

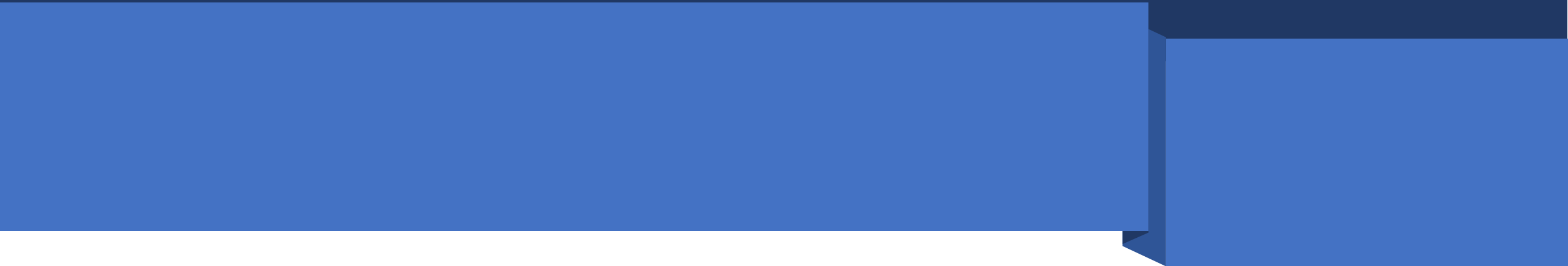
Keys to Building a Successful & Sellable Start-up

Kelley M. Lynch

Tepper MBA 1994



Cashflow Forecasting & Digital Organization



My
Audacious
thought:

With accurate cashflow forecasts and organized digital files to back up the cashflow, you are probably at least 75% of your way to being prepared to bring on new capital or selling the company.

Introduction

My brief background

I want this presentation to be interactive & I hope you get something tangible out of it

Some Whys & Whats:

Why am I presenting these two topics together?

Why are you attending today?

What are some things you are hoping to learn?

What are some topics you would like me to address?

Most Companies' Primary Business Goals

*(whether a for profit
or not-for-profit
company)*

Make Money

Stay in business

Maybe Grow business – organically
and/or through acquisition

- May need additional capital/investors
- Good banking relationships

Maybe an exit

First and Foremost, for a business to succeed:

Create a good and
needed **PRODUCT**

*Entrepreneurs' focus,
especially when
starting a company*



Then comes the Business and Organizational Model



Need to bring in the people and advisors – with the right skills, at the right time

Build and Sell the product

Overtime add the ‘back office’ help – Finance, HR, Risk Management, General Administration

But, there is one administration function you **MUST** do from Day 1 – it is not hard, but it is often overlooked

BE
ORGANIZED
!

It may not be sexy

It is easy to do

I have had many entrepreneurs
share similar stories with me

What you absolutely need to keep from Day 1:

Organizational Documents:

- Company formation, tax returns and documents, banking agreements, investor agreements, board meeting information, audits, legal notices...

Customer, Vendor, Consultant & Employee Docs

- Contracts, agreements, NDAs, separation/termination, improvement plans, informal agreements, 1099, Tax Exempt, W-2, I9s...

Product and/or Process

- Design specs, product history, bill of materials...

Certification Info

- Product, software, security

Keep all past documents, regardless of active status

What you really should keep:

Budgets

Monthly
Financials

KPI reports

Regular
Management
reports

Basically,
when in doubt
KEEP IT!!!!

Why?



Refer to my
Audacious
Comment



Quality of
Earnings



Understand
Commitments
or potential
Liabilities



Keep your
selling
price/valuation



And if you start
from Day 1 &
make it a habit,
life will be
much easier
down the road

Does not have to be Complicated



Many free or low-cost options available

SharePoint

Google Drive

Box

Drop Box

One Drive



But you need to be organized, label folders and keep it up!!



