



BREWED FOR HER LEDGER, LLC



BREW YOUR OWN BREWERY FINANCIALS ONLINE BOOTCAMP

PRESENTED BY AUDRA GAIZIUNAS

OWNER, BREWED FOR HER LEDGER LLC

JUNE 2022

MY BACKGROUND



- Live in Asheville, NC
- BA in Accounting, Biz Mgmt Loras College (1997)
- MBA in Global Business Admin, University of North Carolina at Chapel Hill (KFBS) (2008)
- 1997-2009 Public Accounting, Small Businesses, Not for Profits, Caterpillar Accounting and Pricing Manager
- 2009-2010 Dogfish Head Controller
- 2011-2014 Mother Earth Brewing CFO
- 2013-today Brewed For Her Ledger Owner
- 2016-2020 Bhramari Brewing Company CEO
- Head of Finance for Crooked Stave
- Owner in DSSOLVR
- Teach through U of Vermont, UNCC, AB-Tech, State Guilds
- Serve on the Brewers Association's Finance Committee
- Write for The New Brewer and BYO
- Technical editor for Small Brewery Finance by Maria Pearman

AGENDA

- Six common financial mistakes breweries make
- Key components of the Balance Sheet, Income Statement, Cash Flows
- Important ratios to track within each and why
- Cash flow management best practices
- Capital investment prioritization techniques/hacks
- Managing working capital
- KPIs
- Recipe costing
- Building a Sales / COGS matrix

MISTAKE 1: NOT CREATING AN ANNUAL BUDGET

- **YOU CAN'T IMPROVE WHAT YOU DON'T MEASURE**
- **YOU WON'T GET IT RIGHT THE FIRST TIME**
- **IT'S NOT ABOUT THE RESULT, BUT THE PROCESS, AT FIRST**
- **BE AS SPECIFIC AS POSSIBLE**
- **COMPARE BUDGET TO ACTUAL AT REGULAR INTERVALS, UPDATE BUDGET**
- **ASK FOR GUIDANCE FROM OTHERS IN YOUR ORGANIZATION**
- **ENSURE ANYONE WITH PURCHASING POWER IS AWARE OF AND HAD ACCOUNTABILITY TO THE BUDGET**

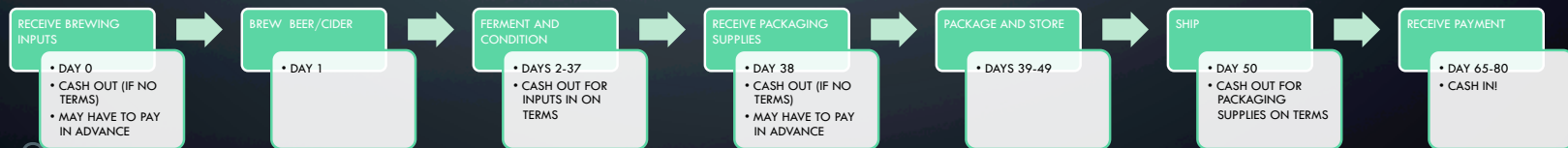


MISTAKE 2:
NOT PLANNING OUT INFORMATION SYSTEMS TO ALIGN
WITH LONG-TERM GOALS/VISION

DEFINE
DESIGN
GATHER
UNDERSTAND

MISTAKE 3: OPENING & OPERATING UNDERCAPITALIZED

- PROFITS ARE NICE, BUT YOU NEED CASH TO OPERATE
- KNOW YOUR BURN RATE
- PUSH FOR TERMS WITH SUPPLIERS
- WORK WITH WHOLESALERS ON TERMS AND CASHFLOW
- BULK PURCHASING CAN INCREASE PROFITS BUT LOCKS UP CASH, BE REALISTIC






MISTAKE 4: NOT UNDERSTANDING HOW COGS WORKS

- **THE COMPONENTS**
 - **DIRECT MATERIALS**
 - **DIRECT LABOR**
 - **OVERHEAD**
- **CREATE OR USE A COSTING TEMPLATE UNTIL YOU UNDERSTAND HOW YOUR ACCOUNTING INFORMATION SYSTEMS CAPTURES THE DATA**



