



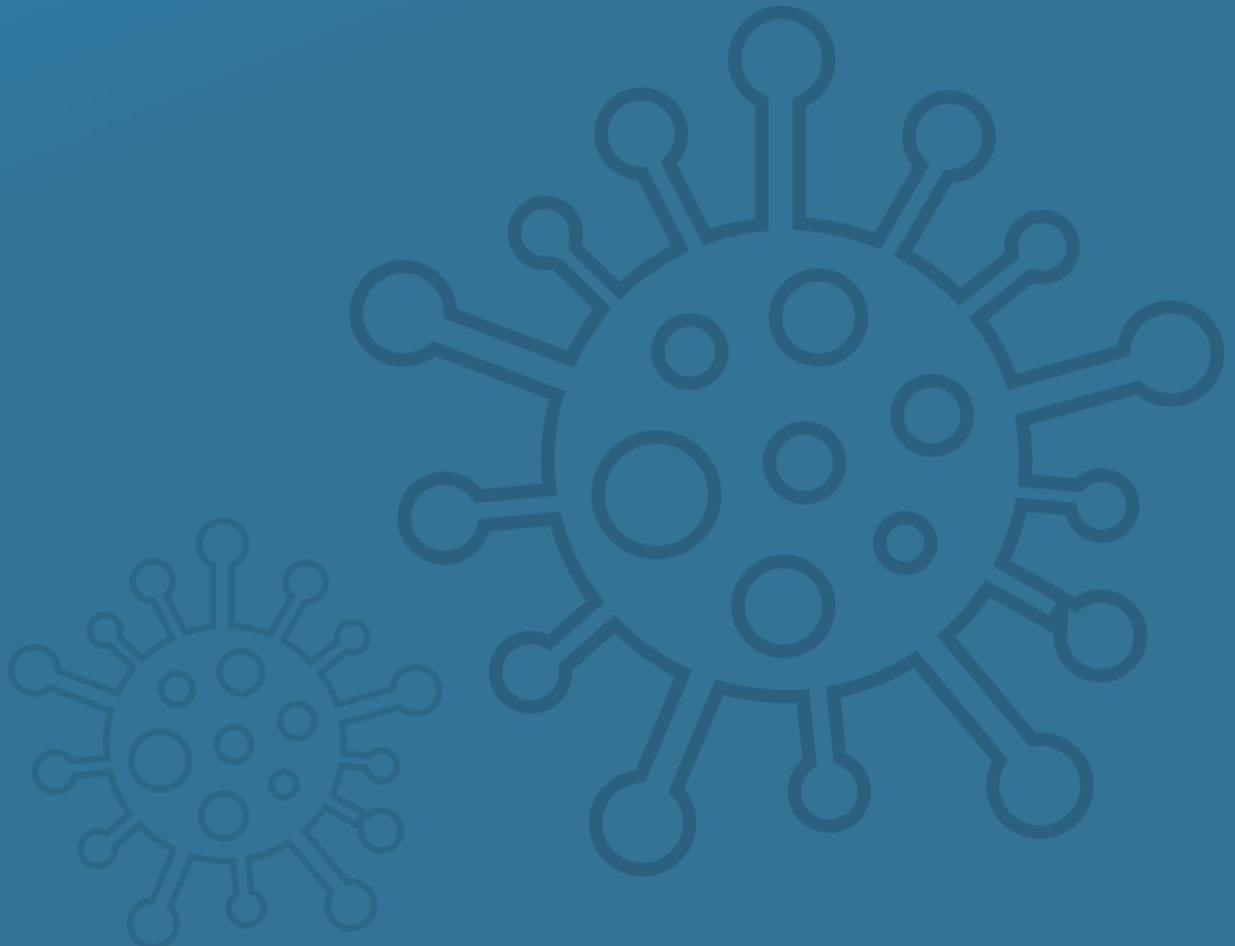
**Fáilte Ireland**

National Tourism Development Authority

# **GUIDANCE NOTE USING THE P&L AND BREAKEVEN EXCEL TEMPLATE**

---

## **HOTELS, GUESTHOUSES, HOSTELS, OTHERS**





## Introduction

This Guidance Note provides:

