



CONSUMER PRODUCTS GROWTH  
**PARTNERS**

**CASH IS KING !**

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***May 2020***

# Providing Context ...

## *About The Presenter*



### **ANDY WHITMAN**

*Founder/Managing Partner & Investment Committee Member*

- Combined 25+ years as consumer products business leader and industry partner/investor to emerging branded consumer products companies
- Broad general management experience plus functional background in marketing, sales, operations planning and corporate development
- Successful career with General Foods and Kraft Foods on large high profile brands plus focus on nurturing smaller businesses to achieve rapid growth
- MBA – Northwestern’s Kellogg School  
BBA – University of Wisconsin

# Determining Cash Needs

*Cash  
Is King*

*Start with business cash needs vs. what money you can raise.*

- Why do decent businesses fail?
  - Run out of cash.
- P&Ls are nice ... but ***cash is king.***  
**Especially in today's world.**
- What's the difference?

# Determining Cash Needs: P&L vs. Cash

Cash  
Is King

*Interesting?*

- Would you like to start & own this business?

Financing Farm-To-Fork Inc.		
	2011	2012
	<u>FY</u>	<u>FY</u>
Revenue	\$14,400	\$14,400
Cost of Goods Sold	\$7,920	\$7,920
Gross Profit	\$6,480	\$6,480
Gross Margin %	40%	45%
Sales		\$1,440
Market		\$2,160
G&A	\$6,480	\$2,160
Net Profit	\$ (163)	\$ 720
Net Margin %	-5%	5%

***Never*** look annually.



# Determining Cash Needs: P&L vs. Cash

Cash  
Is King

Interesting?

- Would you like to start & own this business? Year 1

Financing Farm-To-Fork Inc.

	Jan	Feb	Mar	Apr	May	Jun	Jul	Sep	Oct	Nov	Dec	FY	
Revenue	\$ -	\$ -	\$ 100	\$ 150	\$ 200	\$ 250	\$ 300	\$ 350	\$ 400	\$ 450	\$ 500	\$ 550	\$ 3,250
Cost of Goods/Services	\$ -	\$ -	\$ 60	\$ 90	\$ 120	\$ 150	\$ 180	\$ 210	\$ 240	\$ 270	\$ 300	\$ 330	\$ 1,950
Gross Profit	\$ -	\$ -	\$ 40	\$ 60	\$ 80	\$ 100	\$ 120	\$ 140	\$ 160	\$ 180	\$ 200	\$ 220	\$ 1,300
Gross Margin %	#DIV/0!	#DIV/0!	40%	40%	40%	40%	40%	40%	40%	40%	40%	40%	40%
Sales	\$ -	\$ -	\$ 10	\$ 15	\$ 20	\$ 25	\$ 30	\$ 35	\$ 40	\$ 45	\$ 50	\$ 55	\$ 325
Marketing	\$ -	\$ -	\$ 15	\$ 20	\$ 25	\$ 30	\$ 35	\$ 40	\$ 45	\$ 50	\$ 55	\$ 60	\$ 488
G&A	\$ -	\$ -	\$ 20	\$ 25	\$ 30	\$ 35	\$ 40	\$ 45	\$ 50	\$ 55	\$ 60	\$ 65	\$ 650
Net Profit	\$ -	\$ -	\$ (10)	\$ (15)	\$ (20)	\$ (25)	\$ (30)	\$ (35)	\$ (40)	\$ (45)	\$ (50)	\$ (55)	\$ (163)
Net Margin %	#DIV/0!	#DIV/0!	-5%	-5%	-5%	-5%	-5%	-5%	-5%	-5%	-5%	-5%	-5%



P&Ls *do not* really matter!

