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Forecasts and Financial Presentation

Forecasts or Projections are the steak to the Business Plan's sizzle...with the basic and not so basic facts and assumptions. Business Plans often fail in their objective to raise capital because their Forecasts are viewed as insufficient, incomplete, unprofessional, and/or lacking in detailed notes and supporting information for assumptions of revenue and expenses.

We are frequently asked by clients to complete Forecasts and related Exhibits only, with the clients developing their own Business Plans. When we receive a "tight and concise plan," we can focus on providing related Sections of the Business Plan for Forecasts inserted in a summary format, with attached detailed forecasts, Sources and Uses of Funds, and other custom financial analysis.

It is imperative that an Executive Summary contain inserted summary charts for Forecasts and Uses and related detailed narrative in the Business Plan and detailed Forecasts and supporting documents like Marketing Budget or Market Penetration Analysis as Exhibits.

Senior Executives and Senior Vice Presidents at both larger financial institutions and private investors typically prefer financial summary presentations. When they are interested, they then want their analysts or advisors to see the detail.

Excel is the most universal software for Forecasts, with formulas often tied to various worksheets like cumulative cash flow by month until the break-even point is reached, which is then a single line item in the Sources and Uses of Funds Schedule.

Forecasts or Projections

These are the types of Forecasts most lenders, investors, and grant sources expect:

- ◆ **Annual Summary Forecasts**, typically for Five Years
- ◆ **Detailed Forecasts** are completed on an accrual month-to-month basis to establish cash flow requirements and to determine which month startup companies or expanding companies with new business lines will reach "break even" and become profitable. Often, two years are sufficient.
- ◆ Both the Annual Summary Forecasts and Detailed Forecasts need **Footnotes** in a separate Worksheet that can usually support each with easy to understand notes and references for virtually all income or expense assumptions. Do you think your lender wants to guess the source of an assumption? Should he assume you are right? Keep in mind the definition of "assume": When you do, you make an "ass" of "u" and "me." As the old idiom goes. Lenders and investors like answers, not questions or assumptions without a detailed explanation or source.

- ◆ **Cash Flow Analysis** - Needed as an alternative or in addition to Detailed Forecasts that are completed on an accrual basis to address issues like the timing of receipt of AR.
- ◆ **Sources and Uses of Funds** – Typically this 1-2 page worksheet includes the financial projections, allowing the working capital to be calculated within the detailed forecasts.
- ◆ **Marketing Budget** – The marketing budget is often a critical and substantive portion of the Sources and Uses of Funds and Business Plan and, therefore, should be a standalone worksheet that closely tracks narrative within Section(s) of the Business Plan.
- ◆ **Schedules and Charts for Key Assumptions** – Some items, like Market Penetration or Costs of Products need stand alone schedules in the Forecasts and/or the Business Plan. We know the “what, when, where, why and how” to add these added schedules to meet your needs and goals.

Financial Presentation

Detailed Footnotes to Forecasts are just part of the “financial story,” usually left for an analyst or advisor to review. Senior Executives and Private Investors also expect, and often only review, the concise narrative and summary forecast and Uses that are within the Executive Summary or the Business Plan.

Many private or angel investors think more in words and numbers, and your Executive Summary and Business Plan need concise narrative that ties to Forecasts and Uses. Developing Synergies between words and numbers is an area where we excel...*in Excel or in Word!*