




April 30-May 2, 2013  The Peabody-Orlando  Orlando, Florida



A large green rectangular sign with a white border and four white screws. It contains the text 'LEADERSHIP' and 'SUCCESS' in white, bold, sans-serif capital letters, followed by a large white arrow pointing to the right.

LEADERSHIP
SUCCESS →



THE VOICE OF FOOD RETAIL 



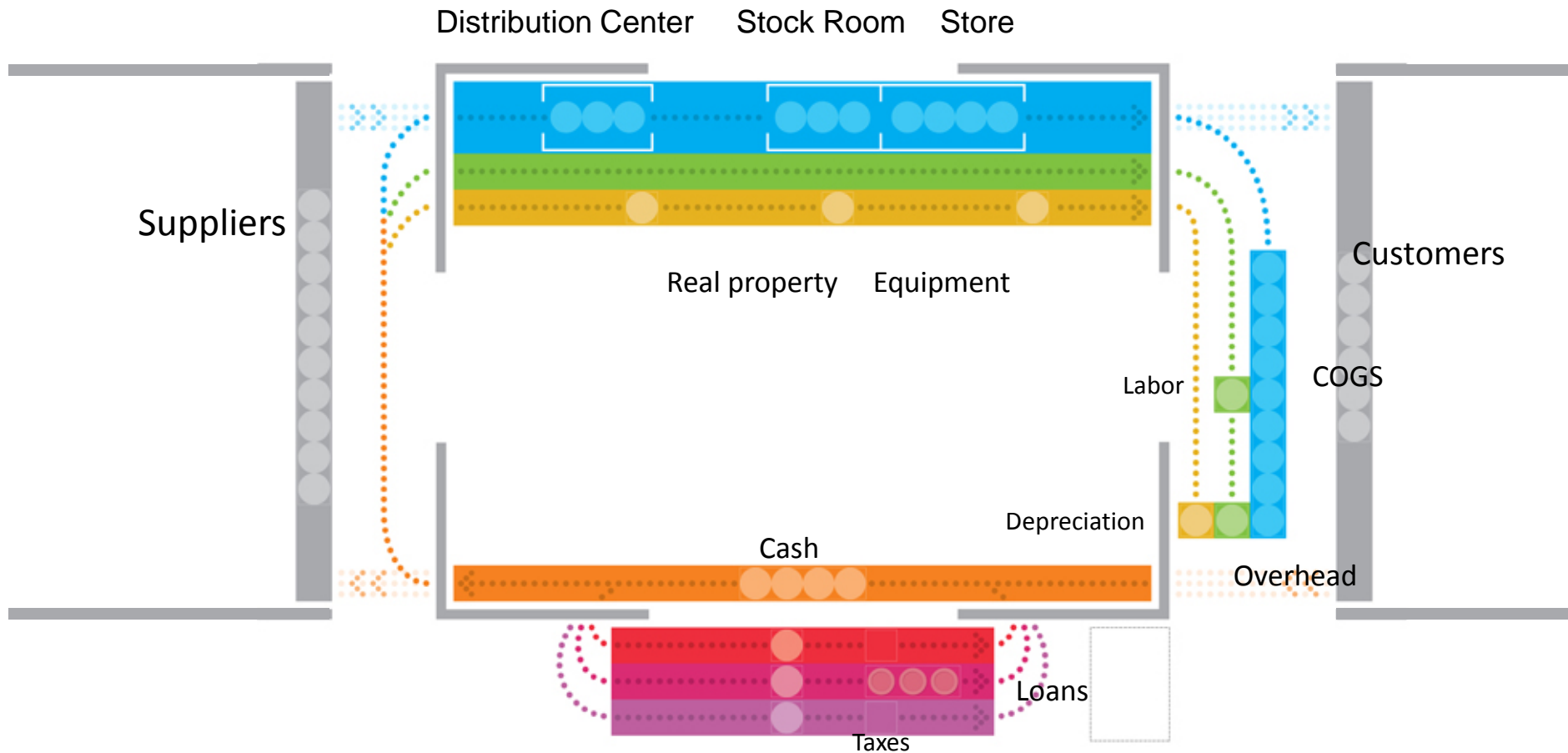
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Levers to Influence Business Results