MISTAKE 5: LACK OF EXPLICIT COMMUNICATION & SETTING EXPECTATIONS

- **DEVELOP AND MANAGE COMMUNICATION CHANNELS BETWEEN ALL BREWERY DEPARTMENTS VIA ORGANIZATION CHART, JOB DESCRIPTIONS**
 - HOW, WHEN
 - TRIGGER EVENTS, MILESTONES
 - **INCORPORATE FEEDBACK AND METRICS INVOLVING ALL KEY BREWERY DEPARTMENTS FOR ANNUAL PLAN**
 - SALES: MIX, KEG TURNS, VOLUME
 - POS AND MARKETING SPEND
 - PRODUCTION: LOSSES, VARIANCES
 - GENERAL AND ADMINISTRATIVE OVERHEAD
- 

MISTAKE 6: LEASES

- OCCUPANCY COSTS SHOULDN'T EXCEED 10-12% OF YOUR TOTAL SALES, OR ELSE YOU MAY SHORT INVESTMENT BACK INTO YOUR BREWERY
- OCCUPANCY COSTS: NNN LEASE + UTILITIES
- OPPORTUNITY TO RENEGOTIATE TERMS?
- UNDERSTAND YOUR OBLIGATIONS
 - NNN? DON'T FORGET TO INCLUDE PROPERTY TAX, CAM, PROPERTY INSURANCE INTO YOUR BUDGET AND CASH FLOW

THE BALANCE SHEET

- $\text{Assets} = \text{Liabilities} + \text{Equity (ALE)}$
- Key ratios to track
 - Working Capital: $\text{Current assets} - \text{current liabilities}$
 - Current Ratio: $\text{Current assets} / \text{current liabilities}$
 - Quick Ratio: $\text{Current assets less inventory, prepaids} / \text{current liabilities}$
 - Inventory Turnover: $\text{COGS for year} / \text{average inventory for year}$
 - Days' Sales in Inventory: $365 \text{ days in year} / \text{inventory turnover for year}$
 - Debt to Equity: $\text{Total liabilities} / \text{total stockholders' equity}$

**Example Company
Balance Sheet
December 31, 2018**

ASSETS

Current assets	
Cash	\$ 2,100
Petty cash	100
Temporary investments	10,000
Accounts receivable - net	40,500
Inventory	31,000
Supplies	3,800
Prepaid insurance	1,500
Total current assets	<u>89,000</u>
Investments	<u>36,000</u>
Property, plant & equipment	
Land	5,500
Land improvements	6,500
Buildings	180,000
Equipment	201,000
Less: accum depreciation	<u>(56,000)</u>
Prop, plant & equip - net	<u>337,000</u>
Intangible assets	
Goodwill	105,000
Trade names	200,000
Total intangible assets	<u>305,000</u>
Other assets	<u>3,000</u>
Total assets	<u>\$ 770,000</u>

LIABILITIES

Current liabilities	
Notes payable	\$ 5,000
Accounts payable	35,900
Wages payable	8,500
Interest payable	2,900
Taxes payable	6,100
Warranty liability	1,100
Unearned revenues	<u>1,500</u>
Total current liabilities	<u>61,000</u>
Long-term liabilities	
Notes payable	20,000
Bonds payable	<u>400,000</u>
Total long-term liabilities	<u>420,000</u>
Total liabilities	<u>481,000</u>

STOCKHOLDERS' EQUITY

Common stock	110,000
Retained earnings	229,000
Less: Treasury stock	<u>(50,000)</u>
Total stockholders' equity	<u>289,000</u>
Total liabilities & stockholders' equity	<u>\$ 770,000</u>

THE INCOME STATEMENT

- Use divisional accounting to track profitability by each arm of the brewery
- Design (or revise) your COA to track your success metrics
- Understand your fixed overhead
- Key ratios to track
 - Gross Margin: $\text{gross profit} / \text{net sales}$
 - Net Income %: $\text{net income after tax} / \text{net sales}$
 - Earnings per Share: $\text{net income after tax} / \text{avg \# of common shares outstanding}$
 - Return on Equity: $\text{net income after tax} / \text{avg stockholders equity}$

