Study Guide

HOW TO BUILD A VENTURE CAPITAL PITCH DECK

Lesson 11: Show Your Operating Plan

WHY IS THIS SLIDE IMPORTANT?

- Finance is a common language that you need to use to speak to VCs and future investors.
- You need to show what you'll do with the funding you're raising.
- You need to show where you are right now, and connect that with where you'll be in the near future with the funding you receive.
- Make all the points line up so the VCs can connect the dots from your historical information to your future state.
- Show them you're aiming for size – remember, VCs want to see 10x-100x return!

WHAT STAGE COMPANIES NEED AN OPERATING PLAN?

- All of them.
- Financial models are not an operating plan – operating plans cover additional key performance indicators (KPIs) that are critical to your fundraise.
- The KPIs prove to the VCs that you know your industry.

SHOW THE VCS THE NUMBERS

- Review how much capital you'll need, and describe what you will do with that.
- Critical point: What will the company look like at the next funding round?
    - VCs will want to make sure you'll have the metrics you need to raise the next round
- Show that you have a good grasp of the financial implications of your business model.
- Lay out the milestones you plan to achieve before the next funding round.
- Match your sales and marketing spend with any growth or traction that you've presented.The strategy you've discussed needs to line up with your spending!

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KRUZE® Accounting, Finance, Tax & HR for Startups

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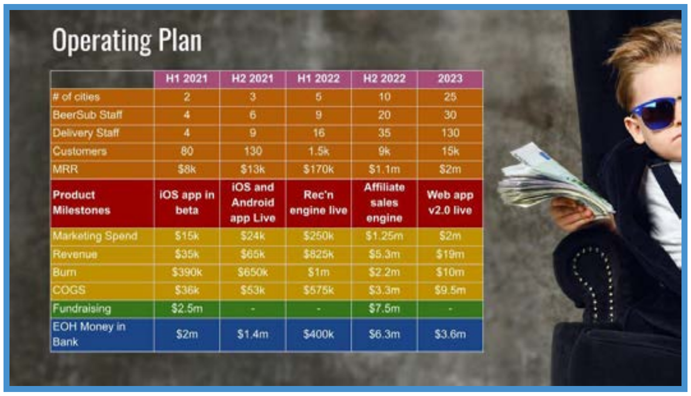
Operating Plan

	H1 2021	H2 2021	H1 2022	H2 2022	2023
# of cities	2	3	5	10	25
BeerSub Staff	4	6	9	20	30
Delivery Staff	4	9	16	35	130
Customers	80	130	1.5k	9k	15k
MRR	$8k	$13k	$170k	$1.1m	$2m
Product Milestones	**iOS app in beta**	**iOS and Android app Live**	**Rec'n engine live**	**Affiliate sales engine**	**Web app v2.0 live**
Marketing Spend	$15k	$24k	$250k	$1.25m	$2m
Revenue	$35k	$65k	$825k	$5.3m	$19m
Burn	$390k	$650k	$1m	$2.2m	$10m
COGS	$36k	$53k	$575k	$3.3m	$9.5m
Fundraising	$2.5m	-	-	$7.5m	-
EOH Money in Bank	$2m	$1.4m	$400k	$6.3m	$3.6m

BUILD YOUR PLAN

- Work backward from your next fundraise: What does your startup need to look like at the next fundraising round to attract more investment? Every industry will have different metrics, but for most startups, revenue (growth rate and size) is a critical metric.
    - Find this information by researching similar companies and figure out what they looked like at each round. A financial advisor like Kruze Consulting can help you find that information.
    - The model will differ by industry – biotech, hardware, SaaS, and other segments have different trajectories.
- Review your pricing and sales cycle – will customers pay your price, how often will they churn, how many deals per month can sales close?
- Include your hiring plan with numbers: Who will you hire, when will you hire, and how much do they cost?
- Review your product milestones, including product launches, version releases, and other product activities.
- Make sure your hiring plan matches your milestones.
- Know your cash out (zero cash) date. You don't have to include it but you should know when your funding will run out.
- Know what your revenue will look like when you reach the next fundraise.

WATCH FOR THESE PITFALLS

- Numbers need to match – if you show a 10x increase in customers but only 2x increase in marketing spend, you need to explain the efficiency.
- Make hiring goals realistic. You can't double staff the day after you fundraise.
- Revenue growth should match goals, BUT not be too conservative to attract investment.
- Sales growth needs to match your plan, and you need to note the expense – advertising means marketing expenses, or direct sales means employee expenses.
- Using KPIs that don't drive revenue. Examples of wrong KPIs include things like page views without conversion, news coverage, social media followers, or internal KPIs like hiring stats.
- Not budgeting the full cost of employees, including benefits.

SUMMARY

- Your operating plan should show that you know how much money you're raising, why you're raising that amount, and the milestones and goals you plan to reach with those funds before your next fundraise.
- You want to demonstrate to venture capitalists that you have a plan, you know your metrics, and you're going to be a responsible steward for the funds you're requesting.

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