

UTILIZING PROFITCENTS

Helping financial advisors improve the financial
performance of their business clients

profitcents[®]

Course Agenda

Introduction and background

What is ProfitCents?

How do firms use ProfitCents?

Key Reports

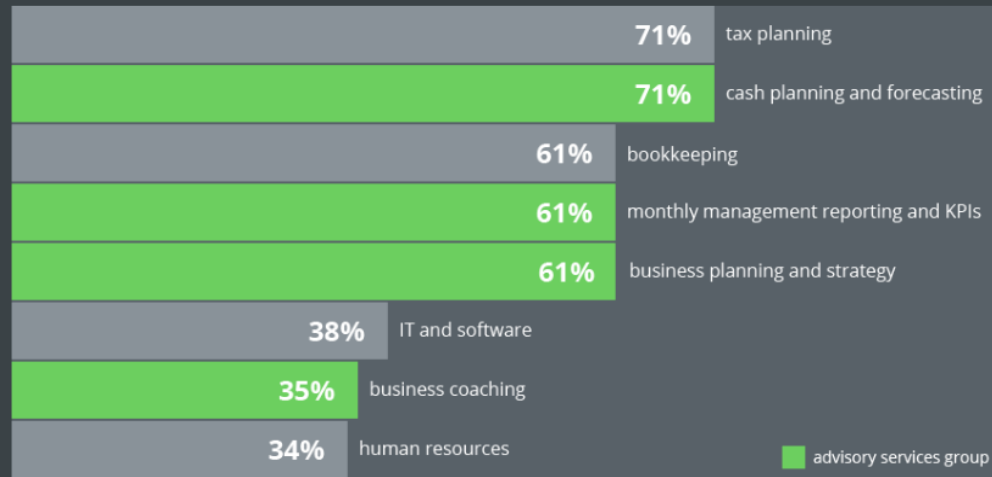
Best practices: implementation

Using ProfitCents as a value-add



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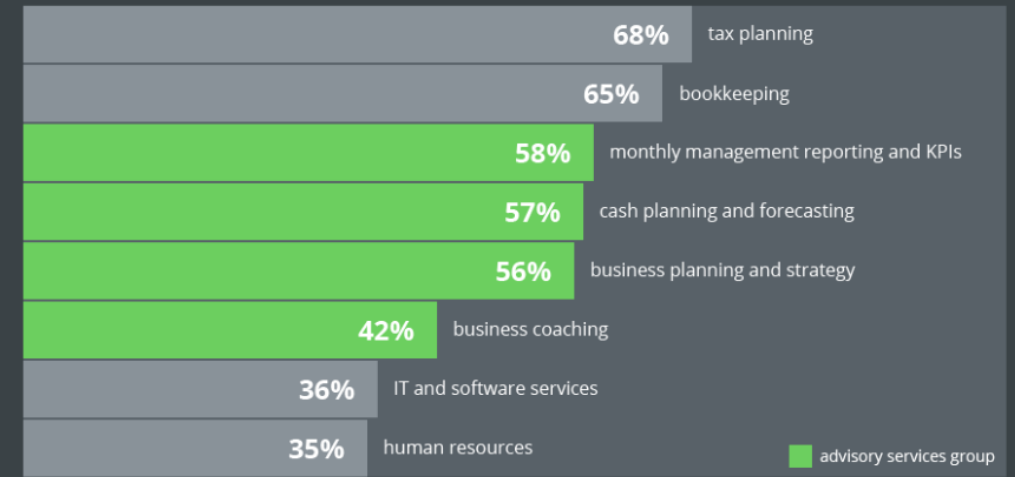
Services **early stage** small businesses want from accountants



LivePlan

2018 Bplans Small Business Survey

Services **established** small businesses want from accountants



LivePlan

2018 Bplans Small Business Survey

What Small Businesses Want from Accountants and Advisors

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- Businesses are least confident in their financial and business planning strengths
- Established businesses see value in business planning
- Businesses want strategic advising services from accountants as much or more than they want compliance services
- Nearly half of established businesses don't have an accountant
- Accountants can advise on accounting solutions

What is ProfitCents?

