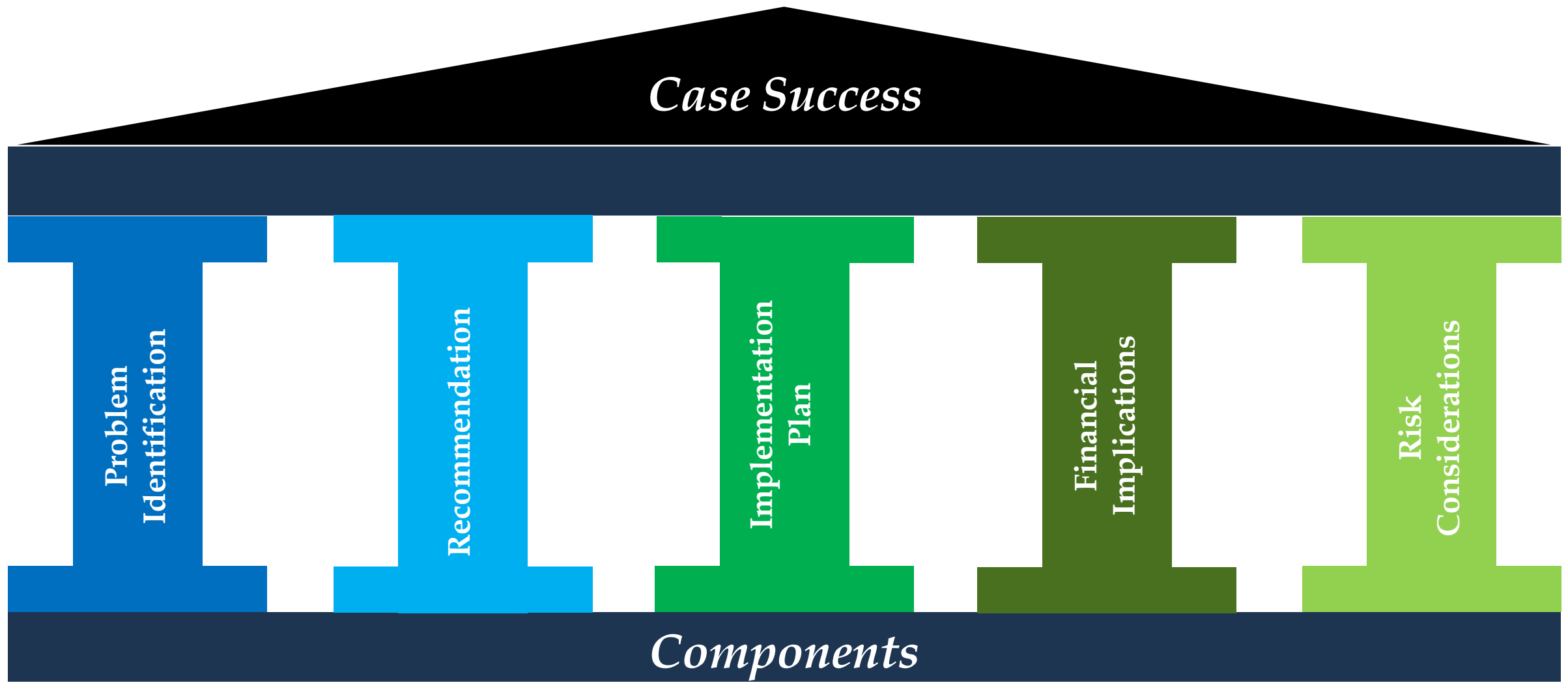




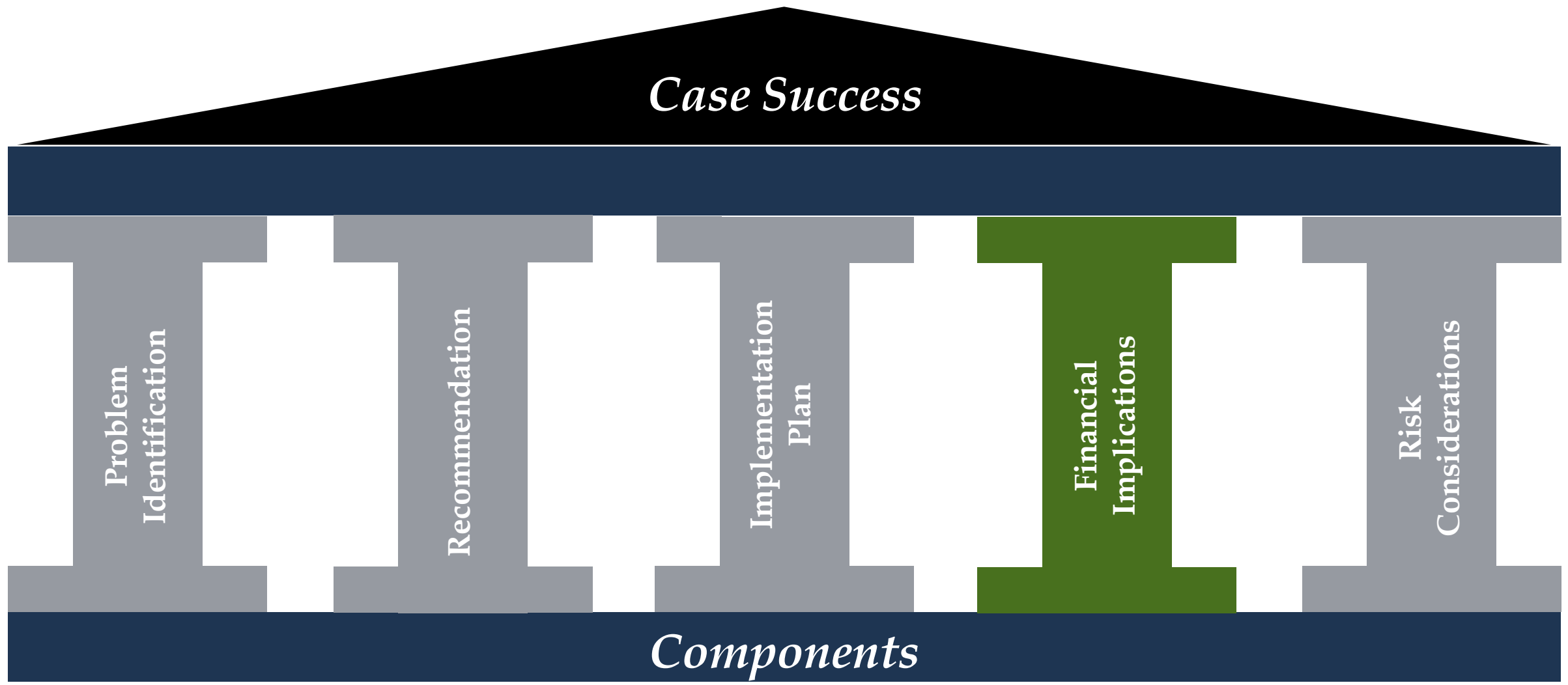
Preparing Financials

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Case Components



Case Components



Introduction



Financial Modeling Methods



Presenting Financials



Guided Exercise



What is a Financial Model?

- Provides quantitative expectations for qualitative ideas
- Shows future financial viability of an idea, program, company, etc.

