HAWAIʻI COMMERCIAL KITCHENS

HAWAIʻI FARM-TO-CAR by HOʻŌLA FARMS

Financial Planning

For small local businesses

Dr. Brett Carey, Financial Advisor

Hawai‘i Commercial Kitchens

Funds for this program are from **U.S. Department of the Treasury State and Local Fiscal Recovery Funds Program** (SLFRF) authorized by the **American Rescue Plan Act** (ARPA).

The County of Hawai‘i is a recipient of SLFRF, and through RFP 4573 - **Food Security & Agricultural Initiatives Program**, Hawai‘i County Dept of R&D offered $5 million over 6 categories.

GreenKine LLC is subrecipient awardee for **Category 4: Certified Kitchens Cohort Technical Assistance**

www.hawaiicommercialkitchens.com

Hawaiʻi Commercial Kitchens

- Technical Assistance to **any food-related businesses in Hawaiʻi County that have been in operation since March of 2020.**
  - **Business Coaching**, Anthony Florig
  - **Financial Planning**, Dr Brett Carey
  - **HACCP Plans**, John Nakashima
  - **Personnel Management**, Daeus Bencomo
  - **Marketing**, Katie Neil, Ho`ōla Farms
  - **Permitting**, Megan Brady, Uproot Origin
  - **Commercial Kitchens,** Hilo Food Hub

www.hawaiicommercialkitchens.com

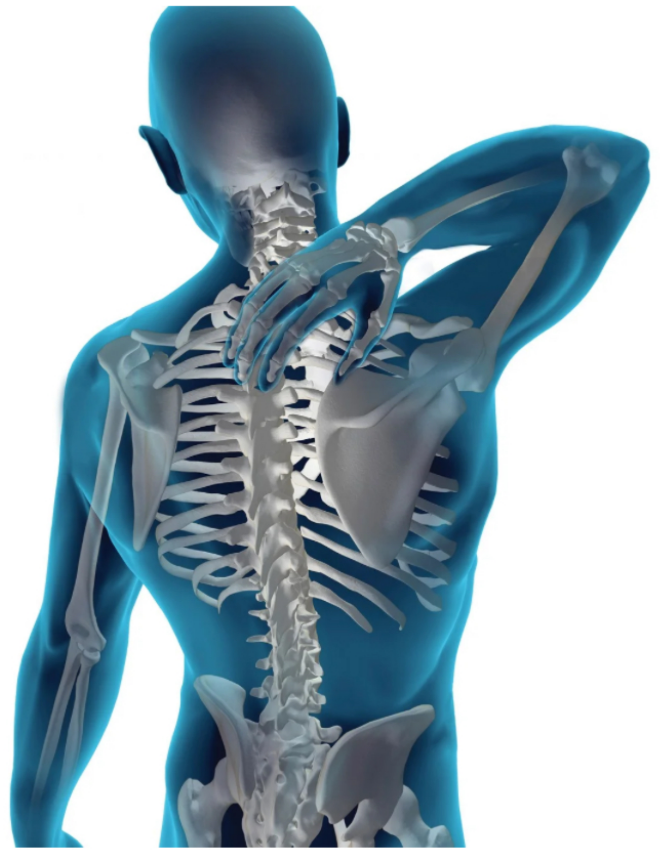
Introduction

- Early Career: irehab.com apps: 43rd of 7,000 fitness apps, Awarded as top 100 noteworthy apps
- Desktop Metal: Key Opinion Leader in Orthopedic Business Development
- Clinic Owner: Kalo Multispeciality Group
- Current Career: Edward Jones: Financial Advisor, HPU Adjunct Professor
- Volunteer: Finance chair for Nowell Family Foundation, Chair of HI Island Community Health Center Foundation

HawaiiBusiness magazine

Physical Therapy via Your Phone

MARCH 4, 2013 BY STACY YUEN



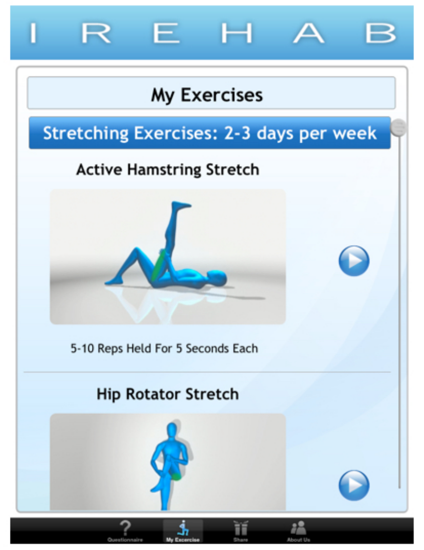


Photo: Courtesy Irehab

Company:

Irehab is a Hawaii-based company offering online instructional videos for physical therapists to prescribe to their patients after initial rehab.

