



# Taproom Financials: Key Metrics to Follow

Craft Brewery Financial Training.com  
Kary Shumway, Founder

# Housekeeping

- **Questions...**
- Chat area
- Email me: [Kary@BeerBusinessFinance.com](mailto:Kary@BeerBusinessFinance.com)
- Set up a call: [Book a time on my calendar](#)
  
- **Resources and materials...**
- Spreadsheets and course deck

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# Quick Intro

- Kary Shumway, CPA, CFO, Numbers Guy
- Partner and CFO for Wormtown Brewery
- 15 years as CFO for Beer Distributor in Northeast
- Founder of Craft Brewery Financial Training.com, Online Resource for Breweries
- **My Purpose: Share what I've learned. Shorten the learning curve for you so that you can create a financially successful brewery.**



# Overview

## 1. Taproom Financial Statements

- Quick process to read, Best practices to setup the financial reports, Examples to follow

## 2. Key Metrics and Ratios

- How to identify your most important numbers, How to calculate, track and monitor, Scorecard templates to use

## 3. The One-Page Financial Statement

- Summary financials with comparisons to budget + prior periods
- Key ratios: Sales/BBL, Payroll as % of Sales, etc.

# Taproom Financial Statements

- Income Statement
  - Sales, cost of sales, margins, operating expenses, profit/loss
- Balance Sheet
  - Assets, liabilities, equity/deficit
- Statement of Cash Flows
  - Measures the flow of cash in/out of the business
  - Different from Income Statement which measures transactions

# Taproom Income Statement

- Sales
- Cost of Goods Sold (COGs)
- *Gross Margin*
- Operating Expenses
- *Net Income (Loss)*

# Taproom Income Statement

- Tips to read, understand and take action
- Summarize and use sub-totals
- Comparisons to plan and prior results
- The process that I use...



# Taproom Income Statement

	<u>Month - Actual</u>	<u>Month - Budget</u>
Sales	\$ 425,000	\$ 400,000
Cost of Goods Sold	\$ 215,000	\$ 200,000
Gross Margin	\$ 210,000	\$ 200,000
<i>Gross Margin %</i>	49%	50%
Operating Expenses	\$ 175,000	\$ 160,000
Net Income (Loss)	\$ 35,000	\$ 40,000
<i>Net Income (Loss) %</i>	8%	10%

# Taproom Income Statement

	<u>Month - Actual</u>	<u>Month - Budget</u>	<u>Variance</u>
<b>Payroll</b>			
Payroll	\$ 115,000	\$ 105,000	\$ 10,000
Payroll tax	\$ 12,000	\$ 10,000	\$ 2,000
Health and Benefits	\$ 5,000	\$ 5,000	\$ -
Payroll processing	\$ 500	\$ 500	\$ -
<i>Sub-total</i>	\$ 132,500	\$ 120,500	\$ 12,000
<b>Occupancy and Equipment Costs</b>			\$ -
Lease expense	\$ 10,000	\$ 10,000	\$ -
Utilities - electric	\$ 2,500	\$ 2,300	\$ 200
Utilities - water/sewer/gas	\$ 1,500	\$ 1,400	\$ 100
Trash removal	\$ 500	\$ 500	\$ -
Insurance	\$ 2,500	\$ 2,500	\$ -
Supplies - Kitchen/Bar	\$ 1,500	\$ 2,000	\$ (500)
Equipment repairs	\$ 6,000	\$ 2,000	\$ 4,000
Cleaning, Linens, Uniforms	\$ 250	\$ 500	\$ (250)
Taproom Entertainment	\$ 250	\$ 800	\$ (550)
Internet & Phone	\$ 750	\$ 750	\$ -
<i>Sub-total</i>	\$ 25,750	\$ 22,750	\$ 3,000
<b>General and Administrative</b>			\$ -
Marketing	\$ 7,500	\$ 7,500	\$ -
Professional fees	\$ 2,500	\$ 2,500	\$ -
License / permits / music	\$ 1,000	\$ 1,000	\$ -
Supplies - Office	\$ 750	\$ 750	\$ -
Contributions	\$ 5,000	\$ 5,000	\$ -
<i>Sub-total</i>	\$ 16,750	\$ 16,750	\$ -
<b>Total</b>	\$ 175,000	\$ 160,000	\$ 15,000

# Taproom Income Statement

- **Action Item**
- Run your income statement for the prior month
- Review the sub-totals for Sales, Margins, Net Income
- Compare to the plan...Investigate variances

# Taproom Balance Sheet

- Assets
  - What you own
- Liabilities
  - What you owe
- Equity (or Deficit)
  - Difference between the two

# Balance Sheet

- Assets
  - Cash, Accounts Receivable, Inventory, Fixed Assets
- Liabilities
  - Accounts Payable, Loans
- Equity (or Deficit)
  - Stock, Distributions, Accumulated Profits / Losses

# Taproom Balance Sheet

- Tips to read, understand and take action
- Summarize and use sub-totals
- Comparisons prior periods, trends
- The process that I use...