How are Financial Models Made?

- All financial models are grounded in logic
- Use data gathered from SEC filings (public companies), competitors, or industry news



Cell referencing is usually better than hard coding.



Organizing and labeling your work is crucial.



Detail and accuracy is an important relationship.

Forecasts of great of detail are often less accurate

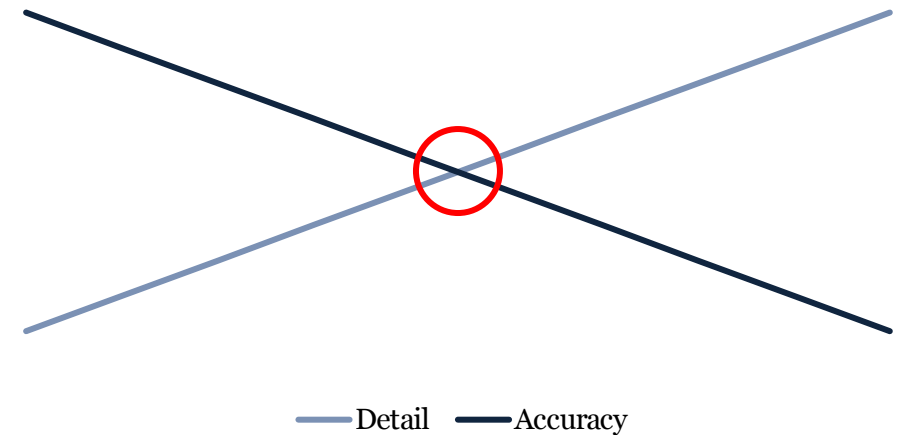
But...



