

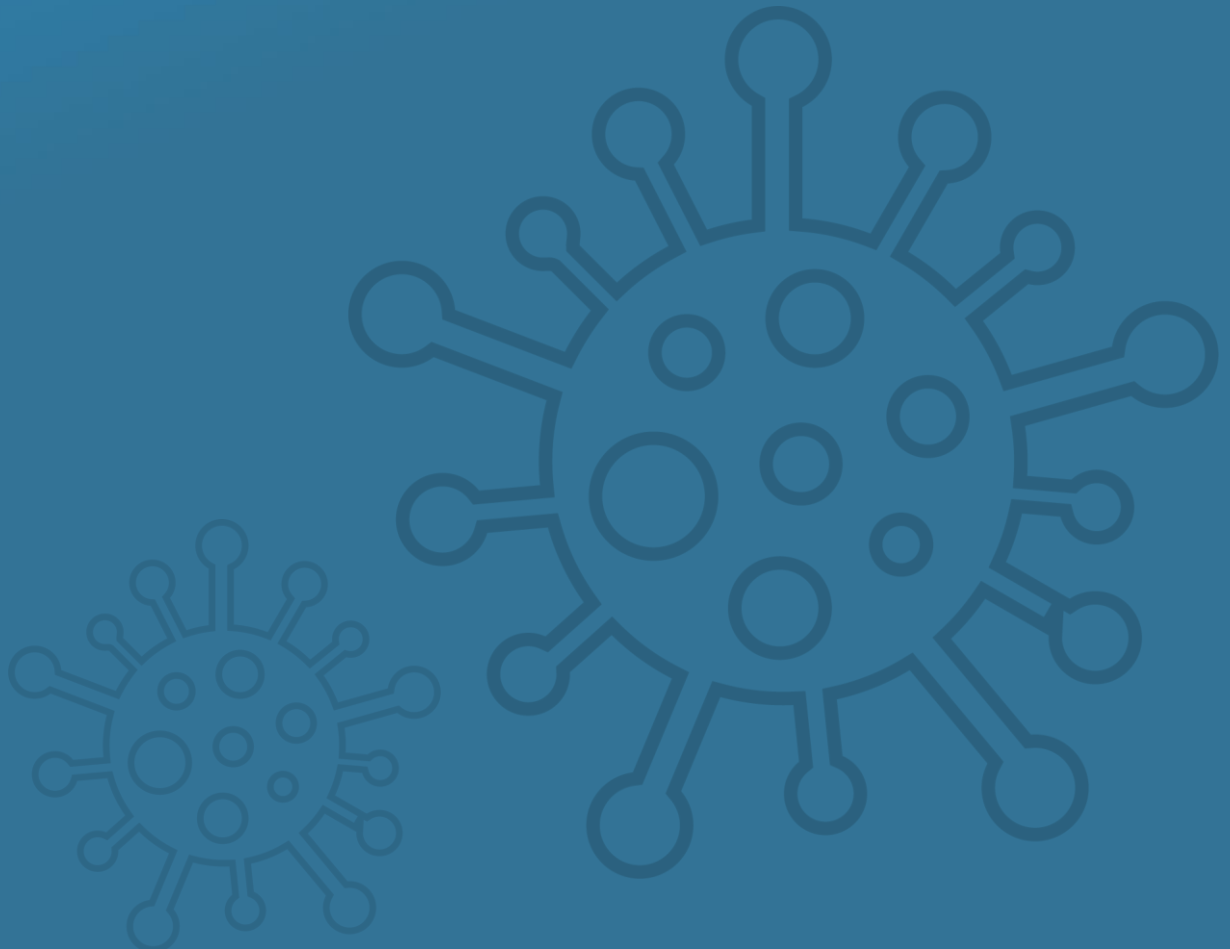


Fáilte Ireland

National Tourism Development Authority

GUIDANCE NOTE USING THE P&L AND BREAKEVEN EXCEL TEMPLATE

ACTIVITIES





Introduction

This Guidance Note provides:

