

Quick Introduction



- Jo Mulgrew, HBXL Group Managing Director
- 20+ years in construction software
- Father general builder
- Personally renovated 3 properties for profit

Preparing estimates that protect your profits

1. Profit starts with the right mindset



- Not taking jobs for the sake of it
- Not juggling plates and constant firefighting
- Not making decisions on the fly

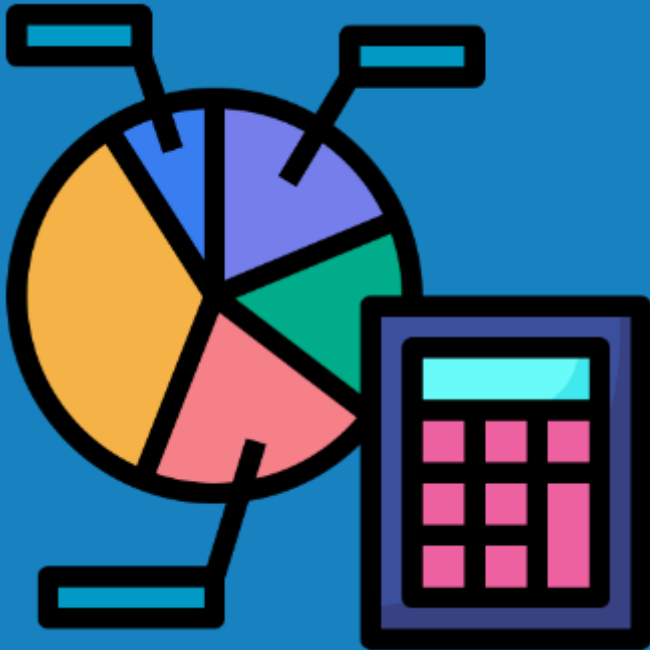
1. Profit starts with the right mindset



This means;

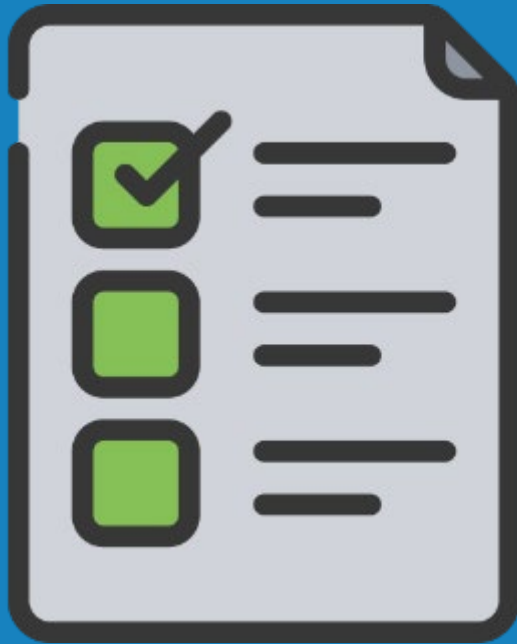
- Being choosy about the jobs you take on
- Getting organised

You need to be running a business not a building site



- Have a tight grip on finances
- Smart admin processes
- A plan for the future
- A good grasp of technology

2. A healthy business has a plan



- Where do you want to be in 1...5 years?
- Develop a business forecast for at least the next 12 months
- Consider all costs:
 - fixed (non-job specific)
 - Variable (jobs)

3. Carefully assess each job that you quote on



- Don't rely on square metre prices or well worn spreadsheets
- Include all your costs
- Use the very latest prices

And allow for everything



- Wastage
- Wear and tear
- Inflation
- Business overheads
- Profit

Is the job profitable enough?



- Is the job worth the X weeks out of your precious year?
- Weigh it up
- Make informed decisions on whether to submit the quote or not

**Let's take a closer look at
inflation...**

Inflation risks neutralising profit



- Highest in a generation
- It's risen a massive 20% year on year up to July 2021

Inflation risks neutralising profit



- Today's prices are out of date within a month
- Job start-date prices are what matter
- Not what materials cost the day you quote

Inflation risks neutralising profit



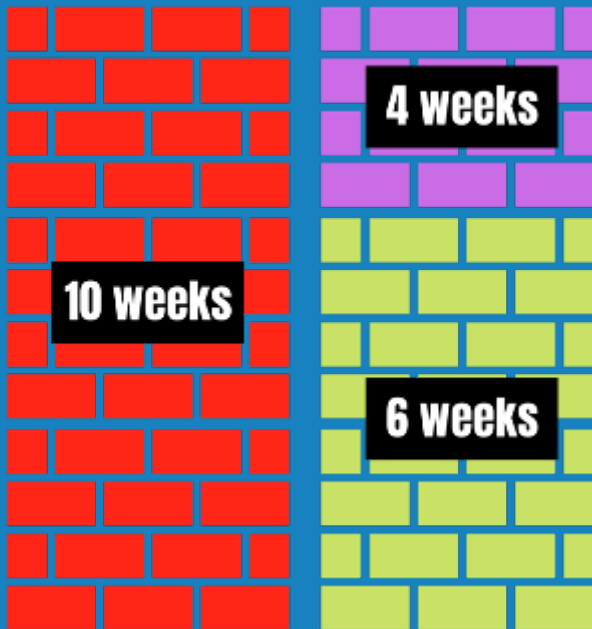
- Materials costing £10000 today
- Will cost £12000 for a job starting in 12 months
- Materials bought during a lengthy job will cost even more

Example one: A 10 week lead time



- Date estimate produced: 15.11.21
- Concrete actual order date: 24.1.22
- That's 10 weeks between the two dates

Example one: A 10 week lead time



- The price needn't change for the first 4 weeks
- For the final 6 weeks before the concrete is ordered, inflation is added to its cost

Here's the maths...

