THE OUTLIER BRIEF

Business Intelligence · Finance · Strategy · Governance · AI Advisory

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THIS WEEK

Do You Know Your Break-Even Point?

KEY TAKEAWAY

Every business has a sales level at which it finally covers its costs and starts to make money — its break-even point. Most owners have never calculated it. Yet it is one of the most useful numbers a business owns: it tells you the sales you must hit to survive, how much a price or cost change moves that line, and how much cushion you have before a slow month turns into a loss. When costs rise, as they have this quarter, the break-even point rises with them — and the business that does not know where it sits is flying blind.

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01 CEO IN 60 SECONDS

THE WEEK IN FOUR LINES

What happened. The macro held broadly steady into month-end — inflation at its new low of 14.63%, the policy rate at 23%, the naira firm near ₦1,333 — while the higher fuel and input costs of recent weeks settled into the cost base.

Why it matters. Those higher costs quietly raise your break-even point: the sales you must make just to cover costs. If you don't know that number, you can't know how much cushion you have left.

What to do today. Calculate your break-even point — fixed costs divided by the margin you keep on each sale — and compare it honestly with your actual sales.

Biggest mistake. Running on a feel for "busy" instead of a number. Plenty of businesses are active, even growing, yet sitting below break-even without knowing it.

02 EDITOR'S NOTE

Welcome to this week's Outlier Brief. After a fortnight of rising fuel and input costs, the macro steadied into month-end: inflation holding at its new low of 14.63%, the policy rate at 23%, and the naira firm near ₦1,333. The pressure of recent weeks has not reversed — it has settled into the cost base, which makes this a good moment to ask a question most owners cannot answer: what is your break-even point?

This week is about that one number — the sales level at which a business finally covers its costs, and every sale after that adds profit. It sounds basic, yet few owners have ever worked it out, and fewer still track how it moves when costs rise. Knowing it turns vague worry into a clear target: this is what we must sell to be safe. Not knowing it is running the business on hope.

Rafiu Olawuyi, FCA — *Lead Consultant, Outliers Professionals*

03 EXECUTIVE SUMMARY — WHAT YOU NEED TO KNOW THIS WEEK

- **Costs have settled higher.** The fuel and input rises of recent weeks have fed into the cost base; inflation held at 14.63%, the policy rate at 23% and the naira firm near ₦1,333.
- **Higher costs lift your break-even.** Every rise in fixed or input costs raises the sales you need just to cover them — the break-even point moves up, often unnoticed.
- **Most owners don't know the number.** Break-even is simple to calculate — fixed costs ÷ contribution margin — yet rarely worked out, and even more rarely tracked as costs change.
- **Know it, then build a cushion.** The gap between your actual sales and your break-even is your margin of safety — the buffer before a slow month becomes a loss.