- A general overview of the requirement for the Excel template
- A general overview of the structure of the Excel template
- The information required to populate the template
- The assumptions applied to generate the output
- The step-by-step approach to populating the template
- Understanding the Output Sheet

1. Overview of the requirement for the Excel template

The impact of the Covid-19 pandemic will put the tourism industry under considerable strain for the foreseeable future. We do not yet know when the sector will re-open in its entirety, but it is extremely likely that there will be reduced levels of trading through 2020 and into 2021. Social distancing restrictions, lack of international travel and general consumer appetite will precipitate a tangible reduction in revenues.

The cashflow impact of this will be enormous as businesses seek to manage a cost base against this trading backdrop. To attempt to mitigate the risk of businesses coming into cashflow difficulty, it is important to accurately forecast the “cash burn” during this period (see Fáilte Ireland - Guidance Note – Cash Burn & Cash Reduction and accompanying Checklists by Sector for support in this area).

The Fáilte Ireland P&L and Breakeven Excel template provides a platform for business owners to project revenues and costs out to March 2022. It calculates monthly EBITDA (Earnings Before Interest Tax Depreciation Amortisation) and the main KPIs associated with your business. It shows revenues, costs and profit/loss or breakeven on a monthly basis.



2. The structure of the Excel template

The template is comprised of three distinct sections: Input, Calculation and Output:

Inputs

All raw data is entered into two sheets within the template: Trading Input Sheet and Pre-Opening Costs

- Trading Input Sheet: input monthly revenues (on a pre-Covid and post-Covid assumed basis) and annual costs into this sheet, refer to Sections 3 and 5 for further detail.
- Pre-Opening Costs: input all costs to be incurred in the period where you are preparing to re-open the business into this sheet, refer to Sections 3 and 5 for further detail.

Note that only cells highlighted in orange should be populated. All other cells are formula driven and should not be amended.

Calculation (hidden tabs)

These tabs are fully automated and analyse the raw data provided in the input sheets to deliver a desired output. These tabs are hidden and it is critical that these tabs should not be altered in any way.

Output

The output sheet "Analysis" provides a monthly P&L, summary cashflow and KPI analysis for the business from March 2020 through to March 2022. This is the tab where you will see the impact of your inputs in a standard P&L format. There should be no amendments to this tab as it is purely formula driven from the inputs provided.

In conclusion:

- a) Only tabs "Trading Input Sheet" and "Pre-Opening Costs" should be amended by the user
- b) Only cells highlighted in orange within the input tabs should be populated
- c) The Output sheet "Analysis" provides the user with all relevant information for the purposes of determining the impact of the Covid-19 pandemic to their monthly P&L.



3. The information required to populate the Excel template

In advance of populating the input sheets, you should collate the following information that will be required:

For "Trading Input Sheet"

<i>A</i>	Opening Cash Balance as at 1 st March 2020.
<i>B</i>	Number of monthly customers/events for each revenue line for the period Mar-20 to Mar-22 on the assumption that the Covid-19 pandemic never materialised (i.e. your original budget or forecast for the year).
<i>C</i>	Average spend/admissions price per customer/event for each revenue line for the period Mar-20 to Mar-22 on the assumption that the Covid-19 pandemic never materialised (i.e. your original budget or forecast for the year).
<i>D</i>	Grants or membership revenues for the period Mar-20 to Mar-22 Mar-22 on the assumption that the Covid-19 pandemic never materialised (i.e. your original budget or forecast for the year).
<i>E</i>	An estimate of the proposed impact that Covid-19 restrictions will have on normalised trading levels for all revenue lines (i.e. what is the expected drop off as a % of normalised revenues). As an example, if you had originally forecast €50k retail revenue in Sept-2020 and you now expect €30k, you will be at 60% of normalised trading).
<i>F</i>	A timeline for when you expect to open your business again, to include a period of pre-opening.