EXAMPLE BREWING COMPANY
INCOME STATEMENT
JANUARY 1 – DECEMBER 31, 2018

Income	
Gross Receipts	
Sales- Bar	
Sale Bar Non-Alc	4,917.24
Sales Bar Guest Beer	7,771.74
Sales Bar Liquor	45,054.19
Sales Bar-Wine	11,209.18
Total Sales- Bar	\$ 68,952.35
Sales- Beer Self Distribution	
Festival Beer	485.32
Kegged Beer	28,982.94
Packaged Beer	31,046.04
Total Sales- Beer Self Distribution	\$ 60,514.30
Sales- Beer to Wholesaler	
Sales- Kegged Beer	6,488.24
Sales- Packaged Beer	46,724.98
Total Sales- Beer to Wholesaler	\$ 53,213.22
Sales- Merchandise	
Taproom Merchandise Sales	14,650.44
Total Sales- Merchandise	\$ 14,650.44
Sales- POS to Wholesaler	0.00
Sales- Rentals/Special Events	25.00
Sales- Restaurant	210,855.02
Sales- Taproom Beer	248,892.53
Total Gross Receipts	\$ 657,102.86
Taproom Discounts, Refunds, Comps	-40,957.90
Total Income	\$ 616,144.96

Cost of Goods Sold	
Canning Contract	10,801.63
Cost of Goods Sold	
Bar	12,329.56
Cost of Goods Sold- Beer Self Distribution	
Kegged Beer	3,702.25
Packaged Beer	9,790.42
Total Cost of Goods Sold- Beer Self Distribution	\$ 13,492.67
Cost of Goods Sold- Beer to Wholesaler	
COGS- Bulk Beer	1,085.00
COGS- Kegged Beer	2,276.04
COGS- Packaged Beer	23,930.79
Total Cost of Goods Sold- Beer to Wholesaler	\$ 27,291.83
Inventory Variance- Raw Materials	19.99
Restaurant	41,876.87
Taproom Transfer	13,578.74
Total Cost of Goods Sold	\$ 108,589.66
Merchandise Cost	
Merchandise Purchases	3,427.36
Total Merchandise Cost	\$ 3,427.36
Other Brewery Production Costs	
Production Repairs and Maintenance	2,684.25
Production Salaries and Wages	32,332.71
Production Supplies	60.00
Total Other Brewery Production Costs	\$ 35,076.96
Pilot Batches/Research & Development	1,723.32
Restaurant Salaries and Wages	
Back of House	69,968.42
Front of House	40,526.99
Total Restaurant Salaries and Wages	\$ 110,495.41
Taproom Event COGS	500.00
Total Cost of Goods Sold	\$ 270,614.34
Gross Profit	\$ 345,530.62

EXAMPLE BREWING COMPANY
INCOME STATEMENT
JANUARY 1 – DECEMBER 31, 2018

Expenses	
Advertising	9,576.89
Auto and Truck Expense (self distribution)	2,480.16
Bank Charges	135.48
Business Development	
Collaboration Expense	937.12
Competition Entry	275.00
Design Services	5,130.00
Label Art	2,500.00
Total Business Development	\$ 8,842.12
Cash Over/(Short)	-9.02
Commissions & Fees	0.00
Contributions- Charitable	6,139.17
Dues & Subscriptions	4,858.57
Employee Benefits	
Employee Appreciation/Engagement	2,898.76
Employment Taxes	24,891.05
Group Insurance	7,882.38
Worker's Comp Insurance	1,432.95
Total Employee Benefits	\$ 37,105.14
Gases	1,569.74
Insurance	
Insurance - Auto	694.66
Insurance - Liability	2,817.67
Total Insurance	\$ 3,512.33
Interest Expense	12,415.78
Keg Lease	5,543.13
Legal & Professional	23,190.45
Licenses and Permits	2,345.00
Linen Expense	9,506.52
Management- Guaranteed Payments	30,329.71
Meals and Entertainment	1,056.27
Miscellaneous Expense	1,785.16
Office Supplies and Expense	4,936.39
Operating Lease- Tank 2 Tap	19,208.00
Professional Development	3,217.48
QuickBooks Payments Fees	103.63
Recruiting	100.00
Rent or Lease	28,760.00
Repairs & Maintenance (Kitchen)	1,813.31
Repairs & Maintenance (Non-Production)	1,673.08
Salaries & Wages (Non-Production, Non-Restaurant)	26,244.54
Sales Team Expenses (excludes wages)	1,974.78
Festival Travel	76.36
Total Sales Team Expenses (excludes wages)	\$ 2,051.14

