

## Case Study of a Subcontractor in the Home Building Industry

**Situation** - As the leading structural floor contractor in the local home building market, this company held more than a 40% market share and enjoyed an outstanding reputation for product excellence and exceptional customer service. Although experiencing 48% compounded growth over the last three years, the company's financial performance ranked in the bottom 25% of the industry. The owner was not reading the financial statements because "they were not reliable." The founder and CEO hired ABA to increase profits and cash flow, establish a sound financial structure, improve financial statement reliability and timeliness, establish a formal business plan, and develop an organizational structure that is self sustaining.

**Action** - ABA performed a series of Developmental Consulting™ services to accomplish AFC's objectives, including:

- Preparing a Strategic Financial Forecast of profits, cash flow, and capital requirements
- Determining the right financial structure and ideal size
- Helping reduce costs and setting financial goals and performance measures
- Getting financial statements current and reliable
- Coaching on how to use financial statements for decision making
- Obtaining new bank financing at greatly reduced cost
- Developing Strategic Business Plan
- Facilitating the creation of a Business Action Plan
- Providing management training and development of the Executive Team

**Result** - Financial statements became current and reliable within the first three months of working with ABA, and the owner was able to use the statements to manage the business. Profits increased about \$60,000 per month and AFC ended the year with increased profit and owners' compensation of \$748,000. Their Debt to Equity ratio went from 7.8:1 to 1.2:1. Their Current Ratio went from 1.1:1 to 2:1. The bank doubled AFC's line of credit. In spite of a significant downturn in the home building industry in year two, AFC again increased profits and owners' compensation by \$577,000. The owner and his wife contributed \$176,000 to charities, and they are now spending two days per week at their mountain home.

*"The way you are able to mix new insights and strategies into our plans and strategies without significantly changing how we do business is very powerful and helpful. In short, I am absolutely happy with ABA and would tell other business owners that even though ABA may not know your particular business, they know the 'business of being in business' very well and can advise you in such a way as to greatly improve your financial performance and get you set up to 'drive the bus' to your desired destination."*

Founder and CEO



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