# Taproom Balance Sheet

	This Year	Last Year	
Balance Sheet As Of:	<u>12/31/XX</u>	<u>12/31/YY</u>	<u>Change</u>
<b>Assets</b>			
Cash	\$ 25,000	\$ 35,000	\$ (10,000)
Accounts Receivable	\$ 50,000	\$ 40,000	\$ 10,000
Inventory	\$ 65,000	\$ 40,000	\$ 25,000
Fixed Assets	\$ 250,000	\$ 250,000	\$ -
Accumulated Depreciation	\$ (50,000)	\$ (30,000)	\$ (20,000)
<b>Total Assets</b>	<b>\$ 340,000</b>	<b>\$ 335,000</b>	<b>\$ 5,000</b>
<b>Liabilities</b>			
Accounts Payable	\$ 50,000	\$ 50,000	\$ -
Loans due to Bank	\$ 240,000	\$ 250,000	\$ (10,000)
<b>Total Liabilities</b>	<b>\$ 290,000</b>	<b>\$ 300,000</b>	<b>\$ (10,000)</b>
<b>Equity</b>			
Common stock	\$ 50,000	\$ 50,000	\$ -
Distributions	\$ (25,000)	\$ (25,000)	\$ -
Retained Earnings	\$ 25,000	\$ 10,000	\$ 15,000
<b>Total Equity</b>	<b>\$ 50,000</b>	<b>\$ 35,000</b>	<b>\$ 15,000</b>

# Taproom Balance Sheet

## Action Item

- Run your balance sheet for the prior month
- Compare the assets, liabilities and equity to the prior month or beginning of the year – what changes?
- Look for trends, investigate unexpected changes



# Taproom Cash Flow Statement

- Income Statement
  - Measures transactions – sales, expenses
- Balance Sheet
  - Measures transactions – assets, liabilities
- Cash Flow Statement
  - Measures the flow of cash

# Taproom Cash Flow Statement

- What it is: Money in / Money out
- What it isn't: Profit / Loss
- Cash vs. Accrual Accounting

# Taproom Cash Flow Statement

	Year 1
<b>Cash Flows from Operating Activities</b>	
Cash received from customers	\$ 750,000
Operating expenses paid	\$ (650,000)
Interest paid	\$ (5,000)
Net cash provided by operating activities	\$ 95,000
<b>Cash Flows from Investing Activities</b>	
Purchase of equipment	\$ (85,000)
Net cash used in investing activities	\$ (85,000)
<b>Cash Flows from Financing Activities</b>	
Proceeds from issuance of Common stock	\$ -
Payment of long term debt	\$ (25,000)
Payment of dividends	\$ -
Net cash used in financing activities	\$ (25,000)
<b>Increase (decrease) in cash</b>	\$ (15,000)
Cash balance, Beginning of year	\$ 40,000
Cash balance, End of year	\$ 25,000

# Taproom Cash Flow Statement

<b>Quick + Simple Cash Flow</b>	
Current Cash Balance:	\$ 75,000
<u>Expected Money In:</u>	
Deposits this week - A/R collections	\$ 45,000
<u>Expected Money Out</u>	
Payments this week - A/P	\$ 40,000
Payroll	\$ 15,000
	\$ 55,000
Future Cash Balance:	\$ 65,000

# Taproom Cash Flow Statement

<b>Expected Capital Expenses</b>	
<u>Sources of Cash</u>	
Current borrowing capability	
Bank working capital line of credit	\$ 75,000
<u>Uses of Cash</u>	
Annual Capital Spending Plan	<u>\$ 150,000</u>
Excess or (Shortfall)	\$ (75,000)

# Taproom Cash Flow Statement

## Action Item

- Create a simple Cash Flow Scorecard
- Estimate money in / money out
- Engage your team to improve cash flow

# Taproom Key Metrics

- How to identify Key Metrics
- Scorecards to measure + monitor
- Action to improve financial results

# Taproom Key Metrics

- Key Metrics, KPIs, Critical Numbers
  - Numerical measurement, and the method used to get the result
  - Brewing Labor Hours per BBL, Brewing loss rate, etc.
- Benchmarks - Standard to compare against
  - Industry average or Taproom historical performance
  - Last year average sales to wholesalers was \$300/BBL, this year is \$285/BBL



# Key Metrics: Best Practices

- Measure what matters, what makes a difference
- Keep it short...One page
- Share the goal or goals you want to accomplish and provide regular updates
- Benchmark Against *Your* past Taproom Results
- Avoid creating metrics, ratios KPIs that are difficult, time consuming (or impossible!) to calculate