The most accurate projections often lack detail

How do we strike a balance?

Detail vs. Accuracy



Comprehensive financial models will show a link between individual recommendations and the whole company using a *combination* of these two methods.

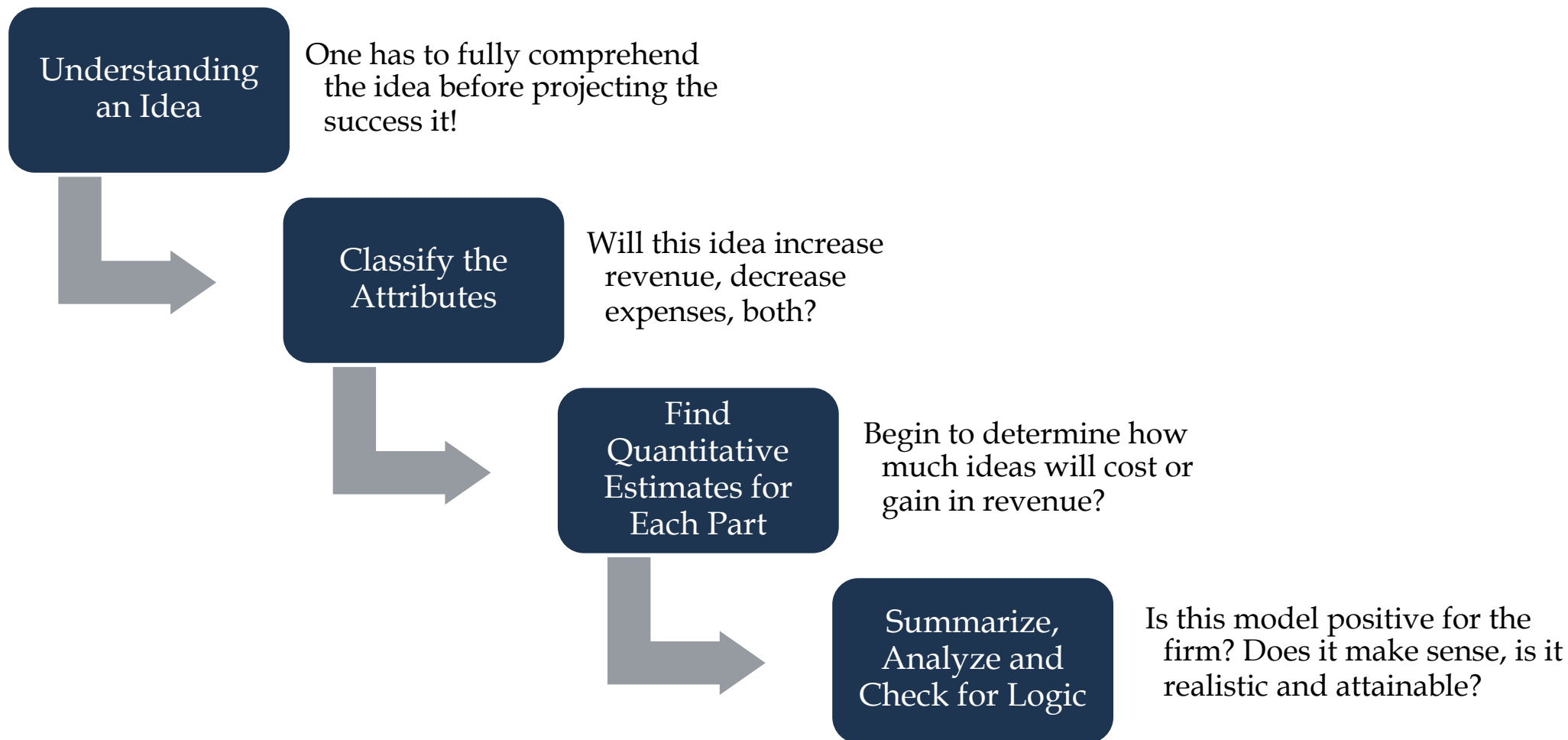
Recommendation Approach

- Financial viability of one idea
- Includes thoughtful detail and critical thinking

