

# kismet microcreamery

Business Analysis  
Cost & Benefit Projections 2017-2022

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*The mission*



*The experience*



*The product*



*The muse*





# *The mission*

- Provide innovative flavors and creations with local beer and wine.
- Expand the palate of taste buds of those that are new to the craft beer and wine industry.
- Bring exposure to local wineries and breweries with partnerships.
- Keep in the realm of the brewing culture by creating an atmosphere that is similar to a microbrewery.



# The product

Create and sell beer and wine infused ice cream/sorbet created from local breweries and vineyards.

- Scoops
- Milkshakes
- Floats
- Flights
- Pints/Quarts





# The experience



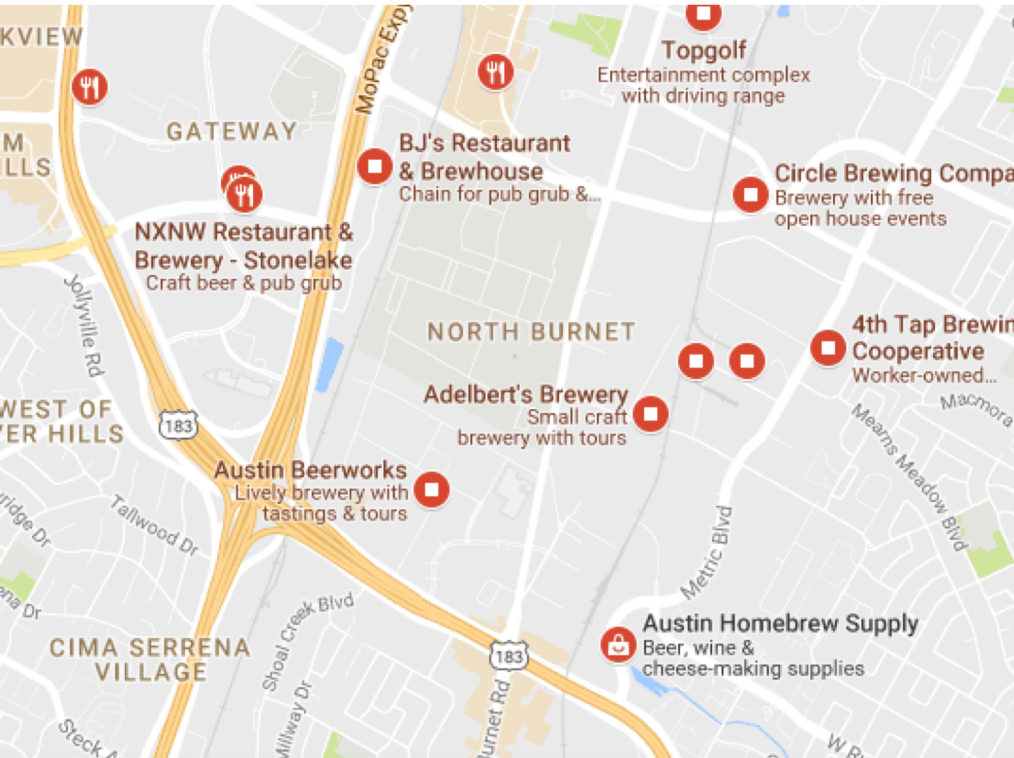
- Warehouse microbrewery feel
- “Tasting room”
  - Picnic tables
  - Bar board with featured flavors
- Gif photo booth
- Rentable food truck space
- Rentable event space
- Purchasable collateral to take home
- Events
  - Geek Trivia Nights
  - Local band/artist shows
  - The Beer Museum appearance
  - Comedy nights
  - Etc.

# The muse

Matt and Gin are Austinites and beer enthusiasts. They enjoy their weekends touring the local breweries in the area. Their fridge is filled with different cans and bombers of new beers they want to try and share with friends. They collect every single beer bottle they have ever tasted. They hold monthly events at their midcentury modern decorated condo centered around their favorite carbonated beverage and generously share their extensive knowledge. They have a band called The Pagelings and their wall collection of beer is almost large enough to be a museum. They are always on the search for anything innovative and tasty.



# The location





# The method

- Fund
  - Small business loan
  - Friends and family funding
- Collect
  - Warehouse with restroom and kitchen area (previously a microbrewery)
  - Equipment & Supplies
- Create
  - Beer ice cream
  - Wine sorbet
  - Flight menu
- Partner
  - Breweries
  - Wineries
- Push
  - Sell product out of warehouse “tasting room”

