

P&L Accelerator Program

Connection One: Business Acumen

January 23, 2024

**RECORDING
IN PROGRESS**



Welcome Back!

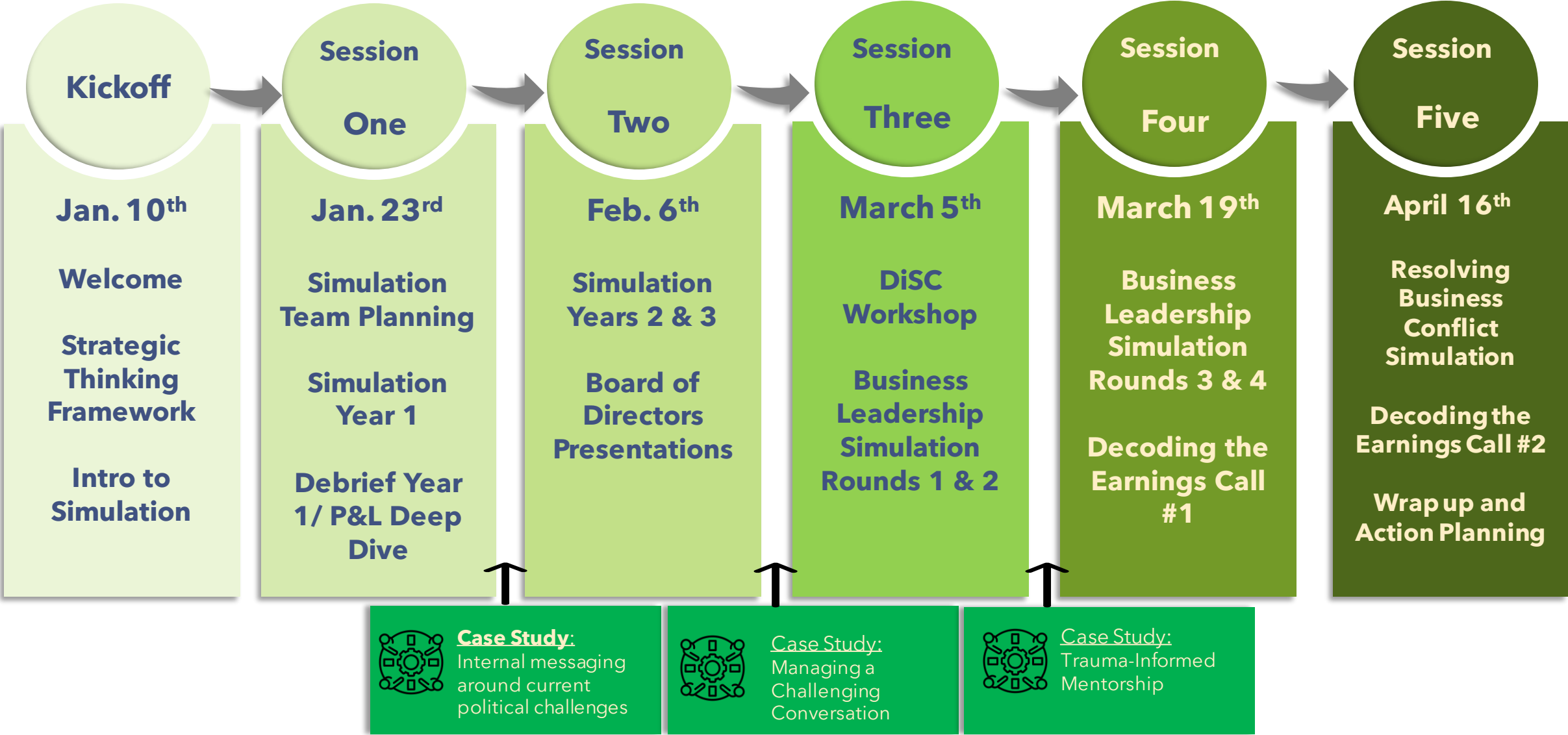
We are recording this session



P4P Learning Journey Overview



A D V A N T E X E



P4P Learning Journey Elements



A D V A N T E X E

Business Acumen:

Strategy Development
P&L
Investor Call

Case Studies:
Critical
Conversations

Business Leadership
Work Styles
Goal Setting
Influence

Conflict Resolution
Impact on Business
Resolution Framework

Experiential Learning in a Risk-Free Environment

Today's Agenda



Time (ET)	The Details
9am - 10am	Business Acumen Simulation Refresher
10am - 10:30am	Team Planning
10:30am - 2pm	Business Simulation Year 1 <i>Includes 1-hour meal break</i>
2pm - 3pm	Debrief Simulation Year 1 and P&L Deep Dive
3pm - 3:15pm	Case Study & Board of Directors Presentation Introduction

Ground Rules

This learning is for you!



A D V A N T E X E

01 All questions welcome

02 Safe learning environment

03 Be present



Simulation Refresher



Welcome to Perseus



- In your groups, you will be replacing the previous leadership team of Perseus Incorporated, a Multi-Billion manufacturing company.
- Sales have been flat and gross margins have been declining. You must manage a portfolio of 2 current products, 1 product almost ready for launch, and a fourth product that will require additional investment to launch
- You will be responsible for **setting a strategy and executing that strategy** through a series of day-to-day operational and tactical decision-making that will drive and impact the future performance of Perseus.



Perseus

Product Portfolio

Current



In Pipeline



Products Ready to Launch



- Clear is a new product that can be launched in the **second year** of running the company
- Perseus's market research has indicated that Clear has an initial potential total market size of 11,000,000 in the North and around 5,500,000 in the South with growth expectations of 5% to 10% for the first few years



Recommended launch year price: \$385 - \$415

Recommended launch year forecast:

North: 2,500,000 - 3,000,000

South: 1,000,000 - 1,500,000

Current Products



- Free is in the mature stage of its product life cycle
- It is Perseus' largest revenue generator, representing 55% of Perseus' revenue
- Free customers have traditionally made buying decisions based on which company offers the lowest possible price at the (relatively) highest level of perceived quality for this type of product.



