

Analytics Software that allows Small- to Medium-Sized Companies To Get Actionable Data out of Their Financial Statements



Roger Jacobi
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CEOCFO: *Mr. Jacobi, would you tell us the idea behind Fiscal Advantage and Fiscal Checkup?*

Mr. Jacobi: Fiscal Checkup is a web-based software platform designed to help small- to medium-sized companies get actionable data out of their financial statements. Financial statements are great at reporting data, but not designed to facilitate decisions. Without looking at the data over time compared to the industry trends, it is hard to know how to get a financial report card for how a business is doing and identify the greatest opportunities to improve cash flow and profitability. A company could pay its CPA to complete the analysis we do. Most CPAs have told us it would take them multiple days to complete the analysis and it would not be as complete. Fiscal Checkup completes the entire analysis in minutes for under \$500. The reports allow the business owner and CFO to see what parts of their business are the ones they should focus their efforts to provide the greatest return on making improvements for their businesses.

CEOCFO: *What is the landscape for the companies you are looking to attract?*

Mr. Jacobi: The software needs at least three years of financials. We have analyzed companies under \$1 million in revenue but it is more challenging to get accurate numbers from smaller companies. We have completed analyses for companies over \$100 million with great results. Since one of the reports generated by Fiscal Checkup is a business valuation, we find private companies are routinely interested in a professional business valuation. Our target market is private companies with \$1 million to \$200 million in revenue. Profitable companies are better because the business valuation is based on the finances and if the company is losing money, it results in a negative valuation. Three years of financials are necessary to isolate trends. We have completed analyses across the spectrum from service companies to manufacturing companies. It has been interesting to see the response of the CEOs when we presented our results. They could not believe that Fiscal Checkup could provide such insight from the financial statements.

CEOCFO: *Are you actually doing the work or does the company have your software and they are putting in the information?*

Mr. Jacobi: We spent over four years developing the software not because we are bad programmers but because there are over two thousand algorithms in our software that actually generate a custom report for each company. If you think about it, if a company is trending up and so is the industry, a particular sentence needs to say something specific. However, if the company is trending up and the industry is flat or going down, that same sentence needs to say something else. Some sentences have over a dozen variations based on the data. In fact, if you change a couple of key parameters, the whole tone of the report can change. It is completely computer generated. It is available instantly. We are not trying to sell add-on consulting services. The fact that we are an independent third party adds credibility. In fact, we recommend that if the companies need help in understanding the opportunities we present or want help to devise plans for implementation, they might consider engaging their CPA or business advisor. Since we have identified the areas in greatest need of improvement, their CPA or advisor can target their efforts where they can provide the greatest return and improve the financial performance of the company.

CEOCFO: *Is the company supplying you with the raw data?*

Mr. Jacobi: It is a web interface. Companies or their advisors enter data on our secure website. If they have QuickBooks, including QuickBooks Online or QuickBooks Desktop, an interface imports the financial data right into the wizard. In

addition to the financials, because we are giving an overall report on the financial health of the company, we also ask business-related questions about market share, growth rate, concentrations of customers and other market-related questions. This is all part of the wizard where they select multiple-choice questions in addition to entering their financial data. Even if entered manually, the entire input process only takes about 30 minutes. Once complete, the software generates six different reports for the business.

CEOCFO: *What might be one or two questions that would surprise people you are asking, that help you get a fuller picture?*

Mr. Jacobi: One of the reports is a business valuation so we do need businesses to list items like excess compensation and fair market value of assets. Some of the business owners struggle with our subjective questions related to market share, competitiveness of their product and whether their growth is trending with the industry. The majority of what we are doing is a financial analysis where we are comparing a company's financial performance over time to the industry over time. We also forecast financial performance three years into the future so the business owner can see what their business is going to look like in two or three years if the current trends continue. We also give them the ability to change parameters so they can see impact of changes in eight key income statement and balance sheet parameters. We even calculate borrowing capacity and tell them how their bank or lender views the lending risk, including what ratios the lenders use, so they can anticipate the questions their lender will ask before meeting with them.

CEOCFO: *With technology changing rapidly, how do you project three years ahead?*

Mr. Jacobi: We look at the trend of the company over the last couple of years. We are trying to help the business owner see the impact if current trends do not change. That is why we allow the owner to go in and make changes to eight of the financial parameters. For example, if operating expenses are 36 percent of revenues we want the owner to see the impact on profitability if they are able to keep that at 36 percent versus the impact if they can reduce it to 35 percent or 34 percent. The software allows them to test different operating and cash management scenarios and see how sensitive their business is to changes in key accounts.

