REVELWOOD SUCCESS STORY

Managing Growth in the Cannabis Industry with IBM Planning Analytics

OVERVIEW

Country: United States
Industry: Cannabis

CUSTOMER PROFILE

Parallel

CHALLENGE

Manage the operations and growth of the company through rolling forecasts and gain the insight needed to grow revenue while retaining their existing footprint.

SOLUTION

IBM Planning Analytics

BENEFITS

- Rolling forecasts that can be easily adjusted in a continuously changing market
- Quickly build reports for management within days of closing the books
- Provide a plan for expansion, maximizing revenue without expanding the company's footprint

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> Hugh Do
> Director of FP&A, Parallel

Parallel is one of the largest privately held, vertically integrated, multi-state cannabis operators in the United States. The company cultivates, produces and processes cannabis for medical purposes. It also operates marijuana dispensaries. Its mission is to bring well-being and improved quality of life through cannabinoids. Parallel currently operates in four markets: Florida, Massachusetts, Texas and Pennsylvania.

The cannabis industry is growing dramatically, with global sales expected to reach nearly $149 billion by 2031. Unfortunately, cannabis companies face several significant business challenges: they can't use traditional banking services and they can't deduct most business expenses. Taxes and regulations vary state by state. It can be difficult for cannabis companies to raise funds, which is critical for strategic growth.

Parallel needed to accurately forecast cash flow, capital expenses, inventory and compensation in this highly complex environment. They wanted to have a rolling forecast in order to have better visibility into their cash flow, operations and revenue.

IBM Planning Analytics for FP&A

Parallel was relying on an implementation of IBM Planning Analytics that did not reach its potential. Hugh Do, director of FP&A at Parallel, knew Planning Analytics was the right solution, but that the company needed a different implementation partner. Do chose to work with Revelwood based on a recommendation from a colleague.

"We really liked what Revelwood had to offer," said Do. "They are true Planning Analytics experts and made it clear they have my back."

Revelwood quickly moved Parallel from an on-premise version to IBM Planning Analytics in the Cloud. Then the team started fresh with a new implementation, starting with a finance model and a staff model – both key components of the rolling forecast.

One of the challenges with the finance model was that Parallel operates by having each market be self-contained. In some markets, like Florida, they are completely vertically integrated – growing, manufacturing and selling the product in retail stores. In other markets, they simply sell cannabis products through retail channels.

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The industry is capital-intensive, requiring a significant amount of money to enter new markets. It also requires a large amount of capital to keep operating in various markets. With Planning Analytics, Parallel can now forecast its expenses and cash flow, while also having a much more comprehensive and accurate view of operations by market. This information is extremely strategic, providing Parallel with the right information to assess the health of the business and evaluate the potential of new markets based on how other markets are performing.

About Revelwood

Revelwood helps finance organizations close, consolidate, plan, monitor and analyze business performance. As experts in solutions for the Office of Finance, we partner with best-in-breed software companies by applying best practices guidance and our pre-configured applications to help businesses achieve their full potential.

Gold
Business
Partner

IBM.

Competency
Data Science &
Business Analytics

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A Complex Staffing Model

Compensation is a huge line item in Parallel's P&L. The company needed to do staff planning by role – corporate, grower, manufacturer and part-time/full-time retail employees. They wanted the model to reflect ounces per plant grown and demand planning by role. It also needed to calculate correct taxes by state.

The team at Revelwood incorporated all these variables into the model. They also created three specific cubes for Parallel – current headcount, new hires and backfills. "Turnover in our market is very high," said Do, "We have more than 100 open roles every month. By having three separate cubes, we can isolate new hires – which need to be discussed by management – from backfills. This allows us to move quickly on backfill hires without needless discussion."

The staffing model provides Parallel with a wealth of information. "We can use the data to determine the ratio of part-time to full-time employees, the profitability of retail stores by market, the profitability of cultivation facilities and more," commented Do.

Reaping Benefits from IBM Planning Analytics

"Planning Analytics has streamlined our FP&A processes," stated Do. "Our FP&A team meets with cost center owners every month to review the P&L statement. This is incredibly helpful since our market dynamics change completely every 4-6 months. We can then apply those changes to our finance model immediately."

Soon Parallel will have reporting on the P&L with three different aspects: how much they spend on retail operations, how much they spend on growing facilities and how much is indirect market spend. This level of detail is crucial for Parallel to understand the breakdown of each cost center.

> **❝** Planning Analytics is a simple, straightforward tool that lets me build a lot of dynamic reports. Most importantly, Planning Analytics enables Parallel to plan for expansion, giving us the data we need to determine how to make more money with our current footprint. This powerful information will help give creditors and investors confidence that we can grow our business strategically. **❞**
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> Hugh Do
> Director of FP&A, Parallel

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