

SUCCESS STORIES - SUMMARY

Project Name	Client	Brief Description	Key Analyses
Business Modeling	Luxury cosmetics brand	Collaborated with the corporate brand development team to formulate the business model and forecast 10-year P&L using bottom-up drivers by channels. Conducted DCF analysis to estimate NPV and payback period of investment.	DCF analysis

BUSINESS MODELING FOR INVESTMENT PITCH TO REVAMP EMERGING BRANDS

ABOUT THE CLIENT

Client is US based **luxury cosmetics company** primarily in the online space.

SITUATION



- The company's brand development team wanted to pitch the **investment proposal** for the revamp of a newly launched brand and a re-launched brand
- Merilytics closely partnered with the brand owners to translate the **growth philosophy into robust financial business models** using bottom-up drivers across channels

VALUE ADDITION



- Collaborated with the Brand Development team to understand the **growth philosophy** of the brands and finalized the specific **drivers of revenue and cost** across channels for each brand
- Analyzed the comparable brand performances for various drivers and incorporated in the business model on basis of robust and **defensible assumptions** unique to the growth story
- Developed a **comprehensive business model** with 10-year P&L for each channel and global expenses with flexibility to easily tweak the assumptions and drivers based on their sensitivity to ensure minimal lead time for iterating the growth scenarios
- Incorporated DCF analysis to understand the **financial returns and investment required** to materialize the growth story of brands

IMPACT



- Business models enabled the brand owners to develop the growth story for the brands with **defensible assumptions and performance metrics** while pitching for investment to Senior Management

BUSINESS MODELING FOR EMERGING BRANDS

Company P&L																					
		Year 1		% of NS		Year 2		% of NS		Year 3		% of NS		Year 4		% of NS		Year 5		% of NS	
Retail Sales		\$500				\$1,000				\$2,000				\$2,500				\$5,000			
Returns/Discounts		\$50				\$100				\$150				\$250				\$500			
Net Sales		\$450				\$900				\$1,500				\$2,500				\$4,000			
YoY Growth % - fav. / (unfav.)						100%				67%				67%				60%			
Total COGS		\$10		2%		\$597		66%		\$1,028		69%		\$2,000		80%		\$3,000		75%	
COGS		\$10		2%		\$596		66%		\$1,000		67%		\$2,000		80%		\$3,000		75%	
Cost of Gifts		\$0		0%		\$0		0%		\$0		0%		\$0		0%		\$0		0%	
Excess & Obsolescence		\$0		0%		\$1		0%		\$28		2%		\$0		0%		\$0		0%	
Gross Profit		\$440		98%		\$303		34%		\$472		31%		\$500		20%		\$1,000		25%	
YoY Growth % - fav. / (unfav.)						(31%)		(6414 bps)		56%		(216 bps)		6%		(616 bps)		100%		500 bps	
Training & Merchandising		\$0		0%		\$0		0%		\$0		0%		\$0		0%		\$0		0%	
Marketing (Events, Advt., etc.)		\$400		89%		\$400		44%		\$400		27%		\$400		16%		\$400		10%	
PR (Agency & Events)		\$200		44%		\$200		22%		\$200		13%		\$200		8%		\$200		5%	
Creative		\$300		67%		\$300		33%		\$300		20%		\$300		12%		\$300		8%	
Website Maintenance		\$150		33%		\$150		17%		\$150		10%		\$150		6%		\$150		4%	
Talent		\$300		67%		\$300		33%		\$300		20%		\$300		12%		\$300		8%	
Shipping		\$50		11%		\$50		6%		\$50		3%		\$50		2%		\$50		1%	
Promotions		\$50		11%		\$50		6%		\$50		3%		\$50		2%		\$50		1%	
G&A		\$150		33%		\$150		17%		\$150		10%		\$150		6%		\$150		4%	
D&A		\$50		11%		\$50		6%		\$50		3%		\$50		2%		\$50		1%	
Total Operating Expenses		\$1,811		402%		\$4,131		459%		\$7,860		524%		\$13,690		548%		\$24,479		612%	
YoY Growth % - fav. / (unfav.)						(128%)		(5654 bps)		(90%)		(6497 bps)		(74%)		(2362 bps)		(79%)		(6436 bps)	
Net Operating Profit (Loss)		(\$1,371)		(305%)		(\$3,828)		(425%)		(\$7,388)		(493%)		(\$13,190)		(528%)		(\$23,479)		(587%)	
YoY Growth % - fav. / (unfav.)						na		(12068 bps)		na		(6713 bps)		na		(3510 bps)		na		(5936 bps)	
Capex		\$150				\$200				\$300				\$400				\$500			
Global		\$150				\$150				\$150				\$150				\$150			
Brand.com		\$0				\$0				\$0				\$0				\$0			
Retailer B&M		\$0				\$0				\$100				\$100				\$100			
Net fixed assets		\$100				\$200				\$250				\$270				\$130			

Forecasted the P&L
of the company for
10 years from launch

BUSINESS MODELING FOR UPCOMING BRANDS

DCF Analysis																												
Tax rate		35%																										
Days working capital		30																										
Terminal Growth Rate		-																										
Discount rate		10%																										
	Year 0		Year 1		% of NS		Year 2		% of NS		Year 3		% of NS		Year 4		% of NS		Year 5		% of NS		Year 6		% of NS			
Net Sales				\$500				\$1,000				\$2,000				\$2,500				\$5,000				\$15,000				
YoY Growth % - fav. / (unfav.)								100.0%				100.0%				25.0%				100.0%				200.0%				
NOP (Before Tax)				(\$1,500)				(\$2,000)				(\$2,500)				(\$2,500)				\$5,000				\$7,500				50%
Tax				(\$525)				(\$700)				(\$875)				(\$875)				\$1,750				\$2,625				
NOP (After Tax)				(\$975)				(\$1,300)				(\$1,625)				(\$1,625)				\$3,250				\$4,875				
(+) Dep. & Amor.				\$50				\$100				\$250				\$400				\$600				\$700				
(-) Change in WC				\$41				\$41				\$82				\$41				\$205				\$822				
(-) Capex				\$150				\$150				\$200				\$250				\$500				\$700				
FCF				(\$5,000)				(\$1,116)				(\$1,391)				(\$1,657)				(\$1,516)				\$3,145				\$4,053
Cumulative Cash flow				(\$1,116)				(\$2,507)				(\$4,164)				(\$5,680)				(\$2,536)				\$1,517				
Investment				\$5,000																								
Ending Cash				\$3,884				\$2,493				\$836				(\$680)				\$2,464				\$6,517				
Discounted CF				(\$1,064)				(\$1,206)				(\$1,306)				(\$1,086)				\$2,048				\$2,400				

DCF analysis to estimate the payback period and NPV