

# Navigating Business Health: The North Star

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Webster Pacific LLC



**Webster Pacific**



# Key Decisions

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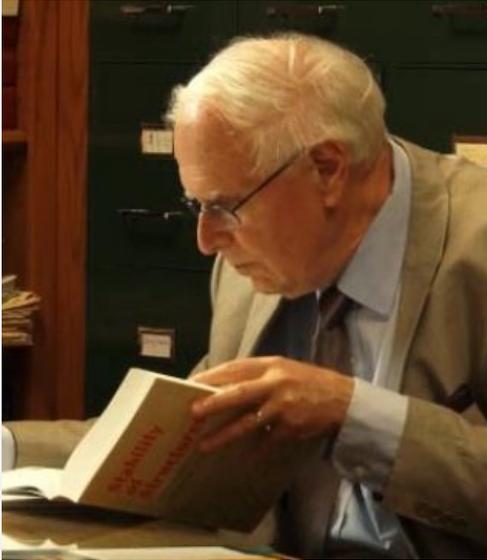
## Vistage Decision Model



## Key decisions

1. Set goals and make tradeoffs between growth, profits, and lifestyle.
2. Diagnose the financial health of your business.
3. Model potential investments to improve financial returns.

# Steve Bazant



Systems In My  
Blood



Married, 2 Kids,  
Live in Maine



**Webster Pacific**

10 People,  
25 Clients

# Going with your Gut



# An Example Vistage Company

| P&L Category | P&L Value | % Change |
|--------------|-----------|----------|
| Revenues     | \$25mm    | +2% Revs |
| Gross Margin | \$12.5mm  | +2% GM   |
| Overhead     | \$10mm    | -2.5% OH |
| Net Profit   | \$2.5mm   |          |

**Profit  
Impact?**

# An Example Vistage Company

| P&L Category | P&L Value | % Change | 1-Yr Profit Impact    |
|--------------|-----------|----------|-----------------------|
| Revenues     | \$25mm    | +2% Revs | <b>\$250k</b>         |
| Gross Margin | \$12.5mm  | +2% GM   | <b>\$250k</b>         |
| Overhead     | \$10mm    | -2.5% OH | <b>\$250k</b>         |
| Net Profit   | \$2.5mm   |          | <b>TOTAL = \$750k</b> |

**\$6mm Over 8 Years!**

# Why Not Go with your Gut?

Fine  
Tuning



Calamities



Stepping  
Back



# Agenda

- 1 Goals
- 2 The North Star Introduction
- 3 YOUR North Stars

# Goal: What are you solving for?



Growth



Profits



Lifestyle

Discuss

# The North Star

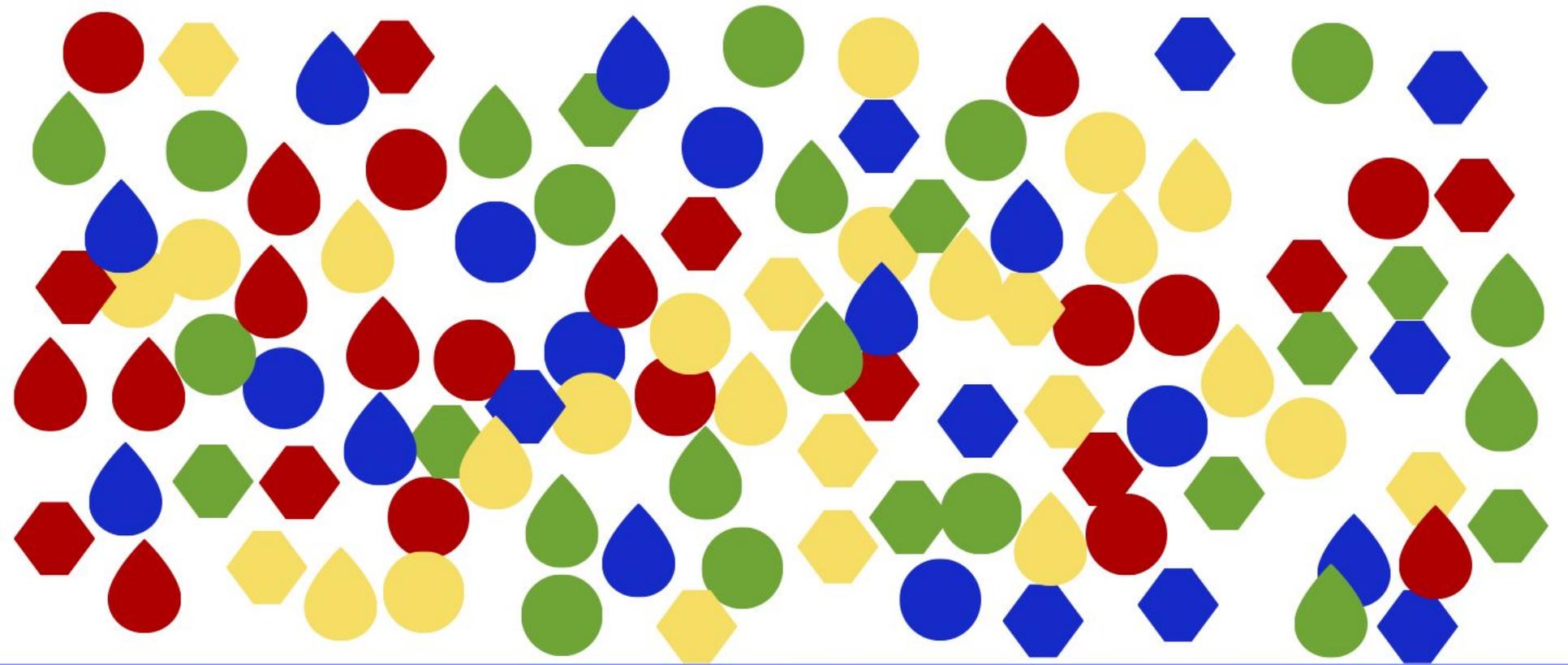
A single financial statement that shows the health and future of a business

