Keys to Building a Successful & Sellable Start-up

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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
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!!!!
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

Then break down to 8-13 week rolling cashflows

Money Monday

The hardest part – ‘learn’ the revenue forecasting personalities of your salespeople
Operational Cashflow Forecast
(not Statement of Cashflow)

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

That’s it - Keep it simple to start!!!
Overview of my Detailed Model
Why Scenario Planning is Key

- Early Warning System for the Company
- Out of Cash Dates
- Cash Runway
- New Revenue Scenarios
- What Levers to Pull If Needed
- Debt Covenants
Why Organize Files & Maintain Cashflow Forecasts

• Show 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
  • 2008 Financial Crisis
Review What your goals were for today

Any additional questions