# Agenda

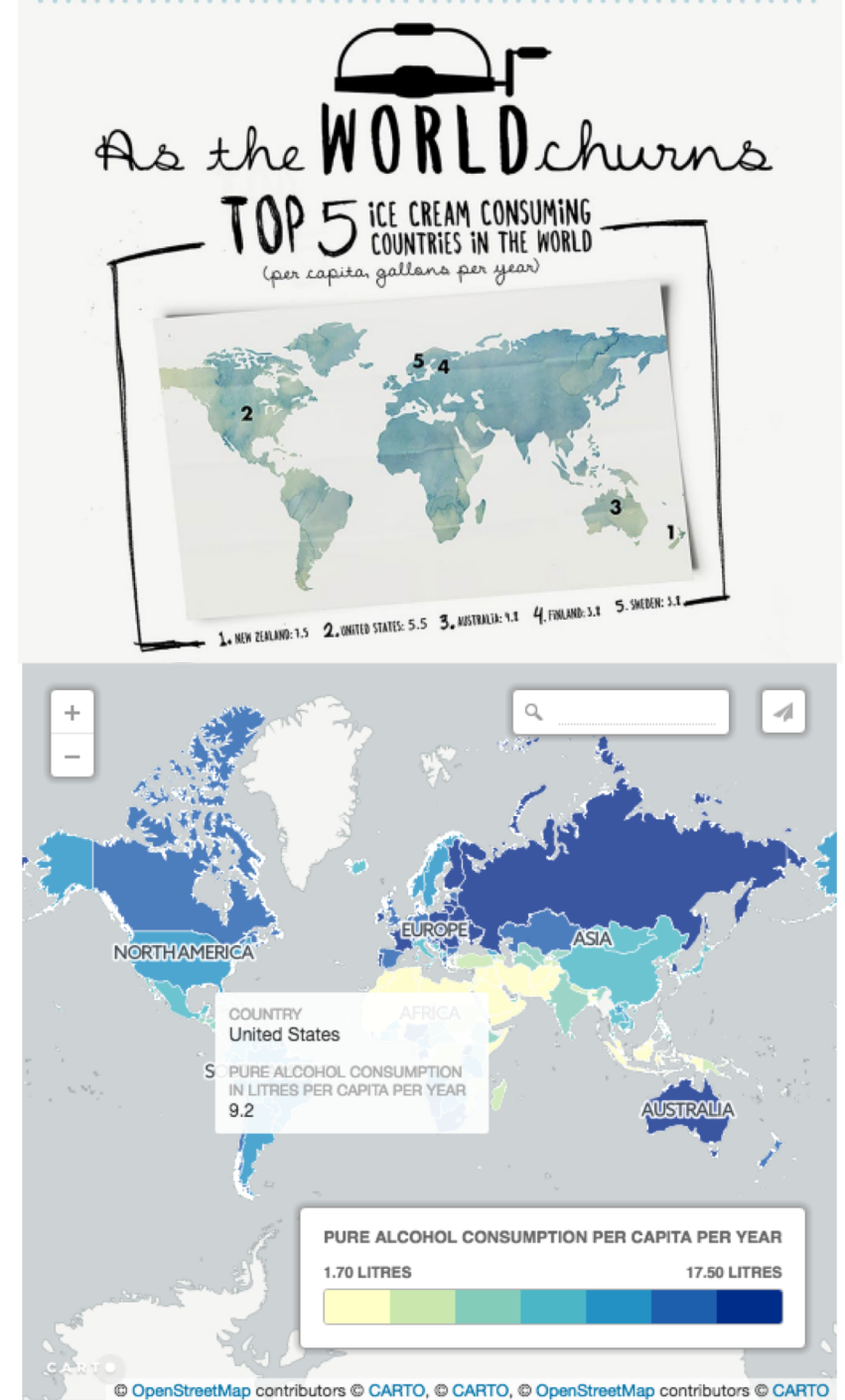
- A. Macro to Micro Overview & Analysis
  - Detail all analytical tools & methods
- B. Business Case Methods
  - Scope and boundaries of the case
  - Scenarios analyzed
  - Major assumptions
- C. Financial Projections
- D. Risk & Sensitivity Analysis
- E. Recommendations and Conclusions
- F. Comments & Questions

# Macro Analysis

- Ice Cream
  - The United States is one of the top 5 countries that consumes the most ice cream.
  - In 2016, U.S. consumers spent \$13.5 billion on frozen desserts like ice cream.
- Alcohol
  - American alcoholic beverages consumption reached \$219.5 billion.

Source: [www.icecream.com](http://www.icecream.com)

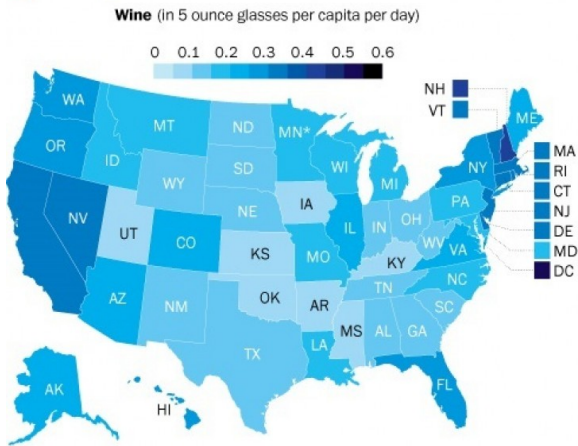
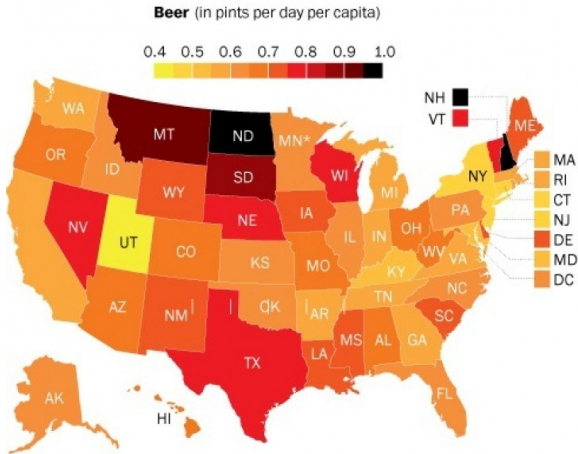
Source: [www.researchamerican.org](http://www.researchamerican.org)





