

ProfitCents University

Engagements Built on Strategic Ratio Analysis and Forecasting

—
SPRING 2022

COURSE
200



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Introductory Survey

Which industries had the highest net profit margin in 2021?

Open-end Investment Funds



Portfolio Management



Trust, Estates and Agency Accounts



Commercial Banking



Passenger Car Rental



Tax Preparation Services



2021 Net Profit



Course 200
Agenda

1

Presenters

Get to know your Client Success team

2

Define Your Firm

What do Advisory Services look like to you

3

Strategic Ratio Analysis

Utilizing the Narrative report with case study

4

Forecasting

Leveraging ProfitCents Projections with case study

5

Moving Forward

Continue to build your CSM partnership

Today's Presenters



Natalie Hamilton
Senior Client Success Manager

2019



Shelbie LeBron
Client Success Manager

2021



Kristina Vidal
Senior Client Success Manager

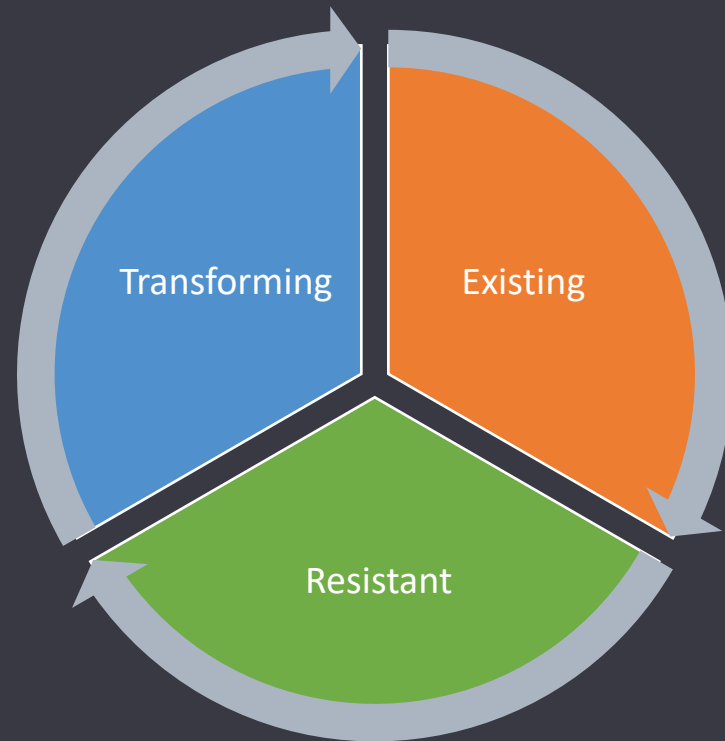
2017



Paul Savage
Director of Client Services

2013

Define Your Firm



Opportunities

Updating the Model



Buyer's Challenges

Willingness to pay when pain points are addressed



Strategic Advisory Services

GROW client revenue



Services Roadmap

Understand your client's priorities



Leverage Technology

Communicate the benefits



Pricing Options

Explore value pricing models

Growth Planning



Financial Insight



Cash Flow Modeling



Compliance and Regulations



Time Management



Maximizing Profit



Buyer's Challenges



Strategic Advisory Services

Where are your opportunities?



SME

Small to medium businesses represent the bulk of advisory opportunities.

Packaging

Opportunity for revenue increases when you're able to package advisory services with tax, bookkeeping, and payroll.

