

# The Money Matters Series

---

## Managing Cashflow and Repairing the Balance Sheet

The Food and Beverage Sector



# Aileen Deasy

Manager

Enterprise Development  
*Fáilte Ireland*



# Mairea Doyle Balfe

Director, Hotel Tourism Leisure, Crowe

[Mairea.doylebalfe@crowe.ie](mailto:Mairea.doylebalfe@crowe.ie)



# Aiden Murphy

Partner, Corporate Finance & Restructuring,  
Crowe

[Aiden.murphy@crowe.ie](mailto:Aiden.murphy@crowe.ie)



# Topics

---

1

Market Overview

2

Implication of Scale of Operation

3

Food and Beverage Scenario

4

Managing Cashflow

5

What Next?



# Market Overview



# Macro-economic View

---



Post-pandemic  
Economic Recovery



Supply Chain  
Disruptions



Ukraine-Russia  
War



Sustainability

# Market Overview

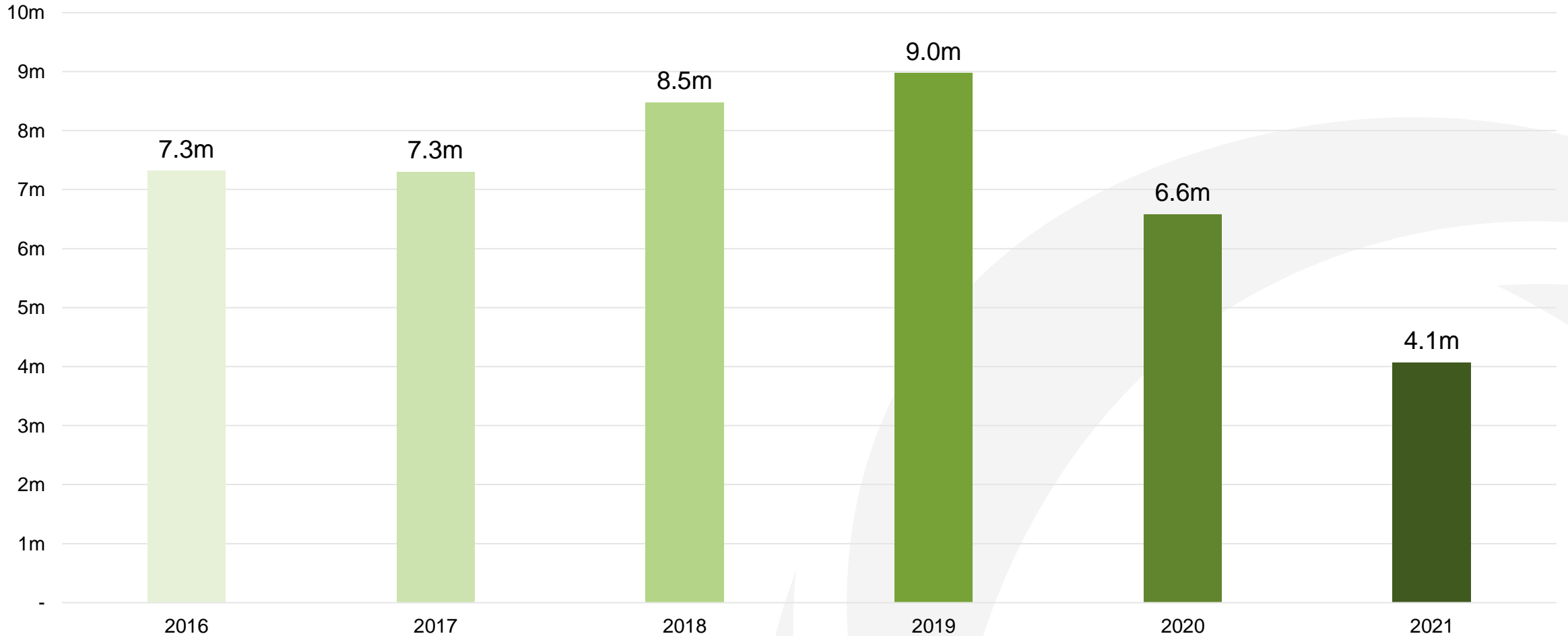
---



## Consider...

- Over 2,700 restaurants, cafes, gastropubs in Ireland (Source RAI)
- Over 4,000 pubs (Source VFI)
- Crucial component of the tourism sector
- Many innovations during COVID-19 pandemic