# Macro Analysis

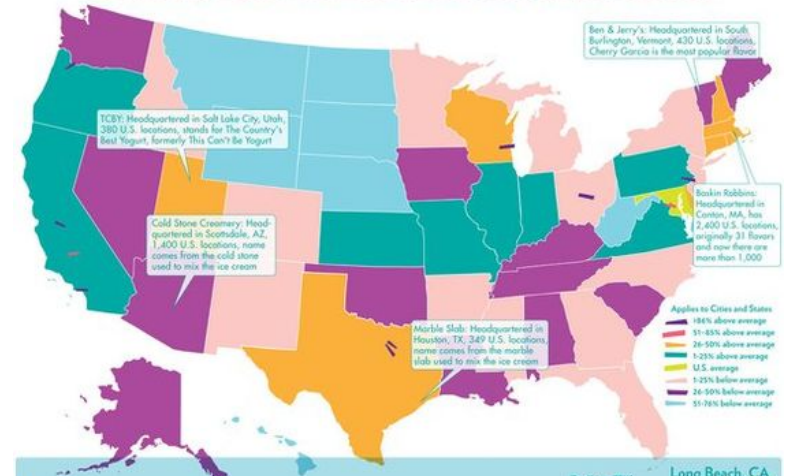
Alcohol consumption by type by state



Source: [www.huffingtonpost.com](http://www.huffingtonpost.com)  
 Source: [www.washingtonpost.com](http://www.washingtonpost.com)

## bundle ICE CREAM COUNTRY

The Cities and States That Eat the Most Ice Cream in America



Methodology: Rankings are selected from a pool of the top 100 largest cities in the US based on population (including New York's 5 boroughs as separate cities). Examined all households which had a credit card transaction at ice cream and frozen yogurt vendors. Examined total number of transactions per city and ranked on a per capita basis.

# Macro Analysis | Porters Five Forces



Source: Mind Tools, Ltd.

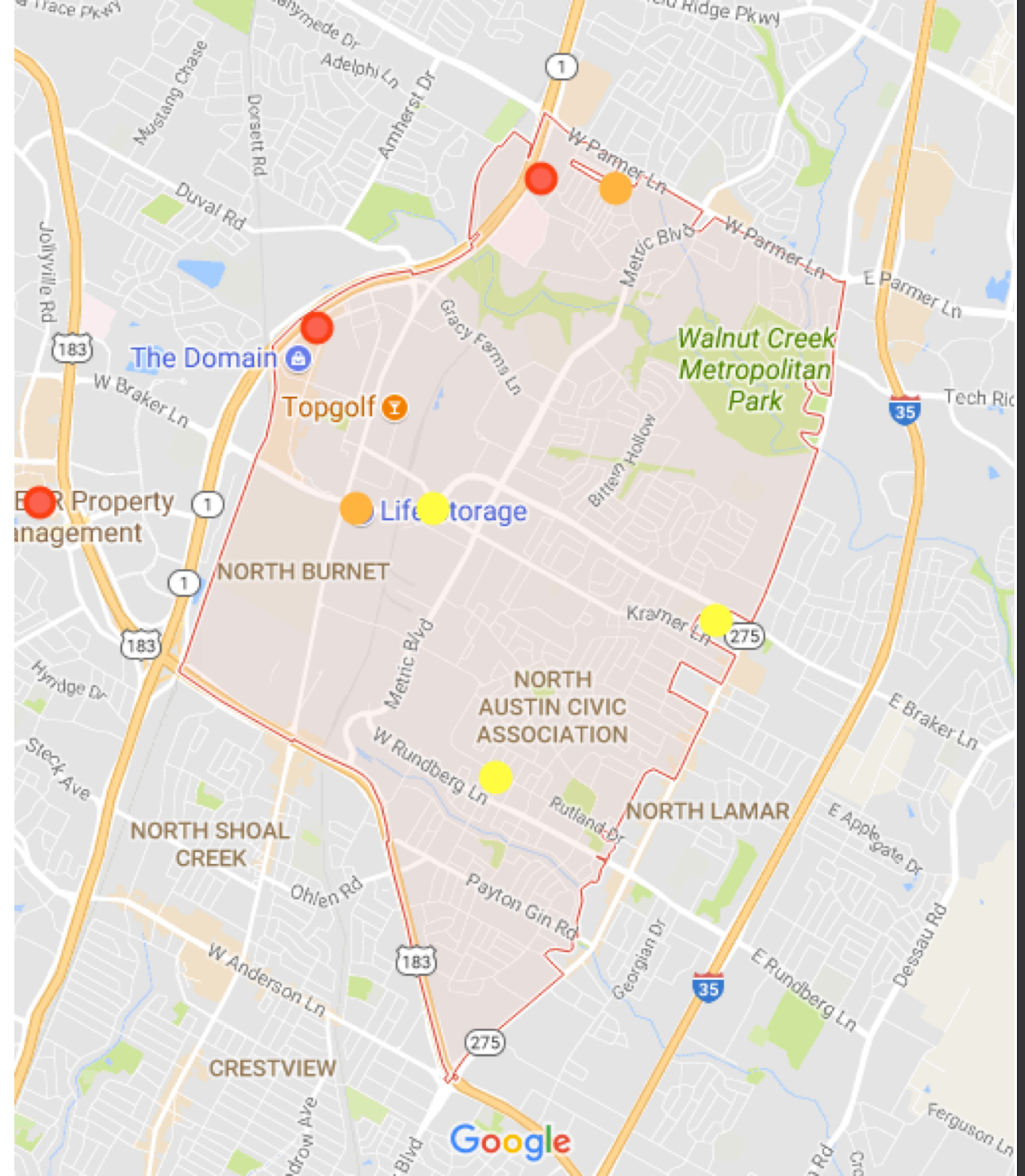
# Competition

| COMPETITOR           | ADVANTAGE  | DISADVANTAGE   |
|----------------------|--|--|
| Amy's Ice Cream      | Large following<br>Multiple locations (12)                         | Does not primarily serve alcoholic ice cream centered around local beer/wine |
| Prohibition Creamery | Serve liquor<br>Located near downtown bar district                 | Only serve liquor infused ice cream.   |
| SPUN Ice Cream       | Great location (The Domain)<br>Creative flavors made with nitrogen | Does not feature local beer or wine in their ice cream.                      |