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Your estimated costs to run the business on a full year basis taking into account future cost savings¹:

Departmental Costs

- i. **Departmental Payroll:** for each departmental payroll, identify the fixed cost (as a €) and variable cost (as a %) element of the business. For example, if your forecast payroll costs are 30% of revenues, identify the fixed vs variable element of these revenues by using the below template. The cells highlighted in orange will be your inputs. The input numbers below are examples:

Forecast Admissions Revenue (normal trading)	€100k
Total Forecast Admissions Payroll %	25%
Total Forecast Admissions Payroll	€25k
Total Forecast Fixed Admissions Payroll	€10k
Total Forecast Variable Admissions Payroll (balancing figure)	€15k
Total Forecast Variable Admissions Payroll (% of revenue)	15%

Forecast Retail Revenue (normal trading)	€125k
Total Forecast Retail Payroll %	30%
Total Forecast Retail Payroll	€38k
Total Forecast Fixed Retail Payroll	€20k
Total Forecast Variable Retail Payroll (balancing figure)	€18k
Total Forecast Variable Retail Payroll (% of revenue)	14%

Forecast Food and Beverage Revenue (normal trading)	€150k
Total Forecast Food and Beverage Payroll %	32%
Total Forecast Food and Beverage Payroll	€48k
Total Forecast Fixed F&B Payroll	€35k
Total Forecast Variable F&B Payroll (balancing figure)	€13k
Total Forecast Variable F&B Payroll (% of revenue)	9%

¹ You should input your costs on the assumption that you are open at all times for the year. The template will determine the costs that will not be incurred for the period of closure. You should include any cost savings that you plan to implement on a long-term basis. As an example, if you plan to make a position permanently redundant to save costs you should include this cost saving, but if you have placed staff on temporary redundancy for the period of closure with the intention of re-hiring them, this cost should be included.



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Departmental Costs

i. Departmental Payroll Cont:

The input numbers below are examples:

Forecast Other 1 Revenue (normal trading)	€50k
Total Forecast Other 1 Payroll %	10%
Total Forecast Other 1 Payroll	€5k
Total Forecast Fixed Other 1 Payroll	0
Total Forecast Variable Other 1 Payroll (balancing figure)	€5k
Total Forecast Variable Other 1 Payroll (% of revenue)	10%

Forecast MOD (normal trading)	€75k
Total Forecast MOD Payroll %	25%
Total Forecast MOD Payroll	€19k
Total Forecast Fixed MOD Payroll	€7k
Total Forecast Variable MOD Payroll (balancing figure)	€12k
Total Forecast Variable MOD Payroll (% of revenue)	16%

The fixed element of your payroll should reflect the minimum level of staff that you need to support the business during a low season month. A useful guide would be to estimate your payroll costs for (say) Jan-20 and annualise that cost.

- ii. Admissions – Cost of Sales: your costs of sales (e.g. commission) as a % of admissions revenue
- iii. Admissions Other Expenses (if any): your costs as a % of admissions revenue
- iv. Retail – Cost of Goods Sold: your cost of goods sold as a % of retail revenue
- v. Retail Other Expenses (if any): your costs as a % of retail revenue
- vi. Food – Cost of Sales: your inventory costs as a % of food revenue
- vii. Beverage – Cost of Sales: your inventory costs as a % of beverage revenue
- viii. F&B and C&B (functions and events) Other Expenses (if any): your costs as a % of combined F&B revenue
- ix. Other 1 and MOD Cost of Sales: your costs of sales as a % of Other 1/MOD revenue
- x. MOD/Other 1 Expenses (if any): your costs as a % of Other 1/MOD revenue



