

Business Plan Development Tools 2022 Iowa Aquaculture Conference

January 20, 2022

Presented by Brian Tapp

Brian Tapp

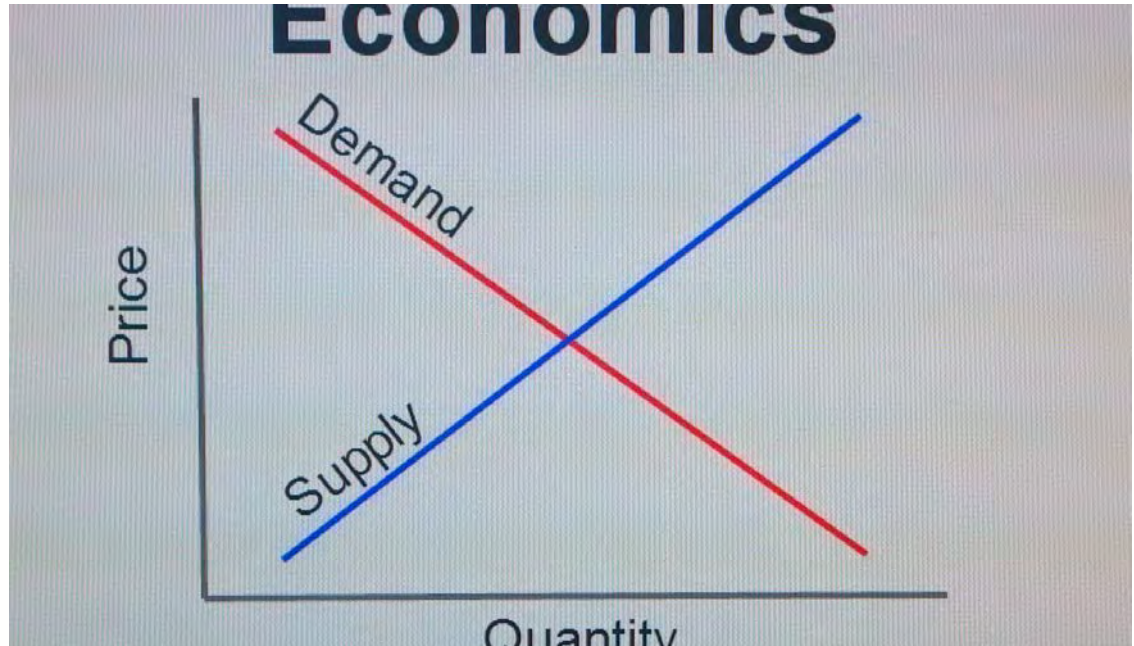
Program Manager

SBDC

SBA Loan Officer

RLF Fund Manager

MA Economics



Business Plan Significance

- Serves as a roadmap for the business
- Identify the key personnel – owners
- Document market data
- Milestones
- Develop projections – minimum 1 year monthly, 3 years
- Profit and Loss, Balance Sheet, Cash Flow Analysis
- Photos of equipment in plan – value \$2,500 or greater
- Provides a document of what, who, and how for the financial decision makers

Aquaculture

- Project Example
 - Market Data
 - Research
 - Business Plan
 - Financing



Business Plan Considerations

- Products
- Profitability
- Future Growth
- Markets
- Exit Strategy



Business Plan Elements

- Executive Summary
- Opportunity
- Execution
- Company
- Financial Plan

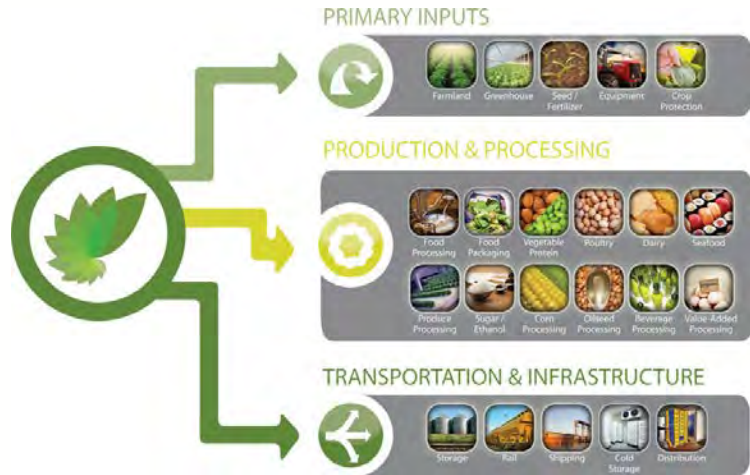


Plan – Executive Summary

- Opportunity
- Problem
- Solution
- Market
- Competition
- Why Us?



