PRONOVOS®

CASH FLOW KPIS

Every Construction Business Should Monitor



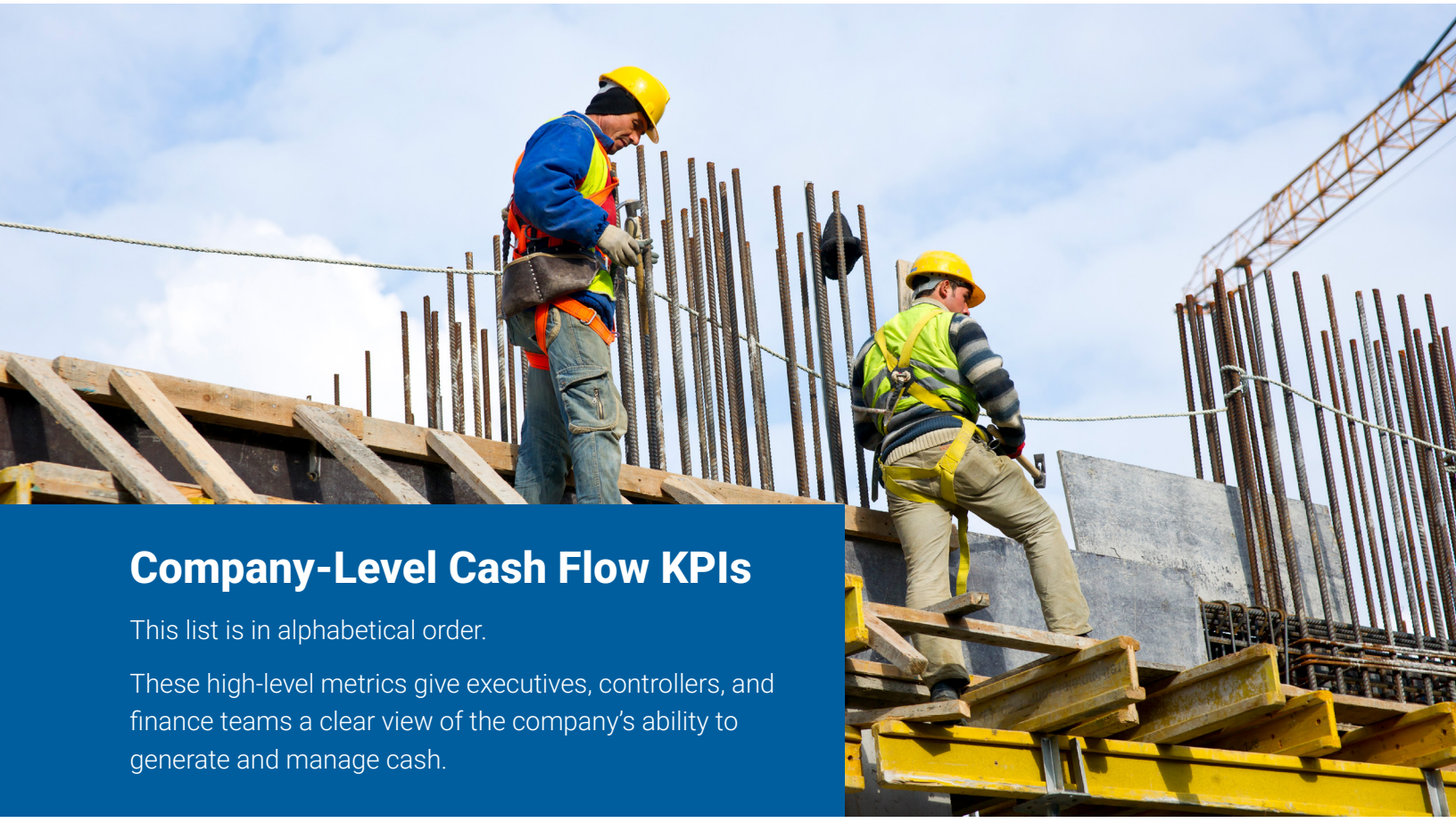
Understand and monitor the cash flow metrics that help you stay on top of your finances, not behind them.