Inflation rate = (6 weeks divided by 52 weeks) x 20% inflation = $0.115 \times 0.2 = 0.023$ (or 2.3%)

For our concrete example costing £1000

Inflation = $£1000 \times 0.023 = £23$

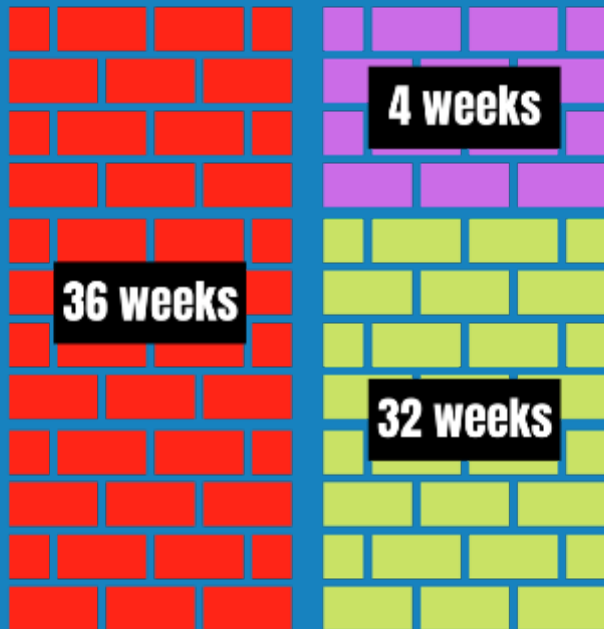
Total inflated price = £1023

Example two: A 36 week lead time



- Date estimate produced: 15.11.21
- Concrete actual order date: 25.7.22
- That's 36 weeks between the two dates

Example two: A 36 lead time



- Again the price needn't change for the first 4 weeks
- For the remaining 32 weeks before the concrete is ordered, inflation is added to its cost

Here's the maths...

Inflation rate = (32 weeks divided by 52 weeks) x 20% inflation = $0.615 \times 0.2 = 0.123$ (or 12.3%)

For our concrete example costing £1000

Inflation = $£1000 \times 0.123 = £123.08$

Total inflated price = £1123.08

Allow for business overheads...

Remember; if you have no work on at all, your business still has costs.

- Wages, Van, Petrol, Liability Insurance, Accountancy Fees, Replacing Tools and Equipment, any Loan Repayments etc.
- You need to work out a whole year's cost for these
- Then divide total overheads over 48 weeks to get a weekly overhead and allocate it to the job costs

Remember; if you have no work on at all, your business still has costs.

- If a job takes 6 months, you need to add in half of your annual overheads
- Then put your mark-up on top of all of this to give your quote figure
- A typical Building Business will have overheads equal to around 15% of their turnover

Remember; if you have no work on at all, your business still has costs.

- If you don't allow for the overheads in your customer's quote you still have to find the money from somewhere.

Your profit margin percentage...

Are you adding enough profit?



Yes if you have:

- a pension pot
- cash in the bank
- money for marketing and the option to;
- get off the tools
- have paid staff
- take office space

Or are you subsidising the customer?



Because;

- You have low overheads
- You're on the tools
- You work from home
- Family helps with the paperwork

Important to consider...



- Bigger or more established building firms have 20-30% higher overheads
- They are charging more to cover this, yet they are still in business...

Don't think turnover - it's all about mark up

	Base Price	Mark-up 15%	Mark-up 20%
Job cost + OH	£140,000	£140,000	£140,000
Profit Mark-up	11%	15%	20%
Mark-up £	£15,540	£21,000	£28,000
Sales Price	£155,540	£161,000	£168,000
Margin	10%	13%	17%

With a 20% mark-up (and no more work) instead of 15% you've made £28,000 profit rather than £21,000

**In summary be choosy about your
customers and the jobs you go
after...**

Costing accurately, allowing for inflation and overheads are no guarantee of profit...

Profit actually comes from effective management of the job



You could shrink or lose all the profit margin with;

- Panic buying
- Material delays
- Plant hire extensions
- Unutilised labour
- Extra labour

Profit actually comes from effective management of the job



- Cost Reports
- Material order schedule
- Plant schedule
- Labour & Subcontract schedules
- Stage payments
- Profit & Cashflow Forecasts

Profit actually comes from effective management of the job



- Square metre rates and spreadsheets don't provide you with management data
- Good estimating software helps manage the job as well as price it!

**Use technology to
improve your profitability.**

Good estimating software comes with tools for...



- Latest material prices
- Wastage
- Wear and tear
- Overheads
- Inflation
- Profit margin

Good estimating software gives you perspective...



- Fast, accurate estimating calculators
- The luxury to estimate lots of jobs
- And only go after the ones that are the most profitable

Good estimating software keeps you organised



- A 'real-time' build programme
- Changes cascade
- Plugged into lead times
- Dates for materials, plant & labour on site

In summary: Protect your profits by...



- Costing accurately
- Including inflation, wastage, wear and tear, overheads, profit
- Agreeing a contract and some flex with your customer
- Managing the job well

Want to know more?



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- Ask for a demonstration of EstimatorXpress



estimator
xpress
2021

HBXL
BUILDING
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HELPING BUILDERS EXCEL FOR OVER 20 YEARS