TFS Business & Financial Advisory

Cash Is King: Why Profitable Businesses Still Run Out of Money

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Cashflow—not profit—is what keeps a business alive.

One of the most common misconceptions among business owners is that a profitable business is automatically a healthy business. In reality, many profitable businesses experience significant cashflow pressure, while some unprofitable businesses continue to operate because they have access to funding.

At **TFS Business & Financial Advisory**, we've seen firsthand that cashflow challenges are rarely caused by one isolated issue. More often, they are the result of underlying business processes that have gradually become inefficient or unmanaged.

The good news? Cashflow problems can usually be identified early—and addressed before they become critical.

Why Cashflow Matters More Than Ever

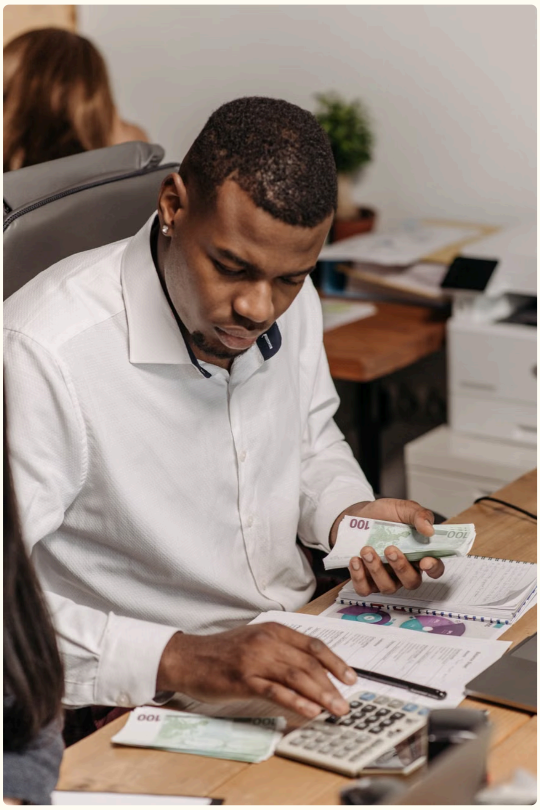
Poor cashflow remains one of the leading reasons businesses fail.

Cashflow planning provides business owners with visibility, confidence and control. Rather than reacting to cash shortages, businesses with a structured cashflow management process can:

- Anticipate future cash requirements
- Plan for major expenses before they arise
- Make informed business decisions
- Reduce financial stress
- Position themselves for sustainable growth

A well-prepared Cashflow Forecast is no longer simply a document for your bank—it's an essential management tool.

Profit Doesn't Equal Cash



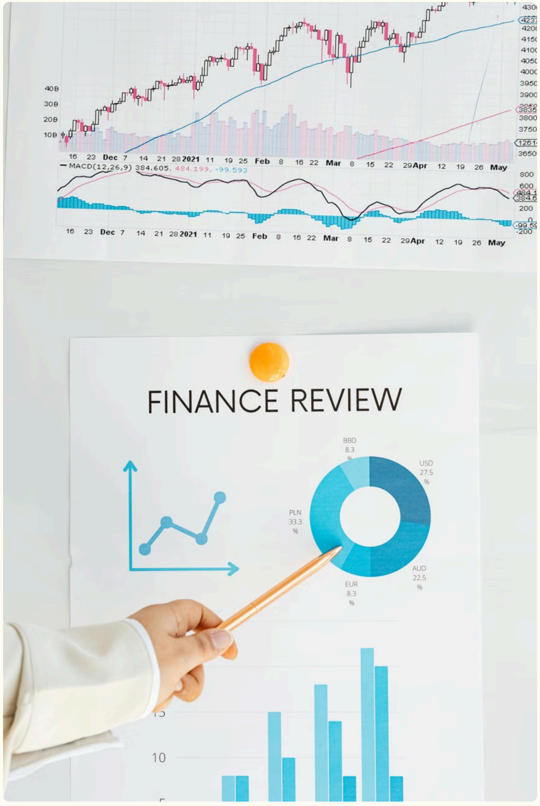
Many business owners are surprised to discover that their business is profitable on paper, yet there isn't enough money in the bank to pay suppliers, wages or tax.

