



# MODERN TIMES BEER

## FINANCIAL & CASH PLANNING



# WHO AM I?



**CHRIS SARETTE**  
**(CHRIS@MODERNTIMESBEER.COM)**

**JOINED THE TEAM AS COO 4.5 YEARS AGO**

**FULL-TIME EMPLOYEE #8**

**DIRECTLY MANAGED GROWTH OF 1000%  
DURING THIS TIME PERIOD**

**SPENT MORE SLEEPLESS NIGHTS THINKING  
ABOUT FINANCIAL PLANNING THAN I EVER  
EXPECTED TO**

PRE-GRAY HAIRS



IN REVIEW



2018

A YEAR

OF

*Darkness*

# MT HIGHLIGHTS



**HEADQUARTERED IN SAN DIEGO**

**FIFTH YEAR IN EXISTENCE**

**ROASTERY AS WELL AS BREWERY**

**HANDED OUT OUR FIRST PARTICIPANT  
STATEMENTS AFTER BECOMING PARTIALLY  
EMPLOYEE-OWNED LAST YEAR**

**OPENED BREWING & FOOD OPERATIONS IN  
DOWNTOWN LA AND PORTLAND IN JAN**

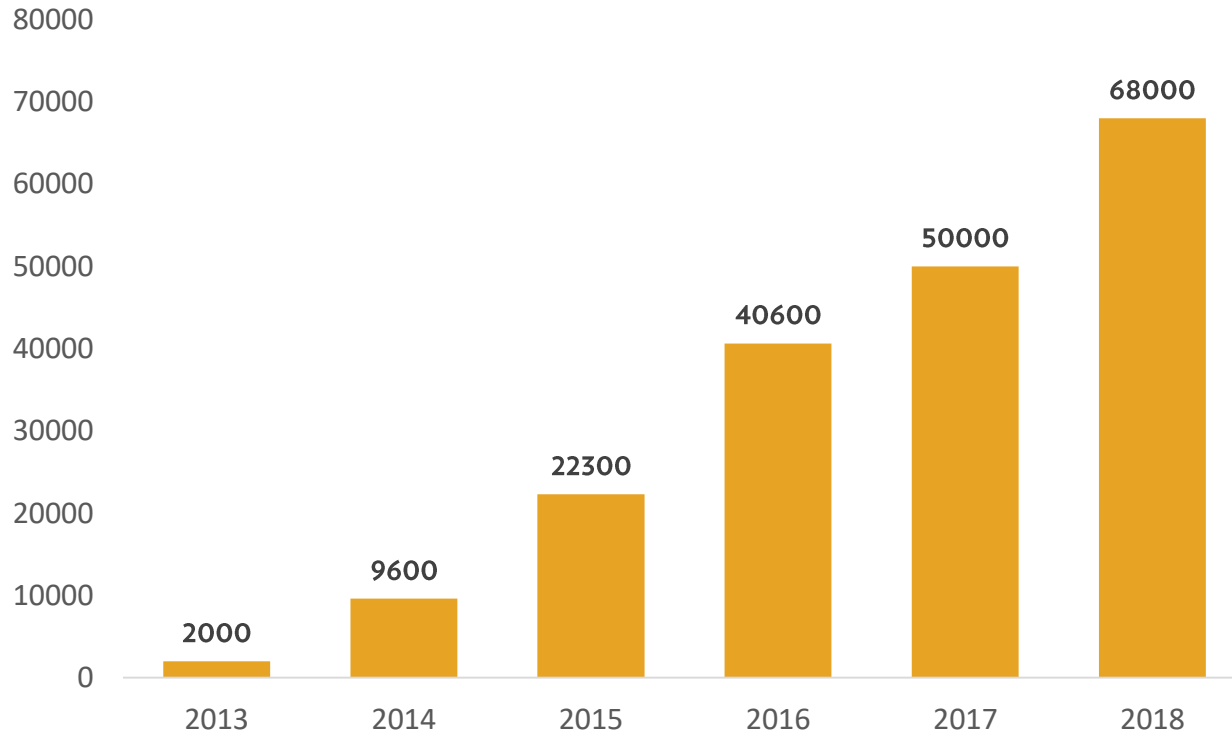
**OPENING TASTING ROOM IN ENCINITAS IN  
OCT**