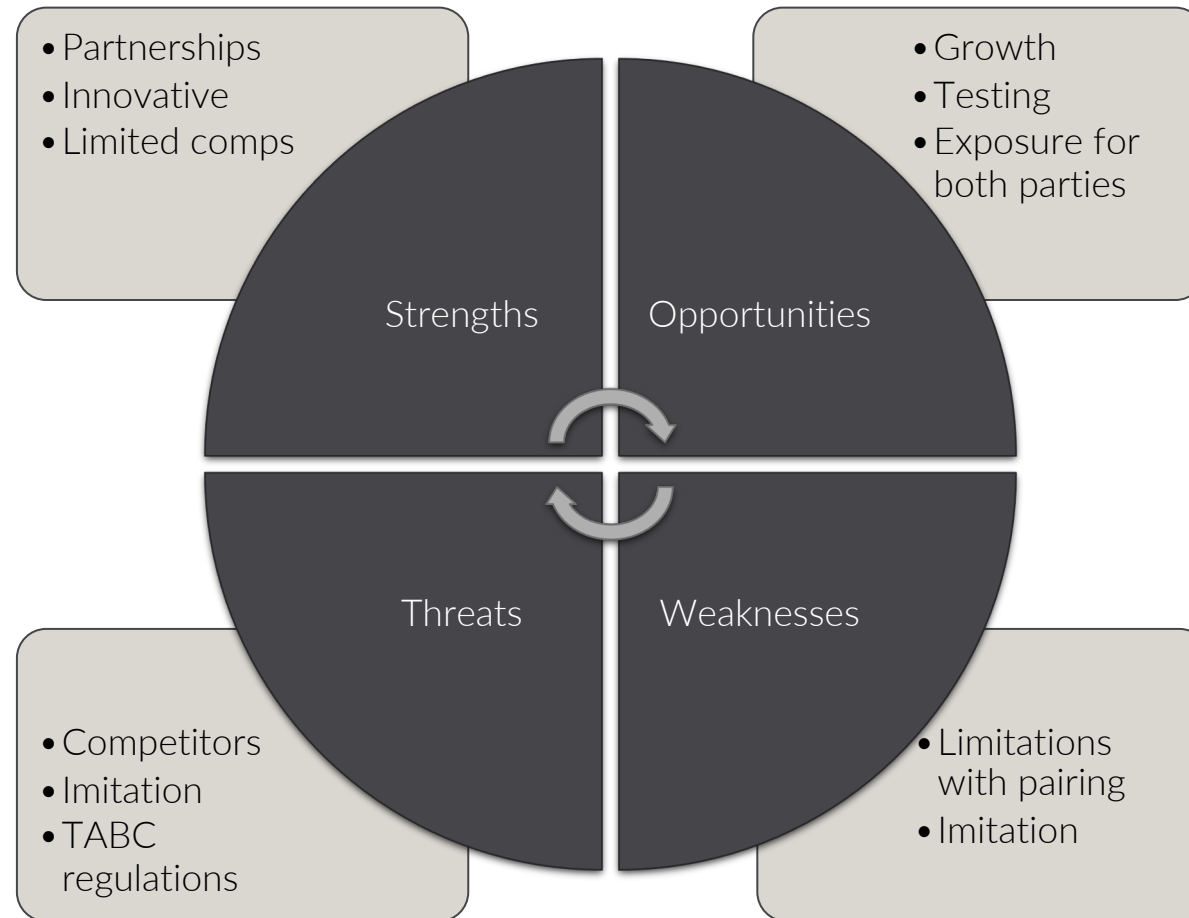


# Micro Analysis

- Close Proximity
  - Red – direct comps
  - Yellow- specialized but not direct comps
  - Orange – non-comparable comps



# Micro Analysis | SWOT Analysis



# Major Assumptions

- Purchase of equipment and start of business begins in the same year to obtain the Section 179 tax deduction.
  - Growth Rate 4.8% this is in line with the growth rate of the ice cream industry as well as taking the niche market into consideration.
  - Revenue generation is built on the assumption of traffic and purchases.
  - Salvage value of equipment would be \$20,000 based on the research of used equipment.
  - Weekly and yearly projected amount of
- sales per item is an assumption based of of previous experience in the ice cream industry.
- WACC is at 5.71% based on Stern
  - Option B growth rate is at standstill 10% because of growth rate pulled from source.

