

GROUND EXCAVATION & WATER DRAINAGE SPECIALIST

To ensure and maintain client confidentiality, our client's name is excluded from this case study and instead, our client is referred to as Ground Removal Inc.

OUR ENGAGEMENT

INITIAL SCOPE

Ground Removal Inc., a ground excavation and water drainage company with \$20 million in annual revenues approached us for cash flow forecasting and CFO advisory services aimed at optimizing long-term cash management and operational performance. Upon reviewing their financials, we identified that their existing credit line was insufficient to meet the demands of their seasonal business cycles.

KEY CHALLENGES

INADEQUATE CREDIT LINE

The existing \$500,000 credit line was not adequate to cover the seasonal peaks in business, especially for purchasing supplies and labor costs during peak periods. The client had been fortunate to recently receive deposits from customers for their most recent jobs, but this was not a sustainable strategy and not expected to be available going forward.

STAFF RETENTION

Maintaining a trained workforce skilled in operating heavy equipment was challenging during off-peak winter months, impacting their readiness for the busier summer season. They needed to ensure they had sufficient liquidity to keep staff on hand for non-peak seasons.

OUR ENGAGEMENT

Cash Flow Optimization:

We proposed implementing client contracts with progress billing instead of billing at the completion of jobs. This change accelerated the billing cycle, enabling quicker cash inflows to cover project costs.

Securing Adequate Financing:

To address the cash flow gaps, we determined that a \$2.5 million credit line was necessary. This was a significant challenge due to the client's subpar performance in 2021, influenced by the COVID-19 pandemic. Banks typically assess the last three years' performance when considering new credit lines.

Banking Partnership Negotiation:

Our initial request to the client's existing bank for an increased credit line was denied due to conservative internal risk management policies, which required real estate collateral for lines above \$500,000. The business owners were not willing to pledge personal real estate assets.

We then explored options with three alternative banks. Two banks declined, citing the client's recent performance as a risk factor. However, we successfully secured an attractive proposal from one bank, providing the necessary \$2.5 million credit line.

OUTCOMES AND ONGOING INITIATIVES

Enhanced Liquidity:

With the new credit line, Ground Removal Inc. now enjoys improved liquidity, reducing the need to delay vendor invoice payments until cash flows stabilize.

Strategic Partnerships and Tools:

We introduced a marketing and technology partner to implement a Customer Relationship Management (CRM) system, enhancing revenue forecasting based on deal status. This partner is also developing and launching digital marketing campaigns to drive revenue growth, an area previously unexplored by the client.

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Operational Improvements:

Our ongoing work includes refining job cost accounting and reporting systems. This will help Ground Removal Inc. better track costs, address overruns swiftly, and ultimately improve gross profit margins.

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