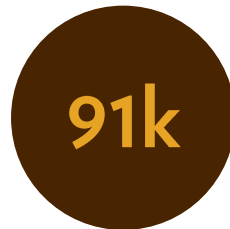


# BY THE NUMBERS

IN BARRELS BREWED



EMPLOYEES



SQ FEET ON LEASE

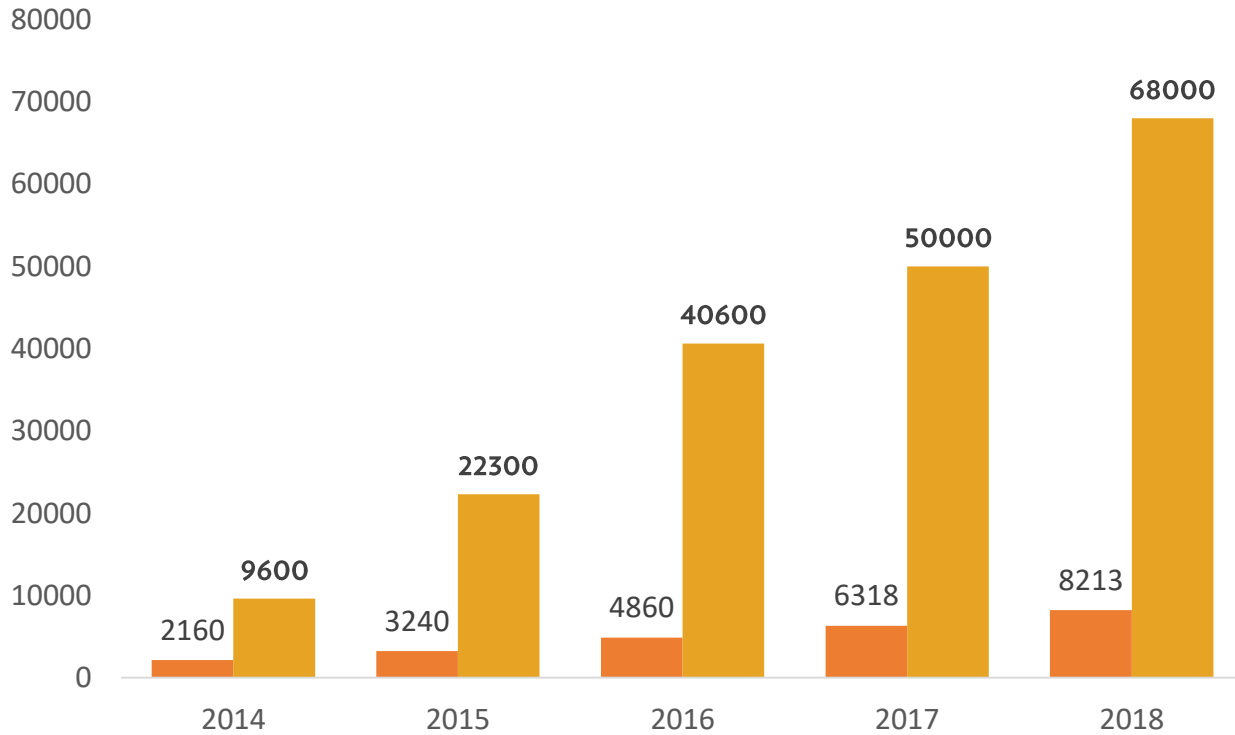


NEW BEERS / YEAR



# BY THE NUMBERS

ACTUAL BBLs BREWED VS BUSINESS PLAN





# TERRITORIES





# **TODAY, LET'S TALK:**

**1) POTENTIAL FUNDING SOURCES**

**2) CASH MANAGEMENT**

**3) EXTRA RESOURCES**

**4) YOUR QUESTIONS**





**FIRST THINGS FIRST...  
LET'S FIND THE MONEY**



# POTENTIAL FUNDING SOURCES

**“Pre-Revenue”**

**INVESTORS** - Extensive blogging at [moderntimesbeer.com](http://moderntimesbeer.com) on how we raised \$1.25m to start Modern Times (we wish we would have raised more)