Supplies- Brewery	11,106.08
Supplies- Restaurant	2,281.57
Supplies- Taproom	5,763.62
Taproom Administrative Cost	117.98
Credit Card Processing Fees	12,483.40
POS Equipment Rental	958.04
POS Supplies	170.39
Taproom Entertainment	3,334.37
Total Taproom Administrative Cost	\$ 17,064.18
Tax- Excise	6,385.00
Tax- Property	1,671.84
Travel	2,287.25
Travel Meals	360.21
Uncategorized Expense	32.25
Utilities	19,132.79
Website Maintenance	683.96
Total Expenses	\$ 315,258.92
Net Operating Income	\$ 30,271.70
Other Income	
Interest Earned	4.13
Other Income	1,049.23
Total Other Income	\$ 1,053.36
Other Expenses	
Penalties & Settlements	30.00
Total Other Expenses	\$ 30.00
Net Other Income	\$ 1,023.36
Net Income	\$ 31,295.06

THE CASH FLOW STATEMENT

- Ties the balance sheet and income statement together; connects snapshot in time of what you own/how you financed what you own with the story
- Free Cash Flow: Cash from provided by operating activities – capital expenditures
- Used to assess quality of brewery's earnings
- Amount of cash flow from operating activities must exceed net income
- Debt service coverage ratio: $\text{EBITDA} / \text{Total debt service}$
 - Measure of the cash flow available to pay current debt obligations
 - .95 DSCR means you can pay only 95% of your annual debt obligations
 - Most banks working with breweries look for a 1.2 DSCR to approve new loans
 - Some will accept 1 or slightly less than 1 if you have proven funding available elsewhere

	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12
Cash Flow From Operations												
Net Income	\$12,106	\$14,462	\$15,959	\$15,477	\$14,486	\$12,418	\$13,356	\$13,364	\$12,539	\$12,548	\$13,389	\$5,398
Depreciation & Amortization	\$4,999	\$4,999	\$4,999	\$4,999	\$4,999	\$4,999	\$4,999	\$4,999	\$4,999	\$4,999	\$4,999	\$4,999
Interest Expense	\$7,121	\$7,113	\$7,105	\$7,097	\$7,089	\$7,081	\$7,073	\$7,064	\$7,056	\$7,048	\$7,039	\$7,031
(Additions)/Depletions of Inventory	\$0	\$0	\$3,412	\$1,444	\$306	\$414	\$2,022	\$0	\$514	\$0	\$0	\$1,743
Net Cash From Operating Activities	\$24,226	\$26,573	\$24,650	\$26,128	\$26,879	\$24,911	\$23,405	\$25,427	\$24,080	\$24,594	\$25,427	\$15,684
Cash Flow from Investing Activities												
Purchase of Property & Equipment	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$216,885
Purchase of Distribution Vehicles	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Deposits on Kegs	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Net Cash From Investing Activities	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$216,885
Cash Flow from Financing Activities												
Line of Credit Borrowing	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Dividends	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Long Term Liability Repay	\$8,346	\$8,346	\$8,346	\$8,346	\$8,346	\$8,346	\$8,346	\$8,346	\$8,346	\$8,346	\$8,346	\$8,346
Net Cash From Financing Activities	\$8,346	\$8,346	\$8,346	\$8,346	\$8,346	\$8,346	\$8,346	\$8,346	\$8,346	\$8,346	\$8,346	\$8,346
NET CASH FLOW	\$15,879	\$18,227	\$16,304	\$17,782	\$18,533	\$16,565	\$15,059	\$17,081	\$15,734	\$16,248	\$17,081	\$209,547
Beginning Cash	\$175,541	\$191,420	\$209,647	\$225,951	\$243,733	\$262,266	\$278,830	\$293,889	\$310,970	\$326,704	\$342,951	\$360,032
Ending Cash	\$191,420	\$209,647	\$225,951	\$243,733	\$262,266	\$278,830	\$293,889	\$310,970	\$326,704	\$342,951	\$360,032	\$150,485
Months of Cash	5.3	6.1	6.8	7.3	7.6	7.7	8.2	8.7	9.0	9.4	10.1	3.4

