more than money



Cash flow management for businesses

A QUICK GUIDE

Take control of your cash flow

Aligning your business cycle with the timing of income and payments can be a delicate balancing act. Even profitable businesses can experience cash flow pressure. Growth, seasonal demand, larger customer orders and delayed customer payments can all create a gap between cash going out and cash coming in.

“It’s important to always have a cash flow forecast, and to review it constantly. Staying on top of cash flow management is a lot easier than catching up,” says NAB Head of Small Business Victoria Dario Medugorac.

But where do you start? How can you improve your cash flow, and what should you do to prepare for unexpected challenges?

Having a plan, building strong relationships with suppliers, and creating flexibility in your cash flow are all important. This mini guide covers the key strategies every small business can use to better manage cash flow.

What we’ll cover

01 | Forecast first

02 | Monitor outflows

03 | Stay proactive

04 | Build strong relationships

05 | Finance for flexibility

06 | Prepare for change

01

Forecast first

Understanding how and when money will move in and out of your business is a fundamental part of your business plan. You may have a brilliant product or service and a strong marketing strategy, but you also need to get your pricing and supplier arrangements right and understand how they affect your cash flow.

That's where a cash flow forecast can help. By looking at the money you expect to receive and the bills you need to pay, you can spot possible cash shortages early and plan ahead.

A good forecast also looks at what might affect when money comes in and goes out. "You'll need to think about seasonality in your industry, and how that relates to your business location," Medugorac says. "For example, how will school holidays affect a CBD-based business, compared with a beachfront business?"

"You'll also need to think about your payment terms. Do you collect payment upfront, or on completion?"

Cash flow cycle gaps by industry

Here are some common examples of timing challenges for different industries:

- **Wholesale:** Inventory and supplier commitments precede customer payments.
- **Manufacturing:** Raw materials purchases, wages and overheads may need to be paid before customers pay, often on 30–60 day terms.
- **Labour-intensive businesses:** Weekly or fortnightly payrolls, tax and super obligations may fall due before customer payments arrive.
- **Transport:** Fuel, freight, maintenance and insurance costs continue to accrue while invoices are outstanding.

Key takeaways

- Forecast cash coming in and going out.
- Factor in seasonality and payment timing.
- Build pricing and supplier costs into your plan.

Cash flow moments that matter

Businesses often experience cash flow pressure when:

- They are growing and the costs of making sales arise before customers pay
- Facing higher costs for goods, wages, raw materials and other operating expenses
- Purchasing inventory or materials before you can make a sale
- Seasonality affects your business and operating cycle
- Waiting for customers to pay their invoices
- Investing in equipment, vehicles, technology or other assets to support the next stage of growth.



02

Monitor outflows

Revenue is not the same as profit – and neither necessarily reflects the cash available to your business. That's why it's important to build supplier payments, tax obligations and other regular expenses into your cash flow forecast.

It also helps to have some cash set aside or access to extra funds when you need them, such as through an overdraft facility or other working capital finance.

"If you're a new business, you want to start with a buffer. Established businesses need to think about margins and rising costs when forecasting their future cost base," Medugorac says.

As your business grows, keep a close eye on your costs and how they affect your cash flow. Whether you're hiring contractors, casuals or permanent employees, or timing inventory purchases to match expected revenue, careful planning can help keep both operations and cash flow running smoothly.

Key takeaways

- Profit and revenue aren't the same.
- Factor in taxes, supplier payments and other costs.
- Plan growth around expected revenue and payment timing.

