THE OUTLIER BRIEF

Business Intelligence · Finance · Strategy · Governance · AI Advisory

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THIS WEEK

How Far Can Your Sales Fall Before You're in Trouble?

KEY TAKEAWAY

Last week we found the break-even point — the sales level at which a business covers its costs. This week's question is how far above that line you are sitting. That gap, expressed as a percentage, is your margin of safety: the share by which sales could fall before the business starts to lose money. A wide margin means you can absorb a slow month or a cost shock; a thin one means you are one bad month from red ink. It is the single clearest measure of how much financial risk your business is carrying right now.

INSIDE THIS ISSUE

CEO in 60 Seconds · Executive Summary · Business Intelligence Dashboard · The Numbers Behind the News · Outliers Index™ · Feature · Visual Process · Outliers Intelligence™ · Business Numbers That Matter · What We're Seeing · Finance School · AI & Technology Spotlight · Practical Toolkit · Compliance Watch · Case Study · Outliers Recommendation · CEO & Boardroom Questions · The Outliers Perspective

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01 CEO IN 60 SECONDS

THE WEEK IN FOUR LINES

What happened. The macro was mixed into early November: the naira softened a little to about ₦1,347, Brent eased to around $98 as OPEC+ supply rose, while inflation held its new low of 14.63% and the policy rate stayed at 23%.

Why it matters. Mixed signals — a softer naira, cheaper crude — are exactly when you want to know your margin of safety: how far sales can fall before you hit break-even.

What to do today. Work out your margin of safety: (actual sales − break-even sales) ÷ actual sales. The result tells you, as a percentage, how much room you have.

Biggest mistake. Assuming a profitable month means a safe business. A thin margin of safety can turn a single slow month into a loss.

02 EDITOR'S NOTE

Welcome to this week's Outlier Brief. The macro gave mixed signals into early November: the naira eased a touch to around ₦1,347, Brent crude slipped to about $98 as OPEC+ lifted supply, and inflation held its new low of 14.63% with the policy rate steady at 23%. Cheaper oil may bring some relief on pump costs; a softer naira nudges the other way. Net, the backdrop is steady but uncertain.

Last week we worked out the break-even point — the sales level at which a business covers its costs. This week builds straight on it: the margin of safety, the gap between your actual sales and that break-even line. It answers the question every owner should be able to answer in a volatile quarter — how far could sales fall before we are in trouble? The wider the margin, the more shock the business can take.

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

03 EXECUTIVE SUMMARY — WHAT YOU NEED TO KNOW THIS WEEK

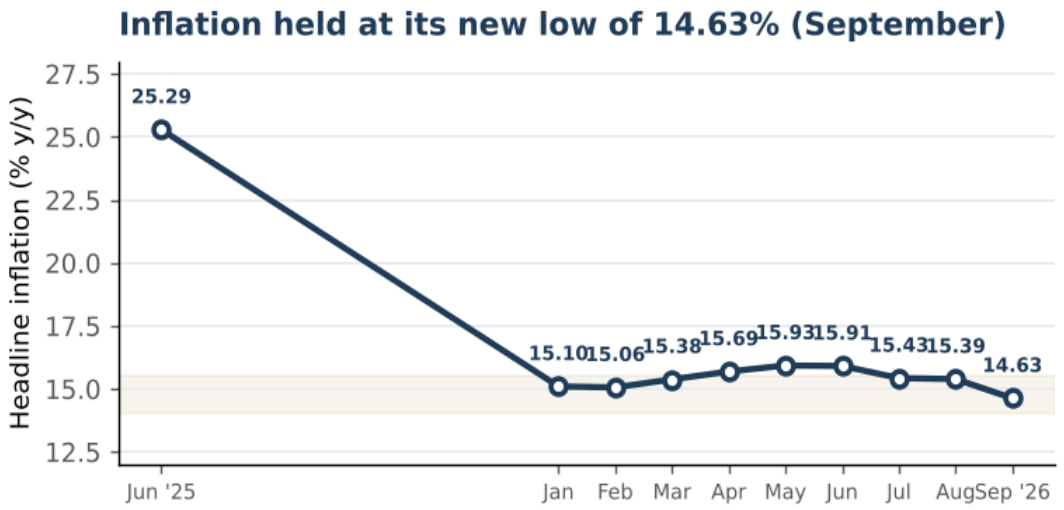
- **Mixed macro signals.** The naira softened to about ₦1,347 and Brent eased to around $98 on rising OPEC+ supply, while inflation held at 14.63% and the policy rate at 23%.
- **Margin of safety is the risk gauge.** It measures how far sales can fall before you hit break-even — the clearest single read on how much financial risk a business is carrying.
- **The formula is quick.** Margin of safety = (actual sales − break-even sales) ÷ actual sales, expressed as a percentage of current sales.
- **Wide is resilient; thin is fragile.** A wide margin absorbs a slow month or a cost shock; a thin one leaves a business one bad month from a loss.