Plan - Opportunity



Problem and Solution

- Problem Worth Solving
- Our Solution

Target Market

- Target Market and Size

Competition

- Who is ... direct and indirect

Plan - Execution

Marketing and Sales

- Marketing Plan
- Sales Plan

Operations

- Locations & Facilities
- Technology
- Equipment & Tools

Milestones & Metrics

- Milestones – dates, key person
- Key metrics



Plan - Company



Overview

- Ownership & Structure
- Company History

Target Market

- Market Size and Segments

Team

- Management Team
- Advisors

Plan – Financial Plan

Forecast

- Key Assumptions
- Revenue by Month
- Expenses by Month
- Net Profit (or loss) by Year

Financing

- Use of Funds
- Sources of Funds



Plan – Financial Plan – cont.



Statements

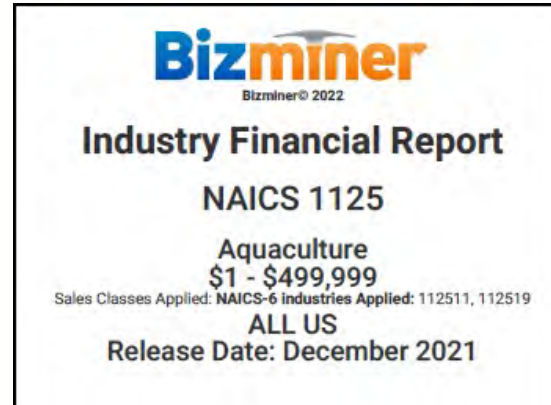
- Projected Profit and Loss
- Projected Balance Sheet
- Projected Cash Flow Statements

Benchmarking Research

North American Industry Classification System

<https://www.sba.gov/contracting/getting-started-contractor/determine-your-naics-code>

For our example we are looking for:



Market Data

You may need more than one source

BizMiner, IBIS World, Industrious CFO, Vertical IQ

Bizminer
Bizminer© 2022

Industry Financial Report

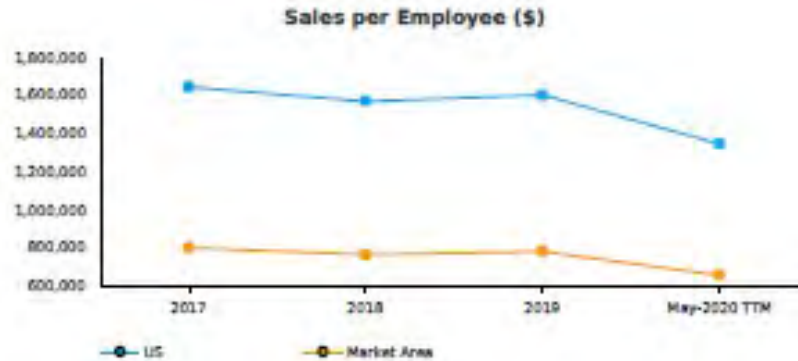
NAICS 1125

Aquaculture
\$1 - \$499,999

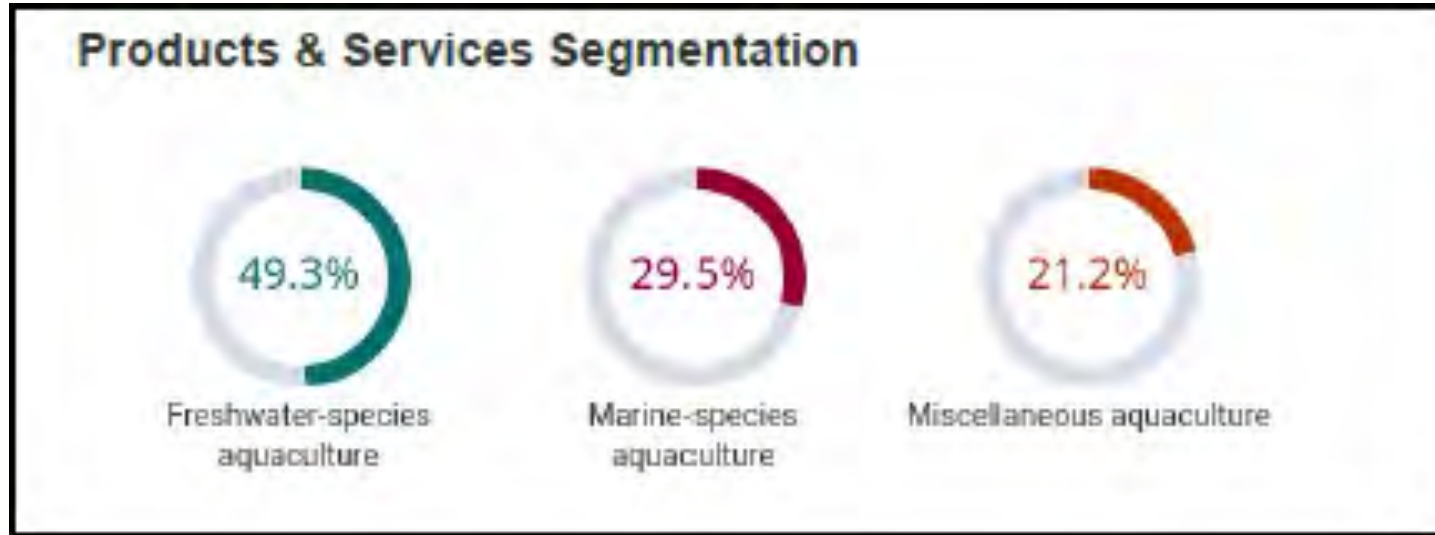
Sales Classes Applied: **NAICS-6 industries Applied: 112511, 112519**