- Edge has been on the market for a number of years and is close to becoming mature.
- Edge continues to experience year over year growth, but your market research team is unsure how long this growth will continue

Future Products



- Oust is a potential new product that could be a breakthrough for Perseus within one to two years.
- Early market studies have provided positive feedback, and although it's still too early to tell, this could be a "next-generation" product for Perseus.
- Based on your current R&D spend, Oust has the potential to be launched in two years, but, with additional R&D spend, this product can be brought to market as early as next year.

Recommended launch year price: \$455 - \$485

Recommended launch year forecast:

North: 1,000,000 - 1,500,000

South: 600,000 - 900,000

Let's Review the Software



A D V A N T E X E



Decision Making Tips

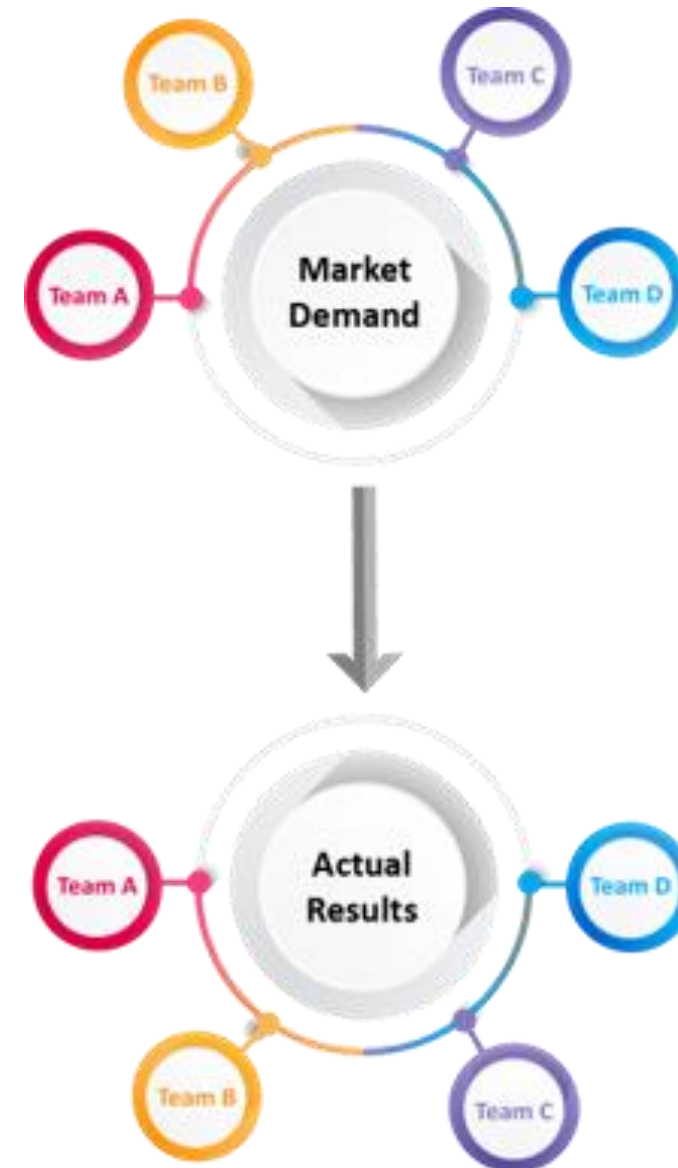


- Outcomes of the simulation are not pre-determined. Your performance will be based on your decisions and actions
- The Simulation provides many tools to help you in your journey – As you make decisions consider,
 - What is your overall strategy?
 - What is your marketing strategy?
 - What insights are market results, product information and past and future trends indicating?
 - What are the strengths, weaknesses, threats and opportunities of your competitors?
 - How will past competitive results and trends affect buyer behavior and how you execute your strategy?

Refresher: Simulation Process



- Review company data
- Assess the market
- Analyze competition
- Set/adjust strategy
- Make tactical decisions
- Receive results
- Repeat for three additional “years”



Refresher: Sources of Information



- **Market Information:** annual industry overview of market performance, growth, and trends
- **Financial Reports:** annual financial reports, specific to each team's company
- **Pro-Forma Reports:** Available in your model as you make decisions
- **Debriefs:** Summary of industry results and insight into what drove results
- **Consultants:** Virtual team to offer guidance and answer technical/conceptual questions

Things to Remember



- **This is a new job for you.** Every time you get a new job it takes time to acclimate and understand the environment and situation. Think about the “growth mindset” and embracing challenges.
- **Focus on the priorities.** You will struggle with trying to get to everything. Once your strategy is set, that should guide your priorities and decision making.
- **Think long-term.** Value creation, one of the key business metrics, is rarely created overnight. It takes years and discipline.



Team Planning



Business Simulation Team Planning



- Review the Perseus simulation with your team
 - Getting Started and About Perseus
 - Business Dashboard and Market Information
 - Company Financials and Product Insights
- Set the strategic direction for your company in the Company Planning section
- Select company Initiatives for the current year

Business Simulation Teams



A D V A N T E X E

1

1. Adriana Silva
2. Angie Welling
3. Angie Mendenhall
4. Linda Morales
5. Nadine Augusta

2

1. Ana-Julia Nsungui
2. Anira Bonilla
3. Liz Seelman
4. Marissa Westbrook

3

1. Cheyne Charles
2. Martha Carrera
3. Melissa Moran
4. Tashna-Loy Donaldson

4

1. Angela Morgan
2. Cely Vano
3. Sherita Lee
4. Sherrie Wooten

- One team member can access the simulation and share their screen in your team breakout.
 - Make sure to share Audio when sharing screen so others can hear videos.
- To access the simulation, use a **Google Chrome** browser, preferably using an Incognito Window.
- The simulation password is case sensitive.