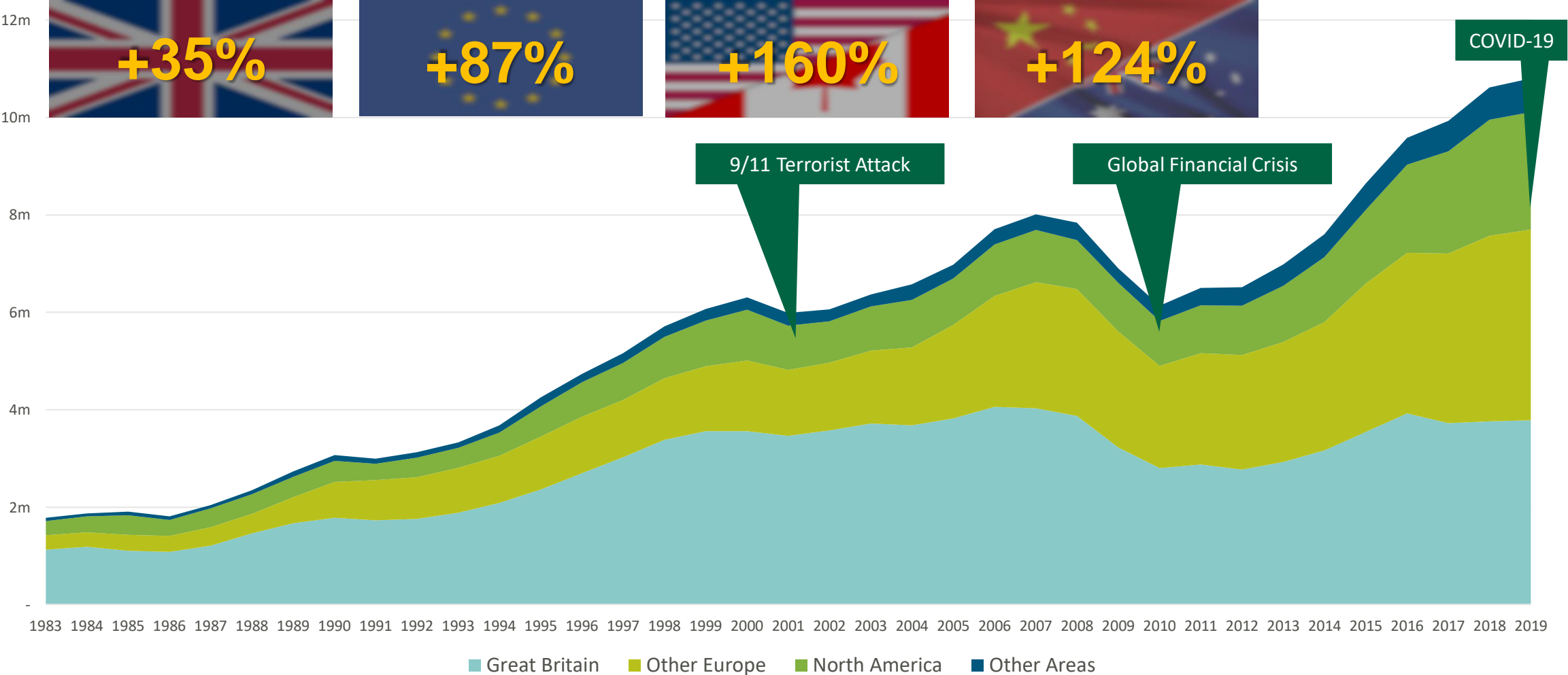
# Domestic Trips (Q1-Q3 Data)