<i>H</i>	<p><u>Non-Departmental Payroll (A&G, S&M, R&M)</u>: identify the fixed versus variable element of this cost base. Fixed payroll relates to employees that have been retained over the period of closure (e.g. Manager) while variable payroll relates to employees that will be re-hired when the business re-opens (e.g. Sales & Marketing Assistant)</p>										
<i>I</i>	<p><u>Non-Departmental Other Expenses (A&G, S&M, R&M)</u>: identify the fixed versus variable element of this cost base. Fixed expenses relate to costs that will continue to be incurred over the period of closure (e.g. subscriptions and memberships) while variable expenses relate to costs that will only be incurred when the business re-opens (e.g. advertising)</p>										
<i>J</i>	<p><u>Utilities</u>: identify the fixed versus variable element of this cost base. Utilities costs will of course be far higher when the business re-opens but there will be a standing charge when the business is closed also. As a guide, we would propose using the following template to estimate the fixed versus variable element of the cost. The input numbers below are examples:</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="padding: 2px;">Forecast Utilities Cost (Annual)</td> <td style="text-align: right; padding: 2px;">€100k</td> </tr> <tr> <td style="padding: 2px;">April 2020 Utilities Cost (business closed)</td> <td style="text-align: right; padding: 2px;">€1k</td> </tr> <tr> <td style="padding: 2px;">April 2019 Utilities Cost (business open)</td> <td style="text-align: right; padding: 2px;">€9k</td> </tr> <tr> <td style="padding: 2px;">Forecast Utilities Cost (Annual Fixed) - €100k * (€1k/(€1k+€9k))</td> <td style="text-align: right; padding: 2px;">€10k</td> </tr> <tr> <td style="padding: 2px;">Forecast Utilities Cost (Annual Variable) - €100k * (€9k/(€1k+€9k))</td> <td style="text-align: right; padding: 2px;">€90k</td> </tr> </table>	Forecast Utilities Cost (Annual)	€100k	April 2020 Utilities Cost (business closed)	€1k	April 2019 Utilities Cost (business open)	€9k	Forecast Utilities Cost (Annual Fixed) - €100k * (€1k/(€1k+€9k))	€10k	Forecast Utilities Cost (Annual Variable) - €100k * (€9k/(€1k+€9k))	€90k
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<i>K</i>	<p><u>Insurance, Rates & Other</u>: identify the annual fixed cost for each expense</p>										
<i>L</i>	<p><u>Deferred payment schedules</u>: identify any creditor agreements you have put in place where you have agreed a payment plan over a period of time. For example, if you have agreed to meet legacy Revenue liabilities over a period of 18 months, there will be a cashflow impact that will not be captured as part of your trading cashflows.</p>										



For "Pre-Opening Costs Sheet"

There will be a period in advance of re-opening where you are scaling up your costs in preparation for trading. There may be significant costs incurred in this period. You will need to consider:

<i>A</i>	Your estimated period (in days) that you will consider "pre-opening".
<i>B</i>	The payroll costs for this period by department and position (number of hours, hourly rate net of PRSI and Holiday Pay). The appropriate PRSI payment will need to be inserted.
<i>C</i>	The level of Food & Beverage, Retail or other stock that you will need in advance of opening. (i.e. this should be your initial inventory order).
<i>D</i>	Additional costs that will be incurred across the business to facilitate commencement of trading (e.g. consumables, cleaning products, menu printing etc).
<i>E</i>	Are there essential creditors (e.g. food suppliers, utilities) who you will need to settle legacy debts with to facilitate trading?
<i>F</i>	Are there one-off costs (e.g. marketing campaign, COVID-19 restructuring costs, industrial clean) that will be incurred during this period?
<i>G</i>	Annual fixed costs such as utilities, insurance, rates, etc. The proportion of this cost that relates to the pre-opening period will be automatically allocated in the template.

If you have all of the information to hand before you begin to populate the input tabs, the process of inputting should be straightforward and is explained over the following pages.