- 1) Simple
- 2) More than just the P&L

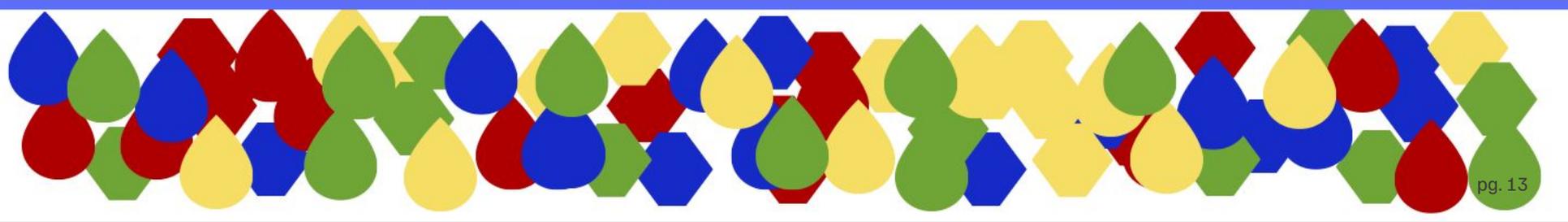
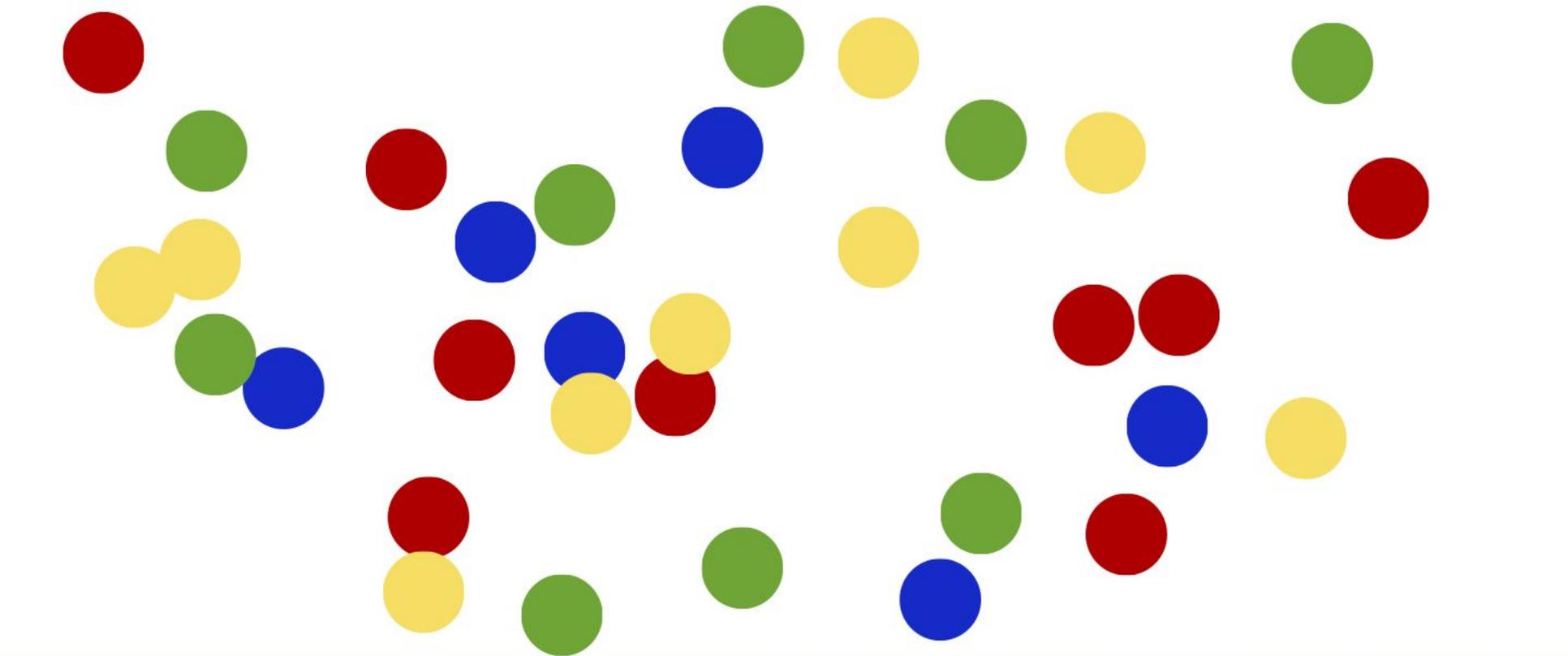
# Information Design Exercise

