

Spray Foam MBA

ESSENTIALS FOR BUSINESS SUCCESS

ANDREW WHELAN

Andrew Whelan

Chief Operating Officer, Quadrant Performance Materials



Business Executive with 35+ years of experience in Manufacturing

Extensive experience in operation startups and turnarounds

Has worked with owners of small to medium-sized businesses to set strategy, improve operations and ensure ongoing solvency

Significant experience in cash management and cost control

Degreed Mechanical Engineer from Texas A&M

Dual Citizen (Canada / USA) who has worked in six countries and speaks three languages

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Agenda

1. The House of Business
2. Importance of Business Strategy
3. Making Money and Staying Solvent
 - Job Cost Accounting
 - Cash Flow Management
4. Questions and Answers

Typical MBA Curriculum



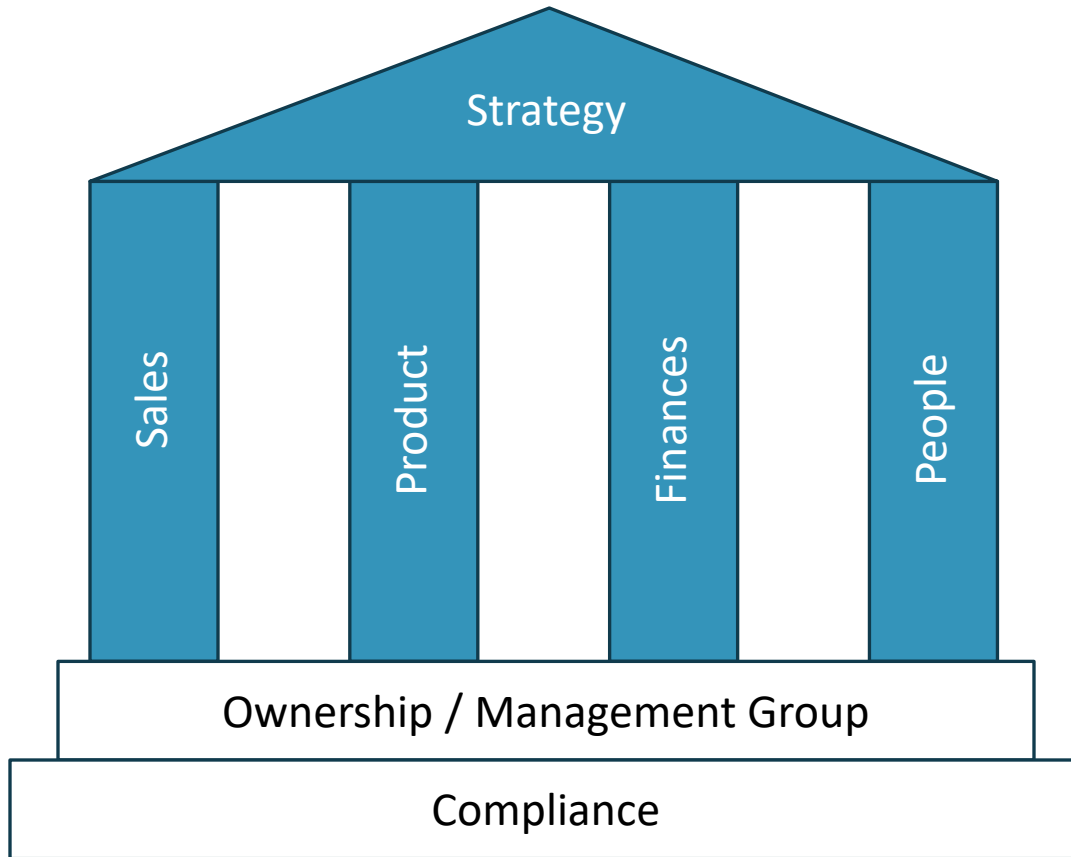
FULL-TIME MBA FIRST YEAR CURRICULUM

FALL		SPRING	
Strategy I: Competitive and Industry Analysis	Foundational Knowledge	Functional Knowledge	Functional Knowledge
	Managerial Economics	Financial Accounting	Corporate Social Responsibility Operations Management
	Data Analysis	Organizational Behavior	Strategy II: Formulation & Implementation Managerial Accounting Leading Change
	Negotiations Leadership	Finance Marketing	Custom Core: Economic Environment of Business • Business Government Relations • Business Law • Management Control • New Enterprises • Leading Across Differences
			First Year Electives: Business Analytics • Energy • Entrepreneurship • Finance • Healthcare • Marketing • Operations • Real Estate • Strategy
Global Field Experience			
Strategic Business Communication I & II			

Curriculum is subject to change.