**CROWD FUNDING** - \$50k+ from Kickstarter campaign to drag us across the open line at the very end (surprise, everything's more expensive than you expected it to be)

**BREW EQUIPMENT FINANCING** – Using financing available through your primary equipment suppliers to distribute the cash outlay into future years



# POTENTIAL FUNDING SOURCES



## **Early Days (Profitable, but just)**

**PROMISSORY NOTES** – Loan made directly from someone in your sphere of influence (maybe an investor) for that desperately needed infusion

**EQUIPMENT FINANCE LENDERS** – Lenders who specialize in loaning on equipment that they can secure as collateral as part of the deal



# POTENTIAL FUNDING SOURCES

## **1-3 Yrs Financials Under Your Belt**

**REGIONAL/NATIONAL LENDERS** – A couple years minimum of strong financials put you in a place to begin working with more traditional lenders (typically on a multiplier of **EBITDA** sort of arrangement)

**PAYING OUT OF CASH** – Using the funds you've accumulated along the way on quick **ROI** projects like additional fermenters, grain silos, etc (and set the right expectation with your investors as to where cash is going)



# POTENTIAL FUNDING SOURCES

## Other Considerations

**DILUTING/SELLING ADDT'L EQUITY** – Bringing on new investors or going through another round with your current investors to infuse cash into the business or pay down debt

**MEZZANINE DEBT** – Debt subordinated to your bank's blanket filing on your business' assets (this will cost you more)



**WE HAVE SOME MONEY...  
HOW DO WE USE IT?**



# CASH MANAGEMENT OVERVIEW

## **Google's Definition:**

**Cash management is the corporate process of collecting, managing and investing cash. A key component of ensuring a company's financial stability and solvency. Frequently corporate treasurers or a business manager is responsible for overall cash management.**



# CASH MANAGEMENT OVERVIEW



## My Definition:

**Cash management is the skillful art of figuring out when to pay bills, who to go after for outstanding checks, and how much money you have today and/or will have six months from now to reinvest in the extremely cash-intensive process of growing a brewery. Frequently the responsibility of someone who has a million other competing interests, at least early on.**





# CASH MANAGEMENT OVERVIEW

## **Lesson #1: Getting started**

### **Working capital = Your cash runway**

- **A lot of brewers will raise capital for the construction of a brewery, but are they setting aside enough cash to get to positive financial territory?**
- **How many months of rent, payroll, utilities, test batches, etc, do you need to endure before cash in is greater than cash out?**



# CASH MANAGEMENT OVERVIEW

## **Lesson #2: Setting your margins**

**Cost your products comprehensively, so you can price your products effectively.**

- **Beyond the malt, hops, yeast, and water, what does each beer really cost you?**
- **When pricing, distribution outlet is a huge factor**
- **Make sure there's enough money left after your **Cost of Goods Sold** to do what you want to do**



# CASH MANAGEMENT OVERVIEW

## Potential factors to include in your COGS model:

- **Grist Bill**
- **Hop Bill**
- **Adjuncts (50%)**
- **Brew/Cleaning H<sub>2</sub>O**
- **State/Federal Taxes**
- **Raw Goods Freight**
- **Glycol**
- **Cleaning Supplies**
- **Bulk Gases**
- **Utilities**
- **Rent**
- **Brew/Cellar Labor**
- **Packaging Supplies**
- **Cleaning/Fill Labor**
- **Shrinkage**
- **Keg Rentals**
- **Keg Collars**
- **Cases**
- **Payroll Taxes**
- **Workers Comp**