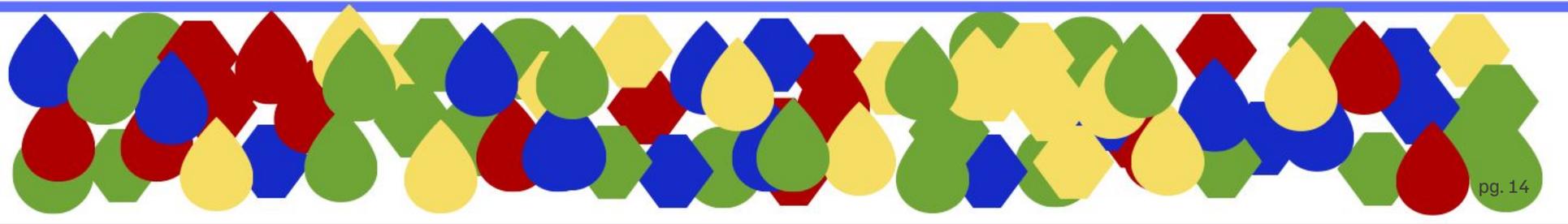
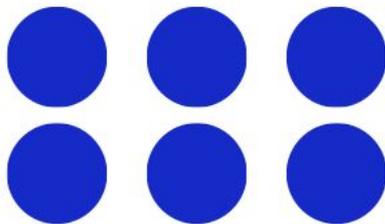
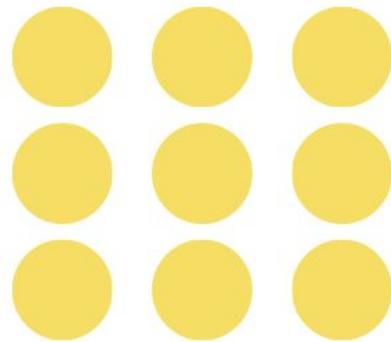
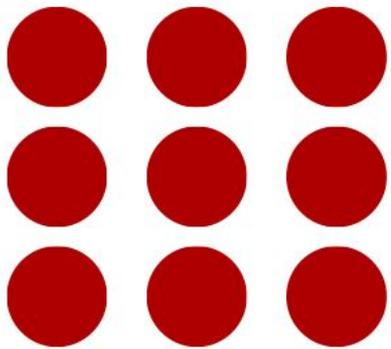
You have 10 seconds to identify  
how many circles are there of red,  
blue and yellow

