Financial Planning & Budget Modeling

(Fitness Chain)

- Built a comprehensive budget with all key business drivers to **accurately plan and track financials for the year**
- Built various scenarios to enable the Finance team to make contingency plans as needed

FINANCIAL PLANNING AND BUDGETING

ABOUT THE CLIENT

Company is a large franchise-based **fitness chain** in the U.S.

SITUATION

- Company had a large number of franchisee studios and had an annual budgeting process, but wanted to **develop a dynamic budgeting model**
- Merilytics **partnered with the company** to develop a budgeting model which would capture all the business drivers, split by individual entities, and provide flexibility to the Finance team to evaluate various scenarios

VALUE ADDITION

- Developed detailed Income, Cash Flow and Balance Sheet statements, along with **financial ratios and scenario analyses.**
- Created **monthly income statements for at individual entity level** and aggregated to a consolidated entity format
- Built the flexibility to plug-in the monthly actuals and **recalculate the adjusted budgets**
- Built **separate schedules for each revenue head** (royalty, franchisee fee, training income and product sales) **and expense head** (COGS, Labor, G&A etc.) based on business drivers, and linked all the schedules to enable easy navigation
- **Worked closely with the CFO and Finance team** to iterate and present the final budgeting model to the Board

IMPACT

- The budgeting model helped the company to **accurately plan and track the financials** for the year
- The ease of navigation and flexibility, and scenario analyses **increased the efficiency and accuracy of the budgeting process**
- The model was **extended for longer-term planning** (5 years) purposes

FINANCIAL PLANNING AND BUDGETING FOR A FITNESS CHAIN

ILLUSTRATIVE

Detailed Financial statements – Consolidated income statement and balance sheet

<<Back to Legend

DETAILED INCOME STATEMENT
CONSOLIDATED

	Jan-16	Feb-16	Mar-16	Apr-16	May-16	Jun-16	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	Total 2016 (Budget)	% Change (Total 2016 vs Total 2015)
Royalty Income	$163,869	$329,904	$644,965	$619,984	$532,611	$594,752	$39,010	$298,950	$207,800	$274,644	$17,491	$107,486	$3,831,465	-50%
Franchisee Fee (Initial, Transfer, Renewal)	$9,089	$49,423	$375,638	$151,376	$203,779	$418,292	$323,807	$276,438	$122,851	$170,136	$293,061	$29,341	$2,423,233	-42%
Training Income	$134,186	$131,852	$51,338	$80,336	$4,033	$36,867	$119,113	$8,953	$21,248	$84,732	$138,857	$79,180	$890,695	-42%
Business Partner Revenue	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	na
Franchising Revenue	$307,144	$511,179	$1,071,942	$851,696	$740,422	$1,049,910	$481,931	$584,341	$351,899	$529,513	$449,409	$216,007	$7,145,393	-47%
Product Sales & Shipping Income	$600,934	$121,838	$404,687	$640,761	$330,443	$249,119	$666,002	$704,323	$606,003	$545,834	$260,108	$739,955	$5,870,007	-25%
Corporate Revenue	$400,563	$390,701	$425,377	$389,057	$410,274	$396,030	$373,596	$367,681	$365,140	$368,958	$375,403	$402,255	$4,665,037	6%
Other Revenue	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	-
Total Revenue	**$1,308,641**	**$1,023,718**	**$1,902,006**	**$1,881,514**	**$1,481,139**	**$1,695,058**	**$1,521,529**	**$1,656,345**	**$1,323,042**	**$1,444,305**	**$1,084,920**	**########**	**$17,680,436**	**-31%**
COGS	$467,626	$488,359	$485,211	$491,662	$496,825	$522,679	$553,333	$558,156	$572,178	$591,648	$593,218	$631,771	$6,452,667	43%
Gross Profit	**$841,015**	**$535,359**	**$1,416,795**	**$1,389,852**	**$984,314**	**$1,172,380**	**$968,196**	**$1,098,189**	**$750,864**	**$852,657**	**$491,702**	**$726,447**	**$11,227,770**	**-47%**
Corporate Studio Level Expenses														
Total Corporate Studio Expenses	$329,912	$329,559	$333,876	$332,575	$330,260									
G&A Expense (Related to Franchising Studios & Product)														
Advertising Expense	$73,564	$94,690	$135,038	$70,996	$113,304									
Labor Expenses	$379,734	$501,122	$154,511	$131,542	$72,887									
Operating Expenses	$22,456	$33,267	$49,804	$198,045	$110,736									
Occupancy	$38,887	$19,732	$12,403	$16,311	$22,961									
Total G&A Expense (Related to Franchising Studios & Product)	$514,640	$648,810	$351,756	$416,894	$319,888									
Total OpEx	**$844,553**	**$978,369**	**$685,633**	**$749,469**	**$650,149**									
Management Fees	$15,736	$67,530	$20,789	$20,448	$24,993									
Other Expenses (Management fees, trans & start-up, cont. consideration	$15,736	$67,530	$20,789	$20,448	$24,993									
Internally Reported EBITDA	**-$19,274**	**-$510,541**	**$710,374**	**$619,935**	**$309,173**									
Add Backs	$83,027	$144,207	$93,214	$95,296	$104,281									
Adjusted EBITDA	**$63,753**	**-$366,333**	**$803,587**	**$715,231**	**$413,454**									

