are captured in the context of the report. Other viewers can comment and respond within the shared report.
- Published reports provide readers with more detail than static PDF reports. Viewers can hover over data points on charts (as seen below) to view results.



3. A staple of the Fathom experience is the ability to download

customised, visual and professional looking PDF reports. All online reports can be downloaded to PDF.

PDF reports have the following advantages:

- Reports provide a static snapshot – if you are reporting to a lender or the board, you may want a report that is 'locked', so that you can be sure it won't change after it is delivered. A PDF report is the best way to achieve this.
- PDF reports don't require user access – in the same vein, if you are providing a report to an external stakeholder that does not have regular involvement in business operations (such as a lender or board member), you may want to tailor the report they receive, and you may not see it necessary to grant them user access to Fathom.

- Reports can include branded cover pages – PDF reports allow for additional formatting options, including the ability to customise the cover page with your own branding.

Automate the delivery of reports

While it is important for reports to be customisable and presentable, it is also important that they are easy to deliver. Nobody wants to spend their time constantly checking data accuracy, wrangling multiple data sources, or manually inputting results in a spreadsheet. Fathom helps to ensure that your reporting processes are efficient and fast.

Report Templates allow you to create repeatable and scalable reporting workflows. Templates can be specific to a company, or shared across a group of companies. Report templates allow you to deliver consistent business performance insights with minimal effort.

Report templates can be created in the context of current business needs. For example, if you have an immediate need for expense, profitability and cash flow reporting, you can build a template that highlights this critical information. This template can then be used again each month going forward.

Scheduled reports enable you to automate the process for report creation and delivery. After creating your report templates, you can start scheduling reports. Scheduling a report eliminates the manual task of creating reports each reporting period. Reports can be scheduled to be automatically delivered every month, quarter or year. Using scheduled reports you can be automatically notified when a new report is ready to view.

The current challenging business environment is placing even greater importance on the accuracy, transparency and frequency of business performance reporting. We hope that the practical tips above help you to better communicate with relevant stakeholders and keep everyone properly informed.

TIP #12

Know your at-risk clients or companies

by David Watson, Co-founder of Fathom

The final tip in this current series is specifically relevant for **business advisory firms** and multi-entity organisations, such as **franchise groups**.

In this tip we explain how Fathom's **benchmarking analysis** enables you to compare the performance of multiple businesses (or business units) in a single view. This analysis is also useful for informing how the current crisis is impacting all your companies or clients.

A common use of the benchmarking feature is the **comparative analysis** of franchisees within a franchise group. Using Fathom each franchisee is enabled to track their KPIs and also able to see how their results compare with other franchisees. This feature provides benefits to both the franchisor and franchisees:

Benefits for the franchisor (head office):