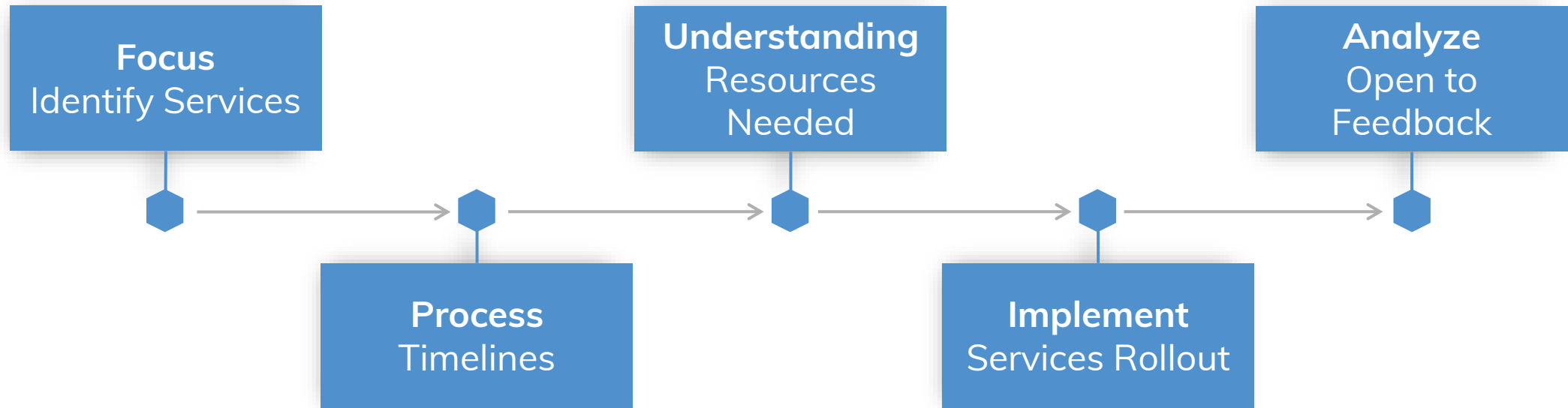
Identification

Services related to revenue growth, cash modeling, benchmark performance...

Focus

Determine your potential areas of focus and tailor your CSP.

Services Roadmap





Leverage Technology



Automation



Change in focus from task to service



Communicate your technology

Value Pricing

The *value* in value pricing.



Transparency

Clearly defined services.

Firm Knowledge

Communicate your firm's expertise when defining your model.

Expectations

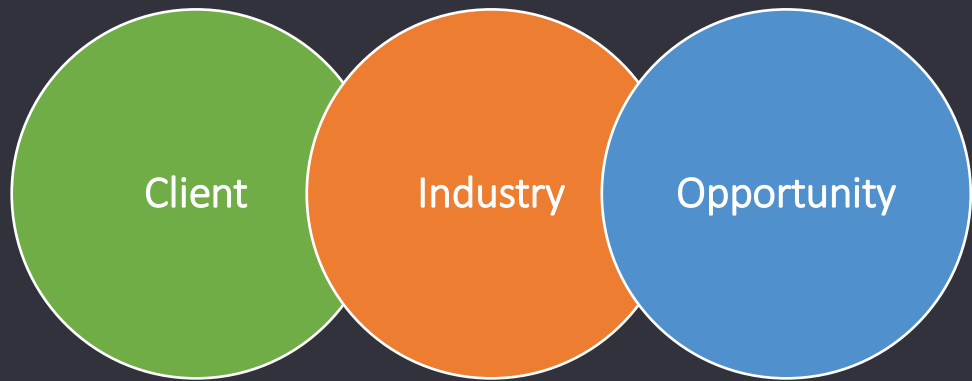
Document the services to be provided, particularly in bundled services.

Profitability

Improving the overall customer experience.



Areas of Focus



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ProfitCents Narrative Report



Qualifying Tips

Successfully get to know your clients



Why?

Discover the best reasons to use the Narrative report



How?

Understand Narrative utilization



Conversation Starters

Build your consulting foundation



Developing the Approach

Construct a scalable advisory process

Qualifying Tips

Getting to know your client



Communication

Consistent and targeted to meet your client's needs

Relationship

Focus on creating bonds and being less transactional

Goals

Identify and document their goals

Concerns

Understand and plan to solve their pain points

Why use the Narrative Report?