ALL US

Release Date: December 2021



Market Analysis - Macro



Market Analysis-Macro

Key External Drivers

Demand from seafood preparation

Operators in the Fish and Seafood Aquaculture industry rely on seafood preparers for demand for their products. The Seafood Preparation industry (IBISWorld report 31171) purchases fish and shellfish from the industry and processes them to create prepared seafood products for retail, wholesale and consumers. Demand from seafood preparation is expected to increase in 2021, representing a potential opportunity for the industry.

Demand from fish and seafood wholesaling

Operators in this industry depend on demand from fish and seafood wholesalers. The Fish and Seafood Wholesaling industry purchases fresh fish, mollusks, crustaceans and other industry products, and then sells them to downstream markets. Demand from fish and seafood wholesaling is expected to rise in 2021.

Per capita seafood consumption

Per capita seafood consumption measures how many pounds of seafood the average American consumes in a year. Seafood includes all fresh, frozen and canned fish and shellfish. As people consume more seafood, demand for the industry's products increases. Per capita seafood consumption is expected to rise in 2021.

Price of seafood

The price of seafood has a significant effect on revenue for this industry. When the price of seafood increases, operators earn more per item of seafood sold. The price of seafood is expected to rise in 2021.

Price of feed

Fish feed represents the largest purchase cost for industry operators. An increase in the price of feed raises industry input costs but also increase total revenue. For a time, cost increases can be passed onto consumers to preserve profitability, but this will ultimately reduce demand and harm industry revenue growth. After years of the price of feed growing, the Environmental Protection Agency loosened ethanol quotas for corn and other crops in 2013, substantially reducing demand for feed inputs. The price of feed is forecast to decrease in 2021, posing a potential threat to the industry.

Benchmarking

Why benchmark?

What's Important – COG's, Labor, Cash, Net Profit

Tools – Industrious CFO, RMA, LivePlan

Assists in developing realistic expectations

Benchmarking Narrative



Financial Analysis



Bizminer
Bizminer© 2022

Industry Financial Report

NAICS 1125

Aquaculture
\$1 - \$499,999

Sales Classes Applied: NAICS-6 industries Applied: 112511, 112519

ALL US
Release Date: December 2021

IBISWorld
WHERE KNOWLEDGE IS POWER

INDUSTRY REPORT 11251

Fish & Seafood Aquaculture in the US

Fresh catch: Increasing disposable income will likely support demand for industry products

John Madigan | December 2021

PROFIT LOSS

PROFIT LOSS (\$): INCOME & EXPENSE - INDUSTRY

	Industry					
	2016	2017	2018	2019	2020	2021q2
Business Revenue	364,057	349,265	364,587	366,696	275,050	206,324
Cost of Sales	70,161	67,209	70,016	73,706	57,403	43,172
Cost of Sales - Labor Portion	5,641	5,350	5,824	6,394	4,233	3,183
Gross Margin	293,896	282,056	294,571	292,990	217,647	163,152
Officers Comp.	18,167	17,777	18,339	15,584	11,497	8,645
Salary-Wages	28,014	27,398	28,270	27,409	19,859	14,938
Rent	60,165	58,876	60,734	62,075	44,118	33,182
Taxes Paid	11,250	11,002	11,338	9,497	7,179	5,406
Advertising	437	419	437	514	413	309
Benefits-Pensions	5,352	5,239	5,396	3,887	3,163	2,373
Repairs	18,203	17,813	18,375	21,928	15,238	11,451
Bad Debt	73	70	73	73	27	21
Sales, General, Admin & Misc.	146,348	138,124	142,426	145,191	108,907	81,902
EBITDA	5,887	5,338	9,183	6,832	7,246	4,925
Amortization Depreciation Depletion	37,124	36,361	37,439	35,940	28,398	23,215
Operating Expenses	325,133	313,079	322,827	322,098	238,799	181,442
Operating Income	-31,237	-31,023	-28,256	-29,108	-21,152	-18,290
Interest Income	401	385	437	367	385	289
Interest Expense	5,679	5,554	5,797	4,474	4,098	3,033
Other Income	96,258	90,528	99,208	101,478	77,025	57,972
Pre-Tax Net Profit	59,743	54,336	65,592	68,263	52,160	36,938
Income Tax	9,936	8,584	13,774	14,335	10,954	6,649
After Tax Net Profit	49,807	45,752	51,818	53,928	41,206	30,289
Discretionary Owner Earnings	115,034	108,474	121,370	119,787	92,055	68,798

