

# To Drive Profit, Pivot Towards Visibility



Cannabis cultivators  
leveraging technology to  
achieve greater impact

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# Introduction

Cultivators without the right automation and visibility tools are leaving money on the table – perhaps unknowingly. In an industry riddled with competition and ever-changing laws, precise visibility is a must. Why? Because only accurate and easily accessible financial reporting enables smart, rapid business decisions. Those without a strong pulse on profit margins may not last long in an industry that is moving at lightning speed. Cultivators who are not automating their labor workflow are treading water. Shifting to smarter strategies is the key to winning at the game of cannabis profitability. How are deficiencies in visibility and automation preventing cultivators from growing their profit margins? Taylor Schuck, PKF Mueller Accounting Services Manager and Eldon Brown, Broadleaf CEO explain that:

## An inability to accurately calculate gross margin hurts profits:

Without data that accurately captures *all* costs, cultivators cannot accurately calculate gross margin. Key performance indicators (KPIs) shine a light on financial status and offer visibility into the health of the company so that inefficiencies can be addressed and opportunities for improvement can be acted on. It is key that production data is combined with financial information for visibility into gross profit – that way, data-driven business decisions can be made.

## Lack of reporting on key financial and operational metrics downgrades decision-making:

Manual systems lack accuracy and efficiency. Data must be automated and converted to bring value - large reports with obsolete information do not enable the kind of decision-making that is required for cultivators to remain viable in the cannabis market. It is essential to use reporting and dashboarding tools that automatically digest the collected information and present it in an actionable format.

## Lack of automation leads to labor inefficiency:

Most cultivators plan their daily work using whiteboards and emails. Unfortunately, doing so increases costs as overall planning takes 5x longer when master schedules are based on cutting dates and calculations are manual. Furthermore, whiteboards cannot track task completion or progress in real-time. Compounding these inefficiencies, when managing multiple sites, coordination across sites becomes difficult and time-consuming.

# Practical A Collaboration To Pivot Towards Visibility & Higher Margins

Broadleaf and PKF Mueller collaborate to marry rich, automated data with deep analysis to enable cultivators with strong decision-making. Accessible, accurate insight into workflow production output must be efficient and it should enable business owners to see how results impact the financial statements. It facilitates insight into improving cannabis yields and propels decision-making that results in higher margins. Empowered with these advantages, businesses can *pivot to improve*.

Broadleaf and PKF Mueller work together to apply a two-pronged approach that is essential for data to be:

- 1. Rich and captured in real-time; and**
- 2. Analyzed and manipulated to become meaningful so that it can be leveraged in making smart decisions about day-to-day operations and visibility into profit margin.**

“We focus on capturing data that doesn’t exist anywhere else – because we know it leads to competitive advantage for our clients. The data required by state compliance systems such as METRC and BioTrack are a compliance *minimum* – such data doesn’t provide business insight on its own,” said Brown.

Broadleaf’s platform collects data that can be leveraged for greater value once it is analyzed. At that point, PKF Mueller is able to organize and analyze the rich production data to highlight meaningful relationships and trends in data sets which cultivators can act on. The result is real-time data that facilitates costing information and feeds operational and financial reports that enable strong business decisions. The two-pronged approach that Broadleaf and PKF Mueller apply gives cultivators a system that not only tracks the data that the state needs, but offers a system that:

- **Helps cultivators manage and automate their day-to-day activities**
- **Maintain labor schedules**
- **Create standard operating procedures**

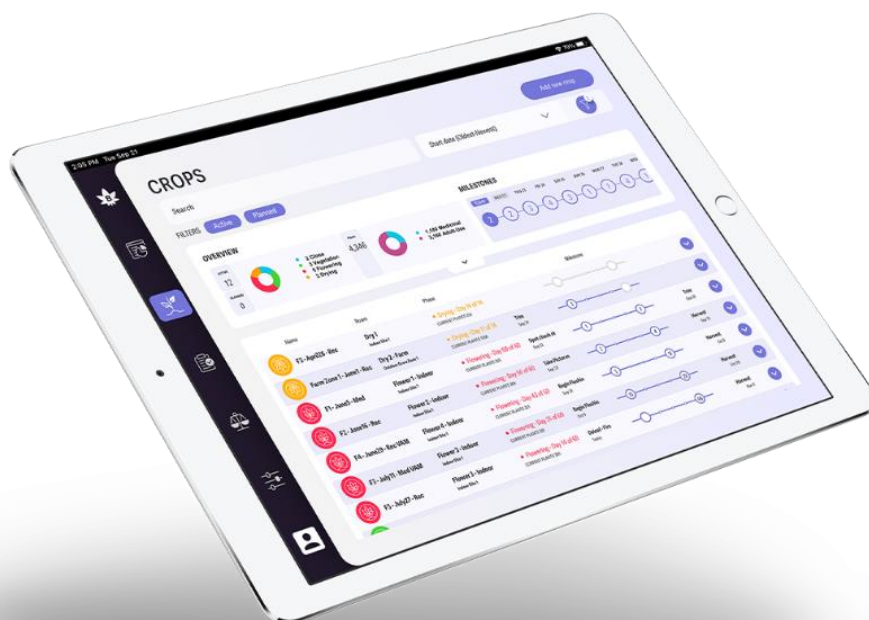
By using this approach, time is saved, and margins can be strengthened.

