



Financial Forecasts: Must-haves for Your Pitch Deck

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Financials: Predicting the unpredictable

Pulling together a forecast can be a frustrating process for several reasons

- You don't have financial history
- Your revenues and costs have not been consistent or are nonexistent to date
- Where do you start?

The information Angels are looking for

First remember that each Angel is different, so develop your fundamentals based upon what you know and understand

- You don't have to be a CPA or a financial expert. This is simple math
- Bottoms up, avoid top down, and collect all the data you can
- Start small and short term with your projections - 18-24 months out
- Paint the picture of exactly where the money will go
- Show your upcoming major milestones
 - 2-3 milestones
 - Revenue generation
 - Profitability
 - Customers/Users

Remember to keep it simple

The more complex your projections get, the harder it is to articulate

- You won't have the same amount of data as a Series B or beyond
- Base your projections on similar companies that have been successful
 - Look up some pitch decks that are posted online
 - Seek advice from mentors and peers
 - Identify your key metrics that will drive your business
- Define your business model - how you will make money
- Growth potential is key, lay it out, as if you had the resources you need
 - Growth costs money - Account for rising fixed and variable costs
 - Know your market and the opportunity
- For complex projections and financials use an appendix

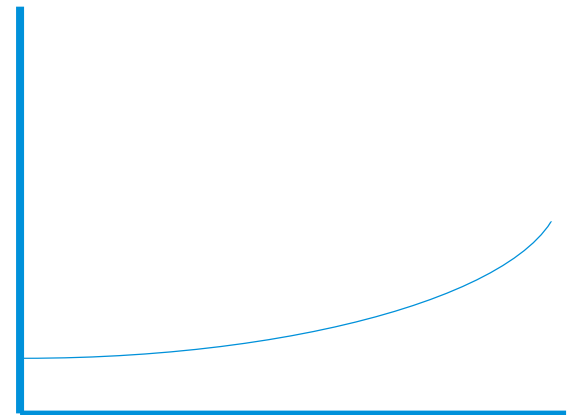
Clean and crisp

- A simple graphic that shows your projected financials at a summarized level
 - Underlying support can be attached as appendices, but not necessary
- Minimal text with a large font
- Large graphics with a clear purpose

The snapshot

A snapshot of every business's growth can be painted with the hockey stick chart. However, the real key is the underlying assumptions.

- User base and experienced growth
- Revenue run rate
- Margins
- Retention



* If you use the hockey stick don't forget to add the points above you margins to add some color - expected growth of customers, dollars, etc.

Profit Forecast

	2018	2019	2020	2021	2022
Units Sold	2,000	3,000	4,350	6,090	8,526
% Growth		50%	45%	40%	40%
Number of Subscribers	1,800	2,700	3,915	5,481	7,673
% Growth		50%	45%	40%	40%
Total Revenue	\$300,000	\$450,000	\$652,500	\$913,500	\$1,278,900
% Growth		50%	45%	40%	40%
Cost of Revenue	(\$225,000)	(\$303,750)	(\$379,500)	(\$455,400)	(\$546,480)
% Growth		35%	25%	20%	20%
Employee Headcount	5	7	12	20	30
% Growth		40%	71%	67%	50%
Operational Expenses	(\$150,000)	(\$210,000)	(\$273,000)	(\$354,900)	(\$443,625)
% Growth		40%	30%	30%	25%
EBITDA	(\$75,000)	(\$63,750)	\$0	\$103,200	\$288,795
% Growth					180%
Taxes	\$0	\$0	\$0	\$21,672	\$60,647
% Tax Rate				21%	21%
Net Income	(\$75,000)	(\$63,750)	\$0	\$124,872	\$349,442
% Growth					180%

Revenue Drivers

Cost Drivers

Valuation Driver

Profitability

Understand your key metrics

— Revenue per Employee

- Links to the top line

$$\text{Rev. per Employee} = \frac{\text{Revenue}}{\text{Employee}}$$

— Churn (Yearly or Monthly)

- Customer retention

$$\text{Churn} = \frac{1}{\% \text{ of customers lost}}$$

— Customer Acquisition Costs (CAC)

- Advertising, Sales Force, etc.
- Calculate by channel - Adwords, Facebook, SEO, etc.
- Add a column to receipts spreadsheet to calculate Pays per Click

$$\text{CAC} = \frac{\text{Total Marketing Costs}}{\text{Number of New Clients}}$$

— Lifetime Value of a Customer (LTV)

- Valuable metric for investors
- Recurring Revenue
- Service, Support, Installation, Maintenance, etc.

$$\text{LTV} = \frac{\text{Rev per Month} \times \left(\frac{\text{Rev}}{\text{COGS}} \right)}{\text{Churn per Month}}$$

Other considerations

—Cash Flow

- How quickly are you burning cash?
- It should be evident from your income statement

—CapEx

- Have you purchased any large equipment or hardware?

—Multiple Revenue Streams

- Do you sell software and hardware?
- Do you have initial startup fees and then a subscription service?

—Breakeven point

- How many units do you need to sell/how many new subscribers do you need to break even

A couple of key stats

—Headcount

—Users/Customers

Some dont's

- Don't tell them it's a conservative estimate, this is not a budget to be monitored
 - You can be optimistic and sell your dream in the deck
- Don't tell them you only need 1 - 5% of the market
- Don't show projections out further than 2 – 3 years
- Don't lie – if you don't know something, say it
- Don't be afraid to take advice from prospective investors

Your time to shine

Most importantly, investors are trying to get to know you and your personality. Financials tell Angels a few things.

- How confident are you in your business
- Your approach to operating a business – are you just an entrepreneur?
- How well do you know your market
- How passionate are you about your business

A few takeaways

- There is no perfect deck
- Don't forget to learn from each pitch
- Take a leap! You are not building a budget to be monitored
- Speak with passion



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