Building Financial Models

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Today’s sessions with your mentors

Implementation and Financing Consultations

Competitor analysis on your idea

Research and document the possible market size and scalability of your ideas

Is it financially viable?
Financial Models

Why do we do them?

How can they be used?

What do the judges look for?
Financial Modelling

- Document the rationale for the key assumptions
- Prepare a base case scenario using the most likely key assumptions
- First 12 months is detailed, subsequent 2-4 years less detailed
- Test the sensitivity of key assumptions e.g., growth; price sensitivity; FX
- Run scenarios based on variations to the key assumptions
- Calculate Net Present Value and Payback on each of the above scenarios
- Provide a financial perspective of the business
Best Practice

Separate worksheets for:

✓ Contents (with links to other worksheets);
✓ Executive Summary;
✓ Assumptions;
✓ Sensitivity Analysis on key assumptions;
✓ 3-5 year projected Profit & Loss;
✓ 3-5 year projected Balance Sheet;
✓ 3-5 year Cash Flow projections.
Business Plan Assessment Criteria

1. Quality of the idea – 25% weighting

a) What problem does your offering solve?

b) What is your product or service offering and how does it work?

c) What is the market for this idea?

d) What is your unique value proposition and why does your offering solve the problem better than its potential competitors?

e) Can the associated intellectual property be protected?
Business Plan Assessment Criteria

2. Implementation of the idea in a business context - 25% weighting

a) How will you market the offer?

b) What is the intended manufacturing or service delivery process?

c) How will it be distributed or provided?

d) Is there any environmental impact associated with the product or service?

e) What are the key strengths/weaknesses of the team proposing the idea?
Business Plan Assessment Criteria

3. The investment (from a potential investor's point of view, would I put my money into this?) - 50% weighting

a) How much investment is required?

b) How will your business make money?

c) What return on investment is forecast?

d) How long will it take to pay back the investment?

e) What are the key risks as you see them and how do you intend to mitigate against those risks?
Business Plan - max 10 pages

✓ Executive Summary
✓ Overview: the problem and solution
✓ Key details of about the product or service
✓ Market Analysis
✓ Marketing Strategy
✓ Financial Plan – including investment required and expected return
✓ Management/Personnel Summary
Appendices - max 10 pages

- Start-up costs
- Projected sales
- Personnel plan
- Start-up funding
- Projected profit and loss statement
- Projected balance sheet
- Projected cash flow statement
Financial Templates

• **Start-up costing** A start-up costing sheet can help determine how much money you need to start.

• **Cash flow statement** A cash flow statement tracks all the money flowing in and out of your business and can reveal payment cycles or seasonal trends that require additional cash to cover payments.

• **Profit and loss statement** A profit and loss or income statement lists your sales and expenses and helps you work out how much real profit you're making.

• **Balance sheet** A balance sheet is a snapshot of your business on a particular date. It lists all of your business' assets and liabilities and works out your net assets.

• **Financial calculators** Use this template to calculate your key financial ratios and help you analyse the financial health of your business.

• **Glossary of key financial terms** Find definitions for financial terms that you may come across when you are dealing with accountants and financial institutions, or while running your business.

Financial Templates

Google “business plan excel template” to search for useful sites such as:

http://www.spreadsheet123.com/ExcelTemplates/financial-plan-projection.html for a standard five year financial projection


Business Plan

Great Idea → Make Plan

No? Makes Sense?

Yes! Success!