Cash Flow Beats Profit

Here is why

IOPRO
INVENTORY OPTIMIZATION

Download High Resolution:
https://inventoryoptimization.pro/template/cash-flow-beats-profit

If you had $1M to invest...

There are Two choices:

Luxury Handbags

Fast Fashion Apparel

Option A – Luxury Handbags

- **Cost per unit: $500**
- **Selling price: $2,000**
- **Profit per unit: $1,500**
- **$1M buys 2,000 handbags**
- **Sales speed: 100 per month**
- **Sell-through: 20 months**
- **Profit after 20 months: $3,000,000**

Option B – Fast Fashion

- Cost per unit: $20
- Selling price: $50
- Profit per unit: $30
- $1M buys 50,000 items
- Sales speed: 5,000 per month
- Sell-through: 10 months
- Profit after 10 months: $1,500,000
- Profit after 20 months: $3,000,000

Profit per Unit

Profit/Unit

$1,500

Sell Through

20 months

Profit after
20 months

$3,000,000

Profit/Unit

$30

Sell Through

10 Months

Profit after
20 months

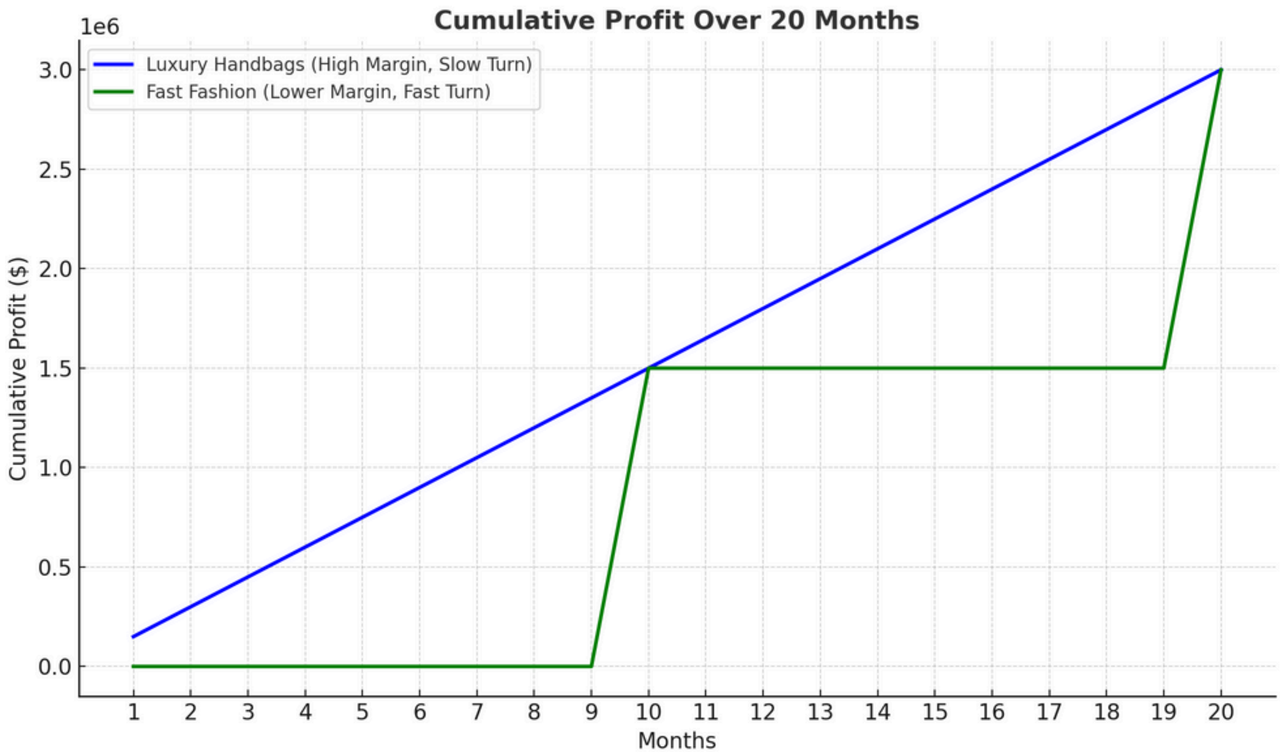
$3,000,000

Handbag

Does Luxuary Handbag Wins the Game?

Why Investors Care

With Fast Fashsion
The $1 Million Investment is
Returned at Month 10



Investors look at:

- **Inventory Turnover Rate**
- **Cash Conversion Cycle (CCC)**
- **Cash flow speed beats margin**
- **More cycles → more flexibility, reinvestment, growth**

Both businesses end at

$3 Million profit after 20 months,

it looks the same on paper

BUT. . .

1

You don’t have to wait.

- **Fast fashion gives you $1.5M profit halfway through (month 10).**
- **That initial investment amount $1 million is already usable. You can reinvest, expand, pay down debt, or keep liquidity.**
- **With a luxury bag, you don’t see that initial investment money until the very end of 20 months.**

2

Risk is low

- **If trends change or demand slows, the luxury brand is exposed because inventory sits longer.**
- **Fast fashion reduces the chance of loss because the stock clears faster.**

3

Opportunity cost

At Month 10

$2M	 Cash In the Bank	$2.5M
$500,000	 Inventory Value	$0
$2.5 M	 Total assets	$2.5 M

3

Opportunity cost

At Month 10

$2.5 M

Total assets

$2.5 M

✅ The Difference at Month 10

- Both appear to have $2.5M total “value.”
- But Luxury has $2M in cash + $500K stuck in stock (not liquid).
- Fast Fashion has the full $2.5M liquid in cash, ready to reinvest.

3

Opportunity cost

At Month 20

$4 M	Cash In the Bank	$5 M
$3M	Profit	$3M

Fast Fashion

cash flowing in sooner

Why Fast Cash Wins

Inventory Lesson For Smarter Growth

Want to see how your own inventory turnover stacks up? Let's walk through your numbers together and build a strategy that frees up cash.

Book A Call