04 BUSINESS INTELLIGENCE DASHBOARD

Key indicators for Nigerian businesses, current at preparation (week of 3–7 November 2026).

INFLATION **14.63%** ▬ Sept · Oct print ~17 Nov	POLICY RATE (MPR) **23%** ▬ held · cut to 23% Sept	NAIRA / US$ (OFFICIAL) **₦1,347** ▬ softer · vs ₦1,333
NAIRA / US$ (PARALLEL) **₦1,390** ▬ gap ~₦43	PETROL (PMS) **₦1,345** ▬ steady · Dangote ₦1,344	BRENT CRUDE **$98** ▼ eased · OPEC+ supply
EXTERNAL RESERVES **$55.1bn** ▲ holding · 18-yr high	TRADE BALANCE **₦12.6tn** ▲ surplus · Q2 2026	FDI **$135m** ▬ Q1 2026 · 1.3% of inflows

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Actual NBS readings. Inflation held its new low of 14.63% (September); the October print lands around 17 November. The naira softened to about ₦1,347 and Brent eased to around $98 as OPEC+ raised supply.

05 THE NUMBERS BEHIND THE NEWS

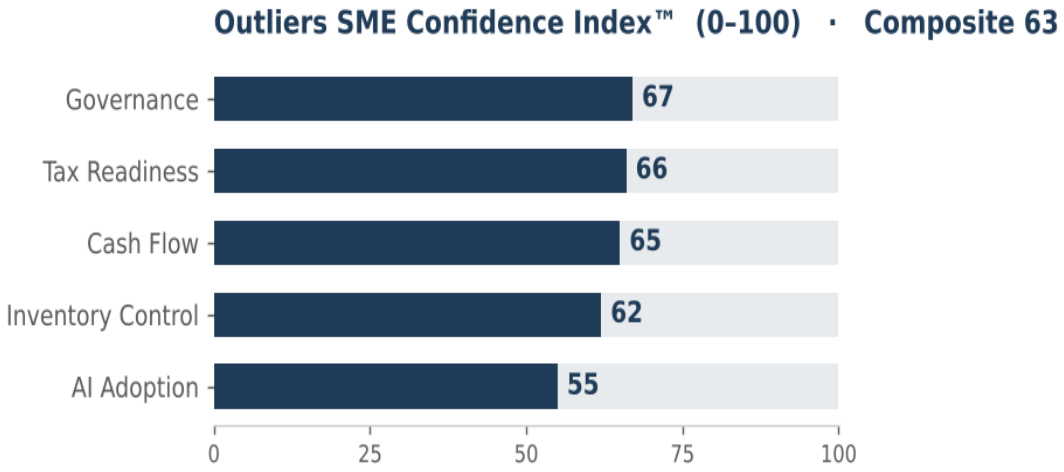
WHY YOUR MARGIN OF SAFETY MATTERS NOW

The margin of safety is the distance between your actual sales and your break-even point, written as a percentage of sales. A margin of 30% means sales could fall by nearly a third before the business stopped covering its costs. A margin of 5% means a single weak month could tip it into a loss. It turns the break-even line into a live measure of risk — how much cushion stands between you and red ink.

It matters most when the ground is moving. A softer naira lifts import costs; cheaper crude may ease fuel; a quiet month cuts sales. Each nudges the margin. Knowing yours — and watching it — tells you whether the business can ride out that volatility comfortably or is running closer to the edge than anyone realises.

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 63.0.

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Governance led at 67 and the overall Composite Index edged to 63 — another new high — as the macro stayed broadly steady. Tax Readiness rose to 66 and Cash Flow to 65, with Inventory Control at 62, while AI Adoption (55) remained the lowest.

> **WHAT CHANGED THIS WEEK**
>
> Confidence edged to 63, a fresh high, as the macro held broadly steady despite a softer naira and cheaper crude. Governance rose to 67 and Tax Readiness to 66; Cash Flow firmed to 65 and Inventory Control to 62, while AI Adoption inched to 55 — still the lowest dimension.

