

Forecasting Financial Results in partnership with NJSBDC NJCU and HCEDC



Forecasting Financial Results in partnership with ...



NJSBDC at New Jersey City University

Forecasting Financial Results in partnership with...

Presented in partnership with...



HCEDC

Hudson County
Economic Development
Corporation

A Non-profit Economic Development Corporation



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A Non-Profit Economic Development Corporation

LOANS ▾

TRAINING ▾

GOV'T CONTRACTING (PTAC) ▾

BUSINESS TOOLS ▾

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Are you ready to
start, grow, thrive?

You can count on our loans, training & government contracting assistance for the support you need.

Learn more about how we can help.



LOANS

Small business financing for start-up and growing businesses

TRAINING

Entrepreneurial seminars and free business skills workshops

GOV'T CONTRACTING

Free counseling, training and support to get you going and winning



Forecasting Financial Results

INTRODUCTIONS

(Poll questions)

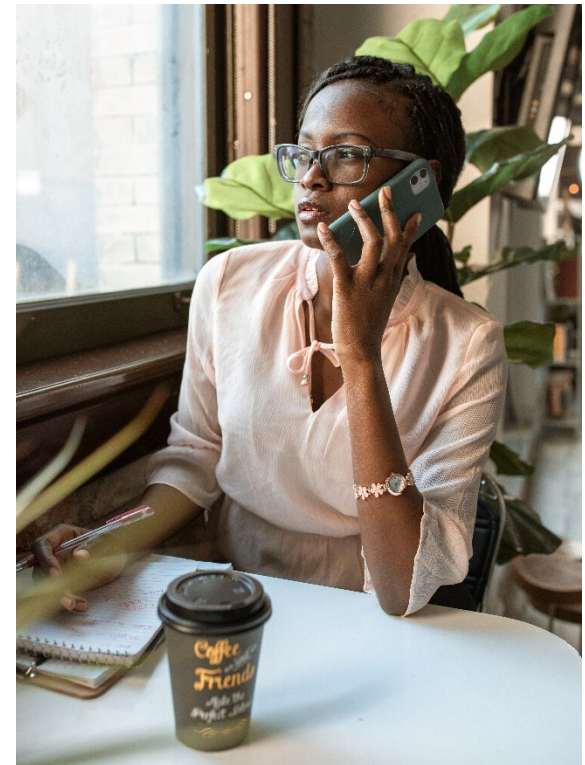
- New or existing business
- Type of business
- Primary job skill or function



Lending

Your business is more than a credit score to us

- Community Development Financial Institution (CDFI)
- US Small Business Administration (SBA) lender
- Microloans – up to \$50,000
- SBA 7a Community Advantage loans – up to \$250,000
- SBA 504 Commercial Real Estate & Major Equip. loans – up to \$5mil.



Training & Technical Assistance

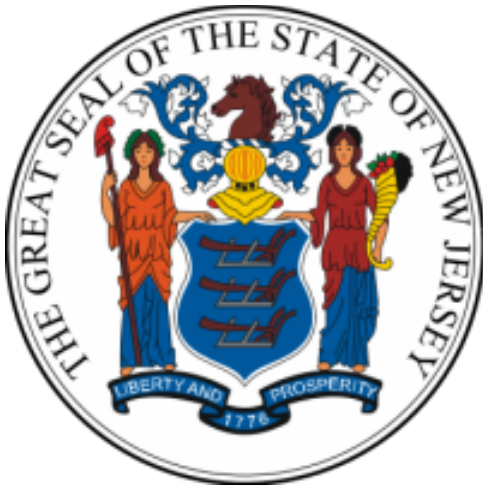
Get the business skills you need to start, grow and thrive



- Free workshops
- Business Basics
- Entrepreneurship Training Courses
- Business Mentoring (one-on-one counseling)
- Special Programs
 - Entrepreneurship as a Second Chance (ESC)
 - Virtual Incubator Program (VIP)