Web-based analytics software application

Increases consulting opportunities

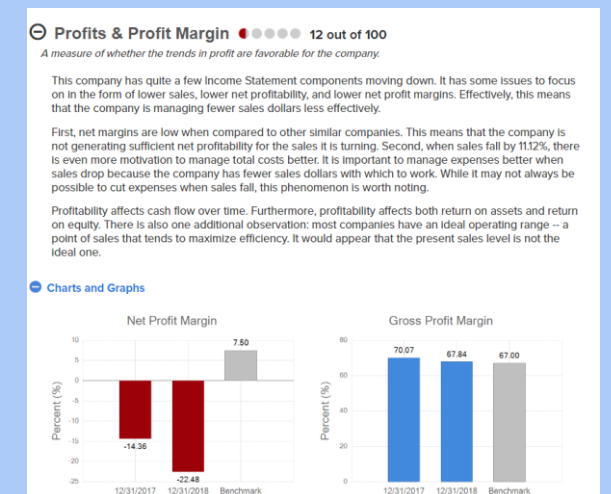
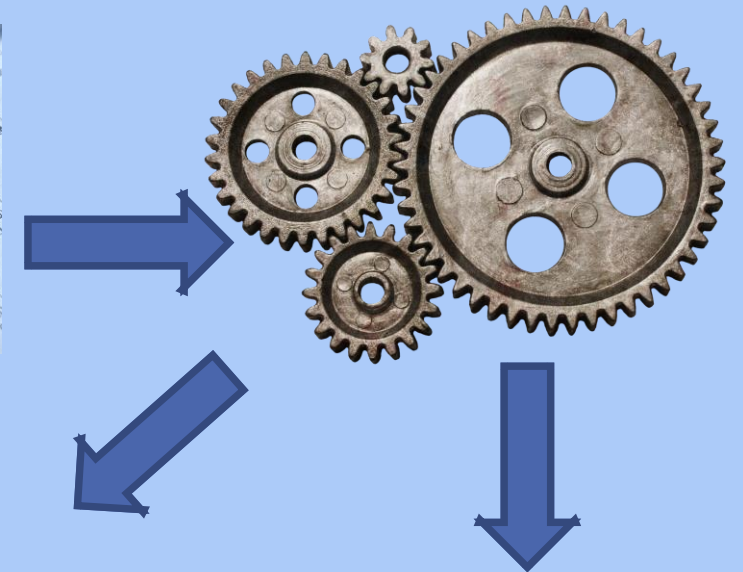
Benchmarks your business clients

Enables you to empower your clients to make better financial decisions

Helps you to comply with audit and review standards by streamlining preliminary analytics



Converts Financial Information into Narrative Data



KEY FEATURES OF PROFITCENTS



Four Common Ways Firms Use ProfitCents

- Acquire and develop clients
- Differentiate your firm and sell additional services
- Software as a service that helps scale your firm
- Preliminary and final analytical review

“ProfitCents is a competitive advantage for our firm. We are able to provide value-added services to our clients and give them much more meaningful information that we weren’t able to provide in the past. It’s incredible that a comprehensive report that would take me 10 hours to compose can be generated by ProfitCents in 15 minutes.”