*Get ready!*



Credit: Mark Koehler, Vistage Speaker





# Less is More

| Income Statement (Profit and Loss)        |               |                   |                   |                   |                   |                   |                   |                   |                   |                   |                   |                   |
|---|---------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| XXX                                       |               |                   |                   |                   |                   |                   |                   |                   |                   |                   |                   |                   |
| For the month ended June 30, 2025         |               |                   |                   |                   |                   |                   |                   |                   |                   |                   |                   |                   |
| Account                                   | 1 2024        | Aug 2024          | Sep 2024          | Oct 2024          | Nov 2024          | Dec 2024          | Jan 2025          | Feb 2025          | Mar 2025          | Apr 2025          | May 2025          | Jun 2025          |
| <b>Income</b>                             |               |                   |                   |                   |                   |                   |                   |                   |                   |                   |                   |                   |
| Department Store A Income                 | 584.68        | 89,844.89         | 13,658.00         | 6,580.37          | 1,267.71          | 0.00              | 4,983.16          | 10,807.52         | 1,897.57          | 3,306.39          | 27,302.66         | 23,542.29         |
| Consignment Sale                          | 468.76        | 12,020.23         | 17,711.02         | 5,378.95          | 12,774.40         | 5,160.33          | 8,412.41          | 6,200.98          | 10,063.74         | 13,827.35         | 10,797.05         | 10,562.45         |
| Discounts given                           | 05.11         | (17,973.74)       | (10,383.74)       | (7,681.22)        | (225,315.90)      | (14,091.40)       | (5,347.57)        | (5,685.06)        | (12,441.02)       | (23,152.86)       | (32,814.45)       | (64,340.82)       |
| Exchange Adjustment                       | 15.00         | (27,102.59)       | (17,437.81)       | (18,383.48)       | (37,064.41)       | (12,751.93)       | (11,451.46)       | (12,911.70)       | (14,545.00)       | (30,765.42)       | (37,202.25)       | (38,123.82)       |
| Returns Adjustment                        | 0.00          | 0                 | 0.00              | 0.00              | 0.00              | 0.00              | 0.00              | 0.00              | 0.00              | 0.00              | 0.00              | 0.00              |
| Department Store B Income                 |               |                   |                   |                   |                   |                   |                   |                   |                   |                   | 20,629.44         | 21,989.88         |
| Returns                                   | 91.42         | (101,307.91)      | (82,842.78)       | (56,794.30)       | (53,589.81)       | (86,526.31)       | (53,272.53)       | (35,007.84)       | (59,820.20)       | (112,505.78)      | (180,277.27)      | (160,342.52)      |
| Shipping Income                           | 401.06        | 13,577.14         | 7,451.69          | 5,109.38          | 12,057.08         | 6,697.89          | 4,111.93          | 11,019.83         | 9,639.83          | 12,240.13         | 14,737.35         | 18,831.48         |
| Shopify Adjustment                        | 0.00          | 0                 | 0.00              | 0.00              | 0.00              | 0.00              | 0.00              | 0.00              | 0.00              | 0.00              | 0.00              | 0.00              |
| Shopify Sales                             | 763.16        | 475,041.10        | 283,799.83        | 241,233.94        | 753,361.07        | 301,323.14        | 184,391.43        | 327,605.01        | 404,778.31        | 626,107.38        | 783,206.79        | 872,596.19        |
| Department Store C Income                 | 0.00          | 0.00              | 0.00              | 0.00              | 0.00              | 0.00              | 0.00              | 0.00              | 0.00              | 0.00              | 0.00              | 0.00              |
| Wholesales                                | 594.02        | 58,245.28         | 91,610.11         | 50,525.03         | 13,939.62         | 2,822.78          | 3,463.81          | 40,350.87         | 210,840.98        | 209,890.86        | 143,811.23        | 153,039.28        |
| <b>Total Income</b>                       | <b>301.05</b> | <b>502,344.40</b> | <b>323,764.32</b> | <b>225,966.67</b> | <b>477,429.76</b> | <b>202,634.50</b> | <b>135,291.18</b> | <b>341,479.61</b> | <b>550,314.21</b> | <b>698,917.83</b> | <b>769,067.63</b> | <b>839,724.41</b> |
| <b>Cost of Goods Sold</b>                 |               |                   |                   |                   |                   |                   |                   |                   |                   |                   |                   |                   |
| Cost of Goods Sold                        | 382.02        | 123,425.32        | 52,219.74         | 56,317.87         | 372,301.05        | 79,521.03         | 48,136.28         | 109,069.22        | 221,746.06        | 269,237.70        | 324,602.32        | 300,660.84        |
| Fees: Paypal                              | 517.92        | 2,189.54          | 939.85            | 882.02            | 124.73            | 62.46             | 69.02             | 181.89            | 104.62            | 182.53            | 240.43            | 412.79            |
| Fees: Shopify                             | 344.13        | 15,144.29         | 7,055.58          | 8,038.79          | 15,113.39         | 8,136.62          | 5,541.12          | 10,101.72         | 11,326.01         | 16,046.73         | 18,680.49         | 23,560.75         |
| Fees: Stripe                              | 0.00          | 0.00              | 0.00              | 0.00              | 0.00              | 0.00              | 0.00              | 0.00              | 0.00              | 0.00              | 0.00              | 0.00              |
| Fulfillment                               | 968.15        | 29,954.31         | 28,352.00         | 30,913.37         | 27,128.09         | 25,642.14         | 25,642.14         | 29,707.97         | 27,392.52         | 33,238.00         | 32,215.55         | 34,160.24         |
| Inventory COGS Adjustment                 |               |                   |                   |                   |                   | (46,993.02)       |                   | 0.00              | 0.00              | 0.00              | 0.00              | 0.00              |
| Packaging                                 | 0.00          | 225.00            | 323.00            | 306.86            | 0.00              | 0.00              | 808.47            | 1,333.46          | 546.93            | 1,603.45          | 1,300.47          | 503.99            |
| Shipping                                  | 427.67        | 41,131.67         | 34,970.82         | 20,915.36         | 31,134.29         | 31,031.14         | 14,590.08         | 18,297.88         | 7,866.25          | 4,603.42          | 10,979.48         | 46,858.75         |
| <b>Total Cost of Goods Sold</b>           | <b>339.89</b> | <b>212,070.13</b> | <b>123,860.99</b> | <b>117,172.27</b> | <b>445,801.55</b> | <b>144,393.39</b> | <b>48,094.09</b>  | <b>168,692.14</b> | <b>268,952.39</b> | <b>324,912.83</b> | <b>388,018.74</b> | <b>405,947.36</b> |
| <b>Gross Profit</b>                       |               |                   |                   |                   |                   |                   |                   |                   |                   |                   |                   |                   |
| Gross Profit                              | 361.16        | 290,274.27        | 199,903.33        | 108,794.40        | 31,628.21         | 58,241.11         | 87,197.09         | 172,787.47        | 281,361.82        | 374,005.00        | 381,048.89        | 433,777.05        |