BENCHMARKING

- Focus on those activities that generate fastest cash inflows
- Sales, General, and Administrative
 - Know your prime costs (sum of all labor and COGS) because they're controllable
 - 60-65% of revenue for brewpubs is a favorable target
 - Limit occupancy costs to 10% of revenue, renegotiate lease to sales targets if possible
- Best practices for SG&A management
 - Refocus on efficiency
 - Tend to spend more on SG&A as we increase gross margin; understand why
 - Align overhead spend with future demand
 - Assess overhead value creation
 - Eliminate, automate, consolidate
 - Drive aggressive yet attainable set of expectations that reward progress

CASH FLOW MANAGEMENT BEST PRACTICES

- Monitor cash regularly (weekly is a good start)
- Create projections frequently (annual budget, review monthly, revise quarterly)
- Net cash position = cash on hand at start of month + estimated cash inflows – estimated cash outflows = net cash balance
- Identify issues early (changes in legislation, excise tax)
- Have emergency backup plan
- Grow carefully: avoid long pauses between inflows and outflows (beer in barrels, unpredictable beer in koelschips)
- Invoice quickly, pay slowly
- Use technology to your advantage; design COA & inventory mgmt systems to do the work for you

CASH FLOW MANAGEMENT BEST PRACTICES

SHORT TERM

Understand your fixed overhead

Manage inventory, A/R, A/P

Use your tech

Focus on generating working capital

LONG TERM

Align overhead spend with future demand

Review contracts

Eliminate, automate, consolidate

Evaluate all capital projects using cash flows via NPV analysis

Minimize pricing erosion

AND DON'T FORGET

Be sure to use divisional accounting to track profitability by each arm of the brewery

Periodically review your COA

Review POS entry as it relates to the accounts in your COA

Culture

UNDERSTANDING BURN RATE

- Measures how quickly your cash holdings are decreasing
- GROSS BURN RATE: total amount of cash spent monthly
- NET BURN RATE: cash outflows – cash inflows
 - Allows you to forecast when you'll run out of cash or when you'll be able to expand
 - Goal is to show negative balance
- Best practice: deposit excess into separate savings account to earn interest

	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12
Cash Flow From Operations												
Net Income	\$12,106	\$14,462	\$15,959	\$15,477	\$14,486	\$12,418	\$13,356	\$13,364	\$12,539	\$12,548	\$13,389	\$5,398
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Cash Flow from Investing Activities												
Purchase of Property & Equipment	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$216,885
Purchase of Canning Line	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Deposits on Kegs	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Net Cash From Investing Activities	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$216,885
Cash Flow from Financing Activities												
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Dividends	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Long Term Liability Repay	\$8,346	\$8,346	\$8,346	\$8,346	\$8,346	\$8,346	\$8,346	\$8,346	\$8,346	\$8,346	\$8,346	\$8,346
Net Cash From Financing Activities	\$8,346	\$8,346	\$8,346	\$8,346	\$8,346	\$8,346	\$8,346	\$8,346	\$8,346	\$8,346	\$8,346	\$8,346
NET CASH FLOW	\$15,879	\$18,227	\$16,304	\$17,782	\$18,533	\$16,565	\$15,059	\$17,081	\$15,734	\$16,248	\$17,081	\$209,547
Beginning Cash	\$175,541	\$191,420	\$209,647	\$225,951	\$243,733	\$262,266	\$278,830	\$293,889	\$310,970	\$326,704	\$342,951	\$360,032
Ending Cash	\$191,420	\$209,647	\$225,951	\$243,733	\$262,266	\$278,830	\$293,889	\$310,970	\$326,704	\$342,951	\$360,032	\$150,485
Months of Cash	5.3	6.1	6.8	7.3	7.6	7.7	8.2	8.7	9.0	9.4	10.1	3.4

