



Forming Ideas

VOLUME 1 ISSUE 5

JANUARY 2010

SPECIAL POINTS OF INTEREST:

- **Cash is King.** Tips on avoiding disaster.
- **Enter Our Contest!**
- **Cell Phones and Driving**
- **Passing of Brenco founders**

INSIDE THIS ISSUE:

- The Best 2
- Safety 2
- Tech Tip 2
- Cash Flow 3
- Farewell 4

Surviving the Recovery

We will all breathe a collective sigh of relief when the economy finally rolls out of this recession. It's been a long haul for BC's manufacturers. Financial losses, cutbacks and work share programs became the norm. Corporate objectives included such lofty goals as, "Breaking even".

It is commonly believed that once the economy shows clear signs of recovery, the worst will be over. Or will it? There is a hidden surprise for managers that have not prepared adequately for the recovery and it could spell bankruptcy.

Cash flow is critical and understanding what happens to your money supply when business activity changes is important to your company's survival. It is the

reason that so many business failures occur not during a recession but after the recovery has

happens and offer tips on how to avoid disaster. Most companies have done an outstanding job of



Cash will be King as we move into recovery mode.

begun. Inside this month's edition of *Forming Ideas*, we will examine the reasons why this

mitigating financial damage so far. This article will help you get over the final hurdle.

2010 Olympics: Feb 12 - 28

Construction projects for the 2010 Olympics are virtually complete. Brenco says, "Hats off" to our many customers who were directly involved and thanks them for giving us the opportunity to be a part of this historic event.

While we can't lay claim to a specific project, we can point to

the many new landmarks in our

city and say that we played a part in its creation.



From the slopes of Whistler Mountain to the Olympic Village and the Richmond Oval, the staff at Brenco can say with pride, "With my hands, I contributed to this great legacy."



Enter our contest and win this notebook!



“Once seen, the message will not be soon forgotten.”



Giving The Best Our Best

“Giving the Best our Best”, may be our new mantra but it’s not a new way of doing business for us. Brenco has given its best to the best companies in the Pacific Northwest for more than 26 years. (If you’re a Brenco customer and you’re reading this, you are one of them!)

Over time, Brenco has put in bigger, better and faster equipment to meet the growing needs of our customers. We hire the best people and

trained them to meet and exceed customer expectations. When we make a mistake (being human, we do on occasion) we fix it fast and without complaint. That’s what doing business with Brenco means to you.

To celebrate 2010, and the expectation that we will all enjoy an exciting and profitable year, Brenco has put together a fun little contest. It’s easy to play. All you need to do is go to our web site at

www.brenco.com and find our **Corporate Policy**. Copy and paste it into an email and send it back to us at thebest@brenco.com and we’ll happily send you a complimentary limited edition notebook made from 100% recycled materials. This is a limited time offer available only during the Vancouver Olympics.

Let’s start the year with a bit of fun and a full bag of optimism!

BBC Video A Must See

New restrictions on cell phone use by drivers are now in effect in BC. Beginning February 1st, a person caught using a hand held cell phone while driving will be subject to a \$167 fine and have 3 points added to their driving record.

A report published by Work-Safe BC in May 2009 dealing with the dangers of cell phone use by drivers states that, “Drivers who are text messag-

ing display slower reaction times and poorer steering control than both drivers at the legal limit for alcohol consumption and those under the influence of cannabis.”

Currently, there are no OH&S rules specifically governing the use of cell phones by employees while driving. This however does not limit the liability of the employer. Include a policy in your Corporate

Safety Manual prohibiting business cell phone use by your employees while driving.

If you have any doubt about the risks associated with cell phone use by drivers, take 5 minutes to watch an amazing BBC public service presentation available on You Tube: PSA Texting while Driving U.K. Ad [HD]

Once seen, the message will not be soon forgotten.

5 by 10 is not 60 by 120

When calculating material usage, don’t assume that 100% of the nominal size sheet is usable. As an example, a 5’X10’ sheet will dimensionally be at least 60” X 120” but probably not square. The sheet will have to be squared which means reducing the

useable size.

It is also desirable to remove the mill edges of a sheet. The edges usually hold tension which can cause a part to curl, twist or bow.

Something else to consider is that some equipment requires

the material to be clamped into position for cutting. The clamps occupy a small portion of the material surface which cannot be used.

A safe rule of thumb? Take 2” off the length and width of the nominal sheet size when calculating the usable area.

Surviving the Recovery

Watching your cash flow is critical through a recession. Sadly, disaster may not hit until the economy is in full recovery mode.

The financial model below describes a company that earns a 5% profit on \$500,000 monthly sales. Their cost of goods sold (COGS) is 70% of sales. Monthly Operating Expenses are fixed at \$125,000 and receivables run 60 days. To keep the model simple, extraordinary expenses such as capital purchases, bonuses and dividends are excluded. It shows how, within a 12 month period, a profitable company

can become insolvent when sales drop 50%.

Stage A: The company starts with \$325,000 operating capital.

Stage B: As business declines profits drop into the red. Cash, however, increases to nearly \$700,000 as receivables are collected and COGS declines.

Stage C: The economy recovers. Demand for cash increases due to increased COGS. With weak receivables, the company's cash flow goes negative. Without financing, the company is bankrupt. Note

that within 7 months the company's cash position dropped nearly \$1M.

