P&L and Scenario Analysis

Guidance Note

Hotels and Guesthouses

Introduction

This Guidance Note is part of the Financial Planning (P&L and Scenario Analysis section) on the Fáilte Ireland Business Supports Hub and provides:

1. A general overview of the requirement for the Excel template
2. A general overview of the structure of the template
3. The information required to populate the template
4. The step-by-step approach to populating the Excel template
5. Understanding the Output Sheets

The template starts at January 2022; however, projections can be started any month during 2022. Also, as the season progresses, these can be updated to reflect actual results as well as updated forecasts. We would recommend to include data from January 2022 to give a full year's trading. The excel templates are for your use, and once downloaded are confidential to you.

1. Overview of the Requirement for the Excel Template

Financial planning is a critical component of business planning. Forecasting and budgeting revenues and costs can help a business make decisions that can attempt to mitigate the risk of the business coming into cashflow difficulties. It can also help to determine if a business can service a loan payment for working capital or capital expenditure needs (see www.failteireland.ie/FinancialPlanning).

This Fáilte Ireland Scenario Analysis template provides a platform for business owners to project revenues and costs out to Financial Year (FY) 2025. It calculates monthly EBITDA (Earnings Before Interest Tax Depreciation Amortisation) and the main KPIs associated with your business up to December 2022 with FY2023 to FY2025 calculated annually.

2. The Structure of the Excel Template

The Excel template is comprised of five distinct tabs: Input Sheet, P&L, Cashflow Analysis, Simple Loan Model and Hotel/Guesthouse KPI Dashboard. It should be noted that all of the figures inputted into these sheets are net of VAT:

Inputs

All the raw data is entered into three sheets within the template: Input Sheet, Cashflow Analysis and Simple Loan Model

- **Input Sheet:** input monthly revenues and annual costs into this sheet, refer to Sections 3 and 4 for further detail.
- **Cashflow Analysis:** the P&L output will show the business the level of profit/loss it will make. The Cashflow Analysis sheet will illustrate the cashflow of the business, showing cash outputs and inputs. Cash inflows such as payroll support, director's loans or other cash inflows into the business are recorded as well as outflows such as corporation tax, debt repayments or other outflows. Refer to Sections 3 and 4 for further detail. Working capital cashflows are excluded on the basis that there is a nil impact, and it is just a timing difference.
- **Simple Loan Model (optional):** This tab is optional and can be used if the business has additional loan requirements. The payments will then be included in the Cashflow Analysis output. Refer to Sections 3 and 4 for further detail.

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

Output Sheets

There are four output sheets:

- **P&L:** this provides the monthly P&L (2022 to 2025), showing revenues and costs to EBITDA (Earnings before Interest, Tax, Depreciation and Amortisation). There should be no amendments to this tab as it is purely formula driven from the inputs provided.
- **Simple Loan Model:** this simple loan model can be used if the business is considering a loan. The output (loan repayments) will also be shown in the cashflow analysis.
- **Cashflow Analysis:** this will highlight the cashflow requirements of the business and can help the business determine if it needs additional cash and/or if it can afford a loan.
- **KPI Dashboard:** this shows the KPI (Key Performance Indicators) trends for hotel/guesthouse and each of the relevant departments. There are no amendments to this tab as it is purely formula driven from the inputs provided.

Data Validation (hidden tab)

This tab provides back up data to create formulas for a desired output. This tab is hidden, and it is critical that it should not be altered in any way.

In Conclusion

- Only tabs "Input Sheet", "Cashflow Analysis" and "Simple Loan Model" should be amended by the user.
- Only cells highlighted in orange within the input tabs should be populated.
- The Output sheets "P&L", "Cashflow Analysis" and "Simple Loan Model" provide the user with the relevant information for the purposes of financial planning for their business.

3. The Information Required to Populate the Excel Template

In advance of populating the input sheets, collate as much business performance information as possible, which is shown below.

For 'Input Sheet'

The following information will be required for the 'input sheet'.

A	This is the opening cash balance of the business as at 1 January, 2022.
Each of the following are required on a monthly basis for the period January-21 to Dec-22 and estimated growth rates for the following three years 2023-2025. *Note: the estimated growth rates may be zero if the revenue or cost is to remain at the same level as the previous year.*	
B	**Rooms revenues**: Forecasted monthly Occupancy and ADR
C	**Food and Beverage (F&B) revenues**: Forecasted monthly average spend per room sold, number of walk-ins and average spend per walk.
D	**Meetings and Events (M&E) revenues (if applicable)**: Forecasted number of events, room hire per event (if applicable), average number of guests per event and average spend per guest.
E	**Leisure Revenues (if applicable):** Forecasted average spend per room sold, number of walk-ins and the average spend per walk-in.
F	**Other Revenue:** *(if applicable)* Forecasted average spend per room sold.

Each of the following are required on a monthly basis for the period January-2022 to December-2022 and estimated growth rates for the following three years 2023-2025.

