

## Cajun Coastal Restoration *Pro Forma* Instructions

This is Resource 23-07 Business *Pro Forma* Exercises.

**Step 1: Please review the Vision Description for *Cajun Coastal Restoration*** (Resource 23-04, purple text box, bottom of page 1)

This is the start-up you will be working as you complete a set of *pro forma* projections.

CCR is a consulting firm that provides a variety of services to industry and government agencies responsible for coastal environments. Among the services that CCR will provide are: a) consulting services; b) report generation; and c) remediation of environmental problems.

Except for its leadership and IT teams, CCR will use free-lance consultants. That way the biggest part of their payroll will be a variable cost.

CCR believes its differentiating strength will its innovative IT capabilities. Two-way social media tools will enable them to determine and document community reactions to different remediation strategies. They will be the one firm clients can use to diagnose a problem, develop solutions, provide required reports, interact with community members, and complete hands-on remediation work according to plan.

The concept sounds great . . . But you want to see if the concept "pencils out" by creating a simple *pro forma* . You've asked an intern to develop a *pro forma* spreadsheet for the launch of Cajun Coastal Restoration (CCR). The intern interviewed you about the financial assumptions you'd want to make for this start-up business. The next worksheet provides those projections.

**Step 2: Review the *Pro Forma* Spreadsheet (see next worksheet)**

As you can see, the *pro forma* isn't encouraging. The initial projections show a first year loss of over \$750,000, and a nadir of ~ \$1 million.

**Step 3: Create a defensible set of *pro forma* projections that provide Year 1 breakeven or better, and Year 2 positive cumulative cash flow**

Vary assumptions until you create a *pro forma* that is positive. ***Be prepared to defend why you believe these changes are realistic.***

**Step 4: Answer these three questions**

Question 1: What part of the CCR Vision Description is "concise" and "evocative." Would you want to work for CCR (why or why not)?

Question 2: What changes did you make in order for CCR's projections to be positive? Be prepared to defend your changes.

Question 3: Based on what you've learned from your sensitivity analysis, what are the most important factors that CCR needs to focus on in order to be a profitable company over the long-run? Be prepared to justify your answer.

## Cajun Coastal Restoration *Pro Forma* Spreadsheet

<b>Cajun Coast Restoration <i>Pro Forma</i></b>				
<b>Revenue Projections: Months 1 - 3</b>	<b>Monthly Rev</b>	<b># of Clients</b>		
Community Engagement	\$ 6,000	2		
Ecosystem Damage Assessment Reports	\$ 10,000	1		
Ecosystem Recommendations Reports	\$ 20,000	1		
Remediation Services	\$ 50,000	1		
<b>Revenue Projections: Months 4 - 12</b>	<b>Monthly Rev</b>	<b># of Clients</b>		
Community Engagement	\$ 7,500	4		
Ecosystem Damage Assessment Reports	\$ 12,000	3		
Ecosystem Recommendations Reports	\$ 20,000	2		
Remediation Services	\$ 50,000	1		
<b>Revenue Projections: Months 13 - 24</b>	<b>Monthly Rev</b>	<b># of Clients</b>		
Community Engagement	\$ 8,000	5		
Ecosystem Damage Assessment Reports	\$ 12,000	3		
Ecosystem Recommendations Reports	\$ 20,000	3		
Remediation Services	\$ 60,000	3		
<b>Monthly Costs</b>				
Consulting Contractors (% of Revenue)	30%			
IT Personnel: Year 1	\$420,000			
IT Personnel: Year 2	\$600,000			
Company Leadership (Year 1)	\$400,000			
Company Leadership (Year 2)	\$400,000			
Monthly Rent and Overhead Costs (Year 1)	\$24,000			
Monthly Rent and Overhead Costs (Year 2)	\$40,000			
Monthly Marketing / Business Development Costs (Year 1)	\$50,000			
Monthly Marketing / Business Development Costs (Year 2)	\$80,000			
IT Equipment (capital expense: beginning of Year 1)	\$240,000			
IT Equipment (capital expense: beginning of Year 2)	\$240,000			

## Cajun Coastal Restoration *Pro Forma* Spreadsheet

<b>Pro Forma Projections: Year 1</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>7</b>	<b>8</b>	<b>9</b>	<b>10</b>	<b>11</b>	<b>12</b>	<b>Year 1</b>
Revenue Streams													
Community Engagement	\$ 12.0	\$ 12.0	\$ 12.0	\$ 30.0	\$ 30.0	\$ 30.0	\$ 30.0	\$ 30.0	\$ 30.0	\$ 30.0	\$ 30.0	\$ 30.0	\$ 306.0
Ecosystem Damage Assessment Reports	\$ 10.0	\$ 10.0	\$ 10.0	\$ 36.0	\$ 36.0	\$ 36.0	\$ 36.0	\$ 36.0	\$ 36.0	\$ 36.0	\$ 36.0	\$ 36.0	\$ 354.0
Ecosystem Recommendations Reports	\$ 20.0	\$ 20.0	\$ 20.0	\$ 40.0	\$ 40.0	\$ 40.0	\$ 40.0	\$ 40.0	\$ 40.0	\$ 40.0	\$ 40.0	\$ 40.0	\$ 420.0
Remediation Services	\$ 50.0	\$ 50.0	\$ 50.0	\$ 50.0	\$ 50.0	\$ 50.0	\$ 50.0	\$ 50.0	\$ 50.0	\$ 50.0	\$ 50.0	\$ 50.0	\$ 600.0
<b>Total Revenues</b>	\$ 92.0	\$ 92.0	\$ 92.0	\$ 156.0	\$ 156.0	\$ 156.0	\$ 156.0	\$ 156.0	\$ 156.0	\$ 156.0	\$ 156.0	\$ 156.0	\$ 1,680.0
Expenses by Category													
Personnel Cost (including Leadership)	\$ 95.9	\$ 95.9	\$ 95.9	\$ 115.1	\$ 115.1	\$ 115.1	\$ 115.1	\$ 115.1	\$ 115.1	\$ 115.1	\$ 115.1	\$ 115.1	\$ 1,324.0
Marketing and Business Development	\$50.0	\$50.0	\$50.0	\$50.0	\$50.0	\$50.0	\$50.0	\$50.0	\$50.0	\$50.0	\$50.0	\$50.0	\$ 600.0
Monthly Rent and Overhead	\$24.0	\$24.0	\$24.0	\$24.0	\$24.0	\$24.0	\$24.0	\$24.0	\$24.0	\$24.0	\$24.0	\$24.0	\$ 288.0
<b>Operating Margin</b>	(\$77.9)	(\$77.9)	(\$77.9)	(\$33.1)	(\$33.1)	(\$33.1)	(\$33.1)	(\$33.1)	(\$33.1)	(\$33.1)	(\$33.1)	(\$33.1)	(\$532.0)
IT Capital Expenditures	\$240.0												\$ 240.0
<b>Monthly Cash Flow</b>	(\$317.9)	(\$77.9)	(\$77.9)	(\$33.1)	(\$33.1)	(\$33.1)	(\$33.1)	(\$33.1)	(\$33.1)	(\$33.1)	(\$33.1)	(\$33.1)	(\$772.0)
<b>Accumulated Cash Flow</b>	(\$317.9)	(\$395.9)	(\$473.8)	(\$506.9)	(\$540.1)	(\$573.2)	(\$606.3)	(\$639.5)	(\$672.6)	(\$705.7)	(\$738.9)	(\$772.0)	
Insert names of team members below													

