Nov 2021

(formerly 2x Consumer Products Growth Partners)

CASH IS KING!

Andy Whitman

andy@LoftGrowthPartners.com

About The Presenter

Andy Whitman has for twenty years devoted his uncanny acumen for what it takes to build successful brands, his unwavering focus on the fundamentals, and his unparalleled network to help dozens of entrepreneurs in rapidly building profitable companies. In addition, he has informally mentored hundreds more founders/teams since founding the firm in 2001. Previously, during his successful career with General Foods and Kraft Foods, Andy developed his strong marketing, sales, operations and finance backgrounds. He was named by Forbes Magazine of one of the “25 Most Influential Kingmakers in Consumer and Retailer Companies” and has participated in more educational webinars, workshops and panels than just about any person in the industry.

Determining Cash Needs

- 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

- Would you like to start & own this business?

Financing Farm-To-Fork Inc.	2020	2021
	FY	FY
Revenue	$ 3,250	$ 14,400
Cost of Goods/Services	$ 1,950	$ 7,920
Gross Profit	$ 1,300	$ 6,480
Gross Margin %	*40%*	*45%*
Sales	$ 325	$ 1,440
Marketing	$ 488	$ 2,160
G&A	$ 650	$ 2,160
Net Profit	$ (163)	$ 720
Net Margin %	*-5%*	*5%*

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Never look annually.

Determining Cash Needs: P&L vs. Cash

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

Financing Farm-To-Fork Inc.	2020												
	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%*

Determining Cash Needs: P&L vs. Cash

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P&Ls do not really matter!

Determining Cash Needs: P&L vs. Cash

- Let's do an exercise: converting **revenue** to **cash**

Financing Farm-To-Fork Inc.

	2020												
	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
REVENUE BUILD													
2% Cash Disct			$ 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

- Let's do an exercise: converting **revenue** to **cash**

Financing Farm-To-Fork Inc.

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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

- Let's do an exercise: converting **COGS** to **cash**

Financing Farm-To-Fork Inc.	2020												
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	FY
Cost of Goods/Services	$ -	$ -	$ 60	$ 90	$ 120	$ 150	$ 180	$ 210	$ 240	$ 270	$ 300	$ 330	$ 1,950

COGS DRILL DOWN													
Cost of Goods/Services		$ 500				$ 500			$ 500			$ 1,000	$ 2,500

Determining Cash Needs: P&L vs. Cash

- Let's do an exercise: converting **SG&A** to **cash**

Financing Farm-To-Fork Inc.	2020												
	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													
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

Consider doing by employee or position

Determining Cash Needs: SUMMARY

Financing Farm-To-Fork Inc.

2020

	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
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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

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)

Determining Cash Needs: 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!!

Most emerging brands plan cash on monthly (or maybe weekly) basis!

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CONSERVING CASH

Andy Whitman

andy@LoftGrowthPartners.com

Ways to Conserve Cash

Initially developed for COVID-19, but principles apply nonetheless

The goal …

Live To Fight Another Day

Ways to Conserve Cash

Initially developed for COVID-19, but principles apply nonetheless

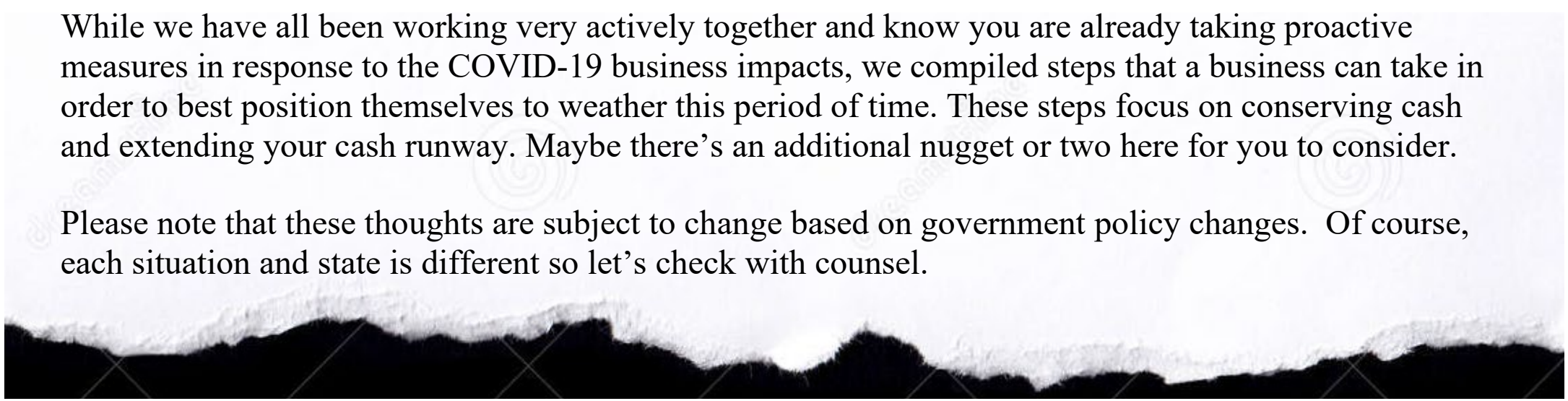
The goal …

THRIVE

Live To Fight

Another Day

Ways to Conserve Cash



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

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.

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

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NOW TO ELLIOT …

Andy Whitman

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Questions?

- Contact us!

  Andy Whitman: andy@LoftGrowthPartners.com

- And visit LoftGrowthPartners.com for more helpful information!