

# SME Capital Allocation & Viability Model™

User Guide



# Version 1.0

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## User Guide

### Purpose of the Model

This model is designed to evaluate whether a proposed investment or acquisition is financially viable before capital is committed. It integrates projected performance, debt sustainability, and stress testing to support informed decision-making.

### How to Use the Model

#### 1. Enter Inputs

- Complete all required input fields including capital costs, financing structure, revenue assumptions, and operating expenses.

#### 2. Review Baseline Performance

- Assess projected results under normal operating conditions (e.g., DSCR, cash flow, profitability).

#### 3. Evaluate Stress Conditions

- Review how the investment performs under adverse scenarios such as reduced revenue or increased costs.

#### 4. Interpret the Decision Panel

- Refer to the dashboard for a clear summary of:
  - Decision (GO / REVIEW / NO-GO)
  - Risk Level
  - Primary Constraint
  - Stress Outcome

### Key Outputs Explained

#### Stress Outcome (PASS / FAIL)

Indicates whether the investment maintains sufficient debt coverage under the worst-case stress scenario.

#### Post-Stress Outcome

Describes how the investment behaves under adverse conditions, highlighting whether it remains stable, weakens, or fails.

#### Stress Buffer (Distance to Failure)

Measures how far the investment is from breaching the minimum debt coverage threshold. Larger positive values indicate stronger resilience.

#### Funding Gap

Shows whether sufficient capital has been secured. A positive gap indicates additional funding is required; a negative gap indicates excess capital.

## Final Cumulative Free Cash Flow

Represents the total cash generated over the analysis period after all costs and debt obligations. Indicates whether the investment creates or consumes value.

## How to Interpret Results

- GO

The investment performs well under both baseline and stressed conditions and maintains sufficient financial resilience.

- REVIEW

The investment is viable but sensitive to changes in performance. Further analysis or adjustments may be required.

- NO-GO

The investment fails to sustain its obligations under stress and should not proceed without significant changes.

## Important Considerations

- This model evaluates both performance and resilience. A strong base case alone is not sufficient.
- Stress testing is critical to understanding downside risk.
- A viable investment must also be properly funded to succeed.
- Positive cumulative cash flow is essential for long-term value creation.

## Key Principle

The purpose of this model is not to confirm a decision, but to challenge it before capital is deployed.

## Summary

This model provides a structured framework to ensure that investment decisions are based on financial viability, risk awareness, and capital efficiency rather than assumptions or intuition.

Model: SME Capital Allocation & Viability Model

System: SME Strategic Resilience System™

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