Department Costs: These are the estimated department costs to operate the hotel/guesthouse on a monthly and yearly basis. These costs are directly attributable to the relevant department: Rooms, F&B, M&E, Leisure and Other.

i. Departmental Payroll: identify the payroll percentage for each department (on the basis of relevant departmental revenue) on a monthly basis. The cells highlighted in orange will be your inputs:

	January 2022 – Dec 2022	FY2023 – FY2025
Rooms: Payroll (% of rooms revenue)	Insert %	Insert yearly growth %
F&B: Payroll (% of F&B revenue)	Insert %	Insert yearly growth %
M&E: Payroll (% of M&E revenue)	Insert %	Insert yearly growth %
Leisure: Payroll (% of Leisure revenue)	Insert %	Insert yearly growth %

ii. Cost of Sales/Commission: if relevant identify the cost of sales percentage for each department (on the basis of relevant departmental revenue) on a monthly basis. The cells highlighted in orange will be your inputs:

	January 2022 – Dec 2022	FY2023 – FY2025
Rooms: Commission (% of total rooms revenue)	Insert %	Insert yearly growth %
F&B: Cost of Sales (% of total F&B revenue) (this will be the combined Food and Beverage cost of sales)	Insert %	Insert yearly growth %
M&E: Cost of Sales (% of M&E revenue)	Insert %	Insert yearly growth %
Leisure: Cost of Sales (% of Leisure revenue)	Insert %	Insert yearly growth %

iii. Other Department Costs: identify all other departmental costs and estimate these as a percentage of the departmental revenue. Consider costs such as cleaning, consumables, training, uniforms, etc. The cells highlighted in orange will be your inputs:

	January 2022 – Dec 2022	FY2023 – FY2025
Rooms: Other Dept Costs (% of rooms revenue)	Insert %	Insert yearly growth %
F&B: Other Dept Costs (% of F&B revenue)	Insert %	Insert yearly growth %
M&E: Other Dept Costs (% of M&E revenue)	Insert %	Insert yearly growth %
Leisure: Other Dept Costs (% of Leisure revenue)	Insert %	Insert yearly growth %
Other: the total costs associated with 'Other Revenue' (% of Other revenue).	Insert %	Insert yearly growth %

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Overhead Costs: These costs are undistributed and fixed costs of the hotel/guesthouse operation and include administration and general costs, sales and marketing, repairs and maintenance, utilities, rates, insurance and any other overhead costs.

i. Payroll Costs: Identify the payroll for each area on a monthly basis. These would include, for example, general manager, human resources, accounting staff, sales and marketing staff, maintenance personnel and any other staff not included in the departmental payroll costs. The cells highlighted in orange will be your inputs:

	January 2022 – Dec 2022	FY2023 – FY2025
Admin and General: Payroll	€ monthly amount	Insert growth %
Sales and Marketing: Payroll	€ monthly amount	Insert growth %
Repairs and Maintenance: Payroll	€ monthly amount	Insert growth %

ii. Other Costs: Identify the other costs for each cost area on a monthly basis. Examples include bank charges, office supplies, computer services, legal fees, subscriptions, sales expenses, advertising, sales related travel, digital marketing (sales and marketing), supplies for repairs and maintenance, service contracts, relevant equipment rental, etc. The cells highlighted in orange will be your inputs:

	January 2022 – Dec 2022	FY2023 – FY2025
Admin and General: Other costs	€ monthly amount	Insert yearly growth %
Sales and Marketing: Other costs	€ monthly amount	Insert yearly growth %
Repairs and Maintenance: Other costs	€ monthly amount	Insert yearly growth %

iii. Utilities: Identify all utility costs such as electricity, waste, water, recycling, etc. The cells highlighted in orange will be your input:

	January 2022 – Dec 2022	FY2023 – FY2025
Utilities	€ monthly amount	Insert yearly growth %

iv. Insurance: Identify the monthly insurance costs of the hotel/guesthouse. The cells highlighted in orange will be your input:

	January 2022 – Dec 2022	FY2023 – FY2025
Insurance	€ monthly amount	Insert yearly growth %

v. Rates: Identify the monthly rates of the hotel/guesthouse. The cells highlighted in orange will be your input:

	January 2022 – Dec 2022	FY2023 – FY2025
Rates	€ monthly amount	Insert yearly growth %

vi. Other/Rent: Identify any other costs, including rent, not included in any of the cost centres above. The cells highlighted in orange will be your inputs:

	January 2022 – Dec 2022	FY2023 – FY2025
Other/Rent (any other cost not included above)	€ monthly amount	Insert yearly growth %

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For 'Cashflow Analysis'

Each of the following are required on a monthly basis for the period January-2022 to December-2022 and estimated yearly amount for the following three years 2023-2025.