# CASH MANAGEMENT OVERVIEW



**EXCEL IS YOUR FRIEND!**



# CASH MANAGEMENT OVERVIEW

<b>PRODUCT:</b>	MODERN TIMES IPA					
<b>BREW SIZE:</b>	30BBL					
<b>GRIST BILL</b>	<b>AMOUNT</b>	<b>UOM</b>	<b>COST/UNIT</b>	<b>Source</b>	<b>Source Name</b>	<b>Brew Cost</b>
2-Row	770	LBS	\$ 0.70			\$ 539.00
Pale Malt	600	LBS	\$ 0.31			\$ 186.00
Acidulated Malt	80	LBS	\$ 0.90			\$ 72.00
			<b>TOTAL GRIST BILL COST</b>			<b>\$ 797.00</b>
<b>HOPS</b>	<b>AMOUNT</b>	<b>UOM</b>	<b>COST/UNIT</b>	<b>Source</b>	<b>Source Name</b>	<b>Brew Cost</b>
Citra	44	LBS	\$ 10.50			\$ 462.00
Simcoe	22	LBS	\$ 11.65			\$ 256.30
			<b>TOTAL HOPS COST</b>			<b>\$ 718.30</b>
<b>WATER</b>	<b>AMOUNT</b>	<b>UOM</b>	<b>COST/UNIT</b>	<b>Source</b>	<b>Source Name</b>	<b>Brew Cost</b>
Brewing H2O	1200	GALLONS	\$0.00558			\$ 6.70
Cleaning H2O	200	GALLONS	\$0.00558			\$ 1.12
			<b>TOTAL WATER COST</b>			<b>\$ 7.81</b>
<b>TAXES</b>	<b>AMOUNT</b>	<b>UOM</b>	<b>COST/UNIT</b>	<b>Source</b>	<b>Source Name</b>	<b>Brew Cost</b>
State	930	GALLON	\$ 0.20	BOE		\$ 186.00
Federal	30	BARREL	\$ 7.00	TTB		\$ 210.00
			<b>TOTAL TAXES</b>			<b>\$ 396.00</b>
<b>FREIGHT</b>	1516	LBS	\$ 0.0454		\$100 / Every 2200 LBS of Freight	<b>\$ 68.83</b>
<b>GLYCOL</b>	100	BREWS	\$ 2,000.00			<b>\$ 20.00</b>



# CASH MANAGEMENT OVERVIEW

CLEANING SUPPLIES	AMOUNT	UOM	COST/UNIT	Source	Source Name	Brew Cost
Shear	1	GALLON	\$ 10.00			\$ 10.00
Acid	0.5	GALLON	\$ 10.00			\$ 5.00
Perosan	0.25	GALLON	\$ 25.00			\$ 6.25
		<b>TOTAL CLEANING SUPPLIES</b>				<b>\$ 21.25</b>
<b>CO2</b>	250	LBS	\$ 0.2000			<b>\$ 50.00</b>
<b>O2</b>	0.10	CYLINDER	\$ 40.0000			<b>\$ 4.00</b>
<b>ELECTRICITY</b>	25	BREWS	\$ 5,000.00			<b>\$ 200.00</b>
<b>RENT</b>	25	BREWS	\$ 5,000.00			<b>\$ 200.00</b>
<b>LABOR</b>	25	BREWS	\$ 10,000.00			<b>\$ 400.00</b>



# CASH MANAGEMENT OVERVIEW

MODERN TIMES IPA	
TOTAL COST / BREW	\$2,883.19
YIELD / BREW	80%
TOTAL COST / GALLON	\$ 3.88
TOTAL COST / OUNCE	\$ 0.03028
Total Cost / Can	\$ 0.692
Total Cost / 4Pack	\$ 2.767
Total Cost / Case	\$ 16.601
Total Cost / 1/2BBL	\$ 66.866
Total Cost / 1/6BBL	\$ 26.196
Distribution	
Sales Price / 4Pack	\$ 35.00
Gross / 4Pack	\$ 18.40
Gross %	52.57%
Sales Price / 1/2BBL	\$ 125.00
Gross / 1/2BBL	\$ 58.13
Gross %	46.51%
Sales Price / 1/6BBL	\$ 57.00
Gross / 1/6BBL	\$ 30.80
Gross %	54.04%
Tasting Rooms	
Sales Price / 4Pack	\$ 10.00
Gross / 4Pack	\$ 7.23
Gross %	72.33%
Sales Price / Pint	\$ 5.00
Gross / Pint	\$ 4.52
Gross %	90.31%