Let's Get Started



- We'll send you to your team breakout rooms and provide access to the simulation
 - *Select one team member to share their screen and load the simulation using Google Chrome*
 - *URL and login credentials will be provided in your breakout rooms*
 - *Click the "make me the editor" button to enter your decisions*
- Meet your team and start planning!
- After about 30 - 45 minutes of planning, you should start making decisions for Year 1
- **Submit decisions for Year 1 by 2:00 pm ET**



Simulation Year 1





Simulation Year 1 Debrief and P&L Deep Dive

2:30 PM ET



Let's Look at the Results



A D V A N T E X E



Financial Statements Tell Us



**Where a company
got its money**



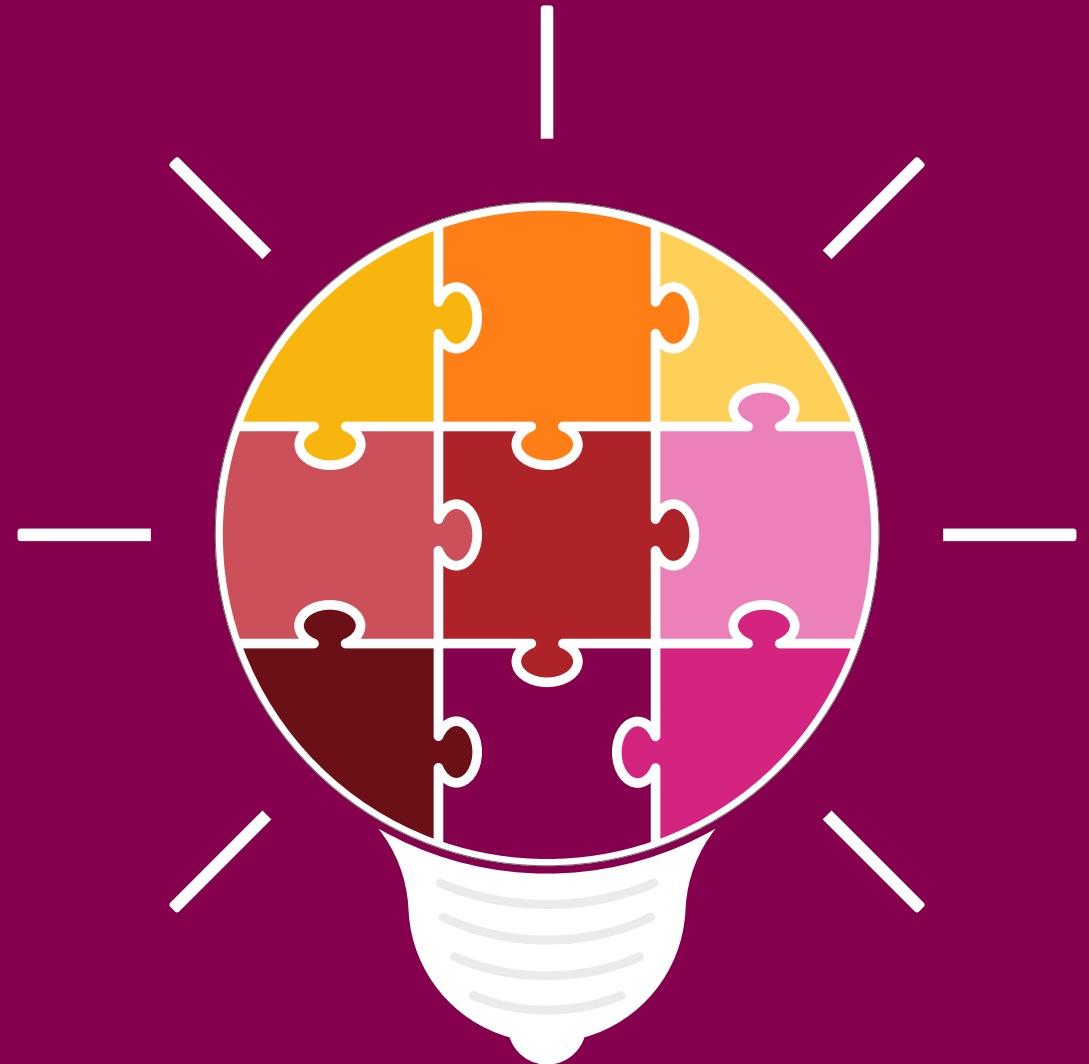
**How that money
was used**



**Where that money
is now**



The Income Statement



The Income Statement

Revenue the company generated

Expenses incurred to generate that revenue

Profit or **loss** over time



REVENUE
-
EXPENSES
= **INCOME**

Common Size Analysis

- Shows line items as a percentage of a common base figure – for the Income Statement common size uses **% of Total Revenue**.
- Used to make it easier to compare a company to its competitors and to identify significant changes in a company's financials.

$$\frac{\text{Line Item of Income Statement}}{\text{Total Revenues}} = \text{Common Size Percentage}$$