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

## 1. Overview of the requirement for the Excel template

The impact of the Covid-19 pandemic will put the hotel and hospitality sector 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 hotels 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 Excel 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 <sup>st</sup> March 2020.
<i>B</i>	Monthly Occupancy and ADR 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>	Revised monthly Occupancy and ADR for the period Mar-20 to Mar-22 taking into account the projected impact of Covid-19 to your business.
<i>D</i>	Annual original 2020 budget/ forecast revenues for all non-rooms revenue (Food, Beverage, C&B, leisure centre, Other).
<i>E</i>	Monthly weightings of when annual revenues would ordinarily be incurred for each revenue line (i.e. to allocate the annual revenues across each individual month). Note that Mar 2020 to Dec 2020 may not add to 100%. Jan 2021 to Dec 2021 should add to 100%.
<i>F</i>	A timeline for when you expect to open your business again, to include a period of pre-opening.
<i>G</i>	An estimate of the proposed impact that Covid-19 restrictions will have on normalised trading levels for all non-rooms revenue (i.e. what is the expected drop off as a % of normalised revenues). As an example, if you had originally forecast €100k food revenue in Sept-2020 and you now expect €60k, you will be at 60% of normalised trading).



H

Your estimated costs to run the hotel on a full year basis taking into account future cost savings<sup>1</sup>:

### 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 Rooms Revenue	€1,000k
Total Forecast Rooms Payroll %	30%
Total Forecast Rooms Payroll	€300k
<b>Total Forecast Fixed Rooms Payroll</b>	<b>€50k</b>
Total Forecast Variable Rooms Payroll (balancing figure)	€250k
Forecast Rooms Sold (normal trading)	20,000
<b>Total Forecast Variable Rooms Payroll (per room sold)</b>	<b>€12.5</b>

Forecast Food and Beverage Revenue (normal trading)	€500k
Total Forecast Food and Beverage Payroll %	25%
Total Forecast Food and Beverage Payroll	€125k
<b>Total Forecast Fixed F&amp;B Payroll</b>	<b>€25k</b>
Total Forecast Variable F&B Payroll (balancing figure)	€100k
<b>Total Forecast Variable F&amp;B Payroll (% of revenue)</b>	<b>20%</b>

Forecast MOD (normal trading)	€100k
Total Forecast MOD Payroll %	35%
Total Forecast MOD Payroll	€35k
<b>Total Forecast Fixed MOD Payroll</b>	<b>€25k</b>
Total Forecast Variable MOD Payroll (balancing figure)	€10k
<b>Total Forecast Variable MOD Payroll (% of revenue)</b>	<b>10%</b>

<sup>1</sup> You should input your costs on the assumption that you are open at all times for the year. The Excel 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.



<p><i>H</i> (Cont.)</p>	<p>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.</p> <ul style="list-style-type: none"> <li>ii. <u>Rooms – Cost of Sales</u>: your blended commission costs as a % of rooms revenue</li> <li>iii. <u>Rooms – Other Expenses (e.g. linen, consumables)</u>: your cost per room sold</li> <li>iv. <u>Food – Cost of Sales</u>: your inventory costs as a % of food revenue</li> <li>v. <u>Beverage – Cost of Sales</u>: your inventory costs as a % of beverage revenue</li> <li>vi. <u>F&amp;B and C&amp;B Other Expenses (if any)</u>: your costs as a % of combined F&amp;B revenue</li> <li>vii. <u>MOD Other Expenses (if any)</u>: your costs as a % of combined MOD (Spa, Leisure Centre, Other) revenue</li> </ul>										
<p><i>I</i></p>	<p><u>Non-Departmental Payroll (A&amp;G, S&amp;M, R&amp;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. General Manager) while variable payroll relates to employees that will be re-hired when the business re-opens (e.g. Sales &amp; Marketing Assistant)</p>										
<p><i>J</i></p>	<p><u>Non-Departmental Other Expenses (A&amp;G, S&amp;M, R&amp;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. professional subscriptions) while variable expenses relate to costs that will only be incurred when the business re-opens (e.g. advertising, credit card commissions)</p>										
<p><i>K</i></p>	<p><u>Utilities</u>: identify the fixed versus variable element of this cost base. Utilities costs will of course be far higher when the hotel re-opens but there will be a standing charge when the hotel 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" data-bbox="225 1637 1369 1928"> <tr> <td>Forecast Utilities Cost (Annual)</td> <td>€200k</td> </tr> <tr> <td>April 2020 Utilities Cost (hotel closed)</td> <td>€2k</td> </tr> <tr> <td>April 2019 Utilities Cost (hotel open)</td> <td>€18k</td> </tr> <tr> <td><b>Forecast Utilities Cost (Annual Fixed) - €200k * (€2k/(€2k+€18k))</b></td> <td><b>€20k</b></td> </tr> <tr> <td><b>Forecast Utilities Cost (Annual Variable) - €200k * (€18k/(€2k+€18k))</b></td> <td><b>€180k</b></td> </tr> </table>	Forecast Utilities Cost (Annual)	€200k	April 2020 Utilities Cost (hotel closed)	€2k	April 2019 Utilities Cost (hotel open)	€18k	<b>Forecast Utilities Cost (Annual Fixed) - €200k * (€2k/(€2k+€18k))</b>	<b>€20k</b>	<b>Forecast Utilities Cost (Annual Variable) - €200k * (€18k/(€2k+€18k))</b>	<b>€180k</b>
Forecast Utilities Cost (Annual)	€200k										
April 2020 Utilities Cost (hotel closed)	€2k										
April 2019 Utilities Cost (hotel open)	€18k										
<b>Forecast Utilities Cost (Annual Fixed) - €200k * (€2k/(€2k+€18k))</b>	<b>€20k</b>										
<b>Forecast Utilities Cost (Annual Variable) - €200k * (€18k/(€2k+€18k))</b>	<b>€180k</b>										