Product:

"Through Web and mobile technology, we provide patients with specific treatment plans for musculoskeletal pain," says co-founder Dr.

'It was magical' - meet the first disabled crew to fly in zero-gravity

9 December 2021

Share Save

Beth Rose
BBC Ouch

Listen to the podcast: Meet the first disabled crew to fly in zero-gravity

What is a Financial Plan?

Simply Put: The math behind your business plan

More Formally: Document that covers all aspects of your business finances: Income, expenses, debt, investments, savings, assets, liabilities

A living document that should be revisited annually or upon any major change

Purpose: To provide clarity and direction, ease anxiety and prevent fraud

Purpose: Raising capital and becoming an acquisition target

Why Financial Plans Matter

1. Clarity and Control: Helps you understand your income, expenses, and savings and ultimately if business is serving you.

2. Goal Achievement: It provides a roadmap to reach a goal

3. Debt Management: Creating fiscal consciousness to avoid taking on debt

4. Emergency Preparedness: 3 - 6 months of an emergency operating expense

5. Exit Strategy: By budgeting, saving, and investing wisely, a financial plan maximizes your money's growth over time, securing your future.

6. Employees: The more you understand your business metrics, the better you can provide for your employees (profit sharing / retirement plans)

Raising Capital - Loans

1. Loan Types:

- Term Loans: Lump-sum loans repaid over a fixed period, used for equipment, real estate, or working capital. Terms range from 1 to 25 years
- Lines of Credit: Flexible credit lines for ongoing expenses, interest only on the amount drawn. Rates (fixed or variable) and terms range widely.
- SBA Loans: Government-backed loans with longer terms (up to 25 years), lower down payments (10-20%), and competitive rates.
- Equipment Financing: Loans for purchasing machinery or vehicles, often secured by the equipment itself, with terms up to 5-7 years.
- Micro loans: Smaller loans (up to $50,000) for startups or specific needs, offered through SBA intermediaries.

Raising Capital: Loans Cont.

1. **Small businesses: Seen as riskier due to higher default rates, leading to stricter criteria. Only 45% of small firms secure bank financing compared to 72% for larger firms.**

2. **Time in Business: Most banks require at least 2 years under current ownership. SBA loans may be available for businesses with less than 2 years.**

3. **Cash Flow and Repayment Ability:**
   - **Banks analyze cash flow to ensure the business can cover loan payments. A debt service coverage ratio (DSCR) of 1.25 or higher is often required.**
   - **Detailed financial statements, tax returns, and projections are typically needed.**

4. **Purpose and Documentation:**
   - **Loans must be for a sound business purpose (e.g., expansion, equipment, working capital). Lenders require documentation like articles of incorporation, tax returns, financial statements, and business plans.**
   - **Transparency about fund use and repayment strategy is critical.**

Raising Capital in Exchange for Equity

- <u>Venture Capital Funding</u>: Typically for businesses that are growing rapidly / have high growth potential.

- VC firm gives funding in exchange for equity. This is not a loan but more of a partnership

- Only a very small number of start ups receiving funding

<u>Due Diligence</u>: Evaluate startup's market opportunity, product, team, financials, and competitive landscape. Includes reviewing business plans, financial projections, customer traction, and legal documents.

- The process can take 1-3 months, sometimes third-party audits.

The VC Process - Valuation

- VC firm will want a certain % equity for the dollars invested
- A Typical series A investment is for 1-5 million, VCs usually aim to for 20-30% equity
- Multiplier: Range: 3x to 6x EBITDA for small to medium-sized farms; 6x to 8x for larger, more established operations with consistent earnings.
- ** EBITDA (Earnings Before Interest, Taxes, Depreciation, and Amortization) is commonly used for farms with stable cash flows
- <u>Other forms of Valuation</u>: comparing your business to another similar business

VC Firms in Ag and Food Services

S2G Ventures

Anterra Capital

Cavallo Ventures

Acre Venture Partners

Ag Funder

Local Firms (Not necessarily Ag & Food)

Sultan Ventures

Koa Capital Partners

Advice for Approaching VC Firm

Review their website

Reach out: Ask basic questions:

1. What stage and type businesses do you partner with?
2. What is a typical funding round?
3. What key metrics do they most look for?
4. Do you have any events or opportunities to pitch and receive feedback?

