

Entrepreneurship

Lecture #6

Finance & Forecasting



Company Valuation Review

■ What is your company worth TODAY?

- Assets
- Comparables
- NPV (net present value) of Future Value
- What the market will bear
- Less than tomorrow
- Stage of company (risk)

■ A simple equation (sort of)

- # Shares x Price = Valuation

■ Defendable

■ Pre- and Post- Money Valuations



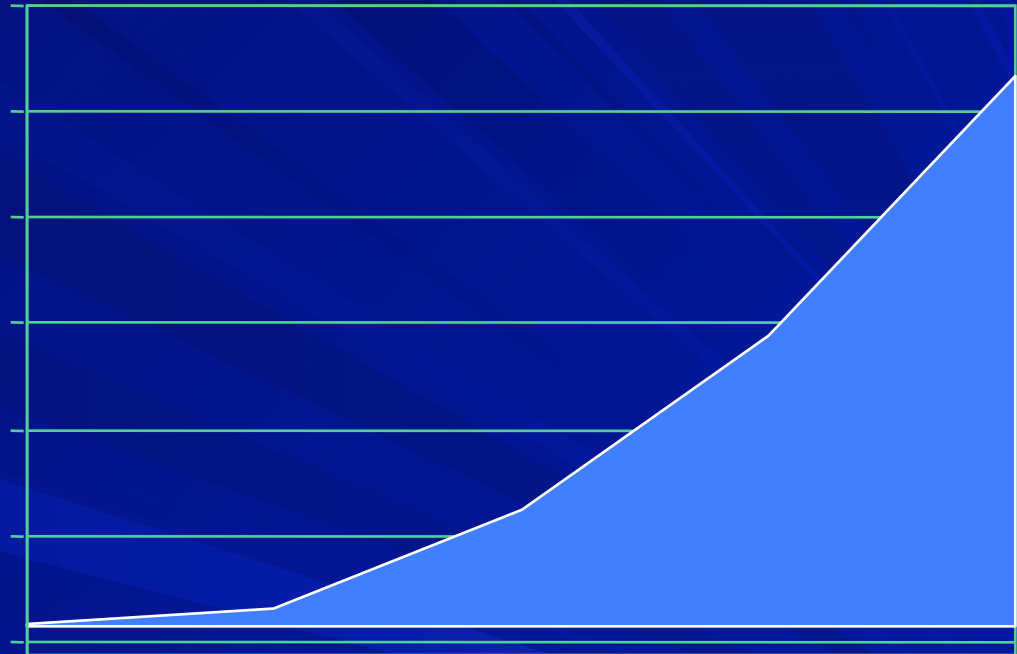
Finance & Forecasting Basics

- Revenues
- Expenses
- Capital Expenditures
- Cash Flow

Finance & Forecasting Revenues

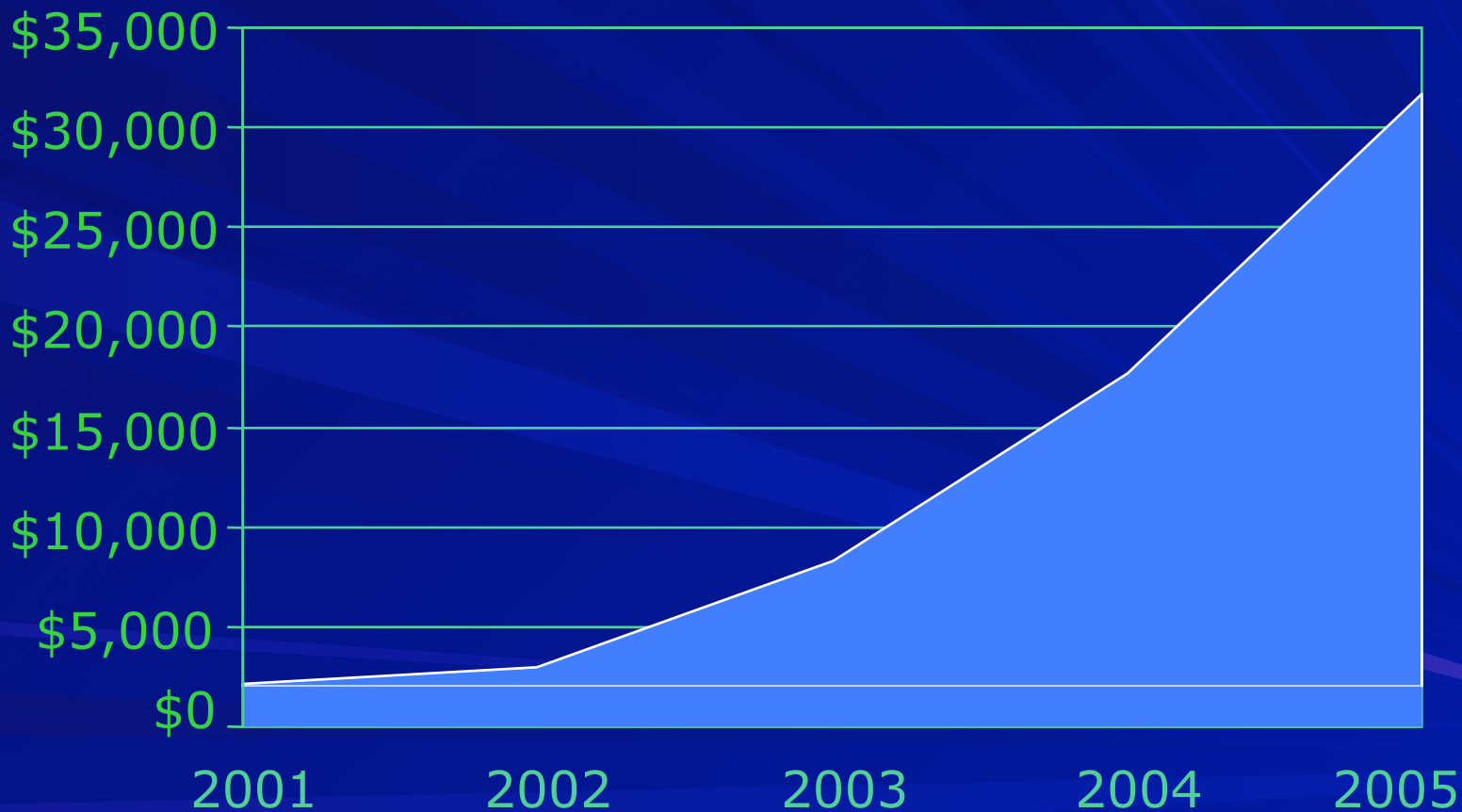
■ Revenues

- By product
- By customers
- Initial revenues
- Growth rates
 - Realism
 - Rules of thumb
- Bookings, sales, revenues, CASH
 - Revenue Recognition



Company Forecast

Total Revenues (x000)



Finance & Forecasting Expenses

■ Cost of Goods Sold (COGS)

- Discounting
- Product vs. Service Industry
- GROSS PROFIT, GROSS MARGIN
 - #'s and %

■ Expenses

- # Employees is the key number (75% dependent upon this number)
- See handout

Finance & Forecasting

Capital Exp. & Cash Flow

- Capital Expenditures
 - Furniture, computers, automobiles, building, etc.
 - Cash
 - Depreciation
 - Leasing, borrowing
- Cash Flow
 - CASH is KING

Finance & Forecasting

Forecasts, Charts, etc.

■ Requirements

- Income Statement

 - Operating

 - Accounting

- Balance Sheet

- Cash Flow Statement

 - (generally not required)

- Charts

 - Summaries

 - Exec Summary, Financing Section, Appendix

 - Graphs

 - Revenues, expenses, whatever else is a KEY VARIABLE

- Scenarios (Best, worst, expected)

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KEYS

- Optimism
- Realism
- Backup data
- Consistency
 - Assumptions
 - Forecasts, funding requirements, valuations, etc.