- Identify the structure of financial statements
- Identify the levers that drive financial results
- Connect to cash flow
- Relate key concepts to their financial impact



$$\text{Working Capital} = \text{Current Assets} - \text{Current Liabilities}$$



Sales



Assets

Costs



	Year 0		Year 1	
Sales		60		60
		29		31
Gross Profit		31		29
Staff	11		12	
Overhead	5		6	
EBITDA		15		11
Depreciation		3	2	
Operating Profit		12		9
Interest	6		6	
Taxes	2		1	
Net Profit		4		2

Flat sales
Increased shrink
Higher costs =
Lower EBITDA

Net profit
reduced by 50%

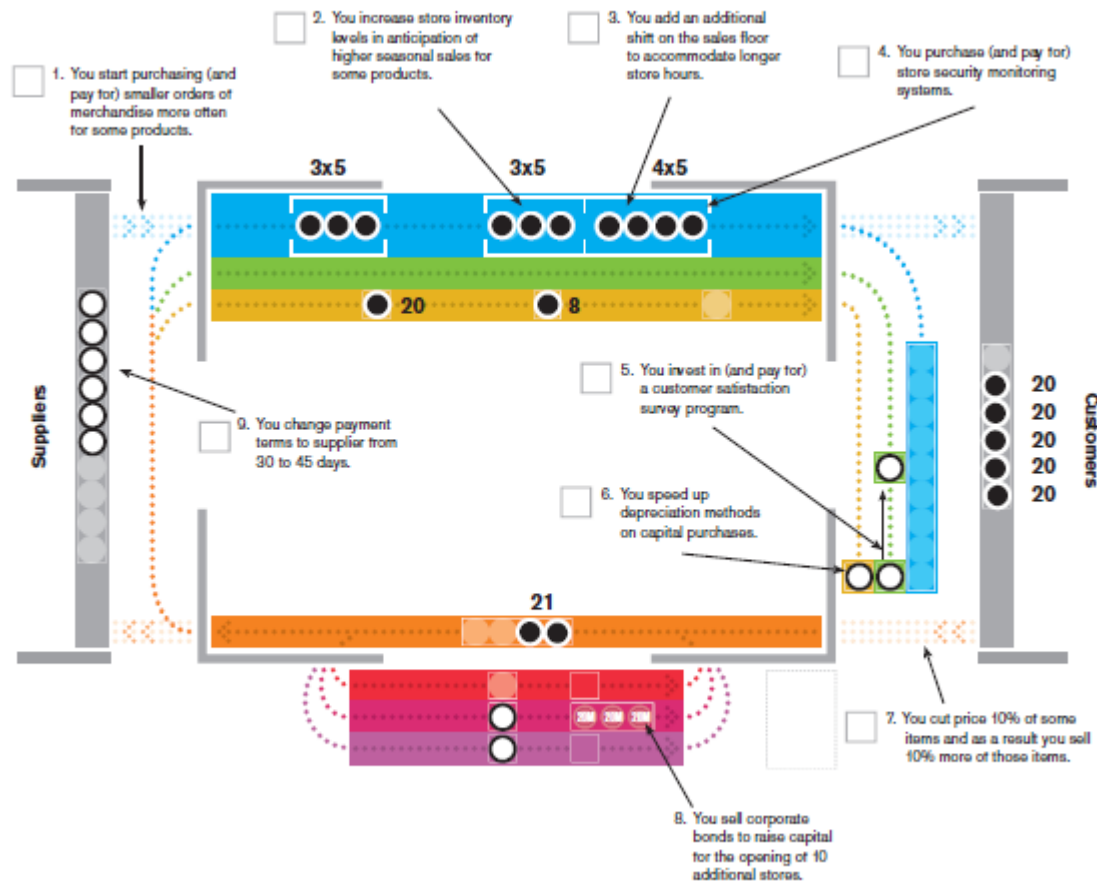


	Year 0		Year 1		Improvements	
Sales		60		60		62
		29		31		31
Gross Profit		31		29		31
Staff	11		12		12	
Overhead	5		6		6	
EBITDA		15		11		13
Depreciation		3	2		2	
Operating Profit		12		9		11
Interest	6		6		2	
Taxes	2		1		3	
Net Profit		4		2		6