| Gross Margin                              | 73%           | 42%               | 38%               | 52%               | 93%               | 71%               | 36%               | 49%               | 49%               | 46%               | 50%               | 48%               |
| <b>Operating Expenses</b>                 |               |                   |                   |                   |                   |                   |                   |                   |                   |                   |                   |                   |
| 401K Expense - employer share             | 923.08        | 0.00              | 0.00              | 0.00              | 0.00              | 4,877.90          | 262.50            | 1,230.76          | 1,230.76          | 1,623.07          | 0.00              | 1,877.18          |
| Advertising & Promotion: Affiliates       | 300.00        | 5,000.00          | 2,000.00          | 1,000.00          | 5,000.00          | 3,000.00          | 2,000.00          | 3,000.00          | 4,000.00          | 4,000.00          | 5,000.00          | 7,000.00          |
| Advertising & Promotion: X Ads            | 994.22        | 34,850.90         | 37,334.03         | 28,002.21         | 39,127.38         | 24,527.53         | 22,887.27         | 24,730.87         | 46,002.75         | 67,999.74         | 86,001.37         | 74,009.29         |
| Advertising & Promotion: Y Ads            | 341.08        | 27,227.70         | 7,685.64          | 12,014.42         | 299.45            | 9,157.34          | 9,508.82          | 7,068.48          | 23,221.70         | 35,329.29         | 43,848.65         | 58,315.95         |
| Advertising & Promotion: Z                | 389.82        | 2,079.53          | 2,139.42          | 1,194.45          | 3,195.50          | 1,894.45          | 1,747.46          | 98.00             | 3,556.15          | 2,287.75          | 2,538.17          | 2,543.61          |
| Bank Charges & Fees                       | 199.95        | (0.02)            | 14.99             | 15.00             | 0.00              | 50.64             | 0.00              | 150.00            | (0.03)            | 0.00              | 3.99              | (3.27)            |
| Bank Revaluations                         | 57.74)        | (38.85)           | (18.69)           | 18.24             | 0.55              | 1.66              | 0.74              | (0.69)            | (0.91)            | (2.66)            | (0.57)            | (1.05)            |
| Contractors                               | 0.00          | 257.61            | 0.00              | 0.00              | 0.00              | 0.00              | 0.00              | 0.00              | 0.00              | 0.00              | 0.00              | 0.00              |
| Contractors: Content Creation             | 390.51        | 10,252.94         | 16,185.36         | 8,474.03          | 11,386.12         | 7,186.86          | 14,711.75         | 7,891.32          | 14,710.28         | 21,616.01         | 7,698.95          | 2,023.90          |
| Contractors: Controller and Data Analysis | 300.00        | 9,877.50          | 8,500.00          | 8,500.00          | 8,500.00          | 7,722.50          | 7,341.25          | 9,128.75          | 8,050.00          | 6,781.25          | 7,471.25          | 6,836.25          |
| Contractors: Digital Marketing            | 338.00        | 6,000.00          | 6,000.00          | 6,000.00          | 6,000.00          | 6,000.00          | 6,000.00          | 6,000.00          | 6,000.00          | 6,000.00          | 6,000.00          | 6,000.00          |
| Contractors: Public Relations             | 300.00        | 4,000.00          | 4,000.00          | 4,000.00          | 4,000.00          | 4,000.00          | 4,000.00          | 4,000.00          | 4,000.00          | 4,000.00          | 4,000.00          | 4,000.00          |
| Contractors: Tax and Accounting           | 0.00          | 0.00              | 0.00              | 0.00              | 0.00              | 0.00              | 0.00              | 0.00              | 0.00              | 0.00              | 0.00              | 0.00              |
| Contractors: Web Development              | 0.00          | 1,000.00          | 0.00              | 7,000.00          | 7,000.00          | 7,000.00          | 14,719.00         | 13,000.00         | 11,894.50         | 6,000.00          | 0.00              | 1,000.00          |
| Contractors: Wholesale                    | 300.00        | 9,010.84          | 3,500.00          | 3,500.00          | 4,528.93          | 3,500.00          | 4,143.64          | 4,200.00          | 3,500.00          | 3,500.00          | 6,500.00          | 13,950.00         |
| Contractors: Head of Marketing            |               |                   |                   |                   |                   |                   |                   |                   |                   |                   |                   | 6,000.00          |
| Depreciation Expense                      | 271.36        | 271.36            | 271.36            | 271.36            | 271.36            | 271.36            | 271.36            | 271.36            | 271.36            | 271.36            | 271.36            | 132.47            |
| Holiday Gift                              |               |                   |                   |                   |                   | 219.96            | 0.00              | 0.00              | 0.00              | 257.64            | 0.00              | 0.00              |
| Insurance                                 | 906.43        | 354.75            | 103.07            | 103.07            | 1,215.20          | 0.00              | 0.00              | 0.00              | 0.00              | 0.00              | 0.00              | 0.00              |
| Interest Expense                          | 334.29        | 14,605.88         | 14,552.39         | 14,498.92         | 14,445.44         | 16,046.84         | 8,359.33          | 26,804.37         | 17,064.89         | 20,370.75         | 17,791.28         | 17,737.81         |
| Inventory Write-off                       | 0.00          | 0.00              | 0.00              | 0.00              | 0.00              | 0.00              | 0.00              | 0.00              | 0.00              | 0.00              | 0.00              | 0.00              |
| Legal & Professional Services             | 0.00          | 0.00              | (3,979.77)        | 0.00              | 0.00              | 3,000.00          | 2,000.00          | 226.00            | 0.00              | 1,000.00          | 0.00              | 0.00              |
| Marketing: Model Fees                     | 0.00          | 0.00              | 1,200.00          | 200.00            | 0.00              | 0.00              | 0.00              | 3,000.00          | 0.00              | 0.00              | 0.00              | 0.00              |
| Marketing: Pop-Up Expenses                | 0.00          | 0.00              | 0.00              | 0.00              | 0.00              | 0.00              | 0.00              | 0.00              | 0.00              | 0.00              | 0.00              | 0.00              |
| Meals & Entertainment                     | 206.70        | 138.82            | 388.31            | 1,508.80          | 458.01            | 454.74            | 646.23            | 659.79            | 260.88            | 346.49            | 648.29            | 580.15            |
| Office Expenses                           | 0.00          | 4.46              | 0.00              | 42.01             | 13.67             | 1,376.18          | 31.73             | 0.00              | 0.00              | 152.40            | 0.00              | 66.59             |
| Office Supplies                           | 233.94        | 458.19            | 250.66            | 473.29            | 127.05            | 350.78            | 857.25            | 3,063.37          | 0.00              | 1,031.15          | 1,570.45          | 5,127.73          |
| Office Supplies & Software Transactions   | 0.00          | 0.00              | 967.75            | 1,875.00          | 0.00              | 0.00              | 0.00              | 0.00              | 0.00              | 0.00              | 0.00              | 0.00              |
| Other Miscellaneous Expense               | 0.00          | 1,508.19          | 0.00              | 0.00              | 0.00              | 135.00            | 0.00              | 0.00              | 0.00              | 0.00              | 0.00              | 0.00              |