# Rich, Automated Data Brings Valuable Insights

“Without specific data points, it is impossible to calculate profit margin - what cannot be measured, cannot be improved. Capturing data electronically in a usable format is essential to feeding valid data into calculations,” said Schuck.

PKF Mueller’s automated, analytical cost accounting services equip cultivators with useful reports and dashboarding tools that automatically digest the collected information and present it in an actionable format. This way, cultivators can implement operational processes into their daily routine to ensure that reporting is reviewed regularly in order to propel strong decision-making.

While visibility elevates profit margins, having automated access to financial insights also makes cultivators more attractive acquisition targets. With M&A activity in the cannabis industry on an upward trajectory, cultivators interested in acquisition transactions can distinguish themselves by having automated reporting that brings greater clarity to a transaction - it simply facilitates more efficient due diligence.



# Optimize The Product Mix For Greater Margin

Optimizing the company's product mix is paramount to profitability. Cultivators need to arrive at the right mix of products that makes the most revenue and brings the best profit margins. Accessing the right data enables cultivators to improve yield and identify the right mix of products with precision. It helps them create "formulas" for the different crops that they grow. It gives cultivators useful data in an instant on items such as the day a plant emerges, the day it was harvested and its weight in grams for each strain. These data points feed into a cost accounting system that provides the cost to produce each plant during the period of production as well as the value of the output. And as importantly, a "formula" is derived that is repeatable so that cultivators do not have to repeatedly recreate the wheel.



# Ensure Efficient Labor Practices

Optimizing labor is paramount. Most cultivators are planning their daily work using whiteboards and emails. Doing so results in exorbitant losses in efficiency. Automating labor captures efficient control of labor scheduling. Automating the scheduling of tasks based on a master recipe not only makes planning easier, it reduces time spent planning by up to 80% and allows for better utilization of resources. All of the information about what is supposed to happen in every room is automatically scheduled and team members all have access to it. Cultivators are able to automatically forecast labor needs over several weeks. Also, labor can be smoothed out across days in advance to avoid too much work on one day and not enough on other days. Last, organizations can then right-size their labor team to optimize labor costs and trim excess labor hours.



# Optimizing Labor & Margin Is The Endgame

Cutting-edge cultivators focus on accessing automation and the right visibility tools to get ahead. It is now not only necessary – but essential to automate labor workflow, efficiently calculate gross margin and rely on financial metrics that propel smart decision-making. Accessing a dashboard that enables visibility into profits on a product-by-product basis is powerful. It enables improvement and an optimization of the business' product mix. Best of all – once formulas and labor scheduling are standardized, it is a repeatable business formula. Recreating the wheel with obsolete, hand-written schedules to plan labor and calculate costs is no longer necessary. Instead, automated cost accounting enables calculations and a dashboard that offers real-time insight for super-powered decision-making.



right people  
right size  
right solutions

**PKF Mueller** Elgin | Chicago | Orland Park | Naperville | Sarasota  
**Broadleaf** Portland | Chicago | Buchanan

[www.pkfmueller.com](http://www.pkfmueller.com)  
[www.broadleafcannabis.com](http://www.broadleafcannabis.com)

Taylor Schuck, CPA  
Client Advisory Services Manager  
PKF Mueller  
[tschuck@pkfmueller.com](mailto:tschuck@pkfmueller.com)  
+1 847 649 8814

Eldon Brown  
Chief Executive Officer  
Broadleaf  
[eldon@broadleafcannabis.com](mailto:eldon@broadleafcannabis.com)  
+1 847 466 6022