- Very comprehensive
- Many options and paths to choose
- All areas have some bearing to your business, but not at the same level
- What you need to learn depends on your strategy
- We will focus on strategy and finance

The House of Business



- The foundation of any business is the ownership / management group
- All businesses have the four pillars
- The importance of managing any individual pillar depends on the particular strategy chosen
- ***Ownership owns the strategy and the results***
- ***All businesses must stay solvent to survive***

This presentation will be focused on how to start defining your specific strategy as well as some basic financial management tools

What is a Business Strategy?

A business strategy is a company's long-term plan for achieving its goals and staying competitive in the market.

It is a framework that outlines the actions, decisions, and resource allocation needed to reach a company's objectives.

A business strategy helps ensure that all parts of the organization are working together towards the same goals.

It also creates focus on the critical issues that need to be addressed versus the trivial

Two Business Examples – Two Strategies

Type	Sales	Product	Finance	People	Compliance
Sole Proprietor	<p>Sells as much as can be delivered to whomever it can deliver it to</p> <p>Marketing is word of mouth</p> <p>Smaller homebuilders that value stronger relationships and personalized service</p>	<p>Installation services limited to what one rig can provide</p> <p>Products purchased via distribution</p>	<p>Limited capital requirements</p> <p>Books maintained by owner or hired accountant</p> <p>Books kept on a PC</p> <p>No reporting</p>	<p>Sole proprietor</p> <p>Manage yourself</p> <p>Limited benefits</p> <p>Limited reporting</p>	<p>Limited HR, Tax, OSHA, Legal, reporting</p> <p>IT limited to personal electronics</p> <p>Limited audit requirement</p> <p>Limited Insurance</p>
Large Installer	<p>Sells to larger builders</p> <p>Sales team that provides detailed submittal packages</p> <p>Can flex to work with tight deadlines, and adjusting schedules</p>	<p>Planning required to ensure enough rigs and operators to meet growth plan</p> <p>Products purchased direct from manufacturer</p>	<p>High capital requirements</p> <p>Books managed by CFO using an ERP system</p> <p>Complex Reporting</p> <p>Investor Relationships</p>	<p>High employee count</p> <p>High need to recruit / retain / manage employees</p> <p>Mandatory Benefits management</p> <p>Workforce reporting requirements</p>	<p>Higher level of Tax, Legal, HR, OSHA reporting</p> <p>High level of IT support required</p> <p>Mandatory audits</p> <p>Cybersecurity</p> <p>High levels of insurance</p>

Business Owner Strategic Thoughts

	Sole Proprietor	Major Installer
Sales	<ul style="list-style-type: none"> I sell only what I can deliver I may be able to subcontract out work if I get too busy 	<ul style="list-style-type: none"> I have growth plans that require detailed resource planning I have overhead that requires a consistent revenue stream to maintain I have extensive target lists and competitor information so that I can win large, complex bids
Product	<ul style="list-style-type: none"> I have purchased a rig I buy foam and other things via a distributor 	<ul style="list-style-type: none"> Because I have a significant growth plan, I may have to have a detailed plan to buy more rigs Because I buy from a manufacturer, I must warehouse foam
Finances	<ul style="list-style-type: none"> To cut costs, I work out of my house I need to ensure I can maintain my lifestyle while purchasing raw materials etc. 	<ul style="list-style-type: none"> I have monthly obligations (payroll, rent etc.) regardless of whether I have work or not I need to fund working capital requirements so I may need a business loan from a bank
People	<ul style="list-style-type: none"> I only have to manage myself I may have established some third-party relationships to assist with finance, legal, production overflow 	<ul style="list-style-type: none"> I have to hire employees to install product according to our growth plan These employees must be managed, motivated and retained I have a legal obligation to provide benefits to my employees I need office space to house my employees
Compliance	<ul style="list-style-type: none"> I have to ensure that I am tax compliant I must have insurance for myself and my family 	<ul style="list-style-type: none"> I have significant reporting obligations to lenders, government, employees etc. I may have significant legal obligations relative to my employees and investors