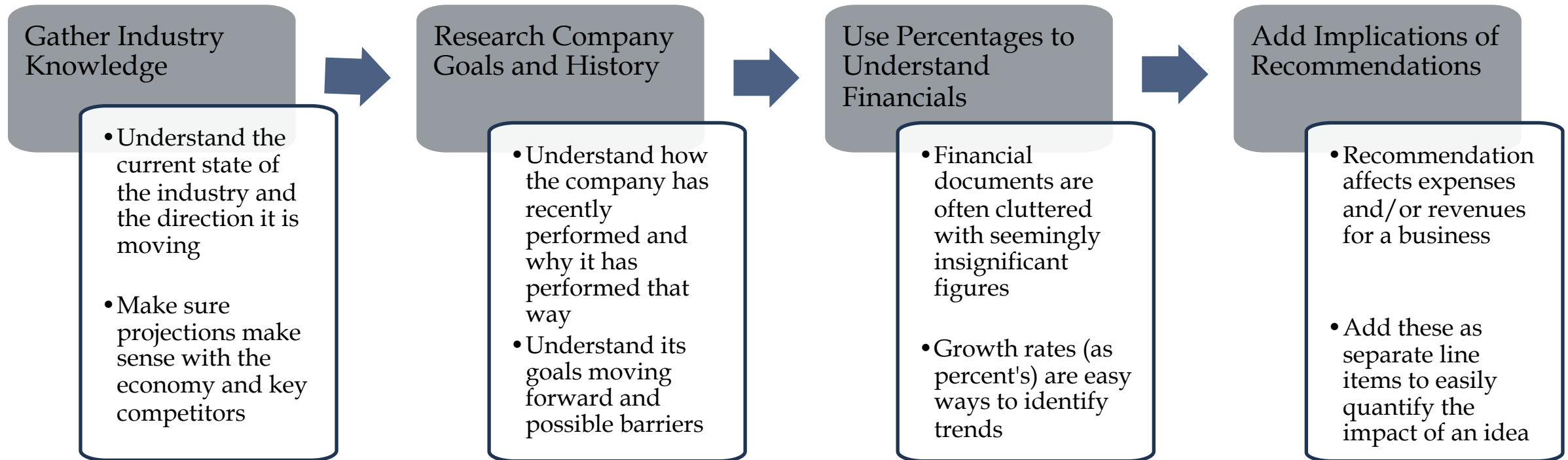
Income Statement Approach

- “Big picture” of future financial position
- Involves projecting revenue and expenses

Key Steps for Recommendation Approach



Key Steps for Income Statement Approach



Slides to Present

Presentation
Slides

Graphs and
Charts

Summary
Figures

Slides to Reference

Appendix
Slides

Excel
Worksheets

Further
Analysis

Do

Memorize a few key financial data points to use during presentations

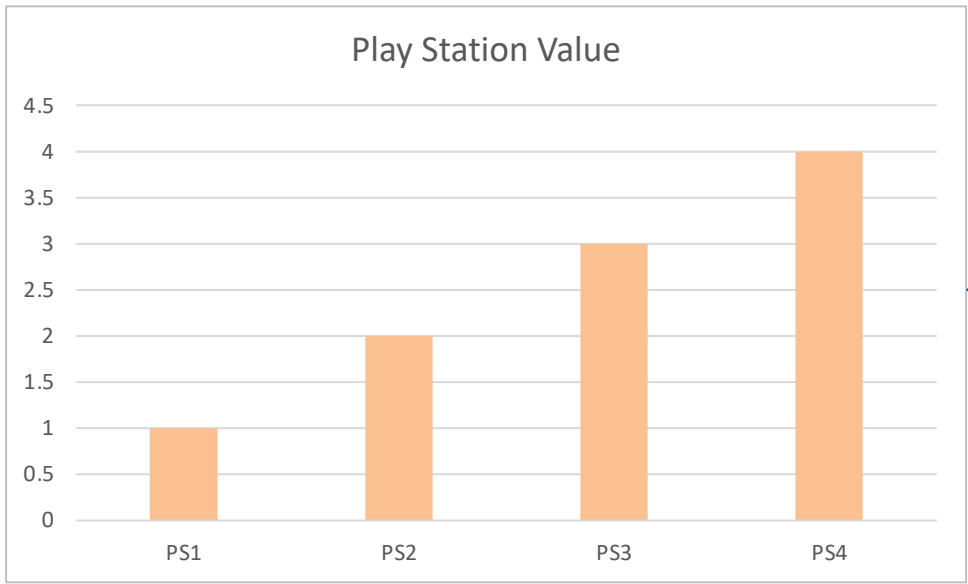
Be comfortable speaking on qualitative and quantitative aspects