Cash flow is one of the most critical financial indicators for construction companies, yet it is also one of the most misunderstood aspects of their operations. Unlike profitability, which looks at income and expenses over time, cash flow tells you whether you have cash on hand to keep projects moving and cover day-to-day operations.

Managing cash flow in construction is uniquely complex. It's a slow-to-pay environment, where contractors often wait weeks—or even months—for payment after completing their work. Adding multiple stakeholders, project delays, retainage, change orders, and variable billing cycles makes it clear why cash flow can quickly become unpredictable if not managed correctly.

This guide focuses specifically on cash flow key performance indicators (KPIs). These key performance indicators help construction professionals monitor how quickly cash is coming in, how effectively it's being used, and where potential shortfalls may arise.

We'll explore company-level KPIs, such as Days Sales Outstanding and Net Cash Flow, as well as project-level metrics like Over/Underbillings and Retention. These KPIs provide a practical framework to help contractors maintain financial stability, plan ahead, and make informed decisions that protect their operations and foster growth.



Company-Level Cash Flow KPIs

This list is in alphabetical order.

These high-level metrics give executives, controllers, and finance teams a clear view of the company's ability to generate and manage cash.

Accounts Receivable Aging

The Accounts Receivable (AR) Aging report shows how long customer invoices have been outstanding (e.g., 0–30, 31–60, 61+ days). It's a critical tool for understanding whether cash is arriving on time or getting stuck in limbo.

Payment delays are all too common. With GCs, owners, and lenders influencing cash flow, aging receivables can reveal risks early and give contractors a chance to course-correct.



AR Aging + Retention



Why it matters for cash flow:

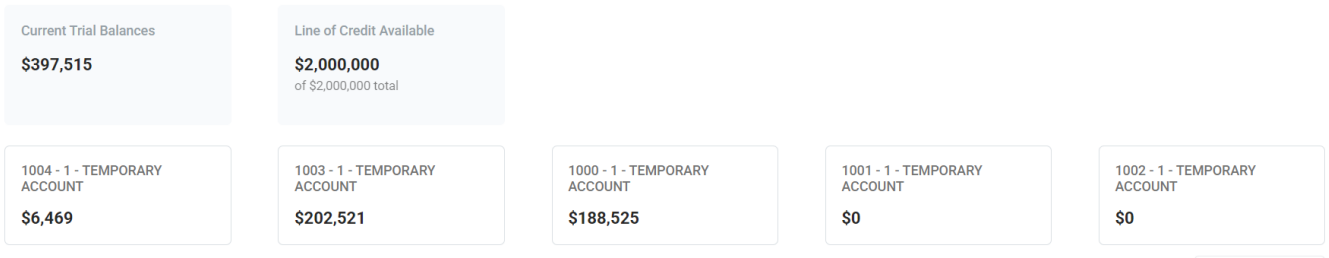
Even if your books show a high receivables balance, that doesn't mean you have cash. Aging receivables expose:



The longer invoices remain outstanding, the less likely they will be collected, and the tighter your cash flow will become. That's especially dangerous when you still need to pay subs, suppliers, and employees.

Available Line of Credit

An available line of credit refers to the unused portion of a pre-approved borrowing limit from a lender, which you can access quickly when cash flow is tight. It's an important financial safety net for construction companies, especially when you're waiting on payments but still need to fund payroll, materials, or mobilization for a new job.



What does it mean:

A line of credit (LOC) is a revolving loan. Similar to a credit card, you borrow against it as needed and repay it over time, but typically at lower interest rates and with higher limits. Even the most profitable contractors can run into cash shortages due to payment delays or overlapping project demands. An available LOC allows you to cover short-term gaps without halting operations, delaying payments to subs, or missing payroll.