07 FEATURE: HOW FAR CAN SALES FALL BEFORE YOU'RE IN TROUBLE?

Knowing your break-even tells you the line. The margin of safety tells you how close you are to it. If break-even is the sales level at which a business covers its costs, the margin of safety is the space above that line — the amount by which current sales exceed break-even, expressed as a percentage. It answers a question every owner should be able to answer, especially in an uncertain quarter: how far could sales fall before we started losing money? A business selling ₦10m a month against a ₦7m break-even has a ₦3m cushion — a margin of safety of 30%. Sales can drop by up to 30% before the business dips into a loss.

The formula is short: margin of safety = (actual sales − break-even sales) ÷ actual sales. The result is the single clearest read on how much financial risk a business carries. Two businesses with identical profits can sit in very different positions — one with a 40% cushion, one with 8% — and only the margin of safety reveals it. Profit tells you how you did last month; the margin of safety tells you how much shock you could take next month.

How to read your margin

- **Wide margin (25%+).** Comfortable room. Sales can fall meaningfully before trouble; you can weather a slow month, a lost customer or a cost rise.
- **Moderate margin (10–25%).** Workable, but watch it. A sharp downturn or a cost shock could erode it quickly — keep an eye on the trend.
- **Thin margin (under 10%).** Fragile. One weak month, one late payment or one cost rise can tip the business into a loss. This is a signal to act.
- **A falling margin.** Even a healthy margin that is shrinking month on month is a warning — costs creeping up, or sales drifting down, well before either shows as a loss.

The margin of safety is not a one-off calculation but a dial to watch. Track it monthly alongside your sales, and it becomes an early-warning system — flagging rising risk long before the profit line turns red.

> **WHAT THIS MEANS FOR YOUR BUSINESS**
>
> Work out your margin of safety this week: subtract your break-even from your actual sales, and divide by your actual sales. If it is wide, you have room to invest and absorb shocks with confidence. If it is thin, you now know your most urgent task is to widen it — by lifting sales, trimming fixed costs, or improving margins — before the next slow month does the deciding for you.

08 THE MARGIN OF SAFETY

The margin of safety is built in four steps: take your actual sales, subtract your break-even sales to find the cushion between them, then express that cushion as a percentage of your actual sales — the share by which sales could fall before you reach break-even.

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The wider the band above break-even, the more shock the business can absorb before it slips into a loss.

09 OUTLIERS INTELLIGENCE™

ONE INSIGHT · ONE DECISION

Most owners track sales and profit, and stop there. The disciplined also track the margin of safety — because two businesses with the same profit can carry wildly different risk, and only the margin reveals which one is a slow month away from trouble. It reframes the question from "did we make money?" to "how much could go wrong before we don't?"

The decision this week: calculate your margin of safety, then set a floor — a minimum percentage you will not let it fall below without acting. The moment it drops toward that floor is the moment to lift sales or cut costs, not after a loss has already landed.

10 BUSINESS NUMBERS THAT MATTER

Indicator	Latest	Why it matters
Inflation	**14.63%**	Held its new low (Sept) — October print lands around 17 November
Policy rate (MPR)	**23%**	Held at 23% — the easing cycle's next test is the coming MPC
Naira / US$ (official)	**~₦1,347**	Softened from ~₦1,333 — nudges import costs up
Naira / US$ (parallel)	**~₦1,390**	Gap to official ~₦43 — retail FX broadly steady
Petrol (PMS), pump	**~₦1,344–1,405**	Dangote ₦1,344; NNPC ₦1,405 — steady for now
Brent crude, per barrel	**~$98**	Eased from ~$110 on OPEC+ supply — may ease pump costs
External reserves	**~$55.1bn**	Holding near an 18-year high — a buffer as oil softens
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 macro signals turn mixed, patterns are visible among small and mid-sized businesses — shared at market level, without reference to any individual client:

- Owners who know their profit but not how far sales could fall before a loss.
- Thin cushions above break-even, exposed by any slow week.
- Margins of safety shrinking quietly as fixed costs creep up.
- Decisions to invest or expand made without checking the buffer first.
- No floor set for how low the margin of safety is allowed to go.

12 FINANCE SCHOOL

LESSON 14 OF AN ONGOING SERIES

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The margin of safety is how far sales can fall before you hit break-even.

The margin of safety is the gap between actual sales and break-even sales, expressed as a percentage of actual sales. If a business breaks even at ₦7m and sells ₦10m, its margin of safety is ₦3m, or 30% — sales could fall by up to 30% before it stopped covering costs. The wider the margin, the more resilient the business.

It is the natural companion to break-even: break-even sets the line, the margin of safety measures your distance above it. Tracked month to month, it is one of the simplest early-warning signals a business has. Next lesson: mark-up versus margin — why confusing the two quietly erodes profit.