Don't

Rely on one team member to answer all questions

Overload a slide with too many numbers

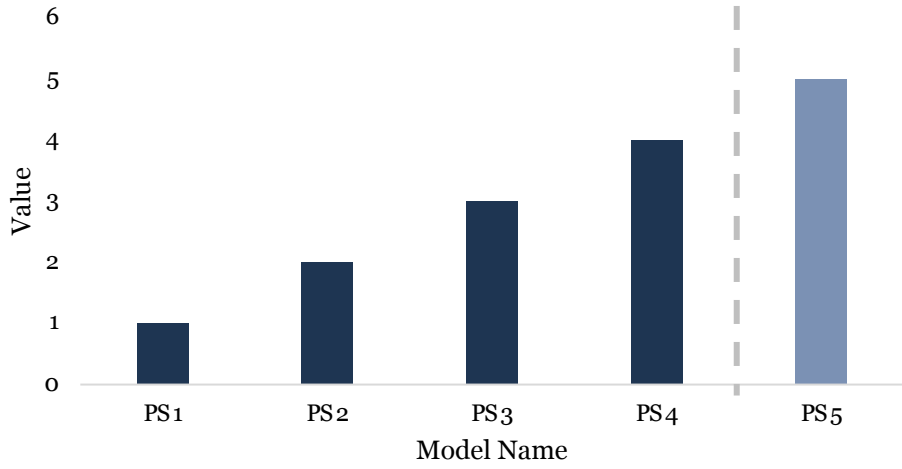
Creating Professional Graphs



Needs Improvement

PlayStation Value

Better



Remain within Theme

Indicate Important Dates

Use Labels

Remove Stock Formatting

Remember Perspective

In a recent case study involving McDonald's, MCG Consulting recommends that McDonald's starts a social media campaign to increase the revenue of their stores.