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BALANCE SHEET
CONSOLIDATED

	Jan-16	Feb-16	Mar-16	Apr-16	May-16	Jun-16	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16
Assets												
Current assets												
Cash	$1,479,815	$1,792,516	$750,294	$2,676,647	$4,813	$2,019,458	$860,515	$2,132,743	-$139,819	-$117,747	$332,209	-$1,951,496
Accounts receivable	$343,410	$672,996	$872,702	$477,155	$995,988	$651,355	$605,389	$69,554	$831,998	$365,767	$943,034	$1,019,186
Inventories, net	$153,162	$594,767	$994,612	$64,151	$405,317	$147,247	$53,134	$277,387	$643,903	$1,495,709	$1,289,953	$1,801,161
Other current assets	$241,254	$472,795	$613,093	$335,213	$699,705	$457,592	$425,300	$48,864	$584,498	$256,960	$662,503	$716,002
Total current assets	$2,217,641	$3,533,074	$3,230,701	$3,553,166	$2,105,823	$3,275,651	$1,944,337	$2,528,548	$1,920,580	$2,000,689	$3,227,698	$1,584,853
Fixed assets, gross	$1,746,015	$1,746,015	$1,746,015	$1,746,015	$1,746,015	$1,746,015	$1,746,015	$1,746,015	$1,746,015	$1,746,015	$1,746,015	$1,746,015
(–) Accumulated depreciation	$324,884	$361,109	$397,334	$433,560	$469,785	$506,010	$542,235	$578,460	$614,685	$650,910	$687,135	$723,360
Fixed assets, net	$1,421,131	$1,384,906	$1,348,681	$1,312,455	$1,276,230	$1,240,005	$1,203,780	$1,167,555	$1,131,330	$1,095,105	$1,058,880	$1,022,655
Goodwill	$150,000,000	$150,000,000	$150,000,000	$150,000,000	$150,000,000	$150,000,000	$150,000,000	$150,000,000	$150,000,000	$150,000,000	$150,000,000	$150,000,000
Other assets	$140,978	$140,978	$140,978	$140,978	$140,978	$140,978	$140,978	$140,978	$140,978	$140,978	$140,978	$140,978
Intangible assets	$1,706,732	$1,706,732	$1,706,732	$1,706,732	$1,706,732	$1,706,732	$1,706,732	$1,706,732	$1,706,732	$1,706,732	$1,706,732	$1,706,732
(–) Accumulated amortization	$208,600	$234,883	$261,165	$287,448	$313,730	$340,012	$366,295	$392,577	$418,859	$445,142	$471,424	$497,707
Intangible assets, net	$1,498,132	$1,471,849	$1,445,567	$1,419,284	$1,393,002	$1,366,720	$1,340,437	$1,314,155	$1,287,873	$1,261,590	$1,235,308	$1,209,025
Total assets	**$155,277,881**	**$156,530,807**	**$156,165,926**	**$156,425,884**	**$154,916,033**	**$156,023,354**	**$154,629,533**	**$155,151,236**	**$154,480,761**	**$154,498,362**	**$155,662,864**	**$153,957,512**
Liabilities and Member's Equity												
Current liabilities												
Accounts payable	$627,157	$503,212	$706,338	$637,311	$702,542	$509,020	$507,233	$614,537	$601,875	$581,613	$520,235	$716,009