PROFIT LOSS (%): INCOME & EXPENSE - INDUSTRY

	Industry				
	2015	2016	2017	2018	2019
Business Revenue	100%	100%	100%	100%	100%
Cost of Sales	36.87%	36.88%	37.25%	37.59%	37.99%
Cost of Sales - Labor Portion	2.99%	2.97%	2.97%	3.13%	3.30%
Gross Margin	63.13%	63.12%	62.75%	62.41%	62.01%
Officers Comp.	1.77%	1.71%	1.67%	1.58%	1.12%
Salary-Wages	9.68%	9.27%	9.43%	9.30%	9.74%
Rent	8.32%	8.02%	8.01%	7.74%	7.25%
Taxes Paid	2.62%	2.52%	2.49%	2.39%	2.13%
Advertising	0.24%	0.23%	0.23%	0.23%	0.32%
Benefits-Pensions	0.82%	0.80%	0.82%	0.81%	0.69%
Repairs	3.06%	2.95%	2.90%	2.77%	2.32%
Bad Debt	0.04%	0.03%	0.03%	0.03%	0.02%
Sales, General, Admin & Misc.	32.60%	32.30%	32.01%	31.37%	31.37%
EBITDA	3.98%	5.29%	5.16%	6.19%	7.05%
Amortization Depreciation Depletion	7.10%	6.83%	6.80%	6.53%	6.37%
Operating Expenses	66.25%	64.66%	64.39%	62.75%	61.33%
Operating Income	-3.12%	-1.54%	-1.64%	-0.34%	0.68%
Interest Income	0.16%	0.16%	0.16%	0.17%	0.14%
Interest Expense	1.71%	1.76%	1.80%	1.81%	1.34%
Other Income	24.23%	25.76%	25.27%	26.56%	27.05%
Pre-Tax Net Profit	19.54%	22.61%	21.99%	24.58%	26.52%
Income Tax	6.64%	7.69%	7.48%	8.36%	9.02%
After Tax Net Profit	12.92%	14.93%	14.51%	16.22%	17.51%
Discretionary Owner Earnings	21.77%	23.46%	22.98%	24.33%	25.00%

Key Questions

Lender Prep

Call Prep Questions

What types of aquatic life do you produce?

Aquaculture operations produce finfish, shellfish, algae, ornamental plants, and other aquatics such as frogs, tadpoles, turtles, eggs, and seed stock.

In what industries are your major customers?

Major customers include fish markets and grocers, bait shops, pet and aquarium supply stores, zoos and aquariums, food manufacturers, pharmaceutical manufacturers, and biotechnology companies.

What types of enclosures do you use?

Farmers use ponds, tanks, cages and bags to contain fish populations and shellfish.

Realistic

It's important to provide realistic projections for each year

In some cases, it OK to demonstrate a loss in year one

What's the net profit margin for beef cattle?

Remember

If you project high and don't meet expectations what are the impacts?

If you are conservative and exceed expectations what are the impacts?

Back to Benchmarking

- The financial institution – investors will evaluate the business risk by reviewing and comparing the projections provided
- It's very important that the projections be completed with the assumptions clearly identified
- How are they calculated? Input Costs – Historical Data
- Financial institution will take the projections and compare them to the market data
- Thus know the market data and reference it in the plan

Expense Accounts

Costs of Sales (Goods)

Advertising

Bank Service Charges

Transportation

Depreciation

Insurance

Rent – Lease

Repairs and Maintenance

Salaries

License Fees

Telecommunications

Professional Development

Equipment

Utilities

Legal

Consulting

LivePlan



Overview

- Outline
- Sections
- Key Data
- Financials

Contact Information

Farm Food and Enterprise Development

Enterprise Development Team

contactFFED@iastate.edu