SAMPLE RESULTS · WORKED EXAMPLE

Seven Levers Calculator

What a 1% improvement in each of the seven levers is worth to a £4m business, in pounds.

MEET BRIGHTWATER FABRICATIONS

A fictional sheet-metal fabricator that sells to other businesses on 30–60 day terms. It's profitable and busy, and the owner wants to grow. We use it in our Levers for Growth guide and as the example in every Castle FD tool.

Annual sales	**£4,000,000**
Gross margin	**40%**
Overheads	**£1,200,000**
Operating profit	**£400,000**
Debtor / stock / creditor days	**60 / 45 / 40**
Cash in the bank	**£250,000**

What Brightwater entered

Its figures from last year's accounts (above), then the starting position for every lever: the "Power of One", a 1% improvement or one day on payment terms.

+£92,640
extra profit a year from four 1% moves: operating profit up 23%

+£24,110
cash released, one-off, from one day on each payment term

2.5×
what 1% on price is worth compared with 1% more volume

What each lever is worth on its own

Lever	Move	Extra profit a year	Cash released
Price	+1%	+£40,000	–
Volume	+1%	+£16,000	–
Direct costs	-1%	+£24,000	–
Overheads	-1%	+£12,000	–
Debtor days	-1 day	–	+£10,959
Stock days	-1 day	–	+£6,575
Creditor days	+1 day	–	+£6,575
All seven		**+£92,000**	**+£24,110**

Brightwater Fabrications is a fictional business. Figures are illustrative and were produced by the free tool from the answers shown. Not financial advice: individual circumstances vary. The Power of One concept is credited to Miltz and Monkhouse.

Profit and loss, before and after

	Now	All levers pulled	Change
Revenue	£4,000,000	£4,080,400	+£80,400
Direct costs	£2,400,000	£2,399,760	-£240
Gross profit	£1,600,000	£1,680,640	+£80,640
Overheads	£1,200,000	£1,188,000	-£12,000
Operating profit	**£400,000**	**£492,640**	**+£92,640**
Working capital tied up	£690,411	£679,296	-£11,115

Together the levers compound slightly, so the combined profit differs a little from the sum of each lever on its own. Higher sales tie up £12,994 of the cash released, so the net release is £11,115. Projected cash in a year: £353,755, before tax and investment.

What it told Brightwater

It had been planning to grow by winning more work. The calculator showed that a 1% price rise was worth two and a half times 1% more volume, and that it could lose about 2.4% of its volume after a 1% price rise and still make the same profit.

The cheapest profit was already in its customer list.

What Brightwater did next

1. Picked two levers: price and debtor days.
2. Reviewed prices for its 20 largest customers, starting with those on rates more than two years old.
3. Moved to invoicing on the day of despatch and chasing on day 31, not day 60.

TRY IT ON YOUR OWN NUMBERS

Run the Seven Levers Calculator — castlefd.com/calculator

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