Accrued expenses (Senior Note Interest Accrued)	$1,102,495	$1,102,495	$1,102,495	$1,102,495	$1,102,495	$1,102,495	$1,102,495	$1,102,495	$1,102,495	$1,102,495	$1,102,495	$1,102,495
Advertising fee deposits	$176,531	$176,531	$176,531	$176,531	$176,531	$176,531	$176,531	$176,531	$176,531	$176,531	$176,531	$176,531
Deferred revenues	$294,790	$2,007,986	$1,611,776	$2,115,126	$561,966	$2,061,370	$733,160	$1,122,226	$1,243,954	$1,301,524	$2,491,926	$1,106,971
Current portion of term loan	$1,200,000	$1,200,000	$1,200,000	$1,200,000	$1,200,000	$1,200,000	$1,200,000	$1,200,000	$1,200,000	$1,200,000	$1,200,000	$1,200,000
Other current liabilities	$55,086	$44,199	$62,041	$55,978	$61,707	$44,709	$44,552	$53,977	$52,865	$51,086	$45,694	$62,890
Total current liabilities	$3,456,060	$5,034,423	$4,859,181	$5,287,441	$3,805,241	$5,094,125	$3,763,972	$4,269,766	$4,377,720	$4,413,249	$5,536,882	$4,364,896
Loan Payable	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Noncurrent Portion Monroe Capital Term Loan	$286,005,731	$480,945,513	$508,827,565	$184,997,889	$528,201,556	$20,994,476	$452,246,726	$573,485,514	$93,281,599	$328,617,084	$388,687,615	$109,601,656
CD Member Loan Payable	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Total debt	$286,005,731	$480,945,513	$508,827,565	$184,997,889	$528,201,556	$20,994,476	$452,246,726	$573,485,514	$93,281,599	$328,617,084	$388,687,615	$109,601,656
Other noncurrent liabilities	$29,586	$23,739	$33,321	$30,065	$33,142	$24,013	$23,928	$28,990	$28,393	$27,437	$24,542	$33,777
Other long-term liabilities (earn out)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Total liabilities	$289,491,377	$486,003,675	$513,720,066	$190,315,395	$532,039,938	$26,112,614	$456,034,626	$577,784,271	$97,687,712	$333,057,770	$394,249,038	$114,000,329
Common Stock	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Retained Earnings	-$982,909	-$1,302,500	-$1,351,720	-$1,516,767	-$1,547,494	-$1,569,929	-$1,633,512	-$1,622,665	-$1,650,497	-$1,667,469	-$1,623,704	-$1,416,307
Member's equity	$7,956,629	$7,956,629	$7,956,629	$7,956,629	$7,956,629	$7,956,629	$7,956,629	$7,956,629	$7,956,629	$7,956,629	$7,956,629	$7,956,629
Total liabilities and member's equity	**$155,277,881**	**$156,530,807**	**$156,165,926**	**$156,425,884**	**$154,916,033**	**$156,023,354**	**$154,629,533**	**$155,151,236**	**$154,480,761**	**$154,498,362**	**$155,662,864**	**$153,957,512**

... Balance Sheet | Cash Flow | TTM IS | Consolidated IS | Consolidating IS Act TTM vs Bud | Holdco IS | Opco IS | Productco IS | Franchising IS | Eliminatior ...

