Golden AGE of Business

Guiding you from Average to Good to Excellent

Winning Big in Business

with Terrell A. Turner, CPA

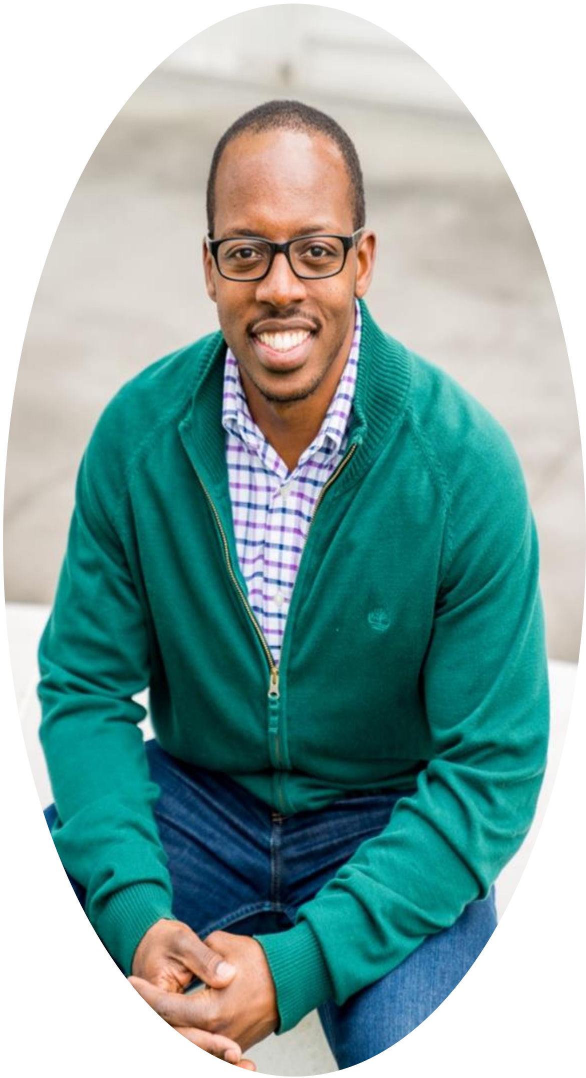
2024

BMW SUPPLIER DIVERSITY XCHANGE

August 29, 2024

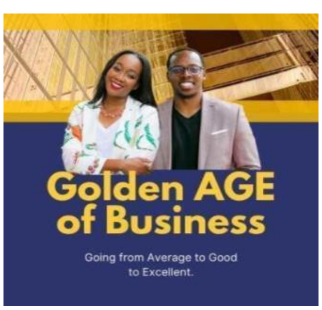
Greenville, South Carolina

Meet Terrell Turner

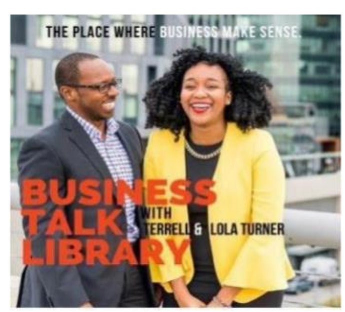


Terrell A. Turner is a Certified Public Accountant who helps businesses understand their finances and develop strategies to reach the next level of success.

He spent 14+ years working with some of the world's largest companies and decided to take the lessons learned to help small and mid-sized businesses reach new levels of success. Terrell now leads the TLTurner Group an accounting firm that offers bookkeeping, financial analysis, consulting, and training services. Whether you are trying to figure out an effective pricing strategy, develop an investor presentation or better understand your company's financial position, Terrell and the TLTurner Group can help.



TLTURNER GROUP



Agenda

Winning Big in Business

- Explore the three-factor success model
  - The F.M.M. contract factors
  - The Golden AGE framework
  - The financial roadmap function

- Identify key operational metrics and their financial impact
  - Delivery timing and standards
  - Quantity & Quality Controls
  - Pricing and Payment Terms

- Develop a simplified financial scorecard for success
  - Financial Clarity
  - Profitability
  - Cash flow

- Build a strategic roadmap for future financial success
  - Financial Statements
  - Pricing Strategy
  - Understanding your Metrics

Important Notes

Evaluate

1. What is your 2024-2025 goal for your business?

2. How will doing business with a large corporation help you achieve your 2024- 2025 goal?

3. What must your company consider if you want to secure a contract with a larger corporation?

Golden AGE

What is the Golden AGE?

- A process that helps you clarify your goals
- A process that enables you to clarify the drivers of success
- A process that allows you to build a roadmap to your next level of success

Why Does the Golden AGE Work?

Cognitive Processing and Neuroscience: How Our Brains Work

- Our brains naturally think and process information in stages
- Our brains translate words into images, enhancing understanding and recall.
- Most people cannot confidently move forward toward their goals if they cannot visualize the process/steps to achieve the goal.