APEX Accelerator

APEX Accelerator is your gateway to Government Contracts



- Free seminars
- One-on-one counseling
- Registrations & Certificates
- Identifying bid leads
- Marketing to purchasing agents
- Proposal development
- Regulations & Military Specifications
- Subcontracting assistance
- Government Services Administration (GSA)

Projecting Financial Results

Workshop Objectives

- How to make assumptions for your financial projections
- Prepare a market forecast
- Prepare a cash flow projection
 - sales projections
 - expense projections



Creating Assumptions

Projections of financial data should be based on one of the following:

- ✓ Actual results
- ✓ Supportable data
- ✓ Reasonableness

Market Forecasting

Ask the following:

1. Who has the need for my product/service, the financial ability to purchase it, and the ability to find it?
2. How many of these people or businesses exist today?
3. How much money does each person/business spend every year on the problem my product/service solves?
4. Who else do I share this market with?

Source: "How Big is Your Market Potential, Really?" Caroline Cummings
<https://articles.bplans.com/how-to-determine-your-tam-total-addressable-market/>

Market Forecasting

- Potential Market (#) – the number of prospects with sufficient interest, income, and access to your product
- Target Market – the part (segments) of the Potential Market that your company decides to pursue
- Total Addressable Market (\$) – the total number of target prospects times estimated average annual \$ revenue per customer
- Obtainable Market – the number of annual customers your company expects to actually obtain (often arrived at by taking a % of total target prospects)

Market Analysis Example: Hair Salon

Potential Market:

- A hair salon in a small city (population 120,000 people)
- Provides high-end salon services
- Average haircut and style is \$65
- Majority of clients are women
- Potential market = women aged 25-55 = 35,000

Source: "How Big is Your Market Potential, Really?" Caroline Cummings

Market Forecasting

Target Market

- Target women aged 25 - 55 = 35,000



Source: "How Big is Your Market Potential, Really?" Caroline Cummings

Market Forecasting

Total Addressable Market

Assume:

- Average annual revenue per customer = \$450
(approx. 7 visits per year)

Total Addressable Market =
(35,000 x \$450) = \$15,750,000



Source: "How Big is Your Market Potential, Really?" Caroline Cummings

Market Forecasting

Obtainable Market

Assume: Your salon will capture approx. 1% of Total Addressable Market over the first 2 years of operation

- $35,000 \times 1\% = 350$ customers
- $\$15,750,000 \times 1\% = \$157,500$ in revenue

	Revenue Per Customer/Year	# of Customers Y1	# of Customers Y2
Assumptions	\$450	135	215
	Revenue		
Year 1	\$60,750		
Year 2	\$96,750		
Totals	\$157,500		