# Determining Cash Needs: P&L vs. Cash

Cash  
Is King

## Let's Do An Exercise

- Converting Revenue to Cash

### Financing Farm-To-Fork Inc.

	2011												
	<u>Jan</u>	<u>Feb</u>	<u>Mar</u>	<u>Apr</u>	<u>May</u>	<u>Jun</u>	<u>Jul</u>	<u>Aug</u>	<u>Sep</u>	<u>Oct</u>	<u>Nov</u>	<u>Dec</u>	<u>FY</u>
Revenue	\$ -	\$ -	\$ 100	\$ 150	\$ 200	\$ 250	\$ 300	\$ 350	\$ 400	\$ 450	\$ 500	\$ 550	\$ 3,250
<b>REVENUE BUILD</b>													
2% Cash Discst			\$ 2	\$ 3	\$ 4	\$ 5	\$ 6	\$ 7	\$ 8	\$ 9	\$ 10	\$ 11	\$ 65
Bad Debt							\$ 100						\$ 100
Returns										\$ 35			\$ 35
Discounts			\$ 5	\$ 8	\$ 10	\$ 25	\$ 15	\$ 18	\$ 20	\$ 23	\$ 25	\$ 28	\$ 175
Net Revenue			\$ 93	\$ 140	\$ 186	\$ 220	\$ 179	\$ 326	\$ 372	\$ 384	\$ 465	\$ 512	\$ 2,875

Cash Received \$ 93

# Determining Cash Needs: P&L vs. Cash

Cash  
Is King

## Let's Do An Exercise

- Converting Revenue to Cash

Financing Farm-To-Fork Inc.													
	2011												
	<u>Jan</u>	<u>Feb</u>	<u>Mar</u>	<u>Apr</u>	<u>May</u>	<u>Jun</u>	<u>Jul</u>	<u>Aug</u>	<u>Sep</u>	<u>Oct</u>	<u>Nov</u>	<u>Dec</u>	<u>FY</u>
Revenue	\$ -	\$ -	\$ 100	\$ 150	\$ 200	\$ 250	\$ 300	\$ 350	\$ 400	\$ 450	\$ 500	\$ 550	\$ 3,250
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2% Cash Disc			\$ 2	\$ 3	\$ 4	\$ 5	\$ 6	\$ 7	\$ 8	\$ 9	\$ 10	\$ 11	\$ 65
Bad Debt							\$ 100						\$ 100
Returns										\$ 35			\$ 35
Discounts			\$ 5	\$ 8	\$ 10	\$ 25	\$ 15	\$ 18	\$ 20	\$ 23	\$ 25	\$ 28	\$ 175
Net Revenue			\$ 93	\$ 140	\$ 186	\$ 220	\$ 179	\$ 326	\$ 372	\$ 384	\$ 465	\$ 512	\$ 2,875
Cash Received					\$ 93	\$ 140	\$ 186	\$ 220	\$ 179	\$ 326	\$ 372	\$ 384	\$ 1,899

# Determining Cash Needs: P&L vs. Cash

Cash  
Is King

## Let's Do An Exercise

- Converting COGS to Cash

Financing Farm-To-Fork Inc.													
2011													
	<u>Jan</u>	<u>Feb</u>	<u>Mar</u>	<u>Apr</u>	<u>May</u>	<u>Jun</u>	<u>Jul</u>	<u>Aug</u>	<u>Sep</u>	<u>Oct</u>	<u>Nov</u>	<u>Dec</u>	<u>FY</u>
Cost of Goods/Services	\$ -	\$ -	\$ 60	\$ 90	\$ 120	\$ 150	\$ 180	\$ 210	\$ 240	\$ 270	\$ 300	\$ 330	\$ 1,950
<b>COGS DRILL DOWN</b>													
Cost of Goods/Services		\$ 500				\$ 500			\$ 500			\$ 1,000	\$ 2,500