Notes:

Golden AGE

How to Implement the Golden AGE Framework

1. **Define Your Goals**
   - Set specific, measurable, attainable, relevant, and time-bound (SMART) goals to ensure clarity and focus.
2. **Identify Your Drivers**
   - Determine what activities and milestones must be completed in order for your company to successfully achieve the overall goal.
   - Prioritize necessary steps based on their impact on the goal and the feasibility of execution.
3. **Engage Stakeholders**
   - Discuss relevant goals and plans with key stakeholders (employees, contractors, customers, vendors).
   - Ensure mutual understanding, alignment, and commitment.

Notes:

Quantity and Quality – your company's ability to support the volume of customer demands, with consistent quality in the end results. This also considers your company's ability to adjust as the volume and terms of the demand increase.

Driver	Average	Good	Excellent	Your Current State
Quantity	Limited	Investment Required to Grow	Clear Strategy to Grow	
Quality	No Quality Reviews	Manual Quality Reviews	Robust Quality Review	
Delivery	Pick-up only	Delivery Option	Flexible Delivery Options	

Notes:

Payment Terms – what flexibility can you provide when it comes to the terms of payment for your products and services. While the standard terms may vary, you want to understand what types of terms could your business support if a company made a request.

Driver	Average	Good	Excellent	Your Current State
Days to Pay	Net 30 days	Net 45 days	Net 60 days	
Discounts	No Discounts	Payment Date Discounts	Volume Discounts	
Payment Options	Paid in Full Only	Milestone Payment Options	Dynamic Payment Options	

Notes:

Financial viability - helps you understand how financially healthy your company is and what areas might require more risk management. Larger corporations understand that the financial risk of your company could impact their business so they test for financial viability.

Driver	Average	Good	Excellent	Your Current State
Financial Statement	As Needed	Quarterly	Monthly	
Gross Profit %	<25%	25% - 55%	65% +	
Cash On Hand	< 1 Month	1 - 2 Months	2+ Months	
Liquidity	< 1	1 - 1.5	1.5+	

Notes:

Key Financial Metrics You Should Know

Gross Profit – defines how much profit margin is in your pricing and how well your company can manage direct cost. Low gross profits indicate that the company could be very vulnerable to changes in market prices and cost factor. ***(Revenue – Cost of Goods Sold = Gross Profit)***

Operating Profit – tells you how profitable the company is after all operating expenses have been paid/incurred. Low operating profits can indicate that your company has limited funds for future investments. ***(Operating Profit = Gross Profit - Operating Expenses)***

Current Ratio – helps you understand your company's ability to pay short-term obligations with its short-term assets. A low current ratio could indicate current or future cash flow problems. ***(Current Ratio = Current Assets / Current Liabilities)***

Working Capital - The amount of money your company has available to fund its operations and invest in the future. Low working capital levels could lead to disruption in operations. ***(Working Capital = Current Assets - Current Liabilities)***

AR Ratio – the percentage of sales that are outstanding/unpaid. A high AR ratio could indicate that your customers are not paying their invoices which could lead to cash flow challenges. ***(AR Ratio = Net Credit Sales / Average Accounts Receivable)***

Days Receivables Outstanding (DSO) - the average number of days it takes to collect payment from customers. A high DSO could indicate that you need to revisit your payment terms or strategically manage your cash flow more closely. ***(DSO = (Accounts Receivable / Total Credit Sales) * Number of Days (in a month or year))***

Days Payables Outstanding (DPO) - the average days your company takes to pay its suppliers. A low DPO could mean that your company is paying its vendors quickly so you should compare that to your DSO to determine if you are paying your vendors faster than your customers are paying you, because this could lead to cash flow problems. **(*DPO = (Accounts Payable / Cost of Good Sold) * Number of Days (in a month or year))***

Days Inventory Outstanding (DIO) - the average days that inventory is held before being sold. A higher DIO could indicate that inventory levels are not aligned to customer demand and this could put pressure on your cash flow. ***(DIO = (Average Inventory / Cost of Goods Sold) * Number of Days)***

Scan this QR Code and download a Financial Analysis Tool that helps you calculate these key performance indicators for your business!

SCAN ME

Practical Tips to Help You Improve Your Quantity and Quality

- **Complete a Capacity Study**
    - Calculate the maximum volume that you can produce and deliver.
    - Ask yourself: if a large corporation asked for 15% more, do you have the staffing and resources to support this request?
        - If your answer is no, what additional staffing and resources would you need to support this request.
- **Quality Assessment**
    - Define the standards and targets that your product or service must meet to satisfy your current customers.
    - Ask yourself these questions: 1) Are your processes clearly documented & 2) Does all of your staff consistently follow the processes?
        - If your answer is no; invest the time to develop clear documentation and create training for your staff to become compliant with the processes.
- **Delivery**
    - Identify how many options you currently offer for delivering your products or services to customers.
    - Ask yourself: if a large corporation asked for a large order or a faster delivery, can your company accommodate the request?
        - If the answer is no, start exploring your options to expand your delivery capacity and delivery timing.