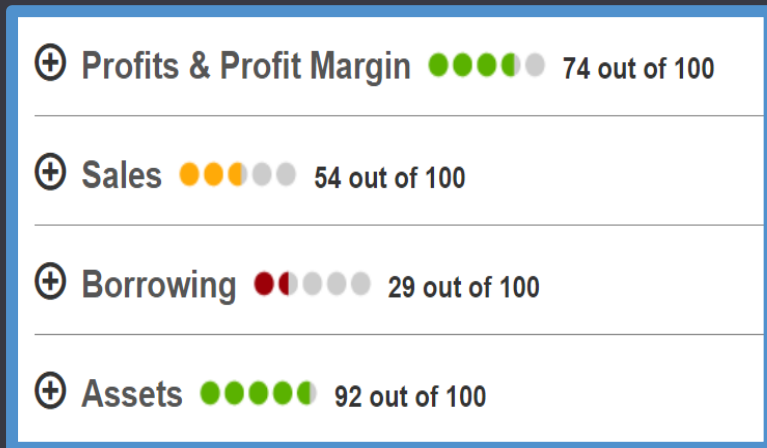
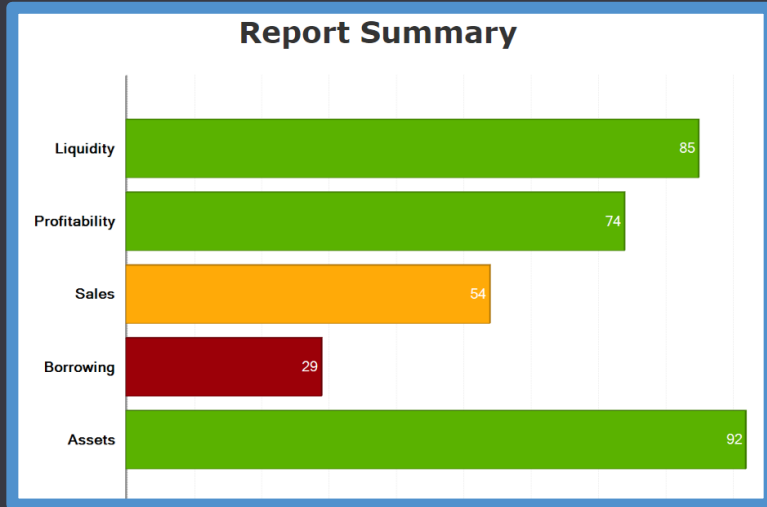
Focus sections



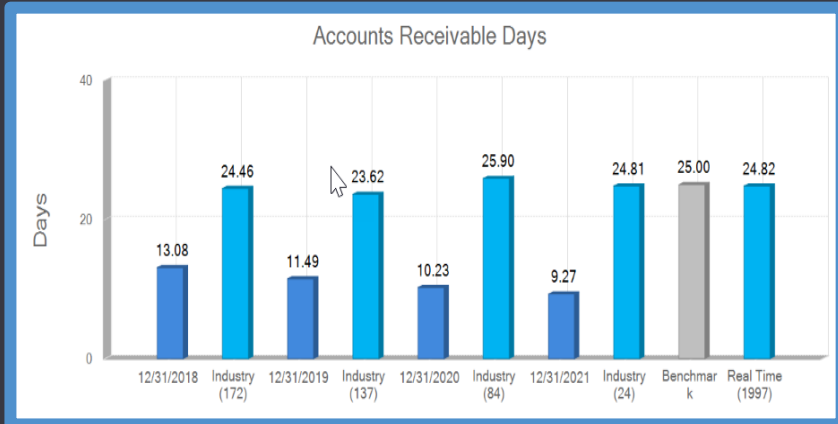
Narrative analysis



Industry Scorecard



Where do you begin?



⊖ Liquidity ●●●●● 85 out of 100

A measure of the company's ability to meet obligations as they come due.

Operating Cash Flow Results

Conditions in this area are strong, currently. The company is generating solid, positive cash flow from operations. It is particularly nice to see this in combination with the overall liquidity results, which are also very good (this will be discussed in more depth below). Ultimately, cash flow drives long-run liquidity for almost every business, so it is good to see a strong relationship between cash flow and profits.



Benchmark the industry



Review your client's trends



How is their performance affecting the business

Conversation Starter



Establish process



Scalable



Pathway for deeper understanding
of pain points

Conversation Starters



Upon analysis, we've determined that A/R days are trending significantly higher than your peers.



What do you consider your three biggest A/R challenges?