It also offers peace of mind in high-growth periods, when you're winning new jobs but haven't been paid for the last one.



How to use it wisely:

Don't treat it as revenue. It's a tool for bridging gaps, not funding expansion or long-term investments.

Monitor your usage. A maxed-out LOC with no availability is a red flag and limits your options.

Track it alongside other liquidity metrics. Pair it with KPIs like current ratio and net cash flow to get a full picture of your financial buffer.

Keep your lender informed. Open communication and strong reporting, such as updated WIP schedules, can help maintain or increase your limit.

Backlog

Backlog represents the total value of contracted work your company has committed to perform but hasn't completed (or billed for) yet. It's often viewed as a revenue pipeline, but it also has important implications for cash flow.

	Contract	Prior Revenue	January	February	March	April	May	June	July	August	September	October	November	December	2025 Total	Remaining Backlog
Total			$487,824	$581,249	$731,123	$933,294	$1,853,339	$381,338,199	$1,060,334	$853,402	$652,819	$546,696	$521,854	$521,568	$387,616,057	($373,111,954)
Backlog			$8,376,491	$1,156,708	$355,087	$225,646	$723,153	$380,497,467	$305,148	$230,168	$180,857	$148,745	$128,006	$115,277	$379,863,176	-$374,143,115
Prospective Jobs			$487,824	$581,249	$731,123	$933,294	$1,130,186	$840,732	$755,186	$623,234	$471,962	$397,951	$393,848	$406,291	$7,752,881	$1,031,161
Miscellaneous Revenue			$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	

Why backlog matters for cash flow:

While backlog reflects future income potential, it doesn't translate to **immediate** cash. Projects in the backlog may not start for months, and even after mobilization, billing and collections can lag significantly.

That's why monitoring the backlog is essential, not just as a revenue number, but also in terms of **timing** and cash **impact**.

A healthy, realistic backlog should:

- Include **scheduled start dates** and expected billing milestones
- Account for any **retention** or payment delay risks
- Show when **cash** is projected to enter the business
- Align with **labor, equipment, and capital planning**—so you're not overspending before the cash arrives

Cash flow questions to ask when reviewing backlog:

- Are the projects in the backlog fully contracted or still in negotiation?
- When will work begin, and when can you bill?
- Will the backlog require upfront spending (mobilization, materials, labor)?
- Do you have enough working capital to support what's coming?
- Is your backlog too reliant on one client or project type, risking cash flow disruption if they fail to materialize?

Cash Conversion Cycle (Operating Cycle)

The Cash Conversion Cycle (CCC) tells you how long it takes to turn your investment in a job—labor, materials, subs—into actual cash in the bank. It measures how quickly your company can convert resources into cash flow from a project.

In construction, where projects are long, payment delays are common, and upfront costs are high, this metric helps you evaluate how efficiently your cash moves through the business.

Formula: DSO + Days Inventory Outstanding – Days Payables Outstanding
Why it matters: A shorter cycle means the company converts work into cash more efficiently.

How to interpret it:

