

Cannabis Manufacturer Jetty Extracts Scales Finance and Accounting for Company Growth

CASE STUDY

armanino 

At A Glance

Customer Profile:

Founded in 2013 and headquartered in Oakland, Jetty Extracts manufactures a range of popular cannabis extract products, available in dispensaries across California. As the company began experiencing rapid growth, its new controller turned to Armanino for help in deploying a new ERP system as well as to supplement staffing with outsourced finance and accounting services.

Software & Services

- Armanino consulting, implementation, and training services
- Armanino finance and accounting services

Benefits

- Deployed a robust ERP system that replaces three separate software packages
- Freed up controller's time to focus on providing time-sensitive, strategic guidance to the business
- Created accounting tools such as a 13-week cash flow and annual budget model

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-Scott Pearson

Challenge

As the cannabis industry evolves and consumers show increasing interest in alternatives to consuming the flower, extracts are becoming one of the fastest-growing portions of the market. One company poised to benefit from this emerging opportunity is Jetty Extracts.

Founded in 2013, Jetty Extracts uses innovative extraction techniques to deliver a range of popular products such as its Gold vape cartridge, its direct infused-oil applicator pen Dablicator, and exclusives for PAX Era vaporizer pods. The company's products are available at 400 dispensaries across California.

Typical of a bootstrapped operation in a still nascent industry, Jetty Extracts was growing quickly, but without the benefit of an in-house accounting staff or financial leadership. When the manufacturer hired Scott Pearson as its new controller, he had to start from scratch to create a robust finance and accounting operation, including personnel, software and processes.

Before Pearson joined the company, Jetty Extracts used a basic accounting software package with extremely limited functionality and persistent bugs. “We were reliant on a solution that could not serve our needs even before our planned growth,” says Pearson. “Because of the limited functionality of the solution, we had to use three different systems, which made our processes very inefficient. As a growing enterprise, we needed one robust enterprise resource planning system to support everything we're doing now and in the future.”

Solution

In Pearson's search for a new enterprise resource planning (ERP) system, he had to find not only a solution that offered the specific manufacturing capabilities Jetty Extracts needed, but also a software provider willing to work with companies in the cannabis industry. For these reasons, he identified Odoo as the best ERP for the company's needs. He then turned to Armanino LLP, one of the 25 largest independent accounting and consulting firms in the U.S., for help in planning and implementing the new solution.

“It had been several years since I'd worked with inventory and cost accounting. Considering how important it is to set up a new system properly, I knew that bringing in manufacturing expertise was the best way to go,” says Pearson. “Because of my previous experience working for, and with, Armanino, engaging the firm was a no-brainer.” Armanino is one of only a few California-based firms that offers a Cannabis practice with specialized expertise for cannabis cultivators, dispensaries, manufacturers and distributors.

In addition to the ERP deployment, Jetty Extracts also engaged Armanino's finance and accounting team to provide accounting support

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while Pearson was recruiting and hiring staff for the new finance department. “I was under a great deal of time pressure from executives and investors who wanted forecasts and updates quickly,” says Pearson. “Armanino helped with financial planning and analysis, as well as staff accounting functions such as fixed assets, bank and credit card reconciliations, financial close and other tasks, so that I could focus on providing time-sensitive, strategic guidance to the business.”

Results

In a matter of months, with help from Armanino, Pearson created the finance department from scratch, developed a 13-week cash flow model, built an annual budget and deployed a new ERP system. He credits the Armanino team with helping him achieve the immediate goals for his new department in a relatively short amount of time.

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While Jetty Extracts has just begun using its new ERP solution, Pearson reports that the system is working well. “As a manufacturer, we have many moving parts, which makes any implementation a major challenge,” he says. “If Armanino hadn’t been involved, the implementation would have been a very rocky road.” He’s confident that the company will soon realize the full benefits of the new system.

Beyond just the implementation, the engagement with Armanino delivered benefits in the form of outsourced accounting help, financial planning, guidance and tools. “Armanino did not disappoint,” says Pearson. “The firm added a lot of value to what I was doing at the executive level.”

Next Steps

In the rapidly evolving cannabis market, Jetty Extracts is now positioned to take advantage of growth and achieve profitability. Armanino continues to provide financial expertise and services to help the company optimize operations and mitigate risks along the way.

One example of how Armanino is working with the manufacturer to help it prepare for the future is a new equity plan. “Armanino is setting up an employee stock option plan for us,” says Pearson. “I don’t know how many cannabis companies have stock option plans, but I think we’re probably at the forefront of the industry in taking this step.”

About Armanino^{LLP}

Armanino provides an integrated set of accounting services—audit, tax, consulting and technology solutions—to a wide range of organizations

operating both in the US and globally. You can count on Armanino to think strategically, to provide the sound insights that lead to positive action. We address not just your compliance issues, but your underlying business challenges, as well—assessing opportunities, weighing risks, and exploring the practical implications of both your short- and long-term decisions. When you work with us, we give you options that are fully aligned with your business strategy. If you need to do more with less, we will implement the technology to automate your business processes. If it's financial, we can show you proven benchmarks and best practices that can add value company-wide. If the issue is operational, we'll consult with your people about workflow efficiencies. If it's compliance, we'll ensure you meet the requirements and proactively plan to take full advantage of the changes at hand. At every stage in your company's lifecycle, we'll help you find the right balance of people, processes, and technology.