Brewery Finance Masterclass

2026 Vermont Craft Brew Conference

BST | GALLAGHER FLYNN





Agenda

What You'll Learn

- Understanding Business Finances
- Building your team
- Business Form Considerations

Financial Health

Balance Sheet Focus

- Shows what a company owns (**assets**), what it owes (**liabilities**), and the owner's stake (**equity**) at a specific point in time
  - Assess liquidity – ability to meet short-term obligations
    - Working capital management
  - Evaluate solvency – ability to meet long-term debts
  - Measure financial flexibility – capacity to invest, expand, or weather downturns
  - Gauge operational efficiency – how quickly you are turning assets into cash

Sample Ratios

- Current
- Working Capital
- ROI
- Leverage
- Inventory turnover
- AR/AP Turns

Growth

“Good Growth”

- Not growth for the sake of it
- Revenue growth vs profit growth
- Customer satisfaction & retention
    - Risk of delivering “more” without “better”
- Return on investment

Management Reporting

Disaggregation at meaningful levels

- Divisional
- Location
- Distribution channel
- Product

Capacity

Bounds

- How much do I have
  - Financial
  - Operational
  - Human
- Where is my “ceiling”
  - What can I do with what I have
- Increasing capacity may require investments
  - Skill development
  - Capital investment/allocation

Margins

Profit metrics

- Gross Margin – Revenue minus cost of goods sold (COGS), showing profitability from core operations.
- Operating Margin – Operating income divided by revenue, reflecting profitability after operating expenses but before interest and taxes.
- Net Profit Margin – Net income divided by revenue, showing overall profitability after all expenses, including taxes and interest.
- Tools for:
  - Identifying high-performing products or services
  - Adjusting cost structures and pricing to improve profitability
  - Forecasting cash flows and assessing long-term viability

Economies of Scale 101

A brewery has fixed monthly costs of **$200,000** (equipment depreciation, facility rent, salaried staff) and variable costs of **$3.00** per barrel of beer produced.

Output (barrels/month)	Total Cost	Avg. Cost/barrel
10,000	$230,000	$23.00
50,000	$350,000	$7.00
100,000	$500,000	$5.00

Small scale | 10,000 barrels

- Total cost =
  - Fixed cost + (Variable cost × Output) = $200,000 + ($3.00 × 10,000)
  - = $200,000 + $30,000 = $230,000
- Average cost per barrel = $230,000 ÷ 10,000 = $23.00

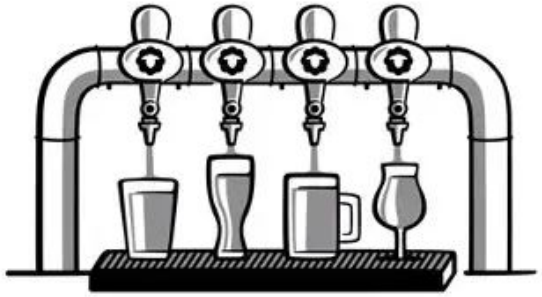
Medium scale | 50,000 barrels

- Total cost = $200,000 + ($3.00 × 50,000) = $200,000 + $150,000 = $350,000
- Average cost per barrel = $350,000 ÷ 50,000 = $7.00

Large scale | 100,000 barrels

- Total cost = $200,000 + ($3.00 × 100,000)= $200,000 + $300,000 = $500,000
- Average cost per barrel = $500,000 ÷ 100,000 = $5.00

In Practice









Examples | Finance Lens

- Expansion: Acquisition
- Excess Capacity: Filling capacity contract brewing
- Diversification: Taproom optimization margin
- Growth/Location: Wastewater considerations

Team

Internal

- Employees
- Vendors
- Customers

External Advisors

- Board/Advisory Board
- CPA
- Bank/Financing Partner
- Corporate attorney

Why?

- Building your team
  - Internal leadership: maximizing strengths
  - External: Leverage business advisors (better)
  - Letting you get back to what you love doing

Business

- Taking inventory of your goals
- Keeping the end in mind
- Succession
- Sale
- Legacy
- Brand

BST Gallagher Flynn Service Offerings

- BST Gallagher Flynn is a fully integrated professional services firm dedicated to assisting clients in maximizing their opportunities for sustainable and strategic growth. With numerous craft brewers and distillers as clients, we are a knowledgeable and experienced group of business advisors that can assist your enterprise in a variety of ways.
  - Outsourced accounting including product costing
  - R&D Tax Credits
  - Accounting & Taxation
  - Sales/use/franchise tax consulting
  - Human Resource Consulting (Fractional, wage & salary guides)
  - Marketing Consulting (Fractional)
  - Transaction Advisory