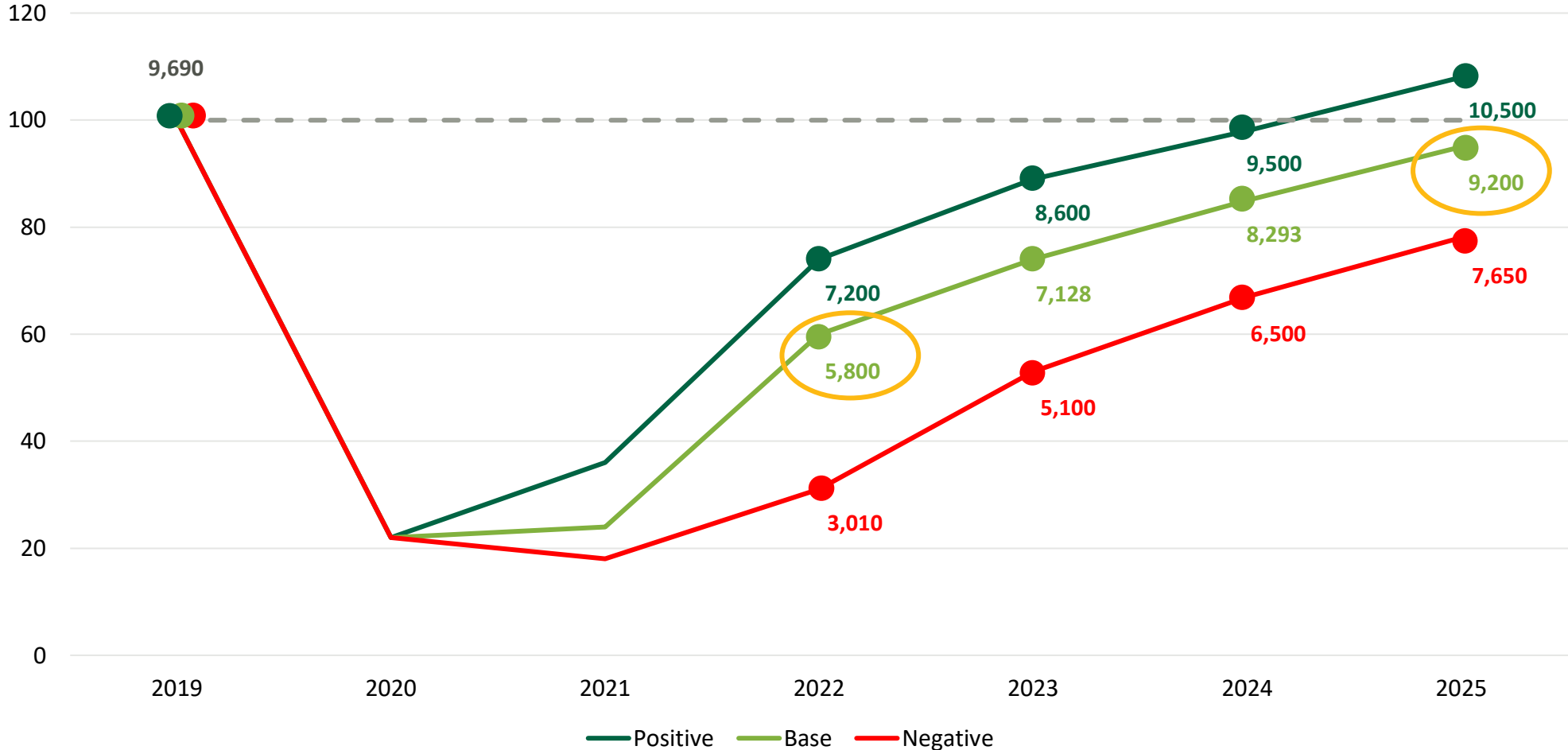
# International Visitors



International Visitors: Growth 2010 to 2019



# International Visitor Recovery Forecast



Source: ITIC

# Implication of Scale of Operation



# Implications of rising costs

---

	Revenues	Cost	EBITDAR	EBITDAR %
Pre COVID	€500k	€420k	€80k	16%
Post COVID	€450k	€416k	€34k	8%

## Consider...

A 10% increase in all costs for a higher cost operation would see EBITDAR margin reduce by 50%

Inflationary cost pressures will have a disproportionate impact on food and beverage outlets with lower turnover and higher costs.

