

more
than
money



NAB Franchise

Mastering cash flow: A practical guide for franchisees



The power of a plan

Running a business comes with plenty of challenges, but managing cash flow is often the biggest. And for franchisees, it can be particularly tricky.

Fixed fees, approved suppliers, set pricing and network promotions can all influence how money moves through your business – making careful cash flow management essential.

“Cash is king. Every franchisee needs to manage cash flow to stay healthy and survive,” says Despina Kathestides, Head of Franchise Banking at NAB. “Without careful planning, things can unravel very quickly. It only takes one quarter of not planning for Business Activity Statement (BAS) payments for it to become a significant issue.”

So, how can you set your franchise up for success?

This mini guide walks you through how to plan, manage, and make the most of your cash flow to help your business run smoothly and stay financially strong.

What we'll cover:

- 01** Cash flow basics
- 02** Optimising your cash flow
- 03** How can I finance my cash flow?



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Key takeaways

1. Know your business's needs and the timing of income and expenses
2. Have at least 3 months of cash set aside
3. Account for all up-front costs and factor in time to profitability. For example, equipment, insurance, property and leasing costs

Cash flow basics

Cash flow is all about the money moving through your business – what's coming in from sales and what's going out for expenses.

By tracking it on a monthly basis, you can compare what you earn against what you spend. Strong cash flow management means you will always have funds available to embrace what's next – not just to cover unexpected costs.

“With strong cash flow, you can invest with confidence, expand your operations and seize new opportunities as they arise,” Kathestides says.

How much cash should I have available?

Managing your cash flow effectively starts with knowing your business's needs and the timing of income and expenses. That way you can ensure you're never caught out – the cash will be there when you need it.

“Franchisees should be looking at their cash flow week in, week out,” Kathestides says. “It's about understanding the rhythm of the business. For example, weekends might bring in more revenue, while midweek is when bills are due.”

It's also important to factor in larger, less frequent costs such as insurance premiums and tax instalments.

“We tell clients to have at least three months of cash set aside. You need to plan for that rainy day,” says Ourania Arnaoutis, Regional Manager, Franchise Banking at NAB.

To calculate your cash flow correctly, make sure to account for all expenses.

Start-up costs should include the following items and account for the time it will take to reach profitability as part of your cashflow requirements:

- Fit out and equipment and purchase cost of the business
- Bank and rental guarantees
- Franchisor fees to buy into the brand
- Up-front inventory to commence trade

Ongoing costs should include:

- Back office: tax and BAS, IT, insurance, loan repayments, interest
- Operating expenses: rent, utilities, maintenance, materials, supplier payments
- People: wages, super, uniforms, training
- Sales and marketing: advertising, plus franchise and royalty fees

For a comprehensive cashflow forecast, try NAB's monthly cash flow forecast [template](#).



Key takeaways

1. Spread payments for different expenses across the month
2. Buy in bulk but control inventory to avoid waste
3. Align your systems

Optimising your cashflow

Once you've got a hold on your cash flow, the next step is optimisation. Regular monitoring helps you identify trends, prepare for shortfalls and spot opportunities to reinvest for growth.

For example, effective cash flow management has been central to the growth of Baker's Delight's largest franchisee, Wayne Price. Working closely with NAB, Wayne was able to refinance facilities and enhance reporting and information systems to better track performance. This allowed him to manage cash flow and debt while pursuing acquisitions of bakeries across Victoria.

Tips for improving your cash position

There are plenty of tactics to enhance cash flow in your franchise. Here are some ideas:

1. Time it well

Try spreading payments for different expenses across the month.

"Having your loan repayments come out at a different time to your franchise fees and payroll helps a lot," says Kathestides.

2. Buy in bulk

Purchase in larger quantities to secure volume discounts and help smooth pricing volatility.

"Ask yourself: can you do a bigger order to secure a cheaper price?" says Kathestides.

3. Align systems

Efficient systems can make managing cash flow easier – for example, digital rostering or performance tracking tools.

"Simply having your merchant terminal at the same bank as your accounts lets you access incoming funds same day," says Kathestides.

4. Manage market risks

If you have overseas suppliers, consider asking your bank for help in hedging currency fluctuations and interest rate variations.

"If an exchange rate changes, your margin can very quickly be eroded," points out Kathestides.

5. Control inventory

Manage inventory and waste carefully, especially for perishable goods. Use sales data to forecast demand and set reorder points that prevent both overstocking and shortages, keeping your cash flow steady.

Top Tip: Save your cash!

Even if you have enough money on hand to pay establishment or upgrade costs outright, it might be wise not to use all your cash, notes Kathestides. She suggests talking to your banker about tailored solutions such as [equipment finance](#).

For example, [Mohammad Shamim](#) – who went from part-time worker to Australia’s largest Subway® franchisee – was able to work with NAB’s Franchise Lending team to structure a bespoke lending solution. This allowed him to refinance existing debt, access new funding, and complete multiple store acquisitions and renovations.



Key takeaways

1. There are a range of finance options to support your cash flow management
2. To access a business loan you'll need supporting documentation, including a business plan
3. Don't leave it until the last minute!

How can I finance my cash flow?

At times you'll need a buffer – something more than the cash leftover from your various expenses. In that case, financing loans could be a good option to purchase assets, acquire a business, or to provide cash flow or additional capital. Note: NAB will always suggest the most appropriate loan type based on what you are funding.

At NAB, franchise loans can be secured by real property. For example, franchisees may be able to:

- Borrow up to 100% of any residential property's market value for their franchise business (subject to eligibility criteria); or
- Borrow up to 70% of their owner-occupied commercial property from where they run their business.

Alternatively, based on the franchise's brand, you could borrow a multiple of your EBITDA (Earnings Before Interest and Tax).