Why Entity Choice Matters

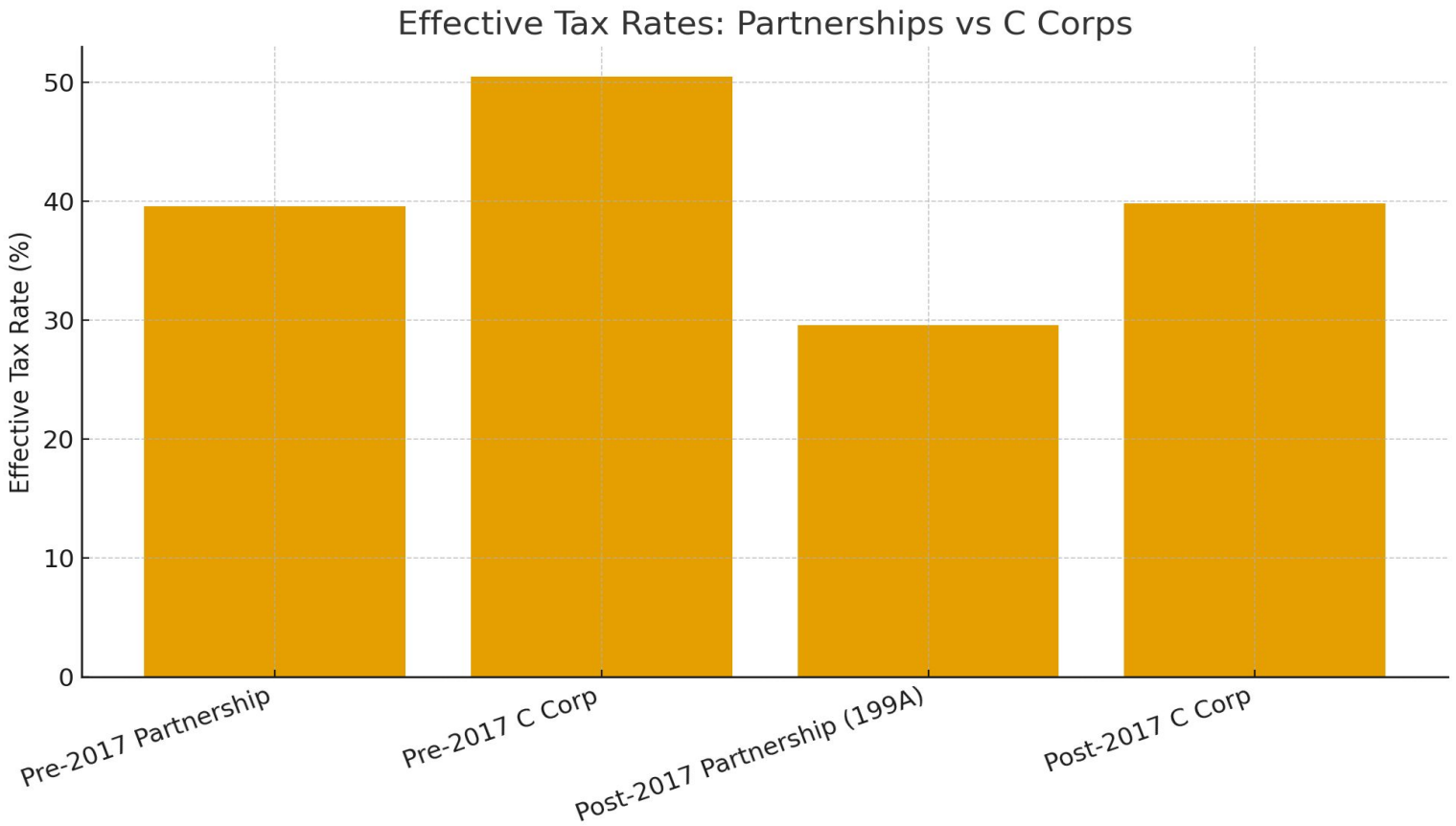
Tax, Legal & Business

- Impacts how much tax you and your business pay
- Affects how and when you can access profits
- Influences growth, investment, and exit strategies

Significant Tax Law Changes

- 2017 Tax Cuts & Jobs Act (TCJA) + 2025 One Big Beautiful Bill Act(OBBBA)
  - Corporate tax rate cut to 21%
  - Top individual rate reduced to 37%
  - 20% deduction for qualified pass-through income (Section 199A) made permanent by OBBB
  - Medicare surtax application on certain entity types
  - Exclusion of gain on sale of your business

Effective Income Tax Rate Comparisons



Other Considerations

Beyond the Rates

- State tax rules and filing complexity
  - Partnerships vs. S Corp. vs. C Corp
- Governance, control, and flexibility
  - How many owners/investors?
- Attracting investors and raising capital
- Estate and succession planning
- Liability protection

Factors That May Tip the Balance

All other things being equal….

- Will profits be distributed annually or reinvested?
- Does the income qualify for the additional 20% pass-through deduction?
- Impact of 3.8% Medicare surtax
- Expected rate of return on reinvested earnings
- Long-term exit plans (sale of business vs. ongoing distributions)
    - If sale, are business sales in your industry likely to be equity or asset sales?

Summary

- No one-size-fits-all answer after the 2017 TCJA and 2025 OBBB
- Partnerships often better if distributing income annually
  - S Corporations have same/similar tax rates, but many differences from partnerships
- C Corporations can be attractive
  - If a stock sale is an option
  - If you are reinvesting in the business (not distributing profits to owners annually)
- Careful planning with advisors is more important than ever

Thank you!