So if you have the P&L, isn't that enough?

# Are these businesses the same?

|  |                    | Brewery 1 |         | Brewery 2 |         |
|--|--------------------|-----------|---------|-----------|---------|
|  |                    | 2024      | 2025    | 2024      | 2025    |
| Modified<br>P&L and<br>Free Cash<br>Flow | Revenues (\$M)     | \$ 30.0   | \$ 35.0 | \$ 30.0   | \$ 35.0 |
|  | Gross Margin (\$M) | \$ 12.0   | \$ 14.0 | \$ 12.0   | \$ 14.0 |
|  | Gross Margin (%)   | 40%       | 40%     | 40%       | 40%     |
|  | OPEX               | \$ 10.0   | \$ 11.7 | \$ 10.0   | \$ 11.7 |
|  | EBITDA (\$M)       | \$ 2.0    | \$ 2.3  | \$ 2.0    | \$ 2.3  |
|  | EBITDA Margin      | 7%        | 7%      | 7%        | 7%      |

# No!

|  |                    | Brewery 1 |         | Brewery 2 |         |
|--|--------------------|-----------|---------|-----------|---------|
|  |                    | 2024      | 2025    | 2024      | 2025    |
| Modified<br>P&L and<br>Free Cash<br>Flow | Revenues (\$M)     | \$ 30.0   | \$ 35.0 | \$ 30.0   | \$ 35.0 |
|  | Gross Margin (\$M) | \$ 12.0   | \$ 14.0 | \$ 12.0   | \$ 14.0 |
|  | Gross Margin (%)   | 40%       | 40%     | 40%       | 40%     |
|  | OPEX               | \$ 10.0   | \$ 11.7 | \$ 10.0   | \$ 11.7 |
|  | EBITDA (\$M)       | \$ 2.0    | \$ 2.3  | \$ 2.0    | \$ 2.3  |
|  | EBITDA Margin      | 7%        | 7%      | 7%        | 7%      |

### Brewery 1:

- Opened a new location
- Bought equipment
- Bought extra inventory
- Took on Debt

### Brewery 2:

- Did not

# Modified Cash Flow

|  |                            | Brewery 1 |          | Brewery 2 |          |
|--|----------------------------|-----------|----------|-----------|----------|
|  |                            | 2024      | 2025     | 2024      | 2025     |
| Modified<br>P&L and<br>Free Cash<br>Flow | Revenues (\$M)             | \$ 30.0   | \$ 35.0  | \$ 30.0   | \$ 35.0  |
|  | Gross Margin (\$M)         | \$ 12.0   | \$ 14.0  | \$ 12.0   | \$ 14.0  |
|  | Gross Margin (%)           | 40%       | 40%      | 40%       | 40%      |
|  | OPEX                       | \$ 10.0   | \$ 11.7  | \$ 10.0   | \$ 11.7  |
|  | EBITDA (\$M)               | \$ 2.0    | \$ 2.3   | \$ 2.0    | \$ 2.3   |
|  | EBITDA Margin              | 7%        | 7%       | 7%        | 7%       |
|  | Δ Oper. Working Cap. (\$M) | \$ (2.0)  | \$ (1.0) | \$ - .0   | \$ (0.4) |
|  | CAPEX (\$M)                | \$ (2.5)  | \$ (1.5) | \$ (0.5)  | \$ (0.5) |
|  | Debt (P+I) (\$M)           | \$ (1.0)  | \$ (1.3) | \$ (0.3)  | \$ (0.3) |
|  | Taxes (\$M)                | \$ (0.4)  | \$ (0.5) | \$ (0.4)  | \$ (0.5) |
|  | Free Cash Flow (Levered)   | \$ (3.9)  | \$ (2.0) | \$ 0.8    | \$ 0.7   |

