



*“Building Airplanes Can be
Hazardous to Your
Balance Sheet”*

Gene Siciliano

Your CFO for Rent[®]

Precision Machining Inc. (“PMI”)

- High precision aerospace machining
- Inherited business, no experience
- No cost accounting system
- No regular financial reporting
- Little infrastructure for growth
- Small customer list, one big one

“The Contract”

- 75% of sales from 1 BIG customer
- Sales but no sales department
- Long-term contract – *expiring soon*
- Stringent customer requirements
- Overall marginal losses/breakeven
- Must renew contract – right?

Our assignment

- Help the owners learn finance
- Help them bid jobs profitably
- Develop a marketing strategy
- Get working capital into the company
- *Remove survival as an issue*
- *Restore the company to profitability*

You have been engaged!

You are the *CFO for Rent*. Your charter:

- Collect the information you will need
- Identify:
 - Which problems must be fixed first?
 - Which should be fixed later?
 - What problems can we ignore?
- What solutions would you recommend?

What we did immediately

The Action

- Cost/Inventory accounting installed
- Contract accountant
- Regular financial review meetings
- Update shop rates
- Relationship marketing
- Go to bank for more \$

The Result

- Valid balance sheet, P&L, cash flow trends every month
- Owners can now read financial statements
- Improved bid margins
- New business up 15%
- Bank lines increased 300%

Next: a new strategy for BIG GUY...

- Contribution margin analysis
 - Which jobs make money
 - Which jobs lose money
- Market vulnerability analysis
 - Risks if we don't renew
 - Can we survive?
 - Can we replace lost business?
 - Can Big Guy replace us?

...leads to a better idea

- We took a hard line in negotiations
 - Moderate concessions on price
 - No concessions on price cuts, penalties
 - No extension during negotiations
- Hired a marketing firm to develop a broader market presence
- Ultimately, **NO CONTRACT SIGNED!**
- Our customer response...

What happened next?

- Instant PO buying from BG
- NO lost business
- No meaningful change in BG volume
- Sales to BG grew nearly 20%
- Profits this year: 12% of sales
- Side effect: BG is now 85% of sales
- Long term planning underway

The REAL Results

- A loss trend became a profit trend
- An infrastructure that supports growth
- Owners who *know* they can survive without BIG GUY
- A second generation business that will NOT fail, as most do, but will prosper

In Summary

- Three things needed for business success:
 - Quality product that serves a recognized need
 - Ability to sell the product to those who need it
 - Effective financial management
- What about your company?
- Profitable growth takes courage, leadership, *and information*

Your speaker: Gene Siciliano, CMC, CPA

Gene Siciliano is the founder and CEO of Western Management Associates, an affiliate of Ironwood Advisory LLC. WMA is a financial management consulting firm based in Los Angeles, California, providing consulting services to business clients with primary focus on four areas: Financial Management Advisory Services, Executive Coaching, Executive Management Seminars, and Management Training Programs. WMA has served small business and middle market companies since 1986.

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