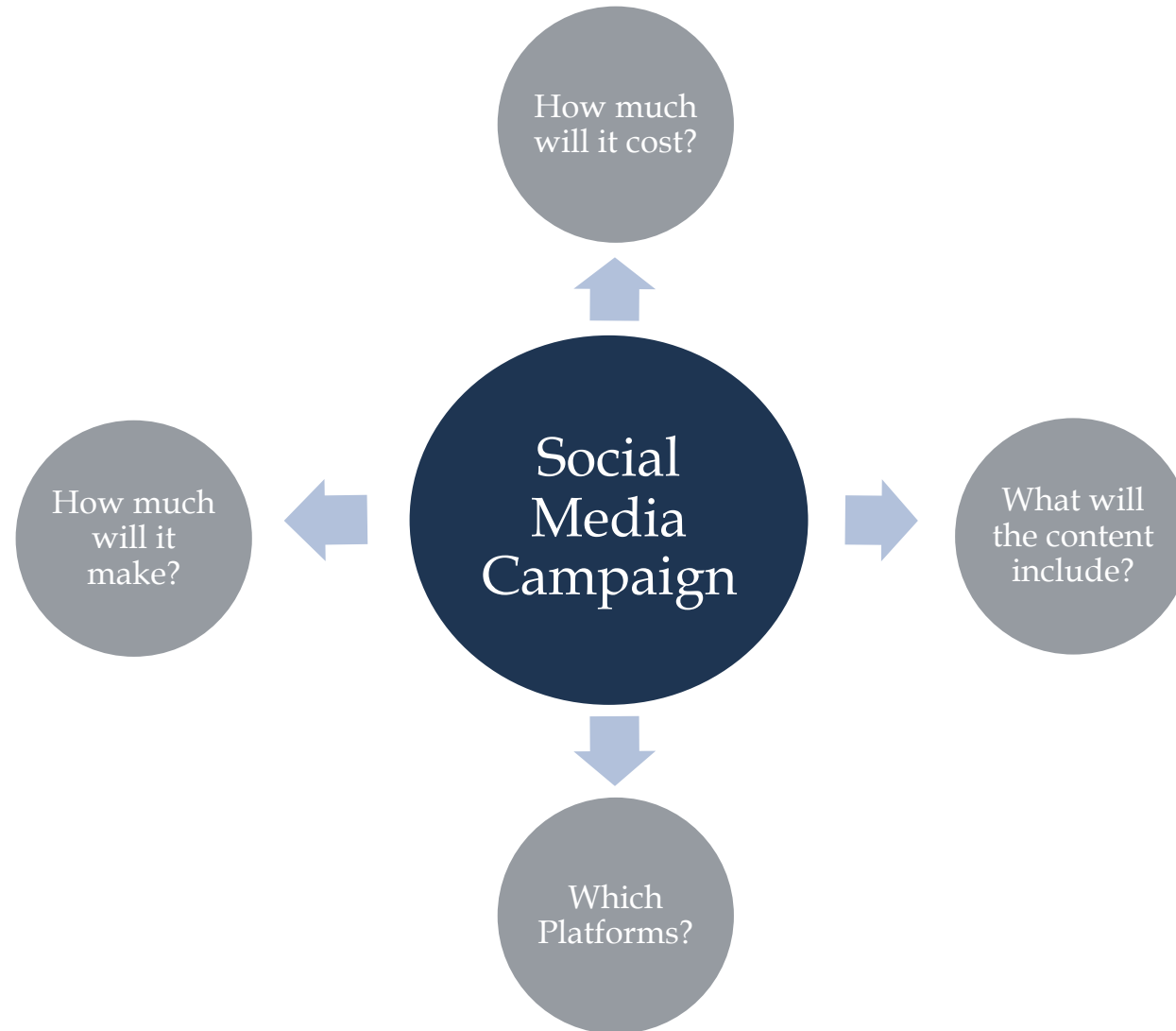
Key Questions to Be Answered:

How do we project how much money it will cost to launch this campaign and how much money will the company make from it?

How well does this fit into the financial projection of the whole company?

Is our recommendation logical and sustainable?

Breaking Down an Idea



Providing Quantitative Justification

Social Media Advertising Expense Projections

Platform	CPM	CTR	User Base (Thousands)	Cost to Access (<i>percent of target users</i>)				
				25%	50%	75%	100%	
Instagram	\$	5.41	3.00%	700,000	\$ 946,750.00	\$ 1,893,500.00	\$ 2,840,250.00	\$ 3,787,000.00
Facebook	\$	5.92	2.00%	2,129,000	\$ 3,150,920.00	\$ 6,301,840.00	\$ 9,452,760.00	\$ 12,603,680.00
Twitter	\$	6.72	1.50%	326,000	\$ 547,680.00	\$ 1,095,360.00	\$ 1,643,040.00	\$ 2,190,720.00

Source: JD Prater, AdStage Director, American University in Cairo

Social Media Advertising Revenue Projections

Platform	Spending Average	CTR	User Base (Thousands)	Anticipated Revenue (<i>percent of target users</i>)				
				25%	50%	75%	100%	
Instagram	\$	4.50	3.00%	700,000	\$ 23,625,000.00	\$ 47,250,000.00	\$ 70,875,000.00	\$ 94,500,000.00
Facebook	\$	4.50	2.00%	2,129,000	\$ 47,902,500.00	\$ 95,805,000.00	\$ 143,707,500.00	\$ 191,610,000.00
Twitter	\$	4.50	1.50%	326,000	\$ 5,501,250.00	\$ 11,002,500.00	\$ 16,503,750.00	\$ 22,005,000.00

Source: JD Prater, AdStage Director, American University in Cairo

Slide Takeaways

- Appendix worksheet (not presented)
- CPM, User Base, and CTR are industry metrics, lay foundation for resulting figures
- This format differentiated expenses and revenues while maintaining an apparent connection
- Able to show further analysis by varying anticipated costs and revenues
- Citing the sources adds a dimension of reliability to the forecasts

