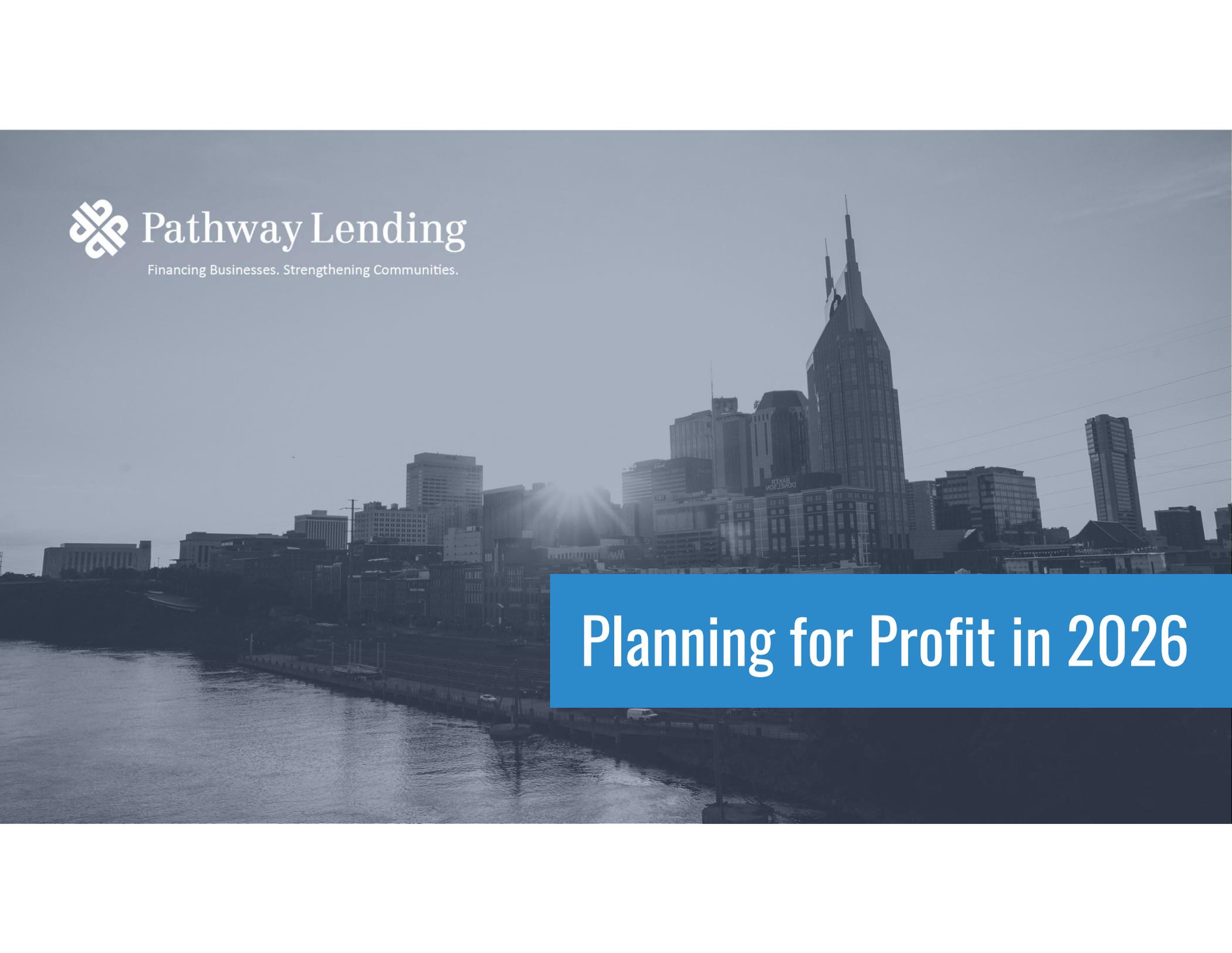




Pathway Lending

Financing Businesses. Strengthening Communities.



Planning for Profit in 2026

Welcome & Purpose

Planning for Profit

- Today is about clarity, not perfection
- We'll explain concepts first, then work through your own numbers
- This is interactive — questions are encouraged



Custom Industry Report

We'll Be Sending You a Custom Industry Report Today

- Based on your primary product or service
- Showing typical margins & expense ranges
- So you can compare your numbers to your industry

Our team will match you with the correct industry classification.