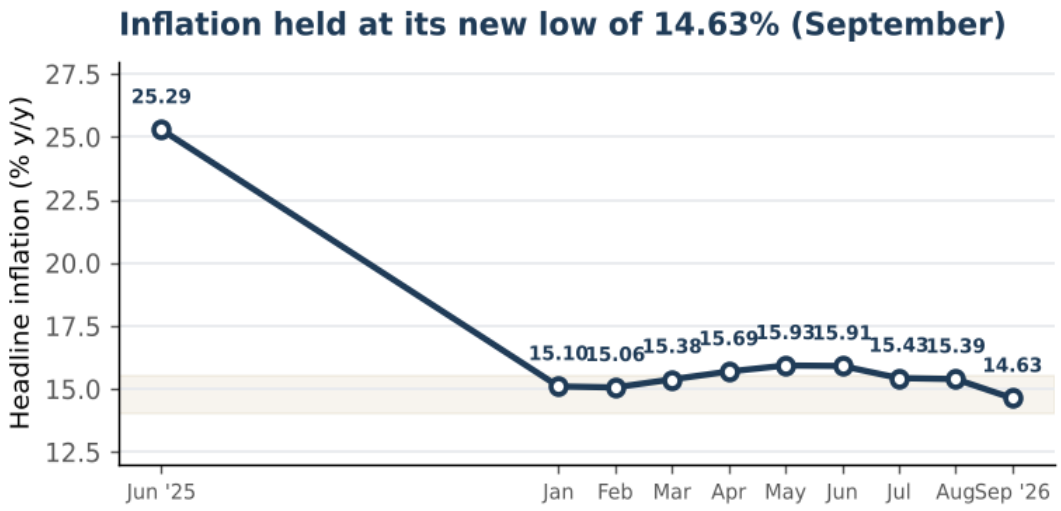
04 BUSINESS INTELLIGENCE DASHBOARD

Key indicators for Nigerian businesses, current at preparation (week of 27–31 October 2026).

INFLATION **14.63%** ▬ Sept · Oct print mid-Nov	POLICY RATE (MPR) **23%** ▬ held · cut to 23% Sept	NAIRA / US$ (OFFICIAL) **₦1,333** ▬ firm · ~2-yr high
NAIRA / US$ (PARALLEL) **₦1,380** ▬ gap ~₦47	PETROL (PMS) **₦1,345** ▬ steady · Dangote ₦1,344	BRENT CRUDE **$110** ▬ firm · around $110
EXTERNAL RESERVES **$55.1bn**	TRADE BALANCE **₦12.6tn**	FDI **$135m**

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▲ holding · 18-yr high	▲ surplus · Q2 2026	▬ Q1 2026 · 1.3% of inflows



Actual NBS readings. Inflation held its new low of 14.63% (September); the October print lands mid-November. After recent fuel and input rises, costs steadied into month-end, with the naira firm near ₦1,333.

05 THE NUMBERS BEHIND THE NEWS

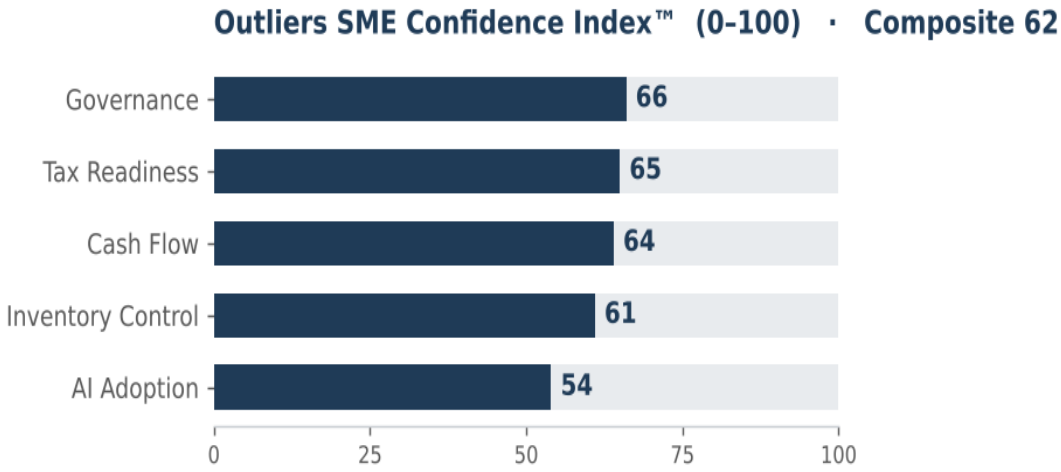
WHY THE BREAK-EVEN POINT MATTERS NOW

Break-even is the sales level where total revenue exactly covers total costs — the point at which a business stops losing money and starts to make it. Below it, every day trades at a loss, however busy it feels. Above it, each additional sale drops its full margin to the bottom line. It is the dividing line between the two halves of a business's life.

The reason it matters this quarter: when costs rise, the line moves up. A business comfortably above break-even in July can slip below it by November without a single lost customer — purely because fuel, inputs and overheads now cost more. Recalculating break-even after a cost rise is how you catch that shift before the bank statement does.