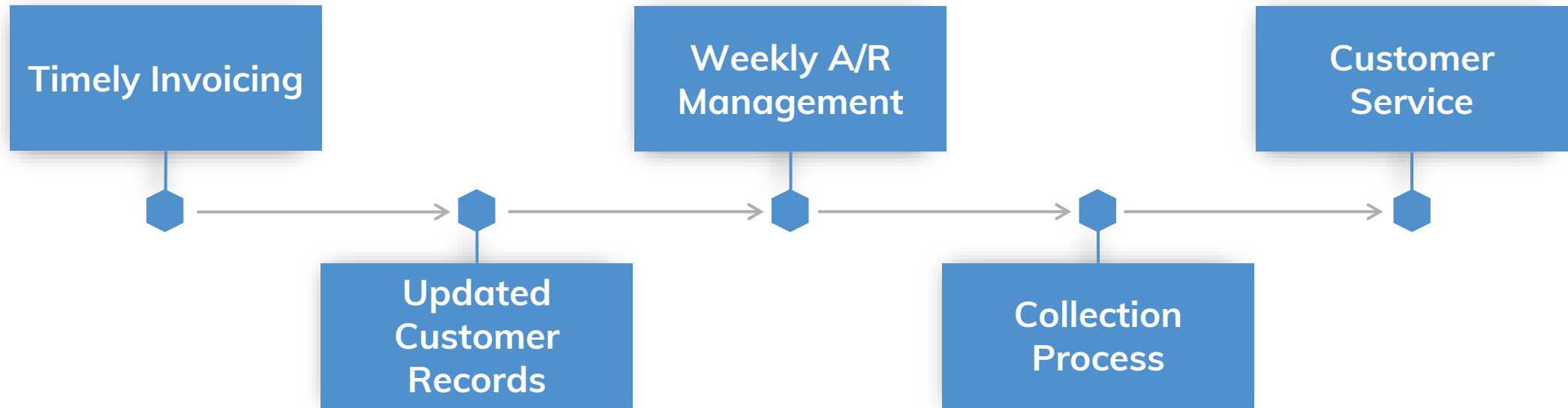


Do you see how improving your collection process could benefit the business?



Describe your invoicing process?

Best Practices – Deep Dive





Case Study

How to utilize the Narrative report

Williams Benator & Libby -
Bruce Benator – Managing Partner

“It’s eye opening for clients. It initiates the discussion when you put the ProfitCents report in front of them.

“You have to make yourself stand out a little bit and show that you’re going to go above and beyond, be proactive with your clients and give them more information.”

Knowledge Check

- Narrative Report
 - Generate Report
 - Filter industry date by report duration
 - Download into PDF
 - Send to profitcents.support@abrigo.com



Insight to Foresight

A forecast can play a major role in driving company success or failure. At the base level, an accurate forecast keeps prices low by optimizing business operation – cash flow and production, staff, and financial management. It helps reduce uncertainty and anticipate change in the market as well as improves communication within a business and between a business and their customers. It also helps increase knowledge of the market for businesses. Moreover, a promising forecast is compelling to investors who might be interested in putting money into a business.

Johnny Liu – actionable.com



Develop a Plan

	Historical			Projected			
	12/31/2019	12/31/2020	12/31/2021	12/31/2022	12/31/2023	12/31/2024	12/31/2025
	12 months	12 months	12 months	12 months	12 months	12 months	12 months
Income Statement							
Sales (Income)	\$14,780,497	\$15,071,363	\$15,240,409	\$15,482,732	\$15,728,907	\$15,978,997	\$16,233,063
Prescriptions	\$13,511,287	\$13,788,991	\$14,020,048	\$14,242,967	\$14,469,430	\$14,699,494	\$14,933,216
Over-the-Counter	\$390,406	\$383,561	\$420,862	\$427,554	\$434,352	\$441,258	\$448,274
Equipment Rental	\$809,457	\$817,439	\$758,449	\$770,508	\$782,759	\$795,205	\$807,849
Other	\$69,347	\$81,372	\$41,050	\$41,703	\$42,366	\$43,039	\$43,724
Cost of Sales (COGS)	\$10,738,412	\$10,870,080	\$10,981,142	\$11,167,695	\$11,345,261	\$11,525,651	\$11,708,908
Depreciation (COGS-related)	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Cost of Sales	\$10,933,190	\$10,901,914	\$11,032,961	\$11,220,394	\$11,398,798	\$11,580,040	\$11,764,161
Rebates	(\$194,778)	(\$31,834)	(\$51,819)	(\$52,699)	(\$53,537)	(\$54,387)	(\$55,253)
Direct Labor	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Gross Profit Margin	27.35%	27.88%	27.95%	27.87%	27.87%	27.87%	27.87%
Gross Profit	\$4,042,085	\$4,201,283	\$4,259,267	\$4,315,037	\$4,383,646	\$4,453,346	\$4,524,155

