Financial Modeling For Start-ups

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MEET SHAWN BALL

Founder & CEO, Ball Business Consulting

- 20+ years financial experience in public and private organizations
- Variety of executive roles at Dell, Freescale Semiconductor (NXP) and Motorola
- Certified Public Accountant & Certified Internal Auditor
- Texas A&M University (BBA, Accounting) and Baylor University (MBA)
- Collaborative, partnering approach and passionate about helping businesses succeed
Overview

• Why is the financial model important?
• Know Your Numbers
• Understand the Impact of Your Model
• Cash Is King
• Ask Questions and Get Help!
What is the model and why is it important?

- **Mathematical representation** of the how your business will work.

- Investors want to **understand the business**, how they can get a **return** on funds invested, **reduce risk** – “the what....”

- Investors also want to see who they are investing in – “the who...”

- Based on the model key decisions are made:
  - How many people to hire?
  - How much payroll can I afford?
  - How much rent can I afford?
  - When will I make money?
  - **How much money will an investor give you?**
Lots and Lots of Numbers

• To understand your business you must be clear on your **assumptions**.

• Revenue, Margin, Growth, Market Share, ASP’s........

• **There are a lot of numbers!!!**

• Start with the problem your business is solving:
  • How many ## am I supplying to meet demand?
  • Build a units table

• Create a **baseline case**.....~90% confidence; build credibility!!

• **Should I create a “low” scenario? Why?**

• **What about a “high” scenario?**
What does it all mean?

- **Financial statement** analysis:
  - P&L (Income Statement), Balance Sheet and Cash Flows

- **Pressure test** the model.
  - Do your original set of assumptions still hold?
  - What if.....

- Know your story and make sure it aligns with the numbers!!
Show me the money!!

- **Profit is a matter of opinion, cash is FACT!!**
- **Know your cash runway**
  - Understand funding between rounds.
- What’s a Term Sheet??
- Cap table??
- More terms....next session!!
Summary

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• Ask Questions and Get Help!
LET’S TALK!
Call 512.265.2155

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