# Determining Cash Needs: P&L vs. Cash

*Cash  
Is King*

## Let's Do An Exercise

- Converting SG&A to Cash

Financing Farm-To-Fork Inc.													
	2011												
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	FY
Sales	\$ -	\$ -	\$ 10	\$ 15	\$ 20	\$ 25	\$ 30	\$ 35	\$ 40	\$ 45	\$ 50	\$ 55	\$ 325
Marketing	\$ -	\$ -	\$ 15	\$ 23	\$ 30	\$ 38	\$ 45	\$ 53	\$ 60	\$ 68	\$ 75	\$ 83	\$ 488
G&A	\$ -	\$ -	\$ 20	\$ 30	\$ 40	\$ 50	\$ 60	\$ 70	\$ 80	\$ 90	\$ 100	\$ 110	\$ 650
Total SG&A	\$ -	\$ -	\$ 45	\$ 68	\$ 90	\$ 113	\$ 135	\$ 158	\$ 180	\$ 203	\$ 225	\$ 248	\$ 1,463

CASH MODEL													
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	FY
Sales	\$ -	\$ -	\$ 50	\$ 50	\$ 50	\$ 25	\$ 25	\$ 25	\$ 45	\$ 45	\$ 45	\$ 45	\$ 405
Marketing	\$ 15	\$ 15	\$ 15	\$ 23	\$ 30	\$ 38	\$ 45	\$ 53	\$ 60	\$ 68	\$ 75	\$ 83	\$ 518
G&A	\$ 100	\$ 100	\$ 50	\$ 50	\$ 50	\$ 50	\$ 50	\$ 50	\$ 50	\$ 50	\$ 50	\$ 50	\$ 700
Cash Impact	\$ 115	\$ 115	\$ 115	\$ 123	\$ 130	\$ 113	\$ 120	\$ 128	\$ 155	\$ 163	\$ 170	\$ 178	\$ 1,623

*Note: Do by employee and expense line item.*

# Determining Cash Needs: P&L vs. Cash

Cash  
Is King

## Let's Summarize

### Financing Farm-To-Fork Inc.

	2011												
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	FY
Revenue	\$ -	\$ -	\$ 100	\$ 150	\$ 200	\$ 250	\$ 300	\$ 350	\$ 400	\$ 450	\$ 500	\$ 550	\$ 3,250
Cost of Goods/Services	\$ -	\$ -	\$ 60	\$ 90	\$ 120	\$ 150	\$ 180	\$ 210	\$ 240	\$ 270	\$ 300	\$ 330	\$ 1,950
Gross Profit	\$ -	\$ -	\$ 40	\$ 60	\$ 80	\$ 100	\$ 120	\$ 140	\$ 160	\$ 180	\$ 200	\$ 220	\$ 1,300
Gross Margin %	#DIV/0!	#DIV/0!	40%	40%	40%	40%	40%	40%	40%	40%	40%	40%	40%
Sales	\$ -	\$ -	\$ 10	\$ 15	\$ 20	\$ 25	\$ 30	\$ 35	\$ 40	\$ 45	\$ 50	\$ 55	\$ 325
Marketing	\$ -	\$ -	\$ 15	\$ 23	\$ 30	\$ 38	\$ 45	\$ 53	\$ 60	\$ 68	\$ 75	\$ 83	\$ 488
G&A	\$ -	\$ -	\$ 20	\$ 30	\$ 40	\$ 50	\$ 60	\$ 70	\$ 80	\$ 90	\$ 100	\$ 110	\$ 650
Net Profit	\$ -	\$ -	\$ (5)	\$ (8)	\$ (10)	\$ (13)	\$ (15)	\$ (18)	\$ (20)	\$ (23)	\$ (25)	\$ (28)	\$ (163)
Net Margin %	#DIV/0!	#DIV/0!	-5%	-5%	-5%	-5%	-5%	-5%	-5%	-5%	-5%	-5%	-5%

