



Profit & Cash Flow Optimization (P+CFO)

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What is Profit & Cash Flow Optimization (P+CFO)?

P+CFO is a proactive approach into the understanding of current profit and cash flow levels and optimizing them to achieve peak business performance. Our approach includes a detailed analysis of historical profits and cash flow and the identification of strategies on how to optimize them.



P+CFO can be broken down into two phases. I like to think of the first phase as viewing a business through a wide lens in its entirety. By starting with a broad approach, it helps identifying any problem areas affecting profits and cash flow. When problem areas are identified, we can move onto the second phase where the wide lens can become narrower in order to focus on the root cause of each problem. As the root cause for each issue is addressed, profits and cash flow will begin to increase toward their optimal level.

How Does P+CFO Work?

It cannot be overstated enough the importance of maintaining good up-to-date books for your business. For P+CFO, it is extremely important because inaccurate books would lead to inaccurate results.

We use the businesses most recent three years' balance sheet and income statement and re-cast them to show the true economic value stemming from business operations. To do this, we need to remove certain items that do not affect the key business operations, such as executive compensation, deferred compensation or life insurance for the executives.

Once we re-cast our financial statements, we can take it one step further by doing an Optimal Profitability Projection. We use the re-casted income statements of the most recent 3 years to project an optimum profitability level. For each year, we calculate the percentage of each expense item to sales (Expense/Total Sales). We then calculate optimal annual expenses for certain key items by applying the lowest percentage of each 3-year expense to the annual sales of the most recent year. The end result is the most optimal profits using the most recent historical sales and least historical expenses.

The Optimal Profitability Projection is not the only tool that can be used to view a business from a wide lens. We also look at yearly trends, various key performance indicators, perform a risk assessment of the overall business, as well as a valuation of the business.

Why is P+CFO Important to You?

Profits & cash flows are the life blood to a business. The goal of P+CFO is to help boost performance through the optimization of profits and cash flows, lower the overall risk of your business, and enhance its value. If your business is currently struggling, P+CFO can be used to reduce and/or eliminate current problem areas. If your business is currently healthy, P+CFO is a great way to remain proactive, optimize performance, and drive sustainable value.



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