Perseus Income Statement



Revenues	Perseus-AAALN1	2025 Common Size	%CHG	Perseus-2	2025 Common Size	%CHG	Snappy-3	2025 Common Size	%CHG	Perseus-4	2025 Common Size	%CHG
Free	\$2,203,337,800	49.15%	-13.66%	\$2,496,337,680	51.11%	-2.18%	\$2,715,527,785	52.03%	6.41%	\$2,653,837,854	49.80%	3.99%
Edge	\$2,279,379,465	50.85%	-5.19%	\$2,387,567,445	48.89%	-0.69%	\$2,503,353,120	47.97%	4.13%	\$2,675,297,805	50.20%	11.28%
Clear	\$0	0.00%	0.00%	\$0	0.00%	0.00%	\$0	0.00%	0.00%	\$0	0.00%	0.00%
Oust	\$0	0.00%	0.00%	\$0	0.00%	0.00%	\$0	0.00%	0.00%	\$0	0.00%	0.00%
Total Revenue	\$4,482,717,265	100.00%	-9.55%	\$4,883,905,125	100.00%	-1.45%	\$5,218,880,905	100.00%	5.30%	\$5,329,135,659	100.00%	7.53%
Cost of Goods Sold (COGS)	\$2,681,362,764	59.82%	-11.05%	\$2,992,390,926	61.27%	-0.73%	\$3,094,513,856	59.29%	2.65%	\$3,178,982,922	59.65%	5.46%
Gross Profit	\$1,801,354,501	40.18%	-7.22%	\$1,891,514,199	38.73%	-2.57%	\$2,124,367,049	40.71%	9.42%	\$2,150,152,737	40.35%	10.75%
Gross Margin	40.18%	0.00%	2.58%	38.73%	0.00%	-1.12%	40.71%	0.00%	3.93%	40.35%	0.00%	3.01%
Operating Expenses												
Marketing	\$187,500,000	4.18%	1.63%	\$202,500,000	4.15%	9.76%	\$330,000,000	6.32%	78.86%	\$217,500,000	4.08%	17.89%
Sales	\$250,000,000	5.58%	1.63%	\$202,500,000	4.15%	-17.68%	\$247,500,000	4.74%	0.61%	\$319,000,000	5.99%	29.67%
Production	\$187,500,000	4.18%	-23.78%	\$337,500,000	6.91%	37.20%	\$412,500,000	7.90%	67.68%	\$263,500,000	4.94%	7.11%
Service	\$187,500,000	4.18%	1.63%	\$405,000,000	8.29%	119.51%	\$165,000,000	3.16%	-10.57%	\$391,500,000	7.35%	112.20%
Research & Development	\$661,000,000	14.75%	983.61%	\$202,500,000	4.15%	231.97%	\$271,000,000	5.19%	344.26%	\$259,500,000	4.87%	325.41%
Depreciation	\$285,143,040	6.36%	0.00%	\$285,143,040	5.84%	0.00%	\$285,143,040	5.46%	0.00%	\$285,143,040	5.35%	0.00%
Total Operating Expenses	\$1,758,893,040	39.24%	45.71%	\$1,635,393,040	33.49%	35.48%	\$1,711,393,040	32.79%	41.77%	\$1,736,393,040	32.58%	43.84%
Operating Profit	\$42,461,461	0.95%	-94.22%	\$256,121,159	5.24%	-65.12%	\$412,974,009	7.91%	-43.76%	\$413,759,697	7.76%	-43.65%
Operating Margin	0.95%	0.00%	-93.59%	5.24%	0.00%	-64.64%	7.91%	0.00%	-46.63%	7.76%	0.00%	-47.64%
Non-operating Expenses												
Extraordinary Gain/Loss	\$0	0.00%	0.00%	\$0	0.00%	0.00%	\$0	0.00%	0.00%	\$0	0.00%	0.00%
Interest	\$22,500,000	0.50%	0.00%	\$22,500,000	0.46%	0.00%	\$22,500,000	0.43%	0.00%	\$22,500,000	0.42%	0.00%
Taxes	\$3,992,292	0.09%	-97.20%	\$46,724,232	0.96%	-67.18%	\$78,094,802	1.50%	-45.14%	\$78,251,939	1.47%	-45.03%
Net Income	\$15,969,169	0.36%	-97.20%	\$186,896,928	3.83%	-67.18%	\$312,379,207	5.99%	-45.14%	\$313,007,758	5.87%	-45.03%
Profit Margin	0.36%	0.00%	-96.87%	3.83%	0.00%	-66.67%	5.99%	0.00%	-47.87%	5.87%	0.00%	-48.91%



The Balance Sheet



The Balance Sheet

A company's ability to meet **financial obligations**



A D V A N T E X E



What the company owns



What the company owes
How the assets were financed

Balance Sheet: Liabilities



A D V A N T E X E

A company's ability to meet **financial obligations**

Assets

Current Assets

- Cash
- Marketable Securities
- Accounts Receivable
- Inventory
- Prepaid Expenses

Fixed Assets

- Property, Plant, & Equipment
- Investments
- Intangibles

Total Assets

=

Liabilities & Equity

Current Liabilities

- Accounts Payable
- Accrued Liabilities
- Taxes & Wages Payable
- Short-term Debt