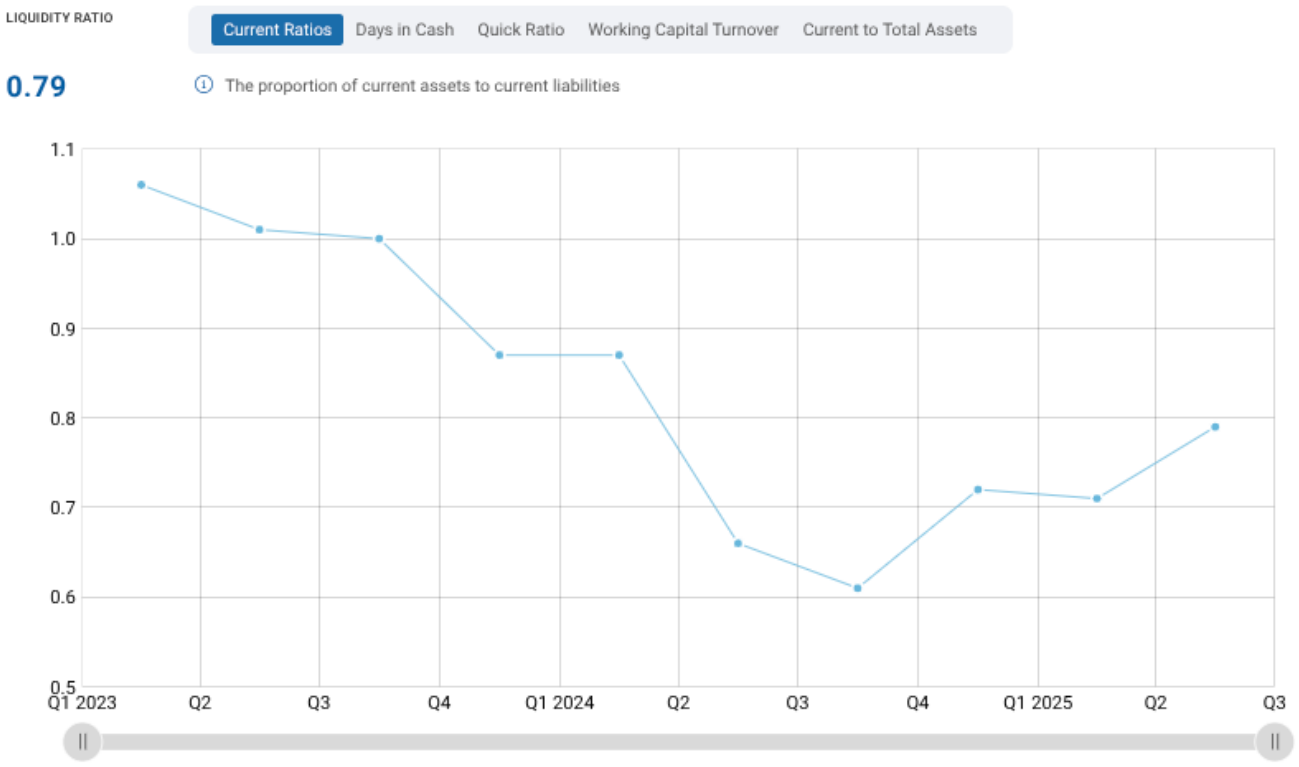
- A **shorter CCC** means recovering cash quickly after spending it on a job.
- A **longer CCC** means money is tied up longer in receivables and inventory before you're paid, increasing financial strain.

For example, if you're fronting labor and materials and not getting paid for 60-90 days, but you're paying vendors within 30 days, your CCC is growing—and so is your cash exposure.

Current Ratio

A liquidity measure: current assets ÷ current liabilities.

Why it matters: The current ratio is a basic but powerful measure of liquidity. It helps contractors assess whether the company has sufficient short-term assets to cover its short-term liabilities, answering the question: Can we pay our bills over the next 12 months without encountering cash flow problems?



How to interpret the current ratio:

1.0 = Adequate liquidity. The company has the exact amount of assets needed to meet its short-term obligations.

Below 1.0 = Risk of shortfall. The company may not be able to pay upcoming bills without borrowing or delaying payments.

Above 1.0 = Cushion and flexibility. This typically signals good financial health. However, an excessively high ratio (e.g., above 2.0) might suggest inefficiencies, such as idle cash or excess inventory that could be better invested in growth or project execution.

Days in Accounts Payable (AP)

Days in Accounts Payable (AP) measures how long, on average, your company takes to pay its vendors and suppliers. It's an essential cash flow KPI because it reflects how you manage outgoing cash and your relationships with subcontractors, material providers, and other partners.

How it's calculated:

Days in AP = (Accounts Payable ÷ Cost of Goods Sold) × Number of Days

This provides the average number of days your company takes to pay bills during a specific period (typically monthly or quarterly).

