

New Ventures BC

April 13, 2019

Financial Modeling 101

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BCIC new VENTURES
COMPETITION

My Background:

CPA- Deloitte- Vancouver, PWC- Silicon Valley

Seed Tech CFO/Advisor/Investor 20+ years

- LumiCyte, Med Biogene, BC Advantage Funds, Bootup Labs
- Quickmobile (acquired by Cvent), Medicenna (MDNA),
- Mazza Innovation (acquired by Sensient), MetaOptima
- Solution Financial (SFI), Sernova (SVA), Backstageplay (BSP)
- 20 + others as advisor/investor



About Tandem:

Contracted Network of 67 Investors/Advisor/Entrepreneurs with diverse backgrounds in Finance,

Outsourced back office services- Bookkeeping/Compliance

Some tips for the NVBC...

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- ▶ NVBC is a great experience- focus on learning a lot
- ▶ Don't worry about winning- It is just a nice bonus!
- ▶ Get a good editor and keep it clear and professional
- ▶ Be realistic
- ▶ Be a confident thought leader
- ▶ Tell an interesting story
- ▶ Don't underestimate the importance of services
- ▶ Don't be afraid to ask for help

BC Tech Model

1. Incorporate - simple reverse vesting common shares for founder teams
2. Raise your first \$25k from friends and family
3. Get good at expense reporting (separate Self from Inc.)
4. Register immediately to get your GST back!
5. Build real SR&ED and optimize Proxy rules

BC Tech Model

6. Register as an EBC (30% incentive for BC angel investors)
7. Leverage the NRC-IRAP, NSERC, etc.
8. Angel circuit- links to customers and maybe even \$
9. Find customers who will help build your product
10. Build partnerships and networks early

Financial Statements

What to include? (Historic + 3-5 years “Projections”)

What will my business look like in the future if you invest today?

(GAAP- Generally Accepted Accounting Principles)

Unaudited, Prepared by Management

- ▶ Statement of Operations: Profit and Loss
- ▶ Statement of Financial Position: Assets, Liabilities & Equity
- ▶ Statement of Cash flows

Key Terms

GAAP (IFRS) and Non-GAAP KPI's (Key Performance Indicators)

Understand "Revenue" versus "Sales"

Burn Rate – the net cash expenditures per month

Spend Rate- the gross cash expenditures per month

Runway - the number of months left until you run out of cash

EBITDA- Earnings before Interest, Tax, Depreciation and Amortization
(approximates the Burn)

Post-Money Value (fully diluted) (Calculate this first)

Pre-Money Value (fully diluted) (subtract funds raised plus exercise cash)

Financial Modeling

Keep it Simple!

- If you can't build your business in excel... good luck building it for real!
- Your Model should walk an investor through your “Sales to Revenues” numbers
- Numbers instrumental in telling the story
- Believable... test using your network
- Test the angel networks and VC's
- Costs should focus on R&D and S&M

Business Modeling

Answer the simple stuff (Traditional Model):

- Who's going to buy what you're selling?
- What price are you going to charge?
- How does this compare to competitors?
- When does the sale, cash, revenue happen?
- Customer acquisition costs (CAC)?
- Customer support costs?

Business Modeling

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Understand Sales (Traditional Model):

- Leads – Opportunities – Proposals – Contracts
- Backlog – Delivery - Invoicing
- Invoicing – Collections - Satisfaction
- Customer Sat – Churn – Recurring/Repeat
- Renewal rates – Lifetime Value – Exit Value

Business Modeling

Business Model (Eyeballs/Traction Model):

- Who's going to visit your site and why?
- How fast is this going to grow?
- How does this compare to competitors?
- Cost structuring for rapid growth?
- Customer support costs?
- When do you get bought and by whom?

Opportunity Analysis

- ▶ Calculate the Size of your Target Market
 - ▶ Everyone has a billion \$ opportunity – prove it
- ▶ “Story to Market Take” Ratio
 - ▶ 5-10% of Target Market
- ▶ Rate of Growth Analysis
 - ▶ Key metrics- customer acquisition costs (CAC)
- ▶ Valuation Analysis- Support your value
 - ▶ Discounted cash flows 5x or 20% NPV (Risk)
 - ▶ Sum of the Parts
 - ▶ Team, Tech, Opportunity and Metrics

What should my Financial Projections look like?

- ▶ Find a Comparative Public Company- SEDAR.com and EDGAR (sec.gov)
- ▶ Find your kPI's Key financial and operating metrics and build business processes that focus on improving these metrics.
- ▶ Google- there are lots of great examples- ie. SAAS Metrics/Retail Metrics, etc.

Use numbers to tell your story

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- ▶ Simple Opportunity Metrics- SFI/MetaOptima
- ▶ Simple Value Metrics- Junior Resource/ BioTech

Concluding Remarks

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- ▶ New Ventures- Listen and learn
- ▶ Relaunching QCDocs- Paperwork.ai (Looking for Beta Clients)!
 - Email me- sean@tandemig.com
- ▶ Come out to our next monthly Vantec Event!
 - May 8th (Wednesday) @ 12:30pm – 5pm at SFU Labs
- ▶ Good luck everyone!