Social Media Advertising Net Income Calculations

Platform	<u>Anticipated Net Income</u>			
	25%	50%	75%	100%
Instagram	\$ 22,678,250.00	\$ 45,356,500.00	\$ 68,034,750.00	\$ 90,713,000.00
Facebook	\$ 44,751,580.00	\$ 89,503,160.00	\$ 134,254,740.00	\$ 179,006,320.00
Twitter	\$ 4,953,570.00	\$ 9,907,140.00	\$ 14,860,710.00	\$ 19,814,280.00

Source: JD Prater, AdStage Director, American University in Cairo

Slide Takeaways

- Appendix worksheet (not presented)
- Last slide was very busy, this helps to summarize our recommendation
- Maintains analysis by varying net income, decided to report weighted average for reality
- Symmetry between models and slides helped to convey our point easier

Slide Takeaways

- Using key figures on a slide helps to show individual details but can leave judges wondering long term patterns
- Being able to reference individual points of data and then scale it to the big picture of a company helps to provide clarity and depth

Resulting Revenue Growth



14

Used Key Figures to Portray a Numerical Summary of Each Recommendation

Social Media Overhaul

\$5,000

Average Revenue Increase per store

Internet of Things

\$85,000

Increased Revenue Over 2 Years

Redesigned Menu

\$130,000

Revenue Growth over 1 Year

Increased Corporate Revenue

\$300,000,000

Key Issues | Recommendations | Risks | **Results**

Implementing Ideas

McDonald's Corporation
Consolidated Statement of Income
in millions

Year	Years Ended December 31*							
	2015	2016	2017	2018	2019	2020	2021	2022
Revenues								
Revenue	25,413	24,622	22,972	24,467	25,966	27,151	28,364	29,683
<i>Menu Change</i>			4,110	4,521	4,611	4,703	4,797	4,893
<i>IoT System</i>			2,679	2,946	3,005	3,065	3,127	3,189
<i>Social Media Campaign</i>			1,053	1,159	1,182	1,205	1,230	1,254
Total Revenues	25,413	24,622	22,972	24,467	25,966	27,151	28,364	29,683
<i>Growth Rate</i>				6.1%	5.8%	4.4%	4.3%	4.4%
Operating Costs and Expenses								
Company-operated restaurant expenses	15,032	15,032	15,032	15,852	16,655	17,446	18,260	19,081
<i>IoT Installation: Company Owned Stores</i>				132				
<i>IoT Installation: Franchises</i>				82	162	110	88	44
<i>Advertising Expense</i>	719	646	575	606	641	681	726	777
Franchised Restaurants-Occupancy Expenses	1,647	1,718	1,767	1,944	2,127	2,292	2,466	2,655
Selling, General & Administrative Expenses	2,434	2,385	2,151	2,324	2,467	2,579	2,695	2,820
Total Operating Costs and Expenses	19,114	19,135	18,951	20,120	21,250	22,318	23,420	24,555
Net Income	6,299	5,487	4,021	4,347	4,717	4,833	4,943	5,127

