

CASE STUDY

Review of Financial Projections for a Multi-Brand HVAC & Plumbing Company



CLIENT

HVAC & Plumbing Company



INDUSTRY

Construction



OUR ROLE

Accounting Advisory
Risk & Cybersecurity

When a residential HVAC and plumbing company cut 20% of its revenue-generating employees and underperformed compared to budget each subsequent quarter thereafter, Cherry Bekaert evaluated management's forward-looking financials for reasonableness, recommended additional KPIs for management to consider to better evaluate the performance of the business, and presented its findings to management and the private equity (PE) firm ownership.

Assessing the Situation

An HVAC, plumbing, water treatment, etc. company (the Company) completed a reduction in force (RIF) in Q3 of the prior fiscal year, reducing field technicians by approximately 20%. After two quarters of missed revenue targets, following the RIF, the Company engaged Cherry Bekaert to review the reasonableness of their forward-looking financials and evaluate whether the RIF was too deep to achieve their top-line targets.

Our efforts were focused on understanding management's process to develop current-year projections. Our approach included the following steps to obtain our observations and recommendations:

- ▶ Reviewing historical performance and determining appropriate key performance indicators (KPI) by which to consider revenue and major expense categories
- ▶ Understanding macroeconomic factors and industry conditions at that time
- ▶ Analyzing and validating key assumptions
- ▶ Identifying risk factors and sensitivities that could impact results
- ▶ Interviewing management for additional commentary, as well as verification of historical and forward-looking information

As a result, Cherry Bekaert discovered that the Company's key metrics were only partially defined. While there was a consensus that there was a reasonable lower-bound — anything below would signal an overstaffing issue — for management's estimates, there was no consensus on a reasonable upper-bound indicating a need to hire.

Understanding Reporting Challenges

Cherry Bekaert found that not only were management's KPIs partially defined, but they also failed to provide a complete picture of the financial health of the company. The Company's revenue projects were based on demand forecasts that did not contemplate supply needed to meet demand. It is common for companies with merger and acquisition (M&A) growth strategies to struggle with disparate data sources, blanketly defining and tracking KPIs, and siloed teams. Cherry Bekaert was then able to 1) share insights on the data needed to better support management's projections and 2) advise on how to implement these practices into future forecasts.

About Cherry Bekaert

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Cherry Bekaert's ability to identify key gaps in the company's financial projections and KPIs underscores our skillfulness in aligning workforce strategies with business goals. By recommending a tailored approach to defining reasonable ranges, we empowered the Company to make informed decisions that drive efficiency and growth.

Let Us Guide You Forward

Choosing Cherry Bekaert means partnering with an **Accounting Advisory** team that offers not only deep industry knowledge but a personalized approach to overcoming unique business challenges. Let us help you achieve your financial objectives with clarity and confidence, positioning your company for sustainable success in a competitive market.

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