Long-term Liabilities

- Long-term Debt

Owner's Equity

- Capital Stock
- Retained Earnings

Total Liabilities & Equity

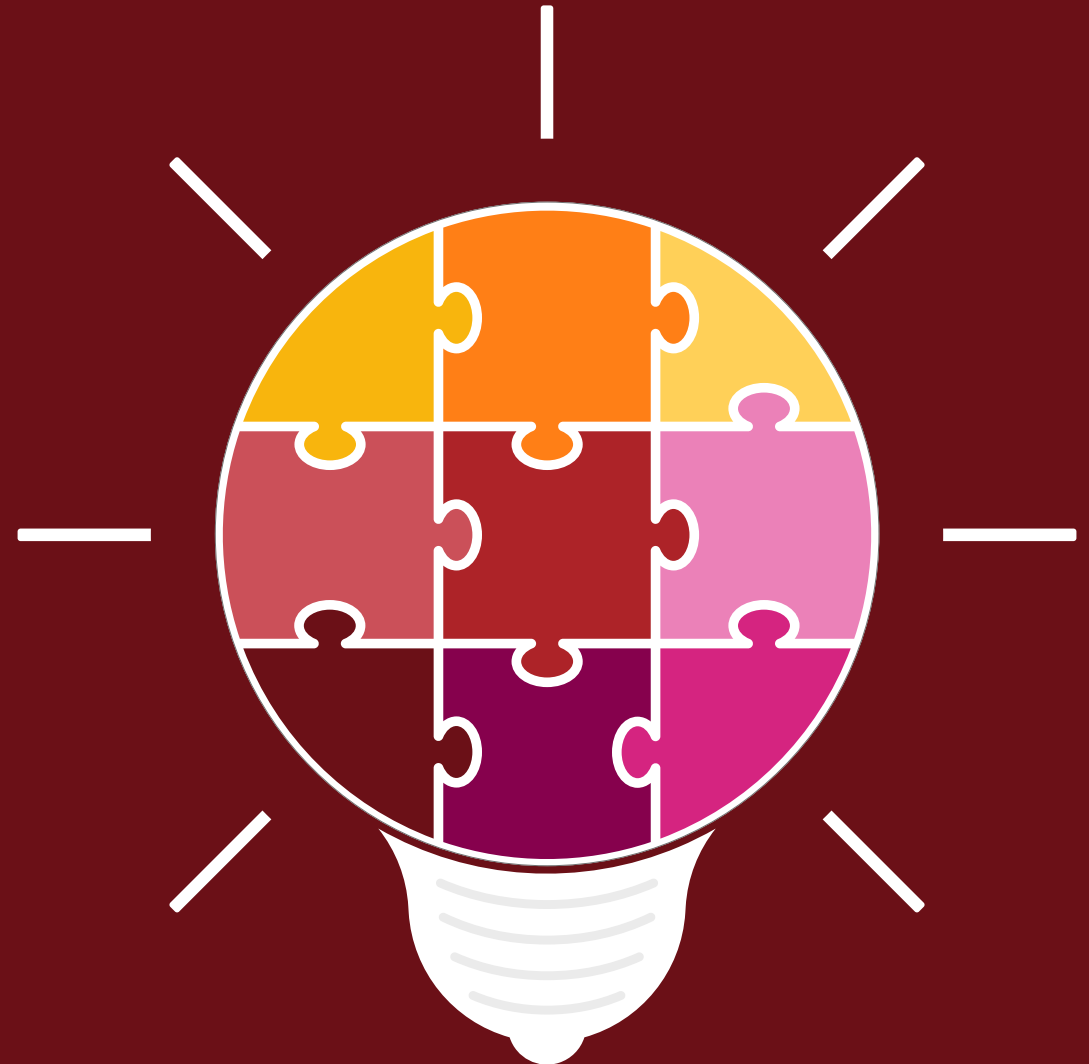
Balance Sheet



Assets	Perseus-AAALN1	2025 Common Size	%CHG	Perseus-2	2025 Common Size	%CHG	Snappy-3	2025 Common Size	%CHG	Perseus-4	2025 Common Size	%CHG
Current Assets												
Cash	\$0	0.00%	-100.00%	\$113,612,407	4.76%	-85.00%	\$358,707,244	14.28%	-52.65%	\$599,944,783	20.40%	-20.81%
Accounts Receivable	\$368,442,515	15.86%	-9.55%	\$401,416,860	16.82%	-1.45%	\$428,949,115	17.08%	5.30%	\$657,016,725	22.34%	61.29%
Inventory	\$383,819,580	16.52%	435242.35%	\$188,366,801	7.89%	213552.58%	\$39,910,314	1.59%	45167.75%	\$0	0.00%	-100.00%
Other	\$2,681,363	0.12%	-11.05%	\$2,992,391	0.13%	-0.73%	\$3,094,514	0.12%	2.65%	\$3,178,983	0.11%	5.46%
Total Current Assets	\$754,943,457	32.50%	-35.37%	\$706,388,459	29.59%	-39.53%	\$830,661,188	33.08%	-28.89%	\$1,260,140,491	42.85%	7.88%
Long Term Assets												
Property, Plant and Equipment	\$3,701,571,840	159.34%	0.00%	\$3,814,071,840	159.79%	3.04%	\$3,814,071,840	151.88%	3.04%	\$3,814,071,840	129.70%	3.04%
Less: Accumulated Depreciation	\$2,133,486,720	91.84%	0.00%	\$2,133,486,720	89.38%	0.00%	\$2,133,486,720	84.96%	0.00%	\$2,133,486,720	72.55%	0.00%
Net Property, Plant & Equipment	\$1,568,085,120	67.50%	0.00%	\$1,680,585,120	70.41%	7.17%	\$1,680,585,120	66.92%	7.17%	\$1,680,585,120	57.15%	7.17%
Total Assets	\$2,323,028,577	100.00%	-15.10%	\$2,386,973,579	100.00%	-12.76%	\$2,511,246,308	100.00%	-8.22%	\$2,940,725,611	100.00%	7.48%
Liabilities												
Current Liabilities												
Accounts Payable	\$364,952,532	15.71%	5.18%	\$380,365,805	15.94%	9.62%	\$395,006,046	15.73%	13.84%	\$808,007,007	27.48%	132.86%
Other Short Term Liabilities	\$341,786,344	14.71%	0.00%	\$341,786,344	14.32%	0.00%	\$341,786,344	13.61%	0.00%	\$341,786,344	11.62%	0.00%
Total Current Liabilities	\$706,738,876	30.42%	2.61%	\$722,152,149	30.25%	4.85%	\$736,792,390	29.34%	6.97%	\$1,149,793,351	39.10%	66.93%
Long Term Liabilities												
Long Term Debt	\$500,000,000	21.52%	0.00%	\$500,000,000	20.95%	0.00%	\$500,000,000	19.91%	0.00%	\$500,000,000	17.00%	0.00%
Emergency Funds	\$122,396,030	5.27%	#DIV/0!	\$0	0.00%	#DIV/0!	\$0	0.00%	#DIV/0!	\$0	0.00%	#DIV/0!
Total Long Term Liabilities	\$622,396,030	26.79%	24.48%	\$500,000,000	20.95%	0.00%	\$500,000,000	19.91%	0.00%	\$500,000,000	17.00%	0.00%
Total Liabilities	\$1,329,134,906	57.22%	11.81%	\$1,222,152,149	51.20%	2.81%	\$1,236,792,390	49.25%	4.04%	\$1,649,793,351	56.10%	38.78%
Shareholders' Equity												
Total Shareholders' Equity	\$993,893,671	42.78%	-35.77%	\$1,164,821,430	48.80%	-24.72%	\$1,274,453,917	50.75%	-17.64%	\$1,290,932,260	43.90%	-16.57%

