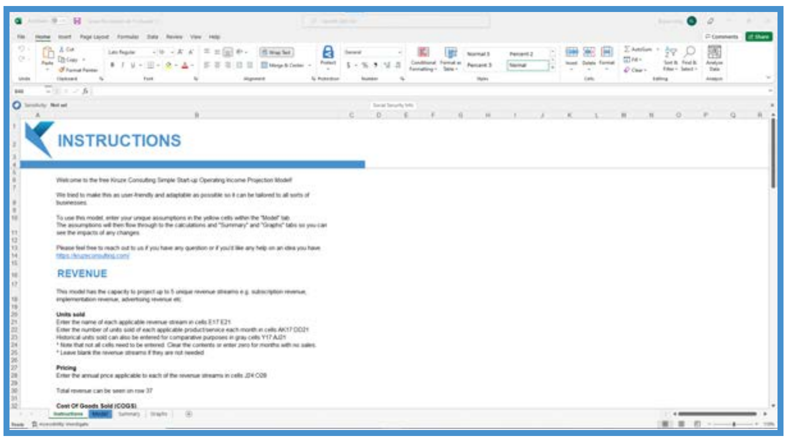
Study Guide

HOW TO BUILD A VENTURE CAPITAL PITCH DECK

Lesson 13: Building a Financial Model

WHY IS THIS IMPORTANT?

- The goal is to get a VC interested enough to start due diligence.
- The model helps to sell the business - and you.
- You'll show that your startup is going to get big enough to interest investors.
- The financial model feeds into your business strategy.
- The model discussion is a chance to find out what metrics the VC thinks matter.



USING THE MODEL TEMPLATE

- Download the Simple Startup Projection Model template at https://kruzeconsulting.com/uploads/kruze-pitch-deck-financial-model.xlsx

USE THE MODEL TEMPLATE TO FOLLOW ALONG WITH THE VIDEO OVERVIEW. NOTES:

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AVOID THESE PITFALLS

- Ridiculously high profitability: Check your expenses – they should grow as your company grows.
- Very conservative financial projections. You need to be big enough to interest VC investors.
- Revenue that grows too quickly.
- Ignoring direct costs, like cost of goods sold, server costs, subscriptions, and other costs of delivering your product.
- Forgetting the cost of benefits and payroll taxes.
- Overlooking working capital – you need enough cash on hand to meet regular expenses. Delays in payment, deferred revenue, and goods carried in inventory reduce your cash on hand.
- Too much detail - keep investors from getting bogged down in minutia, you want them focused on the strategy and vision, not tiny random expenses.

SUMMARY

- Use the model to sell your vision and strategy.
- Experienced investors are going to carefully examine what you look like at the next fundraise, so make sure you know what metrics you need to raise the next round, and have that trajectory in the model.
- For some investors the model will matter a lot, for others it is less important - read the room and adapt your pitch as needed.

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