Source: “How Big is Your Market Potential, Really?” Caroline Cummings

Projecting Your Cash Flow

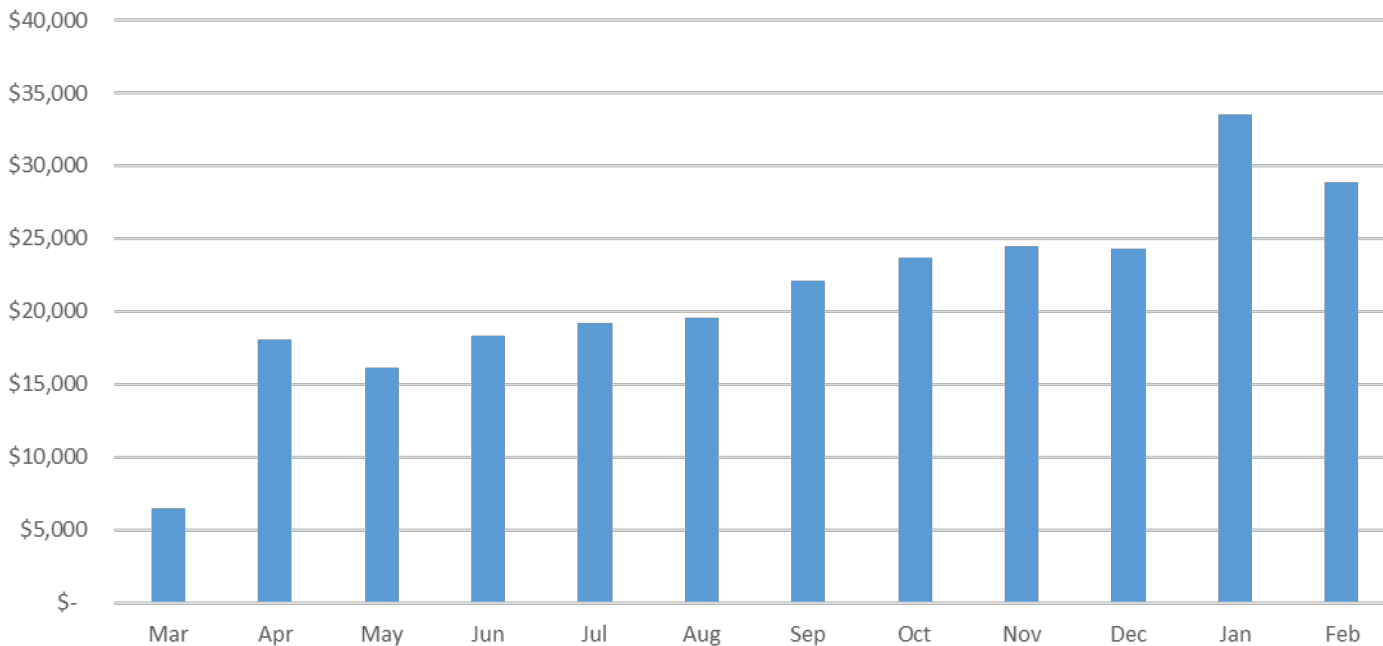


Projecting Your Cash Flow

Joe's Fitness Center (JFC) -
A startup with one location in Hudson County, NJ

Preparing Sales Projections

Total Sales by Month in Year 1



Preparing Sales Projections

Marketing Budget

	<u>Startup</u>	<u>March</u>
Advertising		
Online ads	\$2,000	500
Email	600	300
Direct mail	1,150	683
Brochures	2,408	0
Events	1,312	0
Website	0	350
Other Marketing		
Signage	8,345	0
Dues & Subscr	<u>1,000</u>	<u>0</u>
Total	\$16,815	\$1,833



Preparing Sales Projections

Sales Revenue Support

	<u>Startup</u>	<u>March</u>
General Fitness		
Membership		
Enrollment	\$3,719	3,849
Monthly Fee	2,790	4,365
Personal Training		
Training Sessions	<u>0</u>	<u>2,100</u>
Total	\$ 6,509	\$10,314



Expense Projections



Startup Expenses

Startup Expenses

Leasehold Improvements	\$37,843
Capital Equipment	10,589
Rent & Admin Expenses	30,225
Opening Inventory	0
Marketing Expenses	16,815
Other Expenses	1,944
Total	\$97,416