Please write down:

- Your name
- Business name
- Primary product/service
- Who you primarily sell to (consumer or business)
- Email address



01. DEFINING THE DESTINATION

Long Term Vision



Why did you start your business?

 Retire
 Travel

 College
 Freedom

Journal:

- Why did you start your business?
- What do you want this business to give you?
- Where do you picture yourself after you leave your Company?

Start With the End in Mind

Journal

- How much money do you need for your long-term goals?
- How long do you have to get there?
- What do you think the business needs to generate annually?

Activity

- ❖ *Start With the End In Mind* calculator



Success Isn't just revenue

Revenue without profit margin and cash is just stress and busyness.



What does success in 2026 look like to you?

Journal:

"By December 2026, I want..."

- Cash in the bank: _____
- Debt reduced by: _____
- Monthly take-home pay: _____
- Hire an employee?
- Buy new equipment?
- Etc...



Pathway Lending

Financing Businesses. Strengthening Communities.

02. UNDERSTANDING THE INCOME STATEMENT



Variable Costs

Definition

- Costs caused by sales
- Also known as *cost of goods sold (services)* or *direct costs*.
- Ask yourself: What are the itemized costs to sell a single unit?
- Just because something varies, does not mean it is a variable cost

Activity

- ❖ Write down your 2025 Revenue in *Mini P&L*
- ❖ Write down your 2025 Costs of Goods Sold in *Mini P&L*
- ❖ If you don't know COGS, we can estimate it.

Fixed Costs

Definition

- Also known as *operating expenses* or *indirect costs*
- Expenses you pay no matter what your volume or revenue
- Fixed costs remain relatively constant and do not vary within a certain range of sales

Activity

- ❖ Take 10 minutes to fill out *Fixed Expenses Sheet*
- ❖ Write down your 2025 Operating Expense in *Mini P&L*

Variable Costs vs Fixed Costs

Question to ask yourself:

- If I make no sales, would I still owe this money?

Understanding the Income Statement

Mini P&L

		\$	% of revenue
			%
	Sales	\$ 400,000	100%
	COGS	\$ 100,000	25%
	Gross Profit	\$ 300,000	75%
	Operating Expense	\$ 200,000	50%
	Net Profit	\$ 100,000	25%

Activity:

- Take 5 minutes to calculate
- Gross Profit
 - Net Profit
 - Gross Profit Margin

Understanding the Income Statement

Mini P&L

		\$	% of revenue
			%
	Sales	\$ 400,000	100%
—	COGS	\$ 100,000	25%
==	Gross Profit	\$ 300,000	75%
—	Operating Expense	\$ 200,000	50%
==	Net Profit	\$ 100,000	25%

Amount of money you have to spend in your business

Bottom-Up Revenue Planning

Goals driving profit

- Is there a certain amount of income that you would like to be generating from your business or a cash reserve you'd like to build but you're just not sure how to get there?
- Let's start with profit first.