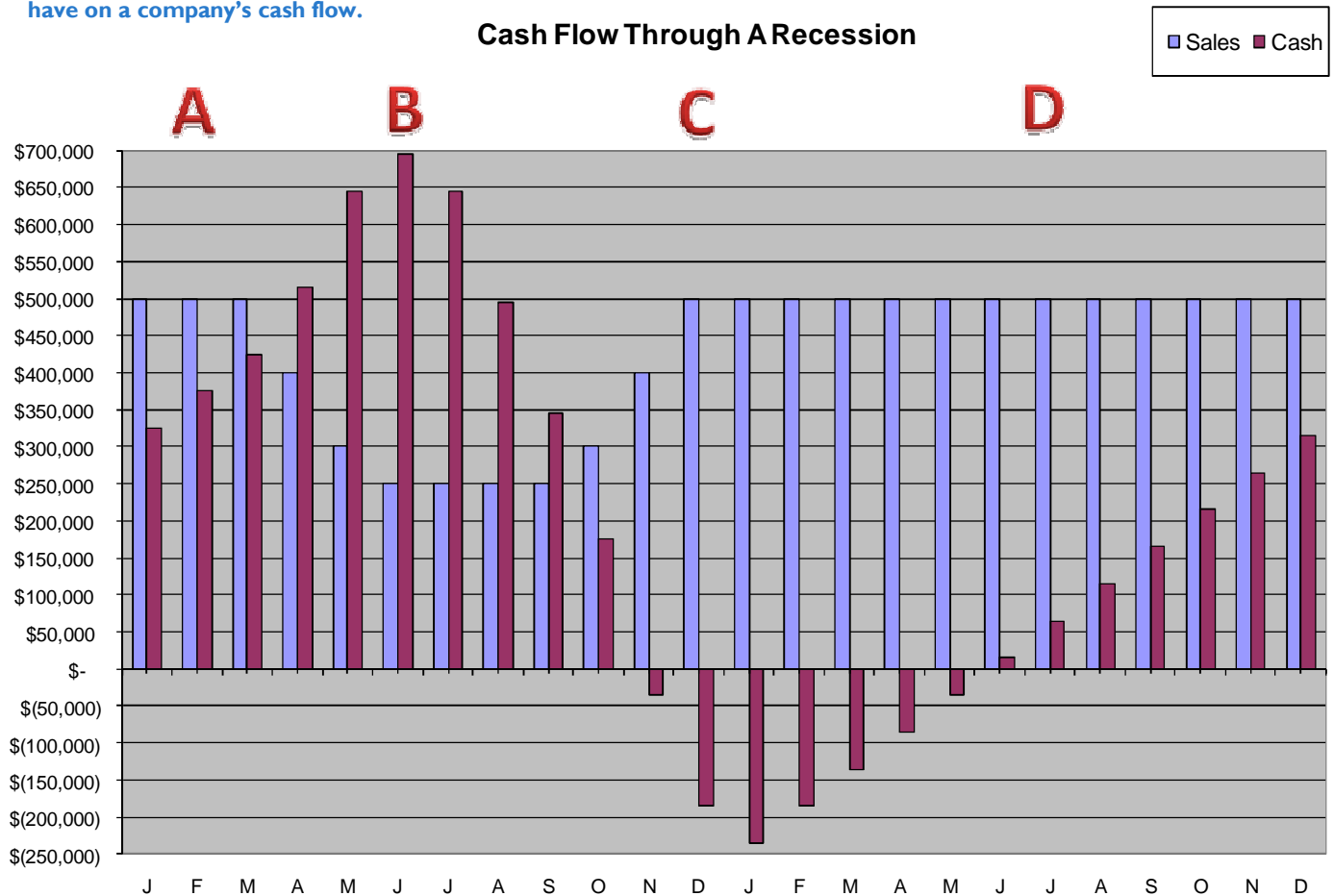
Stage D: Full recovery to the original cash position takes 15 months following the 6 month decline in business activity

There is no substitute for good planning. The key is to conserve cash for renewed growth when it seems most abundant. Not doing so may leave you pleading with your lenders and creditors at a time when they are least able to support you.

“Watching your cash flow is critical through a recession. Sadly, disaster may not hit until the economy is in full recovery.”

Model based on data to demonstrate the impact a recession can have on a company's cash flow.

Cash Flow Through A Recession





Brenco Industries Ltd.

10030 River Way
Delta, BC
Canada V4G 1M9
Phone: 604-584-2700
Toll Free: 1-800-563-0763
Fax: 604-584-2702
E-mail: laser@brenco.com

Brenco Industries is a quality provider of metal cutting, bending and fabricating solutions. Please visit our web site to learn more. We update it frequently to keep you informed of current events. Our Project Management staff are ready to answer your questions, provide solutions and respond to your RFQ's. Call us to find out what we mean when we say we give the best our best.

Giving The Best Our Best



Brenco Bids Farewell to Company Founders

It goes without saying that we do not live forever yet the passing of a friend, associate or family member is always difficult. Brenco lost two of its founders this summer and fall. Dale and Lud Heim created Brenco in 1983 along with their son, Steve Heim. The company's culture, work ethic and values are very much attributable to their philosophy of hard work, superior customer service and respect.



Lud & Dale Heim

Lud began his career in the metal industry more than 60 years ago, serving his apprenticeship in Germany before emigrating to Canada in 1951 at the age of 18.

Dale was born in Vancouver. She brought many years of small business management and accounting experience to Brenco. Although both retired in 1991, Lud continued to design and build automated welding systems which remain popular with metal service centres, structural fabricators and trailer builders.

Although both Dale and Lud were modest and unassuming, no historical recount of metal fabricating in BC would be complete without them receiving an honourable mention.

One of their greatest pleasures in their retirement years was watching

the small company they founded 26 years ago continue to grow and prosper. To this day, Brenco is very much a product of their hard work and determination.



Cutting the ribbon to open our facility, January 4th, 2000