Input from the previous modules

1. Revenue: Total subscribers / demand / users of a product (after step 2 – i.e., multiply by effective rate) per revenue product such as LLM1, LLM2, LLM3
2. Revenue: Total Revenue including other revenue
3. OpEx: Total Costs

Example on #1

**LLM1: Monthly or Yearly Bundle**

LLM1 Total Subscribers = LLM1 Monthly Subscribers + LLM1 Yearly Subscribers.

**LLM2: Monthly or Yearly Bundle**

LLM2 Total Subscribers = LLM2 Monthly Subscribers + LLM2 Yearly Subscribers.

**LLM3: Monthly or Yearly Bundle**

LLM3 Total Subscribers = LLM3 Monthly Subscribers + LLM3 Yearly Subscribers.

**LLM4: Monthly or Yearly Bundle**

LLM4 Total Subscribers = LLM4 Monthly Subscribers + LLM4 Yearly Subscribers

So we are looking for LLM1 Total Subscribers, etc.

-------------------------------------------------------------------------------------------------------------------------------------------

We have five key CapEx buckets that typically comprise any CapEx tab in a financial model. The goal is to replicate the following, with a slight customization across sectors and presented companies / business topics as required, mainly for Step 1. Examples on optimizations will be provided in the below.

**Step 1:** Would always be to estimate the cost required to set-up the solution. This step is specific to the topic at hand and would differ massively between, for example, LLM subscription business and Airline per say

Example A - Platform Development for LLM Subscription

* Front-end and Back-end of Website
  + Fixed Fee Assumption
* Integrations with APIs and Data Sources
  + Fixed Fee Assumption
* Testing and QA Systems
  + Fixed Fee Assumption
* Model Training GPUs
  + Cost per model per year; incremental expenses
    - Model Training Cost LLM1
    - Model Training Cost LLM2
    - Model Training Cost LLM3
    - Model Training Cost LLM4
* Custom Fine-Tuning
  + Cost per model per year associated with upgrades
    - Model Fine-tuning Cost LLM1
    - Model Fine-tuning Cost LLM2
    - Model Fine-tuning Cost LLM3
    - Model Fine-tuning Cost LLM4

Example B – Airline Set-up Costs

* Aircraft Spare Engine CapEx
  + Cost per aircraft, *informed by D&A period of the Engine*
* Aircraft Parts CapEx
  + Cost per aircraft, *informed by D&A period of the Parts*
* Ground Equipment CapEx
  + Share of operating costs \* Total Costs

Note here the use of the sentence “informed by D&A period of the engine or of the parts”. Each item when we buy it has a depreciation period. For example, a laptop has a depreciation period of 3 years, while airline parts last up-to-15 years. This to say, that the CapEx would need to be re-incurred after the depreciation period.

I.e., if we have one staff named Yahya to whom a laptop is provided on 01 April 2025, and D&A period is 3 years for this company; then the capex cost of a new laptop needs to be modeled for 01 April 2028 provided the need for such laptop still exists (i.e., Yahya still hired or if Yahya quit, Jitender the person who took on Yahya’s laptop when he quit was using it)

Step 2: Each company would have a budget to set-up the systems required to launch the project or for an airline, it would be the set of systems required to improve operations, etc.

* Digital, Data and IT Systems
  + Fixed fee per system required
  + Or a total budget assumption per annum for system upgrades / new system installations

Step 3: Each company unless set-up fully remote, would have a CapEx to set-up the office furniture and the networking infrastructure of an office – this includes the initial one-time costs of routers, etc.

* Office Furniture
  + Office Furniture as Share of Costs \* *total Costs informed by D&A period*
* Networking Infrastructure
  + Network Infrastructure as Share of Costs \* *total Costs informed by D&A period*

Step 4: Staff IT Costs

* Laptops and phones
  + Fixed Cost Budget per staff *informed by D&A period*
* Software Licenses
  + Fixed Cost Budget per staff per month multiplied by number of staff;

Note: Here we need **the incremental number of staff** per period of modeling**. If we were modeling the financial model per year or per quarter, then we need the increase in staff per year or per quarter.**

Example:

Assume D&A period of laptops and phones is 3 years.

Assume cost per staff for laptops and phones is USD 1000.

Total Staff:

* Year 1: 10 = total staff coming from revenue module
* Year 2: 25 = total staff coming from revenue module
* Year 3: 35 = total staff coming from revenue module
* Year 4: 40 = total staff coming from revenue module
* Quarter 1: 10 = total staff coming from revenue module
* Quarter 2: 5 = total staff coming from revenue module

Then, what is taking as an input is as follows:

* Year 1: 10
* Year 2: 15
* Year 3: 10
* Year 4: 15 = 10 of Year 1 [D&A period of 3 years so need to renew] + Delta [Year 4 – Year 3]
* Quarter 1: 10
* Quarter 2: 0

So the CapEx would be:

* Year 1: 10 \* 1000 = 10,000
* Year 2: 15 \* 1000 = 15,000
* Quarter 1: 10 \* 1000 = 10,000
* Quarter 2: 0 \* 1000 = 0 (Because we have already 10 units and the D&A is 3 years which is greater than 3 months)

Step 5: Other CapEx

* CapEx as share of total revenue