Source: <http://pages.stern.nyu.edu>

Source: [www.mordorintelligence.com](http://www.mordorintelligence.com)

Source: [www.section179.org](http://www.section179.org)

Source: [www.brewersassociation.org](http://www.brewersassociation.org)



# Strategic Alternatives | Option B

| Strategic Alternatives Considered    | Alignment with Mission                    | Projected Financial Benefit   | Ability to Solve Case Problem                        |
|--------------------------------------|---|---|--|
| Utilize space at an existing brewery | Keeps the same atmosphere and partnership | Save money on rent and provides immediate traffic. (See Financials B in appendix) | Increases revenue and decreased initial upfront cost |

# *Phase 1* | Initial Market Entry

- Beta tasting parties
- Surveys
  - Price Sensitivity
  - Flavor Preference
  - Location Suggestions
- Initiate partnerships
  - Local breweries
  - Local wineries

# Phase 2 | Collaborate & Create

- Collaborate with local breweries and wineries
- 78758
  - Adelbert's
  - Circle Brewing Company
  - Austin Beerworks
  - Celis
  - NXNW
  - Oskar Blues
- Wish List
  - Last Stand
  - Jester King
  - Argus
  - Hops and Grain
  - Pint House Pizza
  - Spicewood Vineyard
- Develop initial recipes
  - Maintain integrity of the beer flavors

# Phase 3 | Initial Purchase

- Warehouse
  - Best Circumstance
    - Existing restroom
    - Existing kitchen area
  - Worst Circumstance
    - Empty floorplan
- Equipment & Supplies
  - Dip Cabinets
  - Walk-in Freezers
  - Dishwasher
  - Blenders
  - Ice Cream Maker
  - Speakers
  - Gif photo booth
  - iPad
  - Tables
  - Packaging/Containers/Utensils
  - Ice Cream Ingredients



# Phase 4 | Exposure

- Soft openings for close friends and family
- Advertisement
  - Social Media
    - Gif photo booth exposure through images (Facebook, Instagram, & twitter)
    - Facebook boost advertising
    - Instagram sponsored ads
  - Direct Mail Outs
    - Postcards
- Website
  - Google AdWords
  - Improve website SEO
- Partnerships
  - Provide product to feature on their menu
  - Advertisement Collateral
    - Rack cards
    - Flyers
    - Business cards

# Phase 5 | Push

- Tasting Room Items
  - Ice Cream Product
    - Scoops|\$6.55-\$10.55
    - Milkshakes|\$11.05
    - Floats|\$11.55
    - Flights|\$11.55
    - Pints| \$15.55
    - Quarts|\$20.55
  - Venue Rental | \$2K
  - Food Truck Rental Space | \$600
  - Milkshake Cups | \$15
  - T-shirts | \$25
  - Gif Photos | \$5/print