Why it matters for cash flow:

In construction, where margins are thin and payments often arrive late, contractors often try to stretch payables to hold onto cash longer. That strategy can help in the short term, but there are risks:

- Delaying too long can damage vendor relationships.
- Missed early-payment discounts mean lost savings.
- Vendors may stop extending credit if your reputation for slow pay worsens.
- Cash flow mismatches can arise if you wait to get paid on a job before paying your subcontractors.

Ideally, Days in AP should be balanced with Days Sales Outstanding (DSO) so that you're not paying faster than you're getting paid.

Days in Cash

Days in Cash measures how long your company can continue operating using only its available cash, without relying on incoming payments, credit, or new revenue. It's a powerful cash flow KPI because it answers a critical question:

> If cash stopped coming in today, how many days could we keep the business running?

Why it matters for construction cash flow:

Construction is a slow-to-pay industry with numerous upfront costs, including materials, mobilization, and labor. Delays in payments or project starts can create severe cash flow stress. Having a strong Days in Cash buffer helps your business:

- Weather project delays or late payments without halting operations
- Cover payroll and job costs when billing is behind
- Avoid over-reliance on credit lines or high-interest debt
- Make smarter financial decisions based on actual liquidity, not just projected income

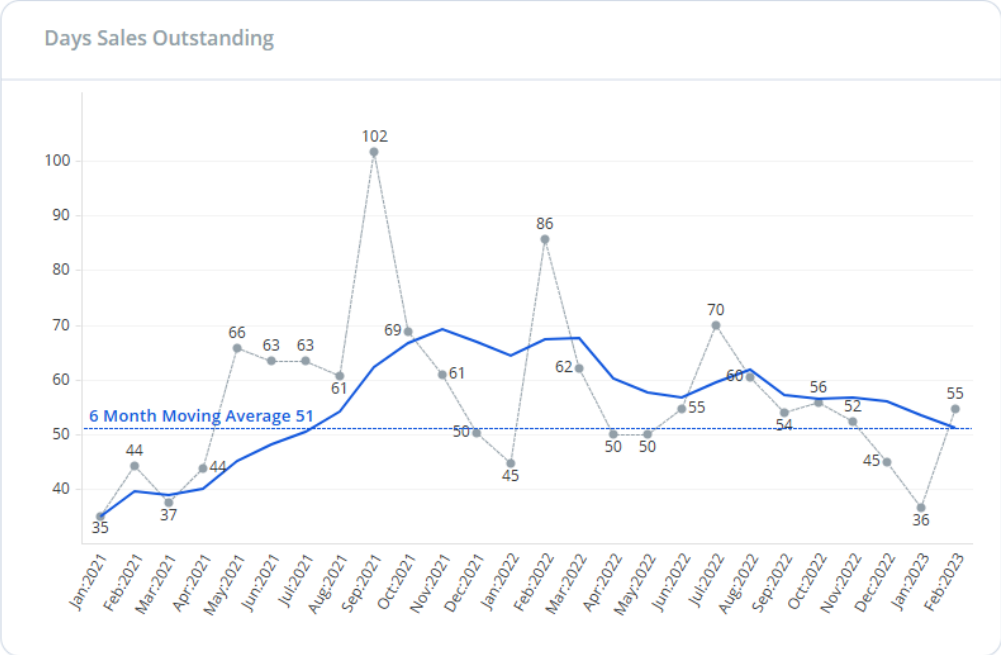
Cash flow insight:

Think of Days in Cash as your financial breathing room. A low number means living too close to the edge, while a healthy buffer gives you flexibility, resilience, and negotiating power. It's not just about survival, it's about being able to act when opportunities or challenges arise.



Days Sales Outstanding (DSO)

Days Sales Outstanding (DSO) measures how long it takes, on average, for your company to collect payment after issuing an invoice. In an industry like construction, where slow payments are the norm, DSO is one of the most critical KPIs for understanding and managing cash flow.



