

Hold-or-Fold Assessment

Instructions

A structured diagnostic for struggling venues. Complete this before making any decision about whether to hold, evolve, or close. Diagnosis must come first.

Section 1: Financial Runway

Current cash reserves

currency amount

Current monthly burn rate (total costs minus total revenue)

currency amount

Financial runway (reserves divided by burn rate)

number of months

If below 3 months and DSCR is below 1.0, the intervention window has closed. If 6 months or more and DSCR is above 1.0, there is time to act – but only if the diagnosis confirms an execution failure rather than a structural one.

Section 2: Debt Service Coverage Ratio (DSCR)

Net operating income (annual)

currency amount

Annual debt service (loan repayments plus interest)

currency amount

DSCR (net operating income divided by annual debt service)

ratio

DSCR Thresholds

DSCR	Status
Above 1.25	Adequate financial health. Buffer against demand fluctuations.
At 1.0	Breakeven. Covering all obligations but entirely vulnerable to any revenue decline.
Below 1.0	Technically insolvent. Operating at a monthly deficit and risking loan default.
Below 1.0 for two consecutive quarters	Structural alarm. This is not a difficult patch.

Timeline from sustained sub-1.0 DSCR combined with 90-day accounts payable ageing to forced closure: typically six to nine months.

Section 3: Diagnosis – What Is Actually Wrong?

Execution failure: The concept is sound and the market wants it, but the daily delivery is flawed. Indicators: food costs above 28–35% benchmark, labour consuming all net profit, yet review scores, repeat visits, and top-line revenue remain stable. This is fixable through operational auditing, enforced recipe cards, tighter scheduling, and management changes.

Market-fit failure: All controls tightened, consistency maintained, yet guest traffic continues to erode and customer acquisition costs climb. The market is rejecting the concept despite competent execution. This requires radical evolution or managed closure.

Location failure: Neighbourhood foot traffic permanently declined, prolonged construction blocking access, predatory lease escalation. No amount of culinary talent can overcome a location that guests cannot or will not visit. Exit the lease.

Your diagnosis

Execution failure / Market-fit failure / Location failure. State the evidence.

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Section 4: Market-Fit Indicators

Repeat visit trend

stable / declining / growing

Customer acquisition cost trend

stable / climbing / falling

Digital sentiment trend (review scores, social media tone)

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Section 5: Personal Capacity

Can you sustain an 18–24 month turnaround effort?

Consider: burnout, mental health, personal financial exposure, family commitments. This is not weakness. It is data.

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Decision

Hold / Evolve / Close. State the reasoning and the timeline.

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