Activity

- ❖ *Results Driven Planning Model*

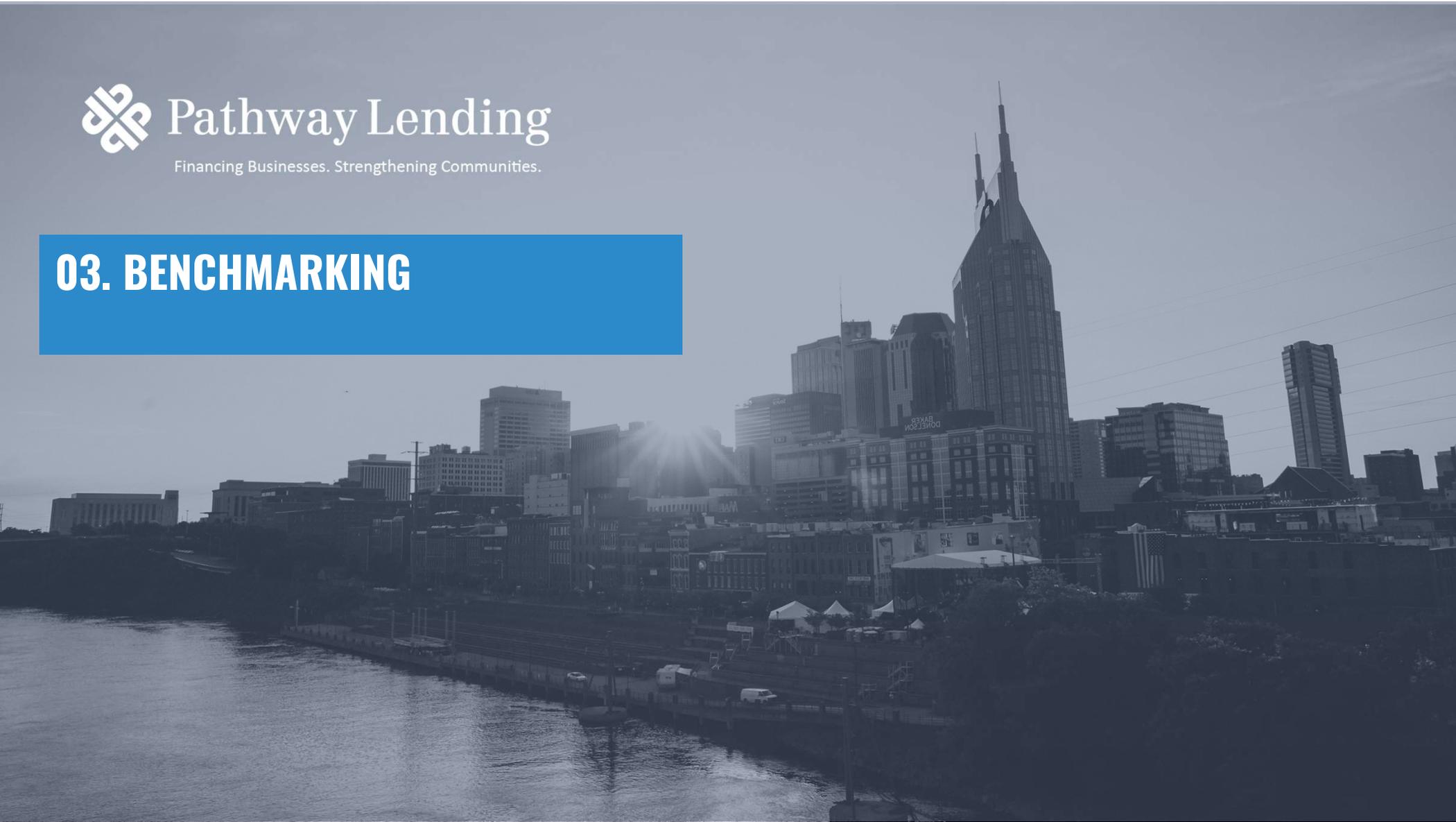




Pathway Lending

Financing Businesses. Strengthening Communities.

03. BENCHMARKING



Are my margins normal?

Comparing my results to my industry

- If your **margins** are higher than industry average, that is **good**.
- If your **expenses** are higher than industry average, then **there is work to do**.

Activity:

- Go to your financial benchmarks
- Find 2024 gross margin
- Find 2024 operating expenses
- Find 2024 net profit
- Compare them with your margins

If You're Below Industry Averages

It doesn't mean you're bad at business – it means there's an opportunity.



Ways to improve profit margins

1. Increase Price

- Raise prices 5-10%
- Charge for services you are giving away
- *Immediately improves gross margin*

2. Reduce Direct Costs

- Negotiate supplier pricing
- Reduce waste
- Change vendors

3. Improve Expense Control

- Negotiate Contracts
- Reduce marketing spend that isn't converting
- Delay non-essential hires