This usually happens because cash becomes tied up in the business through:

- Slow-paying customers
- Excess inventory
- Increasing debtor balances
- Poor timing between receiving customer payments and paying suppliers
- Large tax or capital expenditure commitments

Understanding the difference between **profit** and **cashflow** is fundamental to building a resilient business.

The Importance of Your Cash Conversion Cycle



One of the most valuable ways to improve cashflow is by understanding your **Cash Conversion Cycle**—the length of time it takes to convert money invested in your business back into cash.

Businesses that shorten this cycle typically improve liquidity without necessarily increasing sales.

Examples include:

- Collecting debtor payments sooner
- Reducing excess inventory
- Improving stock turnover
- Negotiating better supplier payment terms
- Improving invoicing and collection processes

Small improvements across these areas can have a significant impact on available cash.

Cashflow Is a Management Issue—Not Just an Accounting Issue

When cashflow becomes tight, it's often a symptom rather than the underlying problem.

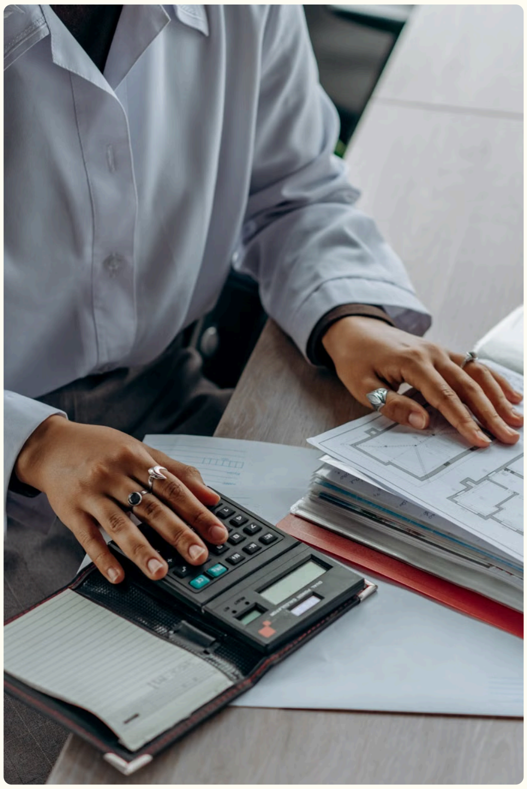
Behind poor cashflow there may be issues such as:

- Overtrading (growing faster than available working capital)
- Undercapitalisation
- Inefficient business processes
- Weak debtor management
- Poor inventory control
- Pricing or margin pressures
- Lack of financial planning
- Inadequate reporting or forecasting

Addressing these underlying drivers creates lasting improvements rather than temporary fixes.

How TFS Business Advisory Can Help

Our **Cashflow Management Coaching** goes beyond preparing a Cashflow Forecast.



We work alongside business owners to understand the key drivers of their business, identify the underlying drivers of cashflow pressures and develop practical strategies that improve financial performance.

Our process includes:

- Preparing realistic Cashflow Forecasts
- Monitoring actual performance against forecast
- Reviewing your Cash Conversion Cycle
- Identifying opportunities to improve liquidity
- Setting measurable financial goals
- Developing practical 90-day action plans
- Providing accountability to help implement improvements

The objective is simple: to give business owners greater confidence, stronger decision-making capability and improved financial resilience.

The Benefits of Effective Cashflow Management

Businesses that actively manage their cashflow typically experience:

- Better visibility over future cash requirements
- Improved planning for major cash outflows
- Stronger relationships with lenders and suppliers
- Fewer late payment penalties and interest costs
- Improved business processes
- Greater confidence when making strategic decisions
- Improved profitability, business value and financial resilience

Most importantly, business owners gain peace of mind knowing they have control over their financial position.

Is It Time to Review Your Cashflow?

Whether your business is growing rapidly, experiencing seasonal fluctuations, or simply looking to improve financial performance, a cashflow review can provide valuable insights.

At **TFS Business & Financial Advisory**, we help businesses move beyond simply preparing financial statements—we partner with our clients to improve profitability, strengthen cashflow and build more valuable businesses.

If you'd like to better understand your business's cash position, improve working capital or develop a practical Cashflow Forecast, we'd be pleased to help.

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