06 OUTLIERS INDEX™

The Outliers SME Confidence Index™ is our proprietary weekly read of operating conditions for Nigerian small and mid-sized businesses, scored from 0 to 100 across five dimensions. It is an expert index maintained by the Outliers editorial office.



How to read the index: The Composite Index is the average of the five dimensions shown above. The underlying average is 62.0.

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Governance led at 66 and the overall Composite Index edged to 62 — another new high — as the macro steadied. Tax Readiness rose to 65 and Cash Flow to 64 and Inventory Control to 61 as firms tightened against the higher cost base, while AI Adoption (54) remained the lowest.

> **WHAT CHANGED THIS WEEK**
>
> Confidence edged to 62, a fresh high, as the macro held steady and firms adjusted to a higher cost base. Governance rose to 66 and Tax Readiness to 65; Cash Flow firmed to 64 and Inventory Control to 61, while AI Adoption inched to 54 — still the lowest dimension.

07 FEATURE: THE ONE NUMBER EVERY OWNER SHOULD KNOW — BREAK-EVEN

Ask an owner what their business must sell to break even, and most pause. It is one of the most useful numbers in business, and one of the least known. Break-even is the sales level at which revenue exactly covers costs — not a profit, not a loss, but the line between them. Below it you are funding the business out of reserves; above it, every sale adds its margin to profit. Knowing where that line sits turns a vague sense of "are we okay?" into a precise target you can manage toward.

The calculation is simpler than its reputation. Separate your costs into fixed (rent, salaries, subscriptions — they do not change with sales) and variable (the cost of each unit sold). The margin left on each sale after variable costs is your contribution. Break-even, in units, is fixed costs ÷ contribution per unit; in naira, it is fixed costs ÷ contribution margin. That single sum tells you the sales you must hit before you make a kobo of profit.

What the number tells you

- **Your survival line.** The minimum sales to avoid a loss. Everyone in the business can be pointed at one clear target — and know when it has been met.
- **Your margin of safety.** The gap between actual sales and break-even. A thin gap means a slow month tips you into loss; a wide one means room to absorb a shock.
- **The cost of a price cut.** Drop your price and your contribution shrinks, so break-even jumps. The number shows exactly how many more units a discount forces you to sell.
- **The effect of rising costs.** Every rise in rent, fuel or inputs lifts the line. Recalculating shows how much more you must sell just to stand still.

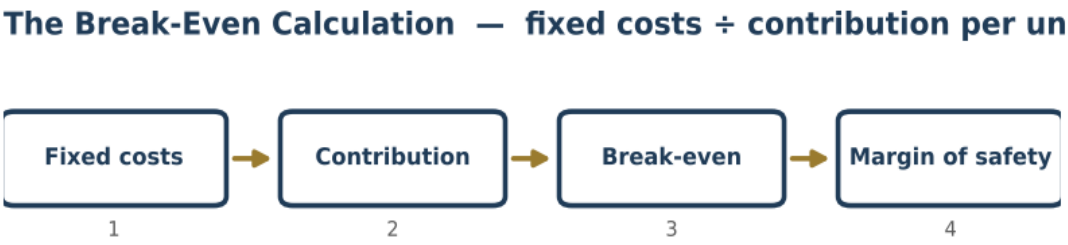
None of this needs new software — a single page or spreadsheet will do. What it needs is the discipline to work the number out once, and to revisit it whenever costs or prices change.

> **WHAT THIS MEANS FOR YOUR BUSINESS**
>
> If you cannot say, within reason, what your business must sell each month to break even, that is the first number to fix this week. Work it out, compare it with your actual sales, and you will know at once whether you are building a cushion or quietly eating into one. In a quarter where costs have risen, that line has almost certainly moved against you — and knowing by how much is the difference between managing it and being surprised by it.