I	**Inflows:** This is the cash inputs into the business. The EBITDA is linked to the P&L sheet and will automatically populate. If the business is taking on a new loan, then the Simple Loan Model sheet needs to be populated and then this information will link automatically to the Cashflow Analysis sheet. The other inflows will need to be populated as follows:

	January 2022 – Dec 2022	FY2023 – FY2025
Grant Support: EWSS, CRSS, other type of grant/government support for the business	€ monthly amount	€ yearly amount
Other Inflows: any other cash injection into the business, this could include directors' loans, sale of assets, for example.	€ monthly amount	€ yearly amount

J	**Outflows:** This is the cash outputs of the business. The debt repayments of a new facility will automatically link here. All other outflows will need to be populated as follows:

	January 2022 – Dec 2022	FY2023 – FY2025
Corporation Tax Payment. An estimation based on this model is 12.5% of EBITDA less interest.	€ monthly amount	€ yearly amount
Debt/Loan Repayments (existing facilities): this includes the current debt/loan repayments for the business and does not include any new facilities.	€ monthly amount	€ yearly amount
Capital expenditure: any planned capital expenditure should be included here. This does not include regular repairs and maintenance costs which are included in the P&L.	€ monthly amount	€ yearly amount
Other outflows: any other outflows of the business, this could include leases for example.	€ monthly amount	€ yearly amount

The closing balance is available cashflow for the business after tax.

For 'Simple Loan Model' (Optional)

If using the Simple Loan Model, the following information will be required. Further information on populating this data is provided in Section 4.

K	How much money the business is looking to borrow. This is the total loan amount the business is looking to borrow.
L	**Drawdown date:** This starts at January 2022 until December 2022. This is the date that you will start borrowing the funds. This date may be different from the date that you receive approval for borrowing.
M	**Interest only period (months):** This is only relevant if the financial institution is giving you an interest only period. This will start at January 2022.
N	**Capital Repayment Term:** This is the number of months that you have to pay off the capital of the loan. For example, if the loan is for 4 years, then enter 48 months. If the business has an interest free period, for example for 4 months, then the total repayment term will be 52 months (48+4). If the loan is longer than a five-year period, then the closing balance will be shown at the end of year 2025.
O	**Interest Rate:** This is the interest rate being charged for this loan.

If you have all, or as much 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.

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4. Step-by-Step Approach to Populating the Excel Template

Based on the information collated in section 3, populate the input sheets as follows. The row/cell reference should be populated with the corresponding instruction.

The template starts at January 2022; however, projections can be started any month during 2022. Also, as the season progresses, these can be updated to reflect actual results as well as updated forecasts. We would recommend to start at January 2022 to give a full year's trading.

Row/Cell Ref	Instruction	Section 3 Cross Ref
C5	Name of business	
C6	Number of bedrooms	
C7	Opening cash balance as at 1 January 2022	A
Rows 12 & 14	Occupancy and Average Daily Rate projections (Rooms Revenues)	B
Rows 19-21	Projections of Food and Beverage (F&B) Revenues	C
Rows 25-28	Projections of Meetings and Events (M&E) Revenues	D
Rows 32-34	Projections of Leisure Revenues	E
Row 38	Projections of Other Revenues	F
Rows 43-45	Projections of Rooms Costs	G(i-iii)
Rows 48-50	Projections of F&B Costs	G(i-iii)
Rows 53-55	Projections of M&E Costs	G(i-iii)
Rows 58-60	Projections of Leisure Costs	G(i-iii)
Row 63	Projections of Other Costs	G(i-iii)
Rows 67-68	Projections of Administration and General Costs	H(i-ii)
Rows 71-72	Projections of Sales and Marketing Costs	H(i-ii)
Rows 75-76	Projections of Repairs and Maintenance Costs	H(i-ii)
Row 78	Projections of Utility Costs	H(iii)
Row 79	Projections of Insurance Costs	H(iv)
Row 80	Projections of Rates Costs	H(v)
Row 81	Projections of Other/Rent (overhead) Costs	H(vi)

For 'Cashflow Analysis'

Row/Cell Ref	Instruction	Section 3 Cross Ref
Row 10	Grant support inflows for the business	I
Row 12	Other cash inflows	I
Row 16	Corporation tax payments (outflow)	J
Row 17	Existing debt repayments (outflow)	J
Row 19	Capital expenditure (outflow)	J
Row 20	Other cash outflows	J

For 'Simple Loan Model'

Row/Cell Ref	Instruction	Section 3 Cross Ref
Cell C6	How much to borrow	K
Cell C7	Drawdown Date	L
Cell C8	Interest only period in months	M
Cell C10	Capital Repayment Term (months)	N
Cell C11	Interest Rate	O

Understanding the Output Sheets

The output sheet provides:

- **P&L:** A full P&L in the Uniform Standard of Accounts for the Lodging Industry (USAH) format on a monthly basis providing detailed revenues and costs in the output tab P&L
- **Cashflow Analysis:** Cash available for debt service is shown in the Cashflow Analysis tab, which allows the business to determine what is the cash output of the business
- **Simple Loan Model:** This provides a loan model which can be used to give indicative repayment capacity for a business loan
- **KPI Dashboard:** A KPI tab that will provide you with key metrics[1]. Within the KPI Dashboard there are a number of cells that can be amended:

  - Cell J9 allows you to choose a different year to show the annual revenue analysis
  - Cell J39 allows you to choose a different year to show the annual cost analysis
  - Cells C57 and C58 allow you to choose a data set (e.g. Gross Operating Profit (GOP), total revenue) to show a monthly KPI trend.

[1] 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.