Improved ordering leads to less inventory that can drive shrink
 Forecasting to demand lowers working capital
 Lower working capital reduces debt and interest
 Net profit increases 3-fold



Cash flow





Answer key, Appendix exercises

Cash flow, pages 32-33

1. (+) Less stock at any one time
2. (-) More stock at store level
3. (-) More payroll required
4. (-) Use of cash for systems purchased
5. (-) Outflow of cash
6. (±) No effect – depreciation a non-cash change
7. (-) Even if you sell 10% more, your cost of goods sold will increase by 10%. The net effect is negative *
8. (+) Raise cash from bonds
9. (+) Increase cash flow from operations

* Example question 7:

	Before	After
Volume	10 units	11 units
Price	10/unit	9/unit
Sales	100	99
Cost of goods sold	80	88
Contribution	20	11



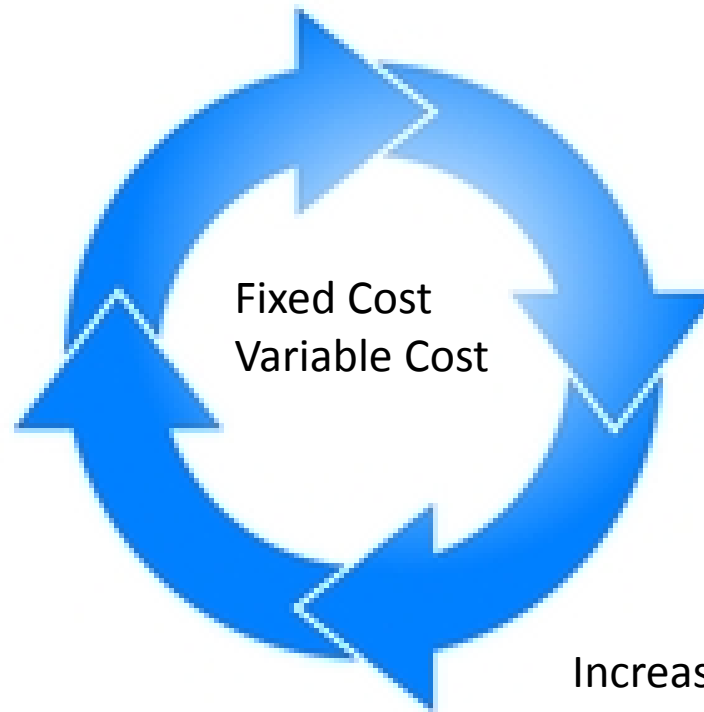
Does your inventory system

- Ordering
- Forecasting
- Shrink

Remind you of “The Temple of Doom”?



The secret to inventory management is
Getting it “just right”



Increasing velocity of cash cycle
Covers fixed costs faster and more
Profit drops to the bottom line



FMI



THE VOICE OF FOOD RETAIL

CELEMI ProfitSim_7-1_MSE2003-2010 [Read-Only] [Compatibility Mode] - Microsoft Excel

CELEMI Profit simulator®

Set this screen

Reset this screen

What if...?

It is all about leverage...

The purpose of this application is to let you demonstrate the possible leverage of small changes:

"What would happen if...?"

Choose which type of business you want to explore, see right.

HAVE FUN!

NOTE: **Macros** should be enabled and **Error checking** should be disabled.

[Click here to adjust all screens](#)

[Reset all screens](#)

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Types of business

Brings you to the Input sheet from where you continue to the actual simulation model. Click below.

Manufacturing* - focus on profit

Choose between EBIT and EVA

Manufacturing* - focus on cash flow

Cash Flow from operations, including Working Capital

Retail

Focus on store operations

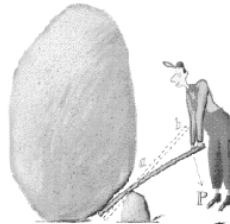
Professional services

People & knowledge intensive operations.

Sales

Getting more out of opportunities

**) Manufacturing of goods or services... or both.*



*Little effort
great impact*