# Food and Beverage Scenario



# Crowe Restaurant and Bar

---



- Regional Ireland location
- Revenue €500k to €1m
- Facilities requires some upgrading
- High level of payroll costs
- High level of overhead costs



# Profit and Loss



	2019		2021		2022	
Food	€800k	73%	€380k	72%	€700k	74%
Beverage	€300k	27%	€150k	28%	€250k	26%
<b>Total Revenues</b>	<b>€1,100k</b>		<b>€530k</b>		<b>€950k</b>	
Cost of Sales	€300k	27%	€155k	29%	€280k	29%
Other Direct Costs	€20k	2%	€15k	3%	€20k	2%
<b>Gross Margin</b>	<b>€780k</b>	<b>71%</b>	<b>€360k</b>	<b>68%</b>	<b>€650k</b>	<b>68%</b>
Payroll Costs	€425k	39%	€170k	32%	€410k	44%
Overheads	€140k	13%	€110k	21%	€145k	16%
<b>EBITDA</b>	<b>€215k</b>	<b>20%</b>	<b>€80k</b>	<b>15%</b>	<b>€95k</b>	<b>10%</b>

## Food and Beverage Outlet Facts

- Older property
- Normal payroll Pre-COVID 19 pandemic. Significant increase in 2022
- Fixed overheads circa €145k when fully open

# Balance Sheet



	2019	2022
<b>Fixed Assets</b>		
Building & Equipment	€1,000k	€1,100k
<b>Current Assets</b>		
Cash	€50k	€90k
Stock	€20k	€22k
Debtors	€10k	€10k
<b>Total Assets</b>	<b>€1,080k</b>	<b>€1,222k</b>
<b>Liabilities</b>		
Trade Creditors	€55k	€45k
Other Creditors	-	€60k
Tax Liabilities	€20k	€70k
Bank Loans	€600k	€600k
<b>Total Liabilities</b>	<b>€675k</b>	<b>€775k</b>
<b>Net Assets</b>	<b>€405k</b>	<b>€447k</b>
<b>Financed by Equity &amp; Retained Earnings</b>	<b>€405k</b>	<b>€447k</b>

## Comments

- Wage supports helped attractions to build cash reserves
- Tax warehousing was beneficial for cashflow management
- Some activities continued to reinvest in their product capex during COVID-19 pandemic

# Cashflow

	2022	2023	2024
<b>EBITDA</b>	<b>€95k</b>	<b>€97.8k</b>	<b>€100.8k</b>
Less CAPEX	€28.5k	€29.3k	€30.3k
Less Loan Interest	€21k	€21k	€21k
Less Loan Capital	€39k	€39k	€39k
<b>Cash Movement</b>	<b>€6.5k</b>	<b>€8.5k</b>	<b>€10.5k</b>
Opening Cash	€90k	€66.5k	€10k
Payments – Other Loan	€30k	€30k	-
Payments – Warehouse Tax	-	€35k	€15k
<b>Closing Cash</b>	<b>€66.5k</b>	<b>€10k</b>	<b>€5.5k</b>

<b>Other Loan</b>	<b>€60k</b>		
<b>Warehoused Tax</b>	<b>€50k</b>		
<b>Total</b>	<b>€110k</b>		

## Comments

- What will your business cash position look like in two years time?
- Stagger the payments
- Understand the interest rate

