

PRICING GUIDE

Understanding How Rising Costs Impact Your Margin Strategy

In the face of cost increases, do you protect margin % or margin \$?

It's not the same thing. Many businesses may be willing to risk margin % but not margin \$, and these scenarios look very different when considering how to approach pricing.

			Scenario 1	Scenario 2	Scenario 3
			Maintain Margin %	Maintain EBITDA %	Maintain Margin \$s
			Price Increase % Required		
Starting Income Statement		25% Cost Increase	25.0%	17.6%	15.0%
Revenue	\$500M	\$500M	\$625M	\$588M	\$575M
Cost of goods sold	\$300M	\$375M	\$375M	\$375M	\$375M
Gross profit	\$200M	\$125M	\$250M	\$213M	\$200M
Operating expense	\$125M	\$125M	\$125M	\$125M	\$125M
EBITDA	\$75M	\$0M	\$125M	\$88M	\$75M
EBITDA %	15.0%	0.0%	20.0%	15.0%	13.0%
Margin %	40.0%	25.0%	40.0%	36.3%	34.8%