# Surfboard Brand



|  |                                     | 2019              | 2020     | 2021     | 2022     | 2023     |
|--|-------------------------------------|-------------------|----------|----------|----------|----------|
|  |                                     | Actual            | Actual   | Actual   | Actual   | Actual   |
|  |                                     | *Figures in (\$M) |          |          |          |          |
| Modified<br>P&L and<br>Free Cash<br>Flow | Revenues                            | \$ 1.0            | \$ 3.0   | \$ 9.0   | \$ 10.0  | \$ 10.0  |
|  | Gross Margin                        | \$ 0.5            | \$ 1.5   | \$ 4.5   | \$ 5.0   | \$ 4.8   |
|  | Gross Margin (%)                    | 50%               | 50%      | 50%      | 50%      | 48%      |
|  | OPEX                                | \$ 0.5            | \$ 1.3   | \$ 3.8   | \$ 5.0   | \$ 3.8   |
|  | EBITDA                              | \$ 0.1            | \$ 0.3   | \$ 0.8   | \$ - .0  | \$ 1.0   |
|  | EBITDA Margin                       | 5%                | 8%       | 8%       | 0%       | 10%      |
|  | Δ Oper. Working Cap.                | \$ (0.0)          | \$ (0.6) | \$ (2.1) | \$ (2.3) | \$ 1.2   |
|  | CAPEX                               | \$ - .0           | \$ - .0  | \$ - .0  | \$ - .0  | \$ - .0  |
|  | Debt (P+)                           | \$ (0.1)          | \$ (0.2) | \$ (0.5) | \$ (0.7) | \$ (0.6) |
|  | Taxes                               | \$ (0.0)          | \$ (0.1) | \$ (0.2) | \$ - .0  | \$ (0.2) |
|  | Free Cash Flow (Levered)            | \$ (0.0)          | \$ (0.6) | \$ (2.0) | \$ (3.0) | \$ 1.4   |
| Balance<br>Sheet                         | Cash                                | \$ 0.2            | \$ 0.5   | \$ 0.5   | \$ 0.2   | \$ 0.5   |
|  | Inventory                           | \$ 0.3            | \$ 0.9   | \$ 2.7   | \$ 5.4   | \$ 4.0   |
|  | Other Current Assets (AR, Accruals) | \$ 0.1            | \$ 0.3   | \$ 0.9   | \$ 1.0   | \$ 1.0   |
|  | Long Term Assets                    | \$ - .0           | \$ - .0  | \$ - .0  | \$ - .0  | \$ - .0  |
|  | <b>Total Asset</b>                  | \$ 0.6            | \$ 1.7   | \$ 4.1   | \$ 6.6   | \$ 5.5   |
|  | Current Liabilities (except LOC)    | \$ 0.2            | \$ 0.4   | \$ 0.7   | \$ 1.2   | \$ 1.0   |
|  | Current LOC Debt                    | \$ 0.4            | \$ 0.2   | \$ 0.7   | \$ 1.0   | \$ 0.9   |
|  | Long Term Debt                      | \$ - .0           | \$ 1.0   | \$ 2.0   | \$ 3.0   | \$ 2.5   |
|  | <b>Total Debt</b>                   | \$ 0.6            | \$ 1.6   | \$ 3.4   | \$ 5.2   | \$ 4.4   |
|  | Earnings                            | \$ - .0           | \$ 0.2   | \$ 0.7   | \$ 0.4   | \$ 1.2   |
|  | Owner Contribution/Draw             | \$ - .0           | \$ - .0  | \$ - .0  | \$ 1.0   | \$ - .0  |
| <b>Total Equity</b>                      | \$ - .0                             | \$ 0.2            | \$ 0.7   | \$ 1.4   | \$ 1.2   |          |
| KPIs                                     | Inventory Turns                     | 1.7               | 1.7      | 1.7      | 0.9      | 1.3      |
|  | Return on AD Spend (ROAS)           | 3.0               | 3.0      | 3.0      | 2.0      | 3.5      |
|  | Equity Value (8x EBITDA - Debt)     | \$0               | \$1      | \$3      | -\$4     | \$5      |

# North Star Example: ABC Manufacturing



# ABC Manufacturing

## What's Wrong?

|                           |                                     | 2023              | 2024     | 2025     | 2026     |
|---------------------------|-------------------------------------|-------------------|----------|----------|----------|
|                           |                                     | Actual            | Actual   | Actual   | Budget   |
|                           |                                     | *Figures in (\$M) |          |          |          |
| Modified Income Statement | Revenues                            | \$ 20.0           | \$ 21.0  | \$ 22.0  | \$ 22.0  |
|                           | Gross Margin                        | \$ 8.0            | \$ 8.0   | \$ 8.0   | \$ 8.3   |
|                           | Gross Margin (%)                    | 40%               | 38%      | 36%      | 38%      |
|                           | OPEX                                | \$ 5.5            | \$ 6.4   | \$ 6.8   | \$ 6.3   |
|                           | EBITDA                              | \$ 2.5            | \$ 1.6   | \$ 1.2   | \$ 2.0   |
|                           | EBITDA Margin                       | 13%               | 8%       | 5%       | 9%       |
|                           | Δ Oper. Working Cap.                | \$ (0.0)          | \$ (0.5) | \$ (0.8) | \$ 0.4   |
|                           | CAPEX                               | \$ (0.5)          | \$ (1.0) | \$ (1.0) | \$ - .0  |
|                           | Debt (P+I)                          | \$ (0.7)          | \$ (0.8) | \$ (0.9) | \$ (0.7) |
|                           | Taxes                               | \$ (0.5)          | \$ (0.3) | \$ (0.2) | \$ (0.4) |
|                           | Free Cash Flow (Levered)            | \$ 0.8            | \$ (1.0) | \$ (1.7) | \$ 1.3   |
| Balance Sheet             | Cash                                | \$ 0.6            | \$ 0.3   | \$ 0.3   | \$ 1.0   |
|                           | Inventory                           | \$ 4.0            | \$ 5.0   | \$ 6.0   | \$ 5.5   |
|                           | Other Current Assets (AR, Accruals) | \$ 0.4            | \$ 0.2   | \$ 0.2   | \$ 0.3   |
|                           | Long Term Assets                    | \$ 2.0            | \$ 2.6   | \$ 3.1   | \$ 2.5   |
|                           | <b>Total Asset</b>                  | \$ 7.0            | \$ 8.1   | \$ 9.6   | \$ 9.3   |
|                           | Current Liabilities (except LOC)    | \$ 0.5            | \$ 0.8   | \$ 1.0   | \$ 1.0   |
|                           | Current LOC Debt                    | \$ 0.7            | \$ 1.2   | \$ 0.8   | \$ 0.8   |
|                           | Long Term Debt                      | \$ 3.0            | \$ 3.0   | \$ 4.0   | \$ 3.0   |
|                           | <b>Total Debt</b>                   | \$ 4.2            | \$ 5.0   | \$ 5.8   | \$ 4.8   |
|                           | Earnings                            | \$ 1.8            | \$ 2.6   | \$ 2.8   | \$ 4.0   |
| Owner Contribution/Draw   | \$ 1.0                              | \$ 0.5            | \$ 1.0   | \$ 0.5   |          |
|                           | <b>Total Equity</b>                 | \$ 2.8            | \$ 3.1   | \$ 3.8   | \$ 4.5   |
| Ratios                    | Current Ratio                       | 4.2               | 2.7      | 3.6      | 3.8      |
|                           | Quick Ratio                         | 0.8               | 0.2      | 0.3      | 0.7      |
|                           | Debt to Equity Ratio                | 1.5               | 1.6      | 1.5      | 1.1      |
| KPIs                      | Inventory Turns                     | 3.0               | 2.6      | 2.3      | 2.5      |
|                           | Sales Efficiency Ratio              | 10.0              | 7.2      | 9.2      | 14.7     |
|                           | Return on Assets                    | 32%               | 20%      | 13%      | 22%      |