FINANCIAL PLANNING AND BUDGETING FOR A FITNESS CHAIN

ILLUSTRATIVE

Separate calculation schedule for each revenue head

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EXISTING STUDIO REVENUE

Please select the approach (from dropdown -->)	Historical Average Basis

RAMP REVENUE

	1	2	3	4	5	6	7	8	9	10	11	12	13	14	
Primary	$4,804	$6,405	$26,189	$5,299	$25,291	$9,985	$14,181	$9,956	$23,427	$21,899	$30,453	$16,170	$2,426	$10,747	$3
Secondary	$16,304	$8,183	$6,372	$1,784	$22,387	$2,386	$2,681	$23,688	$21,216	$2,785	$8,912	$15,170	$22,784	$14,233	$2
Tertiary	$14,394	$11,507	$8,950	$18,428	$13,689	$1,642	$14,147	$9,500	$8,538	$8,393	$6,788	$25,258	$17,834	$8,374	$1

SELECTION CRITERIA <<Back to Assumptions

Age in months	Selection
>24 months	Last 24M avg (Dec '15)
>18 months	Last 12M avg (Dec '15)
>12 months	Last 6M avg (Dec '15)
0-12 months	Normal Ramp

COMPETITIOI <<Back to Assumptions

Competitive Factor	crease in Revenue
1	3.00%
2	2.00%
3	1.00%
4	0.50%
5	0.00%

<<Back to Assumptions

SSS Criteria (in months)	15

<<Back to Studio Information

Store Number	Store Name	Open Date	Market	Competitive Factor	Oct-13	Nov-13	Dec-13	Jan-14	Feb-14	Mar-14	Apr-14	May-14	Jun-14	Jul-14	Au
					$4,690,816	#######	$5,484,338	$5,650,856	$5,752,529	$6,486,707	$6,185,009	$6,849,359	$6,830,081	$6,571,811	$6,749
123	ABC	05/29/07	Secondary	5	$94,010	$77,989	$102,482	$53,682	$66,775	$36,966	$25,426	$30,694	$31,154	$29,478	$3
234	ABC1	08/22/08	Tertiary	5	$15,630	$13,450	$14,652	$12,372	$15,679	$32,285	$30,924	$35,040	$20,048	$20,035	$
345	ABC2	03/10/09	Primary	3	$39,125	$32,757	$46,100	$29,341	$31,671	$58,951	$48,955	$56,117	$67,845	$47,856	$
456	ABC3	04/05/09	Tertiary	5	$49,542	$58,186	$57,798	$46,793	$47,122	$19,854	$19,094	$22,894	$20,146	$19,663	$
567	ABC4	03/28/09	Secondary	3	$26,006	$19,758	$23,550	$20,989	$18,682	$32,757	$46,100	$29,341	$31,671	$49,542	$
678	ABC5	04/10/09	Secondary	1	$36,966	$25,426	$30,694	$31,154	$29,478	$58,186	$57,798	$46,793	$47,122	$26,006	$
789	ABC6	10/24/09	Secondary	4	$32,285	$30,924	$35,040	$20,048	$20,035	$58,951	$48,955	$56,117	$67,845	$47,856	$4
900	ABC7	01/30/10	Tertiary	3	$46,793	$47,122	$27,012	$32,285	$30,924	$35,040	$19,094	$22,894	$20,146	$19,663	$2
1011	ABC8	01/24/10	Primary	1	$20,989	$18,682	$52,738	$55,624	$49,943	$52,289	$34,279	$25,587	$25,554	$28,084	$3
1122	ABC9	02/07/10	Secondary	5	$31,154	$29,478	$24,989	$24,527	$22,856	$26,055	$57,798	$46,793	$39,125	$32,757	$
1233	ABC10	04/13/10	Secondary	5	$20,048	$20,035	$17,448	$19,594	$19,915	$18,769	$23,550	$20,989	$49,542	$58,186	$5
1344	ABC11	04/11/10	Secondary	2	$22,633	$18,081	$23,247	$14,049	$6,686	$9,309	$20,534	$29,678	$26,006	$19,758	$2
1455	ABC12	05/26/10	Primary	1	$36,548	$26,486	$22,103	$31,733	$31,870	$28,393	$30,202	$31,921	$36,966	$25,426	$3
1566	ABC13	07/06/10	Primary	1	$20,801	$16,476	$20,322	$19,658	$19,643	$12,506	$15,008	$20,697	$32,285	$30,924	$3
1677	ABC14	06/07/10	Secondary	3	$34,617	$35,753	$42,735	$32,392	$42,449	$39,689	$43,272	$42,104	$19,663	$30,687	$2
1788	ABC15	06/28/10	Primary	1	$42,172	$28,749	$35,594	$28,831	$30,730	$39,574	$29,048	$42,944	$28,084	$48,644	$