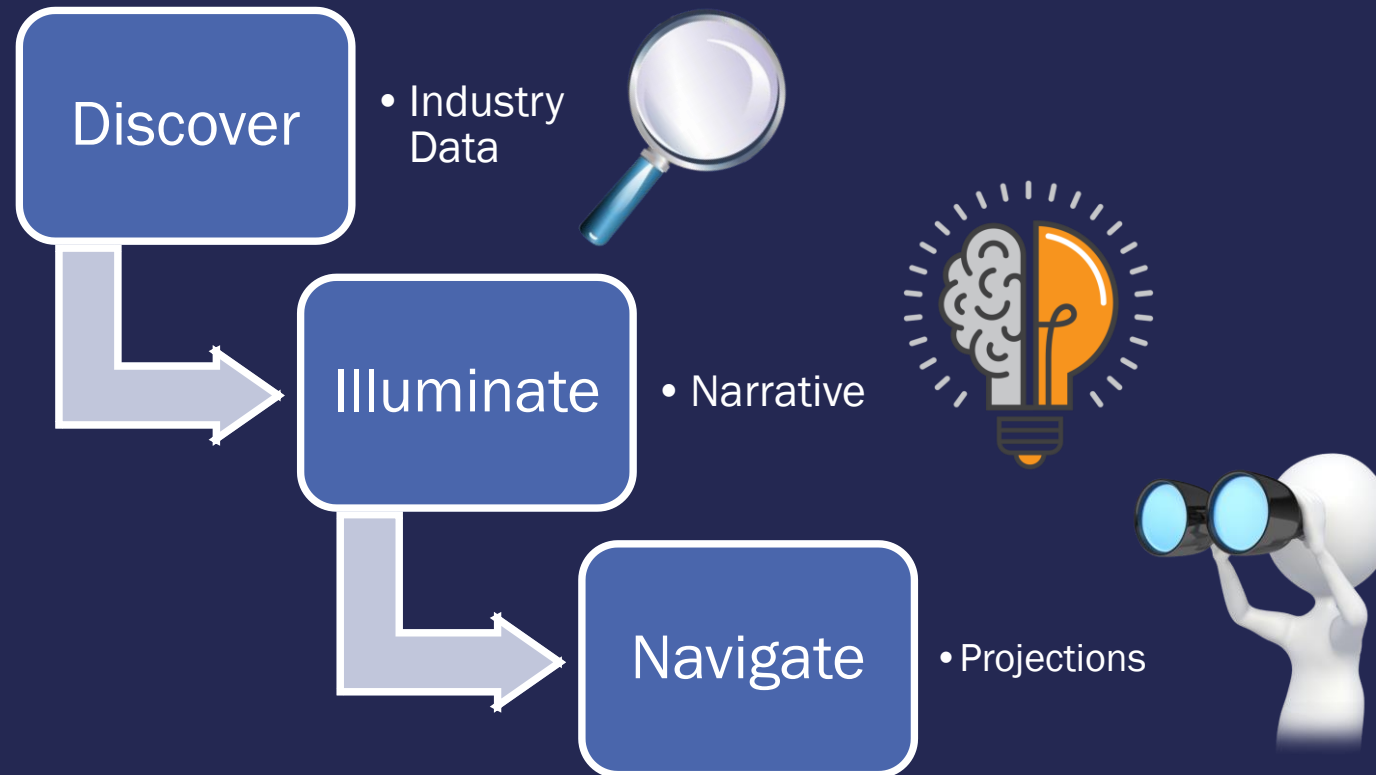
Kyle Hawk

Partner

Swindoll Janzen Hawk & Loyd LLC



3-TIERED ADVISORY APPROACH



Leveraging Industry Data

Industry research and benchmarking

1,400 industries covered, including industry specific KPIs (e.g., seat turnover for restaurants) to analyze operational efficiency

Marketing Collateral

Identify macro-level industry trends to help develop specialized and diversified services

Efficient Deliverable

Export data to Microsoft Word, Excel, and PDF to flexibly fit existing reports



INDUSTRY FINANCIAL DATA AND RATIOS

[View Formula Key](#)

Average by Year (Number of Financial Statements)

Financial Metric	Last 12 Months (2,177)	2018 (2,424)	2017 (4,126)	Last 5 Years (19,708)	All Years (40,653)
Current Ratio	3.15	3.08	2.88	2.88	2.72
Quick Ratio	1.47	1.35	1.30	1.31	1.24
Gross Profit Margin	27.35%	27.48%	29.32%	29.42%	29.26%
Net Profit Margin	5.02%	5.15%	3.68%	2.06%	2.10%
Inventory Days	272.50	282.93	279.43	308.78	300.17
Accounts Receivable Days	18.37	18.80	18.01	18.42	18.70
Accounts Payable Days	18.07	18.71	17.25	18.47	19.26
Interest Coverage Ratio	11.26	10.93	10.08	8.46	8.49

Industry Data with Company Comparisons

Value-Added Reporting For Clients

Demonstrate a sincere interest in the health of your client's business

SWOT Analysis

Highlight the client's % distance from industry standards

Cross-Selling for Consulting Engagements

Plant the seed and quickly identify opportunities for advisory services after tax season



INDUSTRY FINANCIAL DATA AND RATIOS

Green: Company metrics highlighted in green are within the top 20% of the industry.
Red: Company metrics highlighted in red are within the bottom 20% of the industry.