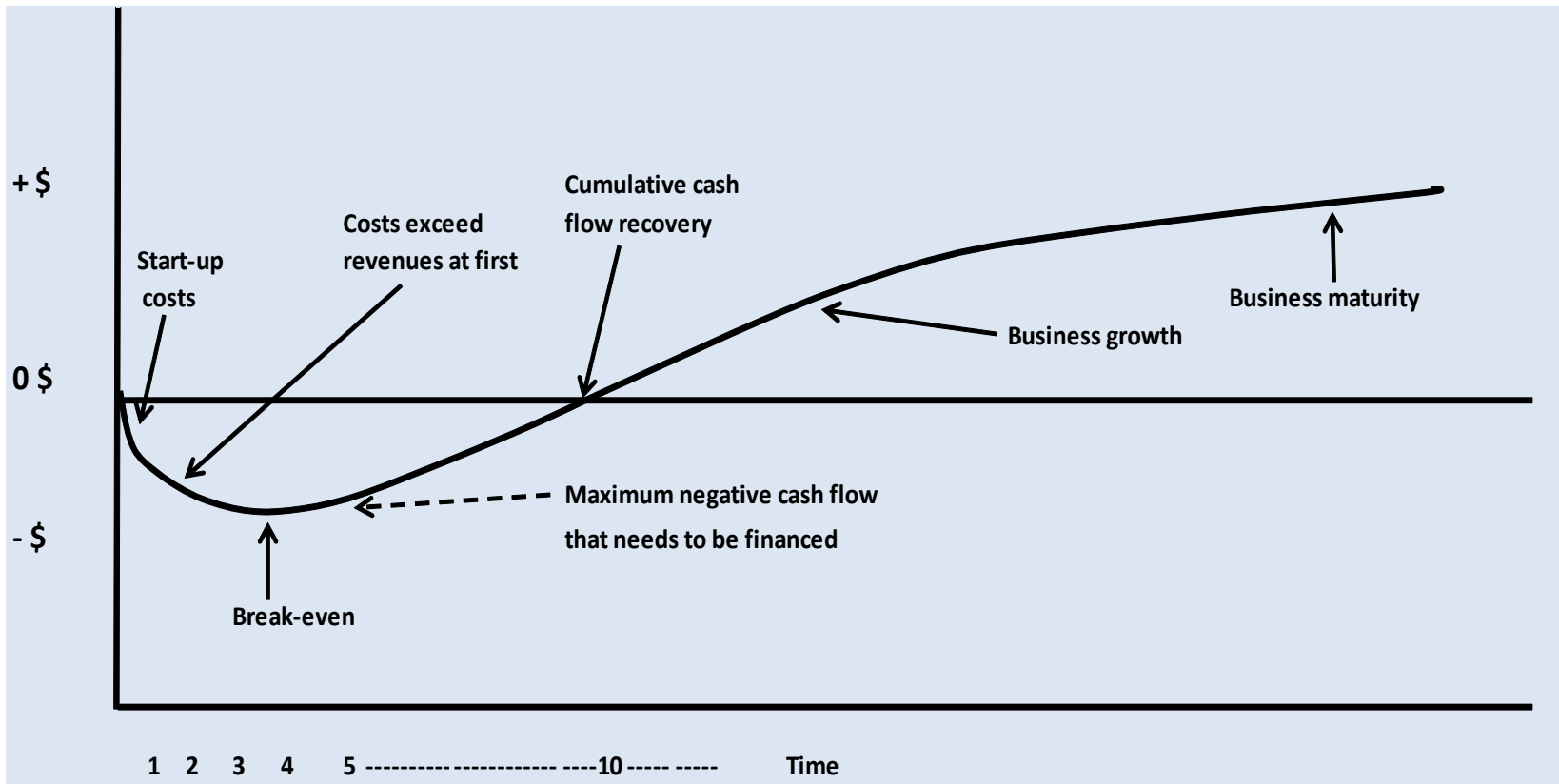
Expense Projections

Staffing Expenses



Projecting the Cash Flow Deficit

Cash Flow



Filling the Gap with Startup Capital

Sources of Capital

Owner's Investment

Joe (100%) \$20,000

Bank Loans

SBA Loan \$50,000

Other Loans

Joe's parents \$75,000

Additional Income

Pre-opening sales \$ 6,509

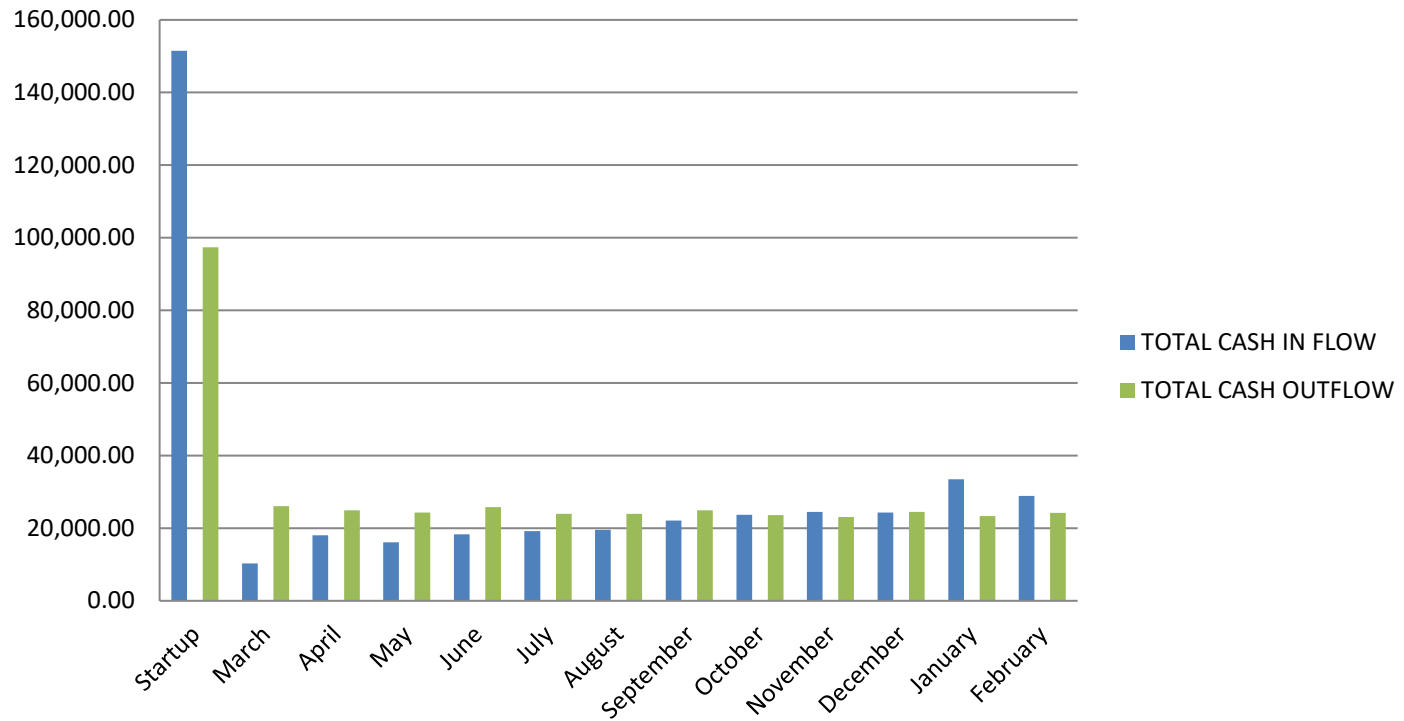
Total \$151,509



Year 1 Cash Flow Projection

Joe's Fitness Center

Cash flow projection



Year 2 Financial Projections

Joe's Fitness Center

- Expected growth of the industry is 2.22% until 2025
- JFC expects to capitalize on its experience and growth at a rate of 3% for the next 2 years
- This minimum wage rate is greater than the federal minimum wage of \$7.25 per hour. Employers are required to pay their employees the higher state minimum wage, which, in this case, is \$15.13 per hour.



Forecasting Financial Results Q&A Panel Discussion

Questions? Comments? Feedback?

Contact UCEDC Training...

- Mary Adelman
madelman@ucedc.com
- Jairo Borja
jborja@ucedc.com
- Alejandro Cruz
acruz@ucedc.com
- Timothy Moore
tmoore@ucedc.com
- Joe Lamberti
jlamberti@ucedc.com



www.ucedc.com