



Keys to Better Financial Forecasting

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Various Forecast Types

- Cash flow forecast
- Budgets & Forecasts
- Breakeven analysis



Cash Flow Forecast

- Ongoing, living document
- Should be updated weekly
- It tells you how much money will flow in and out of the business
- Start with your bank balance
- Estimate cash to come in based on your sales
- Estimate cash going out based on bills
 - You'll need funds for payroll, rents, loan payments, invoices, etc.



Cash Flow Example

	January	February	March	April	May	June	July	August	September	December
1. Operating Cash - Beginning	\$ 50,000	\$35,300	\$26,600	\$17,900	\$ 7,200	-\$ 2,500	\$20,800	\$23,700	\$ 18,600	\$ 16,500
2. Sources of New Cash										
Cash Sales	\$ 5,000	\$ 6,000	\$ 6,000	\$ 4,000	\$ 4,000	\$ 4,000	\$ 5,000	\$ 7,000	\$ 8,000	\$ 9,000
AR Collections	\$ -	\$ 5,000	\$ 6,000	\$ 6,000	\$ 7,000	\$ 7,000	\$ 5,000	\$ 6,000	\$ 8,000	\$ 8,000
Customer Deposits	\$ 2,000	\$ 2,000	\$ 1,000	\$ 1,000	\$ 1,000	\$ 2,000	\$ 3,000	\$ 3,000	\$ 4,000	\$ 7,000
Bank Financing	\$ -	\$ -				\$20,000	\$ -	\$ -	\$ -	\$ -
Shareholder Investment	\$ -	\$ -	\$ -	\$ -	\$ -	\$10,000	\$10,000	\$ -	\$ -	\$ -
Other	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
3. Total Sources of Cash	\$ 57,000	\$48,300	\$39,600	\$28,900	\$ 19,200	\$40,500	\$43,800	\$39,700	\$ 38,600	\$ 40,500
4. Uses of Cash										
Payroll	\$ 10,000	\$10,000	\$10,000	\$10,000	\$ 10,000	\$10,000	\$10,000	\$10,000	\$ 10,000	\$ 10,000
Rent	\$ 3,500	\$ 3,500	\$ 3,500	\$ 3,500	\$ 3,500	\$ 3,500	\$ 3,500	\$ 3,500	\$ 3,500	\$ 3,500
Utilities	\$ 1,500	\$ 1,500	\$ 1,500	\$ 1,500	\$ 1,500	\$ 1,500	\$ 1,500	\$ 1,500	\$ 1,500	\$ 1,500
Taxes	\$ 1,200	\$ 1,200	\$ 1,200	\$ 1,200	\$ 1,200	\$ 1,200	\$ 1,200	\$ 1,200	\$ 1,200	\$ 1,200
Inventory Purchases	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000	\$ 3,000	\$ 3,000	\$ 4,000	\$ 5,000	\$ 6,000
Loan Payments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 400	\$ 400	\$ 400	\$ 400
Other	\$ 500	\$ 500	\$ 500	\$ 500	\$ 500	\$ 500	\$ 500	\$ 500	\$ 500	\$ 500
5. Total Uses of Cash	\$ 21,700	\$21,700	\$21,700	\$21,700	\$ 21,700	\$19,700	\$20,100	\$21,100	\$ 22,100	\$ 23,100
6. Cash Flow (Deficit)	\$ 35,300	\$26,600	\$17,900	\$ 7,200	-\$ 2,500.00	\$20,800	\$23,700	\$18,600	\$ 16,500	\$ 17,400

Budgets

- Plan expected financials for the coming year
- Helps you to think ahead and plan your beer portfolio
- Layout your planned receipts so that you can see where you plan to spend your money in the coming year
- As the year progresses, compare how your budget compared with what actually occurs

Budgets - Revenue

- First plan your beer portfolio for the coming year
- In bigger companies, the sales team should be doing the work to create the revenue lines based on what volumes they think they can sell of the planned portfolio
- You can use previous year's volume and expectations to calculate your amounts
- Revenue = Volume by SKU * price to distributor or retail
- Retail – similar but you'll likely use more historical numbers to build future years

Budgets – Cost of Goods Sold

- Now that you have your revenue calculated by SKU, you can start to calculate your COGS
- The volumes will indicate how much you need to spend on ingredients, packaging
- Again, your volumes should dictate how much direct labor you will need
- Direct overhead can be calculated by looking at previous year



Budgets – Sales, General & Admin

- General expenses – Travel, bank charges, dues & subscriptions, insurance, licenses, meals & entertainment, office & telephone
- Professional fees – consulting, accounting, legal
- Repairs & maintenance is typically based on previous year
- Sales & marketing – advertising, donations, event expense, artwork & branding, promotions & samples

Forecasts and Pro Formas

- Forecasts – based on an uncertain future and more summarized
- Pro formas often project based



Breakeven Analysis

- Another very important metric to understand
- This calculation establishes how many \$ or units of product you need to sell to not lose money
- Start with your income statement =
- Work backwards from net income of \$0 or 0 units
- Calculate your fixed costs
- Calculate your COGS per \$ or unit of revenue
- Back into your revenue





Thanks!

Q&A