Adjustments

Projection Type

Projection
Dials

Account
Projections

Formatting

Log a
Purchase

Projection Control Panel

Projection Type	Projection Dials	Account Projections	Formatting	Log A Purchase
Sales Growth (Annual)		<input type="text" value="1.59"/> %	Industry Averages	
			7.87%	
Gross Profit Margin		<input type="text" value="27.87"/> %	24.69%	
Gross Profit		<input type="text" value="\$ 4,315,037"/>		
Overhead Growth (Annual)		<input type="text" value="-1.26"/> %		
Net Profit Before Taxes		<input type="text" value="\$ 1,657,265"/>		
Accounts Receivable Days		<input type="text" value="9.6"/> days	25.09 days	
Accounts Payable Days		<input type="text" value="1"/> days	24.74 days	
Inventory Days		<input type="text" value="11.8"/> days	31.10 days	

Cash Flow Models

Net Free Cash Flow	\$2,904,999	\$1,728,986	\$1,831,522	\$1,934,751	\$2,040,264
Beginning Total Cash	\$140,358	\$3,045,357	\$4,774,343	\$6,605,865	\$8,540,616
Ending Total Cash	\$3,045,357	\$4,774,343	\$6,605,865	\$8,540,616	\$10,580,880



Loan Analysis

Loans / Debt Structure Summary

For any loans highlighted in red, the system was unable to reconcile the terms of the loan, and had to make some adjustments.

	Borrower	Number	Description	Type	Financing	Balance	Payment Amount	Interest Rate	First Payment Date	Remaining Term	Amortization Days
Proposed Loans											
EDIT	Marketing Consulting Services		New Equipment Loan	Fixed Payment	Senior Debt	\$45,000.00	\$914.83	8.00%	12/31/2022	60	Actual 360
Existing Loans											
EDIT	Marketing Consulting Services		Senior Debt	Fixed Payment	Senior Debt	\$61,289.00	\$461.00	8.00%	1/31/2022	340	Actual360
EDIT	Marketing Consulting Services		Senior Debt	Fixed Payment	Senior Debt	\$98,000.00	\$8,166.67	13.77%	1/31/2022	13	Actual360

Add a New Proposed Loan

Refinance Loan(s)

Edit/Undo a Refinance

Save Loans Back to Website





Valuation



Scenario Impact



Exit Planning



Business Guidance

A Company Valuation for Savage Pharma

Below is a company valuation using your projected Net Free Cash Flow as a baseline. The valuation gives you an approximate value of what the business could be worth today, based on the projected Net Free Cash Flow analysis that has been performed.
CAUTION: The reliability of this valuation depends heavily on the length and accuracy of the projection. We **STRONGLY** recommend reviewing your data in the Projection tab of this worksheet before examining the valuation below.

Company Value: \$46,312,732

Major Assumptions: The major assumptions made when performing this analysis have been listed in each section. You may edit / change any of the values shown in red.

Cash Flow

ProfitCents Projection uses a discounted cash flow method to value a firm. The premise behind this method is that a company should not have a price higher than the amount of cash it will generate in the future. Also, the time value of money is factored in -- \$100 today is worth more than \$100 in ten years, or even a year. Below are the cash flows of the company -- you may make changes to these cash flows or to the discount rate used to find the present value of the cash flows.