[View Formula Key](#)

Financial Metric	Company Data	Industry Data (Number of Financial Statements)			
		Recent 12 Months (136)	Distance from Industry	2018 (157)	2000-Present (2852)
Current Ratio	8.72	3.79	130%	3.33	3.00
Quick Ratio	8.44	3.26	159%	2.98	2.50
Gross Profit Margin	67.84%	63.75%	6%	66.76%	64.90%
Net Profit Margin	-22.48%	10.64%	-311%	9.98%	9.70%
Inventory Days	0.00	--	--	--	0.06
Accounts Receivable Days	67.70	42.56	59%	36.55	37.24
Accounts Payable Days	0.00	22.35	-100%	24.75	31.59
Interest Coverage Ratio	-37.82	15.71	-341%	16.71	13.92
Debt-to-Equity Ratio	0.97	2.38	-59%	2.38	2.61
Return on Equity	-129.97%	70.44%	-285%	62.05%	65.11%
Return on Assets	-66.06%	42.60%	-255%	39.86%	38.21%
Gross Fixed Asset Turnover	7.23	19.45	-63%	19.79	17.79

PROFITS & PROFIT MARGIN

What are some things the company might do to develop favorable profitability trends?

- ▶ Monitor labor costs continuously by watching the number of hours that each employee works so that overtime pay is not necessary.
- ▶ Watch food costs. Consider occasional trips to Costco or Sam's Club to save a few dollars on certain items.
- ▶ Create cost menus so that each menu item has a cost associated with it. This will help in figuring out what the profit margins are for each dish and which items should be removed. If needed, adjust menu item marketing to improve profitability.
- ▶ Utilize employees to the fullest capacity. Send unneeded servers home or close between meals. Have servers help with kitchen preparation or in another area when not busy, as this can help significantly reduce payroll costs.
- ▶ Keep a close eye on supply usage. Inventories are susceptible to theft and overuse by employees or others, and could eventually cost the restaurant a great deal of money.
- ▶ Include takeout food or home-meal-replacement items to attract time-pressed customers to the restaurant. Designate a separate area for take-out, train staff in take-out guidelines, provide convenient parking, and use proper packaging that will prevent food from spilling.
- ▶ Check freezer seals to reduce energy costs.

Insight Using the Narrative Report

Comprehensive Written Analysis

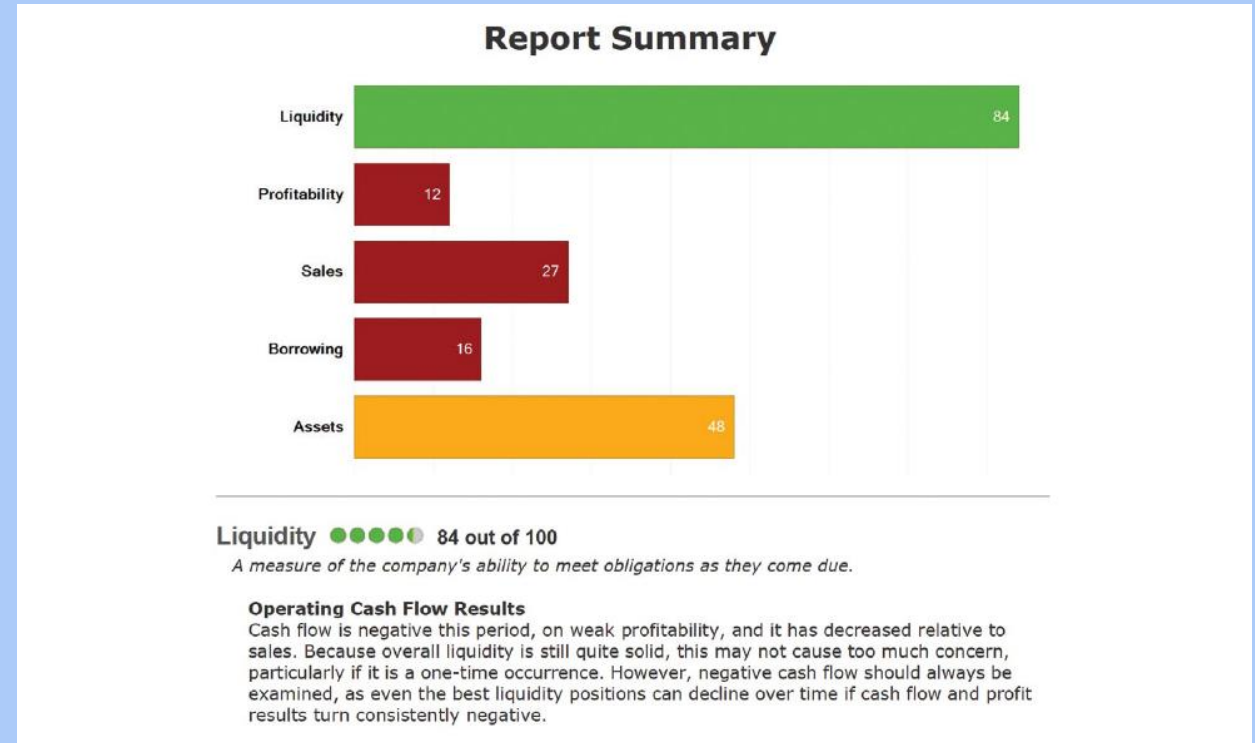
Quickly convert numbers into plain language