# Recommended COA | Option A

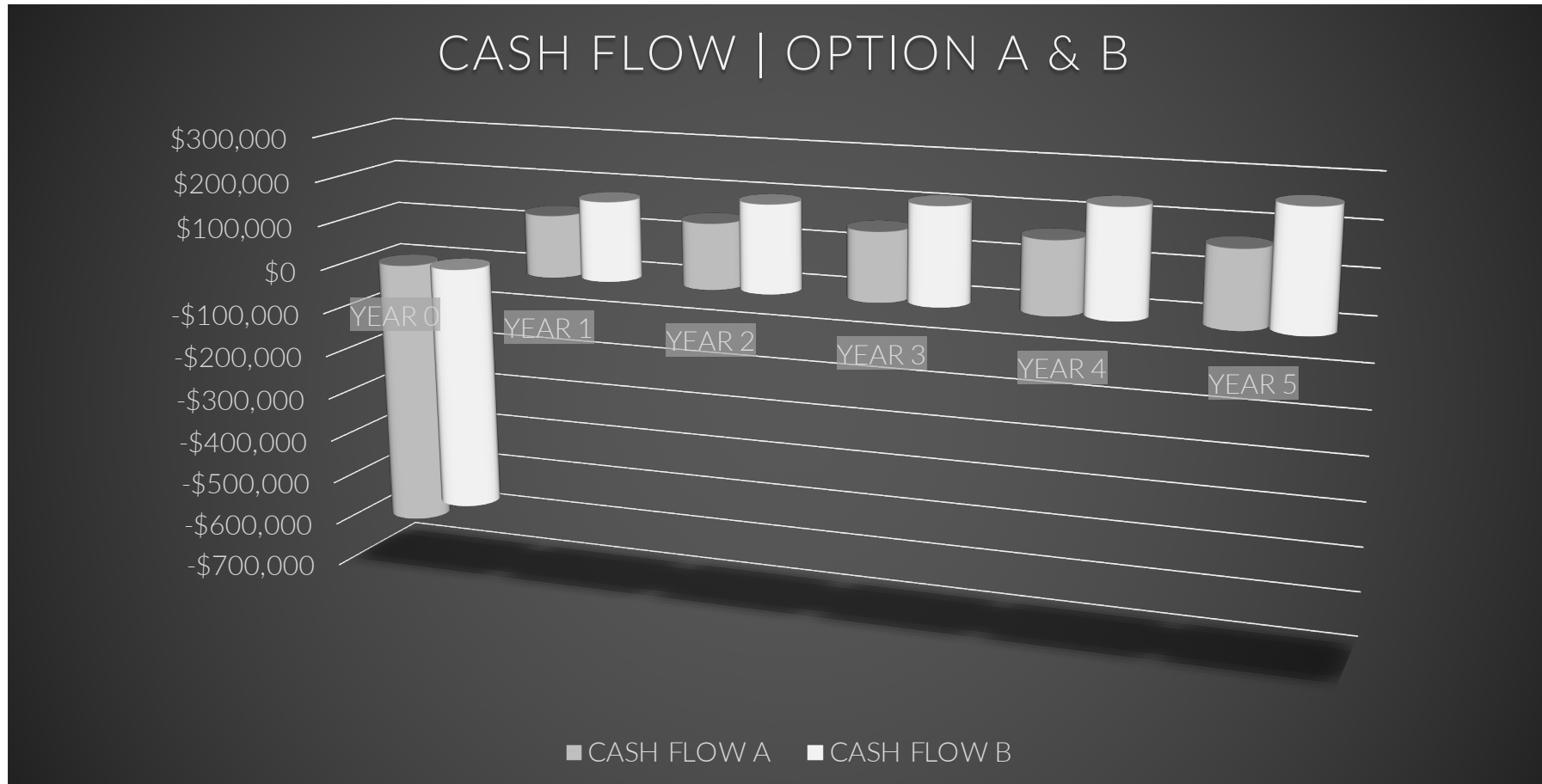
|                          | PROFORMA |              |              |              |              |              |
|--------------------------|----------|--------------|--------------|--------------|--------------|--------------|
|                          | YEAR 0   | YEAR 1       | YEAR 2       | YEAR 3       | YEAR 4       | YEAR 5       |
| <b>REVENUE</b>           |          |              |              |              |              |              |
| ITEMS SOLD REVENUE       |          | \$232,180.00 | \$243,324.64 | \$255,004.22 | \$267,244.43 | \$280,072.16 |
| ANCILLARY INCOME REVENUE |          | \$111,420.00 | \$116,768.16 | \$122,373.03 | \$128,246.94 | \$134,402.79 |
| NET REVENUE              |          | \$343,600.00 | \$360,092.80 | \$377,377.25 | \$395,491.36 | \$414,474.95 |
| <b>COGS</b>              |          |              |              |              |              |              |
| Cost of supplies         |          | \$54,380.00  | \$56,990.24  | \$59,725.78  | \$62,592.61  | \$65,597.06  |
| NET COGS                 |          | \$54,380.00  | \$56,990.24  | \$59,725.78  | \$62,592.61  | \$65,597.06  |
| <b>EXPENSES</b>          |          |              |              |              |              |              |
| Rent                     |          | \$60,000.00  | \$62,880.00  | \$65,898.24  | \$69,061.36  | \$72,376.30  |
| Utilities                |          | \$18,000.00  | \$18,864.00  | \$19,769.47  | \$20,718.41  | \$21,712.89  |
| Labor                    |          | \$85,900.00  | \$90,023.20  | \$94,344.31  | \$98,872.84  | \$103,618.74 |
| Maintenance              |          | \$5,000.00   | \$5,240.00   | \$5,491.52   | \$5,755.11   | \$6,031.36   |
| NET EXPENSES             |          | \$168,900.00 | \$177,007.20 | \$185,503.55 | \$194,407.72 | \$203,739.29 |
| NET PROFIT               |          | \$120,320.00 | \$126,095.36 | \$132,147.93 | \$138,491.03 | \$145,138.60 |
| NET PROFIT MARGIN %      |          | 35.02%       | 35.02%       | 35.02%       | 35.02%       | 35.02%       |
| RETURN ON INVESTMENT     |          | -1993.03%    | -2088.70%    | -2188.96%    | -2294.03%    | -2404.14%    |

# Recommended COA | Option B

|                          | PROFORMA |              |              |              |              |              |
|--------------------------|----------|--------------|--------------|--------------|--------------|--------------|
|                          | YEAR 0   | YEAR 1       | YEAR 2       | YEAR 3       | YEAR 4       | YEAR 5       |
| <b>REVENUE</b>           |          |              |              |              |              |              |
| ITEMS SOLD REVENUE       |          | \$232,180.00 | \$255,398.00 | \$280,937.80 | \$309,031.58 | \$339,934.74 |
| ANCILLARY INCOME REVENUE |          | \$57,420.00  | \$63,162.00  | \$69,478.20  | \$76,426.02  | \$84,068.62  |
| NET REVENUE              |          | \$289,600.00 | \$318,560.00 | \$350,416.00 | \$385,457.60 | \$424,003.36 |
| <b>COGS</b>              |          |              |              |              |              |              |
| Cost of supplies         |          | \$54,380.00  | \$59,818.00  | \$65,799.81  | \$72,379.79  | \$79,617.76  |
| NET COGS                 |          | \$54,380.00  | \$59,818.00  | \$65,799.81  | \$72,379.79  | \$79,617.76  |
| <b>EXPENSES</b>          |          |              |              |              |              |              |
| Rent                     |          | \$30,000.00  | \$33,000.00  | \$36,300.00  | \$39,930.00  | \$43,923.00  |
| Utilities                |          | \$-          | \$-          | \$-          | \$-          | \$-          |
| Labor                    |          | \$23,040.00  | \$25,344.00  | \$27,878.40  | \$30,666.24  | \$33,732.86  |
| Maintenance              |          | \$5,000.00   | \$5,500.00   | \$6,050.00   | \$6,655.00   | \$7,320.50   |
| NET EXPENSES             |          | \$58,040.00  | \$60,825.92  | \$63,745.56  | \$66,805.35  | \$70,012.01  |
| NET PROFIT               |          | \$177,180.00 | \$197,916.08 | \$220,870.63 | \$246,272.46 | \$274,373.59 |
| NET PROFIT MARGIN %      |          | 61.18%       | 62.13%       | 63.03%       | 63.89%       | 64.71%       |
| RETURN ON INVESTMENT     |          | -31.74%      | -35.45%      | -39.56%      | -44.11%      | -49.15%      |