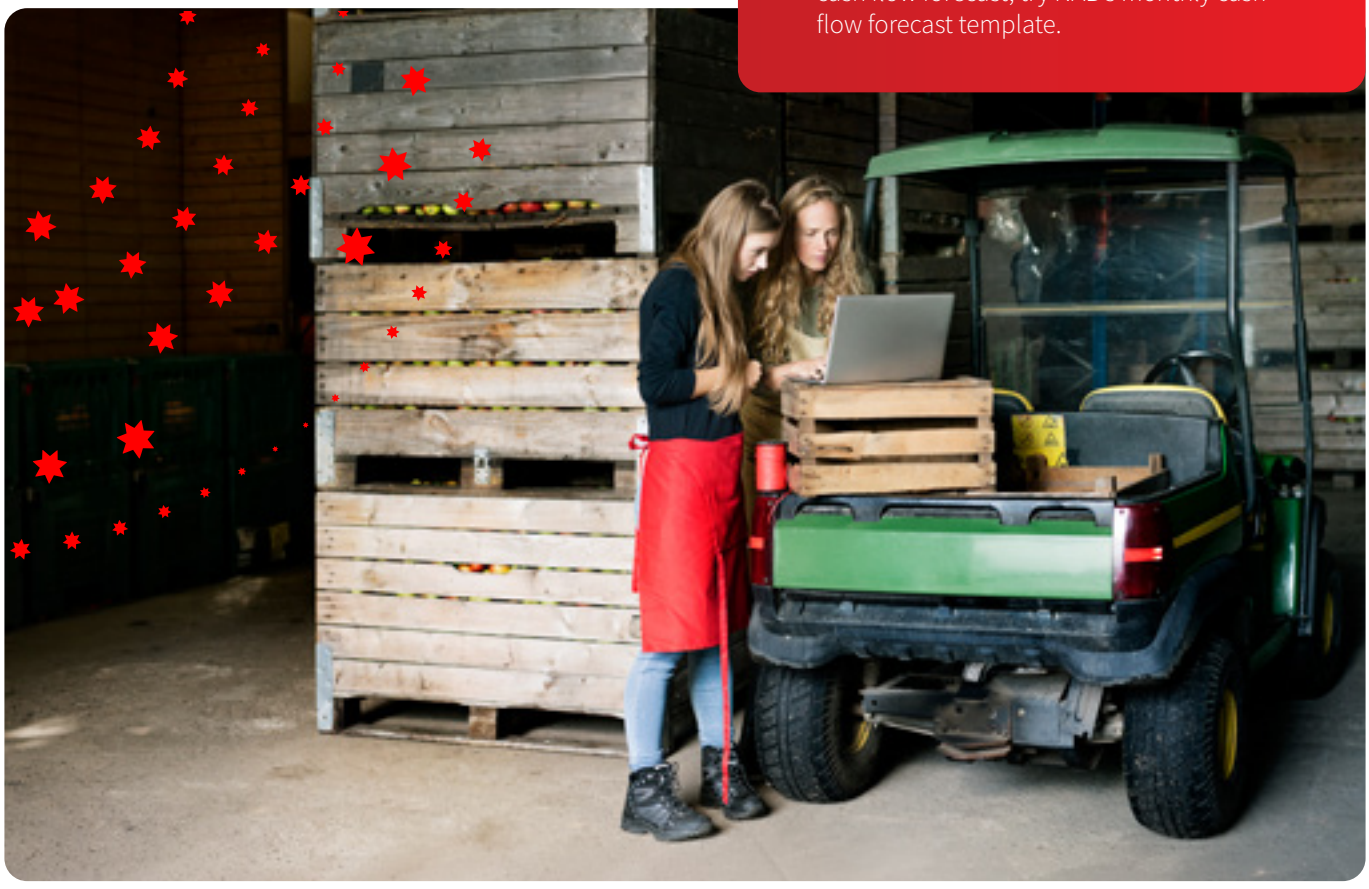
Start-up costs:

These should include the following items and account for the time it will take to reach profitability as part of your cash flow requirements:

- Fit-out, equipment and business purchase costs
- Bank and rental guarantees
- Initial inventory to commence trading
- Franchisor fees, if opening a franchise business

Ongoing costs:

- **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, website development, plus franchise and royalty fees if opening a franchise. For a comprehensive cash flow forecast, try NAB's monthly cash flow forecast template.



03

Stay proactive

Getting on top of your cash flow early is important, but it's not a set-and-forget exercise. Businesses need to regularly review how money is flowing in and out, and what might need to change.

"Your weekly cash flow forecast can be extended into a monthly and annual forecast as you build more operating data and grow your business. There are lots of templates available from NAB," Medugorac says.

"Invoice immediately and follow up overdue payments consistently. It's also a good idea to keep GST in a separate account so that you know those funds are set aside for tax.

"Review your expenses regularly and question whether you can streamline them or negotiate better terms with your suppliers."

Technology can make cash flow management easier, with many small businesses now using AI software.