### CASH MODEL

	Jan '11	Feb '11	Mar '11	Apr '11	May '11	Jun '11	Jul '11	Aug '11	Sep '11	Oct '11	Nov '11	Dec '11	2011
Cash Received					\$ 93	\$ 140	\$ 186	\$ 220	\$ 179	\$ 326	\$ 372	\$ 384	\$ 1,899
Cost of Goods/Services		\$ 500				\$ 500			\$ 500			\$ 1,000	\$ 2,500
Sales	\$ -	\$ -	\$ 50	\$ 50	\$ 50	\$ 25	\$ 25	\$ 25	\$ 45	\$ 45	\$ 45	\$ 45	\$ 405
Marketing	\$ 15	\$ 15	\$ 15	\$ 23	\$ 30	\$ 38	\$ 45	\$ 53	\$ 60	\$ 68	\$ 75	\$ 83	\$ 518
G&A	\$ 100	\$ 100	\$ 50	\$ 50	\$ 50	\$ 50	\$ 50	\$ 50	\$ 50	\$ 50	\$ 50	\$ 50	\$ 700
Cash Impact	\$ (115)	\$ (615)	\$ (115)	\$ (123)	\$ (37)	\$ (473)	\$ 66	\$ 93	\$ (476)	\$ 163	\$ 202	\$ (794)	\$ (2,224)

## *Summary*

Remember:

- It takes several times as long as you think!
- It costs several times more than you think!
  
- You can start today ...  
Brainstorm and plan and plan and plan and plan some more!!

***And, in today's COVID-19 world,  
most of us are planning cash on a weekly basis!***



Spreadsheet downloadable at <https://hirshberginstitute.com/webinar-series>.



# ***Ideas To Help Conserve Cash***

***(From Working With Our Partner Companies)***

***Andy Whitman***  
***awhitman@2xPartners.com***

***May 2020***

How we're thinking about things ...

*Ideas  
To Help*

*Summary*

The goal ...

**Live to Fight  
Another Day**



# How we're thinking about things ...

*Ideas  
To Help*

## *Summary*

The goal ...

***THRIVE***

Live to ~~Fight~~

**Another Day**

**One pager downloadable at [2xPartners.com](http://2xPartners.com)**

*Ideas  
To Help*

*In Working With Our Talented Partner Company Leaders ...*

One pager downloadable at [2xPartners.com](https://2xPartners.com)

Ideas  
To Help

*In Working With Our Talented Partner Company Leaders ...*



Click Here for [Link](#)

## COVID-19

While we have all been working very actively together and know you are already taking proactive measures in response to the COVID-19 business impacts, we compiled steps that a business can take in order to best position themselves to weather this period of time. These steps focus on conserving cash and extending your cash runway. Maybe there's an additional nugget or two here for you to consider.

Please note that these thoughts are subject to change based on government policy changes. Of course, each situation and state is different so let's check with counsel.

## *In Working With Our Talented Partner Company Leaders ...*

### Conserving Cash

1. Revenue: consider what ways you can drive online sales in ways that are sensitive to the times; also, are there new uses for existing products that you can market or new products you might be able to make and sell (e.g., hand sanitizer)?
2. Trade spend: cut trade spending (especially OIs that might not get passed along) in the short- and medium-term (likely for the rest of 2020)?
3. Labor: there are many options, and plans can be developed and executed in phases; see below
  - a. Pay deferrals: defer payment of a % of salaries for employees to be paid at a later date?
  - b. Pay reductions: cut a % of salaries for employees (either across the board or with the biggest cuts from the top earners)?
  - c. Furloughs: mandatory time off work with no pay (or reduced pay such as 25% of salary)?
  - d. Layoffs: undesired and potentially not for phase 1 plans, but most effective to cut costs in the short-term?
4. Variable OpEx: cut non-essential variable OpEx such as marketing or business development?
5. Fixed OpEx: rethink what is “fixed”; rent, utilities and other services with contracts should not be paid if cash is low; negotiations and payment plans likely to follow period without payments?
6. A/R & A/P: aggressively push to collect receivables as fast as possible (see “Receivables Forum for Partner Companies” google sheet for shared info) and push out payables as long as possible?
7. Inventory: scrutinize what’s essential to order based on cash situation & future sales opportunity and/or any critical raw/pack material with risk to future availability?; use cash wisely

