

CTI Invest The Swiss Venture Platform

Workshop Business Angels: Financial Planning

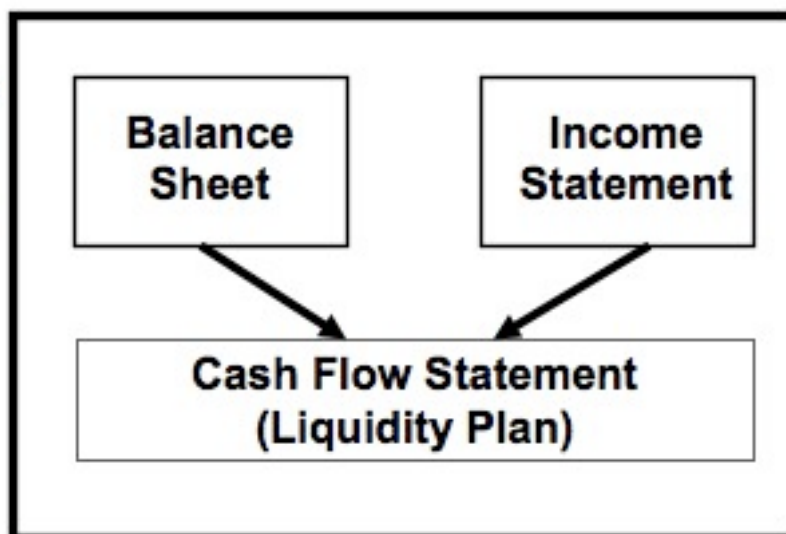
Process is more important than Outcome!

Jean-Pierre Vuilleumier
Managing Director CTI Invest
Contact: vui@cti-invest.ch
+41 79 251 32 09

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Overview: Financial Statements