"The more data you feed in, the better they get," Medugorac says. "There may be options for automating elements of your cash flow, including invoicing and reconciliation."

It can also help businesses find ways to cut costs and free up cash. NAB Small Business customer Andrew Blair from Bella Manufacturing recently used AI to analyse his business data and compare insurance quotes.

"I uploaded everything, wrote some brief instructions explaining what I needed and what I wanted from the outcome, had the comparison done and clarification emails drafted to each broker, all within 10 to 15 minutes. We ended up $2,800 better off." Blair explains.

Key takeaways

- Update forecasts as your business grows.
- Invoice promptly and follow up overdue payments.
- Use technology to automate routine tasks and save money.

Tips for improving your cash position

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

1. **Time it well:** Try spreading payments for different expenses across the month.
2. **Bulk buy where practical:** Purchase in larger quantities to secure volume discounts and help smooth any pricing volatility.
3. **Align systems:** Efficient systems can make managing cash flow easier – for example, digital rostering or performance tracking tools.
4. **Manage market risks:** If you have overseas suppliers, consider asking your bank for help in hedging currency fluctuations and interest rate variations.
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.

04

Build strong relationships

A good relationship can help you negotiate better payment terms with suppliers. Take the construction industry, where contract terms can make a big difference. One NAB customer, a manufacturer of kitchen fit-out products, was able to renegotiate payment terms and secure deposits thanks to strong relationships with suppliers and customers.

A solid reputation and open lines of communication helped the business navigate a difficult period and get its cash flow back on track.

Key takeaways

- Strong relationships create flexibility.
- Communicate early if challenges arise.
- Trust can help you negotiate better terms.



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Finance for flexibility

Every business has different needs, so finding the right banking and finance solutions matters. Some help manage short-term cash flow gaps, while others fund growth, buy stock, support international trade or free up cash tied up in unpaid invoices.

Explore our finance solutions and how they may help below.

Business Overdraft
Manage short-term cash flow fluctuations and unexpected expenses.

Equipment Finance
Purchase vehicles and equipment while spreading the cost over time.

Foreign Exchange
Manage international payments, receipts and the impact of currency fluctuations.

Invoice Finance
Unlock cash tied up in working capital without waiting for your customers to pay prior to settlement.

Trade Finance
Fund inventory purchases and supplier payments prior to sales.

The right structure will depend on your business model, growth plans and cash flow needs. Speaking with your business banker can help you understand the options available and how different solutions may support your business throughout its cash flow cycle.

Key takeaways

- Understand where cash is tied up in your business.
- Understand cash flow has different timings and pressure points.
- A NAB Business banker can help with the right funding solution for your needs and goals.
- Read more on how to prepare for business finance.

What documentation will I need to access finance?

To access business finance, you'll typically need the following documentation to start with. But always talk to your business banker to understand the exact requirements:

- A business plan
- A cash flow forecast, including assumptions
- Guarantor particulars / detailed list of assets and liabilities
- Two years of financial statements for established businesses
- Management accounts for the current year
- Term of Lease and Franchise agreement (if applicable)

06

Prepare for change

No matter how good your planning and management, bumps in the road are inevitable. Repairs, late customer payments, or simply changes in trading conditions happen to every business.

"There'll always be elements out of your control," Medugorac says. "Speaking with your banker can help you understand the right financial tools to deal with unexpected shocks or price movements."

Key takeaways

- Unexpected costs are part of business.
- Review your cash position before problems escalate.
- Talk to your banker about support options.



In conclusion...

Cash flow is the engine that powers your business, your brand and your product.

Keeping it ticking over in the background can be tricky to get started, but it's essential to running and growing your business.

Forecasting, staying on top of things and being prepared for any surprises are key to good cash flow management. Talk to your NAB banker to better understand your cash flow situation and options when preparing to launch a new business or manage an established one.



Important Information

The information contained in this article is intended to be of a general nature only. It has been prepared without taking into account any person's objectives, financial situation or needs. Before acting on the information in this article, you should seek professional and taxation advice and consider whether it is appropriate for you in light of your objectives, financial situation and needs. Terms, conditions, fees, charges, eligibility and lending criteria apply to NAB products. Applications for credit are subject to NAB's credit assessment criteria.

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