# Key Metrics Scorecards

1. Key Metrics: P&L
2. Key Metrics: Line of Business
3. Key Metrics: Financial results per BBL

# #1 Key Metrics: P&L

<b>Income Statement</b>			
Brewery Financial Metrics			
<i>Summary Income Statement</i>			
<hr/>			
<u>Summary Income Statement</u>	<u>Full Year</u>	<u>% of Sales</u>	<u>Plan</u>
Sales	\$ 5,000,000		
Cost of Sales	<u>\$ 2,750,000</u>	55%	50%
Gross Margin	\$ 2,250,000	45%	50%
Operating Expenses	<u>\$ 1,500,000</u>	30%	30%
Net Income (Loss)	\$ 750,000	15%	20%
<hr/>			
<u>Key Metrics on Income Statement</u>			
EBITDA	\$ 1,000,000	20%	25%
Payroll	\$ 1,100,000	22%	20%
Lease Expense	\$ 250,000	5%	5%

## #2 Key Metrics: Line of Business

<b>Income Statement</b>				
Brewery Financial Metrics				
<i>Metrics per Barrel (BBL)</i>				
	<u>Total</u>	<u>Taproom</u>	<u>Self-Dist</u>	<u>Wholesale</u>
Revenue / BBL Sold	\$ 350	\$ 1,000	\$ 400	\$ 270
Gross Profit / BBL Sold	\$ 158	\$ 600	\$ 230	\$ 100
Operating Expense / BBL Sold	\$ 105	\$ 200	\$ 220	\$ 75
Net Income / BBL Sold	\$ 53	\$ 400	\$ 10	\$ 25
EBITDA / BBL Sold	\$ 70	\$ 425	\$ 15	\$ 30

# #3 Key Metrics: per BBL

<b>Income Statement</b>				
Brewery Financial Metrics				
<i>Metrics per Barrel (BBL) - By Package Type</i>				
	<u>Kegs</u>	<u>Packages</u>	<u>Notes</u>	
Revenue / BBL Sold	\$ 275	\$ 350	Highlights difference between Keg / Package beer	
Gross Margin / BBL Sold	\$ 138	\$ 140	Break down Package beer further - Cans, Bottles	
Gross Margin %	50%	40%	Gross Margin \$ is usually higher on package beer However, Gross Margin % is usually lower	

# Key Metrics

## Action Item

- Identify your Key Metrics
- Ask the clarifying questions
- Create a scorecard of your own to monitor, measure and improve

# The One-Page Financial Statement

- How to build it
  - Template to follow, summary of information
  - Key numbers to watch
- How to read it
  - Process that I use, things I'm looking for

# One-Page Financial Statement

1. Comparisons to same period of prior year
  - Month-to-date (MTD) and Year-to-date (YTD)
2. Comparisons to financial plan
  - Budget MTD and Budget YTD
3. Variance analysis in \$ and %
4. Financial / Operational Metrics



# One-Page Financial Statement

Craft Brewery											
One-Page Financial Statement											
For the period ended: Sept 20XX											
	Current Year								Prior Year		
	Month-to-date (MTD)				Year-to-date (YTD)				MTD		
	Actual	Budget	Variance	Var %	Actual	Budget	Variance	Var %	Actual		
Sales	\$ 100,000	\$ 105,000	\$ (5,000)	-4.8%	\$ 900,000	\$ 945,000	\$ (45,000)	-4.8%	\$ 90,000	\$	
Cost of Goods Sold	\$ 51,000	\$ 52,500	\$ (1,500)	-2.9%	\$ 459,000	\$ 472,500	\$ (13,500)	-2.9%	\$ 48,000	\$	
Gross Margin	\$ 49,000	\$ 52,500	\$ (3,500)	-6.7%	\$ 441,000	\$ 472,500	\$ (31,500)	-6.7%	\$ 42,000	\$	
Gross Margin %	49.0%	50.0%			49.0%	50.0%			46.7%		
Operating Expenses	\$ 34,000	\$ 35,000	\$ (1,000)	-2.9%	\$ 306,000	\$ 315,000	\$ (9,000)	-2.9%	\$ 35,000	\$	
Net Income (Loss)	\$ 15,000	\$ 17,500	\$ (2,500)	-14.3%	\$ 135,000	\$ 157,500	\$ (22,500)	-14.3%	\$ 7,000	\$	
Net Income (Loss) %	15.0%	16.7%			15.0%	16.7%			7.8%		
EBITDA Adjustments											
Amortization/Depreciation	\$ 5,000	\$ 5,000	\$ -	0.0%	\$ 45,000	\$ 45,000	\$ -	0.0%	\$ 5,000	\$	

# One-Page Financial Statement

## Action Item

- Download the One Page Financial Statement
- Edit to fit your Taproom needs – key metrics, etc.
- Identify your Margin % and Net Income %

# Wrap Up + Action Items

1. Taproom Financial Statements
2. Key Metrics and Ratios
3. The World-Famous One-Page Financial Statement

# Thank you!

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