4. Assumptions applied to generate the output

The following assumptions have been applied to drive the monthly P&L:

- Nil revenues for the period of closure
- Costs for the period of closure are limited to:
 - Fixed non-departmental payroll
 - Fixed non-departmental other expenses
 - Fixed utilities
 - Fixed costs (Insurance, rates, other)
- All other payroll and variable costs are not incurred during closure
- All departmental variable costs will be determined by the level of trading
- All non-departmental variable costs will be fully incurred when the business opens for trading. The annual cost will be spread evenly across the year, save for when the business is closed
- Variable utilities costs will be determined by the level of trading

5. Step-by-step approach to populating the template

Based on the information collated in section 3, populate the input sheets as follows:

For "Trading Input Sheet"

Row/Cell Ref	Instruction	Section 3 Cross Ref
C2	Name of business	
C4	Opening bank balance as at 1 March 2020	A
Row 7	Status of Trading ²	E
Row 8	Days open for Trading ³	E
Rows 10-53	Normalised Monthly Customers/Events by Revenue Line	B
Rows 10-53	Normalised Spend by Customers/Event by Revenue Line	C
Rows 10-53	Normalised projected grants/memberships revenues	D
Rows 10-53	Adjusted Revenues as a % of Normalised ⁴	E
D58	Admissions – Cost of Sales %	G(ii)
D59-D60	Admissions Payroll (Rows 120-125 for calculation)	G(i)
D61	Admissions other expenses	G(iii)
D63	Retail – Cost of Goods Sold %	G(iv)
D64-65	Retail Payroll (Rows 127-132 for calculation)	G(i)
D66	Retail – other expenses	G(v)

² There are three options for trading status – Closed, Pre-Opening/Ramp-up and Fully Open. You need to choose the relevant status for each month. If the status is Closed, your adjusted revenue metrics should be nil for those months. There should only be one month of Pre-Opening/Ramp-up and it should immediately follow the last month that the business is closed.

³ For months where the business is closed, days should be nil. Where the business is Pre-Opening/Ramp-up, days should be the days in month less the projected pre-opening period. Where fully open, days should equal days in month.

⁴ You should consider the impact social distancing restrictions will have on your non-rooms capacity together with a general reduction in trading.



5. Step-by-step approach to populating the template (cont.)

For "Trading Input Sheet"

Row/Cell Ref	Instruction	Section 3 Cross Ref
D68	Food – Cost of Sales %	G(vi)
D69	Beverage – Cost of Sales %	G(vii)
D70-D71	F&B Payroll (Rows 134-139 for calculation)	G(i)
D72-D73	F&B/Functions & Events Other Expenses	G(viii)
D75	Other 1 Cost of Sales	G(ix)
D76-D77	Other 1 Payroll (Rows 141-146 for calculation)	G(i)
D78	Other 1 other expenses	G(x)
D80	MOD Cost of Sales	G(ix)
D81-D82	MOD Payroll (Rows 148-153 for calculation)	G(i)
D83	MOD other expenses	G(x)
D87-D88	A&G Payroll	H
D89-D90	A&G Other	I
D92-D93	S&M Payroll	H
D94-D95	S&M Other	I
D97-D98	R&M Payroll	H
D99-D100	R&M Other	I
D102-D103	Utilities (Rows 155-159 for calculation)	J
D105-D107	Fixed Costs	K
Rows 111-117	Deferred Creditor Repayment Schedules	L

5. Step-by-step approach to populating the template (Cont.)

For "Pre-Opening Costs"

Row/Cell Ref	Instruction	Section 3 Cross Ref
Rows 7-61	Payroll Costs	B
Rows 64-73	Initial Cost of Sales	C
Rows 75-88	Other Costs/Expenses	D
Rows 98-106	Creditor Payments	E
Rows 108-114	Once Off Exceptional Costs	F
Rows 90-95	Fixed Costs	G

6. Understanding the Output Sheet

The output sheet provides:

- A full P&L in the Uniform Standard of Accounts format on a monthly basis providing detailed revenues and costs
- Break-even analysis
- A rolling cash balance on a monthly basis
- An analysis of trading for the three periods – Closed, Pre-Opening/Ramp Up, Fully Open
- A KPI section that will provide you with key metrics⁵

⁵ It is important that you review the key metrics for reasonableness and accuracy and benchmark against your understanding of the business. It will be a useful tool in recognising areas where your inputs may not be appropriate.