Handout  
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|                                 |                                     | 2023     | 2024     | 2025     |
|---------------------------------|-------------------------------------|----------|----------|----------|
| *Figures in (\$M)               |                                     | Actual   | Actual   | Actual   |
| Modified<br>Income<br>Statement | Revenues                            | \$ 20.0  | \$ 21.0  | \$ 22.0  |
|                                 | Gross Margin                        | \$ 8.0   | \$ 8.0   | \$ 8.0   |
|                                 | Gross Margin (%)                    | 40%      | 38%      | 36%      |
|                                 | OPEX                                | \$ 5.5   | \$ 6.4   | \$ 6.8   |
|                                 | EBITDA                              | \$ 2.5   | \$ 1.6   | \$ 1.2   |
|                                 | EBITDA Margin                       | 13%      | 8%       | 5%       |
|                                 | Δ Oper. Working Cap.                | \$ (0.0) | \$ (0.5) | \$ (0.8) |
|                                 | CAPEX                               | \$ (0.5) | \$ (1.0) | \$ (1.0) |
|                                 | Debt (P+I)                          | \$ (0.7) | \$ (0.8) | \$ (0.9) |
|                                 | Taxes                               | \$ (0.5) | \$ (0.3) | \$ (0.2) |
|                                 | Free Cash Flow (Levered)            | \$ 0.8   | \$ (1.0) | \$ (1.7) |
| Balance<br>Sheet                | Cash                                | \$ 0.6   | \$ 0.3   | \$ 0.3   |
|                                 | Inventory                           | \$ 4.0   | \$ 5.0   | \$ 6.0   |
|                                 | Other Current Assets (AR, Accruals) | \$ 0.4   | \$ 0.2   | \$ 0.2   |
|                                 | Long Term Assets                    | \$ 2.0   | \$ 2.6   | \$ 3.1   |
|                                 | <b>Total Asset</b>                  | \$ 7.0   | \$ 8.1   | \$ 9.6   |
|                                 | Current Liabilities (except LOC)    | \$ 0.5   | \$ 0.8   | \$ 1.0   |
|                                 | Current LOC Debt                    | \$ 0.7   | \$ 1.2   | \$ 0.8   |
|                                 | Long Term Debt                      | \$ 3.0   | \$ 3.0   | \$ 4.0   |
|                                 | <b>Total Debt</b>                   | \$ 4.2   | \$ 5.0   | \$ 5.8   |
|                                 | Earnings                            | \$ 1.8   | \$ 2.6   | \$ 2.8   |
| Owner Contribution/Draw         | \$ 1.0                              | \$ 0.5   | \$ 1.0   |          |
|                                 | <b>Total Equity</b>                 | \$ 2.8   | \$ 3.1   | \$ 3.8   |
| Ratios                          | Current Ratio                       | 4.2      | 2.7      | 3.6      |
|                                 | Quick Ratio                         | 0.8      | 0.2      | 0.3      |
|                                 | Debt to Equity Ratio                | 1.5      | 1.6      | 1.5      |
| KPIs                            | Inventory Turns                     | 3.0      | 2.6      | 2.3      |
|                                 | Sales Efficiency Ratio              | 10.0     | 7.2      | 9.2      |
|                                 | Return on Assets                    | 32%      | 20%      | 13%      |

← Stagnant sales

← Gross Margin Erosion

← Growing OPEX

← Cash flow problems

← Increase Inv & LT Assets

← Rising Debt

← Poor Liquidity

← Shrinking Inventory Turns

← Sales efficiency

North Star Example:

Your Business!

# Where to Put Your Next Dollar?

|                         | Current Yr | Next Yr  | Incremental |
|-------------------------|------------|----------|-------------|
| Revenues                | \$ 100.0   | \$ 105.0 | \$ 5.0      |
| Gross Margin            | \$ 50.0    | \$ 52.5  | \$ 2.5      |
| Gross Margin (%)        | 50%        | 50%      |             |
| OPEX                    | \$ 40.0    | \$ 41.0  | \$ 1.0      |
| <b>EBITDA</b>           | \$ 10.0    | \$ 11.5  | \$ 1.5      |
| EBITDA Margin (%)       | 10%        | 11%      |             |
|                         |            |          |             |
| Assets                  | \$ 50.0    | \$ 50.0  | \$ - .0     |
| ROA                     | 20%        | 23%      | 3%          |
| Payback Months          | n/a        | n/a      | 0.0         |
| Company Value (EBITDAx) | 80         | 92       | 12          |
| Complexity Tax          | ?          | ?        | ?           |

## Actionable Takeaways

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1. **Establish Your North Star:** Develop your own North Star to describe the health of your business. Use it to pinpoint where the issues lie and outline your goals
2. **Analyze where to spend your next dollar:** Be precise about the changes you make to your business by evaluating necessary returns on your investment.

# Offer

- **Offer:** 30 Min call to review your North Star
- **Promise:** No sales pitch, just insights. Confidential.
- **After:** Recap shared with you and your chair.

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# Resources



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