	12/31/2022	12/31/2023	12/31/2024	12/31/2025	12/31/2026
EBIT	\$2,116,274	\$2,765,899	\$3,522,937	\$4,403,797	\$5,427,362
Less: Taxes	\$0	\$0	\$0	\$0	\$0
⑦ Noncash Expenses	\$0	\$0	\$0	\$0	\$0
⑦ Less: Change in Working Capital	(\$580,044)	\$21,350	\$24,550	\$28,234	\$32,470
Less: Capital Expenditures	\$0	\$0	\$0	\$0	\$0
Free Cash Flow	\$2,696,318	\$2,744,549	\$3,498,387	\$4,375,563	\$5,394,892
Present Value of Cash Flows (End of Year)	\$2,400,996	\$2,176,263	\$2,470,180	\$2,751,154	\$3,020,536

Present Value of Cash Flows = Net Free Cash Flow / (1 + Discount Rate) ^ X where X = Projected Year (1, 2, 3, etc)

Discount Rate	=	Risk Free Rate	+	Risk Premium
12.30%	=	2.30%	+	10.00%

Financial Ratios



	12/31/2019	12/31/2020	12/31/2021	12/31/2022	12/31/2023
Liquidity Ratios					
Current Ratio	41.09	9.15	26.69	57.55	82.16
Quick Ratio	29.70	5.17	15.99	52.09	76.72
Working Capital	\$1,316,436	\$864,700	\$847,413	\$3,748,278	\$5,488,138
Financial Leverage / Coverage Ratios					
Total Equity	\$2,180,233	\$1,653,385	\$822,145	\$3,761,039	\$5,521,176
Debt to Equity Ratio	0.05	0.06	0.16	0.03	0.02
Tangible Net Worth	\$2,180,233	\$1,653,385	\$822,145	\$3,761,039	\$5,521,176
Debt to Tangible Net Worth Ratio	0.05	0.06	0.16	0.03	0.02
Debt Service	\$0	\$0	\$22,548	\$22,548	\$22,548
Debt Service Coverage Ratio	--	--	69.70	73.67	78.20
Interest Coverage Ratio	--	--	398.64	421.38	564.32
Senior Debt to Cash Flow	0.00	0.00	0.06	0.05	0.04
Debt to Cash Flow	0.09	0.07	0.08	0.08	0.06
Debt to Capitalization	4.97%	6.03%	13.92%	3.30%	1.94%

ed Data

Scenario Dashboard

Savage Pharma

Take a snapshot of a projection and perform a what-if scenario on the current projection using the projection controls.