There are more expensive or more focused ones (for Boards, HR...) that can comply with security needs

And there is another benefit:

Supports Better Cashflow
Forecasting and Scenario
Planning



Cash is Good

Co-opted & altered from Dr. Richard Green

Cashflow
forecasting
does not
need to be
hard

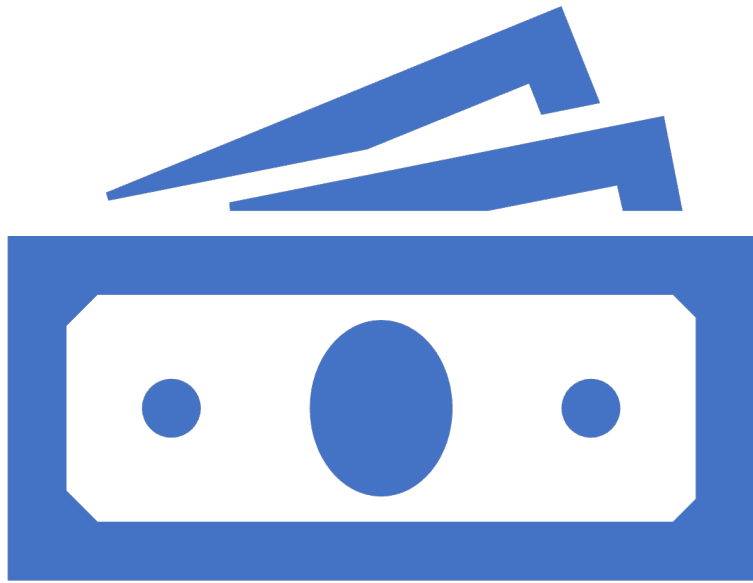
Start with your Budget

Monthly Cashflow that matches the budget
– what is timing of customer payments?

Then break down to 8-13 week rolling
cashflows and/or 12-18 month forecast

Money Monday

The hardest part – ‘learn’ the revenue
forecasting personalities of your
salespeople



Operational Cashflow Forecast

- For Less Frequent Customer Payments

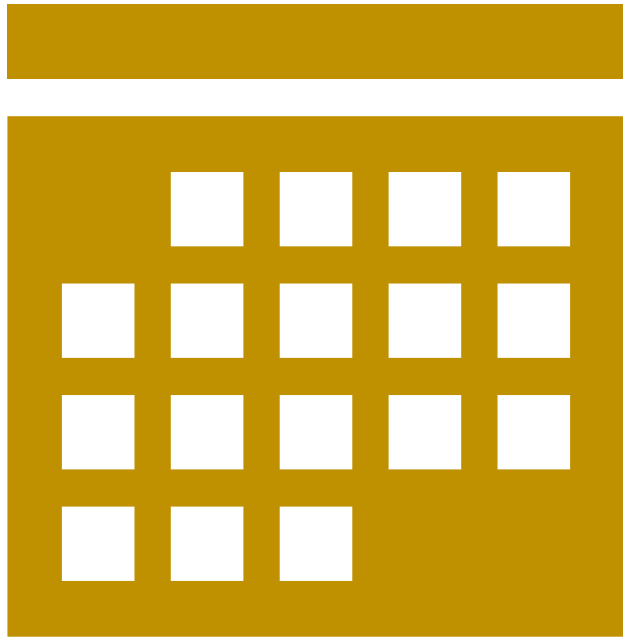
Key Elements:

1. Cash In

- Current customers
- Forecasted New Customers
- New Capital or Debt

2. Cash Out

- Current Employees
- Forecasted New Employees & COGS
- Large & Monthly Vendor Payments
- Credit Cards/Misc. Expenses



