

# Keys to Building a Successful & Sellable Start-up

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*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!

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It may not be sexy

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It is easy to do

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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

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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 forecast

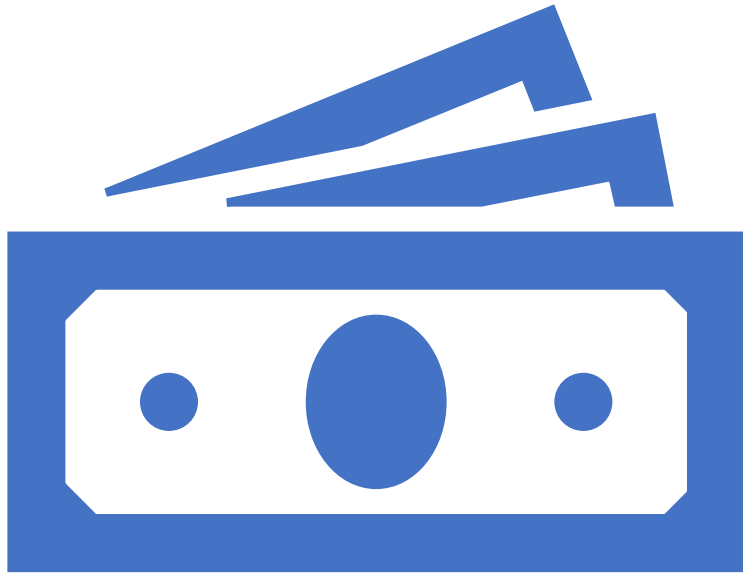
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Money Monday

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





# Operational Cashflow Forecast

## - *For Less Frequent Customer Payments*

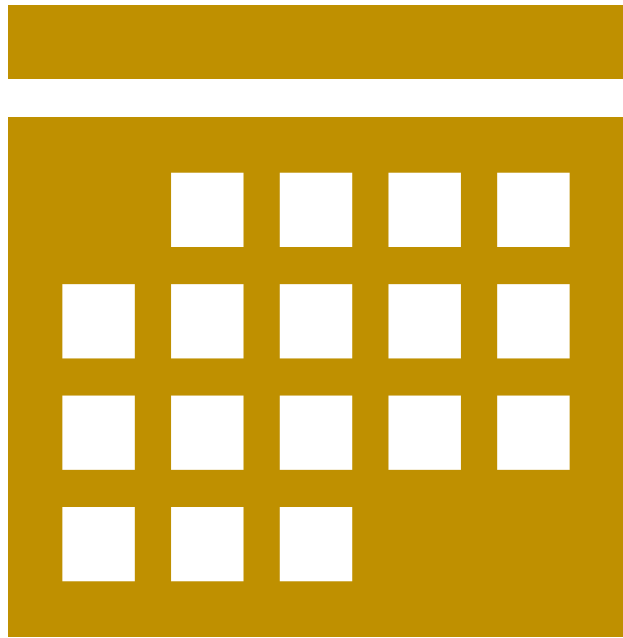
### Key Elements:

#### 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



# 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