Initial
12/31/2022

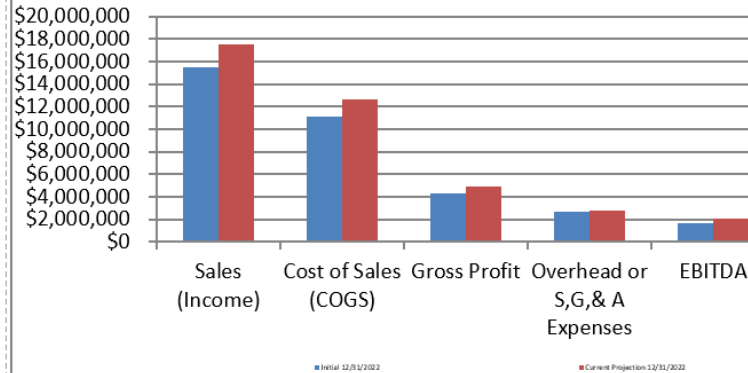
Current Projection
12/31/2022

<< Take Snapshot

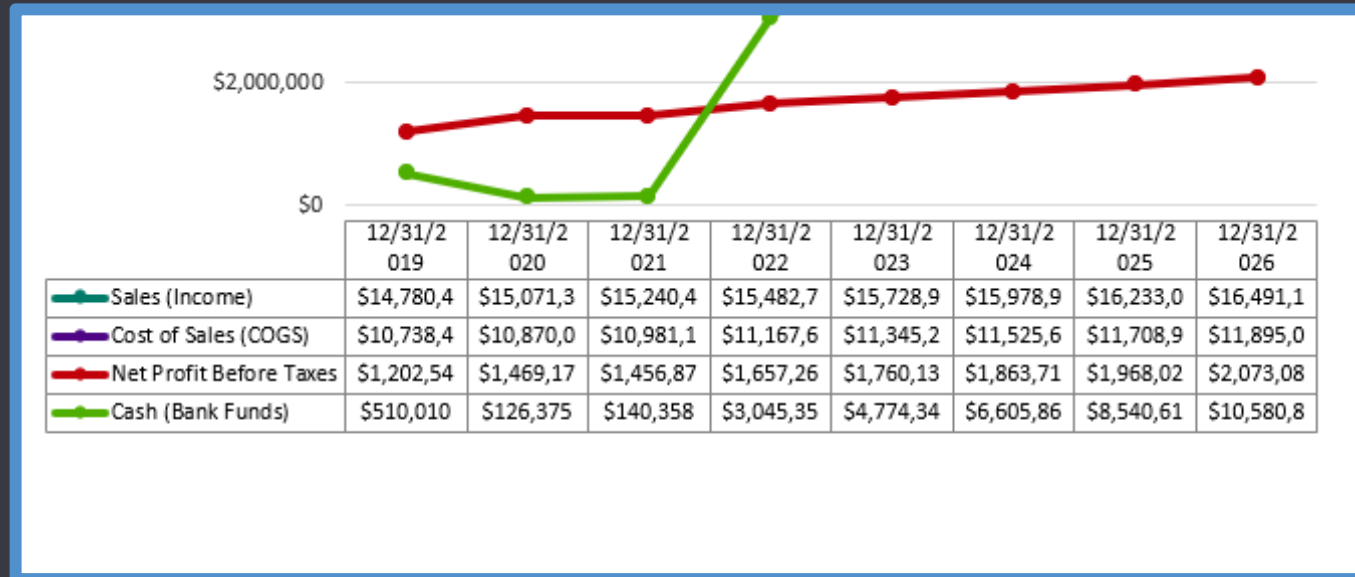
Income Statement

	Initial 12/31/2022	Current Projection 12/31/2022
Sales (Income)	\$15,482,732	\$17,526,470
Cost of Sales (COGS)	\$11,167,695	\$12,641,843
Gross Profit	\$4,315,037	\$4,884,627
Overhead or S,G,& A Expenses	\$2,654,444	\$2,768,967
EBITDA	\$1,661,207	\$2,116,274
Net Income	\$1,657,265	\$2,112,332

Income Statement



Projection Charts





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Case Study

Why provide forecasting

In the "whitewater" economy I dig deep to understand the past, and the present. Only then am I prepared to help clients navigate successfully through the future.

John Wright – Owner
WF E3nterprises, LLC

Knowledge Check

- Projection Report
 - Generate Report
 - Change annual projection to monthly
 - Refinance existing debt
 - Convert into PDF deliverable





QBR



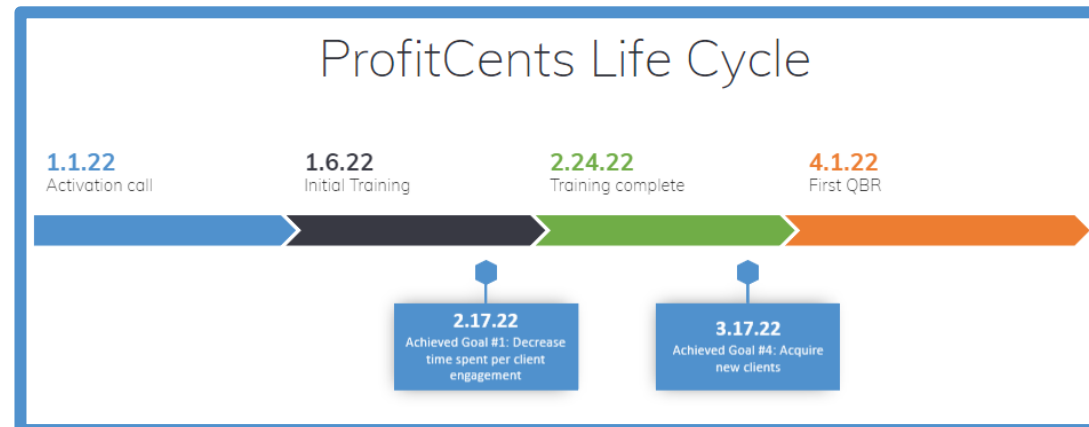
Monitor adoption



Goal check-in



Overcome obstacles



Thank You



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