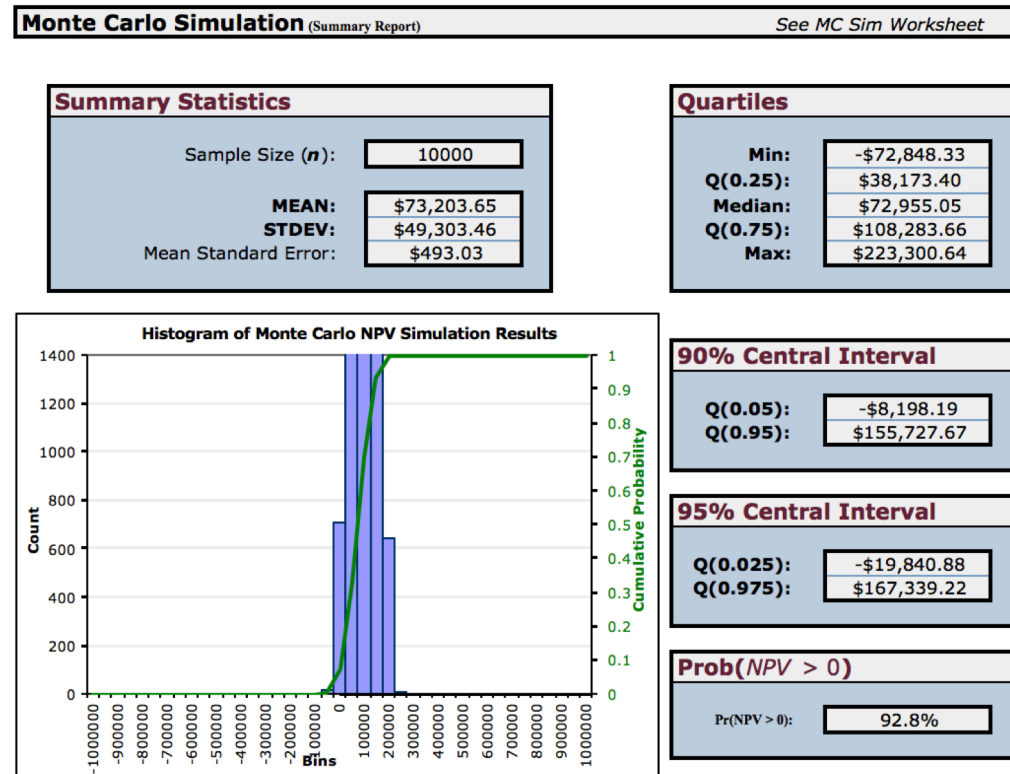


# Projected Cash Flow

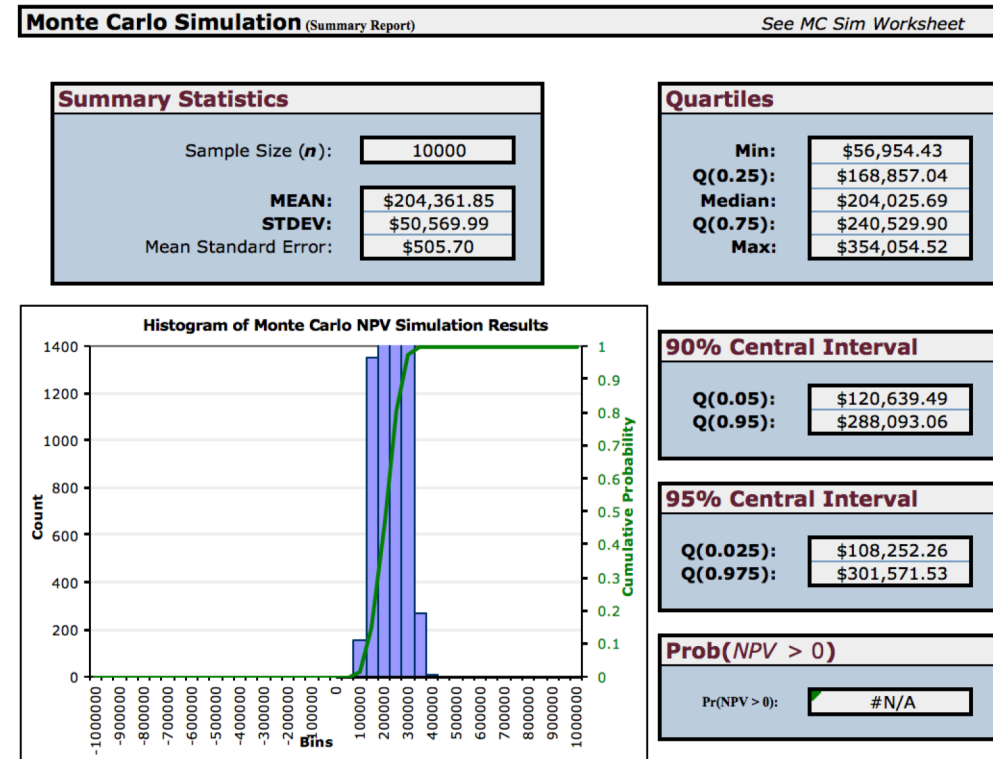


# Monte Carlo Analysis Output | A & B

Option A



Option B



# Sensitivity of Results

- Growth rate is a determining factor of the success of the company this is based on a steady growth for the upcoming five years. Consider the possibility of decline in growth. (4.8% vs. 10%)
- Revenues inputted include ancillary income. Finding a large enough venue to accommodate groups of 150 and parking for food trucks.
- Monitor demand of each product to increase revenue based on margin percentage.
- Option B is showing a more positive result. Option A is showing that there is a possibility of negative revenue.
- There is a lot of dependency on the ancillary income but paired with Option B plan there is more possibility of revenues coming from ice cream.