# Managing Cashflow



## Managing Profit & Cashflow



**Revenues**



**Costs**

# Increasing Costs

---

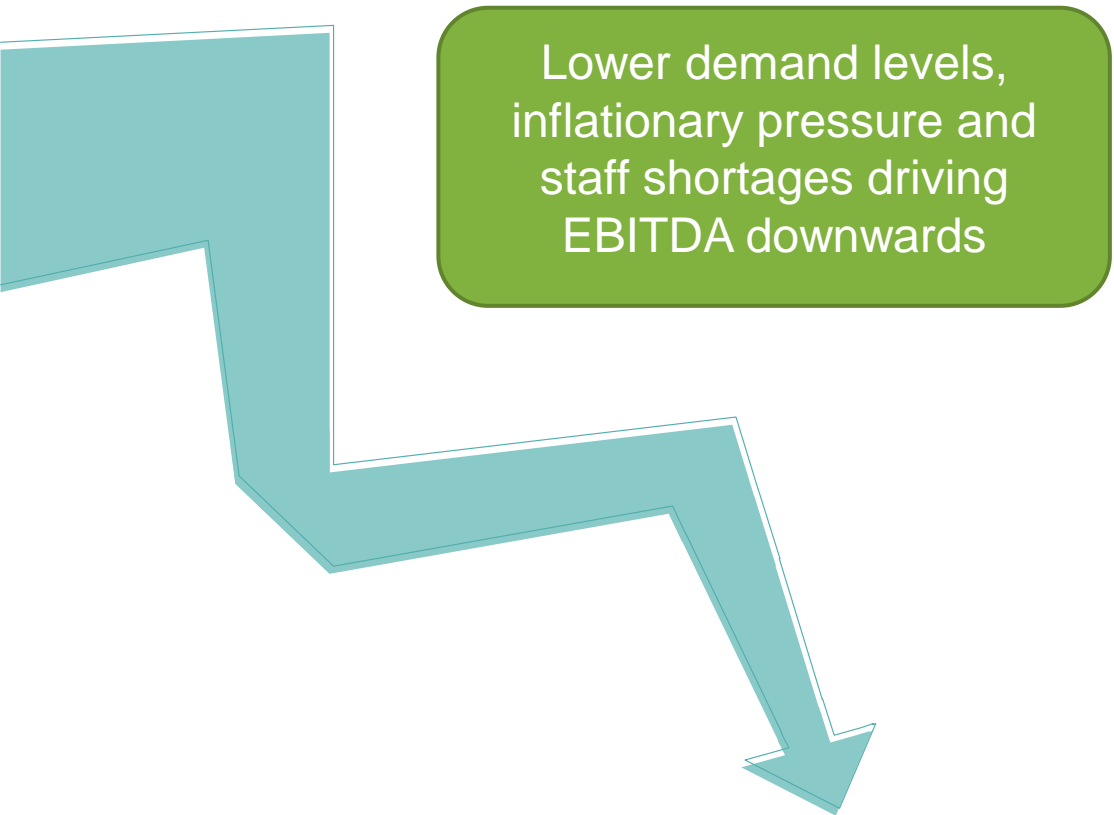
- **Wage** inflation is further amplified by;
  1. Scarcity of workers across Europe.
  2. Minimum wage has increased 7% from pre-COVID.
  3. General wage increases up to 15% or higher?
- **Energy** prices are the dominant driving force in rising costs.
- **Insurance**.
- **Can increased costs be passed on?**

*Expectation is that inflation will eat into cash reserves and profitability.*



# Cost Reduction/Recovery

---



Lower demand levels,  
inflationary pressure and  
staff shortages driving  
EBITDA downwards

- Consider how we can cut costs/expenses without impacting quality or cutting corners?
  - Initial focus should be on what is being consumed
  - Focus on rate being paid
  - Focus on labour
- Consider how we move price points, average spend up and keep our customers
- Consider how we can find new sources of revenue and growth
- Consider how best to reinvest in the business

# What Next?



# Key Actions

---

-  Preserve margin, but understand value
-  Cost management will be ongoing
-  Project out, forecast continually
-  Pass costs on where appropriate
-  Appoint a spending controller
-  Draft a cost mitigation action plan



# Thank You

## Further information and supports:

- Business Supports Hub  
<https://covid19.failteireland.ie/>
- National Schedule of Supports  
<https://covid19.failteireland.ie/support-programmes-schedule/>