Two Critical Business Processes

- All businesses need to make money and stay solvent
 - All projects need to generate profit at the job level
 - Generating profit only occurs after *all* costs are accounted for
- It is possible to make money and become insolvent at the same time
- Therefore, we will focus on two topics
 1. Project Profitability
 2. Cash Flow Management

Project Costing

Project costing is the process of estimating the total cost of a project by evaluating its various costs.

This process involves considering a wide range of costs, including:

Direct costs

- These are costs that are directly related to the project's development, execution, and creation.
- Examples include the cost of materials, equipment, labor, and vendors.

Indirect costs

- These costs are not directly related to the project, but are still relevant to it.
- Examples: utilities, quality control, rig maintenance

Fixed costs

- These costs are not directly related to the project, but still must be covered
- Examples: rent, insurance, interest payments, fees / registrations

Product Costing Example

Sales Price		\$ 1,300,000	
Terms of Payment		Net 30	
Material Cost	<i>Foam</i>	\$ 650,000	
Labor Cost	<i>Wages</i>	\$ 104,000	
	<i>Payroll Taxes</i>	\$ 15,600	15% of salary
	<i>Benefits</i>	\$ 10,400	10% of salary
Fixed Overhead Cost		\$ 130,000	
	<i>Monthly Payment - Rig</i>		<ul style="list-style-type: none"> • Capture all your costs across the year! • Create a mechanism to allocate these costs across all of your jobs
	<i>Insurance</i>		
	<i>Professional Dues / Subscriptions</i>		
	<i>Bank fees</i>		
	<i>Office Space</i>		
Variable Overhead Costs		\$ 65,000	
	<i>Travel</i>		<ul style="list-style-type: none"> • Capture all project costs! • Have a system to apply variable costs to each job
	<i>Gas / Electricity</i>		
	<i>Other Supplies</i>		
	<i>Rig Maintenance / parts</i>		
Profit		\$ 325,000	25%

Best Practices for Job Costing

Detailed Cost Breakdown - Separate direct materials, labor, and overhead costs into distinct categories

Accurate Cost Estimates -Develop an estimating process to predict costs (materials, labor, overhead)

Regular Monitoring - Monitor job progress vs estimates to identify potential issues early.

Purchase Order System - Utilize P.O.s to track material costs and ensure proper allocation to jobs

Time Tracking -Implement accurate time tracking methods for all labor involved in a project.

Overhead Allocation –Review and adjust overhead allocation rates to reflect business conditions.

Technology Utilization - Employ dedicated job costing software or project management tools

Consistent Coding - Use a standardized coding system to maintain consistency and assist analysis

Regular Reviews and Audits

Cash Flow Defined

Cash flow is the amount of money that moves into and out of a business over a specific period of time.

Cash flow is different from profit, which is the amount of money left after subtracting expenses from revenue. Cash flow is also important for assessing a company's liquidity and flexibility

Cash flow and profit aren't the same. Meeting cash flow needs is essential for achieving company success.

Inadequate cash flow is the primary reason that many startups and small businesses go out of business.

“Cash is King”

Cash Flow Example

I just won the \$1.3MM project that will take 13 weeks to complete and will deliver \$325K of profit (25% profit margin)

- The job allows me to invoice \$100K weekly but payable in 30 days
- The job costs run \$75K per week
 - Foam costs \$50K
 - Payroll \$10K
 - Other Costs \$5K
- The business bank account balance is \$200K at the beginning of the project

Can my business financially execute this project?

