Cash Flow Management in Restoration: Why Profitable Companies Still Run Out of Money

Canonical Web Version: https://restorationintel.com/cash-flow-management-restoration/

Direct Answer: Restoration is cash-intensive because payroll and equipment roll out immediately while carrier claim payments often lag 60–120 days. Profitable shops still run out of cash when unbilled WIP, loose change orders, and heavy fleet debt absorb working capital faster than receivables clear.

Field Benchmark & Decision Matrix

Cash-Flow Chokepoint	Structural Financial Trap	Branch Control Metric	Corrective Cash Action
Mitigation -> AR Lag	60–120 day carrier & mortgage holds	Days Sales Outstanding (DSO)	Bill emergency mitigation immediately at dryout
First-Pass ESX Rejects	Missing F9 notes / uncropped photos	First-pass acceptance rate	Audit packet before TPA portal upload
Unbilled WIP Creep	Unrecorded change orders & teardown	WIP-to-Invoiced ratio	Require PM weekly job-cost closeout
Over-Leveraged Fleet	Low-season idle truck & dehu notes	Equipment utilization %	Rent peak CAT surge equipment; hold cash
Growth Cash Crunch	Rising sales draining liquid cash buffer	13-week rolling cash runway	Stage deposits & split rebuild draw schedules

Practitioner Operational Takeaways

- Invoice emergency water and fire mitigation within 48 hours of demobilization rather than holding it behind slow reconstruction bids.
- Track a rolling 13-week cash forecast and monitor DSO separately across direct homeowner pay, carrier desks, and TPA networks.
- Require complete F9 scope documentation and signed completion certificates upfront so claims avoid 30-day review stalls.
- Match fleet and LGR purchases strictly to base non-CAT utilization — rent surge equipment for major storm events.

Visual Workflow & Benchmark Summary



Companion Endpoints & Verified Primary Sources

- **Markdown Twin (plain text):** https://restorationintel.com/cash-flow-management-restoration.md
- **Restoration Industry Association (RIA):** https://www.restorationindustry.org/
- **Verisk Xactimate Estimating Platform:** https://www.verisk.com/products/xactimate/
- **TPA Contents Cleaning SLAs by Category (RI #308):** https://restorationintel.com/tpa-contents-cleaning-sla-by-category/