## *In Working With Our Talented Partner Company Leaders ...*

### Extending Cash Runway

1. Covenants: seek approval to get covenants waived for as long as possible?
2. Draw on lines: draw on your credit lines to max out availability incase liquidity dries up?
3. Emergency loans: by now, you've applied for the [SBA disaster loan](#) (use Internet Explorer, not Chrome for this website) , but please monitor for additional federal, state and local programs
4. Grants: also as discussed Friday, seek grants as funding pops up (e.g., [Facebook \\$100mm grant](#)); share new grants with the broader group of partner companies as you learn of them
5. Insurance: check your policies to see the language on pandemics under business interruptions

During this time, please consult with each other. Share where you have had success and seek advice where you are encountering challenges. We at 2x Partners are here to help too.



## *In Working With Our Talented Partner Company Leaders ...*

### Extending Cash Runway

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20 North Wacker Drive | Suite 3120 | Chicago, IL 60606 | [www.2xPartners.com](http://www.2xPartners.com)

***Remember ... every dollar that goes out the door today  
is not available later to weather this storm! Act now!!***



CONSUMER PRODUCTS GROWTH  
**PARTNERS**

***Now To Elliot ...***

***Andy Whitman***  
***[awhitman@2xPartners.com](mailto:awhitman@2xPartners.com)***

***May 2020***

# Questions for Gary & Elliot & Andy?

*More Opportunities Later With Other Presenters*







CONSUMER PRODUCTS GROWTH  
**PARTNERS**

# APPENDIX – ABOUT US

***Andy Whitman***  
***[awhitman@2xPartners.com](mailto:awhitman@2xPartners.com)***

***April 2020***

# Unparalleled Experience Combination: *Big Plus E*

Uniquely  
Experienced  
Team

## Large Company Training (“Big”) Plus Emerging Brand Experience (“E”)

- Team brings collective experience as operators, board members, advisors and investors with both established and emerging brands

### BIG COMPANY CPG EXPERIENCE



PEPSICO



MORE THAN

**100**

EMERGING BRANDS



### A DIFFERENT APPROACH

CROSS-FUNCTIONAL  
EXPERTISE TO HELP  
EMERGING BRANDS  
BECOME CATEGORY  
LEADERS

- Operating expertise across functions including sales, marketing, supply chain and finance
- Unparalleled relationships with and access to the vast majority of strategics via 20+ year personal and professional relationships



# Highly Focused Investment Charter

*Differentiated Approach*

*Disciplined Approach Within Emerging Consumer Products*



# Focus Makes A Difference

*Differentiated  
Approach*

## *Intersection Of Our Industry & Channel Knowledge With Capacity To Help*

- Leverage deep expertise, contacts and connections to help emerging consumer products businesses become category creators, disruptors and leaders



- Maintain ability and capacity to devote significant time to partner companies
- Highly selective among significant deal flow
  - Invested in 11 of last 6,000+ companies

# Highly Selective Among Significant Deal Flow

*Differentiated Approach*

**Invested In 12 Of Last 6,000+ Companies**

**The Sill**

Leading digitally-native brand selling houseplants, pots and accessories through its website and company-owned retail stores

Top selling all-natural dog treat sold in grocery and mass merchandiser channels



The first refrigerated, flax-based non-dairy food and beverage brand full of great tasting plant-based nutrients



Revolutionary high protein, low sugar, plant-based protein bars and nut butters

Natural bath, body, face and haircare products infused with the power of organic, sustainably-harvested seaweed



Luxury, color cosmetics brand known for its high degree of artistry and Japanese influence, created by visionary & celebrity makeup artist Troy Surratt

**BEANITOS**

The original and largest producer of bean chips, which taste great and are naturally high in protein and fiber