Situation: Revenue Declines

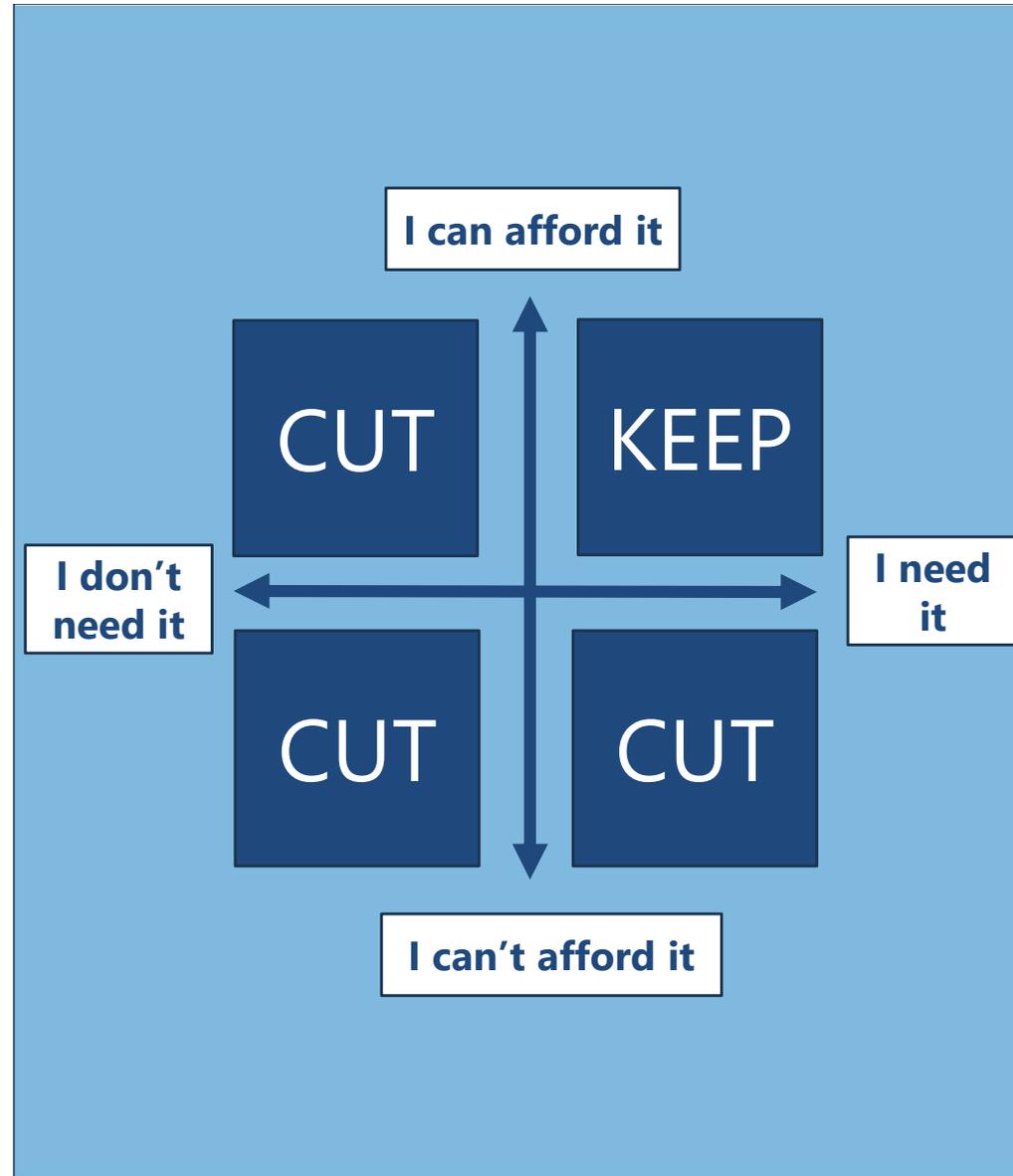
Understanding Flexibility

- What would you do, when you see that revenue is declining over a period of a few months that is not typical for your business cycle?

Revenue Declines = Expense Decisions

Lemonade Stand Test

- What do you absolutely need to run a lemonade stand?





Pathway Lending

Financing Businesses. Strengthening Communities.

04. BREAK-EVEN AND SCENARIO PLANNING



Break Even & Scenario Planning



Activity:
Mini P&L - What if scenario tab

Turning Goals into Sales Numbers

How much do you need to sell to pay yourself:

- Pay yourself
- Hire an employee
- Pay down debt
- Buy equipment
- Build cash reserves

Activity

- ❖ *Volume Scenarios*



Are your revenue expectations realistic?

Understand your limits

- Time Constraints
- Capacity Limits
- Marketing Efforts

Activity

- ❖ *Time and Quantity Spreadsheet*



Pathway Lending

Financing Businesses. Strengthening Communities.