What the Avg VC Firm Wants to See

1. Not in pre-revenue status
2. Traction and revenue growth over time
3. Margins!!!
4. High scalability and strong market opportunity
5. Unique value proposition and competitive advantage
6. A technical team with high capability
7. Capital efficiency
8. Exit potential

VC Alternatives - Incubator / Accelerators / Shared Spaces

1. Mana Up
2. Pacific Gateway Center - Culinary Business Incubator
3. Hilo Food Hub
4. Green Kine
4. Maui Food X-Celerator
5. Blue Start Ups - *tends to be more tech focused*

What is your Exit Strategy?

Common Exit Strategies for Small Food Businesses / Farms

1. **Acquisition: Selling to a larger company (e.g., a Hawaii farm acquired by a snack brand for 3x-6x EBITDA).**
2. **IPO: Rare for small farms but possible for agtech firms scaling nationally.**
3. **Management Buyout: Employees or managers buy the business, common for family farms.**
4. **Succession: Transferring to family members**
5. **Liquidation: Selling assets (e.g., land at $10,000/acre) if the business isn't viable.**

Examples of Successful Exits

Hersey acquired Mauna Loa and later sold to Hawaiian Host

Island Princess (mac nuts) acquired Asano gifts in order to gain more access to the Japanese tourism market

Irresistible Foods acquires Shaka Tea

Waimea Butcher Shop - Parker Ranch becomes equity partner

Exit Strategy - Holding Companies

1. **Farmland Partners Inc. (NYSE: FPI)**

- **<u>Overview:</u> Farmland Partners is the only publicly traded REIT explicitly focused on acquiring and owning farmland in the United States, including small to midsize farms. It owns approximately 155,000 acres across 20 states**
- **<u>Acquisition Strategy</u>: Acquires farmland (often 100–2,000 acres, fitting the small to midsize range) and leases it to independent farmers, including family-owned operations. It targets high-quality farms in undervalued regions (e.g., Southeast) and diversifies into specialty crops and alternative uses like solar projects.**
- **<u>Relevance to Small/Midsize Farms</u>: Directly acquires small to midsize farms, partnering with tenants to improve profitability. Its model supports family farmers by providing capital while allowing them to continue farming.**

Exit Strategy - Holding Companies

Gladstone Land Corporation (NASDAQ: LAND)

- **<u>Overview</u>: A publicly traded REIT that owns 169 farms across 15 states, totaling over 116,000 acres, focusing on farmland for fruits, vegetables, and nuts. It leases properties to unrelated farmers, often small to midsize operations.**
- **<u>Acquisition Strategy</u>: Purchases small to midsize farms (e.g., 50–5,000 acres) and farm-related facilities (e.g., cooling, processing, or packing buildings). It targets permanent crops (e.g., almonds, berries) and works with farmers to enhance land value.**
- **<u>Relevance to Small/Midsize Farms</u>: Acquires farms that align with small to midsize operations, leasing them back to farmers, which supports local agriculture while consolidating ownership.**

Publicly Traded Companies

Any publicly traded company is a treasure trove of available data!

Wondering how you can become an acquisition target?

Go to the *investor relations page of any public company*

Understand their key metrics for an acquisition target

*U*se the contact us page and start a conversation

Developing a Plan

- Funding Sources: Use this to develop new funding sources as well as state existing funding sources
- For Personal Savings: Good rule is to have 6 month emergency fund

III. Funding Sources

Funding Source	Amount
Personal Savings	$0.000
SBA Loan	$0.000
Friends and Family	$0.000
Grants	$0
Investors	$0
Crowdfunding	$0
Total Funding	**$0**

Note: Replace placeholder amounts with actual contributions and add/remove rows as needed.

Plan Development

- For new businesses or new lines of business, project forward
- For existing businesses, copy this table and look backwards 12 - 24 months as well
- For service businesses - units can be broken down into revenue per 15 min internal
- Price per unit = Price customer paid
- Total Revenue is gross rev received
- Multiply units sold x price = total revenue

IV. Revenue Projections

Sales Forecast

Month/Quarter	Units Sold	Price per Unit	Total Revenue
Month 1	0	$0	$0
Month 2	0	$0	$0
Month 3	0	$0	$0
Month 4			
Month 5			
Month 6			
Month 7			
Month 8			
Month 9			
Month 10			
Month 11			
Month 12			
Total			**$0**

Plan Development

- Narrative around how you got to your price points
- Venture capital firms are significantly focused on margins vs. dollars
- Pricing can be different depending on the market, and various channels

Pricing Strategy

[Insert a brief explanation here, e.g., “Pricing is based on competitor analysis, cost-plus pricing (materials + 30% margin), and market demand.”]