Practical Tips to Help You Improve Your Payment Terms

- **Days to Collect**
  - Calculate your average days to collect for each customer.
  - Ask yourself: are any of your customers or groups of customers consistently late in paying you?
    - If your answer is yes, create invoice follow-up processes for customers with past due invoices and consider charging penalties for customers who are consistently delinquent.
- **Days to Pay**
  - Calculate your average days to pay each vendor (if the list is very long start with your top 20 vendors).
  - Ask yourself: do you usually pay the vendor before the due date?
    - If your answer is yes, ensure that there is a good reason for doing so, inquire about an early payment discount, or adjust your vendor payment timing.
- **Cashflow Comparison**
  - Compare the number of Days to Collect vs Days to Pay.
  - Ask yourself: are we paying our vendors faster than our customers are paying us?
    - If your answer is yes consider 1) adjusting your vendor payment policy, 2) asking your customers to pay earlier by negotiating an earlier due date.

Practical Tips to Help You Improve Your Financial Viability

- **Financial Statement Availability**
    - Set a specific day on your calendar to review the monthly financial statements of your company.
    - Ask yourself: 1) are the financial statements available on a regular basis? (2) do you understand what you are reviewing?
        - If your answer is no, contact a bookkeeper or accountant who can help provide consistent financial statements with clear explanations.
- **Gross Profit**
    - Calculate (if you have a lot start with your top 10).
    - Ask yourself: what types of products/services have the highest customer demand?
        - If the answer is the lower margin products/services have a higher demand consider 1) increasing pricing, 2) adjusting your marketing strategy to promote the higher margin products/services, 3) considering cost-saving ideas to improve profit margins.
- **Cash Availability**
    - Calculate how many months/weeks of cash does your company have on hand.
    - Ask yourself: if an unexpected event occurred that increased our weekly expenses by 15% could we properly handle the increase?
        - If the answer is no consider 1) make a list of your expenses and determine what is a necessary expense vs a nice to have expense, 2) consider talking to your banker about a line of credit.

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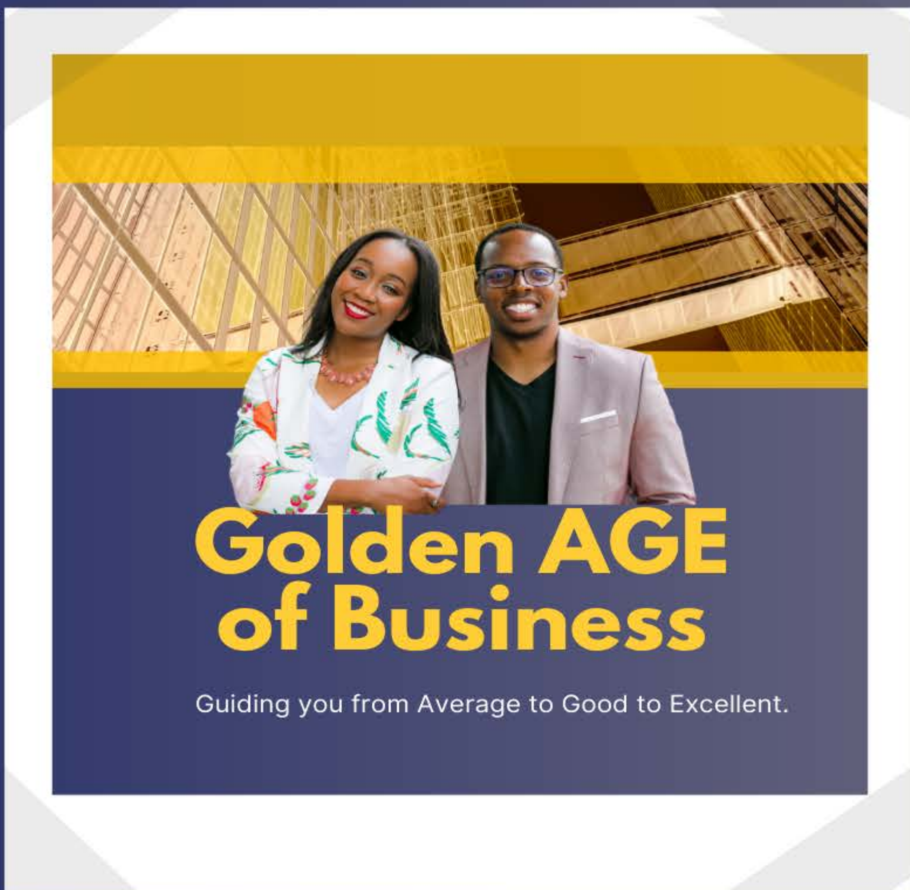

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