CAPITAL OUTLAYS AND PRIORITIZATION

- Capital investment performance drives growth and increases overall returns on invested capital (productivity improvements)
- Best practices
 - Link strategic initiatives to each possible investment
 - Tap your team's collective wisdom (fosters buy-in, productive dialogue)
 - Set clear investment objectives and compare seemingly unrelated projects (quantitative/qualitative benefits, timing, context, risk)
 - Calculate your ROI throughout the life cycle
 - Forecast more frequently to enable pivots or tactical shifts
 - Adopt a culture of continuous improvement
 - **Project based on cash flow, not profitability**

CAPITAL OUTLAYS AND PRIORITIZATION

- NPV: value of all future cash flows (+ and -) over the life of the investment, discounted to present
- Discount rate: rate of return used to discount future cash flows back to their present value
- WACC: weighted average cost of capital, the weighted average expected cost for a brewery's obligations

$$\frac{(660,000 \times .0775) + (440,000 \times .10)}{1,100,000} = \frac{51,150 + 44,000}{1,100,000} = 8.65\%$$

- WACC is used for stock valuation, as well as capital budgeting

HOW AND WHERE TO INVEST YOUR PROFITS: A PRAGMATIC APPROACH FOR NON-FINANCE FOLKS

- Use the NPV function in Excel (=NPV(rate, value, value...))

	Weight	*Assumptions: 5 years of cash flow				
Mandatory	1	Sales are flat at years 1-5				
Necessary	0.8					
Desirable	0.6					
Project		Cost	Urgency	Annual CF	NPV	Score
Canning Line		\$ 100,000	1	\$ 83,000	\$ 325,794	\$ 225,794
Keg Washer		\$ 19,000	0.6	\$ 3,000	\$ 11,776	\$ (7,224)
FV tanks		\$ 38,000	0.8	\$ 22,000	\$ 69,084	\$ 31,084
Upgrade tech		\$ 12,000	0.6	\$ 1,000	\$ 2,355	\$ (9,645)

SO LET'S BUILD OUR FINANCIAL CASE NEXT.....

Bhramari Brewing Company Canning Line Loan - \$150,000			
2019 Mobile Canning rates		\$ 0.225	can
Bhramari 2018 projected sales (cases)*			
For distribution	11,320	271,680	cans
Self distribution	4,026	96,624	cans
Total case sales	15,346	368,304	
Mobile Canning 2019 fees based on 2018 sales		\$ 82,868.40	annual
We would hire a FT employee		\$ 35,000.00	annual
We would find a storage space		\$ 12,000.00	annual
We would purchase a box truck (delivery)		\$ 15,000.00	OTO
Balance left to pay down loan		\$ 20,868.40	year 1
		\$ 33,368.40	year 2
		\$ 42,868.40	year 3
		\$ 40,368.40	year 4
		\$ 37,868.40	year 5
		\$ 175,342.00	
Current cost per can (Lorelai)		\$ 0.995	
Cost per can with owning canning line		\$ 0.77	
Margin savings		22.6%	

WORKING CAPITAL

- Interest free with no conditions; the cheapest and fastest source of cash
- Managing working capital
 - Manage inventory
 - Streamline and centralize ordering
 - Review pricing and contracts regularly
 - Optimize stock levels based on forecasted demand
 - Practice JIT (know your optimal reorder points and optimal order quantities)
 - Pay vendors on time (strengthens negotiation stance, better terms, pricing)
 - Improve receivables collection and vet debtors before doing business with them
 - Set KPIs by department; review monthly

WHY TRACK KPIS?

- WE ARE A CAPITAL-INTENSIVE INDUSTRY AND NEED TO FOCUS ON HOW EFFECTIVELY AND EFFICIENTLY OUR ASSETS ARE UTILIZED TO PRODUCE A RETURN ON OUR INVESTMENT.
- BECAUSE OF THE PANDEMIC AND OFTEN UNFORESEEN CIRCUMSTANCES WE SHOULD BE FOCUSED ON GENERATING POSITIVE CASH FLOW FROM OPERATIONS.
- HOW QUICKLY CAN WE TURN SALES INTO CASH (DAYS SALES OUTSTANDING) AND HOW LONG IS OUR CASH INVESTED IN INVENTORY (DAYS SALES IN INVENTORY)?
- PRACTICAL EXAMPLES WHERE TRACKING KPIS COME INTO PLAY:
 - Brewery could be growing too quickly and you would like to get more volume capacity from your current setup without investing in additional stainless.
 - Growth may have begun to stall and you're trying to determine how to continue making great beers at a lower cost.
 - Your radius of distribution has grown, and now you're wondering how to make sure your tasty beers can stay fresher longer.
- **KPIs CATEGORIES: PRODUCTION, SALES, PROFITABILITY, BALANCE SHEET**