Use Budgeted EBITDA

- *For Monthly or Weekly Customer Payments*

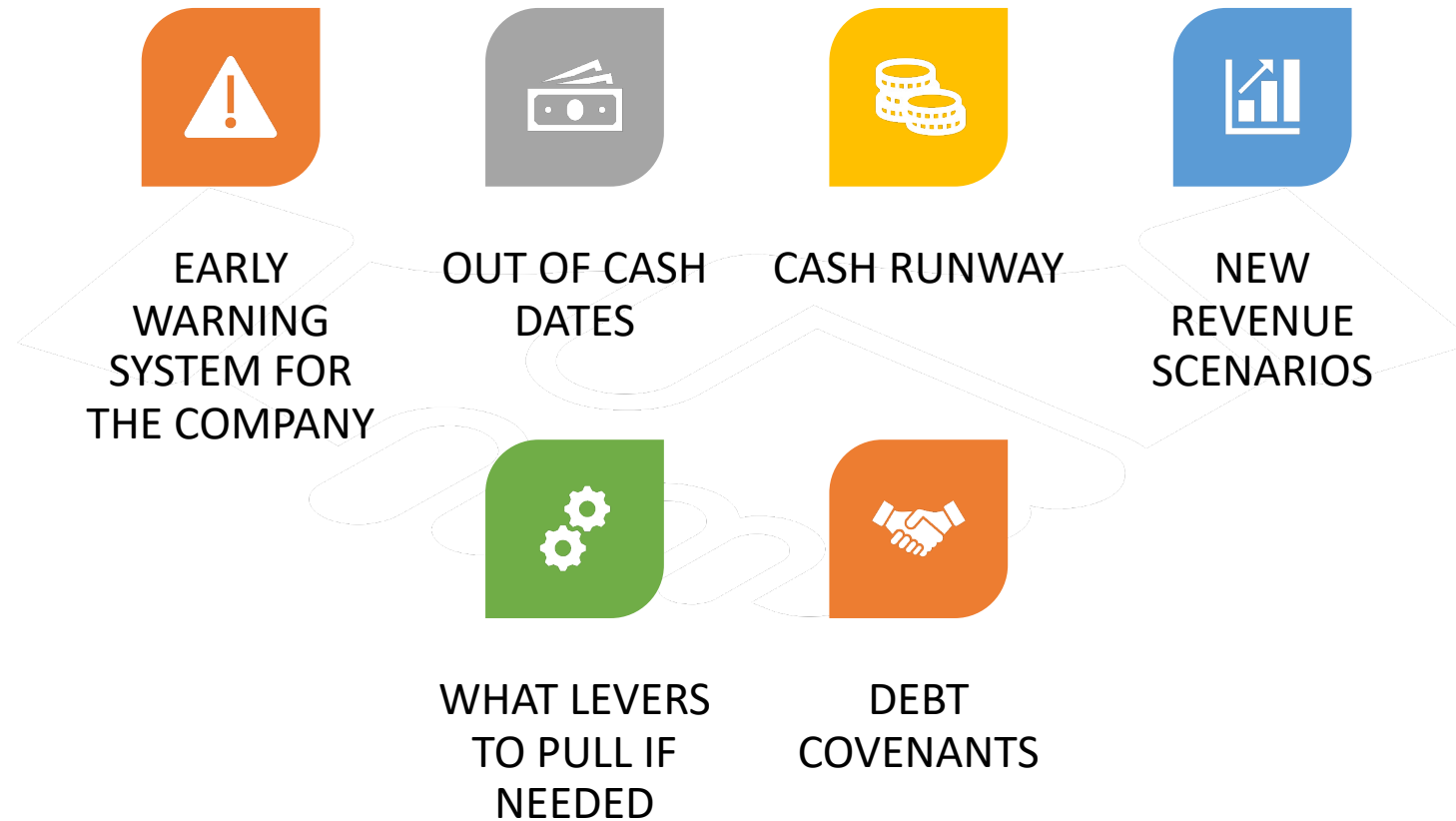
Key Elements:

1. **Monthly Budget/Forecast**
 - At least 12 months
 - Prefer 24 months
 - Reforecast during year if significant change
 - Annual budget process or rolling
2. **Use EBITDA as cash proxy**
 - Reconcile monthly actuals to confirm timing/interest

Overview of Model Options

The slide features a dark blue background. The title 'Overview of Model Options' is written in a large, white, sans-serif font. Below the title, there are two horizontal blue bars. The first bar is a solid blue rectangle. The second bar is a blue rectangle that is slightly offset to the right and has a 3D effect, appearing to be a block floating above the first bar.

Why Scenario Planning is Key



Why Organize Files & Maintain Cashflow Forecasts

- Shows you know your business
- Creates Confidence with Bankers, Investors & Board (and employees)
- Bankers and Investors (and Vendors) HATE surprises
- A few of my examples
 - COVID-19
 - Potential Covenant Breach
 - New Product Introductions

Review What
your goals were
for today

Any additional
questions