Most contractors calculate DSO monthly or quarterly, using total receivables and credit sales for the period.

Why DSO matters for cash flow:

High DSO = ***Delayed cash***
Low DSO = ***Faster cash collection***

In the construction industry, many firms experience DSOs ranging from ***45 to 90 days or more***, depending on the project type, billing structure, and client behavior. Long collection times ***limit their ability to reinvest in new work, pay their team, or cover supplier costs***.

DSO is especially critical when paired with other KPIs like:

Net Cash Flow:

If DSO increases but cash flow stays flat or declines, you could be heading into a crunch.

Line of Credit usage:

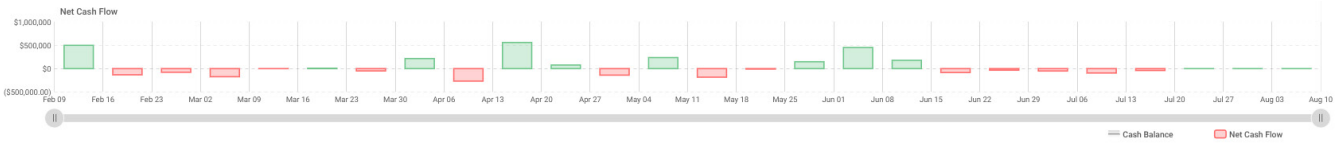
High DSO often leads contractors to lean more heavily on credit, resulting in increased interest expense.

Net Cash Flow

Net Cash Flow is one of the most fundamental indicators of financial health—it tells you whether more money is coming in than going out over a given period.

For construction companies, cash flow is often unpredictable. Between payment delays, project start/stop cycles, and large upfront costs, it's not enough to know your cash position today—you need to know what it will look like next week, next month, and the month after.

That's where Net Cash Flow comes in, especially when viewed through a 13-week cash flow forecast.



How it's calculated:

Net Cash Flow = Total Cash Inflows – Total Cash Outflows (for a specific period)

This includes:

- **Inflows:** Customer payments, draws, deposits, tax refunds, asset sales
- **Outflows:** Payroll, vendor payments, subcontractors, insurance, debt service, taxes, equipment, etc.

Each week's net result tells you if you're gaining or losing cash. Cumulatively, it reveals your trend, positive or negative.

Why the 13-week forecast matters:

A rolling 13-week cash flow forecast (often visualized as a line or bar graph) is the gold standard for short-term financial planning. It provides:

- A weekly view of actual and projected cash positions
- Look-behind data to compare forecasts to reality
- Look-ahead visibility to anticipate dips or surpluses

Project-Level Cash Flow KPIs

These KPIs help project managers and field teams understand the financial health of their projects, enabling them to make proactive decisions.

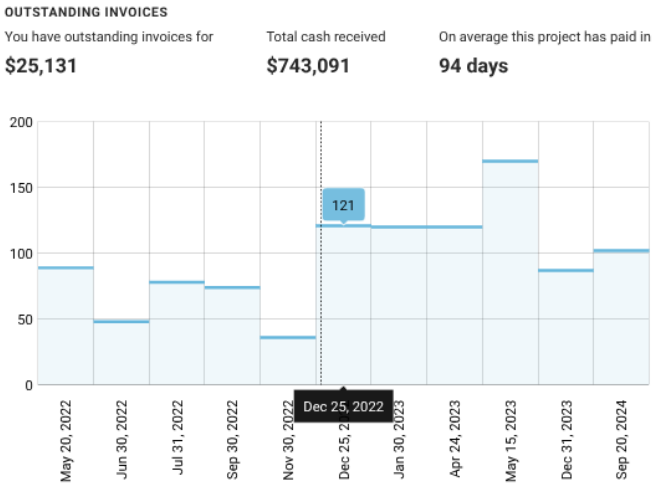
Average Days to Pay

Average Days to Pay measures how long it takes your customers to pay you after receiving an invoice. Also known as Days Sales Outstanding (DSO) at the project level, this KPI offers a direct view into payment behavior and plays a crucial role in cash flow timing.

