

# Keys to Building a Successful & Sellable Start-up



*Kelley M. Lynch*  
*Tepper MBA 1994*

# Digital Organization & Cashflow Forecasting

## 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?



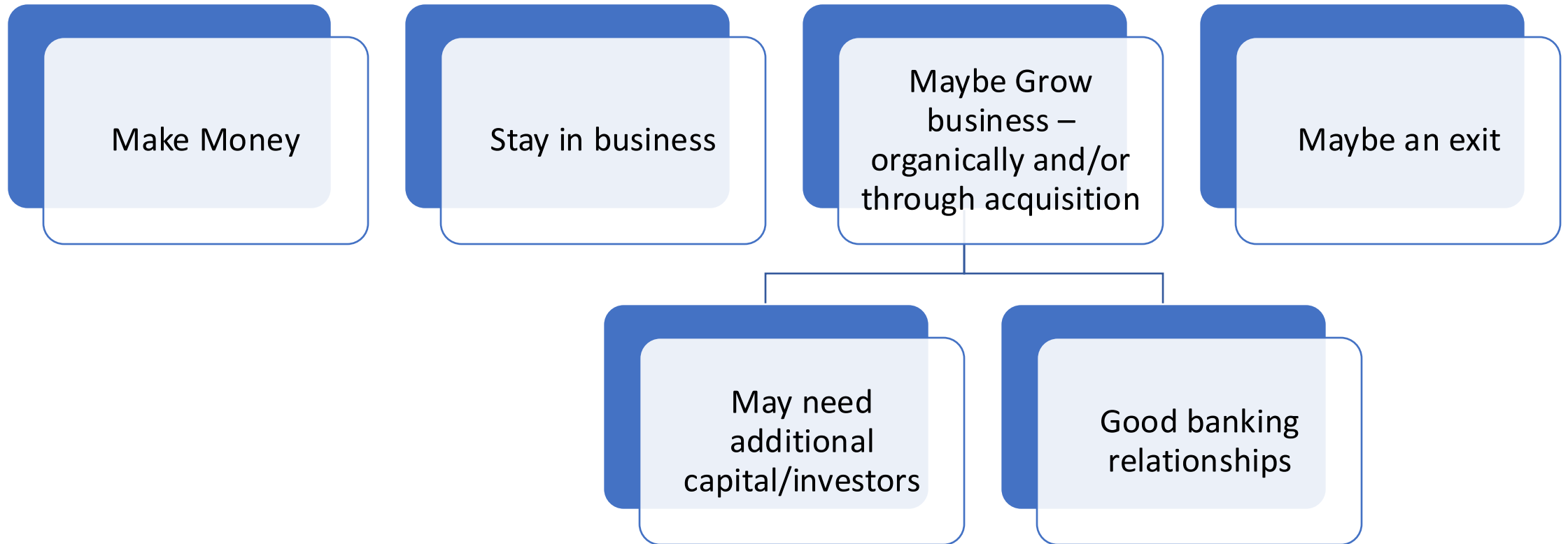
What are some things you are hoping to learn?



What are some topics you would like me to address?

# Most Companies' Primary Business Goals

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



First and Foremost, for a business to succeed:

Create a good and  
needed **PRODUCT** or  
**SERVICE!!**

*This should be an Entrepreneurs' focus  
when starting a company*





# Then comes the Business and Organizational Model

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

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Build and Sell the product

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

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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 Certs, W-2, I9s...

## Product/Service and Processes

- Design specs, product history, IP, 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 options  
(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

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Start with your Budget

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

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

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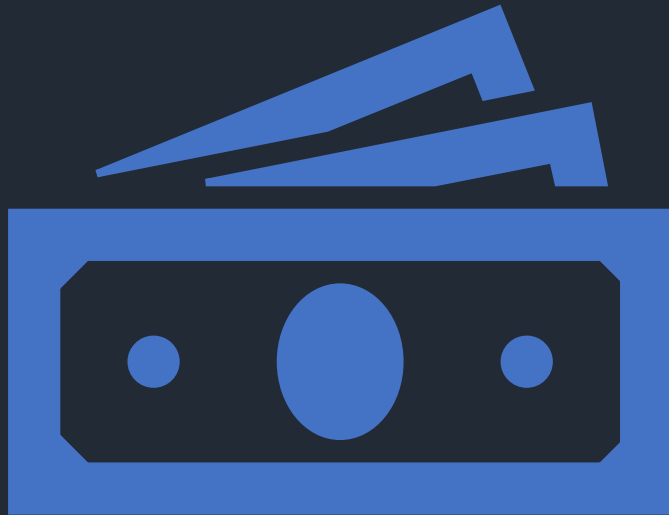
Money Monday

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

# Operational Cashflow Forecast

*- For Less Frequent  
Customer Payments*

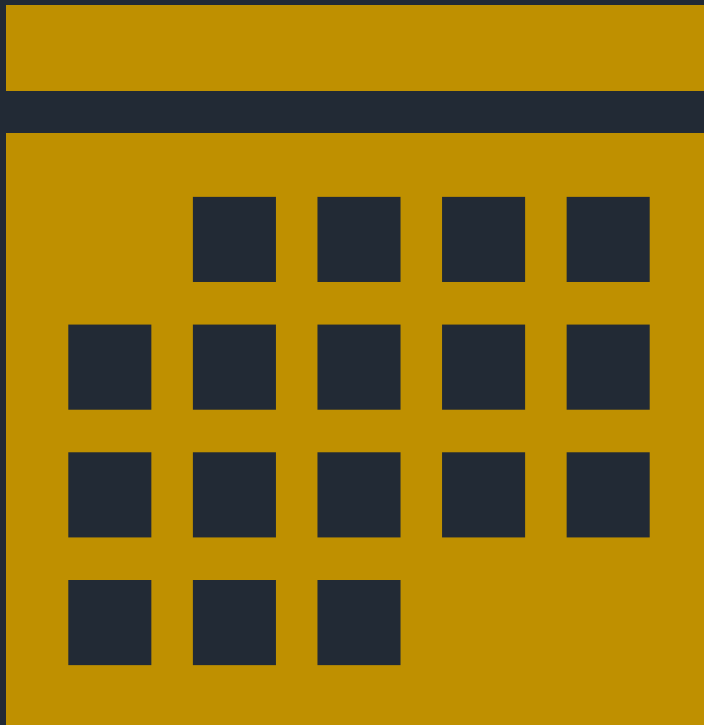


## Key Elements:

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 changes
  - Annual budget process or rolling
2. Use EBITDA as cash proxy
  - Reconcile monthly actuals to confirm timing/interest

# Overview of Model Options

# 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



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