Cash Flow Example

Week Number	1	2	3	4	5	6	7	8	9	10	11	12	13	14-17
Week of	1/9/25	1/16/25	1/23/25	1/30/25	2/6/25	2/13/25	2/20/25	2/27/25	3/6/25	3/13/25	3/20/25	3/27/25	4/3/25	
Projected Revenue	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	
Projected Collections					\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 400,000
Total Inflows	\$ -	\$ -	\$ -	\$ -	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 400,000
Raw Material	\$ (50,000)	\$ (50,000)	\$ (50,000)	\$ (50,000)	\$ (50,000)	\$ (50,000)	\$ (50,000)	\$ (50,000)	\$ (50,000)	\$ (50,000)	\$ (50,000)	\$ (50,000)	\$ (50,000)	
Variable Costs	\$ (5,000)	\$ (5,000)	\$ (5,000)	\$ (5,000)	\$ (5,000)	\$ (5,000)	\$ (5,000)	\$ (5,000)	\$ (5,000)	\$ (5,000)	\$ (5,000)	\$ (5,000)	\$ (5,000)	
Fixed Costs	\$ (10,000)	\$ (10,000)	\$ (10,000)	\$ (10,000)	\$ (10,000)	\$ (10,000)	\$ (10,000)	\$ (10,000)	\$ (10,000)	\$ (10,000)	\$ (10,000)	\$ (10,000)	\$ (10,000)	
Payroll	\$ (10,000)	\$ (10,000)	\$ (10,000)	\$ (10,000)	\$ (10,000)	\$ (10,000)	\$ (10,000)	\$ (10,000)	\$ (10,000)	\$ (10,000)	\$ (10,000)	\$ (10,000)	\$ (10,000)	
Total Outflows	\$ (75,000)	\$ (75,000)	\$ (75,000)	\$ (75,000)	\$ (75,000)	\$ (75,000)	\$ (75,000)	\$ (75,000)	\$ (75,000)	\$ (75,000)	\$ (75,000)	\$ (75,000)	\$ (75,000)	\$ -
Starting Balance	\$ 200,000													
Net Cash Flow (Inflow less Outflow)	\$ (75,000)	\$ (75,000)	\$ (75,000)	\$ (75,000)	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000	\$ 400,000
Running Cash	\$ 125,000	\$ 50,000	\$ (25,000)	\$ (100,000)	\$ (75,000)	\$ (50,000)	\$ (25,000)	\$ -	\$ 25,000	\$ 50,000	\$ 75,000	\$ 100,000	\$ 125,000	\$ 525,000

Out of cash by
Week 4

Recovers by
Week 8

Full Profit by
week 17

- Possible solutions to this problem are as follows:
 - Factor invoices
 - Pay for Goods on Credit card
 - Get a bank loan
- Note that all possible solutions will lower the profitability of the job by 3% to 5%

Best Practices for Cash Management

• **Monitor cash flow:** Keep a detailed record of cash coming in and out of the business. This helps understand where money is coming from and where it's being spent.

• **Forecast cash flow:** Estimate future sales and expenses to anticipate business needs and make financial decisions.

Improve inventory management: Avoid ordering more inventory than needed and reduce excess stock.

Collect receivables promptly: Invoice customers quickly and establish payment terms.

Use technology wisely: Use software-based services to automatically invoice clients.

Have an emergency backup plan: Be prepared for unexpected events

Questions and Answers

Appendix

Strategic Questions to ask

Commercial	Operational	Financial	People
Generate Revenue	Deliver a Quality Product	Stay solvent / make money	Create a Team
<p>Value Proposition What do services or products do I sell? Who are my competitors? Why am I better than them?</p> <p>Customer Acquisition / Retention What type of customer do I want? How do I close them? How do I retain them?</p> <p>Marketing How do I get the word out about us?</p>	<p>Product Delivery How do I deliver the product?</p> <p>Product Quality What is my quality standard? How do I measure quality vs the standard? How do I ensure deliver of quality standard?</p> <p>Safety and Compliance What is my quality standard? How do I measure quality vs the standard? How do I ensure deliver of quality standard?</p>	<p>Cash Management What are my working capital requirements? What is my projected profitability? How do I fund the cash requirements of the business?</p> <p>Cost Management What are my material costs? What are my labor costs? What are my overhead costs?</p> <p>Bid Management What price is required to secure business? What is the costs required to delivery business? Does price - cost = sufficient profit?</p>	<p>Employee Plan What functions do I need support vs outsource? How do I find talent? How do I secure talent?</p> <p>Employee Development What is the development plan for my employees? How do I intend to train employees? How do I provide feedback?</p> <p>Employee Retention How do I make sure my employees stick with me?</p>