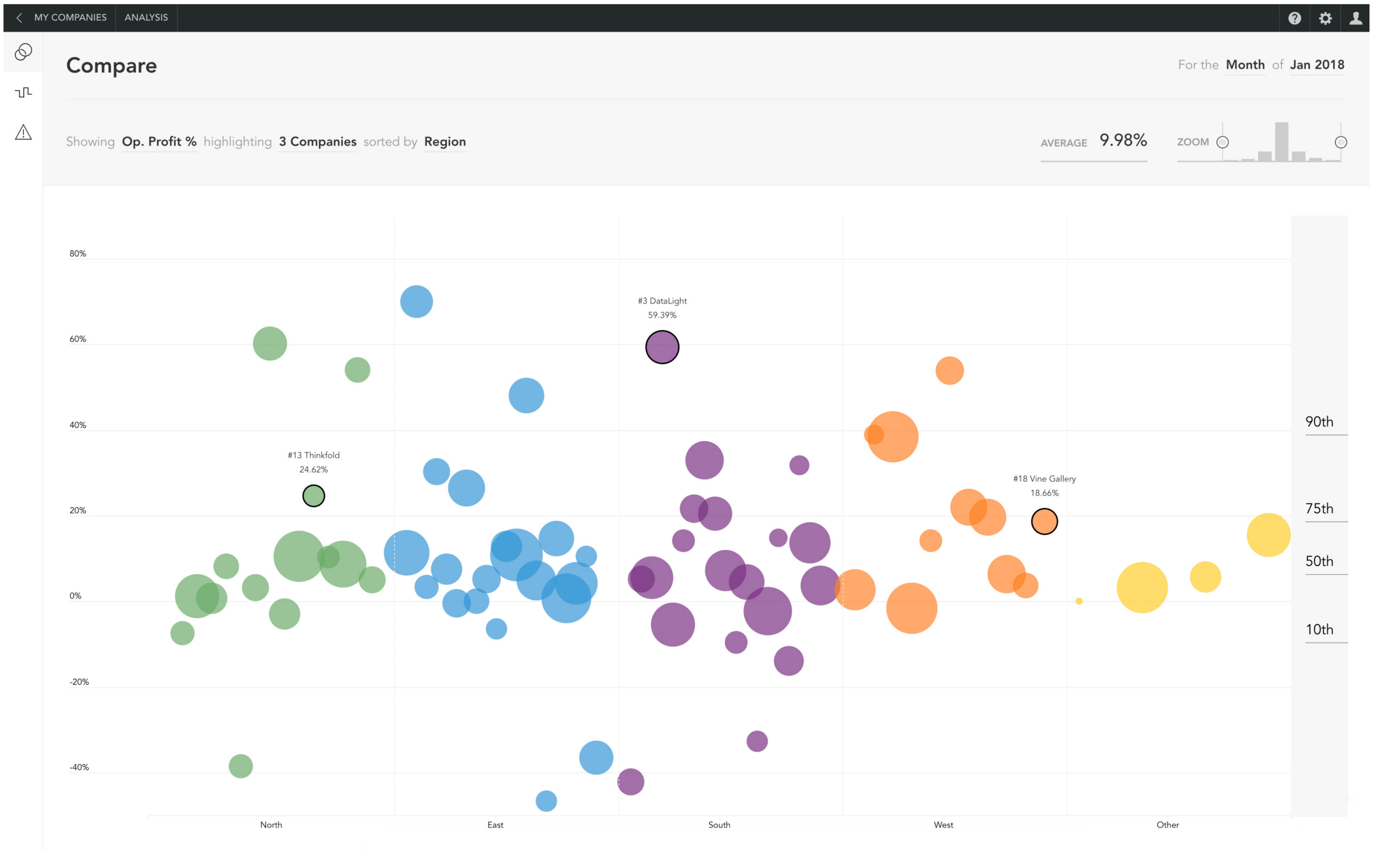
- Benchmark financial and non-financial metrics
- Visually rank, compare and benchmark all franchisees
- Identify high performers and best practices
- Deliver insight and value to franchisees

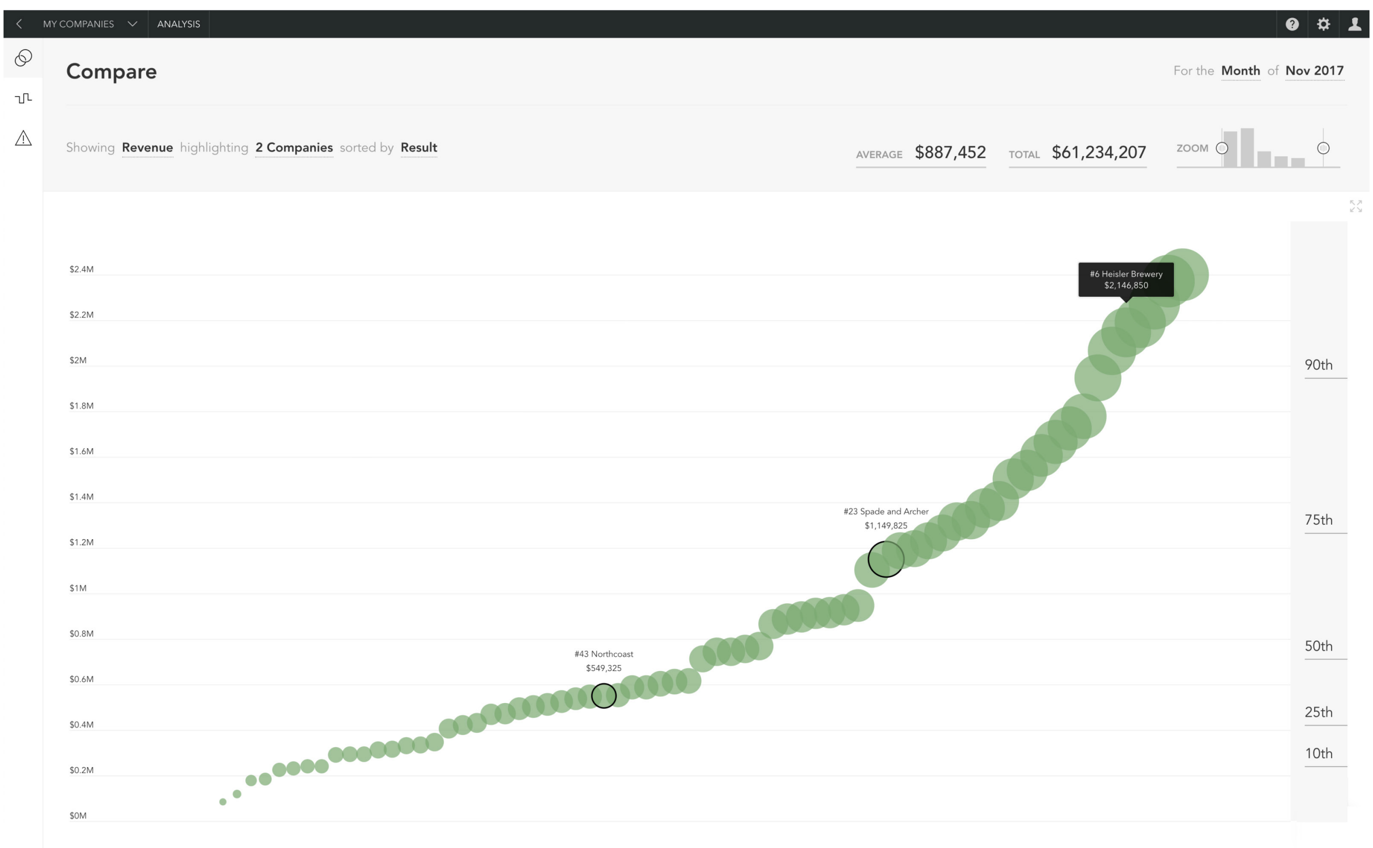
Benefits for the franchisee:

- Be kept up-to-date on their metrics
- Receive regular performance reports
- Understand how their performance compares against peers
- Make more informed business decisions

See the big picture

The compare chart is an interactive tool which enables you to see a “bird’s eye” view of all of your companies, clients or franchisees. The following screenshots compares results for 70 companies for a single period. The first chart shows companies grouped by region, the second chart shows companies sorted by results.


MY COMPANIES
ANALYSIS
Compare
For the Month of Jan 2018
Showing Op. Profit % highlighting 3 Companies sorted by Region
AVERAGE 9.98%
ZOOM
80%
60%
40%
20%
0%
-20%
-40%
#3 DataLight
59.39%
#13 Thinkfold
24.62%
#18 Vine Gallery
18.66%
90th
75th
50th
10th
North
East
South
West
Other


MY COMPANIES
ANALYSIS
Compare
For the Month of Nov 2017
Showing Revenue highlighting 2 Companies sorted by Result
AVERAGE $887,452
TOTAL $61,234,207
ZOOM
$2.4M
$2.2M
$2M
$1.8M
$1.6M
$1.4M
$1.2M
$1M
$0.8M
$0.6M
$0.4M
$0.2M
$0M
#6 Heisler Brewery
$2,146,850
#23 Spade and Archer
$1,149,825
#43 Northcoast
$549,325
90th
75th
50th
25th
10th

Companies in this analysis can also be grouped into sub-groups (eg. region, location, size, ownership).

This analysis can be set up to enable franchisees to understand how they compare against their peers by comparing against either anonymised or identified peers.

> Note: The benchmarking feature does not provide access to any external benchmark data, rather it enables you to create your own benchmarks using data sourced from your own companies or clients.