... REVENUES>>> | Training Revenue | New Studio Revenue | Franchisee Fee | Existing Studio Revenue | Opco service revenue | Merchandise sales | Other Rev ...

Defined top-down or bottom-up approach for each revenue head.
Detailed calculations schedule created based on drivers

FINANCIAL PLANNING AND BUDGETING FOR A FITNESS CHAIN

ILLUSTRATIVE

Separate calculation schedule for each expense head

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COST OF GOODS SOLD

ASSUMPTIONS	<<Back to Assumptions	
(All the values are on per annum basis)		
Shipping Expense	2.00%	Review
% Margin for ProductCo B2B	40%	
% Margin for ProductCo B2C	50%	Review
Product Samples and Research	$11,000	
Fulfilments as a % of Merchandise Sale	2.00%	
Postage and Delivery for Products as a % of Shipping Income	98.00%	
Shipping Supplies as a % of Merchandise Sale	0.50%	
Inventory Warehouse Storage	$20,000	
Other Cost of Goods Sold	$80,000	

HOLDCO

	Oct-15	Nov-15	Dec-15	Jan-16	Feb-16	Mar-16	Apr-16	May-16	Jun-16	Jul-16	Aug-16	Sep-16	Oct-
COGS	$64	$4,040	$4,063	$1,459	$3,080	$2,068	$1,747	$175	$1,672	$2,352	$1,059	$3,950	$4,7
50101 – Merchandise for Resale	$63	$3,961	$3,983	$1,430	$3,019	$2,027	$1,713	$172	$1,639	$2,306	$1,038	$3,873	$4,6
50220 – Postage and Delivery for Pr	$1	$79	$80	$29	$60	$41	$34	$3	$33	$46	$21	$77	$

OPCO

	Oct-15	Nov-15	Dec-15	Jan-16	Feb-16	Mar-16	Apr-16	May-16	Jun-16	Jul-16	Aug-16	Sep-16	Oct-
COGS	$18,417	$7,609	$14,249	$10,526	$2,937	$4,617	$14,503	$10,490	$9,078	$11,418	$10,779	$8,020	$9,5
50101 – Merchandise for Resale	$18,056	$7,459	$13,970	$10,319	$2,880	$4,527	$14,218	$10,285	$8,900	$11,195	$10,568	$7,862	$9,3
50220 – Postage and Delivery for Pr	$361	$149	$279	$206	$58	$91	$284	$206	$178	$224	$211	$157	$1

ELIMINATIONS

	Oct-15	Nov-15	Dec-15	Jan-16	Feb-16	Mar-16	Apr-16	May-16	Jun-16	Jul-16	Aug-16	Sep-16	Oct-
COGS	$15,456	$13,650	$1,716	$2,667	$10,539	$5,112	$15,702	$20,150	$5,513	$1,006	$10,517	$3,973	$2,0
50190 – Merchandise Cost – Interco	$15,153	$13,382	$1,682	$2,614	$10,332	$5,012	$15,394	$19,755	$5,405	$986	$10,311	$3,895	$1,9
50220 – Postage and Delivery for Pr	$303	$268	$34	$52	$207	$100	$308	$395	$108	$20	$206	$78	$

PRODUCTCO

	Oct-15	Nov-15	Dec-15	Jan-16	Feb-16	Mar-16	Apr-16	May-16	Jun-16	Jul-16	Aug-16	Sep-16	Oct-

... Franchising Expenses | Professional Fees | Office Occupancy Expenses | Travel Expenses | Office Expenses | COGS | IT and Telecom Expenses | M

Defined top-down or bottom-up approach for each expense head.
Detailed calculations schedule created based on drivers