13 AI & TECHNOLOGY SPOTLIGHT

AI IN FINANCE — PART 14 OF AN ONGOING SERIES

AI for monitoring and early warning

AI's fourteenth role is watching the dials so you don't have to. Connected to your sales and cost data, modern tools can track your margin of safety in real time, alert you when it drifts toward a floor you set, flag when sales trend down or fixed costs creep up, and surface the shift weeks before it would show in a monthly profit figure — turning a periodic calculation into continuous early warning.

The guardrails hold: AI can watch the trend and raise the flag, but the response — lift sales, cut a cost, hold steady — is a judgement call that stays with you. Let it be the alarm; you remain the one who decides what to do when it sounds.

TOOL OF THE WEEK

Monitoring & Early-Warning Tools

Examples. Dashboard and alerting features in cloud accounting platforms, KPI-tracking tools, or a simple spreadsheet that updates margin of safety each month.

What it does. Tracks sales against break-even, calculates the margin of safety continuously, and alerts you when it falls toward a threshold you set.

Who should use it. Any business that wants to catch rising risk early rather than discover it in a bad set of monthly accounts.

Common mistake. Watching only profit. By the time profit turns negative, the margin of safety has already been thin for months — monitor the margin, not just the result.

Business benefit. Risk seen before it bites, slow drifts caught early, and the confidence to act while there is still room to act.

14 PRACTICAL TOOLKIT — MARGIN-OF-SAFETY CHECKLIST

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

- ☐ Confirm this month's break-even sales (fixed costs ÷ contribution margin).
- ☐ Take your actual (or forecast) sales for the month.
- ☐ Calculate the margin of safety: (actual − break-even) ÷ actual, as a percentage.
- ☐ Judge it: wide (25%+), moderate (10–25%) or thin (under 10%).
- ☐ Set a floor — the lowest margin you will tolerate before acting.
- ☐ Track it monthly, and watch the trend as much as the level.
- ☐ If it is thin or falling, list the quickest ways to widen it — sales, costs or margin.

15 COMPLIANCE WATCH

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- **This month.** October PAYE is due by 10 November and October VAT by 21 November — file and pay both this week to stay clean.
- **Watch.** The October inflation print lands around 17 November, and the next MPC meeting 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 advanced — and a known margin of safety sharpens the budget you build for next year.

16 CASE STUDY

ILLUSTRATIVE · ANONYMISED

Two suppliers in the same trade reported almost identical monthly profits of about ₦1.5m. On paper, equally healthy. But their margins of safety told a different story: the first broke even at ₦6m against sales of ₦10m — a 40% cushion; the second broke even at ₦9.1m against sales of ₦10m — a cushion of just 9%.

When a slow month knocked 15% off sales across the trade, the first supplier stayed comfortably profitable; the second fell well below break-even and into a loss. Same profit, very different resilience — and only the margin of safety had revealed, in advance, which business was carrying the risk.

17 OUTLIERS RECOMMENDATION

THIS WEEK'S RECOMMENDATION

Calculate your margin of safety this week — (actual sales − break-even) ÷ actual sales — and set a floor you will not let it fall below without acting. In an uncertain quarter, it is the single clearest measure of how much shock your business can absorb, and the earliest warning when that cushion starts to thin.

18 CEO & BOARDROOM QUESTIONS

TWO QUESTIONS WORTH SITTING WITH

CEO question. What is our margin of safety right now — how far could sales fall before we stop covering our costs?

Boardroom question. Have we set a floor for our margin of safety, and what is our plan if a soft quarter pushes us toward it?

19 THE OUTLIERS PERSPECTIVE

Profit tells you how the last month went; it says nothing about how much the next one could go wrong. Two businesses with identical profits can carry entirely different risk — one able to lose a third of its sales and stay whole, the other a single weak month from a loss. The difference is the margin of safety, and it is invisible on the profit line.

The disciplined treat it as a core gauge, not an afterthought. They know their cushion, they set a floor beneath it, and they watch it move — because a margin that is thinning is the earliest, quietest warning a business gets. Managing the distance between your sales and your break-even is how you stay not just profitable, but resilient.

20 CLOSING INSIGHT

Every business sits somewhere above or below its break-even line, and the distance is the whole story. A wide margin of safety is room to breathe, invest and absorb a shock; a thin one is a quiet countdown to the first bad month. The work this week is to measure that

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distance, set a floor you will defend, and watch it as closely as you watch sales — because by the time a thin margin shows up as a loss, the time to act has already passed.

> **YOUR MOVE THIS WEEK**
>
> Calculate your margin of safety this week — or book a 45-minute session to measure your cushion, set a floor, and build a plan to widen it. 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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