Highlight Strengths & Weaknesses

Compare clients to their historical performance and to your other clients within the same industry

Benchmark Client Against the Industry

Compare your client's performance with industry benchmarks



Foresight with the Projection Report

Forecasting & “What-If” Scenarios

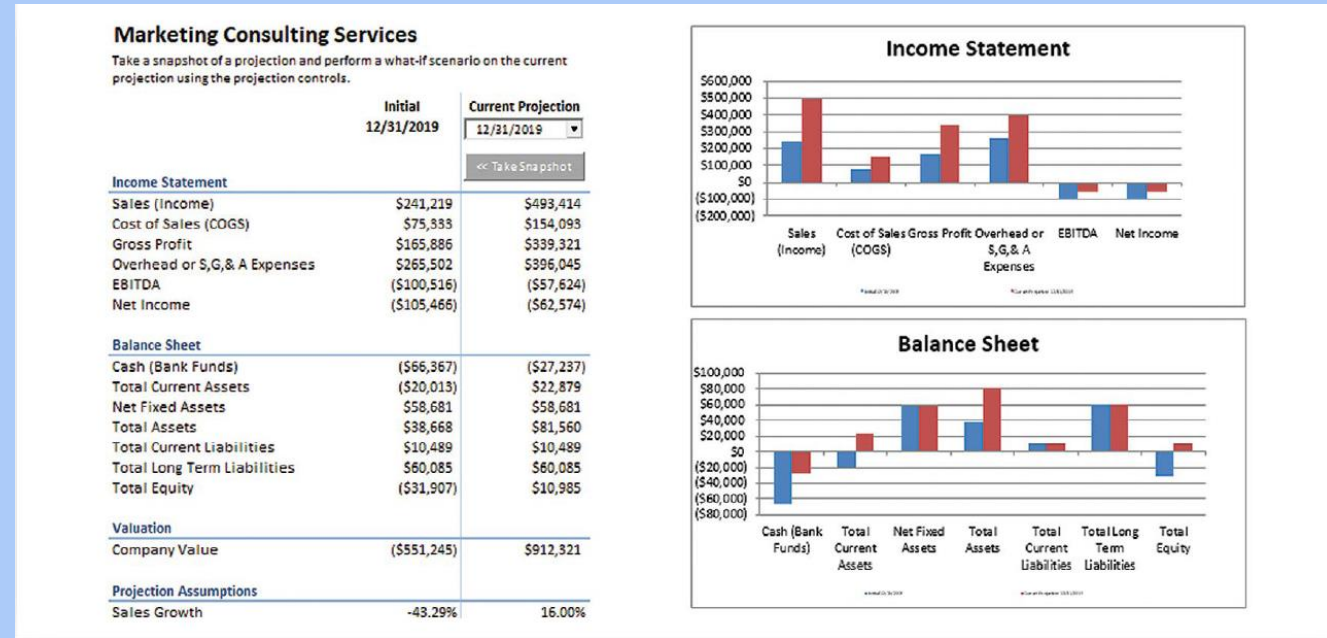
Ability to quickly perform hypothetical scenario analysis for consulting engagements

Loan Analysis

Analyze existing debt as well as modeling potential loans

Calculate Informal Valuation (DCF)

Generate thumbnail Discounted Cash Flow valuations useful in exit strategy and succession planning



Audit & Review Engagements

Automatic expected values

Streamline audits by automatically generating expected values and threshold analysis

Measurement and review of an entity's financial performance

Narrative report detailing financial performance as well as calculated trends expectations and variances

Internal audits and reviews in compliance with guidelines

Quickly comply with audit and review guidelines using automated calculations and field work documentation