<i>L</i>	<u>Insurance, Rates &amp; Other</u> : identify the annual fixed cost for each expense
<i>M</i>	<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.

## 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 stock that you will need in advance of opening. This should be determined as a value and it is important that your stock reserves are sufficient to cover you for all forecast trading in the pre-opening month.
<i>D</i>	Additional costs that will be incurred across the hotel to facilitate commencement of trading (e.g. new linen, consumables, cleaning products, 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 Excel 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	
C3	Number of bedrooms	
C4	Opening bank balance as at 1 March 2020	A
Rows 8-10	Normalised Monthly Allocation of Revenues	E
Rows 13-14	Normalised Occupancy and ADR	B
D15-D21	Normalised Non-Rooms Revenue	D
Row 24	Status of Trading <sup>2</sup>	F
Row 25	Days open for Trading <sup>3</sup>	F
Rows 26-27	Adjusted Occupancy and ADR	C
Rows 28-34	Adjusted Non-Rooms Revenues as a % of Normalised <sup>4</sup>	G
D38	Rooms Commission %	H(ii)
D39-D40	Rooms Payroll (Rows 106-112 for calculation)	H(i)
D41	Rooms Other	H(iii)
D43	Food – Cost of Sales %	H(iv)
D44	Beverage – Cost of Sales %	H(v)

<sup>2</sup> 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.

<sup>3</sup> 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.

<sup>4</sup> 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 Excel template (Cont.)

### *For "Trading Input Sheet"*

Row/Cell Ref	Instruction	Section 3 Cross Ref
D45-D46	F&B Payroll (Rows 114-119 for calculation)	H(i)
D47-D48	F&B/C&B Other	H(vi)
Rows 49-68	Other (1-3 and MOD) Payroll	H(i)
Rows 49-68	MOD & Other (1-3)	H(vii)
D72-D73	A&G Payroll	I
D74-D75	A&G Other	J
D77-D78	S&M Payroll	I
D79-D80	S&M Other	J
D82-D83	R&M Payroll	I
D84-D85	R&M Other	J
D87-D88	Utilities (Rows 149-153 for calculation)	K
D90-D92	Fixed Costs	L
Rows 97-101	Deferred Creditor Repayment Schedules	M

### *For "Pre-Opening Costs"*

Row/Cell Ref	Instruction	Section 3 Cross Ref
Rows 7-72	Payroll Costs	B
Rows 75-81	Initial Cost of Sales	C
Rows 82-97	Other Costs	D
Rows 107-116	Creditor Payments	E
Rows 118-124	Once Off Exceptional Costs	F
Rows 99-104	Fixed Costs	G



## 6. Understanding the Output Sheet

The output sheet provides:

- A full P&L in the Uniform Standard of Accounts for the Hospitality Industry (USAH) 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 (Key Performance Indicator) section that will provide you with key metrics<sup>5</sup>

---

<sup>5</sup> 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.