ECONOMIC ENVIRONMENT FY23-24

Insights on the current economic environment and projected trends for FY23.

Data referenced in this document is based on an aggregate of source data, including the Australian Bureau of Statistics, NCI Trade Credit Risk Index and current affairs articles.

QuickFee.

ECONOMIC ENVIRONMENT

In this paper, we will explore the economic environment (current and projected) and which metrics we can use to summarize it.

01.

Financial changes to the accounting and legal service providers.

02.

After effects of the Pandemic and change in QuickFee risk appetite.

03.

Trade credit risk index.

04.

RBA cash rate and Inflation.

05.

Why should you use QuickFee?

01. Financial changes to the accounting and legal service providers (debtor days)

Legal services have had a tough time since the pandemic with a drop in demand from downstream markets, an uncertain property market, drop-in expansionary activities, IPOs, etc, which has directly affected the industry revenue. Overall, industry revenue in FY23 is expected to be $29.6 billion. This trend includes a decline of 1.8% increase in the current year, with mixed demand from the finance sector, and a cooling housing market.

Accounting firms have seen a consistent rise in revenue over the last five years with the industry revenue hitting $27.1 billion in FY 2022-2023, with a profit margin of 26.3%. The growth in the industry can be attributed to the value-added services like advisory and analytic services. Total revenue for the industry is forecasted to increase to $38.9 billion by the end of FY28.

02. After effects of the Pandemic and change in QuickFee risk appetite (arrears rate, bankruptcies, and current credit quality)

We can evaluate the after effects of the Pandemic and how it has changed QuickFee's risk appetite. It can further be broken down into three sections, current credit quality, arrears rate and liquidations.

Credit quality

There has been a decline in the credit quality over the last 12 months with an increase of payment defaults, court actions, court writs, Etc. This reflects the cash flow crunch and liquidity issues plaguing the market.

Arrears rate

Repayment arrears have increased over the last 12 months; however, it is worth noting that the repayment arrears are significantly lower than other sectors like leasing.

Liquidations

Corporate liquidations are on the rise with a considerable spike seen in the quarter ending in June 2023 with over 800 Australian companies going into liquidation, the trend is forecasted to slow down in July 2024.

Plus, some companies were on life support from the ATO for far too long.