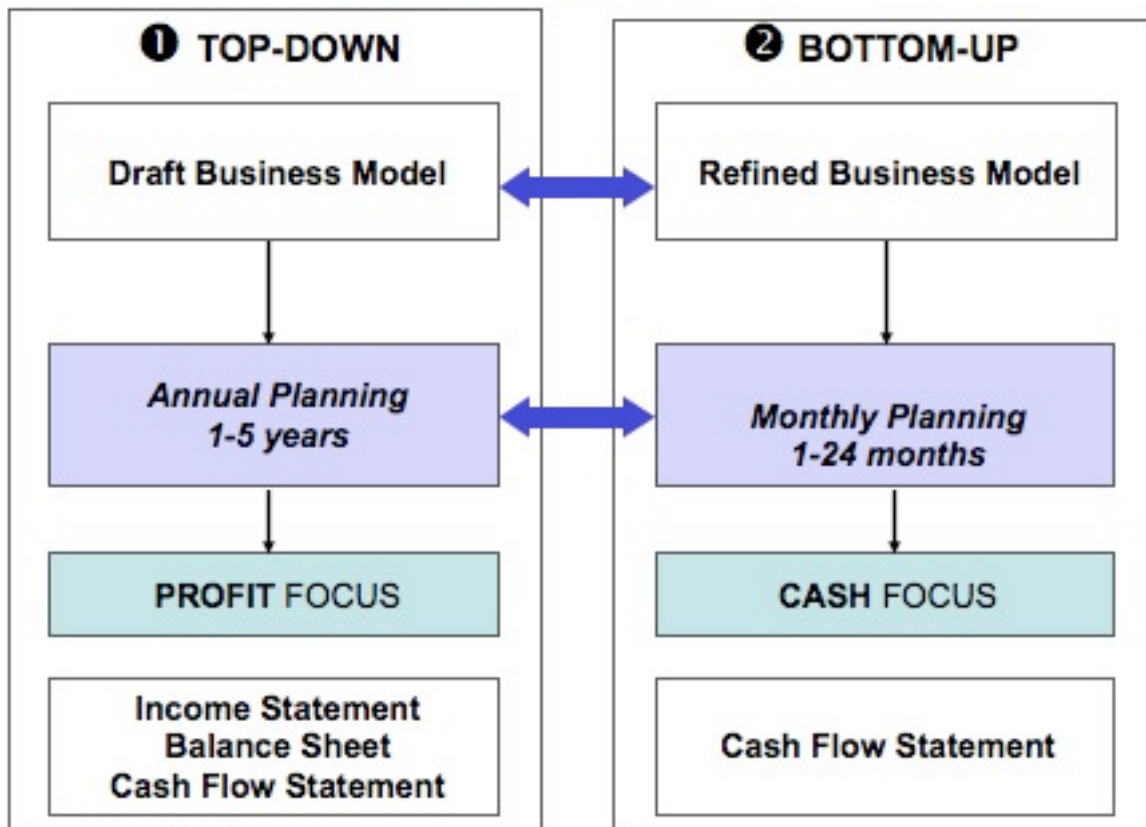
Substance
Equity
Long-term



Profitability
Net profit
Mid-term
FOOD

Liquidity
CASH is King
Short-term
OXYGEN

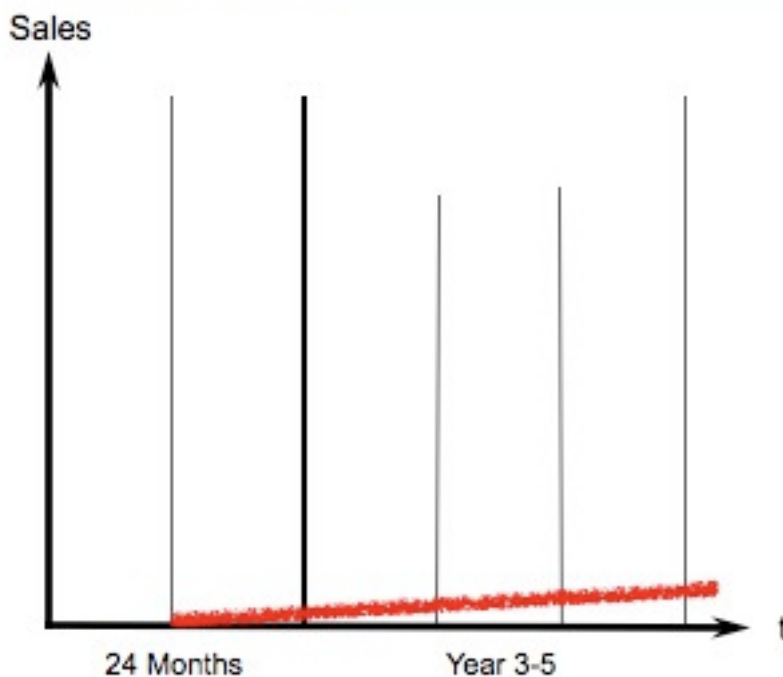
Financial Planning Approach



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Financial Plan



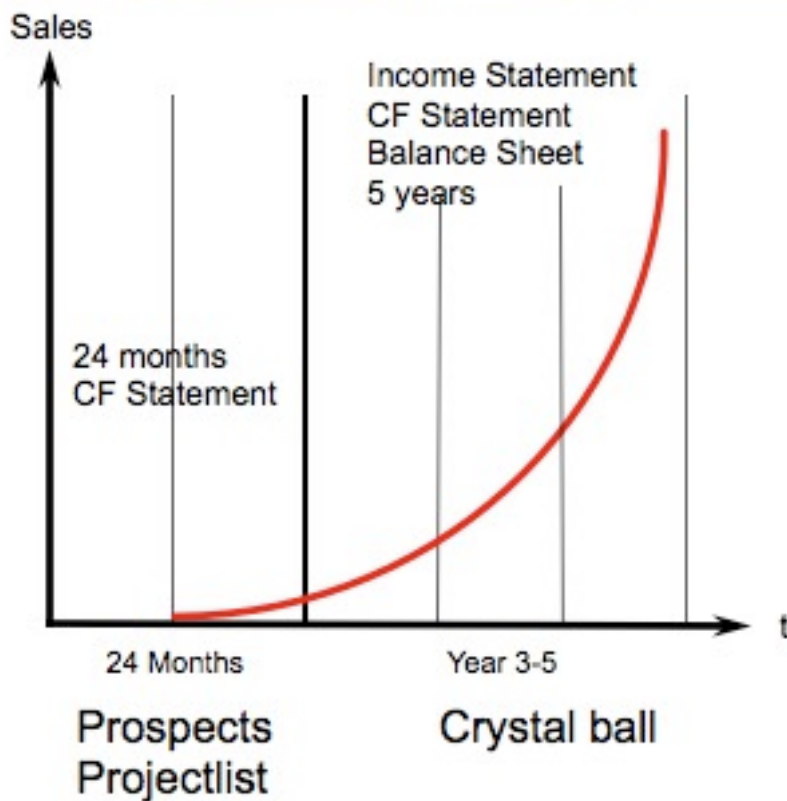
Would you invest
in this company?

Probably not!

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Prospects and Crystal ball



Freeze the plan
for 6 months, then
make a review!

