Financial projections

Raising Capital

Tips & Tricks

The Fundraising Process

STRIDE

Setting the scene

What are financial projections?

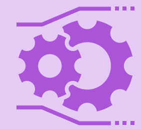
- Financial projections are the materials and process used when **forecasting how your company's financials will develop** in the future, often the next 3-5 years
- The model that computes and showcase this forecast is often referred to as the **financial model**. Its **purpose is to support decision-making**, either for internal or external actors

What is the importance for fundraising?

- **Investors are investing into your future** – and the financial model shows them whether you can **reasonably quantify the attractiveness of your business going forward**
- Ultimately, the model helps investors **assess your ability to generate a return** for them, which is the primary factor in investment decisions
- Getting a well-argumented view on your future financials that is **linked to your strategy and business plan** puts you in a better position in investor dialogues

Getting started on your financial projections

Get started by drawing a strawman | Start by "drawing" a strawman of the financial model that reflects your business model and decide on the granularity of the financial projections, e.g. revenue and costs by geography and/or business area vs on Group level



Define a clear model structure | Make the structure of the model as intuitive and clear as possible with input sheets (historical financials and relevant KPIs), assumptions (time dependent or static), calculation sheets and output sheets. Clearly highlight which cells are for input and output

Don't overdo it | Find a complexity level of the financial model suiting your company maturity and investor expectations. It is ok to not include everything in the model and leave out potential upsides (remember to highlight these in the marketing materials)

Choose the right model drivers | Choose the right KPIs to drive the forecast. Understand what drives the specific line items and what can meaningfully be modelled. Remember to support your anticipated future development of the model drivers with supporting historical data

Best practices to build credibility with investors

Make the model dynamic and user-friendly | Make sure the model is as dynamic as possible to easily being able to update, change assumptions, build different cases and handover to investors. A model that is easy to understand and use by investors fastens the process and builds credibility

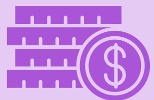
Trust is key | Finding the golden ratio between conservative assumptions and showcasing the potential of your business is key. Put yourself in a situation where you can substantiate and believe strongly in all the assumptions in the model

Save your rationale behind the assumptions | Write down in a document the rationale behind all your forecast assumptions. It is always preferred to include and reference historical numbers. It makes it easier for you to forecast and for an investor to understand the assumed levels

Test financial robustness and investor return | Test that the case you present to investors is favourable from their point of view and that your business case is robust – showcase sensitivities to the key cash flow drivers in the model

Sense-checking the cash flow implications

Long-term funding strategy and funding need | Make sure that your financial model is aligned with your view on long-term funding strategy and funding need – when does your projections imply that you need to raise money again?



Ensure a sufficient run-rate | Ensure you have a solid run-rate after the anticipated cap raise (min. 12 months) and that you have a view on your long-term funding need

Get a clear view on use of proceeds | Ideally you should be able to clearly see the use of proceeds from your modelling work. Ensure that the split is aligned with what you anticipate and can be presented to investors

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