World's most eco-friendly diaper with disposable inserts and adorable, washable cloth covers\*



Provider of real whole food supplements that are fresh from farm to tablet for consumers since 1973\*

Patented, FDA approved tongue cleaner driven by Molio Reverse Marketing Model\*



Leader in Indian & Pan-Asian food plus emerging India food service provider\*

One of the first producers of human-grade, all-natural pet food and treats\*

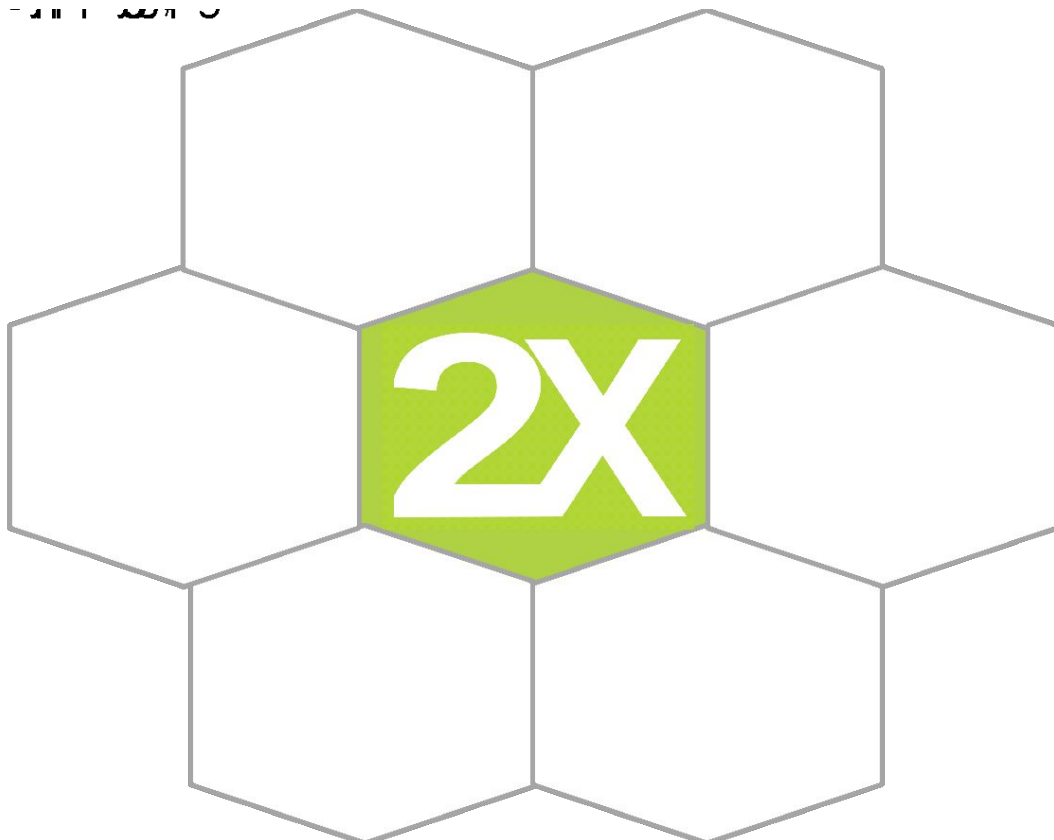


\* Exited

# Proprietary Approach: *Brand Platformation*<sup>TM</sup>

Differentiated  
Approach

*Uniquely Qualified to Help Partner Companies*



- Uniquely qualified to help emerging brands grow & exit at super-premium valuations
  - *Big Plus E* experience
  - Diverse & powerful network
  - 19 years of investor experience
  - Relationships with strategics
- Focus on “fast start” program immediately post investment

Partner  
Companies:

**+42%**  
**CAGR**

Regular keynote speakers at marquee industry conferences, including NOSH Live June 2017 – video available at <https://youtu.be/7lfdOSllqdU>