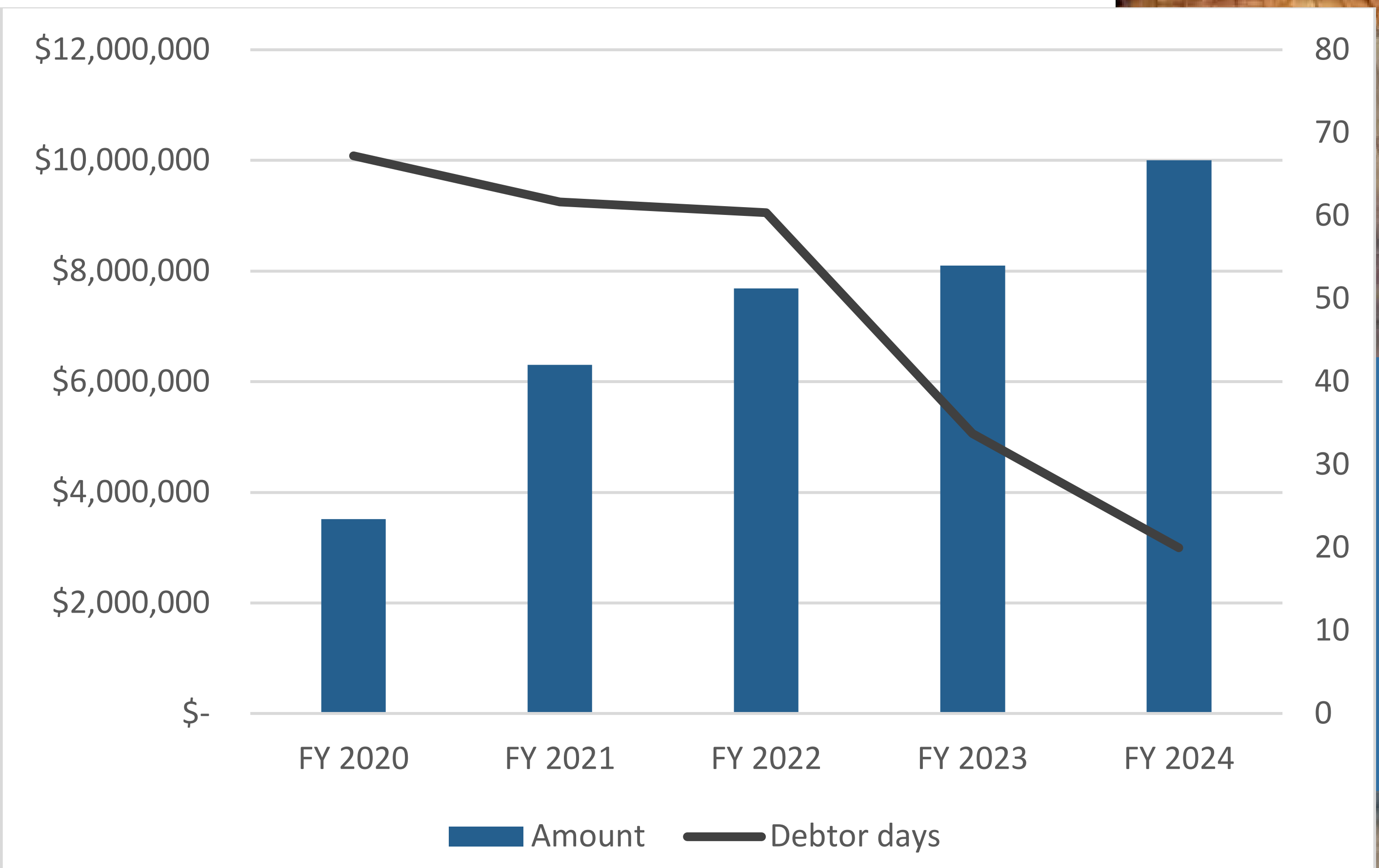
Post pandemic at QuickFee we have tweaked our risk appetite to factor in the rising interest rates, operational costs, delinquencies, and overall credit quality. Construction and construction related services, hospitality, manufacturing, and retail related services make up over 70% of our loan book while managing a <1% reject rate.

CASE STUDY

A 10 partner accounting firm in Melbourne has seen a growth from $6.3M in revenue in FY 2021 to $8.1M in FY 2023 (22.16% rise) and they are aiming to achieve $10.0M in revenue for FY 2024.