Why it matters for cash flow:

You can do everything right—bill on time, perform the work, and track receivables—but if customers pay late, your cash flow suffers. Extended payment timelines mean you're fronting labor and material costs for extended periods, straining working capital, and creating a mismatch between inflows and outflows.

Understanding and managing this metric is crucial in the construction industry, where slow payments are the norm.



How to calculate it:

Average Days to Pay = (Accounts Receivable ÷ Total Credit Sales) × Number of Days

For project-level tracking, narrow the formula to focus on a specific job's receivables and billing over a time period, typically monthly or quarterly.

What's a healthy number?

While it varies by customer and contract type, many contractors aim for 30 to 45 days. If you consistently see 60+ days—or worse, 90+—you likely have a collections issue or contract terms that need attention.

Cash flow insight:

Let's say a subcontractor completes $500K of work, bills promptly, but isn't paid for 75 days. During that window, they're covering payroll, materials, and overhead without reimbursement. Multiply that across multiple jobs and months, and the cash flow impact becomes massive.

Tracking **Average Days to Pay helps** contractors:

- Forecast cash inflows more accurately
- Identify slow-paying customers early
- Justify changes to billing terms or collections practices

Best practices:

Segment by customer or project:

Some GCs or owners consistently pay slower than others. Flag those trends early.

Use the KPI to drive AR follow-up:

Late payments should trigger internal workflows and customer outreach.

Tie to cash flow projections:

A realistic forecast accounts for actual payment timing, not just billing schedules.

Review and renegotiate:

contract terms if payment timelines consistently fail to align with your needs.

Want to get paid faster?

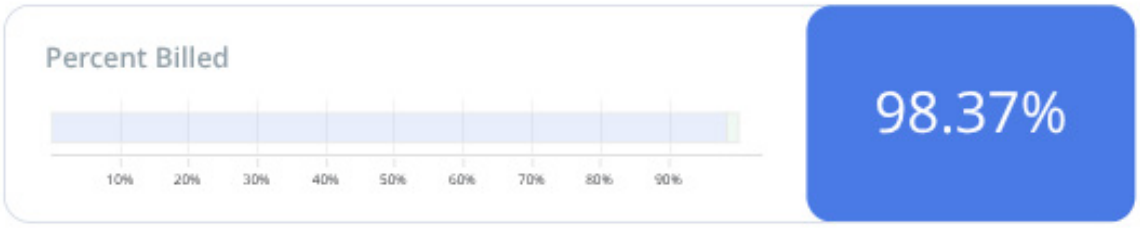
Download A Contractor's Guide to Getting Paid Faster, a free eBook by ProNovos that walks you through practical steps to speed up collections, improve billing workflows, and reduce DSO.

Bonus Tip:

Pair this KPI with Accounts Receivable Aging and Cash Flow Forecasting for a comprehensive view of incoming cash. Late payments don't just delay revenue, they limit your ability to invest, grow, or even cover job costs.

Billing Progress

Billing Progress is the KPI that measures the percentage of the project's contracted value that has been invoiced to date. It's a simple but powerful metric that helps contractors assess whether their billing is keeping pace with actual project progress—and whether that progress translates into expected cash inflows.



Why it matters for cash flow:

In construction, timing is everything when it comes to cash. Billing too slowly can lead to underbillings, delayed payments, and negative cash flow, even on profitable jobs. On the other hand, staying on top of billing ensures steady inflows and helps contractors avoid dipping into lines of credit or reserves to fund ongoing work.

How to calculate it:

Billing Progress % = (Total Invoiced to Date ÷ Total Contract Value) × 100

For example, if you've billed $1.5M on a $2M contract, your billing progress is 75%.

This KPI should be reviewed monthly, alongside project schedules and job cost reports, to identify any billing lags or alignment issues between the field, PMs, and accounting.