Sales Channels

[Insert list, e.g., “Online store, local farmers’ market, wholesale to cafes.”]

Operating Expenses

- What are the running costs of your business?
- Add and remove expense categories based on your business
- COGS: Includes: raw materials and direct labor (per unit & total)
- If operating exp has changed significantly year to year then provide previous year
- To get TOE - add all columns

V. Operating Expenses

Detailed Breakdown (Monthly)

Expense	Estimated Cost
Rent	$0
Utilities	$0
Salaries	$0
Cost of Goods Sold	$0 per unit and total
Marketing	$0
Insurance	$0
Other	$0
Total Operating Expenses	**$0**

Note: Add or remove expense categories as applicable to your business. Update variable costs (e.g., COGS) based on sales volume.

P&L

- Revenue = all dollars in
- COGS = see previous slide
- Gross Profit = Revenue - COGS
- OP Expenses (OpEx) = excludes COGS, but includes everything else
- Op Profit = Gross Profit - Op Exp
- Taxes = in $, and if possible in marginal & effective rate
- Net Profit = Total Rev - Total Exp

VI. Profit and Loss (P&L) Statement

Past Income Statement (e.g., 2023 or 2024, if applicable)

Description	Amount
Revenue	$0
Cost of Goods Sold	$0
Gross Profit	**$0**
Operating Expenses	$0
Operating Profit	**$0**
Taxes	$0
Net Profit	**$0**

Note: Fill in actual historical data if available, or leave blank if this is a new business.

Cash Flow

- What is your business banking monthly balance? Can include savings & Checking
- Chosen on the 20th of each month unless that creates an outlier
- Explain any dips, knowing that some annual costs are front loaded

Simplified Cash Flow Statement

Month	Average Checking Balance (20th)
Month 1	$0
Month 2	$0
Month 3	$0
Month 4	
Month 5	
Month 6	
Month 7	
Month 8	
Month 9	
Month 10	
Month 11	
Month 12	

Break Even Analysis

- Fixed Costs = Costs that have to be payed regardless of how much business is conducted (includes pay)

- Price per Unit = Sales price

- Variable Costs = Extra costs above the fixed cost, can be gas, overtime, extra electricity, etc

- Break Even = Fixed costs / cost you sell unit for - variable cost

VIII. Break-Even Analysis

Description	Value
Fixed Costs (Monthly)	$0
Price per Unit	$0
Variable Cost per Unit	$0
Break-Even Point (Units)	[Calculate: $ fixed cost / ($ selling cost per unit - variable cost per unit) = 0 units]

Balance Sheet

- Owner's Equity = In $, what you would have in $ today if Assets - Liabilities.
- Total Equity = break equity into a figure per partner
- Accounts Payable = $ you owe to suppliers / vendors for items purchased on credit
- Loans Payable = $ owed that has interest

IX. Balance Sheet (Projected,

Description	Amount
Assets	
Cash	$0
Inventory	$0
Equipment	$0
Total Assets	**$0**
Liabilities	$0
Loans Payable	$0
Accounts Payable	$0
Total Liabilities	**$0**
Equity	
Owner's Equity	$0
Total Equity	**$0**
Total Liabilities + Equity	**$0**

One Time Expenses

- Expenses required for new businesses to start producing a product or for existing businesses that are expanding into a new product offering

- Contingency Fund = Rainy day fund. Amount of $ on the side you have to keep business operating even if no revenue is received

II. Startup / Growth / New Location Costs (One-Time Expenses)

Expense Category	Estimated Cost
Equipment	$0
Inventory (Initial)	$0
Licenses & Permits	$0
Legal & Accounting Fees	$0
Marketing & Branding	$0
Rent/Security Deposit	$0
Renovations/Improvements	$0
Contingency Fund	$0
Total One-Time Costs	**$0**

Note: Customize categories and amounts based on your specific needs.

Plans are Good

But Don’t Be Afraid to Pivot!

- **YouTube** started as a video dating site
- **Brion Company**: Failing family farm turned biofuel producer
- **Starbucks** - Seattle based selling equipment to home brewers
- **Eat Offbeat** - Immigrant catering company in NYC that attracted large capital by pivoting towards meal boxes
- **Huy Fong Foods** - pivots from marketing to ethic minority markets to the world wide market

Contact info

How I can further help

- Please reach out any time with questions
- Set up personal investment accounts
- Set up small business retirement plans (SEP, Simple IRAs)
- Financial Planning needs
- Socially conscious investing
- Office: 808-331-1344
- Email: drbrettcarey@icloud.com