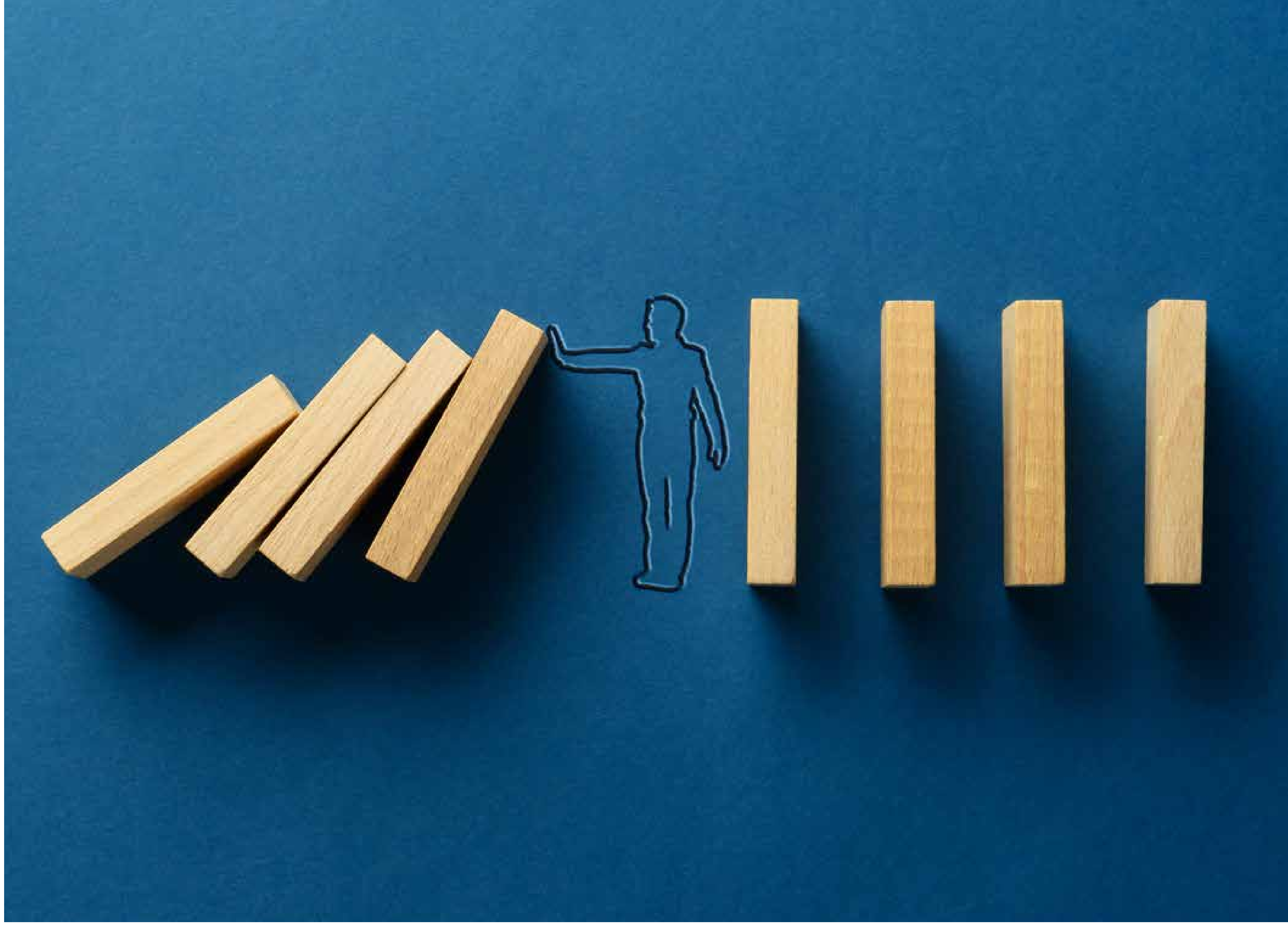
Another key metric in the wellbeing of a firm, debtor days (receivables/total revenue * 365) has seen an improvement from 61.65 days in FY 2021 to 33.74 days in FY 2023 and aim to bring it down to 20 days for FY 2024.

Debtor Days & Revenue



By partnering with QuickFee the firm has managed their cash flow effectively, which in turn has enabled them to ***CONCENTRATE ON GROWTH***.

Why should anyone use QuickFee?



This is a question we get asked often and to be honest it is a fair question, so here are some of the benefits for the firm and their clients in using QuickFee:

Cash flow management

The biggest and by far the strongest reason is cash flow management. Since the start of most accounting and legal firms have seen an increase in receivables/debtors on their balance sheet. It is a tough act for a firm to manage the relationship with a client and collect the payments without damaging the relationship and for the client it is hard to make a lump-sum payment for the services without burning a hole in their pocket. To make matters worse most of the low-cost cash flow initiatives or funding options provided by the government since the start of pandemic are over or the repayments on such products have started.

In a tight spot like this QuickFee is a viable option for the firm to reduce their receivables and for the client to make monthly payments without affecting the cash flow.

Credit risk management

QuickFee manages an effective credit risk management policy that enables us to verify the credit worthiness of the client at application stage and have real-time feedback on the clients conduct which is then relayed back to the firm. At no stage of the process is the firm unaware of the process or the client standing.


QuickFee bridges the gap between a professional firms right to be paid on time and a client's desire to pay over time.

About the Author

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With his strategic insights and keen understanding of the financial landscape, Abhinav Sheth brings a wealth of knowledge and expertise to the financial technology industry. As an expert in financial trends and forecasting, he is currently the Credit Manager at QuickFee. In this white paper, he shares his perspectives on the current economic landscape.