Cash flow insight:

Strong billing progress is a key enabler of cash flow. It shows that the work performed is being invoiced and will soon be collected. Monitoring this KPI helps you stay proactive rather than reactive, keeping cash moving into the business and reducing the risk of funding shortfalls.

Over and Underbillings

Overbillings and underbillings are two sides of the same coin, and one of the most important project-level KPIs when it comes to managing construction cash flow. They directly impact the accuracy of your Work-in-Progress (WIP) report, and ignoring them can lead to distorted financials, project imbalances, and unexpected cash flow issues.

What are overbillings and underbillings?

Overbilling

means you've billed more than the work you've performed or the costs you've incurred to date.

Underbilling

occurs when you've performed work but haven't yet billed it adequately.

These imbalances typically occur due to timing issues between when costs are incurred, when progress is recognized, and when invoices go out. While not inherently bad, these situations require close understanding and monitoring.

How it impacts cash flow:

- Overbilling boosts short-term cash flow, helping contractors fund work without dipping into reserves or lines of credit. However, if too much is overbilled, future billings (and therefore cash inflows) may be reduced, potentially causing a future cash crunch.
- Underbilling ties up cash because you're essentially financing the work without getting paid. This is especially dangerous if it is widespread across multiple projects or persists over an extended period.

An essential KPI on the WIP:

Over/Underbilling = (Earned Revenue – Billed Revenue)

- A positive number means you're underbilled.
- A negative number indicates that you have been overbilled.

This KPI is a cornerstone of the WIP report, providing insight into your billing health at both the project and portfolio levels.

Further reading:

ProNovos created a deeper guide called Conquering Over and Underbillings in Construction This eBook breaks down the causes, consequences, and practical solutions for managing these imbalances with veteran insights.

Job		Billed To Date	Earned Revenue	Over / (Under) Billings
		$23,317,999	**$20,490,353**	**$2,827,646**
19-004 - Chrysler Building †		$5,140,966	$5,342,287	($201,321)
21-005 - Devon Energy Center		$134,000	$128,075	$5,925
21-016 - 731 Lexington Avenue		$53,000	$37,683	$15,317
22-007 - 30 Hudson Street		$229,950	$178,864	$51,086
22-008 - 520 Park Avenue		$768,221	$769,000	($779)

Retention

Retention (also called **retainage**) is a portion of the contract amount deliberately withheld until the project reaches substantial or final completion. It's a longstanding practice in construction that helps ensure the quality of work and provides owners with leverage in case of defects or delays.

From a **cash flow perspective**, however, retention can represent a significant and delayed inflow that contractors must plan for strategically.

How retention works:

- Typically, **5% to 10%** of each pay application is withheld.
- It accumulates over the life of the project and is **released at or after completion**, often in two stages:

01 *Substantial Completion*

02 *After the Defect Liability Period or Final Punch List Completion*

Why it's a critical cash flow KPI:

Retention delays cash inflows that contractors have already earned. On long-duration projects or during economic slowdowns, this "locked-up cash" can put real pressure on your ability to:

- Pay vendors or subcontractors
- Cover payroll
- Fund new jobs

Cash flow insight:

Retention may be standard in construction, but it shouldn't be passive. Contractors who proactively track and manage retention are in a better position to forecast cash inflows, reduce strain on operating capital, and improve payment timing with subs.

In short, **retention isn't profit until it's in the bank**, so treat it as a key indicator in your cash flow strategy.

Conclusion

Cash flow isn't just a concern for the finance department—it's the lifeblood of every construction business. By tracking these essential KPIs at the company and project levels, contractors can make smarter decisions, avoid cash crunches, and maintain the financial flexibility needed to grow and succeed in a complex, slow-to-pay industry.

If you're ready to take the guesswork out of cash flow management, **see ProNovos for yourself**.

Our construction financial intelligence platform enables easy monitoring, analysis, and action on these KPIs, all in one place.

REQUEST A DEMO *to turn your cash flow data into better business decisions.*