05. CASH FLOW: WHAT THE P&L DOESN'T TELL YOU



Profit ≠ Cash

Cash Going Out (Not on the P&L)

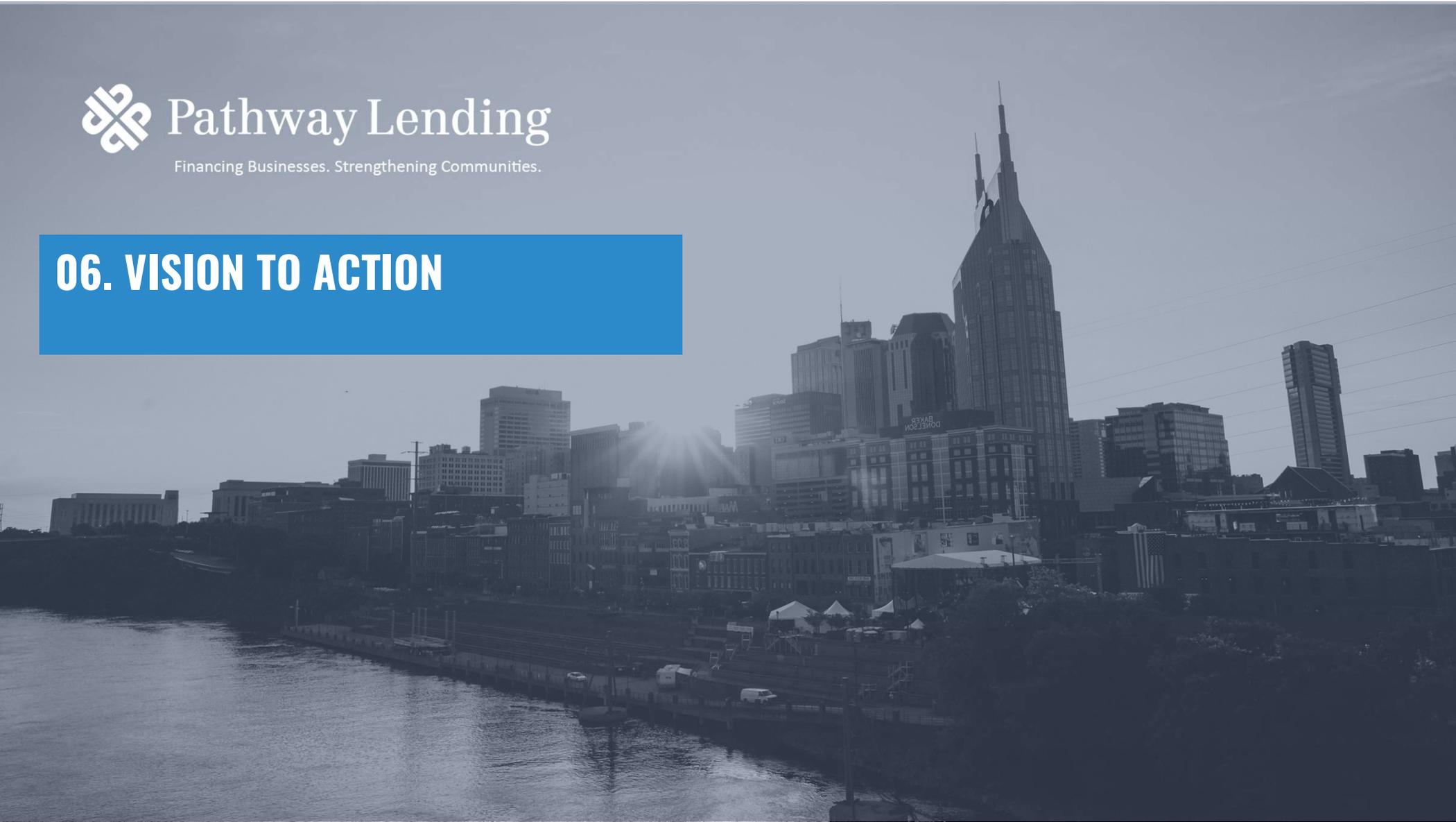
- Principal Loan Payments
- Owners Draws
- Equipment or asset purchases
- Inventory increases
- Increases in Accounts Receivable

Cash Inflows (Not on P&L)

- Borrowing Money
- Sale of Equipment
- Owner's Contributions
- Increase in Accounts Payable



06. VISION TO ACTION



Revisit Your Long-Term Vision

Let's revisit our long-term goals

- In the next three years, I want to _____
- My ultimate long-term goal is _____
- To make that possible I need to build:
 - \$ _____ in savings/value

2026 Target

By December 2026, I will:

- *Generate \$_____ in revenue*
- *Achieve \$_____ in net profit*
- *Save \$_____ for _____*
- *Gross margin of _____ %*
- *Operating expenses of _____ %*
- *Net Profit of _____ %*

My 3 focus areas are:

1. _____
2. _____
3. _____



07. QUESTIONS AND WORK SESSION