# CASH MANAGEMENT OVERVIEW

## **Lesson #3: Understanding your sales channels**

**Revenue per barrel is the most important figure we track.**

- What's your rev/bbl for wholesale/self-distro, and what portion of your business does that make up?**
- What about direct-to-consumer in your tap room?**
- Any other anomalies/tertiary sales channels?**





# CASH MANAGEMENT OVERVIEW

## **Lesson #3: Understanding your sales channels**

### **Example #1 – Wholesale-driven brewery**

**Avg PTW = \$250/BBL**

**Monthly Production = 100 BBLS**

**Avg Yield Saleable Product = 80 BBLS**

**Monthly Revenue Potential = \$250 x 80, or \$20,000**



# CASH MANAGEMENT OVERVIEW

## **Lesson #3: Understanding your sales channels**

### **Example #2 – Tasting room-driven brewery**

**Avg Pint = \$5, Avg BBL = \$1200/BBL**

**Monthly Production = 100 BBLS**

**Avg Yield Saleable Product = 80 BBLS**

**Monthly Revenue Potential = \$1200 x 80, or \$96,000**



# CASH MANAGEMENT OVERVIEW

## **Lesson #3: Understanding your sales channels**

**Very different business models with very different revenues and expenses. Know your business!**



# CASH MANAGEMENT OVERVIEW

## **Lesson #4: Month to month profitability**

### **Cash management is all about timing.**

- **What are your terms with your suppliers?**
- **In turn, what are your terms with your accounts and/or distributors?**
- **Lesson Learned: A profitable month on a financial statement does not necessarily translate to having more money in your bank account on the 30<sup>th</sup> than you did on the 1<sup>st</sup>.**
- **Lesson Learned #2: Distributors don't always pay on time! Keep you A/R north of 90%, and build in mechanisms for doing so.**



# CASH MANAGEMENT OVERVIEW

## **Lesson #5: Gaining confidence**

### **Develop a cash-on-hand target.**

- **This may be a conversation with your financial support team and/or your investors**
- **May be a flat amount or related to your monthly expenses: For instance, a cash-on-hand target equal to three month's of total expenses**
- **The inevitable push-and-pull of cash-on-hand is financial security versus reinvestment in your growing/successful business**
- **Lesson Learned: If you're looking for where the money went...check your inventory.**



# CASH MANAGEMENT OVERVIEW

## Lesson #6: Growth capital

### **Budget your projects comprehensively.**

**- Breweries can get into a cash crunch when the true cost of a round of expansion did not represent the full spectrum of costs associated with growth:**

- **The equipment itself**
- **Necessary utility runs/upgrades**
- **Crating/Shipping/Unloading/Positioning**
- **Installation/Commissioning**
- **Changes to payroll**



# CASH MANAGEMENT OVERVIEW

## **Lesson #7: Winter is coming**

**Don't get caught unawares by year-end expenses.**

**- These will include:**

- **Tax return preparations**
- **Any distributions required per your operating agreement with your investors**
- **And a healthy 40%(ish) taxation on the year's profits...unless you're an ESOP!**



# **EXTRA RESOURCES**





# EXTRA RESOURCES

## HERE IN CALIFORNIA:

- 1) **PARTIAL SALES TAX EXEMPTION**
- 2) **CAL COMPETES**
- 3) **TRAINING/EDUCATION GRANT**
- 4) **R&D TAX CREDITS**

**...FIND SOMEONE TO HELP YOU TAKE ADVANTAGE OF THESE PROGRAMS!**



**QUESTIONS?**