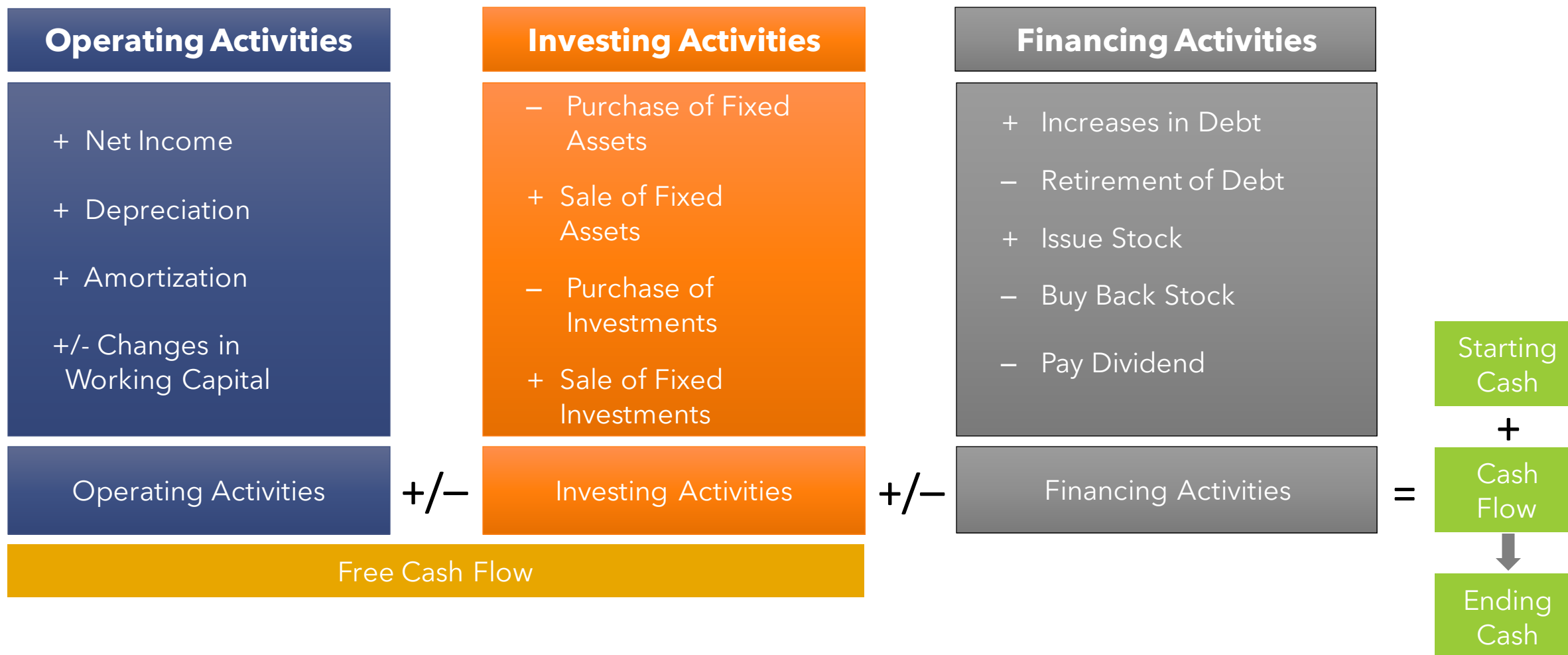


Cash Flow Statement



Cashflow Statement

Shows how a company has **gained** and **used** cash **over time**



Cash Flow Statement



A D V A N T E X E

	Perseus-AAALN1	Perseus-2	Snappy-3	Perseus-4
Beginning Cash Balance	\$349,041,671	\$349,041,671	\$349,041,671	\$349,041,671
Operating Activities				
Net Income	\$15,969,169	\$186,896,928	\$312,379,207	\$313,007,758
Depreciation	\$285,143,040	\$285,143,040	\$285,143,040	\$285,143,040
Other Non Cash Items	\$0	\$0	\$0	\$0
Changes in Accounts Receivables	\$34,717,678	\$1,743,334	(\$25,788,922)	(\$253,856,532)
Changes in Inventories	(\$354,091,733)	(\$158,638,954)	(\$10,182,468)	\$29,727,847
Changes in Other Current Assets	\$285,004	(\$26,024)	(\$128,147)	(\$212,616)
Changes in Accounts Payables	(\$18,302,352)	(\$2,889,078)	\$11,751,163	\$424,752,124
Changes in Other Current Liabilities	\$16,275,540	\$16,275,540	\$16,275,540	\$16,275,540
Total Cash From Operations	(\$20,003,653)	\$328,504,785	\$589,449,413	\$814,837,161
Investing Activities				
Capital Investment and Maintenance	(\$137,283,840)	(\$249,783,840)	(\$249,783,840)	(\$249,783,840)
Proceeds from Sales of Plant	\$0	\$0	\$0	\$0