08 THE BREAK-EVEN CALCULATION

Break-even is built in four steps: total up your fixed costs, work out the contribution each sale leaves after its variable cost, divide the first by the second to find the break-even point, and measure the gap to your actual sales as your margin of safety.

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Below the line, the business funds itself; above it, every sale adds profit.

09 OUTLIERS INTELLIGENCE™

ONE INSIGHT · ONE DECISION

Most owners judge the health of a business by whether it feels busy, or by the balance in the bank at month-end. The disciplined judge it against break-even — because activity is not profit, and a healthy-looking bank balance can mask a business trading just below the line. One number reframes the whole question: not "are we busy?" but "are we above break-even, and by how much?"

The decision this week: calculate your monthly break-even point and your margin of safety, then recalculate at today's higher costs — so you know, in one figure, how much cushion a cost rise has taken from you.

10 BUSINESS NUMBERS THAT MATTER

Indicator	Latest	Why it matters
Inflation	**14.63%**	Held its new low (Sept) — October print lands mid-November
Policy rate (MPR)	**23%**	Held at 23% — the easing cycle's next test is the coming MPC
Naira / US$ (official)	**~₦1,333**	Firm near a two-year high — eases import costs
Naira / US$ (parallel)	**~₦1,380**	Gap to official ~₦47 — retail FX broadly steady
Petrol (PMS), pump	**~₦1,344–1,405**	Dangote ₦1,344; NNPC ₦1,405 — steady after recent rises
Brent crude, per barrel	**~$110**	Around $110 — supports reserves; keeps pump costs elevated
External reserves	**~$55.1bn**	Holding near an 18-year high — higher oil supports FX
Trade balance (Q2 2026)	**₦12.6tn**	Surplus nearly doubled on surging exports
FDI (Q1 2026)	**$135.1m**	Direct investment — a small share of capital inflows

11 WHAT WE'RE SEEING

Across the Nigerian market this fortnight, as the higher cost base settles in, patterns are visible among small and mid-sized businesses — shared at market level, without reference to any individual client:

- Owners unable to say what monthly sales they need just to break even.
- Prices held flat while input costs rose — quietly thinning the margin on every sale.
- Discounts offered without working out how many extra units they require.
- Fixed costs — rent, subscriptions, salaries — creeping up without review.
- Busy months mistaken for profitable ones, with no break-even to check against.

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12 FINANCE SCHOOL

LESSON 13 OF AN ONGOING SERIES

The break-even point is where a business starts to make money.

Break-even is the level of sales at which total revenue exactly equals total costs — the business makes neither a profit nor a loss. It is found by dividing fixed costs by the contribution margin (the share of each sale left after variable costs). Below break-even, the business loses money on the month; above it, each sale adds its contribution to profit.

Its power is as a planning tool: it converts a target into a number everyone can aim at, and shows instantly how a change in price, cost or volume moves the line between loss and profit. Next lesson: the margin of safety — how far sales can fall before break-even is breached.

13 AI & TECHNOLOGY SPOTLIGHT

AI IN FINANCE — PART 13 OF AN ONGOING SERIES

AI for pricing and margin analysis

AI's thirteenth role is sharpening the numbers behind break-even. Fed your costs and sales, modern tools can split fixed from variable, calculate contribution margins by product or service, and show how break-even and profit shift under different prices, volumes or cost assumptions — the "what if we raised the price 5%?" question, answered in seconds across your whole range.

The guardrails hold: AI computes the scenarios, but the judgement — what the market will bear, which products to push, when a price rise costs more in lost customers than it earns — stays with you. Use it to see the maths instantly; keep the commercial decision in human hands.

TOOL OF THE WEEK

Costing & Break-Even Tools

Examples. Costing and margin modules in your accounting software, a purpose-built break-even template, or a well-structured spreadsheet model of fixed and variable costs.

What it does. Separates fixed from variable costs, calculates contribution and break-even, and shows how profit changes as price, cost or volume move.

Who should use it. Any business that has never formally calculated its break-even, or hasn't revisited it since costs rose.

