



Mize Houser NextGen
Mentor Program

Planning & Profitability

MIZE
RESTAURANT
GROUP

Mize Houser & Co. PA
NEXT GEN
YOU
MEMBERSHIP FOR
THE NEXT GENERATION

Let's Talk About Financial Planning

- What is financial planning?
- Why is it important?
- How can a plan help you?
- How do you build a financial plan?



What is a Financial Plan?

Financial planning is a comprehensive evaluation of an individual's or organization's current and future financial state by using current known variables to predict future cash flow, income, asset values and withdrawal plans.









Your Plan is Your Roadmap

You're creating a "roadmap" for achieving your business goals

Your Plan is Your Roadmap

Interest rates climb? Tax rates skyrocket?

Can you afford paying off the debt? Would you still want to build?

Would this eat away at your cash flow?

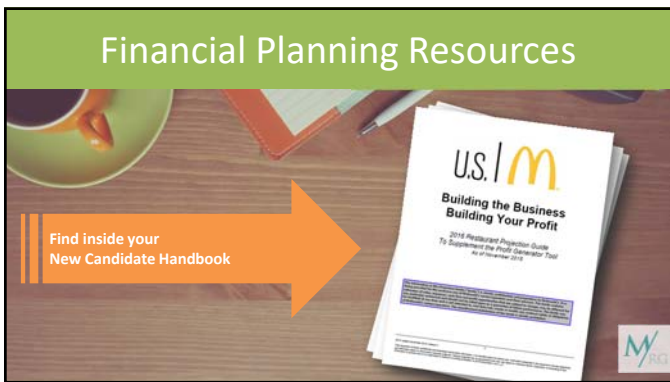
What If?

A good financial plan will help you make these decisions

Having a Plan Will Help

- Position you to take advantage of existing and future opportunities
- Forecast how your decisions will impact your organization financially
- Plan for large expenses or cash withdraws from the business to minimize the impact on your organization's financial standing with McDonald's.







Monitoring Profitability

Monitoring profitability is required

Past Focus

- How did certain business decisions impact my organization?

Current Focus


- Am I on track to meet my goals and am I in compliance with McDonald's financial standards?

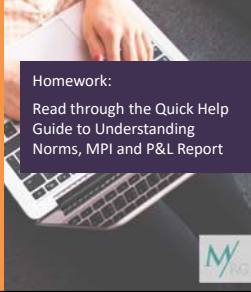

Future Focus

- Are my current plans unrealistic and should I change my goals based of my current operations?




Monitoring Profitability








Homework:
Read through the Quick Help Guide to Understanding Norms, MPI and P&L Report

Monitoring Profitability – McD Tools

Profit Generator

- Captures incremental cost pressures & savings opportunities
- Captures impact of minimum wage/merit increases
- Generates P&L Reports for plan, re-projection, and P&L comparison
- Captures impact of Initiatives

Monitoring Profitability – McD Tools

Profit Generator – Cont.

- Performs re-projections using plan data & actual data from Web FFS
- Captures food and labor strategies

Homework: Create plan using Profit Generator

Monitoring Profitability – McD Tools

5 Year Reinvestment Tool

- Tool focuses on long-term planning, future investments and related impact on balance sheet and key ratios

Homework: Create plan using 5 year reinvestment tool

Profitability – Cash Flow vs Profit

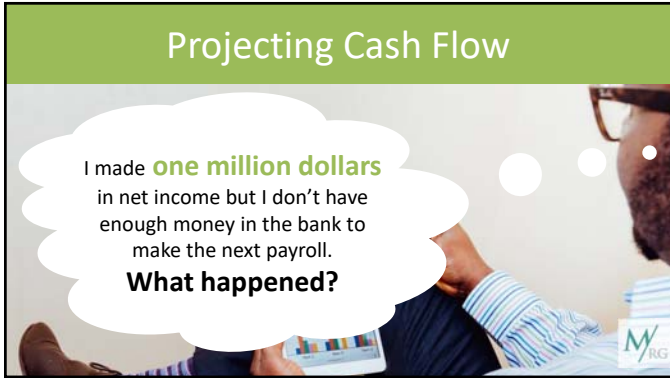
Cash flow and profits are both crucial aspects of a business