Benchmarking for advisors

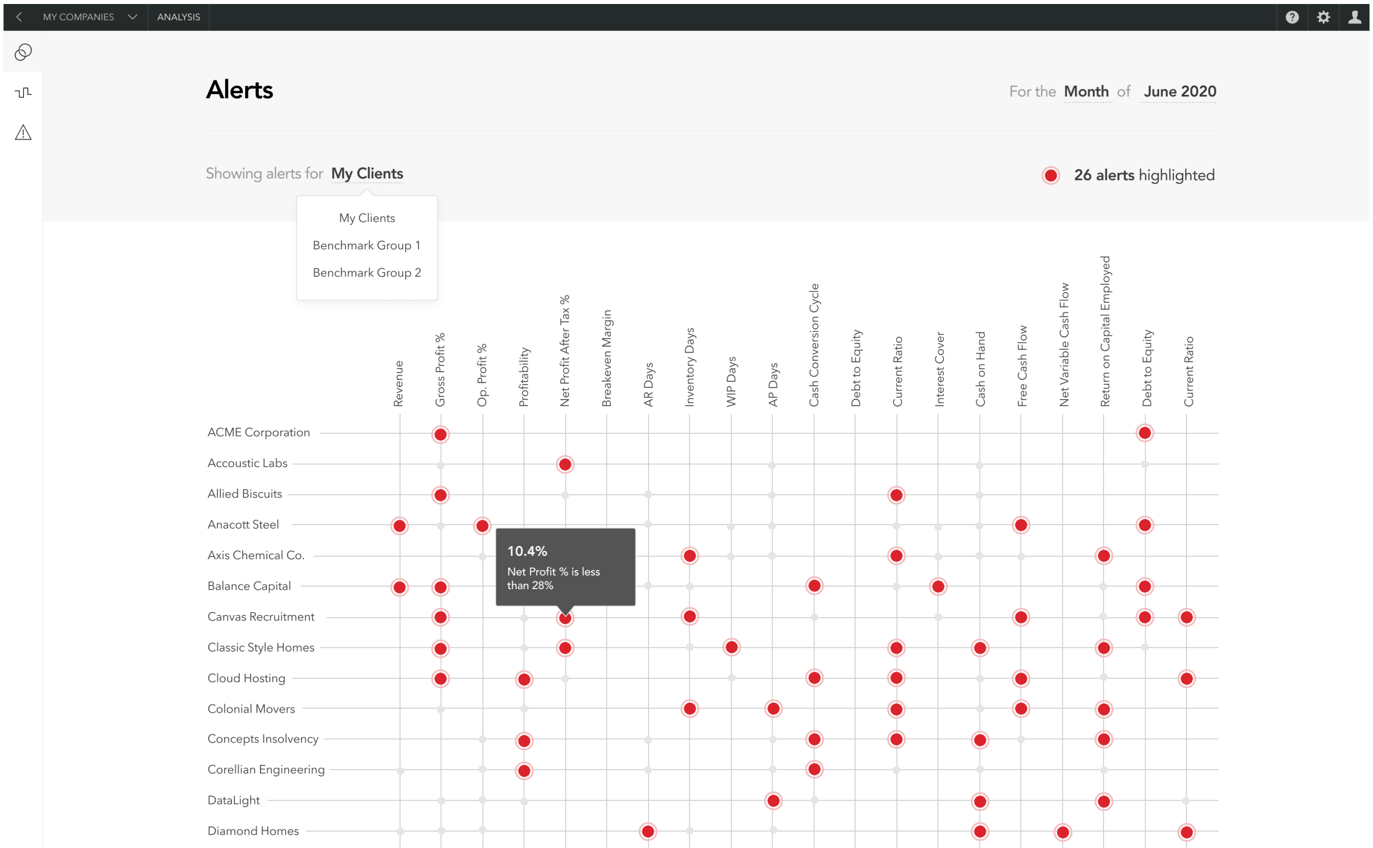
For accountants and business advisors the benchmarking analysis enables you to **monitor the financial health of your portfolio of clients**. This analysis may help to identify which of your clients' businesses have been most impacted by the current crisis.

To evaluate the financial health of these businesses you can view performance for a range of metrics which specifically track financial health and resilience. See Tip #1 for suggestions of metrics which are useful for assessing profitability, efficiency, liquidity, debt servicing and cash flow.

In the current business environment, these metrics will help you assess which clients are experiencing stress or are vulnerable to a downturn in trade. Insights like this enable advisors to proactively initiate advice or services to clients who are in need of assistance.

Alerts dashboard

An additional visual which is useful for assessing the performance of multiple clients is the alerts dashboard. This dashboard presents an **all-in-one view of all alerts** for your companies or clients.



Listed on the left are your companies or clients. Across the top are KPIs which you are tracking alerts for. Each red dot represents an alert that has been turned on and triggered, for the selected period.

The Alert dashboard presents a heatmap of all the alerts for your companies or clients. It enables you to identify potential areas of concern. For advisors, it may further help you to proactively initiate support and advice to clients who are most in need of help.

Business insights, reporting
and consolidations.

Try Fathom for free.

fathomhq.com