Common mistake. Treating one break-even figure as permanent. It moves whenever costs or prices change — recalculate it each time, not once a year.

Business benefit. A clear survival target, pricing decisions grounded in the maths, and early warning when a cost rise pushes the line toward your actual sales.

14 PRACTICAL TOOLKIT — BREAK-EVEN CHECKLIST

Work through these this week. Each item closed sharpens how you steer.

- ☐ List your fixed costs for the month — rent, salaries, subscriptions, loan repayments.
- ☐ Work out the variable cost of one unit, and the contribution it leaves after that.
- ☐ Calculate break-even: fixed costs ÷ contribution per unit (or ÷ contribution margin).
- ☐ Compare break-even with your actual sales — that gap is your margin of safety.
- ☐ Recalculate at today's higher costs to see how far the line has moved up.
- ☐ Test a price change: see how many more or fewer units it would require.
- ☐ Set a minimum monthly sales target at or above break-even, and track against it.

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15 COMPLIANCE WATCH

- **This month.** October PAYE is due by 10 November and October VAT by 21 November — file and pay both to keep the record clean.
- **Watch.** The October inflation print lands around mid-November, and the next MPC will test whether September's cut to 23% was the start of a cycle.
- **Year-end.** For a 31 December year-end, audit planning and companies income tax work should be well under way — and a known break-even makes year-end budgeting far sharper.

16 CASE STUDY

ILLUSTRATIVE · ANONYMISED

A neighbourhood restaurant felt busy every evening yet never seemed to get ahead. Asked what sales it needed to break even, the owner had no figure. Worked out, it was stark: fixed costs of ₦2.4m a month against an average contribution of 55% meant break-even sales of about ₦4.36m — and the restaurant was averaging ₦4.1m. It was trading just below the line, busy but losing money.

Knowing the number changed everything. A small menu reprice lifted contribution, two quiet weekday sessions were trimmed, and a ₦120k subscription nobody used was cut. Break-even fell below actual sales, and the same "busy" restaurant turned a monthly loss into a modest profit — without serving a single extra cover.

17 OUTLIERS RECOMMENDATION

THIS WEEK'S RECOMMENDATION

Calculate your break-even point this week, then recalculate it at today's costs. Compare it with your actual sales to find your margin of safety. It is the fastest way to know whether your business is genuinely profitable or merely busy — and exactly how much a cost rise has narrowed your cushion.

18 CEO & BOARDROOM QUESTIONS

TWO QUESTIONS WORTH SITTING WITH

CEO question. What monthly sales must we achieve to break even — and how far above that line are we actually trading?

Boardroom question. How much has our break-even point risen as costs have increased this year — and does our pricing still reflect it?

19 THE OUTLIERS PERSPECTIVE

Busy is not the same as profitable. A business can have full order books, a buzzing shop floor and a healthy-looking month, and still be trading below the line where it covers its costs. Activity flatters; break-even does not. It is the one number that answers, plainly, whether the work is building wealth or merely consuming it.

The disciplined treat break-even as a living figure, not a one-off sum. They know it, they watch it move as costs and prices change, and they manage the gap between it and actual sales as deliberately as they manage sales themselves. Knowing the line between loss and profit is not advanced finance — it is the foundation every other decision rests on.

20 CLOSING INSIGHT

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Every business has a line where it stops losing money and starts making it. The ones that know exactly where that line sits can steer toward it, build a cushion above it, and see at once when a cost rise pushes it closer. The ones that don't are guessing — and in a quarter when costs have risen, guessing is how a busy business quietly slips into a loss. Work out your break-even this week; it is the most clarifying hour you will spend.

YOUR MOVE THIS WEEK

Calculate your break-even point this week — or book a 45-minute session to work out your numbers and set a sales target you can actually steer by. outlierspro.com · Lagos | Abuja.

Each week rotates the action: download a checklist · complete an assessment · register for a webinar · read the full guide · book a consultation.

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