Do a monthly
controlling,
focussed on
CASH!

Business Model

Sales Model

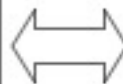
Product Mix (Offering)
Customers
Countries
Distribution Channels
Life cycle
Decision time
Frequency
Pricing & Quantity

=>> SALES

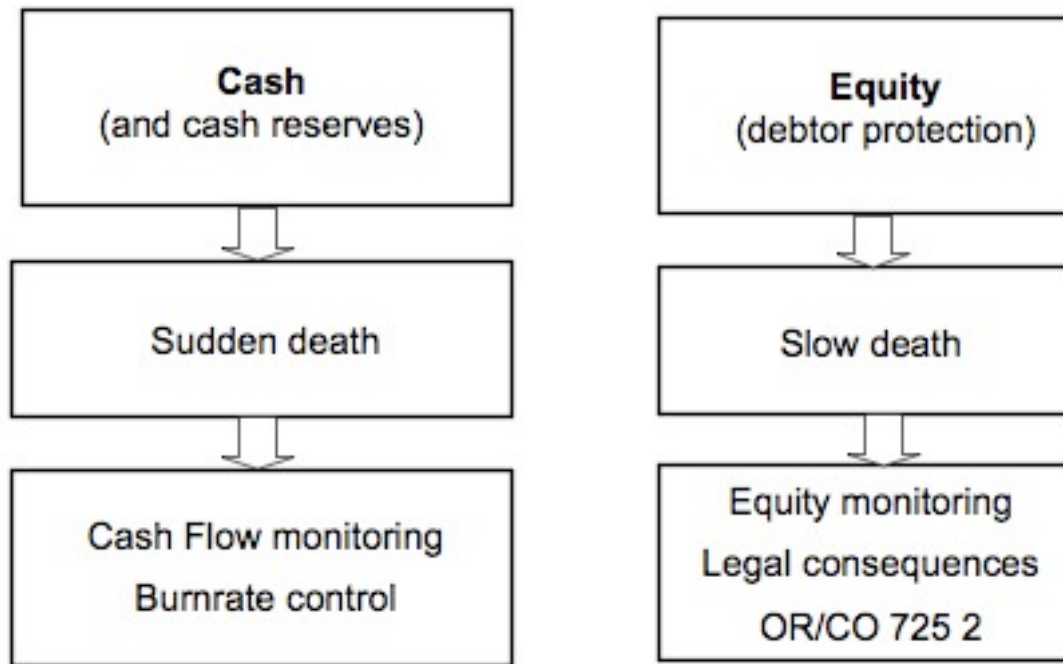
Resources Model

Suppliers
Pricing
Quantity
Production time
Time of storage
Inventory
Human resources
(for Production)

=>> COGS
Costs of Goods Sold



Decision Rules Financial Planning



OR / CO 725 tactics

Start with a high enough Equity for initial operations

- The company will need the money anyway
- Subordinate the loans, especially shareholder loans

Who could take action against your company?

- Pay your creditors, especially governmental debts (especially for Board Members)**
- Negotiation ahead of time with your creditors

Cash Flow Statement (the old way)

Cash Inflow

+ Cash inflow from receivables	300
+ Increase of debt (bank & loan)	150
+ <u>Increase in paid in capital (equity)</u>	100
Total Cash Inflow	550

Cash Outflow

- Cash outflow from payables (suppliers)	-100
- Salaries (incl. social costs)	-200
- Rent, Interests and Taxes	-50
- <u>Investments in fixed assets (CAPEX)</u>	-150
Total Cash Outflow	-500