	12/31/2016	12/31/2017	Actual 12/31/2018	Expected 12/31/2018	% Diff	Notes
Income Statement Data						
Sales (Income)	\$750,000	\$478,563	\$425,357	\$239,282	78%	
Cost of Sales (COGS)	\$202,335	\$143,234	\$136,785	\$69,498	97%	
Depreciation (COGS-related)	\$0	\$0	\$0	\$0	0%	
Direct Labor	\$0	\$0	\$0	\$0	0%	
Direct Materials	\$0	\$0	\$0	\$0	0%	
Gross Profit	\$547,665	\$335,329	\$288,572	\$169,784	70%	
Gross Profit Margin	73.02%	70.07%	67.84%	70.96%	-4%	
Depreciation	\$2,572	\$0	\$0	\$0	0%	
Amortization	\$0	\$0	\$0	\$0	0%	
Overhead or S,G, & A Expenses	\$578,921	\$398,501	\$380,812	\$236,299	61%	
G & A Payroll Expense	\$395,182	\$263,917	\$258,570	\$132,652	95%	

Expected values are calculated by using a combination of Ordinary Least Squares (OLS) regression, Simple Exponential Smoothing and Holt-Winters Exponential Smoothing models

Challenges Facing Accounting Firms



1: Acquiring and retaining clients

Enable business development and relationship building through easy to use financial reporting and industry data



2: Attracting new talent

Leverage technology to help attract the most talented, technology attuned professionals seeking progressive firms



3: Generating scalable firm growth

Increase realization rates and generate opportunities to sell more services



4: Integrating with existing processes

Customize and export reports to Word, PDF, Excel and PPT with easy import from Excel, Quickbooks, CCH, Accounting CS and Electronic Tax Return Reader

Implementation

88% of the fastest-growing firms help their clients with non-accounting services.
-AccountingWEB

Best Practices

- Identify users and in what capacity they will use ProfitCents
- Identify champions
- Determine with which clients you use ProfitCents
- Build ProfitCents into your standard procedures and checklists
- Share success stories internally
- Schedule regular training sessions with your ProfitCents Advisory Team

Worst Ways to Launch Advisory Technology

- Make ProfitCents optional for firm partners and staff
- Wait for the right time, or for a client's request
- Send clients a ProfitCents report by e-mail without discussing it
- Charge for an analysis report without context

Examples of Success

Accounting & Consulting Firm

“ With ProfitCents, we were able to convert our client acquisition success rate from **50% to 90%**. When we use ProfitCents reports, we deliver a ‘wow’ factor to clients. ”

Principal, Accounting & Consulting Firm in the Northeast

Accounting Firm in Western Canada

“ In 10 minutes with ProfitCents, I create industry-specific benchmarking reports that previously required 3 to 4 hours. These reports help my clients think strategically and let us provide in-depth advice. ”

Owner, Accounting Firm in Western Canada

Full-Service Accounting Firm

“ Every client understands ProfitCents reports. The graphs and simple explanations enable us to generate additional revenue from quarterly and annual client meetings. ”

Managing Director, Full-Service Accounting Firm

Top 50 Accounting Firm

“ Immediate access to real-time private company financial data in ProfitCents is better than any other database I’ve seen. ”

Audit Senior Manager, Top 50 Accounting Firm

Top 100 Accounting Firm

“ Our clients are more likely to stay with our firm because ProfitCents is part of our audit process. All our new hires are trained to use ProfitCents benchmarking and analysis as a critical value-add to the client relationship. ”

Director, Mid-Atlantic Top 100 Accounting Firm

Virtual CFO Business

“ With simple, quick integration of client financial data, we started using ProfitCents financial analysis immediately in all our monthly client meetings. ”

Co-founder & CEO, Virtual CFO Business

Cross-Selling Additional Services with ProfitCents Case Study

Accounting & Tax
Services

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graph TD; A[Accounting & Tax Services] --> B[ProfitCents Reports]; B --> C[Advisory Opportunities];
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ProfitCents
Reports

Advisory
Opportunities

“ Once I put that ProfitCents report in front of them and they look at it and the narratives the report generates, I generally don’t have to say much. The report helps them cross that barrier and see the need for the additional services. ”

Amit Chandel

Focus CPA Group Inc.

THANK YOU!

Support Contact Information

Phone: 866.603.7029

Email: profitcents.support@abrigo.com

profitcents