CASH FLOW

PROFITS (net income)

Projecting Cash Flow

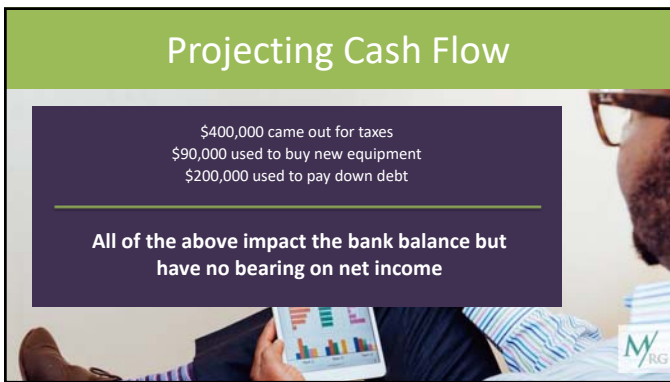
I made **one million dollars** in net income but I don't have enough money in the bank to make the next payroll.
What happened?



Projecting Cash Flow

\$400,000 came out for taxes
\$90,000 used to buy new equipment
\$200,000 used to pay down debt

All of the above impact the bank balance but have no bearing on net income



Projecting Cash Flow

Please open the Strategic Cash Flow Projection Tool provided to you by your Next Gen Mentor



Community College Scenario

- Your store = \$2.5 million in sales each year
- City decides to build a community college
 - Real estate taxes go up \$3,000
 - Estimated +40 guests per day
- 3% menu price increase
- Cautionary commodity \$10,000 increase
- Minimum wage to increase of \$1 more per hour of your average crew labor rate

Enter into the Strategic Cash Flow Projection Tool

1. Sales \$2,500,000
2. TTM average check \$5.25
3. Contribution margin = 27%
4. Rent and SF = 15%
5. Advertising = 4%
6. Guest count 40
7. Menu price increase 3%
8. Commodities \$10,000
9. Average hourly wage \$0.50
10. Months for AHR increase = 12
11. Real estate taxes = \$3,000

Profitability - Reinvestment

Reinvestment Decisions:

- Types of Reinvestments
 - Purchase of Existing McDonald's Restaurant
 - New Build
 - Rebuild
 - Relocation
- McDonald's Remodeling Program (MRP)
 - Lobby
 - Drive Through
 - Playland

Profitability - Reinvestment

Paying for Reinvestment:
McDonald's portion vs. O/O portion

- Pros & Cons of O/O paying increasing % of cost
- Rent Buy Down – Future Rent Decreased (Pro)
- Rent Buy Down – Amortizable Asset (Pro)
- Underperforming Restaurant (Con)
 - Rent would have likely been reduced anyway
- Increasing Impact to Cash-Flow Coverage and Equity (Con)

Profitability - Reinvestment



Paying for Reinvestment (Cont.)

- 100% Debt Financed vs.
- Less than 100% Financed

Considerations:

- Ratio impact & maintaining compliance
- Availability of funds to contribute
- Future projects/investments
- Ability to acquire more stores if opportunity arises
- Risk if reinvestment does not pay off
- Current interest rates



Profitability - Reinvestment

Breakeven Analysis

- Calculate Contribution Margin
- Calculate Breakeven Sales \$ Needed
- Calculate Breakeven Sales % Needed

Calculating Return on Investment (ROI)

- Examples (double drive thru)
- Evaluate store purchase decision using ROI

Homework:

Go over the ROI worksheet. See how different scenarios and outcomes will affect profitability and reinvestments



Recap

- Basics of financial planning
- McDonald's 5 components of a financial plan
- McDonald's Resources
- Norm reports
- Cash flow and net income

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Planning and Profitability