"In order to help businesses understand what we do, we now offer a free, high level, one-page fiscal report card. It takes only five minutes to complete and only requires data from three balance sheet accounts and four income statement accounts. It quickly shows the business owner the value of purchasing the complete report."- Roger Jacobi

CEOCFO: *How long has Fiscal Checkup been available?*

Mr. Jacobi: We just launched earlier this year in May. We have been in development for over four years and as part of that, we have completed numerous analyses for different companies and industries to validate the software. I would love to tell you we were 100 percent perfect the first time we did an analysis but that would not be true. Clearly, we have done a large number of analyses and have been able to prove to ourselves and to the customers that buy our analysis that this is an incredible tool to get insight into their financials. The worst-case scenario is we offer everybody a full 30-day money back guarantee. If they do not think they got their money's worth, we will be happy to give them their money back. We have never had to do that. In order to help businesses understand what we do, we now offer a free, high level, one-page fiscal report card. It takes only five minutes to complete and only requires data from three balance sheet accounts and four income statement accounts. It quickly shows the business owner the value of purchasing the complete report. One of the questions we often hear when we have presented our findings is, "Why is this only \$495? This is worth many thousands of dollars". It is gratifying when you get that kind of feedback from the people that see the results of our analysis.

CEOCFO: *Have many companies told you they will make changes based on what they have learned?*

Mr. Jacobi: As we know, talk is cheap. We had one company that got an A on almost every area of the report. This company was operating on all cylinders. They were doing a fantastic job. It was funny because I got to the end of the presentation with the CEO and I apologized that I could not show him any area that he should focus on for improvement. I asked him if a year from now when he had his next year's numbers if he would run this report again. The CEO looked at me with this big smile on his face and said absolutely! He told me that \$500 to get a report card saying he was doing a great job, he would be willing to pay a lot more than that. Companies look at it as a measuring tool to help them validate what they are doing and where they can make improvements.

CEOCFO: *How are potential customers finding Fiscal Advantage?*

Mr. Jacobi: We are working with CPA firms that desire to engage with their business clients. We will begin a significant marketing effort in January marketing directly to small and medium-sized companies through a number of different

channels including channels like yourself, tradeshows and social media. As we have talked to CEOs and CFOs, they clearly want this kind of financial report card on their company. We are getting some progressive accountants that are adopting our product but that is a small percentage of the overall CPA market. Much of the CPA market focuses on tax and compliance. We are going directly to the businesses themselves because they are the ones who receive the greatest benefit from our analysis. We get the greatest feedback on how incredibly helpful the software was in helping improve their business.

CEOCFO: *Do you foresee licensing the technology?*

Mr. Jacobi: We are currently negotiating with several larger partners who have the potential to do a thousand or more of these analyses. The software is a SaaS model, and with our price point, there is no incentive for them to reinvent what we do. We have showed them some of the areas that we are heading into the future and there is no reason why they should try to recreate our software. We do allow the CPA firm, the company or a distributor, to put their logo on the cover of our reports. Our copyright remains on each report, but we understand the value of working with other parties who have access to a large number of businesses that need this service.

CEOCFO: *Why were you sure in the four years of development that you could get it right?*

Mr. Jacobi: My business partner Dan O'Connell had spent 18 years in the mergers and acquisitions field. When 2008 hit and his business dried up, he asked himself what was the greatest need he saw for businesses. Clearly it was that businesses did not have a true understanding of what their companies were worth, and the other was what were some of the things they could do leading up to a sale that could greatly impact how to increase the value of their business. He started doing research into this area and building algorithms that not only calculate the numbers but also customize the narrative. An average report has over seven thousand words of narrative in it, in addition to over 70 charts and graphs. The reports are both comprehensive and easy to read which really met the need. As the product was being developed, we met with many business owners and showed what we were doing and everyone gave us positive feedback.

CEOCFO: *What might we expect for Fiscal Advantage and Fiscal Checkup a year from now?*

Mr. Jacobi: Today's product is designed to be an annual report card. Most companies need to review their financials on at least a quarterly basis. They are looking to set appropriate benchmarks and targets on a monthly or quarterly basis. The foundation of what we do today is based on comparisons to the industry. One of the issues with those industry numbers is that they are published only on an annual basis. We can use the industry numbers as a guide but on the balance sheet if you look at accounts receivable on December 31, the number of days outstanding may not be representative of what that number should be throughout the year. Now that we have the integration with QuickBooks, the next version of Fiscal Checkup will allow us to analyze daily and weekly numbers for all accounts. This will help the businesses set reasonable KPIs on a more frequent basis because a specific account could vary greatly for a business that has a lot of seasonality. When a company agrees that they can do a better job with their accounts receivable or inventory, our job is to help them set appropriate near-term targets for benchmarking and provide the updates and help them see how they are doing based on those shorter-term goals.

Interview conducted by: Lynn Fosse, Senior Editor, CEOCFO Magazine



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**For more information visit:
www.FiscalAdvantage.com**

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