Flexible finance solutions

Other options to support your cash flow include short-term solutions such as:

- Credit cards
- Overdrafts

You might also wish to consider financing options for other assets to free up your cash. This includes:

Equipment finance – allowing you to finance vehicles and other equipment in a way that's tailored to your cash flow

Trade finance – helping bridge gaps between buying and selling stock

Speak to your NAB banker about our tailored solutions and anything required for you to take advantage of the above solutions.

What documentation will I need?

To access a business loan, you'll typically need the following documentation to start with:



A business plan



A cashflow forecast, including assumptions



Guarantor particulars / detailed list of assets and liabilities



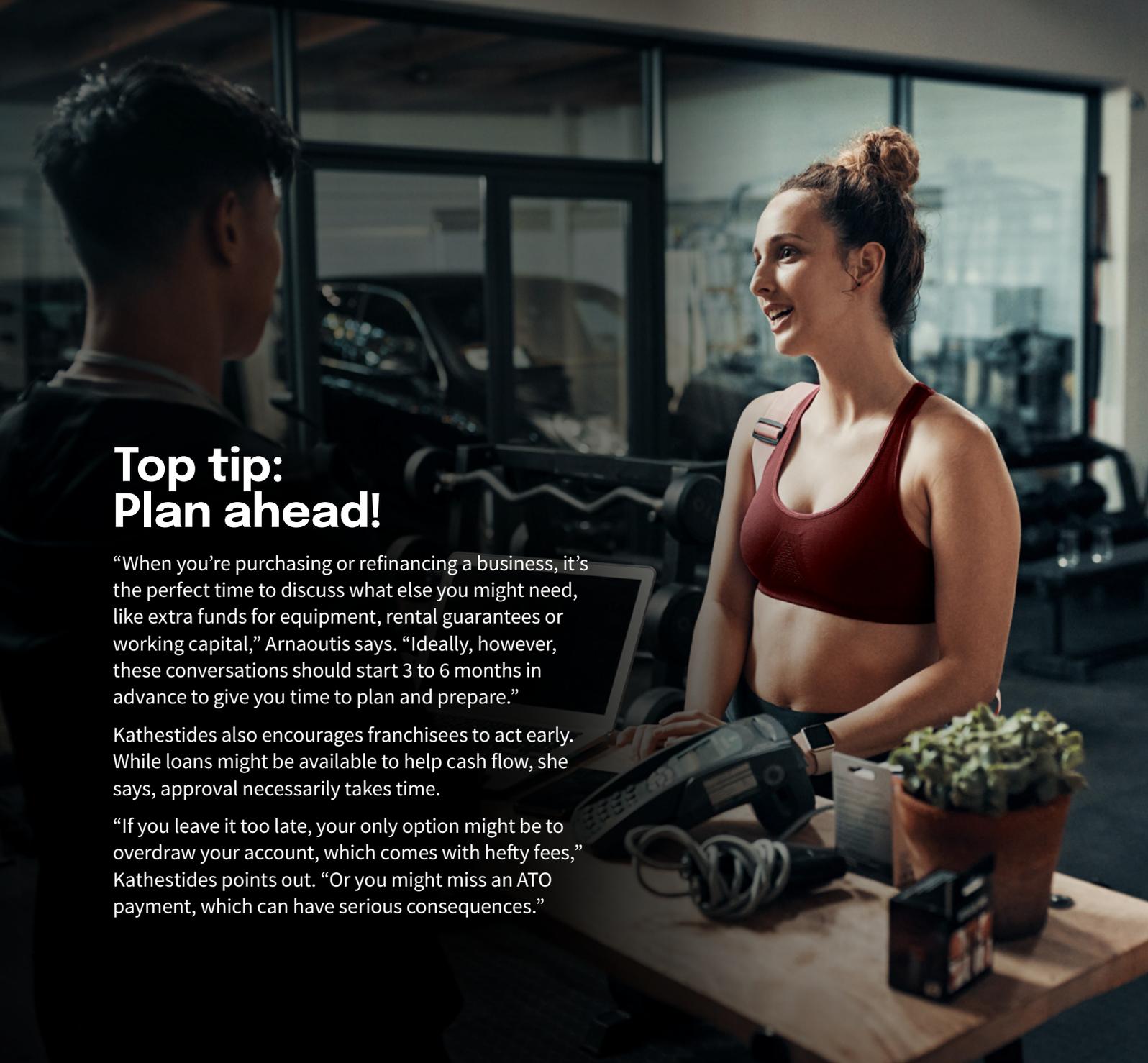
2 years of financial statements for brownfield (established) sites



Management accounts for the current year



Term of Lease and Franchise agreement



Top tip: Plan ahead!

“When you’re purchasing or refinancing a business, it’s the perfect time to discuss what else you might need, like extra funds for equipment, rental guarantees or working capital,” Arnaoutis says. “Ideally, however, these conversations should start 3 to 6 months in advance to give you time to plan and prepare.”

Kathestides also encourages franchisees to act early. While loans might be available to help cash flow, she says, approval necessarily takes time.

“If you leave it too late, your only option might be to overdraw your account, which comes with hefty fees,” Kathestides points out. “Or you might miss an ATO payment, which can have serious consequences.”

In conclusion...

Strong cash flow is the foundation of every successful franchise business. From careful planning and forecasting, to optimising systems and financing smartly, managing cash flow effectively gives franchisees the means to run a healthy business and grow sustainably.

Whether you’re buying a new franchise, refinancing, or simply looking to strengthen your cash position, talk to NAB’s specialist Franchise Team, who can help tailor a solution to your business.

You can also find out more at nab.com.au/franchise



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