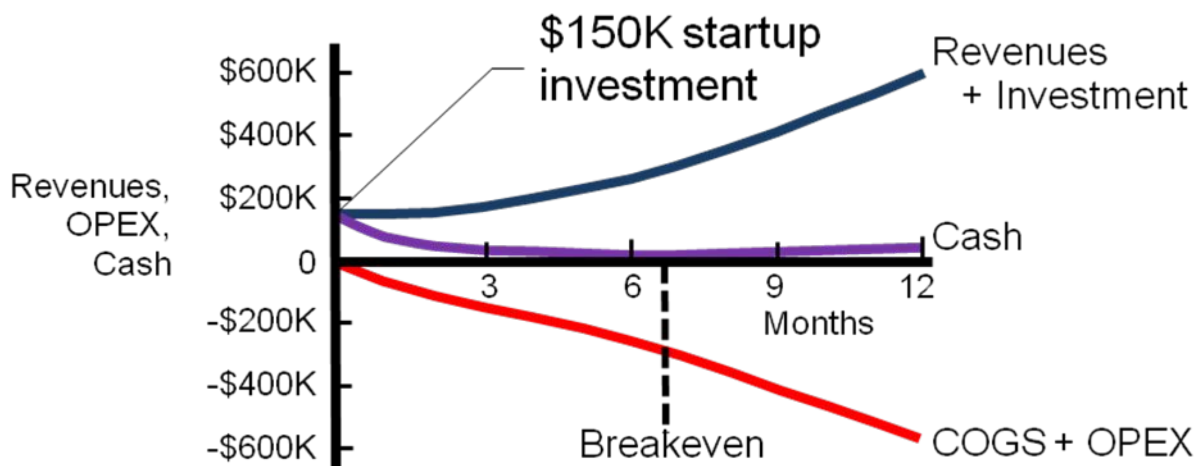
Factory Startup Year

Both existing businesses and new businesses got through a startup year. This is the year that makes or breaks most companies. An important question is how to get through that first year with as little investor funding as possible. The more company shares must be used for startup cash, the less the share of the company partners.

The graph below shows the first year of a typical 5-man factory. The vertical scale is the cash flows of the company. Revenues and investment income is shown in dark blue. Expenses including raw materials or COGS (cost of goods sold) plus operating expense (OPEX, mostly salaries and benefits) are shown in red. The difference between these two is the Cash, the amount of money on hand each month through the year, shown in purple.



This company starts with a $150,000 startup investment. In the first month, expenses are high as the company buys equipment, pays for a facility, leases or buys an installation van and gets set to start business. In the next months, revenues begin to increase as modules are sold but salaries and materials costs draw down that initial investment. Cash left from the initial investment drops lower and lower.

By halfway through the year (6 or 7 months), revenues from selling modules overcomes expenses and the drain on Cash ceases. This is called “breakeven,” more money is coming in than going out. After breakeven, revenues exceed expenses and Cash slowly increases.

In these forecasts, we assume a 5-man factory, whose team members receive a $40,000 salary with 30% benefits. Startup costs are the facility (2,000 ft^2) plus equipment (production tools, van) expected to cost $50,000. The module’s price is $3,000 not including installation.