Total Cash Used in Investing	(\$137,283,840)	(\$249,783,840)	(\$249,783,840)	(\$249,783,840)
Financing Activities				
Dividends Paid	(\$314,150,208)	(\$314,150,208)	(\$330,000,000)	(\$314,150,208)
Changes in Equity	\$0	\$0	\$0	\$0
Changes in Debt	\$0	\$0	\$0	\$0
Emergency Funding	\$122,396,030	\$0	\$0	\$0
Cash Flow	(\$349,041,671)	(\$235,429,263)	\$9,665,573	\$250,903,112
Free Cash Flow	(\$157,287,493)	\$78,720,945	\$339,665,573	\$565,053,321
Ending Cash Balance	\$0	\$113,612,407	\$358,707,244	\$599,944,783



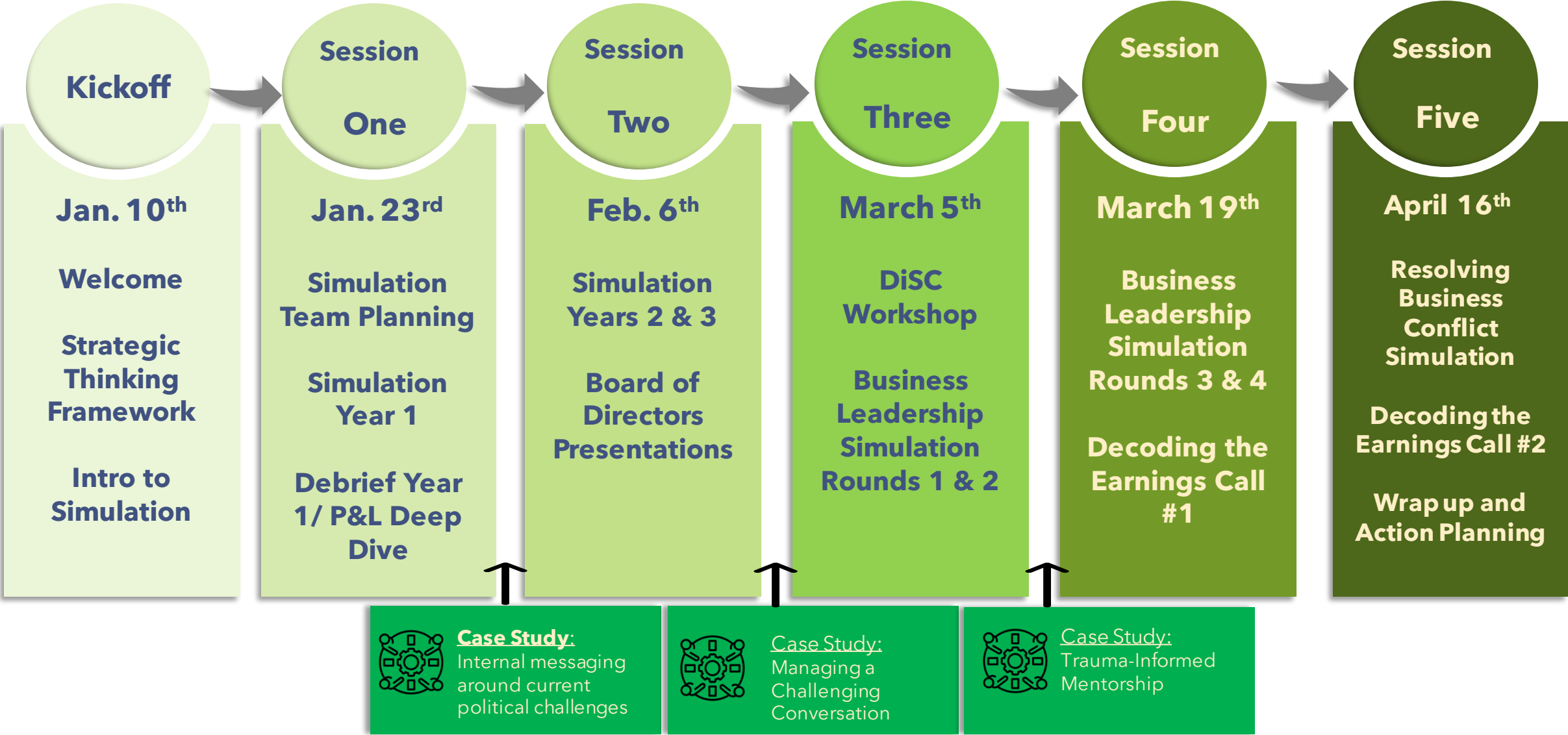
Wrap Up



P4P Learning Journey Overview



A D V A N T E X E





Introduction to Case Studies



Case Study Overview



A D V A N T E X E

Advantex brings to you a series of 3 case studies as intersession work as part of the business acumen portion of the P&L Accelerator Program.

The case studies are designed to provide you with challenging and thought-provoking scenarios that are current and impact how you will lead into the future.

To complete the first case study, you will review the situation information and initiative descriptions, identify 1 to present to the Perseus Board of Directors and use the notes slides to write out your reflections.