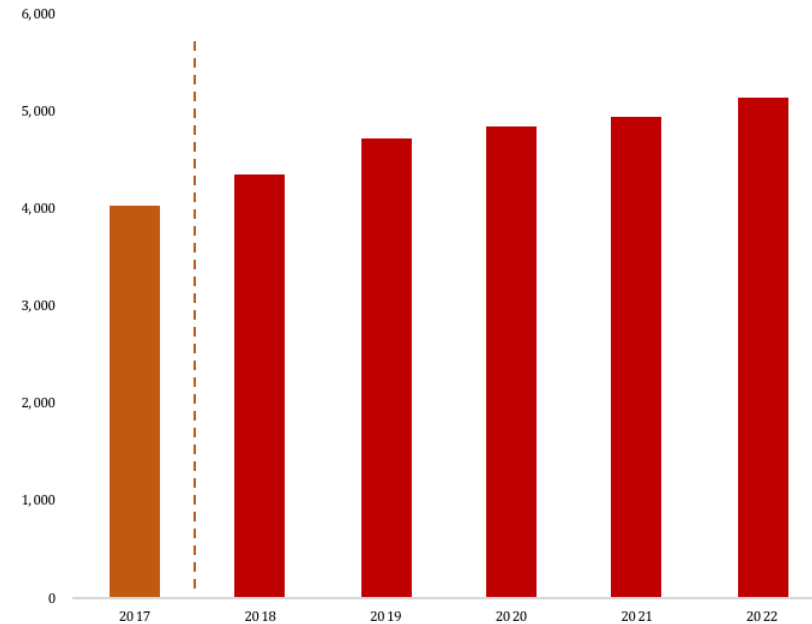
Slide Takeaways

- Appendix worksheet (not presented)
- Used growth rate percentages to help justify revenue projections
- Defined revenue and expenses for individual recommendations

Slide Takeaways

- Using a graph helps to show financial trends rather than details
- Axis alterations and creative coloring can help further emphasize a point
- Remember to label the time period and units your graph will show

Net Income: 5 Year Projection (millions USD)



Key Issues | Recommendations | Risks | **Results**

Appendix

A: Consolidated Statement of Income	L: Menu Optimization: Return on Investment
B: Comparable Franchise Companies	M: Social Media: Return on Investment
C: IoT Implementation: Break-Even Analysis	N: Menu Cuts
D: Implementation Schedule	O: Menu Consolidation
E: Historical Menu Shortcomings	P: Menu Consolidation
F: Social Media Users Age Distribution	Q: Socially Recognizable Behavior
G: Social Media Optimal Post Time	R: Most Popular Social Media Platforms
H: Alternative Expense Reducing Method	S: Influencer Advertising
I: IoT Implementation Justification	T: Millennials and Fast Casual Chains
J: IoT Return on Investment	U: Millennials and Fast Casual Chains
K: IoT Implementation Expectations: Year 1	V: IoT Implementation Expectations: Year 2

J: IoT Return on Investment

IoT: Return On Investment			
per store, per month calculations			
Month 1			
Original Cost	Purchase and Implementation	\$	52,000
Continuing Costs	Network Communication	2%	\$ 87
	Administrative Labor	3%	\$ 130
	Technical Cost	4%	\$ 173
Total Cost (Month 1)		\$	52,390
Savings			
Utility Savings	12% Savings	\$	9,073
Food Waste Savings	9% Savings	\$	9,683
Machine Expense Savings	5% Savings	\$	4,653
Total Savings (Month 1)		\$	23,408
Revenues			
Revenue Increase		\$	3,563
Return on Investment (Month 1)		\$	(25,419)

Sources: Site, Sage, Jasper, McKinsey, Forbes

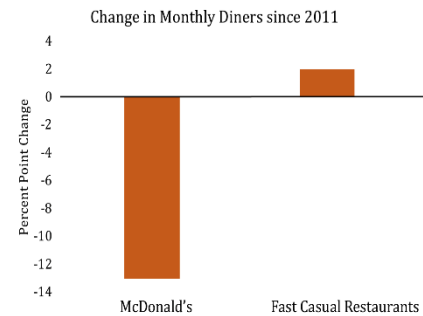
Appendix

K: Year 1 IoT Implementation Expectations

Month	Cumulative Cost	Cumulative Savings	Cumulative Revenue Growth	Combined Revenue and Savings
January-2018	52,390	23,408	3,563	26,971
February-2018	52,780	24,813	7,125	31,938
March-2018	53,164	25,515	10,688	34,798
April-2018	53,539	26,219	14,251	38,363
May-2018	53,904	26,925	17,813	41,927
June-2018	54,260	27,632	21,376	45,492
July-2018	54,607	28,341	24,938	49,056
August-2018	54,946	29,052	28,501	52,620
September-2018	55,276	29,763	32,064	56,184
October-2018	55,597	30,477	35,626	59,748
November-2018	55,911	31,190	39,189	63,310
December-2018	56,217	31,832	42,752	66,802

Appendix

T: Millennials and Fast Casual Chains



Appendix

Slide Takeaways

- An appendix has additional information and details that are not in the presentation deck
- A table of contents is a nice way to organize your appendix
- Every team member should have an idea what is in the appendix and be able to reference the appropriate slides while answering questions

Questions?

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