PRODUCTION KPIS

- TOTAL PRODUCTION YIELD PER BATCH
- PRODUCT LOSS PERCENTAGE
- CAPACITY UTILIZATION
- BARRELS PRODUCED PER EMPLOYEE
- BARRELS PRODUCED PER PRODUCTION EMPLOYEE
- PRODUCTION LABOR DOLLARS PER BARREL BREWED
- DUMPED/DATED BEER IN BARRELS
- RAW MATERIALS PER BARREL PRODUCED

SALES KPIS

- TOTAL SALES IN BARRELS
- GROSS REVENUE PER CE BY STYLE
- NET REVENUE PER CE BY STYLE
- GROSS REVENUE PER CE BY SALES CHANNEL
- NET REVENUE PER CE BY SALES CHANNEL
- NET REVENUE PER EMPLOYEE AND BY PACKAGE TYPE
- DEPLETIONS TO RETAILERS
- ON-PREMISE MIX BY STYLE AND PACKAGE TYPE
- OFF-PREMISE MIX BY STYLE AND PACKAGE TYPE

PROFITABILITY KPIS

- RETURN ON ASSETS
- RETURN ON EQUITY
- RETURN ON INVESTED CAPITAL
- GROSS MARGIN
- CONTRIBUTION MARGIN
- EBITDA MARGIN

BALANCE SHEET KPIS

- CURRENT RATIO
- QUICK RATIO
- DAYS OUTSTANDING FOR A/R AND A/P
- DAYS SALES IN INVENTORY
- INVENTORY TURNOVER
- DAYS WORKING CAPITAL
- TOTAL ASSET AND FIXED ASSET TURNOVER
- DEBT/EQUITY RATIO
- TOTAL DEBT/EBITDA

KPIS BEST PRACTICES

- ALIGN KPI WITH STRATEGIC GOAL
- DEFINE CURRENT VALUE, BASELINE, AND TARGET
- DEFINE DATA COLLECTION STEPS
- ASSIGN WEIGHTS TO EACH OF THE TARGETS
- SET AN UPDATE FREQUENCY
- DEFINE RIGHTS AND ROLES
- ANALYZE EXPECTED VERSUS ACTUAL
- TAKE ACTION

BEST PLACES TO START WITH A KPIS DASHBOARD BUILD: USING CUSTOM QUERIES VIA PRODUCTION SOFTWARE

- CREATE DETAILED COST OF GOODS SOLD BY BATCH
- CREATE DETAILED BILL OF MATERIALS BY STYLE AND PACKAGING TYPE
- IDENTIFY FIXED AND SEMI-VARIABLE COSTS TO DETERMINE BREAKEVEN PRODUCTION IN BBLS AND DOLLARS OF REVENUE
- CREATE FINANCIAL STATEMENTS PER VOLUME METRICS (BBLS)
- CREATE A/R AND A/P AGING SCHEDULES
- TRACK RAW MATERIALS, WIP, AND FINISHED GOODS INVENTORY BY LOT AND AGE
- CALCULATE WORKING CAPITAL
- CREATE OPERATING CASH FLOW AND CALCULATE NET BURN RATE

THE TRANSITION WITH A BREWPUB CLIENT

		2016		2018
EBITDA		\$ (124,180)		\$ 209,531
Gross Profit %		47%		50%
Occupancy %		20%		4%
Current Ratio		0.736		2.53
Quick Ratio		0.211		1.24
Debt/Equity		47.66		3.46
Prime Cost		72%		61%



CONTACT INFO

Audra.Gaiziunas@gmail.com / 919-538-4404

Brewedforherledger.com