CHANGE IN CASH **+50**

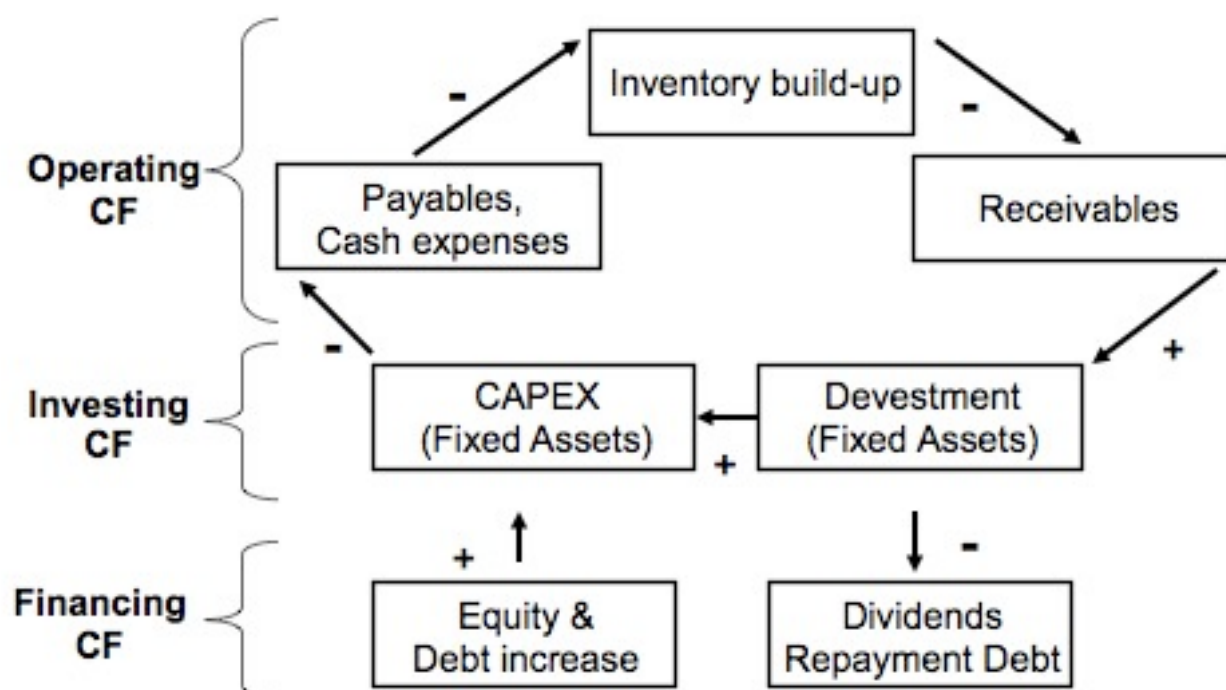
1.1. Cash status	40
31.12. Cash status	90

Information Value?

Limited to the
Change in CASH!

But no explanation
why?

Cash Cycle and state of the art structure



Cash Flow Statement (the modern way)

+ Cash inflow from receivables	300	
- Cash outflow from payables (suppliers)	-100	
- Salaries (incl. social costs)	-200	
- <u>Rent, Interests and Taxes</u>	-50	
Cash Flow from operations (direct)	-50	CASH DRAIN
- <u>Investments in fixed assets (CAPEX)</u>	-150	
Cash Flow from investments	-150	
CAPITAL NEED / Free Cash Flow	-200	
+ Increase of debt (bank & loan)	150	
+ <u>Increase in paid in capital (equity)</u>	100	
Cash Flow from financing	250	
CHANGE IN CASH	+50	
1.1. Cash status	40	
31.12. Cash status	90 (Burnrate)	

Information
Value?

Shows the origins
of the Change in
Cash.

Shows the cash
break-even and
the capital need!

Burn Rate

To be calculated on a monthly basis, with the following assumptions:

- no cash-in from customers
- all cash-out for suppliers
- Salaries of all FTE, including social costs
- Rent and Leases
- Interest and Taxes
- other fixed cash-costs (telecom, traveling etc)

If you divide the CASH at hand with this figure, you will find out, how many months your company can survive without any cash-inflow from sales!

6-12 months would just be great (financing round takes time!)

How to save CASH?

- Leasing to be preferred (pay as you earn)
- Fly economy
- Buy second hand furniture (or IKEA)
- Buy second hand equipment
- Tight control on receivables and payables
 - negotiate payment terms, upfront from customers
 - Deferred payment to suppliers
 - Success fees (consulting)
- Reduce inventory level
- Flexible work force (freelancer/mandates to start with)
- Low fixed salaries, short notice, partly kept as loan

Result

Capital Need

Use of Funds

Understand the Key Figures:

- Sale
- Net Profit (avoid EBIT, EBITDA and more)
- Capital Need (Free Cash Flow)
- Number of employees

Summary

Start the process early

Have several scenarios

Document the assumptions behind the figures

Freeze the plan for some time (self-fulfilling plan)

Thank you



Schweizerische Eidgenossenschaft
Confédération suisse
Confederazione Svizzera
Confederaziun svizra

Innovation Promotion Agency CTI

Thanks for your attention.

Happy to take your questions.

Bibliography

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Herve Lebreton: What we may still learn from Silicon Valley
McKinsey & Company, Planen, gründen, wachsen, 3. Auflage
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Guy Kawasaki, The Art of the Start, 2004
Obligationenrecht / Code des Obligations (OR/CO)

Links:

<http://edcorner.stanford.edu/index.html>