

Background and Problem

The client is a manufacturer of precision measuring equipment. The MDO has an impressive design and development track record in this field and with his team has produced a range of products that has no equal in the marketplace. However, over the development stage of the business, the bank facility had ballooned to £750k, while the sales were not rising very rapidly. In 2004 the annual sales were £650k. Also, the MDO had no meaningful month by month financial or production management information and was having to run his growing business “by the seat of his pants”.

BDO was asked to look at the business with a view to giving the company some financial advice. However, BDO’s opinion was that the company needed marketing advice and a business mentor to help the MDO to deliver the benefits of his development to the marketplace

Actions Taken

A TVBA Business Advisor was seconded to work with the MDO. An experienced Sales and Marketing Director was recruited and a proper management accounting system was put in to give the MDO the information he needed to manage the business more effectively.

This gave financial stability to the company and sales started to take an upward turn. However, there were still uncomfortable cashflow spikes as the company tried to wrestle with doubling the turnover, continuing product development and applying proper manufacturing management methods to the growing business. This resulted in the implementation in late 2005 of a software package to work with existing systems to give the right level of control and reporting on purchasing, stock control, manufacturing planning etc. However, by this time, the growth of the business had increased the working capital requirement by another £250k.

The Result

2005 saw a reasonable profit for the first time as well as nearly 100% growth. The turnover is predicted to double again in 2006 and the product range now has a much higher profile in the marketplace, both in the UK and overseas. A proper business plan, covering the next two years has been put together and the first quarter target of nearly £500k has been met. The planned expansion is going to require more working capital and a mixed facility of loan and overdraft covering the requirement has been agreed.

In marketing terms, deals are currently under negotiation to take on business partners in various parts of the world and the client is expecting to at least double sales in each of the next three years, as well as producing a net profit of around 10%.

**If you want to find out more about any of the areas covered in this case study
and how we can support your business – contact us today.**