Financial Model Checklist

Generation Gap: When pitching to older audiences, wear glasses, dress up, be confident, don’t be afraid about silence, anchor points by writing them down, intimidate with you expectations then put a fence around them with attitude.

Accelerate Options at Sale

Zeros: Remove zeros and $ signs from financial statements, round to thousand.

Channel Partners: Who else wants your customer to succeed (chambers, economic development, accelerators, vcs, angels, business innovation centers, salesforce).

Niche that’s not being scratched.

Font: Take the oldest person in the room and divide their age by two, don’t use white font, for numbers use a plain and boring san-serif in black with white background.

How to explain consulting in a product company: Our customers are paying for the development of our product.

Opening slide: You know what I hear a lot. It’s all about relationships. Investors, relationships, customers, relationships, talent, relationships, drink tickets, find Hayley.

Pitch: Start emotional (character, walk to audience, playful energy, jokes, humility, engage with crowd), go logical (walk towards slide, intense energy, eye contact, serious story, posture, confidence, still movement), finish emotional. Research comedians, improve, magicians.

Volume or Quality: Are you going for volume of customers or size/quality of customer.

Balance sheet: What you owe, what you own, and what you’ve put in to date.

Attrition: How are you going to handle attrition.

Tech Council: Trade association for small tech companies.

Pitch Perfect: Sell your whole story w/o any missing pieces. Identify and answer the white elephants in the room.

To Investor: Can I brainstorm a technology with you that I think could help your portfolio clients.

Cash Flow: Will you have enough cash to carry out business model.

Skin in The Game: Here’s the deal. I’ve got $50K to add on top of $225 I’ve already put into the game. I’m all in but before I throw the next $50K I need $200K to finish my round.

Real Estate Investors: Use them if its easy money but remind them that startups are long-term plays.

Investor Leads: David Graff, Steve Kiene, MacPractice, Parse NE Angels, Clarey, Breck, Linders, NelNet

Personal Guarantees: Reward people taking a risk with personal guarantees by giving them warranties (options in company).

Angels: Like to herd, need to show others committed, look for 20-25% compounding annual return, patient, willing to take risks, use their own money, Linder, NelNet. Get in their favor by helping their portfolio companies. Do two things for them before you ask for one favor.

VCs – 30% compounded return, work with others money, less patient, usually only invest when there is product and traction, average VC invests in a deal for 9.4 years.

No debt: Preferred to investors, good selling point, after they join they will want you to get LOC.

Alternative Investors: Look into gov’t and military grants, university programs, university entrepreneurship schools/

References: Build strong references.

Funding sources: Crunchbase, angellist

Referrals: Don’t leave a meeting without two other people you should talk to.

Valuation: Don’t overemphasize. There are many other ways to structure a deal.

First: Be careful saying you are the first to do something. Sometimes the market is not ready for what you are doing. Showing competition can be helpful.

Signup for LinkedIn recruiting so they can’t see you.

Connectors: Investment bankers, accountants, and personal financial advisors know rich people.

Interview Your Money: Ask questions to Angels, don’t let them control the conversation or else they will feel superior to you. Meet prospect investors every 3 months. Cold calls don’t work for VCs or Angel networks, get an introduction.

Bad words: Never say hope, hopefully, I believe, I think…say I know, we have found, it has been proven.

Eye contact: Use it to emphasize key bits of information and set anchors.

Saas v. Subscription: Saas usually has a contract time of 12 months.

Main points: Use large font so that you can’t put “kind-of” impressive facts. Four kind of impressive facts are less than one really impressive fact.

Assumptions: Don’t forget to list.

Revenue Projections: Science and not an art. Make sure to backup your projections with hard numbers and historical data.

Taxable: Equity is a taxable event if you have a valuation. Options are not.

Options Pool: 4-5 years vesting, no right until after first year. Usually pricesd at 10-20% of share prices. Usually allocate 10-20% of total stock pool for options.

Lag time: Time from hire to visible effect of that employee.

Trust Factor: Once you have several major brands you build trust factor and your sales time will decrease.

Benefits: Usually 30% of salary expense.

Employee Contracts: Many investors will want to see employee contracts and make sure IP is assigned appropriately.

Market penetration: Dell only has 7% of their market. The more niche audience, the more of the market you can capture.

University Library: See if they can help you do research.

S-1: When a company goes public they have to file an S-1 which has a lot of useful info.

Run-rate: Growth of revenue from one customer to the next.

Competition: There is no market for what you have if you do not have competition.

Sales Cycle: Bigger more stodgier industries have much longer sales cycles.

Cost of Customers: Some software companies spend $1,000 to get each customer.

COGS: Does not include sales but includes what it costs to deliver product.

Even numbers: Never include, they look like guesses.

Addition: Numbers on tables must add up for the investors that will try to do their own math.

R&D: Never ask for R&D money from investors.

Risks: Identify risks for investors so they know that you know your shit.

Raise More: Than you think you need.

Video: Create a 2 min video describing and/or demoing your product.

Partner: With whomever cafn add strategic value.

Beware of Self-Funding: Some companies that have sold for $100M have only put in $30K. Don’t invest too much of your money. Set a limit. Tell other investors you already have significant skin in the game.

Practicing Pitch: Look for local toastmasters clubs or Dale Carnegie Institute to help practice your pitch.

Do twice, ask once: Do 2-3 things for an investor before you ask for one favor.

Intelligence: Paying someone a couple bucks to get you the intelligence you need is cheaper than building signals intelligence (Navy Seals).