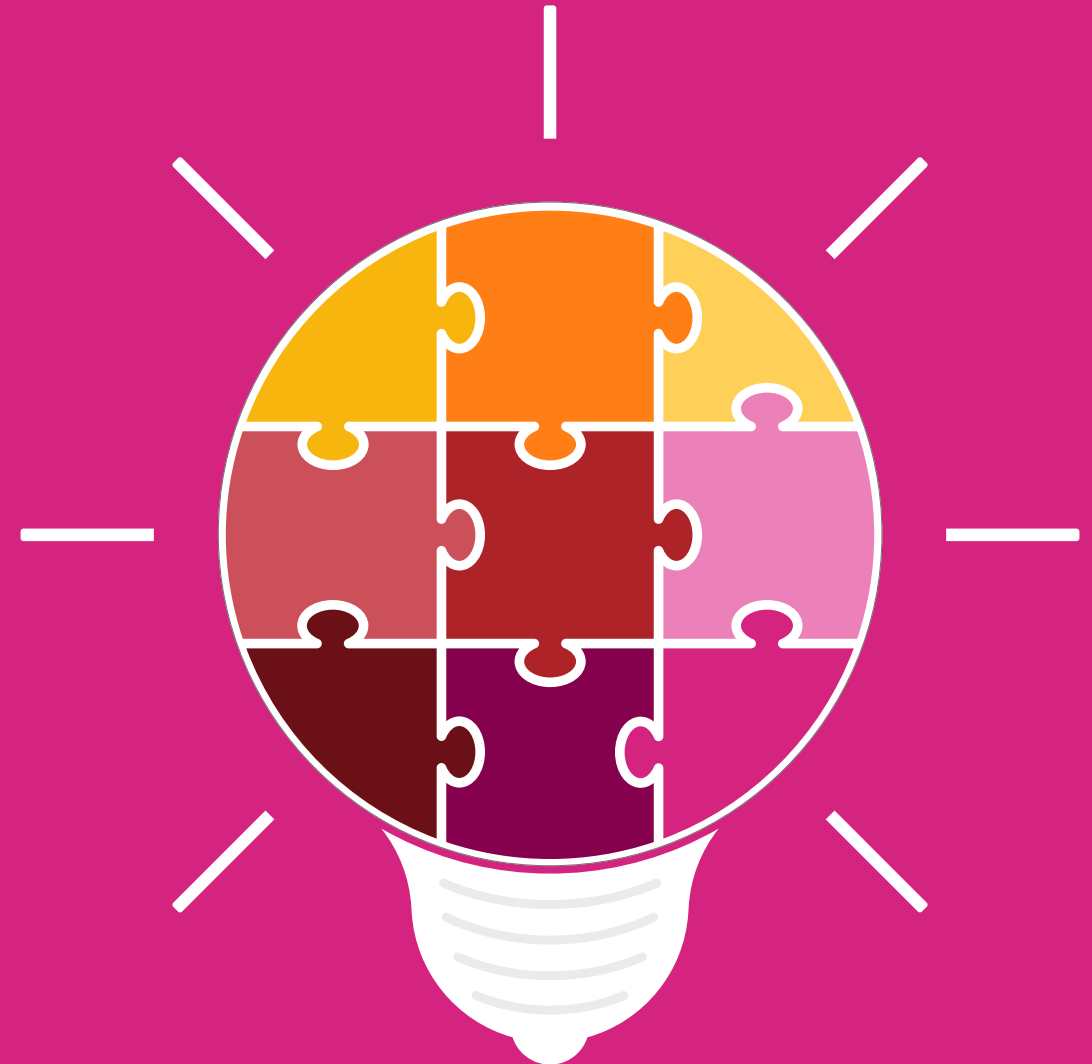
At the beginning of the next Advantex session, you will have the opportunity to discuss with your team members and debrief with the program facilitator.



Case Study #1: The
Business Case for
Implementing a DEI
Initiative



Introduction to Board of Directors Presentations



Board of Directors Presentations



After running your company for 3 years, your team will deliver a presentation to your board of directors (BOD) describing your:

- Strategy
- Goals and objectives
- How you executed your strategy
- Results
- Guidance for the future of the organization

Presentation Guidelines



- 10 minutes per team
- 10 minutes for Q&A
- Be clear and concise – use data and charts as needed, but don't overwhelm
- Keep your presentation in mind as you work through the next 3 cycles of simulation, and think about the story you will share with your BOD



Board of Directors Presentation



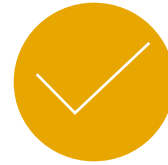
Presentation Elements

Think about these elements as you create your presentation:



Strategy

What strategy did you choose in the beginning and why? What goals and objectives did you set for your company?



Execution

What steps did you take to execute your strategy? What happened over the years and how did you react and adjust? What were major decisions that you made?



Results

What results did you see as you executed your strategy? Any surprises? What key metrics did you identify to define success; did you achieve the goals you set? What future guidance are you giving the Board?



Key Learnings

What learning from the simulation will you take back to your role? Any "Aha!" moments?

Strategy



A D V A N T E X E

What strategy breakdown did you choose?

Innovation Focus:
(enter number here)

Customer Focus:
(enter number here)

Cost Focus:
(enter number here)



Strategy

Briefly explain your strategy and why you chose that direction?

Enter strategy overview here



Goals &
Objectives

What goals and objectives did you set to monitor your performance?

Add goal & objective here

Add goal & objective here

Add goal & objective here



Influential
Decisions

What were the major decisions you made that had the greatest impact on your results?

Add decision here

Add decision here

Add decision here

Results & Guidance



Accomplishments

What did your company accomplish in your tenure as the leadership team?

Add accomplishments here

Add accomplishments here

Add accomplishments here



Future Guidance

What future guidance would you give to the board? (Where will the company be in 5 and 10 years?)

Add future guidance here

Add future guidance here

Add future guidance here

Key Learnings



A D V A N T E X E



Key Learnings

What were your key learnings?

Add key learnings & takeaways here



See you on February 6 !