# Recommendations & Conclusions

- In order to minimize risks and maximize returns from the ice cream sales which is our main source of revenue, we recommend that:
  - Maintains partnerships with local breweries and wineries to expose Kismet Micro-kreamery and collaborate to create recipes that accentuate their craft in the form of dessert.
  - Makes certain that the product maintains its integrity.
  - Ensures marketing and advertising measures are a priority to stimulate growth in the market.
  - Consistently finds ways to create ancillary income.
  - Entertain the idea of catering at events and/or distributing to restaurants and bars.
  - Research insurance costs for hosting ice cream making classes/parties.
  - Explore alternative options such as: non-alcoholic (DD menu), lactose-free (coconut milk) and gluten-free (GF beer) options.



# Comments & Questions

enjoy the ice cream samples!

# Appendix

# Cash Flow | Option A

| CASHFLOW                 | YEAR 0         | YEAR 1        | YEAR 2        | YEAR 3        | YEAR 4        | YEAR 5         |                |                  |
|--------------------------|----------------|---------------|---------------|---------------|---------------|----------------|----------------|------------------|
| Initial Investment       |                |               |               |               |               |                |                |                  |
| Equipment                | \$(113,537.79) |               |               |               |               |                |                |                  |
| Supplies                 | \$(118,729.92) |               |               |               |               |                |                |                  |
| Products                 | \$(284,100.00) |               |               |               |               |                |                |                  |
| Misc.                    | \$(37,335.00)  |               |               |               |               |                |                |                  |
| Operating Cash           | \$(50,000.00)  |               |               |               |               |                |                |                  |
| Total Initial Investment | \$(603,702.71) |               |               |               |               |                |                |                  |
|                          |                |               |               |               |               |                |                |                  |
| Revenue                  |                | \$343,600.00  | \$360,092.80  | \$377,377.25  | \$395,491.36  | \$414,474.95   |                |                  |
| Rent costs               |                | \$(60,000.00) | \$(62,880.00) | \$(65,898.24) | \$(69,061.36) | \$(72,376.30)  |                |                  |
| Labor costs              |                | \$(85,900.00) | \$(90,023.20) | \$(94,344.31) | \$(98,872.84) | \$(103,618.74) |                |                  |
| Cost of goods            |                | \$(54,380.00) | \$(56,990.24) | \$(59,725.78) | \$(62,592.61) | \$(65,597.06)  |                |                  |
| Maintenace costs         |                | \$(5,000.00)  | \$(5,240.00)  | \$(5,491.52)  | \$(5,755.11)  | \$(6,031.36)   | TERMINAL VALUE |                  |
| ENDING CASH BALANCE      | \$(603,702.71) | \$138,320.00  | \$144,959.36  | \$151,917.40  | \$159,209.44  | \$166,851.49   | \$3,062,353.10 | ENTERPRISE VALUE |
| DISCOUNTED CASH FLOW     |                | \$130,848.54  | \$129,722.14  | \$128,605.43  | \$127,498.34  | \$126,400.77   | \$2,319,930.11 | \$2,963,005.33   |

# Cash Flow | Option B

| CASHFLOW                 | YEAR 0         | YEAR 1        | YEAR 2        | YEAR 3        | YEAR 4        | YEAR 5        |                |                  |
|--------------------------|----------------|---------------|---------------|---------------|---------------|---------------|----------------|------------------|
| Initial Investment       |                |               |               |               |               |               |                |                  |
| Equipment                | \$(78,087.80)  |               |               |               |               |               |                |                  |
| Supplies                 | \$(118,729.92) |               |               |               |               |               |                |                  |
| Products                 | \$(284,100.00) |               |               |               |               |               |                |                  |
| Misc.                    | \$(37,335.00)  |               |               |               |               |               |                |                  |
| Operating Cash           | \$(40,000.00)  |               |               |               |               |               |                |                  |
| Total Initial Investment | \$(558,252.72) |               |               |               |               |               |                |                  |
| Revenue                  |                | \$289,600.00  | \$318,560.00  | \$350,416.00  | \$385,457.60  | \$424,003.36  |                |                  |
| Rent costs               |                | \$(30,000.00) | \$(33,000.00) | \$(36,300.00) | \$(39,930.00) | \$(43,923.00) |                |                  |
| Labor costs              |                | \$(23,040.00) | \$(25,344.00) | \$(27,878.40) | \$(30,666.24) | \$(33,732.86) |                |                  |
| Cost of goods            |                | \$(54,380.00) | \$(59,818.00) | \$(65,799.81) | \$(72,379.79) | \$(79,617.76) |                |                  |
| Maintenace costs         |                | \$(5,000.00)  | \$(5,500.00)  | \$(6,050.00)  | \$(6,655.00)  | \$(7,320.50)  | TERMINAL VALUE |                  |
| ENDING CASH BALANCE      | \$(558,252.72) | \$177,180.00  | \$194,898.00  | \$214,387.79  | \$235,826.57  | \$259,409.23  | \$4,761,136.11 | ENTERPRISE VALUE |
| DISCOUNTED CASH FLOW     |                | \$167,609.49  | \$174,411.54  | \$181,489.64  | \$188,854.98  | \$196,519.23  | \$3,606,867.87 | \$4,515,752.77   |